

Updated 2015 NERC, Regional Entity and ERO Consolidated Business Plans and Budgets

July 17, 2014

RELIABILITY | ACCOUNTABILITY



- Business Plan and Budget Updates
 - NERC
 - Stakeholder Comments
 - Changes from Draft 1
 - CRISP
 - Regional Entities and WIRAB
 - Consolidated
- 2016 and 2017 Projections
 - NERC
 - Regional Entities and WIRAB
- Remaining Schedule

- Comments received from CEA, EEI, NRECA, APPA-LPPC-TAPS, NWPPA and WIRAB
- Supportive of strategy, initiatives and priorities
- Acknowledge efforts to control costs
- Support proposed physical separation of ES-ISAC
- Support CRISP and seek additional information
- Encourage efforts to stabilize assessments
- WIRAB supports WECC budget

- Updated personnel expense projection to reflect
 - actual cost of new staff
 - addition of administrative FTE to the ES-ISAC department.
- Reduced projected IT expenses
- Reduced projected benefit expenses
- Increased rent expense to reflect
 - exercise the option for the remaining Washington, D.C. lease space
 - reduced sublease income from the subtenant at NERC's former Washington, D.C. office location

- Reduced projected professional fees
- Updated 2014 working capital and operating reserve projection
- Increased NERC's operating reserves to from \$1M to \$2M
- Provided additional background regarding updates to NERC's Enterprise IT Application strategy and investment forecast
- Updated projected debt service repayment obligations to reflect budgeted capital expenditures under NERC's capital financing program

Statement of Activities and Fixed Assets Expenditures				
2014 Budget & Projection, and 2015 Budget				
STATUTORY				
	2014 Budget	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)	% Inc 2015 over 2014
Funding				
ERO Funding				
NERC Assessments	\$ 51,401,382	\$ 54,812,063	\$ 3,410,681	6.6%
Penalty Sanctions	290,000	1,155,000	865,000	
Total NERC Funding	\$ 51,691,382	\$ 55,967,063	\$ 4,275,681	
Testing Fees	1,620,000	1,670,000	50,000	
Services & Software	50,000	50,000	-	
Workshops	354,000	241,300	(112,700)	
Interest	20,000	3,000	(17,000)	
Total Funding (A)	\$ 53,735,382	\$ 57,931,363	\$ 4,195,981	7.8%
Expenses				
Total Personnel Expenses	\$ 34,059,654	\$ 35,344,061	\$ 1,284,407	3.8%
Total Meeting Expenses	\$ 3,789,525	\$ 3,516,146	\$ (273,379)	-7.2%
Total Operating Expenses	\$ 17,612,133	\$ 17,542,302	\$ (69,831)	-0.4%
Other Non-Operating Expenses	\$ 144,000	\$ 131,000	\$ (13,000)	-9.0%
Total Expenses (B)	\$ 55,605,313	\$ 56,533,509	\$ 928,197	1.7%
Fixed Assets				
Depreciation	\$ (2,333,006)	\$ (2,333,006)	\$ -	
Computer & Software CapEx	2,904,790	3,153,500	248,710	
Equipment CapEx	213,000	365,000	152,000	
Inc(Dec) in Fixed Assets (C)	784,784	1,185,494	400,710	
TOTAL BUDGET (=B + C)	\$ 56,390,096	\$ 57,719,003	\$ 1,328,907	2.4%
FTEs	189.5	190.4	0.9	0.5%

- Supplemental materials posted
- Includes program detail and contract structure, as well as preliminary budget and proposed funding structure
- Includes sharing of information through ES-ISAC portal providing broader benefit to industry
- Most cost funded directly by program participants
- Proposed sharing of 50% of incremental ES-ISAC costs through assessments
- Seeking stakeholder input
- August FAC recommendation and Board decision

**Statement of Activities and Fixed Assets Expenditures
2014 Budget & Projection, and 2015 Budget**

ES-ISAC

	2014 Budget	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)
Funding			
ERO Funding			
NERC Assessments	\$ 4,085,033	\$ 5,328,566	\$ 1,243,533
Penalty Sanctions	17,558	97,742	80,184
Total NERC Funding	\$ 4,102,591	\$ 5,426,307	\$ 1,323,716
Third-Party Funding (CRISP)	-	8,443,589	8,443,589
Interest	1,184	248	(936)
Total Funding (A)	\$ 4,103,775	\$ 13,870,144	\$ 9,766,369
Expenses			
Total Personnel Expenses	\$ 1,702,007	\$ 2,218,899	\$ 516,892
Total Meeting Expenses	\$ 88,428	\$ 210,885	\$ 122,457
Total Operating Expenses	\$ 819,225	\$ 9,036,804	\$ 8,217,579
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 4,061,032	\$ 13,640,387	\$ 9,579,355
Change in Assets	\$ 42,937	\$ 229,758	\$ 187,014
Fixed Assets			
Computer & Software CapEx	-	100,000	100,000
Allocation of Fixed Assets	\$ 42,937	129,758	86,821
Inc(Dec) in Fixed Assets (C)	\$ 42,937	\$ 229,758	\$ 186,821
TOTAL BUDGET (=B + C)	\$ 4,103,969	\$ 13,870,144	\$ 9,766,176
FTEs	7.72	10.32	2.60

Statement of Activities and Fixed Assets Expenditures - with CRISP
2014 Budget & Projection, and 2015 Budget

STATUTORY

	2014 Budget	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)	% Inc 2015 over 2014
Funding				
ERO Funding				
NERC Assessments	\$ 51,401,382	\$ 55,308,375	\$ 3,906,993	7.6%
Penalty Sanctions	290,000	1,155,000	865,000	
Total NERC Funding	\$ 51,691,382	\$ 56,463,375	\$ 4,771,993	
Third-Party Funding (CRISP)	-	8,443,589	8,443,589	
Testing Fees	1,620,000	1,670,000	50,000	
Services & Software	50,000	50,000	-	
Workshops	354,000	241,300	(112,700)	
Interest	20,000	3,000	(17,000)	
Total Funding (A)	\$ 53,735,382	\$ 66,871,264	\$ 13,135,882	24.4%
Expenses				
Total Personnel Expenses	\$ 34,059,654	\$ 35,803,312	\$ 1,743,658	5.1%
Total Meeting Expenses	\$ 3,789,525	\$ 3,566,146	\$ (223,379)	-5.9%
Total Operating Expenses	\$ 17,612,133	\$ 25,863,357	\$ 8,251,224	46.8%
Other Non-Operating Expenses	\$ 144,000	\$ 131,000	\$ (13,000)	-9.0%
Total Expenses (B)	\$ 55,605,313	\$ 65,363,815	\$ 9,758,502	17.5%
Fixed Assets				
Depreciation	\$ (2,333,006)	\$ (2,333,006)	\$ -	
Computer & Software CapEx	2,904,790	3,253,500	348,710	
Equipment CapEx	213,000	365,000	152,000	
Inc(Dec) in Fixed Assets (C)	784,784	1,285,494	500,710	
TOTAL BUDGET (=B + C)	\$ 56,390,096	\$ 66,649,309	\$ 10,259,212	18.2%
FTEs	189.5	192.3	2.8	1.5%

NERC, Regional Entity and WIRAB Budgets-Changes from 1st Draft

Draft 2

	2014 Projection		2014 Projected vs 2014 Budget Over(Under)		2015 Budget - Draft 2		2014 Budget vs 2015 Budget Over(Under)	
		(000's)	(000's)	%	(000's)	(000's)	%	
NERC	\$	55,538	\$ (853)	-1.5%	\$ 57,719	\$ 1,329	2.4%	
FRCC		6,530	(265)	-3.9%	7,162	367	5.1%	
MRO		9,745	-	0.0%	10,329	584	5.7%	
NPCC		14,129	-	0.0%	14,779	650	4.4%	
RF		19,719	1,656	9.2%	18,757	694	3.7%	
SERC		15,614	(1,263)	-7.5%	15,996	(881)	-5.5%	
SPP RE		11,417	(407)	-3.4%	11,808	(16)	-0.1%	
TRE		11,771	0	0.0%	11,984	213	1.8%	
WECC		26,191	553	2.2%	26,291	653	2.5%	
WIRAB		709	5	0.7%	1,014	310	30.5%	
TOTAL		171,362	\$ (574)	-0.3%	\$ 175,838	\$ 3,902	2.2%	

Draft 2 Changes from Draft 1

	2014 Projection		2014 Projected vs 2014 Budget Over(Under)		2015 Budget - Draft 2		2014 Budget vs 2015 Budget Over(Under)	
		(000's)	(000's)	%	(000's)	(000's)	%	
NERC	\$	324	\$ 324	0.6%	\$ 418	\$ 418	0.8%	
FRCC		-	-	0.0%	0	0	0.0%	
MRO		-	-	0.0%	-	-	0.0%	
NPCC		-	-	0.0%	(1)	(1)	0.0%	
RF		1,656	1,656	9.2%	(0)	(0)	0.0%	
SERC		(463)	(463)	-2.7%	(252)	(252)	-1.6%	
SPP RE		(0)	(0)	0.0%	(99)	(99)	-0.8%	
TRE		0	0	0.0%	(0)	(0)	0.0%	
WECC		568	568	2.2%	(18)	(18)	-0.1%	
WIRAB		0	0	0.0%	(0)	(0)	0.0%	
TOTAL	\$	2,084	\$ 2,084	1.2%	\$ 48	\$ 48	0.0%	

NERC, Regional Entity and WIRAB Assessments-Changes from 1st Draft

Entity	Total Assessments - Draft 2					Draft 2 v Draft 1	
	2014 Budget	2015 Budget	% of Total ERO Budget	Change 2015 v 2014	% Change	\$	%
NERC	51,401,382	54,812,063	33.6%	3,410,681	6.6%	559,730	1.1%
FRCC	5,488,057	6,062,838	3.7%	574,781	10.5%	(175,000)	-3.2%
MRO	8,741,444	9,446,019	5.8%	704,575	8.1%	-	0.0%
NPCC	13,611,880	14,068,878	8.6%	456,998	3.4%	(9,500)	-0.1%
RFirst	15,159,785	18,713,897	11.5%	3,554,112	23.4%	192,305	1.3%
SERC	13,734,499	13,731,034	8.4%	(3,465)	0.0%	(2,572)	0.0%
SPP	9,219,123	9,680,648	5.9%	461,525	5.0%	(651,517)	-7.1%
TRE	10,509,308	10,500,446	6.4%	(8,862)	-0.1%	-	0.0%
WECC	15,630,852	25,055,135	15.4%	9,424,283	60.3%	(120,000)	-0.8%
WIRAB	588,408	1,058,158	0.6%	469,750	79.8%	-	0.0%
	144,084,738	163,129,116	100.0%	19,044,378	13.2%	(206,554)	-0.1%

Dollar and Percentage Increase (Decrease) in Preliminary Assessments by Region 2015 v 2014

	CHANGE IN TOTAL ERO ASSESSMENTS BY REGION		CHANGE IN REGIONAL ENTITY & WIRAB ASSESSMENTS	CHANGE IN NERC ASSESSMENTS
	\$	%	\$	\$
FRCC	740,501	9.1%	574,781	165,720
MRO	978,020	8.1%	704,575	273,445
NPCC	1,057,544	5.3%	456,997	600,547
RFirst	4,282,529	16.6%	3,554,113	728,416
SERC	609,105	2.4%	(3,465)	612,570
SPP	604,386	5.1%	461,525	142,861
TRE	223,660	1.6%	(8,862)	232,522
WECC and WIRAB	10,548,632	42.0%	9,894,033	654,599
Total	19,044,378		15,633,697	3,410,681
NERC and Regional Entities		13.2%	16.9%	6.6%
% Change for Total ERO		100.0%	82.1%	17.9%

NERC, Regional Entity and WIRAB Working Capital and Operating Reserves

Working Capital and Operating Reserves - 2015 Business Plan and Budget

Entity	Projected Beginning 2015 Balance	2015 Adjustment	Projected 2015 Ending Balance	Stated Policy
NERC	2,005,511	585,363	2,590,874	As detailed in Exhibit C of NERC's 2015 Budget
FRCC	1,407,248	(810,395)	596,853	One month of total annual budget
MRO	1,781,068	(507,668)	1,273,400	45-day cash reserve
NPCC	4,945,068	(355,161)	4,589,907	Range of 8.33% to 25% (30 - 90 days) of total budget
RFirst	280,940	469,060	750,000	Target \$1M - Rfirst Audit Committee approved \$750k for 2015
SERC	3,461,951	76,549	3,538,500	10% of annual budget for working capital plus two months of statutory operating costs as a temporary increase
SPP	1,662,962	(1,662,962)	-	None required; rely on SPP, Inc.
TRE	2,966,210	(966,210)	2,000,000	\$2M reserve balance
WECC	2,662,817	-	2,662,817	Level approved by WECC Board for 2015
WIRAB	54,973	45,027	100,000	\$100,000 for contingencies
	21,228,748	(3,126,397)	18,102,351	

- Personnel Cost Assumptions-similar to 2015
- Meeting Expenses
- Operating Expenses
- Contractors and Consultants
 - Reflects known or projected increases to existing multi-year contracts
 - Reflects projected information technology plan and budget
- Capital spending and financing based on IT budget forecast
- Excludes CRISP

		2015		2016	Change			2017	Change			
		(000's)		(000's)	2016 v 2015	%		(000's)	2017 v 2016	%		
					(000's)	Change			(000's)	Change		
NERC	\$	57,719	\$	59,267	\$	1,548	2.6%	\$	60,425	\$	1,158	2.0%
FRCC		7,162		7,385		223	3.0%		7,620		235	3.2%
MRO		10,329		10,639		311	2.9%		10,984		344	3.2%
NPCC		14,779		14,979		200	1.3%		15,321		342	2.3%
RF		18,757		19,418		661	3.4%		20,095		677	3.5%
SERC		15,996		15,681		(314)	-2.0%		15,939		257	1.6%
SPP RE		11,808		12,162		354	2.9%		12,527		365	3.0%
TRE		11,984		12,463		479	3.8%		12,962		499	4.0%
WECC		26,291		26,834		543	2.0%		27,448		614	2.3%
WIRAB		1,014		1,365		351	25.7%		1,410		45	3.3%
TOTAL	\$	175,838	\$	180,194	\$	4,356	2.4%	\$	184,730	\$	4,536	2.5%

- June 29th - comments due
- August 13th – FAC meeting to recommend approval of final BP&Bs and assessments
- August 14th – Board of Trustees meeting to approve final BP&Bs and assessments
- August 23rd – Submit BP&Bs and assessments to FERC for approval, with subsequent filings with Canadian authorities