

NERC 2016 Business Plan and Budget – Draft #2 Overview

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RELIABILITY | ACCOUNTABILITY



- Transformation to risk-based methods
- Changing nature of reliability
- Changing nature of the grid
- Grid security
- Compliance, enforcement, and registration oversight
- Software applications supporting NERC and ERO Enterprise operations
- Information Technology security and disaster recovery
- Employee development and training
- Efficiency, resource allocation and cost control

- Personnel Costs and Assumptions
 - Updated personnel allocations and costs, but FTEs remain approximately the same as Draft #1 and 2015
- Incorporated Proposed 2016 CRISP budget
 - Finalized discussions with PNNL, reduction of \$1.8M in contractor costs
 - Increased allocation of personnel cost to support CRISP
 - Minor increases to IT and other expenses related to CRISP
- Minor adjustments to IT, travel, and training costs
- Received additional penalty funds after Draft #1
 - Used to increase operating contingency reserve to \$2.5M with no assessment impact
 - Provides cushion to fund potential future ES-ISAC resources needs

- Total NERC
 - Budget increase of 0.8% (*reduction of 2.3% from previous draft*)
 - Assessment increase of 3.2% (*reduction of 0.2% from previous draft*)

- NERC – without CRISP
 - Budget increase of 3.3% (*approximates the 3-year average*)
 - Assessment increase of 2.8% (*below 3-year average*)

- CRISP
 - Significant reduction in budgeted costs
 - Increase in NERC assessment allocation primarily due to personnel reallocation

- Capital Budget
 - Mostly IT projects, remains consistent with Draft #1
- Contracts & Consultants
 - Primary change since Draft #1 is reduction in CRISP subcontractor costs
- Operating Expenses
 - NERC budget with CRISP reflects reduction of 3.7% vs 2015 budget primarily due to CRISP budget decrease
 - NERC budget without CRISP reflects an increase of 5.7% vs 2015 budget, no material changes since Draft #1
- Personnel Expenses
 - Updates since Draft #1, ~4% increase over 2015
 - No material increase in FTEs (+0.2 including CRISP, -0.7 without CRISP)

- Future Obligation Reserve \$3.2M
- Operating Contingency Reserve \$2.5M
- Assessment Stabilization Reserve \$2.3M
 - \$3.7M in penalties available for initial funding
 - \$1.4M used to off-set assessments for 2016
- CRISP Reserve - \$516k*
 - Funded by participants, could change based on final negotiations
- System Operator Certification Reserve - \$390k

	2015	2015	Variance	2016	2015 vs 2016 Budget	
	BUDGET	PROJECTION	Over (Under)	BUDGET	Over (Under)	%
					\$	%
FUNDING						
NERC Assessments	\$ 55,308,375	\$ 55,308,375	\$ -	\$ 57,081,445	\$ 1,773,070	3.2%
Penalties	1,155,000	1,155,000	-	1,439,000	284,000	
CRISP Funding	8,943,589	7,233,140	(1,710,449)	6,830,738	(2,112,851)	
Other Revenues / Fees	1,964,300	1,961,339	(2,961)	2,150,972	186,672	
TOTAL FUNDING	\$ 67,371,264	\$ 65,657,854	\$ (1,713,410)	\$ 67,502,155	\$ 130,891	0.2%
EXPENSES						
Personnel	35,803,312	35,758,363	(44,949)	37,283,807	1,480,495	
Meeting	3,566,146	3,662,334	96,188	3,620,286	54,140	
Operating	25,863,357	25,165,141	(698,216)	24,903,515	(959,843)	
Non-Operating	131,000	70,206	(60,794)	110,000	(21,000)	
TOTAL EXPENSES (B)	\$ 65,363,815	\$ 64,656,044	\$ (707,771)	\$ 65,917,608	\$ 553,793	0.8%
FIXED ASSETS						
Depreciation	\$ (2,333,006)	\$ (2,438,614)	(105,608)	\$ (2,641,943)	\$ (308,936)	
Computer, Software, Equip	3,618,500	4,243,500	625,000	3,911,000	292,500	
Leasehold Improvements	-	566,361	566,361	-	-	
NET FIXED ASSETS (C)	1,285,494	2,385,857	1,100,364	1,269,057	(16,436)	-1.3%
TOTAL BUDGET (B + C)	\$ 66,649,309	\$ 67,041,901	\$ 392,592	\$ 67,186,665	\$ 537,357	0.8%
FTEs	192.30	192.03	(0.3)	192.47	0.2	0.1%

			2015 vs 2016 Budget	
	2015 BUDGET	2016 BUDGET	Over (Under)	
			\$	%
Funding				
NERC Assessments	\$ 54,447,437	\$ 55,972,805	\$ 1,525,367	2.8%
Penalties	1,138,446	1,405,428	266,982	
Other Revenues / Fees	1,964,258	2,150,904	186,646	
Total Funding (A)	\$ 57,550,141	\$ 59,529,136	\$ 1,978,995	3.4%
Expenses				
Personnel	\$ 35,344,061	\$ 36,542,135	\$ 1,198,074	
Meeting	3,516,146	3,550,831	34,685	
Operating	17,542,302	18,535,644	993,342	
Indirect Expenses	(368,803)	(650,917)	(282,114)	
Other Non-Operating Expenses	131,000	110,000	(21,000)	
Total Expenses (B)	\$ 56,164,707	\$ 58,087,694	\$ 1,922,987	3.4%
Fixed Assets				
Depreciation	\$ (2,333,006)	\$ (2,641,943)	\$ (308,936)	
Computer & Software CapEx	3,153,500	2,347,000	(806,500)	
Equipment CapEx	365,000	1,464,000	1,099,000	
Allocation of Fixed Assets	(22,014)	\$ (43,105)	(21,091)	
Net Fixed Assets (C)	\$ 1,163,479	\$ 1,125,952	\$ (37,527)	
Total Budget (B + C)	\$ 57,328,186	\$ 59,213,646	\$ 1,885,460	3.3%
FTEs	190.42	189.71	(0.71)	-0.4%

	2015		2016		2015 vs 2016 Budget	
	BUDGET	#	BUDGET		Over (Under)	
					\$	%
Funding						
NERC Assessments	\$ 860,938		\$ 1,108,641		\$ 247,703	28.8%
Penalties	16,554		33,572		17,018	
CRISP Funding	8,943,589		6,830,738		(2,112,851)	
Other Revenues / Fees	42		68		26	
Total Funding (A)	\$ 9,821,123		\$ 7,973,019		\$ (1,848,104)	-18.8%
Expenses						
Personnel	\$ 459,251		\$ 741,671		\$ 282,421	
Meeting	50,000		69,455		19,455	
Operating	8,321,055		6,367,871		(1,953,184)	
Indirect Expenses	368,803		650,917		282,114	
Total Expenses (B)	\$ 9,199,108		\$ 7,829,914		\$ (1,369,195)	-14.9%
Fixed Assets						
Computer & Software CapEx	\$ 100,000		\$ 100,000		\$ -	
Allocation of Fixed Assets	22,014		43,105		21,091	
Net Fixed Assets (C)	\$ 122,014		\$ 143,105		\$ 21,091	
Total Budget (B + C)	\$ 9,321,123		\$ 7,973,019		\$ (1,348,104)	-14.5%
FTEs		1.88		2.76		0.88 47.0%

Canadian Credits and Total Canadian Assessments

	Credits 2016	Credits 2015	\$ Change	% Change
AESO	\$ 282,237	\$ 249,682	\$ 32,555	13.0%
IESO	629,417	552,797	76,620	13.9%
New Brunswick	62,901	58,008	4,893	8.4%
Quebec	676,536	625,439	51,097	8.2%
	Assessments 2016	Assessments 2015	\$ Change	% Change
AESO	\$ 526,349	\$ 511,339	\$ 15,010	2.9%
IESO	1,173,912	1,215,106	(41,194)	-3.4%
New Brunswick	117,079	118,912	(1,833)	-1.5%
Quebec	1,765,383	1,757,802	7,581	0.4%
Nova Scotia	145,541	144,412	1,129	0.8%
Manitoba Hydro	323,583	308,347	15,236	4.9%
SaskPower	310,311	292,856	17,455	6.0%
British Columbia Hydro	785,247	762,637	22,610	3.0%
Total Canada	\$ 5,147,404	\$ 5,111,411	\$ 35,993	0.7%

Amounts are preliminary and based on 2014 NEL data.

- Total NERC Assessment Increase \$1,773,070 (3.2%)
 - U.S. Increase \$1,727,470 (3.5%)
 - Canada Increase \$35,993 (0.7%)
 - Mexico Increase \$9,607 (6.4%)

- July 22 – NERC FAC conference call/webinar for management review of final NERC and Regional Entity BP&Bs and assessments
- August 12 – NERC FAC meeting to recommend approval of final NERC and Regional Entity BP&Bs and assessments
- August 13 – NERC Board meeting to approve final NERC and Regional Entity BP&Bs and assessments
- August 24 – Submit NERC and Regional Entity BP&Bs and assessments to FERC for approval, with subsequent filings with Canadian authorities



Questions and Answers