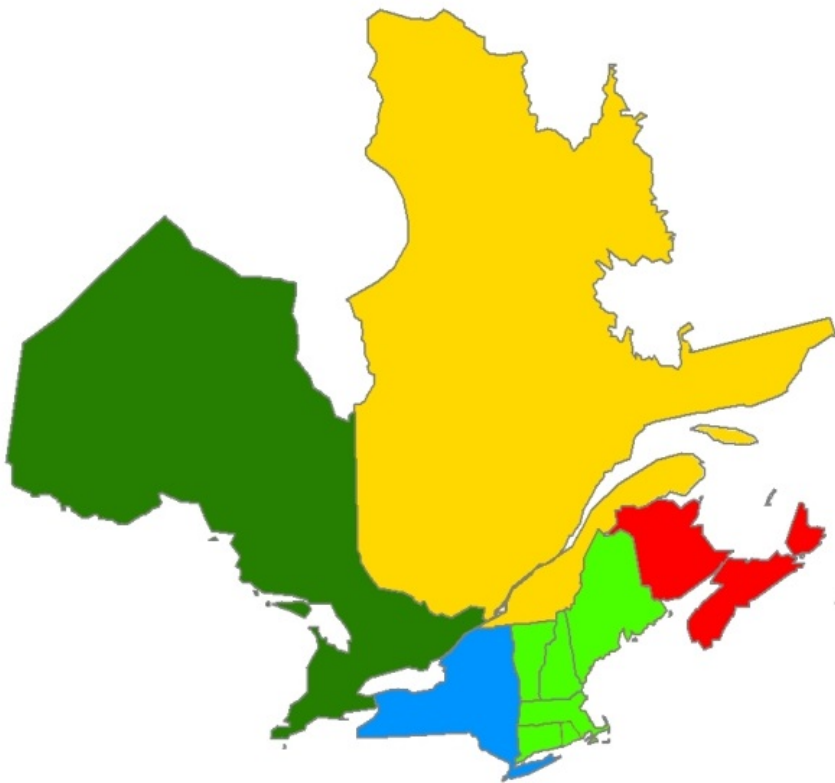




NORTHEAST POWER COORDINATING COUNCIL, INC.
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Northeast Power Coordinating Council, Inc. (NPCC)

Preliminary Draft 2015 Business Plan and Budget



Draft 1
Submitted to NERC
May 14, 2014

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Introduction

Total NPCC Resources (in whole dollars)				
	2015 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	\$14,758,558			
Criteria Services Division Expenses	\$1,139,452			
Total Expenses	\$15,898,011			
Regional Entity Division Inc(Dec) in Fixed Assets	\$19,981			
Criteria Services Division Inc(Dec) in Fixed Assets	(\$10,011)			
Total Inc(Dec) in Fixed Assets	\$9,970			
Regional Entity Division Working Capital Requirement**	(\$355,161)			
Criteria Services Division Working Capital Requirement***	(\$94,220)			
Total Working Capital Requirement	(\$449,381)			
Total Regional Entity Division Funding Requirement	\$14,423,378			
Total Criteria Services Division Funding Requirement	\$1,035,221			
Total Funding Requirement	\$15,458,599			
Regional Entity Division Assessments	\$14,078,378	\$XXX,XXX	\$XXX,XXX	
Regional Entity Division Assessments Percentage	100.0%	XX.X%	XX.X%	
Criteria Services Division Membership Fees	\$760,033	\$XXX,XXX	\$XXX,XXX	
Total NPCC Assessments & Membership Fees	\$15,113,599	\$XXX,XXX	\$XXX,XXX	
NEL	XX	XX	XX	
NEL %	100%	XX.XX%	XX.XX%	

** Refer to Table B-1 on page 78 in Section B.

*** Refer to the Reserve Analysis on page 97 in Section C.

2015 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 \$14,818,588 to \$15,458,599 in 2015, an increase of \$640,011 or 4.3%. The proposed 2015 funding requirements will be satisfied by a Regional Entity division assessment of \$14,078,378 and Criteria Services division fees of \$1,035,221, an overall increase of 3.5% compared to the 2014 total assessments and fees of \$14,601,588. NPCC believes that the Region remains an effective provider of Regional Entity and Criteria Services division functions. NPCC's corporate culture centers on consistent delivery of excellent results at a cost that is considerate of the longstanding tradition in the Northeast of affordable and reliable electricity.

Organizational Overview

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

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

The NPCC Region covers nearly 1.2 million square miles and is populated by more than 56 million people. NPCC U.S. includes the six New England states and the state of New York. NPCC Canada includes the provinces of Ontario, Québec and the Maritime provinces of New Brunswick and Nova Scotia. In total, from a net energy for load perspective, NPCC is approximately 45% U.S. and 55% Canadian. With regard to Canada, approximately 70% of Canadian net energy for load is within the NPCC Region.

Effective January 1, 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 or Agreements with Canadian provincial regulatory and/or governmental authorities in Ontario, Québec, New Brunswick and Nova Scotia.

In this 2015 business plan, NPCC has included activities consistent with NERC initiatives including the implementation of the revised BES definition, risk-based registration, the Reliability Assurance Initiative, and expanded training for compliance auditing.

It is imperative that NPCC maintain its ability to carry out delegated authorities and responsibilities. NPCC has a flat 2015 targeted staffing level of 39 power industry professionals and support personnel. Details of the 2015 business plans and budget for each program area are included in Section A for the Regional Entity division. The 2015 Regional Entity division schedules are shown in Section B. Section C details the 2015 criteria services division business plan and budget.

Membership and Governance

NPCC monitors approximately 300 registered entities and some 602 functions in the Region for compliance with mandatory Reliability Standards. NPCC currently has approximately 78 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 on the NPCC Board of Directors include:

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

A Finance and Audit Committee (FAC), a Pension Committee (PC), a Corporate Governance and Nominating Committee (CGNC), and a Management Development and Compensation Committee (MDCC) advise the Board on finance, governance, compensation and human resource matters. 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* establishes NPCC's independence from users, owners and operators of the bulk power system through the enhanced governance structure while providing fair stakeholder representation in the election of the Board of Directors and officers. The members, from each of the seven stakeholder voting sectors, vote to elect directors in their respective sector. The *Amended and Restated Bylaws* establish criteria for board service for both stakeholder and independent directors. Independent Directors are drawn from diverse backgrounds and possess a broad range of industry expertise, perspectives, experiences, skill sets and knowledge to contribute to the effective functioning of a hybrid board structure.

Compliance and enforcement activities are carried out by the NPCC compliance staff and are independent of all users, owners and operators of the international bulk electric system. Compliance activities are governed in the United States by the *Amended and Restated Regional Delegation Agreement* between NERC and NPCC, delegating portions of NERC's authority as the ERO to NPCC. NPCC compliance activities in Canada are governed by an individual provincial Memorandum of Understanding (MOU) or Agreements with each province providing the unique parameters for compliance and enforcement activities for each of the provinces. 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 Energy and Utilities Board are parties to a MOU that sets forth reliability activities for New Brunswick. The Régie de l'énergie, NERC and NPCC executed an Agreement regarding the 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 Régie de l'énergie is a public body established by the *Act respecting the Régie de l'énergie* (the Act). Pursuant to its authority under the Act, the Régie de l'énergie, through a series of decisions in 2007, designated Hydro-Québec TransÉnergie (HQTE) as the Reliability Coordinator for Québec. In accordance with its mandate and as recognized in the Agreement, it is this entity that is responsible for the filing with the Régie de l'énergie for approval of reliability standards in Québec. HQTE has filed for the approval of certain reliability standards and the Régie de l'énergie has begun the proceedings required to make such reliability standards mandatory in Québec.

The Agreement contemplates the execution of a second agreement that will detail the mandates granted by the Régie de l'énergie to NPCC and NERC with respect to the implementation of the procedures and program for the monitoring of the application of electric power transmission Reliability Standards in Québec and the provision of opinions and recommendations to the Régie in this regard. The second agreement is currently being negotiated by the Régie de l'énergie, NPCC and NERC. The intent, once all the appropriate authorizations are in place, is that NPCC and NERC will act as the Régie's agents in all compliance monitoring and enforcement activities through the implementation of a Québec specific compliance monitoring and enforcement program.

Currently, as there are only a limited number of mandatory standards that have come into effect, and as the second agreement and all the appropriate authorizations covering compliance monitoring and enforcement arrangements are not in place, there has been limited mandatory compliance activity under the formal Québec regime. However, the Hydro-Québec companies, including Hydro-Québec TransÉnergie and Hydro-Québec Production have been subject to voluntarily compliance monitoring, including comprehensive audits by NPCC. Additionally, NPCC has and continues to proceed with its reliability assurance activities within Québec,

including but not limited to events analysis, Reliability Assessment and Performance Analysis and compliance investigations, consistent with the NPCC *Amended and Restated Bylaws*.

d) New Brunswick

The New Brunswick Energy and Utilities Board (“EUB”) and NPCC entered into an Agreement dated October 1, 2013, whereby NPCC provides services for the EUB. The EUB 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.

Effective October 1, 2013, the Electricity Act (NB) and implementing regulations (together, “NB Electricity Act”) amended how Reliability Standards are approved, monitored, and enforced in the province of New Brunswick. The NB Electricity Act designates NPCC as a compliance body and NERC as a standards body within the meaning of the NB Electricity Act. The October 1, 2013 Agreement between NPCC and the EUB is intended to be the preliminary step with respect to the implementation of the NB Electricity Act.

With respect to the approval of reliability standards, the NB Electricity Act provides that all of the NERC Reliability Standards that were effective in New Brunswick prior to October 1, 2013 continue to be effective in New Brunswick after October 1, 2013. Additionally, the New Brunswick Power Corporation (formed from several amalgamating corporations) (“NBPC”) is required to file for approval, modification, or retirement of NERC Reliability Standards 60 days after a NERC Reliability Standard is approved, modified, or retired by the Federal Energy Regulatory Commission (“FERC”). The EUB rules on the filed Reliability Standard after considering (a) the potential impact on the reliability of the bulk power system, (b) the potential cost and benefits (c) the public interest, and (d) any other factors that the NBEUB considers relevant. The Electricity Act requires the NBEUB to notify NPCC and NERC of an application by the NBPC with respect to reliability standards and provide for a 60 day comment period. The NBEUB is required to approve the reliability standards if there are not substantive modifications proposed from the FERC approved NERC Reliability Standard and there were no substantive comments filed. Amendments to the reliability standard to make them compatible with New Brunswick or Canadian law are considered non-substantive. The approval of reliability standards may be subject to a hearing for several reasons, including substantive comments from NPCC or NERC.

With respect to the monitoring and enforcement of the Reliability Standards in New Brunswick, the NB Electricity Act requires NPCC to identify entities that must register with the EUB in the New Brunswick specific registry. Additionally, NPCC is required to carry out the compliance monitoring and assessment for the EUB and assist and advise the enforcement for the EUB, including financial penalties. NPCC is also permitted to carry out or exercise any power in the implementing regulations that is specific to the EUB. Additionally, NPCC has the powers of an inspector, which permits NPCC to audit and spot check entities within New Brunswick.

e) Nova Scotia

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

standards and criteria are mandatory in Nova Scotia and NSPI will be subject to the NERC compliance monitoring and enforcement program, as implemented by NPCC.

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

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

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

2015 Key Assumptions and 2015 Goals and Key Deliverables

NERC and the eight Regional Entities collaborated in the development of a common operating model with complementary roles and responsibilities, an ERO Enterprise Strategic Plan, and a set of business planning assumptions, goals, metrics and key deliverables for the 2014 through 2017 period. The results from that collaboration are included as a set of Shared Business Plan and Budget Assumptions that will be contained in Exhibit A to the NERC 2015 Business Plan and Budget and may be referenced by the users of this document. In each of the following program area sections footnotes are used to reference the specific ERO Enterprise Goals that NPCC's activities support.

2015 Overview of Regional Entity Division Cost Impacts

NPCC proposes to increase its Regional Entity division funding requirement from \$13,828,880 to \$14,423,378 in 2015, an increase of \$594,498 or 4.3%. The proposed Regional Entity division assessment of \$14,078,378 to support the budget is an increase of 3.4% compared to the 2014 assessment of \$13,611,880.

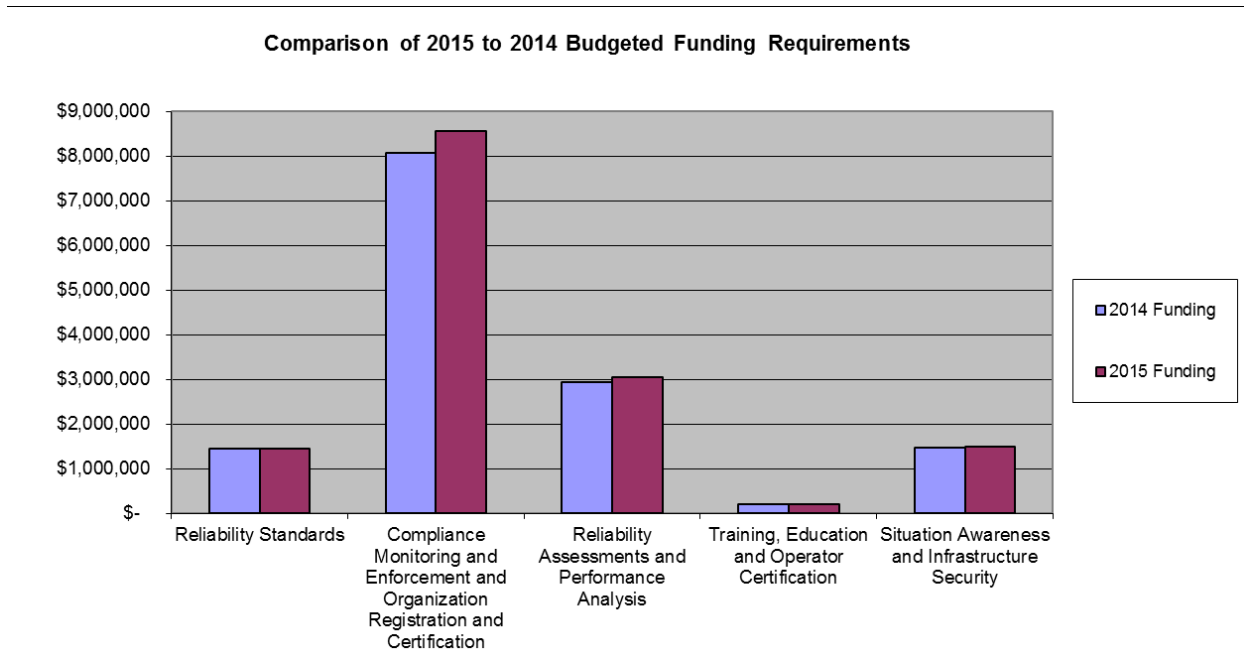
2014 Projections

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. 2014 Projections reflect expectations based on the first quarter statement of activities. It is anticipated that projections could change throughout 2014 and would be reflected in each subsequent quarter's statement of activities.

Summary by Program

Program	Budget 2014	Projection 2014	Budget 2015	Variance	
				2015 Budget v 2014 Budget	Variance %
Reliability Standards	\$ 1,447,330	\$ 1,447,330	\$ 1,456,129	\$ 8,799	0.6%
Compliance Monitoring and Enforcement and Organization Registration and Certification	\$ 8,079,371	\$ 8,079,371	\$ 8,568,145	\$ 488,774	6.0%
Reliability Assessments and Performance Analysis	\$ 2,942,339	\$ 2,942,339	\$ 3,053,923	\$ 111,585	3.8%
Training, Education and Operator Certification	\$ 195,855	\$ 195,855	\$ 199,010	\$ 3,154	1.6%
Situation Awareness and Infrastructure Security	\$ 1,464,111	\$ 1,464,111	\$ 1,501,332	\$ 37,221	2.5%
Total	\$ 14,129,006	\$ 14,129,006	\$ 14,778,539	\$ 649,533	4.6%

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

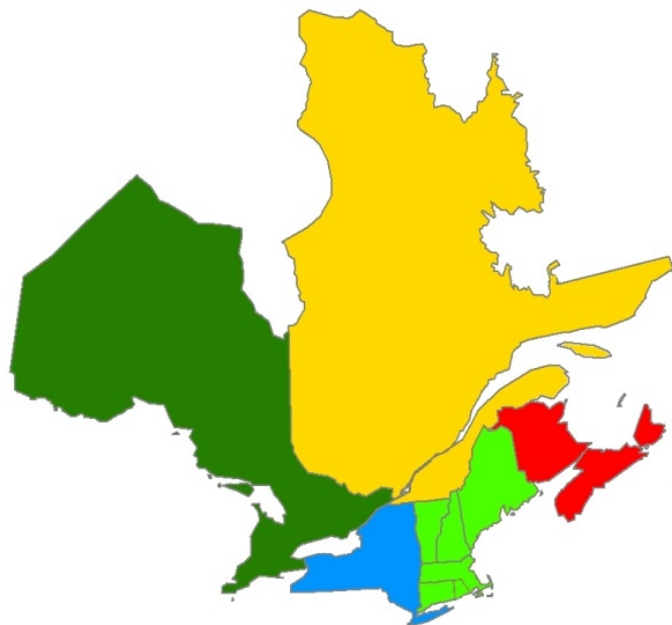
Total FTEs by Program Area	Budget 2014	Projection 2014	Direct FTEs 2015 Budget	Shared FTEs ¹ 2015 Budget	Total FTEs 2015 Budget	Change from 2014 Budget
REGIONAL ENTITY DIVISION						
Operational Programs						
Reliability Standards	2.93	2.93	2.00	0.93	2.93	0.00
Compliance Monitoring and Enforcement and Organization Registration and Certification	16.00	16.00	16.00	0.00	16.00	0.00
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	27.86	27.86	26.00	1.86	27.86	0.00
Administrative Programs						
Technical Committees and Member Forums	0.50	0.50	0.50	0.00	0.50	0.00
General and Administrative	2.50	2.50	2.50	0.00	2.50	0.00
Information Technology	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	36.86	36.86	35.00	1.86	36.86	0.00

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

2014 Budget and Projection and 2015 Budget Comparisons

Statement of Activities and Capital Expenditures						
2014 Budget & Projection, and 2015 Budget						
REGIONAL ENTITY DIVISION						
				Variance ⁽²⁾		Variance
	2014	2014	2014 Projection	v 2014 Budget	2015	2015 Budget
	Budget	Projection	Over(Under)		Budget	v 2014 Budget
						Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ 13,611,880	\$ 13,611,880	\$ -		\$ 14,078,378	\$ 466,498
Penalty Sanctions ⁽¹⁾	153,000	153,000	-		281,000	128,000
Total ERO Funding	\$ 13,764,880	\$ 13,764,880	\$ -		\$ 14,359,378	\$ 594,498
Membership Dues	-	-	-		-	-
Testing Fees	-	-	-		-	-
Services & Software	-	-	-		-	-
Workshops	64,000	64,000	-		64,000	-
Interest	-	-	-		-	-
Miscellaneous	-	-	-		-	-
Total Funding (A)	\$ 13,828,880	\$ 13,828,880	\$ -		\$ 14,423,378	\$ 594,498
Expenses						
Personnel Expenses						
Salaries	\$ 5,911,227	\$ 5,911,227	\$ -		\$ 6,195,425	\$ 284,198
Payroll Taxes	384,311	384,311	-		387,209	2,898
Benefits	1,430,261	1,430,261	-		1,256,595	(173,666)
Retirement Costs	1,124,361	1,124,361	-		1,090,013	(34,348)
Total Personnel Expenses	\$ 8,850,160	\$ 8,850,160	\$ -		\$ 8,929,241	\$ 79,081
Meeting Expenses						
Meetings	\$ 365,000	\$ 365,000	\$ -		\$ 365,000	\$ -
Travel	890,000	890,000	-		890,000	-
Conference Calls	77,000	77,000	-		45,000	(32,000)
Total Meeting Expenses	\$ 1,332,000	\$ 1,332,000	\$ -		\$ 1,300,000	\$ (32,000)
Operating Expenses						
Consultants & Contracts	\$ 1,924,433	\$ 1,924,433	\$ -		\$ 2,342,000	\$ 417,567
Office Rent	737,272	737,272	-		751,500	14,228
Office Costs	536,500	536,500	-		578,700	42,200
Professional Services	966,500	966,500	-		1,025,000	58,500
Computer & Equipment Leases	-	-	-		-	-
Miscellaneous	80,000	80,000	-		40,000	(40,000)
Depreciation	250,000	250,000	-		202,019	(47,981)
Total Operating Expenses	\$ 4,494,705	\$ 4,494,705	\$ -		\$ 4,939,219	\$ 444,514
Total Direct Expenses	\$ 14,676,865	\$ 14,676,865	\$ -		\$ 15,168,460	\$ 491,595
Indirect Expenses	\$ (405,859)	\$ (405,859)	\$ -		\$ (409,902)	\$ (4,043)
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Total Expenses (B)	\$ 14,271,006	\$ 14,271,006	\$ -		\$ 14,758,558	\$ 487,552
Change in Assets	\$ (442,126)	\$ (442,126)	\$ -		\$ (335,180)	\$ 106,946
Fixed Assets						
Depreciation	\$ (250,000)	\$ (250,000)	\$ -		\$ (202,019)	\$ 47,981
Computer & Software CapEx	108,000	108,000	-		222,000	114,000
Furniture & Fixtures CapEx	-	-	-		-	-
Equipment CapEx	-	-	-		-	-
Leasehold Improvements	-	-	-		-	-
Allocation of Fixed Assets	(0)	(0)	-		(0)	-
Inc(Dec) in Fixed Assets (C)	(142,000)	(142,000)	-		19,981	161,981
TOTAL BUDGET (=B+C)	\$ 14,129,006	\$ 14,129,006	\$ -		\$ 14,778,539	\$ 649,533
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (300,126)	\$ (300,126)	\$ -		\$ (355,161)	\$ (55,035)
⁽¹⁾ \$281,000 of penalty sanctions collected to date and prior to June 30, 2014.						
⁽²⁾ 2014 Projections reflect expectations based on the 1st quarter statement of activities. It is anticipated that projections could change throughout 2014 and would be reflected in each subsequent quarter's statement of activities.						

Section A – Regional Entity Division 2015 Business Plan and Budget



Section A — 2015 Business Plan

Reliability Standards Program

Reliability Standards Program Resources			
(in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	2.93	2.93	0.00
Direct Expenses	\$917,936	\$905,638	(\$12,299)
Indirect Expenses	\$555,686	\$561,221	\$5,535
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$26,292)	(\$10,729)	\$15,563
Total Funding Requirement	\$1,447,330	\$1,456,129	\$8,799

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 roles and responsibilities by providing supporting activities for the development of clear, concise, sustainable, high quality and technically sound mandatory “results based” reliability standards which provide for an adequate level of reliability in a timely and efficient manner. The primary objective of NPCC’s program area is to support the development of ERO standards which establish threshold requirements for ensuring the bulk electric system is planned, operated, and maintained in a manner that minimizes risks of cascading failures, avoids damage to major equipment, is responsive to risks, or limits interruptions of bulk power supply. At 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 Area supports the reliability of the bulk electric system by:

- Facilitating active participation of NPCC Regional industry stakeholders in all NERC Reliability Standards activities to promote the development of results based, cost effective quality standards in a timely and efficient manner.
- Promote awareness by holding workshops and conducting Regional Standards Committee meetings to inform and educate stakeholders.
- Internally and informally training staff for the new and developing standards through meetings.
- Regional coordination activities with Standards Program Areas from other Regions.

- 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.
- NPCC maintains and abides by the NPCC Regional Standards Processes Manual assuring compliance with all FERC filed documents with respect to standards development.

Funding Drivers and Reliability Benefits

- Expanded Scope of Standards activities
 - Utilize NPCC RSC, Task Forces and Working Groups to comment on developing NERC Standards to ensure they are results based and directionally consistent with the Independent Experts Review Panel Report (IERP)¹
 - Develop process for ensuring lessons learned from Event Analysis are evaluated for any gaps in standards or criteria²
 - Responding to increasing amount of FERC Rulings, NOPRs, preliminary staff assessments, and FERC issued Directives³
 - Providing support for increased standard development activities as outlined in the NERC 2014-2016 Reliability Standards Development Plan and assuming an active role in the newly formed NERC Project Management Oversight Subcommittee (“PMOS”)
 - Participating in informal activities of standards development to promote consensus early in project development and provide technical guidance
 - Providing a forum for all NPCC representatives on the NERC drafting teams
 - Actively coordinating and reviewing Reliability Standards Audit Worksheets (RSAW) for correctness
 - Provide NPCC Regional point of contact for the new Reliability Issues Steering Committee (“RISC”) to provide emerging and existing BES reliability related risks and potential gaps in the existing NERC standards
- Increased Number of Standards Projects
 - Active NERC Projects in the standards area are also expected to increase to address FERC outstanding directives.
 - The concept of informal development was introduced in 2013 and will be expanded to include more standards development projects in 2015 requiring more technical support, participation, and facilitation.
 - NERC has developed procedures and processes to allow it to revise standards in a more expeditious manner that may need clarification or address some deficiency.
 - NPCC is assisting with the Project Management Oversight Subcommittee (PMOS) which is responsible for managing the development of NERC standards projects and tracking Paragraph 81 Phase 2 retirement candidates

¹ In support of ERO Goal 1a Develop Standards which are clear, responsive to reliability and security risks, practical to implement, and cost-effective

² In support of ERO Goal 1a Develop Standards which are clear, responsive to reliability and security risks, practical to implement, and cost-effective

³ In support of ERO Goal 1a Develop Standards which are clear, responsive to reliability and security risks, practical to implement, and cost-effective

- 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 development⁴
- Further resources required to evaluate the standards from a “cost benefit” and also a “cost effectiveness” perspective will be required.
- 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 through NPCC Workshops and with anticipated additional forums such as increases in the amount of Internet based meetings and technical conferences.⁵

2015 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 prior to the end of ballots
 - 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
 - Conduct and obtain training for performing Quality Reviews of standards at both the Regional level and to assist the ERO with analysis of the continent wide standards
 - Coordinate the review of all Reliability Standards Audit Worksheets during their postings for comment for potential expansion of their associated standard’s requirements
 - Refine the NPCC 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 in response to any potential inadequacies in reliability or to improve standards
- Monitor and participate in the drafting of key NERC Reliability Standards-CIP, 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, measureable, 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

⁴ In support of ERO Goal 1a Develop Standards which are clear, responsive to reliability and security risks, practical to implement, and cost-effective

⁵ In support of ERO Goal 1a Develop Standards which are clear, responsive to reliability and security risks, practical to implement, and cost-effective

- 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
- Retire Directories that have been overtaken by improved NERC standards
- Continually file the more stringent requirements with the New York State Department of Public Service and Canadian Provinces as applicable
- 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/Governmental 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

2015 Goals and Key Deliverables

The Reliability Standards program goals and objectives for 2015 are grouped into seven categories:

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 and enhance 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, e.g. Single Portal
- 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 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 prior to the end of the ballots
- Review and develop issues on FERC Notice of Proposed Rulemakings for any and all standards related issues as appropriate
- Coordinate and evaluate proposed standards utilizing NPCC’s Regional technical task forces, working groups and committees
- Educate and notify stakeholders and regulators about issues related to standards development through various means such as webinars and workshops
- Provide outreach to industry trade groups to educate and drive consensus such as the North American Generator Forum and North American Transmission Forum
- 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 process, to identify immediate standards needs and prioritization based on need
- 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 standards, such as 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 “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 and support activities to enhance this to identify “benefits” for the draft standards.
- Provide support and assistance to the ERO for conducting Quality Review activities 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.
- Continue to develop new and innovative processes to better utilize the limited internal and external resources in the Region to enable sufficient technical review of posted standards and related materials
- Support the ERO and the relationships with FERC and 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 does not anticipate developing further Regional Standards but reserves the right to do so if a reliability issue exists that is not appropriate for Continent-wide development and also will perform clarifications as needed to existing approved Regional Standards.
- Draft any additional standard NERC directs NPCC to develop to meet an urgent reliability related needs, i.e. Geomagnetic disturbance system hardening
- 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 2014-2016 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

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 if Continent-wide standards are not an appropriate solution
- 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) Opportunities for 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 and a steady state set of standards
- Participate in any potential revision and redrafting of the NERC Standards Development Process to consider expedited standards development and cost effectiveness analysis and maintaining the ANSI Accreditation for standards development
- Participate in the enhancement of the Single Portal on the NERC website to provide one stop shopping for stakeholders seeking answers to questions.
- 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 support initiation of implementation of the strategy
- Streamline and improve the Regional Standards program tools and IT based solutions
- Refine the records retention programs to ensure sufficient documentation exists for regulatory approvals
- Develop document management systems to allow the efficient and effective revisions of documents, control of authorship and security of documents
- 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. In addition the NPCC RSC works with the individual NERC standards developers to participate in Regional outreach and coordination of issues at each NPCC RSC meeting.

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. In the fourth quarter of 2014 NERC will “roll out” a new Standards Balloting System (SBS). This new system will require training and an implementation communication plan. NERC will develop the training and NPCC will assist in providing it throughout the Northeast. The SBS will require all users to reregister to cast ballots as well as submit comments. This support will enhance efficiency of the NERC procedure and help to ensure the necessary quorums are present at ballot and help to clean up the registered ballot body list. NPCC will also, when practical, promote important standards and the requirements of those standards through various communications.

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. In 2013 FERC also issued remanded interpretations and standards which require NERC to address commissions concerns as outlined in the associated Orders. These remands have created a need for NERC to review existing processes and determine approaches going forward. NPCC will support these efforts and will lead the review and potential revision of the NERC Interpretation process. These standards needing revision are delineated in the 2014 – 2016 NERC Reliability Standards Development Plan, and will be ready to be reviewed and revised throughout 2015.

NPCC will provide support and coordination of NERC standards development activities as outlined in the 2014-2016 Reliability Standards Development Plan and the Standards Committee and ERO strategic goals and initiatives.

Regional Standards Development

The NPCC currently has two FERC approved Regional standards, Disturbance Monitoring and Underfrequency Load Shedding. NPCC has undertaken the review of the Disturbance Monitoring standard for adequacy from the perspective of a “bright line” BES definition and currently developing PRC-002-2 Disturbance Monitoring continent wide standard. This review of the standard and proposed revision to the standard will be performed in the 2014-2015 timeframe. In addition there are two other Regional standards that NPCC may review 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 in 2014
Balancing Authority Controls (BA - Reserve Sharing)

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.

Based on the portion of professional/technical staff time and other resources devoted to Reliability Standards development, NPCC estimates that it will expend approximately 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 7/1/13 through 6/30/14 reduce U.S. LSE designee assessments for 2015.

Personnel Expenses

- NPCC anticipates no need to hire additional personnel in this program area in 2015.
- Salaries expense reflects implementation of recommendations of NPCC’s Management Development and Compensation Committee, which were based on an independent compensation study.
- Benefits expense decreased due to more staff opting out of company sponsored health insurance for superior coverage through prior employer or spouse.
- Retirement expense decreased due to transition of employees formerly accruing benefits under the defined benefit plan to receiving defined contribution benefits in 2015.

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 in 2015. 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, which are budgeted as a part of G&A and then allocated to the direct programs through indirect expenses, will be conducted for business when practical.

Operating Expenses and Indirect Expenses

- 2015 Reliability Standards program funding is driven by the need for additional activities to support NERC standards activity to achieve a results based, adequate, set of steady state standards, FERC activity and increased number of rulings and directives are anticipated as a result of the NERC three year work plan. NPCC anticipates expanded activity and plans to prioritize the efforts of existing resources to meet this expanded workload to support reliability and the ERO Strategic Goals. 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.
- 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 2015 business plan are shown in the table below.

Statement of Activities and Capital Expenditures 2014 Budget & Projection, and 2015 Budget						
Reliability Standards						
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 1,431,239	\$ 1,431,239	\$ -	\$ 1,426,577	\$ (4,663)	
Penalty Sanctions	16,091	16,091	-	29,552	13,462	
Total ERO Funding	\$ 1,447,330	\$ 1,447,330	\$ -	\$ 1,456,129	\$ 8,799	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 1,447,330	\$ 1,447,330	\$ -	\$ 1,456,129	\$ 8,799	
Expenses						
Personnel Expenses						
Salaries	\$ 502,840	\$ 502,840	\$ -	\$ 535,458	\$ 32,618	
Payroll Taxes	31,305	31,305	-	31,420	115	
Benefits	131,342	131,342	-	93,684	(37,658)	
Retirement Costs	87,449	87,449	-	85,075	(2,374)	
Total Personnel Expenses	\$ 752,936	\$ 752,936	\$ -	\$ 745,638	\$ (7,299)	
Meeting Expenses						
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 20,000	\$ (5,000)	
Travel	110,000	110,000	-	115,000	5,000	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 135,000	\$ 135,000	\$ -	\$ 135,000	\$ -	
Operating Expenses						
Consultants & Contracts	\$ 30,000	\$ 30,000	\$ -	\$ 25,000	\$ (5,000)	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 30,000	\$ 30,000	\$ -	\$ 25,000	\$ (5,000)	
Total Direct Expenses	\$ 917,936	\$ 917,936	\$ -	\$ 905,638	\$ (12,299)	
Indirect Expenses	\$ 555,686	\$ 555,686	\$ -	\$ 561,221	\$ 5,535	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 1,473,622	\$ 1,473,622	\$ -	\$ 1,466,858	\$ (6,764)	
Change in Assets	\$ (26,292)	\$ (26,292)	\$ -	\$ (10,729)	\$ 15,563	
Fixed Assets						
Depreciation	\$ -	-	\$ -	-	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(26,292)	(26,292)	-	(10,729)	15,563	
Inc(Dec) in Fixed Assets (C)	(26,292)	(26,292)	-	(10,729)	15,563	
TOTAL BUDGET (=B+C)	\$ 1,447,330	\$ 1,447,330	\$ -	\$ 1,456,129	\$ 8,799	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ 0	\$ (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)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	16.00	16.00	0.00
Direct Expenses	\$5,080,485	\$5,440,048	\$359,564
Indirect Expenses	\$3,034,462	\$3,064,686	\$30,225
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$35,575)	\$63,410	\$98,985
Total Funding Requirement	\$8,079,371	\$8,568,145	\$488,774

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 NERC Compliance Monitoring and Enforcement Program (CMEP) in the United States, including the compliance monitoring, assessment and enforcement of NERC Reliability Standards and Regional Reliability Standards. and 3) the implementation of compliance monitoring, assessment and enforcement recommendations in accordance with individual executed MOUs or Agreements in the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia.

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

The NPCC compliance staff makes the initial and final determination of alleged violations and determines appropriate penalties and sanctions in accordance with the NERC *Sanction Guidelines*. To accomplish this objective, NPCC's compliance staff is further divided into four sub- program areas: Compliance Implementation and Registration; Compliance 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, using a risk based registration model, 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 CMEP Compliance Procedures, Compliance Instructions and all other CMEP related documentation;
- c) Development and maintenance of Performance Metrics that are used to measure the quality and effectiveness of CMEP Implementation and its impact on the reliability of the Bulk Electric System;
- 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 on the basis of risk to the BES. The yearly schedule is produced consistent with Risk Assessment of registered entities and the frequency of their last audit. The schedule is posted annually on NERC and NPCC public websites. Flexibility may be used in the predefined frequency based on the 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

A Compliance Investigation (CI) may be initiated at any time by NPCC in response to a system disturbance, complaint, or possible violation of a Reliability Standard identified by any other means. The CI process requires the establishment of an investigation team that coordinates with NERC and FERC as necessary; and also coordinates with the Situation Awareness Program Area.

Compliance Enforcement

In processing identified violations NPCC Compliance Enforcement will strive to promote both timeliness and transparency of compliance results, including those efforts associated with meeting the enforcement metrics described below. In addition NPCC will promote the use of self-identification of non-compliance and implementation of discretion, including increased utilization of streamlined tracks such as FFT and discretion as shown below.

Compliance Enforcement responsibilities:

- a) Issuing all 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 /mitigating activities 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;
- g) Issuing Remedial Action Directives when appropriate; and
- h) Implementing of the Reliability Assurance Initiative (RAI), including :
 - i. Notifying the registered entity, within 60 days on average, whether a non-compliance will proceed through enforcement, be treated as a compliance exception or additional information is needed (“Triage”);
 - ii. Utilizing the Aggregation of Minimal Risk Process; and
 - iii. Utilizing the Enforcement Discretion Process.

A set of enforcement metrics, that include those metrics included in the ERO Corporate Goals, are produced that cover the following:

- a. Caseload Index and Violation Aging
- b. Mitigation Aging
- c. Percentage of self-identified violations
- d. Percentage of minimal and moderate risk violations through FFT, SNOP or discretion

Each of these metrics will have target values defined that are consistent with those target values identified in the ERO Corporate Goals.

2015 Key Assumptions and Cost Impacts

2014	Projected 2015
3 Large On-Site Audits	4 Large On-Site Audits
0 Medium On-Site Audits	0 Medium On-Site Audits
3 Small On-Site Audits	3 Small On-Site Audits
12 On-Site CIP Audits	4 On-Site CIP Audits
20 Large Off-Site Audits	8 Large Off-Site Audits
7 Medium Off-Site Audits	21 Medium Off-Site Audits
7 Small Off-Site Audits	10 Small Off-Site Audits
22 Off-Site CIP Audits	24 Off-Site CIP Audits
300 Spot Checks	350 Spot Checks
8 On-site TFE Part B reviews	4 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)	1 CI (Estimated)
0 Entity Certifications	2 Entity Certifications

- Regarding the Compliance Audit Program, Technical Feasibility Exception (TFE) reviews are conducted both on-site at the entity’s facility and at the NPCC offices when possible. TFE’s continue to be requested as entities replace and install new equipment/devices/components that meet the criteria set forth in Rules of Procedure Appendix 4D. Compliance estimates 4 on-site reviews will be performed in 2015.
- Increases in Audit costs reflect Risk Assessment activity that is the basis for audit scoping. The Risk Assessment includes an assessment of an entity’s Internal Controls which will be used for future audits in the scoping and frequency of engagements.
- Potential increases due to the newly identified role related to implementing the QCMEP in Quebec and the continuing role of implementing the NB CMEP in New Brunswick.

- The 2015 Business Plan projects no increases in Enforcement Processing activities over the 2014 Budget.
- The 2015 Business Plan projects the need for 1 Compliance Investigation. 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.

2015 Goals and Key Deliverables

- Conduct 2015 CMEP consistent with the Reliability Assurance Initiative, incorporating Risk Assessment; Internal Control assessment; Aggregation of Minimal Risk Violations; and Enforcement Discretion and all NERC Reliability Standards contained in the NERC actively-monitored list for 2015 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 FERC¹⁷;
- 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 MOUs¹⁸;
- Annual report to NERC and Régie on NPCC implementation of QCMEP
- Annual report to NERC and New Brunswick Electric Utility Board (EUB) on NPCC implementation of NB CMEP.
- Review and revise NPCC Compliance Registry based on a risk-based approach¹⁹ ;
- 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 strategy²⁰;
- 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 Standards²¹;

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

¹⁸ In support of ERO Goal 3. Promote a culture of compliance that supports reliability excellence within industry.

¹⁹ In support of ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

²⁰ ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

²¹ ERO Goal 6. Promote a culture of reliability excellence.

- Provide required information to NERC on a timely basis including reporting of alleged violations and confirmed violations²²;
- Track the progress of, report status of, and approve mitigation plans²³;
- Conduct 2015 Compliance Audit Schedule based on risk to the BES and 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 2015 Compliance Audit Program schedule)²⁴; and promote RAI initiatives by:
 - Utilizing the Audit Checklist and Auditor’s Handbook for all on-site and off-site audits
 - Preparing a Risk Assessment and Internal Control Assessment for all on-site audits²⁵;
- In addition, 28 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 2015 on-site audits²⁶;
- 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 2015 the number of spot checks to be done is estimated to be 350²⁷;
- Assure that NPCC Staff is trained to conduct Compliance Audits including CIP Compliance Audit training²⁸;
- 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 Review²⁹;
- NPCC is working with the other Regions to access, train and perform certifications (and re-certification) in an effort to be consistent across the ERO³⁰;
- 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 gaps³¹;

²² ERO Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.

²³ 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.

²⁴ In support of ERO Goal 3a. and 3b. Promote a culture of compliance that supports reliability excellence within industry.

²⁵ In support of ERO Goal 3. Promote a culture of compliance that supports reliability excellence within industry.

²⁶ In support of ERO Goal 3. Promote a culture of compliance that supports reliability excellence within industry.

²⁷ In support of ERO Goal 3. Promote a culture of compliance that supports reliability excellence within industry.

²⁸ In support of ERO Goal 3. Promote a culture of compliance that supports reliability excellence within industry.

²⁹ In support of Goal 2a. Be a strong enforcement authority that is independent, without conflict of interest, objective, and fair, and promote a culture of reliability excellence through risk-informed compliance monitoring and enforcement. a. The ERO registers and deregisters entities commensurate with risk to the BES and ensures all key reliability entities are certified to have essential capabilities.

³⁰ In support of Goal 2a. Be a strong enforcement authority that is independent, without conflict of interest, objective, and fair, and promote a culture of reliability excellence through risk-informed compliance monitoring and enforcement. a. The ERO registers and deregisters entities commensurate with risk to the BES and ensures all key reliability entities are certified to have essential capabilities.

³¹ In support of Goal 4a. Identify the most significant risks to reliability, be accountable for mitigating reliability risks, and promote a culture of reliability excellence. a. Risks are identified and prioritized based on reliability impacts, cost and practicality of assessments, projected resources, and emerging issues.

- Develop and implement compliance reform via the Reliability Assurance Initiative (RAI) by being an integral participant in committees and workgroups involved in the RAI³²;
- 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 process³³;
- Continue to expand the use of discretion through the utilization of compliance exception.³⁴;
- NPCC will collaborate with NERC to promote better coordination, planning, delivery and management of training efforts across the enterprise through a unified learning management system (LMS), without adversely impacting region-specific training requirements;
- Continue to implement physical security outreach and Cyber Security outreach by visiting four registered entity sites to perform an assessment of their physical security, evaluate their Cyber Security and supply recommendations for improvements³⁵;
- Enhance the CDAA to expand its capabilities from both the registered entity perspective and the NPCC Compliance Staff perspective³⁶;
- Conduct 2015 Compliance Workshops and interim information sessions for registered entities as necessary as a part of Training and Education program area³⁷.

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.

³²In support of Goal 3a. Promote a culture of compliance that supports reliability excellence within industry.

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

³³In support of Goal 3a and 4a Goal 3. Promote a culture of compliance that supports reliability excellence within industry. Industry has effective procedures and programs to monitor, detect, correct, report, and prevent compliance, reliability, and security issues. Goal 4. Identify the most significant risks to reliability, be accountable for mitigating reliability risks, and promote a culture of reliability excellence. a. Risks are identified and prioritized based on reliability impacts, cost and practicality of assessments, projected resources, and emerging issues.

³⁴In support of Goal 2b. Goal 2. Be a strong enforcement authority that is independent, without conflict of interest, objective, and fair, and promote a culture of reliability excellence through risk-informed compliance monitoring and enforcement. 2.b. The ERO holds industry accountable for violations that create serious risk to the BES; resulting actions are timely and transparent to industry.

³⁵In support of Goal 4c. Goal 4. Identify the most significant risks to reliability, be accountable for mitigating reliability risks, and promote a culture of reliability excellence. 4.c. ERO supports industry situational awareness and cybersecurity preparedness and provides independent reliability information to policy makers.

³⁶In support of Goal 5c. Goal 5. Improve transparency, consistency, quality, and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost-effectiveness. 5.c. The ERO internal risks are understood and managed; ERO processes are effective, efficient, and continuously improved.

³⁷In support of Goal 5a. Goal 5. Improve transparency, consistency, quality, and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost-effectiveness. 5.a. The ERO acts in a coordinated and collaborative manner with stakeholders.

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 58 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 7/1/13 through 6/30/14 reduce U.S. LSE designee assessments for 2015.

Personnel Expenses

- NPCC anticipates no need to hire additional personnel in this program area in 2015.
- Salaries expense reflects implementation of recommendations of NPCC's Management Development and Compensation Committee, which were based on an independent compensation study.
- Benefits expense decreased due to more staff opting out of company sponsored health insurance for superior coverage through prior employer or spouse.
- Retirement expense decreased due to transition of employees formerly accruing benefits under the defined benefit plan to receiving defined contribution benefits in 2015.

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 2015. Conference calls and internet meetings, which are budgeted as a part of G&A and then allocated to the direct programs through indirect expenses, will be conducted for business when possible.

Operating Expenses and Indirect Expenses

- Consultant and contractor costs increased due to increased workload related to the initial implementation of RAI, incorporating Risk Assessment and Internal Control assessment. Without this one time ramp up in RAI endeavors for 2015, contractor costs would have remained relatively flat. These joint ERO Enterprise initiatives are intended to benefit the registered entities, Regional Entities and NERC. 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.
- 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 CMEP Data Administration Application (CDAA) and Compliance Issues Tracking System (CITS) enhancements are projected to continue into 2015.

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 2015 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2014 Budget & Projection, and 2015 Budget						
Compliance Monitoring and Enforcement and Organization Registration and Certification						
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 7,991,503	\$ 7,991,503	\$ -	\$ 8,406,767	\$ 415,263	
Penalty Sanctions	87,868	87,868	-	161,378	73,510	
Total ERO Funding	\$ 8,079,371	\$ 8,079,371	\$ -	\$ 8,568,145	\$ 488,774	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 8,079,371	\$ 8,079,371	\$ -	\$ 8,568,145	\$ 488,774	
Expenses						
Personnel Expenses						
Salaries	\$ 2,287,504	\$ 2,287,504	\$ -	\$ 2,393,832	\$ 106,328	
Payroll Taxes	162,571	162,571	-	162,511	(59)	
Benefits	537,087	537,087	-	479,499	(57,588)	
Retirement Costs	298,890	298,890	-	284,206	(14,684)	
Total Personnel Expenses	\$ 3,286,052	\$ 3,286,052	\$ -	\$ 3,320,048	\$ 33,997	
Meeting Expenses						
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 32,000	\$ 7,000	
Travel	375,000	375,000	-	360,000	(15,000)	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 400,000	\$ 400,000	\$ -	\$ 392,000	\$ (8,000)	
Operating Expenses						
Consultants & Contracts	\$ 1,394,433	\$ 1,394,433	\$ -	\$ 1,728,000	\$ 333,567	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 1,394,433	\$ 1,394,433	\$ -	\$ 1,728,000	\$ 333,567	
Total Direct Expenses	\$ 5,080,485	\$ 5,080,485	\$ -	\$ 5,440,048	\$ 359,564	
Indirect Expenses	\$ 3,034,462	\$ 3,034,462	\$ -	\$ 3,064,686	\$ 30,225	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 8,114,946	\$ 8,114,946	\$ -	\$ 8,504,735	\$ 389,788	
Change in Assets	\$ (35,575)	\$ (35,575)	\$ -	\$ 63,410	\$ 98,985	
Fixed Assets						
Depreciation	\$ -	-	\$ -	\$ -	\$ -	
Computer & Software CapEx	108,000	108,000	-	122,000	14,000	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(143,575)	(143,575)	-	(58,590)	84,985	
Inc(Dec) in Fixed Assets (C)	(35,575)	(35,575)	-	63,410	98,985	
TOTAL BUDGET (=B+C)	\$ 8,079,371	\$ 8,079,371	\$ -	\$ 8,568,145	\$ 488,774	
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)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	5.83	5.83	0.00
Direct Expenses	\$1,888,972	\$1,958,577	\$69,605
Indirect Expenses	\$1,105,682	\$1,116,695	\$11,013
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$52,315)	(\$21,349)	\$30,967
Total Funding Requirement	\$2,942,339	\$3,053,923	\$111,585

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 inter-Regional studies to enhance reliability and operational effectiveness, and provides a forum for the discussion and coordination of operating issues within the NPCC Region and with other Regions.

2015 Key Assumptions

Support of identified key NERC Reliability Assessment and Performance Analysis (RAPA) projects;³⁸ 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*”, 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,*”
- System frequency response analysis; and,
- 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.

In support of NERC’s 2015 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 and identify and spotlight trends through assessments of the availability data systems and metrics (e.g., TADS, DADS, GADS, TADS, SED, etc.)
- 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.

In addition, NPCC supports:

- Development of NERC’s Reliability Assessment Data System (RADS),³⁹ for the reporting and validation of the NERC Reliability Assessment Subcommittee Seasonal and Long-Term Reliability Assessment data requirements.

³⁸ In support of ERO Goal 4.- Identify the most significant risks to reliability, be accountable for mitigating reliability risks, and promote a culture of reliability excellence

³⁹ In support of ERO Goal 5.c - The ERO internal risks are understood and managed; ERO processes are effective, efficient, and continuously improved.

- Evaluation of a common set of probabilistic reliability indices and probabilistic-based work products to supplement the NERC Long-Term Reliability Assessments;
- Coordination with event analysis, lesson learned ⁴⁰ and model validation activities. ⁴¹ Specialized contractors may be used to complete detailed analysis to support model data collection and validation;
- Support of NERC PMO IT deployments; ⁴² and,
- Provide support and technical input for related BES risks identified by the NERC Reliability Issues Steering Committee (RISC). ⁴³

Definition of the Bulk Electric System (BES) Definition ⁴⁴

Implementation of the Bulk Electric System (BES) definition and Exception Process as of the July 1, 2014 BES Effective Date is not expected to significantly impact resources requirements in this program area for 2015. NPCC's 2014 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. Based on the Commission approved BES Definition ⁴⁵ and the NPCC BES 2014 survey results, the 2015 RAPA personnel should be sufficient to process any NPCC BES Exception requests received in 2015.

NPCC will use the NERC PMO developed BESnet application and related BES reference and guidance documents to assist industry in the implementation of the BES definition approved by the Federal Energy Regulatory Commission. 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.

The procedure to request an exception from application of the BES definition is set forth in Appendix 5C to the NERC Rules of Procedure, effective July 1, 2014. The REMG formed the BES Exception Process Working Group (BEPWG) 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 2015, in order to provide a Regional forum for consistent Regional BES Exception request review and 'lessons learned.'

⁴⁰ In support of ERO Goal 4.b - Events and system performance are consistently analyzed for sequence, cause, and remediation to identify reliability risks and trends and lessons learned.

⁴¹ In support of ERO Goal 4.d - Reliability models and data accurately represent system behavior and are shared among stakeholders.

⁴² In support of ERO Goal 5.c - The ERO internal risks are understood and managed; ERO processes are effective, efficient, and continuously improved.

⁴³ In support of ERO Goal 4.a - Risks are identified and prioritized based on reliability impacts, cost and practicality of assessments, projected resources, and emerging issues.

⁴⁴ In support of ERO Goal 2.a - The ERO registers and deregisters entities commensurate with risk to the BES and ensures all key reliability entities are certified to have essential capabilities.

⁴⁵ FERC Order Accepting the Revised [BES] Definition at: <http://www.nerc.com/pa/RAPA/BES%20DL/2014-03-20%20BES%20-%20FERC%20Order%20Approving%20Revised%20Definition.pdf>

Eastern Interconnection Reliability Assessment Group⁴⁶

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 2015 Summer and 2015-2016 Winter Assessments, including, the MRSS (MRO-RFC-SERC-SPP) and the R-N (RFC-NPCC) 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.

Multi-Regional Modeling Working Group Items

- ✓ Complete the steady state and dynamic simulation base cases for the 2015 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;

⁴⁶ In support of ERO Goal 4.d - Reliability models and data accurately represent system behavior and are shared among stakeholders.

-
- ✓ Determine how the Regional MMWG case development processes will change due to the use of the new web-based System Dynamics Data Base program;
 - ✓ Verify procedures in the MMWG manual are followed;
 - ✓ 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 dynamics studies.

System Assessments Items

- ✓ Completion of 2015 Summer and 2015-2016 Winter Assessments, including, the MRSS and the R-N Assessments of anticipated inter-Regional, inter-Balancing Authority transfer limit conditions and sensitivities; and,
- ✓ Take additional steps to achieve consistency among the MRSS and the R-N study forums assessments and practices. Make additional recommendations to the ERAG Management Committee on how to complete this process.

NERC ⁴⁷

Through its Task Forces and Working Groups, 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);
 - Transmission Availability Data System (TADS);
 - Spare Equipment Data Base System (SEDS);
- ✓ Incorporating any probabilistic reliability metrics required for the 2015 NERC Long-Term Reliability Assessment through the NPCC 2015 Long Range Adequacy Overview;
- ✓ Providing analytic support to ERO-RAPA group for the:
 - Analysis of Relay and Special Protection System mis-operations;
 - Regional coordination of data required for the calculation of metrics proposed by the NERC Reliability Metrics Working Group; and,
 - Other activities as directed by the ERO-Executive Management Group.

⁴⁷ In support of ERO Goal 4 - Identify the most significant risks to reliability, be accountable for mitigating reliability risks, and promote a culture of reliability excellence.

As well as:

- ✓ Updating the NPCC Electric System Map; Producing the annual NPCC Load, Capacity, Energy, Fuels, and Transmission (LCEFT) Report
- ✓ 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;
- ✓ Processing BES Exception requests received through the 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, distributed generation, 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 2015 NERC Seasonal (and post Seasonal) Reliability Assessments; and,
- ✓ Completing the 2015 NERC Long-Term Reliability Assessment.

2015 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.
- 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 2015 and winter 2015-2016 NPCC multi-area probabilistic reliability evaluations.
- ✓ Overseeing the 2015 NPCC Long-Range Adequacy Overview.
- ✓ Evaluating and approving Balancing Authority Area Transmission Reviews.
- ✓ Coordinating, monitoring, reviewing, and making recommendations on the retirement of existing in-service Special Protection Systems (SPS); and the implementation of proposed new or modified Special Protection Systems.
- ✓ Review the NPCC SPS criteria with respect to proposed NERC SPS Standards.
- ✓ Monitoring industry practices and making recommendations to NPCC on transmission adequacy standards related to intermittent generation such as wind or solar-voltaic.
- ✓ Reviewing and giving direction to other task forces on changes required to the Underfrequency Load Shedding (UFLS) program required to take into account increasing amounts of distribution connected generation and/or intermittent generation.
- ✓ Evaluating and recommending approval of NPCC Balancing Authority Area Resource Adequacy Assessments.
- ✓ Monitoring the developments in demand resources, energy efficiency, distributed generation 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 and coordinating any resulting required inter-Area Reliability Assessment of the proposed integration related large-scale renewable resource proposals.
- ✓ Completion of the NERC 2015 Long-Term Reliability Assessment.
- ✓ Completion of the 2015 Review of NPCC Interconnection Assistance Reliability Benefits Study.
- ✓ Review NERC Events Analysis Lessons Learned for consideration in TFCP activities and processes.

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 regarding the use of dynamic load models for transient stability analysis.
- ✓ Perform the Overall NPCC Transmission Assessment.
- ✓ Reviewing and updating NPCC Undervoltage Load Shedding Database.
- ✓ 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 2015
 - ii. Final development of NPCC dynamic models for 2015
 - 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

- ✓ 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
- ✓ 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.
- ✓ Provide support to the NERC Model Validation Working Group (MVWG) as needed.
- ✓ Review NERC Events Analysis Lessons Learned for consideration in TFSS activities and processes.

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 (including special 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.
- ✓ Develop a new NPCC Directory for Disturbance Monitoring Equipment for related criteria, guides and procedures.
- ✓ 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 (including special protection system) mis-operations 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.
- ✓ Review NERC Events Analysis Lessons Learned for consideration in TFSP activities and processes.

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 inter-Regional 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:

- ✓ Review and analyze the performance of Simultaneous Activation of Reserve implementation following an event to enhance the process. 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.
- ✓ Review NPCC Reliability Coordinator Area Restoration Plans.
- ✓ Complete the NPCC 2015 summer and winter Operational Reliability Assessments.
- ✓ Completion of the NERC 2015 Seasonal Reliability Assessments.
- ✓ Review NERC Events Analysis Lessons Learned for consideration in TFCO activities and processes.
- ✓ Support the implementation of the NERC Cyber Standards, as required.

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 7/1/13 through 6/30/14 reduce U.S. LSE designee assessments for 2015.

Personnel Expenses

- NPCC anticipates no need to hire additional personnel in this program area in 2015.
- Salaries expense reflects implementation of recommendations of NPCC's Management Development and Compensation Committee, which were based on an independent compensation study.
- Benefits expense decreased due to more staff opting out of company sponsored health insurance for superior coverage through prior employer or spouse.
- Retirement expense decreased due to transition of employees formerly accruing benefits under the defined benefit plan to receiving defined contribution benefits in 2015.

Meeting and Travel Expenses

- While the amount of activity continues to increase in 2015, 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 conference calls and internet meetings, which are budgeted as a part of G&A and then allocated to the direct programs through indirect expenses, conducting meetings at the NPCC offices or member facilities, as well as negotiating lower meeting space rental rates.

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 2015 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2014 Budget & Projection, and 2015 Budget						
Reliability Assessment and Performance Analysis						
	2014	2014	Variance	2015	Variance	
	Budget	Projection	2014 Projection	Budget	2015 Budget	
			v 2014 Budget		v 2014 Budget	
			Over(Under)		Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 2,910,322	\$ 2,910,322	\$ -	\$ 2,995,121	\$ 84,799	
Penalty Sanctions	32,017	32,017	-	58,802	26,785	
Total ERO Funding	\$ 2,942,339	\$ 2,942,339	\$ -	\$ 3,053,923	\$ 111,585	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 2,942,339	\$ 2,942,339	\$ -	\$ 3,053,923	\$ 111,585	
Expenses						
Personnel Expenses						
Salaries	\$ 904,028	\$ 904,028	\$ -	\$ 937,098	\$ 33,070	
Payroll Taxes	60,329	60,329	-	61,387	1,058	
Benefits	226,225	226,225	-	196,252	(29,973)	
Retirement Costs	190,390	190,390	-	172,840	(17,550)	
Total Personnel Expenses	\$ 1,380,972	\$ 1,380,972	\$ -	\$ 1,367,577	\$ (13,395)	
Meeting Expenses						
Meetings	\$ 45,000	\$ 45,000	\$ -	\$ 41,000	\$ (4,000)	
Travel	175,000	175,000	-	185,000	10,000	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 220,000	\$ 220,000	\$ -	\$ 226,000	\$ 6,000	
Operating Expenses						
Consultants & Contracts	\$ 275,000	\$ 275,000	\$ -	\$ 365,000	\$ 90,000	
Office Rent	-	-	-	-	-	
Office Costs	13,000	13,000	-	-	(13,000)	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 288,000	\$ 288,000	\$ -	\$ 365,000	\$ 77,000	
Total Direct Expenses	\$ 1,888,972	\$ 1,888,972	\$ -	\$ 1,958,577	\$ 69,605	
Indirect Expenses	\$ 1,105,682	\$ 1,105,682	\$ -	\$ 1,116,695	\$ 11,013	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 2,994,654	\$ 2,994,654	\$ -	\$ 3,075,272	\$ 80,618	
Change in Assets	\$ (52,315)	\$ (52,315)	\$ -	\$ (21,349)	\$ 30,967	
Fixed Assets						
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(52,315)	(52,315)	-	(21,349)	30,967	
Inc(Dec) in Fixed Assets (C)	(52,315)	(52,315)	-	(21,349)	30,967	
TOTAL BUDGET (=B+C)	2,942,339	2,942,339	-	3,053,923	111,585	
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)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	0.10	0.10	0.00
Direct Expenses	\$177,787	\$180,222	\$2,434
Indirect Expenses	\$18,965	\$19,154	\$189
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$897)	(\$366)	\$531
Total Funding Requirement	\$195,855	\$199,010	\$3,154

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. This program also supports the administration of records necessary to maintain status as a NERC Continuing Education provider. NPCC staff training and development is incorporated within each respective program area.

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 Staff Training Group (STG). The main objective of the NERC STG 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 main 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 “table top exercises” pertaining to system operation practices. PJM operators also attend and participate in these seminars.
 - Seminar attendees also receive Continuing Education Hours (CEHs) and each Balancing Authority Area utilizes the seminar content by including it in their internal training programs to provide CEHs 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.⁴⁸
- Enhance the system operator’s awareness and knowledge of the standards, criteria and procedures they apply in real time operation.⁴⁹
- 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 Reliability Coordinator / Balancing Authority (RC / BA) Areas for sharing of approaches to meet the requirements of the NERC PER standards. The sharing of approaches used by some NPCC Areas to address the PER-005-1, Requirement 3.1 on Training using simulator technology has been especially valuable to CO-2 Working Group members.
- Determine what changes would be needed for the NPCC Reliability Coordinator / Balancing Authority Areas to meet proposed expanded Systematic Approach to Training (SAT) requirement for operations support staff in PER-005-2.

2015 Key Assumptions

NPCC will conduct two workshops in 2015, 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 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 expanding the use of on-

⁴⁸ In support of ERO goal 4.b. Provide lessons learned and recommendations from events and identified risks.

⁴⁹ In support of ERO goal 4.b. Analyze significant events to identify gaps in standards, compliance effectiveness, registration, and risk controls effectiveness.

line webinars. These webinars will focus on a specific topic pertinent to developments related to compliance program implementation, standards development or technical topics.

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 2015, 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.

2015 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 effects of the PER-005-2 expanded SAT training requirements within the NPCC RC / BA Area programs.
- Expand the content of the Reliability Coordinator training programs, based on the new requirements generated by PER-005-2.
- Continue collaboration and sharing of the intended RC / BA approaches, experiences and materials to task identification and training development associated with NERC Standard PER-005-2.
- Create and expand the restricted-access 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”.
- Participate in NERC Staff Training 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 7/1/13 through 6/30/14 reduce U.S. LSE designee assessments for 2015.

Personnel Expenses

- NPCC anticipates no need to hire additional personnel in this program area in 2015.
- Salaries expense reflects implementation of recommendations of NPCC's Management Development and Compensation Committee, which were based on an independent compensation study.
- Benefits expense decreased due to more staff opting out of company sponsored health insurance for superior coverage through prior employer or spouse.
- Retirement expense decreased due to transition of employees formerly accruing benefits under the defined benefit plan to receiving defined contribution benefits in 2015.

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 2015 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2014 Budget & Projection, and 2015 Budget						
Training, Education, and Operator Certification						
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 131,306	\$ 131,306	\$ -	\$ 134,001	\$ 2,695	
Penalty Sanctions	549	549	-	1,009	459	
Total ERO Funding	\$ 131,855	\$ 131,855	\$ -	\$ 135,010	\$ 3,154	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	64,000	64,000	-	64,000	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 195,855	\$ 195,855	\$ -	\$ 199,010	\$ 3,154	
Expenses						
Personnel Expenses						
Salaries	\$ 17,448	\$ 17,448	\$ -	\$ 18,460	\$ 1,012	
Payroll Taxes	1,063	1,063	-	1,274	211	
Benefits	4,500	4,500	-	4,052	(448)	
Retirement Costs	4,776	4,776	-	4,436	(341)	
Total Personnel Expenses	\$ 27,787	\$ 27,787	\$ -	\$ 28,222	\$ 434	
Meeting Expenses						
Meetings	\$ 135,000	\$ 135,000	\$ -	\$ 137,000	\$ 2,000	
Travel	15,000	15,000	-	15,000	-	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 150,000	\$ 150,000	\$ -	\$ 152,000	\$ 2,000	
Operating Expenses						
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Direct Expenses	\$ 177,787	\$ 177,787	\$ -	\$ 180,222	\$ 2,434	
Indirect Expenses	\$ 18,965	\$ 18,965	\$ -	\$ 19,154	\$ 189	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 196,753	\$ 196,753	\$ -	\$ 199,376	\$ 2,623	
Change in Assets	\$ (897)	\$ (897)	\$ -	\$ (366)	\$ 531	
Fixed Assets						
Depreciation	\$ -	-	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(897)	(897)	-	(366)	531	
Inc(Dec) in Fixed Assets (C)	(897)	(897)	-	(366)	531	
TOTAL BUDGET (=B+C)	195,855	195,855	-	199,010	3,154	
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)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Direct Expenses	\$922,070	\$937,689	\$15,619
Indirect Expenses	\$568,962	\$574,629	\$5,667
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$26,920)	(\$10,986)	\$15,935
Total Funding Requirement	\$1,464,111	\$1,501,332	\$37,221

Program Scope and Functional Description

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

Event Analysis Program⁵⁰

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.

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;

⁵⁰ In support of ERO Goal 4.b. Events and system performance are consistently analyzed for sequence, cause, and remediation to identify reliability risks and trends and lessons learned.

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

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

To complete this effort, the entity, the Region and NERC staff 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 Process⁵¹

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.

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.

⁵¹ In support of ERO Goal 4.c. ERO supports industry situational awareness and cybersecurity preparedness and provides independent reliability information to policy makers.

Operational Status⁵²

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 Power Corporation, 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 NERC Situational Awareness-FERC, NERC, Regions (SAFNR) initiative, a near real-time operating display for the United States portion of the Reliability Coordinators footprints of North America. Transmission voltage

⁵² In support of ERO Goal 4.c. ERO supports industry situational awareness and cybersecurity preparedness and provides independent reliability information to policy makers.

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 2015 critical infrastructure goals and objectives, as identified by the 2014-2015 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 (CIPIS), NERC Alerts and Canadian Information Sharing and share information with CO-8⁵³
- Coordinate Cyber Protection activities, discussions and hold workshops as may be required to maintain Cyber Security of BES Cyber Assets.⁵⁴
- Provide continued support and participation in NERC’s Critical Infrastructure Protection Committee (CIPC)⁵⁵
- 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 membership⁵⁶.
- Regarding the Cross Border Emergency Telecommunications recommendation
 - Continue to annually report to RCC on this testing

⁵³ In support of ERO Goal 5.b. Issue and track security recommendations to protect the bulk power system (related to 5.a.ii.)

⁵⁴ In support of 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

⁵⁵ In support of 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)

⁵⁶ In support of ERO Goal 5.b. Expand the use and value of security threat and vulnerability information sharing, analytics, and analysis

- 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 inter-Regional pre-emergency actions in the event of a threat to the security of the Northeastern North American bulk power supply system⁵⁷
- Assisting in the development of real time operating tools assuring cyber security concerns are addressed⁵⁸

NPCC's 2015 operational situation awareness goals and objectives, as identified by the 2014-2015 Work Plan of the NPCC Task Force on Coordination of Operation (TFCO) include, but are not confined to:

- Continue to monitor the reliable implementation of version 5 of the Cyber Standards.⁵⁹
- Work directly with applicable NPCC Task Forces to provide an in depth assessment of Lessons Learned unique to the NPCC members and NPCC criteria.

2015 Key Assumptions

- The monitoring of Lessons Learned will be a major focus of NERC in 2015.
- Critical infrastructure protection will fully integrate the requirements of version 5 of the Cyber Standards in 2015.

2015 Goals and Key Deliverables

- Continue to monitor the reliable implementation of version 5 of the Cyber Standards.
- Work directly with applicable NPCC Task Forces to provide an in depth assessment of Lessons Learned unique to the NPCC members and NPCC criteria.
- Establish a unique NPCC Event Analysis web site to post NPCC Lessons Learned.
- 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.⁶⁰

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 10 percent of its resources on this activity.

⁵⁷ In support of ERO Goal 5.b. Issue and track security recommendations to protect the bulk power system (related to 5.a.ii.)

⁵⁸ In support of 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)

⁵⁹ In support of 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)

⁶⁰ In support of 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 7/1/13 through 6/30/14 reduce U.S. LSE designee assessments for 2015.

Personnel Expenses

- NPCC anticipates no need to hire additional personnel in this program area in 2015.
- Salaries expense reflects implementation of recommendations of NPCC's Management Development and Compensation Committee, which were based on an independent compensation study.
- Benefits expense decreased due to more staff opting out of company sponsored health insurance for superior coverage through prior employer or spouse.
- Retirement expense decreased due to transition of employees formerly accruing benefits under the defined benefit plan to receiving defined contribution benefits in 2015.

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.
- Consultants and contracts expense increase in support of NPCC's efforts to assess and improve system frequency and generator governor response.

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 2015 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2014 Budget & Projection, and 2015 Budget						
Situation Awareness and Infrastructure Security						
	2014	2014	Variance	2015	Variance	
	Budget	Projection	2014 Projection	Budget	2015 Budget	
			v 2014 Budget		v 2014 Budget	
			Over(Under)		Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 1,447,636	\$ 1,447,636	\$ -	\$ 1,471,074	\$ 23,438	
Penalty Sanctions	16,475	16,475	-	30,258	13,783	
Total ERO Funding	\$ 1,464,111	\$ 1,464,111	\$ -	\$ 1,501,332	\$ 37,221	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 1,464,111	\$ 1,464,111	\$ -	\$ 1,501,332	\$ 37,221	
Expenses						
Personnel Expenses						
Salaries	\$ 522,672	\$ 522,672	\$ -	\$ 541,258	\$ 18,586	
Payroll Taxes	32,961	32,961	-	32,811	(150)	
Benefits	88,851	88,851	-	80,801	(8,049)	
Retirement Costs	117,586	117,586	-	107,819	(9,767)	
Total Personnel Expenses	\$ 762,070	\$ 762,070	\$ -	\$ 762,689	\$ 619	
Meeting Expenses						
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 15,000	\$ (10,000)	
Travel	60,000	60,000	-	60,000	-	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 85,000	\$ 85,000	\$ -	\$ 75,000	\$ (10,000)	
Operating Expenses						
Consultants & Contracts	\$ 75,000	\$ 75,000	\$ -	\$ 100,000	\$ 25,000	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 75,000	\$ 75,000	\$ -	\$ 100,000	\$ 25,000	
Total Direct Expenses	\$ 922,070	\$ 922,070	\$ -	\$ 937,689	\$ 15,619	
Indirect Expenses	\$ 568,962	\$ 568,962	\$ -	\$ 574,629	\$ 5,667	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 1,491,031	\$ 1,491,031	\$ -	\$ 1,512,318	\$ 21,286	
Change in Assets	\$ (26,920)	\$ (26,920)	\$ -	\$ (10,986)	\$ 15,935	
Fixed Assets						
Depreciation	\$ -	-	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(26,920)	(26,920)	-	(10,986)	15,935	
Inc(Dec) in Fixed Assets (C)	(26,920)	(26,920)	-	(10,986)	15,935	
TOTAL BUDGET (=B+C)	1,464,111	1,464,111	-	1,501,332	37,221	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ (0)	\$ -	\$ (0)	\$ (0)	

Administrative Services

Administrative Services Program Resources			
(in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	9.00	9.00	0.00
Total Direct Expenses	\$5,689,616	\$5,746,287	\$56,671
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	(\$5,283,757)	(\$5,336,385)	(\$52,629)
Total Allocation to Criteria Services Division Programs as Indirect Expenses	(\$405,859)	(\$409,902)	(\$4,043)
Funding Requirement for Working Capital and Operating Reserves	(\$300,126)	(\$355,161)	(\$55,035)

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.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Personnel Expenses

- NPCC anticipates no need to hire additional personnel in this program area in 2015.
- Salaries expense reflect implementation of recommendations of NPCC's Management Development and Compensation Committee, which were based on an independent compensation study.
- Benefits expense decreased due to more staff opting out of company sponsored health insurance for superior coverage through prior employer or spouse.
- Retirement expense decreased due to transition of employees formerly accruing benefits under the defined benefit plan to receiving defined contribution benefits in 2015.

Administrative Services

Funding sources and related expenses for the Administrative Services section of the 2015 business plan are shown in the table below.

Statement of Activities and Capital Expenditures						
2014 Budget & Projection, and 2015 Budget						
ADMINISTRATIVE SERVICES						
	2014 Budget	2014 Projection	Variance 2014 Projection v 2014 Budget Over(Under)	2015 Budget	Variance 2015 Budget v 2014 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ (300,126)	\$ (300,126)	\$ -	\$ (355,161)	\$ (55,035)	
Penalty Sanctions	-	-	-	-	-	
Total ERO Funding	\$ (300,126)	\$ (300,126)	\$ -	\$ (355,161)	\$ (55,035)	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ (300,126)	\$ (300,126)	\$ -	\$ (355,161)	\$ (55,035)	
Expenses						
Personnel Expenses						
Salaries	\$ 1,676,735	\$ 1,676,735	\$ -	\$ 1,769,318	\$ 92,583	
Payroll Taxes	96,083	96,083	-	97,804	1,722	
Benefits	442,256	442,256	-	402,307	(39,949)	
Retirement Costs	425,270	425,270	-	435,638	10,368	
Total Personnel Expenses	\$ 2,640,344	\$ 2,640,344	\$ -	\$ 2,705,068	\$ 64,724	
Meeting Expenses						
Meetings	\$ 110,000	\$ 110,000	\$ -	\$ 120,000	\$ 10,000	
Travel	155,000	155,000	-	155,000	-	
Conference Calls	77,000	77,000	-	45,000	(32,000)	
Total Meeting Expenses	\$ 342,000	\$ 342,000	\$ -	\$ 320,000	\$ (22,000)	
Operating Expenses						
Consultants & Contracts	\$ 150,000	\$ 150,000	\$ -	\$ 124,000	\$ (26,000)	
Office Rent	737,272	737,272	-	751,500	14,228	
Office Costs	523,500	523,500	-	578,700	55,200	
Professional Services	966,500	966,500	-	1,025,000	58,500	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	80,000	80,000	-	40,000	(40,000)	
Depreciation	250,000	250,000	-	202,019	(47,981)	
Total Operating Expenses	\$ 2,707,272	\$ 2,707,272	\$ -	\$ 2,721,219	\$ 13,947	
Total Direct Expenses	\$ 5,689,616	\$ 5,689,616	\$ -	\$ 5,746,287	\$ 56,671	
Indirect Expenses	\$ (5,689,616)	\$ (5,689,616)	\$ -	\$ (5,746,287)	\$ (56,671)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ -	\$ -	\$ -	\$ (0)	\$ (0)	
Change in Assets	\$ (300,126)	\$ (300,126)	\$ -	\$ (355,161)	\$ (55,035)	
Fixed Assets						
Depreciation	(250,000)	(250,000)	\$ -	(202,019)	\$ 47,981	
Computer & Software CapEx	-	-	-	100,000	100,000	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	250,000	250,000	-	102,019	(147,981)	
Inc(Dec) in Fixed Assets (C)	-	-	-	-	-	
TOTAL BUDGET (=B+C)	-	-	-	(0)	(0)	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (300,126)	\$ (300,126)	\$ -	\$ (355,161)	\$ (55,035)	

Technical Committees and Member Forums

Technical Committees and Members Forum Program Resources			
<small>(in whole dollars)</small>			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	0.00
Total Direct Expenses	\$75,711	\$73,779	(\$1,932)
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.

2015 Key Assumptions

- NPCC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2015
- 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 2015
- NPCC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability

2015 Goals and Key Deliverables

The 2015 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.

2015 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 2015 NPCC Reliability Assessment

- Participation in NERC Regional communication initiatives:
 - Regional communications teleconferences as required
 - Coordination of Emergency or Blackout communications plans
 - Coordination with other NERC activities as required (i.e., situation awareness, event analysis, reliability assessments, etc.)

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)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	2.50	2.50	0.00
Total Direct Expenses	\$3,293,356	\$3,209,290	(\$84,066)
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$0	\$0	\$0
Working Capital Requirement	(\$300,126)	(\$355,161)	(\$55,035)

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)

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

Legal and Regulatory

Legal and Regulatory Program Resources			
(in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	\$621,004	\$628,183	\$7,179
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 a wide range of legal and regulatory matters including legislation, corporate law, code of conduct, confidentiality, governance, employment law, tax matters, contract law and other areas affecting NPCC. Regulatory counsel provides legal advice to advance significant corporate policy and strategic planning initiatives and also provides legal support to other program areas on matters arising in connection with the performance of NPCC's delegated functions. Regulatory counsel drafts agreements and pleadings and provides interpretations of relevant statutes, regulations, court opinions, and regulatory decisions of FERC, state agencies and provincial authorities. Outside counsel, as necessary, reviews items filed with the governmental agencies for legal sufficiency, maintains relationships with U.S. and Canadian jurisdictions and provides contract review.

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)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Total Direct Expenses	\$1,037,624	\$1,111,674	\$74,050
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.

2015 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.⁶¹
 - 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.⁶²
- Support the Bulk Electric System Exception Process "BEP" to enable and facilitate tracking and processing of exceptions submitted.⁶³ Maintenance of the BESNET support services such as updates, patching, coordinating issues with NERC.
- Support Cyber Security Reviews done by compliance to provide advisory role during those reviews.

⁶¹ ERO Goal 7.b. Develop test and deploy ERO enterprise applications, platform and database

⁶² 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)

⁶³ ERO Goal 2.a. Develop and implement BES exception process.

2015 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:

- 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
- 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

Human Resources

Human Resources Program Resources			
(in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	\$178,931	\$183,817	\$4,886
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.

An enhanced employee time tracking system was implemented in 2013 based on FERC audit recommendations. Employee time tracking and reporting is also handled by the human resources program area.

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)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	1.00	1.00	0.00
Total Direct Expenses	\$482,991	\$494,544	\$11,554
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.

2015 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 2013 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 apportions X% of the costs for the program, attributed to CORC Fundamentals (CF), between the BAAs in the United States and Canada on a NEL basis (Column B-2).

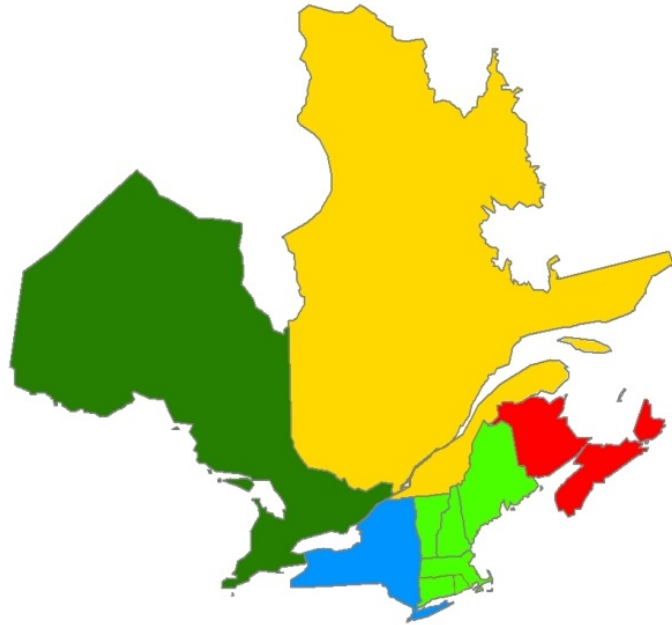
Audits and Investigations (AI) related costs, representing X% of the costs of the compliance program, are allocated between U.S. and Canadian BAAs in NPCC, and among the Canadian provinces, using an audit-based methodology (Columns C-2a., C-2c., and D-2b., respectively). The audit-based methodology incorporates relative costs based on categories of compliance audits which are reflective of their size and complexity, as well as the differing compliance program implementation models that are utilized in NPCC due to the international nature of the Regional Entity. The portion allocated to the U.S. BAAs in NPCC is calculated using the audit-based methodology, and this amount is then re-allocated between the New York and New England BAAs based on their relative NEL (Columns C-2b. and D-2a.).

The remaining X% of the costs of the compliance program represent Mitigation and Enforcement (ME) related costs and are allocated between U.S. and Canadian BAAs in NPCC, and among the Canadian provinces, using an enforcement activity based methodology, (Columns E-2a., E-2c., and F-2b., respectively). Based on historical data, NPCC reviewed each BAAs percentage of violations, mitigation plans and settlement agreements to determine each BAAs total average percentage of enforcement activities. The portion allocated to the U.S. BAAs in NPCC is calculated using the enforcement activity based methodology, and this amount is then re-allocated between the New York and New England BAAs based on their relative NEL (Columns E-2b. and F-2a.).

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

Finally, the total RE division funding requirements and assessments by BAA are tabulated and the total funding requirements and assessments for NPCC, both the RE and CS divisions, are combined (Column M).

Section B – Supplemental Financial Information 2015 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1 – Reserve Balance

Working Capital and Operating Reserve Analysis 2014-2015			
REGIONAL ENTITY DIVISION			
	Total Reserve	Operating Reserve	Working Capital
Beginning Total Reserve, December 31, 2013	5,245,194	4,013,698	1,231,496
Plus: 2014 ERO Funding (from LSEs or designees)	13,611,880	13,611,880	0
Plus: 2014 Other funding sources	217,000	217,000	0
Less: 2014 Projected expenses & capital expenditures	(14,129,006)	(14,129,006)	0
Projected Total Reserve, December 31, 2014	4,945,068	3,713,572	1,231,496
Desired Total Reserve, December 31, 2015 ¹	4,589,907	3,358,411 ²	1,231,496 ³
31.06% of Total Regional Entity Budget of \$14,778,539			
Less: Projected Working Capital and Operating Reserve, December 31, 2014	(4,945,068)	(3,713,572)	(1,231,496)
Increase(decrease) in assessments to achieve desired Total Reserve	(355,161)	(355,161)	0
2015 Expenses and Capital Expenditures	14,778,539		
Less: Penalty Sanctions ⁴	(281,000)		
Less: Other Funding Sources	(64,000)		
Adjustment to achieve desired Total Reserve balance	(355,161)		
2015 Assessment	14,078,378		

¹ Total Reserve within a range of 16.67% - 33.33% of Budget.

² Operating Reserve within a range from 8.33% to 25.00% of Budget. \$3,358,411 represents 22.72% of the 2015 budget of \$14,778,539

³ Working Capital equal to 8.33% of Budget. \$1,231,496 represents 8.33% of the 2015 budget of \$14,778,539

⁴ Represents collections prior to June 30, 2014.

Explanation of Changes in Reserve Policy from Prior Year

On October 29, 2013 NPCC's Board of Directors approved management's proposed Working Capital and Operating Reserve Policy. The policy calls for a range between 8.33% (30 days) and 25.00% (90 days) rather than the specific required level of Operating Reserves of 8.33%. This range will allow for more stability in Assessments. The Working Capital required balance remains unchanged at 8.33% (30 days).

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Regional Entity division Statement of Activities on page 13 of the 2015 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, 2014 are to be used to offset assessments in the 2015 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, 2014 through June 30, 2015 will be used to offset U.S. load serving entity designee assessments in the 2016 Budget.

All penalties received prior to June 30, 2014 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, 2014	Date Received	Amount Received
Penalty Payment 1	7/5/2013	\$ 50,000.00
Penalty Payment 2	7/5/2013	\$ 10,000.00
Penalty Payment 3	7/5/2013	\$ 30,000.00
Penalty Payment 4	7/5/2013	\$ 25,000.00
Penalty Payment 5	9/4/2013	\$ 7,000.00
Penalty Payment 6	10/16/2013	\$ 25,000.00
Penalty Payment 7	11/1/2013	\$ 5,000.00
Penalty Payment 8	1/8/2014	\$ 25,000.00
Penalty Payment 9	3/6/2014	\$ 14,000.00
Penalty Payment 10	4/30/2014	\$ 90,000.00
Total Penalties Received		\$ 281,000.00

Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program (excluding ERO Assessments & Penalty Sanctions)	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
	\$ -	\$ -	\$ -	\$ -
	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
	\$ -	\$ -	\$ -	\$ -
	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	\$ 64,000	\$ 64,000	\$ 64,000	\$ -
Total	\$ 64,000	\$ 64,000	\$ 64,000	\$ -
Situation Awareness and Infrastructure Security				
	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Technical Committees and Member Forums				
	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Administrative Services Programs				
	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ 64,000	\$ 64,000	\$ 64,000	\$ -

Explanation of Significant Variances –2015 Budget versus 2014 Budget

- NPCC assumed no interest income because of continuing low market interest rates.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Salaries					
Salary	\$ 5,886,227	\$ 5,886,227	\$ 6,175,425	\$ 289,198	4.9%
Employment Agency Fees	\$ 15,000	\$ 15,000	\$ 10,000	\$ (5,000)	-33.3%
Temporary Office Services	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.0%
Total Salaries	\$ 5,911,227	\$ 5,911,227	\$ 6,195,425	\$ 284,198	4.8%
Total Payroll Taxes	\$ 384,311	\$ 384,311	\$ 387,209	\$ 2,898	0.8%
Benefits					
Education Reimbursement	\$ -	\$ -	\$ 10,000	\$ 10,000	-
Training and Seminars	\$ 36,123	\$ 36,123	\$ 36,123	\$ -	0.0%
Medical Insurance	\$ 915,306	\$ 915,306	\$ 720,337	\$ (194,969)	-21.3%
Life-LTD-STD Insurance	\$ 63,552	\$ 63,552	\$ 64,366	\$ 815	1.3%
Worker's Compensation	\$ 14,700	\$ 14,700	\$ 14,700	\$ -	0.0%
Vacation	\$ 400,580	\$ 400,580	\$ 410,868	\$ 10,288	2.6%
Relocation	\$ -	\$ -	\$ -	\$ -	-
Total Benefits	\$ 1,430,261	\$ 1,430,261	\$ 1,256,395	\$ (173,866)	-12.2%
Retirement					
Pension Contribution	\$ 590,892	\$ 590,892	\$ 353,723	\$ (237,169)	-40.1%
Employee Savings Plan	\$ 478,469	\$ 478,469	\$ 644,290	\$ 165,821	34.7%
Savings Admin	\$ 32,000	\$ 32,000	\$ 32,000	\$ -	0.0%
Deferred Compensation	\$ 23,000	\$ 23,000	\$ 60,000	\$ 37,000	160.9%
Total Retirement	\$ 1,124,361	\$ 1,124,361	\$ 1,090,013	\$ (34,348)	-3.1%
Total Personnel Costs	\$ 8,850,160	\$ 8,850,160	\$ 8,929,041	\$ 78,881	0.9%
FTEs	36.86	36.86	36.86	-	0.0%
Cost per FTE					
Salaries	\$ 160,370	\$ 160,370	\$ 168,080	\$ 7,710	4.8%
Payroll Taxes	\$ 10,426	\$ 10,426	\$ 10,505	\$ 79	0.8%
Benefits	\$ 38,803	\$ 38,803	\$ 34,086	\$ (4,717)	-12.2%
Retirement	\$ 30,504	\$ 30,504	\$ 29,572	\$ (932)	-3.1%
Total Cost per FTE	\$ 240,102	\$ 240,102	\$ 242,242	\$ 2,140	0.9%

Explanation of Significant Variances –2015 Budget versus 2014 Budget

- The increase in Salaries reflects an overall general wage increase of 3%, at risk (variable incentives) compensation at less than 100% of program levels, and implementation of recommendations of NPCC's Management Development and Compensation Committee, which were based on an independent compensation study.
- Benefits expense decreased due to more staff opting out of company sponsored health insurance for superior coverage through prior employer or spouse.
- Pension contribution decreased while employee savings plan increased due to transition of employees formerly accruing benefits under the defined benefit plan to receiving defined contribution benefits in 2015.
- The decrease in Employment Agency Fee is due to no planned staff additions in 2015. Agencies would be used only to fill positions vacated during the year.
- A 2% vacancy factor is assumed based on historical vacancy trends.

Table B-5 – Consultants and Contracts

Consultants	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Compliance Enforcement and Organization Registration and Certification	\$ 10,000	\$ 10,000	\$ 15,000	\$ 5,000	50.0%
Reliability Assessment and Performance Analysis	\$ -	\$ -	\$ -	\$ -	-
Training and Education	\$ -	\$ -	\$ -	\$ -	-
Situation Awareness and Infrastructure Security	\$ -	\$ -	\$ -	\$ -	-
Member Forums	\$ -	\$ -	\$ -	\$ -	-
General and Administrative	\$ 50,000	\$ 50,000	\$ 35,000	\$ (15,000)	-30.0%
Legal and Regulatory	\$ -	\$ -	\$ -	\$ -	-
Information Technology	\$ -	\$ -	\$ -	\$ -	-
Human Resources	\$ -	\$ -	\$ -	\$ -	-
Accounting and Finance	\$ -	\$ -	\$ -	\$ -	-
Consultants Total	\$ 60,000	\$ 60,000	\$ 50,000	\$ (10,000)	-16.7%
Contracts	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Reliability Standards	\$ 30,000	\$ 30,000	\$ 25,000	\$ (5,000)	-16.7%
Compliance Enforcement and Organization Registration and Certification	\$ 1,384,433	\$ 1,384,433	\$ 1,713,000	\$ 328,567	23.7%
Reliability Assessment and Performance Analysis	\$ 275,000	\$ 275,000	\$ 365,000	\$ 90,000	32.7%
Training and Education	\$ -	\$ -	\$ -	\$ -	-
Situation Awareness and Infrastructure Security	\$ 75,000	\$ 75,000	\$ 100,000	\$ 25,000	33.3%
Member Forums	\$ -	\$ -	\$ -	\$ -	-
General and Administrative	\$ 90,000	\$ 90,000	\$ 82,000	\$ (8,000)	-8.9%
Legal and Regulatory	\$ -	\$ -	\$ -	\$ -	-
Information Technology	\$ -	\$ -	\$ -	\$ -	-
Human Resources	\$ -	\$ -	\$ -	\$ -	-
Accounting and Finance	\$ 10,000	\$ 10,000	\$ 7,000	\$ (3,000)	-30.0%
Contracts Total	\$ 1,864,433	\$ 1,864,433	\$ 2,292,000	\$ 427,567	22.9%
Total Consultants and Contracts	\$ 1,924,433	\$ 1,924,433	\$ 2,342,000	\$ 417,567	21.7%

Explanation of Significant Variances –2015 Budget versus 2014 Budget

- Compliance Enforcement and Organization Registration and Certification consultant and contractor costs increased due to increased workload related to the initial implementation of the RAI, incorporating Risk Assessment and Internal Control assessment. Without this one time ramp up in RAI endeavors for 2015, contractor costs would have remained relatively flat. These joint ERO Enterprise initiatives are intended to benefit the registered entities, Regional Entities and NERC. 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.
- Reliability Assessment and Performance Analysis contracts expense increase is related to implementation of the revised BES definition.

Table B-6 – Office Rent

Office Rent	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Office Rent	\$ 654,772	\$ 654,772	\$ 645,000	\$ (9,772)	-1.5%
Utilities	\$ 35,000	\$ 35,000	\$ 40,000	\$ 5,000	14.3%
Maintenance	\$ 15,000	\$ 15,000	\$ 22,000	\$ 7,000	46.7%
Security	\$ 2,500	\$ 2,500	\$ 2,500	\$ -	0.0%
Real Estate Taxes	\$ 30,000	\$ 30,000	\$ 42,000	\$ 12,000	40.0%
Total Office Rent	\$ 737,273	\$ 737,273	\$ 751,501	\$ 14,228	1.9%

Table B-7 – Office Costs

Office Costs	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Telephone	\$ 110,000	\$ 110,000	\$ 110,000	\$ -	0.0%
Internet Expense	\$ 80,000	\$ 80,000	\$ 80,000	\$ -	0.0%
Office Supplies	\$ 35,000	\$ 35,000	\$ 36,000	\$ 1,000	2.9%
Computer Supplies and Maintenance	\$ 213,000	\$ 213,000	\$ 260,000	\$ 47,000	22.1%
Subscriptions & Publications	\$ 13,000	\$ 13,000	\$ 13,500	\$ 500	3.8%
Dues	\$ 4,000	\$ 4,000	\$ 4,000	\$ -	0.0%
Postage	\$ 1,500	\$ 1,500	\$ 1,200	\$ (300)	-20.0%
Express Shipping	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.0%
Copying	\$ 25,000	\$ 25,000	\$ 25,000	\$ -	0.0%
Reports	\$ -	\$ -	\$ 5,000	\$ 5,000	-
Stationary and Office Forms	\$ 5,000	\$ 5,000	\$ 3,000	\$ (2,000)	-40.0%
Equipment Repair/Service Contracts	\$ 10,000	\$ 10,000	\$ 8,000	\$ (2,000)	-20.0%
Bank Charges	\$ 30,000	\$ 30,000	\$ 23,000	\$ (7,000)	-23.3%
Sales and Use Tax	\$ -	\$ -	\$ -	\$ -	-
Merchant Credit Card Fees	\$ -	\$ -	\$ -	\$ -	-
Presentation and Publicity	\$ -	\$ -	\$ -	\$ -	-
Total Office Costs	\$ 536,500	\$ 536,499	\$ 578,700	\$ 42,200	7.9%

Explanation of Significant Variances –2015 Budget versus 2014 Budget

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

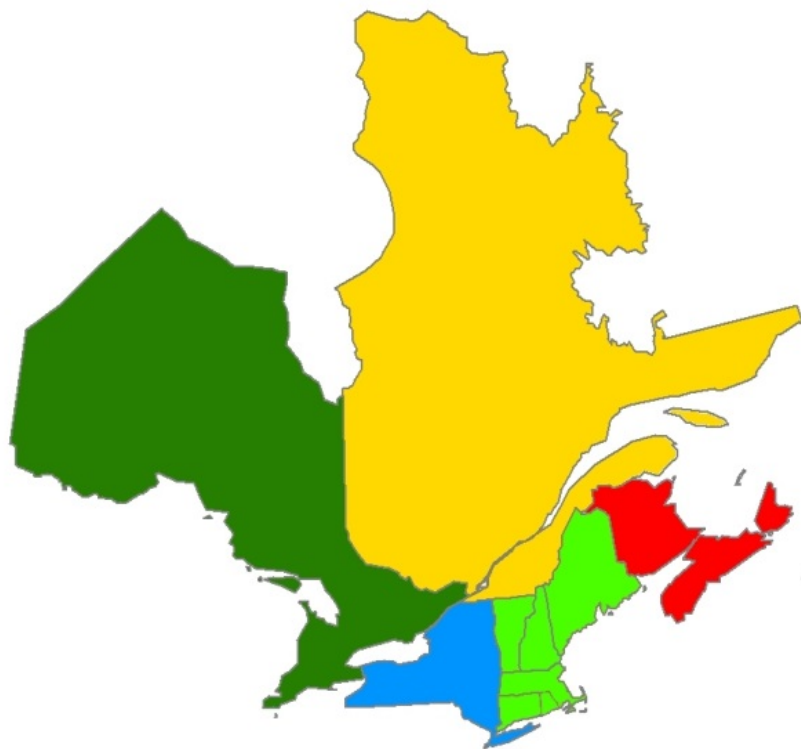
Table B-8 - Professional Services

Professional Services	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
BOT Fee	\$ 280,000	\$ 280,000	\$ 325,000	\$ 45,000	16.1%
BOT Search Fee	\$ -	\$ -	\$ -	\$ -	-
Legal - Reorganization	\$ -	\$ -	\$ -	\$ -	-
Accounting & Auditing Fees	\$ 300,000	\$ 300,000	\$ 310,000	\$ 10,000	3.3%
Legal Fees - Other	\$ 350,000	\$ 350,000	\$ 350,000	\$ -	0.0%
Insurance - Commercial	\$ 36,500	\$ 36,500	\$ 40,000	\$ 3,500	9.6%
Total Services	\$ 966,500	\$ 966,501	\$ 1,025,000	\$ 58,500	6.1%

Table B-9 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2014	Projection 2014	Budget 2015	Variance 2015 Budget v 2014 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Office Relocation	\$ -	\$ -	\$ -	\$ -	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Section C – Criteria Services Division Activities 2015 Business Plan and Budget



Section C —2014 Criteria Services Division Business Plan and Budget

Criteria Services Division			
(in whole dollars)			
	2014 Budget	2015 Budget	Increase (Decrease)
Total FTEs	2.14	2.14	0.00
Total Direct Expenses	\$683,240	\$729,550	\$46,310
Total Indirect Expenses	\$405,859	\$409,902	\$4,043
Other Non-Operating Expenses	\$0	\$0	\$0
Working Capital and Operating Reserves Requirement	(\$75,391)	(\$94,220)	(\$18,829)
Inc(Dec) in Fixed Assets	(\$24,000)	(\$10,011)	\$13,989
Funding Requirement	\$989,708	\$1,035,221	\$45,513

NPCC Regionally-Specific Criteria Services Background

NPCC Criteria Services division activities are based on 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. These criteria require continual evaluation to ensure they are “not inconsistent with” any NERC reliability standards.

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

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 2015 Assumptions and Cost Impacts

The Criteria Services division services are expected to remain stable throughout 2015 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.

2015 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 duplicative with, the approved and effective NERC Standards.
- The criteria services division and CCEP Working Group (reporting to the Compliance Committee) will work with the various Task Forces to develop Criteria Compliance Reporting Forms for 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, TFCEP, 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) as well as the State of New York Public Service Commission
- Facilitate any requested interpretations for NPCC Criteria with the necessary subject matter experts and identify potential opportunities for clarifications of the Criteria.

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 revision of the directories is underway to transition 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 2015, 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. NPCC will continue to rely on contractors for subject matter expertise on an as-needed basis throughout 2015. The amount of Regional documents being converted into Directories and the maintenance of the Directories require subject matter expert input. In addition, 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, concise and measurable. Also a standards template will be applied to the existing Directories to make them more consistent with the look of the standards. As NERC standards improve, the need for NPCC Directories and amount of criteria contained therein will gradually decrease over time however in the interim, significant review is necessary to ensure the criteria remain “not inconsistent with” the NERC standards as outlined in the NERC Rules of Procedure.

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 – 2015 Budget versus 2014 Budget

Personnel Expenses

- Salaries expense reflects implementation of recommendations of NPCC's Management Development and Compensation Committee, which were based on an independent compensation study.

2014 Budget and Projection and 2015 Budget Comparisons

Statement of Activities						
2014 Budget & Projection, and 2015 Budget						
CRITERIA SERVICES DIVISION						
				Variance		Variance
	2014	2014	2014 Projection	v 2014 Budget	2015	2015 Budget
	Budget	Projection	v 2014 Budget	Over(Under)	Budget	v 2014 Budget
						Over(Under)
Funding						
ERO Funding						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-	-
Total ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	989,708	989,708	-	-	760,033	(229,675)
Testing Fees	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Funding (A)	\$ 989,708	\$ 989,708	\$ -	\$ -	\$ 760,033	\$ (229,675)
Expenses						
Personnel Expenses						
Salaries	\$ 312,166	\$ 312,166	\$ -	\$ -	\$ 369,319	\$ 57,153
Payroll Taxes	21,536	21,536	-	-	22,681	1,145
Benefits	64,153	64,153	-	-	76,900	12,747
Retirement Costs	129,818	129,818	-	-	145,639	15,821
Total Personnel Expenses	\$ 527,674	\$ 527,674	\$ -	\$ -	\$ 614,539	\$ 86,866
Meeting Expenses						
Meetings	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ 10,000	\$ -
Travel	63,000	63,000	-	-	63,000	-
Conference Calls	-	-	-	-	-	-
Total Meeting Expenses	\$ 73,000	\$ 73,000	\$ -	\$ -	\$ 73,000	\$ -
Operating Expenses						
Consultants & Contracts	\$ 55,000	\$ 55,000	\$ -	\$ -	\$ 30,000	\$ (25,000)
Office Rent	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-
Computer & Equipment Leases	-	-	-	-	-	-
Miscellaneous	3,567	3,567	-	-	2,000	(1,567)
Depreciation	24,000	24,000	-	-	10,011	(13,989)
Total Operating Expenses	\$ 82,567	\$ 82,567	\$ -	\$ -	\$ 42,011	\$ (40,556)
Total Direct Expenses	\$ 683,240	\$ 683,240	\$ -	\$ -	\$ 729,550	\$ 46,310
Indirect Expenses	\$ 405,859	\$ -	\$ -	\$ -	\$ 409,902	\$ 4,043
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,089,100	\$ 1,089,100	\$ -	\$ -	\$ 1,139,452	\$ 50,353
Change in Assets	\$ (99,391)	\$ (99,391)	\$ -	\$ -	\$ (379,419)	\$ (280,027)
Fixed Assets						
Depreciation	\$ (24,000)	(24,000)	\$ -	\$ -	(10,011)	\$ 13,989
Computer & Software CapEx	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	(24,000)	(24,000)	-	-	(10,011)	13,989
TOTAL BUDGET (=B+C)	1,065,100	1,065,100	-	-	1,129,441	64,342
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (75,391)	\$ (75,391)	\$ -	\$ -	\$ (369,408)	\$ (294,016)

Personnel Analysis

Total FTE's by Program Area	Budget 2014	Projection 2014	Direct FTEs 2015 Budget	Shared FTEs ¹ 2015 Budget	Total FTEs 2015 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.

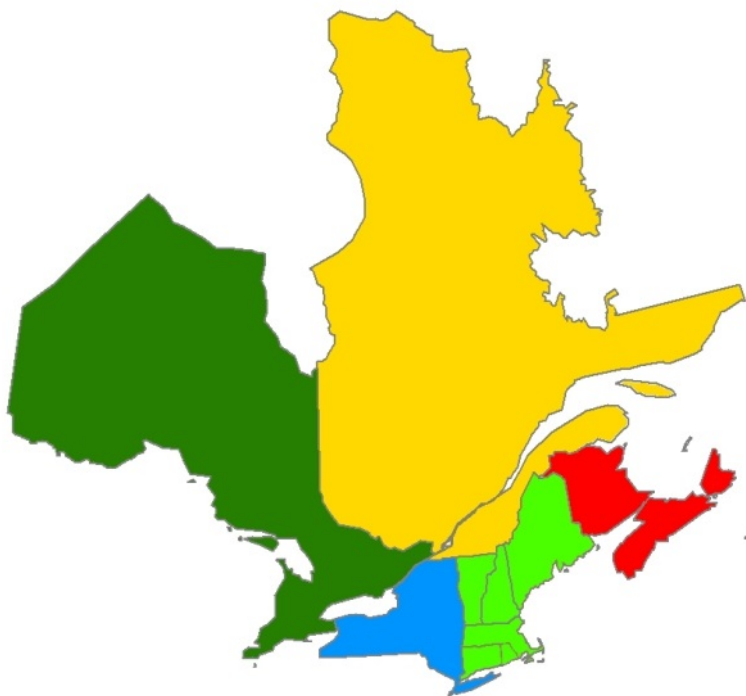
Reserve Analysis 2014-2015

Working Capital and Operating Reserve Analysis 2014-2015			
CRITERIA SERVICES DIVISION			
	Total Reserve	Operating Reserve	Working Capital
Beginning Working Capital and Operating Reserves, December 31, 2013	816,612	727,857	88,755
2014 Non-Statutory Funding (from members)	989,708	989,708	0
2014 Other funding sources	0	0	0
Less: 2014 Projected expenses & fixed asset additions	(1,065,100)	(1,065,100)	0
Projected Working Capital, December 31, 2014	741,220	652,465	88,755
Desired Working Capital and Operating Reserve, December 31, 2015	647,000	552,884	94,116
Less: Projected Working Capital Reserve Balance December 31, 2014	(741,220)	(652,465)	(88,755)
Increase(decrease) in assessments to achieve desired Total Reserve	(94,220)	(99,581)	5,361
2015 Funding requirement for expenses and fixed asset additions	1,129,441		
Adjustment to achieve desired Working Capital and Operating Reserve balance	(94,220)		
2015 Funding and reserve requirement	1,035,221		

Explanation of Changes in Reserve Policy from Prior Year

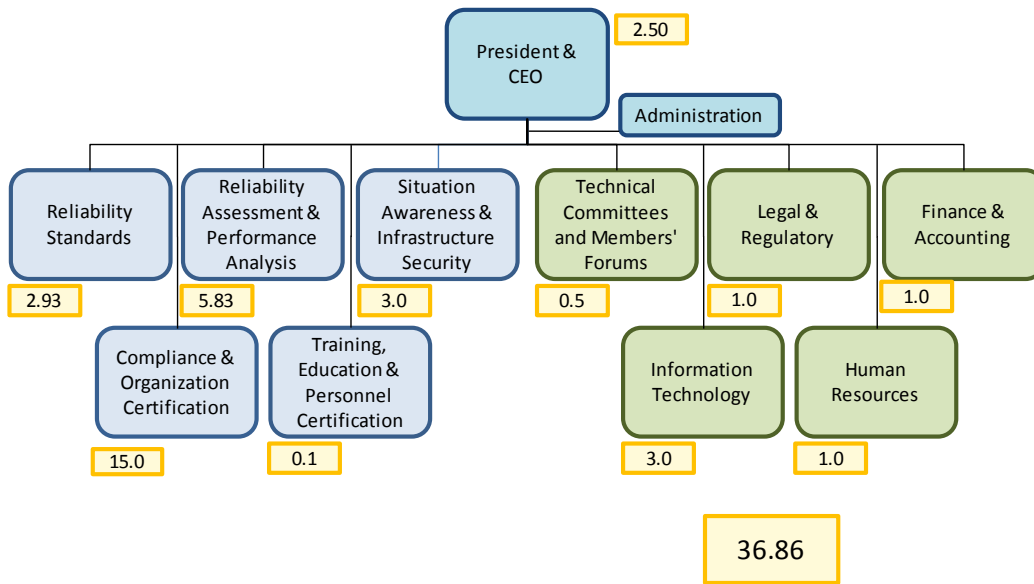
On October 29, 2013 NPCC's Board of Directors approved management's proposed Working Capital and Operating Reserve Policy. The policy calls for a range between 8.33% (30 days) and 25.00% (90 days) rather than the specific required level of Operating Reserves of 8.33%. This range will allow for more stability in Assessments. The Working Capital required balance remains unchanged at 8.33% (30 days).

Section D – Additional Consolidated Financial
Statements
2015 Business Plan and Budget

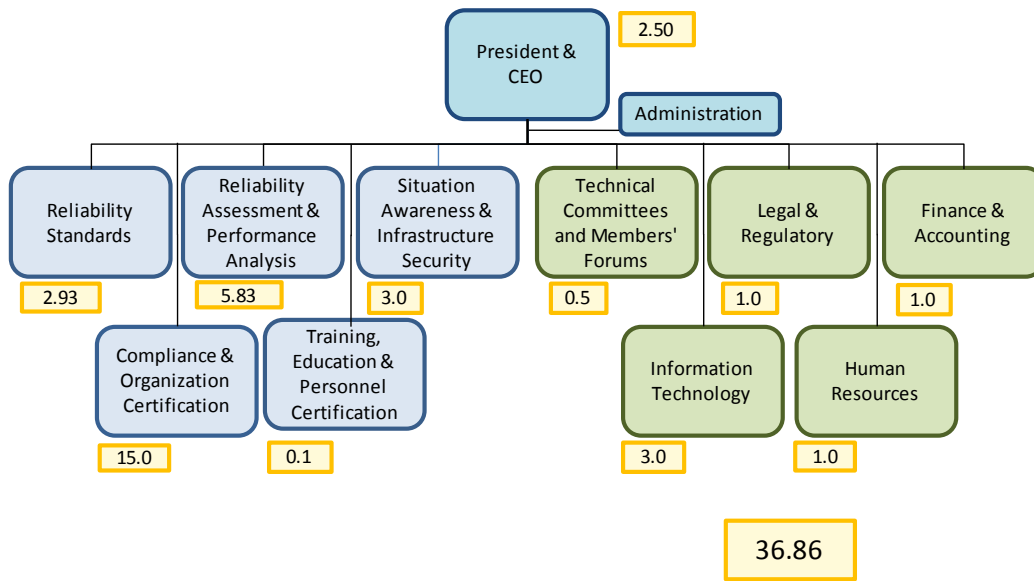


Section D — Additional Financial Statements

2014 Budget Staff Allocations - RE Division

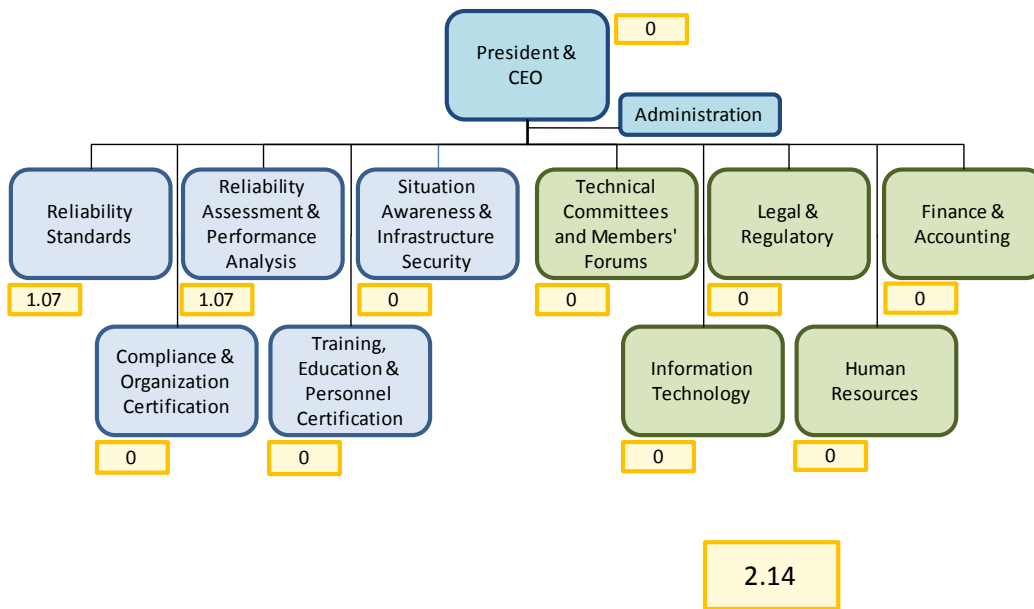


2015 Budget Staff Allocations - RE Division



Section D — Additional Financial Statements

2014 Budget Staff Allocations - CS Division



2015 Budget Staff Allocations - CS Division

