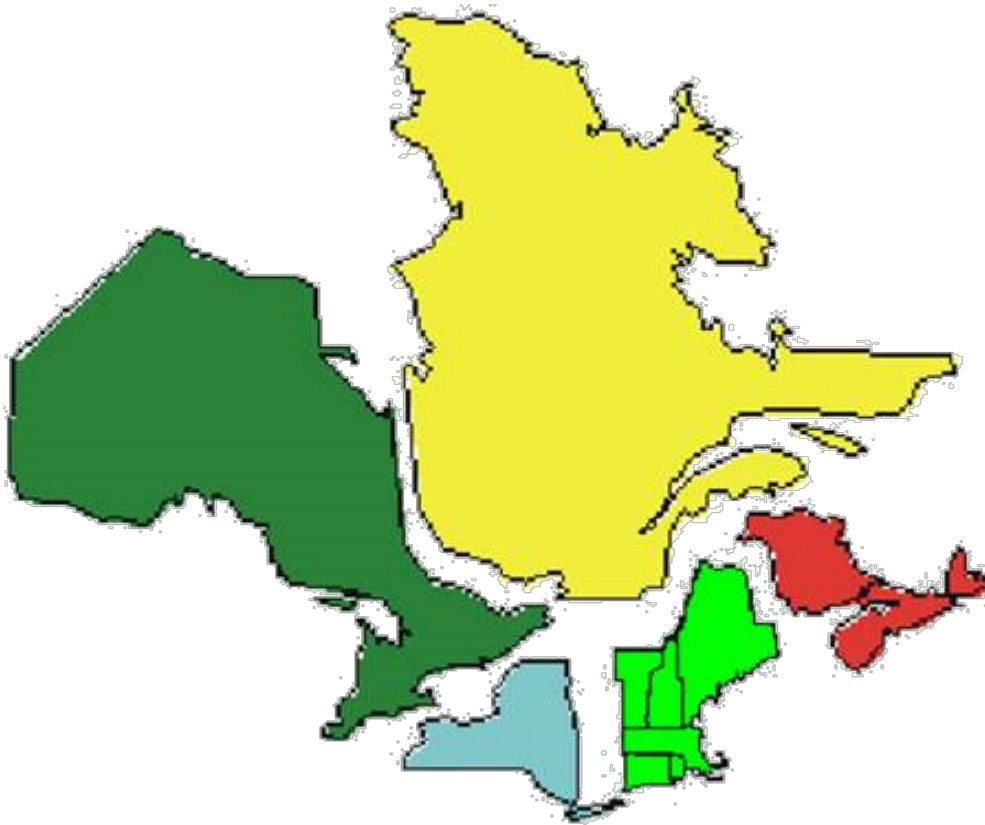




NORTHEAST POWER COORDINATING COUNCIL, INC.
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Northeast Power Coordinating Council, Inc. (NPCC)

2014 Business Plan and Budget



**Approved by
NPCC Board of Directors
June 25, 2013**

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Introduction

Total NPCC Resources (in whole dollars)				
	2014 Budget	U.S.	Canada	Mexico
Regional Entity Division FTEs	36.86			
Criteria Services Division FTEs	2.14			
Total FTEs	39.0			
Regional Entity Division Expenses	\$14,271,006			
Criteria Services Division Expenses	\$1,089,100			
Total Expenses	\$15,360,106			
Regional Entity Division Inc(Dec) in Fixed Assets	(\$142,000)			
Criteria Services Division Inc(Dec) in Fixed Assets	(\$24,000)			
Total Inc(Dec) in Fixed Assets	(\$166,000)			
Regional Entity Division Working Capital Requirement**	(\$300,126)			
Criteria Services Division Working Capital Requirement***	(\$75,391)			
Total Working Capital Requirement	(\$375,517)			
Total Regional Entity Division Funding Requirement	\$13,828,880			
Total Criteria Services Division Funding Requirement	\$989,708			
Total Funding Requirement	\$14,818,588			
Regional Entity Division Assessments	\$13,611,880	\$XXX,XXX	\$XXX,XXX	
Regional Entity Division Assessments Percentage	100.0%	XX.X%	XX.X%	
Criteria Services Division Membership Fees	\$989,708	\$XXX,XXX	\$XXX,XXX	
Total NPCC Assessments & Membership Fees	\$14,601,588	\$XXX,XXX	\$XXX,XXX	
NEL	XX	XX	XX	
NEL %	100%	XX.XX%	XX.XX%	

** Refer to Table B-1 on page 75 in Section B.

*** Refer to the Reserve Analysis on page 95 in Section C.

2014 Overview of Total NPCC Resource Requirements

Due to the international nature of NPCC, the total resource requirements including both Regional Entity division and Criteria Services division are identified above. The individual divisional explanations are contained in subsequent sections.

NPCC proposes to increase its total funding requirement from \$13,903,753 to \$14,818,588 in 2014, an increase of \$914,835 or 6.6%. The proposed 2014 funding requirements will be satisfied by a Regional Entity division assessment of \$13,611,880 and Criteria Services division fees of \$989,708 an overall increase of 8.22% compared to the 2013 total funding requirement of \$13,491,954. NPCC believes that the Region remains an effective provider of Regional Entity and Criteria Services division functions. NPCC's corporate culture centers on consistent delivery of excellent results at a cost that is considerate of the longstanding tradition in the Northeast of affordable and reliable electricity.

Organizational Overview

Northeast Power Coordinating Council, Inc. (NPCC) is a 501(c)(6) not-for-profit corporation in the state of New York responsible for promoting and improving the reliability of the international, interconnected bulk power systems in Northeastern North America through (i) the development of Regional Reliability Standards and compliance assessment and enforcement of continent-wide and Regional Reliability Standards, coordination of system planning, design and operations, and assessment of reliability (collectively, Regional Entity activities), and (ii) the

establishment of Regionally-specific criteria, and monitoring and enforcement of compliance with such criteria (collectively, criteria services activities). NPCC provides the functions and services for Northeastern North America of a cross-border Regional Entity through a Regional Entity division, as well as Regionally-specific criteria services for Northeastern North America through a criteria services division. NPCC's website is www.npcc.org.

The NPCC Region covers nearly 1.2 million square miles and is populated by more than 56 million people. NPCC U.S. includes the six New England states and the state of New York. NPCC Canada includes the provinces of Ontario, Québec and the Maritime provinces of New Brunswick and Nova Scotia. In total, from a net energy for load perspective, NPCC is approximately 46% U.S. and 54% Canadian. With regard to Canada, approximately 70% of Canadian net energy for load is within the NPCC Region.

Effective January 1, 2012, NPCC executed an Amended and Restated Regional Delegation Agreement with the North American Electric Reliability Corporation (NERC) that delegates to NPCC certain responsibilities and authorities of a cross-border Regional Entity as defined by *Section 215* of the Federal Power Act in the U.S. In addition, NPCC has executed Memoranda of Understanding with Canadian provincial regulatory and/or governmental authorities in Ontario, Québec, New Brunswick and Nova Scotia.

In this 2014 business plan, NPCC has not included discretionary programs and has balanced the limited availability of funds with international reliability interests. The NPCC Board of Directors in its approval of the 2013 NPCC Business Plan and Budget tasked NPCC with establishing a base operating budget for 2014 reflecting the costs of efficient execution of existing operations and, in conjunction with NERC and other Regional Entities, developing justification for any necessary increases in resources to address identified additional requirements and proposing a long term strategy showing a measured growth approach in NPCC's Regional Entity division operations.

It is imperative that NPCC maintain its ability to carry out delegated authorities and responsibilities. NPCC has a 2014 targeted staffing level of 39 power industry professionals and support personnel. Details of the 2014 business plans and budget for each program area are included in Section A for the Regional Entity division. The 2014 Regional Entity division schedules are shown in Section B. Section C details the 2014 criteria services division business plan and budget.

Membership and Governance

NPCC monitors approximately 292 registered entities and some 577 functions in the Region for compliance with mandatory Reliability Standards. NPCC currently has approximately 79 members. There are two categories of membership, General and Full. The two categories distinguish between Regional Entity delegated services that are provided in support of the U.S. FERC and Canadian provincial MOUs or Agreements with regulatory and/or governmental authorities, and Criteria Services which FERC references as U.S. non-delegated activities.

General Membership is voluntary and is open to any person or entity, including any entity participating in the Registered Ballot Body of the Electric Reliability Organization (ERO) that has an interest in the reliable operation of the Northeastern North American bulk power system. General Members which are also registered entities within the NPCC Region are subject to compliance with Reliability Standards, consistent with their registration, and also receive additional services from the Regional Entity division of NPCC.

Full Membership is available to Members which are already General Members and participate in electricity markets in the Northeast. Independent system operators (ISOs), Regional transmission organizations (RTOs), Transcos and other organizations or entities that perform the Balancing Authority function operating in Northeastern North America are expected to be Full Members of NPCC. The New York State Reliability Council and any other sub-regional reliability councils which may be formed are also expected to be Full Members. Full Members are subject to compliance with Regionally-specific more stringent reliability criteria for their generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area and which are identified utilizing a reliability impact-based methodology, in addition to Reliability Standards, and receive additional services from the Criteria Services division of NPCC, which is not funded through the ERO.

Since January 1, 2012 NPCC is governed by a Board of Directors consisting of seven stakeholder voting sectors consisting of a maximum of two directors per sector, an independent sector consisting of two independent directors, an independent Board Chair with voting rights to preclude board deadlocks, and the President and CEO. Within NPCC, no two sectors can control and no one sector can block action. The voting sectors include:

- Sector 1) Transmission Owners
- Sector 2) Reliability Coordinators
- Sector 3) Transmission Dependent Utilities, Distribution Companies, Load Serving Entities
- Sector 4) Generator Owners
- Sector 5) Marketers, Brokers and Aggregators
- Sector 6) Regulators
- Sector 7) Sub-Regional Reliability Councils, Customers, other Regional Entities and Interested Entities
- Sector 8) Independent

A Finance and Audit Committee (FAC), a Pension Committee, a Corporate Governance and Nominating Committee (CGNC), and a Management Development and Compensation Committee (MDCC) advise the Board on finance, governance, compensation and human resource matters. The Board endorses a non-employee, Certified Public Accountant for election by the NPCC Members as Treasurer of the corporation. The Treasurer chairs the FAC and works with the Chief Operating Officer who provides oversight of the finances of the corporation. The Treasurer reports to the Board on the corporation's financial position, on FAC activities, on tax code requirements, and on independent annual audit results and accounting practices.

The Regional Standards Committee (RSC), the Compliance Committee (CC), the Reliability Coordinating Committee (RCC), and the Public Information Committee, consistent with their approved scopes, are responsible for various reliability issues. The RSC, CC and RCC also provide technical policy recommendations to the Board. All General and Full Members are eligible for representation on the technical committees.

Industry technical experts from within the membership provide valuable input to the Board through various working groups and task forces as well as the committees. The *Amended and Restated Bylaws* will continue to establish NPCC's independence from users, owners and operators of the bulk power system through the enhanced governance structure while providing fair stakeholder representation in the selection of officers. The members, from each of the seven

stakeholder voting sectors, vote to elect directors in their respective sector. The Amended and Restated Bylaws establish criteria for board service for both stakeholder and independent directors. Independent Directors will be drawn from diverse backgrounds and will possess a broad range of industry expertise, perspectives, experiences, skill sets and knowledge to contribute to the effective functioning of a hybrid board structure.

Compliance and enforcement activities are carried out by the NPCC compliance staff and are independent of all users, owners and operators of the international bulk power system and from the Hearing Officer. Compliance activities are governed in the United States by the *Amended and Restated Regional Delegation Agreement* between NERC and NPCC, delegating portions of NERC's authority as the ERO to NPCC. NPCC compliance activities in Canada are governed by an individual provincial Memorandum of Understanding (MOU) for each province providing the unique parameters for compliance and enforcement activities for each of the provinces. A MOU between the Independent Electricity System Operator in Ontario (IESO), NERC and NPCC establishes roles and responsibilities with regard to that province. NPCC, NERC and the New Brunswick System Operator are parties to a MOU that sets forth reliability activities for New Brunswick. The Régie de l'énergie, NERC and NPCC executed a MOU regarding the development of electric power transmission Reliability Standards and a program for the monitoring of the application of these standards for Québec. NPCC, NERC and Nova Scotia executed a MOU that sets forth the mutual understanding of the parties in relation to the approval and implementation of NERC Reliability Standards and NPCC Regional reliability criteria for the province of Nova Scotia.

International Foundation

The Regional Entity functions and services differ according to particular regulatory backstop:

a) U.S. Foundation

The Federal Energy Regulatory Commission (FERC) certified NERC as the Electric Reliability Organization (ERO) on July 20, 2006. The ERO is responsible for developing and enforcing reliability standards within the United States. In executing part of its responsibilities, NERC delegates authority to the Regional Entities to perform certain functions through delegation agreements. Ensuring the reliability of the bulk power system in the state of New York and the six New England States was delegated from NERC to NPCC through the Amended and Restated Regional Delegation Agreement.

b) Ontario

On February 5, 2010, NERC, NPCC and the IESO amended and restated their earlier MOU, dated November 29, 2006, setting forth their mutual understanding as regards NERC's and NPCC's status in Ontario with respect to standard and criteria development, compliance enforcement, and other related matters. The IESO, whose statutory responsibilities include making and enforcing reliability standards, and making and enforcing Ontario market rules that govern the IESO-controlled grid and the wholesale electricity market, was established April 1, 1999 as the Independent Electricity Market Operator in Ontario under the *Electricity Act, 1998* (Ontario). The IESO is subject to the regulatory oversight of the Ontario Energy Board (OEB).

Among other things, the MOU recognizes that NERC and NPCC are standards authorities under the *Electricity Act, 1998* (Ontario). Additionally, under the authority of that same legislation, and as memorialized in the MOU, the NERC reliability standards and NPCC reliability criteria have effect in Ontario. However a 2008 amendment to the *Electricity Act, 1998* (Ontario) allows

the OEB to review these standards and criteria and issue orders preventing their implementation and remanding them back to NERC and NPCC.

The IESO is subject to compliance monitoring and enforcement by NPCC. The IESO is also subject to compliance monitoring and enforcement of the Ontario market rules by the IESO's Market Assessment and Compliance Division (MACD) that operates at arm's length from the IESO's business units. The MOU notes that where MACD, NERC, and NPCC engage in investigations pursuant to their respective mandates regarding compliance, MACD can request to take the lead. Moreover, of the three, MACD is the only entity that can assess financial penalties for any Ontario market participant's or the IESO's non-compliance with Ontario market rules, which includes non-compliance with NERC standards and NPCC criteria.

The MOU provides for a peer review process to promote the common compliance and enforcement objectives of NERC/NPCC and MACD. From the perspective of NPCC and NERC, this process, in part, is meant to assure registered entities outside of Ontario that the MACD program is rigorous, thorough and reliable.

The IESO is subject to NPCC assessments of compliance, including audits, as well as NPCC remedial action directives to correct non-compliance. In the event that the IESO disagrees with NPCC's finding of a violation or associated assessment of sanctions in connection with standards and criteria, the IESO has a right to a compliance hearing with NPCC.

c) Québec

The Régie de l'énergie, NERC and NPCC are parties to the May 8, 2009 *Agreement on the Development of Electric Power Transmission Reliability Standards and of Procedures and a Program for the Monitoring of the Application of These Standards for Québec* (the Agreement). Under the terms of the Agreement, the Régie de l'énergie, which is charged with ensuring the reliability of the electric transmission in Québec, retained NPCC and NERC as experts to develop reliability standards and monitoring program procedures for the province. The Agreement contemplates the execution of a second agreement at a later date that will detail the mandates granted to NPCC and NERC by the Régie de l'énergie.

The Régie de l'énergie is a public body established by the *Act respecting the Régie de l'énergie* (the Act). Pursuant to its authority under the Act, the Régie de l'énergie issued its Decision D-2007- 95 of August 14, 2007, designating the Direction – Contrôle des mouvements d'énergie (System Control unit) of Hydro-Québec TransÉnergie (HQTE) as the Reliability Coordinator for Québec. In accordance with its mandate and as recognized in the Agreement, it is this entity that filed the application for approval of reliability standards and monitoring program procedures developed by NERC and NPCC for approval by the Régie de l'énergie.

At this time, while final regulatory approval of the implementing agreements is pending, NPCC is proceeding with its reliability assurance activities within Québec, including but not limited to events analysis, compliance audits and compliance investigations, consistent with the NPCC Amended and Restated Bylaws. The Régie de l'énergie, NERC and NPCC will execute a second agreement, which is currently being negotiated, to provide that NERC and NPCC will perform various processes including investigative functions and report their findings and any recommendations to the Régie de l'énergie. The investigative functions include, among other things, performing audits to determine if there is any basis for a violation of reliability standards. The Régie de l'énergie will handle reliability enforcement, including imposing any sanctions and penalties.

d) New Brunswick

The New Brunswick System Operator (NBSO), NPCC and NERC are parties to a November 19, 2008 MOU. The NBSO is a not-for-profit corporation which was established on October 1, 2004 under the Electricity Act (NB) and charged with developing and administering the wholesale electricity market and maintaining reliability of the integrated power system in New Brunswick. The Electricity Act (NB) also introduced mandatory reliability requirements for the bulk power system in the province. The NBSO is responsible under the Electricity Act (NB) to make and enforce the New Brunswick Electricity Market Rules (“Market Rules”), including developing, adopting and enforcing mandatory reliability requirements.

The MOU recognizes that both NERC and NPCC are “standards authorities” within the context of the Electricity Act (NB) and as defined in the Market Rules. Indeed, NERC and NPCC reliability standards are adopted under the Market Rules and are, therefore, currently in effect in New Brunswick.

The MOU provides that NPCC has responsibilities regarding compliance assessment and enforcement of NERC reliability standards that are applicable in New Brunswick. NPCC will monitor and assess NBSO compliance with standards and criteria that are applicable to the NBSO for its registered functions. NPCC will make recommendations to the New Brunswick Energy and Utilities Board regarding sanctions and penalties for any non-compliance as the MOU does not provide NPCC with that authority. The NBSO will be responsible for registering, monitoring, assessing and enforcing compliance for New Brunswick entities. To the extent that the NBSO imposes penalties on market participants for non-compliance, those monies will be dispensed in accordance with the provisions of the Market Rules.

Throughout the term of the MOU, NBSO and NPCC will work cooperatively in identifying ongoing opportunities to enhance NBSO’s compliance program applicable to New Brunswick entities which may include periodic reviews by NPCC and the sharing of best practices.

e) Nova Scotia

Nova Scotia Power Incorporated (NSPI), NPCC and NERC are parties to a May 11, 2010 Memorandum of Understanding regarding the approval and implementation of mandatory NERC reliability standards and NPCC Regional reliability criteria. Pursuant to the MOU’s terms, NERC and NPCC filed standards and criteria with the Nova Scotia Utility and Review Board (NSUARB) for approval on June 30, 2010 and June 29, 2010, respectively. A decision from the NSUARB on both NERC and NPCC filings was rendered on July 20, 2011. Hence, the standards and criteria are mandatory in Nova Scotia and NSPI will be subject to the NERC compliance monitoring and enforcement program, as implemented by NPCC.

NPCC will conduct compliance activities with respect to the standards and then forward any non-compliance information and recommendations to the NSUARB for use in enforcement proceedings. Enforcement will be administered by the NSUARB which will, among other things, determine whether a violation has occurred and, if so, what remedial measures or non-monetary penalties should be imposed.

Regional Entity Division Functional Scope

NPCC's Regional Entity division functions in support of the ERO include:

- Active participation in the development of North American Reliability Standards for the bulk power system, and as needed development of Reliability Standards applicable within the NPCC cross-border Regional Entity
- Monitoring and enforcement of approved Reliability Standards, including the registration of responsible entities, and as needed certification of such entities
- Assessment of the present and future reliability of the bulk power system
- Operational coordination and situation awareness support
- Event analysis and identifying lessons learned to improve reliability
- Effective training and education of reliability personnel
- Promoting the protection of critical electric infrastructure

In recognition of the delegated compliance role of Regional Entities as an important means to enhancing reliability, NPCC has designated a significant percentage of its staff resources to compliance monitoring and enforcement. NPCC has also developed and deployed a robust set of online tools for gathering data, analysis, and tracking of compliance information to support its ability to carry out its responsibilities in a cost effective manner.

NPCC has organized the remaining staff into program areas consistent with EAct 2005 to address the other functions listed above. These experts in operations, planning and reliability analysis assist registered entities in assessing and improving reliability. It is in support of these areas that NPCC engages the majority of industry experts on its technical committees.

2014 Key Assumptions and 2014 Goals and Key Deliverables

NERC and the eight Regional Entities collaborated in the development of a common set of business planning assumptions, goals and key deliverables for the 2014 through 2016 period. The results from that collaboration are included as a set of common assumptions in Exhibit A to the NERC 2014 Business Plan and Budget and may be referenced by the users of this document.

2014 Overview of Regional Entity Division Cost Impacts

NPCC proposes to increase its Regional Entity division funding requirement from \$12,764,064 to \$13,828,880 in 2014, an increase of \$1,064,817 or 8.3%. The proposed Regional Entity division assessment of \$13,611,880 to support the budget is an increase of 10.2% compared to the 2013 assessment of \$12,352,264.

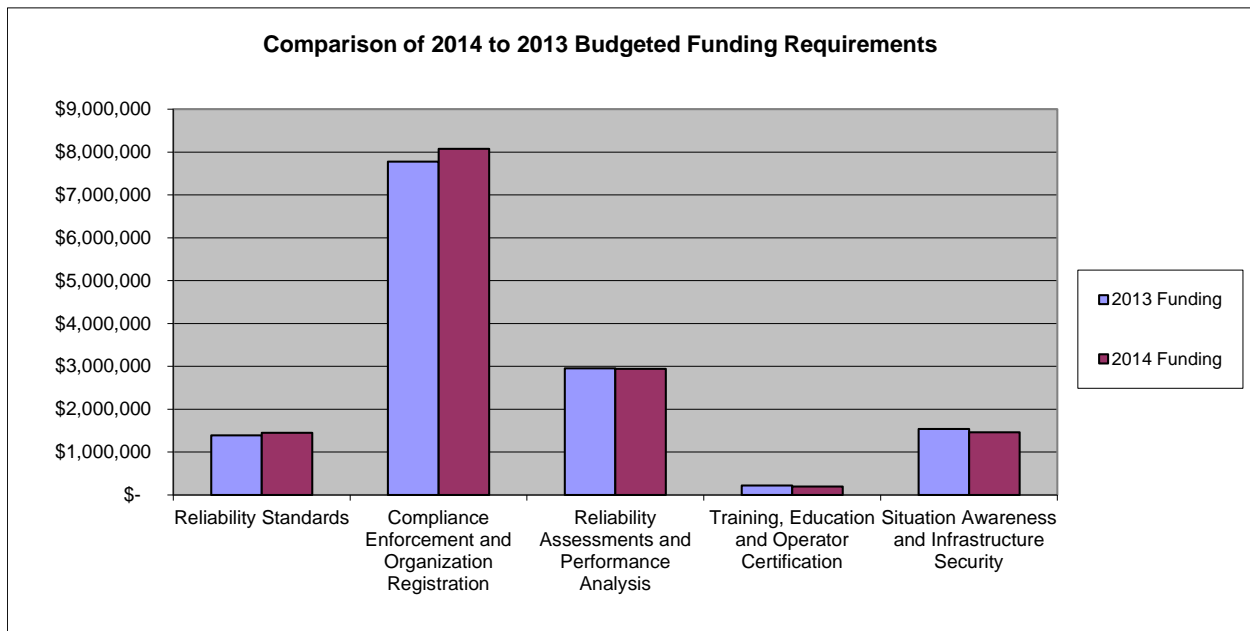
2013 Projections

Current year projections are taken into consideration in development of the budget. Expenses are currently projected to be on budget or slightly under budget in all areas. Professional fees are expected to be slightly lower than budget due to lower legal fees resulting from the retention of in-house counsel in 2012. 2013 Projections reflect expectations based on the first quarter statement of activities. It is anticipated that projections could change throughout 2013 and would be reflected in each subsequent quarter's statement of activities.

Summary by Program

Program	Budget 2013	Projection 2013	Budget 2014	Variance	
				2014 Budget v 2013 Budget	Variance %
Reliability Standards	\$ 1,390,980	\$ 1,390,980	\$ 1,447,330	\$ 56,350	4.1%
Compliance Enforcement and Organization Registration	\$ 7,777,333	\$ 7,777,333	\$ 8,079,371	\$ 302,039	3.9%
Reliability Assessments and Performance Analysis	\$ 2,956,639	\$ 2,956,639	\$ 2,942,339	\$ (14,300)	-0.5%
Training, Education and Operator Certification	\$ 217,617	\$ 217,617	\$ 195,855	\$ (21,761)	-10.0%
Situation Awareness and Infrastructure Security	\$ 1,536,658	\$ 1,536,658	\$ 1,464,111	\$ (72,547)	-4.7%
Total	\$ 13,879,226	\$ 13,879,226	\$ 14,129,006	\$ 249,780	1.8%

This chart does not include allocation of working capital requirements among the Program Areas.



This chart does not include allocation of working capital requirements among the Program Areas.

Personnel Analysis

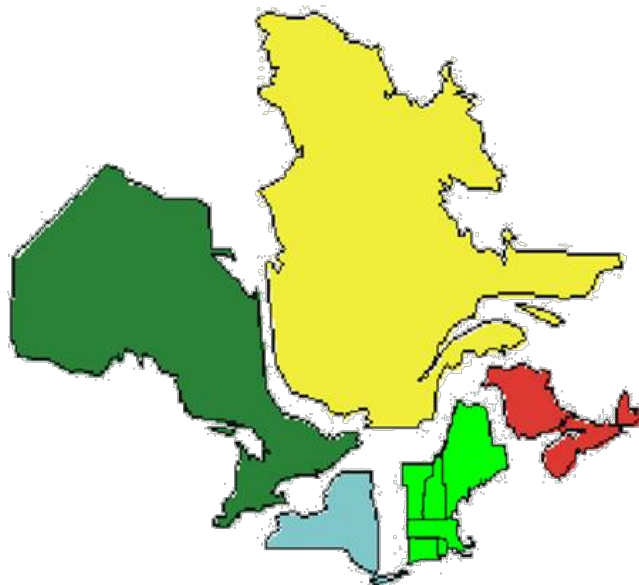
Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs ¹ 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
REGIONAL ENTITY DIVISION						
Operational Programs						
Reliability Standards	2.93	2.93	2.00	0.93	2.93	0.00
Compliance Monitoring and Enforcement and Organization Registration and Certification	15.00	15.00	16.00	0.00	16.00	1.00
Training, Education, and Operator Certification	0.10	0.10	0.10	0.00	0.10	0.00
Reliability Assessment and Performance Analysis	5.83	5.83	4.90	0.93	5.83	0.00
Situation Awareness and Infrastructure Security	3.00	3.00	3.00	0.00	3.00	0.00
Total FTEs Operational Programs	26.86	26.86	26.00	1.86	27.86	1.00
Administrative Programs						
Technical Committees and Member Forums	0.50	0.50	0.50	0.00	0.50	0.00
General and Administrative	2.50	2.50	2.50	0.00	2.50	0.00
Information Technology	3.00	3.00	3.00	0.00	3.00	0.00
Legal and Regulatory	1.00	1.00	1.00	0.00	1.00	0.00
Human Resources	1.00	1.00	1.00	0.00	1.00	0.00
Accounting and Finance	1.00	1.00	1.00	0.00	1.00	0.00
Total FTEs Administrative Programs	9.00	9.00	9.00	0.00	9.00	0.00
Total FTEs	35.86	35.86	35.00	1.86	36.86	1.00

¹A shared FTE is defined as an employee who performs both Regional Entity and Criteria Services division functions.

2013 Budget and Projection and 2014 Budget Comparisons

Statement of Activities and Capital Expenditures 2013 Budget & Projection, and 2014 Budget						
REGIONAL ENTITY DIVISION						
				Variance ⁽²⁾		Variance
	2013 Budget	2013 Projection	2013 Projection v 2013 Budget Over(Under)		2014 Budget	2014 Budget v 2013 Budget Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ 12,352,264	\$ 12,352,264	\$ -		\$ 13,611,880	\$ 1,259,617
Penalty Sanctions ⁽¹⁾	297,300	297,300	-		153,000	(144,300)
Total ERO Funding	\$ 12,649,564	\$ 12,649,564	\$ -		\$ 13,764,880	\$ 1,115,317
Membership Dues	-	-	-		-	-
Testing Fees	-	-	-		-	-
Services & Software	-	-	-		-	-
Workshops	80,000	80,000	-		64,000	(16,000)
Interest	-	-	-		-	-
Miscellaneous	34,500	34,500	-		-	(34,500)
Total Funding (A)	\$ 12,764,064	\$ 12,764,064	\$ -		\$ 13,828,880	\$ 1,064,817
Expenses						
Personnel Expenses						
Salaries	\$ 5,677,141	\$ 5,677,141	\$ -		\$ 5,911,227	\$ 234,086
Payroll Taxes	377,689	377,689	-		384,311	6,622
Benefits	1,331,302	1,331,302	-		1,430,261	98,959
Retirement Costs	1,092,565	1,092,565	-		1,124,361	31,796
Total Personnel Expenses	\$ 8,478,697	\$ 8,478,697	\$ -		\$ 8,850,160	\$ 371,463
Meeting Expenses						
Meetings	\$ 377,000	\$ 377,000	\$ -		\$ 365,000	\$ (12,000)
Travel	855,000	855,000	-		890,000	35,000
Conference Calls	87,000	87,000	-		77,000	(10,000)
Total Meeting Expenses	\$ 1,319,000	\$ 1,319,000	\$ -		\$ 1,332,000	\$ 13,000
Operating Expenses						
Consultants & Contracts	\$ 2,113,000	\$ 2,113,000	\$ -		\$ 1,924,433	\$ (188,567)
Office Rent	706,500	706,500	-		737,272	30,772
Office Costs	468,500	468,500	-		536,500	68,000
Professional Services	1,120,000	1,060,000	(60,000)		966,500	(153,500)
Computer & Equipment Leases	-	-	-		-	-
Miscellaneous	80,000	80,000	-		80,000	-
Depreciation	192,510	192,510	-		250,000	57,490
Total Operating Expenses	\$ 4,680,510	\$ 4,620,510	\$ (60,000)		\$ 4,494,705	\$ (185,805)
Total Direct Expenses	\$ 14,478,207	\$ 14,418,207	\$ (60,000)		\$ 14,676,865	\$ 198,658
Indirect Expenses	\$ (406,471)	\$ (406,471)	\$ -		\$ (405,859)	\$ 612
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Total Expenses (B)	\$ 14,071,736	\$ 14,011,736	\$ (60,000)		\$ 14,271,006	\$ 199,270
Change in Assets	\$ (1,307,673)	\$ (1,247,673)	\$ 60,000		\$ (442,126)	\$ 865,547
Fixed Assets						
Depreciation	\$ (192,510)	\$ (192,510)	\$ -		\$ (250,000)	\$ (57,490)
Computer & Software CapEx	-	-	-		108,000	108,000
Furniture & Fixtures CapEx	-	-	-		-	-
Equipment CapEx	-	-	-		-	-
Leasehold Improvements	-	-	-		-	-
Allocation of Fixed Assets	(0)	(0)	-		(0)	-
Inc(Dec) in Fixed Assets (C)	(192,510)	(192,510)	-		(142,000)	50,510
TOTAL BUDGET (=B+C)	\$ 13,879,226	\$ 13,819,226	\$ (60,000)		\$ 14,129,006	\$ 249,780
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,115,163)	\$ (1,055,163)	\$ 60,000		\$ (300,126)	\$ 815,037
<p>⁽¹⁾ \$153,000 of penalty sanctions collected to date and prior to June 30, 2012.</p> <p>⁽²⁾ 2013 Projections reflect expectations based on the 1st quarter statement of activities. It is anticipated that projections could change throughout 2013 and would be reflected in each subsequent quarter's statement of activities.</p>						

Section A – Regional Entity Division 2014 Business Plan and Budget



Section A — 2014 Business Plan

Reliability Standards Program

Reliability Standards Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.93	2.93	0.00
Direct Expenses	\$855,456	\$917,936	\$62,480
Indirect Expenses	\$556,523	\$555,686	(\$837)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$21,000)	(\$26,292)	(\$5,292)
Total Funding Requirement	\$1,390,980	\$1,447,330	\$56,350

Program Scope and Functional Description

The NPCC Reliability Standards program operates in accordance with NPCC’s filed and approved Delegation Agreement “Exhibit C”, and NERC Rules of Procedure Section 300. The program supports the ERO standards program area goal by providing supporting activities for the development of clear, reasonable and technically sound mandatory “results based” reliability standards in a timely and efficient manner. The primary objective of NPCC’s program area is to support the development of standards which establish threshold requirements for ensuring the bulk power system is planned, operated, and maintained in a manner that minimizes risks of cascading failures, avoids damage to major equipment, is responsive to risks, or limits interruptions of bulk power supply. At a Regional level, the program develops Regional Reliability Standards and ensures that Regional reliability criteria, contained in the form of Directories, are not inconsistent with any applicable NERC and Regional Reliability Standards. The NPCC Reliability Standards program also supports and participates in the development, revision, and maintenance of NERC Reliability Standards, initiates new regional or continent wide reliability standards when necessary, and provides a forum for the comprehensive review and improvement of existing and developing standards. The NPCC Reliability Standards program supports the reliability of the bulk power system by:

- Facilitating active participation of NPCC regional industry stakeholders in all NERC Reliability Standards activities to promote the development of quality standards in a timely and efficient manner.
- Development and maintenance of Regional Standards as necessary to address regional reliability related issues or risks and ensure those standards are not inconsistent with the NERC continent wide standards. These regional standards contain requirements that are more stringent, add specificity to or augment the NERC Continent-wide standards.
- Maintaining technical reference documents as required

Funding Drivers and Reliability Benefits

- Expanded Scope of Standards activities
 - Responding to increasing amount of FERC Rulings, NOPRs, preliminary staff assessments, and FERC issued Directives¹
 - Providing support for increased standard development activities as outlined in the 2013-2015 Reliability Standards Development Plan and assuming an active role in the newly formed NERC Project Management Oversight Subcommittee (“PMOS”)²
 - Participating in other Regional Entities’ standards development processes through review, comment and active participation on drafting teams and activities³
 - Participating in informal activities of standards development to promote consensus early in project development and provide technical guidance⁴
 - Providing a forum for all NPCC representatives on the NERC and neighboring Regional Entities’ drafting teams⁵
 - Promote and assist with the Cost Effective Analysis Process (“CEAP”) to ensure standards have the most cost effective requirements which meet the reliability objectives of standards under development⁶
 - Actively coordinating and reviewing Compliance Application Notices (“CANs”) to ensure no reliability requirements have been changed as a result.
 - Provide NPCC Regional point of contact for the new Reliability Issues Steering Committee (“RISC”) to provide emerging and existing BES reliability related risks and potential gaps in the existing NERC standards⁷
- Increased Number of Standards Projects
 - In 2014 NERC is envisioned to have a revised Standards Development Process in place and standards productivity will rise, requiring additional resources to respond to this increase in through-put.
 - Active NERC Projects in the standards area are also expected to increase to address FERC outstanding directives from Order 693 as well as other orders.
 - The concept of informal development was introduced in 2013 and will be expanded to include more standards development projects in 2014 requiring more technical support, participation, and facilitation.
 - NERC has developed a rapid revision procedure to allow it to revise standards in a more expeditious manner that may need clarification or address some deficiency.

¹ ERO Goal 1.a. Address all new FERC directives within one year or two years if technical study is required; close existing directives by 2015 (by filing or negotiated resolution)

² ERO Goal 1.a Standards are timely, clear and responsive to reliability and security risk

³ ERO Goal 1.a. Standards are timely, clear and responsive to reliability and security risks, and
 ERO Goal 1.b. Consolidate to a common set of application guides or RSAWs for all standard

⁴ ERO Goal 1.a. Complete standards development governance and process reforms as identified in 2012 resolutions by the NERC Board of Trustees.

⁵ ERO Goal 1.a. Standards are timely, clear and responsive to reliability and security risks.

⁶ ERO Goal 1.b. Explore options for assessing the cost effectiveness of appropriate reliability standards

⁷ ERO Goal 1. b. Facilitate smooth transition of new standards (e.g., CIP Version 5)

- NPCC is assisting with the Project Management Oversight Subcommittee (PMOS) which is responsible for managing the development of NERC standards projects and tracking Paragraph 81 Phase 2 retirement candidates⁸
- Cost Effectiveness Analysis Process or CEAP is being piloted in 2013 and expected to be broadly implemented at NERC in 2014. Further resources required to evaluate the standards from a “cost benefit” and also a “cost effectiveness” perspective will be required.⁹
- NERC Reliability Standards will continue to require Violation Risk Factors (VRFs) to be developed and NERC is reviewing additional levels of VRF and development of a Sanction Matrix which is envisioned to replace the Violation Severity Levels (VSLs).
- Expanded efforts to educate and inform stakeholders in the areas of NERC and NPCC Regional Standards with anticipated additional forums such as increases in the amount of Internet based meetings and technical conferences.¹⁰
- Revision of the Bulk Electric System definition and associated exception processes being developed by NERC may create the need for potential revisions to ERO standards, Regional differences or variances and revisions to developing Regional Standards requirements.
- NERC remains committed to a five year review of approved standards. 2013 marked the sixth year since NERC’s first set of standards became mandatory and enforceable in the United States in Order 693. Many of those standards, which have not yet been revised as a result of Directives or other need, are now due for that five-year review and substantial resources will be required to meet this regulatory obligation. There now is a strategic effort to address all directives and standards due for their 5 year review.¹¹

2014 Key Assumptions

- Facilitate stakeholder review, comment on, and develop ballot recommendations or list of Regional issues, for all NERC Reliability Standards Projects under informal or formal development or revision
 - NERC and NPCC benefit from NPCC’s regional coordination consisting of a broad stakeholder review process and development of consensus recommendations to assure proposed standards will support international reliability and provide appropriate reliability objectives for the Continent-wide standards
 - Coordinate a comprehensive review of the results based standards initiative processes and standards being implemented
 - Participate in training programs to train the trainer and develop and convey this results-based standard development methodology to the Regional Standard drafting teams.
 - Conduct and obtain training for Quality Review of standards at both the Regional level and to assist the ERO with analysis of the continent wide standards.

⁸ ERO Goal 1.b. Identify and file requirements to be retired (Paragraph 81 Phase 2)

⁹ ERO Goal 1.b. Explore options for assessing the cost effectiveness of appropriate reliability standards

¹⁰ ERO Goal 1. b. Facilitate smooth transition of new standards (e.g., CIP Version 5)

¹¹ ERO Goal 1.a. Address all new FERC directives within one year or two years if technical study is required; close existing directives by 2015 (by filing or negotiated resolution)

- Coordinate the review of all Reliability Standards Audit Worksheets during their postings for comment for potential expansion of their associated standard's requirements
- Implement triage process to assess posted standards and related material to ensure it is properly routed to and addressed by the appropriate NPCC technical or process resources.
- Participate in the stakeholder efforts to develop Standards Authorization Requests (SARs) and Regional SARs to further improve standards
- Monitor and participate in the drafting of key NERC Reliability Standards- Communications, Protections Systems, Balancing Control Performance, and Frequency Response, etc.
 - The NPCC monitoring of the development of standards helps to ensure reliability requirements that are clear, measurable, and enforceable and support international reliability in the Northeast
- Continue with the development and maintenance of a set of NPCC Phase II Directories not inconsistent with the NERC Reliability Standards which clearly delineate the more stringent NPCC criteria requirements
 - The combination of North American and Regional Reliability Standards with the more-stringent NPCC Regional criteria provides for consistency and operational clarity while providing robust defense in–depth, results based, standards to ensure BES reliability
 - Ensure no redundancies exist between the criteria found in the NPCC Directories and the ERO standards
- Monitor the Regional Standards development activities of the Midwest Reliability Organization (MRO), Reliability First Corporation (RFC), SERC Reliability Corporation, and Florida Reliability Coordinating Council (FRCC) to achieve consistency within the Eastern Interconnection
 - The Northeast's reliability is enhanced by strengthening Eastern Interconnection Regional Entities' Reliability Standards and ensuring that no cross border adverse impacts are introduced
 - Participate in any Eastern Interconnection initiatives which may have a potential for interconnection wide standards in the East and what processes might need to be in place to develop them.
- Review reliability requirements of ERO and NPCC Regional Standards, NPCC Criteria and ensure consistency, remove redundancies, adopt Functional Model language and ensure requirements are “results based”
 - The unambiguous assignment of reliability requirements to specific functional entities benefits international reliability
 - Participate in the continuing refinement of the Functional Model to capture evolving issues essential to reliability and new objectives in the industry, i.e. demand resource operator, planning functions, new activities yet to be identified such as those associated with Smart Grid, “Synchro-Phasor” technology, etc.
 - Participate in the continual improvement of the NERC standards development processes and initiatives such as the CEAP, PMOS and Single Portal Project.
 - Contribute to the improvement of process related to NERC providing interpretations.
- Review all FERC orders and Provincial regulations as they relate to the standards, their revision and adoption

- Northeast reliability benefits from careful analyses of governmental orders or actions adopting standards to assure consistency in interpretation
- Review rulings that are issued and all FERC Directives for potential reliability related issues
- Conduct and support Regulatory Provincial filings on a periodic basis based on individual Provincial Laws and requirements outlined in the Memorandum of Understandings for each Province.
- Enhance NPCC standards website pages to provide uniform and clear information to the stakeholders while also providing the historical and archived information to support NERC and FERC approvals and expanding requirements

2014 Goals and Key Deliverables

The Reliability Standards program goals and objectives for 2014 are grouped into seven categories:

- Participate in North American ERO results-based standards development, to develop clear, reasonable and technically sound, results based mandatory reliability standards in a timely and efficient manner.
- Provide continual support for Cost Effectiveness Analysis for standards and promote a broad implementation of the CEAP across all standards projects within NERC
- Develop Regional Reliability Standards and potential revisions as required by the ERO or on an “as needed” basis.
- Develop a revision to the NPCC Regional Standards Process Manual based on improvements suggested by stakeholders and those being incorporated into the NERC process
- Review and develop recommendations or issues for all posted ERO ballots.
- Coordination of the review of posted RSAWs process improvement; and communications.

1) Participate in the ERO Results-Based Standards Development

- Participate in the development and revision of the NERC three year work plan through review, commenting and drafting activities
- Participate in the Standards Committee Strategic initiatives to develop results based standards that will provide a defense in depth, complete the standards due for 5 year review, and address all existing and outstanding FERC Directives.
- Support the implementation of the NERC Board of Trustees (“BOT”) resolutions specifically supporting the timeliness, cost effectiveness, timely development, and quality of new standards
- Coordinate the development of ERO Reliability Standards within NERC’s three-year standards work plan with the emphasis placed on reducing the amount of new FERC Directives issues by closer coordination with the Commission staff
- Conduct thorough reviews of all NERC standards being developed or revised and coordinate comments for Northeastern North America driving consensus to the extent possible
- Facilitate the NERC Cost Effective Analysis Procedure both within NPCC throughout the industry
- Conduct thorough reviews of all Industry requested NERC Formal Interpretations of standards and develop and promote the NERC Informal Guidance Process, a comprehensive process to deal with all standards related questions

- NPCC staff along with NPCC solicited Regional drafting team volunteers, will participate in the drafting of all ERO standards affecting or potentially affecting reliability in the Eastern Interconnection and provide geographic support for review and development of comments and propose improvements with specific emphasis on CIP
- NPCC and its members will review and coordinate potential comment on FERC preliminary staff assessments as appropriate
- Participate in ballots for ERO standards and provide consensus recommendations to the NPCC Members of the NERC Registered Ballot Body or provide a list of issues to allow the Members to cast a ballot based on Regional concerns
- Review and develop comments on FERC Notice of Proposed Rulemakings for any and all standards related issues as appropriate
- Coordinate and evaluate proposed standards utilizing Regional technical task forces, working groups and committees
- Educate and notify stakeholders and regulators about issues related to standards development
- Provide outreach to industry trade groups to educate and drive consensus
- Provide a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC) and NPCC Task Force on Infrastructure Security and Technology (TFIST)
- Provide support to NERC’s strategy in the prioritization, identification, scheduling and development of NERC directed Regional Reliability Standards
- Participate in NERC’s Standards Committee standards prioritization tool and process, to identify immediate standards needs and prioritization based on those needs
- Participate in the NERC RISC by providing a regional point of contact for all potential reliability related risks and gaps within the Northeast or as noted by NPCC stakeholders
- Participate in and provide support to critical upcoming new Blackout related standards, UVLS, Voltage and Reactive Control, Real Time Tools, Frequency Response, etc
- Identify and initiate Regional Variances to the NERC Reliability Standards as soon as possible, allowing incorporation into the continent wide standard at its inception
- Identify potential drivers for standards revisions based on revisions to the BES to a bright line criteria and any document revisions required as a result of consideration of the developing “Exception Process”.
- Support additional standards workload from further economic stimulus, i.e. standards on integrating variable generation resources or EHV backbone, Smart Grid, Electric Vehicles or “Synchro-Phasor” projects as necessary
- Provide continued input and leadership to NERC, based on NPCC experiences, regarding strategy for developing cost effectiveness analysis for standards
- Provide support and assistance to the ERO for conducting Quality Reviews on NERC continent wide standards as possible
- Continually file the NPCC Directories with the Canadian Provincial Regulatory Authorities within the NPCC “footprint”, on an as needed basis, as the directories are developed and revised and as the Provinces establish procedures and agreements with NPCC.
- Develop new and innovative processes to better utilize the limited internal and external resources in the Region to enable sufficient technical review of posted standards and related materials

- Support the ERO and the relationships with FERC and the provincial governmental authorities for standards development activities as necessary to accomplish the ERO goals and objectives
- Support the development of system protection and control, communication, transmission operation standards and other critical standards efforts.

2) Regional Standards Development

- NPCC anticipates to complete the review for potential revision of one Regional Standard utilizing the existing NPCC Regional Reliability Standard Development Procedure and submit the potential revision to the standard to NERC for approval of the NERC BOT (on a schedule, and as required by NERC or Regional reliability need). NPCC remains committed to being flexible and will respond to any new mandates and changes to the standards development schedules to be responsive to NERC and FERC reliability needs and best utilize staff and industry resources available.
- Draft additional Regional Standards,(on a schedule, and as needed by NERC) utilizing Regional technical committees and working groups in an forum that is open and inclusive to all stakeholders within and outside of the Region.
- Draft any additional standard NERC directs NPCC to develop to meet an urgent reliability related needs, i.e. solar magnetic disturbance system hardening
- Actively monitor and participate in the standards development activities of the other Regional Entities in the Eastern Interconnection: the MRO, RFC, SERC, and FRCC to assure consistency within the Eastern Interconnection
- Accomplish all directives of ERO and governmental and/or regulatory authorities with regard to Regional Standards development and procedures
- Adhere to and surpass, where practical, the 2013-2015 NERC Work plan milestones as they pertain to targets for the Regional Standards
- Respond to any FERC Directives that may arise as a result of the filing of NPCC's Regional Standards with the FERC or any Provincial "directives" that may be issued by the Canadian Regulatory Authorities
- Develop or coordinate a process to obtain a Regional standard interpretation

3) Standards Improvement

- Achieve NPCC reliability goals and objectives by initiating, participating in, and efficiently completing standards related activities
- Leverage internet and web based tools functionality to ensure inter-regional consistency and quality of Regional Reliability Standards
- Establish long-term strategy for standards improvement and initiate implementation
- Continually identify additional future Regional Standard opportunities
- Ensure the topics addressed by the Reliability Standards parallel changing industry needs
- Participate in reliability metrics activities to identify potential measures for benchmarking of reliability to determine if an adequate level of reliability is being achieved
- Support and develop cost-benefit analysis activities to determine if any potential incremental increases in costs of implementing a standard have sufficient enough reliability benefit to implement that standard

4) Coordination of review of RSAWs

- Develop a process to review the RSAWs consisting of subject matter experts to determine if the RSAWs are technically representative of the standard's requirements and

also to review the evidence suggested in the RSAW for satisfactory compliance assessment

- The Regional Standards Committee (“RSC”) will oversee and provide the results of the coordination to the appropriate NERC SDT charged with development of the RSAW

5) Business Practices Interface

- Coordinate the review of standards through NPCC RSC, staff, and other members participating in activities of the North American Electric Standards Review Board (NAESB)
- Identify potential market related issues for Regional Standards through NPCC RSC coordination and reviews

6) Process Improvement

- Identify efficiencies for a coordinated NERC standards development process and NPCC Regional Standards Development Procedure and recommend revisions as applicable to either process
- Refine the NERC and NPCC CEAP s to evaluate the costs and effectiveness of proposed new and revised reliability standards to achieve an adequate level of reliability
- Participate in the revision and redrafting of the NERC Standards Development Process to consider expedited standards development and cost effectiveness analysis and maintaining the positive attributes of the ANSI standards development process
- Identify potential future processes to obtain expedited interpretations
- Identify expedited processes for adjusting NERC glossary terms
- Identify refinements for credentialing standard drafting team members to ensure the correct subject matter experts are developing the standards at both the Regional level and the ERO level.
- Establish targets for NERC and NPCC standards procedure improvement and initiate implementation of the strategy
- Streamline and improve the Regional Standards process and enhance program tools and IT based solutions
- Refine the records retention programs to ensure sufficient documentation exists for regulatory approvals
- Identify improvements in process for feedback loops to ensure that event analysis and investigation lessons learned and compliance issues involving violations are fed into the standards program area, as appropriate for review and potential consideration when revising standards
- Support the creation of an ERO standards database, available to industry and online, to identify and review issues related to all approved and developing standards
- Participate in the Functional Model Working Group activities to refine functions, tasks and responsibilities of applicable entities
- Solicit and provide outreach to FERC in the Regional Standards Development Processes

7) Communications

- Improve automated notifications process to assure awareness of dates and proceedings of all standard development activities
- Strengthen the relationship with the industry’s technical committees to ensure adequate input to standards development, such as the North American Generator Forum.

- Participate in NPCC and NERC workshops as necessary, to promote awareness and educate the industry
- Develop and institute a consensus building and notification process(es) for engaging stakeholders and providing immediate notification for the need to review standards. Provide the associated coordination for this review utilizing subject matter experts, both internal and external to the Regional Entity staff
- Promote the reliability objectives of the NERC standards as appropriate to the NPCC members of the NERC Registered Ballot Body in order to achieve consensus and support of beneficial standards and to promote the “One-Enterprise” model.

Technically excellent, results based standards that enhance reliability and are developed in a timely and efficient fashion, require the full participation of the right industry experts from all Regional Entities when developing Reliability Standards. The NPCC RSC promotes the drafting team process and solicits drafting team members from appropriate NPCC technical bodies and others in the industry and adjoining Regional Entities.

NPCC RSC will also assist in providing notifications and announcements to NPCC participants in the Northeastern North America NERC Registered Ballot Body of important applicable deadlines for ballot pool registration and for casting ballots thereby enhancing participation, promulgation of important information and increasing awareness. This support will enhance efficiency of the NERC procedure and help to ensure the necessary quorums are present at ballot. NPCC will also, when practical, promote important standards and the requirements of those standards through various communications and webinars.

NPCC will also participate in the development and revision of standards as directed by FERC, Canadian provincial and other regulatory and/or governmental authorities. FERC to date has identified numerous NERC Reliability Standards needing further work and has issued numerous Directives appearing in FERC Orders. These standards needing revision are delineated in the 2012 – 2014 NERC Reliability Standards Development Plan, and will be ready to be reviewed and revised throughout 2014.

NPCC will provide support and coordination of NERC standards development activities as outlined in the 2013-2015 Reliability Standards Development Plan and the Standards Committee Strategic Initiatives.

Regional Standards Development

The NPCC currently has two FERC approved regional standards, Disturbance Monitoring and Underfrequency Load Shedding. Upon approval of the revised BES definition, NPCC has undertaken the review of the Disturbance Monitoring standard for adequacy from the perspective of a “bright line” BES definition. This review of the standard and proposed revision to the standard will be performed in the 2013-2014 timeframe. In addition there are two other regional standards that NPCC will be reviewing to determine if they should move forward into active formal development. These Regional Standards will include, but not be restricted to the following:

- Special Protection Systems (SPS) scheduled to begin development

- Balancing Authority Controls (BA - Reserve Sharing) scheduled to be completed and balloted within the Region

Whether NPCC pursues these regional standard will depend in large part to how comprehensive their associated continent-wide standards are. NPCC will review the continent wide standards as they are develop, participating in those activities and providing supporting subject matter expertise as it is available.

Improvement in the quality of a standard can be quantified in a number of ways. The standards should identify an achievable, technically excellent reliability goal performance or objective. This goal should be measurable and have specific and concise requirements associated with it. How the reliability goal or objective is achieved will not be the focus of the process. Full participation from industry experts to provide proper technical guidance during drafting as well as multiple segments to provide diverse viewpoints during the comment process is critical to the quality of the resultant standard. These attributes, along with open postings and notifications to allow the industry opportunities to participate are the key components to a successful process and achieving quality standards.

On an ongoing basis, NPCC will achieve consistency with NERC ERO continent wide standards, as outlined in the NERC Rules of Procedure, by maintaining reliability directories that incorporate NPCC's more stringent Regionally-specific criteria and Regional Standards into a single document with the links to the applicable NERC Reliability Standards. This demonstrates cognizance of the requirements in the ERO standards and demonstrates that NPCC strives and continues to strive to ensure that the Regional criteria is not inconsistent with any ERO standard.

NPCC RSC and staff regularly participate in the NERC Standards Committee and Standards Committee Process Subcommittee activities and contribute to development and initiation of revisions of the standards procedure manual and various NERC standards related processes as well as develop and promote new initiatives such as the NERC CEAP and Single Portal. The RSC also contributes in the Regional Standards procedure and utilizes and refines web based tools for easier user interface and to provide effective and timely notifications of standards activities.

Funding Sources and Requirements — Explanation of Increase (Decrease)

2014 Reliability Standards program funding is driven by the need for additional activities of NPCC standards drafting teams, ramped up NERC standards activity, FERC activity and increased number of rulings and directives anticipated as a result of the NERC three year work plan. NPCC anticipates greatly expanded activity and plans to prioritize the efforts of existing resources to meet this expanded workload.

NPCC will continue to rely on contractors for subject matter expertise on an as-needed basis throughout 2014. The amount of Regional documents being converted into Directories and the maintenance of the Directories require subject matter expert input. In addition significant changes will be necessary to bring the Phase II Directory project to completion. This project will require significant resources to translate the existing criteria language into "requirements" that are clear and measurable. Also a standards template will be applied to the existing Directories to make them more consistent with the look of the standards. In addition, as standards reviews

increase in number, there may be a need to have contractors assist due to constrained resources of NPCC Staff and members.

Based on the portion of professional/technical staff time and other resources devoted to Reliability Standards development, NPCC estimates that it will expend 10 percent of its resources on this activity.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- U.S. Penalty Sanctions remitted from 7/1/12 through 6/30/13 reduce U.S. LSE designee assessments for 2014.

Personnel Expenses

NPCC anticipates no additional need to hire personnel for the NPCC Reliability Standards program area in 2014.

Meeting and Travel Expenses

- Meeting expenses will be minimized due to a continued effort to keep costs down by holding more meetings via WebEx and teleconferences, at the NPCC offices or member facilities when possible, as well as lower meeting space rental rates through negotiations. However, meeting volume is expected to increase significantly in 2014. Travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference will be held to a minimum. Conference calls and Internet meetings will be conducted for business when practical.

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Reliability Standards Program

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

Statement of Activities and Capital Expenditures 2013 Budget & Projection, and 2014 Budget						
Reliability Standards						
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 1,358,549	\$ 1,358,549	\$ -	\$ 1,431,239	\$ 72,690	
Penalty Sanctions	32,431	32,431	-	16,091	(16,340)	
Total ERO Funding	\$ 1,390,980	\$ 1,390,980	\$ -	\$ 1,447,330	\$ 56,350	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 1,390,980	\$ 1,390,980	\$ -	\$ 1,447,330	\$ 56,350	
Expenses						
Personnel Expenses						
Salaries	\$ 478,983	\$ 478,983	\$ -	\$ 502,840	\$ 23,857	
Payroll Taxes	31,972	31,972	-	31,305	(667)	
Benefits	101,361	101,361	-	131,342	29,982	
Retirement Costs	78,141	78,141	-	87,449	9,308	
Total Personnel Expenses	\$ 690,456	\$ 690,456	\$ -	\$ 752,936	\$ 62,480	
Meeting Expenses						
Meetings	\$ 30,000	\$ 30,000	\$ -	\$ 25,000	\$ (5,000)	
Travel	105,000	105,000	-	110,000	5,000	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 135,000	\$ 135,000	\$ -	\$ 135,000	\$ -	
Operating Expenses						
Consultants & Contracts	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -	
Total Direct Expenses	\$ 855,456	\$ 855,456	\$ -	\$ 917,936	\$ 62,480	
Indirect Expenses	\$ 556,523	\$ 556,523	\$ -	\$ 555,686	\$ (837)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 1,411,980	\$ 1,411,980	\$ -	\$ 1,473,622	\$ 61,643	
Change in Assets	\$ (21,000)	\$ (21,000)	\$ -	\$ (26,292)	\$ (5,292)	
Fixed Assets						
Depreciation	\$ -	-	\$ -	-	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(21,000)	(21,000)	-	(26,292)	(5,292)	
Inc(Dec) in Fixed Assets (C)	(21,000)	(21,000)	-	(26,292)	(5,292)	
TOTAL BUDGET (=B+C)	\$ 1,390,980	\$ 1,390,980	\$ -	\$ 1,447,330	\$ 56,350	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ 0	

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	15.00	16.00	1.00
Direct Expenses	\$5,035,746	\$5,080,485	\$44,739
Indirect Expenses	\$2,849,094	\$3,034,462	\$185,368
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$107,507)	(\$35,575)	\$71,932
Total Funding Requirement	\$7,777,333	\$8,079,371	\$302,039

Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CORC) Program scope covers: 1) the identification, registration and certification of those entities responsible for meeting the NERC Reliability Standards and any approved Regional Standards; 2) the implementation of the CMEP in the United States, including the compliance monitoring, assessment and enforcement of NERC Reliability Standards and Regional Reliability Standards. and 3) the implementation of compliance monitoring, assessment and enforcement recommendations in accordance with individual executed MOU in the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia.

The Compliance Committee (CC) is charged with providing objective stakeholder policy input to the NPCC CMEP in the U.S. and compliance related activities under the above mentioned MOUs in the NPCC portion of Canada. With regard to NERC Reliability Standards and Regional Reliability Standards, the CC provides an oversight role of the independent NPCC compliance staff's implementation of the CMEP. In this oversight role the CC will review and endorse the processes used by the NPCC compliance staff in the conduct of the CMEP.

The NPCC compliance staff makes the initial and final determination of alleged violations and determines appropriate penalties and sanctions in accordance with the NERC and the ERO *Sanction Guidelines*. To accomplish this objective, NPCC's compliance staff is further divided into four sub- program areas: Compliance Implementation and Registration; Compliance Audit Program; Compliance Enforcement; and Compliance Investigation:

Compliance Implementation and Registration

The Compliance Implementation and Registration sub-program is responsible for:

- a) Identifying for registration all entities that are required to meet the NERC and Regional Reliability Standards. During the course of this activity, regular communication with registered entities is promoted through face-to face meetings, compliance workshops, teleconferences and email;
- b) Development and maintenance of all NPCC CMEP Compliance Procedures, Compliance Instructions and all other NPCC CMEP related documentation;
- c) Development and maintenance of Performance Metrics that are used to measure the quality and effectiveness of NPCC CMEP Implementation and its impact on the reliability of the Bulk Electric System;
- d) Coordinating the implementation of NPCC Compliance Staff responsibilities as they pertain to the executed MOU with each of the Canadian Provinces in the NPCC Region.
- e) Day-to-day implementation of the CMEP;
- f) Development of annual CMEP Implementation Plan;
- g) Monitoring and assessment of self-certification, self report, exception reporting, periodic data and complaint submittals;
- h) Development and maintenance of CMEP Data Administration Application (CDAA);
- i) Development and maintenance of compliance website.
- j) Support the anticipated expansion of the number of registered entities in NPCC due to the implementation of the FERC Order related to the definition of Bulk Electric System
- k) Conduct Entity Impact Evaluations. Conduct certification(s) of newly identified Transmission Operators (TOPs), as needed.
- l) Maintain database of BES assets subject to NERC and NPCC Reliability Standards
- m) Participation on various NERC and NPCC working groups to remain apprised of changes to Compliance processes, and commonality of registration, monitoring, auditing, and enforcement approaches.

Compliance Audit Program

The Compliance Audit Program is charged with conducting both on-site and off-site compliance audits, and spot checks, of NERC Reliability Standards in accordance with the NERC Rules of Procedure and associated NPCC procedures developed under the NPCC Compliance Implementation Program. These audits are performed based on a predetermined long range schedule that is consistent with a predefined frequency and are posted annually on NERC and NPCC public websites. Flexibility may be used in the predefined frequency based on risk assessment and performance based assessment of each entity scheduled for an audit, and changes requiring certification. The audits are led by qualified senior NPCC Staff and the audit teams prepare public and non-public audit reports with their findings, including the identification of any possible violations. Contents and processing of the reports are in accordance with NERC directives for audit reporting. Specific lessons learned are factored into the audit program to promote continuous improvement and are presented at workshops in conjunction with the Compliance Implementation Program. The comprehensive spot-check program is established based on the NERC actively monitored list, NPCC's assessment of self-certifications, follow-ups on entities who have previously violated a Reliability Standard, follow-up on entities that have been involved in a significant system event, and other requirements which at the discretion

of NPCC could pose a higher risk to reliability if not followed properly. The schedule for Spot Checks is not public.

Resources from the Compliance Audit Program are also used to implement the Certification process for entities intending to register as new TOPs, BAs or RCs, as well as certification reviews of changes made by existing TOPs, BAs and RCs that meet the threshold requiring same. These actions are performed in support of the Compliance Registration Program which encompasses the Certification process. Resources for this activity, which is independent of the audit process, depend on the scope, function, and location of the entity being certified.

Compliance Investigation

Conduct Compliance Investigation (CI) as required based on Event Analysis reviews and reports. A Compliance Investigation may be initiated at any time by NPCC in response to a system disturbance, complaint, or possible violation of a Reliability Standard identified by any other means and has included entities outside of NPCC's footprint for which NPCC is the Compliance Enforcement Authority.

The CI process requires the establishment of an investigation team that coordinates with NERC and FERC as necessary; and also coordinates with the Situation Awareness Program Area.

Compliance Enforcement

Compliance Enforcement is responsible for:

- a) Issuing all Notices as described in the CMEP including the Notice of Possible Violation (NOPV), Notice of Find, Fix and Track (FFT) Treatment; Notice of Alleged Violation (NOAV), and the Notice of Confirmed Violation (NOCV);
- b) Conducting comprehensive enforcement investigations based on the facts and circumstances related to all possible violations of Reliability Standards, whether identified in an audit, a self-report, complaint, or other source, and determining whether further action is warranted;
- c) Reviewing, approving, submitting to NERC and tracking the progress of all mitigation plans associated with confirmed violations;
- d) Coordinating settlement activities once they have been initiated and submitting settlement agreements to NERC for approval;
- e) Identifying and processing candidates for the FFT Process.
- f) Participating in the Hearing Process by representing NPCC before the Hearing Body. Compliance Hearings would be conducted at NPCC under the supervision of a qualified, independent hearing officer contracted by NPCC.; and
- g) Issuing Remedial Action Directives when appropriate.

2014 Key Assumptions and Cost Impacts

2013	Projected 2014
6 Large On-Site Audits	3 Large On-Site Audits
0 Medium On-Site Audits	0 Medium On-Site Audits
0 Small On-Site Audits	3 Small On-Site Audits
12 On-Site CIP Audits	12 On-Site CIP Audits
20 Large Off-Site Audits	20 Large Off-Site Audits
5 Medium Off-Site Audits	7 Medium Off-Site Audits
5 Small Off-Site Audits	7 Small Off-Site Audits
41 Off-Site CIP Audits	22 Off-Site CIP Audits
300 Spot Checks	350 Spot Checks
15 On-site TFE Part B reviews	8 TFE Part B Reviews
200 Violations (Estimated)	200 Violations (Estimated)
Settlements Covering 100 Violations	Settlements Covering 100 Violations
2 Hearings (Unbudgeted)	2 Hearings (Unbudgeted)
1 CI (Estimated)	2 CI (Estimated)
0 Entity Certifications	3 Entity Certifications

- Regarding the Compliance Audit Program, TFE reviews are conducted both on-site at the entity's facility and at the NPCC offices when possible. TFE's continue to be requested as entities replace and install new equipment/devices/components that meet the criteria set forth in Rules of Procedure Appendix 4D. Compliance estimates 8 on-site reviews will be performed in 2014.
- The 2014 Business Plan projects no increases in Enforcement Processing activities over the 2013 Budget.
- The 2014 Business Plan projects 2 Compliance Investigations as a result of the Events Analysis process. These Compliance Investigations are manpower intensive for NPCC staff (requiring allocation of more resources and potentially higher than normal costs) since previous Compliance Investigations have also included entities outside of NPCC's footprint for which NPCC is the Compliance Enforcement Authority.

2014 Goals and Key Deliverables

- Conduct 2014 CMEP consistent with the Reliability Assurance Initiative, incorporating all NERC Reliability Standards contained in the NERC actively-monitored list for 2014 and any approved and applicable Regional Reliability Standards

- Process identified violations as effectively as possible, including the timely identification of a violation, timely issuance of violation notices including the NOPV; the Notice of Alleged Violation and the NOCV
- Implement settlement process when applicable and send proper notifications to NERC and FERC
- Conduct necessary Hearings related to resolution of outstanding disputes regarding violations and/or sanctions. Send results of hearings to NERC and FERC¹²;
- Continue to enhance the settlement process by modifying existing practices and adopting new practices to reduce the duration of settlement negotiations without sacrificing the rigor and quality of the negotiated settlements. Develop and analyze appropriate performance metrics that track settlement process duration and utilize results of analysis to further enhance process.
- Implement compliance responsibilities identified in the approved Canadian MOUs¹³;
- Review and revise NPCC Compliance Registry based on a risk-based approach¹⁴ ;
- Evaluate CMEP and Canadian entity compliance program implementation with the objective of establishing a long-term strategy for compliance improvement, and initiate the implementation of the long term strategy¹⁵;
- Provide NPCC Regional Entity input, through participation in appropriate NERC compliance committees, on policy and implementation issues related to compliance and enforcement including the development of compliance elements for all new or revised NERC Reliability Standards¹⁶;
- Provide required information to NERC on a timely basis including reporting of alleged violations and confirmed violations¹⁷;
- Track the progress of, report status of, and approve mitigation plans¹⁸;
- Conduct 2014 Compliance Audit Schedule of an estimated total of 55 Compliance Audits based on number of registered entities (Each audit covers a single registered entity that could be audited for multiple Functional Model types that they are registered for and is done in accordance with the 2014 Compliance Audit Program schedule)¹⁹ ; and promote RAI initiatives by:
 - Utilizing the Audit Checklist for all on-site and off-site audits
 - Preparing an Audit Plan for all on-site audits;
- The 2014 Audits will be categorized by the number of requirements associated with the Reliability Standards that will be covered in the Compliance Audit. Six categories have been established based on the number of requirements to be audited and whether the audit is on-site or off-site. In 2014 there are projected to be three large on-site audits; three small on-site audits; 20 large off-site audits; 7 medium off-site audits; and 7 small off-site audits. The estimates for the number of Compliance Audits are also based on the projected total number of registered entities for each type and the established three-

¹² ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

¹³ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

¹⁴ ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

¹⁵ ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

¹⁶ ERO Goal 6. Promote a culture of reliability excellence.

¹⁷ ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

¹⁸ ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.; ERO Goal 5. Be accountable for mitigating reliability risks.

¹⁹ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

year cycle for RC, BA, and TOP Compliance Audits and the established six-year cycle for all other registered entity types²⁰;

- In addition, 36 registered entities will be audited for the requirements of the version in place for CIP 002 to CIP 009. These will be separate audits. On-site CIP audits may be combined with the normally scheduled 2014 on-site audits²¹;
- Conduct spot check program during the year. A spot check can be viewed as a limited unscheduled small off-site compliance audit that will be utilized to verify self-certification submittals that have been done earlier in the year or other requirements based on factors as described in the Compliance Audits section. In 2014 the number of spot checks to be done is estimated to be 350²²;
- Assure that NPCC Staff is trained to conduct Compliance Audits including CIP Compliance Audit training²³;
- Assure that NPCC Staff is trained to conduct Certification of entities intending to Register as BA, RC or TOP for the first time, or Certification Reviews of changes by existing BAs, RCs or TOPs that meet the criteria requiring a Certification Review²⁴;
- NPCC is working with the other Regions to access, train and perform certifications (and re-certification) in an effort to be consistent across the ERO²⁵;
- Continue to actively perform a risk profile of each entity prior to audit and upon completion of an audit, continue to identify risk and reliability gaps²⁶;
- Develop and implement compliance reform via the Reliability Assurance Initiative (RAI) by being an integral participant in committees and workgroups involved in the RAI²⁷;
- Promote a culture of compliance that addresses reliability risks of NPCC registered entities by using reliability gap analysis. Assess and evaluate registered entity's Internal Controls as part of the audit and spot check process²⁸;
- Continue to expand the use of auditor discretion through Find, Fix and Track (FFT) and initiate training for audit staff in FFR principles and implementation²⁹;
- Continue to implement physical security outreach by visiting four registered entity sites to perform an assessment of their physical security and supply recommendations for improvements³⁰;
- Enhance the CDAA to expand its capabilities from both the registered entity perspective and the NPCC Compliance Staff perspective³¹;

²⁰ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

²¹ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

²² ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

²³ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

²⁴ ERO Goal 7. Improve transparency, consistency, quality, and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness. and ERO Goal 2.a. Evaluate certification program for sufficiency and effectiveness, modify as needed.

²⁵ ERO Goal 7. Improve transparency, consistency, quality, and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness.

²⁶ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry.

²⁷ ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair." and ERO Goal 2.b. Develop and Implement compliance reform.

²⁸ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry. and Goal 3.a. Make effective internal controls models and information available to industry.

²⁹ ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair." And Goal 3.b. Continue to expand use of discretion through Find, Fix, and Track .

³⁰ ERO Goal 3. Promote a culture of compliance that addresses reliability risks across the industry. and Goal 5.b. Implement periodic physical security assessments.

- Conduct 2014 Compliance Workshops and interim information sessions for registered entities as necessary as a part of Training and Education program area³².

Adopt and promote practices to enhance the benefits of the self-reporting of violations by both the Regional Entity and the registered entity. This would include improvement to the registered entity internal processes used for identifying and submitting self-reports (e.g. adoption of an aggregated approach for submittal of self-reports, etc.), improvement in the way Regional Entities process self-reports and the streamlining and standardizing of the amount and type of data needed to evaluate a self-report.

Based on the portion of professional/technical staff time and other resources devoted to Compliance monitoring and enforcement and organizational registration and certification, NPCC estimates that it will expend 57 percent of its resources on this activity.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- U.S. Penalty Sanctions remitted from 7/1/12 through 6/30/13 reduce U.S. LSE designee assessments for 2014.
- 2014 funding for this program does not include funding from WECC for performing the CEA responsibilities for the WECC Registered Functions as NPCC will no longer have these responsibilities based on the proposed WECC restructuring to be effective, if approved by FERC, January 1, 2014.

Personnel Expenses

- One additional FTE represents the reclassification of an individual from contractor to hourly employee.

Meeting and Travel Expenses

- Meeting expenses will be minimized due to a continued effort to keep costs down by holding more meetings via teleconference, at the NPCC offices or member facilities, combining or appending meetings to other mandatory training/meetings, as well as lower meeting space rental rates through negotiations. Travel expenses due to continued practice of advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference will be held to a minimum, however, the amount of activity is expected to increase in 2014. Conference calls and webex will be conducted for business when possible. (Conference calls expense is included under Administrative Services.)

Operating Expenses and Indirect Expenses

- Consultant and contractor costs increased due to increased workload. With a risk and performance based assessment of each registered entity, audits will transition to a periodicity more reflective of the risk profile of the entity such that some audits will be more in-depth while others may have a reduced scope which will require less independent contractor resources.

³¹ ERO Goal 7. Improve transparency, consistency, quality, and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness.

³² ERO Goal 6. Promote a culture of reliability excellence.

- NPCC total overhead expenses, such as office rent and office costs, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- Software development costs related to CITS enhancements are projected to continue into 2014.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2014 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2013 Budget & Projection, and 2014 Budget						
Compliance Monitoring and Enforcement and Organization Registration and Certification						
				Variance		Variance
	2013	2013	2013 Projection	v 2013 Budget	2014	2014 Budget
	Budget	Projection	v 2013 Budget	Over(Under)	Budget	v 2013 Budget
						Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ 7,576,805	\$ 7,576,805	\$ -		\$ 7,991,503	\$ 414,698
Penalty Sanctions	166,028	166,028	-		87,868	(78,160)
Total ERO Funding	\$ 7,742,833	\$ 7,742,833	\$ -		\$ 8,079,371	\$ 336,539
Membership Dues	-	-	-		-	-
Testing Fees	-	-	-		-	-
Services & Software	-	-	-		-	-
Workshops	-	-	-		-	-
Interest	-	-	-		-	-
Miscellaneous	34,500	34,500	-		-	(34,500)
Total Funding (A)	\$ 7,777,333	\$ 7,777,333	\$ -		\$ 8,079,371	\$ 302,039
Expenses						
Personnel Expenses						
Salaries	\$ 2,117,561	\$ 2,117,561	\$ -		\$ 2,287,504	\$ 169,943
Payroll Taxes	152,612	152,612	-		162,571	9,959
Benefits	465,444	465,444	-		537,087	71,643
Retirement Costs	302,129	302,129	-		298,890	(3,239)
Total Personnel Expenses	\$ 3,037,746	\$ 3,037,746	\$ -		\$ 3,286,052	\$ 248,306
Meeting Expenses						
Meetings	\$ 45,000	\$ 45,000	\$ -		\$ 25,000	\$ (20,000)
Travel	375,000	375,000	-		375,000	-
Conference Calls	-	-	-		-	-
Total Meeting Expenses	\$ 420,000	\$ 420,000	\$ -		\$ 400,000	\$ (20,000)
Operating Expenses						
Consultants & Contracts	\$ 1,578,000	\$ 1,578,000	\$ -		\$ 1,394,433	\$ (183,567)
Office Rent	-	-	-		-	-
Office Costs	-	-	-		-	-
Professional Services	-	-	-		-	-
Computer & Equipment Leases	-	-	-		-	-
Miscellaneous	-	-	-		-	-
Depreciation	-	-	-		-	-
Total Operating Expenses	\$ 1,578,000	\$ 1,578,000	\$ -		\$ 1,394,433	\$ (183,567)
Total Direct Expenses	\$ 5,035,746	\$ 5,035,746	\$ -		\$ 5,080,485	\$ 44,739
Indirect Expenses	\$ 2,849,094	\$ 2,849,094	\$ -		\$ 3,034,462	\$ 185,368
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Total Expenses (B)	\$ 7,884,840	\$ 7,884,840	\$ -		\$ 8,114,946	\$ 230,106
Change in Assets	\$ (107,507)	\$ (107,507)	\$ -		\$ (35,575)	\$ 71,932
Fixed Assets						
Depreciation	\$ -	-	\$ -		\$ -	\$ -
Computer & Software CapEx	-	-	-		108,000	108,000
Furniture & Fixtures CapEx	-	-	-		-	-
Equipment CapEx	-	-	-		-	-
Leasehold Improvements	-	-	-		-	-
Allocation of Fixed Assets	(107,507)	(107,507)	-		(143,575)	(36,068)
Inc(Dec) in Fixed Assets (C)	(107,507)	(107,507)	-		(35,575)	71,932
TOTAL BUDGET (=B+C)	\$ 7,777,333	\$ 7,777,333	\$ -		\$ 8,079,371	\$ 302,039
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ (0)	\$ -		\$ (0)	\$ 0

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	5.83	5.83	0.00
Direct Expenses	\$1,891,076	\$1,888,972	(\$2,104)
Indirect Expenses	\$1,107,348	\$1,105,682	(\$1,666)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$41,785)	(\$52,315)	(\$10,531)
Total Funding Requirement	\$2,956,639	\$2,942,339	(\$14,300)

Program Scope and Functional Description

NPCC, through its top technical committee, the Reliability Coordinating Committee (RCC), integrates the deliverables of its Task Force's and Working Group's Reliability Assessment and Performance Analysis related activities. Consistent with the applicable NERC Reliability Standards, these efforts include:

- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserves in accordance with NPCC Reliability Directory No. 1 and other related reliability directories; and,
- Assessing the impact of planned transmission and resource additions or modifications on NPCC system reliability in accordance with NPCC Reliability Directory No. 1 and other related reliability directories.

Seasonal assessments of the overall NPCC resource adequacy assessments are performed and possible actions to mitigate any potential problems are identified. NPCC reviews operations and disturbances both internal and external to the Region in order to identify any lessons to be learned and recommends any necessary follow-up actions.

If appropriate, enhancements to Regional Standards or NPCC's more stringent, Regionally-specific reliability requirements are also recommended. NPCC promotes and conducts both inter-Area and interregional studies to enhance reliability and operational effectiveness, and provides a forum for the discussion and coordination of operating issues within the NPCC Region and with other Regions.

2014 Key Assumptions

Support of identified key NERC Reliability Assessment and Performance Analysis (RAPA) projects; NERC and Regional Entities will gather data or perform analysis in support of U.S. Federal and NERC initiatives, such as:

- Report Recommendation from the “*NERC Special Reliability Assessment Interim Report: Effects of Geomagnetic Disturbances (GMD) on the Bulk Power System*”,³³ including:
 - i. enhancing system models in support of the study of GMD impacts;
 - ii. Enhancing GMD notification procedures; and,
 - iii. Determining optimum locations for monitoring capability on transformers, based on studies and operational experience.
- Follow-up study from the recommendations of the “*2013 NERC Special Reliability Assessment: Increasing Dependence on Natural Gas for Electric Power – Phase II: A Vulnerability and Scenario Assessment for the North American Bulk Power System,*”³⁴
- System frequency response analysis; and,³⁵
- Assessing reliability issues resulting from compliance to final EPA environmental regulations, reliable integration of new technologies as renewable energy, smart grid, energy storage, and/or reliability assessment of increased penetration of electric vehicles.²³

In response to NERC’s 2014 Business Plan and Budget Program Area Services and Activities, NPCC will continue to:

- Vet proposed and future metric development, collection, and analysis with industry stakeholders through the Reliability Metrics Working Group³⁶ (RMWG) and ERO-RAPA Group, and identify and spotlight trends through assessments of the availability data systems and metrics (e.g., TADS, DADS, GADS, TADS, SED, etc.)³⁷
- Conduct post-seasonal assessments (Summer and Winter) and additional scenario and special reliability assessments as required. Specialized contractors may be used to complete detailed analysis to support scenario assessments. Special reliability assessments currently proposed may include: changes in resource mix due to environmental regulations, electric/gas system interdependency, delays in proposed transmission development in the reliable integration of renewable resources.²³

In addition, NPCC supports:

- NERC’s development of a centralized data collection system (Reliability Assessment Data System - RADS), for the reporting and validation of the NERC Reliability Assessment Subcommittee Long-Term Reliability Assessment data requirements, including a common set of probabilistic reliability indices and

³³ ERO Goal 4.a. Continue to mature RISC and develop risk profile to include HILF issues.

³⁴ ERO Goal 6.a. ERO is a leading resource to industry and policy makers for reliability information.

³⁵ ERO Goal 6.b. Assess data and modeling needs to ensure quality planning and operating data/models are available to registered entities across each interconnection.

³⁶ ERO Goal 4.a. Prepare an annual state of reliability report.

³⁷ ERO Goal 4.a. Risks are identified and prioritized based on reliability impacts, costs/practicality assessments, projected resources and emerging issues.

probabilistic-based work products to supplement future NERC Long-Term Reliability Assessments;³⁸

- Coordination with event analysis, lesson learned and model validation activities. Specialized contractors may be used to complete detailed analysis to support model data collection and validation; and,³⁹
- Support of NERC PMO IT deployments – RADS and the BES Exception process IT tool.⁴⁰

Definition of the Bulk Electric System (BES) Definition⁴¹

Implementation of a Bulk Electric System (BES) Exception Process on July 1, 2014 is not expected to significantly impact resources requirements in this program area for 2014. NPCC's 2013 survey of its Registered Entities did not indicate that an overwhelming number of NPCC BES Exception requests would be sought based on the filed BES Definition. While it is recognized that the significance of the impact cannot be fully assessed until the Commission acts on Phase 2 BES definition, anticipated to be approved by the NERC BOT by the end of 2013, based on the NPCC survey results, 2014 RAPA personnel should be sufficient to process any NPCC Exception requests.

NPCC will use the information technology tool and related BES reference and guidance documents to assist industry in the implementation of the BES definition approved by the Federal Energy Regulatory Commission in Order Nos. 773 and 773-A. The BES reference and guidance documents, processes and tool are designed to provide industry with certainty and clarity about the implementation of the revised BES definition, which is anticipated to become effective on July 1, 2013.

Use of the new ERO enterprise processes provides for efficient BES implementation through a common interface between registered entities and their respective Regional Entity in several of the major steps required to implement the revised BES definition. Features of the BES Notification and Exception Processing Tool include:

- A uniform process for the notification of self-determined inclusions or exclusions to the BES;
- A uniform process for industry to submit exception requests; and,
- A consistent method for the Regional Entities and NERC to efficiently process to conclusion requests for exceptions to the application of the BES definition.

The procedure to request an exception from application of the BES definition is set forth in Appendix 5C to the NERC Rules of Procedure, also expected to become effective July 1, 2014. The REMG formed the BES Exception Process Working Group in 2012 – comprised of representations from the eight Regional Entities and NERC staff - to help create an efficient and effective Regional mechanism for processing Entity self-determined BES notifications and BES Exception requests. The activities of the BEPWG are expected to continue in 2014, in order to provide regional expertise to the process as NERC acts on Regional BES Exceptions recommendations.

³⁸ ERO Goal 6.a. Publish quality reliability assessment reports (LTRA, seasonal, and special reports).

³⁹ ERO Goal 4.b. Provide lessons learned and recommendations from events and identified risks,

⁴⁰ ERO Goal 7.b. Develop, test and deploy ERO enterprise applications, platform and database.

⁴¹ ERO Goal 1. Develop clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner.

In 2012, the NERC Standards Committee accepted the proposed BES Phase 2 SAR for development and approved the project schedule. The initial project schedule called for the technical justification of various aspects of the filed BES Definition to be completed by end of the year, with six months following thereafter (in 2013) allowing for the Standards process posting and comment period. Any resultant revision to the BES Definition would then be considered in 2013, based on the results of the Phase 2 BES SAR and a ruling by FERC regarding the FERC Order No. 773 rehearing requests. The NPCC 2014 Business Plan and budget is based on the assumption that with NERC BOT approval in November 2013 a Phase 2 BES definition would be filed with the Commission in 2014.

Eastern Interconnection Reliability Assessment Group ⁴²

The primary function of the Eastern Interconnection Reliability Assessment Group (ERAG) is to augment reliability of the bulk-power system in the Eastern Interconnection through periodic reviews of generation and transmission expansion. These assessments are conducted by the ERAG Steering Committees. In addition, ERAG has the responsibility to develop the annual set of seasonal and future steady state and dynamic simulation base cases for use by the Regional Entities and other industry groups in the Eastern Interconnection. This is done through the ERAG Multi-Regional Modeling Working Group (MMWG). NPCC participates in the ERAG activities as one of the six Eastern Interconnection Regional Entities.

NPCC RAPA staff participates with the ERAG Management Committee and acts as the liaison between the ERAG MMWG and the NPCC SS-37 Working Group; activities include:

Management Committee Activities

- ✓ Oversee the steady state and dynamic simulation base case development;
- ✓ Make necessary changes to the modeling of governor-turbine control systems to achieve frequency response that more closely reflects actual response during system frequency deviation events. Oversee ERAG Multi-Regional Modeling Working Group (MMWG) changes to the dynamics base cases;
- ✓ Continue the review of the NERC governor survey information to assess how to revise the governor-turbine plant control models at most generators;
- ✓ Review the 2013-2014 Winter and 2014 Summer Assessments, including, the SERN (SERC East-ReliabilityFirst-NPCC) and the MRSwS (Midwest Reliability Organization-ReliabilityFirst-SERC West-Southwest Power Pool) Assessments of anticipated inter-regional, inter-Balancing Authority transfer limit conditions and sensitivities;
- ✓ Participate in discussions with NERC staff, North American Transmission Forum, NERC System Analysis and Modeling Subcommittee, FERC staff and possibly North American Generation Forum representatives regarding base case modeling improvements and future general industry modeling improvements;
- ✓ Develop ERAG Strategic Direction (i.e. anticipated new developments in MMWG process and system assessments); and,
- ✓ Confirm MMWG cases and assessments continue to have sufficient protections in place for use and transmittal of confidential data and information.
- ✓

⁴² ERO Goal 6.b. Reliability models and data accurately represent system behavior and are shared among reliability entities.

Multi-Regional Modeling Working Group Items

- ✓ Complete the steady state and dynamic simulation base cases for the 2014 series of cases;
- ✓ Complete necessary changes to the modeling of governor-turbine control systems to achieve frequency response that more closely reflects actual response during system frequency deviation events;
- ✓ Continue the review of the NERC governor survey information to assess how to revise the governor-turbine plant control models at most generators. Recommend the necessary changes in the models for specific generators;
- ✓ Incorporate dispatch information into the future and seasonal ERAG MMWG base cases so that the dispatches are more closely aligned with economic dispatch practices;
- ✓ Determine how the regional MMWG case development processes will change due to the use of the new web-based System Dynamics Data Base program;
- ✓ Develop a procedure to require that the contractor, Powertech, follow all procedures in the MMWG manual in order to avoid minimize future coordination problem;
- ✓ Check and confirm that the dynamic model data passes all applicable checks and acceptance criteria. Include 60 second steady state simulation of each case to detect numerical errors; and,
- ✓ Apply changes to the MMWG dynamics case so they are available for interconnection frequency studies.

System Assessments Items

- ✓ Completion of 2014 Summer and 2014-2015 Winter Assessments, including, the SERN and the MRSwS Assessments of anticipated inter-regional, inter-Balancing Authority transfer limit conditions and sensitivities; and,
- ✓ Take additional steps to achieve consistency among the SERN and the MRSwS study forums assessments and practices. Make additional recommendations to the ERAG Management Committee on how to complete this process.

NERC ⁴³

NPCC will continue to provide the NPCC Regional perspective with active NPCC RAPA staff participation on the NERC Planning and Operating Committees and key related NERC Subcommittees, Task Forces and Working Groups:

- ✓ Reliability Assessment Data Working Group (RADWG);
- ✓ Protection System Mis-operations Task Force (PSMTF);
- ✓ Spare Equipment Database Task Force (SEDTF);
- ✓ Demand Response Availability Data System Working Group (DADSWG);
- ✓ Generating Availability Data System Working Group (GADSWG);
- ✓ Transmission Availability Data System Working Group (TADSWG);
- ✓ Model Validation Working Group (MVWG);
- ✓ Reliability Assessment Subcommittee (RAS) - Seasonal and Long-Term Reliability Assessments;
- ✓ System Analysis and Modeling Subcommittee (SAMS);
- ✓ Performance Analysis Subcommittee (PAS);
- ✓ Regional support and coordination of the NERC:
 - Generator Availability Data System (GADS);
 - Demand Availability Data System (DADS);

⁴³ ERO Goal 6.a. Promote effective actions as needed to address identified gaps in future reliability.

- Transmission Availability Data System (TADS);
- Spare Equipment Data Base System (SEDS);
- Reliability Assessment Data System (RADS)
- ✓ Incorporating probabilistic reliability metrics required for the 2014 NERC Long-Term Reliability Assessment through the NPCC 2014 Long Range Adequacy Overview;
- ✓ Providing analytic support to ERO-RAPA group for the:
 - Analysis of Relay mis-operations;
 - Regional coordination of data required for the calculation of metrics proposed by the NERC Reliability Metrics Working Group; and,
 - Other activities directed by the ERO-Executive Management Group.

As well as:

- ✓ Updating the NPCC Electric System Map;
- ✓ Liaison with the New York Defensive Strategies Working Group in coordination and implementation of Synchro-Phasor measurement devices on the NPCC and neighboring systems and monitor related efforts of the NERC North American Synchro-Phasor Initiative;⁴⁴
- ✓ Review of projects proposed in conjunction with the New York Energy Highway Initiative;
- ✓ Coordinating the NPCC implementation of the FERC approved NERC BES definition and BES Exception Process;
- ✓ Participating in on-going NERC analysis of the Eastern Interconnection Frequency Response;
- ✓ Developing NPCC guidelines for load modeling in system reliability studies;
- ✓ Conducting NPCC resource adequacy assessments addressing impacts of emerging reliability issues identified by NERC (e.g., environmental requirements, gas-electric system interdependency, delays in transmission plans, etc.);
- ✓ Coordinating any resulting NPCC inter-Area reliability analyses required to assess the proposed integration of related large-scale renewable resource proposals from Regional activities;
- ✓ Completing the 2014 NERC Seasonal (and post Seasonal) Reliability Assessments; and,
- ✓ Completing the 2014 NERC Long-Term Reliability Assessment.

2014 Goals and Key Deliverables

Task Force on Coordination of Planning

The primary mission of the NPCC Task Force on Coordination of Planning (TFCP) is to promote reliability through the coordination of NPCC Area and NERC planning processes and activities. In addition, the TFCP provides technical support regarding operating expertise to the NPCC Regional Standards Committee and the NPCC Compliance Committee as requested.

TFCP activities include, but are not limited to:

- Leading the NPCC Task Force review of the revision of NPCC criteria, guidelines, and procedures related to planning, and of those documents which provide for the uniform implementation, interpretation and monitoring of compliance with criteria, guidelines and procedures related to planning.

⁴⁴ ERO Goal 6.b. Evaluate event disturbances using phasor measurements and other methods to assess sufficiency of data and models.

- Supporting the NPCC Directory Project by either drafting, reviewing or approving directories.
- Coordinating, monitoring, reviewing, and making recommendations on proposed or modified Special Protection Systems.
- Facilitating Wide-Area Planning by supporting the Joint ISO/RTO Planning Committee Activities, implementation of the Northeast Planning Protocol, and performing any NPCC interconnection reliability analyses, as required.
- Reviewing the overall reliability of the NPCC Areas and performing multi-Area probabilistic reliability assessments.
- Identifying and assisting in the development of new Regional Reliability Standards.
- Assisting the NPCC Compliance Subcommittee, to monitor and coordinate the compliance efforts of the Areas with NPCC planning documents and registered entities with NERC Reliability Standards.
- Reviewing the Standards Authorization Requests and NERC Reliability Standards as well as participating in the NERC process. Educating and informing NPCC membership and registered entities of developments.
- Ensuring coordination of data and assumptions for conducting NPCC planning studies (i.e. load forecasts, reserve requirements, DOE EIA 411 data, and new facilities)
- Monitoring the activities of other NPCC Task Forces to ensure coordination with planning activities.
- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserve margins in accordance with NPCC Directory No. 1 based on a schedule set forth in the Reliability Assessment Program.
- Coordinating the review of the compliance of future Area plans with the Basic Criteria, including an analysis of resource and transmission system additions, and the potential inter-Area effects of special protection systems, in accordance with NPCC Reliability Directory No.1 based on a schedule set forth in the Reliability Assessment Program. (Specific projects, which in the opinion of the task force could have an impact on the reliability of the NPCC Bulk Power System, may be reviewed outside of the set schedule).

Key TFCP Reliability Assessment and Performance Analysis Deliverables

- ✓ Coordinating activities related to reactive power and voltage control practices, which includes Under Voltage Load Shedding (UVLS) with the Task Force on Coordination of Operation and the Task Force on System Studies to ensure that developments in the NERC Planning Committee and its Subcommittees are addressed.
- ✓ Monitoring the actions of the NERC Performance Analysis Subcommittee (PAS).
- ✓ Monitoring the actions of the NERC System Analysis and Modeling Subcommittee (SAMS).
- ✓ Overseeing the A-10 BPS Implementation Plan.
- ✓ Overseeing the summer 2014 and winter 2014-2015 NPCC multi-area probabilistic reliability evaluations.
- ✓ Overseeing the 2014 NPCC Long-Range Adequacy Overview.
- ✓ Evaluating and approving Balancing Authority Area Transmission Reviews.
- ✓ Coordinating, monitoring, reviewing, and making recommendations on the retirement of existing in-service Special Protection Systems (SPS); and the implementation of proposed new or modified Special Protection Systems.
- ✓ Review the NPCC SPS criteria with respect to proposed NERC SPS Standards.

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- ✓ Monitoring industry practices and making recommendations to NPCC on transmission adequacy standards related to intermittent generation such as wind or solar-voltaic.
 - ✓ Reviewing and giving direction to other task forces on changes required to the Underfrequency Load Shedding (UFLS) program required to take into account increasing amounts of distribution connected generation and/or intermittent generation.
 - ✓ Evaluating and recommending approval of NPCC Balancing Authority Area Resource Adequacy Assessments.
 - ✓ Monitoring the developments in demand resources, energy efficiency and conservation methods including all intermittent renewable resources.
 - ✓ Conducting resource adequacy assessment studies addressing emerging reliability issues as identified by the NERC Planning Committee (e.g., environmental requirements, etc.)
 - ✓ Supporting Joint ISO/RTO Planning Committee activities.
 - ✓ Facilitating Wide-Area Planning through participation in Regional activities (such as the Eastern Interconnection Planning Collaborative) and coordinating any resulting required inter-Area Reliability Assessment of the proposed integration related large-scale renewable resource proposals.
 - ✓ Review of projects proposed in conjunction with the New York Energy Highway Initiative
 - ✓ Completion of the NERC 2014 Long-Term Reliability Assessment.

Task Force on System Studies

The primary mission of the NPCC Task Force on System Studies (TFSS) is to provide active overall coordination of system studies of the reliability of the interconnected bulk power systems and for the review of certain NPCC documents. In addition, the TFSS provides technical support regarding operating expertise to the NPCC Regional Standards Committee and the NPCC Compliance Committee as requested.

The activities of the TFSS include, but are not limited to:

- Participating with the Task Force on Coordination of Planning, the Task Force on Coordination of Operation, and the Task Force on System Protection in reviews of the NPCC Reliability Directory No.1 and other NERC Reliability Standards and NPCC criteria, guidelines, procedures and documents which provide for the uniform implementation, interpretation and monitoring of conformance to criteria, guidelines and procedures related to system studies.
- Conducting NPCC Balancing Authority Area Reviews, in accordance with NPCC Reliability Directory No. 1, based on material presented by the Balancing Authority Areas. These reviews will assess the impact of planned transmission and resource additions or modifications on system reliability, and determine the Balancing Authority Area's conformance with the NPCC Basic Criteria.
- Reviewing and approving changes to Balancing Authority Areas' lists of bulk power system elements, in accordance with the *Classification of Bulk Power System Elements* (Document A-10). Annually review and update the NPCC BPS List.
- Reviewing and classifying new and modified Special Protection Systems, in accordance with NPCC Reliability Directory No. 7. Annually reviewing and updating the NPCC Special Protection System List.
- Conducting such load flow, transient stability, and other studies as required analyzing the overall reliability of the planned bulk power transmission systems of NPCC and the interconnections between NPCC and other Regional reliability organizations. As a part of this effort, analyze potential inter-Area effects of Special Protection Systems.

- Conducting analytical studies as appropriate to support the coordination of system planning, system operation and system protection in NPCC.
- Maintaining, through the SS-37 Working Group, a library of load flow base cases and associated dynamics data, for use in and support of Balancing Authority Area Reviews, overall transmission assessments, operational studies, inter-regional studies, etc. Coordinate this effort with the NERC inter-regional base case development process.
- In conjunction with other Task Forces, reviewing major system disturbances to ascertain the adequacy of the interconnected systems. Also, reviewing any associated recommendations for system modifications and considering the need for criteria changes.
- Identifying and recommending improved system study techniques. This includes, but is not limited to, the following:
 - improved techniques and models for power system simulation;
 - improved techniques for power system Reliability Assessment;
- Conducting a periodic review of the adequacy of the NPCC underfrequency load shedding program. Annually reviewing and updating the NPCC underfrequency load shedding database.
- Maintaining a listing and monitoring the status of major transmission and generation projects within NPCC.
- Maintaining liaison with other NPCC Task Forces and report to the Reliability Coordinating Committee as required.
- Monitoring the work of industry research and development organizations such as the IEEE, Canadian Electricity Association, Electric Power Research Institute, CIGRE and other technical organizations.
- Annually developing updates to the NPCC Electric System Map

Key TFSS Reliability Assessment and Performance Analysis Deliverables:

- ✓ Conducting Balancing Authority Area reviews, in accordance with the *Guidelines for NPCC Area Transmission Reviews* (Appendix B of NPCC Reliability Directory No. 1), based on material presented by the Balancing Authority Areas. These reviews assess the impact of planned transmission and resource additions or modifications on system reliability, and determine the Area's conformance with the NPCC Basic Criteria. Through the Area Transmission Reviews, re-evaluate the performance and classification of existing SPSs and Dynamic Control Systems as appropriate.
- ✓ Reviewing and classifying new and modified Special Protection Systems, in accordance with NPCC Reliability Directory No. 7 *Procedure for NPCC Review of New or Modified Bulk Power System Special Protection Systems* as required.
- ✓ Reviewing and approving changes to the Balancing Authority Areas' lists of bulk power system elements, in accordance with the *Classification of Bulk Power System Elements* (Document A-10), as required.
- ✓ Updating the NPCC Bulk Power System List.
- ✓ Through the ad hoc Load Modeling Task Force, address the recommendations from the SS-38 Load Modeling White Paper.
- ✓ Reviewing and updating NPCC Undervoltage Load Shedding Database.
- ✓ NPCC UFLS Adequacy Assessment Study scheduled completion by November 2014.
- ✓ Participation in on-going NERC analysis of the Eastern Interconnection Frequency Response.
- ✓ Through the SS-37 Working Group, develop the annual library of power flow base cases and associated dynamic models for use by NPCC members and input into the

development of the MMWG library of power flow and dynamic cases and databases for the Eastern Interconnection

- i. Final development of NPCC power flow models for 2014
 - ii. Final development of NPCC dynamic models for 2014
 - iii. Address wind modeling issues including maintaining a database of NPCC wind models for use in the MMWG library of power flow and dynamic cases and databases for the Eastern Interconnection.
- ✓ Annually performing event replication and exercise the procedure. Reviewing existing Regional criteria and procedures for validation of data used in power flow and dynamic simulations by benchmarking against actual system performance. If the existing criteria or procedures are found to be deficient, propose changes to provide for adequate data validation (NERC Blackout Recommendation No. 14)
 - ✓ Updating the NPCC SS-37 Working Group Procedure Manual and other related documents including the Master Tie line Data, and Interchange Schedule, as required.
 - ✓ Providing mid-term updates to the Library of NPCC/MMWG cases
 - ✓ Enhancing the governor modeling on a unit by unit basis suitable for use in the system simulation.
 - ✓ Annually reviewing and updating a list of NPCC underfrequency load shedding.
 - ✓ Coordinate activities with those of the New York State Defensive Strategies Working Group, regarding the coordination and implementation of Synro-Phasor measurement devices.
 - ✓ Incorporate NPCC guidelines for load and power system modeling approved by the RCC in 2013.
 - ✓ Classification of Bulk Power System Elements.
 - ✓ Participate at Siemens PTI User Group meetings to provide PSSE program enhancements
 - ✓ Supporting Regional system studies to integrate large-scale renewable resources.
 - ✓ Provide support to NERC Event Analysis process, as needed.
 - ✓ Develop updates to the NPCC Electric System Map.
 - ✓ Review of projects proposed in conjunction with the New York Energy Highway Initiative
 - ✓ Provide support to the NERC Model Validation Working Group (MVWG) as needed.

Task Force on System Protection (TFSP)

The purpose of the NPCC Task Force on System Protection (TFSP) is to promote the reliable and efficient operation of the interconnected bulk power systems in Northeastern North America through the establishment of directories, criteria, guidelines, and procedures and coordination of design, relative to the protection associated with the bulk power systems. In addition, the TFSP provides technical support regarding operating expertise to the NPCC Regional Standards Committee and the NPCC Compliance Committee as requested.

The Reliability Assessment and Performance Analysis activities of the TFSP include, but are not limited to:

- Assessing proposed protection systems and special protection systems in accordance with NPCC Reliability Directory No. 4 and No. 7.
- Reviewing and analyzing the performance of protection systems following selected major power system disturbances and events, inside as well as outside NPCC in accordance with NPCC Reliability Directory No. 4. Issue recommendations for changes to NPCC Documents, as appropriate.

- Providing technical advice on protection issues to NPCC and coordinate with other Task Forces on the application of Intelligent Electronic Devices (IEDs) that include functions related to energy management systems in addition to their protective functions, in order to safeguard the integrity of the protective functions.
- Through the SP-7 Working Group, review, on a quarterly basis all protection system misoperations reported to NPCC.
- Reviewing and assessing significant protection issues of common interest or informational value.
- Reviewing and assessing regulatory and industry based documents as they relate to system protection.
- Maintaining an effective liaison with North America groups working in the protection areas (for example: NERC System Protection & Control Subcommittee.)
- Exchanging information with other power pools, Regional Reliability Councils, Regional Transmission Organizations and other industry groups on matters concerned with system protection.
- Identifying the need for special studies and new documents, recommend action to the Reliability Coordinating Committee.

Key TFSP Reliability Assessment and Performance Analysis Deliverables:

- ✓ Assessing proposed protection systems and special protection systems for compliance with NPCC Directory No. 4 and No. 7 criteria.
- ✓ Reviewing and analyzing the performance of protection systems in power system disturbances and events, brought to the attention of the Task Force, inside as well as outside NPCC in accordance with *Procedures for Task Force on System Protection Review of Disturbances* (Document C-30). Issuing recommendations for changes to NPCC Documents, as appropriate.
- ✓ Participate or serve as lead Task Force in the development and/or implementation of Regional Reliability Standards.
- ✓ Providing support to the NERC Event Analysis process as required.
- ✓ Participate in the ongoing development and submission of NPCC input into the development of related NERC Reliability Standards.
- ✓ Conducting any follow-up to the bulk power system protection risk assessment as directed by the Reliability Coordinating Committee.
- ✓ Through the SP-7 Working Group, monitor the review of protection system misoperations as they occurred in the NPCC Region and participation in providing the NPCC input for NERC Metric ALR4-1 on Protection Mis-operations.
- ✓ Monitor and review industry activities on the mitigation of the effects of SMD on protection systems. Report to RCC on any significant findings.
- ✓ Review mitigations and/or progress reports for BPS Risk Reduction Implementation at each meeting and annually report to the RCC on the status of this implementation.
- ✓ Participate in the development and submission of NPCC inputs/comments into the development of protection related NERC technical documents.
- ✓ Review best practices from its members and industry to pull together design considerations for the new IEC 61850 protection implementation with the output being possible additions to NPCC Directory No. 4 and Directory No. 7.

Task Force on Coordination of Operation

The NPCC Task Force on Coordination of Operation (TFCO) facilitates the coordination of operations among the NPCC Reliability Coordinator areas and adjacent NERC Regions to

enhance the reliability of the bulk power system. In addition, the TFCO provides technical support regarding operating expertise to the NPCC Regional Standards Committee and the NPCC Compliance Committee as requested.

The activities of the NPCC TFCO include, but are not limited to:

- Conducting seasonal reviews of the overall reliability of the generation and transmission systems in NPCC, and coordinating these efforts with parallel assessments conducted by the NPCC Task Force on Coordination of Planning and by NERC. Reviewing the operational preparedness of NPCC and recommending possible actions to mitigate any potential problems identified for each operating period.
- Reviewing operations and system disturbances and providing any necessary follow-up, including the recommendation of remedial or mitigating actions.
- Facilitating the reliable operational integration of new bulk power system facilities.
- Coordinating the development of operating NPCC requirements and procedures affecting the reliability and operability of the bulk power system in coordination with, and as directed by, NERC and NPCC.
- Promoting and sponsoring inter-Balancing Authority Area and interregional studies to enhance reliability and operational effectiveness of the bulk power system.
- Providing coordination of operating issues with other NPCC Task Forces and other Regions.
- Reviewing, and acting upon, NERC actions, motions and recommendations in relation to the operation of the power system.
- Formulating the position of the TFCO on NERC Standards, and providing this position to the NPCC Regional Standards Committee as appropriate.
- Providing assistance as requested by the NPCC Regional Standards Committee in the development of Regional Standards and Directories.
- Providing assistance as requested by the NPCC Compliance Committee in monitoring and coordinating the compliance efforts of the registered entities of NPCC.

Key TFCO Reliability Assessment and Performance Analysis Deliverables:

- ✓ Develop and implement a wide area restoration exercise including participation by all Reliability Coordinators of NPCC as well as the MISO and PJM.
- ✓ Manage the implementation of action items emanating from the NERC report, "High-Impact, Low-Frequency Event Risk to the North American Bulk Power System-June 2010," and its subsequent reports:
 - Severe Impact Resilience Severe Impact Resilience Task Force
 - Geomagnetic Disturbance Task Force
 - Cyber Attack Task Force
 - Spare Equipment Database Task Force
 - Smart Grid Task Force
- ✓ Monitor the development of the NERC North American Synchro-Phasor Initiative in its effort to establish an effective control monitoring tool.
- ✓ Provide assistance to the NPCC Regional Standards Committee in the second phase of the NPCC directories process, re-drafting NPCC Reliability Directory No. 8 as a template.
- ✓ Review NPCC Reliability Coordinator Area Restoration Plans.
- ✓ Complete the NPCC 2014 summer and winter Operational Reliability Assessments.
- ✓ Completion of the NERC 2014 seasonal assessments.
- ✓ Reliability assessment of increased penetration of electric vehicles

NPCC Regulatory/Governmental Affairs Advisory Group

The purpose of the NPCC Regulatory/Governmental Affairs Advisory Group is to promote NPCC interaction and coordination with Federal/State/Provincial governmental and/or regulatory agencies on a coordinated Regional basis, and identify and develop policy input for NPCC and Northeast Regional governmental and/or regulatory bodies.

The NPCC Governmental/Regulatory Affairs Advisory Group provides a forum where industry and governmental and/or regulatory representatives can exchange views and strive to develop consensus policy recommendations on reliability issues specific to the NPCC Region (Northeastern United States and Eastern Canada) and share actionable information among NPCC, NERC and other related governmental and/or regulatory agencies related to Regional energy and reliability matters.

Based on the portion of professional/technical staff time and other resources devoted to Reliability Assessment and Performance Analysis, NPCC estimates that it will expend 21 percent of its resources on these activities.

Funding Sources and Requirements — Explanation of Increase (Decrease)**Funding Sources (Other than ERO Assessments)**

- U.S. Penalty Sanctions remitted from 7/1/12 through 6/30/13 reduce U.S. LSE designee assessments for 2014.

Personnel Expenses

- Additional RAPA FTEs are not anticipated to be required to meet the NERC expectation for Regional Entity support of the proposed RAPA activities, as described above.
- Decrease in salaries expense is due to filling the 2013 open position with a qualified yet less seasoned employee.

Meeting and Travel Expenses

- While the amount of activity is expected to significantly increase in 2014, due to the volume of work described above, meeting expenses will be minimized to the extent possible due to continued efforts to keep costs down by holding meetings via teleconference as appropriate, conducting meetings at the NPCC offices or member facilities, as well as negotiating lower meeting space rental rates. The increase in expected Travel expenses due to the significant amount of proposed activity will be mitigated by using advance bookings, adjustments to class of hotel used, increased meetings at NPCC's offices, and meetings conducted via teleconference.

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Reliability Assessment and Performance Analysis Program

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

Statement of Activities and Capital Expenditures						
2013 Budget & Projection, and 2014 Budget						
Reliability Assessment and Performance Analysis						
				Variance		Variance
	2013	2013	2013 Projection	2014	2014	2014
	Budget	Projection	v 2013 Budget	Budget	Budget	v 2013 Budget
			Over(Under)			Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ 2,892,110	\$ 2,892,110	\$ -	\$ 2,910,322	\$ 18,212	\$ -
Penalty Sanctions	64,529	64,529	-	32,017	(32,513)	-
Total ERO Funding	\$ 2,956,639	\$ 2,956,639	\$ -	\$ 2,942,339	\$ (14,300)	\$ -
Membership Dues	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Funding (A)	\$ 2,956,639	\$ 2,956,639	\$ -	\$ 2,942,339	\$ (14,300)	\$ -
Expenses						
Personnel Expenses						
Salaries	\$ 938,733	\$ 938,733	\$ -	\$ 904,028	\$ (34,705)	\$ -
Payroll Taxes	63,449	63,449	-	60,329	(3,121)	-
Benefits	215,362	215,362	-	226,225	10,862	-
Retirement Costs	183,530	183,530	-	190,390	6,860	-
Total Personnel Expenses	\$ 1,401,076	\$ 1,401,076	\$ -	\$ 1,380,972	\$ (20,104)	\$ -
Meeting Expenses						
Meetings	\$ 45,000	\$ 45,000	\$ -	\$ 45,000	\$ -	\$ -
Travel	160,000	160,000	-	175,000	15,000	-
Conference Calls	-	-	-	-	-	-
Total Meeting Expenses	\$ 205,000	\$ 205,000	\$ -	\$ 220,000	\$ 15,000	\$ -
Operating Expenses						
Consultants & Contracts	\$ 285,000	\$ 285,000	\$ -	\$ 275,000	\$ (10,000)	\$ -
Office Rent	-	-	-	-	-	-
Office Costs	-	-	-	13,000	13,000	-
Professional Services	-	-	-	-	-	-
Computer & Equipment Leases	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Total Operating Expenses	\$ 285,000	\$ 285,000	\$ -	\$ 288,000	\$ 3,000	\$ -
Total Direct Expenses	\$ 1,891,076	\$ 1,891,076	\$ -	\$ 1,888,972	\$ (2,104)	\$ -
Indirect Expenses	\$ 1,107,348	\$ 1,107,348	\$ -	\$ 1,105,682	\$ (1,666)	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,998,424	\$ 2,998,424	\$ -	\$ 2,994,654	\$ (3,770)	\$ -
Change in Assets	\$ (41,785)	\$ (41,785)	\$ -	\$ (52,315)	\$ (10,531)	\$ -
Fixed Assets						
Depreciation	\$ -	-	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-
Allocation of Fixed Assets	(41,785)	(41,785)	-	(52,315)	(10,531)	-
Inc(Dec) in Fixed Assets (C)	(41,785)	(41,785)	-	(52,315)	(10,531)	-
TOTAL BUDGET (=B+C)	2,956,639	2,956,639	-	2,942,339	(14,300)	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 0	\$ -	\$ 0	\$ (0)	\$ -

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.10	0.10	0.00
Direct Expenses	\$199,339	\$177,787	(\$21,552)
Indirect Expenses	\$18,994	\$18,965	(\$29)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$717)	(\$897)	(\$181)
Total Funding Requirement	\$217,617	\$195,855	(\$21,761)

Program Scope and Functional Description

The NPCC Training, Education, and Operator Certification program supports NERC Rules of Procedure Section 900. The program provides education and training necessary to understand and operate the bulk electric system. The target audience of the program is bulk power system operating personnel - including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, and training personnel. The program also supports NPCC staff training and development needs as well as the administration of records necessary to maintain status as a NERC Continuing Education provider.

Training Program Background and Description

NPCC establishes and coordinates programs for system operator training relating to inter-Reliability Coordinator area matters, criteria, terminology, standards and operating procedures and instructions. It develops and conducts training seminars, held twice yearly, at which potential operational problems for the coming season are discussed, the implementation of NPCC standards and procedures are discussed, significant disturbances are reviewed for lessons to be learned and table-top drills and communication and coordination exercises are conducted. The seminars promote camaraderie and better communication among system operators from the NPCC Reliability Coordinator Areas.

NPCC shares, evaluates and proposes new techniques and training aids as they become available; reviews opportunities to consolidate training among the NPCC Reliability Coordinators, which includes opportunities to share training material and training sessions and exchanges information on internal methods of system operator selection and training.

In addition, NPCC participates in the activities of the NERC Training and Education Group (TEG). The main objective of the NERC TEG is to coordinate the development of Regional Entity and NERC staff training and registered entity education materials to support and continually enhance reliability across North America for the benefit of all bulk electric system users, owners, and operators. The initial focus of this group has been on NERC compliance auditor training.

Funding Drivers and Reliability Benefits

- Provide two high-quality continuing education seminars for system operators
 - System operators participating in the Seminars get exposure to NPCC issues and current industry operations topics, review recent NPCC or major external disturbances, discuss projected conditions for the coming summer or winter peak season and participate in hands on exercises “table top exercises” pertaining to system operation practices. PJM operators also attend and participate in these seminars.
 - Seminar attendees also receive Continuing Education (CE) hours and each Balancing Authority Area utilizes the seminar content by including it in their internal training programs to provide CE hours to all system operators
 - The seminars help to improve system operation coordination through better camaraderie among operators
- Review and revise the curriculum of the training seminars to better emphasize NERC standards, Regional Standards and business practices, NPCC wide-area operations and Regionally-specific criteria and procedures.⁴⁵
- Enhance the system operator’s awareness and knowledge of the standards, criteria and procedures they apply in real time operation.⁴⁶ In 2012 and 2013 Seminars the Table Top Exercises include sessions addressing Simultaneous Activation of Reserve to reinforce the system operators ability to implement this without error.
- Provide more sharing of new training approaches, exchange of information on internal methods of system operator selection, training material and training sessions
 - Enhance efficiency and cost savings in the training programs in the NPCC Balancing Authority Areas
- Provide a forum among NPCC Balancing Authority Areas for sharing of strategies and approaches for enhancing their individual training programs and for meeting the requirements of the NERC PER standards.

2014 Key Assumptions

NPCC will conduct two workshops in 2014, for NPCC Stakeholders, for the express purpose of providing the most current and applicable information related to the development of NERC and Regional Reliability Standards and the implementation of the Compliance Monitoring and Enforcement Program (CMEP). These workshops, attended in the past by up to 250 participants, are specifically designed, primarily through the conduct of targeted breakout class room sessions and presentations on current industry related activities, to provide for the most efficient exchange of information between the NPCC Compliance and Standards Staff and the NPCC Stakeholders. Presentations in the past have been conducted by FERC, NERC and Stakeholder representatives in addition to NPCC Staff members. To supplement these workshops, NPCC is also considering additional methods for the dissemination of timely information, possibly in the form of on-line webinars. These webinars will focus on a specific topic pertinent to developments related to compliance program implementation and/or standards development that may arise in between the two regularly scheduled workshops.

⁴⁵ ERO goal 4.b. Provide lessons learned and recommendations from events and identified risks.

⁴⁶ ERO goal 4.b. Analyze significant events to identify gaps in standards, compliance effectiveness, registration, and risk controls effectiveness.

NPCC also regularly conducts spring and fall System Operator Seminars. These seminars involve system operators from the NPCC Reliability Coordinator / Balancing Authority Areas and PJM. These will be held in early May and early November.

With the exception of meeting expenses, it is proposed that the NPCC resources to support Training and Education will remain virtually unchanged for the calendar year. In 2014, to be consistent with NERC and other Regional Entities, NPCC will charge for participation in NPCC workshops in an effort to defray some of the costs.

Although NERC anticipates a significant expansion of its training efforts, including the targeting of numerous subject areas in a cooperative effort with the Regions, the details have yet to be fully presented. For this reason, it is proposed that the NPCC resources to support Training and Education remain constant, except in the area of meeting expenses, which are budgeted for an approximate 11% reduction from the 2013 budget.

2014 Goals and Key Deliverables

- Prepare and conduct the spring and autumn NPCC System Operator Seminars
- Review approaches to reliability related-task definition, task instruction, and instruction tracking on an individual basis
- Coordinate the implementation of PER-005 within the NPCC BA Areas and RC Areas.
- Expand the content of the Reliability Coordinator training programs, based on the new requirements generated by PER-005, for training of SCADA and field operators, as necessary, including description of tasks, verification of system operator capability to perform tasks. simulation exercises replicating system operation conditions, tracking of Continuing Education Hours and development of Individual Learning Activities
- Continue collaboration and sharing of the intended Reliability Coordinator/Balancing Authority approaches, experiences and materials to task identification and training development associated with NERC Standard PER-005, “System Personnel Training”
- Expand the NPCC repository of training resources and learning verification activities addressing fundamental power system topics, training methods and operation procedure training exercises, which may be shared as elements of operator training in compliance with NERC Standard PER-005, “System Personnel Training”
- Expand the NPCC repository of training resources and learning verification activities addressing NPCC procedures employed in real-time by RC/BA operators, which may be shared as elements of operator training in compliance with “System Personnel Training”
- Share among the NPCC RCs/BAs experiences on implementation of new NERC standard PER-005. Consider strategies to deal with any implementation difficulties
- Participate in NERC Training and Education Group activities and provide NPCC input to the development of training policies by this group.

Based on the portion of professional/technical staff time and other resources devoted to training, education, and operator certification, NPCC estimates that it will expend 1 percent of its resources on this activity.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- U.S. Penalty Sanctions remitted from 7/1/12 through 6/30/13 reduce U.S. LSE designee assessments for 2014.

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2014 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2013 Budget & Projection, and 2014 Budget						
Training, Education, and Operator Certification						
	2013	2013	Variance	2014	Variance	
	Budget	Projection	2013 Projection	Budget	2014 Budget	
			v 2013 Budget		v 2013 Budget	
			Over(Under)		Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 136,510	\$ 136,510	\$ -	\$ 131,306	\$ (5,204)	
Penalty Sanctions	1,107	1,107	-	549	(558)	
Total ERO Funding	\$ 137,617	\$ 137,617	\$ -	\$ 131,855	\$ (5,761)	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	80,000	80,000	-	64,000	(16,000)	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 217,617	\$ 217,617	\$ -	\$ 195,855	\$ (21,761)	
Expenses						
Personnel Expenses						
Salaries	\$ 17,338	\$ 17,338	\$ -	\$ 17,448	\$ 110	
Payroll Taxes	1,088	1,088	-	1,063	(25)	
Benefits	4,129	4,129	-	4,500	371	
Retirement Costs	4,785	4,785	-	4,776	(9)	
Total Personnel Expenses	\$ 27,339	\$ 27,339	\$ -	\$ 27,787	\$ 448	
Meeting Expenses						
Meetings	\$ 152,000	\$ 152,000	\$ -	\$ 135,000	\$ (17,000)	
Travel	20,000	20,000	-	15,000	(5,000)	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 172,000	\$ 172,000	\$ -	\$ 150,000	\$ (22,000)	
Operating Expenses						
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Direct Expenses	\$ 199,339	\$ 199,339	\$ -	\$ 177,787	\$ (21,552)	
Indirect Expenses	\$ 18,994	\$ 18,994	\$ -	\$ 18,965	\$ (29)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 218,333	\$ 218,333	\$ -	\$ 196,753	\$ (21,581)	
Change in Assets	\$ (717)	\$ (717)	\$ -	\$ (897)	\$ (181)	
Fixed Assets						
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(717)	(717)	-	(897)	(181)	
Inc(Dec) in Fixed Assets (C)	(717)	(717)	-	(897)	(181)	
TOTAL BUDGET (=B+C)	217,617	217,617	-	195,855	(21,761)	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 0	\$ -	\$ (0)	\$ (0)	

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Direct Expenses	\$988,341	\$922,070	(\$66,271)
Indirect Expenses	\$569,819	\$568,962	(\$857)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$21,501)	(\$26,920)	(\$5,419)
Total Funding Requirement	\$1,536,658	\$1,464,111	(\$72,547)

Program Scope and Functional Description

The Situation Awareness and Infrastructure Security Program is the combination of near real time awareness of conditions on the bulk power system with the programs necessary to increase the physical and cyber security of the electricity infrastructure, including the operation and maintenance of tools and other support services for the benefit of Reliability Coordinators and the system operators within the registered entities. Maintaining the real-time awareness of conditions on the interconnected bulk power systems by the NPCC Reliability Coordinator is critical to maintaining reliable operation within NPCC, including the communication of information concerning system conditions and abnormal events among the neighboring system operators responsible for the reliable operation of the bulk power systems. When a disturbance does occur, it is necessary to use the event as a learning opportunity and provide a forum for the active coordination of reliability and operation among the NPCC Reliability Coordinator areas and neighboring NERC Regions to enhance the reliability of the interconnected bulk power system through the lessons to be learned which can be gleaned from such an event.

Event Analysis Program

NERC and the industry pursue three avenues in the analysis of a disturbance: the identification of lessons to be learned, a formal cause code analysis and a review of applicable standards.

Following two industry trials beginning in the autumn of 2010, the NERC approved, at its February meeting of the NERC Board of Trustees, an enhanced, industry wide Event Analysis Program. The Event Analysis Program recognizes that many events which occur on the bulk power system beyond the routine reporting requirements previously in place can have varying levels of significance to the electric system, providing otherwise unrealized lessons to be learned from these events and the trending of such events to identify possible reliability concerns. By integrating a “bottom-up” approach to a disturbance review within the framework of the NERC Event Analysis Program, consistency, comparability, flexibility and timeliness in the event analysis process will be promoted by NPCC, the registered entities and NERC in a collaborative initiative. Upon the identification of an event, the goal of the Event Analysis Program is to:

- identify what transpired;
- categorize the event within the NERC Event Analysis Program;
- establish the sequence of events;

- understand the essential root causes of the event;
- identify recommendations or corrective actions; and
- develop, and disseminate to the industry, lessons to be learned so that the operational reliability of the bulk power system can be further enhanced.

In assessing any system event, it is recognized that, if the timely dissemination of lessons learned from an event or disturbance is to be realized, any potential compliance implications associated with an event must be addressed and dismissed⁴⁷. Throughout an event analysis effort, to make this process successful and complete, and to solidify the “bottom-up” approach, registered entities are encouraged to establish a liaison between the event analysis and compliance functions internal to the registered entity during the event analysis process. This serves to facilitate the development of a registered entity compliance self assessment report which will perform a sufficiency review of the reliability standards deemed applicable to the event, assisting in the self-reporting of possible violations should any be discovered.

To complete this effort, the entity, the Region and NERC staff collaborate to assess the NERC Event Analysis Report and perform a formal cause code analysis, identifying a root cause and complementing any lessons learned gathered from the disturbance.

The adoption by NERC of the Event Analysis Program brings clarity and certainty about what system events are relevant to analyze and to what level of detail, targeting potential vulnerabilities to the reliability of the bulk power system for detailed and in depth analysis; only concise and succinct reviews are desired for more minor events. It also delineates the expectations of roles and responsibilities of the registered entities, NPCC and NERC in a uniform review of system disturbances by the industry, and, ultimately, the program promotes the timely development and dissemination of valuable lessons learned to the industry. The identification and tracking of emerging common elements in system events will further distinguish trends which may be of concern to reliability. By rigorously pursuing the lesser events on the system and learning from these disturbances, the larger event can be avoided or mitigated.

NPCC Staff works step-by-step with the registered entity in the total event analysis process, permitting the entity to assume the primary role in the initial analysis, the development of lessons learned which may benefit the industry and the Standards sufficiency review.

NERC Alert Process

NPCC Staff works with the registered entities to appropriately respond to the NERC Alert system, a process through which notifications of potential threats to electric reliability are disseminated to the industry with the expectations placed on the entity proportional to the severity of the Alert being issued.

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NPCC Staff is also working closely with the NERC Staff to incorporate greater efficiencies, industry input and precision into the NERC proposal for a more streamlined NERC Alert process which can disseminate critical information to the appropriate Subject Matter Expert within the organization who can promptly act on the alert.

⁴⁷ ERO Goal 4.b. Analyze significant events to identify gaps in standards, compliance effectiveness, registration, and risk controls effectiveness

Operational Status⁴⁸

On an ongoing, but non-real time basis, NPCC monitors the operational status of the bulk power system and coordinates normal and pre-emergency communication, awareness and assistance in addition to the same during an emergency among the Reliability Coordinators within NPCC and its neighboring RCs: the New Brunswick System Operator, Hydro-Québec TransÉnergie, the ISO New England, Inc., the New York ISO and the Independent Electricity System Operator in Ontario. The industry is notified of significant bulk power system events that have occurred in one Reliability Coordinator Area, and which have the potential to impact reliability in other NPCC Reliability Coordinator Areas or Regions external to NPCC. These events include contingencies on the bulk power system, potential shortfalls of operating reserve, operating problems, potential security threats and potential threats or disruptions to the cyber systems.

The “NPCC Emergency Preparedness Conference Call Procedures” provide a mechanism that enables the Reliability Coordinator in NPCC, and, as circumstances may require, their counterparts in neighboring Regions, to rapidly communicate the status of current operating conditions, to facilitate the procurement of assistance during emergency conditions and to identify potential physical or cyber threats to the system.

Items of particular concern that can be discussed during the calls may include, but are not limited to, the following: anticipated weather conditions critical to the system or systems experiencing or projecting resource deficiencies; load forecast; largest first and second contingencies; potential need for emergency transfers; operating reserve requirements and expected available operating reserve capacity deficiencies; potential fuel shortages or potential fuel supply disruptions which could lead to energy shortfalls; identified or projected voltage conditions; status of short term transactions; additional capability available within four hours and additional capability available within twelve hours; generator outages; significant transmission outages; expected transfer limits and limiting elements; anticipated implementation of NERC Transmission Loading Relief (TLR); changes in the status of relay protection systems; arming of special protection systems not normally armed; and/or the application of abnormal operating procedures.

NPCC has also established a daily conference call to serve as a complement to the NPCC Emergency Preparedness Conference Call. The participants of the call are the Reliability Coordinators within NPCC and its neighboring RCs, the Midwest ISO and PJM. The conference call is implemented through a bridge, the initiation of the call quickly ringing all pre-selected telephones simultaneously. The goal of the call is to alert all Reliability Coordinators of emerging problems. If no system difficulties are anticipated for the day, no unnecessary information is to be discussed. Subjects for discussion are limited to credible events which could impact the ability of an entity to serve its load and meet its operating reserve obligations or would impose a burden to the interconnection, including the following: Projected Load; Adverse Weather; Operating Reserve; Generation; Transmission; and Sabotage. If conditions worsen in the course of the day, the NPCC Emergency Preparedness Conference Call will be implemented.

NPCC monitors the status of the bulk power system through the the NERC Situational Awareness-FERC, NERC, Regions (SAFNR) initiative, a near real-time operating display for the United States portion of the Reliability Coordinators footprints of North America.

⁴⁸ ERO Goal 5.a.Manage risk control initiatives to be completed by ERO and coordinate other initiatives with industry (e.g., relay misoperations, situational awareness, human error, cyber attack)

Transmission voltage levels of 230 kV and above are displayed, and the tool provides the ability to “drill down” to detailed bus information.

To ensure the capability for continued voice communications among NPCC and its Reliability Coordinators, a satellite telephone network was also established, and it is tested on a monthly basis. This back-up communications system will function in the event of a collapse of the Public Switched Telephone Network (PSTN), and cross-border voice communications can still be maintained among the Canadian Reliability Coordinators of NPCC and the Reliability Coordinators in the United States.

Critical Infrastructure Objectives

NPCC’s critical infrastructure objectives are defined within the scope of the NPCC Task Force on Infrastructure Security & Technology, (TFIST) and include, but are not confined to:

- Providing a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC)
- Representing and advocating NPCC’s position in the activities of NERC groups involved in the development and/or implementation of physical and cyber security

NPCC’s 2014 critical infrastructure goals and objectives, as identified by the 2013-2014 Work Plan of the Task Force on Infrastructure Security and Technology include, but are not confined to:

- Oversee the implementation of version 5 of the CIP Standards
- Monitor the Homeland Security Information Network (HSIN), ES-ISAC, Critical Information Protection Information Sharing (CIPIIS), NERC Alerts and Canadian Information Sharing and share information with CO-8⁴⁹
- Review and submit comments on NERC proposed Reliability Standards, modified Reliability Standards, proposed Guidelines and modified Guidelines related to Infrastructure Security and Technology
- Keep current on all governmental agencies regarding applicable security recommendations and requirements, and other applicable security and reliability recommendations and keep the RCC and its committees appropriately informed, e.g. Sector Specific Plan.
- Develop and maintain levels of expertise in those areas of concern to the task force through activities such as periodic workshop presentations, seminars, and meetings, open to the general NPCC membership⁵⁰..
- Regarding the Cross Border Emergency Telecommunications recommendation
 - Continue to annually report to RCC on this testing
 - Continue to support CO-8’s monthly testing
- Assess the telecommunications industry’s desire to convert Frame Relay customers to Multiprotocol Label Switching (MPLS) and potentially provide recommendations to RCC

System Operations Security Objectives

NPCC’s system operations security objectives are defined within the scope of the NPCC Task Force on Coordination of Operation (TFCO) and include, but are not confined to:

- Coordinating interregional pre-emergency actions in the event of a threat to the security of the Northeastern North American bulk power supply system⁵¹

⁴⁹ ERO Goal 5.b. Issue and track security recommendations to protect the bulk power system (related to 5.a.ii.)

⁵⁰ ERO Goal 5.b. Expand the use and value of security threat and vulnerability information sharing, analytics, and analysis

⁵¹ ERO Goal 5.b. Issue and track security recommendations to protect the bulk power system (related to 5.a.ii.)

- Assisting in the development of real time operating tools assuring cyber security concerns are addressed⁵²

NPCC's 2014 operational situation awareness goals and objectives, as identified by the 2013-2014 Work Plan of the NPCC Task Force on Coordination of Operation (TFCO) include, but are not confined to:

- Implementation of version 5 of the Cyber Standards.⁵³
- Disseminate the Lessons Learned from the NERC Event Analysis Program to the NPCC member entities and track to completion actionable items from these Lessons Learned.⁵⁴
- Identify real time control room applications of the NERC North American Synchro-Phasor Initiative (NASPI) for use within NPCC.⁵⁵

2014 Key Assumptions

- The approved NERC Event Analysis Program will be augmented with a robust program of causal analysis and metrics trending.
- Critical infrastructure protection will fully integrate the requirements of version 5 of the Cyber Standards in 2014.
- The complete Phase II initiative for NERC Situation Awareness-FERC, NERC, Regions (SAFNR) will be integrated into the NERC and Regional Situational Awareness programs.

2014 Goals and Key Deliverables

- In concert with the registered entity in the total event analysis process, develop actionable lessons to be learned.
- Work directly with registered entities and NERC Staff to develop cause codes for all NPCC events analysis reports and industry wide Category 2 and 3 events⁵⁶.
- Expand the NPCC Events Data Base to track to Region-wide consideration of Lessons Learned and corrective actions identified in the Event Analysis Reports and report on implementation to RCC⁵⁷
- Contribute to the reduction of Category 3 events and no Category 4 or 5 events in NPCC- by disseminating to the RCC compiled information on NPCC Region specific, as well as industry wide, event related causal analysis and analysis of Lessons Learned.⁵⁸

Based on the portion of professional/technical staff time and other resources devoted to situation awareness and infrastructure security, NPCC estimates that it will expend 11 percent of its resources on this activity.

⁵² ERO Goal 5.a. Manage risk control initiatives to be completed by ERO and coordinate other initiatives with industry (e.g., relay misoperations, situational awareness, human error, cyber attack)

⁵³ ERO Goal 5.a. Manage risk control initiatives to be completed by ERO and coordinate other initiatives with industry (e.g., relay misoperations, situational awareness, human error, cyber attack)

⁵⁴ ERO Goal 5.a. Develop and deploy a recommendations tracking system

⁵⁵ ERO Goal 6.b. Evaluate event disturbances using phasor measurements and other methods to assess sufficiency of data and models

⁵⁶ ERO Goal 4.b. Events and system performance are consistently analyzed for sequence, cause, and remediation to identify reliability risks and trends, and to inform standards, compliance, and other programs. Industry is well informed of system events, emerging trends, risk analysis, lessons learned and expected actions.

⁵⁷ ERO Goal 5.a. Develop and deploy a recommendations tracking system

⁵⁸ ERO Goal 4.b. Provide lessons learned and recommendations from events and identified risks

Funding Sources and Requirements — Explanation of Increase (Decrease)**Funding Sources (Other than ERO Assessments)**

- U.S. Penalty Sanctions remitted from 7/1/12 through 6/30/13 reduce U.S. LSE designee assessments for 2014.

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.
- Meeting and travel expenses are lower than 2013 budget based upon the expectation that 2014 expenses in these areas will be closer to historical actual expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2014 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2013 Budget & Projection, and 2014 Budget						
Situation Awareness and Infrastructure Security						
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 1,503,453	\$ 1,503,453	\$ -	\$ 1,447,636	\$ (55,817)	
Penalty Sanctions	33,206	33,206	-	16,475	(16,730)	
Total ERO Funding	\$ 1,536,658	\$ 1,536,658	\$ -	\$ 1,464,111	\$ (72,547)	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 1,536,658	\$ 1,536,658	\$ -	\$ 1,464,111	\$ (72,547)	
Expenses						
Personnel Expenses						
Salaries	\$ 519,676	\$ 519,676	\$ -	\$ 522,672	\$ 2,996	
Payroll Taxes	33,338	33,338	-	32,961	(377)	
Benefits	82,596	82,596	-	88,851	6,254	
Retirement Costs	117,730	117,730	-	117,586	(144)	
Total Personnel Expenses	\$ 753,341	\$ 753,341	\$ -	\$ 762,070	\$ 8,729	
Meeting Expenses						
Meetings	\$ 45,000	\$ 45,000	\$ -	\$ 25,000	\$ (20,000)	
Travel	90,000	90,000	-	60,000	(30,000)	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 135,000	\$ 135,000	\$ -	\$ 85,000	\$ (50,000)	
Operating Expenses						
Consultants & Contracts	\$ 100,000	\$ 100,000	\$ -	\$ 75,000	\$ (25,000)	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 100,000	\$ 100,000	\$ -	\$ 75,000	\$ (25,000)	
Total Direct Expenses	\$ 988,341	\$ 988,341	\$ -	\$ 922,070	\$ (66,271)	
Indirect Expenses	\$ 569,819	\$ 569,819	\$ -	\$ 568,962	\$ (857)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 1,558,160	\$ 1,558,160	\$ -	\$ 1,491,031	\$ (67,128)	
Change in Assets	\$ (21,501)	\$ (21,501)	\$ -	\$ (26,920)	\$ (5,419)	
Fixed Assets						
Depreciation	\$ -	-	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(21,501)	(21,501)	-	(26,920)	(5,419)	
Inc(Dec) in Fixed Assets (C)	(21,501)	(21,501)	-	(26,920)	(5,419)	
TOTAL BUDGET (=B+C)	1,536,658	1,536,658	-	1,464,111	(72,547)	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ (0)	\$ -	\$ (0)	\$ 0	

Administrative Services

Administrative Services Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	9.00	9.00	0.00
Total Direct Expenses	\$5,508,249	\$5,689,616	\$181,367
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Less: Other Funding Sources	\$0	\$0	\$0
Total Allocation to Regional Entity Division Programs as Indirect Expenses	(\$5,101,778)	(\$5,283,757)	(\$181,978)
Total Allocation to Criteria Services Division Programs as Indirect Expenses	(\$406,471)	(\$405,859)	\$612
Funding Requirement for Working Capital	(\$1,115,163)	(\$300,126)	\$815,037

Program Scope and Functional Description

Administrative services support the previously identified five program areas of: reliability standards; compliance monitoring and enforcement and organization registration and certification; training, education, and operator certification; reliability assessment and performance analysis; and situation awareness and infrastructure security. Administrative services consist of: technical committees and members' forums; general and administrative; legal and regulatory; information technology; human resources; and finance and accounting.

Methodology for Allocation of Administrative Services Expenses to Programs

NPCC total overhead expenses, such as office rent and office costs, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Administrative Services

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

Statement of Activities and Capital Expenditures 2013 Budget & Projection, and 2014 Budget						
ADMINISTRATIVE SERVICES						
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ (1,115,163)	\$ (1,115,163)	\$ -	\$ (300,126)	\$ 815,037	
Penalty Sanctions	-	-	-	-	-	
Total ERO Funding	\$ (1,115,163)	\$ (1,115,163)	\$ -	\$ (300,126)	\$ 815,037	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ (1,115,163)	\$ (1,115,163)	\$ -	\$ (300,126)	\$ 815,037	
Expenses						
Personnel Expenses						
Salaries	\$ 1,604,849	\$ 1,604,849	\$ -	\$ 1,676,735	\$ 71,886	
Payroll Taxes	95,230	95,230	-	96,083	853	
Benefits	462,410	462,410	-	442,256	(20,154)	
Retirement Costs	406,249	406,249	-	425,270	19,020	
Total Personnel Expenses	\$ 2,568,739	\$ 2,568,739	\$ -	\$ 2,640,344	\$ 71,605	
Meeting Expenses						
Meetings	\$ 60,000	\$ 60,000	\$ -	\$ 110,000	\$ 50,000	
Travel	105,000	105,000	-	155,000	50,000	
Conference Calls	87,000	87,000	-	77,000	(10,000)	
Total Meeting Expenses	\$ 252,000	\$ 252,000	\$ -	\$ 342,000	\$ 90,000	
Operating Expenses						
Consultants & Contracts	\$ 120,000	\$ 120,000	\$ -	\$ 150,000	\$ 30,000	
Office Rent	706,500	706,500	-	737,272	30,772	
Office Costs	468,500	468,500	-	523,500	55,000	
Professional Services	1,120,000	1,060,000	(60,000)	966,500	(153,500)	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	80,000	80,000	-	80,000	-	
Depreciation	192,510	192,510	-	250,000	57,490	
Total Operating Expenses	\$ 2,687,510	\$ 2,627,510	\$ (60,000)	\$ 2,707,272	\$ 19,762	
Total Direct Expenses	\$ 5,508,249	\$ 5,448,249	\$ (60,000)	\$ 5,689,616	\$ 181,367	
Indirect Expenses	\$ (5,508,249)	\$ (5,508,249)	\$ -	\$ (5,689,616)	\$ (181,367)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ -	\$ (60,000)	\$ (60,000)	\$ -	\$ 102	
Change in Assets	\$ (1,115,163)	\$ (1,055,163)	\$ 60,000	\$ (300,126)	\$ 814,935	
Fixed Assets						
Depreciation	(192,510)	(192,510)	\$ -	(250,000)	\$ (57,490)	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	192,510	192,510	-	250,000	57,490	
Inc(Dec) in Fixed Assets (C)	-	-	-	-	-	
TOTAL BUDGET (=B+C)	-	(60,000)	(60,000)	-	102	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,115,163)	\$ (1,055,163)	\$ 60,000	\$ (300,126)	\$ 814,935	

Technical Committees and Member Forums

Technical Committees and Members Forum Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	0.00
Total Direct Expenses	\$73,531	\$75,711	\$2,180
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	\$0	\$0	\$0

Program Scope and Functional Description

The success of the NPCC programs depends on the active and direct volunteerism and participation of its members. The stakeholders are the source of expertise in the industry. To promote the reliable and efficient operation of the interconnected bulk power systems in Northeastern North America, NPCC invites high level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior executives within NPCC and NERC to identify and discuss emerging issues related to the reliability of the NPCC Region.

2014 Key Assumptions

- NPCC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2014
- NPCC will continue to utilize methods to encourage active involvement in its Regional programs that require less stakeholder travel and face-to-face meetings, as the economy improves in 2014
- NPCC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability

2014 Goals and Key Deliverables

The 2014 NPCC General Meeting provides an opportunity for NPCC Members to meet high level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior NERC and NPCC executives to discuss topics related to the reliable planning and operation of the power system, including consideration of emerging reliability, critical infrastructure and environmental issues.

2014 Public Information Committee Goals and Objectives

The objective of the NPCC Public Information Committee is to highlight and summarize NPCC activities and accomplishments in the past year, disseminate and coordinate the appropriate release of information to the media, respond to related requests for information, and coordinate with related NPCC Area, NERC media and public information activities. Activities anticipated for include, but are not limited to:

- Conducting the Media Event – release of the Summer NPCC Reliability Assessment
- Developing the NPCC Summer and Winter Reliability Outlooks
- Participation in NERC Regional communication initiatives:

- Monthly Regional communications teleconferences
- Development of Compliance background information (FAQ) and sample press releases
- Preparation of NERC Standards background information and outreach to registered entities
- Coordination of Emergency or Blackout communications plans
- Coordination with other NERC activities as required (i.e., situation awareness, event analysis, reliability assessments, etc.)

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

General and Administrative

General and Administrative Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.50	2.50	0.00
Total Direct Expenses	\$3,138,099	\$3,293,356	\$155,258
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	(\$1,115,163)	(\$300,126)	\$815,037

Program Scope and Functional Description

The NPCC general and administrative function provides executive management of the corporation, management of NPCC office, and other administrative support programs.

NPCC total overhead expenses, such as office rent and office costs, will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Funding Requirements — Explanation of Increase (Decrease)

The negative ERO assessment requirement identified equates to the reduction in assessments necessary to achieve the targeted working capital and operating reserve balance.

Funding Sources (Other than ERO Assessments)

- Not applicable

Personnel Expenses

- Benefits are lower than 2013 budget due to reimbursed education courses being completed in 2013.

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.
- In the areas of meetings, travel, consultants & contracts, office rent and office costs, expenses that were budgeted to various other program areas in 2013 are being budgeted to General and Administrative.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Legal and Regulatory

Legal and Regulatory Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	\$677,506	\$621,004	(\$56,502)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	\$0	\$0	\$0

Program Scope and Functional Description

NPCC's professional legal services provide counsel to the President and CEO, Board of Directors, Vice President and COO, Treasurer and staff on legal and regulatory matters including corporate law, code of conduct, confidentiality, governance, employment law and other areas affecting NPCC. Outside counsel reviews items filed with governmental agencies for legal sufficiency; maintains relationships with U.S. and Canadian jurisdictions, and provides contract review.

Funding Sources (Other than ERO Assessments)

- Not applicable

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Information Technology

Information Technology Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Total Direct Expenses	\$987,463	\$1,037,624	\$50,161
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	\$0	\$0	\$0

Program Scope and Functional Description

NPCC's Information Technology services ensure information assets and the environment in which they operate are secure and in conformance to NPCC IT Policies and Procedures. NPCC maintains an offsite backup server for continuity of essential operations in the event that its primary location is unavailable.

2014 Key Assumptions

- Continue to develop and maintain the compliance portal through collaboration with other Regions and NERC (CUG).
- Achieve greater consistency with the other Regions and NERC by participating in the NERC IT Steering Group (ITSG) and deriving the efficiencies and cost savings which may result from the projects of this group.⁵⁹
 - The ERO EMG identifies and prioritizes ERO-wide applications to be developed under a PMO housed at NERC. The NERC IT budget does not supplant the Regional Entities' need for IT expenditures for specific regional projects, but to the extent that agreed-upon ERO Enterprise applications provide greater efficiencies, there should not be any unnecessary, redundant expenditures at the regional level.
- Support the Event Analysis program through continued participation in the tools used for the tracking and analysis of system events.⁶⁰
- Support the Bulk Electric System Exception Process "BEP" to enable and facilitate tracking and processing of exceptions submitted.⁶¹

2014 Goals and Key Deliverables

Responsibilities encompass a variety of complex technical, administrative, and supervisory work in the development, installation, and maintenance of information technology systems. IT goals include, but are not limited to:

⁵⁹ ERO Goal 7.b. Develop test and deploy ERO enterprise applications, platform and database

⁶⁰ ERO Goal 6.b. Evaluate event disturbances using phasor measurements and other methods to assess sufficiency of data and models;

ERO Goal 4.b. Provide lessons learned and recommendations from events and identified risks;

ERO Goal 4.b. Merge event driven databases and cause codes into one (e.g., event analysis, TADS, GADS, relay mis-operations)

⁶¹ ERO Goal 2.a. Develop and implement BES exception process.

- Create an information security program and environment aimed at reducing breach of security risks
- Determine long-term software and systems needs and hardware acquisitions
- Develop and implement information security standards and procedures
- Ensure all information systems are functional and secure, and that all applications running on those systems meet business requirements for performance, availability, and security
- Plan and implement organization-wide information systems, services, and network facilities, including local area networks, wide-area networks, and peripheral systems
- Provide outreach and education to NPCC members in IT best practices
- Coordinate Cyber Protection activities, discussions and hold workshops as may be required to maintain Cyber Security of BES Cyber Assets.⁶²
- Provide continued support and participation in NERC's Critical Infrastructure Protection Committee (CIPC)⁶³
- Continually improve Disaster Recovery policies and practices to ensure continuity of service

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

⁶² ERO Goal 1. b. Facilitate smooth transition of new standards (e.g., CIP Version 5); and ERO Goal 3.a. Initiate compliance phase-in learning periods for new standards

⁶³ ERO Goal 5.a. Manage risk control initiatives to be completed by ERO and coordinate other initiatives with industry (e.g., relay misoperations, situational awareness, human error, cyber attack)

Human Resources

Human Resources Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	\$174,401	\$178,931	\$4,530
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	\$0	\$0	\$0

Program Scope and Functional Description

NPCC has assembled an exceptional team of highly qualified employees to carry out the activities of NPCC. The human resources function, in adherence with applicable federal and state laws, designs, plans, and implements human resources policies and procedures, including staffing, compensation, benefits, employee relations, and training and development.

Funding Sources (Other than ERO Assessments)

- Not applicable

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Accounting and Finance

Accounting and Finance Program Resources			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	\$457,249	\$482,991	\$25,741
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	\$0	\$0	\$0

Program Scope and Functional Description

The accounting and finance function directs the overall financial plans and accounting practices of the organization; oversees treasury, accounting, budget, tax, and audit activities; and oversees financial and accounting system controls and standards. NPCC uses a CPA firm to prepare its unaudited statements of activities and financial statements for quarterly reviews. Independent audits have identified this system as a best practice.

2014 Goals and Key Deliverables

The objectives are to provide or obtain the financial and accounting services for NPCC and coordinate with NERC requirements:

- Utilize the NERC System of Accounts for consistency
- Utilize an accrual method of accounting for consistency with NERC in methodology
- Cash Management
- Budget Development using the NERC budget template formats
- Forecasts and Projections
- Alignment of NPCC Committees, Task Forces and Working Groups with the programs
- Payroll and expense administration
- Preparation of unaudited Quarterly Financial Statements
- IRS Reporting
- Annual Independent Audit initiated by the Regional Entity

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- Not applicable

Operating Expenses and Indirect Expenses

- NPCC total overhead expenses, such as office rent and office costs will be charged to the Administrative Services Programs and then reallocated proportionately based on FTE to the programs through Indirect Expenses.

Other Non-Operating Expenses

- None

Fixed Asset Additions

- None

Regional Entity Assessment Analysis

In the area of assessments there are distinct funding mechanisms as outlined in the following table. For the Regional Entity division, the North American Electric Reliability Corporation (NERC) will assess load serving entities (LSEs) or their designees (within NPCC the designees are the Balancing Authority Areas (BAAs) for New York, New England, New Brunswick, Nova Scotia, Ontario and Québec) based upon 2012 proportional Net Energy for Load (NEL) and other specific program area funding arrangements and make quarterly remittances to the Regional Entity on or about the 15th day of January, April, July and October. For funding associated with the criteria services division, the Independent System Operators/Balancing Authority Areas (ISO/BAAs) will be assessed by NPCC for their proportional share of the divisional budget based upon 2012 NEL within the Region. Non ISO/BAA Full Members will be assessed no membership fee.

NPCC Cost Allocation Methodology

The accompanying table provides information regarding cost allocation for both the Regional Entity division and the criteria services division of NPCC, including the details associated with the funding of the Compliance Program within the RE division. For purposes of determining assessments to support NPCC's resource requirements, costs are allocated among the BAAs within NPCC as the designees for the load-serving-entities in New York, New England, Ontario, Québec, New Brunswick and Nova Scotia (Column A-1).

In order to reflect and respect the international membership and nature of NPCC, the compliance responsibilities and authorities within the U.S., and the specific compliance responsibilities within each of the Canadian provinces within NPCC, the attendant costs of portions of the compliance program differ among the areas within the Regional Entity. Within the U.S. portion of NPCC all costs attributable to delegated (statutory) functions performed by NPCC, including all compliance functions, are assessed based on 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 compliance costs on a fair and equitable basis within the Regional Entity.

As an initial step of that methodology, the NEL for each of the BAAs and their relative percentage to the NPCC total NEL is calculated for the most recent year for which data is available, the second previous year (Columns B-1 and C-1, respectively). In order to establish the RE division funding requirements for each balancing authority area on a NEL basis for all programs except for compliance (Column F-1), the proposed expenses and fixed assets of all other programs are calculated (Column D-1) and the adjustment for the RE division cash reserve requirement is identified (Column E-1). Any penalty monies received from NPCC registered entities within the U.S. prior to June 30th of the year preceding the business plan and budget year are then allocated among the NPCC program areas based on their FTE ratio and between the U.S. BAAs based on their relative NELs (Columns B-1a., C-1a. and G-1, respectively). Consistent with each of the Canadian provincial MOUs and agreements, all penalty monies resulting from compliance actions within Canada, if any, would remain within the applicable province. The total budgeted fees for NPCC workshop participation are indicated as a credit

(Column H-1), with the resultant addition being the RE division assessment, without the compliance program costs, calculated on a NEL basis (Column I-1).

In accordance with the *NPCC Amended and Restated Bylaws* the CS division proposed expenses and fixed assets of all programs are calculated (Column J-1) and the adjustment for the CS division cash reserve requirement is identified (Column K-1), with the resultant addition being the CS division funding requirement and assessment, calculated on a NEL basis (Column L-1).

For costs associated with the RE division compliance program, NPCC's allocation methodology allocates 40% of the direct and indirect costs for the program, excluding the costs for a U.S.-only compliance staff position, between the BAAs in the United States and Canada on a NEL basis (Column B-2). The complete direct and indirect costs, including travel and meeting expenses, for a RE division compliance staff position to address issues applicable only within the United States would be identified on a NEL basis (Column C-2)); however, there are no such identified issues projected for 2014.

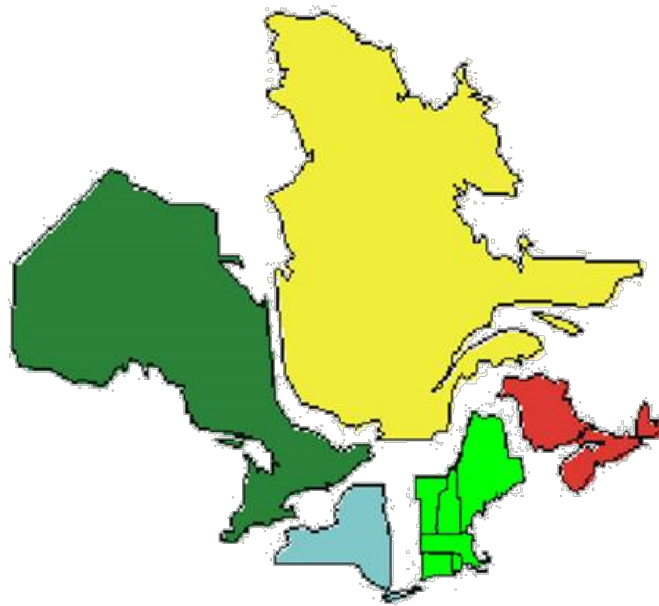
The remaining 60% of the costs of the compliance program are apportioned between U.S. and Canadian BAAs in NPCC, and among the Canadian provinces, using an audit-based methodology (Columns D-2a., D-2c., and E-2b., respectively). The audit-based methodology incorporates relative costs based on categories of compliance audits which are reflective of their size and complexity, as well as the differing compliance program implementation models that are utilized in NPCC due to the international nature of the Regional Entity. As an example, the provincial governments of both Ontario and New Brunswick have designated independent entities within their provinces, the IESO and the NBSO respectively, to perform compliance and enforcement activities on their internal market participants, which therefore exclude those provinces from assessment of the remaining 60% of NPCC's compliance costs. The portion of the remaining 60% allocated to the U.S. portion of NPCC is calculated using the audit-based methodology, and this amount is then re-allocated between the New York and New England BAAs based on their relative NEL (Columns D-2b. and E-2a.).

Any penalty monies received from NPCC registered entities within the U.S. by June 30th of the year preceding the business plan and budget year are then allocated among the NPCC program areas based on their FTE ratio and between the U.S. BAAs based on their relative NELs, and then added to the total compliance program expenses and fixed assets to yield a total compliance program assessment (Columns C-1a., G-2, F-2 and H-2, respectively).

Column _ reflects a one-time adjustment of 2012 and 2013 assessments. The 2012 and 2013 assessments were calculated based upon estimated 2010 and 2011 NEL data for the NPCC Region available at the time that the respective business plans and budgets were completed. Based on final actual NEL data that is now available for 2010 and 2011, NPCC is adjusting the Northeast Region Balancing Authorities' 2014 assessments by the respective net amount over or under paid.

Finally, the total RE division funding requirements and assessments by BAA are tabulated and the total funding requirements and assessments for NPCC, both the RE and CS divisions, are combined (Columns I-2 and J-2, and K-2 and L-2, respectively).

Section B – Supplemental Financial Information 2014 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1 – Reserve Balance

Working Capital and Operating Reserve Analysis 2013-2014			
REGIONAL ENTITY DIVISION			
	Total Reserve	Working Capital	Operating Reserve
Beginning Working Capital, December 31, 2012	3,675,528	3,675,528	0
Plus: 2013 ERO Funding (from LSEs or designees)	12,352,264	12,352,264	0
Plus: 2013 Other funding sources	411,800	411,800	0
Less: 2013 Projected expenses & capital expenditures	(13,784,726)	(13,784,726)	0
Projected Working Capital, December 31, 2013	2,654,866	2,654,866	0
Desired Working Capital and Operating Reserve, December 31, 2014 ¹	2,354,740	1,177,370	1,177,370
16.66% of Total Regional Entity Budget of \$14,129,006.00			
Less: Projected Working Capital and Operating Reserve, December 31, 2013	(2,654,866)	(1,477,496)	(1,177,370)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(300,126)	(300,126)	0
2014 Expenses and Capital Expenditures	14,129,006		
Less: Penalty Sanctions ²	(153,000)		
Less: Other Funding Sources	(64,000)		
Adjustment to achieve desired Working Capital and Operating Reserve balance	(300,126)		
2014 Assessment	13,611,880		

¹ On October 1, 2012 NPCC's Finance and Audit Committee approved management's proposed Working Capital and Operating Reserve Policy which reduced the required level of total reserves to 16.66% (from 20%) and segregated funds into Working Capital and Operating Reserves, each with a desired level of 8.33% or 1 month of the annual budget of \$14,129,006

² Represents collections prior to June 30, 2013

Explanation of Changes in Reserve Policy from Prior Year

On October 1, 2012 NPCC's Finance and Audit Committee approved management's proposed Working Capital and Operating Reserve Policy. The policy calls for a reduction in the required level of total reserves from 20% to 16.66% (representing two months of the annual budget) and segregation of funds into separate Working Capital and Operating Reserves, each with a targeted level of 8.33% (one month) of the annual budget.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Regional Entity division Statement of Activities on page 12 of the 2014 Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

U.S. penalty monies received prior to June 30, 2013 are to be used to offset assessments in the 2014 Budget, as documented in the NERC Policy – Accounting, Financial Statement, and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standard. Penalty monies received from July 1, 2013 through June 30, 2014 will be used to offset U.S. load serving entity designee assessments in the 2015 Budget.

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

Allocation Method: U.S. penalty sanctions received have been allocated to the following Regional Entity division programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. U.S. penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

Table B-2 – Penalty Sanctions

Penalty Sanctions Received Prior to June 30, 2013	Date Received	Amount Received
Penalty Payment 1	7/3/2012	\$ 8,000.00
Penalty Payment 2	7/18/2012	\$ 25,000.00
Penalty Payment 3	10/2/2012	\$ 15,000.00
Penalty Payment 4	1/3/2013	\$ 30,000.00
Penalty Payment 5	1/17/2013	\$ 40,000.00
Penalty Payment 6	5/30/2013	\$ 6,000.00
Penalty Payment 7	5/30/2013	\$ 5,000.00
Penalty Payment 8	5/30/2013	\$ 6,000.00
Penalty Payment 9	5/30/2013	\$ 6,000.00
Penalty Payment 10	5/30/2013	\$ 6,000.00
Penalty Payment 11	5/30/2013	\$ 6,000.00
Total Penalties Received		\$ 153,000.00

Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Miscellaneous - WECC CEA	\$ 34,500	\$ 34,500	-	\$ (34,500)
Total	\$ 34,500	\$ 34,500	\$ -	\$ (34,500)
Reliability Assessment and Performance Analysis				
	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	\$ 80,000	\$ 80,000	\$ 64,000	\$ (16,000)
Total	\$ 80,000	\$ 80,000	\$ 64,000	\$ (16,000)
Situation Awareness and Infrastructure Security				
	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Technical Committees and Member Forums				
	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Administrative Services Programs				
	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ 114,500	\$ 114,500	\$ 64,000	\$ (50,500)

Explanation of Significant Variances –2014 Budget versus 2013 Budget

- WECC CEA Funding is not included in 2014 as NPCC will no longer be performing the CEA responsibilities for the WECC Registered Functions, based on the proposed WECC restructuring to be effective, if approved by FERC, January 1, 2014. Workshop fees are based on projected number of attendees and fee per person for two workshops.
- NPCC assumed no interest income because of continuing low market interest rates.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Salaries					
Salary	\$ 5,652,141	\$ 5,652,141	\$ 5,886,227	\$ 234,086	4.1%
Employment Agency Fees	\$ 20,000	\$ 20,000	\$ 15,000	\$ (5,000)	-25.0%
Temporary Office Services	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.0%
Total Salaries	\$ 5,682,141	\$ 5,682,141	\$ 5,911,227	\$ 229,086	4.0%
Total Payroll Taxes	\$ 377,689	\$ 377,689	\$ 384,311	\$ 6,622	1.8%
Benefits					
Education Reimbursement	\$ 70,000	\$ 70,000	\$ -	\$ (70,000)	-100.0%
Training and Seminars	\$ -	\$ -	\$ 36,123	\$ 36,123	-
Medical Insurance	\$ 787,727	\$ 787,727	\$ 915,306	\$ 127,579	16.2%
Life-LTD-STD Insurance	\$ 62,524	\$ 62,524	\$ 63,552	\$ 1,028	1.6%
Worker's Compensation	\$ 15,000	\$ 15,000	\$ 14,700	\$ (300)	-2.0%
Vacation	\$ 396,051	\$ 396,051	\$ 400,580	\$ 4,529	1.1%
Relocation	\$ -	\$ -	\$ -	\$ -	-
Total Benefits	\$ 1,331,302	\$ 1,331,302	\$ 1,430,261	\$ 98,959	7.4%
Retirement					
Pension Contribution	\$ 590,911	\$ 590,911	\$ 590,892	\$ (20)	0.0%
Employee Savings Plan	\$ 446,653	\$ 446,653	\$ 478,469	\$ 31,816	7.1%
Savings Admin	\$ 32,000	\$ 32,000	\$ 32,000	\$ -	0.0%
Deferred Compensation	\$ 23,000	\$ 23,000	\$ 23,000	\$ -	0.0%
Total Retirement	\$ 1,092,565	\$ 1,092,565	\$ 1,124,361	\$ 31,796	2.9%
Total Personnel Costs	\$ 8,483,697	\$ 8,483,697	\$ 8,850,160	\$ 366,463	4.3%
FTEs	35.86	35.86	36.86	1.00	2.8%
Cost per FTE					
Salaries	\$ 158,453	\$ 158,453	\$ 160,370	\$ 1,916	1.2%
Payroll Taxes	\$ 10,532	\$ 10,532	\$ 10,426	\$ (106)	-1.0%
Benefits	\$ 37,125	\$ 37,125	\$ 38,803	\$ 1,678	4.5%
Retirement	\$ 30,468	\$ 30,468	\$ 30,504	\$ 36	0.1%
Total Cost per FTE	\$ 236,578	\$ 236,578	\$ 240,102	\$ 3,524	1.5%

Explanation of Significant Variances –2014 Budget versus 2013 Budget

- The increases in Salaries, Payroll Taxes, all insurances except Medical, and Employee Savings Plan are due primarily to an overall general wage increase of 3% and at risk (variable incentives) compensation at less than 100% of program levels.
- The decrease in Employment Agency Fee is due to no planned staff additions in 2014. Agencies would be used only to fill positions vacated during the year.
- Medical Insurance premium increase is based on discussions with providers. The full impacts of the Affordable Care Act are uncertain at this time.
- Expenses previously budgeted and recorded to Education Reimbursement are now recorded under Training and Seminars.
- A 2% vacancy factor is assumed based on historical vacancy trends.

Table B-5 – Consultants and Contracts

Consultants	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Compliance Enforcement and Organization Registration and Certification	\$ 20,000	\$ 20,000	\$ 10,000	\$ (10,000)	-50.0%
Reliability Assessment and Performance Analysis	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)	-100.0%
Training and Education	\$ -	\$ -	\$ -	\$ -	-
Situation Awareness and Infrastructure Security	\$ 60,000	\$ 60,000	\$ -	\$ (60,000)	-100.0%
Member Forums	\$ -	\$ -	\$ -	\$ -	-
General and Administrative	\$ 30,000	\$ 30,000	\$ 50,000	\$ 20,000	66.7%
Legal and Regulatory	\$ -	\$ -	\$ -	\$ -	-
Information Technology	\$ -	\$ -	\$ -	\$ -	-
Human Resources	\$ -	\$ -	\$ -	\$ -	-
Accounting and Finance	\$ -	\$ -	\$ -	\$ -	-
Consultants Total	\$ 120,000	\$ 120,000	\$ 60,000	\$ (60,000)	-50.0%
Contracts	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Reliability Standards	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	0.0%
Compliance Enforcement and Organization Registration and Certification	\$ 1,558,000	\$ 1,558,000	\$ 1,384,433	\$ (173,567)	-11.1%
Reliability Assessment and Performance Analysis	\$ 275,000	\$ 275,000	\$ 275,000	\$ -	0.0%
Training and Education	\$ -	\$ -	\$ -	\$ -	-
Situation Awareness and Infrastructure Security	\$ 40,000	\$ 40,000	\$ 75,000	\$ 35,000	87.5%
Member Forums	\$ -	\$ -	\$ -	\$ -	-
General and Administrative	\$ 86,000	\$ 86,000	\$ 90,000	\$ 4,000	4.7%
Legal and Regulatory	\$ -	\$ -	\$ -	\$ -	-
Information Technology	\$ -	\$ -	\$ -	\$ -	-
Human Resources	\$ -	\$ -	\$ -	\$ -	-
Accounting and Finance	\$ 4,000	\$ 4,000	\$ 10,000	\$ 6,000	150.0%
Contracts Total	\$ 1,993,000	\$ 1,992,999	\$ 1,864,433	\$ (128,567)	-6.5%
Total Consultants and Contracts	\$ 2,113,000	\$ 2,112,999	\$ 1,924,433	\$ (188,567)	-8.9%

Explanation of Significant Variances –2014 Budget versus 2013 Budget

- Several contracts were previously budgeted under consultants but will be budgeted and recorded under contracts going forward.

Table B-6 – Office Rent

Office Rent	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 635,000	\$ 635,000	\$ 654,772	\$ 19,772	3.1%
Utilities	\$ 29,000	\$ 29,000	\$ 35,000	\$ 6,000	20.7%
Maintenance	\$ 20,000	\$ 20,000	\$ 15,000	\$ (5,000)	-25.0%
Security	\$ 2,500	\$ 2,500	\$ 2,500	\$ -	0.0%
Real Estate Taxes	\$ 20,000	\$ 20,000	\$ 30,000	\$ 10,000	50.0%
Total Office Rent	\$ 706,501	\$ 706,501	\$ 737,273	\$ 30,772	4.4%

Explanation of Significant Variances –2014 Budget versus 2013 Budget

Table B-7 – Office Costs

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Telephone	\$ 95,000	\$ 95,000	\$ 110,000	\$ 15,000	15.8%
Internet Expense	\$ 80,000	\$ 80,000	\$ 80,000	\$ -	0.0%
Office Supplies	\$ 30,000	\$ 30,000	\$ 35,000	\$ 5,000	16.7%
Computer Supplies and Maintenance	\$ 175,000	\$ 175,000	\$ 213,000	\$ 38,000	21.7%
Subscriptions & Publications	\$ 9,000	\$ 9,000	\$ 13,000	\$ 4,000	44.4%
Dues	\$ 3,000	\$ 3,000	\$ 4,000	\$ 1,000	33.3%
Postage	\$ 1,500	\$ 1,500	\$ 1,500	\$ -	0.0%
Express Shipping	\$ 9,000	\$ 9,000	\$ 10,000	\$ 1,000	11.1%
Copying	\$ 20,000	\$ 20,000	\$ 25,000	\$ 5,000	25.0%
Reports	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)	-100.0%
Stationary and Office Forms	\$ 6,000	\$ 6,000	\$ 5,000	\$ (1,000)	-16.7%
Equipment Repair/Service Contracts	\$ 5,000	\$ 5,000	\$ 10,000	\$ 5,000	100.0%
Bank Charges	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	0.0%
Sales and Use Tax	\$ -	\$ -	\$ -	\$ -	-
Merchant Credit Card Fees	\$ -	\$ -	\$ -	\$ -	-
Presentation and Publicity	\$ -	\$ -	\$ -	\$ -	-
Total Office Costs	\$ 468,500	\$ 468,499	\$ 536,500	\$ 68,000	14.5%

Explanation of Significant Variances –2014 Budget versus 2013 Budget

- Computer Supplies and Maintenance expense is based on contracts currently in place and historical actual expense.

Table B-8 - Professional Services

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
BOT Fee	\$ 300,000	\$ 300,000	\$ 280,000	\$ (20,000)	-6.7%
BOT Search Fee	\$ -	\$ -	\$ -	\$ -	-
Legal - Reorganization	\$ -	\$ -	\$ -	\$ -	-
Accounting & Auditing Fees	\$ 290,000	\$ 290,000	\$ 300,000	\$ 10,000	3.4%
Legal Fees - Other	\$ 500,000	\$ 500,000	\$ 350,000	\$ (150,000)	-30.0%
Insurance - Commercial	\$ 30,000	\$ 30,000	\$ 36,500	\$ 6,500	21.7%
Total Services	\$ 1,120,000	\$ 1,120,001	\$ 966,500	\$ (153,500)	-13.7%

Explanation of Significant Variances –2014 Budget versus 2013 Budget

- Decrease in BOT Fees is due to new BOT Travel account added in 2013. BOT travel was previously recorded under BOT Fees account. The BOT Travel account is grouped with Meetings and Travel expenses.
- Decrease in Legal Fees is associated with the retention of in-house counsel in 2012.

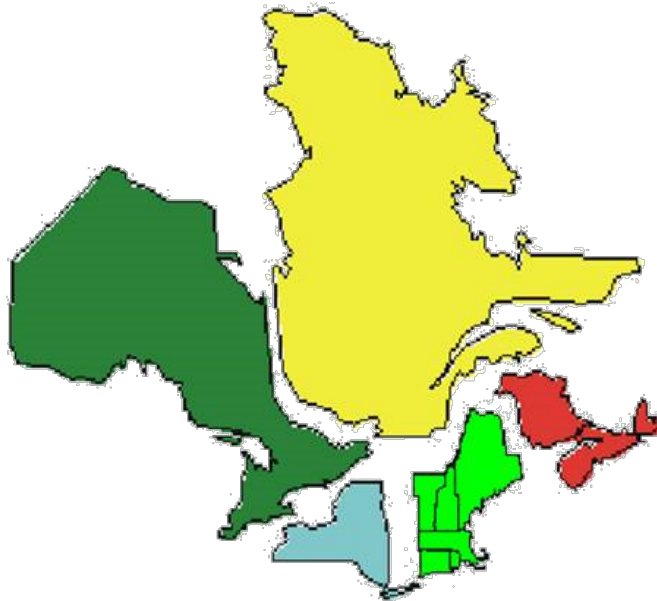
Table B-9 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Office Relocation	\$ -	\$ -	\$ -	\$ -	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Table B-10 – 2015 and 2016 Projections

Statement of Activities and Capital Expenditures 2014 Budget & Projected 2015 and 2016 Budgets							
	2014 Budget	2015 Projection	\$ Change 14 v 15	% Change 14 v 15	2016 Projection	\$ Change 15 v 16	% Change 15 v 16
Funding							
ERO Funding							
ERO Assessments	\$ 13,611,880	\$ 14,556,831	\$ 944,951	6.9%	\$ 14,995,149	\$ 438,318	2.9%
Penalty Sanctions	153,000	-	(153,000)	-100.0%	-	-	-
Total ERO Funding	\$ 13,764,880	\$ 14,556,831	\$ 791,951	5.8%	\$ 14,995,149	\$ 438,318	2.9%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	64,000	64,000	-	0.0%	64,000	-	0.0%
Interest	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 13,828,880	\$ 14,620,831	\$ 791,951	5.7%	\$ 15,059,149	\$ 438,318	3.0%
Expenses							
Personnel Expenses							
Salaries	\$ 5,911,227	\$ 6,088,564	\$ 177,337	3.0%	\$ 6,271,221	\$ 182,657	3.0%
Payroll Taxes	384,311	395,841	11,529	3.0%	407,716	11,875	3.0%
Benefits	1,430,261	1,516,076	85,816	6.0%	1,607,041	90,965	6.0%
Retirement Costs	1,124,361	1,158,092	33,731	3.0%	1,192,835	34,743	3.0%
Total Personnel Expenses	\$ 8,850,160	\$ 9,158,573	\$ 308,413	3.5%	\$ 9,478,812	\$ 320,239	3.5%
Meeting Expenses							
Meetings	\$ 365,000	\$ 372,300	\$ 7,300	2.0%	\$ 379,746	\$ 7,446	2.0%
Travel	890,000	907,800	17,800	2.0%	925,956	18,156	2.0%
Conference Calls	77,000	78,540	1,540	2.0%	80,111	1,571	2.0%
Total Meeting Expenses	\$ 1,332,000	\$ 1,358,640	\$ 26,640	2.0%	\$ 1,385,813	\$ 27,173	2.0%
Operating Expenses							
Consultants & Contracts	\$ 1,924,433	\$ 1,962,922	\$ 38,489	2.0%	\$ 2,002,180	\$ 39,258	2.0%
Office Rent	737,272	759,390	22,118	3.0%	782,172	22,782	3.0%
Office Costs	536,500	552,595	16,095	3.0%	569,173	16,578	3.0%
Professional Services	966,500	985,830	19,330	2.0%	1,005,547	19,717	2.0%
Miscellaneous	80,000	81,600	1,600	2.0%	83,232	1,632	2.0%
Depreciation	250,000	252,500	2,500	1.0%	255,025	2,525	1.0%
Total Operating Expenses	\$ 4,494,705	\$ 4,594,837	\$ 100,132	2.2%	\$ 4,697,328	\$ 102,492	2.2%
Total Direct Expenses	\$ 14,676,865	\$ 15,112,050	\$ 435,184	3.0%	\$ 15,561,954	\$ 449,904	3.0%
Indirect Expenses	\$ (405,859)	\$ (418,035)	\$ (12,176)	3.0%	\$ (430,576)	\$ (12,541)	3.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses (B)	\$ 14,271,006	\$ 14,694,015	\$ 423,009	3.0%	\$ 15,131,377	\$ 437,363	3.0%
Change in Assets	\$ (442,126)	\$ (73,183)	\$ 368,943	-83.4%	\$ (72,228)	\$ 955	-1.3%
Fixed Assets							
Depreciation	\$ (250,000)	\$ (252,500)	\$ (2,500)	1.0%	\$ (255,025)	\$ (2,525)	1.0%
Computer & Software CapEx	108,000	109,080	1,080	1.0%	110,171	1,091	1.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
(Incr)Dec in Fixed Assets (C)	\$ (142,000)	\$ (143,420)	\$ (1,420)	1.0%	\$ (144,854)	\$ (1,434)	1.0%
TOTAL BUDGET (=B+C)	\$ 14,129,006	\$ 14,550,595	\$ 421,589	3.0%	\$ 14,986,523	\$ 435,929	3.0%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (300,126)	\$ 70,237	\$ 370,363	-123.4%	\$ 72,626	\$ 2,389	3.4%
FTEs	36.86	36.86	0	0.0%	36.86	0.00	0.0%

Section C – Criteria Services Division Activities 2014 Business Plan and Budget



Section C —2014 Criteria Services Division Business Plan and Budget

Criteria Services Division			
(in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	2.14	2.14	0.00
Total Direct Expenses	\$630,191	\$683,240	\$53,050
Total Indirect Expenses	\$406,471	\$405,859	(\$612)
Other Non-Operating Expenses	\$0	\$0	\$0
Working Capital Reserve Requirement	\$117,518	(\$75,391)	(\$192,910)
Inc(Dec) in Fixed Assets	(\$14,490)	(\$24,000)	(\$9,510)
Funding Requirement for Working Capital	\$1,139,690	\$989,708	(\$149,982)

NPCC Regionally-Specific Criteria Services Background

NPCC Criteria Services division activities are in the development, maintenance and promulgation of Regionally-specific more stringent criteria as well as criteria establishing resource adequacy requirements within the Region. These criteria contain requirements which are more stringent and more specific than the existing NERC Reliability Standards requirements.

Membership and Governance

Full members are subject to compliance with Regionally-specific criteria, in addition to continent-wide Reliability Standards, and receive criteria-related services from the Criteria Services division.

Full Members, other than Full Members that perform the Balancing Authority function, are not assessed an annual membership fee. Those that perform Balancing Authority functions are assessed and remit a proportional net energy for load share of expenses for criteria services. NPCC would also directly assign criteria service division costs to a Balancing Authority Area or entity, where significant costs are incurred for that Balancing Authority Area. The funding for NPCC's Criteria Services division is approved by the NPCC Board of Directors.

Criteria Services Division Functional Scope

Through its Criteria Services division, NPCC promotes the reliable and efficient operation of the international, interconnected bulk power systems in Northeastern North America through the establishment of Regionally-specific criteria, and monitoring and enforcement of compliance with such criteria.

NPCC provides Full Members with Regional reliability assurance services, and acts as the vehicle through which States and Provinces can fulfill their political mandates, with respect to resource adequacy, as well as overseeing the Northeastern North American electric infrastructure.

Major 2014 Assumptions and Cost Impacts

The Criteria Services division services are not expected to grow when compared to the Regional Entity division.

- The Criteria Compliance Enforcement Program (CCEP) review and evaluation process has matured and been enhanced after its inception in 2012. Criteria Compliance submittals to the CC are done as necessary.
- Past non-compliances, if any, followed the due process stated in the CCEP-1 process document and proper resolution/enforcement action taken.

2014 Primary Goals and Objectives

- Review, maintain, and revise the NPCC Regional Reliability Directories to facilitate compliance assessments and ensure the Criteria portions of the Directories are “not inconsistent” with nor duplicate with the approved and effective NERC Standards.
- The criteria services division and CCEP Working Group (reporting to the Compliance Committee) will work with the various Task Forces to develop Criteria Compliance Reporting Forms for additional NPCC Directories to ensure that the more stringent or Regionally-specific criteria is being met.
- The criteria services division and CCEP working group will work with TFCO, TFCP, TFSS, and TFSP to review criteria and measures within each specific NPCC Directory to identify and develop them into specific reporting forms for approval.
- Review impact of Bulk Electric System definition on Directory and Criteria content and compliance reporting.
- Review impact of Sector or NPCC organizational changes on the Directory and Criteria review, enforcement and arbitration processes
- Assist Legal with preparation of revised Directories for Regulatory filings with the individual Provinces in accordance with their respective Memorandum of Understandings (MOUs)

NPCC Reliability Directory Maintenance and Development

The NPCC Regional Reliability Directories were developed to demonstrate that the NPCC more stringent criteria are not inconsistent with the NERC Reliability Standards as mandated by the NERC Rules of Procedure. The Directory project was also undertaken to remove any redundancies with the NERC Reliability Standards and to clearly delineate the more stringent NPCC criteria requirements. In 2013 the directories were further reviewed and revised to move the criteria language into a “requirement type” format. This further revision facilitates the NPCC Region’s CCEP and ensures the continued delineation of the more stringent and more specific Regional criteria from the latest approved and effective set of NERC ERO standards.

In 2014, work will proceed with maintenance and revision of the Directories to address any future redundancies with NERC or NPCC Reliability Standards as well as the continued need for additional more stringent or specific NPCC Regional criteria requirements as new NERC Reliability Standards are developed and existing standards are revised.

The following Directories will either be under revision or reviewed for further development based on a schedule set forth in the NPCC Reliability Assessment Program:

Operations and Planning Directories

Directory #1, Basic Criteria for Design and Operation of Interconnected Power Systems

This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with all the existing NERC TPL, BAL, IRO, INT, MOD, TOP, PRC and VAR standards. The NPCC Task Force on Coordination of Planning will lead a multi-disciplinary working group, consisting of operations and planning subject matter experts to review and revise this directory to reflect the FERC ruling on TPL and other TOP changes.

Directory #2, Emergency Operations

This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with all the existing NERC EOP and TOP standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 3, Maintenance Requirements for BPS Protection

This Directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain applicable NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision.

Directory # 4, BPS Protection

This Directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain applicable NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision.

Directory # 5, Operating Reserve Requirements

This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with all the existing applicable NERC BAL, INT, and IRO standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 7, Special Protection Systems

This Directory documents NPCC's Regionally-specific, more stringent criteria for application and approval of SPS. The NPCC Task Force on System Protection will lead this review and revision.

Directory # 8 System Restoration

This Directory documents NPCC's Regionally-specific, more stringent criteria with which each applicable entity must plan for and perform power system restoration following a major or a total blackout, and demonstrates coordination and consistency with applicable NERC EOP standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 9, Verification of Generator Gross and Net Reactive Power Capability

This Directory documents NPCC's Regionally-specific, more stringent criteria for verifying the Gross Reactive Power Capability and Net Reactive Power Capability of generators or generating facilities. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 11, *Disturbance Monitoring*, This directory documents NPCC's Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain existing

NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision until such time as the NPCC PRC-002-01 Disturbance Monitoring Regional Standard is adopted by FERC and the applicable governmental authorities.

Directory # 12, *UFLS Program*, This directory documents NPCC’s Regionally-specific, more stringent criteria, and demonstrates coordination and consistency with certain existing NERC and NPCC developing PRC standard(s). The NPCC Task Force on System Studies will lead this review and revision until such time as the NPCC PRC-006-01 UFLS Regional Standard is approved by the NPCC membership, NERC BOT, the FERC and all the applicable governmental authorities in the Provinces of Canada within NPCC’s footprint.

NPCC Criteria Compliance Background

The NPCC criteria services division promotes the reliable operation of the bulk power system through implementation of a comprehensive compliance program. The compliance program that includes monitoring, assessing and enforcing compliance with more stringent, Regionally specific NPCC Criteria requirements, is known as the NPCC Criteria Compliance and Enforcement Program (CCEP) described in process document CCEP-1. This program was developed by the criteria services division and the CCEP Working Group under the purview of the NPCC Compliance Committee. The products of this program support the various Task Forces in their assessments of the NPCC Directories in meeting their goals for the Reliability Coordinating Committee as stated in Section A of this Business Plan.

The more stringent, Regionally specific NPCC Criteria requirements reflect the unique operational and planning aspects of the bulk power system within the NPCC Region and are included in the NPCC “A” documents and their successors, the NPCC Directories.

NPCC issues non-monetary sanctions to enforce compliance with NPCC Criteria.

- The CCEP program is described in document CCEP-1, *NPCC Criteria Compliance and Enforcement Program (CCEP) Process Document*
- The implementation plan is described in document CCEP-2, *Implementation Plan for 2011 NPCC Criteria Compliance and Enforcement Program*
- On April 5, 2011, the above became effective upon Full Member approval of CCEP-1, and CCEP-2 and retired the following
 - NPCC Criteria A-8, Reliability Compliance and Enforcement Program (RCEP)
 - NPCC Guide B-22, Guidelines for Implementation of the NPCC Inc. Compliance Program
 - NPCC Procedure C-32, Review Process for NPCC Reliability Compliance Enforcement Program
 - Each of the above have been annotated as “retired effective 4/5/11 upon Full Member approval of CCEP-1... and CCEP-2...” on the NPCC public website

The CCEP-1 document

- recognizes the applicability of NPCC’s Regionally-specific, more stringent reliability criteria to the Full Members of NPCC, consistent with the *Amended and Restated ByLaws*, and respects the provisions of the several Canadian Memoranda of Understanding in the execution of the processes described

- provides a comprehensive CCEP Process Diagram showing the process of evaluating and approving Criteria Certification submittals, and additional processes and responsibilities in the event that non-compliances, disputes and sanctions arise
- describes the roles and responsibilities of Reporting Members, CC, RCC and Enforcement Panel in the compliance review and enforcement process
- describes Levels of Non-Compliance, associated non-monetary Sanctions, Lateness Policy and the Arbitration/Dispute Resolution process
- addresses Mitigation Plans for any violations under the enforcement process; and
- lists the mandatory Certification Forms to be submitted for review by the Task Forces to ensure compliance with NPCC Directories are being met

The CCEP currently requires annual submittal of Certification Forms by the Reliability Coordinators and Balancing Authorities to confirm compliance with various NPCC Directories. Currently the required Certification forms are for Directory #1- *Area Transmission Review*, Directory #8 - *Key Facility List*, Directory #9 – *Generator Real Power Verification*, Directory #10 - *Verification of Generator Gross and Net Reactive Power Capability*, and Directory #12 - *UFLS Program Requirements*. In 2014 NPCC anticipates expansion of the CCEP to include compliance assessment activities to all active Directories.

The CCEP identifies those specific NPCC Directories that are subject to monitoring, assessment and enforcement. These Directories also are subject to NPCC Criteria Compliance Audits.

The NPCC Compliance Committee (CC) has final approval of compliance assessments related to CCEP. The CCEP describes the roles and responsibilities of committees and panels used to resolve contested compliance and/or sanction or penalty determinations related to NPCC Directories.

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- The decrease in Membership Dues is primarily the result of the Working Capital and Operating Reserve adjustment of (\$75,391) to maintain the required total reserve level.

2013 Budget and Projection and 2014 Budget Comparisons

Statement of Activities						
2013 Budget & Projection, and 2014 Budget						
CRITERIA SERVICES DIVISION						
				Variance		Variance
	2013	2013	2013 Projection	v 2013 Budget	2014	2014 Budget
	Budget	Projection	v 2013 Budget	Over(Under)	Budget	v 2013 Budget
				Over(Under)		Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-	-
Total ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	1,139,690	1,139,690	-	-	989,708	(149,982)
Testing Fees	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Funding (A)	\$ 1,139,690	\$ 1,139,690	\$ -	\$ -	\$ 989,708	\$ (149,982)
Expenses						
Personnel Expenses						
Salaries	\$ 268,881	\$ 268,881	\$ -	\$ -	\$ 312,166	\$ 43,286
Payroll Taxes	19,614	19,614	-	-	21,536	1,922
Benefits	46,561	46,561	-	-	64,153	17,592
Retirement Costs	140,645	140,645	-	-	129,818	(10,826)
Total Personnel Expenses	\$ 475,701	\$ 475,701	\$ -	\$ -	\$ 527,674	\$ 51,973
Meeting Expenses						
Meetings	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ 10,000	\$ (10,000)
Travel	55,000	55,000	-	-	63,000	8,000
Conference Calls	-	-	-	-	-	-
Total Meeting Expenses	\$ 75,000	\$ 75,000	\$ -	\$ -	\$ 73,000	\$ (2,000)
Operating Expenses						
Consultants & Contracts	\$ 65,000	\$ 65,000	\$ -	\$ -	\$ 55,000	\$ (10,000)
Office Rent	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-
Computer & Equipment Leases	-	-	-	-	-	-
Miscellaneous	-	-	-	-	3,567	3,567
Depreciation	14,490	14,490	-	-	24,000	9,510
Total Operating Expenses	\$ 79,490	\$ 79,490	\$ -	\$ -	\$ 82,567	\$ 3,077
Total Direct Expenses	\$ 630,191	\$ 630,191	\$ -	\$ -	\$ 683,240	\$ 53,050
Indirect Expenses	\$ 406,471	\$ -	\$ -	\$ -	\$ 405,859	\$ (612)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,036,662	\$ 1,036,662	\$ -	\$ -	\$ 1,089,100	\$ 52,438
Change in Assets	\$ 103,028	\$ 103,028	\$ -	\$ -	\$ (99,391)	\$ (202,420)
Fixed Assets						
Depreciation	\$ (14,490)	(14,490)	\$ -	\$ -	(24,000)	(9,510)
Computer & Software CapEx	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	(14,490)	(14,490)	-	-	(24,000)	(9,510)
TOTAL BUDGET (=B+C)	1,022,172	1,022,172	-	-	1,065,100	42,928
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 117,518	\$ 117,518	\$ -	\$ -	\$ (75,391)	\$ (192,910)

Personnel Analysis

Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs ¹ 2014 Budget	Total FTEs 2014 Budget	Change from 2014 Budget
CRITERIA SERVICES DIVISION						
Operational Programs						
Reliability Standards	1.07	1.07	1.00	0.07	1.07	0.00
Compliance Enforcement and Organization Registration and Certification	0.00	0.00	0.00	0.00	0.00	0.00
Training and Education	0.00	0.00	0.00	0.00	0.00	0.00
Reliability Assessment and Performance Analysis	1.07	1.07	1.00	0.07	1.07	0.00
Situation Awareness and Infrastructure Security	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Operational Programs	2.14	2.14	2.00	0.14	2.14	0.00
Administrative Programs						
Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General and Administrative	0.00	0.00	0.00	0.00	0.00	0.00
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Accounting and Finance	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Administrative Programs	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs	2.14	2.14	2.00	0.14	2.14	0.00

¹A shared FTE is defined as an employee who performs both Regional Entity and Criteria Services division functions.

Reserve Analysis 2013–2014

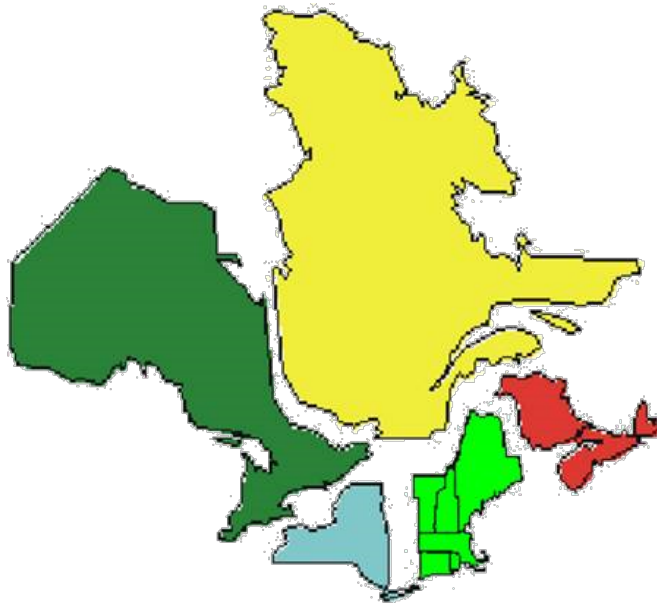
Working Capital and Operating Reserve Analysis 2013-2014			
CRITERIA SERVICES DIVISION			
	Total Reserve	Working Capital	Operating Reserve
Beginning Working Capital, December 31, 2012	135,383	135,383	0
2013 Non-Statutory Funding (from members)	1,139,690	1,139,690	0
2013 Other funding sources	0	0	0
Less: 2013 Projected expenses	(1,036,662)	(1,036,662)	0
Less: 2013 Fixed asset additions	14,490	14,490	0
Projected Working Capital, December 31, 2013	252,901	252,901	0
Desired Working Capital and Operating Reserve, December 31, 2014 ¹	177,510	88,755	88,755
Less: Projected Working Capital Reserve Balance December 31, 2013	(252,901)	(164,146)	(88,755)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(75,391)	(75,391)	0
2014 Funding requirement for expenses and fixed asset additions	1,065,100		
Adjustment to achieve desired Working Capital and Operating Reserve balance	(75,391)		
2014 Funding and reserve requirement	989,708		

¹ On October 1, 2012 NPCC's Finance and Audit Committee approved management's proposed Working Capital and Operating Reserve Policy which reduced the required level of total reserves to 16.66% (from 20%) and segregated funds into Working Capital and Operating Reserves, each with a desired level of 8.33% or 1 month of the annual budget of \$1,065,100

Explanation of Changes in Reserve Policy from Prior Year

On October 1, 2012 NPCC's Finance and Audit Committee approved management's proposed Working Capital and Operating Reserve Policy. The policy calls for a reduction in the required level of total reserves from 20% to 16.66% (representing two months of the annual budget) and segregation of funds into separate Working Capital and Operating Reserves, each with a targeted level of 8.33% (one month) of the annual budget.

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Section D

Statement of Financial Position

Statement of Financial Position				
2012 Audited, 2013 Projection, and 2014 Budget				
Regional Entity and Criteria Services Division				
	(Per Audit)	Projected	Budget	
	31-Dec-12	31-Dec-13	31-Dec-14	
ASSETS				
Cash and cash equivalents	6,724,986	5,324,000	4,808,000	
Restricted cash	649,950	452,000	300,000	
Temporary cash investments	2,210,894	2,211,000	2,211,000	
Prepaid expenses	271,074	271,000	271,000	
Other assets	335,714	21,000	19,000	
Equipment and leasehold improvements, net	1,274,059	1,048,000	888,000	
Total Assets	11,466,677	9,327,000	8,497,000	
LIABILITIES AND NET ASSETS				
Liabilities				
Accrued expenses and other liabilities	1,287,040	1,100,000	1,100,000	
Accrued liability for pension	3,676,153	3,500,000	3,500,000	
Deferred revenue	235,313	-	-	
Deferred rent	767,901	774,000	741,000	
Total Liabilities	5,966,407	5,374,000	5,341,000	
Net Assets - unrestricted	5,500,270	3,953,000	3,156,000	
Total Liabilities and Net Assets	11,466,677	9,327,000	8,497,000	

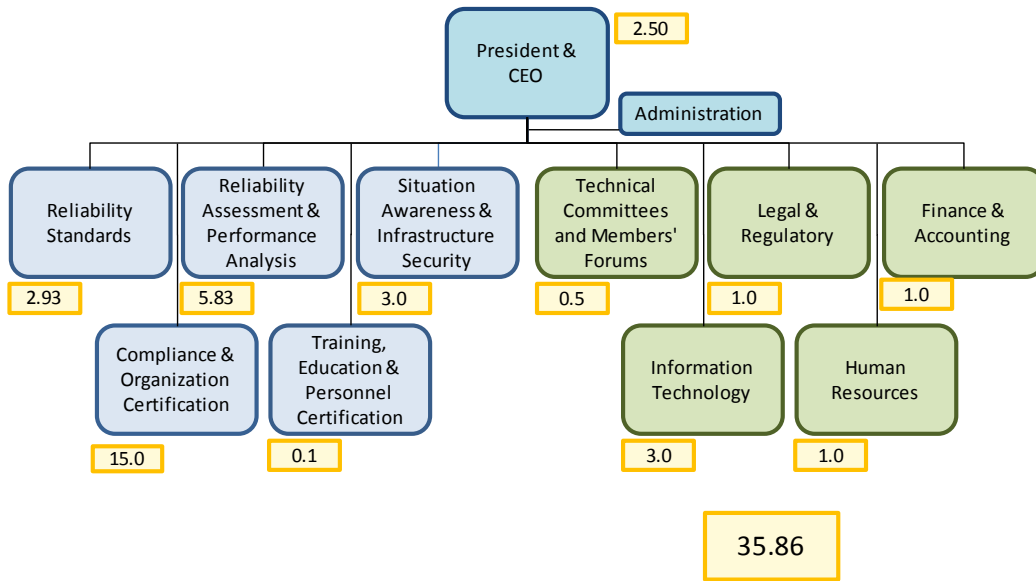
Section D — Additional Financial Statements

NPCC Statement of Activities 2014 Budget		RE Division Total	Reliability Standards (Section 300)	Compliance Monitoring and Enforcement and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training, Education and Operator Certification (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Technical Committees and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding													
ERO Funding	13,611,880	1,431,239	7,991,503	2,910,322	131,306	1,447,636	-	-	(300,126)	-	-	-	-
Penalty Sanctions	153,000	16,091	87,868	32,017	549	16,475	-	-	-	-	-	-	-
Total ERO Funding	13,764,880	1,447,330	8,079,371	2,942,339	131,855	1,464,111	-	-	(300,126)	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	64,000	-	-	-	64,000	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding (A)	13,828,880	1,447,330	8,079,371	2,942,339	195,855	1,464,111	-	-	(300,126)	-	-	-	-
Expenses													
Personnel Expenses													
Salaries	5,911,227	502,840	2,287,504	904,028	17,448	522,872	36,551	182,843	866,274	11,100	379,112	94,025	117,930
Payroll Taxes	1,384,511	31,305	162,571	60,329	1,063	32,861	3,113	11,100	33,695	8,364	29,724	8,364	9,887
Benefits	1,450,261	131,342	537,067	226,225	4,500	89,851	18,371	42,232	189,221	42,232	126,947	42,003	23,462
Retirement Costs	1,124,361	87,443	238,950	130,390	4,776	17,536	10,676	22,605	239,695	22,605	89,842	27,536	14,711
Total Personnel Expenses	8,850,160	752,936	3,286,052	1,380,972	27,787	762,070	68,711	229,084	1,349,084	229,084	625,624	171,931	165,991
Meeting Expenses													
Meetings	365,000	25,000	25,000	45,000	135,000	25,000	2,000	2,000	100,000	2,000	2,000	2,000	2,000
Travel	890,000	110,000	375,000	175,000	15,000	60,000	5,000	5,000	110,000	10,000	20,000	5,000	5,000
Conference Calls	77,000	-	-	-	-	-	-	-	77,000	-	-	-	-
Total Meeting Expenses	1,332,000	135,000	400,000	220,000	150,000	85,000	7,000	7,000	287,000	12,000	22,000	7,000	7,000
Operating Expenses													
Consultants & Contracts	1,924,433	30,000	1,394,433	275,000	-	75,000	-	-	140,000	-	-	-	10,000
Office Rent	737,272	-	-	-	-	737,272	-	-	737,272	-	-	-	-
Office Costs	536,500	-	-	13,000	-	-	-	-	133,500	-	390,000	-	-
Computer and Equipment Leases	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Services	966,500	-	-	-	-	-	-	-	316,500	350,000	-	-	300,000
Miscellaneous	80,000	-	-	-	-	-	-	-	80,000	-	-	-	-
Depreciation	250,000	-	-	-	-	-	-	-	250,000	-	-	-	-
Total Operating Expenses	4,494,705	30,000	1,394,433	288,000	-	75,000	-	-	1,657,272	350,000	390,000	-	310,000
Total Direct Expenses	14,676,865	917,936	5,080,485	1,888,972	177,787	922,070	75,711	621,004	3,293,356	621,004	1,037,624	178,931	482,991
Indirect Expenses	(405,859)	555,686	3,034,462	1,105,692	18,965	568,962	(75,711)	(621,004)	(3,293,356)	(621,004)	(1,037,624)	(178,931)	(482,991)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	14,271,006	1,473,622	8,114,946	2,994,654	196,753	1,491,031	-	-	-	-	-	-	-
Change in Assets	(442,126)	(26,292)	(35,575)	(52,315)	(897)	(26,920)	-	-	(300,126)	-	-	-	-
Fixed Assets													
Depreciation	(250,000)	-	-	-	-	-	-	-	(250,000)	-	-	-	-
Computer & Software CapEx	108,000	-	108,000	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	(0)	(26,292)	(143,575)	(52,315)	(897)	(26,920)	-	-	250,000	-	-	-	-
Inc (Dec) in Fixed Assets (C)	(142,000)	(26,292)	(35,575)	(52,315)	(897)	(26,920)	-	-	-	-	-	-	-
TOTAL BUDGET (=B+C)	14,129,006	1,447,330	8,079,371	2,942,339	195,855	1,464,111	-	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(300,126)	-	(0)	(0)	(0)	(0)	-	-	(300,126)	-	-	-	-
FTEs	36.86	2.93	16.00	5.83	0.10	3.00	0.50	1.00	2.50	1.00	3.00	1.00	1.00

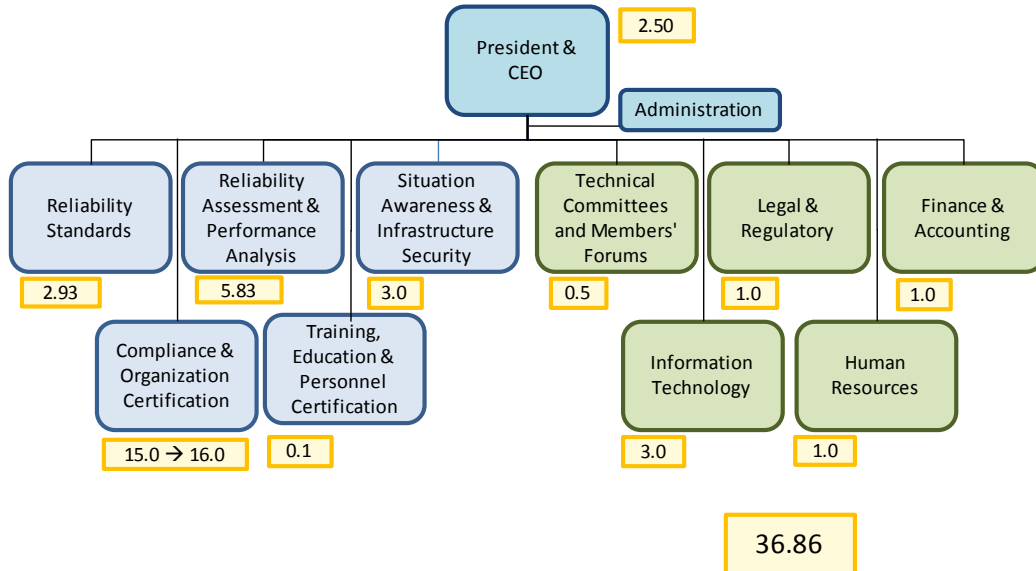
Section D — Additional Financial Statements

NPCC Statement of Activities 2014 Budget		Criteria Services Total	Criteria Development	Criteria Assessment	General and Administrative
Funding					
	ERO Funding				
	ERO Assessments	-			
	Penalty Sanctions	-			
	Total ERO Funding	-	-	-	-
	Membership Dues	989,708	582,983	482,116	(75,391)
	Testing Fees	-	-	-	-
	Services & Software	-	-	-	-
	Workshops	-	-	-	-
	Interest	-	-	-	-
	Miscellaneous	-	-	-	-
	Total Funding (A)	989,708	582,983	482,116	(75,391)
	Expenses				
	Personnel Expenses				
	Salaries	312,166	165,002	147,164	-
	Payroll Taxes	21,536	10,569	10,967	-
	Benefits	64,153	34,882	29,272	-
	Retirement Costs	129,818	69,818	60,001	-
	Total Personnel Expenses	527,674	280,270	247,404	-
	Meeting Expenses				
	Meetings	10,000	5,000	5,000	-
	Travel	63,000	48,000	15,000	-
	Conference Calls	-	-	-	-
	Total Meeting Expenses	73,000	53,000	20,000	-
	Operating Expenses				
	Consultants & Contracts	55,000	45,000	10,000	-
	Office Rent	-	-	-	-
	Office Costs	-	-	-	-
	Computer and Equipment Leases	-	-	-	-
	Professional Services	-	-	-	-
	Miscellaneous	3,567	1,784	1,783	-
	Depreciation	24,000	12,000	12,000	-
	Total Operating Expenses	82,567	58,784	23,783	-
	Total Direct Expenses	683,240	392,054	291,187	-
	Indirect Expenses	405,859	202,930	202,930	-
	Other Non-Operating Expenses	-	-	-	-
	Total Expenses (B)	1,089,100	594,983	494,116	-
	Change in Assets	(99,391)	(12,000)	(12,000)	(75,391)
	Fixed Assets				
	Depreciation	(24,000)	(12,000)	(12,000)	-
	Computer & Software CapEx	-	-	-	-
	Furniture & Fixtures CapEx	-	-	-	-
	Equipment CapEx	-	-	-	-
	Leasehold Improvements	-	-	-	-
	Allocation of Fixed Assets	-	-	-	-
	Inc (Dec) in Fixed Assets (C)	(24,000)	(12,000)	(12,000)	-
	TOTAL BUDGET (=B + C)	1,065,100	582,983	482,116	-
	TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(75,391)	-	-	(75,391)
	FTEs	2.14	1.07	1.07	0

2013 Budget Staff Allocations - RE Division

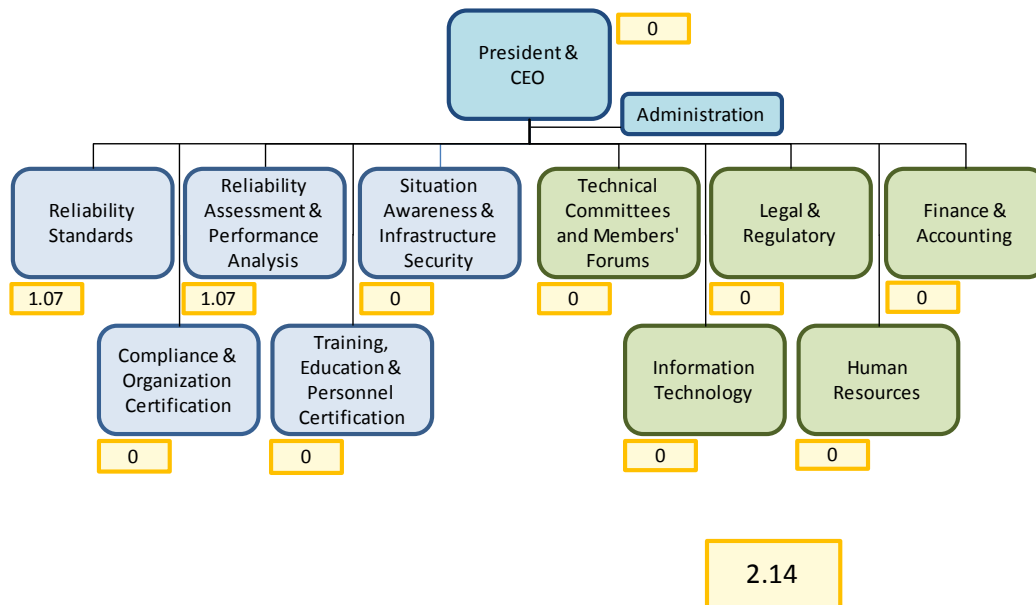


2014 Budget Staff Allocations - RE Division



Section D — Additional Financial Statements

2013 Budget Staff Allocations - CS Division



2014 Budget Staff Allocations - CS Division

