

August 23, 2017

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. RR17-____-000
Request for Acceptance of 2018 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 2018 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 2018 budgets.

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 15, 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 15 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

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ATTACHMENTS

Attachment 1: Summary tables showing NERC’s proposed 2018 budget; the proposed 2018 budget for statutory activities of each Regional Entity; and the 2018 U.S. ERO statutory assessments of NERC and the Regional Entities.

Attachment 2: NERC’s Proposed 2018 Business Plan and Budget

Attachment 3: Florida Reliability Coordinating Council Proposed 2018 Business Plan and Budget

Attachment 4: Midwest Reliability Organization Proposed 2018 Business Plan and Budget

Attachment 5: Northeast Power Coordinating Council, Inc. Proposed 2018 Business Plan and Budget

Attachment 6: ReliabilityFirst Corporation Proposed 2018 Business Plan and Budget

Attachment 7: SERC Reliability Corporation Proposed 2018 Business Plan and Budget

Attachment 8: Southwest Power Pool Regional Entity Proposed 2018 Business Plan and Budget

Attachment 9: Texas Reliability Entity Proposed 2018 Business Plan and Budget

Attachment 10: Western Electricity Coordinating Council Proposed 2018 Business Plan and Budget

Attachment 11: Western Interconnection Regional Advisory Body Proposed 2018 Business Plan and Budget

Attachment 12: Discussion of Comments Received During Development of NERC's 2018 Business Plan and Budget.

Attachment 13: Calculation of Adjustments to the AESO 2018 NERC Assessment, the IESO 2018 NERC Assessment, the New Brunswick 2018 NERC Assessment and the Québec 2018 NERC Assessment.

Attachment 14: Metrics Comparing Regional Entity Operations Based on the 2018 Budgets

Attachment 15: Metrics on NERC and Regional Entity Administrative (Indirect) Costs Based on the 2017 and 2018 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, 2018;
- (2) the proposed Business Plans and Budgets for the year ending December 31, 2018, 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 Business Plan and Budget of the Western Interconnection Regional Advisory Body (WIRAB) for activities under §215(j) of the Federal Power Act (FPA) for the year ending December 31, 2018; and
- (4) NERC's proposed allocation of the proposed ERO statutory assessment of NERC, the Regional Entities, 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 2018 budget by program, (ii) the proposed 2018 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 2018 Business Plan and Budget and the allocation of assessments by Region and LSE to recover the resulting statutory funding requirements for 2018 (as well as the assessments to recover the statutory funding requirements of the Regional Entities and WIRAB).

Attachments 3 through 11 contain the detailed 2018 Business Plans and Budgets of, respectively, FRCC, MRO, NPCC, ReliabilityFirst, SERC, SPP RE, Texas RE, WECC, and WIRAB.

Attachment 12 describes how comments submitted by interested entities on posted drafts of NERC's 2018 Business Plan and Budget during the budgeting process were addressed in developing the final 2018 Business Plan and Budget.

Attachment 13 contains the calculation of the adjustment to the Alberta Electric System Operator (AESO) 2018 NERC assessment, the adjustment to the Ontario Independent Electric System Operator (IESO) 2018 NERC assessment, the adjustment to the New

Brunswick 2018 NERC assessment, and the adjustment to the Québec 2018 NERC assessment, for credits for certain NERC Compliance Program and Event Analysis and Situation Awareness Program costs.

Attachment 14 provides metrics, based on the 2018 budgets, comparing Regional Entity operations.

Attachment 15 contains metrics, based on the 2017 and 2018 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 at least 130 days before the beginning of the ERO's fiscal year. NERC's 2018 fiscal year will begin January 1, 2018. 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, 2017, accepting the proposed Business Plans and Budgets and approving the assessments submitted in this filing.¹ Entry of the Commission's order by November 2, 2017 will enable billings to be issued to the LSEs or their designees for assessments with initial payment dates commencing on or about January 1, 2018, to support the activities of NERC, the Regional Entities, and WIRAB.

II. NOTICES AND COMMUNICATIONS

Notices and communications concerning this filing may be addressed to:

¹18 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."

Gerald W. Cauley
President and Chief Executive Officer
Scott Jones
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
(404) 446-9765 – facsimile

*Persons to be included on the
Commission’s official service list are
identified by an asterisk.

Charles A. Berardesco*
Senior Vice President and General Counsel
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

Owen E. MacBride*
Schiff Hardin LLP
233 South Wacker Drive, Suite 7100
Chicago, IL 60606
(312) 258-5680
(312) 258-5600 – facsimile
omacbride@schiffhardin.com

III. OVERVIEW OF PROPOSED BUDGETS AND FUNDING REQUIREMENTS

A. Development of the 2018 Business Plans and Budgets

NERC prepared its 2018 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 Finance and Audit Committee (FAC) of the NERC Board, as well as by stakeholders. The process began with development and approval of the *2017-2020 ERO Enterprise Strategic Plan and Metrics*, which provides the foundation for development of the NERC and Regional Entity 2018 business plans and budgets and 2019-2020 budget projections.² During the business plan and budget development process, successive versions of the 2018 NERC and Regional Entity business plans and budgets were discussed in public meetings and conference calls of the FAC and of the full NERC Board, in each case with opportunities for stakeholders to make comments. Throughout the development of its 2018 Business Plan and Budget, NERC management also held a number of conference calls with a

² NERC uses the term “ERO Enterprise” to refer to NERC and the eight Regional Entities.

Business Plan and Budget Input Group formed by the NERC Member Representatives Committee (MRC). The following list highlights important steps in the preparation of the NERC and Regional Entity 2018 Business Plans and Budgets. Activities relating to stakeholder review of the WIRAB 2018 Business Plan and Budget are also noted.

- On July 13, 2016, the NERC Board requested policy input from the MRC on the draft *2017-2020 ERO Enterprise Strategic Plan and Metrics*. Responses with policy input were requested by August 3, 2016.
- On July 13, 2016, an informational session was held with the MRC which included a discussion of the draft *2017-2020 ERO Enterprise Strategic Plan and Metrics*.
- The August 10, 2016 MRC meeting included a review of the draft *2017-2020 ERO Enterprise Strategic Plan and Metrics*.
- On September 27, 2016, the NERC Board requested policy input from the MRC on a revised draft *2017-2020 ERO Enterprise Strategic Plan and Metrics*. Responses with policy input were requested by October 18, 2016.
- On October 4, 2016, an informational session was held with the MRC which included a discussion of the revised draft *2017-2020 ERO Enterprise Strategic Plan and Metrics*.
- The October 27, 2016 FAC meeting included a review of the 2018 business plan and budget preparation schedule.
- The November 1, 2016 MRC meeting included a review of the draft *2017-2020 ERO Enterprise Strategic Plan and Metrics*.
- On November 2, 2016, the NERC Board approved the *2017-2020 ERO Enterprise Strategic Plan and Metrics*.
- On November 7, 2016, a conference call was held with the MRC Business Plan and Budget Input Group.
- On December 13, 2016, another conference call was held with the MRC Business Plan and Budget Input Group.
- During the fourth quarter of 2016 and early in the first quarter of 2017, the ERO Executive Management Group, comprised of NERC and Regional Entity chief executives or equivalents, and the ERO Finance Group, comprised of senior Finance and Accounting management personnel of NERC and the Regional Entities, met to review strategic goals and objectives for 2018.
- From October 2016 through February 2017, NERC and the Regional Entities worked

collaboratively to develop and finalize common planning assumptions for 2018-2020 and key focus areas for their respective business plans and budgets.

- During the first five months of 2017, NERC and the Regional Entities worked collaboratively in the development of their 2018 business plans and budgets.
- On February 3, 2017, a conference call was held with the MRC Business Plan and Budget Input Group.
- During March and April 2017, the NERC program areas provided input to the NERC Finance and Accounting department on business plans and budget requirements for 2018.
- On March 13, 2017, a conference call was held with the MRC Business Plan and Budget Input Group.
- On April 18, 2017, quarterly meetings were held with interested trade associations and the MRC Business Plan and Budget Input Group, and included discussion of the NERC 2018 Business Plan and Budget.
- On April 18, 2017, the FAC and the Corporate Governance and Human Resources Committee (CGHRC) of the NERC Board met in closed session to review the personnel, benefits, contracts and other assumptions for the NERC 2018 Business Plan and Budget.
- In late April and early May, 2017, the Regional Entities submitted first drafts of their 2018 Business Plans and Budgets to NERC.
- The May 10, 2017 FAC meeting included a review of the first drafts of the NERC and Regional Entity 2018 business plans and budgets and the combined ERO Enterprise 2018 business plan and budget.
- On May 19, 2017, Draft #1 of the NERC 2018 Business Plan and Budget and a consolidated ERO Enterprise Business Plan and Budget overview, along with an overview document, were posted on the NERC Website for stakeholder review and comment. Notification of the posting (and of all subsequent postings) was sent by e-mail to a broad distribution list of interested persons and entities. Seven sets of written stakeholder comments were received during the comment period that ended June 30, 2017.³ These comments were posted on NERC's website.⁴
- Also on May 19, 2017, drafts of the Regional Entities' 2018 Business Plans and Budgets, along with an overview document for each Regional Entity Business Plan and Budget,

³ Comments were submitted by (1) Bonneville Power Administration, (2) the Canadian Electricity Association, (3) David Bardin, (4) the ISO-RTO Council, (5) the National Rural Electric Cooperative Association, (6) the Ontario Independent Electricity System Operator, and (7) the E-ISAC Member Executive Committee. On July 17, 2017, NERC posted on its website a management response to the comments. The response is provided in **Attachment 12** to this filing.

⁴ <http://www.nerc.com/gov/bot/FINANCE/Pages/2018-NERC-Business-Plan-and-Budget.aspx>.

were posted on the NERC website. The Regional Entity drafts were prepared using a common template that was similar to the common template used for the 2011 through 2017 NERC and Regional Entity Business Plans and Budgets.

- WIRAB's draft 2018 Business Plan and Budget was also posted for comment on the NERC website on May 19, 2017.
- During April and May, 2017, the Regional Entities posted drafts of their 2018 Business Plans and Budgets on their respective websites for review and comment by their stakeholders, in accordance with each Regional Entity's public review process. (See §V.A below for further discussion of the stakeholder review opportunities provided by each Regional Entity for its 2018 Business Plan and Budget.)
- On May 23, 2017, another conference call was held with the MRC Business Plan and Budget Input Group.
- On May 24, 2017, representatives of NERC, each of the Regional Entities, and WIRAB met with Commission budget staff to provide an overview of the drafts of their respective 2018 business plans and budgets.
- On May 25, 2017, a conference call and Webinar was held for stakeholders to review Draft #1 of the NERC and Regional Entity 2018 Business Plans and Budgets, the overall ERO Enterprise 2018 business plan and budget, and the WIRAB 2018 Business Plan and Budget. In this session, the Regional Entities and WIRAB made presentations concerning their 2018 business plans and budgets to the FAC.
- At various dates from late May to early July 2017, the Boards or other governing bodies of the Regional Entities and of WIRAB approved their respective proposed 2018 Business Plans and Budgets. The approved Regional Entity and WIRAB Business Plans and Budgets were submitted to NERC in late June and early July.
- On June 27, 2017, another conference call was held with the MRC Business Plan and Budget Input Group.
- On July 13, 2017, a closed call was held with the FAC to review personnel, contracts, and other assumptions in NERC's 2018 Business Plan and Budget.
- Also on July 13, 2017, NERC management again met with the MRC Business Plan and Budget Input Group and trade associations to discuss the comments received on Draft #1 of the NERC 2018 Business Plan and Budget and to provide a preview of the second draft. The meeting was conducted in a conference call format that allowed other MRC members and stakeholders to participate.
- On July 17, 2017, Draft #2 of the NERC 2018 Business Plan and Budget was posted on the NERC website. Any additional stakeholder comments were requested with a due date of July 27, 2017. No additional stakeholder comments were submitted on Draft #2.

- Also on July 17, 2017, the final versions of the Regional Entity and WIRAB 2018 business plans and budgets, as approved by their respective boards or other governing bodies, were posted on the NERC website.
- On July 20, 2017, a conference call and Webinar with the FAC and NERC management was held to review Draft #2 of NERC's 2018 Business Plan and Budget, the final Regional Entity and WIRAB 2018 business plans and budgets, and the consolidated ERO Enterprise 2018 Business Plan and Budget.
- On July 24, 2017, a conference call was held with the MRC Business Plan and Budget Input Group.
- On August 2, 2017, the final version of the NERC 2018 Business Plan and Budget and the proposed NERC and Regional Entity 2018 assessments, were posted on the NERC website for the upcoming MRC, FAC and NERC Board meetings.
- At the August 9, 2017 open meeting of the FAC, NERC management presented the final version of the 2018 Business Plan and Budget and solicited final comments and questions from the NERC Board and stakeholders. The FAC then recommended NERC Board approval of the 2018 business plans and budgets and associated statutory assessments for NERC, the Regional Entities and WIRAB.
- During the August 9, 2017 meeting of the MRC, an additional opportunity was provided to stakeholders for input and questions regarding the final 2018 business plans and budgets of NERC and the Regional Entities.
- At its August 10, 2017 meeting, the NERC Board approved the 2018 business plans and budgets and the proposed 2018 statutory assessments for NERC, the Regional Entities and WIRAB.

In summary, the processes followed by NERC and the Regional Entities to develop the proposed 2018 business plans and budgets were thorough, comprehensive, open and inclusive, involved significant input from NERC and Regional Entity management and financial and program area staffs, as well as iterative review and comment by the FAC, and provided numerous opportunities for stakeholder input and comment, including in particular from the MRC Business Plan and Budget Input Group, the full MRC, and trade associations.

B. NERC's 2018 Business Plan and Budget

1. Organization of NERC's Business Plan and Budget

NERC's 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 three departments:
 - Compliance Assurance
 - Compliance Analysis, Organization Registration and Certification
 - Compliance Enforcement
- Reliability Assessment and System Analysis (RASA)
- Reliability Risk Management (RRM); this program is comprised of three departments:
 - Situation Awareness
 - Event Analysis
 - Performance Analysis (PA)
- Electricity Information Sharing and Analysis Center (E-ISAC), including the Cyber Risk Information Sharing Program (CRISP)
- Training, Education, and Personnel 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. NERC’s statutory, or “direct,” programs are supported by its Administrative Services, or “indirect,” programs: Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology (IT), Human Resources (HR), and Finance and Accounting. The functions and activities of each statutory program and Administrative Services program are described in the individual sections on each program area in Section A and Exhibit B of **Attachment 2**.⁵

The information required by 18 C.F.R. §39.4(b) is contained in NERC’s 2018 Business Plan and Budget. The initial section of **Attachment 2**, About NERC, provides an overview of NERC’s organization, international relations, membership and governance, scope of oversight

⁵ Exhibit B to the 2018 Business Plan and Budget (**Attachment 2**) describes how the major activities in the 2018 Business Plan and Budget meet the Commission-approved criteria for determining whether a reliability activity is eligible to be funded under FPA §215. The Commission approved the FPA §215 criteria (with modifications to the criteria originally proposed by NERC) in *North American Electric Reliability Corporation, Order on Compliance*, 143 FERC ¶ 61,052 (2013) (*FPA §215 Criteria Order*).

responsibilities, delegated authorities to Regional Entities, the ERO Enterprise operating model, statutory and regulatory background, and source of funding.

The Introduction and Executive Summary summarizes NERC's total resource requirements for 2018 including total full-time equivalent employees (FTEs), statutory expenses, and required ERO funding assessments. It highlights NERC's strategic goals, objectives and performance metrics, its priorities and major activities for 2018, and the allocation of NERC's resources to the strategic goal areas, as well as the 2018 key business planning assumptions.⁶ The Introduction and Executive Summary describes the ongoing focus of NERC and the Regional Entities on controlling costs and making improvements to systems and processes to improve the efficiency of operations, including thorough collaborative development of ERO Enterprise IT investments by NERC and the Regional Entities, streamlining of compliance monitoring and enforcement processes and mechanisms, and reallocation of resources from areas requiring reduced attention (such as standards development) to areas requiring greater attention (such as cyber security).

The Introduction and Executive Summary then provides an overview of the principal resource requirements and other factors driving NERC's proposed 2018 budget and funding requirements, by major expenditure area, including staffing and personnel costs, meeting and travel expenses, and contract and consultant expenses. It also identifies the major components of NERC's proposed 2018 capital budget. The Introduction and Executive Summary describes the 2018 targets for NERC's Working Capital Reserve, the four categories of Operating Reserves, and the Assessment Stabilization Reserve. It presents NERC's overall Statement of Activities

⁶ A detailed statement of the Shared Business Plan and Budget Assumptions for 2018-2020 and Key Focus Areas for 2018 developed and used by NERC and the Regional Entities in developing the 2018 business plans and budgets and 2019-2020 budget projections is provided in Exhibit A to **Attachment 2**.

and Fixed Asset Expenditures, showing information from the 2017 budget, the 2017 projection (NERC's projection of 2017 year-end results), and the 2018 budget, and the variances between the 2017 projection and 2017 budget and between the 2018 budget and 2017 budget, for the major line item categories of Funding, Expenses and Fixed Assets expenditures and in total for NERC. The table on page 17 of **Attachment 2** shows the change in the 2018 total budget (including allocated Indirect Expenses) from the 2017 total budget for each NERC statutory department. The table on page 18 of **Attachment 2** shows budgeted 2018 staffing (FTEs) and the change from the 2017 budget for each statutory program and the Administrative programs.

The Introduction and Executive Summary discusses two additional topics with possible future resource and budget implications: (1) the development of a work plan for Geomagnetic Disturbance research as required by Order No. 830,⁷ and (2) development of a long-term strategy for expanding the capabilities and role of the E-ISAC. Finally, the Introduction and Executive Summary presents NERC's budget and assessment projections for 2019 and 2020.

Section A of **Attachment 2** is NERC's detailed 2018 Business Plan and Budget. It addresses the requirements of 18 C.F.R. §39.4(b), the Commission's Order certifying NERC as the ERO,⁸ and applicable directives in subsequent Commission orders. Section A provides program scope and functional descriptions, descriptions of key efforts under way in the current year, the 2018 goals and deliverables, and explanations of increases or decreases in budgeted Personnel Expenses and Consultants & Contracts expense for 2018 over the 2017 budget, for each of NERC's statutory programs and for the Administrative Services functions. Section A

⁷ *Reliability Standard for Transmission System Planned Performance for Geomagnetic Disturbance Events*, 156 FERC ¶ 61,215 (2016).

⁸ *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.

includes a table at the start of the subsection on each statutory program or department, showing total FTEs, total direct expenses, total indirect expenses, other non-operating expenses, increase or decrease in Fixed Assets, and total budget for the statutory program or department for the 2018 budget, with the comparable data from NERC's 2017 budget and the increase or decrease from the 2017 budget. For Administrative Services, this table shows, for each of the Administrative Services functions and in total, the 2017 budget amount, 2018 budget amount, and the change from the 2017 budget to the 2018 budget, as well as budgeted 2017 FTEs, budgeted 2018 FTEs, and the change in FTEs from the 2017 budget to the 2018 budget. A detailed Statement of Activities and Fixed Asset Expenditures is provided for each statutory program or department, and for the Administrative Services functions in the aggregate. The Statements of Activities show funding and expenditure information from the 2017 budget, the 2017 projection and the 2018 budget, as well as the variances from the 2017 budget to the 2017 projection and from the 2017 budget to the 2018 budget.

In the Statements of Activities for each program or department, Funding is shown from the NERC Assessments and, as applicable, from other anticipated sources (Penalty collections released from the Assessment Stabilization Reserve,⁹ Testing Fees, fees from Services & Software, fees from Workshop attendance, Interest income, Third-Party Funding, and Miscellaneous Funding).¹⁰ 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

⁹ See §IV.C below for NERC's proposal to (i) deposit Penalty collections received from July 1, 2016 through June 30, 2017 in the Assessment Stabilization Reserve, and (ii) release funds from the Assessment Stabilization Reserve to reduce the 2018 assessments.

¹⁰ Some of these other sources of Funding are anticipated only for some of the statutory programs. For example, Third-Party Funding is budgeted only for the E-ISAC. Income from Testing Fees is budgeted only for the Training, Education, and Personnel Certification Program.

Rent, Office Costs, Professional Services, Miscellaneous, Depreciation); and Other Non-Operating Expenses. In the Statements of Activities for the statutory programs, the Indirect Expenses allocated from the Administrative Services departments are also shown. Finally, the Statements of Activities show Fixed Assets activity, comprised of Depreciation (an equal and offsetting amount to the Depreciation included in Operating Expenses), Computer & Software CapEx, Furniture & Fixtures CapEx, Equipment CapEx, Leasehold Improvements, and the Allocation of Fixed Assets activity from the Administrative Services programs.¹¹

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 2017 budget, including analysis of the Working Capital and Operating Reserves balances and assessments to meet reserves targets (Table B-1), Penalties collected (Table B-2), Outside Funding (Table B-3), Personnel Expenses (Table B-4), Meetings Expenses (Table B-5), Rent (Table B-7), Office Costs (Table B-8), Professional Services (Table B-9), Miscellaneous Expenses (Table B-10), Other Non-Operating Expenses (Table B-11), and Fixed Assets expenditures (Table B-12).¹²

Section C, Non-Statutory Activity, of **Attachment 2** is empty for NERC, as NERC has no non-statutory activities. In the business plans and budgets of those Regional Entities that have non-statutory activities, Section C includes business plan and budget information on their non-statutory activities.

Section D, Supplemental Financial Statements, of **Attachment 2** provides NERC's actual

¹¹ As a result of the offset for Depreciation expense in Fixed Assets expenditures, the Funding requirement does not include funding for Depreciation.

¹² Table B-6 in the ERO Business Plan and Budget template is reserved for Consultants & Contracts Expenses, but NERC's Business Plan and Budget provides a more detailed breakdown of these expenses in Exhibit C. Additionally, Table B-13 in the template is reserved for 2019-2020 Budget Projections, but NERC has included its 2019-2020 budget projections in the Introduction and Executive Summary.

and projected Statements of Financial Position at December 31, 2016, 2017, and 2018. The data at December 31, 2016 is actual data per the independent financial audit of 2016 results; the data at December 31, 2017 is based on NERC's projection for 2017 year-end results; and the data at December 31, 2018 is based on the detailed 2018 budget.¹³ Section D also provides NERC's 2018 Consolidated Statement of Activities, showing 2018 budgeted line-item Funding sources, Expenses, and Fixed Asset activity, in total and by statutory program and the Administrative Services functions, as well as the direct and indirect expenses for each statutory program.

The 2018 Business Plan and Budget includes the following Exhibits and Appendices:

Exhibit A – Shared Assumptions and Key Focus Areas, contains the 2018-2020 Shared Business Plan and Budget Assumptions developed and used by NERC and the Regional Entities in preparing their 2018 business plans and budgets and their 2019-2020 budget projections.

Exhibit B – Application of NERC Section 215 Criteria, describes how the major activities included in the 2018 Business Plan and Budget for 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 the *FPA §215 Criteria Order*.

Exhibit C – Contractor and Consulting Costs, contains a detailed list of NERC's budgeted 2018 Consultants & Contracts expenses, by program area and by major activity or project. Exhibit C also shows the 2017 budget amounts for Consultants & Contracts expense and the change in the 2018 budget from the 2017 budget for each line item (where applicable).

Exhibit D – Capital Financing, describes proposed borrowing and repayment activity under NERC's capital financing program for certain capital expenditures. Exhibit D shows the

¹³ NERC's audited financial statements for 2016 were filed with the Commission on May 30, 2017, in NERC's *Report of Comparisons of Budgeted to Actual Costs for 2016 for NERC and the Regional Entities (2016 Budget True-up Report)* (Docket No. RR17-04-000).

proposed 2018 capital expenditure budget, by project (and the 2017 budgeted capital expenditures, for comparison); the projected 2017 (*i.e.*, the current projection of year-end results), budgeted 2018, and projected 2019 and 2020 year-end outstanding debt balances; and the projected 2017, budgeted 2018, and projected 2019 and 2020 annual payments for debt service, including annual interest expense.

Exhibit E – Working Capital and Operating Reserve Amounts, provides the budgeted 2018 amounts for Working Capital and Operating Reserves pursuant to NERC’s Working Capital and Operating Reserve Policy (WCOR Policy) adopted in 2012 and amended in 2013 and 2015.¹⁴ The WCOR Policy provides for the separate budgeting and tracking of working capital and operating reserves. Section IV.B below provides further discussion of the 2018 budgeted amounts for working capital and each category of operating reserves, and §IV.C below describes the proposed Assessment Stabilization Reserve transactions for 2018.

Exhibit F – E-ISAC Long-Term Strategy, provides the long-term strategic plan developed by executive management of the E-ISAC, at the request of the NERC Board and under the guidance of the Electricity Subsector Coordinating Council and the E-ISAC Member Executive Committee, for expanding the role, capabilities and functionality of the E-ISAC with respect to collecting and analyzing security information for the electricity industry. Exhibit F discusses potential increased capabilities and services of the E-ISAC, potential additional resource requirements including cost projections, and potential funding alternatives. Exhibit F shows the

¹⁴ The most recently amended version of the WCOR Policy was filed with the Commission on March 6, 2015, in Docket No. RR15-8-000, and was conditionally approved in an order issued June 18, 2015. *North American Electric Reliability Corporation, Order Conditionally Accepting Revisions to Working Capital and Operating Reserve Policy*, 151 FERC ¶ 61,225 (2015). NERC submitted the compliance filing required by that order on August 14, 2015, in Docket No. RR15-8-001 (*Compliance Filing of the North American Electric Reliability Corporation in Response to Paragraph 18 of June 18, 2015 Order Concerning Amendments to NERC’s Working Capital and Operating Reserve Policy*), and it was accepted by the Commission in a letter order dated September 18, 2015.

specific impact on NERC's 2018 budget and assessments of the proposed strategic additions for the E-ISAC for 2018.

Exhibit G provides information on the proposed Compliance Monitoring and Enforcement Program (CMEP) Technology Project, which is a multi-year (2017-2020) project to develop a single, comprehensive ERO Enterprise automated system and database integrating all compliance functions for NERC and the Regional Entities. Estimates of annual capital expenditures (2017-2020) to develop and implement this system are provided. NERC will also be enhancing the ERO Enterprise Entity Registration process through a new tool integrated with the CMEP system.

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

Appendix 2 contains the calculation of the net energy for load (NEL)-based allocation factors for each LSE and designee and the allocation of the NERC, Regional Entity and WIRAB statutory assessments, by allocation method, to each LSE and designee, for 2018. Development of the assessments presented in the Appendices is discussed in more detail in §III.D below.

The detailed information in the Introduction and Executive Summary and Sections A and B and the exhibits of **Attachment 2** demonstrates that the programs included in NERC's 2018 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. (*ERO Certification Order*, P 202 (budget principle (5).) 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 2018 Business Plan and Budget lend themselves to accomplishment of NERC's statutory responsibilities and objectives as the ERO. (*Id.* (budget principle (2).)

2. Summary of NERC's Proposed 2018 Budget and Funding Requirement

NERC is proposing an overall 2018 budget of \$73,135,156, which is an increase of \$3,532,981 (5.1%) over the 2017 Budget. This comparison includes the 2017 and 2018 budgeted expenditures for CRISP (which are included in the budget for the E-ISAC). With CRISP expenditures excluded, NERC's 2018 budget represents an increase of \$3,105,509 (also 5.1%) from its 2017 budget. The proposed 2018 budget for the E-ISAC (CRISP plus non-CRISP costs) is \$21,850,597, which constitutes 29.9% of the total 2018 budget. NERC's 2018 budget excluding E-ISAC is \$197,724 (0.4%) higher than its 2017 budget excluding E-ISAC. The 2018 budget for the E-ISAC (including CRISP) is increased by \$3,335,256 (18.0%) over the 2017 budget for the E-ISAC.

NERC's proposed 2018 total Funding requirement is \$72,981,221, encompassing U.S., Canadian and Mexican activities. The proposed 2018 total Funding requirement represents an increase of \$2,829,561 (4.0%) over the 2017 total Funding requirement of \$70,151,660. The 2018 total Funding requirement reflects a provision for Working Capital and Operating Reserve funding of \$77,458, as well as (due to NERC's capital financing plan) proceeds from financing activities of \$1,432,000 and debt service of \$1,200,607 (resulting in net proceeds from financing activities of \$231,393),¹⁵ whereas the Funding requirement in the 2017 budget included provision for Working Capital and Operating Reserve Funding of \$530,402, proceeds from financing activities of \$966,667, and debt service of \$985,750.

NERC's budgeted non-assessment sources of Funding are projected to be \$10,044,253 in total, comprised of the following sources and amounts:

- \$600,000 of Penalty payments to be released, with Commission approval, from the

¹⁵ See Table B-1 and Exhibit E in **Attachment 2**.

balance in NERC's Assessment Stabilization Reserve (this is \$500,000 less than the amount of Penalty payments released from the Assessment Stabilization Reserve in the 2017 budget);¹⁶

- \$7,324,253 of Third-Party Funding for CRISP (an increase of \$333,806 from the CRISP third-party funding provided in the 2017 budget);
- \$1,790,000 of Testing Fees charged to participants in certain NERC programs, including the System Operator Certification Program and the Continuing Education Program (this is a \$131,900 decrease from the 2017 budget);
- \$50,000 of revenues from Services & Software (the same amount budgeted in the 2017, 2016 and 2015 budgets);
- \$185,000 in attendance fees for Workshops (a \$45,000 decrease from the amount in the 2017 budget); and
- \$95,000 in Interest income (an increase of \$92,000 over the amount included in the 2017, 2016 and 2015 budgets).

In the aggregate, the non-assessment Funding sources in the 2018 budget are \$251,093 lower than in the 2017 budget. 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 (BPS) provided for in 18 C.F.R. §39.4(e) and comparable collections from entities in Canada and Mexico, the other sources listed as "Funding" on its Statements of Activities and described above, and proceeds from the 2018 capital financing.

Application of the non-assessment funding sources totaling \$10,044,253 to the total statutory Funding requirement of \$72,981,221 results in a 2018 net Funding requirement of \$62,936,968 to be funded by assessments to LSEs, which is \$3,080,655, or 5.1%, higher than the

¹⁶ The NERC policy, *Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*, and §1107.2 of the NERC Rules of Procedure (ROP), specify that Penalty payments received by NERC or a Regional Entity 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 (as allowed by ROP §1107.4). NERC received \$500,000 of Penalty payments in the period July 1, 2016 – June 30, 2017. NERC proposes to place this \$500,000 of Penalty payments into its Assessment Stabilization Reserve, and to then use \$600,000 of Penalty payments accumulated in the Assessment Stabilization Reserve to reduce the 2018 assessments. See §IV.B and IV.C below.

2017 assessments.

As shown on page 18 of **Attachment 2**, the 2018 budget includes an overall increase of 9.40 FTEs in staffing from the 2017 budget, which reflects (i) an increase of 9.40 FTEs in the E-ISAC and (ii) no net change in the other statutory programs and administrative departments combined. There are increases or decreases in budgeted FTEs for Reliability Standards, Compliance Monitoring and Enforcement, Training, Education, and Personnel Certification, and Administrative Services, due principally to the reallocation of staffing from one program area to another to match program area staffing with current workloads and resource requirements. The budgeted FTEs for each program area reflect an assumed average 6.0% vacancy rate, *i.e.*, an adjustment for such factors as personnel attrition and delays in hiring or start date delays. Total budgeted staffing for the statutory programs is increased by 11.28 FTEs, and budgeted staffing for the administrative programs is decreased by 1.88 FTEs, from the 2017 budget.

As compared to the 2017 budget, the 2018 budget reflects an increase of \$2,327,774 (6.0%) in Personnel Expenses; an increase of \$22,214 (0.7%) in Meeting Expenses; and an increase of \$1,551,682 (6.3%) in Operating Expenses. The principal contributors to the increase in Operating Expenses is an increase of \$596,437 in Consultants & Contracts expense and an increase of \$1,005,744 in Office Costs. Of the total 2018 budgeted Consultants & Contracts Expense (\$13,724,185), \$6,291,594 (45.8%) is attributable to CRISP. The largest increase in Consultants & Contracts expense is for the E-ISAC (\$603,365 increase from the 2017 budget, of which \$403,000 of the increase is for CRISP). Of the \$1,005,744 increase in Office Costs, approximately \$426,000 is due to a decision to reclassify certain equipment lease costs from Fixed Assets to Operating Expenses, and \$500,000 is due to the addition of new technology tools related to the long-term strategy for E-ISAC. NERC is budgeting \$3,874,000 of capital

expenditures for 2018, a decrease of \$498,000 (11.4%) from the 2017 budget.

CRISP expenditures currently budgeted for 2018 are increased by \$427,471 (5.2%) from the 2017 budget. The budgeted CRISP expenditures, totaling \$8,719,912, will be primarily funded (\$7,324,253 (84.0%)) by participating utilities.¹⁷ The remaining funding for CRISP, totaling \$1,395,659, will come from Assessments, an allocation of Penalty collections released from the Asset Stabilization Reserve, and an allocation of NERC's Interest income.

The following table shows NERC's 2017 and 2018 budgets for each of its statutory programs and, where applicable, departments within each program:

<u>Program</u>	<u>2017 Budget</u>	<u>2018 Budget</u>
Reliability Standards	\$ 8,100,282	\$ 6,821,893
<u>Compliance Monitoring and Enforcement</u>		
Compliance Assurance	\$ 7,858,599	\$ 8,904,105
Compliance Analysis, Organization Reg. and Cert.	\$ 3,646,289	\$ 4,887,082
Compliance Enforcement	\$ 5,800,647	\$ 6,673,939
Reliability Assessment and System Analysis	\$ 7,535,594	\$ 7,312,956
<u>Reliability Risk Management</u>		
Situation Awareness	\$ 4,032,862	\$ 3,846,648
Event Analysis	\$ 5,446,206	\$ 5,161,490
Performance Analysis	\$ 4,908,855	\$ 4,633,422
E-ISAC (including CRISP)	\$18,515,341	\$21,850,597
Training, Education and Personnel Certification	<u>\$ 3,757,501</u>	<u>\$ 3,043,024</u>
	<u>\$69,602,175</u>	<u>\$73,135,156</u>

The 2018 budgeted amounts for the statutory programs incorporate a budget for Administrative Services of \$29,989,934 (decrease of \$1,424,899 (4.5%) from the 2017 budget). The

¹⁷ NERC has not completed contract negotiations with Pacific Northwest National Laboratory (PNNL) for PNNL's services in operating and maintaining CRISP in 2018. Based on the outcome of these negotiations, the final 2018 budget for CRISP may change. However, NERC anticipates that any change in the budgeted CRISP expenditures would be matched by changes in the participant funding and therefore would not change NERC's proposed 2018 assessments.

Administrative Services expenses and Fixed Assets additions are allocated to the statutory program budgets based on the proportion of the numbers of FTEs budgeted for each statutory program to the total FTEs budgeted for the statutory programs.

C. Regional Entity Proposed 2018 Business Plans and Budgets

1. Overview of Regional Entity 2018 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 Regional Entity pursuant to §39.8.” This information for 2018 is provided in the individual Regional Entity Business Plans and Budgets in **Attachments 3 through 10**.

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, encompassed by the Commission-approved delegation agreements, as well as each Regional Entity’s budgeted costs for administrative services supporting these functions and activities. Funding the Regional Entities in accordance with their proposed business plans and budgets will enable them to carry out the activities necessary in 2018 to meet their responsibilities under the Commission-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.”¹⁸ As described above in §III.A, NERC staff worked collaboratively with the Regional Entities to develop a set of shared business planning and budget assumptions for the Regional Entities’ 2018 business plans and budgets (provided in Exhibit A of **Attachment 2**), and provided input to the Regional Entities on the development of their business plan and budget submissions. The Regional Entities’ proposed business plans and budgets were also reviewed by the NERC FAC. Further, the Regional Entities prepared their 2018 business plans and budgets using a common format. The use of the common format facilitates comparisons among the Regional Entities’ budgets. Additionally, in developing their 2018 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.

The table below shows the budgets for statutory and (where applicable) non-statutory functions for each Regional Entity as presented in their respective 2018 business plans and budgets (**Attachments 3-10**).¹⁹ 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 and Penalty payments received from registered entities) that will be used to offset the costs of performing delegated functions, the requested ERO funding (assessments) for each Regional Entity is less than its budget for statutory activities. The fourth column shows the total (*i.e.*, for all jurisdictions)

¹⁸*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.

¹⁹ MRO, ReliabilityFirst and SERC do not plan to perform any non-statutory activities in 2018.

statutory assessment required for each Regional Entity, after 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 Regional Entity's target Working Capital Reserve at December 31, 2018, as determined to be appropriate by each Regional Entity.

Regional Entity	Total Budget for Statutory Functions	Budget for Non-Statutory Functions	Statutory Funding Assessment
FRCC	\$ 7,514,112	\$11,735,029	\$ 6,660,518
MRO	\$11,726,736	-----	\$10,730,106 ²⁰
NPCC	\$15,106,967	\$ 1,066,983	\$14,341,787 ²¹
ReliabilityFirst	\$21,393,899	-----	\$20,147,707
SERC	\$17,182,868	-----	\$17,205,136
SPP RE	\$10,793,195	\$185,566,805 ²²	\$ 9,727,265
Texas RE	\$12,656,953	\$ 1,091,743	\$11,271,986
WECC	\$27,097,344	\$ 1,766,779	\$25,282,000 ²³

2. Dissolution of SPP Regional Entity

On July 25, 2017, Southwest Power Pool, Inc. (SPP) announced that SPP and NERC have agreed to terminate their delegation agreement, subject to approval by the NERC Board and the Commission and to development and implementation of a plan to transition the registered entities for which SPP RE currently is the compliance enforcement authority (CEA) to one or more other electric reliability CEAs. These actions, if and when completed, will result in

²⁰ The statutory assessment for MRO of \$10,730,106 consists of \$8,940,887 allocated to the U.S. and \$1,789,219 allocated to Canadian provinces.

²¹ The statutory assessment for NPCC of \$14,341,787 consists of \$8,749,460 allocated to the U.S. and \$5,592,327 allocated to Canadian provinces.

²² The figure of \$185,566,805 is the total 2017 budget of Southwest Power Pool, Inc. (\$196,360,000) less the 2018 Budget of SPP RE for statutory activities of \$10,793,195. The overall annual budget of Southwest Power Pool, Inc. is prepared on a schedule that will not result in approval of its 2018 budget until October 2017. See §V.D.6 below and Section C of **Attachment 8**.

²³ The statutory assessment for WECC of \$25,282,000 consists of \$21,841,793 allocated to the U.S., \$3,004,443 allocated to Canadian provinces and \$435,765 allocated to Mexico. The \$25,282,000 amount does not include the WIRAB assessment.

dissolution of SPP RE. However, SPP RE will continue to function as the CEA for the SPP region until the transition is successfully completed, which SPP has targeted to occur by December 31, 2018.

NERC is working, and will continue to work, closely with SPP RE on all aspects of the transition, including financial and budgetary impacts. Given that the timeline for and components of the transition, including identification and implementation of the successor CEA(s), are not fully known at this time, and various regulatory and corporate approvals will be required, NERC and SPP RE anticipate that SPP RE will function as the CEA for a considerable portion of 2018. Therefore, NERC is submitting the SPP RE 2018 Business Plan and Budget and related assessments to LSEs, as approved by the NERC Board, for Commission approval. Depending on the timing of the transition, it is possible that NERC, SPP RE and the successor CEA(s) will need to submit a supplemental budget and assessment filing for Commission approval during 2018, which may include, as necessary, a true-up of assessments previously billed to and collected from LSEs in the SPP region.²⁴

D. Allocation of Statutory Assessments

The total ERO statutory funding requirement for 2018, net of other NERC and Regional Entity income sources, to be funded by assessments is \$179,014,499 consisting of \$62,936,968 for funding of NERC's programs and \$116,077,531 for funding of Regional Entity statutory activities and the WIRAB.

NERC's proposed 2017 assessment amount of \$62,936,968 is allocated as follows: \$56,968,506 to the U.S., \$5,778,945 to Canadian provinces (in the aggregate), and \$189,517 to

²⁴ Pursuant to Exhibit E of the Commission-approved Delegation Agreement between NERC and SPP RE, NERC bills the Commission-approved SPP RE annual assessment to LSEs in the SPP region in four quarterly installments, with payments due from LSEs by January 1, April 1, July 1 and October 1, and quarterly payment of the assessment amounts to SPP RE on January 15, April 15, July 15 and October 15.

Mexico. Based on the aggregate NEL of the United States for 2016 on which the allocation of assessments is based, the proposed U.S. net funding requirement for NERC represents approximately \$0.0000143 per end-user kilowatt-hour.²⁵

NERC proposes an allocation of its 2018 assessment of \$62,936,968 to the Regional footprints as follows:

Appendix 2 to **Attachment 2** contains tables showing (i) NEL data for the U.S., Canada and Mexico, by Region and by LSE or designee, (ii) 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 (iii) 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

²⁵ The NEL-based allocation factors are calculated using NEL data for 2016, which is the most current actual NEL data available as of August 2017. 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 2018 Budget is based on actual NEL data for the second preceding calendar year, 2016.

²⁶ The allocation to MRO consists of \$3,461,314 allocated to the U.S. and \$689,012 allocated to Canadian provinces.

²⁷ The allocation to NPCC consists of \$4,084,733 allocated to the U.S. and \$3,609,958 allocated to Canadian provinces.

²⁸ The allocation to WECC consists of \$10,302,881 allocated to the U.S., \$1,479,975 allocated to Canadian provinces and \$189,517 allocated to Mexico.

individual LSEs or designees within the footprint of each Regional Entity.

NERC has allocated its statutory assessment of \$62,936,968 to the LSEs within each Regional footprint primarily on the basis of NEL, as described below.

First, a total of \$1,498,002 of adjustments (credits) to the allocations to the AESO, the IESO, New Brunswick and Québec for certain CMEP, Event Analysis and Situation Awareness (Situation Awareness – FERC, NERC and the Regions (SAFNR)) costs and the true-up of 2016 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 Brunswick and Québec, to provide credits for certain activity costs. 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. These adjustments also recognize that (1) certain compliance costs related to maintenance of the CMEP database are budgeted in the Information Technology program; and (2) 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. In addition, these adjustments included a true-up of credits provided in 2016, based upon actual costs incurred in 2016. The credit amounts were allocated to all other LSEs (Balancing Authorities) on the basis of NEL. **Attachment 13** shows the calculations of these adjustments to the allocations to the AESO, the IESO, New Brunswick and Québec. The allocation of the

\$1,498,002 of adjustments (credits) to the allocations to the AESO, the IESO, New Brunswick and Québec is reflected in Appendix 2-C of **Attachment 2**.

Second, an allocation of \$600,000 of Penalty payments to be released (with Commission approval) from the Assessment Stabilization Reserve was made to U.S. LSEs. Because the Penalty payments are collected solely from U.S. Registered Entities, the Penalty payments are allocated solely to offset statutory assessments to U.S. LSEs.

Third, an allocation of \$47,714 was made to LSEs to correct an error in the allocation of the 2017 NERC assessments caused by an error in the 2015 NEL data used for the allocation of the 2017 assessments. The net effect of the allocation of this \$47,714 correction on the 2018 assessments was zero.²⁹

Fourth, an allocation based on the 8-Region NEL was used to allocate NERC statutory assessment of \$63,536,968 (*i.e.*, the \$62,936,968 NERC assessment before application of the \$600,000 to be released from the Assessment Stabilization Reserve). 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, 22.11% 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; 55.67% of the CORC costs has been allocated between the U.S. and Canadian

²⁹ There was an error in the 2015 NEL data for Public Service Company of Colorado (PSC), located in the WECC region, used to calculate the allocation of the 2017 assessments. The NEL data error resulted in higher 2017 NERC, WECC and WIRAB assessments allocated to PSC than it would have received based on correct 2015 NEL data. PSC agreed to pay the (incorrect) 2017 assessments on condition that it would receive compensatory credits in the 2018 assessment calculations. The correction for the 2017 WECC NEL data error allocates (i) the 2018 credit to PSC of \$47,714 for its 2017 NERC assessment overpayment to all other LSEs, and (ii) the 2018 credit to PSC of \$108,750 for its 2017 WECC (\$105,124) and WIRAB (\$3,626) assessment overpayment to the other LSEs in WECC.

Balancing Authority Areas in NPCC using a compliance audit-based methodology; and the remaining 22.22% of the CORC costs has been allocated between the U.S. and Canadian Balancing Authority Areas using an enforcement activity-based methodology. As directed by the Commission in a previous order,³⁰ 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.³¹

Second, WECC's allocation of its assessment to the AESO for the Province of Alberta has been reduced by \$964,368, representing WECC CMEP costs that are duplicative of programs of the AESO.³² The AESO credit amount was allocated to the remainder of the LSEs (Balancing Authorities) in the WECC Region on the basis of NEL.

After allocating the appropriate portions of the NERC, Regional Entity and WIRAB 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, and the adjustment to the WECC assessment to the AESO), the total ERO statutory assessment for 2018 allocable to U.S. LSEs for which Commission approval is sought is \$162,112,130, comprised of:

NERC Assessment:	\$ 56,968,506
Regional Entity Assessments:	\$105,143,625 (includes the WIRAB assessment)

³⁰ *North American Electric Reliability Corp.*, 128 FERC ¶ 61,025 (2009) (*July 16, 2009 Budget Compliance Order*).

³¹ The allocation of NPCC CORC Program costs is described in greater detail at pages 60-62 of the NPCC 2018 Business Plan and Budget, **Attachment 5**.

³² See Appendix C of the WECC 2018 Business Plan and Budget, **Attachment 10** to this filing, which shows the calculation of the \$964,368 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.

The funding requirement of each Regional Entity for statutory activities is 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 2018 ERO statutory assessment of \$162,112,130 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 the 2016 U.S. NEL of each Region.

Regional Entity	NERC Assessment	Regional Entity Assessment	Total U.S. Assessment	Assessment per kWh (2016 NEL)
FRCC	\$ 3,353,279	\$ 6,660,518	\$ 10,013,797	\$0.0000428
MRO	\$ 3,461,314	\$ 8,940,887	\$ 12,402,201	\$0.0000513
NPCC	\$ 4,084,733	\$ 8,749,460	\$ 12,834,193	\$0.0000450
ReliabilityFirst	\$ 12,807,701	\$ 20,147,707	\$ 32,955,408	\$0.0000369
SERC	\$ 14,644,708	\$ 17,205,136	\$ 31,849,844	\$0.0000311
SPP RE	\$ 3,258,023	\$ 9,727,265	\$ 12,985,288	\$0.0000571
Texas RE	\$ 5,055,866	\$ 11,271,986	\$ 16,327,852	\$0.0000463
WECC	\$ 10,302,881	\$ 22,440,666 ³³	\$ 32,743,547	\$0.0000453
Total	\$ 56,968,506	\$ 105,143,625	\$ 162,112,130	\$0.0000407

NERC obtained from each Regional Entity a listing of the LSEs or their designees in the Region and a breakdown of the Region's 2016 NEL by LSE or designee.³⁴ 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.³⁵ The amount of the NERC and Regional Entity statutory assessments allocated to each LSE or

³³ The number for WECC includes the portion of the WIRAB assessment allocated to the U.S.

³⁴ For the NPCC Region, assessments are allocated on the basis of NEL in each Balancing Authority Area (New York, New England, Ontario, Québec, Nova Scotia and New Brunswick). For Texas RE, assessments are allocated on the basis of the NEL for ERCOT, which acts as the billing agent for the Texas RE Region.

³⁵ 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.

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 may be billed for these assessments in accordance with 18 C.F.R. §39.4(e).³⁶ (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.)

As provided for in Exhibit E to the delegation agreement with each Regional Entity, NERC will directly invoice the approved assessments to LSEs or designees, or to the other entities to be billed, in all Regions except WECC.³⁷ 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.

IV. DISCUSSION OF NERC BUSINESS PLAN AND BUDGET

A. 2018 Business Plan and Budget by Program

This section summarizes NERC's proposed 2018 Business Plan and Budget by statutory

³⁶ 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 billed to the LSE and the LSE agrees to be financially responsible to reimburse the designee for the assessment.

³⁷ 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.

program and Administrative Services department. The proposed 2018 staffing and expenditure budgets for the individual NERC departments and programs are described in the subsections below. However, several factors impact the budgets for all programs and departments.

First, in developing their budgeted staffing (FTEs) and related Personnel Expenses for 2018, all NERC programs and departments have applied a 6% average vacancy rate reduction to FTEs to account for attrition and hiring delays. The vacancy rate adjustment reflects that actual staffing is typically less than budgeted staffing due to factors such as employees leaving NERC for other jobs and new positions being filled at a later date than was assumed in preparing the budget. The vacancy rate adjustment used for budgeting purposes is reviewed each year, based on historical attrition and the time it takes to recruit and onboard new staff, and is adjusted if appropriate. The 6% vacancy rate adjustment is the same value used in the 2017 NERC budget.

Second, in the development of Personnel Expense in the 2018 budget, market-based compensation and salary adjustments were assumed, based on guidelines established by the NERC CGHRC, market information provided by a nationally recognized compensation and benefits consulting firm, and other available data. An updated market compensation study was completed in late 2015 under the oversight of the CGHRC and was utilized in developing the budgeted compensation and salary adjustments for purposes of the 2018 budget.

Third, budgeted Benefits Expense for all programs reflects anticipated market increases in medical and dental plan cost from the 2017 budget, based on information provided by NERC's benefits consultants.

Fourth, budgeted Meetings Expenses are relatively flat in the 2018 budget from the 2017 budget (increase of \$22,214 (0.7%)), reflecting the significant actions NERC has taken over the past several years to reduce these expenses, including by working with Regional Entities to share

meeting space where possible, to help reduce meetings costs.

Fifth, there are increases in budgeted staffing for some of the statutory programs and decreases in budgeted staffing for other statutory programs, compared to the 2017 budget. The overall change in budgeted staffing for the statutory programs is an increase of 9.40 FTEs from the 2017 budget. The budgeted expenses and Fixed Assets expenditures for the Administrative Services programs (Indirect Expenses) are allocated to the statutory direct programs on the basis of the ratio of the budgeted FTEs in each statutory program to the total budgeted statutory program FTEs. Therefore, the changes in the numbers of FTEs budgeted for each statutory direct program for 2018 as compared to the 2017 budget impact the allocation of the Administrative Services costs among the statutory direct programs. However, as noted earlier, total budgeted expenses and Fixed Assets expenditures for the Administrative departments in the 2018 budget are \$1,424,899 lower than in the 2017 budget, meaning that a smaller total amount of Indirect Expenses is being allocated to the statutory program budgets.

1. Reliability Standards Program

In **Attachment 2**, the major activities of the Reliability Standards Program are described at pages 25-27. The key activities of the Reliability Standards Program underway in 2017 are described at pages 26-27 and the 2018 goals and deliverables for this program are described at page 27. The total budget for the Reliability Standards Program for 2018 is \$6,821,893, which is a decrease of \$1,278,389 (15.8%) from the 2017 budget. The 2018 budgeted direct expenses for this program are \$3,332,944, which is a decrease of \$528,722 (13.7%) from the 2017 budget. NERC has budgeted 15.51 FTEs for the Reliability Standards Program for 2018, which is a decrease of 1.65 FTEs from the 2017 budget and reflects the realignment of staffing among programs and departments to match current needs. As was the case in the 2014, 2015, 2016 and 2017 budgets, no Consultant & Contracts expense is budgeted for this program for 2018.

2. Compliance Monitoring and Enforcement and Organization Registration and Certification Program

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program is comprised of three operational groups: Compliance Assurance (addressing compliance monitoring), Compliance Analysis, Organization Registration and Certification (addressing assurance, organization registration and organization certification), and Compliance Enforcement.

a. Compliance Assurance

In **Attachment 2**, the major activities of Compliance Assurance are described at pages 29-32. The key activities under way in 2017 for Compliance Assurance are described at page 31 and the specific 2018 goals and deliverables for Compliance Assurance are described at page 32. The total budget for Compliance Assurance for 2018 is \$8,904,105, which is an increase of \$1,045,506 (13.3%) from the 2017 budget. The 2018 budgeted direct expenses for this program are \$4,520,550, which is an increase of \$703,625 (18.4%) from the 2017 budget. The budgeted staffing for Compliance Assurance for 2018 is 19.27 FTEs, which is an increase of 3.76 FTEs from the 2017 budget, reallocated from other departments. The staffing increase is the result of NERC's plan to strengthen the implementation and oversight of the risk-based CMEP, risk analysis and feedback loops. Budgeted Consultants & Contracts Expense is \$50,000, the same amount included in the 2017 budget.

b. Compliance Analysis, Organization Registration and Certification

In **Attachment 2**, the major activities of the Compliance Analysis, Organization Registration and Certification group are described at pages 35-36. The 2018 goals and deliverables for this group are described at page 36. The total budget for the Compliance Analysis, Organization Registration and Certification group for 2018 is \$4,887,082, which is an

increase of \$1,240,793 (34.0%) from the 2017 budget. The 2018 budgeted direct expenses for this program are \$2,148,762, which is an increase of \$462,073 (27.4%) from the 2017 budget. The increase in the total budget for this group includes an increase in Computer & Software CapEx of \$600,000 from the 2017 budget, which is for development of the Entity Registration Tool. Budgeted staffing for Compliance Analysis, Organization Registration and Certification for 2018 is 9.40 FTEs, which is an increase of 1.88 FTEs from the 2017 budget, reflecting the overall effort to realign staffing among the departments to match current needs. As in the 2017 budget, no Consultants & Contracts Expense is budgeted for this group for 2018.

c. Compliance Enforcement

In **Attachment 2**, the major activities of the Compliance Enforcement Group are described at pages 39-43. The 2018 goals and deliverables for the Compliance Enforcement Group are described at page 43. The total budget for the Compliance Enforcement group for 2018 is \$6,673,939, which is an increase of \$873,292 (15.1%) over the 2017 budget. The 2018 budgeted direct expenses for Compliance Enforcement are \$2,451,137, which is an increase of \$79,790 (3.4%) from the 2017 budget. The 2018 budget for Compliance Enforcement includes an increase of \$1,548,000 in Computer & Software Capital Expenditures over the 2017 budget for the integrated ERO Enterprise CMEP Tool. The budgeted staffing for Compliance Enforcement for 2018 is 12.22 FTEs, which is a decrease of 0.94 FTE from the 2017 Budget and reflects the overall effort to realign staffing among the departments to match current needs. As in the budgets for each of the years 2012 through 2017, no Consultants & Contracts Expense is budgeted for Compliance Enforcement for 2018.

3. Reliability Assessment and System Analysis (RASA)

In **Attachment 2**, the major activities of the Reliability Assessment and System Analysis Program are described at pages 45-50. The major activities of the RASA Program underway in

2017 are described at pages 47-48, and the 2018 goals and deliverables for the RASA Program are described at pages 49-50. The total budget for the RASA Program for 2018 is \$7,312,956, which is a decrease of \$222,638 (3.0%) from the 2017 budget. The 2018 budgeted direct expenses for this program are \$4,256,247, which is an increase of \$269,282 (6.8%) from the 2017 budget. The budgeted staffing for the RASA Program for 2018 is 14.10 FTEs, which is the same as the 2017 budget. RASA is budgeting \$525,000 for Consultants & Contracts Expense for 2018, which is the same amount provided for in the 2017 budget. The budgeted consultant and contractor resources will support research concerning reliability effects of geo-magnetic disturbances and provide support for increased use of probabilistic analysis, particularly in RASA's resource adequacy assessments; development, analysis and assessment of Essential Reliability Services; and analysis of reliability effects of environmental regulations.

4. Reliability Risk Management (RRM)

The Reliability Risk Management (RRM) group has three departments: Situation Awareness, Event Analysis, and Performance Analysis (PA).

a. Situation Awareness

In **Attachment 2**, the major activities of the Situation Awareness Department are described at pages 52-54. The 2018 goals and deliverables for Situation Awareness are described at pages 53-54. The total budget for the Situation Awareness Department for 2018 is \$3,846,648, which is a decrease of \$186,214 (4.6%) from the 2017 budget. The 2018 budgeted direct expenses for this program are \$2,566,215, which is a decrease of \$4,613 (0.2%) from the 2017 budget. The budgeted staffing for Situation Awareness for 2018 is 5.64 FTEs, the same as in the 2017 budget. The 2018 Consultants & Contracts budget for Situation Awareness is \$1,295,495, virtually unchanged from the 2017 budget. The budgeted 2018 Consultants &

Contracts Expense includes costs for reliability tools (\$600,595, a decrease of \$18,555); continued use of the Secure Alerting System (\$96,000, the same amount as in the 2017 budget); SAFNR – Version 2 (\$523,900, an increase of \$18,200); and costs for the communications network that replaced NERCnet (\$75,000, the same amount as in the 2017 budget).

b. Event Analysis

In **Attachment 2**, the major activities of the Event Analysis Department are described at pages 56-57. The 2018 goals and deliverables for Event Analysis are described at page 57. The total budget for the Event Analysis Department for 2018 is \$5,161,490, which is a decrease of \$284,717 (5.2%) from the 2017 budget. The 2018 budgeted direct expenses for this program are \$2,680,449, which is an increase of \$88,061 (3.4%) from the 2017 budget. The budgeted staffing for Event Analysis for 2018 is 11.28 FTEs, which is the same staffing provided for in the 2017 budget. As in the 2017 budget, no Consultants & Contracts Expense is budgeted for Event Analysis for 2018.

c. Performance Analysis (PA)

In **Attachment 2**, the major activities of the Performance Analysis Program are described at pages 59-63. The major activities of PA under way in 2017 are described at pages 61-62, and the 2018 goals and deliverables for PA are described at pages 62-63. The total budget for PA for 2018 is \$4,633,422, which is a decrease of \$275,433 (5.6%) from the 2017 budget. The 2018 budgeted direct expenses for this program are \$2,639,101, which is an increase of \$179,746 (7.3%) from the 2017 budget. The budgeted staffing for PA for 2018 is 9.40 FTEs, which is the same staffing provided for in the 2017 budget. Budgeted 2017 Consultants & Contracts Expense for PA is \$572,030, which is a \$43,948 (8.3%) increase from the 2017 budget. The consulting and contractor expenditures are for the Transmission Availability Data System, Generator

Availability Data System, and Demand Response Availability Data System.

5. Electricity Information Sharing and Analysis Center (E-ISAC)

In **Attachment 2**, the major activities of the E-ISAC are described at pages 65-68; in addition, the E-ISAC Long-Term Strategy is discussed at pages 21-22 and in Exhibit F. In addition to operating the Electricity Sector Information Sharing and Analysis Center, this program performs the management role for CRISP, a public-private partnership whose purpose is to facilitate the sharing of cyber threat information and develop situation awareness tools that enhance the Electricity Subsector's ability to identify, prioritize, and coordinate the protection of its critical infrastructure. CRISP provides critical infrastructure owners and operators the capability to voluntarily share cyber threat data, analyze this data, and receive machine-to-machine mitigation measures.

The total budget for the E-ISAC for 2018 is \$21,850,597, which is an increase of \$3,335,256 (18.0%) over the 2017 budget. The total budget includes \$8,719,912 for CRISP.³⁸ The 2018 budgeted direct expenses for the E-ISAC are \$15,056,942, which is an increase of \$2,780,253 (22.6%) from the 2017 budget. The budgeted staffing for the E-ISAC for 2018 is 29.14 FTEs, which is an increase of 9.40 FTEs from the 2017 budget. The E-ISAC accounts for all of the overall net increase in staffing (FTEs) in NERC's 2018 budget over the 2017 budget. The increased staffing for the E-ISAC is primarily to address immediate needs for analytical capabilities. The budgeted 2018 expense for Consultants & Contracts for E-ISAC is \$7,391,794, which is an increase of \$603,365 (8.9%) from the 2017 budget. Of this total, \$6,291,594 is budgeted for CRISP, which is an increase of \$403,000 (6.8%) over the amount budgeted for CRISP in 2017. In 2018, NERC anticipates continuing to subcontract to PNNL the majority of

³⁸ See footnote 17 in §III.B.2 above.

the resource requirements and associated costs to operate and maintain CRISP. In the non-CRISP portion of the E-ISAC's Consultants & Contracts expense, \$770,000 is budgeted for program level capabilities (an increase of \$417,000 from the 2017 budget), partially offset by a decrease of \$208,000 in support for the biennial Grid Security Exercise, which will be held in 2017 and will not be held in 2018.

Computer & Software Capital Expenditures in the 2018 E-ISAC budget are reduced by \$1,000,000 (90.9%), reflecting the anticipated completion of the E-ISAC portal replacement project in 2017. However, budgeted Office Costs for 2018 are increased by \$475,435 and include approximately \$350,000 for ongoing portal maintenance and licensing costs.

The E-ISAC budget for 2018 is supported by \$7,324,253 of Third-Party Funding, which is the funding being provided by participating utilities and other entities, under the CRISP master services agreement, to support NERC's participation and activities as program manager for CRISP. The Third-Party Funding is equal to 84% of the CRISP budget. Third-Party Funding for CRISP is deposited in a separate account. Any underrun in the CRISP budget which is allocated to and funded by CRISP participants will be applied as a credit against future CRISP participant funding requirements, pursuant to the terms of the CRISP agreements.

6. Training, Education, and Personnel Certification Program

In **Attachment 2**, the major activities of the Training, Education, and Personnel Certification Program are described at pages 71-73. The major activities of this program in 2017 are described at page 72, and the 2018 goals and deliverables for this program are described at pages 72-73. The total budget for Training, Education, and Personnel Certification for 2018 is \$3,043,024, a decrease of \$714,477 (19.0%) from the 2017 budget. The 2018 budgeted direct expenses for this program are \$1,708,013, which is a decrease of \$214,282 (11.1%) from the

2017 budget. The budgeted staffing for the Training, Education, and Personnel Certification Program for 2018 is 5.88 FTEs, which is a decrease of 1.18 FTEs from the 2017 budget and reflects the ongoing effort to reallocate staffing among the programs to match current needs. The budgeted Consultants & Contracts Expense for 2018 of \$598,900 for this program is an increase of \$18,300 (3.2%) from the 2017 budget, and reflects an increase of \$30,900 for Personnel Certification purposes, partially offset by a decrease of \$12,600 for Training and Education.

The System Operator Certification Program generates revenues from fees charged for system operator certification examinations, which are intended to recover the costs (including an allocation of indirect expenses) of the program. In addition, fees charged to continuing education providers offset costs associated with the review of courses taken by certified operators to maintain their certification. The 2018 budget includes projected revenues from Testing Fees totaling \$1,790,000, which is a decrease of \$131,900 (6.9%) from the 2017 budget.

Under NERC's WCOR 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 certification needs as determined by NERC management and the Personnel Certification Governance Committee. The target Operating Reserve balance for the System Operator Certification Program at December 31, 2018 is \$700,300, and the projected Operating Reserve balance for the program at December 31, 2017 is \$622,842, resulting in an adjustment to the 2018 assessments of \$77,458 to achieve the target Operating Reserve balance at December 31, 2018.

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 budgeted resources for 2018); (ii) General and Administrative (which includes senior executive and administration and Board functions); (iii) Legal and Regulatory; (iv) Information Technology (IT); (v) Human Resources (HR); and (vi) Finance and Accounting. Descriptions of the responsibilities of each of the functions included in Administrative Services are provided at pages 76-85 of **Attachment 2**.

The total amount budgeted for expenses and Fixed Assets in Administrative Services for 2018 (before provision for Working Capital and Operating Reserves) is \$29,989,934, which is a decrease of \$1,424,899 (4.5%) from the 2017 budget. The increases and decreases in the 2018 budget from the 2017 budget for the individual administrative departments are: General and Administrative, decrease of \$109,829 (1.1%); Legal and Regulatory, decrease of \$378,002 (11.5%); IT, decrease of \$1,214,220 (9.7%); HR, increase of \$95,876 (6.0%); Finance and Accounting, increase of \$181,276 (4.7%). The decrease in the 2018 IT budget reflects reductions in staffing (0.94 FTE), Consultants & Contracts expense (\$188,821), and the IT Fixed Asset budget (\$1,796,000). The total budgeted staffing for the Administrative Services departments for 2018 is 67.45 FTEs, which is a decrease of 1.88 FTEs from the 2017 budget. Compared to the 2017 budget, budgeted staffing is decreased by 0.94 FTE for each of General and Administrative, Legal and Regulatory and IT, and increased by 0.94 FTE for Finance and Accounting, with no change for HR.

Consultants & Contracts Expense budgeted in Administrative Services for 2018 is \$3,290,966, which is a decrease of \$68,821 (2.0%) from the 2017 budget. Budgeted 2018 Office Costs for the Administrative programs is increased by \$598,246 (18.3%) over the 2017 budget, while budgeted Computer & Software CapEx are decreased by \$1,171,000 (79.6%) and budgeted Equipment CapEx are reduced by \$625,000 (34.7%). The increase in budgeted Office

Costs and decreases in Fixed Asset expenditures reflect in part the reclassification of approximately \$426,000 of costs for audio-visual equipment and hardware leases from Fixed Assets (capital) to Office Costs (expense). The overall 2018 budget for capital expenditures for Administrative Services is \$1,476,000, comprised of \$301,000 for Computer & Software CapEx and \$1,175,000 for Equipment CapEx.

The budgeted amount for Independent Trustee expenses for 2018 (included in General and Administrative) is decreased by \$67,500 (3.9%) from the 2017 budget, reflecting a decrease of \$79,000 (20.1%) in budgeted expenses for quarterly Board meetings and Trustee travel based on recent historical experience. Budgeted Independent Trustee fees are increased by \$11,500 (0.9%) over the 2017 budget. The Independent Trustee compensation is supported by a compensation study performed by an independent compensation consultant, and was approved by the NERC Board in August 2015 based on the recommendation of the CGHRC of the Board.³⁹ Based on its review of the compensation study and other industry information, as well as the increasing workload for NERC Trustees and overall budgetary constraints, the Board, in August 2015, determined to: (1) maintain an annual retainer structure (rather than per-event or time-based payments), as consistent with industry best practices; (2) phase in a new annual retainer amount for Trustees of \$112,500 in installments over a three-year period (2016-2018); (3) make no change to the annual retainer amount for Board committee chairs and for the Board member serving on the Electricity Subsector Coordinating Council; (4) phase in a new target annual retainer for the Board Chair of \$160,000 in installments over a three-year period (2016-2018); and (5) make no change to the annual retainer amount for the Board Vice Chair. The

³⁹ A copy of the compensation study, performed by the Towers Watson consulting firm (*Board of Trustee Remuneration Review*, July 2015) was provided as Attachment 16 to NERC's 2016 Business Plan and Budget Filing in Docket RR15-16-000 (2016 Business Plan and Budget Filing).

increase in Independent Trustee fees in the 2018 budget represents the third and final step of the three-year phase-in of the increased annual retainer amounts for Trustees and for the Board Chair (items (2) and (4) listed above). In accordance with Paragraph 12(a) of the Settlement Agreement for the Commission's 2011 financial performance audit of NERC, which requires the NERC Board to review Trustee compensation on an annual basis, the CGHRC, at its April 18, 2017 meeting, reviewed the Trustee compensation plan, including the three-year phase-in schedule, that the Board approved in August 2015 based on the comprehensive third-party compensation study.⁴⁰ The CGHRC concluded that for purposes of the 2018 Business Plan and Budget, there is no need to depart from the approved Trustee compensation plan and phase-in schedule. At its August 10, 2017 meeting, the NERC Board adopted this recommendation as part of its approval of the 2018 Business Plan and Budget.

All expenses and Fixed Asset additions budgeted in Administrative Services are allocated to the statutory programs on the basis of the proportion of the number of budgeted FTEs in each statutory program to the total FTEs budgeted for the statutory programs.

B. Working Capital and Operating Reserves

NERC's Working Capital and Operating Reserve (WCOR) Policy, adopted by the NERC Board in 2012 and amended in 2013 and in 2015, 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, and establishes transparent reporting requirements. The 2015 amendments to the WCOR Policy established the categories of Operating Reserves maintained by NERC: Future Obligations

⁴⁰ Annual review of Trustee compensation is also required by the CGHRC's mandate and by NERC's Governance Guidelines.

Reserve, Operating Contingency Reserve, System Operator Certification Program Reserve, and CRISP Reserve, as well as the Assessment Stabilization Reserve. Table B-1 and Exhibit E in **Attachment 2** show and explain the amounts of Working Capital and Operating Reserves proposed to be budgeted, and reflected in the setting of NERC's assessments, for 2018, as well as the proposed transactions in the Assessment Stabilization Reserve (see §IV.C below).

The amounts budgeted for 2018 for each Working Capital and Operating Reserve category (target balances at December 31, 2018) are as follows:

Working Capital: \$0

NERC maintains a \$4,000,000 line of credit with a major financial institution, and based on its cash flow projections and the timing by which the NERC assessments are billed and paid, does not anticipate a need to access working capital in 2018 to meet monthly cash flow needs.

Operating Reserves: \$5,904,734

Future Obligations Reserve: \$1,752,468

The target level for the Future Obligations Reserve at December 31, 2017, as presented in NERC's 2017 Business Plan and Budget, was \$2,646,709; therefore, the target level for this reserve is being reduced by \$894,241.

Operating Contingency Reserve: \$2,951,965

The WCOR Policy specifies that except as otherwise approved by the NERC Board, the budgeted Operating Contingency Reserve level is to be between 3.5% - 7.0% of NERC's total expenses and Fixed Assets budget excluding the budgets for the System Operator Certification Program and CRISP, which have their own reserves. Based on the budgeted 2018 expenses and Fixed Assets, the target amount for the Operating Contingency Reserve at December 31, 2018 is within this range (4.7%).

System Operator Certification Program Reserve: \$700,300

The projected December 31, 2017 reserve balance of the System Operator Certification Program is \$622,842; therefore, an increase to the 2018 assessment of \$77,458 is included to reach the target balance for the System Operator Certification Program Reserve at December 31, 2018.

CRISP: \$500,000

The CRISP Operating Reserve is used solely for certain contingencies in connection with CRISP. The target level is equal to the original CRISP reserve, established in 2015, which was funded by the participating utilities in CRISP.

Assessment Stabilization Reserve: \$1,571,000

NERC proposes, with Commission approval, to (1) deposit the \$500,000 of Penalty revenues received during the period July 1, 2016 – June 30, 2017, into the Assessment Stabilization Reserve, and (2) release \$600,000 of funds in the Assessment Stabilization Reserve to reduce 2018 assessments. These actions will leave a balance of \$1,571,000 in the Assessment Stabilization Reserve at December 31, 2018 for use to offset and stabilize assessments in future years' budgets.

Total Desired Working Capital, Operating Reserve and Assessment Stabilization Reserve at 12/31/2018: \$7,475,734.

Based on the beginning Working Capital and Operating Reserve balances at December 31, 2016, the projected funding and expenditures for 2017, the budgeted funding and expenditures for 2018, the proposed transactions in the Assessment Stabilization Reserve, the impacts of the capital financing program for 2018 (*see* §IV.D below) and the desired Working Capital and Operating Reserve balances at December 31, 2018, Table B-1 on page 82 of **Attachment 2** shows the calculation of the resulting adjustment (increase) of \$77,458 to NERC's 2018 statutory assessment. To the extent NERC's actual year-end 2017 Working Capital and Operating Reserves balances are higher than the projected amounts shown on Table B-1, the excess funds will be included in the Operating Contingency Reserve account, System Operator Certification Program Reserve account, or CRISP Reserve account, as applicable, and subject to the limitations and authorities regarding their use as set forth in the WCOR Policy.

C. Proposed Assessment Stabilization Reserve Transactions

The NERC policy, *Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*, and §1107.2 of the NERC ROP, specify that 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. For the period July 1, 2016

through June 30, 2017, NERC received \$500,000 of Penalty collections. NERC proposes to deposit the \$500,000 of Penalty collections into the Assessment Stabilization Reserve created by the amended WCOR Policy. NERC also proposes to use \$600,000 of accumulated Penalty sanctions revenues in the Assessment Stabilization Reserve to reduce 2018 assessments, as shown on Table B-1 of **Attachment 2**. Therefore, in accordance with ¶19 of the Commission's June 18, 2015 Order in Docket No. RR15-8-000, and pursuant to §1107.4 of the NERC ROP, NERC requests an exception to §1107.2 of the ROP to permit it to place \$500,000 of Penalty collections received during the 12 months ended June 30, 2017 into the Assessment Stabilization Reserve. NERC also requests the Commission's approval to use \$600,000 of accumulated Penalty collections in the Assessment Stabilization Reserve to reduce 2018 assessments.

D. Capital Expenditures Financing

As described in Exhibit D to NERC's 2014 Business Plan and Budget, NERC is financing the development costs of certain software applications and IT hardware and amortizing these investments over a multi-year period. As described in Exhibit D to **Attachment 2** of this 2018 Business Plan and Budget filing, NERC initiated the capital financing program in January 2014, establishing a \$7,500,000 non-revolving credit facility; and closed a similar non-revolving credit facility in November 2016 totaling \$5,000,000. The November 2016 credit facility is available to finance certain capital expenditures made from January 2017 to December 2019. Authorized annual borrowings under the credit facilities are limited to the amounts authorized by the NERC Board and the Commission in each year's Business Plan and Budget. Borrowings are amortized over a three-year period and can be prepaid without penalty.

The outstanding debt balance at December 31, 2017 is projected to be \$2,561,961. For 2018, NERC's proposed capital expenditures budget is \$3,874,000, of which NERC is proposing

to finance approximately \$2,148,000. The capital expenditures in the 2018 budget are listed on page 142 of **Attachment 2**, in Exhibit D, and include \$2,148,000 for ERO Application Development; \$805,000 for Hardware such as data storage and servers; \$370,000 for other equipment; \$100,000 for disaster recovery hardware; \$301,000 for Software licenses; and \$150,000 for Leasehold Improvements.

The tables included in Exhibit D (pages 142-43) of **Attachment 2** show the projected year-end outstanding debt balances and annual payments for debt service for 2017, 2018, 2019 and 2020 under the capital financing program. The projections assume an average interest rate of 4.0% over the life of the financing, which is consistent with the modest general increase currently occurring in market interest rates. The actual interest expense (based on the actual interest rate) 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 from which are subject to the terms of the WCOR Policy.

V. REGIONAL ENTITY BUSINESS PLANS AND BUDGETS

A. Development of the Regional Entity Business Plans and Budgets

As described in §III.A above, NERC management and staff worked iteratively with the Regional Entities on the development of the Regional Entity 2018 Business Plans and Budgets. Drafts of each Regional Entity's 2018 Business Plan and Budget were submitted to NERC for posting on the NERC website on May 19, 2017 for stakeholder comment. NERC 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 2018 Business Plan

and Budget on its own website for comment by its stakeholders, and/or provided other 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, Corporate Compliance Finance and Audit Committee 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. The FRCC Board approved FRCC's 2018 Business Plan and Budget on June 30, 2017.

MRO: MRO posted its draft 2018 Business Plan and Budget for comments on May 1, 2017. MRO's 2018 Business Plan and Budget was presented in multiple meetings of the MRO Board and its stakeholders. There were no written or oral challenges to the 2018 Business Plan and Budget. On June 22, 2017, MRO's Board of Directors approved a resolution that approved the 2018 budget, approved MRO's reserves policy, and affirmed that the budget is sufficient to complete MRO's delegated responsibilities.

NPCC: On April 25, 2017, a preliminary 2018 total NPCC Expense Budget was presented to NPCC's Finance and Audit Committee (NPCC FAC) for review and discussion. Draft #1 of the NPCC 2018 Business Plan and Budget was presented to NPCC's Board of Directors on May 3, 2017. On May 5, 2017, NPCC posted Draft #1 on its website for stakeholder review and comment. Draft #1 was presented to the NPCC Reliability Coordinating Committee for comment following this posting. NPCC did not receive any formal comments from either the posting or various presentations to the stakeholders on its draft 2018 Business Plans and Budget during the posting period. There were several questions received from the Régie de l'énergie after the May 31 comment period closed. The questions, primarily related to compliance costs, were addressed via email and resulted in no changes to the 2018 Business Plan and Budget. The NPCC FAC unanimously endorsed the "Draft for Approval" as presented and on June 28, 2017, the "Draft for Approval" was presented to the NPCC Board, and was unanimously approved.

ReliabilityFirst: On April 26, 2017, the ReliabilityFirst Board of Directors approved the first draft of its 2017 Business Plan and Budget, after which it was posted to the ReliabilityFirst website for a 30-day industry review and comment period. ReliabilityFirst did not receive any comments. The final 2018 Business Plan and Budget was approved by the ReliabilityFirst Board on June 1, 2017.

SERC: SERC made a draft of the 2018 Business Plan and Budget available to the SERC Board of Directors on April 16, 2017. The SERC Board approved the draft 2018 Business Plan and Budget at its April 26, 2017 meeting. The draft was then posted on the SERC public website for a 30-day comment period beginning May 3, 2017. No comments were received from registered entities on the draft 2018 Business Plan and Budget. The final version of the Business Plan and Budget was approved by the Board Executive Committee on June 28, 2017.

SPP RE: SPP RE presented a summary of the preliminary 2018 budget at the SPP RE Trustees public meeting on April 24, 2017. SPP RE's April 2017 newsletter indicated that the budget would be posted for comments through May 31, 2017. The final SPP RE 2018 Business Plan and Budget was presented at a public meeting held on June 28, 2017, with approval by the Trustees on June 30, 2017 via teleconference. SPP RE posts all Board of Trustee materials on its public website prior to the meetings. SPP RE received no formal comments from stakeholders regarding the 2018 budget.

Texas RE: Texas RE's 2018 Business Plan and Budget was presented in multiple meetings of the Texas RE Board and Member Representatives Committee. Texas RE posted the draft 2018 Business Plan and Budget on April 25, 2017. There were no written or oral challenges to the 2018 Business Plan and Budget. The Board of Directors approved Texas RE's 2018 Business Plan and Budget on May 24, 2017.

WECC: WECC's draft 2018 Business Plan and Budget was posted on its website on May 1, 2017 for a twelve business day comment period. The WECC Board of Directors and WECC Members were notified of the posting. One set of comments was received from stakeholders on the draft 2018 Business Plan and Budget. WECC's Board approved WECC's 2018 Business Plan and Budget on June 21, 2017.

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 obtain and provide feedback and refine their respective business plans and budgets. NERC's review focused on:

1. Adequacy of the resources and activities to perform delegated functions;
2. Alignment of the Regional Entity's goals, objectives and major activities to the ERO Strategic Plan;
3. Description of efforts to improve efficiency and control costs;
4. Quality and completeness of the financial information presented, including:

- a. Conformance with Commission budget reporting requirements and with the common presentation format,
- b. Separation of statutory and non-statutory activities,
- c. Supporting detail for projections, including explanations for significant changes from the entity's 2017 budget, and
- d. Working capital and operating reserve budgets, policies and controls.

Through the processes described above and in §III.A, NERC has been able to satisfy itself that each Regional Entity's 2018 Business Plan and Budget provides necessary and adequate resources to carry out the Regional Entity's delegated functions in 2018.⁴¹

The Regional Entities submitted their final 2018 Business Plans and Budgets, approved by their respective governing bodies, to NERC in late June and early July 2017. These Business Plans and Budgets were submitted to the NERC FAC and Board and were reviewed at the FAC's meetings held on July 20 and August 9, 2017, and at the Board's August 10, 2017 meeting. The Regional Entities' 2018 Business Plans and Budgets were approved by the NERC Board at the August 10 meeting, for submission to the Commission.

In developing the 2018 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 business plans and budgets for the years 2008 through 2017. NERC and the Regional Entities: (i) used a common and consistent format for the 2018 Business Plan and Budget documents, (ii) continued to use the consistent accounting methodologies that were developed in connection with the 2010 Business Plans and Budgets,

⁴¹ 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.

(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 2018-2020 and Key Focus Areas for 2018 in preparing their 2018 Business Plans and Budgets. The Shared Business Plan and Budget Assumptions for 2018-2020 and Key Focus Areas for 2018 are provided in Exhibit A to the NERC 2018 Business Plan and Budget (**Attachment 2**) and are cross-referenced in the individual Regional Entity Business Plans and Budgets. Additionally, each Regional Entity has highlighted entity-specific assumptions in its business plan and budget.

B. Organization of the Regional Entity Business Plans and Budgets

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 2018 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. The Introduction also provides general information on the Regional Entity, including information on its organization, membership and governance; provides the Regional Entity's key assumptions and its goals and key deliverables for 2018; and provides an overview of the primary cost impacts to the Regional Entity's 2018 budget. The Introduction section includes a table showing the Regional Entity's 2017 budget, 2017 projection, 2018 budget, and variance between the 2017 budget and 2018 budget, for each of the statutory programs. It also contains a chart comparing the Regional

Entity's 2017 to 2018 budgeted expenditures by statutory program; and a table showing the Regional Entity's FTEs, by statutory program and administrative department, for its 2017 budget, 2017 projection, and 2018 budget. Finally, the Introduction section includes the Regional Entity's overall statutory Statement of Activities, with information presented for its 2017 budget, 2017 projection, variance between its 2017 budget and 2017 projection, 2018 budget, and variance between its 2018 budget and 2017 budget.

The Regional Entity Business Plans and Budgets next contain, in Section A – Statutory Programs, separate subsections on each statutory program and on the administrative services functions of the Regional Entity. These sections are presented in similar format to Section A of the NERC Business Plan and Budget, including: (i) a table for each statutory program showing total FTEs, total Direct Expenses, total Indirect Expenses, increase or decrease in Fixed Assets, and total Funding Requirement, for the 2017 budget and 2018 budget and the Increase or Decrease; (ii) a table for Administrative Services showing the 2017 and 2018 budgeted Expenses and Fixed Assets and budgeted FTEs and the changes in budgeted expenditures and FTEs, for each Administrative Services function; and (iii) a Statement of Activities for the statutory program or for Administrative Services showing Funding, Expenses and Fixed Asset activity by major line item categories, Total Budget and Total Change in Working Capital.⁴² Information is presented in each of the Statements of Activities for the 2017 budget, the 2017 projection and the 2018 budget, and the variances between the 2017 budget and 2017 projection and between the 2018 budget and 2017 budget. The text of these sections for each statutory program includes discussion of the program scope and functional description, 2018 key assumptions, and goals and deliverables for 2018. Reasons for significant increases or decreases in funding sources and

⁴² All Expenses and Fixed Asset activity for the Administrative Services functions are allocated to, and included in the Funding Requirements for, the statutory programs.

costs in the 2018 budget for the program are provided in the narrative discussion and/or in the notes to the applicable table in Section B of the Regional Entity's Business Plan and Budget.

Section B of the Regional Entity Business Plans and Budgets presents additional financial information supporting the Regional Entity's 2018 statutory budget. Section B contains tables detailing the development of the adjustment to the Regional Entity's 2018 assessment to achieve its target Working Capital Reserve at December 31, 2018 (Table B-1); Penalty payments received in the 12 months ended June 30, 2017, to be used as an offset to the Regional Entity's funding requirement (Table B-2); budgeted Supplemental Funding (*e.g.*, Workshop fees and Interest income) (Table B-3); budgeted Personnel Expenses (Table B-4); budgeted Meeting Expense (Table B-5); budgeted Consultants & Contracts expense (Table B-6); budgeted Office Rent (Table B-7); budgeted Office Costs (Table B-8); budgeted Professional Services expense (Table B-9); budgeted Miscellaneous Expense (Table B-10); budgeted Other Non-Operating Expenses (Table B-11); and budgeted Fixed Assets additions (Table B-12). Tables B-3 through B-12 are followed, where applicable, by explanations of significant variances between the Regional Entity's 2017 and 2018 budgets for the funding or cost category. Finally, Table B-13 provides the Regional Entity's statutory budget projections for 2019 and 2020.⁴³

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 2017, including program descriptions and objectives, budget information, and FTEs.⁴⁴

⁴³ WECC has included its budget projections for 2019 and 2020 in Appendix B to its 2018 Business Plan and Budget, rather than in Table B-13 of Section B. Additionally, WECC has no Miscellaneous Expenses and has not included a separate table for Miscellaneous Expense.

⁴⁴ MRO, ReliabilityFirst and SERC do not plan to have, and have not budgeted for, any non-statutory activities in 2018. SPP RE is unable to provide a non-statutory budget for 2018 because its planning and budgeting cycle does not result in finalization and SPP Board approval of the overall SPP, Inc. budget until October. SPP RE has provided the overall SPP, Inc. 2017 budget and 2016 actual income statement.

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 2018 Consolidated Statement of Activities, Fixed Asset Expenditures and Changes in Working Capital showing the Regional Entity’s 2018 budgeted line-item funding sources, expenses, and Fixed Asset activity, in total, by statutory and (if applicable) non-statutory, and by statutory program and for Administrative Services, 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, 2016, based on 2016 actual audited results;⁴⁵ (ii) December 31, 2017, based on the Regional Entity’s 2017 projection; and (iii) December 31, 2018, based on the Regional Entity’s 2018 budget; and (3) the Regional Entity’s organization chart(s) for 2017 and 2018 (presented either as two separate charts or a combined chart displaying staffing numbers for each year), showing staffing comparisons for 2017 and 2018.

C. Provision for Working Capital Reserves in Regional Entity Budgets

In developing their 2018 Business Plans and Budgets and proposed assessment amounts to LSEs, the Regional Entities have taken into account the need to maintain appropriate amounts of working capital and operating reserves. The process takes into account each Regional Entity’s actual Working Capital Reserve at December 31, 2016 and projected Working Capital Reserve at December 31, 2017, resulting from its accumulated prior years’ surpluses and deficits, and results in an incremental or decremental adjustment to each Regional Entity’s proposed 2018 statutory assessment amount, in order to arrive at its target Working Capital Reserve at December 31, 2018. Table B-1, Reserve Balance (Working Capital Reserve Balance), in Section B of each Regional Entity’s 2018 Business Plan and Budget, shows the calculation of the

⁴⁵ The audited financial statements of each Regional Entity for 2016 were filed with the Commission on May 30, 2017, in NERC’s *2016 Budget True-up Report* (Docket No. RR17-04-000).

increment or decrement to the Regional Entity's requested 2018 assessment to achieve the Regional Entity's desired Working Capital Reserve at December 31, 2018. The calculations shown on Table B-1 take into account: (1) the Regional Entity's actual Working Capital Reserve at December 31, 2016, (2) assessment Funding, projected other Funding, and projected Expenses and Capital Expenditures for 2017, resulting in (3) a projected Working Capital Reserve at December 31, 2017, (4) the desired (target) Working Capital Reserve at December 31, 2018, (5) the budgeted Expenses and Capital Expenditures, and projected other funding sources (including Penalties collected from Registered Entities during the 12 months ended June 30, 2017), for 2018, resulting in (6) the increment or decrement to the Regional Entity's requested 2018 assessments in order to achieve the target Working Capital Reserve at December 31, 2018.

As shown on Table B-1 in each Regional Entity's 2018 Business Plan and Budget, each Regional Entity (except SPP RE; *see* §V.D.6 below) has established a target Working Capital Reserve for 2018. The basis for each entity's Working Capital Reserve for 2018 is stated on its Table B-1 or explained elsewhere in the text of its 2018 Business Plan and Budget.

D. Discussion of Individual Regional Entity Business Plans and Budgets

1. FRCC

Attachment 3 is FRCC's proposed 2018 Business Plan and Budget. FRCC's total statutory budget for 2018 is \$7,514,112, an increase of \$336,258 (4.7%) from its 2017 budget. FRCC's proposed 2018 assessment amount of \$6,660,518 is \$496,623 (8.1%) higher than its 2017 assessment, reflecting the net effect of (i) the increased budget; (ii) a \$253,145 offset from Penalty payments received from Registered Entities (as compared to \$95,000 of Penalty payments in the 2017 budget, *i.e.*, an increase of \$158,145 in this Funding source); and (iii) a decremental adjustment of \$508,449 to its 2018 assessment, based on the difference between its projected Working Capital Reserve at December 31, 2017 and its target Working Capital

Reserve at December 31, 2018 (as compared to a decremental adjustment to its 2017 assessment of \$826,959 relating to Working Capital Reserve, *i.e.*, the adjustment for Working Capital Reserve provides a smaller offset to ERO Assessments, by \$318,510, in FRCC's 2018 budget that was the case in its 2017 budget).

FRCC is budgeting for slightly increased staffing of 0.21 FTE in its five operational (statutory) programs for 2018 and a slight increase in staffing of 0.43 FTE in its General and Administrative programs, resulting in a budgeted overall staffing increase of 0.64 FTE. FRCC's budgeted General and Administrative Expenses for 2018 are \$1,007,507, which is a \$141,389 (16.3%) increase from the 2017 budget, due primarily to increased Personnel Expense.

FRCC's desired Working Capital Reserve at December 31, 2018 is \$626,176, based on one month of the total annual budget, as approved by the FRCC Board of Directors. (FRCC also maintains a \$1.5 million line of credit.) Table B-1 in FRCC's Business Plan and Budget shows a projected Working Capital Reserve at December 31, 2017, of \$1,134,625; therefore, FRCC's requested 2018 assessment amount is reduced by \$508,449 to reach its desired Working Capital Reserve at December 31, 2018.

FRCC's 2018 budget for its non-statutory (Member Services Division) activities is \$11,735,027.

2. MRO

Attachment 4 is MRO's proposed 2018 Business Plan and Budget. MRO's total statutory budget for 2018 is \$11,726,736, an increase of \$500,068 (4.5%) from its 2017 budget. MRO's proposed statutory assessment for 2018 of \$10,730,104 is \$235,759 (2.2%) higher than its 2017 assessment, reflecting (i) the increased budget; (ii) \$142,000 of Penalty payment offsets, which is a decrease of \$24,250 in Penalty payment offsets from its 2017 budget; and (iii) a decremental adjustment (reduction) to its assessments of \$854,632 for Working Capital Reserve,

as compared to a decremental adjustment of \$566,073 for this purpose in its 2017 budget, *i.e.*, the adjustment for Working Capital Reserve reduces the statutory assessment by \$288,559 more in MRO's 2018 budget than in its 2017 budget.

MRO is budgeting increased staffing for 2018 of 2.26 FTEs in its statutory programs (including an increase of 1.91 FTEs in its Compliance Monitoring and Enforcement Program) and decreased staffing of 0.26 FTE in its administrative programs. The overall increase in staffing from the 2017 budget is 2.00 FTEs. The 2018 budget for Administrative Services, which is allocated to the statutory programs on the basis of numbers of FTEs, is \$4,454,718, which is a small increase of \$14,667 (0.3%) from the 2017 budget.

MRO's desired Working Capital Reserve at December 31, 2018, is \$963,841, representing 30 days of cash requirements for the 2018 budget. MRO's Table B-1 shows a projected Working Capital Reserve of \$1,818,473 at December 31, 2017, resulting in a decremental adjustment (decrease) of \$854,632 to MRO's 2018 assessments to reach its target Working Capital Reserve amount at December 31, 2018.

MRO plans no non-statutory activities in 2018 and therefore has no 2018 budget for non-statutory activities.

3. NPCC

Attachment 5 is NPCC's proposed 2018 Business Plan and Budget. NPCC's statutory budget for 2018 is \$15,106,967, a decrease of \$40,087 (0.3%) from its 2017 budget. NPCC's 2018 assessment is \$14,341,787, an increase of \$86,726 (0.6%) from its 2017 budget. The increase in assessments is the net result of (i) the decreased budget, (ii) an increase in Penalty collections from zero in the 2017 budget to \$75,000 in the 2018 budget, and (iii) a decremental adjustment for reserves of \$626,180 versus a decremental adjustment of \$827,994 in the 2017 budget (*i.e.*, the adjustment to assessments for reserves reduces the 2018 assessment by \$201,813

less than in the 2017 budget). The smaller decremental adjustment to the 2018 assessment for reserves is due in part to the need to fund a separate Business Continuity Reserve established by the NPCC Board of Directors, as discussed below.

NPCC's 2018 budget does not reflect any change in total staffing in its statutory and administrative programs from its 2017 budget (nor from its 2016, 2015 and 2014 budgets). Budgeted total staffing is 36.86 FTEs, comprised of 28.86 FTEs for the statutory programs and 8.00 FTEs for the administrative programs. Both of these staffing figures are the same as in the 2017 budget, although in the statutory programs, staffing is reduced by 1.0 FTE in the Compliance Monitoring and Enforcement and Organization Registration and Certification Program and increased by 1.0 FTE in the Situation Awareness and Infrastructure Security Program, based on changing workloads. NPCC's budgeted 2018 Administrative Services expenditures are \$5,422,278, a decrease of \$24,441 (0.4%) from its 2017 budget.⁴⁶

NPCC's target Working Capital and Operating Reserve at December 31, 2018 is \$2,933,713, comprised of \$1,674,849 for Operating Reserve and \$1,258,864 for Working Capital. As approved by the NPCC Board of Directors, the Operating Reserve target is within the range of 30 days (8.33%) and 90 days (25.00%) of budgeted expenditures, while the Working Capital target is 30 days (8.33%) of budgeted expenditures. In addition, the NPCC Board of Directors has established a Business Continuity Reserve of \$1,000,000, allocated between the NPCC Regional Entity Division (\$940,000) and the Criteria Service Division (\$60,000). Therefore, the total target reserve amount at December 31, 2018, is \$3,873,713. NPCC's Table B-1 shows a projected Working Capital and Operating Reserve at December 31, 2017 of

⁴⁶ 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.

\$4,499,893 (Operating Reserve - \$3,241,030; Working Capital - \$1,258,864); thus, NPCC's 2018 assessment amount is reduced by \$626,180 to reach its desired Working Capital and Operating Reserve and fund the new Business Continuity Reserve at December 31, 2018.

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 (22.11%) 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 (55.67%) of the CORC costs is allocated between the U.S. and the Canadian provinces using a compliance audit-based methodology; and the remaining portion (22.22%) of the CORC costs, representing mitigation and enforcement-related costs, is allocated between the U.S. and Canadian Balancing Authority Areas using an enforcement activity-based methodology.⁴⁷ The portion of the costs allocated to the U.S using the audit-based methodology 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*. In addition, any NPCC sub-regional reliability assessment costs that will be incurred in response to U.S.-only regulatory initiatives will be considered for allocation to U.S.-only Balancing Authority Areas, consistent with §1102 of the NERC ROP. The narrative discussion on pages 60-61, and the table on page 62, of NPCC's Business Plan and Budget (**Attachment 5**), explain and show the development of the 2018 assessments by Balancing Authority Area within NPCC

⁴⁷ 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 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.

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 costs to be charged to U.S. Balancing Authority Areas).

NPCC's total non-statutory (Criteria Services Division) Funding Requirement for 2018 is \$1,019,141.

4. ReliabilityFirst

Attachment 6 is ReliabilityFirst's proposed 2018 Business Plan and Budget. ReliabilityFirst has a total statutory budget for 2018 of \$21,393,899, an increase of \$1,484,960 (7.5%) over its 2017 budget. ReliabilityFirst's proposed statutory assessment for 2018 is \$20,147,707, an increase of \$586,826 (3.0%) over the 2017 assessment. The increase in ReliabilityFirst's 2018 statutory assessment is due to the net effect of (i) the increased budget; (ii) an increase in Penalty Sanctions offsets of \$1,253,877 from the 2017 budget; (iii) budgeted Interest income of \$50,000 in 2018, versus zero in the 2017 budget; and (iv) an incremental adjustment for Working Capital Reserve of \$716,686, as compared to an incremental adjustment for Working Capital Reserve of \$310,943 in the 2017 budget (*i.e.*, an incremental increase to assessments of \$405,744 for Working Capital Reserve as compared to the 2017 budget).

ReliabilityFirst is budgeting an overall increase in staffing for 2018 of 3.90 FTEs, comprised of 3.00 additional FTEs in statutory programs (Reliability Assurance and Compliance Monitoring – 0.50 FTE increase; Situation Awareness and Infrastructure Security – 2.50 FTEs increase) and 0.90 additional FTE in administrative programs. Total budgeted staffing for 2018 is 76.20 FTEs. ReliabilityFirst's total budgeted 2018 Administrative Services expenditures (which are allocated to the statutory program budgets on the basis of total FTEs in each statutory program) are \$6,208,764, an increase of \$470,446 (8.2%) over the 2017 budget, due primarily to increased Personnel Expense including increased medical premiums costs in Benefits.

ReliabilityFirst's target Working Capital and Operating Reserve balance at December 31, 2018 is \$4,348,147, comprised of \$3,348,147 for Working Capital Reserve and \$1,000,000 for Operating Reserve. The Operating Reserve target is unchanged from the 2017 budget, while the Working Capital Reserve target is increased from \$2,399,357 in the 2017 budget. The target Working Capital Reserve is being increased in an effort to better manage and stabilize future assessments. ReliabilityFirst's projected Working Capital and Operating Reserves balance at December 31, 2017 is \$3,789,535 (comprised of \$2,789,535 in Working Capital and the Working Capital Reserve and \$1,000,000 in the Operating Reserve). As a result, ReliabilityFirst's requested assessment amount for 2018 reflects an incremental adjustment of \$558,612, which, along with an adjustment to reserves of \$158,074 due to transactions recorded on the Statement of Financial Position that do not impact the Statement of Activities (income statement) (refer to footnote 1 on Table B-1), is projected to enable ReliabilityFirst to attain the desired combined Working Capital Reserve and Operating Reserve amount of \$4,348,147 at December 31, 2018.

ReliabilityFirst plans no non-statutory activities in 2018 and therefore has no 2018 Budget for non-statutory activities.

5. SERC

Attachment 7 is SERC's proposed 2018 Business Plan and Budget. SERC's total statutory budget for 2018 is \$17,182,868, a decrease of \$299,535 (1.7%) from its 2017 budget. SERC's proposed 2018 assessment of \$17,205,136 is an increase of \$1,499,113 (9.5%) from its 2017 assessment. The increased assessment is the net result of (i) the reduced budget; (ii) an increase in Penalty Sanctions offsets of \$532,978 (from \$195,000 in the 2017 budget to \$727,978 in the 2018 budget); (iii) a reduction in budgeted Miscellaneous Funding of \$297,500 from the 2017 budget, due to the termination of SERC's role as the Regional Entity Coordinator for

various joint Regional Entity initiatives; and (iv) an incremental adjustment to assessments of \$1,013,271 to achieve SERC's targeted Working Capital Reserve amount as compared to a decremental adjustment to assessments of \$1,020,855 for this purpose in the 2017 budget (*i.e.*, the adjustment for Working Capital Reserve increases SERC's 2018 assessment by \$2,034,126 more than in its 2017 budget).⁴⁸

SERC's budgeted total staffing for 2018 for statutory programs and administrative functions is 75.00 FTEs, which is unchanged from its 2017 budget; however budgeted staffing for statutory programs is being reduced by 5.00 FTEs from the 2017 budget while budgeted staffing for administrative programs is being increased by 5.00 FTEs from the 2017 budget. SERC is establishing a Business Process & Risk Assessment administrative program with proposed 2018 staffing of 7.00 FTEs; correspondingly, staffing is reduced for 2018 by 1.75 FTEs in both the Compliance Monitoring and Enforcement and Organization Registration and Certification Program and the Reliability Assessment and Performance Analysis Program, by 1.50 FTEs in the Situation Awareness and Infrastructure Security Program, and by 2.00 FTEs in General & Administrative. SERC's budgeted 2018 expenditures for the Administrative Services functions, which are allocated to the statutory programs on the basis of the number of FTEs in each statutory program, are \$8,298,626, an increase of \$121,452 (1.5%) from its 2017 budget.

SERC's target Working Capital Reserve at December 31, 2018 is \$1,700,000. This represents an increase from the target Working Capital Reserve at December 31, 2017 of \$1,000,000, as presented in SERC's 2017 Business Plan and Budget. (SERC's working capital policy, adopted by its Board, provides for a cash reserve of up to 10% of budgeted annual

⁴⁸ In SERC's 2018 budget, Miscellaneous Funding includes payments from FRCC and SPP for performing the Compliance Enforcement Authority responsibilities for those entities' registered functions. These payments are \$30,000 from FRCC and \$41,000 from SPP, for a total of \$71,000, and are the same amounts as in SERC's 2017 budget.

statutory operating costs; any excess income greater than two months of statutory operating costs is treated as a temporary increase in SERC's operating reserves.) SERC's projected Working Capital Reserve at December 31, 2017 is \$686,729, resulting in an adjustment to SERC's 2018 assessments of \$1,013,271 to achieve the target Working Capital Reserve at December 31, 2018.

SERC plans no non-statutory activities in 2018 and therefore has no 2018 budget for non-statutory activities.

6. SPP RE

Attachment 8 is SPP RE's proposed 2018 Business Plan and Budget. SPP RE's total 2018 statutory budget is \$10,793,195, a decrease of \$72,316 (0.7%) from its 2017 budget. SPP RE's proposed assessment amount for 2018 is \$9,727,265, which is an increase of \$634,712 (7.0%) from its 2017 assessment amount. The increase in the 2018 assessment compared to 2017 is due to the net effect of (i) the decreased budget, (ii) a decrease in Penalty Sanctions offsets of \$79,750 from the 2017 budget, and (iii) a decremental adjustment for Working Capital Reserve of \$775,930, compared to a decremental adjustment for Working Capital Reserve in the 2017 budget of \$1,403,208 (*i.e.*, the adjustment for Working Capital Reserve decreases the SPP RE assessment by \$627,277 less than in the 2017 budget). SPP RE does not maintain a Working Capital Reserve (see below); therefore, the decremental adjustment to the 2018 assessment of \$775,930 represents SPP RE's projected surplus at December 31, 2017.

SPP RE's budgeted total staffing for statutory and administrative programs for 2018 is 32.30 FTEs, a decrease of 0.95 FTE from its 2017 budget. The 0.95 FTE reduction in budgeted staffing is in SPP RE's Reliability Assessment and Performance Analysis Program.

SPP RE's 2018 budgeted Indirect (Administrative) expenditures are \$5,006,707, which is a decrease of \$58,958 (1.2%) from the 2017 budget. This total is comprised of \$3,645,678 in budgeted charges for support services provided by SPP Inc. and allocated to SPP RE (a decrease

of \$65,232 (1.8%) from the 2017 budget) and \$1,361,030 for administrative services performed or managed by SPP RE staff (an increase of \$6,274 (0.5%) from the 2017 budget). The budgeted expense for support services provided by SPP Inc. is based on application of the revised formula for determining the costs for services performed by SPP, Inc. staff to be charged to SPP RE, that was originally developed and used in preparing SPP RE's 2016 budget and again for SPP RE's 2017 budget. This method uses allocation factors for various expense items based on appropriate measures per expense category such as square footage of office space, numbers of devices used, and headcount. Section E of SPP RE's 2018 Business Plan and Budget (**Attachment 8**) shows the calculation of the estimated SPP Inc. indirect expense charge. As in prior years, calculation of the estimated SPP Inc. indirect expense charges for purposes of SPP RE's budget is based on SPP Inc. cost data for the last year for which actual data is available, in this case 2016. SPP RE's actual financial results for 2018 will be based on an SPP Inc. indirect expense charge calculated using actual 2018 costs.

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 Working Capital Reserve because it has access to SPP, Inc.'s operating cash balances and bank credit lines for short-term funding needs. However, Table B-1 in **Attachment 8** shows that based on its projected 2017 operating results, SPP RE would have a Working Capital Reserve of \$775,930 at December 31, 2017. Accordingly, SPP RE has reduced its requested 2018 assessment by \$775,930.

As in prior years' budget filings, SPP RE is unable to provide a 2018 Budget for SPP, Inc.'s non-statutory activities because SPP, Inc.'s annual budget for 2018 will not be approved, in accordance with SPP, Inc.'s normal planning and budgeting cycle, until October 2017. For information, SPP RE has included the SPP, Inc. 2017 budget, as well as the SPP, Inc. 2016

actual results, in Section C of SPP RE's 2018 Business Plan and Budget.

7. Texas RE

Attachment 9 is Texas RE's proposed 2018 Business Plan and Budget. Texas RE's total 2018 statutory budget is \$12,656,953, an increase of \$489,697 (4.0%) from its 2017 budget, with the principal area of increase being the Compliance Monitoring, Enforcement and Organization Registration and Certification Program. Texas RE's proposed 2018 assessment amount is \$11,271,986, which is an increase of \$1,676,730 (17.5%) from its 2017 assessment amount. The increase in the 2018 assessment amount is the net result of (i) the increased budget, (ii) an increase of \$225,000 in Penalty Sanctions funding from the 2017 budget, and (iii) a decremental adjustment to assessments for Working Capital Reserve of \$1,107,967, as compared to a decremental adjustment for Working Capital Reserve in the 2017 budget of \$2,520,000 (*i.e.*, the adjustment for Working Capital Reserve reduces assessments by \$1,412,033 less than in the 2017 budget).

Texas RE's budgeted total staffing for statutory and administrative programs for 2018 is 60 FTEs, the same as in its 2017 budget (and its 2016, 2015 and 2014 budgets). Budgeted 2017 staffing remains at 46.25 FTEs for the statutory programs and 13.75 FTEs for the administrative programs, with no changes in staffing for any of the individual statutory or administrative programs. Texas RE's budgeted 2018 Administrative Services expenditures are \$4,649,142, which is a decrease of \$26,662 (0.6%) from its 2017 budget.

Texas RE's desired Working Capital Reserve at December 31, 2018 is \$1,245,000. Texas RE's Board-approved Working Capital and Operating Reserve Policy calls for Texas RE to retain a \$2,000,000 cash reserve; however, for 2018, the Working Capital Reserve target is being reduced by \$755,000 (*i.e.*, \$755,000 is effectively being transferred from Working Capital Reserve) to reduce the amount of the increase in assessments. Texas RE's Table B-1 shows a

projected Working Capital Reserve balance of \$2,352,967 at December 31, 2017. Based on the projected Working Capital Reserve amount at December 31, 2017, and the use of \$755,000 of reserves in 2018 to mitigate the increase in assessments, Texas RE's proposed 2018 statutory assessment is reduced by \$1,107,967.

Texas RE's total non-statutory budget for 2018 is \$1,091,743 (*see* Section C of **Attachment 9**).

8. WECC

Attachment 10 is WECC's proposed 2018 Business Plan and Budget. WECC's 2018 total statutory budget is \$27,097,344, an increase of \$300,416 (1.1%) from its 2017 budget. WECC's proposed 2018 statutory assessment is \$25,282,000, which is the same amount as its 2017 statutory assessment. WECC's 2018 assessment is the same as the 2017 assessment due to (i) the increased budget, (ii) a reduction of \$47,826 in budgeted funding from Workshops in 2018, and (iii) a change in the adjustment for Working Capital Reserve from \$207,448 in the 2017 budget to \$899,706 in the 2018 budget (*i.e.*, the adjustment for Working Capital Reserve in the 2018 budget is \$692,258 higher than in the 2017 budget), offset by (iv) an increase of \$1,040,500 in Penalty funding from the 2017 budget.

WECC's budgeted total staffing for statutory and administrative programs for 2018 is 143.0 FTEs, which is an increase of 3.00 FTEs from the budgeted 2017 staffing. The budgeted 2018 staffing is comprised of 102.3 FTEs (increase of 5.3 FTEs) in statutory programs and 40.7 FTEs (decrease of 2.3 FTEs) in Administrative functions. Staffing is being increased by 4.0 FTEs in the Compliance Monitoring and Enforcement and Organization Registration and Certification Program and by 2.0 FTEs in Reliability Assessment and Performance Analysis, and reduced by 2.3 FTEs in General & Administrative, as compared to the 2017 budget. WECC's total budgeted 2018 Corporate Services (Administrative Services) expenditures are \$9,172,877, a

decrease of \$594,223 (6.1%) from its 2017 budget.

WECC's projected Working Capital Reserve at December 31, 2018 is \$5,794,260, based on a Board-approved Working Capital Reserve balance of one to two months of Personnel Expenses, Meeting Expenses and Operating Expenses, plus maintenance of additional Board-approved reserves for assessment stabilization purposes. WECC projects a Working Capital Reserve balance of \$4,894,555 at December 31, 2017. The adjustment to the 2018 assessment to achieve WECC's desired Working Capital Reserve at December 31, 2018, is \$899,706, as shown on WECC's Table B-1.

WECC's 2018 budget for non-statutory expenses is \$1,766,779.

WECC's allocation of its assessment to the AESO for the Province of Alberta has been reduced by \$964,368, representing WECC CMEP costs (including allocated Indirect Costs and Fixed Assets) considered duplicative of the AESO's compliance and enforcement programs. 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 WECC's 2018 Business Plan and Budget (**Attachment 10**) shows the calculation of the adjustment to the AESO assessment.

VI. WESTERN INTERCONNECTION REGIONAL ADVISORY BODY FUNDING REQUEST

In its Order issued July 20, 2006, in Docket No. RR06-02-000 (*WIRAB Order*),⁴⁹ the Commission concluded that reasonable costs incurred by the Western Interconnection Regional Advisory Body (WIRAB) for activities under §215(j) of the FPA can be funded through the ERO funding process. As specified in P 35 of the *WIRAB Order*, WIRAB submitted to NERC a proposed 2018 Business Plan and Budget for §215(j) activities, which is **Attachment 11** to this

⁴⁹*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.

filing. NERC has reviewed WIRAB's submission and believes it complies with the requirements of P 35 of the *WIRAB Order*.

WIRAB's proposed 2018 budget for expenses is \$1,067,785, a \$161,295 (13.1%) decrease from its 2017 budget. WIRAB's budgeted staffing for 2018 is 5.50 FTEs, the same as in its 2017 budget. WIRAB's budgeted 2018 Personnel Expense is \$408,111, a 12.4% decrease from its 2017 budget. Budgeted 2018 Meeting expense of \$168,010 is a 1.0% increase from the 2017 budget. Budgeted 2018 Meeting expense of \$168,010 is a 1.0% increase from the 2017 budget. WIRAB's 2018 budget includes \$100,000 for Consultants & Contracts Expense (a decrease of \$50,000 from the amounts in its 2015, 2016 and 2017 budgets) to provide technical expertise to WIRAB on issues related to improved grid operating practices, Reliability Standards and compliance, to support WIRAB in providing technically sound advice to WECC and to Peak Reliability (the reliability coordinator for the Western Interconnection) under §215(j) of the FPA.

WIRAB's proposed statutory assessment for 2018 is \$711,026, a decrease of \$190,426 (21.1%) from its 2017 assessment. The decrease reflects a \$356,109 decremental adjustment for Working Capital Reserve, as compared to a \$326,978 decremental adjustment for Working Capital Reserve in the 2017 budget (*i.e.*, the adjustment for Working Capital Reserve reduces the WIRAB assessment by \$29,131 more than in the 2017 budget). The decremental adjustment to the assessment is based on a target Working Capital Reserve amount of \$600,000 at December 31, 2018 (56% of budgeted expenses), as approved by WIRAB's members, and a projected Working Capital Reserve at December 31, 2017 of \$956,109. WIRAB's overall statutory funding (assessment) request of \$711,026 for 2018 is allocated \$598,873 to the U.S., \$101,234 to Canadian provinces, and \$10,919 to Mexico, based on 2016 NEL.

VII. METRICS RELATED TO NERC AND REGIONAL ENTITY BUDGETS

Consistent with NERC's February 18, 2015 *Request to Revise Certain "Metrics" Filing Components for its Annual Business Plan and Budget Filings and its Annual Actual Cost-to-*

Budget True-Up Filings in Docket No. RR15-6-000, and the Commission's June 15, 2015 letter order approving NERC's request, NERC is providing the metrics information listed below in **Attachment 14** and **Attachment 15** to this filing.

Attachment 14 provides the following information relating to the Regional Entities' operations based on their 2018 Business Plans and Budgets:

1. Numbers of registered entities
2. Numbers of registered functions
3. Total NEL (GWh)
4. NEL (GWh) per registered entity
5. Total ERO Funding (sum of assessments plus Penalty sanctions collections)
6. ERO Funding per registered entity
7. ERO Funding per registered function
8. Total Budget (sum of Total Expenses plus Capital Expenditures)
9. Total Budget per registered entity
10. Total Budget per registered function
11. Total Statutory FTEs (FTEs are based on working 2,080 hours per year)
12. Registered entities per Statutory FTE
13. Registered functions per Statutory FTE
14. Total Compliance Budget (sum of Direct Expenses, Indirect Expenses allocated to the Compliance Program, and Capital Expenditures)
15. Compliance budget per registered entity
16. Compliance budget per registered function
17. Total Compliance FTEs
18. Registered entities per Compliance FTE

19. Registered functions per Compliance FTE

In addition, **Attachment 14** provides the following metrics and graphics based on the Regional Entities' 2018 Business Plans and Budgets:

20. Compliance Budget per Number of Registered Functions and per Number of Registered Entities.
21. Number of Registered Functions per Registered Entity
22. Compliance Program Budget as a Function of Number of Registered Entities and Number of Registered Functions
23. Number of Registered Entities per Compliance Program FTE and Number of Registered Functions per Compliance Program FTE
24. Comparisons of Number of Registered Entities per Compliance program FTE and Number of Registered Functions per Compliance Program FTE for the current year (2017) and the budget year (2018).

Attachment 15 provides the following metrics on the budgeted Administrative Services costs of NERC and each Regional Entity, based on their budgets for 2017 and 2018:

1. Statutory Indirect Budget as a Percentage of Total Statutory Budget, for 2017 and 2018.
2. Ratio of Statutory Direct Budget to Statutory Indirect Budget, for 2017 and 2018.
3. Statutory Indirect (Administrative) FTEs as a Percentage of Total Statutory FTEs, for 2017 and 2018.
4. Number of Direct Statutory FTEs per Indirect (Administrative) FTE, for 2017 and 2018.

VIII. 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, 2017: (1) accepting NERC's proposed 2018 Business Plan and Budget (including the proposed Assessment Stabilization Reserve transactions described in §IV.C above) in **Attachment 2**; (2) accepting the proposed 2018 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 2018 in **Attachment 11**; 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 LSE or designee or other entity to fund the portion of NERC's 2018 Funding requirement allocated to the United States and the 2018 Funding requirement for statutory activities of each Regional Entity and WIRAB allocated to the U.S.

Respectfully submitted,

Gerald W. Cauley
President and Chief Executive Officer
Scott Jones
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
(404) 446-9765 – facsimile

Charles A. Berardesco
Senior Vice President and General Counsel
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

/s/ Owen E. MacBride
Owen E. MacBride
Schiff Hardin LLP
233 South Wacker Drive, Suite 7100
Chicago IL 60606
(312) 258-5680
(312) 258-5600 – facsimile
omacbride@schiffhardin.com

DOCKET NO. RR17-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2018 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 1

SUMMARY TABLES FOR NERC AND REGIONAL ENTITY

PROPOSED 2018 BUDGETS AND ASSESSMENTS

NERC'S Proposed Budget by Program¹

NERC Program	2017 Budget for Statutory Functions	2018 Budget for Statutory Functions
Reliability Standards	\$ 8,100,282	\$ 6,821,893
<u>Compliance Monitoring and Enforcement</u>		
Compliance Assurance	7,858,599	8,904,105
Compliance Analysis, Organization Registration and Certification	3,646,289	4,887,082
Compliance Enforcement	5,800,647	6,673,939
Reliability Assessment and System Analysis	7,535,594	7,312,956
<u>Reliability Risk Management</u>		
Situation Awareness	4,032,862	3,846,648
Event Analysis	5,446,206	5,161,490
Performance Analysis	4,908,855	4,633,422
E-ISAC (including CRISP)	18,515,341	21,850,597
Training, Education and Personnel Certification	3,757,501	3,043,024
Total Budget	\$ 69,602,175	\$ 73,135,156

¹Does not include the proposed provision for Working Capital reserve funding

Proposed Budget for Statutory Activities of NERC, Each Regional Entity and WIRAB¹

	2017 Budget for Statutory Functions	2018 Budget for Statutory Functions
NERC	\$ 69,602,175	\$ 73,135,156
FRCC	7,177,854	7,514,112
MRO	11,226,668	11,726,736
NPCC	15,147,054	15,106,967
ReliabilityFirst	19,908,939	21,393,899
SERC	17,482,403	17,182,868
SPP RE	10,865,511	10,793,195
Texas RE	12,167,256	12,656,953
WECC	26,796,928	27,097,344
WIRAB	1,229,080	1,067,785
Total Budget	\$ 191,603,868	\$ 197,675,015

¹Does not include the proposed provision for Working Capital reserve funding

Proposed Assessments for Statutory Activities of NERC and Each Regional Entity and WIRAB

	Assessments for		Assessments for		Allocation to U.S.		
	Statutory	Allocation to	Statutory	Allocation to	2018 Budget v	2017 Budget	% Over
	Functions 2017	U.S. 2017	Functions 2018	U.S. 2018	Over (Under)	Over (Under)	(Under)
NERC	\$ 59,856,314	\$ 54,326,337	\$ 62,936,968	\$ 56,968,506	\$ 2,642,169		4.86%
Regional Entities	\$ 110,150,014	\$ 99,746,574	\$ 115,366,505	\$ 104,544,752	\$ 4,798,178		4.81%
FRCC	6,163,896	6,163,896	6,660,518	6,660,518			
MRO	10,494,345	8,717,286	10,730,106	8,940,887			
NPCC	14,255,060	8,894,696	14,341,787	8,749,460			
ReliabilityFirst	19,560,881	19,560,881	20,147,707	20,147,707			
SERC	15,706,023	15,706,023	17,205,136	17,205,136			
SPP RE	9,092,553	9,092,553	9,727,265	9,727,265			
Texas RE	9,595,256	9,595,256	11,271,986	11,271,986			
WECC	25,282,000	22,015,983	25,282,000	21,841,793			
WIRAB	\$ 901,452	\$ 759,556	\$ 711,026	\$ 598,873	\$ (160,683)		-21.15%
Total Budget	\$ 170,907,780	\$ 154,832,467	\$ 179,014,499	\$ 162,112,131	\$ 7,279,664		4.70%

DOCKET NO. RR17-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2018 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 2

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

PROPOSED 2018 BUSINESS PLAN AND BUDGET

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

2018 Business Plan and Budget

Final

August 10, 2017

RELIABILITY | ACCOUNTABILITY



3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
404-446-2560 | www.nerc.com

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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)¹ in North America. NERC's area of responsibility spans the continental U.S. and portions of Canada and Mexico. Entities under NERC's jurisdiction are the users, owners, and operators of the BPS—a system that serves the needs of over 340 million people, includes installed electricity production capacity of approximately 1,200 gigawatts, operates 475,000 miles of high-voltage transmission (100 kV and above), and is comprised of assets worth more than one trillion dollars.

Electric Reliability Organization (ERO)

The Federal Energy Regulatory Commission (FERC or Commission) certifies and has oversight of NERC as the electric reliability organization (ERO) within the U.S. to establish and enforce reliability standards for the U.S. portion of the BPS, pursuant to Section 215 of the Federal Power Act (§215). As of June 18, 2007, FERC granted NERC the legal authority to enforce reliability standards with all U.S. users, owners, and operators of the BPS and made compliance with those standards mandatory and enforceable. Equivalent relationships have been sought and, for the most part, realized in Canada and Mexico.

International Relations

Prior to adoption of §215 in the U.S., the Canadian provinces of Ontario (in 2002) and New Brunswick (in 2004) adopted all NERC reliability standards that were approved by the NERC Board of Trustees (Board) as mandatory and enforceable within their respective jurisdictions through market rules. Reliability legislation is in place, or NERC has memoranda of understanding with, provincial authorities in Ontario, New Brunswick, Nova Scotia, Québec, Manitoba, Saskatchewan, British Columbia, and Alberta, and with the National Energy Board of Canada (NEB). NERC's standards are mandatory and enforceable in Ontario and New Brunswick as a matter of provincial law. Manitoba has adopted legislation, and standards are also mandatory. In addition, NERC has been designated as the "electric reliability organization" under Alberta's Transmission Regulation, and certain reliability standards have been approved in that jurisdiction; others are pending. NERC reliability standards are now mandatory in British Columbia and Nova Scotia. NERC and the Northeast Power Coordinating Council (NPCC) have been recognized as standards-setting bodies by the Régie de l'énergie de Québec, and Québec has the framework in place for reliability standards to become mandatory. NEB has made reliability standards mandatory for international power lines between the U.S. and Canada.

In Mexico, the Comisión Federal de Electricidad has signed the Western Electricity Coordinating Council's (WECC's) reliability management system agreement, which applies only to Baja California Norte. On March 8, 2017, NERC, the Comisión Reguladora de Energía (CRE), and the Centro Nacional de Control de Energía (CENACE) signed a memorandum of understanding (MOU), which outlines a framework for a cooperative relationship between NERC and Mexico to further enhance reliability of the North American bulk power system. The MOU recognizes the established and growing interconnections between the U.S. and Mexico and roles of each party in support of continued reliability. The agreement establishes a collaborative mechanism for identification, assessment, and prevention of reliability risks to strengthen grid security, resiliency, and reliability. As outlined in the memorandum, executives from NERC, CRE, and CENACE have formed a steering group to establish priorities and objectives for the technical support and collaboration envisioned in the MOU. The steering group will also address governance matters, resource requirements, and funding mechanisms. Technical working groups comprised of staff from the three

¹ NERC's standards, compliance, and enforcement activities are focused on the [Bulk Electric System \(BES\)](#), which is comprised of certain BPS facilities.

organizations will be formed as needed to implement the collaboration. The first meeting of the steering group occurred in May 2017 and the technical working groups are currently meeting and forming operating plans. Discussions are ongoing with Mexico's financial representatives to address the potential of including an updated assessment in 2018.

Membership and Governance

An 11-member Board, comprised of 10 independent trustees and NERC's president and chief executive officer (CEO) serving as the management trustee, governs NERC. The Board has formed several committees to facilitate oversight of the organization in the areas of finance and audit, governance and human resources, compliance, standards oversight and technology, nominations and, most recently, enterprise-wide risk.

Membership in NERC is open to any person or entity that has an interest in the reliability of the North American Bulk Electric System (BES). Membership is voluntary and affords participants the opportunity to engage in the governance of the organization through election to the Member Representatives Committee (MRC).² More than 600 entities and individuals are members of NERC.

Scope of Oversight

As the international, multijurisdictional ERO in North America, NERC is authorized to:

- Propose, support the development of, monitor compliance with, and enforce mandatory reliability and security standards for the North American BES, subject to regulatory oversight and approvals from FERC in the U.S. and applicable authorities in Canada;
- Conduct near-term and long-term reliability assessments of the North American BPS;
- Certify BPS operators as having and maintaining the necessary knowledge and skills to perform their reliability responsibilities;
- Maintain situational awareness of events and conditions that may threaten BPS reliability;
- Coordinate efforts to improve physical and cyber security for the BPS of North America;
- Conduct detailed analyses and investigations of system disturbances and unusual events as well as measure ongoing system trends to determine root causes, uncover lessons learned, and issue relevant findings as advisories, recommendations, guidelines, and essential actions to the industry to mitigate and control risks to reliability; and
- Identify and prioritize risks to reliability and use a broad toolkit to mitigate and control risks to reliability, including the potential need for new or modified reliability and security standards, improved compliance monitoring and enforcement methods, or other initiatives.

Delegated Authorities

In executing its responsibility, NERC delegates certain authorities to eight regional reliability entities (Regional Entities or the Regions) to perform aspects of the ERO functions described through delegation agreements. FERC has approved delegation agreements between NERC and the eight Regional Entities (Florida Reliability Coordinating Council (FRCC), Midwest Reliability Organization (MRO), Northeast Power Coordinating Council, Inc. (NPCC), ReliabilityFirst (RF), SERC Reliability Corporation (SERC), Southwest Power Pool Regional Entity (SPP RE), Texas Reliability Entity, Inc. (Texas RE), and the Western Electricity

² The [Member Representatives Committee](#) (MRC) comprises 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.

Coordinating Council (WECC)). These agreements describe the authorities delegated and responsibilities assigned to the Regional Entities in the U.S. to address, among other things: (1) developing regional reliability standards, (2) monitoring compliance with and enforcement of mandatory reliability standards (both North American-wide and regional), (3) certifying registered entities and registering owners, operators, and users of the BES, (4) assessing reliability and analyzing performance, (5) training and education, (6) event analysis and reliability improvement, and (7) situation awareness and infrastructure security. NERC expects Regional Entities whose territories and geographic footprints extend into Canadian provinces and Mexico to perform equivalent functions in those jurisdictions.

ERO Enterprise Operating Model

The collective network of leadership, experience, judgment, skills, and technologies shared among NERC and the eight Regional Entities is referred to as the ERO Enterprise (the Enterprise). In 2014, a common operating model, *Improving Coordinated Operations across the ERO Enterprise*,³ was developed to define how NERC and the Regional Entities achieve excellence in the oversight and execution of statutory functions by collaborating to mitigate reliability risks. The model also defines the division of the roles and responsibilities for NERC and the Regional Entities to efficiently and effectively execute services performed as the collective Enterprise. In 2015, implementation of this model progressed with oversight plans developed for Compliance Monitoring and Enforcement programs, as well as Registration, continuing into 2016 with Performance Analysis, Situational Awareness, and Events Analysis. Further, NERC and the Regional Entities deepened their coordination activities to identify, prioritize, and address risks to reliability.

NERC has unique responsibilities within the ERO Enterprise to design the oversight of program areas, develop operational oversight and leadership, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding regional programs. NERC also reviews and provides input to the annual Regional Entity business plans and budgets, including but not limited to review of resource allocations, staffing capacity assessments, and program performance assessments. NERC input and review occurs before regional board approval.

Similarly, the Regional Entities have a mirrored set of responsibilities that include being responsive to the design of the operational model, providing input into the overall development of each ERO program area, providing training and development to meet ERO qualifications, being receptive to feedback from the ERO, and making responsive adjustments. Regional Entities also have an obligation to meet professional standards of independence and objectivity and provide the best available expertise for addressing risks.

With due recognition and awareness of the distinction between individual roles, responsibilities, and corporate status, NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of an agreed-upon set of strategic goals and objectives that are designed to ensure the ERO fulfills its statutory obligations.

Statutory and Regulatory Background

NERC's authority as the ERO in the U.S. is based on Section 215 of the Federal Power Act, as added by the Energy Policy Act of 2005,⁴ 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.

³ [Improving Coordinated Operations Across the ERO Enterprise](#)

⁴ This was codified in section 215 of the Federal Power Act, 16 United States C. 824o.

Funding

Section 215 of the Federal Power Act and the Commission's regulations specify procedures for NERC's funding in the U.S. NERC's annual business plan and budget is subject to Commission approval in the U.S. Once approved, NERC's annual funding is provided through assessments to load-serving entities. These assessments are allocated 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 Regional Entities' funding requirements are addressed separately in their respective business plans and budgets, which must be reviewed and approved by NERC and FERC in the U.S. Assessments for the Regional Entity budgets are included in the overall NERC assessments to load-serving entities.

Introduction and Executive Summary

TOTAL RESOURCES (in whole dollars)				
	2018 Budget	U.S.	Canada	Mexico
Statutory FTEs	199.28			
Non-statutory FTEs	-			
Total FTEs	199.28			
Statutory Expenses	\$ 70,855,455			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 70,855,455			
Statutory Inc (Dec) in Fixed Assets	\$ 2,279,701			
Non-Statutory Inc (Dec) in Fixed Assets	\$ -			
Total Inc (Dec) in Fixed Assets	\$ 2,279,701			
Statutory Funding of Reserves	\$ 77,458			
Non-Statutory Funding of Reserves	\$ -			
Total Working Capital Requirement	\$ 77,458			
Net Proceeds from Financing Activities	\$ (231,393)			
Total Statutory Funding Requirement	\$ 72,981,221			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 72,981,221			
	TOTAL	US	CANADA	MEXICO
Statutory Funding Assessments	\$ 62,936,968	\$ 56,968,506	\$ 5,778,945	\$ 189,517
Non-Statutory Fees	\$ -	\$ -	\$ -	\$ -
NEL	4,506,897,694	3,981,131,801	512,670,827	13,095,066
NEL%	100.00%	88.33%	11.38%	0.29%

Note: Mexico assessments included herein relate only to the activities in Baja California Norte. Discussions are ongoing with Mexican representatives on the possible addition of new assessments for 2018, but are not yet estimated in this table.

Strategic Goals and Metrics

The ERO Enterprise strategic plan and metrics⁵ is informed by ongoing ERO Enterprise activities to identify (1) BPS reliability risks, particularly the Reliability Issues Steering Committee's (RISC's) *ERO Reliability Risk Priorities Report*⁶ and (2) opportunities for ERO Enterprise effectiveness and efficiency. The transparent and collaborative process includes input from stakeholders, the NERC Board, and Regional Entity Boards. In 2016, these inputs were used by ERO Enterprise leadership to review and update (1) the strategic plan goals and contributing activities as necessary to inform ERO Enterprise operational coordination, resource planning and allocation, and budgeting on a three-year horizon and (2) the metrics to ensure they are meaningfully informing ERO Enterprise near and long-term priorities.

Since the central focus of the strategic plan is to drive NERC and Regional Entity operating activities, the NERC Board and ERO Enterprise leadership recommended that in 2017 the strategic plan be rebranded as the ERO Enterprise operating plan and that a separate initiative be undertaken to develop a longer term strategy for the ERO Enterprise to guide future updates to the ERO Enterprise operating plan. Drafts of the long-term strategy will be posted for two stakeholder comment periods, and the final document will be presented for review and approval at the Board meeting in November 2017. Draft updates to the RISC report and recommendations will also be reviewed at the November 2017 MRC meeting and a final report and updated recommendations submitted to the Board for acceptance in February 2018. While these updates will specifically inform the development of the NERC and Regional Entity 2019 BP&Bs, management will also be reviewing and taking into consideration any feedback that is received as part of the updates to the operating plan and RISC report and recommendations in connection with the finalization of the 2018 BP&B.

Evolving Reliability Risks

Over the past six years, NERC has transformed its activities towards being more risk-based, ensuring that the right activities are focused on the most pertinent risks to the reliable operation of the BPS. The RISC is an advisory committee to the Board, providing key insights, priorities, and high-level leadership for issues of strategic importance to BPS reliability. The 2016 RISC report presents the results of its continued work to define and prioritize risks and to offer recommendations to the Board to inform the development of NERC's risk strategy. The RISC report recommendations are considered as the strategic plan, goals, and supporting activities are updated for the coming years. In 2016, the RISC recommended a high level of focus and priority in the following areas:

Cybersecurity Vulnerabilities

Cyber threats are becoming more sophisticated and increasing in number. Exploitation of cybersecurity vulnerabilities can potentially result in loss of control or damage to BPS-related voice communications, data, monitoring, protection and control systems, or tools. A cyber-attack can lead to equipment damage, degradation of reliable operations, and loss of load. Further, cybersecurity vulnerabilities can come from several sources, both internal and external, and in some instances the utility may have its cybersecurity fully tested.

Changing Resource Mix

The rapid rate at which fuel costs, subsidies, and federal, state, and provincial policies are affecting the resource mix are creating a new paradigm in which planners, balancing authorities, and system operators are reacting to resource additions and retirements. Further, the integration of new technologies and distributed energy resources are affecting the availability of operators to see and control resources within their area.

⁵ [ERO Enterprise Strategic Plan and Metrics 2017-2020](#)

⁶ [ERO Reliability Risk Priorities Report](#)

BPS Planning

BPS planning is a risk closely tied to the changing resource mix because planners currently lack the ability to update or create system models and scenarios of potential future states to identify system needs based on the dynamic nature of the system. This changing system makes it increasingly difficult to evaluate BPS stability, including inertia and frequency response, voltage support (adequate dynamic and static reactive compensation), and ramping constraints.

Resource Adequacy

Changes in the generation resource mix and new technologies are altering the operational characteristics of the grid and will challenge system planners and operators to maintain reliability in real time. Failure to take into account these changing characteristics and capabilities can lead to insufficient capacity and essential reliability services to meet customer demands.

Strategic Goals

The ERO Enterprise has five strategic goals, adopted by the Board in November 2016, enabling the ERO Enterprise to successfully carry out its mission. A detailed description of each goal and activities that contribute to its success are provided below, followed by additional information about the allocation of NERC's resources toward achievement of each goal. The ERO Enterprise also has seven metrics that have been approved for 2017.⁷ Updated goals and activities that will be part of the operating plan, as well as updates to the metrics, will be finalized for approval by the Board in November 2017, with opportunities for stakeholder feedback prior to their approval. At this time, it is not anticipated that these updates will have a material impact on NERC's overall budget or resource allocation among operating areas for 2018. However, the updates may potentially affect priorities and workload within particular departments and will inform resource planning and allocation for the 2019 budget year.

Goal 1

Risk-Responsive Reliability Standards

Reliability Standards establish threshold requirements for assuring the BES is planned, operated, and maintained to minimize risks of cascading failures, avoid damage to major equipment, or limit interruptions of the BPS. Reliability Standards are clear, timely, effective in mitigating risks to reliability, and consider cost-effectiveness/impact.

Contributing Activities

- Develop, modify, and conduct periodic reviews of the Reliability Standards to assure they are clear and properly structured for existing and emerging risks.
- Develop and implement ERO Enterprise and stakeholder feedback loops to identify and address any gaps or ambiguities in Reliability Standards.
- Review the recommendations from the Essential Reliability Services Task Force to determine if the current body of NERC's planning Reliability Standards sufficiently addresses the need for essential reliability services.
- Evaluate options for assessing the cost effectiveness/impact of Reliability Standards.
- Address regulatory issues and orders (e.g., supply chain and critical infrastructure protection Reliability Standards) and technical analysis supporting geomagnetic disturbance requirements.
- Facilitate implementation of Reliability Standards by providing guidance or outreach for approved Reliability Standards.

⁷ See [ERO Enterprise Strategic Plan and Metrics 2017-2020](#) for details.

Goal 2

Objective and Risk-informed Compliance Monitoring, Enforcement, and Organization Certification and Registration

The ERO Enterprise is a strong enforcement authority that is objective, fair, and promotes a culture of reliability excellence through risk-informed compliance monitoring, enforcement, certification, and registration.

Contributing Activities

- Implement registration program improvements to ensure consistent technical basis for registration and deregistration of entities.
- Implement the certification program consistently across the ERO Enterprise.
- Develop and implement compliance oversight plans for registered entities focusing on relevant risks, including consideration of inherent risk assessments and internal control evaluations.
- Implement compliance monitoring and enforcement timely and transparently, using a consistent framework.
- Enhance and implement training for ERO Enterprise Compliance Monitoring and Enforcement Program (CMEP) staff.
- Provide guidance and outreach to registered entities, including the review of Implementation Guidance for endorsement.
- Reduce recidivism through rigorous assessment of registered entities' plans to mitigate noncompliance.
- Evaluate the existing compliance, reporting, and analysis tracking system and other compliance tools to support risk-based activities that meet the needs of the CMEP.

Goal 3

Identification and Mitigation of Significant Risks to Reliability

The ERO Enterprise identifies the most significant risks to reliability, provides assurance for mitigating reliability risks, and promotes a culture of reliability excellence. The ERO Enterprise supports the Electricity Information Sharing and Analysis Center (E-ISAC), the Cybersecurity Risk Information Sharing Program (CRISP), reliability assessments, performance analysis, event analysis, situational awareness, and physical security and cybersecurity preparedness.

Contributing Activities

- Develop guidelines and industry practices to maintain accurate system models that include the resources (synchronous and inverter based), load, and controllable devices providing essential reliability services.
- Develop advanced and probabilistic methods to evaluate resource adequacy.
- Gather additional phasor measurement unit datasets to advance analytics and modeling improvements.
- Analyze system performance, events, and relationships among data sources to identify risks and mitigation strategies, and provide recommendations and lessons learned.
- Expand the use, availability, and value of physical security and cybersecurity threat and vulnerability information sharing, including cross sector communications, and analytics.

- In collaboration with the Critical Infrastructure Protection Committee and industry stakeholders, develop a risk process to address the potential impacts of cyber and physical security threats and vulnerabilities.
- Conduct assessments of system resiliency and develop guidance for operations in a more secure state.
- Engage industry, forums, and technical committees in identifying and mitigating risks, including reducing misoperations, AC substation equipment failures, vegetation-related outages, and improving cold weather preparedness and human performance.

Goal 4

Identification and Assessment of Emerging Risks to Reliability

The ERO Enterprise identifies, evaluates, studies, and independently assesses emerging risks to reliability.

Contributing Activities

- Enhance reliability assessments to reflect changing resource mix behavior, including distributed energy resources and essential reliability services, using probabilistic approaches that consider the variable and energy-limited nature of the evolving resource mix.
- Educate policy makers, regulators, and the industry of reliability effects and interconnection requirements for the changing resource mix.
- Develop sufficiency/adequacy guidelines for essential reliability services, including considerations of reliability attributes under a more diverse resource mix and changing load behavior, such as ramping, reserve services, and voltage support.
- Assess risks associated with cross sector dependencies and single points of disruptions.
- Develop, acquire, and maintain necessary tools for efficient data collection, management, and analytics across the ERO Enterprise.
- Evaluate the reliability impacts of distributed energy resources on planning, operations, and restoration and recovery, including the identification of data and information sharing needs.

Goal 5

Effective and Efficient ERO Enterprise Operations

The ERO Enterprise supports and encourages transparency, consistency, quality, efficiency, and timeliness of results and operates as a collaborative enterprise.

Contributing Activities

- Articulate a shared vision of reliability excellence and support and inspire stakeholders continent-wide in working to attain that vision.
- Acquire, engage, develop, and retain highly qualified talent with requisite technical expertise to execute the ERO Enterprise's statutory functions.
- Understand and manage ERO Enterprise internal risks.
- Enhance and implement documented oversight plans for Regional Entity delegated functions.
- Expand the efficiency and productivity of the ERO Enterprise through a disciplined approach to IT investments.
- Continue to efficiently and effectively manage resources within the ERO Enterprise.

- Quantitatively measure stakeholder satisfaction.

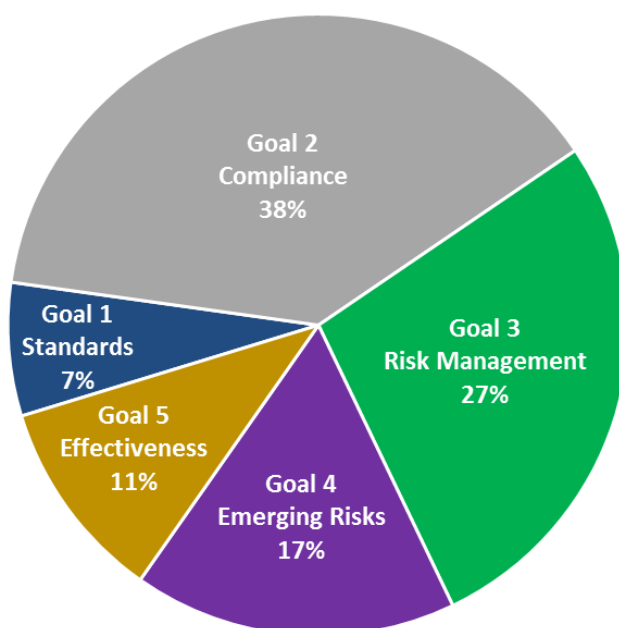
Allocation of NERC Resources to Strategic Goals and Risk Priorities

The charts below provide an overview of the allocation of both NERC and the ERO Enterprise’s 2018 resources associated with each strategic goal and the related contributing activities discussed above. Using surveys, funding sources, and FTEs as a guide, the charts reflect the relative amount of total resources (people and dollars) focused on supporting each of the five strategic goals noted above. Obviously many departments work on multiple activities that further multiple goals, and precision in forecasting all activities supporting each goal is not feasible. However, these charts provide a general picture regarding how resources are allocated.

NERC Resource Allocation to Strategic Goal Areas



ERO Enterprise Resource Allocation to Strategic Goal Areas



Ongoing Focus on Cost Control and Efficiency

NERC and the Regional Entities continue to work collaboratively to improve efficiency, evaluate resources, and leverage combined skillsets to improve various ERO Enterprise activities and control costs. This collaboration and the resulting efficiencies can be found in a number of areas, including but not limited to:

- ERO Enterprise IT Investments:** NERC and the Regional Entities, working collaboratively under the oversight of NERC's Standards Oversight and Technology Committee (SOTC), have developed a long-term enterprise information technology program resulting in a number of enterprise tools. The goal is to enhance operations, improve efficiency, and reduce costs at the NERC, regional and registered entity level. For example, enterprise tools have helped and will further facilitate efficiency of registration and data submittals, improved consistency in registered entity resources devoted to compliance, and improved overall reliability through information sharing on Events Analysis, protection system misoperations, and Situational Awareness.
- Enforcement:** NERC has worked closely with Regional Entities to streamline enforcement staff in connection with the development of more efficient and risk-based enforcement mechanisms.
- Standards:** As standards development has matured, NERC management has reallocated Standards staff towards more critical activities like cyber security and analytical capabilities.
- Legal:** As a result of the aforementioned efficiencies and the maturity of NERC's and ERO Enterprise's business processes, the legal department has reduced its resource requirements, reallocating limited resources to more critical priorities without increasing the company's overall staffing requirements.
- Forums:** As further described in the quarterly forum reports to the NERC Board, NERC and the Regional Entities continue to leverage the transmission and generation forums to jointly address risks to reliability to mitigate their impacts on the reliable operation of the BES.
- Industry:** The ERO Enterprise continues to collaborate with and rely on industry resources and expertise through the various standing committees, working groups, and task forces that are critical to both identifying and supporting key initiatives and priorities.

Additional information on the long-term efficiency goals can be found in Goal 6 of the draft *ERO Enterprise Operating Plan* and in Focus Area 5 of the draft *ERO Enterprise Long-term Strategy* that were posted to NERC's website in July 2017.⁸

2018 Key Business Planning Assumptions

As part of the annual business planning process, NERC and the Regional Entities developed a set of shared business planning assumptions supporting the development of their respective business plans and budgets. The Regional Entities used these assumptions to evaluate their projected workloads and determine resource levels and allocation required to complete necessary tasks and meet the obligations of their Regional Delegation Agreements. These common business planning assumptions are set forth in *Exhibit A – Shared Assumptions and Key Focus Areas*.

Application of Section 215 Criteria

In its order approving NERC's *2013 Business Plan and Budget*, 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.⁹ *Exhibit B – Application of NERC Section 215 Criteria* summarizes the major activities NERC proposes to undertake in 2018 and the approved Section 215 criteria applicable to such activities.

Overview of 2018 Budget and Funding Requirements

NERC's 2018 combined expense and fixed asset (capital) budget is approximately \$73.1M, which represents an increase of approximately \$3.5M (5.1%) from the 2017 budget. Total expenses are increasing approximately \$3.9M (5.9%) over 2017. The total fixed asset (capital) budget, excluding depreciation,¹⁰ is approximately \$3.9M, a decrease of \$498k (11.4%) from 2017. Approximately \$8.7M (11.9%) of NERC's 2018 budget is related to CRISP. As further explained in the *Electricity Information Sharing and Analysis Center (E-ISAC)* section of Section A, the majority of the NERC CRISP budget will be funded by participating utilities, with a small portion funded through assessments.

NERC's proposed 2018 assessment is approximately \$63.0M, which represents an increase of \$3.1M (5.1%) from 2017 and reflects the proposed release of \$600k of funds from the Assessment Stabilization Reserve to reduce 2018 assessments. Further, NERC proposes to deposit \$500k of Penalty collections during the 12 months ended June 30, 2017 into the Assessment Stabilization Reserve. Without the proposed release of funds from the Assessment Stabilization Reserve to offset assessments (as further discussed below), NERC's total average assessments would increase \$3.7M (6.1%) over 2017. One of the reasons that NERC's proposed 2018 budget increase is 5.1% while the proposed 2018 assessment increase is 6.1% (unadjusted) is that \$1.1M of funds was released from the Assessment Stabilization Reserve in 2017 to reduce assessments. Other factors contributing to the difference between the proposed budget increase and the proposed assessment increase include debt (capital financing) assumptions and provisions for reserves, all of which impact assessments in Canada, Mexico, and the U.S.

In order to stabilize assessments and align budget and assessment increases more closely, NERC has undertaken a multi-year strategy to manage assessment increases. NERC's policy *Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability*

⁸ [NERC Strategic Documents webpage](#)

⁹ North American Electric Reliability Corporation, Order on Compliance, 143 FERC ¶ 61,052 (2013).

¹⁰ NERC and the Regional Entities budget Depreciation as an Operating Expense with an equal and offsetting credit against budgeted Fixed Asset (capital) additions. As a result, the budgets do not include depreciation in the funding requirements.

*Standards*¹¹ and NERC Rule of Procedure (ROP) §1107.2 specifies that Penalties received during the period July 1 through the following June 30 are to be used in the subsequent budget period to offset U.S. assessment billings. However, ROP §1107.4 provides for exceptions or alternatives to this treatment if approved by the Commission. In February 2015, NERC's Board approved an amendment to the company's Working Capital and Operating Reserve Policy.¹² Among the approved changes to this policy was the creation of an Assessment Stabilization Reserve.¹³ This reserve was established to implement the strategic goal of more closely aligning annual budget and U.S. assessment increases and to provide a mechanism to better manage year-to-year assessment increases. The eventual goal is to narrow the gap between annual percentage changes in NERC's budget and annual percentage changes in assessments that results from year-to-year variations in Penalty collections.

NERC proposes, subject to Commission approval, to (1) deposit the \$500k of Penalties collected during the period July 1, 2016 – June 30, 2017, into the Assessment Stabilization Reserve and (2) release \$600k from the Assessment Stabilization Reserve to reduce 2018 assessments. As a result, NERC proposes an overall average 2018 assessment increase of 5.1%. The allocation of assessments to Canadian entities will depend on the final determination and allocation of certain compliance and enforcement costs to Canadian entities pursuant to NERC's policy on the allocation of compliance costs.¹⁴

The following table provides a high-level year-over-year comparison of the major categories of expenses, total budget, and FTEs.

¹¹ Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards, December 8, 2008 and as amended August 15, 2013.

¹² [NERC's Working Capital and Operating Reserve Policy](#). NERC filed a petition with FERC on March 6, 2015 for approval of this policy; the Commission conditionally approved the revised policy in an order issued June 18, 2015, in Docket No. RR15-8-000. *North American Electric Reliability Corporation, Order Conditionally Accepting Revisions to Working Capital and Operating Reserve Policy*, 151 FERC ¶ 61,225 (2015). On August 14, 2015, NERC submitted a compliance filing to the June 18, 2015 order with a modification to the policy, which the Commission accepted by letter order dated September 18, 2015 (Docket No. RR15-8-001).

¹³ In accordance with the approved *Working Capital and Operating Reserve Policy*, the Assessment Stabilization Reserve may be funded with Penalty funds and surplus operating reserves. The actual amount of the contribution, as well as releases from the fund to reduce assessments, are determined annually as part of NERC's business plan and budget process, based on recommendation by the Board's Finance and Audit Committee and requiring both Board and FERC approval.

¹⁴ Expanded Policy on Allocation of Certain Compliance and Enforcement Costs, July 29, 2008.

Statement of Activities and Fixed Assets Expenditures 2017 and 2018 Budgets

STATUTORY

	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)	% Over (Under)
Funding						
ERO Funding						
NERC Assessments	\$ 59,856,314	\$ 59,856,314	\$ (0)	\$ 62,936,968	\$ 3,080,655	5.1%
Assessment Stabilization Reserve - Penalties	1,100,000	1,100,000	-	600,000	(500,000)	
Third-Party Funding (CRISP)	6,990,447	7,820,788	830,341	7,324,253	333,806	
Testing Fees	1,921,900	1,749,315	(172,585)	1,790,000	(131,900)	
Services & Software	50,000	50,000	0	50,000	0	
Workshops	230,000	305,300	75,300	185,000	(45,000)	
Interest	3,000	72,113	69,113	95,000	92,000	
Miscellaneous	-	-	-	-	-	
Total Funding	\$ 70,151,660	\$ 70,953,830	\$ 802,170	\$ 72,981,221	\$ 2,829,561	4.0%
Expenses						
Personnel Expenses	\$ 38,641,331	\$ 38,762,038	\$ 120,706	\$ 40,969,105	\$ 2,327,774	6.0%
Meeting Expenses	3,372,886	3,745,105	372,219	3,395,100	22,214	0.7%
Operating Expenses	24,800,690	27,237,596	2,436,906	26,352,371	1,551,682	6.3%
Other Non-Operating	106,725	106,725	-	138,878	32,153	30.1%
Total Expenses	\$ 66,921,632	\$ 69,851,464	\$ 2,929,832	\$ 70,855,455	\$ 3,933,822	5.9%
Fixed Assets						
Depreciation	\$ (1,691,457)	\$ (2,661,466)	\$ (970,009)	\$ (1,594,299)	\$ 97,158	
Computer & Software CapEx	2,572,000	2,348,141	(223,859)	2,549,000	(23,000)	
Equipment CapEx	1,800,000	1,059,772	(740,229)	1,175,000	(625,000)	
Leasehold Improvements	-	-	-	150,000	150,000	
Inc(Dec) in Fixed Assets	\$ 2,680,543	\$ 746,447	\$ (1,934,096)	\$ 2,279,701	\$ (400,842)	-15.0%
Total Budget	\$ 69,602,175	\$ 70,597,911	\$ 995,735	\$ 73,135,156	\$ 3,532,981	5.1%
FTEs	189.88	187.47	(2.41)	199.28	9.40	5.0%

NERC's 2018 budget and funding requirements reflect the resources necessary to support achievement of the goals and objectives set forth in the Strategic Plan. The 2018 budget is comprised of both operating and fixed asset (capital) costs. Operating costs generally include personnel, consulting, office space, software licensing, third-party data management, and communications and other customary services to support office operations. Fixed asset (capital) costs primarily reflect investments in equipment and software to support operations, including investments in the development of software applications and infrastructure to facilitate improved business processes and efficiency.

Key Budget Assumptions

Key assumptions used in the development of NERC's 2018 budget include the following:

- Increase of 9.40 full time equivalents (FTE) to provide additional support to the E-ISAC, including the addition of 6 FTEs as outlined in *Exhibit F – E-ISAC Long-Term Strategy*. Management routinely reviews resource allocations to ensure that the appropriate amount and type of resources are being dedicated to key priorities and activities. As operations in some areas become more efficient and/or major initiatives are completed, resources are redeployed to priority areas.
- Applying a 6.0% reduction to FTEs (vacancy rate), which is the same as 2017, to account for attrition and hiring delays. This assumption is based on a review and analysis of historic attrition and vacancy rates, as well as the time it takes to recruit and onboard new staff.
- Market-based compensation for personnel. Executive and staff compensation and benefits are established based on guidelines established by NERC's Corporate Governance and Human Resources Committee (CGHRC) and comprehensive market compensation and benefit information provided by a nationally recognized compensation and benefits consulting firm, as

well as other available data. An updated market study was completed in late 2015 under the oversight of NERC's CGHRC.

- Anticipated market increases in medical and dental benefit plan costs. Medical and dental premium cost estimates are based on market data provided by the company's benefits consultant. Current 2018 budget estimates are in the upper end of the range provided by NERC's benefits consultant. No other changes to retirement or other benefit plans have been assumed for 2018.
- Meeting and travel expenses are being held flat based on a review of 2016 and 2017 costs. The company has undertaken a number of significant efforts over the past several years to reduce travel and meeting expenses. For example, the company has worked closely with Regional Entities to share meeting space where possible, which has helped reduce meeting costs.
- Contract and consulting expenses are developed on a department-by-department basis and reflect both known and anticipated expenses, based on historical and current information. Expenses for the 2018 budget increased \$596k, primarily due to E-ISAC portal support and maintenance needs, as well the CRISP security review for which better cost information is known for the 2018 budget. Additional information on contract and consulting expenses can be found in *Exhibit C – Contractor and Consulting Costs*.

Fixed Asset (Capital) Budget and Capital Financing

NERC's 2018 capital budget is approximately \$3.9M (excluding depreciation), which represents a decrease of \$498k from 2017. This decrease is primarily the result of leasing audio visual and certain computer equipment, resulting in a reduction of Fixed Assets and an increase in Office Costs in the 2018 budget. The table below provides a summary of the major capital budget components.

NERC Capital Budget	Budget 2017	Budget 2018	Variance 2018 Budget v 2017	
			Budget	Variance %
ERO Application Development	\$ 700,000	\$ 2,148,000	\$ 1,448,000	206.9%
E-ISAC Portal Improvement	1,000,000	-	(1,000,000)	-100.0%
Document Management Program	335,000	-	(335,000)	-100.0%
Hardware (storage, servers)	991,000	805,000	(186,000)	-18.8%
Other Equipment	885,000	370,000	(515,000)	-58.2%
Disaster Recovery	150,000	100,000	(50,000)	-33.3%
NERC Software Licenses	311,000	301,000	(10,000)	-3.2%
Leasehold Improvements	-	150,000	150,000	100.0%
Total	\$ 4,372,000	\$ 3,874,000	\$ (498,000)	-11.4%

NERC has budgeted \$3.4M (both operating expenses and capital expenditures) in 2018 for services related to the planning, design, and implementation of software applications supporting the development of enterprise tools for common NERC and Regional Entity operations. These ERO Enterprise related costs include \$2.1M in capital expenditures and \$1.3M in other IT operating costs. Additional information regarding the ERO Enterprise IT strategy, the current status of the development of ERO Enterprise IT applications, and projects that will be under development in 2018 can be found in the *Information Technology* section of Section A. NERC's 2018 capital budget also includes ongoing funding for IT security, disaster recovery, data storage, replacement of servers and laptops, and software license costs. *Compliance Monitoring and Enforcement Program (CMEP) Technology Project*

The \$2.1M in fixed asset (capital) expenditures for 2018 relates to a new entity registration tool (\$600k) and a new CMEP tool (\$1.5M). The IT department is working closely with the Regional Entities in 2017 and through the 2018 – 2020 budget cycles to evaluate and implement strategic investments in tools that replace the current three applications with a single, common CMEP application. Items under consideration at this time include how Reliability Standards data is stored and maintained, as well as how best to support the various parts of the compliance and enforcement process (e.g., analysis of risk, development of implementation plans and audit schedules, actual compliance monitoring, and enforcement processing). The capital expenditure for the CMEP tool is expected to be approximately \$5-6M in total, with work spanning from 2017 thru 2020. Funding for this work will be subject to review and approval as part of the business plan and budget process each year. Investments are being made in 2017 to evaluate and scope the long-term project, with a final determination on the project scope expected later in 2017. If the 2018 business plan and budget is approved with the recommended funding, but the project does not go forward, the related funding will be held in the Operating Contingency Reserve. For additional information on the CMEP technology program, please see *Exhibit G – Compliance Monitoring and Enforcement Program Technology Project*.

The 2018 budget projection assumes that approximately \$2.1M of the total \$3.9M capital budget will be financed through the capital financing program that was described and put in place as part of NERC's 2014 *Business Plan and Budget*. Further information regarding capital financing can be found in *Exhibit D – Capital Financing*.

Working Capital and Operating Reserves

Management is proposing an overall reserve budget of \$7.5M for Working Capital, the four categories of Operating Reserves, and the Assessment Stabilization Reserve under the company's Working Capital and Operating Reserve Policy. This represents a decrease of \$283k (3.7%) from the total reserve amounts included in NERC's 2017 budget. The working capital and reserve balances are broken down in the following manner:

- **Working Capital:** Represents the amount of funds necessary to satisfy the company's projected cash flow needs during the budget year, taking into account the projected timing of the receipt of funding and timing of capital and operating expenses. While individual categories reflect increases and decreases resulting from operating needs and uses, the 2018 budget does not reflect additional working capital requirements in total.
- **Future Obligation Reserve:** Includes funding that has been received to satisfy future obligations under lease, credit, loan, or other agreements to which the company is a party. This reserve is primarily comprised of existing funds and is budgeted to be \$1.8M for 2018.
- **System Operator Certification Reserve:** Includes surplus funding from operator certification and testing fees that are above incurred expenses and shall be used solely to support operator testing and certification needs. The 2018 System Operator Certification Reserve is budgeted at \$700k and comprised of existing funds.
- **CRISP Reserve:** Represents funds dedicated to support CRISP. These reserves are established pursuant to a CRISP budget agreed to and funded entirely by utilities participating in CRISP. These reserves have no impact on assessments and they are segregated from other reserves pursuant to the terms of the CRISP agreements. The CRISP reserves are projected to be \$500k in the 2018 budget.
- **Operating Contingency Reserve:** Includes funds for contingencies that were not anticipated, assumed to be likely or the timing of which was uncertain, at the time of preparation and approval of the company's business plan and budget. NERC's current policy on Operating Contingency Reserves requires a reserve target of 3.5–7.0%, except as otherwise approved by the Board after review and recommendation by the NERC Finance and Audit Committee. This percentage is

calculated against NERC's total budget for operating and capital expenditures, less those costs related to CRISP and System Operator Certification, each of which has a separate reserve category. For the 2018 budget, management is recommending an Operating Contingency Reserve of approximately \$3.0M, or 4.7% of total budgeted operating and fixed asset (capital) costs.

- Assessment Stabilization Reserve:** To date, this reserve has been funded entirely by previously received Penalties and is projected to have a balance of \$2.2M as of January 1, 2018, including the proposed deposit of \$500k of Penalties received during the period July 1, 2016 – June 30, 2017 (subject to requisite approvals). For purposes of the company's 2018 BP&B, management proposes the release of \$600k of Assessment Stabilization Reserve funds to offset U.S. assessments. The remaining balance of \$1.6M in the Assessment Stabilization Reserve will be used to reduce U.S. assessments in one or more future periods, subject to review and approval by the NERC Board and the Commission in the applicable year's business plan and budget.

Department Budget and FTE Comparisons

The following table sets forth a 2017–2018 total budget comparison by department. The amounts shown below reflect all direct and indirect departmental costs, including fixed asset (capital) costs. Costs incurred for general and administrative and other overheads are considered indirect and are allocated to the statutory departments based on the ratio of that department's budgeted FTEs to total budgeted statutory FTEs.

2017–2018 Total Budget by Department

Total Budget	2017 Budget	2018 Budget	Change	
			2018 Budget v 2017 Budget	% Change
Reliability Standards	\$ 8,100,282	\$ 6,821,893	\$ (1,278,389)	-15.8%
Compliance Monitoring and Enforcement Programs*	17,305,535	20,465,126	3,159,591	18.3%
Reliability Assessments and System Analysis	7,535,594	7,312,956	(222,638)	-3.0%
Reliability Risk Management	14,387,923	13,641,560	(746,363)	-5.2%
Training, Education, and Personnel Certification	3,757,501	3,043,024	(714,477)	-19.0%
NERC Budget, excluding E-ISAC	\$ 51,086,835	\$ 51,284,559	\$ 197,724	0.4%
E-ISAC (non-CRISP)	\$ 10,222,901	\$ 13,130,686	\$ 2,907,785	28.4%
E-ISAC (CRISP)	8,292,440	8,719,912	427,471	5.2%
Total E-ISAC Budget	\$ 18,515,341	\$ 21,850,597	\$ 3,335,256	18.0%
Total Budget	\$ 69,602,175	\$ 73,135,156	\$ 3,532,981	5.1%

*Includes Entity Registration and CMEP Tool Development

The primary areas of increase are in Compliance Monitoring and Enforcement and E-ISAC. The increase in the Compliance Monitoring and Enforcement department costs are primarily due to the transfer of resources, including previously budgeted and open positions and related costs, to these departments from other departments, as well as the capital costs associated with development of the CMEP and Entity Registration applications, as further discussed below in the *Information Technology* section of Section A. The E-ISAC reflects additional staff related primarily to the long-term strategy discussed in *Exhibit F – E-ISAC Long-Term Strategy*. As noted in the Exhibit, the increase for 2018 due to the implementation of this strategy was approximately \$1.8M. Most of the additional costs noted in the above table reflect the allocation of general and administrative overhead costs based on the additional FTEs.

The decrease in the Reliability Standards, and Training, Education, and Personnel departments is largely the result of the transfer of personnel resources from these departments as part of the ongoing process of internal reorganization to better align resources to support strategic goals and risk priorities, which also results in lower indirect costs and allocation of fixed assets to these departments. Similarly, while the Reliability Risk Management budget does not have a decrease in personnel resources, the department is allocated fewer indirect costs and fixed assets because of the increase of personnel in other statutory programs.

The following table presents a 2018 versus 2017 comparison of budgeted FTEs by department and reflects 2017 personnel additions, interdepartmental transfers of previously budgeted positions, and attrition assumptions. The number of FTEs represents the number of employees employed full time during the year, plus the number of employees employed part time (less than full schedule), or during a portion of the year converted to a full-time basis. Headcount represents the total number of personnel employed during the year, regardless of the length of their employment during that year or whether they are full-time or part-time employees. FTEs will be less than headcount, unless there are no part-time employees and no employees who are employed less than a full year. The company's 2018 personnel budget is based upon existing headcount and associated compensation and benefit costs, as well as assumptions on the number and cost of new hires and the assumed vacancy rate, all within an overall FTE budget. An average vacancy rate is applied to each position and its associated costs to arrive at an overall personnel cost budget. The vacancy rate represents an adjustment, which is applied in the calculation of budgeted personnel costs to account for attrition and for variations from the budget assumptions on the timing of new hires.

2017–2018 Year-Over-Year Comparison of FTEs by Department

FTEs*	2017 Budget	2018 Budget	Change	
			2018 Budget v 2017 Budget	% Change
Reliability Standards	17.16	15.51	(1.65)	-9.6%
Compliance Monitoring and Enforcement Programs	36.19	40.89	4.70	13.0%
Reliability Assessments and System Analysis	14.10	14.10	-	0.0%
Reliability Risk Management	26.32	26.32	-	0.0%
Training, Education, and Personnel Certification	7.05	5.88	(1.17)	-16.6%
Administrative Programs	69.33	67.45	(1.88)	-2.7%
NERC FTEs, excluding E-ISAC	170.15	170.15	(0.00)	0.0%
E-ISAC (non-CRISP)	16.92	25.38	8.46	50.0%
E-ISAC (CRISP)	2.82	3.76	0.94	33.3%
Total E-ISAC FTEs	19.74	29.14	9.40	47.6%
Total FTEs	189.89	199.29	9.40	5.0%

* Reflects 2018 additions and transfers between departments, anticipated timing of 2018 hires, and assumes 6% attrition in all programs

Total FTEs in the Reliability Standards, Training, Education, and Personnel Certification, and Administrative programs is decreasing by 4.70 FTEs (5.0%), reflecting the reallocation of previously budgeted and open positions to the Compliance Assurance and Compliance Analysis, Organization Certification and

Registration departments. The increase in E-ISAC department FTEs addresses immediate analytical capability needs and also the additional costs related to the long-term strategy outlined in *Exhibit F – E-ISAC Long-Term Strategy*.

The NERC 2018 organizational chart can be found in Appendix 1. The difference between the number of positions reflected in the 2018 organizational chart and total 2018 budgeted FTEs is due to assumptions regarding vacancy rates and timing of new hires. The 2018 organizational chart in Appendix 1 includes the additional positions discussed in *Exhibit F – E-ISAC Long-Term Strategy*.

The following table includes a statement of activities comparing the 2017 budget and the 2018 budgets.

Statement of Activities and Fixed Assets Expenditures 2017 and 2018 Budgets

STATUTORY

	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)	% Inc 2018 over 2017
Funding						
ERO Funding						
NERC Assessments	\$ 59,856,314	\$ 59,856,314	\$ (0)	\$ 62,936,968	\$ 3,080,655	5.1%
Assessment Stabilization Reserve - Penalties	1,100,000	1,100,000	-	600,000	(500,000)	
Total NERC Funding	\$ 60,956,314	\$ 60,956,314	\$ (0)	\$ 63,536,968	\$ 2,580,655	
Third-Party Funding (CRISP)	\$ 6,990,447	\$ 7,400,905	\$ 410,458	\$ 7,324,253	\$ 333,806	
Testing Fees	1,921,900	1,749,315	(172,585)	1,790,000	(131,900)	
Services & Software	50,000	50,000	0	50,000	0	
Workshops	230,000	305,300	75,300	185,000	(45,000)	
Interest	3,000	115,999	112,999	95,000	92,000	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 70,151,660	\$ 70,577,832	\$ 426,172	\$ 72,981,221	\$ 2,829,561	4.0%
Expenses						
Personnel Expenses						
Salaries	\$ 30,073,438	\$ 30,222,616	\$ 149,177	\$ 31,791,098	\$ 1,717,659	
Payroll Taxes	1,847,130	1,822,452	(24,678)	1,949,557	102,426	
Benefits	3,643,806	3,736,337	92,531	3,988,886	345,080	
Retirement Costs	3,076,956	2,961,287	(115,670)	3,239,565	162,608	
Total Personnel Expenses	\$ 38,641,331	\$ 38,742,691	\$ 101,360	\$ 40,969,105	\$ 2,327,774	6.0%
Meeting Expenses						
Meetings	\$ 1,071,500	\$ 1,053,168	\$ (18,332)	\$ 1,071,500	\$ (0)	
Travel	2,203,786	2,248,220	44,434	2,204,000	214	
Conference Calls	97,600	157,553	59,953	119,600	22,000	
Total Meeting Expenses	\$ 3,372,886	\$ 3,458,942	\$ 86,056	\$ 3,395,100	\$ 22,214	0.7%
Operating Expenses						
Consultants & Contracts	\$ 13,127,749	\$ 14,378,546	\$ 1,250,797	\$ 13,724,185	\$ 596,437	
Office Rent	3,117,009	3,124,992	7,983	3,091,804	(25,205)	
Office Costs	4,359,340	4,599,488	240,148	5,365,084	1,005,744	
Professional Services	2,468,135	2,419,577	(48,558)	2,537,500	69,365	
Miscellaneous	37,000	52,613	15,613	39,500	2,500	
Depreciation	1,691,457	2,661,466	970,009	1,594,299	(97,158)	
Total Operating Expenses	\$ 24,800,690	\$ 27,236,682	\$ 2,435,993	\$ 26,352,371	\$ 1,551,682	6.3%
Total Direct Expenses	\$ 66,814,907	\$ 69,438,316	\$ 2,623,408	\$ 70,716,577	\$ 3,901,669	5.8%
Indirect Expenses	\$ 0	\$ -	\$ (0)	\$ 0	\$ 0	
Other Non-Operating Expenses	\$ 106,725	\$ 115,797	\$ 9,072	\$ 138,878	\$ 32,153	30.1%
Total Expenses (B)	\$ 66,921,632	\$ 69,554,112	\$ 2,632,480	\$ 70,855,455	\$ 3,933,822	5.9%
Change in Assets	\$ 3,230,028	\$ 1,023,720	\$ (2,206,308)	\$ 2,125,766	\$ (1,104,262)	
Fixed Assets						
Depreciation	\$ (1,691,457)	\$ (2,661,466)	\$ (970,009)	\$ (1,594,299)	\$ 97,158	
Computer & Software CapEx	2,572,000	2,417,441	(154,559)	2,549,000	(23,000)	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	1,800,000	1,189,772	(610,229)	1,175,000	(625,000)	
Leasehold Improvements	-	-	-	150,000	150,000	
Allocation of Fixed Assets	0	-	(0)	0	0	
Inc(Dec) in Fixed Assets (C)	\$ 2,680,543	\$ 945,747	\$ (1,734,796)	\$ 2,279,701	\$ (400,842)	-15.0%
TOTAL BUDGET (=B+C)	\$ 69,602,175	\$ 70,499,859	\$ 897,684	\$ 73,135,156	\$ 3,532,981	5.1%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)¹	\$ 549,485	\$ 77,973	\$ (471,511)	\$ (153,935)	\$ (800,578)	
FTEs	189.88	189.24	(0.64)	199.28	9.40	5.0%

¹ Refer to Table B-1 for a complete analysis of the Working Capital and Operating Reserve balance.

FERC Order 830 – Geomagnetic Disturbance

In FERC’s Order No. 830 approving Reliability Standard TPL-007-1 (*Transmission System Planned Performance for Geomagnetic Disturbance Events*),¹⁵ FERC directed NERC to file a research work plan describing how NERC will conduct research into the specific geomagnetic disturbance (GMD)-related topics identified in the order. Since that time, NERC developed a preliminary GMD research work plan containing a set of GMD research activities, which was filed with FERC on May 30, 2017 in accordance with the Order No. 830 directive. The research activities identified in the preliminary plan are expected to advance the understanding of GMD events and the risks these high-impact, low-frequency events pose to the reliability of the BPS.

NERC is currently in the process of establishing the administrative components of the GMD research work plan, including the budget, project timeline, and assignment of project responsibilities. NERC expects that executing a GMD research plan of the type contemplated by Order No. 830 would require an extensive, multi-year effort requiring scientific and technical expertise from a variety of disciplines. Managing a large scale research project such as this is not a NERC “core competency,” which can accentuate and amplify the risks associated with executing the research called for in the plan. Further, NERC expects the costs to have a substantial impact on its budget, and consequently its annual assessments.

Therefore, NERC plans to continue to conduct outreach in the coming months with representatives from governmental agencies in the U.S., Europe, and Canada, academia, vendors, and industry to identify the GMD-related work that is currently in progress, determine where opportunities exist for research synergies, develop an appropriate research management structure, and identify alternative sources of funding. NERC will be conducting outreach to stakeholders regarding optimal approaches to structure the funding requirements, including opportunities for sharing costs, research management alternatives, and leveraging research responsibilities. These efforts, along with any comments and Commission guidance, would inform the final scope and structure of NERC’s project plan.

With this uncertainty of project management and funding alternatives, costs related to this research are not included in the 2018 BP&B. Once the way forward becomes clearer in the next 6-8 months, NERC will develop any additional budgetary materials and requests as needed.

E-ISAC Long-Term Strategy

Over the past several years the E-ISAC has focused on improving its technical and analytical capabilities with a goal of becoming the electricity industry’s leading, trusted source for analysis and sharing of security information. Significant support from the Electricity Subsector Coordinating Council (ESCC), the ESCC Members Executive Committee (MEC), the U.S. Department of Energy, and other stakeholders have helped the E-ISAC be responsive to the industry’s needs in order to provide unique insights, leadership, and coordination for security matters.

At the request of the NERC Board and under the guidance of the ESCC and MEC, executive leadership of the E-ISAC developed a long-term strategic plan, which is included as *Exhibit F – E-ISAC Long-Term Strategy*. The E-ISAC Long Term Strategic Plan was approved by the MEC on April 24, 2017 and accepted by the NERC Board of Trustees on May 11, 2017. The long-term strategic plan is to transform the E-ISAC into a world-class intelligence collecting and analytical capability for the electricity industry.

To carry forth this vision, the E-ISAC is planning a continuous and deliberate growth strategy over the next five years that increases both staff and technical resources. Based on industry and stakeholder feedback,

¹⁵ [FERC Order 830 - Reliability Standard for Transmission System Planned Performance for Geomagnetic Disturbance Events](#)

the 2018 BP&B includes the first year's recommended additions related to this strategy, primarily related to analytical capabilities, as further described in *Exhibit F – E-ISAC Long-Term Strategy*.

The assumptions and projections included herein and that follow for 2019 and 2020 include the impacts of the E-ISAC strategic plan discussed in *Exhibit F – E-ISAC Long-Term Strategy*. The strategy discussed in that exhibit reflects additional resources, technology, and facilities for the long-term success of the E-ISAC.

Projections for 2019–2020

Management has developed preliminary operating and fixed asset (capital) projections for 2019 and 2020. The significant assumptions considered in preparing these projections include:

- No increases in total FTEs over the 2018 budget except for the impacts of the long-term E-ISAC strategy discussed in *Exhibit F – E-ISAC Long-Term Strategy*.
- Personnel and benefit cost increases per FTE are consistent with the 2018 budget assumptions.
- Operating costs, including contractor and consulting expenses, are higher due to increases in costs for rent and maintenance costs associated with software applications supporting ERO Enterprise Operations.
- Debt service repayment obligations in connection with the company's Capital Financing Program are consistent with the projected Enterprise IT Applications capital forecast. The most significant work over the next three years will relate to the Compliance Monitoring and Enforcement Technology Program. Current estimates are approximately \$5-6M between 2017 and 2020. NERC anticipates using the Capital Financing Program as the primary funding source for that project. For additional information on the Compliance Monitoring and Enforcement Technology Program, please see *Exhibit G – Compliance Monitoring and Enforcement Program Technology Project*.
- No increase in CRISP-related expenditures, except for personnel and benefit cost increases as noted above.

NERC's goal is to align assessments and budget increases closely together over the next three to five years. The goal is to minimize fluctuations so that year-to-year variations in receipt of Penalties will not cause large year-to-year variations in future U.S. assessments. Currently, NERC projects assessments to increase 5.1% in 2018, 8.9% in 2019, and 4.0% in 2020 with a planned release of Assessment Stabilization Reserves for 2018 of \$600k. The projected increases for 2019 and 2020 do not assume any releases of funds from the Assessment Stabilization Reserve. Future releases of these reserves will be determined each year during the budget approval process. NERC models future periods without assuming the receipt of Penalties beyond those NERC currently expects to receive. As Penalties are received, NERC assumes that the NERC Board and the Commission will approve the Penalties as contributions to the Assessment Stabilization Reserve, for use when appropriate to prevent large year-to-year fluctuations in assessments.¹⁶

¹⁶ The company's *Working Capital and Operating Reserve Policy* requires that in determining the amount of the Assessment Stabilization Reserve that is released each year, the NERC Finance and Audit Committee and Board is to review a three-year forecast of assessments, as well as the availability of funding for the Assessment Stabilization Reserve from surplus funds and Penalty funds. The actual contributions to and releases from the Assessment Stabilization Reserve in any year must be approved by the Board and the Commission as part of NERC's annual business plan and budget process, with opportunity for review and input by stakeholders.

The budget and assessment increases for 2019 and 2020 are projections that will be refined as those budgets are finalized. In particular, the 2019 year includes the intersection of various projects that cause that budget and assessment increase to be higher. NERC will be working to prioritize projects and costs ahead of the 2019 budget year to ensure the most reasonable budget and assessment increases possible.

Statement of Activities and Fixed Assets Expenditures
2018 Budget & Projected 2019 and 2020 Budgets

	2018 Budget	2019 Projection	\$ Change 19 v 18	% Change 19 v 18	2020 Projection	\$ Change 20 v 19	% Change 20 v 19
Funding							
ERO Funding							
NERC Assessments	\$ 62,936,968	\$ 68,552,100	\$ 5,615,132	8.9%	\$ 71,308,353	\$ 2,756,253	4.0%
Assessment Stabilization Reserve - Penalties	600,000	-	(600,000)	-100.0%	-	-	0.0%
Total NERC Funding	\$ 63,536,968	\$ 68,552,100	\$ 5,015,132	7.9%	\$ 71,308,353	\$ 2,756,253	4.0%
Third-Party Funding (CRISP)	\$ 7,324,253	\$ 7,351,310	\$ 27,057	0.4%	\$ 7,366,464	\$ 15,154	0.2%
Testing Fees	1,790,000	1,790,000	-	0.0%	1,790,000	-	0.0%
Services & Software	50,000	50,000	-	0.0%	50,000	-	0.0%
Workshops	185,000	185,000	-	0.0%	185,000	-	0.0%
Interest	95,000	95,000	-	0.0%	95,000	0	0.0%
Miscellaneous	-	-	-	0.0%	-	-	0.0%
Total Funding (A)	\$ 72,981,221	\$ 78,023,410	\$ 5,042,189	6.9%	\$ 80,794,817	\$ 2,771,407	3.6%
Expenses							
Personnel Expenses							
Salaries	\$ 31,791,098	\$ 33,898,558	\$ 2,107,460	6.6%	\$ 35,526,511	\$ 1,627,953	4.8%
Payroll Taxes	1,949,557	2,055,989	106,432	5.5%	2,126,649	70,660	3.4%
Benefits	3,988,886	4,286,714	297,828	7.5%	4,534,750	248,036	5.8%
Retirement Costs	3,239,565	3,461,443	221,878	6.8%	3,632,191	170,748	4.9%
Total Personnel Expenses	\$ 40,969,105	\$ 43,702,703	\$ 2,733,598	6.7%	\$ 45,820,101	\$ 2,117,398	4.8%
Meeting Expenses							
Meetings	\$ 1,071,500	\$ 1,071,500	\$ -	0.0%	\$ 1,071,500	\$ -	0.0%
Travel	2,204,000	2,204,000	-	0.0%	2,204,000	-	0.0%
Conference Calls	119,600	139,600	20,000	16.7%	139,600	-	0.0%
Total Meeting Expenses	\$ 3,395,100	\$ 3,415,100	\$ 20,000	0.6%	\$ 3,415,100	\$ -	0.0%
Operating Expenses							
Consultants & Contracts	\$ 13,724,185	\$ 14,131,529	\$ 407,344	3.0%	\$ 14,009,707	\$ (121,822)	-0.9%
Office Rent	3,091,804	3,091,804	0	0.0%	3,091,804	-	0.0%
Office Costs	5,365,084	5,877,971	512,887	9.6%	6,572,148	694,177	11.8%
Professional Services	2,537,500	2,535,340	(2,160)	-0.1%	2,544,295	8,955	0.4%
Miscellaneous	39,500	39,500	-	0.0%	39,500	-	0.0%
Depreciation	1,594,299	1,321,972	(272,326)	-17.1%	1,073,181	(248,791)	-18.8%
Total Operating Expenses	\$ 26,352,371	\$ 26,998,116	\$ 645,745	2.5%	\$ 27,330,636	\$ 332,519	1.2%
Total Direct Expenses	\$ 70,716,577	\$ 74,115,920	\$ 3,399,343	4.8%	\$ 76,565,837	\$ 2,449,917	3.3%
Indirect Expenses	\$ 0	\$ 0	\$ 0	0.0%	\$ 0	\$ (0)	0.0%
Other Non-Operating Expenses	\$ 138,878	\$ 171,744	\$ 32,866	23.7%	\$ 205,335	\$ 33,591	19.6%
Total Expenses (B)	\$ 70,855,455	\$ 74,287,664	\$ 3,432,209	4.8%	\$ 76,771,172	\$ 2,483,508	3.3%
Change in Assets	\$ 2,125,766	\$ 3,735,746	\$ 1,609,980	75.7%	\$ 4,023,645	\$ 287,899	7.7%
Fixed Assets							
Depreciation	\$ (1,594,299)	\$ (1,321,972)	\$ 272,326	-17.1%	\$ (1,073,181)	\$ 248,791	-18.8%
Computer & Software CapEx	2,549,000	3,519,000	970,000	38.1%	2,858,000	(661,000)	-18.8%
Furniture & Fixtures CapEx	-	-	-	0.0%	-	-	0.0%
Equipment CapEx	1,175,000	1,480,000	305,000	26.0%	1,530,000	50,000	3.4%
Leasehold Improvements	150,000	100,000	(50,000)	-33.3%	100,000	-	0.0%
Allocation of Fixed Assets	0	0	0	0.0%	(0)	(0)	0.0%
Inc(Dec) in Fixed Assets (C)	\$ 2,279,701	\$ 3,777,028	\$ 1,497,326	65.7%	\$ 3,414,819	\$ (362,209)	-9.6%
TOTAL BUDGET (=B+C)	\$ 73,135,156	\$ 78,064,692	\$ 4,929,535	6.7%	\$ 80,185,991	\$ 2,121,299	2.7%
FTEs	199.28	207.74	8.46	4.2%	212.44	4.70	2.3%

Section A – 2018 Business Plan and Budget Program Area and Department Detail

Reliability Standards

Reliability Standards Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	17.16	15.51	(1.65)
Direct Expenses	\$ 3,861,666	\$ 3,332,944	\$ (528,722)
Indirect Expenses	4,180,279	3,470,011	(710,268)
Other Non-Operating Expenses	-	-	-
Inc(Dec) in Fixed Assets	58,337	18,939	(39,399)
TOTAL BUDGET	\$ 8,100,282	\$ 6,821,893	\$ (1,278,389)

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 BES. The major activities undertaken by the Standards department include:

- **Delivering high-quality, continent-wide reliability standards:** NERC standard developers and other standards staff provide project management and leadership to develop solutions necessary to address reliability risks identified through the Reliability Risk Management Process (RRMP). These may include the development of, or modifications to, NERC reliability standards through standard development outreach activities, facilitation of drafting team activities, drafting support, assisting drafting teams in maintaining adherence to the development process as outlined in the *Standard Processes Manual*, and ensuring that the quality of documents produced is appropriate for approval by industry and the Board.
- **Facilitating continent-wide industry engagement:** NERC manages the work of over 200 industry contributors who serve on the Standards Committee, subgroups, and other project teams for the development of NERC reliability standards through the standards development program.
- **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 created by the standard drafting teams. The department also supports the filing of standards with applicable regulatory authorities and provides support with regulatory proceedings.

The reliability standards program provides a mechanism for the eight Regional Entities to process regional standards when unique regional reliability gaps are detected, or incorporate Regional variances into continent-wide standards. The NERC Standards department 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 for standard adoption to the applicable regulatory authorities in the U.S. and Canada.

Stakeholder Engagement and Cost Effectiveness Project

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 U.S. and Canada. Additionally, Federal, State and Provincial regulatory authorities, the NERC Board, Regional Entities, and many industry stakeholders have expressed interest in the identification of costs incurred from implementing NERC reliability standards compared to risks they address. The objective is to ensure that these elements are considered during the standards development and revision process. A pilot was conducted in 2016 to develop an approach to determine the level of cost versus the reliability benefit to mitigate an identified risk. Work will continue in 2017 on refining the approach and developing additional means to evaluate cost impacts of the existing body of standards.

Key Efforts Underway

NERC will ensure that the Reliability Standards Development Plan (RSDP) is effectively executed and that reliability standards are focused on and mitigate significant risks to BES reliability. Department resources will be focused on supporting the ERO Enterprise Strategic Plan, including but not limited to support of the RRMP and resolving FERC directives. The Standards department will:

1. **Focus on the selection of projects undertaken.** Resources will be expended on issues determined to be a reliability risk through the RRMP (also see the Reliability Assessment and System Analysis section and the Performance Analysis section below for additional detail). The department will apply broader project management skills to implement a variety of solutions to a reliability concern. An effective solution to an identified reliability risk may be a Reliability Standard, or it may be a guideline, information request, training, NERC Alert, technical conference, research, or a combination of these or other tools.
2. **Address FERC directives and respond to FERC orders** through standards development projects, as necessary. Each project will determine whether: (1) the directive will be complied with as issued, (2) there is an equally effective and efficient way to address the concern that fostered the directive, or (3) there is technical justification (including that the directive has been overcome by events, processes, or advances in technology) that resolution of the directive is no longer needed.
3. **Perform periodic reviews.** In 2017, industry and NERC will determine whether there is a need to make further improvements to the standards through periodic reviews that include: (1) a measured review of the content of standards, considering whether the requirements could more effectively mitigate risks to the BPS, (2) whether the standards are results based and drafted with high quality, (3) whether the standards are concise or if the number of requirements could be reduced, and (4) whether compliance expectations are clear.
4. **Facilitate smooth transition to new standards.** This includes working with the Compliance Monitoring and Enforcement and Organization Registration and Certification, Reliability Assessment and System Analysis, and Performance Analysis programs to develop guidelines, webinars, and other activities to support auditor and industry training for the new standards.
5. **Perform a comprehensive review of standards.** In 2017, NERC and industry will complete a comprehensive review of NERC's Reliability Standards to measure their effectiveness and ability to mitigate the risks to the reliability and security of the bulk power system, compared to the industry burden for their implementation. An outcome of this review will inform the need to retire or enhance requirements based on operational experience. This will include an analysis of reliability risk and cost effectiveness. In 2018, projects will be initiated to address the results of this review to retire or modify Reliability Standards.

The 2018–2020 RSDP will be developed in 2017 in conjunction with the Standards Committee, RISC, and RRMP. It will outline the work plan for the continued evaluation of NERC reliability standards, the Standards department’s support of Reliability Risk Management, and resolution of FERC directives. Additionally, standards grading metrics will be used to measure the overall quality of each enforceable reliability standard as a basis for measuring needed improvements.

2018 Goals and Deliverables

In 2016, the majority of FERC directives were addressed, as well as the remaining recommendations for retiring requirements made by the Paragraph 81 project and the independent experts. In 2017, the body of standards will be reviewed for potential improvements while considering quality and content criteria, as well as results-based standards principles. The NERC Standards staff will continue to address any new directives issued by FERC, as well as any reliability risks identified through RRMP or by the RISC for which a reliability standard is part of the solution.

Resource Requirements

Personnel

The 1.65 reduction in FTEs is the result of resource allocations that began in 2016 and will continue throughout 2017 to realign staff with current needs.

Consultants and Contracts

No consultants and contracts support is budgeted in 2018, which is consistent with the 2017 budget.

Section A – 2018 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures					
2017 Budget & Projection, and 2018 Budget					
RELIABILITY STANDARDS					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection	Budget	2018 Budget
			v 2017 Budget		v 2017 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 7,835,213	\$ 7,835,213	\$ 0	\$ 6,689,437	\$ (1,145,776)
Assessment Stabilization Reserve - Penalties	159,642	159,642	(0)	71,739	(87,903)
Total NERC Funding	\$ 7,994,855	\$ 7,994,855	\$ 0	\$ 6,761,176	\$ (1,233,679)
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	105,000	105,000	-	50,000	(55,000)
Interest	427	14,316	13,889	10,717	10,291
Miscellaneous	-	-	-	-	-
Total Funding	\$ 8,100,282	\$ 8,114,171	\$ 13,889	\$ 6,821,893	\$ (1,278,389)
Expenses					
Personnel Expenses					
Salaries	\$ 2,340,405	\$ 2,193,752	\$ (146,653)	\$ 2,207,431	\$ (132,975)
Payroll Taxes	151,658	137,199	(14,459)	145,638	(6,020)
Benefits	307,085	294,123	(12,962)	299,194	(7,891)
Retirement Costs	259,407	231,949	(27,459)	246,107	(13,300)
Total Personnel Expenses	\$ 3,058,556	\$ 2,857,023	\$ (201,533)	\$ 2,898,370	\$ (160,186)
Meeting Expenses					
Meetings	\$ 207,000	\$ 103,500	\$ (103,500)	\$ 105,000	\$ (102,000)
Travel	271,988	230,000	(41,988)	240,000	(31,988)
Conference Calls	40,565	19,848	(20,717)	-	(40,565)
Total Meeting Expenses	\$ 519,553	\$ 353,348	\$ (166,206)	\$ 345,000	\$ (174,553)
Operating Expenses					
Consultants & Contracts	\$ -	\$ 40,000	\$ 40,000	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	51,336	44,033	(7,303)	49,796	(1,540)
Professional Services	-	-	-	-	-
Miscellaneous	500	250	(250)	500	-
Depreciation	231,721	253,432	21,711	39,278	(192,443)
Total Operating Expenses	\$ 283,556	\$ 337,715	\$ 54,159	\$ 89,574	\$ (193,983)
Total Direct Expenses	\$ 3,861,666	\$ 3,548,086	\$ (313,580)	\$ 3,332,944	\$ (528,722)
Indirect Expenses	\$ 4,180,279	\$ 3,986,697	\$ (193,582)	\$ 3,470,011	\$ (710,268)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (A)	\$ 8,041,945	\$ 7,534,783	\$ (507,162)	\$ 6,802,955	\$ (1,238,990)
Change in Assets	\$ 58,337	\$ 579,388	\$ 521,051	\$ 18,939	\$ (39,399)
Fixed Assets					
Depreciation	\$ (231,721)	\$ (253,432)	\$ (21,711)	\$ (39,278)	\$ 192,443
Computer & Software CapEx	-	68,114	68,114	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	290,058	(3,796)	(293,854)	58,217	(231,841)
Inc(Dec) in Fixed Assets (B)	\$ 58,337	\$ (189,114)	\$ (247,451)	\$ 18,939	\$ (39,399)
TOTAL BUDGET (=A+B)	\$ 8,100,282	\$ 7,345,669	\$ (754,613)	\$ 6,821,893	\$ (1,278,389)
FTEs	17.16	15.91	(1.25)	15.51	(1.65)

Compliance Monitoring and Enforcement and Organization Registration and Certification

The Compliance Monitoring and Enforcement, and Organization Registration and Certification program area's purpose is to monitor, enforce, and ensure registered entity compliance with the ERO's mandatory reliability standards. This program area is addressed by three operational groups: 1) Compliance Assurance (addressing compliance monitoring), 2) Compliance Analysis, Certification and Registration (addressing assurance, organization registration and certification), and 3) Compliance Enforcement.

Compliance Assurance

Compliance Assurance (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	15.51	19.27	3.76
Direct Expenses	\$ 3,816,924	\$ 4,520,550	\$ 703,625
Indirect Expenses	3,779,431	4,311,226	531,795
Other Non-Operating Expenses	-	-	-
Inc(Dec) in Fixed Assets	262,244	72,330	(189,914)
TOTAL BUDGET	\$ 7,858,599	\$ 8,904,105	\$ 1,045,506

Background and Scope

Compliance Assurance addresses the Regional Entities' implementation of the compliance monitoring section of the CMEP. NERC's Compliance Assurance group works collaboratively with the eight Regional Entities to ensure effective implementation of risk-based compliance monitoring under the CMEP across the entire ERO Enterprise. This program ensures that Regional Entities monitor registered entities for compliance according to their own specific facts and circumstances, including the entity's inherent risks, evaluation of controls in place to mitigate the inherent risks, and any aggravating factors. The CMEP provides for Regional Entities to develop customized compliance oversight plans (COPs) for each registered entity that identifies: 1) the standards or requirements to be monitored, 2) the monitoring processes (tools) for use by the Regional Entities, including compliance audits, self-certification, spot checking, self-reporting, and 3) the interval of monitoring. NERC and the Regional Entities ensure that inherent risk assessments (IRAs) for registered entities begin with a consistent framework and that Regional Entities' implementation of the CMEP coalesce around best practices, data management procedures that address data reporting requirements, integrity, retention, security, and confidentiality.

The Compliance Assurance group's responsibilities include but are not limited to the following major activities and functions:

- Oversight of the Regional Entities' implementation of the risk-based compliance monitoring program and NERC ROP in North America;
- Development and execution of the annual CMEP Implementation Plan (IP);
- Oversight of the use of necessary compliance-related processes, procedures, IT platforms, tools, and templates;
- Development and delivery of education and training for ERO Enterprise staff;

- Critical Infrastructure Protection (CIP) Version 5 Reliability Standards and subsequent enhancements to the CIP Standards activities related to education programs that support industry compliance and security;
- CIP-014-2 training and outreach activities related to effective implementation of the Physical Security Reliability Standard;
- Coordination with the NERC Standards department for standard development to assist in the smooth transition for standards from development to enforceability and feedback on risks seen in the field that are not addressed by a standard, as well as information on where a standard is too broad; and
- Support for Regional Entity and industry committees, working groups, and task forces, such as the NERC CCC and NERC Critical Infrastructure Protection Committee (CIPC).

Strategic Goal Related to CMEP

Strategic Goal 2: Objective and Risk-informed Compliance Monitoring, Enforcement, and Organization Certification and Registration

Goal Description: The ERO Enterprise is a strong enforcement authority that is objective, fair, and promotes a culture of reliability excellence through risk-informed compliance monitoring, enforcement, certification, and registration.

The risk-based compliance monitoring approach allows for the appropriate allocation of resources to the issues that pose a higher level of risk to the reliability of the BPS.

Stakeholder Engagement and Benefit

NERC continues to promote the Regional Entities' development of customized COPs for registered entities. As the risk-based compliance monitoring approach was implemented in 2015 and 2016, Regional Entities worked closely with stakeholders to develop IRAs and appropriately scope compliance monitoring activities. As this process continues to mature, Regional Entities will continue to customize compliance monitoring tools and frequency of monitoring for each registered entity, based on its IRA as well as additional considerations such as risk elements, entity performance, internal controls, and mitigating activities to inform the development of their COPs.

Compliance Assurance continues to work closely with the standard development program to provide compliance information, statistics, and perspectives to drafting teams fostering the development of standards that provide an increased reliability benefit and clarify compliance risks. This collaboration with industry and Standards department staff will occur early in the standard development process by providing draft compliance monitoring guidance, including information on how compliance with draft standards will be determined, as well as input to the drafting teams on the auditability and enforceability of the draft standards. This will ensure that ERO Enterprise tools used in the auditing process, such as the reliability standards auditing worksheet (RSAW), do not expand or modify standards requirements.

NERC also continues to provide industry-focused outreach events and webinars on the ERO Enterprise's approaches to risk-based CMEP activities. The ERO Enterprise staff will continue its webinar series providing guidance on standards and requirements associated with the 2017 risk elements identified for consideration for compliance monitoring.

Key Efforts Underway

Risk-Based CMEP Implementation

Ensuring the successful implementation of NERC's risk-based CMEP remains the priority of Compliance Assurance's oversight plan. As part of that oversight, and in addition to offering regular feedback to the Regional Entities, NERC will continue to identify areas for improvement or promoting consistency through training, guidance, or adjustments during the following year. NERC also produces an ERO Enterprise CMEP annual report, which includes an assessment of the risk-based CMEP implementation.

NERC performs oversight of the Regional Entities' compliance monitoring programs primarily through the review of the processes, supporting evidence, observations, and other information provided by the Regional Entities over the course of focused engagements of program areas that are scheduled throughout the year. NERC communicates the recommendations and findings to the Regional Entities to help the ERO Enterprise develop responsive strategies and solutions to potential issues and ensure uniform and consistent implementation of the CMEP. Such recommendations and findings also help identify priority areas for training of ERO Enterprise staff during the year.

NERC Oversight of Risk-Based Compliance Monitoring

Consistent with the goals and objectives set forth in the strategic plan, NERC will continue to implement risk-based compliance monitoring and enforcement as part of its stated objectives of ensuring BES reliability, consistency, improving the efficiency and effectiveness of NERC and Regional Entity compliance and enforcement operations, focusing on identified risks and reducing unnecessary burdens on registered entities.

CIP Compliance

NERC and the Regional Entities continue to manage the smooth implementation of compliance activities for CIP Version 5 and subsequent enhancements to the CIP Standards by providing training, webinars, and other forms of outreach. The ERO Enterprise will continue to provide educational programs to support industry compliance and the integration of risk assessment and internal controls. In addition, NERC and the Regional Entities will continue supporting the successful implementation and monitoring of the physical security reliability standard.

Compliance Monitoring and Enforcement Process Tool

For 2017 and through the 2018 – 2020 budget cycle, NERC will develop and implement the CMEP Process tool that supports the CMEP, including the various processes and activities of the compliance and enforcement program (e.g., analysis of risk, development of implementation plans and audit schedules, actual compliance monitoring, and enforcement processing).

Regional Entity Training

NERC Compliance Assurance will provide training to Regional Entity staff on the most important elements of risk-based compliance monitoring, including enhancements to registered entity IRAs, internal controls reviews, compliance oversight plan development, as well as Reliability Standards monitoring. NERC will develop this training based on observations from its oversight activities of the Regional Entities, as well as the process reviews described above.

Emerging Technology Roundtables

NERC Compliance Assurance will continue to periodically host an Emerging Technology Roundtable with industry and vendors that includes in-depth discussions around the integration of emerging technologies associated with BPS operations to address and mitigate cyber and physical security risks of the BPS.

2018 Goals and Deliverables

The Compliance Assurance group has several goals and deliverables that support the 2017-2020 *ERO Enterprise Strategic Plan*. Resources will be focused on improvements implemented as a result of the risk-based compliance monitoring activities in 2016 and 2017. Specific 2018 objectives for this group are:

- Continue to mature the risk-based compliance monitoring program, including ongoing oversight of the risk-based CMEP, including IRAs, consideration of internal controls, coordinated oversight of multi-region registered entities, and ensuring that COPs are addressing the relevant risks.
- Work closely with NERC's Enforcement and IT departments, as well as staff in the Regional Entities, to help develop application business requirements and to test business functionality for ERO Enterprise CMEP Process Tool.
- Support the continued successful implementation of the CIP Version 5 Reliability Standards and subsequent enhancements that become effective in 2017 and beyond.
- Continue to monitor and support effective implementation of the Physical Security Reliability Standard.
- Continue to enhance and implement training to support monitoring of Reliability Standards, integrating principles from the ERO Auditor Capabilities and Competencies Guide.
- Continue feedback to Standards through integration and coordination between the standards and compliance functions for clear stakeholder implementation and feedback on risks seen in the field that are not addressed by a standard, as well as information on where a standard is too broad. This effort will be supported through a common set of RSAWs, guidance, and outreach.
- Support International CMEP activities including reliability and security subject matter expertise and outreach.
- Provide support and leadership to (1) the CIPC and (2) standing committees' subcommittees, working groups, and task forces serving the standing committee. Support the CIPC leadership and development and implementation of the annual CIPC work plan.
- Provide support and leadership to (1) the CCC and (2) standing committees' subcommittees, working groups, and task forces serving the standing committee. Support the CCC leadership and the development and implementation of the annual CCC work plan.

These 2018 activities are necessary to further implement risk-based compliance monitoring, including the CIP standards, and integrate the standards and compliance functions. A number of activities that support the implementation of the strategic risk-based reforms are intended to reduce regulatory burden by focusing monitoring according to each registered entity's potential impact on the BPS.

Resource Requirements

Personnel

The 3.76 increase in Compliance Assurance FTEs, which is reflective of reallocating resources from other departments to this one, is the result of NERC's plan to strengthen the implementation and oversight of the risk-based CMEP, risk analysis, and feedback loops. This includes:

- Data analysis and trending for emerging reliability and security risks;
- Support the development of the CMEP process tool to improve documentation, sharing, analysis, and more closely align CMEP processes;
- Identification and mitigation of significant risks;

- Subject matter expertise for training and oversight of Reliability Standards;
- Participation and input into the Reliability Standards process including providing compliance and subject matter expertise;
- Support international compliance activities; and
- Support the NERC CIPC.

Consultants and Contracts

Funds budgeted for outside consultants to assist in successful implementation of risk-based compliance monitoring remains unchanged at \$50k. The budgeted amounts for 2017 and 2018 are shown in *Exhibit C – Contractor and Consulting Costs*. Some consultant resources continue to be needed to support the transformation of NERC's Compliance Monitoring and Enforcement Program to a risk-based design. The IT budget includes funding for the maintenance of existing software tools supporting compliance assessment, registration, certification, and enforcement activities, as well as the investigation and development of a business case for future tools supporting ERO Enterprise compliance assessment, registration, and certification and enforcement activities.

Section A – 2018 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures					
2017 Budget & Projection, and 2018 Budget					
COMPLIANCE ASSURANCE					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection	Budget	2018 Budget
			v 2017 Budget		v 2017 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 7,713,879	\$ 7,713,879	\$ 0	\$ 8,801,659	\$ 1,087,780
Assessment Stabilization Reserve - Penalties	144,334	144,334	0	89,130	(55,204)
Total NERC Funding	\$ 7,858,213	\$ 7,858,213	\$ 0	\$ 8,890,790	\$ 1,032,577
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	386	14,609	14,223	13,316	12,930
Miscellaneous	-	-	-	-	-
Total Funding	\$ 7,858,599	\$ 7,872,822	\$ 14,223	\$ 8,904,105	\$ 1,045,506
Expenses					
Personnel Expenses					
Salaries	\$ 2,509,618	\$ 2,738,350	\$ 228,732	\$ 2,936,161	\$ 426,543
Payroll Taxes	163,335	180,120	16,784	192,067	28,732
Benefits	333,557	357,220	23,663	398,424	64,867
Retirement Costs	276,273	306,359	30,086	324,835	48,562
Total Personnel Expenses	\$ 3,282,783	\$ 3,582,050	\$ 299,266	\$ 3,851,487	\$ 568,703
Meeting Expenses					
Meetings	\$ 60,000	\$ 123,418	\$ 63,418	\$ 200,000	\$ 140,000
Travel	276,343	277,000	657	375,000	98,657
Conference Calls	6,100	9,420	3,320	-	(6,100)
Total Meeting Expenses	\$ 342,443	\$ 409,838	\$ 67,395	\$ 575,000	\$ 232,557
Operating Expenses					
Consultants & Contracts	\$ 50,000	\$ 35,800	\$ (14,200)	\$ 50,000	\$ 0
Office Rent	-	-	-	-	-
Office Costs	141,198	124,702	(16,496)	43,563	(97,635)
Professional Services	-	-	-	-	-
Miscellaneous	500	250	(250)	500	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 191,698	\$ 160,752	\$ (30,946)	\$ 94,063	\$ (97,635)
Total Direct Expenses	\$ 3,816,924	\$ 4,152,639	\$ 335,715	\$ 4,520,550	\$ 703,625
Indirect Expenses	\$ 3,779,431	\$ 4,299,920	\$ 520,489	\$ 4,311,226	\$ 531,795
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (A)	\$ 7,596,355	\$ 8,452,559	\$ 856,205	\$ 8,831,775	\$ 1,235,421
Change in Assets	\$ 262,244	\$ (579,738)	\$ (841,982)	\$ 72,330	\$ (189,914)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	262,244	(4,094)	(266,338)	72,330	(189,914)
Inc(Dec) in Fixed Assets (B)	\$ 262,244	\$ (4,094)	\$ (266,338)	\$ 72,330	\$ (189,914)
TOTAL BUDGET (=A+B)	\$ 7,858,599	\$ 8,448,465	\$ 589,866	\$ 8,904,105	\$ 1,045,506
FTEs	15.51	17.16	1.65	19.27	3.76

Compliance Analysis, Organization Registration and Certification

Compliance Analysis, Organization Registration and Certification (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	7.52	9.40	1.88
Direct Expenses	\$ 1,686,689	\$ 2,148,762	\$ 462,073
Indirect Expenses	1,832,451	2,103,037	270,586
Other Non-Operating Expenses	-	-	-
Inc(Dec) in Fixed Assets	127,149	635,283	508,134
TOTAL BUDGET	\$ 3,646,289	\$ 4,887,082	\$ 1,240,793

Background and Scope

The Compliance Analysis, Registration and Certification group is responsible for a range of requirements and activities embodied in Section 500 (Organization Registration and Certification) and Appendices 5A and 5B of the NERC ROP. The group provides technical resource support to standards development, compliance monitoring, and enforcement and (1) ensures that all entities impacting the BES are registered commensurate with risk, (2) ensures that all Reliability Coordinators (RCs), Transmission Operators (TOPs), and Balancing Authorities (BAs) are certified, (3) conducts industry reliability assurance activities, and (4) ensures that compliance gaps identified in reportable events are assessed and addressed if appropriate. Specific activities of the group include:

- **Registration** – Identifies and registers BES users, owners, and operators who are responsible for compliance with reliability standards. Organizations that are registered are included on the NERC Compliance Registry (NCR) and are responsible for knowing the content of and complying with all applicable reliability standards. Maintains the current registration for the entire ERO for entities as they take on and drop functional responsibilities.
- **Certification** – Evaluates and certifies the competency of reliability entities (i.e., those that perform certain key reliability functions, specifically the RC, BA, and TOP functions). Entities performing these three functions must be evaluated for having the necessary personnel, knowledge, facilities, programs, and other qualifications to carry out these important responsibilities, including demonstrating the ability to meet the requirements and sub-requirements of all of the reliability standards applicable to the reliability function(s). This also includes confirming through the certification review process that a reliability entity continues to have the qualifications mentioned above following planned material changes to that entity's operation.
- **Reliability Assurance** – Conducts reliability assurance activities, including:
 - **Reliability Assurance** – Conducts activities to reasonably assure the ERO that certain actions have been taken as reported in response to NERC Alerts or guidance to industry.
 - **Oversight** – Provides oversight of Regional Entity implementation of regional registration, compliance, certification, investigation, complaint programs, and processes.
 - **Investigations** – Conducts non-public, confidential investigations to identify Possible Violations of NERC reliability standards in response to complaints, BES disturbances, or other similar triggers. The Compliance Analysis, Certification and Registration staff participates on all Regional Entity-led investigations and as observers as requested on FERC-led reliability investigations and inquiries.

- **Compliance evaluations** – Works closely with regional staff to confirm that qualified events and disturbances are evaluated against the relevant approved reliability standards and ensure formal compliance monitoring occurs if indicated. These analyses are also shared with FERC staff.
- **Complaints** – Addresses formal complaints that allege the violation of reliability standards, through a confidential process.

Key Efforts Underway

In 2016, NERC registration conducted a program review to identify areas for improvements. These areas included:

- Conducting NERC-led Review Panels and identifying process improvements;
- NERC ROP changes;
- Coordinating Functional Registration research on process and model efficiencies;
- Supporting the entity registration xRM database initiative;
- Doing a thorough review of the NERC website for any modifications;
- Reviewing internal processes and procedures; and
- Continuing Regional Entity oversight activities.

NERC Reliability Assurance, in conjunction with Regional Entities, performed a review of the Certification program in 2016 regarding its effectiveness in determining an entity's ability to become certified and then operational, and to begin to incorporate changes to the program, if applicable, based on the outcomes of the review. The team concluded that the certification process is necessary and is effective in determining an entity's ability to become certified and operational. The team recommended two improvements to the existing certification process which will be acted on in 2017.

- Clearly establish the focus on certification on evaluation of an entity's capability to perform the reliability function of transmission operator, balancing authority, and/or reliability coordinator through the use of standard templates to be used by each Regional Entity's certification team.
- Conduct an evaluation of the certification review process to determine effectiveness of the current triggers of the certification review and execution of the actual process, and implement any needed ROP changes.
- Continue Regional Entity oversight activities.

2018 Goals and Deliverables

The Compliance Analysis, Certification and Registration group has several goals and deliverables that support the *2017-2020 ERO Enterprise Strategic Plan and Metrics*. Resources will be focused on building upon the improvements identified in 2017. Specific 2018 objectives for this group are:

- Continue to conduct NERC-led Review Panels on registration requests.
- Continue to implement registration program improvements identified in the 2016 project and conduct any additional actions identified by the project.
- Implement certification program improvements identified in the 2016 project and conduct training as necessary.
- Evaluate BES disturbances and events for potential gaps in compliance monitoring or reliability standards.

Resource Requirements

Personnel

The 1.88 increase in FTEs is the result of resource allocations that began in 2016 and will continue throughout 2017 to realign staff with current needs.

Contractor Expenses

No contractor and consulting support is budgeted in 2018, which is consistent with the 2017 budget.

Section A – 2018 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures					
2017 Budget & Projection, and 2018 Budget					
COMPLIANCE ANALYSIS, ORGANIZATION REGISTRATION and CERTIFICATION					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 3,576,122	\$ 3,576,122	\$ 0	\$ 4,837,109	\$ 1,260,987
Assessment Stabilization Reserve - Penalties	69,980	69,980	(0)	43,478	(26,502)
Total NERC Funding	\$ 3,646,102	\$ 3,646,102	\$ 0	\$ 4,880,587	\$ 1,234,485
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	187	8,386	8,199	6,495	6,308
Miscellaneous	-	-	-	-	-
Total Funding	\$ 3,646,289	\$ 3,654,488	\$ 8,199	\$ 4,887,082	\$ 1,240,793
Expenses					
Personnel Expenses					
Salaries	\$ 1,125,154	\$ 1,477,441	\$ 352,287	\$ 1,514,712	\$ 389,558
Payroll Taxes	76,383	91,610	15,227	95,616	19,233
Benefits	174,014	191,939	17,925	194,709	20,695
Retirement Costs	126,651	158,431	31,780	168,791	42,139
Total Personnel Expenses	\$ 1,502,203	\$ 1,919,422	\$ 417,219	\$ 1,973,828	\$ 471,626
Meeting Expenses					
Meetings	\$ 4,000	\$ 8,000	\$ 4,000	\$ 2,250	\$ (1,750)
Travel	155,146	180,000	24,854	150,500	(4,646)
Conference Calls	610	2,527	1,917	-	(610)
Total Meeting Expenses	\$ 159,756	\$ 190,527	\$ 30,771	\$ 152,750	\$ (7,006)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	24,231	19,461	(4,771)	21,684	(2,547)
Professional Services	-	-	-	-	-
Miscellaneous	500	250	(250)	500	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 24,731	\$ 19,711	\$ (5,021)	\$ 22,184	\$ (2,547)
Total Direct Expenses	\$ 1,686,689	\$ 2,129,659	\$ 442,969	\$ 2,148,762	\$ 462,073
Indirect Expenses	\$ 1,832,451	\$ 2,272,743	\$ 440,292	\$ 2,103,037	\$ 270,586
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (A)	\$ 3,519,141	\$ 4,402,402	\$ 883,261	\$ 4,251,799	\$ 732,659
Change in Assets	\$ 127,149	\$ (747,914)	\$ (875,063)	\$ 635,283	\$ 508,134
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	501,800	501,800	600,000	600,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	127,149	(2,164)	(129,313)	35,283	(91,866)
Inc(Dec) in Fixed Assets (B)	\$ 127,149	\$ 499,636	\$ 372,487	\$ 635,283	\$ 508,134
TOTAL BUDGET (=A+B)	\$ 3,646,289	\$ 4,902,038	\$ 1,255,749	\$ 4,887,082	\$ 1,240,793
FTEs	7.52	9.07	1.55	9.40	1.88

Compliance Enforcement

Compliance Enforcement (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	13.16	12.22	(0.94)
Direct Expenses	\$ 2,371,347	\$ 2,451,137	\$ 79,790
Indirect Expenses	3,206,790	2,733,948	(472,842)
Other Non-Operating Expenses	-	-	-
Inc(Dec) in Fixed Assets	222,510	1,488,854	1,266,344
TOTAL BUDGET	\$ 5,800,647	\$ 6,673,939	\$ 873,292

Background and Scope

The Compliance Enforcement department is responsible for overseeing enforcement processes, the application of Penalties or sanctions, and activities to mitigate and prevent recurrence of noncompliance with reliability standards. The Compliance Enforcement department works collaboratively with the eight Regional Entities to ensure consistent and effective implementation of the risk-based Compliance Monitoring and Enforcement Program. Importantly, the department also focuses on ensuring that the ERO Enterprise dedicates resources to the matters that pose the greatest risk to reliability.

The NERC Compliance Enforcement department performs its responsibilities by:

- Monitoring Regional Entities' enforcement processes and providing oversight over their outcomes to ensure due process, to identify best practices and process efficiency opportunities, and to promote consistency among Regional Entities' business practices;
- Collecting and analyzing compliance enforcement data and trends to assist with the identification of emerging risks and to help inform the development of enforcement policies and processes;
- Filing notices of Penalty and other submittals associated with noncompliance discovered through Regional Entity compliance monitoring and enforcement activities;
- Processing and filing notices of Penalty and other submittals associated with violations discovered through NERC-led investigations and audits;
- Collaborating with other NERC departments, including Compliance Assurance, Standards, Event Analysis, and Regional Entity Coordination; and
- Delivering training of the ERO Enterprise staff and registered entities, as well as supporting other outreach efforts.

The ERO Enterprise's enforcement jurisdiction is drawn from the Energy Policy Act of 2005 (the Act), which added Section 215 to the Federal Power Act (FPA). Section 215 made compliance with electric reliability standards mandatory and authorized the creation of an ERO and Regional Entities to establish and enforce reliability standards. Under section 215(e)(1) of the FPA, NERC or a Regional Entity may impose a Penalty on a user, owner, or operator of the BPS for a violation of a Reliability Standard approved by FERC. As the ERO, NERC has set forth Sanction Guidelines in its ROP that govern the ERO Enterprise's determinations of Penalties and non-monetary sanctions for Reliability Standard violations. The Sanction Guidelines provide information on the factors that affect penalty determinations and the behaviors, e.g., self-reporting, timely mitigation, and cooperation, that the ERO Enterprise seeks to encourage to promote compliance and reliable operations.

ERO Enterprise Core Values and Guiding Principles

The ERO Enterprise’s 2017-2020 Strategic Plan promotes the ERO Enterprise’s core values and guiding principles. A goal of the ERO Enterprise is to be “a strong enforcement authority that is objective, fair, and promotes a culture of reliability excellence through risk-informed compliance monitoring, enforcement, certification, and registration.”

The following principles serve as guidelines for the conduct and behavior of all involved in the ERO Enterprise enforcement program to ensure alignment with this goal and with the ERO Enterprise’s core values.

Compliance Enforcement Authorities are independent, without conflict of interest, objective, and fair.

The ERO Enterprise strives to be a strong enforcement authority that is independent, without conflict of interest, objective, and fair. NERC and each of the Regional Entities has a code of conduct addressing the professional and ethical standards applicable to its personnel. Foremost among these standards is the requirement that no person work on a matter where that work may affect the person’s financial interest. The ERO Enterprise also expects its personnel to conduct themselves professionally and respectfully when engaging with registered entities or other stakeholders. Personnel who do not meet these standards are subject to discipline, up to and including termination.

Enforcement program promotes culture of reliability excellence through a risk-based approach.

The ERO Enterprise’s risk-based enforcement philosophy generally advocates reserving enforcement actions under section 5.0 of the Compliance Monitoring and Enforcement Program for those issues that pose a higher risk to the reliability of the BPS. The risk of a noncompliance is determined based on specific facts and circumstances, including any controls in place at the time of the noncompliance. The ERO Enterprise works with registered entities to ensure timely remediation of potential risks to the reliability of the BPS and prevent recurrence of noncompliance. The enforcement process allows parties to address risks collaboratively and promote increased compliance and reliability through improvement of programs and controls at the registered entities.

The ERO Enterprise applies a presumption of non-enforcement treatment of minimal risk noncompliance to entities with demonstrated internal controls who are permitted to self-log such minimal risk issues. Regarding other issues posing a minimal risk, NERC and the Regional Entities may exercise appropriate judgment whether to initiate a formal enforcement action or resolve the issue outside of the formal enforcement processes. The availability of streamlined treatment of minimal risk noncompliance outside of the formal enforcement process encourages self-inspection by registered entities. When self-identified minimal risk noncompliance is more than likely not going to be subject to a financial Penalty, registered entities are encouraged to establish more robust internal controls for the detection and correction of noncompliance. This approach allows the ERO Enterprise to oversee the activities of registered entities in a more efficient manner and to focus resources where they result in the greatest benefit to reliability. In this context, efficiency does not necessarily mean less time or effort. Rather, it is using the requisite time, knowledge, and skills required for each circumstance. In addition, this approach allows the ERO Enterprise to continue to provide clear signals to registered entities about identified areas of concern and risk prioritization, while maintaining existing visibility into potential noncompliance and emerging areas of risk. Outcomes for noncompliance are based on the risk of a specific noncompliance and may range from streamlined, non-enforcement processes, to significant monetary Penalties.

Enforcement actions are used and Penalties are imposed when warranted, commensurate with risk.

An element of a risk-based approach to enforcement is accountability of registered entities for their noncompliance. No matter the risk of the noncompliance, the registered entity still bears the responsibility of mitigating that noncompliance. Based on the risk, facts, and circumstances associated

with that noncompliance, the Regional Entity decides on an appropriate disposition track, inside or outside of an enforcement action, as described above, and whether a Penalty is appropriate for the noncompliance.

Penalties are generally warranted for serious risk violations (e.g., uncontrolled loss of load, CIP program failures) and for when repeated noncompliance constitutes an aggravating factor. In addition to the use of significant Penalties to deter undesired behavior, the ERO Enterprise also incents desired behaviors.¹⁷ Specifically, Regional Entities may offset Penalties to encourage valued behavior. Factors that may mitigate Penalty amounts include registered entity cooperation, accountability (including admission of violations), culture of compliance, and self-identification of noncompliance.

Regional Entities may also grant credit in enforcement determinations for certain actions undertaken by registered entities for improvements in addition to mitigating factors. For example, Regional Entities may consider significant investments in reliability made by registered entities, beyond those otherwise planned and required, as an offset for proposed Penalties in enforcement determinations. Regional Entities do not award credits or offsets for actions or investments undertaken by a registered entity that are required to mitigate noncompliance.

NERC engages in regular oversight of Regional Entity enforcement activities to confirm that the Regional Entities have followed the CMEP. This oversight evaluates the consistency of disposition methods, including assessment of a Penalty or sanction, with previous resolutions of similar noncompliance involving similar circumstances. The NERC Board Compliance Committee (the Compliance Committee) considers the recommendations of NERC staff regarding approval of Full Notices of Penalty (NOP) and monitors the handling of noncompliance through the streamlined disposition methods of Spreadsheet NOPs, FFTs, and Compliance Exceptions (CE).

Actions are timely and transparent.

NERC's ROP (including the CMEP and Sanction Guidelines) and program documents are available to the public.¹⁸ NERC also posts information on enforcement actions on a monthly basis.¹⁹ Moreover, information on the efficiency of the enforcement program is available to regulators, industry stakeholders, and the public on a quarterly basis.²⁰

Noncompliance information is used as an input to other processes.

When developing risk elements, NERC annually identifies and prioritizes risks to the reliability of the BPS, taking into account factors such as compliance findings, event analysis experiences, and data analysis. In addition, Regional Entities consider factors such as noncompliance information when conducting an IRA of a registered entity. The ERO Enterprise also uses noncompliance information as part of a feedback loop to the standards development process. This allows enhanced reliability standards through appropriate information flows from compliance monitoring and enforcement to the standards drafting process and other NERC programs. NERC regularly provides analysis and lessons learned from noncompliance information to industry stakeholders and the public.²¹

¹⁷ As required by §215(e)(6) of the Federal Power Act and the Commission's regulations at 18 C.F.R. §39.7(g), the Sanction Guidelines, Appendix 4B to the NERC Rules of Procedure, provide that Penalties and sanctions imposed for the violation of a Reliability Standard shall bear a reasonable relation to the seriousness of the violation while also reflecting consideration of the other factors specified in the Sanction Guidelines. The [Sanction Guidelines](#) are available on NERC's website.

¹⁸ [NERC Rules of Procedure](#)

¹⁹ [Posted compliance exceptions, Spreadsheet Notices of Penalty, and Full Notices of Penalty](#)

²⁰ The Compliance Monitoring and Enforcement Program Reports can be found in the Compliance Committee meeting agenda packages on the [Board of Trustees Compliance Committee website](#).

²¹ Id.

Stakeholder Engagement and Benefit

Over the past few years, NERC and the Regional Entities have made substantial progress in reducing the number of instances of noncompliance remaining to be evaluated and processed. The ERO Enterprise has held registered entities accountable for instances of noncompliance that posed a risk to the reliability of the BPS while ensuring that enforcement actions are timely and transparent. NERC promotes a culture of reliability excellence by examining registered entities' internal compliance programs and considering them as mitigating factors in Penalty determinations.

Processing Efficiencies

In an effort to improve the efficiency of enforcement processing throughout the ERO Enterprise, NERC developed a series of key enforcement processing metrics, which are tracked and analyzed throughout the year.

Enforcement's 2016 goal to have more than 70 percent of issues of noncompliance be self-identified was met in 2016.²² The self-assessment and identification of noncompliance metric is used to compare the number of noncompliance discovered internally versus externally to promote self-assessment and internal identification of noncompliance. For self-identification of noncompliance in 2016, the threshold is 70 percent and the target is 75 percent. Enforcement met the threshold and target for this goal, closing the year at an 87 percent self-identification rate.

The ERO Enterprise has continued to promote timely mitigation of noncompliance with over 99 percent of noncompliance discovered before 2013 having completed Mitigation Plans or mitigating activities, reducing risk to the BPS. The ERO Enterprise successfully met its mitigation targets for noncompliance discovered in 2014 and 2015 by ensuring at least 90 percent of noncompliance discovered in 2014 and 75 percent of noncompliance discovered in 2015 have been mitigated. Significantly, these target goals were both exceeded, with almost 99 percent of 2014 noncompliance and 90 percent of 2015 noncompliance being mitigated. Enforcement also met its goal of having 100 percent of NOPs approved by FERC.

The ongoing use of CEs throughout the ERO Enterprise, combined with the influx of noncompliance discovered in the second half of 2016, has contributed to the average age of noncompliance in Q4 2016 dropping to less than 8 months. The average age has not been this low since 2013. Typically, noncompliance has a relatively consistent average age in the ERO Enterprise inventory of approximately 10 to 11 months. Further, eighty-one percent of the ERO Enterprise noncompliance inventory is less than one year old, and only seven percent is over two years old.

Finally, at the beginning of 2016, there were 368 federal entity violations that were on hold pending the result of a case before the DC Circuit Court of Appeals. Federal violations have been prioritized in 2016, and there are only 17 still needing to be processed, less than five percent of the initial total.

Continued Outreach Efforts in 2017 and Beyond

In 2017, NERC and the Regional Entities will continue to conduct outreach activities that focus on self-logging, compliance exceptions, and risk assessment of noncompliance. NERC plans to use existing industry events, such as the Standards and Compliance workshops and industry webinars, to provide information on compliance enforcement activities.

NERC Oversight of Risk-Based CMEP Implementation

For 2017, ensuring the successful implementation of NERC's risk-based CMEP remains the priority of Compliance Enforcement's oversight plan. As part of that oversight and in addition to offering regular

²²Self-identification includes noncompliance discovered through Self-Reports, Self-Certifications, and Periodic Data Reporting.

feedback to the Regional Entities, NERC will continue to identify areas for improvement or promoting consistency through training, guidance, or adjustment the following year. NERC also produces an ERO Enterprise CMEP annual report, which includes an assessment of the risk-based CMEP implementation. NERC expects to publish that report during Q1 2018.

NERC performs oversight of the Regional Entities' enforcement programs primarily through the review of the processes, supporting evidence, and other information provided by the Regional Entities over the course of focused engagements of program areas that are scheduled throughout the year. NERC communicates the recommendations and findings to the Regional Entities to help the ERO Enterprise develop responsive strategies and solutions to potential issues and ensure uniform and consistent implementation of the CMEP. Such recommendations and findings also help identify priority areas for training of ERO Enterprise staff during the year.

Other Key Enforcement Efforts Underway

Regional Entity Training

NERC Enforcement will provide training to Regional Entity staff on the most important elements of risk-based enforcement, including risk assessment of noncompliance and the determination of appropriate penalties and sanctions for noncompliance. NERC is developing this training based on observations from its oversight activities of Regional Entity settlement agreements, as well as the process reviews described above.

2018 Goals and Deliverables

Specific 2018 objectives for the Compliance Enforcement department include:

- Continuing to refine and improve the risk-based CMEP processes;
- Continuing to implement in a transparent manner an ERO Enterprise enforcement philosophy that is risk-focused and drives desired behaviors by registered entities;
- Expanding the feedback loop of information from Enforcement to Standards and other program areas; and
- Working closely with NERC's Compliance Assurance and Information Technology departments, as well as staff in the Regional Entities, regarding the evaluation of improvements in the existing compliance, reporting, analysis tracking system, and other compliance tools to support risk-based activities.

Resource Requirements

Personnel

The 0.94 reduction in FTEs is the result of resource allocations that began in 2016 and will continue throughout 2017 to realign staff with current needs.

Contractor Expenses

No contractor and consultant expenses are budgeted in Compliance Enforcement in 2018, which is consistent with 2017. However, the IT budget includes funding for the maintenance, evaluation, and development of enterprise tools supporting technical feasibility exceptions, registration, and enforcement activities.

Section A – 2018 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures					
2017 Budget & Projection, and 2018 Budget					
COMPLIANCE ENFORCEMENT					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection	Budget	2018 Budget
			v 2017 Budget		v 2017 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 5,677,854	\$ 5,677,854	\$ (0)	\$ 6,608,973	\$ 931,119
Assessment Stabilization Reserve - Penalties	122,465	122,465	0	56,522	(65,943)
Total NERC Funding	\$ 5,800,319	\$ 5,800,319	\$ (0)	\$ 6,665,495	\$ 865,175
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	327	11,966	11,639	8,444	8,117
Miscellaneous	-	-	-	-	-
Total Funding	\$ 5,800,647	\$ 5,812,286	\$ 11,639	\$ 6,673,939	\$ 873,292
Expenses					
Personnel Expenses					
Salaries	\$ 1,790,859	\$ 1,799,026	\$ 8,166	\$ 1,792,112	\$ 1,252
Payroll Taxes	117,205	113,789	(3,417)	115,916	(1,290)
Benefits	184,106	185,301	1,195	168,533	(15,573)
Retirement Costs	198,694	193,748	(4,946)	200,403	1,708
Total Personnel Expenses	\$ 2,290,865	\$ 2,291,863	\$ 998	\$ 2,276,963	\$ (13,902)
Meeting Expenses					
Meetings	\$ 2,500	\$ 1,250	\$ (1,250)	\$ 2,000	\$ (500)
Travel	56,736	55,000	(1,736)	47,500	(9,236)
Conference Calls	366	4,042	3,676	-	(366)
Total Meeting Expenses	\$ 59,602	\$ 60,292	\$ 690	\$ 49,500	\$ (10,102)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	20,379	18,835	(1,544)	19,160	(1,220)
Professional Services	-	-	-	-	-
Miscellaneous	500	750	250	500	-
Depreciation	-	105,014	105,014	105,014	105,014
Total Operating Expenses	\$ 20,879	\$ 124,600	\$ 103,720	\$ 124,674	\$ 103,794
Total Direct Expenses	\$ 2,371,347	\$ 2,476,755	\$ 105,408	\$ 2,451,137	\$ 79,790
Indirect Expenses	\$ 3,206,790	\$ 3,194,871	\$ (11,919)	\$ 2,733,948	\$ (472,842)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (A)	\$ 5,578,137	\$ 5,671,626	\$ 93,489	\$ 5,185,085	\$ (393,052)
Change in Assets	\$ 222,510	\$ 140,660	\$ (81,850)	\$ 1,488,854	\$ 1,266,344
Fixed Assets					
Depreciation	\$ -	\$ (105,014)	\$ (105,014)	\$ (105,014)	\$ (105,014)
Computer & Software CapEx	-	-	-	1,548,000	1,548,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	222,510	(3,042)	(225,552)	45,868	(176,642)
Inc(Dec) in Fixed Assets (B)	\$ 222,510	\$ (108,056)	\$ (330,566)	\$ 1,488,854	\$ 1,266,344
TOTAL BUDGET (=A+B)	\$ 5,800,647	\$ 5,563,570	\$ (237,077)	\$ 6,673,939	\$ 873,292
FTEs	13.16	12.75	(0.41)	12.22	(0.94)

Reliability Assessment and System Analysis

Reliability Assessment and System Analysis (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	14.10	14.10	-
Direct Expenses	\$ 3,986,965	\$ 4,256,247	\$ 269,282
Indirect Expenses	3,435,846	3,154,555	(281,291)
Other Non-Operating Expenses	-	-	-
Inc(Dec) in Fixed Assets	112,782	(97,847)	(210,629)
TOTAL BUDGET	\$ 7,535,594	\$ 7,312,956	\$ (222,638)

Background and Scope

The Reliability Assessment and System Analysis (RASA) department carries out the ERO's statutory responsibility to conduct assessments of the reliability and adequacy of the BES. These assessments are used to provide insight and guidance about reliability risks. These insights provide a foundation for the development of new reliability standards or modifications to mandatory reliability standards, or other initiatives, such as guidelines, alert(s), webinars, etc., all focused on enhancing overall reliability. The majority of the activities in the RASA department directly address the risk priorities established by the RISC. In particular, the risks pertaining to changing resources and planning noted in the 2016 RISC report are of particular importance to the assessment and analysis work being performed in RASA.

NERC staff works closely with stakeholders on creating assessment development schedules, including schedules with adequate stakeholder review at every level. All NERC reliability assessments have a sponsoring technical committee, subcommittee, or other subgroup. The Long-Term and Seasonal assessments are conducted by the Reliability Assessment Subcommittee, and ultimately endorsed by the Planning Committee. Special Assessments often require a separate and specialized task force or advisory group to help construct, conduct, and produce special topic assessments such as the Clean Power Plan assessments, Natural Gas interdependency assessment, and distributed energy report.

The department focuses on developing a technical framework and understanding the emerging reliability risks facing the industry. It also provides guidance and insights to stakeholders across North America. The department relies on its own engineering and analysis expertise, as well as Regional Entity and stakeholder resources. RASA is responsible for:

- Independent reliability assessments on the overall reliability and adequacy of the BES and associated emerging reliability risks that could impact the short-, mid- and the long-term (e.g., 10-year) planning horizons, and other reliability issues requiring an in-depth analysis.
- Support for the development and improvement of long-term sustainable interconnection-based power flow, dynamic, and load models that exhibit the accuracy and fidelity reflecting actual BES reliability performance and dynamic conditions.
- Interconnection-wide analysis of steady-state and dynamic conditions, including frequency, Essential Reliability Services, stability, short circuit ratio, and oscillatory behavior aspects.
- Advancement of industry and the ERO's understanding of power system characteristics and behaviors by gathering larger Phasor Measurement Unit (PMU) datasets for advanced data analytics and modeling improvements.

- Assurance oversight that the BES electrical elements necessary for its reliable operation are identified, requiring the elements to follow the appropriate NERC Reliability Standards.
- Establishment of reliability leadership and consistent, technically sound guidance and recommendations that position industry and policy makers to enhance reliability through effective outreach and communications.

Stakeholder Engagement and Benefit

RASA works with industry leaders to create a reliability strategy that is relevant, timely, and effective to address the most important reliability risks. This effort includes reviewing and addressing key priority risks identified by NERC's RISC; synthesizing key information identified through analysis and assessment efforts; extracting and prioritizing the associated reliability risks; sharing and integrating risk analysis insights across the ERO Enterprise; and translating that knowledge into actionable guidance and recommendations for NERC management, the Board, and entities, along with state, federal, and provincial policy makers.

In addition, the ERO monitors the ongoing and historic reliability performance of the BES through data gathered to analyze historic trends. The ERO provides reports and recommendations regarding the anticipated conditions that could impact the reliability, security, and stability of the BPS to the industry, Regional Entities, regulatory entities, and other designated entities.

2018 Enhancements

Enhancements in the 2018 BP&B are a reflection of the strategic goals and objectives identified in the *ERO Enterprise Strategic Plan and Metrics 2017–2020*.

The following enhancements are attributable to Strategic Goal 1 and the objectives and valued outcomes noted within Strategic Goal 1:

- Interconnection-wide analysis of steady-state and dynamic conditions, including frequency, Essential Reliability Services, stability, Short Circuit Ratio and oscillatory behavior aspects.
- Perform model validations at the interconnection level and compare with internal transmission owner models. (Short circuit model validation)

The following enhancements are attributable to Strategic Goal 4 and the objectives and valued outcomes noted within Strategic Goal 4:

- Improve resource adequacy assessments with increased probabilistic and risk analysis;
- Conduct interconnection-wide analysis to support NERC's reliability assessments and improve industry planning;
- Increase technical analysis and assessment focus on natural gas, wind, and solar resource and fuel availability;
- Develop technical references and guidelines that advance and improve reliability using new technologies; and
- Develop quality/fidelity assessments of interconnection models.

The following enhancement is attributable to Strategic Goal 5 and the objectives and valued outcomes noted within Strategic Goal 5:

- Enhance and implement documented oversight plans for Regional Entity delegated functions.

Key RASA Efforts Underway

RASA focuses its efforts in the following key areas:

Reliability Assessment

Reliability assessments serve to evaluate the expected reliability of the BES through extensive deterministic and probabilistic analyses to identify potential reliability risks and potential mitigation approaches. These reviews include both evaluations at the edge of the planning horizon, as well as assessments of the anticipated performance during the short-term (12- to 18-month outlook). These analyses involved planned and anticipated changes to generation resources, transmission infrastructure, and load behavior compared to base-line needs of the system to remain reliable and formulate recommendations and related guidance. This assessment is often completed by examining special scenarios and unique situations within the BES. These analyses provide a technical platform for important policy discussions on challenges facing the interconnected BES, as well as focused recommendations on mitigation to improve overall reliability or lessen reliability risks.

By identifying and quantifying emerging reliability issues, NERC is able to provide risk-informed recommendations and support a learning environment for industry to address emerging risks and pursue improved reliability performance. These efforts are expected to expand to assess the impacts on reliability from the changing resource mix, reliability behavior of resources, distributed energy resources, and loads. Many resource additions are asynchronous and energy-limited, requiring assessment of a substantial number of scenarios rather than just seasonal peak conditions. Reliability assessments must therefore include a greater focus on probabilistic approaches, assessing the sufficiency of essential reliability services as well as focusing seasonal assessments on short-term horizons to encompass more than peak condition reserve margin analyses.

Key assessments include:

- Long-Term Reliability Assessment (supplemented by the Probabilistic Assessment)
- Summer and Winter Reliability Assessments (condensed report)
- Short-Term and Special Reliability Assessments
 - a. Between one and four short-term reliability assessments are expected, driven by the need to assess emerging short-term risks to reliability
 - b. Special Assessments are selected based on high-priority/high-risk issues that require an independent assessment from the ERO.

A significant ongoing effort anticipated to involve RASA, Regional Entity staff, and stakeholders focuses on the continued development of effective Essential Reliability Services. These efforts are expected to lead to a broad set of recommendations that will culminate with defined elements, an evaluation of initial metrics and data compilation of actual performance, and refinement about the ongoing assessment of Essential Reliability Services measures.

System Analysis

Understanding the technical behavior of the North American grid is the foundation for identifying crucial aspects of performance that are important for sustaining overall reliability. NERC's understanding of grid

behavior is achieved through a comprehensive evaluation of system behavior through constant observation and study, analytic simulations, and forensic analysis of system disturbances. Methodically comparing the simulation results of powerflow and system dynamic performance to actual system behavior improves models critical for industry use to simulate system conditions as well as enables RASA to gain insights to enhance predictive system analysis.

The ERO Enterprise RASA team also supports the following objectives:

- Continue leading and improving NERC’s analytical capabilities to address a broad range of engineering topics,
- Support NERC Reliability Standards development with subject matter expertise,
- Support and lead technical analysis of emerging risks requiring advanced analytics and interconnection-wide assessment,
- Detailed forensic analysis of significant system disturbances

Key focus areas:

- PMU Measurement, use, and analysis improvements
 - Synchrophasor technology
 - Power plant model verification
 - Oscillation analysis
- Frequency Response Analysis, Interconnection Frequency Response Obligation Analysis, and forward-looking reliability assessment
- Interconnection-Wide system inertia study
- Interconnection-Wide short circuit ratio assessment
- Interconnection-Wide Model Building Designation and Criteria administration
- Interconnection-Wide model validation
- Improving model quality and fidelity
- Analysis of TPL Footnote 12
- Load and distributed energy resource modeling
- Event analysis – simulation and forensic analysis of major events
- Reliability Standards support
- BES Exception and Self-Determined Notification Processing

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

2018 Goals and Deliverables

In 2018, RASA will seek to achieve several specific goals and objectives as part of the strategic focus of the ERO Enterprise (Strategic Goals 1, 4, and 5):

- Pioneer implementation of advanced reliability assessment and system analysis methods to address the changing nature of the grid. Issue reliability assessment reports, guidelines, and recommendations to address high priority evolving performance trends and address emerging risks to reliability.
 - Expand the use of probabilistic assessment tools across the ERO and gain consistency in approach
 - Special assessments on identified high-priority risks (from RISC prioritization and recommendations)²³
 - Changing resource mix and maintaining Essential Reliability Services
 - Increased penetration of Distributed Energy Resources
 - Increasing dependency on generation fueled by natural gas
 - Broaden understanding of inter-area and local system oscillations in all interconnections and their potential impact on interconnection reliability.
 - As part of its oversight of the Regional Entities, build and sustain an Enterprise RAPA team (ERO-RAPA) that encompasses the consistent development and implementation of risk-informed approaches and structured methods to identify and address reliability risks.
- Develop technical analyses in key reliability areas, resulting in technically accurate and comprehensive reports addressing areas of concern (e.g., Frequency Response, Short Circuit Strength, Inter-area Oscillation, Distributed Energy Resource (DER) and etc.). The purpose of these technical analyses are to understand and evaluate the Bulk Power System (BPS) characteristics, behavior and performance due to the changing resource mix and integration of new technology. It is also intended to provide oversight, guidance, direction, and technical expertise to address key planning related issues and interconnection-wide concerns.
- Provide technical expertise, research and feedback to the industry. Provide foundational technical efforts that support the key reliability planning-related standards development. In addition to providing feedback, NERC will also solicit industry's help by utilizing resources and leveraging any research that has been done by the industry.
- Continue to explore the use of state of the art software to conduct power system analysis. Enhance the usage of real-time tools used by the industry to sharpen and fine tune our models as the system evolves with the integration of new technology.
- Support NERC Reliability Standard development by providing subject matter expertise.
- Provide support and leadership to (1) the Planning Committee and (2) standing committees' subcommittees, working groups, and task forces serving the standing committees. Support the development of technical reference documents and Reliability Guidelines with support of the PC leadership and established in the annual PC work plan
- As necessary, support major event investigations, analyses, and reporting of findings, recommendations, and lessons learned to improve reliability.

²³ [RISC Recommendations to the NERC Board of Trustees](#)

- Provide feedback to interconnection-wide model-building groups on improvements to system model quality and fidelity.
- Assist in the development of approaches to registration and provide input to NERC staff in support of the development of CMEP risk elements, as well as support and lead the BES Definition Exception Process.

Resource Requirements

Personnel

No additional personnel were allocated to RASA in 2018.

Contractor Expenses

The total contractor and consultant expenses for the RASA department remain unchanged from 2017 to 2018 at \$525k. Consultant and contractor support is budgeted for assistance in the following areas: research on the reliability effects of GMD; increased use of probabilistic analysis, particularly in RASA's resource adequacy assessments; development, analysis and assessment of Essential Reliability Services and related measures; and analysis of reliability effects of environmental regulations. The components of the budgeted 2017 and 2018 expenses are listed in *Exhibit C – Contractor and Consulting Costs*.

Section A – 2018 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures					
2017 Budget & Projection, and 2018 Budget					
RELIABILITY ASSESSMENT and SYSTEM ANALYSIS					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection	Budget	2018 Budget
			v 2017 Budget		v 2017 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 7,339,030	\$ 7,339,030	\$ (0)	\$ 7,212,995	\$ (126,035)
Assessment Stabilization Reserve - Penalties	131,213	131,213	(0)	65,217	(65,995)
Total NERC Funding	\$ 7,470,243	\$ 7,470,243	\$ (0)	\$ 7,278,213	\$ (192,030)
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	50,000	-	(50,000)	-	(50,000)
Workshops	15,000	15,000	-	25,000	10,000
Interest	351	11,034	10,683	9,743	9,392
Miscellaneous	-	-	-	-	-
Total Funding	\$ 7,535,594	\$ 7,496,277	\$ (39,317)	\$ 7,312,956	\$ (222,638)
Expenses					
Personnel Expenses					
Salaries	\$ 2,247,826	\$ 2,159,424	\$ (88,401)	\$ 2,334,967	\$ 87,141
Payroll Taxes	142,919	133,017	(9,902)	144,330	1,411
Benefits	263,230	254,714	(8,517)	283,513	20,283
Retirement Costs	246,609	236,358	(10,251)	258,277	11,668
Total Personnel Expenses	\$ 2,900,585	\$ 2,783,513	\$ (117,071)	\$ 3,021,087	\$ 120,502
Meeting Expenses					
Meetings	\$ 74,000	\$ 74,000	\$ 0	\$ 121,000	\$ 47,000
Travel	208,338	230,000	21,662	250,000	41,662
Conference Calls	5,270	7,365	2,094	-	(5,270)
Total Meeting Expenses	\$ 287,608	\$ 311,365	\$ 23,757	\$ 371,000	\$ 83,392
Operating Expenses					
Consultants & Contracts	\$ 525,000	\$ 438,025	\$ (86,975)	\$ 525,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	147,652	131,200	(16,452)	187,889	40,238
Professional Services	-	-	-	-	-
Miscellaneous	500	250	(250)	500	-
Depreciation	125,621	151,409	25,788	150,771	25,150
Total Operating Expenses	\$ 798,773	\$ 720,884	\$ (77,888)	\$ 864,160	\$ 65,387
Total Direct Expenses	\$ 3,986,965	\$ 3,815,763	\$ (171,203)	\$ 4,256,247	\$ 269,282
Indirect Expenses	\$ 3,435,846	\$ 3,167,307	\$ (268,539)	\$ 3,154,555	\$ (281,291)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (A)	\$ 7,422,812	\$ 6,983,070	\$ (439,742)	\$ 7,410,803	\$ (12,009)
Change in Assets	\$ 112,782	\$ 513,208	\$ 400,425	\$ (97,847)	\$ (210,629)
Fixed Assets					
Depreciation	\$ (125,621)	\$ (151,409)	\$ (25,788)	\$ (150,771)	\$ (25,150)
Computer & Software CapEx	-	31,145	31,145	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	238,403	(3,016)	(241,419)	52,924	(185,479)
Inc(Dec) in Fixed Assets (B)	\$ 112,782	\$ (123,280)	\$ (236,063)	\$ (97,847)	\$ (210,629)
TOTAL BUDGET (=A+B)	\$ 7,535,594	\$ 6,859,789	\$ (675,805)	\$ 7,312,956	\$ (222,638)
FTEs	14.10	12.64	(1.46)	14.10	-

Reliability Risk Management

NERC’s Reliability Risk Management (RRM) group carries out the ERO’s statutory responsibility to perform assessments (real time or near real time continual awareness, detailed analysis of significant events, and longer-term broad performance assessments) of the reliability and adequacy of the BES, including identifying potential issues of concern relating to system, equipment, entity, and human performance that may indicate the need to develop and implement targeted interventions. RRM has three departments: Situation Awareness (also referred to as Bulk Power System Awareness), Event Analysis, and Performance Analysis. These departments are responsible for six primary functions: (1) BES awareness, (2) event analysis and determination of root and contributing causes, (3) assessment of human performance challenges that affect BES reliability and identification of improvement opportunities, (4) continent-wide analysis and reporting of BES performance, (5) support of the NERC Operating Committee, and (6) support of the NERC CIPC.

RRM’s functions and resources are directly focused on proactive awareness of BES conditions and all events over a threshold of certain risk or impact. Through awareness and continuous assessment, RRM identifies potential reliability risks to the BES. RRM analyzes events in detail, addresses the most significant risks to BES reliability, and ensures that industry is well informed of system events, emerging trends, risk analysis, and lessons learned. Through performing these functions, RRM provides data and analysis to inform the other aspects of NERC’s statutory functions. The group also provides strategic direction for using risk-based concepts in planning and executing its responsibilities.

Situation Awareness

Situation Awareness (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	5.64	5.64	-
Direct Expenses	\$ 2,570,828	\$ 2,566,215	\$ (4,613)
Indirect Expenses	1,374,338	1,261,822	(112,516)
Other Non-Operating Expenses	-	-	-
Inc(Dec) in Fixed Assets	87,695	18,610	(69,084)
TOTAL BUDGET	\$ 4,032,862	\$ 3,846,648	\$ (186,214)

Background and Scope

NERC’s Situation Awareness department and the eight Regional Entities monitor BES conditions, significant occurrences and emerging risks, and threats across the 14 Reliability Coordinator regions in North America to maintain an understanding of conditions and situations that could impact the bulk electric system’s reliable operation. This group also supports the development and publication of Alerts and awareness products and facilitates information sharing among industry, Regions, and the government during crisis situations and major system disturbances. The process for understanding the potential threats or vulnerabilities to the reliability of the BPS starts with understanding occurrences and events in the context in which they occur.

Stakeholder Engagement and Benefit

BES conditions continually change and provide recognizable signatures through automated tools, mandatory reports and voluntary information sharing, and third-party publicly available sources. The significant majority of these signatures represents conditions and occurrences that have little or no reliability impact, either positive or adverse, on the BES. However, being cognizant of the short-term

condition of the BES and the signatures associated with the entire range of reliability performance helps the ERO identify significant occurrences and events more accurately and efficiently. Registered entities continue to robustly share information and collaborate with the ERO in an effort to maintain and improve the overall reliability of the grid.

Key Efforts Underway

Several reliability-related situation awareness and monitoring tools will undergo enhancement, replacement, streamlining, or modification. The following tools are being focused on during 2016: (1) operation and maintenance of Situation Awareness for NERC, FERC, and Regions, Version 2 (SAFNRv2) software application used for monitoring, to include preparation for a new RFP process in late 2016 to enhance the tool from its current state with no changes to the data used; (2) operation and maintenance of the current secure NERC Alerts tool while planning for a streamlined NERC Alert process and platform appropriately integrated with related ongoing NERC, E-ISAC and ERO Enterprise IT initiatives; (3) refresh of the Reliability Coordinator Information System (RCIS) legacy application for operability and maintainability reasons, with no significant changes to functionality; and (4) continuing to set the conditions to bring limited streaming Synchrophasor data into NERC for wide-area situational awareness and event triage applications.

2018 Goals and Deliverables

In 2017, the Situation Awareness department will seek to accomplish the following specific goals and deliverables:

- Ensure that the ERO is aware of all BES events above a threshold of impact;
- Enable the sharing of information and data to facilitate wide-area situational awareness;
- During crisis situations, facilitate the exchange of information among industry, Regions, and the U.S. and Canadian governments;
- Keep industry informed of emerging reliability threats and risks to the BES, including any expected actions;
- Conduct the annual NERC Monitoring and Situational Awareness Conference and Human Performance Conference;
- Administer the NERC Alerts process as specified in ROP §810 to issue Advisory (Level 1) Alerts on significant and emerging reliability- and security-related topics as needed, and facilitate the tracking of actions specified in Recommendation (Level 2) and Essential Action (Level 3) Alerts; and
- Perform oversight, as per the Situation Awareness Oversight Plan, of the activities and performances of the Regional staffs.

The department uses the following major reliability-related tools to support department activities:

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 that could result in critical inadequacies, such as major tie errors, inaccurate load forecasts, 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.

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 BAs. When coupled with the FNet²⁴ 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.

Genscape

The PowerIQ and PowerRT tools provide more detailed insight into current-day conditions impacting BPS conditions in both normal operations and stressed conditions.

Resource Requirements

Personnel

There is no change in personnel from the 2017 to 2018 budget.

Contractor Expenses

The overall funding of approximately \$1.3M for contractors and consultants (which includes the cost of the tools set forth above) to support the department in 2018 is consistent with 2017. The components of the budgeted 2017 and 2018 expenses are listed in *Exhibit C – Contractor and Consulting Costs*.

²⁴ FNet – Operated by the Power Information Technology Laboratory at the University of Tennessee, FNet is a low-cost, quickly deployable global positioning system (GPS)-synchronized wide-area frequency measurement network. High dynamic accuracy Frequency Disturbance Recorders 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.

Section A – 2018 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures					
2017 Budget & Projection, and 2018 Budget					
SITUATION AWARENESS					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection	Budget	2018 Budget
			v 2017 Budget		v 2017 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 3,980,236	\$ 3,980,236	\$ (0)	\$ 3,816,664	\$ (163,572)
Assessment Stabilization Reserve - Penalties	52,485	52,485	(0)	26,087	(26,398)
Total NERC Funding	\$ 4,032,721	\$ 4,032,721	\$ (0)	\$ 3,842,751	\$ (189,971)
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	140	5,331	5,191	3,897	3,757
Miscellaneous	-	-	-	-	-
Total Funding	\$ 4,032,862	\$ 4,038,052	\$ 5,191	\$ 3,846,648	\$ (186,214)
Expenses					
Personnel Expenses					
Salaries	\$ 873,869	\$ 810,775	\$ (63,094)	\$ 888,593	\$ 14,724
Payroll Taxes	58,749	54,308	(4,441)	59,143	394
Benefits	156,328	135,060	(21,269)	144,353	(11,976)
Retirement Costs	96,159	89,880	(6,278)	98,676	2,517
Total Personnel Expenses	\$ 1,185,105	\$ 1,090,024	\$ (95,081)	\$ 1,190,764	\$ 5,659
Meeting Expenses					
Meetings	\$ 6,500	\$ 6,500	\$ 0	\$ 2,000	\$ (4,500)
Travel	33,005	33,005	(0)	33,000	(5)
Conference Calls	305	1,868	1,563	-	(305)
Total Meeting Expenses	\$ 39,810	\$ 41,373	\$ 1,563	\$ 35,000	\$ (4,810)
Operating Expenses					
Consultants & Contracts	\$ 1,295,850	\$ 1,295,850	\$ 0	\$ 1,295,495	\$ (355)
Office Rent	-	-	-	-	-
Office Costs	41,897	40,056	(1,841)	41,897	(0)
Professional Services	-	-	-	-	-
Miscellaneous	500	100	(400)	500	-
Depreciation	7,667	8,948	1,282	2,559	(5,107)
Total Operating Expenses	\$ 1,345,914	\$ 1,344,955	\$ (959)	\$ 1,340,451	\$ (5,462)
Total Direct Expenses	\$ 2,570,828	\$ 2,476,351	\$ (94,477)	\$ 2,566,215	\$ (4,613)
Indirect Expenses	\$ 1,374,338	\$ 1,498,457	\$ 124,119	\$ 1,261,822	\$ (112,516)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (A)	\$ 3,945,167	\$ 3,974,808	\$ 29,641	\$ 3,828,038	\$ (117,129)
Change in Assets	\$ 87,695	\$ 63,245	\$ (24,450)	\$ 18,610	\$ (69,084)
Fixed Assets					
Depreciation	\$ (7,667)	\$ (8,948)	\$ (1,282)	\$ (2,559)	\$ 5,107
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	95,361	(1,427)	(96,788)	21,170	(74,192)
Inc(Dec) in Fixed Assets (B)	\$ 87,695	\$ (10,375)	\$ (98,070)	\$ 18,610	\$ (69,084)
TOTAL BUDGET (=A+B)	\$ 4,032,862	\$ 3,964,433	\$ (68,429)	\$ 3,846,648	\$ (186,214)
FTEs	5.64	5.98	0.34	5.64	-

Event Analysis

Event Analysis (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	11.28	11.28	-
Direct Expenses	\$ 2,592,388	\$ 2,680,449	\$ 88,061
Indirect Expenses	2,748,677	2,523,644	(225,032)
Other Non-Operating Expenses	-	-	-
Inc(Dec) in Fixed Assets	105,141	(42,604)	(147,745)
TOTAL BUDGET	\$ 5,446,206	\$ 5,161,490	\$ (284,717)

Background and Scope

The Event Analysis department performs assessments of the reliability and adequacy of the BES. This includes identifying potential issues of concern related to system, equipment, entity, and human performance that may indicate a need to develop remediation strategies, action plans, or data used to revise or retire reliability standards or consider new reliability standards. The department analyzes and determines the cause of the events, promptly ensures tracking of corrective actions to prevent recurrence, and provides lessons learned to the industry. Event Analysis ensures that reporting and analysis are consistent to allow wide-area assessment of trends and risks. The department analyzes all reportable events for sequence of events, root cause, risk to reliability, and mitigation and keeps the industry well informed of system events, emerging trends, risk analysis, lessons learned, and expected actions.

Additional resources within this department focus on identifying human-error risks and those precursor factors that allow human error to impact system reliability. The department educates industry regarding risks, precursors, and mitigation methods. Resources also support compliance and standards training initiatives and trending and analysis to identify emerging reliability risks to the BES. These efforts are conducted in collaboration with industry human performance projects, including WECC's Human Performance Working Group, the NERC Operating Committee's Event Analysis Subcommittee, and others.

Stakeholder Engagement and Benefit

The Event Analysis department coordinates event analyses to support the use of collective resources, consistency in analysis, and timely delivery of event analysis reports.²⁵ The ERO disseminates to the electric industry lessons learned and other useful information obtained from or as a result of event analysis. The Event Analysis team conducts in-depth analyses of approximately 150 events per year on average. In 2014, the team also conducted calls facilitated by the Regional Entities with over 140 registered entities to discuss in detail and finalize root and contributing causes for the categorized events analyzed. Major analysis to date includes continuing assessment of Energy Management System (EMS) outages, continued collaboration with RASA on frequency response performance, analyses of substation equipment failure events and protective relay trends including ground overcurrent relay misoperations, relay communication system failures, and the importance of commissioning testing.

²⁵ The core process for Event Analysis is outlined in the approved process: Electric Reliability Organization Event Analysis Process - Version 3 (January 2016).

Collaboration with the Trade Associations and Forums

The activities of the NATF, the NAGF, trade associations, and other industry groups are expected to compliment ERO Enterprise activities and limit the need to add incremental resources to the NERC and Regional Entity BP&Bs that might otherwise be required in the absence of these forums.

NATF has been invited to participate in several reliability initiatives that are expected to continue into 2018, including protection systems misoperations reduction, physical security, various activities related to reliability assurance initiatives, improvement of modeling practices, and complementary efforts on addressing the GMD challenges.

2018 Goals and Deliverables

In 2018, the Event Analysis department will seek to accomplish several specific goals and objectives as part of the strategic focus of the ERO Enterprise:

- Work with the Regional Entities to obtain and review information from registered entities on qualifying events and disturbances to advance awareness of events above a threshold level; facilitate analysis of root and contributing causes, risks to reliability, wide-area assessments, and remediation efforts; 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;
- Continue to refine risk-based methods to support better identification of reliability risks, including the use of more sophisticated cause codes for analysis;
- Conduct training (webinars, workshops, and conference support) to inform industry and the ERO of lessons learned, root cause analysis, trends, human performance, and extreme weather preparedness and recommendations;
- Develop reliability recommendations and alerts as needed and 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 analysis and reporting of major findings and recommendations that will improve reliability; and
- Perform oversight, as per the Event Analysis Oversight Plan, of the activities and performance of the Regional staffs.

The Event Analysis department will also support several of the top-priority reliability risk projects during 2018 through 2019, as identified and described under the Performance Analysis department section of this document.

Resource Requirements

Personnel

There is no change in personnel from the 2017 to 2018 budget.

Contractor Expenses

No funding is budgeted for contract and consultants in 2018, which is consistent with 2017.

Section A – 2018 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures					
2017 Budget & Projection, and 2018 Budget					
EVENT ANALYSIS					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection	Budget	2018 Budget
			v 2017 Budget		v 2017 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 5,300,955	\$ 5,300,955	\$ (0)	\$ 5,061,521	\$ (239,434)
Assessment Stabilization Reserve - Penalties	104,970	104,970	(0)	52,174	(52,796)
Total NERC Funding	\$ 5,405,926	\$ 5,405,926	\$ (0)	\$ 5,113,695	\$ (292,230)
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	40,000	115,300	75,300	40,000	(0)
Interest	281	10,143	9,862	7,794	7,514
Miscellaneous	-	-	-	-	-
Total Funding	\$ 5,446,206	\$ 5,531,368	\$ 85,162	\$ 5,161,490	\$ (284,717)
Expenses					
Personnel Expenses					
Salaries	\$ 1,708,049	\$ 1,759,073	\$ 51,024	\$ 1,783,120	\$ 75,072
Payroll Taxes	108,739	110,729	1,990	110,619	1,880
Benefits	212,232	243,635	31,403	227,802	15,570
Retirement Costs	189,397	179,727	(9,670)	198,179	8,782
Total Personnel Expenses	\$ 2,218,416	\$ 2,293,163	\$ 74,747	\$ 2,319,720	\$ 101,304
Meeting Expenses					
Meetings	\$ 81,500	\$ 170,000	\$ 88,500	\$ 81,500	\$ (0)
Travel	152,487	158,000	5,513	150,000	(2,487)
Conference Calls	4,270	4,414	144	-	(4,270)
Total Meeting Expenses	\$ 238,257	\$ 332,414	\$ 94,157	\$ 231,500	\$ (6,757)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	49,634	41,238	(8,396)	43,786	(5,848)
Professional Services	-	-	-	-	-
Miscellaneous	500	700	200	500	-
Depreciation	85,582	85,582	0	84,943	(639)
Total Operating Expenses	\$ 135,715	\$ 127,519	\$ (8,196)	\$ 129,229	\$ (6,487)
Total Direct Expenses	\$ 2,592,388	\$ 2,753,097	\$ 160,708	\$ 2,680,449	\$ 88,061
Indirect Expenses	\$ 2,748,677	\$ 2,856,590	\$ 107,913	\$ 2,523,644	\$ (225,032)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (A)	\$ 5,341,065	\$ 5,609,687	\$ 268,622	\$ 5,204,093	\$ (136,972)
Change in Assets	\$ 105,141	\$ (78,318)	\$ (183,460)	\$ (42,604)	\$ (147,745)
Fixed Assets					
Depreciation	\$ (85,582)	\$ (85,582)	\$ (0)	\$ (84,943)	\$ 639
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	190,723	(2,720)	(193,443)	42,339	(148,383)
Inc(Dec) in Fixed Assets (B)	\$ 105,141	\$ (88,302)	\$ (193,443)	\$ (42,604)	\$ (147,745)
TOTAL BUDGET (=A+B)	\$ 5,446,206	\$ 5,521,385	\$ 75,179	\$ 5,161,490	\$ (284,717)
FTEs	11.28	11.40	0.12	11.28	-

Performance Analysis

Performance Analysis (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	9.40	9.40	-
Direct Expenses	\$ 2,459,356	\$ 2,639,101	\$ 179,746
Indirect Expenses	2,290,564	2,103,037	(187,527)
Other Non-Operating Expenses	-	-	-
Inc(Dec) in Fixed Assets	158,936	(108,716)	(267,652)
TOTAL BUDGET	\$ 4,908,855	\$ 4,633,422	\$ (275,433)

Background and Scope

The Performance Analysis department (PA) has reorganized to integrate significant additional leadership responsibilities as well as workload into its role within Reliability Risk Management. It currently consists of Balancing and Frequency Control (B&FC) and Data Analytics (DA) and provides significant statistical analysis and support for NERC, as well as the ERO Enterprise from the Sr. Manager of Statistical Analysis & Outreach. The outreach activity includes initiatives with Regions and highly technical electricity industry-related organizations.

B&FC focuses on balancing related technical requirements and risk identification for the BPS that are essential for its continued reliability. Acting in its new role as NERC's point for BPS balancing issues, B&FC coordinates activities performed by other organizations within NERC, as well as by groups such as the Resource Subcommittee within NERC's industry supported committee structure. B&FC has also assumed its own significant activities including providing administration of, or often performance of, tasks assigned to NERC within standards such as BAL-003-1. B&FC is also providing valuable leadership to integrate Process Information (PI) Historian into NERC, and to ensure the development of its applications for the near and long term. Descriptions of B&FC are accorded more specificity within this document because it is so new within the PA organization.

DA performs the legacy role of data collection and analysis necessary to document and communicate the BPS's historical performance via the annual *SOR Report* and other reports, as well as to support reliability assessments and other initiatives conducted by peer organizations within NERC and the ERO Enterprise. DA also administers a significant, newly formalized oversight of functions delegated by NERC to the Regions within the ERO Enterprise. Additionally, DA is providing business guidance and support as it partners with NERC's IT organization to develop enhanced software tools and new internal databases.

Balancing & Frequency Control Scope

B&FC provides support and services necessary for the real-time operation of the BPS in the areas of balancing resources and demand, interconnection frequency, interchange scheduling, and control performance. B&FC is responsible for providing technical assistance in the development and administration of the NERC Balancing Standards (BAL) that include BAL-001 Real Power Balancing Control Performance, BAL-002 Disturbance Control Performance, BAL-003 Frequency Response and Frequency Bias Setting, BAL-004 Time Error Correction, and BAL-006 Inadvertent Interchange. B&FC is also instrumental in performing the analysis and development of annual reports and informational filings that satisfy the FERC directives set forth in the Orders that approved the balancing standards.

B&FC supports the Resources Subcommittee (RS), Frequency Working Group (FWG), Inadvertent Interchange Working Group (IIWG), and Reserves Working Group (RWG) through facilitation of quarterly

in-person meetings, organizing and hosting of teleconferences as needed, drafting and posting of agendas and meeting minutes, and hosting subcommittee and industry webinars. B&FC also maintains the RS website and Balancing Authority Submittal Site (BASS), which are critical to industry stakeholders by providing operational information and a submittal mechanism for the aforementioned balancing standard requirements.

The NERC Planning Committee and Operating Committee jointly created the Essential Reliability Services Working Group (ERSWG) to advance the work initiated by the Essential Reliability Services Task Force (ERSTF) in consideration of the technical and operational impacts to BPS reliability that could result from the changing generation resource mix throughout North America. B&FC provides support through data collection, analysis, and reporting for five of the ERS measures that include Measure 1 Synchronous Inertial Response at an Interconnection Level, Measure 2 Initial Frequency Deviation Following Largest Contingency, Measure 3 Synchronous Inertial Response at a Balancing Authority (BA) Level, Measure 4 Frequency Response at an Interconnection Level, and Measure 6 Net Demand Ramping Variability.

In 2017, B&FC partnered with RRM SA, NERC IT, and OSIssoft to accomplish the specification, development, and installation of a PI Historian system that will allow NERC to retrieve, analyze, and report on data that is currently hosted and analyzed by external parties. The initial data includes interconnection frequency and BA Area Control Error across North America and provides enhanced wide area visualization and analysis of the North American BES. B&FC is leading the effort to build the Asset Framework hierarchy that will further enhance analysis and reporting that support the efforts of NERC staff and standing committees. Near-term project initiatives will include the retrieval of high speed sub-second frequency data from the University of Tennessee at Knoxville into the NERC PI Historian. While the implementation of PI Historian at NERC is a very large step forward, the maintenance of this database and continued development of visualization, analysis, and reporting tools will be a considerable effort and resource requirement going forward.

Data Analytics Scope

DA is responsible for the collection, management, and analysis of data related to the performance of five areas of BPS operations: transmission, conventional generation, wind generation, protection system misoperations, and demand response. DA also provides application training and end-user support to reporting entities and regional staff. DA collaborates with internal and external stakeholders through working groups associated with the industry sectors reporting performance data to define and revise reporting requirements and related applications. Analysis performed by DA includes identifying potential risks of concern related to system, equipment, entity, and organizational performance that may indicate a need to develop remediation strategies, improvements to the reporting applications, new data collection or analysis tools, or data used to create, revise, or retire reliability standards or consider new reliability standards or reporting areas. Such analysis provides the foundation for the annual *SOR Report*, the annual Misoperations report, and technical papers to the industry.

DA continues the 2016 emergent trend of highly concentrated business engagement in IT projects. 2017 projects include: deployment of the Wind data collection system; development and implementation of the data sharing process to comply with FERC Order 824; development of the first portal application on the NERC enterprise platform; integration of the next application data set for the ERO data warehouse; and contributed to the document management project implementation for RRM. Throughout these projects, DA has developed effective and efficient processes and work products that are being adopted by the NERC's Project Management Office as models for other NERC projects. To improve data quality, DA conducted multiple multi-day in-person training sessions for end-users that provide data to the reporting applications. In addition to its legacy work with data collection and analysis, DA will continue to provide

business subject matter expertise for several IT projects, including new data reporting and analytical tools, projects to support FERC data needs, ERO data sharing, as well as projects with other NERC groups.

Stakeholder Engagement and Benefit

The ERO monitors the reliability performance of the BES in North America through data gathered to analyze historic trends. The ERO provides reports and recommendations regarding the anticipated conditions that could impact the reliability, security, and stability of the BPS to the industry, Regional Entities, regulatory entities, and other designated entities.

The ERO 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 PA's contribution (including its data gathering and statistical analyses of data, trends, and events) toward the ERO's understanding of key information identified through analysis and assessment efforts; extraction and prioritization of the associated reliability risks from that information; communication and integration of those risk analysis insights across the ERO Enterprise; and translation of that knowledge into actionable guidance and recommendations for NERC management, the Board, and entities, and state, federal, and provincial policy makers. 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.

B&FC will continue to support the RS, ERSWG, and industry stakeholders through performance based webinars, technical whitepapers, reliability guidelines, and individual outreach. These efforts have proven successful throughout 2016 and 2017, with an emphasis on frequency response performance and operational capabilities.

Key Efforts Underway

In addition to support of the RS and its working groups, the maintenance and administration of the BAL is a major effort for B&FC, with particular current focus on BAL-003-1 Frequency Response and Frequency Bias Setting. B&FC fulfils the ongoing tasks assigned to the ERO in BAL-003-1 Attachment A and the Procedure for ERO Support. These tasks include, but are not limited to:

- Ongoing quarterly identification, review, selection, and posting of BAL-003-1 and M-4 frequency events for use by BAs and other industry stakeholders;
- Calculation and posting of Minimum Frequency Bias Settings for each BA;
- Calculation and assignment of BA Frequency Response Obligations for the upcoming year;
- Calculation and assignment of BA annual Frequency Bias Settings and L10 values for April implementation into BA control systems;
- Performing ongoing maintenance of and necessary modifications to BAL-003-1 FRS Forms used by BAs to calculate frequency response performance and document bilateral purchase or sale of frequency response and/or participation in a Frequency Response Sharing Group in accordance with BAL-003-1; and
- Maintaining the Balancing Authority Submission Site (BASS) used by BAs for BAL-003-1 submittals and performance of vetting for stakeholders requesting access to the BASS.

A major effort in 2018 will be the development of the technical report to be filed with FERC, in accordance with the directives set forth in Order 794, in addition to development of the *Frequency Response Annual Analysis Report*.

B&FC supports the annual State of Reliability (*SOR Report*) by providing data and analysis for interconnection frequency response (M-4) and related statistical analysis.

Another major effort in 2018 will be the expansion of the PI Historian to include high speed frequency data from the University of Tennessee at Knoxville, as well as interconnection inertia data to support efforts of the RS and ERSWG.

The key trends, findings, and recommendations from PA serve as technical input to the ERO's reliability standards and standards project prioritization, compliance process improvements, event analyses, reliability assessment, and critical infrastructure protection efforts. This analysis of BES performance provides an industry reference for historical BES reliability, but it also offers analytical insights that lead toward the prioritization of specific actionable risk control steps for industry. These analyses and results are summarized in the annual *SOR Report*, which provides guidance and recommendations for enhanced bulk system reliability. PA has added GADS Wind Data to the data collected under NERC ROP Section 1600, requiring the development of a new software tool to enable this. In 2018, DA will begin development for the requirements for solar data collection.

PA is working with EA to develop a link between their databases. Specific equipment outages will be linked to disturbance reports filed with NERC, enabling better association of transmission and generation outages. The continued alignment between these efforts is expected to enhance the ability to conduct effective event analyses as well as to identify key reliability areas for trend analyses of multiple databases. This is expected to improve the depth of event analyses across the ERO Enterprise and expand the quality of data gathered for sophisticated statistical and probabilistic analyses. This will lead to trends and insights about reliability performance, as well as effective measures and actions to address reliability risks. PA has begun data mining of completed EA efforts to see if any insight might be gained from these events as the grid evolves that were not first and foremost or particularly relevant to enhanced grid reliability at the time of the original event investigation.

PA is currently refining the composition of NERC's annual *SOR Report* to expand the GADS data trend analysis and, for 2017, has begun reflecting 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. Also, in 2018, the department will implement the decision of whether the *SOR Report* should move from a calendar year (Q1-Q4) report to a fiscal year (Q4-Q3) report. Current dynamics around validation and reporting of corporate metrics might even move the *SOR Report* to a Q3-Q2 reporting to accommodate the needs of this activity within a common reporting framework.

Further, PA will continue to work closely with other organizations, including but not limited to the EPRI, the DOE, the IEEE, INPO, the NATF, the NAGF, and the CEA. PA collaborates with these groups on a number of fronts, including TADS, GADS, and DADS.

2018 Goals and Deliverables

In 2018, PA has a number of specific goals and deliverables in support of the ERO Enterprise Strategic Plan, including:

- Issue the *SOR Report*, guidelines, recommendations, and alerts as needed (including the verification and validation of data and information through Regional Entities and technical committees, as required);
- Provide support and leadership to the Operating Committee, Operating Reliability Subcommittee, and RS and its working groups, the FWG, IIWG, and RWG, with emphasis on balancing operations

and analysis, administration of balancing standards, and performance-based outreach to functional entities responsible for real-time BPS reliability;

- B&FC began the administration of the BAL Balancing Standards in 2017 with current emphasis on BAL-003-1. This effort will continue in 2018;
- B&FC will provide technical assistance to NERC Compliance and Enforcement with emphasis on BAL-003-1 Frequency Response for the BA performance requirements that became effective in the 2017 operating year;
- B&FC will acquire the ongoing annual development of the Frequency Response Annual Analysis Report from RASA in 2017. This report is necessary to identify changes in frequency response performance and recommend changes in Interconnection Frequency Response Obligations in accordance with BAL-003-1;
- FERC Order 794 approving the BAL-003-1 standard directed NERC to submit a report in 2018 addressing an (1) evaluation of the use of linear regression methodology to calculate frequency response and (2) the availability of resources for applicable entities to meet the Frequency Response Obligation. B&FC will lead this effort;
- B&FC will begin the development of quarterly BPS performance reports using PI Historian data and functionality to support the demands of the Operating Committee and RS;
- Oversee and evaluate reliability trends that identify reliability risks by analyzing data contained in NERC's GADS, TADS, and DADS, along with reliability metrics and protection & controls system misoperations data;
- Support NERC Reliability Standard development by providing subject matter expertise;
- Provide support and leadership to the Planning Committees' subcommittees, working groups, and task forces (primary focus on the Performance Analysis Subcommittee (PAS) and its subgroups);
- Assist in the development of approaches to registration and provide input to NERC staff in support of the development of CMEP risk elements;
- Conduct major event investigations, analyses, and reporting of major findings, recommendations, and lessons learned that will improve reliability; and
- Provide insight on emerging system protection issues, and hand-off any issues gleaned with future implications to RASA.

Resource Requirements

Personnel

There is no change in personnel from the 2017 to 2018 budget, but ongoing growth in PA responsibilities and activities may drive future resource needs.

Contractor Expenses

PA's 2018 budgeted contractor and consultant expenses are \$572k, which is a \$44k increase over 2017, primarily due to an increased need for OATI technology updates. A comparison of the budgeted 2017 and 2018 expenses is shown in *Exhibit C – Contractor and Consulting Costs*.

Section A – 2018 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures					
2017 Budget & Projection, and 2018 Budget					
PERFORMANCE ANALYSIS					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection	Budget	2018 Budget
			v 2017 Budget		v 2017 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 4,821,146	\$ 4,821,146	\$ 0	\$ 4,533,448	\$ (287,698)
Assessment Stabilization Reserve - Penalties	87,475	87,475	(0)	43,478	(43,997)
Total NERC Funding	\$ 4,908,621	\$ 4,908,621	\$ 0	\$ 4,576,927	\$ (331,695)
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	50,000	50,000	50,000	50,000
Workshops	-	-	-	-	-
Interest	234	8,086	7,852	6,495	6,261
Miscellaneous	-	-	-	-	-
Total Funding	\$ 4,908,855	\$ 4,966,707	\$ 57,852	\$ 4,633,422	\$ (275,433)
Expenses					
Personnel Expenses					
Salaries	\$ 1,349,579	\$ 1,340,257	\$ (9,322)	\$ 1,372,376	\$ 22,796
Payroll Taxes	92,093	88,681	(3,411)	92,361	268
Benefits	143,104	144,794	1,691	154,799	11,696
Retirement Costs	149,018	151,137	2,120	154,224	5,206
Total Personnel Expenses	\$ 1,733,794	\$ 1,724,871	\$ (8,923)	\$ 1,773,760	\$ 39,966
Meeting Expenses					
Meetings	\$ 1,000	\$ 15,000	\$ 14,000	\$ 11,000	\$ 10,000
Travel	118,172	98,000	(20,172)	80,000	(38,172)
Conference Calls	2,965	2,872	(93)	-	(2,965)
Total Meeting Expenses	\$ 122,137	\$ 115,872	\$ (6,265)	\$ 91,000	\$ (31,137)
Operating Expenses					
Consultants & Contracts	\$ 528,082	\$ 571,132	\$ 43,050	\$ 572,030	\$ 43,948
Office Rent	-	-	-	-	-
Office Costs	74,843	63,310	(11,533)	57,812	(17,031)
Professional Services	-	-	-	-	-
Miscellaneous	500	250	(250)	500	-
Depreciation	-	179,910	179,910	143,999	143,999
Total Operating Expenses	\$ 603,426	\$ 814,602	\$ 211,177	\$ 774,341	\$ 170,916
Total Direct Expenses	\$ 2,459,356	\$ 2,655,345	\$ 195,989	\$ 2,639,101	\$ 179,746
Indirect Expenses	\$ 2,290,564	\$ 2,197,570	\$ (92,994)	\$ 2,103,037	\$ (187,527)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (A)	\$ 4,749,920	\$ 4,852,915	\$ 102,995	\$ 4,742,138	\$ (7,781)
Change in Assets	\$ 158,936	\$ 113,793	\$ (45,143)	\$ (108,716)	\$ (267,652)
Fixed Assets					
Depreciation	\$ -	\$ (179,910)	\$ (179,910)	\$ (143,999)	\$ (143,999)
Computer & Software CapEx	-	462,725	462,725	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	158,936	(2,093)	(161,028)	35,283	(123,653)
Inc(Dec) in Fixed Assets (B)	\$ 158,936	\$ 280,722	\$ 121,787	\$ (108,716)	\$ (267,652)
TOTAL BUDGET (=A+B)	\$ 4,908,855	\$ 5,133,637	\$ 224,781	\$ 4,633,422	\$ (275,433)
FTEs	9.40	8.77	(0.63)	9.40	-

Electricity Information Sharing and Analysis Center (E-ISAC)²⁶

E-ISAC (including CRISP) (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	19.74	29.14	9.40
Direct Expenses	\$ 12,276,689	\$ 15,056,942	\$ 2,780,253
Indirect Expenses	4,810,185	6,519,415	1,709,230
Other Non-Operating Expenses	-	-	-
Inc(Dec) in Fixed Assets	1,428,467	274,241	(1,154,227)
TOTAL BUDGET	\$ 18,515,341	\$ 21,850,597	\$ 3,335,256

Background and Scope

The Electricity Sector Information Sharing and Analysis Center (ES-ISAC) was formed in 1998 when the U.S. Secretary of Energy requested that NERC serve as the ISAC²⁷ for the Electricity Subsector.²⁸ This department was rebranded to the Electricity Information Sharing and Analysis Center (E-ISAC) in September 2015. The E-ISAC reduces cyber and physical risk to the electricity industry across North America by providing unique insights, leadership, and coordination. The vision is to be the trusted, timely, actionable resource of grid risk information and analysis to enhance electricity reliability. The E-ISAC facilitates electricity industry and cross-sector coordination regarding physical security and cybersecurity events affecting the grid.

Maintaining Separation from Compliance and Enforcement

In February 2012, and as amended in March 2013, the Board of Trustees approved an E-ISAC Policy Statement that established a separation between the E-ISAC and NERC's compliance and enforcement program. In 2015, physical separation of the E-ISAC was completed. The company also has in place an E-ISAC Code of Conduct²⁹ and Policy on the Role of the E-ISAC vis-à-vis NERC's Compliance Monitoring and Enforcement Program³⁰.

Key Efforts Underway

With industry support, in coordination with the ESCC and its Members Executive Committee (MEC), senior management is committed to enhancing the effectiveness and capabilities of E-ISAC operations. These efforts include ongoing enhancement in organizational structure, operational and analytical capabilities, as well as the development of metrics to track the effectiveness of operations. Management will also take steps to improve the quality and value of E-ISAC products, including ongoing review of registered user needs.

During 2015, as part of a periodic review of companywide resource needs and resource allocation, NERC allocated additional resources to support the E-ISAC. Management recruited personnel to fill open positions, and recruited and appointed a senior vice president and chief security officer in charge of E-

²⁶ In 2015, NERC combined its Critical Infrastructure Department (CID) into the E-ISAC for both operational and financial reporting purposes.

²⁷ 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 ISAC focuses specifically on information sharing, analytics and sector activities directly related to the protection of critical infrastructure.

²⁸ 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 E-ISAC.

²⁹ [E-ISAC Code of Conduct](#)

³⁰ [Policy on the Role of the E-ISAC vis-à-vis NERC's Compliance Monitoring and Enforcement Program](#)

ISAC operations. Ongoing resource requirements consist primarily of personnel, contractors, consultants, software, hardware and communications infrastructure to gather, analyze, and provide information regarding cyber and physical security threats.

In the fourth quarter of 2014 and with broad industry support, NERC also assumed management responsibility for the Cybersecurity Risk Information Sharing Program (CRISP). CRISP is a public-private partnership whose purpose is to facilitate the sharing of cyber threat information and to develop situation awareness tools that enhance the electricity sector's ability to identify, prioritize, and coordinate the protection of its critical infrastructure. CRISP provides critical infrastructure owners and operators the capability to voluntarily share cyber threat data, analyze this data, and receive machine-to-machine mitigation measures. Information-sharing devices that are installed on participants' networks send encrypted data to a CRISP analysis center operated by the Pacific Northwest National Labs (PNNL), which analyzes the data it receives and sends alerts and mitigation measures back to CRISP participants and the E-ISAC through secure communications. CRISP became fully operational in 2015. The E-ISAC will continue to work with PNNL, CRISP participants and E-ISAC registered users to strengthen program execution, including both quality and timeliness aspects of information sharing. The 2018 E-ISAC budget maintains the same percentage allocation of CRISP funding requirements from assessments (50%) and from CRISP participants (50%) as 2017. In connection with the growth of the program and related support needs from E-ISAC staff, the 2017 E-ISAC budget also reflects an increase in the number of budgeted E-ISAC FTEs allocated to support CRISP.

Other new information sharing and analysis tools deployment will further increase the speed and ease of sharing cyber threat information.

E-ISAC Long-Term Strategy

Over the past several years the E-ISAC has focused on improving its technical and analytical capabilities with a goal of becoming the electricity industry's leading, trusted source for analysis and sharing of security information. Significant support from the Electricity Subsector Coordinating Council (ESCC), the ESCC Members Executive Committee (MEC), the U.S. Department of Energy, and other stakeholders have helped the E-ISAC be responsive to the industry's needs in order to provide unique insights, leadership, and coordination for security matters.

At the request of the NERC Board and under the guidance of the ESCC and MEC, executive leadership of the E-ISAC developed a long-term strategic plan, a copy of which is included as *Exhibit F – E-ISAC Long-Term Strategy*. The E-ISAC Long Term Strategic Plan was approved by the MEC on April 24, 2017 and accepted by the NERC Board of Trustees on May 11, 2017. The long-term strategic plan is to transform the E-ISAC into a world-class intelligence collecting and analytical capability for the electricity industry.

To carry forth this vision, the E-ISAC is planning a continuous and deliberate growth strategy over the next five years that increases both staff and technical resources. The 2018 BP&B includes the recommended increases to accommodate this long-term strategy, as further described in *Exhibit F – E-ISAC Long-Term Strategy*. This strategy significantly expands on the resources and activities discussed in this section, and those incremental costs are reflected in this 2018 budget based on the positive feedback and support of industry and stakeholder representatives.

Program Level Support

CRISP

During 2017 and 2018, NERC will continue to subcontract to PNNL the majority of the resource requirements and associated costs to operate and maintain CRISP.

E-ISAC Portal Replacement

The E-ISAC communication portal capabilities include publishing immediate notifications and other informational products, exchanging threat indicator information, and providing self-service access to user security awareness services. The E-ISAC is working with NERC Information Technology to completely replace the portal in 2017 to provide important new enhancements and improved capabilities. These include facilitating direct data exchange with E-ISAC members, other ISACs and government partners, and establishing user communities where individuals can discuss security issues. The portal's improved capabilities support E-ISAC analysts in their information analysis functions and directly tie them with their counterparts in other sectors and national laboratories.

The 2017 E-ISAC budget includes \$1M for the portal enhancements (\$250k of which is allocated to CRISP)³¹. The MEC has provided written comments in support of this investment.³² The 2018 E-ISAC budget includes \$350k for ongoing portal maintenance and licensing costs.

Software and Services

Watch Operations Technology

The E-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 BES maps that have cyber intelligence information. A technology refresh of displays is planned for 2018.

Threat Analysis Tools

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. This workbench will include a threat database for historical correlation and various tools for network- and host-based analysis of malicious software.

Cyber Automated Information Sharing System (CAISS)

The E-ISAC broadened automated information sharing beyond CRISP, looking at programs such as the Structured Threat Information Expression/Trusted Automated Exchange of Indicator Information (STIX/TAXII) initiative hosted by the U.S. Department of Homeland Security. As part of a work plan developed in consultation with the MEC, in 2017 the E-ISAC piloted these technologies, leveraging existing implementations at Argonne National Lab, into CAISS. The pilot helped the E-ISAC understand the nuances of bi-directional communication, workflow, handling rules, vetting information, and learning from the technology and processes overall. The CAISS pilot will transition to an operational program in Q3 of 2017.

Intelligence Reporting Services

E-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 BES community. To support this intelligence role, the E-ISAC budget includes the costs for intelligence services from a specialized security information service provider that focuses closely on the electricity subsector. This service gives E-ISAC staff increased understanding of continuing trends, breaking news, and

³¹ The annual impact of the proposed \$1M investment on assessments will be approximately \$250,000 since projects of this nature are typically financed through NERC's capital financing program and funded over a three year period.

³² [MEC comments](#)

implications to the BES, which E-ISAC staff utilizes to keep registered entities informed of emerging BES risks through immediate notifications and portal security postings.

Events and Outreach

Grid Security Exercises

Since 2011, NERC has sponsored a series of biennial grid security exercises (GridEx). These geographically distributed exercises are designed to exercise the electricity sector's crisis response to simulated coordinated cybersecurity and physical security threats and incidents, to strengthen utilities' crisis response functions, and to provide input for lessons learned. GridEx III, in November 2015, consisted of a two-day grid-focused operational exercise for participants across North America and a half-day tabletop discussion for executives. The E-ISAC manages the program and collects industry information during and after the exercise subject to existing data collection policies. During the exercise, E-ISAC watch and analysis staff exercise the E-ISAC mission and share severe crisis information and analysis towards mitigating the threats and attacks. Lessons learned and recommendations are turned over to groups like NERC's Board and CIPC and to the ESCC for consideration and coordination between industry and government stakeholders. GridEx IV is scheduled for November 15-16, 2017. Funding for the two-year planning cycle for GridEx V will be required in 2018 and 2019.

Grid Security Conferences

Since 2011, NERC has sponsored a series of annual grid security conferences (GridSecCon). These conferences bring together industry and government subject matter experts on cyber, physical and operations technology threats and solutions, with training sessions and classified or official use briefs on topics vital to grid security. The E-ISAC provides expertise and gathers appropriate speakers, panelists and training providers. GridSecCon 2017 is scheduled for October 17-20 in St. Paul, Minnesota, with the 2018 planned for the SPP region in October.

Stakeholder Engagement

E-ISAC staff routinely engage stakeholders in virtual and in-person meetings, to include CIPC, ESCC, MEC, and BOT meetings, monthly briefings, threat workshops, and presentations to regions, entities, and other stakeholder groups.

Resource Requirements

Personnel

In 2018, resources are being added to provide support to the E-ISAC, resulting in a net increase of 9.4 FTEs. This is primarily to address immediate needs for analytical capabilities.

The E-ISAC staffing and organizational structure has been updated to reflect two primary focus areas (1) Operations and (2) Programs and Engagement. Operations consists of watch operations, cyber security and CRISP analysis, and physical security analysis groups. Programs and Engagement consists of member engagement, cross-sector engagement, training and exercises, products and services, and program management.

Due to the highly technical nature and evolving threat vectors, the E-ISAC staff requires ongoing specialized training and education.

The E-ISAC will continue to receive shared services support from NERC's corporate services departments (i.e. Finance and Accounting, Information Technology, Human Resources, Legal and Regulatory Affairs). Personnel providing such shared services will do so only in accordance with strict operating protocols

governing access to and use of E-ISAC information as noted above. In addition, the E-ISAC will provide opportunities for qualified interns.

Contract and Consultant Expenses

The total budgeted consultants and contracts expense for the E-ISAC for 2018, including CRISP, is approximately \$7.4M, an increase of \$193k from the 2017 budget. CRISP's consultants and contracts expense is \$6.3M, which is \$403k more than was in the 2017 budget. This change is largely due to increased project support needs, as well as higher security review costs. A further breakdown of the budgeted 2017 and 2018 costs is provided in *Exhibit C – Contractor and Consulting Costs*.

Section A – 2018 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures					
2017 Budget & Projection and 2018 Budget					
E-ISAC (including CRISP)					
	2017	2017	Variance		Variance
	Budget	Projection	2017 Projection	2018	2018 Budget
			v 2017 Budget	Budget	v 2017 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 11,270,705	\$ 11,270,705	\$ (0)	\$ 14,297,524	\$ 3,026,819
Assessment Stabilization Reserve - Penalties	183,698	183,698	0	134,783	(48,915)
Total NERC Funding	\$ 11,454,403	\$ 11,454,403	\$ (0)	\$ 14,432,307	\$ 2,977,904
Third-Party Funding	\$ 6,990,447	\$ 7,400,905	\$ 410,458	\$ 7,324,253	\$ 333,806
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	70,000	70,000	(0)	70,000	(0)
Interest	491	26,231	25,739	24,038	23,546
Miscellaneous	-	-	-	-	-
Total Funding	\$ 18,515,341	\$ 18,951,538	\$ 436,197	\$ 21,850,597	\$ 3,335,256
Expenses					
Personnel Expenses					
Salaries	\$ 3,417,398	\$ 3,573,271	\$ 155,873	\$ 4,634,838	\$ 1,217,440
Payroll Taxes	204,023	213,551	9,528	290,702	86,679
Benefits	397,467	404,155	6,688	578,849	181,381
Retirement Costs	363,482	339,727	(23,754)	499,793	136,311
Total Personnel Expenses	\$ 4,382,370	\$ 4,530,705	\$ 148,335	\$ 6,004,182	\$ 1,621,812
Meeting Expenses					
Meetings	\$ 230,000	\$ 159,000	\$ (71,000)	\$ 127,000	\$ (103,000)
Travel	256,488	256,488	(0)	291,000	34,512
Conference Calls	6,710	23,295	16,585	-	(6,710)
Total Meeting Expenses	\$ 493,198	\$ 438,783	\$ (54,415)	\$ 418,000	\$ (75,198)
Operating Expenses					
Consultants & Contracts	\$ 6,788,429	\$ 7,728,528	\$ 940,099	\$ 7,391,794	\$ 603,365
Office Rent	-	-	-	-	-
Office Costs	431,895	359,035	(72,860)	907,330	475,435
Professional Services	175,000	173,107	(1,893)	250,000	75,000
Miscellaneous	500	1,250	750	500	-
Depreciation	5,297	86,092	80,795	85,136	79,838
Total Operating Expenses	\$ 7,401,121	\$ 8,348,012	\$ 946,891	\$ 8,634,760	\$ 1,233,639
Total Direct Expenses	\$ 12,276,689	\$ 13,317,500	\$ 1,040,811	\$ 15,056,942	\$ 2,780,253
Indirect Expenses	\$ 4,810,185	\$ 5,209,519	\$ 399,334	\$ 6,519,415	\$ 1,709,230
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (A)	\$ 17,086,873	\$ 18,527,019	\$ 1,440,145	\$ 21,576,357	\$ 4,489,483
Change in Assets	\$ 1,428,467	\$ 424,520	\$ (1,003,948)	\$ 274,241	\$ (1,154,227)
Fixed Assets					
Depreciation	\$ (5,297)	\$ (86,092)	\$ (80,795)	\$ (85,136)	\$ (79,838)
Computer & Software CapEx	1,100,000	761,624	(338,377)	100,000	(1,000,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	21,477	21,477	-	-
Leasehold Improvements	-	-	-	150,000	150,000
Allocation of Fixed Assets	333,765	(4,960)	(338,725)	109,377	(224,388)
Inc(Dec) in Fixed Assets (B)	\$ 1,428,467	\$ 692,047	\$ (736,420)	\$ 274,241	\$ (1,154,227)
TOTAL BUDGET (=A+B)	\$ 18,515,341	\$ 19,219,066	\$ 703,725	\$ 21,850,597	\$ 3,335,256
FTEs	19.74	20.79	1.05	29.14	9.40

Training, Education, and Personnel Certification

Training, Education, and Personnel Certification			
(in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	7.05	5.88	(1.18)
Direct Expenses	\$ 1,922,295	\$ 1,708,013	\$ (214,282)
Indirect Expenses	1,717,923	1,314,398	(403,525)
Other Non-Operating Expenses	-	-	-
Inc(Dec) in Fixed Assets	117,283	20,613	(96,670)
TOTAL BUDGET	\$ 3,757,501	\$ 3,043,024	\$ (714,477)

Background and Scope

Training and Education

The Training and Education program provides oversight for coordination and delivery of learning materials, resources, and activities to allow for training and education of:

1. ERO Enterprise staff supporting statutory and delegation-related activities and
2. BPS industry participants consistent with ERO functional program requirements.

The Training and Education program supports NERC's 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 ROP addresses the program's obligations to industry stakeholders and ERO Enterprise staff. The responsibility to participate in the program is shared among the NERC departments³³, in conjunction with the Operational Leadership Team working groups.

System Operator 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. Section 902 of the NERC ROP addresses the specific continuing education program expectations and activities.

Personnel Certification

The System Operator Certification program ensures that personnel operating the BPS have the skills, training, and qualifications needed to operate the system reliably. NERC maintains credentials for over 7,500 system operator credential holders who work in various industry areas across North America. 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 appropriately operating the BPS during normal and emergency operations. The System Operator Certification Program is governed by the Personnel Certification Governance Committee (PCGC), an industry group of operations experts, trainers, and supervisors. Certification exams are created by the Exam Working Group (EWG), an industry group of operations subject matter experts. Under the PCGC oversight, the EWG reviews and updates job tasks and certification exams. Section 600 of the NERC ROP addresses the Personnel Certification activities in the area of Operator Certification.

³³ The Human Resources department is also engaged in training initiatives.

Key Efforts Underway

Training and Education

The ERO provides learning materials, resources, and activities to assist industry and ERO Enterprise staff in their understanding of key program areas. These areas include:

1. Risk-Based Compliance Monitoring and Enforcement;
2. Standards and Compliance;
3. Organization Registration and Certification;
4. Event Analysis, Cause Analysis, Performance Analysis, and Lessons Learned;
5. Reliability Assessment and System Analysis; and
6. Continuing education for system operators.

Personnel Certification

During 2018, the department plans on performing the following activities:

1. Continuing to update System Operator Certification Exam Item Bank to ensure relevance to current Reliability Standards and promote reliability of the BPS;
2. Developing Exam “Skills Assessment” process to better assess the skills and knowledge of System Operators;
3. Developing Strategic Plan for future System Operator Certification program; and
4. Evaluating credential review and rationalization to maintain credentials.

2018 Goals and Deliverables

Training and Education

The annual NERC and ERO Enterprise Learning Priorities Plan articulates and prioritizes the accumulated learning needs for the ERO Enterprise and the potential delivery vehicles supporting achievement of the corporate metrics for the strategic goals. Development and management of the plan is exercised through monthly meetings to ensure priorities are reviewed and updated based on the changing business landscape informed through input received by the various functional program managers on behalf of their respective programs, ERO Enterprise working groups, and leadership teams.

A theme-based approach describing audience needs facilitates identification and formulation of appropriate products throughout the year. It inspires modular (“interchangeable parts or building blocks”) thought in implementing a cross-cutting multi-use product model. Production is accomplished by combining in-house expertise and tools with vendor support to increase throughput that positively impacts the quality and timeliness of customer service.

NERC program leads spearhead the effort to identify gaps in program knowledge and associated learning needs of their employees, industry stakeholders, and ERO Enterprise partners. The following 2017 themes serve as building blocks for ongoing learning development work and will inform the priorities of focus in 2018 and beyond:

- *Reliability risk management technique*: share knowledge for maintaining the reliability of the bulk power system through assessment, analysis, and human interaction. (Industry)

- *Risk-based compliance performance*: enhance compliance monitoring personnel performance through a deeper understanding of ERO Enterprise compliance monitoring processes and technical aspects of the BPS operations. (ERO Enterprise)
- *Functional and technical enhancement*: enhance employee understanding of NERC functions and core technical knowledge for regulating the BPS. (NERC employees)

These themes provide connectivity of the annual learning development plan with the strategic goals through consideration and analysis of the associated strategic metrics.

NERC will also deliver training and education by hosting workshops and webinars, as well as computer-based and instructor-led training courses. The responsibility for subject matter expertise input to the learning development process is shared among multiple departments at NERC. The Training and Education department provides coordination and synchronization efforts for shared NERC and ERO Enterprise training responsibilities in addition to advancing and improving the skills of NERC's operating staff. The Human Resources department budgets and manages the delivery of more traditional corporate employee training and continuing education programs in concert with the coordination and synchronizing efforts of the Training and Education department.

The Continuing Education program evaluates and revises the current program criteria as reflected in the program manual. The evaluation considers the growth and maturation of industry programs, as well as ongoing research in the area of adult learning to ensure that the Continuing Education program efforts improve core objectives in addition to fostering improvement of training and promoting quality training programs in general.

Personnel Certification

The Personnel Certification program delivered new exams one year in advance of the documented exam cycle. Linear On the Fly Testing (LOFT), which is the dynamic creation of exams, was implemented in the newly published 2017 exams. As part of the ongoing exam development cycle, the EWG will continue to develop and analyze new items for future certification exams and ensure relevancy to current NERC Reliability Standards.

Key deliverables for the System Operator Certification Program:

- Annual analysis of exam Item Bank;
- New exam items;
- New credential maintenance tool; and
- Strategic plan for program enhancements.

NERC will continue to work with industry stakeholders and the exam development vendor to create certification exams that will promote reliability of the BPS.

Resource Requirements

Personnel

The combined 1.18 reduction in FTEs for both departments is the result of resource allocations that began in 2016 and will continue throughout 2017 to realign staff with current needs.

Contractor Expenses

The consulting and contractor budget for 2018 is approximately \$599k, which is \$18k higher than in 2017. A detailed breakdown of the 2017 and 2018 contractor and consulting budgets for Personnel Certification and Training and Education is set forth in *Exhibit C – Contractor and Consulting Costs*.

Section A – 2018 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures					
2017 Budget & Projection, and 2018 Budget					
TRAINING, EDUCATION, and PERSONNEL CERTIFICATION					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,822,089	1,822,089	\$ 0	\$ 1,309,031	\$ (513,058)
Assessment Stabilization Reserve - Penalties	43,738	43,738	0	17,391	(26,346)
Total NERC Funding	\$ 1,865,827	\$ 1,865,827	\$ 0	\$ 1,326,422	\$ (539,405)
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	1,921,900	1,749,315	(172,585)	1,790,000	(131,900)
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	175	5,897	5,722	4,060	3,884
Miscellaneous	-	-	-	-	-
Total Funding	\$ 3,787,902	\$ 3,621,039	\$ (166,863)	\$ 3,120,482	\$ (667,420)
Expenses					
Personnel Expenses					
Salaries	\$ 852,091	\$ 721,344	\$ (130,746)	\$ 701,307	\$ (150,783)
Payroll Taxes	62,727	51,912	(10,815)	52,088	(10,638)
Benefits	139,239	94,579	(44,660)	95,207	(44,032)
Retirement Costs	97,624	80,875	(16,749)	79,353	(18,272)
Total Personnel Expenses	\$ 1,151,681	\$ 948,710	\$ (202,970)	\$ 927,956	\$ (223,725)
Meeting Expenses					
Meetings	\$ 55,000	\$ 42,500	\$ (12,500)	\$ 44,250	\$ (10,750)
Travel	21,139	28,000	6,861	17,000	(4,139)
Conference Calls	11,133	34,654	23,521	-	(11,133)
Total Meeting Expenses	\$ 87,272	\$ 105,154	\$ 17,882	\$ 61,250	\$ (26,022)
Operating Expenses					
Consultants & Contracts	\$ 580,600	\$ 796,624	\$ 216,024	\$ 598,900	\$ 18,300
Office Rent	-	-	-	-	-
Office Costs	100,323	99,060	(1,263)	117,969	17,646
Professional Services	-	-	-	-	-
Miscellaneous	500	100	(400)	500	-
Depreciation	1,919	1,919	-	1,439	(480)
Total Operating Expenses	\$ 683,342	\$ 897,703	\$ 214,361	\$ 718,808	\$ 35,465
Total Direct Expenses	\$ 1,922,295	\$ 1,951,567	\$ 29,272	\$ 1,708,013	\$ (214,282)
Indirect Expenses	\$ 1,717,923	\$ 1,593,677	\$ (124,246)	\$ 1,314,398	\$ (403,525)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (A)	\$ 3,640,218	\$ 3,545,244	\$ (94,974)	\$ 3,022,411	\$ (617,807)
Change in Assets	\$ 147,684	\$ 75,795	\$ (71,889)	\$ 98,071	\$ (49,614)
Fixed Assets					
Depreciation	\$ (1,919)	\$ (1,919)	\$ -	\$ (1,439)	\$ 480
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	119,202	(1,517)	(120,719)	22,052	(97,150)
Inc(Dec) in Fixed Assets (B)	\$ 117,283	\$ (3,436)	\$ (120,719)	\$ 20,613	\$ (96,670)
TOTAL BUDGET (=A+B)	\$ 3,757,501	\$ 3,541,807	\$ (215,693)	\$ 3,043,024	\$ (714,477)
FTEs	7.05	6.36	(0.69)	5.88	(1.18)

Administrative Services

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2017 Budget	2018 Budget	Increase (Decrease)	2017 Budget	2018 Budget	Increase (Decrease)
General and Administrative	\$ 10,205,977	\$ 10,096,147	\$ (109,829)	16.92	15.98	(0.94)
Legal and Regulatory	3,292,379	2,914,377	(378,002)	11.28	10.34	(0.94)
Information Technology	12,480,846	11,266,626	(1,214,220)	23.27	22.33	(0.94)
Human Resources	1,608,583	1,704,459	95,876	2.82	2.82	-
Finance and Accounting	3,827,050	4,008,326	181,276	15.04	15.98	0.94
Total Administrative Services	\$ 31,414,834	\$ 29,989,934	\$ (1,424,899)	69.33	67.45	(1.88)

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 CEO, chief reliability officer (CRO) and support staff, communications, external affairs and governmental relations, and office rent, (3) Legal and Regulatory, (4) Information Technology, (5) Human Resources, (6) Finance and Accounting, and (7) other general administrative expenses necessary to support program area activities. These functions are necessary to the existence and functioning of the organization and support the performance of NERC's ERO statutory activities. The costs of the Administrative Services functions are allocated to the statutory programs as indirect expenses. The resource requirements and comparative budget information for each of these functions are described 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 NATF and NAGF), NERC's 2018 budget does not contain specific funding for any forum activities.

General and Administrative

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, as well as personnel and related costs of the CEO, the CRO, the CEO's executive assistant, communications, external affairs, and government relations staff, and Board costs. The 0.94 reduction in FTEs is the result of resource allocations that began in 2016 and will continue throughout 2017 to realign staff with current needs.

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

Board of Trustee Expenses	Budget	Budget	Variance	
	2017	2018	2018 Budget v 2017 Budget	Variance %
Meeting and Travel Expenses				
Quarterly Board Meetings	\$ 244,000	\$ 185,000	\$ (59,000)	-24.2%
Trustee Travel	157,329	130,000	(27,329)	-17.4%
Total	\$ 394,000	\$ 315,000	\$ (79,000)	-20.1%
Professional Services				
Independent Trustee Fees	\$ 1,226,000	\$ 1,237,500	\$ 11,500	0.9%
Trustee Search Fees	100,000	100,000	-	0.0%
Total	\$ 1,326,000	\$ 1,337,500	\$ 11,500	0.9%
Total	\$ 1,720,000	\$ 1,652,500	\$ (67,500)	-3.9%

The reduction in Quarterly Board Meeting and Trustee Travel expenses is the result of more closely aligning the 2018 budget with historical actuals.

Legal and Regulatory

Background and Scope

The Legal and Regulatory department's workload is derived from the following key NERC program areas: Compliance Analysis, Certification and Registration, RASA, Reliability Risk Management, and Standards. In addition, the Legal and Regulatory 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. The department also addresses legal and regulatory matters that arise in connection with the delegation agreements with the Regional Entities.

Resource Requirements

Personnel

The 0.94 reduction in FTEs area is the result of resource allocations that began in 2016 and will continue throughout 2017 to realign staff with current needs.

Professional Services

Outside law firms and consultants supporting this area are budgeted and tracked as Professional Services. The Professional Services budget for 2018 was \$192k lower than in 2017, primarily due to the transfer of those budget dollars to other departments in order to better align the responsibility associated with certain legal costs to those departments.

Information Technology

Background and Scope

NERC's IT department plan includes capital and operating expenses required to support, build, configure, and enhance applications that serve registered entities, Regional Entities, and NERC staff. The plan also includes work related to ERO Enterprise data analysis, as well as ongoing NERC internal operations.

The focus of the 2018 – 2020 budget is primarily on two programs designed to better support consistency and effectiveness across the ERO Enterprise in the areas of Standards, Compliance, and the associated

assessment of Reliability Risk. These programs are the Entity Registration program and the Compliance Monitoring and Enforcement Technology Program. Both programs are expected to continue from 2017 through to 2020. The Entity Registration application will consolidate core registration functions currently distributed across three applications into a single registration application. In similar fashion, the three applications used across NERC and the Regional Entities for enforcement processing will be replaced by a single common application that also provides additional compliance monitoring functionality. These investments will provide broad benefits across the ERO Enterprise in terms of the efficiency and effectiveness of operations and meeting reliability goals. Additionally, by working to provide more services to the registered and Regional Entities in terms of tools and systems, associated economies of scale will result in these initial investments providing increasing value across the ERO Enterprise in the years to come.

The 2019 – 2020 budget year projection also includes improvements to our public facing website, NERC.com.

The budget is broken down into four categories as follows:

1. **ERO Enterprise New Functionality** – Items listed in this category are those items designed to add, enhance, or improve capabilities for registered entities, Regional Entities, and NERC staff. This includes Entity Registration, the Compliance Monitoring and Enforcement Technology Program, NERC.com, and other legacy applications.
2. **ERO Enterprise Infrastructure & Support** – Items listed in this category are those infrastructure and support items required for applications used by registered entities, Regional Entities, and NERC staff. Items include Security and applications used by the ERO Enterprise such as The Events Analysis Management System (TEAMS), the Bulk Electric System Notification and Exception System tool (BESnet), the Standards Balloting System (SBS), the Reliability Coordinator Information System (RCIS), User Management and Records (UMR), and numerous other applications.
3. **NERC New Functionality** – There is no new functionality targeted until the 2019 budget year. 2018 – 2020 is heavily focused on improving the registered and Regional Entity experience.
4. **NERC Infrastructure & Support** – Items listed in this category are primarily those items required to maintain and run the internal office infrastructure, and support NERC staff operations. Items include server hardware and software licenses, network equipment, data and telecommunication circuits, and data storage, as well as office administrative applications (e.g., Microsoft Office) and user hardware such as laptops and peripherals.

A further discussion of each item is outlined below.

ERO Enterprise New Functionality

As noted above, this category is primarily those applications or systems designed to improve or add capability to registered entities, Regional Entities, and NERC staff. Over the past two years, IT has been successful at deploying a number of new applications and functionality for the ERO Enterprise that have now moved into support. In 2018 and beyond, IT will continue that trend with a heavy focus on Entity Registration and the Compliance Monitoring and Enforcement Technology Program.

- a. **Entity Registration** – The objective of the Entity Registration program is to take the core registration functions currently distributed across three systems -- OATI webCDMS, Guidance CITS, and Guidance CRATS -- and move those functions to a single, consolidated registration system. Doing so will allow for an expansion of current functionality, more control over the future

of the application, and ultimate reduction in costs through the long-term transfer of the remaining functions provided by those three systems into a single, common system.

This program will be implemented via multiple projects during the next four years. This first project in 2017 will address the registration, tracking, and management of Coordinated Functional Registrations (CFRs). Subsequent projects will address Joint Registration Organizations (JROs), tracking Coordinated Oversight of Multi-Region Registered Entities (MRREs), consolidating all existing entity registration functions into a single platform, adding validation of business relationships and functional responsibilities, and the capability to integrate reliability and compliance data for risk analysis purposes (supporting the creation of an entity's risk profile).

- b. **Compliance Monitoring and Enforcement Process Tools** – IT will work closely with the Regional Entities in 2017 and through the 2018 – 2020 budget cycle to evaluate and implement strategic investments in tools that replace the current three applications mentioned above with a single, consolidated Compliance Monitoring and Enforcement Process application. Items under consideration at this time include how Reliability Standards data is stored and maintained, as well as how best to support the various parts of the compliance monitoring and enforcement process (e.g., analysis of risk, development of implementation plans and audit schedules, actual compliance monitoring, and enforcement processing).

Funding for any capital investments in these areas will be subject to review and approval as part of the business plan and budget application in the year when such investments are proposed to be made. Prior to actual start of each project, the project will be reviewed through the enterprise information technology investment planning process to ensure the project's estimated costs and benefits are reasonable and justify investment. For more information on this process, see *Robust Planning for New Capital Projects* below.

ERO Enterprise Infrastructure & Support

This category primarily consists of items used by registered entities, Regional Entities, and NERC Staff. Information Technology has worked closely with the Regional Entities to design and configure a number of ERO Enterprise applications, with a bias toward using Commercial-off-the-Shelf (COTS) technology whenever possible. Infrastructure and support for these COTS tools (such as SharePoint and the Dynamics xRM platform), as well as custom built applications developed in the past, require ongoing investment to maintain continuous operations. For many applications and systems, this includes the cost of maintaining development, quality assurance, and staging and production environments, which are required to ensure the security and operational integrity and stability of the multiple applications supported for the ERO Enterprise. These applications and systems are monitored, tested (including penetration and vulnerability testing), and maintained in a manner as to ensure the highest level of integrity, security, and availability to the roughly 4,000 users across North America.

IT continues to place emphasis on ensuring the environment is configured in a manner consistent with enterprise best practices, ensuring the security and integrity of the environment while allowing ERO Enterprise users to obtain the information and resources required to perform various analyses. Ongoing support for applications such as TEAMS, Misoperations Information Data Analysis System (MIDAS), SBS, the Reliability Analysis Data System (RADS), in addition to numerous legacy ERO Enterprise products, make up this portion of the IT budget.

NERC New Functionality

There is no new functionality planned for the NERC environment in the 2018 budget year. In 2019 funding is projected for implementation of a separate document management application for the E-ISAC.

NERC Infrastructure & Support

As previously noted, NERC Infrastructure & Support are those items required to maintain and support the internal infrastructure for NERC staff. Items such as file servers, network equipment, storage, Microsoft Office (Word, Excel, PowerPoint, Email, SharePoint, etc.), along with security and telecommunications, are required to ensure staff have the necessary tools and technology to perform their daily operational functions. Emphasis in the 2018 – 2020 planning cycle will continue to be placed on optimizing the amount of effort placed on NERC infrastructure and support in order to minimize spend on internal office steady state operations, allowing a larger portion of IT resources to focus on new ERO Enterprise functionality, as well as ERO Enterprise infrastructure and support. As a result of this effort, the 2018 NERC Infrastructure & Support is expected to be less than 2017. Examples of items included in internal operations are outlined below:

- a. **Compliance Reporting and Tracking System (CRATS)** – This compliance database is used to track violations, mitigation plans, and reporting required by NERC as the certified ERO. The compliance database has additional modules, such as the Standards, Technical Feasibility Exceptions (TFEs), and Registration module, which contains a list of all registered entities. Funding requirements include ongoing maintenance for the CRATS compliance tools.
- b. **Meeting Manager, ERO Membership, Central Repository of Curtailment Events** – NERC maintains a number of legacy applications. Many of the legacy applications were developed and implemented five to ten years ago and are unable to benefit from contemporary application development. Some of these applications may have to be completely rewritten, or moved to the xRM application platform, as IT was able to do with Application Broker, NERC MyAccount, and User Management Program (UMP) in 2016. Funding in 2018 is required for ongoing maintenance and enhancements until the applications can be rewritten or moved to the xRM platform or, in some cases, potentially divested or transferred to industry support.
- c. **Quarterly Penetration and Vulnerability Testing All NERC Networks and Systems** – Expert consulting services to provide ongoing intrusion detection and vulnerability testing of the NERC public website and NERC’s network, applications, and systems, is an essential requirement of ongoing operations. NERC is subject to frequent intrusion attempts where external parties try to gain access to its systems and infrastructure. Any vulnerability identified is documented and provided to NERC IT for rapid remediation.
- d. **NERC Security Program** – NERC’s IT department 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. Security remains an area of focus during the 2018 – 2020 budget cycle.

Robust Planning for New Capital Projects

The company has adopted an enterprise information technology investment planning methodology that ensures only projects with compelling and approved business cases are funded. The approval process uses four approval gates:

- A Business Unit Sponsor approval gate;
- A NERC VP/CTO approval gate;
- An ERO Technology Leadership Team (TLT) (comprised of the NERC CEO and two Regional Entity CEOs) approval gate; and
- The full ERO EMG (CEOs of NERC and each Regional Entities) approval gate.

This gated process provides the required rigor and discipline to ensure that only high value enterprise IT investments are pursued. The company will continue to use this process for the 2018 through 2020 budget planning cycle.

TEAMS, RADS, and the document management program are three examples of applications or programs for which investments were approved in 2016. For each of these three projects, NERC's planning process and associated approval gates resulted in thorough review of both costs and benefits of the proposed technology project prior to moving forward with the project. The benefits of a given project are evaluated within the context of six identified value domains:

- Reducing Reliability Risk (the project is expected to address one or more of identified risks to the reliability of the BES);
- Increasing Capability (the project is expected to make possible activities or analysis that are not currently possible given existing process, resource, or system limitations);
- Reducing Corporate Risk (the project is expected to address one or more corporate risks, such as reputational risk, contract risk, or litigation risk);
- Increasing Work Quality (the project is expected reduce the probability of errors or provide information of better quality);
- Increasing Productivity (the project is expected to increase the amount of work that can be completed within the same amount of time); and
- Reducing Cost (the project is expected to provide a net reduction in costs related to the area(s) being addressed by the project)

As the planning process has matured, NERC has also begun to consider potential benefits to the Regional Entities and registered entities when considering potential IT investments. For example, Entity Registration Project 1 addresses the submission, processing, and updating of Coordinated Functional Registrations (CFRs). In the business case brought before the ERO TLT in March and April of 2017, NERC included estimates of productivity gains in terms of NERC staff, Regional Entity staff, and registered entity staff. NERC estimated that across the ERO Enterprise, in the first year of operation:

- 23 Regional Entity Registration Full Time Equivalents (FTEs)³⁴ would each increase productivity by roughly 30 hours per year;
- Another 23 Regional Entity FTEs would each increase productivity by roughly 3 hours per year;
- 3 NERC FTEs would each increase productivity by roughly 15 hours per year; and
- 416 Registered Entity FTEs currently involved in the negotiation and submission of CFRs would each increase productivity by roughly 6 hours per year.

Benefits would increase slightly in the following years as users become more familiar with the system. These gains represent increased productivity for those FTEs, allowing them to focus on higher level tasks instead of managing their submission manually via email chains and multiple telephone calls. The business case also identified benefits in terms of Reducing Reliability Risk, Increasing Capability, Reducing Corporate Risk, and Increasing Work Quality.

³⁴ The review, processing, and maintenance of a CFR may involve compliance staff, registration staff, enforcement staff, legal staff, etc. Rather than specifically itemizing each of these elements as fractional FTEs, for the purposes of convenience, an assumption was used that aggregating these elements into a single FTE number per class of impacted entities would achieve roughly equivalent results.

The same planning methodology will be used during 2017 through 2020 for Entity Registration and the Compliance Monitoring and Enforcement Technology Program application. As the planning process continues to develop and mature, NERC will continue to expand incorporation of regional staffing and budget impacts into its business case analysis, as well as identifying economies of scale, efficiency improvements, and enhancements to reliability through IT investment.

Resource Requirements

Personnel

The 0.94 reduction in FTEs is the result of resource allocations that began in 2016 and will continue throughout 2017 to realign staff with current needs.

Contractor Expenses

The 2018 budgeted amounts are set forth in *Exhibit C – Contractor and Consulting Costs*, with a comparison to 2017 budgeted amounts. The \$189k decrease in the 2018 budget compared to 2017 is primarily due to the transfer of budgeted funds from contracts and consultants to cover needs in fixed assets (capital) additions.

IT Office Costs

The below table shows the major categories of IT Office Costs, and a short description of certain categories follows thereafter. Explanations for the major areas of increase from the 2017 Budget to the 2018 Budget are provided in Table B-8 in Section B.

Office Costs	Budget		Variance	
	2017	2018	2018 Budget v 2017 Budget	Variance %
Telephone	\$ 230,000	\$ 162,100	\$ (67,900)	-29.5%
Telephone Answering Service	2,500	-	(2,500)	-100.0%
Internet	358,920	358,920	-	0.0%
Computers	25,000	-	(25,000)	-100.0%
Computer Supplies	98,100	98,100	-	0.0%
Maintenance and Service Agreements	1,706,088	1,606,080	(100,008)	-5.9%
Software	59,000	166,950	107,950	183.0%
Subscription and Publications	108,300	126,200	17,900	16.5%
Dues	2,500	2,500	-	0.0%
Express Shipping	5,000	7,500	2,500	50.0%
Audio/Visual Lease	-	494,988	494,988	100.0%
Hardware Lease	-	145,348	145,348	100.0%
Total	\$ 2,595,408	\$ 3,168,686	\$ 573,278	22.1%

Telephone

Telephone costs are items associated with cellular phone, mobile laptop cellular air card, and Session Internet Protocol (SIP) data circuits.

Internet

Internet expense is comprised of data circuits and redundant capability in the event of primary service provider failure.

Computer Supplies and Maintenance and Service Agreements

Computer supplies are expense items required for infrastructure support. Maintenance and service agreements are required to support internal and external access to routers, switches, firewalls, intrusion

protection, file servers, audiovisual equipment, storage area networks, 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 data, conference calling, and network and security monitoring comprise a large portion of the maintenance and service agreements budget.

Software

Tools such as Adobe Creativity Suite, remote support tools, and various other IT support tools are included under this line item. The tools are primarily used for NERC infrastructure purposes to support and manage the application, server, and network environment.

Audio/Visual and Hardware Leases

These items consist of audio visual equipment, computers, laptops, servers, and switches that were leased, in lieu of purchasing, beginning in January 2017. Whereas a portion of these items were included in fixed assets in the 2017 budget, they are all included in Office Costs in the 2018 budget.

Fixed Asset (Capital) Expenses

The following table presents a summary of NERC’s IT 2018 fixed asset (capital) budget³⁵ compared to the 2017 budget:

IT Capital Budget	Budget 2017	Budget 2018	Variance 2018 Budget v 2017	
			Budget	Variance %
ERO Application Development*	\$ 700,000	\$ -	\$ (700,000)	-100.0%
Document Management Program	335,000	-	(335,000)	-100.0%
Hardware (storage, servers)	891,000	705,000	(186,000)	-20.9%
Other Equipment	885,000	370,000	(515,000)	-58.2%
Disaster Recovery	150,000	100,000	(50,000)	-33.3%
NERC Software Licenses	311,000	301,000	(10,000)	-3.2%
Total	\$ 3,272,000	\$ 1,476,000	\$ (1,796,000)	-54.9%

* NERC's total 2018 ERO Application Development budget is \$2,148,000 and includes \$1,548,000 budgeted in the Compliance Enforcement department for the CMEP Tool and \$600,000 budgeted in the Compliance Analysis, Organization Registration and Certification department for the Entity Registration Tool.

As in prior years, the goal of the fixed assets (capital) program for the 2018–2020 planning period is to provide access, visibility, and analysis of data from many different sources. This requires ongoing investments in hardware, software, and associated tools. The overarching theme is to securely gather, analyze, and maintain data across the ERO Enterprise to support ERO operations. Adding the capability to centralize and mine data—in addition to foundational elements such as the Microsoft xRM application, SharePoint 2013, and disaster recovery and enhanced security—sets the stage for vastly improved reporting and business intelligence. It also allows the capability for collaboration and sharing of information vital to the ERO’s mission.

³⁵ NERC’s total 2018 fixed asset (capital) budget is \$3,676,000 and includes \$2,100,000 for ERO Application Development, as discussed in the note below the table, as well as \$100k budgeted in CRISP for other costs.

In addition to the investments described in the preceding paragraph to support efficiency and consistency across the Enterprise, the 2018 budget also includes the cost of, network assets, software, servers, laptops, and other hardware to support daily operations.

Human Resources

Background and Scope

Human Resources manages all of NERC's human resources functions, including staffing, benefits administration, employee relations, performance and compensation management, and training and development. Management has implemented a robust, objective, and auditable performance management system to track corporate and individual performance against pre-established goals, objectives, and measures. Each year NERC continues to refine and improve this system.

Leadership, Management, and Professional and Administrative Staff Training and Development

As part of the ERO Enterprise's ongoing efforts to engage and retain highly qualified talent with the leadership and technical skills to support its mission, NERC's executives, managers, and professional and support staff participate in ongoing training and development to improve competencies critical to success and succession planning for critical roles. As such, NERC will continue to invest in learning opportunities in several areas. First, Human Resources will continue to host and optimize an e-learning platform, SkillSoft, to provide staff resources for improving soft and technical skills. Second, Human Resources will provide broad-based staff development training through real-world access via tours of and training on control centers, electric substations, and power generation 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 competencies and skills development that will lead to improved organization performance.

Compensation Strategy

NERC relies on data and advisory from multiple perspectives to hire and retain the necessary technical and other staff to support the goals and objectives in the company's strategic plan. Under the mandate of the Corporate Governance and Human Resources Committee (CGHRC), the company performs periodic market compensation studies to benchmark the pay practices of similar organizations and roles for which NERC hires. To ensure that NERC is able to attract the best-qualified staff to meet our mission, the CGHRC recommended a compensation philosophy of paying between the 50th and 75th percentiles, which has historically enabled the company to hire appropriate skills at prevailing market rates. Management will continue to closely monitor market conditions through periodic compensation studies and real-time pay trends of our candidate pool and expect that our pay philosophy will sustain the ability to hire qualified talent consistent with appropriate market levels.

Compensation Consulting

Consultants are periodically retained to examine appropriate compensation based on current market data. This ensures 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. NERC also periodically retains compensation subject matter experts to perform periodic assessments of the Board compensation model to ensure alignment with market practices.

Surveys

NERC periodically retains a vendor to conduct Board and committee effectiveness surveys to identify improvement opportunities. Human Resources will also launch additional surveys as appropriate, based on business needs, which may include periodic internal climate surveys.

Succession Planning

Minimizing disruption of knowledge, skill, and experience of key staff is critical to the company's success. Human Resource works with senior management to identify essential roles and develop strategies to build succession and contingency plans for any loss of staff.

Human Resources Products and Services Automation

Human Resource will continue to operate, maintain, and investigate investment in additional electronic platforms for Human Resource support services that reduce administrative burden and improve employee access to tools and information.

Resource Requirements

Personnel

There is no change in FTEs in 2018 compared to 2017.

Contractor Expenses

Contractor and consultant expenses are set forth in additional detail in *Exhibit C – Contractor and Consulting Costs*. The increase over 2017 is primarily due to increased investments for additional leadership and staff training, as well as funding for the bi-annual compensation study.

Miscellaneous Expenses

Miscellaneous expenses include community responsibility and employee engagement, the year-end employee appreciation event, and employee rewards and recognition.

Finance and Accounting

Background and Scope

NERC's Finance and Accounting department manages all finance and accounting functions, including employee payroll, 401(k), 457(b), and 457(f) 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 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, meetings, 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

The 0.94 reduction in FTEs is the result of resource allocations that began in 2016 and will continue throughout 2017 to realign staff with current needs.

Contractor Expenses

Outside contractor and consulting support, budgeted at \$427k, represents a decrease compared to the 2017 budget. These costs are primarily for outside professional support for auditors to support various risk management and internal control and audit initiatives, as well as to provide finance and accounting support.

Section A – 2018 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures					
2017 Budget & Projection, and 2018 Budget					
ADMINISTRATIVE SERVICES					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection	Budget	2018 Budget
			v 2017 Budget		v 2017 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 519,083	\$ 519,083	\$ (0)	\$ (231,393)	\$ (750,476)
Assessment Stabilization Reserve - Penalties	-	-	-	-	-
Total NERC Funding	\$ 519,083	\$ 519,083	\$ (0)	\$ (231,393)	\$ (750,476)
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 519,083	\$ 519,083	\$ (0)	\$ (231,393)	\$ (750,476)
Expenses					
Personnel Expenses					
Salaries	\$ 11,858,590	\$ 11,649,901	\$ (208,688)	\$ 11,625,482	\$ (233,108)
Payroll Taxes	669,299	647,536	(21,763)	651,076	(18,223)
Benefits	1,333,443	1,430,816	97,373	1,443,502	110,059
Retirement Costs	1,073,642	993,093	(80,549)	1,010,928	(62,714)
Total Personnel Expenses	\$ 14,934,974	\$ 14,721,347	\$ (213,627)	\$ 14,730,988	\$ (203,986)
Meeting Expenses					
Meetings	\$ 350,000	\$ 350,000	\$ (0)	\$ 375,500	\$ 25,500
Travel	653,945	702,728	48,783	570,000	(83,945)
Conference Calls	19,307	47,249	27,943	119,600	100,294
Total Meeting Expenses	\$ 1,023,251	\$ 1,099,977	\$ 76,726	\$ 1,065,100	\$ 41,849
Operating Expenses					
Consultants & Contracts	\$ 3,359,787	\$ 3,472,587	\$ 112,800	\$ 3,290,966	\$ (68,821)
Office Rent	3,117,009	3,124,992	7,983	3,091,804	(25,205)
Office Costs	3,275,952	3,658,559	382,607	3,874,198	598,246
Professional Services	2,293,135	2,246,470	(46,665)	2,287,500	(5,635)
Miscellaneous	32,000	48,463	16,463	34,500	2,500
Depreciation	1,233,650	1,789,158	555,508	981,159	(252,491)
Total Operating Expenses	\$ 13,311,534	\$ 14,340,230	\$ 1,028,696	\$ 13,560,127	\$ 248,594
Total Direct Expenses	\$ 29,269,759	\$ 30,161,554	\$ 891,795	\$ 29,356,216	\$ 86,457
Indirect Expenses	\$ (29,376,484)	\$ (30,277,351)	\$ (900,867)	\$ (29,495,094)	\$ (118,610)
Other Non-Operating Expenses	\$ 106,725	\$ 115,797	\$ 9,072	\$ 138,878	\$ 32,153
Total Expenses (A)	\$ -	\$ (0)	\$ (0)	\$ 0	\$ 0
Change in Assets	\$ 519,083	\$ 519,083	\$ (0)	\$ (231,393)	\$ (750,476)
Fixed Assets					
Depreciation	\$ (1,233,650)	\$ (1,789,158)	\$ (555,508)	\$ (981,159)	\$ 252,491
Computer & Software CapEx	1,472,000	592,033	(879,967)	301,000	(1,171,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	1,800,000	1,168,295	(631,705)	1,175,000	(625,000)
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(2,038,350)	28,830	2,067,180	(494,841)	1,543,509
Inc(Dec) in Fixed Assets (B)	\$ -	\$ 0	\$ -	\$ 0	\$ 0
TOTAL BUDGET (=A+B)	\$ -	\$ (0)	\$ (0)	\$ 0	\$ 0
FTEs	69.33	68.41	(0.92)	67.45	(1.88)

Section B – Supplemental Financial Information

Breakdown by Statement of Activity Sections

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

Table B-1 – Operating Reserve and Assessment Analysis

Operating Reserve and Assessment Analysis						
Statutory						
	Total Reserves	Future Obligation Reserve ¹	Operating Contingency Reserve	System Operator Certification Reserve	CRISP Reserve	Assessment Stabilization Reserve
Beginning Operating Reserves Balance - 1/1/2017	\$ 8,782,011	\$ 2,875,467	\$ 2,307,531	\$ 828,013	\$ 500,000	\$ 2,271,000
Generation or (Use) from 2017 Operations						
From 2017 budgeted operations	\$ 79,336	\$ -	\$ 284,507	\$ (205,171)	\$ -	\$ -
From 2017 approved addition/(use) of reserves	(1,363)	84,623	(85,986)	-	-	-
Proceeds from financing activities (non-current portion only) ²	966,667	-	966,667	-	-	-
Debt service ³	(719,522)	-	(719,522)	-	-	-
Other adjustments to reserves ⁴	(1,128,397)	(727,165)	198,768	-	-	(600,000)
Projected Operating Reserves - 12/31/17	\$ 7,978,733	\$ 2,232,925	\$ 2,951,965	\$ 622,842	\$ 500,000	\$ 1,671,000
Required Working Capital and Operating Reserves - 12/31/18	\$ 7,475,734	\$ 1,752,468	\$ 2,951,965	\$ 700,300	\$ 500,000	\$ 1,571,000
Adjustment in funding to achieve required reserve balance	(402,999)	(480,457)	-	77,458	-	-
Penalty sanctions received 7/1/2016 - 6/30/2017 (See Table B-2)	500,000	-	-	-	-	500,000
Less: Assessment Stabilization Reserve Release - Penalties	(600,000)	-	-	-	-	(600,000)
Total Adjustments to Reserves	\$ (502,999)	\$ (480,457)	\$ -	\$ 77,458	\$ -	\$ (100,000)
Assessment Reconciliation						
2018 Expenses and Capital Expenditures	\$73,135,156					
Less: Assessment Stabilization Reserve Release - Penalties	(600,000)					
Adjustment in funding to achieve required reserve balance	77,458					
Less: Other Funding Sources	(9,444,253)					
Less: Proceeds from financing activities (non-current only)	(1,432,000)					
Plus: Debt service	1,200,607					
2018 NERC Assessment	\$62,936,968					

¹As further explained in the discussion of the Working Capital Reserve amount in Exhibit E, the Future Obligations Reserve offsets future, non-current liabilities. The calculation of Working Capital and Operating Reserve balances per 2016 audited financials and as projected for 2017 and 2018 is included with the Statements of Financial Position that follow in *Section D - Supplemental Financial Statements*.

²Proceeds from financing activities amount is equal to two-thirds of the amount financed or to be financed in the year. See Exhibit D.

³Debt Service amount is equal to Annual Payments for Debt Service less Interest Expense. See Exhibit D.

⁴Represents transactions recorded only on the Statement of Financial Position (balance sheet) and do not impact the Statement of Activities (income statement), including recording of capitalized leases, amortization of future obligations, and funding the 457f plan.

Table B-2 – Penalties

Penalty Sanctions

The *NERC Policy – Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standard*, as well as Section 1107.2 of the ROP, specify that Penalty monies received by NERC during the 12 months ended June 30 are to be used in the subsequent budget year to offset assessments. In 2015, the NERC Board approved an updated Working Capital and Operating Reserves Policy that was approved by FERC. This updated policy allows NERC, with Board and FERC approval pursuant to Section 1107.4 of the ROP, to place Penalty funds into a new Assessment Stabilization Reserve for use in future years to offset assessments. For the 2018 budget, NERC proposes, subject to Commission approval, to deposit \$500,000 of Penalty funds received during the 12 months ended June 30, 2017 into the Assessment Stabilization Reserve, resulting in a balance of \$2,171,000 on January 1, 2018. NERC further proposes that \$600,000 of those funds be used to offset assessments in the 2018 budget and that the balance held in the Assessment Stabilization Reserve be used for future assessment offsets.

All Penalties received during the 12 month period ended June 30, 2017 are detailed below, including the amount and date received.

Allocation Method

Penalty sanctions released from the Asset Stabilization Reserve to offset 2018 assessments have been allocated to the following statutory programs to reduce assessments: 1) Reliability Standards, 2) Compliance Assurance, 3) Compliance Analysis, Organization Registration and Certification, 4) Compliance Enforcement, 5) RASA, 6) Situation Awareness, 7) Event Analysis, 8) Performance Analysis, 9) E-ISAC (including CRISP), and 10) Training and Education. Penalty sanctions are allocated based on the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Penalty Sanctions	Date Received	Amount Received
Penalties received between 7/1/2016 and 6/30/2017		
	May-17	\$ 500,000
		<u>\$ 500,000</u>
Penalties received prior to 6/30/2016, held in the assessment stabilization reserve		<u>\$ 1,671,000</u>
Total penalties available on 1/1/2018 to offset assessments		<u>\$ 2,171,000</u>
Adjustments		
Total penalties released to offset assessments in the 2018 Budget		<u>\$ (600,000)</u>
Total penalties held in Assessment Stabilization Reserve 12/31/2018		<u>\$ 1,571,000</u>

Table B-3 – Outside Funding

Outside Funding Breakdown By Program (Excludes Penalty Sanction)	Budget 2017	Budget 2018	Variance 2018 Budget v 2017 Budget
Reliability Standards			
Workshops	\$ 105,000	\$ 50,000	\$ (55,000)
Interest Income Allocation	427	10,717	10,291
Total	\$ 105,427	\$ 60,717	\$ (44,709)
Compliance Analysis, Registration and Certification			
Interest Income Allocation	\$ 187	\$ 6,495	\$ 6,308
Total	\$ 187	\$ 6,495	\$ 6,308
Compliance Assurance			
Interest Income Allocation	\$ 386	\$ 13,316	\$ 12,930
Total	\$ 386	\$ 13,316	\$ 12,930
Compliance Enforcement			
Interest Income Allocation	\$ 327	\$ 8,444	\$ 8,117
Total	\$ 327	\$ 8,444	\$ 8,117
Reliability Assessment and System Analysis			
Services and Software	\$ 50,000	\$ -	\$ (50,000)
Workshops	15,000	25,000	10,000
Interest Income Allocation	351	9,743	9,392
Total	\$ 65,351	\$ 34,743	\$ (30,608)
Performance Analysis			
Services and Software	\$ -	\$ 50,000	\$ 50,000
Interest Income Allocation	234	6,495	6,261
Total	\$ 234	\$ 56,495	\$ 56,261
Training, Education, and Personnel Certification			
Testing Fees	\$ 671,900	\$ 540,000	\$ (131,900)
Certificate Renewals	650,000	650,000	-
Continuing Education Fees	600,000	600,000	-
Interest Income Allocation	175	4,060	3,884
Total	\$ 1,922,075	\$ 1,794,060	\$ (128,016)
Event Analysis			
Workshops	\$ 40,000	\$ 40,000	\$ (0)
Interest Income Allocation	281	7,794	7,514
Total	\$ 40,281	\$ 47,794	\$ 7,514
Situation Awareness			
Interest Income Allocation	\$ 140	\$ 3,897	\$ 3,757
Total	\$ 140	\$ 3,897	\$ 3,757
E-ISAC			
Third Party Funding (CRISP)	\$ 6,990,447	\$ 7,324,253	\$ 333,806
Workshops	70,000	70,000	(0)
Interest Income Allocation	491	24,038	23,546
Total	\$ 7,060,938	\$ 7,418,290	\$ 357,352
Grand Total	\$ 9,195,347	\$ 9,444,253	\$ 248,906

- Workshops – The \$45k decrease is due to one less Reliability Standards workshop being held in 2018, which is partially offset by an increase in RASA modeling workshop fees that are based on 2016 actuals.
- Interest Income Allocation – The \$92k increase is the result of higher anticipated interest rates in 2018.
- Services and Software – The net change is \$0, since \$50k for PcGAR software was incorrectly budgeted in RASA in 2017 and is being reclassified to Performance Analysis in 2018.
- Testing Fees – The \$132k decrease is due to a reduction in the numbers of tests to be taken in 2018.
- Third Party Funding (CRISP) – The \$334k increase is due to the increase in NERC costs, which are funded equally by participants in CRISP and through assessments.

Table B-4 – Personnel

Personnel	Budget		Variance	
	2017	2018	2018 Budget v 2017 Budget	Variance %
Salaries	\$ 30,073,438	\$ 31,791,098	\$ 1,717,659	5.7%
Payroll Taxes	1,847,130	1,949,557	102,426	5.5%
Benefits	3,643,806	3,988,886	345,080	9.5%
Retirement	3,076,956	3,239,565	162,608	5.3%
Total	\$ 38,641,331	\$ 40,969,105	\$ 2,327,774	6.02%
FTEs	189.88	199.28	9.40	5.0%
Cost per FTE				
Salaries	\$ 158,381	\$ 159,530	\$ 1,149	0.7%
Payroll Taxes	9,728	9,783	55	0.6%
Benefits	19,190	20,016	826	4.3%
Retirement	16,205	16,256	52	0.3%
Total	\$ 203,504	\$ 205,586	\$ 2,082	1.02%

Below is some additional information on the components of personnel expense:

- Salaries - Total Salaries expense is comprised of base salaries, incentive compensation, deferred compensation, employment agency fees, and temporary office expenses. The 2018 budget for base salaries assumes a 3% increase over actual 2017 base salaries and is inclusive of market adjustments and promotions. The 2018 budget for incentive compensation is based on historical actuals and is comparable to prior years. The 2018 budgets for deferred compensation, employment agency fees, and temporary office expenses are generally consistent with 2017.
- Benefits are budgeted to increase 9.5% based on a 5% increase in health and dental premiums, as well as an increase in training expenses to support staff development.
- There have been no changes to NERC’s retirement plans.

Table B-5 – Meetings

Meetings	Budget		Variance	
	2017	2018	2018 Budget v 2017 Budget	Variance %
Meetings	\$ 1,071,500	\$ 1,071,500	\$ (0)	0.0%
Travel	2,203,786	2,204,000	214	0.0%
Conference Calls	97,600	119,600	22,000	22.5%
Total	\$ 3,372,886	\$ 3,395,100	\$ 22,214	0.7%

- The \$22k increase in Conference Calls reflects an adjustment for WebEx expenses based on historical usage.

Table B-6 – Consultants and Contracts

NOTE: This table has been replaced by Exhibit C – Contractor and Consulting Costs

Table B-7 – Rent

Office Rent	Budget		Variance	
	2017	2018	2018 Budget v 2017 Budget	Variance %
Office Rent	\$ 2,838,144	\$ 2,819,554	\$ (18,590)	-0.7%
Maintenance	278,866	272,250	(6,616)	-2.4%
Total	\$ 3,117,009	\$ 3,091,804	\$ (25,205)	-0.8%

Table B-8 – Office Costs

Office Costs	Budget		Variance	
	2017	2018	2018 Budget v 2017 Budget	Variance %
Telephone	\$ 539,737	\$ 422,387	\$ (117,350)	-21.7%
Telephone Answering Service	2,500	2,750	250	10.0%
Internet	383,366	383,966	600	0.2%
Office Supplies	194,000	190,750	(3,250)	-1.7%
Computer Supplies & Maintenance	-	-	-	0.0%
Computers	25,000	-	(25,000)	-100.0%
Computer Supplies	101,400	106,100	4,700	4.6%
Maintenance and Service Agreements	2,426,139	2,102,966	(323,173)	-13.3%
Software	122,500	851,976	729,476	595.5%
Network Supplies	-	-	-	0.0%
Subscription and Publications	180,460	194,970	14,510	8.0%
Dues	49,316	66,911	17,595	35.7%
Postage	16,221	15,540	(681)	-4.2%
Express Shipping	28,216	26,992	(1,224)	-4.3%
Copying	110,123	115,842	5,719	5.2%
Audio/Visual Lease	-	494,988	494,988	100.0%
Hardware Lease	-	145,348	145,348	100.0%
Reports	362	-	(362)	-100.0%
Stationary/Forms	2,500	-	(2,500)	-100.0%
Equipment Repair/Service Contracts	75,000	132,497	57,497	76.7%
Bank Charges	25,000	25,000	(0)	0.0%
Merchant Card Fees	77,500	86,100	8,600	11.1%
Total	\$ 4,359,340	\$ 5,365,084	\$ 1,005,744	23.1%

- Telephone – The \$117k decrease is due to a change in our long-distance provider.
- Computers – The \$25k decrease is due to the decision to lease desktop computers in lieu of purchasing them in 2018.
- Maintenance and Service Agreements – The \$323k decrease is primarily the result of the following:
 - \$100k decrease in Compliance Assurance due the elimination of an audit tool;
 - \$100k decrease in Finance and Accounting department due to the reclass of its budgeting and financial reporting software from this account to the Software account; and
 - \$100k decrease in Information Technology department due to the reclass of \$214k combined to the Audio/Visual Lease and Hardware Lease accounts, which was partially offset by increases in various maintenance and service agreements.
- Software – The \$729k increase is largely the result of the following:
 - \$108k combined increase for new analytic data software for the RASA department and budgeting and financial reporting software for the Finance and Accounting department that were both reclassified from the Maintenance and Service Agreement account to this account; and

- \$500k for new technology tools related to the E-ISAC strategy.
- \$110k increase in Information Technology department due to the reclass of various tools from other accounts.
- Subscriptions and Publications – The \$15k increase is due to higher fees for a research and advisory subscription in the Information Technology department
- Dues – The \$17k increase primarily results from a new membership in an organization that allows NERC to partner with other entities in addressing strategic issues facing the electric industry.
- Audio/Visual Lease – The \$495k increase is the result of the reclass of costs related to the audio/visual equipment of \$300k from fixed assets and \$195k from the Maintenance and Service Agreements account.
- Hardware Lease – The \$145k increase is due to the reclass of \$126k from fixed assets and \$19k from the Maintenance and Service Agreements account due to the decision to lease certain hardware in lieu of purchasing it.
- Equipment Repair/Service Contracts – \$57k increase due to building security and HVAC needs in 2018.

Table B-9 – Professional Services

Professional Services	Budget 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Independent Trustee Fees	\$ 1,226,000	\$ 1,237,500	\$ 11,500	0.9%
Trustee Search Fees	100,000	100,000	-	0.0%
Outside Legal	515,000	595,500	80,500	15.6%
Lobbying	60,000	72,000	12,000	20.0%
Accounting and Auditing Fees	159,135	128,000	(31,135)	-19.6%
Insurance Commercial	230,000	231,000	1,000	0.4%
Outside Services	178,000	173,500	(4,500)	-2.5%
Total	\$ 2,468,135	\$ 2,537,500	\$ 69,365	2.8%

- Outside Legal – increase primarily due to the addition of \$75k for legal costs related to the E-ISAC strategy.
- Lobbying – higher due to an increase in the retainer of the firm that NERC uses. This expense is primarily related to NERC’s monitoring of regulatory and legislative issues and responding to information requests related to these activities.
- Accounting and Auditing Fees – decreased based on historical actual information.

Table B-10 – Miscellaneous

Miscellaneous Expenses	Budget		Variance	
	2017	2018	2018 Budget v 2017 Budget	Variance %
Miscellaneous Expense	\$ 6,500	\$ 7,000	\$ 500	7.7%
Employee Rewards and Recognition*	25,500	28,000	2,500	9.8%
Community Responsibility & Employee Engagement	5,000	4,500	(500)	-10.0%
Total	\$ 37,000	\$ 39,500	\$ 2,500	6.8%

* Includes costs associated with the year-end employee recognition event

Table B-11 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget		Variance	
	2017	2018	2018 Budget v 2017 Budget	Variance %
Property Tax Expense	\$ 50,000	\$ 50,000	\$ -	0.0%
Interest Expense	56,725	88,878	32,153	56.7%
Total	\$ 106,725	\$ 138,878	\$ 32,153	30.1%

Budgeted interest expense is calculated based on expected draws on the capital financing loan. Refer to *Exhibit D – Capital Financing* on page 142 for more detailed information related to debt repayment and the interest expense calculation.

Table B-12 – Fixed Assets

Fixed Assets	Budget		Variance	
	2017	2018	2018 Budget v 2017 Budget	Variance %
Depreciation	\$ (1,691,457)	\$ (1,594,299)	\$ 97,158	-5.7%
Computer & Software CapEx	2,572,000	2,549,000	(23,000)	-0.9%
Furniture & Fixtures CapEx	-	-	-	0.0%
Equipment CapEx	1,800,000	1,175,000	(625,000)	-34.7%
Leasehold Improvements	-	150,000	150,000	100.0%
Total	\$ 2,680,543	\$ 2,279,701	\$ (400,842)	-15.0%

As discussed in the *Executive Summary* on page 15 and in the *Information Technology* section of Section A beginning on page 77, expenditures for fixed assets, excluding the reversal of Depreciation expense, are budgeted to be \$498k lower in 2018 compared to 2017. This decrease is primarily the result of leasing audio visual and certain computer equipment, resulting in a reduction of Fixed Assets and an increase in Office Costs in the 2018 budget. There is also \$150,000 included in the 2018 budget for leasehold improvements related to the long-term E-ISAC strategy.

Table B-13 – 2019-2020 Projections

NOTE: Refer to the Executive Summary section on page 22

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

	12/31/2016 Per Audit	12/31/2017 Projection	12/31/2018 Projection
ASSETS			
Cash	\$54,523,918	\$54,283,778	\$55,379,617
Trade Accounts receivable	3,784,075	3,784,075	3,784,075
Prepaid expenses and other current assets	2,046,006	2,046,006	2,046,006
Security deposit	125,585	125,585	125,585
Plan Assets - 457b	1,109,883	1,459,883	1,809,883
Plan Assets - 457f	473,741	673,741	873,741
Property and equipment	10,791,214	11,798,427	13,072,427
Total Assets	\$72,854,421	\$74,171,494	\$77,091,333
LIABILITIES AND NET ASSETS			
Liabilities			
Current Portion			
Accounts payable and accrued expenses (incl, vacation accrual)	\$4,288,119	\$4,288,119	\$4,459,078
Accrued Incentive Comp	4,979,436	5,021,322	5,302,006
Deferred rent-current	396,121	480,457	566,808
Deferred compensation-current	-	-	-
Capital lease obligations - current	74,212	74,212	74,212
Accrued retirement liabilities	1,903,342	1,903,342	1,828,837
Debt Service - Current Portion	1,238,940	1,200,607	1,594,021
Deferred income	12,301,736	12,301,736	12,301,736
Deferred revenue - penalties	-	-	-
Deferred revenue - CRISP	2,418,927	2,418,927	2,418,927
Regional assessments	23,471,153	23,471,153	23,471,153
Total Current Portion	\$51,071,987	\$51,159,876	\$52,016,778
Long-Term Portion			
Deferred compensation ¹	\$1,527,436	\$2,077,436	\$2,627,436
Capital Project Financing - non-current	625,433	1,361,354	1,915,333
Deferred rent - non-current	3,015,784	2,535,327	1,968,519
CRISP Insurance Reserve	500,000	500,000	500,000
Deferred Revenue - Assessment Stabilization Reserve	-	-	-
Capital lease obligations - non-current	77,541	77,541	77,541
Total Non-Current Portion	\$5,746,195	\$6,551,659	\$7,088,830
Total Liabilities	\$56,818,183	\$57,711,535	\$59,105,609
Net Assets - unrestricted	\$13,265,238	\$14,288,959	\$16,414,724
Net Assets - restricted	2,771,000	2,171,000	1,571,000
Total Liabilities and Net Assets	\$72,854,421	\$74,171,494	\$77,091,333

¹Includes 457b liability, life insurance for former executive, and retiree medical

NORTH AMERICAN ELECTRIC RELIABILITY COPORATION

Statement of Activities, Fixed Asset Expenditures, and Change in Working Capital by Program 2018 Budget	Statutory Activities																
	Statutory Total	Reliability Standards	Compliance Analysis, Organization Registration & Certification	Compliance Assurance	Compliance Enforcement	Reliability Assessment and System Analysis	Performance Analysis	Personnel Certification	Training and Continuing Education	Event Analysis	Situation Awareness	E-ISAC (Including CRSP)	General and Administrative (Includes Executive and Gov't Relations)	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding																	
ERO Funding																	
NERC Assessments	\$ 62,936,968	\$ 6,689,437	\$ 4,837,109	\$ 8,801,659	\$ 6,608,973	\$ 7,212,995	\$ 4,533,448	\$ -	\$ 1,309,031	\$ 5,061,521	\$ 3,816,664	\$ 14,297,524	\$ (231,393)	\$ -	\$ -	\$ -	\$ -
Assessment Stabilization Reserve - Penalties	600,000	71,739	43,478	89,130	56,522	65,217	43,478	-	17,391	52,174	26,087	134,783	-	-	-	-	-
Total NERC Funding	\$ 63,536,968	\$ 6,761,176	\$ 4,880,587	\$ 8,890,790	\$ 6,665,495	\$ 7,278,213	\$ 4,576,927	\$ -	\$ 1,326,422	\$ 5,113,695	\$ 3,842,751	\$ 14,432,307	\$ (231,393)	\$ -	\$ -	\$ -	\$ -
Third-Party Funding (CRISP)	\$ 7,324,253	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,324,253	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	1,790,000	-	-	-	-	-	-	1,190,000	600,000	-	-	-	-	-	-	-	-
Services & Software	50,000	-	-	-	-	-	50,000	-	-	-	-	-	-	-	-	-	-
Workshops	185,000	50,000	-	-	-	25,000	-	-	-	40,000	-	70,000	-	-	-	-	-
Interest	95,000	10,717	6,495	13,316	8,444	9,743	6,495	1,461	2,598	7,794	3,897	24,038	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding (A)	\$ 72,981,221	\$ 6,821,893	\$ 4,887,082	\$ 8,904,105	\$ 6,673,939	\$ 7,312,956	\$ 4,633,422	\$ 1,191,461	\$ 1,929,020	\$ 5,161,490	\$ 3,846,648	\$ 21,850,597	\$ (231,393)	\$ -	\$ -	\$ -	\$ -
Expenses																	
Personnel Expenses																	
Salaries	\$ 31,791,098	\$ 2,207,431	\$ 1,514,712	\$ 2,936,161	\$ 1,792,112	\$ 2,334,967	\$ 1,372,376	\$ 215,963	\$ 485,344	\$ 1,783,120	\$ 888,593	\$ 4,634,838	\$ 3,238,838	\$ 1,988,458	\$ 3,306,040	\$ 757,614	\$ 2,334,533
Payroll Taxes	1,949,557	145,638	95,616	192,067	115,916	144,330	92,361	16,143	35,945	110,619	59,143	290,702	163,344	110,476	212,307	28,742	136,208
Benefits	3,988,886	299,194	194,709	398,424	168,533	283,513	154,799	40,493	54,715	227,802	144,353	578,849	377,089	186,112	415,918	117,372	347,011
Retirement Costs	3,239,565	246,107	168,791	324,835	200,403	258,277	154,224	24,462	54,890	198,179	98,676	499,793	127,821	218,267	364,609	47,903	252,329
Total Personnel Expenses	\$ 40,969,105	\$ 2,898,370	\$ 1,973,828	\$ 3,851,487	\$ 2,276,963	\$ 3,021,087	\$ 1,773,760	\$ 297,061	\$ 630,895	\$ 2,319,720	\$ 1,190,764	\$ 6,004,182	\$ 3,907,091	\$ 2,503,312	\$ 4,298,874	\$ 951,631	\$ 3,070,081
Meeting Expenses																	
Meetings	\$ 1,071,500	\$ 105,000	\$ 2,250	\$ 200,000	\$ 2,000	\$ 121,000	\$ 11,000	\$ 32,000	\$ 12,250	\$ 81,500	\$ 2,000	\$ 127,000	\$ 347,500	\$ 6,000	\$ 7,000	\$ 10,000	\$ 5,000
Travel	2,204,000	240,000	150,500	375,000	47,500	250,000	80,000	7,000	10,000	150,000	33,000	291,000	363,000	55,000	72,000	5,000	75,000
Conference Calls	119,600	-	-	-	-	-	-	-	-	-	-	-	-	-	119,600	-	-
Total Meeting Expenses	\$ 3,395,100	\$ 345,000	\$ 152,750	\$ 575,000	\$ 49,500	\$ 371,000	\$ 91,000	\$ 39,000	\$ 22,250	\$ 231,500	\$ 35,000	\$ 418,000	\$ 710,500	\$ 61,000	\$ 198,600	\$ 15,000	\$ 80,000
Operating Expenses																	
Consultants & Contracts	\$ 13,724,185	\$ -	\$ -	\$ 50,000	\$ -	\$ 525,000	\$ 572,030	\$ 250,700	\$ 348,200	\$ -	\$ 1,295,495	\$ 7,391,794	\$ 100,000	\$ -	\$ 2,123,966	\$ 640,000	\$ 427,000
Office Rent	3,091,804	-	-	-	-	-	-	-	-	-	-	3,091,804	-	-	-	-	-
Office Costs	5,365,084	49,796	21,684	43,563	19,160	187,889	57,812	46,121	71,848	43,786	41,897	907,330	547,374	46,065	3,168,686	7,328	104,746
Professional Services	2,537,500	-	-	-	-	-	-	-	-	-	-	250,000	1,597,500	303,500	-	60,500	326,000
Miscellaneous	39,500	500	500	500	500	500	500	-	500	500	500	3,000	500	500	500	30,000	500
Depreciation	1,594,299	39,278	-	105,014	150,771	143,999	1,439	84,943	2,559	85,136	311,567	-	669,592	-	-	-	-
Total Operating Expenses	\$ 26,352,371	\$ 89,574	\$ 22,184	\$ 94,063	\$ 124,674	\$ 864,160	\$ 774,341	\$ 296,821	\$ 421,987	\$ 129,229	\$ 1,340,451	\$ 8,634,760	\$ 5,651,245	\$ 350,065	\$ 5,962,744	\$ 737,828	\$ 858,246
Total Direct Expenses	\$ 70,716,577	\$ 3,332,944	\$ 2,148,762	\$ 4,520,550	\$ 2,451,137	\$ 4,256,247	\$ 2,639,101	\$ 632,882	\$ 1,075,132	\$ 2,680,449	\$ 2,566,215	\$ 15,056,942	\$ 10,268,836	\$ 2,914,377	\$ 10,460,218	\$ 1,704,459	\$ 4,008,326
Indirect Expenses	\$ 0	\$ 3,470,011	\$ 2,103,037	\$ 4,311,226	\$ 2,733,948	\$ 3,154,555	\$ 2,103,037	\$ 473,183	\$ 841,215	\$ 2,523,644	\$ 1,261,822	\$ 6,519,415	\$ (10,407,714)	\$ (2,914,377)	\$ (10,460,218)	\$ (1,704,459)	\$ (4,008,326)
Other Non-Operating Expenses	\$ 138,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,878	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 70,855,455	\$ 6,802,955	\$ 4,251,799	\$ 8,831,775	\$ 5,185,085	\$ 7,410,803	\$ 4,742,138	\$ 1,106,065	\$ 1,916,346	\$ 5,204,093	\$ 3,828,038	\$ 21,576,357	\$ (0)	\$ 0	\$ (0)	\$ 0	\$ 0
Change in Assets	\$ 2,125,766	\$ 18,939	\$ 635,283	\$ 72,330	\$ 1,488,854	\$ (97,847)	\$ (108,716)	\$ 85,397	\$ 12,674	\$ (42,604)	\$ 18,610	\$ 274,241	\$ (231,393)	\$ (0)	\$ 0	\$ (0)	\$ (0)
Fixed Assets																	
Depreciation	\$ (1,594,299)	\$ (39,278)	\$ -	\$ -	\$ (105,014)	\$ (150,771)	\$ (143,999)	\$ -	\$ (1,439)	\$ (84,943)	\$ (2,559)	\$ (85,136)	\$ (311,567)	\$ -	\$ (669,592)	\$ -	\$ -
Computer & Software CapEx	2,549,000	-	600,000	-	1,548,000	-	-	-	-	-	-	100,000	-	-	301,000	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	1,175,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,175,000	-	-
Leasehold Improvements	150,000	-	-	-	-	-	-	-	-	-	-	150,000	-	-	-	-	-
Allocation of Fixed Assets	0	58,217	35,283	72,330	45,868	52,924	35,283	7,939	14,113	42,339	21,170	109,377	311,567	-	(806,408)	-	-
Inc(Dec) in Fixed Assets (C)	\$ 2,279,701	\$ 18,939	\$ 635,283	\$ 72,330	\$ 1,488,854	\$ (97,847)	\$ (108,716)	\$ 7,939	\$ 12,674	\$ (42,604)	\$ 18,610	\$ 274,241	\$ 0	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B+C)	\$ 73,135,156	\$ 6,821,893	\$ 4,887,082	\$ 8,904,105	\$ 6,673,939	\$ 7,312,956	\$ 4,633,422	\$ 1,114,003	\$ 1,929,020	\$ 5,161,490	\$ 3,846,648	\$ 21,850,597	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 0
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (153,935)	\$ (0)	\$ 0	\$ (0)	\$ -	\$ (0)	\$ 0	\$ 77,458	\$ 0	\$ (0)	\$ 0	\$ (0)	\$ (231,393)	\$ (0)	\$ 0	\$ (0)	\$ (0)
FTEs	199.28	15.51	9.40	19.27	12.22	14.10	9.40	2.12	3.76	11.28	5.64	29.14	15.98	10.34	22.33	2.82	15.98

Exhibit A – Shared Assumptions and Key Focus Areas

Shared Business Plan and Budget Assumptions 2018-2020 Key Focus Areas for 2018

NERC and the eight Regional Entities (together the ERO Enterprise) are committed to a common operating model¹ that describes the characteristics of a highly efficient and effective Electric Reliability Organization (ERO) Enterprise. This operating model includes action items to address coordinated strategic and business planning, as well as performance monitoring processes across the enterprise. These processes remain transparent, with results reported on a quarterly basis to NERC's Corporate Governance and Human Resources Committee and the NERC Board of Trustees (Board) in support of the ERO Enterprise corporate oversight function.

At its November 2016 meeting, the Board approved the 2017-2020 ERO Enterprise Strategic Plan² with goals, objectives, and deliverables for the 2018–2020 planning period. The strategic plan lays out five goals that the ERO Enterprise will focus on over the next three years. Those goals include (1) risk-responsive Reliability Standards, (2) objective and risk-informed compliance monitoring and enforcement, as well as organization certification and registration, (3) identification and mitigation of significant reliability risks, (4) identification and assessment of emerging reliability risks, and (5) effective and efficient ERO Enterprise operations. The plan also identifies a number of associated contributing activities to achieve the goals of the ERO Enterprise. There are also seven overarching performance metrics to assess the overall effectiveness of the ERO Enterprise in addressing risk to the Bulk Electric System (BES) and improving BES reliability in 2017. These metrics concentrate on (1) experiencing fewer, less severe events, (2) allowing no gaps in Reliability Standards and compliance monitoring, (3) foreseeing resource deficiencies, (4) preventing unauthorized physical or cyber security access that disrupts BES facilities, (5) reducing reliability risk from noncompliance, (6) decreasing risks in targeted areas, and (7) managing NERC operations in an efficient and effective manner.

The following set of common assumptions has been developed to guide ERO Enterprise resource projections³ for the 2018–2020 period. Specifically, it supports the strategies heading into 2018 and establishes common assumptions, goals, and objectives as the ERO Enterprise begins the 2018 Business Plan and Budget (BP&B) cycle. Additionally, it outlines how these goals and objectives set the stage for periods beyond 2018, all in support of achieving the goals and objectives set forth in the Strategic Plan.

Immediately following each list of assumptions for the respective program areas is guidance for the Regional Entities in drafting each of their 2018 BP&B narratives. NERC will describe these key focus areas in the text of its BP&B and expects each Regional Entity to do the same for the applicable delegated functions. The goal is to ensure that NERC and the Regional Entity BP&Bs reflect the collaboration within the ERO Enterprise regarding significant operations and key activities. Additionally, the text of the Regional Entities' BP&Bs should continue to reflect resource allocation and support for ongoing delegated functions and activities.

The relevant ERO Executive Management Group (ERO EMG) working groups are encouraged to discuss the common assumptions and key focus areas to address impacts to their area of operations. The Regional

¹ [ERO Enterprise Operating Model](#)

² [ERO Enterprise Strategic Plan and Metrics 2017-2020](#)

³ NERC recognizes there are often unique factors that drive differences in each entity or organization's final determination of its resource needs and budget. Regional Entity-specific assumptions are stated in each Regional Entity's BP&B, as appropriate.

Entity operating leads and corresponding NERC staff have collaborated on the content included herein. The results of this collaboration guide the initial drafting of the NERC and Regional Entity BP&B documents, streamline NERC’s review of the initial drafts of the Regional Entity BP&Bs, and mitigate the need for material changes prior to (or after) posting of the draft BP&Bs.

Similar to prior planning cycles, the specific resource needs and budgets of NERC and the Regional Entities will be publicly posted and made available on NERC’s website for review. Each Regional Entity board approves its BP&B after an extensive review process that includes consideration of stakeholder input. In addition, the BP&Bs of NERC and each Regional Entity are approved in open session by NERC’s Finance and Audit Committee and Board as part of the annual BP&B process. NERC’s review of the Regional Entity BP&Bs will be primarily focused on ensuring alignment of activities with the Strategic Plan and adequacy of resources to support performance of delegated functions and key efforts. A 2018 BP&B schedule has been developed to identify important meeting dates, review periods, posting dates, etc. associated with the development and completion of the NERC and Regional Entity BP&Bs.

The assumptions noted below will continue to be refined based on comments received from stakeholders and the ongoing work conducted by NERC and Regional Entity leadership regarding specific goals, objectives, and supporting activities over the planning period.

LEGAL AND OPERATING FRAMEWORK

NERC and the Regional Entities will continue to work under the existing regulatory framework governing the establishment and enforcement of Reliability Standards for the BES established by applicable governmental authorities in the U.S., provincial regulatory and/or governmental authorities in Canada, and portions of Mexico, as well as the authorizations contained in the Federal Energy Regulatory Commission’s (FERC) Order approving NERC as the ERO. Additionally, as in prior years, the following responsibilities will continue:

- NERC enhancement of Regional Entity oversight for performance of their delegated functions.
- NERC and Regional Entity development of goals, measures, and reports to assess and evaluate the Regional Entities’ performance of their Regional Delegation Agreements (RDAs), NERC’s Rules of Procedure⁴ (ROP), the Compliance Monitoring and Enforcement Program (CMEP), FERC requirements, and directives that are in effect pursuant to Section 8(c) of the RDAs.
- NERC feedback and direction to the Regional Entities on performance improvements.
- NERC and Regional Entity collaboration to refine and revise processes and procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measureable reliability outcomes.
- Regional Entity primary responsibility for day-to-day operations and interactions with registered entities.

STAKEHOLDER PARTICIPATION

NERC and the Regional Entities develop their BP&B’s based upon the assumption of continued stakeholder participation in support of key program areas, while recognizing that stakeholder resource limitations may

⁴ [NERC Rules of Procedure](#)

affect specific levels of participation in any given activity. The availability and adequacy of industry resource support will be evaluated on an ongoing basis.

EXTERNAL FACTORS

The performance and execution of BP&B's for each entity in the ERO Enterprise may be impacted by external factors. These factors include, but are not limited to, the following:

- FERC Orders, other applicable governmental authority actions, directives, audits, mitigation efforts, and performance assessments.
- Environmental Protection Agency (EPA) rules in the US and, likewise, provincial or Federal rules in Canada or Mexico that could potentially impact the reliability and/or operation of the BES.
- Other governmental agencies or departments that may issue rules, guidelines, orders, or directives that may impact the operation of the BES.
- The number and significance of changes within Balancing Authorities' and Reliability Coordinators' areas, prompting the need for associated re-certification and reliability plan assessments.
- The unanticipated rise in the rate and severity of entity violations.
- The unanticipated rise in the rate and severity of system events requiring formal investigations beyond historic volumes, and causal drivers of these events.
- New technologies and changes in resource or demand composition that require additional reliability studies and reliability risk analysis, including new techniques for conducting relevant assessments.
- Changes in applicable laws and regulations, including environmental laws and others.
- Priority risk activities identified by the Reliability Issues Steering Committee (RISC), committees of and reporting to the Board, and through other stakeholder input.
- The ability of stakeholders to support the pace and scope of the various activities while implementing the results of earlier efforts.

COLLABORATION WITH THE TRADE ASSOCIATIONS AND FORUMS

The activities of the North American Transmission Forum (NATF), North American Generator Forum (NAGF), and other forums and trade associations are expected to complement ERO Enterprise activities and mitigate incremental resource needs of NERC and Regional Entities in certain areas. NERC has a memorandum of understanding with the NATF and NAGF to ensure that the common objectives of each organization are achieved in the most efficient and effective manner. Increased collaboration between NERC and the NATF and NAGF is expected to continue.

KEY ASSUMPTIONS AND FOCUS AREAS BY PROGRAM AREA⁵

Reliability Standards

Assumptions (2018-2020)

- The number of continent-wide Reliability Standards development projects is expected to remain relatively stable, except as required to address any new FERC directives to create or modify Reliability Standards, or industry submittals of standard authorization requests.
- Continent-wide Reliability Standards projects will consist primarily of conducting enhanced periodic reviews on existing Reliability Standards to improve their content and quality, respond to identified risks to reliability (including those that may be identified through the implementation of risk-based Compliance Monitoring and Enforcement), and address FERC directives that may arise. This activity will require the allocation of technical resources from several internal NERC departments (e.g., Reliability Assessment and Performance Analysis (RAPA), Reliability Risk Management, Compliance Analysis and Certification, and Compliance Assurance) and support from across the ERO Enterprise.
- During the enhanced periodic review of Reliability Standards, any associated Regional Reliability Standards will be reviewed for potential incorporation as variances or as improvements to the continent-wide requirements. Regional and NERC Reliability Standards development processes may require modification to efficiently accomplish this task. Each Regional Entity will work with NERC and other Regional Entities as necessary on projects where there is a Regional Reliability Standard/variance.
- Regional Reliability Standards development activity is expected to remain low, driven by requests that the Regional Entity may receive or reliability issues that the Regional Entity may identify.
- In coordination with Standard Drafting Teams and consistent with current approaches, Regional Entities may support outreach during standard development and participate in the standard development activities as may be required to address reliability and stakeholder issues that may arise within their respective regions.
- Following FERC approval, NERC and the Regional Entities collectively will assist the transition of Reliability Standards to compliance monitoring and enforcement by supporting industry and auditor training or providing information regarding the intent of the Reliability Standard.
- The number of standard interpretations is expected to remain low. However, implementation guidance requests may increase.
- As noted in the assumptions for Information Technology (IT), Regional Entities will be asked to participate in teams to help develop application business requirements and test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Compliance Monitoring and Enforcement Process Tool project will be dependent on Regional Entity participation. When planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of this project.

⁵ These statements, which are generally organized by program area, are intended to help guide resource allocation decision-making in the development of the 2018 BP&Bs.

Key Focus Areas (2018)

- Sustaining feedback loops, including audit and enforcement experience, continent-wide perspectives, lessons-learned, and events analysis for enhanced periodic reviews focused on conducting measured, in-depth reviews to improve Reliability Standards using the enhanced periodic review template.
- Incorporate Regional Reliability Standards into continent-wide Reliability Standards as the continent-wide Reliability Standards are reviewed through the enhanced periodic review process.

Compliance Monitoring and Enforcement, and Organization Registration and Certification

Compliance Assurance and Enforcement

Assumptions (2018-2020)

- The implementation of the risk-based CMEP requires the allocation of dedicated resources from NERC and the Regional Entities for both compliance and enforcement. Regional Entities will require resources to complete the Inherent Risk Assessments (IRAs) for all registered entities in 2017-2019. In addition, Regional Entities will require resources to continuously update previously completed IRAs based on identified triggers and focus on creating compliance oversight plans that include compliance monitoring tools, the interval of compliance monitoring, and the Reliability Standards that are to be monitored.
- NERC and the Regional Entities will continue to evaluate business practices, implementation, and consistency within the risk-based compliance monitoring and enforcement program.
- NERC and the Regional Entities will continue to support the training and education requirements and guidelines necessary to meet the criteria set forth by the *ERO Enterprise Compliance Monitoring and Enforcement Manual* and the *Competency Guide*⁶.
- Planning and operating Reliability Standard violations are expected to remain constant as most registered entities have been audited and, thus, have a greater understanding of compliance expectations. A modest increase may also occur as revisions of certain standards or new Reliability Standards become effective.
- Compliance personnel will need to continue support of the implementation of cyber-security Reliability Standards:
 - NERC will continue Critical Infrastructure Protection (CIP) V5 training, coordination, and facilitation with the ERO Enterprise CIP auditors and the industry. ERO Enterprise CIP subject matter experts will support these activities to ensure appropriate knowledge and guidance is developed, understood by industry, and administered.
 - The allocation of resources in 2018 should be responsive to continued implementation by registered entities of new versions of the CIP Reliability Standards, while recognizing that the risk-informed focus will be used.
- Additional resource allocation may be necessary for increased Physical Security compliance monitoring activities for CIP-014 and the compliance monitoring activities related to the Supply Chain Risk Management Reliability Standard (CIP-013).

⁶ [ERO Enterprise Compliance Monitoring and Enforcement Manual and the Competency Guide](#)

- ERO Enterprise CMEP staff, particularly staff with visibility into risks existing in the field, will provide feedback to the ERO Enterprise. This feedback may include information on risks seen in the field that are not addressed by a standard, as well as information on where a standard is too broad. ERO Enterprise CMEP staff will participate in the development of a solution, regardless of whether the risk is addressed through a new or modified Reliability Standard, or other means.
- ERO Enterprise CMEP staff will provide input for standards development teams on the risks seen in the field relating to a standard under development, as well as for how a Reliability Standard would be monitored.
- As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Compliance Monitoring and Enforcement Process Tool project will be dependent on Regional Entity participation. When planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of this project.
- NERC and the Regional Entities will continue to maintain the necessary resources to support the existing systems until ERO Enterprise application projects have been approved and implemented.

Key Focus Areas (2018)

- Monitoring and management of compliance monitoring and enforcement metrics in support of ERO Enterprise’s Strategic Plan and CMEP Oversight Program.
- Ongoing implementation and oversight of the risk-based CMEP, including IRAs, consideration of internal controls, and ensuring that Compliance Oversight Plans are addressing the relevant risks.
- Implementation and oversight of the CIP V5, CIP-013, and CIP-014 compliance monitoring programs, while recognizing that a risk-informed focus will be used.
- Continued ERO Enterprise-wide collaboration and implementation of consistent compliance monitoring and enforcement practices focused on higher reliability risks.

Compliance Analysis, Certification, and Registration

Assumptions (2018-2020)

- Two central reforms have been identified as a result of the completion of the risk-based registration activity in 2015:
 1. Modifications to the NERC Registry Criteria have been approved, including the elimination of three functional entities (Purchasing-Selling Entities, Interchange Authorities, and Load-Serving Entities), modifications to the threshold criteria for Distribution Providers, and alignment of five registration categories with the BES definition.
 2. The NERC-led review panel, which vets requests for Deactivation or decisions not to register an entity that does not meet the Registry Criteria, as well as disputes regarding the application of the Registration Criteria and requests for a sub-set list of applicable Reliability Standards (which may specify the Requirements/sub-Requirements), has been incorporated into the rules.

These reforms strengthen the registration process and are important milestones in NERC’s approach to managing risks to reliability. Deployment and implementation of these revisions began in 2015, with continued work in 2017 and 2018.

- No further enhancements are anticipated to support the ongoing next phases of the risk-based registration activity.
- The results from the 2016 registration program review will result in modifications to the program in 2018. The recommendations from the Organization Registration Program review are summarized below and will be prioritized by the Organization Registration and Certification Group (ORCG) for work to be conducted in 2017 and 2018:
 - NERC staff shall develop ERO Enterprise monitoring activities for 2018.
 - The NERC-led review panel should compile a list of possible ROP enhancements related to the NERC-led review panel processes and procedures.
 - NERC and the Regional Entities should develop and conduct outreach for industry to inform how the NERC-led review panel is conducted and how a submittal is processed.
 - NERC and the Regional Entities should conduct an in-depth review on Joint Registration Organizations (JROs)/Coordinated Functional Registrations (CFRs). This may include how a JRO/CFR works, what the obligations are, different models implemented across the ERO Enterprise, forms/formats and communication, and examples of how to document the agreements.
 - NERC should review its internal processes and procedures based on the recommendation from the independent audit.
 - NERC and the Regional Entity staffs should work collaboratively with the ERO CMEP technology staff in reaching their milestones.
 - NERC and the Regional Entities should draft a more defined procedure for its role in changes to BES Element status.
 - NERC should review the website to 1) ensure the NERC Registration website is up to date, with documents in the appropriate locations and 2) ensure documents posted to the NERC Registration website are accurate. NERC should seek any ORCG input into ideas for clean-up and document migration.
 - NERC and the Regional Entities should prioritize any current or future identified issues and focus to resolve the higher priority issues in a timely manner and report progress to the ORCG.
- The activities associated with the implementation of the BES definition have decreased and, therefore, no additional resource demands are expected in the registration area. However, with applications for Self-Determined Notifications no longer being accepted through the ERO Enterprise BESnet application, Regional Entities will need to validate, with NERC oversight, submittals to determine complete and proper application of the BES definition.
- Planned oversight activities for 2018 will be aligned with the ERO Enterprise Operating Model, which should not affect 2018 resource allocation and have little effect on overall NERC resource requirements. NERC understands that each Regional Entity will need to evaluate its individual resource needs and allocations.
- As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Entity Registration project, the Enterprise Reporting data warehouse project, and the Compliance Monitoring and Enforcement Process Tool project will be dependent

on Regional Entity participation. When planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of these projects.

Key Focus Areas (2018)

- Implementation of risk-based registration activities, collaborative development of a consistent registration program throughout the enterprise, and implementation of any registration program changes identified in the 2016 review, as listed above.
- Continued use of the NERC-led review panel, which may require four to six engagements per year that may require travel from each of the regional representatives.

Reliability Assessment and Performance Analysis (RAPA)

Reliability Assessment

Assumptions (2018-2020)

- NERC and the Regional Entities will continue to focus resources on high quality reliability assessments that address goals and their associated contributing activities identified in the ERO Enterprise’s 2018-2020 Strategic Plan for *Goal 3 – Identification and Mitigation of Significant Risks to Reliability* and *Goal 4 – Identification and Assessment of Emerging Risks to Reliability*.
- NERC and the Regional Entities will continue to support a common approach for NERC reliability assessments and ensure consistent evaluation, aligned with the ROP Section 800, Reliability Assessment Guidebook, and the Reliability Assessment Oversight Plan to be developed in 2017.
- NERC and the Regional Entities will advance data management strategies and analytical capabilities for identifying and determining reliability risks and conducting reliability assessments by:
 - Integrating the analysis and measures of essential reliability services (ERS) into the Long-Term Reliability Assessment. The process encompasses new data collection and analysis approaches needed to address assessment objectives of identifying reliability issues due to a changing resource mix.
 - Providing technical resources to examine transmission and deliverability studies and providing high-level evaluation for the Long-Term Reliability Assessment.
 - Providing technical resources, advanced statistical analysis tools, objective expert input, and reliability leadership for the advancement of probabilistic analyses supporting the Long-Term Reliability Assessment.
 - Supporting the NERC Enterprise Reporting Project to ensure Reliability Assessment data is integrated and supported by analytical reporting, data checking, and validation tools.
- NERC and the Regional Entities will provide technical expertise, research, and feedback to the industry, as well as provide foundational technical efforts that support reliability planning-related standards development. In addition to providing feedback, NERC will also solicit industry’s help while leveraging any industry research.
- NERC and the Regional Entities may require contractor and consultant services to maintain continued support and technical expertise associated with activities listed in the above

assumptions with supporting special assessment, scenario, or other technical research efforts. This could potentially impact both NERC and Regional Entity resource allocation including:

- Contractor services may be necessary to support special assessment analyses (e.g., EPA 111(d) evaluation or ERS), scenario analyses (e.g., polar vortex-like severe event analyses and gas-electric interdependence), and other technical research efforts (e.g., similar to geomagnetic disturbances (GMDs) and FAC-003 Vegetation Management).
- Contractor services may be needed to support research into GMDs and their impact on BPS operations (see FERC Order 830).
- Contractor services may be needed to support increase in data analysis to support ERS measures, CPS1/CPS2 control performance, and frequency trending.
- As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Enterprise Reporting data warehouse project and the Compliance Monitoring and Enforcement Process Tool project will be dependent on Regional Entity participation. When planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of this projects.

Key Focus Areas (2018)

- NERC and the Regions will prioritize their work products according to the ERO Reliability Risk Priorities⁷ developed by the RISC, including: 1) Changing Resource Mix (Risk Profile #1), 2) BPS Planning (Risk Profile #2), and 3) Resource Adequacy and Performance (Risk Profile #3).
- Ongoing support for the Planning and Operating Committees and associated subcommittees, working groups, and task forces.
- Develop Reliability Guidelines and Technical Reference Documents based on priority and risk.
- Produce three required reliability assessments reflective of the common approach developed for NERC reliability assessments to ensure consistent treatment of resource and reliability evaluations: 1) Long-Term Reliability Assessment (incorporated probabilistic assessment), 2) Summer Reliability Assessment, and 3) Winter Reliability Assessment.
- Conduct special reliability assessments, as necessary, directed at high priority risks identified by RISC.

Performance Analysis

Assumptions (2018-2020)

- Ongoing support for the technical committees and associated subcommittees, working groups, and task forces.
- NERC and the Regional Entities will continue to focus resources on system insights from high quality performance analysis, including:
 - Development and implementation of expanded and enhanced enterprise-based data collection and analysis systems, and capabilities for performance analyses. This area includes Transmission Availability Data System (TADS), Generating Availability Data System (GADS),

⁷ [ERO Reliability Risk Priorities](#)

Demand Response Availability Data System (DADS), Event Analysis, Alerts, substation equipment failure, and protection systems misoperations data.

- Support of the integration of information systems for assessments and associated data requirements (in support of data cleansing, blending, and validation).
- Maturing and developing interconnection-wide analysis groups to support the assessment of interconnection-wide risks, such as frequency response.
- Providing technical resources, analytical tools, and expertise to perform analyses as needed, including supporting and identifying risk priorities for standards development, compliance, and enforcement activities.
- Support the NERC Enterprise Reporting Project to ensure Performance Analysis data is integrated into consolidated system and supported by analytical reporting tools, as well as feedback loops to other parts of the ERO Enterprise such as compliance, standards, enforcement, etc.
- As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Enterprise Reporting data warehouse project will be dependent on Regional Entity participation. When planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of this project.

Key Focus Areas (2018)

- Ongoing support for the technical committees and associated subcommittees, working groups, and task forces.
- High quality performance analysis, including:
 - Development and implementation of expanded and enhanced enterprise-based data collection and analysis systems, and capabilities for performance analyses. This area includes TADS, GADS, DADS, Event Analysis, Alerts, substation equipment failure, and protection system misoperations data.
 - Support of the integration of RAPA information systems for assessments and associated data requirements, supporting delivery of high-quality reports (e.g., long-term, short-term, special or scenario assessments, and State of Reliability Report).
 - Providing technical resources and expertise to perform analyses as needed, including supporting and identifying risk priorities for standards development, compliance, and enforcement activities and feedback loops to other parts of the ERO Enterprise, such as compliance, standards, enforcement, etc.

System Analysis

Assumptions (2018-2020)

- NERC and the Regions are advancing their analytical capabilities to assess and report on the reliability of the BPS. Additionally, newer and maturing technologies, such as synchro-phasor measurement unit (PMU) technology, are enabling innovative approaches for event analysis, power system analysis, and model validation. NERC and the Regions are uniquely situated to perform analyses that require a wide-area view of the interconnections, as well as supporting

industry in advancing software and analytical capabilities where appropriate. Support and leadership to the System Analysis Subcommittee and any of the subcommittees, working groups, and task forces will continue.

- NERC will advocate to improve existing commercially available software capabilities and perform power system analysis that create a more profound understanding of system behavior (e.g., inter-area oscillations, frequency response, system strength, voltage/reactive performance, signal processing, and signature detection).
- NERC will provide direction and oversight of the interconnection case-building designees in support of interconnection model building and wide-area system analysis:
 - Mature and develop interconnection-wide analysis groups to support the assessment of interconnection-wide risks:
 - Conduct special reliability assessments based on recommendation from load modeling task force modeling to capture the impact of composite load modeling on transmission and distribution system--for example, Fault Induced Delayed Voltage Recovery.
 - Require powerflow, short circuit, and stability analysis tools and objective expert input for transmission adequacy and deliverability assessments and studies.
 - NERC and the Regional Entities' resources (through the case building designee agreements) will support the Planning Coordinators' development of long-term sustainable interconnection-wide powerflow, short circuit, and dynamics cases that exhibit the accuracy and fidelity reflecting actual BES reliability performance and dynamic conditions.
- NERC and the Regional Entities will advance modeling improvement capabilities to ensure the power system planning and operation models closely resemble actual operating conditions.
 - Perform periodic model validation against measured quantities and operational practices of the power system.
 - Perform case quality and fidelity assessment on interconnection wide models:
 - Case data quality.
 - Case performance fidelity.
 - Drive the advancement and use of dynamic load modeling on an interconnection-wide basis.
 - Formulate and guide the ERO Enterprise vision and associated activities to promote the advancement and use of dynamic load models and modeling practices.
 - Establish guidelines and technical reference documents related to dynamic load modeling practices, including explanations of existing dynamic load models and their structure, data sets, and parameter derivation.
 - Serve as the industry focal point and open forum for discussing dynamic load modeling practices for system planning and operations studies. Provide industry guidance and support to entities seeking direction on dynamic load modeling across North America.
 - Drive the advancement and use of inverter-based modeling on interconnection wide basis.
 - Establish guidelines and technical reference documents related to inverter-based resource modeling on transmission and distribution system.
 - The recommended modeling practices for utility scale renewable energy resources using new inverter based technology.

- NERC will support the maintenance of the BESnet application and manage processing of the BES Exception Requests (ERs), including technical validation of review and approval of Regional ERs, periodic reviews of network changes affecting BES Exception determinations, recertification of previously approved BES ER, as well as requests for certain registration and certification reviews. The Regional Entities will continue to process BES ERs per guidelines established in the ROP. Recertification for exceptions begins in 2018.
- NERC and the Regional Entities will work collaboratively to enhance the ERO Enterprise’s capability for event and forensic analysis, including:
 - Development of a process to ensure the compilation and creation of steady state, short circuit, and dynamic simulation model cases for use in the investigation and analysis of major power system disturbance events.
 - Evaluation of event disturbances using phasor measurements and other methods to assess sufficiency of data and models.
- NERC will provide technical expertise, research, and feedback to the industry, as well as foundational technical efforts that support the key reliability planning-related standards development. In addition to providing feedback, NERC will also solicit industry’s help by using resources and leveraging any research that has been done by the industry.
- NERC and the Regional Entities may require contractor and consultant services to maintain continued support and technical expertise associated with activities listed in the above assumptions, supporting special assessment, scenario analysis, or other technical efforts, potentially impacting both NERC and Regional Entity resource allocation, including:
 - If significant events occur, contractor services may be required to support wide-area system analyses and root cause evaluations.
 - Contractor services may be necessary to support special reliability assessment analyses (e.g., Inertia Response and Primary Frequency Response Analysis, Voltage and reactive performance study, and Inter-Area Oscillation Analysis).
 - Contractor services are needed to support Dynamic model developments (e.g., Composite Load Modeling, utility scale renewable energy modeling and distributed energy resources). For 2018, the Load Modeling Task Force is requesting load model testing (approximately \$100k).
 - Contractor services are needed to support the Synchronized Measurement Subcommittee with a PMU-based assessment (approximately \$100k).
- As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Enterprise Reporting data warehouse project will be dependent on Regional Entity participation. When planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of this project.

Key Focus Areas (2018)

- **Stakeholder and Committee Support** - Ongoing support for the Planning and Operating Committees, and associated subcommittees, working groups, and task forces.

- **ERO Enterprise Technical Support** - Ongoing support for BES exception processing, Risk-Based Registration, Standards, and Compliance support.
- **Modeling Improvement Initiatives** - Perform periodic model validation against measured quantities and event models to ensure case quality and fidelity and also case creation for event analysis.
- **Power System Analysis** - Develop technical analyses in key reliability areas, resulting in technically accurate and comprehensive reports addressing areas of concern (e.g., frequency response, short circuit strength, inter-area oscillation, distributed energy resource and load composition changes, etc.) to evaluate the characteristics and performance of the BPS with changes to the resource mix and integration of new technologies:
 - **Synchrophasor technology** - Collect strategically selected PMU data in near real-time for improved situational awareness and monitoring, and to gather larger PMU datasets for advanced data analytics and modeling improvements. Expand use of synchrophasor technology for power plant model verification and compliance with MOD-026/-027 standards.
 - **Oscillation analysis** - Broaden understanding of inter-area, local, and forced oscillations in all interconnections; use wide-area synchrophasor data to provide industry with better understanding of phenomena, available tools, and findings.
 - **Load and distributed resource modeling** - Drive education of dynamic load modeling and development of improved dynamic load models; supporting compliance with TPL-001-4. Support study and policy development related to end-use load behavior; advocate for grid-friendly load response.
 - **Frequency response analysis and vision** - Meet regulatory requirements per BAL-003-1; exploratory understanding of frequency response; support interconnection-wide studies of frequency response.
 - **Case quality metrics, model validation and improvement** - Improve case quality and robustness, support industry developments for MOD-033 tools and processes feedback loop with MOD-032 designees. Proactively seek to address deficiencies in interconnection-wide models and eliminate incessant problems. Ensure models can recreate plant behavior.
 - **Event Forensics** - Support NERC Event Analysis in event of major grid disturbance; simulation and data analysis expertise across multiple platforms.
 - **System Strength & Reactive/Voltage Performance Analysis** - Support ERS measure with advanced studies of potential phenomena under future end states; perform assessment of short circuit ratio study and implications based on regional/local studies.
 - **Geomagnetic Disturbances** - Conduct research on geomagnetic disturbances to address FERC Order 830 (three to four year research plan).
- **Technical Support, Standard Support, Implementation, and Outreach** - Provide technical expertise and unique insights to the industry. The department will also develop white papers, technical reports, and reference documents, as needed, to address emerging issues and industry concerns related to system planning and operations. The department will also develop and produce Reliability Guidelines for the Planning and Operating Committees. In addition to providing feedback, NERC will also solicit industry's help by using research work that has been done by the industry and academia.
 - 2-3 in-person workshops.

- Participation at industry technical groups, such as Institute of Electrical and Electronics Engineers (IEEE), North American SynchroPhasor Initiative (NASPI), International Council on Large Electric Systems (CIGRE), Power Systems Engineering Research Center (PSERC), etc., as needed.
- **Advanced Software Capabilities** - In order to conduct analysis and produce results in a timely manner, additional and improved data collection, data management, and analytical tools will be required. Robust analytical tools will increase the effectiveness of NERC staff to functionally correlate disparate data sources to ensure full-scope analyses and assessments of situations relevant to reliability risks are performed more broadly than in historical NERC analyses and assessments. Using state of the art software and technology is crucial to effective analysis especially considering the size of the North American electric footprint.

Situation Awareness and Infrastructure Security (including Event Analysis)

Situation Awareness

Assumptions (2018-2020)

- Ongoing support for the technical committees and associated subcommittees, working groups, and task forces. Regional Entity involvement is expected to remain at current levels with no additional resources required from the Regional Entities.
- Registered entity participation in the ERO Enterprise Event Analysis Process, which involves active participation by Regional Entity staffs, will continue at or above current levels through 2018-2020.
- NERC will continue to require the software application known as Situational Awareness for FERC, NERC, and Regional Entities, Version 2 (SAFNrv2) for situation awareness, and The Event Analysis Management System (TEAMS) for Events Analysis. The allocation of additional resource investments is expected to maintain the capabilities of SAFNrv2 throughout the planning period. Any such investments will be NERC funded and not result in an allocation of cost to the Regional Entities.
- Regional Entities will continue to budget for event analysis and situational awareness activities based on their respective Region's historical workload, as they did in the past. Some Regional Entities will continue to allocate resources as part of the activities accounted for under their RAPA program and should clearly delineate where the activities' resources are budgeted.
- Regional Entities will support critical infrastructure security activities in the context of situation awareness, using those designated resources, unless specifically budgeted and managed elsewhere.
- As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Enterprise Reporting data warehouse project will be dependent on Regional Entity participation. When planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of this project.

Key Focus Areas (2018)

- Ongoing support for the technical committees and associated subcommittees, working groups, and task forces.
- Support for ERO Enterprise data collection and analysis, as well as the Enterprise Reporting Project designed to transfer the data to an integrated platform.
- Support for critical infrastructure security by promoting rapid and appropriate sharing of situational awareness information regarding security occurrences.
- Analysis of significant events to identify gaps in standards, compliance effectiveness, registration, and risk controls effectiveness.
- Work on overcoming barriers to the timely release of BES and security reports to industry through a secure portal.
- Providing of lessons learned and recommendations from events and identified risks.
- Enhancement of risk analysis capabilities by integrating risk data sources, such as event analysis, TADS, GADS, and protection system misoperations into situation awareness assessments.
- Participation as appropriate in periodic wide-area security exercises (e.g., GridEx, Monitoring and Situation Awareness Workshop, NERC HP Conference, feedback loops to other parts of the ERO Enterprise such as compliance, standards, enforcement, etc.).

Event Analysis

Assumptions (2018-2020)

- Ongoing support for the technical committees and associated subcommittees, working groups, and task forces. Regional Entity involvement is expected to remain at current levels with no additional resources required from the Regional Entities.
- Registered entity participation in the ERO Enterprise Event Analysis Process, which involves active participation by Regional Entity staffs, will continue at or above current levels through 2018-2020.
- Regional Entities will continue to budget for event analysis and situational awareness activities based on their respective Region's historical workload, as they did in the past. Some Regional Entities will continue to allocate resources as part of the activities accounted for under their RAPA program and should clearly delineate where the activities' resources are budgeted.
- Regional Entities will support critical infrastructure security activities in the context of situation awareness, using those designated resources, unless specifically budgeted and managed elsewhere.
- As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Enterprise Reporting data warehouse project will be dependent on Regional Entity participation. When planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of this project.

Key Focus Areas (2018)

- Ongoing support for the technical committees and associated subcommittees, working groups, and task forces.

- Support for ERO Enterprise data collection and analysis, as well as the Enterprise Reporting Project designed to transfer the data to an integrated platform.
- Support for critical infrastructure security by promoting rapid and appropriate sharing of situational awareness information regarding security occurrences.
- Analysis of significant events to identify gaps in standards, compliance monitoring effectiveness, registration, and risk controls effectiveness.
- Work on overcoming barriers to the timely release of BES reports to industry through a secure portal.
- Providing of lessons-learned and recommendations from events and identified risks.
- Continue to provide industry leadership in the analysis, understanding, and prevention of human error and improved human performance with regards to increased BPS reliability.
- Enhancement of risk analysis capabilities by integrating risk data sources, such as event analysis, TADS, GADS, and relay misoperations.
- Participation as appropriate in periodic wide-area security exercises (e.g., GridEx and feedback loops to other parts of the ERO Enterprise such as compliance, standards, enforcement, etc.).

Electricity Information Sharing and Analysis Center (E-ISAC)

Assumptions (2018-2020)

- NERC will continue to fund, operate, and maintain the E-ISAC in performing its mission to reduce cyber and physical security risk to the electricity sector across North America by providing unique insights, leadership, and coordination. Threat information and mitigation best practices will be shared across the community, emphasizing reliability and resilience-related physical and cyber security considerations with a continued focus on potential impacts to an evolving footprint of essential reliability services.
- The stakeholder community served by the E-ISAC includes the ERO Enterprise and NERC registered entities and importantly extends into distribution system asset owners and operators; local, state, provincial, and federal (US, Canada, Mexico) government departments and agencies with electricity policy, information sharing, intelligence, research and development, and law enforcement roles, and additional cross-sector organizations and supply chain vendors. All information sharing with these stakeholders will continue to be subject to the E-ISAC Code of Conduct.⁸
- E-ISAC budgeting for FTE staff and programs will need to increase during this period to improve security analysis and stakeholder support.
 - With additional staff, there will be an increased budget requirement for staff security training, as well as travel within North America to utilities and stakeholder meetings for threat briefings, training, and exercises. Staff will provide subject matter expertise and analysis for physical and cyber security information requests from stakeholders, including risk-informing ERO Enterprise standards functions subject to Code of Conduct limitations.
 - Programs and capabilities to mature and enhance include: E-ISAC “Portal as a Platform” data analysis center functionality and stakeholder communication tools and meeting protocols for

⁸ [E-ISAC Code of Conduct](#)

rapid information sharing. Programs, such as the Cybersecurity Risk Information Sharing Program (CRISP) and other Department of Energy initiatives, will continue to apply supplementary participant funding approaches with no increased cost to the Regional Entities, except as elective participants.

- NERC will continue to fund and, through the E-ISAC, conduct security exercises and training to include the biennial Grid Security Exercise (GridEx) program, as well as “train the trainer” Cybersecurity Risk Assessment Program events, and timely emergent issues risk mitigation training (e.g., Ukraine, Internet of Things, etc.) with no increased cost to the Regional Entities, other than travel expenses for in-person meetings and briefings.
- NERC will continue to fund E-ISAC conducted security-related meetings and threat briefs to include the Grid Security Conference (GridSecCon) as an annual event, monthly conference calls, and other regular or emergent issue threat briefings as required with coordination from appropriate government entities. Other than funding registration fees and travel expenses for individual attendees from their Regional Entity, no Regional Entity funding is anticipated.

Key Focus Areas (2018)

- **Stakeholders:** The E-ISAC will continue to add value for stakeholders through member engagement, information sharing and analysis, and function as a coordinating hub within the electricity subsector for the ERO Enterprise and the Electricity Subsector Coordinating Council (ESCC) Playbook communications with industry and government. The E-ISAC will work closely with emerging, resource-dedicated Regional Entity security functions⁹ that are rigorously separated from compliance and enforcement areas. The ESCC Member Executive Committee will provide industry guidance to help the E-ISAC improve. E-ISAC staff will continue to interface with important security-related stakeholder groups (such as the Critical Infrastructure Protection Committee) as subject matter experts and continue developing relevant security metrics.
- **Staff:** Resourcing requirements indicate appropriate expansion for additional cyber and physical analytic staff to fulfill value delivery elements of this plan. Additionally, adequate resourcing is planned to ensure NERC support for standard, recurring professional security training for staff, as well as North American travel to fulfill the E-ISAC mission.
- **Systems and Programs:** The centerpiece of E-ISAC collaboration with members is the Portal, which will undergo an important upgrade in 2017 into a much more capable “platform” model to support and coordinate key initiatives, including: improved collaboration capability, data analysis center functionality, improved stakeholder management, malware “drop box,” and more. In 2018, lessons learned from GridEx IV (November 2017) will also be available to drive further enhancements of the Portal platform. CRISP and other key programs, in partnership with DOE, will continue to support expanded membership engagement and analytic capability advancements.

⁹ Regional Entities should designate in writing the person(s) who will be separate from ERO CMEP functions to provide security-focused point(s) of contact to the E-ISAC who will receive access to security products on the portal. A security designation template is available from the E-ISAC.

Training, Education, and Continuing Education

Assumptions (2018-2020)

- NERC will continue to fund the ERO Enterprise Learning Portal (EELP). NERC will work with the Regional Entities to consolidate learning resources and promote better coordination, planning, delivery, and management of learning activities across the ERO Enterprise in concert with Region-specific learning activities/requirements.
- Regional Entities will allocate resources to meet their statutory and delegation agreement requirements. The Regional Entities, in collaboration with NERC, will jointly contribute to the assessment and determination of ERO Enterprise learning and outreach needs. This includes advocating flexibility in the approach between Regional Entities and anticipating areas of support for their staff and stakeholders regarding the ERO Enterprise’s programs.
- CMEP staff training and education are expected to remain a focal point for the ERO Enterprise. NERC will continue to lead the development of a compliance learning curriculum with assistance of qualified subject matter experts from the Regional Entities, Operational Leadership Team (OLT) working groups, and incorporation of outside expertise/services.
- Much of the financial cost for the Regional Entities’ ERO Enterprise learning development support is through the functional program support cycle. However, Regional Entities should continue to budget travel funds for attendance at development meetings that result from special requirements as business needs are clarified throughout the year. These funds may also support attendance at future joint ERO Enterprise training meetings/workshops. These potential meetings will likely not exceed three in a year with a requirement for one or two persons attending at any one time.
- Regional Entities must allocate resources to address compliance and enforcement staff learning needs that are associated with the implementation of the risk-informed CMEP.
- Contractor and consultant services are imperative to the development, delivery and technical support load anticipated for ERO Enterprise learning needs/activities.
- The NERC Continuing Education Program is expected to remain at steady state in support of system operator certification. Potential expansion to other functional programs would be known well in advance and additional funding will be allocated to support the expansion.

Key Focus Areas (2018)

- Participate in the ERO Enterprise staff learning development process through the OLT working groups, NERC functional area program leaders, and coordinating/working meetings. This requires commitment of resources, subject-matter expertise, and trainers in identifying learning needs, content development/coordination, product review/feedback, and delivery.
- Provide and maintain administrative support to the EELP. This includes maintaining the Regional Entity-specific portion of the system and coordinating/collaborating with the NERC administrator in improvement and operation of the system for the ERO Enterprise.
- Facilitate ERO Enterprise learning by analyzing events, communicating lessons learned, tracking recommendations, and supporting the use of the EELP for learning scheduling, delivery, and records management.
- Support coordination, planning, delivery, and management of learning efforts across the ERO Enterprise in concert with Region-specific training, education, and outreach needs/activities.

- In collaboration with NERC program leaders, support learning development efforts for ERO Enterprise staff and stakeholders as identified/needed in the course of program management activities, development, and outreach.

Personnel Certification

Assumptions (2018-2020)

- NERC will continue to provide required support and leadership for the Personnel Certification Governance Committee (PCGC) and working groups serving the PCGC.
- The Personnel Certification program is expected to remain at a steady state with no additional resources required from the Regional Entities.

Key Focus Areas (2018)

- Continue to update System Operator Certification Exam Item Bank to ensure relevance to current Reliability Standards and promote reliability of the BPS.
- Develop Exam “Skills Assessment” Strategy to better assess the skills and knowledge of System Operators.
- Evaluate Credential Review and Rationalization to maintain credential.

Information Technology

Assumptions (2018-2020)

- NERC and the Regional Entities will work collaboratively to refine existing strategies and governance and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, including software and data systems supporting both NERC and Regional Entity operations.
- NERC’s BP&B will include ongoing funding support for the development, operation, and maintenance of ERO Technology Leadership Team (TLT) and ERO EMG-approved enterprise applications. Enterprise application funding in any given year will be subject to the budget and funding limits set forth in NERC’s approved BP&B. Regional Entities should include appropriate funding for applications and supporting systems designed to satisfy Regional business needs.
- Regional Entities may be required to provide or augment business teams to help develop application business requirements and to test business functionality within the ERO Enterprise applications, such as the CMETP Technology Program Steering Committee.
- Ongoing investments will be required to develop, implement, and maintain enhancements to the NERC and Regional Entity websites, ERO Enterprise applications, and ERO Enterprise data repositories, which are required to improve access to information and data. NERC and the Regional Entities will separately fund any enhancements to their own websites.

Key Focus Areas (2018)

- Following a disciplined process with appropriate ERO TLT approval, along with budgetary controls, the ERO Enterprise Project Management Office will deliver agreed upon ERO Enterprise IT

applications designed to be used by NERC, the Regional Entities and, in some cases, registered entities. To ensure close coordination, collaboration, and efficiency, to the extent the agreed upon applications are in progress or widely available, NERC and the Regional Entities will not build or duplicate ERO Enterprise application functionality.

- NERC's BP&B will include ongoing funding support for the development, operation, and maintenance of NERC and Regional Entity approved enterprise applications. Enterprise application funding in any given year will be subject to the budget and funding limits set forth in NERC's approved BP&B.
- When no ERO Enterprise applications are available to satisfy the requirement, Regional Entities should provide a description of the maintenance and capital investment in software required in performance of their delegated functions. The NERC IT budget does not supplant Regional Entity need for IT expenditures for specific regional projects.

Key focus area projects include:

- Enhancing collaboration and information sharing by leveraging Microsoft's SharePoint platform. At the first phase (2015-2017) of the project, NERC is scheduled to deliver a Document Management system and NERC Intranet interface. The second phase includes delivery of enhancements to NERC's public facing website. The third phase is scheduled for 2018-2019 and will deliver NERC extranet, as well as replace email document collaboration with Microsoft's SharePoint collaboration System.
- Improving entity specific communication and information sharing across the ERO Enterprise. Plans include a new intelligent announcements and alert solution to be delivered in 2017-2019.
- Implementing new Enterprise-wide support tools for CMEP. Its first phase to deliver a centralized entity registration solution is scheduled for 2017. The second phase enables NERC Reliability Standards to be used as shared data and is scheduled for 2017-2019. The third phase delivering new solutions and retiring current solutions that support the CMEP is scheduled for 2017-2020.
- Consolidating data collected by NERC and making it available for analysis by authorized organizations. The build out of an ERO Enterprise Data Warehouse is currently underway. Additional data will be extracted, transformed, and loaded during 2017-2020. Data to be loaded includes generation, transmission, events, misoperations, and compliance data.

ERO Enterprise-wide Risk Management

Assumptions (2018-2020)

- A common ERO Enterprise risk management framework commenced in 2014 to focus on identifying, assessing, prioritizing, and mitigating risks associated with the performance of both NERC and the Regional Entities. This multi-year activity is progressing as expected and will reach steady state by 2017.
- NERC's Director of Internal Audit and Corporate Risk Management is responsible for the overall development of this framework, with the approval of the ERO Regional Executives and under the oversight of NERC's Enterprise-wide Risk Committee.
- NERC and the Regional Entities will continue to devote resources to implement this framework. The results will serve as an input into NERC's future audit plans, which are reviewed and approved

by the NERC Board of Trustees Enterprise Risk Management Committee. Regional Entities may add risk management and internal control resources as needed.

Key Focus Areas (2018)

- NERC and Regional Entities key focus areas include continued refinement, validation, and prioritization of inherent and residual risks; greater precision in the identification of risk mitigation activities and internal controls; and enhanced consolidated results for ERO EMG review and approval.

Exhibit B – Application of NERC Section 215 Criteria

DISCUSSION OF HOW THE NERC MAJOR ACTIVITIES IN THE 2018 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 2018 Business Plan and Budget meet the NERC written criteria for determining whether a reliability activity is eligible to be funded under §215 of the Federal Power Act (“FPA §215”). This Exhibit is intended to satisfy Recommendation No. 38 resulting from the financial performance of NERC conducted by the Commission’s Division of Audits (“DA”) in 2012-2013 and adopted by the Commission in its November 2, 2012 order on NERC’s 2013 Business Plan and Budget.¹ NERC submitted the written criteria to the Commission in a compliance filing dated February 21, 2013 in Docket No. FA11-21-000.² The Commission approved the NERC written criteria, with modifications, in an order issued in that docket on April 18, 2013.³ The NERC written criteria as used in this Exhibit incorporate the modifications specified in the Compliance Order.⁴

II. Reliability Standards Program 2018 Major Activities

The major activities of the Reliability Standards Program are described at pages 25-27 of the 2018 Business Plan and Budget. The Reliability Standards Program carries out the ERO’s responsibility to develop, adopt, obtain approval of, and modify as and when appropriate, mandatory Reliability Standards for the reliable planning, operation, and critical infrastructure protection of the North American Bulk Electric System (BES). The major activity areas for this program include (1) providing project management and leadership to the reliability standard development process to deliver high-quality, continent-wide reliability standards, both new and modified, including standard development outreach activities, facilitation of drafting team activities, drafting support, assisting drafting teams in adhering to the processes in the *Standard Processes Manual*, and ensuring that the quality of documents produced are appropriate for approval by industry and the NERC Board; (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 final quality review for Regional Entity standards development processes, presents proposed regional standards to the NERC Board, and prepares submissions for approval of regional standards to the applicable regulatory authorities in the U.S. and Canada.

For 2018, the major activities of the Reliability Standards Program will continue to focus on (1) selection of standards projects to be undertaken based on the nature of the reliability issue, and whether

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

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

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

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

a standard or another solution is most appropriate to address the issue; (2) addressing Commission directives and responding to Commission orders as necessary through the standards process; (3) performing periodic reviews of standards; (4) facilitating smooth transitions to new standards through developing guidelines, webinars, and other activities to support auditor and industry training for new standards. Identification of need for any new standards projects will be based on sources such as Commission directives and reliability risks identified by the Reliability Risk Management Process or the Reliability Issues Steering Committee (RISC); and (5) implementing the results of the comprehensive review of standards conducted in 2017 by initiating projects to review or retire standards.

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.B: Is the activity necessary or appropriate for providing guidance and assistance to Regional Entities in carrying out Regional Reliability Standards development activities?

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?

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, (iii) industry personnel?

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 was required or directed by a Commission order issued pursuant to §215? (Reliability Standards development projects are often initiated in response to directives in Commission orders).

V: Is the activity one that is required or specified by, or carries out, the provisions of NERC's ROP 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 ROP provisions for these major activities are §300 and Appendix 3A.)

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?

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?

III. Compliance Monitoring and Enforcement and Organization Registration and Certification Program Area 2018 Major Activities

The major activities of the Compliance Monitoring and Enforcement and Organization Registration and Certification Program Area are described at pages 29-32, 35-36, and 39-43 of the 2018 Business Plan and Budget. This Program Area is comprised of three operational groups: (1) Compliance Assurance (addressing compliance monitoring), (2) Compliance Analysis, Organization Registration and Certification (addressing assurance, organization registration and certification), and (3) Compliance Enforcement.

The Compliance Assurance group works collaboratively with the Regional Entities to ensure effective implementation of risk-based compliance monitoring under the Compliance Monitoring and Enforcement Program (“CMEP”) across the entire ERO Enterprise. This group’s activities include the following major activities and functions: (1) ensuring that Regional Entities monitor registered entities for compliance according to their specific facts and circumstances, developing customized compliance oversight plans (COPs) for each registered entity based on its inherent risk assessment (IRA); (2) overseeing Regional Entities’ IRAs of registered entities; (3) oversight of the quality implementation of the risk-based compliance monitoring program; (4) development of the annual CMEP Implementation Plan; (5) oversight of use of necessary compliance-related processes, procedures, IT platforms, tools and templates; (6) development and delivery of education and training for ERO Enterprise staff; (7) conducting CIP V5 training and education programs and other outreach that support industry compliance and security; (8) conducting CIP-014-2 training and outreach activities related to effective implementation of the Physical Security Reliability Standard; (9) coordinating with the NERC Standards department for standards development to provide compliance information, statistics, and perspectives to standard drafting teams to foster development of standards that provide increased reliability benefit and clarify compliance risks, and to assist in smooth transitions for standards from development to enforceability; (10) supporting Regional Entity and industry committees, working groups and task forces, such as the NERC Compliance and Certification Committee (CCC) and Critical Infrastructure Protection Committee (CIPC); (11) industry-focused outreach events and webinars on risk-based CMEP activities; and (12) promoting registered entities’ development of effective compliance programs and internal controls.

The ongoing and new major activities of the Compliance Assurance group for 2018 will include: (1) continuing to implement the risk-based compliance program, including ongoing oversight of the risk-based CMEP, IRAs, internal controls, and ensuring that COPs are addressing the relevant risks; (2) working with NERC Enforcement and IT and with Regional Entity staffs development of the CMEP Process tool; (3) supporting the continued successful implementation of CIP V5 standards and subsequent enhancements that became or become effective in 2017 and beyond; (4) continuing to monitor and support effective implementation and monitoring of the Physical Security Reliability Standard; (5) continuing the training program for Regional Entity staff to support the ERO Auditor Capabilities and Competencies Guide; (6) continuing to provide feedback to the Standards Program to integrate standards and compliance functions for clear stakeholder implementation, including through a common set of Reliability Standards Audit Worksheets; (7) supporting international CMEP activities including reliability and security subject matter expertise and outreach; (8) providing support and leadership to applicable committees and subcommittees including the CIPC and the CCC; and (9) continuing to periodically host an Energy Technologies Roundtable for in-depth discussion of integrating emerging technologies associated with BPS operations to address cyber and physical security risks.

The Compliance Analysis, Organization Registration and Certification group is responsible for a range of requirements and activities embodied in Section 500 and Appendices 5A and 5B of the NERC ROP, including providing technical resource support to standards development, compliance monitoring, and enforcement; ensuring that all entities impacting the BES are registered commensurate with risk; ensuring all Reliability Coordinators (“RC”), Balancing Authorities (“BA”) and Transmission Operators (“TOP”) are certified; conducting industry reliability assurance activities; and ensuring that compliance gaps identified in reportable events are assessed and addressed if appropriate. Major activities of this group include (1) registration of BES users, owners, and operators who are responsible for compliance with Commission-approved Reliability Standards; (2) evaluating and certification of the competency of RCs, BAs and TOPs; (3) conducting activities to reasonably assure the ERO that certain actions have been taken as reported in response to NERC Alerts or guidance to industry; (4) providing oversight of Regional Entity implementation of regional registration, compliance, certification, investigation, and complaint programs and processes; (5) conducting investigations to identify Possible Violations of Reliability Standards in response to complaints, BES disturbances, or other triggers, including participating on all Regional Entity-led investigations and as observers as requested on Commission-led reliability investigations and inquiries; (6) working with Regional Entity staff to confirm that qualified events and disturbances are evaluated against the relevant Reliability Standards and to ensure formal compliance monitoring occurs if indicated; and (7) addressing formal complaints that allege violations of Reliability Standards. Specific major activities of Compliance Analysis, Organization Registration and Certification for 2018 will include continuing to conduct NERC-led panels on registration requests; continuing to implement registration program improvements and certification program improvements identified in prior years, including conducting training as necessary; and evaluating BES disturbances and events for potential gaps in compliance monitoring or reliability standards.

The Compliance Enforcement department is responsible for overseeing enforcement processes, the application of Penalties or sanctions, and activities to mitigate and prevent recurrence of noncompliance with Reliability Standards. The Department works collaboratively with the Regional Entities to ensure consistent and effective implementation of the risk-based CMEP, including evaluating the consistency of disposition methods including assessment of Penalties or sanctions. It also focuses on ensuring that the ERO Enterprise dedicates resources to the matters that pose the greatest risk to reliability. The Compliance Enforcement department monitors Regional Entities’ enforcement processes and provides oversight over the outcomes of such processes, to ensure due process, identify best practices and process efficiency opportunities, and promote consistency among Regional Entities’ business practices; collects and analyzes compliance enforcement data and trends to assist with identification of emerging risks and help to inform development of enforcement policy and processes; files Notices of Penalty (“NOP”) and other submittals associated with noncompliance discovered through Regional Entity compliance monitoring and enforcement activities; processes and files NOPs and other submittals discovered through NERC-led investigations and audits; collaborates with other NERC departments, including Compliance Assurance, Reliability Standards and Regional Entity Coordination; and delivers training of the ERO Enterprise staff and outreach to registered entities on compliance and enforcement topics. Compliance Enforcement also conducts outreach activities that focus on self-logging, compliance exceptions, and risk assessment of noncompliances.

During 2018, the Compliance Enforcement department will continue to focus on the successful implementation of, as well as refining and improving, the risk-based CMEP. The major activities of Compliance Enforcement will include continuing to refine and improve risk-based CMEP processes; continuing to implement in a transparent manner the risk-focused ERO Enterprise enforcement philosophy; expanding the feedback loop of information from Enforcement to Standards and other program areas; and working with Compliance Assurance, IT, and Regional Entity staffs regarding

improvements in the existing compliance, reporting, analysis system and other compliance tools to support risk-based activities.

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

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

V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s ROP 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 ROP 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?

IX: Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in the 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?

IV. Reliability Assessment and System Analysis Program 2018 Major Activities

The major activities of the Reliability Assessment and System Analysis (RASA) Program are described at pages 45-50 of the 2018 Business Plan and Budget. The RASA Program carries out the ERO’s responsibility to conduct assessments of the reliability and adequacy of the BES to provide insight and guidance about reliability risks. RASA focuses on developing a technical framework and understanding of the emerging reliability risks facing the industry. The principal activity areas of the RASA Program include: independent assessments and reports on the overall reliability and adequacy of the BES, and associated reliability risks that could impact the short-term, mid-term and long-term planning horizons and other reliability issues requiring an in-depth analysis; interconnection-wide analysis for analyzing steady-state and dynamic conditions, including frequency, Essential Reliability Services, stability, short circuit ratio, and oscillatory behavior aspects; assurance oversight that electrical elements necessary for reliable operation of the BES are identified; support for development and improvement of long-term sustainable interconnection-based power flow, dynamic and load models that exhibit the accuracy and fidelity reflecting actual BES reliability performance and dynamic conditions; advancement of industry and the ERO’s understanding of power system characteristics and behaviors by gathering larger PMU datasets of data for advanced data analytics and modeling improvements; and establishing reliability leadership and consistent, technically sound guidance and recommendations that position industry and policy-makers to enhance reliability through effective outreach and communications.

The RASA Program works with industry leaders to create a reliability strategy that is relevant, timely, and effective at addressing the most important reliability risks, through reviewing and addressing key priority risks identified by the NERC RISC, synthesizing information identified through analysis and assessment efforts, extracting and prioritizing the associated reliability risks; sharing and integrating risk analysis insights across the ERO Enterprise; and translating that knowledge into actionable guidance and recommendations for NERC management, the Board, and entities, and government policy makers. RASA monitors the ongoing and historic reliability performance of the BES through data gathered to analyze historic trends, and provides reports and recommendations regarding the anticipated conditions that could impact reliability, security and stability of the BPS. RASA conducts reliability assessments to evaluate the expected reliability of the BES through extensive deterministic and probabilistic analyses to identify potential reliability risks and mitigation approaches. Key assessments include the Long-Term Reliability Assessment (supplemented by the Probabilistic Assessment), Summer and Winter Reliability

Assessments, and Short-Term and Special Reliability Assessments. A significant ongoing effort focuses on the continued development of effective Essential Reliability Services. RASA also focuses on understanding the technical behavior of the North American grid, as the foundation for identifying crucial aspects of performance that are important for sustaining overall reliability.

RASA works closely with other organizations such as the Electric Power Research Institute (EPRI), Department of Energy (DOE), Institute of Electrical and Electronics Engineers (IEEE), Institute of Nuclear Power Operations (INPO), North American Transmission Forum (NATF), North American Generation Forum (NAGF), Canadian Electricity Association (CEA), Interstate Natural Gas Association of America, and Natural Gas Supply Association, on a number of energy industry reliability issues such as geomagnetic disturbances, vegetation management, variable generation integration, and interdependency of gas and electric systems.

The ongoing and new major activities of the RASA Program for 2018 include: (1) implementing advanced reliability assessment and system analysis methods to address the changing nature of the grid, including issuing reliability assessment reports, guidelines, and recommendations to address high priority evolving performance trends and address emerging risks to reliability; (2) issuing special assessments on identified high-priority risks as prioritized and recommended by the RISC, including on changing resource mix and maintaining Essential Reliability Services, increased penetration of distributed energy resources, increasing dependency on generation fuel by natural gas, and inter-area and local system oscillations in all interconnections and their potential impact on interconnection reliability; (3) developing technical analyses in key reliability areas, such as Frequency Response, Short Circuit Strength, Inter-Areas Oscillation, and Distributed Energy resources; (4) providing technical expertise, research and feedback to the industry; (5) continuing to explore use of state-of-the-art software to conduct power system analyses and enhancing the use of real-time tools by industry; (6) supporting Reliability Standard development by providing subject matter expertise; (7) providing support and leadership to the NERC Planning Committee and to standing committees and subcommittees, working groups, and task forces, including supporting the development of technical reference documents and Reliability Guidelines; (8) supporting major event investigations, analyses, and reporting of findings, recommendations, and lessons learned that will improve reliability; (9) providing feedback to interconnection-wide model-building groups on improvements to system model quality and fidelity; and (10) assisting in development of approaches to registration and provide input to NERC staff in support of the development of CMEP risk elements, as well as supporting and leading the BES Definition Exception process.

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

I.A: is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC ROP?

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.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?

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 orders directed NERC to develop and implement a revised definition of “Bulk Electric System” and a procedure for requesting and receiving exceptions from the BES definition, and subsequently approved NERC’s proposed revised BES 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 ROP 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 ROP provisions for this major activity are §801-806 and 809-810 and Appendix 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?

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, Event Analysis and Performance Analysis) 2018 Major Activities

The major activities of the Reliability Risk Management (“RRM”) group, which is comprised of the Situation Awareness Department, the Event Analysis Department, and the Performance Analysis group, are described at pages 52-54, 56-57, and 59-63 of the 2018 Business Plan and Budget. The RRM group carries out the ERO’s responsibility to perform assessments (including real-time and near-real-time continual awareness, detailed analysis of significant events, and longer-term broad performance assessments) of the reliability and adequacy of the BES, including identifying potential issues of concern

relating to system, equipment, entity, and human performance. RRM has six primary functions: (1) BES awareness, (2) event analysis and determination of root and contributing causes, (3) assessment of human performance challenges that affect BES reliability and identification of improvement opportunities, (4) continent-wide analysis and reporting of BES performance, (5) support of the NERC Operating Committee, and (6) support of the NERC CIPC. Through awareness and continuous assessment, RRM identifies potential reliability risks to the BES, analyzes events in detail, ensures that industry is well informed of system events, emerging trends, risk analysis, and lessons learned, and provides data and analysis to inform other aspects of NERC's statutory functions.

The Situation Awareness department along, with the Regional Entities, monitors BES conditions, significant occurrences and emerging risks, and threats across the 14 Reliability Coordinator regions in North America. Situation Awareness also supports development and publication of NERC Alerts and awareness products, and facilitates information sharing among industry, Regions and government during crisis situations and major system disturbances. Situation Awareness is engaged in enhancement, replacement, streamlining or modification of several reliability-related situation awareness and monitoring tools, including SAFNRv2, operation and maintenance pending replacement of the current secure NERC Alert tool, refreshing the Reliability Coordinator Information System application, and continuing to set conditions to bring limited Synchrophasor data into NERC for wide-area situational awareness and event triage applications. The Situation Awareness Department uses the following reliability-related tools to support its activities: Resource Adequacy (ACE Frequency) Tool; Inadvertent Interchange; Frequency Monitoring and Analysis Tool; Intelligent Alarms Tool; and Genscape (PowerIQ and PowerRT tools).

The ongoing and new major activities of the Situation Awareness department for 2018 include: ensuring that the ERO is aware of all BES events above a threshold of impact; enabling the sharing of information and data to facilitate wide area situational awareness; during crisis situations, facilitating the exchange of information among industry, Regions, and U.S. and Canadian governments; keeping the industry informed of emerging reliability threats and risks to the BES, including any expected actions; conducting the annual NERC Monitoring and Situational Awareness Conference and Human Performance Conference; administering the NERC Alerts process as specified in §810 of the ROP to issue Advisory (Level 1) Alerts on significant and emerging reliability and security related topics, and facilitate the tracking of actions specified in Recommendation (Level 2) and Essential Action (Level 3) Alerts; and performing oversight as per the Situation Awareness Oversight Plan of the activities and performance of the Regional staffs.

The Event Analysis department performs assessments of the reliability and adequacy of the BES to identify potential issues of concern related to system, equipment, entity, and human performance that may indicate a need to develop remediation strategies, action plans, or data used to revise Reliability Standards or consider new Reliability Standards. Event Analysis conducts analyses to determine the causes of events, promptly assures tracking of corrective actions to prevent recurrence, and provides lessons learned to the industry. Event Analysis analyzes all reportable events for sequence of events, root cause, risks to reliability, and mitigation and keeps the industry is well-informed of system events, emerging trends, risk analysis, lessons learned, and expected actions. Event Analysis conducts in-depth analyses of approximately 150 events per year on average. Additionally, Event Analysis identifies human error risks and precursor factors that allow human error to affect BES reliability, and educates industry regarding such risks, precursors, and related mitigation methods. Event analysis also supports compliance and standards training initiatives and trending and analysis to identify emerging reliability risks to the BES. Event Analysis works in collaboration with and supports the activities of other groups involved in human performance analysis including the NERC Operating Committee's Event Analysis Subcommittee, the WECC

Human Performance Working Group, and others. Event Analysis also collaborates with industry groups including the NATF, NAGF, and trade associations.

The ongoing and new major activities for 2018 for the Event Analysis department include: (1) Working with Regional Entities to obtain and review information from registered entities on qualifying events and disturbances in order to advance awareness of events above a threshold level; facilitating analysis of root and contributing causes, risks to reliability, wide area assessments and remediation efforts; and disseminating information regarding events in a timely manner. (2) Ensuring that all reportable events are analyzed for sequence of events, root cause, risk to reliability, and mitigation. (3) Continuing to refine risk-based methodologies to support better identification of reliability risks, including use of more sophisticated cause codes for analysis. (4) Conducting training (webinars, workshops and conference support) to inform industry and the ERO of lessons learned, root cause analysis, trends, human performance, and extreme weather preparedness and recommendations. (5) Developing reliability recommendations and alerts as needed, and tracking industry accountability for critical reliability recommendations. (6) Ensuring that industry is well informed of system events, emerging trends, risk analysis, lessons learned, and expected actions. (7) Conducting major event analysis and reporting of major findings and recommendations that will improve reliability. (8) Performing oversight of the event-analysis-related activities and performance of the Regional Entities. The Event Analysis department will also support several top priority reliability risk projects being led by the Performance Analysis program.

Performance Analysis, which consists of Balancing and Frequency Control (BF&C) and Data Analytics (DA), provides statistical analysis and support to the ERO Enterprise, as well as through outreach to highly technical electric industry organizations. PA collects transmission outage, generator performance, demand response, and protection and control systems misoperations data; this data is used to develop and report grid metrics that analyze outage frequency, duration, causes, and other factors related to transmission and generator performance and automatic power system protection and control effectiveness. Trends, findings and recommendations from PA serve as technical input to Reliability Standards and to standards project prioritization, compliance process improvements, event analysis, reliability assessment, and critical infrastructure protection efforts. The analysis and results are reported in the annual State of Reliability Report, which provides guidance and recommendations for enhanced BPS reliability. Performance Analysis works closely with other organizations, including EPRI, DOE, IEEE, INPO, NATF, NAGF, and CEA, on a number of fronts, including the Transmission Availability Data System (TADS), Generator Availability Data System (GADS), and Demand Response Availability Data System (DADS).

BF&C provides support and services necessary for the real-time operation of the BPS in the areas of balancing resources and demand, interconnection frequency, interchange scheduling, and control performance. BF&C provides technical assistance in the development and administration of the NERC Balancing (BAL) standards, including BAL-01, BAL-002, BAL-003, BAL-004 and BAL-006, as well as in performing analysis and developing annual reports and informational filings required by FERC directives in its orders that approved BAL standards. BF&C supports the NERC Resources Subcommittee (RS), Frequency Working Group, Inadvertent Exchange Working Group and Reserves Working Group, including through maintaining the RS website and the Balancing Authority Submittal Site, which provide operational information and a submittal mechanism for requirements under the BAL standards. BF&C also provides data collection, analysis and reporting for five Essential Reliability Services (ESR) measures to support the ESR Working Group. BF&C is involved in the specification, development and installation of a PI Historian system that will allow NERC to retrieve, analyze and report on data that is currently hosted and analyzed by external parties; this initiative will continue in 2018. BF&C provides data and analysis that supports development of the annual State of Reliability Report. BF&C will continue to support the RS, the ERS Working Group, and industry stakeholders through webinars, technical whitepapers, reliability guidelines,

and other outreach. In 2018, BF&C will develop the technical report to be filed with FERC in accordance with the directives in FERC Order 794, which approved the BAL-003-1 standard, and will continue to develop the annual Frequency Response Annual Analysis Report.

DA is responsible for collection, management and analysis of data related to the performance of five areas of BPS operations: transmission, conventional generation, wind generation, protection system misoperations and demand response. DA provides application training and end-user support to reporting entities and Regional Entity staffs. DA performs analysis to identify potential risks relating to system, equipment, entity or organizational performance that may indicate, among other things, a need to develop remediation strategies, new data collection or analysis, or creation, revision or retirement of reliability standards. DA's analyses provide the foundation for the annual State of Reliability Report, the annual Misoperations report, and technical papers for industry. During 2017, DA is deploying the Wind Data collection system and developing and implementing the data sharing process to comply with FERC Order 824. In 2018, DA will begin development of requirements for solar data collection. DA also provides business subject matter expertise for NERC IT projects including new data reporting and analytical tools, projects to support FERC data needs, data sharing within the ERO, and other projects with NERC groups.

New and ongoing major activities for Performance Analysis in 2018 will include: issuing the annual State of Reliability Report and guidelines, recommendations and Alerts as needed; providing support and leadership to the NERC Operating Committee, Operating Reliability Subcommittee and the RS and its working groups, with emphasis on balancing operations and analysis, administration of BAL standards, and performance-based outreach to functional entities responsible for real-time BPS reliability; continuing administration of the BAL standards; providing technical assistance to NERC Compliance and Enforcement, emphasizing BAL-003-1 Frequency response for the Balancing Authority requirements that became effective in 2017; developing the annual Frequency Response Annual Analysis Report (previously the responsibility of the NERC RASA program); developing and submitting the report required by FERC Order 794; beginning development of quarterly BPS performance reports using PI Historian data and functionality to support the Operating Committee and the RS; overseeing and evaluating reliability trends that identify reliability risks, by analyzing data contained in the TADS, GADS and DADS; continuing to support the RS and its working groups of the Operating Committee with emphasis on data collection and analysis and implementation of the ERO's responsibilities for the BAL standards; supporting Reliability Standards development by providing subject matter expertise; continuing to provide leadership and support to the NERC standing committees' subcommittees, working groups, and task forces; assisting in development of approaches to registration and providing input to NERC staff in support of development of CMEP risk elements; conducting major event investigations, analyses, and reporting of major findings, recommendations and lessons learned that will improve reliability; and providing insight on merging system protection issues, and handing off any issues with future implications to RASA.

The major activities of the RRM group satisfy the following criteria:

I.A: is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC ROP?

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? (2) Monitoring, event analysis and investigation of Bulk Power System major events, off-normal occurrences and near miss events?

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.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.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, 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?

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?

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?

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.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?

III.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? (The applicable Commission orders include Order Nos. 794 and 824 which require data collection, availability and reporting.)

V: Is the activity one that is required or specified by, or carries out, the provisions of NERC's ROP 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 ROP provisions for these major activities are §801-811 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. Electricity Information Sharing and Analysis Center 2018 Major Activities

The major activities of the Electricity Information Sharing and Analysis Center ("E-ISAC") are described at pages 65-68 of the 2018 Business Plan and Budget. The primary function of E-ISAC is to reduce cyber and physical risk to the electricity industry across North America by providing unique insights, leadership and coordination, and to be the trusted, timely, actionable resource of grid risk information and analysis to enhance electric reliability. The E-ISAC facilitates electricity sector coordination regarding physical security and cybersecurity events affecting the BES. E-ISAC manages and executes NERC's responsibilities in the Cybersecurity Risk Information Sharing Program ("CRISP") and acts as the program manager for CRISP. The purpose of CRISP is to facilitate the sharing of cyber threat information and to develop situation awareness tools that enhance the electricity sector's ability to identify, prioritize, and coordinate protection of its critical infrastructure. CRISP provides critical infrastructure owners and operators the capability to voluntarily share cyber threat data, analyze this data, and receive machine-to-machine messages. E-ISAC also supports an annual grid security conference and a biennial Grid Security Exercise. The E-ISAC and CRISP are currently working on replacement of the E-ISAC portal to provide important new enhancements and improved capabilities, including facilitating direct data exchanges with E-ISAC members, other ISACs, and government partners.

The major activities of the ES-ISAC 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? (2) Monitoring, event analysis and investigation of Bulk Power System major events, off-normal occurrences and near-miss events?

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 ROP 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 ROP provisions for these major activities are §810 and 1003.)

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 Personnel Certification Program 2018 Major Activities

The major activities of the Training, Education, and Personnel Certification Program are described at pages 71-73 of the 2018 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 supporting statutory and delegation-related activities; as well as training and education for BPS industry participants consistent with ERO functional program requirements. The Training and Education Program supports the ERO's responsibilities to develop, adopt, and obtain approval of Reliability Standards and to monitor, enforce and achieve compliance with the mandatory standards. The Training and Education Program also supports NERC's System Personnel Certification Program, which ensure that personnel operating the BES have the skills, training and qualifications needed to operate the BES reliably. This Program maintains the credentials required to work in various industry areas across North America for over 7,500 system operators. The Training and Education Program prepares operators for complying with requirements of Reliability Standards and appropriately operating the BES during normal and emergency operations. Education and training activities include the following subject matter: risk-based compliance monitoring and enforcement; standards and compliance; organization registration and certification; event analysis, cause analysis, performance analysis, and lessons learned; reliability assessment and system analysis; and continuing education for system operators; as well as continuing to update the System Operator Certification Exam Item Bank.

The major activities of the Training, Education, and Personnel Certification Program for 2018 include implementing the annual NERC and ERO Enterprise Learning Priorities Plan which articulates and prioritizes the accumulated learning needs of the ERO Enterprise and the potential delivery vehicles supporting achievement of the corporate metrics for the strategic goals. The focus for 2018 (and beyond) includes reliability risk management technique (targeting industry), risk-based compliance performance (targeting the ERO Enterprise), and functional and technical enhancements to enhance employee understanding of NERC functions and core technical knowledge for regulating the BPS (targeting NERC employees). Training and education will be delivered through workshops, webinars, and computer-based and instructor-led training courses. The Continuing Education program will evaluate and revise current program criteria as reflected in the program manual. The Personnel Certification Program will focus on the annual analysis of the Exam Item Bank; new certification exam items; a new credential maintenance tool; and the strategic plan for program enhancements.

The major activities of the Training, Education, and Personnel 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 ROP 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 ROP provision for these major activities are §600 and 900.)

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?

VIII. Administrative Services 2018 Major Activities

NERC’s Administrative Services Departments are Technical Committees and Member Forums (for which no funding for activities is budgeted for 2018), General and Administrative, Legal and Regulatory, Information Technology (“IT”), Human Resources, and Finance and Accounting. The major activities of these departments are described at pages 76-85 of the 2018 Business Plan and Budget.

General and Administrative includes the administration and general management of the organization, the Chief Executive Officer and Chief Reliability Officer, Board of Trustees costs, communications, external affairs and government relations, and office rent.

Legal and Regulatory provides legal support to the organization, including to management, and the Reliability Standards, Compliance Analysis, Organization Registration and Certification, Reliability Risk Management, and RASA Programs, as well as general corporate legal support in areas including antitrust, corporate, commercial, insurance, contracts, employment, real estate, copyright, tax, and other areas.

IT supports NERC’s computing, Internet, database and electronic data storage and maintenance, and telecommunications and internet needs, programs, applications and infrastructure, including management of the development and implementation of new software applications and infrastructure. The capital expenditure projects managed by IT represent capital expenditures in hardware, software and associated tools to securely gather, store, analyze and maintain data across the ERO Enterprise to support the ERO’s operations, as well as necessary acquisition and replacement of computers, servers and related devices. IT’s 2018 activities are focused on NERC infrastructure and support; improving, enhancing, or replacing existing functionalities; ERO Enterprise infrastructure and support; and ERO Enterprise new functionalities, including entity registration functions and compliance monitoring and enforcement process tools.

Human Resources manages all of NERC’s human resources functions, including staffing, benefits administration, employee relations, performance and compensation management, succession planning, and training and development. Human Resources also obtains compensation studies, effectiveness studies, and other compensation consulting services when needed.

Finance and Accounting manages all finance and accounting functions of NERC, including employee payroll, 401(k), 457(b) and 457(f) 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.

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 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 ROP 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 ROP provision for the major activities of Finance and Accounting 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?

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 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 System⁴⁹ 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

⁴⁹ 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.

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?⁵⁰
- 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 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?

⁵⁰ 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.

- 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 ROP 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 electricity.

Exhibit C – Contractor and Consulting Costs

Consultants & Contracts	2017 Budget	2018 Budget	Increase (Decrease)
Compliance Assurance			
Reliability Assurance Initiative	\$ 50,000	\$ 50,000	\$ -
Total	\$ 50,000	\$ 50,000	\$ -
Reliability Assessment and System Analysis			
Reliability Effects of GMD	\$ 100,000	\$ 100,000	\$ -
Environmental Regulatory Analysis	250,000	250,000	-
Probabilistic Analysis	75,000	75,000	-
Essential Reliability Services	100,000	100,000	-
Total	\$ 525,000	\$ 525,000	\$ -
Performance Analysis			
GADS/TADS/DADS	\$ 528,082	\$ 572,030	\$ 43,948
Total	\$ 528,082	\$ 572,030	\$ 43,948
Situation Awareness			
Reliability Tools	\$ 619,150	\$ 600,595	\$ (18,555)
Secure Alerting System	96,000	96,000	-
SAFNR - Phase II	505,700	523,900	18,200
Communication Network	75,000	75,000	-
Total	\$ 1,295,850	\$ 1,295,495	\$ (355)
E-ISAC			
Security Consulting	\$ 33,000	\$ 33,000	\$ -
GridEx Support	350,000	142,000	(208,000)
Program Level Capabilities	353,000	770,000	417,000
Software and Services	113,285	105,200	(8,085)
Events and Outreach	50,550	50,000	(550)
CRISP	5,888,594	6,291,594	403,000
Total	\$ 6,788,429	\$ 7,391,794	\$ 603,365
Personnel Certification			
System Operator Testing Expenses	\$ 62,000	\$ 58,500	\$ (3,500)
System Operator Examination Development	70,000	50,000	(20,000)
Job Task Analysis	-	42,000	42,000
SOCCEd Database Maintenance/License	37,800	25,200	(12,600)
SOCCEd Database Improvements	50,000	75,000	25,000
Total	\$ 219,800	\$ 250,700	\$ 30,900
Training and Education			
Continuing Education Program	\$ 145,800	\$ 133,200	\$ (12,600)
ERO Enterprise Learning Portal	55,000	103,150	48,150
ERO Enterprise and Industry Course Development	125,000	76,850	(48,150)
NERC Staff Technical Training	35,000	35,000	-
Total	\$ 360,800	\$ 348,200	\$ (12,600)
General and Administrative			
Communications Support	\$ 15,000	\$ 20,000	\$ 5,000
ERO Effectiveness Survey	-	80,000	80,000
Total	\$ 15,000	\$ 100,000	\$ 85,000
Information Technology			
ERO Application New Functionality	\$ 100,000	\$ -	\$ (100,000)
ERO Application Enhancements	387,262	425,989	38,727
ERO Application Support	774,525	851,977	77,452
ERO Data Analytics	200,000	-	(200,000)
Ongoing Operations	851,000	846,000	(5,000)
Total	\$ 2,312,787	\$ 2,123,966	\$ (188,821)
Human Resources			
Executive Training and Development	\$ 100,000	\$ 150,000	\$ 50,000
Staff Training and Development	250,000	250,000	-
Compensation Consulting	100,000	175,000	75,000
Employee, Industry and Board Surveys, Succession Planning	50,000	40,000	(10,000)
HR Consulting Services	75,000	25,000	(50,000)
Total	\$ 575,000	\$ 640,000	\$ 65,000
Finance and Accounting			
Internal Controls and Outside Auditor Consulting Support	\$ 300,000	\$ 220,000	\$ (80,000)
Finance and Accounting Support	157,000	207,000	50,000
Finance and Accounting	\$ 457,000	\$ 427,000	\$ (30,000)
Total Consultants & Contracts	\$ 13,127,749	\$ 13,724,185	\$ 596,437

Exhibit D – Capital Financing

The company initiated a capital financing program in January 2014 as a funding source for major software application development projects that primarily benefit the ERO Enterprise. The total size of the original non-revolving credit facility was \$7.5M and was used to finance a portion of NERC's capital expenditures (including IT hardware and software application development costs) made through December 2016. A similar non-revolving credit facility was closed in November 2016, totaling \$5.0 million, and is available to finance certain capital expenditures made from January 2017 to December 2019. The interest rate for both credit facilities is floating and equal to LIBOR plus 275 basis points. Authorized annual borrowings under the facilities are limited to the amount approved by the NERC Board of Trustees and FERC in each year's business plan. Borrowings under the credit facilities are amortized over a three year period, and can be prepaid without penalty.

As further discussed in the *Introduction and Executive Summary* and set forth in the table below, NERC has a 2018 proposed capital budget of approximately \$3.9M, of which it is proposing to finance \$2.1M.

NERC Capital Budget	Budget 2017	Budget 2018	Variance 2018 Budget v 2017	
			Budget	Variance %
ERO Application Development	\$ 700,000	\$ 2,148,000	\$ 1,448,000	206.9%
E-ISAC Portal Improvement	1,000,000	-	(1,000,000)	-100.0%
Document Management Program	335,000	-	(335,000)	-100.0%
Hardware (storage, servers)	991,000	805,000	(186,000)	-18.8%
Other Equipment	885,000	370,000	(515,000)	-58.2%
Disaster Recovery	150,000	100,000	(50,000)	-33.3%
NERC Software Licenses	311,000	301,000	(10,000)	-3.2%
Leasehold Improvements	-	150,000	150,000	100.0%
Total	\$ 4,372,000	\$ 3,874,000	\$ (498,000)	-11.4%

The tables set forth below show the projected year-end outstanding debt and the future annual payments for debt service. In the 2018 budget, NERC plans to finance \$2.1M for ERO application development projects. The debt service projection assumes an average interest rate of 4.0% over the term of the financing, which is a slight increase over previous year budgets, reflecting the modest general increase occurring in interest rates.

	Year-End Outstanding Debt Balance				
	Prior Years Actual	2017 Projected	2018 Budget	2019 Projected	2020 Projected
Prior Years (2014 - 2016 Borrowing)	\$ 1,864,374	\$ 1,111,961	\$ 394,688	\$ -	\$ -
2017 Projection	-	1,450,000	966,667	483,333	-
2018 Budgeted	-	-	2,148,000	1,432,000	716,000
2019 Projected	-	-	-	2,668,000	1,778,667
2020 Projected	-	-	-	-	2,457,000
Total Outstanding Balance	\$ 1,864,374	\$ 2,561,961	\$ 3,509,354	\$ 4,583,333	\$ 4,951,667

Exhibit D – Capital Financing

	Future Annual Payments for Debt Service				
		2017 Projected	2018 Budget	2019 Projected	2020 Projected
Prior Years - Principal		\$ 752,413	\$ 717,274	\$ 394,688	\$ -
2017 Projection		-	483,333	483,333	483,333
2018 Budgeted		-	-	716,000	716,000
2019 Projected		-	-	-	889,333
2020 Projected		-	-	-	-
Interest Expense		64,544	88,878	121,744	155,335
Total Principal and Interest Costs	\$ -	\$ 816,956	\$ 1,289,485	\$ 1,715,765	\$ 2,244,002

Exhibit E – Working Capital and Operating Reserve Amounts

In September 2015, the Commission approved NERC’s proposed amendments to its *Working Capital and Operating Reserve Policy*, which had been approved by the NERC Board. A number of changes were made to the policy, including:

- Clarifying the definition of working capital to represent funding needed for cash flow purposes due to the timing of the receipt of funds and the payment of expenses.
- Creating four separate categories of operating reserves:
 1. A new subcategory of reserves entitled **Future Obligation Reserve** for funds that are being held to satisfy obligations that will be settled in a future year. Examples include leases, certain contracts, and credit agreements. These reserves were previously included within the definition of working capital, but are more accurately classified as a form of operating reserve.
 2. Continuation of a separate category of reserves for the Operator Certification Program called the **System Operator Certification Reserve**.
 3. Elimination of the Known and Unforeseen Contingency categories of operating reserves and creating a single category of contingency reserves called the **Operating Contingency Reserve**.
 4. Creation of a separate category of reserves for CRISP called the **CRISP Reserve**.

Working Capital

Based on its 2017 cash flow projection and taking into account the historic manner in which NERC’s assessments have been billed and paid, NERC does not anticipate needing access to working capital in 2018 to meet monthly cash flow needs. While individual reserve categories are increasing and decreasing based on operating needs and uses, the budget in total does not reflect additional net funding for reserves. 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 contingency 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.

Operating Reserves

Total operating reserves are budgeted to be \$5.9M at December 31, 2018 among all four categories, or \$5.4M excluding the \$500,000 CRISP Reserve. The Future Obligation Reserve is budgeted to be \$1.8M and is primarily funds held to offset future liabilities under lease agreements for the Atlanta and Washington, DC, offices. System Operator Certification Reserves are budgeted at \$700k, and the Operating Contingency Reserve is budgeted for \$3.0M. The CRISP Reserve, budgeted at \$500k, is held pursuant to the terms of the Master Services Agreement between NERC and participating utilities, which calls for a separate third-party funded reserve established to fund certain contingencies in connection with CRISP.

In addition to the foregoing reserves, the amended policy also provides for an **Assessment Stabilization Reserve**. The goal of the Assessment Stabilization Reserve is to mitigate assessment volatility and have percentage changes in annual assessments track, within a reasonable band, percentage changes in the company’s total annual budget, with the total budget reflecting prudent fiscal discipline and good stewardship of resources. Assessment stabilization funds will be used when available to help stabilize assessments and mitigate year-to-year swings in assessments. Those swings primarily result from the year-to-year variations in collections of Penalty funds to be applied to offset assessments, but could also result from other factors like surplus funds available from a prior period, the need to replenish the Operating Contingency Reserve, or significant but relatively short-term operating or capital spending needs. Subject to Commission approval, NERC proposes to (1) place the \$500,000 of Penalties collected in the 12 months ended June 30, 2017, into the Assessment Stabilization Reserve, resulting in a balance

on January 1, 2018 of \$2,171,000, funded entirely by penalties and (2) release \$600,000 from the Assessment Stabilization Reserve to reduce 2018 assessments. NERC’s proposals will result in a balance remaining in the Assessment Stabilization Reserve of \$1,571,000 at December 31, 2018 (assuming that after June 30, 2017, no additional Penalties are received and placed into the Assessment Stabilization Reserve). This balance will be available to be used, with Board and Commission approval, to mitigate annual assessment increases in future years.

Exhibit F – E-ISAC Long-Term Strategy

2018 NERC Business Plan and Budget Addendum Long Term E-ISAC Strategy and Funding

Background and Introduction

Over the past several years the Electricity Information Sharing and Analysis Center (E-ISAC) has focused on improving its technical and analytical capabilities with a goal of becoming the electricity industry's leading, trusted source for analysis and sharing of security information. Significant support from the Electricity Subsector Coordinating Council (ESCC), the ESCC Members Executive Committee (MEC), the U.S. Department of Energy, and other stakeholders have helped the E-ISAC be responsive to the industry's needs in order to provide unique insights, leadership, and coordination for security matters.

In the fourth quarter of 2014 and with broad industry support, the E-ISAC assumed management responsibility for the Cybersecurity Risk Information Sharing Program (CRISP), a public-private partnership that facilitates the automatic sharing of cyber threat information. The CRISP program also develops situation awareness tools that enhance the electricity sector's ability to identify, prioritize, and coordinate the protection of its critical infrastructure. CRISP provides critical infrastructure owners and operators the capability to voluntarily share cyber threat data, analyze this data, and receive machine-to-machine mitigation measures. Information-sharing devices installed on participants' networks send encrypted data to a CRISP analysis center operated by the Pacific Northwest National Laboratory (PNNL), which analyzes the data it receives and sends alerts and mitigation measures back to CRISP participants and the E-ISAC through secure communication channels. Industry participation has increased significantly since CRISP became fully operational in 2015, and today the program supports the major utilities that serve about 75% of the metered electricity customers in the United States.

At the request of the NERC Board of Trustees and under the guidance of the ESCC and MEC, executive leadership of the E-ISAC developed a long-term strategic plan, a copy of which is attached hereto. The E-ISAC Long Term Strategic Plan was approved by the MEC on April 24, 2017 and accepted by the NERC Board of Trustees on May 11, 2017. The long-term strategic plan is to transform the E-ISAC into a world-class intelligence collecting and analytical capability for the electricity industry.

In furtherance of this vision, the E-ISAC is planning for a continuous improvement and evolution that reflects the changing threat landscape, changing technologies and business processes inside the industry, and changing customer expectations for a highly reliable and secure electricity infrastructure that is increasingly more integrated with less secure infrastructures, such as the public Internet. This strategy recognizes the growing threats to the grid from human and cyber actors, and highlights the need for a more robust security information sharing and analysis capability within NERC, while also reflecting an approach based upon sound fiscal planning. To achieve this goal, the E-ISAC is focused on increasing its capability to collect security intelligence; conduct sophisticated and specialized analysis; acquire additional data storage, management, and sharing technologies; and increase its access to classified networks and facilities.

The following paragraphs discuss the additional future resource requirements necessary to support this long-term strategy, including the specific resource additions being proposed for 2018. Resource requirements for subsequent years will be subject to ongoing refinement, review and approval as part of NERC's annual business plan and budget process. Senior management will continue to work closely with the MEC to ensure that the capabilities and services provided are aligned with and support the strategic plan. Periodic progress reports will also be provided to the NERC Board of Trustees and industry stakeholders.

Increased Capabilities and Services

Improved Intelligence Collection, Analysis, and Information Sharing

The E-ISAC continues to improve the collection, analysis, and sharing of unclassified but sensitive information. New collection capabilities coming online in 2017, such as the E-ISAC's Cyber Automated Information Sharing System (CAISS) project and continued expansion of the Cybersecurity Risk Information Sharing Program (CRISP), will provide additional technical intelligence. As these technologies mature they will require increased staffing to screen, analyze, summarize, disseminate and maintain information shared with industry participants.

In 2018, the E-ISAC plans to implement additional monitoring (either directly or through the services of third parties) of public and private networks for new technical threats; and increase the ability to monitor social media and other open sources for human threats. Beyond 2018 the E-ISAC plans to launch a pilot project to begin collecting data from sensors in Operational Technology (OT) networks that will search for destructive threats.¹ These additional intelligence and information gathering capabilities will also require increased staffing to analyze and share security information derived from them.

Improved Analytical Capabilities

Sophisticated threat analysis requires technical analysts and tools with specializations in fields such as industrial control system security, end-point (host) security, network security, cloud security, and penetration testing.

In 2018, the E-ISAC plans to add data visualization capabilities to its portal technology that will assist members in understanding what threats are targeting them versus the broad sector; provide a malware reverse engineering capability; and be able to conduct remote testing of security perimeters and devices.

Measuring and understanding the impact of security controls and other actions taken to mitigate threats will be a new capability of the E-ISAC in 2018. In order to determine the effectiveness of NERC's reliability standards and other investments made by the electricity industry, the E-ISAC plans to deploy new technologies designed to measure the effectiveness of these security initiatives.

Beyond 2018, other analytical initiatives planned include adding big data analytics² to the CRISP and CAISS programs; the ability to verify device security through the use of passive attack tools; and developing customized control system security analysis tools. On the new portal platform, the E-ISAC plans to provide customized security monitoring and "plug-in" security modules for members that will allow them to define their own views of the security of their systems. This ability to view a member's own data and compare it to anonymized data from other members will be unique to the E-ISAC and the electricity industry.

Improved Industry Engagement

A major focus for the E-ISAC over the past two years has been improving our engagement with the electricity industry. The new portal platform being launched in 2017 is a core capability that will serve as a foundation for improved information sharing and new types of membership engagement.

In 2018, the E-ISAC plans to launch a robust reputation monitoring and warning capability for the members similar to the Domain Name System (DNS) monitoring project that was piloted in 2016; build and maintain a protected database of members' technical data including assigned Internet Protocol ranges, domain names, cloud service

¹ OT networks are typically separate from enterprise information technology networks and are used for controlling or monitoring machinery, relays, breakers, and other operational or control systems.

² Big data analytics refers to the ability to analyze very large repositories of data, looking for correlations of information that otherwise would appear to be unrelated.

providers, key applications, contact information and other critical member-specific data; provide on-site physical security guidance and incident analysis; and create a “cyber range”³ for members to support GridEx and other simulated training environments.

In future years, other engagement initiatives will include providing increased support to smaller industry members; creating cyber teams that can assist with on-site cyber security analytics; producing top quality training videos or online applications for various security subjects; and providing E-ISAC liaisons to other industry sector watch centers for better cross-sector collaboration.

Measuring Success

Measuring impact or direct changes to the security of the grid based on these new capabilities is difficult. The E-ISAC plans to provide quarterly updates to both the MEC and the NERC Board of Trustees highlighting the progress made on acquiring new personnel, deployment of new tools and technologies, and analysis of the impact on the industry as best as can be determined. As data is collected with the new tools, it will become possible to measure with increasing accuracy the direct impact on grid security. This analysis will assist the E-ISAC, the MEC, the NERC Board of Trustees, and other stakeholders in determining the impact of these improvements and identifying where improvements can be made.

Additional Resource Requirements

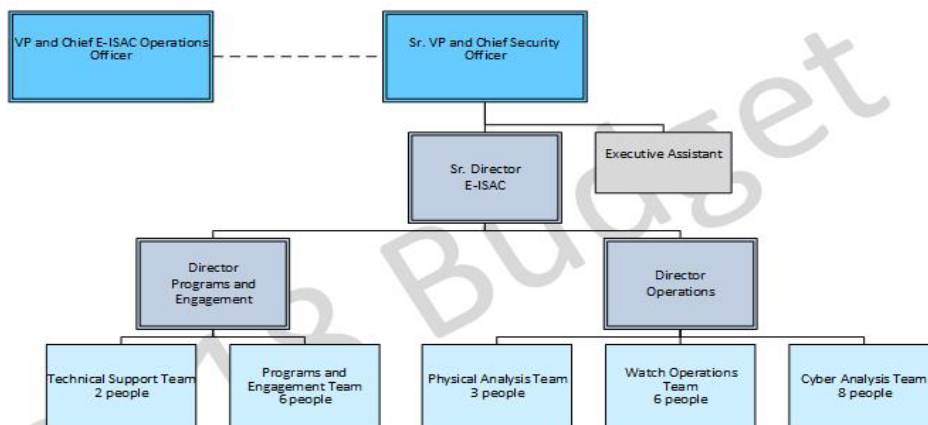
Personnel

The E-ISAC anticipates having 25 total employees by the end of 2017, including current staff and vacancies, along with 3 additional analyst positions as an initial step in the strategy. To meet the staffing levels recommended to fully execute the long-term strategic plan, the E-ISAC anticipates an additional 27 employees are needed. Management recommends these additional employees be phased-in over a five-year period in order to better facilitate the hiring, acquisition and integration of personnel, as well as to mitigate annual budget and assessment increases. In addition to these E-ISAC staff additions, additional corporate support resources will also be required, primarily related to information technology, legal, and finance. Projected resource additions for each year will also be subject to a review of the E-ISAC performance and progress in execution of the long-term strategy, as well as review and approval as part of NERC’s annual business plan and budget process.

In 2018, the E-ISAC proposes to hire an additional six employees at an estimated incremental cost of \$1.08 million. These six new positions include one watch officer, two cyber analysts, one CRISP analyst, one physical analyst, and an administrative support position. The performance of these additional employees and their impact on increasing the security of the grid will contribute to decisions for future levels of staff increases. With the addition of these six new positions, the E-ISAC’s 2018 organizational chart is as follows:

³ A “cyber range” is a simulated training environment for system administrators and network defenders that allows them to experiment with different types of defensive tools against different types of attackers. This approach is widely used in the military and with defense contractors, and will be a very powerful addition to the Electricity industry’s set of cyber defense tools.

Electricity Information Sharing and Analysis Center



Technology

As more data is collected, the E-ISAC will need to acquire additional data storage, management, and sharing technologies. These technologies must be as secure as possible, given that the risk of a targeted data breach will increase as the E-ISAC improves its capability to give early warning to industry about threats and vulnerabilities discovered via data analysis. The estimated annual incremental cost of new technologies each year over the next five years is estimated to range between \$250k to 500k per year.

Specific technologies needed to support the long-term plan in 2018 include event visualization via the new platform, predictive analysis based on artificial intelligence, real-time threat feeds to members, a customized platform experience for each user, and federated information sharing.

Other technologies to be added after 2018 include increased data storage capability with big data analytics for CRISP; tools for monitoring open source intelligence; malware reverse engineering tools; metrics development tools; passive security testing capability; reputation monitoring services; and increased network capacity between the E-ISAC and various Department of Energy laboratories.

Facility Improvements

As the size of the E-ISAC grows, ongoing facility improvements will be made each year over the next five years to accommodate these needs. Building on improvements made in 2017 there will be additional upgrades to the Watch Operations Center, the Cyber Analysis Center, and to the displays, monitors, workstations, and other fixed assets throughout the E-ISAC.

Total Projected Costs

The chart below shows the cost projections for personnel, technology and facility improvements over the next five years. These costs are the incremental costs expected in each year, not the accumulated costs over time.

E-ISAC Strategic Plan Cost Projections by Year

	E-ISAC Staffing	Technology and Tools	Other Staffing, Support, and Facilities*	Total Per Year
2018	\$ 1,080,000	\$ 500,000	\$ 225,000	\$ 1,805,000
2019	1,080,000	300,000	475,000	1,855,000
2020	900,000	250,000	175,000	1,325,000
2021	900,000	250,000	355,000	1,505,000
2022	900,000	450,000	355,000	1,705,000
Total	<u>\$ 4,860,000</u>	<u>\$ 1,750,000</u>	<u>\$ 1,585,000</u>	<u>\$ 8,195,000</u>

* This category includes administrative staff support outside the E-ISAC department, professional services costs, and costs related to facilities upgrades.

Funding Alternatives

The majority of NERC’s operations have traditionally been funded through assessments, which are allocated to load serving entities on a net energy for load basis. There are several exceptions to this general funding approach. NERC’s operator certification and training program is funded through testing fees, and the cost of certain conferences, including NERC’s Human Performance and Grid Security conferences, have been offset by registration fees. In addition, when CRISP was established, an agreement was reached with the CRISP participants that the costs incurred by NERC under its subcontract with PNNL should be entirely funded by CRISP participants, since these costs directly benefit the CRISP participants. However, since CRISP data is also used to provide threat information to registered users of the E-ISAC, it was recognized and agreed that funding a portion of the program through assessments was also appropriate. Since the program was new and E-ISAC resources would be utilized to analyze, anonymize and share CRISP data through the E-ISAC portal for the benefit of all users of the portal and load serving entities generally, a decision was made to share the funding of NERC’s internal costs to support CRISP equally between assessments and participants in the program.

For 2018, management is recommending that the proposed resource additions not related to the CRISP program be funded through assessments. The additional resources related to CRISP analytics will be included in the CRISP program budget and recommended for approval by those participants. As the E-ISAC resource requirements and associated funding needs continue to grow, management believes there is merit in continuing to explore alternative funding mechanisms, including the potential for public and private sector support, to fund future information technology and infrastructure needs.

The table below shows a "base" budget from 2018 through 2022, assuming growth of 3% and no significant staffing, technology, or facilities additions. For additional information on this “base” budget, see the E-ISAC section in the budget narrative. The “Added Costs” are based on the previous table showing the incremental costs per year related to this strategic plan. These costs are both accumulated (i.e. – staffing additions) and incremental (i.e. – one time technology tools or facilities expenditures) as necessary such that the 2022 “Strategic Plan Budget”

amount represents the total projected cost for that year to accommodate both the base operations and additional strategic plan costs discussed herein.

**E-ISAC
Total Budget including Strategic Plan**

	E-ISAC		Strategic Plan
	Base Budget*	Added Costs	Budget
2018	\$ 18,996,833	\$ 1,805,000	\$ 20,801,833
2019	19,566,738	3,235,000	22,801,738
2020	20,153,740	4,385,000	24,538,740
2021	20,758,352	5,715,000	26,473,352
2022	21,381,103	7,245,000	28,626,103

** The base budget for 2018 does not include any additional costs discussed in this Appendix. For additional information on the base budget, please see the E-ISAC section in the budget narrative. The 2019 thru 2022 include a 3% increase each year.*

Impact on 2018 NERC Budget and Assessments

All of these costs will be incremental to the proposed “base-case” NERC budget, and most of them will be incremental to the assessment increase. However, one of the additional analysts is allocated to CRISP and will be included in the 2018 budget for consideration by the CRISP participants. Therefore, as the table below reflects, the impact on the NERC budget is \$1.8M and the impact on assessments is \$1.7M, with the remaining \$90,000 related to the CRISP analyst position included with the CRISP budget for 2018 and funded accordingly.

The table below shows the impact of this strategy on the current NERC “base-case” budget, reflecting an increase to the budget of 5.1% (2.5% without these costs) and an increase in NERC assessments of 6.1% (3.3% without these costs). The table below does not include any releases from the Assessment Stabilization Reserve to offset the 2018 assessment billings. However, NERC is proposing to release \$600k from the Assessment Stabilization Reserve to offset 2018 assessment billings.

E-ISAC 2018 Budget and Assessment Impact

	2017	2018	Change	
			\$	%
NERC Budget (current base case)	\$ 69,602,175	\$ 71,376,999	\$ 1,774,824	2.5%
2018 E-ISAC strategic additions	-	1,805,000	-	-
NERC Budget - adjusted	\$ 69,602,175	\$ 73,181,999	\$ 3,579,824	5.1%
NERC Assessments (current base case)	\$ 59,856,314	\$ 61,804,211	\$ 1,947,897	3.3%
2018 E-ISAC strategic additions	-	1,715,000	-	-
NERC Assessments - adjusted	\$ 59,856,314	\$ 63,519,211	\$ 3,662,897	6.1%

Attachment

E-ISAC Long Term Strategic Plan

Executive Summary

The Electricity Information Sharing and Analysis Center (E-ISAC), operated by the North American Electric Reliability Corporation (NERC), executed a significant improvement initiative over the past two years based on findings and recommendations developed by the Electricity Subsector Coordinating Council (ESCC) in 2015. Looking forward, the electricity industry would like the E-ISAC to become an indispensable resource for security information sharing and analysis, and to be the centerpiece for building a highly engaged community of security professionals.

To carry forth this vision, the E-ISAC must undergo continuous improvement and evolution that reflects the changing threat landscape, changing technologies and business processes inside the industry, and changing customer expectations for a highly reliable and secure electricity infrastructure that is increasingly more integrated with insecure infrastructures such as the public Internet. This will require additional resources for people, technology, and facilities above what has been budgeted in previous years.

This strategic plan builds on the ESCC's earlier recommendations and discusses improvements needed in 2017 to address current threats, a look at the mid-term range of 2018-2022 to address emerging threats, and what the E-ISAC might look like beyond 2023 if the forecasted issues continue to develop.

The plan was developed with guidance from the ESCC and from NERC leadership. It recognizes the need for sound fiscal planning, recognizes the growing threats to the grid from human and cyber actors, and highlights the need for a more robust security information sharing and analysis capability within NERC.

At a recent planning session with C-level executives, one utility CEO said he wanted to "transform the EISAC into an intelligence collecting and analytical capability that industry literally cannot do without," which resonated strongly among the other executives. To achieve this goal we must get the E-ISAC to a maturity level where industry completely trusts it to gather, hold, analyze, and distribute highly sensitive security information.

Specific financial projections, technology requirements, staffing, and facility improvements are being developed and will be incorporated in the NERC strategic plan and the NERC business plan and budget.

Background

The Electricity Information Sharing and Analysis Center (E-ISAC) is operated by the North American Electric Reliability Corporation (NERC).⁵⁴ It was established by NERC at the request of the U.S. Department of Energy in 1999 to serve as a focal point for voluntary information sharing within the electricity subsector. By 2006, the ISAC was widely used in the subsector for collecting, analyzing, and distributing voluntarily-shared security information and was a key component of NERC's overall electric reliability mission. NERC's Board of Trustees oversees the budget and activities of the E-ISAC in the same manner as other NERC divisions.

NERC assumed the role of the Electric Reliability Organization (ERO) in 2006 and began a multi-year effort to develop enforceable reliability and security standards for owners, operators, and users of the Bulk-Power System. As the standards were completed and compliance monitoring began, the ISAC remained the place where security incidents were reported, but the voluntary nature of reporting from electricity entities shifted towards mandatory

⁵⁴ Initially called the Electricity Sector Information Sharing and Analysis Center (ES-ISAC), the name was changed in September 2015 to the Electricity Information Sharing and Analysis Center (E-ISAC) as part of a rebranding and role-clarification initiative.

reporting from entities required to be compliant with NERC’s Critical Infrastructure Protection (CIP) standards. By 2014, voluntary sharing with the E-ISAC had greatly diminished in favor of mandatory reporting, but the desire for voluntary sharing within the subsector remained strong. The following year a perceived problem of internal NERC cross-sharing of security information was addressed when NERC implemented the employee code of conduct that bars voluntarily shared security information from being forwarded to NERC’s compliance and enforcement teams. Also in 2015 the E-ISAC finished a separation project that includes physical and electronic barriers to protect the information voluntarily shared by industry members.

In late 2014, the Electricity Subsector Coordinating Council (ESCC) initiated a strategic review of the E-ISAC. In June 2015, the ESCC published its key findings and recommendations, which fell into four major areas of improvement for the E-ISAC:

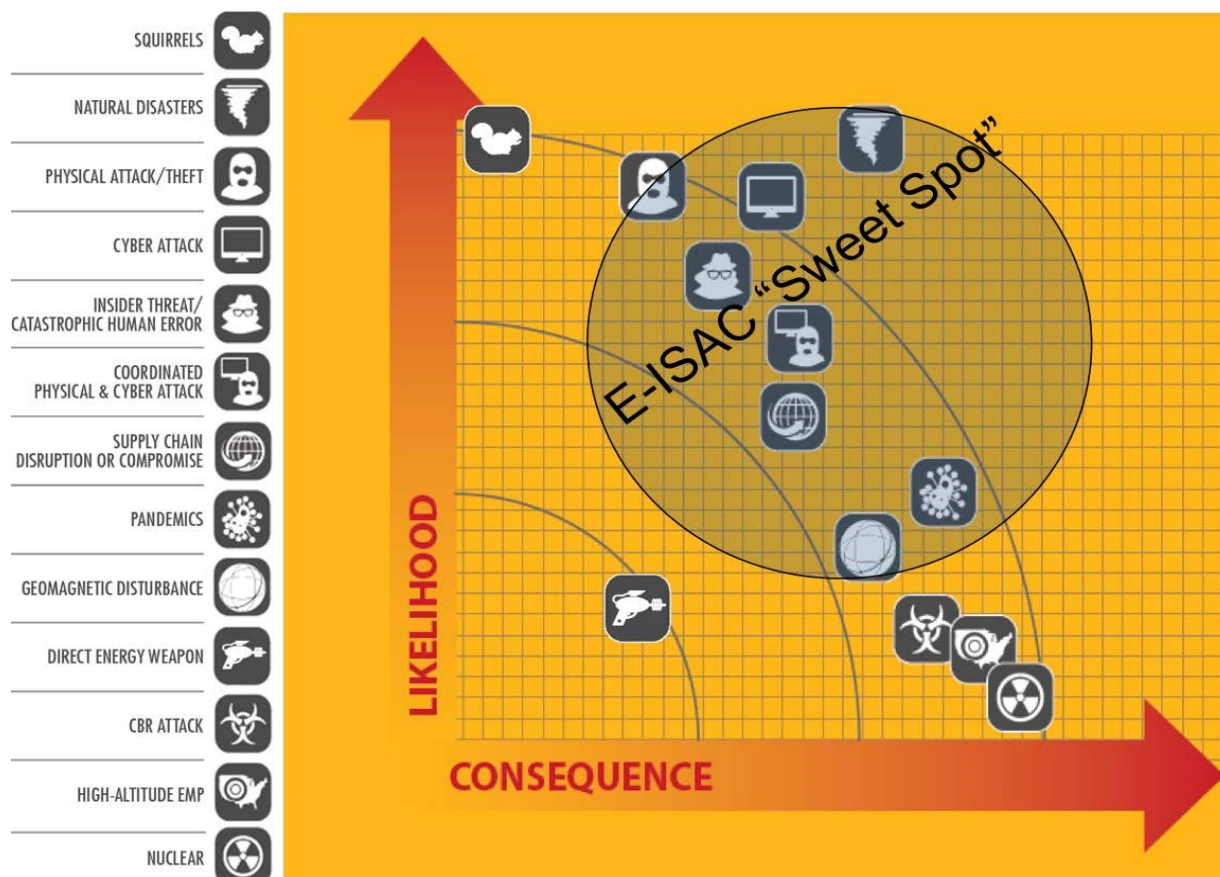
1. Strengthen the governance structure and processes to increase effectiveness and responsiveness
2. Improve the quality and value of the products by identifying member needs and expectations
3. Advance the analysis capabilities by continuing to upgrade operational and staff capabilities
4. Advance the information collection capabilities through enhanced member engagement, better tools or sensors, and an improved portal

A C-level advisory team from the ESCC (the Member Executive Committee, or MEC) was established in 2015 to help enable the implementation of the ESCC’s recommendations, which included a new vision for the E-ISAC to become the electricity industry’s leading, trusted source for analysis and sharing of security information. As of April 2017, much progress has been made toward realizing this vision and now we look forward to the next five years and beyond while asking the question, “how do we transform the E-ISAC into an intelligence collecting and analytical capability industry cannot do without?” To begin this process, the following section looks back at known threats and ahead at the anticipated evolving nature of future threats targeting the electricity industry.

The Changing Threat Landscape

A study conducted for the ESCC by the Chertoff Group in 2014⁵⁵ found that a range of threats target the electric power grid. These threats can be approximately related to each other by using a likelihood versus consequence plotting. We feel that the E-ISAC’s “sweet spot” is roughly along the 45-degree line as depicted in the graphic below.

⁵⁵ “Addressing Dynamic Threats to the Electric Power Grid Through Resilience” <https://www.chertoffgroup.com/files/docs/Addressing-Dynamic-Threats.compressed.pdf>



Industry by itself cannot protect the grid from all hazards, and likewise neither can the government. A strong partnership between industry and government for security is required, and in fact has been in place for many years. At the center of this partnership is the ESCC, which serves as a bridge between the public and private sectors for strategic security policy coordination and to develop unity of messaging during a crisis. In addition, timely and actionable information sharing, collaboration, and analysis are the cornerstones of good security practices within the electricity industry. The E-ISAC’s role is to facilitate voluntary sharing and collaboration, and to provide unique insights into emerging security issues that are affecting the sector. In January 2017 the E-ISAC and the MEC met in person to discuss the future of the E-ISAC relative to changing threats, changing industry dynamics, and a changing environment. While physical threats resulting in theft, vandalism, disruption, or destruction will always be present, the group recognized that cyber threats and other types of threats are evolving and will require adaptive change throughout industry and especially with respect to the E-ISAC. The group agreed that future threats industry needed to monitor and mitigate included:

- Near-term (0-2 years)
 - Nation state threats, advanced persistent threats, the Internet of Things (IoT), Distributed Denial of Service (DDoS) attacks, and ransomware
 - Data breaches and intellectual property theft
 - Insiders, physical damage, coordinated attacks, and third-party risks
- Mid-term (3-5 years)
 - Increased reliance on gas generation
 - Distribution system vulnerabilities via networked control systems
 - Growth of demand response technologies with low security
 - Distributed energy resources
 - Reliability of communications networks

- Long-term (5-10 years)
 - Higher replacement rate of components and systems
 - Increased cost of operations due to higher security costs
 - Ability to run manually might be lost
 - Computers attacking computers

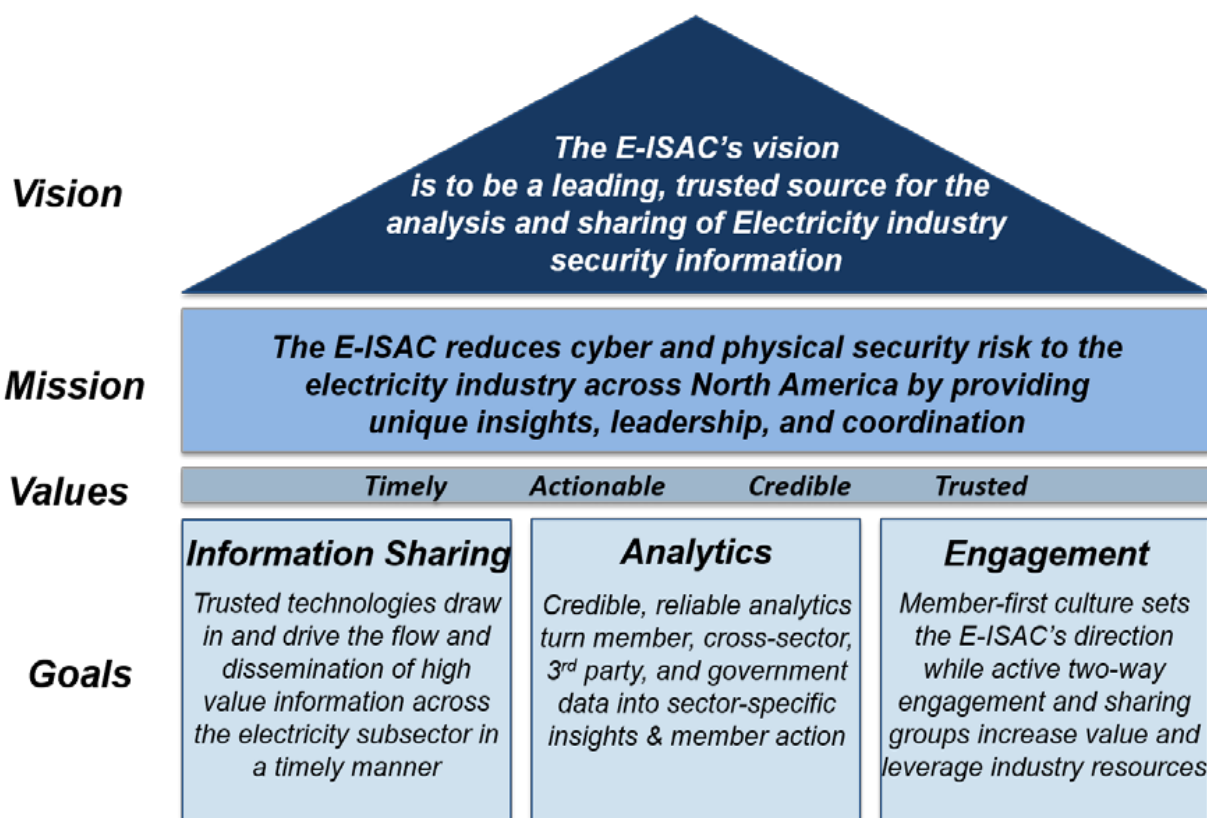
The remainder of this plan discusses improvements needed in 2017 to address current threats, a look at the mid-term range of 2018-2022 to address emerging threats, and what the E-ISAC might look like beyond 2023 if the forecasted issues continue to develop.

The Need for a Strategic Plan

Given that quite a bit of work was accomplished over the past two years to improve the E-ISAC, it is reasonable to ask why a long-term strategic plan is needed. Looking externally, there are three primary drivers:

1. Security threats continue to evolve and become more dangerous
 - a. Ukraine, IoT, and ransomware attacks are indicators
 - b. Geopolitical tensions and changing societal trends make North America a target
2. Customer expectations for highly reliable energy continue to increase
 - a. Electricity entities need to be more agile and responsive to real-time risks
 - b. Rapid technology changes also increase the risk landscape
3. More robust understanding and measurement of grid resiliency and security
 - a. Need new tools for collecting and analyzing grid security metrics data

Since the publication of the ESCC’s strategic review in 2015, the E-ISAC has solidified vision, mission, values and goals statements as shown in the graphic below. The three “goals” columns represent parts of a rising spiral of membership engagements: bringing in more information improves the analytical process, which in turn drives more engagement, which then brings in more information, which improves analytics, and so forth.

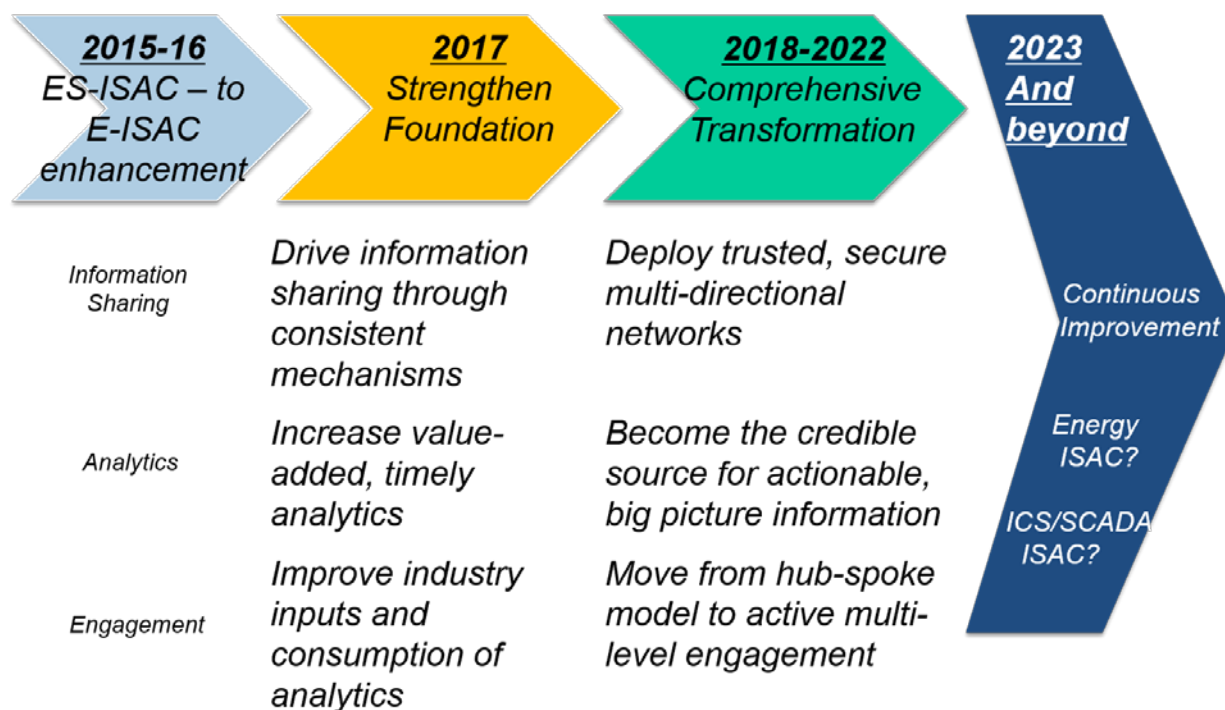


This process takes the E-ISAC to new levels as it gets better at information collection, analysis, and dissemination and represents the core capabilities of the E-ISAC. The MEC and the E-ISAC developed a related strategy for the improvement of the E-ISAC's products and services that builds upon the pillars shown in the graphic above, and is working on a technology roadmap in partnership with NERC's Information Technology team that also follows this method. Both of these more tactical plans support the goals and objectives of the E-ISAC's long-term strategic plan.

Transforming the E-ISAC: 2017 and Beyond

In the coming years, NERC should build on the foundation of the 2015 ESCC recommendations, and position the E-ISAC to provide more robust security information for better understanding of security weaknesses and strengths across the ERO. By addressing the three primary drivers outlined above, NERC can transform the E-ISAC into a world-class intelligence collecting and analytical capability for the electricity industry. To accomplish this, the E-ISAC must achieve a maturity level where industry completely trusts it to gather, hold, analyze, and distribute highly sensitive security information, with no fear that information voluntarily submitted to the E-ISAC would ever be used for a compliance enforcement action or investigation.

As we strengthen the foundation built over the past two years, the E-ISAC should undertake a comprehensive multi-year transformation to build capabilities that include trusted, secure, multidirectional networks and a movement from a hub/spoke model to a very active multi-level engagement. The E-ISAC strives to be the industry's most credible source for actionable, big picture information. This roadmap is illustrated in the graphic below.



2015 and 2016 were foundation-building years, set in motion by the ESCC strategic review and the publication of the findings and recommendations. In 2015, NERC implemented an employee code of conduct, completed a physical and logical separation of the E-ISAC from other parts of NERC, hired strategic leadership and key industry experts, and rebuilt the organization with new internal functional groups. Also that year, the name was changed from the ES-ISAC to the E-ISAC and new logos, color schemes, and branding were launched. In 2016, the old web portal was upgraded with the intention of setting in motion a completely new platform capability that will launch later in 2017. Over the past two years, membership engagement and information sharing grew rapidly, new products and services were launched, and the third Grid Security Exercise (GridEx III) was successfully administered by the E-ISAC. The impact of these initial changes on the E-ISAC’s capability to respond to real-world incidents was validated by the Ukraine grid attacks in December 2015, denial of service attacks from Internet of Things (IoT) devices in October 2016, and the second Ukraine event along with the Grizzly Steppe incident at the end of December 2016.

As was pointed out frequently in the past two years, the “IS” and the “A” in “ISAC” define the two primary strategic themes that must be in place for the organization to be successful. In 2017, the E-ISAC is deploying new information sharing and analysis tools such as the Cyber Automated Information Sharing System (CAISS) and an Event Visualization Tool (EVT) to increase the speed and ease of sharing cyber threat information. While the Cybersecurity Risk Information Sharing Program (CRISP) has enhanced visibility and understanding of cyber threats for the electricity industry, processing classified information takes time. As information comes in from CRISP sensors and goes to the Pacific Northwest National Laboratory, the E-ISAC will leverage a new unclassified data storage and analytics capability inside the E-ISAC so that more actionable information can be sent to industry on a timelier basis. Later this year we anticipate that alerts and technical information will flow securely between CAISS and CRISP in our efforts to expand our data collection beyond the current participant pool and to achieve a more comprehensive picture of industry threats than we have today.

The major technical effort in 2017 is a planned replacement of the current web portal with a new “platform” that will enable automatic information sharing, the creation of private discussion groups, data visualization, and many other features that the E-ISAC’s members requested. To support the new tools and the needs of the sector,

additional analysts will be hired in 2017. In addition, new partnerships are envisioned with organizations like the Computer Emergency Response Team Coordination Center (CERT/CC), and at the end of 2017, the E-ISAC will host the GridEx IV. In mid-April 2017, the internal structure of the E-ISAC was modified to align the staff to better serve the industry. There are now two major groups—one focused on operations and analysis and the other on programs and member engagement. Some minor facility improvements are also planned for 2017.

Looking forward, the next five years (2018-2022) will focus on transforming the E-ISAC into a world-class intelligence collecting and analytical capability for the electricity industry. To achieve this goal, the E-ISAC should increase its capability to collect security intelligence; increase the number of specialized analysts; acquire additional data storage, management, and sharing technologies; and increase the E-ISAC's access to classified networks and facilities.

New Intelligence Collection – To Support Better Unclassified Information Sharing

Some new collection capabilities coming online in 2017 such as CAISS and the Department of Energy's CYOTE project will bring additional intelligence, but the E-ISAC should also consider more active monitoring of public and private networks for new threats, perhaps collecting data from sensors in Operational Technology (OT) networks, and increasing the ability to monitor social media and other open sources. Some of that new collection could be done by others as a service that the E-ISAC would pay for.

Access to Classified Networks and Facilities – To Improve Sharing of Highly Sensitive Information

While the majority of the E-ISAC's staff hold US government security clearances, the facility inside of NERC operates at the unclassified level. This requires E-ISAC staff to travel to government facilities in order to view and analyze classified data. On the industry side, very few entities have access to classified facilities and most do not have staff with appropriate clearances. To support the strategic goal of better information sharing, both the E-ISAC and industry members should have increased access to classified data and classified information sharing networks. Relationships with government partners need to be leveraged to make valuable classified data and analysis rapidly available to asset owners and operators.

More Analysts – To Improve the E-ISAC's Analytical Capabilities

The E-ISAC should hire technical analysts with specializations in fields such as industrial control system security, end-point (host) security, network security, cloud security, and penetration testing. Over the next three to five years an estimated ten or more analysts should be hired at a rate of two or three per year so that the annual increase of NERC's budget is minimized.

Acquisition of New Technologies – To Improve Industry Engagement

As more data is collected, the E-ISAC should acquire additional data storage, management, and sharing technologies. These technologies must be as secure as possible, given that the risk of a targeted data breach will increase as the E-ISAC improves its capability to give early warning to industry about threats and vulnerabilities discovered via data analysis. Specific technologies needed in the next five years include event visualization via the new platform, predictive analysis based on artificial intelligence, real-time threat feeds to members, a customized platform experience for each user, and federated information sharing.

Beyond 2023 security challenges will continue to expand, requiring additional resources and perhaps a different relationship across the energy industry. Due to commonality of threats across all energy companies, rapid growth of vulnerable control systems, and a convergence of lines of business within the industry, we must consider whether or not the E-ISAC should remain focused only on electricity, or if it should expand to include all energy owners/operators (electricity, gas, oil, and natural gas).

Other items to consider beyond 2023 include the size and location of the E-ISAC facility and potential partnerships with the research community. Due to limitations of the NERC budget, some of these new capabilities would need outside funding from the government or perhaps grants from large industry companies.

Other MEC Guidance

Several questions were presented to the MEC membership about the long-term future of the E-ISAC. Most of the questions were answered in the discussion paragraphs above. The remaining questions not previously discussed and the MEC's summarized responses are below.

Should the E-ISAC move to 24/7 operations?

Not immediately but the decision should be based on changing situations and activity levels. This response is driven by the reality of the cost for the additional staff, and by the reality that very little data is submitted to the E-ISAC for analysis outside of normal business hours. But, as the E-ISAC's capabilities and data collection grow, there will likely be a point in the next 3-5 years when it might be necessary to move to round-the-clock operations.

What is the E-ISAC's relationship with other ISACs?

There is concern that other ISACs (the Financial Services ISAC, or FS-ISAC, is a recent example) will attempt to recruit electric utilities to pay for special analytical services in order to cover expanding costs. The consensus view of the MEC is that the E-ISAC should not discourage members from taking advantage of services offered by other ISACs, and should try to learn about those new capabilities with an eye towards developing them organically within the E-ISAC when appropriate. Services offered by other ISACs should be viewed as additional intelligence sources. Additionally, the E-ISAC should develop stronger information sharing partnerships with other ISACs and increase the level of cross-sector engagement.

Should the E-ISAC have an international relationship?

The E-ISAC, as part of NERC, currently has members in Canada and Mexico. The MEC recommended that the E-ISAC consider establishing formal information sharing relationships with other countries such as Japan or the United Kingdom. Because no other countries are interconnected with the North American grid beyond the US, Canada, and Mexico, any future information sharing relationship with entities in other countries would be at a very high level and must preserve the privacy of North American entities that are voluntarily sharing with the E-ISAC.

Should the E-ISAC accept funding from sources beyond NERC assessments?

Government funding may be necessary to cover costs of the recommended expansions of technical capabilities, staff, and facilities. MEC members cautioned about any potential "attached strings" that come with government grants. Beyond 2018, some member companies have expressed interest in a model like CRISP where companies can pay for additional services, or perhaps moving to a tierbased pricing model.

Conclusion and Next Steps

The next several years present an opportunity to transform the E-ISAC into a world-class intelligence collecting and analytical capability for the electricity industry; and an opportunity to support NERC's overall initiatives to better understand the current security posture of the North American grid. As threats, technologies, and business process change, the E-ISAC, in order to be as valuable as it can to the industry, must evolve to a maturity level where industry completely trusts it to gather, hold, analyze, and distribute highly sensitive security information. Specific financial projections, technology requirements, staffing, and facility improvements are being developed and will be incorporated in the NERC strategic plan and the NERC business plan and budget.

Towards this transformation, for the near term (remainder of 2017 and all of 2018), the E-ISAC plans to:

- Hire additional analysts
- Increase the in-house data storage and analysis capabilities
- Grow the CRISP and CAISS programs
- Deliver a world-class information sharing platform well before GridEx IV
- Grow membership engagement via the new platform
- Increase engagement with other ISACs and information sharing partners
- Increase engagement with Canada and Mexico
- Provide higher quality grid security metrics data to support NERC's data collection initiatives

Exhibit G – Compliance Monitoring and Enforcement Program Technology Project

With the ERO Enterprise at a critical point in its maturation, the Compliance Monitoring and Enforcement Program (CMEP) Technology Project is a strategic opportunity to significantly improve the productivity and effectiveness of the ERO Enterprise and will provide benefits to all those impacted by its work: registered entities, Regional Entities, and NERC.

Once implemented, the new solution will give NERC and the Regional Entities a greater level of visibility into identifying and managing reliability risk. The ability to catalogue and manage reliability risks across North America will combine with the ability to see those risks within the context of compliance trends, performance analysis, and forward-looking assessments. Together, these elements will provide deep and broad views of reliability across the ERO Enterprise, leading to new insights into data-informed reliability risk management. Such visibility is essential continuing maturation of the ERO Enterprise and the achievement of its reliability mission.

See the below presentation for additional information on the CMEP Technology Project.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Compliance Monitoring and Enforcement Program - Technology Project

Stan Hoptroff, Vice President and Chief Technology Officer
July 14, 2017

RELIABILITY | ACCOUNTABILITY

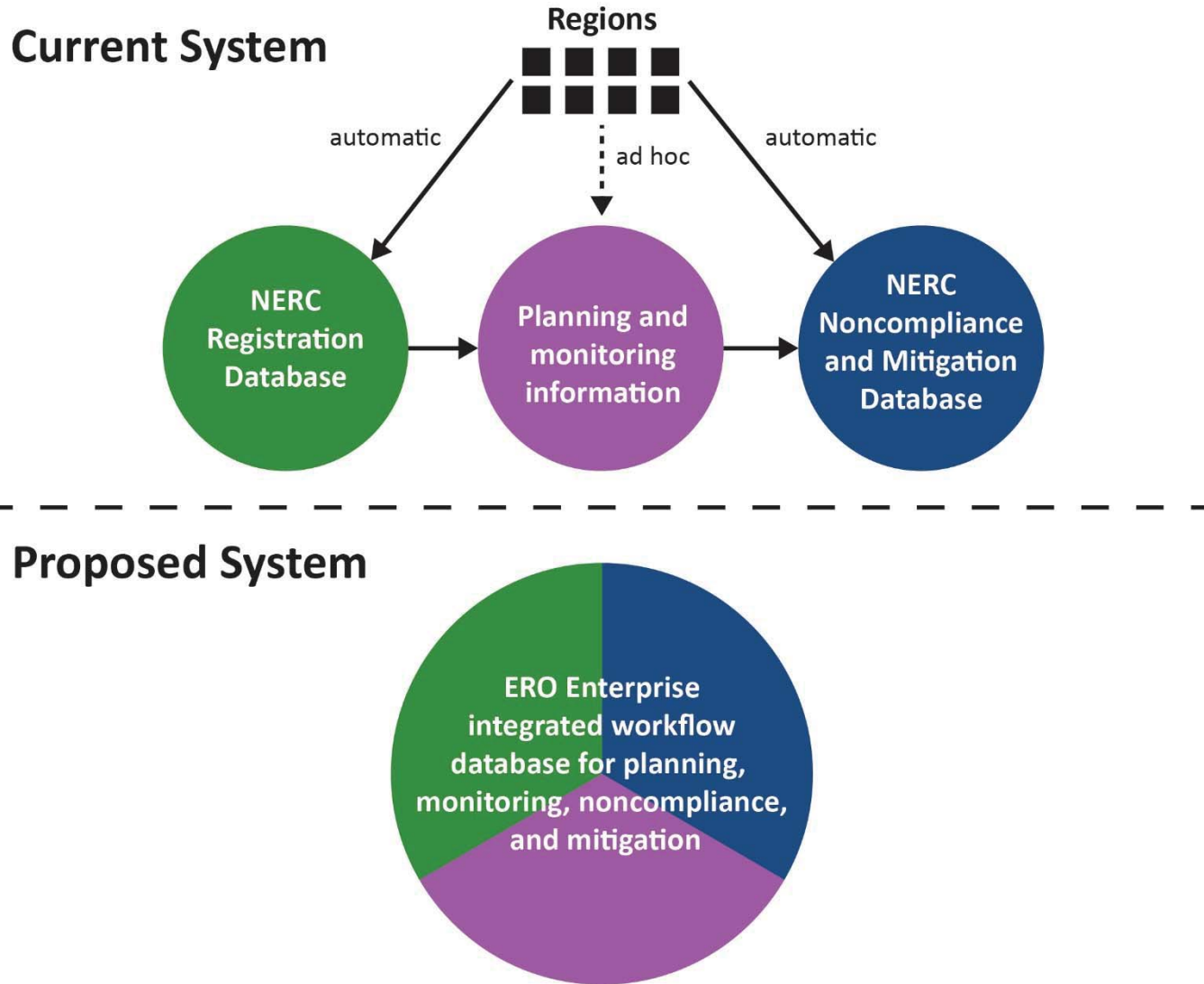


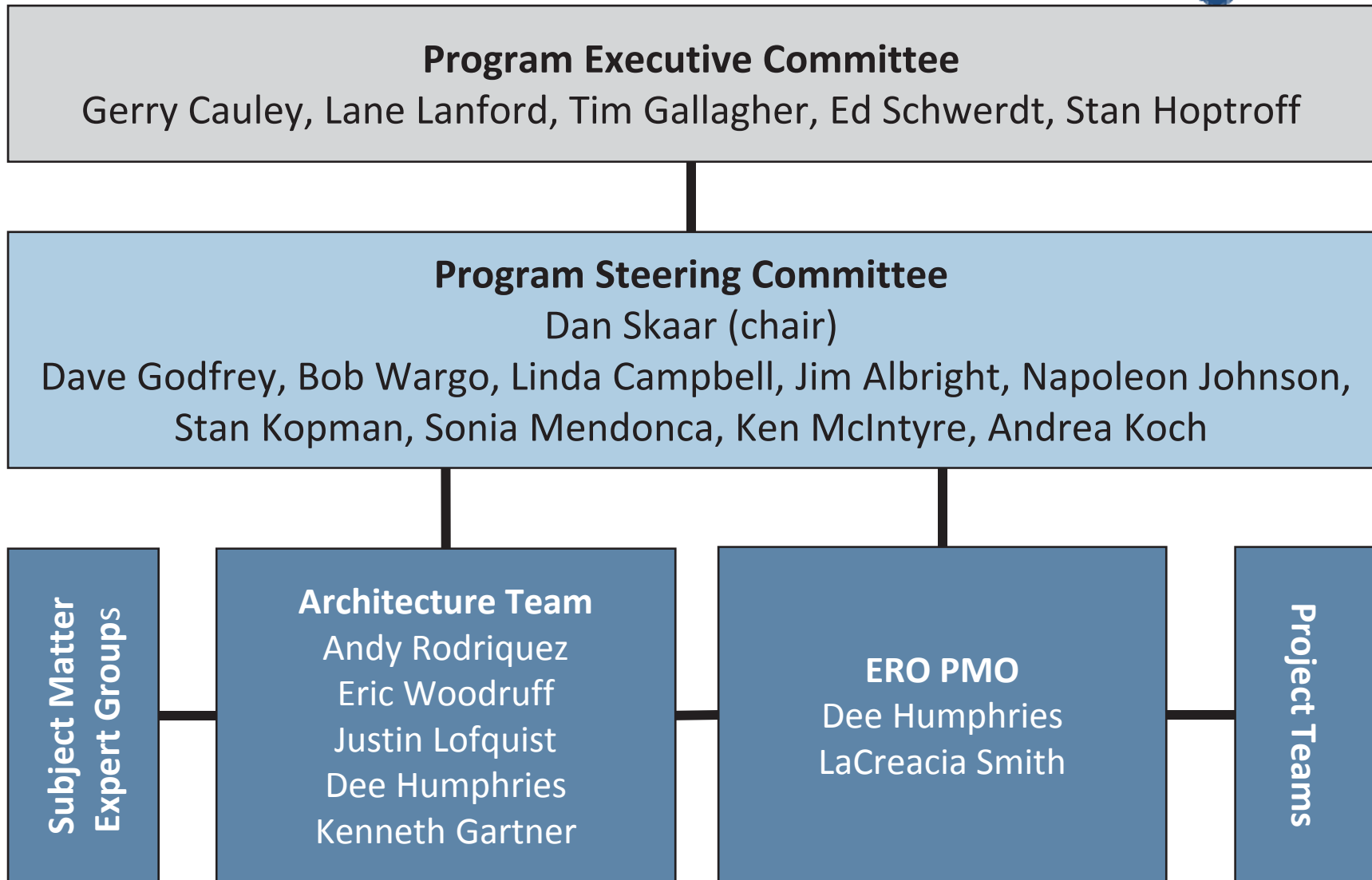
- Implement best practices and professional standards where applicable across planning, fieldwork, reporting, and quality assurance
- Share and analyze data and information for risk-informed compliance oversight across the ERO Enterprise
- Align common CMEP and Organization Registration and Certification Program (ORCP) business processes across the ERO
- Provide easier data entry, better access to information, automated workflows, and greater collaboration
- Reduce costs for CMEP-related applications by roughly 29 percent (current cost is US \$1.1M annually)

- Single, common interface for registered entities
- Improved consistency with common CMEP and ORCP processes
- Increased capability supporting risk-based approach to CMEP
- Increased productivity through automated, standardized workflows
- Improved analytics through shared data and information
- Enhanced quality assurance and oversight
- Reduced application costs across the ERO Enterprise



Single system contains all CMEP-related work documentation to support determinations





2017	2018	2019	2020
Discovery and RFP			
	Design and Prototype	Implementation	

	2017	2018	2019	2020
Estimated Total Capital Investment by Year	\$280,000	\$1,548,000	\$1,768,000	\$1,507,000
Estimated Total Capital Investment	\$5,103,000			

Estimated Annual Operating Costs: \$780,000

Current Annual Operating Costs for only Enforcement Processing tools: \$1,100,000

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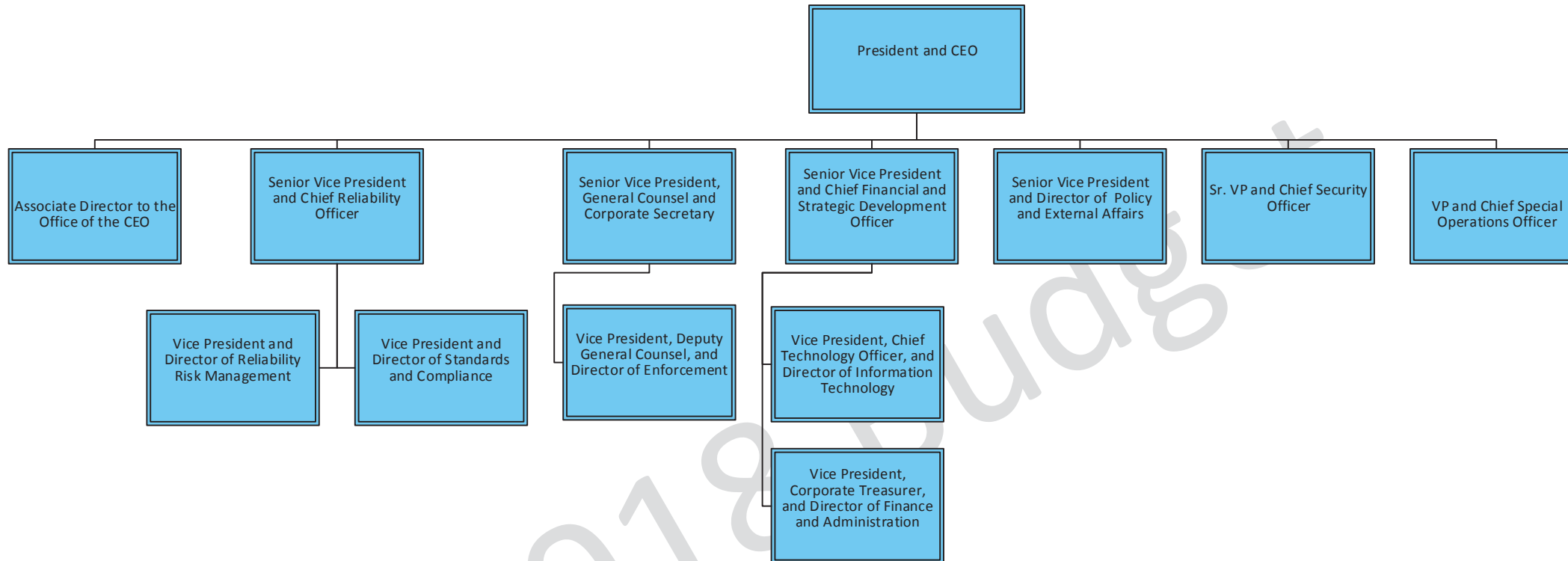
Questions and Answers

RELIABILITY | ACCOUNTABILITY

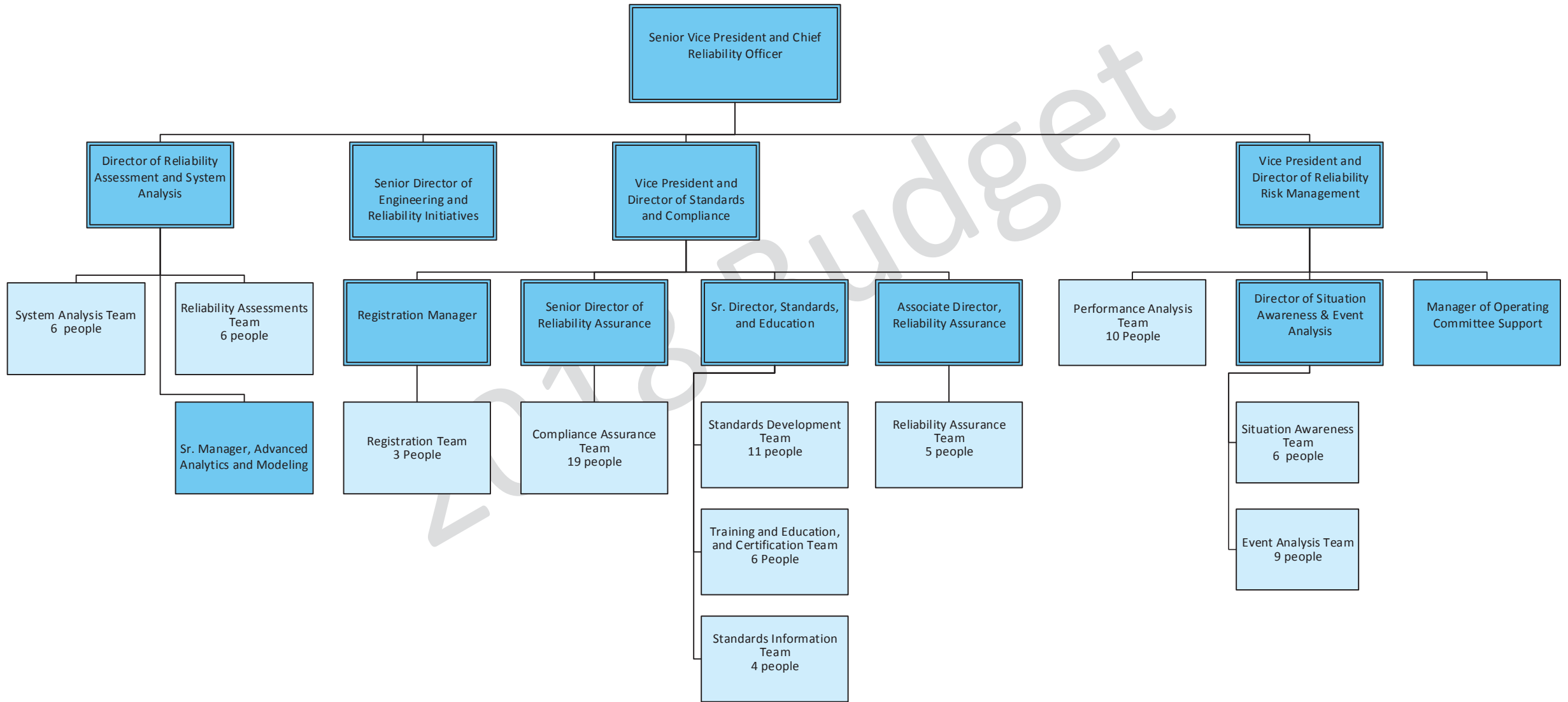
Appendix 1 – NERC Staff Organization Chart

See subsequent pages for NERC's Organization Chart.

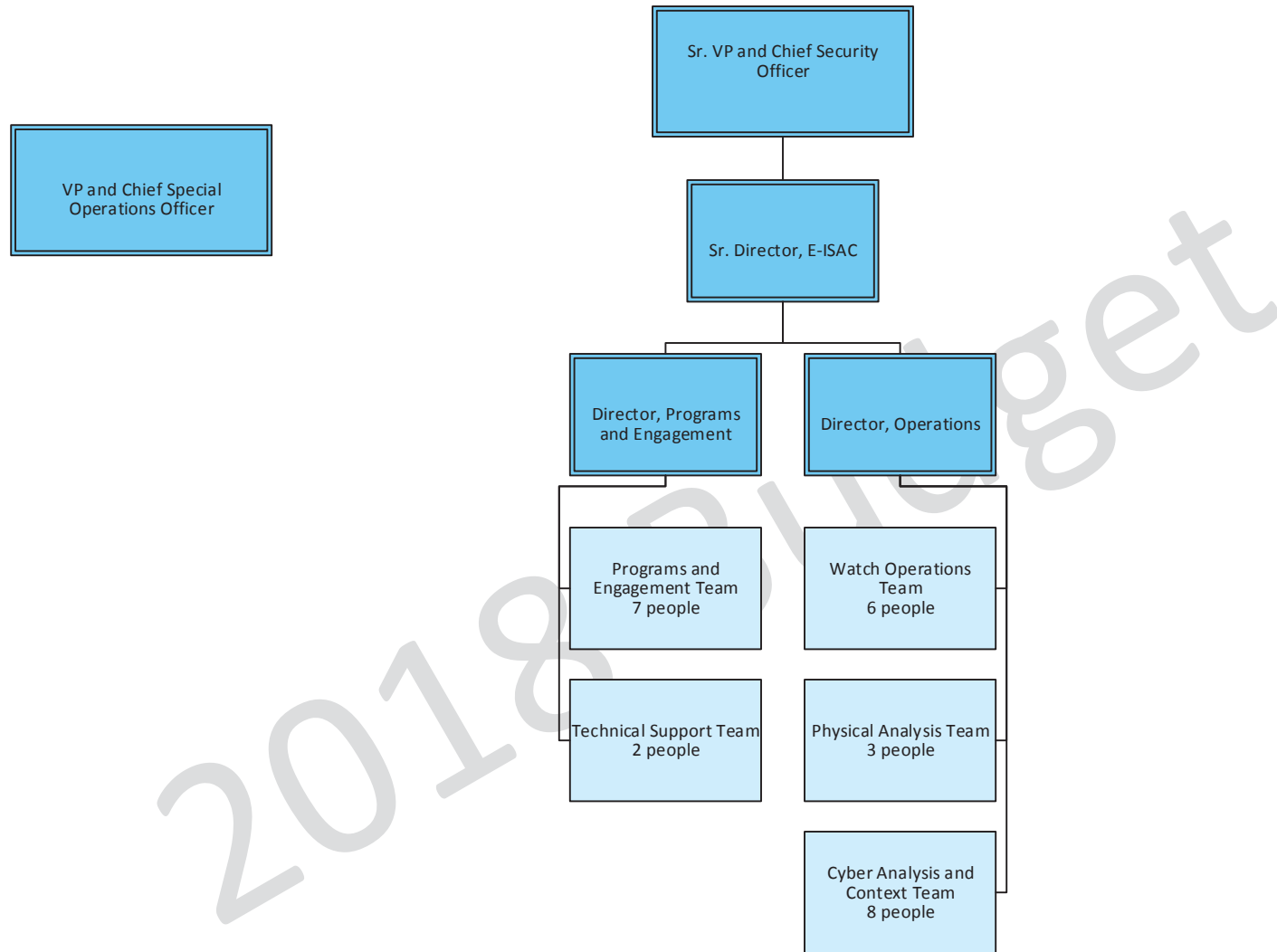
NERC Staff Organization Chart – Budget 2018



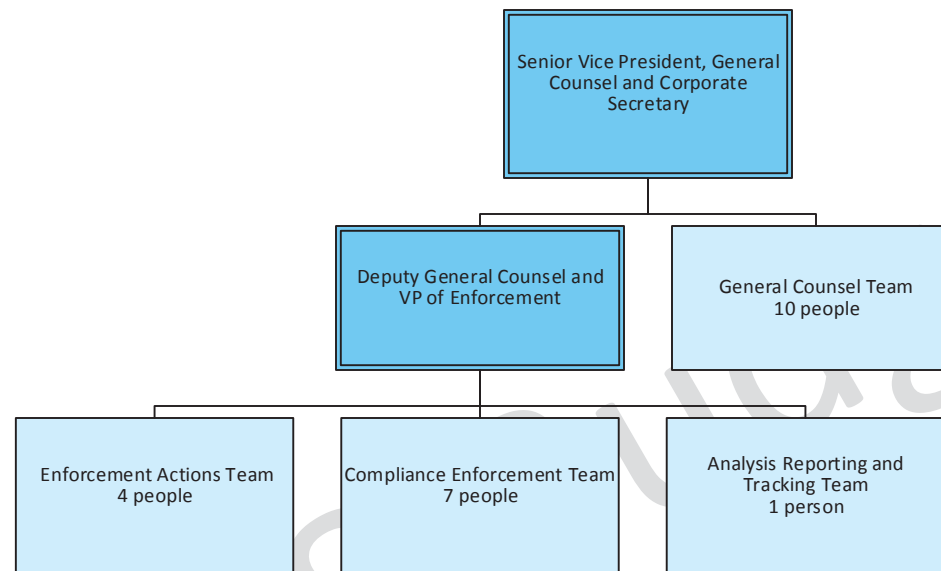
Reliability Standards, Reliability Assurance, Reliability Assessment and System Oversight, Performance Analysis, Event Analysis, Situation Awareness, Training and Education



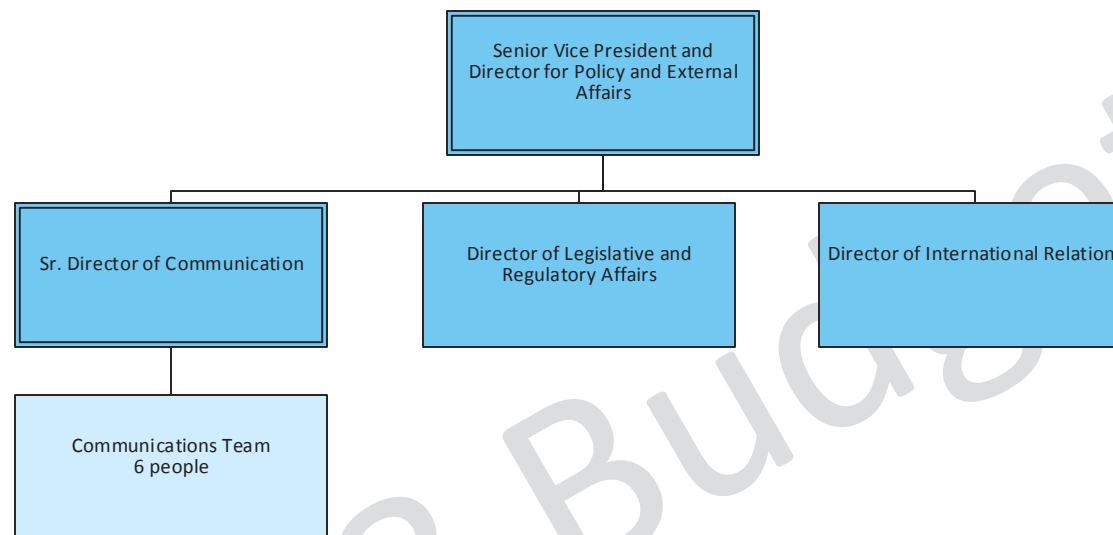
Electricity Information Sharing and Analysis Center



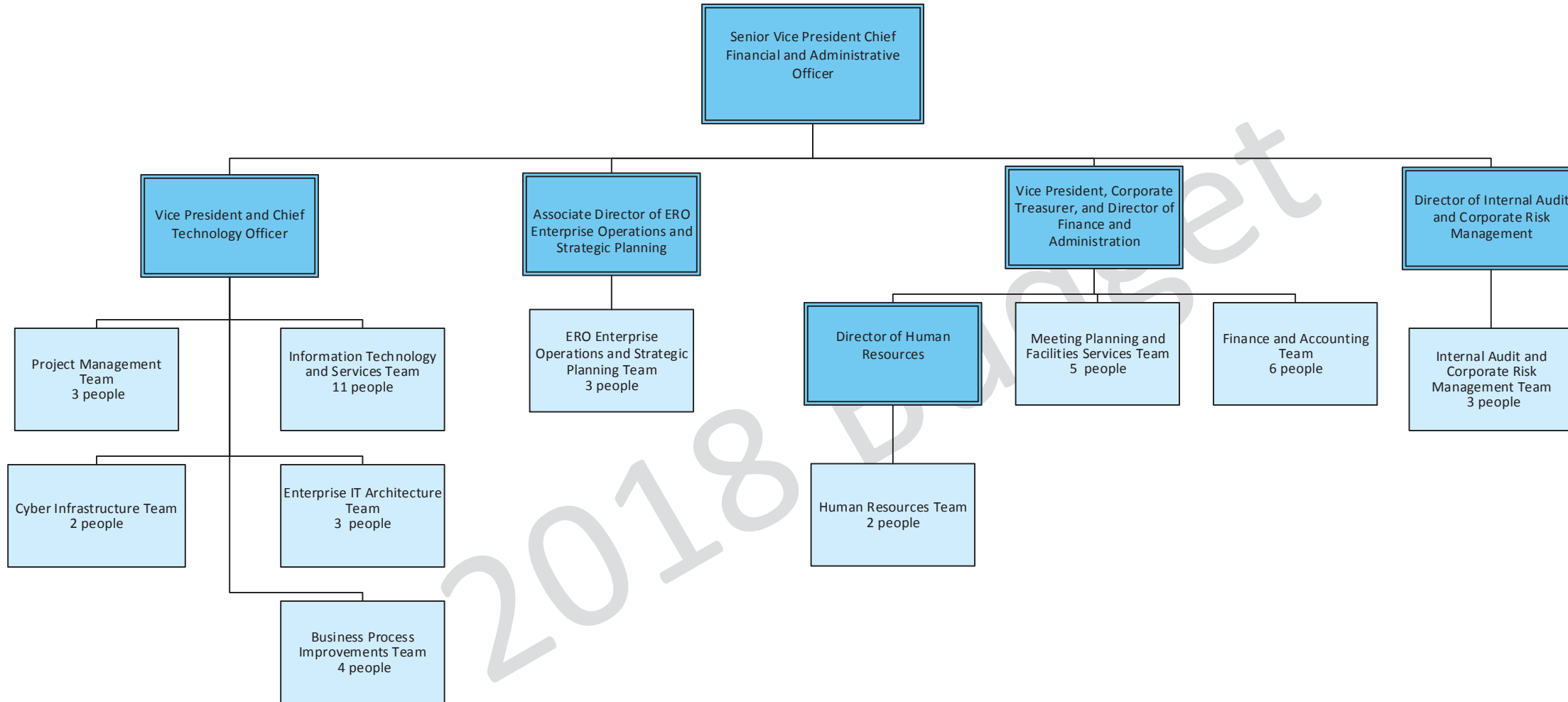
Legal and Regulatory Compliance Enforcement



Policy and External Affairs



Information Technology, Human Resources, and Accounting & Finance



2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 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	% WECC, Excl PSC of CO	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2016	FRCC	1074	Alachua, City of	U.S.	136,100	136,100			0.058%	0.058%	0.000%	0.000%		0.003%	0.003%	0.000%	0.000%	0.003%
2016	FRCC	1075	Bartow, City of	U.S.	296,900	296,900			0.127%	0.127%	0.000%	0.000%		0.007%	0.007%	0.000%	0.000%	0.007%
2016	FRCC	1076	Chattahoochee, City of	U.S.	39,500	39,500			0.017%	0.017%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	774,000	774,000			0.331%	0.331%	0.000%	0.000%		0.017%	0.017%	0.000%	0.000%	0.019%
2016	FRCC	1078	Florida Power & Light Co.	U.S.	115,070,000	115,070,000			49.146%	49.146%	0.000%	0.000%		2.553%	2.553%	0.000%	0.000%	2.890%
2016	FRCC	1079	Florida Public Utilities Company	U.S.	363,000	363,000			0.155%	0.155%	0.000%	0.000%		0.008%	0.008%	0.000%	0.000%	0.009%
2016	FRCC	1080	Gainesville Regional Utilities	U.S.	1,833,200	1,833,200			0.783%	0.783%	0.000%	0.000%		0.041%	0.041%	0.000%	0.000%	0.046%
2016	FRCC	1081	Homestead, City of	U.S.	549,000	549,000			0.234%	0.234%	0.000%	0.000%		0.012%	0.012%	0.000%	0.000%	0.014%
2016	FRCC	1082	JEA	U.S.	12,670,000	12,670,000			5.411%	5.411%	0.000%	0.000%		0.281%	0.281%	0.000%	0.000%	0.318%
2016	FRCC	1083	Lakeland Electric	U.S.	3,116,000	3,116,000			1.331%	1.331%	0.000%	0.000%		0.069%	0.069%	0.000%	0.000%	0.078%
2016	FRCC	1626	Lee County Electric Cooperative, Inc	U.S.	4,062,000	4,062,000			1.735%	1.735%	0.000%	0.000%		0.090%	0.090%	0.000%	0.000%	0.102%
2016	FRCC	1661	City of Lake Worth	U.S.	477,000	477,000			0.204%	0.204%	0.000%	0.000%		0.011%	0.011%	0.000%	0.000%	0.012%
2016	FRCC	1084	Mount Dora, City of	U.S.	94,500	94,500			0.040%	0.040%	0.000%	0.000%		0.002%	0.002%	0.000%	0.000%	0.002%
2016	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	441,000	441,000			0.188%	0.188%	0.000%	0.000%		0.010%	0.010%	0.000%	0.000%	0.011%
2016	FRCC	1086	Orlando Utilities Commission	U.S.	6,147,500	6,147,500			2.626%	2.626%	0.000%	0.000%		0.136%	0.136%	0.000%	0.000%	0.154%
2016	FRCC	1087	Duke Energy Florida	U.S.	41,110,800	41,110,800			17.558%	17.558%	0.000%	0.000%		0.912%	0.912%	0.000%	0.000%	1.033%
2016	FRCC	1088	Quincy, City of	U.S.	133,282	133,282			0.057%	0.057%	0.000%	0.000%		0.003%	0.003%	0.000%	0.000%	0.003%
2016	FRCC	1089	Reedy Creek Improvement District	U.S.	1,223,000	1,223,000			0.522%	0.522%	0.000%	0.000%		0.027%	0.027%	0.000%	0.000%	0.031%
2016	FRCC	1090	St. Cloud, City of (OUC)	U.S.	732,000	732,000			0.313%	0.313%	0.000%	0.000%		0.016%	0.016%	0.000%	0.000%	0.018%
2016	FRCC	1091	Tallahassee, City of	U.S.	2,779,000	2,779,000			1.187%	1.187%	0.000%	0.000%		0.062%	0.062%	0.000%	0.000%	0.070%
2016	FRCC	1092	Tampa Electric Company	U.S.	20,163,000	20,163,000			8.612%	8.612%	0.000%	0.000%		0.447%	0.447%	0.000%	0.000%	0.506%
2016	FRCC	1603	City of Vero Beach	U.S.	768,000	768,000			0.328%	0.328%	0.000%	0.000%		0.017%	0.017%	0.000%	0.000%	0.019%
2016	FRCC	1093	Wauchula, City of	U.S.	65,000	65,000			0.028%	0.028%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.002%
2016	FRCC	1094	Williston, City of	U.S.	37,200	37,200			0.016%	0.016%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	FRCC	1095	Winter Park, City of	U.S.	452,900	452,900			0.193%	0.193%	0.000%	0.000%		0.010%	0.010%	0.000%	0.000%	0.011%
2016	FRCC		Moore Haven, City of	U.S.	8,000	8,000			0.003%	0.003%	0.000%	0.000%		0.000%	0.000%	0.000%	0.000%	0.000%
2016	FRCC	1072	Florida Municipal Power Agency	U.S.	6,038,900	6,038,900			2.579%	2.579%	0.000%	0.000%		0.134%	0.134%	0.000%	0.000%	0.152%
2016	FRCC	1073	Seminole Electric Cooperative	U.S.	14,559,100	14,559,100			6.218%	6.218%	0.000%	0.000%		0.323%	0.323%	0.000%	0.000%	0.366%
			TOTAL FRCC		234,139,882	234,139,882	-	-	100.000%	100.000%	0.000%	0.000%		5.195%	5.195%	0.000%	0.000%	5.881%
2016	MRO	1199	Basin Electric Power Cooperative	U.S.	17,316,156	17,316,156	-	-	5.986%	5.986%	0.000%	0.000%		0.384%	0.384%	0.000%	0.000%	0.435%
2016	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	2,825,779	2,825,779	-	-	0.977%	0.977%	0.000%	0.000%		0.063%	0.063%	0.000%	0.000%	0.071%
2016	MRO	1204	Corn Belt Power Cooperative	U.S.	1,988,001	1,988,001	-	-	0.687%	0.687%	0.000%	0.000%		0.044%	0.044%	0.000%	0.000%	0.050%
2016	MRO	1207	Dairyland Power Cooperative	U.S.	5,435,213	5,435,213	-	-	1.879%	1.879%	0.000%	0.000%		0.121%	0.121%	0.000%	0.000%	0.137%
2016	MRO	1210	Great River Energy	U.S.	13,539,970	13,539,970	-	-	4.680%	4.680%	0.000%	0.000%		0.300%	0.300%	0.000%	0.000%	0.340%
2016	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	3,719,918	3,719,918	-	-	1.286%	1.286%	0.000%	0.000%		0.083%	0.083%	0.000%	0.000%	0.093%
2016	MRO	1230	Nebraska Public Power District	U.S.	13,778,924	13,778,924	-	-	4.763%	4.763%	0.000%	0.000%		0.306%	0.306%	0.000%	0.000%	0.346%
2016	MRO	1232	Omaha Public Power District	U.S.	11,216,120	11,216,120	-	-	3.877%	3.877%	0.000%	0.000%		0.249%	0.249%	0.000%	0.000%	0.282%
2016	MRO	1240	Western Area Power Administration (UM)	U.S.	9,245,352	9,245,352	-	-	3.196%	3.196%	0.000%	0.000%		0.205%	0.205%	0.000%	0.000%	0.232%
2016	MRO	1239	Western Area Power Administration (LM)	U.S.	44,829	44,829	-	-	0.015%	0.015%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	MRO	1217	Manitoba Hydro	CAN	23,627,698		23,627,698		8.167%	0.000%	8.167%	0.000%		0.524%	0.000%	0.524%	0.000%	0.000%
2016	MRO	1235	SaskPower	CAN	23,981,000		23,981,000		8.290%	0.000%	8.290%	0.000%		0.532%	0.000%	0.532%	0.000%	0.000%
2016	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPL)	U.S.	29,527,778	29,527,778	-	-	10.207%	10.207%	0.000%	0.000%		0.655%	0.655%	0.000%	0.000%	0.742%
2016	MRO	1710	Dahlberg Electric Company	U.S.	112,990	112,990	-	-	0.039%	0.039%	0.000%	0.000%		0.003%	0.003%	0.000%	0.000%	0.003%
2016	MRO	1216	Madison, Gas and Electric	U.S.	3,462,657	3,462,657	-	-	1.197%	1.197%	0.000%	0.000%		0.077%	0.077%	0.000%	0.000%	0.087%
2016	MRO	1220	MidAmerican Energy Company	U.S.	25,188,089	25,188,089	-	-	8.707%	8.707%	0.000%	0.000%		0.559%	0.559%	0.000%	0.000%	0.633%
2016	MRO	1221	Minnesota Power	U.S.	11,848,729	11,848,729	-	-	4.096%	4.096%	0.000%	0.000%		0.263%	0.263%	0.000%	0.000%	0.298%
2016	MRO	1226	Montana-Dakota Utilities Co.	U.S.	3,206,737	3,206,737	-	-	1.108%	1.108%	0.000%	0.000%		0.071%	0.071%	0.000%	0.000%	0.081%
2016	MRO	1711	North Central Power Company	U.S.	36,569	36,569	-	-	0.013%	0.013%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	MRO	1231	NorthWestern Energy	U.S.	1,553,072	1,553,072	-	-	0.537%	0.537%	0.000%	0.000%		0.034%	0.034%	0.000%	0.000%	0.039%
2016	MRO	1712	NorthWestern Wisconsin	U.S.	181,436	181,436	-	-	0.063%	0.063%	0.000%	0.000%		0.004%	0.004%	0.000%	0.000%	0.005%
2016	MRO	1233	Otter Tail Power Company	U.S.	5,298,074	5,298,074	-	-	1.831%	1.831%	0.000%	0.000%		0.118%	0.118%	0.000%	0.000%	0.133%
2016	MRO	1664	Wisconsin Public Service (WPS)	U.S.	12,063,747	12,063,747	-	-	4.170%	4.170%	0.000%	0.000%		0.268%	0.268%	0.000%	0.000%	0.303%
2016	MRO	1665	Upper Peninsula Power Company (UPPCO)	U.S.	701,320	701,320	-	-	0.242%	0.242%	0.000%	0.000%		0.016%	0.016%	0.000%	0.000%	0.018%
2016	MRO	1244	Xcel Energy Company (NSP)	U.S.	44,629,035	44,629,035	-	-	15.427%	15.427%	0.000%	0.000%		0.990%	0.990%	0.000%	0.000%	1.121%
2016	MRO	1196	Ames Municipal Electric System	U.S.	766,769	766,769	-	-	0.265%	0.265%	0.000%	0.000%		0.017%	0.017%	0.000%	0.000%	0.019%
2016	MRO	1604	Atlantic Municipal Utilities	U.S.	81,434	81,434	-	-	0.028%	0.028%	0.000%	0.000%		0.002%	0.002%	0.000%	0.000%	0.002%
2016	MRO	1713	Bloomer Electric & Water Co.	U.S.	55,234	55,234	-	-	0.019%	0.019%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	MRO	1714	Village of Caddott	U.S.	14,321	14,321	-	-	0.005%	0.005%	0.000%	0.000%		0.000%	0.000%	0.000%	0.000%	0.000%

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 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	% WECC, Excl PSC of CO	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2016	MRO	1200	Cedar Falls Municipal Utilities	U.S.	524,247	524,247	-	-	0.181%	0.181%	0.000%	0.000%	-	0.012%	0.012%	0.000%	0.000%	0.013%
2016	MRO	1477	Central Minnesota Municipal Power Agency (CMMPA)	U.S.	381,789	381,789	-	-	0.132%	0.132%	0.000%	0.000%	-	0.008%	0.008%	0.000%	0.000%	0.010%
2016	MRO	1715	Village of Centuria	U.S.	6,087	6,087	-	-	0.002%	0.002%	0.000%	0.000%	-	0.000%	0.000%	0.000%	0.000%	0.000%
2016	MRO	1716	Eldridge Electric and Water Utilities	U.S.	42,219	42,219	-	-	0.015%	0.015%	0.000%	0.000%	-	0.001%	0.001%	0.000%	0.000%	0.001%
2016	MRO	1203	City of Escanaba	U.S.	147,348	147,348	-	-	0.051%	0.051%	0.000%	0.000%	-	0.003%	0.003%	0.000%	0.000%	0.004%
2016	MRO	1205	Falls City Water & Light Department	U.S.	57,993	57,993	-	-	0.020%	0.020%	0.000%	0.000%	-	0.001%	0.001%	0.000%	0.000%	0.001%
2016	MRO	1206	Fremont Department of Utilities	U.S.	439,677	439,677	-	-	0.152%	0.152%	0.000%	0.000%	-	0.010%	0.010%	0.000%	0.000%	0.011%
2016	MRO	1208	Geneseo Municipal Utilities	U.S.	67,360	67,360	-	-	0.023%	0.023%	0.000%	0.000%	-	0.001%	0.001%	0.000%	0.000%	0.002%
2016	MRO	1209	Grand Island Utilities Department	U.S.	757,718	757,718	-	-	0.262%	0.262%	0.000%	0.000%	-	0.017%	0.017%	0.000%	0.000%	0.019%
2016	MRO	1717	Great Lakes Utilities	U.S.	1,490,792	1,490,792	-	-	0.515%	0.515%	0.000%	0.000%	-	0.033%	0.033%	0.000%	0.000%	0.037%
2016	MRO	1718	City of Guttenberg	U.S.	17,498	17,498	-	-	0.006%	0.006%	0.000%	0.000%	-	0.000%	0.000%	0.000%	0.000%	0.000%
2016	MRO	1606	Harlan Municipal Utilities	U.S.	18,993	18,993	-	-	0.007%	0.007%	0.000%	0.000%	-	0.000%	0.000%	0.000%	0.000%	0.000%
2016	MRO	1211	Hastings Utilities	U.S.	420,826	420,826	-	-	0.145%	0.145%	0.000%	0.000%	-	0.009%	0.009%	0.000%	0.000%	0.011%
2016	MRO	1212	Heartland Consumers Power District	U.S.	641,908	641,908	-	-	0.222%	0.222%	0.000%	0.000%	-	0.014%	0.014%	0.000%	0.000%	0.016%
2016	MRO	1213	Hutchinson Utilities Commission	U.S.	295,911	295,911	-	-	0.102%	0.102%	0.000%	0.000%	-	0.007%	0.007%	0.000%	0.000%	0.007%
2016	MRO	1719	City of Kasota	U.S.	3,618	3,618	-	-	0.001%	0.001%	0.000%	0.000%	-	0.000%	0.000%	0.000%	0.000%	0.000%
2016	MRO	1215	Lincoln Electric System	U.S.	3,275,721	3,275,721	-	-	1.132%	1.132%	0.000%	0.000%	-	0.073%	0.073%	0.000%	0.000%	0.082%
2016	MRO	1223	Missouri River Energy Services	U.S.	2,469,589	2,469,589	-	-	0.854%	0.854%	0.000%	0.000%	-	0.055%	0.055%	0.000%	0.000%	0.062%
2016	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	1,569,900	1,569,900	-	-	0.543%	0.543%	0.000%	0.000%	-	0.035%	0.035%	0.000%	0.000%	0.039%
2016	MRO	1607	Montezuma Municipal Light & Power	U.S.	30,360	30,360	-	-	0.010%	0.010%	0.000%	0.000%	-	0.001%	0.001%	0.000%	0.000%	0.001%
2016	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	932,866	932,866	-	-	0.322%	0.322%	0.000%	0.000%	-	0.021%	0.021%	0.000%	0.000%	0.023%
2016	MRO	1228	Muscatine Power and Water	U.S.	866,524	866,524	-	-	0.300%	0.300%	0.000%	0.000%	-	0.019%	0.019%	0.000%	0.000%	0.022%
2016	MRO	1229	Nebraska City Utilities	U.S.	132,401	132,401	-	-	0.046%	0.046%	0.000%	0.000%	-	0.003%	0.003%	0.000%	0.000%	0.003%
2016	MRO	1720	Resale Power Group of Iowa	U.S.	544,799	544,799	-	-	0.188%	0.188%	0.000%	0.000%	-	0.012%	0.012%	0.000%	0.000%	0.014%
2016	MRO	1721	Rice Lake Utilities	U.S.	165,683	165,683	-	-	0.057%	0.057%	0.000%	0.000%	-	0.004%	0.004%	0.000%	0.000%	0.004%
2016	MRO	1234	Rochester Public Utilities	U.S.	4,453	4,453	-	-	0.002%	0.002%	0.000%	0.000%	-	0.000%	0.000%	0.000%	0.000%	0.000%
2016	MRO	1236	Southern Minnesota Municipal Power Agency	U.S.	2,814,587	2,814,587	-	-	0.973%	0.973%	0.000%	0.000%	-	0.062%	0.062%	0.000%	0.000%	0.071%
2016	MRO	1722	City of Spooner	U.S.	31,948	31,948	-	-	0.011%	0.011%	0.000%	0.000%	-	0.001%	0.001%	0.000%	0.000%	0.001%
2016	MRO	1241	Willmar Municipal Utilities	U.S.	255,391	255,391	-	-	0.088%	0.088%	0.000%	0.000%	-	0.006%	0.006%	0.000%	0.000%	0.006%
2016	MRO	1242	Wisconsin Public Power, Inc. (East and West regions)	U.S.	5,436,871	5,436,871	-	-	1.879%	1.879%	0.000%	0.000%	-	0.121%	0.121%	0.000%	0.000%	0.137%
TOTAL MRO					289,292,028	241,683,330	47,608,698	-	100.00%	83.543%	16.457%	0.000%	-	6.419%	5.363%	1.056%	0.000%	6.071%
2016	NPCC	1336	New England	U.S.	124,415,000	124,415,000	-	-	19.784%	19.784%	0.000%	0.000%	-	2.761%	2.761%	0.000%	0.000%	3.125%
2016	NPCC	1339	New York	U.S.	160,798,000	160,798,000	-	-	25.570%	25.570%	0.000%	0.000%	-	3.568%	3.568%	0.000%	0.000%	4.039%
2016	NPCC	1337	Ontario	Canada	136,990,000	-	136,990,000	-	21.784%	0.000%	21.784%	0.000%	-	3.040%	0.000%	3.040%	0.000%	-
2016	NPCC	1341	Quebec	Canada	182,041,000	-	182,041,000	-	28.948%	0.000%	28.948%	0.000%	-	4.039%	0.000%	4.039%	0.000%	-
2016	NPCC	1705	New Brunswick	Canada	13,698,000	-	13,698,000	-	2.178%	0.000%	2.178%	0.000%	-	0.304%	0.000%	0.304%	0.000%	-
2016	NPCC	1340	Nova Scotia	Canada	10,922,000	-	10,922,000	-	1.737%	0.000%	1.737%	0.000%	-	0.242%	0.000%	0.242%	0.000%	-
TOTAL NPCC					628,864,000	285,213,000	343,651,000	-	100.000%	45.354%	54.646%	0.000%	-	13.953%	6.328%	7.625%	0.000%	7.164%
2016	RF	1102	Cannelton Utilities	U.S.	14,956	14,956	-	-	0.002%	0.002%	0.000%	0.000%	-	0.000%	0.000%	0.000%	0.000%	0.000%
2016	RF	1106	City of Croswell	U.S.	38,143	38,143	-	-	0.004%	0.004%	0.000%	0.000%	-	0.001%	0.001%	0.000%	0.000%	0.001%
2016	RF	1490	City of Lansing	U.S.	2,280,753	2,280,753	-	-	0.255%	0.255%	0.000%	0.000%	-	0.051%	0.051%	0.000%	0.000%	0.057%
2016	RF	1120	Cloverland Electric Cooperative	U.S.	735,478	735,478	-	-	0.082%	0.082%	0.000%	0.000%	-	0.016%	0.016%	0.000%	0.000%	0.018%
2016	RF	1122	CMS ERM Michigan LLC	U.S.	102,720	102,720	-	-	0.011%	0.011%	0.000%	0.000%	-	0.002%	0.002%	0.000%	0.000%	0.003%
2016	RF	1124	Constellation New Energy (MECS-CONS)	U.S.	902,011	902,011	-	-	0.101%	0.101%	0.000%	0.000%	-	0.020%	0.020%	0.000%	0.000%	0.023%
2016	RF	1123	Constellation New Energy (MECS-DET)	U.S.	1,077,171	1,077,171	-	-	0.120%	0.120%	0.000%	0.000%	-	0.024%	0.024%	0.000%	0.000%	0.027%
2016	RF	1126	Consumers Energy Company	U.S.	33,659,725	33,659,725	-	-	3.764%	3.764%	0.000%	0.000%	-	0.747%	0.747%	0.000%	0.000%	0.845%
2016	RF	1128	Detroit Edison Company	U.S.	46,151,089	46,151,089	-	-	5.161%	5.161%	0.000%	0.000%	-	1.024%	1.024%	0.000%	0.000%	1.159%
2016	RF	1166	Duke Energy Indiana	U.S.	30,579,318	30,579,318	-	-	3.419%	3.419%	0.000%	0.000%	-	0.679%	0.679%	0.000%	0.000%	0.768%
2016	RF	1135	Ferdinand Municipal Light & Water	U.S.	43,163	43,163	-	-	0.005%	0.005%	0.000%	0.000%	-	0.001%	0.001%	0.000%	0.000%	0.001%
2016	RF	1646	FirstEnergy Solutions (MECS-CONS)	U.S.	643,802	643,802	-	-	0.072%	0.072%	0.000%	0.000%	-	0.014%	0.014%	0.000%	0.000%	0.016%
2016	RF	1549	FirstEnergy Solutions (MECS-DET)	U.S.	1,091,281	1,091,281	-	-	0.122%	0.122%	0.000%	0.000%	-	0.024%	0.024%	0.000%	0.000%	0.027%
2016	RF	1145	Hoosier Energy	U.S.	7,564,390	7,564,390	-	-	0.846%	0.846%	0.000%	0.000%	-	0.168%	0.168%	0.000%	0.000%	0.190%
2016	RF	1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	3,069,466	3,069,466	-	-	0.343%	0.343%	0.000%	0.000%	-	0.068%	0.068%	0.000%	0.000%	0.077%
2016	RF	1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	420,029	420,029	-	-	0.047%	0.047%	0.000%	0.000%	-	0.009%	0.009%	0.000%	0.000%	0.011%
2016	RF	1486	Indiana Municipal Power Agency (SIGE)	U.S.	587,956	587,956	-	-	0.066%	0.066%	0.000%	0.000%	-	0.013%	0.013%	0.000%	0.000%	0.015%
2016	RF	1149	Indianapolis Power & Light Co.	U.S.	14,250,343	14,250,343	-	-	1.593%	1.593%	0.000%	0.000%	-	0.316%	0.316%	0.000%	0.000%	0.358%
2016	RF	1553	Integrus Energy Services (MECS-CONS)	U.S.	745,246	745,246	-	-	0.083%	0.083%	0.000%	0.000%	-	0.017%	0.017%	0.000%	0.000%	0.019%

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 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	% WECC, Excl PSC of CO	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2016	RF	1554	Integrus Energy Services (MECS-DET)	U.S.	792,116	792,116			0.089%	0.089%	0.000%	0.000%		0.018%	0.018%	0.000%	0.000%	0.020%
2016	RF	1666	Integrus Energy Services	U.S.	296,806	296,806			0.033%	0.033%	0.000%	0.000%		0.007%	0.007%	0.000%	0.000%	0.007%
2016	RF	1614	Just Energy (MECS-DET)	U.S.	9,504	9,504			0.001%	0.001%	0.000%	0.000%		0.000%	0.000%	0.000%	0.000%	0.000%
2016	RF	1154	Michigan Public Power Agency	U.S.	3,178,659	3,178,659			0.355%	0.355%	0.000%	0.000%		0.071%	0.071%	0.000%	0.000%	0.080%
2016	RF	1155	Michigan South Central Power Agency	U.S.	696,798	696,798			0.078%	0.078%	0.000%	0.000%		0.015%	0.015%	0.000%	0.000%	0.018%
2016	RF	1158	MidAmerican Energy Company Retail	U.S.	22,917	22,917			0.003%	0.003%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	RF	1163	Northern Indiana Public Service Co.	U.S.	17,614,536	17,614,536			1.970%	1.970%	0.000%	0.000%		0.391%	0.391%	0.000%	0.000%	0.442%
2016	RF	1164	Ontonagon County Rural Electrification Assoc.	U.S.	28,080	28,080			0.003%	0.003%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	RF	1265	PJM Interconnection, LLC	U.S.	681,553,187	681,553,187			76.212%	76.212%	0.000%	0.000%		15.122%	15.122%	0.000%	0.000%	17.120%
2016	RF	1172	Noble Americas Energy Solutions (MECS-CONS)	U.S.	396,019	396,019			0.044%	0.044%	0.000%	0.000%		0.009%	0.009%	0.000%	0.000%	0.010%
2016	RF	1171	Noble Americas Energy Solutions (MECS-DET)	U.S.	624,660	624,660			0.070%	0.070%	0.000%	0.000%		0.014%	0.014%	0.000%	0.000%	0.016%
2016	RF	1176	Direct Energy (fka:Strategic Energy,LLC) (MECS-CONS)	U.S.	467,549	467,549			0.052%	0.052%	0.000%	0.000%		0.010%	0.010%	0.000%	0.000%	0.012%
2016	RF	1174	Direct Energy (fka:Strategic Energy,LLC) (MECS-DET)	U.S.	1,126,021	1,126,021			0.126%	0.126%	0.000%	0.000%		0.025%	0.025%	0.000%	0.000%	0.028%
2016	RF	1581	Spartan Renewable Energy	U.S.	76,856	76,856			0.009%	0.009%	0.000%	0.000%		0.002%	0.002%	0.000%	0.000%	0.002%
2016	RF	1180	Thumb Electric Cooperative	U.S.	184,801	184,801			0.021%	0.021%	0.000%	0.000%		0.004%	0.004%	0.000%	0.000%	0.005%
2016	RF	1662	Ohio Valley Electric Corporation	U.S.	399,352	399,352			0.045%	0.045%	0.000%	0.000%		0.009%	0.009%	0.000%	0.000%	0.010%
2016	RF	1181	Vectren Energy Delivery of IN	U.S.	5,774,149	5,774,149			0.646%	0.646%	0.000%	0.000%		0.128%	0.128%	0.000%	0.000%	0.145%
2016	RF	1183	Village of Sebewaing	U.S.	43,160	43,160			0.005%	0.005%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	RF	1184	Wabash Valley Power Association Inc. (DUKE CIN)	U.S.	2,875,595	2,875,595			0.322%	0.322%	0.000%	0.000%		0.064%	0.064%	0.000%	0.000%	0.072%
2016	RF	1488	Wabash Valley Power Association Inc.(NIPSCO)	U.S.	1,730,438	1,730,438			0.193%	0.193%	0.000%	0.000%		0.038%	0.038%	0.000%	0.000%	0.043%
2016	RF	1185	Wisconsin Electric Power Co.	U.S.	28,402,741	28,402,741			3.176%	3.176%	0.000%	0.000%		0.630%	0.630%	0.000%	0.000%	0.713%
2016	RF	1189	Wolverine Power Marketing Cooperative	U.S.	840,894	840,894			0.094%	0.094%	0.000%	0.000%		0.019%	0.019%	0.000%	0.000%	0.021%
2016	RF	1191	Wolverine Power Supply Cooperative	U.S.	2,669,862	2,669,862			0.299%	0.299%	0.000%	0.000%		0.059%	0.059%	0.000%	0.000%	0.067%
2016	RF	1190	Wolverine Power Marketing Cooperative(MECS-DET)	U.S.	525,142	525,142			0.059%	0.059%	0.000%	0.000%		0.012%	0.012%	0.000%	0.000%	0.013%
TOTAL RELIABILITYFIRST					894,286,883	894,286,883	-	-	100.000%	100.000%	0.000%	0.000%		19.843%	19.843%	0.000%	0.000%	22.463%
2016	SERC	1267	Alabama Municipal Electric Authority	U.S.	3,452,301	3,452,301			0.338%	0.338%	0.000%	0.000%		0.077%	0.077%	0.000%	0.000%	0.087%
2016	SERC	1268	Alabama Power Company	U.S.	58,377,851	58,377,851			5.709%	5.709%	0.000%	0.000%		1.295%	1.295%	0.000%	0.000%	1.466%
2016	SERC	1269	Ameren - Illinois	U.S.	42,311,000	42,311,000			4.138%	4.138%	0.000%	0.000%		0.939%	0.939%	0.000%	0.000%	1.063%
2016	SERC	1271	Ameren - Missouri	U.S.	37,205,000	37,205,000			3.638%	3.638%	0.000%	0.000%		0.826%	0.826%	0.000%	0.000%	0.935%
2016	SERC	1273	Associated Electric Cooperative Inc.	U.S.	18,859,073	18,859,073			1.844%	1.844%	0.000%	0.000%		0.418%	0.418%	0.000%	0.000%	0.474%
2016	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	1,081,088	1,081,088			0.106%	0.106%	0.000%	0.000%		0.024%	0.024%	0.000%	0.000%	0.027%
2016	SERC	1462	Benton Utility District	U.S.	245,209	245,209			0.024%	0.024%	0.000%	0.000%		0.005%	0.005%	0.000%	0.000%	0.006%
2016	SERC	1274	Big Rivers Electric Corporation	U.S.	3,787,892	3,787,892			0.370%	0.370%	0.000%	0.000%		0.084%	0.084%	0.000%	0.000%	0.095%
2016	SERC	1275	Black Warrior EMC	U.S.	419,425	419,425			0.041%	0.041%	0.000%	0.000%		0.009%	0.009%	0.000%	0.000%	0.011%
2016	SERC	1276	Blue Ridge EMC	U.S.	1,391,530	1,391,530			0.136%	0.136%	0.000%	0.000%		0.031%	0.031%	0.000%	0.000%	0.035%
2016	SERC	1628	Brazos Electric Power Cooperative, Inc.	U.S.	453,321	453,321			0.044%	0.044%	0.000%	0.000%		0.010%	0.010%	0.000%	0.000%	0.011%
2016	SERC	1463	Canton, MS	U.S.	131,088	131,088			0.013%	0.013%	0.000%	0.000%		0.003%	0.003%	0.000%	0.000%	0.003%
2016	SERC	1277	Central Electric Power Cooperative Inc.	U.S.	16,892,972	16,892,972			1.652%	1.652%	0.000%	0.000%		0.375%	0.375%	0.000%	0.000%	0.424%
2016	SERC	1667	Century Aluminum - Hawesville	U.S.	1,676,848	1,676,848			0.164%	0.164%	0.000%	0.000%		0.037%	0.037%	0.000%	0.000%	0.042%
2016	SERC	1668	Century Aluminum - Sebre	U.S.	3,348,528	3,348,528			0.327%	0.327%	0.000%	0.000%		0.074%	0.074%	0.000%	0.000%	0.084%
2016	SERC	1278	City of Blountstown FL	U.S.	38,653	38,653			0.004%	0.004%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	SERC	1279	City of Camden SC	U.S.	201,826	201,826			0.020%	0.020%	0.000%	0.000%		0.004%	0.004%	0.000%	0.000%	0.005%
2016	SERC	1280	City of Collins MS	U.S.	43,399	43,399			0.004%	0.004%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	SERC	1281	City of Columbia MO	U.S.	1,213,138	1,213,138			0.119%	0.119%	0.000%	0.000%		0.027%	0.027%	0.000%	0.000%	0.030%
2016	SERC	1282	City of Conway AR (Conway Corporation)	U.S.	1,014,870	1,014,870			0.099%	0.099%	0.000%	0.000%		0.023%	0.023%	0.000%	0.000%	0.025%
2016	SERC	1284	City of Evergreen AL	U.S.	58,556	58,556			0.006%	0.006%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	SERC	1285	City of Hampton GA	U.S.	27,853	27,853			0.003%	0.003%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	SERC	1286	City of Hartford AL	U.S.	31,224	31,224			0.003%	0.003%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	SERC	1287	City of Henderson (KY) Municipal Power & Light	U.S.	624,347	624,347			0.061%	0.061%	0.000%	0.000%		0.014%	0.014%	0.000%	0.000%	0.016%
2016	SERC	1288	City of North Little Rock AR (DENL)	U.S.	963,866	963,866			0.094%	0.094%	0.000%	0.000%		0.021%	0.021%	0.000%	0.000%	0.024%
2016	SERC	1289	City of Orangeburg SC Department of Public Utilities	U.S.	843,000	843,000			0.082%	0.082%	0.000%	0.000%		0.019%	0.019%	0.000%	0.000%	0.021%
2016	SERC	1290	City of Robertsdale AL	U.S.	86,700	86,700			0.008%	0.008%	0.000%	0.000%		0.002%	0.002%	0.000%	0.000%	0.002%
2016	SERC	1291	City of Ruston LA (DERS)	U.S.	278,384	278,384			0.027%	0.027%	0.000%	0.000%		0.006%	0.006%	0.000%	0.000%	0.007%
2016	SERC	1292	Seneca Light & Power	U.S.	161,070	161,070			0.016%	0.016%	0.000%	0.000%		0.004%	0.004%	0.000%	0.000%	0.004%
2016	SERC	1115	City of Springfield (CWLP)	U.S.	1,767,921	1,767,921			0.173%	0.173%	0.000%	0.000%		0.039%	0.039%	0.000%	0.000%	0.044%
2016	SERC	1465	City of Thayer, MO	U.S.	19,525	19,525			0.002%	0.002%	0.000%	0.000%		0.000%	0.000%	0.000%	0.000%	0.000%
2016	SERC	1293	City of Troy AL	U.S.	430,428	430,428			0.042%	0.042%	0.000%	0.000%		0.010%	0.010%	0.000%	0.000%	0.011%
2016	SERC	1294	City of West Memphis AR (West Memphis Utilities)	U.S.	394,016	394,016			0.039%	0.039%	0.000%	0.000%		0.009%	0.009%	0.000%	0.000%	0.010%

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 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	% WECC, Excl PSC of CO	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2016	SERC	1583	Claiborne Electric Cooperative, Inc.	U.S.	681,556	681,556			0.067%	0.067%	0.000%	0.000%		0.015%	0.015%	0.000%	0.000%	0.017%
2016	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	222,804	222,804			0.022%	0.022%	0.000%	0.000%		0.005%	0.005%	0.000%	0.000%	0.006%
2016	SERC		Cube Hydro Carolinas	U.S.	16,952	16,952			0.002%	0.002%	0.000%	0.000%		0.000%	0.000%	0.000%	0.000%	0.000%
2016	SERC	1283	Dalton Utilities	U.S.	1,799,937	1,799,937			0.176%	0.176%	0.000%	0.000%		0.040%	0.040%	0.000%	0.000%	0.045%
2016	SERC	1585	Dixie Electric Membership Corporation	U.S.	2,272,117	2,272,117			0.222%	0.222%	0.000%	0.000%		0.050%	0.050%	0.000%	0.000%	0.057%
2016	SERC	1295	Dominion Virginia Power	U.S.	85,803,823	85,803,823			8.391%	8.391%	0.000%	0.000%		1.904%	1.904%	0.000%	0.000%	2.155%
2016	SERC	1296	Duke Energy Carolinas, LLC	U.S.	86,500,967	86,500,967			8.459%	8.459%	0.000%	0.000%		1.919%	1.919%	0.000%	0.000%	2.173%
2016	SERC	1466	Durant, MS	U.S.	27,896	27,896			0.003%	0.003%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	SERC	1478	LG&E and KU Services Co as agent for LG&E Co and KU Co	U.S.	34,901,160	34,901,160			3.413%	3.413%	0.000%	0.000%		0.774%	0.774%	0.000%	0.000%	0.877%
2016	SERC	1297	East Kentucky Power Cooperative	U.S.	13,657,883	13,657,883			1.336%	1.336%	0.000%	0.000%		0.303%	0.303%	0.000%	0.000%	0.343%
2016	SERC	1298	East Mississippi Electric Power Association	U.S.	432,345	432,345			0.042%	0.042%	0.000%	0.000%		0.010%	0.010%	0.000%	0.000%	0.011%
2016	SERC	1669	Electricities of North Carolina Inc	U.S.	11,925,049	11,925,049			1.166%	1.166%	0.000%	0.000%		0.265%	0.265%	0.000%	0.000%	0.300%
2016	SERC	1300	EnergyUnited EMC	U.S.	2,582,511	2,582,511			0.253%	0.253%	0.000%	0.000%		0.057%	0.057%	0.000%	0.000%	0.065%
2016	SERC	1301	Entergy	U.S.	118,263,454	118,263,454			11.565%	11.565%	0.000%	0.000%		2.624%	2.624%	0.000%	0.000%	2.971%
2016	SERC	1302	Fayetteville (NC) Public Works Commission	U.S.	2,168,700	2,168,700			0.212%	0.212%	0.000%	0.000%		0.048%	0.048%	0.000%	0.000%	0.054%
2016	SERC	1303	Florida Public Utilities (FL Panhandle Load)	U.S.	315,582	315,582			0.031%	0.031%	0.000%	0.000%		0.007%	0.007%	0.000%	0.000%	0.008%
2016	SERC	1304	French Broad EMC	U.S.	543,205	543,205			0.053%	0.053%	0.000%	0.000%		0.012%	0.012%	0.000%	0.000%	0.014%
2016	SERC	1305	Georgia Power Company	U.S.	87,480,150	87,480,150			8.555%	8.555%	0.000%	0.000%		1.941%	1.941%	0.000%	0.000%	2.197%
2016	SERC	1306	Georgia System Optms Corporation	U.S.	40,704,531	40,704,531			3.981%	3.981%	0.000%	0.000%		0.903%	0.903%	0.000%	0.000%	1.022%
2016	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	280,557	280,557			0.027%	0.027%	0.000%	0.000%		0.006%	0.006%	0.000%	0.000%	0.007%
2016	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.	335,196	335,196			0.033%	0.033%	0.000%	0.000%		0.007%	0.007%	0.000%	0.000%	0.008%
2016	SERC	1308	Gulf Power Company	U.S.	11,697,816	11,697,816			1.144%	1.144%	0.000%	0.000%		0.260%	0.260%	0.000%	0.000%	0.294%
2016	SERC	1586	Haywood EMC	U.S.	318,315	318,315			0.031%	0.031%	0.000%	0.000%		0.007%	0.007%	0.000%	0.000%	0.008%
2016	SERC	1309	Illinois Municipal Electric Agency	U.S.	1,957,500	1,957,500			0.191%	0.191%	0.000%	0.000%		0.043%	0.043%	0.000%	0.000%	0.049%
2016	SERC	1480	Itta Bena, MS	U.S.	14,887	14,887			0.001%	0.001%	0.000%	0.000%		0.000%	0.000%	0.000%	0.000%	0.000%
2016	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	276,785	276,785			0.027%	0.027%	0.000%	0.000%		0.006%	0.006%	0.000%	0.000%	0.007%
2016	SERC	1617	Kentucky Municipal Power	U.S.	691,584	691,584			0.068%	0.068%	0.000%	0.000%		0.015%	0.015%	0.000%	0.000%	0.017%
2016	SERC	1481	Kosciusko, MS	U.S.	75,858	75,858			0.007%	0.007%	0.000%	0.000%		0.002%	0.002%	0.000%	0.000%	0.002%
2016	SERC	1482	Leland, MS	U.S.	32,173	32,173			0.003%	0.003%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	SERC	1313	McCormick Commission of Public Works	U.S.	21,298	21,298			0.002%	0.002%	0.000%	0.000%		0.000%	0.000%	0.000%	0.000%	0.001%
2016	SERC	1314	Mississippi Power Company	U.S.	10,463,394	10,463,394			1.023%	1.023%	0.000%	0.000%		0.232%	0.232%	0.000%	0.000%	0.263%
2016	SERC	1630	Mt. Carmel Public Utility	U.S.	104,743	104,743			0.010%	0.010%	0.000%	0.000%		0.002%	0.002%	0.000%	0.000%	0.003%
2016	SERC	1315	Municipal Electric Authority of Georgia	U.S.	11,135,531	11,135,531			1.089%	1.089%	0.000%	0.000%		0.247%	0.247%	0.000%	0.000%	0.280%
2016	SERC	1316	N.C. Electric Membership Corp.	U.S.	12,984,228	12,984,228			1.270%	1.270%	0.000%	0.000%		0.288%	0.288%	0.000%	0.000%	0.326%
2016	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	268,464	268,464			0.026%	0.026%	0.000%	0.000%		0.006%	0.006%	0.000%	0.000%	0.007%
2016	SERC	1574	Northern Virginia Electric Cooperative	U.S.	4,538,112	4,538,112			0.444%	0.444%	0.000%	0.000%		0.101%	0.101%	0.000%	0.000%	0.114%
2016	SERC	1319	Old Dominion Electric Cooperative	U.S.	5,371,238	5,371,238			0.525%	0.525%	0.000%	0.000%		0.119%	0.119%	0.000%	0.000%	0.135%
2016	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.	160,084	160,084			0.016%	0.016%	0.000%	0.000%		0.004%	0.004%	0.000%	0.000%	0.004%
2016	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	844,337	844,337			0.083%	0.083%	0.000%	0.000%		0.019%	0.019%	0.000%	0.000%	0.021%
2016	SERC	1321	Piedmont EMC in Duke and Progress Areas	U.S.	528,049	528,049			0.052%	0.052%	0.000%	0.000%		0.012%	0.012%	0.000%	0.000%	0.013%
2016	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	2,465,914	2,465,914			0.241%	0.241%	0.000%	0.000%		0.055%	0.055%	0.000%	0.000%	0.062%
2016	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	254,731	254,731			0.025%	0.025%	0.000%	0.000%		0.006%	0.006%	0.000%	0.000%	0.006%
2016	SERC	1266	PowerSouth Energy	U.S.	8,834,766	8,834,766			0.864%	0.864%	0.000%	0.000%		0.196%	0.196%	0.000%	0.000%	0.222%
2016	SERC	1330	Prairie Power, Inc.	U.S.	1,560,148	1,560,148			0.153%	0.153%	0.000%	0.000%		0.035%	0.035%	0.000%	0.000%	0.039%
2016	SERC	1706	Duke Energy Progress	U.S.	46,437,526	46,437,526			4.541%	4.541%	0.000%	0.000%		1.030%	1.030%	0.000%	0.000%	1.166%
2016	SERC	1325	Rutherford EMC	U.S.	1,369,046	1,369,046			0.134%	0.134%	0.000%	0.000%		0.030%	0.030%	0.000%	0.000%	0.034%
2016	SERC	1631	Sam Rayburn G&T Electric Cooperative Inc.	U.S.	1,804,643	1,804,643			0.176%	0.176%	0.000%	0.000%		0.040%	0.040%	0.000%	0.000%	0.045%
2016	SERC	1326	South Carolina Electric & Gas Company	U.S.	23,605,297	23,605,297			2.308%	2.308%	0.000%	0.000%		0.524%	0.524%	0.000%	0.000%	0.593%
2016	SERC	1327	South Carolina Public Service Authority	U.S.	8,740,215	8,740,215			0.855%	0.855%	0.000%	0.000%		0.194%	0.194%	0.000%	0.000%	0.220%
2016	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	548,338	548,338			0.054%	0.054%	0.000%	0.000%		0.012%	0.012%	0.000%	0.000%	0.014%
2016	SERC	1328	Cooperative Energy (formerly SMEPA)	U.S.	9,984,821	9,984,821			0.976%	0.976%	0.000%	0.000%		0.222%	0.222%	0.000%	0.000%	0.251%
2016	SERC	1329	Southern Illinois Power Cooperative	U.S.	1,629,006	1,629,006			0.159%	0.159%	0.000%	0.000%		0.036%	0.036%	0.000%	0.000%	0.041%
2016	SERC	1591	Southwest Louisiana Electric Membership Corporation	U.S.	2,514,883	2,514,883			0.246%	0.246%	0.000%	0.000%		0.056%	0.056%	0.000%	0.000%	0.063%
2016	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	464,092	464,092			0.045%	0.045%	0.000%	0.000%		0.010%	0.010%	0.000%	0.000%	0.012%
2016	SERC	1331	Tennessee Valley Authority	U.S.	160,228,724	160,228,724			15.669%	15.669%	0.000%	0.000%		3.555%	3.555%	0.000%	0.000%	4.025%
2016	SERC	1632	Tex-La Electric Cooperative of Texas, Inc	U.S.	211,326	211,326			0.021%	0.021%	0.000%	0.000%		0.005%	0.005%	0.000%	0.000%	0.005%
2016	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	319,276	319,276			0.031%	0.031%	0.000%	0.000%		0.007%	0.007%	0.000%	0.000%	0.008%
2016	SERC	1594	Town of Sharpsburg, N.C.	U.S.	19,851	19,851			0.002%	0.002%	0.000%	0.000%		0.000%	0.000%	0.000%	0.000%	0.000%
2016	SERC	1595	Town of Stantonsburg, N.C. JRO	U.S.	56,624	56,624			0.006%	0.006%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 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	% WECC, Excl PSC of CO	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2016	SERC	1333	Town of Waynesville NC	U.S.	91,568	91,568			0.009%	0.009%	0.000%	0.000%		0.002%	0.002%	0.000%	0.000%	0.002%
2016	SERC	1334	Town of Winnsboro SC	U.S.	64,507	64,507			0.006%	0.006%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.002%
2016	SERC	1335	Town of Winterville NC	U.S.	54,800	54,800			0.005%	0.005%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	SERC	1597	Washington-St.Tammany Electric Cooperative, Inc.	U.S.	1,061,589	1,061,589			0.104%	0.104%	0.000%	0.000%		0.024%	0.024%	0.000%	0.000%	0.027%
TOTAL SERC					1,022,554,364	1,022,554,364	-	-	100.000%	100.000%	0.000%	0.000%		22.689%	22.689%	0.000%	0.000%	25.685%
2016	SPP	1246	American Electric Power	U.S.	37,644,271	37,644,271			16.548%	16.548%	0.000%	0.000%		0.835%	0.835%	0.000%	0.000%	0.946%
2016	SPP	1707	AEP-VEMCO	U.S.	671,038	671,038			0.295%	0.295%	0.000%	0.000%		0.015%	0.015%	0.000%	0.000%	0.017%
2016	SPP	1435	Arkansas Electric Cooperative Corporation	U.S.	14,046,942	14,046,942			6.175%	6.175%	0.000%	0.000%		0.312%	0.312%	0.000%	0.000%	0.353%
2016	SPP	1247	Board of Public Utilities (Kansas City KS)	U.S.	2,432,022	2,432,022			1.069%	1.069%	0.000%	0.000%		0.054%	0.054%	0.000%	0.000%	0.061%
2016	SPP	1620	Board of Public Utilities, City of McPherson, Kansas	U.S.	1,009,396	1,009,396			0.444%	0.444%	0.000%	0.000%		0.022%	0.022%	0.000%	0.000%	0.025%
2016	SPP	1647	Carthage City Water & Light	U.S.	310,402	310,402			0.136%	0.136%	0.000%	0.000%		0.007%	0.007%	0.000%	0.000%	0.008%
2016	SPP	1469	Central Valley Electric Cooperative	U.S.	800,913	800,913			0.352%	0.352%	0.000%	0.000%		0.018%	0.018%	0.000%	0.000%	0.020%
2016	SPP	1556	City of Bentonville	U.S.	709,834	709,834			0.312%	0.312%	0.000%	0.000%		0.016%	0.016%	0.000%	0.000%	0.018%
2016	SPP	1557	City of Clarksdale, Mississippi	U.S.	167,839	167,839			0.074%	0.074%	0.000%	0.000%		0.004%	0.004%	0.000%	0.000%	0.004%
2016	SPP	1558	Hope Water & Light (HWL)	U.S.	306,271	306,271			0.135%	0.135%	0.000%	0.000%		0.007%	0.007%	0.000%	0.000%	0.008%
2016	SPP	1708	City of Abbeville	U.S.	142,628	142,628			0.063%	0.063%	0.000%	0.000%		0.003%	0.003%	0.000%	0.000%	0.004%
2016	SPP	1559	City of Minden	U.S.	149,789	149,789			0.066%	0.066%	0.000%	0.000%		0.003%	0.003%	0.000%	0.000%	0.004%
2016	SPP	1709	City of Nixa	U.S.	169,136	169,136			0.074%	0.074%	0.000%	0.000%		0.004%	0.004%	0.000%	0.000%	0.004%
2016	SPP	1703	City of Chanute	U.S.	500,595	500,595			0.220%	0.220%	0.000%	0.000%		0.011%	0.011%	0.000%	0.000%	0.013%
2016	SPP	1636	City of Prescott	U.S.	88,147	88,147			0.039%	0.039%	0.000%	0.000%		0.002%	0.002%	0.000%	0.000%	0.002%
2016	SPP	1248	Independence Power & Light (Independence, MO)	U.S.	1,073,930	1,073,930			0.472%	0.472%	0.000%	0.000%		0.024%	0.024%	0.000%	0.000%	0.027%
2016	SPP	1436	City Utilities of Springfield, MO	U.S.	3,211,506	3,211,506			1.412%	1.412%	0.000%	0.000%		0.071%	0.071%	0.000%	0.000%	0.081%
2016	SPP	1249	Cleco Power LLC	U.S.	12,125,556	12,125,556			5.330%	5.330%	0.000%	0.000%		0.269%	0.269%	0.000%	0.000%	0.305%
2016	SPP	1437	East Texas Electric Coop, Inc.	U.S.	445,440	445,440			0.196%	0.196%	0.000%	0.000%		0.010%	0.010%	0.000%	0.000%	0.011%
2016	SPP	1250	The Empire District Electric Company	U.S.	5,290,273	5,290,273			2.326%	2.326%	0.000%	0.000%		0.117%	0.117%	0.000%	0.000%	0.133%
2016	SPP	1470	Farmers' Electric Coop	U.S.	305,662	305,662			0.134%	0.134%	0.000%	0.000%		0.007%	0.007%	0.000%	0.000%	0.008%
2016	SPP	1438	Golden Spread Electric Coop	U.S.	5,300,336	5,300,336			2.330%	2.330%	0.000%	0.000%		0.118%	0.118%	0.000%	0.000%	0.133%
2016	SPP	1251	Grand River Dam Authority	U.S.	5,613,042	5,613,042			2.467%	2.467%	0.000%	0.000%		0.125%	0.125%	0.000%	0.000%	0.141%
2016	SPP	1648	Jonesboro City Water & Light	U.S.	1,418,904	1,418,904			0.624%	0.624%	0.000%	0.000%		0.031%	0.031%	0.000%	0.000%	0.036%
2016	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	15,827,907	15,827,907			6.958%	6.958%	0.000%	0.000%		0.351%	0.351%	0.000%	0.000%	0.398%
2016	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	2,169,384	2,169,384			0.954%	0.954%	0.000%	0.000%		0.048%	0.048%	0.000%	0.000%	0.054%
2016	SPP	1440	Kansas Municipal Energy Agency (KCPL)	U.S.	1,524,066	1,524,066			0.670%	0.670%	0.000%	0.000%		0.034%	0.034%	0.000%	0.000%	0.038%
2016	SPP	1637	Kansas Power Pool	U.S.	889,849	889,849			0.391%	0.391%	0.000%	0.000%		0.020%	0.020%	0.000%	0.000%	0.022%
2016	SPP	1649	Kennett Board of Public Works	U.S.	145,477	145,477			0.064%	0.064%	0.000%	0.000%		0.003%	0.003%	0.000%	0.000%	0.004%
2016	SPP	1598	KCP&L GMOC (Greater Missouri Operations Company)	U.S.	8,623,821	8,623,821			3.791%	3.791%	0.000%	0.000%		0.191%	0.191%	0.000%	0.000%	0.217%
2016	SPP	1471	Lafayette Utilities System	U.S.	2,101,182	2,101,182			0.924%	0.924%	0.000%	0.000%		0.047%	0.047%	0.000%	0.000%	0.053%
2016	SPP	1472	Lea County Electric Coop	U.S.	1,170,112	1,170,112			0.514%	0.514%	0.000%	0.000%		0.026%	0.026%	0.000%	0.000%	0.029%
2016	SPP	1253	Louisiana Energy & Power Authority (LEPA)	U.S.	1,000,833	1,000,833			0.440%	0.440%	0.000%	0.000%		0.022%	0.022%	0.000%	0.000%	0.025%
2016	SPP	1650	Malden Board of Public Works	U.S.	52,297	52,297			0.023%	0.023%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	SPP	1441	Midwest Energy Inc.	U.S.	1,785,679	1,785,679			0.785%	0.785%	0.000%	0.000%		0.040%	0.040%	0.000%	0.000%	0.045%
2016	SPP	1443	Missouri Joint Municipal Electric Utility Commission	U.S.	2,609,293	2,609,293			1.147%	1.147%	0.000%	0.000%		0.058%	0.058%	0.000%	0.000%	0.066%
2016	SPP	1442	Northeast Texas Electric Cooperative, Inc.	U.S.	3,215,204	3,215,204			1.413%	1.413%	0.000%	0.000%		0.071%	0.071%	0.000%	0.000%	0.081%
2016	SPP	1255	Oklahoma Gas and Electric Co.	U.S.	28,026,525	28,026,525			12.320%	12.320%	0.000%	0.000%		0.622%	0.622%	0.000%	0.000%	0.704%
2016	SPP	1444	Oklahoma Municipal Power Auth	U.S.	2,935,026	2,935,026			1.290%	1.290%	0.000%	0.000%		0.065%	0.065%	0.000%	0.000%	0.074%
2016	SPP	1639	OzMo Ozark Missouri, West Plains MO	U.S.	201,025	201,025			0.088%	0.088%	0.000%	0.000%		0.004%	0.004%	0.000%	0.000%	0.005%
2016	SPP	1651	Paragould Light, Water & Cable	U.S.	611,566	611,566			0.269%	0.269%	0.000%	0.000%		0.014%	0.014%	0.000%	0.000%	0.015%
2016	SPP		People's Electric Cooperative (PEC)	U.S.	172,369	172,369			0.076%	0.076%	0.000%	0.000%		0.004%	0.004%	0.000%	0.000%	0.004%
2016	SPP	1652	Piggott Municipal Light, Water & Sewer	U.S.	38,326	38,326			0.017%	0.017%	0.000%	0.000%		0.001%	0.001%	0.000%	0.000%	0.001%
2016	SPP	1653	Poplar Bluff Municipal Utilities	U.S.	386,135	386,135			0.170%	0.170%	0.000%	0.000%		0.009%	0.009%	0.000%	0.000%	0.010%
2016	SPP	1561	Public Service Commission of Yazoo City of Mississippi	U.S.	119,270	119,270			0.052%	0.052%	0.000%	0.000%		0.003%	0.003%	0.000%	0.000%	0.003%
2016	SPP	1473	Roosevelt County Electric Coop	U.S.	161,078	161,078			0.071%	0.071%	0.000%	0.000%		0.004%	0.004%	0.000%	0.000%	0.004%
2016	SPP	1654	Sikeston Board of Municipal Utilities	U.S.	382,765	382,765			0.168%	0.168%	0.000%	0.000%		0.008%	0.008%	0.000%	0.000%	0.010%
2016	SPP	1257	Southwestern Public Service Co. (SPS-XCEL)	U.S.	21,132,833	21,132,833			9.290%	9.290%	0.000%	0.000%		0.469%	0.469%	0.000%	0.000%	0.531%
2016	SPP	1256	Sunflower Electric Power Cooperative	U.S.	4,571,654	4,571,654			2.010%	2.010%	0.000%	0.000%		0.101%	0.101%	0.000%	0.000%	0.115%
2016	SPP	1445	Tex - La Electric Cooperative of Texas	U.S.	506,427	506,427			0.223%	0.223%	0.000%	0.000%		0.011%	0.011%	0.000%	0.000%	0.013%
2016	SPP	1475	Tri County Electric Coop	U.S.	365,680	365,680			0.161%	0.161%	0.000%	0.000%		0.008%	0.008%	0.000%	0.000%	0.009%
2016	SPP	1260	Westar Energy, Inc.	U.S.	21,205,619	21,205,619			9.322%	9.322%	0.000%	0.000%		0.471%	0.471%	0.000%	0.000%	0.533%
2016	SPP	1259	Western Farmers Electric Cooperative	U.S.	8,798,424	8,798,424			3.868%	3.868%	0.000%	0.000%		0.195%	0.195%	0.000%	0.000%	0.221%

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 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	% WECC, Excl PSC of CO	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2016	SPP	1501	West Texas Municipal Power Agency	U.S.	2,825,002	2,825,002			1.242%	1.242%	0.000%	0.000%		0.063%	0.063%	0.000%	0.000%	0.071%
			TOTAL SPP		227,488,700	227,488,700	-	-	100.000%	100.000%	0.000%	0.000%		5.048%	5.048%	0.000%	0.000%	5.714%
2016	TRE	1019	ERCOT	U.S.	353,021,556	353,021,556			100.000%	100.000%	0.000%	0.000%		7.833%	7.833%	0.000%	0.000%	8.867%
			TOTAL ERCOT		353,021,556	353,021,556	-	-	100.000%	100.000%	0.000%	0.000%		7.833%	7.833%	0.000%	0.000%	8.867%
2016	WECC		Alberta Electric System Operator	Canada	59,085,542		59,085,542		6.892%	0.000%	6.892%	0.000%	7.145%	1.311%	0.000%	1.311%	0.000%	0.000%
2016	WECC		British Columbia Hydro & Power Authority	Canada	62,325,587		62,325,587		7.270%	0.000%	7.270%	0.000%	7.537%	1.383%	0.000%	1.383%	0.000%	0.000%
2016	WECC		Centro Nacional de Control de Energia	Mexico	13,095,066			13,095,066	1.528%	0.000%	0.000%	1.528%	1.583%	0.291%	0.000%	0.000%	0.291%	0.000%
2016	WECC		Ajo Improvement District	U.S.	11,067	11,067			0.001%	0.001%	0.000%	0.000%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%
2016	WECC		Arizona Public Service Company	U.S.	28,971,757	28,971,757			3.380%	3.380%	0.000%	0.000%	3.503%	0.643%	0.643%	0.000%	0.000%	0.728%
2016	WECC		City of Williams	U.S.	45,861	45,861			0.005%	0.005%	0.000%	0.000%	0.006%	0.001%	0.001%	0.000%	0.000%	0.001%
2016	WECC		Electrical Districts 3	U.S.	742,054	742,054			0.087%	0.087%	0.000%	0.000%	0.090%	0.016%	0.016%	0.000%	0.000%	0.019%
2016	WECC		Majority Districts	U.S.	778,611	778,611			0.091%	0.091%	0.000%	0.000%	0.094%	0.017%	0.017%	0.000%	0.000%	0.020%
2016	WECC		Navajo Tribal Utility Authority	U.S.	20,241	20,241			0.002%	0.002%	0.000%	0.000%	0.002%	0.000%	0.000%	0.000%	0.000%	0.001%
2016	WECC		Tohono O'Odham Utility Authority	U.S.	62,808	62,808			0.007%	0.007%	0.000%	0.000%	0.008%	0.001%	0.001%	0.000%	0.000%	0.002%
2016	WECC		Town of Wickenburg	U.S.	26,716	26,716			0.003%	0.003%	0.000%	0.000%	0.003%	0.001%	0.001%	0.000%	0.000%	0.001%
2016	WECC		Avista Corporation	U.S.	9,364,128	9,364,128			1.092%	1.092%	0.000%	0.000%	1.132%	0.208%	0.208%	0.000%	0.000%	0.235%
2016	WECC		Kaiser Aluminum Fabricated Products LLC	U.S.	316,826	316,826			0.037%	0.037%	0.000%	0.000%	0.038%	0.007%	0.007%	0.000%	0.000%	0.008%
2016	WECC		Pend Oreille County PUD No. 1	U.S.	971,556	971,556			0.113%	0.113%	0.000%	0.000%	0.117%	0.022%	0.022%	0.000%	0.000%	0.024%
2016	WECC		PUD No. 2 of Grant County	U.S.	86,549	86,549			0.010%	0.010%	0.000%	0.000%	0.010%	0.002%	0.002%	0.000%	0.000%	0.002%
2016	WECC		Bonneville Power Administration-Power Services	U.S.	6,135,366	6,135,366			0.716%	0.716%	0.000%	0.000%	0.742%	0.136%	0.136%	0.000%	0.000%	0.154%
2016	WECC		Bonneville Power Administration-Hydro	U.S.	209,513	209,513			0.024%	0.024%	0.000%	0.000%	0.025%	0.005%	0.005%	0.000%	0.000%	0.005%
2016	WECC		Bonneville Power Administration-Transmission	U.S.	53,955,190	53,955,190			6.294%	6.294%	0.000%	0.000%	6.524%	1.197%	1.197%	0.000%	0.000%	1.355%
2016	WECC		City of Redding	U.S.	782,095	782,095			0.091%	0.091%	0.000%	0.000%	0.095%	0.017%	0.017%	0.000%	0.000%	0.020%
2016	WECC		City of Roseville	U.S.	1,227,468	1,227,468			0.143%	0.143%	0.000%	0.000%	0.148%	0.027%	0.027%	0.000%	0.000%	0.031%
2016	WECC		Modesto Irrigation District	U.S.	2,572,690	2,572,690			0.300%	0.300%	0.000%	0.000%	0.311%	0.057%	0.057%	0.000%	0.000%	0.065%
2016	WECC		Sacramento Municipal Utility District	U.S.	11,246,530	11,246,530			1.312%	1.312%	0.000%	0.000%	1.360%	0.250%	0.250%	0.000%	0.000%	0.282%
2016	WECC		Western Area Power Administration-Sierra Nevada Region	U.S.	1,635,470	1,635,470			0.191%	0.191%	0.000%	0.000%	0.198%	0.036%	0.036%	0.000%	0.000%	0.041%
2016	WECC		California Independent System Operator	U.S.	228,149,059	228,149,059			26.614%	26.614%	0.000%	0.000%	27.588%	5.062%	5.062%	0.000%	0.000%	5.731%
2016	WECC		El Paso Electric Company	U.S.	8,431,656	8,431,656			0.984%	0.984%	0.000%	0.000%	1.020%	0.187%	0.187%	0.000%	0.000%	0.212%
2016	WECC		Idaho Power Company	U.S.	15,346,628	15,346,628			1.790%	1.790%	0.000%	0.000%	1.856%	0.341%	0.341%	0.000%	0.000%	0.385%
2016	WECC		Imperial Irrigation District	U.S.	3,694,931	3,694,931			0.431%	0.431%	0.000%	0.000%	0.447%	0.082%	0.082%	0.000%	0.000%	0.093%
2016	WECC		Los Angeles Department of Water and Power	U.S.	28,569,093	28,569,093			3.333%	3.333%	0.000%	0.000%	3.455%	0.634%	0.634%	0.000%	0.000%	0.718%
2016	WECC		City of Henderson	U.S.	41,940	41,940			0.005%	0.005%	0.000%	0.000%	0.005%	0.001%	0.001%	0.000%	0.000%	0.001%
2016	WECC		City of Las Vegas	U.S.	44,685	44,685			0.005%	0.005%	0.000%	0.000%	0.005%	0.001%	0.001%	0.000%	0.000%	0.001%
2016	WECC		City of North Las Vegas	U.S.	22,244	22,244			0.003%	0.003%	0.000%	0.000%	0.003%	0.000%	0.000%	0.000%	0.000%	0.001%
2016	WECC		Clark County Water Reclamation District	U.S.	81,574	81,574			0.010%	0.010%	0.000%	0.000%	0.010%	0.002%	0.002%	0.000%	0.000%	0.002%
2016	WECC		Colorado River Commission of Nevada	U.S.	699,971	699,971			0.082%	0.082%	0.000%	0.000%	0.085%	0.016%	0.016%	0.000%	0.000%	0.018%
2016	WECC		Las Vegas Valley Water District	U.S.	104,519	104,519			0.012%	0.012%	0.000%	0.000%	0.013%	0.002%	0.002%	0.000%	0.000%	0.003%
2016	WECC		Nevada Power Company dba NV Energy	U.S.	31,993,983	31,993,983			3.732%	3.732%	0.000%	0.000%	3.869%	0.710%	0.710%	0.000%	0.000%	0.804%
2016	WECC		Overton Power District No. 5	U.S.	388,744	388,744			0.045%	0.045%	0.000%	0.000%	0.047%	0.009%	0.009%	0.000%	0.000%	0.010%
2016	WECC		Southern Nevada Water Authority	U.S.	112,780	112,780			0.013%	0.013%	0.000%	0.000%	0.014%	0.003%	0.003%	0.000%	0.000%	0.003%
2016	WECC		Basin Electric Power Cooperative	U.S.	437,112	437,112			0.051%	0.051%	0.000%	0.000%	0.053%	0.010%	0.010%	0.000%	0.000%	0.011%
2016	WECC		Basin Electric Power Cooperative (SMGT)	U.S.	311,258	311,258			0.036%	0.036%	0.000%	0.000%	0.038%	0.007%	0.007%	0.000%	0.000%	0.008%
2016	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	9,195,599	9,195,599			1.073%	1.073%	0.000%	0.000%	1.112%	0.204%	0.204%	0.000%	0.000%	0.231%
2016	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	7,614	7,614			0.001%	0.001%	0.000%	0.000%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%
2016	WECC		PacifiCorp West (PACW)	U.S.	20,663,027	20,663,027			2.410%	2.410%	0.000%	0.000%	2.499%	0.458%	0.458%	0.000%	0.000%	0.519%
2016	WECC		Constellation New Energy	U.S.	195,248	195,248			0.023%	0.023%	0.000%	0.000%	0.024%	0.004%	0.004%	0.000%	0.000%	0.005%
2016	WECC		Noble Americas Energy Solutions, LLC	U.S.	1,561,231	1,561,231			0.182%	0.182%	0.000%	0.000%	0.189%	0.035%	0.035%	0.000%	0.000%	0.039%
2016	WECC		PacifiCorp (IPC)	U.S.	2,139	2,139			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2016	WECC		PacifiCorp (EasternBalAuth)	U.S.	49,260,694	49,260,694			5.746%	5.746%	0.000%	0.000%	5.957%	1.093%	1.093%	0.000%	0.000%	1.237%
2016	WECC		PacifiCorp (Portland)	U.S.	4,075	4,075			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2016	WECC		PacifiCorp (WAPA-CO-MO)	U.S.	120,006	120,006			0.014%	0.014%	0.000%	0.000%	0.015%	0.003%	0.003%	0.000%	0.000%	0.003%
2016	WECC		Portland General Electric Company	U.S.	17,975,545	17,975,545			2.097%	2.097%	0.000%	0.000%	2.174%	0.399%	0.399%	0.000%	0.000%	0.452%
2016	WECC		Shell Energy North America	U.S.	42,689	42,689			0.005%	0.005%	0.000%	0.000%	0.005%	0.001%	0.001%	0.000%	0.000%	0.001%
2016	WECC		Arkansas River Power Authority (ARPA)	U.S.	276,491	276,491			0.032%	0.032%	0.000%	0.000%	0.033%	0.006%	0.006%	0.000%	0.000%	0.007%
2016	WECC		Black Hills Colorado Electric	U.S.	2,085,331	2,085,331			0.243%	0.243%	0.000%	0.000%	0.252%	0.046%	0.046%	0.000%	0.000%	0.052%
2016	WECC		Burlington	U.S.	34,731	34,731			0.004%	0.004%	0.000%	0.000%	0.004%	0.001%	0.001%	0.000%	0.000%	0.001%

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 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	% WECC, Excl PSC of CO	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2016	WECC		Colorado Springs Utilities	U.S.	49,594	49,594			0.006%	0.006%	0.000%	0.000%	0.006%	0.001%	0.001%	0.000%	0.000%	0.001%
2016	WECC		Grand Valley Power	U.S.	257,625	257,625			0.030%	0.030%	0.000%	0.000%	0.031%	0.006%	0.006%	0.000%	0.000%	0.006%
2016	WECC		Holy Cross Energy	U.S.	1,071,651	1,071,651			0.125%	0.125%	0.000%	0.000%	0.130%	0.024%	0.024%	0.000%	0.000%	0.027%
2016	WECC		Intermountain Rural Electric Association	U.S.	2,263,455	2,263,455			0.264%	0.264%	0.000%	0.000%	0.274%	0.050%	0.050%	0.000%	0.000%	0.057%
2016	WECC		Municipal Energy Agency of Nebraska	U.S.	176,064	176,064			0.021%	0.021%	0.000%	0.000%	0.021%	0.004%	0.004%	0.000%	0.000%	0.004%
2016	WECC		Platte River Power Authority	U.S.	3,261,810	3,261,810			0.380%	0.380%	0.000%	0.000%	0.394%	0.072%	0.072%	0.000%	0.000%	0.082%
2016	WECC		Public Service Company of Colorado (Xcel)	U.S.	30,276,426	30,276,426			3.532%	3.532%	0.000%	0.000%	0.000%	0.672%	0.672%	0.000%	0.000%	0.760%
2016	WECC		Public Service Company of Colorado (Xcel)-(WAPA-CO-MO)	U.S.	106,257	106,257			0.012%	0.012%	0.000%	0.000%	0.013%	0.002%	0.002%	0.000%	0.000%	0.003%
2016	WECC		Raton Public Service	U.S.	54,637	54,637			0.006%	0.006%	0.000%	0.000%	0.007%	0.001%	0.001%	0.000%	0.000%	0.001%
2016	WECC		Town of Center	U.S.	21,047	21,047			0.002%	0.002%	0.000%	0.000%	0.003%	0.000%	0.000%	0.000%	0.000%	0.001%
2016	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	2,701,176	2,701,176			0.315%	0.315%	0.000%	0.000%	0.327%	0.060%	0.060%	0.000%	0.000%	0.068%
2016	WECC		Western Area Power - Loveland, CO	U.S.	163,377	163,377			0.019%	0.019%	0.000%	0.000%	0.020%	0.004%	0.004%	0.000%	0.000%	0.004%
2016	WECC		Yampa Valley Electric Association	U.S.	577,926	577,926			0.067%	0.067%	0.000%	0.000%	0.070%	0.013%	0.013%	0.000%	0.000%	0.015%
2016	WECC		City of Aztec Electric Dept (PSC-NM)	U.S.	22,982	22,982			0.003%	0.003%	0.000%	0.000%	0.003%	0.001%	0.001%	0.000%	0.000%	0.001%
2016	WECC		City of Aztec Electric Dept (WAPA-CO-MO)	U.S.	18,181	18,181			0.002%	0.002%	0.000%	0.000%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%
2016	WECC		City of Gallup	U.S.	229,100	229,100			0.002%	0.002%	0.000%	0.000%	0.028%	0.005%	0.005%	0.000%	0.000%	0.006%
2016	WECC		Jicarilla Apache Nation Power Authority	U.S.	23,099	23,099			0.003%	0.003%	0.000%	0.000%	0.003%	0.001%	0.001%	0.000%	0.000%	0.001%
2016	WECC		Kit Carson Electric Inc	U.S.	147,576	147,576			0.017%	0.017%	0.000%	0.000%	0.018%	0.003%	0.003%	0.000%	0.000%	0.004%
2016	WECC		Navajo Tribal Utility Authority	U.S.	241,692	241,692			0.028%	0.028%	0.000%	0.000%	0.029%	0.005%	0.005%	0.000%	0.000%	0.006%
2016	WECC		Navopache Electric Cooperative, Inc.	U.S.	439,359	439,359			0.051%	0.051%	0.000%	0.000%	0.053%	0.010%	0.010%	0.000%	0.000%	0.011%
2016	WECC		Public Service Company of New Mexico	U.S.	9,339,529	9,339,529			1.089%	1.089%	0.000%	0.000%	1.129%	0.207%	0.207%	0.000%	0.000%	0.235%
2016	WECC		The Incorporated County of Los Alamos	U.S.	611,581	611,581			0.071%	0.071%	0.000%	0.000%	0.074%	0.014%	0.014%	0.000%	0.000%	0.015%
2016	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	2,922,540	2,922,540			0.341%	0.341%	0.000%	0.000%	0.353%	0.065%	0.065%	0.000%	0.000%	0.073%
2016	WECC		US Dept of Energy - Kirtland AFB	U.S.	431,469	431,469			0.050%	0.050%	0.000%	0.000%	0.052%	0.010%	0.010%	0.000%	0.000%	0.011%
2016	WECC		Public Utility District No. 1 of Chelan County	U.S.	1,702,674	1,702,674			0.199%	0.199%	0.000%	0.000%	0.206%	0.038%	0.038%	0.000%	0.000%	0.043%
2016	WECC		PUD No. 1 of Douglas County	U.S.	818,952	818,952			0.096%	0.096%	0.000%	0.000%	0.099%	0.018%	0.018%	0.000%	0.000%	0.021%
2016	WECC		Okanogan PUD	U.S.	651,274	651,274			0.076%	0.076%	0.000%	0.000%	0.079%	0.014%	0.014%	0.000%	0.000%	0.016%
2016	WECC		Douglas Palisades / PUD No. 1 of DC	U.S.	19,859	19,859			0.002%	0.002%	0.000%	0.000%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%
2016	WECC		PUD No. 2 of Grant County	U.S.	4,511,192	4,511,192			0.526%	0.526%	0.000%	0.000%	0.546%	0.100%	0.100%	0.000%	0.000%	0.113%
2016	WECC		Puget Sound Energy, Inc.	U.S.	23,676,968	23,676,968			2.762%	2.762%	0.000%	0.000%	2.863%	0.525%	0.525%	0.000%	0.000%	0.595%
2016	WECC		Salt River Project	U.S.	29,547,087	29,547,087			3.447%	3.447%	0.000%	0.000%	3.573%	0.656%	0.656%	0.000%	0.000%	0.742%
2016	WECC		Seattle City Light	U.S.	9,687,942	9,687,942			1.130%	1.130%	0.000%	0.000%	1.171%	0.215%	0.215%	0.000%	0.000%	0.243%
2016	WECC		Barrick Goldstrike Mines Inc.	U.S.	1,404,747	1,404,747			0.164%	0.164%	0.000%	0.000%	0.170%	0.031%	0.031%	0.000%	0.000%	0.035%
2016	WECC		City of Fallon	U.S.	89,027	89,027			0.010%	0.010%	0.000%	0.000%	0.011%	0.002%	0.002%	0.000%	0.000%	0.002%
2016	WECC		Mt. Wheeler Power	U.S.	536,619	536,619			0.063%	0.063%	0.000%	0.000%	0.065%	0.012%	0.012%	0.000%	0.000%	0.013%
2016	WECC		Truckee Donner Public Utility District	U.S.	171,874	171,874			0.020%	0.020%	0.000%	0.000%	0.021%	0.004%	0.004%	0.000%	0.000%	0.004%
2016	WECC		Beartooth Electric Cooperative	U.S.	72,506	72,506			0.008%	0.008%	0.000%	0.000%	0.009%	0.002%	0.002%	0.000%	0.000%	0.002%
2016	WECC		City of Tacoma DBA Tacoma Power	U.S.	4,817,291	4,817,291			0.562%	0.562%	0.000%	0.000%	0.583%	0.107%	0.107%	0.000%	0.000%	0.121%
2016	WECC		Tucson Electric Power Company	U.S.	14,805,219	14,805,219			1.727%	1.727%	0.000%	0.000%	1.790%	0.329%	0.329%	0.000%	0.000%	0.372%
2016	WECC		Merced Irrigation District	U.S.	481,258	481,258			0.056%	0.056%	0.000%	0.000%	0.058%	0.011%	0.011%	0.000%	0.000%	0.012%
2016	WECC		Turlock Irrigation District	U.S.	2,136,902	2,136,902			0.249%	0.249%	0.000%	0.000%	0.258%	0.047%	0.047%	0.000%	0.000%	0.054%
2016	WECC		Basin Electric Power Cooperative	U.S.	2,288,141	2,288,141			0.267%	0.267%	0.000%	0.000%	0.277%	0.051%	0.051%	0.000%	0.000%	0.057%
2016	WECC		Black Hills Colorado Electric/Cheyenne Light Fuel & Power	U.S.	4,270,639	4,270,639			0.498%	0.498%	0.000%	0.000%	0.516%	0.095%	0.095%	0.000%	0.000%	0.107%
2016	WECC		Black Hills State University South Dakota	U.S.	21,703	21,703			0.003%	0.003%	0.000%	0.000%	0.003%	0.000%	0.000%	0.000%	0.000%	0.001%
2016	WECC		City of Page	U.S.	73,214	73,214			0.009%	0.009%	0.000%	0.000%	0.009%	0.002%	0.002%	0.000%	0.000%	0.002%
2016	WECC		Colorado Springs Utilities	U.S.	4,658,760	4,658,760			0.543%	0.543%	0.000%	0.000%	0.563%	0.103%	0.103%	0.000%	0.000%	0.117%
2016	WECC		Deseret Generation & Transmission Cooperative	U.S.	115,299	115,299			0.013%	0.013%	0.000%	0.000%	0.014%	0.003%	0.003%	0.000%	0.000%	0.003%
2016	WECC		City of Farmington	U.S.	990,796	990,796			0.116%	0.116%	0.000%	0.000%	0.120%	0.022%	0.022%	0.000%	0.000%	0.025%
2016	WECC		Municipal Energy Agency of Nebraska	U.S.	639,233	639,233			0.075%	0.075%	0.000%	0.000%	0.077%	0.014%	0.014%	0.000%	0.000%	0.016%
2016	WECC		Navajo Agricultural Products Industry (NAPI)	U.S.	2,496	2,496			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2016	WECC		Nebraska Public Power Marketing	U.S.	3,705	3,705			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2016	WECC		Town of Fredonia	U.S.	10,343	10,343			0.001%	0.001%	0.000%	0.000%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%
2016	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	7,612,002	7,612,002			0.888%	0.888%	0.000%	0.000%	0.920%	0.169%	0.169%	0.000%	0.000%	0.191%
2016	WECC		Western Area Power - Loveland, CO	U.S.	1,787,721	1,787,721			0.209%	0.209%	0.000%	0.000%	0.216%	0.040%	0.040%	0.000%	0.000%	0.045%
2016	WECC		Western Area Power Administration - CRSP	U.S.	1,669,458	1,669,458			0.195%	0.195%	0.000%	0.000%	0.202%	0.037%	0.037%	0.000%	0.000%	0.042%
2016	WECC		Wyoming Municipal Power Agency	U.S.	222,629	222,629			0.026%	0.026%	0.000%	0.000%	0.027%	0.005%	0.005%	0.000%	0.000%	0.006%
2016	WECC		Basin Electric Power Cooperative	U.S.	104,939	104,939			0.012%	0.012%	0.000%	0.000%	0.013%	0.002%	0.002%	0.000%	0.000%	0.003%
2016	WECC		Montana-Dakota Utilities Co.	U.S.	23,427	23,427			0.003%	0.003%	0.000%	0.000%	0.003%	0.001%	0.001%	0.000%	0.000%	0.001%
2016	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	292,914	292,914			0.034%	0.034%	0.000%	0.000%	0.035%	0.006%	0.006%	0.000%	0.000%	0.007%

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 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	% WECC, Excl PSC of CO	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2016	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	354,503	354,503			0.041%	0.041%	0.000%	0.000%	0.043%	0.008%	0.008%	0.000%	0.000%	0.009%
2016	WECC		Aha Macav Power Service	U.S.	11,843	11,843			0.001%	0.001%	0.000%	0.000%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%
2016	WECC		Bureau of Reclamation (Wellfield)	U.S.	9,146	9,146			0.001%	0.001%	0.000%	0.000%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%
2016	WECC		Central Arizona Water Conservation District	U.S.	2,382,677	2,382,677			0.278%	0.278%	0.000%	0.000%	0.288%	0.053%	0.053%	0.000%	0.000%	0.060%
2016	WECC		City of Boulder City	U.S.	77,330	77,330			0.009%	0.009%	0.000%	0.000%	0.009%	0.002%	0.002%	0.000%	0.000%	0.002%
2016	WECC		City of Mesa	U.S.	264,773	264,773			0.031%	0.031%	0.000%	0.000%	0.032%	0.006%	0.006%	0.000%	0.000%	0.007%
2016	WECC		Needles Public Utilities Authority	U.S.	29,710	29,710			0.003%	0.003%	0.000%	0.000%	0.004%	0.001%	0.001%	0.000%	0.000%	0.001%
2016	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	17,546	17,546			0.002%	0.002%	0.000%	0.000%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%
2016	WECC		Electrical District #2	U.S.	203,800	203,800			0.024%	0.024%	0.000%	0.000%	0.025%	0.005%	0.005%	0.000%	0.000%	0.005%
2016	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	9,527	9,527			0.001%	0.001%	0.000%	0.000%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%
2016	WECC		Silver State Energy Association	U.S.	567,322	567,322			0.066%	0.066%	0.000%	0.000%	0.069%	0.013%	0.013%	0.000%	0.000%	0.014%
2016	WECC		Arizona Electric Power Cooperative, Inc	U.S.	2,872,358	2,872,358			0.335%	0.335%	0.000%	0.000%	0.347%	0.064%	0.064%	0.000%	0.000%	0.072%
2016	WECC		U.S. Army Yuma Proving Ground	U.S.	20,047	20,047			0.002%	0.002%	0.000%	0.000%	0.002%	0.000%	0.000%	0.000%	0.000%	0.001%
2016	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	4,520	4,520			0.001%	0.001%	0.000%	0.000%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%
2016	WECC		Western Area Power Administration-Desert Southwest Region	U.S.	1,574,927	1,574,927			0.184%	0.184%	0.000%	0.000%	0.190%	0.035%	0.035%	0.000%	0.000%	0.040%
TOTAL WECC					857,250,282	722,744,087	121,411,129	13,095,066	100.000%	84.310%	14.163%	1.528%	100.000%	19.021%	16.036%	2.694%	0.291%	18.154%
TOTAL ERO					4,506,897,694	3,981,131,801	512,670,827	13,095,066	800.000%	713.206%	85.266%	1.528%	100.000%	100.000%	88.334%	11.375%	0.291%	100.000%
Summary by Regional Entity					Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL										
2016	FRCC				234,139,882	234,139,882	-	-	100.000%	100.000%	0.000%	0.000%	0.000%	5.195%	5.195%	0.000%	0.000%	5.881%
2016	MRO				289,292,028	241,683,330	47,608,698	-	100.000%	83.543%	16.457%	0.000%	0.000%	6.419%	5.363%	1.056%	0.000%	6.071%
2016	NPCC				628,864,000	285,213,000	343,651,000	-	100.000%	45.354%	54.646%	0.000%	0.000%	13.953%	6.328%	7.625%	0.000%	7.164%
2016	RF				894,286,883	894,286,883	-	-	100.000%	100.000%	0.000%	0.000%	0.000%	19.843%	19.843%	0.000%	0.000%	22.463%
2016	SERC				1,022,554,364	1,022,554,364	-	-	100.000%	100.000%	0.000%	0.000%	0.000%	22.689%	22.689%	0.000%	0.000%	25.685%
2016	SPP				227,488,700	227,488,700	-	-	100.000%	100.000%	0.000%	0.000%	0.000%	5.048%	5.048%	0.000%	0.000%	5.714%
2016	TRE				353,021,556	353,021,556	-	-	100.000%	100.000%	0.000%	0.000%	0.000%	7.833%	7.833%	0.000%	0.000%	8.867%
2016	WECC				857,250,282	722,744,087	121,411,129	13,095,066	100.000%	84.310%	14.163%	1.528%	100.000%	19.021%	16.036%	2.694%	0.291%	18.154%
Total					4,506,897,694	3,981,131,801	512,670,827	13,095,066	800.000%	713.206%	85.266%	1.528%	100.000%	100.000%	88.334%	11.375%	0.291%	100.000%

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2016	FRCC	1074	Alachua, City of	U.S.	5,821	5,821	-	-	1,949	1,949	-	-	3,872	3,872	-	-
2016	FRCC	1075	Bartow, City of	U.S.	12,698	12,698	-	-	4,252	4,252	-	-	8,446	8,446	-	-
2016	FRCC	1076	Chattahoochee, City of	U.S.	1,689	1,689	-	-	566	566	-	-	1,124	1,124	-	-
2016	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	33,103	33,103	-	-	11,085	11,085	-	-	22,018	22,018	-	-
2016	FRCC	1078	Florida Power & Light Co.	U.S.	4,921,364	4,921,364	-	-	1,647,997	1,647,997	-	-	3,273,367	3,273,367	-	-
2016	FRCC	1079	Florida Public Utilities Company	U.S.	15,525	15,525	-	-	5,199	5,199	-	-	10,326	10,326	-	-
2016	FRCC	1080	Gainesville Regional Utilities	U.S.	78,403	78,403	-	-	26,255	26,255	-	-	52,149	52,149	-	-
2016	FRCC	1081	Homestead, City of	U.S.	23,480	23,480	-	-	7,863	7,863	-	-	15,617	15,617	-	-
2016	FRCC	1082	JEA	U.S.	541,876	541,876	-	-	181,456	181,456	-	-	360,420	360,420	-	-
2016	FRCC	1083	Lakeland Electric	U.S.	133,266	133,266	-	-	44,626	44,626	-	-	88,640	88,640	-	-
2016	FRCC	1626	Lee County Electric Cooperative, Inc	U.S.	173,725	173,725	-	-	58,175	58,175	-	-	115,551	115,551	-	-
2016	FRCC	1661	City of Lake Worth	U.S.	20,401	20,401	-	-	6,831	6,831	-	-	13,569	13,569	-	-
2016	FRCC	1084	Mount Dora, City of	U.S.	4,042	4,042	-	-	1,353	1,353	-	-	2,688	2,688	-	-
2016	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	18,861	18,861	-	-	6,316	6,316	-	-	12,545	12,545	-	-
2016	FRCC	1086	Orlando Utilities Commission	U.S.	262,919	262,919	-	-	88,043	88,043	-	-	174,876	174,876	-	-
2016	FRCC	1087	Duke Energy Florida	U.S.	1,758,245	1,758,245	-	-	588,776	588,776	-	-	1,169,469	1,169,469	-	-
2016	FRCC	1088	Quincy, City of	U.S.	5,700	5,700	-	-	1,909	1,909	-	-	3,791	3,791	-	-
2016	FRCC	1089	Reedy Creek Improvement District	U.S.	52,306	52,306	-	-	17,515	17,515	-	-	34,790	34,790	-	-
2016	FRCC	1090	St. Cloud, City of (OUC)	U.S.	31,306	31,306	-	-	10,483	10,483	-	-	20,823	20,823	-	-
2016	FRCC	1091	Tallahassee, City of	U.S.	118,853	118,853	-	-	39,800	39,800	-	-	79,054	79,054	-	-
2016	FRCC	1092	Tampa Electric Company	U.S.	862,340	862,340	-	-	288,768	288,768	-	-	573,572	573,572	-	-
2016	FRCC	1603	City of Vero Beach	U.S.	32,846	32,846	-	-	10,999	10,999	-	-	21,847	21,847	-	-
2016	FRCC	1093	Wauchula, City of	U.S.	2,780	2,780	-	-	931	931	-	-	1,849	1,849	-	-
2016	FRCC	1094	Williston, City of	U.S.	1,591	1,591	-	-	533	533	-	-	1,058	1,058	-	-
2016	FRCC	1095	Winter Park, City of	U.S.	19,370	19,370	-	-	6,486	6,486	-	-	12,884	12,884	-	-
2016	FRCC		Moore Haven, City of	U.S.	342	342	-	-	115	115	-	-	228	228	-	-
2016	FRCC	1072	Florida Municipal Power Agency	U.S.	258,274	258,274	-	-	86,487	86,487	-	-	171,787	171,787	-	-
2016	FRCC	1073	Seminole Electric Cooperative	U.S.	622,670	622,670	-	-	208,511	208,511	-	-	414,159	414,159	-	-
TOTAL FRCC					10,013,797	10,013,797	-	-	3,353,279	3,353,279	-	-	6,660,518	6,660,518	-	-
2016	MRO	1199	Basin Electric Power Cooperative	U.S.	888,594	888,594	-	-	247,997	247,997	-	-	640,598	640,598	-	-
2016	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	145,007	145,007	-	-	40,470	40,470	-	-	104,537	104,537	-	-
2016	MRO	1204	Corn Belt Power Cooperative	U.S.	102,016	102,016	-	-	28,472	28,472	-	-	73,545	73,545	-	-
2016	MRO	1207	Dairyland Power Cooperative	U.S.	278,913	278,913	-	-	77,841	77,841	-	-	201,071	201,071	-	-
2016	MRO	1210	Great River Energy	U.S.	694,816	694,816	-	-	193,915	193,915	-	-	500,901	500,901	-	-
2016	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	190,891	190,891	-	-	53,276	53,276	-	-	137,615	137,615	-	-
2016	MRO	1230	Nebraska Public Power District	U.S.	707,078	707,078	-	-	197,338	197,338	-	-	509,741	509,741	-	-
2016	MRO	1232	Omaha Public Power District	U.S.	575,565	575,565	-	-	160,634	160,634	-	-	414,932	414,932	-	-
2016	MRO	1240	Western Area Power Administration (UM)	U.S.	474,434	474,434	-	-	132,409	132,409	-	-	342,025	342,025	-	-
2016	MRO	1239	Western Area Power Administration (LM)	U.S.	2,300	2,300	-	-	642	642	-	-	1,658	1,658	-	-
2016	MRO	1217	Manitoba Hydro	CAN	1,229,920	-	1,229,920	-	341,950	-	341,950	-	887,971	-	887,971	-
2016	MRO	1235	SaskPower	CAN	1,248,311	-	1,248,311	-	347,063	-	347,063	-	901,248	-	901,248	-
2016	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPL)	U.S.	1,515,245	1,515,245	-	-	422,888	422,888	-	-	1,092,357	1,092,357	-	-
2016	MRO	1710	Dahlberg Electric Company	U.S.	5,798	5,798	-	-	1,618	1,618	-	-	4,180	4,180	-	-
2016	MRO	1216	Madison, Gas and Electric	U.S.	177,689	177,689	-	-	49,591	49,591	-	-	128,098	128,098	-	-
2016	MRO	1220	MidAmerican Energy Company	U.S.	1,292,550	1,292,550	-	-	360,736	360,736	-	-	931,814	931,814	-	-
2016	MRO	1221	Minnesota Power	U.S.	608,028	608,028	-	-	169,694	169,694	-	-	438,335	438,335	-	-
2016	MRO	1226	Montana-Dakota Utilities Co.	U.S.	164,557	164,557	-	-	45,926	45,926	-	-	118,631	118,631	-	-
2016	MRO	1711	North Central Power Company	U.S.	1,877	1,877	-	-	524	524	-	-	1,353	1,353	-	-
2016	MRO	1231	NorthWestern Energy	U.S.	79,697	79,697	-	-	22,243	22,243	-	-	57,455	57,455	-	-
2016	MRO	1712	NorthWestern Wisconsin	U.S.	9,311	9,311	-	-	2,598	2,598	-	-	6,712	6,712	-	-
2016	MRO	1233	Otter Tail Power Company	U.S.	271,876	271,876	-	-	75,877	75,877	-	-	195,998	195,998	-	-
2016	MRO	1664	Wisconsin Public Service (WPS)	U.S.	619,062	619,062	-	-	172,773	172,773	-	-	446,289	446,289	-	-
2016	MRO	1665	Upper Peninsula Power Company (UPPCO)	U.S.	35,989	35,989	-	-	10,044	10,044	-	-	25,945	25,945	-	-
2016	MRO	1244	Xcel Energy Company (NSP)	U.S.	2,290,180	2,290,180	-	-	639,163	639,163	-	-	1,651,016	1,651,016	-	-
2016	MRO	1196	Ames Municipal Electric System	U.S.	39,347	39,347	-	-	10,981	10,981	-	-	28,366	28,366	-	-
2016	MRO	1604	Atlantic Municipal Utilities	U.S.	4,179	4,179	-	-	1,166	1,166	-	-	3,013	3,013	-	-
2016	MRO	1713	Bloomer Electric & Water Co.	U.S.	2,834	2,834	-	-	791	791	-	-	2,043	2,043	-	-
2016	MRO	1714	Village of Caddott	U.S.	735	735	-	-	205	205	-	-	530	530	-	-
2016	MRO	1200	Cedar Falls Municipal Utilities	U.S.	26,902	26,902	-	-	7,508	7,508	-	-	19,394	19,394	-	-
2016	MRO	1477	Central Minnesota Municipal Power Agency (CMMMPA)	U.S.	19,592	19,592	-	-	5,468	5,468	-	-	14,124	14,124	-	-
2016	MRO	1715	Village of Centuria	U.S.	312	312	-	-	87	87	-	-	225	225	-	-

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2016	MRO	1716	Eldridge Electric and Water Utilities	U.S.	2,167	2,167	-	-	605	605	-	-	1,562	1,562	-	-
2016	MRO	1203	City of Escanaba	U.S.	7,561	7,561	-	-	2,110	2,110	-	-	5,451	5,451	-	-
2016	MRO	1205	Falls City Water & Light Department	U.S.	2,976	2,976	-	-	831	831	-	-	2,145	2,145	-	-
2016	MRO	1206	Fremont Department of Utilities	U.S.	22,562	22,562	-	-	6,297	6,297	-	-	16,266	16,266	-	-
2016	MRO	1208	Geneseo Municipal Utilities	U.S.	3,457	3,457	-	-	965	965	-	-	2,492	2,492	-	-
2016	MRO	1209	Grand Island Utilities Department	U.S.	38,883	38,883	-	-	10,852	10,852	-	-	28,031	28,031	-	-
2016	MRO	1717	Great Lakes Utilities	U.S.	76,501	76,501	-	-	21,351	21,351	-	-	55,151	55,151	-	-
2016	MRO	1718	City of Guttenberg	U.S.	898	898	-	-	251	251	-	-	647	647	-	-
2016	MRO	1606	Harlan Municipal Utilities	U.S.	975	975	-	-	272	272	-	-	703	703	-	-
2016	MRO	1211	Hastings Utilities	U.S.	21,595	21,595	-	-	6,027	6,027	-	-	15,568	15,568	-	-
2016	MRO	1212	Heartland Consumers Power District	U.S.	32,940	32,940	-	-	9,193	9,193	-	-	23,747	23,747	-	-
2016	MRO	1213	Hutchinson Utilities Commission	U.S.	15,185	15,185	-	-	4,238	4,238	-	-	10,947	10,947	-	-
2016	MRO	1719	City of Kasota	U.S.	186	186	-	-	52	52	-	-	134	134	-	-
2016	MRO	1215	Lincoln Electric System	U.S.	168,097	168,097	-	-	46,914	46,914	-	-	121,183	121,183	-	-
2016	MRO	1223	Missouri River Energy Services	U.S.	126,729	126,729	-	-	35,369	35,369	-	-	91,361	91,361	-	-
2016	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	80,561	80,561	-	-	22,484	22,484	-	-	58,077	58,077	-	-
2016	MRO	1607	Montezuma Municipal Light & Power	U.S.	1,558	1,558	-	-	435	435	-	-	1,123	1,123	-	-
2016	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	47,871	47,871	-	-	13,360	13,360	-	-	34,511	34,511	-	-
2016	MRO	1228	Muscatine Power and Water	U.S.	44,466	44,466	-	-	12,410	12,410	-	-	32,056	32,056	-	-
2016	MRO	1229	Nebraska City Utilities	U.S.	6,794	6,794	-	-	1,896	1,896	-	-	4,898	4,898	-	-
2016	MRO	1720	Resale Power Group of Iowa	U.S.	27,957	27,957	-	-	7,802	7,802	-	-	20,154	20,154	-	-
2016	MRO	1721	Rice Lake Utilities	U.S.	8,502	8,502	-	-	2,373	2,373	-	-	6,129	6,129	-	-
2016	MRO	1234	Rochester Public Utilities	U.S.	229	229	-	-	64	64	-	-	165	165	-	-
2016	MRO	1236	Southern Minnesota Municipal Power Agency	U.S.	144,433	144,433	-	-	40,310	40,310	-	-	104,123	104,123	-	-
2016	MRO	1722	City of Spooner	U.S.	1,639	1,639	-	-	458	458	-	-	1,182	1,182	-	-
2016	MRO	1241	Willmar Municipal Utilities	U.S.	13,106	13,106	-	-	3,658	3,658	-	-	9,448	9,448	-	-
2016	MRO	1242	Wisconsin Public Power, Inc. (East and West regions)	U.S.	278,998	278,998	-	-	77,865	77,865	-	-	201,133	201,133	-	-
TOTAL MRO					14,880,432	12,402,201	2,478,231	-	4,150,326	3,461,314	689,012	-	10,730,106	8,940,887	1,789,219	-
2016	NPCC	1336	New England	U.S.	5,595,778	5,595,778	-	-	1,781,833	1,781,833	-	-	3,813,945	3,813,945	-	-
2016	NPCC	1339	New York	U.S.	7,238,414	7,238,414	-	-	2,302,899	2,302,899	-	-	4,935,515	4,935,515	-	-
2016	NPCC	1337	Ontario	Canada	3,434,041	-	3,434,041	-	1,359,810	-	1,359,810	-	2,074,231	-	2,074,231	-
2016	NPCC	1341	Quebec	Canada	4,941,270	-	4,941,270	-	1,956,112	-	1,956,112	-	2,985,158	-	2,985,158	-
2016	NPCC	1705	New Brunswick	Canada	424,967	-	424,967	-	135,969	-	135,969	-	288,998	-	288,998	-
2016	NPCC	1340	Nova Scotia	Canada	402,007	-	402,007	-	158,068	-	158,068	-	243,940	-	243,940	-
TOTAL NPCC					22,036,478	12,834,193	9,202,285	-	7,694,691	4,084,733	3,609,958	-	14,341,787	8,749,460	5,592,327	-
2016	RF	1102	Cannelton Utilities	U.S.	551	551	-	-	214	214	-	-	337	337	-	-
2016	RF	1106	City of Crosswell	U.S.	1,406	1,406	-	-	546	546	-	-	859	859	-	-
2016	RF	1490	City of Lansing	U.S.	84,048	84,048	-	-	32,664	32,664	-	-	51,384	51,384	-	-
2016	RF	1120	Cloverland Electric Cooperative	U.S.	27,103	27,103	-	-	10,533	10,533	-	-	16,570	16,570	-	-
2016	RF	1122	CMS ERM Michigan LLC	U.S.	3,785	3,785	-	-	1,471	1,471	-	-	2,314	2,314	-	-
2016	RF	1124	Constellation New Energy (MECS-CONS)	U.S.	33,240	33,240	-	-	12,918	12,918	-	-	20,322	20,322	-	-
2016	RF	1123	Constellation New Energy (MECS-DET)	U.S.	39,695	39,695	-	-	15,427	15,427	-	-	24,268	24,268	-	-
2016	RF	1126	Consumers Energy Company	U.S.	1,240,396	1,240,396	-	-	482,064	482,064	-	-	758,332	758,332	-	-
2016	RF	1128	Detroit Edison Company	U.S.	1,700,716	1,700,716	-	-	660,962	660,962	-	-	1,039,754	1,039,754	-	-
2016	RF	1166	Duke Energy Indiana	U.S.	1,126,880	1,126,880	-	-	437,948	437,948	-	-	688,932	688,932	-	-
2016	RF	1135	Ferdinand Municipal Light & Water	U.S.	1,591	1,591	-	-	618	618	-	-	972	972	-	-
2016	RF	1646	FirstEnergy Solutions (MECS-CONS)	U.S.	23,725	23,725	-	-	9,220	9,220	-	-	14,504	14,504	-	-
2016	RF	1549	FirstEnergy Solutions (MECS-DET)	U.S.	40,215	40,215	-	-	15,629	15,629	-	-	24,586	24,586	-	-
2016	RF	1145	Hoosier Energy	U.S.	278,756	278,756	-	-	108,335	108,335	-	-	170,421	170,421	-	-
2016	RF	1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	113,113	113,113	-	-	43,960	43,960	-	-	69,153	69,153	-	-
2016	RF	1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	15,479	15,479	-	-	6,016	6,016	-	-	9,463	9,463	-	-
2016	RF	1486	Indiana Municipal Power Agency (SIGE)	U.S.	21,667	21,667	-	-	8,421	8,421	-	-	13,246	13,246	-	-
2016	RF	1149	Indianapolis Power & Light Co.	U.S.	525,140	525,140	-	-	204,089	204,089	-	-	321,051	321,051	-	-
2016	RF	1553	Integrus Energy Services (MECS-CONS)	U.S.	27,463	27,463	-	-	10,673	10,673	-	-	16,790	16,790	-	-
2016	RF	1554	Integrus Energy Services (MECS-DET)	U.S.	29,190	29,190	-	-	11,344	11,344	-	-	17,846	17,846	-	-
2016	RF	1666	Integrus Energy Services	U.S.	10,938	10,938	-	-	4,251	4,251	-	-	6,687	6,687	-	-
2016	RF	1614	Just Energy (MECS-DET)	U.S.	350	350	-	-	136	136	-	-	214	214	-	-
2016	RF	1154	Michigan Public Power Agency	U.S.	117,137	117,137	-	-	45,524	45,524	-	-	71,613	71,613	-	-
2016	RF	1155	Michigan South Central Power Agency	U.S.	25,678	25,678	-	-	9,979	9,979	-	-	15,698	15,698	-	-
2016	RF	1158	MidAmerican Energy Company Retail	U.S.	845	845	-	-	328	328	-	-	516	516	-	-

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 NERC and RE Assessments

APPENDIX 2-B

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2016	RF	1163	Northern Indiana Public Service Co.	U.S.	649,114	649,114	-	-	252,270	252,270	-	-	396,844	396,844	-	-
2016	RF	1164	Ontonagon County Rural Electrification Assoc.	U.S.	1,035	1,035	-	-	402	402	-	-	633	633	-	-
2016	RF	1265	PJM Interconnection, LLC	U.S.	25,115,949	25,115,949	-	-	9,760,995	9,760,995	-	-	15,354,954	15,354,954	-	-
2016	RF	1172	Noble Americas Energy Solutions (MECS-CONS)	U.S.	14,594	14,594	-	-	5,672	5,672	-	-	8,922	8,922	-	-
2016	RF	1171	Noble Americas Energy Solutions (MECS-DET)	U.S.	23,019	23,019	-	-	8,946	8,946	-	-	14,073	14,073	-	-
2016	RF	1176	Direct Energy (fka:Strategic Energy,LLC) (MECS-CONS)	U.S.	17,230	17,230	-	-	6,696	6,696	-	-	10,534	10,534	-	-
2016	RF	1174	Direct Energy (fka:Strategic Energy,LLC) (MECS-DET)	U.S.	41,495	41,495	-	-	16,127	16,127	-	-	25,369	25,369	-	-
2016	RF	1581	Spartan Renewable Energy	U.S.	2,832	2,832	-	-	1,101	1,101	-	-	1,732	1,732	-	-
2016	RF	1180	Thumb Electric Cooperative	U.S.	6,810	6,810	-	-	2,647	2,647	-	-	4,163	4,163	-	-
2016	RF	1662	Ohio Valley Electric Corporation	U.S.	14,717	14,717	-	-	5,719	5,719	-	-	8,997	8,997	-	-
2016	RF	1181	Vectren Energy Delivery of IN	U.S.	212,783	212,783	-	-	82,696	82,696	-	-	130,088	130,088	-	-
2016	RF	1183	Village of Sebawaing	U.S.	1,590	1,590	-	-	618	618	-	-	972	972	-	-
2016	RF	1184	Wabash Valley Power Association Inc. (DUKE CIN)	U.S.	105,969	105,969	-	-	41,183	41,183	-	-	64,785	64,785	-	-
2016	RF	1488	Wabash Valley Power Association Inc.(NIPSCO)	U.S.	63,768	63,768	-	-	24,783	24,783	-	-	38,986	38,986	-	-
2016	RF	1185	Wisconsin Electric Power Co.	U.S.	1,046,671	1,046,671	-	-	406,775	406,775	-	-	639,895	639,895	-	-
2016	RF	1189	Wolverine Power Marketing Cooperative	U.S.	30,988	30,988	-	-	12,043	12,043	-	-	18,945	18,945	-	-
2016	RF	1191	Wolverine Power Supply Cooperative	U.S.	98,387	98,387	-	-	38,237	38,237	-	-	60,150	60,150	-	-
2016	RF	1190	Wolverine Power Marketing Cooperative(MECS-DET)	U.S.	19,352	19,352	-	-	7,521	7,521	-	-	11,831	11,831	-	-
TOTAL RELIABILITYFIRST					32,955,408	32,955,408	-	-	12,807,701	12,807,701	-	-	20,147,707	20,147,707	-	-
2016	SERC	1267	Alabama Municipal Electric Authority	U.S.	107,530	107,530	-	-	49,443	49,443	-	-	58,087	58,087	-	-
2016	SERC	1268	Alabama Power Company	U.S.	1,818,315	1,818,315	-	-	836,070	836,070	-	-	982,245	982,245	-	-
2016	SERC	1269	Ameren - Illinois	U.S.	1,317,875	1,317,875	-	-	605,965	605,965	-	-	711,910	711,910	-	-
2016	SERC	1271	Ameren - Missouri	U.S.	1,158,837	1,158,837	-	-	532,839	532,839	-	-	625,998	625,998	-	-
2016	SERC	1273	Associated Electric Cooperative Inc.	U.S.	587,410	587,410	-	-	270,094	270,094	-	-	317,316	317,316	-	-
2016	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	33,673	33,673	-	-	15,483	15,483	-	-	18,190	18,190	-	-
2016	SERC	1462	Benton Utility District	U.S.	7,638	7,638	-	-	3,512	3,512	-	-	4,126	4,126	-	-
2016	SERC	1274	Big Rivers Electric Corporation	U.S.	117,983	117,983	-	-	54,249	54,249	-	-	63,734	63,734	-	-
2016	SERC	1275	Black Warrior EMC	U.S.	13,064	13,064	-	-	6,007	6,007	-	-	7,057	7,057	-	-
2016	SERC	1276	Blue Ridge EMC	U.S.	43,342	43,342	-	-	19,929	19,929	-	-	23,413	23,413	-	-
2016	SERC	1628	Brazos Electric Power Cooperative, Inc.	U.S.	14,120	14,120	-	-	6,492	6,492	-	-	7,627	7,627	-	-
2016	SERC	1463	Canton, MS	U.S.	4,083	4,083	-	-	1,877	1,877	-	-	2,206	2,206	-	-
2016	SERC	1277	Central Electric Power Cooperative Inc.	U.S.	526,171	526,171	-	-	241,936	241,936	-	-	284,235	284,235	-	-
2016	SERC	1667	Century Aluminum - Hawesville	U.S.	52,229	52,229	-	-	24,015	24,015	-	-	28,214	28,214	-	-
2016	SERC	1668	Century Aluminum - Sebree	U.S.	104,298	104,298	-	-	47,957	47,957	-	-	56,341	56,341	-	-
2016	SERC	1278	City of Blountstown FL	U.S.	1,204	1,204	-	-	554	554	-	-	650	650	-	-
2016	SERC	1279	City of Camden SC	U.S.	6,286	6,286	-	-	2,890	2,890	-	-	3,396	3,396	-	-
2016	SERC	1280	City of Collins MS	U.S.	1,352	1,352	-	-	622	622	-	-	730	730	-	-
2016	SERC	1281	City of Columbia MO	U.S.	37,786	37,786	-	-	17,374	17,374	-	-	20,412	20,412	-	-
2016	SERC	1282	City of Conway AR (Conway Corporation)	U.S.	31,610	31,610	-	-	14,535	14,535	-	-	17,076	17,076	-	-
2016	SERC	1284	City of Evergreen AL	U.S.	1,824	1,824	-	-	839	839	-	-	985	985	-	-
2016	SERC	1285	City of Hampton GA	U.S.	868	868	-	-	399	399	-	-	469	469	-	-
2016	SERC	1286	City of Hartford AL	U.S.	973	973	-	-	447	447	-	-	525	525	-	-
2016	SERC	1287	City of Henderson (KY) Municipal Power & Light	U.S.	19,447	19,447	-	-	8,942	8,942	-	-	10,505	10,505	-	-
2016	SERC	1288	City of North Little Rock AR (DENL)	U.S.	30,022	30,022	-	-	13,804	13,804	-	-	16,218	16,218	-	-
2016	SERC	1289	City of Orangeburg SC Department of Public Utilities	U.S.	26,257	26,257	-	-	12,073	12,073	-	-	14,184	14,184	-	-
2016	SERC	1290	City of Robertsdale AL	U.S.	2,700	2,700	-	-	1,242	1,242	-	-	1,459	1,459	-	-
2016	SERC	1291	City of Ruston LA (DERS)	U.S.	8,671	8,671	-	-	3,987	3,987	-	-	4,684	4,684	-	-
2016	SERC	1292	Seneca Light & Power	U.S.	5,017	5,017	-	-	2,307	2,307	-	-	2,710	2,710	-	-
2016	SERC	1115	City of Springfield (CWLP)	U.S.	55,066	55,066	-	-	25,320	25,320	-	-	29,746	29,746	-	-
2016	SERC	1465	City of Thayer, MO	U.S.	608	608	-	-	280	280	-	-	329	329	-	-
2016	SERC	1293	City of Troy AL	U.S.	13,407	13,407	-	-	6,164	6,164	-	-	7,242	7,242	-	-
2016	SERC	1294	City of West Memphis AR (West Memphis Utilities)	U.S.	12,273	12,273	-	-	5,643	5,643	-	-	6,630	6,630	-	-
2016	SERC	1583	Claiborne Electric Cooperative, Inc.	U.S.	21,229	21,229	-	-	9,761	9,761	-	-	11,468	11,468	-	-
2016	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	6,940	6,940	-	-	3,191	3,191	-	-	3,749	3,749	-	-
2016	SERC		Cube Hydro Carolinas	U.S.	528	528	-	-	243	243	-	-	285	285	-	-
2016	SERC	1283	Dalton Utilities	U.S.	56,063	56,063	-	-	25,778	25,778	-	-	30,285	30,285	-	-
2016	SERC	1585	Dixie Electric Membership Corporation	U.S.	70,770	70,770	-	-	32,541	32,541	-	-	38,230	38,230	-	-
2016	SERC	1295	Dominion Virginia Power	U.S.	2,672,561	2,672,561	-	-	1,228,856	1,228,856	-	-	1,443,705	1,443,705	-	-
2016	SERC	1296	Duke Energy Carolinas, LLC	U.S.	2,694,275	2,694,275	-	-	1,238,840	1,238,840	-	-	1,455,435	1,455,435	-	-
2016	SERC	1466	Durant, MS	U.S.	869	869	-	-	400	400	-	-	469	469	-	-
2016	SERC	1478	LG&E and KU Services Co as agent for LG&E Co and KU Co	U.S.	1,087,078	1,087,078	-	-	499,844	499,844	-	-	587,235	587,235	-	-

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2016	SERC	1297	East Kentucky Power Cooperative	U.S.	425,407	425,407	-	-	195,604	195,604	-	-	229,803	229,803	-	-
2016	SERC	1298	East Mississippi Electric Power Association	U.S.	13,466	13,466	-	-	6,192	6,192	-	-	7,274	7,274	-	-
2016	SERC	1669	Electricities of North Carolina Inc	U.S.	371,434	371,434	-	-	170,787	170,787	-	-	200,647	200,647	-	-
2016	SERC	1300	EnergyUnited EMC	U.S.	80,438	80,438	-	-	36,986	36,986	-	-	43,452	43,452	-	-
2016	SERC	1301	Entergy	U.S.	3,683,592	3,683,592	-	-	1,693,733	1,693,733	-	-	1,989,859	1,989,859	-	-
2016	SERC	1302	Fayetteville (NC) Public Works Commission	U.S.	67,549	67,549	-	-	31,059	31,059	-	-	36,490	36,490	-	-
2016	SERC	1303	Florida Public Utilities (FL Panhandle Load)	U.S.	9,830	9,830	-	-	4,520	4,520	-	-	5,310	5,310	-	-
2016	SERC	1304	French Broad EMC	U.S.	16,919	16,919	-	-	7,780	7,780	-	-	9,140	9,140	-	-
2016	SERC	1305	Georgia Power Company	U.S.	2,724,774	2,724,774	-	-	1,252,864	1,252,864	-	-	1,471,910	1,471,910	-	-
2016	SERC	1306	Georgia System Optns Corporation	U.S.	1,267,838	1,267,838	-	-	582,958	582,958	-	-	684,880	684,880	-	-
2016	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	8,739	8,739	-	-	4,018	4,018	-	-	4,721	4,721	-	-
2016	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.	10,440	10,440	-	-	4,801	4,801	-	-	5,640	5,640	-	-
2016	SERC	1308	Gulf Power Company	U.S.	364,356	364,356	-	-	167,533	167,533	-	-	196,823	196,823	-	-
2016	SERC	1586	Haywood EMC	U.S.	9,915	9,915	-	-	4,559	4,559	-	-	5,356	5,356	-	-
2016	SERC	1309	Illinois Municipal Electric Agency	U.S.	60,971	60,971	-	-	28,035	28,035	-	-	32,936	32,936	-	-
2016	SERC	1480	Itta Bena, MS	U.S.	464	464	-	-	213	213	-	-	250	250	-	-
2016	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	8,621	8,621	-	-	3,964	3,964	-	-	4,657	4,657	-	-
2016	SERC	1617	Kentucky Municipal Power	U.S.	21,541	21,541	-	-	9,905	9,905	-	-	11,636	11,636	-	-
2016	SERC	1481	Kosciusko, MS	U.S.	2,363	2,363	-	-	1,086	1,086	-	-	1,276	1,276	-	-
2016	SERC	1482	Leland, MS	U.S.	1,002	1,002	-	-	461	461	-	-	541	541	-	-
2016	SERC	1313	McCormick Commission of Public Works	U.S.	663	663	-	-	305	305	-	-	358	358	-	-
2016	SERC	1314	Mississippi Power Company	U.S.	325,907	325,907	-	-	149,854	149,854	-	-	176,053	176,053	-	-
2016	SERC	1630	Mt. Carmel Public Utility	U.S.	3,262	3,262	-	-	1,500	1,500	-	-	1,762	1,762	-	-
2016	SERC	1315	Municipal Electric Authority of Georgia	U.S.	346,842	346,842	-	-	159,480	159,480	-	-	187,362	187,362	-	-
2016	SERC	1316	N.C. Electric Membership Corp.	U.S.	404,424	404,424	-	-	185,956	185,956	-	-	218,468	218,468	-	-
2016	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	8,362	8,362	-	-	3,845	3,845	-	-	4,517	4,517	-	-
2016	SERC	1574	Northern Virginia Electric Cooperative	U.S.	141,350	141,350	-	-	64,993	64,993	-	-	76,357	76,357	-	-
2016	SERC	1319	Old Dominion Electric Cooperative	U.S.	167,300	167,300	-	-	76,925	76,925	-	-	90,375	90,375	-	-
2016	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.	4,986	4,986	-	-	2,293	2,293	-	-	2,694	2,694	-	-
2016	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	26,299	26,299	-	-	12,092	12,092	-	-	14,207	14,207	-	-
2016	SERC	1321	Piedmont EMC in Duke and Progress Areas	U.S.	16,447	16,447	-	-	7,563	7,563	-	-	8,885	8,885	-	-
2016	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	76,807	76,807	-	-	35,316	35,316	-	-	41,491	41,491	-	-
2016	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	7,934	7,934	-	-	3,648	3,648	-	-	4,286	4,286	-	-
2016	SERC	1266	PowerSouth Energy	U.S.	275,179	275,179	-	-	126,529	126,529	-	-	148,651	148,651	-	-
2016	SERC	1330	Prairie Power, Inc.	U.S.	48,594	48,594	-	-	22,344	22,344	-	-	26,250	26,250	-	-
2016	SERC	1706	Duke Energy Progress	U.S.	1,446,405	1,446,405	-	-	665,064	665,064	-	-	781,341	781,341	-	-
2016	SERC	1325	Rutherford EMC	U.S.	42,642	42,642	-	-	19,607	19,607	-	-	23,035	23,035	-	-
2016	SERC	1631	Sam Rayburn G&T Electric Cooperative Inc.	U.S.	56,210	56,210	-	-	25,846	25,846	-	-	30,364	30,364	-	-
2016	SERC	1326	South Carolina Electric & Gas Company	U.S.	735,242	735,242	-	-	338,068	338,068	-	-	397,174	397,174	-	-
2016	SERC	1327	South Carolina Public Service Authority	U.S.	272,234	272,234	-	-	125,175	125,175	-	-	147,060	147,060	-	-
2016	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	17,079	17,079	-	-	7,853	7,853	-	-	9,226	9,226	-	-
2016	SERC	1328	Cooperative Energy (formerly SMEPA)	U.S.	311,001	311,001	-	-	143,000	143,000	-	-	168,001	168,001	-	-
2016	SERC	1329	Southern Illinois Power Cooperative	U.S.	50,739	50,739	-	-	23,330	23,330	-	-	27,409	27,409	-	-
2016	SERC	1591	Southwest Louisiana Electric Membership Corporation	U.S.	78,332	78,332	-	-	36,017	36,017	-	-	42,315	42,315	-	-
2016	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	14,455	14,455	-	-	6,647	6,647	-	-	7,809	7,809	-	-
2016	SERC	1331	Tennessee Valley Authority	U.S.	4,990,698	4,990,698	-	-	2,294,746	2,294,746	-	-	2,695,952	2,695,952	-	-
2016	SERC	1632	Tex-La Electric Cooperative of Texas, Inc	U.S.	6,582	6,582	-	-	3,027	3,027	-	-	3,556	3,556	-	-
2016	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	9,945	9,945	-	-	4,573	4,573	-	-	5,372	5,372	-	-
2016	SERC	1594	Town of Sharpsburg, N.C.	U.S.	618	618	-	-	284	284	-	-	334	334	-	-
2016	SERC	1595	Town of Stantonsburg, N.C. JRO	U.S.	1,764	1,764	-	-	811	811	-	-	953	953	-	-
2016	SERC	1333	Town of Waynesville NC	U.S.	2,852	2,852	-	-	1,311	1,311	-	-	1,541	1,541	-	-
2016	SERC	1334	Town of Winnsboro SC	U.S.	2,009	2,009	-	-	924	924	-	-	1,085	1,085	-	-
2016	SERC	1335	Town of Winterville NC	U.S.	1,707	1,707	-	-	785	785	-	-	922	922	-	-
2016	SERC	1597	Washington-St.Tammany Electric Cooperative, Inc.	U.S.	33,066	33,066	-	-	15,204	15,204	-	-	17,862	17,862	-	-
TOTAL SERC					31,849,844	31,849,844	-	-	14,644,708	14,644,708	-	-	17,205,136	17,205,136	-	-
2016	SPP	1246	American Electric Power	U.S.	2,148,774	2,148,774	-	-	539,130	539,130	-	-	1,609,644	1,609,644	-	-
2016	SPP	1707	AEP-DEMCO	U.S.	38,304	38,304	-	-	9,610	9,610	-	-	28,693	28,693	-	-
2016	SPP	1435	Arkansas Electric Cooperative Corporation	U.S.	801,814	801,814	-	-	201,176	201,176	-	-	600,638	600,638	-	-
2016	SPP	1247	Board of Public Utilities (Kansas City KS)	U.S.	138,822	138,822	-	-	34,831	34,831	-	-	103,992	103,992	-	-
2016	SPP	1620	Board of Public Utilities, City of McPherson, Kansas	U.S.	57,617	57,617	-	-	14,456	14,456	-	-	43,161	43,161	-	-
2016	SPP	1647	Carthage City Water & Light	U.S.	17,718	17,718	-	-	4,445	4,445	-	-	13,273	13,273	-	-

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					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2016	SPP	1469	Central Valley Electric Cooperative	U.S.	45,717	45,717	-	-	11,470	11,470	-	-	34,247	34,247	-	-
2016	SPP	1556	City of Bentonville	U.S.	40,518	40,518	-	-	10,166	10,166	-	-	30,352	30,352	-	-
2016	SPP	1557	City of Clarksdale, Mississippi	U.S.	9,580	9,580	-	-	2,404	2,404	-	-	7,177	7,177	-	-
2016	SPP	1558	Hope Water & Light (HWL)	U.S.	17,482	17,482	-	-	4,386	4,386	-	-	13,096	13,096	-	-
2016	SPP	1708	City of Abbeville	U.S.	8,141	8,141	-	-	2,043	2,043	-	-	6,099	6,099	-	-
2016	SPP	1559	City of Minden	U.S.	8,550	8,550	-	-	2,145	2,145	-	-	6,405	6,405	-	-
2016	SPP	1709	City of Nixa	U.S.	9,654	9,654	-	-	2,422	2,422	-	-	7,232	7,232	-	-
2016	SPP	1703	City of Chanute	U.S.	28,574	28,574	-	-	7,169	7,169	-	-	21,405	21,405	-	-
2016	SPP	1636	City of Prescott	U.S.	5,032	5,032	-	-	1,262	1,262	-	-	3,769	3,769	-	-
2016	SPP	1248	Independence Power & Light (Independence, MO)	U.S.	61,301	61,301	-	-	15,380	15,380	-	-	45,921	45,921	-	-
2016	SPP	1436	City Utilities of Springfield, MO	U.S.	183,316	183,316	-	-	45,994	45,994	-	-	137,322	137,322	-	-
2016	SPP	1249	Cleco Power LLC	U.S.	692,139	692,139	-	-	173,658	173,658	-	-	518,481	518,481	-	-
2016	SPP	1437	East Texas Electric Coop, Inc.	U.S.	25,426	25,426	-	-	6,379	6,379	-	-	19,047	19,047	-	-
2016	SPP	1250	The Empire District Electric Company	U.S.	301,974	301,974	-	-	75,766	75,766	-	-	226,209	226,209	-	-
2016	SPP	1470	Farmers' Electric Coop	U.S.	17,448	17,448	-	-	4,378	4,378	-	-	13,070	13,070	-	-
2016	SPP	1438	Golden Spread Electric Coop	U.S.	302,549	302,549	-	-	75,910	75,910	-	-	226,639	226,639	-	-
2016	SPP	1251	Grand River Dam Authority	U.S.	320,398	320,398	-	-	80,388	80,388	-	-	240,010	240,010	-	-
2016	SPP	1648	Jonesboro City Water & Light	U.S.	80,992	80,992	-	-	20,321	20,321	-	-	60,671	60,671	-	-
2016	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	903,473	903,473	-	-	226,682	226,682	-	-	676,791	676,791	-	-
2016	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	123,831	123,831	-	-	31,069	31,069	-	-	92,761	92,761	-	-
2016	SPP	1440	Kansas Municipal Energy Agency (KCPL)	U.S.	86,995	86,995	-	-	21,827	21,827	-	-	65,168	65,168	-	-
2016	SPP	1637	Kansas Power Pool	U.S.	50,793	50,793	-	-	12,744	12,744	-	-	38,049	38,049	-	-
2016	SPP	1649	Kennett Board of Public Works	U.S.	8,304	8,304	-	-	2,083	2,083	-	-	6,220	6,220	-	-
2016	SPP	1598	KCP&L GMOG (Greater Missouri Operations Company)	U.S.	492,257	492,257	-	-	123,508	123,508	-	-	368,749	368,749	-	-
2016	SPP	1471	Lafayette Utilities System	U.S.	119,938	119,938	-	-	30,092	30,092	-	-	89,845	89,845	-	-
2016	SPP	1472	Lea County Electric Coop	U.S.	66,791	66,791	-	-	16,758	16,758	-	-	50,033	50,033	-	-
2016	SPP	1253	Louisiana Energy & Power Authority (LEPA)	U.S.	57,129	57,129	-	-	14,334	14,334	-	-	42,795	42,795	-	-
2016	SPP	1650	Malden Board of Public Works	U.S.	2,985	2,985	-	-	749	749	-	-	2,236	2,236	-	-
2016	SPP	1441	Midwest Energy Inc.	U.S.	101,928	101,928	-	-	25,574	25,574	-	-	76,354	76,354	-	-
2016	SPP	1443	Missouri Joint Municipal Electric Utility Commission	U.S.	148,941	148,941	-	-	37,369	37,369	-	-	111,572	111,572	-	-
2016	SPP	1442	Northeast Texas Electric Cooperative, Inc.	U.S.	183,527	183,527	-	-	46,047	46,047	-	-	137,480	137,480	-	-
2016	SPP	1255	Oklahoma Gas and Electric Co.	U.S.	1,599,783	1,599,783	-	-	401,387	401,387	-	-	1,198,396	1,198,396	-	-
2016	SPP	1444	Oklahoma Municipal Power Auth	U.S.	167,534	167,534	-	-	42,035	42,035	-	-	125,500	125,500	-	-
2016	SPP	1639	OzMo Ozark Missouri, West Plains MO	U.S.	11,475	11,475	-	-	2,879	2,879	-	-	8,596	8,596	-	-
2016	SPP	1651	Paragould Light, Water & Cable	U.S.	34,909	34,909	-	-	8,759	8,759	-	-	26,150	26,150	-	-
2016	SPP		People's Electric Cooperative (PEC)	U.S.	9,839	9,839	-	-	2,469	2,469	-	-	7,370	7,370	-	-
2016	SPP	1652	Piggott Municipal Light, Water & Sewer	U.S.	2,188	2,188	-	-	549	549	-	-	1,639	1,639	-	-
2016	SPP	1653	Poplar Bluff Municipal Utilities	U.S.	22,041	22,041	-	-	5,530	5,530	-	-	16,511	16,511	-	-
2016	SPP	1561	Public Service Commission of Yazoo City of Mississippi	U.S.	6,808	6,808	-	-	1,708	1,708	-	-	5,100	5,100	-	-
2016	SPP	1473	Roosevelt County Electric Coop	U.S.	9,194	9,194	-	-	2,307	2,307	-	-	6,888	6,888	-	-
2016	SPP	1654	Sikeston Board of Municipal Utilities	U.S.	21,849	21,849	-	-	5,482	5,482	-	-	16,367	16,367	-	-
2016	SPP	1257	Southwestern Public Service Co. (SPS-XCEL)	U.S.	1,206,284	1,206,284	-	-	302,658	302,658	-	-	903,626	903,626	-	-
2016	SPP	1256	Sunflower Electric Power Cooperative	U.S.	260,955	260,955	-	-	65,474	65,474	-	-	195,481	195,481	-	-
2016	SPP	1445	Tex - La Electric Cooperative of Texas	U.S.	28,907	28,907	-	-	7,253	7,253	-	-	21,654	21,654	-	-
2016	SPP	1475	Tri County Electric Coop	U.S.	20,873	20,873	-	-	5,237	5,237	-	-	15,636	15,636	-	-
2016	SPP	1260	Westar Energy, Inc.	U.S.	1,210,438	1,210,438	-	-	303,700	303,700	-	-	906,738	906,738	-	-
2016	SPP	1259	Western Farmers Electric Cooperative	U.S.	502,223	502,223	-	-	126,008	126,008	-	-	376,215	376,215	-	-
2016	SPP	1501	West Texas Municipal Power Agency	U.S.	161,254	161,254	-	-	40,459	40,459	-	-	120,795	120,795	-	-
TOTAL SPP					12,985,288	12,985,288	-	-	3,258,023	3,258,023	-	-	9,727,265	9,727,265	-	-
2016	TRE	1019	ERCOT	U.S.	16,327,852	16,327,852	-	-	5,055,866	5,055,866	-	-	11,271,986	11,271,986	-	-
TOTAL ERCOT					16,327,852	16,327,852	-	-	5,055,866	5,055,866	-	-	11,271,986	11,271,986	-	-
2016	WECC		Alberta Electric System Operator	Canada	1,557,674	-	1,557,674	-	577,974	-	577,974	-	979,700	-	979,700	-
2016	WECC		British Columbia Hydro & Power Authority	Canada	3,027,978	-	3,027,978	-	902,001	-	902,001	-	2,125,977	-	2,125,977	-
2016	WECC		Centro Nacional de Control de Energia	Mexico	636,201	-	-	636,201	189,517	-	-	189,517	446,684	-	-	446,684
2016	WECC		Ajo Improvement District	U.S.	504	504	-	-	158	158	-	-	345	345	-	-
2016	WECC		Arizona Public Service Company	U.S.	1,318,995	1,318,995	-	-	414,925	414,925	-	-	904,070	904,070	-	-
2016	WECC		City of Williams	U.S.	2,088	2,088	-	-	657	657	-	-	1,431	1,431	-	-
2016	WECC		Electrical Districts 3	U.S.	33,783	33,783	-	-	10,627	10,627	-	-	23,156	23,156	-	-
2016	WECC		Majority Districts	U.S.	35,448	35,448	-	-	11,151	11,151	-	-	24,297	24,297	-	-
2016	WECC		Navajo Tribal Utility Authority	U.S.	922	922	-	-	290	290	-	-	632	632	-	-

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2016	WECC		Tohono O'odham Utility Authority	U.S.	2,859	2,859	-	-	900	900	-	-	1,960	1,960	-	-
2016	WECC		Town of Wickenburg	U.S.	1,216	1,216	-	-	383	383	-	-	834	834	-	-
2016	WECC		Avista Corporation	U.S.	426,320	426,320	-	-	134,110	134,110	-	-	292,210	292,210	-	-
2016	WECC		Kaiser Aluminum Fabricated Products LLC	U.S.	14,424	14,424	-	-	4,537	4,537	-	-	9,887	9,887	-	-
2016	WECC		Pend Oreille County PUD No. 1	U.S.	44,232	44,232	-	-	13,914	13,914	-	-	30,318	30,318	-	-
2016	WECC		PUD No. 2 of Grant County	U.S.	3,940	3,940	-	-	1,240	1,240	-	-	2,701	2,701	-	-
2016	WECC		Bonneville Power Administration-Power Services	U.S.	279,324	279,324	-	-	87,869	87,869	-	-	191,456	191,456	-	-
2016	WECC		Bonneville Power Administration-Hydro	U.S.	9,538	9,538	-	-	3,001	3,001	-	-	6,538	6,538	-	-
2016	WECC		Bonneville Power Administration-Transmission	U.S.	2,456,414	2,456,414	-	-	772,730	772,730	-	-	1,683,684	1,683,684	-	-
2016	WECC		City of Redding	U.S.	35,606	35,606	-	-	11,201	11,201	-	-	24,405	24,405	-	-
2016	WECC		City of Roseville	U.S.	55,883	55,883	-	-	17,579	17,579	-	-	38,303	38,303	-	-
2016	WECC		Modesto Irrigation District	U.S.	117,127	117,127	-	-	36,845	36,845	-	-	80,281	80,281	-	-
2016	WECC		Sacramento Municipal Utility District	U.S.	512,020	512,020	-	-	161,069	161,069	-	-	350,951	350,951	-	-
2016	WECC		Western Area Power Administration-Sierra Nevada Region	U.S.	74,458	74,458	-	-	23,423	23,423	-	-	51,035	51,035	-	-
2016	WECC		California Independent System Operator	U.S.	10,386,925	10,386,925	-	-	3,267,480	3,267,480	-	-	7,119,444	7,119,444	-	-
2016	WECC		El Paso Electric Company	U.S.	383,867	383,867	-	-	120,756	120,756	-	-	263,112	263,112	-	-
2016	WECC		Idaho Power Company	U.S.	698,685	698,685	-	-	219,790	219,790	-	-	478,895	478,895	-	-
2016	WECC		Imperial Irrigation District	U.S.	168,219	168,219	-	-	52,918	52,918	-	-	115,301	115,301	-	-
2016	WECC		Los Angeles Department of Water and Power	U.S.	1,300,663	1,300,663	-	-	409,158	409,158	-	-	891,505	891,505	-	-
2016	WECC		City of Henderson	U.S.	1,909	1,909	-	-	601	601	-	-	1,309	1,309	-	-
2016	WECC		City of Las Vegas	U.S.	2,034	2,034	-	-	640	640	-	-	1,394	1,394	-	-
2016	WECC		City of North Las Vegas	U.S.	1,013	1,013	-	-	319	319	-	-	694	694	-	-
2016	WECC		Clark County Water Reclamation District	U.S.	3,714	3,714	-	-	1,168	1,168	-	-	2,546	2,546	-	-
2016	WECC		Colorado River Commission of Nevada	U.S.	31,868	31,868	-	-	10,025	10,025	-	-	21,843	21,843	-	-
2016	WECC		Las Vegas Valley Water District	U.S.	4,758	4,758	-	-	1,497	1,497	-	-	3,262	3,262	-	-
2016	WECC		Nevada Power Company dba NV Energy	U.S.	1,456,588	1,456,588	-	-	458,208	458,208	-	-	998,380	998,380	-	-
2016	WECC		Overton Power District No. 5	U.S.	17,698	17,698	-	-	5,567	5,567	-	-	12,131	12,131	-	-
2016	WECC		Southern Nevada Water Authority	U.S.	5,135	5,135	-	-	1,615	1,615	-	-	3,519	3,519	-	-
2016	WECC		Basin Electric Power Cooperative	U.S.	19,900	19,900	-	-	6,260	6,260	-	-	13,640	13,640	-	-
2016	WECC		Basin Electric Power Cooperative (SMGT)	U.S.	14,171	14,171	-	-	4,458	4,458	-	-	9,713	9,713	-	-
2016	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	418,647	418,647	-	-	131,697	131,697	-	-	286,951	286,951	-	-
2016	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	347	347	-	-	109	109	-	-	238	238	-	-
2016	WECC		PacifiCorp West (PACW)	U.S.	940,724	940,724	-	-	295,930	295,930	-	-	644,795	644,795	-	-
2016	WECC		Constellation New Energy	U.S.	8,889	8,889	-	-	2,796	2,796	-	-	6,093	6,093	-	-
2016	WECC		Noble Americas Energy Solutions, LLC	U.S.	71,078	71,078	-	-	22,359	22,359	-	-	48,719	48,719	-	-
2016	WECC		PacifiCorp (IPC)	U.S.	97	97	-	-	31	31	-	-	67	67	-	-
2016	WECC		PacifiCorp (EasternBalAuth)	U.S.	2,242,688	2,242,688	-	-	705,496	705,496	-	-	1,537,191	1,537,191	-	-
2016	WECC		PacifiCorp (Portland)	U.S.	186	186	-	-	58	58	-	-	127	127	-	-
2016	WECC		PacifiCorp (WAPA-CO-MO)	U.S.	5,464	5,464	-	-	1,719	1,719	-	-	3,745	3,745	-	-
2016	WECC		Portland General Electric Company	U.S.	818,371	818,371	-	-	257,440	257,440	-	-	560,931	560,931	-	-
2016	WECC		Shell Energy North America	U.S.	1,943	1,943	-	-	611	611	-	-	1,332	1,332	-	-
2016	WECC		Arkansas River Power Authority (ARPA)	U.S.	12,588	12,588	-	-	3,960	3,960	-	-	8,628	8,628	-	-
2016	WECC		Black Hills Colorado Electric	U.S.	94,939	94,939	-	-	29,865	29,865	-	-	65,073	65,073	-	-
2016	WECC		Burlington	U.S.	1,581	1,581	-	-	497	497	-	-	1,084	1,084	-	-
2016	WECC		Colorado Springs Utilities	U.S.	2,258	2,258	-	-	710	710	-	-	1,548	1,548	-	-
2016	WECC		Grand Valley Power	U.S.	11,729	11,729	-	-	3,690	3,690	-	-	8,039	8,039	-	-
2016	WECC		Holy Cross Energy	U.S.	48,789	48,789	-	-	15,348	15,348	-	-	33,441	33,441	-	-
2016	WECC		Intermountain Rural Electric Association	U.S.	103,048	103,048	-	-	32,417	32,417	-	-	70,632	70,632	-	-
2016	WECC		Municipal Energy Agency of Nebraska	U.S.	8,016	8,016	-	-	2,522	2,522	-	-	5,494	5,494	-	-
2016	WECC		Platte River Power Authority	U.S.	148,500	148,500	-	-	46,715	46,715	-	-	101,786	101,786	-	-
2016	WECC		Public Service Company of Colorado (Xcel)	U.S.	1,217,624	1,217,624	-	-	385,573	385,573	-	-	832,051	832,051	-	-
2016	WECC		Public Service Company of Colorado (Xcel)-(WAPA-CO-MO)	U.S.	4,838	4,838	-	-	1,522	1,522	-	-	3,316	3,316	-	-
2016	WECC		Raton Public Service	U.S.	2,487	2,487	-	-	782	782	-	-	1,705	1,705	-	-
2016	WECC		Town of Center	U.S.	958	958	-	-	301	301	-	-	657	657	-	-
2016	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	122,976	122,976	-	-	38,685	38,685	-	-	84,291	84,291	-	-
2016	WECC		Western Area Power - Loveland, CO	U.S.	7,438	7,438	-	-	2,340	2,340	-	-	5,098	5,098	-	-
2016	WECC		Yampa Valley Electric Association	U.S.	26,311	26,311	-	-	8,277	8,277	-	-	18,034	18,034	-	-
2016	WECC		City of Aztec Electric Dept (PSC-NM)	U.S.	1,046	1,046	-	-	329	329	-	-	717	717	-	-
2016	WECC		City of Aztec Electric Dept (WAPA-CO-MO)	U.S.	828	828	-	-	260	260	-	-	567	567	-	-
2016	WECC		City of Gallup	U.S.	10,430	10,430	-	-	3,281	3,281	-	-	7,149	7,149	-	-
2016	WECC		Jicarilla Apache Nation Power Authority	U.S.	1,052	1,052	-	-	331	331	-	-	721	721	-	-
2016	WECC		Kit Carson Electric Inc	U.S.	6,719	6,719	-	-	2,114	2,114	-	-	4,605	4,605	-	-

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 NERC and RE Assessments

APPENDIX 2-B

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2016	WECC		Navajo Tribal Utility Authority	U.S.	11,004	11,004	-	-	3,461	3,461	-	-	7,542	7,542	-	-
2016	WECC		Navopache Electric Cooperative, Inc.	U.S.	20,003	20,003	-	-	6,292	6,292	-	-	13,710	13,710	-	-
2016	WECC		Public Service Company of New Mexico	U.S.	425,200	425,200	-	-	133,758	133,758	-	-	291,442	291,442	-	-
2016	WECC		The Incorporated County of Los Alamos	U.S.	27,843	27,843	-	-	8,759	8,759	-	-	19,085	19,085	-	-
2016	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	133,054	133,054	-	-	41,856	41,856	-	-	91,199	91,199	-	-
2016	WECC		US Dept of Energy - Kirtland AFB	U.S.	19,643	19,643	-	-	6,179	6,179	-	-	13,464	13,464	-	-
2016	WECC		Public Utility District No. 1 of Chelan County	U.S.	77,518	77,518	-	-	24,385	24,385	-	-	53,132	53,132	-	-
2016	WECC		PUD No. 1 of Douglas County	U.S.	37,284	37,284	-	-	11,729	11,729	-	-	25,556	25,556	-	-
2016	WECC		Okanogan PUD	U.S.	29,651	29,651	-	-	9,327	9,327	-	-	20,323	20,323	-	-
2016	WECC		Douglas Palisades / PUD No. 1 of DC	U.S.	904	904	-	-	284	284	-	-	620	620	-	-
2016	WECC		PUD No. 2 of Grant County	U.S.	205,381	205,381	-	-	64,608	64,608	-	-	140,773	140,773	-	-
2016	WECC		Puget Sound Energy, Inc.	U.S.	1,077,940	1,077,940	-	-	339,094	339,094	-	-	738,845	738,845	-	-
2016	WECC		Salt River Project	U.S.	1,345,188	1,345,188	-	-	423,164	423,164	-	-	922,024	922,024	-	-
2016	WECC		Seattle City Light	U.S.	441,062	441,062	-	-	138,748	138,748	-	-	302,314	302,314	-	-
2016	WECC		Barrick Goldstrike Mines Inc.	U.S.	63,954	63,954	-	-	20,118	20,118	-	-	43,835	43,835	-	-
2016	WECC		City of Fallon	U.S.	4,053	4,053	-	-	1,275	1,275	-	-	2,778	2,778	-	-
2016	WECC		Mt. Wheeler Power	U.S.	24,431	24,431	-	-	7,685	7,685	-	-	16,745	16,745	-	-
2016	WECC		Truckee Donner Public Utility District	U.S.	7,825	7,825	-	-	2,462	2,462	-	-	5,363	5,363	-	-
2016	WECC		Beartooth Electric Cooperative	U.S.	3,301	3,301	-	-	1,038	1,038	-	-	2,263	2,263	-	-
2016	WECC		City of Tacoma DBA Tacoma Power	U.S.	219,316	219,316	-	-	68,992	68,992	-	-	150,325	150,325	-	-
2016	WECC		Tucson Electric Power Company	U.S.	674,036	674,036	-	-	212,036	212,036	-	-	462,000	462,000	-	-
2016	WECC		Merced Irrigation District	U.S.	21,910	21,910	-	-	6,892	6,892	-	-	15,018	15,018	-	-
2016	WECC		Turlock Irrigation District	U.S.	97,287	97,287	-	-	30,604	30,604	-	-	66,683	66,683	-	-
2016	WECC		Basin Electric Power Cooperative	U.S.	104,172	104,172	-	-	32,770	32,770	-	-	71,402	71,402	-	-
2016	WECC		Black Hills Colorado Electric/Cheyenne Light Fuel & Power	U.S.	194,429	194,429	-	-	61,163	61,163	-	-	133,266	133,266	-	-
2016	WECC		Black Hills State University South Dakota	U.S.	988	988	-	-	311	311	-	-	677	677	-	-
2016	WECC		City of Page	U.S.	3,333	3,333	-	-	1,049	1,049	-	-	2,285	2,285	-	-
2016	WECC		Colorado Springs Utilities	U.S.	212,099	212,099	-	-	66,721	66,721	-	-	145,378	145,378	-	-
2016	WECC		Deseret Generation & Transmission Cooperative	U.S.	5,249	5,249	-	-	1,651	1,651	-	-	3,598	3,598	-	-
2016	WECC		City of Farmington	U.S.	45,108	45,108	-	-	14,190	14,190	-	-	30,918	30,918	-	-
2016	WECC		Municipal Energy Agency of Nebraska	U.S.	29,102	29,102	-	-	9,155	9,155	-	-	19,947	19,947	-	-
2016	WECC		Navajo Agricultural Products Industry (NAPI)	U.S.	114	114	-	-	36	36	-	-	78	78	-	-
2016	WECC		Nebraska Public Power Marketing	U.S.	169	169	-	-	53	53	-	-	116	116	-	-
2016	WECC		Town of Fredonia	U.S.	471	471	-	-	148	148	-	-	323	323	-	-
2016	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	346,551	346,551	-	-	109,017	109,017	-	-	237,534	237,534	-	-
2016	WECC		Western Area Power - Loveland, CO	U.S.	81,389	81,389	-	-	25,603	25,603	-	-	55,786	55,786	-	-
2016	WECC		Western Area Power Administration - CRSP	U.S.	76,005	76,005	-	-	23,909	23,909	-	-	52,096	52,096	-	-
2016	WECC		Wyoming Municipal Power Agency	U.S.	10,136	10,136	-	-	3,188	3,188	-	-	6,947	6,947	-	-
2016	WECC		Basin Electric Power Cooperative	U.S.	4,778	4,778	-	-	1,503	1,503	-	-	3,275	3,275	-	-
2016	WECC		Montana-Dakota Utilities Co.	U.S.	1,067	1,067	-	-	336	336	-	-	731	731	-	-
2016	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	13,335	13,335	-	-	4,195	4,195	-	-	9,140	9,140	-	-
2016	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	16,139	16,139	-	-	5,077	5,077	-	-	11,062	11,062	-	-
2016	WECC		Aha Macav Power Service	U.S.	539	539	-	-	170	170	-	-	370	370	-	-
2016	WECC		Bureau of Reclamation (Wellfield)	U.S.	416	416	-	-	131	131	-	-	285	285	-	-
2016	WECC		Central Arizona Water Conservation District	U.S.	108,476	108,476	-	-	34,124	34,124	-	-	74,352	74,352	-	-
2016	WECC		City of Boulder City	U.S.	3,521	3,521	-	-	1,107	1,107	-	-	2,413	2,413	-	-
2016	WECC		City of Mesa	U.S.	12,054	12,054	-	-	3,792	3,792	-	-	8,262	8,262	-	-
2016	WECC		Needles Public Utilities Authority	U.S.	1,353	1,353	-	-	425	425	-	-	927	927	-	-
2016	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	799	799	-	-	251	251	-	-	548	548	-	-
2016	WECC		Electrical District #2	U.S.	9,278	9,278	-	-	2,919	2,919	-	-	6,360	6,360	-	-
2016	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	434	434	-	-	136	136	-	-	297	297	-	-
2016	WECC		Silver State Energy Association	U.S.	25,828	25,828	-	-	8,125	8,125	-	-	17,703	17,703	-	-
2016	WECC		Arizona Electric Power Cooperative, Inc	U.S.	130,770	130,770	-	-	41,137	41,137	-	-	89,633	89,633	-	-
2016	WECC		U.S. Army Yuma Proving Ground	U.S.	913	913	-	-	287	287	-	-	626	626	-	-
2016	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	206	206	-	-	65	65	-	-	141	141	-	-
2016	WECC		Western Area Power Administration-Desert Southwest Region	U.S.	71,702	71,702	-	-	22,556	22,556	-	-	49,146	49,146	-	-
TOTAL WECC					37,965,400	32,743,547	4,585,652	636,201	11,972,373	10,302,881	1,479,975	189,517	25,993,026	22,440,666	3,105,677	446,684
TOTAL ERO					179,014,499	162,112,130	16,266,168	636,201	62,936,968	56,968,506	5,778,945	189,517	116,077,531	105,143,625	10,487,223	446,684

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2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)				
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico	
Summary by Regional Entity																	
2016	FRCC				10,013,797	10,013,797	-	-	3,353,279	3,353,279	-	-	6,660,518	6,660,518	-	-	
2016	MRO				14,880,432	12,402,201	2,478,231	-	4,150,326	3,461,314	689,012	-	10,730,106	8,940,887	1,789,219	-	
2016	NPCC				22,036,478	12,834,193	9,202,285	-	7,694,691	4,084,733	3,609,958	-	14,341,787	8,749,460	5,592,327	-	
2016	RF				32,955,408	32,955,408	-	-	12,807,701	12,807,701	-	-	20,147,707	20,147,707	-	-	
2016	SERC				31,849,844	31,849,844	-	-	14,644,708	14,644,708	-	-	17,205,136	17,205,136	-	-	
2016	SPP				12,985,288	12,985,288	-	-	3,258,023	3,258,023	-	-	9,727,265	9,727,265	-	-	
2016	TRE				16,327,852	16,327,852	-	-	5,055,866	5,055,866	-	-	11,271,986	11,271,986	-	-	
2016	WECC				37,965,400	32,743,547	4,585,652	636,201	11,972,373	10,302,881	1,479,975	189,517	25,993,026	22,440,666	3,105,677	446,684	
Total					179,014,499	162,112,130	16,266,168	636,201	62,936,968	56,968,506	5,778,945	189,517	116,077,531	105,143,625	10,487,223	446,684	

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 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				Prior Year Corrections-WECC			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2016	FRCC	1074	Alachua, City of	U.S.	1,949	1,949	-	-	1,919	1,919	-	-	(21)	(21)	50	50	-	-	1	1	-	-
2016	FRCC	1075	Bartow, City of	U.S.	4,252	4,252	-	-	4,186	4,186	-	-	(45)	(45)	108	108	-	-	3	4	3	-
2016	FRCC	1076	Chattahoochee, City of	U.S.	566	566	-	-	557	557	-	-	(6)	(6)	14	14	-	-	0	0	-	-
2016	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	11,085	11,085	-	-	10,912	10,912	-	-	(117)	(117)	282	282	-	-	8	8	-	-
2016	FRCC	1078	Florida Power & Light Co.	U.S.	1,647,997	1,647,997	-	-	1,622,224	1,622,224	-	-	(17,342)	(17,342)	41,889	41,889	-	-	1,226	1,226	-	-
2016	FRCC	1079	Florida Public Utilities Company	U.S.	5,199	5,199	-	-	5,117	5,117	-	-	(55)	(55)	132	132	-	-	4	4	-	-
2016	FRCC	1080	Gainesville Regional Utilities	U.S.	26,255	26,255	-	-	25,844	25,844	-	-	(276)	(276)	667	667	-	-	20	20	-	-
2016	FRCC	1081	Homestead, City of	U.S.	7,863	7,863	-	-	7,740	7,740	-	-	(83)	(83)	200	200	-	-	6	6	-	-
2016	FRCC	1082	JEA	U.S.	181,456	181,456	-	-	178,618	178,618	-	-	(1,910)	(1,910)	4,612	4,612	-	-	135	135	-	-
2016	FRCC	1083	Lakeland Electric	U.S.	44,626	44,626	-	-	43,928	43,928	-	-	(470)	(470)	1,134	1,134	-	-	33	33	-	-
2016	FRCC	1626	Lee County Electric Cooperative, Inc	U.S.	58,175	58,175	-	-	57,265	57,265	-	-	(612)	(612)	1,479	1,479	-	-	43	43	-	-
2016	FRCC	1661	City of Lake Worth	U.S.	6,831	6,831	-	-	6,725	6,725	-	-	(72)	(72)	174	174	-	-	5	5	-	-
2016	FRCC	1084	Mount Dora, City of	U.S.	1,353	1,353	-	-	1,332	1,332	-	-	(14)	(14)	34	34	-	-	1	1	-	-
2016	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	6,316	6,316	-	-	6,217	6,217	-	-	(66)	(66)	161	161	-	-	5	5	-	-
2016	FRCC	1086	Orlando Utilities Commission	U.S.	88,043	88,043	-	-	86,666	86,666	-	-	(926)	(926)	2,238	2,238	-	-	66	66	-	-
2016	FRCC	1087	Duke Energy Florida	U.S.	588,776	588,776	-	-	579,568	579,568	-	-	(6,196)	(6,196)	14,965	14,965	-	-	438	438	-	-
2016	FRCC	1088	Quincy, City of	U.S.	1,909	1,909	-	-	1,879	1,879	-	-	(20)	(20)	49	49	-	-	1	1	-	-
2016	FRCC	1089	Reedy Creek Improvement District	U.S.	17,515	17,515	-	-	17,242	17,242	-	-	(184)	(184)	445	445	-	-	13	13	-	-
2016	FRCC	1090	St. Cloud, City of (OUC)	U.S.	10,483	10,483	-	-	10,320	10,320	-	-	(110)	(110)	266	266	-	-	8	8	-	-
2016	FRCC	1091	Tallahassee, City of	U.S.	39,800	39,800	-	-	39,178	39,178	-	-	(419)	(419)	1,012	1,012	-	-	30	30	-	-
2016	FRCC	1092	Tampa Electric Company	U.S.	288,768	288,768	-	-	284,252	284,252	-	-	(3,039)	(3,039)	7,340	7,340	-	-	215	215	-	-
2016	FRCC	1603	City of Vero Beach	U.S.	10,999	10,999	-	-	10,827	10,827	-	-	(116)	(116)	280	280	-	-	8	8	-	-
2016	FRCC	1093	Wauchula, City of	U.S.	931	931	-	-	916	916	-	-	(10)	(10)	24	24	-	-	1	1	-	-
2016	FRCC	1094	Williston, City of	U.S.	533	533	-	-	524	524	-	-	(6)	(6)	14	14	-	-	0	0	-	-
2016	FRCC	1095	Winter Park, City of	U.S.	6,486	6,486	-	-	6,385	6,385	-	-	(68)	(68)	165	165	-	-	5	5	-	-
2016	FRCC	1072	Moore Haven, City of	U.S.	115	115	-	-	113	113	-	-	(1)	(1)	3	3	-	-	0	0	-	-
2016	FRCC	1072	Florida Municipal Power Agency	U.S.	86,487	86,487	-	-	85,135	85,135	-	-	(910)	(910)	2,198	2,198	-	-	64	64	-	-
2016	FRCC	1073	Seminole Electric Cooperative	U.S.	208,511	208,511	-	-	205,250	205,250	-	-	(2,194)	(2,194)	5,300	5,300	-	-	155	155	-	-
			TOTAL FRCC		3,353,279	3,353,279	-	-	3,300,838	3,300,838	-	-	(35,287)	(35,287)	85,233	85,233	-	-	2,496	2,496	-	-
2016	MRO	1199	Basin Electric Power Cooperative	U.S.	247,997	247,997	-	-	244,118	244,118	-	-	(2,610)	(2,610)	6,304	6,304	-	-	185	185	-	-
2016	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	40,470	40,470	-	-	39,837	39,837	-	-	(426)	(426)	1,029	1,029	-	-	30	30	-	-
2016	MRO	1204	Corn Belt Power Cooperative	U.S.	28,472	28,472	-	-	28,026	28,026	-	-	(300)	(300)	724	724	-	-	21	21	-	-
2016	MRO	1207	Dairyland Power Cooperative	U.S.	77,841	77,841	-	-	76,624	76,624	-	-	(819)	(819)	1,979	1,979	-	-	58	58	-	-
2016	MRO	1210	Great River Energy	U.S.	193,915	193,915	-	-	190,883	190,883	-	-	(2,041)	(2,041)	4,929	4,929	-	-	144	144	-	-
2016	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	53,276	53,276	-	-	52,442	52,442	-	-	(561)	(561)	1,354	1,354	-	-	40	40	-	-
2016	MRO	1230	Nebraska Public Power District	U.S.	197,338	197,338	-	-	194,251	194,251	-	-	(2,077)	(2,077)	5,016	5,016	-	-	147	147	-	-
2016	MRO	1232	Omaha Public Power District	U.S.	160,634	160,634	-	-	158,122	158,122	-	-	(1,690)	(1,690)	4,083	4,083	-	-	120	120	-	-
2016	MRO	1240	Western Area Power Administration (UM)	U.S.	132,409	132,409	-	-	130,338	130,338	-	-	(1,393)	(1,393)	3,366	3,366	-	-	99	99	-	-
2016	MRO	1239	Western Area Power Administration (LM)	U.S.	642	642	-	-	632	632	-	-	(7)	(7)	16	16	-	-	0	0	-	-
2016	MRO	1217	Manitoba Hydro	CAN	341,950	-	341,950	-	333,097	-	333,097	-	-	-	8,601	-	8,601	-	252	-	252	-
2016	MRO	1235	SaskPower	CAN	347,063	-	347,063	-	338,077	-	338,077	-	-	8,730	-	8,730	-	256	-	256	-	
2016	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPL)	U.S.	422,888	422,888	-	-	416,274	416,274	-	-	(4,450)	(4,450)	10,749	10,749	-	-	315	315	-	-
2016	MRO	1710	Dahlberg Electric Company	U.S.	1,618	1,618	-	-	1,593	1,593	-	-	(17)	(17)	41	41	-	-	1	1	-	-
2016	MRO	1216	Madison, Gas and Electric	U.S.	49,591	49,591	-	-	48,816	48,816	-	-	(522)	(522)	1,261	1,261	-	-	37	37	-	-
2016	MRO	1220	MidAmerican Energy Company	U.S.	360,736	360,736	-	-	355,095	355,095	-	-	(3,796)	(3,796)	9,169	9,169	-	-	268	268	-	-
2016	MRO	1221	Minnesota Power	U.S.	169,694	169,694	-	-	167,040	167,040	-	-	(1,786)	(1,786)	4,313	4,313	-	-	126	126	-	-
2016	MRO	1226	Montana-Dakota Utilities Co.	U.S.	45,926	45,926	-	-	45,208	45,208	-	-	(483)	(483)	1,167	1,167	-	-	34	34	-	-
2016	MRO	1711	North Central Power Company	U.S.	524	524	-	-	516	516	-	-	(6)	(6)	13	13	-	-	0	0	-	-
2016	MRO	1231	NorthWestern Energy	U.S.	22,243	22,243	-	-	21,895	21,895	-	-	(234)	(234)	565	565	-	-	17	17	-	-
2016	MRO	1712	NorthWestern Wisconsin	U.S.	2,598	2,598	-	-	2,558	2,558	-	-	(27)	(27)	66	66	-	-	2	2	-	-
2016	MRO	1233	Otter Tail Power Company	U.S.	75,877	75,877	-	-	74,691	74,691	-	-	(798)	(798)	1,929	1,929	-	-	56	56	-	-
2016	MRO	1664	Wisconsin Public Service (WPS)	U.S.	172,773	172,773	-	-	170,071	170,071	-	-	(1,818)	(1,818)	4,392	4,392	-	-	129	129	-	-
2016	MRO	1665	Upper Peninsula Power Company (UPPCO)	U.S.	10,044	10,044	-	-	9,887	9,887	-	-	(106)	(106)	255	255	-	-	7	7	-	-
2016	MRO	1244	Xcel Energy Company (NSP)	U.S.	639,163	639,163	-	-	629,168	629,168	-	-	(6,726)	(6,726)	16,246	16,246	-	-	476	476	-	-
2016	MRO	1196	Ames Municipal Electric System	U.S.	10,981	10,981	-	-	10,810	10,810	-	-	(116)	(116)	279	279	-	-	8	8	-	-
2016	MRO	1604	Atlantic Municipal Utilities	U.S.	1,166	1,166	-	-	1,148	1,148	-	-	(12)	(12)	30	30	-	-	1	1	-	-
2016	MRO	1713	Bloomer Electric & Water Co.	U.S.	791	791	-	-	779	779	-	-	(8)	(8)	20	20	-	-	1	1	-	-
2016	MRO	1714	Village of Caddott	U.S.	205	205	-	-	202	202	-	-	(2)	(2)	5	5	-	-	0	0	-	-
2016	MRO	1200	Cedar Falls Municipal Utilities	U.S.	7,508	7,508	-	-	7,391	7,391	-	-	(79)	(79)	191	191	-	-	6	6	-	-
2016	MRO	1477	Central Minnesota Municipal Power Agency (CMMPA)	U.S.	5,468	5,468	-	-	5,382	5,382	-	-	(58)	(58)	139	139	-	-	4	4	-	-
2016	MRO	1715	Village of Centuria	U.S.	87	87	-	-	86	86	-	-	(1)	(1)	2	2	-	-	0	0	-	-
2016	MRO	1716	Eldridge Electric and Water Utilities	U.S.	605	605	-	-	595	595	-	-	(6)	(6)	15	15	-	-	0	0	-	-
2016	MRO	1203	City of Escanaba	U.S.	2,110	2,110	-	-	2,077	2,077	-	-	(22)	(22)	54	54	-	-	2	2	-	-
2016	MRO	1205	Falls City Water & Light Department	U.S.	831	831	-	-	818	818	-	-	(9)	(9)	21	21	-	-	1	1	-	-
2016	MRO	1206	Fremont Department of Utilities	U.S.	6,297	6,297	-	-	6,198	6,198	-	-	(66)	(66)	160	160	-	-	5	5	-	-
2016	MRO	1208	Geneseo Municipal Utilities	U.S.	965	965	-	-	950	950	-	-	(10)	(10)	25	25	-	-	1	1	-	-
2016	MRO	1209	Grand Island Utilities Department	U.S.	10,852	10,852	-	-	10,682	10,682	-	-	(114)	(114)	276	276	-	-	8	8	-	-
2016	MRO	1717	Great Lakes Utilities	U.S.	21,351	21,351	-	-	21,017	21,017	-	-	(225)	(225)	543	543	-	-	16	16	-	-
2016	MRO	1718	City of Guttenberg	U.S.	251	251	-	-	247	247	-											

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits				Prior Year Corrections-WECC					
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Mexico	Total	US	Canada	Mexico		
2016	MRO	1234	Rochester Public Utilities	U.S.	64	64	-	-	63	63	-	-	(1)	(1)	2	2	-	-	0	0	-			
2016	MRO	1236	Southern Minnesota Municipal Power Agency	U.S.	40,310	40,310	-	-	39,679	39,679	-	-	(424)	(424)	1,025	1,025	-	-	30	30	-			
2016	MRO	1722	City of Spooner	U.S.	458	458	-	-	450	450	-	-	(5)	(5)	12	12	-	-	0	0	-			
2016	MRO	1241	Willmar Municipal Utilities	U.S.	3,658	3,658	-	-	3,600	3,600	-	-	(38)	(38)	93	93	-	-	3	3	-			
2016	MRO	1242	Wisconsin Public Power, Inc. (East and West regions)	U.S.	77,865	77,865	-	-	76,647	76,647	-	-	(819)	(819)	1,979	1,979	-	-	58	58	-			
TOTAL MRO					4,150,326	3,461,314	689,012	-	4,078,357	3,407,183	671,174	-	-	(36,424)	(36,424)	105,310	87,979	17,331	-	3,083	2,576	507	-	
TOTAL NERC					21,858,852	17,751,178	3,960,267	13,847,367	21,858,852	17,751,178	3,960,267	13,847,367	-	-	(42,985)	(42,985)	1,134,574	103,825	(1,238,399)	-	6,703	3,040	3,663	-
2016	NPCC	1336	New England	U.S.	1,781,833	1,781,833	-	-	1,753,967	1,753,967	-	-	(18,751)	(18,751)	45,290	45,290	-	-	1,326	1,326	-			
2016	NPCC	1339	New York	U.S.	2,302,899	2,302,899	-	-	2,266,885	2,266,885	-	-	(24,234)	(24,234)	58,535	58,535	-	-	1,714	1,714	-			
2016	NPCC	1337	Ontario	Canada	1,359,810	-	1,359,810	-	1,931,246	-	1,931,246	-	-	-	(572,896)	-	(572,896)	-	1,460	-	1,460			
2016	NPCC	1341	Quebec	Canada	1,956,112	-	1,956,112	-	2,566,362	-	2,566,362	-	-	-	(612,191)	-	(612,191)	-	1,940	-	1,940			
2016	NPCC	1705	New Brunswick	Canada	135,969	-	135,969	-	193,111	-	193,111	-	-	-	(57,288)	-	(57,288)	-	146	-	146			
2016	NPCC	1340	Nova Scotia	Canada	158,068	-	158,068	-	153,975	-	153,975	-	-	-	3,976	-	3,976	-	116	-	116			
TOTAL NPCC					7,694,691	4,084,733	3,609,958	-	8,865,547	4,020,852	4,844,695	-	-	(42,985)	(42,985)	(1,134,574)	103,825	(1,238,399)	-	6,703	3,040	3,663	-	
TOTAL RELIABILITYFIRST					12,807,701	12,807,701	-	-	12,607,403	12,607,403	-	-	-	-	(134,779)	(134,779)	325,545	325,545	-	9,532	9,532	-	-	
2016	SERC	1267	Alabama Municipal Electric Authority	U.S.	49,443	49,443	-	-	48,670	48,670	-	-	(520)	(520)	1,257	1,257	-	-	37	37	-			
2016	SERC	1268	Alabama Power Company	U.S.	836,070	836,070	-	-	822,994	822,994	-	-	(8,798)	(8,798)	21,251	21,251	-	-	622	622	-			
2016	SERC	1269	Ameren - Illinois	U.S.	605,965	605,965	-	-	596,489	596,489	-	-	(6,377)	(6,377)	15,402	15,402	-	-	451	451	-			
2016	SERC	1271	Ameren - Missouri	U.S.	532,839	532,839	-	-	524,506	524,506	-	-	(5,607)	(5,607)	13,544	13,544	-	-	397	397	-			
2016	SERC	1273	Associated Electric Cooperative Inc.	U.S.	270,094	270,094	-	-	265,870	265,870	-	-	(2,842)	(2,842)	6,865	6,865	-	-	201	201	-			
2016	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	15,483	15,483	-	-	15,241	15,241	-	-	(163)	(163)	394	394	-	-	12	12	-			
2016	SERC	1462	Benton Utility District	U.S.	3,512	3,512	-	-	3,457	3,457	-	-	(37)	(37)	89	89	-	-	3	3	-			
2016	SERC	1274	Big Rivers Electric Corporation	U.S.	54,249	54,249	-	-	53,401	53,401	-	-	(571)	(571)	1,379	1,379	-	-	40	40	-			
2016	SERC	1275	Black Warrior EMC	U.S.	6,007	6,007	-	-	5,913	5,913	-	-	(63)	(63)	153	153	-	-	4	4	-			
2016	SERC	1276	Blue Ridge EMC	U.S.	19,929	19,929	-	-	19,617	19,617	-	-	(210)	(210)	507	507	-	-	15	15	-			
2016	SERC	1628	Brazos Electric Power Cooperative, Inc.	U.S.	6,492	6,492	-	-	6,391	6,391	-	-	(68)	(68)	165	165	-	-	5	5	-			
2016	SERC	1463	Canton, MS	U.S.	1,877	1,877	-	-	1,848	1,848	-	-	(20)	(20)	48	48	-	-	1	1	-			
2016	SERC	1277	Central Electric Power Cooperative Inc.	U.S.	241,936	241,936	-	-	238,152	238,152	-	-	(2,546)	(2,546)	6,150	6,150	-	-	180	180	-			
2016	SERC	1667	Century Aluminum - Hawesville	U.S.	24,015	24,015	-	-	23,640	23,640	-	-	(253)	(253)	610	610	-	-	18	18	-			
2016	SERC	1668	Century Aluminum - Seebree	U.S.	47,957	47,957	-	-	47,207	47,207	-	-	(505)	(505)	1,219	1,219	-	-	36	36	-			
2016	SERC	1278	City of Blountstown FL	U.S.	554	554	-	-	545	545	-	-	(6)	(6)	14	14	-	-	0	0	-			
2016	SERC	1279	City of Camden SC	U.S.	2,890	2,890	-	-	2,845	2,845	-	-	(30)	(30)	73	73	-	-	2	2	-			
2016	SERC	1280	City of Collins MS	U.S.	622	622	-	-	612	612	-	-	(7)	(7)	16	16	-	-	0	0	-			
2016	SERC	1281	City of Columbia MO	U.S.	17,374	17,374	-	-	17,102	17,102	-	-	(183)	(183)	442	442	-	-	13	13	-			
2016	SERC	1282	City of Conway AR (Conway Corporation)	U.S.	14,535	14,535	-	-	14,307	14,307	-	-	(153)	(153)	369	369	-	-	11	11	-			
2016	SERC	1284	City of Evergreen AL	U.S.	839	839	-	-	826	826	-	-	(9)	(9)	21	21	-	-	1	1	-			
2016	SERC	1285	City of Hampton GA	U.S.	399	399	-	-	393	399	-	-	(4)	(4)	10	10	-	-	0	0	-			
2016	SERC	1286	City of Hartford AL	U.S.	447	447	-	-	440	440	-	-	(5)	(5)	11	11	-	-	0	0	-			
2016	SERC	1287	City of Henderson (KY) Municipal Power & Light	U.S.	8,942	8,942	-	-	8,802	8,802	-	-	(94)	(94)	227	227	-	-	7	7	-			

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits				Prior Year Corrections-WECC			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2016	SERC	1288	City of North Little Rock AR (DENL)	U.S.	13,804	13,804	-	-	13,588	13,588	-	-	(145)	(145)	351	351	-	-	10	10	-	-
2016	SERC	1289	City of Orangeburg SC Department of Public Utilities	U.S.	12,073	12,073	-	-	11,884	11,884	-	-	(127)	(127)	307	307	-	-	9	9	-	-
2016	SERC	1290	City of Robertsdale AL	U.S.	1,242	1,242	-	-	1,222	1,222	-	-	(13)	(13)	32	32	-	-	1	1	-	-
2016	SERC	1291	City of Ruston LA (DERS)	U.S.	3,987	3,987	-	-	3,925	3,925	-	-	(42)	(42)	101	101	-	-	3	3	-	-
2016	SERC	1292	Seneca Light & Power	U.S.	2,307	2,307	-	-	2,271	2,271	-	-	(24)	(24)	59	59	-	-	2	2	-	-
2016	SERC	1115	City of Springfield (CWLP)	U.S.	25,320	25,320	-	-	24,924	24,924	-	-	(266)	(266)	644	644	-	-	19	19	-	-
2016	SERC	1465	City of Thayer, MO	U.S.	280	280	-	-	275	275	-	-	(3)	(3)	7	7	-	-	0	0	-	-
2016	SERC	1293	City of Troy AL	U.S.	6,164	6,164	-	-	6,068	6,068	-	-	(65)	(65)	157	157	-	-	5	5	-	-
2016	SERC	1294	City of West Memphis AR (West Memphis Utilities)	U.S.	5,643	5,643	-	-	5,555	5,555	-	-	(59)	(59)	143	143	-	-	4	4	-	-
2016	SERC	1583	Claborne Electric Cooperative, Inc.	U.S.	9,761	9,761	-	-	9,608	9,608	-	-	(103)	(103)	248	248	-	-	7	7	-	-
2016	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	3,191	3,191	-	-	3,141	3,141	-	-	(34)	(34)	81	81	-	-	2	2	-	-
2016	SERC		Cube Hydro Carolinas	U.S.	243	243	-	-	239	239	-	-	(3)	(3)	6	6	-	-	0	0	-	-
2016	SERC	1283	Dalton Utilities	U.S.	25,778	25,778	-	-	25,375	25,375	-	-	(271)	(271)	655	655	-	-	19	19	-	-
2016	SERC	1585	Dixie Electric Membership Corporation	U.S.	32,541	32,541	-	-	32,032	32,032	-	-	(342)	(342)	827	827	-	-	24	24	-	-
2016	SERC	1295	Dominion Virginia Power	U.S.	1,228,856	1,228,856	-	-	1,209,638	1,209,638	-	-	(12,932)	(12,932)	31,235	31,235	-	-	915	915	-	-
2016	SERC	1296	Duke Energy Carolinas, LLC	U.S.	1,238,840	1,238,840	-	-	1,219,466	1,219,466	-	-	(13,037)	(13,037)	31,489	31,489	-	-	922	922	-	-
2016	SERC	1466	Durant, MS	U.S.	400	400	-	-	393	393	-	-	(4)	(4)	10	10	-	-	0	0	-	-
2016	SERC	1478	LG&E and KU Services Co as agent for LG&E Co and KU Co	U.S.	499,844	499,844	-	-	492,027	492,027	-	-	(5,260)	(5,260)	12,705	12,705	-	-	372	372	-	-
2016	SERC	1297	East Kentucky Power Cooperative	U.S.	195,604	195,604	-	-	192,545	192,545	-	-	(2,058)	(2,058)	4,972	4,972	-	-	146	146	-	-
2016	SERC	1298	East Mississippi Electric Power Association	U.S.	6,192	6,192	-	-	6,095	6,095	-	-	(65)	(65)	157	157	-	-	5	5	-	-
2016	SERC	1669	Electricities of North Carolina Inc	U.S.	170,787	170,787	-	-	168,116	168,116	-	-	(1,797)	(1,797)	4,341	4,341	-	-	127	127	-	-
2016	SERC	1300	EnegyUnited EMC	U.S.	36,986	36,986	-	-	36,408	36,408	-	-	(389)	(389)	940	940	-	-	28	28	-	-
2016	SERC	1301	Entergy	U.S.	1,693,733	1,693,733	-	-	1,667,245	1,667,245	-	-	(17,824)	(17,824)	43,051	43,051	-	-	1,261	1,261	-	-
2016	SERC	1302	Fayetteville (NC) Public Works Commission	U.S.	31,059	31,059	-	-	30,574	30,574	-	-	(327)	(327)	789	789	-	-	23	23	-	-
2016	SERC	1303	Florida Public Utilities (FL Panhandle Load)	U.S.	4,520	4,520	-	-	4,449	4,449	-	-	(48)	(48)	115	115	-	-	3	3	-	-
2016	SERC	1304	French Broad EMC	U.S.	7,780	7,780	-	-	7,658	7,658	-	-	(82)	(82)	198	198	-	-	6	6	-	-
2016	SERC	1305	Georgia Power Company	U.S.	1,252,864	1,252,864	-	-	1,233,270	1,233,270	-	-	(13,184)	(13,184)	31,845	31,845	-	-	932	932	-	-
2016	SERC	1306	Georgia System Opts Corporation	U.S.	582,958	582,958	-	-	573,841	573,841	-	-	(6,135)	(6,135)	14,818	14,818	-	-	434	434	-	-
2016	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	4,018	4,018	-	-	3,955	3,955	-	-	(42)	(42)	102	102	-	-	3	3	-	-
2016	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.	4,801	4,801	-	-	4,725	4,725	-	-	(51)	(51)	122	122	-	-	4	4	-	-
2016	SERC	1308	Gulf Power Company	U.S.	167,533	167,533	-	-	164,912	164,912	-	-	(1,763)	(1,763)	4,258	4,258	-	-	125	125	-	-
2016	SERC	1586	Haywood EMC	U.S.	4,559	4,559	-	-	4,488	4,488	-	-	(48)	(48)	116	116	-	-	3	3	-	-
2016	SERC	1309	Illinois Municipal Electric Agency	U.S.	28,035	28,035	-	-	27,596	27,596	-	-	(295)	(295)	713	713	-	-	21	21	-	-
2016	SERC	1480	Itta Bena, MS	U.S.	213	213	-	-	210	210	-	-	(2)	(2)	5	5	-	-	0	0	-	-
2016	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	3,964	3,964	-	-	3,902	3,902	-	-	(42)	(42)	101	101	-	-	3	3	-	-
2016	SERC	1617	Kentucky Municipal Power	U.S.	9,905	9,905	-	-	9,750	9,750	-	-	(104)	(104)	252	252	-	-	7	7	-	-
2016	SERC	1481	Kosciusko, MS	U.S.	1,086	1,086	-	-	1,069	1,069	-	-	(11)	(11)	28	28	-	-	1	1	-	-
2016	SERC	1482	Leland, MS	U.S.	461	461	-	-	454	454	-	-	(5)	(5)	12	12	-	-	0	0	-	-
2016	SERC	1313	McCormick Commission of Public Works	U.S.	305	305	-	-	300	300	-	-	(3)	(3)	8	8	-	-	0	0	-	-
2016	SERC	1314	Mississippi Power Company	U.S.	149,854	149,854	-	-	147,510	147,510	-	-	(1,577)	(1,577)	3,809	3,809	-	-	112	112	-	-
2016	SERC	1630	Mt. Carmel Public Utility	U.S.	1,500	1,500	-	-	1,477	1,477	-	-	(16)	(16)	38	38	-	-	1	1	-	-
2016	SERC	1315	Municipal Electric Authority of Georgia	U.S.	159,480	159,480	-	-	156,986	156,986	-	-	(1,678)	(1,678)	4,054	4,054	-	-	119	119	-	-
2016	SERC	1316	N.C. Electric Membership Corp.	U.S.	185,956	185,956	-	-	183,048	183,048	-	-	(1,957)	(1,957)	4,727	4,727	-	-	138	138	-	-
2016	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	3,845	3,845	-	-	3,785	3,785	-	-	(40)	(40)	98	98	-	-	3	3	-	-
2016	SERC	1574	Northern Virginia Electric Cooperative	U.S.	64,993	64,993	-	-	63,977	63,977	-	-	(684)	(684)	1,652	1,652	-	-	48	48	-	-
2016	SERC	1319	Old Dominion Electric Cooperative	U.S.	76,925	76,925	-	-	75,722	75,722	-	-	(810)	(810)	1,955	1,955	-	-	57	57	-	-
2016	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.	2,293	2,293	-	-	2,257	2,257	-	-	(24)	(24)	58	58	-	-	2	2	-	-
2016	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	12,092	12,092	-	-	11,903	11,903	-	-	(127)	(127)	307	307	-	-	9	9	-	-
2016	SERC	1321	Piedmont EMC in Duke and Progress Areas	U.S.	7,563	7,563	-	-	7,444	7,444	-	-	(80)	(80)	192	192	-	-	6	6	-	-
2016	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	35,316	35,316	-	-	34,764	34,764	-	-	(372)	(372)	898	898	-	-	26	26	-	-
2016	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	3,648	3,648	-	-	3,591	3,591	-	-	(38)	(38)	93	93	-	-	3	3	-	-
2016	SERC	1266	PowerSouth Energy	U.S.	126,529	126,529	-	-	124,550	124,550	-	-	(1,331)	(1,331)	3,216	3,216	-	-	94	94	-	-
2016	SERC	1330	Prairie Power, Inc.	U.S.	22,344	22,344	-	-	21,995	21,995	-	-	(235)	(235)	568	568	-	-	17	17	-	-
2016	SERC	1706	Duke Energy Progress	U.S.	665,064	665,064	-	-	654,663	654,663	-	-	(6,999)	(6,999)	16,905	16,905	-	-	495	495	-	-
2016	SERC	1325	Rutherford EMC	U.S.	19,607	19,607	-	-	19,300	19,300	-	-	(206)	(206)	498	498	-	-	15	15	-	-
2016	SERC	1631	Sam Rayburn G&T Electric Cooperative Inc.	U.S.	25,846	25,846	-	-	25,441	25,441	-	-	(272)	(272)	657	657	-	-	19	19	-	-
2016	SERC	1326	South Carolina Electric & Gas Company	U.S.	338,068	338,068	-	-	332,781	332,781	-	-	(3,558)	(3,558)	8,593	8,593	-	-	252	252	-	-
2016	SERC	1327	South Carolina Public Service Authority	U.S.	125,175	125,175	-	-	123,217	123,217	-	-	(1,317)	(1,317)	3,182	3,182	-	-	93	93	-	-
2016	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	7,853	7,853	-	-	7,730	7,730	-	-	(83)	(83)	200	200	-	-	6	6	-	-
2016	SERC	1328	Cooperative Energy (formerly SMEPA)	U.S.	143,000	143,000	-	-	140,763	140,763	-	-	(1,505)	(1,505)	3,635	3,635	-	-	106	106	-	-
2016	SERC	1329	Southern Illinois Power Cooperative	U.S.	23,330	23,330	-	-	22,965	22,965	-	-	(246)	(246)	593	593	-	-	17	17	-	-
2016	SERC	1591	Southwest Louisiana Electric Membership Corporation	U.S.	36,017	36,017	-	-	35,454	35,454	-	-	(379)	(379)	915	915	-	-	17	17	-	-
2016	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	6,647	6,647	-	-	6,543	6,543	-	-	(70)	(70)	169	169	-	-	5	5	-	-
2016	SERC	1331	Tennessee Valley Authority	U.S.	2,294,746	2,294,746	-	-	2,258,859	2,258,859	-	-	(24,148)	(24,148)	58,328	58,328	-	-	1,708	1,708	-	-
2016	SERC	1632	Tex-La Electric Cooperative of Texas, Inc	U.S.	3,027	3,027	-	-	2,979	2,979	-	-	(32)	(32)	77	77	-	-	2	2	-	-
2016	SERC	1332	Tomigbee Electric Cooperative Inc.	U.S.	4,573	4,573	-	-	4,501	4,501	-	-	(48)	(48)	116	116	-	-	3	3	-	-
2016	SERC	1594	Town of Sharpsburg, N.C.	U.S.	284	284	-	-	280	280	-	-	(3)	(3)	7	7	-	-	0	0	-	-
2016	SERC	1595	Town of Stantonsburg, N.C. JRO	U.S.	811	811	-	-	798	798	-	-	(9)	(9)	21	21	-	-	1	1	-	

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 NERC and RE Assessments

						Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits				Prior Year Corrections-WECC			
Data Year	Regional Entity	ID	Entity	Country		Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2016	SPP	1708	City of Abbeville	U.S.		2,043	2,043	-	-	2,011	2,011	-	-	(21)	(21)	52	52	-	-	2	2	-	-
2016	SPP	1559	City of Minden	U.S.		2,145	2,145	-	-	2,112	2,112	-	-	(23)	(23)	55	55	-	-	2	2	-	-
2016	SPP	1709	City of Nixa	U.S.		2,422	2,422	-	-	2,384	2,384	-	-	(25)	(25)	62	62	-	-	2	2	-	-
2016	SPP	1703	City of Chanute	U.S.		7,169	7,169	-	-	7,057	7,057	-	-	(75)	(75)	182	182	-	-	5	5	-	-
2016	SPP	1636	City of Prescott	U.S.		1,262	1,262	-	-	1,243	1,243	-	-	(13)	(13)	32	32	-	-	1	1	-	-
2016	SPP	1248	Independence Power & Light (Independence, MO)	U.S.		15,380	15,380	-	-	15,140	15,140	-	-	(162)	(162)	391	391	-	-	11	11	-	-
2016	SPP	1436	City Utilities of Springfield, MO	U.S.		45,994	45,994	-	-	45,275	45,275	-	-	(484)	(484)	1,169	1,169	-	-	34	34	-	-
2016	SPP	1249	Cleco Power LLC	U.S.		173,658	173,658	-	-	170,943	170,943	-	-	(1,827)	(1,827)	4,414	4,414	-	-	129	129	-	-
2016	SPP	1437	East Texas Electric Coop, Inc.	U.S.		6,379	6,379	-	-	6,280	6,280	-	-	(67)	(67)	162	162	-	-	5	5	-	-
2016	SPP	1250	The Empire District Electric Company	U.S.		75,766	75,766	-	-	74,581	74,581	-	-	(797)	(797)	1,926	1,926	-	-	56	56	-	-
2016	SPP	1470	Farmers' Electric Coop	U.S.		4,378	4,378	-	-	4,309	4,309	-	-	(46)	(46)	111	111	-	-	3	3	-	-
2016	SPP	1438	Golden Spread Electric Coop	U.S.		75,910	75,910	-	-	74,723	74,723	-	-	(799)	(799)	1,929	1,929	-	-	56	56	-	-
2016	SPP	1251	Grand River Dam Authority	U.S.		80,388	80,388	-	-	79,131	79,131	-	-	(846)	(846)	2,043	2,043	-	-	60	60	-	-
2016	SPP	1648	Jonesboro City Water & Light	U.S.		20,321	20,321	-	-	20,003	20,003	-	-	(214)	(214)	517	517	-	-	15	15	-	-
2016	SPP	1252	Kansas City Power & Light (KCPL)	U.S.		226,682	226,682	-	-	223,137	223,137	-	-	(2,385)	(2,385)	5,762	5,762	-	-	169	169	-	-
2016	SPP	1439	Kansas Electric Power Coop., Inc	U.S.		31,069	31,069	-	-	30,583	30,583	-	-	(327)	(327)	790	790	-	-	23	23	-	-
2016	SPP	1440	Kansas Municipal Energy Agency (KCPL)	U.S.		21,827	21,827	-	-	21,486	21,486	-	-	(230)	(230)	555	555	-	-	16	16	-	-
2016	SPP	1637	Kansas Power Pool	U.S.		12,744	12,744	-	-	12,545	12,545	-	-	(134)	(134)	324	324	-	-	9	9	-	-
2016	SPP	1649	Kennett Board of Public Works	U.S.		2,083	2,083	-	-	2,051	2,051	-	-	(22)	(22)	53	53	-	-	2	2	-	-
2016	SPP	1598	KCP&L GMOCC (Greater Missouri Operations Company)	U.S.		123,508	123,508	-	-	121,576	121,576	-	-	(1,300)	(1,300)	3,139	3,139	-	-	92	92	-	-
2016	SPP	1471	Lafayette Utilities System	U.S.		30,092	30,092	-	-	29,622	29,622	-	-	(317)	(317)	765	765	-	-	22	22	-	-
2016	SPP	1472	Lea County Electric Coop	U.S.		16,758	16,758	-	-	16,496	16,496	-	-	(176)	(176)	426	426	-	-	12	12	-	-
2016	SPP	1253	Louisiana Energy & Power Authority (LEPA)	U.S.		14,334	14,334	-	-	14,109	14,109	-	-	(151)	(151)	364	364	-	-	11	11	-	-
2016	SPP	1650	Malden Board of Public Works	U.S.		749	749	-	-	737	737	-	-	(8)	(8)	19	19	-	-	1	1	-	-
2016	SPP	1441	Midwest Energy Inc.	U.S.		25,574	25,574	-	-	25,174	25,174	-	-	(269)	(269)	650	650	-	-	19	19	-	-
2016	SPP	1443	Missouri Joint Municipal Electric Utility Commission	U.S.		37,369	37,369	-	-	36,785	36,785	-	-	(393)	(393)	950	950	-	-	28	28	-	-
2016	SPP	1442	Northeast Texas Electric Cooperative, Inc.	U.S.		46,047	46,047	-	-	45,327	45,327	-	-	(485)	(485)	1,170	1,170	-	-	34	34	-	-
2016	SPP	1255	Oklahoma Gas and Electric Co.	U.S.		401,387	401,387	-	-	395,110	395,110	-	-	(4,224)	(4,224)	10,202	10,202	-	-	299	299	-	-
2016	SPP	1444	Oklahoma Municipal Power Auth	U.S.		42,035	42,035	-	-	41,377	41,377	-	-	(442)	(442)	1,068	1,068	-	-	31	31	-	-
2016	SPP	1639	OzMo Ozark Missouri, West Plains MO	U.S.		2,879	2,879	-	-	2,834	2,834	-	-	(30)	(30)	73	73	-	-	2	2	-	-
2016	SPP	1651	Paragould Light, Water & Cable	U.S.		8,759	8,759	-	-	8,622	8,622	-	-	(92)	(92)	223	223	-	-	7	7	-	-
2016	SPP		People's Electric Cooperative (PEC)	U.S.		2,469	2,469	-	-	2,430	2,430	-	-	(26)	(26)	63	63	-	-	2	2	-	-
2016	SPP	1652	Piggott Municipal Light, Water & Sewer	U.S.		549	549	-	-	540	540	-	-	(6)	(6)	14	14	-	-	0	0	-	-
2016	SPP	1653	Poplar Bluff Municipal Utilities	U.S.		5,530	5,530	-	-	5,444	5,444	-	-	(58)	(58)	141	141	-	-	4	4	-	-
2016	SPP	1561	Public Service Commission of Yazoo City of Mississippi	U.S.		1,708	1,708	-	-	1,681	1,681	-	-	(18)	(18)	43	43	-	-	1	1	-	-
2016	SPP	1473	Roosevelt County Electric Coop	U.S.		2,307	2,307	-	-	2,271	2,271	-	-	(24)	(24)	59	59	-	-	2	2	-	-
2016	SPP	1654	Sikeston Board of Municipal Utilities	U.S.		5,482	5,482	-	-	5,396	5,396	-	-	(58)	(58)	139	139	-	-	4	4	-	-
2016	SPP	1257	Southwestern Public Service Co. (SPS-XCEL)	U.S.		302,658	302,658	-	-	297,925	297,925	-	-	(3,185)	(3,185)	7,693	7,693	-	-	225	225	-	-
2016	SPP	1256	Sunflower Electric Power Cooperative	U.S.		65,474	65,474	-	-	64,450	64,450	-	-	(689)	(689)	1,664	1,664	-	-	49	49	-	-
2016	SPP	1445	Tex - La Electric Cooperative of Texas	U.S.		7,253	7,253	-	-	7,139	7,139	-	-	(76)	(76)	184	184	-	-	5	5	-	-
2016	SPP	1475	Tri County Electric Coop	U.S.		5,237	5,237	-	-	5,155	5,155	-	-	(55)	(55)	133	133	-	-	4	4	-	-
2016	SPP	1260	Westar Energy, Inc.	U.S.		303,700	303,700	-	-	298,951	298,951	-	-	(3,196)	(3,196)	7,719	7,719	-	-	226	226	-	-
2016	SPP	1259	Western Farmers Electric Cooperative	U.S.		126,008	126,008	-	-	124,038	124,038	-	-	(1,326)	(1,326)	3,203	3,203	-	-	94	94	-	-
2016	SPP	1501	West Texas Municipal Power Agency	U.S.		40,459	40,459	-	-	39,826	39,826	-	-	(426)	(426)	1,028	1,028	-	-	30	30	-	-
TOTAL SPP						3,258,023	3,258,023	-	-	3,207,071	3,207,071	-	-	(34,285)	(34,285)	82,812	82,812	-	-	2,425	2,425	-	-
2016	TRE	1019	ERCOT	U.S.		5,055,866	5,055,866	-	-	4,976,798	4,976,798	-	-	(53,204)	(53,204)	128,509	128,509	-	-	3,763	3,763	-	-
TOTAL ERCOT						5,055,866	5,055,866	-	-	4,976,798	4,976,798	-	-	(53,204)	(53,204)	128,509	128,509	-	-	3,763	3,763	-	-
2016	WECC		Alberta Electric System Operator	Canada		577,974		577,974		832,971		832,971		-	-	(255,627)		(255,627)		630		630	
2016	WECC		British Columbia Hydro & Power Authority	Canada		902,001		902,001		878,648		878,648		-	-	22,688		22,688		664		664	
2016	WECC		Centro Nacional de Control de Energia	Mexico		189,517			189,517	-	-	184,611		-	-	4,767			4,767	140			140
2016	WECC		Ajo Improvement District	U.S.		158	158	-	-	156	156	-	-	(2)	(2)	4	4	-	-	0	0	-	-
2016	WECC		Arizona Public Service Company	U.S.		414,925	414,925	-	-	408,436	408,436	-	-	(4,366)	(4,366)	10,547	10,547	-	-	309	309	-	-
2016	WECC		City of Williams	U.S.		657	657	-	-	647	647	-	-	(7)	(7)	17	17	-	-	0	0	-	-
2016	WECC		Electrical Districts 3	U.S.		10,627	10,627	-	-	10,461	10,461	-	-	(112)	(112)	270	270	-	-	8	8	-	-
2016	WECC		Majority Districts	U.S.		11,151	11,151	-	-	10,977	10,977	-	-	(117)	(117)	283	283	-	-	8	8	-	-
2016	WECC		Navajo Tribal Utility Authority	U.S.		290	290	-	-	285	285	-	-	(3)	(3)	7	7	-	-	0	0	-	-
2016	WECC		Tohono O'odham Utility Authority	U.S.		900	900	-	-	885	885	-	-	(9)	(9)	23	23	-	-	1	1	-	-
2016	WECC		Town of Wickenburg	U.S.		383	383	-	-	377	377	-	-	(4)	(4)	10	10	-	-	0	0	-	-
2016	WECC		Avista Corporation	U.S.		134,110	134,110	-	-	132,013	132,013	-	-	(1,411)	(1,411)	3,409	3,409	-	-	100	100	-	-
2016	WECC		Kaiser Aluminum Fabricated Products LLC	U.S.		4,537	4,537	-	-	4,467	4,467	-	-	(48)	(48)	115	115	-	-	3	3	-	-
2016	WECC		Pend Oreille County PUD No. 1	U.S.		13,914	13,914	-	-	13,697	13,697	-	-	(146)	(146)	354	354	-	-	10	10	-	-
2016	WECC		PUD No. 2 of Grant County	U.S.		1,240	1,240	-	-	1,220	1,220	-	-	(13)	(13)	32	32	-	-	1	1	-	-
2016	WECC		Bonneville Power Administration-Power Services	U.S.		87,869	87,869	-	-	86,495	86,495	-	-	(925)	(925)	2,233	2,233	-	-	65	65	-	-
2016	WECC		Bonneville Power Administration-Hydro	U.S.		3,001	3,001	-	-	2,954	2,954	-	-	(32)	(32)	76	76	-	-	2	2	-	-
2016	WECC		Bonneville Power Administration-Transmission	U.S.		772,730	772,730	-	-	760,645	760,645	-	-	(8,132)	(8,132)	19,641	19,641	-	-	575	575	-	-
2016	WECC		City of Redding	U.S.		11,201	11,201	-	-	11,026	11,026	-	-	(118)	(118)	285	285	-	-	8	8	-	-
2016	WECC		City of Roseville	U.S.		17,579	17,579	-	-	17,304	17,304	-	-	(185)	(185)	447	447	-	-				

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 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				Prior Year Corrections-WECC					
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Mexico	Total	US	Canada	Mexico		
2016	WECC		Overton Power District No. 5	U.S.	5,567	5,567	-	-	5,480	5,480	-	-	(59)	(59)	142	142	-	-	4	4	-	-	-	-
2016	WECC		Southern Nevada Water Authority	U.S.	1,615	1,615	-	-	1,590	1,590	-	-	(17)	(17)	41	41	-	-	1	1	-	-	-	-
2016	WECC		Basin Electric Power Cooperative	U.S.	6,260	6,260	-	-	6,162	6,162	-	-	(66)	(66)	159	159	-	-	5	5	-	-	-	-
2016	WECC		Basin Electric Power Cooperative (SMGT)	U.S.	4,458	4,458	-	-	4,388	4,388	-	-	(47)	(47)	113	113	-	-	3	3	-	-	-	-
2016	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	131,697	131,697	-	-	129,637	129,637	-	-	(1,386)	(1,386)	3,347	3,347	-	-	98	98	-	-	-	-
2016	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	109	109	-	-	107	107	-	-	(1)	(1)	3	3	-	-	0	0	-	-	-	-
2016	WECC		PacifiCorp West (PACW)	U.S.	295,930	295,930	-	-	291,302	291,302	-	-	(3,114)	(3,114)	7,522	7,522	-	-	220	220	-	-	-	-
2016	WECC		Constellation New Energy	U.S.	2,796	2,796	-	-	2,753	2,753	-	-	(29)	(29)	71	71	-	-	2	2	-	-	-	-
2016	WECC		Noble Americas Energy Solutions, LLC	U.S.	22,359	22,359	-	-	22,010	22,010	-	-	(235)	(235)	568	568	-	-	17	17	-	-	-	-
2016	WECC		PacifiCorp (IPC)	U.S.	31	31	-	-	30	30	-	-	(0)	(0)	1	1	-	-	0	0	-	-	-	-
2016	WECC		PacifiCorp (EasternBaAuth)	U.S.	705,496	705,496	-	-	694,463	694,463	-	-	(7,424)	(7,424)	17,932	17,932	-	-	525	525	-	-	-	-
2016	WECC		PacifiCorp (Portland)	U.S.	58	58	-	-	57	57	-	-	(1)	(1)	1	1	-	-	0	0	-	-	-	-
2016	WECC		PacifiCorp (WAPA-CO-MO)	U.S.	1,719	1,719	-	-	1,692	1,692	-	-	(18)	(18)	44	44	-	-	1	1	-	-	-	-
2016	WECC		Portland General Electric Company	U.S.	257,440	257,440	-	-	253,414	253,414	-	-	(2,709)	(2,709)	6,544	6,544	-	-	192	192	-	-	-	-
2016	WECC		Shell Energy North America	U.S.	611	611	-	-	602	602	-	-	(6)	(6)	16	16	-	-	0	0	-	-	-	-
2016	WECC		Arkansas River Power Authority (ARPA)	U.S.	3,960	3,960	-	-	3,898	3,898	-	-	(42)	(42)	101	101	-	-	3	3	-	-	-	-
2016	WECC		Black Hills Colorado Electric	U.S.	29,865	29,865	-	-	29,398	29,398	-	-	(314)	(314)	759	759	-	-	22	22	-	-	-	-
2016	WECC		Burlington	U.S.	497	497	-	-	490	490	-	-	(5)	(5)	13	13	-	-	0	0	-	-	-	-
2016	WECC		Colorado Springs Utilities	U.S.	710	710	-	-	699	699	-	-	(7)	(7)	18	18	-	-	1	1	-	-	-	-
2016	WECC		Grand Valley Power	U.S.	3,690	3,690	-	-	3,632	3,632	-	-	(39)	(39)	94	94	-	-	3	3	-	-	-	-
2016	WECC		Holy Cross Energy	U.S.	15,348	15,348	-	-	15,108	15,108	-	-	(162)	(162)	390	390	-	-	11	11	-	-	-	-
2016	WECC		Intermountain Rural Electric Association	U.S.	32,417	32,417	-	-	31,910	31,910	-	-	(341)	(341)	824	824	-	-	24	24	-	-	-	-
2016	WECC		Municipal Energy Agency of Nebraska	U.S.	2,522	2,522	-	-	2,482	2,482	-	-	(27)	(27)	64	64	-	-	2	2	-	-	-	-
2016	WECC		Platte River Power Authority	U.S.	46,715	46,715	-	-	45,984	45,984	-	-	(492)	(492)	1,187	1,187	-	-	35	35	-	-	-	-
2016	WECC		Public Service Company of Colorado (Xcel)	U.S.	385,573	385,573	-	-	426,828	426,828	-	-	(4,563)	(4,563)	11,021	11,021	-	-	(47,714)	(47,714)	-	-	-	-
2016	WECC		Public Service Company of Colorado (Xcel)-(WAPA-CO-MO)	U.S.	1,522	1,522	-	-	1,498	1,498	-	-	(16)	(16)	39	39	-	-	1	1	-	-	-	-
2016	WECC		Raton Public Service	U.S.	782	782	-	-	770	770	-	-	(8)	(8)	20	20	-	-	1	1	-	-	-	-
2016	WECC		Town of Center	U.S.	301	301	-	-	297	297	-	-	(3)	(3)	8	8	-	-	0	0	-	-	-	-
2016	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	38,685	38,685	-	-	38,080	38,080	-	-	(407)	(407)	983	983	-	-	29	29	-	-	-	-
2016	WECC		Western Area Power - Loveland, CO	U.S.	2,340	2,340	-	-	2,303	2,303	-	-	(25)	(25)	59	59	-	-	2	2	-	-	-	-
2016	WECC		Yampa Valley Electric Association	U.S.	8,277	8,277	-	-	8,147	8,147	-	-	(87)	(87)	210	210	-	-	6	6	-	-	-	-
2016	WECC		City of Aztec Electric Dept (PSC-NM)	U.S.	329	329	-	-	324	324	-	-	(3)	(3)	8	8	-	-	0	0	-	-	-	-
2016	WECC		City of Aztec Electric Dept (WAPA-CO-MO)	U.S.	260	260	-	-	256	256	-	-	(3)	(3)	7	7	-	-	0	0	-	-	-	-
2016	WECC		City of Gallup	U.S.	3,281	3,281	-	-	3,230	3,230	-	-	(35)	(35)	83	83	-	-	2	2	-	-	-	-
2016	WECC		Jicarilla Apache Nation Power Authority	U.S.	331	331	-	-	326	326	-	-	(3)	(3)	8	8	-	-	0	0	-	-	-	-
2016	WECC		Kit Carson Electric Inc	U.S.	2,114	2,114	-	-	2,080	2,080	-	-	(22)	(22)	54	54	-	-	2	2	-	-	-	-
2016	WECC		Navajo Tribal Utility Authority	U.S.	3,461	3,461	-	-	3,407	3,407	-	-	(36)	(36)	88	88	-	-	3	3	-	-	-	-
2016	WECC		Navapocche Electric Cooperative, Inc.	U.S.	6,292	6,292	-	-	6,194	6,194	-	-	(66)	(66)	160	160	-	-	5	5	-	-	-	-
2016	WECC		Public Service Company of New Mexico	U.S.	133,758	133,758	-	-	131,666	131,666	-	-	(1,408)	(1,408)	3,400	3,400	-	-	100	100	-	-	-	-
2016	WECC		The Incorporated County of Los Alamos	U.S.	8,759	8,759	-	-	8,622	8,622	-	-	(92)	(92)	223	223	-	-	7	7	-	-	-	-
2016	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	41,856	41,856	-	-	41,201	41,201	-	-	(440)	(440)	1,064	1,064	-	-	31	31	-	-	-	-
2016	WECC		US Dept of Energy - Kirtland AFB	U.S.	6,179	6,179	-	-	6,083	6,083	-	-	(65)	(65)	157	157	-	-	5	5	-	-	-	-
2016	WECC		Public Utility District No. 1 of Chelan County	U.S.	24,385	24,385	-	-	24,004	24,004	-	-	(257)	(257)	620	620	-	-	18	18	-	-	-	-
2016	WECC		PUD No. 1 of Douglas County	U.S.	11,729	11,729	-	-	11,545	11,545	-	-	(123)	(123)	298	298	-	-	9	9	-	-	-	-
2016	WECC		Okanogan PUD	U.S.	9,327	9,327	-	-	9,181	9,181	-	-	(98)	(98)	237	237	-	-	7	7	-	-	-	-
2016	WECC		Douglas Palsades / PUD No. 1 of DC	U.S.	284	284	-	-	280	280	-	-	(3)	(3)	7	7	-	-	0	0	-	-	-	-
2016	WECC		PUD No. 2 of Grant County	U.S.	64,608	64,608	-	-	63,598	63,598	-	-	(680)	(680)	1,642	1,642	-	-	48	48	-	-	-	-
2016	WECC		Puget Sound Energy, Inc.	U.S.	339,094	339,094	-	-	333,791	333,791	-	-	(3,568)	(3,568)	8,619	8,619	-	-	252	252	-	-	-	-
2016	WECC		Salt River Project	U.S.	423,164	423,164	-	-	416,546	416,546	-	-	(4,453)	(4,453)	10,756	10,756	-	-	315	315	-	-	-	-
2016	WECC		Seattle City Light	U.S.	138,748	138,748	-	-	136,578	136,578	-	-	(1,460)	(1,460)	3,527	3,527	-	-	103	103	-	-	-	-
2016	WECC		Barrick Goldstrike Mines Inc.	U.S.	20,118	20,118	-	-	19,804	19,804	-	-	(212)	(212)	511	511	-	-	15	15	-	-	-	-
2016	WECC		City of Fallon	U.S.	1,275	1,275	-	-	1,255	1,255	-	-	(13)	(13)	32	32	-	-	1	1	-	-	-	-
2016	WECC		Mt. Wheeler Power	U.S.	7,685	7,685	-	-	7,565	7,565	-	-	(81)	(81)	195	195	-	-	6	6	-	-	-	-
2016	WECC		Truckee Donner Public Utility District	U.S.	2,462	2,462	-	-	2,423	2,423	-	-	(26)	(26)	63	63	-	-	2	2	-	-	-	-
2016	WECC		Beartooth Electric Cooperative	U.S.	1,038	1,038	-	-	1,022	1,022	-	-	(11)	(11)	26	26	-	-	1	1	-	-	-	-
2016	WECC		City of Tacoma DBA Tacoma Power	U.S.	68,992	68,992	-	-	67,913	67,913	-	-	(726)	(726)	1,754	1,754	-	-	51	51	-	-	-	-
2016	WECC		Tucson Electric Power Company	U.S.	212,036	212,036	-	-	208,720	208,720	-	-	(2,231)	(2,231)	5,390	5,390	-	-	158	158	-	-	-	-
2016	WECC		Merced Irrigation District	U.S.	6,892	6,892	-	-	6,785	6,785	-	-	(73)	(73)	175	175	-	-	5	5	-	-	-	-
2016	WECC		Turlock Irrigation District	U.S.	30,604	30,604	-	-	30,125	30,125	-	-	(322)	(322)	778	778	-	-	23	23	-	-	-	-
2016	WECC		Basin Electric Power Cooperative	U.S.	32,770	32,770	-	-	32,258	32,258	-	-	(345)	(345)	833	833	-	-	24	24	-	-	-	-
2016	WECC		Black Hills Colorado Electric/Cheyenne Light Fuel & Power	U.S.	61,163	61,163	-	-	60,206	60,206	-	-	(644)	(644)	1,555	1,555	-	-	46	46	-	-	-	-
2016	WECC		Black Hills State University South Dakota	U.S.	311	311	-	-	306	306	-	-	(3)	(3)	8	8	-	-	0	0	-	-	-	-
2016	WECC		City of Page	U.S.	1,049	1,049	-	-	1,032	1,032	-	-	(11)	(11)	27	27	-	-	1	1	-	-	-	-
2016	WECC		Colorado Springs Utilities	U.S.	66,721	66,721	-	-	65,678	65,678	-	-	(702)	(702)	1,696	1,696	-	-	50	50	-	-	-	-
2016	WECC		Deseret Generation & Transmission Cooperative	U.S.	1,651	1,651	-	-	1,625	1,625	-	-	(17)	(17)	42	42	-	-	1	1	-	-	-	-
2016	WECC		City of Farmington	U.S.	14,190	14,190	-	-	13,968	13,968	-	-	(149)	(149)	361	361	-	-	11	11	-	-	-	-
2016	WECC		Municipal Energy Agency of Nebraska	U.S.	9,155	9,155	-	-	9,012	9,012	-	-	(96)	(96)	233	233	-	-	7	7	-	-	-	-
2016	WECC		Navajo Agricultural Products Industry (NAPI)	U.S.	36	36	-																	

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits				Prior Year Corrections-WECC			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2016	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	251	251	-	-	247	247	-	-	(3)	(3)	6	6	-	-	0	0	-	-
2016	WECC		Electrical District #2	U.S.	2,919	2,919	-	-	2,873	2,873	-	-	(31)	(31)	74	74	-	-	2	2	-	-
2016	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	136	136	-	-	134	134	-	-	(1)	(1)	3	3	-	-	0	0	-	-
2016	WECC		Silver State Energy Association	U.S.	8,125	8,125	-	-	7,998	7,998	-	-	(86)	(86)	207	207	-	-	6	6	-	-
2016	WECC		Arizona Electric Power Cooperative, Inc	U.S.	41,137	41,137	-	-	40,494	40,494	-	-	(433)	(433)	1,046	1,046	-	-	31	31	-	-
2016	WECC		U.S. Army Yuma Proving Ground	U.S.	287	287	-	-	283	283	-	-	(3)	(3)	7	7	-	-	0	0	-	-
2016	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	65	65	-	-	64	64	-	-	(1)	(1)	2	2	-	-	0	0	-	-
2016	WECC		Western Area Power Administration-Desert Southwest Region	U.S.	22,556	22,556	-	-	22,203	22,203	-	-	(237)	(237)	573	573	-	-	17	17	-	-
TOTAL WECC					11,972,373	10,302,881	1,479,975	189,517	12,085,272	10,189,042	1,711,620	184,611	(108,925)	(108,925)	34,927	263,098	(232,939)	4,767	(38,900)	(40,333)	1,294	140
TOTAL ERO					62,936,968	56,968,506	5,778,945	189,517	63,536,968	56,124,869	7,227,488	184,611	(600,000)	(600,000)	(0)	1,449,240	(1,454,007)	4,767	-	(5,604)	5,464	140
Summary by Regional Entity																						
2016	FRCC				3,353,279	3,353,279	-	-	3,300,838	3,300,838	-	-	(35,287)	(35,287)	85,233	85,233	-	-	2,496	2,496	-	-
2016	MRO				4,150,326	3,461,314	689,012	-	4,078,357	3,407,183	671,174	-	(36,424)	(36,424)	105,310	87,979	17,331	-	3,083	2,576	507	-
2016	NPCC				7,694,691	4,084,733	3,609,958	-	8,865,547	4,020,852	4,844,695	-	(42,985)	(42,985)	(1,134,574)	103,825	(1,238,399)	-	6,703	3,040	3,663	-
2016	RF				12,807,701	12,807,701	-	-	12,607,403	12,607,403	-	-	(134,779)	(134,779)	325,545	325,545	-	-	9,532	9,532	-	-
2016	SERC				14,644,708	14,644,708	-	-	14,415,682	14,415,682	-	-	(154,110)	(154,110)	372,238	372,238	-	-	10,899	10,899	-	-
2016	SPP				3,258,023	3,258,023	-	-	3,207,071	3,207,071	-	-	(34,285)	(34,285)	82,812	82,812	-	-	2,425	2,425	-	-
2016	TRE				5,055,866	5,055,866	-	-	4,976,798	4,976,798	-	-	(53,204)	(53,204)	128,509	128,509	-	-	3,763	3,763	-	-
2016	WECC				11,972,373	10,302,881	1,479,975	189,517	12,085,272	10,189,042	1,711,620	184,611	(108,925)	(108,925)	34,927	263,098	(232,939)	4,767	(38,900)	(40,333)	1,294	140
Total					62,936,968	56,968,506	5,778,945	189,517	63,536,968	56,124,869	7,227,488	184,611	(600,000)	(600,000)	(0)	1,449,240	(1,454,007)	4,767	-	(5,604)	5,464	140

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 NERC and RE Assessments

Table with columns for Data Year, Regional Entity ID, Entity, Country, Total Regional Entity Assessments (including WIRAB Assessments), Regional Entity NEL Assessments, Penalty Sanctions - US Only, NPCC CORC Program, Correct WECC 2017 Assessments - PSC of CO, WECC Compliance Assessments (en-AESO), WIRAB Assessments, and Correct WIRAB 2017 Assessments - PSC of CO. Rows include various entities like Alachua, City of; Bartow, City of; Chattahoochee, City of, etc.

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total Regional Entity Assessments (including WRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC CORC Program			Correct WECC 2017 Assessments - PSC of CO				WECC Compliance Assessments (en-AES)				WRAB Assessments				Correct WRAB 2017 Assessments - PSC of CO									
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico						
2016	SERC	1574	Northern Virginia Electric Cooperative	U.S.	76,357	76,357	-	-	75,587	75,587	-	-	(3,231)	(3,231)																									
2016	SERC	1319	Old Dominion Electric Cooperative	U.S.	90,375	90,375	-	-	94,198	94,198	-	-	(3,824)	(3,824)																									
2016	SERC	1618	Oseola (Arkansas) Municipal Light and Power	U.S.	2,694	2,694	-	-	2,807	2,807	-	-	(114)	(114)																									
2016	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	14,207	14,207	-	-	14,808	14,808	-	-	(601)	(601)																									
2016	SERC	1321	Piedmont EMC in Duke and Progress Areas	U.S.	8,885	8,885	-	-	9,261	9,261	-	-	(376)	(376)																									
2016	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	41,491	41,491	-	-	43,246	43,246	-	-	(1,755)	(1,756)																									
2016	SERC	1589	Poitee Coulee Electric Memb. Corp.	U.S.	4,286	4,286	-	-	4,467	4,467	-	-	(181)	(181)																									
2016	SERC	1266	PowerSouth Energy	U.S.	148,651	148,651	-	-	154,940	154,940	-	-	(6,290)	(6,290)																									
2016	SERC	1330	Prairie Power, Inc.	U.S.	26,250	26,250	-	-	27,361	27,361	-	-	(1,111)	(1,111)																									
2016	SERC	1706	Duke Energy Progress	U.S.	781,341	781,341	-	-	814,401	814,401	-	-	(33,060)	(33,060)																									
2016	SERC	1325	Rutherford EMC	U.S.	20,075	20,075	-	-	21,015	21,015	-	-	(940)	(940)																									
2016	SERC	1631	Sam Rayburn G&T Electric Cooperative Inc.	U.S.	30,364	30,364	-	-	31,640	31,640	-	-	(1,276)	(1,276)																									
2016	SERC	1326	South Carolina Electric & Gas Company	U.S.	397,174	397,174	-	-	413,979	413,979	-	-	(16,805)	(16,805)																									
2016	SERC	1327	South Carolina Public Service Authority	U.S.	147,060	147,060	-	-	153,282	153,282	-	-	(6,222)	(6,222)																									
2016	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	9,226	9,226	-	-	9,617	9,617	-	-	(390)	(390)																									
2016	SERC	1328	Cooperative Energy (Formerly SEMPAC)	U.S.	168,061	168,061	-	-	175,109	175,109	-	-	(7,048)	(7,048)																									
2016	SERC	1329	Southern Illinois Power Cooperative	U.S.	27,409	27,409	-	-	28,569	28,569	-	-	(1,160)	(1,160)																									
2016	SERC	1591	Southwest Louisiana Electric Membership Corporation	U.S.	42,315	42,315	-	-	44,105	44,105	-	-	(1,790)	(1,790)																									
2016	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	7,809	7,809	-	-	8,139	8,139	-	-	(330)	(330)																									
2016	SERC	1331	Tennessee Valley Authority	U.S.	2,695,952	2,695,952	-	-	2,810,022	2,810,022	-	-	(114,070)	(114,070)																									
2016	SERC	1592	Tex-La Electric Cooperative of Texas, Inc	U.S.	3,556	3,556	-	-	3,706	3,706	-	-	(150)	(150)																									
2016	SERC	1332	Tombligh Electric Cooperative Inc.	U.S.	5,372	5,372	-	-	5,599	5,599	-	-	(227)	(227)																									
2016	SERC	1594	Town of Sharpsburg, N.C.	U.S.	334	334	-	-	348	348	-	-	(14)	(14)																									
2016	SERC	1595	Town of Stantonsburg, N.C. IRO	U.S.	953	953	-	-	993	993	-	-	(40)	(40)																									
2016	SERC	1333	Town of Waynesville NC	U.S.	1,541	1,541	-	-	1,606	1,606	-	-	(65)	(65)																									
2016	SERC	1334	Town of Winterville NC	U.S.	1,085	1,085	-	-	1,131	1,131	-	-	(46)	(46)																									
2016	SERC	1335	Town of Winterville NC	U.S.	922	922	-	-	961	961	-	-	(39)	(39)																									
2016	SERC	1597	Washington-St Tammany Electric Cooperative, Inc.	U.S.	17,862	17,862	-	-	18,618	18,618	-	-	(756)	(756)																									
TOTAL SERC					17,205,136	17,205,136	-	-	17,933,114	17,933,114	-	-	(727,978)	(727,978)																									
2016	SPP	1246	American Electric Power	U.S.	1,609,644	1,609,644	-	-	1,657,632	1,657,632	-	-	(47,988)	(47,988)																									
2016	SPP	1707	AEP-VEMCO	U.S.	28,693	28,693	-	-	29,549	29,549	-	-	(855)	(855)																									
2016	SPP	1435	Arkansas Electric Cooperative Corporation	U.S.	600,638	600,638	-	-	618,545	618,545	-	-	(17,907)	(17,907)																									
2016	SPP	1247	Board of Public Utilities (Kansas City KS)	U.S.	103,992	103,992	-	-	107,092	107,092	-	-	(3,100)	(3,100)																									
2016	SPP	1620	Board of Public Utilities, City of McPherson, Kansas	U.S.	43,161	43,161	-	-	44,448	44,448	-	-	(1,287)	(1,287)																									
2016	SPP	1637	Carthage City Water & Light	U.S.	13,273	13,273	-	-	13,668	13,668	-	-	(395)	(395)																									
2016	SPP	1469	Central Valley Electric Cooperative	U.S.	34,247	34,247	-	-	35,268	35,268	-	-	(1,021)	(1,021)																									
2016	SPP	1556	City of Bentonville	U.S.	30,352	30,352	-	-	31,257	31,257	-	-	(905)	(905)																									
2016	SPP	1557	City of Clarkdale, Mississippi	U.S.	7,177	7,177	-	-	7,391	7,391	-	-	(214)	(214)																									
2016	SPP	1558	Hope Water & Light (HWL)	U.S.	13,096	13,096	-	-	13,486	13,486	-	-	(390)	(390)																									
2016	SPP	1708	Hopeville	U.S.	6,099	6,099	-	-	6,280	6,280	-	-	(181)	(181)																									
2016	SPP	1559	City of Minden	U.S.	6,405	6,405	-	-	6,596	6,596	-	-	(191)	(191)																									
2016	SPP	1709	City of Nixa	U.S.	7,232	7,232	-	-	7,448	7,448	-	-	(216)	(216)																									
2016	SPP	1703	City of Chanute	U.S.	21,405	21,405	-	-	22,043	22,043	-	-	(638)	(638)																									
2016	SPP	1636	City of Prescott	U.S.	3,769	3,769	-	-	3,881	3,881	-	-	(112)	(112)																									
2016	SPP	1248	Independence Power & Light (Independence, MO)	U.S.	45,921	45,921	-	-	47,390	47,390	-	-	(1,469)	(1,469)																									

2016 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2018 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total Regional Entity Assessments (including WRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only	NPPC CORC Program			Correct WECC 2017 Assessments - PSC of CO				WECC Compliance Assessments (en-AES)				WRAB Assessments				Correct WRAB 2017 Assessments - PSC of CO			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total
2016	WECC	Bonneville Power Administration-Transmission	U.S.	1,683,684	1,683,684	-	-	1,723,418	1,723,418	-	-	(156,772)	(156,772)				6,859	6,859	65,190	65,190	44,752	44,752					237	237				
2016	WECC	City of Redding	U.S.	24,405	24,405	-	-	24,981	24,981	-	-	(2,272)	(2,272)				99	99	945	945	649	649					3	3				
2016	WECC	City of Roseville	U.S.	38,303	38,303	-	-	39,207	39,207	-	-	(3,567)	(3,567)				156	156	1,483	1,483	1,018	1,018					5	5				
2016	WECC	Modesto Irrigation District	U.S.	80,281	80,281	-	-	82,176	82,176	-	-	(7,475)	(7,475)				327	327	3,108	3,108	2,134	2,134					11	11				
2016	WECC	Sacramento Municipal Utility District	U.S.	350,951	350,951	-	-	359,223	359,223	-	-	(32,678)	(32,678)				1,430	1,430	13,588	13,588	9,328	9,328					49	49				
2016	WECC	Basin Electric Power Cooperative	U.S.	51,675	51,675	-	-	52,240	52,240	-	-	(5,765)	(5,765)				208	208	1,979	1,979	1,327	1,327					7	7				
2016	WECC	California Independent System Operator	U.S.	7,119,444	7,119,444	-	-	7,287,460	7,287,460	-	-	(662,908)	(662,908)				24,902	24,902	273,657	273,657	189,233	189,233					1,000	1,000				
2016	WECC	El Paso Electric Company	U.S.	263,112	263,112	-	-	269,321	269,321	-	-	(24,499)	(24,499)				1,072	1,072	10,187	10,187	6,993	6,993					37	37				
2016	WECC	Idaho Power Company	U.S.	478,895	478,895	-	-	490,197	490,197	-	-	(44,591)	(44,591)				1,951	1,951	18,542	18,542	12,729	12,729					67	67				
2016	WECC	Imperial Irrigation District	U.S.	115,301	115,301	-	-	118,022	118,022	-	-	(10,736)	(10,736)				470	470	4,464	4,464	3,065	3,065					16	16				
2016	WECC	Los Angeles Department of Water and Power	U.S.	89,505	89,505	-	-	912,544	912,544	-	-	(83,020)	(83,020)				3,632	3,632	34,518	34,518	23,096	23,096					125	125				
2016	WECC	City of Henderson	U.S.	1,309	1,309	-	-	1,340	1,340	-	-	(122)	(122)				5	5	51	51	35	35					0	0				
2016	WECC	City of Las Vegas	U.S.	1,394	1,394	-	-	1,427	1,427	-	-	(130)	(130)				6	6	54	54	37	37					0	0				
2016	WECC	City of North Las Vegas	U.S.	694	694	-	-	711	711	-	-	(65)	(65)				3	3	27	27	18	18					0	0				
2016	WECC	Clark County Water Reclamation District	U.S.	2,546	2,546	-	-	2,606	2,606	-	-	(237)	(237)				10	10	99	99	68	68					0	0				
2016	WECC	Colorado Commission of Nevada	U.S.	21,843	21,843	-	-	22,358	22,358	-	-	(2,094)	(2,094)				89	89	846	846	581	581					3	3				
2016	WECC	Las Vegas Valley Water District	U.S.	3,262	3,262	-	-	3,339	3,339	-	-	(304)	(304)				13	13	126	126	87	87					0	0				
2016	WECC	Nevada Power Company dba NV Energy	U.S.	998,380	998,380	-	-	1,021,941	1,021,941	-	-	(92,961)	(92,961)				4,067	4,067	38,656	38,656	26,537	26,537					140	140				
2016	WECC	Overton Power District No. 5	U.S.	12,131	12,131	-	-	12,417	12,417	-	-	(1,130)	(1,130)				49	49	470	470	322	322					2	2				
2016	WECC	Southern Nevada Water Authority	U.S.	3,519	3,519	-	-	3,602	3,602	-	-	(328)	(328)				14	14	136	136	94	94					0	0				
2016	WECC	Basin Electric Power Cooperative	U.S.	13,640	13,640	-	-	13,962	13,962	-	-	(1,270)	(1,270)				56	56	528	528	363	363					2	2				
2016	WECC	Basin Electric Power Cooperative (SMGT)	U.S.	9,713	9,713	-	-	9,942	9,942	-	-	(804)	(804)				40	40	376	376	258	258					1	1				
2016	WECC	NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	286,951	286,951	-	-	293,723	293,723	-	-	(26,719)	(26,719)				1,169	1,169	11,110	11,110	7,627	7,627					40	40				
2016	WECC	Western Area Power Administration-Upper Great Plains Region	U.S.	238	238	-	-	243	243	-	-	(22)	(22)				1	1	9	9	6	6					0	0				
2016	WECC	PacificCorp West (PACW)	U.S.	644,795	644,795	-	-	660,011	660,011	-	-	(60,038)	(60,038)				2,627	2,627	24,966	24,966	17,138	17,138					91	91				
2016	WECC	Municipal Energy Agency of Nebraska	U.S.	5,499	5,499	-	-	5,637	5,637	-	-	(603)	(603)				25	25	236	236	146	146					1	1				
2016	WECC	Noble Americas Energy Solutions, LLC	U.S.	48,719	48,719	-	-	49,868	49,868	-	-	(4,536)	(4,536)				198	198	1,888	1,888	7	7					1	1				
2016	WECC	PacificCorp (PC)	U.S.	67	67	-	-	68	68	-	-	(6)	(6)				0	0	3	3	2	2					0	0				
2016	WECC	PacificCorp (Eastern/BAAuth)	U.S.	1,537,191	1,537,191	-	-	1,573,468	1,573,468	-	-	(443,132)	(443,132)				6,262	6,262	59,518	59,518	40,858	40,858					216	216				
2016	WECC	PacificCorp (Portland)	U.S.	127	127	-	-	130	130	-	-	(12)	(12)				1	1	5	5	3	3					0	0				
2016	WECC	PacificCorp (WAPA-CO-MO)	U.S.	3,745	3,745	-	-	3,883	3,883	-	-	(146)	(146)				15	15	145	145	100	100					0	0				
2016	WECC	Portland General Electric Company	U.S.	560,931	560,931	-	-	574,169	574,169	-	-	(52,230)	(52,230)				2,285	2,285	21,719	21,719	14,909	14,909					79	79				
2016	WECC	Shell Energy North America	U.S.	1,332	1,332	-	-	1,364	1,364	-	-	(124)	(124)				5	5	52	52	35	35					0	0				
2016	WECC	Arkansas River Power Authority (ARPA)	U.S.	8,628	8,628	-	-	8,832	8,832	-	-	(803)	(803)				35	35	334	334	229	229					1	1				
2016	WECC	Black Hills Colorado Electric	U.S.	65,073	65,073	-	-	66,609	66,609	-	-	(6,059)	(6,059)				265	265	2,520	2,520	1,730	1,730					9	9				
2016	WECC	Black Hills Utilities	U.S.	1,084	1,084	-	-	1,109	1,109	-	-	(101)	(101)				4	4	41	41	29	29					0	0				
2016	WECC	Colorado Springs Utilities	U.S.	1,548	1,548	-	-	1,584	1,584	-	-	(144)	(144)				6	6	60	60	41	41					0	0				
2016	WECC	Grand Valley Power	U.S.	8,039	8,039	-	-	8,229	8,229	-	-	(749)	(749)				33	33	311	311	214	214					1	1				
2016	WECC	Holy Cross Energy	U.S.	33,441	33,441	-	-	34,230	34,230	-	-	(3,114)	(3,114)				136	136	1,295	1,295	889	889					5	5				
2016	WECC	Intermountain Rural Electric Association	U.S.	70,632	70,632	-	-	72,299	72,299	-	-	(6,577)	(6,577)				288	288	2,735	2,735	1,877	1,877					10	10				
2016	WECC	Municipal Energy Agency of Nebraska	U.S.	5,494	5,494	-	-	5,624	5,624	-	-	(5,624)	(5,624)				3	3	21	21	146	146					1	1				
2016	WECC	Plateau Power Authority	U.S.	101,786	101,786	-	-	104,188	104,188	-	-	(9,477)	(9,477)				415	415	3,941	3,941	2,705	2,705					14	14				
2016	WECC	Public Service Company of Colorado (Xcel)	U.S.	832,051	832,051	-	-	967,079	967,079	-	-	(87,971)	(87,971)				(105,124)	(105,124)	36,581	36,581	25,112	25,112				(16,266)	(16,266)					
2016	WECC	Public Service Company of Colorado (Xcel) (WAPA-CO-MO)	U.S.	3,316	3,316	-	-	3,394	3,394	-	-	(309)	(309)				14	14	128	128	88	88					0	0				
2016	WECC	Raton Public Service	U.S.	1,705	1,705	-	-	1,745	1,745	-	-	(159)	(159)				7	7	66	66	45	45					0	0				
2016	WECC	Town of Center	U.S.	657	657	-	-	672	672	-	-	(61)	(61)				3	3	25	25	17	17					0	0				
2016	WECC	Tri-State Generation & Transmission Assoc. Inc. - Reliability	U.S.	84,291	84,291	-	-	86,280	86,280	-	-	(7,849)	(7,849)				343	343	3,264	3,264	2,240	2,240					12	12				
2016	WECC	Western Area Power - Loveland, CO	U.S.	5,098	5,098	-	-	5,219	5,219	-	-	(475)	(475)				21	21	197	197	136	136					1	1				
2016	WECC	Yampa Valley Electric Association	U.S.	18,034	18,034	-	-	18,460	18,460	-	-	(1,679)	(1,679)				73	73	698	698	479	479					3	3				
2016	WECC	City of Atee Electric Dept (PSC-NM)	U.S.	717	717	-	-	734	734	-	-	(67)	(67)				3	3	28	28	19	19					0	0				
2016	WECC	City of Atee Electric Dept (WAPA-CO-MO)	U.S.	567	567	-	-	581	581	-	-	(53)	(53)				2	2	15	15	15	15					0	0				
2016	WECC	City of Gallego	U.S.	7,149	7,149	-	-	7,318	7,318	-	-	(666)	(666)				29	29	277	277	190	190					1	1				
2016	WECC	Jicarilla Apache Nation Power Authority	U.S.	721	721	-	-	738	738	-	-	(67)	(67)				3	3	28	28	19	19					0	0				
2016	WECC	Kit Carson Electric Inc	U.S.	4,605	4,605	-	-	4,714	4,714	-	-	(429)	(429)				19	19	178	178	122	122					1	1				
2016	WECC	Nav																														

Data Year	Regional Entity	ID	Entity	Country	Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC CORC Program			Correct WECC 2017 Assessments - PSC of CO				WECC Compliance Assessments (ex-AESO)				WIRAB Assessments				Correct WIRAB 2017 Assessments - PSC of CO			
					Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Total	US	Canada	Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico	Total	US	Canada	Mexico
2016	WECC		Arizona Electric Power Cooperative, Inc	U.S.	89,633	89,633	-	-	91,748	91,748	-	-	(8,346)	(8,346)	-	-	-	365	365	-	-	3,470	3,470	-	-	2,382	2,382	-	-	13	13	-	-
2016	WECC		U.S. Army Yuma Proving Ground	U.S.	626	626	-	-	640	640	-	-	(58)	(58)	-	-	-	3	3	-	-	24	24	-	-	17	17	-	-	0	0		
2016	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	141	141	-	-	144	144	-	-	(13)	(13)	-	-	-	1	1	-	-	5	5	-	-	4	4	-	-	0	0		
2016	WECC		Western Area Power Administration-Desert Southwest Region	U.S.	49,146	49,146	-	-	50,306	50,306	-	-	(4,576)	(4,576)	-	-	-	200	200	-	-	1,903	1,903	-	-	1,306	1,306	-	-	7	7		
TOTAL WECC					25,993,026	22,440,666	3,105,677	446,684	27,382,000	23,085,648	3,878,073	418,278	(2,100,000)	(2,100,000)	-	-	-	0	(17,098)	15,434	1,665	(0)	873,242	(889,064)	15,822	711,026	599,463	100,702	10,861	(0)	(590)	532	57
TOTAL ERO					116,077,531	105,143,625	10,487,223	446,684	113,408,357	103,670,970	9,319,108	418,278	(5,776,000)	(5,776,000)	7,734,148	5,793,637	1,940,511	0	(17,098)	15,434	1,665	(0)	873,242	(889,064)	15,822	711,026	599,463	100,702	10,861	(0)	(590)	532	57
Summary by Regional Entity					(0)																												
2016	FRCC				6,660,518	6,660,518	-	-	6,913,663	6,913,663	-	-	(253,145)	(253,145)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2016	MRO				10,730,106	8,940,887	1,789,219	-	10,872,106	9,082,887	1,789,219	-	(142,000)	(142,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2016	NPCC				14,341,787	8,749,460	5,592,327	-	6,682,639	3,030,823	3,651,816	-	(75,000)	(75,000)	7,734,148	5,793,637	1,940,511	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2016	RF				20,147,707	20,147,707	-	-	22,060,584	22,060,584	-	-	(1,912,877)	(1,912,877)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2016	SERC				17,205,136	17,205,136	-	-	17,933,114	17,933,114	-	-	(727,978)	(727,978)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2016	SPP				9,727,265	9,727,265	-	-	10,017,265	10,017,265	-	-	(290,000)	(290,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2016	TRE				11,271,986	11,271,986	-	-	11,546,986	11,546,986	-	-	(275,000)	(275,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2016	WECC				25,993,026	22,440,666	3,105,677	446,684	27,382,000	23,085,648	3,878,073	418,278	(2,100,000)	(2,100,000)	-	-	-	0	(17,098)	15,434	1,665	(0)	873,242	(889,064)	15,822	711,026	599,463	100,702	10,861	(0)	(590)	532	57
Total					116,077,531	105,143,625	10,487,223	446,684	113,408,357	103,670,970	9,319,108	418,278	(5,776,000)	(5,776,000)	7,734,148	5,793,637	1,940,511	0	(17,098)	15,434	1,665	(0)	873,242	(889,064)	15,822	711,026	599,463	100,702	10,861	(0)	(590)	532	57

DOCKET NO. RR17-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2018 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 3

FLORIDA RELIABILITY COORDINATING COUNCIL

PROPOSED 2018 BUSINESS PLAN AND BUDGET



FLORIDA RELIABILITY COORDINATING COUNCIL, INC.
3000 BAYPORT DRIVE, SUITE 600
TAMPA, FLORIDA 33607-8410
PHONE 813.289.5644 • FAX 813.289.5646
WWW.FRCC.COM

Final

2018 Business Plan and Budget

Florida Reliability Coordinating Council, Inc.

Approved: 06-29-17

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2018 Budget	U.S.	Canada	Mexico
Statutory FTEs	30.63			
Non-statutory FTEs	20.21			
Total FTEs	50.84			
Statutory Expenses	\$ 7,499,956			
Non-Statutory Expenses	\$ 11,325,743			
Total Expenses	\$ 18,825,699			
Statutory Inc(Dec) in Fixed Assets	\$ 14,156			
Non-Statutory Inc(Dec) in Fixed Assets	\$ 409,284			
Total Inc(Dec) in Fixed Assets	\$ 423,440			
Statutory Working Capital Requirement*	(508,449)			
Non-Statutory Working Capital Requirement**	53,301			
Total Working Capital Requirement	(455,148)			
Total Statutory Funding Requirement	\$ 7,005,663			
Total Non-Statutory Funding Requirement	\$ 11,788,328			
Total Funding Requirement	\$ 18,793,991			
Statutory Funding Assessments	\$ 6,660,518	\$ 6,660,518		
Non-Statutory Fees	\$ 11,584,228	\$ 11,584,228		
NEL	234,140	234,140		
NEL%				

*Refer to Table B-1 on page 40 in Section B.

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

Organizational Overview

The Florida Reliability Coordinating Council (FRCC) is a Florida not-for-profit corporation that was formed in 1996 and is one of the eight regions of the North American Electric Reliability Corporation (NERC). The FRCC's mission is to identify, prioritize, and assure effective and cost efficient mitigation of risks to the reliability and security of the peninsular Florida bulk power system. The FRCC's Web site is 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 45 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 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 (RDA) with NERC, as the Electric Reliability Organization (“ERO”), under the authority of the FERC. The functions performed by the FRCC Regional Entity Division include regional reliability standards development, compliance monitoring and enforcement of reliability standards, reliability assessment and performance analysis, event analysis and reliability improvement, training and education, situation awareness and infrastructure security. The Regional Entity division of the FRCC has one standing committee, the FRCC Regional Entity Committee and Compliance Forum (RECCF). This committee provides input to the FRCC in support of the delegated activities and functions. The RECCF actively participates in the development of the Regional Entity Business Plan and Budget by reviewing and providing comments on assumptions, goals, resources and verbiage to the FRCC staff and to the Board of Directors.

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

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

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

Membership and Governance

The FRCC’s members include investor-owned utilities, cooperative utilities, municipal utilities, power marketers, independent power producers and others. Membership is currently 32 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

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 November 4, 2015, FERC approved revised delegation agreements between NERC and the eight (8) Regional Entities that became effective January 1, 2016 and will expire at the end of 2020. These delegation agreements describe the responsibility and authority delegated to the Regional Entities. NERC and the Regional Entities worked collaboratively to revise the delegation agreements which were presented to the NERC Board of Trustees for approval mid-2015 and were approved by FERC and became effective January 1, 2016. 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 the delegation agreement. NERC and the Regional Entities will continue to work under the existing regulatory framework governing the establishment and enforcement of reliability standards for the Bulk Power System (BPS). The delegated functions as defined by the NERC Rules of Procedures include:

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

2018 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of shared assumptions and key focus areas developed jointly by NERC and the Regional Entities (see Exhibit A of the NERC 2018 Business Plan and Budget) as part of the annual business plan and budget process. The significant assumptions underlying FRCC’s 2018 business plan include:

- NERC and the Regional Entities will continue to work under the existing regulatory framework governing the establishment and enforcement of Reliability Standards for the BES.
- NERC and Regional Entity collaboration to refine and revise processes and procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measurable reliability outcomes will continue.
- NERC and the Regional Entities will continue to develop their Business Plan and Budgets (BP&B’s) based upon the assumption of continued stakeholder participation in support of key program areas, while recognizing that stakeholder resource limitations may affect specific levels of participation in any given activity.

- The number of continent-wide Reliability Standards development projects is expected to remain relatively stable, except as required to address any new FERC directives to create or modify Reliability Standards, or industry submittals of standard authorization requests.
- Continent-wide Reliability Standards projects will consist primarily of conducting enhanced periodic reviews on existing Reliability Standards to improve their content and quality, respond to identified risks to reliability (including those that may be identified through the implementation of risk-based Compliance Monitoring and Enforcement), and address FERC directives that may arise.
- Regional Reliability Standards development activity is expected to remain low.
- Compliance personnel will need to continue support of the implementation of cybersecurity Reliability Standards:
 - NERC will continue Critical Infrastructure Protection (CIP) V5 training, coordination, and facilitation with the ERO Enterprise CIP auditors and the industry. ERO Enterprise CIP subject matter experts will support these activities to ensure appropriate knowledge and guidance is developed, understood by industry, and administered.
 - The allocation of resources in 2018 should be responsive to continued implementation by registered entities of new versions of the CIP Reliability Standards, while recognizing that the risk-informed focus will be used.
- The implementation of the risk-based CMEP requires the allocation of dedicated resources from NERC and the Regional Entities for both compliance and enforcement. Regional Entities will require resources to complete the Inherent Risk Assessments (IRAs) for all registered entities in 2017-2019. In addition, Regional Entities will require resources to continuously update previously completed IRAs based on identified triggers and focus on creating compliance oversight plans that include compliance monitoring tools, the interval of compliance monitoring, and the Reliability Standards that are to be monitored.
- The success of the Compliance Monitoring and Enforcement Process Tool project, Entity Registration project and the Enterprise Reporting data warehouse project will be dependent on Regional Entity participation. The Regional Entities should consider allocating resources at an adequate level of participation to support the success of these projects.
- The results from the 2016 registration program review will result in modifications to the program in 2018. The work for 2017 and 2018 will be prioritized by the Organization Registration and Certification Group which may include an in-depth review of Joint Registration Organizations/Coordinated Functional Registrations.
- The activities associated with the implementation of the BES definition have decreased and, therefore, no additional resource demands are expected in the registration area. However, with applications for Self-Determined Notifications no longer being accepted through the ERO Enterprise BESnet application, Regional Entities will need to validate, with NERC oversight, their submittal to determine complete and proper application of the BES definition requiring continued need of the existing resources.
- NERC and the Regional Entities will continue to focus resources on high quality reliability assessments that address goals and their associated contributing activities identified in the ERO Enterprise's 2017-2020 Strategic Plan for Goal 3 – Identification and Mitigation of Significant Risks to Reliability and Goal 4 – Identification and Assessment of Emerging Risks to Reliability.
- NERC and the Regional Entities will continue to support a common approach for NERC reliability assessments and ensure consistent evaluation, aligned with the ROP Section

- 800, Reliability Assessment Guidebook, and the Reliability Assessment Oversight Plan to be developed in 2017.
- NERC and the Regional Entities will advance data management strategies and analytical capabilities for identifying and determining reliability risks and conducting reliability assessments by:
 - Integrating the analysis and measures of essential reliability services (ERS) into the Long-Term Reliability Assessment. The process encompasses new data collection and analysis approaches needed to address assessment objectives of identifying reliability issues due to a changing resource mix.
 - Providing technical resources to examine transmission and deliverability studies and providing high-level evaluation for the Long-Term Reliability Assessment.
 - Providing technical resources, advanced statistical analysis tools, objective expert input, and reliability leadership for the advancement of probabilistic analyses supporting the Long-Term Reliability Assessment.
 - Support the NERC Enterprise Reporting Project to ensure Reliability Assessment data is integrated and supported by analytical reporting, data checking, and validation tools.
 - NERC and the Regional Entities may require contractor and consultant services to maintain continued support and technical expertise associated with activities listed in the above assumptions with supporting special assessment, scenario, or other technical research efforts. This could potentially impact both NERC and Regional Entity resource allocation.
 - NERC will continue to fund the ERO Enterprise Learning Portal. NERC will work with the Regional Entities to consolidate learning resources and promote better coordination, planning, delivery, and management of learning activities across the ERO Enterprise in concert with Region-specific learning activities/requirements.
 - Regional Entities must allocate resources to address compliance and enforcement staff learning needs that are associated with the implementation of the risk-informed CMEP.
 - Regional Entities should continue to budget travel funds for attendance at development meetings that result from special requirements as business needs are clarified throughout the year.
 - The Regional Entities, in collaboration with NERC, will jointly contribute to the assessment and determination of ERO Enterprise learning and outreach needs. This includes advocating flexibility in the approach between Regional Entities, and anticipating areas of support for their staff and stakeholders regarding the ERO Enterprise programs.
 - NERC and the Regional Entities will continue to focus resources on system insights from high quality performance analysis, including:
 - Development and implementation of expanded and enhanced enterprise-based data collection and analysis systems, and capabilities for performance analyses. This area includes Transmission Availability Data System (TADS), Generating Availability Data System (GADS), Demand Response Availability Data System (DADS), Event Analysis, Alerts, substation equipment failure, and protection systems misoperations data.
 - Providing technical resources, analytical tools, and expertise to perform analyses as needed, including supporting and identifying risk priorities for standards development, compliance, and enforcement activities.
 - Support the NERC Enterprise Reporting Project to ensure Performance Analysis data is integrated into consolidated system and supported by analytical reporting tools, as well as

-
- feedback loops to other parts of the ERO Enterprise such as compliance, standards, enforcement, etc.
- Regional Entities will continue to budget for event analysis and situational awareness activities based on their respective Region’s historical workload, as they did in the past.
 - Registered entity participation in the ERO Enterprise Event Analysis Process, which involves active participation by Regional Entity staffs, will continue at or above current levels through 2018-2020.
 - NERC and the Regional Entities will advance modeling improvement capabilities to ensure the power system planning and operation models closely resemble actual operating conditions.
 - Perform periodic model validation against measured quantities and operational practices of the power system.
 - Perform case quality and fidelity assessment on interconnection wide models.
 - Drive the advancement and use of dynamic load modeling on an interconnection-wide basis.
 - Drive the advancement and use of inverter-based modeling on interconnection wide basis.
 - NERC and the Regional Entities will work collaboratively to enhance the ERO Enterprise’s capability for event and forensic analysis, including:
 - Development of a process to ensure the compilation and creation of steady state, short circuit, and dynamic simulation model cases for use in the investigation and analysis of major power system disturbance events.
 - Evaluation of event disturbances using phasor measurements and other methods to assess sufficiency of data and models.
 - Continue ongoing support for the technical committees and associated subcommittees, working groups, and task forces related to Event Analysis. Regional Entity involvement is expected to remain at current levels with no additional resources required from the Regional Entities.
 - Regional Entities will support critical infrastructure security activities in the context of situation awareness, using those designated resources, unless specifically budgeted and managed elsewhere.
 - Ongoing investments will be required to develop, implement, and maintain enhancements to the NERC and Regional Entity websites, ERO Enterprise applications, and ERO Enterprise data repositories, which are required to improve access to information and data. NERC and the Regional Entities will separately fund any enhancements to their own websites.

2018 Goals and Key Focus Areas (Regional Entity Division)

- Continue to encourage stakeholder awareness and participation in the NERC standards development process as required to address reliability and stakeholder issues that may arise within the FRCC region.
- Continue to monitor the need for development of Regional Reliability Standards or regional variances that are required by NERC Reliability Standards or are needed for reliability within the FRCC region.
- Support and continue the implementation of Risk-based Compliance Monitoring and Enforcement, including implementing plans to complete and update Inherent Risk Assessments (IRA), implement refinements to Internal Controls Evaluations (ICEs)

conduct controls reviews during monitoring engagements, and assure that Compliance Oversight Plans (COPs) are addressing appropriate risks for all Registered Entities in the FRCC Region.

- Work with NERC and the other Regional Entities to support the BES Exception Process execution, technical validation of the definition and exception requests, self-determined notification submittals, and periodic reviews of network changes affecting BES determinations.
- Continue CIP V5 Outreach during the implementation of the compliance monitoring and assurance program for both CIP V5 and CIP-014.
- Continue collaboration with NERC and the other Regional Entities to improve consistency, quality, and timeliness of compliance monitoring and enforcement practices that focus on higher risks to the reliability of the BES. Continue to be a strong enforcement authority that is independent, without conflict of interest, objective and fair, using enforcement discretion when warranted and imposing penalties and sanctions that are commensurate with risk.
- Continue to be actively involved in all CMEP activities regarding the coordinated oversight of multi-region registered entities in the FRCC region to promote consistency and efficiency of oversight for the registered entities.
- Work with NERC and the other Regional Entities to participate in teams to help develop application business requirements and test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Compliance Monitoring and Enforcement Process Tool project will be dependent on Regional Entity participation. FRCC will allocate resources at an adequate level of participation to support the success of this project.
- Support NERC to 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.
- Support the ERO efforts to expand the assessment and performance analysis capabilities 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.
- Support ERO activities to identify key reliability risks and appropriate risk control projects designed to enhance reliability or mitigate 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.

2018 Overview of Cost Impacts

The FRCC's proposed 2018 Regional Entity budgeted expenses and net fixed assets (see page 13) is \$7,514,112 which is a \$336,258 or 4.7% increase over the 2017 budget. The major drivers of the increase are the net effect of:

- Salaries are based on the assumption of a 3% merit increase pool plus promotions and adjustments and a 13% vacancy factor based on historical attrition.

- The addition of one Senior Reliability Engineer

2018 Key Focus Areas by Program

In 2018, FRCC will achieve the following key objectives:

- **Reliability Standards Development** — Continue support of the ERO Enterprise in its efforts to further improve the quality and content of Reliability Standards, including using feedback loops as part of enhanced periodic reviews that are focused on conducting measured, in-depth reviews using the enhanced periodic review template. Support ERO activities necessary to incorporate Regional Standards into continent-wide standards as variances as standards are reviewed through the enhanced periodic review process. Support outreach during standard development and assist in the transition of standards to compliance monitoring and enforcement.
- **Compliance Monitoring and Enforcement** — Continue implementation of the risk-based compliance monitoring and enforcement program, including the completion of Inherent Risk Assessments, Internal Controls Evaluations, controls reviews during monitoring engagements, and the development of Compliance Oversight Plans using consistent practices that are focused on higher reliability risks. 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.
- **Organization Registration and Certification** – Continue implementation of the risk-based registration activities with a focus on the collaborative development of a consistent registration program throughout the ERO Enterprise. Continue the regional efforts to utilize risk and materiality in the decision process for entity registrations and support the activities of the NERC-led Review Panel to focus on continent-wide resolutions for registration issues, while addressing individual entity issues concerning registration. Support the ERO activities to improve consistency in the Certification and Certification Review process. Focus Certification Review activities on areas of risk and tailor engagements based on entity performance and the results of Inherent Risk Assessments. Work with NERC and the other Regional Entities to support the BES Exception Process execution, technical validation of the definition and exception requests, self-determined notification submittals, and periodic reviews of network changes affecting BES determinations.
- **Event Analysis** — Continue to support improved reliability through reporting and categorizing of system events and security incidents. Consistently analyze events for sequence, cause, system performance, remediation, and improvement opportunities. Continue to identify potential reliability risks and gaps in standards, compliance monitoring effectiveness, registration and risk controls effectiveness. Work to ensure that the industry is well informed of large system events, emerging trends, risk analysis and lessons learned. Provide timely written lessons learned and recommendations from events (or occurrences) and provide to industry through various sharing methods (i.e. website posting and briefings at committee meetings).
- **Critical Infrastructure Protection and Cyber Security** — Facilitate, educate and support Registered Entities in their understanding of the CIP reliability standards and responding to cyber security alerts. Continue CIP V5 training, coordination, and facilitation with the ERO Enterprise CIP auditors. Provide education and outreach to

stakeholders to ensure their understanding of the technical aspects of the requirements CIP V5, CIP-013 and CIP-014.

- **Reliability Assessments** — Provide annual, seasonal, probabilistic, and Short-Term special reliability assessments of the reliability of the FRCC BES in accordance with NERC definitions and requirements. Conduct special reliability assessments as necessary and provide input to NERC studies specific to the conditions and needs of the FRCC region. In support of NERC and FRCC objectives, advance analytical capabilities for identifying and determining reliability risks and conducting various reliability assessments. Work with NERC and the other Regional Entities to develop and track performance metrics that demonstrate the accuracy of the powerflow and dynamics models to replicate actual system conditions and reliability behavior. Work with NERC and the other Regional Entities to support the BES Exception Process execution, technical validation of the definition and exception requests, self-determined notification submittals, and periodic reviews of network changes affecting BES determinations.
- **Training, Education and Operator Certification** – Continue to conduct System Operator Training seminars to improve collaboration and communication between FRCC System Operators, conduct restoration drills and maintain reliability excellence. Continue to hold Compliance and Standards Workshops and Webinars to provide support for stakeholders in understanding and implementing reliability standards requirements. Provide and maintain administrative support to the FRCC portion of the ERO Enterprise Learning Portal.
- **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 the Regional Entities (SAFNrv2). Issue and track security recommendations to protect the Bulk Power System. Share information learned in Situation Awareness with the Events Analysis program to develop relevant lessons learned and identify gaps in standards, compliance effectiveness, registration and risk control effectiveness. Support and promote rapid and appropriate sharing of situational awareness information regarding security occurrences.
- **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 2018 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.

NERC and the Regional Entities have developed a common operating model that describes the characteristics of a highly effective and efficient ERO Enterprise. The operating model includes action items to address coordinated strategic and business planning as well as performance monitoring processes across the ERO Enterprise. These processes remain transparent, with results reported on a quarterly basis to NERC's Board of Trustees and Corporate Governance and Human Resources Committee.

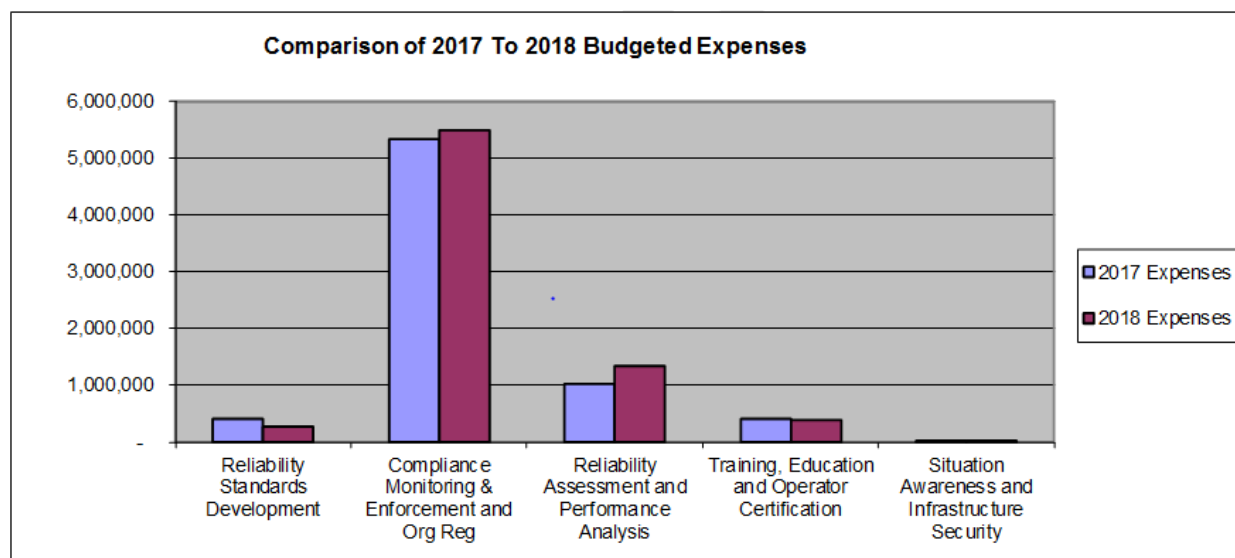
At the November 2016 NERC Board meeting, an updated version of the ERO Enterprise Strategic Plan with goals, objectives, and focus areas for the 2017–2020 planning period was approved. The strategic plan lays out five goals that the ERO Enterprise will focus on over the next three years. They include (1) risk-responsive Reliability Standards; (2) objective and risk-informed compliance monitoring and enforcement, as well as organization certification and registration; (3) identification and mitigation of significant reliability risks; (4) identification and assessment of emerging reliability risks; and (5) effective and efficient ERO Enterprise operations. The plan also identifies a number of associated contributing activities to achieve the goals of the ERO Enterprise. There are also seven overarching performance metrics to assess the overall effectiveness of the ERO Enterprise in addressing risk to the Bulk Electric System (BES) and improving BES reliability in 2017. These metrics concentrate on (1) experiencing fewer, less severe events, (2) allowing no gaps in Reliability Standards and compliance monitoring, (3) foreseeing resource deficiencies, (4) preventing unauthorized physical or cyber security access that disrupts BES facilities, (5) reducing reliability risk from noncompliance, (6) decreasing risks in targeted areas, and (7) managing NERC operations in an efficient and effective manner. With the ERO Strategic Plan, the developed performance metrics, and the set of common assumptions, the 2018 Business Plan and Budgets of NERC and the Regional Entities will support and complement each other. The Shared Business Plan and Budget Assumptions (Exhibit A of the 2018 NERC Business Plan and Budget) incorporate assumptions affecting resource demands through the 2020 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 strength 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.

Program Funding	Budget 2017	Projection 2017	Budget 2018	Variance	
				2018 Budget v 2017 Budget	Variance %
Reliability Standards Development	\$ 398,334	398,335	\$ 270,452	\$ (127,882)	-32.1%
Compliance Monitoring & Enforcement and Org Reg	5,335,423	5,335,423	5,498,173	162,750	3.1%
Reliability Assessment and Performance Analysis	1,024,290	1,024,290	1,337,329	313,040	30.6%
Training, Education and Operator Certification	410,130	412,130	394,743	(15,387)	-3.8%
Situation Awareness and Infrastructure Security	9,678	9,677	13,414	3,737	38.6%
Total Budget	\$ 7,177,854	\$ 7,179,855	\$ 7,514,112	\$ 336,258	4.7%



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

Total FTE's by Program Area	Budget 2017	Projection 2017	Direct	Shared	Total FTEs 2018	Change from 2017
			FTEs 2018 Budget	FTEs ¹ 2018 Budget		
STATUTORY						
Operational Programs						
Reliability Standards Development	1.48	1.17	0.94		0.94	-0.54
Compliance Monitoring & Enforcement and Org Reg	19.58	18.38	19.65		19.65	0.07
Reliability Assessment and Performance Analysis	3.60	3.65	2.00	2.31	4.31	0.71
Training, Education and Operator Certification	1.11	1.17	1.07		1.07	-0.04
Situation Awareness and Infrastructure Security	0.03	0.05	0.04		0.04	0.01
Total FTEs Operational Programs	25.80	24.42	23.70	2.31	26.01	0.21
Administrative Programs						
General & Administrative	4.19	4.35		4.62	4.62	0.43
Total FTEs Administrative Programs	4.19	4.35	0.00	4.62	4.62	0.43
Total FTEs	29.99	28.77	23.70	6.93	30.63	0.64

2017 Statutory Budget and Projection and 2018 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2017 Budget & Projection, and 2018 Budget					
STATUTORY					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 6,163,896	\$ 6,163,895	\$ (1)	6,660,518	\$ 496,623
Penalty Sanctions	95,000	95,001	1	253,145	158,145
Total ERO Funding	\$ 6,258,896	\$ 6,258,896	\$ 0	\$ 6,913,663	\$ 654,768
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	92,000	94,000	2,000	92,000	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 6,350,896	\$ 6,352,896	\$ 2,001	\$ 7,005,663	\$ 654,768
Expenses					
Personnel Expenses					
Salaries	\$ 3,958,699	3,918,676	\$ (40,023)	\$ 4,289,416	\$ 330,717
Payroll Taxes	233,832	226,334	(7,498)	249,708	15,876
Benefits	687,962	668,469	(19,493)	684,682	(3,280)
Retirement Costs	591,944	590,515	(1,429)	654,985	63,041
Total Personnel Expenses	\$ 5,472,437	\$ 5,403,994	\$ (68,443)	\$ 5,878,791	\$ 406,354
Meeting Expenses					
Meetings	\$ 81,212	\$ 78,808	\$ (2,404)	\$ 72,593	\$ (8,619)
Travel	170,086	161,820	(8,266)	164,498	(5,588)
Conference Calls	13,281	15,299	2,018	15,150	1,869
Total Meeting Expenses	\$ 264,579	\$ 255,927	\$ (8,652)	\$ 252,241	\$ (12,338)
Operating Expenses					
Consultants & Contracts	\$ 530,329	\$ 490,095	\$ (40,234)	\$ 481,554	\$ (48,775)
Office Rent	552,603	597,413	44,810	625,292	72,689
Office Costs	132,513	167,189	34,676	113,073	(19,440)
Professional Services	37,499	44,010	6,511	35,824	(1,675)
Miscellaneous	-	-	-	-	-
Depreciation	142,625	135,778	(6,847)	113,181	(29,444)
Total Operating Expenses	\$ 1,395,569	\$ 1,434,485	\$ 38,916	\$ 1,368,924	\$ (26,645)
Total Direct Expenses	\$ 7,132,585	\$ 7,094,406	\$ (38,179)	\$ 7,499,956	\$ 367,371
Indirect Expenses	\$ -	\$ 1	\$ 1	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 7,132,585	\$ 7,094,407	\$ (38,178)	\$ 7,499,956	\$ 367,371
Change in Assets	\$ (781,690)	\$ (741,511)	\$ 40,179	\$ (494,293)	\$ 287,397
Fixed Assets					
Depreciation	\$ (142,625)	\$ (135,778)	\$ 6,847	\$ (113,181)	\$ 29,444
Total Fixed Asset Purchases	187,894	118,168	(69,726)	127,337	(60,557)
Change in Fixed Assets	(45,269)	17,610	62,879	(14,156)	31,113
TOTAL BUDGET	\$ 7,177,854	\$ 7,076,797	\$ (101,057)	\$ 7,514,112	\$ 336,258
TOTAL CHANGE IN WORKING CAPITAL	\$ (826,959)	\$ (723,901)	\$ 103,058	\$ (508,449)	\$ 318,510
FTEs	29.99	28.77	(1.22)	30.63	0.64

Section A – Statutory Programs

2018 Business Plan and Budget

Reliability Standards Development Program

Reliability Standards Development Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	1.48	0.94	(0.54)
Direct Expenses	\$ 347,092	\$ 233,589	\$ (113,503)
Indirect Expenses	\$ 49,665	\$ 36,411	\$ (13,254)
Inc(Dec) in Fixed Assets	\$ 1,577	\$ 452	\$ (1,125)
Total Funding Requirement	\$ 398,334	\$ 270,452	\$ (127,882)

Program Scope and Functional Description

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

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

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

2018 Key Assumptions

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

- The number of continent-wide standards development projects is expected to remain relatively stable, except as required to address any new FERC directives to create or modify Reliability Standards, or industry submittals of standard authorization requests.
- Continent-wide standards projects will consist primarily of conducting enhanced periodic reviews to improve the content and quality of existing standards, responding to identified risks to reliability (including those that may be identified in the implementation of risk based CMEP activities), and addressing FERC directives that may arise.
- The number of interpretation requests is expected to remain low, however the guidance requests associated with the implementation of Standards may increase.

- FRCC has no Regional Reliability Standards and none are currently planned for the future.
- NERC and the Regional Entities will continue to provide communication and outreach opportunities as standards are developed and following FERC approval of new and revised standards. Additionally, following FERC approval, Regional Entities will assist the transition of standards to compliance monitoring and enforcement by providing knowledge that supports industry and auditor training.

2018 Goals and Key Focus Areas

The Standards Program objectives for 2018 are to follow and participate in the NERC Standards Development Process. Continue to encourage stakeholder awareness and participation in the NERC standards development process to address reliability and stakeholder issues that may arise within the FRCC region. Support the development of Standard's guidance requests as appropriate.

- Continue to monitor the need for development of Regional Reliability Standards or regional variances that are required by NERC Reliability Standards or are needed for reliability within the FRCC region.
- Assist the FRCC members and Registered Entities in following and understanding NERC standards development activities by continuing education and outreach programs to include:
 - Development and presentation at 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 and solutions associated with NERC Reliability Standards under development.
 - Continue to support the FRCC RECCF to fully vet and identify any concerns and assist in articulating the concern and possible solution to standard drafting teams as appropriate.
- Continue to utilize the regional feedback loop process to conduct measured, in-depth reviews to improve Reliability Standards in support of the Enhanced Periodic Review process.

Reliability Standards Development Program

Funding sources and related expenses for the reliability standards section of the 2017 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2017 Budget & Projection, and 2018 Budget

Reliability Standards Development

	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 392,887	\$ 392,887	\$ 0	\$ 261,304	\$ (131,583)
Penalty Sanctions	\$ 5,448	\$ 5,448	\$ 0	9,149	3,701
Total ERO Funding	\$ 398,334	\$ 398,335	\$ 1	\$ 270,452	\$ (127,882)
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 398,334	\$ 398,335	\$ 1	\$ 270,452	\$ (127,882)
Expenses					
Personnel Expenses					
Salaries	\$ 212,820	\$ 169,928	\$ (42,892)	\$ 143,677	\$ (69,143)
Payroll Taxes	12,687	9,874	(2,813)	8,428	(4,259)
Benefits	37,965	30,819	(7,146)	25,711	(12,254)
Retirement Costs	31,264	25,133	(6,131)	21,554	(9,710)
Total Personnel Expenses	\$ 294,736	\$ 235,754	\$ (58,982)	\$ 199,370	\$ (95,366)
Meeting Expenses					
Meetings	\$ 1,479	\$ 1,389	\$ (90)	\$ 772	\$ (707)
Travel	11,676	11,487	(189)	5,468	(6,208)
Conference Calls	1,997	2,280	283	3,138	1,141
Total Meeting Expenses	\$ 15,152	\$ 15,156	\$ 4	\$ 9,378	\$ (5,774)
Operating Expenses					
Consultants & Contracts	\$ 7,443	\$ 6,722	\$ (721)	\$ 3,992	\$ (3,451)
Office Rent	19,814	17,517	(2,297)	14,044	(5,770)
Office Costs	5,308	5,940	632	3,874	(1,434)
Professional Services	2,150	2,102	(48)	1,301	(849)
Miscellaneous	-	-	-	-	-
Depreciation	2,489	1,692	(797)	1,630	(859)
Total Operating Expenses	\$ 37,204	\$ 33,973	\$ (3,231)	\$ 24,841	\$ (12,363)
Total Direct Expenses	\$ 347,092	\$ 284,883	\$ (62,209)	\$ 233,589	\$ (113,503)
Indirect Expenses	\$ 49,665	\$ 43,662	\$ (6,003)	\$ 36,411	\$ (13,254)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 396,757	\$ 328,545	\$ (68,212)	\$ 270,000	\$ (126,757)
Change in Assets	\$ 1,577	\$ 69,790	\$ 68,213	\$ 452	\$ (1,125)
Fixed Assets					
Depreciation	\$ (2,489)	\$ (1,692)	\$ 797	\$ (1,630)	\$ 859
Total Fixed Asset Purchases	4,066	2,315	(1,751)	2,082	(1,984)
Change in Fixed Assets	\$ (1,577)	\$ (623)	\$ 954	\$ (452)	\$ 1,125
TOTAL BUDGET	\$ 398,334	\$ 329,168	\$ (69,166)	\$ 270,452	\$ (127,882)
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ 69,167	\$ 69,167	\$ -	\$ -
FTEs	1.48	1.17	(0.31)	0.94	(0.54)

Compliance Monitoring and Enforcement Program and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program			
(in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	19.59	19.65	0.06
Direct Expenses	\$ 4,632,111	\$ 4,732,295	\$ 100,184
Indirect Expenses	\$ 657,391	\$ 761,150	\$ 103,759
Inc(Dec) in Fixed Assets	\$ 45,921	\$ 4,728	\$ (41,193)
Total Funding Requirement	\$ 5,335,423	\$ 5,498,173	\$ 162,750

Program Scope and Functional Description

Implementation of a risk-based Compliance Monitoring and Enforcement program supports FRCC's mission to identify, prioritize, and assure effective and cost efficient mitigation of risks to the reliability and security of the peninsular Florida bulk power system. Appropriate registration and certification of entities also supports the mission of reliability. 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.

Organization Registration and Certification activities are carried out by the Reliability Performance and Registration staff and by utilizing the results of the regional BES assessments and the Inherent Risk Assessments (IRA) to properly register entities within the FRCC region based on risk and materiality. Certifications and Certification Reviews ensure the operational readiness of the Transmission Operators (TOP) and Balancing Authorities (BA) in the FRCC region. The FRCC has focused the Certification and Certification Review activities on areas of risk and tailor's engagements based on the entity's performance and the results of IRAs. The FRCC Reliability Performance and Registration staff work in collaboration with the Registration and Certification staff of the other Regional Entities and with NERC to consistently implement the Statement of Compliance Registry Criteria, detailed in Appendix 5B of the NERC Rules of Procedure and the ERO Organization Certification Program.

Compliance and Enforcement activities are independent of all users, owners and operators of the BES for which FRCC maintains CEA responsibility. Through a risk-based program that places the focus on those risks that are most important to the reliability of the BES, FRCC will strive to increase the level of reliable operation of the BES in the FRCC Region.

The NERC Compliance Monitoring and Enforcement Program (CMEP) is the program used by the FRCC to monitor, assess, and enforce compliance with Reliability Standards within the FRCC Region. The FRCC compliance and enforcement staff works with the compliance and enforcement staff of the other Regional Entities and with NERC to strive for consistency in the implementation of the CMEP.

2018 Highlights of Compliance Monitoring and Enforcement Processes

The implementation of risk-based compliance monitoring and enforcement will include an analysis of risk to develop an appropriate compliance oversight plan for each Registered Entity. Balancing Authorities and Transmission Operators will continue to be reviewed at least every 3 years. However, the application of risk based principles will likely result in certain FRCC entities being monitored more frequently. The review of a Registered Entity's inherent risk will be the foundation in the development of each entity's specific compliance oversight plan. FRCC staff will continue to review and encourage registered entities toward the development and maintenance of entity internal controls that lower risk to compliance, reliability, and security. Compliance staff will continue a strong outreach program to assist registered entities in their understanding of the risk-based compliance program as well as the details of CIP V5 reliability standards.

Organization 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 and the Statement of Compliance Registry Criteria, detailed in Appendix 5B of the NERC Rules of Procedure. After implementing the reforms as part of the Risk Based Registration effort in 2016, there are currently 45 Registered Entities with a total of 167 registered functions. Maintaining a complete and accurate registration database will be an ongoing activity. The FRCC will develop, maintain and provide to NERC accurate information on entity registration within the FRCC Region with updates as changes occur. FRCC staff will continue to support and participate in the evaluation of appropriate levels of registration of Registered Entities. The FRCC will support as needed, the implementation of the NERC-led review panel as part of the continuing efforts of the Risk Based Registration program. FRCC will participate in certifications or certification reviews as circumstances warrant. FRCC will also participate in the review of the Certification Program taking place during 2017 and to the extent changes are recommended and approved, will implement those changes in 2018.

Enforcement and Mitigation

The FRCC has implemented risk-based enforcement and actions may include the imposition of remedial action directives, sanctions and penalties for those risks that pose a more serious risk to reliability. The FRCC will utilize other enforcement disposition methods, such as Compliance Exceptions and FFT's for those violations that pose less risk to reliability. Mitigation of violations of the approved Reliability Standards, and the prevention of recurrence, remains central to the FRCC's reliability focus. Registered Entities found in violation of a Reliability Standard will be required to fully mitigate the violation regardless of the type of enforcement actions taken.

2018 Key Assumptions - Compliance Monitoring and Enforcement

- As a minimum, audits are expected to continue under the current three-year schedule for BA's and TOP's. However, reliability risk profiles for all Registered Entities will be developed and compliance oversight plans will be tailored to the risk profiles which may increase the frequency, depth and complexity of monitoring for some entities and decrease the frequency, depth and complexity of others. The FRCC will continue implementing plans to complete and update IRAs, conducting voluntary Internal Control Evaluations (ICEs), conducting controls reviews during monitoring engagements, and

ensuring that Compliance Oversight Plans (COPs) are addressing the appropriate risks for each Registered Entity.

- The use of spot checks and self-certifications is expected to increase as risk-based monitoring is implemented. Self-Certifications will remain risk focused and will require information from the entities that will be reviewed by monitoring staff to achieve reasonable assurance of compliance.
- The effective date for compliance with the CIP Version 5 standards was July 1, 2016 for High and Medium impact assets and July 1, 2017 for Low impact assets. FRCC plans to continue to support CIP V5 outreach efforts and anticipates an expansion in the number of Registered Entities that require guidance during 2018.
- The number of planning and operating violations are expected to remain relatively constant as most Registered Entities have been audited, have a greater understanding of the compliance expectations and the standards have matured.
- A Compliance Monitoring and Enforcement Process Tool project will include an evaluation of software systems used for compliance, registration, analysis and tracking which will likely result in replacing existing systems in the 2020 timeframe. Regional Entities are expected to allocate resources to support the specification, development and testing of these software system changes over the next several years. Until the project is complete, Regional Entities will continue to budget to maintain current systems and tools.
- NERC and the Regional Entities will continue ERO Enterprise-wide collaboration to implement more consistent compliance monitoring and enforcement practices and focus on higher reliability risks to increase efficiency and mitigate overall compliance costs.
- NERC and the Regional Entities must plan to support the training and education requirements and guidelines necessary to meet the criteria set forth by the ERO Auditor ERO Enterprise Compliance Monitoring and Enforcement Manual and the Competency Guide. NERC will continue to budget and incur the cost of an ERO Enterprise Learning Portal. NERC will work with the Regional Entities to consolidate training resources and promote better coordination, planning, delivery and management of training efforts across the ERO.
- Regional Entities are expected to allocate resources and funds to meet the training requirements for the compliance and enforcement staff that are associated with the implementation of the risk-based compliance monitoring and enforcement.
- 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.

2018 Goals and Key Focus Areas- Compliance Monitoring and Enforcement

The Compliance Monitoring and Enforcement Program objectives for 2018 are outlined below:

- Support and continue the implementation of Risk-based Compliance Monitoring and Enforcement, including implementing plans to complete and update Inherent Risk Assessments (IRA), implement refinements to Internal Controls Evaluations (ICEs) conduct control reviews during monitoring engagements, and assure that Compliance Oversight Plans (COPs) are addressing appropriate risks for all Registered Entities in the FRCC Region.

-
- Continue CIP V5 Outreach during the implementation of the compliance monitoring and assurance program for both CIP V5 and CIP-014.
 - Provide the necessary training for compliance and enforcement staff associated with the implementation of the risk-based CMEP.
 - Continue collaboration with NERC and the other Regional Entities to improve consistency, quality, and timeliness of compliance monitoring and enforcement practices that focus on higher risks to the reliability of the BES.
 - Continue to promote the self-identification of non-compliance by Registered Entities and utilize increased risk-based discretion as appropriate. Ensure timely and thorough mitigation of all violations of mandatory reliability standards with a specific focus on the prevention of reoccurrence.
 - Promote a culture of compliance excellence through education, transparency, information sharing and incentives.

2018 Key Assumptions - Organization Registration and Certification

- The results from the 2016 registration program review will result in modifications to the program in 2018. The recommendations will be prioritized and work to be conducted in 2017 and 2018 includes:
 - The NERC-led Review Panel should compile a list of possible ROP enhancements related to the NERC-led review panel processes and procedures.
 - NERC and the Regional Entities should utilize the lessons learned from the implementation of the NERC-led Review Panel along with the results of the decisions to identify potential areas of improvement to the ROP.
 - NERC and the Regional Entities should leverage the experience of the NERC led Review Panel to develop and conduct outreach for industry to inform how the NERC-led Review Panel is conducted and how a submittal is processed.
 - NERC and the Regional Entities should conduct an in-depth review on Joint Registration Organizations (JROs)/Coordinated Functional Registrations (CFRs) processes and procedures.
 - NERC and the Regional Entities should draft a more defined procedure for its role in changes to BES Element status, including the Regional responsibility to validate, with NERC oversight, submittals to determine complete and proper application of the BES definition

2018 Goals and Key Focus Areas - Organization Registration and Certification

The Organization Registration and Certification Program objectives for 2018 are outlined below:

- Continue implementation of the risk-based registration activities with a focus on the collaborative development of a consistent registration program throughout the ERO enterprise.
- Continue the regional efforts to utilize risk and materiality in the decision process for entity registrations and support the activities of the NERC-led Panel to focus on continent-wide resolutions for registration issues, while addressing individual entity issues concerning registration.

- Support the ERO activities to improve consistency in the Certification and Certification Review process. Focus Certification Review activities on areas of risk and tailor engagements based on entity performance and the results of Inherent Risk Assessments.
- Work with NERC and the other Regional Entities to support the BES Exception Process execution, technical validation of the definition and exception requests, self-determined notification submittals, and periodic reviews of network changes affecting BES determinations. Recertification for exceptions begins in 2018.

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 2017 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
Compliance Monitoring & Enforcement and Organization Registration & Certification					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 5,263,317	\$ 5,263,317	\$ 0	\$ 5,306,927	\$ 43,611
Penalty Sanctions	72,106	72,106	0	191,246	119,140
Total ERO Funding	\$ 5,335,423	\$ 5,335,423	\$ 0	\$ 5,498,173	\$ 162,750
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 5,335,423	\$ 5,335,423	\$ 0	\$ 5,498,173	\$ 162,750
Expenses					
Personnel Expenses					
Salaries	\$ 2,461,771	\$ 2,291,247	\$ (170,524)	\$ 2,617,862	\$ 156,091
Payroll Taxes	144,595	131,767	(12,828)	151,653	7,058
Benefits	459,445	425,246	(34,199)	428,736	(30,709)
Retirement Costs	372,041	349,811	(22,230)	404,225	32,184
Total Personnel Expenses	\$ 3,437,852	\$ 3,198,071	\$ (239,781)	\$ 3,602,476	\$ 164,624
Meeting Expenses					
Meetings	\$ 10,857	\$ 10,473	\$ (384)	\$ 12,096	\$ 1,239
Travel	93,365	83,539	(9,826)	90,644	(2,721)
Conference Calls	9,286	10,610	1,324	6,602	(2,684)
Total Meeting Expenses	\$ 113,508	\$ 104,622	\$ (8,886)	\$ 109,342	\$ (4,166)
Operating Expenses					
Consultants & Contracts	\$ 417,540	\$ 360,491	\$ (57,049)	\$ 343,034	\$ (74,506)
Office Rent	413,238	429,650	16,412	461,903	48,665
Office Costs	91,505	116,179	24,674	82,718	(8,787)
Professional Services	28,462	31,734	3,272	27,052	(1,410)
Miscellaneous	-	-	-	-	-
Depreciation	130,006	125,217	(4,789)	105,770	(24,236)
Total Operating Expenses	\$ 1,080,751	\$ 1,063,271	\$ (17,480)	\$ 1,020,477	\$ (60,274)
Total Direct Expenses	\$ 4,632,111	\$ 4,365,964	\$ (266,147)	\$ 4,732,295	\$ 100,184
Indirect Expenses	\$ 657,391	\$ 659,242	\$ 1,851	\$ 761,150	\$ 103,759
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 5,289,502	\$ 5,025,206	\$ (264,296)	\$ 5,493,445	\$ 203,943
Change in Assets	\$ 45,921	\$ 310,217	\$ 264,296	\$ 4,728	\$ (41,193)
Fixed Assets					
Depreciation	\$ (130,006)	\$ (125,217)	\$ 4,789	\$ (105,770)	\$ 24,236
Total Fixed Asset Purchases	175,927	108,516	(67,411)	110,498	(65,429)
Change in Fixed Assets	\$ (45,921)	\$ 16,701	\$ 62,622	\$ (4,728)	\$ 41,193
TOTAL BUDGET	\$ 5,335,423	\$ 5,008,505	\$ (326,918)	\$ 5,498,173	\$ 162,750
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ 326,918	\$ 326,918	\$ -	\$ (0)
FTEs	19.58	18.38	(1.20)	19.65	0.07

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	3.60	4.31	0.71
Direct Expenses	\$ 905,868	\$ 1,162,748	\$ 256,880
Indirect Expenses	\$ 120,807	\$ 166,949	\$ 46,143
Inc(Dec) in Fixed Assets	\$ (2,385)	\$ 7,632	\$ 10,017
Total Funding Requirement	\$ 1,024,290	\$ 1,337,329	\$ 313,040

Program Scope and Functional Description

The FRCC will perform high quality assessments of 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 continue to participate in Event Analysis teams to analyze any disturbances that may occur within the FRCC region.

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

- A 10-year long-term reliability assessment report
- Seasonal assessments (Summer & Winter)
- Assist with Short-Term Special Assessments (up to four per year)
- A probabilistic long-term reliability assessment (biennial)

These reports evaluate electricity demand, the adequacy of supply and its deliverability, fuel reliability and the adequacy of the transmission system within the FRCC. The FRCC will prepare special reliability assessment reports as conditions warrant and provide input to NERC studies specific to the conditions and needs of the FRCC region.

The FRCC Reliability Assessment and Performance Analysis Program (RA) will support NERC's efforts to move toward and implement high quality reliability assessments and performance analysis to achieve measurable improvements in the BES reliability. Risks will be identified and prioritized based on reliability impacts, cost/practicality of assessments, projected resources, and emerging issues. This will help support the prioritization of risks to share with standards development and compliance and enforcement activities.

The FRCC will continue to support NERC's efforts to develop and implement expanded and enhanced enterprise-based data collection and analysis systems and capabilities for performance analysis. In addition, the FRCC will support development of resource capabilities and tools,

including probabilistic and scenario evaluations, which address the impacts of new technologies, changing resource or demand resource composition, and environmental related regulations or legislation.

The FRCC will support the ERO Essential Reliability Services Working Group (ERSWG) focused on identifying and integrating essential reliability services and measures into the Long-Term Reliability Assessment, including identification of reliability issues due to a changing resource mix.

The FRCC actively participates in the Eastern Interconnection Reliability Assessment Group (ERAG) which will continue to oversee and fund the development of the Eastern Interconnection transmission models and conduct Eastern Interconnection reliability assessments. The FRCC Events Analysis Program will analyze or support the analysis of significant events and system performance that impact the BES within the FRCC Region. The FRCC will consistently analyze events for identification of sequence, root cause, system performance, remediation, and improvement opportunities to identify reliability risks and trends, and lessons learned. FRCC's analysis may result in the identification of gaps in standards, compliance effectiveness, registration or risk controls effectiveness. The FRCC will provide lessons learned and recommendations from events and identified risks keeping industry well informed of large system events, emerging trends, risk analysis, lessons learned. FRCC will utilize various sharing methods (i.e. website posting and briefings at committee meetings) to ensure FRCC entities are exposed to the latest information in this area.

The FRCC will also support NERC to continue to improve consistency, quality, time lines and cost effectiveness of NERC and Regional Entity data collection, analysis systems and capabilities through process improvements and more effective coordination and collaboration.

2018 Key Assumptions

- NERC and the Regional Entities will continue to focus resources on high quality reliability assessments that address goals and their associated contributing activities identified in the ERO Enterprise's 2017-2020 Strategic Plan for Goal 3 – Identification and Mitigation of Significant Risks to Reliability and Goal 4 – Identification and Assessment of Emerging Risks to Reliability.
- NERC and the Regional Entities will continue to support a common approach for NERC reliability assessments and ensure consistent evaluation, aligned with the ROP Section 800, Reliability Assessment Guidebook, and the Reliability Assessment Oversight Plan to be developed in 2017.
- NERC and the Regional Entities will advance data management strategies and analytical capabilities for identifying and determining reliability risks and conducting reliability assessments by:
 - Integrating the analysis and measures of essential reliability services (ERS) into the Long-Term Reliability Assessment. The process encompasses new data collection and analysis approaches needed to address assessment objectives of identifying reliability issues due to a changing resource mix.
 - Provide technical resources to examine transmission and deliverability studies and provide high-level evaluation for the Long-Term Reliability Assessment.

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- Providing technical resources, advanced statistical analysis tools, objective expert input, and reliability leadership for the advancement of probabilistic analyses supporting the Long-Term Reliability Assessment.
 - Support the NERC Enterprise Reporting Project to ensure Reliability Assessment data is integrated and supported by analytical reporting, data checking, and validation tools.
 - NERC and the Regional Entities may require contractor and consultant services to maintain continued support and technical expertise associated with activities listed in the above assumptions with supporting special assessment, scenario, or other technical research efforts. This could potentially impact both NERC and Regional Entity resource allocation.
 - NERC and the Regional Entities will continue to focus resources on system insights from high quality performance analysis, including:
 - Development and implementation of expanded and enhanced enterprise-based data collection and analysis systems, and capabilities for performance analyses. This area includes Transmission Availability Data System (TADS), Generating Availability Data System (GADS), Demand Response Availability Data System (DADS), Event Analysis, Alerts, substation equipment failure, and protection systems misoperations data.
 - Support of the integration of information systems for assessments and associated data requirements (in support of data cleansing, blending, and validation).
 - Maturing and developing interconnection-wide analysis groups to support the assessment of interconnection-wide risks, such as frequency response.
 - Providing technical resources, analytical tools, and expertise to perform analyses as needed, including supporting and identifying risk priorities for standards development, compliance, and enforcement activities.
 - Support the NERC Enterprise Reporting Project to ensure Performance Analysis data is integrated into consolidated system and supported by analytical reporting tools, as well as feedback loops to other parts of the ERO Enterprise such as compliance, standards, enforcement, etc.
 - NERC and the Regions are advancing their analytical capabilities to assess and report on the reliability of the BPS. Additionally, newer and maturing technologies, such as synchro-phasor measurement unit (PMU) technology, are enabling innovative approaches for event analysis, power system analysis, and model validation. NERC and the Regions are uniquely situated to perform analyses that require a wide-area view of the interconnections, as well as supporting industry in advancing software and analytical capabilities where appropriate. Support and leadership to the System Analysis Subcommittee and any of the subcommittees, working groups, and task forces will continue.
 - NERC and the Regional Entities' resources (through the case building designee agreements) will oversee the Planning Coordinators' development of long-term sustainable interconnection-wide powerflow, short circuit, and dynamics cases that exhibit the accuracy and fidelity reflecting actual BES reliability performance and dynamic conditions.

- NERC and the Regional Entities will advance modeling improvement capabilities to ensure the power system planning and operation models closely resemble actual operating conditions.
 - Perform periodic model validation against measured quantities and operational practices of the power system.
 - Perform case quality and fidelity assessment on interconnection wide models:
 - Drive the advancement and use of dynamic load modeling on an interconnection-wide basis.
 - Drive the advancement and use of inverter-based modeling on interconnection wide basis.
- NERC will support the maintenance of the BESnet application and manage processing of the BES Exception Requests (ERs), including technical validation of review and approval of Regional ERs, periodic reviews of network changes affecting BES Exception determinations, recertification of previously approved BES ER, as well as requests for certain registration and certification reviews. The Regional Entities will continue to process BES ERs per guidelines established in the ROP. Recertification for exceptions begins in 2018.
- NERC and the Regional Entities will work collaboratively to enhance the ERO Enterprise's capability for event and forensic analysis, including:
 - Development of a process to ensure the compilation and creation of steady state, short circuit, and dynamic simulation model cases for use in the investigation and analysis of major power system disturbance events.
 - Evaluation of event disturbances using phasor measurements and other methods to assess sufficiency of data and models.
- NERC and the Regional Entities may require contractor and consultant services to maintain continued support and technical expertise associated with activities listed in the above assumptions, supporting special assessment, scenario analysis, or other technical efforts, potentially impacting both NERC and Regional Entity resource allocation, including:
 - If significant events occur, contractor services may be required to support wide-area system analyses and root cause evaluations.
- Registered Entity participation in the ERO Enterprise Event Analysis Process, which involves active participation by Regional Entity staffs, will continue at or above current levels through 2018-2020.
- Regional Entities will continue to budget for event analysis and situational awareness activities based on their respective Region's historical workload, as they did in the past.

2018 Goals and Key Focus Areas

The Reliability Assessment and Performance Analysis Objectives for 2018 are outlined below:

- Perform reliability assessments of the FRCC Region to determine if the planned resources and proposed transmission expansion plans will meet the needs of the projected demand throughout the planning horizon.

- Support NERC in preparing its reliability assessment reports.
- Support the existing BES Exception Process. This will include providing a technical review of exception requests that are submitted by the registered entities and periodic reviews of network changes affecting BES determinations.
- Support the integration of essential reliability services analysis and measures into the Long-Term Reliability Assessment, including use of new data collection and analysis approaches needed to address assessment objectives of identifying reliability issues due to a changing resource mix.
- Support ERO activities to identify key reliability risks and appropriate risk control projects designed to enhance reliability or mitigate risks.
- 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).
- Support NERC to strengthen data collection and validation processes by designing, creating, testing and implementing data checking systems to accommodate the increasing amount of data NERC collects for its long-term, seasonal, operational, scenarios and special reliability assessments along with the databases supporting reliability performance assessments.
- Review and/or analyze significant events that impact the FRCC BES and work with NERC to identify the root causes of events that may be precursors of potentially more serious events.
- Support enhancement of risk analysis capabilities through integration of risk data sources, such as event analysis, Transmission Availability Data Systems (TADS), Generating Availability Data System (GADS), and relay misoperations.
- 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.).
- Ensure a databank of power flow, short circuit and dynamic models to use in planning and evaluating future systems and current operating conditions is available to the FRCC Regional Entity.
- Conduct Loss of Load Probability and the Scenario Analysis studies as needed.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2018 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
Reliability Assessment and Performance Analysis					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 1,011,039	\$ 1,011,039	\$ (0)	\$ 1,295,382	\$ 284,343
Penalty Sanctions	13,251	13,251	0	41,948	28,697
Total ERO Funding	\$ 1,024,290	\$ 1,024,290	\$ 0	\$ 1,337,329	\$ 313,040
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,024,290	\$ 1,024,290	\$ 0	\$ 1,337,329	\$ 313,040
Expenses					
Personnel Expenses					
Salaries	\$ 517,669	\$ 645,574	\$ 127,905	\$ 655,870	\$ 138,201
Payroll Taxes	30,860	37,513	6,653	38,474	7,614
Benefits	85,720	106,759	21,039	121,229	35,509
Retirement Costs	76,047	95,483	19,436	98,391	22,344
Total Personnel Expenses	\$ 710,296	\$ 885,329	\$ 175,033	\$ 913,964	\$ 203,668
Meeting Expenses					
Meetings	\$ 1,261	\$ 1,632	\$ 371	\$ 1,999	\$ 738
Travel	47,221	48,730	1,509	59,678	12,457
Conference Calls	275	412	137	380	105
Total Meeting Expenses	\$ 48,757	\$ 50,774	\$ 2,017	\$ 62,057	\$ 13,300
Operating Expenses					
Consultants & Contracts	\$ 74,594	\$ 82,042	\$ 7,448	\$ 97,819	\$ 23,225
Office Rent	48,195	66,549	18,354	64,109	15,914
Office Costs	10,422	17,521	7,099	14,192	3,770
Professional Services	5,225	7,985	2,760	5,937	712
Miscellaneous	-	-	-	-	-
Depreciation	8,379	7,585	(794)	4,670	(3,709)
Total Operating Expenses	\$ 146,815	\$ 181,682	\$ 34,867	\$ 186,727	\$ 39,912
Total Direct Expenses	\$ 905,868	\$ 1,117,785	\$ 211,917	\$ 1,162,748	\$ 256,880
Indirect Expenses	\$ 120,807	\$ 165,878	\$ 45,071	\$ 166,949	\$ 46,143
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,026,675	\$ 1,283,663	\$ 256,988	\$ 1,329,697	\$ 303,023
Change in Assets	\$ (2,385)	\$ (259,373)	\$ (256,988)	\$ 7,632	\$ 10,017
Fixed Assets					
Depreciation	\$ (8,379)	\$ (7,585)	\$ 794	\$ (4,670)	\$ 3,709
Total Fixed Asset Purchases	5,994	6,511	517	12,302	6,308
Change in Fixed Assets	\$ 2,385	\$ 1,074	\$ (1,311)	\$ (7,632)	\$ (10,017)
TOTAL BUDGET	\$ 1,024,290	\$ 1,282,589	\$ 258,299	\$ 1,337,329	\$ 313,040
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ (258,299)	\$ (258,299)	\$ -	\$ -
FTEs	3.60	3.65	0.05	4.31	0.71

Training, Education, and Operator Certification Program

Training, Education and Operator Certification Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	1.11	1.07	(0.04)
Direct Expenses	\$ 372,738	\$ 352,006	\$ (20,732)
Indirect Expenses	\$ 37,249	\$ 41,447	\$ 4,198
Inc(Dec) in Fixed Assets	\$ 143	\$ 1,290	\$ 1,147
Total Funding Requirement	\$ 410,130	\$ 394,743	\$ (15,387)

Program Scope and Functional Description

Maintaining the reliability of the BES requires informed and trained personnel. The FRCC supports training activities through its staff and its System Operator Subcommittee (SOS) which reports to the FRCC Operating Committee. The FRCC is a NERC-approved Continuing Education (CE) Provider. The FRCC works with the SOS to develop and deliver training in which FRCC grants NERC CE hours (CEH) to those individuals who successfully complete a course. FRCC developed an internal registration database in 2015 to accommodate the recordkeeping requirements for the continuing education program. The database is maintained internally by FRCC IT and requires minimal additional costs. FRCC also uses the NERC System Operator Certification and Continuing Education Database (SOCCED).

The FRCC provides educational workshops and web based seminars to improve Registered Entity understanding of the FRCC CMEP, NERC Standards Development and CIP topics and trends. In addition, the FRCC facilitates one-on-one face to face meetings with Registered Entities to help provide individual entity information. 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 Training 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 FRCC members possessing the appropriate technical knowledge and competencies. In addition, vendors that specialize in System Operator training may be used. Providing the FRCC training and education programs helps to improve collaboration and communication between System Operators (and other operating personnel), conduct restoration drills and maintain reliability excellence. FRCC staff has worked with the FRCC SOS to revitalize the Training and Education Program, with respect to System Operator training, by:

- Incorporating Human Performance improvement and critical thinking and reasoning into training modules
- Incorporating a simulator with a model of the FRCC system
- Preparing the scenarios for the restoration drills and performing the restoration drills using FRCC staff and FRCC SOS to better reflect operations in FRCC

FRCC staff in collaboration and coordination with the FRCC SOS plans to continue to make improvements in 2018 and future years to expand learning and sharing amongst System Operators.

Compliance Workshops

Compliance workshops are typically held in the spring and fall of each year generally consisting of two (2) sessions each. These workshops are aimed at providing information and updates to the Registered Entities on compliance program activities including information on new procedures, instructions on changes to FRCC compliance tools, lessons learned from previous violations and providing sufficient and appropriate evidence in a compliance audit. A main focus for 2017 and again in 2018 are the new approaches being implemented in the risk-based compliance monitoring and enforcement program.

Each Compliance Workshop will address technical aspects of the CIP Reliability Standards, including providing quality evidence, lessons learned and compliance processes specific to the monitoring and enforcement of the CIP standards. In addition, particular focus will be made on the CIP V5 standards and helping Registered Entities understand the guidance and lessons learned as part of the transition. The FRCC deployed face to face outreach activities for the Registered Entities with High and Medium impact assets during 2016 and this is expected to continue with the addition of the Low impact assets in 2018.

In addition to the face to face venues, in 2018 FRCC compliance staff projects holding at least three (3) webinars (two sessions each) that will address specific topics that may be identified by Registered Entities or by emerging trends within the FRCC.

Standards, Registration and Certification Workshops

The FRCC Reliability Performance and Registration Department will be conducting, supporting and participating in various FRCC sponsored workshops throughout 2018. These contributions to the workshops will be designed primarily to promote stakeholder awareness of Reliability Standards, Registration and Certification activities. In addition workshops or webinars may be held to educate stakeholders on the NERC Risk Based Registration program, Certification program enhancements, and activities associated with the NERC led Review Panel.

2018 Key Assumptions

- The ERO Operating Personnel Certification program is expected to remain at steady state with no additional resources required from the Regional Entities.
- The FRCC System Operator Certification Program and Continuing Education Program will continue to be self-funded through a fee based structure for the exams and applications for approval of continuing education activities.
- The Regional Entities, in collaboration with NERC, are expected to help assess and determine training needs. This includes flexibility in approach between Regional Entities, and anticipating areas of support for their staffs and stakeholders for

standards, compliance monitoring and enforcement, situation awareness and event analysis, and information technology. Addressing these needs will likely require additional resource allocation and budgeting considerations.

- NERC in collaboration with the Regional Entities, will develop and deliver additional CIP V5 training to support the transition.

2018 Goals and Key Focus Areas

The training, education and operator certification program objectives for 2018 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 two (2) to four (4) FRCC staff members, as well as many industry volunteers who participate as presenters. This activity is funded primarily through registration fees.
- Host FRCC Compliance Workshops and Webinars open to all FRCC Members and Registered Entities aimed at providing updates on compliance procedures, instructions on changes to compliance tools, changes associated with the implementation of risk-based compliance monitoring and enforcement, the transition from CIP V3 to V5, and guidance on the providing of appropriate and sufficient evidence in a compliance audit.
- Host FRCC Reliability Standards, Registration and Certification Workshops and Webinars open to all FRCC Members and Registered Entities aimed at providing information concerning Reliability Standards and the associated Implementation Plans, the Risk Based Registration program, Certification program enhancements, and activities associated with the NERC led Review Panel. Conduct presentations to promote stakeholder awareness of continent wide and regional standards, registration and certification activities.
- Work with NERC and the other Regional Entities to achieve improvements in the coordination, content and manner of internal and external training programs.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2018 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
Training, Education and Operator Certification					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 314,044	\$ 314,044	\$ (0)	\$ 292,329	\$ (21,715)
Penalty Sanctions	4,086	4,086	0	10,414	6,328
Total ERO Funding	\$ 318,130	\$ 318,130	\$ 0	\$ 302,743	\$ (15,387)
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	92,000	94,000	2,000	92,000	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 410,130	\$ 412,130	\$ 2,000	\$ 394,743	\$ (15,387)
Expenses					
Personnel Expenses					
Salaries	\$ 159,615	\$ 170,349	\$ 10,734	\$ 162,980	\$ 3,365
Payroll Taxes	9,515	9,899	384	9,561	46
Benefits	23,701	24,513	812	21,307	(2,394)
Retirement Costs	23,448	25,195	1,747	24,450	1,002
Total Personnel Expenses	\$ 216,279	\$ 229,956	\$ 13,677	\$ 218,298	\$ 2,019
Meeting Expenses					
Meetings	\$ 67,603	\$ 65,297	\$ (2,306)	\$ 57,707	\$ (9,896)
Travel	17,786	18,008	222	8,665	(9,121)
Conference Calls	1,720	1,993	273	5,026	3,306
Total Meeting Expenses	\$ 87,109	\$ 85,298	\$ (1,811)	\$ 71,398	\$ (15,711)
Operating Expenses					
Consultants & Contracts	\$ 30,583	\$ 40,579	\$ 9,996	\$ 36,528	\$ 5,945
Office Rent	14,860	17,560	2,700	15,931	1,071
Office Costs	20,588	22,582	1,994	7,305	(13,283)
Professional Services	1,612	2,107	495	1,475	(137)
Miscellaneous	-	-	-	-	-
Depreciation	1,707	1,247	(460)	1,071	(636)
Total Operating Expenses	\$ 69,350	\$ 84,075	\$ 14,725	\$ 62,310	\$ (7,040)
Total Direct Expenses	\$ 372,738	\$ 399,329	\$ 26,591	\$ 352,006	\$ (20,732)
Indirect Expenses	\$ 37,249	\$ 43,771	\$ 6,522	\$ 41,447	\$ 4,198
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 409,987	\$ 443,100	\$ 33,113	\$ 393,453	\$ (16,534)
Change in Assets	\$ 143	\$ (30,970)	\$ (31,113)	\$ 1,290	\$ 1,147
Fixed Assets					
Depreciation	\$ (1,707)	\$ (1,247)	\$ 460	\$ (1,071)	\$ 636
Total Fixed Asset Purchases	1,850	795	(1,055)	2,361	511
Change in Fixed Assets	\$ (143)	\$ 452	\$ 595	\$ (1,290)	\$ (1,147)
TOTAL BUDGET	\$ 410,130	\$ 442,648	\$ 32,518	\$ 394,743	\$ (15,387)
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ (30,518)	\$ (30,518)	\$ -	\$ -
FTEs	1.11	1.17	0.06	1.07	(0.04)

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program			
(in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	0.03	0.04	0.01
Direct Expenses	\$ 8,658	\$ 11,811	\$ 3,153
Indirect Expenses	\$ 1,007	\$ 1,549	\$ 543
Inc(Dec) in Fixed Assets	\$ 13	\$ 54	\$ 41
Total Funding Requirement	\$ 9,678	\$ 13,414	\$ 3,737

Program Scope and Functional Description

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

The FRCC continues to support and participate in NERC's Situation Awareness/Event Analysis coordination conference calls, supports the Situation Awareness for FERC, NERC and the Regions (SAFNR) Version 2 project and maintains the FRCC satellite phone for situation awareness across the FRCC Region.

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 to maintain situation awareness of Bulk Electric System conditions.

2018 Key Assumptions

- NERC and the Regions will continue to provide required support and leadership for the Operating Committee and the Critical Infrastructure Protection Committee, and standing committees' subcommittees, working groups, and task forces serving the standing committees. Regional Entity involvement is expected to remain at current levels with no additional resources required from the Regional Entities.
- NERC will continue to budget and incur costs to operate and maintain the software applications and systems known as Situational Awareness for NERC, FERC and the Regional Entities (SAFNRv2). Additional resource investments are expected to be required to maintain the capabilities of SAFNRv2 throughout the planning period. Any

such investments will be NERC funded and not result in an allocation of cost to the Regional Entities.

- NERC will continue to fund the Grid Security Exercise (GridEx) with no increased cost to the Regional Entities. The Regional Entities will participate as appropriate in the wide-area exercises.
- NERC will continue to fund, operate and maintain the Electricity Information Sharing and Analysis Center (E-ISAC), with no increased cost to Regional Entities.
- There will be continued focus on detecting off-normal events to be analyzed by the responsible entity, FRCC or NERC.

2018 Goals and Key Focus Areas

- Ensure that FRCC goals and activities support the mission to provide FERC, NERC and the staffs from the eight Regional Entities a visualization tool that enables the appropriate level of situation awareness for the near real-time conditions on the BES. Continue to work with the FRCC Reliability Coordinator to ensure that SAFNRv2 and appropriate hardware and software resources are allocated. Continue to support future development of the situation awareness project capabilities.
- Issue and track security recommendations to protect the Bulk Electric System. Share information learned and recommendations in Situation Awareness with the Events Analysis program to develop relevant lessons learned.
- Support critical infrastructure security by promoting rapid and appropriate sharing of situational awareness information regarding security occurrences.
- Participate as appropriate in periodic wide-area grid security exercises.
- Participate in the analysis of significant events to identify gaps in standards, compliance effectiveness, registration, and risk controls effectiveness.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2018 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
Situation Awareness and Infrastructure Security					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 9,567	\$ 9,567	\$ (0)	\$ 13,025	\$ 3,458
Penalty Sanctions	110	110	(0)	389	279
Total ERO Funding	\$ 9,678	\$ 9,677	\$ (1)	\$ 13,414	\$ 3,737
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 9,678	\$ 9,677	\$ (1)	\$ 13,414	\$ 3,737
Expenses					
Personnel Expenses					
Salaries	\$ 4,314	\$ 6,590	\$ 2,276	\$ 6,508	\$ 2,194
Payroll Taxes	257	383	126	382	125
Benefits	649	948	299	851	202
Retirement Costs	634	975	341	976	342
Total Personnel Expenses	\$ 5,854	\$ 8,896	\$ 3,042	\$ 8,717	\$ 2,863
Meeting Expenses					
Meetings	\$ 12	\$ 17	\$ 5	\$ 19	\$ 7
Travel	38	56	18	43	5
Conference Calls	3	4	1	4	1
Total Meeting Expenses	\$ 53	\$ 77	\$ 24	\$ 66	\$ 13
Operating Expenses					
Consultants & Contracts	\$ 169	\$ 261	\$ 92	\$ 181	\$ 12
Office Rent	402	679	277	636	234
Office Costs	2,086	2,168	82	2,112	26
Professional Services	50	82	32	59	9
Miscellaneous	-	-	-	-	-
Depreciation	44	37	(7)	40	(4)
Total Operating Expenses	\$ 2,751	\$ 3,227	\$ 476	\$ 3,028	\$ 277
Total Direct Expenses	\$ 8,658	\$ 12,200	\$ 3,542	\$ 11,811	\$ 3,153
Indirect Expenses	\$ 1,007	\$ 1,693	\$ 686	\$ 1,549	\$ 543
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 9,665	\$ 13,893	\$ 4,228	\$ 13,360	\$ 3,696
Change in Assets	\$ 13	\$ (4,216)	\$ (4,229)	\$ 54	\$ 41
Fixed Assets					
Depreciation	\$ (44)	\$ (37)	\$ 7	\$ (40)	\$ 4
Total Fixed Asset Purchases	57	31	(26)	94	37
Change in Fixed Assets	\$ (13)	\$ 6	\$ 19	\$ (54)	\$ (41)
TOTAL BUDGET	\$ 9,678	\$ 13,887	\$ 4,209	\$ 13,414	\$ 3,737
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ (4,210)	\$ (4,210)	\$ -	\$ -
FTEs	0.03	0.05	0.02	0.04	0.01

General and Administrative

General and Administrative (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2017 Budget	2018 Budget	Increase (Decrease)	2017 Budget	2018 Budget	Increase (Decrease)
General and Administrative	\$ 866,118	\$ 1,007,507	\$ 141,389	4.19	4.62	0.43

Program Scope and Functional Description Background

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

Legal and Regulatory Background

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

2018 Goals and Key Focus Areas

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

2018 Assumptions

In the 2018 Budget, as in the 2017 and 2016 budgets, there are no specific funds for hearings under CMEP Rules.

Information Technology Background

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

The FRCC supports the ERO Enterprise efforts to implement, operate and maintain software tools and applications supporting common enterprise wide operations which have been approved by the ERO Executive Management Group (EROEMG), which is comprised of the senior leadership of NERC and each of the Regional Entities. FRCC's budget assumes the availability of enterprise software tools and applications as described in NERC's business plan and budget. If implementation of these software applications are delayed or otherwise not available as planned,

FRCC could incur additional costs to conduct operations pending the availability of these applications.

NERC and the Regional Entities are committed to working collaboratively to minimize duplication of effort and investments, and to improve operational efficiency. This collaboration continues to refine existing strategies, governance and procurement practices applicable to the development, operation and maintenance of enterprise architecture, software and data systems supporting combined NERC and Regional Entity operations.

The NERC information technology budget does not supplant the FRCC's need for IT expenditures for specific regional projects and internal region specific IT support needs. FRCC's 2018 Business Plan and Budget assumes agreed-upon ERO Enterprise applications will be available and includes only costs for internal region specific support needs.

2018 Goals and Key Focus Areas

- Improve the reliability, security and capability of FRCC IT systems by enhancing business critical IT infrastructure.
- Continue the implementation of needed changes to improve the FRCC corporate security posture; improve overall security in all programs, enhance access controls with improved processes and procedures.
- Continue to improve disaster recovery and business continuity capabilities by continuing to test and refine implemented 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.

2018 Goals and Key Focus Areas

- Recruit and retain successful employees;
- Improve human resource policies and procedures;
- Provide management and training programs; and
- 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 to NERC. This includes supporting materials such as a complete business plan and organizational chart, and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures.

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

2018 Goals and Key Focus Areas

- Prepare the 2019 statutory and non-statutory budgets
- Report budget variances to the FRCC Corporate Compliance Finance and Audit Committee, the FRCC Board and to NERC on a quarterly basis
- Prepare the 2018 audited financial statements
- Continue to provide on-going training to employees to ensure employees charge their time and expenses correctly

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2017 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
General and Administrative					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ (826,959)	\$ (826,959)	\$ (1)	\$ (508,449)	\$ 318,510
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	\$ (826,959)	\$ (826,959)	\$ (1)	\$ (508,449)	\$ 318,510
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ (826,959)	\$ (826,959)	\$ (1)	\$ (508,449)	\$ 318,510
Expenses					
Personnel Expenses					
Salaries	\$ 602,510	\$ 634,988	\$ 32,478	\$ 702,519	\$ 100,009
Payroll Taxes	35,918	36,898	980	41,210	5,292
Benefits	80,482	80,184	(298)	86,848	6,366
Retirement Costs	88,510	93,918	5,408	105,389	16,879
Total Personnel Expenses	\$ 807,420	\$ 845,988	\$ 38,568	\$ 935,966	\$ 128,546
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	56,094	65,458	9,364	68,669	12,575
Office Costs	2,604	2,799	195	2,872	268
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 58,698	\$ 68,257	\$ 9,559	\$ 71,541	\$ 12,843
Total Direct Expenses	\$ 866,118	\$ 914,245	\$ 48,127	\$ 1,007,507	\$ 141,389
Indirect Expenses	\$ (866,118)	\$ (914,245)	\$ (48,127)	\$ (1,007,507)	\$ (141,389)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 0	\$ -	\$ (0)	\$ -	\$ (0)
Change in Assets	\$ (826,959)	\$ (826,959)	\$ (0)	\$ (508,449)	\$ 318,510
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	-
Total Fixed Asset Purchases	-	-	-	-	-
Change in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET	\$ -	\$ -	\$ (0)	\$ -	\$ (0)
TOTAL CHANGE IN WORKING CAPITAL	\$ (826,959)	\$ (826,959)	\$ (0)	\$ (508,449)	\$ 318,510
FTEs	4.19	4.35	0.16	4.62	0.43

Section B – Supplemental Financial Information 2018 Business Plan and Budget

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2017-2018	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2016	1,858,526
Plus: 2017 ERO Funding (from LSEs or designees)	6,163,895
Plus: Projected 2017 Other funding sources	94,000
Plus: Penalty Sanctions Applied	95,001
Less: 2017 Projected expenses & capital expenditures	(7,076,797)
Projected Working Capital Reserve Surplus/(Deficit), December 31, 2017	<u>1,134,625</u>
Desired Working Capital Reserve, December 31, 2018	² 626,176
Less: Projected Working Capital Reserve, December 31, 2017	(1,134,625)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	<u>(508,449)</u>
2018 Expenses and Capital Expenditures	7,514,112
Less: Penalty Sanctions ¹	(253,145)
Less: Other Funding Sources	(92,000)
Adjustment to achieve desired Working Capital Reserve	(508,449)
2018 Assessment	<u>6,660,518</u>

¹ Represents collections prior to June 30, 2017.

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

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Table on page 14, of the 2018 FRCC Business Plan and Budget.

Penalty Sanctions

Penalty monies received prior to June 30, 2017 are to be used to offset assessments in the 2018 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, 2017 through June 30, 2018 will be used to offset assessments in the 2019 Budget.

All penalties received prior to June 30, 2017 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, 2017		
	Date Received	Amount Received
Penalty #1	8/10/2016	\$ 39,000
Penalty #2	8/15/2016	\$ 100,000
Penalty #3	2/2/2017	\$ 19,620
Penalty #4	2/2/2017	\$ 24,525
Penalty #5	2/13/2017	\$ 70,000
Penalty #6		
Total Penalties Received		\$ 253,145

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget
Reliability Standards Development				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Services & Software Fees	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Training, Education and Operator Certification				
Workshops	\$ 92,000	\$ 94,000	\$ 92,000	\$ -
Total	\$ 92,000	\$ 94,000	\$ 92,000	\$ -
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative*				
Interest	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ 92,000	\$ 94,000	\$ 92,000	\$ -

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

Personnel Expenses

Table B-4

Personnel Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Salaries					
Total Salaries	\$ 3,958,699	\$ 3,918,676	\$ 4,289,416	\$ 330,717	8.35%
Total Payroll Taxes	\$ 233,832	\$ 226,334	\$ 249,708	\$ 15,876	6.79%
Benefits					
Workers Compensation	\$ 11,219	\$ 10,816	\$ 11,839	\$ 620	5.53%
Medical, LTD, STD Insurances	508,632	473,910	505,493	(3,139)	-0.62%
Temp to Perm Fees	-	-	-	-	
Education	130,303	138,565	114,213	(16,090)	-12.35%
Employee Welfare & Contract Labor	27,808	35,179	28,136	328	1.18%
Relocation	10,000	10,000	25,000	15,000	150.00%
Total Benefits	\$ 687,962	\$ 668,470	\$ 684,681	\$ (3,281)	-0.48%
Retirement					
Retirement Costs	\$ 591,944	\$ 590,516	\$ 654,985	\$ 63,041	10.65%
Total Retirement	\$ 591,944	\$ 590,516	\$ 654,985	\$ 63,041	10.65%
Total Personnel Costs	\$ 5,472,437	\$ 5,403,996	\$ 5,878,790	\$ 406,353	7.43%
FTEs	29.99	28.77	30.63	0.6	2.13%
Cost per FTE					
Salaries	\$ 132,001	\$ 136,207	\$ 140,040	8,039	6.09%
Payroll Taxes	7,797	7,867	8,152	355	4.56%
Benefits	22,940	23,235	22,353	(586)	-2.56%
Retirement	19,738	20,525	21,384	1,646	8.34%
Total Cost per FTE	\$ 182,475	\$ 187,834	\$ 191,929	\$ 9,454	5.18%

Salaries are based on the assumption of a 3% salary increase plus promotions and adjustments and an additional FTE in 2018 in the Reliability Performance and Registration department. These increases are partially offset by a 13% attrition factor in 2018.

Payroll taxes are budgeted to increase primarily due to assumed salary increases and an additional FTE.

Medical Insurance is assumed to increase by 5% as the rates continue to increase due to the market continuing to struggle with the cost and appropriate rates for small companies in light of federal health insurance legislation.

Education includes funds for staff leadership training.

Relocation costs are budgeted for a new hire in 2018.

Retirement costs are budgeted to increase primarily due to an increase in FTEs and assumed 3% salary increase.

Meetings, Travel & Conference Calls

Table B-5

Meetings, Travel and Conference Calls	Budget 2017	Projection 2017	Budget 2018	Variance	
				2018 Budget v 2017 Budget	Variance %
Meetings	\$ 81,212	\$ 78,808	\$ 72,593	\$ (8,619)	-10.61%
Travel	170,086	161,820	164,498	\$ (5,588)	-3.29%
Conference Calls	13,281	15,299	15,150	\$ 1,869	14.07%
Total Meetings, Travel & Conf Calls	\$ 264,579	\$ 255,927	\$ 252,241	\$ (12,338)	-4.66%

Meeting costs are budgeted to decrease due to a reduction in the number of meetings held for compliance.

Travel costs are budgeted to decrease due to reducing the travel budget to reflect historical costs.

Consultants and Contracts

Table B-6

Contracts & Consultants and Software & Licenses	Budget 2017	Projection 2017	Budget 2018	Variance	
				2018 Budget v 2017 Budget	Variance %
Contracts & Consultants and Software & Licenses					
Reliability Standards Development	\$ 7,443	\$ 6,722	\$ 3,992	\$ (3,451)	-46.37%
Compliance Monitoring & Enforcement and Org Reg	417,540	360,491	343,034	(74,506)	-17.84%
Reliability Assessment and Performance Analysis	74,594	82,042	97,819	23,225	31.14%
Training, Education and Operator Certification	30,583	40,579	36,528	5,945	19.44%
Situation Awareness and Infrastructure Security	169	261	181	12	7.10%
General and Administrative	-	-	-	-	
Total Contracts & Consultants and Software & Licenses	\$ 530,329	\$ 490,095	\$ 481,554	\$ (48,775)	-9.20%

The Compliance Monitoring & Enforcement Program's Contracts & Consulting budget has decreased due to less development of the Compliance Portal software anticipating the development of the ERO CMEP Tool over the next several years.

The Reliability Assessment and Performance Analysis Program's budget has increased partially due to RE Gas Supply Studies.

The Training, Education and Operator Certification's budget increased due to anticipated audio video contractor costs.

The General & Administrative areas budgeted for expenses in 2017 and 2018 are being allocated to the different programs and will continue to be allocated.

Office Rent

Table B-7

Office Rent	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Office Rent	\$ 552,603	\$ 597,413	\$ 625,292	\$ 72,689	13.15%
Total Office Rent	\$ 552,603	\$ 597,413	\$ 625,292	\$ 72,689	13.15%

Rent is budgeted to increase due to Common Area Maintenance charges (CAMs) that are expected to increase in 2018.

Office Costs

Table B-8

Office Costs	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Telephone	\$ 48,545	\$ 48,355	\$ 42,866	\$ (5,679)	-11.70%
Internet	1,773	1,757	1,913	\$ 140	7.90%
Office Supplies	20,347	46,072	14,405	\$ (5,942)	-29.20%
Computer Supplies	6,861	6,832	6,195	\$ (666)	-9.71%
Publications, Subscriptions & Dues	12,225	12,665	11,291	\$ (934)	-7.64%
Postage	1,895	2,081	2,300	\$ 405	21.37%
Equipment Maintenance	3,795	12,525	4,009	\$ 214	5.64%
Copying				\$ -	
Printing	21,321	21,287	14,154	\$ (7,167)	-33.61%
Stationary Forms				\$ -	
Commerical Insurance	15,753	15,615	15,939	\$ 186	1.18%
Miscellaneous				\$ -	
Total Office Costs	\$ 132,515	\$ 167,189	\$ 113,072	\$ (19,443)	-14.67%

Professional Services

Table B-9

Professional Services	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Outside Legal	\$ 19,773	\$ 19,643	\$ 15,735	\$ (4,038)	-20.42%
Accounting & Auditing Fees	17,727	24,366	20,089	\$ 2,362	13.32%
Total Services	\$ 37,500	\$ 44,009	\$ 35,824	\$ (1,676)	-4.47%

Miscellaneous Expenses**Table B-10**

Miscellaneous Expenses are not budgeted in 2017 or 2018.

Other Non-Operating Expenses**Table B-11**

Other Non-Operating Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Interest Expense	\$ -	\$ -		\$ -	
Office Relocation	-	-		\$ -	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

Interest Rates are assumed to continue being so low that they remain immaterial.

Fixed Assets**Table B-12**

Professional Services	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Depreciation	\$ (142,625)	\$ (135,778)	\$ (113,181)	\$ 29,444	-20.64%
Total Fixed Asset Purchases	\$ 187,894	\$ 118,168	\$ 127,337	\$ (60,557)	-32.23%
Total Services	\$ (45,269)	\$ 17,610	\$ (14,156)	\$ 31,113	-68.73%

Fixed Asset Purchases are budgeted to decrease in 2018 due to decreased Compliance Portal Software enhancements anticipating the development and implementation of the ERO CMEP Tool over the next several years.

2019 and 2020 Projected Expenses

The following table showing 2019 and 2020 budget projections is based on the following assumptions:

Personnel Expenses

- A 3% increase in personnel costs due to salary increases in both 2019 and 2020
- Estimated medical expense increase of 5% in both 2019 and 2020
- 2019 and 2020 includes funds for staff leadership training
- An attrition factor of 13% was used in both 2019 and 2020

Meeting Expenses

- Travel and Meeting expenses increase by a 3% inflation factor in both 2019 and 2020

Operating Expenses

- Office Costs remains flat in both 2019 and 2020
- Office Rent includes increases due to Common Area Maintenance charges projected to increase, estimates for new lease for the 4th quarter of 2020, and Depreciation remains flat in both 2019 and 2020

Indirect Expenses – Administrative costs increase approximately 3% each year in 2019 and 2020

Fixed Assets

- Compliance Portal Software decreases in 2019 due to fewer planned enhancements and fewer FRCC software purchases for the SQL Server and SIEM Log Aggregation and Analysis System.

2017, 2018 and 2019 Projections

Table B-13

Statement of Activities and Capital Expenditures										
2018, 2019 and 2020 Projections										
Regional Entity										
	2017 Budget	2018 Budget	\$ Change 2018:2017 Over(Under)	% Chg 2018:2017 Over(Under)	2019 Projection	\$ Change 2019:2018 Over(Under)	% Chg 2019:2018 Over(Under)	2020 Projection	\$ Change 2020:2019 Over(Under)	% Chg 2020:2019 Over(Under)
Funding										
ERO Funding										
ERO Assessments	\$ 6,163,896	\$ 6,660,518	\$ 496,623	8.06%	\$ 7,495,727	\$ 835,209	12.54%	\$ 7,830,425	\$ 334,698	4.47%
Penalty Sanctions	95,000	253,145	158,145	166.47%	-	(253,145)	-100.00%	-	-	-
Total ERO Funding	\$ 6,258,896	\$ 6,913,663	\$ 654,768	10.46%	\$ 7,495,727	\$ 582,064	8.42%	\$ 7,830,425	\$ 334,698	4.47%
Membership Dues	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Testing Fees	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-
Workshops	92,000	92,000	-	0.00%	92,000	-	0.00%	92,000	-	0.00%
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Funding	\$ 6,350,896	\$ 7,005,663	\$ 654,768	10.31%	\$ 7,587,727	\$ 582,064	8.31%	\$ 7,922,425	\$ 334,698	4.41%
Expenses										
Personnel Expenses										
Salaries	\$ 3,958,699	\$ 4,289,416	\$ 330,717	8.35%	\$ 4,429,176	\$ 139,760	3.26%	\$ 4,585,296	\$ 156,120	3.52%
Payroll Taxes	233,832	249,708	15,876	6.79%	254,597	4,889	1.96%	259,304	4,707	1.85%
Benefits	687,962	684,682	(3,280)	-0.48%	702,256	17,574	2.57%	733,897	31,641	4.51%
Retirement Costs	591,944	654,985	63,041	10.65%	675,876	20,891	3.19%	699,295	23,419	3.46%
Total Personnel Expenses	\$ 5,472,437	\$ 5,878,791	\$ 406,354	7.43%	\$ 6,061,905	\$ 183,114	3.11%	\$ 6,277,792	\$ 215,887	3.56%
Meeting Expenses										
Meetings	\$ 81,212	\$ 72,593	\$ (8,619)	-10.61%	\$ 74,812	\$ 2,219	3.06%	\$ 77,057	\$ 2,245	3.00%
Travel	170,086	164,498	(5,588)	-3.29%	169,441	4,943	3.00%	174,525	5,084	3.00%
Conference Calls	13,281	15,150	1,869	14.07%	15,155	5	0.03%	15,155	-	0.00%
Total Meeting Expenses	\$ 264,579	\$ 252,241	\$ (12,338)	-4.66%	\$ 259,408	\$ 7,167	2.84%	\$ 266,737	\$ 7,329	2.83%
Operating Expenses										
Consultants & Contracts	\$ 530,329	\$ 481,554	\$ (48,775)	-9.20%	\$ 380,243	\$ (101,311)	-21.04%	\$ 368,657	\$ (11,586)	-3.05%
Office Rent	552,603	625,292	72,689	13.15%	644,129	18,837	3.01%	803,916	159,787	24.81%
Office Costs	132,513	113,073	(19,440)	-14.67%	110,307	(2,766)	-2.45%	111,314	1,007	0.91%
Professional Services	37,499	35,824	(1,675)	-4.47%	40,791	4,967	13.87%	35,985	(4,806)	-11.78%
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Depreciation	142,625	113,181	(29,444)	-20.64%	109,635	(3,546)	-3.13%	104,343	(5,292)	-4.83%
Total Operating Expenses	\$ 1,395,569	\$ 1,368,924	\$ (26,645)	-1.91%	\$ 1,285,105	\$ (83,819)	-6.12%	\$ 1,424,215	\$ 139,110	10.82%
Total Direct Expenses	\$ 7,132,585	\$ 7,499,956	\$ 367,371	5.15%	\$ 7,606,418	\$ 106,462	1.42%	\$ 7,968,744	\$ 362,326	4.76%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses	\$ 7,132,585	\$ 7,499,956	\$ 367,371	5.15%	\$ 7,606,418	\$ 106,462	1.42%	\$ 7,968,744	\$ 362,326	4.76%
Change in Assets	\$ (781,690)	\$ (494,293)	\$ 287,397	-36.77%	\$ (18,691)	\$ 475,602	-96.22%	\$ (46,319)	\$ (27,628)	-
Fixed Assets										
Depreciation	\$ (142,625)	\$ (113,181)	\$ 29,444	-20.64%	\$ (109,635)	\$ 3,546	-3.13%	\$ (104,343)	\$ 5,292	-4.83%
Total Fixed Asset Purchases	187,894	127,337	(60,557)	-32.23%	90,944	(36,393)	-28.58%	58,024	(32,920)	-36.20%
Change in Fixed Assets	\$ (45,269)	\$ (14,156)	\$ 31,113	-68.73%	\$ 18,691	\$ 32,847	-232.04%	\$ 46,319	\$ 27,628	-
TOTAL BUDGET	\$ 7,177,854	\$ 7,514,112	\$ 336,258	4.68%	\$ 7,587,727	\$ 73,615	0.98%	\$ 7,922,425	\$ 334,698	4.41%
TOTAL CHANGE IN WORKING CAPITAL	\$ (826,959)	\$ (508,449)	\$ 318,510	-38.52%	\$ -	\$ 508,449	-100.00%	\$ -	\$ -	-
FTEs	29.99	30.63	0.64	2.13%	30.64	0.01	0.03%	30.64	-	0.00%

Section C – Non-Statutory Activities

2018 Business Plan and Budget

Non-Statutory Members Services Division

Member Services Activities (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	20.4	20.2	(0.2)
Direct Expenses	10,103,890	11,325,743	1,221,853
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	94,695	409,284	314,589
Total Funding Requirement	10,198,585	11,735,027	1,536,442

Non-Statutory Functional Scope

The FRCC MS Division provides services that enhance the reliable coordination of planning and operations relating to the bulk power system within the FRCC Region. These services are carried out on behalf of FRCC MS members with oversight by two of the standing committees. The Planning Committee (PC) and Operating Committee (OC) and their various subcommittees, task forces and working groups, as well as the FRCC Planning and Operations (P&O) staff, support the MS activities of the Region. Two key activities include oversight of the two registered functions for which FRCC is a NERC registered entity: the FRCC Planning Authority (PA) and the FRCC Reliability Coordinator (RC). The PC has primary oversight of the FRCC PA function while the OC has primary oversight of the FRCC RC function.

Current Member Services Division Activities

Planning Committee (PC)

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

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

The FRCC PC relies on the following subordinate groups to achieve its goals: Regional Projects Subcommittee (RPS), Resource Subcommittee (RS), Stability Analysis Subcommittee (SAS), and the Transmission Technical Subcommittee (TTS).

Regional Projects Subcommittee (RPS)

The RPS has a focused team of experienced individuals dedicated towards implementing and carrying out the Biennial Transmission Planning Process (“BTPP”) portion of the overall FRCC Regional Transmission Planning Process (“RTPP”) under the advice and direction of the FRCC PC. Several of the responsibilities that the RPS would be assigned include: (1) analyze the Board approved regional plan, (2) pro-actively develop potential Cost Effective and Efficient Regional Transmission Solution (“CEERTS”) projects (and/or review proposed CEERTS project submittals) that provide regional benefits, (3) identify all project beneficiaries and impacted entities, (4) quantify the benefits and impacts, and (5) deliver the CEERTS project recommendations to the PC, at least biennially, in accordance with the timelines established in the RTPP and schedules set by the PC, which take into consideration jurisdictional utilities’ OATT requirements and timing.

Resource Subcommittee (RS)

The RS updates the Load and Resource Database annually and develops an aggregated Load & Resource Plan. The RS performs reliability assessments of FRCC resource adequacy for the future 10-year period for peninsular Florida based on individual entity information that is the basis of their respective Ten Year Site Plan filings with the Florida Public Service Commission. The RS compiles entity information in support of the FERC 715 filing. In addition, the RS collects and provides EIA-411 information to NERC.

Stability Analysis Subcommittee (SAS)

The SAS is responsible for assessing the dynamic performance of the FRCC BES under various credible system conditions. In addition, the SAS performs the following assessments and studies: Coordination and performance of Special Protection Systems, the effectiveness of FRCC under frequency load shedding (UFLS) program, coordination with other protection and control systems, Extreme Event Study and other assessments in support of the FRCC Regional Transmission Planning Process. The SAS annually develops FRCC dynamic models. In addition, the SAS develops evidentiary documentation to demonstrate compliance with applicable NERC Standards such as TPL-001-4, PRC-006.

Transmission Technical Subcommittee (TTS)

The TTS 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 TTS annually performs a FRCC Long Range Study, sensitivity studies as directed by the PC, evaluates Transmission Service Requests and evaluates Generator Interconnection Service Requests. The TTS annually develops a FRCC Transmission Map, FRCC power flow models and FRCC short circuit models. In addition, the TTS develops evidentiary documentation to demonstrate compliance with applicable NERC Standards such as FAC-010, FAC-013, PRC-023, and TPL-001-4.

FRCC Planning Authority (PA) Registered Function

The FRCC is a NERC registered Planning Authority that, by FERC order, comes under the jurisdiction of the SERC Regional Entity as its Compliance Enforcement Authority (CEA). In addition to the committee work and oversight of its subordinate groups, the PC supports reliability assessment activities through the implementation and oversight of those FRCC PA functions for the reliability of the FRCC Bulk Electric System.

The PC, supported by FRCC MS staff, has the primary responsibility of the Planning Authority (PA) function including implementation of all applicable PA NERC Reliability Standards as outlined in the Coordinated Functional Agreement with the other Planning Authority entities within the FRCC.

Operating Committee (OC)

The FRCC Operating Committee (OC) has been established to carry out Member Services Activities on behalf of the Membership. The OC reports directly to the FRCC Board of Directors and is charged with responsibility for providing for the reliable operations of the Bulk Power System (BPS) in the FRCC Region through coordination activities of operations and maintenance. The OC is responsible for the coordination, operations planning, operation and maintenance of the interconnected systems operating in the Region. The OC's primary reliability goals include effective implementation of the *Reliability Process for the FRCC Bulk Electric System* document by all operators within the Region. This includes oversight of the FRCC Reliability Coordinator (RC) registered entity function, development and approval of processes and procedures that support reliability and compliance with applicable regulations, including NERC Reliability Standards and support of the FRCC Internal Compliance Program (ICP) for the RC registered function. In addition, the OC supports continuous improvement of operations coordination, an effective and secure communications network, a robust operations planning study program as well as various training activities and initiatives. The OC relies on several subordinate groups to implement its objectives. These include the Operating Reliability Subcommittee (ORS), Data Exchange Working Group (DEWG), Fuel Reliability Working Group (FRWG), Operations Planning Working Group (OPWG), Telecommunications Subcommittee (TS), System Protection and Control Subcommittee (SPCS), Critical Infrastructure Protection Subcommittee (CIPS) and the System Operator Subcommittee (SOS).

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 and direct support of the FRCC Internal Compliance Program for the RC registered function. 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* document which establishes the reliability responsibilities of the various operating 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 RC 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 BPS

operations. Accurate data exchange and modeling of the FRCC 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 is used to share electric system reliability data from the operating entities on a real-time basis.

Fuel Reliability Working Group (FRWG)

The FRWG, 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, also subordinate to the ORS, was established to provide oversight, guidelines and procedures to the FRCC Operations Planning Coordinator (OPC) function in accordance with the *Reliability Process for the FRCC Bulk Electric System* document. The OPWG focuses on BES reliability and developing operations planning processes and study protocols that support regional reliability and adherence to the NERC Reliability Standards as they relate to the OPC function.

Telecommunications Subcommittee (TS)

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 RC. The TS administers the FRCC Hotline program, Satellite phone program, and also ensures that reliable and redundant communications are maintained within, and external to, the FRCC RC footprint. All TS programs are non-statutory and support the RC and operating entity 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 enhance situation awareness and thus is budgeted as statutory.

System Protection and Control Subcommittee (SPCS)

The FRCC System Protection and Control Subcommittee (SPCS) has primary responsibility for supporting the coordination of protection and control systems within the FRCC region, including regional disturbance monitoring equipment, review of protective system 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 can 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.

Critical Infrastructure Protection Subcommittee (CIPS)

The purpose of the FRCC CIPS is to recommend improvements to enhance the physical and cyber security of the critical BES infrastructure in the FRCC Region, with an emphasis on protecting, preventing, limiting and recovering from malicious activities directed at the FRCC critical energy infrastructure. The CIPS provides guidance to the OC on matters of critical energy infrastructure security, including cyber and physical security. The CIPS provides advice

to the OC including impact and implementation of CIP NERC Reliability Standards that apply to the FRCC Reliability Coordinator registered function.

Event Analysis Working Group (EAWG)

The FRCC Event Analysis Working Group (EAWG) has been established as a peer review process within the FRCC Region to encourage consistency and quality of entity event reports submitted through the ERO Event Analysis Process. The EAWG also serves as a forum for FRCC registered entities to voluntarily disseminate individual entity lessons learned in a timely manner as well as serve as an interface with the ERO to receive other relevant event and “lessons learned” information. The EAWG primarily supports the Regional Entity efforts in Event Analysis and Reliability Improvements.

System Operator Subcommittee (SOS)

The FRCC System Operator Subcommittee (SOS) develops and delivers training in which FRCC grants NERC Continuing Education Hours (CEHs) to those individuals who successfully complete sanctioned courses through the SOS organized activities. The SOS is made up of member company training personnel and supports FRCC training activities by reviewing and providing training content. While most of the activities of the SOS support FRCC Regional Entity efforts, the SOS reports to the FRCC Operating Committee.

FRCC Reliability Coordinator (RC) Registered Function

The FRCC is a NERC registered Reliability Coordinator that, by FERC order, comes under the jurisdiction of the SERC Regional Entity as its Compliance Enforcement Authority (CEA). In addition to the committee work and oversight of its subordinate groups, the OC supports reliable operations and maintenance activities through the implementation and oversight of those FRCC Reliability Coordinator (RC) functions as established in the *Reliability Process for the FRCC Bulk Electric System*. 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 further supports Regional reliability by performing the roles of the Operations Planning Coordinator (OPC), and State Capacity Emergency Coordinator (SCEC) as defined in the *Reliability Process for the FRCC Bulk Electric System* document.

The FRCC RC function is accountable to the FRCC OC who has overall responsibility of the administration, development and implementation of RC and some non-RC operating procedures approved by the OC. Many of the policies and procedures developed by the OC and its sub groups, support Regional reliability as well as entity compliance with NERC Operations & Planning Standards.

Regulatory Oversight of Registered Functions

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

the FRCC Member Services committees and is the FRCC liaison between external Compliance Enforcement Authorities.

Major 2018 Cost Impacts

The FRCC's proposed 2018 Members Services budgeted expenses and net fixed assets are \$11,735,027, which is a \$1,536,442 or 15% increase over the 2017 budgeted expenses.

Planning Committee (PC)

The Member Services Planning Committee (PC) expenses for 2018 are made up of the PC Committee budget, as well as the administrative costs to provide support personnel for implementation of the FRCC Planning Authority (PA) functions and all other Member Services PC activities.

The 2018 PC budget is developed based on the activities of the Regional Projects Subcommittee (RPS), the Resource Subcommittee (RS), the Stability Analysis Subcommittee (SAS) and the Transmission Technical Subcommittee (TTS). These budgets are primarily for the labor involved in coordination activities performed by member representatives, software and meeting costs.

Operating Committee (OC)

The Member Services Operating Committee (OC) expenses for 2018 are made up of a 2018 OC technical budget as well as the Member Services Department related administrative costs to provide support personnel for implementation of the FRCC Reliability Coordinator (RC) functions and other Member Services (Non RC) activities. In 2018, the OC, along with staff, will continue to directly support implementation of the RC function, support RC and entity training, improve the compliance posture of the RC function as well as continue coordinating the activities of member companies to ensure continued reliability of the FRCC RC footprint.

The 2018 OC budget was developed based primarily on the activities of the Operating Reliability Subcommittee (ORS), the Telecommunications Subcommittee (TS), the Fuel Reliability Working Group (FRWG) and the Critical Infrastructure Protection Subcommittee (CIPS). These budgets are related to, or in support of both the FRCC Reliability Coordinator (RC) and Member Services entity's reliability functions and include consulting costs, contract costs, computer software purchases and expenses to support the associated activities. The technical budgets do not include FRCC staff salaries or associated personnel costs.

The staff includes dedicated employees as well as shared employees.

2017 Member Services Budget and Projection and 2018 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
NON-STATUTORY MEMBER SERVICES					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	\$ 10,301,621	\$ 10,301,621	\$ (0)	\$ 11,584,257	\$ 1,282,636
Testing Fees	-	-	-	-	-
Services & Software	203,700	291,203	87,503	204,100	400
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	<u>\$ 10,505,321</u>	<u>\$ 10,592,824</u>	<u>\$ 87,503</u>	<u>\$ 11,788,357</u>	<u>\$ 1,283,036</u>
Expenses					
Personnel Expenses					
Salaries	\$ 2,872,547	\$ 2,844,466	\$ (28,081)	\$ 3,003,436	\$ 130,889
Payroll Taxes	171,025	165,008	(6,017)	175,873	4,848
Benefits	482,572	456,242	(26,330)	470,333	(12,239)
Retirement Costs	410,392	420,575	10,183	450,563	40,171
Total Personnel Expenses	<u>\$ 3,936,536</u>	<u>\$ 3,886,291</u>	<u>\$ (50,245)</u>	<u>\$ 4,100,205</u>	<u>\$ 163,669</u>
Meeting Expenses					
Meetings	\$ 31,210	\$ 31,251	\$ 41	\$ 34,999	\$ 3,789
Travel	88,973	90,240	1,267	113,458	24,485
Conference Calls	32,713	37,694	4,981	38,838	6,125
Total Meeting Expenses	<u>\$ 152,896</u>	<u>\$ 159,185</u>	<u>\$ 6,289</u>	<u>\$ 187,295</u>	<u>\$ 34,399</u>
Operating Expenses					
Consultants & Contracts	\$ 5,255,111	\$ 5,489,591	\$ 234,480	\$ 6,213,956	\$ 958,845
Office Rent	273,573	299,873	26,300	300,612	27,039
Office Costs	330,766	442,821	112,055	318,521	(12,245)
Professional Services	42,501	55,141	12,640	62,276	19,775
Miscellaneous	-	-	-	-	-
Depreciation	112,507	52,605	(59,902)	142,879	30,372
Total Operating Expenses	<u>\$ 6,014,458</u>	<u>\$ 6,340,031</u>	<u>\$ 325,573</u>	<u>\$ 7,038,244</u>	<u>\$ 1,023,786</u>
Total Direct Expenses	<u>\$ 10,103,890</u>	<u>\$ 10,385,507</u>	<u>\$ 281,617</u>	<u>\$ 11,325,744</u>	<u>\$ 1,221,854</u>
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	<u>\$ 10,103,890</u>	<u>\$ 10,385,507</u>	<u>\$ 281,617</u>	<u>\$ 11,325,744</u>	<u>\$ 1,221,854</u>
Change in Assets	<u>\$ 401,431</u>	<u>\$ 207,317</u>	<u>\$ (194,114)</u>	<u>\$ 462,613</u>	<u>\$ (61,182)</u>
Fixed Assets					
Depreciation	\$ (112,507)	\$ (52,605)	\$ 59,902	\$ (142,879)	\$ (30,372)
Total Fixed Asset Purchases	207,202	136,112	(71,090)	552,164	344,962
Change in Fixed Assets	<u>\$ (94,695)</u>	<u>\$ (83,507)</u>	<u>\$ 11,188</u>	<u>\$ (409,285)</u>	<u>\$ (314,590)</u>
TOTAL BUDGET	\$ 10,198,585	\$ 10,469,014	\$ 270,429	\$ 11,735,029	\$ 1,536,444
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ 306,736</u>	<u>\$ 123,810</u>	<u>\$ (182,926)</u>	<u>\$ 53,328</u>	<u>\$ (253,408)</u>
FTEs	20.43	19.95	(0.47)	20.22	(0.21)

Personnel Analysis

Total FTE's by Program Area	Budget 2017	Projection 2017	Direct FTEs 2018 Budget	Shared FTEs ¹ 2018 Budget	Total FTEs 2018 Budget	Change from 2017 Budget
NON-STATUTORY						
Operational Programs						
Operating Committee	10.90	10.38	10.43		10.43	-0.47
Planning Committee	5.43	5.56		5.60	5.60	0.17
Total FTEs Operational Programs	16.33	15.94	10.43	5.60	16.03	-0.30
Administrative Programs						
General & Administrative	4.10	4.01		4.18	4.18	0.08
Total FTEs Administrative Programs	4.10	4.01	0.00	4.18	4.18	0.08
Total FTEs	20.43	19.95	10.43	9.78	20.21	-0.22

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

Member Services Reserve Analysis — 2017-2018

Working Capital Reserve Analysis 2017-2018	
NON-STATUTORY MEMBER SERVICES	
Beginning Working Capital Reserve (Deficit), December 31, 2016	800,808
	2017 Funding (from members) 10,301,621
	2017 Projected Other funding sources 291,203
Total Cash Available 2017	11,393,632
Less: '2017 Projected expenses & capital expenditures	(10,469,014)
Projected Working Capital Reserve Surplus/(Deficit), December 31, 2017	924,618
Desired Working Capital Reserve, December 31, 2018	¹ 977,919
Less: Projected Working Capital Reserve, December 31, 2017	(924,618)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	53,301
	2018 Expenses and Capital Expenditures 11,735,027
	Less: Other Funding Sources (204,100)
Adjustment to achieve desired Working Capital Reserve	53,301
2018 Funding (reserve adjustment)	11,584,228

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

**Section D – Additional Consolidated Financial
Statements**
2018 Business Plan and Budget

Section D — 2018 Additional Consolidated Financial Information

Statement of Activities and Capital Expenditures by Program 2018 Budget	Total	Statutory Total	Non-Statutory Total	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
Funding													
ERO Funding													
ERO Assessments	\$ 6,660,518	\$ 6,660,518	\$ -	\$ 6,660,518	\$ 261,304	\$ 5,306,927	\$ 1,295,382	\$ 292,329	\$ 13,025	\$ (508,449)	\$ -	\$ -	\$ -
Penalty Sanctions	253,145	253,145	-	253,145	9,149	191,246	41,948	10,414	389	-	-	-	-
Total ERO Funding	6,913,663	6,913,663	-	6,913,663	270,452	5,498,173	1,337,329	302,743	13,414	(508,449)	-	-	-
Membership Dues	\$ 11,584,228	\$ -	\$ 11,584,228	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,584,228	\$ 9,555,262	\$ 2,028,966
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	204,100	-	204,100	-	-	-	-	-	-	-	204,100	180,100	24,000
Workshops	92,000	92,000	-	92,000	-	-	-	92,000	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	\$ 18,793,991	\$ 7,005,663	\$ 11,788,328	\$ 7,005,663	\$ 270,452	\$ 5,498,173	\$ 1,337,329	\$ 394,743	\$ 13,414	\$ (508,449)	\$ 11,788,328	\$ 9,735,362	\$ 2,052,966
Expenses													
Personnel Expenses													
Salaries	\$ 7,292,852	\$ 4,289,416	\$ 3,003,436	\$ 4,289,416	\$ 143,677	\$ 2,617,862	\$ 655,870	\$ 162,980	\$ 6,508	\$ 702,519	\$ 3,003,436	\$ 1,953,917	\$ 1,049,519
Payroll Taxes	425,581	249,708	175,873	249,708	8,428	151,653	38,474	9,561	382	41,210	175,873	114,416	61,457
Benefits	1,155,014	684,682	470,332	684,682	25,711	428,736	121,229	21,307	851	86,848	470,332	314,663	155,669
Retirement Costs	1,105,549	654,985	450,564	654,985	21,554	404,225	98,391	24,450	976	105,389	450,564	293,119	157,445
Total Personnel Expenses	\$ 9,978,996	\$ 5,878,791	\$ 4,100,205	\$ 5,878,791	\$ 199,370	\$ 3,602,476	\$ 913,964	\$ 218,298	\$ 8,717	\$ 935,966	\$ 4,100,205	\$ 2,676,115	\$ 1,424,090
Meeting Expenses													
Meetings	\$ 107,592	\$ 72,593	\$ 34,999	\$ 72,593	\$ 772	\$ 12,096	\$ 1,999	\$ 57,707	\$ 19	\$ -	\$ 34,999	\$ 19,170	\$ 15,829
Travel	277,956	164,498	113,458	164,498	5,468	90,644	59,678	8,665	43	-	113,458	95,171	18,287
Conference Calls	53,988	15,150	38,838	15,150	3,138	6,602	380	5,026	4	-	38,838	21,577	17,261
Total Meeting Expenses	\$ 439,536	\$ 252,241	\$ 187,295	\$ 252,241	\$ 9,378	\$ 109,342	\$ 62,057	\$ 71,398	\$ 66	\$ -	\$ 187,295	\$ 135,918	\$ 51,377
Operating Expenses													
Consultants & Contracts	\$ 6,695,510	\$ 481,554	\$ 6,213,956	\$ 481,554	\$ 3,992	\$ 343,034	\$ 97,819	\$ 36,528	\$ 181	\$ -	\$ 6,213,956	\$ 5,850,052	\$ 363,904
Office Rent	925,904	625,292	300,612	625,292	14,044	461,903	64,109	15,931	636	68,669	300,612	195,566	105,046
Office Costs	431,593	113,073	318,520	113,073	3,874	82,718	14,192	7,305	2,112	2,872	318,520	289,828	28,692
Professional Services	98,100	35,824	62,276	35,824	1,301	27,052	5,937	1,475	59	-	62,276	16,320	45,956
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	256,060	113,181	142,879	113,181	1,630	105,770	4,670	1,071	40	-	142,879	131,600	11,279
Total Operating Expenses	\$ 8,407,167	\$ 1,368,924	\$ 7,038,243	\$ 1,368,924	\$ 24,841	\$ 1,020,477	\$ 186,727	\$ 62,310	\$ 3,028	\$ 71,541	\$ 7,038,243	\$ 6,483,366	\$ 554,877
Total Direct Expenses	\$ 18,825,699	\$ 7,499,956	\$ 11,325,743	\$ 7,499,956	\$ 233,589	\$ 4,732,295	\$ 1,162,748	\$ 352,006	\$ 11,811	\$ 1,007,507	\$ 11,325,743	\$ 9,295,399	\$ 2,030,344
Indirect Expenses	-	-	-	-	36,411	761,150	166,949	41,447	1,549	(1,007,507)	-	-	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 18,825,699	\$ 7,499,956	\$ 11,325,743	\$ 7,499,956	\$ 270,000	\$ 5,493,445	\$ 1,329,697	\$ 393,453	\$ 13,360	\$ -	\$ 11,325,743	\$ 9,295,399	\$ 2,030,344
Change in Assets	\$ (31,708)	\$ (494,293)	\$ 462,585	\$ (494,293)	\$ 452	\$ 4,728	\$ 7,632	\$ 1,290	\$ 54	\$ (508,449)	\$ 462,585	\$ 439,963	\$ 22,622
Fixed Assets													
Depreciation	\$ (256,060)	\$ (113,181)	\$ (142,879)	\$ (113,181)	\$ (1,630)	\$ (105,770)	\$ (4,670)	\$ (1,071)	\$ (40)	\$ -	\$ (142,879)	\$ (131,600)	\$ (11,279)
Total Fixed Asset Purchases	679,500	127,337	552,163	127,337	2082	110,498	12,302	2,361	94	-	552,163	536,899	15,264
Change in Fixed Assets	\$ (423,440)	\$ (14,156)	\$ (409,284)	\$ (14,156)	\$ (452)	\$ (4,728)	\$ (7,632)	\$ (1,290)	\$ (54)	\$ -	\$ (409,284)	\$ (405,299)	\$ (3,985)
TOTAL CHANGE IN WORKING CAPITAL	\$ (455,148)	\$ (508,449)	\$ 53,301	\$ (508,449)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (508,449)	\$ 53,301	\$ 34,664	\$ 18,637

2018 FRCC Business Plan and Budget
Approved by the Board of Directors 06-29-2017

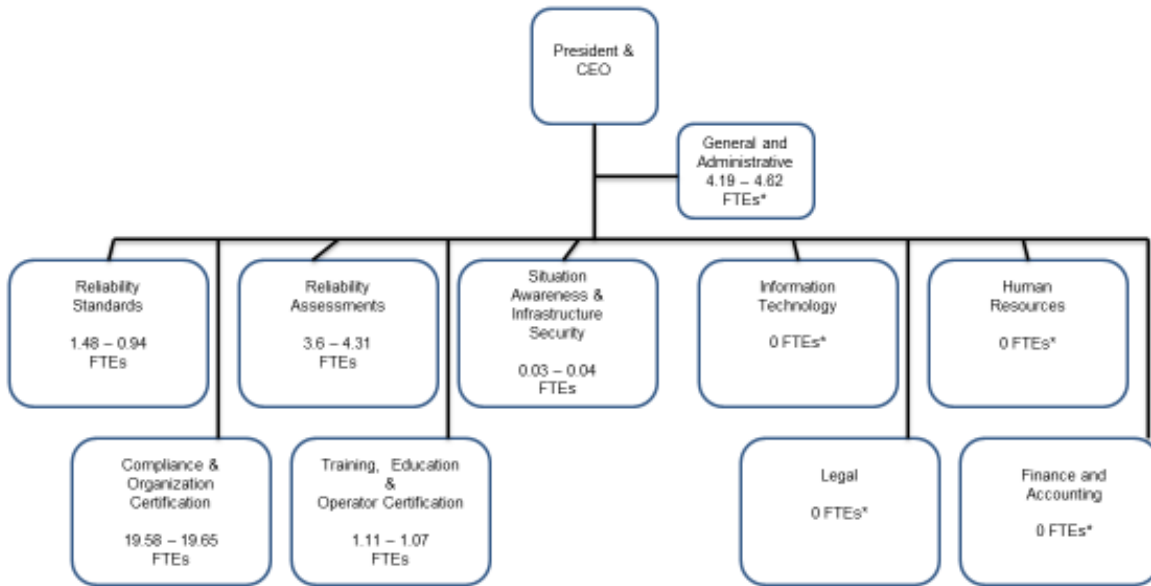
Statement of Financial Position

Statement of Financial Position				
2016 Audited, 2017 Projection, 2018 Budget and 2019 Projected				
STATUTORY and NON-STATUTORY				
	(Per Audit)	Projected	Budget	Projected
	12/31/2016	12/31/2017	12/31/2018	12/31/2019
ASSETS				
Cash	5,723,634	5,123,543	4,668,395	4,968,395
Accounts receivable	3,536,148	3,636,148	3,686,148	3,786,148
Other receivables	-	-	-	-
Prepaid expenses and other current assets	190,349	200,000	225,000	250,000
Other Assets	292,718	302,718	310,218	317,718
Property and equipment (net of depreciation)	349,761	399,761	699,761	924,761
Total Assets	10,092,610	9,662,170	9,589,522	10,247,022
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	2,696,569	2,646,569	2,616,569	2,691,569
Deferred income	4,120,129	4,116,379	4,561,187	4,773,294
Compliance Penalty Assessment	278,145	95,001	253,145	-
Accrued postretirement benefits obligation	331,607	253,481	266,155	279,463
Total Liabilities	7,426,450	7,111,430	7,697,056	7,744,326
Net Assets - unrestricted	2,666,160	2,550,740	1,892,466	2,502,696
Total Liabilities and Net Assets	10,092,610	9,662,170	9,589,522	10,247,022

Statutory Organizational Chart

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

2017 Budgeted FTEs 29.99
2018 Budgeted FTEs 30.63



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

DOCKET NO. RR17-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2018 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 4

MIDWEST RELIABILITY ORGANIZATION

PROPOSED 2018 BUSINESS PLAN AND BUDGET



**MIDWEST
RELIABILITY
ORGANIZATION**

380 St Peter Street, #800
Saint Paul, MN 55102
651-855-1760/651-855-1712
www.midwestreliability.org

Midwest Reliability Organization

2018 Business Plan and Budget

**Approved by:
MRO Board of Directors**

**Date:
June 22, 2017**

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Introduction

The following table summarizes the 2018 Midwest Reliability Organization (MRO) budget.

TOTAL RESOURCES (in whole dollars)				
	2018 Budget	U.S.	Canada	Mexico
Statutory FTEs	45.00			
Non-statutory FTEs				
Total FTEs	45.00			
Statutory Expenses	\$ 12,018,566			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 12,018,566			
Statutory Inc(Dec) in Fixed Assets	\$ (291,830)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (291,830)			
Statutory Working Capital Requirement	\$ (854,632)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (854,632)			
Total Statutory Funding Requirement	\$ 10,872,104			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 10,872,104			
Statutory Funding Assessments	\$ 10,730,106	\$ 8,940,888	\$ 1,789,219	-
Non-Statutory Fees				
NEL	289,292,028	241,683,330	47,608,698	-
NEL%	100.00%	83.54%	16.46%	0.00%

Table 1. MRO 2018 Budget

Organizational Overview

MRO is a Delaware nonprofit¹ corporation that is a cross-border Regional Entity² operating under a delegation agreement³ with the North American Electric Reliability Corporation (NERC). The MRO Region is located in the north central area of North America and includes areas in both the United States and Canada. MRO's Delegation Agreement was approved by the Federal Energy Regulatory Commission (FERC) pursuant to FERC's authority under the Federal Power Act (FPA)⁴ and is effective through December 31, 2020.

¹ MRO is tax exempt under Internal Revenue Service Section 501(c)(3) and under applicable State of Minnesota provisions.

² 16 U.S.C. § 824o(a)(7)

³ Delegation Agreement

⁴ 16 U.S.C. 824 o (e)(4)

MRO's Vision is to "Maintain and improve the quality of life through a highly reliable regional Bulk Power System." MRO's purpose is to "Strive to assure each Bulk Power System owner and operator within our region is a Highly Effective Reliability Organization."

Membership and Governance

MRO membership is voluntary and at no cost and each member organization belongs to one of seven industry sectors. Members are encouraged to participate in MRO organizational groups. Adjunct members are entities that are not eligible to belong to an industry sector but have a material interest in reliability issues in the MRO Region. MRO has 54 members and 6 non-voting adjunct members.

MRO's Board of Directors is a combination of independent and stakeholder directors, with 17 directors elected by members from the 7 industry sectors and 2 independent directors elected by all members. Pursuant to MRO's Bylaws, no two industry sectors can control a vote. In addition, the board has adopted procedures to ensure it carries out its responsibilities free of conflicts of interest.

The board has four committees:

- Dispute Resolution Committee
- Finance and Audit Committee
- Governance and Personnel Committee
- Hearing Body Committee

The board's duties include, but are not limited to the following:

- Govern the corporation and oversee all of its activities
- Establish and oversee all organizational groups
- Oversee accomplishment of all functions set forth in any delegation or other agreement with NERC or any governmental entity related to development, monitoring and enforcement of Reliability Standards and related matters
- Establish and approve an annual budget
- Represent MRO in legal and regulatory proceedings and
- Hire the President and CEO

The board makes no determinations on compliance or enforcement matters. The Hearing Body fulfills the obligations to conduct hearings, a mandated function under NERC's Compliance Monitoring and Enforcement Program (CMEP) Hearing Procedures.

The board has established five primary organizational groups comprised of stakeholder members:

- Compliance Committee
- Operating Committee
- Planning Committee
- Security Advisory Council
- Standards Committee

Each organizational group's charter is published on MRO's website. Board-approved Policy and Procedure 3 sets out the processes for all organizational groups.

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 NERC Rules of Procedure.
2. Perform reliability assessments.
3. Provide independent technical analysis of system events and work with industry on recommendations and lessons learned.
4. Develop, propose, and/or adopt Regional Reliability Standards or variances to Reliability Standards pursuant to its Standards Process Manual, which has been approved by NERC and FERC.
5. Provide education and resources for MRO registered entities.
6. Perform other services consistent with its delegation agreement and the NERC Rules of Procedure.

Business Plan and Budget Development and Key Assumptions for 2018

Each year, MRO prepares an annual Business Plan and Budget for the following calendar year. The Business Plan and Budget takes into account the ERO Enterprise Strategic Plan and Metrics 2017-2020, the Shared Business Plan and Budget Assumptions (2018-2020) and Key Focus Areas for 2018, and the MRO Strategic Plan. MRO staff develops the Business Plan and Budget with board and stakeholder input. The Business Plan and Budget process is a coordinated effort with NERC and the other Regional Entities (collectively the ERO Enterprise).

MRO's budget development employs both a "top-down" and a "bottom-up" approach. The top-down approach is initiated by MRO's President and CEO, who sets key parameters including headcount and a target overall budget. The bottom-up approach is initiated by MRO's vice presidents, who calculate budget amounts for their respective departments using a detailed, line-by-line zero-based budgeting approach. The bottom-up departmental budgets are aggregated and reconciled with the CEO's top-down budget.

In addition to its operating expenses, MRO's budget includes a cash reserve as specified in Policy and Procedure 13 Operating and Working Capital Reserves.

The draft Business Plan and Budget is reviewed by the Finance and Audit Committee (FAC) and the board and then posted for stakeholder comment. The board considers the Business Plan and Budget at its June meeting, and upon approval, staff submits it to NERC for approval by NERC's Board of Trustees. Upon approval of NERC's Business Plan and Budget and all eight Regional Entities' Business Plans and Budgets, a filing is submitted to FERC for approval, which is typically obtained in October or November of the year preceding the budget year.

Financial Policies and Controls

An independent auditing firm annually audits MRO's financial statements. The FAC Charter states: "The FAC evaluates the performance of the external auditor and, if so determined, recommends to the Board the reappointment of the external auditor or steps to replace the external auditor. Once hired, the independent auditor communicates directly with the FAC Chair and committee regarding audit matters." The FAC and MRO staff perform an annual review of the auditing firm's performance.

MRO's Purchase Requisition Policy and Contract Management Procedure govern the procurement of goods and services in excess of \$500. These protocols require that a purchase order be approved by MRO's Vice President Finance and Administration and the departmental vice president for all purchases in excess of \$500. Additionally, purchases in excess of \$10,000 must be approved by MRO's President and CEO.

MRO's Expense Statement Guidelines provide guidance on reasonable, reimbursable travel expenses. Expenses are reviewed for proper documentation and reasonableness by the employee's supervisor, the Accounting Specialist and MRO's Vice President Finance and Administration.

MRO utilizes a system to track and report time by program area, project, and registered entity, when applicable. This system is also used to report and approve expenses.

Accounting and Recordkeeping

MRO uses Generally Accepted Accounting Principles to budget and uses its Chart of Accounts that is based on NERC's System of Accounts, as required in the delegation agreement. 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 with monthly closings, recognizing revenues when earned and expenses when incurred. The majority of MRO expenses are labor and benefit costs. General and Administrative costs are allocated to each MRO program area based on the number of full-time equivalents (FTEs) in each program area.

Organizational Structure and Staffing

MRO has four departments, each of which is dedicated to one or more statutory functions or program areas and four general and administrative departments. Costs are tracked both by department and in the MRO Chart of Accounts.

MRO employees track the time spent working in each program area, and labor costs are charged to the appropriate program area.

The Compliance Monitoring and Regulatory Affairs Department encompasses MRO's audit, spot check, and self-certification activities and is managed by a vice president who is also responsible for Canadian Regulatory Affairs.

The Risk Assessment and Mitigation Department and Registration and Reliability Standards Department report to one vice president. These groups are responsible for risk assessments used to plan MRO's compliance activities, risk determinations and mitigation of noncompliance, and registration and certification of registered entities. These groups also lead MRO's outreach efforts related to entities' technical implementations to support compliance, reliability, and security.

The Enforcement Department is responsible for disposition and enforcement of noncompliance with Reliability Standards and is managed by a vice president.

MRO's Operations Department is responsible for reliability assessment, performance analysis, event analysis, situational awareness, infrastructure security, IT, and event planning functions. This department is managed by a vice president.

MRO's Vice President, General Counsel, Corporate Secretary and Director of External Affairs provides legal advice to MRO, serves as the corporate secretary, and leads MRO's communications efforts and external affairs function.

MRO's Information Technology Department is responsible for providing a secure network infrastructure and information technology systems to support the users. Systems include cyber and physical security.

MRO's Finance and Administration Department performs human resources, accounting, finance, budget, and treasury functions and is managed by a vice president.

The General and Administrative Department is led by MRO's President and CEO and includes normal administrative costs for the head of the organization.

Compensation Process and Standards of Conduct, Confidentiality and Conflict of Interest Policies

MRO bases employee compensation on eight pay principles. The current compensation structure uses a five-tiered structure with each tier divided into four scales reflecting experience and degree of knowledge, skills and abilities. MRO periodically engages a third party compensation expert to review this structure.

Each MRO employee is required to annually sign a Standards of Conduct, Confidentiality and Conflict of Interest form, attesting that he or she has read and understood these policies and will always act in MRO's interests and avoid conduct that may compromise his or her MRO responsibilities. MRO employees are prohibited from having a financial interest in any registered entity in the MRO region.

2018 Goals and Key Deliverables

MRO's business planning is driven by the annual strategic objectives, which are:

1. Simplification of regulation.
2. Risk-based methodologies are implemented with proper rigor and safeguards.
3. Improve clarity of standards and rules.
4. Greater consistency within MRO and across NERC/Regional Entities.
5. Coordinated communications around key policy matters.

In addition, each department and individual employee sets goals for the year.

MRO recognizes and supports NERC's Electric Reliability Organization (ERO) Enterprise Strategic Plan and Goals.

2018 Overview of Cost Impacts

In developing the MRO 2018 Business Plan and Budget, MRO, NERC, and the other Regional Entities collaborated and agreed upon common operational and program assumptions that are contained in the Shared Business Plan and Budget Assumptions for the 2016-2019 Planning Period (2018 Budget Cycle), and which is provided as Exhibit A to the NERC 2018 Business Plan and Budget. MRO used these shared assumptions as well as the Electric Reliability Organization Enterprise Strategic Goals in developing this 2018 Business Plan and Budget. Prior to obtaining

final approval from its Board of Directors, MRO seeks NERC input and review of its annual Regional Entity Business Plan and Budget, including coordination of program requirements and any related key initiatives for the Electric Reliability Organization (ERO) Enterprise.

Overall, the MRO 2018 statutory expenses (\$11,726,737) increased by 4.0 percent from the 2017 statutory expenses (\$11,226,670). The 2018 statutory assessment (\$10,730,106) represents an increase of 2.0 percent from the 2017 assessment (\$10,494,345).

Significant statutory expense changes (including capital expenditures) include:

- Total Personnel expenses are increasing by 6.5 percent. Salary expenses increase by 6.4 percent because there are two additional FTEs reflected in the total personnel costs. Additional FTEs are a result of targeted outreach to improve prevention and shared responsibility efforts across the MRO footprint. Captured savings from facility and tax status change will offset investment towards additional FTEs by \$130,000. The benefits expense is increasing 8.9 percent, in part due to the additional FTEs and also because health plan expenses are trending at a 6 percent increase according to actuarial studies.
- Total Meeting and Travel expenses are increasing by 4.1 percent, primarily due to increased efforts in outreach and an increased number of audits and working group activities in 2018. Member travel is decreasing due to greater utilization of webinars and video conferencing.
- Total Operating Expenses are increasing by 2.1 percent. The Consultants and Contracts category is decreasing by \$138,950 due to hiring a CIP consultant in 2017 on a part-time basis. Additionally, major system and infrastructure updates were completed in 2017, reducing need for IT consulting and contracts as focus shifts to maintenance. Rent cost is increasing 4.5 percent and office costs are increasing 16.3 percent; these two increases are due to the additional costs associated with the expanded conference space and hosting all meetings and events onsite as well as the additional two FTEs.
- Depreciation expense is increasing 14.7 percent due to the start of depreciation on one-time asset purchases associated with Leasehold Improvements, Furniture and Fixtures, and Equipment purchased for the expanded conference space. Yet, fixed asset additions decreased because one-time asset purchases related to the facility expansion and reconfiguration were completed in 2017.

Other Non-Operating Expenses

None

All statutory activity in the 2018 Business Plan and Budget aligns with NERC's ERO Enterprise Strategic Plan.

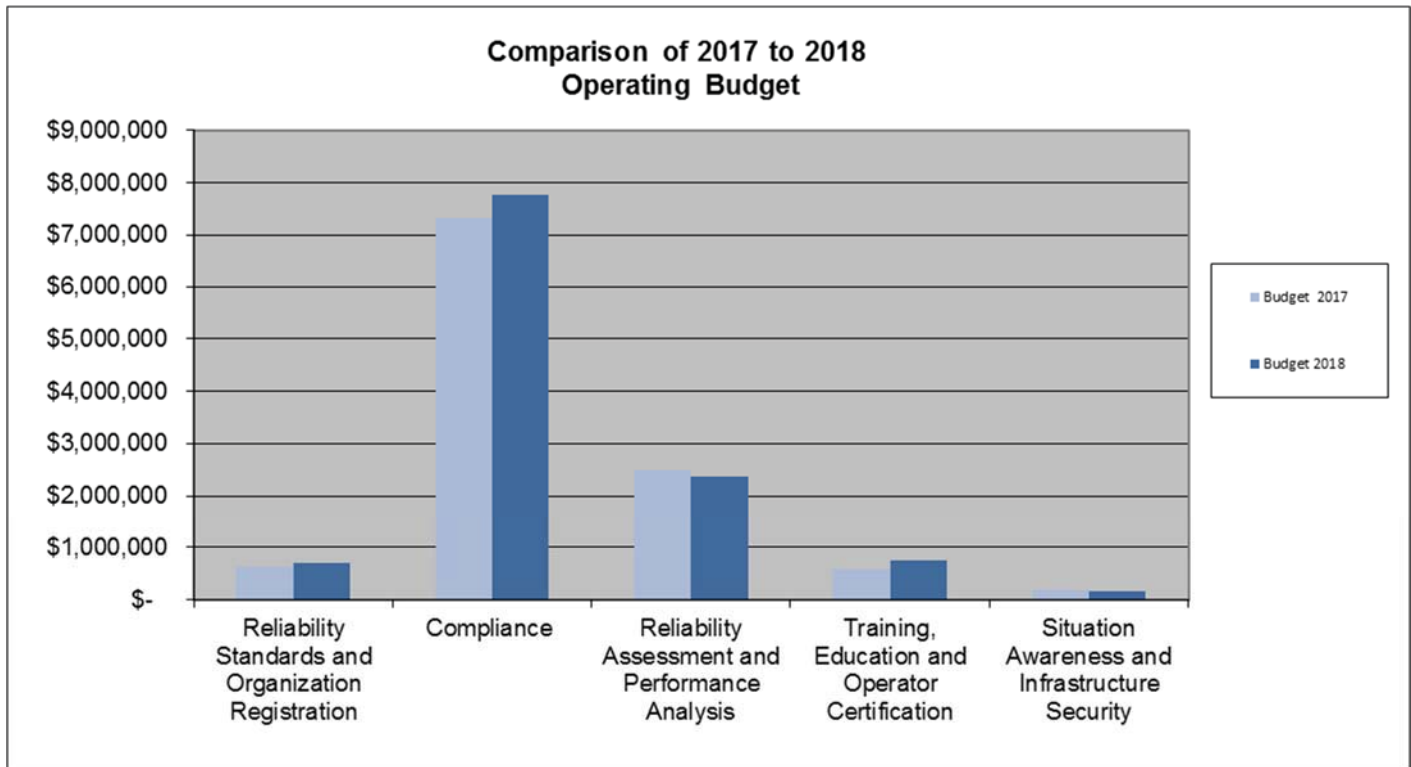
Summary by Program

The following table and figure summarize and illustrate the MRO budget by program area.

Base Operating Budget	Budget 2017	Projection 2017	Budget 2018	Change	
				2018 Budget v 2017 Budget	% Change
Reliability Standards	633,865	633,865	696,449	62,584	9.9%
Compliance Enforcement and Organization Registration	7,313,627	7,313,627	7,756,470	442,843	6.1%
Reliability Assessments and Performance Analysis	2,498,586	2,498,586	2,361,808	(136,778)	-5.5%
Training, Education and Operator Certification	589,598	589,598	753,932	164,333	27.9%
Total Situation Awareness and Infrastructure Security	190,992	190,992	158,078	(32,915)	-17.2%
	11,226,668	11,226,668	11,726,736	500,068	4.5%
Working Capital Reserve	(566,073)	(566,073)	(854,632)	(288,559)	
Total Funding	10,660,595	10,660,595	10,872,104	211,509	2.0%

This table does not include an allocation of working capital requirements among the program areas. Combines Compliance Monitoring, Risk Assessment and Mitigation and Enforcement.

Table 2. Budget by Program Area



This graphical representation does not include an allocation of working capital requirements among the program areas.

Figure 1. Budget by Program Area Chart

The following table displays total FTEs by program area.

Total FTEs by Program Area	Budget 2017	Projection 2017	Direct FTEs 2018 Budget	Shared FTEs 2018 Budget ¹	Total FTEs 2018 Budget	Change from 2017 Budget
STATUTORY						
Operational Programs						
Reliability Standards and Organization and Certification	1.96	1.96	2.01		2.01	0.05
Compliance	9.77	9.77	10.06		10.06	0.29
Compliance Risk Assessment and Mitigation	8.39	8.39	9.97		9.97	1.58
Compliance Enforcement	2.95	2.95	2.99		2.99	0.04
Training and Education	1.35	1.35	2.10		2.10	0.75
Reliability Assessment and Performance Analysis	6.42	6.42	6.13		6.13	(0.29)
Situation Awareness and Infrastructure Security	0.49	0.49	0.33		0.33	(0.16)
Total FTEs Operational Programs	31.33	31.33	33.59	-	33.59	2.26
Administrative Programs						
Technical Committees and Member Forums	-	-	-		-	-
General and Administrative	2.91	2.91	2.85		2.85	(0.06)
Legal and Regulatory	0.95	0.95	0.92		0.92	(0.03)
Information Technology	3.92	3.92	4.02		4.02	0.10
Human Resources	-	-	-		-	-
Finance and Accounting	3.89	3.89	3.62		3.62	(0.27)
Total FTEs Administrative Programs	11.67	11.67	11.41	-	11.41	(0.26)
Total FTEs	43.00	43.00	45.00	-	45.00	2.00

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

Table 3. Total FTEs by Program Area

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

2017 Budget and Projection and 2018 Budget Comparisons

The following table lists the 2017 budget and projection compared to the 2018 budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
STATUTORY					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection	Budget	2018 Budget
			v 2017 Budget		v 2017 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 10,494,345	\$ 10,494,345	\$ -	\$ 10,730,104	\$ 235,759
Penalty Sanctions	166,250	166,250	-	142,000	(24,250)
Total NERC Funding	\$ 10,660,595	\$ 10,660,595	\$ -	\$ 10,872,104	\$ 211,509
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 10,660,595	\$ 10,660,595	\$ -	\$ 10,872,104	\$ 211,509
Expenses					
Personnel Expenses					
Salaries	\$ 5,874,689	\$ 5,874,689	-	\$ 6,250,448	\$ 375,759
Payroll Taxes	366,600	366,600	-	391,324	24,724
Benefits	608,751	608,751	-	663,221	54,470
Retirement Costs	1,195,387	1,195,387	-	1,259,803	64,416
Total Personnel Expenses	\$ 8,045,427	\$ 8,045,427	\$ -	\$ 8,564,796	\$ 519,369
Meeting Expenses					
Meetings	\$ 85,000	\$ 85,000	\$ -	\$ 93,950	\$ 8,950
Travel	635,000	635,000	-	655,430	20,430
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 720,000	\$ 720,000	\$ -	\$ 749,380	\$ 29,380
Operating Expenses					
Consultants & Contracts	\$ 674,077	\$ 674,077	\$ -	\$ 535,127	\$ (138,950)
Office Rent	701,900	701,900	-	733,700	31,800
Office Costs	539,933	539,933	-	628,013	88,080
Professional Services	228,550	228,550	-	229,550	1,000
Miscellaneous	-	-	-	-	-
Depreciation	504,000	504,000	-	578,000	74,000
Total Operating Expenses	\$ 2,648,460	\$ 2,648,460	\$ -	\$ 2,704,390	\$ 55,930
Total Direct Expenses	\$ 11,413,887	\$ 11,413,887	\$ -	\$ 12,018,566	\$ 604,679
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 11,413,887	\$ 11,413,887	\$ -	\$ 12,018,566	\$ 604,679
Change in Assets	\$ (753,292)	\$ (753,292)	\$ -	\$ (1,146,462)	\$ (393,170)
Fixed Assets					
Depreciation	\$ (504,000)	\$ (504,000)	\$ -	\$ (578,000)	\$ (74,000)
Computer & Software CapEx	173,670	173,670	-	286,170	112,500
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	143,111	143,111	-	-	(143,111)
Allocation of Fixed Assets	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	(187,219)	(187,219)	-	(291,830)	(104,611)
TOTAL BUDGET (=B + C)	\$ 11,226,668	\$ 11,226,668	\$ -	\$ 11,726,736	\$ 500,068
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (566,073)	\$ (566,073)	\$ -	\$ (854,632)	\$ (288,559)
FTEs	43.00	43.00	-	45.00	2.00

Table 4. Budget and Projection Comparison, 2017 to 2018

Section A – Statutory Programs

2018 Business Plan and Budget



Section A – Statutory Programs

Reliability Standards, Organization Registration and Certification Program

The following table shows funding sources and related expenses for the Reliability Standards, Organization Registration and Certification Program.

Reliability Standards Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	1.96	2.01	0.05
Direct Expenses	\$ 356,096	\$ 429,882	\$ 73,786
Indirect Expenses	\$ 289,481	\$ 284,030	\$ (5,451)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (11,712)	\$ (17,463)	\$ (5,750)
Total Funding Requirement	\$ 633,866	\$ 696,449	\$ 62,583

Table A-1. Reliability Standards Budget

Reliability Standards

Program Scope and Functional Description

The program supports NERC's efforts on the development of Reliability Standards. MRO does not envision the development of any Regional Reliability Standards in 2018. The workload around standards is expected to increase in 2018 as staff increases its participation in standards development including its support of the MRO Standards Committee.

Assumptions (2018-2020)

- The number of continent-wide Reliability Standards development projects is expected to remain relatively stable, except as required to address any new FERC directives to create or modify Reliability Standards, or industry submittals of standard authorization requests.
- Continent-wide Reliability Standards projects will consist primarily of conducting enhanced periodic reviews on existing Reliability Standards to improve their content and quality, respond to identified risks to reliability (including those that may be identified through the implementation of risk-based Compliance Monitoring and Enforcement), and address FERC directives that may arise. This activity will require the allocation of technical resources from several internal NERC departments (e.g., Reliability Assessment and Performance Analysis (RAPA), Reliability Risk Management, Compliance Analysis and Certification, and Compliance Assurance) and support from across the ERO Enterprise.
- During the enhanced periodic review of Reliability Standards, any associated Regional Reliability Standards will be reviewed for potential incorporation as variances or as improvements to the continent-wide requirements. Regional and NERC Reliability Standards development processes may require modification to efficiently accomplish this task. Each Regional Entity will work with NERC and other Regional Entities as necessary on projects where there is a Regional Reliability Standard/variance.

- Regional Reliability Standards development activity is expected to remain low, driven by requests that the Regional Entity may receive or reliability issues that the Regional Entity may identify.
- In coordination with Standard Drafting Teams and consistent with current approaches, Regional Entities may support outreach during standard development and participate in the standard development activities as may be required to address reliability and stakeholder issues that may arise within their respective regions.
- Following FERC approval, NERC and the Regional Entities collectively will assist the transition of Reliability Standards to compliance monitoring and enforcement by supporting industry and auditor training or providing information regarding the intent of the Reliability Standard.
- The number of standard interpretations is expected to remain low. However, implementation guidance requests may increase.
- As noted in the assumptions for Information Technology (IT), Regional Entities will be asked to participate in teams to help develop application business requirements and test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts and IT staff. The success of the Compliance Monitoring and Enforcement Process Tool project will be dependent on Regional Entity participation. When planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of this project.

Key Focus Areas (2018)

- Enhancing feedback loops, including audit and risk assessment experience, continent-wide and regional perspectives, lessons-learned, and events analysis for enhanced periodic reviews focused on conducting measured, in-depth reviews to improve Reliability Standards using the enhanced periodic review template. MRO expects increased resources in 2018 to be committed to this process as the results of Inherent Risk Assessments are used to further improve Standards.
- MRO expects increased resources in 2018 and beyond to be committed to Standard Drafting Teams to assist with addressing reliability issues and to ensure that new Standards are measurable from a compliance perspective.

Organization Registration and Certification

Program Scope and Functional Description

The MRO Organization Registration and Certification Department will continue to monitor activity in the Region and to register and certify entities in accordance with MRO Regional Entity procedures and the NERC ROP, including revisions to registrations and certifications. The level of activity is expected to increase in 2018.

Assumptions (2018-2020)

- Modifications to the NERC Registry Criteria were approved, including the elimination of three functional entities (Purchasing-Selling Entities, Interchange Authorities, and Load-Serving Entities), the threshold criteria for Distribution Providers, and alignment of five registration categories with the BES definition.
- A NERC-led technical review panel has been established to allow entities to challenge the NERC Registration Criteria based on risk. Entities are allowed to make a technical risk-based case for deactivation, or request a subset list of Reliability Standards that they will

be mandated to comply with. The NERC-led review panel is responsible for making the technical determination of whether or not the entity should be allowed to deviate from the NERC Registration Criteria, and be subject to compliance with Standards that apply to a particular function.

- The results from the 2016 registration program review will result in modifications to the program in 2018. The recommendations from the Organization Registration Program review are summarized below and will be prioritized by the Organization Registration and Certification Group (ORCG) for work to be conducted in 2018:
 - NERC staff shall develop ERO Enterprise monitoring activities for 2018.
 - The NERC-led review panel should compile a list of possible ROP enhancements related to the NERC-led Review Panel processes and procedures.
 - NERC and the Regional Entities should develop and conduct outreach for industry to inform how the NERC-led Review Panel is conducted and how a submittal is processed.
 - NERC and the Regional Entities should conduct an in-depth review on Joint Registration Organizations (JROs)/Coordinated Functional Registrations (CFRs). This may include how a JRO/CFR works, what the obligations are, different models implemented across the ERO Enterprise, forms/formats and communication, and examples of how to document the agreements.
 - NERC should review its internal processes and procedures based on the recommendation from the independent audit.
 - NERC and the Regional Entity staff should work collaboratively with the ERO CMEP technology staff in reaching their milestones.
 - NERC and the Regional Entities should draft a more defined procedure for the ERO's role in changes to BES Element status.
 - NERC should review its website to 1) ensure the NERC Registration website is up to date, with documents in the appropriate locations and 2) ensure documents posted to the NERC Registration website are accurate. NERC should seek any ORCG input into ideas for clean-up and document migration.
 - NERC and the Regional Entities should prioritize any current or future identified issues and focus to resolve the higher priority issues in a timely manner and report progress to the ORCG.
- The activities associated with the implementation of the BES definition have decreased and, therefore, no additional resource demands are expected related to the BES definition. However, with applications for Self-Determined Notifications no longer being accepted through the ERO Enterprise BESnet application, Regional Entities will need to validate, with NERC oversight, their submittals to determine complete and proper application of the BES definition.
- Planned oversight activities for 2018 will be aligned with the ERO Enterprise Operating Model, which should not affect 2018 resource allocation and have little effect on overall NERC resource requirements. NERC understands that each Regional Entity will need to evaluate its individual resource needs and allocations.
- As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Entity Registration project, the Enterprise Reporting data warehouse project, and the Compliance Monitoring and Enforcement Process Tool project will be dependent on Regional Entity participation. When planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of these projects.

Key Focus Areas (2018)

- Recommendations from the 2016 review of the Certification program will be targeted for implementation in 2018. In addition, MRO expects to certify two new Transmission Operators in 2018. These activities will result in increased resources devoted to Certification implementation.
- Recommendations from the 2016 review of the Registration program, including the implementation of CFRs and JROs, will require increased resources for implementation in 2018.
- Participation on the NERC-led review panel, which may require four to six engagements per year, requires travel from each of the regional representatives.

MRO also plans to commit additional resources to Registration and Certification in 2018-2020 associated with the ERO CMEP Tools project.

Resource Requirements

An increase in resource requirements is projected for 2018.

Personnel Expenses (Increase \$60k, 19.7%)

The majority of the increase is seen in personnel expenses as senior staff collaborates with NERC as indicated in the Key Focus Areas (2018). MRO continues to facilitate participation of 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 in prior years. MRO reimburses reasonable travel expenses for stakeholder participation.

Meeting Expenses (Increase \$14k, 30.7%)

MRO's increased participation in NERC-led activities will require increased travel expenses.

Reliability Standards, Organization Registration and Certification Budget Details

The following table shows funding sources and related expenses for the Reliability Standards, Organization Registration, and Certification Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
RELIABILITY STANDARDS AND ORGANIZATIONAL REGISTRATION					
	2017	2017	Variance	2018	Variance
Funding	Budget	Projection	2017 Projection v 2017 Budget Over(Under)	Budget	2018 Budget v 2017 Budget Over(Under)
ERO Funding					
NERC Assessments	\$ 623,464	\$ 623,464		\$ 687,952	\$ 64,487
Penalty Sanctions	10,401	10,401		8,497	(1,903)
Total NERC Funding	\$ 633,865	\$ 633,865		\$ 696,449	\$ 62,584
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 633,865	\$ 633,865		\$ 696,449	\$ 62,584
Expenses					
Personnel Expenses					
Salaries	\$ 214,962	\$ 214,962	\$ -	\$ 258,356	\$ 43,394
Payroll Taxes	13,591	13,591	-	16,816	3,225
Benefits	26,474	26,474	-	31,169	4,695
Retirement Costs	50,081	50,081	-	59,003	8,922
Total Personnel Expenses	\$ 305,108	\$ 305,108	\$ -	\$ 365,344	\$ 60,236
Meeting Expenses					
Meetings	\$ 2,500	\$ 2,500	\$ -	\$ 1,400	\$ (1,100)
Travel	42,400	42,400	-	57,300	14,900
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 44,900	\$ 44,900	\$ -	\$ 58,700	\$ 13,800
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	6,088	6,088	-	5,838	(250)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 6,088	\$ 6,088	\$ -	\$ 5,838	\$ (250)
Total Direct Expenses	\$ 356,096	\$ 356,096	\$ -	\$ 429,882	\$ 73,786
Indirect Expenses	\$ 289,481	\$ 289,481	\$ -	\$ 284,030	\$ (5,451)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 645,577	\$ 645,577	\$ -	\$ 713,912	\$ 68,335
Change in Assets	\$ (11,712)	\$ (11,712)	\$ -	\$ (17,463)	\$ (5,750)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (11,712)	(11,712)	-	(17,463)	(5,750)
Inc(Dec) in Fixed Assets (C)	(11,712)	(11,712)	-	(17,463)	(5,750)
TOTAL BUDGET (=B + C)	\$ 633,865	\$ 633,865	\$ -	\$ 696,449	\$ 62,584
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	1.96	1.96	-	2.01	0.05

Table A-2. Reliability Standards, Organization Registration and Certification Budget Detail

Compliance Monitoring and Enforcement Program

The following table lists the budget for the Compliance Monitoring and Enforcement Program.

Compliance Monitoring and Enforcement Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	21.11	23.02	1.91
Direct Expenses	\$ 4,321,942	\$ 4,703,549	\$ 381,608
Indirect Expenses	\$ 3,117,832	\$ 3,252,919	\$ 135,087
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (126,147)	\$ (199,998)	\$ (73,851)
Total Funding Requirement	\$ 7,313,627	\$ 7,756,470	\$ 442,844

Table A-3. Compliance Monitoring and Enforcement Program Budget

Program Scope and Functional Description

In 2018, the MRO Compliance Monitoring and Enforcement Program (CMEP) will include performing CMEP activities with an expected 106 registered entities in the MRO Region. This work is performed by three departments: Compliance Monitoring, Risk Assessment and Mitigation, and Enforcement creating an effective “checks and balance” for making decisions about noncompliance and enforcement.

Compliance Monitoring Department and Regulatory Affairs

The Compliance Monitoring and Regulatory Affairs Department is comprised of a 10.0 headcount, which includes audit and support staff with the competency to conduct oversight responsibilities. Compliance Monitoring staff is responsible for conducting compliance monitoring activities, including compliance audits, self-certifications, and spot checks. Additionally, Compliance Monitoring staff leads development of multi-year Compliance Oversight Plans (COPs). Development of initial three-year COPs for all MRO registered entities is anticipated to be completed in 2018.

With the implementation of multi-year COPs, there will be an increase in the number of compliance audits conducted in 2018. Though the scope of the compliance audits will typically be smaller, there will be an increase in the number of audits conducted and the number of audit reports issued. Self-certifications will continue to be drafted and issued on a quarterly basis in 2018. The number of registered entities subject to self-certifications is anticipated to remain stable in 2018. FTEs are also anticipated to remain stable in 2018.

In addition to the normal and ongoing compliance monitoring activities under the NERC CMEP, MRO Compliance Monitoring staff will be prepared to assist with other responsibilities in other functional areas depending on the needs of the organization. These activities are included in the business plan for 2018. Investigations, if any, will be handled by MRO’s Risk Assessment and Mitigation staff.

Compliance Monitoring staff also includes a CMEP Process Principal, responsible for development and implementation of MRO’s business processes related to its implementation of the CMEP. This position monitors the execution of CMEP processes to ensure the quality of MRO’s activities in these areas (CMEP Quality Assurance). This position is also responsible for participating in regional or NERC working groups to assist in the development and implementation

of ERO-wide CMEP-related processes, including the CMEP Tools project. It is anticipated that this individual will devote significant time to the CMEP Tools project in 2018.

Risk Assessment and Mitigation Department

The Risk Assessment and Mitigation Department is comprised of an 11.0 headcount (including Registration and Certification staff), which includes four professional engineers, one certified system operator and other technical staff and two administrative staff.

The Risk Assessment and Mitigation Department leads the development of Inherent Risk Assessments (IRAs) for each registered entity in the region. The IRA is the technical underpinning for the development of the COP by the Compliance Monitoring staff. In 2016, MRO completed an initial IRA for each MRO registered entity. While there will be a need for periodic refreshes of IRAs, workload associated with this activity is expected to decrease.

When a potential issue of noncompliance is identified, Risk Assessment and Mitigation staff independently reviews the facts and circumstances surrounding each potential instance of noncompliance, and then determines whether there is an instance of noncompliance and if so, the risk posed by the instance of noncompliance. This risk determination is used by MRO Enforcement staff to determine the appropriate resolution of the instance of noncompliance.

The Risk Assessment and Mitigation staff works with the registered entity to develop an effective mitigation plan for each instance of noncompliance. The mitigation plan is designed to prevent recidivism. MRO has not had a repeat moderate or serious risk violation, within one year of mitigation completion of a previous moderate or serious risk violation, in the past three years.

Due to an increase in noncompliance in the MRO Region in 2016, workload associated with assessing the risk of noncompliance and associated mitigation activities is expected to increase in 2018.

Risk Assessment and Mitigation staff also reviews each BPS event, independent of the event analysis process, to assess risk and compliance with Reliability Standards.

Risk Assessment and Mitigation staff also serves as a technical resource for individual registered entities when an entity has questions about compliance. Support may involve one-on-one meetings with the registered entity or simply responding to an email. With the implementation of MRO's "HERO" outreach program, and a number of new Standards becoming effective in 2017, workload associated with this activity is expected to increase in 2018.

Risk Assessment and Mitigation staff works with registered entities to provide educational workshops and webinars. Risk Assessment and Mitigation staff also regularly attends the Mid-Continent Compliance Forum (MCCF) to provide technical support to MCCF members, and also provides education to MRO stakeholders through articles published in the MRO newsletter.

Enforcement

The Enforcement Department is comprised of a 3.0 headcount. Instances of noncompliance with Reliability Standards are reviewed by the Enforcement Department staff, who verify all relevant facts, review the risk determinations, and determine the appropriate enforcement actions for final disposition and resolution. Enforcement Department staff reports the status of all possible violations to NERC, negotiates settlement agreements and penalties, where appropriate, with registered entities, and coordinates review of settlement agreements by MRO's Hearing Body. Enforcement determinations are submitted to NERC for approval. For 2018, costs for this program are budgeted to remain stable with no increase in FTEs.

This three-step approach to the CMEP process, together with MRO's quality assurance oversight function, is designed to ensure accurate compliance and enforcement determinations by providing segregation of duties among those making the findings, those assessing risk, and those determining and negotiating penalties and sanctions.

MRO CMEP staff will continue to take a leadership role in transforming the CMEP work into more risk-informed, adaptive regulation.

Compliance Monitoring, Risk Assessment and Mitigation

Assumptions (2018-2020)

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. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measureable reliability outcomes, consistent with their respective roles and responsibilities. The common assumptions for the Compliance Monitoring Program can be located in the Key Assumptions section of Exhibit A in NERC's 2018 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 Electric Reliability Authority. 2018 key focus areas include:

- The implementation of more risk-informed CMEP required an increase of technical resources to complete and maintain the Inherent Risk Assessments (IRAs) for all registered entities in 2017-2019. In addition, Regional Entities will require resources to continuously update previously completed IRAs based on identified triggers and focus on creating compliance oversight plans that include compliance monitoring tools, the interval of compliance monitoring, and the Reliability Standards that are to be monitored.
- NERC and the Regional Entities will continue to evaluate business practices, implementation, and consistency of the CMEP work.
- NERC and the Regional Entities will continue to support the training and education requirements and guidelines necessary to meet the criteria set forth by the *ERO Enterprise Compliance Monitoring and Enforcement Manual* and the *Competency Guide*⁵.
- Planning and operating Reliability Standard violations are expected to remain constant as most registered entities have been audited and, thus, have a greater understanding of compliance expectations. In addition, MRO's outreach efforts including the development of Standard Application Guides has deepened the understanding of compliance expectations of registered entities. A modest increase may also occur as revisions of certain standards or new Reliability Standards become effective.
- Compliance personnel will need to continue support of the implementation of the CIP Reliability Standards.
- NERC will continue CIP V5 training, coordination, and facilitation with the ERO Enterprise CIP auditors and the industry. ERO Enterprise CIP subject matter experts will support these activities to ensure appropriate knowledge and guidance is developed, understood by industry, and administered.

⁵ ERO Enterprise Compliance Monitoring and Enforcement Manual and the Competency Guide

- The allocation of resources in 2018 should be responsive to continued implementation by registered entities of new versions of the CIP Reliability Standards.
- Additional resources may be necessary for increased Physical Security compliance monitoring activities for CIP-014 and the compliance monitoring activities related to the Supply Chain Risk Management Reliability Standard (CIP-013).
- ERO Enterprise CMEP staff, particularly staff with visibility into risks existing in the field, will provide feedback to the ERO Enterprise. This feedback may include information on risks seen in the field that are not addressed by a standard, as well as information on where a standard is too broad. ERO Enterprise CMEP staff will participate in the development of a solution, regardless of whether the risk is addressed through a new or modified Reliability Standard, or other means.
- ERO Enterprise CMEP staff will provide input for standards development teams on the risks seen in the field relating to a standard under development, as well as for how a Reliability Standard would be monitored.
- As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Compliance Monitoring and Enforcement Process Tool project will be dependent on Regional Entity participation. When planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of this project.

Key Focus Areas (2018)

- Monitoring and management of compliance monitoring and enforcement metrics in support of ERO Enterprise's Strategic Plan and CMEP Oversight Program.
- Ongoing implementation and oversight of the CMEP, including IRAs, consideration of internal controls, and ensuring that Compliance Oversight Plans are addressing the relevant risks.
- Implementation and oversight of the CIP V5, CIP-013 and CIP-014 compliance monitoring programs, while recognizing that a risk-informed focus will be used.
- Risk assessment and mitigation work associated with the increased number of noncompliance identified in 2016, as well as a possible high level of 2017 noncompliance associated with low impact CIP requirements
- Continued ERO Enterprise-wide collaboration and implementation of consistent compliance monitoring and enforcement practices focused on higher reliability risks.

Compliance Monitoring Explanation of Variances – 2018 Budget versus 2017 Budget

Annual Implementation Plan

- Monitor compliance with all regulatory-approved Reliability Standards as defined in the NERC Annual Implementation Plan
- Continued implementation of more risk informed techniques into the compliance monitoring framework, customizing scope of individual compliance monitoring activities and consideration of registered entities' internal controls
- Per the NERC CMEP Implementation Plan, with the implementation of multi-year Compliance Oversight Plans (COPs), there will be an increase in the number of compliance audits conducted in 2018. Additionally, complementing audits, MRO has established rigorous quarterly guided self-certifications for those Reliability Standards and requirements that address higher risk areas.
- Unscheduled spot checks and/or compliance audits may be conducted if:
 - Entity registration changes (such as adding TOP, BA, RC function)
 - Evidence of compliance provided during an audit (or other discovery method) is found to be noncompliant and the entity is using another entity's program or process

- Inherent Risk Assessments identify an emerging risk
- Follow-up is needed as a result of self-certifications or events

Compliance Audits

- 2018 variance: increased workload
- The rigor, scope, depth and recurrence of audits and spot checks will be driven by reliability risk. Beginning in 2017, oversight plans will be developed for registered entities according to their risk and the best CMEP tools. This is reflected in the annual implementation plan.
- As a result of implementation of multi-year COPs, there is an increase in the number of compliance audits conducted in 2018. Although the scope of these activities is generally smaller than in past years, the review and reporting requirements will increase.

Self-Certifications

- 2018 variance: stable workload
- Quarterly guided self-certifications will continue to be conducted in 2018. The number of requirements for which self-certifications are issued, as well as the number of affected registered entities, are anticipated to be similar to 2017.

Spot Checks

- 2018 variance: stable workload
- The completion of IRAs and subsequent implementation of multi-year COPs provides greater alignment between MRO and registered entities with regard to risk and should result in a more stable approach to compliance monitoring

Technical Feasibility Exceptions (TFEs)

- 2018 variance: stable workload
- During 2018, MRO Compliance staff does not anticipate significant variation in effort associated with TFE processing.

Compliance Investigations (CIs) and Compliance Evaluations of Events

- 2018 variance: stable workload
- Workload related to compliance evaluations of events is anticipated to remain consistent.
- MRO Risk Assessment and Mitigation staff are responsible for conducting a review of all reported events, and developing compliance assessments of those events for all Category 2 and above events.
- If a CI were initiated in the MRO region, MRO Risk Assessment and Mitigation staff would lead the investigation. This would be an increase in workload. At this time, there is no anticipation of a CI.

Compliance Findings Discovery

- 2018 variance: increased workload
- For every potential noncompliance, MRO Risk Assessment and Mitigation performs a fact and circumstance review necessary to determine the potential and actual risk posed by the noncompliance, as well as appropriate mitigating activities.
- MRO expects an increase in workload associated with reviewing facts and circumstances around entity implementations of CIP v5, as well as risk determination work associated with the increased number of noncompliance discovered in 2016 and anticipated for 2017.

Compliance Findings Record Development

- 2018 variance: increased workload
- MRO's CMEP Quality Assurance (C-QA) program was fully implemented in 2016. The program seeks to ensure that all CMEP activities have sufficient technical rigor and discretion is applied without discrimination.
- MRO experienced increased instances of noncompliance in 2016 and expects a possible high number of instances of noncompliance associated with Low Impact CIP requirements in 2017. C-QA will see a corresponding increase in reviewing findings record development.

Compliance Enforcement and Mitigation Explanation of Variances – 2018 Budget versus 2017 Budget**Mitigation Plan Acceptance and Verification of Completion**

- 2018 variance: increased workload

For every noncompliance identified, a description of mitigating activities/mitigation plan must be submitted. MRO Risk Assessment and Mitigation staff reviews each submission to assess whether the proposed actions will mitigate and prevent recurrence of the subject noncompliance. The development of the mitigating activities/mitigation plan provides the information necessary to determine the potential and actual risk to the reliability of the BES. MRO experienced increased instances of noncompliance in 2016 and expects a possible high number of instances of noncompliance associated with Low Impact CIP requirements in 2017.

2018 Enforcement and Mitigation Program Goals and Key Deliverables

- Ensure that 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 and Possible Violations
- Process noncompliance and Possible Violations of standards in a fair, uniform, systematic, and timely manner
- Maintain internal controls for “one-up and next door” reviews to ensure all determinations receive adequate “due care” and review
- Provide security related outreach to MRO members

Processing Instances of Noncompliance

- 2018 variance: increased workload
- For every instance of noncompliance identified by MRO Compliance staff or a registered entity, MRO Risk Assessment and Mitigation staff performs a review to confirm its validity
- For Possible Violations deemed valid and subject to enforcement, MRO Enforcement staff prepares and issues a Notice of Possible Violation. If the Registered Entity is in violation of a standard, MRO Enforcement staff prepares a Notice of Alleged Violation that 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 reliable operations as an offset for proposed penalties. This results in

longer-term monitoring commitments in the enforcement process. MRO will continue to promote self-identification of noncompliance as a factor in determining how to resolve instances of noncompliance.

It is anticipated that a high percentage of self-identified instances of noncompliance will be resolved as compliance exceptions, thus relieving enforcement burden both the MRO and the registered entity.

Record Development and Maintenance

- 2018 variance: increased workload
- 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
- The aforementioned CMEP Tools project seeks to develop an ERO-wide software platform to support CMEP activities. Until completion and deployment of such a solution, MRO is continuing to maintain its current multi-year contract to utilize webCDMS.

Funding Requirements — Explanation of Increase (Decrease)

Resource Requirements

Combined Compliance Monitoring and Enforcement Program.

Personnel Expenses (Increase \$420k, 10.9%)

- Increasing the headcount in this area by two. The cost impact of the additional FTEs is an increase of \$325k.
- The cost impact has been justified through staff's increased efforts in prevention through more outreach and CIP. Specifically, the RAM group has increased outreach hours from 3,000 hours in 2014 to an estimated 9,000 hours in 2017. The adverse consequence in this area is marked increase in the number of days in processing and response times in the CMEP area.
- In an effort to address these concerns, leadership has redeployed resources from other program areas. A number of internal processes have streamlined to increase efficiencies. At this time it is believed that MRO's productivity and resource utilization have been maximized, leaving additional staff as the only alternative if MRO continues to deliver the value that MRO strives for. Our culture, behaviors, and outcomes are built around a value proposition of shared accountabilities with registered entities.

Consultant Contracts (Decrease \$74k, 43.8%)

MRO has utilized outside consultants at times, which now is being supported by staff.

Office Costs (Increase \$30k, 35.4%)

An increase in office costs is a reflection of a higher FTE count.

Compliance Monitoring and Enforcement Program Budget Detail

The following table shows funding sources and related expenses for the Compliance Monitoring and Enforcement Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 7,201,608	\$ 7,201,608		\$ 7,659,154	\$ 457,546
Penalty Sanctions	112,018	112,018		97,316	(14,703)
Total NERC Funding	\$ 7,313,627	\$ 7,313,627		\$ 7,756,470	\$ 442,843
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 7,313,627	\$ 7,313,627		\$ 7,756,470	\$ 442,843
Expenses					
Personnel Expenses					
Salaries	\$ 2,842,052	\$ 2,842,052	\$ -	\$ 3,165,100	\$ 323,048
Payroll Taxes	187,019	187,019	-	204,686	17,667
Benefits	298,571	298,571	-	329,896	31,325
Retirement Costs	535,130	535,130	-	583,137	48,007
Total Personnel Expenses	\$ 3,862,772	\$ 3,862,772	\$ -	\$ 4,282,819	\$ 420,047
Meeting Expenses					
Meetings	\$ 6,500	\$ 6,500	\$ -	\$ 7,500	\$ 1,000
Travel	199,900	199,900	-	204,830	4,930
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 206,400	\$ 206,400	\$ -	\$ 212,330	\$ 5,930
Operating Expenses					
Consultants & Contracts	\$ 169,000	\$ 169,000	\$ -	\$ 95,000	\$ (74,000)
Office Rent	-	-	-	-	-
Office Costs	83,770	83,770	-	113,400	29,630
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 252,770	\$ 252,770	\$ -	\$ 208,400	\$ (44,370)
Total Direct Expenses	\$ 4,321,942	\$ 4,321,942	\$ -	\$ 4,703,549	\$ 381,607
Indirect Expenses	\$ 3,117,832	\$ 3,117,832	\$ -	\$ 3,252,919	\$ 135,087
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 7,439,774	\$ 7,439,774	\$ -	\$ 7,956,468	\$ 516,694
Change in Assets	\$ (126,147)	\$ (126,147)	\$ -	\$ (199,998)	\$ (73,851)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (126,147)	(126,147)	-	(199,998)	(73,851)
Inc(Dec) in Fixed Assets (C)	\$ (126,147)	\$ (126,147)	\$ -	\$ (199,998)	\$ (73,851)
TOTAL BUDGET (=B + C)	\$ 7,313,627	\$ 7,313,627	\$ -	\$ 7,756,470	\$ 442,843
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	21.11	21.11	-	23.02	1.91

Table A-4. Compliance Monitoring and Enforcement Budget Detail

Reliability Assessment and Performance Analysis Program

The following table lists the budget for the Reliability Assessment and Performance Analysis (RAPA) program.

Reliability Assessments and Performance Analysis (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	6.42	6.13	(0.29)
Direct Expenses	\$ 1,588,751	\$ 1,548,845	\$ (39,906)
Indirect Expenses	\$ 948,199	\$ 866,220	\$ (81,979)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (38,364)	\$ (53,257)	\$ (14,893)
Total Funding Requirement	\$ 2,498,586	\$ 2,361,808	\$ (136,779)

Table A-5. Reliability Assessment and Performance Analysis (RAPA) Budget

Program Scope and Functional Description

The objectives of the RAPA program are to:

1. Review Planning Coordinator assessments within the MRO Region from an operation and planning perspective. Ensure the assessments are technically sound and address appropriate risk areas.
2. Evaluate existing and planned generation and transmission facilities to identify key reliability issues and the risks and uncertainties affecting adequacy and security of the Bulk Electric System.
3. Review event analysis efforts by registered entities to ensure causes are identified and corrected and that lessons learned are shared with industry.
4. Facilitate data collection and the development of power flow and dynamics simulation models for the MRO Region and the Eastern Interconnection.
5. Perform legacy Regional Reliability Organization functions until those functions are assigned to registered entities through Reliability Standards.
6. Support MRO Planning and Operating Committees and the organizational groups reporting to those committees and participate in NERC technical groups.
7. Implement enhancements to improve ERO enterprise-wide efficiency and effectiveness of RAPA-related functions.

RAPA identifies reliability risks to the BPS in the MRO geography by reviewing and/or performing reliability assessments in accordance with the Delegation Agreement and NERC's Rules of Procedure.

2018 Key Assumptions

Regarding periodic assessments, Planning Coordinators in the MRO Region perform assessments of reliability and adequacy and report results of short-term, long-term and specific scenario assessments. MRO staff performs independent reviews of reports with supplemental analysis to ensure competence and rigor.

The MRO Planning and Operating committees have balanced stakeholder representation, report to the MRO Board and provide input to the staff reviews of the assessments.

Assumptions (2018-2020)

- NERC and the Regional Entities will continue to focus resources on high quality reliability assessments that address goals and their associated contributing activities identified in the ERO Enterprise’s 2018-2020 Strategic Plan for Goal 3 – Identification and Mitigation of Significant Risks to Reliability and Goal 4 – Identification and Assessment of Emerging Risks to Reliability.
- NERC and the Regional Entities will continue to support a common approach for NERC reliability assessments and ensure consistent evaluation, aligned with the ROP Section 800, Reliability Assessment Guidebook, and the Reliability Assessment Oversight Plan to be developed in 2017.
- NERC and the Regional Entities will advance data management strategies and analytical capabilities for identifying and determining reliability risks and conducting reliability assessments by:
 - Integrating the analysis and measures of essential reliability services (ERS) into the Long-Term Reliability Assessment. The process encompasses new data collection and analysis approaches needed to address assessment objectives of identifying reliability issues due to a changing resource mix.
 - Providing technical resources to examine transmission and deliverability studies and providing high-level evaluation for the Long-Term Reliability Assessment.
 - Providing technical resources, advanced statistical analysis tools, objective expert input, and reliability leadership for the advancement of probabilistic analyses supporting the Long-Term Reliability Assessment.
 - Supporting the NERC Enterprise Reporting Project to ensure Reliability Assessment data is integrated and supported by analytical reporting, data checking, and validation tools.
- NERC and the Regional Entities will provide technical expertise, research, and feedback to the industry, as well as provide foundational technical efforts that support reliability planning-related standards development. In addition to providing feedback, NERC will also solicit industry’s help while leveraging any industry research.
- NERC and the Regional Entities may require contractor and consultant services to maintain continued support and technical expertise associated with activities listed in the above assumptions with supporting special assessment, scenario, or other technical research efforts. This could potentially impact both NERC and Regional Entity resource allocation including:
 - Contractor services may be necessary to support special assessment analyses (e.g., EPA 111(d) evaluation or ERS), scenario analyses (e.g., polar vortex-like severe event analyses and gas-electric interdependence), and other technical research efforts (e.g., similar to geomagnetic disturbances (GMDs) and FAC-003 Vegetation Management).
 - Contractor services may be needed to support research into GMDs and their impact on BPS operations (see FERC Order 830).
 - Contractor services may be needed to support increase in data analysis to support ERS measures, CPS1/CPS2 control performance, and frequency trending.
- As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Enterprise Reporting data warehouse project and the Compliance Monitoring and Enforcement Process Tool project will be dependent on Regional Entity participation.

Key Focus Areas (2018)

- NERC and the Regions will prioritize their work products according to the ERO Reliability Risk Priorities⁶ developed by the RISC, including: 1) Changing Resource Mix (Risk Profile #1), 2) BPS Planning (Risk Profile #2), and 3) Resource Adequacy and Performance (Risk Profile #3).
- Ongoing support for the Planning and Operating Committees and associated subcommittees, working groups, and task forces.
- Develop Reliability Guidelines and Technical Reference Documents based on priority and risk.
- Produce three required reliability assessments reflective of the common approach developed for NERC reliability assessments to ensure consistent treatment of resource and reliability evaluations: 1) Long-Term Reliability Assessment (incorporated probabilistic assessment), 2) Summer Reliability Assessment, and 3) Winter Reliability Assessment.
- Conduct special reliability assessments, as necessary, directed at high priority risks identified by RISC.

Performance Analysis**Assumptions (2018-2020)**

- Ongoing support for the technical committees and associated subcommittees, working groups, and task forces.
- NERC and the Regional Entities will continue to focus resources on system insights from high quality performance analysis, including:
 - Development and implementation of expanded and enhanced enterprise-based data collection and analysis systems, and capabilities for performance analyses. This area includes Transmission Availability Data System (TADS), Generating Availability Data System (GADS), Demand Response Availability Data System (DADS), Event Analysis, Alerts, substation equipment failure, and protection systems misoperations data.
 - Support of the integration of information systems for assessments and associated data requirements (in support of data cleansing, blending, and validation).
 - Maturing and developing interconnection-wide analysis groups to support the assessment of interconnection-wide risks, such as frequency response.
 - Providing technical resources, analytical tools, and expertise to perform analyses as needed, including supporting and identifying risk priorities for standards development, compliance, and enforcement activities.
- Support the NERC Enterprise Reporting Project to ensure Performance Analysis data is integrated into consolidated system and supported by analytical reporting tools, as well as feedback loops to other parts of the ERO Enterprise such as compliance, standards, enforcement, etc.
- As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Enterprise Reporting data warehouse project will be dependent on Regional Entity participation.

Key Focus Areas (2018)

- Ongoing support for the technical committees and associated subcommittees, working groups, and task forces.

⁶ ERO Reliability Risk Priorities

- High quality performance analysis, including:
 - Development and implementation of expanded and enhanced enterprise-based data collection and analysis systems, and capabilities for performance analyses. This area includes TADS, GADS, DADS, Event Analysis, Alerts, substation equipment failure, and protection system misoperations data.
 - Support of the integration of RAPA information systems for assessments and associated data requirements, supporting delivery of high-quality reports (e.g., long-term, short-term, special or scenario assessments, and State of Reliability Report).
 - Providing technical resources and expertise to perform analyses as needed, including supporting and identifying risk priorities for standards development, compliance, and enforcement activities and feedback loops to other parts of the ERO Enterprise such as compliance, standards, enforcement, etc.

System Analysis

Assumptions (2018-2020)

- NERC and the Regions are advancing their analytical capabilities to assess and report on the reliability of the BPS. Additionally, newer and maturing technologies, such as synchro-phasor measurement unit (PMU) technology, are enabling innovative approaches for event analysis, power system analysis, and model validation. NERC and the Regions are uniquely situated to perform analyses that require a wide-area view of the interconnections, as well as supporting industry in advancing software and analytical capabilities where appropriate. Support and leadership to the System Analysis Subcommittee and any of the subcommittees, working groups, and task forces will continue.
- NERC will advocate to improve existing commercially available software capabilities and perform power system analysis that create a more profound understanding of system behavior (e.g., inter-area oscillations, frequency response, system strength, voltage/reactive performance, signal processing, and signature detection).
- NERC will provide direction and oversight of the interconnection case-building designees in support of interconnection model building and wide-area system analysis:
 - Mature and develop interconnection-wide analysis groups to support the assessment of interconnection-wide risks:
 - Conduct special reliability assessments based on recommendation from load modeling task force modeling to capture the impact of composite load modeling on transmission and distribution system--for example, Fault Induced Delayed Voltage Recovery.
 - Require powerflow, short circuit, and stability analysis tools and objective expert input for transmission adequacy and deliverability assessments and studies.
 - NERC and the Regional Entities' resources (through the case building designee agreements) will support the Planning Coordinators' development of long-term sustainable interconnection-wide powerflow, short circuit, and dynamics cases that exhibit the accuracy and fidelity reflecting actual BES reliability performance and dynamic conditions.
- NERC and the Regional Entities will advance modeling improvement capabilities to ensure the power system planning and operation models closely resemble actual operating conditions.
 - Perform periodic model validation against measured quantities and operational practices of the power system.
 - Perform case quality and fidelity assessment on interconnection wide models:
 - Case data quality.
 - Case performance fidelity.

- Drive the advancement and use of dynamic load modeling on an interconnection-wide basis.
 - Formulate and guide the ERO Enterprise vision and associated activities to promote the advancement and use of dynamic load models and modeling practices.
 - Establish guidelines and technical reference documents related to dynamic load modeling practices, including explanations of existing dynamic load models and their structure, data sets, and parameter derivation.
 - Serve as the industry focal point and open forum for discussing dynamic load modeling practices for system planning and operations studies. Provide industry guidance and support to entities seeking direction on dynamic load modeling across North America.
- Drive the advancement and use of inverter-based modeling on interconnection wide basis.
 - Establish guidelines and technical reference documents related to inverter-based resource modeling on transmission and distribution system.
 - The recommended modeling practices for utility scale renewable energy resources using new inverter based technology.
- NERC will support the maintenance of the BESnet application and manage processing of the BES Exception Requests (ERs), including technical validation of review and approval of Regional ERs, periodic reviews of network changes affecting BES Exception determinations, recertification of previously approved BES ER, as well as requests for certain registration and certification reviews. The Regional Entities will continue to process BES ERs per guidelines established in the ROP. Recertification for exceptions begins in 2018.
- NERC and the Regional Entities will work collaboratively to enhance the ERO Enterprise’s capability for event and forensic analysis, including:
 - Development of a process to ensure the compilation and creation of steady state, short circuit, and dynamic simulation model cases for use in the investigation and analysis of major power system disturbance events.
 - Evaluation of event disturbances using phasor measurements and other methods to assess sufficiency of data and models.
- NERC will provide technical expertise, research, and feedback to the industry, as well as foundational technical efforts that support the key reliability planning-related standards development. In addition to providing feedback, NERC will also solicit industry’s help by using resources and leveraging any research that has been done by the industry.
- NERC and the Regional Entities may require contractor and consultant services to maintain continued support and technical expertise associated with activities listed in the above assumptions, supporting special assessment, scenario analysis, or other technical efforts, potentially impacting both NERC and Regional Entity resource allocation, including:
 - If significant events occur, contractor services may be required to support wide-area system analyses and root cause evaluations.
 - Contractor services may be necessary to support special reliability assessment analyses (e.g., Inertia Response and Primary Frequency Response Analysis, Voltage and reactive performance study, and Inter-Area Oscillation Analysis).
 - Contractor services are needed to support Dynamic model developments (e.g., Composite Load Modeling, utility scale renewable energy modeling and distributed energy resources). For 2018, the Load Modeling Task Force is requesting load model testing (approximately \$100k).
 - Contractor services are needed to support the Synchronized Measurement Subcommittee with a PMU-based assessment (approximately \$100k).
- As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for

ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Enterprise Reporting data will be dependent on Regional Entity participation.

Key Focus Areas (2018)

- **Stakeholder and Committee Support** - Ongoing support for the Planning and Operating Committees, and associated subcommittees, working groups, and task forces.
- **ERO Enterprise Technical Support** - Ongoing support for BES exception processing, Risk-Based Registration, Standards, and Compliance support.
- **Modeling Improvement Initiatives** - Perform periodic model validation against measured quantities and event models to ensure case quality and fidelity and also case creation for event analysis.
- **Power System Analysis** - Develop technical analyses in key reliability areas, resulting in technically accurate and comprehensive reports addressing areas of concern (e.g., frequency response, short circuit strength, inter-area oscillation, distributed energy resource and load composition changes, etc.) to evaluate the characteristics and performance of the BPS with changes to the resource mix and integration of new technologies:
 - **Synchrophasor technology** - Collect strategically selected PMU data in near real-time for improved situational awareness and monitoring, and to gather larger PMU datasets for advanced data analytics and modeling improvements. Expand use of synchrophasor technology for power plant model verification and compliance with MOD-026/-027 standards.
 - **Oscillation analysis** - Broaden understanding of inter-area, local, and forced oscillations in all interconnections; use wide-area synchrophasor data to provide industry with better understanding of phenomena, available tools, and findings.
 - **Load and distributed resource modeling** - Drive education of dynamic load modeling and development of improved dynamic load models; supporting compliance with TPL-001-4. Support study and policy development related to end-use load behavior; advocate for grid-friendly load response.
 - **Frequency response analysis and vision** - Meet regulatory requirements per BAL-003-1; exploratory understanding of frequency response; support interconnection-wide studies of frequency response.
 - **Case quality metrics, model validation and improvement** - Improve case quality and robustness, support industry developments for MOD-033 tools and processes feedback loop with MOD-032 designees. Proactively seek to address deficiencies in interconnection-wide models and eliminate incessant problems. Ensure models can recreate plant behavior.
 - **Event Forensics** - Support NERC Event Analysis in event of major grid disturbance; simulation and data analysis expertise across multiple platforms.
 - **System Strength & Reactive/Voltage Performance Analysis** - Support ERS measure with advanced studies of potential phenomena under future end states; perform assessment of short circuit ratio study and implications based on regional/local studies.
 - **Geomagnetic Disturbances** - Conduct research on geomagnetic disturbances to address FERC Order 830 (three to four-year research plan).
- **Technical Support, Standard Support, Implementation, and Outreach** - Provide technical expertise and unique insights to the industry. The department will also develop white papers, technical reports, and reference documents, as needed, to address emerging issues and industry concerns related to system planning and operations. The department will also develop and produce Reliability Guidelines for the Planning and Operating Committees. In addition to providing feedback, NERC will also solicit industry's help by using research work that has been done by the industry and academia.

- 2-3 in-person workshops.
- Participation at industry technical groups, such as Institute of Electrical and Electronics Engineers (IEEE), North American SynchroPhasor Initiative (NASPI), International Council on Large Electric Systems (CIGRE), Power Systems Engineering Research Center (PSERC), etc., as needed.
- **Advanced Software Capabilities** - In order to conduct analysis and produce results in a timely manner, additional and improved data collection, data management, and analytical tools will be required. Robust analytical tools will increase the effectiveness of NERC staff to functionally correlate disparate data sources to ensure full-scope analyses and assessments of situations relevant to reliability risks are performed more broadly than in historical NERC analyses and assessments. Using state of the art software and technology is crucial to effective analysis especially considering the size of the North American electric footprint.

Event Analysis

Assumptions (2018-2020)

- Ongoing support for the technical committees and associated subcommittees, working groups, and task forces. Regional Entity involvement is expected to remain at current levels with no additional resources required from the Regional Entities.
- Registered entity participation in the ERO Enterprise Event Analysis Process, which involves active participation by Regional Entity staffs, will continue at or above current levels through 2018-2020.
- Regional Entities will continue to budget for event analysis and situational awareness activities based on their respective Region's historical workload, as they did in the past. Some Regional Entities will continue to allocate resources as part of the activities accounted for under their RAPA program and should clearly delineate where the activities' resources are budgeted.
- Regional Entities will support critical infrastructure security activities in the context of situation awareness, using those designated resources, unless specifically budgeted and managed elsewhere.
- As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Enterprise Reporting data warehouse project will be dependent on Regional Entity participation.

Key Focus Areas (2018)

- Ongoing support for the technical committees and associated subcommittees, working groups, and task forces.
- Support for ERO Enterprise data collection and analysis, as well as the Enterprise Reporting Project designed to transfer the data to an integrated platform.
- Support for critical infrastructure security by promoting rapid and appropriate sharing of situational awareness information regarding security occurrences.
- Analysis of significant events to identify gaps in standards, compliance monitoring effectiveness, registration, and risk controls effectiveness.
- Work on overcoming barriers to the timely release of BES reports to industry through a secure portal.
- Providing of lessons-learned and recommendations from events and identified risks.
- Continue to provide industry leadership in the analysis, understanding, and prevention of human error and improved human performance with regards to increased BPS reliability.

- Enhancement of risk analysis capabilities by integrating risk data sources, such as event analysis, TADS, GADS, and relay misoperations.
- Participation as appropriate in periodic wide-area security exercises (e.g., GridEx and feedback loops to other parts of the ERO Enterprise such as compliance, standards, enforcement, etc.).

Resource Requirements

MRO reimburses travel expenses for stakeholder participation on MRO and NERC committees. Also, actual travel reimbursement requests have decreased over time, although attendance has not decreased.

Consultants and Contracts (Decrease \$20k, 27.4%)

MRO has reduced its model building efforts significantly.

Reliability Assessment and Performance Analysis Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
RELIABILITY ASSESSMENT and PERFORMANCE ANALYSIS					
	2017	2017	Variance	2018	Variance
Funding	Budget	Projection	2017 Projection v 2017 Budget Over(Under)	Budget	2018 Budget v 2017 Budget Over(Under)
ERO Funding					
NERC Assessments	\$ 2,464,519	\$ 2,464,519		\$ 2,335,894	\$ (128,625)
Penalty Sanctions	34,067	34,067		25,914	(8,153)
Total NERC Funding	\$ 2,498,586	\$ 2,498,586		\$ 2,361,808	\$ (136,778)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 2,498,586	\$ 2,498,586		\$ 2,361,808	\$ (136,778)
Expenses					
Personnel Expenses					
Salaries	\$ 917,627	\$ 917,627	\$ -	\$ 923,220	\$ 5,593
Payroll Taxes	56,875	56,875	-	59,232	2,357
Benefits	88,481	88,481	-	92,750	4,269
Retirement Costs	225,268	225,268	-	230,343	5,075
Total Personnel Expenses	\$ 1,288,251	\$ 1,288,251	\$ -	\$ 1,305,545	\$ 17,294
Meeting Expenses					
Meetings	\$ 15,000	\$ 15,000	\$ -	\$ 7,500	\$ (7,500)
Travel	197,000	197,000	-	167,000	(30,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 212,000	\$ 212,000	\$ -	\$ 174,500	\$ (37,500)
Operating Expenses					
Consultants & Contracts	\$ 72,000	\$ 72,000	\$ -	\$ 52,300	\$ (19,700)
Office Rent	-	-	-	-	-
Office Costs	16,500	16,500	-	16,500	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 88,500	\$ 88,500	\$ -	\$ 68,800	\$ (19,700)
Total Direct Expenses	\$ 1,588,751	\$ 1,588,751	\$ -	\$ 1,548,845	\$ (39,906)
Indirect Expenses	\$ 948,199	\$ 948,199	\$ -	\$ 866,220	\$ (81,979)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,536,950	\$ 2,536,950	\$ -	\$ 2,415,065	\$ (121,885)
Change in Assets	\$ (38,364)	\$ (38,364)	\$ -	\$ (53,257)	\$ (14,893)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (38,364)	(38,364)	\$ -	(53,257)	\$ (14,893)
Inc(Dec) in Fixed Assets (C)	\$ (38,364)	\$ (38,364)	\$ -	\$ (53,257)	\$ (14,893)
TOTAL BUDGET (=B + C)	\$ 2,498,586	\$ 2,498,586	\$ -	\$ 2,361,808	\$ (136,778)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	6.42	6.42	-	6.13	(0.29)

Table A-6. Reliability Assessment and Performance Analysis Budget Detail

Training and Education Program

The following table summarizes the budget for Training and Education program.

Training and Education (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	1.35	2.10	0.75
Direct Expenses	\$ 398,278	\$ 475,429	\$ 77,151
Indirect Expenses	\$ 199,388	\$ 296,748	\$ 97,360
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (8,067)	\$ (18,245)	\$ (10,178)
Total Funding Requirement	\$ 589,599	\$ 753,932	\$ 164,333

Table A-7. Training and Education Budget

Program Scope and Functional Description

Maintaining the reliability and security of the BPS requires informed and trained Regional and registered entity personnel. Education and training, or outreach, 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, reviewing reliability assessments, performing quality event analysis, identifying lessons learned from event analysis, and other related information pertinent to system reliability and compliance. The target audience for this program is registered entities. More emphasis on CIP and security has been the trend for the last several years.

MRO will provide outreach to registered entities through workshops, conferences, and presentation opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publications. MRO will continue to identify additional outreach opportunities for registered entities.

Key Focus Areas (2018)

In addition to the MRO management team participating in, and presenting at, various forums (such as the Transmission Forum, Generation Forum, MCCF, RTO/ISO, APDA, State Regulator meetings, etc.), MRO will provide workshops (one day Standards, CMEP, two Reliability, and a two-day Security). In addition, smaller workshops and/or webinars will be held for specific technical topics.

Resource Requirements

For 2018, MRO will provide outreach 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 education options for registered entities in the MRO Region so that they can also accomplish the objectives of the NERC program through a third party.

Personnel Expenses (Increase \$69k, 21.0%)

Increase in staff participation of the development and delivery of increased outreach efforts are medians as identified in our Key Focus Areas (2018).

Training and Education Budget Detail

The following table shows funding sources and related expenses for the Training and Education Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2017 Budget & Projection, and 2018 Budget					
TRAINING and EDUCATION					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 582,435	\$ 582,435		\$ 745,054	\$ 162,619
Penalty Sanctions	7,164	7,164		8,878	1,714
Total NERC Funding	\$ 589,598	\$ 589,598		\$ 753,932	\$ 164,333
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 589,598	\$ 589,598		\$ 753,932	\$ 164,333
Expenses					
Personnel Expenses					
Salaries	\$ 243,378	\$ 243,378	\$ -	\$ 289,237	\$ 45,859
Payroll Taxes	12,985	12,985	-	16,952	3,967
Benefits	22,934	22,934	-	31,774	8,840
Retirement Costs	47,081	47,081	-	57,066	9,985
Total Personnel Expenses	\$ 326,378	\$ 326,378	\$ -	\$ 395,029	\$ 68,651
Meeting Expenses					
Meetings	\$ 30,700	\$ 30,700	\$ -	\$ 36,000	\$ 5,300
Travel	41,200	41,200	-	44,400	3,200
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 71,900	\$ 71,900	\$ -	\$ 80,400	\$ 8,500
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 398,278	\$ 398,278	\$ -	\$ 475,429	\$ 77,151
Indirect Expenses	\$ 199,388	\$ 199,388	\$ -	\$ 296,748	\$ 97,360
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 597,666	\$ 597,666	\$ -	\$ 772,177	\$ 174,511
Change in Assets	\$ (8,067)	\$ (8,067)	\$ -	\$ (18,245)	\$ (10,178)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (8,067)	(8,067)	-	(18,245)	\$ (10,178)
Inc(Dec) in Fixed Assets (C)	\$ (8,067)	\$ (8,067)	\$ -	\$ (18,245)	\$ (10,178)
TOTAL BUDGET (=B + C)	\$ 589,598	\$ 589,598	\$ -	\$ 753,932	\$ 164,333
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	1.35	1.35	-	2.10	0.75

Table A-8. Training and Education Budget Detail

Situation Awareness and Infrastructure Security Program

The following table lists the budget for Situation Awareness and Infrastructure Security.

Situation Awareness and Infrastructure Security (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	0.49	0.33	(0.16)
Direct Expenses	\$ 121,550	\$ 114,313	\$ (7,237)
Indirect Expenses	\$ 72,370	\$ 46,632	\$ (25,739)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (2,928)	\$ (2,867)	\$ 61
Total Funding Requirement	\$ 190,992	\$ 158,078	\$ (32,915)

Table A-9. Situation Awareness and Infrastructure Security Budget

Situation Awareness Program Scope and Functional Description

NERC and the Regions shall, through Reliability Coordinators and available tools, monitor present conditions on the BES and provide leadership coordination, technical expertise, and assistance to the industry in responding to events as necessary.

Assumptions (2018-2020)

- Ongoing support for the technical committees and associated subcommittees, working groups, and task forces. In 2017, MRO established a Security Advisory Council. Initially, this was budgeted for in the Risk Assessment and Mitigation area, but MRO has determined that it is more closely related to Infrastructure Security and therefore will be moving the costs associated with that group from Compliance to the Infrastructure Security Program starting in 2018.
- Registered entity participation in the ERO Enterprise Event Analysis Process, which involves active participation by Regional Entity staffs, will continue at or above current levels through 2018-2020.
- NERC will continue to require the software application known as Situational Awareness for FERC, NERC, and Regional Entities, Version 2 (SAFNrv2) for situation awareness, and The Event Analysis Management System (TEAMS) for Events Analysis. The allocation of additional resource investments is expected to maintain the capabilities of SAFNrv2 throughout the planning period. Any such investments will be NERC funded and not result in an allocation of cost to the Regional Entities.
- Regional Entities will continue to budget for event analysis and situational awareness activities based on their respective Region's historical workload, as they did in the past. Some Regional Entities will continue to allocate resources as part of the activities accounted for under their RAPA program and should clearly delineate where the activities' resources are budgeted.
- Regional Entities will support critical infrastructure security activities in the context of situation awareness, using those designated resources, unless specifically budgeted and managed elsewhere.

- As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Enterprise Reporting data warehouse project will be dependent on Regional Entity participation. When planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of this project.

Key Focus Areas (2018)

- Ongoing support for the technical committees and associated subcommittees, working groups, and task forces.
- Support for ERO Enterprise data collection and analysis, as well as the Enterprise Reporting Project designed to transfer the data to an integrated platform.
- Support for critical infrastructure security by promoting rapid and appropriate sharing of situational awareness information regarding security occurrences, and support of the MRO Security Advisory Council.
- Analysis of significant events to identify gaps in standards, compliance effectiveness, registration, and risk controls effectiveness.
- Work on overcoming barriers to the timely release of BES and security reports to industry through a secure portal.
- Providing of lessons learned and recommendations from events and identified risks.
- Enhancement of risk analysis capabilities by integrating risk data sources, such as event analysis, TADS, GADS, and protection system misoperations into situation awareness assessments.
- Participation as appropriate in periodic wide-area security exercises (e.g., GridEx, Monitoring and Situation Awareness Workshop, NERC HP Conference, feedback loops to other parts of the ERO Enterprise such as compliance, standards, enforcement, etc.).

Resource Requirements

Personnel Expenses Decrease \$30k, 31.7%

Personnel costs for 2018 decrease, reflecting the decrease in this program area's FTEs.

Meeting Expenses (Increase \$23k, 109.4%)

In 2017 MRO established a Security Advisory Council. Initially, this was budgeted for in the Risk Assessment and Mitigation area, but MRO has determined that it is more closely related to infrastructure security and, therefore, will be moving the costs associated with that group from Compliance to the Infrastructure Security Program starting in 2018.

Situation Awareness and Infrastructure Security Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2017 Budget & Projection, and 2018 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 188,392	\$ 188,392	\$ -	\$ 156,683	\$ (31,709)
Penalty Sanctions	2,600	2,600	-	1,395	(1,205)
Total NERC Funding	\$ 190,992	\$ 190,992		\$ 158,078	\$ (32,915)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 190,992	\$ 190,992		\$ 158,078	\$ (32,915)
Expenses					
Personnel Expenses					
Salaries	\$ 68,496	\$ 68,496	\$ -	\$ 45,777	\$ (22,719)
Payroll Taxes	4,642	4,642	-	3,279	(1,363)
Benefits	6,937	6,937	-	4,993	(1,944)
Retirement Costs	14,275	14,275	-	10,414	(3,861)
Total Personnel Expenses	\$ 94,350	\$ 94,350	\$ -	\$ 64,463	\$ (29,887)
Meeting Expenses					
Meetings	\$ 200	\$ 200	\$ -	\$ 1,450	\$ 1,250
Travel	20,500	20,500	-	41,900	21,400
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 20,700	\$ 20,700	\$ -	\$ 43,350	\$ 22,650
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	6,500	6,500	-	6,500	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 6,500	\$ 6,500	\$ -	\$ 6,500	\$ -
Total Direct Expenses	\$ 121,550	\$ 121,550	\$ -	\$ 114,313	\$ (7,237)
Indirect Expenses	\$ 72,370	\$ 72,370	\$ -	\$ 46,632	\$ (25,739)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 193,920	\$ 193,920	\$ -	\$ 160,945	\$ (32,976)
Change in Assets	\$ (2,928)	\$ (2,928)	\$ -	\$ (2,867)	\$ 61
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (2,928)	(2,928)	-	(2,867)	61
Inc(Dec) in Fixed Assets (C)	\$ (2,928)	\$ (2,928)	\$ -	\$ (2,867)	\$ 61
TOTAL BUDGET (=B + C)	\$ 190,992	\$ 190,992	\$ -	\$ 158,078	\$ (32,915)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	0.49	0.49	-	0.33	(0.16)

Table A-10. Situation Awareness and Infrastructure Security Budget Detail

Administrative Services

The following table outlines the budget for Administrative Services.

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2017 Budget	2018 Budget	Increase (Decrease)	2017 Budget	2018 Budget	Increase (Decrease)
General and Administrative	\$1,005,377.00	\$986,938.00	-\$18,439.00	2.91	2.85	(0.06)
Legal and Regulatory	\$451,723.00	\$461,328.00	\$9,605.00	0.95	0.92	(0.03)
Information Technology	\$1,287,769.00	\$1,421,504.00	\$133,735.00	3.92	4.02	0.10
Human Resources, Finance and Accounting	\$1,695,182.00	\$1,584,948.00	(\$110,234.00)	3.89	3.62	(0.27)
Total Administrative Services	\$4,440,051.00	\$4,454,718.00	\$14,667.00	11.67	11.41	(0.26)

Table A-11. Administrative Services Budget

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

MRO's Administrative Services area includes the business and administrative functions of the organization, including legal and regulatory, information technology, human resources, finance and accounting, and general expenses. Costs incurred for these services are allocated as an indirect expense across MRO's other program areas.

General and Administrative

The following table lists the General and Administrative budget.

Administrative Services (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	11.67	11.41	(0.26)
Total Direct Expenses	\$ 4,627,270	\$ 4,746,548	\$ 119,278
Inc(Dec) in Fixed Assets	\$ (187,219)	\$ (291,830)	\$ (104,611)
Less: Other Funding Sources	\$ -	\$ -	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 4,440,051	\$ 4,454,718	\$ 14,667
Funding Requirement for Working Capital	\$ (566,073)	\$ (854,632)	\$ (288,559)

Table A-12. General and Administrative Budget

Program Scope and Functional Description

The General and Administrative Department, is led by MRO's President and CEO.

Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs are allocated proportionately to the direct programs for 2018 based on the number of FTEs in those programs.

2018 Key Assumptions

- Work related to NERC and Regional Entity initiatives may impact existing staff resources, training, and business travel costs.
- MRO will continue to reimburse approved stakeholder travel costs for participation on NERC committees and working groups.
- Any increase or decrease in assessments to achieve desired working capital reserve will be included in the General and Administrative area and will be allocated proportionately based on FTEs in the direct program areas.

2018 Goals and Key Deliverables

The MRO General and Administrative function ensures that there is adequate attention to the day-to-day management of the corporation, including facilities and maintenance, 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)

Assessments

The MRO Board initially approved an Operating and Working Capital Reserves Policy on March 14, 2013, and reviews it on an annual basis. (See Section B for the current version.)

Funding Sources

In 2018, the expenses related to the indirect program areas are being allocated entirely to the direct programs, and therefore the indirect program areas have no ERO assessment revenue.
Resource Requirements

Consultants and Contracts (Decrease \$43k, 57.3%)

Completed work on the shared Project Manager for the REMG initiatives.

General and Administrative Budget Detail

The following table shows funding sources and related expenses for the General and Administrative Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
GENERAL and ADMINISTRATIVE					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ (566,073)	\$ (566,073)	\$ -	\$ (854,632)	\$ (288,559)
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ (566,073)	\$ (566,073)	\$ -	\$ (854,632)	\$ (288,559)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ (566,073)	\$ (566,073)	\$ -	\$ (854,632)	\$ (288,559)
Expenses					
Personnel Expenses					
Salaries	\$ 573,621	\$ 573,621	\$ -	\$ 585,090	\$ 11,469
Payroll Taxes	25,338	25,338	-	25,565	227
Benefits	43,745	43,745	-	43,122	(623)
Retirement Costs	109,173	109,173	-	114,661	5,488
Total Personnel Expenses	\$ 751,877	\$ 751,877	\$ -	\$ 768,438	\$ 16,561
Meeting Expenses					
Meetings	\$ 30,000	\$ 30,000	\$ -	\$ 40,000	\$ 10,000
Travel	113,000	113,000	-	113,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 143,000	\$ 143,000	\$ -	\$ 153,000	\$ 10,000
Operating Expenses					
Consultants & Contracts	\$ 75,000	\$ 75,000	\$ -	\$ 32,000	\$ (43,000)
Office Rent	-	-	-	-	-
Office Costs	35,500	35,500	-	33,500	(2,000)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 110,500	\$ 110,500	\$ -	\$ 65,500	\$ (45,000)
Total Direct Expenses	\$ 1,005,377	\$ 1,005,377	\$ -	\$ 986,938	\$ (18,439)
Indirect Expenses	\$ (1,005,377)	\$ (1,005,377)	\$ -	\$ (986,938)	\$ 18,439
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ (566,073)	\$ (566,073)	\$ -	\$ (854,632)	\$ (288,559)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (566,073)	\$ (566,073)	\$ -	\$ (854,632)	\$ (288,559)
FTEs	2.91	2.91	-	2.85	(0.06)

Table A-13. General and Administrative Budget Detail

Legal and Regulatory

The following table lists the Legal and Regulatory budget.

Legal and Regulatory (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	0.95	0.92	(0.03)
Total Direct Expenses	\$ 451,723	\$ 461,328	\$ 9,605
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-14. Legal and Regulatory Budget

Program Scope and Functional Description

MRO has one internal corporate legal counsel to provide advice to the board, the President and CEO, and staff on legal and regulatory matters affecting MRO. MRO may use additional specialized legal resources on an as-needed basis, such as for corporate matters, employee benefit plan issues, and significant policy or regulatory matters.

2018 Key Assumptions

In the 2018 Budget, as in the 2013-2017 budgets, there are no specific funds for hearings under CMEP Rules; therefore, if there were a hearing, MRO would use its current budget resources and reserves to fund the expense.

2017 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 MRO staff person also supports 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 resources are used exclusively for any hearings and to supplement internal resources as necessary due to the need for specialized advice or workflow volume.

Communications training is also part of the Legal and Regulatory function. Communications training is provided as part of MRO's Crisis Communication function. Internal legal counsel serves as the communication coordinator of the MRO Crisis Communication Team and the Vice President of Compliance Monitoring and Regulatory Affairs serves as the legal advisor.

Funding Sources

In 2018, the expenses related to the indirect program areas are allocated entirely to the direct programs and therefore have no ERO assessment revenue.

Legal and Regulatory Budget Detail

The following table shows funding sources and related expenses for the Legal and Regulatory Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2017 Budget & Projection, and 2018 Budget					
LEGAL and REGULATORY					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 200,048	\$ 200,048	\$ -	\$ 207,980	\$ 7,932
Payroll Taxes	9,439	9,439	-	9,837	398
Benefits	13,591	13,591	-	13,920	329
Retirement Costs	37,820	37,820	-	38,916	1,096
Total Personnel Expenses	\$ 260,898	\$ 260,898	\$ -	\$ 270,653	\$ 9,755
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	8,000	8,000	-	12,000	4,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 8,000	\$ 8,000	\$ -	\$ 12,000	\$ 4,000
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	7,775	7,775	-	3,625	(4,150)
Professional Services	175,050	175,050	-	175,050	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 182,825	\$ 182,825	\$ -	\$ 178,675	\$ (4,150)
Total Direct Expenses	\$ 451,723	\$ 451,723	\$ -	\$ 461,328	\$ 9,605
Indirect Expenses	\$ (451,723)	\$ (451,723)	\$ -	\$ (461,328)	\$ (9,605)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	0.95	0.95	-	0.92	(0.03)

Table A-15. Legal and Regulatory Budget Detail

Information Technology

The following table lists the Information Technology budget.

Information Technology (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	3.92	4.02	0.10
Total Direct Expenses	\$ 1,618,099	\$ 1,713,334	\$ 95,235
Inc(Dec) in Fixed Assets	\$ (330,330)	\$ (291,830)	\$ 38,500
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-16. Information Technology Budget

Program Scope and Functional Description

MRO's Information Technology (IT) program responds to business needs by providing the technology and communications tools for staff to perform Regional Entity functions.

Assumptions (2018-2020)

- NERC and the Regional Entities will work collaboratively to refine existing strategies and governance and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, including software and data systems supporting both NERC and Regional Entity operations.
- NERC's BP&B will include ongoing funding support for the development, operation, and maintenance of ERO TLT and ERO Technology Leadership Team (TLT) EMG-approved enterprise applications. Enterprise application funding in any given year will be subject to the budget and funding limits set forth in NERC's approved BP&B. Regional Entities should include appropriate funding for applications and supporting systems designed to satisfy Regional business needs.
- Regional Entities may be required to provide or augment business teams to help develop application business requirements and to test business functionality within the ERO Enterprise applications, such as the CMEP Technology Program Steering Committee.
- Ongoing investments will be required to develop, implement, and maintain enhancements to the NERC and Regional Entity websites, ERO Enterprise applications, and ERO Enterprise data repositories, which are required to improve access to information and data. NERC and the Regional Entities will separately fund any enhancements to their own websites.

Key Focus Areas (2018)

- Following a disciplined process with appropriate ERO TLT approval, along with budgetary controls, the ERO Enterprise Project Management Office will deliver agreed upon ERO Enterprise IT applications designed to be used by NERC, the Regional Entities and, in some cases, registered entities. To ensure close coordination, collaboration, and efficiency, to the extent the agreed upon applications are in progress or widely available, NERC and the Regional Entities will not build or duplicate ERO Enterprise application functionality.

- NERC's BP&B will include ongoing funding support for the development, operation, and maintenance of NERC and Regional Entity approved enterprise applications. Enterprise application funding in any given year will be subject to the budget and funding limits set forth in NERC's approved BP&B.
- When no ERO Enterprise applications are available to satisfy the requirement, Regional Entities should provide a description of the maintenance and capital investment in software required in performance of their delegated functions. The NERC IT budget does not supplant Regional Entity need for IT expenditures for specific regional projects.

Key focus area projects include:

- Enhancing collaboration and information sharing by leveraging Microsoft's SharePoint platform. At the first phase (2015-2017) of the project, NERC is scheduled to deliver a Document Management system and NERC Intranet interface. The second phase includes delivery of enhancements to NERC's public facing website. The third phase is scheduled for 2018-2019 and will deliver NERC extranet, as well as replace email document collaboration with Microsoft's SharePoint collaboration System.
- Improving entity specific communication and information sharing across the ERO Enterprise. Plans include a new intelligent announcements and alert solution to be delivered in 2017-2019.
- Implementing new Enterprise-wide support tools for CMEP. Its first phase to deliver a centralized entity registration solution is scheduled for 2017. The second phase enables NERC Reliability Standards to be used as shared data and is scheduled for 2017-2019. The third phase delivering new solutions and retiring current solutions that support the CMEP is scheduled for 2017-2020.
- Consolidating data collected by NERC and making it available for analysis by authorized organizations. The build out of an ERO Enterprise Data Warehouse is currently underway. Additional data will be extracted, transformed, and loaded during 2017-2020. Data to be loaded includes generation, transmission, events, misoperations, and compliance data.

Funding Sources

In 2018, the expenses related to indirect program areas are being allocated entirely to the direct programs, and therefore the indirect program areas have no ERO assessment revenue.

Resource Requirements

To continue building and implementing enterprise applications, resources will be required from NERC and the Regions. New ERO applications will be centralized in one location to maximize efficiency of technology hardware, resources and data security.

NERC will continue to fund the development and maintenance of Enterprise applications. Regional Entities may be required to allocate or augment business teams to help develop application business requirements and to test business functionality within the enterprise applications.

Office Costs**Computer Supplies and Maintenance (Increase \$53k, 76.6%)**

- Laptop replacements (formerly in capital)
- Replacement phones
- Replacement of two printers

Traning (Increase \$10k, 79%)

- Additional training for IT staff in SharePoint, Net App, VMware, and Cisco

Fixed Assets**Computer Equipment (Increase \$112K, 64.8%)**

MRO replaces the equipment that supports the virtual servers and storage area network every four to five years. This is the most expensive capital equipment we purchase – either to expand the system or replace major components, and it is configured in high availability at HQ and at the disaster recovery site so there are multiple sets of this equipment. In 2018 three servers will be replaced.

Information Technology Budget Detail

The following table shows funding sources and related expenses for the Information Technology Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2017 Budget & Projection, and 2018 Budget					
INFORMATION TECHNOLOGY					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 399,848	\$ 399,848	\$ -	\$ 374,791	\$ (25,057)
Payroll Taxes	29,685	29,685	-	28,467	(1,218)
Benefits	55,637	55,637	-	60,825	5,188
Retirement Costs	81,819	81,819	-	70,991	(10,828)
Total Personnel Expenses	\$ 566,989	\$ 566,989	\$ -	\$ 535,074	\$ (31,915)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	8,000	8,000	-	10,000	2,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 8,000	\$ 8,000	\$ -	\$ 10,000	\$ 2,000
Operating Expenses					
Consultants & Contracts	\$ 329,110	\$ 329,110	\$ -	\$ 318,860	\$ (10,250)
Office Rent	-	-	-	-	-
Office Costs	210,000	210,000	-	271,400	61,400
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	504,000	504,000	-	578,000	74,000
Total Operating Expenses	\$ 1,043,110	\$ 1,043,110	\$ -	\$ 1,168,260	\$ 125,150
Total Direct Expenses	\$ 1,618,099	\$ 1,618,099	\$ -	\$ 1,713,334	\$ 95,235
Indirect Expenses	(1,618,099)	\$ (1,618,099)	\$ -	\$ (1,713,334)	\$ (95,235)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	(504,000)	(504,000)	-	(578,000)	(74,000)
Computer & Software CapEx	173,670	173,670	-	286,170	112,500
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 330,330	\$ 330,330	-	\$ 291,830	\$ (38,500)
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	3.92	3.92	-	4.02	0.10

Table A-17. Information Technology Budget Detail

Human Resources, Finance and Accounting

The following table lists the Human Resources, Finance and Accounting budget.

Human Resources, Finance, and Accounting (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	3.89	3.62	(0.27)
Total Direct Expenses	\$ 1,552,071	\$ 1,584,948	\$ 32,877
Inc(Dec) in Fixed Assets	\$ 143,111	\$ -	\$ (143,111)
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-18. Human Resources, Finance and Accounting Budget

Program Scope and Functional Description

Human Resources

The Human Resources function of MRO designs, plans, and implements Human Resource policies and procedures in adherence with applicable federal and state laws. The Human Resources function also organizes the recruitment efforts of the organization and coordinates onboarding, training, personnel development, and best practice employee retention initiatives.

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 and enhanced 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," and therefore support attraction and retention of qualified staff.

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. The Finance and Accounting function also administrates employee benefit plans, and reports the overall outcome of MRO's annual activities to the MRO board.

2018 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

- Treasury functions with MRO board
- 401(k) and Retiree Medical Trust administration
- Finance and Accounting also coordinates all MRO internal and external meetings, workshops and events

ERO Enterprise-wide Risk Management

Assumptions (2018-2020)

- A common ERO Enterprise risk management framework commenced in 2014 to focus on identifying, assessing, prioritizing, and mitigating risks associated with the performance of both NERC and the Regional Entities. This multi-year activity is progressing as expected and will reach steady state by 2017.
- NERC's Director of Internal Audit and Corporate Risk Management is responsible for the overall development of this framework, with the approval of the ERO Regional Executives and under the oversight of NERC's Enterprise-wide Risk Committee.
- NERC and the Regional Entities will continue to devote resources to implement this framework. The results will serve as an input into NERC's future audit plans, which are reviewed and approved by the NERC Board of Trustees Enterprise Risk Management Committee. Regional Entities may add risk management and internal control resources as needed.

Key Focus Areas (2018)

- NERC and Regional Entities key focus areas include continued refinement, validation, and prioritization of inherent and residual risks; greater precision in the identification of risk mitigation activities and internal controls; and enhanced consolidated results for ERO EMG review and approval.

Funding Sources

In 2018, the expenses related to indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue.

Resource Requirements

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.

Fixed Assets

Leasehold Improvements (Decrease \$148K, 100%)

This decrease is due to the one-time capital cost in 2017 from the facility reconfiguration.

Human Resources, Finance, and Accounting Budget Detail

The following table shows funding sources and related expenses for the Human Resources, Finance, and Accounting Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2017 Budget & Projection, and 2018 Budget					
HUMAN RESOURCES, FINANCE, and ACCOUNTING					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 414,657	\$ 414,657	\$ -	\$ 400,897	\$ (13,760)
Payroll Taxes	27,026	27,026	-	26,490	(536)
Benefits	52,381	52,381	-	54,772	2,391
Retirement Costs	94,740	94,740	-	95,272	532
Total Personnel Expenses	\$ 588,804	\$ 588,804	\$ -	\$ 577,431	\$ (11,373)
Meeting Expenses					
Meetings	\$ 100	\$ 100	\$ -	\$ 100	\$ -
Travel	5,000	5,000	-	5,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 5,100	\$ 5,100	\$ -	\$ 5,100	\$ -
Operating Expenses					
Consultants & Contracts	\$ 28,967	\$ 28,967	\$ -	\$ 36,967	\$ 8,000
Office Rent	701,900	701,900	-	733,700	31,800
Office Costs	173,800	173,800	-	177,250	3,450
Professional Services	53,500	53,500	-	54,500	1,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 958,167	\$ 958,167	\$ -	\$ 1,002,417	\$ 44,250
Total Direct Expenses	\$ 1,552,071	\$ 1,552,071	\$ -	\$ 1,584,948	\$ 32,877
Indirect Expenses	\$ (1,552,071)	\$ (1,552,071)	\$ -	\$ (1,584,948)	\$ (32,877)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	143,111	143,111	-	-	(143,111)
Allocation of Fixed Assets	\$ (143,111)	\$ (143,111)	-	-	143,111
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	3.89	3.89	-	3.62	(0.27)

Table A-19. Human Resources, Finance, and Accounting Budget Detail

Section B – Supplemental Financial Information

2018 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Table B-1 analyzes the working capital reserve for 2017 through 2018.

Working Capital Reserve Analysis 2017-2018	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2016	2,384,548
Plus: 2017 MRO Funding (from LSEs or designees)	10,660,595
Less: 2017 Projected expenses & capital expenditures	(11,226,670)
Projected Working Capital Reserve (Deficit), December 31, 2017¹	1,818,473
Targeted Working Capital Reserve, December 31, 2018 (($\$11,726,738 / 365$ days) X 30 days)	963,841
Less: Projected Working Capital Reserve, December 31, 2017	(1,818,473)
Increase(decrease) in assessments to achieve targeted Working Capital Reserve	(854,632)
2018 Expenses and Capital Expenditures	11,726,738
Less: Penalty Sanctions ²	(142,000)
Less: Other Funding Sources	0
Adjustment to achieve targeted Working Capital Reserve	(854,632)
2018 MRO Assessment	10,730,106

¹ MRO's projected reserve December 31, 2017 assumes that there will not be a material difference between budgeted versus actual/projected results from 2017.

² Represents collections on or prior to June 30, 2017. See Table-B-2 for full disclosure.

Table B-1. Working Capital Reserve Analysis 2017 - 2018

Explanation of Changes in Reserve Policy from Prior Years

MRO's Finance and Audit Committee (FAC) resolved that 30 days of cash is sufficient based on MRO's cash flow risk, with the Board's approval in 2017 for working capital analysis 2017-2018. The certainty of MRO's funding stream supports that a 30-day reserve is reasonable for sustaining short-term contingencies. MRO resets its reserves at the beginning of each year to the approved policy.

Breakdown by Statement of Activity Sections

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2017.

Penalty Sanctions Received On or Prior to June 30, 2017	Date Received	Amount Received
	Mar-17	\$ 142,000
Total Penalties Received		<u>\$ 142,000</u>

Table B-2. Penalty Sanctions Received

Penalty Sanctions

Penalty monies received prior to June 30, 2017 are to be used to offset assessments in the 2018 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, 2016 through June 30, 2017 will be used to offset assessments in the 2018 Budget.

All penalties received prior to June 30, 2017 are listed above, 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 and Certification; Compliance Monitoring and 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 receive the allocation.

Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget
Compliance Monitoring, Enforcement & Org. Registration	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Testing Fees and Certificate Renewals	\$ -	\$ -	\$ -	-
CEH Fees	-	-	-	-
Workshops	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security				
FIST Royalties	\$ -	\$ -	\$ -	-
TSIN Fees				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ -	\$ -	\$ -	-
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ -	\$ -	\$ -	\$ -

Table B-3. Supplemental Funding

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

MRO does not earn interest income. Our general banking account offsets the bank charges with any earned interest.

Table B-4 summarizes Personnel Expenses.

Personnel Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Total Salaries	\$ 5,874,689	\$ 5,874,689	\$ 6,250,448	\$ 375,759	6.4%
Total Payroll Taxes	366,600	366,600	391,324	24,724	6.7%
Total Benefits	608,751	608,751	663,221	54,470	8.9%
Total Retirement	1,195,387	1,195,387	1,259,803	64,416	5.4%
Total Personnel Costs	\$ 8,045,427	\$ 8,045,427	\$ 8,564,796	\$ 519,369	6.5%
FTEs	43.00	43.00	45.00	2.00	4.7%
Cost per FTE					
Salaries	\$ 136,621	\$ 136,621	\$ 138,899	2,278	1.7%
Payroll Taxes	8,526	8,526	8,696	171	2.0%
Benefits	14,157	14,157	14,738	581	4.1%
Retirement	27,800	27,800	27,996	196	0.7%
Total Cost per FTE	\$ 187,103	\$ 187,103	\$ 190,329	\$ 3,226	1.7%

Table B-4. Personnel Expenses

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

Personnel Expenses (Increase \$519K, 6.5%)

- Salaries increase by 3 percent salary plus promotions
- Benefits and Retirement increase by 6 percent based on these increases
- Total Personnel expenses include a 4 percent cost impact due to two additional FTEs. Additional FTEs are a result of targeted outreach to improve prevention and shared responsibility efforts across the MRO footprint. Captured savings from facility and tax status change will offset investment towards the additional FTEs by \$130,000. The benefits expense is increasing 8.9 percent, in part due to the additional FTEs and also because health plan expenses are trending at a 6 percent increase according to actuarial studies.

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Meeting Expenses	\$ 85,000	\$ 85,000	\$ 93,950	\$ 8,950	10.5%
Travel	635,000	635,000	655,430	20,430	3.2%
Conference Calls	-	-	-	-	
Total Meeting Expenses	\$ 720,000	\$ 720,000	\$ 749,380	\$ 29,380	4.1%

Table B-5. Meeting Expenses

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

Meeting Expenses (Increase \$9k, 10.5%)

There is an increase in the number of meetings and outreach efforts planned in 2018; however, budgeted meeting expenses are approximately the same as in the 2017 budget because of efficiencies and cost savings realized from hosting meetings at MRO. Reimbursement for stakeholder participant travel expenses will increase.

Travel Expenses (Increase \$20k, 3.2%)

Reflects an increase in the number of on-site audits for 2018 and an increased number of working groups in a number of the program areas.

Table B-6 lists the budget for Consultants and Contracts.

Consultants	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Consultants					
Reliability Standards and Organization Registration and Certification Compliance	\$ -	\$ -	\$ -	\$ -	-
Compliance	77,000	77,000	3,000	(74,000)	-96%
Reliability Assessment and Performance Analysis (Alert)	8,000	8,000	-	(8,000)	-100%
Event Analysis	-	-	-	-	-
Training and Education	-	-	-	-	-
Situation Awareness and Infrastructure Security Committee and Member Forums	-	-	-	-	-
General and Administrative	75,000	75,000	32,000	(43,000)	-57%
Legal and Regulatory	-	-	-	-	-
Information Technology	241,000	241,000	197,000	(44,000)	-18%
Human Resources	-	-	-	-	-
Accounting and Finance	-	-	-	-	-
Consultants Total	\$ 401,000	\$ 401,000	\$ 232,000	\$ (169,000)	-42%
Contracts					
Contracts	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Contracts					
Outsource Standards Tracking Software Applications	\$ -	\$ -	\$ -	\$ -	-
Subtotal - Reliability Standards Contracts	\$ -	\$ -	\$ -	\$ -	-
Outsource Compliance Information Tracking Applications	-	-	-	-	-
Subtotal - Compliance and Organization Registration and Certification Contracts	\$ 92,000	\$ 92,000	\$ 92,000	\$ -	0%
	\$ 92,000	\$ 92,000	\$ 92,000	\$ -	0%
Model Series Development (MRO's portion of expenses of the MMWG/ERAG)	\$ 30,100	\$ 30,100	\$ 28,500	(1,600)	-5%
Model Building	-	-	-	-	-
PTI Software	16,300	16,300	15,100	(1,200)	-7%
Proposed Frequency Response Study	17,600	17,600	8,700	(8,900)	-51%
Subtotal - Reliability Assessments Contracts	\$ 64,000	\$ 64,000	\$ 52,300	\$ (11,700)	-18%
Cisco	7,800	7,800	7,800	-	0%
Barracuda	1,800	1,800	1,800	-	0%
EFT Maintenance	4,200	4,200	7,700	3,500	83%
Antivirus	-	-	4,000	4,000	-
PhishMe	-	-	10,000	10,000	-
Varonis File Maintenance	8,500	8,500	6,000	(2,500)	-29%
Lyrus	1,400	1,400	1,400	-	0%
VMWare Support	-	-	17,000	17,000	-
SmartPhone Maintenance	1,600	1,600	2,000	400	25%
Server Support	10,000	10,000	-	(10,000)	-100%
Great Plains	4,000	4,000	4,000	-	0%
Budget Maestro	-	-	800	800	-
Lync Monitoring	14,400	14,400	14,400	-	0%
NetApp Multistore-Security software for SAN	800	800	-	(800)	-100%
Load Balancer Support	-	-	5,900	5,900	-
Network Monitor	700	700	2,650	1,950	279%
Somus HW Support	1,300	1,300	2,500	1,200	92%
Symantec Maintenance	-	-	2,000	2,000	-
Anitspam Service	1,500	1,500	-	(1,500)	-100%
Imperva	2,500	2,500	3,200	700	28%
Multi factor	3,300	3,300	6,000	2,700	82%
Cisco Amp	3,000	3,000	6,000	3,000	100%
AV Maintenance	20,000	20,000	12,000	(8,000)	-40%
Misc Items	1,310	1,310	4,710	3,400	260%
Subtotal - Information Technology Contracts	\$ 88,110	\$ 88,110	\$ 121,860	\$ 33,750	38%
401K / 457b, 457f 3rd Party Administrator	-	-	-	-	-
FSA 3rd Party Administrator	2,707	2,707	2,707	-	0%
Transportation 3rd Party Administrator	3,125	3,125	3,125	-	0%
Benefits 3rd Party Administrator	4,135	4,135	4,135	-	0%
Payroll 3rd Party Administrator	19,000	19,000	21,000	2,000	11%
HR-Employment Costs	-	-	6,000	6,000	-
Subtotal - HR and Finance Contracts	\$ 28,967	\$ 28,967	\$ 36,967	\$ 8,000	28%
Contracts Total	\$ 273,077	\$ 273,077	\$ 303,127	\$ 30,050	11%
Total Consulting and Contracts	\$ 674,077	\$ 674,077	\$ 535,127	\$ (138,950)	-21%
Check Totals:	\$ 674,077	\$ 674,077	\$ 535,127		
Difference:	\$ -	\$ -	\$ -		

Table B-6. Consultants and Contracts

Explanation of Significant Variances – 2018 Budget versus 2017 Budget**Compliance Monitoring and Enforcement (Decrease \$74k, 96.1%)**

MRO has utilized outside consultants at times; this is now being supported by staff.

General and Administrative (Decreased \$43k, 57.3%)

Completed work on the shared Project Manager for the REMG initiatives.

Table B-7 lists the budget for Office Rent.

Office Rent	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Office Rent	\$ 690,400	\$ 690,400	\$ 718,700	\$ 28,300	4.1%
Utilities	6,500	6,500	7,000	500	7.7%
Maintenance	5,000	5,000	8,000	3,000	60.0%
Total Office Rent	\$ 701,900	\$ 701,900	\$ 733,700	\$ 31,800	4.53%

Table B-7. Office Rent

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

The 2018 annual lease cost has a 2.0 percent projected increase impact based on prior year actual costs, which includes the new leased space. Operating costs and real estate taxes also have an increase of 2.0 percent, which is reflective of historical trends. Utilities and maintenance costs increase by 30 percent, which reflects the expanded area. The combined total rent increase is \$31,800 or 4.5 percent.

Table B-8 lists the budget for Office Costs.

Office Costs	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Phone Service					
Data Circuit (qmo)	\$ 60,000	\$ 60,000	\$ 60,000	\$ -	0.00%
Webex	6,300	6,300	7,500	1,200	19.05%
Voice Circuits	18,000	18,000	18,000	-	0.00%
Business Cable	2,000	2,000	2,500	500	25.00%
Disaster Recovery Site	19,000	19,000	19,000	-	0.00%
Internet/Cell	46,388	46,388	43,988	(2,400)	-5.17%
Office Supplies	31,450	31,450	33,000	1,550	4.93%
Employee Member Events	20,000	20,000	18,500	(1,500)	-7.50%
Employee Related Expense (Drug Testing, Finder Fees Etc)	16,500	16,500	16,500	-	0.00%
Computer Supplies and Maintenance	68,500	68,500	121,000	52,500	76.64%
Publications & Subscriptions	5,225	5,225	6,175	950	18.18%
Professional Dues	15,470	15,470	16,900	1,430	9.24%
Postage	2,700	2,700	2,700	-	0.00%
Temporary Services	-	-	-	-	
Finance-Filing/Reg Fees	3,000	3,000	3,000	-	0.00%
Equipment Repair/Service Contracts	13,500	13,500	12,700	(800)	-5.93%
Bank Charges	23,000	23,000	21,000	(2,000)	-8.70%
Presentation & Publicity & Supplies Promotional	5,000	5,000	5,000	-	0.00%
Departmental Functional Training	126,900	126,900	161,550	34,650	27.30%
Insurance Expense	57,000	57,000	59,000	2,000	3.51%
Total Office Costs	\$ 539,933	\$ 539,933	\$ 628,013	\$ 88,080	16.31%

Table B-8. Office Costs

Explanation of Significant Variances – 2018 Budget versus 2017 Budget (Increase \$88k, 16.3%)

- Computer Supplies and Maintenance (Increase \$53k, 76.6 percent)
 - Laptop replacements (formerly in capital)
 - Replacement phones
 - Replacement of two printers
- Departmental functional training (Increase \$35k, 27.3 percent)
 - RAM executive utility training
 - IT additional training in SharePoint, Net App, VMware, and Cisco

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Independent Trustee Fees	\$ 125,050	\$ 125,050	\$ 125,050	\$ -	0.00%
Outside Legal	50,000	50,000	50,000	\$ -	0.00%
Accounting and Auditing Fees	28,500	28,500	29,500	\$ 1,000	3.51%
Actuarial Fees	25,000	25,000	25,000	\$ -	0.00%
Total Services	\$ 228,550	\$ 228,550	\$ 229,550	\$ 1,000	0.44%

Table B-9. Professional Services

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

Professional Services (Increase \$1k, 0.4%)

In 2018 professional services are flat compared to the 2017 budget.

Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
	\$ -	\$ -	\$ -	\$ -	-
					-
					-
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	100.00%

Table B-10. Miscellaneous

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

MRO has not budgeted any Miscellaneous Expenses in 2017 or 2018.

Table B-11 lists the budget for other Non-Operating Expenses.

Other Non-Operating Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment					-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	100.00%

Table B-11. Other Non-Operating Expenses

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

MRO has not budgeted any Non-Operating Expenses in 2017 or 2018.

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Depreciation	\$ (504,000)	\$ (504,000)	\$ (578,000)	\$ (74,000)	14.7%
Computer Equipment	144,500	144,500	270,000	125,500	86.9%
Capitalized Software	29,170	29,170	16,170	(13,000)	-44.6%
Furniture and Equipment	-	-	-	-	
Leasehold Improvements	143,111	143,111	-	(143,111)	-100.0%
Total Change in Fixed Assets	\$ (187,219)	\$ (187,219)	\$ (291,830)	\$ (104,611)	55.9%

Table B-12. Fixed Assets

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

Depreciation (Increase \$74k, 14.7%)

The 2018 costs increase as equipment purchases made in late 2016 and 2017 are now being depreciated.

Computer Equipment (Increase \$126k, 86.9%)

MRO replaces the equipment that supports the virtual servers and storage area network every four to five years. This is the most expensive capital equipment we purchase – either to expand the system or replace major components, and it is configured in high availability at HQ and at the disaster recovery site so there are multiple sets of this equipment. In 2018 three servers will be replaced.

Leasehold Improvements (Decrease \$143k, 100%)

This decrease is due to the one-time capital cost in 2017 from the facility reconfiguration.

Table B-13 compares the 2018 budget with projections for 2019-2020.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2019 and 2020 Projections							
	2018 Budget	2019 Projection	\$ Change 19 v 18	% Change 19 v 18	2020 Projection	\$ Change 20 v 19	% Change 20 v 19
Funding							
ERO Funding							
NERC Assessments	\$ 10,730,104	\$ 12,078,538		12.57%	\$ 12,440,894	\$ 362,356	2.9%
Penalty Sanctions	142,000	-		-100.00%	-	-	
Total NERC Funding	\$ 10,872,104	\$ 12,078,538	\$ 1,206,434	11.1%	\$ 12,440,894	\$ 362,356	2.9%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 10,872,104	\$ 12,078,538	\$ 1,206,434	11.1%	\$ 12,440,894	\$ 362,356	3.0%
Expenses							
Personnel Expenses							
Salaries	\$ 6,250,448	\$ 6,437,961	\$ 187,513	3.0%	\$ 6,631,100	\$ 193,139	3.0%
Payroll Taxes	391,324	403,064	11,740	3.0%	415,156	12,092	3.0%
Benefits	663,221	683,118	19,897	3.0%	703,611	20,494	3.0%
Retirement Costs	1,259,803	1,297,597	37,794	3.0%	1,336,525	38,928	3.0%
Total Personnel Expenses	\$ 8,564,796	\$ 8,821,740	\$ 256,944	3.0%	\$ 9,086,392	\$ 264,652	3.0%
Meeting Expenses							
Meetings	\$ 93,950	\$ 96,769	\$ 2,819	3.0%	\$ 99,672	2,903	3.0%
Travel	655,430	675,093	19,663	3.0%	695,346	20,253	3.0%
Conference Calls	-	-	-	-	-	-	-
Total Meeting Expenses	\$ 749,380	\$ 771,861	\$ 22,481	3.0%	\$ 795,017	\$ 23,156	3.0%
Operating Expenses							
Consultants & Contracts	\$ 535,127	\$ 551,181	16,054	3.0%	\$ 567,716	16,535	3.0%
Office Rent	733,700	755,711	22,011	3.0%	778,382	22,671	3.0%
Office Costs	628,013	646,853	18,840	3.0%	666,259	19,406	3.0%
Professional Services	229,550	236,437	6,887	3.0%	243,530	7,093	3.0%
Miscellaneous	-	-	-	-	-	-	-
Depreciation	578,000	595,340	17,340	3.0%	613,200	17,860	3.0%
Total Operating Expenses	\$ 2,704,390	\$ 2,785,522	\$ 81,132	3.0%	\$ 2,869,087	\$ 83,566	3.0%
Total Direct Expenses	\$ 12,018,566	\$ 12,379,123	\$ 360,557	3.0%	\$ 12,750,497	\$ 371,374	3.0%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses (B)	\$ 12,018,566	\$ 12,379,123	\$ 360,557	3.0%	\$ 12,750,497	\$ 371,374	3.0%
Change in Assets	\$ (1,146,462)	\$ (300,585)	\$ 845,877	-73.8%	\$ (309,603)	\$ (9,018)	3.0%
Fixed Assets							
Depreciation	\$ (578,000)	\$ (595,340)	\$ (17,340)	3.0%	\$ (613,200)	\$ (17,860)	3.0%
Computer & Software CapEx	286,170	294,755	8,585	3.0%	303,598	8,843	3.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ (291,830)	\$ (300,585)	\$ (8,755)	3.0%	\$ (309,602)	\$ (9,018)	0.0%
TOTAL BUDGET (=B + C)	\$ 11,726,736	\$ 12,078,538	\$ 351,802	3.0%	\$ 12,440,894	\$ 371,374	3.1%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (854,632)	\$ -	\$ 854,632	-100.0%	\$ -	\$ -	178.0%
FTEs	45.00	45.00	-	-	45.00	-	-

Table B-13. Budget 2018 Compared with 2019-2020 Projections

Explanation of 2018, 2019, 2020 Projections

At this time, MRO does not anticipate significant changes in program areas for the next three years.

- FTEs remain flat
- Three percent escalation rate applied to expense categories
- Total budget increase of \$352k in 2019
- Total budget increase of \$371k in 2020
- Zero penalties budgeted

Section C – Non-Statutory Activities

2018 Business Plan and Budget



Section C – Non-Statutory Activities

2018 Non-Statutory Business Plan and Budget

MRO has no non-statutory activities.

Section D – Additional Consolidated Financial Statements

2018 Business Plan and Budget



Section D – Additional Consolidated Financial Statements

2018 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program	Total	Statutory Total	Non-Statutory Total	Function in Disposition Agreement																							
				Statutory Total	Reliability Standards Registration (Section 302 & 303)	Compliance (Section 408)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 603/604)	Situation Awareness and Infrastructure Security (Section 100)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance												
Funding:																											
EFO Funding																											
NERC Assessments	10,730,104	10,730,104	-	10,730,104	687,252	7,659,154	2,335,894	74,054	74,054	8,378	156,083	854,021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Priority Suctions	142,000	142,000	-	142,000	8,977	97,316	23,914	8,978	8,978	-	1,395	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total NERC Funding	10,872,104	10,872,104	-	10,872,104	696,249	7,756,470	2,359,808	82,032	82,032	9,373	157,478	854,021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Member Ship Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Testing fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Services & software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Funding (A)	10,872,104	10,872,104	-	10,872,104	696,249	7,756,470	2,381,808	82,032	82,032	9,373	158,873	854,021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Expenses																											
Personnel Expenses																											
Salaries	6,250,448	6,250,448	-	6,250,448	258,356	3,165,100	93,220	289,237	289,237	45,777	585,090	207,380	374,791	-	-	-	-	-	-	-	-	-	-	-	-	400,897	
Payroll Taxes	391,324	391,324	-	391,324	16,816	204,686	59,232	18,952	18,952	3,279	25,865	9,237	28,467	-	-	-	-	-	-	-	-	-	-	-	-	26,490	
Benefits	1,679,631	1,679,631	-	1,679,631	63,203	343,993	103,838	103,838	103,838	17,776	197,928	58,775	197,928	-	-	-	-	-	-	-	-	-	-	-	-	177,250	
Retirement	1,209,023	1,209,023	-	1,209,023	43,033	334,136	203,143	57,262	57,262	10,844	134,822	38,816	134,822	-	-	-	-	-	-	-	-	-	-	-	-	49,272	
Total Personnel Expenses	8,569,296	8,569,296	-	8,569,296	381,548	4,252,912	1,300,233	393,029	393,029	67,683	768,818	270,633	533,074	-	-	-	-	-	-	-	-	-	-	-	-	577,411	
Meeting Expenses	69,265	69,265	-	69,265	1,490	7,650	7,650	36,650	36,650	1,460	48,000	10,000	10,000	-	-	-	-	-	-	-	-	-	-	-	-	100	
Travel	655,430	655,430	-	655,430	57,200	209,480	107,000	44,400	44,400	41,900	113,000	12,000	10,000	-	-	-	-	-	-	-	-	-	-	-	-	5,000	
Total Meeting Expenses	794,380	794,380	-	794,380	58,700	217,130	114,500	80,400	80,400	43,360	133,000	12,000	10,000	-	-	-	-	-	-	-	-	-	-	-	-	5,100	
Operating Expenses																											
Consultants & Contracts	535,127	535,127	-	535,127	95,000	95,000	92,300	-	-	-	32,000	-	314,860	-	-	-	-	-	-	-	-	-	-	-	-	36,967	
Office Rent	733,700	733,700	-	733,700	5,888	119,400	16,500	-	-	6,500	33,900	3,625	271,400	-	-	-	-	-	-	-	-	-	-	-	-	54,500	
Office Costs	628,013	628,013	-	628,013	5,888	119,400	16,500	-	-	-	33,900	3,625	271,400	-	-	-	-	-	-	-	-	-	-	-	-	54,500	
Professional Services	229,550	229,550	-	229,550	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Supplies	578,000	578,000	-	578,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation	2,704,390	2,704,390	-	2,704,390	3,818	209,400	68,800	-	-	-	65,500	178,675	1,168,200	-	-	-	-	-	-	-	-	-	-	-	-	1,002,417	
Total Operating Expenses	12,018,566	12,018,566	-	12,018,566	479,892	4,201,149	1,348,985	479,429	479,429	114,131	966,918	461,328	1,713,334	-	-	-	-	-	-	-	-	-	-	-	-	1,589,990	
Total Direct Expenses	12,018,566	12,018,566	-	12,018,566	479,892	4,201,149	1,348,985	479,429	479,429	114,131	966,918	461,328	1,713,334	-	-	-	-	-	-	-	-	-	-	-	-	1,589,990	
Indirect Expenses																											
Other Non-Operating Expenses																											
Total Expenses (B)	12,018,566	12,018,566	-	12,018,566	479,892	4,201,149	1,348,985	479,429	479,429	114,131	966,918	461,328	1,713,334	-	-	-	-	-	-	-	-	-	-	-	-	1,589,990	
Change in Assets	(1,146,462)	(1,146,462)	-	(1,146,462)	(199,998)	(794,468)	(3,257)	(8,245)	(8,245)	(2,867)	(854,021)	(2,867)	(854,021)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fixed Assets																											
Depreciation	(578,000)	(578,000)	-	(578,000)	-	-	-	-	-	-	-	-	(578,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Computer & Software CapEx	286,170	286,170	-	286,170	-	-	-	-	-	-	-	-	286,170	-	-	-	-	-	-	-	-	-	-	-	-	-	
Furniture & Fixture CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Leased Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Allocation of Fixed Assets	(0)	(0)	-	(0)	(17,463)	(199,998)	(3,257)	(18,245)	(18,245)	(2,867)	(291,830)	(2,867)	(291,830)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Indirects in Fixed Assets (C)	(291,830)	(291,830)	-	(291,830)	(17,463)	(199,998)	(3,257)	(18,245)	(18,245)	(2,867)	(291,830)	(2,867)	(291,830)	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL BUDGET (A+B-C)	11,226,236	11,226,236	-	11,226,236	696,449	7,756,470	2,381,808	759,932	759,932	154,078	854,021	(2,867)	(854,021)	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL CHANGE IN WORKING CAPITAL (A+B-C)	(854,021)	(854,021)	-	(854,021)	0	0	0	0	0	0	(854,021)	(854,021)	(854,021)	-	-	-	-	-	-	-	-	-	-	-	-	-	
FTEs	45.00	45.00	-	45.00	2.01	28.02	6.13	2.10	2.10	0.33	2.85	0.92	4.02	-	-	-	-	-	-	-	-	-	-	-	-	3.62	
Indirect Costs Allocation	-	-	-	-	295,930	3,259,910	866,230	295,748	295,748	46,032	966,918	461,328	(1,713,334)	-	-	-	-	-	-	-	-	-	-	-	-	(1,564,949)	
Priority Suctions Allocation	-	-	-	-	8,977	97,316	23,914	8,978	8,978	1,395	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest Income Allocation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Table D-1. Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Financial Position

The following table provides MRO Statement of Financial Position as of these dates:

- As of December 31, 2016, per audit
- As of December 31, 2017, projected
- As of December 31, 2018, as budgeted

Statement of Financial Position			
2016 Audited, 2017 Projection, and 2018 Budget			
STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-16	31-Dec-17	31-Dec-18
ASSETS			
Cash	3,755,883	3,002,591	1,998,129
Restricted Cash	166,275	142,000	-
Other Receivables	317	-	-
Prepaid expenses and other current assets	345,447	190,000	196,000
Security deposit	39,858	39,858	39,858
Restricted Cash - non-current	-	-	-
Property and equipment and capitalized software	1,819,854	2,419,086	1,897,802
Total Assets	6,127,634	5,793,535	4,131,789
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	1,883,374	1,516,118	1,230,288
Postretirement medical benefit obligation	507,557	605,000	690,000
Deferred assessments - non-current	-	-	-
Deferred rent - non-current	500,325	500,325	500,325
Total Liabilities	2,891,256	2,621,443	2,420,613
Net Assets - unrestricted	3,236,378	3,172,092	1,711,176
Total Liabilities and Net Assets	6,127,634	5,793,535	4,131,789

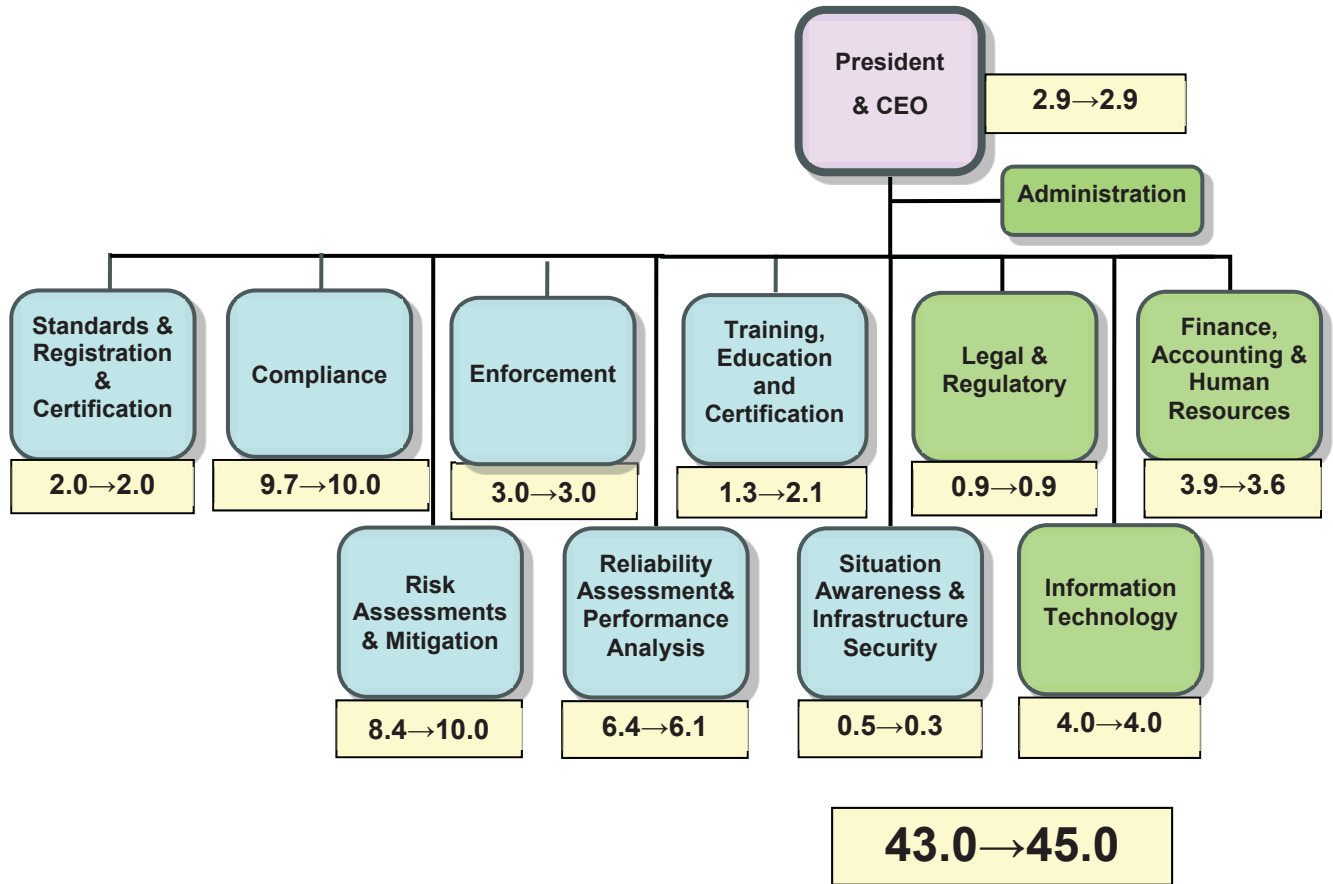
Table D-2. Statement of Financial Position, Three-Year Comparison

Appendix A

Organization Chart

The MRO Organization Chart is shown below.

2017 to 2018 Full Time Equivalent (FTE) Comparison Organization Chart



FTE Trend from 2016 to 2020

2016	2017	2018	2019 Estimate	2020 Estimate
43.0	43.0	45.0	45.0	45.0

Figure 2. Organization Chart

Appendix B

This section lists acronyms used in this document.

Acronym	Definition
APDA	American Power Dispatchers Association
BA	Balancing Authority
BES	Bulk Electric System
BPS	Bulk Power System
CFR	Coordinated Functional Registration
CIP	Critical Infrastructure Protection
CMEP	Compliance Monitoring and Enforcement Program
EMS	Energy Management System
ERAG	Eastern Interconnection Reliability Assessment Group
ERO	Electric Reliability Organization
FAC	Finance and Audit Committee
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
FTE	Full-Time Equivalent
IRA	Inherent Risk Assessment
IT	Information Technology
MCCF	Mid-Continent Compliance Forum
MRO	Midwest Reliability Organization
NERC	North American Electric Reliability Corporation
OC	Operating Committee
PC	Planning Committee
RAPA	Reliability Assessment and Performance Analysis
RC	Reliability Coordinator
RE	Regional Entity
RTO	Regional Transmission Organization
SC	Standards Committee
SCADA	Supervisory Control and Data Acquisition
SME	Subject Matter Expert
TFE	Technical Feasibility Exception
TOP	Transmission Operator

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DOCKET NO. RR17-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2018 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 5

NORTHEAST POWER COORDINATING COUNCIL, INC.

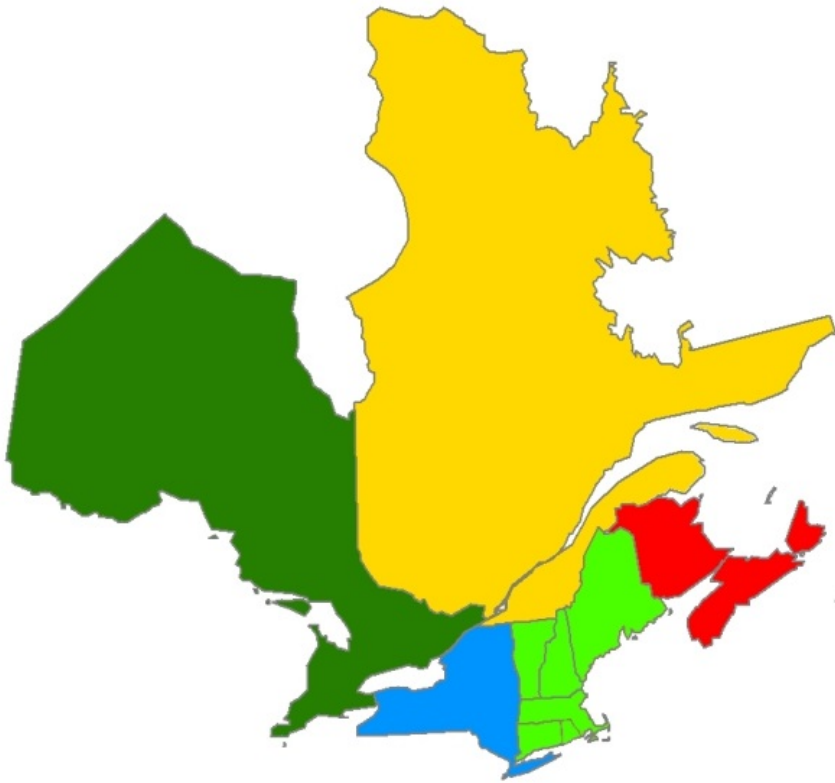
PROPOSED 2018 BUSINESS PLAN AND BUDGET



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)

2018 Business Plan and Budget



**Approved by the
NPCC Board of Directors
at its June 28, 2017 Meeting and
Resubmitted to NERC June 28, 2017**

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Introduction

Total NPCC Resources				
(in whole dollars)				
	2018 Budget	U.S.	Canada	Mexico
Regional Entity Division FTEs	36.86			
Criteria Services Division FTEs	2.14			
Total FTEs	39.00			
Regional Entity Division Expenses	\$15,260,967			
Criteria Services Division Expenses	\$1,082,983			
Total Expenses	\$16,343,950			
Regional Entity Division Inc(Dec) in Fixed Assets	(\$154,000)			
Criteria Services Division Inc(Dec) in Fixed Assets	(\$16,000)			
Total Inc(Dec) in Fixed Assets	(\$170,000)			
Regional Entity Division Working Capital Requirement**	(\$626,180)			
Criteria Services Division Working Capital Requirement***	(\$47,843)			
Total Working Capital Requirement	(\$674,023)			
Total Regional Entity Division Funding Requirement	\$14,480,787			
Total Criteria Services Division Funding Requirement	\$1,019,141			
Total Funding Requirement	\$15,499,927			
Regional Entity Division Assessments	\$14,341,787	\$8,749,460	\$5,592,327	
Regional Entity Division Assessments Percentage	100%	61%	39%	
Criteria Services Division Membership Fees	\$1,019,141	\$462,218	\$556,923	
Total NPCC Assessments & Membership Fees	\$15,360,927	\$9,211,678	\$6,149,249	
NEL	628,864,000	285,213,000	343,651,000	
NEL %	100%	45%	55%	

** Refer to Table B-1 on page 64 in Section B.

*** Refer to the Reserve Analysis on page 82 in Section C.

2018 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 no change to its total budget and assessments. On a division level, NPCC proposes a Regional Entity total budget decrease of 0.3% and a Criteria Services division total budget increase of 3.8%. The proposed 2018 funding requirements will be satisfied by a Regional Entity division assessment of \$14,341,787 and Criteria Services division fees of \$1,019,141, for a total of \$15,360,927. The total NPCC assessments and fees of \$15,360,927 represents no change from 2017. NPCC believes that the Region remains an effective provider of Regional Entity and Criteria Services division functions. NPCC's corporate culture centers on consistent delivery of excellent results at a cost that is considerate of the longstanding tradition in the Northeast of affordable and reliable electricity.

Organizational Overview

Northeast Power Coordinating Council, Inc. (NPCC) is a 501(c)(6) not-for-profit corporation in the state of New York responsible for promoting and improving the reliability of the international, interconnected bulk power systems in Northeastern North America through (i) the development of Regional Reliability Standards and compliance assessment and enforcement of continent-wide and Regional Reliability Standards, coordination of system planning, design and operations, and assessment of reliability (collectively, Regional Entity activities), and (ii) the establishment of Regionally-specific criteria, and monitoring and enforcement of compliance

with such criteria (collectively, Criteria Services activities). NPCC provides the functions and services for Northeastern North America of a cross-border Regional Entity through a Regional Entity division, as well as Regionally-specific Criteria Services for Northeastern North America through a Criteria Services division. NPCC's website is www.npcc.org.

The NPCC Region covers nearly 1.2 million square miles and is populated by more than 56 million people. NPCC U.S. includes the six New England states and the state of New York. NPCC Canada includes the provinces of Ontario, Québec and the Maritime provinces of New Brunswick and Nova Scotia. In total, from a net energy for load perspective, NPCC is approximately 45% U.S. and 55% Canadian. With regard to Canada, approximately 70% of Canadian net energy for load is within the NPCC Region.

Effective January 1, 2016, 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 or Agreements with Canadian provincial regulatory and/or governmental authorities in Ontario, Québec, New Brunswick and Nova Scotia.

It is imperative that NPCC maintain its ability to carry out delegated authorities and responsibilities. NPCC has a flat 2018 targeted staffing level of 39 power industry professionals and support personnel. Details of the 2018 business plans and budget for each program area are included in Section A for the Regional Entity division. The 2018 Regional Entity division schedules are shown in Section B. Section C details the 2018 Criteria Services division business plan and budget.

Membership and Governance

NPCC monitors approximately 205 registered entities and some 427 functions in the Region for compliance with mandatory Reliability Standards. NPCC currently has approximately 80 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.

Under the Criteria Services division, NPCC will seek out and evaluate for membership, entities involved in emerging technologies to assure that those entities that have an impact on Bulk Electric System reliability are included in appropriate NPCC activities.

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 on the NPCC Board of Directors 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 (PC), 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 consistent with their approved charters. 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* 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 election of the Board of Directors and 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 are drawn from diverse backgrounds and 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 electric system. 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 individual provincial Memorandum of Understanding (MOU) or Agreements with each province providing the unique parameters for compliance and enforcement activities for each of the provinces. An 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 Energy and Utilities Board are parties to a MOU that sets forth reliability activities for New Brunswick. The Régie de l'énergie, NERC and NPCC executed an Agreement regarding the implementation of the Québec reliability standards compliance monitoring and enforcement program. 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 2009 Agreement). Under the terms of the 2009 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 Régie de l'énergie, NERC and NPCC are parties to the September 24, 2014 *Agreement on the Implementation of the Québec Reliability Standards Compliance Monitoring and Enforcement Program* (the 2014 Agreement). Through the 2014 Agreement, the Régie de l'énergie retains the services of NPCC to monitor and assess the compliance of registered entities in Québec with the reliability standards adopted by the Régie with respect to electric power transmission in Québec.

On April 1, 2015, the Québec Reliability Standards Compliance Monitoring and Enforcement Program ("QCMEP"), which was developed jointly by the Régie de l'énergie, NPCC and NERC, came into effect. Together, the 2014 Agreement and the QCMEP detail the procedures and program for monitoring and enforcing mandatory electric power transmission reliability standards in Québec.

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, through a series of decisions in 2007, designated Hydro-Québec Contrôle des mouvements d'énergie (HQCMÉ), a division of Hydro-Québec TransÉnergie, as the Reliability Coordinator for Québec. In accordance with its mandate and as recognized in the 2009 Agreement, it is this entity that is responsible for the filing with the Régie de l'énergie for approval of reliability standards in Québec. HQCMÉ has filed for the approval of certain reliability standards and the Régie de l'énergie has made certain reliability standards mandatory in Québec and is continuing proceedings to make additional reliability standards mandatory in Québec.

NPCC also conducts reliability assurance activities within Québec, including but not limited to events analysis, Reliability Assessment and Performance Analysis and compliance investigations, consistent with the *NPCC Amended and Restated Bylaws*.

d) New Brunswick

On October 1, 2013, the Electricity Act (NB) and implementing regulations (together, “NB Electricity Act”) amended how Reliability Standards are approved, monitored, and enforced in the province of New Brunswick. The NB Electricity Act designates NPCC as a compliance body and NERC as a standards body within the meaning of the NB Electricity Act. The New Brunswick Energy and Utilities Board (NBEUB) is an independent, quasi-judicial board that is responsible for regulating New Brunswick’s electricity sector under the NB Electricity Act. The NBEUB has the responsibility to adopt and enforce reliability standards in New Brunswick.

As contemplated in the NB Electricity Act, NPCC and the NBEUB entered into a Service Contract dated August 10, 2016, whereby NPCC provides CMEP and other services for the NBEUB. Additionally, the NBEUB, NPCC, and NERC entered into a Memorandum of Understanding on August 10, 2016, which describes the roles and responsibilities of the three entities and facilitates data sharing. These two documents, along with the NB Electricity Act are the governing documents with respect to conducting CMEP and other reliability related activities in New Brunswick.

With respect to the approval of reliability standards, the NB Electricity Act provides that all of the NERC Reliability Standards that were effective in New Brunswick prior to October 1, 2013 continue to be effective in New Brunswick after October 1, 2013. Additionally, the New Brunswick Power Corporation (“NB Power”) is required to file for approval, modification, or retirement of NERC Reliability Standards 60 days after a NERC Reliability Standard is approved, modified, or retired by the Federal Energy Regulatory Commission (“FERC”). The NBEUB rules on the filed Reliability Standard after considering (a) the potential impact on the reliability of the bulk power system, (b) the potential cost and benefits (c) the public interest, and (d) any other factors that the NBEUB considers relevant. The Electricity Act requires the NBEUB to notify NPCC and NERC of an application by NB Power with respect to reliability standards and provide for a 60 day comment period. The NBEUB is required to approve the reliability standards if there are not substantive modifications proposed from the FERC approved NERC Reliability Standard and there were no substantive comments filed. Amendments to the reliability standard to make them compatible with New Brunswick or Canadian law are considered non-substantive. The approval of reliability standards may be subject to a hearing for several reasons, including substantive comments from NPCC or NERC.

With respect to the monitoring and enforcement of the Reliability Standards in New Brunswick, the NB Electricity Act provides for NPCC to identify entities that must register with the NBEUB in the New Brunswick specific registry. Additionally, NPCC may carry out the compliance monitoring and assessment for the NBEUB and assist and advise the enforcement for the NBEUB, including financial penalties. NPCC is also permitted to carry out or exercise any power in the implementing regulations that is specific to the NBEUB, as provided for in the Service Contract. Additionally, NPCC has the powers of an inspector, which permits NPCC to audit and spot check entities within New Brunswick.

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 and enforcement activities with respect to the standards and forward any non-compliance information and recommendations to the NSUARB. The NSUARB maintains the final authority with respect to enforcement in Nova Scotia and based on the recommendations from NPCC, may 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 electric 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.

2018 Key Assumptions and 2018 Goals and Key Deliverables

NERC and the eight Regional Entities collaborated in the development of a common operating model with complementary roles and responsibilities, an ERO Enterprise Strategic Plan, and a set of business planning assumptions, goals, metrics and key deliverables for the 2017 through 2019 period. The results from that collaboration, which incorporated risks identified by the Reliability Issues Steering Committee, are included as a set of Shared Business Plan and Budget Assumptions that will be contained in Exhibit A to the NERC 2018 Business Plan and Budget and may be referenced by the users of this document. NPCC activities that support ERO Enterprise Goals are detailed in each of the following program area sections.

2018 Overview of Regional Entity Division Cost Impacts

The proposed Regional Entity division assessment of \$14,341,787 to support the budget is an increase of 0.6% compared to the 2017 assessment of \$14,255,061.

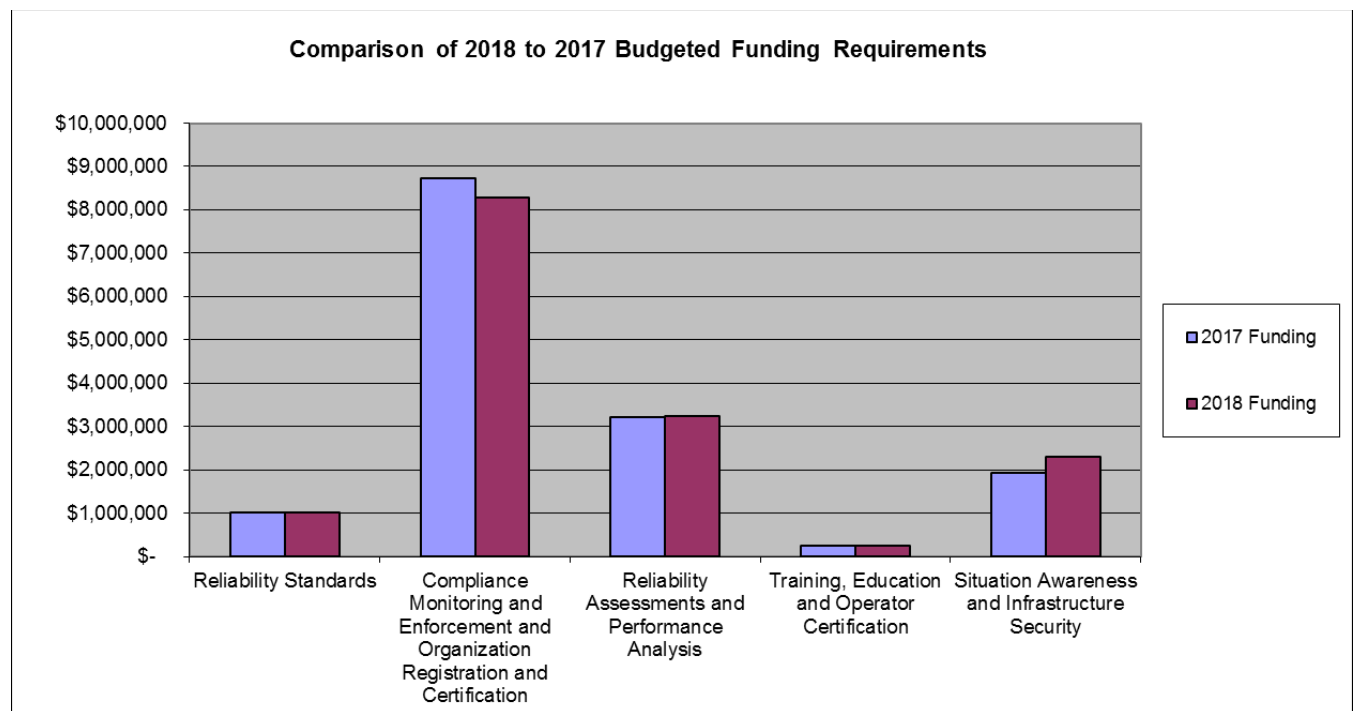
2017 Projections

Current year projections are taken into consideration in development of the budget. Expenses are currently projected to be on budget in all areas or slightly under budget. 2017 Projections reflect expectations based on the first quarter variance report. It is anticipated that projections could change throughout 2017 and would be reflected in each subsequent quarter's variance report.

Summary by Program

Program	Budget 2017	Projection 2017	Budget 2018	Variance	
				2018 Budget v 2017 Budget	Variance %
Reliability Standards	\$ 1,022,328	\$ 1,022,328	\$ 1,010,246	\$ (12,083)	-1.2%
Compliance Monitoring and Enforcement and Organization Registration and Certification	\$ 8,726,049	\$ 8,726,049	\$ 8,293,748	\$ (432,301)	-5.0%
Reliability Assessments and Performance Analysis	\$ 3,206,966	\$ 3,206,966	\$ 3,240,721	\$ 33,755	1.1%
Training, Education and Operator Certification	\$ 248,658	\$ 248,658	\$ 249,051	\$ 393	0.2%
Situation Awareness and Infrastructure Security	\$ 1,943,053	\$ 1,943,053	\$ 2,313,202	\$ 370,148	19.0%
Total	\$ 15,147,054	\$ 15,147,054	\$ 15,106,967	\$ (40,087)	-0.3%

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 2017	Projection 2017	Direct FTEs 2018 Budget	Shared FTEs ¹ 2018 Budget	Total FTEs 2018 Budget	Change from 2017 Budget
REGIONAL ENTITY DIVISION						
Operational Programs						
Reliability Standards	1.93	1.93	1.00	0.93	1.93	0.00
Compliance Monitoring and Enforcement and Organization Registration and Certification	17.00	16.00	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	4.00	5.00	5.00	0.00	5.00	1.00
Total FTEs Operational Programs	28.86	28.86	27.00	1.86	28.86	0.00
Administrative Programs						
Technical Committees and Member Forums	0.50	0.50	0.50	0.00	0.50	0.00
General and Administrative	2.50	2.50	2.50	0.00	2.50	0.00
Information Technology	2.00	2.00	2.00	0.00	2.00	0.00
Legal and Regulatory	1.00	1.00	1.00	0.00	1.00	0.00
Human Resources	1.00	1.00	1.00	0.00	1.00	0.00
Accounting and Finance	1.00	1.00	1.00	0.00	1.00	0.00
Total FTEs Administrative Programs	8.00	8.00	8.00	0.00	8.00	0.00
Total FTEs	36.86	36.86	35.00	1.86	36.86	0.00

¹A shared FTE is defined as an employee who performs both Regional Entity and Criteria Services division functions.

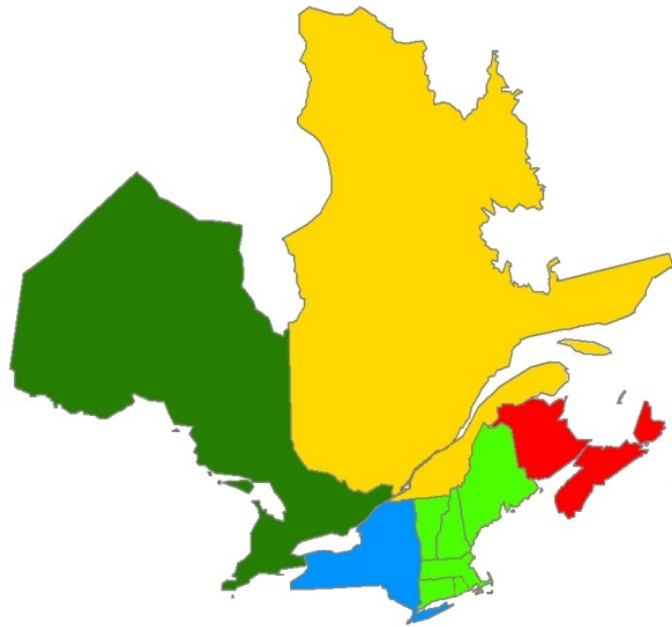
2017 Budget and Projection and 2018 Budget Comparisons

Statement of Activities and Capital Expenditures						
2017 Budget & Projection, and 2018 Budget						
REGIONAL ENTITY DIVISION						
				Variance ⁽²⁾		Variance
	2017	2017	2017 Projection	v 2017 Budget	2018	2018 Budget
	Budget	Projection	Over(Under)	Over(Under)	Budget	v 2017 Budget
						Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ 14,255,061	\$ 14,255,061	\$ -		\$ 14,341,787	\$ 86,726
Penalty Sanctions ⁽¹⁾	-	-	-		75,000	75,000
Total ERO Funding	\$ 14,255,061	\$ 14,255,061	\$ -		\$ 14,416,787	\$ 161,726
Membership Dues	-	-	-		-	-
Testing Fees	-	-	-		-	-
Services & Software	-	-	-		-	-
Workshops	64,000	64,000	-		64,000	-
Interest	-	-	-		-	-
Miscellaneous	-	-	-		-	-
Total Funding (A)	\$ 14,319,061	\$ 14,319,061	\$ -		\$ 14,480,787	\$ 161,726
Expenses						
Personnel Expenses						
Salaries	\$ 6,758,926	\$ 6,758,926	\$ -		\$ 7,107,599	\$ 348,673
Payroll Taxes	404,319	404,319	-		411,440	7,121
Benefits	1,415,603	1,415,603	-		1,476,378	60,774
Retirement Costs	847,223	847,223	-		825,353	(21,869)
Total Personnel Expenses	\$ 9,426,071	\$ 9,426,071	\$ -		\$ 9,820,770	\$ 394,699
Meeting Expenses						
Meetings	\$ 377,100	\$ 377,100	\$ -		\$ 353,050	\$ (24,050)
Travel	855,232	855,232	-		834,500	(20,732)
Conference Calls	37,000	37,000	-		37,000	-
Total Meeting Expenses	\$ 1,269,332	\$ 1,269,332	\$ -		\$ 1,224,550	\$ (44,782)
Operating Expenses						
Consultants & Contracts	\$ 2,009,000	\$ 2,009,000	\$ -		\$ 1,877,640	\$ (131,360)
Office Rent	809,700	809,700	-		810,700	1,000
Office Costs	679,100	679,100	-		664,760	(14,340)
Professional Services	1,041,000	1,041,000	-		960,000	(81,000)
Computer & Equipment Leases	-	-	-		-	-
Miscellaneous	50,000	50,000	-		50,000	-
Depreciation	250,000	250,000	-		269,000	19,000
Total Operating Expenses	\$ 4,838,800	\$ 4,838,800	\$ -		\$ 4,632,100	\$ (206,700)
Total Direct Expenses	\$ 15,534,203	\$ 15,534,203	\$ -		\$ 15,677,420	\$ 143,217
Indirect Expenses	\$ (413,149)	\$ (413,149)	\$ -		\$ (416,453)	\$ (3,304)
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Total Expenses (B)	\$ 15,121,054	\$ 15,121,054	\$ -		\$ 15,260,967	\$ 139,913
Change in Assets	\$ (801,994)	\$ (801,994)	\$ -		\$ (780,180)	\$ 21,813
Fixed Assets						
Depreciation	\$ (250,000)	\$ (250,000)	\$ -		\$ (269,000)	\$ (19,000)
Computer & Software CapEx	276,000	276,000	-		115,000	(161,000)
Furniture & Fixtures CapEx	-	-	-		-	-
Equipment CapEx	-	-	-		-	-
Leasehold Improvements	-	-	-		-	-
Allocation of Fixed Assets	0	0	-		0	-
Inc(Dec) in Fixed Assets (C)	26,000	26,000	-		(154,000)	(180,000)
TOTAL BUDGET (=B+C)	\$ 15,147,054	\$ 15,147,054	\$ -		\$ 15,106,967	\$ (40,087)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (827,994)	\$ (827,994)	\$ -		\$ (626,180)	\$ 201,813

⁽¹⁾ \$75,000 of penalty sanctions collected to date and prior to June 30, 2017.

⁽²⁾ 2017 Projections reflect expectations based on the 1st quarter statement of activities. It is anticipated that projections could change throughout 2017 and would be reflected in each subsequent quarter's statement of activities.

Section A – Regional Entity Division 2018 Business Plan and Budget



Section A — 2018 Regional Entity Division Business Plan and Budget

Reliability Standards Program

Reliability Standards Program Resources			
(in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	1.93	1.93	0.00
Direct Expenses	\$658,082	\$647,633	(\$10,448)
Indirect Expenses	\$372,606	\$375,586	\$2,980
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$8,359)	(\$12,974)	(\$4,614)
Total Funding Requirement	\$1,022,328	\$1,010,246	(\$12,083)

Program Scope and Functional Description

The NPCC Reliability Standards Program Area operates in accordance with NPCC’s filed and approved Delegation Agreement and NERC Rules of Procedure Section 300. The program supports the ERO standards program area roles and responsibilities, the 2018 ERO Enterprise Strategic Plan and 2018 Shared Business Plan and Budget Assumptions. NPCC’s Reliability Standards Program Area provides an efficient and effective mechanism for stakeholders to provide input and facilitate the development of reliability standards which are clear, responsive to reliability and security risks, practical to implement, “results based”, and are cost effective. The primary objectives of NPCC’s Reliability Standards Program Area is to support the development of ERO standards which establishes “results-based” requirements for addressing reliability risks with due consideration given to cost effectiveness. NPCC supports the ERO efforts to develop reliability standards in a timely and efficient manner and which are responsive to FERC Directives and industry risk. ERO and Regional Reliability Standards must ensure the bulk electric 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 the Regional level, the standards program area develops, and maintains NPCC Regional Reliability Standards, ERO Standards Variances for the northeast as required. In addition, the NPCC Reliability Standards Program Area provides oversight to ensure that NPCC’s Regional Reliability Criteria contained in the form of Directories, are developed and maintained as necessary to implement, to augment, or to comply with NERC Reliability Standards, but which are not Reliability Standards. Regional Reliability Criteria may also address issues not within the scope of Reliability Standards, such as resource adequacy and conform to requirements in Section 313 of the NERC Rules of Procedure.

The NPCC Reliability Standards Program Area supports and participates in the development, revision, and maintenance of NERC ERO Reliability Standards, initiates new, or revisions to, continent-wide reliability standards through the NERC Standards Authorization Request (SAR) process when necessary, and provides a forum for the comprehensive review and improvement of existing and developing reliability standards. NPCC also provides coordination and represents the other seven NERC Regional Entities for the NERC Enhanced Periodic Review process through participation on the Enhanced Periodic Review Standing Team (EPRST). The EPRST reviews existing NERC standards and grades them for quality and content in an effort to

prioritize standards development work. This prioritization will be based on potential reliability gaps and identify opportunities for improving the ERO Reliability Standards as necessary. The Enhanced Periodic Review (EPR) process will also identify standards of sufficient quality and not needing any revision which may be considered for reaffirmation by the NERC BOT. The NPCC Reliability Standards Program Area also facilitates and assists stakeholders with initiating SARs and Requests for Interpretation of ERO standards for those entities within the NPCC footprint. In 2017, NPCC instituted a feedback mechanism from the Compliance, Event Analysis, RAPA and Criteria Services program area which provides a process to identify and improve standards. The standards program area will receive input from these other program areas and take appropriate action(s) to support the revision, retirement, or development of new standards to improve the ERO set of reliability standards and improve reliability of the Bulk Electric System. The NPCC Reliability Standards Program Area conducts its oversight and participation in the ERO standards development process by utilizing the NPCC Regional Standards Committee (RSC) to ensure transparency and facilitate stakeholder input.

The NPCC Reliability Standards Program Area supports the reliability of the bulk electric system by:

- Facilitating active participation of NPCC Regional industry stakeholders in all NERC Reliability Standards activities to promote the development of results-based, cost effective, clear and concise quality standards in a timely and efficient manner.
- Providing NPCC Staff selective support for standard development activities as outlined in the NERC 2018-2020 Reliability Standards Development Plan (RSDP).
- Participating in and representing the other Regional Entities on the EPRST which evaluates need to revise existing standards, prioritizes the standards development projects for the future year's RSDP, and allows the Regions to identify opportunities to replace Regional Standards with Variances in the continent wide standards.
- Support ERO outreach during standard development by providing a forum for all NPCC representatives on the NERC drafting teams to raise issues, socialize concepts with stakeholders, and receive feedback on the standards during the development process to enhance efficiency and timeliness of standards development.
- Assisting NERC with the evaluation of the standards from a "cost effectiveness" perspective by supporting ongoing pilots and participating in the development of a formal, repeatable process.
- Promoting awareness by holding NPCC Regional workshops to provide outreach and conducting Regional Standards Committee meetings to inform and educate stakeholders on standards being developed, modified or maintained.
- Utilizing input received from the NPCC Regional feedback mechanisms, identify and initiate improvements to NERC standards through the appropriate process(es).
- Actively participate and review the work of the NERC Reliability Issues Steering Committee (RISC) which identifies emerging risks to the BES.
- Coordinating and sharing activities and useful information such as presentations, implementation documents and training materials as necessary with Standards Program Areas from other Regions to enhance efficiencies and promote consistency amongst the Regions.
- Developing and maintaining Regional Standards as necessary to address Regional reliability related issues or risks and ensure those standards set more stringent reliability requirements than the associated NERC Reliability Standard or cover matters not covered

by an existing NERC Reliability Standard all in accordance with Section 312 of the NERC Rules of Procedure.

- Pursuing retirement of Regional Standards through promoting the reliability objectives of those Regional Standards into the NERC Continent-wide standards and developing Variances to the NERC standards where possible to capture the reliability objectives of the Regional Standards.
- Maintaining and abiding by the NPCC Regional Standard Processes Manual assuring compliance with all FERC filed documents with respect to standards development.

2018 Key Assumptions

- The number of continent-wide Reliability Standards development projects is expected to remain relatively stable, except as required to address any new FERC directives to create or modify Reliability Standards, or industry submittals of standard authorization requests.
- Continent-wide Reliability Standards projects will consist primarily of conducting periodic reviews on existing Reliability Standards to improve their content and quality, respond to identified risks to reliability (including those that may be identified through the implementation of risk-based Compliance Monitoring and Enforcement), and address FERC directives that may arise. This activity will require the allocation of technical resources from several internal NERC departments (e.g., Reliability Assessment and Performance Analysis (RAPA), Reliability Risk Management, Compliance Analysis and Certification, and Compliance Assurance) and support from across the ERO Enterprise.
- During the periodic review of Reliability Standards, any associated Regional Reliability Standards will be reviewed for potential incorporation as variances or as improvements to the continent-wide requirements. Regional and NERC Reliability Standards development processes may require modification to efficiently accomplish this task. NPCC will work with NERC and other Regional Entities as necessary on projects where there is a Regional Reliability Standard/variance.
- NPCC's Regional Reliability Standards development activity is expected to remain low, driven by requests that the Regional Entity may receive or reliability issues that are identified.
- In coordination with NERC's Standard Drafting Teams and consistent with current approaches, NPCC will support outreach during standard development and participate in the standard development activities as may be required to address reliability and stakeholder issues that may arise.
- Following FERC approval, NPCC will assist with the transition of Reliability Standards to compliance monitoring and enforcement by supporting industry and auditor training or providing information regarding the intent of the Reliability Standard.
- The number of NERC and Regional standards interpretations is expected to remain low. However, implementation guidance requests may increase. The NPCC Reliability Standards program area will assist and facilitate support of these activities.
- Consistent with the NERC Rules of Procedure Sections 312 and 313, as continent wide standards continue to evolve, NPCC Regional Standards and Criteria will need to be continually reviewed to ensure they augment but do not add duplicity to the ERO standards.

2018 Goals and Key Deliverables

The Reliability Standards program goals and objectives for 2018 are grouped into the following categories:

1) Participate in the ERO Results-Based Standards Development

- Participate in the annual development and revision of the NERC’s three year Reliability Standards Development Plan (RSDP) through review, commenting, and other RSC activities.
- Participate in the NERC Standards Committee, as a representative of the NERC Regional Entities and NPCC Regional stakeholders to advance strategic initiatives, to measure the effectiveness and quality of standards, support ERO efforts to address outstanding FERC Directives, and provide input in the prioritization of standards development projects.
- Support further development of cost effectiveness principles using the “Cost of Risk Reduction Analysis” (CRRA) process and pilots. Continue to provide insights to NERC, based on NPCC experiences, regarding strategy for developing cost effectiveness analysis for standards and identify opportunities to identify cost of risk mitigation for the draft standards.
- Participate in the development of ERO Reliability Standards specified in NERC’s three-year Reliability Standards Development 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 under development or revision by leveraging existing NPCC Task Forces and subject matter experts and coordinate NPCC comments for Northeastern North America.
- Participate in the Enhanced Periodic Review Standing team’s grading efforts and coordinate and represent the Regional and interregional input.
- Assist NERC’s review of all industry “Requests for Interpretations” of standards.
- NPCC staff and regional drafting team volunteers, will participate in the drafting of ERO standards and provide support for development of improvements to standards.
- NPCC and its members will review and coordinate comments on FERC staff informal assessments of the ERO Enterprise as appropriate.
- Participate in pre-ballot reviews of ERO standards and coordinate the development of consensus recommendations of the NPCC Members to the NERC Standards Drafting Team (SDT) and provide a list of any unaddressed issues to allow the Members to cast a ballot based on regional concerns to enhance the efficiency of the ERO standards development projects.
- Review and identify issues and concerns raised in FERC NOPRs and NOIs for any and all standards related issues as appropriate.
- Educate and notify stakeholders and regulators about issues related to standards development through various means such as webinars and workshops.
- Provide outreach to industry trade groups such as the North American Generator Forum and North American Transmission Forum when requested.
- Monitor the NERC RISC activities and provide a Regional point of contact for all potential reliability related risks and gaps within the Northeast or as noted by NPCC’s stakeholders.
- Participate in and provide support to critical standards projects, such as CIP Supply Chain, Facility Ratings (IROL and SOL development), Geomagnetic Disturbances, etc.

- Identify opportunities and initiate Regional Variances to the NERC Reliability Standards as soon as possible, allowing incorporation into the continent wide standard during the development process.
- Provide support and assistance to the ERO, as needed, for conducting Quality Review activities on NERC continent-wide standards and related materials.
- Continue to 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 applicable provincial governmental authorities for standards development activities as necessary to accomplish the ERO's strategic goals and objectives.
- Participate in the improvement of NERC standards through lessons learned and various ERO and Regional feedback mechanisms using input from Compliance, RAPA, Event Analysis, and stakeholders.
- Provide support to the Compliance Guidance Policy activities as required.
- Provide support to ERO staff for FERC related matters in the area of standards development such as pre-filing meetings, preparation of filings, and technical conference participation.

2) Regional Standards Development

- NPCC does not plan on developing further Regional Standards but reserves the right to do so if a reliability issue exists that is not appropriate for continent-wide development.
- NPCC will perform clarifications, revisions to, or reaffirmations as needed to existing approved Regional Standards in accordance with all NERC Rules of Procedures and NERC and Regional Standards processes.
- During the periodic review process, conduct a review for opportunities to include Regional Standards as Variances into the associated NERC continent wide standards.
- Conduct reviews of Regional Standards as necessitated by the revision and approval of any associated Continent-wide NERC reliability standards or further reliability related need.
- Conduct the development of any Québec Interconnection Wide variances to NERC continent wide standards using the NPCC Reliability Standards Development Process.

3) Standards Improvement

- Advance NPCC's reliability goals and objectives by promoting these reliability objectives during continent-wide standard development projects.
- Support long-term strategy for standards improvement, help develop and initiate implementation of more efficient processes.
- Identify any reliability related need for additional Regional Standards opportunities if continent-wide standards are not an appropriate or possible solution.
- Ensure the topics addressed by the Reliability Standards align with changing industry and reliability objectives.
- Participate in reliability metrics activities to identify potential measures for benchmarking of reliability and standards to determine if an adequate level of reliability is being achieved through the Enhanced Periodic Review Standing Team activities.
- Identify opportunities and processes for cost-effectiveness CRRA analysis activities to determine the need to revise a standard during the EPR process.

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- Identify any emerging interconnection-wide reliability issues which may need standards solutions and forward to the NERC Reliability Issues Steering Committee for their consideration.
 - Identify opportunities to increase reliability or mitigate emerging risk through the revision of standards and their associated requirements.

4) Business Practices Interface

- Identify any North American Electric Standards Review Board (NAESB) activities which may impact ERO standards.
- Identify potential market related issues for Regional Standards through NPCC RSC coordination and reviews.

Based on the portion of professional/technical staff time and other resources devoted to Reliability Standards development, NPCC estimates that it will expend approximately 7% of its resources on this activity.

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2018.

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2018 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures 2017 Budget & Projection, and 2018 Budget						
Reliability Standards						
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 1,022,328	\$ 1,022,328	\$ -	\$ 1,005,230	\$ (17,098)	
Penalty Sanctions	-	-	-	5,016	5,016	
Total ERO Funding	\$ 1,022,328	\$ 1,022,328	\$ -	\$ 1,010,246	\$ (12,083)	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 1,022,328	\$ 1,022,328	\$ -	\$ 1,010,246	\$ (12,083)	
Expenses						
Personnel Expenses						
Salaries	\$ 370,220	\$ 370,220	\$ -	\$ 377,093	\$ 6,873	
Payroll Taxes	21,273	21,273	-	21,390	116	
Benefits	97,411	97,411	-	98,851	1,441	
Retirement Costs	43,020	43,020	-	40,299	(2,721)	
Total Personnel Expenses	\$ 531,925	\$ 531,925	\$ -	\$ 537,633	\$ 5,709	
Meeting Expenses						
Meetings	\$ 13,000	\$ 13,000	\$ -	\$ 7,000	\$ (6,000)	
Travel	103,157	103,157	-	93,000	(10,157)	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 116,157	\$ 116,157	\$ -	\$ 100,000	\$ (16,157)	
Operating Expenses						
Consultants & Contracts	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -	
Total Direct Expenses	\$ 658,082	\$ 658,082	\$ -	\$ 647,633	\$ (10,448)	
Indirect Expenses	\$ 372,606	\$ 372,606	\$ -	\$ 375,586	\$ 2,980	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 1,030,688	\$ 1,030,688	\$ -	\$ 1,023,220	\$ (7,468)	
Change in Assets	\$ (8,359)	\$ (8,359)	\$ -	\$ (12,974)	\$ (4,614)	
Fixed Assets						
Depreciation	\$ -	-	\$ -	-	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(8,359)	(8,359)	-	(12,974)	(4,614)	
Inc(Dec) in Fixed Assets (C)	(8,359)	(8,359)	-	(12,974)	(4,614)	
TOTAL BUDGET (=B+C)	\$ 1,022,328	\$ 1,022,328	\$ -	\$ 1,010,246	\$ (12,083)	

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources			
(in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	17.00	16.00	-1.00
Direct Expenses	\$5,366,656	\$5,247,634	(\$119,022)
Indirect Expenses	\$3,282,024	\$3,113,668	(\$168,356)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$77,369	(\$67,554)	(\$144,922)
Total Funding Requirement	\$8,726,049	\$8,293,748	(\$432,301)

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 risk-based NERC Compliance Monitoring and Enforcement Program (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 MOUs or Agreements in the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia.

The NPCC Compliance Committee (CC) is charged with providing objective stakeholder policy input to NPCC's implementation of the 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 *Sanction Guidelines*. To accomplish this objective, NPCC's compliance staff is further divided into four sub-program areas: Compliance Implementation and Registration; Compliance Entity Risk Assessment; Compliance Monitoring; and Compliance Enforcement.

Compliance Implementation, Registration and Certification

The Compliance Implementation and Registration sub-program is responsible for:

- a) Continuing to use the risk-based registration model to maintain an accurate registry and correctly identify all entities that are required to meet the NERC and Regional Reliability Standards.
- b) Performing the annual review of the recently created enhanced registration database, assuring that all entity data, such as latest entity risk assessment data, BES asset listing, etc. is correct and up to date.
- c) Representing NPCC on the NERC –led Review Panel whose role is to make decisions related to resolving identified registration issues, such as registered entities requests for a materiality assessment, an identification of an applicable subset of NERC Standard requirements, etc.
- d) Engaging with those registered entities who are requesting a materiality assessment or an identification of an applicable subset of requirements in advance of these issues being presented to the NERC-led Review Panel.
- e) Working within the ERO Enterprise on monitoring the progress of the development and implementation of new Registration and CMEP software reporting systems and tools.
- f) Developing and maintaining all NPCC and NERC CMEP Compliance Procedures, Compliance Instructions and all other CMEP related documentation.
- g) Developing and maintaining Performance Metrics that are used to measure the quality and effectiveness of CMEP Implementation and its impact on the reliability of the Bulk Electric System.
- h) 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.
- i) Day-to-day implementation of the CMEP.
- j) Developing NPCC’s annual CMEP Implementation Plan.
- k) Monitoring and assessment of guided self-certification, self-report, exception reporting, periodic data and complaint submittals.
- l) Updating and maintaining the CMEP Data Administration Application (CDAA).
- m) Implementing required changes and maintaining the Registration and Compliance portions of the NPCC website.
- n) Participating on various NERC and NPCC working groups to influence changes to Compliance processes, and support commonality of registration, monitoring, auditing, and enforcement approaches.

Compliance Monitoring Program

The Compliance Monitoring Program is charged with conducting both on-site and off-site compliance audits, spot checks, and guided self-certifications of NERC Reliability Standards in accordance with the NERC Rules of Procedure and associated NPCC procedures developed under the NPCC Compliance Implementation Program. NPCC’s Compliance Monitoring area provides supporting activities by implementation of the risk-based Compliance Monitoring and Enforcement Program (CMEP); and by use of consistent compliance monitoring practices focused on higher reliability risks. NPCC uses risk profiles from the IRAs (inherent risk assessments) as a baseline evaluation of reliability risks of an entity. NPCC also uses IRA summaries to guide its efforts to identifying key focus areas and evolving reliability risks. Internal Control Evaluations (ICE) are performed for registered entities that agree to identify key focus areas for a CMEP engagement. The result is a list of reliability requirements that merit a continued level of focus.

NPCC also supports the ERO Enterprise learning effort, as well as NERC oversight of program implementation. In collaboration with NERC, NPCC supports outreach programs in new CIP versions and in implementation of CIP-014 with anticipated expansion in the number and type of registered entities that require guidance. Compliance engagements are performed on the basis of risk to the BES and take into account the ERO reliability risk priorities. The Reliability Assessment (RA) group performs an IRA of all registered entities and forwards results to the manager of compliance to develop a schedule. Previous performed IRAs are amended and updated based on identified triggers. The yearly schedule is produced consistent with Risk Assessment of registered entities and the desired frequency of CMEP engagements. The schedule is posted annually on NERC and NPCC public websites.

Flexibility may be used in the CMEP engagement frequency based on the risk assessment and performance based assessment of each entity scheduled for an audit, and changes requiring certification. NPCC compliance monitoring is focused on the most significant risks to the BES. CMEP engagement may be in the form of an audit, spot check or guided self-certification and are led by qualified senior NPCC Staff. Compliance Oversight Plans are developed for registered entities to address the relevant risks. NPCC also conducts outreach, training, and education as necessary to support the implementation of new Reliability Standards.

Findings include the identification of any possible violations. Contents and processing of audit and spot check reports are in accordance with NERC directives for reporting. Specific lessons learned are factored into the program to promote continuous improvement and are presented at workshops. An annual comprehensive guided self-certification program is established based on the NERC and NPCC Risk Elements. Spot checks are based on NPCC's assessment of follow-ups on entities that 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.

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 Entity Risk Assessment

The Entity Risk Assessment group conducts activity that informs the risk-based approach for CMEP engagement scoping. They conduct an entity's IRA prior to scoping the compliance engagement to determine which CMEP tool will be used.

Entity risk also includes an assessment of an entity's Internal Controls which is used for further refinement of requirements to be included in the engagement. While separate ICE engagements are voluntary and must be agreed to by the entity, internal controls may also be reviewed as needed during an audit.

Compliance Investigation

A Compliance Investigation (CI) 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. 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

In processing identified violations NPCC Compliance Enforcement strives to promote both timeliness and transparency of compliance results utilizing a risk-based compliance enforcement approach, including those efforts associated with meeting the enforcement metrics described below. In addition NPCC promotes the use of self-identification of non-compliance and implementation of discretion, including increased utilization of streamlined tracks such as FFT and discretion as shown below.

Compliance Enforcement responsibilities:

- a) Issuing all applicable notices including the Notice of Preliminary Screen; Notice of Compliance Exception; 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 /mitigating activities associated with confirmed violations or noncompliances.
- d) Coordinating settlement activities once they have been initiated and submitting settlement agreements to NERC for approval.
- d) Identifying and processing applicable moderate violations for the FFT Process.
- e) Administer both the compliance exception process and the self-logging process for identified minimal noncompliances.
- f) Coordinating the identification of possible NERC Reliability Standards revisions and submit issue for proper implementation. Revisions will be based on experiences observed from compliance monitoring activities, enforcement investigations, and event analysis. Work closely with NPCC Reliability Standards Program Area.
- g) Following up on verifying that proposed Reliability Standards have been implemented and are effective in improving the standards.
- h) 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.
- i) Issuing Remedial Action Directives when appropriate.
- j) Implementing the risk-based compliance enforcement model including: notifying the registered entity, within 60 days on average, whether a non-compliance will proceed through enforcement, be treated as a compliance exception or additional information is needed (“Triage”).
- k) Developing and monitoring a set of enforcement metrics that support NERC’s Strategic Plan and Oversight Program.
- l) Processing violations based on the individual executed MOUs or Agreements in the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia.

2018 Key Assumptions and Cost Impacts

2017	Projected 2018
8 On-Site Audits	4 On-Site O&P Audits
12 On-Site CIP Audits	10 On-Site CIP Audits
32 Off-Site Audits	30 Off-Site O&P Audits
11 Off-Site CIP Audits	15 Off-Site CIP Audits
15 Spot Checks	15 Spot Checks
25 Guided self-certifications	25 Guided self-certifications
50 Inherent Risk Assessments	50 Inherent Risk Assessments
10 On-site Internal Control Evaluations	4 On-site O&P Internal Control Evaluations
	5 On-Site CIP Internal Control Evaluations
100 Violations (Estimated)	120 Violations (Estimated)
Settlements Covering 50 Violations	Settlements Covering 50 Violations
2 Hearings (Unbudgeted)	2 Hearings (Unbudgeted)
1 CI (Estimated)	1 CI (Estimated)
2 Entity Certifications	4 Entity Certifications

- Regarding the Compliance Audit Program, Technical Feasibility Exception (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 four on-site reviews will be performed in 2018.
- Decrease in audit costs reflects Risk Assessment activity that is the basis for entity engagement scoping. The Risk Assessment includes an assessment of an entity's Internal Controls which is used for future reduction in engagement scoping and frequency of engagements.
- Potential increases due to the newly identified role related to implementing the QCMEP in Québec and the continuing role of implementing the NB CMEP in New Brunswick.
- The 2018 Business Plan projects no significant increases in Enforcement Processing activities over the 2017 Budget.
- The 2018 Business Plan projects the need for one Compliance Investigation. These Compliance Investigations are manpower intensive for NPCC staff (requiring allocation of more resources and potentially higher than normal costs).

2018 Goals and Key Deliverables

- Conduct 2018 CMEP consistent with a risk-based registration, compliance monitoring and enforcement model, assessing IRA; conducting voluntary ICE; and expanding the use of compliance exceptions and the self-logging program for disposition of minimal violations.
 - Continue to process identified violations as effectively as possible, including the timely identification of a violation and its disposition method (e.g. compliance exceptions; FFT; etc.), and the timely issuance of appropriate notification to the registered entity and NERC.
 - Continue to implement settlement process when applicable and send proper notifications to NERC and FERC and 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.
- Conduct necessary Hearings related to resolution of outstanding disputes regarding violations and/or sanctions. Send results of hearings to NERC and FERC.
- Identify potential issues related to NERC Reliability Standards as a result of compliance monitoring, enforcement and event analysis activities.
- Implement proposed changes to NERC Reliability Standards utilizing existing mechanisms.
- Verify effectiveness of proposed changes to reliability standards.
- Provide detailed response to NERC Annual FFT/Compliance Exception Survey.
- Implement compliance responsibilities identified in the approved Canadian MOUs.
- Annual report to NERC and Régie on NPCC implementation of QCMEP.
- Annual report to NERC and New Brunswick Electric Utility Board (NBEUB) on NPCC implementation of NB CMEP.
- 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.
- Provide required information to NERC on a timely basis including reporting of alleged violations and confirmed violations.
- Track the progress of report status and approve mitigation plans and mitigating activities.
- Conduct 2018 Compliance Engagement Schedule based on risk to the BES and number of registered entities and promote the ERO Risk-Based Approach initiatives by:
 - Utilizing the Audit Checklist and Auditor’s Handbook for all on-site and off-site audits.
 - Preparing an Inherent Risk Assessment for all scheduled engagements and Internal Control Assessment for all entities that volunteer for one.
- Assure that NPCC Staff is trained to conduct Entity Risk Assessment and CMEP engagements including CIP Compliance Audit training.
- 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.
- Continue to implement compliance reform consistent with a risk-based approach by being an integral participant in committees and workgroups that are involved in the development of polices related to the implementation of a risk-based compliance and enforcement model.
- Continue to expand the utilization of compliance exception and self-logging, as it relates to the processing of minimal noncompliances.
- Continue collaboration with ERO Enterprise on consistent compliance monitoring and enforcement practices specifically those with higher reliability risks.
- NPCC will collaborate with NERC to promote better coordination, planning, delivery and management of training efforts across the enterprise through a unified learning management system (LMS), without adversely impacting region-specific training requirements.

-
- Continue to implement physical security outreach and cyber security outreach by visiting registered entity sites to perform an assessment of their physical security, evaluate their cyber security and supply recommendations for improvements.
 - Provide outreach to the registered entities, related to the latest status of the development and implementation of the ERO Enterprise Registration and CMEP software reporting systems and tools.
 - Work with ERO Enterprise, through NPCC participation on the NERC-led Review Panel, to propose a list of possible ROP enhancements related to the NERC-led Review Panel processes and procedures.
 - Conduct 2018 Compliance Workshops and interim information sessions for registered entities as necessary as a part of the Training and Education program area.
 - Continue to promote practices to enhance the benefits of the self-reporting of violations by the registered entity. This could include the emphasis on the benefits of a registered entity improving its internal processes used for identifying and submitting self-reports, 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 53% of its resources on this activity.

Resource Requirements

Personnel

- There is a decrease of one FTE in 2018 from the 2017 budget. This is the result of reprioritization during 2017.

Consultants and Contracts

- In 2018, contractor costs will continue to decrease due to the implementation of the risk-based approach. With a risk and performance based assessment of each registered entity, compliance engagements will transition to a periodicity more reflective of the risk profile of the entity such that some will result in audits which are more in-depth while others may have a reduced scope which will result in spot checks or guided self-certifications.

Fixed Assets

- Continuing development of Compliance Issues Tracking System and CMEP Data Administration Application.

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 2018 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures						
2017 Budget & Projection, and 2018 Budget						
Compliance Monitoring and Enforcement and Organization Registration and Certification						
				Variance		Variance
	2017	2017	2017 Projection	v 2017 Budget	2018	2018 Budget
	Budget	Projection	Over(Under)	Over(Under)	Budget	v 2017 Budget
						Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ 8,084,046	\$ 8,084,046	\$ -	\$ 7,692,569	\$ (391,477)	
Penalty Sanctions	-	-	-	41,580	41,580	
Total ERO Funding	\$ 8,084,046	\$ 8,084,046	\$ -	\$ 7,734,149	\$ (349,897)	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 8,084,046	\$ 8,084,046	\$ -	\$ 7,734,149	\$ (349,897)	
Expenses						
Personnel Expenses						
Salaries	\$ 2,749,908	\$ 2,667,408	\$ (82,500)	\$ 2,716,635	\$ (33,273)	
Payroll Taxes	179,504	172,004	(7,500)	171,841	(7,663)	
Benefits	519,457	506,707	(12,750)	524,801	5,344	
Retirement Costs	290,486	279,236	(11,250)	282,356	(8,130)	
Total Personnel Expenses	\$ 3,739,356	\$ 3,625,356	\$ (114,000)	\$ 3,695,634	\$ (43,722)	
Meeting Expenses						
Meetings	\$ 23,800	\$ 23,800	\$ -	\$ 9,000	\$ (14,800)	
Travel	329,500	322,750	(6,750)	289,000	(40,500)	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 353,300	\$ 346,550	\$ (6,750)	\$ 298,000	\$ (55,300)	
Operating Expenses						
Consultants & Contracts	\$ 1,274,000	\$ 1,274,000	\$ -	\$ 1,254,000	\$ (20,000)	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 1,274,000	\$ 1,274,000	\$ -	\$ 1,254,000	\$ (20,000)	
Total Direct Expenses	\$ 5,366,656	\$ 5,245,906	\$ (120,750)	\$ 5,247,634	\$ (119,022)	
Indirect Expenses	\$ 3,282,024	\$ 3,282,024	\$ -	\$ 3,113,668	\$ (168,356)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 8,648,680	\$ 8,527,930	\$ (120,750)	\$ 8,361,302	\$ (287,379)	
Change in Assets	\$ (564,634)	\$ (443,884)	\$ 120,750	\$ (627,153)	\$ (62,518)	
Fixed Assets						
Depreciation	\$ -	-	\$ -	\$ -	\$ -	
Computer & Software CapEx	151,000	151,000	-	40,000	(111,000)	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(73,631)	(73,631)	-	(107,554)	(33,922)	
Inc(Dec) in Fixed Assets (C)	77,369	77,369	-	(67,554)	(144,922)	
TOTAL BUDGET (=B+C)	\$ 8,726,049	\$ 8,605,299	\$ (120,750)	\$ 8,293,748	\$ (432,301)	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (642,003)	\$ (521,253)	\$ 120,750	\$ (559,599)	\$ 82,404	

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources			
(in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	5.83	5.83	0.00
Direct Expenses	\$2,106,675	\$2,145,368	\$38,692
Indirect Expenses	\$1,125,541	\$1,134,543	\$9,002
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$25,251)	(\$39,190)	(\$13,939)
Total Funding Requirement	\$3,206,966	\$3,240,721	\$33,755

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; and,
- Assessing the impact of planned transmission and resource additions or modifications on NPCC system reliability.

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 inter-Regional 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.

2018 Key Focus Areas

In collaboration with NERC, Key Focus area activities for 2018 include:

- ✓ Integration of RAPA information systems for assessments and associated data requirements, including expanded and enhanced enterprise-wide data collection and analysis systems and capabilities for performance analyses, with a focus on independent and technically sound reliability assessments supporting delivery of high quality reports (e.g., Long-Term Reliability Assessment, short-term special assessments, probabilistic scenario assessments, and the State of Reliability Report).
- ✓ Development of assessment and performance analysis techniques as well as resource capabilities and tools, including probabilistic and scenario evaluations, which address the impacts of new technologies, changing resource or demand resource composition, and environmental related regulations or legislation; support for ERO activities to identify key reliability risks and appropriate risk control projects designed to enhance reliability or mitigate risks.

- Developing and tracking of metrics associated with Essential Reliability Services.
 - Developing of appropriately tailored analysis and overall assessment, including guidance for registered entities, of high impact, low frequency BES risks, including physical security and geomagnetic disturbance (GMD) vulnerability.
 - Providing technical resources to support up to four short-term special reliability assessments (6-18 month horizon replacing the current summer and winter assessments), which focus on specific reliability issue risk areas and geographic areas with specific reliability concerns, while also allowing for regional assessments.
 - Supporting the common approach developed for NERC reliability assessments to ensure consistent treatment of resource and reliability evaluations.
 - Advancing analytical capabilities for identifying and determining reliability risks and conducting various reliability assessments by:
 - Integrating the analysis and measures of the identified essential reliability services into the NERC 2018 Long-Term Reliability Assessment.
 - Requiring advanced powerflow and stability analysis tools and objective expert input for transmission/deliverability assessments and studies.
 - Maturing and developing interconnection-wide analysis groups to support the assessment of interconnection-wide risks, such as frequency response.
 - Providing technical resources and reliability leadership for the advancement of probabilistic analyses supporting the Long-Term Reliability Assessment.
 - Enhancing the capability for post event analysis, including ensuring the timely and accurate compilation and creation of steady state and dynamic simulation model cases for use in the investigation and analysis of major power system disturbance events.
- ✓ NPCC supports, through the Eastern Interconnection base case designee agreement, the development of long-term sustainable interconnection-wide powerflow and dynamics model cases under Reliability Standards MOD-032 and MOD-033 that exhibit the accuracy and fidelity reflecting actual BES reliability performance and dynamic conditions.
- ✓ Provision of technical resources to support the effective and continuous improvement of the models that incorporate recognition of reliability behavior of loads and generation associated with the changing resource mix.

Eastern Interconnection Reliability Assessment Group

The primary function of the Eastern Interconnection Reliability Assessment Group (ERAG) is to support 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. The assessment-related activities indicated for the ERAG Management and Steering Committees below, are done in support of ERO Goal 3: “*Identification and Mitigation of Significant Risks to Reliability.*”

In addition, ERAG has the responsibility to facilitate the development of 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). The base case compilation and development-related activities indicated for the ERAG Management and MMWG below are done in support of ERO Goal 3 related contributing activity to: “Develop guidelines and industry practices to maintain accurate system models that include the resources (synchronous and inverter based), load,

and controllable devices providing essential reliability services.” NPCC participates in the ERAG activities as one of the six Eastern Interconnection Regional Entities.

NPCC supports maintenance of the BESnet application and the processing of the Regional BES Exception Requests (ERs), including technical validation of the definition and exception requests periodic reviews of network changes affecting BES determinations, as well as requests for registration and certification reviews. Processing of BES Exception requests and recertification of previously approved BES Exception Requests are not expected to significantly impact resources requirements in this program area for 2018.

NPCC RAPA staff participates with the ERAG Management Committee, ERAG Steering Committee and ERAG Working Group and acts as the liaison between the ERAG MMWG and the NPCC SS-37 Working Group; activities include:

ERAG Management Committee Activities 2018 Goals and Deliverables

- ✓ Oversee the steady state and dynamic simulation base case data compilation and development.
- ✓ Oversee ERAG Multi-Regional Modeling Working Group (MMWG) changes to the dynamics base cases.
- ✓ Oversee MMWG effort to 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 the ERAG assessments of anticipated inter-Regional, inter-Balancing Authority transfer limit conditions and sensitivities. ERAG is considering different assessment approaches to enhance the way assessments are conducted to provide more industry value from the assessment results. Coordinate the effort with NERC Assessment Program staff.
- ✓ Develop ERAG Strategic Direction (i.e. anticipated new developments in MMWG process and system assessments); Resolve any issues with application of the ERAG MMWG non-disclosure agreement process so that base cases and assessments have sufficient protections in place for use and transmittal of confidential data and information.
- ✓ Develop and approve the ERAG activity budgets.

Multi-Regional Modeling Working Group 2018 Goals and Deliverables

- ✓ Facilitate the completion of the steady state and dynamic simulation base case data compilation and development for the 2018 series of cases. This will include 12 steady state base cases and 8 dynamic simulation base cases.
- ✓ 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.
- ✓ Apply changes to the MMWG dynamics case so they are available for interconnection dynamics studies.
- ✓ Incorporate dispatch information into the future and seasonal ERAG MMWG base cases so that the dispatches are more closely aligned with economic dispatch practices.
- ✓ Apply the web-based System Dynamics Data Base program during the development of the 2018 series of dynamics base cases.
- ✓ Continue to improve the representations of the governor-turbine plant control models at most generators. Recommend the necessary changes in the models for specific generators.
- ✓ Apply MMWG base case non-disclosure agreement process so that MMWG cases continue to have sufficient protections in place for use and transmittal of confidential data and information.
- ✓ Verify that procedures in the MMWG manual are followed.

ERAG System Assessments 2018 Goals and Deliverables

- ✓ Conduct the 2018 ERAG Assessments and prepare the ERAG Assessment Reports, including, the assessments of anticipated inter-Regional, inter-Balancing Authority transfer limit conditions and sensitivities.
- ✓ Consider different assessment approaches to enhance the way assessments are conducted.
- ✓ Coordinate Assessment efforts with the NERC Reliability Assessment and System Analysis (RASA) Program staff to incorporate any risk-based or other approaches to supplement NERC Assessments.

2018 NERC Activities

NPCC will provide the Regional perspective with judicious NPCC RAPA staff participation on selective NERC Planning and Operating Committees and key related NERC Subcommittees, Task Forces and Working Groups which include:

- ✓ Essential Reliability Services Working Group (ERSWG);
- ✓ Load Modeling Task Force (LMTF);
- ✓ Protection System Misoperations Task Force (PSMTF);
- ✓ Demand Response Availability Data System Working Group (DADSWG);
- ✓ Generating Availability Data System Working Group (GADSWG);
- ✓ Transmission Availability Data System Working Group (TADSWG);
- ✓ Power Plant Model Verification Task Force (PPMVTF);
- ✓ Reliability Assessment Subcommittee (RAS);
- ✓ Probabilistic Assessment Working Group (PAWG);
- ✓ System Analysis and Modeling Subcommittee (SAMS);
- ✓ Performance Analysis Subcommittee (PAS);
- ✓ Misoperation Information Data Analysis System (MIDAS); and,
- ✓ Incorporating any probabilistic reliability metrics required for the 2018 NERC Long-Term Reliability Assessment through the NPCC 2018 Long Range Adequacy Overview.

ERO – Executive Management Group (EMG) 2018 Activities

Provide analytic support for the ERO-EMG:

- ✓ Bulk Electric System Exception Process Working Group (BEPWG);
- ✓ ERO-RAPA Group; and,
- ✓ Other activities as directed by the ERO-Executive Management Group.

2018 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, and provides support and technical input for related BES risks identified by the NERC Reliability Issues Steering Committee (RISC) and the NERC Essential Reliability Services Working Group.

The Task Force on Coordination of Planning activities indicated below are done in support of ERO Goal No. 3 “*Identification and Assessment of Significant Risks to Reliability*” and ERO Goal No. 4 “*Identification and Assessment of Emerging Risks to Reliability*.” A related contributing activity to ERO Goal No. 3 is to “Develop advanced and probabilistic methods to evaluate resource adequacy.” Related contributing activities associated with ERO Goal No. 4 include “Enhance reliability assessments to reflect changing resource mix behavior, including

distributed energy resources and essential reliability services, using probabilistic approaches that consider the variable and energy-limited nature of the evolving resource mix,” and “Assess risks associated with cross sector dependencies and single points of disruptions.”

TFCP Reliability Assessment and Performance Analysis 2018 Goals and Deliverables

- Coordinate NPCC responses to NERC Essential Reliability Services Working Group recommendations 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.
- Coordinate the development of additional Criteria as necessary, and track any new and developing standards through the Regional Standards Committee.
- Monitor the development of Bulk Power System (BPS) Regional Standard.
- Oversee NPCC Directory No. 1 Implementation Plan (Dated: September 30, 2015).
- Through the CP-8 Working Group:
 - Conduct the annual NPCC Long Range Adequacy Overview and associated NERC RAS requested scenarios and/or special probabilistic studies/assessments.
 - Conduct a review of NPCC Interconnection Assistance Reliability Benefits.
- Evaluate and approve NPCC Area Transmission Reviews.
- Evaluate and approve NPCC Area reviews of Resource Adequacy.
- Coordinate, monitor, review, and make recommendations on the retirement of existing in-service Special Protection Systems (SPS) Remedial Action Schemes (RAS); and the implementation of proposed new or modified SPS/RAS.
- Monitor industry practices and make recommendations to NPCC on transmission adequacy standards related to intermittent generation such as wind or solar-photovoltaic and demand-side resources.
- Lead the NPCC Task Forces in the completion of the review and revision the *A10 Criteria– NPCC Classification of Bulk Power System Elements*.
- Support related reliability activities, including consideration of any requests for sub-regional assessments or NPCC’s identification of the necessity for such assessments consistent with NERC Rules of Procedure section 805, associated with implementation of the State related resource/environmental initiatives.
- Monitor the actions of applicable NERC Subcommittees in the areas of resource adequacy, system protection and system control.
- Through the CP-8 working Group, review the load shape assumption used in NPCC Multi-Area Probabilistic Reliability Assessments.
- Review and comment on the development of NERC Standards through the RSC.
- Monitor the developments in fuel supply, demand resources, energy efficiency, and conservation methods including all intermittent renewable resources, including embedded distributed resources.
- Support the NPCC Regional Standards Committee (RSC) as required.
- Keep informed on studies and developments with neighboring systems which might impact NPCC.
- Monitor the process for the annual review and updating of the NPCC Electric System Regional Map and the NPCC Load, Capacity, Energy, Fuel and Transmission Report (LCEF&T).
- Keep informed of the NERC Planning Committee and other subcommittee activities to determine their impact on the NPCC and any potential adjustments to NPCC Criteria.
- Coordinate with NERC regarding the development of standards for dynamic system controls.

- Review Events Analysis Lessons Learned using the Events Analysis discussion/review template.

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, and provides support and technical input for related BES risks identified by the NERC Reliability Issues Steering Committee (RISC) and the NERC Essential Reliability Services Working Group.

The Task Force on System Studies activities indicated below are done in support of ERO Goal No. 3 “*Identification and Assessment of Significant Risks to Reliability*” and ERO Goal No. 4 “*Identification and Assessment of Emerging Risks to Reliability*.” A related contributing activity to ERO Goal No. 3 is to “Develop guidelines and industry practices to maintain accurate system models that include the resources (synchronous and inverter based), load, and controllable devices providing essential reliability services.” A related contributing activity to ERO Goal No. 4 is to “Develop sufficiency/adequacy guidelines for essential reliability services, including considerations of reliability attributes under a more diverse resource mix and changing load behaviors, such as ramping, reserve services and voltage support.”

TFSS Reliability Assessment and Performance Analysis 2018 Goals and Deliverables

- ✓ Review and recommend approval of Area Transmission Reviews, in accordance with the “Guidelines and Procedures for NPCC Area Transmission Reviews” (Appendix B of Directory No. 1), based on material presented by the 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 Basic Criteria. Through the Area Transmission Reviews, re-evaluate the performance and classification of existing SPSs and Dynamic Control Systems.
- ✓ Review and classify new and modified Special Protection Systems and/or Remedial Action Schemes, in accordance with the Appendix B, Procedure for the Review of a Special Protection Systems, of NPCC Directory No. 7, “*Special Protection Systems*”.
- ✓ Review and Implement the NPCC A-10 Criteria:
 - Coordinate with TFCP to complete the review and revision of the A-10 document.
 - Review and recommend approval of changes to the NPCC list of bulk power system elements, in accordance with the “*Classification of Bulk Power System Elements*” (Document A-10).
 - Update the NPCC BPS List.
- ✓ Review and process Multiple Circuit Tower exclusions in accordance with NPCC Directory No. 1, Appendix E.
- ✓ Update the Multiple Circuit Tower Exclusion List.
- ✓ Perform annual review and update of the Major Project List.
- ✓ Through the SS-37 Working Group:
 - Annually develop a library of power flow base cases and associated dynamic cases. The NPCC cases will also be used to support the development of the library of power flow and dynamic cases for the Eastern Interconnection; in addition: update SS-37 Procedure Manual and other SS-37 documents including the Master Tie Line Data and Interchange Schedule.
 - Provide mid-term updates to the ten-year-out cases in the NPCC Library.

- Perform event replication by benchmarking simulations against actual system performance.
- ✓ Perform the NPCC Under Frequency Load Shedding Assessment.
- ✓ Through the SS-38 Working Group:
 - Consider the development of a uniform approach, as requested by TFSP, for identifying BES Elements that meet one or more of the Criteria in R1 of PRC-026-1.
 - Continue to instigate the use of dynamic load models for transient stability studies.
 - Work with the NERC Load Modeling Task Force to ensure consistency in load modeling and to share best practices.
- ✓ Participate in the development and submission of NPCC comments/inputs into the development of regional and/or continent-wide reliability standards that address the NERC Reliability Standards.
- ✓ Provide support and technical input, for Task Force related BES risks as identified by the NERC Reliability Issues Steering Committee (RISC).
- ✓ Review existing Regional Criteria and procedures for validation of data used in power flow and dynamic simulations and if the existing criteria or procedures are found to be deficient, propose changes to provide for adequate data validation.
- ✓ Through the SS-38 Working Group:
 - Coordinate management of governor models used in NPCC studies.
 - Support the performance of event replication by benchmarking against actual system performance.
 - Review and develop comment on draft NERC standards.
 - Work with software vendors and NERC’s systems Analysis and Modeling subcommittee (SAMS) to enhance the capability for dynamic simulations.

Task Force on System Protection

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, and provides support and technical input for related BES risks identified by the NERC Reliability Issues Steering Committee (RISC) and the NERC Essential Reliability Services Working Group.

The Task Force on System Protection activities indicated below are done in support of ERO Goal No. 3 “*Identification and Assessment of Significant Risks to Reliability*” and ERO Goal No. 4 “*Identification and Assessment of Emerging Risks to Reliability*.” A related contributing activity to ERO Goal No. 3 is to “Engage industry, forums, and technical committees in identifying and mitigating risks, including reducing misoperations, AC equipment failures, vegetation-related outages, and improving cold weather preparedness and human performance.” A related contributing activity to ERO Goal No. 4 is to “Evaluate the reliability impacts of distributed energy resources on planning, operations and restoration and recovery, including the identification of data and information sharing needs.”

TFSP Reliability Assessment and Performance Analysis 2018 Goals and Deliverables

- ✓ Assess proposed protection systems and special protection systems for compliance with Directory No. 4 and Directory No. 7.

- ✓ Participate or serve as lead Task Force in the implementation of applicable Regional NERC Reliability Standards.
- ✓ Review and respond to Questions, Requests for Interpretations and/or Clarifications related to bulk power system protection requirements in NPCC Directories and Criteria, as needed.
- ✓ Through the SP-7 Working Group, review misoperations of protection systems and Remedial Action Schemes/Special Protection Systems as they occur in the NPCC Region and participate in providing the NPCC input for the NERC Section 1600 Data Request.
- ✓ 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.
- ✓ Provide support and technical input for Task Force related BES risks as identified by the NERC Reliability Issues Steering Committee (RISC). Conduct a thorough review, provide comments as necessary and act on posted materials as directed. Task Force assessments and recommendations will be forwarded to the RCC for approval and submittal to NERC via NPCC Staff and the NERC Risk Control Process.
- ✓ Conduct review/development of the following Documents:
 - Directory No. 7 – “*NPCC Special Protection Systems*.” Serve as the lead Task Force working in conjunction with the TFCP and the TFSS on revisions to ensure consistency with the development of the PRC-01202 NERC standard on Remedial Action Schemes.
 - Through the SP-9 Working Group on Telecommunication Circuits Used for Teleprotection and Remedial Action Schemes, develop a new guideline for teleprotection communication reliability.
- ✓ Participate in the ongoing development and submission of NPCC inputs/comments into the development of bulk electric system protection related NERC Reliability Standards.
- ✓ Through the SP-7 Working Group, maintain ongoing log of protection relay failures. Coordinate improved data gathering of relay failures among equipment owners, manufacturers, and vendors.
- ✓ Review and analyze the performance of protection systems of power system disturbances, lessons learned, and events inside as well as outside NPCC as brought to the attention of TFSP by the SP-7 Working Group, NERC Event Analysis Coordinating Group or as requested by the RCC. Issue recommendations for changes to NPCC Documents and lessons learned, as appropriate.
- ✓ Support NERC’s effort through the ERO-RAPA group to continue relay misoperations performance analysis to reduce protection system misoperations and inform the RCC on relay misoperations trends, and share good practices.
- ✓ Consistent with the TFSP’s scope, conduct joint meeting with other Regions to share best practices and experiences.

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, and provides support and technical input for related BES risks identified by the NERC Reliability Issues Steering Committee (RISC) and the NERC Essential Reliability Services Working Group.

The Task Force on Coordination of Operation activities indicated below are done in support of ERO Goal No. 3 “*Identification and Assessment of Significant Risks to Reliability*” and ERO

Goal No. 4 “*Identification and Assessment of Emerging Risks to Reliability.*” Related contributing activities related to ERO Goal No.3 include “Conduct assessments of system resiliency and develop guidance for operations in a more secure state;” and ERO Goal No.4 “Evaluate the reliability impacts of distributed energy resources on planning, operations and restoration and recovery, including the identification of data and information sharing needs.”

TFCO Reliability Assessment and Performance Analysis 2018 Goals and Deliverables

- ✓ Prepare and conduct the spring and autumn NPCC System Operator Seminars. Provide recommendations to enhance the programs.
- ✓ Develop and securely disseminate the annual compilation of “Facilities for Notification”.
- ✓ Support and take part in a biennial, continent-wide Grid Security Exercise (GridEx), including a review of the associated reports and Lessons Learned.
- ✓ Support an annual enhanced, wide area restoration drill among the Reliability Coordinator areas of NPCC and their neighboring Reliability Coordinators incorporating the annual review of the NPCC regional restoration plan.
- ✓ Conduct pre-seasonal NPCC Reliability Assessments incorporating multi-area probabilistic reliability simulation results in each assessment. Coordinate the NPCC input for the annual data for seasonal short-term NERC Reliability Assessments.
- ✓ Conduct reviews of applicable NPCC Directories, Criteria, Guides and Procedures in accordance with their applicable review dates.
- ✓ Coordinate system awareness among NPCC RCs through periodic conference calls. This includes the existing emergency preparedness, NPCC weekly and daily system operator conference calls.
- ✓ Monitor the trends and impacts of the changing resource mix and the effects of the proliferation of the new resources on real-time operations, particularly the measures identified in the Essential Reliability Services Framework Report, as well as behavior during and impacts on recovery and restoration plans including consideration of distributed resources, considering the variable and energy-limited nature of the resource shifts. Review a biennial summary of operating tool failures and lessons learned for the preceding study period.
- ✓ Provide assistance to the NERC Event Analysis process (EAP). Evaluate the operational applicability of Lessons Learned from the NERC EAP.
- ✓ Keep informed of the NERC Operating Committee and other subcommittee activities to determine their impact on the NPCC and any potential adjustments to Criteria, as well as provide feedback and input to the respective committees.
- ✓ Review and analyze the performance of Simultaneous Activation of Reserve (SAR) implementation following an event to enhance the SAR process.
- ✓ Share lessons learned among training staff from the NPCC RCs and utilize to make training program enhancements.

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.

The Regulatory/Governmental Affairs Advisory Group activities indicated below are done in support of ERO Goal No. 4 “Identification and Assessment of Emerging Risks to Reliability.” A related contributing activity to this Goal is to “Educate policy makers, regulators, and the industry of reliability effects and interconnection requirements for the changing resource mix.”

NPCC Regulatory/Governmental Affairs Advisory Group 2018 Goals and Deliverables

- ✓ Continued outreach to NPCC’s state electricity and environmental regulators stressing the importance of understanding and considering reliability impacts during the development of State/Provincial initiatives (such as the identified Essential Reliability Services). This includes focus on initiatives concerning regional planning, distributed energy resource requirements, the timing of new generation resources and transmission infrastructure projects.

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 22% of its resources on these activities.

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2018.

Consultants and Contracts

- Increase in consultants and contracts expense is associated with an anticipated increase in inherent risk and emerging risk reliability studies.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2018 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures						
2017 Budget & Projection, and 2018 Budget						
Reliability Assessment and Performance Analysis						
	2017	2017	Variance	2018	Variance	
	Budget	Projection	2017 Projection	Budget	2018 Budget	
			v 2017 Budget		v 2017 Budget	
			Over(Under)		Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 3,206,966	\$ 3,206,966	\$ -	\$ 3,225,570	\$ 18,604	
Penalty Sanctions	-	-	-	15,151	15,151	
Total ERO Funding	\$ 3,206,966	\$ 3,206,966	\$ -	\$ 3,240,721	\$ 33,755	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 3,206,966	\$ 3,206,966	\$ -	\$ 3,240,721	\$ 33,755	
Expenses						
Personnel Expenses						
Salaries	\$ 1,084,994	\$ 1,084,994	\$ -	\$ 1,106,772	\$ 21,778	
Payroll Taxes	65,373	65,373	-	65,805	432	
Benefits	214,688	214,688	-	220,007	5,319	
Retirement Costs	121,271	121,271	-	117,144	(4,127)	
Total Personnel Expenses	\$ 1,486,325	\$ 1,486,325	\$ -	\$ 1,509,728	\$ 23,402	
Meeting Expenses						
Meetings	\$ 20,500	\$ 20,500	\$ -	\$ 22,000	\$ 1,500	
Travel	186,850	186,850	-	212,000	25,150	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 207,350	\$ 207,350	\$ -	\$ 234,000	\$ 26,650	
Operating Expenses						
Consultants & Contracts	\$ 413,000	\$ 413,000	\$ -	\$ 401,640	\$ (11,360)	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 413,000	\$ 413,000	\$ -	\$ 401,640	\$ (11,360)	
Total Direct Expenses	\$ 2,106,675	\$ 2,106,675	\$ -	\$ 2,145,368	\$ 38,692	
Indirect Expenses	\$ 1,125,541	\$ 1,125,541	\$ -	\$ 1,134,543	\$ 9,002	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 3,232,217	\$ 3,232,217	\$ -	\$ 3,279,911	\$ 47,694	
Change in Assets	\$ (25,251)	\$ (25,251)	\$ -	\$ (39,190)	\$ (13,939)	
Fixed Assets						
Depreciation	\$ -	-	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(25,251)	(25,251)	-	(39,190)	(13,939)	
Inc(Dec) in Fixed Assets (C)	(25,251)	(25,251)	-	(39,190)	(13,939)	
TOTAL BUDGET (=B+C)	3,206,966	3,206,966	-	3,240,721	33,755	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 0	\$ -	\$ 0	\$ (0)	

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources			
(in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	0.10	0.10	0.00
Direct Expenses	\$229,785	\$230,263	\$477
Indirect Expenses	\$19,306	\$19,460	\$154
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$433)	(\$672)	(\$239)
Total Funding Requirement	\$248,658	\$249,051	\$393

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. NPCC staff training and development is incorporated within each respective program area.

Training Program Background and Description

This NPCC Program establishes and coordinates training for system operators relating to inter-Reliability Coordinator area matters, criteria, terminology, standards and operating procedures and instructions. It includes development and execution of training seminars, held twice yearly, at which: 1) potential operational problems for the coming season are discussed, 2) application of NPCC Directory and NERC Standard requirements pertinent to operation are discussed, 3) major industry issues that are important for system operators are discussed, 4) significant disturbances are reviewed for lessons learned and 5) 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 (RC) areas and the Nova Scotia Balancing Authority (BA) area.

This Program also provides for: 1) sharing of RC/BA existing training program and system simulator area content; 2) training techniques and methods; 3) evaluation of new techniques and training and simulator aids as they become available; 4) opportunities to consolidate training among the NPCC RCs and BAs, which includes opportunities to share training material and training sessions; and 5) exchange of information on internal methods of system operator training.

The training activities indicated below are done in support of ERO Goal No. 5 “Effective and Efficient ERO Enterprise Operations.” A related contributing activity to this goal is to “Acquire, engage, develop, and retain highly qualified talent with requisite technical expertise to execute the ERO Enterprise’s statutory functions.”

Funding Drivers and Reliability Benefits

- Provide two high-quality continuing education seminars for system operators;
 - System operators participating in the Seminars: 1) share their approaches to solving operational problems and learn about the characteristics of neighboring systems; 2) gain exposure to NPCC issues and current industry operational topics; 3) review recent NPCC and major external disturbances; 4) review key operational related content in NPCC Directories and NERC Standards; and 5) participate in hands-on “table top exercises” pertaining to system operational practices. PJM system operators and trainers are also invited to participate and normally attend these seminars;
 - Seminar attendees also receive Continuing Education Hours (CEHs) (normally 3.5 to 4 CEHs) and operator trainers from each RC / BA area can utilize the seminar content by including it in their internal training programs to provide CEHs to all system operators; and,
 - The seminars help to improve system operational coordination through better contact among system operators at other Reliability Coordinator areas.
- Continually review and revise the curriculum of the training seminars to better emphasize NERC Standard requirements related to system operation, NPCC wide-area operations and Regionally-specific criteria and procedures.
- Enhance the system operator’s awareness and knowledge of the standards, criteria and procedures they apply in real time operation.
- 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 RC / BA areas.
- Provide a forum among NPCC RC/BA areas for sharing of approaches to meet the requirements of the NERC PER standards. The sharing of approaches used by some NPCC Areas to address any changes needed to existing system operator training programs due to PER-005-2 requirements is valuable to CO-2 Working Group members.
- Implement changes needed for the NPCC Reliability Coordinator / Balancing Authority Areas to meet proposed expanded training requirement for operations support staff in PER-005-2.
- NPCC will conduct two Standards and Compliance workshops in 2018, 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).

2018 Key Assumptions

NPCC regularly conducts seminars as well as Spring and Fall Standards and Compliance workshops 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 considering developing on-line webinars that will focus on a specific topic pertinent to developments related to compliance program implementation, standards development or technical issues.

NPCC also regularly conducts Spring and Fall System Operator Seminars. These seminars involve system operators from the NPCC RC/BA Areas and PJM, and are held in early May and early November.

Training, Education and Operator Certification 2018 Goals and Deliverables

- Prepare and conduct the 2018 Spring and Fall NPCC System Operator Seminars.
- Implement the PER-005-2 expanded requirements within the NPCC RC/BA Area programs.
- Continue collaboration and sharing of the intended RC/BA approaches, experiences and materials to task identification and training development associated with NERC Standard PER-005-2.
- As needed, 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*”.
- Develop on-line operational training webinars that focus on specific topics pertinent to compliance program implementation, standards development or technical issues.

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 2% of its resources on this activity.

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2018.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2018 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures						
2017 Budget & Projection, and 2018 Budget						
Training, Education, and Operator Certification						
	2017	2017	Variance	2018	Variance	
	Budget	Projection	2017 Projection	Budget	2018 Budget	
			v 2017 Budget		v 2017 Budget	
			Over(Under)		Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 184,658	\$ 184,658	\$ -	\$ 184,791	\$ 133	
Penalty Sanctions	-	-	-	260	260	
Total ERO Funding	\$ 184,658	\$ 184,658	\$ -	\$ 185,051	\$ 393	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	64,000	64,000	-	64,000	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 248,658	\$ 248,658	\$ -	\$ 249,051	\$ 393	
Expenses						
Personnel Expenses						
Salaries	\$ 21,012	\$ 21,012	\$ -	\$ 18,399	\$ (2,613)	
Payroll Taxes	1,396	1,396	-	1,350	(46)	
Benefits	4,801	4,801	-	4,893	92	
Retirement Costs	2,641	2,641	-	2,320	(321)	
Total Personnel Expenses	\$ 29,850	\$ 29,850	\$ -	\$ 26,963	\$ (2,888)	
Meeting Expenses						
Meetings	\$ 186,300	\$ 186,300	\$ -	\$ 188,300	\$ 2,000	
Travel	13,635	13,635	-	15,000	1,365	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 199,935	\$ 199,935	\$ -	\$ 203,300	\$ 3,365	
Operating Expenses						
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Direct Expenses	\$ 229,785	\$ 229,785	\$ -	\$ 230,263	\$ 477	
Indirect Expenses	\$ 19,306	\$ 19,306	\$ -	\$ 19,460	\$ 154	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 249,091	\$ 249,091	\$ -	\$ 249,723	\$ 632	
Change in Assets	\$ (433)	\$ (433)	\$ -	\$ (672)	\$ (239)	
Fixed Assets						
Depreciation	\$ -	-	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(433)	(433)	-	(672)	(239)	
Inc(Dec) in Fixed Assets (C)	(433)	(433)	-	(672)	(239)	
TOTAL BUDGET (=B+C)	248,658	248,658	-	249,051	393	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ (0)	\$ -	\$ 0	\$ 0	

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program Resources			
(in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	4.00	5.00	1.00
Direct Expenses	\$1,188,137	\$1,373,791	\$185,654
Indirect Expenses	\$772,241	\$973,021	\$200,780
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$17,325)	(\$33,611)	(\$16,286)
Total Funding Requirement	\$1,943,053	\$2,313,202	\$370,148

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 critical 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.

These Situation Awareness and Infrastructure Security activities indicated below are done in support of ERO Goal No. 3 “*Identification and Mitigation of Significant Risks to Reliability.*” A related contributing activity to this Goal is to “Analyze system performance, events, and relationships among data sources to identify risks and mitigation strategies, and provide recommendations and lessons learned.”

Event Analysis Program Description

NERC and the industry follow 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.

The Event Analysis Program recognizes that many events which occur on the bulk power system beyond those identified through NERC Reliability Standard EOP-004-2, “Event Reporting,” 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. 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 will collaborate to assess the NERC Event Analysis Report and perform a formal cause code analysis, identifying a root cause and publish any pertinent 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 risks 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 risks through the assessment of 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, larger events 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 development of the initial analysis, lessons learned which may benefit the industry and the Standards sufficiency review and cause coding for trending and reporting. NPCC staff, throughout the process, guides, supports and stands as an advocate of the registered entity as they continue to develop an improved culture of reliability and compliance.

2018 Key Assumptions

- The monitoring of Lessons Learned will continue to be a major focus of NERC in 2018. This will include an added aspect of the voluntary Event Analysis Program, in response to a recommendation of the AC Substation Equipment Task Force (ACSETF), to solicit and collect detailed information on station equipment failures, for applicable, qualifying events to aid in future analysis of station equipment failures to identify trends that may be a threat to the reliability of the BES.
- Critical infrastructure protection will fully integrate the requirements of Version 5 of the Cyber Standards in 2018.

- NERC will post updates to the critical infrastructure protection (CIP) Standards to address the three FERC Directives and the four industry concerns that were not satisfactorily responded to by the version 5 Transition Advisory Group.
- Increase in resource allocation to this program area will support: expanded Events Analysis activities; coordination with NERC’s evolving E-ISAC capabilities; and cybersecurity outreach efforts.

Situation Awareness 2018 Goals and Deliverables

NERC Activities

- NPCC will provide the Regional perspective and support through NPCC EA staff participation on selective NERC Planning and Operating Committees and key related NERC Subcommittees, Task Forces and Working Groups, including:
 - Event Analysis Subcommittee (EAS);
 - ERO – EA/SA Group; and,
 - The Event Analysis Management System (TEAMS).

NPCC Activities

- Work directly with applicable NPCC Task Forces to provide an in-depth assessment of Lessons Learned unique to the NPCC members and NPCC Criteria.
- Promote NPCC’s Event Analysis group’s established process for sharing and dissemination of the detailed Event Analysis Report information among industry participants (registered entities).
- Incorporating the Lessons Learned from participation in the GridEx IV wide-area exercise.
- Utilize the NPCC’s “what if” methodology to examine an event’s potential impact under a different set of system conditions, to evaluate the proximity of a particular event to being a significant BPS requiring appropriate level of analysis with due weight to risk and impact.
- Establish a process/procedure for data capture and transfer aspects for post-disturbance (major disturbance and/or blackout events) system analysis, including requirements for regularly scheduled (annual) testing of the procedure implementation.
- Monitor the operational status of the bulk power system and coordinate normal and pre-emergency communication, awareness and assistance in addition to the same during an emergency among the Reliability Coordinators (RCs) within NPCC. Notify the RCs 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.
- Conduct 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 Midcontinent 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.

- Monthly test of the satellite telephone network, to ensure the capability for continued voice communications among NPCC and its Reliability Coordinators. This back-up communications system will function in the event of a collapse of the Public Switched Telephone Network (PSTN), permitting continued cross-border voice communications among the Canadian Reliability Coordinators of NPCC, the Reliability Coordinators in the United States as well as NPCC Situation Awareness (SA) staff.

Situation Awareness 2018 Goals and Deliverables

Monitor the status of the bulk power system through 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. Transmission voltage levels of 230 kV and above are displayed, and the tool provides the ability to “drill down” to detailed bus information, including generation outputs and bus voltages.

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); and,
- 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 2018 critical infrastructure goals and objectives, supporting ERO Goal No. 3 - *Identification and Mitigation of Significant Risks to Reliability*. Related contributing activities to this Goal include “Expand the use, availability, and value of physical security and cybersecurity threat and vulnerability information sharing, including cross sector communications, and analytics” and “In collaboration with the Critical Infrastructure Protection Committee and industry stakeholders, develop a risk process to address the potential impact of cyber and physical security threats and vulnerabilities.”

Critical Infrastructure 2018 Goals and Deliverables

- Monitor the reliable implementation of the Cyber Security Standards.
- Monitor the Homeland Security Information Network (HSIN), E- ISAC, NERC Alerts and Canadian Information Sharing and share information with the NPCC CO-8 Working Group.
- 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.
- Conduct an annual test of cross border emergency telecommunications to verify each Area can communicate with each other.

- Provide support and technical input for Task Force related BES risks as identified by the NERC Reliability Issues Steering Committee. The Task Force will conduct a thorough review, provide comments as necessary and act on posted materials as directed.
- Support the NERC CIPC Grid Exercise Working Group (GEWG) with Cross Sector support in Grid Exercise (GridEx) IV planning and simulation. Participate in the development of lessons learned from GridEx IV.
- Review infrastructure security & technologies and provide recommendations to enhance physical and cyber security in compliance with NERC guidelines/standards.
- Provide recommendations to enhance physical and cyber security, in compliance with NERC standards, based on assessments of available and emerging infrastructure security technologies, methodologies, and best practices.
- Sponsor periodic workshop presentations to address timely issues and update NPCC Members associated with infrastructure security and technology.
- Provide education, awareness, and support for Cross Sector coordination in Entity agreements and response plans with focus upon Telecommunications, Water and Natural Gas, including monitoring and sharing with the E-ISAC.

Related System Operations Security 2018 Goals and Deliverables

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 inter-Regional pre-emergency actions in the event of a threat to the security of the Northeastern North American bulk power supply system; and,
- Assisting in the development of real time operating tools assuring cyber security concerns are addressed.

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 16% of its resources on this activity.

Resource Requirements

Personnel

- Reallocation of staff during 2017 resulted in an increase of one full time employee in the Situation Awareness and Infrastructure Security program to support increased workload in this area.

Consultants and Contracts

- Decrease in consulting and contracts expense is associated with increase in staff allocated to this program area.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2018 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures						
2017 Budget & Projection, and 2018 Budget						
Situation Awareness and Infrastructure Security						
	2017	2017	Variance	2018	Variance	
	Budget	Projection	2017 Projection	Budget	2018 Budget	
			v 2017 Budget		v 2017 Budget	
			Over(Under)		Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 1,943,053	\$ 1,943,053	\$ -	\$ 2,300,208	\$ 357,155	
Penalty Sanctions	-	-	-	12,994	12,994	
Total ERO Funding	\$ 1,943,053	\$ 1,943,053	\$ -	\$ 2,313,202	\$ 370,148	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 1,943,053	\$ 1,943,053	\$ -	\$ 2,313,202	\$ 370,148	
Expenses						
Personnel Expenses						
Salaries	\$ 660,213	\$ 742,713	\$ 82,500	\$ 825,560	\$ 165,347	
Payroll Taxes	42,778	50,278	7,500	53,677	10,899	
Benefits	160,814	173,564	12,750	189,417	28,603	
Retirement Costs	72,333	83,583	11,250	87,637	15,304	
Total Personnel Expenses	\$ 936,137	\$ 1,050,137	\$ 114,000	\$ 1,156,291	\$ 220,154	
Meeting Expenses						
Meetings	\$ 13,500	\$ 13,500	\$ -	\$ 10,000	\$ (3,500)	
Travel	78,500	85,250	6,750	87,500	9,000	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 92,000	\$ 98,750	\$ 6,750	\$ 97,500	\$ 5,500	
Operating Expenses						
Consultants & Contracts	\$ 160,000	\$ 160,000	\$ -	\$ 120,000	\$ (40,000)	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 160,000	\$ 160,000	\$ -	\$ 120,000	\$ (40,000)	
Total Direct Expenses	\$ 1,188,137	\$ 1,188,137	\$ 120,750	\$ 1,373,791	\$ 185,654	
Indirect Expenses	\$ 772,241	\$ 772,241	\$ -	\$ 973,021	\$ 200,780	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 1,960,378	\$ 1,960,378	\$ 120,750	\$ 2,346,812	\$ 386,434	
Change in Assets	\$ (17,325)	\$ (17,325)	\$ (120,750)	\$ (33,611)	\$ (16,286)	
Fixed Assets						
Depreciation	\$ -	-	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(17,325)	(17,325)	-	(33,611)	(16,286)	
Inc(Dec) in Fixed Assets (C)	(17,325)	(17,325)	-	(33,611)	(16,286)	
TOTAL BUDGET (=B+C)	1,943,053	1,943,053	120,750	2,313,202	370,148	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ (0)	\$ (120,750)	\$ 0	\$ 0	

Administrative Services

Administrative Services Program Resources						
(in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2017 Budget	2018 Budget	Increase (Decrease)	2017 Budget	2018 Budget	Increase (Decrease)
Technical Committees and Members Forum	\$72,500	\$70,680	(\$1,820)	0.50	0.50	0.00
General and Administrative	\$3,245,691	\$3,338,132	\$92,441	2.50	2.50	0.00
Legal and Regulatory	\$648,680	\$592,049	(\$56,632)	1.00	1.00	0.00
Information Technology	\$1,185,675	\$1,119,490	(\$66,186)	2.00	2.00	0.00
Human Resources	\$182,059	\$181,145	(\$915)	1.00	1.00	0.00
Finance and Accounting	\$525,262	\$537,236	\$11,974	1.00	1.00	0.00
Total Administrative Services¹	\$5,859,868	\$5,838,732	(\$21,136)	8.00	8.00	0.00

¹ NPCC's 2018 Administrative Services budget (expenses plus fixed asset activity) is \$5,838,792, of which \$416,453 is allocated to NPCC's Criteria Services division, which is a non-statutory function. As a result of the allocation to the Criteria Services division, the Administrative Expenditures included in the 2018 statutory budget are \$5,422,278, which is a decrease of \$24,441 from the 2017 budget of \$5,446,719.

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 2018 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures						
2017 Budget & Projection, and 2018 Budget						
ADMINISTRATIVE SERVICES						
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ (185,991)	\$ (185,991)	\$ -	\$ (66,581)	\$ 119,409	
Penalty Sanctions	-	-	-	-	-	
Total ERO Funding	\$ (185,991)	\$ (185,991)	\$ -	\$ (66,581)	\$ 119,409	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ (185,991)	\$ (185,991)	\$ -	\$ (66,581)	\$ 119,409	
Expenses						
Personnel Expenses						
Salaries	\$ 1,872,579	\$ 1,872,579	\$ -	\$ 2,063,139	\$ 190,561	
Payroll Taxes	93,995	93,995	-	97,378	3,383	
Benefits	418,433	418,433	-	438,408	19,975	
Retirement Costs	317,471	317,471	-	295,596	(21,874)	
Total Personnel Expenses	\$ 2,702,478	\$ 2,702,478	\$ -	\$ 2,894,522	\$ 192,044	
Meeting Expenses						
Meetings	\$ 120,000	\$ 120,000	\$ -	\$ 116,750	\$ (3,250)	
Travel	143,590	143,590	-	138,000	(5,590)	
Conference Calls	37,000	37,000	-	37,000	-	
Total Meeting Expenses	\$ 300,590	\$ 300,590	\$ -	\$ 291,750	\$ (8,840)	
Operating Expenses						
Consultants & Contracts	\$ 152,000	\$ 152,000	\$ -	\$ 92,000	\$ (60,000)	
Office Rent	809,700	809,700	-	810,700	1,000	
Office Costs	679,100	679,100	-	664,760	(14,340)	
Professional Services	1,041,000	1,041,000	-	960,000	(81,000)	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	50,000	50,000	-	50,000	-	
Depreciation	250,000	250,000	-	269,000	19,000	
Total Operating Expenses	\$ 2,981,800	\$ 2,981,800	\$ -	\$ 2,846,460	\$ (135,340)	
Total Direct Expenses	\$ 5,984,868	\$ 5,984,868	\$ -	\$ 6,032,732	\$ 47,864	
Indirect Expenses	\$ (5,984,868)	\$ (5,984,868)	\$ -	\$ (6,032,732)	\$ (47,864)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ -	\$ -	\$ -	\$ 0	\$ 0	
Change in Assets	\$ (185,991)	\$ (185,991)	\$ -	\$ (66,581)	\$ 119,409	
Fixed Assets						
Depreciation	(250,000)	(250,000)	\$ -	(269,000)	\$ (19,000)	
Computer & Software CapEx	125,000	125,000	-	75,000	(50,000)	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	125,000	125,000	-	194,000	69,000	
Inc(Dec) in Fixed Assets (C)	-	-	-	-	-	
TOTAL BUDGET (=B+C)	-	-	-	0	0	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (185,991)	\$ (185,991)	\$ -	\$ (66,581)	\$ 119,409	

Technical Committees and Member Forums

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 subject matter 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.

2018 Key Assumptions

- NPCC’s standing committee and subgroup structure for effective stakeholder involvement will continue in 2018.
- 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 2018.
- NPCC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.

The Technical Committees and Member Forums activities indicated below are done in support of ERO Goal No. 4 “*Identification and Assessment of Emerging Risks to Reliability.*” A related contributing activity to this Goal is to “Educate policy makers, regulators, and the industry of reliability effects and interconnection requirements for the changing resource mix.”

Technical Committees and Member Forums 2018 Goals and Deliverables

- ✓ The 2018 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; and,
- ✓ 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 include, but are not limited to:
 - Conducting the Media Event – release of the Summer 2018 NPCC Reliability Assessment; and,
 - Participation in NERC Regional communication initiatives:
 - Regional communications teleconferences as required
 - Coordination of Emergency or Blackout communications plans
 - Coordination with other NERC activities as required (i.e., situation awareness, event analysis, reliability assessments, etc.)

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2018.

General and Administrative

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.

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2018.

Consultants and Contracts

- Decrease is primarily the result of reduction in contract expenses associated with the Regional Entity Management Group.

Office Rent

- Projected increase in real estate taxes.

Legal and Regulatory

Program Scope and Functional Description

NPCC's professional legal services provide counsel to the President and CEO, Board of Directors, Senior Vice President and COO, Treasurer, General Counsel and staff on a wide range of legal and regulatory matters including legislation, corporate law, code of conduct, confidentiality, governance, employment law, tax matters, contract law and other areas affecting NPCC. In support of ERO Goal 5.c., NPCC's in-house counsel evaluates internal controls and corporate, operational, strategic and reputational risk, and participates in risk identification, evaluation and mitigation activities. In-house counsel provides legal advice to advance significant corporate policy and strategic planning initiatives and also provide legal support to other program areas on matters arising in connection with the performance of NPCC's delegated functions. In-house counsel draft agreements and pleadings and provide interpretations of relevant statutes, regulations, court opinions, and regulatory decisions of FERC, state agencies and provincial authorities. Outside counsel, as necessary, reviews items filed with the governmental agencies for legal sufficiency, maintains relationships with U.S. and Canadian jurisdictions and provides contract review.

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2018.

Professional Services

- Legal fees are projected to be lower based on additional workload taken on by in-house legal team.

Information Technology

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 and all applicable Critical Electric Infrastructure Information protection and Confidentiality requirements. NPCC maintains an offsite backup server for continuity of essential operations in the event that its primary location is unavailable.

NPCC supports the ERO efforts to implement, operate and maintain software tools supporting common enterprise wide operations and leveraging ERO solutions which have been approved by the ERO Executive Management Group (ERO EMG), which is comprised of the senior leadership of NERC and each of the Regional Entities. NPCC's budget assumes the availability of enterprise software tools as described in NERC's business plan and budget. If implementation of these software applications is delayed or otherwise not available as planned, NPCC could incur additional costs to implement ERO Enterprise-wide programs pending the availability of these applications.

NERC and the Regional Entities are committed to working collaboratively to minimize duplication of effort and investments, and improve operational efficiency. This collaboration continues to refine existing strategies, governance and procurement practices applicable to the development, operation and maintenance of enterprise architecture, software and data systems supporting complementary and combined NERC and Regional Entity operations.

The NERC information technology budget does not supplant NPCC's need for IT expenditures for specific regional projects and internal region specific IT support needs. NPCC's 2018 Business Plan and Budget assumes agreed-upon ERO Enterprise applications will be available and includes only NPCC costs for region specific support needs.

2018 Key Assumptions

- Continue to maintain the compliance portal through collaboration with other Regional Entities and NERC (CUG).
- Support the Event Analysis program through continued participation in the tools used for the tracking and analysis of system events and identification of better practice elements.
- Support the Bulk Electric System Exception Process (BEP) to enable and facilitate tracking and processing of exceptions submitted. Maintenance of the BESNET support services such as updates, patching, coordinating issues with NERC.
- Support Cyber Security Reviews done by Compliance to provide advisory role during those reviews.

2018 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:

- Expand the utilization of the document management system throughout the company.
- Create an information security program and environment aimed at reducing breach of security risks.
- Determine longer-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.
- Continually improve Disaster Recovery and Business Continuity policies and practices to ensure continuity and reliability of IT and business related services.

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2018.

Fixed Assets

- Capital expenditures planned for 2018 include the continuing implementation of an Enterprise Content Management system.

Human Resources

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; training and development; and employee time tracking.

Resource Requirements

Personnel

- Temporary office services increased to assist in administrative services in the area of human resources.

Accounting and Finance

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.

2018 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
- Alignment of changes in budget and changes in aggregate assessment
- 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 Variance Reports
- IRS Reporting
- Annual Independent Audit initiated by the Regional Entity

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2018.

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 2016 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 2016 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.

In order to reflect and respect the international membership and nature of NPCC, any sub-regional reliability assessment costs in response to U.S. only regulatory initiatives will be considered for allocation to U.S. only BAAs consistent with NERC Rules of Procedure section 1102. Additionally, the compliance responsibilities and authorities within the U.S., and the specific compliance responsibilities within each of the Canadian provinces within NPCC, and 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 a 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 U.S. only reliability assessment and 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. In order to establish the RE division funding requirements for each Balancing Authority Area on a NEL basis for all programs except for Compliance, the proposed expenses and fixed assets of all other programs are calculated and the adjustment for the RE division cash reserve requirement is identified. Any penalty monies received from NPCC registered entities within the U.S. prior to June 30th of the year preceding the business plan and budget year are then allocated among the NPCC program areas based on their FTE ratio and between the U.S. BAAs based on their relative NELs. 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, with the resultant addition being the RE division assessment, without the compliance program costs, calculated on a NEL basis.

In accordance with the *NPCC Amended and Restated Bylaws* the CS division proposed expenses and fixed assets of all programs are calculated and the adjustment for the CS division cash reserve requirement is identified, with the resultant addition being the CS division funding requirement and assessment, calculated on a NEL basis.

For costs associated with the RE division compliance program, NPCC's allocation methodology apportions 22.11% of the costs for the program, attributed to CORC Fundamentals (CF), between the BAAs in the United States and Canada on a NEL basis.

Audits and Investigations (AI) related costs, representing 55.67% of the costs of the compliance program, are allocated between U.S. and Canadian BAAs in NPCC, and among the Canadian provinces, using an audit-based methodology. 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.

The remaining 22.22% 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. 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.

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.

The CORC actual vs budget variance from the most recent year for which audited financials are available is broken out from the rest of the Adjustment to Cash Reserve and assigned to the CORC program allocation of costs. Within Quebec these costs are funded directly by the regulator, therefore, the assignment of program area variances needs to respect those specific circumstances.

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.

**NPCC 2018 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	2016 Net Energy for Load	2016 NPCC US NEL (MWh)	2016 NPCC NEL % of Total	2016 NPCC NEL % of Total	Costs Associated with U.S. Only Reliability Study ¹	2018 ² NPCC RE Division Expenses & Fixed Assets Minus CORC	Adjustment to Cash Reserve Requirement Less CORC	2018 ² NPCC RE Division Funding Requirement Minus	Penalty Monies Applied to RE Division Minus	Budgeted Workshop Fees	2018 ² NPCC RE Division Assessment Minus CORC (G-1 plus H-1)	2018 NPCC CS Division Expenses & Cash Reserve Requirement	2018 Adjustment to CS Division Cash Reserve Requirement	2018 NPCC CS Division Funding Requirement & Member Fees					
(LSE Designees)	(MWh)	(MWh)	U.S.	U.S.	TBD	1,347,933	-13,173	1,334,761	-14,578	-12,662	1,307,520	211,093	-9,465	201,628					
New England	124,415,000	124,415,000	19.784%	43.622%	TBD	1,742,113	-17,025	1,725,088	-18,842	-16,365	1,699,882	272,823	-12,233	260,590					
New York	160,798,000	160,798,000	25.370%	56.378%	TBD	1,484,173	-14,504	1,469,669	0	-13,942	1,455,727	232,429	-10,422	222,007					
Ontario	136,990,000	136,990,000	21.784%			1,972,263	-19,274	1,952,989	0	-18,526	1,934,463	308,866	-13,849	295,017					
Quebec	182,041,000	182,041,000	28.948%			1,484,016	-1,450	1,482,566	0	-1,394	1,481,172	232,241	-1,042	221,999					
New Brunswick	13,698,000	13,698,000	2.178%			118,331	-1,156	117,174	0	-1,112	116,062	18,531	-831	17,700					
Nova Scotia	10,922,000	10,922,000	1.737%																
Total	628,864,000	285,213,000	100.000%	100.000%	\$0	\$68,132,219	-\$66,381	\$6,746,638	-\$33,420	-\$84,000	\$6,649,218	\$1,066,983	-\$47,843	\$1,019,141					

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			
NPCC Balancing Authorities	2016 NEL Based Allocation of 22.11% of 2018 CORC Program Fundamentals ³	2018 Audit and Investigation Allocation Methodology	2018 Audit and Investigation Allocation Methodology	2018 55.07% of CORC Allocation Methodology	2018 Mitigation and Enforcement Allocation Methodology	2018 of CORC a	2018 of CORC b	2018 of CORC c	2018 of CORC a	2018 of CORC b	2018 of CORC c	2018 CORC Program Expenses & Fixed Assets	2018 CORC Program Penalty Monies Applied to CORC Program	2018 Assigned CORC Program 2016 Actual vs Budget Variance	2018 Total CORC Program Assessment (G-2 plus H-2 plus I-2)	2018 RE Division Total Funding Requirement (G-1 plus G-2 plus I-2)	2018 RE Division Total Assessment (J-1 plus J-2)	2018 NPCC Total Funding Requirement	2018 NPCC Total Assessment (M-1 plus K-2)	2018 NPCC Total Assessment (L-1 plus L-2)	2018 NPCC Total Assessment (M-1 plus M-2)	2018 NPCC Total Assessment (N-1 plus N-2)	2018 NPCC Total Assessment (O-1 plus O-2)	2018 NPCC Total Assessment (P-1 plus P-2)	2018 NPCC Total Assessment (Q-1 plus Q-2)		
New England	362,829	44.323%	35.838%	1,654,675	37.532%	54.835%	31.203%	691,616	893,868	3.605%	3.605%	2,709,121	-18,138	-184,559	2,506,424	3,859,323	3,813,945	4,060,950	4,015,572	4,015,572	4,015,572	4,015,572	4,015,572	4,015,572	4,015,572	4,015,572	4,015,572
New York	468,932	37.834%	46.319%	2,138,556	48.507%	31.203%	31.203%	893,868	893,868	3.605%	3.605%	3,501,356	-23,442	-232,281	3,245,633	4,994,164	4,935,515	5,254,754	5,254,754	5,254,754	5,254,754	5,254,754	5,254,754	5,254,754	5,254,754	5,254,754	
Ontario	399,502	4.363%	4.363%	201,455	8.922%	3.605%	3.605%	66,430	66,430	8.922%	8.922%	667,387	0	-8,884	618,504	2,088,173	2,074,231	2,310,179	2,310,179	2,310,179	2,310,179	2,310,179	2,310,179	2,310,179	2,310,179	2,310,179	
Quebec	530,883	9.273%	9.273%	428,134	8.922%	8.922%	8.922%	164,963	164,963	8.922%	8.922%	1,123,980	0	-73,285	1,050,695	3,003,684	2,985,158	3,298,701	3,298,701	3,298,701	3,298,701	3,298,701	3,298,701	3,298,701	3,298,701	3,298,701	
New Brunswick	39,947	2.151%	2.151%	99,304	0.576%	0.576%	0.576%	15,272	15,272	0.576%	0.576%	154,823	0	-11,087	143,436	290,392	288,998	312,591	312,591	312,591	312,591	312,591	312,591	312,591	312,591	312,591	
Nova Scotia	31,852	2.056%	2.056%	94,921	0.576%	0.576%	0.576%	10,608	10,608	0.576%	0.576%	137,381	0	-9,504	127,877	245,051	243,940	262,752	262,752	262,752	262,752	262,752	262,752	262,752	262,752	262,752	
Total	\$1,833,945	100.000%	82.157%	\$3,793,232	86.039%	100.000%	100.000%	\$1,535,484	\$2,571,273	13.961%	13.961%	\$8,239,748	-\$41,580	-\$559,599	\$7,692,569	\$14,480,787	\$14,341,787	\$15,499,927	\$15,499,927	\$15,499,927	\$15,499,927	\$15,499,927	\$15,499,927	\$15,499,927	\$15,499,927	\$15,499,927	\$15,499,927

1. Any sub-regional reliability assessment costs in response to U.S. only regulatory initiatives will be considered for allocation to U.S. only BAA's consistent with NERC Rules of Procedure section 11.02.

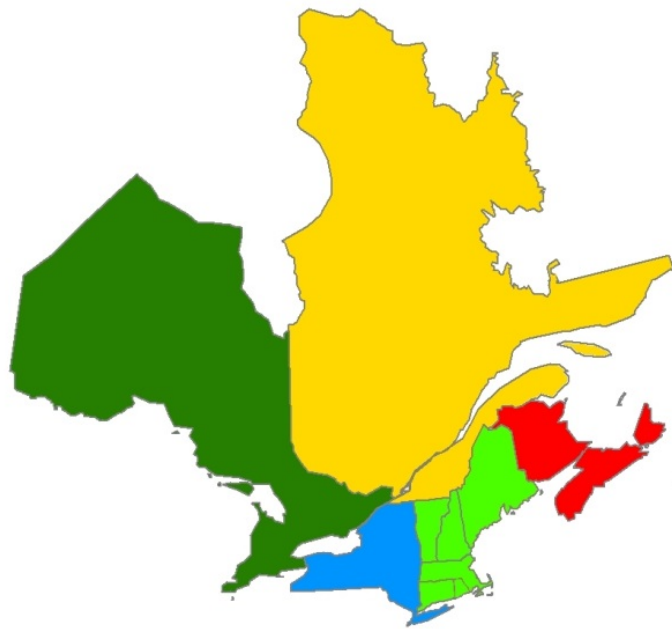
2. Consistent with NERC's Policy on Allocation of Certain Compliance and Enforcement Costs, the NPCC Board approved Allocation Methodologies for Certain NPCC Compliance Program Area Costs Assessed to Non-U.S. Entities.

3. CORC Program Fundamentals expenses of \$1,833,945 represent 22.11% of the Total CORC Program Costs and are allocated using the Regional NEL based methodology.

4. Audit and Investigation expenses of \$461,946 represent 55.07% of the Total CORC Program Costs. The Canadian costs are allocated utilizing an audit based methodology. The portion of \$2,157% attributable to U.S. NPCC is allocated between the New York and New England balancing authority areas based on their respective net (NEL) as shown in Columns B-1a and C-1a. The ratios in C-1a are applied to the 82.157% of U.S. audit costs to obtain the percentages (Column C-2 b) which are then applied to the 55.07% of CORC costs. Audit based allocation uses Compliance Registry Data registrants as of May 1, 2017.

5. Mitigation and Enforcement expenses of \$1,842,756 represent 22.22% of the Total CORC Program Costs. The Canadian costs are allocated utilizing an enforcement activity based methodology. The portion of \$6.039% 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 82.157% of U.S. enforcement costs to obtain the percentages (Column C-2 b) which are then applied to the 22.22% of CORC costs.

Section B — Supplemental Financial Information 2018 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Table B-1 Reserve Balance

Working Capital and Operating Reserve Analysis 2017-2018				
REGIONAL ENTITY DIVISION				
	Total Reserve	Operating Reserve	Working Capital	Business Continuity
Beginning Working Capital and Operating Reserve, December 31, 2016	5,327,887	4,069,023	1,258,864	0
Plus: 2017 ERO Funding (from LSEs or designees)	14,255,061	14,255,061		
Plus: 2017 Other funding sources	64,000	64,000		
Less: 2017 Projected expenses & capital expenditures	(15,147,054)	(15,147,054)		
Projected Working Capital and Operating Reserve, December 31, 2017	4,499,893	3,241,030	1,258,864	0
Desired Working Capital and Operating Reserve, December 31, 2018 ¹	2,933,713	1,674,849 ²	1,258,864 ³	
19.42% of Total Regional Entity Budget of \$15,106,967				
Desired Business Continuity Reserve, December 31, 2018 ⁴	940,000			940,000
Less: Projected Working Capital and Operating Reserve, December 31, 2017	(4,499,893)	(3,241,030)	(1,258,864)	
Increase(decrease) in assessments to achieve desired Total Reserve	(626,180)	(1,566,180)	0	0
2018 Expenses and Capital Expenditures	15,106,967			
Less: Penalty Sanctions ⁵	(75,000)			
Less: Other Funding Sources	(64,000)			
Adjustment to achieve desired Total Reserve balance	(626,180)			
2018 Assessment	14,341,787			

¹ Total Reserve within a range of 16.67% - 33.33% of Budget.

² Operating Reserve within a range from 8.33% to 25.00% of Budget. \$1,674,849 represents 11.09% of the 2017 budget of \$15,106,967

³ Working Capital equal to 8.33% of Budget. \$1,258,864 represents 8.33% of the 2017 budget of \$15,106,967

⁴ Establish Business Continuity Reserve as approved by the NPCC Board of Directors upon recommendation by the MDCC.

⁵ Represents collections July 1, 2016 to June 30, 2017.

Explanation of Changes in Reserve Policy from Prior Year

There was no change to the existing Working Capital and Operating Reserve Policy, however, a separate Business Continuity Reserve (BCR) in the amount of \$1,000,000 (allocated between the Regional Entity and Criteria Services divisions) was established as approved by the NPCC Board of Directors, upon recommendation by the Management Development and Compensation Committee and endorsement by the Finance and Audit Committee, to be identified as restricted cash and drawn upon as subsequently brought before the Board of Directors in association with President & CEO succession related activities associated with a planned or sudden retirement, as well as other sudden changing workforce staffing requirements.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Regional Entity division Statement of Activities on page 13 of the 2018 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, 2017 are to be used to offset assessments in the 2018 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, 2017 through June 30, 2018 will be used to offset U.S. load serving entity designee assessments in the 2019 Budget.

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, 2016	Date Received	Amount Received
Penalty Payment 1	12/16/2016	\$ 75,000.00
Total Penalties Received		\$ 75,000.00

Table B-3 Supplemental Funding

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
	\$ -	\$ -	\$ -	\$ -
	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
	\$ -	\$ -	\$ -	\$ -
	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	\$ 64,000	\$ 64,000	\$ 64,000	\$ -
Total	\$ 64,000	\$ 64,000	\$ 64,000	\$ -
Situation Awareness and Infrastructure Security				
	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Technical Committees and Member Forums				
	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Administrative Services Programs				
	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ 64,000	\$ 64,000	\$ 64,000	\$ -

Explanation of Significant Variances –2018 Budget versus 2017 Budget

- NPCC assumed no interest income because of continuing low market interest rates.

Table B-4 Personnel Expenses

Personnel Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Salaries					
Salary	\$ 6,718,926	\$ 6,718,926	\$ 7,057,483	\$ 338,557	5.0%
Employment Agency Fees	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.0%
Temporary Office Services	\$ 30,000	\$ 30,000	\$ 40,116	\$ 10,116	33.7%
Total Salaries	\$ 6,758,926	\$ 6,758,926	\$ 7,107,599	\$ 348,673	5.2%
Total Payroll Taxes	\$ 404,319	\$ 404,319	\$ 411,440	\$ 7,121	1.8%
Benefits					
Education Reimbursement	\$ 22,500	\$ 22,500	\$ 30,000	\$ 7,500	33.3%
Training and Seminars	\$ 36,860	\$ 36,860	\$ 44,232	\$ 7,372	20.0%
Medical Insurance	\$ 790,034	\$ 790,034	\$ 811,369	\$ 21,335	2.7%
Life-LTD-STD Insurance	\$ 88,716	\$ 88,716	\$ 90,465	\$ 1,749	2.0%
Worker's Compensation	\$ 15,000	\$ 15,000	\$ 15,000	\$ -	0.0%
Vacation	\$ 462,494	\$ 462,494	\$ 485,312	\$ 22,818	4.9%
Relocation	\$ -	\$ -	\$ -	\$ -	-
Total Benefits	\$ 1,415,603	\$ 1,415,603	\$ 1,476,378	\$ 60,774	4.3%
Retirement					
Pension Contribution	\$ 37,000	\$ 37,000	\$ 38,000	\$ 1,000	2.7%
Employee Savings Plan	\$ 727,223	\$ 727,223	\$ 714,353	\$ (12,869)	-1.8%
Savings Admin	\$ 45,000	\$ 45,000	\$ 35,000	\$ (10,000)	-22.2%
Deferred Compensation	\$ 38,000	\$ 38,000	\$ 38,000	\$ -	0.0%
Total Retirement	\$ 847,223	\$ 847,223	\$ 825,353	\$ (21,869)	-2.6%
Total Personnel Costs	\$ 9,426,071	\$ 9,426,071	\$ 9,820,770	\$ 394,699	4.2%
FTEs	36.86	36.86	36.86	-	0.0%
Cost per FTE					
Salaries	\$ 183,367	\$ 183,367	\$ 192,827	\$ 9,459	5.2%
Payroll Taxes	\$ 10,969	\$ 10,969	\$ 11,162	\$ 193	1.8%
Benefits	\$ 38,405	\$ 38,405	\$ 40,054	\$ 1,649	4.3%
Retirement	\$ 22,985	\$ 22,985	\$ 22,392	\$ (593)	-2.6%
Total Cost per FTE	\$ 255,726	\$ 255,726	\$ 266,434	\$ 10,708	4.2%

Explanation of Significant Variances –2018 Budget versus 2017 Budget

- Temporary office services were increased to provide assistance in administrative services.
- Education reimbursement cost is based on additional employee that has expressed interest in pursuing an advanced degree.
- Savings administration decrease is due to the termination of the defined benefit plan.

Table B-5 Meeting Expense

Meeting Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Meetings	\$ 377,100	\$ 377,100	\$ 353,050	\$ (24,050)	-6.4%
Travel	\$ 855,232	\$ 855,232	\$ 834,500	\$ (20,732)	-2.4%
Conference Calls	\$ 37,000	\$ 37,000	\$ 37,000	\$ -	0.0%
Total Meeting Expenses	\$ 1,269,332	\$ 1,269,332	\$ 1,224,550	\$ (44,782)	-3.5%

Explanation of Significant Variances –2018 Budget versus 2017 Budget

- Continued efforts to limit the number of attendees to offsite meetings and hold more meetings on-site and via webinar.

Table B-6 Consultants and Contracts

Consultants	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Compliance Enforcement and Organization Registration and Certification	\$ -	\$ -	\$ -	\$ -	-
Reliability Assessment and Performance Analysis	\$ 35,000	\$ 35,000	\$ -	\$ (35,000)	-100.0%
Training and Education	\$ -	\$ -	\$ -	\$ -	-
Situation Awareness and Infrastructure Security	\$ -	\$ -	\$ -	\$ -	-
Member Forums	\$ -	\$ -	\$ -	\$ -	-
General and Administrative	\$ 30,000	\$ 30,000	\$ -	\$ (30,000)	-100.0%
Legal and Regulatory	\$ -	\$ -	\$ -	\$ -	-
Information Technology	\$ -	\$ -	\$ -	\$ -	-
Human Resources	\$ -	\$ -	\$ -	\$ -	-
Accounting and Finance	\$ -	\$ -	\$ -	\$ -	-
Consultants Total	\$ 65,000	\$ 65,000	\$ -	\$ (65,000)	-100.0%
Contracts	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Reliability Standards	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.0%
Compliance Enforcement and Organization Registration and Certification	\$ 1,274,000	\$ 1,274,000	\$ 1,254,000	\$ (20,000)	-1.6%
Reliability Assessment and Performance Analysis	\$ 378,000	\$ 378,000	\$ 401,640	\$ 23,640	6.3%
Training and Education	\$ -	\$ -	\$ -	\$ -	-
Situation Awareness and Infrastructure Security	\$ 160,000	\$ 160,000	\$ 120,000	\$ (40,000)	-25.0%
Member Forums	\$ -	\$ -	\$ -	\$ -	-
General and Administrative	\$ 115,000	\$ 115,000	\$ 85,000	\$ (30,000)	-26.1%
Legal and Regulatory	\$ -	\$ -	\$ -	\$ -	-
Information Technology	\$ -	\$ -	\$ -	\$ -	-
Human Resources	\$ -	\$ -	\$ -	\$ -	-
Accounting and Finance	\$ 7,000	\$ 7,000	\$ 7,000	\$ -	0.0%
Contracts Total	\$ 1,944,000	\$ 1,944,000	\$ 1,877,640	\$ (66,360)	-3.4%
Total Consultants and Contracts	\$ 2,009,000	\$ 2,009,000	\$ 1,877,640	\$ (131,360)	-6.5%

Explanation of Significant Variances –2018 Budget versus 2017 Budget

- Ongoing effort to decrease the use of consultants and contractors when possible. (See program area sections for detail regarding a specific program area.)

Section B — Supplemental Financial Information

Table B-7 Office Rent

Office Rent	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Office Rent	\$ 650,000	\$ 650,000	\$ 650,000	\$ -	0.0%
Utilities	\$ 43,000	\$ 43,000	\$ 43,000	\$ -	0.0%
Maintenance	\$ 40,000	\$ 40,000	\$ 35,000	\$ (5,000)	-12.5%
Security	\$ 2,700	\$ 2,700	\$ 2,700	\$ -	0.0%
Real Estate Taxes	\$ 74,000	\$ 74,000	\$ 80,000	\$ 6,000	8.1%
Total Office Rent	\$ 809,700	\$ 809,700	\$ 810,700	\$ 1,000	0.1%

Explanation of Significant Variances –2018 Budget versus 2017 Budget

- Projected increase in real estate taxes.

Table B-8 Office Costs

Office Costs	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Telephone	\$ 112,000	\$ 112,000	\$ 111,660	\$ (340)	-0.3%
Internet Expense	\$ 105,600	\$ 105,600	\$ 95,000	\$ (10,600)	-10.0%
Office Supplies	\$ 33,000	\$ 33,000	\$ 33,000	\$ -	0.0%
Computer Supplies and Maintenance	\$ 350,000	\$ 350,000	\$ 350,600	\$ 600	0.2%
Subscriptions & Publications	\$ 13,500	\$ 13,500	\$ 13,500	\$ -	0.0%
Dues	\$ 4,400	\$ 4,400	\$ 3,400	\$ (1,000)	-22.7%
Postage	\$ 1,200	\$ 1,200	\$ 1,200	\$ -	0.0%
Express Shipping	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.0%
Copying	\$ 26,400	\$ 26,400	\$ 26,400	\$ -	0.0%
Reports	\$ 6,000	\$ 6,000	\$ 8,000	\$ 2,000	33.3%
Stationary and Office Forms	\$ 2,000	\$ 2,000	\$ 2,000	\$ -	0.0%
Equipment Repair/Service Contracts	\$ -	\$ -	\$ -	\$ -	-
Bank Charges	\$ 15,000	\$ 15,000	\$ 10,000	\$ (5,000)	-33.3%
Sales and Use Tax	\$ -	\$ -	\$ -	\$ -	-
Merchant Credit Card Fees	\$ -	\$ -	\$ -	\$ -	-
Presentation and Publicity	\$ -	\$ -	\$ -	\$ -	-
Total Office Costs	\$ 679,100	\$ 679,100	\$ 664,760	\$ (14,340)	-2.1%

Explanation of Significant Variances –2018 Budget versus 2017 Budget

- Total Office costs are expected to remain relatively flat.

Table B-9 Professional Services

Professional Services	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
BOT Fee	\$ 325,000	\$ 325,000	\$ 340,000	\$ 15,000	4.6%
BOT Search Fee	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)	-100.0%
Legal - Reorganization	\$ -	\$ -	\$ -	\$ -	-
Accounting & Auditing Fees	\$ 310,000	\$ 310,000	\$ 300,000	\$ (10,000)	-3.2%
Legal Fees - Other	\$ 316,000	\$ 316,000	\$ 250,000	\$ (66,000)	-20.9%
Insurance - Commercial	\$ 70,000	\$ 70,000	\$ 70,000	\$ -	0.0%
Total Services	\$ 1,041,000	\$ 1,041,000	\$ 960,000	\$ (81,000)	-7.8%

Explanation of Significant Variances –2018 Budget versus 2017 Budget

- Legal fees are projected to be lower based on additional workload taken on by in-house legal team.

Table B-10 Miscellaneous

Miscellaneous Expense	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Miscellaneous Expense	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	0.0%
Total Miscellaneous Expense	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	0.0%

Table B-11 Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Office Relocation	\$ -	\$ -	\$ -	\$ -	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Table B-12 Fixed Assets

Fixed Assets	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Depreciation	\$ (250,000)	\$ (250,000)	\$ (269,000)	\$ (19,000)	7.6%
Equipment CapEx	\$ -	\$ -	\$ -	\$ -	-
Computer & Software CapEx	\$ 276,000	\$ 276,000	\$ 115,000	\$ (161,000)	-58.3%
Furniture & Fixtures CapEx	\$ -	\$ -	\$ -	\$ -	-
Leasehold Improvements	\$ -	\$ -	\$ -	\$ -	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	-
Total Increase (Decrease) in Fixed Assets	\$ 26,000	\$ 26,000	\$ (154,000)	\$ (180,000)	-692.3%

Explanation of Significant Variances –2018 Budget versus 2017 Budget

- Capital expenditures planned for 2018 include the continuing implementation of an Enterprise Content Management system and continuing development of Compliance Issues Tracking System and CMEP Data Administration Application.

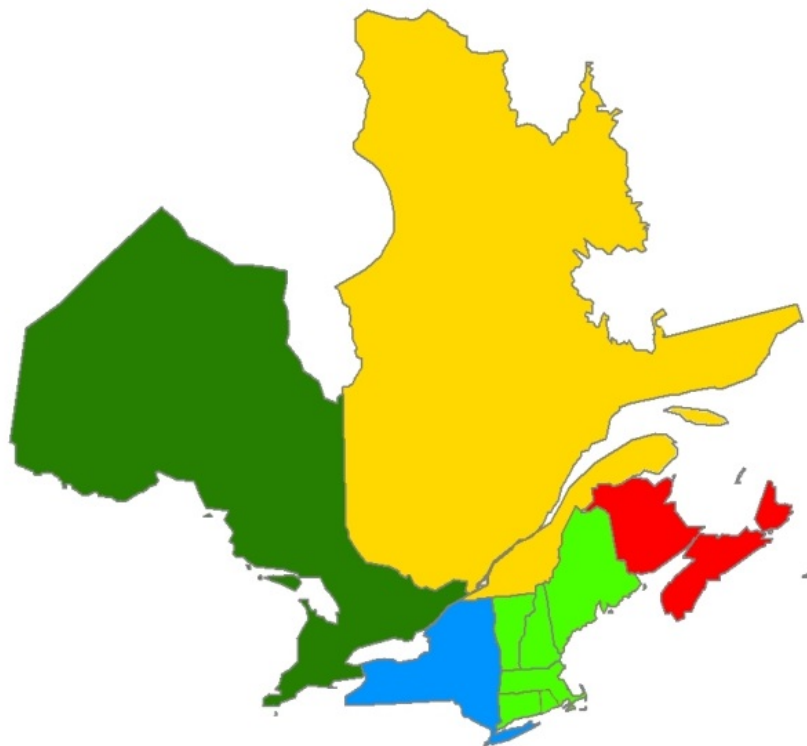
Table B-13 2019 and 2020 Projections

Statement of Activities and Capital Expenditures 2018 Budget & Projected 2019 and 2020 Budgets								
	2018 Budget	2019 Projection	\$ Change 18 v 19	% Change 18 v 19	2020 Projection	\$ Change 19 v 20	% Change 19 v 20	
Funding								
ERO Funding								
ERO Assessments	\$ 14,341,787	\$ 14,673,806	\$ 332,019	2.3%	\$ 15,032,532	\$ 358,727	2.4%	
Penalty Sanctions	75,000	-	(75,000)	-100.0%	-	-		
Total ERO Funding	\$ 14,416,787	\$ 14,673,806	\$ 257,019	1.8%	\$ 15,032,532	\$ 358,727	2.4%	
Membership Dues	-	-	-		-	-		
Testing Fees	-	-	-		-	-		
Services & Software	-	-	-		-	-		
Workshops	64,000	64,000	-	0.0%	64,000	-	0.0%	
Interest	-	-	-		-	-		
Miscellaneous	-	-	-		-	-		
Total Funding (A)	\$ 14,480,787	\$ 14,737,806	\$ 257,019	1.8%	\$ 15,096,532	\$ 358,727	2.4%	
Expenses								
Personnel Expenses								
Salaries	\$ 7,107,599	\$ 7,320,827	\$ 213,228	3.0%	\$ 7,540,452	\$ 219,625	3.0%	
Payroll Taxes	411,440	423,784	12,343	3.0%	436,497	12,714	3.0%	
Benefits	1,476,378	1,564,960	88,583	6.0%	1,658,858	93,898	6.0%	
Retirement Costs	825,353	850,114	24,761	3.0%	875,617	25,503	3.0%	
Total Personnel Expenses	\$ 9,820,770	\$ 10,159,685	\$ 338,914	3.5%	\$ 10,511,424	\$ 351,739	3.5%	
Meeting Expenses								
Meetings	\$ 353,050	\$ 356,581	\$ 3,531	1.0%	\$ 360,146	\$ 3,566	1.0%	
Travel	834,500	842,845	8,345	1.0%	851,273	8,428	1.0%	
Conference Calls	37,000	37,370	370	1.0%	37,744	374	1.0%	
Total Meeting Expenses	\$ 1,224,550	\$ 1,236,796	\$ 12,246	1.0%	\$ 1,249,163	\$ 12,368	1.0%	
Operating Expenses								
Consultants & Contracts	\$ 1,877,640	\$ 1,877,640	-	0.0%	\$ 1,877,640	\$ -	0.0%	
Office Rent	810,700	818,807	8,107	1.0%	826,995	8,188	1.0%	
Office Costs	664,760	678,055	13,295	2.0%	691,616	13,561	2.0%	
Professional Services	960,000	960,000	-	0.0%	960,000	-	0.0%	
Miscellaneous	50,000	50,500	500	1.0%	51,005	505	1.0%	
Depreciation	269,000	271,690	2,690	1.0%	274,407	2,717	1.0%	
Total Operating Expenses	\$ 4,632,100	\$ 4,656,692	\$ 24,592	0.5%	\$ 4,681,663	\$ 24,971	0.5%	
Total Direct Expenses	\$ 15,677,420	\$ 16,053,172	\$ 375,752	2.4%	\$ 16,442,251	\$ 389,078	2.4%	
Indirect Expenses	\$ (416,453)	\$ (424,782)	\$ (8,329)	2.0%	\$ (433,278)	\$ (8,496)	2.0%	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Total Expenses (B)	\$ 15,260,967	\$ 15,628,390	\$ 367,423	2.4%	\$ 16,008,973	\$ 380,583	2.4%	
Change in Assets	\$ (780,180)	\$ (890,585)	\$ (110,404)	14.2%	\$ (912,441)	\$ (21,856)	2.5%	
Fixed Assets								
Depreciation	\$ (269,000)	\$ (271,690)	\$ (2,690)	1.0%	\$ (274,407)	\$ (2,717)	1.0%	
Computer & Software CapEx	115,000	100,000	(15,000)	-13.0%	100,000	-	0.0%	
Furniture & Fixtures CapEx	-	-	-		-	-		
Equipment CapEx	-	-	-		-	-		
Leasehold Improvements	-	-	-		-	-		
(Incr)Dec in Fixed Assets (C)	\$ (154,000)	\$ (171,690)	\$ (17,690)	11.5%	\$ (174,407)	\$ (2,717)	1.6%	
TOTAL BUDGET (=B+C)	\$ 15,106,967	\$ 15,456,700	\$ 349,733	2.3%	\$ 15,834,566	\$ 377,866	2.4%	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (626,180)	\$ (718,895)	\$ (92,714)	14.8%	\$ (738,034)	\$ (19,139)	0.0%	
FTEs	36.86	36.86	0	0.0%	36.86	0	0.0%	

Assumptions

- No changes in assumptions
- Staffing remains flat
- Change in assessments is equal to change in total budget

Section C — Criteria Services Division Activities 2018 Business Plan and Budget



Section C – Criteria Services Division Activities

Criteria Services Division			
(in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	2.14	2.14	0.00
Total Direct Expenses	\$623,747	\$666,530	\$42,783
Total Indirect Expenses	\$413,149	\$416,453	\$3,304
Other Non-Operating Expenses	\$0	\$0	\$0
Working Capital and Operating Reserves Requirement	\$78,971	(\$47,843)	(\$126,813)
Inc(Dec) in Fixed Assets	(\$10,000)	(\$16,000)	(\$6,000)
Funding Requirement	\$1,105,867	\$1,019,141	(\$86,726)

NPCC Regionally-Specific Criteria Services Background

NPCC Criteria Services division activities are based on the development, maintenance (including retirement when no longer needed), and promulgation of new or revised Regionally-specific, more stringent reliability criteria and supporting guideline or procedural documents. The requirements in NPCC Reliability Criteria apply only to those facilities defined as NPCC Bulk Power System elements through the performance based methodology identified in the NPCC Document A-10, “Classification of Bulk Power System Elements”.

In accordance with the NERC Rules of Procedure (RoP) Section 313, Regional Entities may develop Regional Criteria necessary to implement, augment, or facilitate compliance with NERC Reliability Standards. These Regional Criteria may also be utilized to address issues not within the scope or jurisdiction of FERC as outlined in Section 215 of the Federal Power Act, such as resource adequacy. Regional Criteria may also address Canadian Provincial reliability issues, and may include specific operating or planning parameters, guides, agreements, protocols or other documents used to enhance the reliability of the Bulk Power System in the Region. These documents typically provide benefits by promoting more consistent implementation of the NERC Reliability Standards within the Region. These documents are not NERC Reliability Standards, Regional Reliability Standards, or Regional Variances, and therefore are not enforceable under the authority delegated by NERC pursuant to delegation agreements.

As NERC Reliability Standards are revised or new standards are developed, NPCC performs reviews of any associated Regional Criteria for possible impact.

For 2018 and beyond, the potential reliability impacts of increased penetration of Distributed Energy Resources “DER” (e.g. solar and wind), and changing fuel mixes warrant further consideration. The Criteria Services Division has a unique opportunity to review these issues and develop criteria, guideline, and procedural documents for DER which may be outside of the jurisdiction of FERC and NERC Reliability Standards. Participation of the entities responsible for development of DER renewable resources to develop reliability documents will become increasingly important over time. Outreach, collaboration, and coordination of topics related to DER will enable NPCC to develop guidelines allowing more effective integration of these resources.

Membership and Governance

Full members, in accordance with NPCC's Amended and Restated Bylaws, are subject to compliance with Regionally-specific criteria and receive criteria-related services from the Criteria Services division.

Full Members, aside from those who 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.

Under Criteria Services NPCC will identify for membership, those entities involved in emerging technologies to assure that those entities that have an impact on Bulk Electric System reliability are included in appropriate NPCC activities.

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 2018 Assumptions and Cost Impacts

The Criteria Services division activities are expected to remain stable or slightly increase throughout 2018 depending on reliability need.

- The Criteria Compliance Enforcement Program (CCEP) review and evaluation process is the mechanism for monitoring key criteria attributes as determined by the respective NPCC Task Forces and the Compliance Committee.
- Past non-compliances, if any, followed the due process stated in the CCEP-1 process document and proper resolution/enforcement action taken.

2018 Primary Goals and Objectives

- Continue with the development and maintenance of a set of NPCC Directories which augment or add specificity to the NERC Reliability Standards and which clearly delineate the more stringent NPCC criteria requirements. The combination of North American and more stringent NPCC Regional criteria provide for consistency and operational clarity while providing more robust defense in-depth, results based, criteria requirements to ensure NPCC BPS reliability.
- Continually review the criteria found in the NPCC Directories and the ERO standards to ensure no redundancies or inconsistencies exist.
- Retire Directories and/or Criteria which have been overtaken by improved NERC standards.
- Identify opportunities to develop criteria, procedures or guideline documents to address reliability related matters with DER.

- Continually file revised and updated more stringent requirements with the New York State Department of Public Service and Canadian Provinces as applicable.
- 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 duplicative 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 any 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.
- Continually review impact of Bulk Electric System definition on Directory and Criteria content and compliance reporting.
- Continually review potential impacts of Sector or NPCC organizational changes on the Directories and Criteria by performing a review of enforcement and arbitration processes as needed.
- Assist Legal with preparation of revised Directories for Regulatory filings with the individual Provinces in accordance with their respective Memorandum of Understandings (MOUs) as well as the State of New York Public Service Commission.
- Facilitate any requested clarifications for NPCC Criteria with the necessary subject matter experts and also identify any other potential opportunities for clarifications of the Criteria.
- Conduct review of the following Documents:
 - Directory No. 7 – *Special Protection Systems* – the TFSP will serve as lead Task Force working in conjunction with TFCP and TFSS on revisions required to ensure consistency with the development of the NERC standard on Remedial Action Schemes.
 - *A-10 - Classification of Bulk Power System Elements* - the TFCP will conclude its review of the A-10 methodology in 2018.
 - Review and respond to Requests for Clarifications to existing NPCC Standards, Directories, and Criteria.

NPCC Reliability Directory Maintenance and Development

The NPCC Regional Reliability Directories were developed to demonstrate that the NPCC more stringent criteria augment, add specificity, or address issues not covered in the NERC Reliability Standards as mandated by the NERC Rules of Procedure. The conversion of NPCC’s reliability criteria into Directories was undertaken to remove any redundancies with the NERC or NPCC Regional Reliability Standards and to clearly delineate the more stringent NPCC criteria requirements, assign Functional Model designations to those responsible for compliance and create measurable compliance criteria. Subsequent to the initial establishment of the Directories, which also organized functionally related B Guidelines and C Procedures into a single Directory, the Directories were further reviewed to translate existing criteria language into a requirements and “standards type” format. The development of the criteria into NERC style requirements facilitates the NPCC Region’s CCEP and also ensures the delineation of the more stringent and more specific Regional criteria from the latest approved and effective set of NERC ERO standards.

In 2018, work will continue with the maintenance, revision, or potential retirement of individual Directories to address any actual or anticipated redundancies with new or modified NERC or

NPCC Reliability Standards. The ongoing review and maintenance of the Directories will require Task Force and Criteria Services staff to support this effort and to serve as subject matter experts. In addition to the ongoing review of the criteria within the Directories for potential duplicity with the NERC standards, any Directories that have not had the criteria translated into NERC style requirements will also be reviewed in order to achieve criteria ‘requirements’ which are clear, concise and measurable. Also, a standards style template will continue to be applied to the existing Directories to make them more consistent with the format of NERC standards. As NERC standards improve, the need for NPCC Directories and the amount of criteria contained therein may decrease over time, however in the interim, significant review is necessary to ensure the criteria remain consistent with the NERC standards as outlined in the NERC Rules of Procedure. NPCC will conduct internal reviews of all draft standards against Regional criteria and utilize subject matter experts to identify reliability and compliance related concerns. NPCC will file the revised NPCC Directories and notifications of retirements of Directories with the Canadian governmental and/or provincial Regulatory authorities within the NPCC “footprint”, on an as needed basis, in accordance with established provincial procedures and agreements executed with NPCC.

NPCC Operations and Planning Directories

The following Directories are envisioned to remain active for 2018.

Directory #1, Design and Operation of the Bulk Power System.

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 TFCP and TFCO completed a review of the Directory#1 criteria in 2015, during which the criteria was translated into NERC style requirements and revisions were enacted to ensure consistency with recent changes to the TPL and TOP standards.

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 is reviewing this Directory in 2017.

Directory #4, System Protection Criteria

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, Reserve

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 and ensure consistency with the BAL standards.

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 and ensure consistency with the Remedial Action Scheme PRC-012 standard.

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 lead the review and revision of this Directory in 2017. The Directory was re-formatted to be consistent with the style of NERC standards.

Directory #11, *Disturbance Monitoring Equipment*,

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 anticipates the development and approval of Directory#11 in order to facilitate the retirement of PRC -002-NPCC-1 and will lead this review and revision.

Directory #12, *Automatic UFLS Program Requirements*,

This Directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain existing NERC and NPCC 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 and Enforcement Program (CCEP)

The NPCC Criteria Services division supports the reliable operation of the NPCC Bulk Power System (BPS) through implementation of the NPCC Criteria Compliance Program (CCEP). This program monitors, assesses and enforces compliance with regionally specific, more stringent NPCC Criteria. The criteria are unique to the NPCC BPS and are not duplicative of the NERC Reliability Standards. The criteria evolved over many years and were determined to be technically necessary, to maintain the reliability of the NPCC BPS and prevent cascading outages. In addition, the physical characteristics and topology of the transmission system within the Region require that these specific, more stringent criteria be developed and that compliance be monitored for these criteria.

NPCC Membership, in conjunction with the Criteria Services Division of the NPCC Staff, developed the CCEP. The NPCC Compliance Committee administers the CCEP. The NPCC Compliance Committee is a stakeholder body consisting of NPCC Members, structured with seven sectors. They are Transmission Owners; Reliability Coordinators; Transmission Dependent Utilities, Distribution Providers and Load-Serving Entities; Generator Owners; Marketers, Brokers and Aggregators; Regulators; Sub-Regional Reliability Councils, Customers, Other Regional Entities and Interested Entities.

Non-compliance to NPCC Criteria are not subject to monetary sanctions, whereas violations of NERC Reliability Standards are subject to monetary sanctions. Currently non-compliance of NPCC Criteria result in escalating notification to appropriate entities based on the severity of the non-compliance.

The following two guiding documents describe the implementation of the CCEP:

- 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*

The NPCC Compliance Committee reviews these documents on a regular basis. Should the NPCC Compliance Committee revise the CCEP-1 document, it will prepare an approved final version that is distributed to the NPCC Membership for vote. As the CCEP is only applicable to the NPCC Criteria, which is the responsibility of the Full Members of NPCC, the Full Members of NPCC must vote on revisions to the document

The CCEP-1 document also:

- 1) 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;
- 2) Describes the roles and responsibilities of Reporting Members, the NPCC Compliance Committee, the NPCC Reliability Coordinating Committee and the Enforcement Panel in the compliance review and enforcement process;
- 3) Describes Levels of Non-Compliance, associated non-monetary Sanctions, Lateness Policy and the Arbitration/Dispute Resolution process;
- 4) Addresses Mitigation Plans for any violations under the enforcement process; and
- 5) Lists the Certification Forms to be submitted for review.

Annually, the CCEP Working Group, under the NPCC Compliance Committee, develops the CCEP implementation plan and also reviews the compliance submittals and prepares a report for the entire NPCC Compliance Committee. The NPCC Compliance Committee has final approval of compliance assessments related to CCEP. Once the Compliance Committee approves the final report, it is presented to the NPCC Reliability Coordinating Committee for its approval.

Compliance to the NPCC Criteria is a responsibility of the NPCC Members and is codified in the *AMENDED AND RESTATED BYLAWS OF NORTHEAST POWER COORDINATING COUNCIL, INC.* Implementation of the CCEP is also consist with the current Memorandum of Understanding that NPCC has with its Canadian Members.

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2018.

2017 Budget and Projection and 2018 Budget Comparisons

Statement of Activities and Capital Expenditures 2017 Budget & Projection, and 2018 Budget						
CRITERIA SERVICES DIVISION						
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-	-
Total ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	1,105,867	1,105,867	-	1,019,141	(86,726)	
Testing Fees	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Funding (A)	\$ 1,105,867	\$ 1,105,867	\$ -	\$ 1,019,141	\$ (86,726)	
Expenses						
Personnel Expenses						
Salaries	\$ 401,142	\$ 401,142	\$ -	\$ 404,848	\$ 3,706	
Payroll Taxes	23,301	23,301	-	23,413	112	
Benefits	69,100	69,100	-	74,991	5,892	
Retirement Costs	42,605	42,605	-	43,272	667	
Total Personnel Expenses	\$ 536,147	\$ 536,147	\$ -	\$ 546,523	\$ 10,376	
Meeting Expenses						
Meetings	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	\$ -	
Travel	51,600	51,600	-	55,647	4,047	
Conference Calls	-	-	-	-	-	-
Total Meeting Expenses	\$ 56,600	\$ 56,600	\$ -	\$ 60,647	\$ 4,047	
Operating Expenses						
Consultants & Contracts	\$ 18,000	\$ 18,000	\$ -	\$ 40,360	\$ 22,360	
Office Rent	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-
Computer & Equipment Leases	-	-	-	-	-	-
Miscellaneous	3,000	3,000	-	3,000	-	
Depreciation	10,000	10,000	-	16,000	6,000	
Total Operating Expenses	\$ 31,000	\$ 31,000	\$ -	\$ 59,360	\$ 28,360	
Total Direct Expenses	\$ 623,747	\$ 623,747	\$ -	\$ 666,530	\$ 42,783	
Indirect Expenses	\$ 413,149	\$ 413,149	\$ -	\$ 416,453	\$ 3,304	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 1,036,896	\$ 1,036,896	\$ -	\$ 1,082,983	\$ 46,087	
Change in Assets	\$ 68,971	\$ 68,971	\$ -	\$ (63,843)	\$ (132,813)	
Fixed Assets						
Depreciation	\$ (10,000)	(10,000)	\$ -	\$ (16,000)	\$ (6,000)	
Computer & Software CapEx	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	(10,000)	(10,000)	-	(16,000)	(6,000)	
TOTAL BUDGET (=B+C)	1,026,896	1,026,896	-	1,066,983	40,087	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 78,971	\$ 78,971	\$ -	\$ (47,843)	\$ (126,813)	

Personnel Analysis

Total FTE's by Program Area	Budget 2017	Projection 2017	Direct FTEs 2018 Budget	Shared FTEs ¹ 2018 Budget	Total FTEs 2018 Budget	Change from 2017 Budget
CRITERIA SERVICES DIVISION						
Operational Programs						
Reliability Standards	1.07	1.07	1.00	0.07	1.07	0.00
Compliance Enforcement and Organization Registration and Certification	0.00	0.00	0.00	0.00	0.00	0.00
Training and Education	0.00	0.00	0.00	0.00	0.00	0.00
Reliability Assessment and Performance Analysis	1.07	1.07	1.00	0.07	1.07	0.00
Situation Awareness and Infrastructure Security	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Operational Programs	2.14	2.14	2.00	0.14	2.14	0.00
Administrative Programs						
Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General and Administrative	0.00	0.00	0.00	0.00	0.00	0.00
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Accounting and Finance	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Administrative Programs	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs	2.14	2.14	2.00	0.14	2.14	0.00

¹A shared FTE is defined as an employee who performs both Regional Entity and Criteria Services division functions.

Reserve Analysis 2017 - 2018

Working Capital and Operating Reserve Analysis 2017-2018				
CRITERIA SERVICES DIVISION				
	Total Reserve	Operating Reserve	Working Capital	Business Continuity
Beginning Total Reserve, December 31, 2016	384,529	295,774	88,755	
2017 Non-Statutory Funding (from members)	1,105,867	1,105,867	0	
2017 Other funding sources	0	0	0	
Less: 2017 Projected expenses & fixed asset additions	(1,026,896)	(1,026,896)	0	
Projected Working Capital and Operating Reserve, December 31, 2017	463,500	374,745	88,755	
Desired Working Capital and Operating Reserve, December 31, 2018 ¹	355,657	266,746 ²	88,912 ³	
Desired Business Continuity Reserve, December 31, 2018	60,000			60,000
Less: Projected Working Capital and Operating Reserve, December 31, 2017	(463,500)	(374,745)	(88,755)	
Increase(decrease) in assessments to achieve desired Total Reserve	(47,843)	(107,999)	157	
2018 Funding requirement for expenses and fixed asset additions	1,066,983			
Adjustment to achieve desired Working Capital and Operating Reserve balance	(47,843)			
2017 Funding and reserve requirement	1,019,141			

¹ Total Reserve within a range of 16.67% - 33.33% of Budget.

² Total NPCC Operating Reserve must be within a range from 8.33% to 25.00% of Budget. \$266,746 represents 25.00% of the 2017 CS budget of \$1,066,983.

³ Total NPCC Working Capital must equal 8.33% of Budget. \$88,912 represents 8.33% of the 2017 CS budget of \$1,066,983.

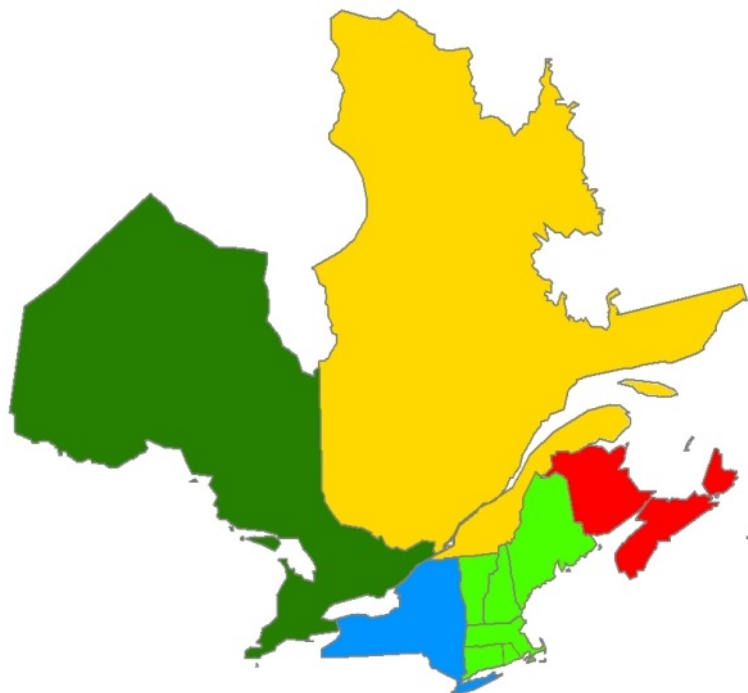
⁴ Establish Business Continuity Reserve as approved by the NPCC Board of Directors upon recommendation by the MDCC.

Explanation of Changes in Reserve Policy from Prior Year

There was no change to the existing Working Capital and Operating Reserve Policy, however, a separate Business Continuity Reserve (BCR) in the amount of \$1,000,000 (allocated between the Regional Entity and Criteria Services divisions) was established as approved by the NPCC Board of Directors, upon recommendation by the Management Development and Compensation Committee and endorsement by the Finance and Audit Committee, to be identified as restricted cash and drawn upon as subsequently brought before the Board of Directors in association with President & CEO succession related activities associated with a planned or sudden retirement, as well as other sudden changing workforce staffing requirements.

Section D – Additional Consolidated Financial Statements

2018 Business Plan and Budget



Section D — Additional Financial Statements

Statement of Financial Position

Statement of Financial Position				
2016 Audited, 2017 Projection, and 2018 Budget				
Regional Entity and Criteria Services Division				
		Actual		
		(Per Audit)	Projected	Budget
		31-Dec-16	31-Dec-17	31-Dec-18
ASSETS				
Cash		7,176,480	5,553,000	4,825,000
Restricted cash		225,224	225,000	150,000
Temporary cash investments		1,811,039	1,811,000	1,811,000
Prepaid expenses		342,349	340,000	340,000
Other assets		178,306	203,000	231,000
Equipment and leasehold improvements, net		788,564	792,000	622,000
Total Assets		10,521,962	8,924,000	7,979,000
LIABILITIES AND NET ASSETS				
Liabilities				
Accrued expenses and other liabilities		2,489,073	2,514,000	2,542,000
Deferred revenue		823,560	-	-
Deferred rent		633,349	580,000	526,000
Total Liabilities		3,945,982	3,094,000	3,068,000
Net Assets - unrestricted		6,575,980	5,830,000	4,911,000
Total Liabilities and Net Assets		10,521,962	8,924,000	7,979,000

Section D — Additional Financial Statements

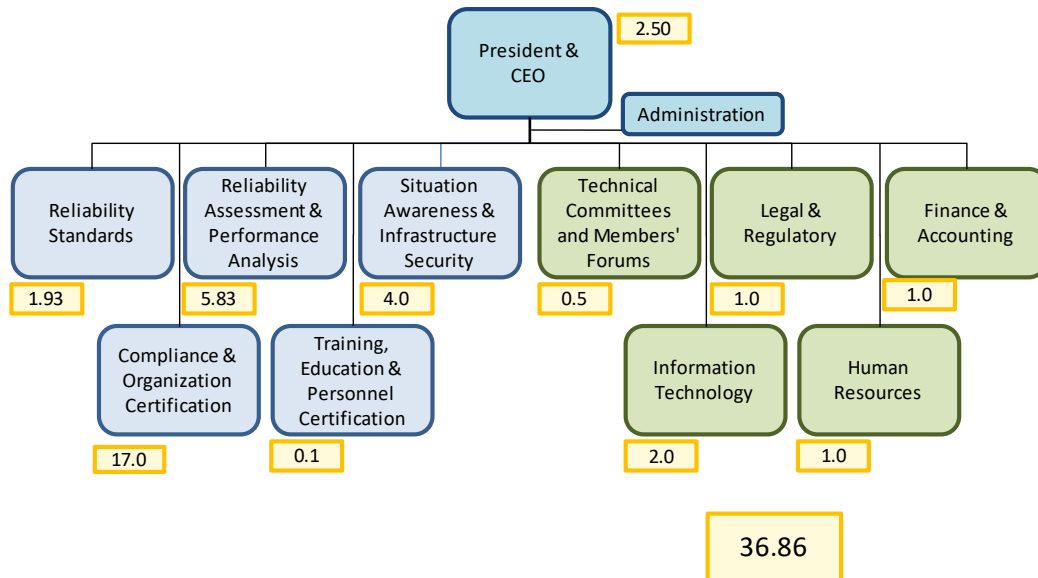
NPCC Statement of Activities 2018 Budget		RE Division Total	Reliability Standards (Section 300)	Compliance Monitoring and Enforcement Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training, Education, and Operator Certification (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Administrative Services
ERO Funding								
	ERO Assessments	14,341,787	1,005,230	7,692,569	3,225,570	184,791	2,300,208	(66,581)
	Penalty Sanctions	75,000	5,016	41,580	15,151	260	12,994	
	Total ERO Funding	14,416,787	1,010,246	7,734,149	3,240,721	185,051	2,313,202	(66,581)
	Membership Dues	-	-	-	-	-	-	-
	Testing Fees	-	-	-	-	-	-	-
	Services & Software	-	-	-	-	-	-	-
	Workshops	64,000	-	-	-	64,000	-	-
	Interest	-	-	-	-	-	-	-
	Miscellaneous	-	-	-	-	-	-	-
	Total Funding (A)	14,480,787	1,010,246	7,734,149	3,240,721	249,051	2,313,202	(66,581)
Expenses								
Personnel Expenses								
	Salaries	7,107,599	377,093	2,716,635	1,106,772	18,399	825,560	2,063,139
	Payroll Taxes	411,440	21,390	171,841	65,805	1,350	53,677	97,378
	Benefits	1,476,378	98,851	524,801	220,007	4,893	189,417	438,408
	Retirement Costs	825,353	40,299	282,356	117,144	2,320	87,637	295,596
	Total Personnel Expenses	9,820,770	537,633	3,695,634	1,509,728	26,963	1,156,291	2,894,522
Meeting Expenses								
	Meetings	353,050	7,000	9,000	22,000	188,300	10,000	116,750
	Travel	834,500	93,000	289,000	212,000	15,000	87,500	138,000
	Conference Calls	37,000	-	-	-	-	-	37,000
	Total Meeting Expenses	1,224,550	100,000	298,000	234,000	203,300	97,500	291,750
Operating Expenses								
	Consultants & Contracts	1,877,640	10,000	1,254,000	401,640	-	120,000	92,000
	Office Rent	810,700	-	-	-	-	-	810,700
	Office Costs	664,760	-	-	-	-	-	664,760
	Professional Services	960,000	-	-	-	-	-	960,000
	Miscellaneous	50,000	-	-	-	-	-	50,000
	Depreciation	269,000	-	-	-	-	-	269,000
	Total Operating Expenses	4,632,100	10,000	1,254,000	401,640	-	120,000	2,846,460
	Total Direct Expenses	15,677,420	647,633	5,247,634	2,145,368	230,263	1,373,791	6,032,732
	Indirect Expenses	(416,453)	375,586	3,113,668	1,134,543	19,460	973,021	(6,032,732)
	Other Non-Operating Expenses	-	-	-	-	-	-	-
	Total Expenses (B)	15,260,967	1,023,220	8,361,302	3,279,911	249,723	2,346,812	-
	Change in Assets	(780,180)	(12,974)	(627,153)	(39,190)	(672)	(33,611)	(66,581)
Fixed Assets								
	Depreciation	(269,000)	-	-	-	-	-	(269,000)
	Computer & Software CapEx	115,000	-	40,000	-	-	-	75,000
	Furniture & Fixtures CapEx	-	-	-	-	-	-	-
	Equipment CapEx	-	-	-	-	-	-	-
	Leasehold Improvements	-	-	-	-	-	-	-
	Allocation of Fixed Assets	0	(12,974)	(107,554)	(39,190)	(672)	(33,611)	194,000
	Inc (Dec) in Fixed Assets (C)	(154,000)	(12,974)	(67,554)	(39,190)	(672)	(33,611)	-
	TOTAL BUDGET (=B + C)	15,106,967	1,010,246	8,293,748	3,240,721	249,051	2,313,202	-
	TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(626,180)	(0)	(559,599)	0	0	0	(66,581)
	FTEs	36.86	1.93	16.00	5.83	0.10	5.00	8.00

Section D — Additional Financial Statements

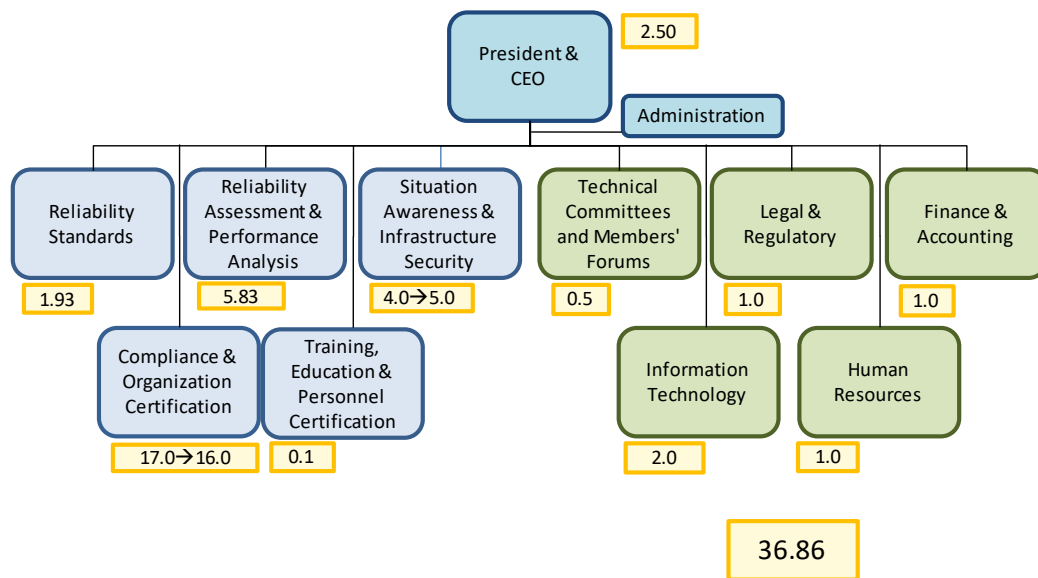
NPCC Statement of Activities 2018 Budget		Criteria Services Total	Criteria Development	Criteria Assessment	General and Administrative
Funding					
ERO Funding					
	ERO Assessments	-			
	Penalty Sanctions	-			
	Total ERO Funding	-	-	-	-
	Membership Dues	1,019,141	521,732	545,251	(47,843)
	Testing Fees	-	-	-	-
	Services & Software	-	-	-	-
	Workshops	-	-	-	-
	Interest	-	-	-	-
	Miscellaneous	-	-	-	-
	Total Funding (A)	1,019,141	521,732	545,251	(47,843)
Expenses					
Personnel Expenses					
	Salaries	404,848	184,971	219,877	-
	Payroll Taxes	23,413	10,915	12,498	-
	Benefits	74,991	41,713	33,278	-
	Retirement Costs	43,272	20,260	23,012	-
	Total Personnel Expenses	546,523	257,858	288,665	-
Meeting Expenses					
	Meetings	5,000	2,500	2,500	-
	Travel	55,647	27,647	28,000	-
	Conference Calls	-	-	-	-
	Total Meeting Expenses	60,647	30,147	30,500	-
Operating Expenses					
	Consultants & Contracts	40,360	24,000	16,360	-
	Office Rent	-	-	-	-
	Office Costs	-	-	-	-
	Professional Services	-	-	-	-
	Miscellaneous	3,000	1,500	1,500	-
	Depreciation	16,000	8,000	8,000	-
	Total Operating Expenses	59,360	33,500	25,860	-
	Total Direct Expenses	666,530	321,505	345,025	-
	Indirect Expenses	416,453	208,227	208,227	-
	Other Non-Operating Expenses	-	-	-	-
	Total Expenses (B)	1,082,983	529,732	553,251	-
	Change in Assets	(63,843)	(8,000)	(8,000)	(47,843)
Fixed Assets					
	Depreciation	(16,000)	(8,000)	(8,000)	-
	Computer & Software CapEx	-	-	-	-
	Furniture & Fixtures CapEx	-	-	-	-
	Equipment CapEx	-	-	-	-
	Leasehold Improvements	-	-	-	-
	Allocation of Fixed Assets	-	-	-	-
	Inc (Dec) in Fixed Assets (C)	(16,000)	(8,000)	(8,000)	-
	TOTAL BUDGET (=B + C)	1,066,983	521,732	545,251	-
	TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(47,843)	-	-	(47,843)
	FTEs	2.14	1.07	1.07	0

Appendix A Staff Allocations

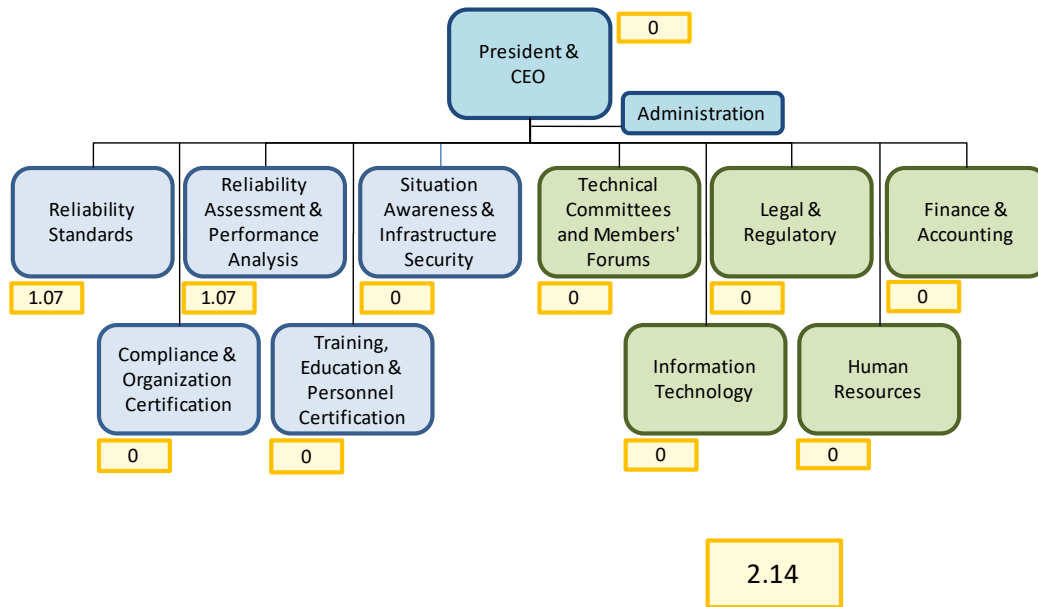
2017 Budget Staff Allocations - RE Division



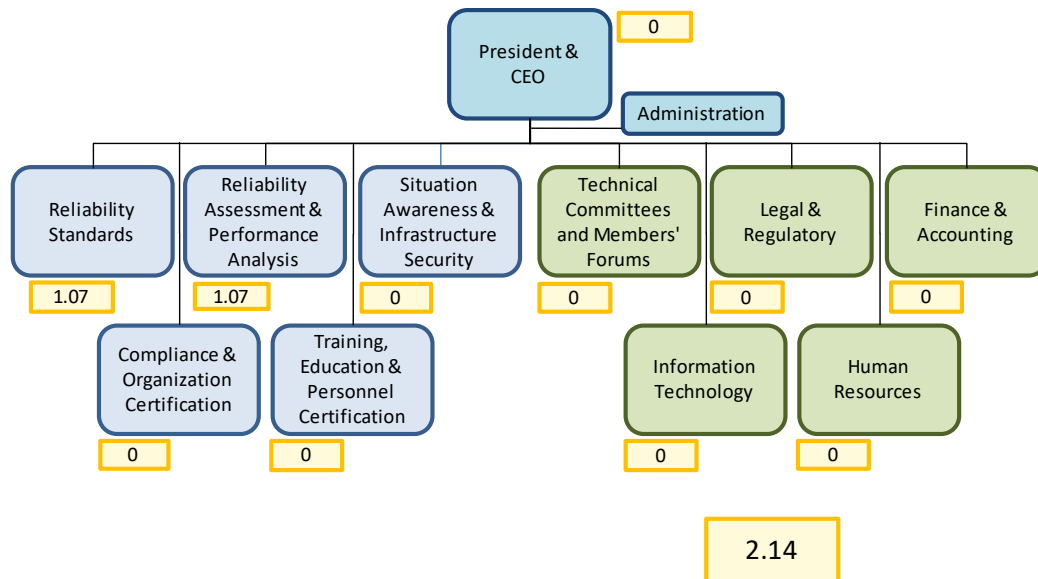
2018 Budget Staff Allocations - RE Division



2017 Budget Staff Allocations - CS Division



2018 Budget Staff Allocations - CS Division



Appendix B Acronyms

This section lists acronyms used in this document.

Acronym	Definition
AI	Audits and Investigations
BAA	Balancing Authority Area
BEPWG	BES Exception Process Working Group
BES	Bulk Electric System
BOT	Board of Trustees
BPS	Bulk Power System
CC	Compliance Committee
CCEP	Criteria Compliance Enforcement Program
CDAA	CMEP Data Administration Application
CEAP	Cost Effective Analysis Process
CEH	Continuing Education Hour
CGNC	Corporate Governance and Nominating Committee
CIPC	Critical Infrastructure Protection Committee
CIPIS	Critical Information Protection Information Sharing
CMEP	Compliance Monitoring and Enforcement Program
CORC	Compliance Monitoring and Enforcement and Organization Registration and Certification Program
CPP	Clean Power Plan
CRRA	Cost of Risk Reduction Analysis
CUG	Consortium Users Group
DADS	Demand Availability Data System
DADSWG	Demand Response Availability Data System Working Group
ERA	Entity Reliability Assessment
ERAG	Eastern Interconnection Reliability Assessment Group
ERO	Electric Reliability Organization
EUB	Electric Utility Board
EUB	Energy and Utilities Board
FAC	Finance and Audit Committee
FERC	Federal Energy Regulatory Commission
FFT	Find, Fix, Track
GADS	Generator Availability Data System
GADSWG	Generating Availability Data System Working Group
GMD	Geomagnetic Disturbance
HQCMÉ	Hydro-Québec Contrôle des mouvements d'énergie
HSIN	Homeland Security Information Network
ICE	Internal Controls Evaluation
IED	Intelligent Electronic Device
IERP	Independent Experts Review Panel Report
IESO	Independent Electricity System Operator
IRA	Inherent Risk Assessment
ISO	Independent System Operator
ITSG	IT Steering Group
LCEFT	Load, Capacity, Energy, Fuels, and Transmission
LMS	Learning Management System
LMWG	Load Modeling Working Group
LSE	Load Serving Entity
MACD	Market Assessment and Compliance Division of the IESO
MDCC	Management Development and Compensation Committee
ME	Mitigation and Enforcement
MMWG	Multi-Regional Modeling Working Group
MOU	Memorandum of Understanding
MPLS	Multiprotocol Label Switching
MVWG	Model Validation Working Group
NAESB	North American Electric Standards Review Board

Section D — Additional Financial Statements

Acronym	Definition
NEL	Net Energy for Load
NERC	North American Electric Reliability Corporation
NOAV	Notice of Alleged Violation
NOCV	Notice of Confirmed Violation
NOPR	Notice of Proposed Rulemaking
NOPV	Notice of Possible Violation
NPCC	Northeast Power Coordinating Council, Inc.
NRAP	NPCC Reliability Assessment program
NSPI	Nova Scotia Power Incorporated
NSUARB	Nova Scotia Utility and Review Board
OEB	Ontario Energy Board
PAS	Performance Analysis Subcommittee
PC	Pension Committee
PMOS	Project Management Oversight Subcommittee
PSMTF	Protection System Mis-operations Task Force
PSTN	Public Switched Telephone Network
QCMEP	Québec Reliability Standards Compliance Monitoring and Enforcement Program
RADS	Reliability Assessment Data System
RADWG	Reliability Assessment Data Working Group
RAS	Reliability Assessment Subcommittee
RC	Reliability Coordinator
RCC	Reliability Coordinating Committee
RISC	Reliability Issues Steering Committee
RSAW	Reliability Standards Audit Worksheet
RSC	Regional Standards Committee
RTO	Regional Transmission Organization
SAFNR	Situational Awareness-FERC, NERC, Regions
SAMS	System Analysis and Modeling Subcommittee
SAR	Standards Authorization Request
SAT	Systematic Approach to Training
SBS	Standards Balloting System
SCPS	Standards Committee Process Subcommittee
SDT	Standards Drafting Team
SEDS	Spare Equipment Database System
SEDTF	Spare Equipment Database Task Force
SPS	Special Protection Systems
TADS	Transmission Availability Data System
TADSWG	Transmission Availability Data System Working Group
TFCO	Task Force on Coordination of Operation
TFCP	Task Force on Coordination of Planning
TFE	Technical Feasibility Exception
TFIST	Task Force on Infrastructure Security and Technology
TFSP	Task Force on System Protection
TFSS	Task Force on System Studies
TLR	Transmission Loading Relief
TOP	Transmission Operator
UFLS	Underfrequency Load Shedding
UVLS	Under-Voltage Load Shedding
VRF	Violation Risk Factor
VSL	Violation Security Level

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DOCKET NO. RR17-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2018 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 6

RELIABILITYFIRST CORPORATION

PROPOSED 2018 BUSINESS PLAN AND BUDGET



RELIABILITY FIRST

**RELIABILITYFIRST CORPORATION
2018 BUSINESS PLAN AND BUDGET**

**APPROVED BY BOARD OF DIRECTORS
JUNE 1, 2017**

FINAL VERSION

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Introduction

The following table summarizes ReliabilityFirst Corporation's (ReliabilityFirst) budget for 2018.

Statutory FTEs	76.2			
Non-statutory FTEs	-			
Total FTEs	76.2			
Statutory Expenses	\$ 21,559,724			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 21,559,724			
Statutory Inc(Dec) in Fixed Assets	\$ (165,825)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (165,825)			
Statutory Working Capital Requirement	\$ 716,686			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ 716,686			
Total Statutory Funding Requirement	\$ 22,110,585			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 22,110,585			
Statutory Funding Assessments	\$ 20,147,707	\$ 20,147,707	\$ -	\$ -
Non-Statutory Fees	\$ -	\$ -	\$ -	\$ -
NEL (MWH)	894,286,883	894,286,883	-	-
NEL%	100%	100%	0%	0%

Organizational Overview

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 promoting and improving the reliability of the Bulk Electric System (BES) 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), the North American Electric Reliability Corporation (NERC). These 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, resiliency, security, and risks of the BES.
- Promoting effective training and education of personnel and entities.
- Promoting situational awareness and the protection of critical infrastructure.

ReliabilityFirst intends to perform only the functions delegated to it by the ERO in 2018.

Membership and Governance

Members

ReliabilityFirst has an open membership policy that permits participation of all industry stakeholders through their designated representatives. 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 (an Associate Member is an affiliate or related party of a Regular Member, and an Adjunct Member is an entity that does not qualify to join an Industry Sector but has been approved for membership).

There are currently 58 Members of ReliabilityFirst; 42 are Regular Members with voting rights, 7 are Associate Members, and 9 are Adjunct Members. 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, security, and resiliency of the BES. ReliabilityFirst believes that partnering with industry expert resources, combined with a competent and independent ReliabilityFirst staff, provides a strong and cost effective approach 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 that consists of 14 directors.

- Eight (8) directors are elected by the Industry Sectors as follows:
 - Suppliers elect two (2) directors;
 - Transmission Companies elect two (2) directors;
 - RTOs elect one (1) director;
 - Small LSEs elect one (1) director;
 - Medium LSEs elect one (1) director; and
 - Large LSEs elect one (1) director.
- Three (3) directors are at-large. At-large directors are elected by all of the Industry Sectors voting together as a single class.
- 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.

2018 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 *ERO Enterprise 2018-2020 Shared Business Plan and Budget Assumptions*

and 2018 Key Focus Areas document is located in Exhibit A of NERC's 2018 Business Plan and Budget. Additionally, ReliabilityFirst supports the ERO Strategic Plan in carrying out its duties.

2018 Key Deliverables

- Promote a culture that addresses reliability risks across the ReliabilityFirst Region and the ERO.
 - Ensure that the industry understands the essential reliability purpose of Reliability Standards and the corresponding expectations for those Reliability Standards.
 - Work with the industry to maintain and continuously improve effective risk control programs for reliability, security, and resiliency.
 - Use efficient processes and proportional exercise of discretion to verify that the industry meets reliability objectives.
- Identify the risks to reliability in the ReliabilityFirst Region.
 - Identify, understand, and prioritize risks based on reliability impacts, projected resources, and emerging issues.
 - Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to define reliability assurance activities.
 - Ensure that the industry is well-informed of emerging trends, risk analysis, lessons learned, and expected actions.
- Mitigate reliability risks.
 - Ensure that the industry understands identified risks and addresses them promptly and effectively.
 - Facilitate information sharing among the industry, Regions, ERO, and government.
 - Work with the ERO to track industry accountability for critical reliability recommendations.
- Communicate reliability risks.
 - Communicate identified and prioritized risks and mitigation strategies to the ERO Enterprise, across the ReliabilityFirst footprint, and/or to targeted entities, as appropriate.
 - Share staff expertise and leverage the expertise of ReliabilityFirst entities, to advance industry practices surrounding risk identification, mitigation, and prevention.
- Promote a culture of reliability excellence, and facilitate and encourage continuous improvement through training and education.
- Ensure useful and reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among entities.

- Serve as leading resource to industry and policy makers to supply reliability information.
- Serve as an independent, objective, and fair compliance monitoring and enforcement authority, without conflicts of interest.
 - Register entities commensurate to the risk they pose to the BES and ensure that all key entities are certified to have essential capabilities.
 - Ensure that all compliance monitoring and enforcement activities are risk-based, reliability-focused, and adhere to the requirements of the ReliabilityFirst delegation agreement and the Risk Based Compliance Monitoring and Enforcement Program. Perform these activities in an efficient, effective, and transparent manner.
 - Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough, and comprehensive manner to prevent reoccurrence.
- Improve transparency, consistency, quality and timeliness of results; collaborate with NERC and the other Regions; improve efficiencies and cost effectiveness.
 - Identify, understand, and manage internal risks.
 - Ensure processes are effective, efficient, and continually improving.

2018 Overview of 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 2018. Overall, the ReliabilityFirst 2018 budget of \$21,393,899 increased 7.46% over the 2017 budget of \$19,908,939. The 2018 assessment of \$20,147,707 represents a 3% increase over the 2017 assessment of \$19,560,881.

Personnel costs increased by \$1,572,368, an increase of 9.6% over the 2017 budget. Incorporated into the personnel costs are 3.9 additional Full Time Equivalent (FTEs)¹, a 3% general wage increase, and a 12% medical premium increase. For 2018, ReliabilityFirst did not include a personnel vacancy rate because the corporation has recently reached full staffing levels and operates with a turnover rate well below 5%. Any remaining personnel dollars resulting from vacancies could be used to fund the company's recruitment activities to attract necessary employee candidates and support employee relocation needs.

The meetings, operating and fixed asset costs of \$3,464,909 decreased by 2.5% over the 2017 budget of \$3,552,317.

The ReliabilityFirst Board has approved a \$1,000,000 operating reserve for 2018, which is the same level that existed in 2017. This level of operating reserve is believed to be sufficient for any unbudgeted and unexpected expenditures of the organization, and is consistent with Board Policy.

The board of directors also approved an increase in the working capital reserve. Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow for daily operations. However, in an ERO Enterprise wide effort to better manage and stabilize

¹ ReliabilityFirst is adding four (4) additional FTEs, and reducing an existing part time position by 0.1 FTE. Together these modifications result in a net increase of 3.9 FTEs.

assessments, the working capital reserve has been increased to include additional funds that will be used to enhance day to day cash flow management of expenditures, while providing the capability to stabilize future assessments. In the 2018 budget, the operating and working capital reserves have been differentiated to enable more granular identification and control in the utilization and monitoring of these funds in the appropriate manner.

The executive management group for NERC and the eight Regional Entities (known as the ERO EMG) concentrates on various initiatives to improve efficiency and consistency across NERC and the Regional Entities, including the development of enterprise-wide applications. As enterprise-wide projects are identified and prioritized by the ERO EMG, they are managed at NERC. ReliabilityFirst assumes agreed upon ERO Enterprise wide applications will be available, and has only included appropriate funding for applications and supporting systems necessary to satisfy its business needs that are not within the mutually agreed upon scope of the ERO Enterprise wide applications funded by NERC.

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 2018 yielded a requirement of 85.1 FTEs in order to fully address the expected workload.

Although ReliabilityFirst's manpower analysis justifies a need for 85.1 FTEs, its philosophy is to seek and achieve greater efficiencies in its tasks and workload each year. On this basis, ReliabilityFirst believes a staffing level of 76.2, which includes 3.9 additional FTE's, will be sufficient to perform its work. ReliabilityFirst's staffing level has been stable for the last four years and as a result of the increasing demands in CIP compliance monitoring, situational awareness and event analysis, and the finance management area, these additional positions are justified due to the presently identified and projected demands in these functional areas.

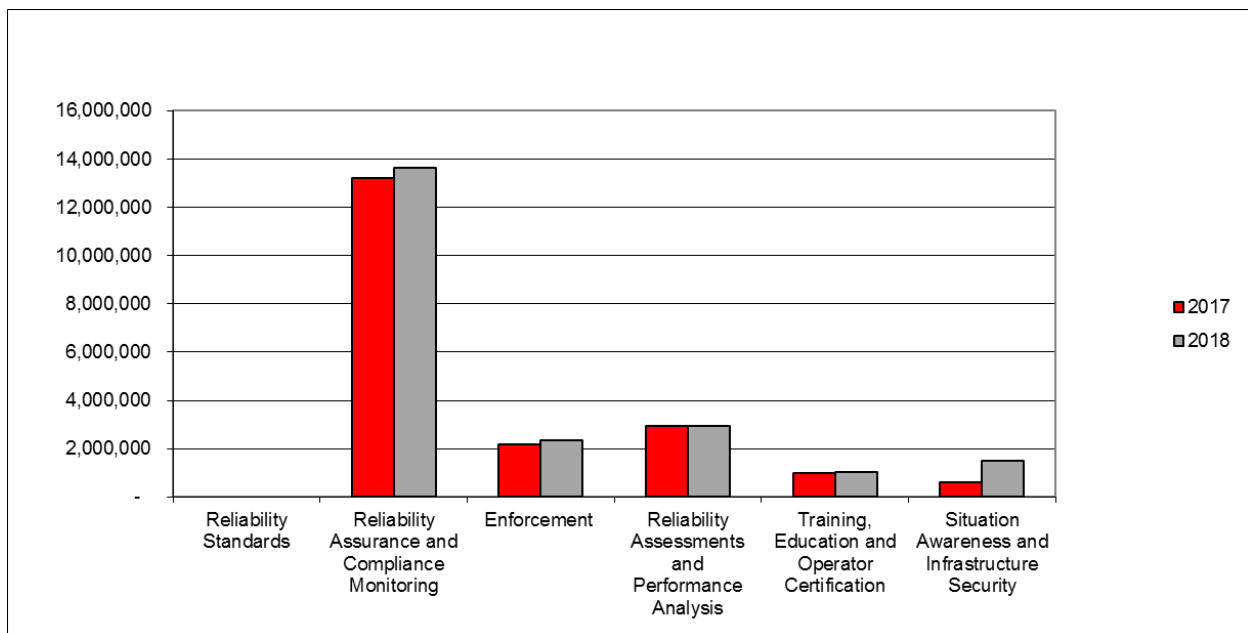
ReliabilityFirst will continue to ensure enhancements are being made in many process areas and that the maturation of the organization will continue to result in expected efficiency improvements.

Summary of Budget by Program Area

The following table and figure summarize and illustrate ReliabilityFirst's budget by program area.

Program	Budget 2017	Projection 2017	Budget 2018	Variance	
				2017 Budget v 2018 Budget	Variance %
Reliability Standards	-	-	-	-	0.0%
Reliability Assurance and Compliance Monitoring	13,238,645	12,554,768	13,622,989	384,344	2.9%
Enforcement	2,183,152	2,148,728	2,337,124	153,972	7.1%
Reliability Assessments and Performance Analysis	2,925,193	2,901,504	2,929,290	4,097	0.1%
Training, Education and Operator Certification	975,009	990,481	1,019,452	44,443	4.6%
Situation Awareness and Infrastructure Security	586,940	1,377,210	1,485,044	898,104	153.0%
Total	19,908,939	19,972,692	21,393,899	1,484,960	7.5%

2018 Versus 2017 Cost Allocation by Program Summary of Expenses



FTEs by Program Area

Total FTEs by Program Area	Budget 2017	Projection 2017	Total FTEs 2018 Budget	Change from 2017 Budget
STATUTORY				
Operational Programs				
Reliability Standards	0.00	0.00	0.00	0.00
Reliability Assurance and Compliance Monitoring	36.50	34.78	37.00	0.50
Enforcement	8.25	7.88	8.25	0.00
Reliability Assessment and Performance Analysis	8.35	8.35	8.35	0.00
Training and Education	3.00	3.00	3.00	0.00
Situation Awareness and Infrastructure Security	1.50	3.75	4.00	2.50
Total FTEs Operational Programs	57.60	57.76	60.60	3.00
Total FTEs Administrative Programs	14.70	15.70	15.60	0.90
Total FTEs	72.30	73.46	76.20	3.90

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

2017 Budget and Projection and 2018 Budget Comparisons

The following table lists the 2017 budget and projection compared to the 2018 budget.

2017 Budget and Projection, and 2018 Budget					
STATUTORY					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ReliabilityFirst Assessments	\$ 19,560,881	\$ 19,560,881	\$ -	\$ 20,147,707	\$ 586,826
Penalty Sanctions	659,000	659,000	-	1,912,877	1,253,877
Total ReliabilityFirst Funding	\$ 20,219,881	\$ 20,219,881	\$ -	\$ 22,060,585	\$ 1,840,704
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	75,000	75,000	50,000	50,000
Miscellaneous	-	-	-	-	-
Total Funding	20,219,881	20,294,881	75,000	22,110,585	1,890,704
Expenses					
Personnel Expenses					
Salaries	\$ 11,895,781	\$ 12,014,582	\$ 118,801	\$ 12,975,641	\$ 1,079,860
Payroll Taxes	705,869	708,953	3,085	765,357	59,488
Benefits	1,805,733	1,853,383	47,650	2,049,654	243,922
Retirement Costs	1,949,240	1,918,192	(31,048)	2,138,337	189,097
Total Personnel Expenses	\$ 16,356,622	\$ 16,495,110	\$ 138,489	\$ 17,928,989	\$ 1,572,368
Meeting Expenses					
Meetings	\$ 243,490	\$ 258,490	\$ 15,000	\$ 300,375	\$ 56,885
Travel	765,950	647,693	(118,257)	713,250	(52,700)
Conference Calls	49,200	44,496	(4,704)	50,400	1,200
Total Meeting Expenses	\$ 1,058,640	\$ 950,679	\$ (107,961)	\$ 1,064,025	\$ 5,385
Operating Expenses					
Consultants & Contracts	\$ 431,312	\$ 358,601	\$ (72,711)	\$ 390,132	\$ (41,180)
Office Rent	520,176	520,176	-	519,595	(582)
Office Costs	759,162	742,762	(16,400)	831,717	72,555
Professional Services	471,105	408,441	(62,664)	411,245	(59,860)
Miscellaneous	42,422	42,422	-	40,696	(1,726)
Depreciation	356,502	381,789	25,287	373,325	16,823
Total Operating Expenses	\$ 2,580,679	\$ 2,454,191	\$ (126,488)	\$ 2,566,709	\$ (13,970)
Total Direct Expenses	\$ 19,995,941	\$ 19,899,981	\$ (95,960)	\$ 21,559,724	\$ 1,563,783
Indirect Expenses	\$ -	\$ -	\$ (0)	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 19,995,941	\$ 19,899,981	\$ (95,960)	\$ 21,559,724	\$ 1,563,783
Change in Assets	\$ 223,940	\$ 394,900	\$ 170,960	\$ 550,861	\$ 326,921
Fixed Assets					
Depreciation	(356,502)	(381,789)	(25,287)	(373,325)	(16,823)
Computer & Software CapEx	219,500	454,500	235,000	207,500	(12,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	50,000	-	(50,000)	-	(50,000)
	\$ (87,002)	\$ 72,711	\$ 159,713	\$ (165,825)	\$ (78,823)
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc/(Dec) in Fixed Assets	\$ (87,002)	\$ 72,711	\$ 159,713	\$ (165,825)	\$ (78,823)
Total Budget	\$ 19,908,939	\$ 19,972,692	\$ 63,753	\$ 21,393,899	\$ 1,484,960
Change in Working Capital	\$ 310,943	\$ 322,189	\$ 11,247	\$ 716,686	\$ 405,744
FTEs	72.30	73.46	1.16	76.20	3.90

Section A: Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	0.00	0.00	0.00
Direct Expenses	\$ -	\$ -	\$ -
Indirect Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

ReliabilityFirst provides input to the NERC Reliability Standards development process from a Regional perspective to help ensure the Standards adequately mitigate the risks they are intended to address, particularly those risks facing the ReliabilityFirst footprint. ReliabilityFirst also may develop Regional Reliability Standards as necessary. ReliabilityFirst 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 matter that the NERC Reliability Standard does not, or a regional difference necessitated by a physical difference in the BES.

ReliabilityFirst may also develop regional criteria, which are good utility practices used to enhance the reliability of the BES and may augment Reliability Standards. Regional criteria are not Reliability Standards, and therefore are not enforceable. ReliabilityFirst regional criteria are developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure.

2018 Key Assumptions

The Reliability Standards Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2018 - 2020 Shared Business Plan and Budget Assumptions and 2018 Key Focus Areas* document.

ReliabilityFirst previously reallocated the resources and expenses associated with the Reliability Standards Program to the Reliability Assurance and Compliance Monitoring Program, due to decreased activity in the Reliability Standards Program. In the unanticipated instance that ReliabilityFirst needs to develop a new Regional Reliability Standard or regional criteria in 2018, ReliabilityFirst will temporarily redeploy the necessary resources from the existing Reliability Assurance and Compliance Monitoring Program and Reliability Assessment and Performance Analysis Program.

2018 Key Deliverables

- Review and provide feedback on potential reliability, security, or resiliency concerns associated with NERC Reliability Standards and RSAWs under development.
- Although none are anticipated, submit to NERC, and subsequently file with FERC any new Regional Reliability Standards that:

- May be needed to support revised NERC Reliability Standards.
- May address reliability gaps not currently covered by NERC Reliability Standards.
- Although none are anticipated, submit to ReliabilityFirst Board any new regional criteria that:
 - Address issues not within the scope of NERC Reliability Standards.
 - Promote more consistent implementation of a NERC Reliability Standard within the Region.
- Initiate and coordinate revisions to Regional Reliability Standards or regional criteria in any stage of development to align with NERC and FERC requirements.
 - Support for enhanced periodic reviews focused on conducting measured, in-depth reviews to further improve Reliability Standards.
 - Support for ERO activities necessary to incorporate Regional Reliability Standards into continent-wide Standards.
 - Retire Regional Reliability Standards and regional criteria that are duplicative with NERC Reliability Standards or no longer needed for reliability.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contractor or consultant support is budgeted in this year.

Compliance Monitoring and Enforcement, and Organization Registration and Certification Program

Compliance Monitoring, and Enforcement, and Organization Registration and Certification Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	44.75	45.25	0.50 ¹
Direct Expenses	\$ 10,987,785	\$ 11,311,462	\$ 323,677
Indirect Expenses	\$ 4,518,559	\$ 4,760,031	\$ 241,472
Inc(Dec) in Fixed Assets	\$ (84,548)	\$ (111,381)	\$ (26,833)
Total Funding Requirement	\$ 15,421,797	\$ 15,960,112	\$ 538,316

¹ As explained in further detail within this section, the FTE count reflects a decrease of one and a half (1.5) FTEs due to the transfer of the Event Analysis activities and its associated resources to the Situation Awareness and Infrastructure Security Program area, and an increase of two (2) FTEs to support the increase in resources needed for CIP Monitoring activities.

Program Scope and Functional Description

The Compliance Monitoring and Enforcement, and Organization Registration and Certification Program performs a variety of risk-based and dynamic activities to identify, communicate, and mitigate reliability, security and resiliency risks facing the ReliabilityFirst footprint. To achieve maximum effectiveness and consistency, ReliabilityFirst has delineated the responsibility to execute the Compliance Monitoring and Enforcement, and Organization Registration and Certification Program among three coordinated groups: Reliability Assurance, Compliance Monitoring, and Enforcement.

The Reliability Assurance group performs activities to drive continuous improvement; assess risk; and scope compliance monitoring and enforcement activities in accordance with risk. These activities, discussed in further detail in the Reliability Assurance section, include: (1) conducting Inherent Risk Assessments to assess the risk posed by each entity and help determine the scope of compliance monitoring activities; (2) conducting Internal Controls Evaluations to drive continuous improvement and further refine the scope of compliance monitoring activities, based upon the maturity of the entity's internal controls; (3) conducting industry training and education; (4) developing lessons learned and identifying key trends to share with the industry; (5) performing registration and certification activities; (6) conducting risk assessments and supporting mitigation plan activities associated with noncompliances, and (7) performing reliability and compliance assessments of system events.

The Compliance Monitoring group monitors compliance to the NERC Reliability Standards (Reliability Standards) across 230 registered owners, operators, and users of the BES through a variety of risk-based activities. These monitoring activities are key to reliability, as they ensure that entities have effective controls in place and are following the requirements of the Reliability

Standards. These activities, discussed in further detail in the Compliance Monitoring section, include compliance audits, spot checks, guided self-certifications, investigations, assessing complaints, and assessing system events from a reliability and compliance perspective to identify and ensure the mitigation of potential risks.

The Enforcement group is responsible for performing ReliabilityFirst's delegated function to enforce, where necessary, compliance with the Reliability Standards. These efforts, discussed in further detail in the Enforcement section, involve ensuring that the selected disposition method for any noncompliance is (1) clearly communicated; (2) appropriately supported by the record in light of the risk posed by the noncompliance; and (3) promotes the desired entity behavior. The Enforcement group focuses on understanding the risks behind each noncompliance and how to effectively mitigate those risks, as well as sending the appropriate message to the noncompliant entity and the broader regulated community (whether deterrent-driven for undesired behavior or incentive-driven for desired behavior).

Major activities for the Reliability Assurance, Compliance Monitoring, and Enforcement groups for 2018 include the continued implementation of the Risk-Based Compliance Monitoring and Enforcement Program, and efforts connected to the recent transition to the CIP Version 5 Standards (CIP V5). These are joint ERO Enterprise level initiatives that benefit NERC, the Regional Entities, and the Registered Entities. ReliabilityFirst will continue to assess resource conditions and will redeploy existing staff, utilize contract resources, or provide a manpower evaluation for additional staffing to provide the resource support which is determined to be necessary to support the implementation of these major activities.

A detailed Program Scope and Functional Description for the Reliability Assurance, Compliance Monitoring, and Enforcement groups, as well as the Key Assumptions and Deliverables for each of these groups, can be found in their respective sections below.

Reliability Assurance and Compliance Monitoring (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	36.50	37.00	0.50 ²
Direct Expenses	\$ 9,626,528	\$ 9,819,591	\$ 193,063
Indirect Expenses	\$ 3,685,529	\$ 3,892,180	\$ 206,651
Inc(Dec) in Fixed Assets	\$ (73,412)	\$ (88,783)	\$ (15,371)
Total Funding Requirement	\$ 13,238,645	\$ 13,622,989	\$ 384,344

² As explained in further detail within this section, the FTE count reflects a decrease of one and a half (1.5) FTEs due to the transfer of the Event Analysis activities and its associated resources to the Situation Awareness and Infrastructure Security Program area, and an increase of two (2) FTEs to support the increase in resources needed for CIP Monitoring activities.

Reliability Assurance

Program Scope and Functional Description

The activities performed by the Reliability Assurance group include: Regional Risk Assessments (identifying and prioritizing risks impacting the ReliabilityFirst footprint); Inherent Risk Assessments (identifying risks impacting an entity); Internal Controls Evaluations (evaluating the effectiveness of internal controls and entity's capability in key management practice areas); Assist Visits (tailored training centered on the needs of the entity); organization registration and certification activities; mitigation plan acceptance, approval, and verification; processing and assessment of periodic data submittals; winter preparedness evaluations; risk-harm analysis of non-compliances and participating in the review of self-logged minimal risk issues; risk analytics; creating compliance oversight plans to align monitoring activities with potential risks; providing industry training; BES Definition Exception Process and Self-Determined Notification activities; and serving as a technical resource for the Corporation.

2018 Key Assumptions

The Reliability Assurance group incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2018 - 2020 Shared Business Plan and Budget Assumptions and 2018 Key Focus Areas* document and includes the following regional assumptions:

1. Inherent Risk Assessment and Internal Controls Evaluation activities are expected to increase with the ongoing implementation of the Risk-Based Compliance Monitoring and Enforcement Program. This implementation includes completing Inherent Risk Assessments for all Registered Entities, implementing refinements to the Internal Controls Evaluation process and conducting Internal Controls Evaluations upon request by an

entity, and ensuring that compliance oversight plans address emerging risks to reliability and are tailored to the inherent risks posed by specific entities.

2. Monitoring and management of compliance monitoring and enforcement metrics in support of NERC's Strategic Plan and Oversight Program is expected to continue.
3. The BES Definition and Exception Process and Self-Determined Notification processing continues as entities can submit an Exception Request or Self-Determined Notification at any time and staff will address entity questions related to the NERC BES Definition.
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. The Multi-Regional Registered Entity (MRRE) process expanded in 2017 and is expected to continue maturing in 2018. To date, ReliabilityFirst has been designated Lead Region for ten MRRE Groups encompassing 27 entities, and Affected Region for 14 MRRE Groups encompassing 71 entities. It is anticipated, taking into account ReliabilityFirst's location and impact on the eastern interconnection, that ReliabilityFirst may be designated as the Lead Region for additional MRREs. The expansion of the MRRE program has increased the workload associated with coordinating compliance monitoring and enforcement processes under the MRRE process.
6. As a result of revisions to the registration process in accordance with FERC's Order approving NERC's Risk-Based Registration Initiative, registration staff now participates in the NERC-led review panels described in the NERC ROP, Appendix 5A, Section III.D.
7. Assist Visits and Internal Controls Evaluations will continue to take place to collaboratively assist an entity's drive for continuous improvement and reliability excellence and its capability in key management practice areas. There was continued high demand for Assist Visits in 2016 and 2017, most of which focused on the transition to and implementation of the CIP V5 Standards. The demand for Assist Visits, including requests for onsite Assist Visits at the entity's offices, is expected to continue and potentially expand in 2018.
8. There will be an effort to ensure that a specific risk targeted by a particular Reliability Standard is being adequately addressed (i.e., whether the Reliability Standard as written, monitored and enforced for compliance, is effectively mitigating the identified risk.)
9. Work with NERC will continue on the development of educational materials for Registered Entities regarding the Risk-Based Compliance Monitoring and Enforcement Program, Risk-Based Registration, and new and revised Reliability Standards.
10. There will be continued ERO Enterprise-wide collaboration and implementation of consistent risk-based compliance monitoring and enforcement practices and new tools.

2018 Key Deliverables

- Process all registration requests and implement the Risk-Based Registration Initiative.
- Process BES Exception Requests and Self-Determined Notification submittals.
- Provide technical assessment of periodic data submittals.
- Provide technical subject matter expertise and support for compliance monitoring and enforcement activities, regional outreach activities, and other initiatives as identified within ReliabilityFirst and/or the ERO.
- Support the development and integration of advanced analytical capabilities for identifying and determining reliability risks, and conducting various risk assessments (i.e. Regional Risk Assessments, Inherent Risk Assessments, Risk-Harm Assessments, and explorative Probabilistic Risk Assessment).
- Support ERO Enterprise-wide data collection and analysis efforts.
- Participate in the annual Winter Preparedness program designed to help ensure the readiness of generating units to perform during extreme cold weather.
- Support the ongoing implementation of the Risk-Based Compliance Monitoring and Enforcement Program, with a focus on the ongoing assessment of ReliabilityFirst Regional Risk Elements, and maturation of the Inherent Risk Assessment and Internal Controls Evaluation processes.
- Perform Inherent Risk Assessments of entities in alignment with the ERO Guide for Compliance Monitoring to define the scope, recommended process (e.g., audit, spot check, guided self-certification), and interval of compliance monitoring activities for a given entity.
- Conduct risk-harm assessments and develop associated risk statements for all possible non-compliances to assess the potential risk posed by each noncompliance and inform the proper enforcement action(s).
- Perform mitigation plan activities in an effort to return entities to compliance and prevent reoccurrence by:
 - Reviewing proposed mitigation plans and accepting those that contain effective corrective and preventative actions.
 - Communicating with Enforcement and the entity throughout the mitigation plan review process to ensure defined corrective and preventative actions will mitigate the violation.
 - Verifying mitigation plan completion through the evaluation of evidence provided by the entity to demonstrate that agreed-to actions have been implemented according to established milestones.
 - Conducting outreach activities to help entities move beyond baseline compliance.

- Perform reviews of self-logged non-compliances, submitted quarterly by entities granted logging privileges, to assess the non-compliances and their associated risk determinations and mitigating activities.
- Support the development, training, and outreach for entities to successfully transition to the CIP V5 Standards.
- Perform Assist Visits, support regional workshops, and monthly “open” compliance calls to educate entities on reliability and compliance topics.
- Support the NERC Security Review Program, as requested.
- Support the integration and use of the ERO Enterprise Learning Management System.
- Assist NERC with the coordination, planning, delivery, and management of training and outreach activities across the ERO Enterprise in concert with Region-specific training and outreach activities.
- Participate in the ERO Enterprise staff learning development process through the ERO working groups and functional area program leaders.

Resource Requirements

- **Personnel**

As noted above in the 2018 Key Assumptions, Section 7, the demand for Assist Visits is expected to continue and potentially expand in 2018. ReliabilityFirst is not adding FTE's in this area for 2018, but will monitor this area and will reassess whether to add FTE's to this area in the 2019 Business Plan & Budget.

- **Contractors and Consultants**

Contractor and consultant support is budgeted for Data Analytics work or special projects, as applicable.

Compliance Monitoring

Program Scope and Functional Description

The activities performed by the Compliance Monitoring group to monitor and help ensure the reliability, security, and resiliency of the BES include: Operations and Planning and Critical Infrastructure Protection (CIP) audits; guided self-certifications; investigations; spot checks; assessing complaints; assessing system events from a reliability and compliance perspective to identify and ensure the mitigation of potential risks; assisting in the review, approval, and verification of mitigation plans for noncompliances identified during compliance monitoring activities; and managing Technical Feasibility Exceptions (TFEs). The group also serves as industry subject matter experts and technical resources for the Corporation.

2018 Key Assumptions

The Compliance Monitoring group incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2018 - 2020 Shared Business Plan and Budget Assumptions and 2018 Key Focus Areas* document and includes the following regional assumptions:

1. Assure reliability by monitoring compliance to the Reliability Standards through CMEP processes (e.g., audits, spot checks), using a risk-based approach, ensuring that all pre-audit, onsite or offsite, and post audit activities are completed per the established process and timelines.
2. Pursuant to the Risk-Based Compliance Monitoring and Enforcement Program, all entities will have an Inherent Risk Assessment completed to determine their Compliance Oversight Plans and the scope of their engagements. As required by the NERC ROP, Balancing Authority, Transmission Operator, and Reliability Coordinator audits will continue to occur on a three year cycle. For all other entities, ReliabilityFirst will evaluate the entity's Inherent Risk Assessment results to determine if its engagement will continue, be delayed, or be replaced by an alternate compliance monitoring method.
3. Perform a Compliance Assessment Review of each system event with special focus and analysis of Category 2 events and above.
4. Conduct focused spot checks and guided self-certifications as deemed appropriate to ensure that entities are addressing identified risks.
5. ReliabilityFirst will continue to implement the guidance and process steps contained in the ERO Auditor Handbook and Checklist, and support the continued use and development of ERO auditor tools. ReliabilityFirst will support the training requirements necessary to meet the criteria set forth by the ERO Auditor Manual and Handbook and the Compliance Auditor Capabilities and Competency Guide.
6. ReliabilityFirst and NERC will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the compliance staff. Through NERC training and other available training courses, ReliabilityFirst will provide the necessary training to

continue to provide a credible, skilled, competent, and respected compliance monitoring staff.

7. ReliabilityFirst will continue to seek and implement initiatives to increase efficiencies and productivity. Staff will continue to collaborate with NERC as it develops an ERO Enterprise-wide audit management tool, which will improve the efficiency of monitoring processes and NERC oversight for all the Regions.
8. With FERC approval of the CIP V5 Standards, the ERO Enterprise continues to evaluate:
 - a. Whether the approved changes in CIP V5 will materially change the amount of rigor and time Regional Entities will need to spend on compliance monitoring activities for entities with High, Medium, and Low BES Assets, and BES Cyber Systems, including whether field visits will be required; and
 - b. Whether material changes or additions are going to be required by the Regional Entity and NERC outreach efforts to communicate requirements to these entities.

Results of this evaluation may impact the audit scope, regional resource requirements, and expectations that will need to be factored into future resource recommendations for the budget.

9. The increased complexity of the CIP V5 Standards, and the substantial increase of assets within scope for the CIP V5 Standards (approximately a ten-fold increase in assets), has increased the workload for CIP auditors. Moreover, the time required to complete onsite CIP audit reviews often includes site and field visits, based on the scope of the audit and whether initial evidence provided is sufficient to substantiate that an entity is compliant. This has increased the time required for CIP audits, and has added workload in the CIP Monitoring area that is expected to continue. The supply chain management Reliability Standard that is currently being developed is also expected to add workload in the CIP Monitoring area.

The transition to the CIP V5 Standards has resulted in an additional workload to provide outreach and training to entities owning Low Impact BES Cyber Systems who are new to the monitoring process; and to all entities on the effective implementation of the CIP V5 Standards. Entity outreach is expected to be an ongoing need, given the increasing complexity and continually evolving nature of cybersecurity and the CIP Standards

10. For the reasons discussed in Section 9 above, current projections indicate the need for two additional FTEs in the CIP Monitoring area. The current staffing level forces overlap of audits for auditors, which is unsustainable on an individual staff member level. ReliabilityFirst is committed to year over year efficiency gains, however, efficiency gains alone will not make up for the resource shortfall. Although the 2018 FTE analysis shows a need to add 3 FTEs, ReliabilityFirst proposes to add two FTEs in this area, with the balance of the resource need being addressed through efficiency gains.

11. A Technical Feasibility Exception (TFE) Task Force was formed to assure consistency in the administration of TFE requests and to support the preparation of the TFE annual report submitted to FERC. The immediate impact of required changes will be determined as the TFE Task Force moves forward. ReliabilityFirst will continue to support the TFE program with existing CIP staff and will monitor the impact, which will guide the development of any future resource recommendations.
12. CIP Staff will support ERO and Regional outreach and training efforts including the NERC Security Reliability Program, CIP V5 Small Group Advisory Sessions, ReliabilityFirst CIP V5 Workshops, ReliabilityFirst CIP V5 Focus Group Sessions, and CIP-related Assist Visits.

2018 Key Deliverables

- Manage all compliance monitoring activities in a risk-based, fair, and consistent manner, affording all entities appropriate due process.
- Conduct thorough and professional compliance audits consistently with all Regions through the incorporation of the Auditor Handbook and Checklist. Audit teams will consist of staff supplemented, when necessary, by independent contractors.
- Prepare and distribute compliance monitoring process reports to NERC and Registered Entities.
- Ensure all auditors receive adequate training and meet all NERC auditor training requirements.
- Provide efficiencies in compliance monitoring processes through continued auditor training, development and enhancement of auditor tools, and process improvements.
- Support two reliability workshops, monthly "open" compliance calls, CIP V5 Outreach Workshops and training sessions, Assist Visits (as needed), and provide Registered Entity assistance as required.
- CIP audits will be performed as separate audits from Operations/Planning audits unless agreed to otherwise between ReliabilityFirst and the audited entity. The number of CIP audits targeted for 2018 is defined below:
 - 10 CIP audits of entities on the three year cycle (onsite).
 - These audits will be conducted on larger entities with High, Medium, and Low impact BES Cyber Systems.
 - 15 CIP audits of entities historically on the six year cycle (on-site or offsite).
 - These audits will be conducted on smaller entities with Medium and Low impact BES Cyber Systems and may require on-site visits as new assets will be in scope.
- The number of Operations/Planning engagements planned for 2018 is defined below and will be based on the entity's Inherent Risk Assessment and risk the entity poses to the BES.

- 9 audits of entities on the three year cycle (onsite).
 - 58 audits of entities based upon the Inherent Risk Assessment (previously six year entities).
 - Participating as Affected Regional Entity on MRRE Spot Checks, Guided Self-Certifications and Audits: to be determined, based upon risk and the entity's compliance oversight program.
- Spot Checks and Guided Self-Certifications will be used: (1) to assess performance to selected Reliability Standards when an audit is delayed; (2) as an alternate means of monitoring lower risk entities; and (3) on an as-needed basis to address identified risks. Guidance on when a Spot Check or Guided Self-Certification may be appropriate is outlined in the annual CMEP Implementation Plan and will be augmented by ReliabilityFirst's Regional Risk Assessment, Inherent Risk Assessments, and results from compliance monitoring activities that identify emerging risks. Spot Checks and Guided Self-Certifications may also be used to confirm prior self-certifications, self-reports, and the status of mitigation plans or agreed-to mitigation activities associated with settlement agreements.
 - Participate in NERC Security Review Program CIP Outreach sessions. The expectation is that NERC will conduct two to three security reviews of entities registered in the ReliabilityFirst region in 2018.
 - Support NERC in continuing the training and outreach for Registered Entities to successfully implement the CIP Version 5 standards and Operations/Planning Standards.
 - Complete Compliance Assessment Reviews of system events according to the ReliabilityFirst Compliance Assessment process, to determine if reliability issues associated with the system event require the initiation of a compliance monitoring process; performance of mitigation activities by involved entities; and/or industry outreach and education.

Resource Requirements

- **Personnel**

As discussed above in the 2018 Key Assumptions, Sections 8-10, the workload in the CIP monitoring area has continually increased and is expected to continue increasing. To support this additional workload, two additional FTEs will be added in the CIP Monitoring area. In the event the workload exceeds available resources, contractors may be used to temporarily supplement staff.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2018 to temporarily supplement staff in the event workload exceeds available resources.

Reliability Assurance and Compliance Monitoring Budget Detail

The following table shows funding sources and related expenses for the Reliability Assurance and Compliance Monitoring section of the 2018 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2017 Budget and Projection, and 2018 Budget					
Reliability Assurance and Compliance Monitoring					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 12,821,050	\$ 12,821,050	\$ -	\$ 12,424,532	\$ (396,517)
Penalty Sanctions	417,595	417,595	-	1,167,928	750,333
Total ReliabilityFirst Funding	\$ 13,238,645	\$ 13,238,645	\$ -	\$ 13,592,461	\$ 353,815
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	44,773	44,773	30,528	30,528
Miscellaneous	-	-	-	-	-
Total Funding	13,238,645	13,283,419	44,773	13,622,989	384,344
Expenses					
Personnel Expenses					
Salaries	\$ 6,303,496	\$ 5,913,272	\$ (390,225)	\$ 6,499,775	\$ 196,279
Payroll Taxes	374,528	366,143	(8,384)	389,918	15,390
Benefits	950,873	911,197	(39,676)	1,000,275	49,402
Retirement Costs	987,840	904,489	(83,351)	1,012,231	24,391
Total Personnel Expenses	\$ 8,616,737	\$ 8,095,101	\$ (521,636)	\$ 8,902,200	\$ 285,462
Meeting Expenses					
Meetings	\$ 18,250	\$ 18,250	\$ -	\$ 44,675	\$ 26,425
Travel	513,000	401,313	(111,687)	456,300	(56,700)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 531,250	\$ 419,563	\$ (111,687)	\$ 500,975	\$ (30,275)
Operating Expenses					
Consultants & Contracts	\$ 152,400	\$ 152,400	\$ -	\$ 111,600	\$ (40,800)
Office Rent	-	-	-	-	-
Office Costs	297,897	297,897	-	293,885	(4,013)
Professional Services	-	-	-	-	-
Miscellaneous	4,100	4,100	-	3,500	(600)
Depreciation	24,144	41,889	17,745	7,432	(16,712)
Total Operating Expenses	\$ 478,541	\$ 496,286	\$ 17,745	\$ 416,417	\$ (62,125)
Total Direct Expenses	\$ 9,626,528	\$ 9,010,950	\$ (615,578)	\$ 9,819,591	\$ 193,063
Indirect Expenses	\$ 3,685,529	\$ 3,521,859	\$ (163,670)	\$ 3,892,180	\$ 206,651
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 13,312,057	\$ 12,532,809	\$ (779,248)	\$ 13,711,772	\$ 399,714
Change in Assets	\$ (73,412)	\$ 750,610	\$ 824,022	\$ (88,783)	\$ (15,371)
Fixed Assets					
Depreciation	(24,144)	(41,889)	(17,745)	(7,432)	16,712
Computer Hardware & Software CapEx	-	-	-	20,000	20,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Total Fixed Assets	\$ (24,144)	\$ (41,889)	\$ (17,745)	\$ 12,568	\$ 36,712
Allocation of Fixed Assets	\$ (49,268)	\$ 58,801	108,069	\$ (101,351)	\$ (52,083)
Inc/(Dec) in Fixed Assets	\$ (73,412)	\$ 16,912	\$ 90,324	\$ (88,783)	\$ (15,371)
Total Budget	\$ 13,238,645	\$ 12,549,721	\$ (688,924)	\$ 13,622,989	\$ 384,344
Total Change in Working Capital	\$ -	\$ 733,697	\$ 733,697	\$ -	\$ 0
FTEs	36.50	34.78	(1.72)	37.00	0.50

Enforcement

Enforcement (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	8.25	8.25	0.00
Direct Expenses	\$ 1,361,257	\$ 1,491,871	\$ 130,614
Indirect Expenses	\$ 833,031	\$ 867,851	\$ 34,821
Inc(Dec) in Fixed Assets	\$ (11,136)	\$ (22,598)	\$ (11,463)
Total Funding Requirement	\$ 2,183,152	\$ 2,337,124	\$ 153,972

Program Scope and Functional Description

The Enforcement group performs ReliabilityFirst's delegated function to enforce, where necessary, compliance with the Reliability Standards. This effort involves ensuring that the selected disposition method for any noncompliance is consistent with the risk posed by the noncompliance; is adequately supported by the record; and promotes desired entity behaviors to enhance reliability.

In the event that a noncompliance is enforced, Enforcement staff is responsible for (1) drafting and negotiating with entities all necessary disposition documents; (2) performing hearings where necessary; (3) ensuring all requisite notices are timely issued; (4) post-filing support and advocacy with NERC and FERC; and (5) ensuring that the record and related disposition documents comply with all applicable (a) FERC orders, rules, and regulations, (b) NERC ROP and Appendices, guidance, and ERO-wide program documents, and (c) ReliabilityFirst policies and procedures (collectively, "applicable orders, rules, and procedures"). In the event that a noncompliance is not enforced (e.g., compliance exception or dismissal), Enforcement staff is responsible for (1) drafting all necessary internal disposition reports and external disposition documents and notices; (2) ensuring all requisite notices are timely issued; (3) post-filing support and advocacy with NERC and FERC; and (4) ensuring that the record and related disposition documents comply with all applicable orders, rules, and procedures.

For continuity and stakeholder convenience, Enforcement staff also serve as a single point of contact for entities for noncompliance-related activities.

ReliabilityFirst frequently serves as the lead Region in resolving multi-regional enforcement actions for significant Registered Entities. Consequently, Enforcement staff devotes substantial resources to coordinate the enforcement work of various Regions, obtain consensus on a myriad of issues, and negotiate acceptable resolutions.

Enforcement staff regularly works with FERC, NERC, the other Regions, and industry to shape risk-based, effective enforcement policies that drive desired entity behavior. This work includes drafting, or supporting the drafting, of ERO-wide enforcement program documents and enforcement related regulatory filings, presenting and training on enforcement programs in

various forums, and monitoring and managing enforcement metrics in support of NERC's strategic Plan and Oversight Program. Enforcement staff also works with NERC and the other Regions to promote and otherwise ensure collaboration and implementation of consistent enforcement practices focused on higher reliability risks.

The Enforcement group has evaluated its processes and staffing levels and has determined that, since the number of noncompliances appear to be reaching more of a steady state and there has been implementation of various process improvements, Enforcement staff levels are adequate to ensure that noncompliances are processed as quickly as practicable consistent with their circumstances.

Although the number of noncompliances processed has remained steady over the past few years, ReliabilityFirst anticipates there may be an increase in the number of noncompliances during the initial stages of implementation of the CIP Version 5 (CIP V5) Standards, due to the increased scope of the assets covered. ReliabilityFirst anticipates that enforcement work in this regard will mostly occur in the compliance exception space and entail ensuring that adequate records are internally developed and maintained. Additionally, a modest increase in the number of noncompliances with the Operations and Planning Reliability Standards may occur, due to revisions of certain Reliability Standards and new Reliability Standards becoming effective.

2018 Key Assumptions

The Enforcement group incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2018 - 2020 Shared Business Plan and Budget Assumptions and 2018 Key Focus Areas* document and includes the following regional assumptions:

1. The number of CIP noncompliances may increase due to implementation of the CIP V5 Standards. The number of Operations and Planning noncompliances may modestly increase due to revisions of certain Reliability Standards and new Reliability Standards becoming effective.
2. Enforcement staff levels are adequate to ensure the completion of the activities described in the Program Scope and Functional Description. If noncompliances increase in the future, additional Enforcement staff may be needed to avoid the creation of a backlog.
3. Complex, higher-risk noncompliances disposed as Settlement Agreements will require approximately 50% of Enforcement resources. These matters often involve more complex mitigation, above and beyond action items, and the negotiation of sanctions.
4. The Find Fix and Track (FFT) disposition method will be used for moderate risk issues. It will continue to be used less in favor of the Compliance Exception disposition method, which will be used for almost all qualified minimal risk noncompliances.
5. Enforcement staff will spend significant time ensuring adequate records are created for minimal risk issues. The expenditure of this time will be driven by anticipated receipt of minimal risk issues for the CIP V5 Standards, as well as increased participation in the self-logging program and case by case compliance exception mechanisms.

6. ReliabilityFirst will frequently serve as the lead Region for multi-regional Registered Entities and devote substantial resources to coordinate enforcement work and negotiate acceptable solutions among the Regions.
7. Enforcement staff will continue to work with FERC, NERC, the other Regions, and the industry to shape effective and risk-based enforcement policies that drive desired behavior and ensure consistency.
8. The number of hearings to be conducted in 2018 is unknown, and therefore no internal or external resources have been budgeted for hearings.
9. Enforcement staff will continue to provide outreach to industry through internal support of functional initiatives (e.g., Inherent Risk Assessments; Regional Risk Assessments; Internal Control Evaluations); workshop presentations and participation in panel discussions; webinars; targeted entity training; identification and sharing of lessons learned; and contributions to the RF newsletter.

2018 Key Deliverables

- Continue to focus on resolving enforcement actions in a thoughtful, risk-based, reliability focused manner.
- Ensure that the use of discretion in Enforcement is internally documented, repeatable, and consistent with NERC directives and FERC orders, rules, and regulations.
- Conduct initial fact and circumstance reviews of noncompliances and communicate with the entity through each step of the enforcement process.
- Continue to work with the Reliability Assurance group to refine the risk-harm assessment process, a key input into enforcement decision making.
- Continue to increase efficiency, through process improvement, in dispositioning enforcement actions and preparing settlement agreements.
- Continue to work with NERC and the other Regions to shape a well-reasoned Enforcement philosophy that results in risk-based, uniform, repeatable, transparent, and reliability-focused approaches.
- Use knowledge obtained in the context of Inherent Risk Assessments and Internal Controls Evaluations to inform decision-making.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in this year.

Enforcement Budget Detail

The following table shows funding sources and related expenses for the Enforcement section of the *2018 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2017 Budget and Projection, and 2018 Budget					
Enforcement					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 2,088,764	\$ 2,088,764	\$ -	\$ 2,069,900	\$ (18,863)
Penalty Sanctions	94,388	94,388	-	260,416	166,028
Total ReliabilityFirst Funding	\$ 2,183,152	\$ 2,183,152	\$ -	\$ 2,330,317	\$ 147,165
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	10,232	10,232	6,807	6,807
Miscellaneous	-	-	-	-	-
Total Funding	2,183,152	2,193,384	10,232	2,337,124	153,972
Expenses					
Personnel Expenses					
Salaries	\$ 962,026	\$ 920,680	\$ (41,346)	\$ 1,058,684	\$ 96,658
Payroll Taxes	69,066	61,327	(7,739)	71,181	2,115
Benefits	147,725	142,850	(4,875)	163,026	15,301
Retirement Costs	153,346	142,363	(10,983)	165,691	12,345
Total Personnel Expenses	\$ 1,332,163	\$ 1,267,220	\$ (64,943)	\$ 1,458,582	\$ 126,419
Meeting Expenses					
Meetings	\$ 1,500	\$ 1,500	\$ -	\$ 2,500	\$ 1,000
Travel	17,000	17,000	-	23,000	6,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 18,500	\$ 18,500	\$ -	\$ 25,500	\$ 7,000
Operating Expenses					
Consultants & Contracts	\$ -	\$ 6,000	\$ 6,000	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	9,694	9,694	-	7,789	(1,905)
Professional Services	-	827	827	-	-
Miscellaneous	900	900	-	-	(900)
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 10,594	\$ 17,421	\$ 6,827	\$ 7,789	\$ (2,805)
Total Direct Expenses	\$ 1,361,257	\$ 1,303,141	\$ (58,116)	\$ 1,491,871	\$ 130,614
Indirect Expenses	\$ 833,031	\$ 804,844	\$ (28,186)	\$ 867,851	\$ 34,821
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,194,288	\$ 2,107,985	\$ (86,303)	\$ 2,359,722	\$ 165,435
Change in Assets	\$ (11,136)	\$ 85,399	\$ 96,534	\$ (22,598)	\$ (11,463)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (11,136)	\$ 13,438	24,574	\$ (22,598)	\$ (11,463)
Inc/(Dec) in Fixed Assets	\$ (11,136)	\$ 13,438	\$ 24,574	\$ (22,598)	\$ (11,463)
Total Budget	\$ 2,183,152	\$ 2,121,423	\$ (61,729)	\$ 2,337,124	\$ 153,972
Total Change in Working Capital	\$ -	\$ 71,961	\$ 71,961	\$ -	\$ (0)
FTEs	8.25	7.88	(0.37)	8.25	-

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	8.35	8.35	0.00
Direct Expenses	\$ 2,095,713	\$ 2,076,169	\$ (19,544)
Indirect Expenses	\$ 843,128	\$ 878,370	\$ 35,243
Inc(Dec) in Fixed Assets	\$ (13,648)	\$ (25,249)	\$ (11,601)
Total Funding Requirement	\$ 2,925,193	\$ 2,929,290	\$ 4,097

Program Scope and Functional Description

ReliabilityFirst's Reliability Assessment and Performance Analysis (RAPA) staff independently analyzes, assesses, and reports on the reliability and adequacy of the BES within the ReliabilityFirst footprint. RAPA staff helps identify and assess risks across the ReliabilityFirst footprint, and its work is a key input to the risk-based efforts of the entire organization. This work includes the performance of resource and transmission assessment studies; special analyses and investigations as warranted; and the collection and dissemination of data, lessons learned, and other information. The RAPA program provides resources and data input for the technical analyses and support of the many risk-based activities described in the Reliability Assurance and Compliance Monitoring sections.

2018 Key Assumptions

The Reliability Assessment and Performance Analysis Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2018 - 2020 Shared Business Plan and Budget Assumptions and 2018 Key Focus Areas* document for the 2018 budget cycle. There are no additional assumptions unique to the Reliability Assessment and Performance Program.

2018 Key Deliverables

- Assessments of Reliability Performance
 - Perform seasonal (summer and winter) risk analyses of the projected resource adequacy for PJM Interconnection, LLC (PJM) and Midcontinent Independent System Operator (MISO), the two Regional Transmission Organizations (RTO) that operate within ReliabilityFirst. As part of these risk analyses, produce seasonal RTO "waterfall" risk charts depicting the range of available capacity reserves for the forecasted normal (50/50) and extreme (90/10) seasonal peak demand levels; and historical long-term forecast and demand charts.
 - Perform seasonal (summer and winter); near-term (typically five years into the future); and extreme transmission assessment studies, and produce reports on these transmission assessment studies.

- Collect data and produce assessment reports for the NERC Reliability Assessment Subcommittee's seasonal, special assessment, and long-term reports.
- Provide technical support for the ERO Enterprise's expanded and enhanced system studies and help perform analyses as needed.
- Work with neighboring Regional Entities within the Eastern Interconnection Reliability Assessment Group (ERAG) to perform Eastern Interconnection assessment studies and produce reports.
- Update power flow base case models as needed for regional study efforts.
- Reporting Requirements
 - Submit ReliabilityFirst load, capacity, and transmission data and power flow base cases annually for the US Department of Energy's EIA-411 report.
 - Assist NERC in the verification and validation of data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS), Demand Response Availability Data System (DADS), Misoperation Information Data Analysis System (MIDAS), and the Reliability Assessment Data System (RADS). All these systems can be used for data analytics across the ERO Enterprise.
- Other Requirements and Activities
 - Publish lessons learned that are developed from misoperation reporting and other sources.
 - Continue to actively participate in ERAG (a ReliabilityFirst staff member chairs this group), the MMWG, and other ERAG groups.
 - Analyze protective relay misoperation information and track corrective action plans, as reported in the NERC MIDAS system. Facilitate a peer review process of this data via the ReliabilityFirst Protection Subcommittee.
 - Conduct initial and periodic Special Protection System reviews and maintain a database of regional Special Protection Systems.
 - Review under-frequency load shed (UFLS) information.
 - Review under-voltage load shed (UVLS) information.
 - Develop and maintain a linear contingency database for transmission assessment studies.
 - In support of the ERO Enterprise, actively participate (and in some cases serve in leadership roles) in NERC committees, subcommittees, task forces, and other technical groups, such as the Planning Committee, Operating Committee, and associated subgroups, as well as the ERO-RAPA group.
 - Continue to support stakeholder participation and interaction through various regional technical groups, including the Reliability Committee (a technical advisory body to the ReliabilityFirst Board of Directors) and its subcommittees and working

groups. These groups provide technical advice, perform technical reviews, and provide input on emerging reliability issues. These groups also provide the opportunity for stakeholders to debate current issues, share lessons learned, and discuss success stories and near-misses in a technical forum.

- Provide the various regional technical groups with information and knowledge to help entities improve human performance.
- Provide Registered Entities with tailored training and interaction through recurring workshops (such as the Protection Workshop for Technical Personnel).
- Provide knowledge, techniques, and data input in support of ReliabilityFirst's risk-based activities, including the Inherent Risk Assessments and Regional Risk Assessment efforts.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractor and consulting support is budgeted to support:

- ERAG steady state and dynamic base case model assembly through the MMWG processes,
- ERAG event analysis process(es) and tools to develop steady state and dynamic models for analyzing system disturbances,
- ERAG reviews of Planning Coordinator assessments, and
- ERAG assessment studies.

The total cost of ERAG contractor and consulting support is shared across all six Regional Entities in the Eastern Interconnection.

Reliability Assessment and Performance Analysis Program Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2018 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2017 Budget and Projection, and 2018 Budget					
Reliability Assessment and Performance Analysis					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 2,829,661	\$ 2,829,661	\$ -	\$ 2,658,828	\$ (170,833)
Penalty Sanctions	95,532	95,532	-	263,573	168,041
Total ReliabilityFirst Funding	\$ 2,925,193	\$ 2,925,193	\$ -	\$ 2,922,401	\$ (2,792)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	10,833	10,833	6,889	6,889
Miscellaneous	-	-	-	-	-
Total Funding	2,925,193	2,936,026	10,833	2,929,290	4,097
Expenses					
Personnel Expenses					
Salaries	\$ 1,358,695	\$ 1,313,963	\$ (44,732)	\$ 1,329,564	\$ (29,131)
Payroll Taxes	83,237	82,621	(616)	83,004	(233)
Benefits	153,895	159,765	5,870	175,455	21,560
Retirement Costs	216,409	197,717	(18,692)	215,123	(1,286)
Total Personnel Expenses	\$ 1,812,237	\$ 1,754,066	\$ (58,171)	\$ 1,803,146	\$ (9,091)
Meeting Expenses					
Meetings	\$ 18,500	\$ 18,500	\$ -	\$ 16,700	\$ (1,800)
Travel	110,000	110,000	-	91,500	(18,500)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 128,500	\$ 128,500	\$ -	\$ 108,200	\$ (20,300)
Operating Expenses					
Consultants & Contracts	\$ 110,012	\$ 110,012	\$ -	\$ 119,812	\$ 9,800
Office Rent	-	-	-	-	-
Office Costs	42,487	42,487	-	42,434	(53)
Professional Services	-	-	-	-	-
Miscellaneous	100	100	-	200	100
Depreciation	2,377	3,453	1,076	2,377	-
Total Operating Expenses	\$ 154,976	\$ 156,052	\$ 1,076	\$ 164,823	\$ 9,847
Total Direct Expenses					
	\$ 2,095,713	\$ 2,038,618	\$ (57,095)	\$ 2,076,169	\$ (19,544)
Indirect Expenses					
	\$ 843,128	\$ 852,111	\$ 8,984	\$ 878,370	\$ 35,243
Other Non-Operating Expenses					
	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,938,841	\$ 2,890,730	\$ (48,111)	\$ 2,954,539	\$ 15,699
Change in Assets	\$ (13,648)	\$ 45,296	\$ 58,944	\$ (25,249)	\$ (11,601)
Fixed Assets					
Depreciation	(2,377)	(3,453)	(1,076)	(2,377)	-
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (2,377)	\$ (3,453)	\$ (1,076)	\$ (2,377)	\$ -
Allocation of Fixed Assets	\$ (11,271)	\$ 14,227	25,498	\$ (22,872)	\$ (11,601)
Inc/(Dec) in Fixed Assets	\$ (13,648)	\$ 10,774	\$ 24,422	\$ (25,249)	\$ (11,601)
Total Budget	\$ 2,925,193	\$ 2,901,504	\$ (23,689)	\$ 2,929,290	\$ 4,097
Total Change in Working Capital	\$ -	\$ 34,522	\$ 34,522	\$ -	\$ (0)
FTEs	8.35	8.35	-	8.35	-

Training, Education, and Operator Certification Program

Training, Education and Operator Certification Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Direct Expenses	\$ 676,138	\$ 712,087	\$ 35,949
Indirect Expenses	\$ 302,920	\$ 315,582	\$ 12,662
Inc(Dec) in Fixed Assets	\$ (4,049)	\$ (8,218)	\$ (4,168)
Total Funding Requirement	\$ 975,009	\$ 1,019,452	\$ 44,443

Program Scope and Functional Description

Effective training and outreach is critical to leverage and advance industry practices surrounding risk identification, mitigation, and prevention. The ReliabilityFirst Training and Education Program focuses on providing relevant training to entities operating in the ReliabilityFirst region, as well as internal training for ReliabilityFirst staff. ReliabilityFirst's training is structured to provide timely information in a concise format to enable participation at all levels within an organization.

ReliabilityFirst's Instruction System Designer participates in the NERC Staff Training Group, which helps identify industry and Regional Entity staff training needs. ReliabilityFirst does not provide system operator certification training, as it is provided by the Regional Transmission Organizations within the Region.

2018 Key Assumptions

The Training and Education Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2018 - 2020 Shared Business Plan and Budget Assumptions and 2018 Key Focus Areas* document. There are no additional assumptions unique to the ReliabilityFirst Training and Education Program.

2018 Key Deliverables

- Industry Education
 - ReliabilityFirst will continue its effort to increase and add greater focus to its activities aimed at helping entities achieve excellence in reliability, security and resiliency. These activities include:
 - The development and publication of lessons learned/best practices from system events and disturbances.
 - Guidance on the CIP V5 Reliability Standards and on other new and revised Reliability Standards.
 - Guidance on the implementation of the Risk-Based Compliance Monitoring and Enforcement Program, including on Inherent Risk Assessments and Internal Controls Evaluations

- Identification of common themes and root causes of Reliability Standard violations.
 - Efforts to better prepare entities for compliance audits and enforcement activities.
 - Open compliance and enforcement calls that cover a span of compliance, CIP V5 transition and enforcement related topics.
 - Sharing best practices concerning generator plant winter readiness.
 - Webinars on the compliance monitoring and enforcement process.
 - Increased focus on any lessons learned or trends identified from reliability assessments.
- Industry Workshops
 - Continue workshops and forums to allow for free exchange of information between ReliabilityFirst and its stakeholders. Workshops and forums will focus on understanding and mitigating risks to reliability, security, and resiliency within the ReliabilityFirst footprint. Workshops to be conducted in 2018 include:
 - Two Reliability workshops (spring and fall) to promote a culture of reliability focusing on security, resiliency, risk management, and targeted discussion on methods to demonstrate compliance.
 - Open forums to provide insight into new Reliability Standards developed and approved by the industry, changes in the Compliance Monitoring and Enforcement Program, Critical Infrastructure Protection issues, or other topics requested by entities.
 - CIP V5 Standards Seminar to provide insight into the evolution of these Standards and to provide a forum for entities to share thoughts, problems, and solutions.
 - Additional, targeted workshops to address emerging risks (e.g., misoperations, human performance) as the need is identified and the session can be scheduled.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in this year.

Training, Education, and Operator Certification Program Budget Detail

The following table shows funding sources and related expenses for the Training, Education, and Operator Certification section of the 2018 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2017 Budget and Projection, and 2018 Budget					
Training, Education, and Operator Certification Program					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 940,686	\$ 940,686	\$ -	\$ 922,279	\$ (18,406)
Penalty Sanctions	34,323	34,323	-	94,697	60,374
Total ReliabilityFirst Funding	\$ 975,009	\$ 975,009	\$ -	\$ 1,016,976	\$ 41,968
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	3,892	3,892	2,475	2,475
Miscellaneous	-	-	-	-	-
Total Funding	975,009	978,901	3,892	1,019,452	44,443
Expenses					
Personnel Expenses					
Salaries	\$ 390,401	\$ 394,923	\$ 4,522	\$ 416,078	\$ 25,677
Payroll Taxes	27,842	28,102	260	28,228	386
Benefits	58,311	55,518	(2,793)	65,095	6,784
Retirement Costs	62,184	59,679	(2,505)	66,286	4,102
Total Personnel Expenses	\$ 538,738	\$ 538,222	\$ (516)	\$ 575,687	\$ 36,949
Meeting Expenses					
Meetings	\$ 135,000	\$ 141,000	\$ 6,000	\$ 136,400	\$ 1,400
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 135,000	\$ 141,000	\$ 6,000	\$ 136,400	\$ 1,400
Operating Expenses					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	2,400	-	(2,400)	-	(2,400)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 2,400	\$ -	\$ (2,400)	\$ -	\$ (2,400)
Total Direct Expenses	\$ 676,138	\$ 679,222	\$ 3,084	\$ 712,087	\$ 35,949
Indirect Expenses	\$ 302,920	\$ 306,148	\$ 3,228	\$ 315,582	\$ 12,662
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 979,058	\$ 985,370	\$ 6,312	\$ 1,027,669	\$ 48,611
Change in Assets	\$ (4,049)	\$ (6,469)	\$ (2,420)	\$ (8,218)	\$ (4,168)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Total Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (4,049)	\$ 5,111	9,161	\$ (8,218)	\$ (4,168)
Inc/(Dec) in Fixed Assets	\$ (4,049)	\$ 5,111	\$ 9,161	\$ (8,218)	\$ (4,168)
Total Budget	\$ 975,009	\$ 990,481	\$ 15,473	\$ 1,019,452	\$ 44,443
Total Change in Working Capital	\$ -	\$ (11,581)	\$ (11,581)	\$ -	\$ -
FTEs	3.00	3.00	-	3.00	-

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	1.50	4.00	2.50
Direct Expenses	\$ 420,237	\$ 1,085,245	\$ 665,008
Indirect Expenses	\$ 151,460	\$ 420,776	\$ 269,316
Inc(Dec) in Fixed Assets	\$ 15,243	\$ (20,977)	\$ (36,220)
Total Funding Requirement	\$ 586,940	\$ 1,485,044	\$ 898,104

Program Scope and Functional Description

In support of the ERO, the Situation Awareness and Infrastructure Security staff, in coordination with members of the Reliability Assessment and Performance Analysis and Reliability Assurance groups, monitors present conditions on and emerging threats to, the BES. The Situation Awareness and Infrastructure Security staff also performs event analysis for system disturbances and events. During the event analysis process, ReliabilityFirst works with entities to identify and analyze the root causes of system events, complete event analysis reports, and communicate the resulting information and lessons learned to the industry.

The Situation Awareness and Infrastructure Security activity continues to evolve to provide the tools and information required by the staff and stakeholders to promote infrastructure protection. The Situation Awareness and Infrastructure Security program area addresses two separate but related functions, Situation Awareness and Critical Infrastructure Protection (CIP).

The Situation Awareness and Infrastructure Security program supports the ReliabilityFirst staff and Registered Entities in understanding potential threats to the electricity sector, implementing Reliability Standards developed to reinforce infrastructure security, maintaining an awareness of conditions on the BES, and identifying potential and emerging threats to the BES.

2018 Key Assumptions

The Situation Awareness and Infrastructure Security Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2018 - 2020 Shared Business Plan and Budget Assumptions and 2018 Key Focus Areas* document, and includes the following regional assumptions:

1. 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.

2. ReliabilityFirst Situation Awareness and Infrastructure Security staff will monitor projects related to grid resilience and security such as the Cyber Resilient Energy Delivery Consortium. Staff will participate in these projects as appropriate, incorporate lessons learned from these projects into ReliabilityFirst's tools and processes, and share lessons learned with entities as appropriate.
3. The event analysis program was recently reallocated from the Reliability Assurance and Compliance Monitoring Program to the Situation Awareness and Infrastructure Security Program, in order to group together ReliabilityFirst's activities connected to event analysis, situational awareness, and emerging threats. This centralizes and clarifies ReliabilityFirst's work in these three interrelated areas, as the work associated with them was previously dispersed across the organization.
4. Additional resources are needed for the event analysis program, as the number of events (while the majority are minor in nature) has tripled over the past three years, from 38 events in 2014 to 97 events in 2016. Although ReliabilityFirst is fortunate to have highly capable and cooperative entities that aid in cause coding, the work load required to close out approximately 100 events annually is substantial. The timely processing of events is key to the reliability of the BES, because it ensures that ReliabilityFirst promptly identifies any emerging risks and/or any increases in existing risks related to those events.

2018 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 Region. Situation Awareness and Infrastructure Security staff will support the CIPC through the scheduling and facilitation of CIPC meetings and webinars and the dissemination of messages, alerts, and warnings from NERC, the Electricity Information Sharing and Analysis Center (E-ISAC), and the U.S. Department of Homeland Security (U.S. DHS) to the CIPC as permitted. Staff will also work to encourage and support sharing of information between entities and the E-ISAC.
- Support/Oversee ReliabilityFirst Staff Compliance to the NERC Cyber Security Standards (CIP-002 - CIP-014)
 - ReliabilityFirst is committed to complying with the intent of the NERC Cyber Security Standards. The Situation Awareness and Infrastructure Security staff will provide training, guidance, and oversight to the ReliabilityFirst 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 entities from agencies such as the E-ISAC, the U.S. Department of Homeland Security, and others containing information on events or suspected events representing potential threats to the electricity sector.

- Situation Awareness and Infrastructure Security 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 and will promote the use of this messaging system for exchange of security-related information.
- Monitor the Health of the BES
 - The use of situation awareness tools by staff has been evolving over the last few years. Situation Awareness and Infrastructure Security staff continues to participate in the Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR) project and uses the SAFNRv2 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, will use 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. In addition to the tools just mentioned, ReliabilityFirst will investigate other tools for monitoring the grid.
- Facilitate the ReliabilityFirst Threats and Vulnerabilities Team
 - In early 2014, ReliabilityFirst created a cross-functional team of subject matter experts to monitor, quantify, and assess new and emerging threats to the BES. The team continues to mature the tools and techniques used to perform this activity in support of the Reliability Assurance program. In 2018, the team will enhance its ability to collect and analyze data in order to better identify and quantify emerging threats to the BES and to provide additional input to the ReliabilityFirst Regional Risk Assessment program. Tools used to quantify threats will be assessed for applicability to the work of the Threats and Vulnerabilities Team.
- 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.
 - A disaster recovery plan 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.
- Assist stakeholders in complying with CIP Standards
 - As the NERC Cyber Security Standards (CIP-002 - CIP-011), the Physical Security Standard (CIP-014), and the Supply Chain Standard (CIP-13) evolve, entities will continue to monitor and implement revisions to the Standards. Situation Awareness and Infrastructure Security staff will be available to answer questions concerning these Standards and, in coordination with the ReliabilityFirst CIPC, will

sponsor/support regional workshops and webinars as needed to foster the exchange of ideas and solutions developed by entities.

- Support the Compliance Monitoring and Enforcement Program
 - Support the activities involving CIP-related issues and events in the Compliance Monitoring and Enforcement program, by providing expertise on CIP monitoring, mitigation plans and settlements that include assessment of compliance to the CIP Standards (CIP-002 - CIP-014).
- Collect and validate data for, review, and analyze system events and disturbances as described in the NERC ERO Event Analysis Process.
 - For system events and disturbances, cooperate with NERC and FERC staff and other Regional staff to ensure root causes, corrective actions, lessons learned, and recommendations are identified and shared across the ERO Enterprise and the industry.
 - For system events and disturbances, review and make a timely decision regarding whether compliance monitoring, enforcement, or outreach actions need to be undertaken (considering the significance of the event or disturbance and its risk to the BES).
 - Collect and review disturbance reports as required in NERC Standard EOP-004 and as required by the Department of Energy in form OE-417.

Resource Requirements

- **Personnel**

As discussed above in the 2018 Key Deliverables Sections 3-4, the event analysis activity, and the one and a half FTEs to administer event analysis, were reallocated from the Reliability Assurance and Compliance Monitoring Program to the Situation Awareness and Infrastructure Security Program. As also discussed in the 2018 Key Deliverables, ReliabilityFirst is adding one additional FTE to support the increased workload in the event analysis program. In the event the workload exceeds available resources, contractors may be used to temporarily supplement staff.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in this year.

Situation Awareness and Infrastructure Security Program Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2018 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2017 Budget and Projection, and 2018 Budget					
Situation Awareness and Infrastructure Security					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 569,779	\$ 569,779	\$ -	\$ 1,355,482	\$ 785,703
Penalty Sanctions	17,161	17,161	-	126,263	109,101
Total ReliabilityFirst Funding	\$ 586,940	\$ 586,940	\$ -	\$ 1,481,744	\$ 894,804
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	4,865	4,865	3,300	3,300
Miscellaneous	-	-	-	-	-
Total Funding	\$ 586,940	\$ 591,806	\$ 4,865	\$ 1,485,044	\$ 898,104
Expenses					
Personnel Expenses					
Salaries	\$ 257,959	\$ 692,570	\$ 434,611	\$ 740,911	\$ 482,952
Payroll Taxes	15,692	36,792	21,100	43,236	27,544
Benefits	32,936	76,668	43,732	113,990	81,054
Retirement Costs	41,175	112,387	71,212	118,000	76,825
Total Personnel Expenses	\$ 347,762	\$ 918,417	\$ 570,655	\$ 1,016,137	\$ 668,375
Meeting Expenses					
Meetings	\$ 1,000	\$ 1,000	\$ -	\$ 1,600	\$ 600
Travel	35,000	39,977	4,977	53,750	18,750
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 36,000	\$ 40,977	\$ 4,977	\$ 55,350	\$ 19,350
Operating Expenses					
Consultants & Contracts	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ (25,000)
Office Rent	-	-	-	-	-
Office Costs	3,743	3,743	-	3,738	(5)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	7,732	5,445	(2,287)	10,020	2,288
Total Operating Expenses	\$ 36,475	\$ 9,188	\$ (27,287)	\$ 13,758	\$ (22,717)
Total Direct Expenses	\$ 420,237	\$ 968,581	\$ 548,344	\$ 1,085,245	\$ 665,008
Indirect Expenses	\$ 151,460	\$ 382,685	\$ 231,225	\$ 420,776	\$ 269,316
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 571,697	\$ 1,351,266	\$ 779,569	\$ 1,506,021	\$ 934,324
Change in Assets	\$ 15,243	\$ (759,460)	\$ (774,704)	\$ (20,977)	\$ (36,220)
Fixed Assets					
Depreciation	(7,732)	(5,445)	2,287	(10,020)	(2,288)
Computer Hardware & Software CapEx	25,000	25,000	-	-	(25,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Total Fixed Assets	\$ 17,268	\$ 19,555	\$ 2,287	\$ (10,020)	\$ (27,288)
Allocation of Fixed Assets	\$ (2,025)	\$ 6,389	8,414	\$ (10,957)	\$ (8,932)
Inc/(Dec) in Fixed Assets	\$ 15,243	\$ 25,944	\$ 10,701	\$ (20,977)	\$ (36,220)
Total Budget	\$ 586,940	\$ 1,377,210	\$ 790,270	\$ 1,485,044	\$ 898,104
Total Change in Working Capital	\$ -	\$ (785,405)	\$ (785,405)	\$ -	\$ -
FTEs	1.50	3.75	2.25	4.00	2.50

Administrative Services

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2017 Budget	2018 Budget	Increase (Decrease)	2017 Budget	2018 Budget	Increase (Decrease)
General and Administrative	\$ 2,452,289	\$ 2,343,480	\$ (108,809)	3.00	3.00	0.00
Legal and Regulatory	\$ 699,004	\$ 772,830	\$ 73,825	2.00	2.00	0.00
Information Technology	\$ 1,418,143	\$ 1,595,923	\$ 177,780	5.00	5.00	0.00
Human Resources	\$ 865,834	\$ 837,049	\$ (28,785)	3.00	3.00	0.00
Finance and Accounting	\$ 303,048	\$ 659,482	\$ 356,434	1.70	2.60	0.90
Total Administrative Services	\$ 5,738,319	\$ 6,208,764	\$ 470,446	14.70	15.60	0.90

Program Scope and Functional Description

Administrative Services is comprised of the following programs: 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.

Administrative Services Budget Detail

The following table shows funding sources and related expenses for the Administrative Services section of the 2018 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2017 Budget and Projection, and 2018 Budget					
Administrative Services					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 310,942	\$ 310,942	\$ -	\$ 716,686	\$ 405,744
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	\$ 310,942	\$ 310,942	\$ -	\$ 716,686	\$ 405,744
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	310,942	310,942	-	716,686	405,744
Expenses					
Personnel Expenses					
Salaries	\$ 2,623,203	\$ 2,779,174	\$ 155,971	\$ 2,930,629	\$ 307,426
Payroll Taxes	135,504	133,968	(1,535)	149,790	14,286
Benefits	461,992	507,385	45,393	531,813	69,821
Retirement Costs	488,286	501,557	13,271	561,006	72,720
Total Personnel Expenses	\$ 3,708,984	\$ 3,922,084	\$ 213,100	\$ 4,173,237	\$ 464,253
Meeting Expenses					
Meetings	\$ 69,240	78,240	\$ 9,000	\$ 98,500	\$ 29,260
Travel	90,950	79,403	(11,547)	88,700	(2,250)
Conference Calls	49,200	44,496	(4,704)	50,400	1,200
Total Meeting Expenses	\$ 209,390	\$ 202,139	\$ (7,251)	\$ 237,600	\$ 28,210
Operating Expenses					
Consultants & Contracts	\$ 143,900	90,189	\$ (53,711)	\$ 158,720	\$ 14,820
Office Rent	520,176	520,176	-	519,595	(582)
Office Costs	402,941	388,941	(14,000)	483,871	80,930
Professional Services	471,105	407,614	(63,491)	411,245	(59,860)
Miscellaneous	37,322	37,322	-	36,996	(326)
Depreciation	322,249	331,002	8,753	353,496	31,247
Total Operating Expenses	\$ 1,897,694	\$ 1,775,245	\$ (122,449)	\$ 1,963,923	\$ 66,229
Total Direct Expenses	\$ 5,816,068	\$ 5,899,468	\$ 83,400	\$ 6,374,760	\$ 558,693
Indirect Expenses	\$ (5,816,068)	\$ (5,899,468)	\$ (83,400)	\$ (6,374,760)	\$ (558,693)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ (0)	\$ -	\$ 0
Change in Assets	\$ 310,942	\$ 310,942	\$ 0	\$ 716,686	\$ 405,744
Fixed Assets					
Depreciation	(322,249)	(331,002)	(8,753)	(353,496)	(31,247)
Computer Hardware & Software CapEx	194,500	429,500	235,000	187,500	(7,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	50,000	-	(50,000)	-	(50,000)
	\$ (77,749)	\$ 98,498	\$ 176,247	\$ (165,996)	\$ (88,247)
Allocation of Fixed Assets	\$ 77,749	\$ (98,498)	(176,247)	\$ 165,996	\$ 88,247
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget	\$ -	\$ -	\$ (0)	\$ -	\$ 0
Total Change in Working Capital	\$ 310,942	\$ 310,942	\$ 0	\$ 716,686	\$ 405,744
FTEs	14.70	15.70	1.00	15.60	0.90

General and Administrative

Program Scope and Functional Description

The General and Administrative Department consists of the President and CEO, Senior Vice President and Treasurer, and Executive Assistant. Responsibilities include leadership, oversight, and management of all of ReliabilityFirst Corporation's activities, interacting with the Board of Directors and other Regional Entity Management Groups, performing the Corporate Treasurer function, and managing relationships with governmental agencies, regulators, members, stakeholders, and other industry organizations.

2018 Key Assumptions & Deliverables

The General and Administrative Program incorporates the regional specific common business planning assumptions as described in *the ERO Enterprise 2018 – 2020 Shared Business Plan and Budget Assumptions and 2018 Key Focus Areas document*. There are no additional assumptions or deliverables unique to the General and Administrative Program.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in this year.

Legal and Regulatory Affairs

Program Scope and Functional Description

The Legal and Regulatory Affairs program is responsible for four key areas: (1) all legal issues germane to the corporation; (2) regulatory affairs (communication and outreach to FERC, NERC, and the States); (3) external affairs (communication and outreach to ReliabilityFirst stakeholders and the public); and (4) corporate governance of the ReliabilityFirst Board of Directors and its committees. Each of these functions is discussed in turn below.

First, the department is responsible for all legal issues germane to the corporation. This responsibility includes ensuring legal and regulatory compliance with all applicable laws, orders, rules, and regulations; serving as advisor to the President and CEO and the Board of Directors; providing legal support to all other departments of the corporation; drafting, reviewing, and maintaining the corporation's contracts, policies and procedures, and governance documents; and overseeing all regulatory filings and interactions.

Second, the department is responsible for ReliabilityFirst's regulatory affairs. This responsibility includes communication and outreach to FERC, NERC, and the States on specific issues relating to ReliabilityFirst and/or the performance of its delegated functions; working to ensure the consistent application of ERO-wide programs and initiatives across NERC and the Regions; advising senior executives on various strategic and tactical initiatives for the corporation in light of the regulatory landscape; and advocating and advancing ReliabilityFirst's mission and strategic initiatives in a clear and articulate manner to FERC, NERC, and the States as applicable.

Third, the department is responsible for ReliabilityFirst's external affairs. This responsibility includes communication and outreach to ReliabilityFirst's stakeholders, the general public, and media. This work concerns media relations, and the issuance of announcements, newsletters, and reports on key issues facing the corporation and the industry. This work generally ensures that ReliabilityFirst clearly communicates its mission and strategic initiatives in a clear and articulate manner, and shares relevant and timely information to help enhance the reliability of the BES.

Finally, the department is responsible for the corporate governance of the ReliabilityFirst Board of Directors and its Committees. This responsibility includes the completion of all activities associated with the Corporate Secretary function (the General Counsel serves as the corporation's Corporate Secretary), such as preparing Board materials and minutes, facilitating and conducting Board training, and ensuring that director elections, Board of Directors and Committee meetings, and Meetings of Members adhere to the ReliabilityFirst Bylaws and other relevant governing documents.

2018 Key Assumptions

The Legal and Regulatory Affairs Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2018 - 2020 Shared Business Plan and Budget Assumptions and 2018 Key Focus Areas* document, and includes the following regional assumptions:

1. Provide legal support to all other departments of the corporation to ensure that those departments and their activities are consistent with NERC directives, FERC orders, rules, and regulations, and other applicable law.
2. Provide legal support to all other departments to make all necessary regulatory filings with FERC, NERC, and any other applicable regulatory body or agency, as well as support NERC in its efforts to do the same.
3. Draft, review, and maintain the corporation's contracts, policies and procedures, and governance documents.
4. Lead interactions with the FERC, NERC, the States, and other governmental agencies regarding ReliabilityFirst and its mission.
5. Work to ensure the consistent application of ERO-wide programs and initiatives across NERC and the Regions, including its leadership role in the Multi-Regional Registered Entity program.
6. Lead public communications and outreach, including the ReliabilityFirst website and the issuance of the bimonthly corporate newsletter, reports on key issues facing the corporation and the industry, and ReliabilityFirst's annual report.
7. Provide legal support and perform the Corporate Secretary function for the Board of Directors and support the corporate governance needs of the organization. This work includes creating and issuing the Board materials prior to Board meetings, providing legal advice as needed during the Board and Committee meetings, and recording minutes for the Board and Committee meetings.

2018 Key Deliverables

- Support all legal and regulatory needs of the corporation.
- Perform the external affairs function for the corporation

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contractor or consultant support is budgeted in this year.

Information Technology

Program Scope and Functional Description

The Information Technology (IT) department provides users with cost-effective information technology tools and proactively delivers enabling technologies to assist the departments in meeting their goals, objectives, and deliverables. The IT department minimizes the outsourcing of any critical infrastructure services and as such must implement and manage controls to maintain a robust security posture that minimizes ReliabilityFirst's risks. The department provides the necessary technical services in the following categories:

- Infrastructure Maintenance (Data Center Management - Local/Remote)
- Website Hosting and Internal Portal
- Voice, Web, and Video Conferencing
- Vulnerability Management
- Mobile Device Management
- Wireless Network Management
- Audio/Video Management
- Document Management and Data Warehousing
- Email Management
- Help Desk Support
- Telecommuter Support
- Application Support and Development
- Business Analysis
- Information Security Protection and Monitoring
- Business Continuity and Disaster Recovery

ReliabilityFirst supports the ERO's efforts to implement, operate, and maintain software tools supporting common enterprise-wide IT operations. ReliabilityFirst is committed to working collaboratively with NERC and the other Regions to minimize duplication of effort and investments, and improve operational efficiency. This collaboration continues to refine existing strategies, governance and procurement practices applicable to the development, operation and maintenance of enterprise architecture, software, and data systems supporting combined NERC and Regional Entity operations.

NERC's business plan and budget will include ongoing funding support for the development, operation, and maintenance of NERC and Regional Entity approved enterprise wide applications. Funding for these applications will be subject to the budget and funding limits set forth in NERC's approved business plan and budget. If implementation of these applications are delayed or otherwise not available as planned, ReliabilityFirst could incur additional costs to conduct operations pending the availability of these applications. ReliabilityFirst assumes agreed upon ERO Enterprise applications will be available and has only included appropriate funding for applications and supporting systems necessary to satisfy its business needs that are not within the mutually agreed upon scope of the ERO Enterprise wide applications funded by NERC.

The implementation of an offsite Data Management Center will be in its fifth year of operation. Operational experience to date has been excellent and believed to be very effective in IT resource utilization. Initial data indicates substantial savings in the operation of our equipment, while affording the organization many benefits in security, utilities, and back-up capability.

2018 Key Assumptions

The IT Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2018 - 2020 Shared Business Plan and Budget Assumptions and 2018 Key Focus Areas* document, including the support for building and implementing centralized enterprise applications for the ERO. The IT Program includes the following regional assumptions:

1. Provide IT support services to all corporate functions to ensure efficient and effective performance.
2. Continue monitoring and advancing the security posture across the company-wide data infrastructure and remediate any vulnerability to protect sensitive data.
3. Maintain lower fixed asset costs (infrastructure servers) by continuing operations of virtualization technologies, therefore minimizing replacement costs.
4. Continue to improve departmental processes and efficiencies where automation is needed.
5. Continue departmental training exercises for implemented technologies in order to maintain proficiency.

2018 Key Deliverables

- Perform necessary software upgrades including, but not limited to, the upgrade of various workstation and server applications and targeted server operating systems.
- Perform necessary hardware upgrades on user computer systems to replace aging hardware that is approaching end-of-life.
- 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 and provide better user experience.
- Continue enhancements of the external-facing corporate website to provide better content and user experience.
- Continue the advancement of data security and defense technologies to provide layered prevention/detection of the latest advanced cyber security threats.
- Continue refinement of security awareness program by providing training documents, questionnaires, simulated exercises, assessment campaigns, and/or seminars on existing workplace vulnerabilities.

- Continue supporting ERO initiatives of developing, testing, and deploying ERO enterprise solutions.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractors and consultant support is budgeted for 2018 as needed for network maintenance projects, and document/data management system activities.

Human Resources

Program Scope and Functional Description

ReliabilityFirst realizes that talented, experienced employees are its greatest assets, and that finding, nurturing, developing, and retaining that talent is one of its most important tasks. Therefore, the responsibilities of the Human Resources program center on ReliabilityFirst's greatest resource, the 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 with federal and state employment laws covering six states and the respective reporting requirements for each.

ReliabilityFirst will increase its staff to 77 individuals including two part-time positions equaling one (1.2) FTE, which brings the total to an equivalent of 76.2 FTEs. The staff is comprised of qualified management, professional, and technical employees with the expertise necessary to serve its stakeholders and to support the ERO by properly carrying out the organization's delegated functions.

2018 Key Assumptions

The Human Resources Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2018 - 2020 Shared Business Plan and Budget Assumptions and 2018 Key Focus Areas* document. There are no additional assumptions unique to the ReliabilityFirst Human Resources Program.

2018 Key Deliverables

- Recruit highly skilled and excellent employees.
- Sustain competitiveness via the use of annual third party salary and market analyses.
- Provide staff training and education
 - Train and educate staff on relevant technical topics, including emerging issues and technologies (e.g. virtualization, smart grid technologies).
 - Train and educate staff on the existing and new competencies required to perform their roles and responsibilities (e.g. identify and assess risks, perform internal controls assessments and evaluations).
 - Participate in knowledge management process to gather and utilize expertise from staff subject matter experts.
- Explore, develop and provide training on tools to further enhance staff efficiency and effectiveness.
- Review and manage employee benefits.
- Review succession plans.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractors and consultant support is budgeted in 2018 to continue the implementation of the knowledge capture and management program.

Finance and Accounting

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 the financial management activities of ReliabilityFirst Corporation, including:

- Processing the day to day activities such as travel and expense reporting, monthly financial reporting, accounts payables and receivables, and cash flow management;
- Leading the creation of the annual business plan and budget that adequately supports its delegated functions;
- Establishing and maintaining accounting policies, procedures, and internal controls, including anti-fraud initiatives, to guide the preparation of ReliabilityFirst's internal and external financial statements in accordance with Generally Accepted Accounting Principles;
- 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.
- Managing the retirement and corporate investment activities.
- Develop and implement the necessary internal audit function.

2018 Key Assumptions

The Finance and Accounting Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2018 - 2020 Shared Business Plan and Budget Assumptions and 2018 Key Focus Areas* document. There are no additional assumptions unique to the Finance and Accounting Program.

2018 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, the ERO, and ReliabilityFirst stakeholders 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, payroll, tax, audit activities, and financial and accounting internal controls and standards.
- Participate with NERC on the annual Regional Entity true-up filing, and the quarterly statements of activity.
- In an effort to continuously improve the entire accounting and budgeting process, implement actions to monitor operating expenses at a more granular level with the management staff.
- Provide advice from the financial perspective on contracts into which the organization may enter.
- Perform financial related internal control reviews and internal audit reviews.

Resource Requirements

Personnel

ReliabilityFirst is adding an additional 0.9 FTE² this year. The additional position is necessary to provide the financial function with the necessary resources to support the accounting function, address and continuously improve internal controls, establish the internal audit function, oversee corporate investment plans, and advance the corporate risk management effort.

Contractors and Consultants

Contractors or consultants support is budgeted in 2018 to support the routine testing of the internal controls relating to financial reporting.

² ReliabilityFirst is adding one (1) additional FTE, and reducing an existing part time position by 0.1 FTE. Together these modifications result in a net increase of 0.9 FTE.

Section B: Supplemental Financial Information

Table B-1: Working Capital and Operating Reserve Analysis

Working Capital and Operating Reserve Analysis 2017-2018				
STATUTORY				
	Total	Working Capital	Working Capital Reserve	Operating Reserve
Beginning Reserve Balances, January 1, 2017	3,625,420	378,931	2,246,489	1,000,000
Plus: Penalty Funds Released from Restriction January 1, 2017	659,000	659,000		
Plus: 2017 ReliabilityFirst Funding (from LSEs or designees)	19,560,881	19,408,013	152,868	
Plus: 2017 Other funding sources	75,000	75,000		
Less: 2017 Projected expenses & capital expenditures	(19,972,692)	(19,972,692)		
Other Adjustments to Reserves ¹	(158,074)	(158,074)		
Projected Working Capital and Operating Reserves, December 31, 2017	3,789,535	390,178	2,399,357	1,000,000
Targeted Working Capital and Operating Reserves, December 31, 2018 ³	4,348,147	0	3,348,147	1,000,000
Less: Projected Working Capital and Operating Reserves, December 31, 2017	(3,789,535)	(390,178)	(2,399,357)	(1,000,000)
Total Adjustments to Reserves	558,612	(390,178)	948,790	0
2018 Expenses and Capital Expenditures	21,393,899			
Less: Penalty Sanctions ²	(1,912,877)			
Less: Other Funding Sources	(50,000)			
Adjustment to Achieve Reserve Balances	558,612			
Other Adjustments to Reserve ¹	158,074			
2018 ReliabilityFirst Assessment	20,147,707			

¹ Represents transactions recorded only on the Statement of Financial Position (balance sheet) that do not impact the Statement of Activities (income statement), including true-up of current versus non-current deferred rent obligation.

² Represents penalty sanctions collected from July 1, 2016 to June 30, 2017.

³ The Operating and Working Capital Reserves were approved by the ReliabilityFirst Board of Directors on March 9, 2017 and April 25, 2017, respectively.

Explanation of the Working Capital Reserve

Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow for daily operations. In an effort to better manage and stabilize future assessments, the targeted working capital reserve is being increased to \$3,348K.

Explanation of the Operating Reserve

The amount of the operating reserve is determined and recommended for approval by the Board of Directors during the annual budget process. On March 9, 2017, the ReliabilityFirst Board approved a \$1,000,000 operating reserve, which is consistent with ReliabilityFirst policy and historical experience and is believed to be appropriate for any unbudgeted and unexpected expenditures of the organization.

Table B-2: Penalty Sanctions Received

Penalty Sanctions Received Between July 1, 2016 and June 30, 2017	
Dates Received	Amount Received
7/11/2016	25,000
7/28/2016	20,000
8/1/2016	1,700,000
Collected July 1, 2016 to December 31, 2016	<u>1,745,000</u>
2/6/2017	105,750
2/6/2017	62,127
Collected January 1, 2017 to June 30, 2017	<u>167,877</u>
Total	<u>1,912,877</u>

Allocation Method

Penalty monies received have been allocated based upon the number of FTEs to the following direct programs to reduce assessments:

- Reliability Standards;
- Reliability Assurance and Compliance Monitoring;
- Enforcement;
- 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 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget
Interest Income	\$ -	\$ 75,000	\$ 50,000	\$ 50,000
Miscellaneous Income	-	-	-	-
Total Outside Funding	\$ -	\$ 75,000	\$ 50,000	\$ 50,000

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- The increase in Interest Income is to account for the change in value of the company's investment portfolio.

Table B-4: Personnel Expenses

Personnel Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Salaries					
Salaries	\$ 11,846,534	\$ 11,965,335	\$ 12,945,519	\$ 1,098,985	9.28%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Vacation Expense	49,247	49,247	30,122	(19,125)	-38.83%
Total Salaries	\$ 11,895,781	\$ 12,014,582	\$ 12,975,641	\$ 1,079,860	9.08%
Total Payroll Taxes	\$ 705,869	\$ 708,953	\$ 765,357	\$ 59,488	8.43%
Benefits					
Workers Compensation	\$ 27,000	\$ 23,000	\$ 20,000	\$ (7,000)	-25.93%
Medical Insurance	1,359,959	1,393,096	1,604,591	244,632	17.99%
Life-LTD Insurance	99,989	98,263	103,758	3,769	3.77%
Education	318,784	318,784	321,305	2,521	0.79%
Relocation	-	20,240	-	-	
Total Benefits	\$ 1,805,733	\$ 1,853,383	\$ 2,049,654	\$ 243,922	13.51%
Retirement					
Discretionary 401k Contribution	\$ 1,153,587	\$ 1,150,595	\$ 1,255,523	\$ 101,936	8.84%
Savings Plan	692,152	664,097	753,314	61,162	8.84%
Pension & Savings Admin	103,500	103,500	129,500	26,000	25.12%
Total Retirement	\$ 1,949,240	\$ 1,918,192	\$ 2,138,337	\$ 189,097	9.70%
Total Personnel Costs	\$ 16,356,622	\$ 16,495,110	\$ 17,928,989	\$ 1,572,368	9.61%
FTEs	72.30	73.46	76.20	3.90	5.39%
Cost per FTE					
Salaries	\$ 164,534	\$ 163,553	\$ 170,284	5,750	3.49%
Payroll Taxes	9,763	9,651	10,044	281	2.88%
Benefits	24,976	25,230	26,898	1,923	7.70%
Retirement	26,960	26,112	28,062	1,102	4.09%
Total Cost per FTE	\$ 226,233	\$ 224,545	\$ 235,289	\$ 9,056	4.00%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- 4.6% of the variance in **Salaries** is due to the addition of four new FTEs, the remaining variance is due to a 3% general wage increase, market adjustments, promotions, and the establishment of a formal intern program.
- The decrease in **Vacation Expense** is due to the expectation that a disbursement of compensation for an employee's banked vacation hours will occur in 2018.
- The increase in **Medical Insurance** is primarily due to an estimated 12% increase in medical premiums, 6.2% of this variance is due to the four new FTEs.
- The increase in **Pension & Savings Admin** is due to the administrative costs relating to the management of the company's retirement plans. This increase of \$26,000 is reflected in the \$72,720 (15%) increase in Retirement Costs in the Administrative Services budget.

Table B-5: Meeting Expenses

Meeting Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Reliability Assurance and Compliance Monitoring	531,250	419,563	500,975	(30,275)	-5.70%
Enforcement	18,500	18,500	25,500	7,000	37.84%
Reliability Assessment and Performance Analysis	128,500	128,500	108,200	(20,300)	-15.80%
Training and Education	135,000	141,000	136,400	1,400	1.04%
Situation Awareness and Infrastructure Security	36,000	40,977	55,350	19,350	53.75%
Administrative Services	209,390	202,139	237,600	28,210	13.47%
Total Meeting Expenses	\$ 1,058,640	\$ 950,679	\$ 1,064,025	\$ 5,385	0.51%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- The variance in the **Reliability Assurance and Compliance Monitoring** program is due to an increase in Meetings to strengthen the coordination within and between departments and to facilitate and drive continuous improvement in both the efficiency and quality of the work being performed. This increase is offset by a decrease in travel which is a result of considering historical averages along with future travel expectations and assumptions.
- The decrease in **Reliability Assessment and Performance Analysis** is a result of considering historical averages along with future travel expectations and assumptions.
- The increase in **Situation Awareness and Infrastructure Security** is due to the additional travel expected to support the event analysis activities.
- The increase in **Administrative Services** is due to the costs associated with the fourth quarter Annual Meeting of the Members, and Board of Directors and Committee Meetings; along with the costs associated with the quarterly management meetings.

Table B-6: Consultants and Contracts

Contractors	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Reliability Assurance and Compliance Monitoring Enforcement	152,400	152,400	111,600	(40,800)	-26.77%
Reliability Assessment and Performance Analysis Training and Education	-	6,000	-	-	
Situation Awareness and Infrastructure Security	110,012	110,012	119,812	9,800	8.91%
Administrative Services	-	-	-	-	
	25,000	-	-	(25,000)	-100.00%
	143,900	90,189	158,720	14,820	10.30%
Contractors Total	\$ 431,312	\$ 358,601	\$ 390,132	\$ (41,180)	-9.55%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- The decrease in **Reliability Assurance and Compliance Monitoring** is due to the process improvements and efficiency gains that are being achieved from implementing risk based compliance monitoring, resulting in less need for contractor services.
- The increase in **Reliability Assessment and Performance Analysis** is due to the additional assessments and studies projected by the ERAG Management Committee.
- The decrease in **Situation Awareness and Infrastructure Security** is due to the one time cost for the social engineering assessment that was planned in 2017.
- The increase in **Administrative Services** is due to the support needed to assist with additional document/data management system implementation activities.

Table B-7: Office Rent

Office Rent	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Office Rent	\$ 437,530	\$ 437,530	437,530	\$ -	0.00%
Data Center Rent	63,789	63,789	63,789	-	0.00%
Utilities	18,858	18,858	18,276	(582)	-3.08%
	-	-	-	-	
Total Office Rent	\$ 520,177	\$ 520,177	\$ 519,595	\$ (582)	-0.11%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- No explanation is needed.

Table B-8: Office Costs

Office Costs	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Telephone	\$ 82,915	\$ 82,915	\$ 85,890	\$ 2,975	3.59%
Internet	37,061	37,061	35,052	(2,009)	-5.42%
Office Supplies	25,530	25,530	22,900	(2,630)	-10.30%
Computer Supplies and Maintenance	552,449	536,049	624,405	71,956	13.02%
Publications & Subscriptions	15,719	15,719	14,886	(833)	-5.30%
Dues	20,403	20,403	17,222	(3,181)	-15.59%
Postage	1,382	1,382	1,200	(182)	-13.17%
Express Shipping	-	-	300	300	
Copying	15,204	15,204	24,120	8,916	58.64%
Reports	-	-	-	-	
Stationary Forms	20	20	350	330	1650.00%
Equipment Repair/Service Contracts	7,880	7,880	4,792	(3,088)	-39.19%
Bank Charges	600	600	600	-	0.00%
Total Office Costs	\$ 759,162	\$ 742,762	\$ 831,717	\$ 72,555	9.56%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- The increase in **Computer Supplies and Maintenance** is due to the planned replacement of employee laptops, which is budgeted for in the **Administrative Services Program**.

Table B-9: Professional Services

Professional Services	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Independent Trustee Fees	\$ 304,750	\$ 234,750	\$ 239,100	\$ (65,650)	-21.54%
Outside Legal	20,000	10,827	20,000	-	0.00%
Accounting & Auditing Fees	65,430	77,534	69,045	3,615	5.52%
Insurance Commercial	80,925	85,330	83,100	2,175	2.69%
				-	
Total Services	\$ 471,105	\$ 408,441	\$ 411,245	\$ (59,860)	-12.71%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- Independent Trustee Fees** decreased due to not needing to conduct a search for a new independent director in 2018, which is budgeted for in the **Administrative Services Program**.

Table B-10: Miscellaneous

Miscellaneous Expense	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Miscellaneous	\$ 42,422	\$ 42,422	\$ 40,696	\$ (1,726)	-4.07%
	-	-	-	-	
Total Miscellaneous Expense	\$ 42,422	\$ 42,422	\$ 40,696	\$ (1,726)	-4.07%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- No explanation is needed.

Table B-11: Non-Operating Expenses

Other Non-Operating Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment	-	-	-	-	
Office Relocation	-	-	-	-	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- No explanation is needed.

Table B-12: Fixed Assets

Fixed Assets	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Computer Hardware	\$ 174,500	\$ 319,500	\$ 167,500	\$ (7,000)	-4.01%
Computer Software	45,000	135,000	40,000	(5,000)	-11.11%
Furniture & Fixtures	-	-	0	-	
Leasehold Improvements	50,000	-	0	(50,000)	-100.00%
Total Fixed Assets	\$ 269,500	\$ 454,500	\$ 207,500	\$ (62,000)	-23.01%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- The decreases in **Computer Hardware** and **Computer Software** are due to the following program variances:
 - The increase in the **Reliability Assurance and Compliance Monitoring Program** is due to the need to develop techniques and tools to mine the existing data and be able to connect that information to the most significant risks, as ReliabilityFirst continues its transition to a data-driven risk-based organization.
 - The decrease in the **Situation Awareness and Infrastructure Security Program** is due to the elimination of costs associated with the purchase of an analysis tool used to quantify threats that was included in the 2017 budget.
- The decrease in **Leasehold Improvements** is due to the planned upgrade to the office restrooms that was included in the 2017 budget.

Table B-13: 2019 and 2020 Projections

Statement of Activities 2019 and 2020 Projections							
	2018 Budget	2019 Projection	\$ Change 18 v 19	% Change 18 v 19	2020 Projection	\$ Change 18 v 19	% Change 18 v 19
Funding							
ERO Funding							
ERO Assessments	\$ 20,147,707	\$ 21,003,985	\$ 856,278	4.3%	\$ 21,949,164	\$ 945,179	4.5%
Penalty Sanctions	1,912,877	1,700,000	-212,877	-11%	200,000	(1,500,000)	-88.2%
Total ERO Funding	\$ 22,060,585	\$ 22,703,985	\$ 643,400	2.9%	\$ 22,149,164	\$ (554,821)	-2.4%
Membership Dues	\$ -	\$ -	\$ -		\$ -	\$ -	
Federal Grants	-	-	-		-	-	
Services & Software	-	-	-		-	-	
Workshops	-	-	-		-	-	
Interest	50,000	25,000	(25,000)	-50.0%	25,000	-	0.0%
Miscellaneous	-	-	-		-	-	
Total Funding	\$ 22,110,585	\$ 22,728,985	\$ 618,400	2.8%	\$ 22,174,164	\$ (554,821)	-2.4%
Expenses							
Personnel Expenses							
Salaries	\$ 12,975,641	\$ 13,494,667	\$ 519,026	4.0%	\$ 14,034,453	\$ 539,787	4.0%
Payroll Taxes	765,357	795,971	30,614	4.0%	827,810	31,839	4.0%
Benefits	2,049,654	2,299,830	250,176	12.2%	2,569,536	269,706	11.7%
Retirement Costs	2,138,337	2,225,696	87,359	4.1%	2,316,264	90,568	4.1%
Total Personnel Expenses	\$ 17,928,989	\$ 18,816,163	\$ 887,174	4.9%	\$ 19,748,063	\$ 931,899	5.0%
Meeting Expenses							
Meetings	\$ 300,375	\$ 303,379	\$ 3,004	1.0%	\$ 306,413	\$ 3,034	1.0%
Travel	713,250	731,081	17,831	2.5%	749,358	18,277	2.5%
Conference Calls	50,400	50,904	504	1.0%	51,413	509	1.0%
Total Meeting Expenses	\$ 1,064,025	\$ 1,085,364	\$ 21,339	2.0%	\$ 1,107,184	\$ 21,820	2.0%
Operating Expenses							
Consultants & Contracts	\$ 390,132	\$ 394,033	\$ 3,901	1.0%	\$ 397,974	\$ 3,940	1.0%
Office Rent	519,595	524,791	5,196	1.0%	530,039	5,248	1.0%
Office Costs	831,717	840,034	8,317	1.0%	848,434	8,400	1.0%
Professional Services	411,245	415,357	4,112	1.0%	419,511	4,154	1.0%
Miscellaneous	40,696	41,103	407	1.0%	41,514	411	1.0%
Depreciation	373,325	377,058	3,733	1.0%	380,829	3,771	1.0%
Total Operating Expenses	2,566,709	2,592,376	25,667	1.0%	2,618,300	25,924	1.0%
Total Direct Expenses	\$ 21,559,724	\$ 22,493,904	\$ 934,180	4.3%	\$ 23,473,547	\$ 979,643	4.4%
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses	\$ 21,559,724	\$ 22,493,904	\$ 934,180	4.3%	\$ 23,473,547	\$ 979,643	4.4%
Change in Assets	\$ 550,861	\$ 235,081	\$ (315,780)	-57.3%	\$ (1,299,383)	\$ (1,534,464)	-652.7%
Fixed Assets							
Depreciation	\$ (373,325)	\$ (377,058)	\$ (3,733)	1.0%	\$ (380,829)	\$ (3,771)	1.0%
Computer & Software CapEx	207,500	282,500	75,000	36.1%	207,500	(75,000)	-26.5%
Furniture & Fixtures CapEx	-	-	-		-	-	
Equipment CapEx	-	-	-		-	-	
Leasehold Improvements	-	80,000	80,000		-	(80,000)	-100.0%
	\$ (165,825)	\$ (14,558)	\$ 151,267	-91.2%	\$ (173,329)	\$ (158,771)	1090.6%
Allocation of Fixed Assets	\$ -	\$ -	\$ -		\$ -	\$ -	
Inc/(Dec) in Fixed Assets	\$ (165,825)	\$ (14,558)	\$ 151,267	-91.2%	\$ (173,329)	\$ (158,771)	1090.6%
Total Budget	\$ 21,393,899	\$ 22,479,346	\$ 1,085,447	5.1%	\$ 23,300,218	\$ 820,872	3.7%
Change in Working Capital	\$ 716,686	\$ 249,639	\$ (467,047)	-65.2%	\$ (1,126,054)	\$ (1,375,693)	-551.1%
FTEs	76.2	76.2	-	0.0%	76.2	-	0.0%

Explanation of 2019 and 2020 Budget Projections

ReliabilityFirst has projected budget increases for 2019 and 2020. The projected range for 2019 is 5.1% to 7.9%; and the projected range for 2020 is 3.6% to 6.4%. ReliabilityFirst identified a range for its 2019 and 2020 budget projections to reflect both its baseline projections (the lower end of the range) and its projections of significant at-risk initiatives (the higher end of the range).

These at-risk initiatives primarily concern projected staffing needs to support increased internal work load to implement various programs currently under way or under consideration in support of the five year strategic plan. They also concern the need to mature ReliabilityFirst's data management capability along with risk analytics and management applications. Below is an overview of each of these at-risk initiatives.

Additional Staffing

- To advance the Risk Based Reliability Program, ReliabilityFirst projects that a resource investment will be necessary to increase staffing to yield significant savings for stakeholders. This staffing increase is intended to effectively reduce and otherwise shift the current administrative burden from the stakeholders to ReliabilityFirst. The staffing increase is intended to position ReliabilityFirst to perform meaningful internal control evaluations, entity development, risk management and outreach activities, and ensure ReliabilityFirst's activities are focused on reliability, risk, and security. The need for additional staffing will be solely driven by and dependent on demand for voluntary outreach, assist visits, CIP activities, risk and reliability activities, internal control/management practice evaluations, and internal audit activities.

Fixed Asset Additions

- With the accumulation of significant amounts of documentation and data, the present documentation management tools need to be updated to assure improved controls, improved configuration management, and advanced data mining capabilities.
- Risk analytics and management software will enable more robust risk assessment capability in support of risk based reliability activities.
- Personal Computers will be required to be partially replaced in 2019.

The following is a breakdown of the projected budget ranges for 2019 and 2020.

2019 Lower Range: 5.1%

- Personnel Expense: 4.9%
 - Salary Increase: 3%
- Medical/Dental/Vision Premiums: 15%/8%/8%
- Meeting Expense: 1%
- Travel Expense: 2.5%
- Operating Expense: 1%
- Fixed Assets Additions:
 - Personal Computers: \$75,000

2019 Higher Range Increase to Address At-Risk Initiatives: 7.9%

- Personnel Expense: 6.9%
 - Salary Increase: 3%
 - Medical/Dental/Vision Premiums: 15%/8%/8%
 - Hire 2 FTEs
- Meeting Expense: 1%
- Travel Expense: 2.5%
- Operating Expense: 1%
- Fixed Asset Additions:
 - Data Management Application: \$100,000
 - Strategic Plan Initiatives: \$150,000

2020 Lower Range: 3.7%

- Personnel Expense: 5.%
 - Salary Increase: 3%
 - Medical/Dental Premiums: 15%/8%
- Meeting Expense: 1%
- Travel Expense: 2.5%
- Operating Expense: 1%

2020 Higher Range Increase to Address At-Risk Initiatives: 6.4%

- Personnel Expense: 6.9%
 - Salary Increase: 3%
 - Medical/Dental Premiums: 15%/8%
 - Hire 2 FTEs
- Meeting Expense: 1%
- Travel Expense: 2.5%
- Operating Expense: 1%
- Fixed Asset Additions:
 - Risk Management Software: \$100,000
 - Strategic Plan Initiatives: \$150,000

Notes:

1. 2019 projections are based on 2018 budget.
2. 2020 projections are based on the 2019 lower range.

Section C: Non-Statutory Activities

ReliabilityFirst performed only those functions delegated to it by the ERO in 2017 and the organization does not intend to perform any functions outside its ERO delegated activities in 2018, therefore Section C is not applicable.

**Section D: Additional Consolidated Financial
Statements**

2018 Consolidated Statement of Activities by Program

	Total	Statutory Total	Reliability Standards (Section 300)	Reliability Assurance and Compliance Monitoring	Enforcement	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding													
ReliabilityFirst Funding													
ReliabilityFirst Assessments	20,147,707	20,147,707	-	12,424,532	2,069,900	2,658,828	922,279	1,355,482	716,686	-	-	-	-
Penalty Sanctions	1,912,877	1,912,877	-	1,167,928	260,416	263,573	94,697	126,263	-	-	-	-	-
Total ReliabilityFirst Funding	22,060,585	22,060,585	-	13,592,461	2,330,317	2,922,401	1,016,976	1,481,744	716,686	-	-	-	-
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	50,000	50,000	-	30,528	6,807	6,889	2,475	3,300	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	22,110,585	22,110,585	-	13,622,989	2,337,124	2,929,290	1,019,452	1,485,044	716,686	-	-	-	-
Expenses													
Personnel Expenses													
Salaries	12,975,641	12,975,641	-	6,499,775	1,058,684	1,329,564	416,078	740,911	1,180,422	557,885	587,931	306,359	298,031
Payroll Taxes	765,357	765,357	-	389,918	71,181	83,004	28,228	43,236	38,088	24,338	43,161	21,343	22,859
Benefits	2,049,654	2,049,654	-	1,000,275	163,026	175,455	65,095	113,990	90,693	39,953	134,379	212,491	54,297
Retirement Costs	2,138,337	2,138,337	-	1,012,231	165,691	215,123	66,286	118,000	160,299	80,963	93,786	48,811	177,147
Total Personnel Expenses	17,928,989	17,928,989	-	8,902,200	1,458,582	1,803,146	575,687	1,016,137	1,469,503	703,140	859,257	589,004	552,334
Meeting Expenses													
Meetings	300,375	300,375	-	44,675	2,500	16,700	136,400	1,600	70,900	2,000	1,600	24,000	-
Travel	713,250	713,250	-	456,300	23,000	91,500	-	53,750	33,000	33,000	13,000	4,200	5,500
Conference Calls	50,400	50,400	-	-	-	-	-	-	-	-	50,400	-	-
Total Meeting Expenses	1,064,025	1,064,025	-	500,975	25,500	108,200	136,400	55,350	103,900	35,000	65,000	28,200	5,500
Operating Expenses													
Consultants & Contracts	390,132	390,132	-	111,600	-	119,812	-	-	-	-	63,000	85,720	10,000
Office Rent	519,595	519,595	-	-	-	-	-	-	455,806	-	63,789	-	-
Office Costs	831,717	831,717	-	293,885	7,789	42,434	-	3,738	63,376	14,690	352,977	11,980	40,848
Professional Services	411,245	411,245	-	-	-	-	-	-	239,100	20,000	-	101,345	50,800
Miscellaneous	40,696	40,696	-	3,500	-	200	-	-	11,796	-	4,400	20,800	-
Depreciation	373,325	373,325	-	7,432	-	2,377	-	10,020	166,199	-	187,297	-	-
Total Operating Expenses	2,566,709	2,566,709	-	416,417	7,789	164,823	-	13,758	936,277	34,690	671,463	219,845	101,648
Total Direct Expenses	21,559,724	21,559,724	-	9,819,591	1,491,871	2,076,169	712,087	1,085,245	2,509,679	772,830	1,595,720	837,049	659,482
Indirect Expenses	-	-	-	3,892,180	867,851	878,370	315,582	420,776	(2,509,679)	(772,830)	(1,595,720)	(837,049)	(659,482)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	21,559,724	21,559,724	-	13,711,772	2,359,722	2,954,539	1,027,669	1,506,021	-	-	-	-	-
Change in Assets	550,861	550,861	-	(88,783)	(22,598)	(25,249)	(8,218)	(20,977)	716,686	-	-	-	-
Fixed Assets													
Depreciation	(373,325)	(373,325)	-	(7,432)	-	(2,377)	-	(10,020)	(166,199)	-	(187,297)	-	-
Computer & Software CapEx	207,500	207,500	-	20,000	-	-	-	-	-	-	187,500	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
	(165,825)	(165,825)	-	12,568	-	(2,377)	-	(10,020)	(166,199)	-	203	-	-
Allocation of Fixed Assets	0	0	-	(101,351)	(22,598)	(22,872)	(8,218)	(10,957)	166,199	-	(203)	-	-
Inc/(Dec) Fixed Assets	(165,825)	(165,825)	-	(88,783)	(22,598)	(25,249)	(8,218)	(20,977)	-	-	-	-	-
Total Budget	21,393,899	21,393,899	-	13,622,989	2,337,124	2,929,290	1,019,452	1,485,044	-	-	-	-	-
Change in Working Capital	716,686	716,686	-	-	-	-	-	-	716,686	-	-	-	-
FTEs	76.20	76.20	-	37.00	8.25	8.35	3.00	4.00	3.00	2.00	5.00	3.00	2.60

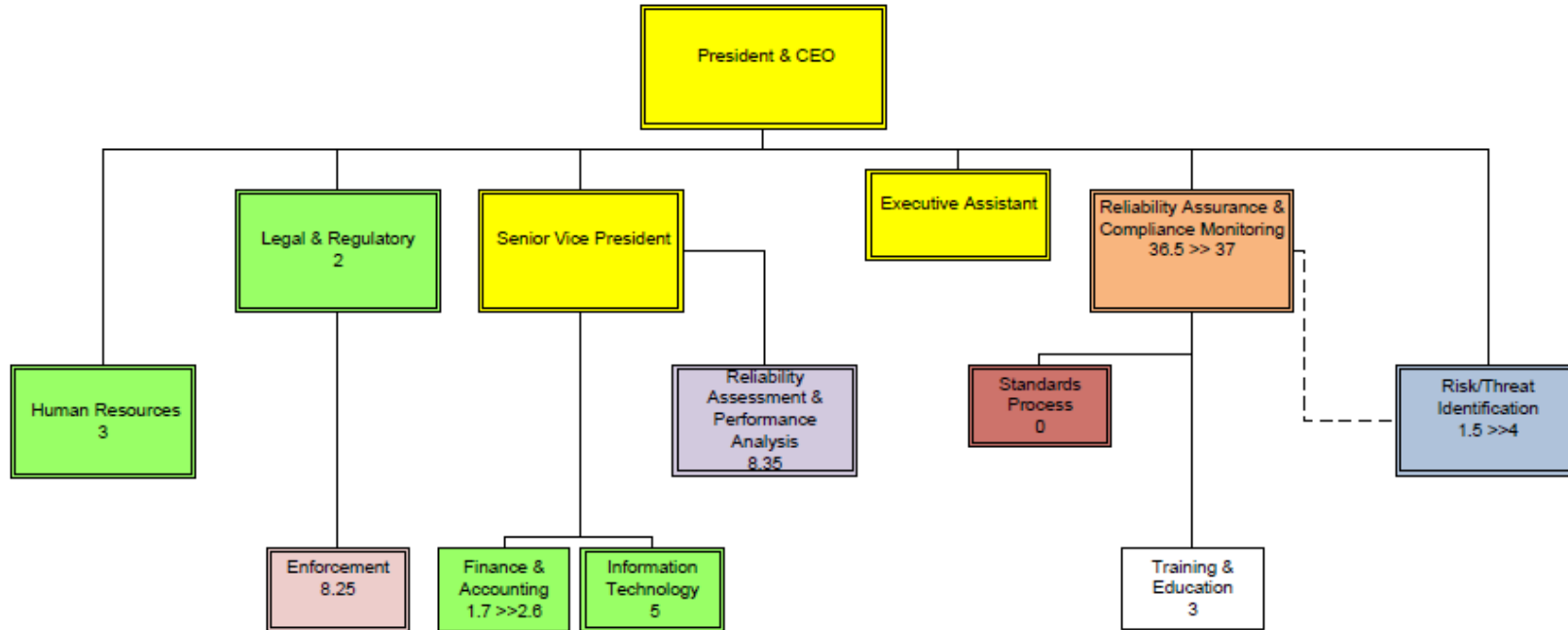
Statement of Financial Position

Statement of Financial Position 2016 Audited, 2017 Projection, and 2018 Budget

STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-16	Projected 31-Dec-17	Budget 31-Dec-18
ASSETS			
Cash	10,726,351	10,609,600	10,394,427
Accounts receivable, net of allowance for uncollec	230,574	-	-
Lease Incentives	-	-	-
Prepaid expenses and other current assets	212,464	212,464	212,464
Property and equipment	2,327,871	2,400,582	2,234,757
Total Assets	13,497,259	13,222,645	12,841,647
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued expenses	117,976	117,976	117,976
Accrued expenses	3,797,686	3,797,686	3,797,686
Notes Payable	-	-	-
Deferred Revenue	-	-	-
Total Current Liabilities	3,915,663	3,915,663	3,915,663
Long Term Liabilities			
Accrued expenses	448,279	777,468	980,670
Deferred Revenue	350,000	350,000	350,000
Deferred Rent	2,215,231	2,048,567	1,870,710
Total Long Term Liabilities	3,013,510	3,176,036	3,201,380
Net Assets - unrestricted	3,996,209	3,559,070	4,224,604
Net Assets - restricted	2,571,877	2,571,877	1,500,000
Total Liabilities and Net Assets	13,497,259	13,222,645	12,841,647

Appendix A: 2017 – 2018 Organization Chart



DOCKET NO. RR17-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2018 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 7

SERC RELIABILITY CORPORATION

PROPOSED 2018 BUSINESS PLAN AND BUDGET



SERC Reliability Corporation
3701 Arco Corporate Drive, Suite 300
Charlotte, NC 28273
704.357.7372 | Fax 704.357.7914 | www.serc1.org

SERC Reliability Corporation

2018 Business Plan and Budget

FINAL

June 28, 2017

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Introduction

The following table summarizes SERC Reliability Corporation's (SERC) budget for 2018.

	TOTAL RESOURCES (in whole dollars)			
	2018 Budget	U.S.	Canada	Mexico
Statutory FTEs	75.00			
Non-statutory FTEs**	-			
Total FTEs	75.00			
Statutory Expenses	\$ 17,290,935			
Non-Statutory Expenses**	\$ -			
Total Expenses	\$ 17,290,935			
Statutory Inc(Dec) in Fixed Assets	\$ (108,067)			
Non-Statutory Inc(Dec) in Fixed Assets**	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (108,067)			
Statutory Working Capital Requirement*	\$ 1,013,271			
Non-Statutory Working Capital Requirement**	\$ -			
Total Working Capital Requirement	\$ 1,013,271			
Total Statutory Funding Requirement	\$ 18,196,139			
Total Non-Statutory Funding Requirement**	\$ -			
Total Funding Requirement	\$ 18,196,139			
Statutory Funding Assessments	\$ 17,205,136	\$ 17,205,136	\$ -	\$ -
Non-Statutory Fees**	\$ -	\$ -	\$ -	\$ -
NEL	1,022,554,364	1,022,554,364	-	-
NEL%	100.00%	100.00%	0.00%	0.00%

Table 1. SERC Budget for 2018

Organizational Overview

SERC is a nonprofit corporation responsible for promoting and improving the reliability of the bulk power system (BPS) in all or portions of 16 central and southeastern states. The SERC Region covers an area of approximately 560,000 square miles. Electric systems in the Region serve approximately 25.7 percent of the net energy for load (NEL) in North America and 30.9 percent of the NEL in the Eastern Interconnection.

On May 2, 2007, SERC executed an agreement with the North American Electric Reliability Corporation (NERC) that delegated to SERC certain responsibilities and authorities of a Regional Entity as defined in these documents:

- 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
- *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 successfully promoted the reliability of the BPS using an industry Electric Reliability Organization (ERO) model that relies on reciprocity, peer

influence, and the mutual reliability focus of BPS owners, operators, and users 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. Effective January 1, 2015, SERC incorporated in the state of North Carolina.

SERC has a 2018 targeted staffing level of 75.0 Full-Time Equivalents (FTEs) (2018 total headcount of 75.0) composed of power industry professionals and support personnel.

Membership and Governance

As part of its delegated duties, SERC monitors 192 registered entities in the SERC Region for compliance with the NERC Reliability Standards. Membership in SERC is voluntary and free. SERC's member companies participate in the technical activities and governance of the organization. SERC currently has 54 member companies.

A Board of Directors (Board), composed of a representative from each member company, governs SERC. The Board delegates operational oversight of the corporation to an Executive Committee of 12 directors. The Board has formed the following committees:

- Board Compliance Committee (BCC): Oversees the program that monitors and enforces compliance of registered entities in the Region to FERC-approved Reliability Standards.
- Human Resources and Compensation Committee (HRCC): Advises the President, Board officers, and the Board about employee compensation and human resources.
- Finance and Audit Committee (FAC): Advises the President, Board officers and Board about the organization's finances and internal controls.
- Nominating Committee: Identifies, vets, and recommends candidates for Board Officer and committee positions, as needed.

Statutory Functional Scope

SERC provides statutory functions that support the ERO, in accordance with its delegation agreement between SERC and NERC. SERC provides the following functions:

- Analyzes events to identify Lessons Learned that will improve reliability.
- Promotes BPS reliability, adequacy, and security.
- Helps develop Reliability Standards for the North American BPS and the SERC Region.
- Monitors and enforces approved mandatory Reliability Standards.
- Registers and certifies responsible entities under the reliability Compliance program.
- Assesses the BPS past, present, and future risk profile in order to assure reliability, adequacy, and security.
- Trains operating personnel to assure competence.

SERC only performs functions called for in section 215 of the Federal Power Act that have been delegated from NERC to SERC.

2018 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 *2018–2020 Shared Business Plan and Budget Assumptions* document is located in Exhibit A of NERC's *2018 Business Plan and Budget*.

NERC and the Regional Entities implement joint coordination and collaboration processes to develop the multi-year ERO Enterprise Strategic Plan and performance metrics.

2018 Goals and Key Deliverables

The overall goals and key deliverables for 2018 are as follows:

1. Serve as an independent, objective, and fair enforcement authority, without conflicts of interest.
 - A. Register entities commensurate to the risk to the BPS and ensure all key reliability entities are certified to have essential capabilities.
 - B. Enforce compliance of registered entities with mandatory Reliability Standards, in accordance with the delegation agreement and Compliance Monitoring and Enforcement Program (CMEP). Perform timely and transparent reviews.
 - C. Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough, and comprehensive manner to prevent recurrence.
2. Promote a culture of compliance that addresses reliability risks across the SERC Region and the ERO.
 - A. Ensure that the industry understands the essential purpose of Standards and Compliance expectations.
 - B. Work with the industry to maintain effective risk control programs for Compliance, reliability, and security.
 - C. Use efficient processes and proportional exercise of discretion to verify that the industry meets Compliance objectives.
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. Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to inform Standards, Compliance, and other programs.
 - C. Ensure that the industry is well-informed of emerging trends, risk analysis, Lessons Learned, and expected actions.
4. Mitigate reliability risks.
 - A. Ensure that the industry understands security threats and addresses them effectively.
 - B. Facilitate information sharing among industry, Regions, ERO, and government.
 - C. Work with the ERO to track industry accountability for critical reliability and security recommendations.
5. Promote a culture of reliability excellence.
 - A. Ensure reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among registered entities.
 - B. Serve as a leading resource to industry and policy makers to supply reliability information.
6. Improve transparency, consistency, quality, and timeliness of results; collaborate 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 continually improving.

2018 Overview of Cost Impacts

SERC proposes to decrease its operating budget from \$17,482,403 to \$17,182,868 in 2018, a decrease of \$299,535 or 1.7 percent. The proposed 2018 assessment of \$17,205,136 is an increase of 9.5 percent from the 2017 assessment of \$15,706,023. SERC believes that in 2018 it will continue to realize material efficiencies that will 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 the basis of cost per NEL. SERC's culture promotes consistent delivery of excellent results at a cost that respects the longstanding tradition of affordable and reliable electricity across SERC's geography.

SERC has applied its penalty funds as an offset to assessments.

The following is a list of targeted budget increases to allow SERC to accomplish the specific objectives outlined in the *2018 Business Plan and Budget* (dollars are stated as an increase in the 2018 budget compared to the 2017 budget). SERC will continue to perform Cross-Regional Compliance Monitoring and Enforcement for other Regions, if requested. The Regional Entity that contracts with SERC for its services will pay the costs in accordance with the contract. \$71,000 is included in the *2018 Business Plan and Budget* under Other Funding and various expense accounts for the performance of these services. The costs associated with the Regional Entity Coordinator position have been eliminated, and all associated costs usually shared equally with the other Regional Entities removed from the budget; these shared costs will be removed from the Regional Entity's respective budgets also.

The most significant changes to the budget are in personnel, which includes two components:

- **Staff changes proposed in 2018** – The targeted staffing level for 2018 is 75.00 FTEs, This reflects no change as compared to the 2017 budget. SERC is continuing to use consultants in lieu of FTEs for Business Process and Risk Assessment in the area of Information Technology (IT) and Facilities.
- **Cost increase for maintaining staff budgeted in 2018** – The net decrease in Personnel costs of \$271,112 compared to 2017 reflects a budgeted average increase in merit of 3 percent for existing staff, and an overall increase in employee benefit costs. As an offset, a 6 percent vacancy rate has been applied to all Personnel Expenses. Decrease also reflects the elimination of a onetime Personnel Expense and disbandment of the Regional Entity Management Group (REMG).

Other notable changes in the proposed budget from year to year include the following:

- **Meetings and Travel** – An increase of \$392 and \$71,888 or 0.15 percent and 13.4 percent, respectively, is due to the CMEP audit schedule, an increase in the total number of meetings, and an effort to bring remote staff to the SERC office more frequently. SERC continues the effort to have most meetings in SERC's office or member facilities.
- **Consultants and Contracts** – A decrease of \$264,300 or 12.5 percent is primarily due to the decrease in vacancy rate and renegotiation of contracts, going from one year to multi-year contracts. Additionally, SERC will not be performing the following studies: Under Frequency Load Shedding study, performed every five years; Dynamic Reduction Study, performed every two years; and a compensation and benefit study, performed every two years.
- **Office Rent** – An increase of \$38,000 or 6.4 percent is due to annual increases and varying monthly operating expenses. SERC continues to record rent on a straight-line basis, per Generally Accepted Accounting Standards. An offset to record the difference in the actual rent paid is recorded to a deferred rent account on the balance sheet.

- **Office Costs** – An increase of \$153,485 or 54.4 percent is primarily due to reclassification of Commercial Insurance and software licenses as office costs from Professional Fees and Consultants & Contracts, respectively. The increase also accounts for incremental increases in miscellaneous office items. There is a significant reduction in Professional Fees.
- **Professional Fees** – A decrease of \$118,739 or 67.6 percent is primarily due to reclassifying corporate insurance as Office Costs, a decrease in Human Resources Fees, and accounting and auditing fees.
- **Depreciation** – An increase of \$218,186 or 92.9 percent is due to an increase in fixed assets as a result of an increase of \$102,000 capital spending in 2018, which includes the reclassification of computers as fixed assets, and an increase in capital expenses in 2017.

The SERC Board of Directors, in aggregate, defines and approves SERC's budget. SERC works within the total budget to perform its delegated duties. Any variances will be explained in the quarterly variance reports.

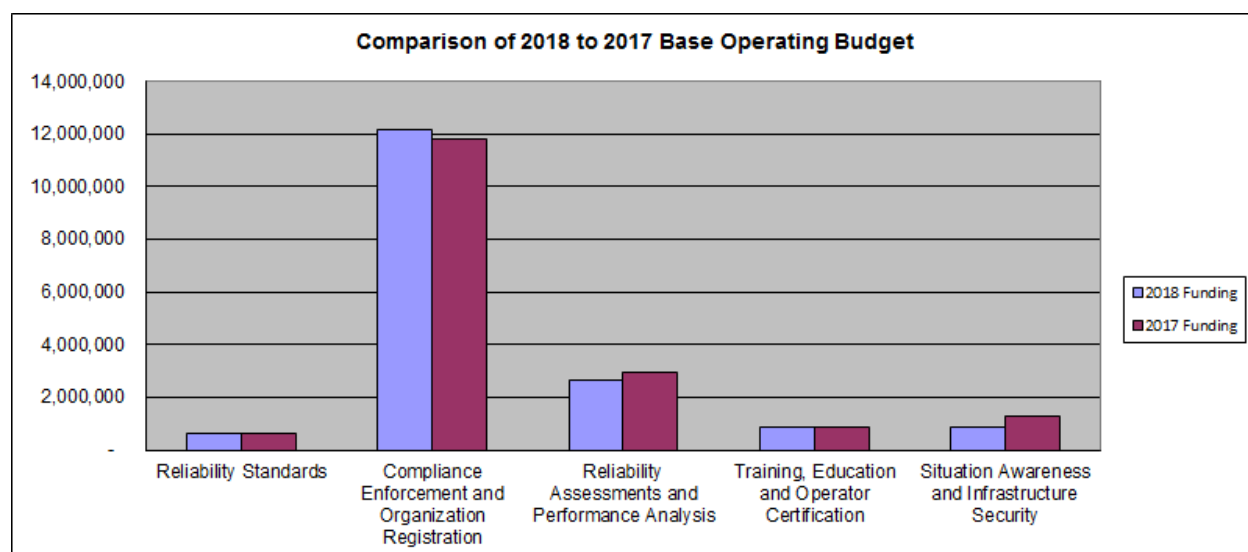
Summary by Program

The following table and figure summarize and illustrate the SERC budget by program area.

Base Operating Budget	Budget 2017	Projection 2017	Budget 2018	Change	
				2018 Budget v 2017 Budget	% Change
Reliability Standards	614,004	702,160	658,556	44,552	7.3%
Compliance Enforcement and Organization Registration	11,816,885	12,399,504	12,171,991	355,106	3.0%
Reliability Assessments and Performance Analysis	2,927,001	2,393,169	2,667,153	(259,848)	-8.9%
Training, Education and Operator Certification	838,985	728,433	843,926	4,941	0.6%
Situation Awareness and Infrastructure Security	1,285,528	882,529	841,242	(444,286)	-34.6%
Total	17,482,403	17,105,795	17,182,868	(299,535)	-1.7%
Working Capital Reserve	(1,020,855)	(1,301,213)	1,013,271	2,034,126	
Total Funding	16,461,548	15,804,582	18,196,139	1,734,591	10.5%

This representation does not include an allocation of working capital requirements among the program areas.

Table 2. Budget by Program Area



This graphical representation does not include an allocation of working capital requirements among the program areas.

Figure 1. Budget by Program Area Chart

Reliability Standards – The \$44,552 increase in total funding, from \$614,004 budgeted in 2017 to \$658,556 budgeted in 2018, is due to a 3 percent merit increase in salaries, associated benefits, and incentive compensation, as well as an increase in Indirect Expenses from 2017 to 2018.

Compliance Enforcement and Organization Registration – The 3.0 percent increase in total funding, from \$11,816,885 budgeted in 2017 to \$12,171,991 budgeted in 2018, results from an increase in indirect expenses allocated to the Compliance Enforcement and Organization Registration program. This increase is due to the increase of total costs in Administrative Services. Additionally, a 6 percent vacancy rate has been applied to personnel costs, based on historical data. As an offsetting decrease, SERC reduced FTEs by 1.75, as described in the Resource Requirements section of the program areas budget.

Reliability Assessments and Performance Analysis – The 8.9 percent decrease in total funding, from \$2,927,001 in 2017 to \$2,667,153 budgeted in 2018, is due to the decrease of 1.75 FTEs, as described in the Resource Requirements section of the program area budget. A 6 percent vacancy rate has been applied to personnel costs, based on historical data. Additionally, a decrease in indirect expenses allocated to the Reliability Assessments and Performance Analysis program is due to the decrease of FTEs in the Reliability Assessments and Performance Analysis program, partially offset by increases in Total Administrative Services costs. Consultants and contracts also decreased due to not performing the following studies: the Under Frequency Load Shedding study, normally performed every five years; and the Dynamic Reduction Study, normally performed every two years.

Training, Education and Operator Certification – The 0.6 percent increase in total funding, from \$838,985 budgeted in 2017 to \$843,926 budgeted in 2018, results from an increase in indirect expenses being allocated to Training, Education and Operator Certification. This increase is due to the increase of total costs in Administrative Services. Additionally, a 6 percent vacancy rate has been applied to personnel costs, based on historical data.

Situation Awareness and Infrastructure Security – The 34.6 percent decrease in total funding, from \$1,285,528 budgeted in 2017 to \$841,242 budgeted in 2018, is due to the decrease of 1.50 FTEs as described in the Resource Requirements section of the program area budget. The decrease in indirect expenses allocated to the Situation Awareness and Infrastructure Security program is due to the decrease of FTEs.

The following table displays total FTEs by program area.

Total FTE's by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2017	2017	2018 Budget	FTEs ¹ 2018 Budget	2018 Budget	from 2017 Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.70	1.70	1.70	-	1.70	-
Compliance Monitoring and Enforcement and Organization Registration and Certification	34.31	31.22	32.56	-	32.56	(1.75)
Reliability Assessment and Performance Analysis	8.12	5.37	6.37	-	6.37	(1.75)
Training and Education	1.70	1.20	1.70	-	1.70	-
Situation Awareness and Infrastructure Security	3.87	2.37	2.37	-	2.37	(1.50)
Total FTEs Operational Programs	49.70	41.86	44.70	-	44.70	(5.00)
Administrative Programs						
Technical Committees and Member Forums	4.70	4.45	4.70	-	4.70	-
General & Administrative	13.25	9.58	11.25	-	11.25	(2.00)
Legal and Regulatory	2.55	2.52	2.55	-	2.55	-
Business Process & Risk Assessment	-	6.16	7.00	-	7.00	7.00
Human Resources	1.90	1.90	1.90	-	1.90	-
Finance and Accounting	2.90	2.10	2.90	-	2.90	-
Total FTEs Administrative Programs	25.30	26.71	30.30	-	30.30	5.00
Total FTEs	75.00	68.57	75.00	-	75.00	-

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

Table 3. Total FTEs by Program Area

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

2017 Budget and Projection and 2018 Budget Comparisons

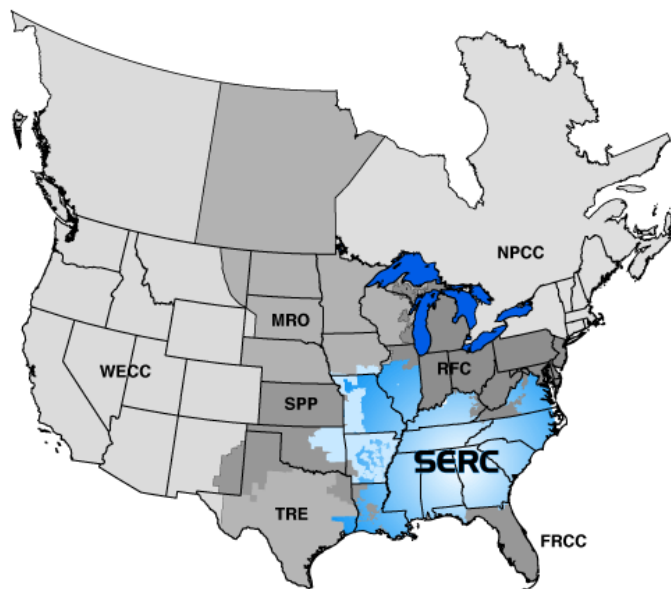
The following table lists the 2017 budget and projection compared to the 2018 budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2017 Budget & Projection, and 2018 Budget					
STATUTORY					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 15,706,023	\$ 15,706,023	\$ -	\$ 17,205,136	\$ 1,499,113
Penalty Sanctions	195,000	195,000	-	727,978	532,978
Total NERC Funding	\$ 15,901,023	\$ 15,901,023	\$ -	\$ 17,933,114	\$ 2,032,091
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	176,025	176,025	-	176,025	-
Interest	1,000	1,000	-	1,000	-
Miscellaneous	383,500	86,000	(297,500)	86,000	(297,500)
Total Funding (A)	\$ 16,461,548	\$ 16,164,048	\$ (297,500)	\$ 18,196,139	\$ 1,734,591
Expenses					
Personnel Expenses					
Salaries	\$ 10,095,783	\$ 9,697,896	\$ (397,887)	\$ 9,833,357	\$ (262,426)
Payroll Taxes	747,086	710,348	(36,738)	727,668	(19,418)
Benefits	1,087,450	1,016,121	(71,329)	1,094,551	7,101
Retirement Costs	1,278,181	1,216,469	(61,712)	1,281,811	3,630
Total Personnel Expenses	\$ 13,208,500	\$ 12,640,834	\$ (567,666)	\$ 12,937,388	\$ (271,112)
Meeting Expenses					
Meetings	\$ 265,768	\$ 250,560	\$ (15,208)	\$ 266,160	\$ 392
Travel	534,977	557,854	22,877	606,865	71,888
Conference Calls	44,544	44,544	-	44,544	-
Total Meeting Expenses	\$ 845,289	\$ 852,958	\$ 7,669	\$ 917,569	\$ 72,280
Operating Expenses					
Consultants & Contracts	\$ 2,120,181	\$ 2,108,533	\$ (11,648)	\$ 1,855,881	\$ (264,300)
Office Rent	590,983	628,983	38,000	628,983	38,000
Office Costs	282,011	497,401	215,390	435,496	153,485
Professional Services	175,739	57,000	(118,739)	57,000	(118,739)
Miscellaneous	16,700	5,550	(11,150)	5,550	(11,150)
Depreciation	234,882	330,535	95,653	453,068	218,186
Total Operating Expenses	\$ 3,420,496	\$ 3,628,002	\$ 207,506	\$ 3,435,978	\$ 15,482
Total Direct Expenses	\$ 17,474,285	\$ 17,121,794	\$ (352,491)	\$ 17,290,935	\$ (183,350)
Indirect Expenses	\$ -	\$ 1	\$ 1	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 17,474,285	\$ 17,121,795	\$ (352,490)	\$ 17,290,935	\$ (183,350)
Change in Assets	\$ (1,012,737)	\$ (957,747)	\$ 54,990	\$ 905,204	\$ 1,917,941
Fixed Assets					
Depreciation	\$ (234,882)	\$ (330,535)	\$ (95,653)	\$ (453,068)	\$ (218,186)
Computer & Software CapEx	100,000	\$ 340,000	240,000	345,000	245,000
Furniture & Fixtures CapEx	-	\$ 20,000	20,000	-	-
Equipment CapEx	143,000	\$ 314,000	171,000	-	(143,000)
Leasehold Improvements	-	\$ -	-	-	-
Allocation of Fixed Assets	\$ -	\$ 1	\$ 1	\$ 2	\$ 2
Inc(Dec) in Fixed Assets (C)	8,118	343,466	335,348	(108,067)	(116,185)
TOTAL BUDGET (=B + C)	\$ 17,482,403	\$ 17,465,261	\$ (17,142)	\$ 17,182,868	\$ (299,535)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,020,855)	\$ (1,301,213)	\$ (280,358)	\$ 1,013,271	\$ 2,034,126
FTEs	75.00	68.57	(6.43)	75.00	-

Table 4. Budget and Projection Comparison, 2017 to 2018

Section A – Statutory Programs

2018 Business Plan and Budget



Section A – Statutory Programs

Reliability Standards Program

The following table shows funding sources and related expenses for the Reliability Standards program.

Reliability Standards Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	1.70	1.70	-
Direct Expenses	\$ 334,302	\$ 342,948	\$ 8,646
Indirect Expenses	\$ 279,424	\$ 321,091	\$ 41,667
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 278	\$ (5,483)	\$ (5,761)
Total Funding Requirement	\$ 614,004	\$ 658,556	\$ 44,552

Table A-1. Reliability Standards Budget

Program Scope and Functional Description

SERC may develop Regional Reliability Standards to establish threshold requirements for assuring the planning and operation of the Bulk Electric System (BES). SERC, in accordance with the SERC Reliability Standards Development Procedure, develops and maintains its Standards to minimize the risks of cascading failures and avoid damage to major equipment. These Standards must be more stringent than a NERC Reliability Standard, and address a regional difference or limit interruptions of a regional difference necessitated by a physical difference in the BPS.

SERC may also develop regional criteria. Regional criteria are clear, timely, effective in mitigating risks to good utility practices used to enhance the reliability of the BES, consider cost-effectiveness/impact, and may augment Reliability Standards. Regional criteria are not Reliability Standards, and therefore are not enforceable. SERC develops its regional criteria in accordance with the SERC Technical Committee Document.

2018 Key Assumptions

The 2018 key assumptions for the Reliability Standards Program are:

- SERC expects the volume of NERC Reliability Standard changes to decrease compared with prior years as the standards are expected to reach a steady state.
- SERC resources will support the standards development per the NERC Standards Process Manual.
- SERC regional standards development activity will continue to be limited.

2018 Goals and Key Deliverables

SERC Reliability Standards Program 2018 goals and key deliverables are as follows:

1. Manage the SERC Regional Reliability Standards and SERC Technical Committee Documents per the approved 2018 Review Work Plan.
2. Review and update the SERC Regional Reliability Standards development procedure, as necessary.
3. Support the ERO to develop, modify, and conduct periodic reviews of the Reliability Standards to assure they are clear and properly structured for existing and emerging risks.

Resource Requirements

Personnel

Reliability Standards has maintained the FTE allocation from 2017 to 2018. Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and accounts for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in medical benefits.

Contractors and Consultants

There are no contractor and consultant resource requirements.

Reliability Standards Budget Detail

The following table shows funding sources and related expenses for the Reliability Standards section of the 2018 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
RELIABILITY STANDARDS					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 607,334	\$ 607,334	\$ -	\$ 630,870	\$ 23,536
Penalty Sanctions	6,670	6,670	-	27,686	21,016
Total NERC Funding	\$ 614,004	\$ 614,004	\$ -	\$ 658,556	\$ 44,552
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 614,004	\$ 614,004	\$ -	\$ 658,556	\$ 44,552
Expenses					
Personnel Expenses					
Salaries	\$ 255,902	\$ 271,064	\$ 15,162	\$ 266,109	\$ 10,207
Payroll Taxes	18,937	20,059	1,122	19,692	755
Benefits	23,841	27,265	3,424	22,542	(1,299)
Retirement Costs	33,222	35,226	2,004	34,605	1,383
Total Personnel Expenses	\$ 331,902	\$ 353,613	\$ 21,711	\$ 342,948	\$ 11,046
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	2,400	4,900	2,500	-	(2,400)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 2,400	\$ 4,900	\$ 2,500	\$ -	\$ (2,400)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 334,302	\$ 358,513	\$ 24,211	\$ 342,948	\$ 8,646
Indirect Expenses	\$ 279,424	\$ 329,698	\$ 50,274	\$ 321,091	\$ 41,667
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 613,726	\$ 688,211	\$ 74,485	\$ 664,039	\$ 50,313
Change in Assets	\$ 278	\$ (74,207)	\$ (74,485)	\$ (5,483)	\$ (5,761)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 278	13,949	13,671	(5,483)	(5,761)
Inc(Dec) in Fixed Assets (C)	278	13,949	13,671	(5,483)	(5,761)
TOTAL BUDGET (=B + C)	\$ 614,004	\$ 702,160	\$ 88,156	\$ 658,556	\$ 44,552
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (88,156)	\$ (88,156)	\$ (0)	\$ (0)
FTEs	1.70	1.70	-	1.70	-

Table A-2. Reliability Standards Budget Detail

Compliance Monitoring, Enforcement, and Organization Registration and Certification

The following table lists the budget for the Compliance Monitoring, Enforcement, and Organization Registration and Certification Program.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	34.31	32.56	(1.75)
Direct Expenses	\$ 6,171,838	\$ 6,091,064	\$ (80,774)
Indirect Expenses	\$ 5,639,443	\$ 6,149,838	\$ 510,395
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 5,604	\$ (68,911)	\$ (74,515)
Total Funding Requirement	\$ 11,816,885	\$ 12,171,991	\$ 355,106

Table A-3. Compliance Monitoring, Enforcement and Organization Registration and Certification Program Budget

Program Scope and Functional Description

SERC's Compliance Monitoring and Enforcement Program (CMEP) is implemented by Compliance and Enforcement personnel, who are independent of stakeholders and registered entities. To accomplish this objective, SERC has divided its CMEP into five areas: Compliance Monitoring, Compliance Programs and Services, Entity Assessment and Mitigation, Organization Registration and Certification, and Enforcement.

Compliance

SERC's Compliance staff implements the CMEP activities pursuant to the *Delegation Agreement* and Uniform CMEP. The Compliance Program consists of four functional areas:

- Compliance Monitoring
 - Conducts SERC compliance monitoring activities (e.g. Compliance audits, spot checks, guided self-certifications, and investigations)
 - Performs registered entity Internal Control Evaluations
 - Provides subject matter experts for Standards and Requirements
 - Implements and maintains the Critical Infrastructure Protection (CIP) Standards Technical Feasibility Exceptions process
- Compliance Programs and Services
 - Supports compliance staff by deploying CMEP-related analytics and reporting
 - Performs Compliance Assessments, when required, on Events reported by registered entities
- Entity Assessment and Mitigation
 - Conducts registered entity Inherent Risk Assessments
 - Staff serves as the single point of contact for all non-compliance issues discovered and/or self-reported

- Performs risk harm assessment on non-compliance, which includes determining the scope of the non-compliance, potential, and actual potential risk to Bulk Power System (BPS) reliability.
- Reviews and approves the registered entity's mitigating activities to ensure the registered entity performs the actions necessary to correct the non-compliance to protect BPS reliability
- Administers the SERC regional self-logging program
- Organization Registration and Certification
 - Registers owners, operators, and users of the BPS for compliance with Reliability Standards
 - Certifies applicable entities

Enforcement

SERC Enforcement personnel are responsible for processing violations of Reliability Standards and imposing penalties or sanctions, as appropriate. The Enforcement personnel follow these steps:

1. Notify the registered entity of the findings regarding the violation and any applicable penalties or sanctions.
2. Negotiate settlement with the registered entity or issue a notice of violation (if the entity is unwilling to settle).
3. Submit the proposed enforcement action, along with any proposed penalty or sanctions, to NERC for review, approval, and subsequent submittal to FERC.
4. Prosecute the case before a Hearing Body if a registered entity challenges the findings of the violation and/or penalty.

2018 Key Assumptions

Compliance

The 2018 key assumptions for SERC Compliance are:

- Risk-based Compliance monitoring engagements. SERC expects to increase the use of spot checks and guided self-certifications for Compliance Monitoring engagements, instead of audits. Compliance staff will continue to receive training on risk principles and enhanced audit practices. Additionally, staff will pursue or maintain professional credentials and further enhance their knowledge on risk-based CMEP processes. This will ensure the skills of SERC staff remain current on industry trends and Reliability Standards.
- Operations and Planning Reliability Standard noncompliance are expected to remain relatively low as most registered entities have been previously audited, and the standards and Reliability Standards Audit Worksheets (RSAWs) have matured.
- The number of CIP Technical Feasibility Exception (TFE) requests will continue to decline as the CIP program for registered entities matures. SERC will continue to collaborate with NERC and implement the NERC-approved certification process to assess a registered entity's capability for performing its registered function(s) and to use the tools NERC provides. SERC expects the certification process to remain relatively consistent.
- The volume of documents for Joint Registration Organization, Coordinated Functional Registration, and Multi-Regional Entity Registration will increase as registered entities better delineate shared responsibilities and promote efficiency and effectiveness in

Compliance. This increase will affect the workload for Registration and Compliance Monitoring within SERC.

- The ERO Enterprise will facilitate meetings with Regional Entities in the development of application business requirements and the testing of business functionality for ERO Enterprise projects. SERC Compliance staff expects to have an active role in the development of ERO Enterprise CMEP Tools; this may require additional resources to provide an adequate level of participation.

Enforcement

The 2018 key assumptions for SERC Enforcement are:

- The rate of incoming Possible Violations may increase in 2018 due to the implementation of CIP Version 5.
- SERC will process or dismiss Possible Violations in a timely and fair manner.
- There will be no significant increase in travel for Enforcement staff to process Possible Violations.

2018 Goals and Key Deliverables

Compliance

SERC Compliance 2018 goals and key deliverables are as follows:

1. Conduct scheduled Compliance Monitoring activities pursuant to the 2018 Implementation Plan.

Compliance Monitoring engagements for 2018 are currently scheduled to include on-site audits, off-site audits, spot checks, and guided self-certifications. SERC anticipates at least 12 CIP and Operations and Planning on-site audits. As Entity Assessment and Mitigation completes or updates registered entities' Inherent Risk Assessments, the 2018 Compliance Monitoring schedule will change with additional engagements added.

2. Facilitate efficient and collaborative transitions to new and revised standards through:
 - A. Continued ERO Enterprise-wide collaboration
 - B. Workshops focused on new or revised Standards
 - C. Registered entity site visits to review progress toward compliance with upcoming Standards
3. Work with the industry to provide information on effective procedures and programs to monitor, detect, correct, report, and prevent deficiencies in compliance, reliability, and security.
 - A. Mature Compliance reform through a Risk-Based Compliance Monitoring approach
 - B. Mature Risk-Based Compliance Monitoring techniques and principles consistently
 - C. Collaborate with the industry regarding best practices to encourage effective internal controls models
 - D. Initiate Compliance phase-in learning periods for new standards
4. Continue delivery of Compliance Lessons Learned from all aspects of the CMEP process.
5. Evaluate the Compliance Monitoring, violation processing, risk-assessment, and registration and certification program for sufficiency and effectiveness. Modify the programs, as needed.

6. Collaborate with the ERO Enterprise to develop common and consistent CMEP processes, information systems, and methods among Regions.
7. Develop and implement the Compliance Monitoring and Enforcement reform through risk-based techniques, including the following:
 - A. Focus on serious risk violations to improve the effectiveness of SERC operations
 - B. Reduce unnecessary costs of compliance on registered entities while ensuring achievement of reliability objectives
8. Ensure timely mitigation of all violations to restore compliance and prevent recurrence, thereby maintaining the reliability of the BPS. Timely mitigation will cause the aging curve to trend positively.
9. Develop mature violation processing management tools and training based on risk-based techniques to improve the efficiency, transparency, consistency, quality, and timeliness of violation processing.
10. Assume an active role in ERO Enterprise-wide CMEP Tools development.
11. Continue to support the training requirements necessary to meet the criteria set forth by the ERO Auditor Manual and Handbook and the Compliance Auditor Capabilities and Competency Guide. SERC will work to ensure:
 - A. Compliance staff and other personnel, as necessary, understand Compliance implementation guidance documents and risk-based principles.
 - B. An annual process exists for personnel to acknowledge their commitment to Professional Standards, Ethical Principles, and Rules of Conduct.
 - C. An annual assessment process exists to evaluate audit team content and capability needs.
 - D. A training program exists that addresses initial and continuing training for capability and competency development.
12. Operate an efficient Registration and Certification program that:
 - A. Ensures that SERC provides NERC timely and accurate information about changes in registrations, analysis of system events to confirm that all necessary entities are registered, and registered entities initiate corrective actions, as appropriate
 - B. Performs certification reviews, or if a new certification is required, accommodates a change in a registered entity's status
 - C. Documents certification activities sufficiently and makes recommendations to NERC regarding certification

Enforcement

SERC Enforcement 2018 goals and key deliverables are as follows:

1. Manage Enforcement activities in an unbiased, fair, and consistent manner to ensure due process for all registered entities.
2. Hold the industry accountable for violations that create a serious risk to the BPS. Ensure resulting actions are timely and fair, including appropriate use of Compliance Exceptions; Find, Fix, and Track (FFT); Spreadsheet Notice of Penalty (SNOP); and Full Notice of Penalty (NOP). To achieve this, SERC will:
 - A. Conduct outreach activities to help entities increase the percentage of self-identified non-compliances (Self Reports and Self Certifications)

- B. Decrease the time needed to process violations and keep the average age of violations in inventory at less than one year
- C. Process minimal and moderate risk issues through non-Enforcement mechanisms where appropriate, and process higher risk violations and broad compliance failures through the SNOP and NOP processing tracks

Resource Requirements

Personnel

A decrease of 1.75 FTEs in Compliance consists of the following:

Position	Change(s)	FTE Impact
Entry-Level Engineer	Eliminated position	-0.75
Entry-Level Engineer	Eliminated position	-1.00
Program Coordinator	Reallocated from G&A	+1.00
CIP Engineer	Added position	+1.00
Analyst	Reallocated to Business Process & Risk Assessment	-1.00
Sr. Analyst	Reallocated to Business Process & Risk Assessment	-1.00
		-1.75

Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and accounts for the fluctuations in the overall benefits.
- SERC’s insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in medical benefits.

Contractors and Consultants

The 2018 budget does not include contractor support in lieu of FTEs used to supplement the Audit and Enforcement programs in 2017.

Compliance Monitoring, Enforcement, and Organization Registration and Certification Budget Detail

The following table shows funding sources and related expenses for the Compliance Monitoring, Enforcement, and Organization Registration and Certification section of the *2018 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2017 Budget & Projection, and 2018 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 11,611,268	\$ 11,611,268	\$ -	\$ 11,570,724	\$ (40,544)
Penalty Sanctions	134,617	134,617	-	530,267	395,650
Total NERC Funding	\$ 11,745,885	\$ 11,745,885	\$ -	\$ 12,100,991	\$ 355,106
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	71,000	71,000	-	71,000	-
Total Funding (A)	\$ 11,816,885	\$ 11,816,885	\$ -	\$ 12,171,991	\$ 355,106
Expenses					
Personnel Expenses					
Salaries	\$ 4,334,934	\$ 4,274,948	\$ (59,986)	\$ 4,293,726	\$ (41,208)
Payroll Taxes	320,783	316,346	(4,437)	317,736	(3,047)
Benefits	526,268	487,574	(38,694)	490,880	(35,388)
Retirement Costs	564,671	553,955	(10,716)	560,219	(4,452)
Total Personnel Expenses	\$ 5,746,656	\$ 5,632,824	\$ (113,832)	\$ 5,662,560	\$ (84,096)
Meeting Expenses					
Meetings	\$ 13,500	\$ 2,400	\$ (11,100)	\$ 2,000	\$ (11,500)
Travel	309,282	344,095	34,813	386,850	77,568
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 322,782	\$ 346,495	\$ 23,713	\$ 388,850	\$ 66,068
Operating Expenses					
Consultants & Contracts	\$ 83,000	\$ 85,000	\$ 2,000	\$ -	\$ (83,000)
Office Rent	-	-	-	-	-
Office Costs	19,400	21,665	2,265	23,215	3,815
Professional Services	-	-	-	-	-
Miscellaneous	-	2,550	2,550	2,550	2,550
Depreciation	-	-	-	13,889	13,889
Total Operating Expenses	\$ 102,400	\$ 109,215	\$ 6,815	\$ 39,654	\$ (62,746)
Total Direct Expenses	\$ 6,171,838	\$ 6,088,534	\$ (83,304)	\$ 6,091,064	\$ (80,774)
Indirect Expenses	\$ 5,639,443	\$ 6,054,806	\$ 415,363	\$ 6,149,838	\$ 510,395
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 11,811,281	\$ 12,143,340	\$ 332,059	\$ 12,240,902	\$ 429,621
Change in Assets	\$ 5,604	\$ (326,455)	\$ (332,059)	\$ (68,911)	\$ (74,515)
Fixed Assets					
Depreciation	-	-	-	(13,889)	(13,889)
Computer & Software CapEx	-	-	-	50,000	50,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	5,604	256,164	250,560	(105,022)	(110,626)
Inc(Dec) in Fixed Assets (C)	\$ 5,604	\$ 256,164	\$ 250,560	\$ (68,911)	\$ (74,515)
TOTAL BUDGET (=B + C)	\$ 11,816,885	\$ 12,399,504	\$ 582,619	\$ 12,171,991	\$ 355,106
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (582,619)	\$ (582,619)	\$ (0)	\$ (0)
FTEs	34.31	31.22	(3.09)	32.56	(1.75)

Table A-4. Compliance Monitoring and Enforcement and Organization Registration and Certification Budget Detail

Reliability Assessment and Performance Analysis Program

The following table lists the budget for the Reliability Assessments and Performance Analysis program (RAPA).

Reliability Assessments and Performance Analysis (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	8.12	6.37	(1.75)
Direct Expenses	\$ 1,591,012	\$ 1,484,552	\$ (106,460)
Indirect Expenses	\$ 1,334,663	\$ 1,203,147	\$ (131,516)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 1,326	\$ (20,546)	\$ (21,872)
Total Funding Requirement	\$ 2,927,001	\$ 2,667,153	\$ (259,848)

Table A-5. Reliability Assessments and Performance Analysis (RAPA) Budget

Program Scope and Functional Description

SERC's RAPA program provides data gathering and analysis of events on the BES. The RAPA function identifies reliability risks to the BES in the SERC footprint for the purpose of integrated risk analysis. RAPA's mission is to promote a culture of reliability excellence among the owners of BES assets. The program accomplishes this mission by identifying risks to reliability, analyzing performance, and prioritizing significant risks.

SERC conducts an independent reliability assessment of the BES within the SERC Region, including data gathering and analysis. The assessment program uses information from its internal data collection sources along with other programs, such as NERC Transmission Availability Data System (TADS), Generating Availability Data Systems (GADS), Demand Response Availability Data System (DADS), and the Misoperations Information Data Analysis System (MIDAS). SERC evaluates the overall reliability, performance, and adequacy of the SERC Region and reports its results to NERC. SERC's work supports NERC's obligation to perform similar analysis of the interconnected North American BPS.

2018 Key Assumptions

The 2018 key assumptions for SERC RAPA are:

- SERC will continue to support NERC's RAPA program to report on the reliability of the BES.
- SERC will support the ERO Enterprise in execution of the following strategic goals¹:
 - Goal 3: Identification and mitigation of significant reliability risks
 - Goal 4: Identification and assessment of emerging risks
- SERC will continue to support its role per the Eastern Interconnection Regional Entity Assessments and Model Building Agreement, developed within the Eastern Interconnection Reliability Assessment Group (ERAG).

¹ ERO Enterprise Strategic Plan and Metrics 2017-2020

- SERC will continue to support SERC’s integrated risk management initiatives to promote awareness and reliability resolution discussions. SERC will use project management and analytical software to collaborate, balance workloads, and manage resources effectively.
- SERC will make organizational changes to accommodate the outcomes of the SERC 2017 Strategic Initiative #4: Improve Reliability through Sub-regional Segmentation and Optimization.

2018 Goals and Key Deliverables

1. Support regional analysis that contributes to NERC reliability analysis efforts, SERC reliability risk discussions, and performance analysis efforts.
2. Continue to submit timely and quality probabilistic, seasonal, and long-term SERC and NERC reliability assessments and studies.
3. Continue to support ongoing improvements to SERC and ERAG eastern interconnection planning models, structure, assessments, and analysis.
4. Continue to support NERC RA, PA and System Analysis program data collections, data validation, and analytical efforts.
5. Provide support to the associated SERC and NERC committee member groups and initiatives.
6. Continue to support entity outreach efforts to increase reliability risk related discussions.
7. Assess the need for advanced probabilistic tools to support resource adequacy sensitivities and regional model improvements. Acquire tool based upon findings.
8. Continue to provide employee analytical training that develops the capability to analyze projected, historical, and operational data, and creates value to annual assessments and studies.
9. Complete annual FERC Form 715 and Energy Information Administration (EIA) submittals on behalf of SERC registered entities within specified periods.
10. Continue NERC and regional coordination to improve processes, data collections, and information required to implement enhanced regional analytical efforts.

Resource Requirements

Personnel

A decrease of 1.75 FTEs in Reliability Assessment and Performance Analysis consists of the following:

Position	Change(s)	FTE Impact
Entry-Level Engineer	Eliminated position	-0.25
Liaison	Repurposed to Sr. Reliability Engineer and reallocated to Reliability Assessment & Performance Analysis due for better alignment	+1.00
Program Manager, RAPA	Reallocated from Situation Awareness & Infrastructure Security for better alignment	+0.50
Sr. Analyst	Reallocated to Business Process & Risk Assessment	-1.00
Reliability Engineer	Reallocated from Situation Awareness & Infrastructure Security for better alignment	+1.00

Reliability Engineer	Reallocated to Situation Awareness & Infrastructure Security for better alignment	-1.00
Analyst	Reallocated to Business Process & Risk Assessment	-1.00
Analyst	Reallocated to Business Process & Risk Assessment	-1.00
		-1.75

Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and accounts for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in medical benefits.

Contractors and Consultants

The 2018 budget includes contractor support for a probabilistic assessment performed through the Resource Adequacy Working Group. The 2018 budget also includes contractor support for development of the Multiregional Modelling Working Group 2018 model cases.

Reliability Assessment and Performance Analysis Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the *2018 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 2,895,142	\$ 2,895,142	\$ -	\$ 2,563,412	\$ (331,730)
Penalty Sanctions	31,859	31,859	-	103,741	71,882
Total NERC Funding	\$ 2,927,001	\$ 2,927,001	\$ -	\$ 2,667,153	\$ (259,848)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 2,927,001	\$ 2,927,001	\$ -	\$ 2,667,153	\$ (259,848)
Expenses					
Personnel Expenses					
Salaries	\$ 865,697	\$ 758,778	\$ (106,919)	\$ 880,830	\$ 15,133
Payroll Taxes	64,063	56,150	(7,913)	65,181	1,118
Benefits	112,726	82,309	(30,417)	96,848	(15,879)
Retirement Costs	110,591	98,943	(11,648)	114,835	4,244
Total Personnel Expenses	\$ 1,153,077	\$ 996,179	\$ (156,898)	\$ 1,157,695	\$ 4,618
Meeting Expenses					
Meetings	\$ 22,200	\$ 29,200	\$ 7,000	\$ 29,200	\$ 7,000
Travel	44,268	44,268	(0)	46,768	2,500
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 66,468	\$ 73,468	\$ 7,000	\$ 75,968	\$ 9,500
Operating Expenses					
Consultants & Contracts	\$ 369,000	\$ 237,097	\$ (131,903)	\$ 249,640	\$ (119,360)
Office Rent	-	-	-	-	-
Office Costs	2,467	906	(1,561)	1,250	(1,217)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 371,467	\$ 238,003	\$ (133,464)	\$ 250,890	\$ (120,577)
Total Direct Expenses	\$ 1,591,012	\$ 1,307,650	\$ (283,362)	\$ 1,484,552	\$ (106,460)
Indirect Expenses	\$ 1,334,663	\$ 1,041,458	\$ (293,205)	\$ 1,203,147	\$ (131,516)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,925,675	\$ 2,349,108	\$ (576,567)	\$ 2,687,699	\$ (237,976)
Change in Assets	\$ 1,326	\$ 577,893	\$ 576,567	\$ (20,546)	\$ (21,872)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 1,326	\$ 44,061	\$ 42,735	(20,546)	(21,872)
Inc(Dec) in Fixed Assets (C)	\$ 1,326	\$ 44,061	\$ 42,735	\$ (20,546)	\$ (21,872)
TOTAL BUDGET (=B + C)	\$ 2,927,001	\$ 2,393,169	\$ (533,832)	\$ 2,667,153	\$ (259,848)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 533,832	\$ 533,832	\$ (0)	\$ (0)
FTEs	8.12	5.37	(2.75)	6.37	(1.75)

Table A-6. Reliability Assessment and Performance Analysis Budget Detail

Training, Education, and Operator Certification Program

The following table summarizes the budget for Training, Education, and Operator Certification.

Training, Education and Operator Certification (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	1.70	1.70	-
Direct Expenses	\$ 559,283	\$ 528,318	\$ (30,965)
Indirect Expenses	\$ 279,424	\$ 321,091	\$ 41,667
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 278	\$ (5,483)	\$ (5,761)
Total Funding Requirement	\$ 838,985	\$ 843,926	\$ 4,941

Table A-7. Training, Education, and Operator Certification Budget

Program Scope and Functional Description

The SERC Training, Education, and Operator Certification program provides education and training necessary to obtain essential knowledge of BPS operations. SERC Training and Education programs support the continuing education of NERC Certified System Operators in the SERC Region. The program's target audience is BPS operating personnel, system operators, operations support personnel, and training personnel.

SERC supports the development of SERC's staff training and education in power system operating topics.

2018 Key Assumptions

SERC Training, Education, and Operator Certification Program 2018 key assumptions are:

- SERC will support the ERO goal to implement Risk-Based Compliance Monitoring. Achieving this goal will require structured training.
 - SERC will use common ERO training methods and curriculum for regional consistency of auditors and other key staff on the required qualification and competencies.
- SERC will provide training to operating personnel to promote the reliability of the BPS in North America.
 - SERC will educate utility personnel regarding changes to NERC Reliability Standards, ERO procedures, and programs that detect, monitor, report, correct, and prevent recurrence of issues with reliability and/or compliance.
- The SERC Training program will maintain SERC's status as a NERC-certified Continuing Education Provider.

2018 Goals and Key Deliverables

The SERC Training program will support the following goals:

1. Develop and deliver training on required technical knowledge, skills, and abilities for auditors and other key staff positions within SERC.

1. Develop and deliver four System Operator Conferences that promote BES reliability by assuring the competence of real-time operating personnel through continuing education on power system operating topics.
2. Deliver a Power System Restoration Drill that provides the opportunity for real-time operating personnel and operations support personnel to practice the use of their restoration plans, communications protocol, and to return the BES to a stable interconnected operating state after a simulated system disturbance.
3. Deliver NERC Reliability Standards workshops or webinars to BPS system operators, operating support personnel, compliance, and training personnel to explain changed expectations within new or revised Reliability Standards and related procedures and programs.

Resource Requirements

Personnel

Training and Education has maintained the FTE allocation from 2017 to 2018. Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and accounts for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in medical benefits.

Contractors and Consultants

The 2018 budget includes contractor support for the System Operator Conferences, Restoration Drill exercises and workshops to provide NERC System Operator Continuing Education Hours.

Training, Education, and Operator Certification Budget Detail

The following table shows funding sources and related expenses for the Training, Education, and Operator Certification section of the 2018 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection v 2017 Budget Over(Under)	Budget	2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 656,290	\$ 656,290	\$ -	\$ 640,215	\$ (16,075)
Penalty Sanctions	6,670	6,670	-	27,686	21,016
Total NERC Funding	\$ 662,960	\$ 662,960	\$ -	\$ 667,901	\$ 4,941
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	176,025	176,025	-	176,025	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 838,985	\$ 838,985	\$ -	\$ 843,926	\$ 4,941
Expenses					
Personnel Expenses					
Salaries	\$ 191,593	\$ 162,478	\$ (29,115)	\$ 197,631	\$ 6,038
Payroll Taxes	14,178	12,023	(2,155)	14,625	447
Benefits	25,141	23,190	(1,951)	21,342	(3,799)
Retirement Costs	24,775	21,238	(3,537)	25,790	1,015
Total Personnel Expenses	\$ 255,687	\$ 218,929	\$ (36,758)	\$ 259,388	\$ 3,701
Meeting Expenses					
Meetings	\$ 137,496	\$ 116,850	\$ (20,646)	\$ 118,850	\$ (18,646)
Travel	11,100	17,400	6,300	17,400	6,300
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 148,596	\$ 134,250	\$ (14,346)	\$ 136,250	\$ (12,346)
Operating Expenses					
Consultants & Contracts	\$ 155,000	\$ 132,680	\$ (22,320)	\$ 132,680	\$ (22,320)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 155,000	\$ 132,680	\$ (22,320)	\$ 132,680	\$ (22,320)
Total Direct Expenses	\$ 559,283	\$ 485,859	\$ (73,424)	\$ 528,318	\$ (30,965)
Indirect Expenses	\$ 279,424	\$ 232,728	\$ (46,696)	\$ 321,091	\$ 41,667
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 838,707	\$ 718,587	\$ (120,120)	\$ 849,409	\$ 10,702
Change in Assets	\$ 278	\$ 120,398	\$ 120,120	\$ (5,483)	\$ (5,761)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 278	\$ 9,846	9,568	(5,483)	(5,761)
Inc(Dec) in Fixed Assets (C)	\$ 278	\$ 9,846	\$ 9,568	\$ (5,483)	\$ (5,761)
TOTAL BUDGET (=B + C)	\$ 838,985	\$ 728,433	\$ (110,552)	\$ 843,926	\$ 4,941
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 110,552	\$ 110,552	\$ 0	\$ 0
FTEs	1.70	1.20	(0.50)	1.70	-

Table A-8. Training, Education, and Operator Certification Budget Detail

Situation Awareness and Infrastructure Security Program

The following table lists the budget for Situation Awareness and Infrastructure Security.

Situation Awareness and Infrastructure Security (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	3.87	2.37	(1.50)
Direct Expenses	\$ 648,794	\$ 401,247	\$ (247,547)
Indirect Expenses	\$ 636,102	\$ 447,639	\$ (188,463)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	632	(7,644)	(8,276)
Total Funding Requirement	\$ 1,285,528	\$ 841,242	\$ (444,286)

Table A-9. Situation Awareness and Infrastructure Security Budget

Program Scope and Functional Description

The SERC Situation Awareness (SA), Events Analysis (EA) and Infrastructure Security program identifies and analyzes conditions that impact or might impact reliable operations. These programs accomplish this by monitoring sources of information and maintaining communications with stakeholders, NERC, and other organizations. Initiatives are developed to mitigate and improve reliability by analyzing significant BES events and existing technical reliability guidance for risks and vulnerabilities that could recur elsewhere within the BPS.

2018 Key Assumptions

SERC Situation Awareness and Infrastructure Security Program 2018 key assumptions are:

- SERC will support the ERO Enterprise in execution of the following strategic goals²:
 - Goal 3: Identification and mitigation of significant reliability risks
 - Goal 4: Identification and assessment of emerging risks
- SERC will continue to work with NERC’s Electricity-Information Sharing and Analysis Center (E-ISAC) and SERC Registered Entities to identify opportunities for improving information sharing on CIP-related events, threats, and vulnerabilities to improve reliability within the BES.
- SERC will continue its outreach program to communicate externally events from Situation Awareness (SA), Events Analysis (EA) analysis.
- SERC will continue to review, track, and trend reliability events to support events reduction and outreach efforts in the SERC Region.
- SERC will share mitigating measures and other BES improvements with SERC entities and the ERO.
- SERC will continue to work with other Regional SA and EA groups to identify conditions or best practices that improve reliability within the BES.

² ERO Enterprise Strategic Plan and Metrics 2017-2020

2018 Goals and Key Deliverables

1. Continue to increase the utilization of data collection tools that provide oversight of the BPS to support analysis and NERC reporting requirements.
2. Evaluate events information to identify risk trends and benchmarking efforts.
3. Develop SERC Reliability Bulletins and support NERC Lessons Learned initiatives.
4. Continue stakeholder outreach efforts that support the SA and EA programs.
5. Facilitate and promote post-event collaboration and coordination with NERC and applicable governmental agencies.
6. Identify and prioritize risks based on reliability impacts, practicality assessments, projected resources, and emerging issues.
7. Monitor and evaluate CIP-related threats, vulnerabilities, and events for information sharing internally (SERC staff) and externally (registered entities).

Resource Requirements

Personnel

A decrease of 1.50 FTEs in Situation Awareness and Infrastructure Security consists of the following:

Position	Change(s)	FTE Impact
Program Manager, RAPA	Reallocated to Reliability Assessment & Performance Analysis due for better alignment	-0.50
Reliability Engineer	Position eliminated	-1.00
Reliability Engineer	Reallocated to Reliability Assessment & Performance Analysis for better alignment	-1.00
Reliability Engineer	Reallocated from Reliability Assessment & Performance Analysis for better alignment	+1.00
		-1.50

Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and accounts for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in medical benefits.

Contractors and Consultants

There are no contractor and consultant resource requirements.

Situation Awareness and Infrastructure Security Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the *2018 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2017 Budget & Projection, and 2018 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,270,344	\$ 1,270,344	\$ -	\$ 802,644	\$ (467,700)
Penalty Sanctions	15,184	15,184	-	38,598	23,414
Total NERC Funding	\$ 1,285,528	\$ 1,285,528	\$ -	\$ 841,242	\$ (444,286)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,285,528	\$ 1,285,528	\$ -	\$ 841,242	\$ (444,286)
Expenses					
Personnel Expenses					
Salaries	\$ 471,864	\$ 288,113	\$ (183,751)	\$ 283,517	\$ (188,347)
Payroll Taxes	34,917	21,320	(13,597)	20,980	(13,937)
Benefits	54,791	30,486	(24,305)	31,848	(22,944)
Retirement Costs	61,522	37,826	(23,696)	37,052	(24,470)
Total Personnel Expenses	\$ 623,094	\$ 377,745	\$ (245,349)	\$ 373,397	\$ (249,697)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	25,000	25,000	-	27,500	2,500
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 25,000	\$ 25,000	\$ -	\$ 27,500	\$ 2,500
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	700	700	-	350	(350)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 700	\$ 700	\$ -	\$ 350	\$ (350)
Total Direct Expenses	\$ 648,794	\$ 403,445	\$ (245,349)	\$ 401,247	\$ (247,547)
Indirect Expenses	\$ 636,102	\$ 459,638	\$ (176,464)	\$ 447,639	\$ (188,463)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,284,896	\$ 863,083	\$ (421,813)	\$ 848,886	\$ (436,010)
Change in Assets	\$ 632	\$ 422,445	\$ 421,813	\$ (7,644)	\$ (8,276)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 632	\$ 19,446	18,814	(7,644)	(8,276)
Inc(Dec) in Fixed Assets (C)	\$ 632	\$ 19,446	\$ 18,814	\$ (7,644)	\$ (8,276)
TOTAL BUDGET (=B + C)	\$ 1,285,528	\$ 882,529	\$ (402,999)	\$ 841,242	\$ (444,286)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 402,999	\$ 402,999	\$ 0	\$ 0
FTEs	3.87	2.37	(1.50)	2.37	(1.50)

Table A-10.Situation Awareness and Infrastructure Security Budget Detail

Administrative Services

The following table lists the budget for Administrative Services.

	Administrative Services (in whole dollars)					
	Direct Expenses and Fixed Assets			FTEs		
	2017 Budget	2018 Budget	Inc(Dec)	2017 Budget	2018 Budget	Inc(Dec)
Technical Committees and Member Forums	\$ 919,634	\$ 1,118,236	\$ 198,602	4.70	4.70	-
General and Administrative	\$ 4,394,920	\$ 2,913,479	\$ (1,481,441)	13.25	11.25	(2.00)
Legal and Regulatory	\$ 743,639	\$ 776,647	\$ 33,008	2.55	2.55	-
Business Process and Risk Assessment	\$ 1,144,511	\$ 2,592,214	\$ 1,447,703	-	7.00	7.00
Human Resources	\$ 497,747	\$ 456,476	\$ (41,271)	1.90	1.90	-
Finance and Accounting	\$ 476,723	\$ 441,574	\$ (35,149)	2.90	2.90	-
Total Administrative Services	\$ 8,177,174	\$ 8,298,626	\$ 121,452	25.30	30.30	5.00

Table A-11. Administrative Services Budget

Program Scope and Functional Description

SERC'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; (3) Legal and Regulatory; (4) Business Process and Risk Assessment; (5) Human Resources; and (6) Finance and Accounting. Administrative Services also includes expenses for the organization, including conference calls, office rent, supplies, and other general administrative expenses necessary to support program area activities. These functions are necessary to the existence and functioning of the organization and support the performance of SERC's ERO statutory activities. The resource requirements and comparative budget information for each of these functions is described further below.

Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs are allocated proportionally to the direct programs for 2018 based on the number of FTEs in those programs.

The following sections describe the six Administrative Services functional areas and their individual budgets: (1) Technical Committees and Member Forums; (2) General and Administrative; (3) Legal and Regulatory; (4) Business Process and Risk Assessment; (5) Human Resources; and (6) Finance and Accounting.

Technical Committees and Member Forums

Program Scope and Functional Description

The Technical Committees and Member Forums programs serve to strengthen capabilities within the Region to plan and operate the BES 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 to address current and emerging risk in the Bulk Electric System.

2018 Key Assumptions

SERC Technical Committees and Member Forums 2018 key assumptions are:

- SERC will continue its technical committee and subgroup structure for effective stakeholder involvement in 2018, with each committee maintaining a work plan.
- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.
- SERC's Reliability Risk Team will continue to identify and educate SERC staff and regional members of the reliability risk to the BPS in the SERC Region from an engineering, operations, and security perspective.
- SERC will continue to leverage its members as volunteer technical resources to support the Region's mission and initiatives. As needs change, SERC will assess committee structure and optimize, as required.
- The SERC Technical Committees and Member Forums programs will manage committee work according to the Organization and Procedures Manual for SERC Technical Committees.

2018 Goals and Key Deliverables

1. The SERC Technical Committees and Member Forums programs will promote an expanded available toolkit that addresses reliability risks by doing the following:
 - A. Convene regular meetings of the standing committees and the subordinate groups, as necessary.
 - B. Communicate to the SERC Board of Directors and SERC staff on issues pertaining to operation, planning, and engineering of the Bulk Electric System, and the advancement of the physical and cyber security of the BES.
 - C. Provide a forum for representatives to share experience and discuss issues of operating, planning and engineering, and physical and cyber security.
 - D. Perform special projects at the request of the SERC Board of Directors.
 - E. Participate in the establishment of Reliability Standards.
 - F. Review the measurement of performance relative to Reliability Standards and performance statistics (e.g., GADS, TADS, mis-operations, etc.) to determine the risk level within the SERC Region.
 - G. Review activities within the SERC Region impacting reliability and adequacy, as necessary, to meet Reliability Standards and other reliability initiatives.
 - H. Perform technical functions through the assignment of specific tasks to subordinate groups to address current and emerging risks.
2. Provide key inputs from the SERC Reliability Risk Team for the CMEP Implementation Plan.

3. Implement identified process improvements and technology to enhance committee business and functions.
4. Implement committee structure changes to enhance their efficiency and effectiveness to identify, evaluate, prioritize, and collaboratively assess the current and emerging risks in the SERC region.
5. Implement functional alignment within SERC to better support NERC and SERC committee structures.

Resource Requirements

Personnel

Technical Committees and Member Forums has maintained the FTE allocation from 2017 to 2018. Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and accounts for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in medical benefits.

Contractors and Consultants

There are no contractor and consultant resource requirements.

General and Administrative

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, members, and regulators.

2018 Key Assumptions

SERC General and Administrative 2018 key assumptions are:

- SERC will emphasize effective execution, efficiency, transparency, and consistency.
- SERC will facilitate reliability-enhancing activities.
- SERC will continue its outreach and communication with members/stakeholders to ensure SERC's effectiveness.

2018 Goals and Key Deliverables

1. Continue high-quality performance of delegated functions while maintaining a level resource requirement.
2. Provide pertinent and timely information to members/stakeholders to improve efficiency of interactions with SERC staff.

Resource Requirements

Personnel

A decrease of 2.00 FTE in General and Administrative consists of the following:

Position	Change(s)	FTE Impact
Associate Project Manager	Reallocated to Business Process & Risk Assessment	-1.00
Liaison	Repurposed to Sr. Reliability Engineer position and reallocated to Reliability Assessment & Performance Analysis	-1.00
Sr. Business Analyst	Repurposed to Supervisor, Analytics and reallocated to Business Process & Risk Assessment	-1.00
Program Support Assistant	Position added to provide technical support	+1.00
Director, REMG	Position eliminated	-1.00
Executive Assistant	Position added to provide administrative and Board support	+1.00
		-2.00

Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs, causing each expense to increase from the previous year.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is

anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in overall benefits.

All personnel costs for the other administrative functions, including Information Technology, Legal, Finance, and Human Resources, were previously recorded within General and Administrative. Only Information Technology support is included within General and Administrative in the 2018 budget.

Contractors and Consultants

The 2018 budget includes contractor support for corporate goals, business continuity, continued development of a communications plan, and a continuation in SERC's staffing strategy of using consultants in lieu of FTEs for Information Technology and Facility support.

Legal and Regulatory

Program Scope and Functional Description

SERC maintains in-house legal staff and hires outside legal consultants, as needed. These legal resources provide the following services:

- Provide legal advice to the CEO, Board of Directors, and staff on legal and regulatory matters that impact SERC.
- Reconcile and determine SERC's legal position on major legal matters.
- Review items filed with governmental agencies for legal sufficiency.
- Review contracts and corporate documents, as needed.
- Ensure continuing recognition of SERC as a Regional Entity.
- Negotiate and author necessary changes to SERC's governing documents, including the bylaws and delegation agreement.
- Provide input and obtain regulatory approvals, as needed, on governance changes and for new and revised regional Reliability Standards.
- Review legal documents, including Notices of Penalty and settlement agreements, required to be filed with FERC.
- Provide legal support for contested Compliance actions and other assistance, as needed.
- Provide legal counsel during Compliance and Enforcement proceedings, as needed.
- Interface with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders.
- Assist in the development of and ensure proper administration of SERC corporate policies and procedures.
- Manage relationships with SERC's outside counsel.

2018 Key Assumptions

SERC Legal and Regulatory 2018 key assumptions are:

- SERC will continue to support the Enforcement action cycle time.
- SERC will proactively engage with NERC and FERC to help ensure SERC's continued recognition as a Regional Entity.

2018 Goals and Key Deliverables

1. Work with Enforcement to support processing violations.
2. Support corporate legal needs.
3. Work with NERC and other Regions on changes to the Rules of Procedure, as needed.

Resource Requirements

Personnel

Legal and Regulatory has maintained the FTE allocation from 2017 to 2018.

Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and accounts for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in medical benefits.

Contractors and Consultants

The 2018 budget includes contractor support for legal and regulatory affairs as well as a consultant to the Board.

Business Process and Risk Assessment

Program Scope and Functional Description

The Business Process and Risk Assessment (BPRA) department of SERC provides technology innovation, leads operational excellence, and develops insights through data for the corporation. BPRA comprises the following functions:

- Information Technology
- Operational Excellence
- Risk Assessment
- Data Analytics

The Information Technology (IT) function of BPRA offers network services, including design and maintenance for the SERC network and infrastructure, as well as project and vendor management for all current and future technology-related contracts. IT executes these functions:

- Host, maintain, develop, and improve SERC's information systems
- Maintain network and server infrastructure at both public and private facilities
- Ensure protection of SERC data
- Provide onsite end user support

The Operational Excellence (OE) function of BPRA facilitates improvement of the internal health and performance of the organization. OE executes these functions:

- Continuous Process Improvement
- Internal Audits
- Project Management Office
- Strategic Planning
- Operational Metrics

The Risk Assessment function of BPRA collaborates with internal business units of SERC in order to establish inherent risks to the corporation, identifies and executes effective internal controls and mitigating activities to reduce such risk, and ensures that the residual risk stays at or below SERC's risk tolerance level. In addition, this function works with the ERO Enterprise Risk Management Group (ERMG) to establish inherent risks to the Enterprise, identify and execute effective internal controls and mitigating activities to reduce such risk, and ensure that the residual risk stays at or below the ERO's risk tolerance level.

The Data Analytics (DA) function of BPRA leverages information as a strategic asset. Data is critical to SERC's continued success, deepening relationships with stakeholders and providing meaningful analysis of risk focus areas across the SERC region. DA executes these functions:

- Data Collection and Cleansing
- Data Visualization and Reporting
- Insight Development

SERC supports the NERC PMO in its efforts to provide technology tools across the ERO Enterprise. SERC's budget assumes the availability of new and existing technology tools from the PMO and other sources. If the required technology tools are not available as planned, SERC could incur additional costs to ensure fulfillment of its core responsibilities.

NERC and the Regional Entities will collaborate to refine existing strategies, governance, and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, and software and data systems supporting both NERC and Regional Entity operations. NERC's *Business Plan and Budget* will include ongoing funding support for the development, operation, and maintenance of NERC- and Regional Entity-approved enterprise applications. Enterprise application funding in any given year will be subject to the budget and funding limits set forth in NERC's approved *Business Plan and Budget*.

2018 Key Assumptions

SERC Business Process and Risk Assessment 2018 key assumptions are:

- Strategic Planning will continue to be supported with contract support
- FRCC, NPCC, and SERC will continue to work together on the Compliance Portal, enabling SERC to share the total cost of maintenance and development.

2018 Goals and Key Deliverables

1. Improve the capabilities of SERC's Business Intelligence Center (BIC) to include internally focused operations reporting.
2. Perform Internal Audits of four SERC business units based on risk.
3. Upgrade infrastructure per lifecycle management.
4. Improve security monitoring and detection.
5. Process automation for all Level 1 Processes at SERC.

Resource Requirements

Personnel

A net increase of 7.00 FTEs in BPRO consists of the following:

Position	Change(s)	FTE Impact
Analyst	Reallocated from Compliance Monitoring and Enforcement for better alignment with the Analytics function	+1.00
Sr. Analyst	Reallocated from Compliance Monitoring and Enforcement for better alignment with the Analytics function	+1.00
Sr. Analyst	Reallocated from Reliability Assessment & Performance Analysis for better alignment with the Analytics function	+1.00
Analyst	Reallocated from Reliability Assessment & Performance Analysis for better alignment with the Analytics function	+1.00
Analyst	Reallocated from Reliability Assessment & Performance Analysis for better alignment with the Analytics function	+1.00
Supervisor, Analytics	Repurposed from Sr. Business Analyst and reallocated from General & Administrative	+1.00
Associate Project Manager	Reallocated to Business Process & Risk Assessment from General & Administrative	+1.00
		+7.00

Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and accounts for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in medical benefits.

Contractors and Consultants

The 2018 budget includes contractor support for augmented IT staff, infrastructure hosting, software and application development, systems maintenance, database administration, cyber and physical security assessments, strategic planning, and third party auditors.

Human Resources

Program Scope and Functional Description

The SERC Human Resources function partners with the organization to boost its ability to be successful by maintaining a satisfied workforce, bringing the brightest talent to the company, and protecting it against liability. By its nature, the Human Resources department takes on a variety of responsibilities including strategic and succession planning, employee engagement, compensation analysis, benefits administration, and recruitment.

2018 Key Assumptions

SERC Human Resources 2018 key assumptions are:

- SERC assumes a 3 percent vacancy rate to total Personnel Expenses.
- SERC will provide competitive compensation and benefits packages.
- SERC will assume an increased expectation for staff skills training in areas such as analytics.
- SERC will ensure that staff attains elevated professional credentials to become a leader in the industry.
- SERC will provide a 3 percent average salary increase. The salary expense budget for all program areas reflects this assumption.

2018 Goals and Key Deliverables

1. Increase employee engagement and empowerment.
2. Attract, develop, and retain highly competent and motivated staff.
3. Review compensation and benefits continually to ensure organization and industry competitiveness.
4. Increase employee retention.
5. Provide payroll and expense administration.

Resource Requirements

Personnel

- Human Resources has maintained the FTE allocation from 2017 to 2018.

Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs, causing each expense to increase from the previous year.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in overall benefits.

Contractors and Consultants

The 2018 budget includes contractor support for leadership development, and corporate goals.

Finance and Accounting

Program Scope and Functional Description

The SERC Finance department provides the financial and accounting services for SERC by doing the following:

- Prepare quarterly financial statements.
- Develop SERC's *Business Plan and Budget*.
- Review and improve fiscal controls and complete a year-end external audit.
- File federal and state tax forms and other forms required of non-profit corporations.

2018 Key Assumptions

- Current accounting systems and controls are adequate.
- There are no major changes in accounting regulations.

2018 Goals and Key Deliverables

1. Maintain, review, and improve fiscal controls and gain efficiencies.
2. Prepare and review monthly, quarterly, and annual financial statements.
3. Exercise fiscal prudence.
4. Continue improvements in the annual business planning process within SERC and the ERO.

Resource Requirements

Personnel

Finance and Accounting has maintained the FTE allocation from 2017 to 2018.

Other changes in Personnel Expenses consist of the following:

- The 2018 budget includes an average payroll tax rate and benefit rate that have been applied to all FTEs. Training, education, and relocation amounts change year over year and accounts for the fluctuations in the overall benefits.
- SERC's insurance plan period is June 1 through May 31. SERC received an increase in premiums from the previous plan year, which will affect a portion of 2018. SERC is anticipating an additional increase in premiums for the second half of 2018 related to medical insurance, causing an increase in medical benefits.

Contractors and Consultants

There are no contractor and consultant resource requirements.

Administrative Services Budget Detail

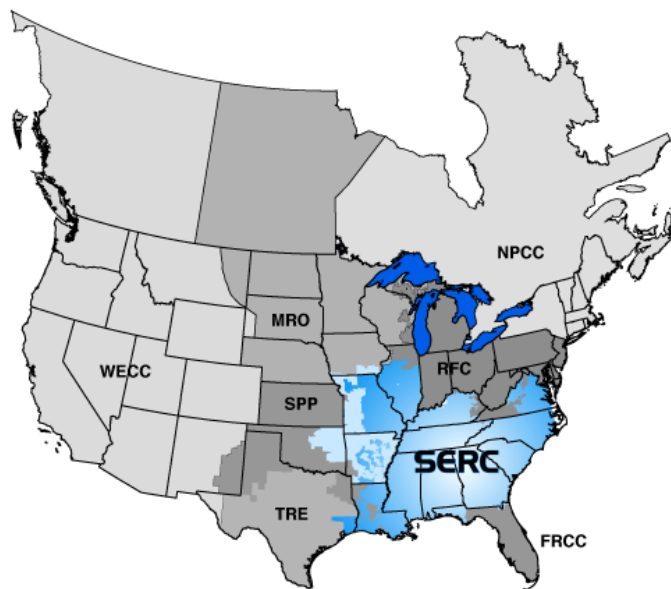
The following table shows funding sources and related expenses for the Administrative Services section of the 2018 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2017 Budget & Projection, and 2018 Budget					
ADMINISTRATIVE SERVICES					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ (1,334,355)	\$ (1,334,355)	\$ -	\$ 997,271	\$ 2,331,626
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ (1,334,355)	\$ (1,334,355)	\$ -	\$ 997,271	\$ 2,331,626
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	1,000	1,000	-	1,000	-
Miscellaneous	312,500	15,000	(297,500)	15,000	(297,500)
Total Funding (A)	\$ (1,020,855)	\$ (1,318,355)	\$ (297,500)	\$ 1,013,271	\$ 2,034,126
Expenses					
Personnel Expenses					
Salaries	\$ 3,975,793	\$ 3,942,516	\$ (33,277)	\$ 3,911,545	\$ (64,248)
Payroll Taxes	294,208	284,450	(9,758)	289,454	(4,754)
Benefits	344,683	365,297	20,614	431,092	86,409
Retirement Costs	483,400	469,281	(14,119)	509,309	25,909
Total Personnel Expenses	\$ 5,098,084	\$ 5,061,543	\$ (36,541)	\$ 5,141,400	\$ 43,316
Meeting Expenses					
Meetings	\$ 92,572	\$ 102,110	\$ 9,538	\$ 116,110	\$ 23,538
Travel	142,927	122,191	(20,736)	128,347	(14,580)
Conference Calls	44,544	44,544	-	44,544	-
Total Meeting Expenses	\$ 280,043	\$ 268,845	\$ (11,198)	\$ 289,001	\$ 8,958
Operating Expenses					
Consultants & Contracts	\$ 1,513,181	\$ 1,653,756	\$ 140,575	\$ 1,473,561	\$ (39,620)
Office Rent	590,983	628,983	38,000	628,983	38,000
Office Costs	259,444	474,130	214,686	410,681	151,237
Professional Services	175,739	57,000	(118,739)	57,000	(118,739)
Miscellaneous	16,700	3,000	(13,700)	3,000	(13,700)
Depreciation	234,882	330,535	95,653	439,179	204,297
Total Operating Expenses	\$ 2,790,929	\$ 3,147,404	\$ 356,475	\$ 3,012,404	\$ 221,475
Total Direct Expenses	\$ 8,169,056	\$ 8,477,793	\$ 308,737	\$ 8,442,805	\$ 273,749
Indirect Expenses	\$ (8,169,056)	\$ (8,118,327)	\$ 50,729	\$ (8,442,806)	\$ (273,750)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ 359,466	\$ 359,466	\$ (1)	\$ (1)
Change in Assets	\$ (1,020,855)	\$ (1,677,821)	\$ (656,966)	\$ 1,013,272	\$ 2,034,127
Fixed Assets					
Depreciation	(234,882)	(330,535)	(95,653)	(439,179)	(204,297)
Computer & Software CapEx	100,000	340,000	240,000	295,000	195,000
Furniture & Fixtures CapEx	-	20,000	20,000	-	-
Equipment CapEx	143,000	314,000	171,000	-	(143,000)
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (8,118)	\$ (343,465)	\$ (335,347)	\$ 144,180	\$ 152,298
Inc(Dec) in Fixed Assets (C)	\$ -	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL BUDGET (=B + C)	\$ -	\$ 359,466	\$ 359,466	\$ (0)	\$ (0)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,020,855)	\$ (1,677,821)	\$ (656,966)	\$ 1,013,271	\$ 2,034,126
FTEs	25.3	26.71	1.41	30.30	5

Table A-12. Administrative Services Budget Detail

Section B – Supplemental Financial Information

2018 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Table B-1 analyzes the working capital reserve for 2017 through 2018.

Working Capital Reserve Analysis 2017-2018	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2016	\$ 1,987,942
Plus: 2017 Funding (from LSEs or designees)	\$ 15,901,023
Plus: 2017 Other funding sources	\$ 263,025
Less: 2017 Projected expenses & capital expenditures	\$ (17,465,261)
Projected Working Capital Reserve (Deficit), December 31, 2017	\$ 686,729
Desired Working Capital Reserve, December 31, 2018	¹ \$ 1,700,000
Minus: Projected Working Capital Reserve, December 31, 2017	686,729
Increase(decrease) in funding requirement to achieve Working Capital Reserve	\$ 1,013,271
2018 Expenses and Capital Expenditures	\$ 17,182,868
Less: Penalty Sanctions ²	(727,978)
Less: Other Funding Sources	(263,025)
Adjustment to achieve desired Working Capital Reserve	1,013,271
2018 ERO Assessment	\$ 17,205,136

¹ 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.

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.

² Represents collections on or prior to June 30, 2017.

Table B-1. Working Capital Reserve Analysis 2017- 2018

Explanation of Changes in Reserve Policy from Prior Years

Pursuant to SERC's Working Capital and Operating Reserve policies, the desired working capital reserve included in the *2018 Business Plan and Budget* totals \$1,700,000. SERC increased the 2018 ERO Assessment by \$1,013,271 to restore its Working Capital Reserve to the desired amount.

Breakdown by Statement of Activity Sections

The following detailed schedules support the Statement of Activities and Capital Expenditures, page 12, of the *2018 RE Business Plan and Budget*. All significant variances have been disclosed by program area on the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2016, are to be used to offset assessments in the 2017 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, 2016 through June 30, 2017 will be used to offset assessments in the 2018 Budget.

All penalties received prior to July 1, 2017, 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 and Enforcement and Organization Registration and 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 lists all penalties, including date received and amount, received prior to June 30, 2017.

Penalty Sanctions Received On or Prior to June 30, 2017	Date Received	Amount Received
Penalty payment 1	7/5/2016	\$ 20,000
Penalty payment 2	8/25/2016	65,000
Penalty payment 3	9/16/2016	110,000
Penalty payment 4	10/11/2016	180,000
Penalty payment 5	10/13/2016	12,978
Penalty payment 6	4/11/2017	40,000
Penalty payment 7	4/11/2017	250,000
Penalty payment 8	5/8/2017	50,000
Total Penalties Received		\$ 727,978

Table B-2. Penalty Sanctions Received

Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget
Compliance Monitoring, Enforcement & Org. Registration				
Miscellaneous - CEA function in FRCC	\$ 30,000	\$ 14,200	\$ 30,000	\$ -
Miscellaneous - CEA function in SPP	41,000	56,800	41,000	-
Total	\$ 71,000	\$ 71,000	\$ 71,000	\$ -
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	176,025	176,025	176,025	-
Total	\$ 176,025	\$ 176,025	\$ 176,025	\$ -
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
Miscellaneous Income - Regional Entity Coordinator	297,500	-	-	(297,500)
Miscellaneous Income - Other	15,000	15,000	15,000	-
Total	\$ 313,500	\$ 16,000	\$ 16,000	\$ (297,500)
Total Outside Funding	\$ 560,525	\$ 263,025	\$ 263,025	\$ (297,500)

Table B-3. Supplemental Funding

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

Compliance Monitoring, Enforcement, and Organization Registration – 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 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 2018 budgeted amount includes projected direct costs plus an appropriate allocation of SERC's General and Administrative costs, as required by the contracts with Florida Reliability Coordinating Council, Inc. (FRCC) and Southwest Power Pool (SPP).

Training and Education – SERC continues to hold most meetings in the Charlotte office location, which has a large meeting space, or at a member's facilities. By using these facilities, SERC is able to reduce the costs associated with hosting a meeting, enabling SERC to charge lower registration fees.

General and Administrative – Other funding no longer includes the reimbursement from the other Regional Entities for the costs associated with the Regional Entity coordinator position, which has been eliminated, but continues to include revenue received from SERC's landlord per the lease agreement that pays for shuttle services to the SERC office from local hotels.

Table B-4 summarizes Personnel Expenses.

Personnel Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Total Salaries	\$ 10,095,783	\$ 9,697,896	\$ 9,833,357	\$ (262,426)	-2.6%
Total Payroll Taxes	747,086	710,348	727,668	(19,418)	-2.6%
Total Benefits	1,087,450	1,016,121	1,094,551	7,101	0.7%
Total Retirement	1,278,181	1,216,469	1,281,811	3,630	0.3%
Total Personnel Costs	\$ 13,208,500	\$ 12,640,834	\$ 12,937,388	\$ (271,112)	-2.1%
FTEs	75.00	68.57	75.00	-	0.0%
Cost per FTE					
Salaries	\$ 134,610	\$ 141,431	\$ 131,111	(3,499)	-2.6%
Payroll Taxes	9,961	10,359	9,702	(259)	-2.6%
Benefits	14,499	14,819	14,594	95	0.7%
Retirement	17,042	17,741	17,091	49	0.3%
Total Cost per FTE	\$ 176,112	\$ 184,350	\$ 172,498	\$ (3,614)	-2.1%

Table B-4. Personnel Expenses

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

The budget reflects a 3 percent merit increase and 6 percent vacancy rate applied to all personnel costs. Total Personnel Expenses decreased even with an increase in the payroll tax percentage applied to salaries to better align payroll taxes with historical actuals; an increase in benefits costs to account for increases in premiums; and an increase in retirement costs, due to the salary increase. The overall decrease is due primarily to the elimination of a onetime Personnel Expense and disbandment of the REMG.

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Meetings	\$ 265,768	\$ 250,560	\$ 266,160	\$ 392	0.15%
Travel	534,977	557,854	606,865	71,888	8.79%
Conference calls	44,544	44,544	44,544	-	0.00%
Total Meeting Expenses	\$ 845,289	\$ 852,958	\$ 917,569	\$ 72,280	8.55%

Table B-5. Meeting Expenses

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

SERC's office location has a large meeting space. SERC continues to schedule most meetings in-house or at a member's facilities, allowing meetings costs to remain relatively flat. The increase is due to additional meetings that have been budgeted or a format change of a previously held meeting based on historical event success.

The increase in travel is related primarily to the number of audits scheduled in 2018, increased inflationary costs, additional meetings, and the focus on bringing remote employees to SERC's office more frequently.

There are no significant changes related to conference calls that require an explanation.

Table B-6 lists the budget for Consultants and Contracts.

Consultants and Contracts	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization					
Registration and Certification	83,000	85,000	-	(83,000)	-100%
Reliability Assessment and Performance Analysis	369,000	237,097	249,640	(119,360)	-32%
Training and Education	155,000	132,680	132,680	(22,320)	-14%
Situation Awareness and Infrastructure Security					
Situation Awareness	-	-	-	-	
Critical Infrastructure Protection	-	-	-	-	
Total Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	120,000	152,680	152,680	
General and Administrative	357,725	26,400	100,000	(257,725)	-72%
Legal and Regulatory	42,400	11,400	80,000	37,600	100%
Business Process & Risk Assessment	962,556	1,100,920	1,032,500	69,944	7%
Human Resources	150,500	263,381	108,381	(42,119)	-28%
Accounting and Finance	-	131,655	-	-	
Consultants Total	\$ 2,120,181	\$ 2,108,533	\$ 1,855,881	\$ (264,300)	-12%

Table B-6. Consultants and Contracts

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

Compliance – Decreased of \$83,000, as Compliance anticipates being fully staffed by the end of 2017 and no longer requiring contract support in lieu of FTEs to supplement the Enforcement program.

Reliability Assessments – A decrease of \$119,360 in the program consists of (1) a decrease for the Dynamic Study usually performed biennially and last performed in 2017; the Under-Frequency Load Study usually performed every five years and last performed in 2017; additional modeling services; and to support regional analysis efforts associated with environmental and reliability risk initiatives; and (2) a decrease due to reclassification of the Eastern Interconnection Assessment Group (ERAG) expenses to Committee and Member Forums.

Training and Education – A decrease of \$22,320 from the 2017 budget consists of (1) a decrease to the Restoration Drill to be more in line with historical costs; and (2) a decrease from a one-time cost included in the 2017 budget for contractor support to develop training materials, a qualification program, and to implement a systematic approach to training.

Committee and Member Forums – An increase of \$152,680 in the program consists of (1) allocated dollars to support 2018 corporate initiatives and (2) reclassification of the Eastern Interconnection Assessment Group (ERAG) expenses from Reliability Assessments.

General and Administrative – A decrease of \$257,725 consists of reduction of the utilization of contractors in support of corporate goals, facilities, outreach, public relations and business continuity.

Legal and Regulatory – An increase of \$37,600 consists of utilizing contractors for regulatory affairs, Board strategic planning, and for a Board survey that is performed biennially. Contract support in lieu of FTEs is to supplement the Legal and Regulatory function.

Business Process and Risk Assessment – An increase of \$69,944 consists of an increase in contract support in lieu of FTEs, security assessment testing, application/software maintenance, and database administration; and (2) as an offsetting decrease, a reduction in contract support for the document management system, infrastructure development, infrastructure hosting, and software licensing.

Human Resources – A decrease of \$42,119 consists of a decrease for a compensation and benefit study that is performed biennially and was last performed in 2017.

Table B-7 lists the budget for Office Rent..

Rent	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Office Rent	\$ 590,983	\$ 628,983	\$ 628,983	\$ 38,000	6.43%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Total Office Rent	\$ 590,983	\$ 628,983	\$ 628,983	\$ 38,000	6.43%

Table B-7. Office Rent

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

Rent is recorded on a straight-line basis over the term of the lease, consistent with Generally Accepted Accounting Standards. An offset to record the difference in the actual rent paid is recorded to a deferred rent account on the balance sheet. This increase of \$38,000 is based on increasing office lease and, Operating Expenses, which was not accounted for in the 2017 budget.

Table B-8 lists the budget for Office Costs.

Office Costs	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Telephone	\$ 96,885	\$ 104,677	\$ 104,790	\$ 7,905	8.16%
Telephone Answering Srv	-	-	-	-	
Internet	-	-	-	-	
Office Supplies	32,044	41,544	46,492	14,448	45.09%
Computer Supplies and Maintenance				-	
Computers	80,000	75,000	-	(80,000)	-100.00%
Computer Supplies	20,000	20,288	-	(20,000)	-100.00%
Maintenance & Service Agreements	-	-	-	-	
Software	1,060	115,716	154,288	153,228	14455.47%
Network Supplies	-	32,500	17,500	17,500	
Publications & Subscriptions	3,600	-	1,740	(1,860)	-51.67%
Dues	14,703	9,666	14,460	(243)	-1.65%
Postage	500	500	500	-	0.00%
Express Shipping	2,120	2,020	2,080	(40)	-1.89%
Copying	1,800	1,800	1,920	120	6.67%
Reports	-	-	-	-	
Stationery/Forms	-	-	-	-	
Equipment Repair/Service Contracts	7,404	19,040	2,600	(4,804)	-64.88%
Bank Charges	2,895	2,895	2,895	-	0.00%
Taxes	12,500	15,000	25,000	12,500	100.00%
Merchant Card Fees	6,500	6,500	6,500	-	0.00%
Insurance - Commercial	-	49,755	54,731	54,731	
Total Office Costs	\$ 282,011	496,901	\$ 435,496	\$ 153,485	54.43%

Table B-8. Office Costs

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

The increase of \$7,905 in Telephone is due to increasing year-to-year cost but remained relatively flat due to the renegotiation of the office and cellular contracts into more cost-effective plans.

Office Supplies remained relative flat with an incremental increase due to inflationary cost, but also increased by \$10,000 for miscellaneous replacement and upgrades.

Computers life cycle replacement decreased by \$80,000 because they were reclassified as a fixed asset.

Software increased by \$153,228 due to being reclassified as Office Costs from Consultant and Contracts, this increase was offset by a decrease in Consultants and Contracts.

Network Supplies of \$17,500 was not captured in the 2017 budget.

The decrease of \$1,860 in Publications & Subscriptions is due to cancellation of several subscriptions no longer needed.

The increase of \$12,500 in Taxes is due the increase in taxes as a result of the office expansion project and increased fixed assets.

Insurance - Commercial increased by \$54,731 due to being reclassified as Office Costs from Professional Services; this increase was off-set by a decrease in Professional Services.

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Candidate Search	\$ 7,000	\$ -	\$ -	\$ (7,000)	-100.00%
Outside Legal	40,000	40,000	40,000	-	0.00%
Accounting & Auditing Fees	37,288	17,000	17,000	(20,288)	-54.41%
Insurance Commercial	60,644	-	-	(60,644)	-100.00%
Human Resources Fees	30,807	-	-	(30,807)	-100.00%
Total Professional Services	\$ 175,739	\$ 57,000	\$ 57,000	\$ (118,739)	-67.57%

Table B-9. Professional Services

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

Candidate Search decreased to \$0 and was reclassified under Personnel Expenses.

The decrease in Accounting and Auditing Fees of \$20,288 is due to the reclassification of expense reporting and invoice management, and accounting software maintenance fees (Concur, Prophix, Abila) to Software License under Office Costs.

A decrease in Insurance Commercial of \$60,644 is due to reclassification under Office Costs.

A decrease in Human Resources Fees of \$30,807 is due to a reclassification from Accounting and Auditing Fees of payroll, HRIS, time reporting, and applicant tracking systems to Consultants and Contractors.

Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expense	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Miscellaneous Expense	\$ 16,700	\$ 5,550	\$ 5,550	\$ (11,150)	-66.77%
Total Miscellaneous Expense	\$ 16,700	\$ 5,550	\$ 5,550	\$ (11,150)	-67%

Table B-10. Miscellaneous

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

The decrease in Miscellaneous Expense of \$11,150 is to better align with historical costs and allocation of actual costs to the appropriate functional areas.

Table B-11 lists the budget for other Non-Operating Expenses.

Other Non-Operating Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Table B-11. Other Non-Operating Expenses

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

There are no costs budgeted for these items in 2017 or 2018.

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Depreciation	\$ (234,882)	\$ (330,535)	\$ (453,069)	\$ (218,187)	92.89%
Computer & Software CapEx	100,000	340,000	345,000	245,000	245.00%
Furniture & Fixtures CapEx	-	20,000	-	-	
Equipment CapEx	143,000	314,000	-	(143,000)	-100.00%
Leasehold Improvements	-	-	-	-	
Allocation of Fixed Assets	-	1	2	2	
Total Fixed Assets	\$ 8,118	\$ 343,466	\$ (108,067)	\$ (116,185)	-1431%

Table B-12. Fixed Assets

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

A decrease of \$116,185 is due to an increase in depreciation (\$218,187) based on assets placed in service during 2017, partially offset by an increase in capital spending of \$102,000 in 2018.

The increase in 2018 capital spending is a result of (1) a reclassification of computers as fixed assets from Office Cost, and (2) increases in Consortium User Group (CUG) Computer and Software capital expenditures. CUG expenditures of \$110,000 were incurred but not budgeted in 2017, and will increase to \$175,000 in 2018.

Table B-13 compares the 2018 budget with projections for 2019-2020.

The following table showing 2019 and 2020 budget projections is based on the following assumptions:

Personnel Expenses

- No changes in FTEs
- A 3 percent increase in personnel costs for merit pay increases in 2019 and 2020
- A 3 percent vacancy rate applied in 2019 and no vacancy rate in 2020
- Estimated 10 percent increase in insurance premiums

Meeting Expenses

- Meetings and travel costs remain flat for both 2019 and 2020.
- A 3 percent increase in conference calls for inflation in both 2019 and 2020.

Operating Expenses

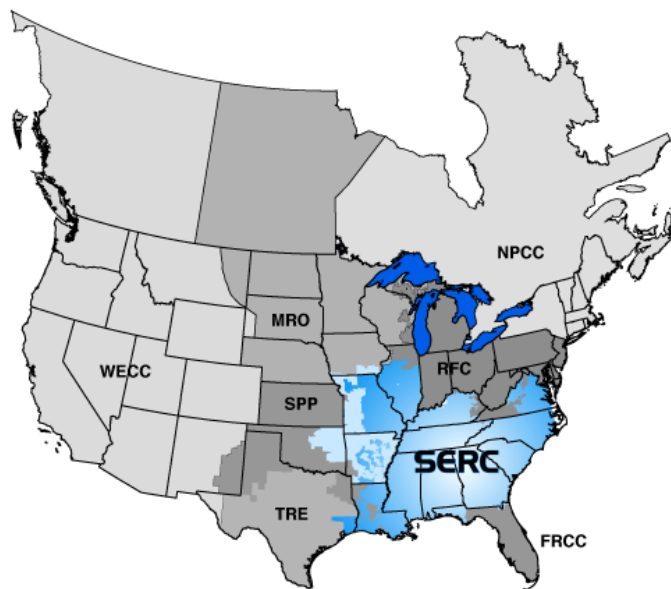
- Consultants and contracts were reduced in 2019 for the off-cycle year on the biennial and five-year studies that are not being performed. The biannual studies are included in 2019, causing the increase.
- A 1 percent inflation rate was applied to office costs and professional services.
- Office rent and Miscellaneous remain flat for both 2019 and 2020.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2018 Budget & Projected 2019 and 2020 Budgets							
	2018 Budget	2019 Projection	\$ Change 19 v 18	% Change 19 v 18	2020 Projection	\$ Change 20 v 19	% Change 20 v 19
Funding							
ERO Funding							
NERC Assessments	\$ 17,205,136	\$ 16,360,972	\$ (844,164)	-4.91%	\$ 16,776,404	\$ 415,432	2.5%
Penalty Sanctions	727,978	-	(727,978)	-100.00%	-	-	
Total NERC Funding	\$ 17,933,114	\$ 16,360,972	\$ (1,572,142)	-8.8%	\$ 16,776,404	\$ 415,432	2.5%
Membership Dues	-	-	-	-	-	-	
Testing Fees	-	-	-	-	-	-	
Services & Software	-	-	-	-	-	-	
Workshops	176,025	176,025	-	0.00%	176,025	-	0.0%
Interest	1,000	1,000	-	0.00%	1,000	-	0.0%
Miscellaneous	86,000	90,300	4,300	5.00%	94,815	4,515	5.0%
Total Funding (A)	\$ 18,196,139	\$ 16,628,297	\$ (1,567,842)	-8.6%	\$ 17,048,244	\$ 419,947	2.5%
Expenses							
Personnel Expenses							
Salaries	\$ 9,833,357	\$ 10,423,359	\$ 590,001	6.0%	\$ 10,736,060	\$ 312,701	3.0%
Payroll Taxes	727,668	771,329	43,661	6.0%	794,468	23,139	3.0%
Benefits	1,094,551	1,204,006	109,455	10.0%	1,324,407	120,401	10.0%
Retirement Costs	1,281,811	1,358,720	76,909	6.0%	1,399,481	40,762	3.0%
Total Personnel Expenses	\$ 12,937,388	\$ 13,757,414	\$ 820,026	6.3%	\$ 14,254,415	\$ 497,002	3.6%
Meeting Expenses							
Meetings	\$ 266,160	\$ 266,160	\$ -	0.0%	\$ 266,160	-	0.0%
Travel	606,865	606,865	-	0.0%	606,865	-	0.0%
Conference Calls	44,544	45,880	1,336	3.0%	47,257	1,376	3.0%
Total Meeting Expenses	\$ 917,569	\$ 918,905	\$ 1,336	0.1%	\$ 920,281	\$ 1,376	0.1%
Operating Expenses							
Consultants & Contracts	\$ 1,855,881	\$ 1,987,190	131,309	7.1%	\$ 2,245,550	258,360	13.0%
Office Rent	628,983	628,983	-	0.0%	628,983	-	0.0%
Office Costs	435,496	439,850	4,355	1.0%	444,249	4,399	1.0%
Professional Services	57,000	57,570	570	1.0%	58,146	576	1.0%
Miscellaneous	5,550	5,550	-	0.0%	5,550	-	0.0%
Depreciation	453,068	239,524	(213,544)	-47.1%	174,117	(65,407)	-27.3%
Total Operating Expenses	\$ 3,435,978	\$ 3,358,667	\$ (77,311)	-2.3%	\$ 3,556,595	\$ 197,927	5.9%
Total Direct Expenses	\$ 17,290,935	\$ 18,034,986	\$ 744,051	4.3%	\$ 18,731,292	\$ 696,306	3.9%
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses (B)	\$ 17,290,935	\$ 18,034,986	\$ 744,051	4.3%	\$ 18,731,292	\$ 696,306	3.9%
Change in Assets	\$ 905,204	\$ (1,406,689)	\$ (2,311,893)	-255.4%	\$ (1,683,048)	\$ (276,359)	19.6%
Fixed Assets							
Depreciation	\$ (453,068)	\$ (239,524)	\$ 213,544	-47.1%	\$ (174,117)	\$ 65,407	-27.3%
Computer & Software CapEx	345,000	345,000	-	0.0%	345,000	-	0.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	-	
Allocation of Fixed Assets	2	-	-	-	-	-	
Inc(Dec) in Fixed Assets (C)	\$ (108,067)	\$ 105,476	\$ 213,544	-197.6%	\$ 170,883	\$ 65,407	0.0%
TOTAL BUDGET (=B + C)	\$ 17,182,868	\$ 18,140,462	\$ 957,596	5.6%	\$ 18,902,175	\$ 761,713	4.2%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 1,013,271	\$ (1,512,165)	\$ (2,525,437)	100.0%	\$ (1,853,931)	\$ (341,766)	22.6%
FTEs	75.00	75.00	-	-	75.00	-	-

Table B-13. Budget 2018 Compared with 2019-2020 Projections

Section C – Non-Statutory Activities

2017 Business Plan and Budget



Section C – Non-Statutory Activities

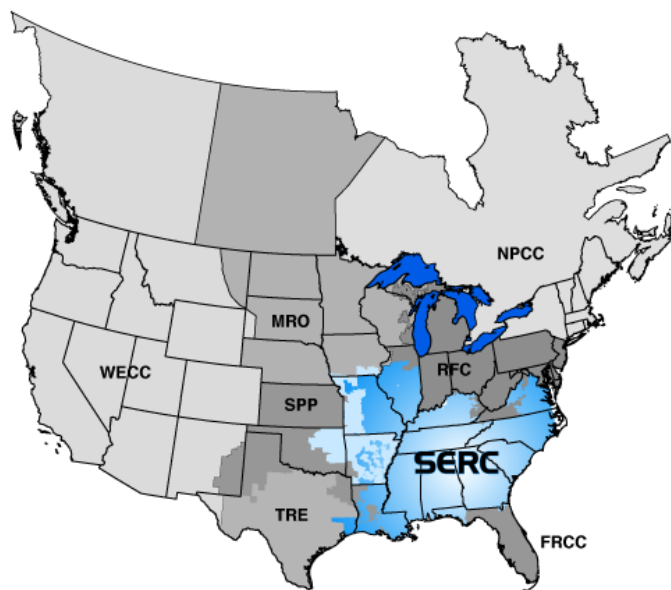
2018 Non-Statutory Business Plan and Budget

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.

Table C-1. Non-Statutory Activities Budget

Section D – Additional Consolidated Financial Statements

2018 Business Plan and Budget



Section D – Additional Consolidated Financial Statements

2018 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2018 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	Business Process & Risk Assessment	Human Resources	Accounting and Finance	
Funding																
ERO Funding																
NERC Assessments	17,205,136	17,205,136	-	17,205,136	630,870	11,570,724	2,563,412	640,215	802,644	-	997,271	-	-	-	-	-
Penalty Sanctions	727,978	727,978	-	727,978	27,686	530,267	103,741	27,686	38,598	-	-	-	-	-	-	-
Total NERC Funding	17,933,114	17,933,114	-	17,933,114	658,556	12,100,991	2,667,153	667,901	841,242	-	997,271	-	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	176,025	176,025	-	176,025	-	-	-	176,025	-	-	-	-	-	-	-	-
Interest	1,000	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-	1,000
Miscellaneous	86,000	86,000	-	86,000	-	71,000	-	-	-	-	15,000	-	-	-	-	-
Total Funding (A)	18,196,139	18,196,139	-	18,196,139	658,556	12,171,991	2,667,153	843,926	841,242	-	1,012,271	-	-	-	-	1,000
Expenses																
Personnel Expenses																
Salaries	9,833,357	9,833,357	-	9,833,357	266,109	4,293,726	880,830	197,631	283,517	688,209	1,551,294	444,582	718,063	236,806	272,591	
Payroll Taxes	727,668	727,668	-	727,668	19,692	317,736	65,181	14,625	20,980	50,927	114,796	32,899	53,137	17,524	20,172	
Benefits	1,094,551	1,094,551	-	1,094,551	22,542	490,880	96,848	21,342	31,848	61,992	145,238	37,713	111,750	36,325	38,075	
Retirement Costs	1,281,811	1,281,811	-	1,281,811	34,605	560,219	114,835	25,790	37,052	89,641	201,398	57,655	94,070	30,841	35,704	
Total Personnel Expenses	12,937,388	12,937,388	-	12,937,388	342,948	5,662,560	1,157,695	259,388	373,397	890,770	2,012,725	572,849	977,020	321,495	366,541	
Meeting Expenses																
Meetings	266,160	266,160	-	266,160	-	2,000	29,200	118,850	-	14,800	22,400	74,360	-	4,200	350	
Travel	606,865	606,865	-	606,865	-	386,550	46,768	17,400	27,500	59,986	33,478	25,483	4,000	2,400	3,000	
Conference Calls	44,544	44,544	-	44,544	-	-	-	-	-	-	-	-	44,544	-	-	
Total Meeting Expenses	917,569	917,569	-	917,569	-	388,850	75,968	136,250	27,500	74,786	55,878	99,843	48,544	6,600	3,350	
Operating Expenses																
Consultants & Contracts	1,855,881	1,855,881	-	1,855,881	-	-	249,640	132,680	-	152,680	100,000	80,000	1,032,500	108,381	-	
Office Rent	628,983	628,983	-	628,983	-	-	-	-	-	-	628,983	-	-	-	-	
Office Costs	435,496	435,496	-	435,496	-	23,215	1,250	-	350	-	112,893	3,955	239,150	-	54,683	
Professional Services	57,000	57,000	-	57,000	-	-	-	-	-	-	-	20,000	-	20,000	17,000	
Miscellaneous	5,550	5,550	-	5,550	-	2,550	-	-	-	-	3,000	-	-	-	-	
Depreciation	453,068	453,068	-	453,068	-	13,889	-	-	-	-	217,213	-	221,967	-	-	
Total Operating Expenses	3,435,978	3,435,978	-	3,435,978	-	39,654	250,890	132,680	350	152,680	1,062,088	103,955	1,493,617	128,381	71,683	
Total Direct Expenses	17,290,935	17,290,935	-	17,290,935	342,948	6,091,064	1,484,552	528,318	401,247	1,118,236	3,130,692	776,647	2,519,181	456,476	441,574	
Indirect Expenses																
	-	-	-	-	321,091	6,149,838	1,203,147	321,091	447,639	(1,118,236)	(3,130,692)	(776,647)	(2,519,181)	(456,476)	(441,574)	
Other Non-Operating Expenses																
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	17,290,935	17,290,935	-	17,290,935	664,039	12,240,902	2,687,699	849,409	848,886	(0)	(0)	(0)	(0)	0	0	
Change in Assets	905,204	905,204	-	905,204	(5,483)	(68,911)	(20,546)	(5,483)	(7,644)	0	1,012,271	0	0	(0)	1,000	
Fixed Assets																
Depreciation	(453,069)	(453,069)	-	(453,069)	-	(13,889)	-	-	-	-	(217,213)	-	(221,967)	-	-	
Computer & Software CapEx	345,000	345,000	-	345,000	-	50,000	-	-	-	-	-	-	295,000	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Allocation of Fixed Assets	2	2	-	2	(5,483)	(105,022)	(20,546)	(5,483)	(7,644)	217,213	-	(73,033)	-	-		
Inc(Dec) in Fixed Assets (C)	(108,067)	(108,067)	-	(108,067)	(5,483)	(68,911)	(20,546)	(5,483)	(7,644)	-	-	-	-	-	-	
TOTAL BUDGET (=B + C)	17,182,868	17,182,868	-	17,182,868	658,556	12,171,991	2,667,153	843,926	841,242	(0)	(0)	(0)	(0)	0	0	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	1,013,271	1,013,271	-	1,013,271	(0)	(0)	(0)	0	0	0	1,012,271	0	0	(0)	1,000	
FTEs	75.00	75.00	-	75.00	1.70	32.56	6.37	1.70	2.37	4.70	11.25	2.55	7.00	1.90	2.90	

Table D-1. Consolidated Statements of Activities by Program, Statutory and Non-Statutory

Statement of Financial Position

The following table provides SERC Statement of Financial Position as of these dates:

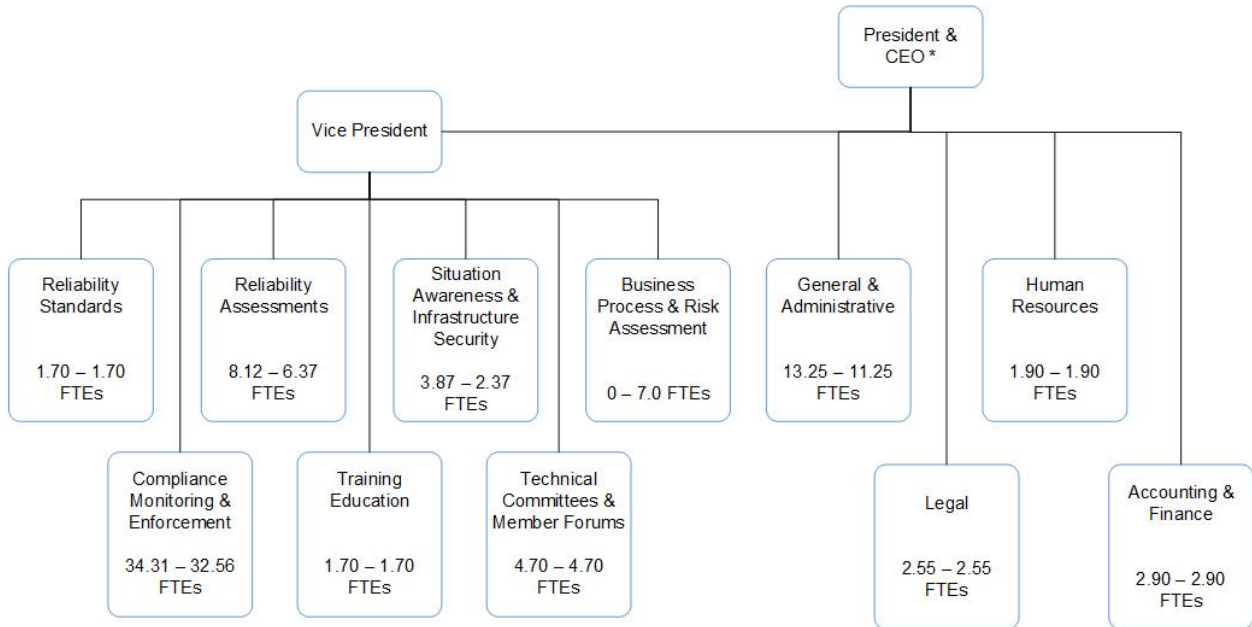
- As of December 31, 2016, per audit
- As of December 31, 2017, projected
- As of December 31, 2018, as budgeted

Statement of Financial Position			
2016 Audited, 2017 Projection, and 2018 Budget			
STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-16	31-Dec-17	31-Dec-18
ASSETS			
Cash	5,584,071	4,616,859	4,271,859
Trade Accounts receivable, net of allowance for uncollectible accounts of \$0	142,868	142,868	142,868
Other Receivables	-	-	-
Prepaid expenses and other current assets	305,394	305,394	305,394
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	713,078	369,612	477,679
Total Assets	6,745,411	5,434,733	5,197,800
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	261,206	261,206	261,206
Deferred income	36,753	36,753	36,753
Deferred penalty income	647,515	717,978	-
Deferred rent	472,675	472,676	464,201
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued personnel benefits other	969,355	-	-
Accrued retirement liabilities	383,981	514,372	571,593
Accrued incentive compensation	1,272,906	1,241,229	1,346,435
Total Liabilities	4,044,391	3,244,213	2,680,188
Net Assets - unrestricted	2,701,020	2,190,519	2,517,612
Total Liabilities and Net Assets	6,745,411	5,434,733	5,197,800

Table D-2. Statement of Financial Position, Three-Year Comparison

Appendix A Organization Chart

The SERC Organization chart shown here compares 2017 and 2018 SERC personnel counts.



* Executive positions are recorded within General and Administrative

Figure 2. SERC Organization Chart

Appendix B Acronyms

This section lists and defines acronyms used in this document.

Acronym	Definition
BCC	Board Compliance Committee
BES	Bulk Electric System
BPS	Bulk Power System
CA	Compliance Assessment
CIP	Critical Infrastructure Protection
CIPSA	CIPSA is a data collection tool.
CITS	Compliance Issues Tracking System
CMEP	Compliance Monitoring and Enforcement Program
DADS	Demand Response Availability Data System
EA	Events Analysis
EIA	Energy Information Administration
EMG	Executive Management Group
ERAG	Eastern Interconnection Assessment Group
ERO	Electric Reliability Organization
ES-ISAC	NERC's Electric Sector – Information Sharing and Analysis Center
FAC	Finance and Audit Committee
FERC	Federal Energy Regulatory Commission
FFT	Find, Fix, and Track
FRCC	Florida Reliability Coordinating Council
FTE	Full-Time Equivalent
GADS	Generating Availability Data System
HRCC	Human Resources and Compensation Committee
HRIS	Human Resources Information System
IT	Information Technology
MIDAS	Misoperations Information Data Analysis System
NEL	Net Energy for Load
NERC	North American Electric Reliability Corporation
NOP	Full Notice of Penalty
NPCC	Northeast Power Coordinating Council
PEI	Protected Entity Information
PMO	Project Management Office
RAPA	Reliability Assessments and Performance Analysis
RAS	NERC Reliability Assessment Subcommittee
RSAW	Reliability Standards Audit Worksheet
SA	Situation Awareness
SAEA	Situation Awareness and Events Analysis
SAN	Storage Area Network
SERC	SERC Reliability Corporation
SNOP	Spreadsheet Notice of Penalty
SPP	Southwest Power Pool
TADS	NERC Transmission Availability Data System
TFE	Technical Feasibility Exception

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DOCKET NO. RR17-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2018 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 8

SOUTHWEST POWER POOL REGIONAL ENTITY

PROPOSED 2018 BUSINESS PLAN AND BUDGET

**2018 Business Plan and Budget
Southwest Power Pool Regional Entity**

Approved by SPP Regional Entity Trustees

June 30, 2017

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Introduction

(in whole dollars)				
	2018 Budget	U.S.	Canada	Mexico
Statutory FTEs	32.30			
Non-statutory FTEs	-			
Total FTEs	32.30			
Statutory Expenses	\$ 10,793,195			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 10,793,195			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ -			
Statutory Working Capital Requirement Adjustment	\$ (775,930)			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ (775,930)			
Total Statutory Funding Requirement	\$ 10,017,265			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 10,017,265			
Statutory Funding Assessments	\$ 9,727,265	\$ 9,727,265		
Non-Statutory Fees	\$ -	\$ -		
NEL	227,488,700	227,488,700		
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 2011. The current RDA was approved by FERC in March of 2016.¹ As a NERC Regional Entity,

¹ http://www.nerc.com/FilingsOrders/us/FERCOrdersRules/LetterOrder_RDAs_20160323_RR15-12.pdf;
http://www.nerc.com/FilingsOrders/us/Regional%20Delegation%20Agreements%20DL/SPP_RDA_Effective_2016_0101.pdf

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 120 registered entities located within the SPP RE's footprint, an eight-state area that includes all or a portion of 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 up to four independent Regional Entity Trustees,² 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 President reports directly to the SPP RE Trustees. Only the SPP RE Trustees and certain 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 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

2018 Key Assumptions

The key assumptions underlying the SPP RE 2018 Business Plan and Budget (BP&B) are consistent with ERO BP&B Assumptions as found in NERC's 2018 BP&B. The assumptions that are of particular importance to the SPP RE's 2018 BP&B include the expectation that:

² FERC Docket No. ER16-430-000, Letter Order approving a Revision to the Bylaws expanding the RE Board of Trustees by one additional seat.

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 the 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 refine and revise processes and procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measureable reliability outcomes.
5. Cyber and critical asset security will continue to be a priority in the United States, with significant oversight by applicable government authorities.
6. 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.
7. NERC and the Regional Entities will continue to implement the risk-based Compliance Monitoring and Enforcement Program (CMEP) to focus on higher reliability risks to increase efficiency and mitigate overall compliance costs for registered entities.
8. NERC and the Regional Entities will work collaboratively to implement the registration and certification process through Risk-Based Registration. NERC and the Regions will work to ensure entities are properly registered and have been assigned the proper compliance responsibilities.
9. SPP RE will participate on teams to help develop application business requirements and test business functionality for ERO Enterprise application projects.

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 2019 (ERO Strategic Plan)³, NERC and the Regional Entities developed a set of Common Assumptions⁴ that are now used to guide budget resource projections for each regional entity and the ERO overall.

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.
- Participate in NERC-sponsored ERO compliance auditor and enforcement staff training.

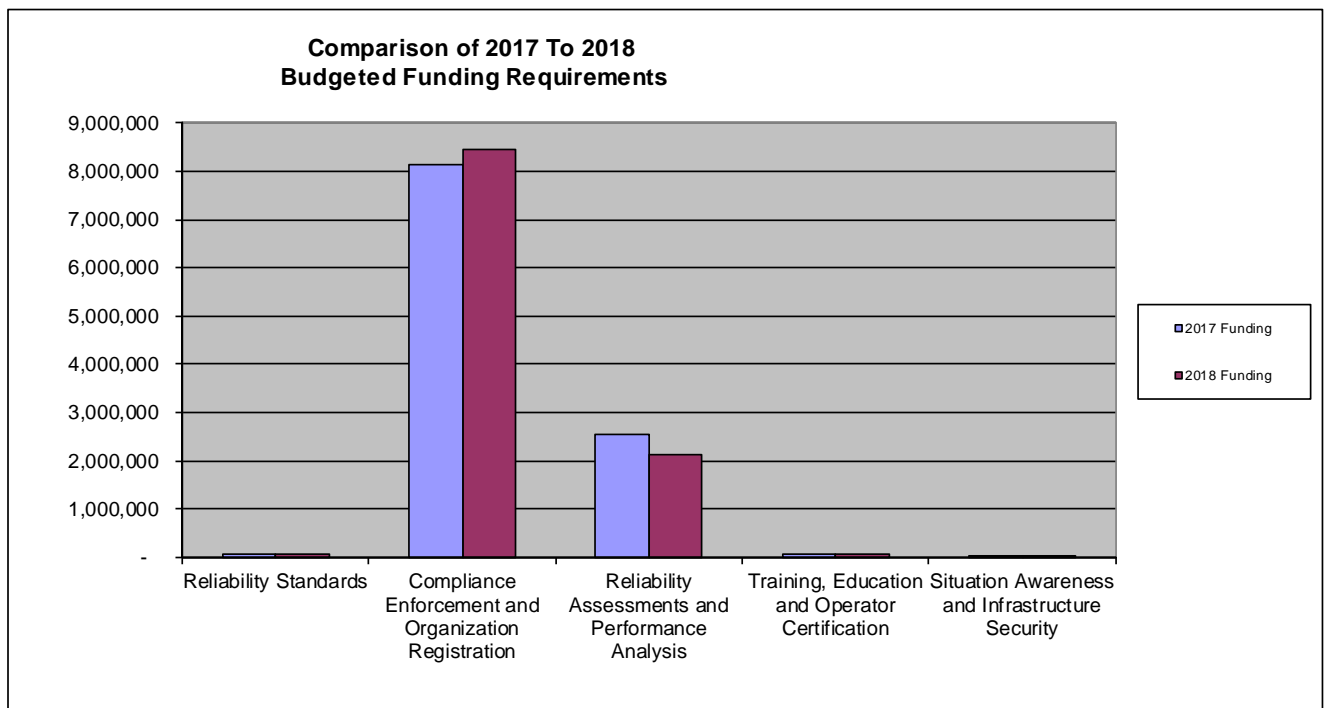
³ <http://www.nerc.com/gov/Annual%20Reports/ERO%20Enterprise%20Strategic%20Plan%202016-2019.pdf>

⁴ See NERC 2018 Business Plan and Budget, Exhibit A.

2018 Overview of Cost Impacts

The \$10.8 million operating budget reflects an approximate \$72 thousand decrease or -0.7%. Funding assessments increased by \$635 thousand or 7.0%, from \$9.09 million to \$9.73million. A summary of the funding by program area is shown in the chart below.

Program	Budget 2017	Projection 2017	Budget 2018	Change 2018 Budget v 2017 Budget	% Change
Reliability Standards	76,377	76,377	79,523	3,146	4.1%
Compliance Enforcement and Registration	8,126,399	8,126,399	8,466,710	340,312	4.2%
Reliability Assess and Perf Analysis	2,540,152	2,540,152	2,121,135	(419,017)	-16.5%
Training and Education	79,211	79,211	79,379	168	0.2%
Situation Awareness	43,372	43,372	46,448	3,076	7.1%
	10,865,511	10,865,511	10,793,195	(72,316)	-0.7%
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	
Total Funding	10,865,511	10,865,511	10,793,195	(72,316)	-0.7%



As shown in the chart that follows, there is a net decrease of 0.95 in budgeted Full Time Equivalents (FTE). The decrease in Shared Staff will better align the 2018 manpower requirements with historic usage while accommodating the RAPA reliability assessment and special study requirements requested by NERC.

Total FTEs by Program Area	Budget 2017	Projection 2017	Direct FTEs 2018 Budget	Shared FTEs ¹ 2018 Budget	Total FTEs 2018 Budget	Change from 2017 Budget
STATUTORY						
Operational Programs						
Reliability Standards	0.13	0.13	0.13	0.00	0.13	0.00
Compliance and Organization Registration and Certification	21.75	21.75	21.75	0.00	21.75	0.00
Training and Education	0.00	0.00	0.00	0.00	0.00	0.00
Reliability Assessment and Performance Analysis	6.75	6.75	1.50	4.30	5.80	-0.95
Situation Awareness and Infrastructure Security	0.13	0.13	0.13	0.00	0.13	0.00
Total FTEs Operational Programs	28.75	28.75	23.50	4.30	27.80	-0.95
Administrative Programs						
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General & Administrative	4.50	4.50	4.50	0.00	4.50	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
Finance and Accounting	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Administrative Programs	4.50	4.50	4.50	0.00	4.50	0.00
Total FTEs	33.25	33.25	28.00	4.30	32.30	-0.95

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

Compared to the 2017 budget, the net decrease in direct expenses and the net decrease in the SPP, Inc. indirect expenses are approximately \$7 thousand and \$65 thousand, respectively. The decrease in direct expenses is principally due to a reduction in the Engineering shared staff FTEs in the RAPA program area and the completion of the Engineering Data Tool IT project. The decrease in SPP, Inc. indirect expenses is due to the reduction in Shared Staff FTEs.⁵ 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.

⁵ A table showing the derivation of the Indirect Expense is presented in Section E.

Statement of Activities and Capital Expenditures 2017 Budget & Projection, and 2018 Budget

Funding	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
SPP RE Funding					
SPP RE Assessments	\$ 9,092,553	\$ 9,092,553	\$ -	\$ 9,727,265	\$ 634,712
Penalty Sanctions	\$ 369,750	369,750	-	290,000	(79,750)
Total SPP RE Funding	\$ 9,462,303	\$ 9,462,303	\$ -	\$ 10,017,265	\$ 554,962
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 9,462,303	\$ 9,462,303	\$ -	\$ 10,017,265	\$ 554,962
Expenses					
Personnel Expenses					
Salaries	\$ 4,385,605	\$ 4,385,605	\$ -	\$ 4,412,561	\$ 26,956
Payroll Taxes	\$ 335,499	335,499	-	337,561	2,062
Benefits	\$ 358,263	358,263	-	342,305	(15,958)
Retirement Costs	\$ 175,424	175,424	-	176,502	1,078
Total Personnel Expenses	\$ 5,254,791	\$ 5,254,791	\$ -	\$ 5,268,929	\$ 14,138
Meeting Expenses					
Meetings	\$ 120,000	\$ 120,000	\$ -	\$ 107,000	\$ (13,000)
Travel	\$ 537,000	537,000	-	451,500	(85,500)
Conference Calls	\$ -	-	-	-	-
Total Meeting Expenses	\$ 657,000	\$ 657,000	\$ -	\$ 558,500	\$ (98,500)
Operating Expenses					
Consultants & Contracts	\$ 1,020,710	\$ 1,020,710	\$ -	\$ 1,073,100	\$ 52,390
Office Rent	\$ -	-	-	-	-
Office Costs	\$ 10,000	10,000	-	10,000	-
Professional Services	\$ 212,100	212,100	-	236,988	24,888
Miscellaneous	\$ -	-	-	-	-
Depreciation	\$ -	-	-	-	-
Total Operating Expenses	\$ 1,242,810	\$ 1,242,810	\$ -	\$ 1,320,088	\$ 77,278
Total Direct Expenses	\$ 7,154,601	\$ 7,154,601	\$ -	\$ 7,147,517	\$ (7,084)
SPP Inc. Indirect Expenses	\$ 3,710,910	3,710,910	\$ -	\$ 3,645,678	\$ (65,232)
SPP RE Indirect Expenses ⁽¹⁾	-	-	-	-	-
Total Indirect Expenses	\$ 3,710,910	\$ 3,710,910	\$ -	\$ 3,645,678	\$ (65,232)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 10,865,511	\$ 10,865,511	\$ -	\$ 10,793,195	\$ (72,316)
Change in Assets	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	-
Inc(Dec) in Fixed Assets (C)	-	-	-	-	-
TOTAL BUDGET (=B + C)	\$ 10,865,511	\$ 10,865,511	\$ -	\$ 10,793,195	\$ (72,316)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277

(1) SPP RE Indirect Expenses which represent direct expenses for SPP RE Administrative Services, are included in direct expenses.

Section A – Statutory Programs
2018 Business Plan and Budget



Section A — 2018 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	0.125	0.125	-
Direct Expenses	\$ 47,286	\$ 49,444	\$ 2,158
Indirect Expenses- SPP Inc.	\$ 13,951	\$ 14,109	\$ 158
Indirect Expenses- SPP RE	\$ 15,140	\$ 15,970	\$ 830
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 76,377	\$ 79,523	\$ 3,146

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 0.125 FTEs represents the time spent by an Enforcement Group staff member on reliability standards development activities. Specifically, SPP RE 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.

2018 Key Assumptions

The key assumptions concerning the SPP RE's Reliability Standards Program are consistent with the assumptions contained in the ERO BP&B Assumptions.

2018 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; and
- Participate on in-depth reviews to further improve the Reliability Standards as needed.

Resource Requirements

There is no change to the resource requirements for this program area.

Reliability Standards Program

Statement of Activities and Capital Expenditures
2017 Budget & Projection, and 2018 Budget

Reliability Standards

	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 74,769	\$ 74,769	\$ -	\$ 78,219	\$ 3,450
Penalty Sanctions	1,608	1,608	-	1,304	(304)
Total SPP RE Funding	\$ 76,377	\$ 76,377	\$ -	\$ 79,523	\$ 3,146
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 76,377	\$ 76,377	\$ -	\$ 79,523	\$ 3,146
Expenses					
Personnel Expenses					
Salaries	\$ 18,969	\$ 18,969	\$ -	\$ 20,902	\$ 1,933
Payroll Taxes	1,451	1,451	-	1,599	148
Benefits	1,107	1,107	-	1,107	-
Retirement Costs	759	759	-	836	77
Total Personnel Expenses	\$ 22,286	\$ 22,286	\$ -	\$ 24,444	\$ 2,158
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	25,000	25,000	-	25,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 47,286	\$ 47,286	\$ -	\$ 49,444	\$ 2,158
SPP Inc. Indirect Expenses	\$ 13,951	\$ 13,951	\$ -	\$ 14,109	\$ 158
SPP RE Indirect Expenses	15,140	15,140	-	15,970	830
Total Indirect Expenses	\$ 29,091	\$ 29,091	\$ -	\$ 30,079	\$ 988
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 76,377	\$ 76,377	\$ -	\$ 79,523	\$ 3,146
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ 1
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 76,377	\$ 76,377	\$ -	\$ 79,523	\$ 3,146
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ 1
FTEs	0.13	0.13	0.00	0.13	0.00

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	21.75	21.75	-
Direct Expenses	\$ 4,316,813	\$ 4,544,126	\$ 227,313
Indirect Expenses- SPP Inc.	\$ 2,427,437	\$ 2,454,906	\$ 27,469
Indirect Expenses- SPP RE	\$ 1,382,149	\$ 1,467,679	\$ 85,530
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 8,126,399	\$ 8,466,710	\$ 340,312

Program Scope and Functional Description

The Compliance Monitoring and Enforcement (CMEP) and Organization Registration and Certification programs are required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 400. There are approximately 120 registered entities 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 RE, SPP RE has included \$75,000 in its budget to compensate SERC for performing the 2018 CMEP activities and Risk Assessments for SPP's registered functions in the SPP RE region.

SPP RE CMEP activities are 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 (Compliance Monitoring) 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) performing entity-specific inherent risk assessments and internal controls evaluations, 2) conducting compliance audits, spot checks, and self-certifications of entities registered in the SPP RE footprint, 3) reviewing CIP technical feasibility exception requests (TFEs), periodic data submittals, self-reports and self-logging reports made by entities registered in the SPP RE footprint, 4) participating in SPP RE workshops and webinars, and 5) participating in various SPP and NERC working groups. The

Compliance Groups also make the initial determination of possible non-compliance with a reliability standard.

A total of 12.0 FTEs are assigned to the Compliance Groups, and include: the SPP RE Director of Compliance, allocated at 0.5 FTEs, five Operations & Planning (O&P or 693) auditor positions, Director of Critical Infrastructure Protection, five CIP audit positions, and one Outreach Coordinator, allocated at 0.5 FTEs.

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 audit team and one consultant participates on SPP's offsite 693 audit team and onsite CIP audit teams. SPP RE has included \$745,000 in its budget for compliance consulting costs.

Enforcement Group

The FTEs assigned to the Enforcement group are responsible for performing assigned Compliance Monitoring and Enforcement Program activities. These activities include but are not limited to: 1) the de novo review of all issues of noncompliance identified by the Compliance Monitoring Group; 2) conducting discovery; 3) documenting and filing all issues of noncompliance in accordance with the NERC Rules of Procedure; 4) preparing and issuing required Registered Entity notices, e.g., Find, Fix and Track (FFTs), Compliance Exceptions, Possible Violation, Alleged Violation and Proposed Penalty or Sanction, and Confirmed Violation; 5) reviewing, accepting, tracking and verifying completion of mitigation plans and mitigating activities; 6) engaging in settlement negotiations to resolve issues of noncompliance; 7) representing the SPP RE in hearings of contested violations; and 8) participating in various SPP and NERC working groups and SPP RE workshops.

A total of 9.75 FTEs are assigned to this group, and include: the Manager of Enforcement, four enforcement attorneys, two compliance enforcement specialists, one mitigation plan engineer, one paralegal and one legal clerk. To recognize that Enforcement staff (0.25 FTEs) participate in NERC's Reliability standard development activities and the Reliability and Performance Analysis (RAPA) data groups, 0.125 FTEs has been allocated to the Reliability Standards Program and 0.125 FTEs to the RAPA Program.

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 \$100,000 in its budget for enforcement consulting costs.

2018 Key Assumptions

The assumptions for this program are consistent with those contained in the 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 are anticipated to occur. It is expected that this training and possible certification effort will have an impact on staffing needs and costs (e.g., travel and labor expenses) to participate and attend this training. SPP RE has provided time for staff to seek and maintain industry certifications, such as NERC System Operator Certification, physical and cyber security technical certifications, professional auditing certifications, Professional Engineering License, etc.

Given these key assumptions and based on actual 2017 resource requirements, SPP RE believes the resources assigned to this program area are adequate to achieve the goals and deliverables detailed below.

2018 Goals and Key Deliverables

- Ensure that bulk power system owners, operators, and users are correctly registered, ensure the revised BES definition is correctly applied, and process Exception Requests in a timely manner;
- Conduct entity-specific Inherent Risk Assessments and Internal Controls Evaluations;
- Prepare Compliance Oversight Plans (COPs) for compliance monitoring activities being conducted in 2018;
- Coordinated oversight of Multi-Region Registered Entities (MRREs);
- Perform 6 to 8 on-site FERC Order 693 compliance audits;
- Perform 18 to 20 off-site FERC Order 693 compliance audits;
- Perform 8 to 10 on-site CIP compliance audits of registered entities with High or Medium BES Cyber Systems;
- SPP RE anticipates that audits of registered entities with only Low Impact BES Cyber Systems can be conducted off-site. The SPP RE will work with the affected registered entities to identify appropriate forms of evidence of compliance that can be evaluated without being on-site. The CIP audit team expects to go on-site only if an audit finding cannot be determined through other means;
- Perform spot check, self-certifications, and periodic data submittals of specified standards as dictated by NERC's 2018 Compliance Monitoring and Enforcement Program Annual Implementation Plan;
- Perform Compliance Investigations, as necessary;
- Perform secondary review of initial findings of possible violations;
- Create Notices of Alleged Violation and Proposed Penalties and Sanctions (NAVAPS) and Notices of Confirmed Violations (NOCV);
- Process Find, Fix and Track (FFTs) and Compliance Exceptions;
- Negotiate and develop settlements of violations;
- Verify that findings of non-compliance are and/or have been appropriately mitigated; and

- Serve as SPP RE liaisons to SPP working groups and attend approximately 30 SPP working group meetings in 2018.

Resource Requirements

Personnel

The Compliance Program area staffing remains unchanged from 2017.

Contracts and Consultants

The use of consultants is expected to increase due to the audit schedule.

Statement of Activities and Capital Expenditures
2017 Budget & Projection, and 2018 Budget
Compliance and Organization Registration and Certification

	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 7,846,675	\$ 7,846,675	\$ -	\$ 8,239,822	\$ 393,147
Penalty Sanctions	279,724	279,724	-	226,888	(52,835)
Total SPP RE Funding	\$ 8,126,399	\$ 8,126,399	\$ -	\$ 8,466,710	\$ 340,312
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 8,126,399	\$ 8,126,399	\$ -	\$ 8,466,710	\$ 340,312
Expenses					
Personnel Expenses					
Salaries	\$ 2,665,150	\$ 2,665,150	\$ -	\$ 2,736,426	\$ 71,276
Payroll Taxes	203,884	203,884	-	209,337	5,453
Benefits	234,563	234,563	-	225,018	(9,545)
Retirement Costs	106,606	106,606	-	109,457	2,851
Total Personnel Expenses	\$ 3,210,203	\$ 3,210,203	\$ -	\$ 3,280,238	\$ 70,035
Meeting Expenses					
Meetings	\$ 35,000	\$ 35,000	\$ -	\$ 17,000	\$ (18,000)
Travel	282,000	282,000	-	224,000	(58,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 317,000	\$ 317,000	\$ -	\$ 241,000	\$ (76,000)
Operating Expenses					
Consultants & Contracts	\$ 778,610	\$ 778,610	\$ -	\$ 1,012,000	\$ 233,390
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	11,000	11,000	-	10,888	(112)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 789,610	\$ 789,610	\$ -	\$ 1,022,888	\$ 233,278
Total Direct Expenses	\$ 4,316,813	\$ 4,316,813	\$ -	\$ 4,544,126	\$ 227,313
SPP Inc. Indirect Expenses	\$ 2,427,437	\$ 2,427,437	\$ -	\$ 2,454,906	\$ 27,469
SPP RE Indirect Expenses	1,382,149	1,382,149	-	1,467,679	85,530
Total Indirect Expenses	\$ 3,809,586	\$ 3,809,586	\$ -	\$ 3,922,585	\$ 112,999
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 8,126,399	\$ 8,126,399	\$ -	\$ 8,466,710	\$ 340,312
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 8,126,399	\$ 8,126,399	\$ -	\$ 8,466,710	\$ 340,312
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ (1)
FTEs	21.75	21.75	-	21.75	-

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	6.750	5.800	(0.950)
Direct Expenses	\$ 1,353,461	\$ 1,108,474	\$ (244,987)
Indirect Expenses- SPP Inc.	\$ 753,343	\$ 654,642	\$ (98,701)
Indirect Expenses- SPP RE	\$ 433,348	\$ 358,019	\$ (75,329)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 2,540,152	\$ 2,121,135	\$ (419,017)

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 staff and Shared Staff members available as consultants to the Regional Entity support NERC's efforts in preparing a number of reliability assessments each year including a long-term reliability assessment (LTRA) report, seasonal assessment reports, and a probabilistic report. These reports analyze electricity demand and adequacy of supply throughout the North American bulk power system, as well as examine the adequacy of the transmission system.

SPP RE direct staff participates in numerous meetings each year with the Shared Staff during the development of the models and the performance of studies leading up to the issuance of the annual reliability assessment reports. Once each report has been prepared, SPP RE direct staff performs an independent assessment and the SPP RE, in the spirit of transparency, discusses the process, assumptions, and findings at a public Trustees meeting. The assessments are subject to endorsement by the Trustees.

SPP Shared Staff also conduct 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 and for cause coding. Any issues that surface which may lead to standards compliance questions will be handled through the CMEP portion of this Business Plan.

2018 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 a long-term and two seasonal reliability assessments per year;

- SPP RE will support the development of short-term reliability assessments (6-18 month horizon) and special studies requested by NERC;
- SPP RE will continue to support the NERC’s Planning Committee and its standing committees including the 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 process and encourage prompt and complete self-analysis of events and disturbances to promote continuous improvement and information sharing;
- Support cause coding of events for trend analysis purposes; and
- The number of events requiring review and analysis are expected to remain at approximately the same level as 2017.

2018 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 planning coordinators, regional entities, and registered entities to assist with planning and evaluating future systems and current operating conditions;
- Provide regional technical input to NERC’s reliability assessments each year: a long-term reliability assessment report, seasonal assessment reports and shorter-term focused reports. Perform an annual 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;

- Support development of an expanded ERO data collection and analysis system to improve performance analysis of the BPS; and
- Participate actively in the following NERC working groups/committees/task forces:
 - Event Analysis Subcommittee (EAS)
 - 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)

Resource Requirements

Personnel

SPP RE direct staff expects to remain consistent with 2017. Based on historic manpower requirements needed to conduct the annual reliability assessments and special engineering studies requested by NERC the Shared Staff FTEs is expected to decrease by 0.95 FTE.

Contracts and Consultants

Due to the completion of the Engineering Data Validation Tool in 2017, the consultant budget is reduced by \$146,000.

Statement of Activities and Capital Expenditures 2017 Budget & Projection, and 2018 Budget

Reliability Assessment and Performance Analysis

	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 2,453,341	\$ 2,453,341	\$ -	\$ 2,060,631	\$ (392,710)
Penalty Sanctions	86,811	86,811	-	60,504	(26,307)
Total SPP RE Funding	<u>\$ 2,540,152</u>	<u>\$ 2,540,152</u>	<u>\$ -</u>	<u>\$ 2,121,135</u>	<u>\$ (419,017)</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 2,540,152</u>	<u>\$ 2,540,152</u>	<u>\$ -</u>	<u>\$ 2,121,135</u>	<u>\$ (419,017)</u>
Expenses					
Personnel Expenses					
Salaries	\$ 895,372	\$ 895,372	\$ -	\$ 814,249	\$ (81,123)
Payroll Taxes	68,496	68,496	-	62,290	(6,206)
Benefits	62,778	62,778	-	54,365	(8,413)
Retirement Costs	35,815	35,815	-	32,570	(3,245)
Total Personnel Expenses	<u>\$ 1,062,461</u>	<u>\$ 1,062,461</u>	<u>\$ -</u>	<u>\$ 963,474</u>	<u>\$ (98,987)</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	110,000	110,000	-	110,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ 181,000	\$ 181,000	\$ -	\$ 35,000	\$ (146,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 181,000</u>	<u>\$ 181,000</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ (146,000)</u>
Total Direct Expenses	<u>\$ 1,353,461</u>	<u>\$ 1,353,461</u>	<u>\$ -</u>	<u>\$ 1,108,474</u>	<u>\$ (244,987)</u>
SPP Inc. Indirect Expenses	\$ 753,343	\$ 753,343	\$ -	\$ 654,642	\$ (98,701)
SPP RE Indirect Expenses	433,348	433,348	-	358,019	(75,329)
Total Indirect Expenses	<u>\$ 1,186,691</u>	<u>\$ 1,186,691</u>	<u>\$ -</u>	<u>\$ 1,012,661</u>	<u>\$ (174,030)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 2,540,152</u>	<u>\$ 2,540,152</u>	<u>\$ -</u>	<u>\$ 2,121,135</u>	<u>\$ (419,017)</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	\$ 2,540,152	\$ 2,540,152	\$ -	\$ 2,121,135	\$ (419,017)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	6.75	6.75	-	5.80	(0.95)

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	-	-	-
Direct Expenses*	\$ 60,000	\$ 60,000	\$ -
Indirect Expenses- SPP Inc.	\$ -	\$ -	\$ -
Indirect Expenses- SPP RE	\$ 19,211	\$ 19,379	\$ 168
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 79,211	\$ 79,379	\$ 168
* To maintain confidentiality, Personnel Expenses are included in Compliance and General & Administrative.			

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. SPP RE Staff design, develop, and conduct training and education via workshops, newsletters, webinars, SPP RE Trustee meetings, 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.

2018 Key Assumptions

SPP RE will continue its outreach activities designed to increase regional BPS reliability, educate stakeholders about compliance matters, and inform stakeholders of emerging issues and compliance program changes. NERC will continue to budget and incur the cost of a unified learning system for the regional CEA staff and work with the Registered Entities to consolidate training resources. This promotes better coordination, planning, delivery and management of training efforts across the enterprise without adversely impacting region-specific training requirements.

2018 Goals and Key Deliverables

- Host three compliance workshops, one focused on CIP;
- Publish a monthly newsletter;
- Present at least ten compliance webinars or training videos; and
- Maintain an online training video library to share compliance information with stakeholders.

Resource Requirements

Personnel

The personnel expenses for the Training and Education program coordinator are accounted for within the General and Administrative program (50%) and the Compliance Program (50%).

Statement of Activities and Capital Expenditures 2017 Budget & Projection, and 2018 Budget

Training and Education

	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 79,211	\$ 79,211	\$ -	\$ 79,379	\$ 168
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	\$ 79,211	\$ 79,211	\$ -	\$ 79,379	\$ 168
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 79,211	\$ 79,211	\$ -	\$ 79,379	\$ 168
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
SPP Inc. Indirect Expenses	\$ -	\$ -	-	\$ -	\$ -
SPP RE Indirect Expenses	19,211	19,211	-	19,379	168
Total Indirect Expenses	\$ 19,211	\$ 19,211	\$ -	\$ 19,379	\$ 168
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 79,211	\$ 79,211	\$ -	\$ 79,379	\$ 168
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ (1)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 79,211	\$ 79,211	\$ -	\$ 79,379	\$ 168
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ 0
FTEs	-	-	-	-	-

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	0.13	0.13	-
Direct Expenses	\$ 22,286	\$ 24,444	\$ 2,158
Indirect Expenses- SPP Inc.	\$ 13,951	\$ 14,109	\$ 158
Indirect Expenses- SPP RE	\$ 7,135	\$ 7,895	\$ 760
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 43,372	\$ 46,448	\$ 3,076

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 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.

2018 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.

2018 Goals and Key Deliverables

- Continue sponsoring the Critical Infrastructure Protection Working Group (CIPWG)
 - Continue quarterly meetings
 - Maintain and Increase CIPWG membership
 - Provide registered entities-only discussion periods regarding CIP compliance progress
 - Provide a discussion forum for NERC-requested comments and ballot issues
- Provide enhanced support to SPP registered entities about CIP Standards
 - Provide general recommendations and discussion/outreach forum for CIP Version 5 implementation issues
 - Provide general recommendations on appropriate security best practices
 - Provide opportunities for technical and compliance-related training
 - 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)

Resource Requirements

Personnel

There is no change to the budgeted FTEs for this program area.

Situation Awareness and Infrastructure Security Program

Statement of Activities and Capital Expenditures 2017 Budget & Projection, and 2018 Budget

Situation Awareness and Infrastructure Security

	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 41,765	\$ 41,765	\$ -	\$ 45,144	\$ 3,379
Penalty Sanctions	1,608	1,608	-	1,304	(304)
Total SPP RE Funding	\$ 43,372	\$ 43,372	\$ -	\$ 46,448	\$ 3,076
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 43,372	\$ 43,372	\$ -	\$ 46,448	\$ 3,076
Expenses					
Personnel Expenses					
Salaries	\$ 18,969	\$ 18,969	\$ -	\$ 20,902	\$ 1,933
Payroll Taxes	1,451	1,451	-	1,599	148
Benefits	1,107	1,107	-	1,107	-
Retirement Costs	759	759	-	836	77
Total Personnel Expenses	\$ 22,286	\$ 22,286	\$ -	\$ 24,444	\$ 2,158
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 22,286	\$ 22,286	\$ -	\$ 24,444	\$ 2,158
SPP Inc. Indirect Expenses	\$ 13,951	\$ 13,951		\$ 14,109	\$ 158
SPP RE Indirect Expenses	7,135	7,135		7,895	760
Total Indirect Expenses	\$ 21,086	\$ 21,086	\$ -	\$ 22,004	\$ 918
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 43,372	\$ 43,372	\$ -	\$ 46,448	\$ 3,077
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ (1)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 43,372	\$ 43,372	\$ -	\$ 46,448	\$ 3,077
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ (1)
FTEs	0.13	0.13	-	0.13	-

Administrative Services

	Administrative Services					
	Direct Expense and Fixed Assets (in whole dollars)			FTEs		
	2017 Budget	2018 Budget	Inc(Dec)	2017 Budget	2018 Budget	Inc(Dec)
General and Administrative	\$ 1,856,983	\$ 1,868,942	11,958	4.50	4.50	-
Technical Committee and Members Forums	\$ -	\$ -	-	0.00	-	-
Legal and Regulatory	\$ -	\$ -	-	0.00	-	-
Information Technology	\$ -	\$ -	-	0.00	-	-
Human Resources	\$ -	\$ -	-	0.00	-	-
Finance and Accounting	\$ -	\$ -	-	0.00	-	-
Total Administrative Services	\$ 1,856,983	\$ 1,868,942	11,958	4.50	4.50	-

General and Administrative

Program Scope and Functional Description

The General and Administrative function consists of the RE President, the RE Manager of Regulatory Interface and Process Improvement, RE Administrative Assistant, RE Outreach Coordinator, RE Business Analyst II, and four 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 President provides executive level support through, among other means, participation in meetings and conference calls with other Regional Entities and Senior NERC staff. The RE President reports directly to the 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, including internal auditing of SPP RE's processes. 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 Business Analyst II is responsible for managing the CMEP software (webCDMS) and provides support to all SPP RE programs and SPP RE direct staff members.

2018 Key Assumptions

- SPP RE continues to operate as an independent and functionally separate division of SPP;

2018 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.

Resource Requirements**Personnel**

There is no change to the budgeted FTEs for this program area.

Technical Committees and Member Forums**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.

2018 Key Assumptions

- SPP RE liaisons to SPP working groups are projected to attend approximately 30 SPP working group meetings in 2018.

2018 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.

Resource Requirements**Personnel**

N/A

Legal and Regulatory**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 and Regulatory 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.

2018 Key Assumptions

N/A

2018 Goals and Key Deliverables

N/A

Resource Requirements

Personnel

N/A

Contractors and Consultants

N/A

Information Technology

Program Scope and Functional Description

The SPP Information Technology department provides resources for SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2018 Key Assumptions

- The SPP Information Technology department continues to provide resources for SPP RE;
- NERC and the Regional Entities will collaboratively work to refine existing strategies, governance and procurement practices applicable to the development, operation and maintenance of enterprise architecture, software and data systems supporting both NERC and Regional Entity operations. NERC's business plan and budget will include ongoing funding support for the development, operation and maintenance of NERC and Regional Entity approved enterprise applications. Enterprise application funding in any given year will be subject to the budget and funding limits set forth in NERC's approved business plan and budget;
- SPP RE will include appropriate funding for applications and supporting systems designed to satisfy Regional business needs that are not within the mutually agreed upon scope of the ERO Enterprise applications which are funded by NERC;
- 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.

2018 Goals and Key Deliverables

- To provide adequate information technology support for SPP RE to fulfill the responsibilities of the RE Delegation Agreement between SPP and NERC.

Resource Requirements

Personnel

N/A

Human Resources

Program Scope and Functional Description

The SPP Human Resource department provides resources for SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2018 Key Assumptions

- The SPP Human Resource department continues to provide resources for SPP RE.

2018 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.

Resource Requirements

Personnel

N/A

Finance and Accounting

Program Scope and Functional Description

The SPP Accounting department provides resources for SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2018 Key Assumptions

- The SPP Accounting department continues to provide resources for SPP RE.

2018 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.

Resource Requirements

Personnel

N/A

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 on an annual basis by allocating SPP's shared services support costs by an appropriate measure (headcount, square footage, number of devices, etc.). In addition, an allocation of overhead costs will be added to the directly assignable staff's hourly rate for those employees performing SPP's statutory activities in the RAPA program area. A table showing the derivation of the SPP, Inc. Indirect Expense 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, are allocated among the five operational programs based on each program's pro rata share of the total direct operational program expense.

Administrative Services

Statement of Activities and Capital Expenditures					
2017 Budget & Projection, and 2018 Budget					
ADMINISTRATIVE SERVICES					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
Total SPP RE Funding	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277
Membership Dues	\$ -	-	-	\$ -	-
Federal Grants	\$ -	-	-	\$ -	-
Services & Software	\$ -	-	-	\$ -	-
Workshops	\$ -	-	-	\$ -	-
Interest	\$ -	-	-	\$ -	-
Miscellaneous	\$ -	-	-	\$ -	-
Total Funding (A)	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277
Expenses					
Personnel Expenses					
Salaries	\$ 787,145	\$ 787,145	\$ -	\$ 820,082	\$ 32,937
Payroll Taxes	60,217	\$ 60,217	-	\$ 62,736	2,520
Benefits	58,708	\$ 58,708	-	\$ 60,708	2,000
Retirement Costs	31,486	\$ 31,486	-	\$ 32,803	1,317
Total Personnel Expenses	\$ 937,555	\$ 937,555	\$ -	\$ 976,330	\$ 38,774
Meeting Expenses					
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 30,000	\$ 5,000
Travel	120,000	\$ 120,000	-	\$ 92,500	(27,500)
Conference Calls	-	\$ -	-	\$ -	-
Total Meeting Expenses	\$ 145,000	\$ 145,000	\$ -	\$ 122,500	\$ (22,500)
Operating Expenses					
Consultants & Contracts	\$ 61,100	\$ 61,100	\$ -	\$ 26,100	\$ (35,000)
Office Rent	-	\$ -	-	\$ -	-
Office Costs	10,000	\$ 10,000	-	\$ 10,000	-
Professional Services	201,100	\$ 201,100	-	\$ 226,100	25,000
Miscellaneous	-	\$ -	-	\$ -	-
Depreciation	-	\$ -	-	\$ -	-
Total Operating Expenses	\$ 272,200	\$ 272,200	\$ -	\$ 262,200	\$ (10,000)
Total Direct Expenses	\$ 1,354,755	\$ 1,354,755	\$ -	\$ 1,361,030	\$ 6,274
SPP Inc. Indirect Expenses	\$ 502,228	\$ 502,228	\$ -	\$ 507,912	\$ 5,684
SPP RE Indirect Expenses	\$ (1,856,983)	\$ (1,856,983)	\$ -	\$ (1,868,942)	\$ (11,958)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,403,208)	\$ (1,403,208)	\$ -	\$ (775,930)	\$ 627,277
FTEs	4.50	4.50	-	4.50	-

Section B – Supplemental Financial Information

2018 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2017-2018

STATUTORY

Beginning Working Capital Reserve (Deficit), December 31, 2016	\$	2,920,957
Less Penalties Received 7/1/2016- 12/31/2016		(220,000)
Less: 2016 Year-End True-Up		(152,069)
Plus: 2017 SPP RE Funding (from LSEs or designees)		9,092,553
Less: 2017 Projected expenses & capital expenditures		(10,865,511)
Projected Working Capital Reserve (Deficit), December 31, 2017		775,930
Desired Working Capital Reserve, December 31, 2018 ²	\$	-
Less: Projected Working Capital Reserve, December 31, 2017		(775,930)
Increase(decrease) in assessments to achieve desired Working Capital Reserve		775,930
2018 Expenses and Capital Expenditures		10,793,195
Less: Penalty sanctions to be used as offset to 2018 assessments ¹		(290,000)
Less: Other Funding Sources		0
Adjustment to achieve desired Working Capital Reserve		(775,930)
2018 SPP RE Assessment		9,727,265

¹ Represents collections on or prior to June 30, 2017. See Table B-2 for full disclosure.

² 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 President 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 9 of the 2018 RE Business Plan and Budget.

Penalty Sanctions

Penalty monies received from July 1, 2016 through June 30, 2017 will be used to offset assessments in the 2018 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARD.

All penalties received prior to June 30, 2017 are detailed on the following page, 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 Payments		Date Received	Amount Received
Name of Entity			
Entity 1		7/1/16	\$ 220,000.00
Entity 2		2/10/17	\$ 70,000.00
Total Penalties Received			<u>\$ 290,000</u>

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (excluding SPP RE Assessments & Penalty Sanctions)	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 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 – 2018 Budget versus 2017 Budget

SPP RE has not projected any interest income for 2018 because at the current market interest rate any interest income would be minimal.

Personnel Expenses**Table B-4**

Personnel Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Salaries					
Salaries	\$ 4,385,605	4,385,605	\$ 4,412,561	\$ 26,956	0.6%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	\$ 4,385,605	\$ 4,385,605	\$ 4,412,561	\$ 26,956	0.6%
Total Payroll Taxes	\$ 335,499	\$ 335,499	\$ 337,561	\$ 2,062	0.6%
Benefits					
Workers Compensation	\$ -	\$ -	\$ -	\$ -	
Medical Insurance	297,358	297,358	284,113	(13,245)	-4.5%
Life-LTD-LTC Insurance	21,496	21,496	20,538	(958)	-4.5%
Education	39,409	39,409	37,654	(1,755)	-4.5%
Relocation	-	-	-	-	
Total Benefits	\$ 358,263	\$ 358,263	\$ 342,305	\$ (15,958)	-4.5%
Retirement					
Discretionary 401k Contribution	\$ 175,424	\$ 175,424	\$ 176,502	\$ 1,078	0.6%
Savings Plan	-	-	-	-	
Total Retirement	\$ 175,424	\$ 175,424	\$ 176,502	\$ 1,078	0.6%
Total Personnel Costs	\$ 5,254,791	\$ 5,254,791	\$ 5,268,929	\$ 14,138	0.3%
FTEs	33.25	33.25	32.30	-0.95	-2.9%
Cost per FTE					
Salaries	\$ 131,898	\$ 131,898	\$ 136,612	4,714	3.6%
Payroll Taxes	10,090	10,090	10,451	361	3.6%
Benefits	10,775	10,775	10,598	(177)	-1.6%
Retirement	5,276	5,276	5,464	189	3.6%
Total Cost per FTE	\$ 158,039	\$ 158,039	\$ 163,125	\$ 5,086	3.2%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

The increase in salaries is principally due to the budgeted merit and market increases offset by the decrease in Shared Staff FTEs. The decrease in Benefits is primarily due to the decrease in Shared Staff FTEs.

Meetings, Travel and Conference Calls

Table B-5

Meetings, Travel and Conference Calls	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Meetings	\$ 120,000	\$ 120,000	\$ 107,000	\$ (13,000)	-11%
Travel	537,000	\$ 537,000	\$ 451,500	(85,500)	-16%
Conference Calls	-	\$ -	\$ -	-	
Total Meetings, Travel & Conf Calls	\$ 770,200	\$ 657,000	\$ 558,500	\$ (98,500)	-27%

The decrease in travel expense is primarily due a number of MRRE audits led by other Regional Entities.

Consultants and Contracts

Table B-6

Consultants	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	627,610	627,610	845,000	217,390	35%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	181,000	181,000	35,000	(146,000)	-81%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	60,000	60,000	25,000	(35,000)	-58%
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 868,610	\$ 868,610	\$ 905,000	\$ 36,390	4%

Contracts	Projection 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Contracts					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	151,000	151,000	167,000	16,000	11%
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	1,100	1,100	1,100	-	0%
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Contracts Total	\$ 152,100	\$ 152,100	\$ 168,100	\$ 16,000	11%
Total Consulting and Contracts	\$1,020,710	\$1,020,710	\$1,073,100	\$ 52,390	5%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

The \$36,390 increase in consultant costs is primarily due to an increase in one of the contract auditor's hourly rate and the number of audits scheduled in 2018 offset by the completion of the Engineering Data Validation tool in the RAPA program area. The increase in contract costs is due to the oversight activity being performed by SERC.

Table B-7

Office Rent	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Office Rent	\$ -	\$ -	\$ -	\$ -	-
Utilities	-	-	-	-	-
Maintenance	-	-	-	-	-
Security	-	-	-	-	-
Total Office Rent	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

This cost is included in the SPP, Inc. Indirect Expense.

Table B-8

Office Costs	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Telephone	\$ -	\$ -	\$ -	\$ -	-
Internet	-	-	-	-	-
Office Supplies	10,000	10,000	10,000	-	-
Computer Supplies and Maintenance	-	-	-	-	-
Publications & Subscriptions	-	-	-	-	-
Dues	-	-	-	-	-
Postage	-	-	-	-	-
Express Shipping	-	-	-	-	-
Copying	-	-	-	-	-
Reports	-	-	-	-	-
Equipment Repair/Service Contracts	-	-	-	-	-
Bank Charges	-	-	-	-	-
Taxes	-	-	-	-	-
Merchant Card Fees	-	-	-	-	-
Presentation & Publicity	-	-	-	-	-
Total Office Costs	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	-

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

N/A

Table B-9

Professional Services	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Independent Trustee Fees	\$ 201,100	\$ 201,100	\$ 226,100	\$ 25,000	12.43%
Outside Legal	-	-	-	-	
Accounting & Auditing Fees	-	-	-	-	
Insurance Commercial	-	-	-	-	
Other	11,000	11,000	10,888	(112)	
Total Services	\$ 212,100	\$ 212,100	\$ 236,988	\$ 24,888	11.73%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

The \$25,000 increase in Independent Trustee Fees is principally due to an increase in meeting compensation.

Table B-10

Miscellaneous Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Miscellaneous Expense	\$ -	\$ -	\$ -	\$ -	
Employee Rewards and Recognition	\$ -	\$ -	\$ -	\$ -	
Community Resp & Employee Engagement	\$ -	\$ -	\$ -	\$ -	
Year-end Employee Recognition Event	\$ -	\$ -	\$ -	\$ -	
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

N/A

Table B-11

Other Non-Operating Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

N/A

Table B-12

Fixed Assets	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
Total Fixed Assets	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

N/A

2019, 2020 and 2021 Projections
Table B-13

Statement of Activities and Capital Expenditures 2018 Budget & Projected 2019, 2020 and 2021 Budgets										
	2018 Budget	2019 Projection	\$ Change 19 v 18	% Change 19 v 18	2020 Projection	\$ Change 20 v 19	% Change 20 v 19	2021 Projection	\$ Change 21 v 20	% Change 21 v 20
Funding										
ERO Funding										
ERO Assessments	\$ 9,727,265	\$ 11,116,991	\$ 1,389,726	14.29%	\$ 11,450,501	\$ 333,510	2.9%	\$ 11,794,016	\$ 343,515	2.9%
Penalty Sanctions	290,000	-	(290,000)	-100.00%	-	-	-	-	-	-
Total ERO Funding	\$ 10,017,265	\$ 11,116,991	\$ 1,099,726	11.0%	\$ 11,450,501	\$ 333,510	2.9%	\$ 11,794,016	\$ 343,515	2.9%
Membership Dues	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Funding	\$ 10,017,265	\$ 11,116,991	\$ 1,099,726	11.0%	\$ 11,450,501	\$ 333,510	3.0%	\$ 11,794,016	\$ 343,515	3.0%
Expenses										
Personnel Expenses										
Salaries	\$ 4,412,561	\$ 4,544,938	\$ 132,377	3.0%	\$ 4,681,286	\$ 136,348	3.0%	\$ 4,821,725	\$ 140,439	3.0%
Payroll Taxes	337,561	347,688	10,127	3.0%	358,118	10,431	3.0%	368,862	10,744	3.0%
Benefits	342,305	352,574	10,269	3.0%	363,151	10,577	3.0%	374,046	10,895	3.0%
Retirement Costs	176,502	181,798	5,295	3.0%	187,251	5,454	3.0%	192,869	5,618	3.0%
Total Personnel Expenses	\$ 5,268,929	\$ 5,426,997	\$ 158,068	3.0%	\$ 5,589,807	\$ 162,810	3.0%	\$ 5,757,501	\$ 167,694	3.0%
Meeting Expenses										
Meetings	\$ 107,000	\$ 110,210	\$ 3,210	3.0%	\$ 113,516	\$ 3,306	3.0%	\$ 116,922	\$ 3,405	3.0%
Travel	451,500	465,045	13,545	3.0%	478,996	13,951	3.0%	493,366	14,370	3.0%
Conference Calls	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	\$ 558,500	\$ 575,255	\$ 16,755	3.0%	\$ 592,513	\$ 17,258	3.0%	\$ 610,288	\$ 17,775	3.0%
Operating Expenses										
Consultants & Contracts	\$ 1,073,100	\$ 1,105,293	\$ 32,193	3.0%	\$ 1,138,452	\$ 33,159	3.0%	\$ 1,172,605	\$ 34,154	3.0%
Office Rent	-	-	-	-	-	-	-	-	-	-
Office Costs	10,000	10,300	300	3.0%	10,609	309	3.0%	10,927	318	3.0%
Professional Services	236,988	244,098	7,110	3.0%	251,421	7,323	3.0%	258,963	7,543	3.0%
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 1,320,088	\$ 1,359,691	\$ 39,603	3.0%	\$ 1,400,481	\$ 40,791	3.0%	\$ 1,442,496	\$ 42,014	3.0%
Total Direct Expenses	\$ 7,147,517	\$ 7,361,943	\$ 214,426	3.0%	\$ 7,582,801	\$ 220,858	3.0%	\$ 7,810,285	\$ 227,484	3.0%
Indirect Expenses	\$ 3,645,678	\$ 3,755,048	\$ 109,370	3.0%	\$ 3,867,700	\$ 112,651	3.0%	\$ 3,983,731	\$ 116,031	3.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses	\$ 10,793,195	\$ 11,116,991	\$ 323,796	3.0%	\$ 11,450,501	\$ 333,510	3.0%	\$ 11,794,016	\$ 343,515	3.0%
Change in Assets	\$ (775,930)	\$ -	\$ 775,930	-100.0%	\$ -	\$ -	-	\$ -	\$ -	-
Fixed Assets										
Depreciation	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
TOTAL CHANGE IN NET ASSETS	\$ (775,930)	\$ -	\$ 775,930	-100.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
FTEs	32.30	32.30	0.00	0.0%	32.30	0.00	0.0%	32.30	0.00	0.0%

Explanation of 2019, 2020 and 2021 Projections

At this time, SPP RE does not anticipate material changes in its personnel or business operations for the next three years.

- No projected change in FTEs
- No projected change in operating costs other than inflationary adjustments
- Budgeted merit pay increases
- Assessment stabilization will be managed year by year

Section C – Non-Statutory Activities 2018 Business Plan and Budget



Section C — 2018 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 customers across 14 states (Arkansas, Iowa, Kansas, Louisiana, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas and Wyoming)

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 began developing new energy markets in 2009 to bring additional regional benefit to our members. The Integrated Marketplace launched in 2014 and includes a Day-Ahead Market with Transmission Congestion Rights, a Reliability Unit Commitment process, a Real-Time Balancing Market, replacing the Energy Imbalance Marketplace, and the incorporation of price-based Operating Reserve Procurement. The Integrated Marketplace also consolidated SPP footprint's 16 legacy Balancing Authorities into an SPP Balancing Authority.

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.⁶

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 2018 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 2018 SPP budget is not yet available, SPP is providing its Commission-approved 2017 budget and its 2016 actual results on the following table:

⁶ 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
Income Statement
\$000s**

	<u>2017 Budget</u>	<u>2016 Actual</u>
Income		
Tariff Administration Service	\$160,482	\$144,546
Fees & Assessments	28,128	26,918
Contract Services Revenue	533	529
Miscellaneous Income	4,959	4,602
Total Income	\$194,103	\$176,595
Expense		
Salary & Benefits	\$91,316	\$90,186
Employee Travel	2,245	1,919
Administrative	5,263	4,764
Assessments & Fees	18,600	18,648
Meetings	1,012	974
Communications	4,207	3,915
Maintenance	17,964	14,775
Services	14,184	14,847
Regional State Committee	272	220
Depreciation & Amortization	30,485	58,120
Other Expense	10,813	5,493
Total Expense	\$196,360	\$213,860
Net Income (Loss)	(\$2,257)	(\$37,265)
Debt Repayment	\$23,227	\$24,194
MWh Forecast (in millions)	383,000	393,000
Net Revenue Requirement	\$160,482	\$151,626
Calculated Admin Fee / MWh	\$0.419	\$0.370
Recommended Admin Fee / MWh	\$0.419	\$0.370
Capital Expense	\$19,479	\$14,179
Headcount	610	608

Section D – Additional Consolidated Financial
Statements
2018 Business Plan and Budget



Section D — Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Section D 2018 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2017 Budget	Functions in Delegation Agreement														Non-Statutory Functions	
	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
Funding																
SPP RE Funding																
SPP RE Assessments	9,727,265	9,727,265	-	9,727,265	78,219	8,239,822	2,060,631	79,379	45,144	-	(775,930)	-	-	-	-	-
Penalty Sanctions	290,000	290,000	-	290,000	1,304	226,888	60,504	-	1,304	-	-	-	-	-	-	-
Total SPP RE Funding	10,017,265	10,017,265	-	10,017,265	79,523	8,466,710	2,121,135	79,379	46,448	-	(775,930)	-	-	-	-	-
Non-statutory Funding																
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	10,017,265	10,017,265	-	10,017,265	79,523	8,466,710	2,121,135	79,379	46,448	-	(775,930)	-	-	-	-	-
Expenses																
Personnel Expenses																
Salaries	4,412,561	4,412,561	-	4,412,561	20,902	2,736,426	814,249	-	20,902	-	820,082	-	-	-	-	-
Payroll Taxes	337,561	337,561	-	337,561	1,599	209,337	62,290	-	1,599	-	62,736	-	-	-	-	-
Benefits	342,305	342,305	-	342,305	1,107	225,018	54,365	-	1,107	-	60,708	-	-	-	-	-
Retirement Costs	176,502	176,502	-	176,502	836	109,457	32,570	-	836	-	32,803	-	-	-	-	-
Total Personnel Expenses	5,268,929	5,268,929	-	5,268,929	24,444	3,280,238	963,474	-	24,444	-	976,330	-	-	-	-	-
Meeting Expenses																
Meetings	107,000	107,000	-	107,000	-	17,000	-	60,000	-	-	30,000	-	-	-	-	-
Travel	451,500	451,500	-	451,500	25,000	224,000	110,000	-	-	-	92,500	-	-	-	-	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	558,500	558,500	-	558,500	25,000	241,000	110,000	60,000	-	-	122,500	-	-	-	-	-
Operating Expenses																
Consultants & Contracts	1,073,100	1,073,100	-	1,073,100	-	1,012,000	35,000	-	-	-	26,100	-	-	-	-	-
Office Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Costs	10,000	10,000	-	10,000	-	-	-	-	-	-	10,000	-	-	-	-	-
Professional Services	236,988	236,988	-	236,988	-	10,888	-	-	-	-	226,100	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	1,320,088	1,320,088	-	1,320,088	-	1,022,888	35,000	-	-	-	262,200	-	-	-	-	-
Total Direct Expenses	7,147,517	7,147,517	-	7,147,517	49,444	4,544,126	1,108,474	60,000	24,444	-	1,361,030	-	-	-	-	-
SPP Inc. Indirect Expenses																
SPP Inc. Indirect Expenses	3,645,678	3,645,678	-	3,645,678	14,109	2,454,906	654,642	-	14,109	-	507,912	-	-	-	-	-
SPP RE Indirect Expenses	0	0	-	0	15,970	1,467,679	358,019	19,379	7,895	-	(1,868,942)	-	-	-	-	-
Total Indirect Expenses	3,645,678	3,645,678	-	3,645,678	30,079	3,922,585	1,012,661	19,379	22,004	-	(1,361,030)	-	-	-	-	-
Other Non-Operating Expenses																
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	10,793,195	10,793,195	-	10,793,195	79,523	8,466,710	2,121,135	79,379	46,448	-	-	-	-	-	-	-
Change in Assets	(775,930)	(775,930)	-	(775,930)	-	-	-	-	-	-	(775,930)	-	-	-	-	-
Fixed Assets																
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Inc)Dec in Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	(775,930)	(775,930)	-	(775,930)	-	-	-	-	-	-	(775,930)	-	-	-	-	-
FTEs																
FTEs	32.30	32.3	-	32.30	0.13	21.75	5.80	-	0.13	-	4.50	-	-	-	-	-
Percentage of FTEs	100%	100%	-	100%	0.4%	67.3%	18.0%	0.0%	0.4%	0.0%	13.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program FTEs	-	-	-	-	0.4%	78.2%	20.9%	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program Direct Expenses	-	-	-	-	0.3%	78.5%	19.2%	1.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Indirect Cost Allocation																
SPP Inc. Indirect Costs	3,645,678	3,645,678	-	3,645,678	14,109	2,454,906	654,642	-	14,109	-	507,912	-	-	-	-	-
SPP RE Indirect Costs	1,868,942	1,868,942	-	1,868,942	15,970	1,467,679	358,019	19,379	7,895	-	-	-	-	-	-	-
Total Indirect Costs	5,514,620	5,514,620	-	5,514,620	30,079	3,922,585	1,012,661	19,379	22,004	-	507,912	-	-	-	-	-
Fixed Assets Allocation																
Penalty Sanctions Allocation	290,000	290,000	-	290,000	1,304	226,888	60,504	-	1,304	-	-	-	-	-	-	-

Section E – Calculation of SPP, Inc. Indirect Expense 2018 Business Plan and Budget



Section E

CALCULATION OF THE SPP INC. INDIRECT EXPENSE CHARGE¹

<u>Expense Category²</u>	<u>Overhead Costs Allocation (\$000)</u>	
Facilities	\$	506
Information Technology		533
Human Resources/Benefits/Payroll		381
Corporate Services		1,206
2017 Total Costs		2,626
Escalated by 3%	\$	2,705

(E)

Shared Staff Overhead Allocation

2016 Overhead Allocation Escalated by 6% (\$000)	897	A
Ending 2016 FTEs	4.1	B
2018 Budgeted FTEs	4.3	C
Total Cost (\$000)	941	D

$$D = (A / B) \times C$$

Budgeted SPP Inc. Indirect Costs \$ **3,645,677** **(D+E)**

¹Due to the timing of the budget process/schedule, the fixed estimated indirect expense charge for 2018 is based on 2016 costs, escalated by 3%. Any variance between the estimated overhead expenses and the actual 2018 overhead expenses will be included in the annual 2018 Business Plan and Budget true-up filing.

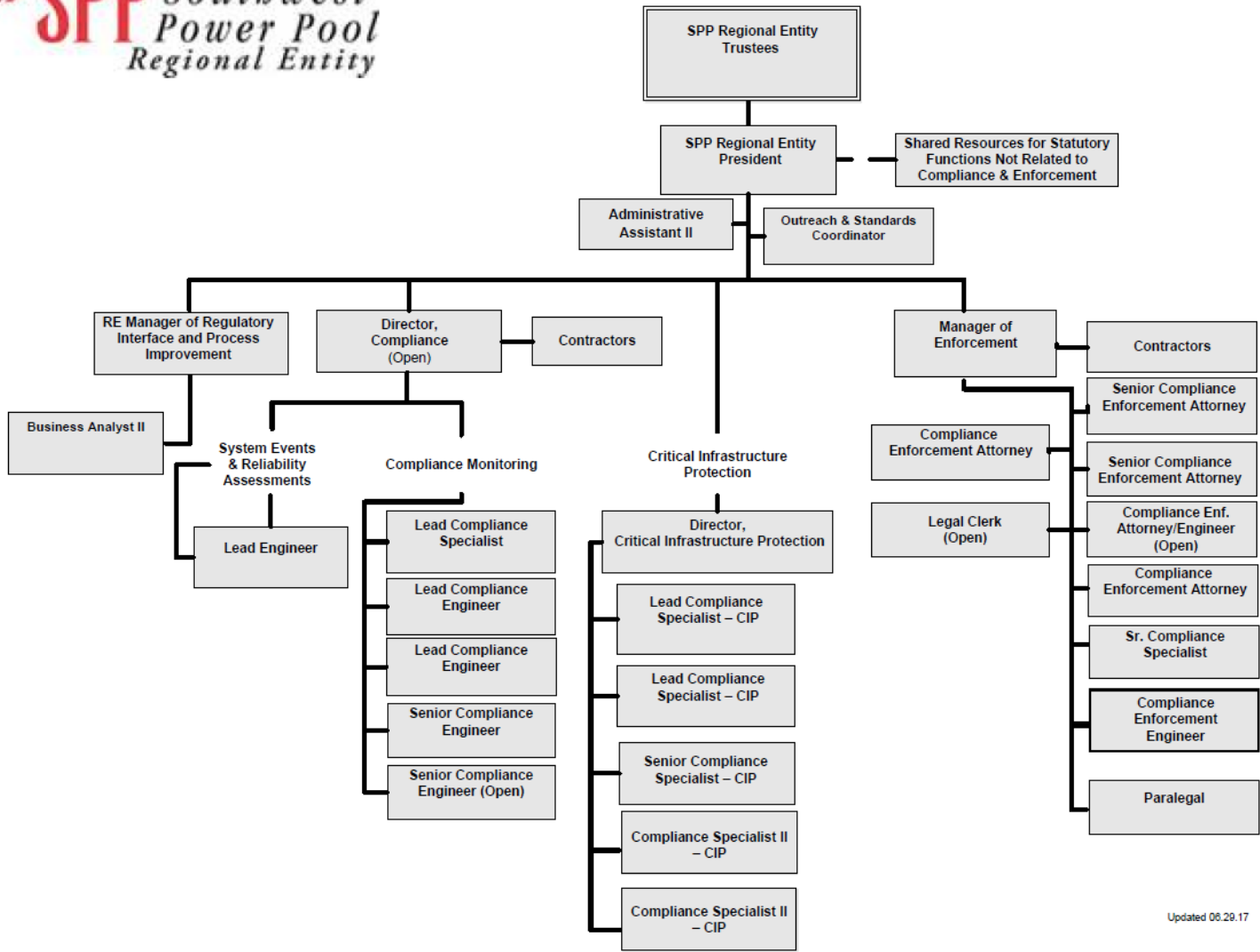
² SPP RE cost allocation is based on an appropriate measure per expense category (square footage, number of devices, headcount, etc.)

Section F– Organizational Chart 2018 Business Plan and Budget





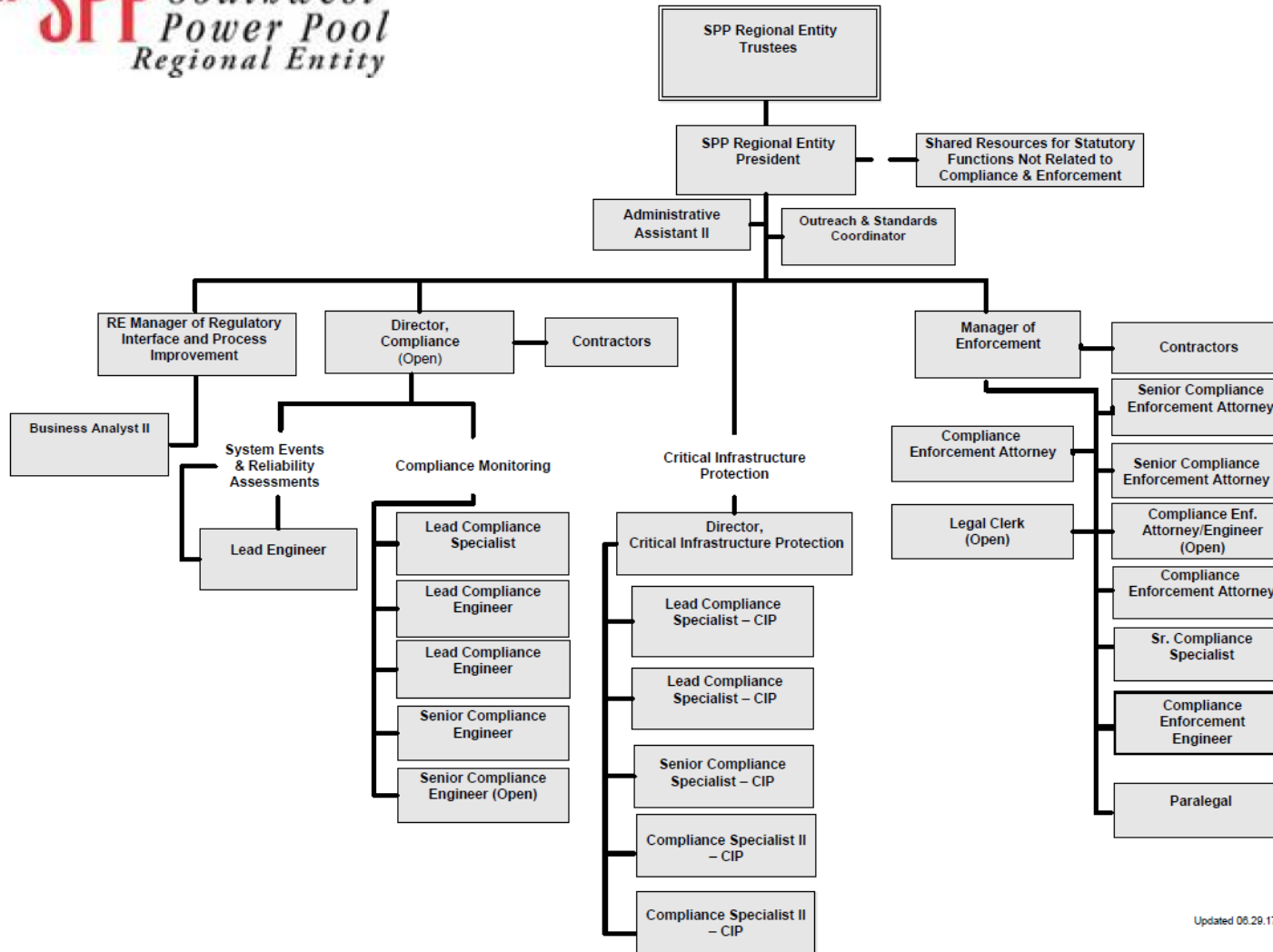
Organizational Chart - 2017



Updated 06.29.17



Organizational Chart - 2018 Proposed



Updated 08.29.17

DOCKET NO. RR17-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2018 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 9

TEXAS RELIABILITY ENTITY

PROPOSED 2018 BUSINESS PLAN AND BUDGET



2018 Business Plan and Budget

Texas Reliability Entity, Inc.

Approved by Texas RE Board of Directors

Date: May 24, 2017

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2018 Budget	U.S.	Canada	Mexico
Statutory FTEs	60.00			
Non-statutory FTEs	5.0			
Total FTEs	65.00			
Statutory Expenses	\$ 12,795,453			
Non-Statutory Expenses	\$ 1,091,743			
Total Expenses	\$ 13,887,196			
Statutory Inc(Dec) in Fixed Assets	\$ (138,500)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (138,500)			
Statutory Working Capital Requirement	\$ (1,107,967)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (1,107,967)			
Total Statutory Funding Requirement	\$ 11,548,986			
Total Non-Statutory Funding Requirement	\$ 1,091,743			
Total Funding Requirement	\$ 12,640,729			
Statutory Funding Assessments	\$ 11,271,986			
Non-Statutory Fees	\$ 1,091,743			
NEL	353,021,556	353,021,556		
NEL%	100.00%	100.00%		

*Refer to Table B-1 Reserve Analysis on page 38 in Section B.

Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is the Regional Entity 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) effective January 1, 2016. Texas RE ensures the reliability of the ERCOT region bulk-power system (BPS).

Texas RE also performs non-statutory activities as the Reliability Monitor for the ERCOT region, on behalf of the Public Utility Commission of Texas (PUCT). 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 90% 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 as a member and complies with the Texas RE Bylaws requirements. There is no charge for membership with Texas RE. 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 one stakeholder committee, the Member Representatives Committee (MRC). 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, through its elected Chair and Vice Chair, who also serve as Affiliated Directors on Texas RE's Board. In addition, the MRC 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 MRC, the NERC Standards Review Forum (NSRF), 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 individuals:

- The Texas RE President and Chief Executive Officer (CEO)
- Four Independent Directors (elected by membership)
- Two Affiliated 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 appointing a CEO 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, 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.

Financial Policies

Texas RE has policies and procedures in place that address its overall financial management, including procurement and business expense reimbursement. Additionally, Texas RE has a working capital and operating reserve policy to ensure the stability of the ongoing operations of the organization. This policy is intended to provide funds for situations such as a sudden unanticipated increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses.

2018 Overview of Cost Impacts

In developing the Texas RE 2018 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 (2018-2020) and Key Focus Areas (2018), which is provided as Exhibit A to the NERC 2018 Business Plan and Budget. Texas RE used these shared assumptions as well as the Electric Reliability Organization Enterprise Strategic Goals in developing this 2018 Business Plan and Budget. Texas RE also seeks input from its MRC. Prior to obtaining final approval from its Board, Texas RE seeks NERC input and review of its annual Regional Entity Business Plan and Budget, including coordination

of program requirements and any related key initiative for the Electric Reliability Organization (ERO) Enterprise.

Overall, the Texas RE 2018 statutory expenses (\$12,795,453) increased by 3.2% from the 2017 statutory expenses (\$12,394,535).

The 2018 statutory assessment (\$11,271,986) represents an increase of 17.5% from the 2017 assessment (\$9,595,256).

Significant statutory expense changes (including capital expenditures) include:

- Total Personnel expenses are increasing by 6.2%. Salaries expense is increasing 6.1%, which includes an allowance for 3% salary increases and reflects a 3.1% increase due to market adjustments and promotions in 2016 that were not included in the 2017 budget. Payroll taxes are increasing 7.3% to better align with actual experience. Total Benefits expense is increasing 2.9%. Health-plan expense is projected to increase 15% in 2018. Employee Benefits also include education reimbursement and relocation expenses, which has been reduced 22% based on the past two years of actual costs. Training and professional development costs have increased 5.7%; these costs are included in Employee Benefits. Including these expenses in Employee Benefits is consistent with the NERC budget guidelines. Retirement costs are increasing 11.3% due to aligning actual employee participation and salary increases. Retirement Plan expense is included in this category for the first time.
- Total Meeting and Travel expenses are decreasing 3.5% primarily due to a 51.5% decrease in meeting expenses. These expenses are decreasing due to the cost for one workshop hosted offsite being removed from the 2018 budget. Travel expense is increasing 1.9% due to employees attending more NERC-led meetings. Conference calls are increasing 13.5% due to holding more on-site meetings and working to reduce travel costs.

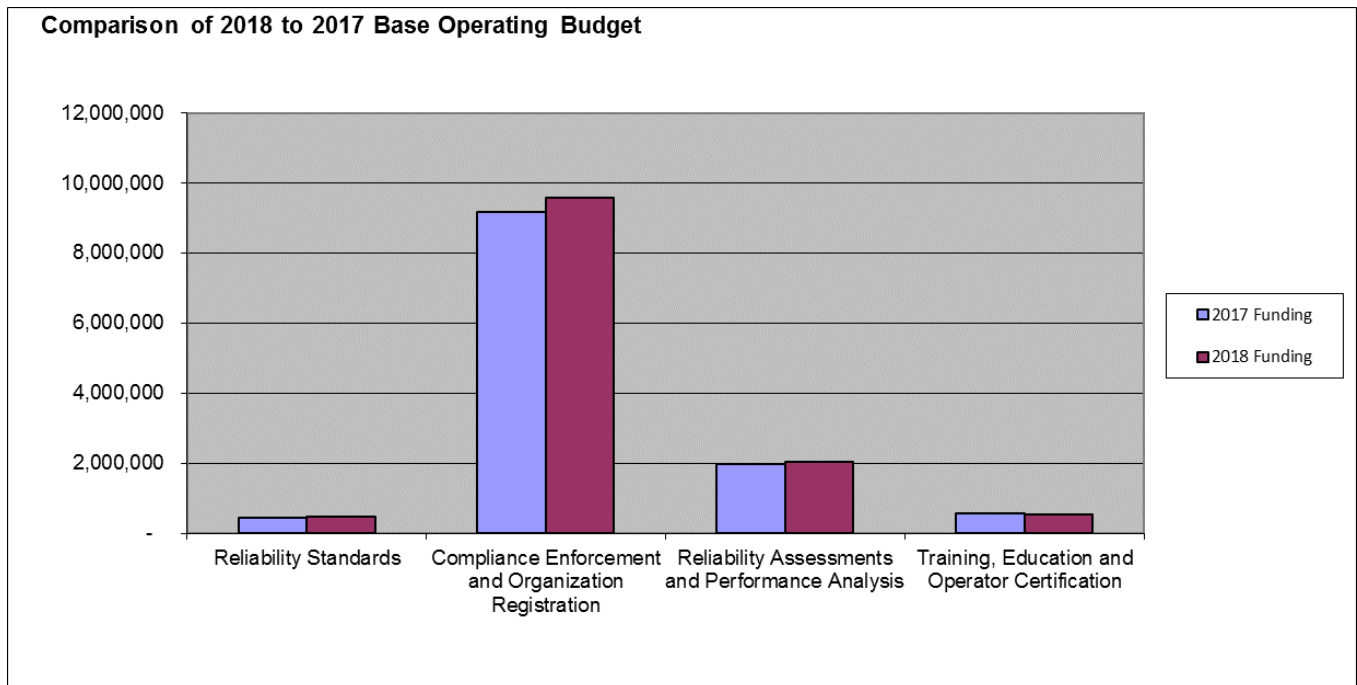
Total Operating Expenses are decreasing by 6.5%. The Consultants and Contracts category is decreasing 18.9% due to reducing the executive coaching program expenses in 2018. Rent cost is increasing 11.1% due to an escalation in utilities and maintenance. Office cost is decreasing 13% primarily due to the lower costs for renewal of the IT Leased equipment. Professional Services costs are increasing 7.1% due to increased security testing and SOCII audit. Depreciation expense is decreasing 37% due to assets fully depreciating.

All statutory activity in the 2018 Business Plan and Budget aligns with the NERC Enterprise Strategic Plan.

Summary by Program

The following table summarizes the Texas RE budget by program area.

Base Operating Budget	Budget	Projection	Budget	Variance	
	2017	2017	2018	2018 Budget v 2017 Budget	Variance %
Reliability Standards	\$ 446,168	\$ 446,168	\$ 462,175	\$ 16,007	3.6%
Compliance Enforcement and Organization Registration	9,171,887	9,171,887	9,593,152	421,265	4.6%
Reliability Assessments and Performance Analysis	1,984,476	1,984,476	2,053,795	69,318	3.5%
Training, Education and Operator Certification	564,725	564,725	547,832	(16,893)	-3.0%
Total by Program	\$ 12,167,256	\$12,167,256	\$ 12,656,953	\$ 489,697	4.0%



FTEs by Program Area

Personnel Analysis

The following table displays total FTEs by program area.

Total FTEs by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2017	2017	2018 Budget	FTEs 2018 Budget	2018 Budget	from 2017 Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.50	1.50	1.50	-	1.50	-
Compliance and Organization Registration and Certificat	36.25	36.25	36.25	-	36.25	-
Training and Education	2.25	2.25	2.25	-	2.25	-
Reliability Assessment and Performance Analysis	6.25	6.25	6.25	-	6.25	-
Total FTEs Operational Programs	46.25	46.25	46.25	-	46.25	-
Administrative Programs						
General & Administrative	3.00	3.00	3.00	-	3.00	-
Legal and Regulatory	2.75	2.75	2.75	-	2.75	-
Information Technology	5.00	5.00	5.00	-	5.00	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	3.00	3.00	3.00	-	3.00	-
Total FTEs Administrative Programs	13.75	13.75	13.75	-	13.75	-
Total FTEs	60.00	60.00	60.00	-	60.00	-

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

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

2017 Budget and Projection and 2018 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
STATUTORY					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2017 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 9,595,256	\$ 9,595,256	\$ -	\$ 11,271,986	\$ 1,676,730
Penalty Sanctions	50,000	50,000	-	275,000	225,000
Total NERC Funding	\$ 9,645,256	\$ 9,645,256	\$ -	\$ 11,546,986	\$ 1,901,730
Interest	2,000	2,000	-	2,000	-
Total Funding (A)	\$ 9,647,256	\$ 9,647,256	\$ -	\$ 11,548,986	\$ 1,901,730
Expenses					
Personnel Expenses					
Salaries	\$ 6,739,715	\$ 6,739,715	\$ -	\$ 7,151,136	\$ 411,422
Payroll Taxes	438,778	438,778	-	470,791	32,013
Benefits	1,283,357	1,283,357	-	1,321,116	37,760
Retirement Costs	912,670	912,670	-	1,015,772	103,102
Total Personnel Expenses	\$ 9,374,519	\$ 9,374,519	\$ -	\$ 9,958,815	\$ 584,296
Meeting & Travel Expenses					
Meetings	\$ 49,080	\$ 49,080	\$ -	\$ 23,800	\$ (25,280)
Travel	366,045	366,045	-	372,900	6,855
Conference Calls	23,750	23,750	-	26,950	3,200
Total Meeting & Travel Expenses	\$ 438,875	\$ 438,875	\$ -	\$ 423,650	\$ (15,225)
Operating Expenses					
Consultants & Contracts	\$ 433,200	\$ 433,200	\$ -	\$ 351,200	\$ (82,000)
Office Rent	617,212	617,212	-	689,648	72,436
Office Costs	744,000	744,000	-	647,440	(96,560)
Professional Services	519,450	519,450	-	556,200	36,750
Depreciation	267,279	267,279	-	168,500	(98,779)
Total Operating Expenses	\$ 2,581,141	\$ 2,581,141	\$ -	\$ 2,412,988	\$ (168,153)
Total Direct Expenses	\$ 12,394,535	\$ 12,394,535	\$ -	\$ 12,795,453	\$ 400,918
Indirect Expenses	\$ -	\$ -	\$ -	\$ (0)	\$ (0)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 12,394,535	\$ 12,394,535	\$ -	\$ 12,795,453	\$ 400,918
Change in Assets	\$ (2,747,279)	\$ (2,747,279)	\$ -	\$ (1,246,467)	\$ 1,500,812
Fixed Assets					
Depreciation	\$ (267,279)	\$ (267,279)	\$ -	\$ (168,500)	\$ 98,779
Computer & Software CapEx	40,000	40,000	-	30,000	(10,000)
Inc(Dec) in Fixed Assets (C)	(227,279)	(227,279)	-	(138,500)	88,779
TOTAL BUDGET (=B + C)	12,167,256	\$ 12,167,256	\$ -	\$ 12,656,953	\$ 489,697
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (2,520,000)	\$ (2,520,000)	\$ -	\$ (1,107,967)	\$ 1,412,033

Section A – Statutory Programs 2018 Business Plan and Budget



Section A — 2018 Business Plan – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	1.50	1.50	-
Direct Expenses	\$ 294,520	\$ 311,392	\$ 16,872
Indirect Expenses	\$ 159,019	\$ 155,275	\$ (3,744)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (7,371)	\$ (4,492)	\$ 2,879
Total Funding Requirement	\$ 446,168	\$ 462,175	\$ 16,007

Program Scope and Functional Description

Texas RE's 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. Texas RE Standards staff coordinates and publicly posts information regarding the activities of the Texas RE MRC's standards development activities, the NSRF, 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. 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 standards activities of the Texas RE MRC and the NSRF. The MRC is a stakeholder committee that oversees the execution of the Texas RE Standard Development Process. The NSRF 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.

When developing regional Reliability Standards, Texas RE is responsible for adhering to the approved Regional Reliability Standards development processes, and for assisting NERC as needed with obtaining Board approval and subsequent filing(s) with FERC and other regulatory authorities, as appropriate, including developing the record necessary to support approval.

2018 Key Assumptions

- It is expected that the number of continent-wide standards development projects will remain relatively stable, except as required to address any new FERC directives to create or modify Reliability Standards, or industry submittals of standard authorization requests.
- Continent-wide standards projects will consist primarily of conducting enhanced periodic reviews on existing standards to improve the content and, respond to identified risks to reliability (including those that may be identified through the implementation of risk-based Compliance Monitoring and Enforcement), and addressing FERC directives that may arise. This activity will require the allocation of technical resources from several internal NERC departments (e.g., Reliability Assessment and Performance Analysis (RAPA), Reliability Risk Management (RRM), Compliance Analysis and Certification (CAC), and Compliance Assurance) and support from across the ERO Enterprise.
- During the enhanced periodic review of ERO standards, any associated regional standards will be reviewed for potential incorporation as variances or as improvements to the continent-wide requirements. Regional and NERC standards development processes may require modification to accomplish efficiently this task. Each Regional Entity will work with NERC and possibly other Regional Entities on projects where there is a regional standard/variance. Regional standards development activity will be driven by requests the Regional Entity may receive or reliability issues the Regional Entity may identify. Regional standards development activity is expected to remain low.
- In coordination with SDTs and consistent with current approaches, Regional Entities may support outreach during standards development. Additionally, following FERC approval, Regions will assist the transition of standards to compliance monitoring and enforcement supporting industry and auditor training, or providing information regarding the intent of the standard.
- The number of interpretations are expected to remain low. However, guidance requests associated with the implementation of standards may increase.
- Regional Entities will be asked to participate in teams to help develop application business requirements and test business functionality for ERO Enterprise applications projects.

2018 Goals and Key Deliverables

- Encourage stakeholder awareness and participation in the NERC standards development process through educational outreach efforts and participation in Standard Drafting Teams, the NERC Standards Committee and related subcommittees.
- Participate in and provide outreach to regional stakeholders regarding nationwide standards development to help ensure that the ERCOT region perspective is represented in continent-wide Reliability 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.
- 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 Compliance Monitoring and Enforcement Program (CMEP), and receive feedback for future standards development.
- 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.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program are remaining constant in 2018.

Consultants and Contracts

No consulting support and contracts are budgeted for 2018, which is consistent with the 2017 budget.

Section A — 2018 Business Plan and Budget – Statutory Programs

Reliability Standards Program

The following table shows the funding sources and related expenses for the Reliability Standards Program for 2018. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
RELIABILITY STANDARDS					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection	Budget	2017 Budget
			v 2017 Budget		v 2018 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 311,198	\$ 311,198	\$ -	\$ 365,578	\$ 54,380
Penalty Sanctions	1,622	1,622		8,919	7,297
Total NERC Funding	\$ 312,819	\$ 312,819	\$ -	\$ 374,497	\$ 61,678
Interest	65	65	-	65	-
Total Funding	\$ 312,884	\$ 312,884	\$ -	\$ 374,562	\$ 61,678
Expenses					
Personnel Expenses					
Salaries	\$ 198,994	\$ 198,994	\$ -	\$ 209,027	\$ 10,033
Payroll Taxes	12,372	12,372	-	13,666	1,294
Benefits	39,470	39,470	-	43,131	3,661
Retirement Costs	27,935	27,935	-	29,268	1,333
Total Personnel Expenses	\$ 278,770	\$ 278,770	\$ -	\$ 295,092	\$ 16,322
Meeting & Travel Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	13,950	13,950	-	14,500	550
Conference Calls	1,700	1,700	-	1,700	-
Total Meeting & Travel Expenses	\$ 15,650	\$ 15,650	\$ -	\$ 16,200	\$ 550
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	100	100	-	100	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 100	\$ 100	\$ -	\$ 100	\$ -
Total Direct Expenses	\$ 294,520	\$ 294,520	\$ -	\$ 311,392	\$ 16,872
Indirect Expenses	\$ 159,019	\$ 159,019	\$ -	\$ 155,275	\$ (3,744)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 453,539	\$ 453,539	\$ -	\$ 466,667	\$ 13,128
Change in Assets	\$ (140,655)	\$ (140,655)	\$ -	\$ (92,105)	\$ 48,550
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(7,371)	(7,371)	-	(4,492)	2,879
Inc(Dec) in Fixed Assets (C)	\$ (7,371)	\$ (7,371)	\$ -	\$ (4,492)	\$ 2,879
TOTAL BUDGET	\$ 446,168	\$ 446,168	\$ -	\$ 462,175	\$ 16,007
TOTAL CHANGE IN WORKING CAPITAL	\$ (133,284)	\$ (133,284)	\$ -	\$ (87,613)	\$ 45,671

Approved by the Texas RE Board of Directors May 24, 2017

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program			
(in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	36.25	36.25	-
Direct Expenses	\$ 5,507,068	\$ 5,949,230	\$ 442,162
Indirect Expenses	\$ 3,842,957	\$ 3,752,476	\$ (90,481)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (178,138)	\$ (108,554)	\$ 69,584
Total Funding Requirement	\$ 9,171,887	\$ 9,593,152	\$ 421,265

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.

There are several major ERO-wide activities that are expected to benefit NERC, the Regional Entities, and registered entities. The risk-based Compliance and Enforcement Program (risk-based CMEP) formerly known as the Reliability Assurance Initiative (RAI), is a multi-year effort to identify and implement changes to enhance the effectiveness of the ERO's compliance and enforcement functions. Risk-based CMEP is designed to improve BES reliability by refocusing efforts on serious and substantial reliability risks and on the internal controls that mitigate those risks. In addition, NERC, the Regional Entities, and registered entities will continue the transition to apply Critical Infrastructure Protection (CIP) Version 5, which adopted new cybersecurity controls and extended the scope of the systems that the CIP standards protect.

Two elements of risk-based CMEP—continued CIP Version 5 transition and Coordinated Oversight of Multi-Region Registered Entities—are expected to be major activities for Texas RE in 2018. Risk-based CMEP will require Texas RE to appropriately allocate resources to provide continuous improvement in the processes necessary to implement risk-based CMEP for both compliance and enforcement. Based on the high level of coordination between Regional Entities that is necessary for an efficient and effective program, the Coordinated Oversight program will increase workload levels for the Lead Regional Entity, which Texas RE is serving as for several nationwide registered entities. Additionally, increased resources may be required to meet the training requirements for the compliance and enforcement staff associated with risk-based CMEP 2018 Key Assumptions. Because resource demands are not fully known, consideration will be given to reallocating existing staff or using available reserves to provide the resource support, if

Texas RE determines this to be necessary to support the successful execution of these major activities.

2018 Key Assumptions

- The implementation of the risk-based CMEP will continue to require the allocation of dedicated resources from both NERC and the Regional Entities for both compliance and enforcement. Regional Entities created a plan that will require resources to complete Inherent Risk Assessments (IRAs) for all registered entities in 2017-2019. In addition, Regional Entities will require resources to update previously done IRAs based on identified triggers, and focus on creating compliance oversight plans that include compliance monitoring tools, the frequency of compliance monitoring, and the standards that are to be monitored as well as the depth of testing of those standards.
- An assessment project was completed to evaluate software systems used for compliance, registration, analysis and tracking, which has resulted in the approval the Compliance Monitoring and Enforcement Process Tool project by the ERO Executives. This project will unify processes and systems across the ERO, promoting greater efficiencies in work and use of resources. Additional resources will be needed to incorporate the system being developed. As noted in the assumptions for IT, Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects. These teams will primarily be business area subject matter experts, not IT staff. The success of the Compliance Monitoring and Enforcement Process Tool project will be dependent on Regional Entity participation. When planning, Regional Entities should consider allocating resources at an adequate level of participation to support the success of this project.
- Planning and operating Reliability Standard violations are expected to remain constant as most registered entities have been audited and, thus, have a greater understanding of compliance expectations. A modest increase may also occur as revisions of certain standards or new Reliability Standards become effective.
- NERC and the Regional Entities will continue to evaluate business practices, implementation, and consistency within the risk-based compliance monitoring and enforcement program.
- CIP compliance personnel will need to support implementation and evaluation of CIP Requirements for “low impact” entities and any updated CIP Standards.
- NERC will continue to lead the CIP V5 training development, coordination, and facilitation for the CMEP staff and industry outreach. Texas RE will support these activities in collaboration with NERC, as needed, to ensure appropriate knowledge and guidance are developed, understood, and administered.
- NERC and the Regional Entities are planning to support the training and education requirements and guidelines necessary to meet the criteria set forth by the ERO

Enterprise Compliance Monitoring and Enforcement Manual and the Competency Guide.

- A potential increase in resources may be necessary to support compliance and enforcement activities related to CIP V5 Standards in 2018 and 2019.
- Additional resource considerations should be given to managing the increased amount of registered entities applicable to the CIP Standards due to the addition of “low impact” requirements that will come into effect in 2018.
- Additional resource allocation may be necessary for increased Physical Security compliance monitoring activities for CIP-014 and the compliance monitoring activities related to the Supply Chain Risk Management Reliability Standard (CIP-013).
- ERO Enterprise CMEP staff, particularly staff with visibility into risks existing in the field, will provide feedback to the ERO Enterprise. This feedback may include information on risks seen in the field that are not addressed by a standard, as well as information on where a standard is too broad. ERO Enterprise CMEP staff will participate in the development of a solution, regardless of whether the risk is addressed through a new or modified Reliability Standard, or other means.
- ERO Enterprise CMEP staff will provide input for standards development teams on the risks seen in the field relating to a standard under development, as well as for how a Reliability Standard would be monitored.
- As the depth of focused analysis of reliability performance and events across NERC improves, any identification of possible gaps in standards and compliance monitoring could potentially influence this program area.
- The certification program will be assessed in 2017, which may result in modifications to the program in 2018.
- Planned oversight activities for 2018 will be aligned with the ERO Enterprise Operating Model and may affect 2018 resource allocation, but they should have little effect on overall NERC resource requirements. NERC understands that each Regional Entity will need to evaluate its individual resource needs and allocations.
- Two central reforms have been identified as a result of the completion of the risk-based registration activity in 2015:
 1. Modifications to the NERC Registry Criteria have been approved, including the elimination of three functional entities (Purchasing-Selling Entities, Interchange Authorities, and Load-Serving Entities), modifications to the threshold criteria for Distribution Providers, and alignment of five registration categories with the BES definition.
 2. The NERC-led review panel, which vets requests for Deactivation or decisions not to register an entity that does not meet the Registry Criteria, as well as disputes regarding the application of the Registration Criteria and requests for

a sub-set list of applicable Reliability Standards (which may specify the Requirements/sub-Requirements), has been incorporated into the rules.

These reforms strengthen the registration process and are important milestones in NERC's approach to managing risks to reliability. Deployment and implementation of these revisions began in 2015, with continued work in 2017 and 2018.

- No further enhancements are anticipated to support the ongoing next phases of the risk-based registration activity.
- The results from the 2016 registration program review will result in modifications to the program in 2018. The recommendations from the Organization Registration Program review are summarized below and will be prioritized by the Organization Registration and Certification Group (ORCG) for work to be conducted in 2017 and 2018:
 - NERC and the Regional Entities should develop and conduct outreach for industry to inform how the NERC-led review panel is conducted and how a submittal is processed.
 - The Regional Entities will assist NERC with compiling a list of possible ROP enhancements related to the NERC-led review panel processes and procedures.
 - NERC and the Regional Entities should conduct an in-depth review on Joint Registration Organizations (JROs)/Coordinated Functional Registrations (CFRs). This may include how a JRO/CFR works, what the obligations are, different models implemented across the ERO Enterprise, forms/formats and communication, and examples of how to document the agreements.
 - NERC and the Regional Entities should prioritize any current or future identified issues and focus to resolve the higher priority issues in a timely manner and report progress to the ORCG.
- The activities associated with the implementation of the BES definition have decreased and, therefore, no additional resource demands are expected in the registration area. However, with applications for Self-Determined Notifications no longer being accepted through the ERO Enterprise BESnet application, Regional Entities will need to validate, with NERC oversight, submittals to determine complete and proper application of the BES definition.
- Regional Entities will be asked to participate in teams to help develop application business requirements and to test business functionality for ERO Enterprise applications projects.

2018 Goals and Key Deliverables

COMPLIANCE MONITORING

- Perform formal, in depth, risk-based compliance engagements for the functions posing risk to the BES. The frequency of engagements will vary as a result of the risk-based CMEP process. The number of anticipated engagements provided below are similar to the current cyclic approach, but may increase or decrease.
- Perform approximately 35-40 engagements, including all aspects of 693 and CIP risks identified through risk-based CMEP processes.
- Perform spot checks where warranted due to identified risks, system events, complaints, or other reliability concerns.
- Continue to work with NERC and other Regional Entities to improve consistency of engagements of registered entities.
- Conduct self-certifications of registered entities as needed.
- Increase coordination with Enforcement regarding all compliance monitoring engagements.
- Enhance feedback loops to the standard development process.
- 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.
- Review and re-validate risk-based CMEP processes and tools.
- Participation in the RSAW development process.
- Training related to enhancements to the risk-based monitoring approach.

ENFORCEMENT

- Review, validate, and process or dismiss all possible violations in a timely fashion, to enhance visibility of violations and penalties.
- Manage all settlements and contested cases to completion, as efficiently as possible.
- 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 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.
- Promote timeliness and transparency of compliance results, including those efforts associated with meeting the caseload index, average violation aging, and mitigation aging metrics.
- 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.
- Enhanced feedback loops to the standard development process.

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 2017.
- 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.
- Participate on the NERC-led panel as required.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this program is remaining constant in 2018. Salaries expense is increasing 9.6% for 2018. The 2018 budget allows for 3% salary increases. The additional increase in that category is due to market adjustments and promotions in 2016 that were not included in the 2017 budget. The increase for payroll taxes, benefits and retirement costs are in line with the Salaries increase.

Travel Expense is decreasing by 1.5% due to cost-saving efforts.

Consultants and Contracts

There is a decrease of 17.6% in contracts and consulting services for this department. The decrease is based on projected operating costs for webCDMS.

Section A — 2018 Business Plan and Budget – Statutory Programs

Compliance Monitoring, Enforcement and Organization Registration and Certification Program

The following table shows the funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification Program for 2018. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2017 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 7,520,606	\$ 7,520,606	\$ -	\$ 8,834,800	\$ 1,314,194
Penalty Sanctions	39,189	39,189		215,541	176,351
Total NERC Funding	<u>\$ 7,559,795</u>	<u>\$ 7,559,795</u>	<u>\$ -</u>	<u>\$ 9,050,341</u>	<u>\$ 1,490,545</u>
Interest	1,568	1,568	-	1,568	-
Total Funding	<u>\$ 7,561,363</u>	<u>\$ 7,561,363</u>	<u>\$ -</u>	<u>\$ 9,051,908</u>	<u>\$ 1,490,545</u>
Expenses					
Personnel Expenses					
Salaries	\$ 3,653,924	\$ 3,653,924	\$ -	\$ 4,004,351	\$ 350,428
Payroll Taxes	257,246	257,246	-	280,612	23,367
Benefits	693,090	693,090	-	752,590	59,500
Retirement Costs	513,071	513,071	-	560,596	47,525
Total Personnel Expenses	<u>\$ 5,117,331</u>	<u>\$ 5,117,331</u>	<u>\$ -</u>	<u>\$ 5,598,150</u>	<u>\$ 480,819</u>
Meeting & Travel Expenses					
Meetings	\$ 2,080	\$ 2,080	\$ -	\$ -	\$ (2,080)
Travel	165,587	165,587	-	160,900	(4,687)
Conference Calls	300	300	-	4,600	4,300
Total Meeting& Travel Expenses	<u>\$ 167,967</u>	<u>\$ 167,967</u>	<u>\$ -</u>	<u>\$ 165,500</u>	<u>\$ (2,467)</u>
Operating Expenses					
Consultants & Contracts	\$ 205,000	\$ 205,000	\$ -	\$ 169,000	\$ (36,000)
Office Rent	-	-	-	-	-
Office Costs	16,770	16,770	-	16,580	(190)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 221,770</u>	<u>\$ 221,770</u>	<u>\$ -</u>	<u>\$ 185,580</u>	<u>\$ (36,190)</u>
Total Direct Expenses	<u>\$ 5,507,068</u>	<u>\$ 5,507,068</u>	<u>\$ -</u>	<u>\$ 5,949,230</u>	<u>\$ 442,162</u>
Indirect Expenses	<u>\$ 3,842,957</u>	<u>\$ 3,842,957</u>	<u>\$ -</u>	<u>\$ 3,752,476</u>	<u>\$ (90,481)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ 9,350,025</u>	<u>\$ 9,350,025</u>	<u>\$ -</u>	<u>\$ 9,701,706</u>	<u>\$ 351,681</u>
Change in Assets	<u>\$ (1,788,662)</u>	<u>\$ (1,788,662)</u>	<u>\$ -</u>	<u>\$ (649,798)</u>	<u>\$ 1,138,864</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(178,138)	(178,138)	-	(108,554)	69,584
Inc(Dec) in Fixed Assets	<u>\$ (178,138)</u>	<u>\$ (178,138)</u>	<u>\$ -</u>	<u>\$ (108,554)</u>	<u>\$ 69,584</u>
TOTAL BUDGET	<u>\$ 9,171,887</u>	<u>\$ 9,171,887</u>	<u>\$ -</u>	<u>\$ 9,593,152</u>	<u>\$ 421,265</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ (1,610,524)</u>	<u>\$ (1,610,524)</u>	<u>\$ -</u>	<u>\$ (541,244)</u>	<u>\$ 1,069,281</u>

Approved by the Texas RE Board of Directors May 24, 2017

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	6.25	6.25	-
Direct Expenses	\$ 1,352,611	\$ 1,425,532	\$ 72,922
Indirect Expenses	\$ 662,579	\$ 646,979	\$ (15,600)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (30,713)	\$ (18,716)	\$ 11,997
Total Funding Requirement	\$ 1,984,476	\$ 2,053,795	\$ 69,318

Program Scope and Functional Description

Texas RE's Reliability Assessment and Performance Analysis (RAPA) Program supports assessment of system adequacy and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system disturbances in the ERCOT region. In addition to these assessments and analyses, Texas RE participates with NERC and stakeholders in ongoing work to evaluate system 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 risks and analyzes key issues that may affect reliability, such as market practices, legislation, regulation, technology developments, high-impact low frequency (HILF) events, and technology trends. Event analyses will determine causative factors for system disturbances as well as "lessons learned" upon recovering from them. Texas RE will disseminate these insights to industry and seek broader collaboration among stakeholders to identify and reduce threats to reliability.

RAPA also includes 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 for the CIP program, and aid the NERC-led efforts to develop industry alerts and guidance in support of the Electricity – Information Sharing and Analysis Center (E-ISAC). Most of the Texas RE Infrastructure Security effort is handled by CIP resources within the Compliance, Monitoring, Enforcement and Organizational Registration and Certification Program, while Situation Awareness is closely tied to initial event review, which is primarily performed as part of the Event Analysis Process, in the RAPA Program.

2018 Key Assumptions

- Current staffing levels are expected to meet known and predicted program needs. However, as many RAPA tasks are presently in preliminary stages of definition, particularly those involving support of NERC's System Analysis functions, potential for additional program resource needs including staffing demands are not

established. Additionally, there is some uncertainty regarding the amount of resources that will be required to support joint Enterprise-wide modeling and data collection systems.

- Continued ERCOT stakeholder support is expected in Regional planning activities that meet ERO schedules for the various proposed reliability assessments and Interconnection study case model building activities.
- Regional Entities will be asked to participate in teams to help develop application business requirements and test business functionality for ERO Enterprise applications projects.

2018 Goals and Key Deliverables

- Provide independent reviews of reliability assessments for the ERCOT region and assist NERC in its overall development of the annual long-term reliability assessment, along with continuing support for winter and summer seasonal assessments and with post-seasonal reviews.
- Contribute to two anticipated NERC short-term special reliability assessments in 2018 that focus on specific risk concerns in a six-to-eighteen month horizon, including scope development, data collection, analysis and review. These assessments may involve topics such as fuel supply risk, new technologies and environmental regulations, changes in resource mix, or delays in transmission development.
- Support NERC-wide modelling improvement efforts, particularly those related to dynamic loads, inverter-based resources, and generator model validation. As the Interconnection model designee associated with MOD-032 and MOD-033 standards, Texas RE will continue to work with stakeholders to integrate fidelity and quality tests into Regional study-case development processes.
- Contribute to Reliability Guidelines and Technical Reference documents developed through technical working groups under the NERC Planning and Operating Committees, including special reports on emerging issues as may be assigned to these groups to address high-priority risks.
- Provide regional data collection and analysis to meet NERC System Analysis initiatives or FERC Order directives. These may include continuing review of risks associated with geomagnetic disturbances, system strength, and reactive issues, protection system mis-operations, system frequency response, human performance, drought, environmental regulations, oscillation analysis, phasor measurement unit (PMU) application, distributed energy resources, and new technology integration.
- Oversee NERC Rules of Procedure Section 1600 collection of reliability data for the ERCOT region, provide analysis and validation, respond to FERC inquiries, and support stakeholders as enhancements are commissioned. In 2018, Texas

RE will assist in development of application requirements and testing to support development NERC's Enterprise Reporting data warehouse. Systems include:

- Transmission Availability Data System (TADS)
 - Generation Availability Data System (GADS)
 - WindGADS, a similar but separate system from GADS for wind generation, becoming mandatory for larger facilities in 2018.
 - Demand Response Availability Data System (DADS)
 - Protection System Mis-operations (MIDAS)
- 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 and contribute to NERC's annual State of Reliability report along with a Region-specific annual reports and quarterly reviews. While content may change, the number of metrics and level of analysis is expected to remain essentially consistent in 2018 as in 2017.
 - Review NERC Standards and process developments. Evaluate against existing and proposed Regional criteria and processes for reliability concerns.
 - Continue to implement the NERC event analysis and cause-coding process within the ERCOT region, expecting a similar volume of events as 2017, estimated at 12 Category 1 (minor), and three Category 2 or 3 (moderate impact) events. No Category 4 or 5 events (significant impact) are anticipated but processes and procedures to address this possibility will be maintained. Conduct follow-up on recommendations and trends from past major events within ERCOT and other power systems.
 - Review approximately 80 lesser system events, such as remedial action scheme 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.
 - Support the BES Definition exception process and NERC-led panels as needed by providing technical review of exception requests and coordination internally and with other Regions and NERC for consistent application. At this time, the number of such requests is uncertain but is expected to be limited to one or two issues handled by existing staff.
 - Promote the work of NERC Reliability Issues Steering Committee (RISC) to identify the most significant system risks and incorporate into RAPA activities and projects. Tailor RISC observations and Regional information to identify impacts within the Region and means to mitigate them.
 - Provide workshops, webinars, and other outreach to support industry participation in RAPA programs and to disseminate lessons learned, best practices, trends and observations.

- Texas RE staff will continue ongoing day-to-day monitoring for Situation Awareness, including system data, weather, technological developments, industry news, and media to understand trends that affect reliability both in the near and long-term horizon.
- Utilize software applications and data from ERCOT ISO, NERC, and other sources for Regional Situation Awareness, and support use by other departments in Texas RE. Provide regional coordination to maintain the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool, along with internal real-time visualization tools. Texas RE uses these tools to provide regular reporting to NERC along with information on current events in the ERCOT region.
- Continue joint activities with ERCOT ISO to host winter preparation workshops for generators and conduct site visits to promote best practices. There may be 20-30 generator sites included, with the number depending on results from 2017.
- Texas RE will continue to monitor and follow up on NERC Alerts and anticipates that the volume will be similar to 2017, or approximately four, with one alert expected to require response coordination and analysis.
- Texas RE staff will continue to support training initiatives in the Situation Awareness area that concern system resiliency and recovery. Planning with NERC and E-ISAC staff for the fifth NERC Grid-X Security exercise will commence in 2019. Texas RE will participate in Regional exercises for blackstart and severe weather operations.

Resource Requirements

Personnel Expenses

FTEs are remaining constant for this department in 2018. Salaries expense allows for 3% salary increases for 2018. Payroll taxes and Benefit costs are increasing to more accurately reflect actual costs based on experience.

Consultants and Contracts

No consulting support and contracts are budgeted for 2018, which is consistent with the 2017 budget. No task assignments have been identified that require consulting or contractor support.

Section A — 2018 Business Plan and Budget – Statutory Programs

Reliability Assessment and Performance Analysis Program

The following table shows the funding sources and related expenses for the Reliability Assessment and Performance Analysis Program for 2018. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2017	2017	Variance		Variance
	Budget	Projection	2017 Projection	2018	2017 Budget
			v 2017 Budget	Budget	v 2018 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,296,656	\$ 1,296,656	\$ -	\$ 1,523,241	\$ 226,585
Penalty Sanctions	6,757	6,757		37,162	30,405
Total NERC Funding	<u>\$ 1,303,413</u>	<u>\$ 1,303,413</u>	<u>\$ -</u>	<u>\$ 1,560,404</u>	<u>\$ 256,991</u>
Interest	270	270	-	270	-
Total Funding	<u>\$ 1,303,682</u>	<u>\$ 1,303,682</u>	<u>\$ -</u>	<u>\$ 1,560,674</u>	<u>\$ 256,991</u>
Expenses					
Personnel Expenses					
Salaries	\$ 888,746	\$ 888,746	\$ -	\$ 916,115	\$ 27,368
Payroll Taxes	56,290	56,290	-	62,693	6,403
Benefits	162,569	162,569	-	173,029	10,459
Retirement Costs	124,787	124,787	-	128,256	3,469
Total Personnel Expenses	<u>\$ 1,232,393</u>	<u>\$ 1,232,393</u>	<u>\$ -</u>	<u>\$ 1,280,092</u>	<u>\$ 47,700</u>
Meeting & Travel Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
Travel	78,858	78,858	-	82,000	3,142
Conference Calls	-	-	-	-	-
Total Meeting & Travel Expenses	<u>\$ 78,858</u>	<u>\$ 78,858</u>	<u>\$ -</u>	<u>\$ 83,000</u>	<u>\$ 4,142</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	41,360	41,360	-	62,440	21,080
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 41,360</u>	<u>\$ 41,360</u>	<u>\$ -</u>	<u>\$ 62,440</u>	<u>\$ 21,080</u>
Total Direct Expenses	<u>\$ 1,352,611</u>	<u>\$ 1,352,611</u>	<u>\$ -</u>	<u>\$ 1,425,532</u>	<u>\$ 72,922</u>
Indirect Expenses	<u>\$ 662,579</u>	<u>\$ 662,579</u>	<u>\$ -</u>	<u>\$ 646,979</u>	<u>\$ (15,600)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ 2,015,189</u>	<u>\$ 2,015,189</u>	<u>\$ -</u>	<u>\$ 2,072,511</u>	<u>\$ 57,321</u>
Change in Assets	<u>\$ (711,506)</u>	<u>\$ (711,506)</u>	<u>\$ -</u>	<u>\$ (511,837)</u>	<u>\$ 199,669</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(30,713)	(30,713)	\$ -	\$ (18,716)	\$ 11,997
Inc(Dec) in Fixed Assets	<u>\$ (30,713)</u>	<u>\$ (30,713)</u>	<u>\$ -</u>	<u>\$ (18,716)</u>	<u>\$ 11,997</u>
TOTAL BUDGET	<u>\$ 1,984,476</u>	<u>\$ 1,984,476</u>	<u>\$ -</u>	<u>\$ 2,053,795</u>	<u>\$ 69,318</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ (680,793)</u>	<u>\$ (680,793)</u>	<u>\$ -</u>	<u>\$ (493,121)</u>	<u>\$ 187,672</u>

Approved by the Texas RE Board of Directors May 24, 2017

Training, Education, and Continuing Education Program

Training, Education and Operator Certification (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	2.25	2.25	-
Direct Expenses	\$ 337,253	\$ 321,657	\$ (15,596)
Indirect Expenses	\$ 238,528	\$ 232,912	\$ (5,616)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (11,057)	\$ (6,738)	\$ 4,319
Total Funding Requirement	\$ 564,725	\$ 547,832	\$ (16,893)

Program Scope and Functional Description

Texas RE's Training, Education, and Continuing Education Program provides education and training primarily focused on implementation of the CMEP (including processes and expectations), application of Reliability 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 provides assistance for the annual ERCOT Operator Training Seminar.

Texas RE will continue to coordinate Standards and Compliance workshops and other education and sharing meetings and webinars, including *Talk with Texas RE*, in 2018. 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.

2018 Key Assumptions

- Additional resources may be required to support training related to ERO initiatives that are difficult to ascertain at this time.
- The Personnel Certification Program is expected to remain at a steady state with no additional resources required from Texas RE.

2018 Goals and Key Deliverables

- Communicate and maintain effective relationships with industry, regulators, and stakeholders.
- Promote stakeholder engagement in Texas RE and the ERO Enterprise, including attending training opportunities.
- Develop technical materials for and present Standards and Compliance workshops for registered entities.
- Present additional workshops, webinars, meetings, and other industry outreach, including *Talk with Texas RE* meetings to support CMEP implementation and any new or modified NERC standards, procedures, or programs.
- Create and publish newsletters that disseminate lessons learned for registered entities and include useful updates regarding standard revisions and interpretations, other reliability or compliance-related information, and Texas RE and NERC activities.
- Develop an Annual Report summarizing the prior year's accomplishments.
- Coordinate with and provide Texas RE subject matter experts as a resource for ERCOT regional stakeholder training and NERC compliance and reliability working groups.
- 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.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program are remaining constant in 2018. The 2018 budget allows for 3% salary increases. Benefits are increasing 7.3% due to higher participation in the medical plan.

Consultants and Contracts

Consulting support and contracts costs are decreasing 40% based on actual costs.

Workshop expense is decreasing by 80%. The cost for an outside workshop has been removed. Workshops are planned to be conducted in the Texas RE Conference Center.

Section A — 2018 Business Plan and Budget – Statutory Programs

Training, Education, and Continuing Education Program

The following table shows the funding sources and related expenses for the Training, Education, and Continuing Education Program for 2018. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection	Budget	2017 Budget
			v 2017 Budget		v 2018 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 466,796	\$ 466,796	\$ -	\$ 548,367	\$ 81,571
Penalty Sanctions	2,432	2,432	\$ -	13,378	10,946
Total NERC Funding	\$ 469,229	\$ 469,229	\$ -	\$ 561,745	\$ 92,517
Interest	97	97	-	97	-
Total Funding	\$ 469,325	\$ 469,325	\$ -	\$ 561,843	\$ 92,517
Expenses					
Personnel Expenses					
Salaries	\$ 188,474	\$ 188,474	\$ -	\$ 194,818	\$ 6,344
Payroll Taxes	12,788	12,788	-	13,676	888
Benefits	43,494	43,494	-	46,679	3,186
Retirement Costs	26,467	26,467	-	27,264	797
Total Personnel Expenses	\$ 271,223	\$ 271,223	\$ -	\$ 282,437	\$ 11,214
Meeting & Travel Expenses					
Meetings	\$ 30,000	\$ 30,000	\$ -	\$ 6,000	\$ (24,000)
Travel	3,270	3,270	-	3,280	10
Conference Calls	20,000	20,000	-	20,000	-
Total Meeting & Travel Expenses	\$ 53,270	\$ 53,270	\$ -	\$ 29,280	\$ (23,990)
Operating Expenses					
Consultants & Contracts	\$ 5,000	\$ 5,000	\$ -	\$ 3,000	\$ (2,000)
Office Rent	-	-	-	-	-
Office Costs	6,760	6,760	-	6,940	180
Professional Services	1,000	1,000	-	-	(1,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 12,760	\$ 12,760	\$ -	\$ 9,940	\$ (2,820)
Total Direct Expenses	\$ 337,253	\$ 337,253	\$ -	\$ 321,657	\$ (15,596)
Indirect Expenses	\$ 238,528	\$ 238,528	\$ -	\$ 232,912	\$ (5,616)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 575,782	\$ 575,782	\$ -	\$ 554,570	\$ (21,212)
Change in Assets	\$ (106,456)	\$ (106,456)	\$ -	\$ 7,273	\$ 113,728
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(11,057)	(11,057)	-	(6,738)	4,319
Inc(Dec) in Fixed Assets	\$ (11,057)	\$ (11,057)	\$ -	\$ (6,738)	\$ 4,319
TOTAL BUDGET	\$ 564,725	\$ 564,725	\$ -	\$ 547,832	\$ (16,893)
TOTAL CHANGE IN WORKING CAPITAL	\$ (95,399)	\$ (95,399)	\$ -	\$ 14,011	\$ 109,410

Approved by the Texas RE Board of Directors May 24, 2017

Administrative Services

Administrative Services						
	Direct Expenses & Fixed Assets			FTEs		
	2017 Budget	2018 Budget	Inc (Dec)	2017 Budget	2018 Budget	Inc (Dec)
General and Administrative	2,134,504	2,233,989	99,485	3.00	3.00	-
Legal and Regulatory	501,860	544,767	42,906	2.75	2.75	-
Information Technology	1,427,635	1,341,604	(86,031)	5.00	5.00	-
Human Resources	108,345	96,640	(11,705)	-	-	-
Finance and Accounting	503,460	432,142	(71,318)	3.00	3.00	-
Total Administrative Services	4,675,805	4,649,142	(26,662)	13.75	13.75	-

Program Scope and Functional Description

The Administrative Services Program is comprised of the following programs: General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The resource requirements and comparative budget information for each of these functions is described below.

Texas RE allocates its general and administrative 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.

Fixed asset additions 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.

General and Administrative

This Program includes the President and CEO and the personnel costs for the HR Department. The President and CEO 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. The CEO's time is expended for and charged to other operational Program activities.

Personnel expenses for Human Resources (HR) are included in General and Administrative (G&A). The benefits expenses in G&A include tuition reimbursement, training and classes, and relocation costs.

Consulting fees and contracts are decreasing 23.1% due reducing costs for executive coaching.

Legal and Regulatory

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.

2018 Key Assumptions

- Texas RE will maintain the scope of its current operations.
- Activities of the Legal and Regulatory program will be consistent with current levels, but may increase due to external litigation activities.

2018 Key Deliverables and Goals

- 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.
- Review contracts and corporate documents.
- Update and maintain corporate policies and procedures.
- Assist with the prosecution and any appeal of contested enforcement or disputed registration matters.

The budgeted number of FTEs for Legal and Regulatory is remaining constant in 2018.

Consulting support and contracts are consistent with the 2017 budget.

Legal Fees are increasing by 66.7% to reflect actual cost experience.

Information Technology

Texas RE's Information Technology (IT) program provides information technology and security support to Texas RE, including the following: hardware, systems, software, and applications: physical security, electronic security, data center operations, IT and security-related vendor management; strategy, planning, development, and deployment of enterprise systems and applications, including training; and planning for improvement and efficiency of business processes 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.

Texas RE supports the ERO efforts to implement, operate, and maintain software tools supporting common enterprise-wide operations which have been approved by the ERO Executive Management Group (ERO-EMG), which is comprised of the senior leadership of NERC and each of the Regional Entities. Texas RE's budget assumes the availability of enterprise software tools as described in NERC's Business Plan and Budget. If implementation of these software applications is delayed or otherwise not available as planned, Texas RE could incur additional costs to conduct operations pending the availability of these applications.

NERC and the Regional Entities are committed to working collaboratively to minimize duplication of effort and investments, and improve operational efficiency. This collaboration continues to refine existing strategies, governance, and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, software, and data systems supporting combined NERC and Regional Entity operations.

The NERC information technology budget does not supplant Texas RE's need for IT expenditures for specific regional projects and internal region-specific IT support needs. Texas RE's 2018 Business Plan and Budget assumes agreed-upon ERO Enterprise applications will be available and includes Texas RE costs for internal region-specific support needs.

2018 Key Assumptions

- Focus on better leverage of current technology to support business functions and workflow.
- Increase knowledge of industry best practices for security, data management, and system administration.

2018 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 develop knowledge of systems through training and experience to reduce the reliance on external vendors.
 - Continue to utilize third-party security services to evaluate and test Texas RE's security posture, while fostering maturity in Texas RE's Internal Controls Program and security posture.
 - 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.

- Develop internal applications to increase consistency, efficiency, and assist users in business processes.
- 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.
- Continue the Security Awareness Program that addresses, through education and training, social media 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.

The budgeted number of FTEs for IT are remaining constant in 2017.

Consulting support and contracts are decreasing to reflect actual costs.

Human Resources

The Texas RE Human Resources (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 HRIS products and ensures compliance with all federal and state requirements.

2018 Key Assumptions

- Provide competitive compensation and benefits.
- Ensure that Texas RE maintains a skilled, qualified workforce.
- Maintain appropriate salaries and benefits based on industry data.

2018 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.

Personnel expenses are reported under G&A.

Consulting services and contracts are decreasing by 20.5% in 2018. The 2017 budget planned for three compensation studies, whereas the 2018 budget plans for two studies: an all-staff compensation study and a potential custom Regional Entity salary survey.

Finance and Accounting

The Finance and Accounting function provides all accounting services and financial analysis for Texas RE. Texas RE Finance and Accounting personnel are responsible for general accounting and reporting, budget preparation and reporting, cash management, and tax filing.

2018 Key Assumptions

- Current accounting systems and controls are adequate.
- Identify and implement efficiencies in financial processes.
- Provide improved reporting and financial analysis to Directors, the Audit, Governance, and Finance Committee, and the Board of Directors.

2018 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.
- Ensure strong internal controls designed to protect the assets of Texas RE and ensure accurate financial reporting.
- Identify and implement efficiencies in the financial processes.
- Ensure that Texas RE receives an unqualified opinion on the audit of its financial statements.

The budgeted number of FTEs for Finance and Accounting are remaining constant in 2017.

No consulting support and contracts are budgeted for 2018, which is consistent with the 2017 budget.

Section B — 2018 Business Plan and Budget – Supplemental Financial Information

Administrative Services

The following table shows funding sources and related expenses for the Administrative Services section of the 2018 Business Plan and Budget. Explanations of variances by expense category are included with the Department Section and with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
ADMINISTRATIVE SERVICES					
	2017	2017	Variance	2018	Variance
	Budget	Projection	2017 Projection	Budget	2017 Budget
			v 2017 Budget		v 2018 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 1,809,577	\$ 1,809,577	\$ -	\$ 1,826,826	\$ 17,249
Payroll Taxes	100,082	100,082	-	100,143	61
Benefits	344,734	344,734	-	305,687	(39,046)
Retirement Costs	220,410	220,410	-	270,388	49,978
Total Personnel Expenses	<u>\$ 2,474,803</u>	<u>\$ 2,474,803</u>	<u>\$ -</u>	<u>\$ 2,503,044</u>	<u>\$ 28,242</u>
Meeting and Travel Expenses					
Meetings	\$ 17,000	\$ 17,000	\$ -	\$ 16,800	\$ (200)
Travel	104,380	104,380	-	112,220	7,840
Conference Calls	1,750	1,750	-	650	(1,100)
Total Meeting & Travel Expenses	<u>\$ 123,130</u>	<u>\$ 123,130</u>	<u>\$ -</u>	<u>\$ 129,670</u>	<u>\$ 6,540</u>
Operating Expenses					
Consultants & Contracts	\$ 223,200	\$ 223,200	\$ -	\$ 179,200	\$ (44,000)
Office Rent	617,212	617,212	-	689,648	72,436
Office Costs	679,010	679,010	-	561,380	(117,630)
Professional Services	518,450	518,450	-	556,200	37,750
Depreciation	267,279	267,279	-	168,500	(98,779)
Total Operating Expenses	<u>\$ 2,305,151</u>	<u>\$ 2,305,151</u>	<u>\$ -</u>	<u>\$ 2,154,928</u>	<u>\$ (150,223)</u>
Total Direct Expenses	<u>\$ 4,903,084</u>	<u>\$ 4,903,084</u>	<u>\$ -</u>	<u>\$ 4,787,642</u>	<u>\$ (115,441)</u>
Indirect Expenses	<u>\$ (4,903,084)</u>	<u>\$ (4,903,084)</u>	<u>\$ -</u>	<u>\$ (4,787,642)</u>	<u>\$ 115,441</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ 0</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ (0)</u>
Fixed Assets					
Depreciation	(267,279)	(267,279)	-	(168,500)	98,779
Computer & Software CapEx	40,000	40,000	-	30,000	(10,000)
Allocation of Fixed Assets	227,279	227,279	-	138,500	(88,779)
Inc(Dec) in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ 0</u>
TOTAL CHANGE IN WORKING CAPITAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ (0)</u>

Approved by the Texas RE Board of Directors May 24, 2017

Section B – Supplemental Financial Information

2018 Business Plan and Budget



Section B — Supplemental Financial Information

Table B-1 – Reserve Balance

Working Capital Reserve Analysis 2017-2018	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2016	4,872,967
Plus: 2017 Funding (from LSEs or designees)	9,645,256
Plus: 2017 Other funding sources	2,000
Less: 2017 Projected expenses & capital expenditures	(12,167,256)
Projected Working Capital Reserve (Deficit), December 31, 2017	2,352,967
Desired Working Capital Reserve, December 31, 2018	1,245,000
Minus: Projected Working Capital Reserve, December 31, 2017	(2,352,967)
Increase(decrease) in funding requirement to achieve Working Capital Reserve	(1,107,967)
2018 Expenses and Capital Expenditures	12,656,953
Less: Penalty Sanctions ¹	(275,000)
Less: Other Funding Sources	(2,000)
Adjustment to achieve desired Working Capital Reserve	(1,107,967)
2018 NERC Assessment	11,271,986

¹ Represents collections on or prior to June 30, 2017.

Explanation of Changes in Reserve Policy from Prior Years

The Board-approved Working Capital and Operating Reserve Policy calls for Texas RE to retain a \$2,000,000 cash reserve, or an amount as adjusted by the Board, or as required by regulators. For the 2018 budget period, the Board of Directors approved a reduction to the Operating Reserve to \$1,245,000 to reduce the amount of increase in assessments. The reserve will be replenished in the 2019 and 2020 budgets.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the statement of activities on page 9 of the 2018 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 2017. The 2018 budget was based on this information.

Penalty Sanctions

Penalty monies received by June 30, 2017 are to be used to offset assessments in the 2018 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, 2017 through June 30, 2018 will be used to offset assessments in the 2019 Budget.

All penalties received by June 30, 2017 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; and Training, Education and Operator Certification. Penalty sanctions are allocated based on 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, 2017	Date Received	Amount Received
	4/17/2017	70,000
	5/8/2017	205,000
Total Penalties Received		<u>\$ 275,000</u>

Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 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	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Total	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Total Outside Funding	\$ 2,000	\$ 2,000	\$ 2,000	\$ -

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- Texas RE anticipates its investments will earn interest of approximately \$2,000 in 2018. This amount reflects historical interest income.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Total Salaries	\$ 6,739,715	\$ 6,739,715	\$ 7,151,136	\$ 411,422	6.1%
Total Payroll Taxes	438,778	438,778	470,791	32,013	7.3%
Total Benefits	1,283,357	1,283,357	1,321,116	37,760	2.9%
Total Retirement	912,670	912,670	1,015,772	103,102	11.3%
Total Personnel Costs	\$ 9,374,519	\$ 9,374,519	\$ 9,958,815	\$ 584,296	6.2%
FTEs	60.00	60.00	60.00	-	0.0%
Cost per FTE					
Salaries	\$ 112,329	\$ 112,329	\$ 119,186	6,857	6.1%
Payroll Taxes	7,313	7,313	7,847	534	7.3%
Benefits	21,389	21,389	22,019	629	2.9%
Retirement	15,211	15,211	16,930	1,718	11.3%
Total Cost per FTE	\$ 156,242	\$ 156,242	\$ 165,980	\$ 9,738	6.2%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- Total costs for Texas RE personnel expenses are increasing by 6.2%. Salaries expense includes a 3% increase for 2018. An additional 3.1% increase in that category is due to promotions and market adjustments in 2016 that were not included in the 2017 budget. The 7.3% increase in payroll taxes is to more accurately reflect actual tax costs based on experience. Retirement costs reflect the increase in salaries and actual employee participation in the retirement plans.
- Total benefits include employee training, relocation, and employee education reimbursement.
- A vacancy rate of 3.5% is assumed for the 2018 budget.

Table B-5 – Meeting & Travel Expenses

Meeting and Travel Expenses	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Meetings	\$ 49,080	\$ 49,080	\$ 23,800	\$ (26,280)	-51.5%
Travel	366,045	366,045	372,900	6,855	1.9%
Conference Calls	23,750	23,750	26,950	3,200	13.5%
	\$ 438,875	\$ 438,875	\$ 423,650	\$ (16,225)	-3.5%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- Total Meeting Expense is decreasing due to eliminating the costs of hosting one workshop offsite. Workshops will be hosted in the Texas RE Conference Center.
- The ability to hold meetings on-site is stabilizing Travel Expense.
- Conference Call Expense is increasing primarily due to holding more on-site meetings, webinars, and attending meetings by conference call rather than in person.

Table B-6 – Consultants and Contracts

Consultants and Contracts	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certificatio	205,000	205,000	169,000	(36,000)	-17.6%
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	5,000	5,000	3,000	(2,000)	-40.0%
General and Administrative	104,000	104,000	80,000	(24,000)	-23.1%
Legal and Regulatory	3,200	3,200	3,200	-	0.0%
Information Technology	28,000	28,000	26,000	(2,000)	-7.1%
Human Resources	88,000	88,000	70,000	(18,000)	-20.5%
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 433,200	\$ 433,200	\$ 351,200	\$ (82,000)	-18.9%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

Table B-7 – Office Rent

Rent	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %
Office Rent	\$ 617,212	\$ 617,212	\$ 477,648	\$ (139,564)	-22.6%
Utilities			200,000	200,000	
Maintenance			12,000	12,000	
Total Office Rent & Utilites	\$ 617,212	\$ 617,212	\$ 689,648	\$ 72,436	11.7%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- In 2017, Office Rent included utilities. The utilities amount has been broken out for the 2018 budget causing the decrease in office rent. The actual office rent expense is straight lined and does not vary from year to year.
- Maintenance Expense was recorded under Office Costs in 2017.
- Utilities and maintenance are allocated by the property manager based on the prior year’s usage, price, and square footage.

Table B-8 – Office Costs

Office Costs	Budget	Projection	Budget	Variance	
	2017	2017	2018	2018 Budget v 2017 Budget	Variance %
Telephone/Cell Phone	\$ 26,840	\$ 26,840	\$ 41,760	\$ 14,920	55.6%
Internet Expense	130,000	130,000	130,000	-	0.0%
Office Supplies	55,700	55,700	47,920	(7,780)	-14.0%
Computer Supplies & Maintenance	45,100	45,100	30,650	(14,450)	-32.0%
Software & Software Maintenance	207,400	207,400	189,300	(18,100)	-8.7%
Subscriptions & Publications	23,450	23,450	28,250	4,800	20.5%
Dues	10,935	10,935	7,785	(3,150)	-28.8%
Postage	650	650	425	(225)	-34.6%
Express Shipping	425	425	700	275	64.7%
Stationary & Office Forms	2,600	2,600	2,000	(600)	-23.1%
Equipment Repair/Srv. Contracts	4,000	4,000	2,000	(2,000)	-50.0%
Bank Charges	2,300	2,300	1,500	(800)	-34.8%
Property Taxes	13,000	13,000	10,000	(3,000)	-23.1%
Merchant Credit Card Fee	1,400	1,400	1,400	-	0.0%
IT-Leased Equipment	200,000	200,000	150,000	(50,000)	-25.0%
Maintenance	12,000	12,000	-	-	-100.0%
Office Furniture & Equipment Exp	5,000	5,000	2,500	(2,500)	-50.0%
IT Maintenance	2,000	2,000	-	(2,000)	-100.0%
Employment Related Fees	1,200	1,200	1,250	50	4.2%
Total Office Costs	\$ 744,000	\$ 744,000	\$ 647,440	\$ (84,560)	-12.98%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- All categories in the Office Costs have been adjusted in the 2018 budget to more accurately reflect actual experience.
- Telephone/Cell Phone Costs are increasing due higher costs and more employees being reimbursed for using personal cell phones for Texas RE business.
- Computer Supplies and Maintenance are decreasing primarily due to items being included in the computer lease agreement.
- Software and Software Maintenance decreased due to expiring agreements and lower pricing for those renewed and for new software programs.
- Subscriptions and Publications are increasing for Board of Director meeting package publication software.
- Dues decrease reflects historical costs for employees maintaining professional licenses.
- Property Taxes reflect actual tax expense.
- IT-Leased equipment is decreasing due to the price reduction for leased laptops, servers and equipment.
- Maintenance expense is now reflected under Office Rent.

- Office Furniture & Equipment Expense is being reduced to reflect actual experience.
- IT Maintenance expense is being eliminated due to no charges in the prior year.

Table B-9 – Professional Services

Professional Services	Budget		Projection		Variance	
	2017	2017	2018	2018 Budget v 2017 Budget	Variance %	
Board of Director Fees	\$ 283,000	\$ 283,000	\$ 282,500	\$ (500)	-0.2%	
Accounting & Auditing Fees	42,500	42,500	45,000	2,500	5.9%	
Legal Fees	30,000	30,000	50,000	20,000	66.7%	
Insurance - Commercial	69,750	69,750	72,000	2,250	3.2%	
Professional Services-Other	94,200	94,200	106,700	12,500	13.3%	
Total Professional Services	\$ 519,450	\$ 519,450	\$ 556,200	\$ 36,750	7.1%	

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- Accounting and Auditing Fees are increasing slightly due to annual price adjustment.
- Legal Fees are increasing to reflect actual cost based on experience.
- Commercial Insurance is projected to increase slightly based on an estimate from the broker.
- Professional Services – Other is increasing due to security testing and SOCII audit.

Table B-10 – Miscellaneous Expense

Miscellaneous	Budget 2017	Projection 2017	Budget 2018	Variance	
				2018 Budget v 2017 Budget	Variance %
Miscellaneous Expense	\$ -	\$ -	\$ -	\$ -	-
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- N/A

Table B-11 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget	Projection	Budget	Variance	
	2017	2017	2018	2018 Budget v 2017 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment					-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- N/A

Table B-12 – Fixed Assets

Fixed Assets	Budget	Projection	Budget	Variance	
	2017	2017	2018	2018 Budget v 2017 Budget	Variance %
Depreciation	\$ (267,279)	\$ (267,279)	\$ (168,500)	\$ 98,779	-37.0%
Computer & Software CapEx	40,000	40,000	30,000	(10,000)	-25.0%
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	-	-	-	-	
Leasehold Improvements	-	-	-	-	
Total Fix Assets	\$ (227,279)	\$ (227,279)	\$ (138,500)	\$ 88,779	-39.1%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- Depreciation is decreasing 37% due to assets fully depreciating.
- Computer and Software CapEx is 25% less than the 2017 budget due to office laptops and servers being leased rather than purchased.

Table B-13 – 2019 and 2020 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2018 Budget & Projected 2019 and 2020 Budgets							
	2018 Budget	2019 Projection	\$ Change 19 v 18	% Change 19 v 18	2020 Projection	\$ Change 20 v 19	% Change 20 v 19
Funding							
ERO Funding							
NERC Assessments	\$ 11,271,986	\$ 13,241,866	\$ 1,969,879	17.5%	\$ 13,771,540	\$ 529,675	3.8%
Penalty Sanctions	275,000	-	(275,000)	-100.00%	-	-	
Total NERC Funding	\$ 11,546,986	\$ 13,241,866	\$ 1,694,879	14.7%	\$ 13,771,540	\$ 529,675	3.8%
Membership Dues	-	\$ -	-		-	-	
Interest	2,000	2,080	80	4.00%	2,163	83	4.0%
Total Funding	\$ 11,548,986	\$ 13,243,946	\$ 1,694,959	14.7%	\$ 13,773,704	\$ 529,758	4.0%
Expenses							
Personnel Expenses							
Salaries	\$ 7,151,136	\$ 7,437,182	\$ 286,045	4.0%	\$ 7,734,669	\$ 297,487	4.0%
Payroll Taxes	470,791	489,622	18,832	4.0%	509,207	19,585	4.0%
Benefits	1,321,116	1,373,961	52,845	4.0%	1,428,919	54,958	4.0%
Retirement Costs	1,015,772	1,056,403	40,631	4.0%	1,098,659	42,256	4.0%
Total Personnel Expenses	\$ 9,958,815	\$ 10,357,168	\$ 398,353	4.0%	\$ 10,771,455	\$ 414,287	4.0%
Meeting & Travel Expenses							
Meetings	\$ 23,800	\$ 24,752	\$ 952	4.0%	\$ 25,742.08	990	4.0%
Travel	372,900	387,816	14,916	4.0%	403,329	15,513	4.0%
Conference Calls	26,950	28,028	1,078	4.0%	29,149	1,121	4.0%
Total Meeting & Travel Expenses	\$ 423,650	\$ 440,596	\$ 16,946	4.0%	\$ 458,220	\$ 17,624	4.0%
Operating Expenses							
Consultants & Contracts	\$ 351,200	\$ 365,248	14,048	4.0%	\$ 379,858	14,610	4.0%
Office Rent	689,648	717,234	27,586	4.0%	745,923	28,689	4.0%
Office Costs	647,440	673,338	25,898	4.0%	700,271	26,934	4.0%
Professional Services	556,200	578,448	22,248	4.0%	601,586	23,138	4.0%
Depreciation	168,500	175,240	6,740	4.0%	182,250	7,010	4.0%
Total Operating Expenses	\$ 2,412,988	\$ 2,509,508	\$ 96,520	4.0%	\$ 2,609,888	\$ 100,380	4.0%
Total Direct Expenses	\$ 12,795,453	\$ 13,307,271	\$ 511,818	4.0%	\$ 13,839,562	\$ 532,291	4.0%
Indirect Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses	\$ 12,795,453	\$ 13,307,271	\$ 511,818	4.0%	\$ 13,839,562	\$ 532,291	4.0%
Change in Assets	\$ (1,246,467)	\$ (63,326)	\$ 1,183,141	-94.9%	\$ (65,859)	\$ (2,533)	4.0%
Fixed Assets							
Depreciation	\$ (168,500)	\$ (175,240)	\$ (6,740)	4.0%	\$ (182,250)	\$ (7,010)	4.0%
Computer & Software CapEx	30,000	31,200	1,200	4.0%	32,448	1,248	4.0%
Inc(Dec) in Fixed Assets	\$ (138,500)	\$ (144,040)	\$ (5,540)	4.0%	\$ (149,802)	\$ (2,533)	0.0%
TOTAL BUDGET	\$ 12,656,953	\$ 13,163,231	\$ 506,278	4.0%	\$ 13,689,761	\$ 532,291	4.0%
TOTAL CHANGE IN WORKING CAPITAL	\$ (1,107,967)	\$ 80,714	\$ 1,188,681	0.0%	\$ 83,943	3,229	4.0%

2019 and 2020 Projection Analysis

- Assumes overall workload will remain consistent; reflects no additional FTEs and an overall expense increase of approximately 4% per year.

Section C – 2018 State (Non-Statutory) Activities 2018 Business Plan and Budget



Section C — 2018 State (Non-Statutory) Business Plan and Budget

State (Non-Statutory) Activities (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	5.0	5.0	-
Direct Expenses	\$ 1,059,945	\$ 1,091,743	\$ 31,798
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	-	-	-
Total Funding Requirement	\$ 1,059,945	\$ 1,091,743	\$ 31,798

State (Non-Statutory) Functional Scope

Texas RE is authorized by the Public Utility Commission of Texas (PUCT), and is permitted by NERC, to serve as the PUCT's Reliability Monitor for the ERCOT region. Under the direction of the PUCT, Texas RE performs audits, investigations, monthly metrics review, and other monitoring and reporting of market entities' compliance with the reliability-related ERCOT Protocols, Operating Guides, and PUCT rules (Regional Rules). Texas RE also monitors the ERCOT Regional Rules creation and modification process and provides technical support to the PUCT regarding proposed reliability-related changes. Texas RE does not perform any enforcement activities related to Regional Rules, but, when needed, provides testimony and technical support to the PUCT for its enforcement cases.

Major 2018 Assumptions and Cost Impacts

- Texas RE will continue to be the Reliability Monitor and perform ERCOT Regional Rules compliance monitoring and reporting for the PUCT in 2018.

2018 State (Non-Statutory) Goals and Objectives

- Appropriately monitor, investigate, and report to the PUCT regarding stakeholder compliance with the Regional Rules.
- Review and assess system disturbances for potential violations of ERCOT Regional Rules and report all findings to the PUCT.
- Provide technical expertise to the PUCT for the review and modification of ERCOT Regional Rules that impact reliability.
- Provide technical or testimony support as needed to the PUCT for its enforcement of ERCOT Regional Rules violations.

Funding Sources

- State (Non-Statutory) activities are funded through the ERCOT ISO system administration fee and payment to Texas RE is authorized by the PUCT. Texas RE's total 2018 non-statutory budget and funding is \$1,091,743.
- Total expenses for 2018 are increasing 3.0% over 2017.

Personnel Expenses

- State (Non-statutory) personnel are remaining constant at 5 FTEs. Personnel expenses are consistent with 2017. One FTE will continue to represent the composite of time spent on non-statutory activities by employees who report to statutory and G&A program areas.

Meeting and Travel Expenses

- Meeting and travel expense is remaining constant in 2018.

Operating Expenses

- Operating expenses are increasing 7.7% due to office costs and professional services.

Indirect Expenses

- Costs are being charged directly to the expense line item in 2018; therefore, no indirect expenses are charged.

2018 Budget and Projection and 2017 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
STATE (NON-STATUTORY)					
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget Over(Under)	2018 Budget	Variance 2016 Budget v 2017 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -		\$ -	\$ -
Penalty Sanctions	-	-		-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
PUCT	\$ 1,059,945	\$ 1,059,945		\$ 1,091,743	\$ 31,798
Total Funding (A)	\$ 1,059,945	\$ 1,059,945	\$ -	\$ 1,091,743	\$ 31,798
Expenses					
Personnel Expenses					
Salaries	\$ 654,007	\$ 654,007		\$ 673,288	\$ 19,281
Payroll Taxes	34,534	34,534		37,920	3,386
Benefits	146,306	146,306		139,336	(6,971)
Retirement Costs	91,568	91,568		97,624	6,056
Total Personnel Expenses	\$ 926,415	\$ 926,415	\$ -	\$ 948,168	\$ 21,752
Meeting Expenses					
Meetings	\$ -	\$ -		\$ -	-
Travel	1,800	1,800		1,800	-
Conference Calls	1,000	1,000		1,000	-
Total Meeting Expenses	\$ 2,800	\$ 2,800	\$ -	\$ 2,800	\$ -
Operating Expenses					
Consultants & Contracts	\$ 37,852	\$ 37,852		\$ 24,927	(12,924)
Office Rent	56,037	56,037		58,752	2,715
Office Costs	9,060	9,060		19,960	10,900
Professional Services	7,650	7,650		20,900	13,250
Miscellaneous	-	-		-	-
Depreciation	20,131	20,131		16,236	(3,895)
Total Operating Expenses	\$ 130,730	\$ 130,730	\$ -	\$ 140,775	\$ 10,046
Total Direct Expenses	\$ 1,059,945	\$ 1,059,945	\$ -	\$ 1,091,743	\$ 31,798
Indirect Expenses	\$ -	\$ -		\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -		\$ -	\$ -
Total Expenses (B)	\$ 1,059,945	\$ 1,059,945	\$ -	\$ 1,091,743	\$ 31,798
Change in Assets	\$ 0	\$ 0	\$ -	\$ 0	\$ 0
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx					
Allocation of Fixed Assets	\$ -	-	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 1,059,945	\$ 1,059,945	\$ -	\$ 1,091,743	31,798
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 0	\$ -	\$ 0	\$ 0

Personnel Analysis

Total FTE's by Program Area	Budget 2017	Projection 2017	Direct FTEs 2018 Budget	Shared FTEs 2018 Budget	Total FTEs 2018 Budget	Change from 2017 Budget
STATE (NON-STATUTORY)						
Operational Programs						
State (Non-Statutory)	4.00	4.00	4.00	0.00	4.00	0.00
Total FTEs Operational Programs	4.00	4.00	4.00	0.00	4.00	0.00
Administrative Programs						
G&A	1.00	1.00	0.00	1.00	1.00	0.00
Total FTEs Administrative Programs	1.00	1.00	0.00	1.00	1.00	0.00
Total FTEs	5.00	5.00	4.00	1.00	5.00	0.00

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

Reserve Analysis — 2017-2018

Texas RE does not have reserves for State (Non-Statutory) activities due to contractual provisions ensuring minimal risk for this funding.

Section D – Supplemental Information

2018 Business Plan and Budget



Section D – Supplemental Information

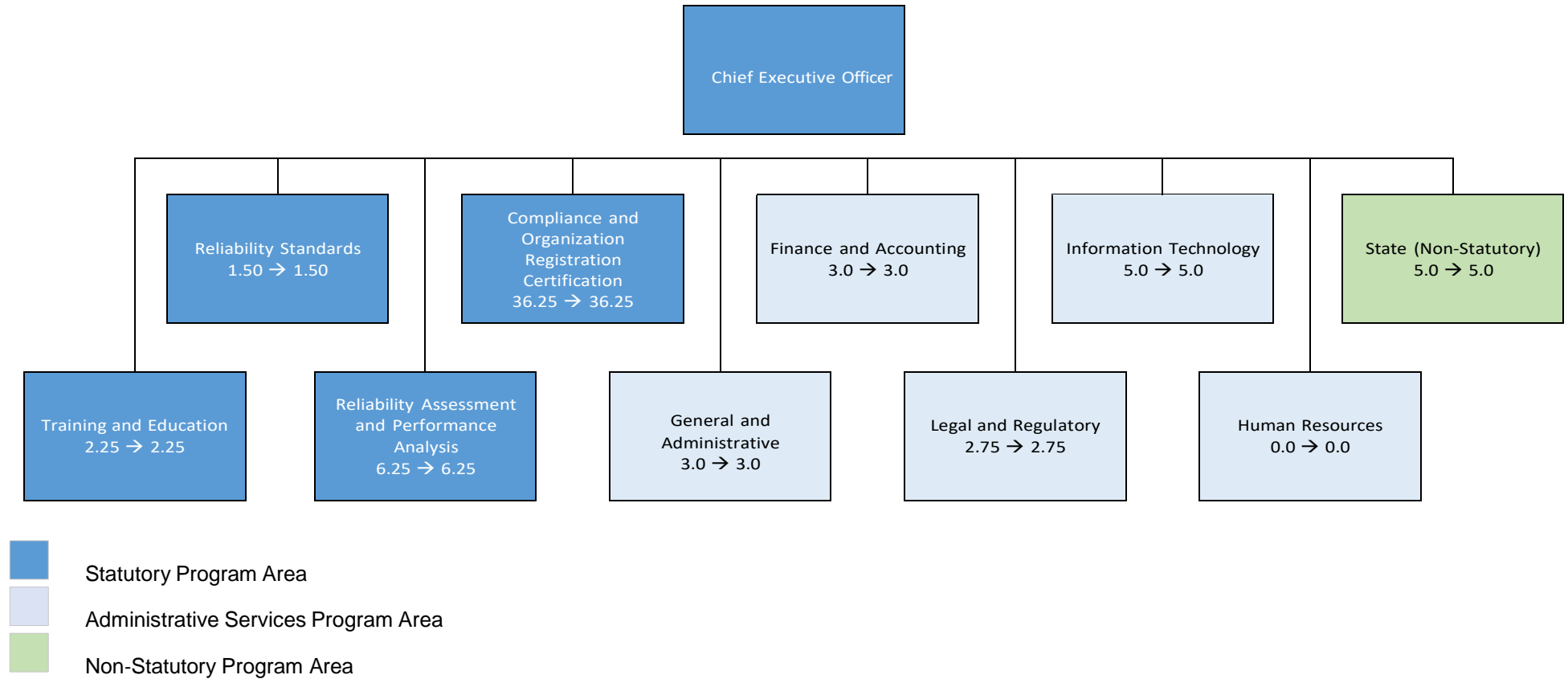
2018 Consolidated Statement of Activities by Program, Statutory and State (Non-Statutory)

Statement of Activities and Capital Expenditures by Program 2018 Budget	Total	Statutory Total	State (Non-Statutory) Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 800)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	State (Non-Statutory) Total
Funding														
ERO Funding														
NERC Assessments	11,271,986	11,271,986	-	11,271,986	365,578	8,834,800	1,523,241	548,367	-	-	-	-	-	-
Penalty Sanctions	275,000	275,000	-	275,000	8,919	215,541	37,162	13,378	-	-	-	-	-	-
Total NERC Funding	11,546,986	11,546,986	-	11,546,986	374,497	9,050,341	1,560,404	561,745	-	-	-	-	-	-
PUCT Fees	1,091,743	-	1,091,743	-	-	-	-	-	-	-	-	-	-	1,091,743
Interest	2,000	2,000	-	2,000	65	1,568	270	97	-	-	-	-	-	-
Total Funding (A)	12,640,729	11,548,986	1,091,743	11,548,986	374,562	9,051,908	1,560,674	561,843	-	-	-	-	-	1,091,743
Expenses														
Personnel Expenses														
Salaries	7,824,425	7,151,136	673,288	7,151,136	209,027	4,004,351	916,115	194,818	749,441	351,954	452,018	-	273,412	673,288
Payroll Taxes	508,711	470,791	37,920	470,791	13,666	280,612	62,693	13,676	25,272	21,067	35,158	-	18,646	37,920
Benefits	1,460,452	1,321,116	139,336	1,321,116	43,131	752,590	173,029	46,679	66,262	47,854	151,464	-	40,108	139,336
Retirement Costs	1,113,396	1,015,772	97,624	1,015,772	29,268	560,596	128,256	27,264	114,172	51,036	65,544	-	39,636	97,624
Total Personnel Expenses	10,906,983	9,958,815	948,168	9,958,815	295,092	5,598,150	1,280,092	282,437	955,146	471,912	704,184	-	371,802	948,168
Meeting Expenses														
Meetings	23,800	23,800	-	23,800	-	-	1,000	6,000	2,500	-	800	13,500	-	-
Travel	374,700	372,900	1,800	372,900	14,500	160,900	82,000	3,280	67,750	14,525	20,970	4,865	4,110	1,800
Conference Calls	27,950	26,950	1,000	26,950	1,700	4,600	-	20,000	-	-	650	-	-	1,000
Total Meeting Expenses	426,450	423,650	2,800	423,650	16,200	165,500	83,000	29,280	70,250	14,525	22,420	18,365	4,110	2,800
Operating Expenses														
Consultants & Contracts	376,127	351,200	24,927	351,200	-	169,000	-	3,000	80,000	3,200	26,000	70,000	-	24,927
Office Rent	748,400	689,648	58,752	689,648	-	-	-	-	689,648	-	-	-	-	58,752
Office Costs	667,400	647,440	19,960	647,440	100	16,580	62,440	6,940	83,945	5,130	454,000	7,075	11,230	19,960
Professional Services	577,100	556,200	20,900	556,200	-	-	-	-	355,000	50,000	105,000	1,200	45,000	20,900
Depreciation	184,736	168,500	16,236	168,500	-	-	-	-	168,500	-	-	-	-	16,236
Total Operating Expenses	2,553,763	2,412,988	140,775	2,412,988	100	185,580	62,440	9,940	1,377,093	58,330	585,000	78,275	56,230	140,775
Total Direct Expenses	13,887,196	12,795,453	1,091,743	12,795,453	311,392	5,949,230	1,425,532	321,657	2,402,489	544,767	1,311,604	96,640	432,142	1,091,743
Indirect Expenses	(0)	(0)	-	(0)	155,275	3,752,476	646,979	232,912	(2,402,489)	(544,767)	(1,311,604)	(96,640)	(432,142)	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	13,887,196	12,795,453	1,091,744	12,795,453	466,667	9,701,706	2,072,511	554,570	-	-	-	-	-	1,091,743
Change in Assets	(1,246,467)	(1,246,467)	0	(1,246,467)	(92,105)	(649,798)	(511,837)	7,273	-	-	-	-	-	0
Fixed Assets														
Depreciation	(168,500)	(168,500)	-	(168,500)	-	-	-	-	(168,500)	-	-	-	-	-
Computer & Software CapEx	30,000	30,000	-	30,000	-	-	-	-	-	-	30,000	-	-	-
Allocation of Fixed Assets	-	-	-	-	(4,492)	(108,554)	(18,716)	(6,738)	168,500	-	(30,000)	-	-	-
Inc(Dec) in Fixed Assets (C)	(138,500)	(138,500)	-	(138,500)	(4,492)	(108,554)	(18,716)	(6,738)	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	12,656,953	12,656,953	-	12,656,953	462,175	9,593,152	2,053,795	547,832	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(1,107,967)	(1,107,967)	0	(1,107,967)	(87,613)	(541,244)	(493,121)	14,011	-	-	-	-	-	0
FTEs	65.00	60.00	5.00	60.00	1.50	36.25	6.25	2.25	3.00	2.75	5.00	-	3.00	5.00

Statement of Financial Position

Statement of Financial Position			
STATUTORY and STATE (NON- STATUTORY)			
	(Per Audit) 31-Dec-16	Projected 31-Dec-17	Budget 31-Dec-18
ASSETS			
Cash	5,282,067	2,336,756	1,154,186
Accounts receivable, net of allowance for uncollec	-	-	-
Other Receivables	-	-	-
Prepaid expenses and other current assets	323,794	323,794	323,794
Security deposit	39,705	39,705	39,705
Cash value of insurance policies	-	-	-
Property and equipment	656,813	488,313	312,386
Total Assets	6,302,379	3,188,568	1,830,071
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	758,438	758,438	758,438
Deferred income/rent	364,065	335,621	250,240
Deferred penalty income	-	-	-
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities			
Accrued incentive compensation			
Total Liabilities	1,122,503	1,094,059	1,008,678
Unrestricted Net Assets			
Undesignated	5,107,794	1,819,509	821,393
Regulator designated	72,082	275,000	-
Total Net Assets	5,179,876	2,094,509	821,393
Total Liabilities and Net Assets	6,302,379	3,188,568	1,830,071

2018 Texas RE Combined Statutory and Non-Statutory Organization Chart



Arrow indicates number of FTEs from 2017 to 2018.

DOCKET NO. RR17-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2018 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 10

WESTERN ELECTRICITY COORDINATING COUNCIL

PROPOSED 2018 BUSINESS PLAN AND BUDGET

2018 Business Plan and Budget

Western Electricity Coordinating Council

Approved by: WECC Board of Directors

Date: June 21, 2017



155 North 400 West, Suite 200

Salt Lake City, Utah 84103-1114

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Introduction

TOTAL RESOURCES (in whole dollars)				
	2018 Budget	U.S.	Canada	Mexico
Statutory FTEs*	143.0			
Non-statutory FTEs	6.0			
Total FTEs	149.0			
Statutory Expenses	\$ 27,245,859			
Non-Statutory Expenses	\$ 1,774,080			
Total Expenses	\$ 29,019,939			
Statutory Incr(Decr) in Fixed Assets	\$ (148,515)			
Non-Statutory Incr(Decr) in Fixed Assets	\$ (7,301)			
Total Inc(Dec) in Fixed Assets	\$ (155,816)			
Statutory Working Capital Requirement**	\$ 899,706			
Non-Statutory Working Capital Requirement***	\$ 32,536			
Total Working Capital Requirement	\$ 932,242			
Total Statutory Funding Requirement	\$ 27,997,050			
Total Non-Statutory Funding Requirement	\$ 1,799,315			
Total Funding Requirement	\$ 29,796,365			
Statutory Assessments	\$ 25,282,000	\$ 21,841,793	\$ 3,004,443	\$ 435,765
Non-Statutory Fees	\$ 1,799,315	\$ 1,709,349	\$ 89,966	\$ -
NEL****	857,250,282	722,744,087	121,411,129	13,095,066
NEL%	100.00%	84.31%	14.16%	1.53%

*An FTE is defined as a full-time equivalent employee.

**Refer to the Statutory Reserve Analysis on page 45 in Section B.

***Refer to the Non-Statutory Reserve Analysis on page 62 in Section C.

****NEL is defined as Net Energy for Load.

Organizational Overview

The Western Electricity Coordinating Council (WECC) is a 501(c)(4) social welfare organization funded through Load-Serving Entity (LSE) assessments authorized by the Federal Energy Regulatory Commission (FERC) under Section 215 of the Federal Power Act. WECC's purpose is to assure the public of the reliability and security of the Western Interconnection's Bulk Electric System (BES). WECC operates under a delegation agreement with the North American Electric Reliability Corporation (NERC) and in accordance with its Bylaws. WECC executes its mission while working with a broad community consisting of industry stakeholders and two advisory bodies – the Member Advisory Committee (MAC) and the Western Interconnection Regional Advisory Body (WIRAB).

The Western Interconnection is a geographic 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, the Canadian provinces of British Columbia and Alberta, and a portion of Baja California Norte, Mexico.

WECC's value proposition is to enhance reliability and security through two measures:

- Providing efficient and effective risk-based Compliance Monitoring and Enforcement of Reliability Standards through standards development, entity registration, compliance risk assessment, and audits and investigations; and
- Informing the actions, practices, and decisions of industry participants, regulators, and policy-makers through reliability assessments, performance analysis, situation awareness, event analysis, training, and outreach.

WECC's business philosophy is guided by three fundamental principles:

Independence – As a 501(c)(4) social welfare organization, our goal is to serve the public interest. WECC represents what is best for reliability within the Western Interconnection with an impartial and unbiased voice.

Perspective – WECC is uniquely situated in a way that allows its subject matter experts to develop comprehensive and influential work products for the Western Interconnection.

Partnership – WECC is focused on assuring a reliable Bulk Electric System in the West by collaborating with others who have the same reliability-driven mission.

Membership and Governance

WECC has 366 members¹ divided into the following five Membership Classes:

1. Large Transmission Owners,
2. Small Transmission Owners,
3. Electric Line of Business Entities doing business in the Western Interconnection that do not own, control or operate transmission or distribution lines in the Western Interconnection,
4. End Users and entities that represent the interests of end users, and
5. Representatives of State and Provincial Governments.

WECC membership is open to any person or entity that has an interest in the reliable operation of the Western Interconnection BES. WECC membership is not a requirement for participation in the WECC Standards Development Process.²

WECC is governed by a nine-member Independent Board of Directors (Board) elected by the WECC membership, and WECC's Chief Executive Officer. The nine Independent Directors are compensated by WECC for their time.

¹ As of April 13, 2017.

² Non-WECC members may participate in standards drafting teams and participating stakeholders may vote on Regional Reliability Standards. A Participating Stakeholder is defined in Section 3.23 of the WECC Bylaws and the Participating Stakeholder Application Process is described in Section 8.7.4. WECC's Reliability Standards Voting Procedures are detailed in the Reliability Standards Development Procedures.

WECC has five governance committees that provide functional oversight of WECC operations:

- Compliance Hearing Body (CHB),
- Finance and Audit Committee (FAC),
- Governance Committee (GC),
- Human Resources and Compensation Committee (HRCC), and
- Nominating Committee (NC).

Under the direction of the WECC Board, additional committees provide the Board with technical advice and policy recommendations:

- Joint Guidance Committee (JGC),
- Market Interface Committee (MIC),
- Member Advisory Committee (MAC),
- Operating Committee (OC),
- Reliability Assessment Committee (RAC), and
- WECC Standards Committee (WSC).

Pursuant to Section 215(j) of the Federal Power Act, FERC created WIRAB. WIRAB's purpose is to advise WECC, NERC and FERC regarding the governance of WECC, and whether proposed Reliability Standards and the budget are just, reasonable, not unduly discriminatory or preferential, and in the public interest.

WECC and FERC may request that WIRAB provide advice on other topics. Members are appointed by the Governors/Premiers from Alberta, Arizona, British Columbia, California, Colorado, Idaho, Montana, Nebraska, Nevada, New Mexico, Oregon, South Dakota, Utah, Texas, Washington, Wyoming and Mexico. WECC's budget does not include any costs related to WIRAB operations.

2018 Key Assumptions

The Board recognizes that the electric industry is undergoing profound changes nationally and in the West, and that other institutions are involved in furthering the understanding of these changes. While WECC will not duplicate the efforts of other qualified entities, the Board believes WECC should proactively address issues where the impact to the Western Interconnection's reliability are less understood or where WECC and its committees are positioned to make a significant contribution to Western reliability and security.

Therefore, in addition to its baseload work supporting Electric Reliability Organization (ERO)-Enterprise-driven programs, the Board has established the following strategic priorities for WECC.

- Monitor progress as proposals are developed for structural changes in the West and be prepared to evaluate potential impacts on reliability.

- Assess the reliability implications of the ongoing evolution of load composition and resource mix in the Western Interconnection as well as fuel security, resource and transmission adequacy, and BES stability.
- Identify key vulnerability issues and work with stakeholders to address them.
- Maximize sharing of operating and system data (within agreed parameters), and insights from Event Analysis including, to the extent possible, near-misses –.
- Focus reliability assessment efforts on identifying the impacts and possible mitigation efforts surrounding a handful of future industry evolution scenarios or high-impact/low-probability events.

NERC and the Regional Entities' business plans and budgets reflect the collaborative development of the ERO Enterprise Strategic Plan and a set of shared common assumptions and key focus areas. The entire set of Shared Assumptions is provided in Exhibit A to the NERC 2018 Business Plan and Budget. WECC supports these assumptions and focus areas as well as assumptions specific to WECC that are described in each statutory program area in [Section A](#).

2018 Key Deliverables

While WECC has many deliverables that are outlined in each program area, the following are key deliverables due to their strategic importance.

- Complete a comprehensive assessment of the adequacy and risk profile of the natural gas infrastructure in the West, including natural gas storage capacity and other critical facilities that support the electric power sector's evolving reliability needs.
- Enhance WECC's capability to assess Essential Reliability Services in future scenarios.
- Refine the comprehensive risk assessment of the Western Interconnection.
- Assess Interconnection performance regarding key operational practices and work with our stakeholder committees to improve those practices.

2018 Overview of Cost Impacts

WECC's proposed 2018 statutory budget is \$27.10 million, a \$300,000 (1.12 percent) increase from the 2017 statutory budget. The increase is mainly attributable to the one-time Gas/Electric Interdependence Study offset by completion of some Remedial Action Scheme (RAS) modeling software enhancements and other one-time 2017 projects, labor float assumption changes based on actual turnover and vacancy rates, 3 percent merit pool, and the addition of three new positions (3 FTEs).

Full-time equivalents (FTE) represent the fractional allocation of a full-time position's cost to one or more functional areas. Headcount (HC) represents either vacant or filled positions. Major drivers of the change between the 2018 and 2017 statutory budgets are as follows:

- Personnel Expenses increase by a net of \$642,000, primarily due to a budgeted 3 percent merit pool, continued refinement of labor float percentages, the increase of

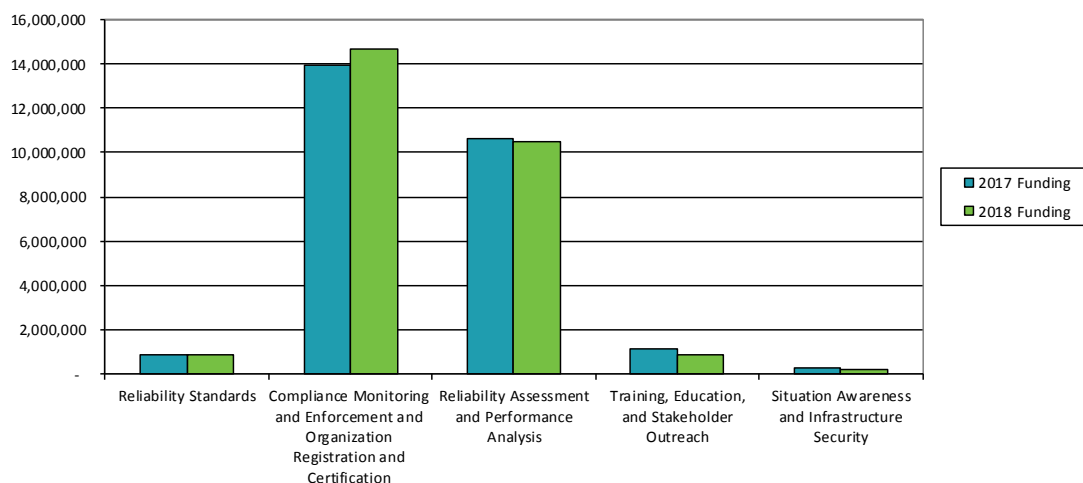
3.0 FTEs for Project Manager, Project Coordinator, and Risk Analyst positions, insurance premium rate increases, and increased employee training needs.

- Travel Expenses increase \$118,000 primarily due to additional audits/site visits related to CIP-005 and CIP-014.
- Consultants and Contracts decrease by a net of \$475,000, primarily due to the completion of some RAS modeling enhancements, other one-time Reliability Assessment and Performance Analysis (RAPA) projects completed in 2017, and a reduction in Board Director Search fees, offset by a one-time Gas/Electric Interdependence Study in 2018.
- Professional Services decrease by \$83,000 primarily due to a new Board Director compensation structure.

The following table and graphs present a summary of funding requirements for WECC’s primary statutory functional areas:

Program	Budget 2017	Projection 2017	Budget 2018	2017 Budget v 2018	Variance %
Reliability Standards	\$ 875,535	\$ 881,917	\$ 858,296	\$ (17,239)	(2.0%)
Compliance Monitoring and Enforcement and Organization Registration and Certification	13,963,714	14,189,032	14,643,676	679,962	4.9%
Reliability Assessment and Performance Analysis	10,601,213	11,094,916	10,476,294	(124,919)	(1.2%)
Training, Education, and Stakeholder Outreach	1,111,942	796,961	895,191	(216,751)	(19.5%)
Situation Awareness and Infrastructure Security	244,523	233,124	223,887	(20,636)	(8.4%)
Total By Program	\$ 26,796,927	\$ 27,195,950	\$ 27,097,344	\$ 300,417	1.1%

Comparison of 2018 to 2017 Budgeted Funding Requirements



Personnel Analysis

In the 2018 budget, there is an increase of 3.0 FTEs for a Project Manager and Project Coordinator in the RAPA area to manage RAPA's projects and allow engineering staff to focus more time on the technical aspects of Reliability Planning and a Risk Analyst in the Compliance area with expertise in internal controls. Additionally, WECC realigned some positions between program areas in 2018 due to an internal reorganization in 2017. Positions were moved to where resources were needed most and to more appropriately classify costs based on the scope of work. Those shifts account for the balance of the changes in FTEs between 2018 and 2017. Details are discussed in the respective program area sections of the Business Plan and Budget.

Total FTEs by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2017	2017	2018 Budget	FTEs * 2018 Budget	2018 Budget	from 2017 Budget
STATUTORY						
Operational Programs						
Reliability Standards	3.0	3.0	3.0	0.0	3.0	-
Compliance Monitoring and Enforcement and Organization Registration and Certification	55.0	54.0	59.0	0.0	59.0	4.0
Training, Education, and Stakeholder Outreach	2.0	1.3	1.3	0.0	1.3	(0.7)
Reliability Assessment and Performance Analysis	36.0	36.0	38.0	0.0	38.0	2.0
Situation Awareness and Infrastructure Security	1.0	1.0	1.0	0.0	1.0	-
Total FTEs Operational Programs	97.0	95.3	102.3	0.0	102.3	5.3
Corporate Services						
Technical Committees and Member Forums	0.0	0.0	0.0	0.0	0.0	-
General & Administrative	19.0	18.0	16.8	0.0	16.8	(2.3)
Information Technology	8.0	8.0	8.7	0.0	8.7	0.7
Legal and Regulatory	7.0	7.0	7.0	0.0	7.0	-
Human Resources	4.0	4.0	4.0	0.0	4.0	-
Finance and Accounting	5.0	4.0	4.3	0.0	4.3	(0.8)
Total FTEs Corporate Services	43.0	41.0	40.7	0.0	40.7	(2.3)
Total FTEs	140.0	136.3	143.0	0.0	143.0	3.0

2017 Budget and Projection and 2018 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
STATUTORY					
	2017 Budget	2017 Projection	Variance 2017 Budget v 2017 Projection Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ 25,282,000	\$ 25,282,000	\$ -	\$ 25,282,000	\$ -
Penalty Sanctions	1,059,500	1,059,500	-	2,100,000	1,040,500
Total Statutory Funding	\$ 26,341,500	\$ 26,341,500	\$ -	\$ 27,382,000	\$ 1,040,500
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops	587,876	406,261	(181,615)	540,050	(47,826)
Interest	75,000	92,445	17,445	75,000	-
Miscellaneous	-	-	-	-	-
Total Revenue (A)	\$ 27,004,376	\$ 26,840,206	\$ (164,170)	\$ 27,997,050	\$ 992,674
Expenses					
Personnel Expenses					
Salaries	\$ 14,681,223	\$ 14,535,369	\$ (145,854)	\$ 15,199,335	\$ 518,112
Payroll Taxes	1,056,810	1,075,378	18,568	1,089,355	32,545
Benefits	2,219,528	2,231,966	12,438	2,293,855	74,327
Retirement Costs	1,272,165	1,348,660	76,495	1,288,724	16,559
Total Personnel Expenses	\$ 19,229,726	\$ 19,191,373	\$ (38,353)	\$ 19,871,269	\$ 641,543
Meeting Expenses					
Meetings	\$ 726,768	\$ 676,300	\$ (50,468)	\$ 755,785	\$ 29,017
Travel	1,283,164	1,342,105	58,941	1,401,209	118,045
Conference Calls	72,397	44,771	(27,626)	75,000	2,603
Total Meeting Expenses	\$ 2,082,329	\$ 2,063,176	\$ (19,153)	\$ 2,231,994	\$ 149,665
Operating Expenses					
Consultants & Contracts	\$ 2,498,270	\$ 2,958,739	\$ 460,469	\$ 2,023,281	\$ (474,989)
Office Rent	938,050	964,100	26,050	944,461	6,411
Office Costs	1,554,255	1,559,543	5,288	1,598,628	44,373
Professional Services	986,450	917,677	(68,773)	903,710	(82,740)
Miscellaneous	-	-	-	-	-
Depreciation	367,858	372,213	4,355	217,816	(150,042)
Total Operating Expenses	\$ 6,344,883	\$ 6,772,272	\$ 427,389	\$ 5,687,896	\$ (656,987)
Total Direct Expenses	\$ 27,656,938	\$ 28,026,821	\$ 369,883	\$ 27,791,159	\$ 134,221
Indirect Expenses	\$ (610,702)	\$ (572,820)	\$ 37,882	\$ (545,300)	\$ 65,402
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 27,046,236	\$ 27,454,001	\$ 407,765	\$ 27,245,859	\$ 199,623
Change in Assets	\$ (41,860)	\$ (613,795)	\$ (571,935)	\$ 751,191	\$ 793,051
Fixed Assets					
Depreciation	\$ (367,858)	\$ (372,213)	\$ (4,355)	\$ (217,816)	\$ 150,042
Computer & Software CapEx	35,000	30,000	(5,000)	50,000	15,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	77,000	77,000	-	12,000	(65,000)
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	6,550	7,162	612	7,301	751
Incr(Dec) in Fixed Assets (C)	\$ (249,308)	\$ (258,051)	\$ (8,743)	\$ (148,515)	\$ 100,793
TOTAL BUDGET (B+C)	\$ 26,796,928	\$ 27,195,950	\$ 399,022	\$ 27,097,344	\$ 300,416
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 207,448	\$ (355,744)	\$ (563,192)	\$ 899,706	\$ 692,258
FTEs	140.0	136.0	(4.0)	143.0	3.0
HC	140.0	136.0	(4.0)	143.0	3.0

Section A

Statutory Programs

2018 Business Plan and Budget

Section A — 2018 Business Plan and Budget - Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	3.0	3.0	-
Direct Expenses	\$ 573,461	\$ 589,296	\$ 15,835
Indirect Expenses	\$ 305,349	\$ 272,650	\$ (32,699)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (3,275)	\$ (3,650)	\$ (375)
Total Funding Requirement	\$ 875,535	\$ 858,296	\$ (17,239)

Program Scope and Functional Description

The WECC Reliability Standards Program supports the NERC Reliability Standards Program as well as facilitates the development of WECC Regional Reliability Standards (RRS), WECC Regional Variances to NERC Reliability Standards, and WECC Regional Criteria. WECC supports the development of a Regional Variance to a NERC Reliability Standard when necessary to address reliability issues within the Western Interconnection that are necessitated by a physical difference in the BES or in instances where more stringent performance is desired by Western stakeholders. WECC will only develop an RRS (rather than a variance) when a NERC Reliability Standard addressing a reliability issue does not exist.

Regional Criteria may be necessary to implement, augment or comply with NERC Reliability Standards, but they are not Reliability Standards and are not enforceable. Regional Criteria may include acceptable operating or planning parameters, guides, or other documents used to enhance BES reliability.

2018 Key Assumptions

- WECC expects the number of RRS projects to remain low, with the majority focusing on potential retirement of existing RRSs due to the subject matter now being included in NERC Continent-wide Standards. It is possible, but not likely, that regulatory directives could result in RRS projects.
- WECC expects to conduct periodic reviews of existing RRSs to improve their content and quality.
- WECC will evaluate information obtained from audit and enforcement experiences as well as information learned through events analysis to determine whether any new RRSs or revisions to existing RRSs are necessary.

- WECC expects that much of the work required to develop Regional Reliability Standards, Regional Variances to NERC Reliability Standards, and Regional Criteria will continue to be performed by voluntary stakeholder participation.
- WECC will continue to rely on stakeholder volunteers to staff most NERC Standards drafting teams. WECC staff may, at times, participate as drafting team members or observers.
- WECC Standards staff will take an active role in the coordination and communication of NERC Standards drafting teams' activities to the Western stakeholders.
- WECC supports NERC's efforts to replace all fill-in-the-blank standards with standards applicable to the appropriate registered entity, and doesn't anticipate it will be necessary to develop additional RRSs to address fill-in-the-blank standards. WECC will complete several current WECC RRS and Regional Criteria projects to allow for development work on unforeseen future projects.
- WECC will undertake a review of existing WECC RRSs to determine whether any are candidates for incorporation as a Regional Variance to a NERC Continent-wide Reliability Standard and, if so, coordinate with NERC to address the incorporation during NERC's next enhanced periodic review of the NERC Reliability Standard(s).
- Integration of renewable resources may require new or modified NERC Reliability Standards or WECC RRSs. WECC supports the concept and will participate, when appropriate, in the enhanced periodic reviews of NERC Reliability Standards.
- WECC expects that the effort necessary to complete these assumptions can be achieved by existing resources.

2018 Goals and Key Deliverables

- Ensure the Western Interconnection perspective is represented in NERC Continent-wide Reliability Standards or, if necessary, through the development of Regional Variances or Regional Reliability Standards if a NERC Continent-wide standard addressing a Western Interconnection reliability issue does not exist.
- Ensure that the RRSs and Regional Criteria developed using the WECC Reliability Standards Development Procedures meet the needs of the Western stakeholders.
- Ensure that development of RRSs and Regional Criteria is in accordance with the most recent WECC Reliability Standards Development Procedures.
- Ensure that WECC members and stakeholders are informed and engaged in NERC Standards development efforts.
- Coordinate with NERC's enhanced periodic review process to identify any WECC RRSs that are candidates for inclusion as an improvement or a Regional Variance to a NERC Reliability Standard.
- Use feedback from WECC's audit and enforcement experience as well as information learned through events analysis for enhancements to WECC RRSs or WECC Regional Criteria.

- Provide leadership and guidance to encourage Western Interconnection stakeholder awareness and participation in the development of NERC risk-responsive Reliability Standards and participation in enhanced periodic reviews of existing NERC Standards.
- Undertake regular outreach to keep stakeholders informed about the status of NERC and WECC Standards development activities.
- Provide support to NERC’s informal outreach and enhanced periodic review efforts.
- Post updates and provide enhancements to the WECC Standards webpages.
- Facilitate and support the activities of the WECC Standards Committee.
- Continue support of the NERC Standards Committee and its subcommittees.
- Ensure that WECC’s procedures are updated as necessary to meet expectations of any remaining fill-in-the-blank standards.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by a net of \$20,000 primarily due to continued refinement of the labor float rate based on actual turnover and vacancy rates, and a 3 percent average merit increase.

Meeting Expenses

- Conference Calls decrease by \$4,000 due to moving the conference call budget to General and Administrative.

Operating Expenses

- No significant changes.

Fixed Assets

- No significant changes.

See Section B – Supplemental Financial Information for explanations of other variances between the 2017 and 2018 budgets.

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards Program are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
RELIABILITY STANDARDS					
	2017 Budget	2017 Projection	Variance 2017 Budget v 2017 Projection Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ 847,225	\$ 847,225	\$ -	\$ 823,011	\$ (24,214)
Penalty Sanctions	32,768	32,768	-	61,584	28,816
Total Statutory Funding	\$ 879,993	\$ 879,993	\$ -	\$ 884,595	\$ 4,602
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	2,320	2,910	590	2,199	(121)
Miscellaneous	-	-	-	-	-
Total Revenue (A)	\$ 882,313	\$ 882,903	\$ 590	\$ 886,794	\$ 4,481
Expenses					
Personnel Expenses					
Salaries	\$ 440,237	\$ 455,313	\$ 15,076	\$ 457,200	\$ 16,963
Payroll Taxes	30,420	36,553	6,133	30,434	14
Benefits	36,238	43,477	7,239	37,366	1,128
Retirement Costs	37,185	40,984	3,799	38,696	1,511
Total Personnel Expenses	\$ 544,080	\$ 576,327	\$ 32,247	\$ 563,696	\$ 19,616
Meeting Expenses					
Meetings	\$ 960	\$ 720	\$ (240)	\$ 520	\$ (440)
Travel	19,175	17,272	(1,903)	20,200	1,025
Conference Calls	3,601	-	(3,601)	-	(3,601)
Total Meeting Expenses	\$ 23,736	\$ 17,992	\$ (5,744)	\$ 20,720	\$ (3,016)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	5,645	4,769	(876)	4,880	(765)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 5,645	\$ 4,769	\$ (876)	\$ 4,880	\$ (765)
Total Direct Expenses	\$ 573,461	\$ 599,088	\$ 25,627	\$ 589,296	\$ 15,835
Indirect Expenses	\$ 305,349	\$ 286,410	\$ (18,939)	\$ 272,650	\$ (32,699)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 878,810	\$ 885,498	\$ 6,688	\$ 861,946	\$ (16,864)
Change in Assets	\$ 3,503	\$ (2,595)	\$ (6,098)	\$ 24,848	\$ 21,345
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(3,275)	(3,581)	(306)	(3,650)	(375)
Incr(Dec) in Fixed Assets (C)	\$ (3,275)	\$ (3,581)	\$ (306)	\$ (3,650)	\$ (375)
TOTAL BUDGET (B+C)	\$ 875,535	\$ 881,917	\$ 6,382	\$ 858,296	\$ (17,239)
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 6,778	\$ 986	\$ (5,792)	\$ 28,498	\$ 21,720
FTEs	3.0	3.0	-	3.0	-
HC	3.0	3.0	-	3.0	-

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	55.0	59.0	4.0
Direct Expenses	\$ 8,425,668	\$ 9,353,357	\$ 927,689
Indirect Expenses	\$ 5,598,091	\$ 5,362,114	\$ (235,977)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (60,045)	\$ (71,794)	\$ (11,749)
Total Funding Requirement	\$ 13,963,714	\$ 14,643,677	\$ 679,963

Program Scope and Functional Description

WECC's Compliance Monitoring and Enforcement and Organization Registration and Certification Program Area (CMEP) is implemented by WECC Registered Entity Oversight and Enforcement 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:

- Operations and Planning (O&P) Standards made mandatory pursuant to FERC Order 693,
- the Critical Infrastructure Protection (CIP) Standards under FERC Order 706, and
- various other FERC orders approving standards since Orders 693 and 706.

To accomplish its objectives, staff is divided into six main areas: 1) Organization Registration, 2) O&P Audits and Investigations, 3) CIP Audits and Investigations, 4) Enforcement, 5) Risk Analysis, and 6) Program Administration.

WECC will continue to conduct its monitoring and enforcement activities in accordance with the Board-endorsed Regulatory Philosophy, the key tenets of which are: be an informed regulator, identify top risks to reliability, exercise discretion responsibly, and enforce fairly. WECC Registered Entity Oversight staff monitors the FERC-approved NERC Reliability Standards across 368 registered owners, operators and users of the BES through a variety of risk-based activities. WECC will continue to dedicate, assess and deploy required resources in support of the ERO Enterprise-level initiatives, which include the following activities:

- Regional Reliability Risk Assessments;
- Inherent Risk Assessments;
- Internal Controls Evaluations;
- activities for Organization Registration;
- mitigation plan reviews, acceptance, approvals and verification;

- reviews of self-logged minimal risk issues;
- processing and assessing self-certification requests and guided self-certification responses;
- review and validation of periodic data submittals;
- internal compliance program assessments;
- activities specific to compliance audits, spot-checks, investigations and assessment of complaints;
- creation of compliance oversight plans along with schedules to align monitoring activities based on potential risk; and
- BES Definition Exception request activities.

These are joint ERO Enterprise initiatives that benefit NERC, the Regional Entities and the registered entities.

Compliance in Alberta, British Columbia, and Mexico

Alberta and British Columbia, Canada; and a portion of Baja California Norte, Mexico are all part of the Western Interconnection and have adopted or are adopting mandatory Reliability Standards based on FERC-approved Standards. WECC has entered 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.

2018 Key Assumptions

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program Area incorporates the Regional Entity-specific shared business planning assumptions as described in the ERO Enterprise 2018–2020 Shared Business Plan and Budget Assumptions and Key Focus Areas document, and includes the following additional WECC-specific assumptions:

- WECC promotes a culture of compliance that addresses reliability risks by monitoring the FERC-approved NERC Reliability Standards for applicable entities through audits and/or spot-checks. WECC applies a risk-based approach that covers and ensures all pre-audit, onsite/offsite, and post-audit activities are completed in accordance with the NERC Rules of Procedure and the CMEP within the United States. With respect to non-U.S. jurisdictions, WECC monitors compliance in accordance with the approved agreements and applicable compliance monitoring programs with Canadian and Mexican authorities.
- Additional resources may be required to support increased workload associated with enforcement activities, specific to violations of new Reliability Standard requirements for TPL-001-4, and CIP v5 low-impact BES Cyber System (BCS). The number of hearings to be conducted in 2018 is unknown.

- WECC will shift its focus to refreshing BA/RC and TOP IRAs. In addition, WECC will develop registered entity compliance oversight plans that include compliance monitoring tools and frequency, and incorporate emerging risks tailored to the inherent risks posed by specific entities.
- WECC will continue work in consultation with the international compliance enforcement authorities to determine which elements of the risk-based CMEP should be incorporated in the respective programs for international entities. Currently, WECC does not conduct Inherent Risk Assessments (IRA) or Internal Controls Evaluations (ICE) for international entities.
- WECC will allocate resources and provide continued support for the implementation of cyber-security Reliability Standards for CIP v5 training, coordination and facilitation of ERO Enterprise efforts and initiatives. Additional resource allocation may be necessary for increased monitoring activities and site visits for CIP-014 related to the Supply Chain Risk Management Reliability Standard (CIP-013).
- Resource allocation will continue for activities associated with registration. WECC plans to participate in four NERC-led centralized review panel sessions as part of the application process for materiality tests of the risk-based registration process outlined in Appendix 5A to the NERC Rules of Procedure. WECC will continue to review, assess, validate and submit registration recommendations to NERC for new registrations, partial deactivations, transfer of access and full deregistration changes impacting the NERC Compliance Registry (NCR).
- WECC will fully support ERO Enterprise efforts and activities to evaluate ERO business practices, consistency, implementation and guidance within the risk-based compliance monitoring and enforcement program. WECC will provide feedback to the ERO Enterprise regarding existing risks, with an emphasis on standard development, standard modification, audit and monitoring approaches, and potential gaps. WECC will work within the ERO Enterprise to develop application business requirements and allocate resources to test business functionality for application projects.
- WECC will use the results of the Regional Reliability Risk Assessment (RRA) to review the potential risks to the reliability of the BES posed by an individual registered entity by using ERO IRA guidance to perform the registered entity IRA. The information will also be used to build areas of focus in the WECC CMEP Implementation Plan.
- WECC does not anticipate any hearings in 2018. To date, WECC has never had a hearing and; therefore, does not budget for them. Any costs related to a hearing that may occur will be funded through working capital reserves.
- Three positions (3 FTEs) were transferred from General and Administrative due to the 2017 reorganization to more appropriately align costs with scope of work.
- One new position (1 FTE), a risk analyst with expertise in internal controls, is being added in 2018.

2018 Goals and Key Deliverables

Organization Registration

- Process and complete organization registration request reviews, validations and recommendations to NERC in accordance with risk-based registration activities and initiatives.
- Process all BES Exception submittals.
- Participate in ERO Enterprise working groups to ensure consistency in processing registration requests in accordance with the NERC Rules of Procedure outlined in Appendix 5b (Statement of Compliance Registry Criteria).

Compliance Risk Analysis and Monitoring

- 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. With respect to non-U.S. jurisdictions, monitor compliance in accordance with the approved agreements and applicable compliance monitoring programs with Canadian and Mexican authorities.
- Complete 22 onsite audits, nine offsite audits and 18 spot checks of registered entities for 2018. This may change based on broader Interconnection and subregional risk assessment, Inherent Risk Assessment and the identification of emerging risks that require proactive compliance monitoring.³ Due to the changes in the new NERC Reliability Standards for CIP-005, CIP-014 and TPL-001; and implementation of Internal Controls Evaluation – additional site visits may be required. Additional compliance audits and/or spot-checks will be determined from risk-based analysis.
- Complete initial Inherent Risk Assessments for all registered entities by the end of 2018.
- Gather and review risk reports and operations information to update its Regional RRA of the Western Interconnection.
- Work with registered entities within the WECC Region to promote a strong culture of compliance and reliability improvement.
- Participate in and represent the Western Interconnection on issues that will impact WECC regarding NERC and regional initiatives, for example: refining risk-based concepts in compliance monitoring and enforcement for the risk-based CMEP, streamlining enforcement processing, increasing consistency across the Regions, and reviewing information technology needs.
- Conduct outreach to the industry in various forums; webinars, conferences and entity specific engagements in support of ERO Enterprise activities and priorities.

³ The 2018 schedule of onsite audits, offsite audits, and spot checks is based on the risk assessment and analysis process, and is subject to change.

Enforcement

- Monitor and manage enforcement measures and metrics in support of the ERO-Enterprise Strategic Plan including caseload index, violation aging, and mitigation plan aging; and collaborate with the ERO enterprise to develop better measures of program effectiveness.
- Continue working with NERC and the other Regional Entities to shape and refine the ERO Enterprise enforcement philosophy that supports uniform, repeatable, transparent and reliability-focused approaches.
- Conduct initial violation fact and circumstance reviews, and resolve enforcement actions in a timely manner using a reliability risk-based focus. Ensure enforcement discretion is consistent with NERC directives and FERC orders, rules and regulations.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by a net of \$867,000 due to:
 - reclassification of three positions (3 FTEs) from General and Administrative from the 2017 reorganization to more appropriately align costs with scope of work,
 - one new position (1 FTE) for a Risk Analyst with expertise in internal controls,
 - continued refinement of the labor float rate based on actual turnover and vacancy rates, and
 - a 3 percent average merit increase.

Meeting Expenses

- Travel Expenses increase by \$137,000 due to additional audits/site visits related to CIP-005, CIP-014, and risk-based compliance monitoring.
- Conference Calls decrease by \$13,000 due to moving the conference call budget to General and Administrative.

Operating Expenses

- Consultants and Contracts decrease by \$53,000 due to an overall reduction in contract labor for compliance audits.

Fixed Assets

- No significant changes.

See Section B – Supplemental Financial Information for explanations of other variances between the 2017 and 2018 budgets.

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.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
COMPLIANCE MONITORING AND ENFORCEMENT AND ORGANIZATION REGISTRATION AND CERTIFICATION					
	2017 Budget	2017 Projection	Variance 2017 Budget v 2017 Projection Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ 13,428,540	\$ 13,428,543	\$ 3	\$ 13,875,486	\$ 446,946
Penalty Sanctions	600,748	600,748	-	1,211,143	610,395
Total Statutory Funding	\$ 14,029,288	\$ 14,029,291	\$ 3	\$ 15,086,629	\$ 1,057,341
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	42,526	52,382	9,856	43,256	730
Miscellaneous	-	-	-	-	-
Total Revenue (A)	\$ 14,071,814	\$ 14,081,673	\$ 9,859	\$ 15,129,885	\$ 1,058,071
Expenses					
Personnel Expenses					
Salaries	\$ 5,335,104	\$ 5,760,177	\$ 425,073	\$ 6,024,488	\$ 689,384
Payroll Taxes	415,384	437,465	22,081	457,104	41,720
Benefits	693,285	852,798	159,513	770,127	76,842
Retirement Costs	450,238	505,946	55,708	509,510	59,272
Total Personnel Expenses	\$ 6,894,011	\$ 7,556,386	\$ 662,375	\$ 7,761,229	\$ 867,218
Meeting Expenses					
Meetings	\$ 9,810	\$ 14,452	\$ 4,642	\$ 5,400	\$ (4,410)
Travel	706,338	783,827	77,489	843,277	136,939
Conference Calls	12,900	-	(12,900)	-	(12,900)
Total Meeting Expenses	\$ 729,048	\$ 798,279	\$ 69,231	\$ 848,677	\$ 119,629
Operating Expenses					
Consultants & Contracts	\$ 450,270	\$ 385,999	\$ (64,271)	\$ 397,221	\$ (53,049)
Office Rent	-	313	313	-	-
Office Costs	352,339	357,130	4,791	346,230	(6,109)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 802,609	\$ 743,442	\$ (59,167)	\$ 743,451	\$ (59,158)
Total Direct Expenses	\$ 8,425,668	\$ 9,098,107	\$ 672,439	\$ 9,353,357	\$ 927,689
Indirect Expenses	\$ 5,598,091	\$ 5,155,380	\$ (442,711)	\$ 5,362,114	\$ (235,977)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 14,023,759	\$ 14,253,487	\$ 229,728	\$ 14,715,471	\$ 691,712
Change in Assets	\$ 48,055	\$ (171,814)	\$ (219,869)	\$ 414,414	\$ 366,359
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(60,045)	(64,455)	(4,410)	(71,794)	(11,749)
Incr(Dec) in Fixed Assets (C)	\$ (60,045)	\$ (64,455)	\$ (4,410)	\$ (71,794)	\$ (11,749)
TOTAL BUDGET (B+C)	\$ 13,963,714	\$ 14,189,032	\$ 225,318	\$ 14,643,677	\$ 679,963
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 108,100	\$ (107,359)	\$ (215,459)	\$ 486,208	\$ 378,108
FTEs	55.0	54.0	(1.0)	59.0	4.0
HC	55.0	54.0	(1.0)	59.0	4.0

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	36.0	38.0	2.0
Direct Expenses	\$ 7,119,721	\$ 7,093,002	\$ (26,719)
Indirect Expenses	\$ 3,664,205	\$ 3,453,565	\$ (210,640)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (182,713)	\$ (70,272)	\$ 112,441
Total Funding Requirement	\$ 10,601,213	\$ 10,476,295	\$ (124,918)

Program Scope and Functional Description

WECC conducts a variety of assessments and studies essential to the reliable planning and operation of the BES in the Western Interconnection. In addition, WECC compiles and distributes planning data and information that is used by WECC stakeholders to aid in local planning studies. These integrated assessment and planning efforts enhance WECC's overall ability to participate in and respond to the major reliability and emerging public policy issues of both the Western Interconnection and the other Regions.

The RAPA program area is organized into three departments:

1. The Performance Analysis Department conducts robust analyses on the historical operation and performance of the Western Interconnection to assess Interconnection-wide risks and vulnerabilities, and to identify best practices.
2. The Events Analysis Department performs analyses to recognize and study, in detail, system conditions and events that impact or have the potential to impact reliable operations. This is to ensure WECC has learned all it can and has a full understanding of causes and outcomes of any system event.
3. The Reliability Planning Department develops and maintains WECC's integrated capability to study Western Interconnection reliability issues for the near- and long-term planning horizon. The group is focused on developing the planning tools and data sets to support transmission planning and performing special studies on priority reliability issues as they are identified. The studies, made in close collaboration with the WECC technical committees, consider both system adequacy and system stability.

In addition to the Western Interconnection-specific work described above, WECC's RAPA program supports the development of NERC's RAPA activities through targeted data gathering and, as needed, project team participation.

2018 Key Assumptions

The Reliability Assessment and Performance Analysis Program Area incorporates the Regional Entity-specific shared business planning assumptions as described in the ERO Enterprise 2018–2020 Shared Business Plan and Budget Assumptions and Key Focus Areas document and includes the following additional WECC-specific assumptions.

- The RAPA staff and WECC technical committees will continue to focus on assessment activities that address the Strategic Priority areas identified by the WECC Board in December 2016.
- WECC staff and stakeholders will continue to play a leadership role in the identification of emerging reliability challenges specific to the Western Interconnection.
- RAPA will add two positions in 2018—a project manager and a project coordinator—to help plan, execute and close out WECC’s many projects as well as provide staff liaison support to the remaining committees, thus freeing up existing engineering staff to focus on work they are uniquely qualified to do.
- As the resource mix in the West continues to evolve, the dependence on natural gas used for electric generation will continue to increase. The adequacy of the natural gas infrastructure to meet the evolving reliability needs of the electric power sector is one of the top structural reliability issues the West faces and WECC will complete an Interconnection-wide assessment in 2018.
- The Reliability Assessment Committee (RAC) will be fully operational in early 2018 and we expect efficiencies will be achieved during the year. However, the efficiencies do not directly translate to a lower WECC budget for 2018. The efficiencies will be observed within WECC staff hours as well as within the stakeholder community such as less travel necessary to attend the RAC meeting instead of attending both the Planning Coordination Committee (PCC) and Transmission Expansion Planning Policy Committee (TEPPC) meetings.
- The 2018 RAPA budget for meetings and travel to support the committees, including the RAC, is slightly lower than 2017, but at this time it is unclear exactly what subcommittee structure will be needed to support the RAC.

2018 Goals and Key Deliverables

- Implement the three-year planning cycle, in conjunction with the JGC, to align staff and technical committee work plans in support of the Board-approved strategic priorities.
- Coordinate internally, with Western Interconnection stakeholders, and with NERC to ensure that emerging reliability challenges are identified and addressed in work plans.
- Prepare Interconnection-wide power flow and stability base cases and conduct studies to address key reliability challenges facing the Interconnection. Use base cases and power flow capabilities to study emerging issues (e.g., frequency response) and system vulnerabilities.

- Provide technical oversight, insight, and guidance to analyze frequency response trends and recommend any actions to minimize reliability risks and/or improve modeling capabilities.
- Complete and publish the first Anchor Data Set (a common assumption year-10 power flow and production cost model).
- Facilitate dynamic model development.
- Perform an analysis of short-circuit modeling practices in the Western Interconnection and coordinate with the Short-circuit Modeling Work Group to determine appropriate next steps for developing Interconnection-wide short-circuit models.
- Develop and maintain a database for production cost and capital cost models and conduct system adequacy analyses to meet the needs of NERC, WECC and stakeholders.
- Enhance probabilistic-based planning and analysis tools and capabilities.
- Conduct reliability assessments evaluating the adequacy and security of the system in the planning horizon, including supporting the NERC Long-Term Reliability Assessment and incorporated probabilistic assessment, Summer Reliability Assessment and Winter Reliability Assessment.
- Complete an assessment of the adequacy, security, and risks associated with natural gas infrastructure and its ability to reliably meet the evolving Bulk Electric System needs.
- Conduct special reliability assessments as needed or requested by NERC for low probability/high impact events such as geomagnetic disturbances or prolonged droughts.
- Use data from actual system disturbances to validate power flow and stability base-case models and to identify near-misses.
- Publish WECC Transmission Maps of the existing and planned system.
- Oversee and facilitate the Project Coordination and Project Rating Review Process.
- Process BES Definition exception requests.
- Verify and submit NERC Transmission Availability Data System (TADS), Generator Availability Data System (GADS), Demand-Response Availability Data System (DADS) and Misoperations Information Data Analysis System (MIDAS) filings.
- Analyze trends and patterns in historical system performance, resource and load composition, and publish in reports such as the annual State of the Interconnection report.
- Assess Interconnection performance through site visits or short surveys regarding key operational practices to identify and share best practices and potential risks to Interconnection-wide reliability.
- Evaluate historical system performance trends to identify reliability risk metrics, key indicators, and potential improvement strategies. Work with WECC technical committees to engage in proactive reliability improvement activities.

- Complete Event Analysis reports and develop Lessons Learned to support a high level of reliability within the BES while minimizing the possibility of major significant events and preventing reoccurrence of similar type events.
- Update and enhance the Reliability Risk Assessment to prospectively identify key risks to the Western Interconnection.
- Develop Reliability Guidelines, technical white papers and reports, and reference documents to address emerging issues, operational risks and industry concerns related to system operations.
- Ensure the Western Interconnection is represented in reliability matters by participating in various NERC committees, WECC committees and industry forums.
- Add two positions (2 FTEs)—a Project Coordinator and a Project Manager—to help plan, execute, and close out internal and consulting projects to free up engineering talent and enable engineers to focus on the more technical requirements of their roles.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by a net of \$535,000 primarily due to the addition of a Project Coordinator and a Project Manager. The increase also relates to continued refinement of the labor float rate based on actual turnover and vacancy rates and a 3 percent average merit increase.

Meeting Expenses

- Meeting Expenses increase by \$14,000 due to the addition of the Power Flow Work Group, Generator Operator Work Group, and Unscheduled Flow Administration Subcommittee.
- Travel Expenses decrease by \$12,000 due to a reduction in onsite reliability assessments.
- Conference Calls decrease by \$35,000 due to moving the conference call budget to General and Administrative.

Operating Expenses

- Consultants and Contracts decrease by a net of \$351,000 due to the completion of one-time 2017 projects, including RAS modeling enhancements and the addition of 2018 one-time projects, including \$750,000 for a Gas/Electric Interdependence Study.
- Office Costs decrease by \$58,000 primarily due to the elimination of license fees for NatureServe's wildlife database.

Fixed Assets

- No significant changes.

See Section B – Supplemental Financial Information for explanations of other variances between the 2017 and 2018 budgets.

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.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2017 Budget & Projection, and 2018 Budget					
RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS					
	2017 Budget	2017 Projection	Variance 2017 Budget v 2017 Projection Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ 10,262,232	\$ 10,262,233	\$ 1	\$ 10,016,218	\$ (246,014)
Penalty Sanctions	393,216	393,216	-	780,059	386,843
Total Statutory Funding	\$ 10,655,448	\$ 10,655,449	\$ 1	\$ 10,796,277	\$ 140,829
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	27,835	34,921	7,086	27,859	24
Miscellaneous	-	-	-	-	-
Total Revenue (A)	\$ 10,683,283	\$ 10,690,370	\$ 7,086	\$ 10,824,136	\$ 140,853
Expenses					
Personnel Expenses					
Salaries	\$ 3,707,303	\$ 3,865,884	\$ 158,581	\$ 4,127,042	\$ 419,739
Payroll Taxes	286,691	284,384	(2,307)	309,708	23,017
Benefits	445,792	439,383	(6,409)	501,612	55,820
Retirement Costs	313,141	347,569	34,428	349,627	36,486
Total Personnel Expenses	\$ 4,752,927	\$ 4,937,220	\$ 184,293	\$ 5,287,989	\$ 535,062
Meeting Expenses					
Meetings	\$ 112,698	\$ 87,655	\$ (25,043)	\$ 126,812	\$ 14,114
Travel	251,825	258,193	6,368	239,345	(12,480)
Conference Calls	34,800	-	(34,800)	-	(34,800)
Total Meeting Expenses	\$ 399,323	\$ 345,848	\$ (53,475)	\$ 366,157	\$ (33,166)
Operating Expenses					
Consultants & Contracts	\$ 1,536,000	\$ 2,141,577	\$ 605,577	\$ 1,185,000	\$ (351,000)
Office Rent	-	-	-	-	-
Office Costs	288,060	276,321	(11,739)	229,824	(58,236)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	143,411	144,300	889	24,032	(119,379)
Total Operating Expenses	\$ 1,967,471	\$ 2,562,198	\$ 594,727	\$ 1,438,856	\$ (528,615)
Total Direct Expenses	\$ 7,119,721	\$ 7,845,266	\$ 725,545	\$ 7,093,002	\$ (26,719)
Indirect Expenses	\$ 3,664,205	\$ 3,436,920	\$ (227,285)	\$ 3,453,565	\$ (210,640)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 10,783,926	\$ 11,282,186	\$ 498,260	\$ 10,546,567	\$ (237,359)
Change in Assets	\$ (100,643)	\$ (591,816)	\$ (491,174)	\$ 277,569	\$ 378,212
Fixed Assets					
Depreciation	\$ (143,411)	\$ (144,300)	\$ (889)	\$ (24,032)	\$ 119,379
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(39,302)	(42,970)	(3,668)	(46,240)	(6,938)
Incr(Dec) in Fixed Assets (C)	\$ (182,713)	\$ (187,270)	\$ (4,557)	\$ (70,272)	\$ 112,441
TOTAL BUDGET (B+C)	\$ 10,601,213	\$ 11,094,916	\$ 493,703	\$ 10,476,295	\$ (124,918)
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 82,070	\$ (404,546)	\$ (486,617)	\$ 347,841	\$ 265,771
FTEs	36.0	36.0	-	38.0	2.0
HC	36.0	36.0	-	38.0	2.0

Training, Education, and Stakeholder Outreach Program

Training, Education, and Stakeholder Outreach (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	2.0	1.3	(0.7)
Direct Expenses	\$ 910,558	\$ 778,625	\$ (131,933)
Indirect Expenses	\$ 203,567	\$ 118,148	\$ (85,419)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (2,183)	\$ (1,582)	\$ 601
Total Funding Requirement	\$ 1,111,942	\$ 895,191	\$ (216,751)

Program Scope and Functional Description

The Training, Education, and Stakeholder Outreach Program Area provides outreach, education and training on the application of reliability standards, compliance issues, improvement of compliance programs, reliability planning and performance analysis, grid operations, human performance, and training the trainer. In addition, internal training courses are available for employees to acquire skills and knowledge they will apply to their jobs.

2018 Key Assumptions

The Training, Education, and Stakeholder Outreach Program Area incorporates the Regional Entity-specific shared business planning assumptions as described in the ERO Enterprise 2018–2020 Shared Business Plan and Budget Assumptions and Key Focus Areas document and includes the following additional WECC-specific assumptions.

- Deliver two Compliance Workshops to provide in-depth education and training related to: lessons learned and process improvement for implementation of risk based concepts in the Compliance Monitoring and Enforcement Program (CMEP); enforcement trends and statistics; and information on audit approach for upcoming O&P standards and CIP standards changes and transitions.
- Conduct one Western Reliability Summit in 2018 to enhance outreach to all stakeholders as part of the three-year planning process.
- Conduct education webinars and workshops to expand awareness of reliability planning tools, modeling capabilities, and results.
- Provide access for employees to the NERC Learning Management System and training courses to enhance employee development opportunities.

2018 Goals and Key Deliverables

- Create and deliver additional outreach to low-impact entities for CIP version 5.
- Provide eight Compliance Open Webinars.
- Deliver Grid Fundamentals workshops.

- Deliver Train-the-Trainer workshop.
- Create and deliver Human Performance Work Group conference.
- Deliver Compliance Workshops.
- Host a third Western Reliability Summit to gather input to identify and analyze risks and challenges to the reliability of the BES.
- Create and deliver educational outreach in the form of webinars and workshops regarding reliability planning tools, modeling capabilities—including base-case and common-case studies; contingency studies and analysis, RAC studies, scenario planning and regulatory issues and trends, and events analysis.
- Provide access for all employees to the NERC Learning Management System and develop learning plans for employee training using computer-based training modules and classroom training.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses decrease by a net of \$164,000 due to the transfer of 0.7 FTE to Corporate Services to more appropriately align costs with scope of work based on the 2017 reorganization.

Meeting Expenses

- Meetings increase by a net of \$44,000 primarily due to an anticipated increase in conference facility and banquet charges for compliance workshops; total revenue from registration fees offsets the total meeting expenses.
- Travel Expenses decrease by \$10,000 due to a reduction in offsite classes and workshops.
- Conference Calls decrease by \$6,000 due to moving the conference call budget to General and Administrative.

Operating Expenses

- No significant changes.

Fixed Assets

- No significant changes.

See Section B – Supplemental Financial Information for explanations of other variances between the 2017 and 2018 budgets.

Training, Education, and Stakeholder Outreach Program

Funding sources and related expenses for the Training, Education, and Stakeholder Outreach section of the 2018 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
TRAINING, EDUCATION, AND STAKEHOLDER OUTREACH					
	2017 Budget	2017 Projection	Variance 2017 Budget v 2017 Projection Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ 509,283	\$ 509,284	\$ 1	\$ 357,225	\$ (152,058)
Penalty Sanctions	21,845	21,845	-	26,686	4,841
Total Statutory Funding	\$ 531,128	\$ 531,129	\$ 1	\$ 383,911	\$ (147,217)
Membership Dues	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	587,876	406,261	(181,615)	540,050	(47,826)
Interest	1,546	1,261	(285)	953	(593)
Miscellaneous	-	-	-	-	-
Total Revenue (A)	\$ 1,120,550	\$ 938,651	\$ (181,899)	\$ 924,914	\$ (195,636)
Expenses					
Personnel Expenses					
Salaries	\$ 314,604	\$ 170,641	\$ (143,963)	\$ 174,914	\$ (139,690)
Payroll Taxes	19,997	14,706	(5,291)	12,496	(7,501)
Benefits	25,322	11,281	(14,041)	19,229	(6,093)
Retirement Costs	26,573	15,879	(10,694)	15,656	(10,917)
Total Personnel Expenses	\$ 386,496	\$ 212,507	\$ (173,989)	\$ 222,295	\$ (164,201)
Meeting Expenses					
Meetings	\$ 469,650	\$ 421,821	\$ (47,829)	\$ 514,130	\$ 44,480
Travel	20,796	11,963	(8,833)	10,315	(10,481)
Conference Calls	5,706	-	(5,706)	-	(5,706)
Total Meeting Expenses	\$ 496,152	\$ 433,784	\$ (62,368)	\$ 524,445	\$ 28,293
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 4,560	\$ 4,560
Office Rent	-	-	-	-	-
Office Costs	27,910	28,111	201	27,325	(585)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 27,910	\$ 28,111	\$ 201	\$ 31,885	\$ 3,975
Total Direct Expenses	\$ 910,558	\$ 674,402	\$ (236,156)	\$ 778,625	\$ (131,933)
Indirect Expenses	\$ 203,567	\$ 124,111	\$ (79,456)	\$ 118,148	\$ (85,419)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,114,125	\$ 798,513	\$ (315,612)	\$ 896,773	\$ (217,352)
Change in Assets	\$ 6,425	\$ 140,138	\$ 133,713	\$ 28,141	\$ 21,716
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(2,183)	(1,552)	631	(1,582)	601
Incr(Dec) in Fixed Assets (C)	\$ (2,183)	\$ (1,552)	\$ 631	\$ (1,582)	\$ 601
TOTAL BUDGET (B+C)	\$ 1,111,942	\$ 796,961	\$ (314,981)	\$ 895,191	\$ (216,751)
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 8,608	\$ 141,690	\$ 133,082	\$ 29,723	\$ 21,115
FTEs	2.0	1.3	(0.7)	1.3	(0.7)
HC	2.0	1.0	(1.0)	1.0	(1.0)

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	1.0	1.0	-
Direct Expenses	\$ 143,832	\$ 134,221	\$ (9,611)
Indirect Expenses	\$ 101,783	\$ 90,883	\$ (10,900)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (1,092)	\$ (1,217)	\$ (125)
Total Funding Requirement	\$ 244,523	\$ 223,887	\$ (20,636)

Program Scope and Functional Description

WECC's Situation Awareness and Infrastructure Security (SAIS) Program Area maintains near Real-time awareness about the conditions and significant occurrences on the Bulk Electric System in the Western Interconnection, with the objective of recognizing conditions and situations that could impact the reliability of the BES. WECC has access to limited Real-time data via the Situation Awareness for FERC, NERC, and the Regions (SAFNR) tool, Genscape Real-time Power Application and the University of Tennessee Frequency Monitoring NETWORK (FNET).

This program is part of WECC's delegation-related accountabilities to NERC and does not in any way duplicate the Real-time situation awareness and operating coordination provided by other entities within the Western Interconnection. WECC's role is to understand system issues when they emerge and coordinate with relevant parties (typically NERC and FERC) about the conditions of the BES. Through this coordination, WECC is seeking to discern patterns and identify trends aimed at helping to build a stronger and more resilient system. Additionally, WECC staff responds to events by providing coordination, assistance and communication with Peak Reliability, stakeholders, WECC management, and NERC SAIS personnel.

2018 Key Assumptions

The Situation Awareness and Infrastructure Security Program Area incorporates the Regional Entity-specific shared business planning assumptions as described in the ERO Enterprise 2018–2020 Shared Business Plan and Budget Assumptions and Key Focus Areas document, and includes the following additional WECC-specific assumptions.

- The SAFNR tool and Genscape Real-time Power Application will continue to provide situation awareness capabilities to WECC.
- WECC will use its situation awareness capabilities to support NERC and FERC's efforts for situation awareness of current system conditions.

- WECC will continue working with stakeholders, government agencies, NERC and the Electricity Information Sharing and Analysis Center (E-ISAC) to ensure appropriate event information is being disseminated to industry in a timely manner.
- WECC will maximize sharing of operating and system data (within agreed parameters), and insights from Events Analysis, including near-misses, to optimize understanding of reliability issues, promote operational excellence, share best practices/lessons learned in a timely manner, and engage third-party experts to expand capabilities and resources applied to critical reliability issues.
- WECC will collaborate with specific stakeholder groups in the development of lessons learned and recommendations from events and identified risks.
- There is not any duplication of effort between WECC and Peak Reliability.

2018 Goals and Key Deliverables

- WECC SAIS 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 personnel.
- Staff will continue to work with NERC to monitor system data, weather, and technological developments to understand trends that affect reliability for the near- and long-term horizons.
- Staff will participate on daily NERC SAIS calls to coordinate, report, and receive any critical information.
- Staff will keep stakeholders informed of emerging reliability threats and risks to the BES, including any expected actions.
- Staff will continue to work and support efforts to develop and enhance ways to improve the use of SAFNR and Genscape Real-time Power Application data to further support SAIS.
- Staff will ensure the Western Interconnection is represented in reliability matters by participating in various NERC committees and industry forums.
- WECC staff will participate as appropriate in periodic wide-area security exercises (e.g., GridEx, Monitoring and Situation Awareness Workshop, NERC Human Performance Conference).
- Staff will enhance risk analysis capabilities through increased analysis of risk data sources such as event analysis reports, TADS, GADS, and protection system misoperations.
- Staff will identify key vulnerability issues and work with stakeholders to address them (e.g., physical and cyber security, situation awareness and coordination across neighboring systems, human performance, equipment misoperations/failures).
- Staff will ensure support for critical infrastructure security by promoting rapid and appropriate sharing of situation awareness information regarding security occurrences.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- No significant changes.

Meeting Expenses

- No significant changes.

Operating Expenses

- No significant changes.

Fixed Assets

- No significant changes.

See Section B – Supplemental Financial Information for explanations of other variances between the 2017 and 2018 budgets.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2018 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
SITUATION AWARENESS AND INFRASTRUCTURE SECURITY					
	2017 Budget	2017 Projection	Variance 2017 Budget v 2017 Projection Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Projection Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ 234,720	\$ 234,720	\$ -	\$ 210,060	\$ (24,660)
Penalty Sanctions	10,923	10,923	-	20,528	9,605
Total Statutory Funding	\$ 245,643	\$ 245,643	\$ -	\$ 230,588	\$ (15,055)
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	773	970	197	733	(40)
Miscellaneous	-	-	-	-	-
Total Revenue (A)	\$ 246,416	\$ 246,613	\$ 197	\$ 231,321	\$ (15,095)
Expenses					
Personnel Expenses					
Salaries	\$ 114,033	\$ 105,177	\$ (8,856)	\$ 105,057	\$ (8,976)
Payroll Taxes	8,823	9,356	533	8,630	(193)
Benefits	11,344	13,405	2,061	11,652	308
Retirement Costs	9,632	10,910	1,278	8,882	(750)
Total Personnel Expenses	\$ 143,832	\$ 138,848	\$ (4,984)	\$ 134,221	\$ (9,611)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 143,832	\$ 138,848	\$ (4,984)	\$ 134,221	\$ (9,611)
Indirect Expenses	\$ 101,783	\$ 95,470	\$ (6,313)	\$ 90,883	\$ (10,900)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 245,615	\$ 234,318	\$ (11,297)	\$ 225,104	\$ (20,511)
Change in Assets	\$ 801	\$ 12,295	\$ 11,494	\$ 6,217	\$ 5,416
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(1,092)	(1,194)	(102)	(1,217)	(125)
Incr(Dec) in Fixed Assets (C)	\$ (1,092)	\$ (1,194)	\$ (102)	\$ (1,217)	\$ (125)
TOTAL BUDGET (B+C)	\$ 244,523	\$ 233,124	\$ (11,399)	\$ 223,887	\$ (20,636)
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 1,893	\$ 13,489	\$ 11,596	\$ 7,434	\$ 5,541
FTEs	1.0	1.0	-	1.0	-
HC	1.0	1.0	-	1.0	-

Corporate Services

Corporate Services (in whole dollars) Direct Expenses and Fixed Assets						
	2017 Budget	2018 Budget	Increase (Decrease)	FTEs 2017 Budget	FTEs 2018 Budget	Increase (Decrease)
Committee and Member Forums	\$ 16,190	\$ 41,633	\$ 25,443	-	-	-
General and Administrative	\$ 5,685,133	\$ 4,875,155	\$ (809,978)	19.00	16.75	(2.25)
Legal and Regulatory	\$ 1,292,279	\$ 1,384,758	\$ 92,479	7.00	7.00	-
Information Technology	\$ 1,565,272	\$ 1,715,189	\$ 149,917	8.00	8.70	0.70
Human Resources	\$ 1,099,406	\$ 1,150,319	\$ 50,913	4.00	4.00	-
Accounting and Finance	\$ 712,971	\$ 543,822	\$ (169,149)	5.00	4.25	(0.75)
Total Corporate Services*	\$ 10,371,251	\$ 9,710,876	\$ (660,375)	43.00	40.70	(2.30)

*WECC's 2018 Corporate Services budget (expenses plus fixed asset activity) is \$9,710,876, of which \$537,999 is allocated to non-statutory activities. As a result of the allocation to the non-statutory function, the Corporate Services expenses included in the 2018 statutory budget are \$9,172,877, which is a \$594,223 decrease from the 2017 budget of \$9,767,100.

Program Scope and Functional Description

WECC's Corporate Services encompasses the following program areas and includes all business and administrative functions of the organization:

- Technical Committees and Member Forums,
- General and Administrative,
- Legal and Regulatory,
- Information Technology,
- Human Resources, and
- Finance and Accounting.

These functions are necessary for the existence and operation of the organization and support the performance of WECC's statutory activities. This area provides executive leadership; communications and external affairs; and administrative support for WECC staff, committees, members and management. Corporate Services includes Board fees and expenses, and provides logistics support for the Salt Lake City office and meeting facilities, and the Vancouver office.

Methodology for Allocation of Corporate Services Expenses to Programs

Corporate Services expenses are allocated to statutory and non-statutory program areas based on FTEs.

Technical Committees and Member Forums

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 through the Standing Committees and the JGC.

2018 Key Assumptions

- The Standing Committees (OC, MIC, and potentially RAC) meet three times each year. In 2018, one Standing Committee meeting will be held offsite and the other two meetings will be held in Salt Lake City.

Resource Requirements/Explanation of Significant Changes**Personnel Expenses**

- No significant changes.

Meeting Expenses

- Meeting expenses increase by a net of \$25,000 due to an offsite Standing Committee meeting.

Operating Expenses

- No significant changes.

Fixed Assets

- No significant changes.

General and Administrative

Program Scope and Functional Description

The General and Administrative Department provides executive leadership; communications; and administrative support for WECC staff, committees, members, and management as well as logistics support of the Salt Lake City office and meeting facilities. In addition, indirect costs such as Office Rent that benefit multiple functional areas are accounted for in this budget.

2018 Key Assumptions

- Two positions are transferred to Compliance Monitoring and Enforcement and are fully dedicated to Registration.
- One position is transferred to IT as a data analyst.
- One Executive is transferred to Compliance Monitoring and Enforcement.
- 0.7 FTE is transferred from Training, Education and Outreach based on changes in roles and responsibilities. This position has joined the Executive Team.
- 0.3 FTE is transferred from Information Technology based on changes in roles and responsibilities. This position is now partially responsible for WECC's stakeholder services group.
- 0.75 FTE is transferred from Finance and Accounting based on changes in duties and responsibilities.
- Market adjustment pool, used for equity and performance adjustments is redistributed to Program Areas.
- The same level of meetings and meeting support for the Board of Directors and Board Committees will carry forward into 2018.
- The Annual Meeting will be held in Salt Lake City in 2018.
- Board members will be compensated for meeting participation in accordance with the revised Board compensation structure.

2018 Goals and Deliverables

- Provide excellent executive leadership and strong strategic guidance for the activities undertaken by WECC and ensure that WECC contributes positively to the ERO-Enterprise's activities.
- Support and coordinate the logistics for the Board of Directors and Board Committees.
- Continue to enhance the meetings team and stakeholder services groups to drive efficiencies and effective services throughout WECC.
- Continue to enhance the external relations and outreach programs.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel expenses decrease by a net of \$607,000 primarily due to the transfer of 3.0 FTE to Compliance, 0.7 FTE to Information Technology, 0.7 FTE from Training, Education, and Stakeholder Outreach and 0.75 FTE from Finance and Accounting from the 2017

reorganization to more appropriately align costs with scope of work, continued refinement of the labor float rate based on actual turnover and vacancy rates, and a 3 percent average merit increase.

Meeting Expenses

- Meetings decrease by a net of \$49,000 primarily due to an onsite WECC Board of Directors annual meeting.
- Conference Calls increase by \$64,000 due to moving the conference call budget to General and Administrative.

Operating Expenses

- Consultants and Contracts decrease by a net of \$136,000 primarily due to a reduction in Board Director search fees.
- Equipment Rental decreases by \$31,000 due to moving the budget for leased printers to Information Technology.
- Dues, Memberships, and Fees increase by \$52,000 due to a new membership in the National Association of Corporate Directors (NACD).
- Professional Services decrease by \$51,000 due to new Board Director compensation structure.

Fixed Assets

- No significant changes.

Legal and Regulatory

Program Scope and Functional Description

The Legal and Regulatory Department provides coordinated legal services to the WECC Board, committees and staff, in addition to consistent legal interpretations of relevant statutes, regulations, court opinions, and regulatory decisions. The department 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 Legal and Regulatory Department.

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.

2018 Key Assumptions

- Maintain the scope of its current operations and ensure that WECC contributes positively to the ERO-Enterprise's activities.

2018 Goals and Deliverables

- Provide efficient, cost-effective legal support to the WECC Board, committees, and staff through a combination of in-house and outside resources.
- Advise WECC departments on specified legal matters and general matters relating to WECC business.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by \$116,000 primarily due to continued refinement of the labor float rate based on actual turnover and vacancy rates, and a 3 percent average merit increase.

Meeting Expenses

- No significant changes.

Operating Expenses

- Legal Fees decrease by \$15,000 due to a reduction in the need for outside legal counsel.
- Insurance decreases by \$15,000 due to reducing the budget to more accurately reflect the actual insurance cost.

Fixed Assets

- No significant changes.

Information Technology

Program Scope and Functional Description

WECC's Information Technology (IT) Department 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. IT provides resources and tools to enable the organization to meet the evolving requirements to support activities and responsibilities as directed by NERC and FERC.

2018 Key Assumptions

The Information Technology Program Area incorporates the Regional Entity-specific shared business planning assumptions as described in the ERO Enterprise 2018–2020 Shared Business Plan and Budget Assumptions and Key Focus Areas document and includes the following additional WECC-specific assumptions.

- Use consultants as needed instead of maintaining headcount.
- Transfer 0.3 FTE to General and Administrative.
- Replace personal computer equipment on a four-year refresh cycle, refresh servers every five years, and replace network equipment every seven-to-10 years.
- WECC supports the ERO Enterprise IT Strategy and is committed to working collaboratively to minimize duplication of effort and investments, and improve operational efficiency.

2018 Goals and Deliverables

- Continue to provide increased 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.
- Add to WECC's security capabilities with additional authentication controls and enhanced threat detection.
- Deploy improved document management, business process workflow, and records retention solutions.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by a net of \$78,000 primarily due to the transfer of 0.7 FTE from General and Administrative and continued refinement of the labor float rate based on actual turnover and vacancy rates, and a 3 percent average merit increase.

Meeting Expenses

- No significant changes.

Operating Expenses

- Consulting and Contracts decrease by a net of \$10,000 due to the reduced use of consultants for IT projects.
- Equipment Rental increases by \$30,000 due to moving the budget for leased printers to Information Technology.
- Expensed Equipment increases by \$49,000 due to data storage refresh and computer equipment upgrades.
- Computer Supplies, Maintenance, and Licenses increases by \$16,000 due to two-factor authentication for increased network security.
- Other Services increase by \$20,000 for security enhancements for increased network security.

Fixed Assets

- Fixed Assets decrease by a net of \$50,000 due to a decrease in blade server expansion from transitioning to cloud-based storage and an increase for analytic software.

Human Resources

Program Scope and Functional Description

Human Resources (HR) is responsible for the delivery of all HR functions to WECC, including: recruitment, staffing, compensation, benefits, safety, health and wellness, employee relations, performance management, succession planning, and employee training and development. HR maintains Human Resources-related databases and ensures compliance with all federal and state requirements.

2018 Key Assumptions

- WECC headcount will increase slightly to ensure the talent and skills are in place to meet the goals of the organization.
- Cost to maintain current benefit levels will increase slightly due to market increases.
- WECC will conduct an employee compensation study in 2018.
- Training and development levels will increase minimally to ensure gaps in skills are minimalized.

2018 Goals and Deliverables

- Commission a salary survey for non-executive positions to ensure compensation is managed within approved philosophy.
- Enhance the scope of succession planning, employee development and training, which are vital to ensuring that WECC maintains a highly skilled, qualified and diverse workforce.
- Manage all employee benefits to deliver an attractive benefit package to employees, and to attract potential employees, while managing overall costs to the organization.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Retirement Costs decrease by a net of \$23,000 due to reduced Retirement Plan Administration expenses.

Meeting Expenses

- No significant changes.

Operating Expenses

- Consultants increase by a net of \$70,000 due to a Human Resources and Compensation Committee employee compensation study.

Fixed Assets

- No significant changes.

Finance and Accounting

Program Scope and Functional Description

The Finance and Accounting Department provides accounting and financial analysis support to WECC. The department is responsible for accounts payable, billing, accounts receivable, budgeting, fixed asset management, banking, cash management, payroll, and financial reporting.

2018 Key Assumptions

- One position is converted from senior-level to staff-level.
- One position is transferred to General and Administrative to reflect new scope of responsibilities and that FTE is split between the two areas. 0.75 FTE is in General and Administrative and 0.25 FTE is in Finance and Accounting.
- Interest rates remain flat.

2018 Goals and Deliverables

- Identify and implement efficiencies in financial processes.
- Ensure WECC has effective financial controls.
- Provide quality and improved reporting and financial analysis to WECC managers, the FAC, and the WECC Board.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses decrease by \$172,000 primarily due to the transfer of 0.75 FTE to General and Administrative due to 2017 reorganization and to more appropriately align costs with scope of work.

Meeting Expenses

- No significant changes.

Operating Expenses

- Office Costs increase by a net of \$3,000 due to an overall increase in bank fees and reporting costs.

Fixed Assets

- No significant changes.

See Section B – Supplemental Financial Information for explanations of other variances between the 2017 and 2018 budgets.

Corporate Services

Funding sources and related expenses for the Corporate Services section of the 2018 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
CORPORATE SERVICES					
	2017 Budget	2017 Projection	Variance 2017 Budget v 2017 Projection Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Projection Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total Statutory Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenue (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 4,769,942	\$ 4,178,178	\$ (591,764)	\$ 4,310,636	\$ (459,306)
Payroll Taxes	295,495	292,914	(2,581)	270,983	(24,512)
Benefits	1,007,547	871,624	(135,923)	953,869	(53,678)
Retirement Costs	435,396	427,371	(8,025)	366,353	(69,043)
Total Personnel Expenses	\$ 6,508,380	\$ 5,770,087	\$ (738,293)	\$ 5,901,841	\$ (606,539)
Meeting Expenses					
Meetings	\$ 133,650	\$ 151,651	\$ 18,001	\$ 108,923	\$ (24,727)
Travel	285,030	270,850	(14,180)	288,072	3,042
Conference Calls	15,390	44,771	29,381	75,000	59,610
Total Meeting Expenses	\$ 434,070	\$ 467,272	\$ 33,202	\$ 471,995	\$ 37,925
Operating Expenses					
Consultants & Contracts	\$ 512,000	\$ 431,164	\$ (80,836)	\$ 436,500	\$ (75,500)
Office Rent	938,050	963,788	25,738	944,461	6,411
Office Costs	880,301	893,212	12,911	990,369	110,068
Professional Services	986,450	917,677	(68,773)	903,710	(82,740)
Miscellaneous	-	-	-	-	-
Depreciation	224,447	227,913	3,466	193,784	(30,663)
Total Operating Expenses	\$ 3,541,248	\$ 3,433,754	\$ (107,494)	\$ 3,468,824	\$ (72,424)
Total Direct Expenses	\$ 10,483,698	\$ 9,671,113	\$ (812,585)	\$ 9,842,660	\$ (641,038)
Indirect Expenses	\$ (10,483,698)	\$ (9,671,113)	\$ 812,585	\$ (9,842,660)	\$ 641,038
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	\$ (224,447)	\$ (227,913)	\$ (3,466)	\$ (193,784)	\$ 30,663
Computer & Software CapEx	35,000	30,000	(5,000)	50,000	15,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	77,000	77,000	-	12,000	(65,000)
Leasehold Improvements	-	-	-	-	-
Alllocation of Fixed Assets	112,447	120,913	8,466	131,784	19,337
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	43.0	40.7	(2.3)	40.7	(2.3)
HC	43.0	41.0	(2.0)	41.0	(2.0)

Section B

Supplemental Financial Information

2018 Business Plan and Budget

Section B — Supplemental Financial Information

Reserve Analysis

Table B-1

Working Capital Reserve Analysis 2017-2018	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2016	\$ 5,250,299
Plus: 2017 Funding (from Load-Serving Entities (LSE) or designees)	26,341,500
Plus: 2017 Other funding sources	498,706
Less: 2017 Projected expenses & capital expenditures	(27,195,950)
Projected Working Capital Reserve (Deficit), December 31, 2017	<u>\$ 4,894,555</u>
Projected Working Capital Reserve, December 31, 2018	¹ \$ 5,794,260
Less: Projected Working Capital Reserve, December 31, 2017	(4,894,555)
Increase(Decrease) in Assessments to Achieve Projected Working Capital Reserve	<u>\$ 899,706</u>
2018 Expenses and Capital Expenditures	\$ 27,097,344
Less: Penalty Sanctions ²	(2,100,000)
Less: Other Funding Sources	(615,050)
Adjustment to achieve desired Working Capital Reserve	899,706
2018 WECC Assessment	<u>\$ 25,282,000</u>

1 – On June 21, 2017, the WECC Board of Directors approved this reserve level.

2 – Represents collections of Penalty Sanctions from July 1, 2016 through June 30, 2017. See page 47 for full disclosure.

WECC's Board has approved a Working Capital Reserve balance equal to one-to-two months of Personnel, Meeting, and Operating Expenses per its Reserve Policy approved by the Finance and Audit Committee on June 23, 2015. Additional reserves have been approved as part of WECC's assessment stabilization initiative.

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.

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, 2017 will be used to offset assessments in the 2018 WECC budget.

All penalty monies received on or prior to June 30, 2017 are listed in Table B-2, 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 Stakeholder Outreach; 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.

Civil Penalty Sanctions

WECC recognized civil penalty expense in its 2013 and 2014 financial statements that were the result of the FERC Order pertaining to the Arizona-Southern California outage that occurred on September 8, 2011. In 2013, \$1 million was recognized and in 2014, \$2 million was recognized. As of May 31, 2017, the entire \$3 million has been paid and the liability is now zero. These penalties do not impact the 2018 budget.

Penalty Sanctions

Table B-2

Penalty Sanctions Received on or Prior to June 30, 2017	
Date Received	Amount Received
8/29/2016	\$ 15,000
11/30/2016	20,000
12/15/2016	250,000
12/15/2016	1,125,000
1/3/2017	86,000
2/13/2017	20,000
3/1/2017	60,000
3/14/2017	15,000
3/21/2017	55,000
3/31/2017	17,000
4/25/2017	26,000
5/16/2017	34,000
5/25/2017	54,000
6/23/2017	113,000
6/26/2017	201,000
6/29/2017	9,000
Total Penalties Received	\$ 2,100,000

Supplemental Funding

Table B-3

Other Revenue Breakdown By Program (Excludes Assessments & Penalty Sanctions)	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget
Reliability Standards				
Interest	\$ 2,320	\$ 2,910	\$ 2,199	\$ (121)
Miscellaneous	-	-	-	-
Total	\$ 2,320	\$ 2,910	\$ 2,199	\$ (121)
Compliance Monitoring, Enforcement & Org. Registration				
Workshops	\$ -	\$ -	\$ -	\$ -
Interest	42,526	52,382	43,256	730
Miscellaneous	-	-	-	-
Total	\$ 42,526	\$ 52,382	\$ 43,256	\$ 730
Reliability Assessment and Performance Analysis				
Interest	27,835	34,921	27,859	24
Miscellaneous	-	-	-	-
Total	\$ 27,835	\$ 34,921	\$ 27,859	\$ 24
Training, Education, and Stakeholder Outreach				
Workshops	\$ 587,876	\$ 406,261	\$ 540,050	\$ (47,826)
Interest	1,546	1,261	953	(593)
Miscellaneous	-	-	-	-
Total	\$ 589,422	\$ 407,522	\$ 541,003	\$ (48,419)
Situation Awareness and Infrastructure Security				
Interest	773	970	733	(40)
Miscellaneous	-	-	-	-
Total	\$ 773	\$ 970	\$ 733	\$ (40)
Corporate Services				
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

WECC anticipates its investments will earn interest of approximately \$75,000 in 2018. This revenue is allocated to the Statutory Programs based on FTEs.

Compliance Monitoring and Enforcement and Organization Registration and Certification

- No significant changes.

Training, Education, and Stakeholder Outreach

- Workshops revenue decreases by a net of \$48,000 due to a reduction in anticipated attendance at training classes and a slight increase in attendance at compliance workshops.

Situation Awareness and Infrastructure Security

- No significant changes.

Corporate Services

- Not applicable.

Personnel Expenses

Table B-4

Personnel Expenses	Budget		Projection		Variance	
	2017	2017	2018	2018	2017 Budget v 2018 Budget	Variance %
Salaries						
Salaries	\$ 14,681,223	\$ 14,533,331	\$ 15,199,337	\$ 15,199,337	\$ 518,114	3.5%
Employment Agency Fees	-	-	-	-	-	
Temporary Office Services	-	2,037	-	-	-	
Total Salaries	\$ 14,681,223	\$ 14,535,369	\$ 15,199,337	\$ 15,199,337	\$ 518,114	3.5%
Total Payroll Taxes	\$ 1,056,810	\$ 1,075,378	\$ 1,089,355	\$ 1,089,355	\$ 32,545	3.1%
Benefits						
Workers Compensation	\$ 22,004	\$ 13,523	\$ 20,004	\$ 20,004	\$ (2,000)	(9.1%)
Medical Insurance	1,735,872	1,741,373	1,826,810	1,826,810	90,938	5.2%
Life-LTD-STD Insurance	75,477	82,642	78,404	78,404	2,927	3.9%
Education	312,695	318,750	297,150	297,150	(15,545)	(5.0%)
Relocation	60,000	61,306	56,000	56,000	(4,000)	(6.7%)
Other	13,480	14,372	15,487	15,487	2,007	14.9%
Total Benefits	\$ 2,219,528	\$ 2,231,966	\$ 2,293,855	\$ 2,293,855	\$ 74,327	3.3%
Retirement						
Discretionary 401k Contribution	\$ 1,239,665	\$ 1,323,660	\$ 1,286,223	\$ 1,286,223	\$ 46,558	3.8%
Retirement Administration Fees	32,500	25,000	2,500	2,500	(30,000)	(92.3%)
Total Retirement	\$ 1,272,165	\$ 1,348,660	\$ 1,288,723	\$ 1,288,723	\$ 16,558	1.3%
Total Personnel Costs	\$ 19,229,726	\$ 19,191,373	\$ 19,871,270	\$ 19,871,270	\$ 641,544	3.3%
FTEs	140.0	136.0	143.0	143.0	3.0	2.1%
Cost per FTE						
Salaries	\$ 104,866	\$ 106,878	\$ 106,289	\$ 106,289	\$ 1,423	1.4%
Payroll Taxes	7,549	7,907	7,618	7,618	69	0.9%
Benefits	15,854	16,412	16,041	16,041	187	1.2%
Retirement	9,087	9,917	9,012	9,012	(75)	(0.8%)
Total Cost per FTE	\$ 137,355	\$ 141,113	\$ 138,960	\$ 138,960	\$ 1,605	1.2%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

Salaries

- Salaries increase by a net of \$518,000 primarily due to a 3 percent average merit increase, the continued refinement of labor float rate, and the addition of 3.0 FTE.

Payroll Taxes

- Payroll Taxes increase by \$33,000 due to the increase in Salaries.

Benefits

- Medical Insurance increases by \$91,000 due to anticipated premium increases.
- Education decreases by \$15,000 due to declines in the use of this benefit.

Retirement

- Retirement Administration Fees decrease by \$30,000 due to reduced fees for servicing for WECC's 401(k) plan.

Meeting Expenses

Table B-5

Meeting Expense	Budget 2017	Projection 2017	Budget 2018	Variance	
				2018 Budget v 2017 Budget	Variance %
Reliability Standards	\$ 960	\$ 720	\$ 520	\$ (440)	(45.8%)
Compliance Monitoring and Enforcement and Organization Regi:	9,810	14,452	5,400	(4,410)	(45.0%)
Reliability Assessment and Performance Analysis	112,698	87,655	126,812	14,114	12.5%
Training, Education, and Stakeholder Outreach	469,650	421,821	514,130	44,480	9.5%
Situation Awareness and Infrastructure Security	-	-	-	-	
Corporate Services	133,650	151,651	108,923	(24,727)	(18.5%)
Total Meeting Expenses	\$ 726,768	\$ 676,300	\$ 755,785	\$ 29,017	4.0%

Travel Expense	Budget 2017	Projection 2017	Budget 2018	Variance	
				2018 Budget v 2017 Budget	Variance %
Reliability Standards	\$ 19,175	\$ 17,272	\$ 20,200	\$ 1,025	5.3%
Compliance Monitoring and Enforcement and Organization Regi:	706,338	783,827	843,277	136,939	19.4%
Reliability Assessment and Performance Analysis	251,825	258,193	239,345	(12,480)	(5.0%)
Training, Education, and Stakeholder Outreach	20,796	11,963	10,315	(10,481)	(50.4%)
Situation Awareness and Infrastructure Security	-	-	-	-	
Corporate Services	285,030	270,850	288,072	3,042	1.1%
Total Travel Expenses	\$ 1,283,164	\$ 1,342,105	\$ 1,401,209	\$ 118,045	9.2%

Conference Call Expense	Budget 2017	Projection 2017	Budget 2018	Variance	
				2018 Budget v 2017 Budget	Variance %
Reliability Standards	\$ 3,601	\$ -	\$ -	\$ (3,601)	(100.0%)
Compliance Monitoring and Enforcement and Organization Regi:	12,900	-	-	(12,900)	(100.0%)
Reliability Assessment and Performance Analysis	34,800	-	-	(34,800)	(100.0%)
Training, Education, and Stakeholder Outreach	5,706	-	-	(5,706)	(100.0%)
Situation Awareness and Infrastructure Security	-	-	-	-	
Corporate Services	15,390	44,771	75,000	59,610	387.3%
Total Conference Call Expenses	\$ 72,397	\$ 44,771	\$ 75,000	\$ 2,603	3.6%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

Meeting Expense

- RAPA increases by \$14,000 due to an overall increase in the number of work group meetings.
- Training, Education, and Stakeholder Outreach increases by a net of \$44,000 primarily due to an anticipated increase in conference facility and banquet charges for compliance workshops; total revenue from registration fees offsets the total meeting expenses.
- Corporate Services decreases by a net of \$25,000 primarily due to an onsite WECC Board of Directors Annual Meeting (every even year is onsite and every odd year is offsite) and an offsite Joint Guidance Committee meeting, which was onsite in the 2017 budget.

Travel Expense

- Compliance increases by \$137,000 due to additional audits/site visits related to CIP-005, CIP-014, and risk-based compliance monitoring.
- RAPA decreases by \$12,000 due to a reduction in onsite reliability assessments.
- Training, Education, and Stakeholder Outreach decreases by a net of \$10,000 due to a reduction in offsite classes and workshops.

Conference Call Expense

- The Conference Calls budget is centralized in Corporate Services in 2018. No significant changes in the total budget.

Consultants and Contracts

Table B-6

Consultants	Budget 2017	Projection 2017	Budget 2018	Variance	
				2018 Budget v 2017 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization Registration and Certification	-	-	-	-	
Reliability Assessment and Performance Analysis	1,536,000	2,141,577	1,185,000	(351,000)	(22.9%)
Training, Education, and Stakeholder Outreach	-	-	4,560	4,560	
Situation Awareness and Infrastructure Security	-	-	-	-	
Corporate Services	467,000	396,914	411,500	(55,500)	(11.9%)
Consultants Total	\$ 2,003,000	\$ 2,538,491	\$ 1,601,060	\$ (401,940)	(20.1%)
Contracts	Budget 2017	Projection 2017	Budget 2018	Variance	
				2016 Budget v 2017 Budget	Variance %
Contracts					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization Registration and Certification	450,270	385,999	397,221	(53,049)	(11.8%)
Reliability Assessment and Performance Analysis	-	-	-	-	
Training, Education, and Stakeholder Outreach	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Corporate Services	45,000	34,250	25,000	(20,000)	(44.4%)
Contracts Total	\$ 495,270	\$ 420,249	\$ 422,221	\$ (73,049)	(14.7%)
Total Consulting and Contracts	\$ 2,498,270	\$ 2,958,740	\$ 2,023,281	\$ (474,989)	(19.0%)

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

Consultants

- RAPA decreases by a net of \$351,000 due to the completion of one-time 2017 projects, including RAS modeling enhancements, and the addition of 2018 one-time projects, including \$750,000 for a Gas/Electric Interdependence Study.
- Corporate Services decreases by a net of \$56,000 primarily due to the following:
 - General and Administrative consulting decreases by a net of \$136,000 due to a reduction in Board Director Search fees and an increase for executive coaching consulting.
 - Information Technology consulting increases by \$10,000 due to the implementation of two-factor authentication on WECC's computer network.
 - Human Resources consulting increases by \$70,000 due to a Human Resources and Compensation Committee employee compensation study.

Contracts

- Compliance contracts decrease by \$53,000 due to an overall reduction in consulting used to complete audits and other oversight activities.

- Corporate Services contracts decrease by a net of \$20,000 due to lower reliance on contract labor in lieu of staff for IT projects.

Office Rent

Table B-7

Office Rent	Budget 2017	Projection 2017	Budget 2018	Variance	
				2018 Budget v 2017 Budget	Variance %
Office Rent	\$ 925,080	\$ 948,361	\$ 925,056	\$ (24)	(0.0%)
Utilities	-	-	-	-	0.0%
Maintenance	12,970	15,739	19,405	6,435	49.6%
Security	-	-	-	-	0.0%
Total Office Rent	\$ 938,050	\$ 964,100	\$ 944,461	\$ 6,411	0.7%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- No significant changes.

Office Costs

Table B-8

Office Costs	Budget 2017	Projection 2017	Budget 2018	Variance	
				2018 Budget v 2017 Budget	Variance %
Telephone	\$ 77,190	\$ 68,340	\$ 73,320	\$ (3,870)	(5.0%)
Internet	74,861	71,559	71,120	(3,741)	(5.0%)
Office Supplies	106,917	110,440	104,540	(2,377)	(2.2%)
Computer Supplies and Maintenance	895,490	891,581	878,690	(16,800)	(1.9%)
Publications & Subscriptions	49,720	45,514	54,894	5,174	10.4%
Dues and Fees	181,054	212,987	277,243	96,189	53.1%
Postage	5,445	4,389	4,240	(1,205)	(22.1%)
Express Shipping	6,473	5,875	4,424	(2,049)	(31.7%)
Copying	35,845	35,909	10,903	(24,942)	(69.6%)
Bank Charges	59,760	62,926	60,279	519	0.9%
Taxes	61,500	50,021	58,975	(2,525)	(4.1%)
Total Office Costs	\$ 1,554,255	\$ 1,559,541	\$ 1,598,628	\$ 44,373	2.9%

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- Computer Supplies and Maintenance decreases by a net of \$17,000 primarily due to a decrease in maintenance costs for the WECC Compliance Data Management System (webCDMS).

- Dues and Fees increase by \$96,000 primarily due to increase by \$52,000 due to a new membership in the National Association of Corporate Directors (NACD), security enhancements for increased network security, and EventBrite fees.
- Copying decreases by \$25,000 due to moving printer maintenance to Computer Supplies and Maintenance and decreased external printing costs.

Professional Services

Table B-9

Professional Services	Budget	Projection	Budget	Variance	
	2017	2017	2018	2018 Budget v 2017 Budget	Variance %
Board Director fees	\$ 814,750	\$ 758,125	\$ 763,750	\$ (51,000)	(6.3%)
Outside Legal	33,000	27,045	16,200	(16,800)	(50.9%)
Accounting & Auditing Fees	38,700	38,700	38,760	60	0.2%
Insurance Commercial	100,000	93,806	85,000	(15,000)	(15.0%)
Total Services	\$ 986,450	\$ 917,676	\$ 903,710	\$ (82,740)	(8.4%)

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- Board of Director fees decrease by \$51,000 due to new Board Director compensation structure.
- Outside Legal fees decrease by \$17,000 due to an anticipated reduction in the need for outside legal counsel services.
- Insurance Commercial decreases by \$15,000 due to estimated premium renewal rates.

Other Non-Operating

Table B-10

Other Non-Operating Expenses	Budget 2017	Projection 2017	Budget 2018	Variance	
				2018 Budget v 2017 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- Not applicable.

Fixed Assets

Table B-11

Fixed Assets	Budget 2017	Projection 2017	Budget 2018	Variance	
				2018 Budget v 2017 Budget	Variance %
Computer & Software CapEx	\$ 35,000	\$ 30,000	\$ 50,000	\$ 15,000	42.9%
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	77,000	77,000	12,000	(65,000)	(84.4%)
Leasehold Improvements	-	-	-	-	
	\$ 112,000	\$ 107,000	\$ 62,000	\$ (50,000)	(44.6%)

Explanation of Significant Variances – 2018 Budget versus 2017 Budget

- Computer and Software CapEx increase by \$15,000 for software tools to improve data organization and analysis of WECC data.
- Equipment CapEx decreases by \$65,000 primarily due to a decrease in blade server expansion from the transition to cloud-based storage.

Section C

Non-Statutory Activities

2018 Business Plan and Budget

Section C — 2018 Budget - Non-Statutory Activities

Western Renewable Energy Generation Information System (in whole dollars)			
	2017 Budget	2018 Budget	Increase (Decrease)
Total FTEs	6.0	6.0	-
Direct Expenses	\$ 1,140,158	\$ 1,228,780	\$ 88,622
Indirect Expenses	\$ 610,701	\$ 545,300	\$ (65,401)
Inc(Dec) in Fixed Assets	\$ (6,550)	\$ (7,301)	\$ (751)
Total Funding Requirement	\$ 24,801	\$ 32,536	\$ 7,735

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.

The program'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 overseen by a WECC Member Committee consisting of representatives from the WECC membership and various WREGIS stakeholder groups.

WREGIS costs fall outside Section 215 of the Federal Power Act. Participants fund WREGIS through registration and transaction fees. To avoid any crossover of Section 215 dollars, WREGIS pays a portion of WECC's overhead costs based on a formula implemented following a FERC audit.

WREGIS consists of two parts: the information system software and the administrative operations. The WREGIS staff oversees the software contractor and performs all the administrative tasks required to operate the program including:

- registering account holders and generation units;
- training WREGIS users;
- auditing generation and other data; and
- managing the budgeting, billing, and financial reporting.

Major 2018 Assumptions and Cost Impacts

WREGIS is funded entirely by user fees and is not subsidized by Section 215 funding. There are several types of user fees. Annual fees are paid by all users and are based on size (generation

capacity) and user type. Usage fees are paid by all but micro, small, and medium generation owners (as defined by the WREGIS fee matrix). WREGIS also charges various fees for specific usage to only those requesting the services.

- User fees are based on size (generation capacity) and user type.
 - Approximately 4 percent of revenues are based on size.
 - Approximately 91 percent of revenues are based on usage levels, which can depend on factors such as weather (wind and solar generation levels) and state regulatory policies (retirement, transfers, etc.).
 - Approximately 5 percent of revenues are attributable to fees for specific, requested functions such as tracking e-Tags.
- Revenues can vary greatly from year to year; therefore, WECC holds large WREGIS reserves to allow for normal operations during years in which fee levels are low and to fund large, non-recurring expenditures such as major software upgrades.

2018 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.
- Refine and improve data collection to ensure high quality data.
- 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

- Personnel Expenses increase by \$133,000 primarily due to continued refinement of the labor float rate based on actual turnover and vacancy rates.

Meeting Expenses

- Travel Expenses decrease by \$11,000 primarily due to a reduction in needed staff travel for WREGIS audits.

Operating Expenses

- Office Costs decrease by a net of \$19,000 due to a reduction in maintenance costs for the certificate management system and in wireless communication expenditures.

Section C — 2018 Business Plan and Budget - Non-Statutory Activities

- Professional Services decrease by \$12,000 due to a reduction in the need for outside legal counsel for non-statutory activities.

Indirect Expenses

- Indirect Expenses are allocated based on FTEs. WECC calculates a quarterly allocation for WREGIS's indirect costs, based on actual results.

Other Non-Operating Expenses

- Not applicable.

2017 Budget and Projection and 2018 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2017 Budget & Projection, and 2018 Budget					
NON-STATUTORY					
	2017 Budget	2017 Projection	Variance 2017 Budget v 2017 Projection Over(Under)	2018 Budget	Variance 2018 Budget v 2017 Budget Inc(Dec)
Revenue					
Statutory Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total Statutory Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	\$ 1,766,860	\$ 1,922,670	\$ 155,810	\$ 1,745,360	\$ (21,500)
Services & Software	-	-	-	-	-
Workshops	2,250	2,850	600	1,875	(375)
Interest	-	11,809	11,809	52,080	52,080
Miscellaneous	-	-	-	-	-
Total Revenue (A)	\$ 1,769,110	\$ 1,937,329	\$ 168,219	\$ 1,799,315	\$ 30,205
Expenses					
Personnel Expenses					
Salaries	\$ 375,536	\$ 451,630	\$ 76,094	\$ 478,621	\$ 103,085
Payroll Taxes	30,027	34,000	3,973	36,772	6,745
Benefits	58,942	57,042	(1,900)	73,381	14,439
Retirement Costs	31,673	35,908	4,235	40,478	8,805
Total Personnel Expenses	\$ 496,178	\$ 578,580	\$ 82,402	\$ 629,252	\$ 133,074
Meeting Expenses					
Meetings	\$ 3,195	\$ 3,382	\$ 187	\$ 3,000	\$ (195)
Travel	29,850	21,291	(8,559)	18,880	(10,970)
Conference Calls	975	-	(975)	-	(975)
Total Meeting Expenses	\$ 34,020	\$ 24,673	\$ (9,347)	\$ 21,880	\$ (12,140)
Operating Expenses					
Consultants & Contracts	\$ 3,000	\$ 1,698	\$ (1,302)	\$ 1,800	\$ (1,200)
Office Rent	-	-	-	-	-
Office Costs	594,960	618,208	23,248	575,848	(19,112)
Professional Services	12,000	6,545	(5,455)	-	(12,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 609,960	\$ 626,451	\$ 16,491	\$ 577,648	\$ (32,312)
Total Direct Expenses	\$ 1,140,158	\$ 1,229,704	\$ 89,546	\$ 1,228,780	\$ 88,622
Indirect Expenses	\$ 610,701	\$ 572,820	\$ (37,881)	\$ 545,300	\$ (65,401)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,750,859	\$ 1,802,524	\$ 51,665	\$ 1,774,080	\$ 23,221
Change in Assets	\$ 18,251	\$ 134,805	\$ 116,554	\$ 25,235	\$ 6,984
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(6,550)	(7,162)	(612)	(7,301)	(751)
Incr(Dec) in Fixed Assets (C)	\$ (6,550)	\$ (7,162)	\$ (612)	\$ (7,301)	\$ (751)
TOTAL BUDGET (=B+C)	\$ 1,744,309	\$ 1,795,362	\$ 51,053	\$ 1,766,779	\$ 22,470
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 24,801	\$ 141,967	\$ 117,166	\$ 32,536	\$ 7,735
FTEs	6.0	6.0	-	6.0	-
HC	6.0	6.0	-	6.0	-

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 2017	Projection 2017	Direct FTEs 2017 Budget	Shared FTEs ¹ 2018 Budget	Total FTEs 2018 Budget	Change from 2017 Budget
NON-STATUTORY						
Operational Programs						
Total FTEs Operational Programs	0.0	0.0	0.0	0.0	0.0	0.0
Administrative Programs						
WREGIS	6.0	6.0	6.0	0.0	6.0	0.0
Total FTEs Administrative Programs	6.0	6.0	6.0	0.0	6.0	0.0
Total FTEs	6.0	6.0	6.0	0.0	6.0	0.0

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

Reserve Analysis

Working Capital Reserve Analysis	
NON-STATUTORY	
WREGIS Reserves	
Beginning Working Capital Reserve (Deficit), December 31, 2016	\$ 5,776,092
Plus: 2017 Funding	1,937,329
Plus: 2017 Other funding sources	
Less: 2017 Projected expenses & capital expenditures	(1,795,362)
Projected Working Capital Reserve (Deficit), December 31, 2017	<u>\$ 5,918,059</u>
Projected Working Capital Reserve, December 31, 2018	5,950,595
Less: Projected Working Capital Reserve, December 31, 2017	(5,918,059)
2018 Reserve Increase (Decrease)	<u>\$ 32,536</u>

Section D

Additional Financial Information

2018 Business Plan and Budget

Section D — Additional Financial Information

Section D – Additional Financial Information

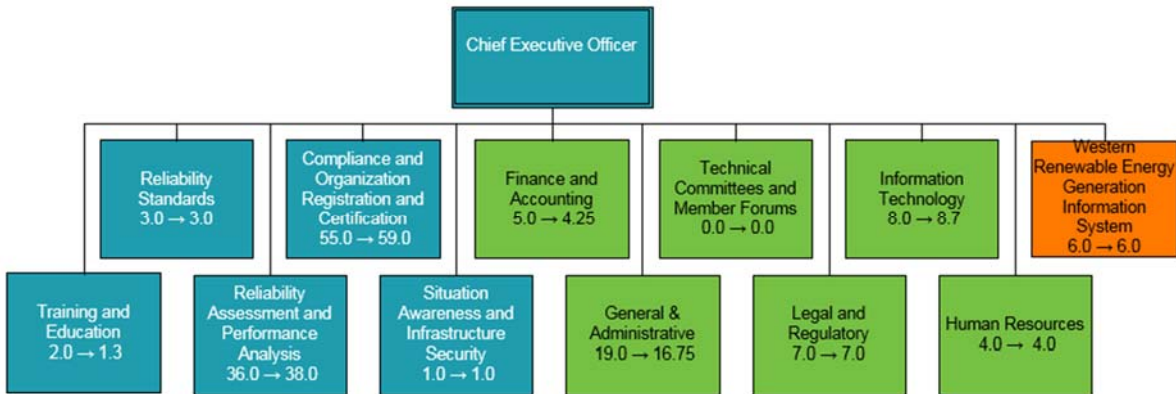
2018 Consolidated Statement of Activities by Program, Statutory, and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2018 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, Education, and Stakeholder Outreach (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Corporate Services	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total	WREGIS	
Revenue																			
Statutory Funding																			
WECC Assessments	\$ 25,282,000	\$ 25,282,000	\$ -	\$ 25,282,000	\$ 823,011	\$ 13,875,486	\$ 10,016,218	\$ 357,225	\$ 210,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	2,100,000	2,100,000	-	2,100,000	61,584	1,211,143	780,059	26,686	20,528	-	-	-	-	-	-	-	-	-	-
Total Statutory Funding	\$ 27,382,000	\$ 27,382,000	\$ -	\$ 27,382,000	\$ 884,595	\$ 15,086,629	\$ 10,796,277	\$ 383,911	\$ 230,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Statutory Funding																			
Services & Software	\$ 1,745,360	\$ -	\$ 1,745,360	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Workshops	541,925	540,050	1,875	540,050	-	-	-	540,050	-	-	-	-	-	-	-	-	-	-	1,875
Interest	127,080	75,000	52,080	75,000	2,199	43,256	27,859	953	733	-	-	-	-	-	-	-	-	-	52,080
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (A)	\$ 29,796,365	\$ 27,997,050	\$ 1,799,315	\$ 27,997,050	\$ 886,794	\$ 15,129,885	\$ 10,824,136	\$ 924,914	\$ 231,321	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,799,315
Expenses																			
Personnel Expenses																			
Salaries	\$ 15,677,956	\$ 15,199,335	\$ 478,621	\$ 15,199,335	\$ 457,200	\$ 6,024,488	\$ 4,127,042	\$ 174,914	\$ 105,057	\$ 4,310,636	\$ -	\$ 1,891,468	\$ 990,660	\$ 766,172	\$ 395,155	\$ 267,181	\$ -	\$ -	\$ 478,621
Payroll Taxes	1,126,127	1,089,355	36,772	1,089,355	30,434	457,104	309,708	12,496	8,630	270,983	-	100,183	58,560	60,880	28,972	22,388	-	-	36,772
Benefits	2,367,236	2,293,855	73,381	2,293,855	37,366	770,127	501,612	19,229	11,652	953,869	-	210,565	88,409	112,282	490,236	52,377	-	-	73,381
Retirement Costs	1,329,202	1,288,724	40,478	1,288,724	38,696	509,510	349,627	15,656	8,882	366,353	-	158,406	83,969	64,378	35,896	23,704	-	-	40,478
Total Personnel Expenses	\$ 20,500,521	\$ 19,871,269	\$ 629,252	\$ 19,871,269	\$ 563,696	\$ 7,761,229	\$ 5,287,989	\$ 222,295	\$ 134,221	\$ 5,901,841	\$ -	\$ 2,360,622	\$ 1,221,598	\$ 1,003,712	\$ 950,259	\$ 365,650	\$ -	\$ -	\$ 629,252
Meeting Expenses																			
Meetings	\$ 758,785	\$ 755,785	\$ 3,000	\$ 755,785	\$ 520	\$ 5,400	\$ 126,812	\$ 514,130	\$ -	\$ 108,923	\$ 40,133	\$ 68,190	\$ -	\$ -	\$ 600	\$ -	\$ -	\$ -	\$ 3,000
Travel	1,420,089	1,401,209	18,880	1,401,209	20,200	843,277	239,345	10,315	-	288,072	-	210,257	35,760	15,500	21,430	5,125	-	-	18,880
Conference Calls	75,000	75,000	-	75,000	-	-	-	-	-	75,000	-	75,000	-	-	-	-	-	-	-
Total Meeting Expenses	\$ 2,253,874	\$ 2,231,994	\$ 21,880	\$ 2,231,994	\$ 20,720	\$ 848,677	\$ 366,157	\$ 524,445	\$ -	\$ 471,995	\$ 40,133	\$ 353,447	\$ 35,760	\$ 15,500	\$ 22,030	\$ 5,125	\$ -	\$ -	\$ 21,880
Operating Expenses																			
Consultants & Contracts	\$ 2,025,081	\$ 2,023,281	\$ 1,800	\$ 2,023,281	\$ -	\$ 397,221	\$ 1,185,000	\$ 4,560	\$ -	\$ 436,500	\$ -	\$ 281,500	\$ -	\$ 85,000	\$ 70,000	\$ -	\$ -	\$ -	\$ 1,800
Office Rent	944,461	944,461	-	944,461	-	-	-	-	-	944,461	-	943,586	-	775	100	-	-	-	-
Office Costs	2,174,476	1,598,628	575,848	1,598,628	4,880	346,230	229,824	27,325	-	990,369	1,500	172,250	27,400	548,202	98,670	142,347	-	-	575,848
Professional Services	903,710	903,710	-	903,710	-	-	-	-	-	903,710	-	763,750	100,000	-	9,260	30,700	-	-	-
Miscellaneous	217,816	217,816	-	217,816	-	-	24,032	-	-	193,784	-	146,767	-	46,325	692	-	-	-	-
Depreciation	6,265,544	5,687,896	577,648	5,687,896	4,880	743,451	1,438,856	31,885	-	3,468,824	1,500	2,307,853	127,400	680,302	178,722	173,047	-	-	577,648
Total Operating Expenses	\$ 29,019,939	\$ 27,791,159	\$ 1,228,780	\$ 27,791,159	\$ 589,296	\$ 9,353,357	\$ 7,093,002	\$ 778,625	\$ 134,221	\$ 9,842,660	\$ 41,633	\$ 5,021,922	\$ 1,384,758	\$ 1,699,514	\$ 1,151,011	\$ 543,822	\$ -	\$ -	\$ 1,228,780
Total Direct Expenses	\$ 29,019,939	\$ 27,791,159	\$ 1,228,780	\$ 27,791,159	\$ 589,296	\$ 9,353,357	\$ 7,093,002	\$ 778,625	\$ 134,221	\$ 9,842,660	\$ 41,633	\$ 5,021,922	\$ 1,384,758	\$ 1,699,514	\$ 1,151,011	\$ 543,822	\$ -	\$ -	\$ 1,228,780
Indirect Expenses	\$ -	\$ (545,300)	\$ 545,300	\$ (545,300)	\$ 272,650	\$ 5,362,114	\$ 3,453,565	\$ 118,148	\$ 90,883	\$ (9,842,660)	\$ (41,633)	\$ (5,021,922)	\$ (1,384,758)	\$ (1,699,514)	\$ (1,151,011)	\$ (543,822)	\$ -	\$ -	\$ 545,300
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 29,019,939	\$ 27,245,859	\$ 1,774,080	\$ 27,245,859	\$ 861,946	\$ 14,715,470	\$ 10,546,566	\$ 896,773	\$ 225,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,774,080
Change in Assets	\$ 776,426	\$ 751,191	\$ 25,235	\$ 751,191	\$ 24,849	\$ 414,415	\$ 277,570	\$ 28,141	\$ 6,217	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,235
Fixed Assets																			
Depreciation	\$ (217,816)	\$ (217,816)	\$ -	\$ (217,816)	\$ -	\$ -	\$ (24,032)	\$ -	\$ -	\$ (193,784)	\$ -	\$ (146,767)	\$ -	\$ (46,325)	\$ (692)	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	50,000	50,000	-	50,000	-	-	-	-	-	50,000	-	-	-	50,000	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	12,000	12,000	-	12,000	-	-	-	-	-	12,000	-	-	-	12,000	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	7,301	(7,301)	7,301	(3,650)	(71,794)	(46,240)	(1,582)	(1,217)	131,784	-	146,767	-	(15,675)	692	-	-	-	(7,301)
Inc(Dec) in Fixed Assets (C)	\$ (155,816)	\$ (148,515)	\$ (7,301)	\$ (148,515)	\$ (3,650)	\$ (71,794)	\$ (70,272)	\$ (1,582)	\$ (1,217)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (7,301)
TOTAL BUDGET (B+C)	\$ 28,864,123	\$ 27,097,344	\$ 1,766,779	\$ 27,097,344	\$ 858,296	\$ 14,643,676	\$ 10,476,294	\$ 895,191	\$ 223,887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,766,779
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 932,242	\$ 899,706	\$ 32,536	\$ 899,706	\$ 28,499	\$ 486,209	\$ 347,842	\$ 29,723	\$ 7,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,536
FTEs	149.0	143.0	6.0	143.0	3.0	59.0	38.0	1.3	1.0	40.7	-	16.8	7.0	8.7	4.0	4.3	-	-	6.0
HC	149.0	143.0	6.0	143.0	3.0	59.0	38.0	1.0	1.0	41.0	-	17.0	7.0	9.0	4.0	4.0	-	-	6.0

Statement of Financial Position

Statement of Financial Position			
2016 Audited, 2017 Projection, and 2018 Budget			
STATUTORY and NON-STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-16	31-Dec-17	31-Dec-18
ASSETS			
Cash and cash equivalents	\$ 11,990,480	\$ 12,245,663	\$ 12,201,479
Investments	8,388,115	8,400,000	9,332,242
Accounts receivable, net	10,985,588	10,000,000	10,000,000
Prepaid expenses and other assets	442,177	475,000	475,000
Property and equipment, net	820,520	562,469	406,653
Total Assets	\$ 32,626,880	\$ 31,683,132	\$ 32,415,374
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 1,618,540	\$ 1,250,000	\$ 1,250,000
Accrued Expenses	2,553,121	2,500,000	2,500,000
Deferred revenue	15,513,074	15,400,000	15,400,000
Other liabilities	1,095,236	900,000	700,000
Total Liabilities	\$ 20,779,971	\$ 20,050,000	\$ 19,850,000
Unrestricted net assets	11,846,909	11,633,132	12,565,374
Total Liabilities and Net Assets	\$ 32,626,880	\$ 31,683,132	\$ 32,415,374

Appendix A: Organizational Chart



■ Statutory Program Area

■ Corporate Services Program Area

■ Non-statutory Program Area

Appendix B: 2018 Budget & Projected 2019 and 2020 Budgets

Key Assumptions

Assessments

- A 1 percent increase per WECC’s assessment stabilization initiative.

Personnel Expenses

- A 3 percent average merit increase in Salaries.
- A 3 percent increase in Payroll Taxes and Retirements Costs.
- A 4 percent increase in Benefits.

Meeting Expenses

- Travel, Meetings, and Conference Calls are assumed to remain at 2018 budgeted levels.

Operating Expenses

- A net reduction in Consultants and Contracts of \$400,000 in 2019 due to completion of one-time RAPA consulting projects budgeted in 2018, reduced use of contractors in the CMEP, and the addition of new 2019 one-time projects. Consultants used for ongoing studies and assessments remain at current levels.
- An increase in office rent in 2020 due to the renegotiation/renewal of WECC’s Salt Lake City office space.

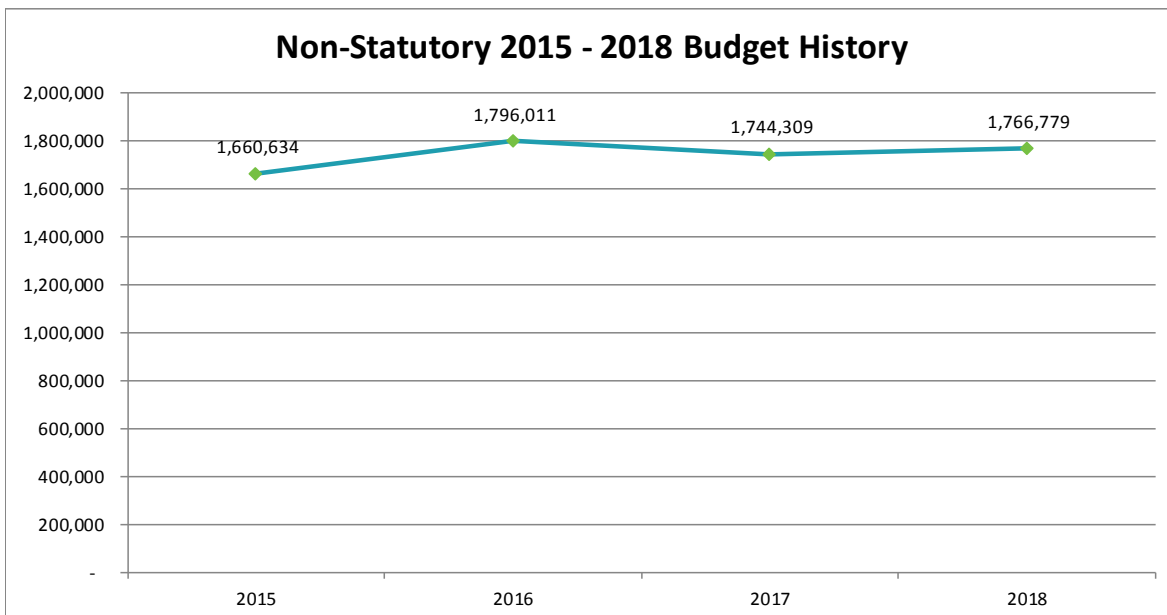
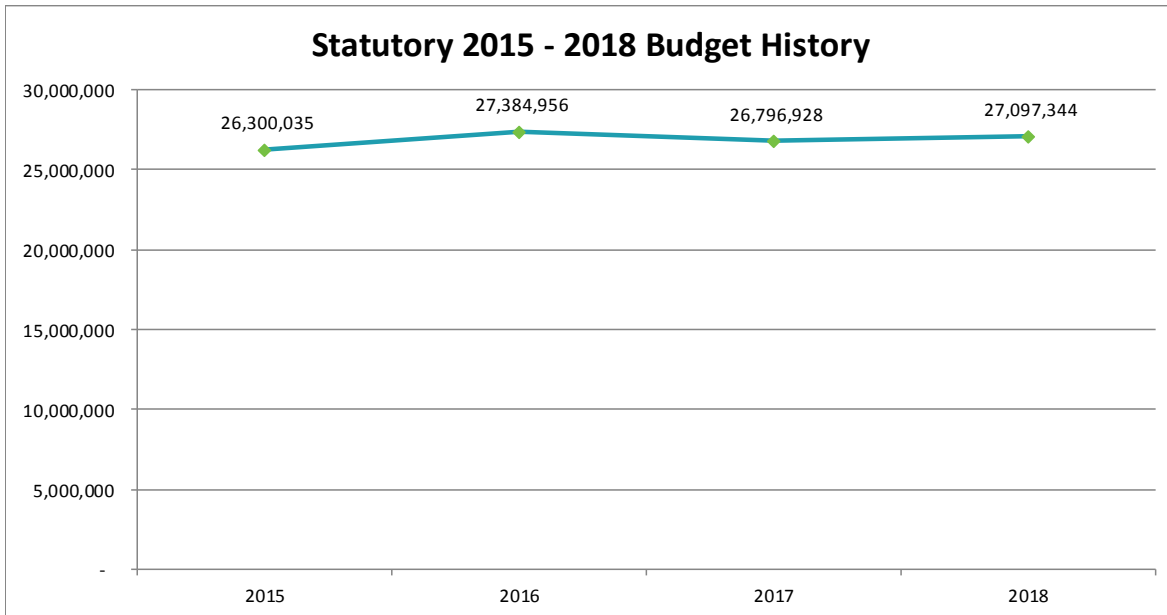
Appendix B – 2018 Budget & Projected 2019 and 2020 Budgets

Statement of Activities and Capital Expenditures							
2018 Budget & Projected 2019 and 2020 Budgets							
Statutory							
	2018	2019	\$ Change	% Change	2020	\$ Change	% Change
	Budget	Projection	18 v 19	18 v 19	Projection	19 v 20	19 v 20
Revenue							
Statutory Funding							
WECC Assessments	\$ 25,282,000	\$ 25,534,820	\$ 252,820	1.0%	\$ 25,790,168	\$ 255,348	1.0%
Penalty Sanctions	2,100,000		(2,100,000)	(100.0%)	-	-	
Total Statutory Funding	\$ 27,382,000	\$ 25,534,820	\$ (1,847,180)	(6.7%)	\$ 25,790,168	\$ 255,348	1.0%
Membership Dues	\$ -	\$ -	\$ -		\$ -	\$ -	
Workshops	540,050	545,451	5,401	1.0%	550,905	5,455	1.0%
Interest	75,000	75,000	-	0.0%	75,000	-	0.0%
Miscellaneous	-	-	-		-	-	
Total Revenue (A)	\$ 27,997,050	\$ 26,155,271	\$ (1,841,780)	(6.6%)	\$ 26,416,073	\$ 260,803	1.0%
Expenses							
Personnel Expenses							
Salaries	\$ 15,199,335	\$ 15,655,315	\$ 455,980	3.0%	\$ 16,124,975	\$ 469,659	3.0%
Payroll Taxes	1,089,355	1,122,036	32,681	3.0%	1,155,697	33,661	3.0%
Benefits	2,293,855	2,385,609	91,754	4.0%	2,481,034	95,424	4.0%
Retirement Costs	1,288,724	1,327,386	38,662	3.0%	1,367,207	39,822	3.0%
Total Personnel Expenses	\$ 19,871,269	\$ 20,490,346	\$ 619,077	3.1%	\$ 21,128,912	\$ 638,566	3.1%
Meeting Expenses							
Meetings	\$ 755,785	\$ 755,785	\$ -	0.0%	\$ 755,785	\$ -	0.0%
Travel	1,401,209	1,401,209	-	0.0%	1,401,209	-	0.0%
Conference Calls	75,000	75,000	-	0.0%	75,000	-	0.0%
Total Meeting Expenses	\$ 2,231,994	\$ 2,231,994	\$ -	0.0%	\$ 2,231,994	\$ -	0.0%
Operating Expenses							
Consultants & Contracts	\$ 2,023,281	\$ 1,423,281	(600,000)	(29.7%)	\$ 1,323,281	(100,000)	(7.0%)
Office Rent	944,461	945,000	539	0.1%	1,100,000	155,000	16.4%
Office Costs	1,598,628	1,614,614	15,986	1.0%	1,630,760	16,146	1.0%
Professional Services	903,710	903,710	-	0.0%	903,710	-	0.0%
Miscellaneous	-	-	-		-	-	
Depreciation	217,816	200,000	(17,816)	(8.2%)	175,000	(25,000)	(12.5%)
Total Operating Expenses	\$ 5,687,896	\$ 5,086,605	\$ (601,291)	(10.6%)	\$ 5,132,751	\$ 46,146	0.9%
Total Direct Expenses	\$ 27,791,159	\$ 27,808,945	\$ 17,786	0.1%	\$ 28,493,658	\$ 684,713	2.5%
Indirect Expenses	\$ (545,300.00)	\$ (545,300.00)	\$ -	0.0%	\$ (545,300.00)	\$ -	0.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses (B)	\$ 27,245,859	\$ 27,263,645	\$ 17,786	0.1%	\$ 27,948,358	\$ 684,713	2.5%
Change in Assets	\$ 751,191	\$ (1,108,374)	\$ (1,859,565)	(247.5%)	\$ (1,532,284)	\$ (423,910)	38.2%
Fixed Assets							
Depreciation	\$ (217,816)	\$ (200,000)	\$ 17,816	(8.2%)	\$ (175,000)	\$ 25,000	(12.5%)
Computer & Software CapEx	50,000	50,000	-	0.0%	50,000	-	0.0%
Furniture & Fixtures CapEx	-	-	-		-	-	
Equipment CapEx	12,000	12,000	-	0.0%	35,000	23,000	191.7%
Leasehold Improvements	-	-	-		-	-	
Allocation of Fixed Assets	7,301	7,000	(301)	(4.1%)	7,000	-	0.0%
Incr(Dec) in Fixed Assets (C)	\$ (148,515)	\$ (131,000)	\$ 17,515	(11.8%)	\$ (83,000)	\$ 48,000	(36.6%)
TOTAL BUDGET (B+C)	\$ 27,097,344	\$ 27,132,645	\$ 35,301	0.1%	\$ 27,865,358	\$ 732,713	2.7%
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 899,706	\$ (977,374)	\$ (1,877,080)	(100.0%)	\$ (1,449,284)	\$ (471,910)	48.3%
FTEs	143.0	143.0	-	0.0%	143.0	-	0.0%
HC	143.0	143.0	-	0.0%	143.0	-	0.0%

Appendix C: Adjustment to the Alberta Electric System Operator (AESO) Assessment

Adjustment to the AESO 2017 and 2018 Assessments		
Credit for WECC Compliance Costs		
	2017	2018
	Compliance Budget	Compliance Budget
	AESO NEL Allocation	AESO NEL Allocation
WECC Compliance Costs		
Direct Costs less Direct Revenue	\$ 8,383,142	\$ 9,310,101
Indirect Costs	5,598,091	5,362,114
Fixed Asset Expenditures	(60,045)	(71,794)
Total Net Costs, including Fixed Assets	\$ 13,921,188	\$ 14,600,421
Net total to be allocated	\$ 13,921,188	\$ 14,600,421
AESO NEL Share (2015 & 2016)	7.197%	6.892%
AESO Proportional Share of Compliance Costs, including Fixed Assets	\$ 1,001,861	\$ 1,006,327
% Credit (53.23 of 55 FTE for 2017; 56.54 of 59 FTE for 2018)	96.78%	95.83%
AESO Credit for Compliance Costs	\$ 969,620	\$ 964,368

Appendix D: Statutory and Non-Statutory Budget History Charts



DOCKET NO. RR17-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2018 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 11

**WESTERN INTERCONNECTION
REGIONAL ADVISORY BODY**

PROPOSED 2018 BUSINESS PLAN AND BUDGET

Western Interconnection Regional Advisory Body

2018 Business Plan and Budget

July 5, 2017

**Approved by:
Appointed Members of the
Western Interconnection Regional Advisory Body**

1600 Broadway, Suite 1700

Denver, CO 80202

303-573-8910

www.westernenergyboard.org

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Introduction

The Western Interconnection Regional Advisory Body (WIRAB) proposed budget for 2018 is \$1,067,785. This amount is \$161,295 (13%) lower than the amount in WIRAB's approved budget for 2017. Total proposed FTEs for 2018 remain constant at 5.5. WIRAB's total funding requirement is \$711,676. WIRAB's proposed funding assessment is \$711,026, a reduction of \$190,426 (21%) from the 2017 funding assessment. WIRAB's proposed funding assessment is allocated \$598,873 (84%) to the U.S. portion, \$101,234 (14%) to the Canadian portion, and \$10,919 (2%) to the Mexican portion of the Western Interconnection.¹ The following table summarizes the WIRAB proposed budget for 2018.

WIRAB - Total Resources (in whole dollars)	2018 Budget	U.S.	Canada	Mexico
Statutory FTEs	5.50			
Non-statutory FTEs				
Total FTEs	5.50			
Statutory Expenses	\$ 1,067,785			
Non-Statutory Expenses				
Total Expenses	\$ 1,067,785			
Statutory Inc(Dec) in Fixed Assets				
Non-Statutory Inc(Dec) in Fixed Assets				
Total Inc(Dec) in Fixed Assets	\$ -			
Statutory Working Capital Requirement	\$ (356,109)			
Non-Statutory Working Capital Requirement	0			
Total Working Capital Requirement	\$ (356,109)			
Total Statutory Funding Requirement	\$ 711,676			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 711,676			
Statutory Funding Assessments	\$ 711,026	\$ 598,873	\$ 101,234	\$ 10,919
Non-Statutory Fees				
NEL	857,250,282	722,744,087	121,411,129	13,095,066
NEL%	100.00%	84.31%	14.16%	1.53%

¹ There was an error in the 2015 NEL data for Public Service Company of Colorado (PSC) used to calculate the allocation of the 2017 assessments, resulting in higher 2017 NERC, WECC and WIRAB assessments allocated to PSC. PSC agreed to pay the (incorrect) 2017 assessments on condition that it would receive compensatory credits in the 2018 assessment calculations. The correction for the 2017 WECC NEL data error allocates \$3,626 of the 2018 credit to PSC for its 2017 WIRAB assessment overpayment to the other LSEs in WECC.

Table 1. WIRAB Budget for 2018 Organizational Overview

In April 2006, ten Western Governors petitioned the Federal Energy Regulatory Commission (FERC or Commission) to create the Western Interconnection Regional Advisory Body (WIRAB) under Section 215(j) of the Federal Power Act. The Governors indicated their interest in inviting all U.S. states, Canadian provinces, and Mexican jurisdictions with territory in the Western Interconnection to join WIRAB.

In July 2006, FERC issued an order granting the Governors' petition to establish WIRAB.² In FERC's order, the Commission determined that WIRAB should receive funding for its Section 215(j) activities and directed WIRAB to annually develop a budget and related information for submission through the Electric Reliability Organization (ERO) budget approval process. The Commission instructed WIRAB to develop a budget in a form similar to that specified for regional entities as set forth in Order 672.³ The Commission also required WIRAB to identify the portion of its funding to be received from Canada and Mexico.

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. WIRAB has the same status under the compact as the Western Interstate Energy Board (WIEB). WIRAB operates under the bylaws of WINB as revised on April 4, 2006. Below is a chart that illustrates these organizational relationships.

² 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.

³ 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."

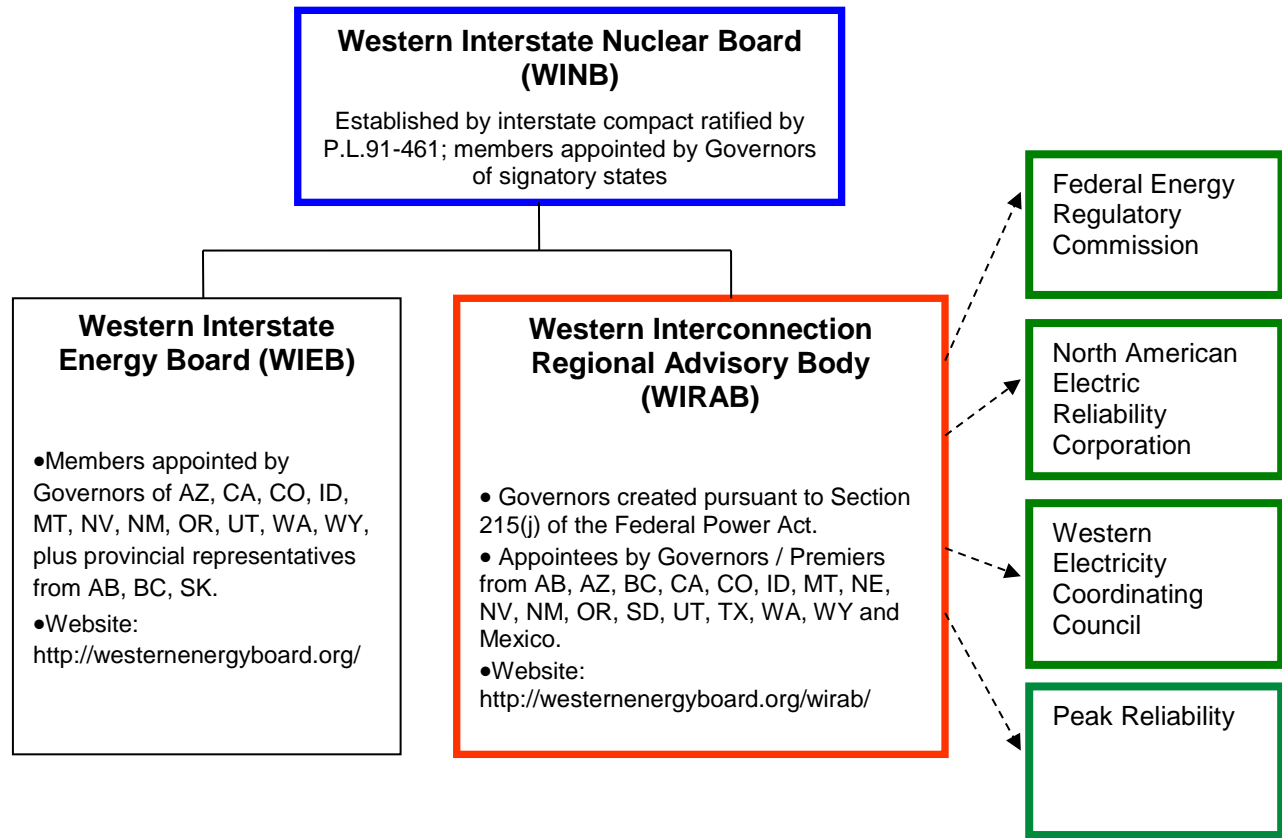


Figure 1. Organizational Relationships.

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 Canadian provinces of Alberta and British Columbia, and Mexico are eligible to appoint members to WIRAB. Members of WIRAB are appointees of the Governors and Premiers or their alternates. Below is the list of current members:

WIRAB - Current Membership List		
Alberta	Christine Lazaruk	Executive Director, Strategy and Integration, Alberta Energy
British Columbia	Les MacLaren	Assistant Deputy Minister, Electricity & Alternative Energy Division, Ministry of Energy & Mines
California	Janea Scott	Commissioner, California Energy Commission
Colorado	Chris Worley	Director of Policy & Research, Colorado Energy Office
Idaho	Kristine Raper	Commissioner, Idaho Public Utilities Commission
Mexico	Marcos Valenzuela	Comision Federal de Electricidad
Montana	Jeff Blend	Economist, Montana Department of Environmental Quality
Nebraska	Tim Texel	Executive Director, Nebraska Power Review Board
Nevada	Angie Dykema	Director, Nevada Governor's Office of Energy
South Dakota	Greg Rislov	Commission Advisor, South Dakota Public Utilities Commission
Utah	David Clark	Commissioner, Utah Public Service Commission
Washington	Tony Usibelli	Assistant Director, State Energy Office, Washington Department of Commerce
Wyoming	Bill Russell	Commissioner, Wyoming Public Service Commission

Figure 2. WIRAB Membership List.

WIRAB holds two in-person meetings each year, typically in April and October. These meetings are open to the public. WIRAB also holds monthly conference calls to discuss emerging issues and hosts periodic webinars with presentations from subject matter experts on key reliability topics.

Statutory Functional Scope

FERC established WIRAB as a Regional Advisory Body under section 215(j) of the Federal Power Act. The language in Section 215(j) specifically provides for WIRAB's authority to advise NERC, FERC and WECC on whether reliability 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.

FERC has additionally authorized WIRAB to advise Peak Reliability on these topics: “[D]eference to WIRAB is appropriate here because Peak Reliability funding implicates the following topics listed in FPA section 215(j) on which a Regional Advisory Body may give advice: ‘governance of an existing or proposed regional entity ... [and] whether fees proposed to be assessed within the region are just, reasonable, not unduly discriminatory or preferential, and in the public interest.’” FERC Order on Rehearing, Docket No. EL13-52 et al., P. 46 (Dec. 6, 2013).

WIRAB's advice to FERC, NERC, WECC, and Peak Reliability can be grouped into four categories that are appropriately funded under Section 215 of the FPA:

1. Governance and Strategic Planning;
2. Emerging Trends and System Risks;
3. Periodic Reliability Assessments; and
4. Reliability Standards and Proactive Enforcement.

WIRAB's activities in each of these categories are described in Section A – Statutory Activities.

2018 Strategic Priorities and Goals

The resource mix of the Western power system is rapidly changing. Utility-scale wind and solar generation is being built in many parts of the West. California and the Desert Southwest are experiencing rapid growth in the installation of rooftop solar photovoltaic generation. Environmental regulations—including those to reduce regional haze and mercury emissions—and efforts to transition to a lower carbon economy have resulted in announced retirements of coal-fired generating units. These changes to the generation resource mix will present new reliability challenges and opportunities for the Western Interconnection as more non-synchronous generation is added to the system and additional synchronous spinning mass generation is retired.

The structure of Western power markets is also undergoing significant change. Utility executives, state policymakers, and other interested stakeholders continue to engage in discussions about transforming the California ISO into a regional multi-state ISO. The California Independent System Operator (ISO) Energy Imbalance Market (EIM) continues to gain new participants. Also, in early 2017, the Mountain West Transmission Group (MWTG)—composed of 8 electricity service providers in the eastern part of the Western Interconnection—announced that they have engaged in discussions with the Southwest Power Pool (SPP) regarding membership in the Regional Transmission Organization (RTO). These market reforms could result in significant changes to system operations (e.g., transmission scheduling, congestion management, reliability coordinator regions) and create new reliability challenges and opportunities for the Western Interconnection.

The modernization of the electric grid has also resulted in an increasing focus on physical and cyber security. These threats will continue to impact the availability of data and the transparency of periodic reliability assessments. At the same time, there is a greater need for research and development of new technologies and operational tools that can be used to improve system reliability throughout the West.

In response to these on-going changes in the Western Interconnection, WIRAB has identified four strategic initiatives that it will pursue in 2018:

Initiative 1: Advise WECC on the implications of high levels of deployment of solar PV on the reliable operation of the bulk electric system.

Generation from distributed energy resources (DERs), specifically solar photovoltaic (PV) generation, is projected to total more than 16,000 MW in nameplate capacity by year 2026 in the Western U.S. While there are many expected benefits of this trend of increasing distributed solar PV generation, several potentially deleterious impacts are also associated with distributed solar PV capacity.

One such deleterious impact is the potential for distributed solar PV generation resources to simultaneously “trip off” or disconnect from the grid. This event could be triggered by and exacerbate the effects of an original system contingency, such as loss of a significant generator. Inverters that interconnect distributed solar PV systems with the grid typically have narrow tolerance ranges for frequency and/or voltage deviations. Thus, if a system contingency raises or lowers grid frequency and/or voltage to a value outside of inverter tolerance ranges, distributed solar PV generation will disconnect from the grid. Such disconnection would further disturb grid variables such as frequency and voltage. Smart (advanced) inverters, however, permit the setting of wider tolerance ranges and, consequently, so-called ride-through in the event of a system contingency.

Another deleterious impact of increasing distributed solar PV generation capacity is that this capacity, if behind customer meters, is not visible to distribution system operators. This impact has been recognized in California, where the Smart Inverter Working Group (SIWG) has provided recommendations to the California Public Utilities Commission (CPUC) concerning deployment and utilization of smart (advanced) inverters. SIWG’s recommendations will improve DER visibility to operators of distribution systems. However, no other Western U.S. states have requirements for DER-operator communications.

In 2017, WIRAB’s sister organization, WIEB, initiated a three-year project to remove barriers to deployment of distributed solar PV generation in the Western Interconnection. WIRAB is taking the lead on the assessment and evaluation of potential reliability barriers. This initiative will continue through the 2018 and 2019 budget cycles. The goals of this initiative are to:

- Conduct a research program that examines potential reliability barriers using modeling. Modeling will be conducted by the National Renewable Energy

Laboratory (NREL). NREL will develop a plan for modeling the potential reliability problems of increasing distributed solar PV generation. This plan will consider input from a technical advisory committee composed of state representatives and other stakeholders. This committee will also review and offer feedback on a report that NREL will prepare on findings from its modeling and interpretation of these findings.

- Form strategic advisory committees, composed of state representatives and other stakeholders, to develop mitigation measures/policy recommendations for those potential reliability problems found to be of relatively high likelihood by NREL. These advisory committees will also develop outreach plans and appropriate materials to assist with outreach to Western Interconnection states.
- Disseminate research findings and policy recommendations on high-likelihood reliability concerns associated with distributed solar PV generation to regulators and policymakers in Western Interconnection states.

Initiative 2: Advise WECC on interdependencies between the natural gas and electric industries in the West and the implications for the reliable operation of the bulk electric system.

The natural gas and electricity industries in the West, and across the Nation, have become inextricably interdependent. Recent issues surrounding the Aliso Canyon natural gas storage field in southern California highlighted increasing operational strains that high penetrations of variable energy resources (VER) and the increasing need for system flexibility are placing on the natural gas system. As the Western Interconnection continues to add large amounts of asynchronous VER and as traditional coal and nuclear generation resources retire, the natural gas system will play an increasingly key role in ensuring BES reliability.

As the Regional Entity responsible for assuring the reliability of the Bulk Electric System (BES) across the Western Interconnection, WECC is increasingly concerned about the adequacy, security, and risks associated with natural gas infrastructure and its ability to reliably meet evolving BES needs. WECC intends to structure and launch an assessment of the natural gas infrastructure and its interdependency with the electric

system in the West. WECC's intention is to identify key potential electric power supply reliability and operational risks of which policy makers and utility planners should be aware. WECC's assessment will build upon previous and related work commissioned by the Western Interstate Energy Board (WIEB) and conducted by Energy + Environmental Economics (E3) in 2014, NERC's assessment of single points of disruption currently underway, and other recent studies.

WIRAB will work with and advise WECC on its efforts to assess the interdependencies between the natural gas and electric industries in the West and the implications for the reliable operation of the BES.

The goals of this initiative are to:

- Evaluate potential future reliability risks associated with interdependencies between the natural gas delivery system and the BES.
- Identify potential mitigation measures to minimize risks to the BES.

The actions that WIRAB staff will take to achieve these goals include:

- Providing advice to WECC on the scope of work for the study.
- Providing advice to WECC on the performance of work including data collection, methodology, assumptions and presentation of results.
- Providing advice to WECC on the interpretation of study results.
- Providing advice to WECC on communication of the results and assisting in communication of the results to stakeholders with key roles in ensuring electricity reliability, such as policy makers and utility planners.

Initiative 3: Encourage WECC to systematically assess the availability of Essential Reliability Services under a wide-range of future resource scenarios.

Building on an initiative in WIRAB's 2017 BP&B, WIRAB will continue its objective to improve WECC's ability to assess the availability of essential reliability services under wide-range of future resource scenarios. Over the past year, WIRAB staff participated on WECC's Joint PCC-TEPPC Review Task Force (JPTRTF), which produced two important recommendations that were approved by the WECC Board in December of 2016. The first recommendation was to consolidate WECC's Planning

Coordination Committee (PCC) and the Transmission Expansion Planning Policy Committee (TEPPC) into the Reliability Assessment Committee (RAC) to better integrate power flow modeling and production cost modeling. The second recommendation was to develop an “Anchor Data Set”; a common, unified data set of the Western Interconnection—collaboratively developed and used by WECC, regional planning groups, and utility planners—for use in power flow and production cost modeling. These proposals, if properly implemented, will improve WECC’s ability to perform reliability assessments of essential reliability services under a wide-range of future scenarios.

WIRAB staff will monitor and participate in RAC and RAC subcommittee activities and will advocate for the creation of an ADS process that produces accurate and high-quality data on current and future generation, loads, and transmission in the Western Interconnection. The creation of the new RAC and the development of a common and unified data base provides an important foundation for future reliability assessments about challenges facing the Western Interconnection.

A systematic assessment of essential reliability services includes the evaluation of whether the power system has sufficient ramping capability, frequency response, and voltage stability under a variety of conditions as we add more non-synchronous, variable generation to the grid. It also includes evaluation of mitigation measures when reliability concerns are identified, including measures that would need to be taken by Registered Entities such as the installation of synchronous condensers to improve system response to frequency disturbances.⁴

The goals of this initiative are for:

- WECC to complete integrated reliability assessments (i.e., ramping, frequency response, and voltage stability) of a future with: 1) high utility-scale development of non-synchronous wind and solar generation; 2) significant retirements of coal-fired generation in the Western Interconnection; and 3) high-penetration of distributed energy resources, including rooftop solar photovoltaics.

⁴ See GE Energy Consulting, Final Report: Potential Mitigation of Dynamic Reliability Challenges with High Levels of Variable Energy Resources (discussing the types of analysis and data needed to identify and quantify potential reliability problems), <http://westernenergyboard.org/download/ge-roadmap-to-improve-reliability-analysis-in-transmission-planning-in-the-changing-resource-mix-april-2015/>

- WECC would complete the modeling and analysis, and then publicly disseminate written reports describing the methodology and results of the reliability assessments.

The actions that WIRAB staff will take to achieve these goals include:

- Participating directly in the RAC Studies Subcommittee Governing Body and monitoring other RAC activities that provide the foundation for development of the integrated data set and analytical tools needed to conduct comprehensive reliability assessments of the Western Interconnection and the availability of essential reliability services under a wide-range of future scenarios.
- Advise WECC on the tools and data to be developed for the reliability assessments.
- Advise and assist WECC in reporting on the reliability assessments to be completed by the RAC.

Initiative 4: Encourage the Member Advisory Committees (MAC) at WECC and Peak Reliability to increase their focus on emerging reliability issues and to improve the processes used by the MACs to advise the Boards of Directors of WECC and Peak Reliability.

It is the purpose of the WECC and Peak Reliability Member Advisory Committees (MACs) to advise the WECC and Peak Reliability Boards of Directors on those matters the Boards request the MACs to consider and/or any matters the MACs deem appropriate. MAC Class Member Representatives play a critical role in engaging WECC and Peak members and providing independent advice to the WECC and Peak Reliability Boards on important reliability issues and organizational matters such as governance, business plans and budgets, and strategic planning. Timely and robust engagement by MAC Representatives in Board discussions and decision-making is critical to ensuring the success of these organizations and their efforts to ensure the reliability of the BES. The WECC and Peak Reliability MACs often determine and frame the matters that will be considered by the WECC and Peak Reliability Boards and, in doing so, directly affect WIRAB's ability to provide important advice to these Boards.

WIRAB will encourage the WECC and Peak Reliability MACs to increase their focus on emerging reliability issues. WIRAB will also encourage the MACs to improve committee processes to better support efforts to efficiently and effectively advise the Boards in a manner that reflects the broad perspectives of the Member Classes and other interested stakeholders.

The goals of this initiative are for:

- The WECC and Peak Reliability MACs to increase their focus on emerging reliability issues and to regularly provide the WECC and Peak Reliability Boards with advice and recommendations on these matters.
- The WECC and Peak Reliability MACs to adopt formal processes that support the MAC, MAC work groups, and Class Member Representative in their efforts to inform and gather stakeholder feedback and to efficiently and effectively advise the WECC and Peak Reliability Boards.

The actions that WIRAB staff will take to achieve these goals will include:

- Encouraging the WECC and Peak Reliability MACs to invite industry experts to discuss emerging reliability issues (e.g., expansion of the Southwest Power Pool (SPP)) at MAC meetings, and to advise the Boards on the challenges that emerging reliability issues may present for the Western Interconnection.
- Inviting the WECC and Peak Reliability MACs to participate in WIRAB webinars and workshops on emerging reliability issues.
- Encouraging and working with the WECC and Peak Reliability MACs to develop/improve MAC processes for seeking stakeholder engagement (e.g. processes that identify key benchmarks and establish clear timelines in order facilitate robust, timely, and informed stakeholder engagement).
- Encouraging and working with the WECC and Peak Reliability MACs to develop or improve MAC processes for establishing and guiding the efforts of MAC work groups (i.e., processes that require the MACs to issue detailed written directives to better guide and support MAC work group efforts).

These four initiatives represent WIRAB's priorities for 2018. WIRAB's on-going activities are described in Section A – Statutory Activities. WIRAB's spring and fall public meetings will continue to be a forum for policymakers and regulators to discuss

important reliability issues and to exchange views on existing and emerging reliability risks.

2018 Budget and Assessment Impacts

The WIRAB proposed budget for 2018 is \$1,067,785. This amount is \$161,295 (13%) lower than the amount in WIRAB's approved budget for 2017. Total proposed FTEs for 2018 remain constant at 5.5. WIRAB's total funding requirement is \$711,676. WIRAB's proposed funding assessment is \$711,026; a reduction of \$190,426 (21%) from the 2017 funding assessment.

Personnel and Indirect Expenses

Personnel expenses drop from \$465,653 in the 2017 Budget to \$408,111 (12%) in the 2018 Budget due to turn-over in personnel. WIRAB uses a single rate method for indirect expenses. The indirect expenses include office expenses, medical and retirement expenses as well as holiday, vacation and sick leave for WIRAB staff. The indirect rate is a percent of direct staff time spent on WIRAB. It is estimated that the indirect rate will remain constant at 96% of direct labor costs. Table 2 shows personnel and indirect expenses per FTE for the approved 2017 Budget and the proposed 2018 Budget.

WIRAB - Personnel and Indirect Expense Analysis 2017-2018						
STATUTORY						
	Budget 2017	Projection 2017	Budget 2018	Variance 2018 Budget v 2017 Budget	Variance %	
Salary Expense	\$ 465,653	\$ 445,000	\$ 408,111	\$ (57,542)	-12.4%	
FTEs	5.50	5.20	5.50	-	0.0%	
Cost per FTE	\$ 84,664	\$ 85,577	\$ 74,202	\$ (10,462)	-12.4%	
Indirect Rate	96%	96%	96%			
Indirect Expense	\$ 447,027	\$ 427,200	\$ 391,664	\$ (55,363)	-12.4%	
FTEs	5.50	5.20	5.50	-	0.0%	
Cost per FTE	\$ 81,278	\$ 82,154	\$ 71,212	\$ (10,066)	-12.4%	

Table 2. Personnel and Indirect Expense Analysis, 2017-2018.

Meeting Expense

Meeting costs increase by \$9,800 to \$70,700. WIRAB will hold two major in-person meetings per year that include participation by state/provincial agencies with electric power responsibilities in the Western Interconnection. Wherever feasible, WIRAB meetings will be coordinated with other meetings of the Western states and provinces.

Travel Expense

Travel costs decrease by \$4,210 to \$95,290. WIRAB member travel to biannual meetings and reliability conferences accounts for \$28,280. WIRAB staff travel to attend meetings of WIRAB, WECC and Peak Reliability accounts for \$67,010. Hotel and travel costs are based on experience from the last year.

Consultants and Contracts

The budget includes \$100,000 in contract funding for technical expertise on issues related to improved grid operating practices, reliability standards and compliance. This expertise will help WIRAB prepare technically-sound advice under Section 215(j).

Budget Comparison

Table 3 shows the 2017 Budget and 2017 Projection compared to the 2018 Budget.

WIRAB - Statement of Activities and Change in Working Capital 2017 Budget & Projection, and 2018 Budget							
STATUTORY							
	2017 Budget	2017 Projection	Variance 2017 Projection v 2017 Budget		2018 Budget	Variance 2018 Budget v 2017 Budget	
			Over(Under)	% Change		Over(Under)	% Change
Funding							
WIRAB Funding							
Assessments	\$ 901,452	\$ 901,452	\$ -	0.0%	\$ 711,026	\$ (190,426)	-21.1%
Penalty Sanctions	-	-	-	-	-	-	-
Total WIRAB Funding	\$ 901,452	\$ 901,452	\$ -	0.0%	\$ 711,026	\$ (190,426)	-21.1%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	650	650	\$ -	0.0%	650	\$ -	0.0%
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 902,102	\$ 902,102	\$ -	0.0%	\$ 711,676	\$ (190,426)	-21.1%
Expenses							
Personnel Expenses							
Salaries	465,653	445,000	(20,653)	-4.4%	408,111	\$ (57,542)	-12.4%
Payroll Taxes	-	-	-	-	-	-	-
Benefits	-	-	-	-	-	-	-
Retirement Costs	-	-	-	-	-	-	-
Total Personnel Expenses	\$ 465,653	\$ 445,000	\$ (20,653)	-4.4%	\$ 408,111	\$ (57,542)	-12.4%
Meeting Expenses							
WIRAB Meetings	\$ 60,900	\$ 63,000	\$ 2,100	3.4%	\$ 70,700	\$ 9,800	16.1%
State Travel	99,500	30,500	\$ (69,000)	-69.3%	28,280	\$ (71,220)	-71.6%
Staff Travel	-	67,000	-	-	67,010	\$ 67,010	100.0%
Conference Calls	6,000	4,000	\$ (2,000)	-33.3%	2,020	\$ (3,980)	-66.3%
Total Meeting Expenses	\$ 166,400	\$ 164,500	\$ (68,900)	-41.4%	\$ 168,010	\$ 1,610	1.0%
Operating Expenses							
Consultants & Contracts	\$ 150,000	\$ 100,000	\$ (50,000)	-33.3%	\$ 100,000	\$ (50,000)	-33.3%
Office Rent	-	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Total Operating Expenses	\$ 150,000	\$ 100,000	\$ (50,000)	-33.3%	\$ 100,000	\$ (50,000)	-33.3%
Total Direct Expenses	\$ 782,053	\$ 709,500	\$ (139,553)	-17.8%	\$ 676,121	\$ (105,932)	-13.5%
Indirect Expenses	\$ 447,027	\$ 427,200	\$ (19,827)	-4.4%	\$ 391,664	\$ (55,363)	-12.4%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
TOTAL BUDGET (B)	\$ 1,229,080	\$ 1,136,700	\$ (159,380)	-13.0%	\$ 1,067,785	\$ (161,295)	-13.1%
CHANGE IN WORKING CAPITAL (=A-B)¹	\$ (326,978)	\$ (234,598)	\$ 159,380	-	\$ (356,109)	\$ (29,131)	-
FTEs	5.50	5.50	-	0.0%	5.50	-	0.0%

¹ Fixed Asset included in Indirect Expenses.

Table 3. Budget Comparison, 2017 to 2018.

Statutory Assessments

WIRAB's proposed funding assessment of \$711,026 is allocated \$598,873 (84%) to the U.S. portion, \$101,234 (14%) to the Canadian portion, and \$10,919 (2%) to the Mexican portion of the Western Interconnection.

Key Assumptions

The WIRAB 2018 Budget and Business Plan is based on the following assumptions:

- There will be no significant expansion of FERC, NERC, WECC, or Peak Reliability responsibilities as a result of legislation or administrative actions.
- WIRAB will continue to provide advice to Peak Reliability.
- WIRAB will hold two in-person meetings in 2018.
- WIRAB will organize and sponsor webinars and workshops on key reliability issues for WIRAB members, state and provincial representatives, industry representatives, and other interested stakeholders.
- WIRAB will attend all WECC and Peak Reliability Boards of Directors and Member Advisory Committee (MAC) meetings.
- WIRAB will attend selected NERC meetings and workshops on relevant topics.
- WIRAB will annually visit with FERC in its offices.
- WIRAB will monitor all FERC business meetings.
- WIRAB will attend FERC technical conferences on reliability issues.

Section A – Statutory Activities

2018 Business Plan and Budget

Section A – Statutory Activities

WIRAB's advice to FERC, NERC, WECC, and Peak Reliability can be grouped into four categories that are appropriately funded under Section 215 of the FPA:

1. **Governance and Strategic Planning:** Section 215(j) of the FPA authorizes WIRAB to provide advice to FERC on the governance, strategic direction, budget and fees of WECC. FERC has previously authorized WIRAB to provide advice on the governance, strategic direction, budget and fees of Peak Reliability.
2. **Emerging Trends and System Risks:** WIRAB must maintain awareness of system conditions and emerging trends and system risks in order to provide effective and technically sound advice regarding the strategic direction of FERC and Peak Reliability. WIRAB also uses knowledge of emerging trends and risks to provide advice to WECC on reliability readiness activities and proactive compliance efforts. These activities are appropriately funded under Section 215(j) of the FPA.
3. **Periodic Reliability Assessments:** Section 215(g) of the FPA requires NERC to conduct periodic assessments of the reliability and adequacy of the bulk-power system. WECC assists NERC in performing this statutory activity. WIRAB works closely with WECC to improve reliability assessment in the Western Interconnection.
4. **Reliability Standards and Proactive Enforcement:** Section 215(j) of the FPA authorizes WIRAB to provide advice to FERC on whether reliability standards are just, reasonable, not unduly discriminatory or preferential, and in the public interest. WIRAB works closely with WECC and Peak Reliability to identify emerging problems or conditions that should be considered in the course of drafting and voting on amendments to existing standards or new standards. WIRAB also works closely with WECC to develop reliability readiness activities and to promote proactive compliance efforts.

WIRAB's activities in each of these categories are described in the following subsections.

Governance and Strategic Planning

Section 215(j) of the FPA authorizes WIRAB to advise FERC on the governance, strategic direction, budget, and fees of WECC and Peak Reliability. The WIRAB staff engages with the WECC and Peak Reliability Boards of Directors, standing committees, staff, Member Advisory Committees (MACs), and MAC work groups to monitor and evaluate the effectiveness and efficiency of governance and operations at each organization and to ensure that all “activities conducted pursuant to Section 215 are just, reasonable, not unduly discriminatory or preferential, and in the public interest.”

The WIRAB staff attends meetings of the WECC and Peak Reliability Boards of Directors, standing committees, Member Advisory Committees (MAC), and MAC work groups and monitors developments related to each organization’s organizational governance, strategic direction, and budget. The WIRAB staff also conducts monthly webinars to provide WIRAB Members, WECC and Peak Reliability’s Class 5 Representatives, and other interested stakeholders with regular updates on current and upcoming activities at WECC and Peak Reliability and to review and develop WIRAB’s written advice and guidance to the Boards of Directors. WIRAB provides WECC and Peak Reliability with independent expert advice on operational practices and performance, annual business plans and budgets, strategic plans, committee charters, proposed bylaw amendments, fees, and other matters. WIRAB and the WIRAB staff will continue to engage with WECC and Peak Reliability and to provide advice and recommendations to each organization as necessary.

Emerging Trends and System Risks

WIRAB staff engage in the following on-going activities in order to provide independent expert advice on the emerging reliability trends and system risks:

Event Analysis and Situational Awareness:

Understanding important operational issues occurring today, as well as in the past, is key to ensuring reliability in the Western Interconnection. Event analysis and situational awareness topics need to be discussed in open and transparent forums that include both utility operators who see these types of issues on a day-to-day basis and thought leaders from diverse backgrounds. It is important to promote best practices and

lessons learned to ensure system operators have access to the tools and knowledge available to maintain a reliable grid in real-time.

WIRAB and the WIRAB staff provide leadership by attending and participating in WECC's Operating Committee meetings, WECC's Market Implementation Committee meetings and Peak Reliability's RC User Group meetings, as well as other forums outside of WECC and Peak Reliability. WIRAB staff also provides periodic outreach webinars and panel sessions at in-person meetings to identify and discuss emerging trends and risks associated with event analysis and situational awareness with Western policy makers and other stakeholders.

Distributed Solar PV Generation Resources:

Distributed energy resources, particularly solar photovoltaic (PV) generation, are projected to total more than 16,000 MW in nameplate capacity by year 2026 in the Western U.S. While California is projected to contribute the majority of this capacity, several other Western states are also predicted to contribute to Western-wide distributed solar PV capacity. Significant benefits of this trend include distributed solar PV generation's increased capacity, partial coincidence with peak power demand, and potential for the provision of grid support services. Several potentially deleterious impacts are also associated with distributed solar PV capacity, such as the simultaneous "tripping off" of distributed solar PV generation systems with narrow tolerance ranges for frequency and/or voltage deviations, which may be triggered by and exacerbate deviations created by an original system contingency, such as the loss of a significant generator. Advanced inverters that permit wider tolerance range settings could provide frequency and/or voltage ride-through in the event of a system contingency.

In addition to the trend of increasing distributed solar PV generation, there is a trend for retirement of synchronous generators such as coal-fired power plants in Western states. Non-synchronous generation technologies, specifically solar PV generation, have historically been regarded as unable to provide grid support services commonly associated with synchronous generation resources, such as frequency support and voltage control. New power electronic technologies, however, enable non-synchronous generation to provide grid support.

WIEB and WIRAB lead efforts to study potential reliability problems associated with increasing distributed solar PV generation in the Western Interconnection. WIEB and WIRAB support the technical advisory committees in their efforts to advise the research partners and to provide feedback on study findings and interpretations. WIEB and WIRAB representatives and staff also work to disseminate research findings and policy recommendations on potential reliability concerns associated with distributed solar PV generation to regulators and policymakers in Western Interconnection states.

Expanding Market Operations:

Expanding market operations is a growing trend in the Western Interconnection. Western states have engaged in discussions on the potential creation of a regional ISO that would involve a multi-state grid using the California ISO's technology to coordinate and optimize electric systems across the states. The Energy Imbalance Market (EIM), which began operation in 2014, has been continuously expanding to include new participants. Additionally, electricity service providers in the eastern part of the Western Interconnection formed the Mountain West Transmission Group (MWTG) to evaluate various options ranging from establishing a common transmission tariff to Regional Transmission Organization (RTO) membership. These market reforms could result in significant changes to system operations (e.g., transmission scheduling, congestion management) and create new reliability challenges and opportunities for the Western Interconnection.

The WIRAB staff monitors market reform efforts in the West and provides a forum for discussions about related issues such as the potential for a regional ISO, expansion of the EIM, and opportunities and challenges for the MWTG. The WIRAB staff also monitors and participates in other forums that are exploring these issues, such as PUC and RTO meetings and workshops. Additionally, the WIRAB staff attends and participates in relevant WECC committee meetings and activities, such as those of the Market Interface Committee (MIC). WIRAB will continue to provide advice to WECC and Peak Reliability and to make recommendations as appropriate on reliability challenges and opportunities associated with expanding market operations.

Essential Reliability Services:

With the rapidly changing resource mix, the Bulk Electric System (BES) is becoming more reliant on more variable, asynchronous generating resources. It is

important that the electric utility industry look over the horizon at emerging issues and make sure that policies and practices set today do not adversely impact reliability, now and in the future. Because of the changing resource mix, some reliability services that are inherently provided by traditional generation resources may not be available to the same extent in the future. However, with emerging technologies, accompanying policies and practices set today can ensure grid reliability, even if the future grid operates differently than it does today.

WIRAB staff provides leadership and advice by attending, participating in and monitoring WECC's Reliability Assessment Committee, Operating Committee and Market Implementation Committee meetings, Peak Reliability's RC User Group meetings, NERC's Essential Reliability Service Work Group meetings, FERC's Reliability Technical Conferences and other forums within the industry. WIRAB provides written advice to WECC, Peak and the Federal Energy Regulatory Commission on policies regarding the provision of essential reliability services. WIRAB staff also provides periodic outreach webinars and develops panel sessions for WIRAB's in-person meetings to discuss emerging trends and to inform Western policy makers and other interested stakeholders of the emerging risks associated with the changing resource mix and the provision of essential reliability services.

Periodic Reliability Assessments

WIRAB staff engage in the following on-going activities in order to provide guidance and independent expert advice on WECC's periodic reliability assessments:

Variable Energy Resources:

High priority reliability topics for the Western Interconnection include the increasing penetration of variable renewable resources, increasing retirements of baseload coal generation that would reduce inertia on the grid, and the growth of distributed energy resources that interface with the Bulk Electric System. WIRAB strives for high quality resource assessments that address the reliability implications of the changing resource mix in the Western Interconnection over the 10- to 20-year timeframe. Production cost modeling can identify economic dispatch of a potential new resource mix for every hour over a future year and identify critical hours of system

stress. Power flow analysis examines these critical stress hours for traditional reliability parameters. The integrated use of production cost modeling and power flow analysis will be an essential tool for future reliability assessments of the Western Interconnection.

WIRAB monitors, advises, and participates in WECC's Reliability Assessment Committee (RAC) to promote improved reliability assessments of the Western Interconnection. WIRAB will encourage and support the RAC in its efforts to integrate WECC's data and modeling capability to perform roundtrip reliability assessments that combine power flow analysis and production cost modeling. WIRAB will also monitor, engage and communicate findings on the leading research about the integration of variable energy resources into the Western Interconnection. Further, WIRAB staff monitors and engages with the National Renewable Energy Laboratory (NREL), the Utility Variable Integration Group, the California ISO, and other researchers investigating the flexibility and reliability of the power system to integrate higher levels of renewable energy. WIRAB also provides outreach to Western states and provinces on the policy implications from new research.

Gas-Electric Interdependencies:

The North American power sector's reliance on natural gas for electric generation has grown significantly. Low natural gas prices, environmental regulations, and improving technologies have all contributed to rapid and sustained investment in new gas-fired power plants across the U.S. The natural gas and electricity industries evolved independently but are now inextricably interdependent. In the West, issues surrounding the Aliso Canyon natural gas storage field in southern California highlighted these interdependencies. In response to growing concerns about electric reliability, both FERC and NERC directed focused inquiries into issues related to gas-electric coordination, including NERC's assessment of single points of disruption.

In 2014, WIRAB's sister organization, WIEB, commissioned a Western-Interconnection-wide assessment of gas-electric interdependencies. Phase 1 of the study assessed natural gas infrastructure. Phase 2 of the study assessed short term operational flexibility. WIRAB and the WIRAB staff continue to work with WIRAB's partners in the Western Interconnection to assess the adequacy, security, and risks

associated with natural gas infrastructure and its ability to reliably meet evolving BES needs. These assessments continue to build upon previous and related work, including the WIEB-commissioned study. WIRAB continue to work closely with WECC and other research partners to develop the scope of work, guide the work of contractors in performing assessments, and communicate results to stakeholders with key roles in ensuring reliability of the BES, such as policy makers and utility planners.

Reliability Standards and Proactive Enforcement

WIRAB staff engage in the following on-going activities in order to provide independent expert advice on the development and proactive enforcement of reliability standards:

Reliability Standards:

NERC reliability standards were created to provide minimum requirements for planning and operating the electric grid. The compliance and enforcement of these reliability standards ensures there is oversight and accountability of bulk power system owners and operators and that system-wide reliability is maintained. It is important that reliability standards are strict enough to guarantee that system reliability is maintained, but flexible enough to respond to the changing industry. It is important to develop and review reliability standards to ensure they effectively preserve reliability while not being overly burdensome on the entities required to comply.

WIRAB staff provides independent expert advice on the development and proactive enforcement of reliability standards by contracting with subject matter experts with direct knowledge of the efficacy of reliability standards and the burden of compliance on regulated entities. WIRAB staff attends, participates and/or monitors WECC's Operating Committee meetings, WECC's Standards Committee meetings, NERC's standard development process and other industry forums. When necessary, WIRAB provides written advice to WECC, NERC and FERC on the implementation of specific standards within the Western Interconnection. WIRAB staff also provide periodic outreach webinars and panel sessions at in-person meetings to lead discussions on emerging trends and risks associated with enforceable reliability standards and to inform Western policy makers and other stakeholders on these issues.

Physical Security and Cybersecurity:

Physical security and cybersecurity of the electric grid are of great concern. Until recent years, physical and cyber security incidents were confined to other sectors. Recently, however, physical incidents (including two incidents at a California substation) and cyber incidents (including a late 2015 incident in the Ukraine that left one-quarter of a million customers without power) have impacted the power sector.

WIRAB has monitored incidents that have compromised the physical security and cybersecurity of the grid for several years. In 2014 and 2015, WIRAB conducted webinars on both physical security and cybersecurity of the grid. In addition, WIRAB has monitored NERC's Critical Infrastructure Protection (CIP) standards. As appropriate, WIRAB will provide updates on CIP standards during its Monthly Teleconference with WIRAB members.

Section B – WIRAB Supplemental Financial Information

2018 Business Plan and Budget

Section B – Supplemental Financial Information

Working Capital Reserve

WIRAB projects it will have a working capital reserve of \$956,109 on December 31, 2017, as compared to a desired working capital reserve at December 31, 2018, of \$600,000. The surplus working capital reserve results in a \$356,109 reduction in WIRAB's funding requirement for 2018. WIRAB is changing its reserve policy to stabilize statutory assessments over the next several budget cycles. WIRAB has traditionally maintained a working capital reserve of \$100,000. Higher working capital reserves in 2018 and 2019 are intended to stabilize assessments during the transition from the current high level of reserves. Starting in 2020, WIRAB will strive to maintain a reserve equal to 20% of budgeted expenses. Table B.1 shows WIRAB's analysis of working capital reserve.

WIRAB - Working Capital Reserve Analysis 2017-2018	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2016	1,190,707
Plus: 2017 Funding (from LSEs or designees)	901,452
Plus: 2017 Other funding sources	650
Minus: 2017 Projected expenses & capital expenditures	(1,136,700)
Projected Working Capital Reserve (Deficit), December 31, 2017	956,109
Desired Working Capital Reserve, December 31, 2018¹	600,000
Minus: Projected Working Capital Reserve, December 31, 2017	(956,109)
Increase(decrease) in funding requirement to achieve Working Capital Reserve	(356,109)
2018 Expenses and Capital Expenditures	1,067,785
Less: Penalty Sanctions ²	0
Less: Other Funding Sources	(650)
Adjustment: To achieve desired Working Capital Reserve	(356,109)
2018 NERC Assessment	711,026
¹ Desired working capital reserve is 56 percent of budgeted expenses. ² Penalty sanctions are not applicable to WIRAB.	

Table B-1. Working Capital Reserve Analysis 2017 – 2018.

Budget Projections for 2019-2020

WIRAB - Statement of Activities and Change in Working Capital 2018 Budget & 2019 and 2020 Projections							
	STATUTORY				2020 Projection	Variance 2020 v 2019 Projections	
	2018 Budget	2019 Projection	Variance 2019 Projection v 2018 Budget Over(Under)	% Change		Over(Under)	% Change
Funding							
WIRAB Funding							
Assessments	\$ 711,026	\$ 880,195	\$ 169,169	23.8%	\$ 1,024,103	\$ 143,908	16.3%
Penalty Sanctions	-	-	-	-	-	-	-
Total WIRAB Funding	\$ 711,026	\$ 880,195	\$ 169,169	23.8%	\$ 1,024,103	\$ 143,908	16.3%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	650	750	\$ 100	15.4%	800	\$ 50	6.7%
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 711,676	\$ 880,945	\$ 169,269	23.8%	\$ 1,024,903	\$ 143,958	16.3%
Expenses							
Personnel Expenses							
Salaries	408,111	420,354	12,243	3.0%	432,965	\$ 12,611	3.0%
Payroll Taxes	-	-	-	-	-	-	-
Benefits	-	-	-	-	-	-	-
Retirement Costs	-	-	-	-	-	-	-
Total Personnel Expenses	\$ 408,111	\$ 420,354	\$ 12,243	3.0%	\$ 432,965	\$ 12,611	3.0%
Meeting Expenses							
WIRAB Meetings	\$ 70,700	\$ 72,821	\$ 2,121	3.0%	\$ 75,006	\$ 2,185	3.0%
State Travel	\$ 28,280	\$ 29,128	\$ 848	3.0%	\$ 30,002	\$ 874	3.0%
Staff Travel	\$ 67,010	\$ 69,020	\$ 2,010	3.0%	\$ 71,091	\$ 2,071	3.0%
Conference Calls	\$ 2,020	\$ 2,081	\$ 61	3.0%	\$ 2,143	\$ 62	3.0%
Total Meeting Expenses	\$ 168,010	\$ 173,050	\$ 5,040	3.0%	\$ 178,242	\$ 5,192	3.0%
Operating Expenses							
Consultants & Contracts	\$ 100,000	\$ 100,000	\$ -	0.0%	\$ 100,000	\$ -	0.0%
Office Rent	-	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Total Operating Expenses	\$ 100,000	\$ 100,000	\$ -	0.0%	\$ 100,000	\$ -	0.0%
Total Direct Expenses	\$ 676,121	\$ 693,405	\$ 17,284	2.6%	\$ 711,207	\$ 17,802	2.6%
Indirect Expenses	\$ 391,664	\$ 403,540	\$ 11,876	3.0%	\$ 415,646	\$ 12,106	3.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
TOTAL BUDGET (B)	\$ 1,067,785	\$ 1,096,945	\$ 29,160	2.7%	\$ 1,126,853	\$ 29,908	2.7%
CHANGE IN WORKING CAPITAL (=A-B)¹	\$ (356,109)	\$ (216,000)	\$ 140,109	-	\$ (101,950)	\$ 114,050	-
FTEs	5.50	5.50	-	0.0%	5.50	-	0.0%

¹ Fixed Asset included in Indirect Expenses.

Table B-2. Budget 2018 Compared with 2019-2020 Projections.

WIRAB projects a 2.7% increase to its annual budget in 2019 and a 2.7% increase in 2020. These increases reflect expected cost-of-living adjustments to personnel expenses for employees working in Denver, Colorado.

Section C – Non-Statutory Activities

2018 Business Plan and Budget

Section C – Non-Statutory Activities

WIRAB does not engage in non-statutory activities.

Section D – Additional Consolidated Financial Statements

2018 Business Plan and Budget

Section D – Additional Consolidated Financial Statements

Statement of Financial Position

Table D-1 provides WIRAB's Statement of Financial Position as of the following dates:

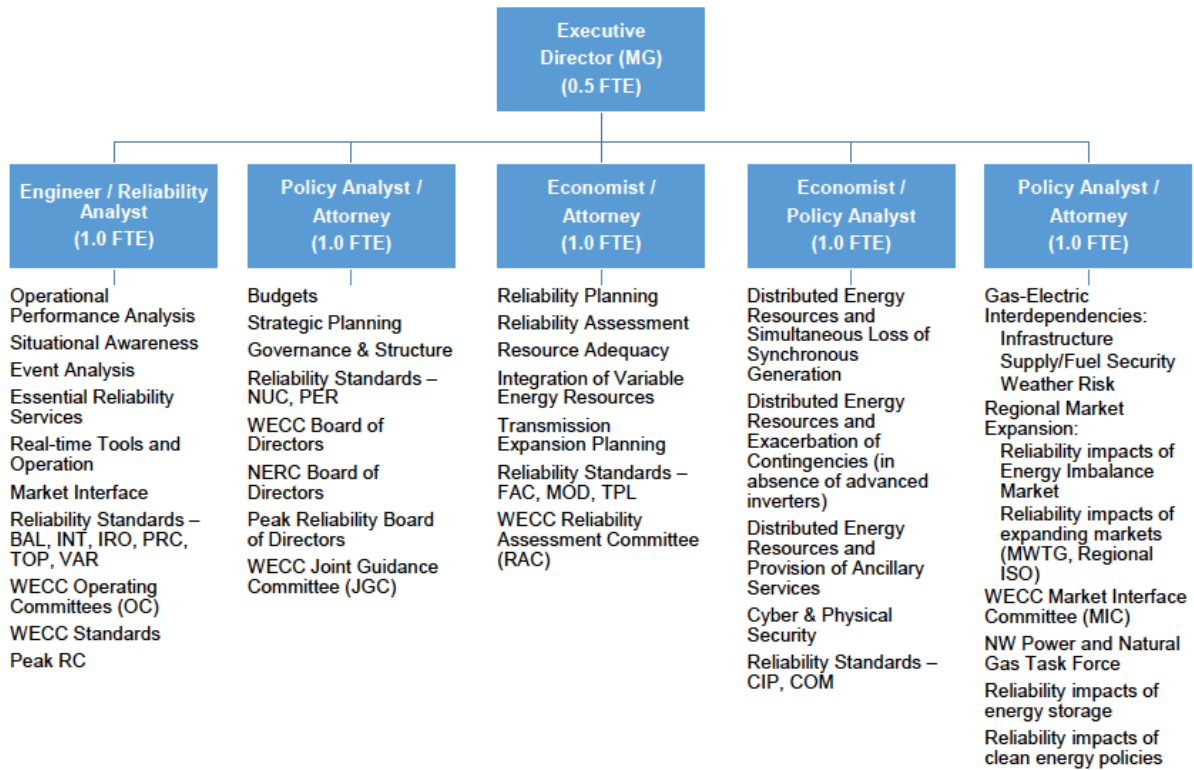
- As of December 31, 2016, per audit
- As of December 31, 2017, projected
- As of December 31, 2018, as budgeted

WIRAB - Statement of Financial Position				
STATUTORY				
	As of June 30, 2016 (Audit)	As of December 31, 2017 (Projected)	As of December 31, 2018 (Budgeted)	
Assets				
Cash and Investments	\$ 1,779,012	\$ 956,109	\$ 600,000	
Total Assets	\$ 1,779,012	\$ 956,109	\$ 600,000	

Table D-1. Statement of Financial Position, Three-Year Comparison

Appendix A Organization Chart

The WIRAB Organization Chart is shown below.



DOCKET NO. RR17-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2018 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 12

DISCUSSION OF COMMENTS RECEIVED

DURING DEVELOPMENT OF NERC'S

2018 BUSINESS PLAN AND BUDGET

July 17, 2017

Re: Management Response to Comments Received

The deadline for comments on the first draft of NERC's 2018 Business Plan and Budget (BP&B) ended on June 30, 2017. Comments were submitted by seven individuals and entities and covered a wide range of topics. Below is a summary of those comments and NERC management's response.

E-ISAC Member Executive Committee (MEC)¹

The MEC, comprised of the leadership of several large electric utilities across the country, provided a resolution in support of the E-ISAC strategy. This long-term strategy was included in Exhibit F of the first draft of NERC's BP&B, but associated costs were not included in the budget and feedback was solicited. The MEC provided a resolution that urged NERC to move forward with a "sense of urgency" and offered support for the proposed 2018 additional costs associated with the strategy.

NERC management received additional informal feedback from other stakeholders in support of this strategy, and management has included the proposed 2018 additional costs in the latest draft of NERC's BP&B.

Bonneville Power Administration (BPA)

BPA offered support and comments on the five strategic goals of the ERO Enterprise discussed in the BP&B. The comments were generally supportive and BPA encouraged NERC to continue their communication and outreach. NERC management agrees, welcomes the support and assistance of BPA, and will continue efforts to include industry stakeholders in the strategic goal and operating plan process.

Mr. David Bardin

Mr. Bardin provided comments on the FERC order related to Geomagnetic Disturbances (GMD) and NERC's plans for the research. As noted in the first draft of the BP&B, FERC directed NERC to submit a research work plan describing how NERC will conduct research into the specific GMD-related topics identified in the order. On May 30, 2017, NERC filed its preliminary GMD research work plan. In this preliminary plan, NERC identified various tasks that would build upon existing research, but noted that much work remains to be done to develop an optimal project management framework for this GMD research. In light of this approach, NERC included only minimal costs for the GMD research in the first draft of the BP&B. Mr. Bardin requested

¹ The MEC is a sub-group of the Electricity Subsector Coordinating Council (ESCC). For more information, please see the ESCC website [here](#).

that NERC reconsider this approach and add additional funds to support a more comprehensive research plan. He provided some additional details related to his request.

Management appreciates the feedback, but continues our current approach to address these additional steps. NERC plans to conduct extensive outreach over the coming months with government agencies, academia, the Electric Power Research Institute, stakeholders, and others to identify opportunities for research synergies, develop an appropriate research management structure, and discuss ways to fund to the project, including seeking outside funding resources. As Mr. Bardin notes, FERC may also provide further guidance or direction with respect to the specific GMD research activities included in the plan. This could include adding, eliminating, or prioritizing specific project activities. Each of these considerations would inform the final project plan and ultimately the final estimate of the total and year-over-year costs that would be borne by NERC and therefore be reflected in NERC's budgets. Given the current uncertainties, management still plans to make the 2018 GMD-related budget decisions after exploring stakeholder co-funding options and FERC review of the GMD research plan.

ISO / RTO Council – Standards Review Committee (SRC)

The SRC comments were primarily related to NERC's Reliability Standards program area. In particular, the SRC urged NERC to reduce reliance on continual standards revisions and development, focus efforts on risk identification, and explore ways to collect and analyze data regarding the effectiveness of standards. The SRC provided additional specific feedback on various areas of the BP&B.

NERC management agrees that the initiative on steady state in standards development and the move to Risk-Based Compliance Monitoring have brought much needed clarity and efficiencies in the understanding and enforcement of standards. However, the ongoing risks of physical and cyber security, coupled with the reliability risks of distributed energy resources, demonstrate the need for continued resources in standards development. We agree that not all of the solutions may exist in a standard, and that the Standards Committee will continue to work closely with the technical committees to address these risks with a standard solution when other solutions are not feasible. NERC is also committed to ongoing reviews of the standards to eliminate requirements unnecessary for reliability, and look for potential cost savings in implementation.

National Rural Electric Cooperative Association (NRECA)

The NRECA provided three comments related to efficiency and cost control, use of assessment stabilization reserves, and clarity on personnel costs and reasonableness. NERC management added additional language to the BP&B document to address some of these comments.

Canadian Electricity Association (CEA) and Independent Electricity System Operator (IESO)

The CEA and IESO, both Canadian entities, provided similar comments related to ongoing efficiency and cost control. Both organizations urged NERC to continually focus on maximizing efficiency and work to achieve budget increases that more closely align with utility and inflationary realities.

NERC management agrees that ongoing efficiency and cost control are an integral part of the ERO Enterprise long-term strategy. The 2018 BP&B is relatively stable, excluding the added costs associated with the E-ISAC

strategy. And the ERO Enterprise as a whole is experiencing some stability in recent years and looking into the next 2-3 years. We expect the efficiency goals and maturity of the ERO Enterprise will provide budgetary stability in the coming years. Improving the efficiency and effectiveness of the ERO Enterprise operations is one of the recommended focus areas included in NERC's draft long-term strategy which will be posted this week for stakeholder comment, and further reviewed at the August 2017 Members Representative Committee meeting.

We appreciate the comments received and encourage your continued participation in the BP&B process.

Sincerely,

Scott Jones

Vice President of Finance
Treasurer

DOCKET NO. RR17-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2018 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 13

**CALCULATION OF ADJUSTMENTS
THE AESO 2018 NERC ASSESSMENT,
THE IESO 2018 NERC ASSESSMENT,
THE NEW BRUNSWICK 2018 NERC ASSESSMENT,
AND THE QUEBEC 2018 NERC ASSESSMENT**

2018 AESO Assessment Adjustment

Credit for NERC Compliance Costs

Includes adjustment for 2016 Actual v Budgeted Costs

	AESO NEL Share		2018 Compliance FTEs			Costs Paid by	
	2018 NERC Budget	(2016) 1.311%	Total	Credit	% Credit	AESO Credit	AESO
NERC Compliance Program Budget							
Compliance Assurance	\$ 8,890,790	\$ 116,558	19.27	17.77	92.2%	\$ 107,467	\$ 9,092
Analysis and Certification	4,880,587	63,985	9.40	8.38	89.1%	57,042	6,943
Enforcement	6,665,495	87,385	12.22	12.22	100.0%	87,385	-
Total Compliance Costs, including Fixed Assets	\$ 20,436,872	\$ 267,928	40.89	38.37		\$ 251,893	\$ 16,035
Additional Compliance Costs (Not Budgeted in Compliance)							
2018 CMEP Database Support	161,000	2,111			100.0%	2,111	-
True-up 2016 Actual						(25,358)	
Additional Non-Compliance Costs							
Event Analysis	5,113,695	67,041	11.28	3.38	30.0%	20,112	46,928
SAFNR	523,900	6,868			100.0%	6,868	
Total Compliance, Event Analysis and SAFNR	\$ 26,235,467	\$ 343,948	52.17	41.75		\$ 255,627	\$ 62,963
2017	\$ 23,418,441	\$ 324,814	47.47	38.67		\$ 300,599	\$ 59,341
Change from 2017	\$ 2,817,026					\$ (44,972)	\$ 3,622
2018 Assessment							
2018 NERC Assessment	\$ 578,600						
2018 RE Assessment	979,700						
Total 2018 Assessment	\$ 1,558,299						
2017 Assessment							
2017 NERC Assessment	\$ 544,658						
2017 RE Assessment	990,964						
Total 2017 Assessment	\$ 1,535,622						
Change in Total Assessment	\$ 22,677						
		1.5%					

2018 New Brunswick Assessment Adjustment

Credit for NERC Compliance Costs

Includes adjustment for 2016 Actual v Budgeted Costs

	NERC Budget	NB NEL Share (2016) 0.304%	2018 Compliance FTEs			NB Credit	Costs Paid by	
			Total	Credit	% Credit		NB	
NERC Compliance Program Budget								
Compliance Assurance	\$ 8,890,790	\$ 27,022	19.27	16.03	83.2%	\$ 22,482	\$	4,540
Analysis and Certification	4,880,587	14,834	9.40	8.38	89.1%	13,224		1,610
Enforcement	6,665,495	20,259	12.22	12.22	100.0%	20,259		-
Total Compliance Costs, including Fixed Assets	\$ 20,436,872	\$ 62,115	40.89	36.63		\$ 55,965	\$	6,149

Additional Compliance Costs (Not Budgeted in Compliance)

2018 CMEP Database Support	161,000	489			100.0%	489		-
True-up 2016 Actual						(5,416)		

Additional Non-Compliance Costs

Event Analysis	5,113,695	15,542	11.28	3.38	30.0%	\$ 4,657	\$	10,885
SAFNR	523,900	1,592			100.0%	1,592		
Total Compliance, Event Analysis and SAFNR	\$ 26,235,467	\$ 79,739	52.17	40.01		\$ 57,288	\$	17,034
2017	\$ 23,418,441	\$ 73,653	47.47	37.27		\$ 66,129	\$	15,687
Change from 2017	\$ 2,817,026					\$ (8,841)	\$	1,347

2018 Assessment

2018 NERC Assessment	\$ 136,114
2018 RE Assessment	288,998
Total 2018 Assessment	\$ 425,112

2017 Assessment

2017 NERC Assessment	\$ 125,585
2017 RE Assessment	290,905
Total 2017 Assessment	\$ 416,490

Change in Total Assessment	\$ 8,622	2.1%
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2018 Quebec Assessment Adjustment
Credit for NERC Compliance Costs
Includes adjustment for 2016 Actual v Budget

	NERC Budget	Quebec NEL	2018 Compliance FTEs			Quebec	Costs Paid by	Payment Allocation	
		Share (2016)	Total	Credit	% Credit	Credit	Quebec	Regie	Hydro Quebec
NERC Compliance Program Budget - 2018		4.039%							
Compliance Assurance	\$ 8,890,790	\$ 359,114	19.27	6.94	36.0%	\$ 129,281	\$ 229,833		\$ 229,833
Analysis and Certification	4,880,587	197,135	9.40	8.38	89.1%	175,744	21,391	\$ 18,750	2,642
Enforcement	6,665,495	269,230	12.22	12.22	100.0%	269,230	-		
Total Compliance Costs, including Fixed Assets	\$ 20,436,872	\$ 825,479	40.89	27.54		\$ 574,255	\$ 251,224	\$ 18,750	\$ 232,474
Additional Compliance Costs (Not Budgeted in Compliance)									
2018 CMEP Database Support	161,000	6,503			100.0%	6,503			
True-up 2016 Actual						(51,620)			
Additional Non-Compliance Costs									
Event Analysis	5,113,695	206,551	11.28	3.38	30.0%	\$ 61,892	\$ 144,659		\$ 144,659
SAFNR	523,900	21,161			100.0%	21,161			
Total Compliance, Event Analysis and SAFNR	\$ 26,235,467	\$ 1,059,694	52.17	30.92		\$ 612,191	\$ 395,883	\$ 18,750	\$ 377,133
2017 Budget	\$ 23,418,441	\$ 957,713	47.47	29.96		\$ 689,561	\$ 355,581	\$ 16,260	\$ 339,321
Change from 2017	\$ 2,817,026					\$ (77,370)	\$ 40,302	\$ 2,490	\$ 37,812
2018 Assessment (including Compliance credit)									
2018 NERC Assessment	\$ 1,958,039							\$ 18,750	\$ 1,939,289
2018 RE Assessment	2,985,158							1,050,695	1,934,463
Total 2018 Assessment	\$ 4,943,197							\$ 1,069,445	\$ 3,873,752
2017 Assessment (including Compliance Credit)									
2017 NERC Assessment	\$ 1,803,289							\$ 16,260	\$ 1,787,029
2017 RE Assessment	2,820,434							1,027,171	1,793,263
Total 2017 Assessment	\$ 4,623,723							\$ 1,043,431	\$ 3,580,292
Change in Total Assessment	\$ 319,474							\$ 26,014	\$ 293,460
	6.9%							2.5%	8.2%

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**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2018 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 14

**METRICS COMPARING
REGIONAL ENTITY OPERATIONS
BASED ON
THE 2018 BUDGETS**

2018 Metrics for Budget Submissions

	Budget Metrics	FRCC	MRO	NPCC ⁵	ReliabilityFirst	SERC	SPP RE	Texas RE	WECC
1	Number of registered entities	42	113	205	230	192	120	203	366
2	Number of registered functions	163	342	427	477	507	315	379	888
3	Total NEL (GWh)	234,140	289,292	628,864	894,287	1,022,554	227,489	353,022	857,250
4	NEL (GWh) per registered entity	5,575	2,560	3,068	3,888	5,326	1,896	1,739	2,342
5	Total ERO Funding ¹	\$ 6,913,663	\$ 10,872,104	\$ 14,416,787	\$ 22,060,585	\$ 17,933,114	\$ 10,017,265	\$ 11,546,986	\$ 27,382,000
6	ERO Funding per registered entity	\$ 164,611	\$ 96,213	\$ 70,326	\$ 95,916	\$ 93,402	\$ 83,477	\$ 56,882	\$ 74,814
7	ERO Funding per registered function	\$ 42,415	\$ 31,790	\$ 33,763	\$ 46,249	\$ 35,371	\$ 31,801	\$ 30,467	\$ 30,836
8	Total Budget ²	\$ 7,514,112	\$ 11,726,738	\$ 15,106,967	\$ 21,393,899	\$ 17,182,868	\$ 10,793,195	\$ 12,656,953	\$ 27,097,344
9	Total Budget per registered entity	\$ 178,907	\$ 103,776	\$ 73,693	\$ 93,017	\$ 89,494	\$ 89,943	\$ 62,350	\$ 74,036
10	Total Budget per registered function	46098.84663	\$ 34,289	\$ 35,379	\$ 44,851	\$ 33,891	\$ 34,264	\$ 33,396	\$ 30,515
11	Total Statutory FTE ³	30.63	45.00	36.86	76.20	75.00	32.30	60.00	143.00
12	Registered entity per Statutory FTE	1.371	2.511	5.562	3.018	2.560	3.715	3.383	2.559
13	Registered function per Statutory FTE	5.322	7.600	11.584	6.260	6.760	9.752	6.317	6.210
14	Total Compliance Budget ⁴	\$ 5,498,173	\$ 7,756,470	\$ 8,293,748	\$ 15,960,112	\$ 12,171,991	\$ 8,466,710	\$ 9,593,152	\$ 14,643,677
15	Compliance budget per registered entity	\$ 130,909	\$ 68,641	\$ 40,457	\$ 69,392	\$ 63,396	\$ 70,556	\$ 47,257	\$ 40,010
16	Compliance budget per registered function	\$ 33,731	\$ 22,680	\$ 19,423	\$ 33,459	\$ 24,008	\$ 26,878	\$ 25,312	\$ 16,491
17	Total Compliance FTE ³	19.65	23.02	16.00	45.25	32.56	21.75	36.25	59.00
18	Registered entity per Compliance FTE	2.1	4.9	12.8	5.1	5.9	5.5	5.6	6.2
19	Registered function per Compliance FTE	8.3	14.9	26.7	10.5	15.6	14.5	10.5	15.1

¹ ERO Funding is the sum of Assessments and Penalty Sanctions only. (Excludes funding, such as Membership Dues, Testing Fees, Services & Software, Workshops, Interest, and Miscellaneous.)

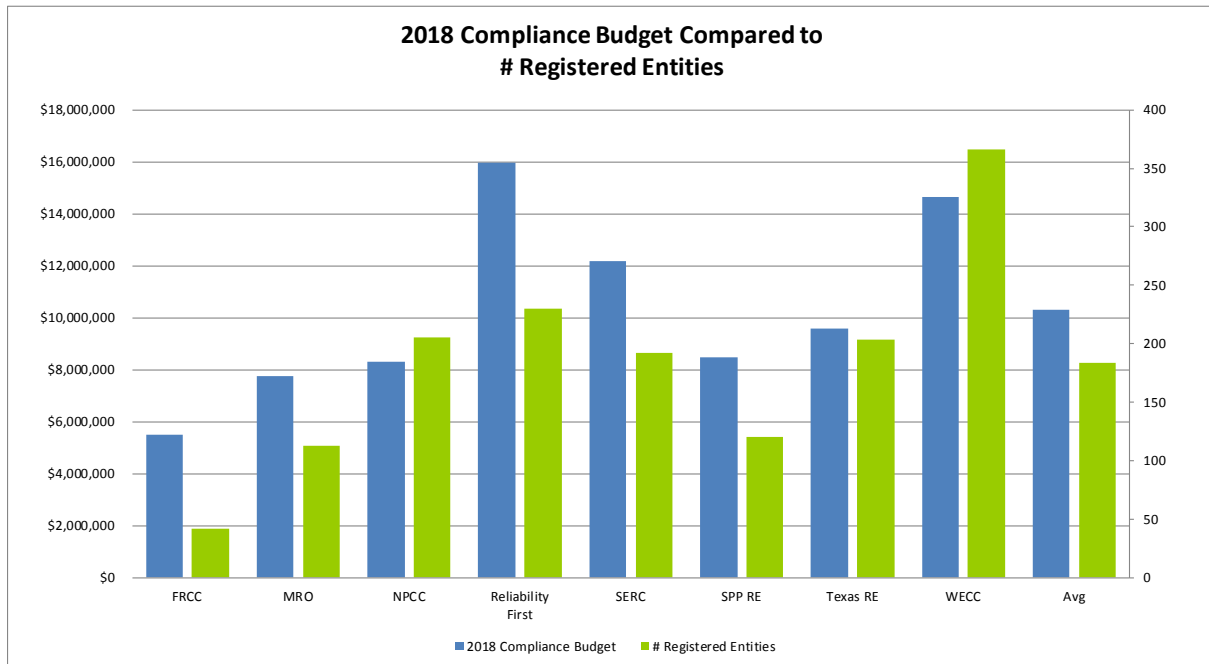
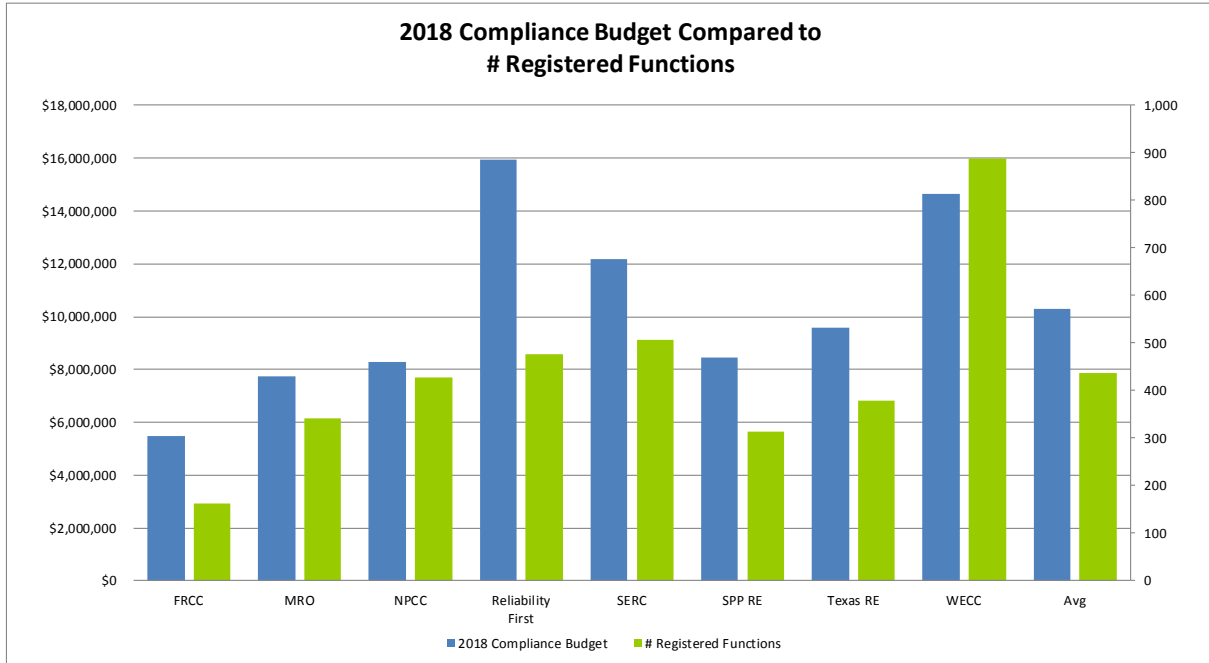
² Total Budget is the sum of Total Expenses and the Increase/(Decrease) in Fixed Assets.

³ Each FTE that works 2,080 hours per year is counted as one FTE. An FTE working less than the 2,080 hours per year is counted as a fractional FTE.

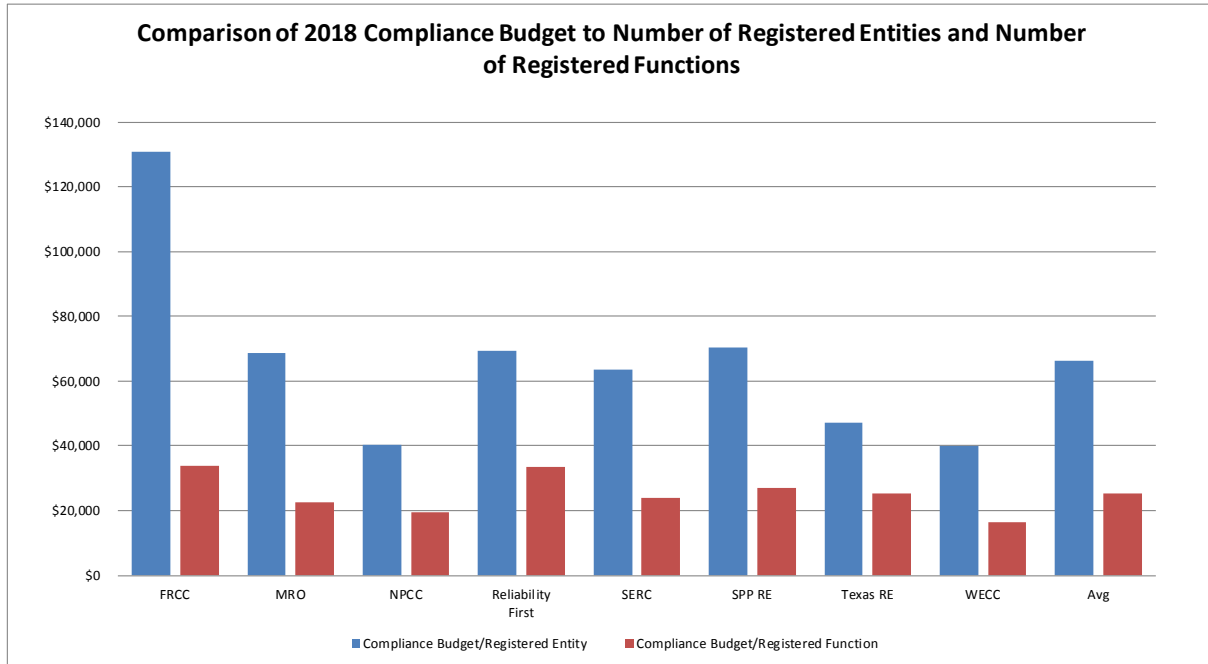
⁴ Total Compliance Budget is a sum of Direct Expenses, Indirect Expenses, and Capital Expenditures.

⁵ 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.

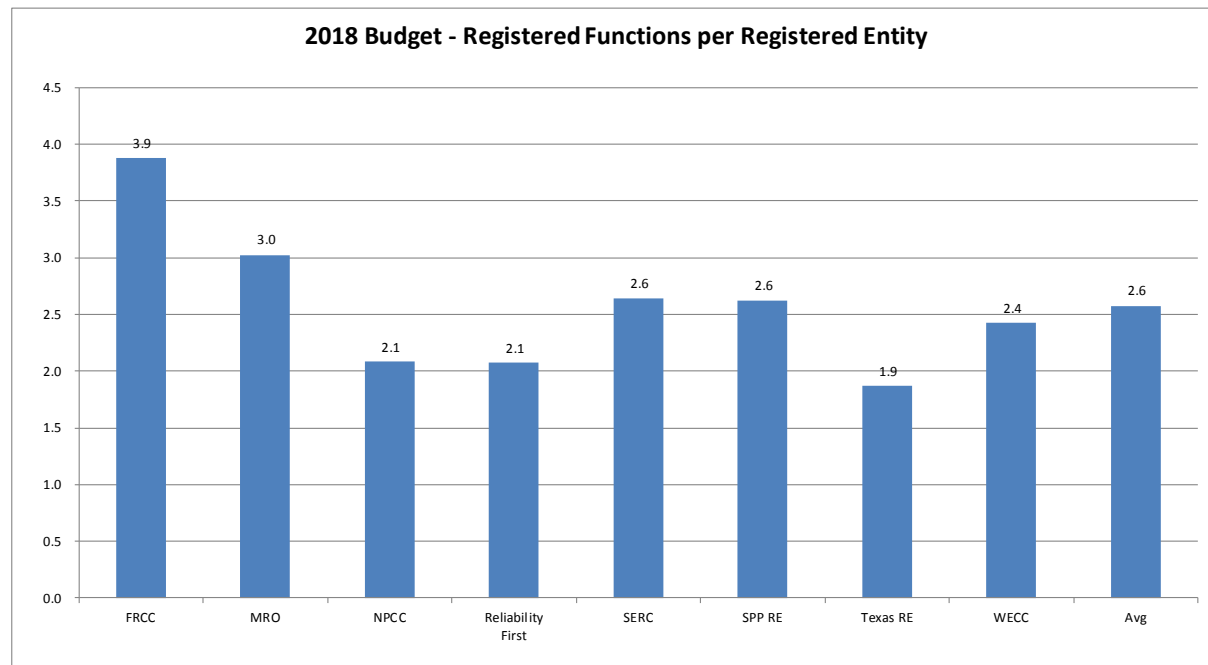
	FRCC	MRO	NPCC	Reliability First	SERC	SPP RE	Texas RE	WECC	Avg
2018 Compliance Budget	\$5,498,173	\$7,756,470	\$8,293,748	\$15,960,112	\$12,171,991	\$8,466,710	\$9,593,152	\$14,643,677	\$10,298,004
# Registered Entities	42	113	205	230	192	120	203	366	184
# Registered Functions	163	342	427	477	507	315	379	888	437



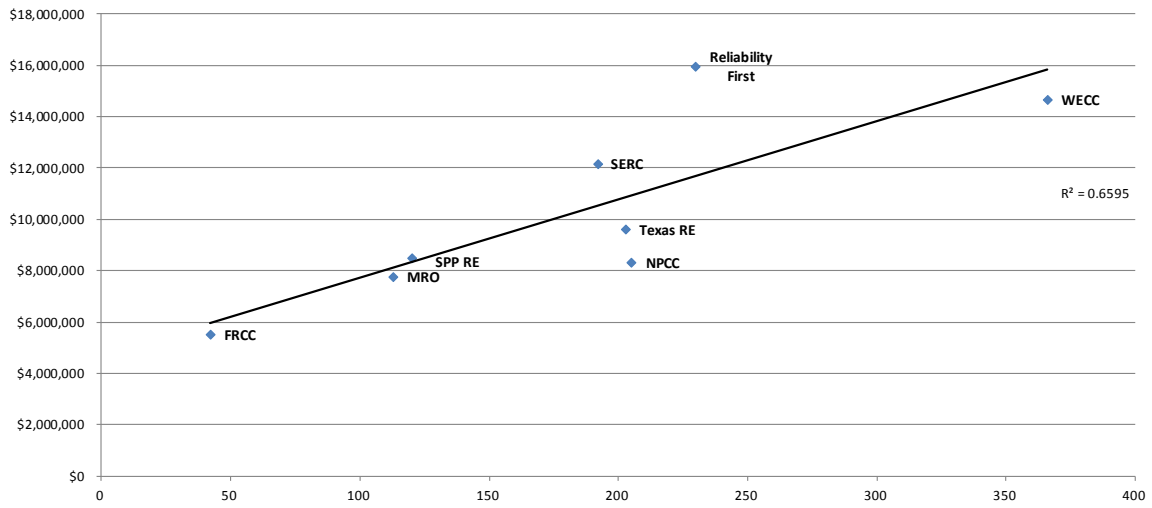
	FRCC	MRO	NPCC	Reliability First	SERC	SPP RE	Texas RE	WECC	Avg
Compliance Budget/Registered Entity	\$130,909	\$68,641	\$40,457	\$69,392	\$63,396	\$70,556	\$47,257	\$40,010	\$66,327
Compliance Budget/Registered Function	\$33,731	\$22,680	\$19,423	\$33,459	\$24,008	\$26,878	\$25,312	\$16,491	\$25,248



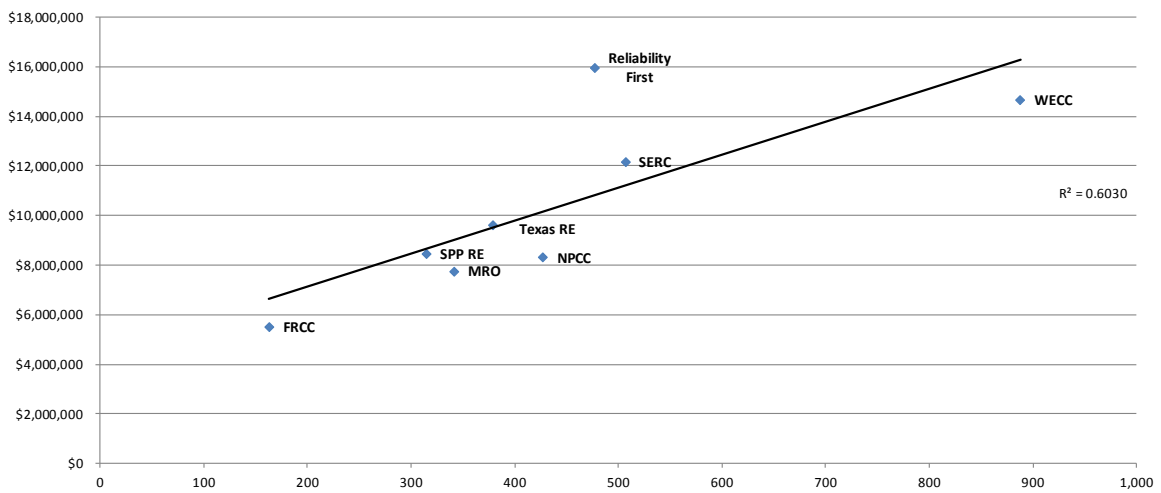
	FRCC	MRO	NPCC	Reliability First	SERC	SPP RE	Texas RE	WECC	Avg
Registered Functions per Registered Entity 2018 Budget	3.9	3.0	2.1	2.1	2.6	2.6	1.9	2.4	2.6



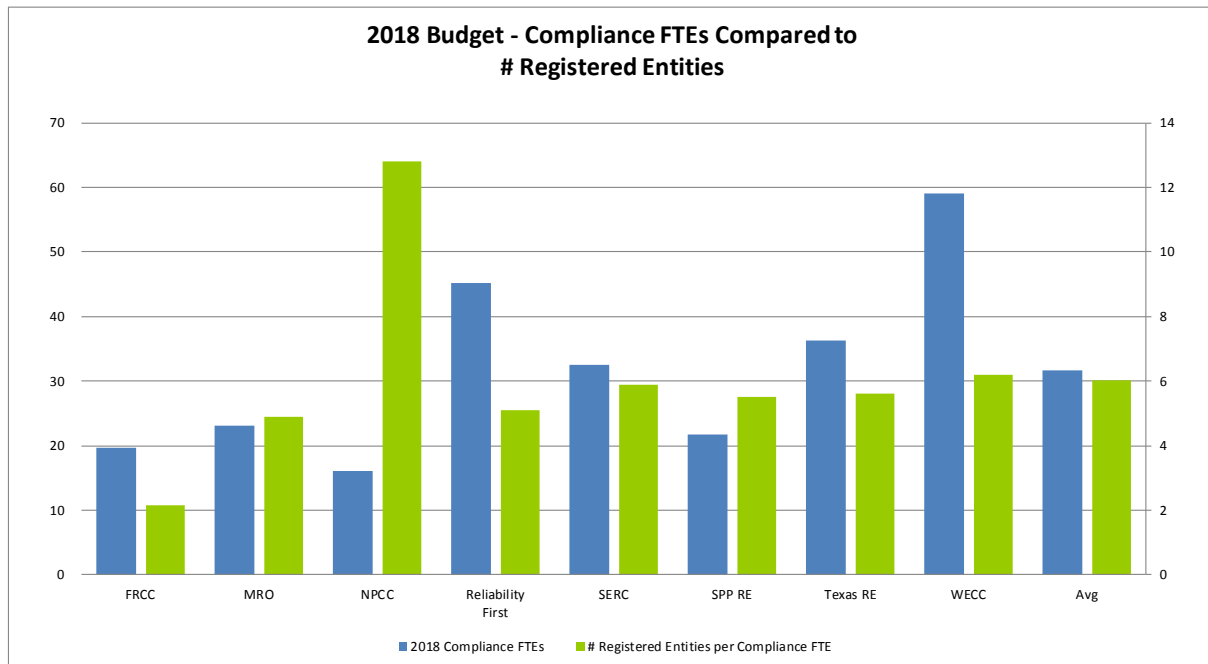
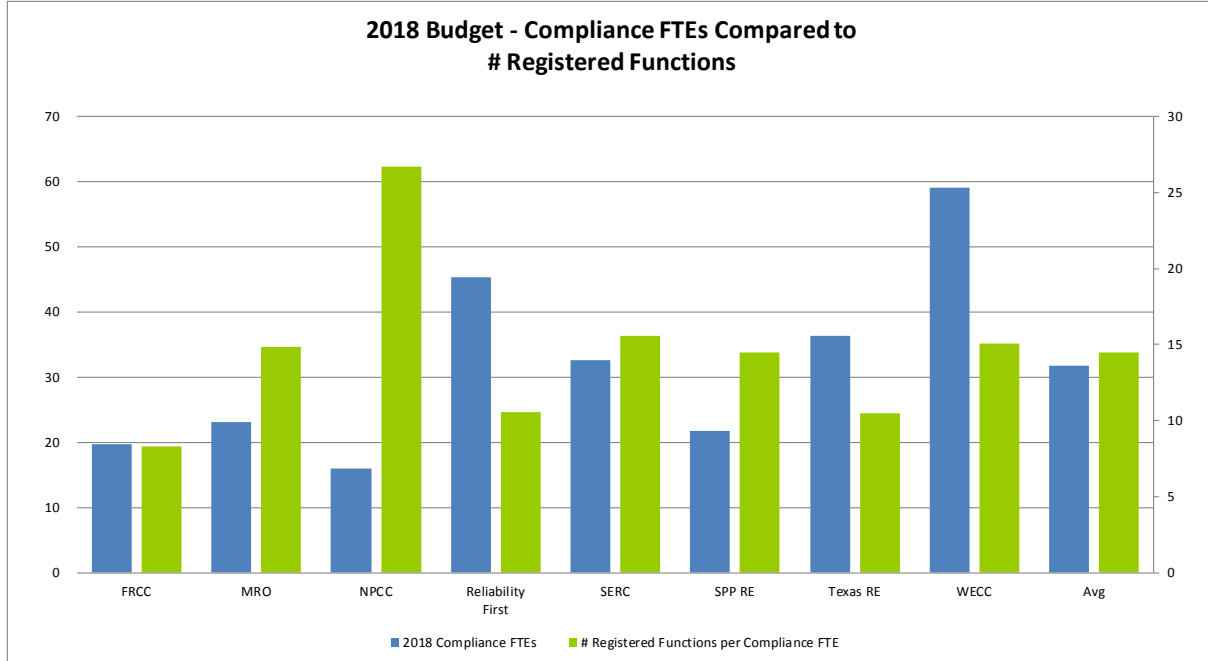
Regional Entity 2018 Compliance Program Budget as Function of Number of Registered Entities



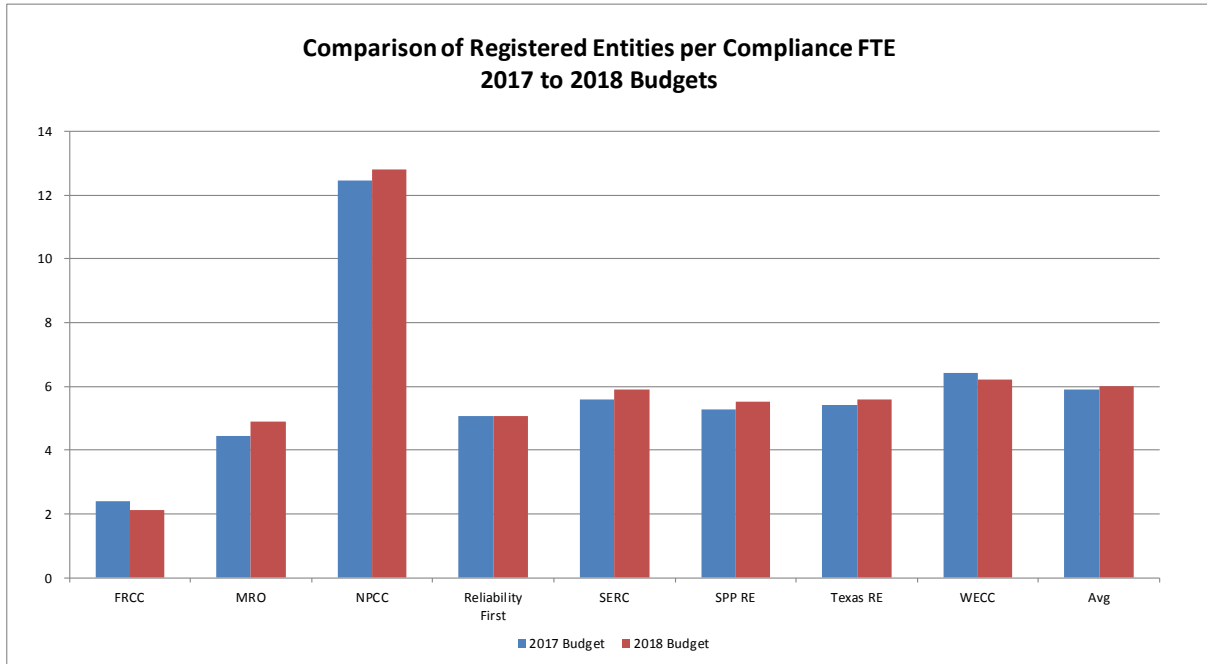
Regional Entity 2018 Compliance Program Budget as Function of Number of Registered Functions



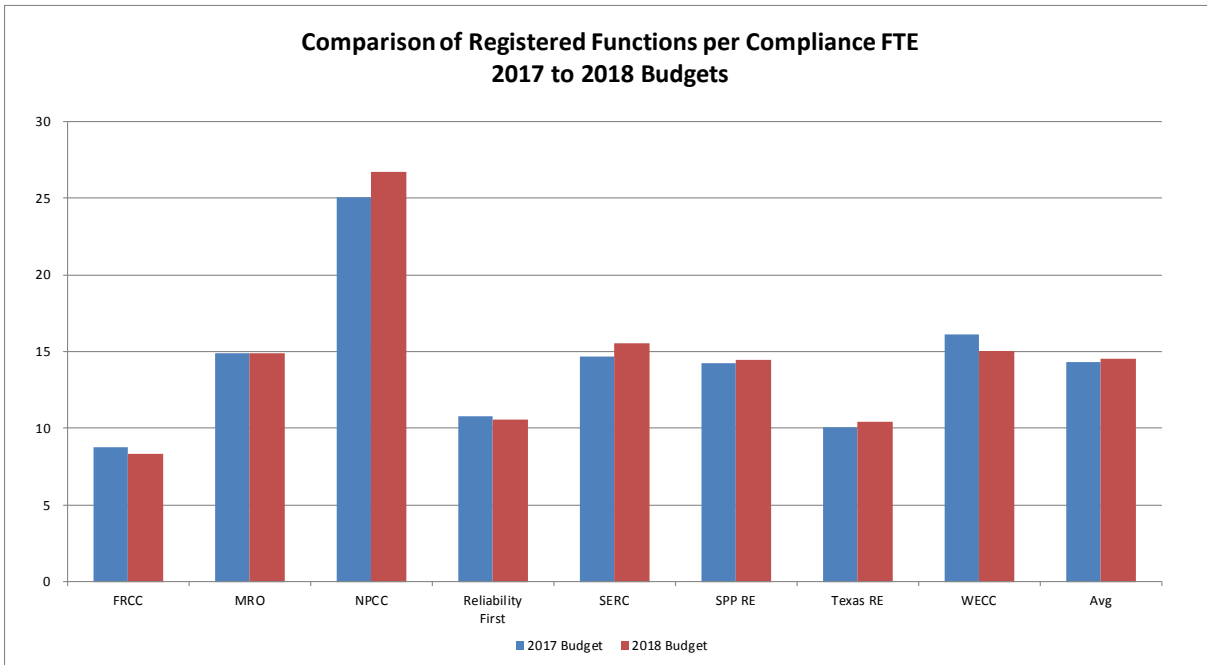
	FRCC	MRO	NPCC	Reliability First	SERC	SPP RE	Texas RE	WECC	Avg
2018 Compliance FTEs	19.65	23.02	16.00	45.25	32.56	21.75	36.25	59.00	31.69
# Registered Entities per Compliance FTE	2.1	4.9	12.8	5.1	5.9	5.5	5.6	6.2	6.0
# Registered Functions per Compliance FTE	8.3	14.9	26.7	10.5	15.6	14.5	10.5	15.1	14.5



	FRCC	MRO	NPCC	Reliability First	SERC	SPP RE	Texas RE	WECC	Avg
2017 Budget	2.4	4.5	12.5	5.1	5.6	5.3	5.4	6.4	5.9
2018 Budget	2.1	4.9	12.8	5.1	5.9	5.5	5.6	6.2	6.0



	FRCC	MRO	NPCC	Reliability First	SERC	SPP RE	Texas RE	WECC	Avg
2017 Budget	8.7	14.9	25.1	10.7	14.7	14.3	10.0	16.1	14.3
2018 Budget	8.3	14.9	26.7	10.5	15.6	14.5	10.5	15.1	14.5



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**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2018 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 15

METRICS ON NERC AND REGIONAL ENTITY

ADMINISTRATIVE (INDIRECT) COSTS

BASED ON

THE 2017 AND 2018 BUDGETS

**Analysis of Indirect (Administrative Services) Costs
2018 Budget versus 2017 Budget**

2017 BUDGET					2018 BUDGET					
Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total Statutory Budget	Ratio of Statutory Direct Budget to Indirect Budget		Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total Statutory Budget	Ratio of Statutory Direct Budget to Indirect Budget
\$ 69,602,175	\$ 38,187,340	\$ 31,414,835	45.1%	1.22	NERC	\$ 73,135,156	\$ 43,145,222	\$ 29,989,934	41.0%	1.44
7,177,854	6,311,736	866,118	12.1%	7.29	FRCC	7,514,112	6,506,605	1,007,507	13.4%	6.46
11,226,668	6,786,617	4,440,051	39.5%	1.53	MRO	11,726,736	7,272,018	4,454,718	38.0%	1.63
15,147,054	9,700,335	5,446,719	36.0%	1.78	NPCC	15,106,967	9,684,689	5,422,278	35.9%	1.79
19,908,939	14,170,620	5,738,319	28.8%	2.47	RF	21,393,899	15,185,134	6,208,764	29.0%	2.45
17,482,403	9,305,229	8,177,174	46.8%	1.14	SERC	17,182,868	8,884,242	8,298,626	48.3%	1.07
10,865,511	5,799,846	5,065,665	46.6%	1.14	SPP RE	10,793,195	5,786,488	5,006,707	46.4%	1.16
12,167,256	7,491,452	4,675,804	38.4%	1.60	Texas RE	12,656,953	8,007,811	4,649,142	36.7%	1.72
\$ 26,796,927	\$ 17,029,827	\$ 9,767,100	36.4%	1.74	WECC	\$ 27,097,344	\$ 17,924,467	\$ 9,172,877	33.9%	1.95
			36.6%	2.21	AVERAGE				35.8%	2.18

2017 BUDGETED FTEs					2018 BUDGETED FTEs					
Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs		Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs
189.88	120.56	69.33	36.5%	1.74	NERC	199.28	131.84	67.44	33.8%	1.95
29.99	25.80	4.19	14.0%	6.16	FRCC	30.63	26.01	4.62	15.1%	5.63
43.00	31.33	11.67	27.1%	2.68	MRO	45.00	33.59	11.41	25.4%	2.94
36.86	28.86	8.00	21.7%	3.61	NPCC	36.86	28.86	8.00	21.7%	3.61
72.30	57.60	14.70	20.3%	3.92	RF	76.20	60.60	15.60	20.5%	3.88
75.00	49.70	25.30	33.7%	1.96	SERC	75.00	44.70	30.30	40.4%	1.48
33.25	28.75	4.50	13.5%	6.39	SPP RE	32.30	27.80	4.50	13.9%	6.18
60.00	46.25	13.75	22.9%	3.36	Texas RE	60.00	46.25	13.75	22.9%	3.36
140.00	97.00	43.00	30.7%	2.26	WECC	143.00	102.30	40.70	28.5%	2.51
			24.5%	3.56	AVERAGE				24.7%	3.51