

August 24, 2015

VIA ELECTRONIC FILING

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: North American Electric Reliability Corporation
Docket No. RR15-____-000
Request for Acceptance of 2016 Business Plans and Budgets of NERC and
Regional Entities and for Approval of Proposed Assessments to Fund Budgets**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits this filing in accordance with 18 C.F.R. §39.4, requesting acceptance of the 2016 Business Plans and Budgets of NERC, the eight Regional Entities and the Western Interconnection Regional Advisory Body, and approval of the proposed assessments to fund the 2016 budgets.

NERC's filing consists of: (1) this transmittal letter, (2) the narrative text of this filing which follows this transmittal letter, and (3) Attachments 1 through 16, all of which are being transmitted in a single pdf file. Pages ii and iii in the Table of Contents to the narrative text list the 16 attachments.

Please contact the undersigned if you have any questions concerning this filing.

Respectfully submitted,

/s/ Owen E. MacBride
Owen E. MacBride

Attorney for North American Electric
Reliability Corporation

UNITED STATES OF AMERICA
Before the
FEDERAL ENERGY REGULATORY COMMISSION

NORTH AMERICAN ELECTRIC)
RELIABILITY CORPORATION) **Docket No. RR15-__-000**
)

REQUEST OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
FOR ACCEPTANCE OF ITS 2016 BUSINESS PLAN AND BUDGET AND
THE 2016 BUSINESS PLANS AND BUDGETS OF REGIONAL ENTITIES
AND FOR APPROVAL OF PROPOSED ASSESSMENTS TO FUND BUDGETS

Gerald W. Cauley
President and Chief Executive Officer
Michael Walker
Senior Vice President and Chief
Financial and Administrative Officer
North American Electric Reliability
Corporation
3353 Peachtree Road
Suite 600, North Tower
Atlanta, GA 30326
(404) 446-2560
(404) 446-9765 – facsimile

Charles A. Berardesco
Senior Vice President and General Counsel
North American Electric Reliability Corporation
1325 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 400-3000
(202) 644-8099 – facsimile
charles.berardesco@nerc.net

Owen E. MacBride
Schiff Hardin LLP
233 South Wacker Drive, Suite 6600
Chicago, IL 60606
(312) 258-5680
(312) 258-5700 – facsimile
omacbride@schiffhardin.com

August 24, 2015

I.	INTRODUCTION	1
II.	NOTICES AND COMMUNICATIONS.....	3
III.	OVERVIEW OF PROPOSED BUDGETS AND FUNDING REQUIREMENTS.....	3
A.	NERC’s Proposed Business Plan, Budget and Funding Requirement.....	3
1.	Organization of NERC’s 2016 Business Plan and Budget.....	3
2.	Development of the 2016 Business Plans and Budgets.....	15
3.	Summary of NERC’s Proposed 2016 Budget and Funding Requirement.....	19
B.	Regional Entity Proposed 2016 Business Plans and Budgets.....	24
C.	Western Interconnection Regional Advisory Board Funding Request.....	30
D.	Allocation of Statutory Assessments by Country, Regional Footprint and LSE.....	32
E.	Provision for Working Capital Reserve.....	36
F.	Budget Projections for 2017 and 2018.....	39
IV.	DISCUSSION OF NERC BUSINESS PLAN AND BUDGET.....	40
A.	2016 Business Plans and Budgets by Program.....	40
1.	Reliability Standards Program.....	42
2.	Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	44
a.	Reliability Assurance.....	44
i.	Compliance Assurance.....	44
ii.	Compliance Analysis and Registration and Certification.....	47
b.	Compliance Enforcement.....	48
3.	Reliability Assessment and Performance Analysis Program.....	50
4.	Reliability Risk Management.....	54
a.	Situation Awareness.....	54
b.	Event Analysis.....	56
5.	Electricity Sector Information Sharing and Analysis Center.....	58
6.	Training, Education, and Operator Certification Program.....	61
7.	Administrative Services.....	64
B.	Working Capital and Operating Reserves.....	71

C.	Capital Expenditures Financing Plan.....	73
D.	Proposed Addition of Penalty Sanction Collections to the Assessment Stabilization Reserve.....	74
V.	REGIONAL ENTITY BUSINESS PLANS AND BUDGETS	75
A.	Consistency Among Regional Entity Budgets.....	75
B.	Discussion of Individual Regional Entity Business Plans and Budgets....	80
1.	FRCC.....	80
2.	MRO.....	82
3.	NPCC.....	84
4.	ReliabilityFirst.....	87
5.	SERC.....	90
6.	SPP RE.....	92
7.	Texas RE.....	95
8.	WECC.....	98
C.	Metrics Related to Regional Entity Budgets.....	102
D.	Peak Reliability Business Plan and Budget.....	104
VI.	CONCLUSION.....	104

ATTACHMENTS

Attachment 1: Summary tables showing NERC’s proposed 2016 budget; the proposed 2016 budget for statutory activities of each Regional Entity; and the 2016 U.S. ERO statutory assessments of NERC and the Regional Entities.

Attachment 2: NERC’s Proposed 2016 Business Plan and Budget

Attachment 3: Florida Reliability Coordinating Council Proposed 2016 Business Plan and Budget

Attachment 4: Midwest Reliability Organization Proposed 2016 Business Plan and Budget

Attachment 5: Northeast Power Coordinating Council, Inc. Proposed 2016 Business Plan and Budget

Attachment 6: ReliabilityFirst Corporation Proposed 2016 Business Plan and Budget

Attachment 7: SERC Reliability Corporation Proposed 2016 Business Plan and Budget

Attachment 8: Southwest Power Pool Regional Entity Proposed 2016 Business Plan and Budget

Attachment 9: Texas Reliability Entity Proposed 2016 Business Plan and Budget

Attachment 10: Western Electricity Coordinating Council Proposed 2016 Business Plan and Budget

Attachment 11: Western Interconnection Regional Advisory Body Proposed 2016 Business Plan and Budget

Attachment 12: Discussion of Comments Received During Development of NERC's 2016 Business Plan and Budget.

Attachment 13: Calculation of Adjustments to the AESO 2016 NERC Assessment, the IESO 2016 NERC Assessment, the New Brunswick 2016 Assessment and the Québec 2016 NERC Assessment.

Attachment 14: Metrics Comparing Regional Entity Operations Based on the 2016 Budgets

Attachment 15: Metrics on NERC and Regional Entity Administrative (Indirect) Costs Based on the 2015 and 2016 Budgets

Attachment 16: Board of Trustees Remuneration Review – July 2015

I. INTRODUCTION

In accordance with 18 C.F.R. §39.4, the North American Electric Reliability Corporation (NERC) submits for the Commission's acceptance and approval:

- (1) NERC's proposed Business Plan and Budget as the electric reliability organization (ERO), for the year ending December 31, 2016;
- (2) the proposed Business Plans and Budgets for the year ending December 31, 2016, for the eight Regional Entities: (i) Florida Reliability Coordinating Council (FRCC), (ii) Midwest Reliability Organization (MRO), (iii) Northeast Power Coordinating Council, Inc. (NPCC), (iv) ReliabilityFirst Corporation, (v) SERC Reliability Corporation (SERC), (vi) Southwest Power Pool Regional Entity (SPP RE), (vii) Texas Reliability Entity (Texas RE), and (viii) Western Electricity Coordinating Council (WECC);
- (3) the proposed budget of the Western Interconnection Regional Advisory Body (WIRAB) for activities under §215(j) of the Federal Power Act (FPA) for the year ending December 31, 2016; and
- (4) NERC's proposed allocation of the proposed ERO statutory assessment of NERC, the Regional Entities, and WIRAB by country and among the Regional footprints, and the proposed assessments to the load-serving entities (LSE) within each Region to collect the allocated statutory funding requirements.

This filing includes the following attachments:

Attachment 1 is a set of summary tables showing (i) NERC's proposed 2016 budget by program, (ii) the proposed 2016 budget for statutory activities of each Regional Entity, and (iii) the aggregate ERO statutory assessment of NERC and the Regional Entities allocated to the U.S., for which approval is requested.

Attachment 2 contains NERC's detailed 2016 Business Plan and Budget and the allocation of assessments by Region and LSE to recover the resulting statutory funding requirements for 2016 (as well as the assessments to recover the statutory funding requirements of the Regional Entities and WIRAB).

Attachments 3 through 11 contain the detailed 2016 Business Plans and Budgets of, respectively, FRCC, MRO, NPCC, ReliabilityFirst, SERC, SPP RE, Texas RE, WECC, and WIRAB.

Attachment 12 describes how comments submitted by interested entities on posted drafts of NERC's 2016 Business Plan and Budget during the budgeting process were addressed in developing the final 2016 Business Plan and Budget.

Attachment 13 contains the calculation of the adjustment to the Alberta Electric System Operator (AESO) 2016 NERC assessment, the adjustment to the Ontario Independent Electric System Operator (IESO) 2016 NERC assessment, the adjustment to the New

Brunswick 2016 NERC assessment, and the adjustment to the Québec 2016 NERC assessment, for credits for certain NERC Compliance Program and Event Analysis and Situation Awareness Program costs.

Attachment 14 provides metrics, based on the 2016 budgets, comparing Regional Entity operations.

Attachment 15 contains metrics, based on the 2015 and 2016 budgets, on NERC and Regional Entity administrative (indirect) costs.

Attachment 16 is the summary report on Board of Trustee Remuneration, dated July 2015, prepared for NERC by the Towers Watson consulting firm.¹

The Commission's regulations require the ERO to file its proposed entire annual budget for statutory and non-statutory activities with the Commission 130 days before the beginning of the ERO's fiscal year. NERC's 2016 fiscal year will begin January 1, 2016. The filing must also contain the entire annual budget of each Regional Entity for statutory and non-statutory activities and include supporting materials, including the ERO's and each Regional Entity's complete business plan and organization chart, and explanation of the proposed collection of all dues, fees and charges and the proposed expenditure of funds collected. 18 C.F.R. §39.4(b). The information required by 18 C.F.R. §39.4(b) is included in this filing. In accordance with 18 C.F.R. §39.4(c), NERC requests issuance of an order by November 2, 2015, accepting the proposed Business Plans and Budgets and approving the assessments submitted in this filing.²

¹ **Attachment 16** is provided with this Business Plan and Budget filing in accordance with Paragraph 12(a) of the Settlement Agreement for the Commission's 2011 financial performance audit of NERC.

²18 C.F.R. §39.4(c) states: "The Commission, after public notice and opportunity for hearing, shall issue an order either accepting, rejecting, remanding or modifying the proposed Electric Reliability Organization budget and business plan no later than sixty (60) days in advance of the beginning of the Electric Reliability Organization's fiscal year." For reference, NERC notes that the Commission conditionally approved NERC's budget and funding requirement and the budgets and funding requirements of the Regional Entities and WIRAB for 2007 through 2015 in the following orders: (i) 2007: *North American Electric Reliability Corp.*, 117 FERC ¶ 61,091 (2006), *order on reh'g and establishing technical conference*, 118 FERC ¶ 61,111, *order on reh'g*, 119 FERC ¶ 61,059 (2007); (ii) 2008: *North American Electric Reliability Corp.*, 121 FERC ¶ 61,057 (2007); (iii) 2009: *North American Electric Reliability Corp.*, 125 FERC ¶ 61,056 (2008) and *North American Electric Reliability Corp.*, 128 FERC ¶ 61,025 (2009) (*July 16, 2009 Budget Compliance Order*); (iv) 2010: *North American Electric Reliability Corp.*, 129 FERC ¶ 61,040 (2009); (v) 2011: *North American Electric Reliability Corp.*, 133 FERC ¶ 61,062 (2010); (vi) 2012: *North American Electric Reliability Corp.*, 137 FERC ¶ 61,071 (2011);

Entry of the Commission's order by November 2, 2015 will enable billings to be issued to the LSEs or their designees for assessments with initial payment dates commencing on or about January 1, 2016, to support the activities of NERC, the Regional Entities, and WIRAB.

II. NOTICES AND COMMUNICATIONS

Notices and communications concerning this filing may be addressed to:

Gerald W. Cauley
President and Chief Executive Officer
Michael Walker
Senior Vice President and Chief
Financial and Administrative Officer
North American Electric Reliability
Corporation
3353 Peachtree Road
Suite 600, North Tower
Atlanta, GA 30326
(404) 446-2560
(404) 446-9765 – facsimile

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

Charles A. Berardesco*
Senior Vice President and General Counsel
North American Electric Reliability Corporation
1325 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 400-3000
(202) 644-8099 – facsimile
charles.berardesco@nerc.net

Owen E. MacBride*
Schiff Hardin LLP
233 South Wacker Drive, Suite 6600
Chicago, IL 60606
(312) 258-5680
(312) 258-5700 – facsimile
omacbride@schiffhardin.com

III. OVERVIEW OF PROPOSED BUDGETS AND FUNDING REQUIREMENTS

A. NERC's Proposed Business Plan, Budget and Funding Requirement

1. Organization of NERC's 2016 Business Plan and Budget

In this filing NERC seeks acceptance of its 2016 Business Plan and Budget. NERC's 2016 Business Plan and Budget is organized based on its statutory program areas:

- Reliability Standards
- Compliance Monitoring and Enforcement and Organization Registration and Certification; this program is comprised of three departments:

2013: *North American Electric Reliability Corp.*, 141 FERC ¶ 61,086 (2012); 2014: *North American Electric Reliability Corp.* 145 FERC 61,097 (2013) (*2014 Budget Order*); 2015: *North American Electric Reliability Corp.*, 149 FERC ¶ 61,028 (2014).

- Compliance Assurance
- Compliance Analysis and Certification and Registration
- Compliance Enforcement
- Reliability Assessment and Performance Analysis (RAPA)
- Reliability Risk Management; this program is comprised of two departments:
 - Situation Awareness Department
 - Event Analysis Department
- Electricity Sector Information Sharing and Analysis Center (ES-ISAC)
- Training, Education, and Operator Certification

Each of these program areas carries out or supports implementation of one or more of the statutory activities of the ERO as specified in §215 of the FPA and the Commission’s regulations and orders.³ Detailed explanations of the functions and activities performed by each of these programs is provided in the individual subsections of Section A of **Attachment 2** where the detailed plans, objectives and activities for each program or group in 2016, and its 2016 budget, are discussed.

NERC’s statutory, or “direct,” programs are supported by its Administrative Services, or “indirect,” programs: Technical Committees and Member Forums,⁴ General and Administrative, Legal and Regulatory, Information Technology (IT), Human Resources (HR), and Finance and Accounting. The functions and activities of each Administrative Services program are described in the individual sections on each indirect program, and in Exhibit B, to **Attachment 2**.

³ Exhibit B to the 2016 Business Plan and Budget (**Attachment 2**) describes how the major activities in the 2016 Business Plan and Budget meet the Commission-approved criteria for determining whether a reliability activity is eligible to be funded under FPA §215. The Commission approved the FPA §215 criteria (with modifications to the criteria originally proposed by NERC) in *North American Electric Reliability Corporation, Order on Compliance*, 143 FERC ¶ 61,052 (2013) (*FPA §215 Criteria Order*).

⁴ No activities are planned and no budget is requested for Technical Committees and Member Forums.

In its 2016 Business Plan and Budget, NERC has continued to provide a high level of granularity in the presentation of its planned activities and budgeted expenditures:

- Individual budgets and the related supporting information are presented for a total of nine statutory programs or departments.
- As was done in the 2013, 2014 and 2015 Business Plans and Budgets, in Section A of its 2016 Business Plan and Budget (**Attachment 2**), NERC has provided a discussion of each program's or department's current activities and its 2016 goals and deliverables, as well as additional detail concerning the Consultants & Contracts expenses budgeted (if any) for the program or department.
- Also as was done in the 2013, 2014 and 2015 Business Plans and Budgets, in Exhibit C of the 2016 Business Plan and Budget (**Attachment 2**), NERC has provided detailed information on the activities and projects within each of the statutory programs and groups and Administrative Services departments for which Consultants & Contracts expense is budgeted.
- In Exhibit D of the 2016 Business Plan and Budget (**Attachment 2**), NERC has provided information on its capital financing program through which NERC is financing the development cost of certain software applications and hardware projects and amortizing the recovery of the principal and interest payments through its budgets and assessments over several years, rather than including the entire cost of the projects in the current year assessments.
- In Exhibit E of the 2016 Business Plan and Budget, NERC provides a discussion of its working capital and operating reserves requirements, in accordance with its Working Capital and Operating Reserve Policy that was adopted in 2012 and amended in 2013 and, most recently, in 2015.⁵ This discussion includes explanation of the proposed use of the Assessment Stabilization Reserve to reduce the proposed 2016 assessments to LSEs below the levels that would otherwise be required to support 2106 activities (this proposal is also discussed in §IV.D, below).
- In the General and Administrative section of its 2016 Business Plan and Budget (**Attachment 2**), NERC has separately identified the amounts budgeted for Board of Trustee compensation and expenses (costs of quarterly Board and Board committee meetings, Trustee Travel expenses, Trustee fees, and Trustee search fees). *See* page 71 of **Attachment 2**.⁶

⁵*See North American Electric Reliability Corporation, Order Conditionally Accepting Revisions to Working Capital and Operating Reserve Policy*, 151 FERC ¶ 61,225 (2015).

⁶ This presentation addresses agreed Recommendations 4 (with Board of Trustees meetings defined as a "major activity") and 30 in the Settlement Agreement for the Commission's 2011 financial performance audit of NERC.

- In the IT department budget, NERC has provided detailed cost information on both Operating Expenses (budgeted as Office Costs), such as Telephone, Internet, Computer Supplies, Computer Maintenance and Service Agreements, and Software; and on budgeted capital expenditures for IT projects.
- In Table B-9 of its 2016 Business Plan and Budget (**Attachment 2**), NERC has provided budgeted 2016 amounts for miscellaneous expenses, employee rewards and recognition expenses, community responsibility and employee engagement expenses, and expenses for a year-end employee recognition event.⁷

The information required by 18 C.F.R. §39.4(b) is contained in NERC's 2016 Business Plan and Budget, **Attachment 2** to this filing. The initial section of **Attachment 2**, About NERC, provides an overview of NERC's organization, membership and governance, scope of oversight responsibilities, delegated authorities to Regional Entities, the ERO Enterprise operating model,⁸ statutory and regulatory background, and source of funding.

The Introduction and Executive Summary summarizes NERC's total resource requirements for 2016 including total full-time equivalent employees (FTEs) in statutory programs and administrative functions, statutory expenses, and required ERO funding assessments. It shows the distribution of the total net energy for load (NEL) among the U.S., Canada and Mexico to be used for allocating the ERO funding requirement among the three countries. It also highlights NERC's strategic goals, objectives and performance metrics and its priorities and major activities for 2016 and the 2016 key business planning assumptions.⁹ Finally, it provides an overview of NERC's budget and funding requirements for 2016 by major areas of expenditures.

⁷ This presentation addresses agreed Recommendation 22 from the Commission's 2011 financial performance audit of NERC.

⁸ NERC uses the term "ERO Enterprise" to refer to NERC and the eight Regional Entities.

⁹ A detailed statement of the 2015-2018 Shared Business Plan and Budget Assumptions developed and used by NERC and the Regional Entities in developing their 2016 Business Plans and Budgets and 2017 and 2018 budget projections is provided in Exhibit A to **Attachment 2**.

NERC's 2016 strategic goals and objectives to carry out its statutory mission are based on the 2015-2018 *ERO Enterprise Strategic Plan*, approved by the NERC Board of Trustees in November 2014, as described in the Introduction and Executive Summary of the 2016 Business Plan and Budget. The 2016 strategic goals and objectives and priorities and major activities are focused on the areas of (i) continuing to implement NERC's risk-based strategy, with a focus on a set of current high-priority risk projects focused on risks to the reliability of the Bulk Electric System (BES) from changing resource mix, extreme physical events, cybersecurity threats, protection system misoperations, extreme weather preparedness, and right-of-way clearances; (ii) physical and cyber security of the BES; (iii) continuing to implement risk-based compliance monitoring and enforcement operations; (iv) implementing the revised BES definition; (v) continuing to implement a risk-based registration system including responding to requests for additional information from the Commission;¹⁰ and (vi) transforming the NERC Reliability Standards to a steady state.¹¹

The Introduction and Executive Summary of the 2016 Business Plan and Budget describes the focus of NERC and the Regional Entities on controlling costs and making improvements to systems and processes to improve efficiency of operations and mitigate cost impacts on registered entities and LSEs. It then provides an overview of the resource requirements and other factors driving NERC's proposed 2016 Budget. NERC is proposing an overall 2016 budget increase of \$537,357 (0.8%) over the 2015 Budget. This comparison includes the 2015 and 2016 budgeted expenditures for the Cyber Risk Information Sharing

¹⁰ See *North American Electric Reliability Corporation, Order on ERO Risk Based Registration Initiative and Requiring Compliance Filing*, 150 FERC ¶ 61,213 (2015).

¹¹ NERC defines "steady state" Reliability Standards as a set of clear, concise, high-quality, and technically sound Reliability Standards that are results-based, and reflect the retirement of requirements that do little to promote reliability.

Program (CRISP). The CRISP expenditures included in NERC's 2016 budget, \$7,973,019, will be primarily funded (\$6,830,738) by participating utilities.¹² The remaining funding for CRISP will come from Assessments (\$1,108,641), Penalty Sanctions (\$33,572), and Interest (\$68). Budgeted CRISP expenditures are reduced by \$1,348,104 from the 2015 budget, due largely to the completion of startup activities. With CRISP expenditures excluded, NERC's 2016 budget represents an increase of \$1,885,460 (3.3%) from its 2015 budget.¹³

As compared to the 2015 budget, the proposed 2016 budget (including CRISP) reflects an increase of \$1,480,495 (4.1%) in Personnel Expenses; an increase of \$54,140 (1.5%) in Meeting Expenses; and a decrease of \$959,843 (3.7%) in Operating Expenses. As shown on page 15 of **Attachment 2**, the 2016 budget reflects an overall increase of only 0.2 FTE in staffing from the 2015 budget, although there are increases or decreases in budgeted FTEs for each program area or department, due in whole or in part to the full or partial reallocation of personnel from one program area to another.¹⁴

The Introduction and Executive Summary also provides an overview of increases and decreases in Consultants & Contracts expenses, by program area, from the 2015 budget. (Consultants & Contracts expense is a component of the budget for Operating Expenses, referred to in the preceding paragraph.) The proposed 2016 budget provides for an overall decrease in Consultants & Contracts expense of \$1,445,554 (10.1%) from the 2015 budget, with \$5,888,594 of the budgeted Consultants & Contracts expense for 2016 attributable to CRISP (a reduction of \$1,777,461 in budgeted Consultants & Contracts expense for CRISP).

¹² Funding received from third parties for CRISP is placed in a separate account to be utilized solely to fund CRISP expenses.

¹³ The 2016 Business Plan and Budget includes detailed comparisons of the 2016 budget to the 2015 budget, both with and without CRISP. See pages 16 and 17 of **Attachment 2**.

¹⁴ Another factor impacting the change in budgeted FTE by department from 2015 to 2016 is a change in the assumed vacancy rate (adjustment for personnel attrition and hiring delays) for budgeted positions.

Finally, the Introduction and Executive Summary section identifies the major components of NERC's proposed 2016 capital budget. NERC is budgeting \$3,911,000 of capital expenditures for 2016, an increase of \$292,500 (8.1%) over the 2015 budget. Net of Depreciation, the budgeted Fixed Assets expenditures for 2016 are \$16,437 (1.3%) lower than in the 2015 budget.

NERC's 2016 resource and funding requirements reflect a variety of steps that have been taken during the last three years to control costs and increase the efficiency of NERC's operations. These steps include development of a coordinated long term ERO Enterprise information technology program for development and improvement of enterprise software tools for use by NERC and the Regional Entities; focused efforts to control travel and meeting expenses and outside contractor, consultant and legal expenses; transitioning financial responsibility for certain reliability tools from NERC to industry; development of more efficient and streamlined compliance enforcement methods, which have enabled staffing reductions; and reallocations of personnel among departments in accordance with current reliability needs. NERC management evaluates resource needs and allocations on an ongoing basis to ensure proper alignment between resources and priorities set forth in the ERO Enterprise Strategic Plan.

The Introduction and Executive Summary provides tables showing (1) the 2015 Budget, 2016 Budget, and change from the 2015 Budget to the 2016 Budget, for each of the statutory programs and in total; and (2) the budgeted FTEs per the 2015 Budget and the 2016 Budget and the increase or decrease, for each of the statutory programs and Administrative Services functions. The Introduction and Executive Summary presents NERC's overall Statement of Activities and Fixed Asset Expenditures, showing information from the approved 2015 Budget, the 2015 Projection, and proposed 2016 Budget, reflecting the proposed overall increase in the

Total Budget (including CRISP) of \$537,357 over the 2015 Budget.¹⁵

NERC's proposed 2016 statutory assessment to LSEs is \$57,081,445, which is \$1,773,070, or 3.2%, higher than the 2015 statutory assessments, and which takes into account NERC's budgeted non-assessment Funding sources in 2015 and 2016. The non-assessment Funding sources in the 2016 Budget consist of \$6,830,738 of Third-Party Funding for CRISP, \$1,439,000 of Penalty payments, \$50,000 of revenues from Services & Software, \$1,867,972 of Testing Fees, \$230,000 in attendance fees for Workshops, and \$3,000 in Interest income, and in the aggregate are \$1,642,179 lower than in the 2015 Budget.

Finally, the Introduction and Executive Summary presents NERC's budget projections for 2017 and 2018 (*see* §III.F below for further discussion of the 2017-2018 budget projections).

Section A of **Attachment 2** is NERC's detailed 2016 Business Plan and Budget. It is designed to address the requirements of 18 C.F.R. §39.4(b), the Commission's Order certifying NERC as the ERO,¹⁶ and applicable directives in subsequent Commission orders. Section A provides program scope and functional descriptions, descriptions of key efforts under way in the current year, 2015, the 2016 goals and deliverables, and explanations of increases or decreases in Personnel Expenses and Consultants & Contracts expense for 2016 over the 2015 budget, for each of NERC's statutory programs (and groups or departments for those statutory programs that are comprised of more than one group or department) and for the Administrative Services functions. Section A includes a table at the start of the subsection on each statutory program or department showing total FTEs, total direct expenses, total indirect expenses, other non-operating expenses, increase or decrease in Fixed Assets, and total budget for the statutory

¹⁵ The 2015 Projection is NERC's June 2015 projection of 2015 financial results.

¹⁶ *Order Certifying North American Electric Reliability Corporation as the Electric Reliability Corporation and Ordering Compliance Filing*, 116 FERC ¶ 61,062 (2006) (*ERO Certification Order*), at P 202.

program (department) for the 2016 budget, with the comparable data from NERC's 2015 budget and the increase or decrease from the 2016 budget.¹⁷ For the Administrative Services functions, this table shows, for each of the five Administrative Services functions,¹⁸ the 2015 budget amount, 2016 budget amount, and the change from 2015 to 2016, as well as budgeted 2015 FTEs, budgeted 2016 FTEs, and the change in FTEs from the 2015 budget to the 2016 budget. A detailed Statement of Activities, Fixed Asset Expenditures and Changes in Working Capital is also provided for each statutory program or department, and for the Administrative Services functions in the aggregate. The Statements of Activities show funding and expenditure information from the 2015 budget, the 2015 projection and the 2016 budget, as well as variances from the 2015 budget to the 2015 projection and from the 2015 budget to the 2016 budget.

In the Statements of Activities for each program or department, Funding is shown from the NERC Assessments and, as applicable, from other anticipated sources (Penalty Sanctions, Testing Fees, fees from Services & Software, fees from Workshop attendance, Interest income, Third-Party Funding, and Miscellaneous Funding).¹⁹ Expenses are shown by the major categories (and sub-categories) of Personnel Expenses (Salaries, Payroll Taxes, Benefits, Retirement Costs); Meeting Expenses (Meetings, Travel, Conference Calls); Operating Expenses (Consultants & Contracts, Office Rent, Office Costs, Professional Services, Miscellaneous,

¹⁷ Indirect expenses are the amount of Administrative Services expenditures that have been allocated to each of the statutory programs, on the basis of relative numbers of FTEs in each statutory program.

¹⁸ General and Administrative, Legal and Regulatory, IT, HR, and Finance and Accounting.

¹⁹ Some of these other sources of Funding are anticipated only for certain of the statutory programs. For example, Third-Party Funding is budgeted only for the ES-ISAC, since the ES-ISAC is responsible for managing NERC's participation in CRISP. Income from Testing Fees is budgeted only for the Training, Education, and Operator Certification Program. Additionally, for the 2016 budget, NERC has no funding budgeted from Miscellaneous sources.

Depreciation); and Other Non-Operating Expenses.²⁰ Finally, the Statements of Activities show Fixed Assets activity, comprised of Depreciation (an equal and offsetting amount to the Depreciation included in Operating Expenses²¹), Computer & Software CapEx, Furniture & Fixtures CapEx, Equipment CapEx, Leasehold Improvements, and the Allocation of Fixed Assets activity from the Administrative Services programs.

Section B of **Attachment 2** provides Supplemental Financial Information comprised of tables detailing the components of certain Funding and Expense categories and explanations of variances from the 2015 budget, including analysis of the Working Capital and Operating Reserve balance (Table B-1), Penalties (Table B-2), Outside Funding (Table B-3), Personnel Expenses (Table B-4), Office Rent (Table B-6), Office Costs (Table B-7), Professional Services (Table B-8), Miscellaneous Expenses (Table B-9), and Other Non-Operating Expenses (Table B-10). As was the case in NERC's 2013, 2014 and 2015 Business Plans and Budgets, Table B-5, Consultants & Contracts Expenses, which was provided in NERC's Business Plans and Budgets for years prior to 2013, has been replaced with a more detailed presentation of Consultants & Contracts Expense in Exhibit C to **Attachment 2**.

Section C, Non-Statutory Activity, of **Attachment 2** is reserved for presentation of business plan and budget information on non-statutory activities. This section is empty for NERC, because NERC does not engage in non-statutory activities, but in the business plans and budgets of those Regional Entities that have non-statutory activities, Section C includes business plan and budget information on their non-statutory activities.

²⁰ In NERC's 2016 Budget, Other Non-Operating Expenses are budgeted only in Administrative Services, to cover (i) property tax obligations in Atlanta, Georgia on the value of property and equipment in NERC's Atlanta office and data center, and (ii) anticipated interest expense that will be incurred in 2016 under NERC's capital financing program. See Table B-10 in **Attachment 2**.

²¹ As a result of this offset, the Funding requirements do not include funding for Depreciation.

Section D, Supplemental Financial Statements, of **Attachment 2** provides NERC's actual and projected Statements of Financial Position at December 31, 2014, 2015, and 2016. The data at December 31, 2014 is actual data per the independent financial audit of 2014 results;²² the data at December 31, 2015 is based on NERC's 2015 year-end Projection (as of June 30, 2015); and the data at December 31, 2016 is based on the detailed 2016 budget. In addition, Section D provides NERC's 2016 Consolidated Statement of Activities, showing its 2016 budgeted line-item Funding sources, Expenses, and Fixed Asset activity, in total and by statutory program and the Administrative Services functions, as well as the direct expenses and indirect expenses for each statutory program.

Exhibit A to **Attachment 2** contains the 2015-2018 Shared Business Planning and Budget Assumptions developed and used by NERC and the Regional Entities in preparing their 2016 Business Plans and Budgets and their 2017-2018 budget projections.

Exhibit B to **Attachment 2** describes how the major activities included in the 2016 Business Plan and Budget for each of NERC's direct function programs and Administrative Services functions meet the NERC written criteria for eligibility for FPA §215 funding as approved by the Commission in the *FPA §215 Criteria Order*.

Exhibit C to **Attachment 2** contains a detailed list of NERC's budgeted 2016 Consultants & Contracts expenses, by program area and by major activity or project. Exhibit C also shows the 2015 budget amounts and the change in the 2016 budget from the 2015 budget.

Exhibit D to **Attachment 2** describes proposed borrowing and repayment activity under

²² The audited financial statements of NERC and each Regional Entity, except WECC, for 2014 were filed with the Commission on May 30, 2015, in NERC's *Report of Comparisons of Budgeted to Actual Costs* for 2014 in Docket No. RR15-10-000 (*2014 Budget True-Up Report*). WECC's audited financial statements for 2014 were filed with the Commission in Docket No. RR15-10-000 in a supplemental filing dated June 29, 2015.

NERC's capital financing program for certain capital expenditures. Exhibit D shows the budgeted 2016 and projected 2017 and 2018 borrowings under the capital financing program, the projected year-end outstanding debt balance at the end of each year, and the annual payments for debt service (principal and interest) for each year, based on the loan structure terms and projected interest rates. Expenditures and debt service payments for 2014 and 2015 are also shown.

Exhibit E to **Attachment 2** provides the budgeted 2016 amounts for Working Capital and Operating Reserves pursuant to NERC's Working Capital and Operating Reserve Policy adopted in 2012 and amended in 2013 and 2015.²³ The policy provides for the separate budgeting and tracking of working capital and operating reserves.²⁴ Section IV.B below provides further discussion of the 2016 budgeted amounts for working capital and each category of operating reserves.

Appendix 1 to **Attachment 2** contains NERC's organization chart, as required by 18 C.F.R. §39.4(b).

Appendix 2 to **Attachment 2** contains the calculation of the NEL-based allocation factors for each LSE and designee and the allocation of the NERC, Regional Entity and WIRAB statutory assessments, by allocation method, to each LSE and designee, for 2016.²⁵ Development of the assessments presented in the Appendices is discussed in more detail in

²³ The most recently amended version of the Working Capital and Operating Reserve Policy was filed with the Commission on March 6, 2015, in Docket No. RR15-8-000, and was conditionally approved by the Commission in an order issued June 18, 2015. *North American Electric Reliability Corporation, Order Conditionally Accepting Revisions to Working Capital and Operating Reserve Policy*, 151 FERC ¶ 61,225 (2015). NERC submitted the compliance filing required by this order on August 14, 2015.

²⁴ The Working Capital and Operating Reserve Policy also sets forth guidelines and authorities regarding access to Working Capital and Operating Reserve funds.

²⁵ The NEL-based allocation factors are calculated using NEL data for 2014, which is the most current actual NEL data available as of August 2015. As has been the case in allocating the NERC and Regional Entity statutory assessments by country and by Regional footprint and calculating the assessments to LSEs or their designees for prior years' budgets, the allocation and calculation of assessments for the 2016 Budget is based on actual NEL data for the second preceding calendar year, 2014.

§III.A.3 and III.D below.

The detailed information in the Introduction and Executive Summary and in Sections A and B and Exhibits A, B, C, D, and E of **Attachment 2** demonstrates that the programs included in NERC's 2016 Business Plan and Budget are necessary and appropriate to carry out NERC's responsibilities as the ERO and that the specific resource requirements budgeted meet the Commission's objectives for affordability, sustainability and efficiency and effectiveness of the ERO's expenditures.²⁶ The discussion in the text and exhibits of **Attachment 2**, as well as in this narrative, demonstrates how the activities and expenditures included in NERC's 2016 Business Plan and Budget lend themselves to accomplishment of NERC's statutory responsibilities and objectives as the ERO.²⁷

2. Development of the 2016 Business Plans and Budgets

NERC prepared its 2016 Business Plan and Budget (and worked with the Regional Entities in the development of their business plans and budgets) through a rigorous process that provided ample opportunity for review and input by the Finance and Audit Committee (FAC) of the NERC Board, as well as by stakeholders. During the development process, successive versions of the 2016 NERC and Regional Entity business plans and budgets were discussed in meetings and conference calls of the FAC and of the full NERC Board, in each case with opportunities for stakeholders to make comments.²⁸ Throughout the development of its 2016 Business Plan and Budget, NERC management also held a number of conference calls with a Business Plan and Budget Input Group formed by the NERC Member Representatives

²⁶ *ERO Certification Order*, P 202 (budget principle (5)).

²⁷ *ERO Certification Order*, P 202 (budget principle (2)).

²⁸ During the process of developing NERC's Business Plans and Budget, comments were received from stakeholders on posted drafts of the Business Plan and Budget. **Attachment 12** describes how stakeholder comments were considered and addressed in NERC's final 2016 Business Plan and Budget.

Committee (MRC). The following list highlights important steps in the preparation of the NERC and Regional Entity 2016 Business Plans and Budgets:

- During the fourth quarter of 2014 and early first quarter of 2015, the ERO Executive Management Group (ERO EMG), comprised of NERC and Regional Entity chief executives or equivalents, met to review strategic goals and objectives for 2016.
- On October 15, 2014, the NERC Board of Trustees requested policy input on the proposed 2015-2018 *ERO Enterprise Strategic Plan* and metrics.
- The November 12, 2014 MRC meeting included review of the input on the draft 2015-2018 *ERO Enterprise Strategic Plan* and metrics.
- On November 13, 2014, the NERC Board approved the 2015-2018 *ERO Enterprise Strategic Plan* and metrics.
- The February 11-12, 2015 MRC and NERC Board meetings included the provision and review of policy input to the Board concerning the NERC 2016 Business Plan and Budget and a review by NERC management of the preparation schedule for the 2016 Business Plan and Budget.
- On March 24, 2015, the Corporate Governance and Human Resources Committee (CGHRC) of the NERC Board met in closed session to review the compensation and benefit assumptions for the NERC 2016 Business Plan and Budget.
- During February and March 2015, the NERC program areas provided input to the NERC Finance and Accounting department on their business plans and budget requirements for 2016..
- During the first four months of 2015, NERC and the Regional Entities worked collaboratively in the development of their business plans and budgets, including the development of common business planning and budget assumptions.
- In mid-April 2015, the Regional Entities submitted preliminary drafts of their 2016 Business Plans and Budgets to NERC for review and feedback by the NERC program managers. These drafts were prepared using a common template that was similar to the common template used for the 2011 through 2015 NERC and Regional Entity Business Plans and Budgets. NERC program managers reviewed the sections of the draft Regional Entity business plans and budgets relevant to the program manager's program area and, where necessary, provided feedback to their Regional Entity counterparts.
- On April 23, 2015, NERC management met with representatives of trade associations and the MRC Business Plan and Budget Input Group to discuss the NERC 2016 Business Plan and Budget.

- On April 23, 2015, a closed meeting of the NERC FAC was held with NERC management to review personnel (staffing), contracts and consultants, and other assumptions for the 2016 Business Plan and Budget.
- On or about May 1, 2015 (specific dates for each Regional Entity varied), the Regional Entities provided first drafts of their 2016 Business Plans and Budgets to NERC.
- The May 6, 2015 MRC meeting included review of policy input for the 2016 NERC Business Plan and Budget and a consolidated overview ERO Enterprise (*i.e.*, including the Regional Entities) 2016 Business Plan and Budget. NERC management presented a high-level summary of significant 2016 Business Plan and Budget items.
- The May 7, 2015 NERC Board meeting included a review of policy input for the 2016 NERC Business Plan and Budget and a review of the consolidated overview ERO Enterprise 2016 Business Plan and Budget.
- On May 19, 2015, Draft #1 of the NERC 2016 Business Plan and Budget, as well as a consolidated overview ERO Enterprise Business Plan and Budget, were posted on the NERC Website for a stakeholder review and comment period. Notification of the posting (and of all subsequent postings) was sent by e-mail to a broad distribution list of interested persons and entities. Three sets of written stakeholder comments were received during the comment period that ended June 30, 2015.²⁹ These comments were posted on NERC's website.³⁰
- Also on May 19, 2015, drafts of the Regional Entities' 2016 Business Plans and Budgets, along with an overview document for each Regional Entity Business Plan and Budget, were posted on the NERC website.
- Additionally, during May, 2015, the Regional Entities posted drafts of their 2016 Business Plans and Budgets on their respective websites for review and comment by their stakeholders, in accordance with each Regional Entity's public review process. (*See* §III.B below for further discussion of the stakeholder review opportunities provided by each Regional Entity for its 2016 Business Plan and Budget.)
- On May 27, 2015, a conference call with the NERC FAC and NERC management was held, and a webinar was conducted, to review the Draft #1 NERC 2016 Business Plan and Budget and Regional Entity 2016 Business Plans and Budgets. In this session, the Regional Entities made presentations concerning their 2016 Business Plans and Budgets to the NERC FAC.

²⁹ Comments were submitted by (1) the Edison Electric Institute, (2) the Canadian Electricity Association, and (3) the IESO. On July 15, 2015, NERC posted on its website, and provided stakeholders with notice of, a response to these comments. NERC's responses are provided in **Attachment 12** to this filing.

³⁰ <http://www.nerc.com/gov/bot/FINANCE/Pages/2016-NERC-Business-Plan-and-Budget.aspx>.

- On June 1, 2015, representatives of NERC and of each of the Regional Entities met with Commission budget staff to provide an overview of Draft #1 of their respective 2016 Business Plans and Budgets.
- On June 7, 2015, NERC management met with the MRC Business Plan and Budget Input Group to review the draft NERC 2016 Business Plan and Budget and to obtain informal input from the MRC Business Plan and Budget Input Group. This meeting was conducted in a conference call format that allowed other MRC members and stakeholders to participate.
- At various dates from late May to late June 2015, the Boards or other governing bodies of the Regional Entities met to review and approve their respective proposed 2016 Business Plans and Budgets, and the approved Regional Entity Business Plans and Budgets were transmitted to NERC. The approved Regional Entity Business Plans and Budgets were submitted to NERC in early July.
- On July 7, 2015 (following the receipt of the written comments on the posted Draft #1 of the NERC 2016 Business Plan and Budget), NERC management met with the MRC Business Plan and Budget Input Group and trade associations to discuss the comments received and to receive additional input. This meeting was conducted in a conference call format that allowed other MRC members and stakeholders to participate.
- On July 9, 2015, a closed call was held with the NERC FAC to review personnel, contracts, and other assumptions in the 2016 Business Plan and Budget.
- On July 15, 2015, the final draft of the NERC 2016 Business Plan and Budget, as well as the proposed 2016 NERC and Regional Entity assessments, were posted on the NERC website. Any additional stakeholder comments were requested, with a due date of July 31, 2015.³¹
- Also on July 15, 2015, the final, approved versions of the Regional Entity 2016 Business Plans and Budgets were posted on the NERC website. (Several of the Regional Entity Business Plans and Budgets were subsequently revised and reposted to reflect minor corrections or updates.)
- On July 22, 2015, a conference call with the NERC FAC and NERC management was held, and a webinar was conducted, to review the final draft NERC 2016 Business Plan and Budget, the final Regional Entity 2016 Business Plans and Budgets, and the consolidated ERO Enterprise 2016 Business Plan and Budget.
- On August 4, 2015, the final version of the NERC 2016 Business Plan and Budget and Regional Entity 2016 Business Plans and Budgets, including the proposed NERC

³¹ No comments were submitted on the final draft of the NERC Business Plan and Budget. Comments on WECC's Business Plan and Budget were submitted to NERC and are available at: <http://www.nerc.com/gov/bot/FINANCE/Pages/2016-NEEC-Business-Plan-and-Budget.aspx>.

and Regional Entity 2016 assessments, were posted on the NERC website for the upcoming MRC, FAC and NERC Board meetings.

- At its August 12, 2015 meeting, the NERC FAC recommended NERC Board approval of the 2016 Business Plans and Budgets and associated statutory assessments for NERC, the Regional Entities and WIRAB.
- The final 2016 Business Plans and Budgets of NERC and the Regional Entities were presented to the NERC MRC at its August 11, 2015 meeting.
- At its August 13, 2015 meeting, the NERC Board approved the 2016 Business Plans and Budgets and the proposed 2016 statutory assessments for NERC, the Regional Entities and WIRAB.

In summary, the processes followed by NERC and the Regional Entities to develop the proposed 2016 Business Plans and Budgets were thorough and comprehensive, involved significant input from NERC and Regional Entity management and financial and program area staffs, as well as iterative review and comment by the NERC FAC, and provided numerous opportunities for stakeholder input and comment, including in particular from the MRC Business Plan and Budget Input Group and interested trade associations. NERC and the Regional Entities developed and used a set of shared business planning and budget assumptions (provided in Exhibit A to **Attachment 2**) and a common business plan and budget format. The process was open and inclusive at all steps.

3. Summary of NERC's Proposed 2016 Budget and Funding Requirement

NERC's proposed 2016 total Funding requirement is \$67,502,155. This total encompasses U.S., Canadian and Mexican activities. The proposed 2016 Funding requirement represents an increase of \$130,891 (0.2%) as compared to the 2015 total Funding requirement of \$67,371,264. The 2016 budget is comprised of \$65,917,608 of Expenses (including Depreciation) and a \$1,269,057 increase in Fixed Assets (Capital Expenditures of \$3,911,000

less Depreciation of \$2,641,943³²). The 2016 Funding requirement reflects a provision for Working Capital and Operating Reserve funding of \$380,490, as well as (due to the capital financing plan) proceeds from financing activities of \$1,000,000 and debt service of \$1,055,000, whereas the 2015 Funding requirement included a provision for Working Capital and Operating Reserve Funding of \$1,094,958.³³

As in past years, a portion of NERC's 2016 budget will be funded through Testing Fees charged to participants in certain NERC programs, including the System Operator Certification Program and the Continuing Education Program (budgeted at \$1,867,972, a \$197,972 (11.9%) increase from the 2015 Budget); by attendance fees for Workshops (budgeted at \$230,000, an \$11,300 (4.7%) decrease from the 2015 Budget³⁴); by revenues from Services & Software (budgeted at \$50,000, the same amount budgeted in the 2015 Budget); and by Interest earned on bank balances and short-term investments (budgeted at \$3,000, the same amount budgeted in the 2015 Budget). The Funding sources in the 2016 Budget also include \$1,439,000 of Penalty Sanctions payments, which is an increase from the \$1,155,000 of Penalty payments included in the 2015 budget.³⁵ Finally, funding for the 2016 budget includes \$6,830,738 of Third-Party

³² As noted earlier, an end result of this budget presentation is that Funding is not being requested for Depreciation expense.

³³ See §IV.B below and Table B-1 and Exhibit E in **Attachment 2**.

³⁴ NERC strives to set Workshop fees to cover the costs of presenting the workshops, such as costs to rent meeting space (if necessary) and prepare printed materials. The number of Workshops planned, of course, also impacts the projected total Workshop fee revenues.

³⁵ The NERC policy, *Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*, and §1107.2 of the NERC Rules of Procedure (ROP), specify that Penalty payments received by NERC or a Regional Entity during the period from July 1 of the second year preceding the budget year through June 30 of the year preceding the budget year are used to offset assessments to LSEs in the U.S. for the budget year, unless an alternative treatment is approved by the Commission (as allowed by ROP §1107.4). NERC received \$4,710,000 of Penalty payments in the period July 1, 2014 – June 30, 2015, of which \$1,000,000 received on July 9, 2014, was used to offset 2015 assessments in the 2015 Business Plan and Budget. NERC proposes to place \$2,271,000 of the 2014-2015 Penalty payments into its Assessment Stabilization Reserve, leaving

Funding, representing funding provided by participating utilities and other entities to support NERC’s participation in CRISP. This is a decrease in the Third-Party Funding for CRISP of \$2,112,851 from the CRISP funding provided in the 2015 budget.

These budgeted non-assessment sources of Funding are projected to be \$10,420,710 in total. Additionally, the 2016 budget includes a net requirement of \$55,000 for debt repayment from the capital financing program. Application of these funding sources results in a 2016 net Funding requirement of \$57,081,445 to be funded by assessments to LSEs. Of this amount, \$51,785,828 (90.72%) is allocated to the U.S., \$5,135,852 (9.00%) is allocated to Canadian provinces (in the aggregate), and \$159,765 (0.28%) is allocated to Mexico. Based on the aggregate NEL of the United States for 2014 on which the allocation of assessments is based,³⁶ the proposed U.S. net funding requirement for NERC represents approximately \$0.000013 per end-user kilowatt-hour.

NERC’s 2016 Business Plan and Budget was developed and is organized based on its statutory programs and, where applicable, departments within each program (2015 budgeted amounts by program are shown for comparison):

<u>Program</u>	<u>2016 Budget</u>	<u>2015 Budget</u>
Reliability Standards	\$ 8,193,116	\$10,247,145
<u>Compliance Monitoring and Enforcement</u>		
Compliance Assurance ³⁷	\$ 9,420,903	\$ 5,737,572
Compliance Analysis, Certification and Registration	\$ 4,632,871	\$ 4,864,863
Compliance Enforcement	\$ 5,293,298	\$ 5,806,866
Reliability Assessment and Performance Analysis	\$ 9,918,728	\$ 9,825,750

\$1,439,000 of Penalty payments to reduce the 2016 assessments. See Table B-2 of **Attachment 2** and §IV.D below.

³⁶ The NEL data for the U.S., Canada and Mexico, by Region and by LSE or designee, is provided in Appendix 2-A of **Attachment 2**.

³⁷ Regional Entity Assurance and Oversight in the 2015 budget.

Reliability Risk Management

Situation Awareness	\$ 3,692,197	\$ 3,646,902
Event Analysis	\$ 5,355,795	\$ 4,203,169
ES-ISAC (including CRISP) ³⁸	\$16,767,525	\$18,366,117
Training, Education and Operator Certification	<u>\$ 3,912,231</u>	<u>\$ 3,950,926</u>
	<u>\$67,186,665</u>	<u>\$66,649,309</u>

The budgeted amounts for each program incorporate a total budget for Administrative Services of \$30,442,435 (an increase of \$2,594,397 (9.3%) from the 2015 budget), which has been allocated to the budgets for the direct function programs in proportion to the numbers of FTEs budgeted for each direct function program.

The discussion in §IV below, as well as the detailed discussion of the individual programs (or of individual departments where the presentation is disaggregated to the department level within a program) in **Attachment 2**, demonstrates that each of NERC's programs is necessary and appropriate to the execution of NERC's responsibilities as the ERO. Section A of **Attachment 2** describes the activities encompassed in each program or department (Background and Scope), key activities under way in 2015, the 2016 Goals and Deliverables for the program or department, and the 2016 Resource Requirements for Personnel and Contractors and Consultants for the program or department. A Statement of Activities, Fixed Assets Expenditures and Changes in Working Capital showing the line item components of the 2016 budget (as well as, for comparison, the 2015 budget and the 2015 projection), is provided for each direct function program or department and for Administrative Services.

NERC proposes an allocation of its 2016 net funding requirement (statutory assessment) of \$57,081,445 to the Regional footprints as follows³⁹:

³⁸ For the 2016 Business Plan and Budget, the Critical Infrastructure Department has been combined with the ES-ISAC budget, and there is not a separate budget for the Critical Infrastructure Department.

•	FRCC	\$ 2,907,605
•	MRO	\$ 3,754,043 ⁴⁰
•	NPCC	\$ 6,919,438 ⁴¹
•	ReliabilityFirst	\$11,830,363
•	SERC	\$13,315,250
•	SPP RE	\$ 2,982,867
•	Texas RE	\$ 4,416,501
•	WECC	\$10,955.378 ⁴²

Appendix 2 to **Attachment 2** contains tables showing (i) the development of the NEL-based allocation factors used to allocate the NERC and Regional Entity statutory assessments by country and among the Regional footprints (Appendix 2-A), and (ii) the allocation of the NERC and Regional Entity statutory assessments by country and by Region (Appendices 2-B, 2-C and 2-D). Appendix 2 shows the allocation of the NERC and Regional Entity assessments to the individual LSEs or designees within the footprint of each Regional Entity. These allocations are discussed in greater detail in §III.D below.⁴³ NERC’s only sources of funding for its planned

³⁹ As described in §III.D below, the aggregate NERC statutory assessment has been allocated to the Regional footprints on the basis of (i) 8-Region NEL and (ii) 8-Region NEL to allocate adjustments (credits) to certain Canadian entities for CMEP, Event Analysis and Situation Awareness costs to the remaining LSEs. The detailed allocations of the NERC statutory assessment by allocation methodology are shown in Appendix 2 to **Attachment 2**.

⁴⁰ The total allocation to MRO consists of \$3,120,012 allocated to the U.S. and \$634,031 allocated to Canadian provinces.

⁴¹ The total allocation to NPCC consists of \$3,717,358 allocated to the U.S. and \$3,202,080 allocated to Canadian provinces.

⁴² The total allocation to WECC consists of \$9,495,872 allocated to the U.S., \$1,299,741 allocated to Canadian provinces and \$159,765 allocated to Mexico.

⁴³ NERC will calculate and bill the assessments to certain entities, referred to as “designees,” based on NEL values that include the NEL for other LSEs served by the designee, or for which the designee is otherwise responsible for assessments. The calculation and billing of assessments to designees is not a departure from the principle that the ERO funding requirement should be recovered through assessments to LSEs based on NEL, but rather is a matter of administrative convenience and efficiency (*e.g.*, a generation and transmission (G&T) cooperative and its member distribution cooperatives may find it more efficient for the assessment to be calculated and billed to the G&T cooperative rather than to the individual distribution cooperatives). The lists of LSEs and designees for which assessments will be

programs and operations will be the assessments to users, owners, and operators of the bulk power system (BPS) provided for in 18 C.F.R. §39.4(e) and comparable collections from entities in Canada and Mexico, the other sources listed as “Funding” on its Statements of Activities and described above, including but not limited to Third-Party Funding for CRISP, and proceeds from the 2016 capital financing.⁴⁴

B. Regional Entity Proposed 2016 Business Plans and Budgets

Section 39.4(b) of the Commission’s regulations requires that the ERO’s annual budget submission include “the entire annual budget for statutory and non-statutory activities for each Regional Entity, with supporting materials, including . . . each Regional Entity’s complete business plan and organization chart, explaining . . . the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures” Section 39.4(b) further states that the ERO’s annual budget submission “shall include the line item budgets for the activities of each Regional Entity that are delegated or assigned to each Regional Entity pursuant to § 39.8.” This information for 2016 is provided in the individual Regional Entity Business Plans and Budgets in **Attachments 3 through 10**.

The Regional Entity budgets for statutory activities that are to be funded through NERC are the budgets for the functions and activities relating to development of reliability standards;

calculated and billed have been provided to NERC by the Regional Entities. NERC has had no involvement in developing the lists of LSEs or in arrangements between LSEs and designees pursuant to which a designee agrees to accept responsibility for an assessment that would otherwise be calculated for and billed to the LSE and the LSE agrees to be financially responsible to reimburse the designee for the assessment. The assessments for the NPCC Region will be billed to ISO New England and the New York ISO (and to similar entities in Ontario, Québec, New Brunswick and Nova Scotia), each of which will be responsible for billing and collecting assessments from the LSEs within their respective footprints. The assessments for the Texas RE region will be billed to the Electric Reliability Council of Texas (ERCOT), which will bill and collect assessments from the LSEs in ERCOT.

⁴⁴ NERC’s 2016 Business Plan and Budget includes no non-statutory activities; therefore, NERC has not developed or presented specific accounting processes to separate the funding of its statutory and non-statutory activities and to assure that funding derived from §215 of the FPA will exclusively support statutory activities.

compliance monitoring and enforcement and organization registration and certification; training, education and operator certification; reliability assessment and performance analysis (including necessary data gathering activities); and situation awareness and infrastructure security, that have been delegated by NERC to the Regional Entity pursuant to the Commission-approved delegation agreements; as well as each Regional Entity's budgeted costs for administrative services. Funding the Regional Entities in accordance with their proposed Business Plans and Budgets will enable them to carry out the activities necessary in 2016 to meet their responsibilities under the approved delegation agreements.

In *Order No. 672*, the Commission stated that "The ERO must determine, at a minimum, whether each Regional Entity's proposed budget is adequate to carry out the functions delegated to it."⁴⁵ As described above in §III.A.2, NERC staff provided guidance to the Regional Entities in the development of their business plan and budget submissions, and worked collaboratively with the Regional Entities to develop a set of shared business planning and budget assumptions for the Regional Entities' 2016 Business Plans and Budgets. Further, the Regional Entities prepared their 2016 Business Plans and Budgets using a common format. The use of the common format facilitates comparisons among the Regional Entities' budgets.⁴⁶ NERC and the Regional Entities also developed and utilized a set of Shared Business Plan and Budget Assumptions for 2016-2018, which are provided in Exhibit A of **Attachment 2**. Additionally, in

⁴⁵ *Rules Concerning Certification of the Electric Reliability Organization; Procedures for the Establishment, Approval and Enforcement of Electric Reliability Standards*, Order No. 672, FERC Stats. & Regs. ¶ 31,204 (2006) (*Order No. 672*), at P 229.

⁴⁶ Although the eight Regional Entities and NERC used a common format for their 2016 Business Plans and Budgets, the Regional Entities in general continue to present their 2016 Business Plans and Budgets based on the five statutory programs of Reliability Standards; CMEP; RAPA; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security; whereas NERC has presented 2016 business plan and budget information disaggregated into three departments or functions for the CMEP and two departments or functions for Reliability Risk Management.

developing their 2016 Business Plans and Budgets, NERC and the Regional Entities continued to use the set of consistent accounting principles for presentation of the budgets, and the common definition of administrative (indirect) costs, that were originally developed in connection with preparation of the 2010 Business Plans and Budgets.

As described in greater detail in §III.A.2 above, NERC management and staff worked iteratively with the Regional Entities from January through June, 2015, on the development of the Regional Entity 2016 Business Plans and Budgets. The Regional Entities submitted initial drafts of their Business Plans and Budgets to NERC in mid-April 2015, for internal review and feedback by NERC program area managers. On or about May 1, 2015, more developed drafts of each Regional Entity's 2016 Business Plan and Budget were submitted to NERC and, and these drafts were posted on the NERC website on May 19, 2015 for stakeholder comment. NERC staff also reviewed and provided feedback on these drafts. The draft Regional Entity Business Plans and Budgets were also the subject of presentations and discussion at meetings of the NERC FAC.

Additionally, each Regional Entity posted one or more drafts of its 2016 Business Plan and Budget on its own website for comment by its stakeholders, and/or provided other opportunities for stakeholder input, as follows:

FRCC: FRCC posts its proposed budget to the FRCC website and sends a copy (along with all presentation materials that will be presented to the FRCC Board) to each Board Member, Corporate Compliance Finance and Audit Committee, Alternate Board Member, all Standing Committee Chairs, and all Voting Members from the Supplier, Non-Investor-Owned Utility Wholesale, Load Serving Entity, Generating Load Serving Entity, Investor Owned Utility, and General Sectors of the membership, approximately 45 days prior to the expected FRCC Board vote date. The recipients are encouraged to contact FRCC with any comments or questions, so they can be resolved prior to the Board meeting date. Ten days prior to the Board meeting at which the vote on the budget will take place, another distribution is made to the same recipients, and posted to the FRCC website with any changes from the first version. After approval is finalized the

process is repeated with a copy marked as Final with the Approval Date. The FRCC Board approved FRCC's 2016 Business Plan and Budget on June 25, 2015.

MRO: MRO posted its draft 2016 Business Plan and Budget for comments on May 15, 2015. MRO's 2016 Business Plan and Budget was presented in several meetings of the MRO Board and its stakeholders. On June 18, 2015 MRO's Board of Directors approved a resolution that approved the 2016 budget, approved MRO's reserves policy, and affirmed that the budget is sufficient to complete MRO's delegated responsibilities.

NPCC: On April 17, 2015, a preliminary 2016 total NPCC Expense Budget, along with the Business Plans and Budgets for both the Regional Entity and Criteria Services divisions, were presented to NPCC's Finance and Audit Committee (NPCC FAC) for review and discussion. On May 6, 2015 NPCC posted Draft #1 of its 2016 Business Plan and Budget on its website for stakeholder review and comment. Draft #1 was presented to the NPCC Reliability Coordinating Committee for comment following this posting. NPCC did not receive any formal comments from either the posting or various presentations to the stakeholders on any of its draft 2016 Business Plans and Budgets during the posting periods. There were a few comments received after the May 27 comment period close, but the comments were received in time to share them with the NPCC FAC at its June 16 meeting. NPCC addressed the subjects commented on with both stakeholders and the NPCC FAC. The NPCC FAC unanimously endorsed the "Draft for Approval" as presented. On June 25, 2015, the "Draft for Approval" of the 2016 Business Plan and Budget was presented to the NPCC Board, noting stakeholder areas of concern, and a final version was approved.

ReliabilityFirst: ReliabilityFirst's Board of Directors approved the first draft of its 2016 Business Plan and Budget on April 21, 2015. On April 23, 2015, the 2016 Business Plan and Budget was posted to the Reliability First website for a 30 day industry review and comment period. ReliabilityFirst did not receive any comments. The final 2016 Business Plan and Budget was approved by the ReliabilityFirst Board on June 4, 2015.

SERC: The SERC Board approved Draft #1 of the SERC 2016 Business Plan and Budget at its April 2015 meeting, after which it was posted on the SERC Website for a 30-day comment period (*i.e.*, during the month of May). Any comments received would be reviewed by the SERC President and the Director of Finance and Administrative Services and responses to the comments would be presented to the Board Executive Committee and incorporated into the Business Plan and Budget before final approval; however, for the 2016 Business Plan and Budget, no comments were received, and the final version was approved and posted on June 17, 2015.

SPP RE: SPP RE presented a summary of the preliminary budget at the SPP RE Trustees public meeting on April 27, 2015. Prior to the meeting, the preliminary budget was posted on SPP RE's website on April 20, 2015 and the SPP RE April 2015 newsletter indicated that the budget would be posted for comments through May 30, 2015. The final SPP RE 2016 Business Plan and Budget was presented to the Trustees for approval at the June 15, 2015 public meeting. SPP RE posts all Board of Trustee

materials on its public website prior to the meetings. SPP RE received no formal comments from stakeholders regarding the 2016 budget.

Texas RE: Texas RE's 2016 Business Plan and Budget was presented in multiple meetings of the Texas RE Board and member representatives committee. There were no written or oral challenges to the 2016 Business Plan and Budget. Texas RE posted the draft 2016 Business Plan and Budget on April 22, 2015. The Board of Directors approved Texas RE's 2016 Business Plan and Budget on May 21, 2015.

WECC: WECC's draft 2016 Business Plan and Budget was posted on its website on May 2, 2015 for a two-week comment period. The WECC Board of Directors and WECC Members were notified of the posting. Nine sets of comments were received from stakeholders on the draft 2016 Business Plan and Budget. WECC posted a response to the comments on its website on June 5, 2015. WECC's Board approved WECC's 2016 Business Plan and Budget on June 24, 2015.

Throughout the process of NERC's review of the draft Regional Entity business plans and budgets, where appropriate, additional information was requested and other suggested changes were made. As needed, NERC and Regional Entity management and finance staffs convened meetings and conference calls to provide feedback and refine their respective business plans and budgets. NERC's review focused on:

1. Adequacy of the resources and activities to perform delegated functions;
2. Alignment of the Regional Entity's goals, objectives and major activities to the ERO Strategic Plan;
3. Quality and completeness of the financial information presented, including:
 - a. Conformance with Commission budget reporting requirements,
 - b. Separation of statutory and non-statutory activities,
 - c. Supporting detail for projections, and
 - d. Working capital and operating reserve budgets, policies and controls; and
4. Descriptions of efforts to improve efficiency and control costs.

Through the processes described above and in §III.A.2, NERC has been able to satisfy itself that each Regional Entity's 2016 Business Plan and Budget provides necessary and

adequate resources to carry out the Regional Entity's delegated functions in 2016.⁴⁷

The Regional Entities submitted their final 2016 Business Plans and Budgets, approved by their respective governing bodies, to NERC in July 2015. These Business Plans and Budgets were submitted to the NERC FAC and the NERC Board, and reviewed at their respective meetings held on August 12 and 13, 2015. The Regional Entities' 2016 Business Plans and Budgets were approved by the NERC Board at the August 13, 2015 meeting, for submission to the Commission.

The table below shows the budgets for statutory and (where applicable) non-statutory functions for each Regional Entity as presented in their respective 2016 Business Plans and Budgets (**Attachments 3-10**).⁴⁸ For all Regional Entities, the total budget amount for statutory functions includes total Expenses and Fixed Asset activity. Because each Regional Entity has one or more other sources of income (*e.g.*, attendance fees for workshops; Penalty payments received from Registered Entities) that will be used to offset the costs of performing delegated functions, the requested ERO funding (assessments) for the Regional Entities is less than their budgets for statutory activities. The fourth column shows the total (*i.e.*, for all jurisdictions) net statutory assessment required for each Regional Entity, taking into account other sources of income including application of Penalty payments. The statutory assessment amounts include amounts (which for some Regional Entities are negative adjustments to the Funding requirement) to achieve the level of target Working Capital Reserve at December 31, 2016, determined to be appropriate by each Regional Entity.

⁴⁷ In reviewing the Regional Entity Business Plans and Budgets, and in accordance with the Commission's directive in the *ERO Certification Order*, NERC afforded the proposed Regional Entity Business Plans and Budgets no presumption of reasonableness due to having been approved by the Regional Entities' governing bodies. *See ERO Certification Order* at P 203.

⁴⁸ MRO, ReliabilityFirst and SERC do not plan to perform any non-statutory activities in 2016.

Regional Entity	Total Budget for Statutory Functions	Budget for Non-Statutory Functions	Total Net Statutory Assessment
FRCC	\$ 7,261,527	\$ 8,691,997	\$ 6,628,457
MRO	\$11,354,641	-----	\$10,891,562 ⁴⁹
NPCC	\$15,072,998	\$ 1,060,542	\$14,349,196 ⁵⁰
ReliabilityFirst	\$ 19,367,209	-----	\$19,367,209
SERC	\$ 15,866,845	-----	\$13,730,986
SPP RE	\$ 10,095,819	\$199,886,181 ⁵¹	\$ 8,819,751
Texas RE	\$ 11,782,215	\$ 1,029,073	\$ 9,560,448
WECC	\$ 27,384,956	\$ 1,796,011	\$25,032,134 ⁵²

C. Western Interconnection Regional Advisory Board Funding Request

In its Order issued July 20, 2006, in Docket No. RR06-02-000 (*WIRAB Order*), the Commission concluded that reasonable costs incurred by WIRAB for activities under §215(j) of the FPA can be funded through the ERO funding process.⁵³ As specified in P 35 of the *WIRAB Order*, WIRAB submitted to NERC a proposed 2016 Business Plan and Budget for §215(j) activities, which is **Attachment 11** to this filing. NERC has reviewed WIRAB's submission and believes it complies with the requirements of P 35 of the *WIRAB Order*.

WIRAB's proposed 2016 budget for expenses is \$1,370,274, which is an increase of \$356,693 (35.2%) from its 2015 budget. As it did in preparing its 2015 budget, WIRAB anticipates monitoring the activities of, and potentially offering advice to, both WECC and Peak Reliability (Peak). WIRAB also anticipates the need to continue to devote increased attention to

⁴⁹ The statutory assessment for MRO of \$10,891,562 consists of \$9,071,087 allocated to the U.S. and \$1,820,475 allocated to Canadian provinces.

⁵⁰ The statutory assessment for NPCC of \$14,349,196 consists of \$8,959,216 allocated to the U.S. and \$5,389,980 allocated to Canadian provinces.

⁵¹ The figure of \$199,886,181 is the total 2015 budget of Southwest Power Pool, Inc. (\$209,982,000) less the 2016 Budget of SPP RE for statutory activities of \$10,095,819. The overall annual budget of Southwest Power Pool, Inc. is prepared on a schedule that will not result in approval of its 2016 budget until October 2015. See §V.B.6 below and Section C of **Attachment 8**.

⁵² The statutory assessment for WECC of \$25,032,134 consists of \$21,722,495 allocated to the U.S., \$2,921,574 allocated to Canadian provinces and \$388,066 allocated to Mexico.

⁵³ *Order on Petition to Establish a Regional Advisory Body for the Western Interconnection*, Docket No. RR06-2-000, 116 FERC ¶61,061 (2006) (*WIRAB Order*), PP 33-37.

physical and cyber security issues and to implementation of recommendations resulting from the Commission and NERC's investigations of the September 2011 Southwest outage event, as well as to evaluating the reliability implications for the Western regional BPS of the U.S. EPA's Clean Power Plan. WIRAB is planning an increase in staffing of 1.50 FTEs from its 2015 budget, to 5.50 FTEs. With increased staffing, WIRAB's budgeted 2016 Personnel Expenses increase by \$152,200 (39.3%) over its 2015 budget. WIRAB's 2016 budget includes \$150,000 for Consultants & Contracts Expense (the same amount as provided in its 2015 budget) to provide technical expertise to WIRAB on issues related to grid operating practices, Reliability Standards and compliance, to support WIRAB in providing technically sound advice to WECC and Peak under §215(j) of the FPA. WIRAB is also budgeting increases totaling \$48,580 (45.8%) in Meetings and Travel Expenses to enable both WIRAB staff and representatives of the states and provinces to attend meetings of WECC and Peak, and because WIRAB will hold two major in-person meetings with participation of state and provincial agencies with electric power responsibilities in the Western interconnection.

WIRAB's proposed statutory assessment for 2016 is \$1,239,998, which is an increase of \$181,846 (17.2%) from its 2015 assessment. The assessment increase includes a \$129,726 decremental adjustment for Working Capital Reserve, as compared to a \$45,021 incremental adjustment in the 2015 budget. This incremental adjustment to the assessment is based on a target Working Capital Reserve amount of \$100,000 at December 31, 2016 and a projected Working Capital Reserve at December 31, 2015 of \$229,726.

WIRAB's overall statutory funding (assessment) request of \$1,239,998 for 2016 consists of \$1,048,819 allocated to the U.S., \$174,010 allocated to Canadian provinces, and \$17,169 allocated to Mexico, all based on 2014 NEL.

D. Allocation of Statutory Assessments by Country, Regional Entity Footprint and LSE

The total ERO statutory funding requirement for 2016, net of other NERC and Regional Entity income sources, to be funded by assessments is \$166,508,186 consisting of \$57,081,445 for funding of NERC's programs and \$109,426,741 for funding of Regional Entity statutory activities and the WIRAB. NERC has allocated its statutory assessment of \$57,081,445 to the LSEs within each Regional footprint primarily on the basis of NEL, as described below.⁵⁴

First, a total of \$1,662,982 of adjustments (credits) to the allocations to the AESO, the IESO, New Brunswick and Québec for certain Compliance Monitoring and Enforcement Program (CMEP), Event Analysis and Situation Awareness (SAFNR⁵⁵) costs was allocated using 8-Region NEL. In accordance with NERC's *Expanded Policy on Allocation of Certain Compliance and Enforcement Costs*, adjustments were made in the calculations of the assessments to the AESO, the IESO, New Brunswick and Québec, to provide credits for certain activity costs. These adjustments recognize that entities in certain of these provinces (Ontario, Alberta and New Brunswick) expend resources to perform compliance and enforcement activities in those provinces that otherwise would be performed by NERC or a Regional Entity, and that the compliance and enforcement resources NERC needs for Alberta and Québec are reduced due to the very small number of entities subject to compliance and enforcement activities in those provinces.⁵⁶ These adjustments also recognize that certain NERC activities,

⁵⁴See Appendix 2-A of **Attachment 2** for the 2014 NEL data by Regional Entity and calculation of the country allocation factors for each Region. MRO, NPCC and WECC are the only Regional Entities whose footprints encompass Canadian provinces (and for WECC, Mexico). As noted earlier, the year 2014 is the most recent calendar year for which NEL data is available.

⁵⁵ SAFNR = Situation Awareness – FERC, NERC and the Regions.

⁵⁶ The Commission accepted NERC's *Expanded Policy on Allocation of Certain Compliance Costs* in the *July 16, 2009 Budget Compliance Order*, at P 42, finding that the Expanded Policy "provides reasonable guidelines for cost allocation in specific circumstances described in the document."

including the SAFNR program, either overlap with Canadian regulatory programs or, as in the case of SAFNR, are not used by these Canadian provinces, and therefore these provinces were not allocated a share of these costs. This credit amount was allocated to all other LSEs (Balancing Authorities) on the basis of NEL.

Attachment 13 shows the calculations of these adjustments to the allocations to the AESO, the IESO, New Brunswick and Québec. The allocation of the \$1,662,982 of adjustments (credits) to the allocations to the AESO, the IESO, New Brunswick and Québec for certain CMEP, Event Analysis and Situation Awareness costs is reflected in Appendix 2-C of **Attachment 2**.

Second, an allocation based on the 8-Region NEL was used to allocate \$57,081,445 of the NERC statutory assessment – comprised of \$58,520,402 of assessments less \$1,439,000 of Penalty payments – to the Regional footprints.⁵⁷ The NEL-based allocations to the eight Regional footprints are shown in Appendix 2-C of **Attachment 2**.

NEL has also been used to allocate the Regional Entity assessments, with these exceptions: First, 23.61% of NPCC's Compliance Monitoring and Enforcement and Organization Registration and Certification (CORC) Program costs, representing CORC program fundamentals, has been allocated among the six Balancing Authority Areas in NPCC on the basis of NEL; 51.18% of the CORC costs has been allocated between the U.S. and Canadian Balancing Authority Areas in NPCC using a compliance audit-based methodology; and the remaining 25.21% of the CORC costs has been allocated between the U.S. and Canadian Balancing Authority Areas using an enforcement activity-based methodology. As directed in the *July 16, 2009 Budget Compliance Order*, PP 38-41, the portion of NPCC CORC costs allocated

⁵⁷ Because the Penalty payments are collected solely from U.S. Registered Entities, the Penalty payments are allocated solely to offset statutory assessments to U.S. LSEs.

to the U.S. using the compliance audit-based methodology and the portion of NPCC CORC costs allocated to the U.S. using the enforcement activity-based methodology has then been re-allocated between the New England and New York Balancing Authority Areas based on NEL.⁵⁸

Second, WECC's allocation of its assessment to the AESO for the Province of Alberta has been reduced by \$938,424, representing WECC CMEP costs that are duplicative of programs of the AESO. The AESO credit amount was allocated to the remainder of the LSEs (Balancing Authorities) in the WECC Region on the basis of NEL.⁵⁹

After allocating the appropriate portions of the NERC, Regional Entity and WIRAB funding requirements to Canadian provinces and Mexico (taking into account the NEL-based allocations, the adjustments to the NERC allocations to the AESO, the IESO, New Brunswick and Québec, the adjustments to the NPCC allocations to Canadian provinces, and the adjustment to the WECC assessment to the AESO), the total ERO statutory assessment for 2016 allocable to U.S. LSEs for which Commission approval is sought is \$150,501,295, comprised of:

NERC Assessment:	\$51,785,828
Regional Entity Assessments:	\$98,715,468 (includes the WIRAB assessment)

The funding requirement of each Regional Entity for statutory activities is of course allocated 100% to that Region. The funding requirement for the WIRAB is allocated 100% to the WECC Region. The following table shows the allocation to each Region of the total 2016 ERO statutory assessment of \$150,501,295 for the U.S. statutory activities of NERC and the Regional Entities (including WIRAB). The table also shows the statutory assessments per kWh

⁵⁸ The allocation of NPCC CORC Program costs is described in greater detail at pages 63-65 of the NPCC 2016 Business Plan and Budget, **Attachment 5**.

⁵⁹ See Appendix C of the WECC 2016 Business Plan and Budget, **Attachment 10** to this filing, which shows the calculation of the \$938,424 adjustment to the WECC assessment to the AESO. The adjustment to the WECC assessment to the AESO is provided for in a memorandum of understanding entered into effective July 15, 2010 among NERC, WECC and the AESO.

based on the 2014 U.S. NEL of each Region.

Regional Entity	NERC Assessment	Regional Entity Assessment	Total U.S. Assessment	Assessment per kWh (2014 NEL)
FRCC	\$ 2,907,605	\$ 6,628,457	\$ 9,536,062	\$0.0000424
MRO	\$ 3,120,012	\$ 9,071,087	\$ 12,191,099	\$0.0000456
NPCC	\$ 3,717,358	\$ 8,959,216	\$ 12,676,574	\$0.0000441
ReliabilityFirst	\$ 11,830,363	\$ 19,367,209	\$ 31,197,572	\$0.0000341
SERC	\$ 13,315,250	\$ 13,730,986	\$ 27,046,236	\$0.0000263
SPP RE	\$ 2,982,867	\$ 8,626,751	\$ 11,609,618	\$0.0000504
Texas RE	\$ 4,416,501	\$ 9,560,448	\$ 13,976,949	\$0.0000410
WECC	\$ 9,495,872	\$ 22,761,314 ⁶⁰	\$ 32,267,186	\$0.0000440
Total	\$ 51,785,828	\$ 98,715,468	\$ 150,501,295	\$0.0000376

NERC obtained from each Regional Entity a listing of the LSEs or their designees in the Region and a breakdown of the Region's 2014 NEL by LSE or designee.⁶¹ NERC used this information to allocate the total ERO statutory assessment allocated to each Region among the LSEs, their designees or the other entities to be billed the assessments within that Region.⁶² The amount of the NERC and Regional Entity statutory assessments allocated to each LSE or designee or other entity to be billed in each Region is shown in Appendix 2-B of **Attachment 2**. NERC requests that the Commission approve the statutory assessment amounts for NERC and the Regional Entities allocated to each LSE or designee, as shown in Appendix 2-B of **Attachment 2**, so that the LSEs and their designees or other entities may be billed for these

⁶⁰ The number for WECC includes the portion of the WIRAB assessment allocated to the U.S.

⁶¹ For the NPCC Region, assessments are allocated on the basis of NEL in each Balancing Authority Area (New York, New England, Ontario, Québec, Nova Scotia and New Brunswick). For Texas RE, assessments are allocated on the basis of the NEL for ERCOT, which acts as the billing agent for the Texas RE Region.

⁶² Certain LSEs in MRO and WECC serve end users only in Canada or Mexico and not in the U.S. These LSEs were not allocated any portion of the ERO funding requirement allocated to U.S. end users, but were allocated appropriate portions, based on NEL (except as noted above), of the ERO funding requirement allocated to Canadian provinces or Mexico, as applicable.

assessments in accordance with 18 C.F.R. §39.4(e).⁶³

NERC will directly invoice the approved assessments to LSEs or designees, or to the other entities to be billed, in all Regions except WECC.⁶⁴ WECC will invoice LSEs or Balancing Authorities or their designees within the WECC footprint, collect the assessments and remit the funds collected for the NERC, WECC and WIRAB assessments to NERC. These arrangements are provided for in Exhibit E to the delegation agreement with each Regional Entity.

E. Provision for Working Capital Reserve

In the development of their 2016 Business Plans and Budgets and their proposed assessment amounts to LSEs, NERC and the Regional Entities have taken into account the need to maintain appropriate amounts of working capital and operating reserves. NERC's Working Capital and Operating Reserve Policy, originally developed in 2012 and revised in 2013 and again in 2015, provides for budgeting and accounting for separate working capital and several categories of operating reserves with specified purposes; it also sets forth guidelines and authorities for accessing Working Capital and Operating Reserves and for use of funds for activities in excess of budgeted amounts. The amounts that NERC has budgeted for 2016 in the various reserves categories under its Policy, and the impacts on NERC's 2016 proposed statutory assessments, are discussed in §IV.B below and in Exhibit E to **Attachment 2**. The remainder of the discussion in this §III.E describes the development of the Regional Entities' Working Capital

⁶³ As approved by the Commission in the *ERO Certification Order* at P 218, for reasons of administrative convenience billing and payment by LSEs of annual assessments less than \$100 will not be required.

⁶⁴ As indicated above, the assessments in the NPCC Region will be billed to a single entity for each of the six Balancing Authority Areas within NPCC; and the assessments in the Texas RE region will be billed to ERCOT. (NERC also directly bills La Régie de l'énergie du Québec, which is not a LSE, for the CMEP costs allocated to Québec, and, beginning in 2016, will directly bill the total assessment in New Brunswick. New Brunswick Power Corporation is the LSE in New Brunswick.)

Reserve amounts and associated adjustments to assessments for 2016.

The process takes into account each Regional Entity's actual and projected Working Capital Reserves at December 31, 2014 and December 31, 2015, respectively, resulting from its accumulated prior years' surpluses and deficits, and results in an incremental or decremental adjustment to each Regional Entity's proposed 2016 statutory assessment amount, in order to arrive at its target Working Capital Reserve at December 31, 2016. Table B-1, Reserve Balance, in Section B of each Regional Entity's 2016 Business Plan and Budget, shows the calculation of the increment or decrement to the Regional Entity's requested 2016 assessment to achieve the Regional Entity's desired Working Capital Reserve at December 31, 2016. The calculations shown on Table B-1 take into account: (1) the Regional Entity's actual Working Capital Reserve (Deficit) at December 31, 2014, (2) assessment Funding, projected other Funding, and projected Expenses and Capital Expenditures for 2015, resulting in (3) a projected Working Capital Reserve at December 31, 2015, (4) the desired (target) Working Capital Reserve at December 31, 2016, (5) the budgeted Expenses and Capital Expenditures, and projected other funding sources (including Penalties collected from Registered Entities during the 12 months ended June 30, 2015), for 2016, resulting in (6) the increment or decrement to the requested 2016 assessments to achieve the target Working Capital Reserve at December 31, 2016.

As shown on Table B-1 in each Regional Entity's 2016 Business Plan and Budget, each Regional Entity (except SPP RE; *see* §V.B.6 below) has established a target Working Capital Reserve for 2016. The basis for each entity's Working Capital Reserve for 2016 is stated on its Table B-1 or explained elsewhere in the text of its 2016 Business Plan and Budget. Further discussion of the adjustment (increase or decrease) to each Regional Entity's proposed 2016 statutory assessment to achieve its target Working Capital Reserve is provided in the discussions

of the individual Regional Entity 2016 Business Plans and Budgets in §V.B below.

As of the end of the second quarter of 2015, NERC and the Regional Entities are projecting year-end 2015 balances in working capital and operating reserves that are collectively \$11 million (55.8%), over the ending balance that were projected in their 2015 Business Plans and Budgets. This difference is due to higher beginning balances (\$10.5 million).

The table below shows the difference between the projected 2015 year-end balances in working capital and operating reserves included in (i) the NERC and Regional Entity second quarter 2015 variance reports and (ii) the 2016 Business Plan and Budgets, by entity. The difference between the projected year-end balances for MRO, ReliabilityFirst, SERC, SPP RE, Texas RE and WECC are related to the timing difference in the preparation of the projections. The projections included in the 2016 Business Plans and Budgets were prepared earlier than the second quarter variance reports, based upon information available at the time, and were approved by their Boards prior to preparation of their second quarter 2015 variance reports. The table also includes the planned increase or decrease in reserves included in the 2016 Business Plan and Budget by entity. Funds in excess of projected starting working capital and operating reserve balances will be subject to applicable Regional Entity controls over the expenditure of such funds and will be taken into account in developing 2017 funding requirements.

Entity	2015 Projection per Q2 2015 Variance Report (\$)	2015 Projection per 2016 Budget (\$)	Variance - Q22015 Report versus 2016 Budget (\$)	2016 Budgeted Inc(Dec) in Reserves (\$)
NERC	6,313,523	6,313,523	0	2,496,104
FRCC	1,041,194	1,041,194	-	(436,070)
MRO	1,629,586	1,260,087	369,499	(326,829)
NPCC	3,935,947	3,932,546	3,401	(592,801)

ReliabilityFirst	2,139,804	1,055,079	1,084,723	590,176
SERC	4,930,621	3,288,284	1,642,337	(832,284)
SPP RE	3,508,817	1,276,068	2,232,749	(1,276,068)
Texas RE	4,102,676	4,288,102	(185,426)	(1,883,767)
WECC	2,726,673	2,394,170	332,503	844,377
	30,328,841	24,849,056	5,479,785	(1,417,162)

F. Budget Projections for 2017 and 2018

As it did its Business Plans and Budgets for each of the years 2008 through 2015, NERC is providing preliminary budget projections for the two years following the budget year (*i.e.*, 2017 and 2018).⁶⁵ This information is provided on pages 18-19 of **Attachment 2**.⁶⁶ These budget projections show that NERC's 2017 total budget is projected to be approximately \$4.2 million, or 6.2%, above the 2016 total budget. For 2018, NERC's total budget is projected to be approximately \$585,000, or 0.8%, lower than the amount projected for 2017. The significant assumptions underlying these projections include: (i) no increases in total FTEs over budgeted 2016 FTEs; (ii) Personnel and Benefits costs increases consistent with the 2016 budget assumptions; (iii) 2017 increase and 2018 decrease in Consultants & Contracts expense related to the NERC Grid Security Exercise, which is conducted every other year; (iv) debt service repayment obligations in connection with NERC's capital financing program consistent with the projected capital forecast for Enterprise IT applications; and (v) no increase in expenditures

⁶⁵ The 2016 Business Plan and Budget of each Regional Entity also includes budget projections for 2017 and 2018.

⁶⁶ The NERC Board has not approved the 2016-2017 projections as official budgets, and NERC is not seeking approval of these budget projections by the Commission or other applicable governmental authorities.

related to CRISP except for Personnel and Benefits expense increases consistent with the general assumption (noted above) for these costs.

IV. DISCUSSION OF NERC BUSINESS PLAN AND BUDGET

A. 2016 Business Plan and Budget by Program

This section summarizes NERC's proposed 2016 Business Plan and Budget by statutory program and Administrative Services department. The proposed 2016 staffing and expenditure budgets for the individual NERC departments and programs are described in the subsections below. However, there are several aspects of NERC's 2016 budget that impact the budgets for all programs and departments.

First, in the 2016 budget, budgeted FTEs are maintained at approximately the same level as in the 2015 budget. However, some staff have been redeployed internally from one program or department to one or more other programs or departments which now have higher priority resource needs, including the need to address higher priority reliability risks.

Second, in presenting their budgeted staffing (FTEs) and related Personnel Expenses for 2016, all NERC programs and departments have applied a 7.8% vacancy rate reduction to FTEs to account for attrition and hiring delays. The vacancy rate adjustment reflects that actual staffing is typically less than budgeted staffing due to factors such as employees leaving NERC for other jobs and new positions being filled at a later date than was assumed in the preparation of the budget. In the 2015 NERC budget, a personnel attrition adjustment factor of 6% was used. The specific vacancy rate adjustment factor is based on review and analysis of historical attrition and vacancy rates and on the time it takes to recruit new personnel and bring them on board. The increase in the vacancy rate adjustment factor causes a slight downward reduction in the budgeted 2016 FTE and Personnel Expenses for each program and department (which may be fully or partially offset by other factors for the individual programs and departments).

Third, in the development of Personnel Expense in the 2016 budget, market-based compensation and salary adjustments were assumed, based on guidelines established by the NERC CGHRC, market information provided by a nationally recognized compensation and benefits consulting firm, and other available data.

Fourth, budgeted Benefits Expense is increased for all programs (all other things equal) due to anticipated market increases in medical and dental plan cost from the 2015 budget, based on information provided by NERC's benefits consultants. However, NERC has been able to hold down health plan premium cost increases somewhat by restructuring its medical plan to a high deductible health savings account structure.

Fifth, Retirement Costs expense reflects the inclusion of incremental retirement plan funding for NERC's 457(f) plan, which was approved by the NERC Board in February 2015.

Sixth, budgeted Meetings and Travel Expense is kept relatively flat in the 2016 budget from the 2015 budget, reflecting the significant actions NERC has taken over the past several years to reduce these expenses, including by (1) implementing additional policies, systems and controls over Travel expenses, and (2) working with Regional Entities to share meeting space where possible.

Although the overall budgeted staffing for NERC's statutory direct programs is slightly reduced from the 2015 budget by 3.5 FTEs, there has been some reallocation of positions among the NERC programs to better align resources with needs, so that some statutory direct programs or departments are budgeted for increased staffing, and others for reduced staffing, as compared to the 2015 budget. The Administrative Services (Indirect) budget for expenses and Fixed Assets are allocated to the statutory direct programs on the basis of the ratio of the budgeted FTEs in each statutory program to the total budgeted statutory program FTEs. The changes in

the numbers of FTEs budgeted for each statutory direct program for 2016 impact the allocation of the Administrative Services costs among the statutory direct programs.

1. Reliability Standards Program

The Reliability Standards Program carries out the ERO's responsibility to develop, adopt, obtain approval of, and modify as and when appropriate, mandatory Reliability Standards for the reliable planning, operation and critical infrastructure protection of the North American BES. The major activities of the Reliability Standards Program include (1) providing project management and leadership to the Reliability Standard development process to deliver high-quality, continent-wide Reliability Standards, including standard development outreach activities, assistance to and facilitation of Standard Drafting Teams' activities, drafting support, and ensuring that the quality of documents produced are appropriate for approval by industry and the NERC Board, (2) facilitating continent-wide industry engagement in the standard development processes, and (3) conducting balloting, disseminating information, and supporting regulatory filings on proposed standards. The Reliability Standards Program staff also supports the Regional Entities' regional reliability standards development processes by providing technical advice, final quality review of Regional standards, presentation to the NERC Board, and submission to the applicable regulatory authorities in the U.S. and Canada for adoption.

The key activities of the Reliability Standards Program underway in 2015 are described at page 20 of **Attachment 2**, and include focusing on the selection of standard projects undertaken; addressing Commission directives and responding to Commission orders on Reliability Standards; transforming NERC's Reliability Standards to steady state, including addressing possible outstanding Paragraph 81 candidates⁶⁷ and Independent Experts Review

⁶⁷ The Paragraph 81 initiative is the result of the Commission's invitation, in a March 2012 order, to identify specific Reliability Standards or requirements that need to be revised or retired based on lack of

Project (IERP) recommendations for retirements of Reliability Standard requirements; determining whether to make further improvements to Reliability Standards; and facilitating smooth transitions to new Reliability Standards, such as the CIP Version 5 standards and the Physical Security standard.

The 2016 goals and deliverables for the Reliability Standards Program are provided at page 22 of **Attachment 2**, and focus on: (1) completing addressing existing Commission directives and remaining recommendations for retirements from the Paragraph 81 project and the IERP; (2) addressing new Commission directives as necessary through the standards process; and (3) addressing reliability risks identified through the Reliability Risk Management Program or by the NERC Reliability Issues Steering Committee (RISC) for which a Reliability Standard is part of the solution.

NERC has budgeted 17.98 FTEs for the Reliability Standards Program for 2016, which is a decrease of 6.42 FTEs from the 2015 budget and reflects a reduced workload due to reduction in the number of new Reliability Standards under development, reduction in outstanding Commission directives, and more efficient workload and resource management. This has enabled the reallocation of some open budgeted FTEs to other programs with greater resource needs. The 2016 budgeted direct expenses for this program are \$3,888,768, which is a decrease of \$911,983 (19.0%) from the 2015 budget. Budgeted 2016 Personnel Expenses are decreased by \$1,071,285 (26.3%) from the 2015 budget, reflecting the decrease in staffing. Budgeted Meetings Expense is decreased by a total of \$39,104 (6.0%), including a reduction of \$67,312 (19.8%) in Travel Expense due in part to holding more meetings in NERC's Atlanta and

meaningful benefit to BPS reliability. *North American Electric Reliability Corporation, Order Accepting with Conditions the Electric Reliability Organization's Petition Requesting Approval of New Enforcement Mechanisms and Requiring Compliance Filing*, 138 FERC ¶ 61,193 (2012), at P81.

Washington, D.C. offices. As was the case in the 2014 and 2015 budgets, no Consultant & Contracts expense is budgeted for this program for 2016. The allocation of Administrative Services expenses to this program is \$4,234,020, the Allocation of Fixed Assets from the Administrative Services programs is \$280,388, and no Fixed Asset additions are included in the 2016 budget for the Reliability Standards Program.

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

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program carries out NERC's statutory responsibility to monitor, enforce and ensure registered entity compliance with mandatory Reliability Standards. This program is comprised of two operational departments: Reliability Assurance and Compliance Enforcement.

a. Reliability Assurance

Reliability Assurance is comprised of Compliance Assurance (Regional Entity Assurance and Oversight in the 2015 Business Plan and Budget), Compliance Analysis and Certification, and Registration. The latter two are combined for budgeting purposes.

i. Compliance Assurance

Compliance Assurance works collaboratively with the Regional Entities to ensure consistent and effective implementation of the CMEP across the ERO Enterprise. Compliance Assurance is responsible for the following major activities and functions: (i) consistent implementation of the risk-based compliance monitoring program for reliability improvements; (ii) development and delivery of comprehensive and ongoing education and training on risk-based compliance monitoring and enforcement for ERO Enterprise staff; (iii) oversight of the Regional Entities' delegated compliance functions, including CMEP planning, implementation and reporting, compliance operations and coordination, and auditor training; (iv) CIP Version 5

activities related to transition, training and compliance design of ERO education activities; (v) training and outreach activities related to implementation of the Physical Security standard (CIP-014-1); (vi) development of baseline monitoring requirements; (vii) development and maintenance of Reliability Standards Audit Worksheets (RSAWs); (viii) supporting the NERC Compliance and Certification Committee and Regional Entity and industry committees, working groups and task forces; and (ix) development and delivery of guidance to the ERO Enterprise for Reliability Standards associated with current-year risk elements and training for every Reliability Standard approved by the Commission.

The major activities under way for Compliance Assurance for 2015 are described at page 24 of **Attachment 2** and include continued implementation of risk-based compliance monitoring and enforcement, including continued training of ERO Enterprise staff, continued outreach efforts to industry, oversight of Regional Entity implementation of risk-based processes, and development and benchmarking of objective metrics for the risk-based CMEP; and consistent implementation of the risk-based CIP compliance monitoring program, including the transition from the Version 3 to Version 5 CIP standards.

The 2016 goals and deliverables for Compliance Assurance are described at page 27 of **Attachment 2**, and include: (1) developing and implementing a training program to support implementation of the common audit procedures and the ERO Auditor Capabilities and Competencies Guide; (2) working with NERC's Compliance Enforcement and IT departments and with Regional Entity staff regarding improvements to existing compliance, reporting, analysis tracking system (CRATS) and other compliance tools to support risk-based activities; (3) making effective internal controls models and information available to industry; (4) initiating compliance phase-in learning periods for new standards; (5) transitioning to a single ERO

approach to compliance monitoring and common audit planning, with consistent implementation of risk-based techniques and principles; (6) consolidating to a common set of RSAWs or successors for all standards; (7) creating technically sound training to support compliance methodologies and testing approaches for Reliability Standards; (8) supporting the transition to CIP Version 5 standards that become effective in 2016; and (9) continuing to monitor and support effective implementation and monitoring of the Physical Security standard.

The budgeted staffing for Compliance Assurance for 2016 is 19.36 FTEs, which is an increase of 7.17 FTEs from the 2015 budget and reflects the reallocation of personnel to support initiatives for successful implementation and oversight of the risk-based CMEP, as well as the transfer of audit personnel from the former Critical Infrastructure Department (which has been merged into ES-ISAC) to both better align audit resources and further separate the ES-ISAC from compliance-related functions. As a result, budgeted 2016 Personnel Expenses are increased by \$1,637,289 (70.6%) from the 2015 budget. Budgeted 2016 Meetings Expense is increased by a total of \$81,143 (29.5%), due primarily to an increase in budgeted Travel Expenses of \$78,343 (39.6%) reflecting additional training and outreach activities. Budgeted Consultants & Contracts Expense is reduced by \$188,000 (48.5%) from the 2015 budget, to \$200,000. However, Compliance Assurance is also supported by budgeted funding in the IT Department budget for the maintenance, evaluation, and development of enterprise tools supporting compliance activities.

The budgeted total direct expenses for Compliance Assurance for 2016 are \$4,559,233, which is an increase of \$1,542,627 (51.1%) from the 2015 budget, with the primary driver of the increase being the increased staffing and related Personnel Expenses. The allocation of Administrative Services expenses to Compliance Assurance is \$4,559,714, Fixed Assets

allocated to Compliance Assurance are \$301,956, and no Fixed Asset additions or Depreciation are budgeted for Compliance Assurance for 2016.

ii. Compliance Analysis and Certification and Registration

The Compliance Analysis and Certification and Registration Groups are responsible for a range of requirements and activities embodied in Section 500 and Appendices 5A and 5B of the NERC ROP. Specific activities of these groups include: (1) identification and registration of BES users, owners and operators who are responsible for compliance with Reliability Standards; (2) certification of the competency of Reliability Coordinators, Balancing Authorities, and Transmission Operators to perform their reliability functions; (3) compliance investigations; (4) in conjunction with Regional Entity staffs, compliance evaluations of events and disturbances; (5) investigating complaints alleging violations of Reliability Standards; (6) conducting activities to reasonably assure that actions have been taken as reported in response to NERC Alerts or guidance to industry; and (7) oversight of Regional Entity registration, certification, compliance, investigation and complaint programs and processes. A major activity for the Registration Group during 2015 is implementation of the Risk Based Registration design and registration criteria approved by the Commission in March 2015, as well as working on technical review and analysis to determine if further refinements are needed for Transmission Owners, Transmission Operators, Generation Owners and Generation Operators.

The 2016 goals and deliverables for the Compliance Analysis and Certification and Registration Groups are described at page 29 of **Appendix 2** and include continuation of current initiatives, including evaluation of the current certification program and implementation of any recommended changes, along with enhanced oversight and quality assurance reviews of Regional Entities' performance of delegated registration, certification, investigation and

complaint duties.

The budgeted staffing for Compliance Analysis and Certification and Registration for 2016 is 10.14 FTEs, which is a decrease of 1.11 FTE from the 2015 budget and is due to reallocation of one position to another department and application of the revised vacancy rate factor. Budgeted 2016 Personnel Expenses for these groups are decreased by \$304,307 (14.1%) from the 2015 budget. Budgeted 2015 Meetings Expense is decreased by \$9,664 (5.7%), due primarily to a decrease in budgeted Travel Expenses. Consultants & Contracts Expense of \$50,000 (versus zero in the 2015 budget) is budgeted for outside technical support for Risk Based Registration implementation.

The budgeted total direct expenses for Compliance Analysis and Certification and Registration for 2016 are \$2,086,784, which is a decrease of \$266,935 (11.3%) from the 2015 budget, with the primary driver of the decrease being the reduced Personnel Expense. The allocation of Administrative Services expenses to Compliance Analysis and Certification and Registration is \$2,387,951; Fixed Assets allocated to Compliance Analysis and Certification and Registration are \$158,136; and no Fixed Asset additions or Depreciation are budgeted to Compliance Analysis and Certification and Registration for 2016.

b. Compliance Enforcement

Compliance Enforcement is responsible for overseeing enforcement processes, the application of penalties or sanctions, and activities to mitigate and prevent recurrence of noncompliance with Reliability Standards. Compliance Enforcement monitors and provides oversight over the Regional Entities' enforcement processes and the outcomes of those processes; collects and analyzes compliance enforcement data and trends to identify emerging risks and inform the development of enforcement policy and processes; files notices of penalties

and other submittals associated with violations discovered through Regional Entity compliance monitoring and enforcement activities or through NERC-led investigations and audits; collaborates with other NERC departments including Reliability Standards, Compliance Assurance and Event Analysis; provides training of ERO Enterprise staff and other education and outreach efforts; and coordinates with the Regional Entities on the implementation of risk-based processes.

Major activities under way for the Compliance Enforcement department during 2015 are described at pages 33-38 of **Attachment 2** and are focused on implementing the risk-based CMEP, including providing training to ERO Enterprise staff on risk-based CMEP processes, outreach activities to industry concerning the risk-based CMEP, implementing the compliance exceptions and self-logging processes, and monitoring Regional Entity implementation of the risk-based CMEP; continuing to achieve improvements in the efficiency of enforcement processing throughout the ERO Enterprise; and continuing to reduce the number of violations in inventory that are older than 24 months;

The 2016 goals and deliverables for Compliance Enforcement are described on page 37 of **Attachment 2**, and are focused on refining and improving the risk-based CMEP processes; implementing the ERO Enterprise enforcement philosophy that is risk-focused and drives desired behaviors by registered entities; expanding the information feedback loop from Compliance Enforcement to Reliability Standards and other program areas; and working with Compliance Assurance, IT, and Regional Entity staff regarding improvements in the existing CRATS and other compliance tools to support risk-based CMEP activities.

The budgeted staffing for Compliance Enforcement for 2016 is 12.22 FTEs, which is a decrease of 2.79 FTEs from the 2015 Budget and reflects reduced resource requirements

resulting from improvements in the efficiency and effectiveness of the department's operations and reduction in the inventory of violations to be processed. Budgeted 2016 Personnel Expenses are reduced by \$208,627 (8.9%) from the 2015 budget, reflecting the reduced staffing from the 2015 budget. The 2016 budget for Meeting Expenses is slightly reduced, by \$2,364 (3.8%) from the 2015 budget. As in the 2012, 2013, 2014 and 2015 budgets, Compliance Enforcement is budgeting no Consultants & Contracts expense for 2016.

The budgeted total direct expenses for Compliance Enforcement for 2016 are \$2,225,938, a decrease of \$230,502 (9.4%) from the 2015 budget. The allocation of Administrative Services expenses to Compliance Enforcement is \$2,876,962, the allocation of Fixed Asset additions to Compliance Enforcement is \$190,520, and no Fixed Asset additions are budgeted for Compliance Enforcement for 2016.

3. Reliability Assessment and Performance Analysis Program

The RAPA Program carries out the ERO's statutory responsibility to conduct assessments of the reliability and adequacy of the BES in North America to provide insight and guidance about reliability risks and performance improvements. RAPA's activities also support identification of reliability performance issues and areas of concern, including equipment performance and reliability issues, for consideration in the development of new, or modification of existing, Reliability Standards, or other initiatives that enhance overall reliability. RAPA focuses on developing a technical framework and understanding of the reliability risks facing the industry and providing guidance and information to the industry to enhance reliability. The RAPA Program is responsible for preparing independent assessments of the overall reliability and adequacy of the BES and associated reliability risks that could impact the short-term and long-term (ten-year) planning horizons; performance analysis of and recommendations from historical reliability and associated trends; reliability assessment and bulk system evaluation

model and case development for analyzing steady state and dynamic conditions; assurance that electrical elements necessary for the reliable operation of the BPS are appropriately identified as BES Elements; reliability risk program management for identifying and improving key risk areas using analyses of reliability gaps, risk controls, and management efforts, as well as integration with the RISC, Long-Term Reliability Assessments (LTRA), and State of Reliability reports; management of reliability risk program priorities for appropriate levels of resources, timing, completion, and execution; and providing reliability leadership and consistent, technically sound guidance and recommendations for industry and policy makers.

The major activities of the RAPA Program underway in 2015 are described at pages 39-47 of **Attachment 2**. These activities are focused on reliability risk analysis and management and the Reliability Risk Management Program, and include programs focused on managing the top priority reliability risks, as identified by the NERC Board, the RISC, and other sources, in the following areas: changing resource mix, resource planning, protection system reliability, protection system misoperations, uncoordinated protection systems, extreme physical events, availability of real-time tools and monitoring, and right-of-way clearances. The RAPA Program's activities also include collection and analysis of data on transmission outages, generator performance, and demand response; preparation of the annual LTRA, Summer and Winter Reliability Assessments, and Special and Scenario Reliability Assessments; bulk power system analysis; and implementation of the revised BES definition which became effective July 1, 2014.

The 2016 goals and deliverables for the RAPA Program are summarized at pages 47-51 of **Attachment 2**. The 2016 goals and objectives include:

- issuing reliability assessment reports, guidelines, recommendations, and alerts as needed (including the annual 10-year LTRA and Summer and Winter Reliability

Assessments, the annual State of Reliability Report, special reliability assessment reports on essential reliability services and the EPA Clean Power Plan, and a frequency response analysis report);

- oversight of the Generating, Transmission and Demand Response Availability Data Systems (GADs, TADS and DADS), the Spare Equipment Database (SED), and reliability metrics and misoperations;
- strengthening the Program's data collection and validation processes;
- providing periodic updates in trends and measures of BES reliability;
- developing a risk registry and systematic prioritization process consistent with the RISC framework and to support BES risk profile measurement and the assessment of standards;
- executing integrated risk control strategies and plans across the ERO Enterprise to address the highest priority existing or emerging risks to BES reliability, and measuring the results;
- supporting NERC Reliability Standards development and responses to Commission directives by providing technical and system analysis expertise;
- supporting the technical foundation development for Reliability Standards to address deficiencies or needs identified by RAPA;
- advancing NERC's analytical capability for identifying and determining reliability risks and conducting various reliability assessments;
- providing support and leadership to the NERC Planning Committee and the subcommittees, working groups and task forces of standing committees;
- assisting in development of approaches to registration and providing input in support of the development of CMEP risk elements;
- conducting major event investigations, analysis and reporting of major findings, recommendations and lessons learned that will improve reliability;
- implementing effective oversight and tracking of various technical aspects of reliability, including frequency response performance, application of the TPL footnote b adoption, and root cause applications to assessments and analysis;
- designating, developing, and supporting Interconnection-wide model-building groups; and
- developing a structured approach to evaluate and improve system models, model validation, system analysis, and assessments.

During 2016, RAPA will conduct additional projects addressing top priority reliability risks identified by the RISC, such as essential reliability services; development of standardized models for power flow and dynamic modeling components and validation of such models; developing guidelines for performing analysis of loads to determine system needs for essential reliability services; frequency response initiatives, including calculating the Interconnection Frequency Response Obligations and Frequency Response Obligations for Balancing Authorities; developing rules for frequency and voltage disturbance ride-through obligations for distributed energy resources; gas-electric interdependencies and infrastructure assessment; assessment of potential impacts to BPS reliability of emerging and proposed environmental regulations such as the EPA Clean Power Plan; analysis of protection system reliability including single-point-of-failure data; guidelines for coordination of protection systems and other devices, emergency transformer replacement, and protection system performance improvements.

The budgeted staffing for the RAPA Program for 2016 is 18.67 FTEs, which is a decrease of 1.03 FTE from the 2015 budget and reflects the revised vacancy rate factor and the timing of new hires. Budgeted 2016 Personnel Expense is decreased by \$141,840 (3.9%) over the 2015 budget. Budgeted 2016 Meetings Expense is increased by \$27,999 (6.4%) from the 2015 budget. The RAPA Program is budgeting \$1,084,039 for Consultants & Contracts Expense for 2016, which is an increase of \$128,589 (13.5%) from the 2015 budget. The budgeted consultant and contractor resources will support the following activities: (1) research concerning reliability effects of geo-magnetic disturbances; (2) collaboration research with the U.S. DOE; (3) the LTRA and special reliability assessments (including the U.S. EPA Clean Power Plan and essential reliability services assessments) and the State of Reliability analysis; (4) licensing and support of existing data bases; and (5) software application development (funding for

replacement of the software application for industry access to GADS data and development of enterprise software applications such as the Reliability Assessment Database applications is included in the IT Department budget).

The total budgeted direct expense for the RAPA Program for 2016 is \$5,616,840, which represents an increase of \$160,384 (2.9%) from the 2015 budget. The RAPA Program is budgeting \$50,000 of revenue from Services & Software and \$15,000 of revenue from Workshop attendance fees in 2016. The allocation of Administrative Services expenses to this program is \$4,396,749, the allocation of Fixed Asset additions to this program is \$291,164, and there are no Fixed Asset additions budgeted for RAPA in 2016.

4. Reliability Risk Management

The Reliability Risk Management (RRM) group carries out NERC's statutory responsibility to perform assessments (including real-time or near-real-time assessments) of the reliability and adequacy of the BES, as well as identifying potential issues of concern relating to system, equipment, entity and human performance that may indicate a possible need to develop new or modified Reliability Standards. The RRM group includes four primary functions: (i) BES awareness, (ii) event analysis and determination of root and contributing causes, (iii) assessment of human performance challenges affecting BES reliability and identification of improvement opportunities, and (iv) support of the NERC Operating Committee. RRM has two departments, Situation Awareness and Event Analysis. The 2016 budgets for Situation Awareness and Event Analysis are discussed separately below.

a. Situation Awareness

The Situation Awareness Department works with the Regional Entities to monitor BES conditions, significant occurrences and emerging risks, and threats across the Reliability

Coordinator regions. Situation Awareness also supports development and publication of Alerts and awareness products and facilitates information sharing among industry, Regional Entities and government during crisis situations and major system disturbances.

During 2015, Situation Awareness is focusing on the following tools: (1) operation and maintenance of the SAFNR Version 2 software application; and (2) retirement of the NERCnet (Frame Relay Contract) – Interconnection Security Network and initiation of service using a new communication network developed, sponsored and managed by the Eastern Interconnection Data Sharing Network.

The 2016 goals and deliverables for Situation Awareness are described on pages 52-54 of **Attachment 2** and include ensuring that the ERO is aware of all BES events above a threshold of impact; ensuring the sharing of data and information to facilitate wide area situation awareness; during crisis situations, facilitating the exchange of information among industry, Regional Entities, and U.S. and Canadian governments; keeping the industry informed of emerging reliability threats and risks to the BES, including any expected actions; conducting the annual NERC Monitoring and Situation Awareness Conference and Human Performance Conference; and administering the NERC Alerts process as specified in NERC ROP §810.

The 2016 budgeted staffing for Situation Awareness is 5.53 FTEs, which is a reduction of 0.57 FTEs from the 2015 budget, and reflects the increased vacancy rate adjustment factor. Budgeted 2016 Personnel Expenses are decreased by \$103,349 (9.3%) from the 2015 budget. Budgeted 2016 Meetings Expense is decreased by \$12,987 (24.3%) from the 2015 budget, primarily due to a decrease in budgeted Travel Expenses.

The 2016 Consultants & Contracts budget for Situation Awareness of \$1,211,475 is an increase of \$134,154 (12.5%) from the 2015 budget. The budgeted 2016 Consultants &

Contracts Expense includes increased costs of for reliability tools (\$104,088), continued use of the Secure Alerting System (\$141,000), and the NERCnet replacement (\$55,975); reduced costs for SAFNR Version 2 (\$21,409); and elimination of costs for NERCnet (\$145,500). Itemized information on the 2016 Consultants & Contracts budget for Situation Awareness is provided in Exhibit C of **Attachment 2**.

The total budgeted direct expense for Situation Awareness for 2016 is \$2,310,875, which represents a decrease of \$135,926 (5.6%) from the 2015 budget. The allocation of Administrative Services expenses to this program is \$1,302,775, the allocation of Fixed Asset additions to this program is \$86,273, and no Fixed Asset additions are budgeted for this program for 2016.

b. Event Analysis

The Event Analysis Department performs assessments of the reliability and adequacy of the BES, including identifying potential issues related to system, equipment, entity and human performance that may indicate a need to develop remediation strategies, action plans, or data used to revise Reliability Standards or consider new Reliability Standards. Event Analysis analyzes and determines the cause of system events, assures tracking of corrective actions, and provides lessons learned to the industry. Event Analysis analyzes all reportable events for sequence of events, root cause, risk to reliability, and mitigation, and provides lessons learned, emerging trends, risk analysis and expected actions to the industry. Additionally, Event Analysis focuses on identifying human-error risks and precursor factors that allow human error to impact system reliability; educates industry regarding risks, precursors, and mitigation methods; supports compliance and standards training initiatives; and supports trending and analysis to identify emerging reliability risks to the BES.

The 2016 goals and deliverables for Event Analysis are described at page 56 of **Attachment 2**, and include: (1) working with Regional Entities to obtain and review information on qualifying events and disturbances in order to advance awareness of these events, facilitating analysis of root and contributing causes, risks to reliability, wide-area assessments, and remediation efforts, and disseminating information about events in a timely manner; (2) ensuring that all reportable events are analyzed for sequence of events, root cause, risk to reliability and mitigation; (3) continuing to refine risk-based methodologies to support better identification of reliability risks, including the use of more sophisticated cause codes; (4) ensuring consistency in reporting and analysis to support wide-area assessments of significant reliability risks and trends; (5) conducting training to inform industry and the ERO of lessons learned, root cause analysis, cause coding, human performance, and cold weather preparedness and recommendations; (6) developing reliability recommendations and alerts as needed; (7) tracking industry accountability for critical reliability recommendations; (8) ensuring that industry is well informed of system events, emerging trends, risk analysis, lessons learned and expected actions; (9) conducting major event analysis and reporting of major findings and recommendations that will improve reliability; and (10) advancing the quality and usefulness of reliability assessments and event analysis data. Additionally, Event Analysis will support several of the top priority reliability risk projects described in the RAPA section above.

The 2016 budgeted staffing for Event Analysis is 11.06 FTEs, which is an increase of 1.68 FTE from the 2015 budget, and reflects the addition of personnel during 2015 to support increased workload, with no new positions planned for 2016. Budgeted 2016 Personnel Expense is increased by \$348,563 (18.6%) from the 2015 budget, reflecting the increased staffing. Budgeted 2016 Meetings Expense is increased by \$44,259 (21.7%) from the 2015 budget,

primarily due to increased budgeted Travel Expenses. Consultants & Contracts expense of \$56,000 is budgeted for Event Analysis for 2016 (versus zero in the 2015 budget), to augment internal capabilities in the areas of substation equipment, protection systems, and data analysis.

The total budgeted direct expense for Event Analysis for 2015 is \$2,650,065, which represents an increase of \$346,967 (15.1%) from the 2015 budget. The allocation of Administrative Services expenses to Event Analysis is \$2,605,551, the allocation of Fixed Asset additions to Event Analysis is \$172,546, and no Fixed Asset additions are budgeted for Event Analysis for 2016.

5. Electricity Sector Information Sharing and Analysis Center

The primary function of the ES-ISAC is the rapid and secure sharing of information with the electric industry and governmental entities regarding real and potential security threats to the electricity sector, and methods and tools used to avoid or mitigate the potential impact from these threats. The ES-ISAC facilitates sector coordination regarding physical security and cybersecurity events affecting the BES. The ES-ISAC develops alerts and notifications for distribution to registered entities, and utilizes its secure, private information-sharing portal to receive voluntary reports from industry members. The ES-ISAC also maintains a seat on the operations floor of the National Cybersecurity and Communications Integration Center within the Department of Homeland Security, which is the hub for real-time, classified threat and vulnerability work. The ES-ISAC maintains other information-sharing relationships with U.S. and Canadian government departments and agencies and with similar agencies in several other countries. The ES-ISAC supports an annual grid security conference and a biennial Grid Security Exercise (GridEx). ES-ISAC staff works with industry and governmental entities to examine critical infrastructure protection policy issues and provides staff-level support to the

NERC Critical Infrastructure Protection Committee (CIPC).

The ES-ISAC performs a management role for CRISP, which became fully operational in 2015. CRISP is a public-private partnership whose purpose is to facilitate the sharing of cyber threat information and to develop situation awareness tools that enhance the electricity sector's ability to identify, prioritize, and coordinate the protection of its critical infrastructure.

During 2015, NERC combined its Critical Infrastructure Department (CID) into the ES-ISAC for both operational and budgeting and financial reporting purposes. The comparison of 2016 budget information for ES-ISAC to 2015 budget amounts, below, is based on the combined 2015 budgets for the ES-ISAC and the CID.

The major activities of the ES-ISAC in 2015 are described on pages 59-62 of **Attachment 2** and are focused on continuing to enhance the effectiveness and capabilities of its operations. The ES-ISAC's goals and deliverables for 2016 are described on page 62 of **Attachment 2** and include improving the usability and functionality of the information-sharing portal; advancing information collection and increasing analytical capabilities, portal monitoring and information sharing; ongoing improvements in CRISP program management; enhancing industry engagement; and continuing to work with the Electricity Sector Coordinating Council to build a more effective and responsive ES-ISAC. The ES-ISAC will continue to conduct Cyber Risk Preparedness Assessments for registered entities and will continue to develop, and deploy, a cyber risk preparedness toolkit to allow industry to conduct self-assessments of cyber risk preparedness. The ES-ISAC will also continue to work with vendors to develop and license cyber awareness and intelligence tools that collect and analyze information and then alert the user about selected threats. In carrying out its activities, the ES-ISAC will continue to use software integration support services, the analyst workbench toolset, and intelligence services

from a specialized security information service provider that focuses on the electricity sub-sector. ES-ISAC also plans to continue to provide webinars and other technical outreach support to industry in addressing the Aurora Vulnerability.

The budgeted 2016 staffing for the ES-ISAC is 18.90 FTEs, which is an increase of 0.14 FTEs from the 2015 budget. During 2015, compliance auditors in the CID were transferred to the Compliance Assurance group, while other personnel were added to the ES-ISAC staff, resulting in essentially no net change in positions. Budgeted 2016 Personnel Expenses are increased by \$253,155 (6.3%) over the 2015 budget, reflecting a staffing that includes more senior personnel. Budgeted 2016 Meeting Expense is decreased by \$45,389 (8.2%) from the 2015 budget, due primarily to reductions in Travel and Conference Call expenses. The budgeted 2016 expense for Consultants & Contracts is \$6,551,929, which is a decrease of \$2,204,261 (25.2%) from the 2015 budget. Of the Budgeted 2016 Consultants & Contracts Expense, \$5,888,594 is budgeted for CRISP (versus \$7,666,055 in the 2015 budget), while Consultants & Contracts Expense for CIPC support (\$184,300 in the 2015 budget) and GridEx support (\$242,500 in the 2015 budget) is eliminated (the GridEx is held every other year and will not be held in 2016). Finally, \$175,000 is budgeted for Professional Services (versus \$350,000 in the 2015 budget) for professional services support and insurance for CRISP.

The ES-ISAC budget for 2016 includes \$6,830,738 of Third-Party Funding, which represents the funding being provided by participating utilities and other entities, pursuant to the master services agreement for CRISP, to support NERC's participation and activities as program manager for CRISP. The amount of Third-Party Funding is reduced by \$2,112,851 from the amount budgeted in 2015. Third-Party Funding for CRISP is deposited in a separate account. Any underrun in the CRISP budget which is allocated to and funded by CRISP participants will

be applied as a credit against future CRISP participant funding requirements, pursuant to the terms of the CRISP agreements.

The budgeted direct expense for 2016 for the ES-ISAC is \$11,965,349, which is a decrease of \$2,113,294 (15.1%) from the 2015 budget. The allocation of Administrative Services expenses to the ES-ISAC is \$4,450,914, the allocation of Fixed Assets to the ES-ISAC is \$294,751, and no Fixed Asset additions are budgeted for the ES-ISAC for 2015.

6. Training, Education, and Operator Certification Program

The Training, Education, and Operator Certification Program provides oversight and coordination of the delivery of training programs that support the ERO's statutory responsibilities, by providing training and education to NERC and Regional Entity staff, including compliance auditors, relating to their job responsibilities, and to industry participants on the requirements of Reliability Standards, the standards development process, and the compliance monitoring and enforcement process. The Training, Education, and Operator Certification Program also supports NERC's System Operator Certification and Continuing Education Programs, which ensure that personnel operating the BES have the skills, training and qualifications needed to operate the system reliably. NERC maintains the credentials required to work in system control centers across North America for over 6,000 system operators. Certification exams are created by the Personnel Certification Governance Committee (PCGC), an industry group of operational experts, trainers and supervisors. Once an operator achieves certification by passing the examination, the operator's certification is maintained by completing NERC-approved continuing education courses and activities, under the oversight of the NERC Personnel Subcommittee.

The major activities of the Training, Education, and Operator Certification Program for

2015 are described at pages 66-67 of **Attachment 2** and include providing education for industry and ERO personnel in the following areas: risk-based compliance monitoring and enforcement; standards and compliance; registration and certification; continuing education for system operators and other industry personnel as appropriate and related to their reliability functions; event analysis, cause analysis, and lessons learned; and new system operator certification exams for Reliability Coordinator, Transmission Operator, Balancing and Interchange Operator, and Balancing, Interchange and Transmission Operator.

The 2016 goals and deliverables of the Training, Education, and Operator Certification Program are described at pages 67-68 of **Appendix 2**. A primary objective, in response to stakeholder and Regional Entity feedback, is to further expand and focus training and education opportunities for NERC, Regional Entity and registered entity personnel, including on topics for registered entities such as objectives of Reliability Standards, standards compliance, emerging cyber-related issues that could affect BES reliability; and topics for ERO personnel such as consistent audit and investigation techniques, including risk-based compliance monitoring and enforcement and other improvements in compliance and enforcement practices. Training will continue to be offered in auditor skills to promote continued development of auditing expertise. Other training will focus on knowledge and skills development in a number of areas, including development and implementation of clear and technically sound Reliability Standards; lessons learned and trends from events; identified themes from trending and common cause analysis; effective compliance cultures with practices, procedures and controls to address reliability risks; effective root, apparent, and common cause analysis methods; quality improvement of registered entity self-reporting and self-certification; entity registration processes, issues, and alternatives; human performance fundamentals; and developing and incorporating a systematic approach to

ongoing training.

Training and education opportunities will be provided through workshops hosted by NERC and the Regional Entities, webinars, training courses, and vendor-provided training modules and other offerings.

Additionally, as part of the System Operator Certification exam development cycle, a Job Task Analysis is being conducted in 2015; the results will be the baseline for the next set of exams. Further, the Continuing Education Program will review and enhance the program manual.

The budgeted staffing for the Training, Education, and Operator Certification Program for 2016 is 7.38 FTEs, which is a decrease of 0.59 FTE from the 2015 budget. Budgeted 2016 Personnel Expense decreases by \$61,085 (5.0%) from the 2015 budget, reflecting the revised vacancy rate adjustment. Budgeted Meeting Expense for 2016 is increased by \$23,066 (20.1%) over the 2015 budget, due primarily to an increase in the budget for Meetings. The budgeted Consultants & Contracts Expense for 2016 of \$675,800 is a decrease of \$76,330 (10.1%) from the 2015 budget, with the principal area of increase being additional funding to support Web-based course hosting (increase of \$25,200), while budgeted expenditures are reduced for job task analysis (by \$25,874) and the Continuing Education Program (by \$30,730). There is a decrease of \$159,104 in the use of working capital required to cover expenses in excess of System Operator Certification fees. Of the total budgeted Consultants & Contracts Expense of \$675,800, \$327,600 is for training and education (including continuing education) activities and \$348,200 is for System Operator Certification activities.

The direct expense budgeted for the Training, Education, and Operator Certification Program for 2016 is \$2,062,086, which is a decrease of \$109,834 (5.1%) from the 2015 budget.

The allocation of Administrative Services expenses to this Program is \$1,737,034, the allocation of Fixed Assets to this Program is \$115,031, and no Fixed Asset additions are budgeted for this program in 2016.

The System Operator Certification Program generates revenues from fees charged for system operator certification examinations, which are intended to recover the costs (including an allocation of indirect expenses) of the Program. In addition, fees charged to continuing education providers offset costs associated with the review of courses taken by certified operators to maintain their certification. The 2016 Budget includes projected revenues from Testing Fees totaling \$1,867,972, which is an increase of \$197,972 (11.9%) from the 2015 budget.

Under NERC's Working Capital and Operating Reserve Policy, a separate Operating Reserve account is established for any revenues realized by the System Operator Certification Program in excess of expenses incurred for the Program, to be used solely for operator certification needs as determined by NERC management and the PCGC. NERC has established a target Operating Reserve for this program of \$389,832 at December 31, 2016, and has projected a \$791,155 Operating Reserve balance for the System Operator Certification Program at December 31, 2015. Therefore, for 2016, the System Operator Certification Program will use \$245,937 of Operating Reserves to fund budgeted costs in excess of program funding.

7. Administrative Services

The Administrative Services departments support the NERC statutory programs. Administrative Services comprises the following functions: (i) Technical Committees and Members' Forums (which has no budget for 2016); (ii) General and Administrative (which includes senior executive and administration and Board functions); (iii) Legal and Regulatory;

(iv) Information Technology; (v) Human Resources, and (vi) Finance and Accounting. Descriptions of the responsibilities of each of the functions included in Administrative Services are provided in the text at pages 70-78 of **Attachment 2**.

The total amount budgeted for expenses and Fixed Assets in Administrative Services for 2016 (before provision for Working Capital and Operating Reserves) is \$30,442,435, which is an increase of \$2,594,397 (9.3%) over the 2015 budget. The total budgeted staffing for the Administrative Services departments for 2016 is 71.23 FTEs, which is an increase of 3.69 FTEs from the 2015 budget. Budgeted Personnel Expenses for 2016 for Administrative Services are \$14,111,254, which is an increase of \$1,131,981 (8.7%) from the 2015 budget.

Consultants & Contracts Expense budgeted for 2016 is \$3,036,671, which is an increase of \$654,296 (27.5%) over the 2015 budget. The principal areas of increase are increases for IT, totaling \$365,071, for ERO Application Development and Support and Applications Enhancement, Consulting and Help Desk Support (total budgeted Consultants & Contracts Expense for these activities is \$1,994,671); and increases for HR of \$174,650 for Training and Development and \$70,900 for Compensation Consulting (total budgeted Consultants & Contracts Expenses for these activities are \$325,000 and \$100,000, respectively); partially offset by a decrease of \$42,500 for Finance and Accounting for Internal Controls and Outside Auditor Consulting Support (total budgeted Consultants & Contracts Expense for this activity is \$200,000).

Budgeted Office Rent for 2016 (budgeted entirely in General & Administrative for all NERC programs and functions) is \$3,054,287, which is an increase of \$66,510 (2.2%) from the 2015 budget. This increase is related to additional space in NERC's Washington, D.C. office to allow for the physical separation of the ES-ISAC from other NERC operations; and a decrease in

offsetting income from the subtenant in NERC's former Washington, D.C. office. Budgeted Office Costs for 2016 are increased by \$209,908 (7.7%) over the 2015 budget.

Budgeted 2016 Professional Services Expense for Administrative Services is \$2,334,300, which is an increase of \$73,020 (3.2%) over the 2015 budget. The budgeted amount for Independent Trustee fees is increased by \$41,345 (3.8%) from the 2015 budget. The increased Independent Trustee compensation is supported by a compensation study performed by an independent compensation consultant, and was approved by the NERC Board at its August 13, 2015 meeting based on the recommendation of the CGHRC of the Board.⁶⁸ Based on its review of the compensation study and other industry information, as well as the increasing workload for NERC Trustees and overall budgetary constraints, the Board determined to: (1) maintain an annual retainer structure (rather than per-event or time-based payments), as consistent with industry best practices; (2) phase in a new annual retainer amount for Trustees of \$112,500 in installments over a three-year period (2016-2018); (3) make no change to the current annual retainer amount for Board committee chairs and for the Board member serving on the Electricity Subsector Coordinating Council; (4) phase in a new target annual retainer for the Board Chair of \$160,000 in installments over a three-year period (2016-2018); and (5) make no change to the current annual retainer amount for the Board Vice Chair.

Total budgeted Board of Trustees expenses for 2016, excluding Trustee compensation, are \$100,000 higher than in the 2015 budget, due to budgeting \$100,000 for trustee search fees in 2016 (versus zero in the 2015 budget). (The table on page 71 of **Attachment 2** details the budgeted Board expenses.)

Professional Services Expense also includes budgeted outside Legal Expense, which is

⁶⁸ The compensation study performed by the Towers Watson consulting firm (*Board of Trustee Remuneration Review*, July 2015) is provided as **Attachment 16**.

reduced by \$240,000 from the 2015 budget.

The 2016 Administrative Services budget includes \$110,000 of Other Non-Operating Expenses to cover NERC's property tax obligations in Atlanta, Georgia (\$50,000), and Interest expense for 2016 under NERC's capital financing plan (\$60,000), which is discussed in §IV.C below. The 2016 budgeted amount for interest expense is a decrease of \$21,000 (16.0%) from the 2015 budget, and reflects lower interest expense due to lower outstanding debt balances than was assumed in the 2015 budget.

The 2016 Administrative Services budget includes \$2,347,000 of Computer & Software Capital Expenditures and \$1,464,000 of Equipment Capital Expenditures. The Computer & Software Capital Expenditures are described further under IT, below.

All Administrative Services expenses and Fixed Asset additions are allocated to the statutory programs on the basis of proportional numbers of budgeted FTEs in the statutory programs.

The following paragraphs provide further information on the 2016 activities and budgeted expenditures and staffing for the individual Administrative Services functions.

Technical Committees and Members' Forums – While NERC management and staff will continue to interact with and support numerous reliability-related industry forums during 2016, including the North American Transmission Forum and the North American Generator Forum, the 2016 budget does not include any specific projected expense or funding for any forum activities.

General and Administrative – The General and Administrative function is responsible for administration and general management of NERC. Expenses budgeted in this area include Office Rent; Personnel Expense and related costs of the Chief Executive Officer (CEO), the

Chief Reliability Officer, and the CEO's executive assistant; communications, external affairs and governmental relations; and costs related to the Board. Budgeted staffing for this function for 2016 is 17.52 FTEs, which is an increase of 4.39 FTE over the 2015 budget. The staffing increase is due primarily to reallocations occurring during 2015 of personnel supporting the MRC and Regional Entity Management Group activities to General and Administrative. The total 2016 budgeted Expenses plus Fixed Assets for General and Administrative is \$9,881,311, which is an increase of \$1,251,422 (14.5%) over the 2015 budget.

Legal and Regulatory – The Legal and Regulatory function provides legal and regulatory support to the organization, including to Compliance Analysis and Certification and Registration, Reliability Risk Management, RAPA and Reliability Standards. In addition, Legal and Regulatory is responsible for providing a wide range of legal support to the organization in corporate, commercial, contractual, employment, insurance, real estate, intellectual property, tax and other legal matters. Budgeted staffing for 2016 for Legal and Regulatory is decreased from 15.01 FTEs to 12.22 FTEs. The total 2016 budgeted Expenses plus Fixed Assets for Legal and Regulatory is \$3,465,966, which is a decrease of \$982,049 (22.1%) from the 2015 budget,.

Information Technology – NERC's IT department is responsible for supporting the development and maintenance of ERO Enterprise applications, data analysis and ongoing operations. The IT's activities fall into three categories: (1) development of new functionality, enhancements, and support of applications used by the ERO Enterprise; (2) ERO data analysis – professional services (vendor support) for implementation and configuration of data analytics; tools (software applications) used to mine data from databases; and support (ongoing upgrades, enhancements, and help desk support); and (3) ongoing operations to support existing software applications, network security testing and planning, and website maintenance and development.

Ongoing operations include maintenance and enhancements for the compliance data base (CRATS/webCDMS); maintenance and enhancements for various legacy databases; quarterly penetration and vulnerability testing for all NERC networks and systems; the NERC security program, which is the subject of ongoing enhancements based on internal audit recommendations; implementation of a document management program; and continuing enhancements to the NERC public website.

The 2016 budgeted Expenses plus Fixed Assets for the IT Department is \$12,156,674, which is an increase of \$1,641,731 (15.6%) over the 2015 budget. The 2016 budgeted staffing for IT is 22.13 FTEs, which is an increase of 2.43 FTEs over the 2015 budget and reflects the transfer of personnel from other departments.

Office Costs budgeted in IT for 2016 total \$2,239,195, which is an increase of \$95,775 (4.5%) over the 2015 budget. Costs budgeted in this expense item include telephone expenses, Internet, computer supplies and maintenance (including computer maintenance and service agreements), subscriptions and publications, dues, and express shipping costs for shipping of computers and computer supplies. The principal areas of increase in the 2016 budget are \$108,000 for Subscriptions and Publications (versus zero in the 2015 budget) and \$31,975 for Maintenance & Service Agreements, partially offset by decreases of \$25,000 in Internet expense and \$29,000 for software. Additional description of the costs budgeted in these expense categories is provided at pages 75-76 of **Attachment 2**.

The 2016 NERC budget includes total Capital Expenditures of \$3,911,000, versus \$3,618,500 in the 2015 budget. The IT Capital Expenditures budget includes expenditures for development of ERO Enterprise applications (\$1,500,000, an increase of \$450,000 over the 2015 budget) and a document management program (\$465,000, not budgeted in the 2015 budget), plus

expenditures for other IT hardware and software (\$1,411,000, versus \$1,453,500 in the 2015 budget) and \$535,000 for network devices and audio visual equipment (versus \$365,000 in the 2015 budget).⁶⁹

Human Resources – HR manages all of NERC’s human resources functions, including new hires, benefits and employee functions, and oversees employee performance appraisals and the incentive structure process. HR’s activities include management training and development, staff development, use of compensation consultants to provide employment market data, stakeholder surveys including surveys of Board and committee effectiveness, succession planning, and automation of HR products and services. The total budgeted Expenses and Fixed Assets for HR for 2016 is \$1,510,177, which is an increase of \$351,872 (30.4%) from the 2015 budget. The increased budget amount includes an increase of \$251,725 in Consultants & Contracts expense for 2016 over the 2015 budget, due primarily to increased expenses for staff training and development and compensation consulting. The 2016 budgeted staffing for HR is 2.77 FTEs, which is a slight reduction of 0.04 FTE from the 2015 budget.

Finance and Accounting – Finance and Accounting manages all of NERC’s finance and accounting functions, including employee payroll, retirement plans, travel and expense reporting, monthly financial reporting, sales and use taxes, meeting/events planning and services, insurance, internal audit, and facilities management. Finance and Accounting has primary responsibility for development of the annual business plan and budget, and for NERC’s internal controls and risk management function. The total budgeted Expenses and Fixed Assets for 2016 for Finance and Accounting is \$3,428,307, which is an increase of \$331,421 (10.7%) from the

⁶⁹ The planned development of an ERO Enterprise document management program was described in NERC’s *Request for Approval of an Expenditure Greater than \$500,000 from Operating Reserves*, filed May 14, 2015 in Docket No. RR14-6-002.

2015 budget. The 2016 budgeted staffing for Finance and Accounting is 16.60 FTEs, which is a decrease of 0.29 FTE from the 2015 budget.

B. Working Capital and Operating Reserves

NERC's Working Capital and Operating Reserve Policy, adopted by the NERC Board in 2012 and amended in 2013 and in 2015, provides for separation of Working Capital from Operating Reserves, establishes criteria and authorities for funding and access to Working Capital and Operating Reserves and transfers of funds between the reserve accounts, establishes controls and authorities regarding the reallocation of budgeted funds to other uses, and establishes transparent reporting requirements. The 2015 amendments to the Working Capital and Operating Reserve Policy, which the Commission conditionally approved in Docket RR15-8-000, established the current categories of Operating Reserves maintained by NERC: Future Obligations Reserve, Operating Contingency Reserve, Operator Certification Program Reserve, CRISP Reserve and Assessment Stabilization Reserve.⁷⁰ Exhibit E of **Attachment 2** sets forth and explains the amounts of Working Capital and Operating Reserves proposed to be budgeted, and reflected in the setting of NERC's assessments, for 2016.

The amounts budgeted for 2016 for each Working Capital and Operating Reserve category are as follows:

Working Capital: \$0.

NERC maintains a \$4,000,000 line of credit with a major financial institution, and does not anticipate a need to access working capital in 2016 to meet monthly cash flow needs.

Operating Reserves: \$8,809,627.

Future Obligations Reserve: \$3,158,074

⁷⁰ *North American Electric Reliability Corporation, Order Conditionally Accepting Revisions to Working Capital and Operating Reserve Policy*, 151 FERC ¶ 61,225 (2015). On August 14, 2015, NERC made the compliance filing to further modify the Working Capital and Operating Reserve Policy as required by the Commission's order.

Operating Contingency Reserve:⁷¹ \$2,475,000

System Operator Certification Program Reserve: \$389,832.

The projected December 31, 2015 reserve balance of the System Operator Certification Program is \$791,155; of this amount, \$245,937 is projected to be used in 2016 to fund budgeted costs of the program that are in excess of projected funding.

CRISP: \$515,721

The CRISP Operating Reserve is used solely for certain contingencies in connection with CRISP.

Assessment Stabilization Reserve: \$2,271,000

NERC proposes to utilize \$1,439,000 of Penalty Sanction collections during the period July 1, 2015 – June 30, 2015 (less \$1,000,000 of Penalty Sanctions received on July 9, 2014, which was used to reduce 2015 assessments) to reduce 2016 assessments, and to place the balance of \$2,271,000 into the newly created Assessment Stabilization Reserve for use to offset and stabilize assessments in future years' budgets.

Total Desired Working Capital and Operating Reserve: \$8,809,627.

Based on the beginning Working Capital and Operating Reserve at December 31, 2014, the projected funding and expenditures for 2015, the budgeted funding and expenditures for 2016, and the desired Working Capital and Operating Reserve at December 31, 2016, Table B-1 on page 80 of **Attachment 2** shows the calculation of the resulting adjustment (increase) to NERC's 2016 statutory assessment of \$380,490. (As shown on Table B-1, there are additional adjustments to the 2016 assessment calculation for (1) proceeds from financing activities, and (2) debt service, as discussed in the next section.) To the extent NERC's actual year-end 2015 Working Capital and Operating Reserves are higher than projected (as shown on Table B-1), the excess funds will be included in the Operating Contingency Reserve account, System Operator Certification Program Reserve account, or CRISP Reserve account, as applicable, and subject to the limitations and authorities regarding their use as set forth in the Working Capital and Operating Reserve Policy.

⁷¹ The Working Capital and Operating Reserve Policy specifies that the budgeted Operating Contingency Reserve level is to be between 3.5% and 7.0% of NERC's total expenses and Fixed Assets budget, except as otherwise approved by the NERC Board.

C. Capital Expenditures Financing Plan

As described in Exhibit D to NERC's 2014 Business Plan and Budget, NERC is financing the development costs of certain software applications and IT hardware and amortizing these investments over a multi-year period. As described in Exhibit D to **Attachment 2** of this filing, NERC successfully closed its capital financing program on January 10, 2014, establishing a \$7,500,000 non-revolving credit facility. NERC made an initial draw on the revolving line of credit of \$1,265,000 in 2014, and included a draw of \$1,900,000 in the 2015 budget, leaving a balance of \$4,500,000 available.

For 2016, NERC's proposed capital expenditures budget is \$3,911,000, of which NERC is proposing to finance \$1,500,000. The capital expenditures in the 2016 budget are listed on page 124 of **Attachment 2** in Exhibit D, and include \$1,500,000 for ERO Application Development, \$465,000 for development of the ERO Enterprise Document Management Program, \$1,411,000 for other Hardware and Software, and \$535,000 for network devices and audio-visual equipment.

The table included in Exhibit D (page 125) of **Attachment 2** shows the projected year-end outstanding debt balances and the annual payments for debt service for 2015, 2016, 2017 and 2018 under the capital financing program. These projections assume an average interest rate of 3.5% over the life of the financing, which is consistent with the 2014 and 2015 budgets. NERC is continuing to use a 3.5% interest rate assumption given the potential for interest rate increases in 2016. The actual interest rate and interest expense will be reflected in the quarterly budget-to-actual variance reports that NERC posts on its website, reviews in open session with the NERC FAC and files with the Commission. Any savings in interest expense compared to the budgeted expense will be captured and reported as a contribution to NERC's Operating

Reserves, expenditures from which are subject to the terms of the Working Capital and Operating Reserve Policy.

D. Proposed Addition of Penalty Sanction Collections to the Assessment Stabilization Reserve

The NERC policy, *Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*, and §1107.2 of the NERC ROP, specify that Penalty payments received by NERC or a Regional Entity during the period from July 1 of the second year preceding the budget year through June 30 of the year preceding the budget year are used to offset assessments to LSEs in the U.S. for the budget year, unless an alternative treatment is approved by the Commission. For the period July 1, 2014 through June 30, 2015, NERC received \$4,710,000 of Penalty collections. Of this amount, \$1,000,000 received on July 9, 2014, was used to reduce 2015 assessments, as described in NERC's 2015 Business Plan and Budget,⁷² leaving an available amount of \$3,710,000. NERC proposes to use \$1,439,000 of this amount to reduce 2016 assessments and to place the remaining \$2,271,000 into the Assessment Stabilization Reserve pursuant to the amended Working Capital and Operating Reserve Policy approved in the Commission's Order in Docket No. RR15-8-000. In accordance with ¶19 of the Commission's Order in Docket No. RR15-8-000, and pursuant to §1107.4 of the NERC ROP, NERC requests an exception to §1107.2 of the ROP to permit it to place \$2,271,000 of the balance of Penalty collections for the 12 months ended June 30, 2015 into the Assessment Stabilization Reserve, rather than using this amount to reduce 2016 assessments.

⁷² See §IV.D of NERC's 2015 Business Plan and Budget Filing in Docket No. RR14-6-000 (filed Aug. 22, 2014).

V. REGIONAL ENTITY BUSINESS PLANS AND BUDGETS

A. Consistency Among Regional Entity Budgets

In developing the 2016 Regional Entity Business Plans and Budgets, NERC and the Regional Entities continued the substantial efforts they devoted to achieving consistency of format and presentation of information in the 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015 Business Plans and Budgets. NERC and the Regional Entities: (i) used a common and consistent format for the 2016 Business Plan and Budget documents, (ii) continued to use the consistent accounting methodologies that were developed in connection with the 2010 Business Plans and Budgets, (iii) continued to use the common definition of administrative (indirect) costs that was originally developed in connection with the 2010 Business Plans and Budgets, and (iv) again developed and used extensive Shared Business Plan and Budget Assumptions for their 2016 Business Plans and Budgets. The Shared Business Plan and Budget Assumptions are provided in Exhibit A to the NERC 2016 Business Plan and Budget (**Attachment 2**) and are cross-referenced in the Regional Entity Business Plans and Budgets.⁷³

In preparing their 2014 Business Plans and Budgets, the Regional Entities developed and applied adjustments to Personnel Expenses for labor “float” or “attrition.” Use of this factor was intended to reflect the fact that, historically, the Regional Entities (and NERC) have often been unable to achieve or maintain budgeted staffing levels throughout the year due to (i) unanticipated departures of individual employees (*e.g.*, employees leave to take positions with other employers), and (ii) inability to fill budgeted positions within the time periods anticipated in preparing the budget (*e.g.*, it is assumed that a new position can be filled by the start of the

⁷³ The Shared Business Plan and Budget Assumptions have been developed for the 2016-2018 period, and therefore are applicable to the NERC and Regional Entity 2017 and 2018 budget projections as well as to their 2016 Business Plans and Budgets.

second quarter but in fact it is not filled until the start of the third quarter). As a result, actual Personnel Expenses have often been less than budgeted. To recognize this experience, in their 2014 Budgets, the Regional Entities applied labor float factors to either or both their budgeted staffing numbers (FTEs) or their budgeted Personnel Expenses. Each Regional Entity developed its own labor float or labor attrition factor based on its experience. In the preparation of the 2015 and 2016 Business Plans and Budgets, however, some Regional Entities elected not to use a labor float factor adjustment, while other Regional Entities have continued to apply this adjustment. The 2016 Business Plans and Budgets of the Regional Entities that have continued to use a labor float adjustment discuss the specific adjustment that each Regional Entity used.

As discussed in NERC's 2014 and 2015 Business Plan and Budget filings and the Regional Entities' 2014 and 2015 Business Plans and Budgets, the Regional Entities have jointly retained a coordinator, employed by SERC, to manage joint Regional Entity projects, including development of common IT applications that are being conducted under the auspices of the Regional Entity Management Group. The development and implementation of common IT applications and other processes on a joint basis among the Regional Entities results in (i) lower costs for each Regional Entity and (ii) adoption of systems and processes that are consistent across the Regions, to the benefit of stakeholders, particularly stakeholders operating in multiple Regions. Each Regional Entity's 2016 Budget includes an expense for the Regional Entity's share of the costs for the coordinator position, which are paid to SERC.

Achieving and maintaining consistency among the Regional Entity business plans and budgets is an ongoing process, and NERC intends to continue to work collaboratively with the Regional Entities to maintain and enhance consistency in the presentation of the NERC and Regional Entity business plans and budgets in the future.

The Regional Entity Business Plans and Budgets follow a similar format to that used for the NERC Business Plan and Budget. Each Regional Entity Business Plan and Budget begins with an Introduction section that presents a table showing the Regional Entity's budgeted Total Resources for 2016, including statutory and (where applicable) non-statutory FTEs and expenses; the proposed increases or decreases in statutory and non-statutory Fixed Assets and Working Capital Requirement; the total statutory and non-statutory Funding Requirement; and the proposed Assessments to recover the Regional Entity's statutory Funding Requirement, allocated (where applicable) among the U.S., Canadian provinces and Mexico.⁷⁴ The Introduction also provides general information on the Regional Entity, including information on its organization, membership and governance; provides the Regional Entity's key assumptions and its goals and key deliverables for 2016; and provides an overview of the primary cost impacts to the Regional Entity's 2016 budget. The Introduction section includes a table showing the Regional Entity's 2015 budget, 2015 projection, 2016 budget, and variance between the 2015 budget and 2016 budget, for each of the statutory programs. It also contains a chart comparing the Regional Entity's 2015 to 2016 budgeted expenses by statutory program; and a table showing the Regional Entity's FTEs, by statutory program and administrative department, for its 2015 budget, 2015 projection, and 2016 budget. Finally, the Introduction section includes the Regional Entity's overall statutory Statement of Activities, with information presented for its 2015 budget, 2015 projection, variance between its 2015 budget and 2015 projection, 2016 budget, and variance between its 2016 budget and 2015 budget.

The Regional Entity Business Plans and Budgets next contain, in Section A – Statutory

⁷⁴ Information on non-statutory FTEs, expenses, and funding is, of course, only provided in the business plans and budgets of the Regional Entities that have non-statutory activities – FRCC, NPCC, SPP RE, Texas RE and WECC.

Programs, separate subsections on each statutory program and on the administrative services functions of the Regional Entity. These sections are presented in similar format to the NERC Business Plan (Section A of **Attachment 2**), including: (i) a table for each statutory program showing total FTEs, total Direct Expenses, total Indirect Expenses, increase or decrease in Fixed Assets, and total Funding Requirement, for the 2015 budget and 2016 budget and the Increase/(Decrease); (ii) a table for Administrative Services showing the 2015 and 2016 budgeted Expenses and Fixed Assets and budgeted FTEs and the changes in budgeted expenditures and FTEs, for each Administrative Services function; and (iii) a Statement of Activities for the statutory program or for Administrative Services showing Funding, Expenses and Fixed Asset activity by major line item categories, Total Budget and Total Change in Working Capital. Information is presented in each of the Statements of Activities for the 2015 budget, the 2015 projection and the 2016 budget, and the variances between the 2015 budget and 2015 projection and between the 2016 budget and 2015 budget. The text of these sections for each statutory program includes discussion of the program scope and functional description, 2016 key assumptions, goals and key deliverables for 2016, and reasons for increases or decreases in funding sources and costs in 2016, for the program.⁷⁵

Section B of the Regional Entity Business Plans and Budgets presents supplemental financial information supporting the 2016 statutory budget. Section B contains tables detailing the development of the adjustment to the Regional Entity's 2016 assessment to achieve its target Working Capital Reserve at December 31, 2016 (Table B-1); Penalty payments received in the 12 months ended June 30, 2015, to be used as an offset to the Regional Entity's funding requirement (Table B-2); Supplemental Funding (*e.g.*, Workshop fees and Interest income)

⁷⁵ All Expenses and Fixed Asset activity for the Administrative Services functions are allocated to, and included in the Funding Requirements for, the statutory programs.

(Table B-3); Personnel Expenses (Table B-4); Meeting Expense (Table B-5); Consultants & Contracts expense (Table B-6); Office Rent (Table B-7); Office Costs (Table B-8); Professional Services expense (Table B-9); Miscellaneous Expense (Table B-10); Other Non-Operating Expenses (Table B-11); and Fixed Assets additions (Table B-12). Tables B-3 through B-12 are followed, where applicable, by explanations of significant variances between the Regional Entity's 2015 and 2016 Budgets for the funding or cost category. Finally, Table B-13 provides the Regional Entity's statutory budget projections for 2017 and 2018, in Statement of Activities format.⁷⁶

Section C – Non-Statutory Activities of each Regional Entity Business Plan and Budget provides (where applicable) information on the Regional Entity's non-statutory activities for 2016, including program descriptions and objectives, budget information, and FTEs.⁷⁷

Following Section C, each Regional Entity Business Plan and Budget also provides, in Section D – Additional Consolidated Financial Statements, or in separate appendices: (1) a 2016 Consolidated Statement of Activities, Fixed Asset Expenditures and Changes in Working Capital showing the Regional Entity's 2016 budgeted line-item funding sources, expenses, and Fixed Asset activity, in total, by statutory and (if applicable) non-statutory, and by statutory program and Administrative Services department, as well as the Direct Expenses and Indirect Expenses for each statutory program; (2) a combined (statutory and, where applicable, non-statutory)

⁷⁶ WECC has included its budget projections for 2017 and 2018 in Appendix A to its 2016 Business Plan and Budget, rather than in Table B-13 of Section B.

⁷⁷ MRO, ReliabilityFirst and SERC do not plan to have, and have not budgeted for, any non-statutory activities in 2016. SPP RE is unable to provide a non-statutory budget for 2016 because its planning and budgeting cycle does not result in finalization and SPP Board approval of the overall SPP, Inc. budget until October. SPP RE has included the overall SPP, Inc. 2015 budget and 2014 actual income statement, for information.

Statement of Financial Position at (i) December 31, 2014, based on 2014 actual audited results;⁷⁸ (ii) December 31, 2015, based on the Regional Entity's 2015 projection; and (iii) December 31, 2016, based on the Regional Entity's 2016 budget; and (3) the Regional Entity's organization chart, showing staffing comparisons for 2016 versus 2015.

C. Discussion of Individual Regional Entity Business Plans and Budgets

This section summarizes highlights of the individual Regional Entity 2016 Business Plans and Budgets.

1. FRCC

FRCC's total statutory budget for 2016 is \$7,261,527, an increase of \$99,294 (1.4%) from its 2015 budget. FRCC's proposed 2016 ERO Assessment amount of \$6,628,457 is \$565,619 (9.3%) higher than its 2015 ERO Assessment, reflecting (in addition to the increased budget) (i) an \$81,000 offset from Penalty payments received from Registered Entities (as compared to \$175,000 of Penalty payments in the 2015 budget, *i.e.*, a decrease of \$94,000 in this Funding source); and (ii) a decremental adjustment of \$436,070 to its 2016 ERO Assessment, based on the difference between its projected Working Capital Reserve at December 31, 2015 and its desired Working Capital Reserve at December 31, 2016 (as compared to a decremental adjustment to its 2015 ERO Assessment of \$810,395 relating to Working Capital Reserve, *i.e.*, the adjustment for Working Capital Reserve provides a smaller offset to ERO Assessments, by \$374,325, in FRCC's 2016 budget that was the case in its 2015 budget).

FRCC is budgeting for slightly decreased staffing of 0.75 FTEs in its five operational (statutory) programs for 2016 and a slight increase in staffing of 0.43 FTE in its Administrative

⁷⁸ The audited financial statements of each Regional Entity for 2014, except WECC, were filed with the Commission on May 29, 2014, in NERC's *2014 Budget True-up Report*; WECC's audited financial statements for 2014 were filed with the Commission in a supplemental filing in Docket No. RR15-10-000 on June 29, 2015.

programs, resulting in a budgeted overall staffing decrease of 0.32 FTEs. The increases and decreases in staffing in the individual programs are in each case less than 1.00 FTE. FRCC's budgeted Personnel Expenses are decreased by \$68,641 (1.2%) from its 2015 budget, reflecting the slightly decreased staffing, although budgeted Benefits Expense is increased by \$29,261 (5.0%) over the 2015 budget, due primarily to increased medical insurance costs.

FRCC's budgeted 2016 staffing for its CMEP is 18.83 FTEs, a decrease of 0.94 FTE from its 2015 budget. An open position from 2015 is being replaced by a contract auditor. FRCC anticipates increased effort in Organization Registration. Budgeted Consultants & Contracts Expense for the CMEP is increased by \$219,866 (102.3%) from the 2015 budget, reflecting the addition of the contract auditor and increased estimated costs (\$75,000 versus \$3,500 in the 2015 budget) for SERC to perform the Compliance Enforcement Authority (CEA) function for FRCC's registered entity functions (2016 being a year in which a compliance audit will be conducted), partially offset by a decrease in budgeted costs for the Compliance Software Portal. FRCC is not budgeting significant staffing changes (increases or decreases) in 2016 for any other operational or administrative program.

FRCC is budgeting the following changes in total resources (including allocated indirect costs) over its 2015 budget for each of its statutory programs: (i) Reliability Standards Development, decrease of \$69,345 (16.4%); (ii) CMEP, decrease of \$25,007 (0.5%); (iii) RAPA, increase of \$129,983 (11.0%); Training, Education and Operator Certification, increase of \$64,851 (20.2%); and Situation Awareness and Infrastructure Security, decrease of \$1,188 (5.1%). The increased budget for the RAPA program is primarily due to slightly increased staffing (0.32 FTE; Personnel Expenses increase by \$76,244 from the 2015 budget) and increased Consultants & Contracts Expense (increase of \$27,778 over the 2015 budget).

FRCC's budgeted General and Administrative Expenses for 2016 are \$873,196, which is a \$90,533 (11.6%) increase from the 2015 budget. The principal component of this increase is increased budgeted Personnel Expense of \$95,644, reflecting increased staffing from 4.04 FTEs in the 2015 budget to 4.47 FTEs in the 2016 budget.

FRCC's desired Working Capital Reserve at December 31, 2016 is \$605,127, based on one month of the total annual budget, as approved by the FRCC Board of Directors. FRCC's Table B-1 shows projected Working Capital Reserve at December 31, 2015, of \$1,041,197; therefore, FRCC's requested 2016 assessment amount is reduced by \$436,070.

FRCC's 2016 budget for its non-statutory activities is \$8,691,997.

2. MRO

MRO's total statutory budget for 2016 is \$11,354,641, an increase of \$1,025,954 (9.9%) over its 2015 budget. MRO's statutory assessment for 2016 of \$10,891,562 is \$1,465,543 (15.5%) higher than its 2015 assessments, reflecting (i) the increased budget; (ii) \$136,250 of Penalty payment offsets, a decrease from \$395,500 of Penalty payment offsets in its 2015 budget; and (iii) a decremental adjustment (reduction) to its assessments of \$326,829 for Working Capital Reserve, as compared to a decremental adjustment of \$507,668 for this purpose in its 2015 budget, *i.e.*, the adjustment for Working Capital Reserve reduces the statutory assessment by \$180,839 less in the 2016 budget than in MRO's 2015 budget.

MRO's budgeted 2016 staffing for statutory and administrative programs is 43.00 FTEs, an increase of 0.50 FTE over its 2015 budget. Budgeted staffing is being increased by 1.43 FTEs in the statutory programs and decreased by 0.93 FTE in the Administrative functions. MRO's budgeted staffing for its CMEP for 2016 is 21.26 FTEs (comprised of 11.22 FTEs for Compliance, 6.97 FTEs for Compliance Risk Assessment and Mitigation, and 3.07 FTEs for Compliance Enforcement), a net decrease of 0.82 FTE from its 2015 budget. MRO is budgeting

increases in staffing of 1.10 FTEs in Reliability Standards and Organization and Certification and 1.06 FTEs in Training and Education, from its 2015 budget; budgeted changes in staffing in all other statutory programs and administrative functions are less than 1.00 FTE. The increased FTE count for Training and Education reflects plans to increase the involvement of MRO executives in workshops, speaker engagements, and newsletter preparation. Overall, MRO's budgeted Personnel Expenses for 2016 are \$369,206 (5.0%) higher than in its 2015 budget. A significant component of this increase is a budgeted increase of \$143,333 (32.7%) in Benefits Expense, due largely to higher than expected medical insurance premiums during 2015 and anticipated additional medical insurance premium increases in 2016.

MRO's 2016 budget for its CMEP is \$7,297,310 which is a \$303,093 (4.3%) increase over its 2015 budget. The principal components of this increase are an increased allocation of Fixed Assets (\$329,517) to this program, partially offset by a lower (by \$137,040) allocation of Indirect Expenses than in the 2015 budget. MRO is also budgeting an increases in the budgets for Reliability Standards and Organization Registration (\$296,277 (76.4%)), RAPA (\$187,436 (7.3%)), Training, Education and Operator Certification (\$193,550 (65.5%)), and Situation Awareness and Infrastructure Security (\$45,595 (57.1%)). The increased budget for Reliability Standards is primarily driven by increased staffing and associated increased Personnel Expenses, and increased allocations of Fixed Assets and Indirect Expenses to this program. The increased budget for RAPA is primarily driven by increase Personnel Expenses, including increased Benefits Expense, and an increased allocation of Fixed Assets to this program. The increased budget for Training and Education is primarily due to increased staffing and related Personnel Expenses, and an increased allocation of Indirect Expenses to this program.

The 2016 budgeted amount for Administrative Services, which is allocated to the

statutory programs on the basis of numbers of FTEs, is an increase of \$630,977 (16.2%) from the 2015 budget. The principal drivers of this increase are an increase in budgeted Office Rent of \$147,946 over the 2015 budget; and \$467,000 budgeted for Leasehold Improvements (versus zero in the 2015 budget). The budgeted increases for Office Rent and Leasehold Improvements reflect MRO's plan to lease additional space, as its facilities are frequently at capacity. The cost increases will be offset somewhat by a reduction in Meetings Expense (the budget for the Meetings Expense line item is reduced by \$21,100 from the 2015 budget) due to greater ability to hold meetings in MRO's expanded office space and conference facilities.

MRO's desired Working Capital Reserve at December 31, 2016, is \$933,258, representing 30 days of cash requirements for the 2016 budget. The MRO Board has reduced the Working Capital Reserve target from 45 days of cash (based on the budget) to 30 days of cash. MRO's Table B-1 shows a projected Working Capital Reserve of \$1,260,087 at December 31, 2015, resulting in a decremental adjustment (decrease) of \$326,829 to MRO's 2016 assessments.

MRO plans no non-statutory activities in 2016 and therefore has no 2016 budget for non-statutory activities.

3. NPCC

NPCC's statutory budget for 2016 is \$15,072,998, an increase of \$294,458 (2.0%) over its 2015 budget. NPCC's 2016 assessments are increased by \$280,318 (2.0%) from its 2015 budget. The increase in assessments reflects (in addition to the increased budget) Penalty collections of \$67,000 (a decrease of \$223,500 from the 2015 budget) and a decremental adjustment for Working Capital Reserve of \$592,801 versus a decremental adjustment of \$355,161 in the 2015 budget (*i.e.*, the adjustment to assessments for Working Capital Reserve reduces the 2016 assessment by \$237,640 less than in the 2015 budget).

NPCC's 2016 budget does not reflect any change in staffing in any statutory or administrative program from its 2015 budget (nor from its 2014 budget). Budgeted total staffing is 36.86 FTEs, comprised of 27.86 FTEs for the statutory programs and 9.00 FTEs for the administrative programs. Reflecting that there is no change in budgeted staffing, NPCC's budgeted 2016 Personnel Expense is increased by only 2.5% (\$229,204) from its 2015 budget. This increase is impacted by a reduction in NPCC's vacancy rate adjustment factor from 2% to 0%, based on recent experience. Within total Personnel Expense, budgeted Benefits Expense is increased by \$108,205 (8.6%) over the 2015 budget, due primarily to increases in medical, life and disability insurance premiums and vacation pay assumptions. However, budgeted Retirement expense is reduced by \$256,895 from the 2015 budget, due to NPCC's plan to terminate its defined benefit pension plan (partially offset by increased expenses for the employee savings plan).

NPCC is budgeting increased total resources (including allocated indirect expenses) for each of its statutory programs in 2016, as follows: \$31,290 (2.1%) in Reliability Standards; \$82,051 (1.0%) in CMEP; \$117,651 (3.9%) in RAPA; \$20,946 (10.5%) in Training, Education, and Operator Certification; and \$42,520 (2.8%) in Situation Awareness and Infrastructure Security. In the CMEP, budgeted Consultants & Contracts Expense is reduced by \$168,000 (9.7%) from the 2015 budget reflecting efficiencies realized through the risk-based CMEP. In Situation Analysis, budgeted Consultants & Contracts Expense is increased by \$57,000 (57%) over the 2015 budget in order to enhance investigations and root cause analyses and the integration of ES-ISAC, GADS and TADS information with event analysis.

NPCC's budgeted 2016 Administrative Services expenses (which are allocated to the

statutory programs) are \$240,356 (4.2%) higher than in the 2015 budget.⁷⁹ Budgeted Office Rent is increased by \$51,000 (6.8%) over the 2015 budget, with the primary driver being increased real estate taxes. Budgeted Office Costs are increased by \$60,800 (10.5%) over the 2015 budget, due primarily to increased expenses for Computer Supplies and Maintenance due to additional software contracts and new equipment leases, partially offset by decreases in costs for equipment service and repair contracts.

NPCC's target Working Capital and Operating Reserve at December 31, 2016 is \$3,339,746, comprised of \$2,083,712 for Operating Reserve and \$1,256,033 for Working Capital. As approved by the NPCC Board of Directors, the Operating Reserve target is within the range of 30 days (8.33%) and 90 days (25.00%) of budgeted expenditures, while the Working Capital target is 30 days (8.33%) of budgeted expenditures. NPCC's Table B-1 shows a projected Working Capital and Operating Reserve of \$3,932,546 (Operating Reserve - \$2,676,513; Working Capital - \$1,256,033) at December 31, 2015; thus, NPCC's 2015 assessment amount is reduced by \$592,801 to reach its desired Working Capital and Operating Reserve at December 31, 2016.

For purposes of determining the assessments to recover NPCC's statutory funding requirement, the statutory funding requirement is allocated among the Balancing Authority Areas within NPCC in the U.S. (New York and New England), Ontario, Québec, New Brunswick and Nova Scotia. A portion (23.61%) of NPCC's statutory costs for the Compliance and Organization Registration Program (CORC) is allocated between the U.S. and Canadian Balancing Authority Areas on the basis of NEL, a portion (51.18%) of the CORC costs is

⁷⁹ NPCC budgets Office Rent, Office Costs, Professional Services, Miscellaneous Operating Expense, and Depreciation as Indirect Expenses, rather than budgeting these costs individually in the statutory program budgets, and allocates them to the statutory programs on the basis of the proportion of direct statutory FTEs in each program.

allocated between the U.S. and the Canadian provinces using a compliance audit-based methodology, and the remaining portion (25.21%) of the CORC costs, representing mitigation and enforcement-related costs, is allocated between the U.S. and Canadian Balancing Authority Areas using an enforcement activity-based methodology.⁸⁰ The portion of the costs allocated to the U.S using the audit-based methodology and the enforcement activity-based methodology is then re-allocated between the New York and New England Balancing Authority Areas on the basis of NEL, as required by PP 40-41 of the *July 16, 2009 Budget Compliance Order*. The narrative discussion on pages 63-64, and the table on page 65, of NPCC's Business Plan and Budget (**Attachment 5**) explain and show the development of the 2016 assessments by Balancing Authority Area within NPCC to recover NPCC's statutory funding requirement. Appropriate adjustments to the costs to be allocated are made for Penalty payments received by NPCC from U.S. registered entities (used solely to offset CORC costs to be charged to U.S. Balancing Authority Areas).

NPCC's total non-statutory (Criteria Services Division) Funding Requirement for 2016 is \$1,060,542.

4. ReliabilityFirst

Reliability First has a total statutory budget for 2016 of \$19,367,209, an increase of \$610,445 (3.3%) over its 2015 budget. ReliabilityFirst's proposed statutory assessment for 2016 is \$19,367,209, an increase of \$653,312 (3.5%) over 2015. The increase in ReliabilityFirst's 2016 statutory assessment is due to (i) the increased budget; (ii) elimination of \$100,000 in Miscellaneous Funding that was included in the 2015 budget (relocation grant funds from the

⁸⁰ These allocation percentages reflect the respective scopes of work to be performed by NPCC and the relevant provincial governmental and/or regulatory authorities in the Compliance area, as negotiated between NPCC and the relevant authorities in each of the provinces and reflected in the Memorandum of Understanding between NPCC and the relevant authorities for each province.

City of Independence, Ohio); and (iii) an incremental adjustment for Working Capital Reserve of \$748,250, as compared to an incremental adjustment for Working Capital Reserve of \$627,134 in the 2015 budget (*i.e.*, a difference of \$121,116); partially offset by (iv) an increase in Penalty collections of \$178,249 from the 2015 budget.

ReliabilityFirst is budgeting no changes in staffing for 2016 for any of its statutory programs and administrative functions. Total budgeted staffing is 72.20 FTEs, comprised of 57.60 FTEs for the statutory programs and 14.60 FTEs for the administrative functions. Budgeted staffing for ReliabilityFirst's Reliability Assurance and Compliance Monitoring Program remains at 37.50 FTEs while budgeted staffing for Enforcement remains at 8.25 FTEs.

ReliabilityFirst's budgeted 2016 expense for its CMEP (comprised of (i) Reliability Assurance and Compliance Monitoring and (ii) Enforcement Management) is \$508,417 (3.4%) higher than its 2015 budget. The principal component of this increase is an increase in budgeted Personnel Expenses of \$404,660 over the 2015 budget. Budgeted 2016 Consultants & Contracts Expense for the CMEP is reduced by a total of \$131,400 from the 2015 budget, due in part to process improvements and efficiency gains that are being realized from implementing risk-based compliance monitoring, resulting in reduced need for consultant and contractor services to support workload requirements in the CMEP.

The changes in the 2016 budget as compared to the 2015 budget for the other statutory programs are as follows: (i) RAPA, increase of \$39,154 (1.5%); (ii) Training, Education and Operator Certification, increase of \$47,000 (4.9%); and (iii) Situation Awareness and Infrastructure Security, increase of \$15,875 (6.0%). In 2015, ReliabilityFirst eliminated Reliability Standards as a separate program and allocated all of the resources associated with the Reliability Standards Program to the Reliability Assurance and Compliance Monitoring Program

as a result of the reorganization necessary to advance the Reliability Assurance Initiative.

ReliabilityFirst's total budgeted 2016 Administrative Services expenses (which are allocated to the statutory program budgets on the basis of total FTEs in each statutory program) are \$5,532,052, an increase of \$217,409 (4.1%) over the 2015 budget. Budgeted Personnel Expenses for the Administrative Services functions are increased by \$156,386 (4.6%) over the 2015 budget, with the biggest component of this increase being increased Benefits expense. Budgeted Operating Expenses for the Administrative Services functions are reduced by \$27,125 from the 2015 budget, due primarily to reduced Office Rent and Office Costs.

ReliabilityFirst's target Working Capital and Operating Reserve at December 31, 2016 is \$1,645,255, as approved by its Board of Directors, comprised of \$645,255 for Working Capital Reserve and \$1,000,000 for Operating Reserve. ReliabilityFirst's projected Working Capital and Operating Reserves at December 31, 2015 is \$1,055,079 (comprised of \$305,079 for Working Capital Reserve and \$750,000 for Operating Reserve). As a result, ReliabilityFirst's requested assessment amount for 2016 reflects an incremental adjustment of \$590,176, which, along with an adjustment to reserves of \$158,074 due to transactions recorded on the Statement of Financial Position that do not impact the Statement of Activities (income statement) (refer to footnote 2 on Table B-1), will enable ReliabilityFirst to reach the desired combined Working Capital and Operating Reserve amount of \$1,645,255 at December 31, 2016.⁸¹

⁸¹ As shown in the table provided in §III.E above, ReliabilityFirst's second quarter 2015 variance report projects a year-end 2015 Working Capital and Operating Reserve balance of \$2,139,804, rather than the lower year-end 2015 balance projected in its Business Plan and Budget. Funds in excess of the projected 2016 beginning Working Capital and Operating Reserve balance will be subject to ReliabilityFirst's controls over the use of such funds. The disposition of the higher projected 2016 beginning Working Capital and Operating Reserve balance, if realized, will be subject to ReliabilityFirst's working capital and operating reserve policy and will be used to increase ReliabilityFirst's assessment stabilization reserve in accordance with its working capital and operating reserve policy, to reduce its 2017 assessments, or both.

ReliabilityFirst plans no non-statutory activities in 2016 and therefore has no 2016 Budget for non-statutory activities.

5. SERC

SERC's total statutory budget for 2016 is \$15,866,845, a decrease of \$128,995 (0.8%) from its 2015 budget. SERC's proposed 2016 assessment of \$13,730,986 is almost the same as (\$48 lower) its 2015 assessment. Although SERC's 2016 budget is reduced by \$128,995 from its 2015 budget, the following funding sources are also reduced from the 2015 budget: (i) Penalty revenues, by \$1,138,500; and (ii) Workshop fees, by \$49,280. However, Miscellaneous Funding is higher by \$150,000 than in the 2015 budget.⁸² Further, SERC proposes an \$832,284 decremental adjustment to its assessment for Working Capital Reserve, as compared to a \$76,549 incremental adjustment to its assessments for Working Capital Reserve in its 2015 budget, *i.e.*, the adjustment for Working Capital Reserve decreases SERC's 2016 assessment by \$908,833 more than in its 2015 budget.

SERC's budgeted total staffing for 2016 for statutory programs and administrative functions is 78.12 FTEs, a decrease of 0.58 FTEs from its 2015 budget. This decrease reflects staggered start dates for new hires, with no change in overall headcount. SERC's 2016 budget reflects a staffing increase of 2.00 FTE in General & Administrative, a staffing decrease of 2.55 FTEs in Situation Awareness and Infrastructure Security, and staffing increases or decreases of less than 1.00 FTE in other programs and administrative functions, from its 2015 budget. The staffing changes among the statutory programs and administrative functions generally represent

⁸² SERC's Miscellaneous funding is comprised of (i) compensation for performing CEA functions for the FRCC and SPP RE registered functions, and (ii) payments from other Regional Entities for the coordinator position for joint Regional Entity projects, which is filled by a SERC employee. For 2016, SERC is budgeting \$75,000 in payments from each of FRCC and SPP RE for performing the CEA function (versus \$3,500 from FRCC and \$20,000 from SPP RE in the 2015 budget), due to the need to perform compliance audits during 2016; and \$294,000 in payments from the other Regional Entities (\$42,000 per Regional Entity) for the coordinator position, an increase of \$7,000 from the 2015 budget.

reclassifications or reallocations of employees to different programs and functions. Budgeted 2016 staffing for SERC's CMEP is 36.92 FTEs, a decrease of 0.58 FTE from the 2015 budget. Budgeted 2016 staffing for the Administrative Services functions is 26.99 FTEs, an increase of 2.86 FTEs from SERC's 2015 budget. As a result of the slight decrease in overall budgeted FTE staffing, and a higher projected vacancy rate than was used in the 2015 budget, partially offset by a budgeted 3.0% merit salary increase for existing staff and budgeted increases in Benefits Expense, SERC's budgeted 2016 Personnel Expenses are \$172,455 (1.4%) lower than in the 2015 budget.

The increases and decreases in SERC's 2016 budget for its statutory programs over its 2015 budget are as follows: (i) Reliability Standards, decrease of \$67,228 (9.9%); (ii) CMEP, increase of \$216,007 (2.0%) (iii) RAPA, increase of \$165,960 (9.2%); (iv) Training, Education, and Operator Certification, increase of \$204,496 (19.4%); and (v) Situation Awareness and Infrastructure Security, decrease of \$648,230 (38.8%). The increased budget for CMEP is primarily due to an increased allocation of Indirect Expenses. The increased budget for Training and Education is primarily due to an increase of \$292,000 in Consultants & Contracts Expense for expansion of the SERC Restoration Drill to include more simulation exercises, for system simulator development for the SERC system; and for contractor support to develop training materials, a qualification program, and a systematic approach to training. The decreased budget for Situation Awareness and Infrastructure Security is due primarily to the reallocation of 2.25 FTEs to other programs, which results in reduced budgeted Personnel Expenses and a reduced allocation of Indirect Expenses.

SERC's budgeted 2016 Administrative Services expenses, which are allocated to the statutory programs on the basis of the number of FTEs in each statutory program, are higher by

\$609,654 (9.6%) than the 2015 budget. Budgeted Personnel Expense for the Administrative Services functions is \$350,082 (8.5%) higher than in the 2015 budget. Budgeted Consultants & Contracts Expense is increased by \$241,854 (43.4%) from the 2015 budget, due principally to a staffing decision to use consultants rather than employees for certain functions in General & Administrative and IT. Budgeted Office Rent is increased by \$53,108 (11.4%) from the 2015 budget due to recording rent on a straight-line basis over the lease term in accordance with Generally Accepted Accounting Principles. Budgeted Office Costs are reduced by \$119,672 (27.8%) from the 2015 budget, due primarily to decreases in budgeted expenses for Computer Supplies and Maintenance.

SERC's target Working Capital Reserve at December 31, 2016 is \$2,456,000, based on a permanent cash reserve of up to 10% of budgeted annual statutory operating costs and a temporary operating reserve, as approved by the SERC Board. SERC's Table B-1 shows a projected Working Capital Reserve at December 31, 2015 of \$3,288,284, resulting in a decremental adjustment to SERC's 2016 assessments of \$832,284 to achieve the target Working Capital Reserve at December 31, 2016.⁸³

SERC plans no non-statutory activities in 2016 and therefore has no 2016 budget for non-statutory activities.

6. SPP RE

SPP RE's total 2016 statutory budget is \$10,095,819, a decrease of \$1,712,291 (14.5%)

⁸³ As shown in the table provided in §III.E above, SERC's second quarter 2015 variance report projects a year-end 2015 Working Capital and Operating Reserve balance of \$4,930,621, rather than the lower year-end 2015 balance projected in its Business Plan and Budget. Funds in excess of the projected 2016 beginning Working Capital and Operating Reserve balance will be subject to SERC's controls over the use of such funds. Under SERC's working capital and operating reserve policy, reserves generated in 2015 in excess of two months operating costs are considered a temporary increase in operating reserves and may be used to offset significant unexpected contingencies in the current year or as an offset in future budget periods.

from its 2015 budget. SPP RE's proposed assessment amount for 2016 is \$8,626,751, which is a decrease of \$1,053,896 (10.9%) from its 2015 assessment amount. The decrease in the 2016 assessment compared to 2015 is due to the decreased budget, partially offset by (i) a decremental adjustment for Working Capital Reserve of \$1,276,068, compared to a decremental adjustment for Working Capital Reserve in the 2015 budget of \$1,662,962 (*i.e.*, the adjustment for Working Capital Reserve decreases the SPP RE assessment by \$386,894 less than in the 2015 budget), and (ii) a \$217,500 decrease in Penalty collections from the 2015 budget.

SPP RE's budgeted total staffing for statutory and administrative programs for 2016 is 32.25 FTEs, a decrease of 0.50 FTE from its 2015 budget. SPP RE is increasing budgeted staffing by 0.50 FTE in both its CMEP (to 21.35 FTEs) and Training and Education program, and decreasing budgeted staffing by 1.50 FTEs in RAPA; no staffing changes are budgeted in any other statutory programs or administrative functions. An additional auditor is being added in the CMEP for CIP Version 5 transition and risk-based activities; however, 0.50 FTE has been transferred to Training and Education to assist in outreach for the CIP Version 5 transition. SPP RE's budgeted 2016 Personnel Expenses are reduced by \$6,180 from its 2015 budget.

The 2016 budgeted amounts for the five statutory programs show the following changes from the 2015 Budget: Reliability Standards, decrease of \$5,175 (4.5%); CMEP, decrease of \$796,705 (9.3%); RAPA, decrease of \$1,065,836 (35.6%); Training and Education, increase of \$157,347 (178.6%); and Situation Awareness, decrease of \$1,920 (4.5%). The reductions in the 2016 budgets for four of the five statutory programs is due in significant respect to a reduction in the total amount of budgeted Administrative Services expenses which are allocated to these statutory programs. The 2016 budget for each of the statutory programs except Training and Education shows a reduction in the amount of Administrative Services (Indirect) expenses

allocated to that program. For example, budgeted 2016 direct expenses for the CMEP are increased by \$32,822 over the 2015 budget, but the allocated indirect expenses for 2016 are reduced by \$829,527. Budgeted Consultants & Contracts Expense for the CMEP is reduced by \$81,558 due to the increased efficiency of SPP RE CMEP staff, thereby requiring less use of consultants and contractors. For the RAPA Program, the overall reduction in the budget of \$1,065,836 is comprised of reductions in budgeted direct expenses of \$458,733 and reductions in allocated indirect expenses of \$607,103. The reduction in budgeted direct expenses for RAPA reflects a reduction in budgeted Personnel Expenses of \$141,733 from the 2015 budget, due to the reduced staffing, and a reduction of \$325,000 in budgeted Consultants & Contracts Expense, from \$350,000 in the 2015 budget to \$25,000 in the 2016 budget. The principal reason for the reduction in budgeted Consultants & Contracts Expense for RAPA is the completion of the Engineering Model Data Validation project in 2015.

SPP RE's 2016 budgeted Administrative Services expense of \$1,191,013 is \$241,806 (21.3%) lower than its 2015 budget. This is the budget for administrative services performed or managed by SPP RE staff. Budgeted 2016 Professional Services Expense in the Legal and Regulatory budget has been reduced by the elimination of \$300,000 that was budgeted for 2015 in anticipation of at least one contested hearing on a compliance matter being held. In addition, the budgeted Indirect Expenses for support services performed by SPP, Inc. are reduced by \$1,131,503 (24.7%) from the 2015 budget. The reduction reflects the adoption of an entirely new formula for determining the costs for services performed by SPP, Inc. staff to be charged to SPP RE. The new method uses allocation factors for various expense items based on appropriate measures per expense category such as square footage of office space, numbers of devices used, and headcount. The new method is described, and the calculation of the budgeted expenses for

services performed by SPP, Inc. staff (based on 2014 actual results) are shown, on Exhibit E of **Attachment 8**.

As discussed in previous years' Business Plan and Budget filings and in other filings, SPP RE has determined it does not need to establish or budget for a Working Capital Reserve, because it has access to operating cash balances and bank lines of credit of SPP, Inc. for short-term funding needs. However, Table B-1 in Section B of **Attachment 8** shows SPP RE would have a Working Capital Reserve of \$1,276,068 at December 31, 2015. Accordingly, SPP RE has reduced its requested 2016 assessment amount by \$1,276,068.⁸⁴

As in prior years' budget filings, SPP RE is unable to provide a 2016 Budget for SPP, Inc.'s non-statutory activities because SPP, Inc.'s annual budget for 2016 will not be approved, in accordance with SPP, Inc.'s normal planning and budgeting cycle, until October 2015. SPP RE has included the SPP, Inc. 2015 budget, as well as the SPP, Inc. 2014 actual results, in Section C of its Business Plan and Budget, for information.

7. Texas RE

Texas RE's total 2016 statutory budget is \$11,782,215, a decrease of \$201,486 (1.7%) from its 2015 budget. Texas RE's proposed 2016 assessment amount is \$9,560,448, which is \$939,998 (9.0%) lower than its 2015 assessment amount. The reduction in the 2016 assessment amount is larger than the reduction in the 2016 budget because Texas RE has budgeted a decremental adjustment to its 2016 assessments for Working Capital Reserve of \$1,883,767, which is \$917,557 larger than the decremental adjustment for Working Capital Reserve in Texas

⁸⁴ As shown in the table provided in §III.E above, SPP RE's second quarter 2015 variance report projects a year-end 2015 "reserve" balance of \$3,508,817, rather than the lower year-end 2015 balance projected in its Business Plan and Budget. Funds in excess of the projected year-end 2015 "reserve" balance will be subject to SPP RE's controls over the use of such funds. The disposition of the higher projected year-end balance in excess of expenditures, if realized, will be used to temper 2017 assessments.

RE's 2015 budget. The impact of the larger decremental adjustment for Working Capital Reserve is partly offset by (1) a lower Penalty collection offset in the 2016 budget (\$337,000) than in the 2015 budget (\$483,500), (2) lower budgeted Interest income in the 2016 budget (\$1,000) than in the 2015 budget (\$15,045); and (3) elimination of Membership Dues for 2016 (provided \$18,500 of funding in the 2015 budget).

Texas RE's budgeted total staffing for statutory and administrative programs for 2016 is 60 FTEs, the same as in its 2015 budget (and its 2014 budget). However, there are changes in budgeted staffing within several statutory programs and administrative functions. Budgeted 2016 staffing is reduced by 0.50 FTE in Reliability Standards and is increased by 2.25 FTEs in the CMEP, for a net increase of 1.75 FTEs in the statutory programs. Budgeted 2016 staffing is increased by 1.00 in General & Administrative, decreased by 1.75 FTEs in Legal and Regulatory, increased by 1.00 FTE in IT, and decreased by 1.00 FTE in each of Human Resources and Financing and Accounting, for a net decrease of 1.75 FTEs in the administrative functions. These staffing changes reflect reallocations of personnel among programs and functions. The 2.25 FTEs added to the CMEP staffing were reassigned from other programs, principally from Legal and Regulatory, to better align departmental assignment with the work performed. The single FTE previously budgeted in the Human Resources function is being budgeted in General & Administrative, beginning with the 2016 budget. Texas RE's budgeted 2016 Personnel Expenses are higher by \$288,038 (3.2%) than its 2015 budget, which, given no overall change in staffing, is due primarily to (1) a 3.3% increase in budgeted Salary Expense for annual merit increases, promotions, and reassignment of certain employees to different positions, and (2) a 17.3% increase in budgeted Benefits Expense, reflecting higher employee participation in Texas RE-sponsored plans and a 12% increase in health plan costs, partially offset by a 19.6%

reduction in Payroll Tax Expense based on actual historical experience.

Other significant areas of change in the 2016 budget compared to the 2015 budget are Travel Expense, reduced by \$82,993 (18.4%), due largely to increased ability to hold meetings at Texas RE's offices in new conference room facilities; Consultants & Contracts Expense, increased by \$54,078 (18.8%), primarily for compensation studies; Office Rent, increased by \$62,447 (14.6%), due to the addition of more conference space; and Professional Services, decreased by \$561,740 (52.1%), due to not budgeting for the contingency of hiring outside counsel if there were to be a contested enforcement proceeding, and to reductions in budgeted Board of Directors fees and Auditing and Accounting fees.

Texas RE's 2016 budget for its CMEP is \$8,809,903, which is a reduction of \$198,645 (2.2%) from the 2015 budget. This reduction is primarily due to a reduction of \$441,000 in budgeted Professional Services Expense due to not budgeting for outside legal resources for the contingency of a contested enforcement hearing, as stated above; as well as to a reduction of \$89,162 in budgeted Travel Expense, also for the reason stated above. Budgeted Personnel Expense for the CMEP is increased by \$228,717 over the 2015 budget, reflecting the increased staffing assigned to this program.

The changes in Texas RE's 2016 budget for the other four statutory programs, from the 2015 budget, are: (i) Reliability Standards, decrease of \$137,803 (22.7%); (ii) RAPA, increase of \$54,619 (2.9%); and (iii) Training, Education, and Operator Certification, increase of \$80,342 (15.7%). Texas RE eliminated Situation Awareness and Infrastructure Security as a separate program in its 2015 budget and now includes these activities in its RAPA Program. The primary driver of the reduced budget for Reliability Standards is reduced Personnel Expenses due to the reduction in FTE staffing.

Texas RE's budgeted 2016 Administrative Services expenses are decreased by \$24,390 (0.6%) from its 2015 budget. The principal factors in this decrease are a decrease of \$76,600 in budgeted Board of Director fees, based on actual experience, and a decrease of \$45,900 in budgeted Accounting and Auditing Fees, based on historical experience and negotiating new rates with the service providers. As noted earlier, budgeted Office Rent is increased by \$62,477 (14.6%) over the 2015 budget due to Texas RE leasing additional conference space.

Texas RE's desired Working Capital Reserve at December 31, 2015 is \$2,404,335, representing a \$2,000,000 cash reserve plus an additional \$400,000. Texas RE has also obtained a \$500,000 line of credit to provide liquidity for contingencies. Texas RE's Table B-1 shows projected Working Capital Reserve of \$4,288,102 at December 31, 2015. As a result, Texas RE's proposed 2016 statutory assessment is reduced by \$1,883,767 to achieve its target Working Capital Reserve.

Texas RE's total non-statutory budget for 2016 is \$1,029,073, an increase of \$29,973 from its 2015 non-statutory budget (*see* Section C of **Attachment 9**). Texas RE's non-statutory activities consist of acting as the ERCOT Region Reliability Monitor for the Public Utility Commission of Texas (PUCT) and in that role, performing audits, investigations, monthly metrics reviews, and other monitoring and reporting of market participants' compliance with the reliability-related Protocols and Operating Guides of ERCOT and with PUCT Regional Rules, as well as monitoring the ERCOT Regional Rules creation and modification process and providing technical support to the PUCT regarding reliability-related proposed changes to Regional Rules.

8. WECC

WECC's 2016 total statutory budget is \$27,384,956, an increase of \$1,084,921 (4.1%) from its 2015 budget. WECC's 2016 statutory assessment is \$25,032,134, virtually identical to its 2015 statutory assessment of \$25,032,135. WECC is also budgeting the following increases

over its 2015 budget for other funding sources: \$1,840,700 for Penalty collections; \$73,600 for Workshop fees; and \$15,000 for Interest income. WECC's 2016 adjustment to its assessment to achieve its target Working Capital Reserve is \$844,378. The budgeted increases in the three other Funding sources offset the increased budget and the adjustment to assessments for Working Capital Reserve, thereby resulting in essentially no change in WECC's budgeted 2016 assessments from its 2015 assessments.

WECC's budgeted total staffing for statutory and administrative programs for 2016 is 140.5 FTEs, which is an increase of 3.0 FTEs from the budgeted 2015 staffing. The budgeted 2016 staffing is comprised of 94.1 FTEs (increase of 1.5 FTEs) in statutory programs and 46.4 FTEs (increase of 1.5 FTEs) in Administrative functions. WECC is budgeting increases in staffing of 0.5 FTE for its CMEP and 1.7 FTEs for RAPA, and decreases in staffing of 0.5 FTE for its Training and Education Program and 0.2 FTE for Situation Awareness and Infrastructure Security. In the Administrative functions, WECC is budgeting increases in staffing of 0.5 FTE in General & Administrative and 1.0 FTE in Human Resources, over its budgeted 2015 staffing. No changes in budgeted staffing levels are proposed for the remaining statutory programs and administrative functions.

WECC's 2016 budgeted Personnel Expense is higher by \$1,655,046 (9.6%) compared to its 2015 budget. This increase is primarily due to (i) the increased staffing; (ii) 3% merit salary increases, (iii) additional adjustments to WECC's employee compensation based on an outside compensation study; and (iv) further changes to the labor float (vacancy rate) adjustments used by WECC in budgeting. Other components of the 2015 budget reflecting significant changes from the 2014 budget are: (i) Meetings and Travel Expense, reduced by \$247,216 (10.7%); and (ii) Consultants & Contracts Expense, increased by \$1,147,950 (54.1%). The principal driver of

the reduction in budgeted Meetings and Travel Expense is a reduction in Travel Expense of \$249,452, due to (i) the implementation of risk-based compliance monitoring, which reduces travel in the CMEP, and (ii) holding all WECC Board meetings at WECC's headquarters in Salt Lake City, which reduces WECC staff travel. The increase in budgeted Consultants & Contracts Expense is primarily reflected in the RAPA program, as described below.

WECC's 2016 budget for its CMEP is \$13,811,437, which represents a \$632,925 (4.8%) increase from its 2015 budget. The primary components of this increase are (i) increased budgeted Personnel Expenses (\$266,260), (ii) increased budgeted Office Costs (\$172,268), and (iii) increased allocation of budgeted Indirect Expenses (\$395,653), partially offset by a reduction of \$153,192 in Travel Expenses for the reason described above.

The changes in budgeted total costs for each of the other four statutory programs from the 2015 Budget are as follows: (i) Reliability Standards, increase of \$62,382 (6.1%); (ii) RAPA, increase of \$487,135 (4.7%); (iii) Training, Education and Operator Certification, decrease of \$37,242 (2.5%); and (iv) Situation Awareness and Infrastructure Security, decrease of \$60,280 (20.4%). The principal reasons for the increase in budgeted costs for the RAPA Program are (i) an increase in budgeted Personnel Expenses (\$453,025); (ii) an increase of \$992,000 in budgeted Consultants & Contracts Expense, primarily due to an increase of \$898,000 for Remedial Action Scheme modeling resulting from reclassifying these expenditures from Fixed Asset Additions to expenses; and (iii) increased allocation of budgeted Indirect Expenses (\$379,301), partially offset by a \$1,300,000 reduction in budgeted Computer & Software Capital Expenditures due primarily to the reclassification of expenditures from Fixed Assets Additions to Consultants & Contracts Expense as just stated.

WECC's total budgeted 2016 Administrative Services expenses (referred to as Corporate

Services in the WECC Business Plan and Budget) are increased by \$888,236 (9.2%) from its 2015 budget. Budgeted Personnel Expenses are increased by \$988,673 (17.7%), generally for the same reasons described above. Budgeted Meetings and Travel Expenses for the Administrative functions is reduced by \$139,781 (27.8%), due primarily to all WECC Board meetings being held in Salt Lake City. Budgeted Consultants & Contracts Expense is increased by \$175,700 (80.0%) due primarily to budgeting increased Board of Directors search fees. Budgeted Office Costs decrease by \$160,391, with the most significant drivers being decreases in budgeted costs for Computer Supplies and Maintenance, Internet Expense, and Copying costs.

WECC's target Working Capital Reserve at December 31, 2016 is \$3,238,547, based on a Board-approved Working Capital Reserve target of one to two months of Personnel Expenses and Operating Expenses. WECC projects a Working Capital Reserve balance of \$2,394,170 at December 31, 2015. As a result, WECC's adjustment to its 2016 assessments to reach its target Working Capital Reserve at December 31, 2016, is \$844,377, as shown on WECC's Table B-1.

WECC's non-statutory budget for 2016 is \$1,796,011, and its total non-statutory Funding requirement is \$1,902,250. WECC's non-statutory activity is the maintenance and operation of the Western Renewable Energy Generation Information System.

WECC's allocation of its assessment to the AESO for the Province of Alberta has been reduced by \$938,424, representing WECC CMEP costs (including allocated Indirect Costs and Fixed Asset Expenditures) that are considered duplicative of Compliance and Enforcement Programs of the AESO. The AESO credit amount is allocated to the remainder of the LSEs (Balancing Authorities) in the WECC Region on the basis of NEL. Appendix B to the 2016 WECC Business Plan and Budget (**Attachment 10**) shows the calculation of the \$938,424 adjustment to the assessment to AESO.

C. Metrics Related to Regional Entity Budgets

Consistent with NERC's February 18, 2015 *Request to Revise Certain "Metrics" Filing Components for its Annual Business Plan and Budget Filings and its Annual Actual Cost-to-Budget True-Up Filings* in Docket No. RR15-6-000, and the Commission's June 15, 2015 letter order approving NERC's request, NERC is providing the metrics information listed below in **Attachment 14** and **Attachment 15** to this filing.

Attachment 14: Metrics Comparing Regional Entity Operations Based on the 2016 Budgets

Attachment 14 provides the following information relating to the Regional Entities' operations based on their 2016 Business Plans and Budgets:

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

15. Compliance budget per registered entity
16. Compliance budget per registered function
17. Total Compliance FTE
18. Registered entity per Compliance FTE
19. Registered function per Compliance FTE

In addition, **Attachment 14** provides the following metrics and graphics based on the Regional Entities' 2016 Business Plans and Budgets:

20. Compliance Budget per Number of Registered Functions and per Number of Registered Entities.
21. Number of Registered Functions per Registered Entity
22. Compliance Program Budget as a Function of Number of Registered Entities and Number of Registered Functions
23. Number of Registered Entities per Compliance Program FTE and Number of Registered Functions per Compliance Program FTE
24. Comparisons of Number of Registered Entities per Compliance program FTE and Number of Registered Functions per Compliance Program FTE for the current year (2015) and the budget year (2016).

Attachment 15: Metrics on NERC and Regional Entity Administrative (Indirect) Costs Based on the 2015 and 2016 Budgets

Attachment 15 provides the following metrics on the budgeted Administrative Services costs of NERC and each Regional Entity, based on their budgets for 2015 and 2016:

1. Statutory Indirect Budget as a Percentage of Total Statutory Budget, for 2015 and 2016.
2. Ratio of Statutory Direct Budget to Statutory Indirect Budget, for 2015 and 2016.
3. Statutory Indirect (Administrative) FTEs as a Percentage of Total Statutory FTEs, for 2015 and 2016.
4. Number of Direct Statutory FTEs per Indirect (Administrative) FTE, for 2015 and 2016.

D. Peak Reliability Business Plan and Budget

Peak Reliability has advised NERC and the Commission that Peak has developed a new funding arrangement to be implemented on a contractual basis through a Reliability Coordinator Funding Agreement (RC Agreement).⁸⁵ The new funding arrangement has been approved by the Peak Board and membership, and the RC Agreement has been executed by funding parties representing at least 90% of the NEL in the U.S. portion of the Western Interconnection. The new funding arrangement will be effective beginning January 1, 2016. Accordingly, beginning January 1, 2016, Peak will no longer require \$215 funding, and therefore, Peak has not submitted a 2016 business plan and budget for inclusion in this filing.

VI. CONCLUSION

Based on the information in this filing, NERC requests that the Commission issue an order pursuant to 18 C.F.R. §39.4, by November 2, 2015: (1) accepting NERC's proposed 2016 Business Plan and Budget in **Attachment 2**; (2) accepting the proposed 2016 Business Plans and Budgets of the eight Regional Entities for statutory activities in **Attachments 3 through 10**; (3) accepting the proposed budget and funding requirement of WIRAB for 2016 in **Attachment 11**; and (4) approving the proposed assessments to each LSE or designee or other entities to be billed within each Region, as set forth in Appendix 2 to **Attachment 2**, to be billed to and paid by each such load-serving entity or designee or other entity to fund the portion of NERC's 2016 Funding requirement allocated to the United States and the 2016 Funding requirement for statutory activities of each Regional Entity and WIRAB allocated to the U.S.

⁸⁵ See *Informational Filing of Peak Reliability*, filed August 11, 2015 in Docket Nos. RR13-12-000 and 13-52-000.

Gerald W. Cauley
President and Chief Executive Officer
Michael Walker
Senior Vice President and Chief
Financial and Administrative Officer
North American Electric Reliability
Corporation
3353 Peachtree Road
Suite 600, North Tower
Atlanta, GA 30326
(404) 446-2560
(404) 446-9765 – facsimile

Respectfully submitted,

Charles A. Berardesco
Senior Vice President and General Counsel
North American Electric Reliability Corporation
1325 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 400-3000
(202) 644-8099 – facsimile
charles.berardesco@nerc.net

/s/ Owen E. MacBride
Owen E. MacBride
Schiff Hardin LLP
233 South Wacker Drive, Suite 6600
Chicago IL 60606
(312) 258-5680
(312) 258-5700 – facsimile
omacbride@schiffhardin.com

DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 1

SUMMARY TABLES FOR NERC AND REGIONAL ENTITY

PROPOSED 2016 BUDGETS AND ASSESSMENTS

NERC'S Proposed Budget by Program¹

NERC Program	2015 Budget for Statutory Functions	2016 Budget for Statutory Functions
Reliability Standards	\$ 10,247,145	\$ 8,193,116
Compliance Monitoring and Enforcement and Organization Registration and Certification		
Compliance Assurance	\$ 5,737,572	\$ 9,420,903
Compliance Analysis, Certification and Registration	\$ 4,864,863	\$ 4,632,871
Compliance Enforcement	\$ 5,806,866	\$ 5,293,298
Reliability Assessments and Performance Analysis	\$ 9,825,750	\$ 9,918,728
Training, Education and Operator Certification	\$ 3,950,926	\$ 3,912,231
Reliability Risk Management		
Event Analysis	\$ 4,203,169	\$ 5,355,795
Situation Awareness	\$ 3,646,902	\$ 3,692,197
ES-ISAC ²	\$ 18,366,116	\$ 16,767,525
Total Budget	\$ 66,649,309	\$ 67,186,665

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

²During 2015, NERC combined its Critical Infrastructure Department (CID) into the ES-ISAC for both operational and budgeting and financial reporting purposes. The comparison of 2016 budget information for ES-ISAC to 2015 budget amounts is based on the combined 2015 budgets for the ES-ISAC and the CID.

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

	2015 Budget for Statutory Functions	2016 Budget for Statutory Functions
NERC	\$ 66,649,309	\$ 67,186,665
FRCC	\$ 7,162,233	\$ 7,261,527
MRO	\$ 10,328,687	\$ 11,354,641
NPCC	\$ 14,778,539	\$ 15,072,997
RF	\$ 18,756,763	\$ 19,367,209
SERC	\$ 15,995,840	\$ 15,866,845
SPP RE	\$ 11,808,110	\$ 10,095,820
TRE	\$ 11,983,701	\$ 11,782,215
WECC	\$ 26,300,035	\$ 27,384,956
WIRAB	\$ 1,013,857	\$ 1,370,274
Total Budget	\$ 184,777,074	\$ 186,743,149

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

Proposed Assessments for Statutory Activities of NERC and each Regional Entity

	Assessments for Statutory Functions 2015		Allocation to U.S. 2015		Assessments for Statutory Functions 2016		Allocation to U.S. 2016	
NERC	\$	55,308,375	\$	50,046,840	\$	9,536,062	\$	9,536,062
FRCC	\$	6,062,838	\$	6,062,838	\$	14,645,605	\$	12,191,099
MRO	\$	9,426,019	\$	7,846,770	\$	21,268,634	\$	12,676,574
NPCC	\$	14,068,878	\$	8,759,736	\$	31,197,572	\$	31,197,572
RFC	\$	18,713,897	\$	18,713,897	\$	27,046,236	\$	27,046,236
SERC	\$	13,731,034	\$	13,731,034	\$	11,609,618	\$	11,609,618
SPP RE	\$	9,680,648	\$	9,680,648	\$	14,028,949	\$	14,028,949
TRE	\$	10,500,446	\$	10,500,446	\$	35,987,512	\$	31,218,366
WECC ¹	\$	26,090,293	\$	22,931,192	\$	1,239,998	\$	1,048,819
Total Budget	\$	163,582,428	\$	148,273,401	\$	166,560,186	\$	150,553,295

¹ Includes assessments for WECC and WIRAB

DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 2

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

PROPOSED 2016 BUSINESS PLAN AND BUDGET

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

2016 Business Plan and Budget

August 13, 2015

RELIABILITY | ACCOUNTABILITY



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

Table of Contents

About NERC.....	iv
Overview	iv
Membership and Governance.....	iv
Scope of Oversight	v
Statutory and Regulatory Background	vi
Funding.....	vi
Introduction and Executive Summary.....	1
Strategic Goals, Objectives, and Metrics.....	1
Priorities and Major Activities	2
2016 Key Business Planning Assumptions.....	7
Section A — 2015 Business Plan and Budget Program Area and Department Detail	20
Reliability Standards.....	20
Compliance Monitoring and Enforcement and Organization Registration and Certification Program Area	24
Reliability Assurance.....	24
Compliance Enforcement Department.....	33
Reliability Assessment and Performance Analysis	39
Reliability Risk Management	52
Situation Awareness Department	52
Event Analysis Department	56
Electricity Sector Information Sharing and Analysis Center (ES-ISAC)	59
Training, Education, and Operator Certification	66
Administrative Services	70
General and Administrative.....	70
Legal and Regulatory	71
Information Technology	71
Human Resources	77
Finance and Accounting.....	78
Section B — Supplemental Financial Information	80
Table B-1.....	80
Table B-2.....	81
Table B-3.....	82
Table B-4.....	84
Table B-5.....	85
Table B-6.....	85

Table of Contents

Table B-7.....	86
Table B-8.....	87
Table B-9.....	87
Table B-10.....	88
Section C — Non-Statutory Activity.....	89
Section D — Supplemental Financial Statements.....	90
Exhibit A – Common Assumptions.....	92
Exhibit B – Application of NERC Section 215 Criteria.....	102
Exhibit C – Contractor and Consulting Costs.....	122
Exhibit D – Capital Financing.....	124
Exhibit E – Working Capital and Operating Reserve Amounts	126

About NERC

Overview

The North American Electric Reliability Corporation (NERC) is a not-for-profit entity organized under the New Jersey Nonprofit Corporation Act. NERC’s mission is to improve and ensure the reliability of the Bulk Power System (BPS)¹ in North America. NERC’s area of responsibility spans the continental United States and Canada and the northern portion of Baja California, Mexico. Entities under NERC’s jurisdiction are the users, owners, and operators of the BPS—a system that serves the needs of over 340 million people, includes installed electricity production capacity of approximately 1,200 gigawatts, operates 475,000 miles of high-voltage transmission (100 kV and above), and is comprised of assets worth more than one trillion dollars.

Electric Reliability Organization (ERO)

The Federal Energy Regulatory Commission (FERC or Commission) certifies and has oversight of NERC as the electric reliability organization (ERO) within the United States to establish and enforce Reliability Standards for the U.S. portion of the BPS, pursuant to Section 215 of the Federal Power Act (§215).² As of June 18, 2007, FERC granted NERC the legal authority to enforce Reliability Standards with all U.S. users, owners, and operators of the BPS and made compliance with those standards mandatory and enforceable. Equivalent relationships have been sought and, for the most part, realized in Canada and Mexico.

International Relations

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

In Mexico, the Comisión Federal de Electricidad has signed WECC’s reliability management system agreement, which applies only to Baja California Norte.

Membership and Governance

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

Membership in NERC is open to any person or entity that has an interest in the reliability of the North American BES. Membership is voluntary and affords participants the opportunity to engage in the

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

² [ERO Enterprise Strategic Plan](#)

governance of the organization through election to the Member Representatives Committee (MRC).³ More than 600 entities and individuals are members of NERC.

Scope of Oversight

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

- Propose, monitor compliance with, and enforce mandatory Reliability Standards for the North American BPS, subject to regulatory oversight and approvals from FERC in the United States and applicable authorities in Canada;
- Conduct near-term and long-term assessments of the reliability of the North American BPS;
- Certify BPS operators as having and maintaining the necessary knowledge and skills to perform their reliability responsibilities;
- Maintain situational awareness of events and conditions that may threaten BPS reliability;
- Coordinate efforts to improve physical security and cybersecurity for the BPS of North America;
- Conduct detailed analyses and investigations of system disturbances and unusual events as well as measure ongoing system trends to determine root causes, uncover lessons learned, and issue relevant findings as advisories, recommendations, and essential actions to the industry; and
- Identify, based on lessons learned, the potential need for new or modified Reliability Standards, improved compliance monitoring and enforcement methods, or other initiatives.

Delegated Authorities

In executing its responsibility, NERC delegates certain authorities to eight regional reliability entities (Regional Entities or the Regions) to perform aspects of the ERO functions described through delegation agreements. FERC has approved delegation agreements between NERC and the eight Regional Entities (Florida Reliability Coordinating Council (FRCC), Midwest Reliability Organization (MRO), Northeast Power Coordinating Council, Inc. (NPCC), ReliabilityFirst, SERC Reliability Corporation (SERC), Southwest Power Pool Regional Entity (SPP RE), Texas Reliability Entity, Inc. (Texas RE), and the Western Electricity Coordinating Council (WECC)⁴). These agreements describe the authorities delegated and responsibilities assigned to the Regional Entities in the United States to address, among other things: (1) developing regional Reliability Standards, (2) monitoring compliance with and enforcement of mandatory Reliability Standards (both North American-wide and regional), (3) certifying registered entities and registering owners, operators, and users of the BES, (4) assessing reliability and analyzing performance, (5) training and education, (6) event analysis and reliability improvement, and (7) situation awareness and infrastructure security. NERC expects Regional Entities whose territories and geographic footprints extend into Canadian provinces and Mexico to perform equivalent functions in those jurisdictions.

ERO Enterprise Operating Model

The collective network of leadership, experience, judgment, skills, and technologies shared among NERC and the eight Regional Entities is referred to as the ERO Enterprise (the Enterprise). In 2014, a common operating model, Improving Coordinated Operations Across the ERO Enterprise⁵ was developed to define how NERC and the Regional Entities achieve excellence in the oversight and execution of statutory functions by collaborating to mitigate reliability risks. The model also defines the division of the roles and

³ The [Member Representatives Committee](#) (MRC) comprises 28 voting representatives elected from the 12 membership sectors. The MRC elects the independent trustees and, along with the Board, votes on amendments to the Bylaws. The MRC also provides policy advice and recommendations to the Board on behalf of stakeholders with respect to annual budgets, business plans, and other matters pertinent to the purpose and operation of the organization.

⁴ WECC has sub-delegated its Reliability Coordinator (“RC”) function to Peak Reliability, which commenced operations and assumed the RC function within the WECC footprint on January 2, 2014.

⁵ [Improving Coordinated Operations Across the ERO Enterprise](#)

responsibilities for NERC and the Regional Entities to efficiently and effectively execute services performed as the collective Enterprise.

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

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

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

Statutory and Regulatory Background

NERC's authority as the ERO in the United States is based on Section 215 of the Federal Power Act, as added by the Energy Policy Act of 2005,⁶ and the Commission's regulations and orders issued pursuant to Section 215. In Canada, NERC's authorities are established by the memoranda of understanding and regulations previously mentioned.

Funding

Section 215 of the Federal Power Act and the Commission's regulations specify procedures for NERC's funding in the United States. NERC's annual business plan and budget is subject to Commission approval in the United States. Once approved, NERC's annual funding is provided through assessments to load-serving entities. These assessments are allocated on a net-energy-for-load (NEL) basis. Equivalent funding mechanisms are provided in Canada, subject to the specific laws and regulations of each province.

The Regional Entities' funding requirements are addressed separately in their respective business plans and budgets, which must be reviewed and approved by NERC and FERC in the United States. Assessments for the Regional Entity budgets are included in the overall NERC assessments to load-serving entities.

⁶ This was codified in section 215 of the Federal Power Act, 16 United States C. 824o.

Introduction and Executive Summary

TOTAL RESOURCES (in whole dollars)				
	2016 Budget	U.S.	Canada	Mexico
Statutory FTEs	192.47			
Non-statutory FTEs				
Total FTEs	192.47			
Statutory Expenses	\$ 65,797,608			
Non-Statutory Expenses	-			
Total Expenses	\$ 65,797,608			
Statutory Inc (Dec) in Fixed Assets	\$ 1,269,057			
Non-Statutory Inc (Dec) in Fixed Assets	-			
Total Inc (Dec) in Fixed Assets	\$ 1,269,057			
Statutory Working Capital Requirement	\$ 380,490			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ 380,490			
Proceeds from Financing Activities	\$ 55,000			
Total Statutory Funding Requirement	\$ 67,502,155			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 67,502,155			
Statutory Funding Assessments	\$ 57,081,445	\$ 51,785,828	\$ 5,135,852	\$ 159,765
Non-Statutory Fees				
NEL	4,536,826,392	4,001,404,260	523,411,096	12,011,036
NEL%	100.00%	88.20%	11.54%	0.26%

Strategic Goals, Objectives, and Metrics

Developing the common operating model for NERC and the Regional Entities helped align the Enterprise's business-planning goals, objectives, metrics, and assumptions for the 2015–2018 planning period. In November 2014, the NERC Board approved an updated version of the *ERO Enterprise Strategic Plan*. Prior to its approval, NERC's Board requested stakeholder input on the plan as part of the November 2014 policy input request from the Member Representatives Committee (MRC). NERC posts the written comments and tracks and reports on corresponding actions in response to this input on an ongoing basis.

Performance Metrics

As part of an ongoing effort to make improvements to its strategic plan, in 2014, NERC and the Regional Entities adopted four overarching performance metrics (standards; compliance, registration, and certification; risks to reliability; and coordination and collaboration) designed to assess the overall effectiveness of the Enterprise in addressing risk to, and improving the reliability of, the BES. The *ERO Enterprise Strategic Plan* includes five consolidated goals within these metrics.

The metrics concentrate on measuring reliability results, assuring standards and compliance effectiveness, and improving risk mitigation and program execution. They are reviewed annually as part of the strategic planning process and are prioritized based on current and planned activities and major initiatives.

Demonstrating Success (2015–2018)

- Achieve reliability results
- Ensure standards and compliance effectiveness
- Improve risk mitigation
- Execute effective ERO programs

In November 2014, the NERC Board approved the 2015 performance metrics⁷. The four metrics, used in 2015 to measure the Enterprise’s success against the strategic goals, are not inclusive of all the objectives and deliverables identified for the entire three-year planning period; therefore, some of the deliverables listed in the strategic plan may not be specifically listed word for word in the four metrics approved for 2015. The 2016 performance metrics are expected to be finalized in Q4 2015.

NERC publicly posts and reviews quarterly corporate performance results with the Board’s Corporate Governance and Human Resources Committee. The company also publicly posts and reviews with its Finance and Audit Committee unaudited financial results each quarter for both the company and the Regional Entities. Combined, these two reports provide both NERC’s Board and stakeholders with an overview of the company’s operational and financial performance, including any actions proposed to mitigate performance shortfalls.

Stakeholder Engagement

NERC and the Regional Entities involve stakeholders in the early development of the strategic plan, in the identification of prioritized risk-based activities, and in the development of the *2016 Business Plan and Budget*. NERC obtained stakeholder input from a number of sources, including the Reliability Issues Steering Committee (RISC), other standing committees of the Board, and the MRC’s Budget Input Group, which was established in 2012 to provide and help coordinate annual input in the development of NERC’s business plan and budget.

Priorities and Major Activities

The electric grid is one of the nation’s most critical infrastructures, and the North American BES is one of the largest, most complex, and most robust systems ever created. All other critical infrastructure sectors are dependent on electric power, directly or indirectly. As the organization charged with ensuring the reliability and security of the North American power grid, NERC continues its focus on the changing risk landscape from conventional risks (such as extreme weather and equipment failures) to new and emerging risks in the security arena. Coordinated physical and cyber attacks intended to disable elements of the power grid or deny electricity to specific targets differ from conventional risks in that they result from intentional actions by adversaries and are not simply random failures or acts of nature. These threats are not new, but they have evolved and continue to demand more attention from industry and the ERO. Recognizing the costs to electricity users associated with these efforts requires prioritization, along with risk management, to ensure that the ERO is focusing resources on the greatest risks to the reliability of the BES.

⁷ [2015 performance metrics](#)

NERC and the Regional Entities are invested in achieving positive results for reliability, demonstrating the effectiveness of the ERO by closing gaps in Reliability Standards, designing and implementing effective risk-based compliance monitoring and enforcement, and executing ERO programs and operational activities that support transparent and reliability-focused strategic goals and objectives. The following subsections highlight key initiatives and priorities.

Risk-Based Strategy – (ERO Enterprise Goal 4 and Metric 3)

The Enterprise continues to integrate risk management principles and set priorities to address the reliability issues of greatest importance. The focus in 2016 and beyond will be to identify and solve specific issues that present risk to reliability, to improve reliability performance, to minimize the use of less-effective processes, and to avoid using already limited resources on less-important issues.

In 2013, the RISC presented priority recommendations⁸ to the NERC Board and worked closely with NERC and Regional Entity staffs to review, analyze, and identify high-priority reliability risk areas of strategic importance for the ERO. This collaborative risk-based prioritization is being integrated into a multiyear reliability risk management process to identify projects the Enterprise will undertake year to year, ensure the efficient use of resources to focus on high-risk areas, maximize opportunities for industry input, and align with the ERO's strategic and business-planning priorities.⁹

The following list identifies the current risk projects that were selected from this prioritization process and the areas for focus in 2015, with a number of these efforts extending into 2016. The list is not inclusive of all the activities that may be initiated in 2016. The final 2016 list will be identified after risk control projects are compiled and as the RISC makes recommendations regarding ERO priorities and associated projects. A preliminary set of 2016 project areas is provided in the discussion of the Reliability Assessment and Performance Analysis department's 2016 activities in Section A.

2015 ERO Enterprise High-Priority Risk Projects:

1. **Changing Resource Mix** – As the generation and load on the power system change (e.g., as a result of integrated variable resources, increased dependence on natural gas, increased demand-side management, new technologies deployed, etc.), the system is operating in conditions that are significantly different than for what it was designed and planned, which can expose new vulnerabilities not previously considered. Fundamental operating characteristics and behaviors are no longer a certainty. Without focusing on how to respond, this risk will increase.
2. **Extreme Physical Events** – While the probability of extreme physical events (such as physical attack, geomagnetic disturbance, or severe weather) that can lead to extensive damage is low, the potential consequences are high enough that risk avoidance (reducing the probability) is insufficient as a sole risk management strategy. Though risk mitigation efforts (reducing the potential consequence) are underway, additional focus is needed to address the risk of extreme physical events and minimize both the duration of the events and the magnitude of their consequences.
3. **Cybersecurity Preparedness** – Threats to cyber systems with potential impacts to reliability remain a risk of significant importance to industry. This risk includes threats and vulnerabilities that result from the compromise of technology or communications that support the reliable

⁸ See http://www.nerc.com/comm/RISC/Related%20Files%20DL/RISC_Priority_Recommendations-Jul_26_2013.pdf for the complete report.

⁹ Please refer to Reliability Assessment and Performance Analysis program in Section A for additional detail regarding the overall planned risk project portfolio and associated projects within the respective program area details, as well as the consolidated resource allocations.

operations of the BES. NERC is committed to protecting the BES against cybersecurity compromises that could lead to misoperation of devices resulting in instability of the BPS. In 2015, NERC continued to support industry's transition from the currently enforceable CIP Version 3 standards directly to CIP Version 5. The goal of the transition program is to improve industry's understanding of the technical security requirements for CIP Version 5, as well as the expectations for compliance and enforcement. The need for continued attention on cybersecurity preparedness is also addressed in the *2013 Long-Term Reliability Assessment*,¹⁰ the *RISC's ERO Reliability Risk Priorities: RISC Updates and Recommendations* report,¹¹ the Cyber Attack Task Force final report,¹² the *2015 State of Reliability*, and NERC's *ERO Top Priority Reliability Risks 2014-2017*.¹³

4. **Protection System Misoperations** – NERC's 2012–2015 State of Reliability reports identified protection system misoperations as a significant threat to BES reliability. Additional activities with industry are ongoing to ensure this risk is adequately managed.
5. **Extreme Weather Preparedness and Resiliency Efforts** – Lack of generator preparedness for cold weather extremes may result in forced outages, deratings, and failures to start. Further, increased dependence on natural gas can exacerbate impacts if fuel becomes unavailable, either from well-head freeze-ups or pipeline constraints. Insufficient availability of intra-regional generation and limits on import transfer capability may result in insufficient generation to serve forecast load, which can result in load shedding.
6. **Right-of-Way Clearances** – Transmission Owners and applicable Generation Owners may have established incorrect ratings that are based on design documents, rather than on the actual facilities built. Managing to stay within operating limits that are based on incorrect ratings may be inadequate to prevent equipment damage, cascading, instability, or separation.

Using the 2015 projects as a baseline for gauging 2016 resource requirements, NERC plans to provide an equivalent level of support in 2016 to address high-risk priority projects. Section A describes the resources required to support risk projects in 2016.¹⁴

Physical Security and Cybersecurity – (ERO Enterprise Goals 3 and 4)

In March 2014, FERC directed the ERO to create one or more physical grid security Reliability Standards requiring registered entities to address physical security risks and vulnerabilities related to the reliable operation of the BES. NERC engaged subject matter experts throughout the Regions and among industry to assist in drafting a standard within a 90-day time period. The standard requires registered entities to prioritize their most critical assets based on vulnerability and other criteria. The standard's final ballot closed with 86 percent approval from the ballot body. It was adopted by the Board and approved by FERC on November 20, 2014, with directives that were completed for filing in Q2 2015.

NERC initiated a transition program to help industry understand and implement NERC's Critical Infrastructure Protection Version 5 (CIP Version 5) Reliability Standards in a timely and efficient manner. CIP Version 5 represents a significant improvement over the current CIP Version 3 standards, as it includes new cybersecurity controls and extends the scope of the protected systems. NERC is deploying a transition program, with activities through the enforcement date of the Version 5 standards, designed to improve

¹⁰ [2013 Long-Term Reliability Assessment](#)

¹¹ [RISC's ERO Reliability Risk Priorities: RISC Updates and Recommendations](#)

¹² [Cyber Attack Task Force final report](#)

¹³ [ERO Top Priority Reliability Risks 2014-2017](#)

¹⁴ In addition to the foregoing risk-based activities, NERC also incorporates risk considerations into other program area activities as further described in Section A.

industry's understanding of the technical security requirements for CIP Version 5, as well as the expectations for compliance and enforcement.

NERC also operates the Electricity Sector Information Sharing and Analysis Center (ES-ISAC). The ES-ISAC directly benefits stakeholders by:

- serving as a central coordination hub for electricity sector cyber and physical risk, security information sharing, and sector coordination support;
- sharing information (in a declassified format) derived from classified threat and security vulnerability briefings that is otherwise not generally available; and
- enhancing industry-initiated security assessments through information sharing.

Through the ES-ISAC, NERC performs an oversight role with respect to the Cyber Risk Information Sharing Program (CRISP), a voluntary program to facilitate the exchange of detailed cybersecurity information between electric organizations, the ES-ISAC, and the US Department of Energy (DOE) to enable electric power critical infrastructure operators to better protect their networks from sophisticated cyber threats.

Risk-Based Compliance and Enforcement – (ERO Enterprise Goal 3 and Metric 4)

NERC and the Regional Entities will continue to improve compliance monitoring and enforcement operations through the development and implementation of approaches based on reliability risk.

NERC completed the strategy for the Compliance Monitoring and Enforcement Program (CMEP) in late 2014 under its Reliability Assurance Initiative. During 2015, NERC and the Regional Entities began implementation activities supporting the risk-based approach to the CMEP. Implementation of risk-based compliance and enforcement activities is a multiyear effort to sustain and improve reliability by promoting efficiencies, eliminating undue regulatory burdens, streamlining documentation and reporting requirements, improving noncompliance processing, and developing new tools and training materials.

Based on the results and feedback associated with implementation efforts in 2015, several risk-based compliance and enforcement activities are planned for 2016 and beyond, including:

1. continued execution of training programs to support the implementation of the ERO Enterprise Compliance Monitoring and Enforcement Capabilities and Competencies Guide;
2. communication and education outreach events regarding risk-based CMEP implementation efforts;
3. design and implementation of governance, risk, and compliance management processes and tools to support compliance oversight planning and execution;¹⁵
4. compliance activities related to the successful transition to CIP Version 5; and
5. consolidation of new enforcement processes and activities.

BES Implementation – (ERO Enterprise Goal 2 and Metric 4)

In 2010, FERC directed NERC to revise the BES definition to encompass all elements and facilities necessary to plan and reliably operate the BES. The revised definition became effective July 1, 2014, and NERC and the Regional Entities have both been engaged in activities supporting its implementation, including providing guidance on the consistent evaluation of the inclusion, exclusion, and self-notification of BES elements.

¹⁵ NERC's oversight of risk-based CMEP implementation by Regional Entities will include an evaluation of how risk-based compliance monitoring concepts are used and applied, as well as the associated results.

These implementation activities began in 2014 and include:

1. the BES element evaluation process and associated procedures to provide a uniform, clear way of determining assets contained within the BES;
2. the review of self-determined notifications by entities;
3. the review of entity-submitted exceptions to the BES definition by Regions and NERC;
4. the consideration of reviews and appeals of BES determinations and associated registration aspects;
5. the provision of guidance regarding Reliability Standard applicability; and
6. the management of compliance and enforcement monitoring.

The implementation of the BES definition through the end of 2015 is expected to address the majority of submittals, resulting in a steady-state condition in 2016.

Risk-Based Registration – (ERO Enterprise Goal 2 and Metric 4)

The goal of risk-based registration is to enhance the registration criteria so they contain threshold criteria complemented by risk-based methods. In 2014, NERC and the Regional Entities developed a risk-based registration (RBR) program that ensures entities are properly registered or deregistered commensurate with risk to BES reliability, are properly scoped, and are responsible for applicable NERC Reliability Standards along with associated compliance obligations. NERC's registration rules and criteria are set forth in Section 500 and Appendices 5A and 5B of the NERC Rules of Procedure. The RBR program concentrates on the scope of an entity's compliance responsibilities according to the BES reliability risks it poses. With the maturation of the ERO and associated industry experience, NERC revisited and adjusted the registration criteria to focus more on a risk-based technical foundation. These adjustments are focused on avoiding unnecessarily registering all potential entities without consideration of their materiality and risks to reliability. This approach will be used to exclude entities with assets that would have a very low likelihood of posing a risk to the reliability of the BES, while at the same time adjusting the scope of Reliability Standard requirements that must be followed.

In November 2014, NERC's Board approved the first phase of RBR. On March 19, 2015, FERC approved RBR and requested more information on potential reliability impacts resulting from removing the load-serving entity function from the NERC Compliance Registry. NERC is currently addressing this information request. NERC has started the process of implementing the first phase of RBR by removing purchase-selling entities and interchange authorities from the registry. NERC will issue letters to affected entities notifying them of their new statuses. The second phase of RBR, concentrating on generator owners and operators and transmission owners and operators, is ongoing in 2015, with potential implementation in 2016.

Transforming Standards to a Steady State – (ERO Enterprise Goal 1 and Metric 4)

In accordance with the approved Reliability Standards Development Plan (RSDP), the transformation of the NERC standards to a steady state remains a high priority. "Steady state" in regard to standards was defined in the 2015–2018 RSDP as a set of clear, concise, high-quality, and technically sound Reliability Standards that are results-based, including retiring requirements that do little to promote reliability. In their 2013 review of the NERC Reliability Standards,¹⁶ a panel of independent experts also found that the

¹⁶ http://www.nerc.com/pa/Stand/Standards%20Development%20Plan%20Library/Standards_Independent_Experts_Review_Project_Report.pdf

standards should be stable, necessary for accountability, and sufficient to maintain the reliability of the BES.

Cost Control and Efficiency

NERC and the Regional Entities are focused on controlling costs and making improvements to load-serving and registered entity systems and processes. Working collaboratively with the Regional Entities under the oversight of NERC's Standards Oversight and Technology Committee, NERC has developed and refined a long-term enterprise information technology program. The enterprise software tools developed through this program reduce combined-information technology spending; improve productivity, event reporting, tracking, and root cause analysis; and streamline and improve registration, BES reliability assessments, data analysis, and sharing. NERC has also concentrated efforts to control travel and meeting expenses and reduce outside contractor, consulting, and legal expenses. Over the past several years and after a successful incubation period, NERC has also transitioned to industry the financial and operational support for certain reliability tools, as well as a data communication network used to support operations by reliability coordinators in the Eastern Interconnection. As discussed below and in Section A, NERC management evaluates the resource needs and allocation on an ongoing basis to ensure that resources are allocated in an efficient and effective manner in support of ERO priorities. NERC has also worked closely with the Regional Entities to streamline enforcement staff in connection with the development of more efficient and risk-based enforcement mechanisms. As standards development and enforcement processes have matured, NERC management has been able to reduce both standards and legal staff and reallocate budgeted open positions to support increased resource needs in connection with reliability risk analysis and assessments, compliance assurance, and cybersecurity initiatives.

2016 Key Business Planning Assumptions

As part of the annual business planning process, NERC and the Regional Entities developed a set of common business planning assumptions that entities consider in developing their respective business plans and budgets. The Regional Entities used these assumptions to evaluate their projected workloads and determine resource levels required to complete necessary tasks and meet the obligations of their Regional Delegation Agreements. These common business planning assumptions are set forth in Exhibit A.

Application of Section 215 Criteria

In its order approving NERC's *2013 Business Plan and Budget*, FERC required NERC to establish criteria for determining whether its proposed activities are eligible for funding under Section 215. In an order dated April 19, 2013, FERC approved NERC's proposed criteria, with certain modifications.¹⁷ Exhibit B summarizes the major activities NERC proposes to undertake in 2016 and the approved Section 215 criteria applicable to such activities.

Overview of 2016 Budget and Funding Requirements

NERC's 2016 combined expense and fixed asset (capital) budget is approximately \$67.2M, which represents a decrease of approximately \$1.6M (2.3%) below Draft 1 of the 2016 budget and an increase of approximately \$537k (0.8%) over 2015. Total expenses are increasing approximately \$554k (0.8%) over 2015. The total fixed asset (capital) budget, before accounting for depreciation,¹⁸ is approximately \$3.9M, an increase of approximately \$293k over 2015. Approximately \$7.98M (12%) of NERC's 2016 budget is related to CRISP. In the absence of CRISP, the 2016 budget would increase approximately \$1.9M (3.3%) over 2015 (without CRISP). As further explained in Section A – Electricity Sector Information Sharing and

¹⁷ North American Electric Reliability Corporation, Order on Compliance, 143 FERC ¶ 61,052 (2013).

¹⁸ NERC and the Regional Entities budget Depreciation as an Operating Expense with an equal and offsetting credit against budgeted Fixed Asset Additions; as a result, the budgets do not include depreciation in the funding requirements.

Analysis Center (ES-ISAC), the majority of the NERC CRISP budget will be funded by participating utilities, with only a small portion funded through assessments. A comparative statement of activities presenting NERC's 2016 budget with and without CRISP is set forth later in this section.

Without the application any offsets to assessments (as discussed below), NERC's total average assessments would increase \$3.2M (5.8%) over 2015. One of the primary differences between NERC's projected 0.8% 2016 budget increase and the 5.8% 2016 assessment increase (unadjusted) results from eliminating the one-time application of 2014 penalty funds used to offset U.S. assessments in 2015. This loss of penalty offsets will not impact Canadian or Mexican assessments, since U.S. penalty funds are only used to reduce U.S. assessments.¹⁹ Other factors contributing to this difference include depreciation adjustments, debt assumptions, and projected reserve requirements, all of which impact assessments in the United States, Canada, and Mexico.

The allocation of assessments to U.S. entities depends on the final amount of penalty funds both available and applied to reduce assessments after taking into account NERC's policies on the allocation of U.S. penalty funds as well as the determination of the amount of penalty funds to be contributed to NERC's Assessment Stabilization Reserve pursuant to NERC's Working Capital and Operating Reserve Policy.²⁰

In February 2015, NERC's Board approved an amendment to the company's Working Capital and Operating Reserve Policy. Among the approved changes to this policy was the creation of an Assessment Stabilization Reserve. The primary purpose of the Assessment Stabilization Reserve is to mitigate wide year-to-year swings in assessments that may result from, among other things, the loss of penalty fund offsets to assessments for the previous year, and to narrow the gap between annual percentage changes in NERC's budget and assessments that results from year-to-year changes in penalty collections. In accordance with the approved policy, this reserve may be funded with penalty funds and surplus operating reserves. The actual amount of the contribution, as well as releases from the fund to reduce assessments, is determined annually as part of NERC's open and transparent business plan and budget process. The amount of the contribution must be approved by NERC's Board, upon the recommendation of the Board's Finance and Audit Committee, as well as approved by FERC.

Management proposes an overall average assessment increase of 3.2%. This includes the release of \$1.4M in available penalty funds to offset U.S. assessments, with the remaining \$2.3M in available penalty funds held in the Assessment Stabilization Reserve. The allocation of assessments to Canadian entities will depend on the final determination and allocation of certain compliance and enforcement costs to Canadian entities pursuant to NERC's policy on the allocation of compliance costs.²¹ Management updated and calculated these Canadian compliance and enforcement credits using the updated NERC budget information and the latest NEL data available. The current assessment allocation among the United States, Canada, and Mexico is \$51.8M, \$5.1M, and \$159.7k, respectively. Approximately \$36k of NERC's total assessment increase of over \$1.7M is allocated to Canada. Approximately \$9.6k of the increase is allocated to Mexico. The balance (approximately \$1.727M) is allocated to the U.S. This corresponds to an average percentage increase in assessments from 2015 of 3.5% for the United States, 0.7% for Canada, and 6.4% for Mexico, as set forth in the table below.

¹⁹ Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards, December 8, 2008 and as amended August 15, 2013

²⁰ [NERC's Working Capital and Operating Reserve Policy](#). NERC filed a petition with FERC on March 6, 2015 for approval of this policy; the Commission conditionally approved the revised policy in an order issued June 18, 2015, in Docket No. RR15-8-000. *North American Electric Reliability Corporation, Order Conditionally Accepting Revisions to Working Capital and Operating Reserve Policy*, 151 FERC ¶ 61,225 (2015)

²¹ Expanded Policy on allocation of Certain Compliance and Enforcement Costs, July 29, 2008.

REGION	CHANGE IN NERC ASSESSMENTS			
		US	Canada	Mexico
TOTAL				
		\$	\$	\$
FRCC	111,121	111,121	-	-
MRO	85,228	52,538	32,690	-
NPCC	(18,030)	16,287	(34,317)	-
RF	347,317	347,317	-	-
SERC	564,304	564,304	-	-
SPP RE	245,076	245,076	-	-
TRE	212,367	212,367	-	-
WECC	225,686	178,459	37,620	9,607
Total	1,773,070	1,727,470	35,993	9,607
% Change	3.2%	3.5%	0.7%	6.4%

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

Statement of Activities and Fixed Assets Expenditures 2015 and 2016 Budgets

STATUTORY

	2015 BUDGET	2015 PROJECTION	Variance Over (Under)	2016 BUDGET	2015 vs 2016 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%

NERC's 2016 budget and funding requirements reflect the resources necessary to support achievement of the goals and objectives set forth in the strategic plan. The 2016 budget is comprised of both operating and capital (fixed asset) costs. Operating costs include but are not limited to: personnel costs based on projected 2015 year-end headcount, consulting costs to support specific program area needs, contracts

for office space, software licensing, third-party data management, and communications and other customary services to support office operations. Fixed asset (capital) costs primarily reflect investments in equipment and software to support operations, including investments in the development of software applications and infrastructure to facilitate improved business processes and efficiency.

Key Budget Assumptions

Key assumptions used in the development of NERC's 2016 budget include:

- Maintaining FTEs at a similar level as 2015. Management periodically reviews resource allocation to ensure that appropriate resources are being dedicated to key priorities and activities. As operations in some areas become more efficient and/or major initiatives are completed, resources are redeployed to priority areas. For example, as Reliability Standards moved closer to a steady state, it was possible to reallocate some of those resources to support additional compliance assurance, reliability risk assessment, and security needs without increasing the company's overall FTE budget.
- Applying a 7.8% reduction to FTEs (vacancy rate) to account for attrition and hiring delays. This assumption is based on a review and analysis of historic attrition and vacancy rates, as well as the time it takes to recruit and onboard new staff.
- Considering market-based compensation and salary increases. Executive and staff compensation and benefits are established based on guidelines established by NERC's Corporate Governance and Human Resources Committee and comprehensive market compensation and benefit information provided by a leading nationally recognized compensation and benefits consulting firm, as well as other available data. An updated market study will be undertaken in 2015 under the oversight of NERC's Corporate Governance and Human Resources Committee.
- Anticipating market increases in medical and dental benefit plan costs. Medical and dental premium cost estimates are based on market data provided by the company's benefits consultant. Due to the restructuring of the company's medical plan to a high-deductible health savings account structure, NERC has been able to hold premium increases down in recent years, but 2016 expectations are for a slightly higher premium increase.
- Including incremental retirement plan funding for the company's 457(f) plan, which was approved by the board in February 2015. No other changes to retirement or benefit plans have been assumed for 2016. This plan will be further reviewed as part of the independent compensation and benefit market review referenced above.
Incorporating the findings of the strategic review of the ES-ISAC undertaken by the Electricity Subsector Coordinating Council (ESCC). As further explained in Section A – Electricity Sector Information Sharing and Analysis Center (ES-ISAC), the ESCC²² presented its recommendations from this review in June 2015. These recommendations will be considered in connection with future determinations regarding ES-ISAC activities and resource requirements. For purposes of the initial draft of NERC's *2016 Business Plan and Budget*, total ES-ISAC and CRISP resource requirements were modeled consistent with 2015 budget levels. Pursuant to the terms of the contracts with CRISP participants, management has developed and finalized the 2016 CRISP budget and participant funding requirements. This budget has been communicated to the CRISP participants and is incorporated in this final draft.
- Forecasting meeting and travel expenses.

²² The Electricity Subsector Coordinating Council (ESCC) serves as the principal liaison between the federal government and the electric power sector, with the mission of coordinating efforts to prepare for, and respond to, national-level disasters or threats to critical infrastructure. The ESCC includes utility CEOs and trade association leaders representing all segments of the industry. Its counterparts include senior Administration officials from the White House, relevant Cabinet agencies, federal law enforcement, and national security organizations.

- Forecast is kept flat and is based on a review of 2014–2015 costs. The company has undertaken significant efforts over the past several years to reduce travel and meeting expenses. In 2013, NERC implemented additional policies, systems, and controls over travel expenses. The company has also worked closely with Regional Entities to share meeting space where possible, which has helped reduce meeting costs.
- Accounting for contractors and consultants.
 - Contractor and consulting expenses are developed on a department-by-department basis and reflect both known and anticipated expenses, based on historic and current information.

The following table summarizes total year-over-year contractor and consulting costs by department.

Consultants & Contracts	2015 Budget	2016 Budget	Inc(Dec) v 2015
Compliance Assurance	388,000	200,000	(188,000)
Reliability Risk Management	0	56,000	56,000
Compliance Investigation, Reg and Cert	0	50,000	50,000
Reliability Assessments and Performance Analysis	955,450	1,084,039	128,589
Situation Awareness	1,077,321	1,211,475	134,154
ES-ISAC	8,756,190	6,551,929	(2,204,261)
Training, Education and Operator Certification	752,130	675,800	(76,330)
General & Administrative	15,000	95,000	80,000
Information Technology	1,729,600	2,094,671	365,071
Human Resources	298,275	550,000	251,725
Finance and Accounting	339,500	297,000	(42,500)
TOTAL CONSULTANTS AND CONTRACTS	14,311,466	12,865,914	(1,445,553)

The Compliance Assurance department will require ongoing consulting support for implementation of compliance assurance reform initiatives. Contract and consulting expenses for the Reliability Assessment and Performance Analysis program area are largely for software and services supporting reliability data management and analysis. Situation Awareness costs are primarily related to licenses and services supporting Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR), and other reliability information and notification (e.g., alerts) systems.

As further described in Section A, the Critical Infrastructure Department (CID) was consolidated with the ES-ISAC. CID consulting costs for 2015 included support for GridEx, which is conducted every other year and is not planned for 2016, and outside consulting support for the Critical Infrastructure Protection Committee, which will be supported by internal resources in 2016. Approximately \$5.9M of the total ES-ISAC contract and consulting costs are CRISP related and funded by CRISP participants. Other ES-ISAC contract and consulting costs include software maintenance, reporting services, and analysis support costs consistent with the 2015 budget.

Training, Education, and Operator Certification contract and consulting costs include the cost of operator certification, training, and continuing education programs, and training NERC personnel. It also includes supporting compliance and enforcement (risk-based CMEP) and other training initiatives.

Information Technology (IT) contract and consulting support is primarily for systems and software maintenance and support services, including costs for enhancements to and maintenance of enterprise applications. Costs associated with IT security programs and the ongoing implementation and support of a document management program are also included. Software development costs are primarily budgeted under fixed (capital) assets and are discussed further below.

Human Resources contract and consulting costs are primarily for employee training, various surveys, compensation studies, and consulting services to support process improvements.

Finance and Accounting costs are primarily for outside auditor services in connection with the annual financial statement audit and Form 990 preparation and filing, as well as audit and consulting services to support the Enterprise Risk Management and Internal Control audit plan and Compliance and Certification Committee (CCC) audit plan.

Fixed Asset (Capital) Budget and Capital Financing

NERC's 2016 capital budget is approximately \$3.9M (excluding depreciation), which represents an increase of approximately \$293k from 2015. The table below provides a summary of the major capital budget components.

NERC Capital Budget			
	2015 Budget	2016 Budget	Inc(Dec) v 2015
ERO Application Development	\$ 1,050,000	\$ 1,500,000	\$ 450,000
Document Management	-	465,000	465,000
ERO Data Analysis Tool	550,000	-	(550,000)
Geration Data Software	200,000	-	(200,000)
Other IT Hardware and Software	1,453,500	1,411,000	(42,500)
Network Devices and A/V	365,000	535,000	170,000
Total Capital Budget	\$ 3,618,500	\$ 3,911,000	\$ 292,500
Depreciation (excluded from Assessments)	(2,333,006)	(2,641,943)	(308,937)
Fixed Assets (net)	\$ 1,285,494	\$ 1,269,057	\$ (16,437)

NERC has budgeted 2.7M²³ in 2016 for services related to the planning, design, and implementation of software applications supporting common NERC and Regional Entity operations. These ERO-related costs include \$1.5M in capital expenditures and \$1.2M in other IT operating costs. Senior management of NERC and the Regional Entities has refined and updated the ERO Enterprise's long-term IT architecture and data

²³ Depending on the nature of the expenditures, they may or may not be capitalized. Examples would be expenses related to the development planning or to the extent a decision is made for a third party to develop, host, and maintain the application. To the extent the expenditures cannot be capitalized, they will be recorded as a variance in contractor and consulting expenses, which are recorded under the operating expense portion of NERC's budget. However, management is committed to working with the limitations of its overall operating and capital budget with respect to enterprise software- and hardware-related expenditures.

management plans and the specific applications that will be under development in 2016. The Information Technology department section offers further detail regarding updates to the Enterprise IT Strategy; the current status of the development of Enterprise IT applications; projects that will be under development in 2016; and steps that are being taken to improve NERC's oversight of the identification, development, and execution of Enterprise IT applications. The proposed \$2.7M budget for 2016 related to enterprise application development and support is comparable to the 2016 projection presented in NERC's *2015 Business Plan and Budget*. Further information regarding the ERO Enterprise application development budget is contained in Section A – Information Technology department. NERC's 2016 capital budget also includes ongoing funding for IT security, disaster recovery, data storage, replacement of servers and laptops, and software license costs.

The 2016 budget projection assumes that \$1.5M of the total \$3.9M capital budget will be financed as part of the capital financing program that was described and put in place as part of NERC's *2014 Business Plan and Budget*. Further information regarding capital financing may be found in Exhibit D.

Working Capital and Operating Reserves

Management is proposing an overall reserve budget of \$8.8M for the combined four categories of operating reserves and the Assessment Stabilization Reserve under the company's amended Working Capital and Operating Reserve Policy. Based upon the company's projected cash flow needs, additional working capital reserves are not anticipated to be required. Pursuant to the company's amended Working Capital and Operating Reserve policy, funds reserved for future liabilities are now budgeted under a separate reserve category entitled Future Obligation Reserve. This reserve is primarily comprised of existing funds and is budgeted to be \$3.2M for 2016. The second category of operating reserves is the System Operating Certification Reserve. The 2016 System Operator Certification Reserve is budgeted at \$390k. It uses available funds (i.e., is not funded through assessments). The third category of operating reserves is the CRISP Operating Reserve, which represents funds dedicated to support CRISP. Similar to 2015, these reserves are established pursuant to a CRISP budget agreed to with and funded entirely by utilities participating in CRISP. They have no impact on assessments, and they are segregated from other reserves pursuant to the terms of the CRISP agreements. Currently, the CRISP reserves are projected to be \$516k in the 2016 budget.

The fourth category of Operating Reserves is the Operating Contingency Reserve. This reserve includes funds for expenditures that were not anticipated at the time the company's budget was prepared or for which the timing was uncertain. NERC's current policy on Operating Contingency Reserves (approved by the Board in February 2015) requires a reserve target of 3.5–7.0%. This percentage is calculated against NERC's total budget for operating and capital expenditures, less those costs related to CRISP and System Operator Certification (both having separate reserve categories). For this draft of the 2016 budget, the Operating Contingency Reserve is targeted for \$2.5M, or 3.7% of operating and capital costs, excluding CRISP and System Operator costs.

In addition to the four categories of operating reserves and as previously discussed, the company's amended Working Capital and Operating Reserve Policy also provides for the establishment of an Assessment Stabilization Reserve. Penalty funds available for use in 2016 total \$3.7M. For purposes of the initial draft of the company's *2016 Business Plan and Budget*, management proposes the release of \$1.4M in penalty funds to offset assessments, with the remaining \$2.3M of available funds held in the Assessment Stabilization Reserve. The use of \$1.4M to offset assessments in 2016 yields an average increase of 3.2% over the 2015 assessments. Penalty funds received after June 30, 2015, will be restricted and applied in accordance with the company's approved *2017 Business Plan and Budget*. The \$2.3M in penalty funds contributed to the Assessment Stabilization Reserve will be held in that reserve and applied as determined in connection with the company's approved *2017 Business Plan and Budget*, after

customary review and input from stakeholders as part of the *2017 Business Plan and Budget* approval process. Further information regarding working capital and operating reserves may be found in Exhibit E.

Department Budget and FTE Comparisons

The following tables set forth a 2015–2016 total budget comparison by department. The amounts shown below reflect all direct and indirect departmental costs, including fixed asset costs. Costs incurred for general and administrative and other overheads are considered indirect, and are allocated to the statutory departments based on the ratio of that department’s budgeted FTEs to total budgeted FTEs.

2015–2016 Total Budget by Department

Total Budget	Budget 2015	Budget 2016	Change	
			2016 Budget v 2015 Budget	% Change
Reliability Standards	10,247,145	8,193,116	(2,054,029)	-20.0%
Compliance Analysis, Certificaton and Registration	4,864,863	4,632,871	(231,993)	-4.8%
Compliance Assurance	5,737,572	9,420,903	3,683,332	64.2%
Compliance Enforcement	5,806,866	5,293,298	(513,568)	-8.8%
Reliability Assessments and Performance Analysis	9,825,750	9,918,728	92,979	0.9%
Training, Education and Operator Certification	3,950,926	3,912,231	(38,695)	-1.0%
Reliability Risk Management				
Event Analysis	4,203,169	5,355,795	1,152,626	27.4%
Situation Awareness	3,646,902	3,692,197	45,295	1.2%
ES-ISAC (including CRISP)	18,366,117	16,767,525	(1,598,592)	-8.7%
Total Budget	66,649,309	67,186,665	537,357	0.8%

The increase in Compliance Assurance department costs is primarily due to the transfer of resources to this department as part of the internal reorganization to better align auditor resources and support ongoing compliance assurance initiatives. The increase in the Event Analysis department budget is due to reallocation of resources to that department to further support increased reliability risk assessment and analysis resource priorities.

The following table presents a year-over-year comparison of FTEs by department and reflects 2015 personnel additions, interdepartmental transfers, and attrition assumptions. An FTE represents the number of employees employed full time during the year, plus the number of employees employed part time (less than full schedule) or during a portion of the year converted to a full-time basis. Headcount represents the total number of personnel employed during the year, regardless of the length of their employment during that year. FTEs will be less than headcount, unless there are no part-time employees or employees who are employed less than a full year. The company’s 2016 personnel budget is based upon existing headcount and associated compensation and benefit costs, as well as assumptions on the number and cost of new hires, all within an overall FTE budget. An average vacancy rate is applied to each position and its associated costs to arrive at an overall personnel cost budget. The vacancy rate represents an adjustment, which is applied in the calculation of budgeted personnel costs to account for attrition and variations in the budget assumptions on the timing of new hires.

2015–2016 Year-Over-Year Comparison of FTEs by Department

Total FTE's by Program Area	Budget 2015	Budget 2016	Change from 2015 Budget	% Change from 2015
STATUTORY				
Operational Programs				
Reliability Standards	24.40	17.98	(6.4)	-26.3%
Compliance Analysis, Certification and Registration	11.25	10.14	(1.1)	-9.9%
Compliance Assurance	12.19	19.36	7.2	58.8%
Compliance Enforcement	15.01	12.22	(2.8)	-18.6%
Reliability Assessments and Performance Analysis	19.70	18.67	(1.0)	-5.2%
Training, Education and Operator Certification	7.97	7.38	(0.6)	-7.5%
Event Analysis	9.38	11.06	1.7	18.0%
Situation Awareness	6.10	5.53	(0.6)	-9.3%
ES-ISAC (with CRISP)	18.76	18.90	0.1	0.7%
Total FTEs Operational Programs	124.76	121.24	(3.5)	-2.8%
Administrative Programs				
General & Administrative	13.13	17.52	4.4	33.4%
Legal and Regulatory	15.01	12.22	(2.8)	-18.6%
Information Technology	19.70	22.13	2.4	12.3%
Human Resources	2.81	2.77	(0.0)	-1.4%
Finance and Accounting	16.89	16.60	(0.3)	-1.7%
Total FTEs Administrative Programs	67.54	71.23	3.7	5.5%
Total FTEs	192.30	192.47	0.2	0.1%

The increase in General and Administrative FTEs in the table below is due to reallocation of personnel to support NERC's Chief Reliability Officer, who has oversight over multiple operating departments, as well as personnel providing day-to-day operating and administrative support for the ERO Executive Management Group. The increase in Information Technology FTEs is due to the reallocation of personnel to strengthen project management oversight over NERC and ERO Enterprise software application development and implementation.

The NERC 2016 organizational chart can be found in Appendix 1. The difference between the number of positions reflected in the 2016 organizational chart and total 2016 budgeted FTEs is due to assumptions regarding vacancy rates and timing of new hires.

The following pages include a statement of activities comparing the 2015 budget and the proposed 2016 budget, followed by a statement of activities comparing the 2015 budget and the proposed 2016 budget with and without CRISP.

Introduction and Executive Summary

Statement of Activities and Fixed Assets Expenditures 2015 and 2016 Budgets

STATUTORY								
	2015	2015	Variance 2015	2016	Variance	% Inc 2016	2016 Budget	Variance to
	Budget	Projection	2015 Budget	Budget	v 2015 Budget	over 2015	Draft 1	Prior Draft
			Over(Under)		Over(Under)			Over(Under)
Funding								
ERO Funding								
NERC Assessments	\$ 55,308,375	\$ 55,308,375	\$ -	\$ 57,081,445	\$ 1,773,070	3.2%	\$ 57,216,402	\$ (134,957)
Penalty Sanctions ¹	1,155,000	1,155,000	-	1,439,000	284,000		839,000	600,000
Total ERO (Assessment) Funding	\$ 56,463,375	\$ 56,463,375	\$ -	\$ 58,520,445	\$ 2,057,070		\$ 58,055,402	\$ 465,043
Third-Party Funding (CRISP)	8,943,589	7,233,140	(1,710,449)	6,830,738	(2,112,851)		8,365,389	(1,534,651)
Testing Fees	1,670,000	1,670,000	-	1,867,972	197,972		1,867,972	-
Services & Software	50,000	50,000	-	50,000	-		50,000	-
Workshops	241,300	237,025	(4,275)	230,000	(11,300)		230,000	-
Interest	3,000	4,158	1,158	3,000	-		3,000	-
Miscellaneous	-	156	156	-	-		-	-
Total Funding (A)	\$ 67,371,264	\$ 65,657,854	\$ (1,713,410)	\$ 67,502,155	\$ 130,891	0.2%	\$ 68,571,764	\$ (1,069,609)
Expenses								
Personnel Expenses								
Salaries	\$ 27,580,677	\$ 27,807,341	\$ 226,664	\$ 28,842,336	\$ 1,261,660		\$ 28,675,229	167,107
Payroll Taxes	1,673,628	1,826,683	153,055	1,871,367	197,739		1,863,684	7,683
Benefits	3,547,178	3,381,238	(165,940)	3,579,280	32,103		3,580,519	(1,239)
Retirement Costs	3,001,829	2,743,101	(258,728)	2,990,823	(11,006)		2,998,184	(7,361)
Total Personnel Expenses	\$ 35,803,312	\$ 35,758,363	\$ (44,949)	\$ 37,283,807	\$ 1,480,495	4.1%	\$ 37,117,617	166,190
Meeting Expenses								
Meetings	\$ 1,050,000	\$ 1,108,004	\$ 58,004	\$ 1,096,500	\$ 46,500		\$ 1,081,500	15,000
Travel	2,203,395	2,196,388	(7,007)	2,203,786	391		2,203,392	394
Conference Calls	312,751	357,942	45,191	320,000	7,249		320,000	-
Total Meeting Expenses	\$ 3,566,146	\$ 3,662,334	\$ 96,188	\$ 3,620,286	\$ 54,140	1.5%	\$ 3,604,892	15,394
Operating Expenses								
Consultants & Contracts	\$ 14,311,466	\$ 13,975,464	\$ (336,002)	\$ 12,865,914	\$ (1,445,552)		\$ 14,759,175	(1,893,261)
Office Rent	2,987,777	2,987,777	-	3,054,287	66,510		3,054,287	-
Office Costs	3,583,328	3,575,494	(7,834)	3,795,572	212,243		3,795,317	255
Professional Services	2,611,280	2,150,792	(460,488)	2,509,300	(101,980)		2,509,300	-
Miscellaneous	36,500	37,000	500	36,500	-		36,500	-
Depreciation	2,333,006	2,438,614	105,608	2,641,943	308,936		2,641,943	-
Total Operating Expenses	\$ 25,863,357	\$ 25,165,141	\$ (698,216)	\$ 24,903,515	\$ (959,843)	-3.7%	\$ 26,796,521	\$ (1,893,006)
Total Direct Expenses	\$ 65,232,815	\$ 64,585,838	\$ (646,977)	\$ 65,807,608	\$ 574,793	0.9%	\$ 67,519,030	\$ (1,711,422)
Indirect Expenses								
		\$ -	\$ -	\$ (0)	\$ (0)		\$ -	\$ (0)
Other Non-Operating Expenses	\$ 131,000	\$ 70,206	\$ (60,794)	\$ 110,000	\$ (21,000)	-16.0%	\$ 110,000	\$ -
Total Expenses (B)	\$ 65,363,815	\$ 64,656,044	\$ (707,771)	\$ 65,917,608	\$ 553,793	0.8%	\$ 67,629,030	\$ (1,711,422)
Change in Assets	\$ 2,007,449	\$ 1,001,811	\$ (1,005,638)	\$ 1,584,548	\$ (422,901)		\$ 942,734	641,813
Fixed Assets								
Depreciation	\$ (2,333,006)	\$ (2,438,614)	(105,608)	\$ (2,641,943)	\$ (308,936)		\$ (2,641,943)	\$ -
Computer & Software CapEx	3,253,500	3,683,757	430,257	2,447,000	(806,500)		3,276,000	(829,000)
Furniture & Fixtures CapEx	-	14,611	14,611	-	-		-	-
Equipment CapEx	365,000	559,743	194,743	1,464,000	1,099,000		535,000	929,000
Leasehold Improvements	-	566,361	566,361	-	-		-	-
Allocation of Fixed Assets	\$ -	\$ 0	\$ 0	\$ (0)	\$ (0)		\$ (0)	\$ -
Inc(Dec) in Fixed Assets (C)	1,285,494	2,385,857	1,100,364	1,269,057	(16,436)	-1.3%	1,169,057	100,000
TOTAL BUDGET (=B + C)	\$ 66,649,309	\$ 67,041,901	\$ 392,592	\$ 67,186,665	\$ 537,357	0.8%	\$ 68,798,087	\$ (1,611,422)
FTEs	192.3	192.0	(0.3)	192.5	0.18	0.1%	192.5	(0.01)

Introduction and Executive Summary

Statement of Activities and Fixed Assets Expenditures 2015 and 2016 Budgets

TOTAL STATUTORY

	2015	2015	2015 Budget	2016	2016 Budget	Variance 2016 Budget		% Inc 2016
	Budget	2015 CRISP	w/o CRISP	Budget	2016 CRISP	w/o CRISP	CRISP Over(Under)	
Funding								
ERO Funding								
NERC Assessments	\$ 55,308,375	\$ 860,938	\$ 54,447,437	\$ 57,081,445	\$ 1,108,641	\$ 55,972,805	\$ 1,525,367	2.8%
Penalty Sanctions ¹	1,155,000	16,554	1,138,446	1,439,000	33,572	1,405,428	266,982	
Total ERO (Assessment) Funding	\$ 56,463,375	\$ 877,492	\$ 55,585,883	\$ 58,520,445	\$ 1,142,213	\$ 57,378,232	\$ 1,792,349	
Third-Party Funding (CRISP)	8,943,589	8,943,589	-	6,830,738	6,830,738	-	-	
Testing Fees	1,670,000	-	1,670,000	1,867,972	-	1,867,972	197,972	
Services & Software	50,000	-	50,000	50,000	-	50,000	-	
Workshops	241,300	-	241,300	230,000	-	230,000	(11,300)	
Interest	3,000	42	2,958	3,000	68	2,932	(26)	
Miscellaneous	-	-	-	-	-	-	-	
Total Funding (A)	\$ 67,371,264	\$ 9,821,123	\$ 57,550,141	\$ 67,502,155	\$ 7,973,019	\$ 59,529,136	\$ 1,978,995	3.4%
Expenses								
Personnel Expenses								
Salaries	\$ 27,580,677	\$ 363,357	\$ 27,217,320	\$ 28,842,336	\$ 592,724	\$ 28,249,612	\$ 1,032,292	
Payroll Taxes	1,673,628	20,990	1,652,638	1,871,367	32,899	1,838,469	185,831	
Benefits	3,547,178	33,953	3,513,225	3,579,280	50,247	3,529,034	15,809	
Retirement Costs	3,001,829	40,951	2,960,878	2,990,823	65,802	2,925,021	(35,857)	
Total Personnel Expenses	\$ 35,803,312	\$ 459,251	\$ 35,344,061	\$ 37,283,807	\$ 741,671	\$ 36,542,135	\$ 1,198,074	3.4%
Meeting Expenses								
Meetings	\$ 1,050,000	\$ 15,000	\$ 1,035,000	\$ 1,096,500	30,000	1,066,500	\$ 31,500	
Travel	2,203,395	30,000	2,173,395	2,203,786	37,455	2,166,331	(7,064)	
Conference Calls	312,751	5,000	307,751	320,000	2,000	318,000	10,249	
Total Meeting Expenses	\$ 3,566,146	\$ 50,000	\$ 3,516,146	\$ 3,620,286	\$ 69,455	\$ 3,550,831	\$ 34,685	1.0%
Operating Expenses								
Consultants & Contracts	\$ 14,311,466	\$ 7,666,055	\$ 6,645,410.8	\$ 12,865,914	5,888,594	6,977,320	\$ 331,909	
Office Rent	2,987,777	-	2,987,777	3,054,287	-	3,054,287	66,510	
Office Costs	3,583,328	305,000	3,278,328	3,795,572	304,027	3,491,545	213,217	
Professional Services	2,611,280	350,000	2,261,280	2,509,300	175,000	2,334,300	73,020	
Miscellaneous	36,500	-	36,500	36,500	250	36,250	(250)	
Depreciation	2,333,006	-	2,333,006	2,641,943	-	2,641,943	308,936	
Total Operating Expenses	\$ 25,863,357	\$ 8,321,055	\$ 17,542,302	\$ 24,903,515	\$ 6,367,871	\$ 18,535,644	\$ 993,342	5.7%
Total Direct Expenses	\$ 65,232,815	\$ 8,830,306	\$ 56,402,509	\$ 65,807,608	\$ 7,178,997	\$ 58,628,611	\$ 2,226,101	3.9%
Indirect Expenses		\$ 368,803	\$ (368,803)	\$ (0)	\$ 650,917	\$ (650,917)	\$ (282,114)	
Other Non-Operating Expenses	\$ 131,000	\$ -	\$ 131,000	\$ 110,000	-	110,000	\$ (21,000)	
Total Expenses (B)	\$ 65,363,815	\$ 9,199,108	\$ 56,164,707	\$ 65,917,608	\$ 7,829,914	\$ 58,087,694	\$ 1,922,987	3.4%
Change in Assets	\$ 2,007,449	\$ 622,014	\$ 1,385,435	\$ 1,584,548	\$ 143,105	\$ 1,441,442	\$ 56,008	
Fixed Assets								
Depreciation	\$ (2,333,006)	\$ -	(2,333,006)	\$ (2,641,943)	\$ -	\$ (2,641,943)	\$ (308,936)	
Computer & Software CapEx	3,253,500	100,000	3,153,500	2,447,000	100,000	2,347,000	(806,500)	
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	
Equipment CapEx	365,000	-	365,000	1,464,000	-	1,464,000	1,099,000	
Leasehold Improvements	-	-	-	-	-	-	-	
Allocation of Fixed Assets	-	22,014	(22,014)	(0)	43,105	(43,105)	(21,091)	
Inc(Dec) in Fixed Assets (C)	1,285,494	122,014	1,163,479	1,269,057	143,105	1,125,952	(37,527)	
TOTAL BUDGET (=B + C)	\$ 66,649,309	\$ 9,321,123	\$ 57,328,186	\$ 67,186,665	\$ 7,973,019	\$ 59,213,646	\$ 1,885,460	3.3%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)²	\$ 721,955	\$ 500,000	\$ 221,955	\$ 315,490	\$ -	\$ 315,490	\$ 93,535	
FTEs	192.30	1.88	190.42	192.47	2.76	189.71	(0.71)	-0.4%

Projections for 2017–2018

Management has developed preliminary operating and fixed asset (capital) projections for 2017 and 2018. The significant assumptions considered in preparing these projections include:

- No increase in the total FTEs over 2016 budgeted FTEs
- Personnel and benefit cost increases consistent with the 2016 budget assumptions
- 2017 increase and 2018 decrease in contractor and consulting expense related to the Grid Security Exercise, which occurs every other year
- Debt service repayment obligations in connection with the company's Capital Financing Program consistent with the projected Enterprise IT Applications capital forecast
- No increase in CRISP-related expenditures, except for personnel and benefit cost increases as noted above

Projected costs for 2017 are \$4.2M, or 6.2% over the current 2016 budget (total operating and fixed asset expenditures). The 2018 projected costs decrease \$585k, or 0.8%, from the 2017 projection. Average 2017 assessments are projected to increase \$3.6M, or 6.3%, over 2016. Average 2018 assessments are projected to decrease slightly by \$122k or 0.2%. No assumptions have been made regarding the release of funds from the Assessment Stabilization Reserve to reduce U.S. assessments, including that portion of the 2017 projected assessment increase resulting from the loss of the one-time application of penalty offsets in 2016.

Introduction and Executive Summary

Statement of Activities and Fixed Assets Expenditures
2016 Budget & Projected 2017 and 2018 Budgets

	2016 Budget	2017 Projection	\$ Change 17 v 16	% Change 17 v 16	2018 Projection	\$ Change 18 v 17	% Change 18 v 17
Funding							
ERO Funding							
NERC Assessments	\$ 57,081,445	\$ 60,659,599	\$ 3,578,154	6.27%	\$ 60,537,108	\$ (122,491)	-0.2%
Penalty Sanctions	1,439,000	-	(1,439,000)	-100.00%	-	-	
Total NERC Funding	\$ 58,520,445	\$ 60,659,599	\$ 2,139,154	3.7%	\$ 60,537,108	\$ (122,491)	-0.2%
Third-Party Funding (CRISP)	6,830,738	8,488,833	1,658,095	24.27%	8,488,833	-	0.0%
Testing Fees	1,867,972	1,867,972	-	0.00%	1,867,972	-	0.0%
Services & Software	50,000	50,000	-	0.00%	50,000	-	0.0%
Workshops	230,000	230,000	-	0.00%	300,000	70,000	30.4%
Interest	3,000	3,554	554	18.47%	3,000	(554)	-15.6%
Miscellaneous	-	-	-		-	-	
Total Funding (A)	\$ 67,502,155	\$ 71,299,959	\$ 3,797,803	5.6%	\$ 71,246,913	\$ (53,045)	-0.1%
Expenses							
Personnel Expenses							
Salaries	\$ 28,842,336	\$ 29,726,738	\$ 884,401	3.1%	\$ 30,603,240	\$ 876,502	2.9%
Payroll Taxes	1,871,367	1,910,077	38,710	2.1%	1,939,976	29,899	1.6%
Benefits	3,579,280	4,006,605	427,324	11.9%	4,312,722	306,118	7.6%
Retirement Costs	2,990,823	3,104,437	113,614	3.8%	3,202,370	97,933	3.2%
Total Personnel Expenses	\$ 37,283,807	\$ 38,747,856	\$ 1,464,049	3.9%	\$ 40,058,308	\$ 1,310,452	3.4%
Meeting Expenses							
Meetings	\$ 1,096,500	\$ 1,096,500	\$ -	0.0%	\$ 1,096,500	\$ -	0.0%
Travel	2,203,786	2,203,786	-	0.0%	2,203,786	-	0.0%
Conference Calls	320,000	320,000	-	0.0%	320,000	-	0.0%
Total Meeting Expenses	\$ 3,620,286	\$ 3,620,286	\$ -	0.0%	\$ 3,620,286	\$ -	0.0%
Operating Expenses							
Consultants & Contracts	\$ 12,865,914	15,009,682	2,143,769	16.7%	14,839,593	(170,089)	-1.1%
Office Rent	3,054,287	2,961,341	(92,946)	-3.0%	2,942,752	(18,589)	-0.6%
Office Costs	3,795,572	3,795,572	-	0.0%	3,795,572	-	0.0%
Professional Services	2,509,300	2,515,135	5,835	0.2%	2,419,909	(95,226)	-3.8%
Miscellaneous	36,500	36,500	-	0.0%	36,500	-	0.0%
Depreciation	2,641,943	2,103,670	(538,273)	-20.4%	1,621,321	(482,348)	-22.9%
Total Operating Expenses	\$ 24,903,515	\$ 26,421,899	\$ 1,518,385	6.1%	\$ 25,655,647	\$ (766,252)	-2.9%
Total Direct Expenses	\$ 65,807,608	\$ 68,790,042	\$ 2,982,434	4.5%	\$ 69,334,241	\$ 544,199	0.8%
Indirect Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Non-Operating Expenses	\$ 110,000	\$ 122,100	\$ 12,100	11.0%	\$ 140,250	\$ 18,150	14.9%
Total Expenses (B)	\$ 65,917,608	\$ 68,912,142	\$ 2,994,534	4.5%	\$ 69,474,491	\$ 562,349	0.8%
Change in Assets	\$ 1,584,548	\$ 2,387,817	\$ 803,269	50.7%	\$ 1,772,422	\$ (615,395)	-25.8%
Fixed Assets							
Depreciation	\$ (2,641,943)	\$ (2,103,670)	\$ 538,273	-20.4%	\$ (1,621,321)	\$ 482,348	-22.9%
Computer & Software CapEx	2,447,000	3,822,000	1,375,000	56.2%	2,677,000	(1,145,000)	-30.0%
Furniture & Fixtures CapEx	-	-	-		-	-	
Equipment CapEx	1,464,000	715,000	(749,000)	-51.2%	230,000	(485,000)	-67.8%
Leasehold Improvements	-	-	-		-	-	
Allocation of Fixed Assets	-	-	-		-	-	
Inc(Dec) in Fixed Assets (C)	\$ 1,269,057	\$ 2,433,330	\$ 1,164,273	91.7%	\$ 1,285,679	\$ (1,147,652)	-47.2%
TOTAL BUDGET (=B + C)	\$ 67,186,665	\$ 71,345,472	\$ 4,158,807	6.2%	\$ 70,760,170	\$ (585,302)	-0.8%
FTEs	192.47	192.47	-		192.47	-	

Section A — 2015 Business Plan and Budget Program Area and Department Detail

Reliability Standards

Reliability Standards Program (in whole dollars)					
	2015 Budget	2016 Budget	Increase (Decrease)	2015 Budget - Prior Draft	Variance to Prior Draft Over(Under)
Total FTEs	24.40	17.98	(6.42)	17.979	-
Direct Expenses	\$ 4,800,751	\$ 3,888,768	\$ (911,983)	\$ 3,972,198	\$ (83,430)
Indirect Expenses	\$ 5,139,603	\$ 4,234,020	\$ (905,583)	\$ 4,281,116	\$ (47,096)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 306,791	\$ 70,328	\$ (236,463)	\$ 72,997	\$ (2,669)
TOTAL BUDGET	\$ 10,247,145	\$ 8,193,116	\$ (2,054,030)	\$ 8,326,310	\$ (133,194)

Background and Scope

The Reliability Standards program carries out the ERO's statutory responsibility to develop, adopt, obtain approval of, and modify (as and when appropriate) mandatory Reliability Standards (both continent-wide standards and regional reliability standards) for the reliable planning, operation, and critical infrastructure protection of the North American BES. The major activities undertaken by the Standards department include:

- Delivering high-quality, continent-wide Reliability Standards:** NERC standard developers and other standards staff provide project management and leadership to develop solutions necessary to address reliability risks identified through the Reliability Risk Management Process (RRMP). These may include the development of or modifications to NERC Reliability Standards through standard development outreach activities, facilitation of drafting team activities, drafting support, assisting drafting teams in maintaining adherence to the development process as outlined in the *Standard Processes Manual*, and ensuring that the quality of documents produced is appropriate for approval by industry and the Board.
- Facilitating continent-wide industry engagement:** NERC manages the work of over 200 industry contributors who serve on the Standards Committee, subgroups, and other project teams for the development of NERC Reliability Standards through the standards development program.
- Conducting balloting, disseminating information, and supporting regulatory filings:** Through NERC's commenting and ANSI-accredited balloting process, industry consensus is built by engaging thousands of industry volunteers within hundreds of registered entities throughout North America who review, comment on, and approve the standards created by the standard drafting teams. The department also supports the filing of standards with regulatory authorities and provides support with regulatory proceedings.

The Reliability Standards program provides a mechanism for the eight Regional Entities to process regional standards when unique regional reliability gaps are detected, or incorporate Regional variances into continent-wide standards. The NERC Standards department staff supports regional standards development processes by providing technical advice, final quality review of regional standards, presentation to the Board, and preparation of regional standards materials for submission for standard adoption to the applicable regulatory authorities in the United States and Canada.

Stakeholder Engagement and Cost-Effective Analysis Project

As part of the standard development process, industry technical experts scope, draft, and review the new or revised NERC Reliability Standards for approval by the industry ballot body, adoption by the Board, and filing with regulatory authorities in the United States and Canada. Additionally, stakeholders continue to pilot methods to address the cost-effectiveness of proposed standards.

Key Efforts Underway

Efforts will be undertaken to ensure that the Reliability Standards Development Plan is effectively executed and that NERC's Reliability Standards are focused on and mitigate significant risks to BES reliability. Department resources will be focused on supporting the strategic plan, including but not limited to support of the RRMP, resolving FERC directives, and transforming the NERC Reliability Standards to steady state by early 2016. The Standards department will:

1. **Focus on the selection of projects undertaken.** Resources will be expended on issues determined to be a reliability risk through the RRMP (also see Reliability Assessment and Performance Analysis section for additional detail). The department will apply broader project management skills to implement a variety of solutions to a reliability concern. An effective solution to an identified reliability risk may be a Reliability Standard, or it may be a guideline, information request, training, NERC Alert, technical conference, research, or a combination of these or other tools.
2. **Address FERC directives and respond to FERC orders** through standards development projects, as necessary. Each project will determine whether: (1) the directive will be complied with as issued, (2) there is an equally effective and efficient way to address the concern that fostered the directive, or (3) if there is technical justification (including that the directive has been overcome by events, processes, or advances in technology) that the directive is no longer needed.
3. **Transform NERC's standards to steady state.** The department will complete the majority of its work by addressing possible outstanding Paragraph 81 Phase 2 requirement candidates and Independent Experts Review Project (IERP) recommendations for retirement, and conducting concurrent development of compliance guidance with Reliability Standards.
4. **Determine whether to make further improvements to the standards.** In 2015, as the Reliability Standards approach steady state, industry, NERC, and FERC will determine whether there is a need to make further improvements to the standards. If desired, the 2016–2018 Reliability Standards Development Plan will outline future reviews that include: (1) a measured review of the content of standards, considering whether the requirements could more effectively mitigate risks to the BPS; (2) whether the standards are results based and drafted with high quality; (3) whether the standards are concise or if the number of requirements could be reduced; and (4) whether compliance expectations are clear.
5. **Facilitate smooth transition to new standards** such as CIP Version 5 and Physical Security. This includes working with the Compliance Monitoring and Enforcement, Registration, and Reliability Assessment and Performance Analysis programs to develop guidelines, webinars, and other activities to support auditor and industry training for the new standards.

The 2016–2018 RSDP will be developed during the first half of 2015 in conjunction with the Standards Committee, RISC, and RRMP. It will outline the continued work plan for the transformation of NERC Reliability Standards, the Standards department's support of Reliability Risk Management, resolution of FERC directives, and next steps in the periodic review of standards.

2016 Goals and Deliverables

In early 2016, the transformation of the Reliability Standards to steady state will be complete.²⁴ Specifically, the majority of FERC directives will be addressed, as well as the remaining recommendations for retiring requirements made by the Paragraph 81 project and the independent experts. The body of standards will be improved while considering quality and content criteria as well as results-based standards principles. The NERC Standards staff will continue to address any new directives issued by FERC as well as any reliability risks identified through RRMP or by the RISC for which a Reliability Standard is part of the solution.

Resource Requirements

Personnel

As in prior years, industry engagement is vital to the successful development of standards. The transformation of NERC standards to steady state will require additional industry engagement throughout 2015. In 2016, industry subject matter expert engagement requirements will be ongoing as the remaining projects from 2015 are finalized.

The NERC Standards department continues to focus resources on the production of quality standards, rather than solely on the monitoring and execution of the standards process. Workload in the standards area during 2015 is anticipated to be less than projected when the *2015 Business Plan and Budget* was developed. This is due to a reduction in the number of new standards under development, a reduction in outstanding FERC directives, and more efficient and effective workloads and resource management. These factors contributed to the reallocation of resources from the Standards department to other NERC departments. For 2016, budgeted FTEs were reduced to reflect this resource reallocation and reduction in department staffing levels. No additional personnel resources are planned for 2016. The departmental travel expenses are expected to be the same as the 2015 levels, given the anticipated amount of outreach for the number of standards reviews expected to be in process, coupled with cost savings resulting from holding more meetings at NERC's Atlanta and Washington, DC, offices.

Contractors and Consultants

No contractor and consulting support is budgeted in 2016, which is consistent with the 2015 budget.

²⁴As defined in the 2015-2017 RSDP, "steady state" means a stable set of clear, concise, high-quality and technically sound Reliability Standards that are results based, including retirement of requirements that do little to promote reliability.

Section A — 2016 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures							
2015 Budget & Projection, and 2016 Budget							
RELIABILITY STANDARDS							
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)	2016 Budget Draft 1	Variance to Prior Draft Over(Under)
Funding							
ERO Funding							
NERC Assessments	\$ 9,911,464	\$ 9,911,464	\$ -	\$ 7,869,295	\$ (2,042,169)	\$ 8,092,298	\$ (223,003)
Penalty Sanctions	231,095	231,095	-	218,376	(12,719)	128,563	89,813
Total NERC Funding	\$ 10,142,558	\$ 10,142,559	\$ -	\$ 8,087,671	\$ (2,054,888)	\$ 8,220,861	\$ (133,190)
Third-Party Funding	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	104,000	104,000	-	105,000	1,000	105,000	-
Interest	587	587	-	445	(142)	449	(4)
Miscellaneous	-	24	24	-	-	-	-
Total Funding (A)	\$ 10,247,145	\$ 10,247,170	\$ 24	\$ 8,193,116	\$ (2,054,030)	\$ 8,326,310	\$ (133,194)
Expenses							
Personnel Expenses							
Salaries	\$ 3,082,972	\$ 2,275,253	\$ (807,719)	\$ 2,260,735	\$ (822,238)	\$ 2,331,800	(71,066)
Payroll Taxes	202,258	170,118	(32,140)	163,064	(39,194)	166,118	(3,054)
Benefits	441,383	322,107	(119,276)	327,239	(114,144)	327,239	0
Retirement Costs	346,269	242,649	(103,620)	250,560	(95,710)	260,144	(9,584)
Total Personnel Expenses	\$ 4,072,883	\$ 3,010,127	\$ (1,062,756)	\$ 3,001,598	\$ (1,071,285)	\$ 3,085,302	(83,704)
Meeting Expenses							
Meetings	\$ 194,056	\$ 194,056	\$ -	\$ 207,000	\$ 12,944	\$ 207,000	-
Travel	339,300	300,000	(39,300)	271,988	(67,312)	271,715	274
Conference Calls	117,736	100,000	(17,736)	133,000	15,264	133,000	-
Total Meeting Expenses	\$ 651,092	\$ 594,056	\$ (57,036)	\$ 611,988	\$ (39,104)	\$ 611,715	274
Operating Expenses							
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Office Rent	-	-	-	-	-	-	-
Office Costs	76,276	58,911	(17,365)	64,622	(11,654)	64,622	-
Professional Services	-	-	-	-	-	-	-
Miscellaneous	500	500	-	500	-	500	-
Depreciation	-	194,645	194,645	210,060	210,060	210,060	-
Total Operating Expenses	\$ 76,776	\$ 254,056	\$ 177,280	\$ 275,182	\$ 198,406	\$ 275,182	\$ -
Total Direct Expenses	\$ 4,800,751	\$ 3,858,239	\$ (942,512)	\$ 3,888,768	\$ (911,983)	\$ 3,972,198	\$ (83,430)
Indirect Expenses	\$ 5,139,603	\$ 4,271,179	\$ (868,424)	\$ 4,234,020	\$ (905,583)	\$ 4,281,116	\$ (47,096)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 9,940,354	\$ 8,129,418	\$ (1,810,936)	\$ 8,122,788	\$ (1,817,566)	\$ 8,253,314	\$ (130,526)
Change in Assets	\$ 306,791	\$ 2,117,752	\$ 1,810,960	\$ 70,328	\$ (236,464)	\$ 72,997	(2,669)
Fixed Assets							
Depreciation	\$ -	\$ (194,645)	\$ (194,645)	\$ (210,060)	\$ (210,060)	\$ (210,060)	\$ -
Computer & Software CapEx	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	\$ 306,791	303,932	(2,859)	280,388	(26,403)	283,056	(2,669)
Inc(Dec) in Fixed Assets (C)	306,791	109,287	(197,504)	70,328	(236,463)	72,997	(2,669)
TOTAL BUDGET (=B + C)	\$ 10,247,145	\$ 8,238,706	\$ (2,008,439)	\$ 8,193,116	\$ (2,054,029)	\$ 8,326,310	\$ (133,194)
FTEs	24.40	18.51	(5.89)	17.98	(6.42)	17.979	0.00

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Area

The Compliance Monitoring, Enforcement, and Organization Registration and Certification Program Area's purpose is to monitor, enforce, and ensure registered entity compliance with the ERO's mandatory Reliability Standards. This program area is broken down into two operational groups: Reliability Assurance and Compliance Enforcement.

Reliability Assurance

Reliability Assurance is comprised of three groups: Compliance Assurance, Compliance Analysis and Certification, and Registration. Together these areas address reliability, including subjectivity to and compliance with standards. The groups work in tandem with Compliance Enforcement, Standards, and Reliability Risk Management.

Compliance Assurance

Compliance Assurance (in whole dollars)					
	2015 Budget	2016 Budget	Increase (Decrease)	2016 Budget - Prior Draft	Variance to Prior Draft Over(Under)
Total FTEs	12.19	19.36	7.17	15.67	3.69
Direct Expenses	\$ 3,016,607	\$ 4,559,233	\$ 1,542,628	\$ 3,672,752	\$ 886,481
Indirect Expenses	\$ 2,567,695	\$ 4,559,714	\$ 1,992,019	\$ 3,732,255	\$ 827,459
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 153,270	\$ 301,956	\$ 148,686	\$ 246,767	\$ 55,189
TOTAL BUDGET	\$ 5,737,572	\$ 9,420,903	\$ 3,683,333	\$ 7,651,774	\$ 1,769,130

Background and Scope

NERC's Compliance Assurance group (formerly the Compliance Operations department) works collaboratively with the eight Regional Entities to ensure consistent and effective implementation of risk-based compliance monitoring under the Compliance Monitoring and Enforcement Program (CMEP) across the entire ERO Enterprise. The CMEP identifies the monitoring processes for use by the Regional Entities, including compliance audits, self-certification, spot checking, investigations, self-reporting, periodic data submittals, and complaints. NERC and the Regional Entities ensure consistent and fair implementation of the CMEP, coalesce around best practices, and implement data management procedures that address data reporting requirements, data integrity, data retention, data security, and data confidentiality.

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

- Consistent implementation of the risk-based compliance monitoring program for reliability improvements, including developing and maintaining the necessary compliance-related processes, procedures, IT platforms, tools, and templates;
- Development and delivery of comprehensive and ongoing education and training on risk-based compliance monitoring and enforcement for ERO Enterprise staff;
- Oversight of the Regional Entities' delegated compliance functions, including: (1) consistent and uniform CMEP planning, implementation, and reporting; (2) compliance operations and coordination; and (3) auditor training;

- CIP Version 5 activities related to transition, training, and compliance design of ERO education programs that support industry compliance and the integration of risk assessment and internal controls;
- CIP-014-1 training and outreach activities related to effective implementation of the Physical Security Reliability Standard;
- Development of baseline monitoring requirements;
- Development and maintenance of Reliability Standard Audit Worksheets (RSAWs);
- Support for Regional Entity and industry committees, working groups, and task forces, such as the NERC Compliance and Certification Committee; and
- Guidance (with support from the Regional Entities) to the ERO Enterprise for NERC Reliability Standards associated with 2015 risk elements and training for every Reliability Standard approved by FERC.

Stakeholder Engagement and Benefit

The Compliance Assurance group is committed to ensuring that all registered entities understand their compliance obligations and how compliance will be assessed.

Compliance Assurance also provides compliance information, statistics, and perspectives to standard drafting teams to foster the development of standards that provide an increased reliability benefit and clarify compliance risks. It will continue its collaboration with industry and Standards department staff early in the standards development process by providing draft RSAW guidance, including information on how compliance with draft standards will be determined, as well as input regarding the auditability and enforceability of the draft standards. This will better ensure that an RSAW serves as a tool in the auditing process and is not used or viewed as a tool to expand or modify standards requirements.

NERC continues to promote registered entities' development of effective compliance programs and internal controls. The Compliance Assurance group is committed to a proactive and forward-looking method of supporting reliability assurance by taking into account greater consideration of internal controls. A common risk-based methodology for evaluating an entity's risk to the BES and the entity's relevant internal controls will support a consistent, risk-based approach to how compliance monitoring activities may be scoped.

NERC also continues to provide industry-focused outreach events and webinars on the ERO Enterprise's approaches to risk-based CMEP activities. On March 5, 2015, a panel of participants from NERC, Regional Entities, and stakeholder companies discussed the components of the transformed, risk-based CMEP. Additional outreach efforts will include, at minimum, quarterly webinars on lessons learned, process updates, and guidance for compliance monitoring and enforcement activities, combined with a second industry focused event in Q4 2015. Further, ERO Enterprise staff will conduct a webinar series providing guidance on standards and requirements associated with the 2015 risk elements identified for consideration for compliance monitoring.

Throughout the remainder of 2015 and during 2016, ERO Enterprise staff will continue holding advisory group meetings to identify additional outreach and education needs, as well as providing an opportunity for industry input into the rollout of the ERO Enterprise's implementation of risk-based approaches to the CMEP.

Key Efforts Underway

Risk-Based Compliance Monitoring

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

The ERO Enterprise has begun implementation of all aspects of the risk-based CMEP. Oversight related to the design documents is underway, and NERC and Regional Entity management remain in close coordination to ensure successful implementation. The Compliance Assurance department and Compliance Enforcement department staff will regularly address the following topics:

- Continued training of the ERO Enterprise staff.
- Continued outreach efforts during 2015 (including industry-focused workshops, a small entity tabletop exercise for ERO Enterprise staff, tutorials on the use of compliance and enforcement information available online and efforts to support and encourage information sharing among registered entities.)
- Oversight of Regional Entity implementation of various risk-based processes.
- Development and benchmarking of metrics to support the measures of success for the risk-based CMEP identified in November 2014.

Regional Entity Oversight and Compliance

Ensuring the successful implementation of the risk-based CMEP is the priority of NERC's Compliance Assurance and Compliance Enforcement department. For Compliance Assurance, oversight activities will occur through a two-phased approach.

Phase 1 began during Q1 2015. It is designed to establish conceptual consistency in the application of the ERO Enterprise's risk-based approach by reviewing each Region's risk-based process documentation to understand its conceptual intents of application and compare these concepts to the ERO Enterprise's guidance documents. This will involve dialogue and the collection and review of supporting documents that describe the Regional Entity's execution and application of the design for the ERO Enterprise's risk-based CMEP.

In Phase 2, Compliance Assurance's oversight will evolve into a more traditional evaluation of how risk-based compliance monitoring concepts are utilized, the determinations made when using risk-based concepts, and the results of their application by the Regional Entities. Phase 2 oversight will continue throughout 2015 and into 2016 and will focus on samples of compliance monitoring work by each Regional Entity as they apply these risk-based concepts.

CIP Compliance and Transition

Consistent implementation of the risk-based CIP compliance monitoring program, including registration and certification, is necessary for reliability improvements. NERC and the Regional Entities continue to manage the smooth transition of compliance activities from Version 3 to Version 5 of the CIP Standards by providing training, webinars, and other forms of outreach. The ERO education programs support industry compliance and the integration of risk assessment and internal controls. In addition to the transition from Version 3 to Version 5 of the CIP standards, NERC and the Regional Entities are further supporting the successful implementation and monitoring of the Physical Security Reliability Standard.

2016 Goals and Deliverables

The Compliance Assurance group has several goals and objectives that support the *ERO Enterprise Strategic Plan*. Resources will be focused on building upon the framework and improvements implemented as a result of the risk-based compliance monitoring activities in 2014 and 2015. Specific 2016 objectives for this group are:

- Develop and implement a training program to support implementation of the common audit procedures and the ERO Auditor Capabilities and Competencies Guide.
- Work closely with NERC's Enforcement and IT departments, as well as staff in the Regional Entities, regarding the improvements in the existing compliance, reporting, analysis tracking system, and other compliance tools to support risk-based activities.
- Make effective internal controls models and information available to industry.
- Initiate compliance phase-in learning periods for new standards.
- Transition to a single ERO approach for compliance monitoring, common audit planning, and consistent implementation of risk-based techniques and principles.
- Consolidate to a common set of RSAWs, or successors, for all standards.
- Create technically sound training to support compliance methodologies and testing approaches for Reliability Standards.
- Support the successful transition to the CIP Version 5 Reliability Standards that become effective in 2016.
- Continue to monitor and support effective implementation and monitoring of the Physical Security Reliability Standard.

These 2016 activities are necessary to ensure that policies, processes, and procedures are implemented both uniformly and consistently across the Regions. A number of compliance monitoring activities support the implementation of the strategic risk-based reforms intended to reduce regulatory burden on industry, increase efficiency, and provide greater direct reliability benefit by properly aligning resources associated with compliance monitoring programs. Moreover, oversight will ensure industry benefits are achieved, validate methodologies, and identify continued process improvements. The bulk of these activities will be resourced from NERC and Regional Entity staffs, but certain activities related to advancing the program implementation and the compliance application tool will be supported through the use of outside consultants.

Resource Requirements

Personnel

FTE additions for 2016 reflect the reallocation of 2015 budgeted FTEs to support key departmental initiatives related to successful implementation and oversight of the risk-based CMEP.

Contractors and Consultants

Funds have been budgeted for outside consultants to assist in successful implementation of risk-based compliance monitoring. While at a reduced level from the 2014 and 2015 budgets, these resources are necessary to support the transformation of NERC's Compliance Monitoring and Enforcement Program to a risk-based design. In addition, the Information Technology budget includes funding for the maintenance, evaluation, and development of enterprise tools supporting compliance assessment, registration, certification, and enforcement activities.

Section A — 2016 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures							
2015 Budget & Projection, and 2016 Budget							
COMPLIANCE ASSURANCE							
	2015 Budget	2015 Projection	Variance		Variance		Variance to Prior Draft Over(Under)
			2015 Projection v 2015 Budget Over(Under)	2016 Budget	2016 Budget v 2015 Budget Over(Under)	2016 Budget Draft 1	
Funding							
ERO Funding							
NERC Assessments	\$ 5,621,826	\$ 5,621,826	\$ -	\$ 9,185,250	\$ 3,563,424	\$ 7,539,302	\$ 1,645,948
Penalty Sanctions	115,453	115,453	-	235,174	119,722	112,081	123,094
Total NERC Funding	\$ 5,737,279	\$ 5,737,279	\$ -	\$ 9,420,424	\$ 3,683,146	\$ 7,651,382	\$ 1,769,042
Third-Party Funding	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	293	293	-	479	186	392	88
Miscellaneous	-	21	21	-	-	-	-
Total Funding (A)	\$ 5,737,572	\$ 5,737,593	\$ 21	\$ 9,420,903	\$ 3,683,332	\$ 7,651,774	\$ 1,769,130
Expenses							
Personnel Expenses							
Salaries	\$ 1,783,650	\$ 2,500,644	\$ 716,994	\$ 3,063,004	\$ 1,279,353	\$ 2,362,252	700,752
Payroll Taxes	115,456	169,529	54,073	205,979	90,524	163,191	42,788
Benefits	220,692	270,682	49,990	351,727	131,035	288,548	63,179
Retirement Costs	200,525	234,431	33,906	336,902	136,377	264,123	72,779
Total Personnel Expenses	\$ 2,320,322	\$ 3,175,286	\$ 854,964	\$ 3,957,612	\$ 1,637,289	\$ 3,078,113	\$ 879,498
Meeting Expenses							
Meetings	\$ 70,000	\$ 100,000	\$ 30,000	\$ 60,000	\$ (10,000)	\$ 60,000	-
Travel	198,000	242,000	44,000	276,343	78,343	276,065	278
Conference Calls	7,200	66,394	59,194	20,000	12,800	20,000	-
Total Meeting Expenses	\$ 275,200	\$ 408,394	\$ 133,194	\$ 356,343	\$ 81,143	\$ 356,065	\$ 278
Operating Expenses							
Consultants & Contracts	\$ 388,000	\$ 388,000	\$ -	\$ 200,000	\$ (188,000)	\$ 200,000	-
Office Rent	-	-	-	-	-	-	-
Office Costs	32,834	35,152	2,318	44,779	11,945	38,074	6,705
Professional Services	-	-	-	-	-	-	-
Miscellaneous	250	250	-	500	250	500	-
Depreciation	-	1,090	1,090	-	-	-	-
Total Operating Expenses	\$ 421,084	\$ 424,493	\$ 3,408	\$ 245,279	\$ (175,805)	\$ 238,574	\$ 6,705
Total Direct Expenses	\$ 3,016,607	\$ 4,008,173	\$ 991,566	\$ 4,559,233	\$ 1,542,627	\$ 3,672,752	\$ 886,481
Indirect Expenses	\$ 2,567,695	\$ 3,715,072	\$ 1,147,377	\$ 4,559,714	\$ 1,992,019	\$ 3,732,255	\$ 827,459
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 5,584,302	\$ 7,723,245	\$ 2,138,943	\$ 9,118,947	\$ 3,534,645	\$ 7,405,007	\$ 1,713,941
Change in Assets	\$ 153,270	\$ (1,985,652)	\$ (2,138,922)	\$ 301,956	\$ 148,686	\$ 246,767	\$ 55,189
Fixed Assets							
Depreciation	-	(1,090)	(1,090)	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	\$ 153,270	\$ 264,360	111,091	301,956	148,686	\$ 246,767	55,189
Inc(Dec) in Fixed Assets (C)	\$ 153,270	\$ 263,270	\$ 110,000	\$ 301,956	\$ 148,686	\$ 246,767	\$ 55,189
TOTAL BUDGET (=B + C)	\$ 5,737,572	\$ 7,986,515	\$ 2,248,943	\$ 9,420,903	\$ 3,683,332	\$ 7,651,774	\$ 1,769,130
FTEs	12.19	16.10	3.91	19.36	7.17	15.67	3.69

Compliance Analysis, Certification and Registration

Compliance Analysis, Certification and Registration (in whole dollars)					
	2015 Budget	2016 Budget	Increase (Decrease)	2016 Budget - Prior Draft	Variance to Prior Draft Over(Under)
Total FTEs	11.25	10.14	(1.11)	11.07	(0.93)
Direct Expenses	\$ 2,353,718	\$ 2,086,784	\$ (266,934)	\$ 2,376,906	\$ (290,122)
Indirect Expenses	\$ 2,369,694	\$ 2,387,951	\$ 18,257	\$ 2,635,961	\$ (248,011)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 141,451	\$ 158,136	\$ 16,685	\$ 174,283	\$ (16,147)
TOTAL BUDGET	\$ 4,864,863	\$ 4,632,871	\$ (231,992)	\$ 5,187,150	\$ (554,280)

Background and Scope

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

- **Registration** – Identifies and registers BES users, owners, and operators who are responsible for compliance with Reliability Standards. Organizations that are registered are included on the NERC Compliance Registry (NCR) and are responsible for knowing the content of and complying with all applicable Reliability Standards. Maintains the current registration for the entire ERO for entities as they take on and drop functional responsibilities.
- **Certification** – Evaluates and certifies the competency of reliability entities; i.e., those that perform certain key reliability functions, specifically the RC, BA, and TOP functions. Entities performing these three functions must be certified as having the necessary personnel, knowledge, facilities, programs, and other qualifications to carry out these important responsibilities, including demonstrating the ability to meet the requirements and sub-requirements of all of the Reliability Standards applicable to the reliability function(s) for which they are being certified. This also includes confirming through the certification review process that a reliability entity continues to have the qualifications mentioned above following planned material changes to that entity's operation.
- **Compliance Analysis** – Conducts reliability assurance activities, including:
 - **Investigations** – Staff conducts non-public, confidential investigations to identify Possible Violations of NERC Reliability Standards in response to complaints, BES disturbances, or other similar triggers. Staff participates on all Regional Entity-led investigations and observe as requested on FERC-led reliability investigations and inquiries.
 - **Compliance evaluations** – Staff works closely with regional staff to confirm that qualified events and disturbances are evaluated against the relevant approved Reliability Standards and ensure formal compliance monitoring occurs if indicated. These analyses are also shared with FERC staff.
 - **Complaints** – NERC addresses formal complaints that allege the violation of Reliability Standards through a confidential process.

- **Reliability Assurance** – Conduct activities to reasonably assure the ERO that certain actions have been taken as reported in response to NERC Alerts or guidance to industry. An example of this is the Right-of-Way Clearances, which is one of the 2015 ERO Enterprise high-priority risk projects.
- **Oversight** – NERC provides oversight of Regional Entity implementation of regional registration, compliance, certification, investigation, complaint programs, and processes.

Risk-Based Registration

In 2014, NERC established a Risk-Based Registration Advisory Group (RBRAG) to provide input and advice for the Risk-Based Registration (RBR) design and implementation plan. The RBRAG is comprised of representatives from NERC, Regional Entity, and FERC staffs, along with United States and Canadian industry representatives. A white paper was developed with input from the RBRAG, industry responses to a survey, and the assessment of information about the current Registration program attributes. NERC finalized the first phase of RBR via a filing with FERC in November 2014. FERC approved it in March 2015 and issued directives to which NERC is currently responding.

Reliability Benefits

NERC launched RBR to ensure the right entities are subject to the right set of applicable Reliability Standards by using a consistent and common approach to risk assessment and registration across the ERO. The goal of this effort is to develop registration criteria and thresholds that identify users, owners, and operators who have a material impact on reliability, preserve an adequate level of reliability, and avoid causing or exacerbating instability, uncontrolled separation, or cascading failures. Registered entities will be given proper signals and incentives to focus on operational, planning, physical security, cybersecurity, and business decisions in the best interest of reliability, rather than focusing on managing compliance risks. Registered entities will have certainty as to compliance obligations with tailored Reliability Standard requirements, as appropriate.

Key Efforts Underway

In 2014, the Compliance Analysis, Certification and Registration group developed the new RBR design and registration criteria, which included Board approval of a full implementation plan by year-end. In 2015, after FERC approval on March 19, 2015, NERC implemented Phase I of this effort, which included deactivation of Purchasing-Selling Entities (PSEs) and Interchange Authorities (IAs), while working on providing FERC with more information on the proposal to deactivate Load Serving Entities (LSEs) and Distribution Providers (DPs).

The overall benefits of the RBR program include:

- Reduced industry burden associated with registration and ensuring no gaps or duplication of compliance responsibilities.
- Improved use of NERC, Regional Entity, and registered entity resources.
- Improved feedback to Reliability Standards development so applicability can be tailored for currently enforced and future standards.
- Increased consistency in registration with the eight Regional Entities by developing a common and repeatable approach as part of the RBR program design.

As a part of Phase 2 of RBR, staff will work on technical review and analysis to determine if further refinements are needed for Transmission Owners (TOs), Transmission Operators (TOPs), Generation Owners (GOs) and Generation Operators (GOPs). NERC will continue to work with RBRAG, the RBR Task Force, and industry to complete Phase 2. If warranted, recommendations will be developed along with

transition plans for delivery to the NERC Board for endorsement or approval of any necessary ROP changes.

Staff is also working with the Regional Entities to further evaluate the current certification program. To the extent that changes, enhancements, or a discontinuation of the program are identified, recommendations will be developed along with transition plans targeted to be implemented in 2016. Depending on the level of change or enhancements, additional resource demands may be required in 2016; however, the budget demands cannot be fully assessed at this time.

2016 Goals and Deliverables

The planned activities for 2016 include continuation of current initiatives, as well as enhanced oversight and quality assurance reviews of Regional Entity performance of delegated registration, certification, investigations, and complaint duties. This oversight will include site visits, tabletop reviews, self-certifications, and sampling of performance. This will enable NERC to assess the Regional Entities' performance on agreed-upon goals and measures.

Resource Requirements

Personnel

No additional personnel are budgeted for 2016. The variance in FTEs between budgets is due to the reallocation of one position to another department and the application of an updated vacancy rate (7.8% vs 6.0%).

Contractor Expenses

Contractor expenses of \$50k are budgeted for 2016 for outside technical support in connection with RBR implementation.

Section A — 2016 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures							
2015 Budget & Projection, and 2016 Budget							
COMPLIANCE ANALYSIS, CERTIFICATION and REGISTRATION							
	2015	2015	Variance	2016	Variance	2016 Budget	Variance to
	Budget	Projection	2015 Projection	Budget	2015 Budget	Draft 1	Prior Draft
			v 2015 Budget		v 2015 Budget		Over(Under)
			Over(Under)		Over(Under)		Over(Under)
Funding							
ERO Funding							
NERC Assessments	\$ 4,758,043	\$ 4,758,043	\$ -	\$ 4,509,458	\$ (248,585)	\$ 5,107,715	\$ (598,258)
Penalty Sanctions	106,550	106,550	-	123,162	16,612	79,159	44,004
Total NERC Funding	\$ 4,864,593	\$ 4,864,593	\$ -	\$ 4,632,620	\$ (231,973)	\$ 5,186,874	\$ (554,254)
Third-Party Funding	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	270	270	-	251	(19)	277	(26)
Miscellaneous	-	14	14	-	-	-	-
Total Funding (A)	\$ 4,864,863	\$ 4,864,877	\$ 14	\$ 4,632,871	\$ (231,992)	\$ 5,187,150	\$ (554,280)
Expenses							
Personnel Expenses							
Salaries	\$ 1,658,833	\$ 1,492,294	\$ (166,539)	\$ 1,410,333	\$ (248,500)	\$ 1,644,792	(234,459)
Payroll Taxes	105,003	103,460	(1,543)	97,779	(7,224)	109,404	(11,624)
Benefits	203,715	189,745	(13,970)	184,238	(19,478)	200,987	(16,749)
Retirement Costs	186,557	163,263	(23,294)	157,451	(29,106)	183,278	(25,827)
Total Personnel Expenses	\$ 2,154,108	\$ 1,948,762	\$ (205,346)	\$ 1,849,801	\$ (304,307)	\$ 2,138,461	(288,660)
Meeting Expenses							
Meetings	\$ 3,064.00	\$ 4,583	\$ 1,519	\$ 4,000	\$ 936	\$ 4,000	-
Travel	164,158	171,000	6,842	155,146	(9,012)	154,989	156
Conference Calls	3,588	3,000	(588)	2,000	(1,588)	2,000	-
Total Meeting Expenses	\$ 170,810	\$ 178,583	\$ 7,773	\$ 161,146	\$ (9,664)	\$ 160,989	156
Operating Expenses							
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ 50,000	-
Office Rent	-	-	-	-	-	-	-
Office Costs	28,550	26,924	(1,626)	25,338	(3,213)	26,956	(1,618)
Professional Services	-	-	-	-	-	-	-
Miscellaneous	250	250	-	500	250	500	-
Depreciation	-	1,057	1,057	-	-	-	-
Total Operating Expenses	\$ 28,800	\$ 28,231	\$ (570)	\$ 75,838	\$ 47,037	\$ 77,456	\$ (1,618)
Total Direct Expenses	\$ 2,353,718	\$ 2,155,576	\$ (198,142)	\$ 2,086,784	\$ (266,935)	\$ 2,376,906	(290,122)
Indirect Expenses	\$ 2,369,694	\$ 2,526,711	\$ 157,017	\$ 2,387,951	\$ 18,257	\$ 2,635,961	\$ (248,011)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Total Expenses (B)	\$ 4,723,412	\$ 4,682,287	\$ (41,126)	\$ 4,474,734	\$ (248,678)	\$ 5,012,867	\$ (538,133)
Change in Assets	\$ 141,451	\$ 182,591	\$ 41,140	\$ 158,136	\$ 16,686	\$ 174,283	(16,147)
Fixed Assets							
Depreciation	-	(1,057)	(1,057)	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	\$ 141,451	\$ 179,798	38,347	158,136	16,685	\$ 174,283	(16,147)
Inc(Dec) in Fixed Assets (C)	\$ 141,451	\$ 178,741	\$ 37,291	\$ 158,136	\$ 16,685	\$ 174,283	\$ (16,147)
TOTAL BUDGET (=B + C)	\$ 4,864,863	\$ 4,861,028	\$ (3,835)	\$ 4,632,871	\$ (231,993)	\$ 5,187,150	\$ (554,280)
FTEs	11.25	10.95	(0.30)	10.14	(1.11)	11.07	(0.93)

Compliance Enforcement Department

Compliance Enforcement (in whole dollars)					
	2015 Budget	2016 Budget	Increase (Decrease)	2016 Budget - Prior Draft	Variance to Prior Draft Over(Under)
Total FTEs	15.01	12.22	(2.79)	13.37	(1.15)
Direct Expenses	\$ 2,456,441	\$ 2,225,938	\$ (230,501)	\$ 2,422,986	\$ (197,048)
Indirect Expenses	\$ 3,161,698	\$ 2,876,962	\$ (284,736)	\$ 3,183,394	\$ (306,431)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 188,727	\$ 190,398	\$ 1,671	\$ 210,356	\$ (19,958)
TOTAL BUDGET	\$ 5,806,866	\$ 5,293,298	\$ (513,567)	\$ 5,816,736	\$ (523,437)

Background and Scope

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

The NERC Compliance Enforcement department performs its responsibilities by:

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

Stakeholder Engagement and Benefit

Over the past few years, NERC and the Regional Entities have made substantial progress in reducing the number of instances of noncompliance remaining to be evaluated and processed. The ERO Enterprise has held registered entities accountable for instances of noncompliance that posed a risk to the reliability of the BPS while ensuring that enforcement actions are timely and transparent. NERC promotes a culture of

reliability excellence by examining registered entities' internal compliance programs and considering them as mitigating factors in penalty determinations.

Completion of the Reliability Assurance Initiative

In 2014, through the Reliability Assurance Initiative (RAI), NERC completed the design of the various components of the risk-based CMEP, and in 2015 and 2016, the ERO Enterprise will focus on the CMEP's successful implementation. NERC is transitioning the information previously accumulated in the RAI page of NERC's website to the Compliance and Enforcement pages, which will be redesigned to be more usable. The RAI page will remain in place during 2015, with all of its current content, to ensure that the information remains available to all interested parties while the Compliance and Enforcement pages are reorganized. NERC also will continue to highlight new information available regarding the risk-based CMEP in its weekly bulletins and monthly newsletter.

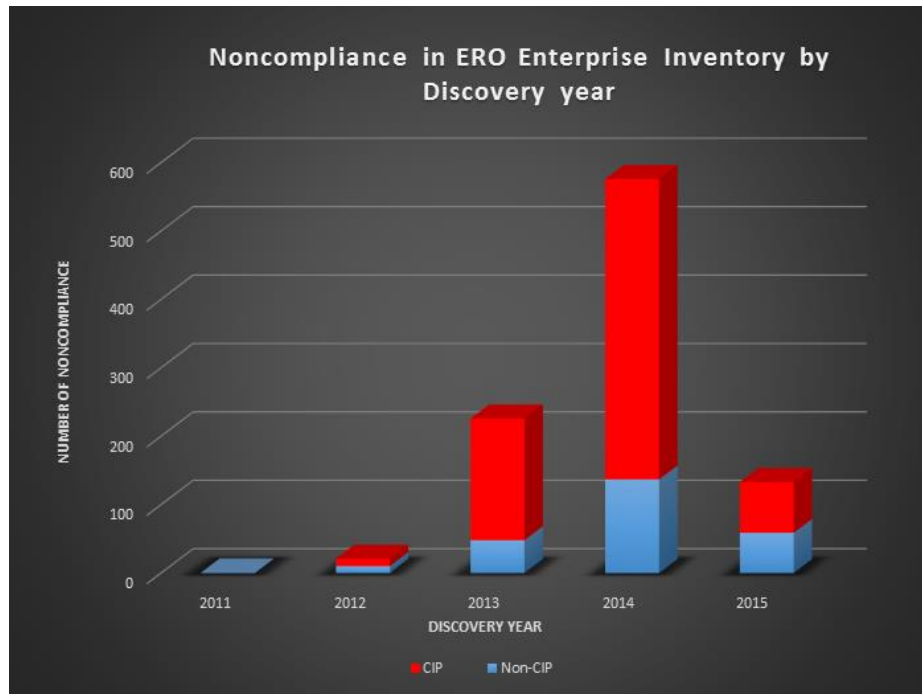
Processing Efficiencies

In an effort to improve the efficiency of enforcement processing throughout the ERO Enterprise, NERC developed a series of key enforcement processing metrics, which are tracked and analyzed throughout the year. In addition, in 2012, 2013, and 2014, NERC established corporate goals to reduce the number of older violations remaining to be processed. Working with NERC, the Regional Entities invested significant time and resources in processing the older violations. As a result, the ERO Enterprise as a whole reduced the number of older violations substantially.

In 2012, NERC and the Regional Entities reduced the number of open violations dating from before 2011 (excluding violations that are held by appeal, a regulator, or a court, referred to as "on-hold" violations) by 80%. During 2013, the ERO Enterprise reduced the number of pre-2012 violations (excluding on-hold violations) by 93%. In 2014, 92.75% of the pre-2013 noncompliance issues were processed and resolved. The 35 pre-2013 remaining non-federal-entity instances of noncompliance²⁵ represent 0.43% of the total violations submitted to the ERO Enterprise from 2007 through December 31, 2014.

The targets and thresholds for processing efficiency-related metrics remain the same in 2015. This is because the ERO Enterprise has achieved a steady state with regard to enforcement processing. This has only been possible due to the hard work of the Regional Entities and NERC Enforcement in eliminating backlog in 2013 and 2014 and incorporating new enforcement processes and procedures into practice.

²⁵ The active caseload does not include instances of noncompliance that have been on hold and not available for processing pending a court decision on the applicability of monetary penalties to federal entities. In August 2014, the court issued a decision holding that monetary penalties are not applicable to federal entities, and the ERO Enterprise has developed a plan to resolve a majority of these items during 2015. Despite the on-hold status, the majority of these instances of noncompliance were mitigated.



Continued Outreach Efforts in 2015 and Beyond

Currently scheduled events for 2015 include industry-focused outreach events and webinars on the ERO Enterprise's approaches to risk-based CMEP activities. Agenda topics and discussions will incorporate feedback obtained from prior industry outreach events as well as any lessons learned during the ERO Enterprise's implementation and rollout of the risk-based CMEP.

Additional outreach efforts will include, at minimum, quarterly webinars on lessons learned, process updates, and guidance for compliance monitoring and enforcement activities, combined with industry-focused events. Further, ERO Enterprise staff will conduct a webinar series providing guidance on standards and requirements associated with the 2015 risk elements identified for consideration for compliance monitoring.

Throughout 2015, ERO Enterprise staff will continue holding advisory group meetings to identify additional outreach and education needs as well as provide an opportunity for industry input into the rollout of the ERO Enterprise's implementation of risk-based approaches to the CMEP.

Risk-Based CMEP Implementation

On February 19, 2015, FERC approved the implementation of the risk-based CMEP. The goal of the CMEP is to shift the compliance and enforcement approach from one in which all instances of noncompliance are evaluated as Possible Violations to an approach that strengthens management practices and reserves the enforcement process for instances of noncompliance that have been found to pose a greater risk to reliability. The programs discussed below, in conjunction with compliance outreach encouraging the development of strong management practices, will advance NERC's progress toward this goal.

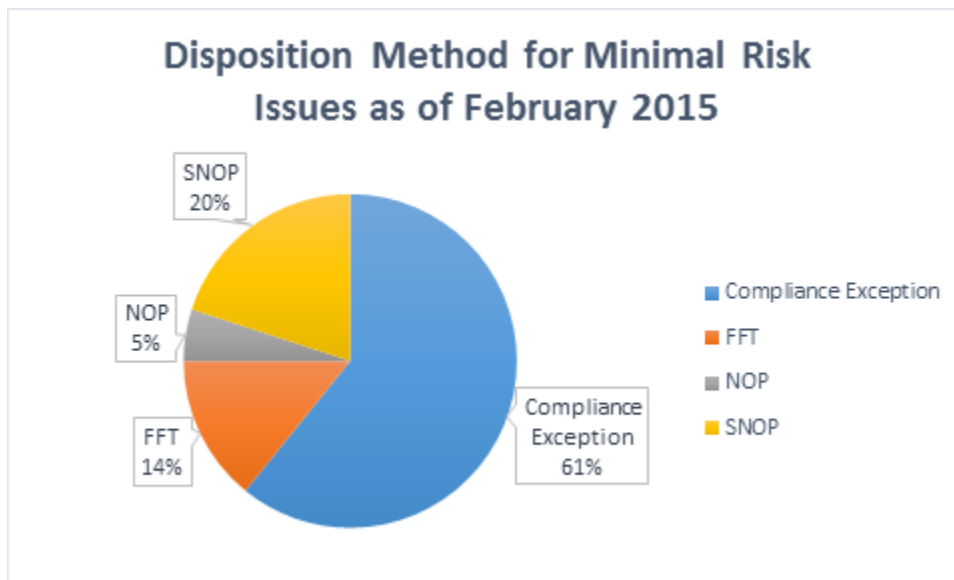
Compliance Exceptions

A compliance exception is an alternative disposition method and is not a dismissal; Find, Fix, Track (FFT); or Notice of Penalty. It is essentially the exercise of enforcement discretion with respect to a noncompliance regardless of its method of discovery (self-report, self-certification, compliance audit finding, etc.). The process of identifying and recording a compliance exception builds on the FFT program.

The ERO Enterprise exercises discretion in the process by taking into account the facts and circumstances of the noncompliance, the risk posed by the noncompliance to the reliability of the BPS, and the deterrent effect of an enforcement action or penalty, among other things. Compliance exception treatment is available for issues that pose a minimal risk to the BPS that would be mitigated within 12 months of the date the compliance exception is posted.

In 2013 and 2014, the use of compliance exceptions (as the alternative disposition for noncompliance posing a minimal risk to the reliability of the BPS) was limited to allow the testing of the new process. In 2013, 43% of noncompliance instances were disposed through the FFT process. In 2014, 34% of noncompliance instances were disposed through the FFT process, and 10% were provided compliance exception treatment. The utilization of streamlined disposition tracks for lesser-risk issues remains steady and reflects the continued use of these tracks as well as an initial shift of usage of compliance exceptions in lieu of FFTs.

In 2015, this disposition track became available throughout the ERO Enterprise. Utilization of compliance exceptions as a disposition track has increased steadily. NERC Compliance Enforcement expects that the full-year 2015 data will show a more even distribution of the utilization of compliance exceptions. It should also show an increase in utilization of compliance exceptions and a corresponding reduction of minimal-risk issues processed as FFTs, compared to 2014. These positive trends should continue into 2016.



Self-Logging

NERC and Regional Entity enforcement staff also have worked closely with stakeholders to identify potential improvements to self-report processes and other enforcement processes. A number of improvements were designed and implemented in 2013 and 2014. As of January 1, 2015, 19 registered entities have been permitted to self-log minimal-risk noncompliance instances. The self-logging program allows any registered entities that have demonstrated effective management practices to keep track of minimal-risk noncompliance (and related mitigation) on a log that is periodically reviewed by the Regional Entity.

As directed by FERC, a formal review of an entity’s internal controls is required before a Regional Entity grants the flexibility to self-log instances of noncompliance. The program is now available to any registered entity that would like to be evaluated by its Regional Entity in accordance with the program requirements.

NERC Oversight of Risk-Based CMEP Implementation

For 2015, ensuring the successful implementation of NERC's risk-based CMEP is the priority of Compliance Enforcement's oversight plan. As part of that oversight and in addition to offering regular feedback to the Regional Entities, NERC will provide a report by the end of 2015 identifying areas for improvement or promoting consistency through training, guidance, or adjustment the following year. NERC also produces an annual ERO CMEP report, which for 2015 will include an assessment of the risk-based CMEP implementation. NERC will publish that report during Q1 2016.

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

Other Key Enforcement Efforts Underway

Regional Entities Training

NERC Enforcement will provide training to Regional Entity staff on the risk-based CMEP processes, especially compliance exceptions and the self-logging program. NERC is developing this training based on early experience with implementing the programs, as well as observations from the various spot checks.

NERC will measure if ERO Enterprise staff performing key activities are trained and competent in their areas of responsibility, such as risk assessment, audit, internal controls evaluation, and enforcement, and are perceived by registered entities as being well qualified in their roles. NERC will track participation of Regional Entity enforcement staff in each category.

2016 Goals and Deliverables

Specific 2016 objectives for the Compliance Enforcement department include:

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

Resource Requirements

Personnel

Efforts to improve the efficiency and effectiveness of the Enforcement department's operations and reduce its backlog have permitted the department to reduce current staffing levels below 2015 budgeted amounts, allowing additional resources to be allocated to other ERO departmental priorities. No changes to current Enforcement staffing levels are proposed in 2016.

Contractor Expenses

The Information Technology budget includes funding for the maintenance, evaluation, and development of enterprise tools supporting technical feasibility exceptions, registration, and enforcement activities.

Statement of Activities and Fixed Assets Expenditures							
2015 Budget & Projection, and 2016 Budget							
COMPLIANCE ENFORCEMENT							
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)	2016 Budget Draft 1	Variance to Prior Draft Over(Under)
Funding							
ERO Funding							
NERC Assessments	\$ 5,664,344	\$ 5,664,344	\$ -	\$ 5,144,612	\$ (519,732)	\$ 5,720,803	\$ (576,191)
Penalty Sanctions	142,161	142,161	-	148,384	6,223	95,598	52,786
Total NERC Funding	\$ 5,806,505	\$ 5,806,505	\$ -	\$ 5,292,996	\$ (513,509)	\$ 5,816,402	\$ (523,406)
Third-Party Funding	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	361	361	-	302	(59)	334	(32)
Miscellaneous	-	17	17	-	-	-	-
Total Funding (A)	\$ 5,806,866	\$ 5,806,883	\$ 17	\$ 5,293,298	\$ (513,568)	\$ 5,816,736	\$ (523,437)
Expenses							
Personnel Expenses							
Salaries	\$ 1,785,495	\$ 1,680,103	\$ (105,392)	\$ 1,629,233	\$ (156,262)	\$ 1,777,015	(147,782)
Payroll Taxes	110,866	112,910	2,044	109,485	(1,381)	119,666	(10,181)
Benefits	254,644	226,735	(27,909)	222,877	(31,767)	243,495	(20,618)
Retirement Costs	200,635	177,029	(23,606)	181,419	(19,216)	198,234	(16,815)
Total Personnel Expenses	\$ 2,351,641	\$ 2,196,777	\$ (154,864)	\$ 2,143,014	\$ (208,627)	\$ 2,338,409	(195,395)
Meeting Expenses							
Meetings	\$ 2,000	\$ 1,000	\$ (1,000)	\$ 2,500	\$ 500	\$ 2,500	-
Travel	57,900	52,000	(5,900)	56,736	(1,164)	56,679	57
Conference Calls	2,900	1,500	(1,400)	1,200	(1,700)	1,200	-
Total Meeting Expenses	\$ 62,800	\$ 54,500	\$ (8,300)	\$ 60,436	\$ (2,364)	\$ 60,379	57
Operating Expenses							
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Office Rent	-	-	-	-	-	-	-
Office Costs	41,500	25,159	(16,341)	21,866	(19,634)	23,575	(1,710)
Professional Services	-	-	-	-	-	-	-
Miscellaneous	500	1,000	500	500	-	500	-
Depreciation	-	1,790	1,790	122	122	122	-
Total Operating Expenses	\$ 42,000	\$ 27,948	\$ (14,052)	\$ 22,488	\$ (19,512)	\$ 24,197	\$ (1,710)
Total Direct Expenses	\$ 2,456,441	\$ 2,279,225	\$ (177,216)	\$ 2,225,938	\$ (230,502)	\$ 2,422,986	\$ (197,048)
Indirect Expenses	\$ 3,161,698	\$ 2,960,520	\$ (201,178)	\$ 2,876,962	\$ (284,736)	\$ 3,183,394	\$ (306,431)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Total Expenses (B)	\$ 5,618,139	\$ 5,239,745	\$ (378,394)	\$ 5,102,901	\$ (515,239)	\$ 5,606,380	\$ (503,479)
Change in Assets	\$ 188,727	\$ 567,137	\$ 378,411	\$ 190,398	\$ 1,671	\$ 210,356	(19,958)
Fixed Assets							
Depreciation	-	(1,790)	(1,790)	(122)	(122)	(122)	-
Computer & Software CapEx	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	\$ 188,727	\$ 210,667	21,941	190,520	1,793	210,478	(19,958)
Inc(Dec) in Fixed Assets (C)	\$ 188,727	\$ 208,878	\$ 20,151	\$ 190,398	\$ 1,671	\$ 210,356	\$ (19,958)
TOTAL BUDGET (=B + C)	\$ 5,806,866	\$ 5,448,623	\$ (358,243)	\$ 5,293,298	\$ (513,568)	\$ 5,816,736	\$ (523,437)
FTEs	15.01	12.83	(2.18)	12.22	(2.79)	13.37	(1.15)

Reliability Assessment and Performance Analysis

Reliability Assessments and Performance Analysis (in whole dollars)					
	2015 Budget	2016 Budget	Increase (Decrease)	2016 Budget - Prior Draft	Variance to Prior Draft Over(Under)
Total FTEs	19.70	18.67	(1.03)	19.59	(0.92)
Direct Expenses	\$ 5,456,456	\$ 5,616,840	\$ 160,384	\$ 5,827,097	\$ (210,258)
Indirect Expenses	\$ 4,149,598	\$ 4,396,749	\$ 247,152	\$ 4,665,318	\$ (268,569)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 219,696	\$ (94,860)	\$ (314,556)	\$ (77,566)	\$ (17,295)
TOTAL BUDGET	\$ 9,825,750	\$ 9,918,728	\$ 92,978	\$ 10,414,850	\$ (496,122)

Background and Scope

The Reliability Assessment and Performance Analysis (RAPA) department carries out the ERO's statutory responsibility to conduct assessments of the reliability and adequacy of the BES. These assessments are used to provide insight and guidance about reliability risks and performance improvements as well as reliability performance issues and areas of concern (including equipment performance and related reliability issues). These insights provide a foundation for the development of new Reliability Standards or modifications to mandatory Reliability Standards, or other initiatives, such as guidelines, alert(s), webinars, etc., all focused on enhancing overall reliability. The department focuses on developing a technical framework and understanding the reliability risks facing the industry. It also provides guidance and insights to stakeholders across North America. The department relies on its own engineering and analysis expertise, as well as Regional Entity and stakeholder resources. RAPA is responsible for:

- Independent assessments and reports on the overall reliability and adequacy of the BPS and associated reliability risks that could impact the short-term and the long-term (e.g., 10-year) planning horizon.
- Development of focused reliability assessments based on emerging reliability risks (e.g., emerging environmental regulations) and other reliability issues garnering an in-depth analysis.
- Performance analysis and recommendations of historical reliability and associated trends, relying on data integrity and consistent method, supporting credible recommendations and guidance.
- Reliability assessment and bulk system evaluation model and case development for analyzing steady-state and dynamic conditions, including frequency, Essential Reliability Services, and stability aspects.
- Assurance oversight that electrical elements necessary for the reliable operation of the BPS are appropriately identified as BES elements.
- Reliability risk program management for identifying and improving key risk areas using analyses of reliability gaps, risks, controls, and management efforts, as well as integration with the Reliability Issues Steering Committee (RISC), long-term reliability assessment, short-term (seasonal) reliability assessments, and state of reliability reports.
- Management of reliability risk program priorities to align with the strategic plan and business plan and budget for the appropriate level of resources, timing, completion, and execution.

- Establishment of reliability leadership and consistent, technically sound guidance and recommendations that position industry and policy makers to enhance reliability through effective outreach and communications.

Stakeholder Engagement and Benefit

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

RAPA works with industry leaders to create a reliability strategy that is relevant, timely, and effective at addressing the most important reliability risks. This effort includes understanding key information identified through analysis and assessment efforts; extracting and prioritizing the associated reliability risks from that information; sharing and integrating those risk analysis insights across the ERO Enterprise; and translating that knowledge into actionable guidance and recommendations for NERC management, the Board, and entities, and state, federal, and provincial policy makers. This offers stakeholders an open and transparent approach for the development of NERC's reliability strategy, ultimately ensuring the ERO is accountable to industry, regulators, and the public at large.

Key RAPA Efforts Underway

RAPA focuses its efforts in the following key areas:

Reliability Risk: Analysis and Management

Reliability Risk analysis and management efforts involve wide-ranging concerted efforts among stakeholders, RISC members, functional groups within NERC, and the Regional Entities.

Analysis: A comprehensive understanding of complex interdependencies and their wide-ranging impacts affecting BES reliability requires deliberate and methodical risk analysis and control strategies. A robust approach that identifies emerging reliability risks, prioritizes those with significant potential impact, and seeks to address them across the ERO Enterprise is essential for ensuring effective BES reliability. NERC's approach to identifying these reliability risks and implementing appropriate mitigation or management efforts is based on strong expertise and fundamental technical analysis of reliability behavior, leveraging reliability assessments, performance analysis, and event analyses, the use of the RISC to provide guidance about strategic risks and priorities, and effective management/mitigation steps across industry.

This comprehensive approach represents an important aspect demonstrating the link between NERC's activities and its mission of ensuring the reliability of the North American BES. Specific areas of reliability risk have been identified for projects in 2016. The set of programs and associated projects described in the following pages represents a focus on risk priority projects where NERC, in alignment with the industry, the RISC, and governments, can make a difference in improving or maintaining reliability.

Management: Reliability risk management efforts involve identifying key reliability risk areas, setting priorities for addressing these areas, then determining appropriate efforts from the suite of tools available to address such risks, and compiling these into an overall portfolio of prioritized risk projects. Industry, NERC, RISC, and others undertook significant efforts to assemble event and performance analyses from published assessments into a prioritized set of appropriate reliability risk projects. These analyses led to recommendations based on technical committee discussions; industry perspectives at the Reliability Leadership Summit; and ongoing technical committee assessment, event analysis, and Reliability Assessment and Reliability Risk Analysis work products, such as the long-term reliability assessment, the state of reliability report, and various special reports and seasonal assessments. These prioritized risk

project recommendations have been incorporated for 2015 into eight project areas focused on managing the top-priority reliability risks. Each risk management program area contains one or more projects identified to produce specific deliverables. By structuring these projects and programs within the larger context of priority reliability risks, resources can be allocated across the ERO Enterprise and program areas.

These top-priority reliability risk programs have been identified for 2015 efforts in this business plan; further refinement and identification of a comparable list of priority efforts will emerge over the course of the year, representing the 2016 priority risk projects. For budget assumption purposes, NERC has planned for a comparable level of effort to be allocated across program areas for these projects. This is not intended to be an exhaustive list of all the reliability-centered activities undertaken by NERC. Ongoing obligations regarding standards development, compliance and enforcement, reliability assessments, and performance analysis are expected to continue, as are the numerous activities to respond to regulatory directives and increase the efficiency and effectiveness of the ERO.

Reliability Risk Management Programs: These programs reflect the culmination of risk identification and reliability management aspects. NERC staff worked with the RISC to support determination of Reliability Risk Priorities that were presented to the Board in late 2014, and ensured that both reliability risk and associated reliability risk management projects are reflected in ERO business planning activities. These program areas and projects have been refined to identify specific reliability risks, associated measurements, and the most critical aspects within those broad areas that should be addressed. The overall strategies for managing the risks include the use of guidelines, information requests, training, NERC Alerts, technical conferences, research, standards, and other tools. The results are weighed for overall effectiveness and efficiency, and each project plan addresses each identified reliability risk with a set of approaches commensurate in scope to the level of risk being managed. Ultimately, these efforts are reflected in ERO activities and the overall ERO planning process.

Listed below are the eight programs focused on managing the top-priority reliability risks selected by NERC based on guidance from many sources, including the Board and the RISC. Each program has associated projects that are supported by various NERC departments as listed after each project.

Program: Changing Resource Mix

The energy currently produced by large rotating generators is being replaced by energy produced in different locations by variable resources, demand response programs, and other new types of resources. These resources exhibit different characteristics with respect to some of the less-obvious fundamental components of reliable operation (e.g., inertia, frequency response, generator output maneuverability). Operationally, uncertainty concerning the commitment of demand-side resources to meet load obligations and the lack of visibility of demand-side resources once committed presents a scheduling risk to operators in real time. At the same time, continuing improvements in smart grid technologies, energy efficiency, and other changes in load composition impact characteristics and behavior of load, reactive power needs, and how the system operates and behaves during disturbances (e.g., fault-induced delayed voltage recovery). All of these changes move the system toward different behaviors, operating characteristics, and levels of reliability risk. An increased penetration of natural-gas-fired generation has also increased NERC's concern on gas-electric interdependencies. The increasing amount of gas-fired generation exposes vulnerabilities on the gas pipeline system.

- Project: Essential Reliability Services Special Assessment Phase 2 – RAPA
- Project: Development of Standardized Models – RAPA

- Project: Support for IEEE 1547 Standard for Interconnecting Distributed Resources with Electric Power Systems – RAPA
- Project: Load Composition Modeling Analysis – RAPA
- Project: Gas-Electric Interdependencies and Infrastructure Assessment – RAPA

Program: Risks in Resource Planning

Environmental regulations, increased uncertainty in future resources due to other potential environmental regulations, low natural gas prices, load forecasting uncertainty, and economic factors all contribute to an increased rate of plant retirements and a lack of construction of new plants. Specifically, continued expansion of environmental regulations—including CO₂ regulations and other regulations targeting water usage by generators—greatly increases this risk. While demand response and energy efficiency may offset some of these losses, performance of those technologies can be uncertain, and each brings unique challenges. Long-term outages of multiple units to apply environmental retrofits also may have impacts. This all contributes to a lack of certainty regarding resource adequacy in North America over the next several years.

- Project: Environmental Regulations Special Assessment – RAPA

Program: Protection System Reliability

Protection Systems serve a vital role in defense against system disturbances. When Protection System components fail, the order of execution can result in either incorrect elements being removed from service, or more elements being removed than necessary. Failures to trip and slow trips can result in damaged equipment, which may result in degraded reliability for an extended period of time. NERC’s annual state of reliability reports have consistently concluded that Protection System Misoperations are a significant contributor to disturbance events and increase the severity of automatic transmission outages.

- Project: Protection System Reliability Analysis – RAPA
- Project: System Protection Initiative – RAPA

Program: Protection System Misoperations

Protection System Misoperations represent a double threat. Unnecessary trips can result in making a bad event worse and may start cascading failures as each successive trip can cause another protection system to trip.

- Project: Protection System Guidelines – RAPA
- Project: Analysis of Protection System Misoperations – RAPA
- Project: System Protection Initiative – RAPA
- Project: Protection System Education – RRM

Program: Uncoordinated Protection Systems

When Protection System components are not coordinated properly, the order of execution can result in either incorrect elements being removed from service, or more elements being removed than necessary.

- Project: Guidelines for Coordination of Protection Systems and Other Devices – RAPA
- Project: System Protection Initiative – RAPA

Program: Extreme Physical Events

Severe weather events (e.g., hurricanes, tornadoes, polar vortices, GMDs, etc.) and coordinated sabotage attacks (e.g., localized physical attacks of significance or EMPs) are physical events that, at the extreme, can cause extensive interconnection-wide equipment damage, fuel limitations, and disruptions of telecommunications. Because of the long time involved in manufacturing and replacing some BPS assets, an extreme physical event that causes extensive damage to equipment could result in degraded reliability for an extended period of time. While isolated, local physical events have a higher probability of occurrence, the likelihood of extensive, interconnection-wide events is low. However, the potential consequences of such an event are high enough that additional focus is needed to properly address this risk. While additional facilities could be one mitigation measure, permitting, siting, and construction of additional facilities will require long lead times for implementation.

- Project: Promoting Resiliency – RRM
- Project: Emergency Transformer Replacement – RAPA

Program: Availability of Real-Time Tools and Monitoring

NERC has analyzed data and identified that outages of tools and monitoring systems are fairly common occurrences. Functional capabilities impacted by this risk include perceiving and comprehending the information provided by decision-support tools, information sharing, coordination of models, and planning across seams. Less-than-adequate situational awareness has the potential for significant negative reliability consequences and is often a precursor event or contributor to events. Additionally, insufficient communication and data regarding neighboring entities' operations is also a latent risk that could result in invalid assumptions of another system's behavior or state.

- Project: Latent Risk Awareness of Real-Time Tools – RRM
- Project: Real-Time Reliability Monitoring and Analysis Standards – Standards
- Project: Tool Failure Guidelines – RRM

Program: Right-of-Way Clearances

The failure to maintain transmission rights of way contributes to vegetation and other clearance-related outages. Another latent reliability risk, highlighted by the 2010 *Facility Ratings Alert* to industry, involved the misalignment between the design and actual construction of BPS facilities. Reports from various entities have indicated that in a number of cases, actual conductor-to-ground clearances seen in the field have been inconsistent with those assumed during the design of the facility. Examples of inaccurate historical information that leads to these inconsistencies includes, but is not limited to, misplaced structures or supports, inadequate tower height, and ground profile inaccuracies. While an entity may address this concern by changing the facility ratings, modifying the transmission line configuration, or changing the topography, such cases must be identified before they can be addressed. Failure to address these misalignments could lead to incorrect ratings that are inadequate to prevent equipment damage, cascading, instability, or separation.

- Project: Right-of-Way Entity Visit Evaluations – Compliance Assurance

Overall, the resources expected to be deployed to address these reliability risk projects would be similar for 2016 to the comparable level of effort devoted to these efforts in 2015. Accordingly, each of the respective program areas provides a depiction of the efforts and resource allocation needed to support these projects and those anticipated to be identified for 2016. As the RISC and ERO continue to refine the efforts to establish a multiyear perspective addressing the key reliability initiatives, the specific projects and goals for 2016 (and potentially into 2017 and 2018)

will be more clearly defined. At the same time, for business plan and budgeting purposes, it is expected that the level of effort allocated to these projects in 2015 would remain generally consistent with the levels expected in subsequent years.

Performance Analysis

Performance Analysis collects transmission outage, generator performance, and demand response data in a common format using the various industry databases. This data is used to develop and report on transmission metrics that analyze outage frequency, duration, causes, and many other factors related to transmission outages and generator performance. In addition to collecting simple equipment availability, detailed information about individual outage events is collected that, when analyzed at the regional and NERC levels, provides data that may be used to improve BES reliability.

The key trends, findings, and recommendations from Performance Analysis serve as technical input to the ERO's Reliability Standards and standards project prioritization, compliance process improvements, event analyses, reliability assessment, and critical infrastructure protection efforts. This analysis of BES performance provides an industry reference for historical BES reliability, but it also offers analytical insights that lead toward the prioritization of specific actionable risk control steps for industry. These analyses and results are summarized in the annual state of reliability report, which provides guidance and recommendations leading to enhanced bulk system reliability.

Performance Analysis is working with Event Analysis to develop a link between their various databases. Specific equipment outages will be linked to disturbance reports filed with NERC, enabling better association of transmission and generation outages. The continued alignment between these efforts is expected to enhance the ability to conduct effective event analyses as well as identify key reliability areas for trend analysis of multiple databases. This is expected to improve the depth of event analyses across the ERO Enterprise and expand the quality of data gathered for sophisticated statistical and probabilistic analyses. This will lead to trends and insights about reliability performance, as well as effective measures and actions to address reliability risks.

Reliability Assessment

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

Each year, NERC is responsible for assessing and reporting on the reliability, adequacy, and associated risks that could impact the short-term and the long-term study periods. As emerging risks and potential impacts to reliability are identified, RAPA conducts special reliability assessments and identifies recommendations and guidance actions that may be warranted to lessen identified risks or enhance reliability overall. RAPA's assessments are founded on solid engineering through collaborative and consensus-based approaches.

By identifying and quantifying emerging reliability issues, NERC is able to provide risk-informed recommendations and support a learning environment for industry to pursue improved reliability performance. These recommendations, along with the associated technical analysis, provide the basis for actionable enhancements to resource and transmission planning methods, planning and operating

guidelines, and NERC Reliability Standards. These efforts are expected to expand to reflect the changing resource mix, reliability behavior of resources, and loads. It will include greater focus on probabilistic approaches to conducting assessments as well as focusing seasonal assessments on a short-term horizon to encompass more than peak condition reserve margin analyses.

Key assessments include:

- Long-Term Reliability Assessment (supplemented by the Probabilistic Assessment conducted biennially)
- Summer and Winter (or Short-Term) Reliability Assessments
- Special and Scenario Reliability Assessments

Key Special Assessments in 2016 are expected to include:

- Special Assessment of Reliability Implications of EPA CPP Final Rule (Phase II)
- Comprehensive Essential Reliability Services Assessment

Additionally, RAPA coordinates forecast reliability data between planning areas, the eight Regional Entities, and governmental organizations and produces the Electricity Supply and Demand Database.

A significant ongoing effort anticipated to involve both RAPA, Regional Entity staff, and stakeholders focuses on the continued development of effective Essential Reliability Services. These efforts are expected to lead to a broad set of recommendations that will culminate with defined Essential Reliability Services elements, an evaluation of initial metrics and data compilation of actual performance, and refinement about the ongoing assessment of Essential Reliability Services measures. These recommendations are expected to drive a variety of modifications to the reliability assessment activities, the performance analysis efforts, the system analysis efforts, and potential other related adaptations to reflect the significantly changing resource mix and load reliability behavior.

System Analysis

Understanding the technical behavior of the North American grid is the foundation for identifying crucial aspects of performance that are important for sustaining overall reliability. NERC's understanding of grid behavior is achieved through a comprehensive evaluation of system behavior through constant observation and study, analytic simulations, and forensic analysis of system disturbances. Methodically comparing the results of analytical powerflow and dynamics simulations to actual system behavior enables RAPA to gain insights to enhance predictive system analysis. These insights also establish the framework and foundation for recommendations to improve operating strategies that enhance the performance and reliability of the electric system.

Key Programs:

- Modeling Initiative
 - Improve dynamics
 - Develop quality and fidelity metrics
 - Collaboration with IEEE
- Frequency Response Assessment and Interconnection Frequency Response Obligation Analysis
 - Support BAL-003 and ALR 1-12
- PMU Measurement and Use Improvements

- Interconnection-Wide Model Building Designation and Criteria Administration
- Analysis of TPL Footnote 12
 - Report to FERC on utilization
- BES Exception and Self-Determined Notification Processing
- Model Building Selection and Designation

Based on NERC and industry priorities, and to meet business planning goals, RAPA has chosen not to pursue several issues and initiatives in 2015. Probabilistic analysis of reserve margins for NERC’s long-term reliability assessment will be completed every two years rather than annually (none in 2013 or 2015); the smart grid follow-on work plan will be addressed starting in late 2016; and wind generator availability information (GADS) is being initiated in 2015 such that data gathering begins in the 2016 time frame. In 2015, RAPA will refine the composition of NERC’s annual state of reliability report to expand the GADS data trend analysis, and for 2016 begin to reflect post-seasonal reliability review, insights from analysis of transmission, generator, and demand response data systems (TADS, GADS, and DADS), and integration of event analysis and misoperations.

Further, RAPA will continue to work closely with other organizations, including but not limited to the Electric Power Research Institute (EPRI), the Department of Energy (DOE), the Institute of Electrical and Electronic Engineers (IEEE), the Institute of Nuclear Power Operations (INPO), the North American Transmission Forum (NATF), the North American Generation Forum (NAGF), and the Canadian Electricity Association (CEA). RAPA collaborates with these groups on a number of fronts, including geomagnetic disturbance (GMD), vegetation management, TADS, GADS, and variable generation integration. RAPA will continue working with the Interstate Natural Gas Association of America (INGAA) and the Natural Gas Supply Association (NGSA) regarding studies pertaining to the interdependency of gas and electric systems. NERC anticipates executing in mid-2015 a series of memoranda of understandings with IEEE, NRC, INPO, and DOE regarding collaboration and essential alignment of respective efforts that would be expected to effectuated through concentrated work plan efforts starting in 2016.

BES Definition Implementation

During 2014, RAPA was closely involved in the development of a revised definition for BES. RAPA also worked closely with the Regional Entities to develop a software application to manage the implementation of the revised BES definition and exception process, associated business processes, and guidance supporting the implementation of the BES tool. The BES tool, by which a registered entity submits self-determined notifications or requests for exception of certain elements from the BES, and its functionality for Regions, registered entities, and NERC has been structured to conform to provisions of the Order 773 and 773-A directives and requirements.

The effective date for the implementation of the revised BES definition was July 1, 2014, and it is expected that by the end of 2015, the majority of the entity applications of the BES definition to their respective systems would be essentially complete, and that for 2016 and beyond, the level of reviews and assessments would reach steady state as a result of ongoing changes and modifications to the BES network and elements. The reviews, evaluations, and confirmations of proposed changes to BES elements by registered entities will continue to take place during 2016. This will involve both NERC and Regional Entity resources to manage effective implementation. RAPA may contract outside experts to conduct technical reviews of BES exception requests.

Model-Building Entity Selection and Designation

NERC has committed to selecting and designating the model-building entity for each interconnection by September 2015. As the designee, the entity will support creation of the interconnection-wide powerflow and dynamics cases that include all of the Planning Coordinators in the interconnection, so long as the entity continues to demonstrate, to NERC's satisfaction, the designee functions and attributes developed by the Modeling Project Task Force.

The ERAG/MMWG group will need to transition from a Regional Entity-funded model to a Planning Coordinator-funded model. However, the Planning Coordinators are only responsible for submitting their individual system models to NERC—not for assembling the model. Assembly of the model is currently performed by Powertech, which is funded by the Regional Entities in the Eastern Interconnection at approximately \$400k.

2016 Goals and Deliverables

In 2016, RAPA will seek to accomplish several specific goals and objectives as part of the strategic focus of the ERO Enterprise:

1. Issue reliability assessment reports, guidelines, recommendations, and alerts as needed (including the verification and validation of data and information through Regional Entities and technical committees as required).
 - a. One 10-year long-term reliability assessment
 - b. One short-term reliability assessment (covering both summer and winter, as well as shoulder periods)
 - c. Special assessments addressing key reliability risks (risk projects)
 - Essential Reliability Services Phase II
 - Phase II Special Reliability Assessment on the EPA Clean Power Plan
 - d. One annual state of reliability report
 - e. One frequency response analysis report (to FERC and to support BAL-003 and annual IFRO)
2. Oversee the Generating, Transmission, and Demand Response Availability Data Systems (GADS, TADS, and DADS), along with reliability metrics, misoperations, and the Spare Equipment Database.
 - a. Strengthen data collection and validation processes by designing, creating, testing, and implementing data-checking systems for reliability assessment, system analysis, and risk analysis.
 - b. Provide periodic updates on trends and measures of BES reliability.
3. Develop a risk registry and systematic prioritization process consistent with the RISC framework and support BES risk profile measurement and assessment of standards.
4. Execute integrated risk control strategies and plans across the organization to address the highest-priority existing or emerging risks to BES reliability, and explicitly measure the results.
5. Support NERC Reliability Standard development and responses to FERC directives by providing technical and system analysis expertise.
6. Support the technical foundation development for Reliability Standards to address deficiencies or needs revealed by RAPA.
7. Advance NERC's analytical capability for identifying and determining reliability risks and conducting various reliability assessments.

- a. Integrate Essential Reliability Services analysis and measures into the long-term reliability assessment (include new data collection and analysis approaches needed to address assessment objectives of identifying reliability issues due to a changing resource mix).
 - b. Transmission/deliverability assessments and studies will require advanced powerflow and stability analysis tools.
 - c. Probabilistic assessments will require advanced statistical analysis tools.
8. Provide support and leadership to (1) the Planning Committee and (2) standing committees' subcommittees, working groups, and task forces serving the standing committees.
 9. Assist in the development of approaches to registration and provide input to NERC staff in support of the development CMEP risk elements. Input is based on reliability trends, risks, and historical performance information to ensure that the compliance focus remains on the most critical entities and associated Reliability Standards.
 10. Conduct major event investigations, analyses, and reporting of major findings, recommendations, and lessons learned that will improve reliability.
 11. Build and sustain an Enterprise RAPA team that encompasses risk-informed approaches and structured methods to identify and address reliability risks.
 12. Implement effective oversight and tracking of various technical aspects of reliability, including frequency response performance, application of TPL footnote b adoption, and root cause applications, to assessments and analyses.
 13. Designate, develop, and support interconnection-wide model-building groups. NERC may need to fund model-building work for the Eastern Interconnection; it is now completed by a contractor of ERAG (Powertech).
 14. Develop a structured approach to evaluate and improve system models, model validation, system analysis, and assessments. Align interconnection-wide modeling assessments with NERC's long-term reliability assessment.

Projects Addressing the Top-Priority Reliability Risks as Identified by the RISC

The RISC identified the following top-priority reliability risk projects for consideration in 2015. The projects are supported by one or more NERC departments, as indicated in the list below. As the RISC and ERO refine efforts to establish a multiyear perspective addressing key reliability initiatives, the specific projects and goals for 2015—and potentially into 2016 and 2017—will be more clearly defined as departments take into consideration resource availability.

Project: Essential Reliability Services Special Assessment Phase II

The Reliability Assessments team will incorporate Essential Reliability Services measures within the long-term reliability assessment. The scope of this project consists of scenario analyses of different levels of Essential Reliability Services. (RAPA-RRM)

Project: Development of Standardized Models

The Reliability Initiatives and System Analysis team will continue developing a standardized set of powerflow and dynamic modeling components to support industry's need for more accurate models. (RAPA)

Project: Load Composition Modeling Analysis

The Reliability Initiatives and System Analysis team will work with stakeholders through the Planning Committee to develop a guideline for performing analysis of loads to determine system needs for various essential reliability services. (RAPA)

Project: Model Validation Project

The Reliability Initiatives and System Analysis team will work with stakeholders to improve the quality and fidelity of powerflow and dynamics analysis by validating both the modeling cases and the dynamics models of system elements using the NERC Modeling Validation Guidelines. (RAPA)

Project: Frequency Response Initiative

1. The Reliability Initiatives and System Analysis team will continue to annually calculate the Interconnection Frequency Response Obligations and Frequency Response Obligations for the Balancing Authorities in support of Standard BAL-003-1, Frequency Response and Frequency BIAS Setting. (RAPA)
2. The Reliability Initiatives and System Analysis team will continue to work with the Resource Subcommittee outreach team and the generator owners and operators to improve the frequency response of traditional generators. (RAPA)
3. The Reliability Initiatives and System Analysis team will work with the Resources Subcommittee, the Frequency Response Working Group, and the ERSTF and develop a guideline for frequency-responsive resource performance. This will entail collaboration with IEEE, NAGF, and other subject matter experts. (RAPA)

Project: Support for IEEE 1547–Standard for Interconnecting Distributed Resources with Electric Power Systems

The Reliability Initiatives and System Analysis team will continue its work with the standards-setting groups at IEEE to develop rules that establish frequency and voltage disturbance ride-through obligations for distributed energy resources. (RAPA)

Project: Gas-Electric Interdependencies and Infrastructure Assessment

The Reliability Assessments team will develop an assessment designed to analyze future risks to the BPS resulting from significant integration of gas-fired generation. (RAPA)

Project: Environmental Regulations Special Assessment

The Reliability Assessments team will continue NERC’s assessment strategy around the EPA’s Clean Power Plan. (RAPA)

Project: Protection System Reliability Analysis

The Reliability Initiatives and System Analysis team will continue analysis of single-point-of-failure data reported in response to Order No. 754 to determine whether an industry response is necessary. The results of that analysis will be presented to the Planning Committee (RAPA-RISA), the RISC, and the Standards Committee for development of ERO responses to address the findings of this analysis. (RAPA-RRM)

Project: Guidelines for Coordination of Protection Systems and Other Devices

The Reliability Initiatives and System Analysis team will work with stakeholders to leverage the existing body of work developed by NERC’s Special Protection and Control Subcommittee to seek industry comments to develop a guideline on appropriate approaches to coordinate transmission and generation protection systems. Included in the scope is coordination of the design and operation of transmission system protection, generator protection and control, special protection systems, and under-frequency and under-voltage load-shedding programs. Additionally,

modeling necessary for assessing coordination through planning and operating assessments of system performance will be considered. (RAPA)

Project: Emergency Transformer Replacement

The Reliability Assessments and Performance Analysis teams will work with industry to encourage participation in coordination support programs such as the Spare Equipment Database and the Spare Transformer Equipment Program. Reliability Assessments and Performance Analysis will also work to share information regarding the Recovery Transformer Program. (RAPA)

Project: Protection System Performance Improvements

The Performance Analysis team will collaborate with industry to minimize setting errors, maintain microprocessor-based relay firmware, and apply power line carrier communication-aided protection. A number of potential approaches will be used, including site visits, webinars, guidelines, and lessons learned. (RAPA-RRM)

The overall impact of resource allocations on the NERC budget reflected in the individual project program areas is reflected in the summary overview below.

Resource Requirements

Personnel

Additional personnel (including open positions) were reallocated to RAPA from other departments to address increased resource demands associated with ongoing reliability assessment, performance analysis, and system analysis activities. The schedule of FTEs shows RAPA at a comparable level to 2015 due to the anticipated timing of new hires and the application of an increased vacancy rate across the whole organization.

Contractor Expenses

The total contractor and consultant expenses for the department are projected at \$1.1M, representing an approximate \$129k increase over the 2015 budget. The 2016 contractor and consulting resources are described below and are grouped into four categories. Further information is provided on Exhibit C.

1. Research and Initiative Implementation, Tracking, and Reporting
 - a. Reliability effects of GMD
 - b. Collaboration research with DOE
2. Special and Long-Term Assessments and State of Reliability Analysis
 - a. Scenario assessment consultants
 - b. EPA CPP assessment consultants
 - c. Essential Reliability Services assessment analyses consultants
 - d. Probabilistic assessments
3. Licensing and Support of Existing Databases
 - a. System analysis tools
 - o Powerflow model analysis tools
 - o Probabilistic loss-of-load analysis tool
 - o Security-constrained economic dispatch tool
 - b. Reliability Assessment Data System (NERC-RADS)

4. Software Application Development—Replacement for the software application for industry access to GADS data is included in the Information Technology Capital budget, as are costs related to the development of enterprise software applications such as development of the Reliability Assessment Database applications.

Statement of Activities and Fixed Assets Expenditures							
2015 Budget & Projection, and 2016 Budget							
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS							
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)	2016 Budget Draft 1	Variance to Prior Draft Over(Under)
Funding							
ERO Funding							
NERC Assessments	\$ 9,571,195	\$ 9,571,195	\$ -	\$ 9,626,497	\$ 55,302	\$ 10,209,260	\$ (582,763)
Penalty Sanctions	186,581	186,581	-	226,769	40,189	140,101	86,668
Total NERC Funding	\$ 9,757,776	\$ 9,757,776	\$ -	\$ 9,853,266	\$ 95,491	\$ 10,349,361	\$ (496,094)
Third-Party Funding	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	50,000	50,000	-	50,000	-	50,000	-
Workshops	17,500	17,500	-	15,000	(2,500)	15,000	-
Interest	474	474	-	462	(12)	489	(27)
Miscellaneous	-	26	26	-	-	-	-
Total Funding (A)	\$ 9,825,750	\$ 9,825,776	\$ 26	\$ 9,918,728	\$ 92,979	\$ 10,414,850	\$ (496,122)
Expenses							
Personnel Expenses							
Salaries	\$ 2,833,480	\$ 2,789,268	\$ (44,212)	\$ 2,713,593	\$ (119,887)	\$ 2,879,571	(165,978)
Payroll Taxes	176,963	199,058	22,095	187,469	10,506	193,310	(5,840)
Benefits	356,502	319,588	(36,914)	340,119	(16,383)	349,129	(9,010)
Retirement Costs	317,664	269,958	(47,706)	301,588	(16,077)	321,491	(19,903)
Total Personnel Expenses	\$ 3,684,609	\$ 3,577,872	\$ (106,737)	\$ 3,542,769	\$ (141,840)	\$ 3,743,500	(200,731)
Meeting Expenses							
Meetings	\$ 90,018	\$ 74,679	\$ (15,339)	\$ 110,000	\$ 19,982	\$ 110,000	-
Travel	313,993	314,000	7	326,510	12,517	334,242	(7,732)
Conference Calls	31,500	27,000	(4,500)	27,000	(4,500)	27,000	-
Total Meeting Expenses	\$ 435,511	\$ 415,679	\$ (19,832)	\$ 463,510	\$ 27,999	\$ 471,242	(7,732)
Operating Expenses							
Consultants & Contracts	\$ 955,450	\$ 1,160,780	\$ 205,330	\$ 1,084,039	\$ 128,589	\$ 1,084,039	-
Office Rent	-	-	-	-	-	-	-
Office Costs	152,386	133,041	(19,345)	139,998	(12,388)	141,792	(1,795)
Professional Services	-	-	-	-	-	-	-
Miscellaneous	500	500	-	500	-	500	-
Depreciation	228,000	274,510	46,510	386,024	158,024	386,024	-
Total Operating Expenses	\$ 1,336,336	\$ 1,568,831	\$ 232,495	\$ 1,610,561	\$ 274,225	\$ 1,612,355	\$ (1,795)
Total Direct Expenses	\$ 5,456,456	\$ 5,562,382	\$ 105,926	\$ 5,616,840	\$ 160,384	\$ 5,827,097	(210,258)
Indirect Expenses	\$ 4,149,598	\$ 4,513,467	\$ 363,869	\$ 4,396,749	\$ 247,152	\$ 4,665,318	(268,569)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Total Expenses (B)	\$ 9,606,054	\$ 10,075,849	\$ 469,795	\$ 10,013,589	\$ 407,535	\$ 10,492,416	\$ (478,827)
Change in Assets	\$ 219,696	\$ (250,073)	\$ (469,770)	\$ (94,860)	\$ (314,556)	\$ (77,566)	(17,295)
Fixed Assets							
Depreciation	(228,000)	(274,510)	(46,510)	(386,024)	(158,024)	(386,024)	-
Computer & Software CapEx	200,000	688,836	488,836	-	(200,000)	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	\$ 247,696	\$ 321,173	\$ 73,477	291,164	\$ 43,468	\$ 308,459	(17,295)
Inc(Dec) in Fixed Assets (C)	\$ 219,696	\$ 735,499	\$ 515,803	\$ (94,860)	\$ (314,556)	\$ (77,566)	\$ -
TOTAL BUDGET (=B + C)	\$ 9,825,750	\$ 10,811,348	\$ 985,599	\$ 9,918,728	\$ 92,979	\$ 10,414,850	\$ (496,122)
FTEs	19.70	19.56	(0.14)	18.67	(1.03)	19.59	(0.92)

Reliability Risk Management

NERC's Reliability Risk Management (RRM) group carries out the ERO's statutory responsibility to perform assessments (real time or near real time) of the reliability and adequacy of the BES, including identifying potential issues of concern relating to system, equipment, entity, and human performance that may indicate the need to develop new or modified Reliability Standards. RRM has two departments: Situation Awareness (also referred to as Bulk Power System Awareness) and Event Analysis. These departments are responsible for four primary functions: (1) BES awareness; (2) event analysis and determination of root and contributing causes; (3) assessment of human performance challenges that affect BES reliability and identification of improvement opportunities; and (4) support of the NERC Operating Committee.

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

Situation Awareness Department

	Situation Awareness (in whole dollars)				
	2015 Budget	2016 Budget	Increase (Decrease)	2016 Budget - Prior Draft	Variance to Prior Draft Over(Under)
Total FTEs	6.10	5.53	(0.57)	5.53	-
Direct Expenses	\$ 2,446,801	\$ 2,310,875	\$ (135,926)	\$ 2,309,418	\$ 1,457
Indirect Expenses	\$ 1,284,901	\$ 1,302,775	\$ 17,875	\$ 1,317,266	\$ (14,491)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	(84,800)	78,547	163,346	79,368	(821)
TOTAL BUDGET	\$ 3,646,902	\$ 3,692,197	\$ 45,295	\$ 3,706,052	\$ (13,855)

Background and Scope

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

Stakeholder Engagement and Benefit

BES conditions continually change and provide recognizable signatures through automated tools, mandatory reports and voluntary information sharing, and third-party publicly available sources. The significant majority of these signatures represents conditions and occurrences that have little or no reliability impact, either positive or adverse, on the BES. However, being cognizant of the short-term condition of the BES and the signatures associated with the entire range of reliability performance helps the ERO identify significant occurrences and events more accurately and efficiently. Registered entities continue to robustly share information and collaborate with the ERO in an effort to maintain and improve the overall reliability of the grid.

Key Efforts Underway

Several reliability-related situation awareness and monitoring tools will undergo enhancement, replacement, streamlining, or modification. The following tools are being focused on during 2015: (1) operation and maintenance of Situation Awareness for NERC, FERC, and Regions, Version 2 (SAFNRv2) software application used for monitoring; (2) replacement of the current secure alert tool with a streamlined alert process that will notify industry via email and direct entity representatives to the NERC alerts page for public alerts and to the ES-ISAC portal for confidential, non-public alerts; and (3) retirement of NERCnet (Frame Relay Contract) – Interconnection Security Network (ISN) and initiation of service, using a new communication network developed, sponsored, and managed by the Eastern Interconnection Data Sharing Network consortium.

2016 Goals and Deliverables

In 2016, the Situation Awareness department will seek to accomplish the following specific goals and deliverables:

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

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

Resource Adequacy (ACE Frequency) Tool

This software application provides continuous monitoring of key resource adequacy performance metrics, including pre-established thresholds and limits defined in standards. It alerts Reliability Coordinators and resource subcommittees to conditions that could result in critical inadequacies, such as major tie errors, inaccurate load forecasts, and inadequate frequency response.

Inadvertent Interchange

This tool facilitates the entering of monthly scheduling data and submittal of monthly inadvertent performance standards reports to NERC. It also assists in the monitoring and resolution of reliability issues originated by inadvertent interchange imbalances.

Frequency Monitoring and Analysis Tool

This tool detects frequency events and captures key frequency response information for each interconnection.

Intelligent Alarms Tool

This tool detects short-term and long-term frequency deviations using data transmitted to NERC by the Balancing Authorities. When coupled with the FNet²⁶ and Frequency Monitoring and Analysis tools, this tool allows immediate differentiation of the cause of a frequency deviation—a generator trip or a scheduling error.

Area Interchange Error Monitoring Tool

This is an automatic data collection tool for post-analysis of frequency excursions. It is used in major system disturbances as part of the frequency response analysis.

Genscape

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

Resource Requirements

Personnel

No additional personnel are projected for the Situation Awareness department in 2016.

Contractor Expenses

The overall funding of approximately \$1.2M for contractors and consultants (which includes the cost of the tools set forth above) to support the Situation Awareness department in 2016 represents a slight increase over 2015 budget levels. The detailed 2016 contractor and consulting budget for the Situation Awareness department is set forth in Exhibit C with a comparison to 2015 budgeted amounts.

²⁶ FNet – Operated by the Power Information Technology Laboratory at the University of Tennessee, FNET is a low-cost, quickly deployable global positioning system (GPS)-synchronized wide-area frequency measurement network. High dynamic accuracy Frequency Disturbance Recorders (FDRs) are used to measure the frequency, phase angle, and voltage of the power system at ordinary 120 V outlets. The measurement data are continuously transmitted via the Internet to the FNET servers hosted at the University of Tennessee and Virginia Tech.

Section A — 2016 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures 2015 Budget & Projection, and 2016 Budget

SITUATION AWARENESS

	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)	2015 Budget Draft 1	Variance to Prior Draft Over(Under)
Funding							
ERO Funding							
NERC Assessments	\$ 3,588,981	3,588,981	\$ -	\$ 3,624,868	\$ 35,887	\$ 3,666,356	\$ (41,488)
Penalty Sanctions	57,774	57,774	-	67,193	9,419	39,558	27,635
Total NERC Funding	\$ 3,646,755	\$ 3,646,755	\$ -	\$ 3,692,060	\$ 45,305	\$ 3,705,914	\$ (13,853)
Third-Party Funding	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	147	147	0	137	(10)	138	(1)
Miscellaneous	-	8	8	-	-	-	-
Total Funding (A)	\$ 3,646,902	\$ 3,646,910	\$ 8	\$ 3,692,197	\$ 45,295	\$ 3,706,052	\$ (13,855)
Expenses							
Personnel Expenses							
Salaries	\$ 849,802	\$ 779,928	\$ (69,874)	\$ 764,342	\$ (85,460)	\$ 764,342	-
Payroll Taxes	55,831	59,674	3,843	58,235	2,404	58,235	-
Benefits	112,106	99,038	(13,068)	101,765	(10,341)	100,493	1,272
Retirement Costs	95,226	80,002	(15,224)	85,275	(9,951)	85,123	152
Total Personnel Expenses	\$ 1,112,965	\$ 1,018,642	\$ (94,323)	\$ 1,009,617	\$ (103,349)	\$ 1,008,192	1,424
Meeting Expenses							
Meetings	\$ 5,000	\$ 5,000	\$ -	\$ 6,500	\$ 1,500	\$ 6,500	-
Travel	45,882	45,000	(882)	33,005	(12,877)	32,972	33
Conference Calls	2,610	1,000	(1,610)	1,000	(1,610)	1,000	-
Total Meeting Expenses	\$ 53,492	\$ 51,000	\$ (2,492)	\$ 40,505	\$ (12,987)	\$ 40,472	33
Operating Expenses							
Consultants & Contracts	\$ 1,077,321	\$ 1,417,589	\$ 340,268	\$ 1,211,475	\$ 134,154	\$ 1,211,475	-
Office Rent	-	-	-	-	-	-	-
Office Costs	41,025	41,000	(25)	41,052	27	41,052	-
Professional Services	-	-	-	-	-	-	-
Miscellaneous	500	500	-	500	-	500	-
Depreciation	161,498	7,107	(154,390)	7,727	(153,771)	7,727	-
Total Operating Expenses	\$ 1,280,343	\$ 1,466,196	\$ 185,853	\$ 1,260,754	\$ (19,590)	\$ 1,260,754	\$ -
Total Direct Expenses	\$ 2,446,801	\$ 2,535,838	\$ 89,038	\$ 2,310,875	\$ (135,926)	\$ 2,309,418	\$ 1,457
Indirect Expenses	\$ 1,284,901	\$ 1,319,889	\$ 34,988	\$ 1,302,775	\$ 17,875	\$ 1,317,266	\$ (14,491)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 3,731,701	\$ 3,855,727	\$ 124,026	\$ 3,613,650	\$ (118,051)	\$ 3,626,684	\$ (13,034)
Change in Assets	\$ (84,800)	\$ (208,818)	\$ (124,018)	\$ 78,547	\$ 163,346	\$ 79,368	(821)
Fixed Assets							
Depreciation	(161,498)	(7,107)	154,390	(7,727)	153,771	(7,727)	-
Computer & Software CapEx	-	23,000	23,000	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	\$ 76,698	\$ 93,922	17,224	86,273	9,575	\$ 87,094	(821)
Inc(Dec) in Fixed Assets (C)	\$ (84,800)	\$ 109,815	\$ 194,614	\$ 78,547	\$ 163,346	\$ 79,368	\$ -
TOTAL BUDGET (=B + C)	\$ 3,646,902	\$ 3,965,542	\$ 318,640	\$ 3,692,197	\$ 45,295	\$ 3,706,052	\$ (13,855)
FTEs	6.10	5.72	(0.38)	5.53	(0.57)	5.53	-

Event Analysis Department

Event Analysis (in whole dollars)					
	2015 Budget	2016 Budget	Increase (Decrease)	2016 Budget - Prior Draft	Variance to Prior Draft Over(Under)
Total FTEs	9.38	11.06	1.68	11.06	-
Direct Expenses	\$ 2,303,098	\$ 2,650,065	\$ 346,968	\$ 2,639,231	\$ 10,834
Indirect Expenses	\$ 1,975,798	\$ 2,605,551	\$ 629,753	\$ 2,634,533	\$ (28,982)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (75,728)	\$ 100,179	\$ 175,907	\$ 101,821	\$ (1,642)
TOTAL BUDGET	\$ 4,203,169	\$ 5,355,795	\$ 1,152,626	\$ 5,375,585	\$ (19,790)

Background and Scope

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

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

Stakeholder Engagement and Benefit

The Event Analysis department coordinates event analyses to support the use of collective resources, consistency in analysis, and timely delivery of event analysis reports.²⁷ The ERO disseminates to the electric industry lessons learned and other useful information obtained from or as a result of event analysis. The Event Analysis team conducts in-depth analyses of approximately 150 events per year on average. In 2014, the team also conducted calls facilitated by the Regional Entities with over 140 registered entities to discuss in detail and finalize root and contributing causes for the categorized events analyzed. Major analysis to date includes continuing assessment of Energy Management System (EMS) outages, publication of an Advisory Alert regarding the importance of Distributed Control System settings to generator governor frequency response, and analyses of substation equipment failure trends and ground overcurrent relay misoperations.

Collaboration with the Trade Associations and Forums

The activities of the North American Transmission Forum (NATF), the North American Generator Forum (NAGF), trade associations, and other industry groups are expected to compliment ERO Enterprise

²⁷ The core process for Event Analysis is outlined in the Board-approved process: Electric Reliability Organization Event Analysis Process - Version 2 (July 2013).

activities and limit the need to add incremental resources to the NERC and Regional Entity business plans and budgets that might otherwise be required in the absence of these forums.

NERC is supporting the NAGF's ongoing transformation into a more formal structure through 2016 and continuing through 2018 with logistical and administrative support directly furthering NAGF's goals and business plan.

NATF has been invited to participate in several reliability initiatives that are expected to continue into 2016, including protection systems misoperations reduction, physical security, various activities related to reliability assurance initiatives, improvement of modeling practices, and complementary efforts on addressing the GMD challenges.

2016 Goals and Deliverables

In 2016, the Event Analysis department will seek to accomplish several specific goals and objectives as part of the strategic focus of the ERO Enterprise:

- Work with the Regional Entities to obtain and review information from registered entities on qualifying events and disturbances to advance awareness of events above a threshold level; facilitate analysis of root and contributing causes, risks to reliability, wide-area assessments, and remediation efforts; and disseminate information regarding events in a timely manner.
- Ensure that all reportable events are analyzed for sequence of events, root cause, risk to reliability, and mitigation.
- Continue to refine risk-based methods to support better identification of reliability risks, including the use of more sophisticated cause codes for analysis.
- Ensure consistency in reporting and analysis to support wide-area assessments of significant reliability trends and risks.
- Conduct training (webinars, workshops, and conference support) to inform industry and the ERO of lessons learned, root cause analysis, trends, human performance, and cold weather preparedness and recommendations.
- Develop reliability recommendations and alerts as needed.
- Track industry accountability for critical reliability recommendations.
- Ensure that industry is well informed of system events, emerging trends, risk analysis, lessons learned, and expected actions.
- Conduct major event analysis and reporting of major findings and recommendations that will improve reliability.
- Advance the quality and usefulness of reliability assessments and event analysis data.

The Event Analysis department will also support several of the top-priority reliability risk projects during 2016 through 2017, as identified and described under the Reliability Assessment and Performance Analysis department section of this document.

Resource Requirements

Personnel

Additional resources were allocated to the department in 2015 to support increased work load. No additional personnel are planned to be added to the Event Analysis department in 2016.

Contractor Expenses

The overall funding of \$56k for contractors and consultants to support the Event Analysis department in 2016 represents an increase over 2015 since the department did not have any budgeted contractor and consulting funds in 2015. This modest addition will augment internal capabilities and capacity in the areas of substation equipment, protection systems, and data analysis. The detailed 2016 contractor and consulting budget for the Event Analysis department is set forth in Exhibit C, together with a comparison to 2015 budgeted amounts.

Statement of Activities and Fixed Assets Expenditures 2015 Budget & Projection, and 2016 Budget							
EVENT ANALYSIS							
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)	2016 Budget Draft 1	Variance to Prior Draft Over(Under)
Funding							
ERO Funding							
NERC Assessments	\$ 4,066,804	\$ 4,066,804	\$ -	\$ 5,181,136	\$ 1,114,332	\$ 5,256,193	\$ (75,057)
Penalty Sanctions	88,839	88,839	-	134,385	45,546	79,116	55,269
Total NERC Funding	\$ 4,155,643	\$ 4,155,643	\$ -	\$ 5,315,521	\$ 1,159,878	\$ 5,335,309	\$ (19,788)
Third-Party Funding	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	47,300	43,025	(4,275)	40,000	(7,300)	40,000	-
Interest	226	226	-	274	48	276	(3)
Miscellaneous	-	15	15	-	-	-	-
Total Funding (A)	\$ 4,203,169	\$ 4,198,909	\$ (4,260)	\$ 5,355,795	\$ 1,152,626	\$ 5,375,585	\$ (19,790)
Expenses							
Personnel Expenses							
Salaries	\$ 1,447,159	\$ 1,714,485	\$ 267,326	\$ 1,716,263	\$ 269,104	\$ 1,708,129	8,135
Payroll Taxes	92,831	113,761	20,930	114,132	21,301	113,987	145
Benefits	173,284	196,077	22,793	202,259	28,975	200,987	1,272
Retirement Costs	162,193	174,304	12,111	191,377	29,183	190,248	1,128
Total Personnel Expenses	\$ 1,875,467	\$ 2,198,627	\$ 323,160	\$ 2,224,030	\$ 348,563	\$ 2,213,350	10,680
Meeting Expenses							
Meetings	\$ 79,228	\$ 134,228	\$ 55,000	\$ 81,500	\$ 2,272	\$ 81,500	-
Travel	114,500	124,790	10,290	152,487	37,987	152,333	154
Conference Calls	10,000	10,000	-	14,000	4,000	14,000	-
Total Meeting Expenses	\$ 203,728	\$ 269,018	\$ 65,290	\$ 247,987	\$ 44,259	\$ 247,833	154
Operating Expenses							
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 56,000	\$ 56,000	\$ 56,000	-
Office Rent	-	-	-	-	-	-	-
Office Costs	29,736	47,156	17,419	49,181	19,445	49,181	-
Professional Services	-	-	-	-	-	-	-
Miscellaneous	500	500	-	500	-	500	-
Depreciation	193,667	193,667	0	72,367	(121,299)	72,367	-
Total Operating Expenses	\$ 223,903	\$ 241,322	\$ 17,419	\$ 178,048	\$ (45,855)	\$ 178,048	\$ -
Total Direct Expenses	\$ 2,303,098	\$ 2,708,967	\$ 405,869	\$ 2,650,065	\$ 346,967	\$ 2,639,231	\$ 10,834
Indirect Expenses	\$ 1,975,798	\$ 2,612,088	\$ 636,290	\$ 2,605,551	\$ 629,753	\$ 2,634,533	\$ (28,982)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 4,278,897	\$ 5,321,055	\$ 1,042,159	\$ 5,255,616	\$ 976,719	\$ 5,273,764	\$ (18,148)
Change in Assets	\$ (75,728)	\$ (1,122,146)	\$ (1,046,418)	\$ 100,179	\$ 175,907	\$ 101,821	\$ (1,642)
Fixed Assets							
Depreciation	(193,667)	(193,667)	(0)	(72,367)	121,299	(72,367)	-
Computer & Software CapEx	-	217,102	217,102	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	\$ 117,939	\$ 185,873	67,935	172,546	54,608	\$ 174,189	(1,642)
Inc(Dec) in Fixed Assets (C)	\$ (75,728)	\$ 209,308	\$ 285,036	\$ 100,179	\$ 175,907	\$ 101,821	\$ (1,642)
TOTAL BUDGET (=B + C)	\$ 4,203,169	\$ 5,530,364	\$ 1,327,195	\$ 5,355,795	\$ 1,152,626	\$ 5,375,585	\$ (19,790)
FTEs	9.38	11.32	1.94	11.06	1.68	11.06	-

Electricity Sector Information Sharing and Analysis Center (ES-ISAC)²⁸

	ES-ISAC (in whole dollars)		Increase (Decrease)	2016 Budget - Prior Draft	Variance to Prior Draft Over(Under)
	2015 Budget	2016 Budget			
Total FTEs	18.76	18.90	0.14	18.44	0.46
Direct Expenses	\$ 14,078,643	\$ 11,965,349	\$ (2,113,294)	\$ 13,599,920	\$ (1,634,570)
Indirect Expenses	\$ 3,951,596	\$ 4,450,914	\$ 499,317	\$ 4,390,888	\$ 60,026
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 335,877	\$ 351,262	\$ 15,385	\$ 246,825	\$ 104,437
TOTAL BUDGET	\$ 18,366,117	\$ 16,767,525	\$ (1,598,592)	\$ 18,237,633	\$ (1,470,108)

Background and Scope

The ES-ISAC was formed in 1998 when the U.S. Secretary of Energy requested that NERC serve as the ISAC²⁹ for the electricity sub-sector.³⁰ The ES-ISAC's primary function is the rapid and secure sharing of information with the electric industry and governmental entities regarding real and potential security threats to the electricity sector, as well as methods and tools to avoid or mitigate the potential impact from these threats. ES-ISAC facilitates sector coordination regarding physical security and cybersecurity events affecting the BES.

The ES-ISAC is a founding member of the National Council of ISACs and participates in daily coordination with its members to ensure effective collaboration. This close coordination is essential for addressing critical infrastructure protection and resilience within each sector, as well as the important interdependencies that exist among sectors.

The ES-ISAC directly benefits stakeholders by:

- Serving as a central coordination hub for electricity sector cyber and physical risk and security information sharing and sector coordination support.
- Sharing information derived (declassified format) from classified threat and security vulnerability briefings that is otherwise not generally available.
- Enhancing industry initiated security assessments and capabilities through information sharing.
- Helping to improve the security of the BES and electric sector.

The ES-ISAC develops alerts and notifications for distribution to registered entities. The ES-ISAC also utilizes its secure, private information-sharing portal to receive voluntary reports from industry members. This portal is designed with the ability to receive unattributed reports to increase information reporting.

²⁸ In 2015, NERC combined its Critical Infrastructure Department (CID) into the ES-ISAC for both operational and financial reporting purposes.

²⁹ The Information Security Analysis Center (ISAC) construct was conceived and operates under US Government authorities derived from Presidential Decision Directive 63, which was signed in 1998. The ISACs focus specifically on information sharing, analytics and sector activities directly related to the protection of critical infrastructure.

³⁰ Subsequent administrations have sought to continue and strengthen information sharing in other sectors by establishing other sector-specific ISACs. In 2013, the Department of Energy (DOE) again reaffirmed its desire for NERC to continue to operate the ES-ISAC.

Having access to information regarding threats (including threats faced by other sectors, such as the financial and communications industries) and the ability to analyze the potential impact of these threats on the electric sector and share this information with industry improves the security of the electric sector.

The ES-ISAC also maintains a seat on the operations floor of the National Cybersecurity and Communications Integration Center (NCCIC) within the Department of Homeland Security (DHS). This operations center is the hub for real-time, classified threat and vulnerability work, and the ES-ISAC serves a central private sector role in this operation. The NCCIC operations floor is where ES-ISAC personnel holding the appropriate security clearances analyze the threat and vulnerability component provided by the intelligence community to make initial determinations of potential BES impacts. The ES-ISAC maintains other information-sharing relationships throughout the U.S. and Canadian governments, including the DOE, Canadian Secret Intelligence Service, and U.S. Department of Defense. The ES-ISAC also coordinates information sharing with similar agencies in Australia, New Zealand, and the United Kingdom.

The department also supports an annual grid security conference (GridSecCon) and a biennial Grid Security Exercise (Grid-X). ES-ISAC staff also works with industry and governmental entities to examine critical infrastructure protection policy issues and provides staff-level support to NERC's Critical Infrastructure Protection Committee, an industry-led committee comprised of industry experts in the areas of cybersecurity, physical and operational security.

Maintaining Separation from Compliance and Enforcement

In February 2012, the Board of Trustees approved an [ES-ISAC Policy Statement](#) that established a separation between the ES-ISAC and NERC's compliance and enforcement program. In support of this policy and in furtherance of one of the FERC recommendations from an audit of NERC, in June 2013, NERC requested comments from stakeholders regarding the impact on NERC's compliance-related activities of the walling off of certain staff from ES-ISAC activities (this is further detailed in the ES-ISAC Policy Statement.) In response to the request for comments, stakeholders generally expressed support for this policy.³¹ Commenters recommended even stronger separation of the ES-ISAC information-sharing function from NERC's compliance and enforcement function, including physical separation of ES-ISAC personnel from other NERC personnel, coupled with strong process management with explicit access restrictions from all NERC personnel. Commenters also recommended the adoption of standards of conduct and procedures similar to those governing separation of utility merchant and transmission functions, as well as a change in management reporting structure in which the ES-ISAC would report directly to the NERC president and chief executive officer. In consideration of this input, NERC management undertook a number of initiatives, including:

- Separating the ES-ISAC from other operating areas within NERC and having the ES-ISAC and the NERC chief security officer report directly to NERC's president and chief executive officer.
- Transferring critical infrastructure protection auditors to NERC's Compliance Assurance Department which provides oversight of Regional Entity compliance functions. In addition to removing these auditors from the same department as ES-ISAC personnel, this transfer provided better functional alignment among the auditors and more efficient management of the compliance oversight and audit assurance function.
- Finalizing a formal Employee Code of Conduct to further memorialize the existing separation of the ES-ISAC from Compliance Monitoring and Enforcement personnel. The Code of Conduct

³¹ The full text of the comments may be found at the following link:
<http://www.nerc.com/gov/bot/FINANCE/2014%20Business%20Plan%20and%20Budget2nd%20Draft/ES-ISAC%20Comments%20Received%20as%20of%2008-02-13.pdf>

contains many of the principals incorporated in codes of conduct separating utility competitive and regulated operations.

- Exercising an option to acquire additional space in the company's Washington, D.C. office to physically separate the ES-ISAC from the company's other operations and restrict personnel access between operating areas and the ES-ISAC. The build out of this space was recently completed and the ES-ISAC operations and personnel are now physically separated from other NERC personnel.
- Establishing, in 2014, a separated secure cloud environment to house the ES-ISAC Portal was established. In 2015, a separate data facility for ES-ISAC IT infrastructure was installed, including segmented networking and server data infrastructure to provide business functions such as email, storage, and other IT needs. By Q4 2015, the ES-ISAC IT infrastructure will be physically, logically, and operationally separated from other NERC's other IT infrastructure.

Management is also continuing to enhance internal policies, procedures and training applicable to ES-ISAC operations, with particular emphasis on restrictions applicable to information sharing between ES-ISAC personnel and other NERC personnel.

Key Efforts Underway

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

During 2015, as part of a periodic review of companywide resource needs and resource allocation, NERC allocated additional resources support to the ES-ISAC. Management is recruiting personnel to fill open positions, and recruited and appointed a senior vice president and chief security officer in charge of ES-ISAC operations. Ongoing resources requirements consist primarily of personnel, contractors, consultants, software, hardware and communications infrastructure to gather, analyze, and provide information regarding cybersecurity threats.

In the fourth quarter of 2014 and with board industry support, NERC also assumed management responsibility for the Cyber Risk Information Sharing Program (CRISP). CRISP is a public-private partnership whose purpose is to facilitate the sharing of cyber threat information and to develop situation awareness tools that enhance the electricity sector's ability to identify, prioritize, and coordinate the protection of its critical infrastructure. CRISP provides critical infrastructure owners and operators the capability to voluntarily share cyber threat data, analyze this data, and receive machine-to-machine mitigation measures. Information-sharing devices that are installed on participants' networks send encrypted data to a CRISP analysis center operated by the Pacific Northwest National Labs (PNNL), which analyzes the data it receives and sends alerts and mitigation measures back to CRISP participants through secure communications. CRISP became fully operational in 2015. The ES-ISAC will continue to work with PNNL, CRISP participants and ES-ISAC registered users to strengthen program execution, including both quality and timeliness aspects of information sharing. Working closely with PNNL, NERC has developed a 2016 CRISP budget which has been distributed to the CRISP participants for review and approval. Pursuant to the terms of the CRISP participants agreements the vast majority of CRISP costs are funded by CRISP participants, with a portion of NERC's incremental internal budget be funded equally by CRISP participants and through assessments. The 2016 ES-ISAC budget maintains the same percentage allocation of CRISP funding requirements from assessments and from CRISP participants as 2015. In connection with the growth of the program and related support needs from ES-ISAC staff, the 2016 ES-ISAC budget also reflects

an increase in the number of budgeted ES-ISAC FTEs allocated to support CRISP. As the program grows in the future additional resources may be allocated to further support CRISP.

During 2015, the Electricity Sector Coordinating Council (ESCC)³² initiated a strategic review of the ES-ISAC. The objective of this initiative was to gain a better understanding of the ES-ISAC operations and capabilities, benchmark these operations and capabilities against other ISACs (e.g. the financial services sector ISAC) and make recommendations regarding future enhancement in the ES-ISAC's operations and capabilities. This review has produced several initial key findings and recommendations ("ESSC Findings and Recommendations") for the ESSC membership which collectively support an overarching vision of the ES-ISAC becoming a leading, trusted source for the analysis and sharing of electricity security information. The ESSC Findings and Recommendations are intended to ensure that the ES-ISAC and associated collaborative activities within the subsector contribute to the building upon the capabilities of the ES-ISAC in support of this vision. NERC senior management is working with ESSC leadership to facilitate ongoing ESSC involvement in ES-ISAC strategic oversight.

The ESSC Findings and Recommendations will be reviewed at the August, 2015 MRC and NERC board meetings.

2016 Goals and Deliverables

NERC's 2016 budget provides ongoing resource support for the ES-ISAC. This resource support is primarily directed to five areas:

1. Improving the usability and functionality of the information-sharing portal³³.
2. Advancing information collection and analytical capabilities, portal monitoring, and information sharing.
3. Ongoing improvements in CRISP program management.
4. Enhancing industry engagement, including the identification of needs and expectations.
5. Continuing to work with ESSC leadership to build a more effective and responsive ES-ISAC.

Resource Requirements

Personnel

As previously noted, in 2015 additional open budgeted resources were re-allocated to provide support to the ES-ISAC³⁴. The year over year comparison of budgeted FTEs is net of a reduction in ES-ISAC FTEs due to the transfer of CID auditors to the Compliance Assurance department. This had the effect of offsetting the impact of the allocation of these additional resources.

The ES-ISAC staffing and organizational structure has recently been updated to reflect four primary focus areas (1) customer engagement, (2) watch operations (3) cyber security analysis, and (4) physical security analysis. NERC's 2016 organization chart attached as Appendix 1 has been updated to reflect these

³² The role of the Electricity Sub-sector Coordinating Council is to foster and facilitate the coordination of sector-wide policy-related activities and initiatives to improve the reliability and resilience of the Electricity Sub-sector, including physical and cybersecurity infrastructure. The ESSC consists of one member from the NERC Board of Trustees (appointed by the board chairperson), the NERC Chief Executive Officer, five CEO-level executives from NERC member organizations, and the chairperson of the NERC Critical Infrastructure Protection Committee.

³³ The ES-ISAC portal is being actively developed and upgraded. In 2014, it was moved to a new self-owned segmented and secured cloud platform. Additional enhancements will be released in 2015 to make the portal more useful for both cyber and physical security information sharing.

³⁴ Departments with reduced staffing needs included the legal, enforcement and standards departments.

changes. The ES-ISAC will continue to receive shared services support from NERC's corporate services departments (i.e. finance and accounting, IT, HR, legal and external affairs). Personnel providing such shared services will do so only in accordance with strict operating protocols governing access to and use of ES-ISAC information.

Contract Expenses

The specific nature and need for contract support for the ES-ISAC falls under three major categories: Program Level Support, Software and Services, and Events and Outreach. Each of these categories is discussed further below and Exhibit C sets forth the budget for each of these categories of expense.

Program Level Support

CRISP

During 2016 NERC will continue to subcontract to PNNL a significant portion of the costs to operate and maintain CRISP.

Portal Enhancement

The ES-ISAC communication portal capabilities include: publishing alerts and other informational products, exchanging threat indicator information, and providing self-service access to user security awareness services. The ES-ISAC will continue development of a new portal platform that was initiated in 2014 as part of a long-term improvement strategy. Important new enhancements and improved capabilities are presently in use and development. These include facilitation of direct data exchange with other ISACs and government partners. The portal's improved capabilities support ES-ISAC analysts in their information analysis functions and directly tie the ES-ISAC analysts with their counterparts in other sectors and national laboratories. Additional portal enhancements will also extend functionality to allow for easier access to filtered data for both the cyber and physical security communities and provide for Cyber Awareness Monitoring tool integration.

Cyber Risk Preparedness Assessments (CRPA)

The CRPA is a program that assesses the cybersecurity capabilities of registered entities through facilitated tabletop exercises. Conducting these assessments allows the ES-ISAC to gain a better understanding of industry capabilities, identify key sector-level areas for improvement, and share best practices across the industry. Through the CRPA, participants gain an improved understanding of their cybersecurity programs and capabilities. The CRPA allows them to identify areas for improvement and enhance their abilities to respond to and recover from cyber events. The CRPA also educates participants through defined deliverables and best practices. The program incorporates many Electricity Subsector Cybersecurity Capability Maturity Model practices, which allows the participating organization to assess its cybersecurity program and use the CRPA to validate its assessment. The ES-ISAC is continuing to develop, and will deploy, a CRPA "kit" for entities to use to develop and run their own CRPAs. This kit will allow more sector members to leverage the CRPA methodology, which will have a more significant impact on overall sector preparedness. ES-ISAC staff will host training and education sessions on the kit to accelerate adoption of the methodology across the sector and move the program toward self-sustainment within the industry. The contractor and consulting budget continues to support CRPA engagements.

Cyber Awareness Monitoring

The ES-ISAC will continue to license cyber awareness and continuous monitoring tools and services, including third-party services that provide real-time Internet communications visibility and analytics. During 2012 and 2013, the ES-ISAC worked with a vendor to develop a specific software visualization application that allows ES-ISAC staff to monitor malware and threats, as well as the general health of BES entities. ES-ISAC staff can then alert individual entities of problems.

Software and Services

Software Integration Support Services

The ES-ISAC operations center includes monitors used to display intelligence information provided from various software applications. Software integration services are routinely required from vendors providing existing and new software applications. Additional software must be licensed and maintained to display and integrate BES maps that have cyber intelligence information. A portion of these costs is budgeted under Office Costs as software maintenance expenses.

Analyst Workbench

A strong technical analytic capability is needed to develop baselines and identify patterns and understandings of potential cyber-related threats. The analyst workbench toolset maintains historical information and allows a team to use and deliver consistent and repeatable analysis in both an operational (during an event) as well as nonoperational capacity. This workbench will include a threat database for historical correlation and various tools for network- and host-based analysis of malicious software.

Events and Outreach

Aurora Webinars and Technical Support

In late 2006, a significant supply chain vulnerability was discovered in digital protective control devices that protect generators and motors in use throughout the BES. This vulnerability, named the Aurora Vulnerability, demonstrated a remote exploit that led to the destruction of a small generator as a proof of concept attack in early 2007. In June of 2007, NERC released a Level 1 Industry Advisory that specified actions that entities could take to help prevent exploitation. In October 2010, NERC released a second Aurora Alert, this time a Level 2 Recommendation to Industry. This second release also triggered a substantial increase in NERC's effort to close this vulnerability gap, and it required entities to report every six months until they closed the Alert actions. Prior to each required reporting period, the ES-ISAC holds three webinars to provide BES entities who are still working on their Aurora mitigations an opportunity to interact with the original authors and researchers who discovered the Aurora vulnerability. The ES-ISAC anticipates supporting limited webinar activity for this purpose until at least 2017.

Intelligence Reporting Services

ES-ISAC analytic personnel maintain a detailed understanding of emerging vulnerabilities and threats within the broad industrial control systems community, as well as within the more focused BES community. To support this intelligence role, the ES-ISAC budget includes the costs for intelligence services from a specialized security information service providers that focuses closely on the electricity subsector. This service gives ES-ISAC staff increased understanding of continuing trends, breaking news, and implications to the BES, which they utilize to keep registered entities informed of emerging BES risks through alerts and esisac.com security postings.

Section A — 2016 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures							
2016 Budget & Projection and 2015 Budget							
ES-ISAC							
	2015 Budget	2015 Projection	2015 Projection v 2015 Budget Over(Under)	2016 Budget	2016 Budget v 2015 Budget Over(Under)	2016 Budget Draft 1	Variance to Prior Draft Over(Under)
Funding							
ERO Funding							
NERC Assessments*	\$ 9,671,899	9,671,899	\$ -	\$ 9,636,756	\$ (35,143)	\$ 9,669,923	\$ (33,167)
Penalty Sanctions	177,676	177,676	-	229,563	51,887	131,860	97,703
Total NERC Funding	\$ 9,849,577	\$ 9,849,575	\$ -	\$ 9,866,319	\$ 16,744	\$ 9,801,783	\$ 64,536
Third-Party Funding (CRISP)	8,943,589	7,233,140	(1,710,449)	6,830,738	(2,112,851)	8,365,389	(1,534,651)
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	72,500	72,500	-	70,000	(2,500)	70,000	-
Interest	451	1,609	1,158	468	17	461	7
Total Funding (A)	\$ 18,866,117	\$ 17,156,845	\$ (1,709,270)	\$ 16,767,525	\$ (2,098,590)	\$ 18,237,633	\$ (1,470,108)
Expenses							
Personnel Expenses							
Salaries	\$ 3,157,196	\$ 2,696,350	\$ (460,846)	\$ 3,373,066	\$ 215,870	\$ 3,259,944	113,122
Payroll Taxes	188,916	178,178	(10,738)	208,610	19,693	205,086	3,524
Benefits	339,525	281,572	(57,953)	345,260	5,735	345,227	34
Retirement Costs	354,866	220,165	(134,701)	366,723	11,857	362,987	3,736
Total Personnel Expenses	\$ 4,040,504	\$ 3,376,265	\$ (664,239)	\$ 4,293,659	\$ 253,155	\$ 4,173,243	120,416
Meeting Expenses							
Meetings	\$ 193,134	\$ 193,134	\$ -	\$ 230,000	\$ 36,866	215,000	15,000
Travel	314,358	274,358	(40,000)	256,488	(57,870)	249,993	6,495
Conference Calls	46,385	46,385	-	22,000	(24,385)	22,000	-
Total Meeting Expenses	\$ 553,877	\$ 513,877	\$ (40,000)	\$ 508,488	\$ (45,389)	\$ 486,993	21,495
Operating Expenses							
Consultants & Contracts	\$ 8,756,190	\$ 7,670,930	\$ (1,085,260)	\$ 6,551,929	\$ (2,204,261)	8,329,390	(1,777,461)
Office Rent	-	\$ -	-	-	-	-	-
Office Costs	377,072	\$ 391,850	14,777	392,285	15,213	391,304	980
Professional Services	350,000	\$ 189,512	(160,488)	175,000	(175,000)	175,000	-
Miscellaneous	1,000	\$ 1,000	-	500	(500)	500	-
Depreciation	-	\$ 11,576	11,576	43,489	43,489	43,489	-
Total Operating Expenses	\$ 9,484,262	\$ 8,264,868	\$ (1,219,394)	\$ 7,163,203	\$ (2,321,059)	\$ 8,939,683	\$ (1,776,481)
Total Direct Expenses	\$ 14,078,643	\$ 12,155,010	\$ (1,923,633)	\$ 11,965,349	\$ (2,113,294)	\$ 13,599,920	\$ (1,634,570)
Indirect Expenses	\$ 3,951,596	\$ 3,710,457	\$ (241,139)	\$ 4,450,914	\$ 499,317	\$ 4,390,888	\$ 60,026
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 18,030,240	\$ 15,865,467	\$ (2,164,772)	\$ 16,416,263	\$ (1,613,977)	\$ 17,990,808	\$ (1,574,545)
Change in Assets	\$ 835,877	\$ 1,291,378	\$ 455,503	\$ 351,262	\$ (484,613)	246,825	104,437
Fixed Assets							
Depreciation	-	(11,576)	(11,576)	(43,489)	(43,489)	(43,489)	-
Computer & Software CapEx	100,000	5,257	(94,743)	100,000	-	-	100,000
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	194,743	194,743	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	\$ 235,877	\$ 264,032	28,155	294,751	58,874	290,314	4,437
Inc(Dec) in Fixed Assets (C)	\$ 335,877	\$ 452,456	\$ 116,579	\$ 351,262	\$ 15,385	\$ 246,825	\$ 104,437
TOTAL BUDGET (=B + C)	\$ 18,366,117	\$ 16,317,923	\$ (2,048,194)	\$ 16,767,525	\$ (1,598,592)	\$ 18,237,633	\$ (1,470,108)
FTEs	18.76	16.08	(2.68)	18.90	0.14	18.44	0.46

Training, Education, and Operator Certification

Training, Education and Operator Certification (in whole dollars)					
	2015 Budget	2016 Budget	Increase (Decrease)	2016 Budget - Prior Draft	Variance to Prior Draft Over(Under)
Total FTEs	7.97	7.38	(0.59)	7.376	-
Direct Expenses	\$ 2,171,919	\$ 2,062,086	\$ (109,834)	\$ 2,211,435	\$ (149,350)
Indirect Expenses	\$ 1,678,797	\$ 1,737,034	\$ 58,237	\$ 1,756,355	\$ (19,321)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 100,210	\$ 113,112	\$ 12,902	\$ 114,207	\$ (1,095)
TOTAL BUDGET	\$ 3,950,926	\$ 3,912,231	\$ (38,695)	\$ 4,081,997	\$ (169,766)

Background and Scope

NERC's Training and Education Program provides oversight and coordination of the delivery of training programs that support the ERO's statutory responsibilities. This program provides training to NERC and Regional Entity staff members, including compliance auditors. It also provides training and education to industry participants on the requirements of Reliability Standards and the compliance monitoring and enforcement process. Further, this program provides training to industry participants on NERC's Reliability Standards development process, thereby helping to support the more efficient and effective development of mandatory Reliability Standards. The Training and Education Program supports NERC's responsibilities to develop, adopt, and obtain approval of Reliability Standards and to monitor, enforce, and achieve compliance with the mandatory standards. Section 901 of the NERC Rules of Procedure addresses the Training and Education Program's activities. The responsibility for training is shared among multiple departments at NERC.³⁵

The Training and Education Program also supports NERC's System Operator Certification and Continuing Education (SOCCED) programs, which ensure that personnel operating the BES have the skills, training, and qualifications needed to operate the system reliably. NERC maintains the required credentials for over 6,000 system operators to work in system control centers across North America. NERC's system operator certification exam is designed to test specific knowledge of job skills and Reliability Standards. It also prepares operators for complying with requirements of Reliability Standards and appropriately operating the BES during normal and emergency operations. Certification exams are created by the Personnel Certification Governance Committee (PCGC), an industry group of operations experts, trainers, and supervisors. Under the PCGC oversight, the Examination Working Group periodically updates and publishes new exams. Once an operator passes the certification exam, certification is maintained by completing NERC-approved continuing education courses and activities. The Personnel Subcommittee, composed of industry training experts, provides oversight of the Continuing Education program. Section 900 of the NERC Rules of Procedure addresses the Training and Education Program's activities in these areas.

Key Efforts Underway

The ERO provides education for industry and ERO personnel to support their understanding of key program areas. These areas include:

1. Risk-Based Compliance Monitoring and Enforcement

³⁵ The Compliance Assurance and Human Resources departments are also engaged in training initiatives.

2. Standards and Compliance
3. Registration and Certification
4. Continuing education for system operators and other industry personnel as appropriate and related to reliability functions
5. Event Analysis, Cause Analysis, and Lessons Learned
6. New System Operator Certification exams for each credential: Reliability Coordinator; Transmission Operator; Balancing and Interchange Operator; and Balancing, Interchange and Transmission Operator.

2016 Goals and Deliverables

In response to stakeholder and Regional Entity feedback, training and education opportunities will be further expanded and focused for registered entities, NERC staff, and Regional Entities. For registered entities, this training and education will focus on objectives related to NERC Reliability Standards, including standards compliance and emerging cyber-related issues that could affect BES reliability. For NERC and Regional Entity staff, the training and education will focus on consistent audit and investigation techniques and standards compliance reviews, including the risk-based compliance monitoring and enforcement and other improvements in compliance and enforcement practices. NERC will continue to offer training in auditor skills to promote continued development of auditing expertise. NERC will leverage IT systems to better deliver and share common training products and information with Regional Entities and registered entities. Other training will focus on knowledge and skill development in a number of key areas, including:

- Development and implementation of clear and technically sound Reliability Standards
- Key lessons learned and trends from events
- Identified themes from trending and common-cause analyses
- Effective compliance cultures with practices, procedures, and controls to address reliability risks
- Effective root, apparent, and common-cause analysis methods
- Quality improvement of registered entity self-reporting and self-certification
- Entity registration processes, issues, and alternatives
- Human performance fundamentals
- Developing and incorporating a systematic approach to ongoing training

NERC will continue to provide learning opportunities through workshops hosted by the Regional Entities. NERC will also host workshops, webinars, and training courses, as well as use vendors to develop training modules and supplement internal training resources. The responsibility for the subject matter expertise for much of the training is shared among multiple departments at NERC. The Training and Education group will provide coordination and synchronization efforts for shared NERC and ERO training responsibilities in addition to advancing and improving the skills of NERC's operating staff. NERC's Human Resources department will continue to budget and manage the delivery of more traditional corporate employee training and continuing education programs in concert with the coordination and synchronizing efforts of the Training and Education group.

As part of the System Operator Certification exam development cycle, a job task analysis (JTA) will be conducted in 2015. The results of the JTA will be the baseline for the next set of exams. NERC will continue

to work with industry stakeholders and the exam development vendor to create certification exams that will promote reliability of the North American BPS. The Continuing Education (CE) program will review and enhance the program manual. As the CE program continues to grow, there are opportunities to adjust the program manual to address new training topics and techniques.

Resource Requirements

Personnel

No additional personnel are proposed for this area in 2016. The slight reduction in FTEs is due to the application of an updated vacancy rate (7.8% vs 6.0%).

Contractor Expenses

The total proposed consulting and contractor budget is approximately \$76k lower in 2016 than the 2015 budget.

Further detail in support of the proposed 2016 contractor and consulting budget to support Training, Education, and Operator Certification is set forth in Exhibit C, which includes a comparison to 2015 budgeted amounts. The primary areas of contractor and consulting support include:

- Testing services to develop, administer, proctor, score, and support system operator certification exams across North America.
- Ongoing hosting and maintenance fees for the System Operator Certification and Continuing Education (SOCCED) database.
- Improvements to the SOCCED database.
- Supplemental support to Continuing Education Review Panel industry volunteers to review and audit over 2,500 individual learning activities and provider applications received each year.³⁶
- Audit team leader soft skills training delivered by certified NERC staff using vendor-licensed materials to support effective dialogue and communications between audit teams and registered entities.
- Vendor-supported BES technical training for select ERO staff, including auditors and technical and support staff.
- Auditor training by recognized auditing specialists for NERC and Regional Entity staff to promote continued development of compliance staff.
- Web-based training development for ERO staff and industry, including standards applications, risk assessment training, industry human performance fundamentals, and BES events lessons learned.
- Learning management system to support web-based training for ERO staff.

³⁶ Review and approval of learning activity applications results in over 400,000 hours of continuing education per year for the industry's certified system operators.

Section A — 2016 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures							
2015 Budget & Projection, and 2016 Budget							
TRAINING, EDUCATION and OPERATOR CERTIFICATION							
	2015	2015	Variance	2016	Variance	2016 Budget	Variance to
	Budget	Projection	2015 Projection	Budget	2016 Budget	Draft 1	Prior Draft
			v 2015 Budget		v 2015 Budget		Over(Under)
			Over(Under)		Over(Under)		Over(Under)
Funding							
ERO Funding							
NERC Assessments	\$ 1,826,822	\$ 1,826,822	\$ -	\$ 1,742,146	\$ (84,676)	\$ 1,779,553	\$ (37,407)
Penalty Sanctions	48,871	48,871	-	55,994	7,123	32,965	23,029
Total NERC Funding	\$ 1,875,692	\$ 1,875,693	\$ -	\$ 1,798,139	\$ (77,553)	\$ 1,812,518	\$ (14,378)
Third-Party Funding	-	-	-	-	-	-	-
Testing Fees	1,670,000	1,670,000	-	1,867,972	197,972	1,867,972	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	192	191	(1)	183	(9)	184	(2)
Miscellaneous	-	10	10	-	-	-	-
Total Funding (A)	\$ 3,545,884	\$ 3,545,894	\$ 9	\$ 3,666,294	\$ 120,409	\$ 3,680,674	\$ (14,380)
Expenses							
Personnel Expenses							
Salaries	\$ 903,106	\$ 828,793	\$ (74,313)	\$ 857,257	\$ (45,849)	\$ 817,272	39,985
Payroll Taxes	60,937	63,437	2,500	64,345	3,409	61,804	2,541
Benefits	146,059	127,156	(18,903)	133,991	(12,068)	133,991	0
Retirement Costs	101,437	79,729	(21,708)	94,860	(6,577)	90,958	3,903
Total Personnel Expenses	\$ 1,211,539	\$ 1,099,115	\$ (112,424)	\$ 1,150,454	\$ (61,085)	\$ 1,104,025	46,429
Meeting Expenses							
Meetings	\$ 59,931	\$ 49,643	\$ (10,288)	\$ 80,000	\$ 20,069	\$ 80,000	-
Travel	25,322	22,000	(3,322)	21,139	(4,183)	21,118	21
Conference Calls	29,320	40,552	11,232	36,500	7,180	36,500	-
Total Meeting Expenses	\$ 114,573	\$ 112,195	\$ (2,378)	\$ 137,639	\$ 23,066	\$ 137,618	21
Operating Expenses							
Consultants & Contracts	\$ 752,130	\$ 752,670	\$ 540	\$ 675,800	\$ (76,330)	\$ 871,600	(195,800)
Office Rent	-	-	-	-	-	-	-
Office Costs	93,178	103,147	9,969	95,773	2,596	95,773	-
Professional Services	-	-	-	-	-	-	-
Miscellaneous	500	500	-	500	-	500	-
Depreciation	-	1,919	1,919	1,919	1,919	1,919	-
Total Operating Expenses	\$ 845,808	\$ 858,236	\$ 12,428	\$ 773,992	\$ (71,815)	\$ 969,792	\$ (195,800)
Total Direct Expenses	\$ 2,171,919	\$ 2,069,545	\$ (102,374)	\$ 2,062,086	\$ (109,834)	\$ 2,211,435	\$ (149,350)
Indirect Expenses	\$ 1,678,797	\$ 1,693,704	\$ 14,907	\$ 1,737,034	\$ 58,237	\$ 1,756,355	\$ (19,321)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 3,850,716	\$ 3,763,249	\$ (87,467)	\$ 3,799,119	\$ (51,597)	\$ 3,967,790	\$ (168,671)
Change in Assets	\$ (304,832)	\$ (217,356)	\$ 87,476	\$ (132,825)	\$ 172,006	\$ (287,117)	154,291
Fixed Assets							
Depreciation	-	(3,838)	(1,919)	(1,919)	(1,919)	(1,919)	-
Computer & Software CapEx	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	\$ 100,210	\$ 120,522	20,312	115,031	\$ 14,821	\$ 116,126	(1,095)
Inc(Dec) in Fixed Assets (C)	\$ 100,210	\$ 116,684	\$ 18,393	\$ 113,112	\$ 12,902	\$ 114,207	\$ -
TOTAL BUDGET (=B + C)	\$ 3,950,926	\$ 3,879,933	\$ (69,074)	\$ 3,912,231	\$ (38,695)	\$ 4,081,997	\$ (169,766)
FTEs	7.97	7.34	(0.63)	7.38	(0.59)	7.38	-

Administrative Services

	Administrative Services (in whole dollars)						2016 Budget - Prior Draft	Variance to Prior Draft Over(Under)
	Direct Expenses and Fixed Assets			FTEs				
	2015 Budget	2016 Budget	Increase (Decrease)	2015 Budget	2016 Budget	Increase (Decrease)		
General and Administrative	\$ 8,629,889	\$ 9,881,311	\$ 1,251,422	13.13	17.52	4.39	9,703,628	177,683
Legal and Regulatory	4,448,015	3,465,966	(982,049)	15.01	12.22	(2.79)	\$ 3,715,224	(249,258)
Information Technology	10,514,943	12,156,674	1,641,731	19.70	22.13	2.43	\$ 12,155,865	810
Human Resources	1,158,304	1,510,177	351,872	2.81	2.77	(0.04)	\$ 1,510,076	100
Finance and Accounting	3,096,886	3,428,307	331,421	16.89	16.60	(0.29)	\$ 3,403,058	25,249
Total Administrative Services	\$ 27,848,038	\$ 30,442,435	\$ 2,594,397	67.54	71.23	3.69	\$ 30,487,852	(45,417)

Program Scope and Functional Description

NERC's Administrative Services area includes the budget for all business and administrative functions of the organization, including (1) technical committees and member forums; (2) General and Administrative, which includes Board fees and expenses, the president and chief executive officer (CEO), chief reliability officer (CRO) and support staff, communications, external affairs and governmental relations, and office rent; (3) Legal and Regulatory; (4) Information Technology; (5) Human Resources; (6) Finance and Accounting; and (7) other general administrative expenses necessary to support program area activities. These functions are necessary to the existence and functioning of the organization and support the performance of NERC's ERO statutory activities. The costs of the Administrative Services functions are allocated to the five statutory programs as indirect expenses. The resource requirements and comparative budget information for each of these functions are described below.

Technical Committees and Members' Forum Program

While NERC management and staff will continue to interact with and support numerous reliability-related forums (e.g., the North American Transmission Forum and Generator Forum), NERC's 2016 budget does not contain specific funding for any forum activities.

General and Administrative

Background and Scope

The General and Administrative area is responsible for the administration and general management of the organization. Expenses allocated in this area include office rent; personnel and related costs of the CEO, the CRO, the CEO's executive assistant, communications, external affairs and government relations staff, and costs related to the Board. No additional personnel are budgeted for 2016 beyond current staffing. The increase in FTEs in the General and Administrative area is due to a reallocation occurring in 2015 of personnel supporting the Member Representatives Committee and Regional Entity Management Group activities.

The following table details the Board costs included in the total costs of the General and Administrative area. The increase compared to 2015 is for search fees for a new trustee to replace an existing trustee who will have served a maximum term.

Board of Trustee Expenses	Budget 2015	Projection 2015	Budget 2016	2016 v 2015 Budget	Variance %
Meetings and Travel Expenses					
Quarterly Board Meetings	\$ 244,000	\$ 244,000	\$ 244,000	\$ -	-
Trustee Travel	150,000	150,000	150,000	-	-
Total Board of Trustees Meetings and Travel Expenses	394,000	394,000	394,000	-	-
Professional Services					
Independent Trustee Fees	1,085,000	1,047,813	1,126,354	41,354	-
Trustee Search Fees	-	61,232	100,000	100,000	-
Total Board of Trustee Professional Services Expenses	1,085,000	1,109,045	1,226,354	141,354	-
Total Board of Trustee Expenses	\$ 1,479,000	\$ 1,503,045	\$ 1,620,354	\$ 141,354	9.56%

Legal and Regulatory

Background and Scope

The Legal and Regulatory department's workload is derived from the following key NERC program areas: Compliance Analysis and Certification and Registration, Reliability Risk Management, Reliability Assessment and Performance Analysis, and Standards. In addition, the Legal and Regulatory department is also responsible for providing a wide range of legal support to the NERC management team regarding antitrust, corporate, commercial, insurance, contract, employment, real estate, copyright, tax, legislation, and other legal matters. The department also addresses legal and regulatory matters that arise in connection with the delegation agreements with the Regional Entities.

Resource Requirements

Due to process improvements and increased efficiency, the number of FTEs allocated to the department was reduced in 2016 compared to 2015.

Outside law firms and consultants supporting this area are budgeted and tracked as Professional Services. The Professional Services budget for 2016 was reduced by approximately 20% compared to the 2015 budget.

Information Technology

Background and Scope

NERC's IT department plan includes capital and operating expenses required to support, build, configure, and enhance ERO Enterprise applications, data analysis, and ongoing operations.

ERO Enterprise Applications

Three major categories of expense are included in the rolling three-year Enterprise Application budget and forecast:

1. **New Functionality** – As noted in the *2015 Business Plan and Budget*, IT strategy was to consider a Commercial Off-the-Shelf (COTS) product to reduce complexity and improve consistency across various NERC and Enterprise line-of-business applications. As such, during Q4 2014, IT implemented the CRM application (commonly referred to as xRM) as a platform for future ERO Enterprise applications. New application requests will be closely examined to determine if it they be configured to run on top of the xRM application prior to considering other alternatives (e.g., other COTS applications) or, as a last resort, custom development. The xRM application was chosen due to its robust architecture and compatibility with NERC's existing environment.

- a. **Enhancement** – As enterprise applications are brought online and operational, ongoing upgrades will be required to enhance features, add functionality, and meet the dynamic needs of the ERO Enterprise to ensure the reliability of the BPS. The Bulk Electric System Notifications and Exceptions (BESnet) tool was brought online and made operational on July 1, 2014. During 2015, the Standards Balloting System (SBS), Reliability Assessment Data System (RADS) and Events Analysis will also come online. All of these systems will require enhancements to meet business requirements. Enhancements to these applications will follow a disciplined process for approval and implementation.
 - b. **Support** – Enterprise applications implemented for use by NERC, Regional Entities, and sometimes registered entities (e.g., BESnet, Standards Balloting System (SBS)) require ongoing support to ensure they are operational. Following industry-accepted support practices, funding for this line item is designed to ensure end-user application issues are resolved, identification of errors (along with application and database maintenance) is performed, and the application is maintained and available in support of the ERO Enterprise.
2. **ERO Data Analysis** – Data analysis expenses fall into three major categories: professional services, tools, and support costs.
- a. **Professional Services** – Professional services include vendor support for implementation and configuration of data analytics for the ERO Enterprise. Data analytics are used to describe, predict, and improve business performance, as well as identify and assess reliability risks.
 - b. **Tools** – Tools include software applications used to mine data from a single or multiple databases to create analytics (e.g., Microsoft’s Analytics Platform System for determining business performance or, in the context of the ERO Enterprise, possible risk to reliability.)
 - c. **Support** – Support includes ongoing upgrades and enhancements and vendor help desk support as required.
3. **Ongoing Operations** – NERC’s IT budget includes costs to support existing software applications, as well as consulting and vendor costs for network security testing and planning and website maintenance and development.
- a. **Compliance Database (CRATS/webCDMS+)** – The compliance database is used to track violations, mitigation plans, and reporting required by NERC as the certified ERO. In addition, the compliance database has additional modules included, such as the Standards, Technical Feasibility Exceptions (TFEs), and Registration module, which contains a list of all registered entities. Funding requirements include ongoing maintenance and enhancements to the compliance tools (CRATS and webCDMS+).
 - b. **Application Broker, Meeting Manager, ERO Membership, NERC My Account, UMP, RCIS, CIPIS, CRC** – NERC maintains a number of legacy applications. Many of the legacy applications were developed and implemented five to 10 years ago and are unable to take advantage of contemporary application development. They will have to be completely rewritten or may be able to leverage functionality available in the xRM application platform as a first option for replacement. Funding in 2016 is required for ongoing maintenance and enhancements until the applications can be rewritten or moved to the xRM platform or, in some cases, potentially divested or transferred to industry support.
 - c. **Quarterly Penetration, Vulnerability Testing all NERC Networks and Systems** – Expert consulting services to provide ongoing intrusion detection and vulnerability testing of the

- NERC public website, NERC's network, applications, and systems is an essential requirement of ongoing operations. NERC is subject to frequent intrusion attempts where external parties try to gain access to our systems and infrastructure. Any vulnerability identified is documented and provided to NERC IT for rapid remediation.
- d. **NERC Security Program – Enhance Based on Internal Audit Recommendations** – NERC's IT department performs a number of technology initiatives to ensure the security of the network and infrastructure. However, in order to continually improve security, a more holistic approach is required that implements technology improvements and constructs an overarching security program to ensure all aspects of security have been considered, including information classification, review of retention policies, and enforcement of security guidelines. During 2015, IT undertook an initiative to improve several processes and will continue to place a high emphasis on security over the coming years.
- e. **Document Management Program and Website Enhancement** – During late 2014 and early 2015, NERC completed the initial steps required to begin implementation of a document management program in the second half of 2015. IT will leverage SharePoint 2013 as a foundational COTS application. Add-on functionality will then be implemented into SharePoint to create a document management system using native Microsoft functionality for document storage and retrieval. Implementation of a document management system is a multiyear initiative designed to greatly reduce the manual, labor-intensive effort of managing thousands of documents by streamlining the storage, security, versioning, data classification, and archiving of NERC information. SharePoint 2013 will also serve as the repository for all documents, including those required by the Event Analysis application and the Reliability Assessment Data System.

Robust Planning for New Capital Projects

In connection with the 2016 business planning cycle, the company significantly improved its approach to evaluating potential capital investments in major enterprise software applications. The company has adopted an enterprise information technology investment planning methodology that ensures only projects with compelling and approved business cases are funded. The company uses a four gated approval process (Business Unit Sponsor-approval gate, NERC VP/CTO – approval gate, ERO Technology Leadership Team (NERC CEO and two Regional Entity CEOs) – approval gate and the full ERO-EMG (CEOs of NERC and each Regional Entities) approval gate). This gated process provides the required rigor and discipline to ensure only high value enterprise IT investments are pursued. In addition, all Enterprise IT investments are subject to ongoing oversight by a subgroup consisting of three members of the NERC Board of Trustee's Standards Oversight and Technology Committee.

Recent examples of the results of this methodology include investments in an events analysis management system (EA System) and the reliability assessment data system (RADS):

- The EA System provides integration of events data systems, while enabling a more efficient and effective method for event data collection, tracking, analysis and reporting. This enhances the ability of the ERO and stakeholders to identify and focus on significant and emerging reliability risks. This tool will be used by NERC and the Regional Entities, providing a consistent experience for all ERO clients involved in the events analysis business process.
- The RADS system provides for a more efficient method for NERC to complete seasonal and long-term reliability assessment reports. Specifically, the RADS automates the importing of data, provides for ad hoc and pre-defined reporting and provides access to historical data. In fact, a recent benchmarking exercise indicated that RADS enabled a routine data import process to be completed in 22 minutes as compared to the historical time of 80 hours. This process

improvement will allow NERC's analysts and engineers to spend more time analyzing reliability risk related data instead of having to spend their time importing data.

During 2015, NERC also commenced implementation of a document management program. The implementation of a document management program supports a number of important business requirements, including:

- Ensuring proper classification and management of confidential information
- Addressing a number of internal audit recommendations/mitigates corporate risk
- Improving information access and search capabilities
- Facilitating working group, team, and stakeholder collaboration
- Supporting document retention policy and procedures
- Simplifying document retrieval
- Improving version control of documents
- Improving workflow control (review and approval of documents)
- Increasing efficiency and employee productivity

Implementation of the document management program is a multi-year initiative with significant funding requirements. The evaluation of the cost-benefit of the document management program indicated tremendous value to the organization, primarily in terms of addressing the business requirements set forth above. The cost benefit analysis of this project also demonstrated that NERC's projected average cost per user is comparable to market. In addition, assuming achievement of modest personnel efficiency gains (between 2-7 percent) from using the new system, the program will generate value in terms of increased resource availability well above anticipated costs. The project was reviewed in depth with the board of trustee's Standards Oversight and Technology Committee and Finance and Audit Committee, which, together with the Board of Trustees, authorized reserve funding at their May, 2015 meetings to commence initiation of the program.

Other proposed 2016 IT capital investments, including Enterprise Reporting, are focused on employee productivity and tools to enable more sophisticated data analysis supporting core business functions.

Resource Requirements

Personnel

The increase in FTEs resulted from the transfer of personnel from other departments to strengthen management oversight and execution.

Contract and Consulting Resources to Support Internal Operations

The 2016 budgeted amounts are set forth in Exhibit C, with a comparison to 2015 budgeted amounts. The increase in the 2016 budget compared to 2015 is primarily due to the inclusion of ongoing maintenance costs for recently added ERO Enterprise applications and costs for the document management program.

2016 IT Operating Expenses

A summary of the major categories of IT Operating Expenses are set forth in the following table:

Office Costs	Budget 2015	Budget 2016	Variance
Telephone	\$ 225,000	\$ 225,000	\$ -
Telephone - Answering Service	3,000	3,000	-
Internet	375,000	350,000	(25,000)
Computer Supplies and Maintenance			
Computers	9,000	25,000	16,000
Computer Supplies	100,100	96,100	(4,000)
Maintenance & Service Agreements	1,333,320	1,365,295	31,975
Software	88,000	59,000	(29,000)
Subscription and Publications	-	108,300	108,300
Dues		2,500	2,500
Express Shipping	10,000	5,000	(5,000)
Total Office Costs	\$ 2,143,420	\$ 2,239,195	\$ 95,775

Telephone Expenses

Office telephone costs are items associated with cellular phone, mobile laptop cellular air card, bonded T1 Voice over Internet Protocol (VoIP) data circuits, and conference calling expenses. NERC-issued cell phones are provided to employees to ensure access and productivity before, during, and after business hours. Mobile laptop cellular air cards are provided to ensure connectivity while traveling or in locations where wireless connectivity is unavailable. Wireless or cellular connectivity to the NERC network is enabled using virtual private network technology to ensure maximum security, logging, and encryption. Included in the line item "telephone" are those monthly costs associated with Internet access for systems, application, network, and security to enable IT resources to provide support and conduct emergency and non-emergency patching of systems, routers, firewalls, etc., as required to ensure the stability of the NERC technology environment. Conference calling is conducted via an external service provider in order to minimize internal hardware, IT support, and internal conference lines capable of providing access to an external audience. Information Technology conference calling, webinars, recorded events, etc., are included in the telephone cost line item. Bonded T1 circuits provide access for VoIP service for NERC desk phones in lieu of having an expensive, support-intensive in-house phone switch (e.g., Private Branch Exchange) that requires senior-level telecommunication resources to support and manage.

Internet Expense

Internet expense is comprised of data circuits, Plain Old Telephone Service (POTS), and redundant capability in the event of primary service provider failure.

Computers

Computers are items that do not meet the criteria to be considered a capital expense, such as desktop computers or iPads. Desktop computers enable conference webinars, Internet access, training room functionality, etc., for those instances in which a presenter does not have a computer device available to conduct presentations. In addition, on a case-by-case basis and as justified by extensive travel or consistent out-of-office meetings, NERC will provide an iPad with cellular data access for persons who require functionality but are unable to use a laptop for computing needs.

Computer Supplies

Computer supplies are expense items required for infrastructure support. They include computer monitors, mice, keyboards, cell phone cases, cables, encrypted hard drives, encrypted thumb drives, encryption keys, uninterruptible power supplies, privacy screens, phone headsets, docking stations, computer memory, and any other computer supplies or components required to support the technology infrastructure.

Maintenance and Service Agreements

Maintenance and service agreements comprise those items required to support internal and external access to routers, switches, firewalls, intrusion protection, file servers, audiovisual equipment, storage area networks, data backup services, network and security monitoring, co-location data center services, video conferencing, digital certificates, and development and virtualization software. Service agreements related to the co-location data center, offsite backup of over 200 terabytes of data, conference calling, and network and security monitoring consume a large portion of the maintenance and service agreements budget.

Software

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

Express Shipping

Express shipping is for shipping of IT computers and computer supplies.

2016 IT Fixed Asset (Capital) Expenses

The following table presents a summary of NERC's 2016 fixed asset (capital) budget compared to the 2015 budget:

NERC Capital Budget			
	2015 Budget	2016 Budget	Inc(Dec) v 2015
ERO Application Development	\$ 1,050,000	\$ 1,500,000	\$ 450,000
Document Management	-	465,000	465,000
ERO Data Analysis Tool	550,000	-	(550,000)
Generation Data Software	200,000	-	(200,000)
Other IT Hardware and Software	1,453,500	1,411,000	(42,500)
Network Devices and A/V	365,000	535,000	170,000
Total Capital Budget	\$ 3,618,500	\$ 3,911,000	\$ 292,500
Depreciation (excluded from Assessmen	(2,333,006)	(2,641,943)	(308,937)
Fixed Assets (net)	\$ 1,285,494	\$ 1,269,057	\$ (16,437)

As in prior years, the goal of the 2016–2018 planning period is to provide access, visibility, and analysis of data from many different sources across the ERO; this will require significant investment in hardware, software, and associated tools. The overarching theme is to securely gather, analyze, and maintain data across the ERO Enterprise to support ERO operations. Adding the capability to centralize and mine data—in addition to foundational elements such as the Microsoft xRM application, SharePoint 2013, and disaster recovery and enhanced security—sets the stage for vastly improved reporting and business intelligence. It also allows the capability for collaboration and sharing of information vital to the ERO's mission.

In addition to the investments described above to support efficiency and consistency across the Enterprise, the 2016 budget also includes the cost of security enhancements, network assets, software, servers, laptops, and other hardware to support daily operations.

Human Resources

Background and Scope

Human Resources (HR) manages all of NERC's HR functions, including new hires, benefits, and employee functions. This area also oversees NERC's employee performance appraisal and incentive structure process. Management has implemented a robust, objective, and auditable performance management system to track corporate and individual performance against pre-established goals, objectives, and measures. Each year NERC continues to refine and improve this system. In 2012, NERC implemented a new time-accounting system to facilitate tracking of time by functional activities or, where appropriate, specific projects, and continues to make refinements to the system.

Management Training and Development

NERC's executives and managers participate in ongoing training and development to improve managerial skills, knowledge sharing, and team performance. They also help facilitate succession planning and career development.

Staff Development

Management believes that access to knowledge is a key differentiator for NERC and that it ensures retention and high performance. NERC will continue to invest in learning opportunities for staff in several areas. First, HR will continue to host and optimize an e-learning platform, SkillSoft, to provide staff resources for improving soft and technical skills. Second, HR will provide staff development training through real-world access via tours of and training on control centers, electric substations, and power generation plants. Finally, staff will have access to additional education, including but not limited to degree-oriented university education, pursuit of specialized certifications, and other in-house and external training that provides essential knowledge and skills development that will lead to improved staff performance.

Compensation Consulting

Consultants are periodically retained to examine appropriate compensation based on current market data. This ensures that decisions affecting compensation are made in light of the current market climate and that qualified employees are attracted and retained within a defined total remuneration range. NERC also periodically retains compensation subject matter experts to perform periodic assessments of the BOT compensation model to ensure alignment with market practices.

Surveys

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

Succession Planning

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

HR Products and Services Automation

Critical to an effective HR department is the use of electronic and automated products and services. HR will continue to operate, maintain, and investigate investment in additional electronic platforms for HR support services.

Resource Requirements

Personnel

No additional personnel are budgeted for this department in 2016.

Contractor Expenses

Contractor and consultant expenses are set forth in additional detail in Exhibit C. The increase over 2015 is primarily due to increased costs for additional staff training.

Miscellaneous Expenses

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

Finance and Accounting

Background and Scope

NERC's Finance and Accounting department manages all finance and accounting functions, including employee payroll, 401(k), 457(b), and 457(f) plans, travel and expense reporting, monthly financial reporting, sales and use tax, meeting and events planning and services, insurance, internal auditing, and facilities management. This area also holds primary responsibility for the development of the annual business plan and budget, as well as NERC's proposed ERO risk management framework. Over the past several years, NERC's Finance and Accounting department implemented additional policies, procedures, and controls governing day-to-day practices including contract and personnel procurements, meetings, conference planning and travel, expense reimbursement, and back office systems and procedures. The department will continue to refine, improve and, where necessary, implement additional procedures and controls.

Resource Requirements

Personnel

One additional FTE was added to this department in late 2014 to strengthen segregation of duties, cross training, and backup functions, as well as support succession-planning initiatives. The added FTE is offset by the updated vacancy rate.

Contractor Expenses

Approximately \$300k is budgeted for outside contractor and consulting support, representing a decrease compared to the 2015 budget. These costs are primarily for outside professional support for auditors to support various risk management and internal control initiatives, as well as to provide finance and accounting support.

Section A — 2016 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Assets Expenditures								
2015 Budget & Projection, and 2016 Budget								
ADMINISTRATIVE SERVICES								
	2015	2015	Variance	2016	Variance	2016 Budget	2016 Budget	Variance to
	Budget	Projection	v 2015 Budget	Budget	v 2015 Budget	Draft 1	Draft 1	Prior Draft
			Over(Under)		Over(Under)			Over(Under)
Funding								
ERO Funding								
NERC Assessments	\$ 626,997	\$ 626,997	\$ -	\$ 561,427	\$ (65,570)	\$ 175,000	\$ 175,000	\$ 386,427
Penalty Sanctions	-	-	-	-	-	-	-	-
Total NERC Funding	\$ 626,997	\$ 626,997	\$ -	\$ 561,427	\$ (65,570)	\$ 175,000	\$ 175,000	\$ 386,427
Third-Party Funding	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total Funding (A)	\$ 626,997	\$ 626,997	\$ -	\$ 561,427	\$ (65,570)	\$ 175,000	\$ 175,000	\$ 386,427
Expenses								
Personnel Expenses								
Salaries	\$ 10,078,982	\$ 11,050,223	\$ 971,241	\$ 11,054,511	\$ 975,529	\$ 11,130,114	\$ 11,130,114	(75,602)
Payroll Taxes	564,567	656,558	91,991	662,269	97,702	672,885	672,885	(10,616)
Benefits	1,299,268	1,348,538	49,270	1,369,805	70,538	1,390,423	1,390,423	(20,618)
Retirement Costs	1,036,455	1,101,571	65,116	1,024,669	(11,787)	1,041,599	1,041,599	(16,930)
Total Personnel Expenses	\$ 12,979,273	\$ 14,156,890	\$ 1,177,617	\$ 14,111,254	\$ 1,131,981	\$ 14,235,021	\$ 14,235,021	(123,767)
Meeting Expenses								
Meetings	\$ 353,569	\$ 351,681	\$ (1,888)	\$ 315,000	\$ (38,569)	\$ 315,000	\$ 315,000	-
Travel	629,982	651,240	21,258	653,945	23,963	653,286	653,286	658
Conference Calls	61,512	62,110	598	63,300	1,788	63,300	63,300	-
Total Meeting Expenses	\$ 1,045,063	\$ 1,065,031	\$ 19,968	\$ 1,032,245	\$ (12,818)	\$ 1,031,586	\$ 1,031,586	658
Operating Expenses								
Consultants & Contracts	\$ 2,382,375	\$ 2,585,495	\$ 203,120	\$ 3,036,671	\$ 654,296	\$ 2,956,671	\$ 2,956,671	80,000
Office Rent	2,987,777	2,987,777	-	3,054,287	66,510	3,054,287	3,054,287	-
Office Costs	2,710,770	2,713,155	2,385	2,920,678	209,908	2,922,987	2,922,987	(2,308)
Professional Services	2,261,280	1,961,280	(300,000)	2,334,300	73,020	2,334,300	2,334,300	-
Miscellaneous	32,000	32,000	-	32,000	-	32,000	32,000	-
Depreciation	1,749,842	1,751,253	1,411	1,920,234	170,392	1,920,234	1,920,234	-
Total Operating Expenses	\$ 12,124,044	\$ 12,030,960	\$ (93,084)	\$ 13,298,171	\$ 1,174,126	\$ 13,220,479	\$ 13,220,479	\$ 77,692
Total Direct Expenses	\$ 26,148,380	\$ 27,252,881	\$ 1,104,501	\$ 28,441,669	\$ 2,293,289	\$ 28,487,086	\$ 28,487,086	\$ (45,417)
Indirect Expenses	\$ (26,279,380)	\$ (27,323,087)	\$ (1,043,707)	\$ (28,551,669)	\$ (2,272,289)	\$ (28,597,086)	\$ (28,597,086)	\$ 45,417
Other Non-Operating Expenses	\$ 131,000	\$ 70,206	\$ (60,794)	\$ 110,000	\$ (21,000)	\$ 110,000	\$ 110,000	-
Total Expenses (B)	\$ -	\$ 0	\$ (0)	\$ -	\$ (0)	\$ -	\$ -	\$ 0
Change in Assets	\$ 626,997	\$ 626,997	\$ 0	\$ 561,427	\$ (65,569)	\$ 175,000	\$ 175,000	386,427
Fixed Assets								
Depreciation	(1,749,842)	(1,751,253)	(1,411)	(1,920,234)	(170,392)	(1,920,234)	(1,920,234)	-
Computer & Software CapEx	2,953,500	2,749,562	(203,938)	2,347,000	(606,500)	3,276,000	3,276,000	(929,000)
Furniture & Fixtures CapEx	-	14,611	14,611	-	-	-	-	-
Equipment CapEx	365,000	365,000	-	1,464,000	1,099,000	535,000	535,000	929,000
Leasehold Improvements	-	566,361	566,361	-	-	-	-	-
Allocation of Fixed Assets	(1,568,658)	(1,944,281)	(375,623)	(1,890,766)	(322,108)	(1,890,766)	(1,890,766)	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ 0	\$ (0)	\$ -	\$ (0)	\$ -	\$ -	\$ -
FTEs	67.54	73.62	6.08	71.23	3.69	72.39	72.39	(1.15)

Section B — Supplemental Financial Information

Breakdown by Statement of Activity Sections

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

Table B-1
Working Capital and Operating Reserves Analysis

Working Capital and Operating Reserve Analysis					
Statutory					
	Total Reserves	Future Obligations Reserve ¹	Operating Contingency Reserve	Operator Certification	CRISP
Beginning Working Capital and Operating Reserves Balance - 01/01/2015	7,460,907	3,569,492	2,011,402	1,294,513	585,500
Generation or (Use) from 2015 Operations					
From 2015 budgeted operations	206,564	62,000	717,701	(503,358)	(69,779)
From 2015 approved use of reserves	(1,590,611)		(1,590,611)		
Proceeds from financing activities (non-current portion only)	1,266,667		1,266,667		
Debt Service	(421,667)		(421,667)		
Other adjustments to reserves	(608,337)	(593,418)	(14,919)		
Projected Working Capital and Operating Reserves - 12/31/15	6,313,523	3,038,074	1,968,573	791,155	515,721
Required Working Capital and Operating Reserves - 12/31/16	8,809,627	3,158,074	2,475,000	389,832	515,721
Adjustment in funding to achieve required reserve balance	380,490	120,000	506,427	(245,937)	-
Penalty sanctions available 1-1-2016 (See Table B-2)					
Less: Penalty sanction offset in 2016					
Other adjustments to reserves	-		-		
Increase(decrease) in reserve balances	380,490	120,000	506,427	(245,937)	-
2016 Expenses and Capital Expenditures	67,066,665		57,579,668	1,513,978	7,973,019
Less: Penalty Sanctions	(1,439,000)		(1,405,428)		(33,572)
Adjustment to achieve desired reserve balance	380,490	120,000	506,427	(245,937)	-
Less: Other Funding Sources	(8,981,710)		(882,863)	(1,268,040)	(6,830,807)
Less: Proceeds from financing activities (non-current only)	(1,000,000)		(1,000,000)		
Plus: debt service	1,055,000		1,055,000		
2016 NERC Assessment	57,081,445	120,000	55,852,805	-	1,108,641

¹As further explained in the discussion of the Working Capital Reserve amount in Exhibit E, the Future Obligations Reserve offsets future, non-current liabilities. The calculation of Working Capital and Operating Reserve balances per 2014 audited financials and as projected for 2015 and 2016 is included with the Statements of Financial Position on page 90.

²On August 13, 2015, the NERC Board of Trustees approved the Working Capital and Operating Reserve Balance at 12/31/16.

Table B-2 Penalties

Penalty Sanctions

Until recently, penalty monies received prior to June 30 were to be used to offset assessments in the subsequent year's budget, as documented in *NERC Policy – Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standard*, as well as Section 1107.2 of the Rules of Procedure. The NERC Board has approved an updated Working Capital and Operating Reserves Policy that has also been conditionally approved by FERC (subject to a required compliance filing). This updated Policy allows NERC, with FERC approval pursuant to Section 1107.4 of the Rules of Procedure, to place penalty funds into a new Assessment Stabilization Reserve for use in future years to offset assessments. For the 2016 budget, \$3,710,000 of penalty funds received prior to June 30, 2015 were deposited into this reserve account. NERC proposes that \$1,439,000 of those funds be used to offset assessments for the 2016 budget with the remaining \$2,271,000 held in the Assessment Stabilization Reserve for future assessment offsets.

All penalties received through June 30, 2015 are detailed below, including the amount and date received.

Allocation Method

Penalty sanctions used to offset 2016 assessments have been allocated to the following statutory programs to reduce assessments: Reliability Standards, Regional Entity Assurance and Oversight, Compliance Analysis, Registration and Certification, Compliance Enforcement, Reliability Assessments and Performance Analysis, Training and Education, Situational Awareness, Event Analysis and Investigations, the Critical Infrastructure Department, and the ES-ISAC. Penalty sanctions are allocated based on the number of FTEs in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Penalty Sanctions	Date Received	Amount Received
Penalties received between 7/1/2014 and 5/19/2015		
	7/9/2014	1,000,000
	8/11/2014	1,500,000
	10/28/2014	125,000
	12/5/2014	1,000,000
	12/17/2014	100,000
	12/17/2014	85,000
	1/14/2015	400,000
	5/27/2015	500,000
		\$ 4,710,000
Adjustments		
Penalties received after 6/30/2014, but included in the 2015 Budget	7/9/2014	\$ (1,000,000)
Funding for assessments stabilization reserve		(2,271,000)
		\$ 1,439,000
Total Penalty Sanctions included in the 2016 Budget		\$ 1,439,000

Table B-3 Outside Funding

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget
Reliability Standards				
Workshops	\$ 104,000	\$ 104,000	\$ 105,000	\$ 1,000
Interest Allocation	587	587	445	(142)
Total	\$ 104,587	\$ 104,587	\$ 105,445	\$ 858
Compliance Analysis, Registration and Certification				
Interest Allocation	\$ 271	\$ 270	\$ 251	\$ (20)
Total	\$ 271	\$ 270	\$ 251	\$ (20)
Compliance Assurance				
Workshops	\$ -	\$ -	\$ -	\$ -
Interest Allocation	293	293	479	186
Total	\$ 293	\$ 293	\$ 479	\$ 186
Compliance Enforcement				
Interest Allocation	\$ 361	\$ 361	\$ 302	\$ (59)
Total	\$ 361	\$ 361	\$ 302	\$ (59)
Reliability Assessments and Performance Analysis				
pc_GAR Software	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Workshops	17,500	17,500	15,000	(2,500)
Interest Allocation	474	474	462	(12)
Total	\$ 67,974	\$ 67,974	\$ 65,462	\$ (2,512)
Training and Education				
Testing Fees and Certificate Renewals	\$ 1,070,000	\$ 1,070,000	\$ 1,267,972	\$ 197,972
CEH Fees	600,000	600,000	600,000	-
Interest Allocation	192	191	183	(9)
Total	\$ 1,670,192	\$ 1,670,191	\$ 1,868,155	\$ 197,963
Event Analysis				
Workshops	\$ 47,300	\$ 43,025	\$ 40,000	\$ (7,300)
Interest Allocation	226	226	274	48
Total	\$ 47,526	\$ 43,251	\$ 40,274	\$ (7,252)
Situation Awareness				
Workshops	\$ -	\$ -	\$ -	\$ -
Interest Allocation	147	147	137	(10)
Total	\$ 147	\$ 147	\$ 137	\$ (10)
ES-ISAC				
Third Party Funding (CRISP)	9,016,089	7,233,140	6,830,738	(2,185,351)
Workshops	72,500	72,500	70,000	(2,500)
Interest Allocation	451	1,609	468	17
Total	\$ 9,089,040	\$ 7,307,249	\$ 6,901,206	\$ (2,187,834)
Total Outside Funding	\$ 10,907,235	\$ 9,194,323	\$ 8,981,710	\$ (1,998,806)

Explanation of Significant Variances – 2016 Budget Compared to 2015 Budget

- Reliability Assessments and Performance Analysis – Nominal license fees charged to help defray a portion of the costs of operating, maintaining, and administering pc-GAR, a complex legacy software application used to provide industry with access to certain generator and transmission data. NERC expects development of a replacement software application for pc-GAR. Any fees for licensing of the pc-GAR software in 2016 will be used to offset development costs of the replacement application, as well operation and maintenance costs for the existing and replacement applications.

The reduction in workshop fees is due to the decision to not charge attendance fees at one of two meetings.

- Event Analysis – The reduction in workshop fees is based upon 2014 actual results.
- ES-ISAC – The decrease is related to third-party funding of CRISP. Workshop fees associated with the Grid Security Conference are budgeted to be slightly lower in 2016 based on 2014 actual results. This was previously budgeted under the Critical Infrastructure Department, which is now merged into the ES-ISAC.

**Table B-4
Personnel**

Personnel Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Total Salaries	\$ 27,580,677	\$ 27,807,341	\$ 28,842,336	\$ 1,261,660	4.6%
Total Payroll Taxes	1,673,628	1,826,683	1,871,367	197,739	11.8%
Total Benefits	3,547,178	3,381,238	3,579,280	32,103	0.9%
Total Retirement	3,001,829	2,743,101	2,990,823	(11,006)	-0.4%
Total Personnel Costs	<u>\$ 35,803,312</u>	<u>\$ 35,758,363</u>	<u>\$ 37,283,807</u>	<u>\$ 1,480,495</u>	<u>4.1%</u>
FTEs	192.30	192.03	192.47	0.17	0.1%
Cost per FTE					
Salaries	\$ 143,425	\$ 144,807	\$ 149,852	6,427	4.5%
Payroll Taxes	8,703	9,512	9,723	1,020	11.7%
Benefits	18,446	17,608	18,596	150	0.8%
Retirement	15,610	14,285	15,539	(71)	-0.5%
Total Cost per FTE	\$ 186,185	\$ 186,212	\$ 193,710	\$ 7,526	4.0%

Explanation of Significant Variances – 2016 Budget Compared to 2015 Budget

The increase in salaries, payroll taxes, and retirement expenses is due to the increase in budgeted salaries, the addition of more senior staff in 2015, and the need to pay higher market-based compensation than previously budgeted to attract and retain employees. The average cost per FTE is also affected by an increase in the across-the-board FTE adjustment to account for attrition and hiring delays. This reduced the total number of FTEs budgeted in all departments. Benefits are budgeted to increase based on the most recent market data as provided by NERC's insurance broker. Payroll taxes are increasing at a higher percentage due to an increase in the maximum salary subject to FICA taxes.

Table B-5*NOTE: This table has been replaced by Exhibit C.***Table B-6**
Rent

Rent	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Office Rent	\$ 2,887,777	\$ 2,887,777	\$ 2,954,287	\$ 66,510	2.30%
Utilities	-	-	-	-	-
Maintenance	100,000	100,000	100,000	-	0.00%
Total Office Rent	\$ 2,987,777	\$ 2,987,777	\$ 3,054,287	\$ 66,510	2.23%

The increase is related to the additional space in the Washington, DC, office for the separation of the ES-ISAC from other NERC operations and to a decrease in rent income from the subtenant in NERC's former Washington, DC, offices.

**Table B-7
Office Costs**

Office Costs	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Telephone	\$ 560,318	\$ 526,112	\$ 548,851	\$ (11,467)	-2.05%
Telephone Answering Srv	3,000	1,442	3,000	-	0.00%
Internet	403,357	389,163	375,900	(27,457)	-6.81%
Office Supplies	189,600	162,259	173,800	(15,800)	-8.33%
Computer Supplies and Maintenance					
Computers	9,000	11,000	25,000	16,000	177.78%
Computer Supplies	100,100	87,309	98,400	(1,700)	-1.70%
Maintenance & Service Agreements	1,749,979	1,757,959	1,874,871	124,892	7.14%
Software	140,680	98,440	117,500	(23,180)	-16.48%
Network Supplies		-	-	-	
Publications & Subscriptions	40,495	139,763	167,650	127,155	314.00%
Dues	53,000	59,120	48,050	(4,950)	-9.34%
Postage	12,300	9,450	16,350	4,050	32.93%
Express Shipping	38,500	25,647	28,200	(10,300)	-26.75%
Copying	65,000	105,116	105,000	40,000	61.54%
Reports	3,000	3,000	2,000	(1,000)	-33.33%
Stationary/Forms	5,000	5,000	2,500	(2,500)	-50.00%
Equipment Repair/Service Contracts	100,000	100,000	75,000	(25,000)	-25.00%
Bank Charges	20,000	20,000	42,500	22,500	112.50%
Taxes	5,000	-	5,000	-	0.00%
Merchant Card Fees	85,000	74,715	86,000	1,000	1.18%
Total Office Costs	\$ 3,583,328	\$ 3,575,494	\$ 3,795,572	\$ 212,243	5.92%

Explanation of Significant Variances – 2016 Budget Compared to 2015 Budget

The increase in Office Costs is primarily due higher Maintenance and Service agreement costs related to data storage requirements of CRISP, offset by a reduction in costs resulting from the decision to purchase the necessary hardware and software to back up NERC data and eliminate the monthly service to provide this capability. The increase in Publications and Subscriptions is based on 2015 projected costs and is primarily for information technology research and advisory services. The decreases in Internet and Equipment Repair/Service Contracts and the increase in Copying are based upon 2015 projected costs.

**Table B-8
Professional Services**

Professional Services	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Independent Trustee Fees	\$ 1,085,000	\$ 1,047,813	\$ 1,126,354	\$ 41,354	3.81%
Trustee Search Fee	-	61,232	100,000	100,000	
Outside Legal	930,000	419,512	690,000	(240,000)	-25.81%
Lobbying Fees	50,000	50,000	50,000	-	0.00%
Accounting & Auditing Fees	150,000	150,000	154,500	4,500	3.00%
Insurance Commercial	200,000	250,000	225,000	25,000	12.50%
Outside Services	196,280	172,235	163,446	(32,834)	-16.73%
Total Services	\$ 2,611,280	\$ 2,150,792	\$ 2,509,300	\$ (101,980)	-3.91%

The Professional Services budget includes trustee search fees, which is required in 2016 to replace a trustee whose term limit has been reached. The reduction in outside legal fees is based on taking more work in-house and a reduction in projected outside legal needs due to the completion of certain contract negotiations. The increase in insurance is related to the retention of an outside insurance advisor to assist NERC in managing the company's insurance needs, which has become more complex. The projected reduction in outside service costs is primarily due to cost reductions achieved by a change in providers.

**Table B-9
Miscellaneous**

Miscellaneous Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Miscellaneous Expense	\$ 6,500	\$ 7,000	\$ 6,500	\$ -	0.00%
Employee Rewards and Recognition	10,000	10,000	10,000	-	0.00%
Community Resp & Employee Engagement	10,000	10,000	10,000	-	0.00%
Year-end Employee Recognition Event	10,000	10,000	10,000	-	0.00%
Total Miscellaneous Expenses	\$ 36,500	\$ 37,000	\$ 36,500	\$ -	0.00%

The 2016 Miscellaneous Expense budget is \$36,500, which is equal to the 2015 budget. This budget is intended to cover the cost of (1) token gifts to retiring employees, condolence flowers in the event of a death in the family of an employee, and similar types of miscellaneous expenses (\$6.5k); (2) funds to support Community Responsibility and Employee Engagement Committee activities (\$10k); (3) departmental and company team-building activities and employee rewards and recognition expenses that are not otherwise included in personnel expenses (\$10k); and (4) year-end employee recognition meal expenses (\$10k).

Table B-10
Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Gain/Loss from Sale of Assets				\$ -	
Property Tax Expense	\$ 50,000	50,000	\$ 50,000	-	
Office Relocation	-			-	
Interest	81,000	20,206	60,000	(21,000)	
Total Other Non-Operating Expenses	\$ 131,000	\$ 70,206	\$ 110,000	\$ (21,000)	-16.03%

The decrease in budgeted interest expense is due to a lower outstanding debt balance than assumed in the 2015 budget. Due to budget underruns in 2014, the company did not draw on the loan to fund 2014 expenditures as planned in the 2014 budget.

Section C — Non-Statutory Activity

NERC has no non-statutory activities.

Section D — Supplemental Financial Statements

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

STATEMENT OF FINANCIAL POSITION

	12/31/2014 Per Audit	12/31/2015 Projection	12/31/2016 - Projection
ASSETS			
Cash	38,810,796	38,414,704	37,729,527
Trade Accounts receivable, net of allowance for uncollectible accounts of \$0 and \$62,573 in 2013 and 2012	5,059,002	5,059,002	5,059,002
Prepaid expenses and other current assets	756,727	756,727	756,727
Security deposit	99,136	125,416	125,416
Plan Assets (457b and 457f)	522,756	793,956	793,956
Property and equipment	5,929,366	8,315,223	9,584,281
Total Assets	51,177,783	53,465,028	54,048,909
LIABILITIES AND NET ASSETS			
Liabilities			
Current Portion			
Accounts payable and accrued expenses (incl, vacation accrual)	4,876,284	4,876,284	4,876,284
Accrued Incentive Comp	4,054,329	4,622,109	4,760,772
Deferred rent-current	249,269	322,218	372,924
Deferred compensation-current	14,257	14,257	14,257
Capital lease obligations - current	56,457	-	-
Accrued retirement liabilities	1,907,562	1,696,250	1,753,137
Debt Service - Current Portion	421,667	1,055,000	1,168,472
Deferred income	6,228,959	6,228,959	6,228,959
Deferred revenue - penalties	-	-	-
Deferred revenue - CRISP	3,953,379	3,953,379	3,953,379
Regional assessments	11,438,455	11,438,455	11,438,455
Total Current Portion	33,200,618	34,206,910	34,566,638
Long-Term Portion			
Deferred compensation ¹	783,446	845,446	965,446
Capital Project Financing - non-current	456,806	1,301,805	1,633,333
Deferred rent - non-current	3,569,492	3,247,274	2,874,350
CRISP Insurance Reserve	500,000	500,000	500,000
Deferred Revenue - Assessment Stabilization Reserve	-	-	2,271,000
Capital lease obligations - non-current	216,481	165,843	165,843
Total Non-Current Portion	5,526,224	6,060,368	8,409,972
Total Liabilities	38,726,842	40,267,277	42,976,610
Net Assets - unrestricted	8,485,941	9,487,751	11,072,299
Net Assets - restricted	3,965,000	3,710,000	-
Total Liabilities and Net Assets	51,177,783	53,465,028	54,048,909

NORTH AMERICAN ELECTRIC RELIABILITY COPORATION

Statement of Activities, Fixed Asset Expenditures and Change in Working Capital by Program 2016 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Activities																
				Statutory Total	Reliability Standards	Compliance Analysis&Cert	Compliance Assurance	Compliance Enforcement	Reliability Assessment and Performance Analysis	Operator Certification	Training and Continuing Education	Event Analysis	Situation Awareness	ES-ISAC	General and Administrative (Includes Executive and Gov't Relations)	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	
Funding																				
ERO Funding																				
NERC Assessments	57,081,445	57,081,445	-	57,081,445	7,869,295	4,509,458	9,185,250	5,144,612	9,626,497	1,742,146	5,181,136	3,624,868	9,636,756	561,427	-	-	-	-		
Penalty Sanctions	1,439,000	1,439,000	-	1,439,000	218,376	123,162	235,174	148,384	226,769	55,994	134,385	67,193	229,563	-	-	-	-	-		
Total NERC Funding	58,520,445	58,520,445	-	58,520,445	8,087,671	4,632,620	9,420,424	5,292,996	9,853,266	1,798,139	5,315,521	3,692,060	9,866,319	561,427	-	-	-	-		
Third-Party Funding (CRISP)	6,830,738	6,830,738	-	6,830,738																
Testing Fees	1,867,972	1,867,972	-	1,867,972									1,267,972	600,000	6,830,738					
Services & Software	50,000	50,000	-	50,000																
Workshops	230,000	230,000	-	230,000																
Interest	3,000	3,000	-	3,000	445	251	479	302	462	68	114	274	137	468						
Miscellaneous	-	-	-	-																
Total Funding (A)	67,502,155	67,502,155	-	67,502,155	8,193,116	4,632,871	9,420,903	5,293,298	9,918,728	1,268,040	2,398,254	5,355,795	3,692,197	16,767,525	561,427	-	-	-		
Expenses																				
Personnel Expenses																				
Salaries	28,842,336	28,842,336	-	28,842,336	2,260,735	1,410,333	3,063,004	1,629,233	2,713,593	265,559	591,698	1,716,263	764,342	3,373,066	3,251,527	2,073,953	2,974,925	742,020	2,012,086	
Payroll Taxes	1,871,367	1,871,367	-	1,871,367	163,064	97,779	205,979	109,485	187,469	20,208	44,138	114,132	58,235	208,610	178,105	122,828	206,604	26,978	127,754	
Benefits	3,579,280	3,579,280	-	3,579,280	327,239	184,238	351,727	222,877	340,119	50,247	83,744	202,259	101,765	345,260	393,229	222,877	401,973	50,247	301,480	
Retirement Costs	2,990,823	2,990,823	-	2,990,823	250,560	157,451	336,902	181,419	301,588	29,658	65,203	191,377	85,275	366,723	196,568	230,150	332,297	43,781	221,874	
Total Personnel Expenses	37,283,807	37,283,807	-	37,283,807	3,001,598	1,849,801	3,957,612	2,143,014	3,542,769	365,671	784,783	2,224,030	1,009,617	4,293,659	4,019,428	2,649,807	3,915,800	863,025	2,663,193	
Meeting Expenses																				
Meetings	1,096,500	1,096,500	-	1,096,500	207,000	4,000	60,000	2,500	110,000	55,000	25,000	81,500	6,500	230,000	299,000	4,000	7,500	2,000	2,500	
Travel	2,203,786	2,203,786	-	2,203,786	271,988	155,146	276,343	56,736	326,510	7,389	13,751	152,487	33,005	256,488	444,515	93,231	56,508	8,728	50,963	
Conference Calls	320,000	320,000	-	320,000	133,000	2,000	20,000	1,200	27,000	500	36,000	14,000	1,000	22,000	19,200	6,400	31,500	1,000	5,200	
Total Meeting Expenses	3,620,286	3,620,286	-	3,620,286	611,988	161,146	356,343	60,436	463,510	62,889	74,751	247,987	40,505	508,488	762,715	103,631	95,508	11,728	58,663	
Operating Expenses																				
Consultants & Contracts	12,865,914	12,865,914	-	12,865,914																
Office Rent	3,054,287	3,054,287	-	3,054,287																
Office Costs	3,795,572	3,795,572	-	3,795,572	64,622	25,338	44,779	21,866	139,998	42,694	53,080	49,181	41,052	392,285	508,027	52,028	2,239,195	9,423	112,005	
Professional Services	2,509,300	2,509,300	-	2,509,300																
Miscellaneous	36,500	36,500	-	36,500	500	500	500	500	500	500	500	500	500	500	5,500	500	500	25,000	500	
Depreciation	2,641,943	2,641,943	-	2,641,943	210,060															
Total Operating Expenses	24,903,515	24,903,515	-	24,903,515	275,182	75,838	245,279	22,488	1,610,561	390,894	383,099	178,048	1,260,754	7,163,203	5,475,132	712,648	5,765,478	638,323	706,589	
Total Direct Expenses	65,807,608	65,807,608	-	65,807,608	3,888,768	2,086,784	4,559,233	2,225,938	5,616,840	819,454	1,242,632	2,650,065	2,310,875	11,965,349	10,257,275	3,466,086	9,776,787	1,513,076	3,428,446	
Indirect Expenses	(0)	(0)	-	(0)	4,234,020	2,387,951	4,559,714	2,876,962	4,396,749	651,388	1,085,646	2,605,551	1,302,775	4,450,914	(10,367,275)	(3,466,086)	(9,776,787)	(1,513,076)	(3,428,446)	
Other Non-Operating Expenses	110,000	110,000	-	110,000																
Total Expenses (B)	65,917,608	65,917,608	-	65,917,608	8,122,788	4,474,734	9,118,947	5,102,901	10,013,589	1,470,841	2,328,278	5,255,616	3,613,650	16,416,263	-	-	-	-		
Change in Assets	1,584,548	1,584,548	-	1,584,548	70,328	158,136	301,956	190,398	(94,860)	(202,801)	69,975	100,179	78,547	351,262	561,427	-	-	-		
Fixed Assets																				
Depreciation	(2,641,943)	(2,641,943)	-	(2,641,943)	(210,060)	-	-	(122)	(386,024)	-	(1,919)	(72,367)	(7,727)	(43,489)	(485,964)	(120)	(1,431,112)	(2,900)	(139)	
Computer & Software CapEx	2,447,000	2,447,000	-	2,447,000																
Furniture & Fixtures CapEx	-	-	-	-																
Equipment CapEx	1,464,000	1,464,000	-	1,464,000																
Leasehold Improvements	-	-	-	-																
Allocation of Fixed Assets	(0)	(0)	-	(0)	280,388	158,136	301,956	190,520	291,164	43,137	71,894	172,546	86,273	294,751	485,964	120	(2,379,888)	2,900	139	
Inc(Dec) in Fixed Assets (C)	1,269,057	1,269,057	-	1,269,057	70,328	158,136	301,956	190,398	(94,860)	43,137	69,975	100,179	78,547	351,262	-	-	-	-		
TOTAL BUDGET (=B + C)	67,186,665	67,186,665	-	67,186,665	8,193,116	4,632,871	9,420,903	5,293,298	9,918,728	1,513,978	2,398,254	5,355,795	3,692,197	16,767,525	-	-	-	-		
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	315,490	315,490	-	315,490	(0)	-	-	-	(0)	(245,937)	(0)	(0)	0	0	561,427	-	-	-		
FTEs	192.47	192.47	-	192.47	17.98	10.14	19.36	12.22	18.67	2.77	4.61	11.06	5.53	18.90	17.52	12.22	22.13	2.77	16.60	

Exhibit A – Common Assumptions

Shared Business Plan and Budget Assumptions NERC and the Regional Entities 2015–2018 Planning Period (2016 Budget Cycle)

Throughout 2014 and early 2015, NERC and the eight Regional Entities worked to develop a common operating model³⁷ with defined roles and responsibilities that align with business planning goals, objectives, metrics, and assumptions for the electric reliability organization (ERO) Enterprise for the 2015–2018 planning period (and specifically for the 2016 budget cycle). Recently, at its November 2014 meeting, the NERC Board of Trustees (Board) approved an updated version of the [ERO Enterprise Strategic Plan](#) with newly aligned goals, objectives, and deliverables for the 2015–2018 planning period. The ERO Enterprise’s annual strategic planning and performance monitoring processes will remain transparent with results reported out on a quarterly basis to NERC’s Corporate Governance and Human Resources Committee and Board in support of the ERO corporate oversight function.

As part of the updated strategic plan, NERC and the Regional Entities consolidated five goals within the existing focus areas of standards; compliance, registration, and certification; risks to reliability; and coordination and collaboration. They also identified a number of associated objectives and deliverables expected of the ERO Enterprise. They also added four overarching performance metrics to assess the overall effectiveness of the ERO Enterprise in addressing risk to the Bulk Electric System (BES) and improving BES reliability. These metrics concentrate on measuring progress in achieving reliability results, assuring standards and compliance effectiveness, improving risk mitigation, and program execution. The following set of common assumptions have been developed to guide ERO Enterprise resource projections³⁸ for the 2015-2018 business planning and budget (BP&B) period (and specifically for the 2016 budget cycle) in support of achievement of the goals and objectives set forth in the Strategic Plan.

Similar to prior planning cycles, the specific resource needs and budgets of NERC and the Regional Entities will be publicly posted and made available on NERC’s website for review and will be approved in open session by NERC’s Finance and Audit Committee as part of the annual BP&B processes. This is in addition to the process that the Regional Entities use to obtain review of their BP&Bs by both their board and stakeholders. NERC’s review of the Regional Entity BP&Bs will be primarily focused on ensuring alignment of activities with the Strategic Plan and adequacy of resources to support performance of delegated functions and key efforts. A [2016 BP&B schedule](#) has been developed to identify important meeting dates, review periods, posting dates, etc. associated with the development and completion of the NERC and Regional Entity BP&Bs.

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

Legal and Operating Framework

NERC and the Regional Entities will continue to work under the existing regulatory framework governing the establishment and enforcement of reliability standards for the bulk power system established by applicable governmental authorities in the United States, Canada, and portions of Mexico, as well as the authorizations contained in the FERC’s order approving NERC as the ERO. Because the Regional Delegation

³⁸ NERC recognizes there are often unique factors that drive differences in each entity or organization’s final determination of its resource needs and budget. Regional Entity-specific assumptions are stated in each Regional Entity’s business plan and budget as appropriate.

Agreements (RDAs) expire on January 1, 2016, NERC and the Regional Entities will work collaboratively to identify any necessary revisions to the RDAs as renewal efforts continue in 2015.

NERC will enhance its oversight of the Regional Entities' performance of their delegated functions. NERC in collaboration with the Regional Entities will develop goals, measures, and reports to assess and evaluate the Regional Entities' performance of their RDAs, NERC's Rules of Procedure, the Compliance Monitoring and Enforcement Program, Commission requirements, and directives that are in effect pursuant to Section 8(c) of the RDAs. NERC will continue to provide feedback and direction to the Regional Entities on performance improvements. NERC and the Regional Entities will also continue to work collaboratively to refine and revise processes and procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measureable reliability outcomes. NERC expects that the Regional Entities will continue to have the primary responsibility for day-to-day operations and interactions with Registered Entities.

Stakeholder Participation

NERC and the Regional Entities develop their business plans, budgets, and resource requirements based upon the assumption of continued stakeholder participation in support of key program areas, while recognizing that stakeholder resource limitations may affect specific levels of participation in any given activity. The availability and adequacy of industry resource support will be evaluated on an ongoing basis.

External Factors

Factors external to the ERO Enterprise have the potential to influence project prioritization, resource needs, and allocation. These factors include, but are not limited to, the following:

- FERC (or other governmental authorities) orders, directives, audits, and performance assessments;
- The implementation and deployment of the finalized EPA 111(d) and Ozone Rules and State Implementation Plans, which may have significant reliability and assessments impacts;
- The number and significance of changes to Balancing Authorities and Reliability Coordinators, prompting the need for associated certification and reliability plan assessments;
- An unanticipated rise in the rate and severity of entity violations;
- An unanticipated rise in the rate and severity of system events requiring formal investigations beyond historic volumes, and causal drivers of these events;
- New technologies and changes in resource or demand composition that require additional reliability studies and reliability risk analysis, including new techniques for conducting relevant assessments;
- Changes in applicable laws and regulations, including environmental laws and others;
- Priority risk activities identified by the Reliability Issues Steering Committee (RISC), committees of the Board, and through other stakeholder input;
- The ability of stakeholders to support the pace and scope of the various activities while implementing the results of earlier efforts.

Collaboration with the Trade Associations and Forums

The activities of the North American Transmission Forum (NATF), North American Generator Forum (NAGF), and other trade forums and associations are expected to complement ERO Enterprise activities and limit the need to add incremental resources to the NERC and Regional Entity BP&Bs that might

otherwise be required in the absence of these forums. In 2013, NERC entered into a memorandum of understanding with the NATF to help ensure that the common objectives of each organization are achieved in the most efficient and effective manner. There is mutual agreement, with no commitment of funds, to coordinate information sharing, engage in the development and maintenance of mutual reliability activities, and provide periodic reports to pertinent audiences. A similar agreement has been developed with the NAGF in 2014.

Increased collaboration between the NATF and NERC is expected to continue into 2016 so that NATF members can more fully support NERC efforts on projects, such as: protection systems misoperations reduction, physical security, various activities related to reliability assurance, improvement of modeling practices, and complementary efforts on addressing the geomagnetic disturbance challenges.

Key Assumptions by Program Area³⁹

Reliability Standards Program

- The number of continent-wide standards development projects will remain at the reduced “steady state” level to be achieved in 2015.
- Continent-wide standards projects will consist primarily of conducting enhanced periodic reviews to improve the content and quality of standards, responding to identified risks to reliability, and addressing FERC directives that may arise. This activity will require the allocation of technical resources from several internal NERC departments (e.g., Reliability Assessment and Performance Analysis (RAPA), Reliability Risk Management (RRM), Compliance Analysis and Certification (CAC), and Compliance Assurance) and support from across the enterprise.
- Regional standards will be reviewed for potential opportunities to incorporate them into their associated continent-wide standards as variances through scheduled enhanced periodic reviews. Regional and NERC standards development processes will have to be incorporated in order to accomplish this task. Each Regional Entity will work with NERC and possibly other Regional Entities on projects where there is a regional standard/variance. Regional standards development activity will be driven by requests the Regional Entity may receive or issues the Regional Entity may identify. Regional standards development activity is expected to remain low.
- In coordination with Standard Drafting Teams (SDTs) and consistent with current approaches, Regional Entities may support outreach during standard development. Additionally, following FERC approval, Regions will assist the transition of standards to compliance monitoring and enforcement supporting industry and auditor training, or providing information regarding the intent of the standard.
- The number of interpretations are expected to remain low. However, guidance requests associated with the implementation of Standards may increase.
- NERC standards staff will remain at the projected 2015 level.

Compliance Monitoring and Enforcement, and Organization Registration and Certification Programs

³⁹ These statements, which are generally organized by program area, are intended to help generally guide resource allocation decision making in the development of the 2016 business plans and budgets.

Compliance and Enforcement

- The implementation of the risk-based CMEP, as transformed through the Reliability Assurance Initiative (RAI), will require the allocation of dedicated resources from both NERC and the Regional Entities for both compliance and enforcement.
 - Regional Entities should anticipate at least the same level of participation in implementing the risk-based CMEP as they did in developing it under RAI in 2014 and possibly more as they operationally implement its components for the first time in 2015.
- NERC and the Regional Entities are expected to utilize consistent compliance monitoring practices and focus on higher reliability risks to increase efficiency and mitigate overall compliance costs for registered entities.
- The *Compliance Auditor Capabilities and Competency Guide* is expected to be adopted in 2015. The Regional Entities will need to assess their existing resources, including potentially adjusting skill sets to meet these guidelines. This may require additional resources or a reallocation of resources to attain and maintain these competencies (see below).
- NERC and the Regional Entities are planning to support the training and education requirements and guidelines necessary to meet the criteria set forth by the *ERO Auditor Manual and Handbook* and the *Compliance Auditor Capabilities and Competency Guide*. Regional Entities will be expected to demonstrate the following:
 - Reliability Standards Audit Worksheets (RSAWs), bulletins, compliance analysis reports (CARs), training documents, and other related compliance guidance are provided to compliance personnel and other staff, as necessary.
 - Compliance Auditor job descriptions are reviewed and properly reflect the guidance provided in the *Compliance Auditor Capabilities and Competency Guide*.
 - A gap analysis has been performed to identify both individual training needs and organizational compliance resource needs to assure properly staffed engagements capable of performing work associated with identified engagement scope (e.g., appropriate individual and team knowledge, education and collective skills).
 - A process is in place for personnel to acknowledge their commitment to professional standards, ethical principles, and rules of conduct.
 - An assessment process is in place to evaluate audit team competencies and capability needs.
 - A training program is in place that addresses initial and continuing training for capability and competency development. Regional Entities will continue to budget with a strategic objective of acquiring, engaging, and retaining highly qualified talent suited to the mission.
- An assessment project was completed in 2014 to evaluate software systems used for compliance, registration, analysis and tracking, which may result in changing or replacing existing systems in the future. Until a decision is made by the EROEMG to change or replace existing systems, NERC and the Regional Entities should continue to maintain contractor and consultant services to support existing systems.

- Risk-based monitoring activities are expected to increase through implementation of the risk-based CMEP, but they should have little effect on overall resource requirements.
- Non-critical infrastructure protection (CIP) violations are expected to continue decreasing as most registered entities have been audited and the standards and RSAWs have matured.
- CIP compliance personnel will need to support the transition from the cyber-security Reliability Standards version 3 (V3) to V5 and provide support to entities undergoing a CIP audit:
 - NERC will lead the CIP V5 training development, coordination, and facilitation for the ERO CIP auditors and industry outreach. ERO CIP auditors will support these activities in collaboration with NERC, as needed, to ensure appropriate knowledge and guidance are developed, understood, and administered.
 - Potential increase in resources may be necessary to support compliance and enforcement activities related to CIP V5 Standards in 2016 and 2017.
 - Additional resource considerations should be given to managing the increased amount of Registered Entities applicable to the CIP Standards due to the addition of “low impact” requirements that are forecast to come into effect in 2017 and 2018.
 - Development of guidance documents for CIP V5 is expected to decrease in 2016.
 - Additional training requirements will be necessary to support the transition affecting the annual training commitments.
- Additional resources may be necessary for increased Physical Security activities as the CIP-014 Reliability Standard becomes effective. Similar to the cyber security Reliability Standards activities, industry and auditor training will be developed, along with increased guidance.
- As the depth of focused analysis of reliability performance and events across NERC improves, any identification of possible gaps in standards and compliance monitoring could potentially influence this program area.

Organization Registration and Certification

- Three central reforms have been identified as a result of the completion of the risk-based registration activity in 2014:
 - Modifications to the NERC Registry Criteria have been proposed, including the deactivation of three functional entities (Purchasing-Selling Entities, Interchange Authorities, and Load-Serving Entities), modifications to the threshold criteria for Distribution Providers, and alignment of five registration categories with the BES definition.
 - The risk-based application of Reliability Standards, which establishes subset lists of Reliability Standards for registered entity functions (e.g., Under-Frequency Load Shedding-only Distribution Providers), has been incorporated into the rules.
 - Procedural improvements to the registration process have been added.

These proposed reforms strengthen the registration process and are an important milestone in NERC’s approach to managing risks to reliability. Deployments of these revisions to the registration process will take place in 2015 and are outlined in an implementation plan; however, the implementation timelines are contingent on FERC’s response to the NERC filing.

- No further enhancements are anticipated to support the ongoing next phases of this activity.
- Based on the 2015 technical assessment of the Phase 2 registered functions (Transmission Operator, Transmission Owner, Generator Owner, and Generator Operator), support for the development of subsets of standards may be necessary.
- Certification program assessment will result in enhancements to the current program, targeted for implementation in 2016.
- Planned oversight activities for 2016 will be aligned with the ERO Enterprise Operating Model and may affect 2016 resource allocation, but they should have little effect on overall NERC resource requirements. NERC understands that each regional entity will need to evaluate their individual resource needs and allocations.

Reliability Assessment and Performance Analysis Program (RAPA)

- Regional Entity resources are needed to manage the process execution, technical validation of the definition and exception requests, self-determined notification submittals, and periodic reviews of network changes affecting BES determinations, as well as requests for registration and certification reviews.
- RAPA resources within Regional Entities and NERC will be required across the enterprise to jointly expand the assessment and performance analysis capabilities to accomplish the following:
 - Develop and implement expanded and enhanced enterprise-based data collection and analysis systems and capabilities for performance analyses.
 - Support the integration of RAPA information systems for assessments and associated data requirements, with focus on independent and technically sound reliability assessments supporting delivery of high quality reports (e.g., long-term reliability assessment, seasonal assessments, special or scenario assessments, and state of reliability report).
 - Continue the enhancement of the NERC oversight of Regional Entity delegated activities through quality and timeliness metrics supporting the effectiveness of ERO activities to improve system analysis, assessments, and reliability performance, as well as performance analyses models along with data characteristics reflecting the reliability behavior from the changing resource mix.
 - Develop assessment and performance analysis by expanding the use of advanced techniques and tools for resource analysis to perform probabilistic and scenario evaluations that address the impacts of integrating new technologies, changing resource mix or demand composition, and environmental-related regulations or legislation.
 - Effectively implement long-term reliability assessment coordination and collaboration efforts across NERC and the Regional Entities enabling them to independently evaluate the reliability characteristics and behavior of the bulk power system.
 - Provide technical resources and expertise to perform analyses as needed to support and determine risk priorities for standards development, compliance, and enforcement activities.
 - Develop appropriately tailored analysis and overall assessment, including guidance for registered entities, of high impact, low frequency bulk power system risks, including

physical security, geomagnetic disturbance (GMD) vulnerability, planning guides, and planning standards.

- Identification of the key reliability risks and appropriate risk control projects designed to enhance reliability or mitigate risks will be required.
- The group will support the development of long-term sustainable Interconnection-based models that exhibit the accuracy and fidelity reflecting actual bulk power system reliability performance and dynamic conditions. These models can integrate the reliability behavior of changing resource mixes and the technology of both generation and loads:
 - Metrics demonstrating the accuracy of the powerflow and dynamics models replicating actual system conditions and reliability behavior will be developed and tracked.
 - NERC and the Regional Entities will provide technical resources to oversee the effective and continuous improvement of the models that incorporate recognition of reliability behavior of loads and generation associated with the changing resource mix.
 - The compilation of long-term sustainable interconnection-wide powerflow and dynamics cases under Reliability Standards MOD-032 and MOD-033 will be supported.
 - Essential Reliability Services measures and framework for assessments will be developed, refined, and implemented.
- Contractor and consultant services may be necessary to maintain continued support and technical expertise associated with activities listed in the above assumptions and with supporting special assessment, scenario, or other technical research efforts. It could potentially impact both NERC and Regional Entity budgets:
 - If significant events occur, contractor services may be required to support wide-area system analyses and root cause evaluations.
 - Contractor services may be necessary to support special assessment analyses (e.g., EPA 111(d) evaluation or Essential Reliability Services), scenario analyses (e.g., polar vortex-like severe event analyses and gas-electric interdependence), and other technical research efforts (e.g., similar to GMD, and FAC-003 Vegetation Management).

Training, Education, and Operator Certification Program

- NERC will continue to budget for the unified learning management system (LMS) focused primarily on Regional Entity audit staff initially, with near-term consideration for risk-based compliance monitoring and enforcement related staff. Future inclusion of other ERO functional areas is expected as potential requirements present themselves during system development. NERC will work with the Regional Entities to consolidate training resources and promote better coordination, planning, delivery and management of training efforts across the enterprise without adversely impacting region-specific training requirements.
- The implementation of compliance auditor training and competencies are expected to influence the allocation of training resources throughout the enterprise. NERC will continue the development of compliance training modules with assistance of qualified subject matter experts from the Regional Entities and incorporation of outside expertise/services.

- Additional resources may be required, and increases to NERC and Regional Entity training budgets could be expected, to support certain training activities of the risk-based CMEP.
 - Regional Entities should allocate resources to meet the training requirements for the compliance and enforcement staff that are associated with the implementation of the risk-based CMEP.
- The Regional Entities, in collaboration with NERC, are expected to help assess and determine training needs. This includes flexibility in approach between Regional Entities, and anticipating areas of support for their staffs and stakeholders for standards, compliance monitoring and enforcement, situational awareness and event analysis, and information technology (IT). Addressing these needs will likely require additional resource allocation and budgeting considerations.
- NERC, in collaboration with Regional Entities, will develop and deliver additional CIP V5 training to support the transition for low impact entities. This may require consideration for additional funding of the NERC training and education budget.
- The Operating Personnel Certification program is expected to remain at a steady state with no additional resources required from the Regional Entities.
- Contractor and consultant services may be necessary to maintain the continued support and technical expertise associated with some enterprise training and education activities.

Situation Awareness and Infrastructure Security (Events Analysis)

- NERC will continue to budget and manage event analysis and situational awareness separate from the compliance and enforcement functions.
- Participation in the ERO event analysis process will continue at or above current levels through 2016.
- NERC will continue to budget and incur costs to operate and maintain the software applications and systems known as situational awareness for NERC, FERC, and the Regional Entities (Version 2 (SAFNrv2)). Additional resource investments may be required to enhance the capabilities of SAFNrv2 throughout the planning period. Any such investments will be NERC funded and not result in an allocation of cost to the Regional Entities.
- Regional Entities will continue to budget for event analysis and situational awareness activities based on their respective Region's historical workload, as they did in the past. Some Regional Entities will continue to allocate resources as part of the activities accounted for under their RAPA program, and should clearly delineate where the activities' resources are budgeted.
- Regional Entities will support critical infrastructure security activities in the context of situation awareness, using those designated resources, unless specifically budgeted and managed elsewhere.

ES-ISAC⁴⁰

- NERC will continue to fund, operate and maintain the Electricity Sector Information Sharing and Analysis Center (ES-ISAC), with no increased cost to the Regional Entities.

⁴⁰ NERC has dissolved the Critical Infrastructure Department (CID) and realigned those resources and functions mostly under ES-ISAC, with some under Compliance Assurance.

- NERC will continue to fund and conduct the Grid Security Exercise (GridEx) program, with no increased cost to the Regional Entities. Planning activities will occur during even-numbered years and execution of the exercise will take place in odd-numbered years.
- NERC will continue to fund and conduct the Grid Security Conference as an annual event. Other than funding registration fees for individual attendees from their Regional Entity, no Regional Entity funding is anticipated.
- The strategic review by the Electricity Subsector Coordinating Council (ESCC) of the ES-ISAC may affect resource and funding requirements.
- NERC will continue to manage CRISP and may advance other security management tools.

Information Technology and Project Management Office (PMO)

- NERC and the Regional Entities will collaboratively work to refine existing strategies and governance and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, including software and data systems supporting both NERC and Regional Entity operations.
- NERC's BP&B will include ongoing funding support for the development, operation, and maintenance of NERC approved enterprise applications. Enterprise application funding in any given year will be subject to the budget and funding limits set forth in NERC's approved BP&B. Regional Entities should include appropriate funding for applications and supporting systems designed to satisfy Regional business needs (if not within the mutually agreed upon scope of the ERO Enterprise applications that are funded by NERC).
- Regional Entities may be required to allocate or augment business teams to help develop application business requirements and to test business functionality within the enterprise applications.
- Ongoing investments will be required to develop, implement, and maintain enhancements to the NERC and Regional Entity websites, ERO applications, and ERO data repositories, which are required to improve access to information and data. NERC and the Regional Entities will separately fund any enhancements to their own websites.
- NERC anticipates that NERC's management of NERCnet will be transferred to the Eastern Interconnect Data Sharing Network (EIDSN) during 2015. Entities currently using NERCnet may see an increase or decrease in their costs going forward depending upon EIDSN costs and billing arrangements. Users should consult with the EIDSN for further information.
- NERC may consider transitioning other tools to third party ownership, operation, and maintenance. NERC has not made a determination regarding which, if any, tools are likely to be transitioned or the timing of such transition. Any such transition will be accomplished in a collaborative manner with affected users, including advance notice and efforts to mitigate financial and operational impacts.

ERO Enterprise-wide Risk Management

- A common ERO Enterprise risk management framework will be developed and implemented to focus on identifying, assessing, prioritizing, and mitigating risks associated with the performance of both NERC and the Regional Entities. This will be a multi-year activity.

- NERC’s Director of Risk Management and Internal Controls will be responsible for the overall development of this framework, with the approval of the ERO Regional Executives and under the oversight of NERC’s Enterprise Wide Risk Management Committee.
- NERC will work, in collaboration with Regional Entities, to develop and implement this framework. Regional Entities may add risk management and internal control resources as needed.

Exhibit B – Application of NERC Section 215 Criteria

DISCUSSION OF HOW THE NERC MAJOR ACTIVITIES IN THE 2015 BUSINESS PLAN AND BUDGET MEET THE NERC WRITTEN CRITERIA FOR DETERMINING WHETHER A RELIABILITY ACTIVITY IS ELIGIBLE TO BE FUNDED UNDER FEDERAL POWER ACT SECTION 215

Introduction

This Exhibit discusses how the major activities in NERC’s 2016 Business Plan and Budget meet the NERC written criteria for determining whether a reliability activity is eligible to be funded under §215 of the Federal Power Act (“FPA §215”). This Exhibit is intended to satisfy Recommendation No. 38 resulting from the financial performance of NERC conducted by the Commission’s Division of Audits (“DA”) in 2012-2013 and adopted by the Commission in its November 2, 2012 order on NERC’s 2013 Business Plan and Budget.¹ NERC submitted the written criteria to the Commission in a compliance filing dated February 21, 2013 in Docket No. FA11-21-000.² The Commission approved the NERC written criteria, with modifications, in an order issued in that docket on April 18, 2013.³ The NERC written criteria as used in this Exhibit incorporate the modifications specified in the Compliance Order.⁴

II. Reliability Standards Program 2016 Major Activities

The major activities of the Reliability Standards Program are described at pages 20-22 of the 2016 Business Plan and Budget. The Reliability Standards Program carries out the ERO’s responsibility to develop, adopt, obtain approval of, and modify as and when appropriate, mandatory Reliability Standards for the reliable planning, operation, and critical infrastructure protection of the North American BES. The major activity areas for this program include (1) providing project management and leadership to the reliability standard development process to deliver high-quality, continent-wide reliability standards, including standard development outreach activities, facilitation of Standard Drafting Team activities, drafting support, assisting Standard Drafting Teams in adhering to the processes in the *Standard Processes Manual*, and ensuring that the quality of documents produced are appropriate for approval by industry and the NERC Board; (2) facilitating continent-wide industry engagement in the standard development processes; and (3) conducting industry balloting on standards, disseminating information on standards and the standard development processes, and supporting regulatory filings and proceedings relating to standards. Additionally, the Reliability Standards Program provides technical advice and final quality review for Regional Entity Standards development processes, presents proposed Regional standards to the NERC

¹ *North American Electric Reliability Corporation, Order Accepting 2013 Business Plan and Budget of the North American Electric Reliability Corporation and Ordering Compliance Filing*, 141 FERC ¶ 61,086 (2012) (“2013 Budget Order”). Recommendation 38, as adopted in the 2013 Budget Order, is: “In its annual business plan and budget filings, [NERC should] provide an explanation as to why the proposed activities to be undertaken by each program area for the budget year are statutory, including, at a minimum: a description and the purpose of the major activities to be taken by each program area and an explanation for why the activity is a statutory activity.” *Id.* at P 16.

² *Compliance Filing of the North American Electric Reliability Corporation in Response to Paragraph 30 of November 2, 2012 Commission Order – NERC Written Criteria for Determining Whether a Reliability Activity is Eligible to be Funded Under Federal Power Act Section 215*, filed February 1, 2013 in Docket No. FA 11-21-000 (“February 1, 2013 Compliance Filing”).

³ *North American Electric Reliability Corporation, Order on Compliance*, 143 FERC ¶ 61,052 (2013) (“Compliance Order”).

⁴ For ease of reference, the complete NERC written criteria, as modified in accordance with the Compliance Order, are provided at the end of this Exhibit.

Board, and prepares submissions for approval of regional standards to the applicable regulatory authorities in the U.S. and Canada.

For 2016, the major activities of the Reliability Standards Program will focus on (1) completing addressing existing FERC directives and remaining recommendations for retirements from the Paragraph 81 project and the Independent Experts Review Project; (2) addressing new FERC directives as necessary through the standards process; and (3) addressing reliability risks identified through the Reliability Risk Management Process or by the NERC Reliability Issues Steering Committee for which a Reliability Standard is part of the solution.

The major activities of the Reliability Standards Program satisfy the following criteria:

I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC Rules of Procedure (ROP)?

I.B: Is the activity necessary or appropriate for providing guidance and assistance to Regional Entities in carrying out Regional Reliability Standards development activities?

I.C: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated?

I.D: Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures, and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, (iii) industry personnel?

II.F.1: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (ii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents.

V: Is the activity one that is required or specified by, or carries out, the provisions of NERC's Rules of Procedure that have been approved by the Commission as "Electric Reliability Organization Rules" (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable Rules of Procedure provisions for these major activities are §300 and Appendix 3A.)

VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?

IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

X. Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?

III. Compliance Monitoring and Enforcement and Organization Registration and Certification Program Area 2016 Major Activities

The major activities of the Compliance Monitoring and Enforcement and Organization Registration and Certification Program Area are described at pages 24-27, 29-31 and 33-37 of the 2016 Business Plan and Budget. This Program Area is comprised of two operational groups: (1) Reliability Assurance and (2) Compliance Enforcement. Reliability Assurance in turn is comprised of Compliance Assurance, Compliance Analysis and Certification, and Registration groups.

The Compliance Assurance group works collaboratively with the Regional Entities to ensure consistent and effective implementation of the Compliance Monitoring and Enforcement Program (“CMEP”) across the entire ERO Enterprise. This group’s activities include the following major activities and functions: (1) ensuring consistent and fair implementation of the CMEP and of the risk-based compliance monitoring program for reliability improvements, including developing and maintaining the necessary compliance-related processes, procedures, IT platforms, tools and templates; (2) development and delivery of comprehensive and ongoing training on risk-based compliance monitoring and enforcement for ERO Enterprise staff; (3) oversight of the Regional Entities’ delegated compliance functions, including consistent and uniform CMEP planning, implementation, and reporting, compliance operations and coordination, and auditor training; (4) CIP Version 5 activities related to transition, training, and compliance design of ERO education programs that support industry compliance and the integration of risk assessment and internal controls; (5) CIP-014-1 training and outreach activities relating to effective implementation of the Physical Security Standard; (6) development of baseline monitoring requirements; (7) development and maintenance of Reliability Standard Audit Worksheets (RSAWs); (8) support for Regional Entity and industry committees, working groups, and task forces, such as the Compliance and Certification Committee; and (9) development and delivery, supported by Regional Entities, of guidance to the ERO Enterprise for Reliability Standards associated with risk elements and training for every Reliability Standard approved by FERC.

The Compliance Assurance group provides compliance information, statistics and perspectives to standard drafting team; collaborates with industry and the Standards department in the standards development process by providing draft RSAW guidance and input on the auditability and enforceability of draft standards; promotes registered entities’ development of effective compliance programs and internal controls; and provides industry focused outreach events and webinars on the ERO Enterprise’s approaches to risk-based CMEP activities. As part of the implementation of the risk-based CMEP, the Compliance Assurance group along with the Compliance Enforcement group regularly addresses continued training of ERO Enterprise staff, outreach to industry, oversight of Regional Entity implementation of risk-based processes, and development and benchmarking of objective metrics to support measures of success for the risk-based CMEP. During 2016, the Compliance Assurance group’s implementation of the risk-based CMEP will evolve into evaluation of how risk-based compliance monitoring concepts are utilized, the determinations made when using these concepts, and the results of their practical application by Regional Entities. In addition, the Compliance Assurance group will continue to assist in the smooth transition from Version 3 to Version 5 of the CIP Standards by providing training, webinars and other forms of outreach.

The ongoing and new major activities of the Compliance Assurance group for 2016 will include: developing and implementing a training program to support implementation of the common audit procedures and the ERO Auditor Capabilities and Competencies Guide; working with the Compliance Enforcement and Information Technology departments and with Regional Entity staffs regarding improvements in the existing Compliance, Reporting, Analysis Tracking System and other compliance tools to support risk-based activities; making effective internal controls models and information available to industry; initiating compliance phase-in learning periods for new standards; transitioning to a single ERO approach to compliance monitoring and common audit planning, and consistent implementation of risk-based techniques and principles; consolidating to a common set of RSAWs, or successors, for all standards; creating technically sound training to support compliance methodologies and testing approaches for Reliability Standards; supporting the successful transition to CIP Version 5 Standards that become effective in 2016; and continuing to monitor and support effective implementation and monitoring of the Physical Security Reliability Standard.

The Compliance Analysis and Certification and Registration groups are responsible for a range of requirements and activities embodied in Section 500 and Appendices 5A and 5B of the NERC ROP, including ensuring all entities impacting the BES are registered commensurate with risk; ensuring all Reliability Coordinators (“RC”), Balancing Authorities (“BA”) and Transmission Operators (“TOP”) are certified; ensuring industry maintains effective internal controls programs for reliability assurance risk, and ensuring that compliance gaps identified in reportable events are assessed and addressed if appropriate. Major activities of this group include (1) registration of BES users, owners, and operators who are responsible for compliance with FERC-approved Reliability Standards; (2) certification of RC, BA and TOP; (3) conducting compliance investigations to identify possible violations of Reliability Standards in response to complaints, BES disturbances or other similar triggers; (4) conducting compliance evaluations with Regional Entity staff to confirm that qualified events and disturbances are evaluated against relevant Reliability Standards and to ensure formal compliance monitoring occurs if indicated (5) processing complaints alleging violations of Reliability Standards; (6) conducting activities to reasonably assure the ERO that certain actions have been taken as reported in response to NERC Alerts or guidance to industry; and (7) oversight of Regional Entity registration, certification, compliance, investigation and complaint programs and processes.

The major activities of the Compliance Analysis, Registration and Certification group for 2016 will include continuation of current initiatives, including evaluation of the current certification program and implementation of any recommended changes, as well as enhanced oversight and quality assurance reviews of Regional Entity performance of delegated registration, certification, investigations and complaint duties.

The Compliance Enforcement department is responsible for overseeing enforcement processes, the application of penalties or sanctions, and activities to mitigate and prevent recurrence of noncompliances with Reliability Standards. The Department works collaboratively with the Regional Entities to ensure consistent and effective implementation of the risk-based CMEP. It also focuses on ensuring that the ERO Enterprise dedicates resources to the matters that pose the greatest risk to reliability. The Compliance Enforcement department monitors Regional Entities’ enforcement processes and provides oversight over the outcomes of such processes, to ensure due process, identify best practices and process efficiency opportunities, and promote consistency among Regional Entities’ business practices; collects and analyzes compliance enforcement data and trends to assist with identification of emerging risks and help to inform development of enforcement policy and processes; files notices of

penalty (“NOP”) and other submittals associated with noncompliances discovered through Regional Entity compliance, monitoring and enforcement activities; processes and files NOPs and other submittals discovered through NERC-led investigations and audits; collaborates with other NERC departments, including Compliance Assurance, Reliability Standards and Event Analysis; delivers training of the ERO Enterprise staff and outreach to registered entities on compliance and enforcement topics; and coordinates with the Regional Entities on implementation of risk-based processes.

During 2016, the Compliance Enforcement department will focus on the successful implementation of, as well as refining and improving, the risk-based CMEP. The Compliance Enforcement department will provide training to Regional Entity staff on the risk-based CMEP processes, including compliance exceptions and the self-logging program. Specific activities of the Compliance Enforcement department in 2016 will include refining and improving risk-based CMEP processes; implementing in a transparent manner an ERO Enterprise enforcement philosophy that is risk-focused and drives desired behaviors by registered entities; expanding the feedback loop of information from Compliance Enforcement to Reliability Standards and other program areas; and working closely with NERC’s Compliance Assurance group and Information Technology department and with Regional Entity staffs regarding the improvements in the existing Compliance Reporting Analysis Tracking System and other compliance tools to support risk-based activities.

The major activities of the Compliance Monitoring and Enforcement and Organization Registration and Certification Program Area satisfy the following criteria:

I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC Rules of Procedure?

I.C: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated?

II.A: Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the Bulk Power System that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?

II.B: Is the activity necessary or appropriate for the Certification of Reliability Coordinators, Transmission Operators and Balancing Authorities as having the requisite personnel, qualifications and facilities and equipment needed to perform these reliability functions in accordance with the applicable Requirements of Reliability Standards?

II.D: Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?

II.E: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and

the need for new or different means of training and education on compliance with Reliability Standards.

II.F: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents. (2) Compliance monitoring and enforcement processes, including how to conduct them, how to participate in them, and the expectations for the process? This includes development of guidance documents. (3) Disseminating, through workshops, webinars, Advisories/Recommendations/Essential Actions, and other publications, “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities, monitoring and investigation of Bulk Power System major events, off-normal occurrences and near miss events, and other Bulk Power System monitoring activities? (4) Registered Entity internal processes for compliance with Reliability Standards, such as development, implementation and maintenance of internal reliability compliance programs?

V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s Rules of Procedure that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable Rules of Procedure provisions for these major activities are §400 and 500 and Appendices 4B, 4C, 5A, 5B and 5C.)

VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?

IX: Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in the activities encompassed by one or more of the other criteria?

X: Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?

IV. Reliability Assessment and Performance Analysis Program 2016 Major Activities

The major activities of the Reliability Assessment and Performance Analysis (“RAPA”) Program are described at pages 39-50 of the 2016 Business Plan and Budget. The RAPA Program carries out the ERO’s responsibility to conduct assessments of the reliability and adequacy of the BES to provide insight and guidance about reliability risks and performance improvements. The Program also identifies reliability performance issues and areas of concern (including equipment performance and reliability issues) for consideration in the development and modification of Reliability Standards or other initiatives to enhance reliability. RAPA focuses on developing a technical framework and understanding of the reliability risks facing the industry. The principal activity areas of the RAPA Program include: independent assessments

and reports on the overall reliability, adequacy, and associated reliability risks that could impact the upcoming summer and winter seasons and the long-term (e.g. 10-year) planning horizon; development of focused reliability assessments based on emerging reliability risks and other reliability issues garnering an in-depth analysis; performance analysis and recommendations of historical reliability and associated trends, relying on data integrity and consistent methodology, supporting credible recommendations and guidance; reliability assessment and bulk system evaluation model development for analyzing steady-state and dynamic conditions, including frequency, Essential Reliability Services, and stability aspects; assurance oversight that electrical elements necessary for the reliable operation of the BPS are appropriately identified as BES Elements; reliability risk program management for identifying and improving key risk areas using analyses of reliability gaps, risks, controls, and management efforts, as well as integration with Reliability Issues Steering Committee, Long-Term Reliability Assessment, and State of Reliability reports; management of reliability risk program priorities to align with the Strategic Plan and business plan and budget for appropriate level of resources, timing, completion and execution; and establishing reliability leadership and consistent, technically sound guidance and recommendations that position industry and policy-makers to enhance reliability through effective outreach and communications.

The RAPA Program works with industry leaders to create a reliability strategy that is relevant, timely, and effective at addressing the most important reliability risks. RAPA's efforts are focused on reliability risk analysis and management, including reliability risk management programs relating to changing resource mix, risks in resource planning, protection system reliability, protection system misoperations, uncoordinated protection systems, extreme physical events, availability of real-time tools and monitoring (loss of situational awareness), and right-of-way clearances. RAPA also collects transmission outage, generator performance, and demand response data in a common format using various industry databases, and uses the data to develop and report on transmission metrics that analyze outage frequency, duration, causes, and other factors related to transmission outages and generator performance. RAPA also collects and analyzes detailed information about individual outage events. Further, RAPA performs reliability assessments that evaluate the expected reliability behavior of the BPS through extensive deterministic and probabilistic analyses to identify potential reliability conditions that could compromise overall reliability. Each year, RAPA performs independent assessments and prepares reports on the overall reliability, adequacy and associated risks for the upcoming summer and winter seasons and the long term, ten year period. RAPA also conducts special reliability assessments as emerging risks and potential impacts to reliability are identified and identifies recommendations and guidance actions that may be warranted. Key special assessments in 2016 are expected to include a special assessment of the reliability implications of the U.S. EPA's final Clean Power Plan rule and a comprehensive Essential Reliability Services assessment. RAPA coordinates forecast reliability data between planning areas, the eight Regional Entities, and governmental organizations, and produces the Electricity Supply and Demand Database.

The RAPA Program works closely with other organizations such as the Electric Power Research Institute, Department of Energy, Institute of Electrical and Electronics Engineers, Institute of Nuclear Power Operations, North American Transmission Forum, North American Generation Forum, Canadian Electricity Association, Interstate Natural Gas Association of America, and Natural Gas Supply Association, on a number of energy industry reliability issues such as geomagnetic disturbances, vegetation management, variable generation integration, and interdependency of gas and electric systems.

The ongoing and new major activities of the RAPA Program for 2016 include: issuing assessment reliability reports, guidelines, recommendations and alerts as needed; preparing the long-term and

seasonal reliability assessments; conducting special assessments addressing key reliability issues, including special assessment reports as noted above; preparing an annual State of Reliability Report; providing oversight of the Generating Availability System, Transmission Data Availability System and Demand Response Availability System, along with the Spare Equipment Database; strengthening data collection and validation processes by designing, creating, testing and implementing data-checking systems for reliability assessment, system analysis and risk analysis; providing periodic updates on trends and measures of BES reliability; developing a risk registry and a systematic prioritization process consistent with the RISC framework and supporting BES risk profile measurement and assessment of standards; executing integrated risk control strategies and plans across the organization to address the highest priority existing or emerging risks to BES reliability, and explicitly measure the results; supporting NERC Reliability Standard development and responses to FERC directives by providing technical and system analysis expertise; supporting the technical foundation development for Reliability Standards to address deficiencies or needs revealed by RAPA; advancing NERC's analytical capability for identifying and determining reliability risks and conducting various reliability assessments; providing support and leadership to the NERC Planning Committee and to the subcommittees, working groups and task forces of NERC standing committees; assisting in the development of approaches to registration and providing input in support of the development of CMEP risk elements based on reliability trends, risks, and historical information to ensure that the compliance focus remains on the most critical entities and associated Reliability Standards; conducting major event investigations, analysis, and reporting of major findings and recommendations that will improve reliability; building and sustaining an enterprise RAPA team that encompasses risk-informed approaches and structured methodology to identify and address reliability risks; implementing effective oversight and tracking of various technical aspects of reliability, including frequency response performance, application of the TPL footnote b adoption, and root cause applications to assessment and analyses; designating, developing, and supporting interconnection-wide model-building groups; and developing a structured approach to evaluate and improve system models, model validation, system analysis, and assessments. In addition, RAPA will continue to perform reviews, evaluations and confirmations of proposed changes to BES elements by registered entities.

The RAPA Program's top reliability risk projects (as identified by the RISC) for 2016 are expected to include: Essential Reliability Services Special Assessment Phase II (scenario analyses of different levels of Essential Reliability Services); development of standardized powerflow models and dynamic modeling components; load composition modeling analysis (working with the Planning Committee to develop a guideline for performing analysis of loads to determine system needs for various essential reliability services); model validation of powerflow and dynamics analysis models; frequency response; support for IEEE 547-Standards for interconnecting distributed resources with electric power systems; gas-electric interdependencies and infrastructure assessment; environmental regulations special assessment; protection system reliability analysis; guidelines for coordination of protection systems and other devices (including coordination of the design and operation of transmission system protection, generator protection and control, special protection systems, and under-frequency and under-voltage load shedding programs); emergency transformer replacement (encouraging industry participation in coordination support programs such as the Spare Equipment Database and the Spare Transformer Equipment Program); and system performance improvement (working with industry to minimize setting errors, maintain microprocessor-based relay firmware, and apply power line communication-aided protection).

The major activities of the RAPA Program satisfy the following criteria:

I.A: is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC Rules of Procedure?

I.C.1: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (1) Measuring reliability performance – past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?

II.A: Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the Bulk Power System that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?

III.A: Is the activity necessary or appropriate for the preparation or dissemination of long-term, seasonal, and special assessments of the reliability and adequacy of the Bulk Power System?

III.B: Is the activity necessary or appropriate for measuring reliability performance – past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?

III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the Bulk Power System?

IV: Is the activity one that was required or directed by a Commission order issued pursuant to §215? (FERC orders directed NERC to develop and implement a revised definition of “Bulk Electric System” and a procedure for requesting and receiving exceptions from the BES definition, and subsequently approved NERC’s proposed revised BES definition and its proposed BES exception procedure.)

V. Is the activity one that is required or specified by, or carries out, the provisions of NERC’s Rules of Procedure that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable Rules of Procedure provisions for this major activity are §801-806 and 809-811.)

VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?

IX: Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

X: Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?

V. Reliability Risk Management (Situation Awareness and Event Analysis) 2016 Major Activities

The major activities of the Reliability Risk Management (“RRM”) group, which is comprised of the Situation Awareness Department and the Event Analysis Department, are described at pages 52-54 and 56-57 of the 2016 Business Plan and Budget. The RRM group carries out the ERO’s responsibility to perform assessments (including real-time and near-real-time assessments) of the reliability and adequacy of the BES. The four primary functions of the RRM group are BES awareness, event analysis and determination of root and contributing causes, assessment of human performance challenges that affect BES reliability and identification of improvement opportunities, and support of the NERC Operating Committee. Through awareness and continuous assessment, RRM identifies potential reliability risks to the BES, ensures that industry is well informed of system events, emerging trends, risk analysis, and lessons learned, and provides data and analysis to inform other aspects of NERC’s statutory functions.

The Situation Awareness department along with the Regional Entities monitors BES conditions, significant occurrences and emerging risks, and threats across the 14 Reliability Coordinator regions in North America. Situation Awareness also supports development and publication of NERC Alerts and awareness products, and facilitates information sharing among industry, Regions and government during crisis situations and major system disturbances. Situation Awareness is engaged in enhancement, replacement, streamlining or modification of several reliability-related situation awareness and monitoring tools, including SAFNRv2, replacement of the current secure alert tool, and retirement of the NERCnet – Interconnection Security Network and initiation of service using a new communication network developed, sponsored and managed by the Eastern Interconnection Data Sharing Network consortium. The Situation Awareness Department uses the following reliability-related tools to support its activities: Resource Adequacy (ACE Frequency) Tool; Inadvertent Interchange; Frequency Monitoring and Analysis Tool; Intelligent Alarms Tool; Area Interchange Error Modeling Tool; and Genscape (PowerIQ and PowerRT tools).

The ongoing and new major activities of the Situation Awareness department for 2016 include: ensuring that the ERO is aware of all BES events above a threshold of impact; ensuring the sharing of information and data to facilitate wide area situational awareness; during crisis situations, facilitating the exchange of information among industry, Regions, and U.S. and Canadian governments; keeping the industry informed of emerging reliability threats and risks to the BES, including any expected actions; conducting the annual NERC Monitoring and Situational Awareness Conference and Human Performance Conference; and administering the NERC Alerts process as specified in §810 of the Rules of Procedure to issue Advisory (Level 1) Alerts on significant and emerging reliability and security related topics, and facilitate the tracking of actions specified in Recommendation (Level 2) and Essential Action (Level 3) Alerts.

The Event Analysis department performs assessments of the reliability and adequacy of the BES to identify potential issues of concern related to system, equipment, entity, and human performance that may indicate a need to develop remediation strategies, action plans, or data used to revise Reliability Standards or consider new Reliability Standards. Event Analysis conducts analyses to determine the causes of events, promptly assures tracking of corrective actions to prevent recurrence, and provides lessons learned to the industry. Event Analysis analyzes all reportable events for sequence of events, root cause,

risks to reliability, and mitigation and ensures that the industry is well-informed of system events, emerging trends, risk analysis, lessons learned, and expected actions. Additionally, Event Analysis identifies human error risks and precursor factors that allow human error to affect BES reliability, and educates industry regarding such risks, precursors, and related mitigation methods. Event analysis also supports compliance and standards training initiatives and trending and analysis to identify emerging reliability risks to the BES. Event Analysis works in collaboration with and supports the activities of the NERC Operating Committee's Event Analysis Subcommittee, the North American Transmission Forum, the North American Generator Forum, and other industry groups.

The ongoing and new major activities for 2016 for the Event Analysis department include: (1) working with Regional Entities to obtain and review information from registered entities on qualifying events and disturbances in order to advance awareness of events above a threshold level; facilitating analysis of root and contributing causes, risks to reliability, wide area assessments and remediation efforts; and disseminating information regarding events in a timely manner; (2) ensuring that all reportable events are analyzed for sequence of events, root cause, risk to reliability, and mitigation; (3) continuing to refine risk-based methodologies to support better identification of reliability risks, including use of more sophisticated cause codes for analysis; (4) ensuring consistency in reporting and analysis to support wide area assessments of significant reliability trends and risks; (5) conducting training (webinars, workshops and conference support) to inform industry and the ERO of lessons learned, root cause analysis, trends, human performance, and cold weather preparedness and recommendations; (6) developing reliability recommendations and alerts as needed; (7) tracking industry accountability for critical reliability recommendations; (8) ensuring that industry is well informed of system events, emerging trends, risk analysis, lessons learned, and expected actions; (9) conducting major event analysis and reporting of major findings and recommendations that will improve reliability; and (10) advancing the quality and usefulness of reliability assessments and event analysis data. The Event Analysis department will also support several top priority reliability risk projects being led by the RAPA program.

The major activities of the RRM group satisfy the following criteria:

I.C.2: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (2) Monitoring, event analysis and investigations of Bulk Power System major events, off-normal occurrences and near-miss events?

II.E.2: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards, such as: (2) Monitoring, event analysis and investigation of Bulk Power System major events, off-normal occurrences, and near miss events?

II.F.3: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities,

such as: (3) Disseminating, through workshops, webinars, Advisories/Recommendations/Essential Actions, and other publications, “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities, monitoring and investigation of Bulk Power System major events, off-normal occurrences and near miss events, and other Bulk Power System monitoring activities?

II.G: Is the activity necessary or appropriate for the development and provision of tools and services that are useful for the provision of adequate reliability, because they relate specifically to compliance with existing Reliability Standards and they proactively help avert Reliability Standard violations and Bulk Power System disturbances?

III.C: Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the Bulk Power System in connection with Bulk Power System major events and off-normal occurrences, but not real-time operational control of the Bulk Power System?

III.D: Is the activity necessary or appropriate for awareness of circumstances on the Bulk Power System and to contribute to understanding risks to reliability?

III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the Bulk Power System?

V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s Rules of Procedure that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable Rules of Procedure provisions for these major activities are §807, 808, 810 and 1001 and Appendix 8.)

IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

VI. Electricity Sector Information Sharing and Analysis Center 2016 Major Activities

The major activities of the Electricity Sector Information Sharing and Analysis Center (“ES-ISAC”) are described at pages 59-62 of the 2016 Business Plan and Budget. During 2015, NERC combined the Critical Infrastructure Department into the ES-ISAC for operational and financial reporting purposes. The primary function of ES-ISAC is the rapid and secure sharing of information with the electric industry and governmental entities regarding real and potential security threats to the electricity sector and methods and tools to avoid or mitigate the potential impact from these threats. ES-ISAC facilitates sector coordination regarding physical security and cybersecurity events affecting the BES. ES-ISAC develops alerts and notifications for distribution to registered entities and uses its secure portal to receive voluntary reports from industry members.

ES-ISAC manages and executes NERC’s responsibilities in the Cybersecurity Risk Information Sharing Program (“CRISP”) and acts as the program manager for CRISP. ES-ISAC also maintains a seat on

the operations floor of the National Cybersecurity and Communications Integration Center within the Department of Homeland Security, which is the hub for real-time, classified threats and vulnerability work. The ES-ISAC maintains other information-sharing relationships through the U.S. and Canadian governments and coordinates information sharing with agencies in Australia, New Zealand, and the United Kingdom.

ES-ISAC also supports an annual grid security conference and a biennial Grid Security Exercise. ES-ISAC works with industry and governmental entities to examine critical infrastructure protection policy issues and provides staff support to the NERC Critical Infrastructure Protection Committee. ES-ISAC also conducts Cyber Risk Preparedness Assessments (“CRPA”) for registered entities.

The ongoing and new major activities of the ES-ISAC for 2016 include: improving the usability and functionality of the information-sharing portal, including continuing development of a new portal platform; advancing information collection and analytical capabilities, portal monitoring, and information sharing; ongoing improvements in CRISP program management; enhancing industry engagement; and continuing to work with the ESSC to build a more effective and responsive ES-ISAC. The ES-ISAC will continue to conduct CRPAs for registered entities and will continue to develop and deploy a cyber risk preparedness toolkit to allow industry to conduct self-assessments of cyber risk preparedness. The ES-ISAC will also continue to work with vendors to develop and license cyber awareness and intelligence tools that collect and analyze information and alert the user about selected threats. ES-ISAC will continue to use software integration support services, the analyst workbench toolset, and intelligence services from specialized security information services providers. Finally, ES-ISAC plans to continue webinars and other technical outreach support to industry in addressing the Aurora Vulnerability.

The major activities of the ES-ISAC satisfy the following criteria:

I.C.1: Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as: (1) Measuring reliability performance – past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System based on such measurements; and/or identifying approaches to mitigating or eliminating such risks? (2) Monitoring, event analysis and investigation of Bulk Power System major events, off-normal occurrences and near-miss events?

III.D: Is the activity necessary or appropriate for awareness of circumstances on the Bulk Power System and to contribute to understanding risks to reliability.

III.E: Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the Bulk Power System.

III.F: Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the Bulk Power System?

V: Is the activity one that is required or specified by, or carries out, the provisions of NERC's Rules of Procedure that have been approved by the Commission as "Electric Reliability Organization Rules" (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable Rules of Procedure provisions for these major activities are §810 and 1003.)

IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

VII. Training, Education, and Operator Certification Program 2016 Major Activities

The major activities of the Training, Education, and Operator Certification Program are described at pages 66-68 of the 2016 Business Plan and Budget. The major activities of this program include oversight and coordination of the delivery of training programs to NERC and Regional Entity staff, including compliance auditors, relating to their job responsibilities; as well as training and education for industry participants on the requirements of Reliability Standards, the Reliability Standards development process, and the compliance monitoring and enforcement process. The Training and Education Program supports the ERO's responsibilities to develop, adopt, and obtain approval of Reliability Standards and to monitor, enforce and achieve compliance with the mandatory standards. The Training and Education Program also supports NERC's System Operator Certification and Continuing Education ("SOCCED") Programs, which ensure that personnel operating the BES have the skills, training and qualifications needed to operate the BES reliably. This Program maintains the credentials required to work in system control centers across North America for over 6,000 system operators. The Training and Education Program prepares operators for complying with requirements of Reliability Standards and appropriately operating the BES during normal and emergency operations.

The major activities of the Training, Education, and Operator Certification Program for 2016 include providing training and education for ERO personnel and industry in the following areas: Reliability Standards compliance, emerging cyber-related issues; auditor skills and consistent audit and investigation techniques and standards compliance reviews, including risk-based compliance monitoring and enforcement and other improvements in compliance and enforcement practices; development and implementation of clear and technically sound Reliability Standards; lessons learned and trends from events, and identified themes from trending and common cause analysis; effective root, apparent and common cause analysis methods; effective compliance cultures with practices, procedures and controls to address reliability risks; quality improvement of registered entity self-reporting and self-certification; entity registration processes, issues and alternatives; human performance fundamentals; and developing and incorporating a systematic approach to ongoing training. In addition, the Training, Education, and Operator Certification Program will continue to work with industry stakeholders and the System Operator Certification exam vendor to create certification exams that will promote reliability of the BPS.

The major activities of the Training, Education, and Operator Certification Program satisfy the following criteria:

I.D: Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel?

II.C: Is the activity necessary or appropriate for the Certification of system operating personnel as qualified to carry out the duties and responsibilities of their positions in accordance with the Requirements of applicable Reliability Standards?

II.F: Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as: (1) Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents. (2) Compliance monitoring and enforcement processes, including how to conduct them, how to participate in them, and the expectations for the processes? This includes development of guidance documents. (3) Disseminating, through workshops, webinars, Advisories/Recommendations/Essential Actions, and other publications, “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities, monitoring and investigation of Bulk Power System major events, off-normal occurrences and near miss events, and other Bulk Power System monitoring activities. (4) Registered Entity internal processes for compliance with Reliability Standards, such as development, implementation and maintenance of internal reliability compliance programs?

V: Is the activity one that is required or specified by, or carries out, the provisions of NERC’s Rules of Procedure that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable Rules of Procedure provision for these major activities are §600 and 900.)

VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?

VIII. Administrative Services 2016 Major Activities

NERC’s Administrative Services Departments are Technical Committees and Member Forums (for which no funding for activities is budgeted for 2016), General and Administrative, Legal and Regulatory, Information Technology (“IT”), Human Resources, and Finance and Accounting. The major activities of these departments are described at pages 70-78 of the 2016 Business Plan and Budget. General and Administrative includes the administration and general management of the organization, the Chief Executive Officer and Chief Reliability Officer, Board of Trustees fees and expenses, communications, external affairs and government relations, and office rent. Legal and Regulatory provides legal support to the organization, including to management, and the Reliability Standards, Compliance Analysis and Certification and Registration, Reliability Risk Management, and RAPA Programs, as well as general corporate legal support. IT supports NERC’s computing, Internet, database and electronic data storage and maintenance, and telecommunications needs, programs, applications and infrastructure, including management of the development and implementation of new software applications and infrastructure. The capital expenditure projects managed by IT represent capital expenditures in hardware, software and associated tools to securely gather, store, analyze and maintain data across the ERO Enterprise to support the ERO’s operations, as well as necessary acquisition and replacement of computers, servers and related devices. Human Resources manages all of NERC’s human resources functions, including new hires,

benefits, employee functions, succession planning, and the employee performance appraisal and incentive structure processes, as well as management and staff training and development activities. Human Resources also obtains compensation studies and other compensation consulting services when needed. Finance and Accounting manages all finance and accounting functions of NERC, including payroll, 401(k), 457(b) and 457(f) plans, travel and expense reporting, monthly financial reporting, sales and use tax, meetings and events planning and services, insurance, internal audit, facilities management, development of the annual business plan and budget, and the ERO risk management framework.

The major activities of NERC's Administrative Services Departments satisfy the following criteria:

I.A: Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC Rules of Procedure (ROP)?

II.A: Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the Bulk Power System that are required to comply with Requirements of Reliability Standards applicable to the reliability functions for which they are registered?

II.D: Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?

III.C: Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the Bulk Power System in connection with Bulk Power System major events and off-normal occurrences, but not real-time operational control of the Bulk Power System?

V: Is the activity one that is required or specified by, or carries out, the provisions of NERC's Rules of Procedure that have been approved by the Commission as "Electric Reliability Organization Rules" (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)? (The applicable Rules of Procedure provision for the major activities of Finance and Accounting is §1100.)

VI: Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and the applicable provisions of Commission orders.

IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?

XI: Is the activity a governance or administrative/overhead function, activity or service necessary or appropriate for the activities encompassed by the other criteria and, in general, necessary and appropriate to operate a functioning organization?

**NERC WRITTEN CRITERIA FOR DETERMINING
WHETHER AN ACTIVITY IS ELIGIBLE TO BE FUNDED
UNDER SECTION 215 OF THE FEDERAL POWER ACT**

For purposes of internal management approval of a proposed new activity or group of related activities (“major activity”), the proposed activity or major activity must be shown to fall within at least one of the criteria listed below. When sub-criteria are listed below a roman numeral numbered major criterion, the proposed activity should be a positive answer to at least one of the sub-criteria. Conversely, an activity that falls under a sub-criterion should pertain to the subject matter of the major criterion.

NERC’s annual business plan and budget will describe how each major activity falls within one or more of the criteria listed below. If the major activity is substantially the same as a major activity that was shown to fall within the criteria in a previous year’s business plan and budget, the current year’s business plan and budget can refer to the prior year business plan and budget.

A determination that an activity falls within FPA §215 does not necessarily mean that NERC will propose or undertake such activity. The determination of whether an activity falling under FPA §215 should or will be undertaken in a given budget year will be addressed in the context of the applicable business plan and budget and will include opportunities for stakeholder input.

The criteria listed below are not necessarily each distinct from the others. An activity or major activity may fall within more than one of the criteria listed below.

- I. Is the activity necessary or appropriate for the development of Reliability Standards?
 - A. Is the activity necessary or appropriate for Reliability Standards development projects pursuant to the NERC Rules of Procedure (ROP)?
 - B. Is the activity necessary or appropriate for providing guidance and assistance to Regional Entities in carrying out Regional Reliability Standards development activities?
 - C. Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information for Reliability Standards development, including for purposes of identifying areas in which new Reliability Standards could be developed, existing Reliability Standards could be revised, or existing Reliability Standards could be eliminated, such as:
 1. Measuring reliability performance – past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System⁴⁵ based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
 2. Monitoring, event analysis and investigation of Bulk Power System major events, off-normal occurrences and near miss events?
 - D. Is the activity necessary or appropriate for the provision of training and education concerning Reliability Standards development processes, procedures and topics for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel?
- II. Is the activity necessary or appropriate for the monitoring and enforcement of compliance with Reliability Standards?
 - A. Is the activity necessary or appropriate for the identification and registration of users, owners, and operators of the Bulk Power System that are required to comply with

⁴⁵ This document uses the term “Bulk Power System” because that is the term defined and used in FPA §215. NERC recognizes that a different term, “Bulk Electric System,” is used to define the current reach of Reliability Standards.

Requirements of Reliability Standards applicable to the reliability functions for which they are registered?

- B. Is the activity necessary or appropriate for the Certification of Reliability Coordinators, Transmission Operators and Balancing Authorities as having the requisite personnel, qualifications and facilities and equipment needed to perform these reliability functions in accordance with the applicable Requirements of Reliability Standards?
- C. Is the activity necessary or appropriate for the Certification of system operating personnel as qualified to carry out the duties and responsibilities of their positions in accordance with the Requirements of applicable Reliability Standards?⁴⁶
- D. Is the activity necessary or appropriate for conducting, participating in or overseeing compliance monitoring and enforcement activities pursuant to the NERC ROP and (through the Regional Entities) the Commission-approved delegation agreements?
- E. Is the activity necessary or appropriate for information gathering, collection and analysis activities to obtain information to monitor and enforce compliance with Reliability Standards, including evaluating the effectiveness of current compliance monitoring and enforcement processes, the need for new or revised compliance monitoring and enforcement processes, and the need for new or different means of training and education on compliance with Reliability Standards, such as:
 - 1. Measuring reliability performance – past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
 - 2. Monitoring, event analysis and investigation of Bulk Power System major events, off-normal occurrences, and near miss events?
- F. Is the activity necessary or appropriate for the provision of training, education and dissemination of information for/to (i) NERC personnel, (ii) Regional Entity personnel, and (iii) industry personnel with respect to compliance monitoring and enforcement topics and topics concerning reliability risks identified through compliance monitoring and enforcement activities, such as:
 - 1. Requirements of Reliability Standards, including how to comply and how to demonstrate compliance? This includes development of guidance and interpretation documents.
 - 2. Compliance monitoring and enforcement processes, including how to conduct them, how to participate in them, and the expectations for the processes? This includes development of guidance documents.
 - 3. Disseminating, through workshops, webinars, Advisories/ Recommendations/Essential Actions, and other publications, “lessons learned” information on compliance concerns and reliability risks obtained through compliance monitoring and enforcement activities, monitoring and investigation of Bulk Power System major events, off-normal occurrences and near miss events, and other Bulk Power System monitoring activities?

⁴⁶ Although certification of system operating personnel is an activity falling within the scope of, and eligible to be funded pursuant to, FPA §215, NERC strives to fully fund the costs of this activity through fees charged to participants.

- 4. Registered Entity internal processes for compliance with Reliability Standards, such as development, implementation and maintenance of internal reliability compliance programs?
 - G. Is the activity necessary or appropriate for the development and provision of tools and services that are useful for the provision of adequate reliability, because they relate specifically to compliance with existing Reliability Standards and they proactively help avert Reliability Standard violations and Bulk Power System disturbances?
- III. Is the activity necessary or appropriate for conducting and disseminating periodic assessments of the reliability of the Bulk Power System or monitoring the reliability of the Bulk Power System?
- A. Is the activity necessary or appropriate for the preparation or dissemination of long-term, seasonal, and special assessments of the reliability and adequacy of the Bulk Power System?
 - B. Is the activity necessary or appropriate for measuring reliability performance – past, present and future; publishing or disseminating the results of such measurements; analyzing the results of such measurements; identifying and analyzing risks to reliability of the Bulk Power System based on such measurements; and/or identifying approaches to mitigating or eliminating such risks?
 - C. Is the activity necessary or appropriate for investigating, analyzing, evaluating, and disseminating information concerning, the causes of major events and off-normal occurrences, and/or providing coordination assistance, technical expertise and other assistance to users, owners, and operators of the Bulk Power System in connection with Bulk Power System major events and off-normal occurrences, but not real-time operational control of the Bulk Power System?
 - D. Is the activity necessary or appropriate for awareness of circumstances on the Bulk Power System and to contribute to understanding risks to reliability?
 - E. Is the activity necessary or appropriate for gathering, analyzing and sharing with and among industry and government participants, information regarding the physical or cyber security of the Bulk Power System?
 - F. Is the activity necessary or appropriate for the development and dissemination of Advisories/Recommendations/Essential Actions regarding lessons learned and potential reliability risks to users, owners, and operators of the Bulk Power System?
 - G. Is the activity necessary or appropriate for data collection and analysis of information regarding Bulk Power System reliability matters mandated by the Commission?
- IV. Is the activity one that was required or directed by a Commission order issued pursuant to FPA §215? Justification of an activity as a FPA §215 activity based on this category must reference the particular Commission order and directive.
- V. Is the activity one that is required or specified by, or carries out, the provisions of NERC’s Rules of Procedure that have been approved by the Commission as “Electric Reliability Organization Rules” (defined in 18 C.F.R. §39.1) pursuant to FPA §215(f)?
- VI. Is the activity necessary or appropriate for the supervision and oversight of Regional Entities in the performance of their delegated responsibilities in accordance with FPA §215, 18 C.F.R. Part 39, the Commission-approved delegation agreement between NERC and the Regional Entity, the NERC ROP, and applicable provisions of Commission orders?

- VII. Is the activity necessary or appropriate to maintain NERC's certification as the Electric Reliability Organization? This Criterion includes conducting periodic assessments of NERC's and the Regional Entities' performance as the Electric Reliability Organization as required by 18 C.F.R. §39.3(c).
- VIII. Does the activity respond to or is it necessary or appropriate for audits of NERC and the Regional Entities conducted by the Commission?
- IX. Is the activity necessary or appropriate for NERC and Regional Entity committees, subcommittees and working groups engaged in activities encompassed by one or more of the other criteria?
- X. Is the activity necessary or appropriate for the analysis and evaluation of activities encompassed by one or more of the other criteria for the purpose of identifying means of performing the activities more effectively and efficiently?
- XI. Is the activity a governance or administrative/overhead function, activity or service necessary or appropriate for the activities encompassed by the other criteria and, in general, necessary and appropriate to operate a functioning organization? (Should NERC perform any non-FPA §215 activities, the costs of governance and administrative/overhead functions must be appropriately allocated.)
NERC's current governance and administrative/overhead functions are carried out in the following program areas:
 - A. Technical Committees and Members' Forum Programs
 - B. General and administrative (includes, but is not limited to, executive, board of trustees, communications, government affairs, and facilities and related services).
 - C. Legal and Regulatory.
 - D. Information Technology
 - E. Human Resources
 - F. Accounting and Finance.

The following matters are excluded from the scope of FPA §215 activities. While a list of non-FPA §215 activities would be infinite, the following excluded matters are listed here because they are expressly referred to in FPA §215, the Commission's ERO regulations and/or a Commission order issued pursuant to FPA §215:

- A. Developing or enforcing requirements to enlarge Bulk Power System facilities, or to construct new transmission capacity or generation capacity, or requirements for adequacy or safety of electric facilities or services.
- B. Activities entailing Real-time operational control of the Bulk Power System.
- C. Activities pertaining to facilities used in the local distribution of electricity.

Exhibit C – Contractor and Consulting Costs

Program	Consultants & Contracts	2015 BUDGET	2016 BUDGET	Inc(Dec) v 2015
Compliance Assurance	Reliability Assurance Initiative	388,000	200,000	(188,000)
	Compliance Assurance	388,000	200,000	(188,000)
Reliability Risk Mgmt	Reliability Assurance Project Support	-	56,000	56,000
	Reliability Risk Management	-	56,000	56,000
Compliance Investigation, Reg and Cert				
	Risk-based Registration Phase 2 - Consulting Support	-	50,000	50,000
	Compliance Investigation, Reg and Cert	-	50,000	50,000
Reliability Assessments and System Analysis				
	Reliability affects of GMD	242,500	100,000	(142,500)
	Vegetation Research (FAC 3)	242,500	-	(242,500)
	Reliability consulting support	169,750	475,000	305,250
	GADS/TADS/DADS/SED	300,700	509,039	208,339
	Reliability Assessments and Performance Analysis	955,450	1,084,039	128,589
Situation Awareness				
	Reliability Tools	472,212	576,300	104,088
	Secure Alerting System	-	141,000	141,000
	SAFNR - Phase II	459,609	438,200	(21,409)
	NERCnet	145,500	-	(145,500)
	Communication network (NERCnet replacement)	-	55,975	55,975
	Situation Awareness	1,077,321	1,211,475	134,154
ES-ISAC				
	CIPC Support	184,300	-	(184,300)
	GridEx Support	242,500	-	(242,500)
	Program-Level Capabilities	499,500	499,500	-
	Software & Services	113,285	113,285	-
	Events & Outreach	50,550	50,550	-
	CRISP	7,666,055	5,888,594	(1,777,461)
	Total ES-ISAC	8,756,190	6,551,929	(2,204,261)
Operator Certification				
	System Operator Testing Expenses	57,618	59,400	1,782
	System Operator Examination Development	66,176	69,000	2,824
	Job Task Analysis	25,784	-	(25,784)
	Database Development	19,400	24,000	4,600
	Database Maintenance	23,746	25,200	1,454
	SOCCEd Database Improvement Project (funded from Working Capital generated from fees in excess of expenses)	200,000	150,000	(50,000)
	Total System Operator Certification	392,724	327,600	(65,124)
Training & Education				
	Continuing Education Program	163,930	133,200	(30,730)
	Web-based course hosting (Learning Management System)	29,800	55,000	25,200
	Course development and Support - External Training	136,576	125,000	(11,576)
	NERC Staff Technical Training	29,100	35,000	5,900
	Total Continuing Education, Training & Education	359,406	348,200	(11,206)
	Training, Education and Operator Certification	752,130	675,800	(76,330)

Exhibit B — Application of NERC Section 215 Criteria

Program	Consultants & Contracts	2015 BUDGET	2016 BUDGET	Inc(Dec) v 2015
General & Administrative				
	Communications support	15,000	15,000	-
	General & Administrative	15,000	95,000	80,000
Information Technology				
	ERO Application Development & Support	829,350	988,671	159,321
	ERO Data Analysis	100,000	100,000	-
	Applications Enhancements, Consulting and Help Desk Support	800,250	1,006,000	205,750
	Information Technology	1,729,600	2,094,671	365,071
Human Resources				
	Training and Development	150,350	325,000	174,650
	Compensation Consulting	29,100	100,000	70,900
	Employee, industry and Board Surveys	43,650	50,000	6,350
	HR Consulting Services	75,175	75,000	(175)
	Human Resources	298,275	550,000	251,725
Finance and Accounting				
	Internal Controls and Outside Auditor Consulting Support	242,500	200,000	(42,500)
	Finance and Accounting Support	97,000	97,000	-
	Finance and Accounting	339,500	297,000	(42,500)
	TOTAL CONSULTANTS AND CONTRACTS	14,311,466	12,865,914	(1,445,553)

Exhibit D – Capital Financing

The company successfully closed on its capital financing program on January 10, 2014. The interest rate is floating and equal to LIBOR plus 275 basis points, which yielded a rate of 2.91% at closing.⁴⁷ The total size of the non-revolving credit facility is \$7.5M, with the total authorized borrowings each year limited to the amount approved by the Board of Trustees and FERC in that year's business plan and budget for IT hardware and the costs of developing software applications. Consistent with the terms of the loan documentation and its Board and FERC-approved 2014 budget, the company made an initial draw of \$1.265M at the end of January 2014 related to 2013 expenditures. The company recorded new capital investments of approximately \$1.65M in 2013 related to the development of software applications and IT hardware,⁴⁸ a portion of which was financed with the proceeds from this initial draw. This borrowing is amortized over three years, commencing January 31, 2014, and can be prepaid without penalty. A balance of \$1.416M was available for draw during 2014, which was also consistent with NERC's 2014 approved budget. However, the company had sufficient funds available to pay for budgeted capital improvements without having to draw on this credit facility.

As further discussed in the Introduction and Executive Summary and in Section A, General and Administrative and set forth in the table below, NERC has a 2016 proposed IT capital budget of approximately \$3.9M, \$1.5M of which it is proposing to finance.

NERC Capital Budget			
	2015 Budget	2016 Budget	Inc(Dec) v 2015
ERO Application Development	\$ 1,050,000	\$ 1,500,000	\$ 450,000
Document Management	-	465,000	465,000
ERO Data Analysis Tool	550,000	-	(550,000)
Generation Data Software	200,000	-	(200,000)
Other IT Hardware and Software	1,453,500	1,411,000	(42,500)
Network Devices and A/V	365,000	535,000	170,000
Total Capital Budget	\$ 3,618,500	\$ 3,911,000	\$ 292,500
Depreciation (excluded from Assessment)	(2,333,006)	(2,641,943)	(308,937)
Fixed Assets (net)	\$ 1,285,494	\$ 1,269,057	\$ (16,437)

The table below sets forth the projected principal and interest repayment schedule for the amounts financed to date and the additional planned \$1.5M in capital financing. This projection assumes an average interest rate of 3.5% over the term of the financing, which is consistent with the 2014 budget. Management is recommending that 3.5% continue to be used given the potential for interest rate increases during 2016. The actual interest rate and interest rate expense will be reflected in the quarterly budget to actual variance reports the company posts on its website, reviews in open session with the NERC Finance and Audit Committee, and files with FERC. Any variations in interest expense will be captured and reported as a contribution to operating reserves, the expenditures of which are subject to the terms of the company's Working Capital and Operating Reserve Policy.

⁴⁷ The interest rate at closing was lower than projected for purposes of the 2014 budget. As detailed in the company's approved 2014 *Business Plan and Budget*, any difference between actual and budgeted interest expense for draws under the credit facility becomes an addition to the company's Unforeseen Contingency Operating Reserve balance.

⁴⁸ This capital investment amount is exclusive of approximately \$640k in expenses which were incurred in 2013 in the development of the Events Information Data System application and expensed rather than capitalized, as further discussed in the [company's Q1 2014 budget variance](#) report presented to the NERC Finance and Audit Committee.

		YEAR-END OUTSTANDING DEBT BALANCE				
Borrowing		2014	2015	2016	2017	2018
\$ 1,265,000	2013 Expenditure / Closed 2014	\$ 878,472	\$ 456,806	\$ 35,139	\$ -	\$ -
1,900,000	2015 Budgeted	-	-	1,266,667	633,333	-
1,500,000	2016 Budgeted	-	-	1,500,000	1,000,000	500,000
1,500,000	2017 Projected	-	-	-	1,500,000	1,000,000
1,500,000	2018 Projected	-	-	-	-	1,500,000
Total Outstanding Balance		\$ 878,472	\$ 456,806	\$2,801,806	\$3,133,333	\$3,000,000

		ANNUAL PAYMENTS FOR DEBT SERVICE				
Borrowing		2014	2015	2016	2017	2018
\$ 1,265,000	2013 Expenditure / Closed 2014	\$ 386,528	\$ 421,667	\$ 421,667	\$ 35,139	\$ -
1,900,000	2015 Budgeted	-	-	633,333	633,333	633,333
1,500,000	2016 Budgeted	-	-	-	500,000	500,000
1,500,000	2017 Projected	-	-	-	-	500,000
1,500,000	2018 Projected	-	-	-	-	-
	Interest Expense	29,367	28,000	60,000	72,100	90,250
Total Principal and Interest Costs		\$ 415,895	\$ 449,667	\$1,115,000	\$1,240,572	\$1,723,583

Exhibit E – Working Capital and Operating Reserve Amounts

In February 2015, the NERC Board approved an amendment to the Company's Working Capital and Operating Reserve Policy. A number of changes were made to the policy, including:

- Clarifying the definition of working capital to represent funding needed for cash flow purposes due to the timing of the receipt of funds and the payment of expenses.
- Creating four separate categories of operating reserves:
 1. A new subcategory of reserves entitled **Future Obligation Reserve** for funds that are being held to satisfy obligations that will be settled in a future year. Examples include leases, certain contracts, and credit agreements. These reserves were previously within the definition of working capital and are more accurately classified as a form of operating reserve.
 2. Continuation of a separate category of reserves for the Operator Certification Program called the **Operator Certification Reserve**.
 3. Elimination of the Known and Unforeseen Contingency categories of operating reserves and creating a single category of contingency reserves called the **Operating Contingency Reserve**.
 4. Creation of a separate category of reserves for CRISP called the **CRISP Reserve**.

Working Capital

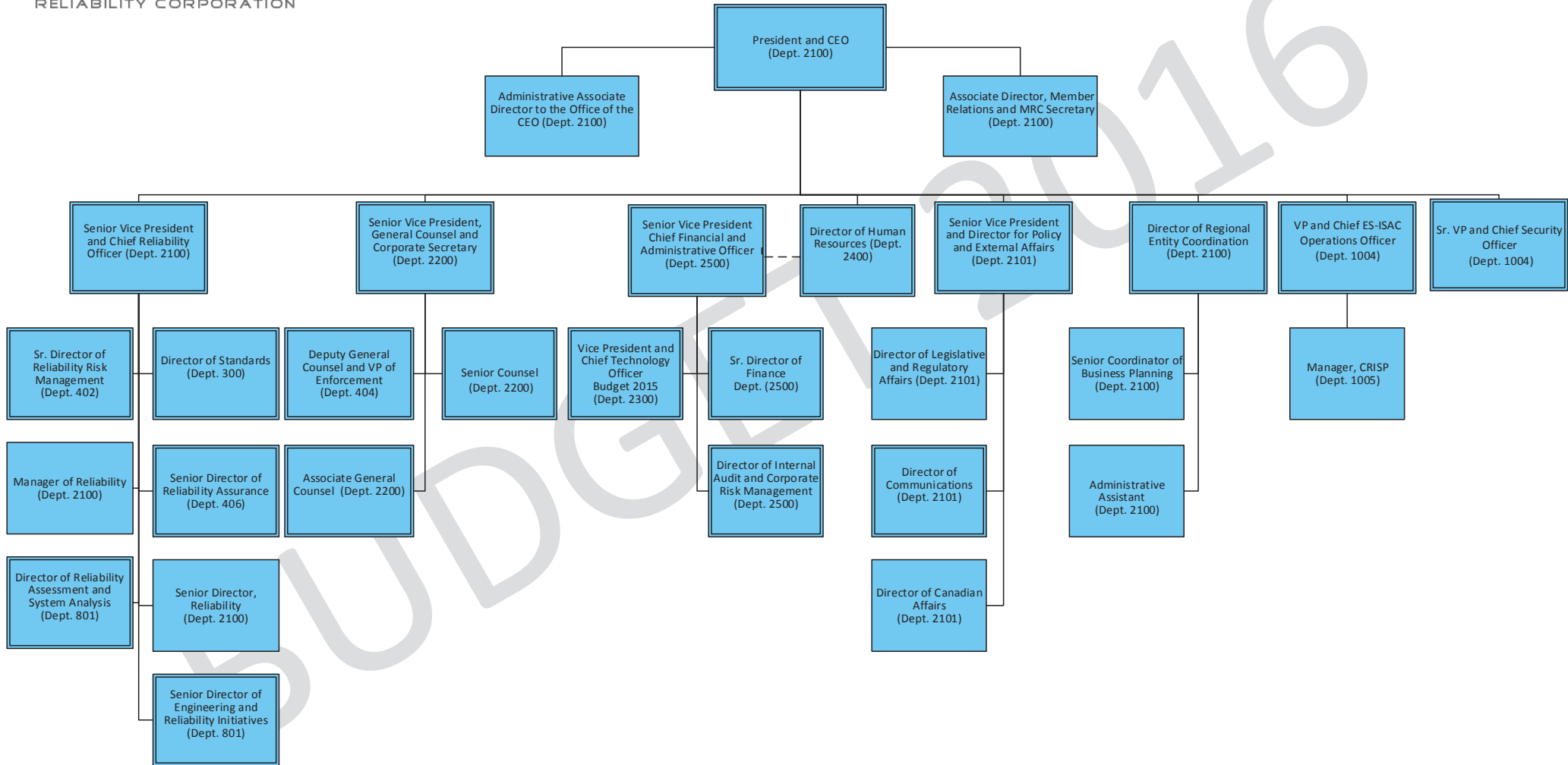
Based on its 2015 cash flow projection and taking into account the historic manner in which NERC's assessments have been billed and paid, NERC does not anticipate needing access to working capital in 2016 to meet monthly cash flow needs. In the unlikely event NERC experiences a temporary cash flow shortage, it has the ability to either request authorization from the Finance and Audit Committee and Board of Trustees to temporarily access operating contingency reserve funds, or draw on its \$4M line of credit, as long as NERC is in compliance with the covenants under its bank credit agreement.

Operating Reserves

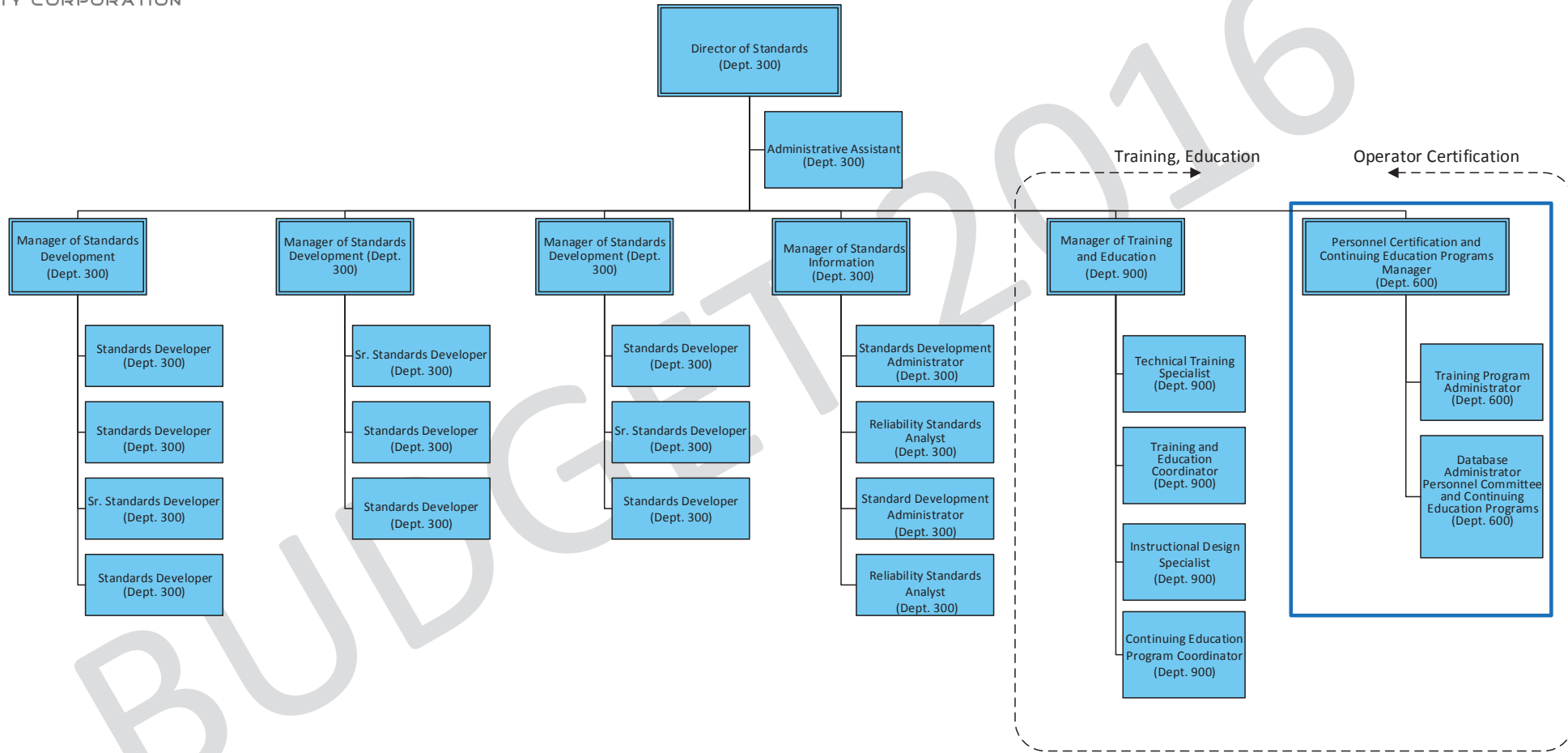
Total operating reserves are projected to be \$8.8M among all four categories. The Future Obligation Reserve is budgeted to be \$3.2M and is primarily funds held to offset future liabilities under lease agreements for the Atlanta and Washington, DC, offices. System Operator Certification Reserves are budgeted at \$390k and the Operating Contingency Reserve is budgeted for \$2.5M. The CRISP Reserve (budgeted at \$516k) is held pursuant to the terms of the Master Services Agreement between NERC and participating utilities, which calls for a separate third-party funded reserve established to fund certain contingencies in connection with CRISP.

In addition to the foregoing reserves, the amended policy also provides for the creation of an **Assessment Stabilization Reserve**. The goal of the Assessment Stabilization Reserve is to mitigate assessment volatility and have changes in annual assessments track, within a reasonable band, changes in the company's total annual budget, with the total budget reflecting prudent fiscal discipline and good stewardship of resources. Assessment stabilization funds will be used when available to help stabilize assessments and mitigate year-to-year swings in assessments. Those swings primarily result from the application of penalty funds, but could also result from other factors like surplus funds available from a prior period, the need to replenish the Operating Contingency Reserve, or significant but relatively short-term operating or capital spending needs. NERC is proposing to place \$2.3M of the total \$3.7M in penalty funds that have been received to date in the Assessments Stabilization Reserve and utilize the balance of \$1.4k to reduce 2016 U.S. assessments.

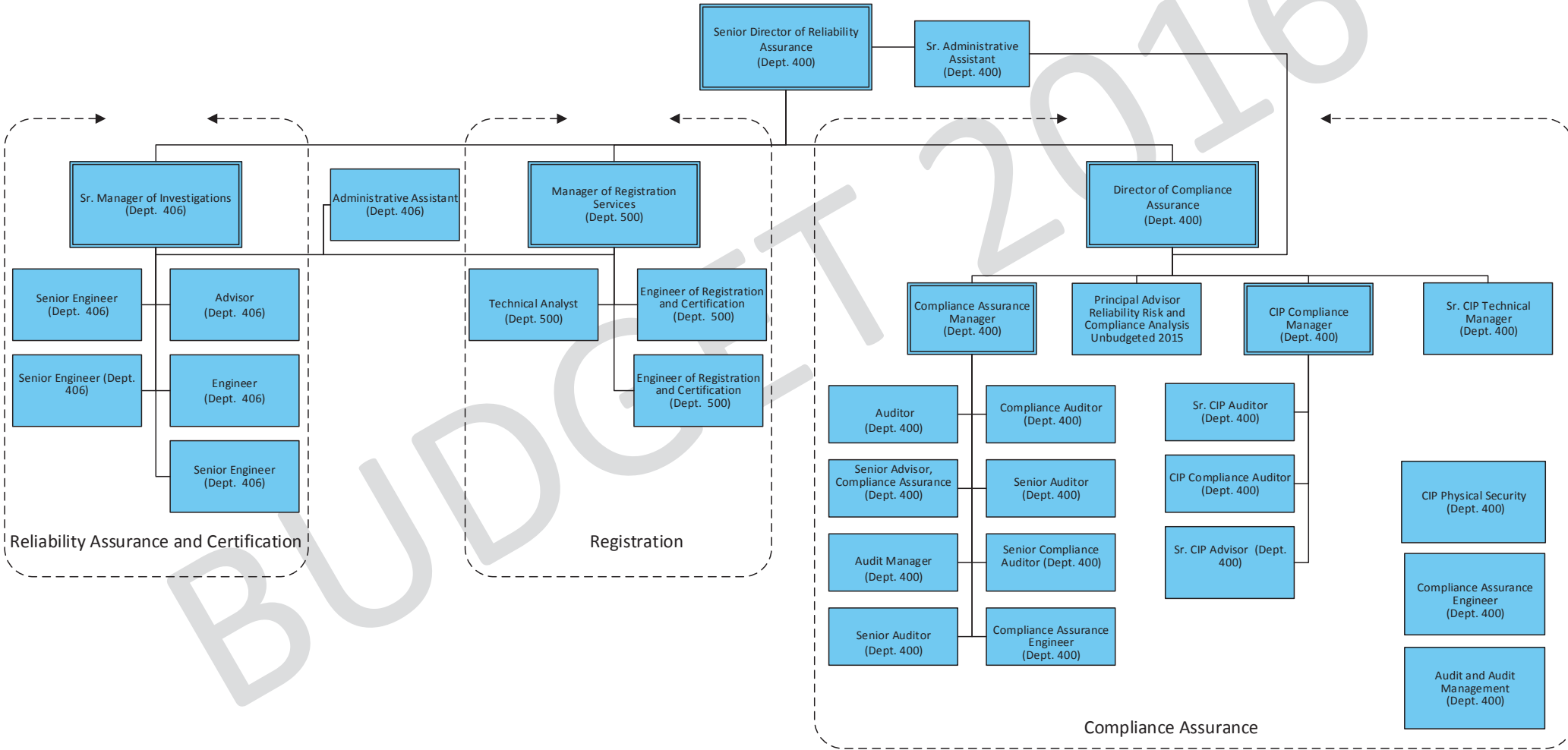
NERC Staff Organization Chart



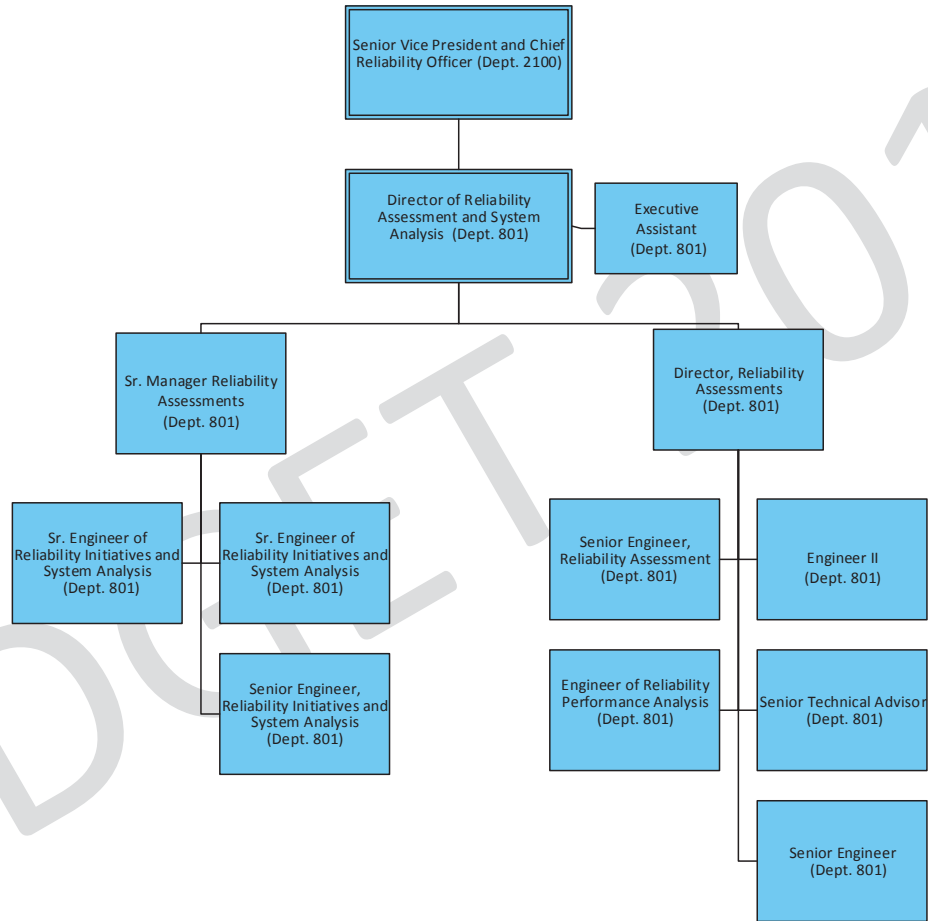
Reliability Standards and Training (Dept. 300, 600, 900)



Compliance Assurance (Dept. 400, 406, 500)

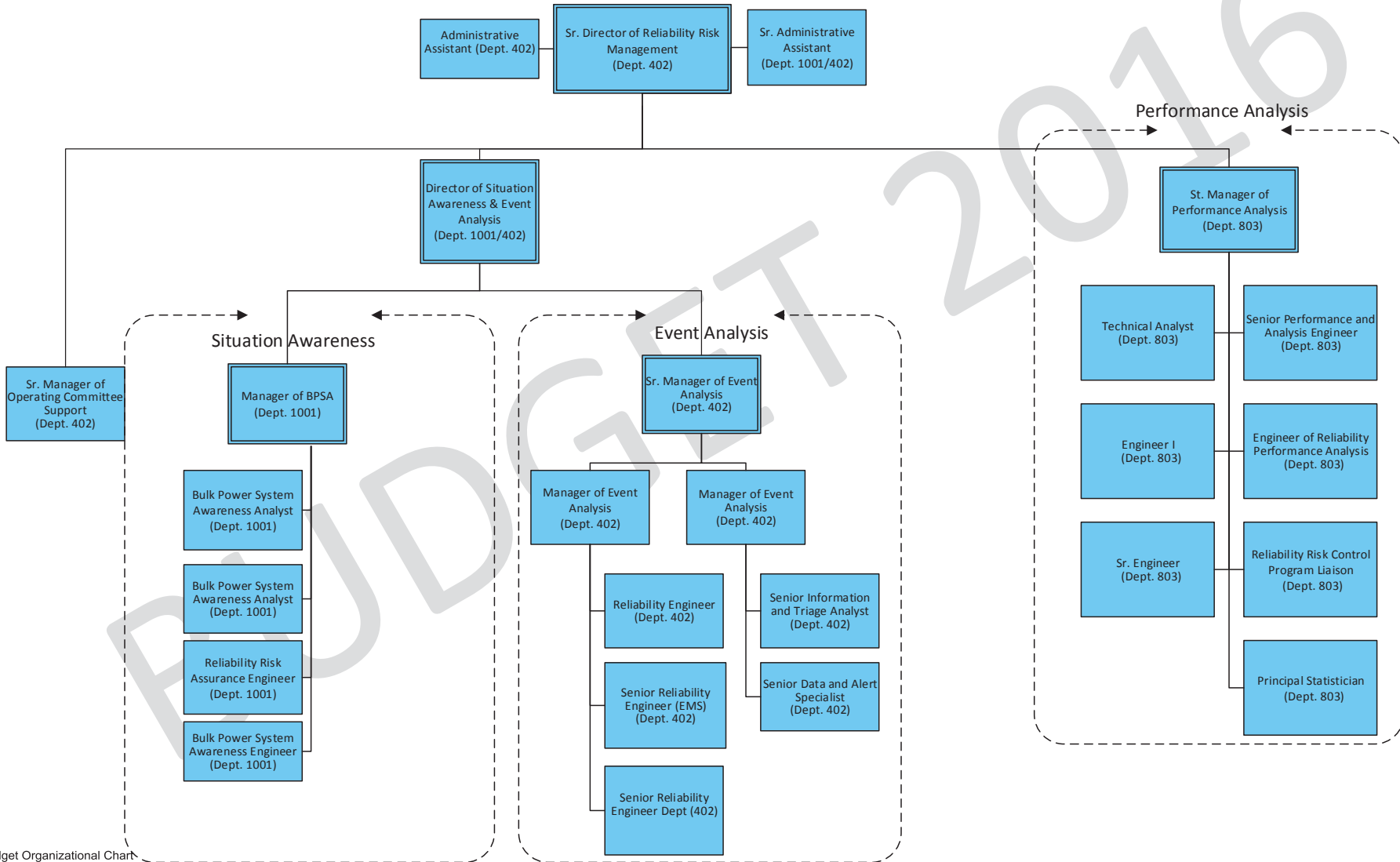


Reliability Assessment and System Analysis (Dept. 801)

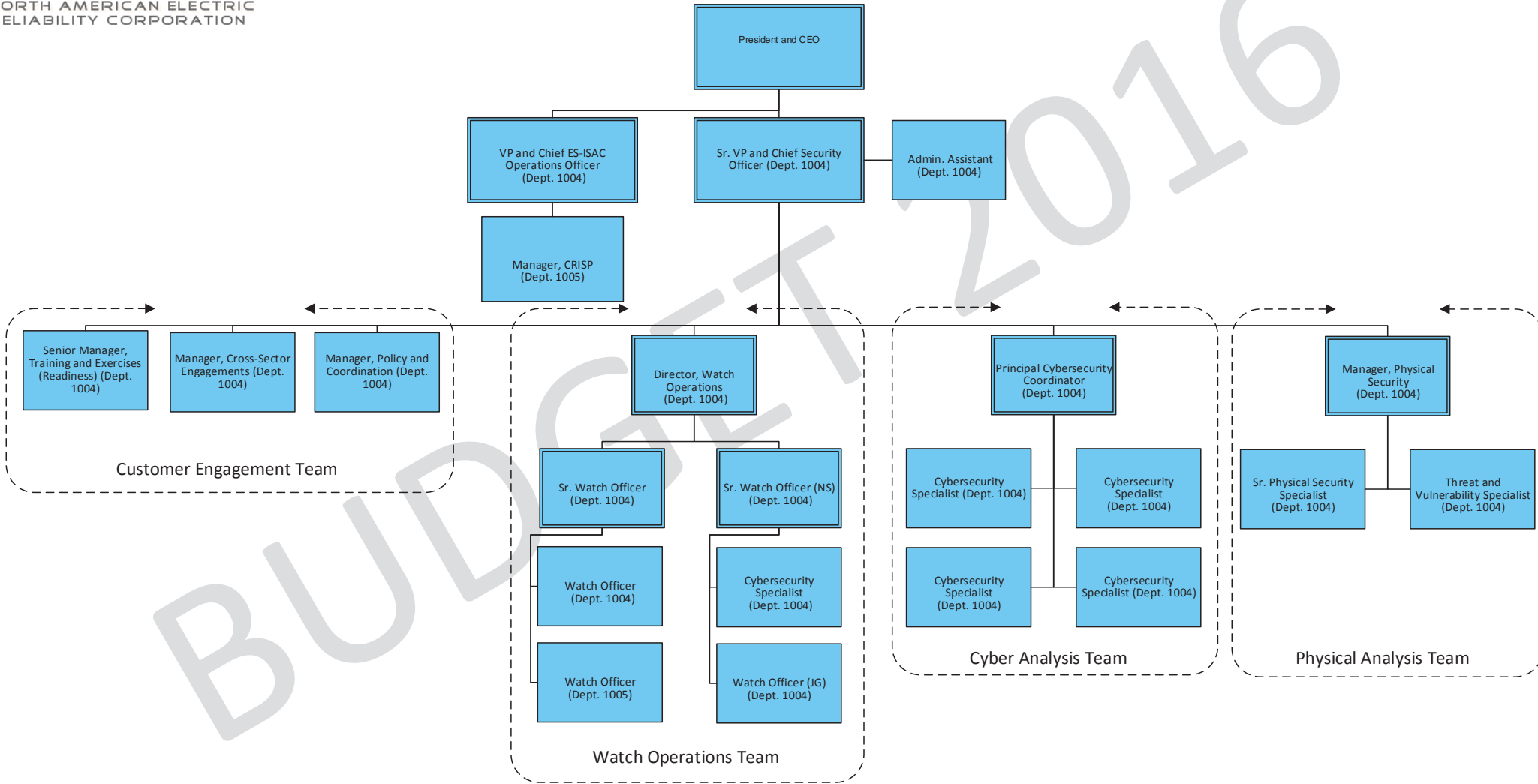


BUDGET 2016

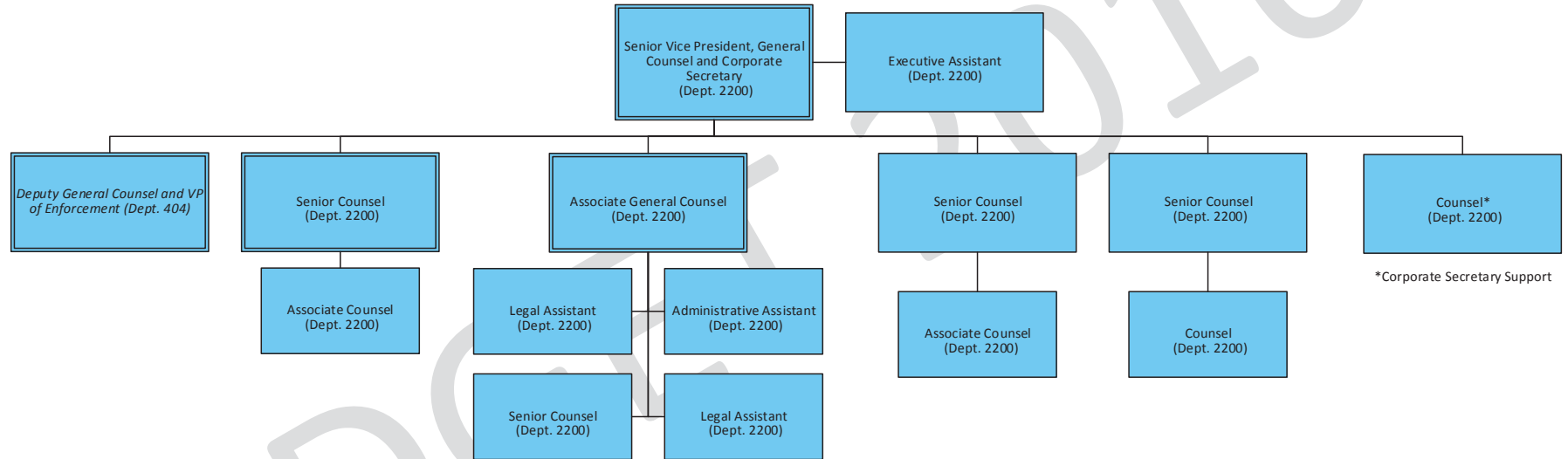
Reliability Risk Management (Dept. 402, 1001, 803)



Electricity Sector Information Sharing and Analysis Center
 (Dept. 1004, 1005)

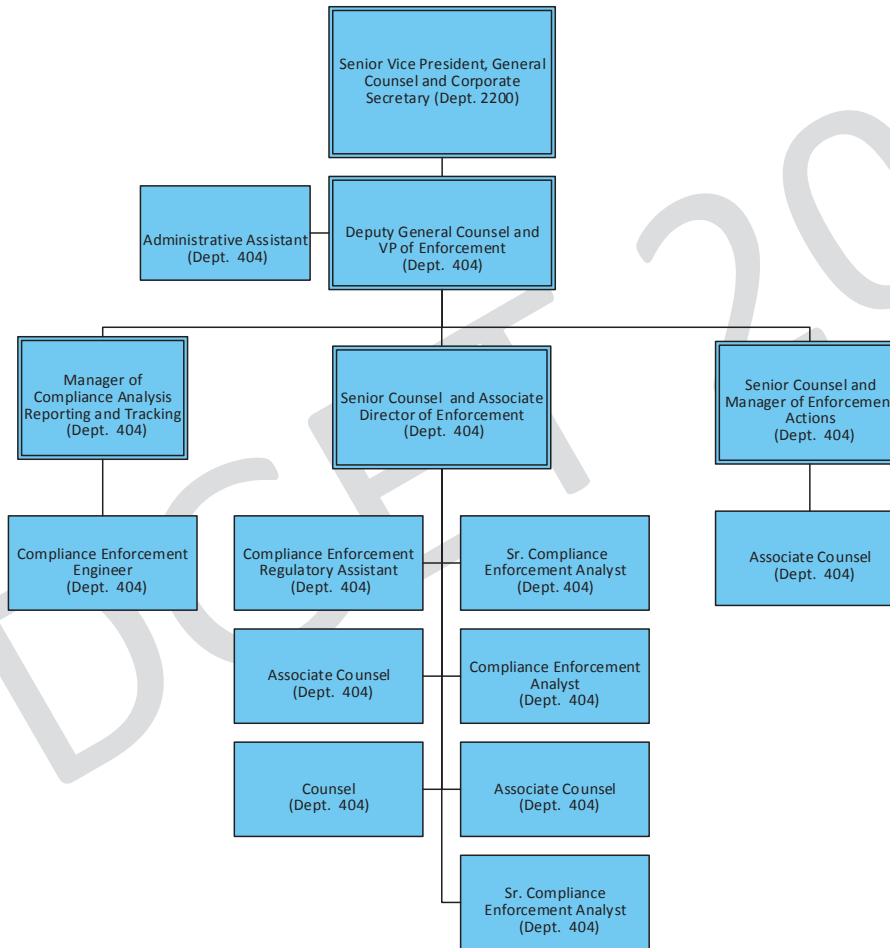


Legal and Regulatory (Dept. 2200) Compliance Enforcement (Dept. 404)



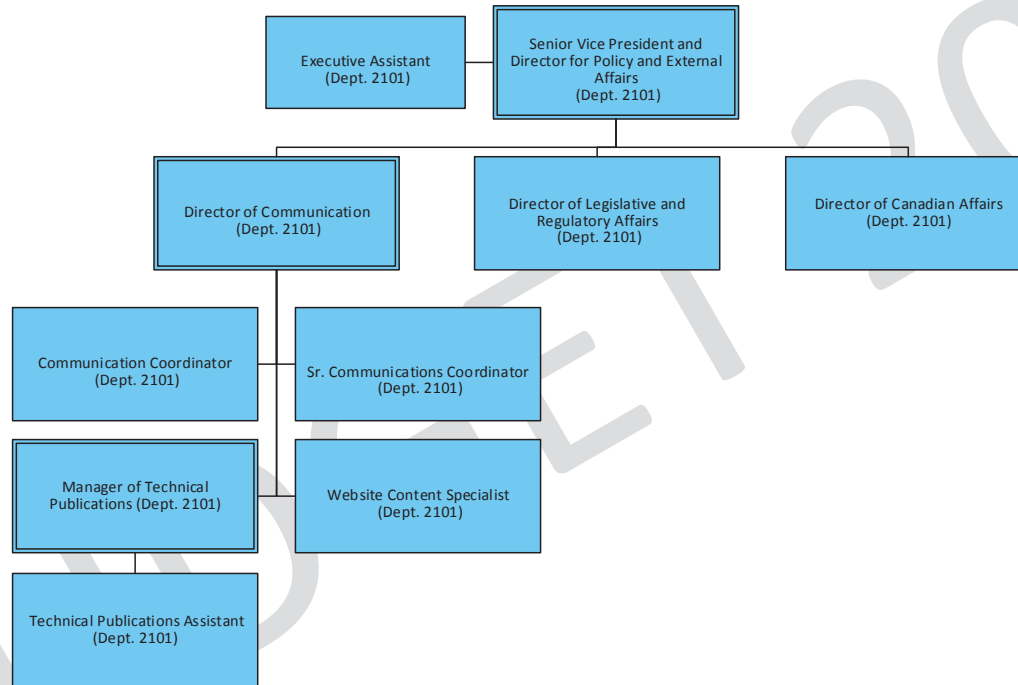
BUDGET

Compliance Enforcement (Dept. 404)



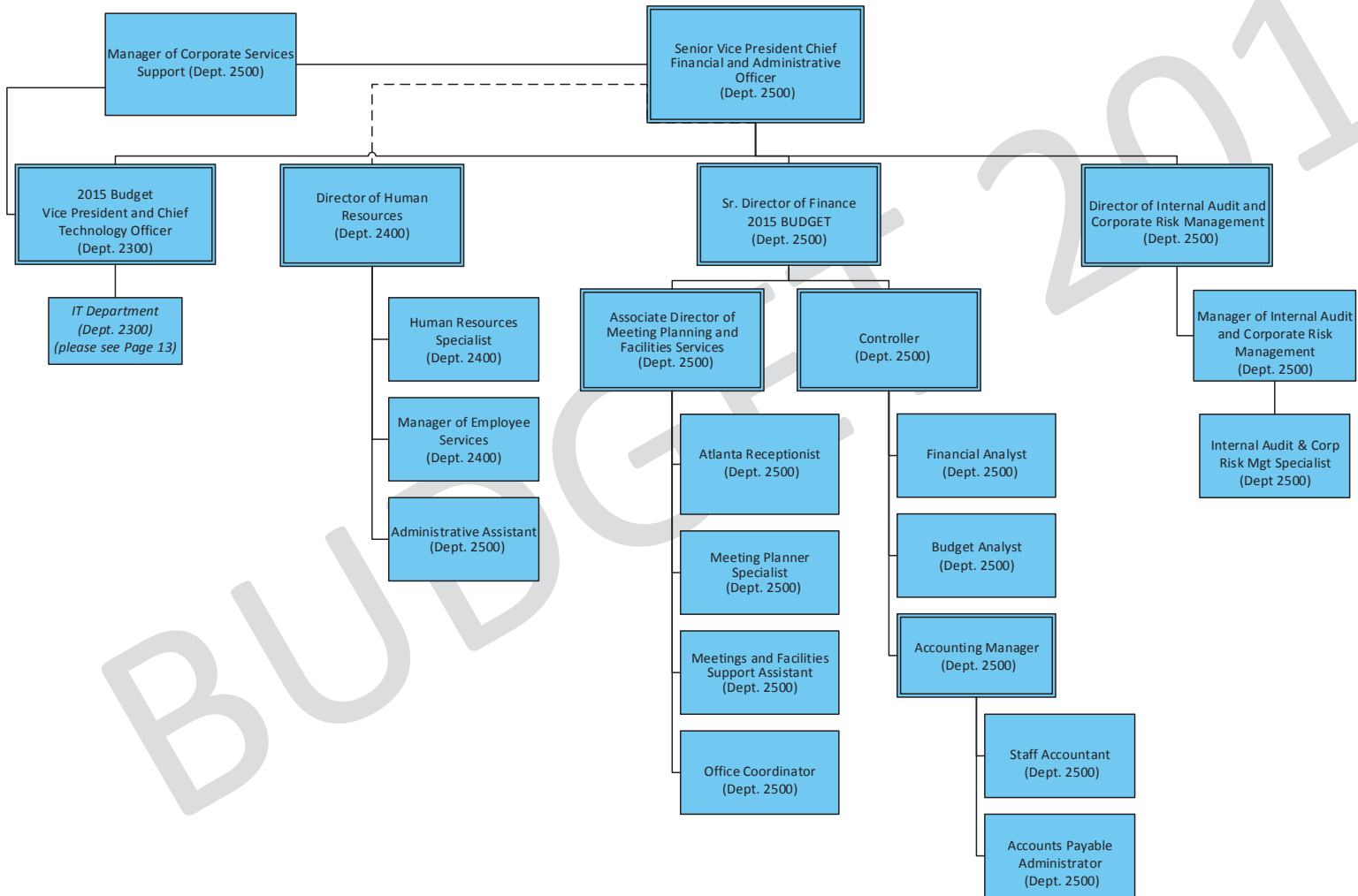
BUDGET 2016

Policy and External Affairs (Dept. 2101)

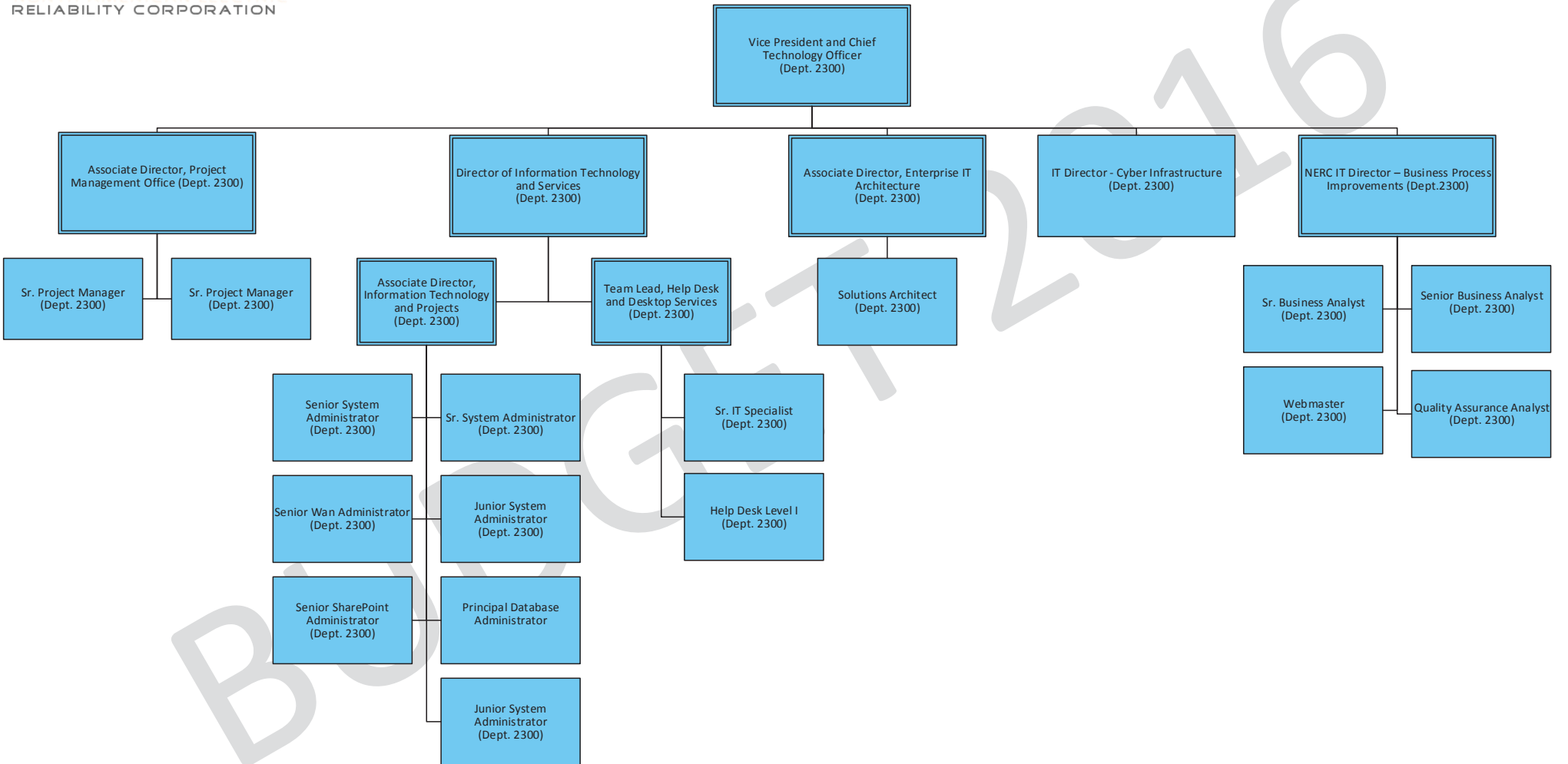


BUDGET 2016

Human Resources, and Accounting & Finance (Dept. 2400, 2500)



Information Technology (Dept. 2300)



2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2014	FRCC	1074	Alachua, City of	U.S.	122,760	122,760	-	-	0.055%	0.055%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2014	FRCC	1075	Bartow, City of	U.S.	288,000	288,000	-	-	0.128%	0.128%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2014	FRCC	1076	Chattahoochee, City of	U.S.	38,161	38,161	-	-	0.017%	0.017%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	740,000	740,000	-	-	0.329%	0.329%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2014	FRCC	1078	Florida Power & Light Co.	U.S.	110,368,120	110,368,120	-	-	49.125%	49.125%	0.000%	0.000%	2.433%	2.433%	0.000%	0.000%	2.758%
2014	FRCC	1079	Florida Public Utilities Company	U.S.	362,000	362,000	-	-	0.161%	0.161%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2014	FRCC	1080	Gainesville Regional Utilities	U.S.	1,754,312	1,754,312	-	-	0.781%	0.781%	0.000%	0.000%	0.039%	0.039%	0.000%	0.000%	0.044%
2014	FRCC	1081	Homestead, City of	U.S.	524,000	524,000	-	-	0.233%	0.233%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
2014	FRCC	1082	JEA	U.S.	12,317,000	12,317,000	-	-	5.482%	5.482%	0.000%	0.000%	0.271%	0.271%	0.000%	0.000%	0.308%
2014	FRCC	1083	Lakeland Electric	U.S.	3,006,000	3,006,000	-	-	1.338%	1.338%	0.000%	0.000%	0.066%	0.066%	0.000%	0.000%	0.075%
2014	FRCC	1626	Lee County Electric Cooperative, Inc	U.S.	3,831,420	3,831,420	-	-	1.705%	1.705%	0.000%	0.000%	0.084%	0.084%	0.000%	0.000%	0.096%
2014	FRCC	1661	City of Lake Worth	U.S.	448,000	448,000	-	-	0.199%	0.199%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2014	FRCC	1084	Mount Dora, City of	U.S.	90,636	90,636	-	-	0.040%	0.040%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2014	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	409,000	409,000	-	-	0.182%	0.182%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2014	FRCC	1086	Orlando Utilities Commission	U.S.	5,883,000	5,883,000	-	-	2.619%	2.619%	0.000%	0.000%	0.130%	0.130%	0.000%	0.000%	0.147%
2014	FRCC	1087	Duke Energy Florida	U.S.	39,740,377	39,740,377	-	-	17.689%	17.689%	0.000%	0.000%	0.876%	0.876%	0.000%	0.000%	0.993%
2014	FRCC	1088	Quincy, City of	U.S.	135,700	135,700	-	-	0.060%	0.060%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2014	FRCC	1089	Reedy Creek Improvement District	U.S.	1,193,000	1,193,000	-	-	0.531%	0.531%	0.000%	0.000%	0.026%	0.026%	0.000%	0.000%	0.030%
2014	FRCC	1090	St. Cloud, City of (OUC)	U.S.	639,000	639,000	-	-	0.284%	0.284%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2014	FRCC	1091	Tallahassee, City of	U.S.	2,751,000	2,751,000	-	-	1.224%	1.224%	0.000%	0.000%	0.061%	0.061%	0.000%	0.000%	0.069%
2014	FRCC	1092	Tampa Electric Company	U.S.	19,315,000	19,315,000	-	-	8.597%	8.597%	0.000%	0.000%	0.426%	0.426%	0.000%	0.000%	0.483%
2014	FRCC	1603	City of Vero Beach	U.S.	741,000	741,000	-	-	0.330%	0.330%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.019%
2014	FRCC	1093	Wauchula, City of	U.S.	63,700	63,700	-	-	0.028%	0.028%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2014	FRCC	1094	Williston, City of	U.S.	32,826	32,826	-	-	0.015%	0.015%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	FRCC	1095	Winter Park, City of	U.S.	437,440	437,440	-	-	0.195%	0.195%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2014	FRCC	1072	Florida Municipal Power Agency	U.S.	5,611,485	5,611,485	-	-	2.498%	2.498%	0.000%	0.000%	0.124%	0.124%	0.000%	0.000%	0.140%
2014	FRCC	1073	Seminole Electric Cooperative	U.S.	13,822,800	13,822,800	-	-	6.153%	6.153%	0.000%	0.000%	0.305%	0.305%	0.000%	0.000%	0.345%
			TOTAL FRCC		224,665,737	224,665,737	-	-	100.000%	100.000%	0.000%	0.000%	4.952%	4.952%	0.000%	0.000%	5.615%
2014	MRO	1199	Basin Electric Power Cooperative	U.S.	16,120,179	16,120,179	-	-	5.583%	5.583%	0.000%	0.000%	0.355%	0.355%	0.000%	0.000%	0.403%
2014	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	2,813,686	2,813,686	-	-	0.974%	0.974%	0.000%	0.000%	0.062%	0.062%	0.000%	0.000%	0.070%
2014	MRO	1204	Corn Belt Power Cooperative	U.S.	1,898,261	1,898,261	-	-	0.657%	0.657%	0.000%	0.000%	0.042%	0.042%	0.000%	0.000%	0.047%
2014	MRO	1207	Dairyland Power Cooperative	U.S.	5,586,500	5,586,500	-	-	1.935%	1.935%	0.000%	0.000%	0.123%	0.123%	0.000%	0.000%	0.140%
2014	MRO	1210	Great River Energy	U.S.	14,056,323	14,056,323	-	-	4.868%	4.868%	0.000%	0.000%	0.310%	0.310%	0.000%	0.000%	0.351%
2014	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	4,508,621	4,508,621	-	-	1.561%	1.561%	0.000%	0.000%	0.099%	0.099%	0.000%	0.000%	0.113%
2014	MRO	1230	Nebraska Public Power District	U.S.	13,571,197	13,571,197	-	-	4.700%	4.700%	0.000%	0.000%	0.299%	0.299%	0.000%	0.000%	0.339%
2014	MRO	1232	Omaha Public Power District	U.S.	11,255,070	11,255,070	-	-	3.898%	3.898%	0.000%	0.000%	0.248%	0.248%	0.000%	0.000%	0.281%
2014	MRO	1237	Southern Montana Generation and Transmission	U.S.	8,761	8,761	-	-	0.003%	0.003%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	MRO	1240	Western Area Power Administration (UM)	U.S.	8,592,049	8,592,049	-	-	2.976%	2.976%	0.000%	0.000%	0.189%	0.189%	0.000%	0.000%	0.215%
2014	MRO	1239	Western Area Power Administration (LM)	U.S.	131,751	131,751	-	-	0.046%	0.046%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2014	MRO	1217	Manitoba Hydro	CAN	24,331,988	-	24,331,988	-	8.427%	0.000%	8.427%	0.000%	0.536%	0.000%	0.536%	0.000%	0.000%
2014	MRO	1235	SaskPower	CAN	23,334,000	-	23,334,000	-	8.081%	0.000%	8.081%	0.000%	0.514%	0.000%	0.514%	0.000%	0.000%
2014	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPL)	U.S.	29,379,691	29,379,691	-	-	10.175%	10.175%	0.000%	0.000%	0.648%	0.648%	0.000%	0.000%	0.734%
2014	MRO	1216	Madison, Gas and Electric	U.S.	3,444,654	3,444,654	-	-	1.193%	1.193%	0.000%	0.000%	0.076%	0.076%	0.000%	0.000%	0.086%
2014	MRO	1220	MidAmerican Energy Company	U.S.	24,526,065	24,526,065	-	-	8.494%	8.494%	0.000%	0.000%	0.541%	0.541%	0.000%	0.000%	0.613%
2014	MRO	1221	Minnesota Power	U.S.	13,315,055	13,315,055	-	-	4.611%	4.611%	0.000%	0.000%	0.293%	0.293%	0.000%	0.000%	0.333%
2014	MRO	1226	Montana-Dakota Utilities Co.	U.S.	3,250,683	3,250,683	-	-	1.126%	1.126%	0.000%	0.000%	0.072%	0.072%	0.000%	0.000%	0.081%
2014	MRO	1231	NorthWestern Energy	U.S.	1,579,926	1,579,926	-	-	0.547%	0.547%	0.000%	0.000%	0.035%	0.035%	0.000%	0.000%	0.039%
2014	MRO	1233	Otter Tail Power Company	U.S.	4,780,706	4,780,706	-	-	1.656%	1.656%	0.000%	0.000%	0.105%	0.105%	0.000%	0.000%	0.119%
2014	MRO	1664	Wisconsin Public Service (WPS)	U.S.	12,283,710	12,283,710	-	-	4.254%	4.254%	0.000%	0.000%	0.271%	0.271%	0.000%	0.000%	0.307%
2014	MRO	1665	Upper Peninsula Power Company (UPPCO)	U.S.	743,499	743,499	-	-	0.257%	0.257%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.019%
2014	MRO	1244	Xcel Energy Company (NSP)	U.S.	45,214,015	45,214,015	-	-	15.659%	15.659%	0.000%	0.000%	0.997%	0.997%	0.000%	0.000%	1.130%
2014	MRO	1196	Ames Municipal Electric System	U.S.	767,900	767,900	-	-	0.266%	0.266%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2014	MRO	1604	Atlantic Municipal Utilities	U.S.	76,105	76,105	-	-	0.026%	0.026%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2014	MRO	1476	Badger Power Marketing Authority of Wisconsin, Inc.	U.S.	407,292	407,292	-		0.141%	0.141%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2014	MRO	1200	Cedar Falls Municipal Utilities	U.S.	531,890	531,890	-		0.184%	0.184%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
2014	MRO	1477	Central Minnesota Municipal Power Agency (CMMMPA)	U.S.	463,133	463,133	-		0.160%	0.160%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.012%
2014	MRO	1203	City of Escanaba	U.S.	141,796	141,796	-		0.049%	0.049%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2014	MRO	1205	Falls City Water & Light Department	U.S.	57,447	57,447	-		0.020%	0.020%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	MRO	1206	Fremont Department of Utilities	U.S.	438,011	438,011	-		0.152%	0.152%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2014	MRO	1208	Geneseo Municipal Utilities	U.S.	65,596	65,596	-		0.023%	0.023%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2014	MRO	1209	Grand Island Utilities Department	U.S.	758,979	758,979	-		0.263%	0.263%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.019%
2014	MRO	1606	Harlan Municipal Utilities	U.S.	25,205	25,205	-		0.009%	0.009%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	MRO	1211	Hastings Utilities	U.S.	425,917	425,917	-		0.148%	0.148%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%
2014	MRO	1212	Heartland Consumers Power District	U.S.	869,871	869,871	-		0.301%	0.301%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2014	MRO	1213	Hutchinson Utilities Commission	U.S.	296,111	296,111	-		0.103%	0.103%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.007%
2014	MRO	1215	Lincoln Electric System	U.S.	3,260,444	3,260,444	-		1.129%	1.129%	0.000%	0.000%	0.072%	0.072%	0.000%	0.000%	0.081%
2014	MRO	1218	Manitowoc Public Utilities	U.S.	541,274	541,274	-		0.187%	0.187%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.014%
2014	MRO	1223	Missouri River Energy Services	U.S.	2,441,672	2,441,672	-		0.846%	0.846%	0.000%	0.000%	0.054%	0.054%	0.000%	0.000%	0.061%
2014	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	1,531,885	1,531,885	-		0.531%	0.531%	0.000%	0.000%	0.034%	0.034%	0.000%	0.000%	0.038%
2014	MRO	1607	Montezuma Municipal Light & Power	U.S.	30,485	30,485	-		0.011%	0.011%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	1,148,228	1,148,228	-		0.398%	0.398%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.029%
2014	MRO	1228	Muscatine Power and Water	U.S.	874,395	874,395	-		0.303%	0.303%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2014	MRO	1229	Nebraska City Utilities	U.S.	168,317	168,317	-		0.058%	0.058%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2014	MRO	1234	Rochester Public Utilities	U.S.	1,589	1,589	-		0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	MRO	1236	Southern Minnesota Municipal Power Agency	U.S.	2,938,823	2,938,823	-		1.018%	1.018%	0.000%	0.000%	0.065%	0.065%	0.000%	0.000%	0.073%
2014	MRO	1241	Willmar Municipal Utilities	U.S.	261,620	261,620	-		0.091%	0.091%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2014	MRO	1242	Wisconsin Public Power, Inc. (East and West regions)	U.S.	5,493,725	5,493,725	-		1.903%	1.903%	0.000%	0.000%	0.121%	0.121%	0.000%	0.000%	0.137%
TOTAL MRO					288,744,100	241,078,112	47,665,988	-	100.00%	83.492%	16.508%	0.000%	6.364%	5.314%	1.051%	0.000%	6.025%
2014	NPCC	1336	New England	U.S.	127,175,000	127,175,000			19.832%	19.832%	0.000%	0.000%	2.803%	2.803%	0.000%	0.000%	3.178%
2014	NPCC	1339	New York	U.S.	160,059,000	160,059,000			24.961%	24.961%	0.000%	0.000%	3.528%	3.528%	0.000%	0.000%	4.000%
2014	NPCC	1337	Ontario	Canada	139,804,000		139,804,000		21.802%	0.000%	21.802%	0.000%	3.082%	0.000%	3.082%	0.000%	
2014	NPCC	1341	Quebec	Canada	189,311,000		189,311,000		29.522%	0.000%	29.522%	0.000%	4.173%	0.000%	4.173%	0.000%	
2014	NPCC	1663	New Brunswick	Canada	13,953,000		13,953,000		2.176%	0.000%	2.176%	0.000%	0.308%	0.000%	0.308%	0.000%	
2014	NPCC	1340	Nova Scotia	Canada	10,944,000		10,944,000		1.707%	0.000%	1.707%	0.000%	0.241%	0.000%	0.241%	0.000%	
TOTAL NPCC					641,246,000	287,234,000	354,012,000	-	100.00%	44.793%	55.207%	0.000%	14.134%	6.331%	7.803%	0.000%	7.178%
2014	RF	1102	Cannelton Utilities	U.S.	16,610	16,610			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	RF	1106	City of Croswell	U.S.	39,930	39,930			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	RF	1490	City of Lansing	U.S.	2,225,600	2,225,600			0.243%	0.243%	0.000%	0.000%	0.049%	0.049%	0.000%	0.000%	0.056%
2014	RF	1120	Cloverland Electric Cooperative	U.S.	857,564	857,564			0.094%	0.094%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.021%
2014	RF	1122	CMS ERM Michigan LLC	U.S.	119,824	119,824			0.013%	0.013%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2014	RF	1124	Constellation New Energy (MECS-CONS)	U.S.	918,416	918,416			0.100%	0.100%	0.000%	0.000%	0.020%	0.020%	0.000%	0.000%	0.023%
2014	RF	1123	Constellation New Energy (MECS-DET)	U.S.	998,800	998,800			0.109%	0.109%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2014	RF	1126	Consumers Energy Company	U.S.	33,253,922	33,253,922			3.638%	3.638%	0.000%	0.000%	0.733%	0.733%	0.000%	0.000%	0.831%
2014	RF	1128	Detroit Edison Company	U.S.	45,591,040	45,591,040			4.987%	4.987%	0.000%	0.000%	1.005%	1.005%	0.000%	0.000%	1.139%
2014	RF	1166	Duke Energy Indiana	U.S.	30,756,717	30,756,717			3.365%	3.365%	0.000%	0.000%	0.678%	0.678%	0.000%	0.000%	0.769%
2014	RF	1135	Ferdinand Municipal Light & Water	U.S.	46,595	46,595			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	RF	1646	FirstEnergy Solutions (MECS-CONS)	U.S.	789,155	789,155			0.086%	0.086%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.020%
2014	RF	1549	FirstEnergy Solutions (MECS-DET)	U.S.	2,176,858	2,176,858			0.238%	0.238%	0.000%	0.000%	0.048%	0.048%	0.000%	0.000%	0.054%
2014	RF	1612	Glacial Energy (MECS-DET)	U.S.	68,317	68,317			0.007%	0.007%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2014	RF	1145	Hoosier Energy	U.S.	7,639,077	7,639,077			0.836%	0.836%	0.000%	0.000%	0.168%	0.168%	0.000%	0.000%	0.191%
2014	RF	1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	3,123,691	3,123,691			0.342%	0.342%	0.000%	0.000%	0.069%	0.069%	0.000%	0.000%	0.078%
2014	RF	1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	432,101	432,101			0.047%	0.047%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2014	RF	1486	Indiana Municipal Power Agency (SIGE)	U.S.	596,063	596,063			0.065%	0.065%	0.000%	0.000%	0.013%	0.013%	0.000%	0.000%	0.015%
2014	RF	1149	Indianapolis Power & Light Co.	U.S.	14,770,462	14,770,462			1.616%	1.616%	0.000%	0.000%	0.326%	0.326%	0.000%	0.000%	0.369%
2014	RF	1553	Integrus Energy Services (MECS-CONS)	U.S.	951,656	951,656			0.104%	0.104%	0.000%	0.000%	0.021%	0.021%	0.000%	0.000%	0.024%

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2014	RF	1554	Integrus Energy Services (MECS-DET)	U.S.	781,966	781,966			0.086%	0.086%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.020%
2014	RF	1666	Integrus Energy Services (WEPC)	U.S.	2,314,102	2,314,102			0.253%	0.253%	0.000%	0.000%	0.051%	0.051%	0.000%	0.000%	0.058%
2014	RF	1614	Just Energy (MECS-DET)	U.S.	36,611	36,611			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	RF	1154	Michigan Public Power Agency	U.S.	2,944,728	2,944,728			0.322%	0.322%	0.000%	0.000%	0.065%	0.065%	0.000%	0.000%	0.074%
2014	RF	1155	Michigan South Central Power Agency	U.S.	651,287	651,287			0.071%	0.071%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2014	RF	1158	MidAmerican Energy Company Retail	U.S.	90,880	90,880			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2014	RF	1163	Northern Indiana Public Service Co.	U.S.	18,341,671	18,341,671			2.007%	2.007%	0.000%	0.000%	0.404%	0.404%	0.000%	0.000%	0.458%
2014	RF	1164	Ontonagon County Rural Electrification Assoc.	U.S.	29,102	29,102			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	RF	1265	PJM Interconnection, LLC	U.S.	700,624,274	700,624,274			76.645%	76.645%	0.000%	0.000%	15.443%	15.443%	0.000%	0.000%	17.509%
2014	RF	1172	Noble Americas Energy Solutions (MECS-CONS)	U.S.	562,275	562,275			0.062%	0.062%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.014%
2014	RF	1171	Noble Americas Energy Solutions (MECS-DET)	U.S.	676,154	676,154			0.074%	0.074%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2014	RF	1176	Direct Energy (fka:Strategic Energy,LLC) (MECS-CONS)	U.S.	32,602	32,602			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	RF	1174	Direct Energy (fka:Strategic Energy,LLC) (MECS-DET)	U.S.	414,130	414,130			0.045%	0.045%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2014	RF	1581	Spartan Renewable Energy	U.S.	67,959	67,959			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2014	RF	1180	Thumb Electric Cooperative	U.S.	186,623	186,623			0.020%	0.020%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2014	RF	1662	Ohio Valley Electric Corporation	U.S.	459,363	459,363			0.050%	0.050%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2014	RF	1181	Vectren Energy Delivery of IN	U.S.	5,871,328	5,871,328			0.642%	0.642%	0.000%	0.000%	0.129%	0.129%	0.000%	0.000%	0.147%
2014	RF	1183	Village of Sebewaing	U.S.	42,523	42,523			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	RF	1184	Wabash Valley Power Association Inc. (DUKE CIN)	U.S.	2,888,397	2,888,397			0.316%	0.316%	0.000%	0.000%	0.064%	0.064%	0.000%	0.000%	0.072%
2014	RF	1488	Wabash Valley Power Association Inc.(NIPSCO)	U.S.	1,705,181	1,705,181			0.187%	0.187%	0.000%	0.000%	0.038%	0.038%	0.000%	0.000%	0.043%
2014	RF	1185	Wisconsin Electric Power Co.	U.S.	26,416,638	26,416,638			2.890%	2.890%	0.000%	0.000%	0.582%	0.582%	0.000%	0.000%	0.660%
2014	RF	1189	Wolverine Power Marketing Cooperative	U.S.	782,997	782,997			0.086%	0.086%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.020%
2014	RF	1191	Wolverine Power Supply Cooperative	U.S.	2,679,113	2,679,113			0.293%	0.293%	0.000%	0.000%	0.059%	0.059%	0.000%	0.000%	0.067%
2014	RF	1190	Wolverine Power Marketing Cooperative(MECS-DET)	U.S.	140,065	140,065			0.015%	0.015%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
TOTAL RELIABILITYFIRST					914,112,367	914,112,367	-	-	100.000%	100.000%	0.000%	0.000%	20.149%	20.149%	0.000%	0.000%	22.845%
2014	SERC	1267	Alabama Municipal Electric Authority	U.S.	3,443,953	3,443,953			0.335%	0.335%	0.000%	0.000%	0.076%	0.076%	0.000%	0.000%	0.086%
2014	SERC	1268	Alabama Power Company	U.S.	60,175,742	60,175,742			5.849%	5.849%	0.000%	0.000%	1.326%	1.326%	0.000%	0.000%	1.504%
2014	SERC	1269	Ameren - Illinois	U.S.	43,013,000	43,013,000			4.181%	4.181%	0.000%	0.000%	0.948%	0.948%	0.000%	0.000%	1.075%
2014	SERC	1271	Ameren - Missouri	U.S.	41,947,000	41,947,000			4.077%	4.077%	0.000%	0.000%	0.925%	0.925%	0.000%	0.000%	1.048%
2014	SERC	1272	APGI - Yadkin Division	U.S.	17,560	17,560			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	SERC	1273	Associated Electric Cooperative Inc.	U.S.	19,655,728	19,655,728			1.910%	1.910%	0.000%	0.000%	0.433%	0.433%	0.000%	0.000%	0.491%
2014	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	1,117,422	1,117,422			0.109%	0.109%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.028%
2014	SERC	1462	Benton Utility District	U.S.	254,023	254,023			0.025%	0.025%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2014	SERC	1274	Big Rivers Electric Corporation	U.S.	3,876,923	3,876,923			0.377%	0.377%	0.000%	0.000%	0.085%	0.085%	0.000%	0.000%	0.097%
2014	SERC	1275	Black Warrior EMC	U.S.	450,270	450,270			0.044%	0.044%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2014	SERC	1276	Blue Ridge EMC	U.S.	1,409,179	1,409,179			0.137%	0.137%	0.000%	0.000%	0.031%	0.031%	0.000%	0.000%	0.035%
2014	SERC	1628	Brazos Electric Power Cooperative, Inc.	U.S.	458,455	458,455			0.045%	0.045%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2014	SERC	1463	Canton, MS	U.S.	130,779	130,779			0.013%	0.013%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2014	SERC	1277	Central Electric Power Cooperative Inc.	U.S.	16,584,094	16,584,094			1.612%	1.612%	0.000%	0.000%	0.366%	0.366%	0.000%	0.000%	0.414%
2014	SERC	1667	Century Aluminum - Hawesville	U.S.	4,212,847	4,212,847			0.409%	0.409%	0.000%	0.000%	0.093%	0.093%	0.000%	0.000%	0.105%
2014	SERC	1668	Century Aluminum - Sebree	U.S.	3,374,236	3,374,236			0.328%	0.328%	0.000%	0.000%	0.074%	0.074%	0.000%	0.000%	0.084%
2014	SERC	1278	City of Blountstown FL	U.S.	38,465	38,465			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	SERC	1279	City of Camden SC	U.S.	199,373	199,373			0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2014	SERC	1280	City of Collins MS	U.S.	46,005	46,005			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	SERC	1281	City of Columbia MO	U.S.	1,214,192	1,214,192			0.118%	0.118%	0.000%	0.000%	0.027%	0.027%	0.000%	0.000%	0.030%
2014	SERC	1282	City of Conway AR (Conway Corporation)	U.S.	1,007,955	1,007,955			0.098%	0.098%	0.000%	0.000%	0.022%	0.022%	0.000%	0.000%	0.025%
2014	SERC	1284	City of Evergreen AL	U.S.	58,103	58,103			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	SERC	1285	City of Hampton GA	U.S.	31,000	31,000			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	SERC	1286	City of Hartford AL	U.S.	30,554	30,554			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	SERC	1287	City of Henderson (KY) Municipal Power & Light	U.S.	639,296	639,296			0.062%	0.062%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2014	SERC	1288	City of North Little Rock AR (DENL)	U.S.	949,430	949,430			0.092%	0.092%	0.000%	0.000%	0.021%	0.021%	0.000%	0.000%	0.024%
2014	SERC	1289	City of Orangeburg SC Department of Public Utilities	U.S.	862,000	862,000			0.084%	0.084%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2014	SERC	1290	City of Robertsdale AL	U.S.	85,400	85,400			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2014	SERC	1291	City of Ruston LA (DERS)	U.S.	274,228	274,228			0.027%	0.027%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2014	SERC	1292	Seneca Light & Power	U.S.	164,370	164,370			0.016%	0.016%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2014	SERC	1115	City of Springfield (CWLP)	U.S.	1,848,176	1,848,176			0.180%	0.180%	0.000%	0.000%	0.041%	0.041%	0.000%	0.000%	0.046%
2014	SERC	1465	City of Thayer, MO	U.S.	23,661	23,661			0.002%	0.002%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	SERC	1293	City of Troy AL	U.S.	431,632	431,632			0.042%	0.042%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2014	SERC	1294	City of West Memphis AR (West Memphis Utilities)	U.S.	389,698	389,698			0.038%	0.038%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2014	SERC	1583	Claiborne Electric Cooperative, Inc.	U.S.	670,705	670,705			0.065%	0.065%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2014	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	263,089	263,089			0.026%	0.026%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2014	SERC	1283	Dalton Utilities	U.S.	1,637,096	1,637,096			0.159%	0.159%	0.000%	0.000%	0.036%	0.036%	0.000%	0.000%	0.041%
2014	SERC	1585	Dixie Electric Membership Corporation	U.S.	2,265,301	2,265,301			0.220%	0.220%	0.000%	0.000%	0.050%	0.050%	0.000%	0.000%	0.057%
2014	SERC	1295	Dominion Virginia Power	U.S.	85,235,712	85,235,712			8.285%	8.285%	0.000%	0.000%	1.879%	1.879%	0.000%	0.000%	2.130%
2014	SERC	1296	Duke Energy Carolinas, LLC	U.S.	83,479,135	83,479,135			8.114%	8.114%	0.000%	0.000%	1.840%	1.840%	0.000%	0.000%	2.086%
2014	SERC	1466	Durant, MS	U.S.	28,335	28,335			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	SERC	1478	LG&E and KU Services Company as agent for LG&E Company and KUCompan	U.S.	35,554,281	35,554,281			3.456%	3.456%	0.000%	0.000%	0.784%	0.784%	0.000%	0.000%	0.889%
2014	SERC	1297	East Kentucky Power Cooperative	U.S.	14,024,038	14,024,038			1.363%	1.363%	0.000%	0.000%	0.309%	0.309%	0.000%	0.000%	0.350%
2014	SERC	1298	East Mississippi Electric Power Association	U.S.	459,327	459,327			0.045%	0.045%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2014	SERC	1669	Electricities of North Carolina Inc	U.S.	11,745,551	11,745,551			1.142%	1.142%	0.000%	0.000%	0.259%	0.259%	0.000%	0.000%	0.294%
2014	SERC	1300	EnergyUnited EMC	U.S.	2,610,117	2,610,117			0.254%	0.254%	0.000%	0.000%	0.058%	0.058%	0.000%	0.000%	0.065%
2014	SERC	1301	Entergy	U.S.	116,082,794	116,082,794			11.283%	11.283%	0.000%	0.000%	2.559%	2.559%	0.000%	0.000%	2.901%
2014	SERC	1302	Fayetteville (NC) Public Works Commission	U.S.	2,203,524	2,203,524			0.214%	0.214%	0.000%	0.000%	0.049%	0.049%	0.000%	0.000%	0.055%
2014	SERC	1303	Florida Public Utilities (FL Panhandle Load)	U.S.	315,636	315,636			0.031%	0.031%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2014	SERC	1304	French Broad EMC	U.S.	543,517	543,517			0.053%	0.053%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.014%
2014	SERC	1305	Georgia Power Company	U.S.	86,719,251	86,719,251			8.429%	8.429%	0.000%	0.000%	1.911%	1.911%	0.000%	0.000%	2.167%
2014	SERC	1306	Georgia System Optns Corporation	U.S.	39,587,263	39,587,263			3.848%	3.848%	0.000%	0.000%	0.873%	0.873%	0.000%	0.000%	0.989%
2014	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	273,918	273,918			0.027%	0.027%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2014	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.	327,108	327,108			0.032%	0.032%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2014	SERC	1308	Gulf Power Company	U.S.	11,691,181	11,691,181			1.136%	1.136%	0.000%	0.000%	0.258%	0.258%	0.000%	0.000%	0.292%
2014	SERC	1586	Haywood EMC	U.S.	317,424	317,424			0.031%	0.031%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2014	SERC	1309	Illinois Municipal Electric Agency	U.S.	1,945,600	1,945,600			0.189%	0.189%	0.000%	0.000%	0.043%	0.043%	0.000%	0.000%	0.049%
2014	SERC	1480	Itta Bena, MS	U.S.	19,287	19,287			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	292,255	292,255			0.028%	0.028%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2014	SERC	1617	Kentucky Municipal Power	U.S.	705,356	705,356			0.069%	0.069%	0.000%	0.000%	0.016%	0.016%	0.000%	0.000%	0.018%
2014	SERC	1481	Kosciusko, MS	U.S.	75,941	75,941			0.007%	0.007%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2014	SERC	1482	Leland, MS	U.S.	32,429	32,429			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	SERC		Lockhart Power Company	U.S.	355,758	355,758			0.035%	0.035%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2014	SERC	1313	McCormick Commission of Public Works	U.S.	21,616	21,616			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2014	SERC	1314	Mississippi Power Company	U.S.	10,554,717	10,554,717			1.026%	1.026%	0.000%	0.000%	0.233%	0.233%	0.000%	0.000%	0.264%
2014	SERC	1630	Mt. Carmel Public Utility	U.S.	107,900	107,900			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2014	SERC	1315	Municipal Electric Authority of Georgia	U.S.	10,926,650	10,926,650			1.062%	1.062%	0.000%	0.000%	0.241%	0.241%	0.000%	0.000%	0.273%
2014	SERC	1316	N.C. Electric Membership Corp.	U.S.	12,876,226	12,876,226			1.252%	1.252%	0.000%	0.000%	0.284%	0.284%	0.000%	0.000%	0.322%
2014	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	326,306	326,306			0.032%	0.032%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2014	SERC	1574	Northern Virginia Electric Cooperative	U.S.	4,200,663	4,200,663			0.408%	0.408%	0.000%	0.000%	0.093%	0.093%	0.000%	0.000%	0.105%
2014	SERC	1319	Old Dominion Electric Cooperative	U.S.	5,747,039	5,747,039			0.559%	0.559%	0.000%	0.000%	0.127%	0.127%	0.000%	0.000%	0.144%
2014	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.	162,802	162,802			0.016%	0.016%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2014	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	861,024	861,024			0.084%	0.084%	0.000%	0.000%	0.019%	0.019%	0.000%	0.000%	0.022%
2014	SERC	1321	Piedmont EMC in Duke and Progress Areas	U.S.	527,346	527,346			0.051%	0.051%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.013%
2014	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	2,310,841	2,310,841			0.225%	0.225%	0.000%	0.000%	0.051%	0.051%	0.000%	0.000%	0.058%
2014	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	264,228	264,228			0.026%	0.026%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2014	SERC	1266	PowerSouth Energy	U.S.	8,846,256	8,846,256			0.860%	0.860%	0.000%	0.000%	0.195%	0.195%	0.000%	0.000%	0.221%
2014	SERC	1330	Prairie Power, Inc.	U.S.	1,623,596	1,623,596			0.158%	0.158%	0.000%	0.000%	0.036%	0.036%	0.000%	0.000%	0.041%
2014	SERC	1324	Duke Energy Progress	U.S.	46,530,000	46,530,000			4.523%	4.523%	0.000%	0.000%	1.026%	1.026%	0.000%	0.000%	1.163%
2014	SERC	1325	Rutherford EMC	U.S.	1,353,553	1,353,553			0.132%	0.132%	0.000%	0.000%	0.030%	0.030%	0.000%	0.000%	0.034%
2014	SERC	1631	Sam Rayburn G&T Electric Cooperative Inc.	U.S.	1,863,010	1,863,010			0.181%	0.181%	0.000%	0.000%	0.041%	0.041%	0.000%	0.000%	0.047%
2014	SERC	1326	South Carolina Electric & Gas Company	U.S.	23,475,231	23,475,231			2.282%	2.282%	0.000%	0.000%	0.517%	0.517%	0.000%	0.000%	0.587%

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

APPENDIX 2-A

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2014	SERC	1327	South Carolina Public Service Authority	U.S.	11,404,459	11,404,459			1.108%	1.108%	0.000%	0.000%	0.251%	0.251%	0.000%	0.000%	0.285%
2014	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	636,069	636,069			0.062%	0.062%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2014	SERC	1328	South Mississippi Electric Power Association	U.S.	10,257,114	10,257,114			0.997%	0.997%	0.000%	0.000%	0.226%	0.226%	0.000%	0.000%	0.256%
2014	SERC	1329	Southern Illinois Power Cooperative	U.S.	1,665,646	1,665,646			0.162%	0.162%	0.000%	0.000%	0.037%	0.037%	0.000%	0.000%	0.042%
2014	SERC	1591	Southwest Louisiana Electric Membership Corporation	U.S.	2,710,611	2,710,611			0.263%	0.263%	0.000%	0.000%	0.060%	0.060%	0.000%	0.000%	0.068%
2014	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	457,396	457,396			0.044%	0.044%	0.000%	0.000%	0.010%	0.010%	0.000%	0.000%	0.011%
2014	SERC	1331	Tennessee Valley Authority	U.S.	159,513,423	159,513,423			15.504%	15.504%	0.000%	0.000%	3.516%	3.516%	0.000%	0.000%	3.986%
2014	SERC	1632	Tex-La Electric Cooperative of Texas, Inc	U.S.	207,247	207,247			0.020%	0.020%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%
2014	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	133,637	133,637			0.013%	0.013%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2014	SERC	1594	Town of Sharpsburg, N.C.	U.S.	20,646	20,646			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2014	SERC	1595	Town of Stantonsburg, N.C. JRO	U.S.	60,852	60,852			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2014	SERC	1333	Town of Waynesville NC	U.S.	98,178	98,178			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2014	SERC	1334	Town of Winnsboro SC	U.S.	66,785	66,785			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2014	SERC	1335	Town of Winterville NC	U.S.	53,736	53,736			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	SERC	1597	Washington-St. Tammany Electric Cooperative, Inc.	U.S.	1,106,617	1,106,617			0.108%	0.108%	0.000%	0.000%	0.024%	0.024%	0.000%	0.000%	0.028%
TOTAL SERC					1,028,847,097	1,028,847,097	-	-	100.000%	100.000%	0.000%	0.000%	22.678%	22.678%	0.000%	0.000%	25.712%
2014	SPP	1246	American Electric Power	U.S.	37,311,950	37,311,950			16.189%	16.189%	0.000%	0.000%	0.822%	0.822%	0.000%	0.000%	0.932%
2014	SPP	1435	Arkansas Electric Cooperative Corporation	U.S.	15,283,776	15,283,776			6.631%	6.631%	0.000%	0.000%	0.337%	0.337%	0.000%	0.000%	0.382%
2014	SPP	1247	Board of Public Utilities (Kansas City KS)	U.S.	2,410,453	2,410,453			1.046%	1.046%	0.000%	0.000%	0.053%	0.053%	0.000%	0.000%	0.060%
2014	SPP	1620	Board of Public Utilities, City of McPherson, Kansas	U.S.	943,568	943,568			0.409%	0.409%	0.000%	0.000%	0.021%	0.021%	0.000%	0.000%	0.024%
2014	SPP	1647	Carthage City Water & Light	U.S.	316,896	316,896			0.137%	0.137%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2014	SPP	1469	Central Valley Electric Cooperative	U.S.	912,535	912,535			0.396%	0.396%	0.000%	0.000%	0.020%	0.020%	0.000%	0.000%	0.023%
2014	SPP	1556	City of Bentonville	U.S.	647,048	647,048			0.281%	0.281%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2014	SPP	1557	City of Clarksdale, Mississippi	U.S.	163,537	163,537			0.071%	0.071%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2014	SPP	1558	Hope Water & Light (HWL)	U.S.	299,930	299,930			0.130%	0.130%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.007%
2014	SPP	1559	City of Minden	U.S.	155,171	155,171			0.067%	0.067%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2014	SPP		City of Chanute	U.S.	502,000	502,000			0.218%	0.218%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.013%
2014	SPP	1636	City of Prescott	U.S.	87,092	87,092			0.038%	0.038%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2014	SPP	1248	Independence Power & Light (Independence, MO)	U.S.	1,054,028	1,054,028			0.457%	0.457%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2014	SPP	1436	City Utilities of Springfield, MO	U.S.	3,179,857	3,179,857			1.380%	1.380%	0.000%	0.000%	0.070%	0.070%	0.000%	0.000%	0.079%
2014	SPP	1249	Cleco Power LLC	U.S.	12,794,396	12,794,396			5.551%	5.551%	0.000%	0.000%	0.282%	0.282%	0.000%	0.000%	0.320%
2014	SPP	1437	East Texas Electric Coop, Inc.	U.S.	413,628	413,628			0.179%	0.179%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2014	SPP	1250	The Empire District Electric Company	U.S.	5,370,950	5,370,950			2.330%	2.330%	0.000%	0.000%	0.118%	0.118%	0.000%	0.000%	0.134%
2014	SPP	1470	Farmers' Electric Coop	U.S.	364,263	364,263			0.158%	0.158%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2014	SPP	1438	Golden Spread Electric Coop	U.S.	5,500,758	5,500,758			2.387%	2.387%	0.000%	0.000%	0.121%	0.121%	0.000%	0.000%	0.137%
2014	SPP	1251	Grand River Dam Authority	U.S.	5,212,955	5,212,955			2.262%	2.262%	0.000%	0.000%	0.115%	0.115%	0.000%	0.000%	0.130%
2014	SPP	1648	Jonesboro City Water & Light	U.S.	1,337,138	1,337,138			0.580%	0.580%	0.000%	0.000%	0.029%	0.029%	0.000%	0.000%	0.033%
2014	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	15,934,638	15,934,638			6.914%	6.914%	0.000%	0.000%	0.351%	0.351%	0.000%	0.000%	0.398%
2014	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	2,275,394	2,275,394			0.987%	0.987%	0.000%	0.000%	0.050%	0.050%	0.000%	0.000%	0.057%
2014	SPP	1440	Kansas Municipal Energy Agency (KCPL)	U.S.	1,432,004	1,432,004			0.621%	0.621%	0.000%	0.000%	0.032%	0.032%	0.000%	0.000%	0.036%
2014	SPP	1637	Kansas Power Pool	U.S.	914,342	914,342			0.397%	0.397%	0.000%	0.000%	0.020%	0.020%	0.000%	0.000%	0.023%
2014	SPP	1649	Kennett Board of Public Works	U.S.	161,592	161,592			0.070%	0.070%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2014	SPP	1598	KCP&L GMOC (Greater Missouri Operations Company)	U.S.	8,796,981	8,796,981			3.817%	3.817%	0.000%	0.000%	0.194%	0.194%	0.000%	0.000%	0.220%
2014	SPP	1471	Lafayette Utilities System	U.S.	2,077,449	2,077,449			0.901%	0.901%	0.000%	0.000%	0.046%	0.046%	0.000%	0.000%	0.052%
2014	SPP	1472	Lea County Electric Coop	U.S.	1,294,328	1,294,328			0.562%	0.562%	0.000%	0.000%	0.029%	0.029%	0.000%	0.000%	0.032%
2014	SPP	1253	Louisiana Energy & Power Authority (LEPA)	U.S.	1,033,011	1,033,011			0.448%	0.448%	0.000%	0.000%	0.023%	0.023%	0.000%	0.000%	0.026%
2014	SPP	1650	Malden Board of Public Works	U.S.	54,222	54,222			0.024%	0.024%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	SPP	1441	Midwest Energy Inc.	U.S.	1,845,455	1,845,455			0.801%	0.801%	0.000%	0.000%	0.041%	0.041%	0.000%	0.000%	0.046%
2014	SPP	1443	Missouri Joint Municipal Electric Utility Commission	U.S.	2,659,193	2,659,193			1.154%	1.154%	0.000%	0.000%	0.059%	0.059%	0.000%	0.000%	0.066%
2014	SPP	1442	Northeast Texas Electric Cooperative, Inc.	U.S.	3,301,535	3,301,535			1.432%	1.432%	0.000%	0.000%	0.073%	0.073%	0.000%	0.000%	0.083%
2014	SPP	1255	Oklahoma Gas and Electric Co.	U.S.	28,423,113	28,423,113			12.332%	12.332%	0.000%	0.000%	0.626%	0.626%	0.000%	0.000%	0.710%
2014	SPP	1444	Oklahoma Municipal Power Auth	U.S.	2,881,333	2,881,333			1.250%	1.250%	0.000%	0.000%	0.064%	0.064%	0.000%	0.000%	0.072%
2014	SPP	1639	OzMo Ozark Missouri, West Plains MO	U.S.	209,488	209,488			0.091%	0.091%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.005%

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only	
2014	SPP	1651	Paragould Light, Water & Cable	U.S.	643,691	643,691	-	-	0.279%	0.279%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%	
2014	SPP	1652	Piggott Municipal Light, Water & Sewer	U.S.	43,193	43,193	-	-	0.019%	0.019%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%	
2014	SPP	1653	Poplar Bluff Municipal Utilities	U.S.	415,003	415,003	-	-	0.180%	0.180%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%	
2014	SPP	1561	Public Service Commission of Yazoo City of Mississippi	U.S.	116,305	116,305	-	-	0.050%	0.050%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%	
2014	SPP	1473	Roosevelt County Electric Coop	U.S.	182,447	182,447	-	-	0.079%	0.079%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%	
2014	SPP	1654	Sikeston Board of Municipal Utilities	U.S.	430,841	430,841	-	-	0.187%	0.187%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.011%	
2014	SPP	1257	Southwestern Public Service Co. (SPS-XCEL)	U.S.	21,531,154	21,531,154	-	-	9.342%	9.342%	0.000%	0.000%	0.475%	0.475%	0.000%	0.000%	0.538%	
2014	SPP	1256	Sunflower Electric Power Cooperative	U.S.	4,653,618	4,653,618	-	-	2.019%	2.019%	0.000%	0.000%	0.103%	0.103%	0.000%	0.000%	0.116%	
2014	SPP	1445	Tex - La Electric Cooperative of Texas	U.S.	497,529	497,529	-	-	0.216%	0.216%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%	
2014	SPP	1475	Tri County Electric Coop	U.S.	398,266	398,266	-	-	0.173%	0.173%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%	
2014	SPP	1260	Westar Energy, Inc.	U.S.	21,851,948	21,851,948	-	-	9.481%	9.481%	0.000%	0.000%	0.482%	0.482%	0.000%	0.000%	0.546%	
2014	SPP	1259	Western Farmers Electric Cooperative	U.S.	9,296,254	9,296,254	-	-	4.033%	4.033%	0.000%	0.000%	0.205%	0.205%	0.000%	0.000%	0.232%	
2014	SPP	1501	West Texas Municipal Power Agency	U.S.	2,864,897	2,864,897	-	-	1.243%	1.243%	0.000%	0.000%	0.063%	0.063%	0.000%	0.000%	0.072%	
TOTAL SPP					230,481,153	230,481,153	-	-	100.000%	100.000%	0.000%	0.000%	5.080%	5.080%	0.000%	0.000%	5.760%	
2014	TRE	1019	ERCOT	U.S.	341,255,629	341,255,629	-	-	100.000%	100.000%	0.000%	0.000%	7.522%	7.522%	0.000%	0.000%	8.528%	
TOTAL ERCOT					341,255,629	341,255,629	-	-	100.000%	100.000%	0.000%	0.000%	7.522%	7.522%	0.000%	0.000%	8.528%	
2014	WECC		Alberta Electric System Operator	Canada	62,686,000	-	62,686,000	-	7.226%	0.000%	7.226%	0.000%	1.382%	0.000%	1.382%	0.000%	0.000%	
2014	WECC		British Columbia Hydro & Power Authority	Canada	59,047,108	-	59,047,108	-	6.807%	0.000%	6.807%	0.000%	1.302%	0.000%	1.302%	0.000%	0.000%	
2014	WECC		Comision Federal de Electricidad	Mexico	12,011,036	-	-	12,011,036	1.385%	0.000%	0.000%	1.385%	0.265%	0.000%	0.000%	0.265%	0.000%	
2014	WECC		Ajo Improvement District	U.S.	13,394	13,394	-	-	0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	
2014	WECC		Aguila Irrigation District - APS	U.S.	39,157	39,157	-	-	0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%	
2014	WECC		Electrical District No. 6 of Pinal County - APS	U.S.	2,533	2,533	-	-	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	
2014	WECC		Electrical District No. 7 of Maricopa County - APS	U.S.	51,317	51,317	-	-	0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%	
2014	WECC		Electrical District No. 8 of Maricopa County - APS	U.S.	318,974	318,974	-	-	0.037%	0.037%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%	
2014	WECC		Harquahala Valley Power Districts - APS	U.S.	92,428	92,428	-	-	0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%	
2014	WECC		Maricopa County Municipal Water Conservation Dist No. 1 - APS	U.S.	55,008	55,008	-	-	0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%	
2014	WECC		McMullen Valley Water Conservation & Drainage District - APS	U.S.	82,295	82,295	-	-	0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%	
2014	WECC		Roosevelt Irrigation District - APS	U.S.	41,545	41,545	-	-	0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%	
2014	WECC		Tonopah Irrigation District - APS	U.S.	20,338	20,338	-	-	0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%	
2014	WECC		Buckeye Water Conservation and Drainage District - APS	U.S.	20,194	20,194	-	-	0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%	
2014	WECC		Arizona Public Service Company	U.S.	29,362,773	29,362,773	-	-	3.385%	3.385%	0.000%	0.000%	0.647%	0.647%	0.000%	0.000%	0.734%	
2014	WECC		City of Williams	U.S.	42,835	42,835	-	-	0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%	
2014	WECC		Electrical Districts 1 & 3	U.S.	675,973	675,973	-	-	0.078%	0.078%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%	
2014	WECC		Navajo Tribal Utility Authority	U.S.	20,402	20,402	-	-	0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%	
2014	WECC		Tohono O'Odham Utility Authority	U.S.	63,722	63,722	-	-	0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%	
2014	WECC		Town of Wickenburg	U.S.	26,420	26,420	-	-	0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%	
2014	WECC		Avista Corporation	U.S.	9,563,104	9,563,104	-	-	1.102%	1.102%	0.000%	0.000%	0.211%	0.211%	0.000%	0.000%	0.239%	
2014	WECC		Big Bend Electric Cooperative, Inc.	U.S.	150,465	150,465	-	-	0.017%	0.017%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%	
2014	WECC		City of Cheney	U.S.	149,582	149,582	-	-	0.017%	0.017%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%	
2014	WECC		City of Chewelah	U.S.	23,496	23,496	-	-	0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%	
2014	WECC		City of Plummer	U.S.	34,885	34,885	-	-	0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%	
2014	WECC		Clearwater Cooperative, Inc	U.S.	169,136	169,136	-	-	0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%	
2014	WECC		Consolidated Irrigation District No. 19	U.S.	7,025	7,025	-	-	0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	
2014	WECC		Idaho County Light and Power Cooperative Association, Inc.	U.S.	58,351	58,351	-	-	0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%	
2014	WECC		Inland Power and Light Company	U.S.	481,537	481,537	-	-	0.056%	0.056%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%	
2014	WECC		Kaiser Aluminum Fabricated Products LLC	U.S.	316,643	316,643	-	-	0.037%	0.037%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%	
2014	WECC		Kootenai Electric Cooperative, Inc.	U.S.	479,977	479,977	-	-	0.055%	0.055%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%	
2014	WECC		Modern Electric Water Company	U.S.	234,643	234,643	-	-	0.027%	0.027%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%	
2014	WECC		Northern Lights, Inc.	U.S.	36,104	36,104	-	-	0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%	
2014	WECC		Pend Oreille County PUD No. 1	U.S.	921,642	921,642	-	-	0.106%	0.106%	0.000%	0.000%	0.020%	0.020%	0.000%	0.000%	0.023%	
2014	WECC		PUD No. 1 of Asotin County	U.S.	5,135	5,135	-	-	0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	
2014	WECC		PUD No. 2 of Grant County	U.S.	97,093	97,093	-	-	0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%	

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2014	WECC		U.S. BOR East Greenacres (Rathdrum)	U.S.	3,162	3,162			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		U.S. Bor Spokane Indian Development	U.S.	3,172	3,172			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		US Air Force Base, Fairchild	U.S.	49,195	49,195			0.006%	0.006%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		City of Redding	U.S.	794,339	794,339			0.092%	0.092%	0.000%	0.000%	0.018%	0.018%	0.000%	0.000%	0.020%
2014	WECC		City of Roseville	U.S.	1,244,636	1,244,636			0.143%	0.143%	0.000%	0.000%	0.027%	0.027%	0.000%	0.000%	0.031%
2014	WECC		Modesto Irrigation District	U.S.	2,584,771	2,584,771			0.298%	0.298%	0.000%	0.000%	0.057%	0.057%	0.000%	0.000%	0.065%
2014	WECC		Sacramento Municipal Utility District	U.S.	11,260,323	11,260,323			1.298%	1.298%	0.000%	0.000%	0.248%	0.248%	0.000%	0.000%	0.281%
2014	WECC		Western Area Power Administration - Sierra Nevada Region	U.S.	1,321,813	1,321,813			0.152%	0.152%	0.000%	0.000%	0.029%	0.029%	0.000%	0.000%	0.033%
2014	WECC		Bonneville Power Administration	U.S.	54,536,432	54,536,432			6.287%	6.287%	0.000%	0.000%	1.202%	1.202%	0.000%	0.000%	1.363%
2014	WECC		California Independent System Operator	U.S.	231,311,307	231,311,307			26.665%	26.665%	0.000%	0.000%	5.099%	5.099%	0.000%	0.000%	5.781%
2014	WECC		El Paso Electric Company	U.S.	8,230,271	8,230,271			0.949%	0.949%	0.000%	0.000%	0.181%	0.181%	0.000%	0.000%	0.206%
2014	WECC		Bonneville Power Administration	U.S.	1,776,910	1,776,910			0.205%	0.205%	0.000%	0.000%	0.039%	0.039%	0.000%	0.000%	0.044%
2014	WECC		Idaho Power Company	U.S.	15,519,495	15,519,495			1.789%	1.789%	0.000%	0.000%	0.342%	0.342%	0.000%	0.000%	0.388%
2014	WECC		PacifiCorp	U.S.	2,049	2,049			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Imperial Irrigation District	U.S.	3,699,695	3,699,695			0.426%	0.426%	0.000%	0.000%	0.082%	0.082%	0.000%	0.000%	0.092%
2014	WECC		Los Angeles Department of Water and Power	U.S.	29,696,028	29,696,028			3.423%	3.423%	0.000%	0.000%	0.655%	0.655%	0.000%	0.000%	0.742%
2014	WECC		City of Henderson	U.S.	42,872	42,872			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		City of Las Vegas	U.S.	43,423	43,423			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		City of North Las Vegas	U.S.	19,334	19,334			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Clark County Water Resources	U.S.	78,485	78,485			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2014	WECC		Colorado River Commission of Nevada	U.S.	922,301	922,301			0.106%	0.106%	0.000%	0.000%	0.020%	0.020%	0.000%	0.000%	0.023%
2014	WECC		Las Vegas Valley Water District	U.S.	95,651	95,651			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2014	WECC		Nevada Power Company dba NV Energy	U.S.	25,053,465	25,053,465			2.888%	2.888%	0.000%	0.000%	0.552%	0.552%	0.000%	0.000%	0.626%
2014	WECC		Overton Power District No. 5	U.S.	378,591	378,591			0.044%	0.044%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2014	WECC		Southern Nevada Water Authority	U.S.	119,571	119,571			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2014	WECC		Bonneville Power Administration	U.S.	780,666	780,666			0.090%	0.090%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.020%
2014	WECC		Central Montana Electric Power Cooperative	U.S.	417,747	417,747			0.048%	0.048%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2014	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	9,277,185	9,277,185			1.069%	1.069%	0.000%	0.000%	0.204%	0.204%	0.000%	0.000%	0.232%
2014	WECC		Southern Montana Electric Generation & Transmission	U.S.	391,223	391,223			0.045%	0.045%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2014	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	7,816	7,816			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		PacifiCorp	U.S.	49,932,363	49,932,363			5.756%	5.756%	0.000%	0.000%	1.101%	1.101%	0.000%	0.000%	1.248%
2014	WECC		PacifiCorp West (PACW)	U.S.	20,921,420	20,921,420			2.412%	2.412%	0.000%	0.000%	0.461%	0.461%	0.000%	0.000%	0.523%
2014	WECC		Bonneville Power Administration	U.S.	8,814	8,814			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Canby Public Utility Board	U.S.	165,249	165,249			0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2014	WECC		Columbia River PUD	U.S.	304,036	304,036			0.035%	0.035%	0.000%	0.000%	0.007%	0.007%	0.000%	0.000%	0.008%
2014	WECC		Noble Americas Energy Solutions, LLC	U.S.	1,720,333	1,720,333			0.198%	0.198%	0.000%	0.000%	0.038%	0.038%	0.000%	0.000%	0.043%
2014	WECC		PacifiCorp	U.S.	2,208	2,208			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Portland General Electric Company	U.S.	19,185,354	19,185,354			2.212%	2.212%	0.000%	0.000%	0.423%	0.423%	0.000%	0.000%	0.479%
2014	WECC		West Oregon Electric Cooperative, Inc.	U.S.	11,687	11,687			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Arkansas River Power Authority (ARPA)	U.S.	261,517	261,517			0.030%	0.030%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2014	WECC		Black Hills Colorado Electric	U.S.	1,958,623	1,958,623			0.226%	0.226%	0.000%	0.000%	0.043%	0.043%	0.000%	0.000%	0.049%
2014	WECC		Burlington	U.S.	69,584	69,584			0.008%	0.008%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2014	WECC		Colorado Springs Utilities	U.S.	29,677	29,677			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		Grand Valley Power	U.S.	228,990	228,990			0.026%	0.026%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2014	WECC		Holy Cross Energy	U.S.	1,123,078	1,123,078			0.129%	0.129%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.028%
2014	WECC		Intermountain Rural Electric Association	U.S.	2,136,076	2,136,076			0.246%	0.246%	0.000%	0.000%	0.047%	0.047%	0.000%	0.000%	0.053%
2014	WECC		Municipal Energy Agency of Nebraska	U.S.	179,336	179,336			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2014	WECC		Platte River Power Authority	U.S.	3,199,023	3,199,023			0.369%	0.369%	0.000%	0.000%	0.071%	0.071%	0.000%	0.000%	0.080%
2014	WECC		Public Service Company of Colorado (Xcel)	U.S.	27,800,459	27,800,459			3.205%	3.205%	0.000%	0.000%	0.613%	0.613%	0.000%	0.000%	0.695%
2014	WECC		Raton Public Service	U.S.	56,435	56,435			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		Town of Center	U.S.	14,924	14,924			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	2,344,874	2,344,874			0.270%	0.270%	0.000%	0.000%	0.052%	0.052%	0.000%	0.000%	0.059%
2014	WECC		Western Area Power - Loveland, CO	U.S.	167,897	167,897			0.019%	0.019%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.004%
2014	WECC		Yampa Valley Electric Association	U.S.	558,130	558,130			0.064%	0.064%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.014%

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

APPENDIX 2-A

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2014	WECC		City of Aztec Electric Dept	U.S.	39,264	39,264			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		City of Gallup	U.S.	184,512	184,512			0.021%	0.021%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2014	WECC		Jicarilla Apache Nation Power Authority	U.S.	14,373	14,373			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Navajo Tribal Utility Authority	U.S.	265,744	265,744			0.031%	0.031%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2014	WECC		Navopache Electric Cooperative, Inc.	U.S.	349,024	349,024			0.040%	0.040%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2014	WECC		Public Service Company of New Mexico	U.S.	10,634,559	10,634,559			1.226%	1.226%	0.000%	0.000%	0.234%	0.234%	0.000%	0.000%	0.266%
2014	WECC		The Incorporated County of Los Alamos	U.S.	349,311	349,311			0.040%	0.040%	0.000%	0.000%	0.008%	0.008%	0.000%	0.000%	0.009%
2014	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	2,422,858	2,422,858			0.279%	0.279%	0.000%	0.000%	0.053%	0.053%	0.000%	0.000%	0.061%
2014	WECC		US Dept of Energy - Kirtland AFB	U.S.	402,206	402,206			0.046%	0.046%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2014	WECC		Public Utility District No. 1 of Chelan County	U.S.	3,931,027	3,931,027			0.453%	0.453%	0.000%	0.000%	0.087%	0.087%	0.000%	0.000%	0.098%
2014	WECC		PUD No. 1 of Douglas County	U.S.	790,712	790,712			0.091%	0.091%	0.000%	0.000%	0.017%	0.017%	0.000%	0.000%	0.020%
2014	WECC		Okanogan PUD	U.S.	646,301	646,301			0.075%	0.075%	0.000%	0.000%	0.014%	0.014%	0.000%	0.000%	0.016%
2014	WECC		BPA - Douglas Pumping	U.S.	26,127	26,127			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		BPA - Okanogan Pumping	U.S.	31,225	31,225			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		BPA - Okanogan REA	U.S.	59,558	59,558			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		BPA - USBR Load	U.S.	137,886	137,886			0.016%	0.016%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2014	WECC		BPA - Big Bend/Schrag Load	U.S.	42,691	42,691			0.005%	0.005%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		BPA - Kittitas Load	U.S.	7,108	7,108			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Douglas Palisades / PUD No. 1 of DC	U.S.	20,173	20,173			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2014	WECC		PUD No. 2 of Grant County	U.S.	4,196,190	4,196,190			0.484%	0.484%	0.000%	0.000%	0.092%	0.092%	0.000%	0.000%	0.105%
2014	WECC		City of Blaine	U.S.	78,627	78,627			0.009%	0.009%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2014	WECC		City of Sumas	U.S.	31,059	31,059			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		Port of Seattle - Seattle-Tacoma International Airport	U.S.	142,493	142,493			0.016%	0.016%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2014	WECC		PUD No. 1 of Kittitas County	U.S.	16,516	16,516			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		PUD No. 1 of Whatcom County	U.S.	5,345	5,345			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Puget Sound Energy, Inc.	U.S.	23,931,942	23,931,942			2.759%	2.759%	0.000%	0.000%	0.528%	0.528%	0.000%	0.000%	0.598%
2014	WECC		Tanner Electric Cooperative	U.S.	97,347	97,347			0.011%	0.011%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2014	WECC		Salt River Project	U.S.	29,150,481	29,150,481			3.360%	3.360%	0.000%	0.000%	0.643%	0.643%	0.000%	0.000%	0.729%
2014	WECC		Seattle City Light	U.S.	9,899,341	9,899,341			1.141%	1.141%	0.000%	0.000%	0.218%	0.218%	0.000%	0.000%	0.247%
2014	WECC		Barrick Goldstrike Mines Inc.	U.S.	1,119,122	1,119,122			0.129%	0.129%	0.000%	0.000%	0.025%	0.025%	0.000%	0.000%	0.028%
2014	WECC		City of Fallon	U.S.	128,373	128,373			0.015%	0.015%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2014	WECC		Harney Electric Cooperative, Inc.	U.S.	123,363	123,363			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2014	WECC		Mt. Wheeler Power	U.S.	542,216	542,216			0.063%	0.063%	0.000%	0.000%	0.012%	0.012%	0.000%	0.000%	0.014%
2014	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	9,176,885	9,176,885			1.058%	1.058%	0.000%	0.000%	0.202%	0.202%	0.000%	0.000%	0.229%
2014	WECC		Truckee Donner Public Utility District	U.S.	145,280	145,280			0.017%	0.017%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.004%
2014	WECC		Wells Rural Electric Cooperative	U.S.	668,243	668,243			0.077%	0.077%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2014	WECC		City of Tacoma DBA Tacoma Power	U.S.	4,921,819	4,921,819			0.567%	0.567%	0.000%	0.000%	0.108%	0.108%	0.000%	0.000%	0.123%
2014	WECC		Tucson Electric Power Company	U.S.	15,261,630	15,261,630			1.759%	1.759%	0.000%	0.000%	0.336%	0.336%	0.000%	0.000%	0.381%
2014	WECC		Merced Irrigation District	U.S.	478,180	478,180			0.055%	0.055%	0.000%	0.000%	0.011%	0.011%	0.000%	0.000%	0.012%
2014	WECC		Turlock Irrigation District	U.S.	2,148,378	2,148,378			0.248%	0.248%	0.000%	0.000%	0.047%	0.047%	0.000%	0.000%	0.054%
2014	WECC		Basin Electric Power Cooperative	U.S.	3,046,997	3,046,997			0.351%	0.351%	0.000%	0.000%	0.067%	0.067%	0.000%	0.000%	0.076%
2014	WECC		Black Hills Power/Cheyenne Light Fuel & Power	U.S.	3,437,754	3,437,754			0.396%	0.396%	0.000%	0.000%	0.076%	0.076%	0.000%	0.000%	0.086%
2014	WECC		Black Hills State University South Dakota	U.S.	19,329	19,329			0.002%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		City of Page	U.S.	87,206	87,206			0.010%	0.010%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.002%
2014	WECC		Colorado Springs Utilities	U.S.	4,508,371	4,508,371			0.520%	0.520%	0.000%	0.000%	0.099%	0.099%	0.000%	0.000%	0.113%
2014	WECC		Deseret Generation & Transmission Cooperative	U.S.	113,060	113,060			0.013%	0.013%	0.000%	0.000%	0.002%	0.002%	0.000%	0.000%	0.003%
2014	WECC		City of Farmington	U.S.	1,098,783	1,098,783			0.127%	0.127%	0.000%	0.000%	0.024%	0.024%	0.000%	0.000%	0.027%
2014	WECC		Municipal Energy Agency of Nebraska	U.S.	673,854	673,854			0.078%	0.078%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2014	WECC		Navajo Agricultural Products Industry (NAPI)	U.S.	8,806	8,806			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Nebraska Public Power Marketing	U.S.	3,637	3,637			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		PacifiCorp	U.S.	119,530	119,530			0.014%	0.014%	0.000%	0.000%	0.003%	0.003%	0.000%	0.000%	0.003%
2014	WECC		Public Service Company of Colorado (Xcel)	U.S.	36,748	36,748			0.004%	0.004%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		Town of Fredonia	U.S.	10,884	10,884			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	7,239,991	7,239,991			0.835%	0.835%	0.000%	0.000%	0.160%	0.160%	0.000%	0.000%	0.181%

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL	% of RE total	US Total	Canada Total	Mexico Total	% of ERO Total	US Total	Canada Total	Mexico Total	% of ERO - US Only
2014	WECC		Western Area Power - Loveland, CO	U.S.	2,308,502	2,308,502			0.266%	0.266%	0.000%	0.000%	0.051%	0.051%	0.000%	0.000%	0.058%
2014	WECC		Western Area Power Administration - CRSP	U.S.	1,741,628	1,741,628			0.201%	0.201%	0.000%	0.000%	0.038%	0.038%	0.000%	0.000%	0.044%
2014	WECC		Wyoming Municipal Power Agency	U.S.	281,144	281,144			0.032%	0.032%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.007%
2014	WECC		Basin Electric Power Cooperative	U.S.	57,591	57,591			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		Bonneville Power Administration	U.S.	11,131	11,131			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Central Montana Electric Power Cooperative	U.S.	63,082	63,082			0.007%	0.007%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.002%
2014	WECC		Montana-Dakota Utilities Co.	U.S.	23,504	23,504			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	242,255	242,255			0.028%	0.028%	0.000%	0.000%	0.005%	0.005%	0.000%	0.000%	0.006%
2014	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	414,174	414,174			0.048%	0.048%	0.000%	0.000%	0.009%	0.009%	0.000%	0.000%	0.010%
2014	WECC		Aha Macav Power Service	U.S.	26,219	26,219			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		Bureau of Reclamation (Desalter) - c/o DSW EMMO	U.S.	602	602			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Bureau of Reclamation (Wellfield) - c/o DSW EMMO	U.S.	6,833	6,833			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Central Arizona Water Conservation District	U.S.	2,598,724	2,598,724			0.300%	0.300%	0.000%	0.000%	0.057%	0.057%	0.000%	0.000%	0.065%
2014	WECC		City of Mesa	U.S.	251,453	251,453			0.029%	0.029%	0.000%	0.000%	0.006%	0.006%	0.000%	0.000%	0.006%
2014	WECC		City of Needles	U.S.	28,897	28,897			0.003%	0.003%	0.000%	0.000%	0.001%	0.001%	0.000%	0.000%	0.001%
2014	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	12,923	12,923			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Electrical District #2	U.S.	191,060	191,060			0.022%	0.022%	0.000%	0.000%	0.004%	0.004%	0.000%	0.000%	0.005%
2014	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	9,356	9,356			0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Silver State Energy - c/o Colorado River Commission of Nevada	U.S.	667,817	667,817			0.077%	0.077%	0.000%	0.000%	0.015%	0.015%	0.000%	0.000%	0.017%
2014	WECC		Southwest Transmission Cooperative, Inc.	U.S.	1,901,066	1,901,066			0.219%	0.219%	0.000%	0.000%	0.042%	0.042%	0.000%	0.000%	0.048%
2014	WECC		U.S. Army Yuma Proving Ground	U.S.	22,574	22,574			0.003%	0.003%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%
2014	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	2,886	2,886			0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
2014	WECC		Western Area Power Administration-Desert Southwest Region	U.S.	4,144,167	4,144,167			0.478%	0.478%	0.000%	0.000%	0.091%	0.091%	0.000%	0.000%	0.104%
TOTAL WECC					867,474,309	733,730,165	121,733,108	12,011,036	100.000%	84.582%	14.033%	1.385%	19.121%	16.173%	2.683%	0.265%	18.337%
TOTAL ERO					4,536,826,392	4,001,404,260	523,411,096	12,011,036	800.000%	712.867%	85.748%	1.385%	100.000%	88.198%	11.537%	0.265%	100.000%

Summary by Regional Entity					Total NEL (MWh)	U.S. NEL	Canada NEL	Mexico NEL									
2014	FRCC				224,665,737	224,665,737	-	-	100.000%	100.000%	0.000%	0.000%	4.952%	4.952%	0.000%	0.000%	5.615%
2014	MRO				288,744,100	241,078,112	47,665,988	-	100.000%	83.492%	16.508%	0.000%	6.364%	5.314%	1.051%	0.000%	6.025%
2014	NPCC				641,246,000	287,234,000	354,012,000	-	100.000%	44.793%	55.207%	0.000%	14.134%	6.331%	7.803%	0.000%	7.178%
2014	RF				914,112,367	914,112,367	-	-	100.000%	100.000%	0.000%	0.000%	20.149%	20.149%	0.000%	0.000%	22.845%
2014	SERC				1,028,847,097	1,028,847,097	-	-	100.000%	100.000%	0.000%	0.000%	22.678%	22.678%	0.000%	0.000%	25.712%
2014	SPP				230,481,153	230,481,153	-	-	100.000%	100.000%	0.000%	0.000%	5.080%	5.080%	0.000%	0.000%	5.760%
2014	TRE				341,255,629	341,255,629	-	-	100.000%	100.000%	0.000%	0.000%	7.522%	7.522%	0.000%	0.000%	8.528%
2014	WECC				867,474,309	733,730,165	121,733,108	12,011,036	100.000%	84.582%	14.033%	1.385%	19.121%	16.173%	2.683%	0.265%	18.337%
Total					4,536,826,392	4,001,404,260	523,411,096	12,011,036	800.000%	712.867%	85.748%	1.385%	100.000%	88.198%	11.537%	0.265%	100.000%

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2014	FRCC	1074	Alachua, City of	U.S.	5,211	5,211	-	-	1,589	1,589	-	-	3,622	3,622	-	-
2014	FRCC	1075	Bartow, City of	U.S.	12,224	12,224	-	-	3,727	3,727	-	-	8,497	8,497	-	-
2014	FRCC	1076	Chattahoochee, City of	U.S.	1,620	1,620	-	-	494	494	-	-	1,126	1,126	-	-
2014	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	31,410	31,410	-	-	9,577	9,577	-	-	21,833	21,833	-	-
2014	FRCC	1078	Florida Power & Light Co.	U.S.	4,684,636	4,684,636	-	-	1,428,375	1,428,375	-	-	3,256,261	3,256,261	-	-
2014	FRCC	1079	Florida Public Utilities Company	U.S.	15,365	15,365	-	-	4,685	4,685	-	-	10,680	10,680	-	-
2014	FRCC	1080	Gainesville Regional Utilities	U.S.	74,463	74,463	-	-	22,704	22,704	-	-	51,759	51,759	-	-
2014	FRCC	1081	Homestead, City of	U.S.	22,241	22,241	-	-	6,782	6,782	-	-	15,460	15,460	-	-
2014	FRCC	1082	JEA	U.S.	522,802	522,802	-	-	159,406	159,406	-	-	363,396	363,396	-	-
2014	FRCC	1083	Lakeland Electric	U.S.	127,591	127,591	-	-	38,903	38,903	-	-	88,688	88,688	-	-
2014	FRCC	1626	Lee County Electric Cooperative, Inc	U.S.	162,627	162,627	-	-	49,586	49,586	-	-	113,041	113,041	-	-
2014	FRCC	1661	City of Lake Worth	U.S.	19,016	19,016	-	-	5,798	5,798	-	-	13,218	13,218	-	-
2014	FRCC	1084	Mount Dora, City of	U.S.	3,847	3,847	-	-	1,173	1,173	-	-	2,674	2,674	-	-
2014	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	17,360	17,360	-	-	5,293	5,293	-	-	12,067	12,067	-	-
2014	FRCC	1086	Orlando Utilities Commission	U.S.	249,707	249,707	-	-	76,137	76,137	-	-	173,570	173,570	-	-
2014	FRCC	1087	Duke Energy Florida	U.S.	1,686,802	1,686,802	-	-	514,317	514,317	-	-	1,172,486	1,172,486	-	-
2014	FRCC	1088	Quincy, City of	U.S.	5,760	5,760	-	-	1,756	1,756	-	-	4,004	4,004	-	-
2014	FRCC	1089	Reedy Creek Improvement District	U.S.	50,638	50,638	-	-	15,440	15,440	-	-	35,198	35,198	-	-
2014	FRCC	1090	St. Cloud, City of (OUC)	U.S.	27,123	27,123	-	-	8,270	8,270	-	-	18,853	18,853	-	-
2014	FRCC	1091	Tallahassee, City of	U.S.	116,768	116,768	-	-	35,603	35,603	-	-	81,165	81,165	-	-
2014	FRCC	1092	Tampa Electric Company	U.S.	819,836	819,836	-	-	249,973	249,973	-	-	569,863	569,863	-	-
2014	FRCC	1603	City of Vero Beach	U.S.	31,452	31,452	-	-	9,590	9,590	-	-	21,862	21,862	-	-
2014	FRCC	1093	Wauchula, City of	U.S.	2,704	2,704	-	-	824	824	-	-	1,879	1,879	-	-
2014	FRCC	1094	Williston, City of	U.S.	1,393	1,393	-	-	425	425	-	-	968	968	-	-
2014	FRCC	1095	Winter Park, City of	U.S.	18,567	18,567	-	-	5,661	5,661	-	-	12,906	12,906	-	-
2014	FRCC	1072	Florida Municipal Power Agency	U.S.	238,183	238,183	-	-	72,623	72,623	-	-	165,559	165,559	-	-
2014	FRCC	1073	Seminole Electric Cooperative	U.S.	586,716	586,716	-	-	178,893	178,893	-	-	407,823	407,823	-	-
TOTAL FRCC					9,536,062	9,536,062	-	-	2,907,605	2,907,605	-	-	6,628,457	6,628,457	-	-
2014	MRO	1199	Basin Electric Power Cooperative	U.S.	815,183	815,183	-	-	208,626	208,626	-	-	606,557	606,557	-	-
2014	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	142,286	142,286	-	-	36,414	36,414	-	-	105,871	105,871	-	-
2014	MRO	1204	Corn Belt Power Cooperative	U.S.	95,993	95,993	-	-	24,567	24,567	-	-	71,426	71,426	-	-
2014	MRO	1207	Dairyland Power Cooperative	U.S.	282,504	282,504	-	-	72,300	72,300	-	-	210,204	210,204	-	-
2014	MRO	1210	Great River Energy	U.S.	710,815	710,815	-	-	181,916	181,916	-	-	528,900	528,900	-	-
2014	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	227,997	227,997	-	-	58,350	58,350	-	-	169,647	169,647	-	-
2014	MRO	1230	Nebraska Public Power District	U.S.	686,283	686,283	-	-	175,637	175,637	-	-	510,646	510,646	-	-
2014	MRO	1232	Omaha Public Power District	U.S.	569,159	569,159	-	-	145,662	145,662	-	-	423,496	423,496	-	-
2014	MRO	1237	Southern Montana Generation and Transmission	U.S.	443	443	-	-	113	113	-	-	330	330	-	-
2014	MRO	1240	Western Area Power Administration (UM)	U.S.	434,492	434,492	-	-	111,198	111,198	-	-	323,294	323,294	-	-
2014	MRO	1239	Western Area Power Administration (LM)	U.S.	6,663	6,663	-	-	1,705	1,705	-	-	4,957	4,957	-	-
2014	MRO	1217	Manitoba Hydro	CAN	1,252,948	-	1,252,948	-	323,653	-	323,653	-	929,295	-	929,295	-
2014	MRO	1235	SaskPower	CAN	1,201,558	-	1,201,558	-	310,378	-	310,378	-	891,180	-	891,180	-
2014	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPL)	U.S.	1,485,704	1,485,704	-	-	380,229	380,229	-	-	1,105,475	1,105,475	-	-
2014	MRO	1216	Madison, Gas and Electric	U.S.	174,193	174,193	-	-	44,580	44,580	-	-	129,613	129,613	-	-
2014	MRO	1220	MidAmerican Energy Company	U.S.	1,240,261	1,240,261	-	-	317,414	317,414	-	-	922,846	922,846	-	-
2014	MRO	1221	Minnesota Power	U.S.	673,330	673,330	-	-	172,322	172,322	-	-	501,008	501,008	-	-
2014	MRO	1226	Montana-Dakota Utilities Co.	U.S.	164,384	164,384	-	-	42,070	42,070	-	-	122,314	122,314	-	-
2014	MRO	1231	NorthWestern Energy	U.S.	79,895	79,895	-	-	20,447	20,447	-	-	59,448	59,448	-	-
2014	MRO	1233	Otter Tail Power Company	U.S.	241,756	241,756	-	-	61,871	61,871	-	-	179,884	179,884	-	-
2014	MRO	1664	Wisconsin Public Service (WPS)	U.S.	621,176	621,176	-	-	158,975	158,975	-	-	462,201	462,201	-	-
2014	MRO	1665	Upper Peninsula Power Company (UPPCO)	U.S.	37,598	37,598	-	-	9,622	9,622	-	-	27,976	27,976	-	-
2014	MRO	1244	Xcel Energy Company (NSP)	U.S.	2,286,431	2,286,431	-	-	585,156	585,156	-	-	1,701,275	1,701,275	-	-
2014	MRO	1196	Ames Municipal Electric System	U.S.	38,832	38,832	-	-	9,938	9,938	-	-	28,894	28,894	-	-
2014	MRO	1604	Atlantic Municipal Utilities	U.S.	3,849	3,849	-	-	985	985	-	-	2,864	2,864	-	-
2014	MRO	1476	Badger Power Marketing Authority of Wisconsin, Inc.	U.S.	20,596	20,596	-	-	5,271	5,271	-	-	15,325	15,325	-	-
2014	MRO	1200	Cedar Falls Municipal Utilities	U.S.	26,897	26,897	-	-	6,884	6,884	-	-	20,014	20,014	-	-
2014	MRO	1477	Central Minnesota Municipal Power Agency (CMMMPA)	U.S.	23,420	23,420	-	-	5,994	5,994	-	-	17,426	17,426	-	-
2014	MRO	1203	City of Escanaba	U.S.	7,170	7,170	-	-	1,835	1,835	-	-	5,335	5,335	-	-

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2014	MRO	1205	Falls City Water & Light Department	U.S.	2,905	2,905	-	-	743	743	-	-	2,162	2,162	-	-
2014	MRO	1206	Fremont Department of Utilities	U.S.	22,150	22,150	-	-	5,669	5,669	-	-	16,481	16,481	-	-
2014	MRO	1208	Geneseo Municipal Utilities	U.S.	3,317	3,317	-	-	849	849	-	-	2,468	2,468	-	-
2014	MRO	1209	Grand Island Utilities Department	U.S.	38,381	38,381	-	-	9,823	9,823	-	-	28,558	28,558	-	-
2014	MRO	1606	Harlan Municipal Utilities	U.S.	1,275	1,275	-	-	326	326	-	-	948	948	-	-
2014	MRO	1211	Hastings Utilities	U.S.	21,538	21,538	-	-	5,512	5,512	-	-	16,026	16,026	-	-
2014	MRO	1212	Heartland Consumers Power District	U.S.	43,989	43,989	-	-	11,258	11,258	-	-	32,731	32,731	-	-
2014	MRO	1213	Hutchinson Utilities Commission	U.S.	14,974	14,974	-	-	3,832	3,832	-	-	11,142	11,142	-	-
2014	MRO	1215	Lincoln Electric System	U.S.	164,878	164,878	-	-	42,196	42,196	-	-	122,681	122,681	-	-
2014	MRO	1218	Manitowoc Public Utilities	U.S.	27,372	27,372	-	-	7,005	7,005	-	-	20,367	20,367	-	-
2014	MRO	1223	Missouri River Energy Services	U.S.	123,473	123,473	-	-	31,600	31,600	-	-	91,873	91,873	-	-
2014	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	77,466	77,466	-	-	19,826	19,826	-	-	57,640	57,640	-	-
2014	MRO	1607	Montezuma Municipal Light & Power	U.S.	1,542	1,542	-	-	395	395	-	-	1,147	1,147	-	-
2014	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	58,065	58,065	-	-	14,860	14,860	-	-	43,205	43,205	-	-
2014	MRO	1228	Muscatine Power and Water	U.S.	44,217	44,217	-	-	11,316	11,316	-	-	32,901	32,901	-	-
2014	MRO	1229	Nebraska City Utilities	U.S.	8,512	8,512	-	-	2,178	2,178	-	-	6,333	6,333	-	-
2014	MRO	1234	Rochester Public Utilities	U.S.	80	80	-	-	21	21	-	-	60	60	-	-
2014	MRO	1236	Southern Minnesota Municipal Power Agency	U.S.	148,614	148,614	-	-	38,034	38,034	-	-	110,580	110,580	-	-
2014	MRO	1241	Willmar Municipal Utilities	U.S.	13,230	13,230	-	-	3,386	3,386	-	-	9,844	9,844	-	-
2014	MRO	1242	Wisconsin Public Power, Inc. (East and West regions)	U.S.	277,813	277,813	-	-	71,099	71,099	-	-	206,713	206,713	-	-
TOTAL MRO					14,645,605	12,191,099	2,454,506	-	3,754,043	3,120,012	634,031	-	10,891,562	9,071,087	1,820,475	-
2014	NPCC	1336	New England	U.S.	5,612,648	5,612,648	-	-	1,645,888	1,645,888	-	-	3,966,760	3,966,760	-	-
2014	NPCC	1339	New York	U.S.	7,063,926	7,063,926	-	-	2,071,470	2,071,470	-	-	4,992,456	4,992,456	-	-
2014	NPCC	1337	Ontario	Canada	3,186,646	-	3,186,646	-	1,173,912	-	1,173,912	-	2,012,733	-	2,012,733	-
2014	NPCC	1341	Quebec	Canada	4,600,602	-	4,600,602	-	1,765,517	-	1,765,517	-	2,835,085	-	2,835,085	-
2014	NPCC	1663	New Brunswick	Canada	413,922	-	413,922	-	117,079	-	117,079	-	296,844	-	296,844	-
2014	NPCC	1340	Nova Scotia	Canada	390,890	-	390,890	-	145,572	-	145,572	-	245,318	-	245,318	-
TOTAL NPCC					21,268,634	12,676,574	8,592,060	-	6,919,438	3,717,358	3,202,080	-	14,349,196	8,959,216	5,389,980	-
2014	RF	1102	Cannelton Utilities	U.S.	567	567	-	-	215	215	-	-	352	352	-	-
2014	RF	1106	City of Crowell	U.S.	1,363	1,363	-	-	517	517	-	-	846	846	-	-
2014	RF	1490	City of Lansing	U.S.	75,957	75,957	-	-	28,804	28,804	-	-	47,154	47,154	-	-
2014	RF	1120	Cloverland Electric Cooperative	U.S.	29,268	29,268	-	-	11,099	11,099	-	-	18,169	18,169	-	-
2014	RF	1122	CMS ERM Michigan LLC	U.S.	4,089	4,089	-	-	1,551	1,551	-	-	2,539	2,539	-	-
2014	RF	1124	Constellation New Energy (MECS-CONS)	U.S.	31,344	31,344	-	-	11,886	11,886	-	-	19,458	19,458	-	-
2014	RF	1123	Constellation New Energy (MECS-DET)	U.S.	34,088	34,088	-	-	12,926	12,926	-	-	21,161	21,161	-	-
2014	RF	1126	Consumers Energy Company	U.S.	1,134,917	1,134,917	-	-	430,369	430,369	-	-	704,548	704,548	-	-
2014	RF	1128	Detroit Edison Company	U.S.	1,555,968	1,555,968	-	-	590,035	590,035	-	-	965,933	965,933	-	-
2014	RF	1166	Duke Energy Indiana	U.S.	1,049,690	1,049,690	-	-	398,051	398,051	-	-	651,640	651,640	-	-
2014	RF	1135	Ferdinand Municipal Light & Water	U.S.	1,590	1,590	-	-	603	603	-	-	987	987	-	-
2014	RF	1646	FirstEnergy Solutions (MECS-CONS)	U.S.	26,933	26,933	-	-	10,213	10,213	-	-	16,720	16,720	-	-
2014	RF	1549	FirstEnergy Solutions (MECS-DET)	U.S.	74,294	74,294	-	-	28,173	28,173	-	-	46,121	46,121	-	-
2014	RF	1612	Glacial Energy (MECS-DET)	U.S.	2,332	2,332	-	-	884	884	-	-	1,447	1,447	-	-
2014	RF	1145	Hoosier Energy	U.S.	260,713	260,713	-	-	98,864	98,864	-	-	161,848	161,848	-	-
2014	RF	1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	106,608	106,608	-	-	40,427	40,427	-	-	66,181	66,181	-	-
2014	RF	1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	14,747	14,747	-	-	5,592	5,592	-	-	9,155	9,155	-	-
2014	RF	1486	Indiana Municipal Power Agency (SIGE)	U.S.	20,343	20,343	-	-	7,714	7,714	-	-	12,629	12,629	-	-
2014	RF	1149	Indianapolis Power & Light Co.	U.S.	504,098	504,098	-	-	191,158	191,158	-	-	312,940	312,940	-	-
2014	RF	1553	Integrus Energy Services (MECS-CONS)	U.S.	32,479	32,479	-	-	12,316	12,316	-	-	20,163	20,163	-	-
2014	RF	1554	Integrus Energy Services (MECS-DET)	U.S.	26,688	26,688	-	-	10,120	10,120	-	-	16,567	16,567	-	-
2014	RF	1666	Integrus Energy Services (WEPC)	U.S.	78,978	78,978	-	-	29,949	29,949	-	-	49,029	49,029	-	-
2014	RF	1614	Just Energy (MECS-DET)	U.S.	1,249	1,249	-	-	474	474	-	-	776	776	-	-
2014	RF	1154	Michigan Public Power Agency	U.S.	100,500	100,500	-	-	38,110	38,110	-	-	62,390	62,390	-	-
2014	RF	1155	Michigan South Central Power Agency	U.S.	22,228	22,228	-	-	8,429	8,429	-	-	13,799	13,799	-	-
2014	RF	1158	MidAmerican Energy Company Retail	U.S.	3,102	3,102	-	-	1,176	1,176	-	-	1,925	1,925	-	-
2014	RF	1163	Northern Indiana Public Service Co.	U.S.	625,980	625,980	-	-	237,376	237,376	-	-	388,603	388,603	-	-
2014	RF	1164	Ontonagon County Rural Electrification Assoc.	U.S.	993	993	-	-	377	377	-	-	617	617	-	-

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2014	RF	1265	PJM Interconnection, LLC	U.S.	23,911,476	23,911,476	-	-	9,067,419	9,067,419	-	-	14,844,058	14,844,058	-	-
2014	RF	1172	Noble Americas Energy Solutions (MECS-CONS)	U.S.	19,190	19,190	-	-	7,277	7,277	-	-	11,913	11,913	-	-
2014	RF	1171	Noble Americas Energy Solutions (MECS-DET)	U.S.	23,076	23,076	-	-	8,751	8,751	-	-	14,326	14,326	-	-
2014	RF	1176	Direct Energy (fka:Strategic Energy,LLC) (MECS-CONS)	U.S.	1,113	1,113	-	-	422	422	-	-	691	691	-	-
2014	RF	1174	Direct Energy (fka:Strategic Energy,LLC) (MECS-DET)	U.S.	14,134	14,134	-	-	5,360	5,360	-	-	8,774	8,774	-	-
2014	RF	1581	Spartan Renewable Energy	U.S.	2,319	2,319	-	-	880	880	-	-	1,440	1,440	-	-
2014	RF	1180	Thumb Electric Cooperative	U.S.	6,369	6,369	-	-	2,415	2,415	-	-	3,954	3,954	-	-
2014	RF	1662	Ohio Valley Electric Corporation	U.S.	15,678	15,678	-	-	5,945	5,945	-	-	9,732	9,732	-	-
2014	RF	1181	Vectren Energy Delivery of IN	U.S.	200,381	200,381	-	-	75,986	75,986	-	-	124,395	124,395	-	-
2014	RF	1183	Village of Sebawaing	U.S.	1,451	1,451	-	-	550	550	-	-	901	901	-	-
2014	RF	1184	Wabash Valley Power Association Inc. (DUKE CIN)	U.S.	98,578	98,578	-	-	37,381	37,381	-	-	61,196	61,196	-	-
2014	RF	1488	Wabash Valley Power Association Inc.(NIPSCO)	U.S.	58,196	58,196	-	-	22,068	22,068	-	-	36,128	36,128	-	-
2014	RF	1185	Wisconsin Electric Power Co.	U.S.	901,569	901,569	-	-	341,882	341,882	-	-	559,687	559,687	-	-
2014	RF	1189	Wolverine Power Marketing Cooperative	U.S.	26,723	26,723	-	-	10,133	10,133	-	-	16,589	16,589	-	-
2014	RF	1191	Wolverine Power Supply Cooperative	U.S.	91,435	91,435	-	-	34,673	34,673	-	-	56,762	56,762	-	-
2014	RF	1190	Wolverine Power Marketing Cooperative(MECS-DET)	U.S.	4,780	4,780	-	-	1,813	1,813	-	-	2,968	2,968	-	-
TOTAL RELIABILITYFIRST					31,197,572	31,197,572	-	-	11,830,363	11,830,363	-	-	19,367,209	19,367,209	-	-
2014	SERC	1267	Alabama Municipal Electric Authority	U.S.	90,534	90,534	-	-	44,571	44,571	-	-	45,963	45,963	-	-
2014	SERC	1268	Alabama Power Company	U.S.	1,581,894	1,581,894	-	-	778,789	778,789	-	-	803,105	803,105	-	-
2014	SERC	1269	Ameren - Illinois	U.S.	1,130,722	1,130,722	-	-	556,671	556,671	-	-	574,051	574,051	-	-
2014	SERC	1271	Ameren - Missouri	U.S.	1,102,699	1,102,699	-	-	542,874	542,874	-	-	559,824	559,824	-	-
2014	SERC	1272	APGI - Yadkin Division	U.S.	462	462	-	-	227	227	-	-	234	234	-	-
2014	SERC	1273	Associated Electric Cooperative Inc.	U.S.	516,708	516,708	-	-	254,383	254,383	-	-	262,325	262,325	-	-
2014	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	29,375	29,375	-	-	14,462	14,462	-	-	14,913	14,913	-	-
2014	SERC	1462	Benton Utility District	U.S.	6,678	6,678	-	-	3,288	3,288	-	-	3,390	3,390	-	-
2014	SERC	1274	Big Rivers Electric Corporation	U.S.	101,916	101,916	-	-	50,175	50,175	-	-	51,741	51,741	-	-
2014	SERC	1275	Black Warrior EMC	U.S.	11,837	11,837	-	-	5,827	5,827	-	-	6,009	6,009	-	-
2014	SERC	1276	Blue Ridge EMC	U.S.	37,044	37,044	-	-	18,237	18,237	-	-	18,807	18,807	-	-
2014	SERC	1628	Brazos Electric Power Cooperative, Inc.	U.S.	12,052	12,052	-	-	5,933	5,933	-	-	6,119	6,119	-	-
2014	SERC	1463	Canton, MS	U.S.	3,438	3,438	-	-	1,693	1,693	-	-	1,745	1,745	-	-
2014	SERC	1277	Central Electric Power Cooperative Inc.	U.S.	435,961	435,961	-	-	214,630	214,630	-	-	221,331	221,331	-	-
2014	SERC	1667	Century Aluminum - Hawesville	U.S.	110,747	110,747	-	-	54,522	54,522	-	-	56,225	56,225	-	-
2014	SERC	1668	Century Aluminum - Sebree	U.S.	88,702	88,702	-	-	43,669	43,669	-	-	45,033	45,033	-	-
2014	SERC	1278	City of Blountstown FL	U.S.	1,011	1,011	-	-	498	498	-	-	513	513	-	-
2014	SERC	1279	City of Camden SC	U.S.	5,241	5,241	-	-	2,580	2,580	-	-	2,661	2,661	-	-
2014	SERC	1280	City of Collins MS	U.S.	1,209	1,209	-	-	595	595	-	-	614	614	-	-
2014	SERC	1281	City of Columbia MO	U.S.	31,919	31,919	-	-	15,714	15,714	-	-	16,205	16,205	-	-
2014	SERC	1282	City of Conway AR (Conway Corporation)	U.S.	26,497	26,497	-	-	13,045	13,045	-	-	13,452	13,452	-	-
2014	SERC	1284	City of Evergreen AL	U.S.	1,527	1,527	-	-	752	752	-	-	775	775	-	-
2014	SERC	1285	City of Hampton GA	U.S.	815	815	-	-	401	401	-	-	414	414	-	-
2014	SERC	1286	City of Hartford AL	U.S.	803	803	-	-	395	395	-	-	408	408	-	-
2014	SERC	1287	City of Henderson (KY) Municipal Power & Light	U.S.	16,806	16,806	-	-	8,274	8,274	-	-	8,532	8,532	-	-
2014	SERC	1288	City of North Little Rock AR (DENL)	U.S.	24,959	24,959	-	-	12,287	12,287	-	-	12,671	12,671	-	-
2014	SERC	1289	City of Orangeburg SC Department of Public Utilities	U.S.	22,660	22,660	-	-	11,156	11,156	-	-	11,504	11,504	-	-
2014	SERC	1290	City of Robertsdale AL	U.S.	2,245	2,245	-	-	1,105	1,105	-	-	1,140	1,140	-	-
2014	SERC	1291	City of Ruston LA (DERS)	U.S.	7,209	7,209	-	-	3,549	3,549	-	-	3,660	3,660	-	-
2014	SERC	1292	Seneca Light & Power	U.S.	4,321	4,321	-	-	2,127	2,127	-	-	2,194	2,194	-	-
2014	SERC	1115	City of Springfield (CWLP)	U.S.	48,585	48,585	-	-	23,919	23,919	-	-	24,666	24,666	-	-
2014	SERC	1465	City of Thayer, MO	U.S.	622	622	-	-	306	306	-	-	316	316	-	-
2014	SERC	1293	City of Troy AL	U.S.	11,347	11,347	-	-	5,586	5,586	-	-	5,761	5,761	-	-
2014	SERC	1294	City of West Memphis AR (West Memphis Utilities)	U.S.	10,244	10,244	-	-	5,043	5,043	-	-	5,201	5,201	-	-
2014	SERC	1583	Claiborne Electric Cooperative, Inc.	U.S.	17,631	17,631	-	-	8,680	8,680	-	-	8,951	8,951	-	-
2014	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	6,916	6,916	-	-	3,405	3,405	-	-	3,511	3,511	-	-
2014	SERC	1283	Dalton Utilities	U.S.	43,036	43,036	-	-	21,187	21,187	-	-	21,849	21,849	-	-
2014	SERC	1585	Dixie Electric Membership Corporation	U.S.	59,550	59,550	-	-	29,317	29,317	-	-	30,233	30,233	-	-
2014	SERC	1295	Dominion Virginia Power	U.S.	2,240,668	2,240,668	-	-	1,103,113	1,103,113	-	-	1,137,555	1,137,555	-	-
2014	SERC	1296	Duke Energy Carolinas, LLC	U.S.	2,194,492	2,194,492	-	-	1,080,380	1,080,380	-	-	1,114,112	1,114,112	-	-

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

APPENDIX 2-B

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2014	SERC	1466	Durant, MS	U.S.	745	745	-	-	367	367	-	-	378	378	-	-
2014	SERC	1478	LG&E and KU Services Company as agent for LG&E Company and KUCompan	U.S.	934,648	934,648	-	-	460,140	460,140	-	-	474,507	474,507	-	-
2014	SERC	1297	East Kentucky Power Cooperative	U.S.	368,663	368,663	-	-	181,498	181,498	-	-	187,165	187,165	-	-
2014	SERC	1298	East Mississippi Electric Power Association	U.S.	12,075	12,075	-	-	5,945	5,945	-	-	6,130	6,130	-	-
2014	SERC	1669	Electricities of North Carolina Inc	U.S.	308,766	308,766	-	-	152,010	152,010	-	-	156,756	156,756	-	-
2014	SERC	1300	EnergyUnited EMC	U.S.	68,615	68,615	-	-	33,780	33,780	-	-	34,835	34,835	-	-
2014	SERC	1301	Entergy	U.S.	3,051,574	3,051,574	-	-	1,502,333	1,502,333	-	-	1,549,240	1,549,240	-	-
2014	SERC	1302	Fayetteville (NC) Public Works Commission	U.S.	57,926	57,926	-	-	28,518	28,518	-	-	29,408	29,408	-	-
2014	SERC	1303	Florida Public Utilities (FL Panhandle Load)	U.S.	8,297	8,297	-	-	4,085	4,085	-	-	4,212	4,212	-	-
2014	SERC	1304	French Broad EMC	U.S.	14,288	14,288	-	-	7,034	7,034	-	-	7,254	7,254	-	-
2014	SERC	1305	Georgia Power Company	U.S.	2,279,668	2,279,668	-	-	1,122,313	1,122,313	-	-	1,157,355	1,157,355	-	-
2014	SERC	1306	Georgia System Optns Corporation	U.S.	1,040,666	1,040,666	-	-	512,335	512,335	-	-	528,331	528,331	-	-
2014	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	7,201	7,201	-	-	3,545	3,545	-	-	3,656	3,656	-	-
2014	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.	8,599	8,599	-	-	4,233	4,233	-	-	4,366	4,366	-	-
2014	SERC	1308	Gulf Power Company	U.S.	307,337	307,337	-	-	151,306	151,306	-	-	156,030	156,030	-	-
2014	SERC	1586	Haywood EMC	U.S.	8,344	8,344	-	-	4,108	4,108	-	-	4,236	4,236	-	-
2014	SERC	1309	Illinois Municipal Electric Agency	U.S.	51,146	51,146	-	-	25,180	25,180	-	-	25,966	25,966	-	-
2014	SERC	1480	Itta Bena, MS	U.S.	507	507	-	-	250	250	-	-	257	257	-	-
2014	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	7,683	7,683	-	-	3,782	3,782	-	-	3,900	3,900	-	-
2014	SERC	1617	Kentucky Municipal Power	U.S.	18,542	18,542	-	-	9,129	9,129	-	-	9,414	9,414	-	-
2014	SERC	1481	Kosciusko, MS	U.S.	1,996	1,996	-	-	983	983	-	-	1,014	1,014	-	-
2014	SERC	1482	Leland, MS	U.S.	852	852	-	-	420	420	-	-	433	433	-	-
2014	SERC		Lockhart Power Company	U.S.	9,352	9,352	-	-	4,604	4,604	-	-	4,748	4,748	-	-
2014	SERC	1313	McCormick Commission of Public Works	U.S.	568	568	-	-	280	280	-	-	288	288	-	-
2014	SERC	1314	Mississippi Power Company	U.S.	277,461	277,461	-	-	136,598	136,598	-	-	140,863	140,863	-	-
2014	SERC	1630	Mt. Carmel Public Utility	U.S.	2,836	2,836	-	-	1,396	1,396	-	-	1,440	1,440	-	-
2014	SERC	1315	Municipal Electric Authority of Georgia	U.S.	287,239	287,239	-	-	141,412	141,412	-	-	145,827	145,827	-	-
2014	SERC	1316	N.C. Electric Membership Corp.	U.S.	338,489	338,489	-	-	166,643	166,643	-	-	171,846	171,846	-	-
2014	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	8,578	8,578	-	-	4,223	4,223	-	-	4,355	4,355	-	-
2014	SERC	1574	Northern Virginia Electric Cooperative	U.S.	110,427	110,427	-	-	54,365	54,365	-	-	56,062	56,062	-	-
2014	SERC	1319	Old Dominion Electric Cooperative	U.S.	151,078	151,078	-	-	74,378	74,378	-	-	76,700	76,700	-	-
2014	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.	4,280	4,280	-	-	2,107	2,107	-	-	2,173	2,173	-	-
2014	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	22,635	22,635	-	-	11,143	11,143	-	-	11,491	11,491	-	-
2014	SERC	1321	Piedmont EMC in Duke and Progress Areas	U.S.	13,863	13,863	-	-	6,825	6,825	-	-	7,038	7,038	-	-
2014	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	60,747	60,747	-	-	29,907	29,907	-	-	30,840	30,840	-	-
2014	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	6,946	6,946	-	-	3,420	3,420	-	-	3,526	3,526	-	-
2014	SERC	1266	PowerSouth Energy	U.S.	232,550	232,550	-	-	114,487	114,487	-	-	118,062	118,062	-	-
2014	SERC	1330	Prairie Power, Inc.	U.S.	42,681	42,681	-	-	21,012	21,012	-	-	21,669	21,669	-	-
2014	SERC	1324	Duke Energy Progress	U.S.	1,223,176	1,223,176	-	-	602,187	602,187	-	-	620,989	620,989	-	-
2014	SERC	1325	Rutherford EMC	U.S.	35,582	35,582	-	-	17,518	17,518	-	-	18,065	18,065	-	-
2014	SERC	1631	Sam Rayburn G&T Electric Cooperative Inc.	U.S.	48,975	48,975	-	-	24,111	24,111	-	-	24,864	24,864	-	-
2014	SERC	1326	South Carolina Electric & Gas Company	U.S.	617,115	617,115	-	-	303,814	303,814	-	-	313,300	313,300	-	-
2014	SERC	1327	South Carolina Public Service Authority	U.S.	299,799	299,799	-	-	147,596	147,596	-	-	152,204	152,204	-	-
2014	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	16,721	16,721	-	-	8,232	8,232	-	-	8,489	8,489	-	-
2014	SERC	1328	South Mississippi Electric Power Association	U.S.	269,638	269,638	-	-	132,747	132,747	-	-	136,891	136,891	-	-
2014	SERC	1329	Southern Illinois Power Cooperative	U.S.	43,786	43,786	-	-	21,557	21,557	-	-	22,230	22,230	-	-
2014	SERC	1591	Southwest Louisiana Electric Membership Corporation	U.S.	71,256	71,256	-	-	35,080	35,080	-	-	36,176	36,176	-	-
2014	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	12,024	12,024	-	-	5,920	5,920	-	-	6,104	6,104	-	-
2014	SERC	1331	Tennessee Valley Authority	U.S.	4,193,274	4,193,274	-	-	2,064,409	2,064,409	-	-	2,128,865	2,128,865	-	-
2014	SERC	1632	Tex-La Electric Cooperative of Texas, Inc	U.S.	5,448	5,448	-	-	2,682	2,682	-	-	2,766	2,766	-	-
2014	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	3,513	3,513	-	-	1,730	1,730	-	-	1,784	1,784	-	-
2014	SERC	1594	Town of Sharpsburg, N.C.	U.S.	543	543	-	-	267	267	-	-	276	276	-	-
2014	SERC	1595	Town of Stantonburg, N.C. JRO	U.S.	1,600	1,600	-	-	788	788	-	-	812	812	-	-
2014	SERC	1333	Town of Waynesville NC	U.S.	2,581	2,581	-	-	1,271	1,271	-	-	1,310	1,310	-	-
2014	SERC	1334	Town of Wigginsboro SC	U.S.	1,756	1,756	-	-	864	864	-	-	891	891	-	-
2014	SERC	1335	Town of Winterville NC	U.S.	1,413	1,413	-	-	695	695	-	-	717	717	-	-
2014	SERC	1597	Washington-St.Tammany Electric Cooperative, Inc.	U.S.	29,091	29,091	-	-	14,322	14,322	-	-	14,769	14,769	-	-
TOTAL SERC					27,046,236	27,046,236	-	-	13,315,250	13,315,250	-	-	13,730,986	13,730,986	-	-

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)					
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total		
2014	SPP	1246	American Electric Power	U.S.	1,879,449	1,879,449	-	-	-	-	482,888	482,888	-	-	1,396,561	1,396,561	-	-
2014	SPP	1435	Arkansas Electric Cooperative Corporation	U.S.	769,863	769,863	-	-	-	-	197,801	197,801	-	-	572,061	572,061	-	-
2014	SPP	1247	Board of Public Utilities (Kansas City KS)	U.S.	121,417	121,417	-	-	-	-	31,196	31,196	-	-	90,222	90,222	-	-
2014	SPP	1620	Board of Public Utilities, City of McPherson, Kansas	U.S.	47,529	47,529	-	-	-	-	12,212	12,212	-	-	35,317	35,317	-	-
2014	SPP	1647	Carthage City Water & Light	U.S.	15,962	15,962	-	-	-	-	4,101	4,101	-	-	11,861	11,861	-	-
2014	SPP	1469	Central Valley Electric Cooperative	U.S.	45,966	45,966	-	-	-	-	11,810	11,810	-	-	34,156	34,156	-	-
2014	SPP	1556	City of Bentonville	U.S.	32,593	32,593	-	-	-	-	8,374	8,374	-	-	24,219	24,219	-	-
2014	SPP	1557	City of Clarksdale, Mississippi	U.S.	8,238	8,238	-	-	-	-	2,116	2,116	-	-	6,121	6,121	-	-
2014	SPP	1558	Hope Water & Light (HWL)	U.S.	15,108	15,108	-	-	-	-	3,882	3,882	-	-	11,226	11,226	-	-
2014	SPP	1559	City of Minden	U.S.	7,816	7,816	-	-	-	-	2,008	2,008	-	-	5,808	5,808	-	-
2014	SPP		City of Chanute	U.S.	25,286	25,286	-	-	-	-	6,497	6,497	-	-	18,790	18,790	-	-
2014	SPP	1636	City of Prescott	U.S.	4,387	4,387	-	-	-	-	1,127	1,127	-	-	3,260	3,260	-	-
2014	SPP	1248	Independence Power & Light (Independence, MO)	U.S.	53,093	53,093	-	-	-	-	13,641	13,641	-	-	39,452	39,452	-	-
2014	SPP	1436	City Utilities of Springfield, MO	U.S.	160,173	160,173	-	-	-	-	41,153	41,153	-	-	119,020	119,020	-	-
2014	SPP	1249	Cleco Power LLC	U.S.	644,469	644,469	-	-	-	-	165,584	165,584	-	-	478,885	478,885	-	-
2014	SPP	1437	East Texas Electric Coop, Inc.	U.S.	20,835	20,835	-	-	-	-	5,353	5,353	-	-	15,482	15,482	-	-
2014	SPP	1250	The Empire District Electric Company	U.S.	270,541	270,541	-	-	-	-	69,510	69,510	-	-	201,031	201,031	-	-
2014	SPP	1470	Farmers' Electric Coop	U.S.	18,348	18,348	-	-	-	-	4,714	4,714	-	-	13,634	13,634	-	-
2014	SPP	1438	Golden Spread Electric Coop	U.S.	277,080	277,080	-	-	-	-	71,190	71,190	-	-	205,890	205,890	-	-
2014	SPP	1251	Grand River Dam Authority	U.S.	262,583	262,583	-	-	-	-	67,466	67,466	-	-	195,117	195,117	-	-
2014	SPP	1648	Jonesboro City Water & Light	U.S.	67,353	67,353	-	-	-	-	17,305	17,305	-	-	50,048	50,048	-	-
2014	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	802,647	802,647	-	-	-	-	206,225	206,225	-	-	596,423	596,423	-	-
2014	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	114,614	114,614	-	-	-	-	29,448	29,448	-	-	85,166	85,166	-	-
2014	SPP	1440	Kansas Municipal Energy Agency (KCPL)	U.S.	72,132	72,132	-	-	-	-	18,533	18,533	-	-	53,599	53,599	-	-
2014	SPP	1637	Kansas Power Pool	U.S.	46,057	46,057	-	-	-	-	11,833	11,833	-	-	34,223	34,223	-	-
2014	SPP	1649	Kennett Board of Public Works	U.S.	8,140	8,140	-	-	-	-	2,091	2,091	-	-	6,048	6,048	-	-
2014	SPP	1598	KCP&L GMOG (Greater Missouri Operations Company)	U.S.	443,115	443,115	-	-	-	-	113,850	113,850	-	-	329,265	329,265	-	-
2014	SPP	1471	Lafayette Utilities System	U.S.	104,644	104,644	-	-	-	-	26,886	26,886	-	-	77,757	77,757	-	-
2014	SPP	1472	Lea County Electric Coop	U.S.	65,197	65,197	-	-	-	-	16,751	16,751	-	-	48,446	48,446	-	-
2014	SPP	1253	Louisiana Energy & Power Authority (LEPA)	U.S.	52,034	52,034	-	-	-	-	13,369	13,369	-	-	38,665	38,665	-	-
2014	SPP	1650	Malden Board of Public Works	U.S.	2,731	2,731	-	-	-	-	702	702	-	-	2,029	2,029	-	-
2014	SPP	1441	Midwest Energy Inc.	U.S.	92,958	92,958	-	-	-	-	23,884	23,884	-	-	69,074	69,074	-	-
2014	SPP	1443	Missouri Joint Municipal Electric Utility Commission	U.S.	133,947	133,947	-	-	-	-	34,415	34,415	-	-	99,532	99,532	-	-
2014	SPP	1442	Northeast Texas Electric Cooperative, Inc.	U.S.	166,302	166,302	-	-	-	-	42,728	42,728	-	-	123,574	123,574	-	-
2014	SPP	1255	Oklahoma Gas and Electric Co.	U.S.	1,431,707	1,431,707	-	-	-	-	367,849	367,849	-	-	1,063,858	1,063,858	-	-
2014	SPP	1444	Oklahoma Municipal Power Auth	U.S.	145,136	145,136	-	-	-	-	37,290	37,290	-	-	107,846	107,846	-	-
2014	SPP	1639	OzMo Ozark Missouri, West Plains MO	U.S.	10,552	10,552	-	-	-	-	2,711	2,711	-	-	7,841	7,841	-	-
2014	SPP	1651	Paragould Light, Water & Cable	U.S.	32,424	32,424	-	-	-	-	8,331	8,331	-	-	24,093	24,093	-	-
2014	SPP	1652	Piggott Municipal Light, Water & Sewer	U.S.	2,176	2,176	-	-	-	-	559	559	-	-	1,617	1,617	-	-
2014	SPP	1653	Poplar Bluff Municipal Utilities	U.S.	20,904	20,904	-	-	-	-	5,371	5,371	-	-	15,533	15,533	-	-
2014	SPP	1561	Public Service Commission of Yazoo City of Mississippi	U.S.	5,858	5,858	-	-	-	-	1,505	1,505	-	-	4,353	4,353	-	-
2014	SPP	1473	Roosevelt County Electric Coop	U.S.	9,190	9,190	-	-	-	-	2,361	2,361	-	-	6,829	6,829	-	-
2014	SPP	1654	Sikeston Board of Municipal Utilities	U.S.	21,702	21,702	-	-	-	-	5,576	5,576	-	-	16,126	16,126	-	-
2014	SPP	1257	Southwestern Public Service Co. (SPS-XCEL)	U.S.	1,084,551	1,084,551	-	-	-	-	278,654	278,654	-	-	805,896	805,896	-	-
2014	SPP	1256	Sunflower Electric Power Cooperative	U.S.	234,408	234,408	-	-	-	-	60,227	60,227	-	-	174,182	174,182	-	-
2014	SPP	1445	Tex - La Electric Cooperative of Texas	U.S.	25,061	25,061	-	-	-	-	6,439	6,439	-	-	18,622	18,622	-	-
2014	SPP	1475	Tri County Electric Coop	U.S.	20,061	20,061	-	-	-	-	5,154	5,154	-	-	14,907	14,907	-	-
2014	SPP	1260	Westar Energy, Inc.	U.S.	1,100,709	1,100,709	-	-	-	-	282,806	282,806	-	-	817,903	817,903	-	-
2014	SPP	1259	Western Farmers Electric Cooperative	U.S.	468,264	468,264	-	-	-	-	120,311	120,311	-	-	347,952	347,952	-	-
2014	SPP	1501	West Texas Municipal Power Agency	U.S.	144,308	144,308	-	-	-	-	37,077	37,077	-	-	107,231	107,231	-	-
TOTAL SPP					11,609,618	11,609,618	-	-	-	-	2,982,867	2,982,867	-	-	8,626,751	8,626,751	-	-
2014	TRE	1019	ERCOT	U.S.	13,976,949	13,976,949	-	-	-	-	4,416,501	4,416,501	-	-	9,560,448	9,560,448	-	-
TOTAL ERCOT					13,976,949	13,976,949	-	-	-	-	4,416,501	4,416,501	-	-	9,560,448	9,560,448	-	-

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2014	WECC		Alberta Electric System Operator	Canada	1,617,741	-	1,617,741	-	514,324	-	514,324	-	1,103,418	-	1,103,418	-
2014	WECC		British Columbia Hydro & Power Authority	Canada	2,777,583	-	2,777,583	-	785,417	-	785,417	-	1,992,166	-	1,992,166	-
2014	WECC		Comision Federal de Electricidad	Mexico	565,001	-	-	565,001	159,765	-	-	159,765	405,235	-	-	405,235
2014	WECC		Ajo Improvement District	U.S.	589	589	-	-	173	173	-	-	416	416	-	-
2014	WECC		Agua Irrigation District - APS	U.S.	1,722	1,722	-	-	507	507	-	-	1,215	1,215	-	-
2014	WECC		Electrical District No. 6 of Pinal County - APS	U.S.	111	111	-	-	33	33	-	-	79	79	-	-
2014	WECC		Electrical District No. 7 of Maricopa County - APS	U.S.	2,257	2,257	-	-	664	664	-	-	1,593	1,593	-	-
2014	WECC		Electrical District No. 8 of Maricopa County - APS	U.S.	14,027	14,027	-	-	4,128	4,128	-	-	9,899	9,899	-	-
2014	WECC		Harquahala Valley Power Districts - APS	U.S.	4,065	4,065	-	-	1,196	1,196	-	-	2,868	2,868	-	-
2014	WECC		Maricopa County Municipal Water Conservation Dist No. 1 - APS	U.S.	2,419	2,419	-	-	712	712	-	-	1,707	1,707	-	-
2014	WECC		McMullen Valley Water Conservation & Drainage District - APS	U.S.	3,619	3,619	-	-	1,065	1,065	-	-	2,554	2,554	-	-
2014	WECC		Roosevelt Irrigation District - APS	U.S.	1,827	1,827	-	-	538	538	-	-	1,289	1,289	-	-
2014	WECC		Tonopah Irrigation District - APS	U.S.	894	894	-	-	263	263	-	-	631	631	-	-
2014	WECC		Buckeye Water Conservation and Drainage District - APS	U.S.	888	888	-	-	261	261	-	-	627	627	-	-
2014	WECC		Arizona Public Service Company	U.S.	1,291,284	1,291,284	-	-	380,010	380,010	-	-	911,274	911,274	-	-
2014	WECC		City of Williams	U.S.	1,884	1,884	-	-	554	554	-	-	1,329	1,329	-	-
2014	WECC		Electrical Districts 1 & 3	U.S.	29,727	29,727	-	-	8,748	8,748	-	-	20,979	20,979	-	-
2014	WECC		Navajo Tribal Utility Authority	U.S.	897	897	-	-	264	264	-	-	633	633	-	-
2014	WECC		Tohono O'Odham Utility Authority	U.S.	2,802	2,802	-	-	825	825	-	-	1,978	1,978	-	-
2014	WECC		Town of Wickenburg	U.S.	1,162	1,162	-	-	342	342	-	-	820	820	-	-
2014	WECC		Avista Corporation	U.S.	420,556	420,556	-	-	123,765	123,765	-	-	296,791	296,791	-	-
2014	WECC		Big Bend Electric Cooperative, Inc.	U.S.	6,617	6,617	-	-	1,947	1,947	-	-	4,670	4,670	-	-
2014	WECC		City of Cheney	U.S.	6,578	6,578	-	-	1,936	1,936	-	-	4,642	4,642	-	-
2014	WECC		City of Chewelah	U.S.	1,033	1,033	-	-	304	304	-	-	729	729	-	-
2014	WECC		City of Plummer	U.S.	1,534	1,534	-	-	451	451	-	-	1,083	1,083	-	-
2014	WECC		Clearwater Cooperative, Inc	U.S.	7,438	7,438	-	-	2,189	2,189	-	-	5,249	5,249	-	-
2014	WECC		Consolidated Irrigation District No. 19	U.S.	309	309	-	-	91	91	-	-	218	218	-	-
2014	WECC		Idaho County Light and Power Cooperative Association, Inc.	U.S.	2,566	2,566	-	-	755	755	-	-	1,811	1,811	-	-
2014	WECC		Inland Power and Light Company	U.S.	21,177	21,177	-	-	6,232	6,232	-	-	14,944	14,944	-	-
2014	WECC		Kaiser Aluminum Fabricated Products LLC	U.S.	13,925	13,925	-	-	4,098	4,098	-	-	9,827	9,827	-	-
2014	WECC		Kootenai Electric Cooperative, Inc.	U.S.	21,108	21,108	-	-	6,212	6,212	-	-	14,896	14,896	-	-
2014	WECC		Modern Electric Water Company	U.S.	10,319	10,319	-	-	3,037	3,037	-	-	7,282	7,282	-	-
2014	WECC		Northern Lights, Inc.	U.S.	1,588	1,588	-	-	467	467	-	-	1,120	1,120	-	-
2014	WECC		Pend Oreille County PUD No. 1	U.S.	40,531	40,531	-	-	11,928	11,928	-	-	28,603	28,603	-	-
2014	WECC		PUD No. 1 of Asotin County	U.S.	226	226	-	-	66	66	-	-	159	159	-	-
2014	WECC		PUD No. 2 of Grant County	U.S.	4,270	4,270	-	-	1,257	1,257	-	-	3,013	3,013	-	-
2014	WECC		U.S. BOR East Greenacres (Rathdrum)	U.S.	139	139	-	-	41	41	-	-	98	98	-	-
2014	WECC		U.S. Bor Spokane Indian Development	U.S.	139	139	-	-	41	41	-	-	98	98	-	-
2014	WECC		US Air Force Base, Fairchild	U.S.	2,163	2,163	-	-	637	637	-	-	1,527	1,527	-	-
2014	WECC		City of Redding	U.S.	34,933	34,933	-	-	10,280	10,280	-	-	24,652	24,652	-	-
2014	WECC		City of Roseville	U.S.	54,735	54,735	-	-	16,108	16,108	-	-	38,627	38,627	-	-
2014	WECC		Modesto Irrigation District	U.S.	113,670	113,670	-	-	33,452	33,452	-	-	80,218	80,218	-	-
2014	WECC		Sacramento Municipal Utility District	U.S.	495,194	495,194	-	-	145,730	145,730	-	-	349,464	349,464	-	-
2014	WECC		Western Area Power Administration - Sierra Nevada Region	U.S.	58,129	58,129	-	-	17,107	17,107	-	-	41,022	41,022	-	-
2014	WECC		Bonneville Power Administration	U.S.	2,398,344	2,398,344	-	-	705,806	705,806	-	-	1,692,538	1,692,538	-	-
2014	WECC		California Independent System Operator	U.S.	10,172,357	10,172,357	-	-	2,993,611	2,993,611	-	-	7,178,746	7,178,746	-	-
2014	WECC		El Paso Electric Company	U.S.	361,942	361,942	-	-	106,515	106,515	-	-	255,426	255,426	-	-
2014	WECC		Bonneville Power Administration	U.S.	78,143	78,143	-	-	22,997	22,997	-	-	55,146	55,146	-	-
2014	WECC		Idaho Power Company	U.S.	682,499	682,499	-	-	200,852	200,852	-	-	481,647	481,647	-	-
2014	WECC		PacifiCorp	U.S.	90	90	-	-	27	27	-	-	64	64	-	-
2014	WECC		Imperial Irrigation District	U.S.	162,701	162,701	-	-	47,881	47,881	-	-	114,820	114,820	-	-
2014	WECC		Los Angeles Department of Water and Power	U.S.	1,305,940	1,305,940	-	-	384,323	384,323	-	-	921,616	921,616	-	-
2014	WECC		City of Henderson	U.S.	1,885	1,885	-	-	555	555	-	-	1,331	1,331	-	-
2014	WECC		City of Las Vegas	U.S.	1,910	1,910	-	-	562	562	-	-	1,348	1,348	-	-
2014	WECC		City of North Las Vegas	U.S.	850	850	-	-	250	250	-	-	600	600	-	-
2014	WECC		Clark County Water Resources	U.S.	3,452	3,452	-	-	1,016	1,016	-	-	2,436	2,436	-	-
2014	WECC		Colorado River Commission of Nevada	U.S.	40,560	40,560	-	-	11,936	11,936	-	-	28,624	28,624	-	-

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2014	WECC		Las Vegas Valley Water District	U.S.	4,206	4,206	-	-	1,238	1,238	-	-	2,969	2,969	-	-
2014	WECC		Nevada Power Company dba NV Energy	U.S.	1,101,774	1,101,774	-	-	324,240	324,240	-	-	777,534	777,534	-	-
2014	WECC		Overton Power District No. 5	U.S.	16,649	16,649	-	-	4,900	4,900	-	-	11,750	11,750	-	-
2014	WECC		Southern Nevada Water Authority	U.S.	5,258	5,258	-	-	1,547	1,547	-	-	3,711	3,711	-	-
2014	WECC		Bonneville Power Administration	U.S.	34,331	34,331	-	-	10,103	10,103	-	-	24,228	24,228	-	-
2014	WECC		Central Montana Electric Power Cooperative	U.S.	18,371	18,371	-	-	5,406	5,406	-	-	12,965	12,965	-	-
2014	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	407,982	407,982	-	-	120,065	120,065	-	-	287,917	287,917	-	-
2014	WECC		Southern Montana Electric Generation & Transmission	U.S.	17,205	17,205	-	-	5,063	5,063	-	-	12,142	12,142	-	-
2014	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	344	344	-	-	101	101	-	-	243	243	-	-
2014	WECC		PacifiCorp	U.S.	2,195,871	2,195,871	-	-	646,220	646,220	-	-	1,549,651	1,549,651	-	-
2014	WECC		PacifiCorp West (PACW)	U.S.	920,059	920,059	-	-	270,763	270,763	-	-	649,296	649,296	-	-
2014	WECC		Bonneville Power Administration	U.S.	388	388	-	-	114	114	-	-	274	274	-	-
2014	WECC		Canby Public Utility Board	U.S.	7,267	7,267	-	-	2,139	2,139	-	-	5,129	5,129	-	-
2014	WECC		Columbia River PUD	U.S.	13,371	13,371	-	-	3,935	3,935	-	-	9,436	9,436	-	-
2014	WECC		Noble Americas Energy Solutions, LLC	U.S.	75,655	75,655	-	-	22,264	22,264	-	-	53,391	53,391	-	-
2014	WECC		PacifiCorp	U.S.	97	97	-	-	29	29	-	-	69	69	-	-
2014	WECC		Portland General Electric Company	U.S.	843,713	843,713	-	-	248,295	248,295	-	-	595,417	595,417	-	-
2014	WECC		West Oregon Electric Cooperative, Inc.	U.S.	514	514	-	-	151	151	-	-	363	363	-	-
2014	WECC		Arkansas River Power Authority (ARPA)	U.S.	11,501	11,501	-	-	3,385	3,385	-	-	8,116	8,116	-	-
2014	WECC		Black Hills Colorado Electric	U.S.	86,134	86,134	-	-	25,348	25,348	-	-	60,786	60,786	-	-
2014	WECC		Burlington	U.S.	3,060	3,060	-	-	901	901	-	-	2,160	2,160	-	-
2014	WECC		Colorado Springs Utilities	U.S.	1,305	1,305	-	-	384	384	-	-	921	921	-	-
2014	WECC		Grand Valley Power	U.S.	10,070	10,070	-	-	2,964	2,964	-	-	7,107	7,107	-	-
2014	WECC		Holy Cross Energy	U.S.	49,390	49,390	-	-	14,535	14,535	-	-	34,855	34,855	-	-
2014	WECC		Intermountain Rural Electric Association	U.S.	93,938	93,938	-	-	27,645	27,645	-	-	66,293	66,293	-	-
2014	WECC		Municipal Energy Agency of Nebraska	U.S.	7,887	7,887	-	-	2,321	2,321	-	-	5,566	5,566	-	-
2014	WECC		Platte River Power Authority	U.S.	140,683	140,683	-	-	41,401	41,401	-	-	99,282	99,282	-	-
2014	WECC		Public Service Company of Colorado (Xcel)	U.S.	1,222,578	1,222,578	-	-	359,791	359,791	-	-	862,787	862,787	-	-
2014	WECC		Raton Public Service	U.S.	2,482	2,482	-	-	730	730	-	-	1,751	1,751	-	-
2014	WECC		Town of Center	U.S.	656	656	-	-	193	193	-	-	463	463	-	-
2014	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	103,120	103,120	-	-	30,347	30,347	-	-	72,773	72,773	-	-
2014	WECC		Western Area Power - Loveland, CO	U.S.	7,384	7,384	-	-	2,173	2,173	-	-	5,211	5,211	-	-
2014	WECC		Yampa Valley Electric Association	U.S.	24,545	24,545	-	-	7,223	7,223	-	-	17,322	17,322	-	-
2014	WECC		City of Aztec Electric Dept	U.S.	1,727	1,727	-	-	508	508	-	-	1,219	1,219	-	-
2014	WECC		City of Gallup	U.S.	8,114	8,114	-	-	2,388	2,388	-	-	5,726	5,726	-	-
2014	WECC		Jicarilla Apache Nation Power Authority	U.S.	632	632	-	-	186	186	-	-	446	446	-	-
2014	WECC		Navajo Tribal Utility Authority	U.S.	11,687	11,687	-	-	3,439	3,439	-	-	8,247	8,247	-	-
2014	WECC		Navopache Electric Cooperative, Inc.	U.S.	15,349	15,349	-	-	4,517	4,517	-	-	10,832	10,832	-	-
2014	WECC		Public Service Company of New Mexico	U.S.	467,675	467,675	-	-	137,632	137,632	-	-	330,044	330,044	-	-
2014	WECC		The Incorporated County of Los Alamos	U.S.	15,362	15,362	-	-	4,521	4,521	-	-	10,841	10,841	-	-
2014	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	106,550	106,550	-	-	31,356	31,356	-	-	75,193	75,193	-	-
2014	WECC		US Dept of Energy - Kirtland AFB	U.S.	17,688	17,688	-	-	5,205	5,205	-	-	12,482	12,482	-	-
2014	WECC		Public Utility District No. 1 of Chelan County	U.S.	172,874	172,874	-	-	50,875	50,875	-	-	121,999	121,999	-	-
2014	WECC		PUD No. 1 of Douglas County	U.S.	34,773	34,773	-	-	10,233	10,233	-	-	24,540	24,540	-	-
2014	WECC		Okanogan PUD	U.S.	28,422	28,422	-	-	8,364	8,364	-	-	20,058	20,058	-	-
2014	WECC		BPA - Douglas Pumping	U.S.	1,149	1,149	-	-	338	338	-	-	811	811	-	-
2014	WECC		BPA - Okanogan Pumping	U.S.	1,373	1,373	-	-	404	404	-	-	969	969	-	-
2014	WECC		BPA - Okanogan REA	U.S.	2,619	2,619	-	-	771	771	-	-	1,848	1,848	-	-
2014	WECC		BPA - USBR Load	U.S.	6,064	6,064	-	-	1,785	1,785	-	-	4,279	4,279	-	-
2014	WECC		BPA - Big Bend/Schrag Load	U.S.	1,877	1,877	-	-	553	553	-	-	1,325	1,325	-	-
2014	WECC		BPA - Kittitas Load	U.S.	313	313	-	-	92	92	-	-	221	221	-	-
2014	WECC		Douglas Palisades / PUD No. 1 of DC	U.S.	887	887	-	-	261	261	-	-	626	626	-	-
2014	WECC		PUD No. 2 of Grant County	U.S.	184,535	184,535	-	-	54,307	54,307	-	-	130,229	130,229	-	-
2014	WECC		City of Blaine	U.S.	3,458	3,458	-	-	1,018	1,018	-	-	2,440	2,440	-	-
2014	WECC		City of Sumas	U.S.	1,366	1,366	-	-	402	402	-	-	964	964	-	-
2014	WECC		Port of Seattle - Seattle-Tacoma International Airport	U.S.	6,266	6,266	-	-	1,844	1,844	-	-	4,422	4,422	-	-
2014	WECC		PUD No. 1 of Kittitas County	U.S.	726	726	-	-	214	214	-	-	513	513	-	-
2014	WECC		PUD No. 1 of Whatcom County	U.S.	235	235	-	-	69	69	-	-	166	166	-	-

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2014	WECC		Puget Sound Energy, Inc.	U.S.	1,052,453	1,052,453	-	-	309,725	309,725	-	-	742,728	742,728	-	-
2014	WECC		Tanner Electric Cooperative	U.S.	4,281	4,281	-	-	1,260	1,260	-	-	3,021	3,021	-	-
2014	WECC		Salt River Project	U.S.	1,281,948	1,281,948	-	-	377,263	377,263	-	-	904,685	904,685	-	-
2014	WECC		Seattle City Light	U.S.	435,342	435,342	-	-	128,116	128,116	-	-	307,226	307,226	-	-
2014	WECC		Barrick Goldstrike Mines Inc.	U.S.	49,216	49,216	-	-	14,484	14,484	-	-	34,732	34,732	-	-
2014	WECC		City of Fallon	U.S.	5,645	5,645	-	-	1,661	1,661	-	-	3,984	3,984	-	-
2014	WECC		Harney Electric Cooperative, Inc.	U.S.	5,425	5,425	-	-	1,597	1,597	-	-	3,829	3,829	-	-
2014	WECC		Mt. Wheeler Power	U.S.	23,845	23,845	-	-	7,017	7,017	-	-	16,828	16,828	-	-
2014	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	403,571	403,571	-	-	118,766	118,766	-	-	284,805	284,805	-	-
2014	WECC		Truckee Donner Public Utility District	U.S.	6,389	6,389	-	-	1,880	1,880	-	-	4,509	4,509	-	-
2014	WECC		Wells Rural Electric Cooperative	U.S.	29,387	29,387	-	-	8,648	8,648	-	-	20,739	20,739	-	-
2014	WECC		City of Tacoma DBA Tacoma Power	U.S.	216,446	216,446	-	-	63,698	63,698	-	-	152,749	152,749	-	-
2014	WECC		Tucson Electric Power Company	U.S.	671,159	671,159	-	-	197,515	197,515	-	-	473,645	473,645	-	-
2014	WECC		Merced Irrigation District	U.S.	21,029	21,029	-	-	6,189	6,189	-	-	14,840	14,840	-	-
2014	WECC		Turlock Irrigation District	U.S.	94,479	94,479	-	-	27,804	27,804	-	-	66,675	66,675	-	-
2014	WECC		Basin Electric Power Cooperative	U.S.	133,998	133,998	-	-	39,434	39,434	-	-	94,564	94,564	-	-
2014	WECC		Black Hills Power/Cheyenne Light Fuel & Power	U.S.	151,182	151,182	-	-	44,491	44,491	-	-	106,691	106,691	-	-
2014	WECC		Black Hills State University South Dakota	U.S.	850	850	-	-	250	250	-	-	600	600	-	-
2014	WECC		City of Page	U.S.	3,835	3,835	-	-	1,129	1,129	-	-	2,706	2,706	-	-
2014	WECC		Colorado Springs Utilities	U.S.	198,264	198,264	-	-	58,347	58,347	-	-	139,917	139,917	-	-
2014	WECC		Deseret Generation & Transmission Cooperative	U.S.	4,972	4,972	-	-	1,463	1,463	-	-	3,509	3,509	-	-
2014	WECC		City of Farmington	U.S.	48,321	48,321	-	-	14,220	14,220	-	-	34,101	34,101	-	-
2014	WECC		Municipal Energy Agency of Nebraska	U.S.	29,634	29,634	-	-	8,721	8,721	-	-	20,913	20,913	-	-
2014	WECC		Navajo Agricultural Products Industry (NAPI)	U.S.	387	387	-	-	114	114	-	-	273	273	-	-
2014	WECC		Nebraska Public Power Marketing	U.S.	160	160	-	-	47	47	-	-	113	113	-	-
2014	WECC		PacifiCorp	U.S.	5,257	5,257	-	-	1,547	1,547	-	-	3,710	3,710	-	-
2014	WECC		Public Service Company of Colorado (Xcel)	U.S.	1,616	1,616	-	-	476	476	-	-	1,140	1,140	-	-
2014	WECC		Town of Fredonia	U.S.	479	479	-	-	141	141	-	-	338	338	-	-
2014	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	318,392	318,392	-	-	93,699	93,699	-	-	224,693	224,693	-	-
2014	WECC		Western Area Power - Loveland, CO	U.S.	101,521	101,521	-	-	29,876	29,876	-	-	71,644	71,644	-	-
2014	WECC		Western Area Power Administration - CRSP	U.S.	76,591	76,591	-	-	22,540	22,540	-	-	54,051	54,051	-	-
2014	WECC		Wyoming Municipal Power Agency	U.S.	12,364	12,364	-	-	3,639	3,639	-	-	8,725	8,725	-	-
2014	WECC		Basin Electric Power Cooperative	U.S.	2,533	2,533	-	-	745	745	-	-	1,787	1,787	-	-
2014	WECC		Bonneville Power Administration	U.S.	490	490	-	-	144	144	-	-	345	345	-	-
2014	WECC		Central Montana Electric Power Cooperative	U.S.	2,774	2,774	-	-	816	816	-	-	1,958	1,958	-	-
2014	WECC		Montana-Dakota Utilities Co.	U.S.	1,034	1,034	-	-	304	304	-	-	729	729	-	-
2014	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	10,654	10,654	-	-	3,135	3,135	-	-	7,518	7,518	-	-
2014	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	18,214	18,214	-	-	5,360	5,360	-	-	12,854	12,854	-	-
2014	WECC		Aha Macav Power Service	U.S.	1,153	1,153	-	-	339	339	-	-	814	814	-	-
2014	WECC		Bureau of Reclamation (Desalter) - c/o DSW EMMO	U.S.	26	26	-	-	8	8	-	-	19	19	-	-
2014	WECC		Bureau of Reclamation (Wellfield) - c/o DSW EMMO	U.S.	300	300	-	-	88	88	-	-	212	212	-	-
2014	WECC		Central Arizona Water Conservation District	U.S.	114,284	114,284	-	-	33,632	33,632	-	-	80,651	80,651	-	-
2014	WECC		City of Mesa	U.S.	11,058	11,058	-	-	3,254	3,254	-	-	7,804	7,804	-	-
2014	WECC		City of Needles	U.S.	1,271	1,271	-	-	374	374	-	-	897	897	-	-
2014	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	568	568	-	-	167	167	-	-	401	401	-	-
2014	WECC		Electrical District #2	U.S.	8,402	8,402	-	-	2,473	2,473	-	-	5,930	5,930	-	-
2014	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	411	411	-	-	121	121	-	-	290	290	-	-
2014	WECC		Silver State Energy - c/o Colorado River Commission of Nevada	U.S.	29,369	29,369	-	-	8,643	8,643	-	-	20,726	20,726	-	-
2014	WECC		Southwest Transmission Cooperative, Inc.	U.S.	83,603	83,603	-	-	24,603	24,603	-	-	59,000	59,000	-	-
2014	WECC		U.S. Army Yuma Proving Ground	U.S.	993	993	-	-	292	292	-	-	701	701	-	-
2014	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	127	127	-	-	37	37	-	-	90	90	-	-
2014	WECC		Western Area Power Administration-Desert Southwest Region	U.S.	182,248	182,248	-	-	53,633	53,633	-	-	128,614	128,614	-	-
TOTAL WECC					37,227,510	32,267,186	4,395,324	565,001	10,955,378	9,495,872	1,299,741	159,765	26,272,132	22,771,314	3,095,583	405,235
TOTAL ERO					166,508,186	150,501,295	15,441,890	565,001	57,081,445	51,785,828	5,135,852	159,765	109,426,741	98,715,468	10,306,038	405,235

Data Year	Regional Entity	ID	Entity	Country	Total ERO Assessments (NERC, RE & WIRAB Costs)				Total NERC Assessments				Total Regional Entity Assessments (Including WIRAB Assessments)				
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	
Summary by Regional Entity																	
2014	FRCC				9,536,062	9,536,062	-	-	2,907,605	2,907,605	-	-	6,628,457	6,628,457	-	-	
2014	MRO				14,645,605	12,191,099	2,454,506	-	3,754,043	3,120,012	634,031	-	10,891,562	9,071,087	1,820,475	-	
2014	NPCC				21,268,634	12,676,574	8,592,060	-	6,919,438	3,717,358	3,202,080	-	14,349,196	8,959,216	5,389,980	-	
2014	RF				31,197,572	31,197,572	-	-	11,830,363	11,830,363	-	-	19,367,209	19,367,209	-	-	
2014	SERC				27,046,236	27,046,236	-	-	13,315,250	13,315,250	-	-	13,730,986	13,730,986	-	-	
2014	SPP				11,609,618	11,609,618	-	-	2,982,867	2,982,867	-	-	8,626,751	8,626,751	-	-	
2014	TRE				13,976,949	13,976,949	-	-	4,416,501	4,416,501	-	-	9,560,448	9,560,448	-	-	
2014	WECC				37,227,510	32,267,186	4,395,324	565,001	10,955,378	9,495,872	1,299,741	159,765	26,272,132	22,771,314	3,095,583	405,235	
Total					166,508,186	150,501,295	15,441,890	565,001	57,081,445	51,785,828	5,135,852	159,765	109,426,741	98,715,468	10,306,038	405,235	

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total
2014	FRCC	1074	Alachua, City of	U.S.	1,589	1,589	-	-	1,583	1,583	-	-	(44)	(44)	49	49	-	-
2014	FRCC	1075	Bartow, City of	U.S.	3,727	3,727	-	-	3,715	3,715	-	-	(104)	(104)	116	116	-	-
2014	FRCC	1076	Chattahoochee, City of	U.S.	494	494	-	-	492	492	-	-	(14)	(14)	15	15	-	-
2014	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	9,577	9,577	-	-	9,545	9,545	-	-	(266)	(266)	298	298	-	-
2014	FRCC	1078	Florida Power & Light Co.	U.S.	1,428,375	1,428,375	-	-	1,423,636	1,423,636	-	-	(39,691)	(39,691)	44,429	44,429	-	-
2014	FRCC	1079	Florida Public Utilities Company	U.S.	4,685	4,685	-	-	4,669	4,669	-	-	(130)	(130)	146	146	-	-
2014	FRCC	1080	Gainesville Regional Utilities	U.S.	22,704	22,704	-	-	22,629	22,629	-	-	(631)	(631)	706	706	-	-
2014	FRCC	1081	Homestead, City of	U.S.	6,782	6,782	-	-	6,759	6,759	-	-	(188)	(188)	211	211	-	-
2014	FRCC	1082	JEA	U.S.	159,406	159,406	-	-	158,877	158,877	-	-	(4,429)	(4,429)	4,958	4,958	-	-
2014	FRCC	1083	Lakeland Electric	U.S.	38,903	38,903	-	-	38,774	38,774	-	-	(1,081)	(1,081)	1,210	1,210	-	-
2014	FRCC	1626	Lee County Electric Cooperative, Inc	U.S.	49,586	49,586	-	-	49,421	49,421	-	-	(1,378)	(1,378)	1,542	1,542	-	-
2014	FRCC	1661	City of Lake Worth	U.S.	5,798	5,798	-	-	5,779	5,779	-	-	(161)	(161)	180	180	-	-
2014	FRCC	1084	Mount Dora, City of	U.S.	1,173	1,173	-	-	1,169	1,169	-	-	(33)	(33)	36	36	-	-
2014	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	5,293	5,293	-	-	5,276	5,276	-	-	(147)	(147)	165	165	-	-
2014	FRCC	1086	Orlando Utilities Commission	U.S.	76,137	76,137	-	-	75,885	75,885	-	-	(2,116)	(2,116)	2,368	2,368	-	-
2014	FRCC	1087	Duke Energy Florida	U.S.	514,317	514,317	-	-	512,610	512,610	-	-	(14,292)	(14,292)	15,998	15,998	-	-
2014	FRCC	1088	Quincy, City of	U.S.	1,756	1,756	-	-	1,750	1,750	-	-	(49)	(49)	55	55	-	-
2014	FRCC	1089	Reedy Creek Improvement District	U.S.	15,440	15,440	-	-	15,388	15,388	-	-	(429)	(429)	480	480	-	-
2014	FRCC	1090	St. Cloud, City of (OUC)	U.S.	8,270	8,270	-	-	8,242	8,242	-	-	(230)	(230)	257	257	-	-
2014	FRCC	1091	Tallahassee, City of	U.S.	35,603	35,603	-	-	35,485	35,485	-	-	(989)	(989)	1,107	1,107	-	-
2014	FRCC	1092	Tampa Electric Company	U.S.	249,973	249,973	-	-	249,144	249,144	-	-	(6,946)	(6,946)	7,775	7,775	-	-
2014	FRCC	1603	City of Vero Beach	U.S.	9,590	9,590	-	-	9,558	9,558	-	-	(266)	(266)	298	298	-	-
2014	FRCC	1093	Wauchula, City of	U.S.	824	824	-	-	822	822	-	-	(23)	(23)	26	26	-	-
2014	FRCC	1094	Williston, City of	U.S.	425	425	-	-	423	423	-	-	(12)	(12)	13	13	-	-
2014	FRCC	1095	Winter Park, City of	U.S.	5,661	5,661	-	-	5,643	5,643	-	-	(157)	(157)	176	176	-	-
2014	FRCC	1072	Florida Municipal Power Agency	U.S.	72,623	72,623	-	-	72,382	72,382	-	-	(2,018)	(2,018)	2,259	2,259	-	-
2014	FRCC	1073	Seminole Electric Cooperative	U.S.	178,893	178,893	-	-	178,300	178,300	-	-	(4,971)	(4,971)	5,564	5,564	-	-
			TOTAL FRCC		2,907,605	2,907,605	-	-	2,897,959	2,897,959	-	-	(80,795)	(80,795)	90,440	90,440	-	-
2014	MRO	1199	Basin Electric Power Cooperative	U.S.	208,626	208,626	-	-	207,934	207,934	-	-	(5,797)	(5,797)	6,489	6,489	-	-
2014	MRO	1201	Central Iowa Power Cooperative (CIPCO)	U.S.	36,414	36,414	-	-	36,294	36,294	-	-	(1,012)	(1,012)	1,133	1,133	-	-
2014	MRO	1204	Corn Belt Power Cooperative	U.S.	24,567	24,567	-	-	24,486	24,486	-	-	(683)	(683)	764	764	-	-
2014	MRO	1207	Dairyland Power Cooperative	U.S.	72,300	72,300	-	-	72,060	72,060	-	-	(2,009)	(2,009)	2,249	2,249	-	-
2014	MRO	1210	Great River Energy	U.S.	181,916	181,916	-	-	181,312	181,312	-	-	(5,055)	(5,055)	5,658	5,658	-	-
2014	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	58,350	58,350	-	-	58,157	58,157	-	-	(1,621)	(1,621)	1,815	1,815	-	-
2014	MRO	1230	Nebraska Public Power District	U.S.	175,637	175,637	-	-	175,055	175,055	-	-	(4,881)	(4,881)	5,463	5,463	-	-
2014	MRO	1232	Omaha Public Power District	U.S.	145,662	145,662	-	-	145,179	145,179	-	-	(4,048)	(4,048)	4,531	4,531	-	-
2014	MRO	1237	Southern Montana Generation and Transmission	U.S.	113	113	-	-	113	113	-	-	(3)	(3)	4	4	-	-
2014	MRO	1240	Western Area Power Administration (UM)	U.S.	111,198	111,198	-	-	110,829	110,829	-	-	(3,090)	(3,090)	3,459	3,459	-	-
2014	MRO	1239	Western Area Power Administration (LM)	U.S.	1,705	1,705	-	-	1,699	1,699	-	-	(47)	(47)	53	53	-	-
2014	MRO	1217	Manitoba Hydro	CAN	323,653	-	323,653	-	313,858	-	313,858	-	-	-	9,795	-	9,795	-
2014	MRO	1235	SaskPower	CAN	310,378	-	310,378	-	300,985	-	300,985	-	-	-	9,393	-	9,393	-
2014	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPL)	U.S.	380,229	380,229	-	-	378,968	378,968	-	-	(10,566)	(10,566)	11,827	11,827	-	-
2014	MRO	1216	Madison, Gas and Electric	U.S.	44,580	44,580	-	-	44,433	44,433	-	-	(1,239)	(1,239)	1,387	1,387	-	-
2014	MRO	1220	MidAmerican Energy Company	U.S.	317,414	317,414	-	-	316,361	316,361	-	-	(8,820)	(8,820)	9,873	9,873	-	-
2014	MRO	1221	Minnesota Power	U.S.	172,322	172,322	-	-	171,751	171,751	-	-	(4,788)	(4,788)	5,360	5,360	-	-
2014	MRO	1226	Montana-Dakota Utilities Co.	U.S.	42,070	42,070	-	-	41,931	41,931	-	-	(1,169)	(1,169)	1,309	1,309	-	-
2014	MRO	1231	NorthWestern Energy	U.S.	20,447	20,447	-	-	20,379	20,379	-	-	(568)	(568)	636	636	-	-
2014	MRO	1233	Otter Tail Power Company	U.S.	61,871	61,871	-	-	61,666	61,666	-	-	(1,719)	(1,719)	1,924	1,924	-	-
2014	MRO	1664	Wisconsin Public Service (WPS)	U.S.	158,975	158,975	-	-	158,447	158,447	-	-	(4,418)	(4,418)	4,945	4,945	-	-
2014	MRO	1665	Upper Peninsula Power Company (UPPCO)	U.S.	9,622	9,622	-	-	9,590	9,590	-	-	(267)	(267)	299	299	-	-
2014	MRO	1244	Xcel Energy Company (NSP)	U.S.	585,156	585,156	-	-	583,215	583,215	-	-	(16,260)	(16,260)	18,201	18,201	-	-
2014	MRO	1196	Ames Municipal Electric System	U.S.	9,938	9,938	-	-	9,905	9,905	-	-	(276)	(276)	309	309	-	-
2014	MRO	1604	Atlantic Municipal Utilities	U.S.	985	985	-	-	982	982	-	-	(27)	(27)	31	31	-	-
2014	MRO	1476	Badger Power Marketing Authority of Wisconsin, Inc.	U.S.	5,271	5,271	-	-	5,254	5,254	-	-	(146)	(146)	164	164	-	-
2014	MRO	1200	Cedar Falls Municipal Utilities	U.S.	6,884	6,884	-	-	6,861	6,861	-	-	(191)	(191)	214	214	-	-
2014	MRO	1477	Central Minnesota Municipal Power Agency (CMMPA)	U.S.	5,994	5,994	-	-	5,974	5,974	-	-	(167)	(167)	186	186	-	-
2014	MRO	1203	City of Escanaba	U.S.	1,835	1,835	-	-	1,829	1,829	-	-	(51)	(51)	57	57	-	-
2014	MRO	1205	Falls City Water & Light Department	U.S.	743	743	-	-	741	741	-	-	(21)	(21)	23	23	-	-
2014	MRO	1206	Fremont Department of Utilities	U.S.	5,669	5,669	-	-	5,650	5,650	-	-	(158)	(158)	176	176	-	-
2014	MRO	1208	Geneseo Municipal Utilities	U.S.	849	849	-	-	846	846	-	-	(24)	(24)	26	26	-	-
2014	MRO	1209	Grand Island Utilities Department	U.S.	9,823	9,823	-	-	9,790	9,790	-	-	(273)	(273)	306	306	-	-
2014	MRO	1606	Harlan Municipal Utilities	U.S.	326	326	-	-	325	325	-	-	(9)	(9)	10	10	-	-
2014	MRO	1211	Hastings Utilities	U.S.	5,512	5,512	-	-	5,494	5,494	-	-	(153)	(153)	171	171	-	-
2014	MRO	1212	Heartland Consumers Power District	U.S.	11,258	11,258	-	-	11,220	11,220	-	-	(313)	(313)	350	350	-	-

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits				
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total	
2014	MRO	1213	Hutchinson Utilities Commission	U.S.	3,832	3,832	-	-	3,820	3,820	-	-	(106)	(106)	119	119	-	-	
2014	MRO	1215	Lincoln Electric System	U.S.	42,196	42,196	-	-	42,056	42,056	-	-	(1,173)	(1,173)	1,313	1,313	-	-	
2014	MRO	1218	Manitowoc Public Utilities	U.S.	7,005	7,005	-	-	6,982	6,982	-	-	(195)	(195)	218	218	-	-	
2014	MRO	1223	Missouri River Energy Services	U.S.	31,600	31,600	-	-	31,495	31,495	-	-	(878)	(878)	983	983	-	-	
2014	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	19,826	19,826	-	-	19,760	19,760	-	-	(551)	(551)	617	617	-	-	
2014	MRO	1607	Montezuma Municipal Light & Power	U.S.	395	395	-	-	393	393	-	-	(11)	(11)	12	12	-	-	
2014	MRO	1227	Municipal Energy Agency of Nebraska	U.S.	14,860	14,860	-	-	14,811	14,811	-	-	(413)	(413)	462	462	-	-	
2014	MRO	1228	Muscatine Power and Water	U.S.	11,316	11,316	-	-	11,279	11,279	-	-	(314)	(314)	352	352	-	-	
2014	MRO	1229	Nebraska City Utilities	U.S.	2,178	2,178	-	-	2,171	2,171	-	-	(61)	(61)	68	68	-	-	
2014	MRO	1234	Rochester Public Utilities	U.S.	21	21	-	-	20	20	-	-	(1)	(1)	1	1	-	-	
2014	MRO	1236	Southern Minnesota Municipal Power Agency	U.S.	38,034	38,034	-	-	37,908	37,908	-	-	(1,057)	(1,057)	1,183	1,183	-	-	
2014	MRO	1241	Willmar Municipal Utilities	U.S.	3,386	3,386	-	-	3,375	3,375	-	-	(94)	(94)	105	105	-	-	
2014	MRO	1242	Wisconsin Public Power, Inc. (East and West regions)	U.S.	71,099	71,099	-	-	70,863	70,863	-	-	(1,976)	(1,976)	2,212	2,212	-	-	
TOTAL MRO					3,754,043	3,120,012	634,031	-	3,724,505	3,109,662	614,843	-	(86,697)	(86,697)	116,235	97,047	19,188	-	-
2014	NPCC	1336	New England	U.S.	1,645,888	1,645,888	-	-	1,640,428	1,640,428	-	-	(45,735)	(45,735)	51,195	51,195	-	-	
2014	NPCC	1339	New York	U.S.	2,071,470	2,071,470	-	-	2,064,598	2,064,598	-	-	(57,561)	(57,561)	64,432	64,432	-	-	
2014	NPCC	1337	Ontario	Canada	1,173,912	-	1,173,912	-	1,803,329	-	1,803,329	-	-	-	(629,417)	-	(629,417)	-	-
2014	NPCC	1341	Quebec	Canada	1,765,517	-	1,765,517	-	2,441,919	-	2,441,919	-	-	-	(676,402)	-	(676,402)	-	-
2014	NPCC	1663	New Brunswick	Canada	117,079	-	117,079	-	179,980	-	179,980	-	-	-	(62,901)	-	(62,901)	-	-
2014	NPCC	1340	Nova Scotia	Canada	145,572	-	145,572	-	141,166	-	141,166	-	-	-	4,406	-	4,406	-	-
TOTAL NPCC					6,919,438	3,717,358	3,202,080	-	8,271,421	3,705,026	4,566,395	-	(103,296)	(103,296)	(1,248,687)	115,627	(1,364,314)	-	-
2014	RF	1102	Cannelton Utilities	U.S.	215	215	-	-	214	214	-	-	(6)	(6)	7	7	-	-	
2014	RF	1106	City of Crosswell	U.S.	517	517	-	-	515	515	-	-	(14)	(14)	16	16	-	-	
2014	RF	1490	City of Lansing	U.S.	28,804	28,804	-	-	28,708	28,708	-	-	(800)	(800)	896	896	-	-	
2014	RF	1120	Cloverland Electric Cooperative	U.S.	11,099	11,099	-	-	11,062	11,062	-	-	(308)	(308)	345	345	-	-	
2014	RF	1122	CMS ERM Michigan LLC	U.S.	1,551	1,551	-	-	1,546	1,546	-	-	(43)	(43)	48	48	-	-	
2014	RF	1124	Constellation New Energy (MECS-CONS)	U.S.	11,886	11,886	-	-	11,847	11,847	-	-	(330)	(330)	370	370	-	-	
2014	RF	1123	Constellation New Energy (MECS-DET)	U.S.	12,926	12,926	-	-	12,884	12,884	-	-	(359)	(359)	402	402	-	-	
2014	RF	1126	Consumers Energy Company	U.S.	430,369	430,369	-	-	428,942	428,942	-	-	(11,959)	(11,959)	13,387	13,387	-	-	
2014	RF	1128	Detroit Edison Company	U.S.	590,035	590,035	-	-	588,078	588,078	-	-	(16,396)	(16,396)	18,353	18,353	-	-	
2014	RF	1166	Duke Energy Indiana	U.S.	398,051	398,051	-	-	396,730	396,730	-	-	(11,061)	(11,061)	12,381	12,381	-	-	
2014	RF	1135	Ferdinand Municipal Light & Water	U.S.	603	603	-	-	601	601	-	-	(17)	(17)	19	19	-	-	
2014	RF	1646	FirstEnergy Solutions (MECS-CONS)	U.S.	10,213	10,213	-	-	10,179	10,179	-	-	(284)	(284)	318	318	-	-	
2014	RF	1549	FirstEnergy Solutions (MECS-DET)	U.S.	28,173	28,173	-	-	28,079	28,079	-	-	(783)	(783)	876	876	-	-	
2014	RF	1612	Glacial Energy (MECS-DET)	U.S.	884	884	-	-	881	881	-	-	(25)	(25)	28	28	-	-	
2014	RF	1145	Hoosier Energy	U.S.	98,864	98,864	-	-	98,536	98,536	-	-	(2,747)	(2,747)	3,075	3,075	-	-	
2014	RF	1148	Indiana Municipal Power Agency (DUKE CIN)	U.S.	40,427	40,427	-	-	40,292	40,292	-	-	(1,123)	(1,123)	1,257	1,257	-	-	
2014	RF	1485	Indiana Municipal Power Agency (NIPSCO)	U.S.	5,592	5,592	-	-	5,574	5,574	-	-	(155)	(155)	174	174	-	-	
2014	RF	1486	Indiana Municipal Power Agency (SICE)	U.S.	7,714	7,714	-	-	7,689	7,689	-	-	(214)	(214)	240	240	-	-	
2014	RF	1149	Indianapolis Power & Light Co.	U.S.	191,158	191,158	-	-	190,524	190,524	-	-	(5,312)	(5,312)	5,946	5,946	-	-	
2014	RF	1553	Integrus Energy Services (MECS-CONS)	U.S.	12,316	12,316	-	-	12,275	12,275	-	-	(342)	(342)	383	383	-	-	
2014	RF	1554	Integrus Energy Services (MECS-DET)	U.S.	10,120	10,120	-	-	10,087	10,087	-	-	(281)	(281)	315	315	-	-	
2014	RF	1666	Integrus Energy Services (WEPC)	U.S.	29,949	29,949	-	-	29,850	29,850	-	-	(832)	(832)	932	932	-	-	
2014	RF	1614	Just Energy (MECS-DET)	U.S.	474	474	-	-	472	472	-	-	(13)	(13)	15	15	-	-	
2014	RF	1154	Michigan Public Power Agency	U.S.	38,110	38,110	-	-	37,984	37,984	-	-	(1,059)	(1,059)	1,185	1,185	-	-	
2014	RF	1155	Michigan South Central Power Agency	U.S.	8,429	8,429	-	-	8,401	8,401	-	-	(234)	(234)	262	262	-	-	
2014	RF	1158	MidAmerican Energy Company Retail	U.S.	1,176	1,176	-	-	1,172	1,172	-	-	(33)	(33)	37	37	-	-	
2014	RF	1163	Northern Indiana Public Service Co.	U.S.	237,376	237,376	-	-	236,589	236,589	-	-	(6,596)	(6,596)	7,384	7,384	-	-	
2014	RF	1164	Ontonagon County Rural Electrification Assoc.	U.S.	377	377	-	-	375	375	-	-	(10)	(10)	12	12	-	-	
2014	RF	1265	PJM Interconnection, LLC	U.S.	9,067,419	9,067,419	-	-	9,037,340	9,037,340	-	-	(251,961)	(251,961)	282,039	282,039	-	-	
2014	RF	1172	Noble Americas Energy Solutions (MECS-CONS)	U.S.	7,277	7,277	-	-	7,253	7,253	-	-	(202)	(202)	226	226	-	-	
2014	RF	1171	Noble Americas Energy Solutions (MECS-DET)	U.S.	8,751	8,751	-	-	8,722	8,722	-	-	(243)	(243)	272	272	-	-	
2014	RF	1176	Direct Energy (fka:Strategic Energy,LLC) (MECS-CONS)	U.S.	422	422	-	-	421	421	-	-	(12)	(12)	13	13	-	-	
2014	RF	1174	Direct Energy (fka:Strategic Energy,LLC) (MECS-DET)	U.S.	5,360	5,360	-	-	5,342	5,342	-	-	(149)	(149)	167	167	-	-	
2014	RF	1581	Spartan Renewable Energy	U.S.	880	880	-	-	877	877	-	-	(24)	(24)	27	27	-	-	
2014	RF	1180	Thumb Electric Cooperative	U.S.	2,415	2,415	-	-	2,407	2,407	-	-	(67)	(67)	75	75	-	-	
2014	RF	1662	Ohio Valley Electric Corporation	U.S.	5,945	5,945	-	-	5,925	5,925	-	-	(165)	(165)	185	185	-	-	
2014	RF	1181	Vectren Energy Delivery of IN	U.S.	75,986	75,986	-	-	75,734	75,734	-	-	(2,111)	(2,111)	2,364	2,364	-	-	
2014	RF	1183	Village of Sebawaing	U.S.	550	550	-	-	549	549	-	-	(15)	(15)	17	17	-	-	

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total
2014	RF	1184	Wabash Valley Power Association Inc. (DUKE CIN)	U.S.	37,381	37,381	-	-	37,257	37,257	-	-	(1,039)	(1,039)	1,163	1,163	-	-
2014	RF	1488	Wabash Valley Power Association Inc.(NIPSCO)	U.S.	22,068	22,068	-	-	21,995	21,995	-	-	(613)	(613)	686	686	-	-
2014	RF	1185	Wisconsin Electric Power Co.	U.S.	341,882	341,882	-	-	340,748	340,748	-	-	(9,500)	(9,500)	10,634	10,634	-	-
2014	RF	1189	Wolverine Power Marketing Cooperative	U.S.	10,133	10,133	-	-	10,100	10,100	-	-	(282)	(282)	315	315	-	-
2014	RF	1191	Wolverine Power Supply Cooperative	U.S.	34,673	34,673	-	-	34,558	34,558	-	-	(963)	(963)	1,078	1,078	-	-
2014	RF	1190	Wolverine Power Marketing Cooperative(MECS-DET)	U.S.	1,813	1,813	-	-	1,807	1,807	-	-	(50)	(50)	56	56	-	-
TOTAL RELIABILITYFIRST					11,830,363	11,830,363	-	-	11,791,120	11,791,120	-	-	(328,737)	(328,737)	367,980	367,980	-	-
2014	SERC	1267	Alabama Municipal Electric Authority	U.S.	44,571	44,571	-	-	44,423	44,423	-	-	(1,239)	(1,239)	1,386	1,386	-	-
2014	SERC	1268	Alabama Power Company	U.S.	778,789	778,789	-	-	776,206	776,206	-	-	(21,641)	(21,641)	24,224	24,224	-	-
2014	SERC	1269	Ameren - Illinois	U.S.	556,671	556,671	-	-	554,824	554,824	-	-	(15,468)	(15,468)	17,315	17,315	-	-
2014	SERC	1271	Ameren - Missouri	U.S.	542,874	542,874	-	-	541,074	541,074	-	-	(15,085)	(15,085)	16,886	16,886	-	-
2014	SERC	1272	APGI - Yadkin Division	U.S.	227	227	-	-	227	227	-	-	(6)	(6)	7	7	-	-
2014	SERC	1273	Associated Electric Cooperative Inc.	U.S.	254,383	254,383	-	-	253,539	253,539	-	-	(7,069)	(7,069)	7,913	7,913	-	-
2014	SERC	1582	Beauregard Electric Cooperative, Inc.	U.S.	14,462	14,462	-	-	14,414	14,414	-	-	(402)	(402)	450	450	-	-
2014	SERC	1462	Benton Utility District	U.S.	3,288	3,288	-	-	3,277	3,277	-	-	(91)	(91)	102	102	-	-
2014	SERC	1274	Big Rivers Electric Corporation	U.S.	50,175	50,175	-	-	50,008	50,008	-	-	(1,394)	(1,394)	1,561	1,561	-	-
2014	SERC	1275	Black Warrior EMC	U.S.	5,827	5,827	-	-	5,808	5,808	-	-	(162)	(162)	181	181	-	-
2014	SERC	1276	Blue Ridge EMC	U.S.	18,237	18,237	-	-	18,177	18,177	-	-	(507)	(507)	567	567	-	-
2014	SERC	1628	Brazos Electric Power Cooperative, Inc.	U.S.	5,933	5,933	-	-	5,914	5,914	-	-	(165)	(165)	185	185	-	-
2014	SERC	1463	Canton, MS	U.S.	1,693	1,693	-	-	1,687	1,687	-	-	(47)	(47)	53	53	-	-
2014	SERC	1277	Central Electric Power Cooperative Inc.	U.S.	214,630	214,630	-	-	213,918	213,918	-	-	(5,964)	(5,964)	6,676	6,676	-	-
2014	SERC	1667	Century Aluminum - Hawesville	U.S.	54,522	54,522	-	-	54,341	54,341	-	-	(1,515)	(1,515)	1,696	1,696	-	-
2014	SERC	1668	Century Aluminum - Sebre	U.S.	43,669	43,669	-	-	43,524	43,524	-	-	(1,213)	(1,213)	1,358	1,358	-	-
2014	SERC	1278	City of Blountstown FL	U.S.	498	498	-	-	496	496	-	-	(14)	(14)	15	15	-	-
2014	SERC	1279	City of Camden SC	U.S.	2,580	2,580	-	-	2,572	2,572	-	-	(72)	(72)	80	80	-	-
2014	SERC	1280	City of Collins MS	U.S.	595	595	-	-	593	593	-	-	(17)	(17)	19	19	-	-
2014	SERC	1281	City of Columbia MO	U.S.	15,714	15,714	-	-	15,662	15,662	-	-	(437)	(437)	489	489	-	-
2014	SERC	1282	City of Conway AR (Conway Corporation)	U.S.	13,045	13,045	-	-	13,002	13,002	-	-	(362)	(362)	406	406	-	-
2014	SERC	1284	City of Evergreen AL	U.S.	752	752	-	-	749	749	-	-	(21)	(21)	23	23	-	-
2014	SERC	1285	City of Hampton GA	U.S.	401	401	-	-	400	400	-	-	(11)	(11)	12	12	-	-
2014	SERC	1286	City of Hartford AL	U.S.	395	395	-	-	394	394	-	-	(11)	(11)	12	12	-	-
2014	SERC	1287	City of Henderson (KY) Municipal Power & Light	U.S.	8,274	8,274	-	-	8,246	8,246	-	-	(230)	(230)	257	257	-	-
2014	SERC	1288	City of North Little Rock AR (DENL)	U.S.	12,287	12,287	-	-	12,247	12,247	-	-	(341)	(341)	382	382	-	-
2014	SERC	1289	City of Orangeburg SC Department of Public Utilities	U.S.	11,156	11,156	-	-	11,119	11,119	-	-	(310)	(310)	347	347	-	-
2014	SERC	1290	City of Robertsdale AL	U.S.	1,105	1,105	-	-	1,102	1,102	-	-	(31)	(31)	34	34	-	-
2014	SERC	1291	City of Ruston LA (DERS)	U.S.	3,549	3,549	-	-	3,537	3,537	-	-	(99)	(99)	110	110	-	-
2014	SERC	1292	Seneca Light & Power	U.S.	2,127	2,127	-	-	2,120	2,120	-	-	(59)	(59)	66	66	-	-
2014	SERC	1115	City of Springfield (CWLP)	U.S.	23,919	23,919	-	-	23,840	23,840	-	-	(665)	(665)	744	744	-	-
2014	SERC	1465	City of Thayer, MO	U.S.	306	306	-	-	305	305	-	-	(9)	(9)	10	10	-	-
2014	SERC	1293	City of Troy AL	U.S.	5,586	5,586	-	-	5,568	5,568	-	-	(155)	(155)	174	174	-	-
2014	SERC	1294	City of West Memphis AR (West Memphis Utilities)	U.S.	5,043	5,043	-	-	5,027	5,027	-	-	(140)	(140)	157	157	-	-
2014	SERC	1583	Claiborne Electric Cooperative, Inc.	U.S.	8,680	8,680	-	-	8,651	8,651	-	-	(241)	(241)	270	270	-	-
2014	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	3,405	3,405	-	-	3,394	3,394	-	-	(95)	(95)	106	106	-	-
2014	SERC	1283	Dalton Utilities	U.S.	21,187	21,187	-	-	21,117	21,117	-	-	(589)	(589)	659	659	-	-
2014	SERC	1585	Dixie Electric Membership Corporation	U.S.	29,317	29,317	-	-	29,220	29,220	-	-	(815)	(815)	912	912	-	-
2014	SERC	1295	Dominion Virginia Power	U.S.	1,103,113	1,103,113	-	-	1,099,454	1,099,454	-	-	(30,653)	(30,653)	34,312	34,312	-	-
2014	SERC	1296	Duke Energy Carolinas, LLC	U.S.	1,080,380	1,080,380	-	-	1,076,796	1,076,796	-	-	(30,021)	(30,021)	33,605	33,605	-	-
2014	SERC	1466	Durant, MS	U.S.	367	367	-	-	365	365	-	-	(10)	(10)	11	11	-	-
2014	SERC	1478	LG&E and KU Services Company as agent for LG&E Company and KUCompar	U.S.	460,140	460,140	-	-	458,614	458,614	-	-	(12,786)	(12,786)	14,313	14,313	-	-
2014	SERC	1297	East Kentucky Power Cooperative	U.S.	181,498	181,498	-	-	180,896	180,896	-	-	(5,043)	(5,043)	5,645	5,645	-	-
2014	SERC	1298	East Mississippi Electric Power Association	U.S.	5,945	5,945	-	-	5,925	5,925	-	-	(165)	(165)	185	185	-	-
2014	SERC	1669	Electricities of North Carolina Inc	U.S.	152,010	152,010	-	-	151,506	151,506	-	-	(4,224)	(4,224)	4,728	4,728	-	-
2014	SERC	1300	EnergyUnited EMC	U.S.	33,780	33,780	-	-	33,668	33,668	-	-	(939)	(939)	1,051	1,051	-	-
2014	SERC	1301	Entergy	U.S.	1,502,333	1,502,333	-	-	1,497,350	1,497,350	-	-	(41,746)	(41,746)	46,730	46,730	-	-
2014	SERC	1302	Fayetteville (NC) Public Works Commission	U.S.	28,518	28,518	-	-	28,423	28,423	-	-	(792)	(792)	887	887	-	-
2014	SERC	1303	Florida Public Utilities (FL Panhandle Load)	U.S.	4,085	4,085	-	-	4,071	4,071	-	-	(114)	(114)	127	127	-	-
2014	SERC	1304	French Broad EMC	U.S.	7,034	7,034	-	-	7,011	7,011	-	-	(195)	(195)	219	219	-	-
2014	SERC	1305	Georgia Power Company	U.S.	1,122,313	1,122,313	-	-	1,118,590	1,118,590	-	-	(31,186)	(31,186)	34,909	34,909	-	-
2014	SERC	1306	Georgia System Optms Corporation	U.S.	512,335	512,335	-	-	510,635	510,635	-	-	(14,237)	(14,237)	15,936	15,936	-	-
2014	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	3,545	3,545	-	-	3,533	3,533	-	-	(99)	(99)	110	110	-	-
2014	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.	4,233	4,233	-	-	4,219	4,219	-	-	(118)	(118)	132	132	-	-
2014	SERC	1308	Gulf Power Company	U.S.	151,306	151,306	-	-	150,804	150,804	-	-	(4,204)	(4,204)	4,706	4,706	-	-
2014	SERC	1586	Haywood EMC	U.S.	4,108	4,108	-	-	4,094	4,094	-	-	(114)	(114)	128	128	-	-
2014	SERC	1309	Illinois Municipal Electric Agency	U.S.	25,180	25,180	-	-	25,096	25,096	-	-	(700)	(700)	783	783	-	-

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total
2014	SERC	1480	Itta Bena, MS	U.S.	250	250	-	-	249	249	-	-	(7)	(7)	8	8	-	-
2014	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	3,782	3,782	-	-	3,770	3,770	-	-	(105)	(105)	118	118	-	-
2014	SERC	1617	Kentucky Municipal Power	U.S.	9,129	9,129	-	-	9,098	9,098	-	-	(254)	(254)	284	284	-	-
2014	SERC	1481	Kosciusko, MS	U.S.	983	983	-	-	980	980	-	-	(27)	(27)	31	31	-	-
2014	SERC	1482	Leland, MS	U.S.	420	420	-	-	418	418	-	-	(12)	(12)	13	13	-	-
2014	SERC		Lockhart Power Company	U.S.	4,604	4,604	-	-	4,589	4,589	-	-	(128)	(128)	143	143	-	-
2014	SERC	1313	McCormick Commission of Public Works	U.S.	280	280	-	-	279	279	-	-	(8)	(8)	9	9	-	-
2014	SERC	1314	Mississippi Power Company	U.S.	136,598	136,598	-	-	136,145	136,145	-	-	(3,796)	(3,796)	4,249	4,249	-	-
2014	SERC	1630	Mt. Carmel Public Utility	U.S.	1,396	1,396	-	-	1,392	1,392	-	-	(39)	(39)	43	43	-	-
2014	SERC	1315	Municipal Electric Authority of Georgia	U.S.	141,412	141,412	-	-	140,943	140,943	-	-	(3,929)	(3,929)	4,399	4,399	-	-
2014	SERC	1316	N.C. Electric Membership Corp.	U.S.	166,643	166,643	-	-	166,090	166,090	-	-	(4,631)	(4,631)	5,189	5,183	-	-
2014	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	4,223	4,223	-	-	4,209	4,209	-	-	(117)	(117)	131	131	-	-
2014	SERC	1574	Northern Virginia Electric Cooperative	U.S.	54,365	54,365	-	-	54,184	54,184	-	-	(1,511)	(1,511)	1,691	1,691	-	-
2014	SERC	1319	Old Dominion Electric Cooperative	U.S.	74,378	74,378	-	-	74,131	74,131	-	-	(2,067)	(2,067)	2,313	2,313	-	-
2014	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.	2,107	2,107	-	-	2,100	2,100	-	-	(59)	(59)	66	66	-	-
2014	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	11,143	11,143	-	-	11,106	11,106	-	-	(310)	(310)	347	347	-	-
2014	SERC	1321	Piedmont EMC in Duke and Progress Areas	U.S.	6,825	6,825	-	-	6,802	6,802	-	-	(190)	(190)	212	212	-	-
2014	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	29,907	29,907	-	-	29,807	29,807	-	-	(831)	(831)	930	930	-	-
2014	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	3,420	3,420	-	-	3,408	3,408	-	-	(95)	(95)	106	106	-	-
2014	SERC	1266	PowerSouth Energy	U.S.	114,487	114,487	-	-	114,108	114,108	-	-	(3,181)	(3,181)	3,561	3,561	-	-
2014	SERC	1330	Prairie Power, Inc.	U.S.	21,012	21,012	-	-	20,943	20,943	-	-	(584)	(584)	654	654	-	-
2014	SERC	1324	Duke Energy Progress	U.S.	602,187	602,187	-	-	600,190	600,190	-	-	(16,733)	(16,733)	18,731	18,731	-	-
2014	SERC	1325	Rutherford EMC	U.S.	17,518	17,518	-	-	17,459	17,459	-	-	(487)	(487)	545	545	-	-
2014	SERC	1631	Sam Rayburn G&T Electric Cooperative Inc.	U.S.	24,111	24,111	-	-	24,031	24,031	-	-	(670)	(670)	750	750	-	-
2014	SERC	1326	South Carolina Electric & Gas Company	U.S.	303,814	303,814	-	-	302,807	302,807	-	-	(8,442)	(8,442)	9,450	9,450	-	-
2014	SERC	1327	South Carolina Public Service Authority	U.S.	147,596	147,596	-	-	147,106	147,106	-	-	(4,101)	(4,101)	4,591	4,591	-	-
2014	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	8,232	8,232	-	-	8,205	8,205	-	-	(229)	(229)	256	256	-	-
2014	SERC	1328	South Mississippi Electric Power Association	U.S.	132,747	132,747	-	-	132,306	132,306	-	-	(3,689)	(3,689)	4,129	4,129	-	-
2014	SERC	1329	Southern Illinois Power Cooperative	U.S.	21,557	21,557	-	-	21,485	21,485	-	-	(599)	(599)	671	671	-	-
2014	SERC	1591	Southwest Louisiana Electric Membership Corporation	U.S.	35,080	35,080	-	-	34,964	34,964	-	-	(975)	(975)	1,091	1,091	-	-
2014	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	5,920	5,920	-	-	5,900	5,900	-	-	(164)	(164)	184	184	-	-
2014	SERC	1331	Tennessee Valley Authority	U.S.	2,064,409	2,064,409	-	-	2,057,561	2,057,561	-	-	(57,365)	(57,365)	64,213	64,213	-	-
2014	SERC	1632	Tex-La Electric Cooperative of Texas, Inc	U.S.	2,682	2,682	-	-	2,673	2,673	-	-	(75)	(75)	83	83	-	-
2014	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	1,730	1,730	-	-	1,724	1,724	-	-	(48)	(48)	54	54	-	-
2014	SERC	1594	Town of Sharpsburg, N.C.	U.S.	267	267	-	-	266	266	-	-	(7)	(7)	8	8	-	-
2014	SERC	1595	Town of Stantonsburg, N.C. JRO	U.S.	788	788	-	-	785	785	-	-	(22)	(22)	24	24	-	-
2014	SERC	1333	Town of Waynesville NC	U.S.	1,271	1,271	-	-	1,266	1,266	-	-	(35)	(35)	40	40	-	-
2014	SERC	1334	Town of Winterville NC	U.S.	864	864	-	-	861	861	-	-	(24)	(24)	27	27	-	-
2014	SERC	1335	Town of Winterville NC	U.S.	695	695	-	-	693	693	-	-	(19)	(19)	22	22	-	-
2014	SERC	1597	Washington-St.Tammany Electric Cooperative, Inc.	U.S.	14,322	14,322	-	-	14,274	14,274	-	-	(398)	(398)	445	445	-	-
			TOTAL SERC		13,315,250	13,315,250	-	-	13,271,081	13,271,081	-	-	(369,998)	(369,998)	414,167	414,167	-	-
2014	SPP	1246	American Electric Power	U.S.	482,888	482,888	-	-	481,286	481,286	-	-	(13,418)	(13,418)	15,020	15,020	-	-
2014	SPP	1435	Arkansas Electric Cooperative Corporation	U.S.	197,801	197,801	-	-	197,145	197,145	-	-	(5,496)	(5,496)	6,153	6,153	-	-
2014	SPP	1247	Board of Public Utilities (Kansas City KS)	U.S.	31,196	31,196	-	-	31,092	31,092	-	-	(867)	(867)	970	970	-	-
2014	SPP	1620	Board of Public Utilities, City of McPherson, Kansas	U.S.	12,212	12,212	-	-	12,171	12,171	-	-	(339)	(339)	380	380	-	-
2014	SPP	1647	Carthage City Water & Light	U.S.	4,101	4,101	-	-	4,088	4,088	-	-	(114)	(114)	128	128	-	-
2014	SPP	1469	Central Valley Electric Cooperative	U.S.	11,810	11,810	-	-	11,771	11,771	-	-	(328)	(328)	367	367	-	-
2014	SPP	1556	City of Bentonville	U.S.	8,374	8,374	-	-	8,346	8,346	-	-	(233)	(233)	260	260	-	-
2014	SPP	1557	City of Clarksdale, Mississippi	U.S.	2,116	2,116	-	-	2,109	2,109	-	-	(59)	(59)	66	66	-	-
2014	SPP	1558	Hope Water & Light (HWL)	U.S.	3,882	3,882	-	-	3,869	3,869	-	-	(108)	(108)	121	121	-	-
2014	SPP	1559	City of Minden	U.S.	2,008	2,008	-	-	2,002	2,002	-	-	(56)	(56)	62	62	-	-
2014	SPP		City of Chanute	U.S.	6,497	6,497	-	-	6,475	6,475	-	-	(181)	(181)	202	202	-	-
2014	SPP	1636	City of Prescott	U.S.	1,127	1,127	-	-	1,123	1,123	-	-	(31)	(31)	35	35	-	-
2014	SPP	1248	Independence Power & Light (Independence, MO)	U.S.	13,641	13,641	-	-	13,596	13,596	-	-	(379)	(379)	424	424	-	-
2014	SPP	1436	City Utilities of Springfield, MO	U.S.	41,153	41,153	-	-	41,017	41,017	-	-	(1,144)	(1,144)	1,280	1,280	-	-
2014	SPP	1249	Cleco Power LLC	U.S.	165,584	165,584	-	-	165,035	165,035	-	-	(4,601)	(4,601)	5,150	5,150	-	-
2014	SPP	1437	East Texas Electric Coop, Inc.	U.S.	5,353	5,353	-	-	5,335	5,335	-	-	(149)	(149)	167	167	-	-
2014	SPP	1250	The Empire District Electric Company	U.S.	69,510	69,510	-	-	69,280	69,280	-	-	(1,932)	(1,932)	2,162	2,162	-	-
2014	SPP	1470	Farmers' Electric Coop	U.S.	4,714	4,714	-	-	4,699	4,699	-	-	(131)	(131)	147	147	-	-
2014	SPP	1438	Golden Spread Electric Coop	U.S.	71,190	71,190	-	-	70,954	70,954	-	-	(1,978)	(1,978)	2,214	2,214	-	-
2014	SPP	1251	Grand River Dam Authority	U.S.	67,466	67,466	-	-	67,242	67,242	-	-	(1,875)	(1,875)	2,098	2,098	-	-
2014	SPP	1648	Jonesboro City Water & Light	U.S.	17,305	17,305	-	-	17,248	17,248	-	-	(481)	(481)	538	538	-	-
2014	SPP	1252	Kansas City Power & Light (KCPL)	U.S.	206,225	206,225	-	-	205,541	205,541	-	-	(5,730)	(5,730)	6,415	6,415	-	-
2014	SPP	1439	Kansas Electric Power Coop., Inc	U.S.	29,448	29,448	-	-	29,350	29,350	-	-	(818)	(818)	916	916	-	-

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total
2014	SPP	1440	Kansas Municipal Energy Agency (KCPL)	U.S.	18,533	18,533	-	-	18,471	18,471	-	-	(515)	(515)	576	576	-	-
2014	SPP	1637	Kansas Power Pool	U.S.	11,833	11,833	-	-	11,794	11,794	-	-	(329)	(329)	368	368	-	-
2014	SPP	1649	Kennett Board of Public Works	U.S.	2,091	2,091	-	-	2,084	2,084	-	-	(58)	(58)	65	65	-	-
2014	SPP	1598	KCP&L GMOCC (Greater Missouri Operations Company)	U.S.	113,850	113,850	-	-	113,472	113,472	-	-	(3,164)	(3,164)	3,541	3,541	-	-
2014	SPP	1471	Lafayette Utilities System	U.S.	26,886	26,886	-	-	26,797	26,797	-	-	(747)	(747)	836	836	-	-
2014	SPP	1472	Lea County Electric Coop	U.S.	16,751	16,751	-	-	16,696	16,696	-	-	(465)	(465)	521	521	-	-
2014	SPP	1253	Louisiana Energy & Power Authority (LEPA)	U.S.	13,369	13,369	-	-	13,325	13,325	-	-	(371)	(371)	416	416	-	-
2014	SPP	1650	Malden Board of Public Works	U.S.	702	702	-	-	699	699	-	-	(19)	(19)	22	22	-	-
2014	SPP	1441	Midwest Energy Inc.	U.S.	23,884	23,884	-	-	23,804	23,804	-	-	(664)	(664)	743	743	-	-
2014	SPP	1443	Missouri Joint Municipal Electric Utility Commission	U.S.	34,415	34,415	-	-	34,301	34,301	-	-	(956)	(956)	1,070	1,070	-	-
2014	SPP	1442	Northeast Texas Electric Cooperative, Inc.	U.S.	42,728	42,728	-	-	42,586	42,586	-	-	(1,187)	(1,187)	1,329	1,329	-	-
2014	SPP	1255	Oklahoma Gas and Electric Co.	U.S.	367,849	367,849	-	-	366,629	366,629	-	-	(10,222)	(10,222)	11,442	11,442	-	-
2014	SPP	1444	Oklahoma Municipal Power Auth	U.S.	37,290	37,290	-	-	37,166	37,166	-	-	(1,036)	(1,036)	1,160	1,160	-	-
2014	SPP	1639	OzMo Ozark Missouri, West Plains MO	U.S.	2,711	2,711	-	-	2,702	2,702	-	-	(75)	(75)	84	84	-	-
2014	SPP	1651	Paragould Light, Water & Cable	U.S.	8,331	8,331	-	-	8,303	8,303	-	-	(231)	(231)	259	259	-	-
2014	SPP	1652	Piggott Municipal Light, Water & Sewer	U.S.	559	559	-	-	557	557	-	-	(16)	(16)	17	17	-	-
2014	SPP	1653	Poplar Bluff Municipal Utilities	U.S.	5,371	5,371	-	-	5,353	5,353	-	-	(149)	(149)	167	167	-	-
2014	SPP	1561	Public Service Commission of Yazoo City of Mississippi	U.S.	1,505	1,505	-	-	1,500	1,500	-	-	(42)	(42)	47	47	-	-
2014	SPP	1473	Roosevelt County Electric Coop	U.S.	2,361	2,361	-	-	2,353	2,353	-	-	(66)	(66)	73	73	-	-
2014	SPP	1654	Sikeston Board of Municipal Utilities	U.S.	5,576	5,576	-	-	5,557	5,557	-	-	(155)	(155)	173	173	-	-
2014	SPP	1257	Southwestern Public Service Co. (SPS-XCEL)	U.S.	278,654	278,654	-	-	277,730	277,730	-	-	(7,743)	(7,743)	8,667	8,667	-	-
2014	SPP	1256	Sunflower Electric Power Cooperative	U.S.	60,227	60,227	-	-	60,027	60,027	-	-	(1,674)	(1,674)	1,873	1,873	-	-
2014	SPP	1445	Tex - La Electric Cooperative of Texas	U.S.	6,439	6,439	-	-	6,418	6,418	-	-	(179)	(179)	200	200	-	-
2014	SPP	1475	Tri County Electric Coop	U.S.	5,154	5,154	-	-	5,137	5,137	-	-	(143)	(143)	160	160	-	-
2014	SPP	1260	Westar Energy, Inc.	U.S.	282,806	282,806	-	-	281,868	281,868	-	-	(7,858)	(7,858)	8,797	8,797	-	-
2014	SPP	1259	Western Farmers Electric Cooperative	U.S.	120,311	120,311	-	-	119,912	119,912	-	-	(3,343)	(3,343)	3,742	3,742	-	-
2014	SPP	1501	West Texas Municipal Power Agency	U.S.	37,077	37,077	-	-	36,954	36,954	-	-	(1,030)	(1,030)	1,153	1,153	-	-
TOTAL SPP					2,982,867	2,982,867	-	-	2,972,972	2,972,972	-	-	(82,886)	(82,886)	92,781	92,781	-	-
2014	TRE	1019	ERCOT	U.S.	4,416,501	4,416,501	-	-	4,401,850	4,401,850	-	-	(122,724)	(122,724)	137,374	137,374	-	-
TOTAL ERCOT					4,416,501	4,416,501	-	-	4,401,850	4,401,850	-	-	(122,724)	(122,724)	137,374	137,374	-	-
2014	WECC		Alberta Electric System Operator	Canada	514,324	-	514,324	-	808,586	-	808,586	-	-	-	(294,262)	-	(294,262)	-
2014	WECC		British Columbia Hydro & Power Authority	Canada	785,417	-	785,417	-	761,648	-	761,648	-	-	-	23,770	-	23,770	-
2014	WECC		Comision Federal de Electricidad	Mexico	159,765	-	-	159,765	154,930	-	-	154,930	-	-	4,835	-	-	4,835
2014	WECC		Ajo Improvement District	U.S.	173	173	-	-	173	173	-	-	(5)	(5)	5	5	-	-
2014	WECC		Aguila Irrigation District - APS	U.S.	507	507	-	-	505	505	-	-	(14)	(14)	16	16	-	-
2014	WECC		Electrical District No. 6 of Pinal County - APS	U.S.	33	33	-	-	33	33	-	-	(1)	(1)	1	1	-	-
2014	WECC		Electrical District No. 7 of Maricopa County - APS	U.S.	664	664	-	-	662	662	-	-	(18)	(18)	21	21	-	-
2014	WECC		Electrical District No. 8 of Maricopa County - APS	U.S.	4,128	4,128	-	-	4,114	4,114	-	-	(115)	(115)	128	128	-	-
2014	WECC		Harquahala Valley Power Districts - APS	U.S.	1,196	1,196	-	-	1,192	1,192	-	-	(33)	(33)	37	37	-	-
2014	WECC		Maricopa County Municipal Water Conservation Dist No. 1 - APS	U.S.	712	712	-	-	710	710	-	-	(20)	(20)	22	22	-	-
2014	WECC		McMullen Valley Water Conservation & Drainage District - APS	U.S.	1,065	1,065	-	-	1,062	1,062	-	-	(30)	(30)	33	33	-	-
2014	WECC		Roosevelt Irrigation District - APS	U.S.	538	538	-	-	536	536	-	-	(15)	(15)	17	17	-	-
2014	WECC		Tonopah Irrigation District - APS	U.S.	263	263	-	-	262	262	-	-	(7)	(7)	8	8	-	-
2014	WECC		Buckeye Water Conservation and Drainage District - APS	U.S.	261	261	-	-	260	260	-	-	(7)	(7)	8	8	-	-
2014	WECC		Arizona Public Service Company	U.S.	380,010	380,010	-	-	378,750	378,750	-	-	(10,560)	(10,560)	11,820	11,820	-	-
2014	WECC		City of Williams	U.S.	554	554	-	-	553	553	-	-	(15)	(15)	17	17	-	-
2014	WECC		Electrical Districts 1 & 3	U.S.	8,748	8,748	-	-	8,719	8,719	-	-	(243)	(243)	272	272	-	-
2014	WECC		Navajo Tribal Utility Authority	U.S.	264	264	-	-	263	263	-	-	(7)	(7)	8	8	-	-
2014	WECC		Tohono O'odham Utility Authority	U.S.	825	825	-	-	822	822	-	-	(23)	(23)	26	26	-	-
2014	WECC		Town of Wickenburg	U.S.	342	342	-	-	341	341	-	-	(10)	(10)	11	11	-	-
2014	WECC		Avista Corporation	U.S.	123,765	123,765	-	-	123,354	123,354	-	-	(3,439)	(3,439)	3,850	3,850	-	-
2014	WECC		Big Bend Electric Cooperative, Inc.	U.S.	1,947	1,947	-	-	1,941	1,941	-	-	(54)	(54)	61	61	-	-
2014	WECC		City of Cheney	U.S.	1,936	1,936	-	-	1,929	1,929	-	-	(54)	(54)	60	60	-	-
2014	WECC		City of Chewelah	U.S.	304	304	-	-	303	303	-	-	(8)	(8)	9	9	-	-
2014	WECC		City of Plummer	U.S.	451	451	-	-	450	450	-	-	(13)	(13)	14	14	-	-
2014	WECC		Clearwater Cooperative, Inc	U.S.	2,189	2,189	-	-	2,182	2,182	-	-	(61)	(61)	68	68	-	-
2014	WECC		Consolidated Irrigation District No. 19	U.S.	91	91	-	-	91	91	-	-	(3)	(3)	3	3	-	-
2014	WECC		Idaho County Light and Power Cooperative Association, Inc.	U.S.	755	755	-	-	753	753	-	-	(21)	(21)	23	23	-	-
2014	WECC		Inland Power and Light Company	U.S.	6,232	6,232	-	-	6,211	6,211	-	-	(173)	(173)	194	194	-	-
2014	WECC		Kaiser Aluminum Fabricated Products LLC	U.S.	4,098	4,098	-	-	4,084	4,084	-	-	(114)	(114)	127	127	-	-
2014	WECC		Kootenai Electric Cooperative, Inc.	U.S.	6,212	6,212	-	-	6,191	6,191	-	-	(173)	(173)	193	193	-	-
2014	WECC		Modern Electric Water Company	U.S.	3,037	3,037	-	-	3,027	3,027	-	-	(84)	(84)	94	94	-	-
2014	WECC		Northern Lights, Inc.	U.S.	467	467	-	-	466	466	-	-	(13)	(13)	15	15	-	-

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total
2014	WECC		Pend Oreille County PUD No. 1	U.S.	11,928	11,928	-	-	11,888	11,888	-	-	(331)	(331)	371	371	-	-
2014	WECC		PUD No. 1 of Asotin County	U.S.	66	66	-	-	66	66	-	-	(2)	(2)	2	2	-	-
2014	WECC		PUD No. 2 of Grant County	U.S.	1,257	1,257	-	-	1,252	1,252	-	-	(35)	(35)	39	39	-	-
2014	WECC		U.S. BOR East Greenacres (Rathdrum)	U.S.	41	41	-	-	41	41	-	-	(1)	(1)	1	1	-	-
2014	WECC		U.S. Bor Spokane Indian Development	U.S.	41	41	-	-	41	41	-	-	(1)	(1)	1	1	-	-
2014	WECC		US Air Force Base, Fairchild	U.S.	637	637	-	-	635	635	-	-	(18)	(18)	20	20	-	-
2014	WECC		City of Redding	U.S.	10,280	10,280	-	-	10,246	10,246	-	-	(286)	(286)	320	320	-	-
2014	WECC		City of Roseville	U.S.	16,108	16,108	-	-	16,055	16,055	-	-	(448)	(448)	501	501	-	-
2014	WECC		Modesto Irrigation District	U.S.	33,452	33,452	-	-	33,341	33,341	-	-	(930)	(930)	1,041	1,041	-	-
2014	WECC		Sacramento Municipal Utility District	U.S.	145,730	145,730	-	-	145,247	145,247	-	-	(4,049)	(4,049)	4,533	4,533	-	-
2014	WECC		Western Area Power Administration - Sierra Nevada Region	U.S.	17,107	17,107	-	-	17,050	17,050	-	-	(475)	(475)	532	532	-	-
2014	WECC		Bonneville Power Administration	U.S.	705,806	705,806	-	-	703,464	703,464	-	-	(19,613)	(19,613)	21,954	21,954	-	-
2014	WECC		California Independent System Operator	U.S.	2,993,611	2,993,611	-	-	2,983,681	2,983,681	-	-	(83,185)	(83,185)	93,115	93,115	-	-
2014	WECC		El Paso Electric Company	U.S.	106,515	106,515	-	-	106,162	106,162	-	-	(2,960)	(2,960)	3,313	3,313	-	-
2014	WECC		Bonneville Power Administration	U.S.	22,997	22,997	-	-	22,920	22,920	-	-	(639)	(639)	715	715	-	-
2014	WECC		Idaho Power Company	U.S.	200,852	200,852	-	-	200,186	200,186	-	-	(5,581)	(5,581)	6,247	6,247	-	-
2014	WECC		PacifiCorp	U.S.	27	27	-	-	26	26	-	-	(1)	(1)	1	1	-	-
2014	WECC		Imperial Irrigation District	U.S.	47,881	47,881	-	-	47,722	47,722	-	-	(1,330)	(1,330)	1,489	1,489	-	-
2014	WECC		Los Angeles Department of Water and Power	U.S.	384,323	384,323	-	-	383,049	383,049	-	-	(10,679)	(10,679)	11,954	11,954	-	-
2014	WECC		City of Henderson	U.S.	555	555	-	-	553	553	-	-	(15)	(15)	17	17	-	-
2014	WECC		City of Las Vegas	U.S.	562	562	-	-	560	560	-	-	(16)	(16)	17	17	-	-
2014	WECC		City of North Las Vegas	U.S.	250	250	-	-	249	249	-	-	(7)	(7)	8	8	-	-
2014	WECC		Clark County Water Resources	U.S.	1,016	1,016	-	-	1,012	1,012	-	-	(28)	(28)	32	32	-	-
2014	WECC		Colorado River Commission of Nevada	U.S.	11,936	11,936	-	-	11,897	11,897	-	-	(332)	(332)	371	371	-	-
2014	WECC		Las Vegas Valley Water District	U.S.	1,238	1,238	-	-	1,234	1,234	-	-	(34)	(34)	39	39	-	-
2014	WECC		Nevada Power Company dba NV Energy	U.S.	324,240	324,240	-	-	323,164	323,164	-	-	(9,010)	(9,010)	10,085	10,085	-	-
2014	WECC		Overton Power District No. 5	U.S.	4,900	4,900	-	-	4,883	4,883	-	-	(136)	(136)	152	152	-	-
2014	WECC		Southern Nevada Water Authority	U.S.	1,547	1,547	-	-	1,542	1,542	-	-	(43)	(43)	48	48	-	-
2014	WECC		Bonneville Power Administration	U.S.	10,103	10,103	-	-	10,070	10,070	-	-	(281)	(281)	314	314	-	-
2014	WECC		Central Montana Electric Power Cooperative	U.S.	5,406	5,406	-	-	5,389	5,389	-	-	(150)	(150)	168	168	-	-
2014	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	120,065	120,065	-	-	119,666	119,666	-	-	(3,336)	(3,336)	3,735	3,735	-	-
2014	WECC		Southern Montana Electric Generation & Transmission	U.S.	5,063	5,063	-	-	5,046	5,046	-	-	(141)	(141)	157	157	-	-
2014	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	101	101	-	-	101	101	-	-	(3)	(3)	3	3	-	-
2014	WECC		PacifiCorp	U.S.	646,220	646,220	-	-	644,077	644,077	-	-	(17,957)	(17,957)	20,101	20,101	-	-
2014	WECC		PacifiCorp West (PACW)	U.S.	270,763	270,763	-	-	269,865	269,865	-	-	(7,524)	(7,524)	8,422	8,422	-	-
2014	WECC		Bonneville Power Administration	U.S.	114	114	-	-	114	114	-	-	(3)	(3)	4	4	-	-
2014	WECC		Canby Public Utility Board	U.S.	2,139	2,139	-	-	2,132	2,132	-	-	(59)	(59)	67	67	-	-
2014	WECC		Columbia River PUD	U.S.	3,935	3,935	-	-	3,922	3,922	-	-	(109)	(109)	122	122	-	-
2014	WECC		Noble Americas Energy Solutions, LLC	U.S.	22,264	22,264	-	-	22,191	22,191	-	-	(619)	(619)	693	693	-	-
2014	WECC		PacifiCorp	U.S.	29	29	-	-	28	28	-	-	(1)	(1)	1	1	-	-
2014	WECC		Portland General Electric Company	U.S.	248,295	248,295	-	-	247,472	247,472	-	-	(6,900)	(6,900)	7,723	7,723	-	-
2014	WECC		West Oregon Electric Cooperative, Inc.	U.S.	151	151	-	-	151	151	-	-	(4)	(4)	5	5	-	-
2014	WECC		Arkansas River Power Authority (ARPA)	U.S.	3,385	3,385	-	-	3,373	3,373	-	-	(94)	(94)	105	105	-	-
2014	WECC		Black Hills Colorado Electric	U.S.	25,348	25,348	-	-	25,264	25,264	-	-	(704)	(704)	788	788	-	-
2014	WECC		Burlington	U.S.	901	901	-	-	898	898	-	-	(25)	(25)	28	28	-	-
2014	WECC		Colorado Springs Utilities	U.S.	384	384	-	-	383	383	-	-	(11)	(11)	12	12	-	-
2014	WECC		Grand Valley Power	U.S.	2,964	2,964	-	-	2,954	2,954	-	-	(82)	(82)	92	92	-	-
2014	WECC		Holy Cross Energy	U.S.	14,535	14,535	-	-	14,487	14,487	-	-	(404)	(404)	452	452	-	-
2014	WECC		Intermountain Rural Electric Association	U.S.	27,645	27,645	-	-	27,553	27,553	-	-	(768)	(768)	860	860	-	-
2014	WECC		Municipal Energy Agency of Nebraska	U.S.	2,321	2,321	-	-	2,313	2,313	-	-	(64)	(64)	72	72	-	-
2014	WECC		Platte River Power Authority	U.S.	41,401	41,401	-	-	41,264	41,264	-	-	(1,150)	(1,150)	1,288	1,288	-	-
2014	WECC		Public Service Company of Colorado (Xcel)	U.S.	359,791	359,791	-	-	358,598	358,598	-	-	(9,998)	(9,998)	11,191	11,191	-	-
2014	WECC		Raton Public Service	U.S.	730	730	-	-	728	728	-	-	(20)	(20)	23	23	-	-
2014	WECC		Town of Center	U.S.	193	193	-	-	193	193	-	-	(5)	(5)	6	6	-	-
2014	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	30,347	30,347	-	-	30,246	30,246	-	-	(843)	(843)	944	944	-	-
2014	WECC		Western Area Power - Loveland, CO	U.S.	2,173	2,173	-	-	2,166	2,166	-	-	(60)	(60)	68	68	-	-
2014	WECC		Yampa Valley Electric Association	U.S.	7,223	7,223	-	-	7,199	7,199	-	-	(201)	(201)	225	225	-	-
2014	WECC		City of Aztec Electric Dept	U.S.	508	508	-	-	506	506	-	-	(14)	(14)	16	16	-	-
2014	WECC		City of Gallup	U.S.	2,388	2,388	-	-	2,380	2,380	-	-	(66)	(66)	74	74	-	-
2014	WECC		Jicarilla Apache Nation Power Authority	U.S.	186	186	-	-	185	185	-	-	(5)	(5)	6	6	-	-
2014	WECC		Navajo Tribal Utility Authority	U.S.	3,439	3,439	-	-	3,428	3,428	-	-	(96)	(96)	107	107	-	-
2014	WECC		Navopache Electric Cooperative, Inc.	U.S.	4,517	4,517	-	-	4,502	4,502	-	-	(126)	(126)	141	141	-	-
2014	WECC		Public Service Company of New Mexico	U.S.	137,632	137,632	-	-	137,175	137,175	-	-	(3,824)	(3,824)	4,281	4,281	-	-
2014	WECC		The Incorporated County of Los Alamos	U.S.	4,521	4,521	-	-	4,506	4,506	-	-	(126)	(126)	141	141	-	-
2014	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	31,356	31,356	-	-	31,252	31,252	-	-	(871)	(871)	975	975	-	-

2014 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2016 NERC and RE Assessments

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total
2014	WECC		US Dept of Energy - Kirtland AFB	U.S.	5,205	5,205	-	-	5,188	5,188	-	-	(145)	(145)	162	162	-	-
2014	WECC		Public Utility District No. 1 of Chelan County	U.S.	50,875	50,875	-	-	50,706	50,706	-	-	(1,414)	(1,414)	1,582	1,582	-	-
2014	WECC		PUD No. 1 of Douglas County	U.S.	10,233	10,233	-	-	10,199	10,199	-	-	(284)	(284)	318	318	-	-
2014	WECC		Okanogan PUD	U.S.	8,364	8,364	-	-	8,337	8,337	-	-	(232)	(232)	260	260	-	-
2014	WECC		BPA - Douglas Pumping	U.S.	338	338	-	-	337	337	-	-	(9)	(9)	11	11	-	-
2014	WECC		BPA - Okanogan Pumping	U.S.	404	404	-	-	403	403	-	-	(11)	(11)	13	13	-	-
2014	WECC		BPA - Okanogan REA	U.S.	771	771	-	-	768	768	-	-	(21)	(21)	24	24	-	-
2014	WECC		BPA - USBR Load	U.S.	1,785	1,785	-	-	1,779	1,779	-	-	(50)	(50)	56	56	-	-
2014	WECC		BPA - Big Bend/Schrag Load	U.S.	553	553	-	-	551	551	-	-	(15)	(15)	17	17	-	-
2014	WECC		BPA - Kittitas Load	U.S.	92	92	-	-	92	92	-	-	(3)	(3)	3	3	-	-
2014	WECC		Douglas Palisades / PUD No. 1 of DC	U.S.	261	261	-	-	260	260	-	-	(7)	(7)	8	8	-	-
2014	WECC		PUD No. 2 of Grant County	U.S.	54,307	54,307	-	-	54,127	54,127	-	-	(1,509)	(1,509)	1,689	1,689	-	-
2014	WECC		City of Blaine	U.S.	1,018	1,018	-	-	1,014	1,014	-	-	(28)	(28)	32	32	-	-
2014	WECC		City of Sumas	U.S.	402	402	-	-	401	401	-	-	(11)	(11)	13	13	-	-
2014	WECC		Port of Seattle - Seattle-Tacoma International Airport	U.S.	1,844	1,844	-	-	1,838	1,838	-	-	(51)	(51)	57	57	-	-
2014	WECC		PUD No. 1 of Kittitas County	U.S.	214	214	-	-	213	213	-	-	(6)	(6)	7	7	-	-
2014	WECC		PUD No. 1 of Whatcom County	U.S.	69	69	-	-	69	69	-	-	(2)	(2)	2	2	-	-
2014	WECC		Puget Sound Energy, Inc.	U.S.	309,725	309,725	-	-	308,698	308,698	-	-	(8,606)	(8,606)	9,634	9,634	-	-
2014	WECC		Tanner Electric Cooperative	U.S.	1,260	1,260	-	-	1,256	1,256	-	-	(35)	(35)	39	39	-	-
2014	WECC		Salt River Project	U.S.	377,263	377,263	-	-	376,012	376,012	-	-	(10,483)	(10,483)	11,735	11,735	-	-
2014	WECC		Seattle City Light	U.S.	128,116	128,116	-	-	127,691	127,691	-	-	(3,560)	(3,560)	3,985	3,985	-	-
2014	WECC		Barrick Goldstrike Mines Inc.	U.S.	14,484	14,484	-	-	14,436	14,436	-	-	(402)	(402)	451	451	-	-
2014	WECC		City of Fallon	U.S.	1,661	1,661	-	-	1,656	1,656	-	-	(46)	(46)	52	52	-	-
2014	WECC		Harney Electric Cooperative, Inc.	U.S.	1,597	1,597	-	-	1,591	1,591	-	-	(44)	(44)	50	50	-	-
2014	WECC		Mt. Wheeler Power	U.S.	7,017	7,017	-	-	6,994	6,994	-	-	(195)	(195)	218	218	-	-
2014	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	118,766	118,766	-	-	118,372	118,372	-	-	(3,300)	(3,300)	3,694	3,694	-	-
2014	WECC		Truckee Donner Public Utility District	U.S.	1,880	1,880	-	-	1,874	1,874	-	-	(52)	(52)	58	58	-	-
2014	WECC		Wells Rural Electric Cooperative	U.S.	8,648	8,648	-	-	8,620	8,620	-	-	(240)	(240)	269	269	-	-
2014	WECC		City of Tacoma DBA Tacoma Power	U.S.	63,698	63,698	-	-	63,486	63,486	-	-	(1,770)	(1,770)	1,981	1,981	-	-
2014	WECC		Tucson Electric Power Company	U.S.	197,515	197,515	-	-	196,860	196,860	-	-	(5,488)	(5,488)	6,144	6,144	-	-
2014	WECC		Merced Irrigation District	U.S.	6,189	6,189	-	-	6,168	6,168	-	-	(172)	(172)	192	192	-	-
2014	WECC		Turlock Irrigation District	U.S.	27,804	27,804	-	-	27,712	27,712	-	-	(773)	(773)	865	865	-	-
2014	WECC		Basin Electric Power Cooperative	U.S.	39,434	39,434	-	-	39,303	39,303	-	-	(1,096)	(1,096)	1,227	1,227	-	-
2014	WECC		Black Hills Power/Cheyenne Light Fuel & Power	U.S.	44,491	44,491	-	-	44,344	44,344	-	-	(1,236)	(1,236)	1,384	1,384	-	-
2014	WECC		Black Hills State University South Dakota	U.S.	250	250	-	-	249	249	-	-	(7)	(7)	8	8	-	-
2014	WECC		City of Page	U.S.	1,129	1,129	-	-	1,125	1,125	-	-	(31)	(31)	35	35	-	-
2014	WECC		Colorado Springs Utilities	U.S.	58,347	58,347	-	-	58,153	58,153	-	-	(1,621)	(1,621)	1,815	1,815	-	-
2014	WECC		Deseret Generation & Transmission Cooperative	U.S.	1,463	1,463	-	-	1,458	1,458	-	-	(41)	(41)	46	46	-	-
2014	WECC		City of Farmington	U.S.	14,220	14,220	-	-	14,173	14,173	-	-	(395)	(395)	442	442	-	-
2014	WECC		Municipal Energy Agency of Nebraska	U.S.	8,721	8,721	-	-	8,692	8,692	-	-	(242)	(242)	271	271	-	-
2014	WECC		Navajo Agricultural Products Industry (NAPI)	U.S.	114	114	-	-	114	114	-	-	(3)	(3)	4	4	-	-
2014	WECC		Nebraska Public Power Marketing	U.S.	47	47	-	-	47	47	-	-	(1)	(1)	1	1	-	-
2014	WECC		PacificCorp	U.S.	1,547	1,547	-	-	1,542	1,542	-	-	(43)	(43)	48	48	-	-
2014	WECC		Public Service Company of Colorado (Xcel)	U.S.	476	476	-	-	474	474	-	-	(13)	(13)	15	15	-	-
2014	WECC		Town of Fredonia	U.S.	141	141	-	-	140	140	-	-	(4)	(4)	4	4	-	-
2014	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	93,699	93,699	-	-	93,389	93,389	-	-	(2,604)	(2,604)	2,914	2,914	-	-
2014	WECC		Western Area Power - Loveland, CO	U.S.	29,876	29,876	-	-	29,777	29,777	-	-	(830)	(830)	929	929	-	-
2014	WECC		Western Area Power Administration - CRSP	U.S.	22,540	22,540	-	-	22,465	22,465	-	-	(626)	(626)	701	701	-	-
2014	WECC		Wyoming Municipal Power Agency	U.S.	3,639	3,639	-	-	3,626	3,626	-	-	(101)	(101)	113	113	-	-
2014	WECC		Basin Electric Power Cooperative	U.S.	745	745	-	-	743	743	-	-	(21)	(21)	23	23	-	-
2014	WECC		Bonneville Power Administration	U.S.	144	144	-	-	144	144	-	-	(4)	(4)	4	4	-	-
2014	WECC		Central Montana Electric Power Cooperative	U.S.	816	816	-	-	814	814	-	-	(23)	(23)	25	25	-	-
2014	WECC		Montana-Dakota Utilities Co.	U.S.	304	304	-	-	303	303	-	-	(8)	(8)	9	9	-	-
2014	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	3,135	3,135	-	-	3,125	3,125	-	-	(87)	(87)	98	98	-	-
2014	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	5,360	5,360	-	-	5,342	5,342	-	-	(149)	(149)	167	167	-	-
2014	WECC		Aha Macav Power Service	U.S.	339	339	-	-	338	338	-	-	(9)	(9)	11	11	-	-
2014	WECC		Bureau of Reclamation (Desalter) - c/o DSW EMMO	U.S.	8	8	-	-	8	8	-	-	(0)	(0)	0	0	-	-
2014	WECC		Bureau of Reclamation (Wellfield) - c/o DSW EMMO	U.S.	88	88	-	-	88	88	-	-	(2)	(2)	3	3	-	-
2014	WECC		Central Arizona Water Conservation District	U.S.	33,632	33,632	-	-	33,521	33,521	-	-	(935)	(935)	1,046	1,046	-	-
2014	WECC		City of Mesa	U.S.	3,254	3,254	-	-	3,243	3,243	-	-	(90)	(90)	101	101	-	-
2014	WECC		City of Needles	U.S.	374	374	-	-	373	373	-	-	(10)	(10)	12	12	-	-
2014	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	167	167	-	-	167	167	-	-	(5)	(5)	5	5	-	-
2014	WECC		Electrical District #2	U.S.	2,473	2,473	-	-	2,464	2,464	-	-	(69)	(69)	77	77	-	-
2014	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	121	121	-	-	121	121	-	-	(3)	(3)	4	4	-	-
2014	WECC		Silver State Energy - c/o Colorado River Commission of Nevada	U.S.	8,643	8,643	-	-	8,614	8,614	-	-	(240)	(240)	269	269	-	-

Data Year	Regional Entity	ID	Entity	Country	Total NERC Assessments				NERC NEL Assessments				Penalty Sanctions		NERC Compliance Credits			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Mexico Total
2014	WECC		Southwest Transmission Cooperative, Inc.	U.S.	24,603	24,603	-	-	24,522	24,522	-	-	(684)	(684)	765	765	-	-
2014	WECC		U.S. Army Yuma Proving Ground	U.S.	292	292	-	-	291	291	-	-	(8)	(8)	9	9	-	-
2014	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	37	37	-	-	37	37	-	-	(1)	(1)	1	1	-	-
2014	WECC		Western Area Power Administration-Desert Southwest Region	U.S.	53,633	53,633	-	-	53,456	53,456	-	-	(1,490)	(1,490)	1,668	1,668	-	-
TOTAL WECC					10,955,378	9,495,872	1,299,741	159,765	11,189,536	9,464,373	1,570,233	154,930	(263,867)	(263,867)	29,709	295,366	(270,492)	4,835
TOTAL ERO					57,081,445	51,785,828	5,135,852	159,765	58,520,445	51,614,044	6,751,471	154,930	(1,439,000)	(1,439,000)	0	1,610,784	(1,615,619)	4,835
Summary by Regional Entity																		
2014	FRCC				2,907,605	2,907,605	-	-	2,897,959	2,897,959	-	-	(80,795)	(80,795)	90,440	90,440	-	-
2014	MRO				3,754,043	3,120,012	634,031	-	3,724,505	3,109,662	614,843	-	(86,697)	(86,697)	116,235	97,047	19,188	-
2014	NPCC				6,919,438	3,717,358	3,202,080	-	8,271,421	3,705,026	4,566,395	-	(103,296)	(103,296)	(1,248,687)	115,627	(1,364,314)	-
2014	RF				11,830,363	11,830,363	-	-	11,791,120	11,791,120	-	-	(328,737)	(328,737)	367,980	367,980	-	-
2014	SERC				13,315,250	13,315,250	-	-	13,271,081	13,271,081	-	-	(369,998)	(369,998)	414,167	414,167	-	-
2014	SPP				2,982,867	2,982,867	-	-	2,972,972	2,972,972	-	-	(82,886)	(82,886)	92,781	92,781	-	-
2014	TRE				4,416,501	4,416,501	-	-	4,401,850	4,401,850	-	-	(122,724)	(122,724)	137,374	137,374	-	-
2014	WECC				10,955,378	9,495,872	1,299,741	159,765	11,189,536	9,464,373	1,570,233	154,930	(263,867)	(263,867)	29,709	295,366	(270,492)	4,835
Total					57,081,445	51,785,828	5,135,852	159,765	58,520,445	51,614,044	6,751,471	154,930	(1,439,000)	(1,439,000)	-	1,610,784	(1,615,619)	4,835

Data Year	Regional Entity	ID	Entity	Country	Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2014	FRCC	1074	Alachua, City of	U.S.	3,622	3,622	-	-	3,666	3,666	-	-			(44)	(44)									
2014	FRCC	1075	Bartow, City of	U.S.	8,497	8,497	-	-	8,601	8,601	-	-			(104)	(104)									
2014	FRCC	1076	Chattahoochee, City of	U.S.	1,126	1,126	-	-	1,140	1,140	-	-			(14)	(14)									
2014	FRCC	1077	Florida Keys Electric Cooperative Assn	U.S.	21,833	21,833	-	-	22,099	22,099	-	-			(267)	(267)									
2014	FRCC	1078	Florida Power & Light Co.	U.S.	3,256,261	3,256,261	-	-	3,296,053	3,296,053	-	-			(39,792)	(39,792)									
2014	FRCC	1079	Florida Public Utilities Company	U.S.	10,680	10,680	-	-	10,811	10,811	-	-			(131)	(131)									
2014	FRCC	1080	Gainesville Regional Utilities	U.S.	51,759	51,759	-	-	52,391	52,391	-	-			(632)	(632)									
2014	FRCC	1081	Homestead, City of	U.S.	15,460	15,460	-	-	15,649	15,649	-	-			(189)	(189)									
2014	FRCC	1082	IEA	U.S.	363,396	363,396	-	-	367,837	367,837	-	-			(4,441)	(4,441)									
2014	FRCC	1083	Lakeland Electric	U.S.	88,688	88,688	-	-	89,772	89,772	-	-			(1,084)	(1,084)									
2014	FRCC	1626	Lee County Electric Cooperative, Inc	U.S.	113,041	113,041	-	-	114,422	114,422	-	-			(1,381)	(1,381)									
2014	FRCC	1661	City of Lake Worth	U.S.	13,218	13,218	-	-	13,379	13,379	-	-			(162)	(162)									
2014	FRCC	1084	Mount Dora, City of	U.S.	2,674	2,674	-	-	2,707	2,707	-	-			(33)	(33)									
2014	FRCC	1085	New Smyrna Beach, Utilities Commission of	U.S.	12,067	12,067	-	-	12,214	12,214	-	-			(147)	(147)									
2014	FRCC	1086	Orlando Utilities Commission	U.S.	173,570	173,570	-	-	175,691	175,691	-	-			(2,121)	(2,121)									
2014	FRCC	1087	Duke Energy Florida	U.S.	1,172,486	1,172,486	-	-	1,186,814	1,186,814	-	-			(14,328)	(14,328)									
2014	FRCC	1088	Quincy, City of	U.S.	4,004	4,004	-	-	4,053	4,053	-	-			(49)	(49)									
2014	FRCC	1089	Reedy Creek Improvement District	U.S.	35,198	35,198	-	-	35,628	35,628	-	-			(430)	(430)									
2014	FRCC	1090	St. Cloud, City of (OUC)	U.S.	18,853	18,853	-	-	19,083	19,083	-	-			(230)	(230)									
2014	FRCC	1091	Tallahassee, City of	U.S.	81,165	81,165	-	-	82,156	82,156	-	-			(992)	(992)									
2014	FRCC	1092	Tampa Electric Company	U.S.	569,863	569,863	-	-	576,827	576,827	-	-			(6,964)	(6,964)									
2014	FRCC	1603	City of Vero Beach	U.S.	21,862	21,862	-	-	22,129	22,129	-	-			(267)	(267)									
2014	FRCC	1093	Wauchula, City of	U.S.	1,879	1,879	-	-	1,902	1,902	-	-			(23)	(23)									
2014	FRCC	1094	Williston, City of	U.S.	968	968	-	-	980	980	-	-			(12)	(12)									
2014	FRCC	1095	Winter Park, City of	U.S.	12,906	12,906	-	-	13,064	13,064	-	-			(158)	(158)									
2014	FRCC	1072	Florida Municipal Power Agency	U.S.	165,559	165,559	-	-	167,582	167,582	-	-			(2,023)	(2,023)									
2014	FRCC	1073	Seminole Electric Cooperative	U.S.	407,823	407,823	-	-	412,807	412,807	-	-			(4,984)	(4,984)									
TOTAL FRCC					6,628,457	6,628,457	-	-	6,709,457	6,709,457	-	-	(81,000)	(81,000)											
2014	MRO	1199	Basin Electric Power Cooperative	U.S.	606,557	606,557	-	-	615,667	615,667	-	-			(9,111)	(9,111)									
2014	MRO	1201	Central Iowa Power Cooperative (CIPOCO)	U.S.	105,871	105,871	-	-	107,461	107,461	-	-			(1,590)	(1,590)									
2014	MRO	1204	Corn Belt Power Cooperative	U.S.	71,426	71,426	-	-	72,499	72,499	-	-			(1,073)	(1,073)									
2014	MRO	1207	Dairyland Power Cooperative	U.S.	210,204	210,204	-	-	213,361	213,361	-	-			(3,157)	(3,157)									
2014	MRO	1210	Great River Energy	U.S.	528,900	528,900	-	-	536,844	536,844	-	-			(7,944)	(7,944)									
2014	MRO	1222	Minnkota Power Cooperative, Inc.	U.S.	169,647	169,647	-	-	172,195	172,195	-	-			(2,548)	(2,548)									
2014	MRO	1230	Nebraska Public Power District	U.S.	510,646	510,646	-	-	518,316	518,316	-	-			(7,670)	(7,670)									
2014	MRO	1232	Omaha Public Power District	U.S.	423,496	423,496	-	-	429,857	429,857	-	-			(6,361)	(6,361)									
2014	MRO	1237	Southern Montana Generation and Transmission	U.S.	330	330	-	-	335	335	-	-			(5)	(5)									
2014	MRO	1240	Western Area Power Administration (UM)	U.S.	323,294	323,294	-	-	328,150	328,150	-	-			(4,856)	(4,856)									
2014	MRO	1239	Western Area Power Administration (LM)	U.S.	4,957	4,957	-	-	5,032	5,032	-	-			(74)	(74)									
2014	MRO	1217	Manitoba Hydro	CAN	929,295	-	929,295	-	929,295	-	929,295	-	-			-	-								
2014	MRO	1235	SaskPower	CAN	891,180	-	891,180	-	891,180	-	891,180	-	-			-	-								
2014	MRO	1195	Alliant Energy (Alliant East - WPL & Alliant West IPL)	U.S.	1,105,475	1,105,475	-	-	1,122,079	1,122,079	-	-			(16,605)	(16,605)									
2014	MRO	1216	Madison, Gas and Electric	U.S.	129,613	129,613	-	-	131,559	131,559	-	-			(1,947)	(1,947)									
2014	MRO	1220	MidAmerican Energy Company	U.S.	922,846	922,846	-	-	936,708	936,708	-	-			(13,861)	(13,861)									
2014	MRO	1221	Minnesota Power	U.S.	501,008	501,008	-	-	508,533	508,533	-	-			(7,525)	(7,525)									
2014	MRO	1226	Montana-Dakota Utilities Co.	U.S.	122,314	122,314	-	-	124,151	124,151	-	-			(1,837)	(1,837)									
2014	MRO	1231	NorthWestern Energy	U.S.	59,448	59,448	-	-	60,341	60,341	-	-			(893)	(893)									
2014	MRO	1233	Otter Tail Power Company	U.S.	179,884	179,884	-	-	182,586	182,586	-	-			(2,702)	(2,702)									
2014	MRO	1664	Wisconsin Public Service (WPS)	U.S.	462,201	462,201	-	-	469,144	469,144	-	-			(6,942)	(6,942)									
2014	MRO	1665	Upper Peninsula Power Company (UPPCO)	U.S.	27,976	27,976	-	-	28,396	28,396	-	-			(420)	(420)									
2014	MRO	1244	Xcel Energy Company (NSP)	U.S.	1,701,275	1,701,275	-	-	1,726,829	1,726,829	-	-			(25,554)	(25,554)									
2014	MRO	1196	Ames Municipal Electric System	U.S.	28,894	28,894	-	-	29,328	29,328	-	-			(434)	(434)									
2014	MRO	1604	Atlantic Municipal Utilities	U.S.	2,864	2,864	-	-	2,907	2,907	-	-			(43)	(43)									
2014	MRO	1476	Badger Power Marketing Authority of Wisconsin, Inc.	U.S.	15,325	15,325	-	-	15,555	15,555	-	-			(230)	(230)									
2014	MRO	1200	Cedar Falls Municipal Utilities	U.S.	20,014	20,014	-	-	20,314	20,314	-	-			(301)	(301)									
2014	MRO	1477	Central Minnesota Municipal Power Agency (CMMPPA)	U.S.	17,426	17,426	-	-	17,688	17,688	-	-			(262)	(262)									
2014	MRO	1203	City of Escanaba	U.S.	5,335	5,335	-	-	5,416	5,416	-	-			(80)	(80)									
2014	MRO	1205	Falls City Water & Light Department	U.S.	2,162	2,162	-	-	2,194	2,194	-	-			(32)	(32)									
2014	MRO	1206	Fremont Department of Utilities	U.S.	16,481	16,481	-	-	16,729	16,729	-	-			(248)	(248)									
2014	MRO	1208	Geneseo Municipal Utilities	U.S.	2,468	2,468	-	-	2,505	2,505	-	-			(37)	(37)									
2014	MRO	1209	Grand Island Utilities Department	U.S.	28,558	28,558	-	-	28,987	28,987	-	-			(429)	(429)									
2014	MRO	1606	Harlan Municipal Utilities	U.S.	948	948	-	-	963	963	-	-			(14)	(14)									
2014	MRO	1211	Hastings Utilities	U.S.	16,026	16,026	-	-	16,267	16,267	-	-			(241)	(241)									
2014	MRO	1212	Heartland Consumers Power District	U.S.	32,731	32,731	-	-	33,222	33,222	-	-			(492)	(492)									
2014	MRO	1213	Hutchinson Utilities Commission	U.S.	11,142	11,142	-	-	11,309	11,309	-	-			(167)	(167)									
2014	MRO	1215	Lincoln Electric System	U.S.	122,681	122,681	-	-	124,524	124,524	-	-			(1,843)	(1,843)									
2014	MRO	1218	Manitowoc Public Utilities	U.S.	20,367	20,367	-	-	20,673	20,673	-	-			(306)	(306)									
2014	MRO	1223	Missouri River Energy Services	U.S.	91,873	91,873	-	-	93,253	93,253	-	-			(1,380)	(1,380)									
2014	MRO	1224	MN Municipal Power Agency (MMPA)	U.S.	57,640	57,640	-	-	58,506	58,506	-	-			(866)	(866)									
2014	MRO	1607	Montezuma Municipal Light & Power	U.S.	1,147	1,147	-	-	1,164																

Data Year	Regional Entity	ID	Entity	Country	Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2014	SERC	1288	City of North Little Rock AR (DENL)	U.S.	12,671	12,671	-	-	13,270	13,270	-	-	(598)	(598)											
2014	SERC	1289	City of Orangeburg SC Department of Public Utilities	U.S.	11,504	11,504	-	-	12,048	12,048	-	-	(543)	(543)											
2014	SERC	1290	City of Robertsdale AL	U.S.	1,140	1,140	-	-	1,194	1,194	-	-	(54)	(54)											
2014	SERC	1291	City of Ruston LA (DERS)	U.S.	3,660	3,660	-	-	3,833	3,833	-	-	(173)	(173)											
2014	SERC	1292	Seneca Light & Power	U.S.	2,194	2,194	-	-	2,297	2,297	-	-	(104)	(104)											
2014	SERC	1115	City of Springfield (CWLP)	U.S.	24,666	24,666	-	-	25,831	25,831	-	-	(1,165)	(1,165)											
2014	SERC	1465	City of Thayer, MO	U.S.	316	316	-	-	331	331	-	-	(15)	(15)											
2014	SERC	1293	City of Troy AL	U.S.	5,761	5,761	-	-	6,033	6,033	-	-	(272)	(272)											
2014	SERC	1294	City of West Memphis AR (West Memphis Utilities)	U.S.	5,201	5,201	-	-	5,447	5,447	-	-	(246)	(246)											
2014	SERC	1583	Claborn Electric Cooperative, Inc.	U.S.	8,951	8,951	-	-	9,374	9,374	-	-	(423)	(423)											
2014	SERC	1584	Concordia Electric Cooperative, Inc.	U.S.	3,511	3,511	-	-	3,677	3,677	-	-	(166)	(166)											
2014	SERC	1283	Dalton Utilities	U.S.	21,849	21,849	-	-	22,881	22,881	-	-	(1,032)	(1,032)											
2014	SERC	1585	Dixie Electric Membership Corporation	U.S.	30,233	30,233	-	-	31,661	31,661	-	-	(1,428)	(1,428)											
2014	SERC	1295	Dominion Virginia Power	U.S.	1,137,555	1,137,555	-	-	1,191,281	1,191,281	-	-	(53,726)	(53,726)											
2014	SERC	1296	Duke Energy Carolinas, LLC	U.S.	1,114,112	1,114,112	-	-	1,166,730	1,166,730	-	-	(52,618)	(52,618)											
2014	SERC	1466	Durant, MS	U.S.	378	378	-	-	396	396	-	-	(18)	(18)											
2014	SERC	1478	LG&E and KU Services Company as agent for LG&E Company and KUCompan	U.S.	474,507	474,507	-	-	496,918	496,918	-	-	(22,410)	(22,410)											
2014	SERC	1297	East Kentucky Power Cooperative	U.S.	187,165	187,165	-	-	196,004	196,004	-	-	(8,840)	(8,840)											
2014	SERC	1298	East Mississippi Electric Power Association	U.S.	6,130	6,130	-	-	6,420	6,420	-	-	(290)	(290)											
2014	SERC	1669	Electricities of North Carolina Inc	U.S.	156,756	156,756	-	-	164,159	164,159	-	-	(7,403)	(7,403)											
2014	SERC	1300	EnergyUnited EMC	U.S.	34,835	34,835	-	-	36,480	36,480	-	-	(1,645)	(1,645)											
2014	SERC	1301	Entergy	U.S.	1,549,240	1,549,240	-	-	1,622,409	1,622,409	-	-	(73,169)	(73,169)											
2014	SERC	1302	Fayetteville (NC) Public Works Commission	U.S.	29,408	29,408	-	-	30,797	30,797	-	-	(1,389)	(1,389)											
2014	SERC	1303	Florida Public Utilities (FL Panhandle Load)	U.S.	4,212	4,212	-	-	4,411	4,411	-	-	(199)	(199)											
2014	SERC	1304	French Broad EMC	U.S.	7,254	7,254	-	-	7,596	7,596	-	-	(343)	(343)											
2014	SERC	1305	Georgia Power Company	U.S.	1,157,355	1,157,355	-	-	1,212,015	1,212,015	-	-	(54,661)	(54,661)											
2014	SERC	1306	Georgia System Optms Corporation	U.S.	528,331	528,331	-	-	553,284	553,284	-	-	(24,953)	(24,953)											
2014	SERC	1479	Greenwood (MS) Utilities Commission	U.S.	3,656	3,656	-	-	3,828	3,828	-	-	(173)	(173)											
2014	SERC	1307	Greenwood (SC) Commissioners of Public Works	U.S.	4,366	4,366	-	-	4,572	4,572	-	-	(206)	(206)											
2014	SERC	1308	Gulf Power Company	U.S.	156,030	156,030	-	-	163,400	163,400	-	-	(7,369)	(7,369)											
2014	SERC	1586	Haywood EMC	U.S.	4,236	4,236	-	-	4,436	4,436	-	-	(200)	(200)											
2014	SERC	1309	Illinois Municipal Electric Agency	U.S.	25,966	25,966	-	-	27,192	27,192	-	-	(1,226)	(1,226)											
2014	SERC	1480	Itta Bena, MS	U.S.	257	257	-	-	270	270	-	-	(12)	(12)											
2014	SERC	1587	Jefferson Davis Electric Cooperative, Inc.	U.S.	3,900	3,900	-	-	4,085	4,085	-	-	(184)	(184)											
2014	SERC	1617	Kentucky Municipal Power	U.S.	9,414	9,414	-	-	9,858	9,858	-	-	(445)	(445)											
2014	SERC	1481	Kosciusko, MS	U.S.	1,014	1,014	-	-	1,061	1,061	-	-	(48)	(48)											
2014	SERC	1482	Leland, MS	U.S.	433	433	-	-	453	453	-	-	(20)	(20)											
2014	SERC		Lockhart Power Company	U.S.	4,748	4,748	-	-	4,972	4,972	-	-	(224)	(224)											
2014	SERC	1313	McCormick Commission of Public Works	U.S.	288	288	-	-	302	302	-	-	(14)	(14)											
2014	SERC	1314	Mississippi Power Company	U.S.	140,863	140,863	-	-	147,516	147,516	-	-	(6,653)	(6,653)											
2014	SERC	1630	Mt. Carmel Public Utility	U.S.	1,440	1,440	-	-	1,508	1,508	-	-	(68)	(68)											
2014	SERC	1315	Municipal Electric Authority of Georgia	U.S.	145,827	145,827	-	-	152,714	152,714	-	-	(6,887)	(6,887)											
2014	SERC	1316	N.C. Electric Membership Corp.	U.S.	171,846	171,846	-	-	179,962	179,962	-	-	(8,116)	(8,116)											
2014	SERC	1588	Northeast Louisiana Power Cooperative, Inc.	U.S.	4,355	4,355	-	-	4,561	4,561	-	-	(206)	(206)											
2014	SERC	1574	Northern Virginia Electric Cooperative	U.S.	56,062	56,062	-	-	58,710	58,710	-	-	(2,648)	(2,648)											
2014	SERC	1319	Old Dominion Electric Cooperative	U.S.	76,700	76,700	-	-	80,322	80,322	-	-	(3,622)	(3,622)											
2014	SERC	1618	Osceola (Arkansas) Municipal Light and Power	U.S.	2,173	2,173	-	-	2,275	2,275	-	-	(103)	(103)											
2014	SERC	1320	Owensboro (KY) Municipal Utilities	U.S.	11,491	11,491	-	-	12,034	12,034	-	-	(543)	(543)											
2014	SERC	1321	Piedmont EMC in Duke and Progress Areas	U.S.	7,038	7,038	-	-	7,370	7,370	-	-	(332)	(332)											
2014	SERC	1323	Piedmont Municipal Power Agency (PMPA)	U.S.	30,840	30,840	-	-	32,297	32,297	-	-	(1,457)	(1,457)											
2014	SERC	1589	Pointe Coupee Electric Memb. Corp.	U.S.	3,526	3,526	-	-	3,693	3,693	-	-	(167)	(167)											
2014	SERC	1266	PowerSouth Energy	U.S.	118,062	118,062	-	-	123,638	123,638	-	-	(5,576)	(5,576)											
2014	SERC	1330	Prairie Power, Inc.	U.S.	21,669	21,669	-	-	22,692	22,692	-	-	(1,023)	(1,023)											
2014	SERC	1324	Duke Energy Progress	U.S.	620,989	620,989	-	-	650,318	650,318	-	-	(29,329)	(29,329)											
2014	SERC	1325	Rutherford EMC	U.S.	18,065	18,065	-	-	18,918	18,918	-	-	(853)	(853)											
2014	SERC	1631	Sam Rayburn G&T Electric Cooperative Inc.	U.S.	24,864	24,864	-	-	26,038	26,038	-	-	(1,174)	(1,174)											
2014	SERC	1326	South Carolina Electric & Gas Company	U.S.	313,300	313,300	-	-	328,097	328,097	-	-	(14,797)	(14,797)											
2014	SERC	1327	South Carolina Public Service Authority	U.S.	152,204	152,204	-	-	159,392	159,392	-	-	(7,188)	(7,188)											
2014	SERC	1590	South Louisiana Electric Cooperative Association	U.S.	8,489	8,489	-	-	8,890	8,890	-	-	(401)	(401)											
2014	SERC	1328	South Mississippi Electric Power Association	U.S.	136,891	136,891	-	-	143,357	143,357	-	-	(6,465)	(6,465)											
2014	SERC	1329	Southern Illinois Power Cooperative	U.S.	22,230	22,230	-	-	23,280	23,280	-	-	(1,050)	(1,050)											
2014	SERC	1591	Southwest Louisiana Electric Membership Corporation	U.S.	36,176	36,176	-	-	37,884	37,884	-	-	(1,709)	(1,709)											
2014	SERC	1619	Southwestern Electric Cooperative, Inc.	U.S.	6,104	6,104	-	-	6,393	6,393	-	-	(288)	(288)											
2014	SERC	1331	Tennessee Valley Authority	U.S.	2,128,865	2,128,865	-	-	2,229,409	2,229,409	-	-	(100,544)	(100,544)											
2014	SERC	1632	Tex-La Electric Cooperative of Texas, Inc	U.S.	2,766	2,766	-	-	2,897	2,897	-	-	(131)	(131)											
2014	SERC	1332	Tombigbee Electric Cooperative Inc.	U.S.	1,784	1,784	-	-	1,868	1,868	-	-	(84)	(84)											
2014	SERC	1594	Town of Sharpsburg, N.C.	U.S.	276	276	-	-	289	289	-	-	(13)	(13)											
2014	SERC	1595	Town of Stantonsburg, N.C. JRO	U.S.	812	812	-	-	850	850	-	-	(38)	(38)											
2014	SERC	1333	Town of Waynesville NC	U.S.	1,310	1,310	-	-	1,372	1,372	-	-	(62)	(62)											
2014	SERC	1334	Town of Wintnersboro SC	U.S.	891	891	-	-	933	933	-	-	(42)	(42)											
2014	SERC	1335	Town of Winterville NC	U.S.	717	717	-	-	751	751	-	-	(34)	(34)											
2014	SERC	1597	Washington-St. Tammany Electric Cooperative, Inc.																						

Data Year	Regional Entity	ID	Entity	Country	Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2014	WECC		Modern Electric Water Company	U.S.	7,282	7,282	-	-	7,308	7,308	-	-	(634)	(634)				274	274			335	335		
2014	WECC		Northern Lights, Inc.	U.S.	1,120	1,120	-	-	1,124	1,124	-	-	(98)	(98)				42	42			52	52		
2014	WECC		Pend Oreille County PUD No. 1	U.S.	28,603	28,603	-	-	28,703	28,703	-	-	(2,492)	(2,492)				1,075	1,075			1,317	1,317		
2014	WECC		PUD No. 1 of Astoria County	U.S.	159	159	-	-	160	160	-	-	(14)	(14)				6	6			7	7		
2014	WECC		PUD No. 2 of Grant County	U.S.	3,013	3,013	-	-	3,024	3,024	-	-	(262)	(262)				113	113			139	139		
2014	WECC		U.S. BOR East Greenacres (Rathdrum)	U.S.	98	98	-	-	98	98	-	-	(9)	(9)				4	4			5	5		
2014	WECC		U.S. Bor Spokane Indian Development	U.S.	98	98	-	-	99	99	-	-	(9)	(9)				4	4			5	5		
2014	WECC		US Air Force Base, Fairchild	U.S.	1,527	1,527	-	-	1,532	1,532	-	-	(133)	(133)				57	57			70	70		
2014	WECC		City of Redding	U.S.	24,652	24,652	-	-	24,738	24,738	-	-	(2,148)	(2,148)				926	926			1,135	1,135		
2014	WECC		City of Roseville	U.S.	38,627	38,627	-	-	38,762	38,762	-	-	(3,365)	(3,365)				1,451	1,451			1,779	1,779		
2014	WECC		Modesto Irrigation District	U.S.	80,218	80,218	-	-	80,498	80,498	-	-	(6,988)	(6,988)				3,014	3,014			3,695	3,695		
2014	WECC		Sacramento Municipal Utility District	U.S.	349,464	349,464	-	-	350,681	350,681	-	-	(30,443)	(30,443)				13,130	13,130			16,096	16,096		
2014	WECC		Western Area Power Administration - Sierra Nevada Region	U.S.	41,022	41,022	-	-	41,165	41,165	-	-	(3,574)	(3,574)				1,541	1,541			1,889	1,889		
2014	WECC		Bonneville Power Administration	U.S.	1,692,538	1,692,538	-	-	1,698,433	1,698,433	-	-	(147,444)	(147,444)				63,592	63,592			77,956	77,956		
2014	WECC		California Independent System Operator	U.S.	7,178,746	7,178,746	-	-	7,203,750	7,203,750	-	-	(625,369)	(625,369)				269,721	269,721			330,644	330,644		
2014	WECC		El Paso Electric Company	U.S.	255,426	255,426	-	-	256,316	256,316	-	-	(22,251)	(22,251)				9,597	9,597			11,765	11,765		
2014	WECC		Bonneville Power Administration	U.S.	55,146	55,146	-	-	55,338	55,338	-	-	(4,804)	(4,804)				2,072	2,072			2,540	2,540		
2014	WECC		Idaho Power Company	U.S.	481,647	481,647	-	-	483,325	483,325	-	-	(41,958)	(41,958)				18,097	18,097			22,184	22,184		
2014	WECC		PacifiCorp	U.S.	64	64	-	-	64	64	-	-	(6)	(6)				2	2			3	3		
2014	WECC		Imperial Irrigation District	U.S.	114,820	114,820	-	-	115,220	115,220	-	-	(10,002)	(10,002)				4,314	4,314			5,288	5,288		
2014	WECC		Los Angeles Department of Water and Power	U.S.	921,616	921,616	-	-	924,826	924,826	-	-	(80,286)	(80,286)				34,627	34,627			42,449	42,449		
2014	WECC		City of Henderson	U.S.	1,331	1,331	-	-	1,335	1,335	-	-	(116)	(116)				50	50			61	61		
2014	WECC		City of Las Vegas	U.S.	1,348	1,348	-	-	1,352	1,352	-	-	(117)	(117)				51	51			62	62		
2014	WECC		City of North Las Vegas	U.S.	600	600	-	-	602	602	-	-	(52)	(52)				23	23			28	28		
2014	WECC		Clark County Water Resources	U.S.	2,436	2,436	-	-	2,444	2,444	-	-	(212)	(212)				92	92			112	112		
2014	WECC		Colorado River Commission of Nevada	U.S.	28,624	28,624	-	-	28,723	28,723	-	-	(2,494)	(2,494)				1,075	1,075			1,318	1,318		
2014	WECC		Las Vegas Valley Water District	U.S.	2,969	2,969	-	-	2,979	2,979	-	-	(259)	(259)				112	112			137	137		
2014	WECC		Nevada Power Company dba NV Energy	U.S.	777,534	777,534	-	-	780,242	780,242	-	-	(67,734)	(67,734)				29,214	29,214			35,812	35,812		
2014	WECC		Overton Power District No. 5	U.S.	11,750	11,750	-	-	11,790	11,790	-	-	(1,024)	(1,024)				441	441			541	541		
2014	WECC		Southern Nevada Water Authority	U.S.	3,711	3,711	-	-	3,724	3,724	-	-	(323)	(323)				139	139			171	171		
2014	WECC		Bonneville Power Administration	U.S.	24,228	24,228	-	-	24,312	24,312	-	-	(2,111)	(2,111)				910	910			1,116	1,116		
2014	WECC		Central Montana Electric Power Cooperative	U.S.	12,965	12,965	-	-	13,010	13,010	-	-	(1,129)	(1,129)				487	487			597	597		
2014	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	287,917	287,917	-	-	288,920	288,920	-	-	(25,082)	(25,082)				10,818	10,818			13,261	13,261		
2014	WECC		Southern Montana Electric Generation & Transmission	U.S.	12,142	12,142	-	-	12,184	12,184	-	-	(1,058)	(1,058)				456	456			559	559		
2014	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	243	243	-	-	243	243	-	-	(21)	(21)				9	9			11	11		
2014	WECC		PacifiCorp	U.S.	1,549,651	1,549,651	-	-	1,555,048	1,555,048	-	-	(134,996)	(134,996)				58,224	58,224			71,375	71,375		
2014	WECC		PacifiCorp West (PACW)	U.S.	649,296	649,296	-	-	651,558	651,558	-	-	(56,563)	(56,563)				24,395	24,395			29,906	29,906		
2014	WECC		Bonneville Power Administration	U.S.	274	274	-	-	274	274	-	-	(24)	(24)				10	10			13	13		
2014	WECC		Canby Public Utility Board	U.S.	5,129	5,129	-	-	5,146	5,146	-	-	(447)	(447)				193	193			236	236		
2014	WECC		Columbia River PUD	U.S.	9,436	9,436	-	-	9,469	9,469	-	-	(822)	(822)				355	355			435	435		
2014	WECC		Noble Americas Energy Solutions, LLC	U.S.	53,391	53,391	-	-	53,576	53,576	-	-	(4,651)	(4,651)				2,006	2,006			2,459	2,459		
2014	WECC		PacifiCorp	U.S.	69	69	-	-	69	69	-	-	(6)	(6)				3	3			3	3		
2014	WECC		Portland General Electric Company	U.S.	595,417	595,417	-	-	597,491	597,491	-	-	(51,869)	(51,869)				22,371	22,371			27,424	27,424		
2014	WECC		West Oregon Electric Cooperative, Inc.	U.S.	363	363	-	-	364	364	-	-	(32)	(32)				14	14			17	17		
2014	WECC		Arkansas River Power Authority (ARPA)	U.S.	8,116	8,116	-	-	8,144	8,144	-	-	(707)	(707)				305	305			374	374		
2014	WECC		Black Hills Colorado Electric	U.S.	60,786	60,786	-	-	60,998	60,998	-	-	(5,295)	(5,295)				2,284	2,284			2,800	2,800		
2014	WECC		Burlington	U.S.	2,160	2,160	-	-	2,167	2,167	-	-	(188)	(188)				81	81			99	99		
2014	WECC		Colorado Springs Utilities	U.S.	921	921	-	-	924	924	-	-	(80)	(80)				35	35			42	42		
2014	WECC		Grand Valley Power	U.S.	7,107	7,107	-	-	7,131	7,131	-	-	(619)	(619)				267	267			327	327		
2014	WECC		Holy Cross Energy	U.S.	34,855	34,855	-	-	34,976	34,976	-	-	(3,036)	(3,036)				1,310	1,310			1,605	1,605		
2014	WECC		Intermountain Rural Electric Association	U.S.	66,293	66,293	-	-	66,524	66,524	-	-	(5,775)	(5,775)				2,491	2,491			3,053	3,053		
2014	WECC		Municipal Energy Agency of Nebraska	U.S.	5,566	5,566	-	-	5,585	5,585	-	-	(485)	(485)				209	209			256	256		
2014	WECC		Platte River Power Authority	U.S.	99,282	99,282	-	-	99,627	99,627	-	-	(8,649)	(8,649)				3,730	3,730			4,573	4,573		
2014	WECC		Public Service Company of Colorado (Xcel)	U.S.	862,787	862,787	-	-	865,792	865,792	-	-	(75,161)	(75,161)				32,417	32,417			39,739	39,739		
2014	WECC		Raton Public Service	U.S.	1,751	1,751	-	-	1,758	1,758	-	-	(153)	(153)				66	66			81	81		
2014	WECC		Town of Center	U.S.	463	463	-	-	465	465	-	-	(40)	(40)				17	17			21	21		
2014	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	72,773	72,773	-	-	73,027	73,027	-	-	(6,340)	(6,340)				2,734	2,734			3,352	3,352		
2014	WECC		Western Area Power - Loveland, CO	U.S.	5,211	5,211	-	-	5,229	5,229	-	-	(454)	(454)				196	196			240	240		
2014	WECC		Yampa Valley Electric Association	U.S.	17,322	17,322	-	-	17,382	17,382	-	-	(1,509)	(1,509)				651	651			798	798		
2014	WECC		City of Aztec Electric Dept	U.S.	1,219	1,219	-	-	1,223	1,223	-	-	(106)	(106)				46	46			56	56		
2014	WECC		City of Gallup	U.S.	5,726	5,726	-	-	5,746	5,746	-	-	(499)	(499)				215	215			264	264		
2014	WECC		Jicarilla Apache Nation Power Authority	U.S.	446	446	-	-	448	448	-	-	(39)	(39)				17	17			21	21		
2014	WECC		Navajo Tribal Utility Authority	U.S.	8,247	8,247	-	-	8,276	8,276	-	-	(718)	(718)				310	310			380	380		
2014	WECC		Navapah Electric Cooperative, Inc.	U.S.	10,832	10,832	-	-	10,870	10,870	-	-	(944)	(944)				407	407			499	499		
2014	WECC		Public Service Company of New Mexico	U.S.	330,044	330,044	-	-	331,193	331,193	-	-	(28,751)	(28,751)				12,400	12,400			15,201	15,201		
2014	WECC		The Incorporated County of Los Alamos	U.S.	10,841	10,841	-	-	10,879	10,879	-	-	(944)	(944)				407	407			499	499		
2014	WECC		Tri-State Generation & Transmission Association, Inc.	U.S.	75,193	75,193	-	-	75,455	75,455	-	-	(6,550)	(6,550)				2,825	2,825			3,463	3,463		
2014	WECC		US Dept of Energy - Kirtland AFB	U.S.	12,48																				

Data Year	Regional Entity	ID	Entity	Country	Total Regional Entity Assessments (Including WIRAB Assessments)				Regional Entity NEL Assessments				Penalty Sanctions - US Only		NPCC CORC Program			WECC Compliance Assessments (ex.AESO)				WIRAB Assessments			
					Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Total	US Total	Canada Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2014	WECC		City of Sumas	U.S.	964	964	-	-	967	967	-	-	(84)	(84)				36	36			44	44		
2014	WECC		Port of Seattle - Seattle-Tacoma International Airport	U.S.	4,422	4,422	-	-	4,438	4,438	-	-	(385)	(385)				166	166			204	204		
2014	WECC		PUD No. 1 of Kittitas County	U.S.	513	513	-	-	514	514	-	-	(45)	(45)				19	19			24	24		
2014	WECC		PUD No. 1 of Whatcom County	U.S.	166	166	-	-	166	166	-	-	(14)	(14)				6	6			8	8		
2014	WECC		Puget Sound Energy, Inc.	U.S.	742,728	742,728	-	-	745,315	745,315	-	-	(64,702)	(64,702)	27,906	27,906		27,906	27,906			34,209	34,209		
2014	WECC		Tanner Electric Cooperative	U.S.	3,021	3,021	-	-	3,032	3,032	-	-	(263)	(263)				114	114			139	139		
2014	WECC		Salt River Project	U.S.	904,685	904,685	-	-	907,836	907,836	-	-	(78,811)	(78,811)	33,991	33,991		33,991	33,991			41,669	41,669		
2014	WECC		Seattle City Light	U.S.	307,226	307,226	-	-	308,296	308,296	-	-	(26,764)	(26,764)				11,543	11,543			14,150	14,150		
2014	WECC		Barrick Goldstrike Mines Inc.	U.S.	34,732	34,732	-	-	34,853	34,853	-	-	(3,026)	(3,026)				1,305	1,305			1,600	1,600		
2014	WECC		City of Fallon	U.S.	3,984	3,984	-	-	3,998	3,998	-	-	(347)	(347)				150	150			184	184		
2014	WECC		Harney Electric Cooperative, Inc.	U.S.	3,829	3,829	-	-	3,842	3,842	-	-	(334)	(334)				144	144			176	176		
2014	WECC		Mt. Wheeler Power	U.S.	16,828	16,828	-	-	16,886	16,886	-	-	(1,466)	(1,466)				632	632			775	775		
2014	WECC		Sierra Pacific Power Company dba NV Energy	U.S.	284,805	284,805	-	-	285,797	285,797	-	-	(24,810)	(24,810)	10,701	10,701		10,701	10,701			13,118	13,118		
2014	WECC		Truckee Donner Public Utility District	U.S.	4,509	4,509	-	-	4,524	4,524	-	-	(393)	(393)				169	169			208	208		
2014	WECC		Wells Rural Electric Cooperative	U.S.	20,739	20,739	-	-	20,811	20,811	-	-	(1,807)	(1,807)				779	779			955	955		
2014	WECC		City of Tacoma DBA Tacoma Power	U.S.	152,749	152,749	-	-	153,281	153,281	-	-	(13,307)	(13,307)				5,739	5,739			7,035	7,035		
2014	WECC		Tucson Electric Power Company	U.S.	473,645	473,645	-	-	475,294	475,294	-	-	(41,261)	(41,261)	17,796	17,796		17,796	17,796			21,816	21,816		
2014	WECC		Merced Irrigation District	U.S.	14,840	14,840	-	-	14,892	14,892	-	-	(1,293)	(1,293)				558	558			684	684		
2014	WECC		Turlock Irrigation District	U.S.	66,675	66,675	-	-	66,907	66,907	-	-	(5,808)	(5,808)				2,505	2,505			3,071	3,071		
2014	WECC		Basin Electric Power Cooperative	U.S.	94,564	94,564	-	-	94,893	94,893	-	-	(8,238)	(8,238)				3,553	3,553			4,355	4,355		
2014	WECC		Black Hills Power/Cheyenne Light Fuel & Power	U.S.	106,691	106,691	-	-	107,062	107,062	-	-	(9,294)	(9,294)	4,009	4,009		4,009	4,009			4,914	4,914		
2014	WECC		Black Hills State University South Dakota	U.S.	600	600	-	-	602	602	-	-	(52)	(52)				23	23			28	28		
2014	WECC		City of Page	U.S.	2,706	2,706	-	-	2,716	2,716	-	-	(236)	(236)				102	102			125	125		
2014	WECC		Colorado Springs Utilities	U.S.	139,917	139,917	-	-	140,405	140,405	-	-	(12,189)	(12,189)	5,257	5,257		5,257	5,257			6,444	6,444		
2014	WECC		Deseret Generation & Transmission Cooperative	U.S.	3,509	3,509	-	-	3,521	3,521	-	-	(306)	(306)				132	132			162	162		
2014	WECC		City of Farmington	U.S.	34,101	34,101	-	-	34,220	34,220	-	-	(2,971)	(2,971)				1,281	1,281			1,571	1,571		
2014	WECC		Municipal Energy Agency of Nebraska	U.S.	20,913	20,913	-	-	20,986	20,986	-	-	(1,822)	(1,822)				786	786			963	963		
2014	WECC		Navajo Agricultural Products Industry (NAPI)	U.S.	273	273	-	-	274	274	-	-	(24)	(24)				10	10			13	13		
2014	WECC		Nebraska Public Power Marketing	U.S.	113	113	-	-	113	113	-	-	(10)	(10)				4	4			5	5		
2014	WECC		PacificCorp	U.S.	3,710	3,710	-	-	3,723	3,723	-	-	(323)	(323)	139	139		139	139			171	171		
2014	WECC		Public Service Company of Colorado (Xcel)	U.S.	1,140	1,140	-	-	1,144	1,144	-	-	(99)	(99)				43	43			53	53		
2014	WECC		Town of Fredonia	U.S.	338	338	-	-	339	339	-	-	(29)	(29)				13	13			16	16		
2014	WECC		Tri-State Generation & Transmission Assoc. Inc - Reliability	U.S.	224,693	224,693	-	-	225,476	225,476	-	-	(19,574)	(19,574)				8,442	8,442			10,349	10,349		
2014	WECC		Western Area Power - Loveland, CO	U.S.	71,644	71,644	-	-	71,894	71,894	-	-	(6,241)	(6,241)				2,692	2,692			3,300	3,300		
2014	WECC		Western Area Power Administration - CRSP	U.S.	54,051	54,051	-	-	54,240	54,240	-	-	(4,709)	(4,709)				2,031	2,031			2,490	2,490		
2014	WECC		Wyoming Municipal Power Agency	U.S.	8,725	8,725	-	-	8,756	8,756	-	-	(760)	(760)				328	328			402	402		
2014	WECC		Basin Electric Power Cooperative	U.S.	1,787	1,787	-	-	1,794	1,794	-	-	(156)	(156)				67	67			82	82		
2014	WECC		Bonneville Power Administration	U.S.	345	345	-	-	347	347	-	-	(30)	(30)				13	13			16	16		
2014	WECC		Central Montana Electric Power Cooperative	U.S.	1,958	1,958	-	-	1,965	1,965	-	-	(171)	(171)				74	74			90	90		
2014	WECC		Montana-Dakota Utilities Co.	U.S.	729	729	-	-	732	732	-	-	(64)	(64)				27	27			34	34		
2014	WECC		NorthWestern Corp. dba NorthWestern Energy, LLC	U.S.	7,518	7,518	-	-	7,545	7,545	-	-	(655)	(655)				282	282			346	346		
2014	WECC		Western Area Power Administration-Upper Great Plains Region	U.S.	12,854	12,854	-	-	12,899	12,899	-	-	(1,120)	(1,120)	483	483		483	483			592	592		
2014	WECC		Aha Macav Power Service	U.S.	814	814	-	-	817	817	-	-	(71)	(71)				31	31			37	37		
2014	WECC		Bureau of Reclamation (Desalter) - c/o DSW EMMO	U.S.	19	19	-	-	19	19	-	-	(2)	(2)				1	1			1	1		
2014	WECC		Bureau of Reclamation (Wellfield) - c/o DSW EMMO	U.S.	212	212	-	-	213	213	-	-	(18)	(18)				8	8			10	10		
2014	WECC		Central Arizona Water Conservation District	U.S.	80,651	80,651	-	-	80,932	80,932	-	-	(7,026)	(7,026)	3,030	3,030		3,030	3,030			3,715	3,715		
2014	WECC		City of Mesa	U.S.	7,804	7,804	-	-	7,831	7,831	-	-	(680)	(680)				293	293			359	359		
2014	WECC		City of Needles	U.S.	897	897	-	-	900	900	-	-	(78)	(78)				34	34			41	41		
2014	WECC		Colorado River Agency-Bureau of Indian Affairs	U.S.	401	401	-	-	402	402	-	-	(35)	(35)				15	15			18	18		
2014	WECC		Electrical District #2	U.S.	5,930	5,930	-	-	5,950	5,950	-	-	(517)	(517)				223	223			273	273		
2014	WECC		Electrical District #2 - Coolidge Generating Station	U.S.	290	290	-	-	291	291	-	-	(25)	(25)				11	11			13	13		
2014	WECC		Silver State Energy - c/o Colorado River Commission of Nevada	U.S.	20,726	20,726	-	-	20,798	20,798	-	-	(1,805)	(1,805)				779	779			955	955		
2014	WECC		Southwest Transmission Cooperative, Inc.	U.S.	59,000	59,000	-	-	59,205	59,205	-	-	(5,140)	(5,140)				2,217	2,217			2,717	2,717		
2014	WECC		U.S. Army Yuma Proving Ground	U.S.	701	701	-	-	703	703	-	-	(61)	(61)				26	26			32	32		
2014	WECC		Wellton-Mohawk Irrigation & Drainage District	U.S.	90	90	-	-	90	90	-	-	(8)	(8)				3	3			4	4		
2014	WECC		Western Area Power Administration-Desert Southwest Region	U.S.	128,614	128,614	-	-	129,062	129,062	-	-	(11,204)	(11,204)				4,832	4,832			5,924	5,924		
TOTAL WECC					26,272,132																				

DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 3

FLORIDA RELIABILITY COORDINATING COUNCIL

PROPOSED 2016 BUSINESS PLAN AND BUDGET



FLORIDA RELIABILITY COORDINATING COUNCIL, INC.
3000 BAYPORT DRIVE, SUITE 600
TAMPA, FLORIDA 33607-8410
PHONE 813.289.5644 • FAX 813.289.5646
WWW.FRCC.COM

Approved

2016 Business Plan and Budget

Florida Reliability Coordinating Council, Inc.

Approved: 6/25/2015

Table of Contents

Introduction	3
Organizational Overview	3
Membership and Governance	4
Statutory Functional Scope	5
2016 Goals and Key Deliverables (Regional Entity Division).....	7
2015 Statutory Budget and Projection and 2016 Budget Comparisons.....	12
Section A – Statutory Programs	13
Reliability Standards Development Program.....	14
Compliance Monitoring and Enforcement Program and Organization Registration and Certification Program.....	17
Reliability Assessment and Performance Analysis Program.....	22
Training, Education, and Operator Certification Program.....	27
Situation Awareness and Infrastructure Security Program.....	31
General and Administrative	34
Section B – Supplemental Financial Information	38
Reserve Balance.....	39
Breakdown by Statement of Activity Sections	40
2017 and 2018 Projected Expenses.....	46
Section C – Non-Statutory Activities	48
Non-Statutory Members Services Division	49
Non-Statutory Functional Scope.....	49
2015 Member Services Budget and Projection and 2016 Budget Comparisons	55
Section D – Additional Consolidated Financial Statements	58
Statement of Financial Position	60
Statutory Organizational Chart	61

Introduction

TOTAL RESOURCES (in whole dollars)				
	2016 Budget	U.S.	Canada	Mexico
Statutory FTEs	30.59			
Non-statutory FTEs	18.06			
Total FTEs	48.65			
Statutory Expenses	\$ 7,316,280			
Non-Statutory Expenses	\$ 8,430,698			
Total Expenses	\$ 15,746,978			
Statutory Inc(Dec) in Fixed Assets	\$ (54,753)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ 261,299			
Total Inc(Dec) in Fixed Assets	\$ 206,546			
Statutory Working Capital Requirement*	(436,070)			
Non-Statutory Working Capital Requirement**	172,296			
Total Working Capital Requirement	(263,774)			
Total Statutory Funding Requirement	\$ 6,825,457			
Total Non-Statutory Funding Requirement	\$ 8,864,293			
Total Funding Requirement	\$ 15,689,750			
Statutory Funding Assessments	\$ 6,628,457	\$ 6,628,457		
Non-Statutory Fees	\$ 8,586,503	\$ 8,586,503		
NEL	224,666	224,666		
NEL%				

*Refer to Table B-1 on page 40 in Section B.

**Refer to the Reserve Analysis on page 57 in Section C.

Organizational Overview

The Florida Reliability Coordinating Council (FRCC) is a Florida not-for-profit corporation that was formed in 1996 and is one of the eight regions of the North American Electric Reliability Corporation (NERC). The FRCC's mission is to promote and assure the reliability of the bulk power system in Peninsular Florida. The FRCC's Web site is www.frcc.com. The FRCC Region is comprised of all of Florida east of the Apalachicola River. Florida's unique geography and its highly integrated transmission system coupled with its single interface boundary to the rest of the Eastern Interconnection required the development of a reliability focus in the FRCC Region. Membership in the FRCC's Regional Entity Division is open to any entity, without cost, that has a material interest in the reliability of the BES in the FRCC Region. Currently there are 66 Registered Entities within the FRCC Region. The FRCC is governed by a balanced stakeholder Board of Directors, and accomplishes its activities through qualified professional staff and standing committees which also have balanced stakeholder governance.

The FRCC provides the statutory functions and services for the FRCC Region through its Regional Entity Division. Non-statutory services for the FRCC Region are provided through its Member Services Division. This divisional structure is an efficient and effective means of clearly separating statutory and non-statutory activities and related funding for each. The FRCC Bylaws, creating this divisional structure, were first approved by the Federal Energy Regulatory Commission (“FERC”) on March 21, 2008.

The FRCC Regional Entity Division works to enhance the reliability of the BES in the FRCC Region pursuant to the approved Regional Delegation Agreement (RDA) with NERC, as the Electric Reliability Organization (“ERO”), under the authority of the FERC. The functions performed by the FRCC Regional Entity Division include regional reliability standards development, compliance monitoring and enforcement of reliability standards, reliability assessment and performance analysis, event analysis and reliability improvement, training and education, situation awareness and infrastructure security. The Regional Entity division of the FRCC has one standing committee, the FRCC Regional Entity Committee and Compliance Forum (RECCF). This committee provides input to the FRCC in support of the delegated activities and functions. The RECCF actively participates in the development of the Regional Entity Business Plan and Budget by reviewing and providing comments on assumptions, goals and verbiage to the FRCC staff and to the Board of Directors.

The Member Services division of the FRCC provides, coordinates and administers a variety of services relating to the reliable planning and operation of the BES within the FRCC Region. These services are carried out by the FRCC Planning Committee (PC) and the FRCC Operating Committee (OC) and their various subcommittees, task forces and working groups, as well as FRCC Staff.

The FRCC PC and OC actively participate in the development and approval of their committee’s budget. The budget reflects the activity of each committee’s responsibilities, such as reliability coordination, resource adequacy, stability studies, transmission studies, operations tools, telecommunication tools and infrastructure.

Each year, the total FRCC budget is presented to the FRCC Board of Directors early in the second quarter for informational purposes prior to final approval in June. This process gives all FRCC members advanced indication of the funding level, both statutory and non-statutory, which will be required for the coming fiscal year (January 1 – December 31). This allows for timely inclusion of each member’s funding responsibility in their individual budgeting process. The final budget is presented for approval to the FRCC Board of Directors in June of each year and is then submitted to NERC for approval by the NERC Board of Trustees and then by FERC.

Membership and Governance

The FRCC's members (in both divisions) include investor-owned utilities, cooperative utilities, municipal utilities, power marketers, independent power producers and others. Membership is currently 30 FRCC members in the Regional Entity Division and 23 FRCC members in the Member Services Division including affiliate and adjunct members.

The FRCC has six (6) membership sectors which include the following:

- Non-Investor Owned Utility Wholesale
- Load Serving Entity

- Generating Load Serving Entity
- Investor Owned Utility
- Suppliers
- General

There are currently two (2) members in the General Sector of the Regional Entity Division and no members in the General Sector of the Member Services Division.

The activities of FRCC are governed by its Board of Directors. The Board is comprised of senior level executives from members of FRCC.

As part of its responsibilities, NERC, as the ERO, delegates its authority to Regional Entities to perform certain functions through delegation agreements. On October 21, 2010, FERC approved revised delegation agreements between NERC and the eight (8) Regional Entities that became effective January 1, 2011 and will expire at the end of 2015. These delegation agreements describe the responsibility and authority delegated to the Regional Entities. NERC and the Regional Entities worked collaboratively to revise the delegation agreements to present to the NERC Board of Trustees for approval mid-2015 so that they may be approved by FERC and become effective January 1, 2016. The funding for Regional Entities is approved separately with each Regional Entity submitting its own business plan and budget for consideration by NERC and FERC.

Statutory Functional Scope

The FRCC carries out its delegated functions as outlined and detailed in the delegation agreement. NERC and the Regional Entities will continue to work under the existing regulatory framework governing the establishment and enforcement of reliability standards for the Bulk Power System (BPS). The delegated functions as defined by the NERC Rules of Procedures include:

- Reliability Standards Development (“RSD”) - Section 300
- Compliance Monitoring and Enforcement (“CMEP”) - Section 400
- Organization Registration and Certification - Section 500 (This program budget has been combined with the Compliance Monitoring and Enforcement function budget.)
- Reliability Assessment and Performance Analysis (“RA”) - Section 800 (including necessary data gathering activities and Events Analysis)
- Training, Education and Operator Certification (“TE”) - Section 900
- Situation Awareness and Infrastructure Security (“SA”) - Section 1000

2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of shared assumptions (see Exhibit A of the 2016 NERC Business Plan and Budget) developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The significant assumptions underlying FRCC’s 2016 business plan include:

- NERC will provide oversight of the Regional Entities performance of their delegated functions to ensure that the delegated responsibilities are adequately performed. NERC will develop, in collaboration with the Regional Entities, goals, measures and reports to assess and evaluate the Regional Entities' performance of their RDAs, NERC's Rules of Procedure, the Compliance Monitoring and Enforcement Program, Commission requirements, and directives that are in effect pursuant to Section 8C of the RDA. The Regional Entities are expected to continue to have the primary responsibility for day-to-day operations and interactions with Registered Entities. NERC and the Regional Entities will also work to refine and revise procedures and processes to eliminate duplication, increase operational efficiencies, to enhance ERO-wide consistency and to achieve measurable reliability outcomes, consistent with their respective roles and responsibilities.
- Cost pressures may affect some stakeholder resources available to participate in NERC and Regional Entity activities. However, this business plan and budget is based on the assumption of continued industry participation in support of key program areas such as event analysis, reliability assessments and standards development. NERC and the Regional Entities will evaluate projected initiatives involving stakeholder participation to determine the availability and adequacy of industry resources to support these undertakings.
- The effective date for compliance with the CIP Version 5 standards will be April 1, 2016 for High and Medium impact assets and April 1, 2017 for Low impact assets. The transition between V3 to V5 is a mission critical activity in 2015. The Regional Entities must continue to support the ongoing CIP V5 transition plans and should anticipate an expansion in the number of Registered Entities that require guidance during 2015 and 2016. For most CIP activities, the resource demands are expected to increase throughout the planning period.
- The implementation of the risk-based CMEP will require the allocation of dedicated resources from both NERC and the Regional Entities for both compliance and enforcement. Regional Entities should anticipate at least the same level of participation in implementing the risk-based CMEP as they did in developing it under RAI in 2014 and possibly more as they operationally implement its components for the first time in 2015. NERC and the Regional Entities are expected to utilize consistent compliance monitoring practices and focus on higher reliability risks to increase efficiency and mitigate overall compliance costs for registered entities.
- The implementation of a BES Exception Process continues to require the allocation of resources from several FRCC departments. Resources are expected to manage the process execution, technical validation of the definition and exception requests, self-determined notification submittals and periodic reviews of network changes affecting BES determinations as well as requests for registration and certification reviews. However, the long-term impact cannot be fully assessed at this time as the resource requirements will be based on the number and complexity of exception and registration requests received.
- NERC will continue to budget and incur costs to operate and maintain the software applications and systems known as Situational Awareness for FERC, NERC, and Regional Entities ("SAFNRv2"). Additional resource investments may be required to enhance the capabilities of SAFNRv2 throughout the planning period; however, there

will be no increased cost to the Regional Entities. NERC will continue to review the appropriateness of continued funding of existing reliability tools, with any proposed changes thereto subject to review and input from the Regional Entities, appropriate NERC Committees and working groups, and other affected parties.

- NERC and the Regional Entities will collaboratively work to refine existing strategies and governance and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, including software and data systems supporting both NERC and Regional Entity operations. The FRCC will also continue to fund applications and systems to satisfy our regional business needs.
- Improved disaster recovery mechanisms and improved IT security procedures will increase capital and operating costs at the Regional Entities.

2016 Goals and Key Deliverables (Regional Entity Division)

- Support NERC's goals that will continue to improve the quality and content of Reliability Standards, including support for enhanced periodic reviews focused on conducting measured, in-depth reviews to further improve the Reliability Standards. Support ERO activities necessary to incorporate Regional Standards into continent-wide standards as appropriate as standards are reviewed through the enhanced periodic review process.
- Continue to encourage stakeholder awareness and participation in the NERC standards development process through educational outreach efforts and participation in Standard Drafting Teams, the NERC Standards Committee and related subcommittees. Following FERC approval, assist the transition of standards to compliance monitoring and enforcement for the purposes of industry and auditor training, or providing information regarding the intent of the standard.
- Assess existing resources, including potentially adjusting skill sets to meet the criteria set forth in the *Compliance Auditor Capabilities and Competency Guide*. Have a training program in place that addresses initial and continuing training for capability and competency development.
- Work with NERC and the other Regional Entities to register entities commensurate with risk to the Bulk Power System (BPS). Support the implementation of any changes resulting from the risk-based registration phase 1 efforts that completed in 2014, continued review of risk-based registration phase 2 in 2015, and review of the certification program that began in 2015.
- Continue the implementation of the BES Exception Process and related activities.
- In collaboration with NERC and the other Regional Entities, support the ongoing CIP V5 transition plans, related training and outreach.
- Improve consistency, quality, and timeliness of compliance monitoring and enforcement activities. Utilize more enforcement discretion for those violations that have minimal impact to the reliability of the BES and provide more focus on those violations that have higher reliability risks.
- Continue to be a strong enforcement authority that is independent, without conflict of interest, objective and fair, using enforcement discretion when warranted and imposing penalties and sanctions that are commensurate with risk.

- Support an ERO culture of reliability excellence. Work with NERC and the other Regional Entities to facilitate a learning environment throughout the industry. Work to improve event causal analysis, communication of lessons learned, tracking of recommendations, and implementation of best practices. Work with NERC and the other Regional Entities to support the sharing of BES event reports through secure means.
- Continue to improve consistency, quality, timeliness and cost effectiveness of NERC and Regional Entity data collection, analysis systems and capabilities through process improvements and more effective coordination and collaboration. Support enhancement of risk analysis capabilities by integrating risk data sources.
- Support the ERO efforts to expand the assessment and performance analysis capabilities in Reliability Assessments to achieve measureable improvements in the BES reliability. Risks will be identified and prioritized based on reliability impacts, cost/practicality assessments, projected resources, and emerging issues.
- Support ERO activities to identify key reliability risks and appropriate risk control projects designed to enhance reliability or mitigate risks. Work with NERC and the other Regional Entities and the industry to effectively address security vulnerabilities and threats. During crisis situations, support ERO sharing of information among industry, Regions, and government.

2016 Overview of Cost Impacts

The FRCC's proposed 2016 Regional Entity budgeted expenses and net fixed assets (see page 12) is \$7,261,527, which is a \$99,294 or 1.4% increase over the 2015 budget. The major drivers of this increase are the net effect of:

- Salaries are based on the assumption of a 3% salary increase plus promotions and adjustments, a 3.7% attrition factor in 2016. These are partially offset by an open position from 2015 being replaced by a contract auditor.
- Increased fees by the CEA Agent due to 2016 being an audit year for the RC
- Decreased Compliance Software development changes budgeted

Statutory Accounting Methodology

The FRCC, in order to be consistent with all the regions, has modified its accounting reporting as follows:

- ERO assessments needed to fund working capital are reflected in the General and Administrative Program within Administrative Services.
- The majority of the Operating Expenses are accounted for within their related department's budget. If an expense cannot be specifically linked to a department, it is included in the General and Administrative Program, within Administrative Services.
- All expenses for the Administrative Services Programs, referred to as indirect expenses for 2016, are allocated to the delegated program areas by their respective FTEs and are shown on one line of each delegated program area Statement of Activities as "Indirect Expenses".

- Capital expenditures are broken out as fixed assets at the end of each statement of activities rather than being included in their related lines in the operating expenses section.
- Expenses include depreciation, but since funding is not being requested for depreciation expense, it has been deducted from the funding requirement for capital expenditures.

2016 Key Deliverables by Program

In 2016, FRCC will achieve the following key deliverables:

- **Reliability Standards Development** — Continue support of NERC in its efforts to improve the quality and content of Reliability Standards including support for enhanced periodic reviews focused on conducting measured, in-depth reviews to further improve the Reliability Standards. Support ERO activities necessary to incorporate Regional Standards into continent-wide standards as appropriate as standards are reviewed through the enhanced periodic review process. Support outreach during standard development and assist in the transition of standards to compliance monitoring and enforcement.
- **Compliance Monitoring and Enforcement** — Continue implementation of the risk-based compliance monitoring and enforcement program using consistent practices focused on higher reliability risks. Ensure timely and thorough mitigation of all violations of mandatory reliability standards with the most focus on those violations that create serious risk to the Bulk Electric System. Promote a strong culture of compliance excellence, reliability improvement, and risk-based methods among all Registered Entities in the FRCC Region.
- **Event Analysis** — Continue to support improved reliability through reporting and categorizing of system events and security incidents. Consistently analyze events and system performance for sequence, cause, and remediation to identify reliability risks and trend, and to inform standards, compliance, and other programs. Work to ensure that the industry is well informed of system events, emerging trends, risk analysis, lessons learned and expected actions. Provide timely written lessons learned and recommendations from events and provide all BPS system event reports to the industry through a secure portal.
- **Critical Infrastructure Protection and Cyber Security** — Facilitate, educate and support Registered Entities in complying with CIP reliability standards and responding to cyber security alerts. Continue to support the transition from CIP V3 to V5 including provision of necessary training to FRCC staff, and providing education and outreach to stakeholders to ensure their understanding of the technical aspects of the requirements.
- **Reliability Assessments** — Provide annual, seasonal, probabilistic, scenario and special reliability assessments of the reliability of the FRCC BES in accordance with definitions and requirements. Support the development and implementation of expanded and enhanced enterprise-based data collection and analysis systems and capabilities for performance analysis. Work with NERC and the other Regional Entities to develop and demonstrate BES performance metrics for the purpose of analyzing and trending reliability improvements and benefits, as well as risk/severity based methods. Work with NERC and the other Regional Entities to support the BES Exception Process execution,

technical validation of the definition and exception requests, self-determined notification submittals, and periodic reviews of network changes affecting BES determinations.

- **Situation Awareness** — Continue to support NERC in maintaining and enhancing the current and future situation awareness capabilities that include near real-time information and communications protocols that meet the needs of FERC, NERC, and the Regional Entities (SAFNrv2). Issue and track security recommendation to protect the Bulk Power System. Share information learned in Situation Awareness with the Events Analysis program to develop relevant lessons learned and identify gaps in standards, compliance effectiveness, registration and risk control effectiveness.
- **Effective Financial Controls** — Continue to provide rigorous cost controls and efficient management of resources to remain an efficient provider of ERO delegated functions.

Long Term Business Planning

NERC and the Regional Entities continue to work together to improve the overall ERO business planning and budgeting process, including long-term resource and financial planning. The 2016 Business Plan and Budget process builds upon the improvements made over the past several years including face-to-face meetings, conference calls and exchanges of documentation among senior management and staff of NERC and Regional Entities regarding budget assumptions, resource requirements, and opportunities to improve operational efficiency and effectiveness.

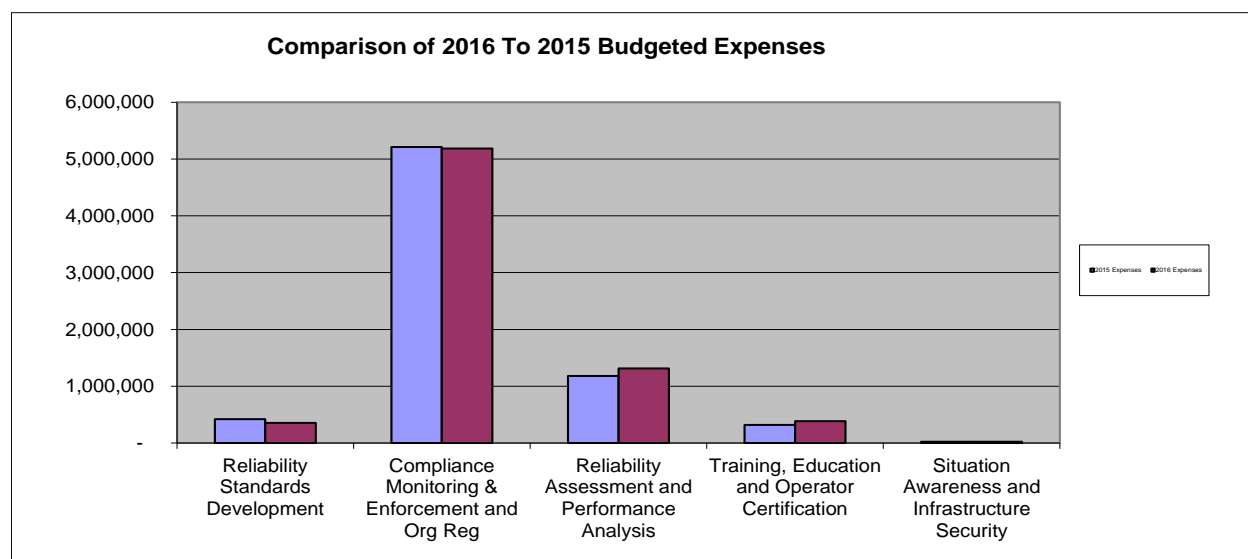
Throughout 2014 and into early 2015, NERC and the Regional Entities worked to develop a common operating model with defined roles and responsibilities that align with business planning goals, objectives, metrics and assumptions for the ERO Enterprise for the 2015-2018 planning period. As part of updating the ERO Strategic Plan, NERC and the Regional Entities consolidated five goals within the existing focus areas of standards; compliance, registration and certification; risks to reliability; and coordination and collaboration. A number of objectives and deliverables expected of the ERO Enterprise were also identified. Four overarching performance metrics were added to assess the overall effectiveness of the ERO Enterprise in addressing risk to the Bulk Electric System and improving BES reliability. These metrics concentrate on measuring progress in achieving reliability results, assuring standards and compliance effectiveness, improving risk mitigation, and program execution. With the ERO Strategic Plan, the developed performance metrics, and the set of common assumptions, the 2016 Business Plan and Budgets of NERC and the Regional Entities will support and complement each other. The Shared Business Plan and Budget Assumptions (Exhibit A of the 2016 NERC Business Plan and Budget) incorporate assumptions affecting resource demands through the 2018 planning horizon.

NERC and the Regional Entities continue to work together to develop, strengthen and improve an integrated long term ERO business plan and budget that leverages and builds on the combined strength and resources of NERC and the Regional Entities to improve the overall effectiveness and efficiency of ERO operations and improve the reliability of the BES of North America.

Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B. Below is an overall summary of the changes by program area.

Funding by Program	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Reliability Standards Development	423,143	423,144	353,799	(69,345)	-16.4%
Compliance Monitoring & Enforcement and Org Reg	5,211,874	5,211,874	5,186,867	(25,007)	-0.5%
Reliability Assessment and Performance Analysis	1,182,409	1,182,409	1,312,392	129,983	11.0%
Training, Education and Operator Certification	321,525	325,526	386,376	64,851	20.2%
Situation Awareness and Infrastructure Security	23,281	23,281	22,093	(1,188)	-5.1%
Total Funding All Sources	7,162,233	7,166,234	7,261,527	99,294	1.4%



This graphical representation does not include an allocation of working capital requirements among the Program Areas.

Total FTE's by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs ¹ 2016 Budget	Total FTEs 2016 Budget	Change from 2015 Budget
STATUTORY						
Operational Programs						
Reliability Standards Development	1.71	1.33	1.41		1.41	-0.30
Compliance Monitoring & Enforcement and Org Reg	19.77	18.31	18.83		18.83	-0.94
Reliability Assessment and Performance Analysis	4.39	4.37	1.00	3.71	4.71	0.32
Training, Education and Operator Certification	0.91	1.35		1.09	1.09	0.18
Situation Awareness and Infrastructure Security	0.09	0.08		0.08	0.08	-0.01
Total FTEs Operational Programs	26.87	25.44	21.24	4.88	26.12	-0.75
Administrative Programs						
General & Administrative	4.04	3.71		4.47	4.47	0.43
Total FTEs Administrative Programs	4.04	3.71	0.00	4.47	4.47	0.43
Total FTEs	30.91	29.15	21.24	9.35	30.59	-0.32

¹A shared FTE is defined by NERC as an employee who performs both Statutory and Non-Statutory functions.

2015 Statutory Budget and Projection and 2016 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2015 Budget & Projection, and 2016 Budget

STATUTORY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 6,062,838	\$ 6,062,839	\$ 1	6,628,457	\$ 565,619
Penalty Sanctions	175,000	175,000	(0)	81,000	(94,000)
Total ERO Funding	\$ 6,237,838	\$ 6,237,839	\$ 1	\$ 6,709,457	\$ 471,619
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	24,000	24,000	-	24,000	-
Workshops	90,000	94,000	4,000	92,000	2,000
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 6,351,838	\$ 6,355,839	\$ 4,001	\$ 6,825,457	\$ 473,619
Expenses					
Personnel Expenses					
Salaries	\$ 4,082,307	3,893,875	\$ (188,432)	\$ 4,021,604	\$ (60,703)
Payroll Taxes	253,874	239,653	(14,221)	243,373	(10,501)
Benefits	579,483	627,956	48,473	608,744	29,261
Retirement Costs	666,669	611,856	(54,813)	639,971	(26,698)
Total Personnel Expenses	\$ 5,582,333	\$ 5,373,340	\$ (208,993)	\$ 5,513,692	\$ (68,641)
Meeting Expenses					
Meetings	\$ 69,292	\$ 55,870	\$ (13,422)	\$ 58,176	\$ (11,116)
Travel	191,753	203,058	11,305	191,445	(308)
Conference Calls	9,482	9,485	3	13,027	3,545
Total Meeting Expenses	\$ 270,527	\$ 268,413	\$ (2,114)	\$ 262,648	\$ (7,879)
Operating Expenses					
Consultants & Contracts	\$ 393,718	\$ 495,457	\$ 101,739	\$ 641,975	\$ 248,257
Office Rent	547,586	567,163	19,577	568,158	20,572
Office Costs	132,069	136,759	4,690	132,021	(48)
Professional Services	51,324	31,427	(19,897)	26,406	(24,918)
Miscellaneous	-	-	-	-	-
Depreciation	202,287	196,045	(6,242)	171,380	(30,907)
Total Operating Expenses	\$ 1,326,984	\$ 1,426,851	\$ 99,867	\$ 1,539,940	\$ 212,956
Total Direct Expenses	\$ 7,179,844	\$ 7,068,604	\$ (111,240)	\$ 7,316,280	\$ 136,436
Indirect Expenses	\$ -	\$ -	\$ 0	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 7,179,844	\$ 7,068,604	\$ (111,240)	\$ 7,316,280	\$ 136,436
Change in Assets	\$ (828,006)	\$ (712,765)	\$ 115,241	\$ (490,823)	\$ 337,183
Fixed Assets					
Depreciation	\$ (202,287)	\$ (196,045)	\$ 6,242	\$ (171,380)	\$ 30,907
Total Fixed Asset Purchases	184,676	238,032	53,356	116,627	(68,049)
Change in Fixed Assets	17,611	(41,987)	(59,598)	54,753	37,142
TOTAL BUDGET	\$ 7,162,233	\$ 7,110,591	\$ (51,642)	\$ 7,261,527	\$ 99,294
TOTAL CHANGE IN WORKING CAPITAL	\$ (810,395)	\$ (754,752)	\$ 55,643	\$ (436,070)	\$ 374,325
FTEs	30.91	29.15	(1.76)	30.59	(0.32)

Section A – Statutory Programs
2016 Business Plan and Budget

Reliability Standards Development Program

Reliability Standards Development Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	1.71	1.41	(0.30)
Direct Expenses	\$ 370,389	\$ 307,955	\$ (62,434)
Indirect Expenses	\$ 49,808	\$ 47,137	\$ (2,672)
Inc(Dec) in Fixed Assets	\$ 2,946	\$ (1,293)	\$ (4,239)
Total Funding Requirement	\$ 423,143	\$ 353,799	\$ (69,345)

Program Scope and Functional Description

The FRCC may develop, through the FRCC Regional Reliability Standards Development Process, separate Regional Reliability Standards that are specific to the FRCC Region and go beyond, add detail to, or implement NERC Reliability Standards. FRCC Regional Reliability Standards will not be inconsistent with or less stringent than NERC Reliability Standards.

The FRCC Regional Reliability Standards Development Process is an open, balanced and fair process that ensures all interested and affected parties have an opportunity to participate in the development of FRCC Regional Reliability Standards for the FRCC Region.

While the FRCC may develop separate Regional Reliability Standards, the preference is to support the development of continent wide reliability standards. The FRCC staff follows and participates in NERC's Standards Development Process. This includes FRCC standards staff participation at the NERC Standards Committee, the NERC Standards Committee Process Subcommittee, and NERC standards drafting teams as appropriate. In addition, the FRCC supports and encourages stakeholder awareness and participation in the NERC standards development process through educational outreach efforts at workshops, webinars and committee meetings.

2016 Key Assumptions

The key assumptions included in the Shared Business Plan and Budget Assumptions, Exhibit A, affecting the Reliability Standards Program include:

1. The number of continent-wide projects contained in NERC's Reliability Standards Development Plan is expected to remain at the 2015 level.
2. Continent-wide standards projects will consist primarily of conducting enhanced periodic reviews to improve the content and quality of standards, responding to identified risks to reliability, and addressing FERC directives that may arise.

3. The number of interpretation requests is expected to remain low, however the guidance requests associated with the implementation of Standards may increase.
4. Activity associated with FRCC Regional Reliability Standards development is expected to remain low. Regional standards will be incorporated, as appropriate, into continent-wide standards as variances as part of the enhanced periodic review activities.
5. NERC and the Regional Entities will continue to provide communication and outreach opportunities as standards are developed and following FERC approval of new and revised standards.

2016 Goals and Key Deliverables

The Standards Program objectives for 2016 are outlined below:

- Continue to follow and participate in NERC Standards Development Process. This includes FRCC standards staff participation in the NERC Standards Committee, the NERC Standards Committee Process Subcommittee and on NERC standards drafting teams as appropriate.
- Continue to encourage stakeholder awareness and participation in the NERC standards development process. Support the development of Standard's guidance requests as appropriate.
- Continue to monitor the need for development of Regional Reliability Standards or regional variances that are required by NERC Reliability Standards or are needed for reliability within the FRCC region.
- Assist the FRCC members and Registered Entities in following and understanding NERC standards development activities by increasing education and outreach programs to include:
 - Development and presentation at Workshops, Webinars and committee meetings to address continent-wide and regional reliability issues.
 - Develop and deliver project level communications, education and training for new or revised reliability standards.
 - Review, analyze, identify potential regional concerns and solutions associated with NERC Reliability Standards under development.
 - Establish a stronger relationship with the FRCC Regional Entity Committee to fully vet and identify any concerns and assist in articulating the concern and possible solution to standard drafting teams as appropriate.

Reliability Standards Development Program

Funding sources and related expenses for the reliability standards section of the 2016 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
Reliability Standards Development					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 412,007	\$ 412,007	\$ 0	\$ 349,426	\$ (62,580)
Penalty Sanctions	\$ 11,137	\$ 11,137	\$ 0	4,373	(6,764)
Total ERO Funding	\$ 423,143	\$ 423,144	\$ 1	\$ 353,799	\$ (69,345)
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 423,143	\$ 423,144	\$ 1	\$ 353,799	\$ (69,345)
Expenses					
Personnel Expenses					
Salaries	\$ 225,465	\$ 177,267	\$ (48,198)	\$ 192,583	\$ (32,882)
Payroll Taxes	14,021	10,935	(3,086)	11,218	(2,803)
Benefits	32,602	28,309	(4,293)	29,362	(3,240)
Retirement Costs	36,074	27,438	(8,636)	28,968	(7,106)
Total Personnel Expenses	\$ 308,162	\$ 243,949	\$ (64,213)	\$ 262,131	\$ (46,031)
Meeting Expenses					
Meetings	\$ 2,606	\$ 1,105	\$ (1,501)	\$ 1,221	\$ (1,385)
Travel	17,469	12,625	(4,844)	8,992	(8,477)
Conference Calls	203	172	(31)	1,234	1,031
Total Meeting Expenses	\$ 20,278	\$ 13,902	\$ (6,376)	\$ 11,447	\$ (8,831)
Operating Expenses					
Consultants & Contracts	\$ 7,381	\$ 7,017	\$ (364)	\$ 6,446	\$ (935)
Office Rent	21,993	18,799	(3,194)	19,153	(2,840)
Office Costs	7,681	6,925	(756)	5,187	(2,494)
Professional Services	3,261	1,639	(1,622)	1,423	(1,838)
Miscellaneous	-	-	-	-	-
Depreciation	1,633	1,690	57	2,168	535
Total Operating Expenses	\$ 41,949	\$ 36,070	\$ (5,879)	\$ 34,377	\$ (7,572)
Total Direct Expenses	\$ 370,389	\$ 293,921	\$ (76,468)	\$ 307,955	\$ (62,434)
Indirect Expenses	\$ 49,808	\$ 37,772	\$ (12,036)	\$ 47,137	\$ (2,672)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 420,197	\$ 331,693	\$ (88,504)	\$ 355,092	\$ (65,106)
Change in Assets	\$ 2,946	\$ 91,451	\$ 88,505	\$ (1,293)	\$ (4,239)
Fixed Assets					
Depreciation	\$ (1,633)	\$ (1,690)	\$ (57)	\$ (2,168)	\$ (535)
Total Fixed Asset Purchases	4,579	4,566	(13)	875	(3,704)
Change in Fixed Assets	\$ (2,946)	\$ (2,876)	\$ 70	\$ 1,293	\$ 4,239
TOTAL BUDGET	\$ 423,143	\$ 334,569	\$ (88,574)	\$ 353,799	\$ (69,345)
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ 88,575	\$ 88,575	\$ -	\$ -
FTEs	1.71	1.33	(0.38)	1.41	(0.30)

Compliance Monitoring and Enforcement Program and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	19.77	18.83	(0.94)
Direct Expenses	\$ 4,658,890	\$ 4,609,179	\$ (49,711)
Indirect Expenses	\$ 575,856	\$ 629,490	\$ 53,634
Inc(Dec) in Fixed Assets	\$ (22,872)	\$ (51,802)	\$ (28,930)
Total Funding Requirement	\$ 5,211,874	\$ 5,186,867	\$ (25,007)

Program Scope and Functional Description

Monitoring, evaluating, investigating and enforcing compliance with Reliability Standards by owners, operators and users of the BES, as well as the development and adoption of the reliability standards themselves, are at the core of FRCC's mission. Reliable operation of the BES is in the public interest, because it will benefit all owners, operators and users of the BES, and, ultimately, all users and consumers of electric power in the FRCC Region.

Compliance and Enforcement activities are carried out by the FRCC compliance staff and are independent of all users, owners and operators of the BES. Compliance activities are governed by the delegation agreement between NERC and the FRCC. Through a risk-based program of monitoring, evaluating, enforcing, and if necessary, the imposition of penalties and sanctions for noncompliance with Reliability Standards, FRCC will strive to increase the level of reliable operation of the BES in the FRCC Region.

The NERC Compliance Monitoring and Enforcement Program (CMEP) is the program used by the FRCC to monitor, assess, and enforce compliance with Reliability Standards within the FRCC Region. The FRCC compliance staff works with the compliance staff of the other Regional Entities and with NERC to achieve as much consistency and transparency as possible in the implementation of the CMEP. The development and implementation of the risk-based compliance monitoring and enforcement environment will focus on those risks that are most important to the reliability of the BES.

2016 Highlights Compliance Monitoring and Enforcement Processes

The implementation of risk-based compliance monitoring and enforcement will include an analysis of risk to develop an appropriate compliance oversight plan for each Registered Entity. Balancing Authorities and Transmission Operators will continue under the periodic 3 year audit schedule. The review of a Registered Entity's inherent risk, and a review of its internal controls (if desired), will be considered in the development of its specific compliance oversight plan. Compliance staff will continue a strong outreach program to assist registered entities in their understanding of the risk-based compliance program as well as the details of the transition from CIP V3 to V5 reliability standards.

Registration and Certification

The FRCC has registered the organizations responsible for complying with Reliability Standards in accordance with Section 500 of the NERC Rules of Procedure. Currently there are 66 Registered Entities with a total of 247 registered functions. Maintaining a complete and accurate registration database will be an ongoing activity. The FRCC will develop, maintain and provide to NERC accurate information on entity registration within the FRCC Region with updates as changes occur. The proposed changes to eliminate three functional entities from the NERC Registry will likely take place during 2015. FRCC will implement the changes associated with the Phase 1 work of the Risk Based Registration initiative. Phase 2 of the registration review process will take place during 2015 and may have impacts in 2016. FRCC staff will be supporting and participating in the evaluation of appropriate levels of registration of Registered Entities. FRCC will also be participating in the review of the Certification Program and to the extent changes are recommended and approved, will implement those changes in 2016.

Enforcement and Mitigation

The FRCC has implemented risk-based enforcement and actions may include the imposition of remedial action directives, sanctions and penalties for those risks that pose a more serious risk to reliability. The FRCC will utilize other enforcement disposition methods, such as FFT or Compliance Exceptions for those violations that pose minimal and moderate risks to the reliability of the BES. Mitigation of violations of the approved Reliability Standards, and the prevention of recurrence, remains central to the FRCC's reliability focus. Registered Entities found in violation of a Reliability Standard will be required to fully mitigate the violation regardless of the type of enforcement actions taken.

2016 Key Assumptions

- Audits are expected to continue under the current three year schedule for BA's and TOP's. With 2015 being a transition year for implementing risk-based compliance monitoring and enforcement, we have developed our 2016 budget with the following assumptions: to conduct four (4) on-site certification reviews, update 55 IRAs, perform six (6) ICEs, complete four (4) O & P on-site audits, perform six (6) CIP on-site audits, perform two (2) O & P and two (2) CIP on-site audits as part of the MRRE coordinated activities, implement self-certification of approximately forty-eight (48) entities not scheduled for audit in 2016, and perform a spot check of all applicable entities that CIP-002-5 pertains to.
- Reliability risk profiles for all Registered Entities will be developed and audit scopes will be tailored to the risk profiles which may increase the depth and complexity of some audits and decrease the depth and complexity of others. The consistent approach to audit scope methodology developed as part of the RAI will be used in early 2015 and 2016.
- Integration of the assessment of Registered Entity internal controls programs as part of the compliance monitoring program will allow NERC and the Regional Entities to further prioritize risk based compliance monitoring activities. Greater emphasis on internal controls provides positive incentives for industry to demonstrate effective management of compliance programs that are focused on reliability, as well as place downward pressure on compliance resource requirements for industry, NERC and the Regional Entities.
- The use of spot checks and self-certifications is expected to increase as risk-based monitoring is implemented, but that should have little effect on FRCC's overall resource requirements.

-
- The approval of CIP V5 is anticipated to significantly increase the compliance monitoring and outreach activities. The effective date for compliance with the CIP Version 5 standards will be April 1, 2016 for High and Medium impact assets and April 1, 2017 for Low impact assets. The transition between V3 to V5 will be a mission critical activity for the ERO Enterprise in 2015. FRCC plans to support the ongoing CIP V5 transition plans and anticipates an expansion in the number of Registered Entities that require guidance during 2015 and 2016. Additional training requirements will be necessary to support the transition and will affect the annual training commitments. For most CIP activities, the resource demands are expected to increase throughout the planning period.
 - The number of non-CIP violations is expected to decrease as most Registered Entities have been audited and the standards and RSAWs have matured.
 - A compliance tools assessment project began in 2014 and continues into 2015. This will include an evaluation of software systems used for compliance, registration, analysis and tracking which may result in replacing or changing existing systems in the future. Until the assessment is complete, Regional Entities will continue to budget to maintain current systems and tools.
 - NERC and the Regional Entities are expected to utilize consistent audit practices and focus on higher reliability risks to increase efficiency and mitigate overall compliance costs.
 - NERC and the Regional Entities will provide sufficient resources to develop or modify the RSAWs by the time a Standard is balloted which is required to support the Reliability Standards Development Plan.
 - NERC and the Regional Entities must plan to support the training requirements necessary to meet the criteria set forth by the ERO Auditor Manual and Handbook and the Compliance Auditor Capabilities and Competency Guide. Regional Entities will be expected to provide training documents and other related compliance guidance to compliance staff, review Auditor job descriptions and properly reflect the guidance provided in the Compliance Auditor Capabilities and Competency Guide, perform a gap analysis to identify both individual training needs and organizational compliance resource needs, provide an assessment process to evaluate audit team competencies and capability needs, and put a training program in place that addresses initial and continuing training for capability and competency development.
 - NERC will continue to budget and incur the cost of a unified learning management system (LMS) for the regional audit staff initially, with near-term consideration for risk-based compliance monitoring and enforcement related staff. NERC will work with the Regional Entities to consolidate training resources and promote better coordination, planning, delivery and management of training efforts across the ERO.
 - Additional resources will be required, and increases to NERC and Regional Entity training budgets are expected to support certain training initiatives of the ERO. Regional Entities are expected to allocate resources to meet the training requirements for the compliance and enforcement staff that are associated with the implementation of the risk-based compliance monitoring and enforcement.
 - Maintaining budgeted qualified compliance and enforcement staff will continue to be a challenge driven by a limited pool of qualified people and an aging work force. Investments in training less experienced personnel are likely to increase.
-

2016 Goals and Key Deliverables

The Compliance Monitoring and Enforcement Program objectives for 2016 are outlined below:

- Continue to assess and update entity registration and certification. The FRCC will support the implementation of the changes resulting from the registration and certification reviews that began in 2014 and 2015.
- Support and continue the implementation of Risk-based Compliance Monitoring and Enforcement, including providing the necessary training for compliance and enforcement staff. Enforce compliance with mandatory reliability standards in accordance with the CMEP and ROP while improving consistency, quality, timeliness and utilizing more enforcement discretion for those violations that have minimal impact to the reliability of the BES.
- Develop and maintain reliability risk profiles and associated compliance oversight plans of all Registered Entities in the FRCC Region for use in the continued transition to a more risk-based compliance monitoring.
- Implement the ERO Auditor Handbook and Manual and continue to work with NERC Compliance staff and other Regional Entity Compliance staff to modify compliance procedures to increase consistency in the determination of violations and appropriate disposition of those violations.
- Continue to promote the self-identification of non-compliance by Registered Entities and utilize increased discretion as appropriate. Ensure timely and thorough mitigation of all violations of mandatory reliability standards.
- Promote a culture of compliance excellence through education, transparency, information sharing and incentives.

Compliance Monitoring and Enforcement Program and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2016 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
Compliance Monitoring & Enforcement and Organization Registration & Certification					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 5,083,115	\$ 5,083,115	\$ (0)	\$ 5,128,474	\$ 45,359
Penalty Sanctions	128,759	128,759	0	58,393	(70,366)
Total ERO Funding	\$ 5,211,874	\$ 5,211,874	\$ 0	\$ 5,186,867	\$ (25,007)
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 5,211,874	\$ 5,211,874	\$ 0	\$ 5,186,867	\$ (25,007)
Expenses					
Personnel Expenses					
Salaries	\$ 2,611,174	\$ 2,440,310	\$ (170,864)	\$ 2,415,379	\$ (195,795)
Payroll Taxes	162,386	150,533	(11,853)	149,811	(12,575)
Benefits	385,976	419,045	33,069	395,111	9,135
Retirement Costs	431,288	388,230	(43,058)	398,362	(32,926)
Total Personnel Expenses	\$ 3,590,824	\$ 3,398,118	\$ (192,706)	\$ 3,358,663	\$ (232,161)
Meeting Expenses					
Meetings	\$ 12,729	\$ 13,846	\$ 1,117	\$ 13,419	\$ 690
Travel	122,194	113,580	(8,614)	119,571	(2,623)
Conference Calls	4,390	4,348	(42)	10,055	5,665
Total Meeting Expenses	\$ 139,313	\$ 131,774	\$ (7,539)	\$ 143,045	\$ 3,732
Operating Expenses					
Consultants & Contracts	\$ 214,984	\$ 287,345	\$ 72,361	\$ 434,850	\$ 219,866
Office Rent	404,082	413,942	9,860	408,416	4,334
Office Costs	80,150	82,579	2,429	84,471	4,321
Professional Services	37,762	22,618	(15,144)	19,035	(18,727)
Miscellaneous	-	-	-	-	-
Depreciation	191,775	187,951	(3,824)	160,699	(31,076)
Total Operating Expenses	\$ 928,753	\$ 994,435	\$ 65,682	\$ 1,107,471	\$ 178,718
Total Direct Expenses	\$ 4,658,890	\$ 4,524,327	\$ (134,563)	\$ 4,609,179	\$ (49,711)
Indirect Expenses	\$ 575,856	\$ 521,356	\$ (54,500)	\$ 629,490	\$ 53,634
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 5,234,746	\$ 5,045,683	\$ (189,063)	\$ 5,238,669	\$ 3,923
Change in Assets	\$ (22,872)	\$ 166,191	\$ 189,063	\$ (51,802)	\$ (28,930)
Fixed Assets					
Depreciation	\$ (191,775)	\$ (187,951)	\$ 3,824	\$ (160,699)	\$ 31,076
Total Fixed Asset Purchases	168,903	217,903	49,000	108,897	(60,006)
Change in Fixed Assets	\$ 22,872	\$ (29,952)	\$ (52,824)	\$ 51,802	\$ 28,930
TOTAL BUDGET	\$ 5,211,874	\$ 5,075,635	\$ (136,239)	\$ 5,186,867	\$ (25,007)
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ 136,239	\$ 136,239	\$ -	\$ (0)
FTEs	19.77	18.31	(1.46)	18.83	(0.94)

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	4.39	4.71	0.32
Direct Expenses	\$ 1,049,392	\$ 1,156,162	\$ 106,770
Indirect Expenses	\$ 127,871	\$ 157,456	\$ 29,585
Inc(Dec) in Fixed Assets	\$ 5,146	\$ (1,226)	\$ (6,372)
Total Funding Requirement	\$ 1,182,409	\$ 1,312,392	\$ 129,983

Program Scope and Functional Description

The FRCC will assess the reliability of the BES in the FRCC region and will continue to ensure that the planned system is robust, reliable and stable. The FRCC will participate in Event Analysis Teams to analyze any disturbances that may occur within the FRCC region.

The FRCC performs transmission reliability studies in order to provide an assessment to NERC for its periodic NERC Reliability Assessments. These studies evaluate regional and inter-regional facilities. The FRCC prepares a minimum of three reliability assessments each year and a probabilistic assessment every other year in support of NERC Reliability Assessments:

- A 10 year long-term reliability assessment report
- A summer assessment report
- A winter assessment report
- A probabilistic long-term reliability assessment (biennial)

These reports evaluate electricity demand, the adequacy of supply and its deliverability, fuel reliability and the adequacy of the transmission system within the FRCC. The FRCC will prepare special reliability assessment reports as conditions warrant.

The FRCC Reliability Assessment and Performance Analysis Program (RA) will support NERC's efforts to move toward and implement an outcome based approach in Reliability Assessments to achieve measureable improvements in the BES reliability. Risks will be identified and prioritized based on reliability impacts, cost/practicality of assessments, projected resources, and emerging issues. The FRCC is an active participant on the NERC Reliability Assessment Subcommittee which is responsible for performing an independent review of reliability assessments. The FRCC will support NERC's efforts for collection and analysis of data, as well as support any of NERC's special reliability assessments and the efforts related to the collection of data via the Generation Availability Data System (GADS), Transmission Availability Data System (TADS) and Demand Response Availability Data System (DADS). In addition, the FRCC will work with NERC to gather data and/or complete

analysis in support of U.S. Federal initiatives, including high impact/low frequency events such as geomagnetic disturbances, system frequency response analysis, climate change and other environmental regulations.

The FRCC will support the ERO Essential Reliability Services Task Force (ERSTF) focused on identifying essential reliability services and providing the industry with technical papers and guidelines as appropriate.

The FRCC actively participates in the Eastern Interconnection Reliability Assessment Group (ERAG) which is responsible for the Eastern Interconnection transmission models and inter-regional studies. The FRCC will support NERC's and ERAG's efforts to improve the data quality of the Eastern Interconnection (EI) transmission models and provide support for the validation of the performance of these models by the Planning Coordinators compared to system events.

The FRCC Events Analysis Program will analyze or support the analysis of significant events and system performance that impact the BES within the FRCC Region. The FRCC will facilitate consistent identification of sequence, root cause and remediation to identify reliability risks and trends, and lessons learned. FRCC's analysis may result in the identification of any gaps in standards, compliance effectiveness, registration and risk controls effectiveness. The FRCC will provide lessons learned and recommendations from events and identified risks.

The FRCC will support NERC to improve event causal analysis, communication of lessons learned, tracking of recommendations, implementation of best practices, and overcoming barriers to releasing BES event reports to industry on a timely basis through a secure portal. The FRCC will support NERC to continue to improve consistency, quality, timeliness and cost effectiveness of NERC and Regional Entity data collection, analysis systems and capabilities through process improvements and more effective coordination and collaboration.

2016 Key Assumptions

- NERC and the Regional Entities are expected to effectively implement long-term reliability assessment coordination and collaboration efforts to independently evaluate the reliability characteristics and behavior of the bulk power system.
- Implementation of the BES Exception Process requires the allocation of resources from several NERC and Regional Entity departments. The resources will be expected to manage the process execution, technical validation of the definition and exception requests, self-determined notification submittals and periodic reviews of network changes affecting BES determinations, as well as requests for registration and certification review.
- NERC has established the Essential Reliability Services Task Force (ERSTF) that continues to impact resource requirements in order to support the work of this task force which is expected to have weekly conference calls and two or three in person meetings.
- NERC and the Regional Entities will work jointly to expand the assessment and performance capabilities to accomplish the following:
 - Develop and implement expanded and enhanced enterprise-based data collection and analysis systems and capabilities for performance analyses.

- Support the integration of RAPA information systems for assessments and associated data requirements, with focus on independent and technically sound reliability assessments supporting delivery of high quality reports
 - Develop assessment and performance analysis by expanding the use of advanced techniques and tools for resource analysis to perform probabilistic and scenario evaluations that address the impacts of integrating new technologies, changing resource mix or demand composition, and environmental-related regulations or legislation.
 - Support the compilation of long-term sustainable Interconnection-based models that exhibit the accuracy and fidelity reflecting actual bulk power system reliability performance and dynamic conditions.
 - Provide technical resources and expertise to perform analyses as needed to support and determine risk priorities for standards development, compliance and enforcement activities
 - Support quality analysis and overall assessment, including guidance for Registered Entities, of high impact, low frequency bulk power system risks, including physical security, geomagnetic disturbance (GMD) vulnerability, planning guides and planning standards.
- Participation in the ERO Event Analysis Process will continue at or above current levels through 2016.

2016 Goals and Key Deliverables

The Reliability Assessment and Performance Analysis Objectives for 2016 are outlined below:

- Perform a reliability assessment of the FRCC Region to determine if the planned resources and proposed transmission expansion plans will meet the needs of the projected demand throughout the planning horizon.
- Support NERC in preparing its reliability assessment reports.
- Support the existing BES Exception Process. This will include providing a technical review of exception requests that are submitted by the registered entities and periodic reviews of network changes affecting BES determinations.
- Support the work of the Essential Reliability Services Task Force (ERSTF) including the development and tracking of measures that may lead to a better preparation and understanding of the changing resources and the need to maintain essential reliability services (i.e. voltage control, inertia, or ramping capability).
- Support ERO activities to identify key reliability risks and appropriate risk control projects designed to enhance reliability or mitigate risks.
- Support data gathering and reporting efforts for the Generating Availability Data System (GADS), the Transmission Availability Data System (TADS), Spare Equipment Database (SED) and Demand Response Availability Data System (DADS).
- Support NERC to strengthen data collection and validation processes by designing, creating, testing and implementing data checking systems to accommodate the increasing amount of data NERC collects for its long-term, seasonal, operational, scenarios and

special reliability assessments along with the databases supporting reliability performance assessments.

- Review and/or analyze significant events that impact the FRCC BES and work with NERC to identify the root causes of events that may be precursors of potentially more serious events.
- Assess past reliability performance for potential lessons learned.
- Maintain relationships with NERC, regulatory and governmental organizations involved with BES reliability (e.g., Florida Public Service Commission (FPSC), Department of Energy (DOE), FERC, Energy Information Administration (EIA), etc.).
- Maintain a databank of power flow, short circuit and dynamic models to use in planning and evaluating future systems and current operating conditions.
- Work with ERAG Multi-Area Modeling Working Group (MMWG) to develop Eastern Interconnection steady-state and dynamics models and support the development of model validation processes by the Planning Coordinators.
- Conduct Loss of Load Probability and the Scenario Analysis studies as needed.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2016 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
Reliability Assessment and Performance Analysis					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 1,129,818	\$ 1,129,818	\$ 0	\$ 1,273,786	\$ 143,969
Penalty Sanctions	28,591	28,591	(0)	14,606	(13,985)
Total ERO Funding	\$ 1,158,409	\$ 1,158,409	\$ 0	\$ 1,288,392	\$ 129,983
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Testing Fees	-	-	-	-	-
Services & Software	24,000	24,000	-	24,000	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,182,409	\$ 1,182,409	\$ 0	\$ 1,312,392	\$ 129,983
Expenses					
Personnel Expenses					
Salaries	\$ 580,711	\$ 582,417	\$ 1,706	\$ 643,309	\$ 62,598
Payroll Taxes	36,114	35,927	(187)	37,473	1,359
Benefits	82,646	94,497	11,851	91,080	8,434
Retirement Costs	92,914	90,152	(2,762)	96,767	3,853
Total Personnel Expenses	\$ 792,385	\$ 802,993	\$ 10,608	\$ 868,629	\$ 76,244
Meeting Expenses					
Meetings	\$ 1,612	\$ 1,997	\$ 385	\$ 2,080	\$ 468
Travel	47,375	47,880	505	45,532	(1,843)
Conference Calls	447	470	23	368	(79)
Total Meeting Expenses	\$ 49,434	\$ 50,347	\$ 913	\$ 47,980	\$ (1,454)
Operating Expenses					
Consultants & Contracts	\$ 122,547	\$ 146,023	\$ 23,476	\$ 150,325	\$ 27,778
Office Rent	56,646	61,769	5,123	63,978	7,332
Office Costs	14,617	15,401	784	13,131	(1,486)
Professional Services	8,398	5,401	(2,997)	4,765	(3,633)
Miscellaneous	-	-	-	-	-
Depreciation	5,365	5,128	(237)	7,354	1,989
Total Operating Expenses	\$ 207,573	\$ 233,722	\$ 26,149	\$ 239,553	\$ 31,980
Total Direct Expenses	\$ 1,049,392	\$ 1,087,062	\$ 37,670	\$ 1,156,162	\$ 106,770
Indirect Expenses	\$ 127,871	\$ 124,499	\$ (3,372)	\$ 157,456	\$ 29,585
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,177,263	\$ 1,211,561	\$ 34,298	\$ 1,313,618	\$ 136,355
Change in Assets	\$ 5,146	\$ (29,152)	\$ (34,298)	\$ (1,226)	\$ (6,372)
Fixed Assets					
Depreciation	\$ (5,365)	\$ (5,128)	\$ 237	\$ (7,354)	(1,989)
Total Fixed Asset Purchases	10,511	14,314	3,803	6,128	(4,383)
Change in Fixed Assets	\$ (5,146)	\$ (9,186)	\$ (4,040)	\$ 1,226	\$ 6,372
TOTAL BUDGET	\$ 1,182,409	\$ 1,220,747	\$ 38,338	\$ 1,312,392	\$ 129,983
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ (38,338)	\$ (38,338)	\$ -	\$ 0
FTEs	4.40	4.37	(0.03)	4.71	0.31

Training, Education, and Operator Certification Program

Training, Education and Operator Certification Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	0.91	1.09	0.18
Direct Expenses	\$ 295,452	\$ 350,360	\$ 54,908
Indirect Expenses	\$ 26,506	\$ 36,439	\$ 9,933
Inc(Dec) in Fixed Assets	\$ (433)	\$ (423)	\$ 10
Total Funding Requirement	\$ 321,525	\$ 386,376	\$ 64,851

Program Scope and Functional Description

Maintaining the reliability of the BES requires informed and trained personnel. The FRCC supports training activities through its staff and its System Operator Subcommittee (SOS) which reports to the FRCC Operating Committee. The FRCC is a NERC-approved Continuing Education (CE) Provider. The FRCC SOS develops and delivers training in which FRCC grants NERC CE hours (CEH) to those individuals who successfully complete a course. FRCC will utilize the NERC database to accommodate the recordkeeping requirements for the continuing education program.

The FRCC provides educational workshops and web based seminars to improve Registered Entity understanding of the FRCC CMEP, NERC Standards Development and CIP topics and trends. These outreach efforts are aimed at improving the effectiveness, understanding of and adherence to NERC reliability initiatives. The workshops also improve the working relationships between the FRCC Regional Entity program areas and the Registered Entities within the FRCC region.

System Operator Certification Program

The FRCC SOS identifies and manages annual training activities for the FRCC System Operators and provides information to FRCC members regarding the NERC training standards and any issues they may have related to system operators obtaining/retaining required NERC Certification.

The training and education program activities are carried out by FRCC's professional/technical staff and SOS members possessing the appropriate technical knowledge and competencies. In addition, vendors that specialize in System Operator training are also used. Providing the FRCC training and education programs helps to achieve a high level of knowledge and competence among the operating personnel in the performance of their reliability-related functions.

Compliance Workshops

Compliance workshops are typically held in the spring and fall of each year consisting of three (3) sessions each. These workshops are aimed at providing information and updates to the

Registered Entities on compliance program activities including information on new procedures, instructions on changes to FRCC compliance tools, lessons learned from previous violations and providing sufficient and appropriate evidence in a compliance audit. A main focus for 2015 and again in 2016 are the new approaches being implemented in the risk-based compliance monitoring and enforcement program.

There will be at least one (1) CIP Compliance Workshop that will address technical aspects of the CIP Reliability Standards, including, providing quality evidence, lessons learned and compliance processes specific to the monitoring and enforcement of the CIP standards. In addition, particular focus will be made on the transition from CIP V3 to CIP V5 standards. The FRCC deployed face to face outreach activities for the Registered Entities with High and Medium impact assets during 2015 and this is expected to continue and will likely increase with the addition of the Low impact assets in 2016.

In addition to the face to face venues, in 2016 FRCC compliance staff projects holding at least three (3) webinars (two sessions each) that will address specific topics that may be identified by Registered Entities or by emerging trends within the FRCC.

Standards Workshops

The FRCC Standards Department will be supporting and participating in various FRCC sponsored workshops (e.g., FRCC Compliance Workshops and FRCC SOS seminars) throughout 2016. The Standards Department contribution to the workshops will be designed to promote stakeholder awareness of Reliability Standards activities as well as education and training for new or revised Reliability Standards. In addition, the FRCC Standards Department plans to hold workshops or webinars that will educate stakeholders on the NERC Reliability Standards Development Procedure, and specific changes to existing reliability standards or specifics on new reliability standards. To help encourage stakeholder participation at the continent-wide level, the workshops will provide stakeholders with details of associated NERC Reliability Standards Development Projects, identifying key areas that may be of concern or interest to the stakeholders and identifying areas that are in need of industry support.

2016 Key Assumptions

- The ERO Operating Personnel Certification program is expected to remain at steady state with no additional resources required from the Regional Entities.
- The FRCC System Operator Certification Program and Continuing Education Program will continue to be self-funded through a fee based structure for the exams and applications for approval of continuing education activities.
- The Regional Entities, in collaboration with NERC, are expected to help assess and determine training needs. This includes flexibility in approach between Regional Entities, and anticipating areas of support for their staffs and stakeholders for standards, compliance monitoring and enforcement, situational awareness and event analysis, and information technology (IT).
- NERC in collaboration with the Regional Entities, will develop and deliver additional CIP V5 training to support the transition. This may require consideration for additional funding of the NERC and Regional Entities training and education budgets.

2016 Goals and Key Deliverables

The training, education and operator certification program objectives for 2016 are outlined below:

- Provide assistance to Regional Entity members in any issues they may have related to System Operator Certification.
- Conduct the annual System Operator training seminars over a five (5) week period, with two (2) days each for the training. The training seminars involve from two (2) to four (4) FRCC staff members, as well as industry volunteers who participate as presenters. This activity is funded primarily through registration fees.
- Host FRCC Compliance Workshops and Webinars open to all FRCC Members and Registered Entities aimed at providing updates on compliance procedures, instructions on changes to compliance tools, changes associated with the implementation of risk-based compliance monitoring and enforcement, the transition from CIP V3 to V5, and guidance on the providing of appropriate and sufficient evidence in a compliance audit.
- Host Reliability Standards Workshops and Webinars open to all FRCC Members and Registered Entities aimed at providing information concerning reliability standards under development, as well as the identification of technical concerns or issues that may impact FRCC registered entities and the reliability of the FRCC BES.
- Conduct FRCC Reliability Standards Department presentations to support multiple training objectives (i.e., FRCC Compliance Workshops and FRCC SOS Seminars) to promote stakeholder awareness of continent wide and regional standards activities.
- Conduct face to face outreach with Registered Entities subject to the CIP V5 reliability standards to assist them in a successful transition from CIP V3 to V5.
- Work with NERC and the other Regional Entities to achieve improvements in the coordination, content and manner of internal and external training programs.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2016 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
Training, Education and Operator Certification					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 225,599	\$ 225,599	\$ 0	\$ 290,996	\$ 65,397
Penalty Sanctions	5,927	5,927	0	3,380	(2,547)
Total ERO Funding	\$ 231,525	\$ 231,526	\$ 1	\$ 294,376	\$ 62,851
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	90,000	94,000	4,000	92,000	2,000
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 321,525	\$ 325,526	\$ 4,001	\$ 386,376	\$ 64,851
Expenses					
Personnel Expenses					
Salaries	\$ 119,243	\$ 179,918	\$ 60,675	\$ 148,877	\$ 29,634
Payroll Taxes	7,416	11,099	3,683	8,672	1,256
Benefits	14,228	25,854	11,626	18,616	4,388
Retirement Costs	19,079	27,850	8,771	22,394	3,315
Total Personnel Expenses	\$ 159,966	\$ 244,721	\$ 84,755	\$ 198,559	\$ 38,593
Meeting Expenses					
Meetings	\$ 52,311	\$ 38,886	\$ (13,425)	\$ 41,423	\$ (10,888)
Travel	4,616	28,880	24,264	17,266	12,650
Conference Calls	4,433	4,487	54	1,364	(3,069)
Total Meeting Expenses	\$ 61,360	\$ 72,253	\$ 10,893	\$ 60,053	\$ (1,307)
Operating Expenses					
Consultants & Contracts	\$ 37,104	\$ 54,656	\$ 17,552	\$ 50,002	\$ 12,898
Office Rent	11,632	19,082	7,450	14,806	3,174
Office Costs	22,613	27,456	4,843	24,733	2,120
Professional Services	1,725	1,672	(53)	1,105	(620)
Miscellaneous	-	-	-	-	-
Depreciation	1,052	1,222	170	1,102	50
Total Operating Expenses	\$ 74,126	\$ 104,088	\$ 29,962	\$ 91,748	\$ 17,622
Total Direct Expenses	\$ 295,452	\$ 421,062	\$ 125,610	\$ 350,360	\$ 54,908
Indirect Expenses	\$ 26,506	\$ 38,518	\$ 12,012	\$ 36,439	\$ 9,933
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 321,958	\$ 459,580	\$ 137,622	\$ 386,799	\$ 64,841
Change in Assets	\$ (433)	\$ (134,054)	\$ (133,621)	\$ (423)	\$ 10
Fixed Assets					
Depreciation	\$ (1,052)	\$ (1,222)	\$ (170)	\$ (1,102)	\$ (50)
Total Fixed Asset Purchases	619	1,180	561	679	60
Change in Fixed Assets	\$ 433	\$ 42	\$ (391)	\$ 423	\$ (10)
TOTAL BUDGET	\$ 321,525	\$ 459,538	\$ 138,013	\$ 386,376	\$ 64,851
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ (134,012)	\$ (134,012)	\$ -	\$ -
FTEs	0.90	1.35	0.45	1.09	0.19

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program			
(in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	0.09	0.08	(0.01)
Direct Expenses	\$ 23,058	\$ 19,428	\$ (3,630)
Indirect Expenses	\$ 2,621	\$ 2,674	\$ 53
Inc(Dec) in Fixed Assets	\$ (2,398)	\$ (9)	\$ 2,389
Total Funding Requirement	\$ 23,281	\$ 22,093	\$ (1,188)

Program Scope and Functional Description

The FRCC and the other Regional Entities support the ERO's situational awareness, cyber security preparedness and provide independent reliability information to policy makers and regulators. The Reliability Process for the FRCC Bulk Electric System documents the various reliability roles and functions that are coordinated, monitored and established by FRCC to provide situation awareness of the reliability of the FRCC BES. Two of the primary reliability goals of the FRCC are continuous improvement of the situation awareness of the operators within the FRCC and ensuring that adequate physical, operational and cyber security objectives are in place for the Regions' shared communications networks.

The FRCC supports NERC's Situation Awareness/Event Analysis coordination conference calls, the Situation Awareness for FERC, NERC and the Regions (SAFNR) Version 2 project and the FRCC satellite phone for situation awareness.

The NERC Rules of Procedure, Section 1000, requires that NERC monitor present conditions on the BES and provide leadership coordination, technical expertise and assistance to the industry in responding to events as necessary.

The Situation Awareness process will be used to support NERC and FERC's efforts to maintain situation awareness of Bulk Electric System conditions.

2016 Key Assumptions

- NERC's Critical Infrastructure Department will have responsibility for the identification and management of the specialized critical infrastructure protection resources needed to support overall ERO CIP goals and objectives, as well as the specialized CIP resources needs of the other program areas (e.g., Standards, Compliance, Situation Awareness)
- NERC will continue to budget and incur costs to operate and maintain the software applications and systems known as Situational Awareness for NERC, FERC and the Regional Entities (SAFNRv2). Additional resource investments may be required to enhance the capabilities of SAFNRv2 throughout the planning period. NERC will also continue to fund the Grid Security Exercise (GridEx) and the Security Readiness Program

to help Registered Entities with CIP compliance and security awareness. The Regional Entities will be expected to provide subject matter experts for support of these activities.

- NERC will continue to fund, operate and maintain the Electricity Sector Information Sharing and Analysis Center (ES-ISAC), with no increased cost to Regional Entities.
- Regional Entities will continue to budget for event analysis and situational awareness activities. FRCC will continue to support and facilitate the development of NERC's secure portal for the management of alerts and infrastructure security information.
- There will be continued focus on detecting off-normal events to be analyzed by the responsible entity, FRCC or NERC.

2016 Goals and Key Deliverables

- Ensure that FRCC goals and activities support the mission to provide FERC, NERC and the staffs from the eight Regional Entities a visualization tool that enables the appropriate level of situation awareness for the near real-time conditions on the BES. Continue to work with the FRCC Reliability Coordinator to ensure that SAFNRv2 and appropriate hardware and software resources are allocated. Continue to support future development of the situation awareness project capabilities.
- Issue and track security recommendations to protect the Bulk Electric System. Share information learned in Situation Awareness with the Events Analysis program to develop relevant lessons learned.
- Support critical infrastructure security by promoting rapid and appropriate sharing of situational awareness information regarding security occurrences.
- Participate as appropriate in periodic wide-area security exercises.
- Participate in the analysis of significant events to identify gaps in standards, compliance effectiveness, registration, and risk controls effectiveness.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2016 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
Situation Awareness and Infrastructure Security					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ 22,695	\$ 22,695	\$ (0)	\$ 21,845	\$ (850)
Penalty Sanctions	586	586	(0)	248	(338)
Total ERO Funding	\$ 23,281	\$ 23,281	\$ (0)	\$ 22,093	\$ (1,188)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 23,281	\$ 23,281	\$ (0)	\$ 22,093	\$ (1,188)
Expenses					
Personnel Expenses					
Salaries	\$ 12,256	\$ 10,666	\$ (1,590)	\$ 10,927	\$ (1,329)
Payroll Taxes	762	658	(104)	636	(126)
Benefits	1,463	1,403	(60)	2,305	842
Retirement Costs	1,961	1,650	(311)	1,644	(317)
Total Personnel Expenses	\$ 16,442	\$ 14,377	\$ (2,065)	\$ 15,512	\$ (930)
Meeting Expenses					
Meetings	\$ 34	\$ 36	\$ 2	\$ 33	\$ (1)
Travel	99	93	(6)	84	(15)
Conference Calls	9	8	(1)	6	(3)
Total Meeting Expenses	\$ 142	\$ 137	\$ (5)	\$ 123	\$ (19)
Operating Expenses					
Consultants & Contracts	\$ 401	\$ 416	\$ 15	\$ 352	\$ (49)
Office Rent	1,196	1,131	(65)	1,087	(109)
Office Costs	2,237	1,638	(599)	2,219	(18)
Professional Services	178	97	(81)	78	(100)
Miscellaneous	-	-	-	-	-
Depreciation	2,462	54	(2,408)	57	(2,405)
Total Operating Expenses	\$ 6,474	\$ 3,336	\$ (3,138)	\$ 3,793	\$ (2,681)
Total Direct Expenses	\$ 23,058	\$ 17,850	\$ (5,208)	\$ 19,428	\$ (3,630)
Indirect Expenses	\$ 2,621	\$ 2,237	\$ (384)	\$ 2,674	\$ 53
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 25,679	\$ 20,087	\$ (5,592)	\$ 22,102	\$ (3,577)
Change in Assets	\$ (2,398)	\$ 3,194	\$ 5,592	\$ (9)	\$ 2,389
Fixed Assets					
Depreciation	\$ (2,462)	\$ (54)	\$ 2,408	\$ (57)	\$ 2,405
Total Fixed Asset Purchases	64	69	5	48	(16)
Change in Fixed Assets	\$ 2,398	\$ (15)	\$ (2,413)	\$ 9	\$ (2,389)
TOTAL BUDGET	\$ 23,281	\$ 20,102	\$ (3,179)	\$ 22,093	\$ (1,188)
TOTAL CHANGE IN WORKING CAPITAL	\$ -	\$ 3,179	\$ 3,179	\$ -	\$ -
FTEs	0.09	0.08	(0.01)	0.08	(0.01)

General and Administrative

	General and Administrative (in whole dollars)					
	Direct Expenses and Fixed Assets			FTEs		
	2015 Budget	2016 Budget	Increase (Decrease)	2015 Budget	2016 Budget	Increase (Decrease)
General and Administrative	\$ 782,663	\$ 873,196	\$ 90,533	4.04	4.47	0.43

Program Scope and Functional Description Background

Charges included in General and Administrative are general legal expenses, executive time and expenses, human resources, information technology and accounting and finance. Every effort is made to charge items and time directly to activities and to designate as statutory or non-statutory. Undesignated items are shared costs between the Regional Entity Division and the Member Services Division and are allocated based on actual labor hours charged.

Legal and Regulatory Background

The FRCC General Counsel serves as the chief legal advisor to the President and CEO, Board of Directors, staff and stakeholders on all legal and regulatory matters affecting the FRCC. FRCC may use additional specialized legal resources on an as-needed basis, such as for tax matters, employee benefit plan issues and significant policy or FERC matters.

2016 Goals and Key Deliverables

- Assist the FRCC in carrying out its responsibilities as required by the approved delegation agreement between NERC and FRCC.
- Provide general corporate legal advice, legal training and timely, accurate filings to Regulatory authorities.

2016 Assumptions

In the 2016 Budget, as in the 2015 and 2014 budgets, there are no specific funds for hearings under CMEP Rules.

Information Technology Background

The FRCC maintains a number of tools and other support services for the benefit of its members, Registered Entities, Reliability Coordinator agent(s) and other system operators. These services include the FRCC Load and Resource Database (LRDB), the Compliance Tracking System (CTS), Compliance Issues Tracking System (CITS), Models on Demand (MOD), the FRCC corporate website, as well as other systems for collaboration, communication, data gathering and analysis.

The FRCC supports the ERO efforts to implement, operate and maintain software tools supporting common enterprise wide operations which have been approved by the ERO Executive Management Group (EROEMG), which is comprised of the senior leadership of NERC and each of the Regional Entities. FRCC's budget assumes the availability of enterprise software tools as described in NERC's business plan and budget. If implementation of these software applications

are delayed or otherwise not available as planned, FRCC could incur additional costs to conduct operations pending the availability of these applications.

NERC and the Regional Entities are committed to working collaboratively to minimize duplication of effort and investments, and to improve operational efficiency. This collaboration continues to refine existing strategies, governance and procurement practices applicable to the development, operation and maintenance of enterprise architecture, software and data systems supporting combined NERC and Regional Entity operations.

The NERC information technology budget does not supplant the FRCC's need for IT expenditures for specific regional projects and internal region specific IT support needs. FRCC's 2016 Business Plan and Budget assumes agreed-upon ERO Enterprise applications will be available and includes only costs for internal region specific support needs.

2016 Goals and Key Deliverables

- Maintain FRCC's situational telecommunications systems and resources for efficient utilization of its personnel.
- Develop and enhance tools to automate and improve FRCC data collection and analysis processes.
- Expand IT support of the FRCC CMEP and provide additional metrics to improve accuracy and tracking within the CMEP processes.
- Continue improvement of the CMEP PKI secure file transfer process
- Continue the Implementation of needed changes to improve the FRCC corporate security posture as identified in the security assessment performed in 2014; improve overall security in all programs, enhance access controls with improved processes and procedures.
- Improve the security and reliability of access for FRCC mobile and remote workers with updated technology.
- Improve disaster recovery and business continuity capabilities by testing and refining of geographically diverse data recovery solutions.

Human Resources Background

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

2016 Goals and Key Deliverables

- Recruit and retain successful employees
- Improve human resource policies and procedures
- Provide management and training programs
- Ensure competitive employee compensation and benefits

Finance and Accounting Background

The FRCC will submit its annual budget for statutory and non-statutory activities to the FRCC Board of Directors for approval and then file the approved annual budget to NERC. This includes supporting materials such as a complete business plan and organizational chart, and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures.

The Finance and Accounting Department will: direct the overall financial plans and accounting practices of the organization; oversee treasury, accounting, budget preparation and reporting, tax, and audit activities; and oversee financial and accounting system controls and standards.

2016 Goals and Key Deliverables

- Prepare the 2017 statutory and non-statutory budgets
- Report budget variances to the FRCC Corporate Compliance Finance and Audit Committee, the FRCC Board and to NERC on a quarterly basis
- Prepare the 2016 audited financial statements
- Continue to provide on-going training to employees to ensure employees charge their time correctly

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2016 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
General and Administrative					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ (810,395)	\$ (810,395)	\$ -	\$ (436,070)	\$ 374,325
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	\$ (810,395)	\$ (810,395)	\$ -	\$ (436,070)	\$ 374,325
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ (810,395)	\$ (810,395)	\$ -	\$ (436,070)	\$ 374,325
Expenses					
Personnel Expenses					
Salaries	\$ 533,458	\$ 503,297	\$ (30,161)	\$ 610,529	\$ 77,071
Payroll Taxes	33,175	30,501	(2,674)	35,563	2,388
Benefits	62,568	58,848	(3,720)	72,270	9,702
Retirement Costs	85,353	76,536	(8,817)	91,836	6,483
Total Personnel Expenses	\$ 714,554	\$ 669,182	\$ (45,372)	\$ 810,198	\$ 95,644
Meeting Expenses					
Meetings	-	-	-	-	-
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants & Contracts	\$ 11,301	-	\$ (11,301)	-	\$ (11,301)
Office Rent	52,037	52,440	403	60,718	8,681
Office Costs	4,771	2,760	(2,011)	2,280	(2,491)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 68,109	\$ 55,200	\$ (12,909)	\$ 62,998	\$ (5,111)
Total Direct Expenses	\$ 782,663	\$ 724,382	\$ (58,281)	\$ 873,196	\$ 90,533
Indirect Expenses	\$ (782,663)	\$ (724,382)	\$ 58,281	\$ (873,196)	\$ (90,533)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ (0)	\$ -	\$ 0	\$ -	\$ 0
Change in Assets	\$ (810,395)	\$ (810,395)	\$ (0)	\$ (436,070)	\$ 374,325
Fixed Assets					
Depreciation	-	-	-	-	-
Total Fixed Asset Purchases	-	-	-	-	-
Change in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET	\$ -	\$ -	\$ 0	\$ -	\$ 0
TOTAL CHANGE IN WORKING CAPITAL	\$ (810,395)	\$ (810,395)	\$ (0)	\$ (436,070)	\$ 374,325
FTEs	4.04	3.71	(0.33)	4.47	0.43

Section B – Supplemental Financial Information

2016 Business Plan and Budget

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2015-2016	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2014	1,795,949
Plus: 2015 ERO Funding (from LSEs or designees)	6,062,839
Plus: Projected 2015 Other funding sources	118,000
Plus: Penalty Sanctions Applied	175,000
Less: 2015 Projected expenses & capital expenditures	(7,110,591)
Projected Working Capital Reserve Surplus/(Deficit), December 31, 2015	1,041,197
Desired Working Capital Reserve, December 31, 2016	² 605,127
Less: Projected Working Capital Reserve, December 31, 2015	(1,041,197)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(436,070)
2016 Expenses and Capital Expenditures	7,261,527
Less: Penalty Sanctions ¹	(81,000)
Less: Other Funding Sources	(116,000)
Adjustment to achieve desired Working Capital Reserve	(436,070)
2016 Assessment	6,628,457

¹ Represents collections prior to June 30, 2015.

² On June 26, 2013, the FRCC Board of Directors set a working capital and operating working capital and operating reserve requirement of one (1) month of the total annual budget. The FRCC has a \$1.5 million line of credit.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Table on page 13, of the 2016 FRCC Business Plan and Budget.

Penalty Sanctions

Penalty monies received prior to June 30, 2015 are to be used to offset assessments in the 2016 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, 2015 through June 30, 2016 will be used to offset assessments in the 2017 Budget.

All penalties received prior to June 30, 2015 are detailed below.

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

Table B-2

Penalty Sanctions Received On or Prior to June 30, 2015		
	Date Received	Amount Received
Penalty #1	8/25/2014	\$ 56,000
Penalty #2	12/19/2014	25,000
Total Penalties Received		\$ 81,000

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget
Reliability Standards Development				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Services & Software Fees	\$ 24,000	\$ 24,000	\$ 24,000	\$ -
Total	\$ 24,000	\$ 24,000	\$ 24,000	\$ -
Training, Education and Operator Certification				
Workshops	\$ 90,000	\$ 94,000	\$ 92,000	\$ 2,000
Total	\$ 90,000	\$ 94,000	\$ 92,000	\$ 2,000
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative*				
Interest	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ 114,000	\$ 118,000	\$ 116,000	\$ 2,000

Assumes that no appreciable excess cash will be in the Bank Accounts and due to current low interest rates, no Interest is being budgeted.

Personnel Expenses

Table B-4

Personnel Expenses	Budget		Projection		Variance	
	2015	2015	2016	2016 Budget v 2015 Budget	Variance %	
Salaries						
Total Salaries	\$ 4,082,307	\$ 3,893,875	\$ 4,021,604	\$ (60,703)	-1.49%	
Total Payroll Taxes	\$ 253,874	\$ 239,653	\$ 243,373	\$ (10,501)	-4.14%	
Benefits						
Workers Compensation	\$ 11,179	\$ 10,789	\$ 11,201	\$ 22	0.20%	
Medical, LTD, STD Insurances	445,548	444,815	476,715	31,167	7.00%	
Temp to Perm Fees	-	56,955	-	-		
Education	100,676	100,540	98,656	(2,020)	-2.01%	
Employee Welfare & Contract Labor	22,080	14,857	22,172	92	0.42%	
Relocation			-	-		
Total Benefits	\$ 579,483	\$ 627,956	\$ 608,744	\$ 29,261	5.05%	
Retirement						
Retirement Costs	\$ 666,669	\$ 611,856	\$ 639,971	\$ (26,698)	-4.00%	
Total Retirement	\$ 666,669	\$ 611,856	\$ 639,971	\$ (26,698)	-4.00%	
Total Personnel Costs	\$ 5,582,333	\$ 5,373,340	\$ 5,513,692	\$ (68,641)	-1.23%	
FTEs	30.91	29.15	30.59	(0.3)	-1.04%	
Cost per FTE						
Salaries	\$ 132,071	\$ 133,581	\$ 131,468	(603)	-0.46%	
Payroll Taxes	8,213	8,221	7,956	(257)	-3.13%	
Benefits	18,747	21,542	19,900	1,153	6.15%	
Retirement	21,568	20,990	20,921	(647)	-3.00%	
Total Cost per FTE	\$ 180,599	\$ 184,334	\$ 180,245	\$ (354)	-0.20%	

Salaries are based on the assumption of a 3% salary increase plus promotions and adjustments, a 3.7% attrition factor in 2016, and a discretionary lump sum pay out of excess “IRS capped benefits”. These are partially offset by an open position from 2015 being replaced by a contract auditor.

Medical Insurance is assumed to increase by 7% as the rates continue to increase due to the market continuing to struggle with the cost and appropriate rates for small companies due to the Affordable Care Act.

Retirement costs are budgeted to decrease primarily due to reduced matching base in 2016 and consideration for “IRS capped amounts” on certain benefits that were included in the 2015 budget as retirement costs, but in 2016 are budgeted in salaries.

Meetings, Travel & Conference Calls

Table B-5

Meetings, Travel and Conference Calls	Budget 2015	Projection 2015	Budget 2016	Variance	
				2016 Budget v 2015 Budget	Variance %
Meetings	\$ 69,292	\$ 55,870	\$ 58,176	\$ (11,116)	-16.04%
Travel	191,753	203,058	191,445	\$ (308)	-0.16%
Conference Calls	9,482	9,485	13,027	\$ 3,545	37.39%
Total Meetings, Travel & Conf Calls	\$ 270,527	\$ 268,413	\$ 262,648	\$ (7,879)	-2.91%

Meeting costs for the outside meeting space for SOS Seminars has been significantly lower than budget and are expected to remain lower than in the past.

Consultants and Contracts

Table B-6

Contracts & Consultants and Software & Licenses	Budget 2015	Projection 2015	Budget 2016	Variance	
				2016 Budget v 2015 Budget	Variance %
Contracts & Consultants and Software & Licenses					
Reliability Standards Development	\$ 7,381	\$ 7,017	\$ 6,446	\$ (935)	-12.67%
Compliance Monitoring & Enforcement and Org Reg	214,984	287,345	434,850	219,866	102.27%
Reliability Assessment and Performance Analysis	122,547	146,023	150,325	27,778	22.67%
Training, Education and Operator Certification	37,104	54,656	50,002	12,898	34.76%
Situation Awareness and Infrastructure Security	401	416	352	(49)	-12.22%
General and Administrative	11,301	-	-	(11,301)	-100.00%
Total Contracts & Consultants and Software & Licenses	\$ 393,718	\$ 495,457	\$ 641,975	\$ 248,257	63.05%

The Compliance Monitoring & Enforcement Program's Contracts & Consulting budget has increased due to replacing an open position (see salaries) with a contract auditor and an increased estimate by SERC to perform as the CEA due to 2016 being an audit year for the FRCC RC function (2015 was \$3,500 and 2016 is \$75,000), offset by decreased development costs of the Compliance Software Portal in 2016.

The Reliability Assessment and Performance Analysis Program's budget has increased primarily due to anticipated UFLS Database enhancements.

The Training, Education and Operator Certification's budget increases due to outside consulting fees for the seminars.

The General & Administrative areas budgeted for expenses in 2015 that are being allocated to the different programs and will continue to be allocated.

Office Rent

Table B-7

Office Rent	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Office Rent	\$ 547,586	\$ 567,163	\$ 568,158	\$ 20,572	3.76%
Total Office Rent	\$ 547,586	\$ 567,163	\$ 568,158	\$ 20,572	3.76%

Rent for the office building shows as a budget variance, but is more in line with what the actual costs will be. Prior years calculations of rent did not include certain additional utility charges, CAM obligations and sales taxes based on the gross amount of the payment due versus calculating the tax on the straight-line amount. The 2016 budget takes all of this into consideration.

Office Costs

Table B-8

Office Costs	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Telephone	\$ 43,767	\$ 42,245	\$ 49,643	\$ 5,876	13.43%
Internet	4,020	4,045	4,119	\$ 99	2.46%
Office Supplies	17,719	23,260	16,937	\$ (782)	-4.41%
Computer Supplies	9,322	9,373	7,430	\$ (1,892)	-20.30%
Publications, Subscriptions & Dues	13,533	11,035	11,275	\$ (2,258)	-16.69%
Postage	1,523	1,532	1,141	\$ (382)	-25.08%
Equipment Maintenance	6,750	6,792	597	\$ (6,153)	-91.16%
Copying				\$ -	
Printing	21,069	23,591	25,720	\$ 4,651	22.08%
Stationary Forms				\$ -	
Commerical Insurance	14,366	14,886	15,159	\$ 793	5.52%
Miscellaneous				\$ -	
Total Office Costs	\$ 132,069	\$ 136,759	\$ 132,021	\$ (48)	-0.04%

Professional Services

Table B-9

Professional Services	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Outside Legal	\$ 35,000	\$ 15,000	\$ 13,190	\$ (21,810)	-62.31%
Accounting & Auditing Fees	16,324	16,427	15,165	\$ (1,159)	-7.10%
Total Services	\$ 51,324	\$ 31,427	\$ 28,355	\$ (22,969)	-44.75%

Legal Fees continue to decrease based on the assumption that there will be no hearings.

Other Non-Operating Expenses

Table B-10

Other Non-Operating Expenses	Budget 2015	Projection 2015	Budget 2016	Variance	
				2016 Budget v 2015	Variance %
Interest Expense	\$ -	\$ -		\$ -	
Office Relocation	-	-		\$ -	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

Interest Rates are assumed to continue being so low that they remain immaterial.

2017 and 2018 Projected Expenses

The following table showing 2017 and 2018 budget projections is based on the following assumptions:

Personnel Expenses

- There is one additional CMEP staff included in the 2017 budget for a fourth of the year and for the full year in 2018
- 2017 has relocation expenses for the new hire
- A 3% increase in personnel costs due to salary increases
- An attrition factor of 3.4% was used in 2017 and 3.5% in 2018

Meeting Expenses – Travel, Meetings and Conference Calls remain level with 2015 budgeted costs.

Operating Expenses

- 2016 and 2018 Contracts & Consultants include the Load Forecast development which is bi-annual required report and 2017 has no costs because it is not a required report that year
- Software Maintenance, which is primarily software for the Compliance function, increases each year approximately 15% to accommodate changes necessary for business process rules
- The CEA expenses will decrease in 2017 (2016 is an audit year) to a non-audit year level and remain the same in 2018
- The Line of Credit fees are included in Accounting fees for 2017 (the year of renewal) and go back down in 2018

Indirect Expenses – Administrative costs increase 3% each year from 2016

Fixed Assets

- Compliance Portal Software increases by 15% each year
- 2017 includes costs for new audio equipment for a conference room and 2018 includes Aggregation and Analysis software

2016, 2017 and 2018 Projections

Table B-11

Statement of Activities and Capital Expenditures 2016, 2017 and 2018 Projections

Regional Entity

	2015 Budget	2016 Budget	\$ Change 2016:2015 Over(Under)	% Chg 2016:2015 Over(Under)	2017 Projection	\$ Change 2017:2016 Over(Under)	% Chg 2017:2016 Over(Under)	2018 Projection	\$ Change 2018:2017 Over(Under)	% Chg 2018:2017 Over(Under)
Funding										
ERO Funding										
ERO Assessments	\$ 6,062,838	\$ 6,628,457	\$ 565,619	9.33%	\$ 7,472,240	\$ 843,783	12.73%	\$ 7,652,825	\$ 180,585	2.42%
Penalty Sanctions	175,000	81,000	(94,000)	0.00%	-	(81,000)	-100.00%	-	-	-
Total ERO Funding	\$ 6,237,838	\$ 6,709,457	\$ 471,619	7.56%	\$ 7,472,240	\$ 762,783	11.37%	\$ 7,652,825	\$ 180,585	2.42%
Membership Dues	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Testing Fees	-	-	-	-	-	-	-	-	-	-
Services & Software	24,000	24,000	-	0.00%	24,000	-	0.00%	24,000	-	0.00%
Workshops	90,000	92,000	2,000	2.22%	92,000	-	0.00%	92,000	-	0.00%
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Funding	\$ 6,351,838	\$ 6,825,457	\$ 473,619	7.46%	\$ 7,588,240	\$ 762,783	11.18%	\$ 7,768,825	\$ 180,585	2.38%
Expenses										
Personnel Expenses										
Salaries	\$ 4,082,307	\$ 4,021,604	\$ (60,703)	-1.49%	\$ 4,276,214	\$ 254,610	6.33%	\$ 4,390,510	\$ 114,296	2.67%
Payroll Taxes	253,874	243,373	(10,501)	-4.14%	253,628	10,255	4.21%	260,235	6,607	2.60%
Benefits	579,483	608,744	29,261	5.05%	650,567	41,823	6.87%	644,642	(5,925)	-0.91%
Retirement Costs	666,669	639,971	(26,698)	-4.00%	665,155	25,184	3.94%	682,182	17,027	2.56%
Total Personnel Expenses	\$ 5,582,333	\$ 5,513,692	\$ (68,641)	-1.23%	\$ 5,845,564	\$ 331,872	6.02%	\$ 5,977,569	\$ 132,005	2.26%
Meeting Expenses										
Meetings	\$ 69,292	\$ 58,176	\$ (11,116)	-16.04%	\$ 58,797	\$ 621	1.07%	\$ 59,298	\$ 501	0.85%
Travel	191,753	191,445	(308)	-0.16%	192,660	1,215	0.63%	193,907	1,247	0.65%
Conference Calls	9,482	13,027	3,545	37.39%	13,041	14	0.11%	13,036	(5)	-0.04%
Total Meeting Expenses	\$ 270,527	\$ 262,648	\$ (7,879)	-2.91%	\$ 264,498	\$ 1,850	0.70%	\$ 266,241	\$ 1,743	0.66%
Operating Expenses										
Consultants & Contracts	\$ 393,718	\$ 641,975	\$ 248,257	63.05%	\$ 582,319	\$ (59,656)	-9.29%	\$ 621,127	\$ 38,808	6.66%
Office Rent	547,586	568,158	20,572	3.76%	574,692	6,534	1.15%	574,163	(529)	-0.09%
Office Costs	132,069	132,021	(48)	-0.04%	135,746	3,725	2.82%	138,274	2,528	1.86%
Professional Services	51,324	26,406	(24,918)	-48.55%	32,154	5,748	21.77%	27,017	(5,137)	-15.98%
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Depreciation	202,287	171,380	(30,907)	-15.28%	155,494	(15,886)	-9.27%	141,580	(13,914)	-8.95%
Total Operating Expenses	\$ 1,326,984	\$ 1,539,940	\$ 212,956	16.05%	\$ 1,480,405	\$ (59,535)	-3.87%	\$ 1,502,161	\$ 21,756	1.47%
Total Direct Expenses	\$ 7,179,844	\$ 7,316,280	\$ 136,436	1.90%	\$ 7,590,467	\$ 274,187	3.75%	\$ 7,745,971	\$ 155,504	2.05%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses	\$ 7,179,844	\$ 7,316,280	\$ 136,436	1.90%	\$ 7,590,467	\$ 274,187	3.75%	\$ 7,745,971	\$ 155,504	2.05%
Change in Assets	\$ (828,006)	\$ (490,823)	\$ 337,183	-40.72%	\$ (2,227)	\$ 488,596	-99.55%	\$ 22,854	\$ 25,081	-
Fixed Assets										
Depreciation	\$ (202,287)	\$ (171,380)	\$ 30,907	-15.28%	\$ (155,494)	\$ 15,886	-9.27%	\$ (141,580)	\$ 13,914	-8.95%
Total Fixed Asset Purchases	184,676	116,627	(68,049)	-36.85%	153,267	36,640	31.42%	164,434	11,167	7.29%
Change in Fixed Assets	\$ 17,611	\$ 54,753	\$ 37,142	210.90%	\$ 2,227	\$ (52,526)	-95.93%	\$ (22,854)	\$ (25,081)	-
TOTAL BUDGET	\$ 7,162,233	\$ 7,261,527	\$ 99,294	1.39%	\$ 7,588,240	\$ 326,713	4.50%	\$ 7,768,825	\$ 180,585	2.38%
TOTAL CHANGE IN WORKING CAPITAL	\$ (810,395)	\$ (436,070)	\$ 374,325	-46.19%	\$ -	\$ 436,070	-100.00%	\$ -	\$ -	-
FTEs	30.91	30.59	(0.32)	-1.04%	31.73	1.14	3.73%	32.08	0.3	1.10%

Section C – Non-Statutory Activities

2016 Business Plan and Budget

Non-Statutory Members Services Division

Member Services Activities (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	18.4	18.1	(0.3)
Direct Expenses	8,422,053	8,430,698	8,645
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	(30,071)	261,299	291,370
Total Funding Requirement	8,391,982	8,691,997	300,015

Non-Statutory Functional Scope

The FRCC MS Division provides services that enhance the reliable coordination of planning and operations relating to the bulk power system within the FRCC Region. These services are carried out on behalf of FRCC MS members with oversight by two of the standing committees. The Planning Committee (PC) and Operating Committee (OC) and their various subcommittees, task forces and working groups, as well as the FRCC Planning and Operations (P&O) staff, support the MS activities of the Region. Two key activities include oversight of the two registered functions for which FRCC is a NERC registered entity: the FRCC Planning Authority (PA) and the FRCC Reliability Coordinator (RC). The PC has primary oversight of the FRCC PA function while the OC has primary oversight of the FRCC RC function.

Current Member Services Division Activities

Planning Committee (PC)

The PC functional scope is to promote the reliability of the BES within the FRCC Region by assessing and encouraging generation and transmission adequacy. The PC assesses generation adequacy by performing a reliability assessment taking into account projected load and resources. The PC, through the FRCC Regional Transmission Planning Process, provides a vehicle for ensuring that transmission planning within the FRCC will provide for the development of a robust transmission network within the FRCC Region. The Regional Transmission Planning Process is a coordinated transmission planning process that evaluates all BES and non-BES transmission facilities. The major goal of this process is to ensure that the planning of transmission facilities will meet the needs of all market participants in a coordinated, open and transparent transmission planning environment.

The FRCC will continue to develop, on an annual basis, a Regional Transmission Plan following the Regional Transmission Planning Process. The Regional Transmission Planning process will be revised to incorporate the planning principles from FERC Order 1000. The Regional Plan is based on the Ten Year Site Plans that are required to be submitted to the Florida Public Service Commission (FPSC) on April 1st of each year. The FRCC participates in an annual Ten Year

Site Plan Workshop held by the FPSC where the results of resource and transmission adequacy assessments are presented.

The FRCC PC relies on the following subordinate groups to achieve its goals: Regional Projects Subcommittee (RPS), Resource Working Group (RWG), Stability Working Group (SWG), and the Transmission Working Group (TWG).

Regional Projects Subcommittee (RPS)

The RPS has a focused team of experienced individuals dedicated towards implementing and carrying out the Biennial Transmission Planning Process (“BTTP”) portion of the overall FRCC Regional Transmission Planning Process (“RTPP”) under the advice and direction of the FRCC PC. Several of the responsibilities that the RPS would be assigned include: (1) analyze the Board approved regional plan, (2) pro-actively develop potential Cost Effective and Efficient Regional Transmission Solution (“CEERTS”) projects (and/or review proposed CEERTS project submittals) that provide regional benefits, (3) identify all project beneficiaries and impacted entities, (4) quantify the benefits and impacts, and (5) deliver the CEERTS project recommendations to the PC, at least biennially, in accordance with the timelines established in the RTPP and schedules set by the PC, which take into consideration jurisdictional utilities’ OATT requirements and timing.

Resource Working Group (RWG)

The RWG updates the Load and Resource Database annually and develops an aggregated Load & Resource Plan. The RWG performs reliability assessments of FRCC resource adequacy for the future 10-year period for peninsular Florida based on individual entity information that is the basis of their respective Ten Year Site Plan filings with the Florida Public Service Commission. The RWG compiles entity information in support of the FERC 715 filing. In addition, the RWG collects and provides EIA-411 information to NERC.

Stability Working Group (SWG)

The SWG is responsible for assessing the dynamic performance of the FRCC BES under various credible system conditions. In addition, the SWG performs the following assessments and studies: Coordination and performance of Special Protection Systems, the effectiveness of FRCC under frequency load shedding (UFLS) program, coordination with other protection and control systems, Extreme Event Study and other assessments in support of the FRCC Regional Transmission Planning Process. The SWG annually develops FRCC dynamic models. In addition, the SWG develops evidentiary documentation to demonstrate compliance with applicable NERC Standards such as TPL-001-4, PRC-006.

Transmission Working Group (TWG)

The TWG engages in active coordination of transmission planning within the FRCC Region under the direction of the FRCC Planning Committee in support of the FRCC Regional Transmission Planning Process. The TWG annually performs a FRCC Long Range Study, sensitivity studies as directed by the PC, evaluates Transmission Service Requests and evaluates Generator Interconnection Service Requests. The TWG annually develops a FRCC Transmission Map, FRCC power flow models and FRCC short circuit models. In addition, the TWG develops evidentiary documentation to demonstrate compliance with applicable NERC Standards such as FAC-010, FAC-013, PRC-023, TPL-001-4.

FRCC Planning Authority (PA) Registered Function

The FRCC is a NERC registered Planning Authority that, by FERC order, comes under the jurisdiction of the SERC Regional Entity as its Compliance Enforcement Authority (CEA). In addition to the committee work and oversight of its subordinate groups, the PC supports reliability assessment activities through the implementation and oversight of those FRCC PA functions for the reliability of the FRCC Bulk Electric System.

The PC, supported by FRCC MS staff, has the primary responsibility of the Planning Authority (PA) function including implementation of all applicable PA NERC Reliability Standards.

Operating Committee (OC)

The FRCC Operating Committee (OC) has been established to carry out Member Services Activities on behalf of the Membership. The OC reports directly to the FRCC Board of Directors and is charged with responsibility for providing for the reliable operations of the Bulk Power System (BPS) in the FRCC Region through coordination activities of operations and maintenance. The OC is responsible for the coordination, operations planning, operation and maintenance of the interconnected systems operating in the Region. The OC's primary reliability goals include effective implementation of the *Reliability Process for the FRCC Bulk Electric System* document by all operators within the Region. This includes oversight of the FRCC Reliability Coordinator (RC) registered entity function, development and approval of processes and procedures that support reliability and compliance with applicable regulations, including NERC Reliability Standards and support of the FRCC Internal Compliance Program (ICP) for the RC registered function. In addition, the OC supports continuous improvement of operations coordination, an effective and secure communications network, a robust operations planning study program as well as various training activities and initiatives. The OC relies on several subordinate groups to implement its objectives. These include the Operating Reliability Subcommittee (ORS), Data Exchange Working Group (DEWG), Fuel Reliability Working Group (FRWG), Operations Planning Working Group (OPWG), Telecommunications Subcommittee (TS), System Protection and Control Subcommittee (SPCS), Critical Infrastructure Protection Subcommittee (CIPS) and the System Operator Subcommittee (SOS).

Operating Reliability Subcommittee (ORS)

The ORS provides overall administration for the development and implementation of operating procedures and other reliability matters including the oversight of the FRCC RC function for Operating and Planning (non-CIP) NERC Standards and direct support of the FRCC Internal Compliance Program for the RC registered function. The ORS reviews and assesses regional import and export limits, scheduled transmission outages, real-time system reliability, events analysis, information and data exchange and other reliability issues. The ORS provides formal oversight and implementation of the *Reliability Process for the FRCC Bulk Electric System* document which establishes the reliability responsibilities of the various operating entities within the Region and specifically monitors the agent responsible for performing the RC functions.

Data Exchange Working Group (DEWG)

The DEWG, subordinate to the ORS, supports the real-time data needs of the FRCC RC and other operating entities. It is also responsible for developing methodologies to facilitate the exchange of real-time, modeling and other operational data to help ensure reliable BPS operations. Accurate data exchange and modeling of the FRCC is essential to maintaining situation awareness and ensuring reliability. Within the FRCC, operating entities provide system

data via the FRCC Reliability Data Link (RDL). The FRCC RDL is used to share electric system reliability data from the operating entities on a real-time basis.

Fuel Reliability Working Group (FRWG)

The FRWG, subordinate to the ORS, has been established to deal with matters relating to fuel and impacts to BES reliability. Specifically, the FRWG provides the administrative oversight of a Regional fuel reliability forum that studies the interdependencies of fuel availability and electric reliability and supports coordinated Regional responses to fuel issues and fuel emergencies.

Operations Planning Working Group (OPWG)

The OPWG, also subordinate to the ORS, was established to provide oversight, guidelines and procedures to the FRCC Operations Planning Coordinator (OPC) function in accordance with the *Reliability Process for the FRCC Bulk Electric System* document. The OPWG focuses on BES reliability and developing operations planning processes and study protocols that support regional reliability and adherence to the NERC Reliability Standards as they relate to the OPC function.

Telecommunications Subcommittee (TS)

The TS provides oversight for the TS budget which is included in the OC budget. The primary purpose of the TS is to ensure that adequate and redundant communications facilities are made available to the operating entities within the FRCC, including the FRCC RC. The TS administers the FRCC Hotline program, Satellite phone program, and also ensures that reliable and redundant communications are maintained within, and external to, the FRCC RC footprint. All TS programs are non-statutory and support the RC and operating entity functions; with the exception of the FRCC satellite phone (located at the FRCC office) which is a tool that can be used by the Regional Entity to enhance situation awareness and thus is budgeted as statutory.

System Protection and Control Subcommittee (SPCS)

The FRCC System Protection and Control Subcommittee (SPCS) has primary responsibility for supporting the coordination of protection and control systems within the FRCC region, including regional disturbance monitoring equipment, review of protective system mis-operations, protection related disturbance analysis and implementation of specific regional programs and procedures including the assessments of the FRCC Under-Frequency Load Shedding Program. The SPCS also reviews and coordinates system protection and control equipment installations, settings, protection philosophies and testing criteria within the Region when installations can impact multiple entities. The SPCS serves as an important forum for sharing subject matter expert guidance and lessons learned / best practices for equipment issues and protection coordination.

Critical Infrastructure Protection Subcommittee (CIPS)

The purpose of the FRCC CIPS is to recommend improvements to enhance the physical and cyber security of the critical BES infrastructure in the FRCC Region, with an emphasis on protecting, preventing, limiting and recovering from malicious activities directed at the FRCC critical energy infrastructure. The CIPS provides guidance to the OC on matters of critical energy infrastructure security, including cyber and physical security. The CIPS provides advice to the OC including impact and implementation of CIP NERC Reliability Standards that apply to the FRCC Reliability Coordinator registered function.

System Operator Subcommittee (SOS)

The FRCC System Operator Subcommittee (SOS) develops and delivers training in which FRCC grants NERC Continuing Education Hours (CEHs) to those individuals who successfully complete sanctioned courses through the SOS organized activities. The SOS is made up of member company training personnel and supports FRCC training activities by reviewing and providing training content. While most of the activities of the SOS support FRCC Regional Entity efforts, the SOS reports to the FRCC Operating Committee.

FRCC Reliability Coordinator (RC) Registered Function

The FRCC is a NERC registered Reliability Coordinator that, by FERC order, comes under the jurisdiction of the SERC Regional Entity as its Compliance Enforcement Authority (CEA). In addition to the committee work and oversight of its subordinate groups, the OC supports reliable operations and maintenance activities through the implementation and oversight of those FRCC Reliability Coordinator (RC) functions as established in the *Reliability Process for the FRCC Bulk Electric System*. The FRCC RC responsibilities include the real-time operating function and the next-day operations planning function. The RC tasks are performed by a designated agent of the FRCC with direction and oversight by FRCC committees and support staff. The designated agent performs real-time operations and next-day planning operations. FRCC staff further supports Regional reliability by performing the roles of the Operations Planning Coordinator (OPC), and State Capacity Emergency Coordinator (SCEC) as defined in the *Reliability Process for the FRCC Bulk Electric System* document.

The FRCC RC function is accountable to the FRCC OC who has overall responsibility of the administration, development and implementation of RC and some non-RC operating procedures approved by the OC. Many of the policies and procedures developed by the OC and its sub groups, support Regional reliability as well as entity compliance with NERC Operations & Planning Standards.

Regulatory Oversight of Registered Functions

The FRCC continues to improve FRCC PA and RC compliance management programs under the Member Services Division. The Division along with its committees, support an independent Member Services Regulatory Department with a dedicated Regulatory Director who reports directly to the FRCC President and CEO and who has direct access to the FRCC Board of Directors. This position is responsible for the implementation, maintenance and oversight of the FRCC Internal Compliance Program (ICP) including all compliance activities for the FRCC registered entity functions and is the primary interface for all regulatory activities associated with the FRCC Member Services committees and is the FRCC liaison between external Compliance Enforcement Authorities.

Major 2016 Cost Impacts

The FRCC's proposed 2016 Members Services budgeted expenses and net fixed assets are \$8,691,997, which is a \$300,015 or 3.6% increase over the 2015 budgeted expenses.

Planning Committee (PC)

The Member Services Planning Committee (PC) expenses for 2016 are made up of the PC Committee budget, as well as the administrative costs to provide support personnel for

implementation of the FRCC Planning Authority (PA) functions and all other Member Services PC activities.

The 2016 PC budget is developed based on the activities of the Regional Projects Subcommittee (RPS), the Resource Working Group (RWG), the Stability Working Group (SWG) and the Transmission Working Group (TWG). These budgets are primarily for the labor involved in coordination activities performed by member representatives, software and meeting costs.

Operating Committee (OC)

The Member Services Operating Committee (OC) expenses for 2016 are made up of a 2016 OC technical budget as well as the Member Services Department related administrative costs to provide support personnel for implementation of the FRCC Reliability Coordinator (RC) functions and other Member Services (Non RC) activities. In 2016, the OC, along with staff, will continue to directly support implementation of the RC function, support RC and entity training, improve the compliance posture of the RC function as well as continue coordinating the activities of member companies to ensure continued reliability of the FRCC RC footprint.

The 2016 OC budget was developed based primarily on the activities of the Operating Reliability Subcommittee (ORS), the Telecommunications Subcommittee (TS), the Fuel Reliability Working Group (FRWG) and the Critical Infrastructure Protection Subcommittee (CIPS). These budgets are related to, or in support of both the FRCC Reliability Coordinator (RC) and Member Services entity's reliability functions and include consulting costs, contract costs, computer software purchases and expenses to support the associated activities. The technical budgets do not include FRCC staff salaries or associated personnel costs.

The staff includes dedicated employees as well as shared employees.

2015 Member Services Budget and Projection and 2016 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
NON-STATUTORY MEMBER SERVICES					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	\$ 8,240,106	\$ 7,896,810	\$ (343,296)	8,595,503	355,397
Testing Fees	-	-	-	-	-
Services & Software	254,459	278,755	24,296	277,790	23,331
Workshops	20,000	-	(20,000)	-	(20,000)
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 8,514,565	\$ 8,175,565	\$ (339,000)	\$ 8,873,293	\$ 358,728
Expenses					
Personnel Expenses					
Salaries	\$ 2,423,514	\$ 2,429,585	\$ 6,071	\$ 2,426,216	\$ 2,702
Payroll Taxes	150,716	148,149	(2,567)	143,604	(7,112)
Benefits	351,746	410,023	58,277	358,720	6,974
Retirement Costs	387,762	371,747	(16,015)	370,837	(16,925)
Total Personnel Expenses	\$ 3,313,738	\$ 3,359,504	\$ 45,766	\$ 3,299,377	\$ (14,361)
Meeting Expenses					
Meetings	\$ 26,582	\$ 33,089	\$ 6,507	\$ 34,082	\$ 7,500
Travel	60,205	58,025	(2,180)	68,597	8,392
Conference Calls	45,286	45,296	10	32,957	(12,329)
Total Meeting Expenses	\$ 132,073	\$ 136,410	\$ 4,337	\$ 135,636	\$ 3,563
Operating Expenses					
Consultants & Contracts	\$ 4,260,160	\$ 4,420,399	\$ 160,239	\$ 4,193,583	\$ (66,577)
Office Rent	236,403	254,710	18,307	245,183	8,780
Office Costs	375,314	431,093	55,779	423,151	47,837
Professional Services	45,476	45,373	(103)	47,894	2,418
Miscellaneous	-	-	-	-	-
Depreciation	58,889	40,238	(18,651)	85,874	26,985
Total Operating Expenses	\$ 4,976,242	\$ 5,191,813	\$ 215,571	\$ 4,995,685	\$ 19,443
Total Direct Expenses	\$ 8,422,053	\$ 8,687,727	\$ 265,674	\$ 8,430,698	\$ 8,645
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 8,422,053	\$ 8,687,727	\$ 265,674	\$ 8,430,698	\$ 8,645
Change in Assets	\$ 92,512	\$ (512,162)	\$ (604,674)	\$ 442,595	\$ (350,083)
Fixed Assets					
Depreciation	\$ (58,889)	\$ (40,238)	\$ 18,651	\$ (85,874)	\$ (26,985)
Total Fixed Asset Purchases	28,818	34,027	5,209	347,173	318,355
Change in Fixed Assets	\$ 30,071	\$ 6,211	\$ (23,860)	\$ (261,299)	\$ (291,370)
TOTAL BUDGET	\$ 8,391,982	\$ 8,681,516	\$ 289,534	\$ 8,691,997	\$ 300,015
TOTAL CHANGE IN WORKING CAPITAL	\$ 122,583	\$ (505,951)	\$ (628,534)	\$ 181,296	\$ 58,713
FTEs	18.35	18.02	(0.33)	18.06	-0.29

Section C — 2016 Non-Statutory Business Plan and Budget

Personnel Analysis

Total FTE's by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs ¹ 2016 Budget	Total FTEs 2016 Budget	Change from 2015 Budget
NON-STATUTORY						
Operational Programs						
Operations Committee	10.27	10.09		10.55	10.55	0.28
Planning Committee	4.57	4.57		3.96	3.96	-0.61
Total FTEs Operational Programs	14.84	14.66	0.00	14.51	14.51	-0.33
Administrative Programs						
General & Administrative	3.51	3.36		3.55	3.55	0.04
Total FTEs Administrative Programs	3.51	3.36	0.00	3.55	3.55	0.04
Total FTEs	18.35	18.02	0.00	18.06	18.06	-0.29

¹A shared FTE is defined by NERC as an employee who performs both Statutory and Non-Statutory functions.

Member Services Reserve Analysis — 2015 – 2016

Working Capital Reserve Analysis 2015-2016	
NON-STATUTORY MEMBER SERVICES	
Beginning Working Capital Reserve (Deficit), December 31, 2014	1,048,988
	2015 Funding (from members) 7,896,810
	2015 Projected Other funding sources 278,755
Total Cash Available 2015	<u>9,224,553</u>
	Less: '2015 Projected expenses & capital expenditures (8,672,516)
Projected Working Capital Reserve Surplus/(Deficit), December 31, 2015	<u><u>552,037</u></u>
Desired Working Capital Reserve, December 31, 2016	¹ 724,333
	Less: Projected Working Capital Reserve, December 31, 2015 (552,037)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	<u><u>172,296</u></u>
	2016 Expenses and Capital Expenditures 8,691,997
	Less: Other Funding Sources (277,790)
	Adjustment to achieve desired Working Capital Reserve 172,296
2016 Funding (reserve adjustment)	<u><u>8,586,503</u></u>

¹ On June 26, 2013, the FRCC Board of Directors set a working capital and operating working capital and operating reserve requirement of one (1) month of the total annual budget. The FRCC has a \$1.5 million line of credit.

**Section D – Additional Consolidated Financial
Statements**
2016 Business Plan and Budget

Section D — 2016 Additional Consolidated Financial Information

Statement of Activities and Capital Expenditures by Program 2015 Budget	Total	Statutory Total	Reliability Standards Development (Section 300)	Compliance Monitoring and Org Reg % (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	General and Administrative	Committee		
									Non-Statutory Total	Operating Committee	Planning Committee
Funding											
ERO Funding											
ERO Assessments	\$ 6,628,457	\$ 6,628,457	\$ 349,426	\$ 5,128,474	\$ 1,273,786	\$ 290,996	\$ 21,845	\$ (436,070)	\$ -	\$ -	\$ -
Penalty Sanctions	81,000	81,000	4,373	58,393	14,606	3,380	248	-	-	-	
Total ERO Funding	6,709,457	6,709,457	353,799	5,186,867	1,288,392	294,376	22,093	(436,070)	-	-	-
Membership Dues	\$ 8,651,647	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,651,647	\$ 7,393,303	\$ 1,258,344
Testing Fees	-	-	-	-	-	-	-	-	-	-	-
Services & Software	301,790	24,000	-	-	24,000	-	-	-	277,790	277,790	-
Workshops	92,000	92,000	-	-	-	92,000	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Total Funding	\$ 15,754,894	\$ 6,825,457	\$ 353,799	\$ 5,186,867	\$ 1,312,392	\$ 386,376	\$ 22,093	\$ (436,070)	\$ 8,929,437	\$ 7,671,093	\$ 1,258,344
Expenses											
Personnel Expenses											
Salaries	\$ 6,447,820	\$ 4,021,604	\$ 192,583	\$ 2,415,379	\$ 643,309	\$ 148,877	\$ 10,927	\$ 610,529	\$ 2,426,216	\$ 1,766,472	\$ 659,744
Payroll Taxes	386,977	243,373	11,218	149,811	37,473	8,672	636	35,563	143,604	104,415	39,189
Benefits	967,464	608,744	29,362	395,111	91,080	18,616	2,305	72,270	358,720	263,086	95,634
Retirement Costs	1,010,808	639,971	28,968	398,362	96,767	22,394	1,644	91,836	370,837	269,637	101,200
Total Personnel Expenses	\$ 8,813,069	\$ 5,513,692	\$ 262,131	\$ 3,358,663	\$ 868,629	\$ 198,559	\$ 15,512	\$ 810,198	\$ 3,299,377	\$ 2,403,610	\$ 895,767
Meeting Expenses											
Meetings	\$ 92,258	\$ 58,176	\$ 1,221	\$ 13,419	\$ 2,080	\$ 41,423	\$ 33	\$ -	\$ 34,082	\$ 20,630	\$ 13,452
Travel	260,042	191,445	8,992	119,571	45,532	17,266	84	-	68,597	60,364	8,233
Conference Calls	45,984	13,027	1,234	10,055	368	1,364	6	-	32,957	20,897	12,060
Total Meeting Expenses	\$ 398,284	\$ 262,648	\$ 11,447	\$ 143,045	\$ 47,980	\$ 60,053	\$ 123	\$ -	\$ 135,636	\$ 101,891	\$ 33,745
Operating Expenses											
Consultants & Contracts	\$ 4,835,558	\$ 641,975	\$ 6,446	\$ 434,850	\$ 150,325	\$ 50,002	\$ 352	\$ -	\$ 4,193,583	\$ 4,035,830	\$ 157,753
Office Rent	813,341	568,158	19,153	408,416	63,978	14,806	1,087	60,718	245,183	178,273	66,910
Office Costs	555,172	132,021	5,187	84,471	13,131	24,733	2,219	2,280	423,151	402,263	20,888
Professional Services	74,300	26,406	1,423	19,035	4,765	1,105	78	-	47,894	34,808	13,086
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Depreciation	257,254	171,380	2,168	160,699	7,354	1,102	57	-	85,874	76,035	9,839
Total Operating Expenses	\$ 6,535,625	\$ 1,539,940	\$ 34,377	\$ 1,107,471	\$ 239,553	\$ 91,748	\$ 3,793	\$ 62,998	\$ 4,995,685	\$ 4,727,209	\$ 268,476
Total Direct Expenses	\$ 15,746,978	\$ 7,316,280	\$ 307,955	\$ 4,609,179	\$ 1,156,162	\$ 350,360	\$ 19,428	\$ 873,196	\$ 8,430,698	\$ 7,232,710	\$ 1,197,988
Indirect Expenses	-	-	47,137	629,490	157,456	36,439	2,674	(873,196)	-	-	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 15,746,978	\$ 7,316,280	\$ 355,092	\$ 5,238,669	\$ 1,313,618	\$ 386,799	\$ 22,102	\$ -	\$ 8,430,698	\$ 7,232,710	\$ 1,197,988
Change in Assets	\$ 7,916	\$ (490,823)	\$ (1,293)	\$ (51,802)	\$ (1,226)	\$ (423)	\$ (9)	\$ (436,070)	\$ 498,739	\$ 438,383	\$ 60,356
Fixed Assets											
Depreciation	\$ (257,254)	\$ (171,380)	\$ (2,168)	\$ (160,699)	\$ (7,354)	\$ (1,102)	\$ (57)	\$ -	\$ (85,874)	\$ (76,035)	\$ (9,839)
Total Fixed Asset Purchases	463,800	116,627	875	108,897	6,128	679	48	-	347,173	341,794	5,379
Change in Fixed Assets	\$ (206,546)	\$ 54,753	\$ 1,293	\$ 51,802	\$ 1,226	\$ 423	\$ 9	\$ -	\$ (261,299)	\$ (265,759)	\$ 4,460
TOTAL CHANGE IN WORKING CAPITAL	\$ (198,630)	\$ (436,070)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (436,070)	\$ 237,440	\$ 172,624	\$ 64,816

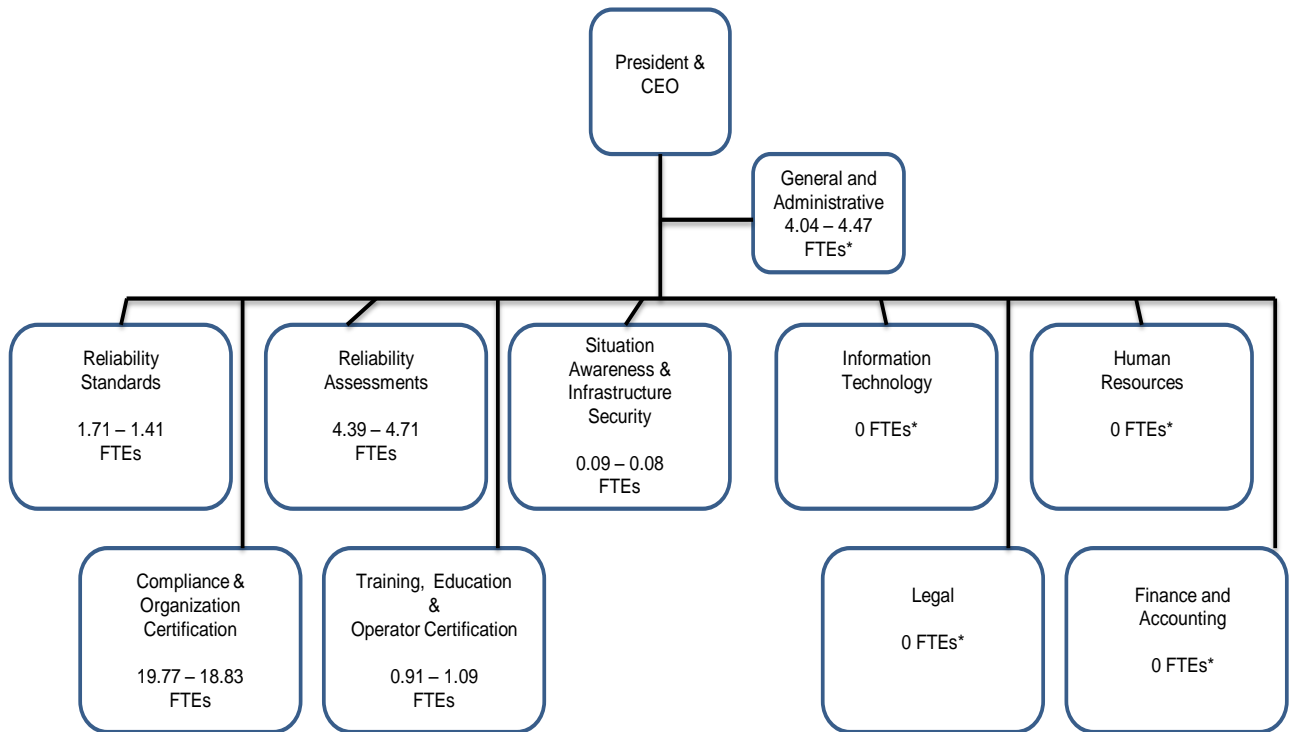
Statement of Financial Position

Statement of Financial Position				
2014 Audited, 2015 Projection, 2016 Budget and 2017 Projected				
STATUTORY and NON-STATUTORY				
	(Per Audit)	Projected	Budget	Projected
	12/31/2014	12/31/2015	12/31/2016	12/31/2017
ASSETS				
Cash	5,854,797	4,237,290	2,825,533	2,710,278
Accounts receivable	3,244,156	3,344,156	3,544,156	3,744,156
Other receivables	-	-	-	-
Prepaid expenses and other current assets	66,724	65,000	65,000	65,000
Other Assets	293,187	293,000	293,000	293,000
Property and equipment (net of depreciation)	400,627	400,000	400,000	400,000
Total Assets	9,859,491	8,339,446	7,127,689	7,212,434
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	2,863,981	2,863,000	2,863,000	2,863,000
Deferred income	3,493,661	3,555,990	3,923,439	3,991,121
Compliance Penalty Assessment	256,000	-	-	-
Accrued postretirement benefits obligation	425,466	325,000	341,250	358,313
Total Liabilities	7,039,108	6,743,990	7,127,689	7,212,434
Net Assets - unrestricted	2,820,383	1,595,456	-	-
Total Liabilities and Net Assets	9,859,491	8,339,446	7,127,689	7,212,434

Statutory Organizational Chart

**Florida Reliability Coordinating Council, Inc.
Statutory Organization Chart**

**2015 Budgeted FTEs 30.91
2016 Budgeted FTEs 30.59**



*All FTEs for Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative

DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 4

MIDWEST RELIABILITY ORGANIZATION

PROPOSED 2016 BUSINESS PLAN AND BUDGET



**MIDWEST
RELIABILITY
ORGANIZATION**

380 St Peter Street, #800
Saint Paul, MN 55102
651-855-1760/651-855-1712
www.midwestreliability.org

Midwest Reliability Organization

2016 Business Plan and Budget

**Approved by:
MRO Board of Directors**

**Date:
June 18, 2015**

TABLE OF CONTENTS

Introduction 3

 Organizational Overview 3

 Membership and Governance 4

 Statutory Functional Scope 4

 Budget 5

 Accounting and Recordkeeping 6

 Organizational Structure and Staffing 6

 Compensation Process and Personnel Policies 7

 2016 Key Assumptions 8

 Long-Term Business Planning 9

 2016 Overview of Cost Impacts 10

 Summary by Program 13

 2015 Budget and Projection and 2016 Budget Comparisons 15

Section A – Statutory Programs 17

 Reliability Standards Program, Organization Registration and Certification Program 17

 Reliability Standards, Organization Registration and Certification Budget Detail 21

 Compliance Monitoring and Enforcement Program 22

 Compliance Monitoring and Enforcement Budget Detail 28

 Reliability Assessment and Performance Analysis Program 29

 Reliability Assessment and Performance Analysis Budget Detail 32

 Training and Education Program 33

 Training and Education Budget Detail 35

 Situation Awareness and Infrastructure Security Program 36

 Situation Awareness and Infrastructure Security Budget Detail 38

 Administrative Services 39

 Technical Committees and Member Forums 40

 Technical Committees and Member Forums Budget Detail 41

 General and Administrative 42

 General and Administrative Budget Detail 44

 Legal and Regulatory 45

 Legal and Regulatory Budget Detail 47

 Information Technology 48

 Information Technology Budget Detail 50

 Human Resources, Finance and Accounting 51

 Human Resources, Finance and Accounting Budget Detail 53

Section B – Supplemental Financial Information 55

 Reserve Balance 55

 Breakdown by Statement of Activity Sections 56

Section C – Non-Statutory Activities 70

 2016 Non-Statutory Business Plan and Budget 70

Section D – Additional Consolidated Financial Statements 72

 2016 Consolidated Statement of Activities by Program, Statutory and Non-Statutory 72

 Statement of Financial Position 73

Appendix A Organization Chart 74

Appendix B Acronyms 75

Appendix C Index of Figures and Tables 77

Introduction

The following table summarizes Midwest Reliability Organization (MRO) budget for 2016.

	TOTAL RESOURCES (in whole dollars)			
	2016 Budget	U.S.	Canada	Mexico
Statutory FTEs	43.00			
Non-statutory FTEs				
Total FTEs	43.00			
Statutory Expenses	\$ 11,050,863			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 11,050,863			
Statutory Inc(Dec) in Fixed Assets	\$ 303,778			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 303,778			
Statutory Working Capital Requirement	\$ (326,829)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (326,829)			
Total Statutory Funding Requirement	\$ 11,027,812			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 11,027,812			
Statutory Funding Assessments	\$ 10,891,562	\$ 9,071,087	\$ 1,820,475	-
Non-Statutory Fees				
NEL	288,744,100	241,078,112	47,665,988	-
NEL%	100.00%	83.49%	16.51%	0.00%

Table 1. MRO Budget for 2016

Organizational Overview

MRO is a nonprofit corporation responsible for promoting and improving the reliability of the bulk power system (BPS). MRO's Region is the north central area of North America, including parts of both the United States and Canada. Under section 215(e)(4) of the Federal Power Act (FPA), the Commission approved the North American Electric Reliability Corporation (NERC) as the Electric Reliability Organization (ERO) and the delegation of certain statutory functions to the Regional Entities (REs). NERC executed an initial Delegation Agreement with MRO on May 2, 2007 for the purpose of delegating to MRO certain responsibilities and authorities of an RE as defined by FPA section 215. The most recent Delegation Agreement was approved by the Federal Energy Regulatory Commission in June 2013 and expires December 31, 2015. The Regions, including MRO, are in the process of negotiating a revised Delegation Agreement. The revised Delegation Agreement has a five year term with an option to renew it for another five year term. MRO's delegated functions under the existing agreement as well as the proposed revised agreement are: Development and Proposal of Reliability Standards and Organization Registration and Certification, Compliance, Risk Assessment and Mitigation, Enforcement, Reliability Assessment and Performance Analysis, Event Analysis, Training and Education, Situation Awareness, and Infrastructure Security.

Membership and Governance

Membership in MRO is voluntary and at no cost, affording organizations the opportunity to participate in the technical activities and governance of the organization. MRO has approximately fifty-five members.

The governance structure of MRO is a hybrid stakeholder board with seventeen board members elected by seven sectors and two independent directors elected by all members. No two sectors can control a vote. This governance structure is permitted under the Energy Policy Act of 2005 for Regional Entities operating under delegated authority from the Electric Reliability Organization. The Board has four committees:

- Dispute Resolution Committee
- Finance and Audit Committee (FAC)
- Governance and Personnel Committee
- Hearing Body Committee

The Board's primary role is to assure the organization meets its requirements under the bylaws and performs its responsibilities with due care and in an efficient manner. The Board makes no determinations on compliance or enforcement matters. The Board has adopted procedures to assure it carries out its responsibilities free of conflicts. The Hearing Body of the Board fulfills the obligations in the conduct of hearings, a mandated function under the Hearing Procedures found in the Compliance Monitoring and Enforcement Program ("CMEP").

In addition, the Board has appointed four standing technical committees comprised of stakeholders:

- Compliance Committee
- Operating Committee
- Planning Committee
- Standards Committee

The charters for these standing committees are published on MRO's website and the processes for all organizational groups are defined in the Board-approved Policy and Procedure 3 (Establishment, Responsibilities, and Procedures of Organizational Groups).¹

Statutory Functional Scope

The primary purposes of MRO are to:

1. Determine compliance with Reliability Standards, including enforcement determinations in a non-discriminatory manner consistent with the NERC Rules of Procedure.
2. Perform seasonal, long-term, and other assessments of reliability.
3. Provide independent technical analysis of system events and work with industry on recommendations and lessons learned.
4. Develop, propose, and/or adopt Regional Reliability Standards or variances to Reliability Standards.
5. Perform other services consistent with its reliability charter, delegation agreement, and the Rules of Procedure.

¹ See Policy and Procedure 3 (Establishment, Responsibilities, and Procedures of Organizational Groups) on MRO's website at: http://www.midwestreliability.org/01_about_mro/overview/policies_procedures/PP3_%20Organizational%20Groups.pdf

MRO provides a transparent, effective, and efficient reliability organization² across a broad geographic region with open meetings:

1. MRO is an effective Regional Entity that has a long tradition of managing within and across complex, multiple seams including an interconnection seam, structured markets to bilateral market seams, and an international border.
2. MRO creates a common forum for the region without barriers to participation.
3. The MRO Region has a tradition of working successfully on reliability matters despite the complexities in seams, diverse constituencies, and jurisdictions. Approximately half of the load in MRO is public power, including Canada. MRO is a vital link to maintain and expand existing “reliability” relationships among regulators, bulk electric users, owners, and operators.
4. Because of the seams, unique power system technical configurations, such as very long distances between load and generator, stability-limited transmission, the large percentage of hydro generation, and the diversity of its constituency, the region must have the ability and means to represent its own regional reliability interests for the benefit of the users, owners, and operators of the bulk electric system and the public it serves as a Cross Border Regional Entity under the final reliability rule and consistent with the Bilateral Principles.
5. MRO has a Standards Process Manual which has been approved by NERC and FERC.

The 2016 Business Plan and Budget fulfills MRO’s commitments related to the delegated functions, consistent with FERC and Canadian authorities to:

- Implement compliance and enforcement programs to those subject to Reliability Standards.
- Execute a non-discriminatory, consistent enforcement process to those subject to Reliability Standards.
- Adopt Reliability Standards to ensure enforceability. Canadian enforceability has been sought through agreements with Saskatchewan Power Corporation and in Manitoba pursuant to the Manitoba Hydro-Act (2012) as implemented in the Manitoba Reliability Standards Regulation.
- Maintain a Standards Process Manual that provides for an open, technically valid process to adopt standards as needed to benefit the reliability of the MRO Region, using an open, technically valid process.
- Provide education and resources for operators, users, and owners of the BES.
- Assess and report on regional BES reliability and adequacy.
- Analyze and report on regional BES system events.

Budget

MRO prepares an annual Business Plan and Budget for each calendar year. The development of the Business Plan and Budget begins with an annual MRO Board strategic planning session, at which long-term goals are set for MRO. The Business Plan and Budget is then developed by MRO staff between March and June of the year preceding the budget year with input from MRO’s stakeholders. The Business Plan and Budget is developed in conjunction with those of other REs and NERC to ensure consistency in the budgets of entities charged with FPA section 215 responsibilities. MRO staff also participates in NERC’s ERO Executive Management Group to review strategic goals and objectives for the REs, and to review common assumptions included in their business plans and budgets.

² In its *Order on the Electric Reliability Organization’s Five-Year Performance Assessment* the Federal Energy Regulatory Commission found that “the Regional Entities [including MRO] continue to satisfy applicable statutory and regulatory criteria.” North American Electric Reliability Corporation, 149 F.E.R.C. ¶ 61,141 at P 2 (2014).

MRO's budget development employs both a "top-down" and a "bottom-up" approach. The top-down approach is initiated by MRO's CEO, who sets the parameters for number of staff and an initial overall percent increase in the budget based on the strategic initiatives of the organization. The bottom-up approach is coordinated among MRO's managers and vice presidents, who calculate budget amounts for their respective departments using a detailed, line-by-line approach after reviewing actual costs from the most recent year end as well as current year-to-date costs. This is a zero based budgeting approach. The bottom-up figures from all departments are then aggregated and reconciled with the CEO's top-down budget figures.

MRO maintains a cash reserve at all times, capable of funding MRO's operations as laid out in MRO's Operating and Working Capital Reserves policy. This cash reserve is in addition to the funding necessary for MRO's normal operations. MRO's annual Business Plan and Budget includes a request to fund MRO's operating and working capital reserves consistent with the policy. The operating and working capital reserves shall be identified and quantified each year in the Business Plan and Budget submitted first to the FAC for review and then to the Board for approval.

Upon completion, the Business Plan and Budget is reviewed by the FAC. The Business Plan and Budget is posted for stakeholder comment and then sent to the Board for approval. Once approved by the Board, the plan is submitted to NERC for approval and then to FERC. The plan is typically finalized by FERC approval in October or November of the year preceding the budget year.

Accounting and Recordkeeping

MRO's accounting is performed by the Vice President of Finance and the MRO accounting staff. MRO bases its current Chart of Accounts upon NERC's System of Accounts, as required in the Delegation Agreement, and uses Generally Accepted Accounting Principles for the classification of its expenses. Additionally, MRO maintains an accounting manual to provide instructions to its accounting staff on accounting transactions and functions. MRO maintains its books on an accrual basis, recognizing revenues when earned and expenses when incurred. The majority of MRO expenses are direct labor costs. These costs are recorded in the accounting system by NERC account. Indirect costs are allocated to each MRO program area based on the number of full-time employee equivalents (FTEs) in each program area.

Organizational Structure and Staffing

MRO is organized into departments, all of which are dedicated to a statutory function or program area. Additionally, some functions, such as training and education, and committee and member functions, are the responsibility of multiple departments. The NERC System of Accounts assigns an account number to each statutory function outlined in the delegation agreements between NERC and the Regional Entities. MRO's accounting system is similarly organized by NERC account, meaning that while MRO tracks costs by department, MRO simultaneously tracks costs by NERC account.

All MRO employees have a "home" department area to which they are assigned. However, most MRO employees work in multiple program areas. For instance, employees whose home department area is compliance may also assist in reliability standard development. MRO employees track their time working in each program area, and their budgeted labor costs are allocated to the various program areas in which they work.

The Compliance department encompasses MRO's reliability audit, spot checks and self-certification activities and is headed by a Vice President.

The Risk Assessment and Mitigation and Registration and Reliability Standards functions are two departments reporting to one Vice President.

Enforcement and Regulatory Affairs is responsible for enforcement of reliability standard violations within the MRO region based upon the evaluations provided by the risk assessment and mitigation staff and is headed by a Vice President.

MRO's Operations department is responsible for reliability assessment, performance analysis, event analysis, situation awareness, infrastructure security, and IT functions. This department is headed by a Vice President.

MRO's Vice President, General Counsel, Corporate Secretary and Director of External Affairs provides legal advice to MRO, serves as the corporate secretary, and heads MRO's communications efforts and external affairs.

MRO's Finance and Administration department performs human resources, accounting, finance, budget, and treasury functions and is headed by a Vice President.

The Executive department is responsible for governance activities of the Board.

Financial Controls and Expense Approval

MRO maintains formal policies governing travel expense reimbursement, corporate credit card usage, contractor use, and procurement. MRO's Employee Handbook also addresses financial controls and expense approvals.

MRO staff travel to conduct audits, perform reliability assessments, and attend industry meetings and training. MRO's Expense Statement Guidelines provide guidance to MRO employees on reimbursable travel expenses. Expenses are reviewed for proper documentation and reasonableness by department managers and MRO's Vice President of Finance.

An independent auditing firm annually audits MRO's financial statements. MRO staff consults the FAC of the Board in reviewing the selection of the external auditor and the scope of the audit work. Once hired, the independent auditor communicates directly to the FAC Chair regarding audit matters. The FAC and MRO staff performs an annual review of the auditing firm's performance.

MRO's Contract Management Procedures (Procedures) govern the procurement of goods and services in excess of \$500. The Procedures dictate that an employee must have a Master Purchase Order approved by MRO's VP of Finance and his or her department VP for all purchases in excess of \$500. Additionally, purchases in excess of \$10,000 must also be approved by the MRO President and CEO.

MRO utilizes a time-tracking and reporting system for its employees. The system allows employees to track their labor hours by program area, project, and Registered Entity. New employees are trained on MRO's time-tracking policies and systems upon hiring.

Compensation Process and Personnel Policies

MRO bases employee compensation on eight pay principles. The current pay structure uses a five-tiered structure. Each tier is divided into four scales reflecting experience and degree of knowledge, skills and abilities. MRO performs periodic compensation reviews.

MRO employees are required to sign a Standards of Conduct form, attesting that they will always act in the best interests of MRO, and that they will avoid conduct and commitments that may compromise their responsibilities to MRO. MRO employees are forbidden from owning a financial interest in any entity subject to Reliability Standards within the MRO region.

2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The *2016 – 2018 Shared Business Plan and Budget Assumptions* document is located in Exhibit A of NERC's 2016 *Business Plan and Budget*.

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measurable reliability outcomes, consistent with their respective roles and responsibilities located in Exhibit A of NERC's 2016 Business Plan and Budget.

2016 Goals and Key Deliverables

1. Serve as an independent, objective, and fair enforcement authority, without conflicts of interest.
 - A. Register entities commensurate to the risk to the BPS and ensure all key reliability entities are certified to have essential capabilities.
 - B. Enforce compliance of Registered Entities with mandatory Reliability Standards, in accordance with the delegation agreement and Compliance Monitoring and Enforcement Program (CMEP). Perform timely and transparent reviews.
 - C. Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough, and comprehensive manner to prevent reoccurrence.
2. Promote a culture of compliance that addresses reliability risks across the MRO Region and the ERO.
 - A. Ensure that the industry understands the essential purpose of standards and compliance expectations.
 - B. Work with the industry to maintain effective risk control programs for compliance, reliability, and security.
 - C. Use efficient processes and proportional exercise of discretion to verify that the industry meets compliance objectives.
3. Identify the most significant risks to reliability in the MRO Region.
 - A. Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources, and emerging issues.
 - B. Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to inform standards, compliance, and other programs.
 - C. Ensure that the industry is well-informed of emerging trends, risk analysis, Lessons Learned, and expected actions.
4. Mitigate reliability risks.
 - A. Ensure that the industry understands security threats and addresses them effectively.

- B. Facilitate information sharing among industry, Regions, ERO, and government.
 - C. Work with ERO to track industry accountability for critical reliability and security recommendations.
5. Promote a culture of reliability excellence.
- A. Ensure reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among reliability entities.
 - B. Serve as a leading resource to industry and policy makers to supply reliability information.
6. Improve transparency, consistency, quality and timeliness of results; collaborate with NERC and the other Regions; improve efficiencies and cost effectiveness.
- A. Identify, understand, and manage internal risks.
 - B. Ensure processes are effective, efficient, and continually improving.

The vision of MRO is to “Maintain and improve the quality of life through a highly reliable regional Bulk Power System.” MRO’s purpose is to: “Strive to assure each Bulk Power System owner and operator within our region is a Highly Effective Reliability Organization.” MRO will leverage industry experts to address risks and improve reliability and security for the overall benefit of regional reliability. Through stakeholder processes, MRO will provide clarity on expectations and requirements; look to embed risk controls for assurance across the networked bulk electric system; and demonstrate results that improve reliability. For more information on MRO’s Vision, Purpose, and Principles, please refer to MRO’s website at <http://www.midwestreliability.org/>.

MRO’s business planning is driven by the annual strategic initiatives, which are used in conjunction with the organizational vision, purpose, and principles:

1. Simplification of regulation
2. Risk-based methodologies are implemented with proper rigor and safeguards
3. Improve clarity of standards and rules
4. Greater consistency within MRO and across NERC/Regional Entities
5. Coordinated communications around key policy matters

Long-Term Business Planning

NERC and the Regional Entities are actively working together to improve the overall business planning and budgeting process, including long-term resource and financial planning. The 2016 Business Plan and Budget process included numerous face-to-face meetings, conference calls, and exchanges of documentation among senior management and staff of NERC and REs regarding budget assumptions, resource requirements, and opportunities to improve operational efficiency and effectiveness, including factors affecting resource needs beyond the 2016 planning horizon. As an important first step in the development of a long-term business plan and budgeting process, the Common Business Plan and Budget Assumptions attached as Exhibit A in the NERC 2016 Business Plan and Budget incorporate assumptions affecting resource demands through the 2018 planning horizon. NERC and the REs continue to work together to develop, strengthen and improve an integrated long-term business plan and budget that leverages and builds on the combined strengths and resources of NERC and the REs to improve the overall effectiveness and efficiency of operations. NERC and the REs will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measurable reliability outcomes, consistent with their respective roles and responsibilities.

2016 Overview of Cost Impacts

MRO proposes to increase its operating budget from \$10.33 million to \$11.35 million, an increase of \$1,025,954. Funding assessments from 2015 will increase by \$1,465,543 or 15.5%.

Facility Expansion: MRO is at 93% capacity for staff and its conference facilities are frequently at capacity. To resolve the capacity issues, additional space will be leased to accommodate MRO's current and future needs. The one-time capital cost in 2016 is \$357k with an annual operations impact, net of savings, of \$133k.

Operating and Working Capital Reserve: MRO previously had a cash reserve policy to maintain 45 days of cash beginning in 2010 with funding increments of one-third each year, subject to periodic re-evaluation. MRO's Finance and Audit Committee (FAC) resolved that 30 days of cash was sufficient based on MRO's cash flow risk, with the Board's approval. The certainty of MRO's funding stream asserts that a 30-day reserve is reasonable for sustaining short-term contingencies. MRO resets its reserves at the beginning of each year to the approved policy.

Operational Programs

Funding Requirements — Explanation of Increase (Decrease)

Standards and Organization Registration and Certification

An additional resource is being added to the 2015 projection for focused registration and certification efforts. MRO will continue to focus on continent-wide standards and leveraging experts from the industry to assure proper technical application of existing standards. MRO registers all known entities subject to the Reliability Standards.

Compliance Monitoring and Enforcement Program

MRO has three independent programs within the NERC-defined compliance monitoring and enforcement program:

1) Compliance

The transition to CIP v5 will continue to be a mission-critical activity in 2016. MRO plans to support the ongoing CIP v5 transition and has seen an expansion in the number of Registered Entities that require CIP guidance, which is expected to continue into 2016. While resource demands are expected to increase throughout the planning period on account of the CIP v5 transition, prior efficiency gains related to CIP compliance monitoring will like lead to no significant net increase in workload.

2) Risk Assessment and Mitigation

Risk Assessment and Mitigation undertakes an independent review of the facts and circumstances surrounding each potential noncompliance, and then determines whether sufficient evidence supports each finding. Risk Assessment and Mitigation works with the registered entity to develop an effective mitigation plan in the event that a finding is validated. Risk Assessment and Mitigation also reviews each Bulk Power System (BPS) event from a compliance perspective, and performs Inherent Risk Assessments (IRAs) of registered entities in order to develop customized oversight plans for each entity, based upon risk. Improved efficiency in processes and the reduction of backlogs in mitigation account for the decrease in costs budgeted for this program.

3) Enforcement

Validated violations move to the Enforcement staff, who review recommendations made by Risk Assessment and Mitigation staff, verify all relevant facts, and evaluate appropriate enforcement actions for final disposition and resolution. Enforcement staff reports to NERC regarding the status of all PVs. MRO Enforcement staff may negotiate penalty settlements with registered entities, and coordinates review of settlement agreements by MRO's Hearing Body committee. Enforcement determinations are submitted by MRO staff to NERC for approval. Costs for this program are budgeted to increase in 2016 due to Hearing Body training.

The factual review conducted by Risk Assessment and Mitigation and Enforcement staff is intended to ensure a consistent, accurate application of the NERC reliability standards. The three-step process also provides for segregation of duties, establishing independence among those making the findings, those assessing risk, and those determining and negotiating penalties and sanctions.

Reliability Assessment and Performance Analysis

MRO's Reliability Assessment and Performance Analysis staff provides BES analysis, data gathering, and analysis of events. RAPA identifies reliability risks to the BES in the MRO footprint, in accordance with the Delegation Agreement and NERC's Rules of Procedure. RAPA's mission is to promote a culture of reliability excellence within the MRO BES. The program accomplishes this mission by identifying risks to reliability, analyzing performance, and prioritizing significant risks. In 2016 there will be an increase of costs associated with increased activities in BES definition and technical committee strategic planning. MRO reimburses travel expenses for stakeholder representation to assure organizations can participate on a "level playing field."

Training and Education

For 2016, MRO will provide training to Registered Entities through workshops and other opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publication. MRO will continue to identify training options for Registered Entities in the MRO region so that they can also accomplish the objectives of the NERC program through a third party.

Situation Awareness & Infrastructure Security Program

Situation Awareness

MRO utilizes the NERC Situation Awareness tool and monitors other communication systems to maintain an awareness of BES events and incidents. Staff is prepared to maintain awareness about the conditions of the BES and to respond to events by providing coordination assistance and communications between key parties. In 2016, there will be increased staff travel and training for NERC and Regional initiatives.

Infrastructure Security Program

In recognition of the criticality of protection of cyber infrastructure and BES control systems, the 2016 budget includes dollars for MRO staff to participate in infrastructure security-related activities and travel to attend security-related meetings. Critical infrastructure compliance, training and education are budgeted in the applicable areas of the budget.

General and Administrative

There is an increase in the number of meetings and outreach efforts planned in 2016; however, budgeted meeting expenses are reduced slightly because of efficiencies and cost savings

realized from hosting meetings at MRO. Reimbursement for stakeholder participant travel expenses will increase. Fees for independent MRO board members are included in Legal and Regulatory.

Information Technology

MRO uses independent third parties to provide periodic assessments of its infrastructure security. MRO subscribes to compliance and standards applications from a third party vendor; these applications are subject to independent third party audits and reside on a secure platform. Major infrastructure and network system updates were completed in 2014. The 2015 and 2016 focus is on network and system maintenance.

Legal and Regulatory

There is a reduction in costs in this area, as the staff in this area supports the expanded efforts in outreach, which is charged to the Training and Education program. Overall legal and regulatory budgeted costs for outside counsel will remain flat, as will the fees for independent MRO board members.

Accounting / Human Resources

Personnel Costs - Employee Paid Benefits

There are no anticipated changes to 2016 costs in this department. MRO's overall FTE staffing has increased from 20.00 in 2007 to 43.00 in 2016. MRO does not include attrition/vacancy assumptions in personnel cost projections.

Other Non-Operating Expenses

None

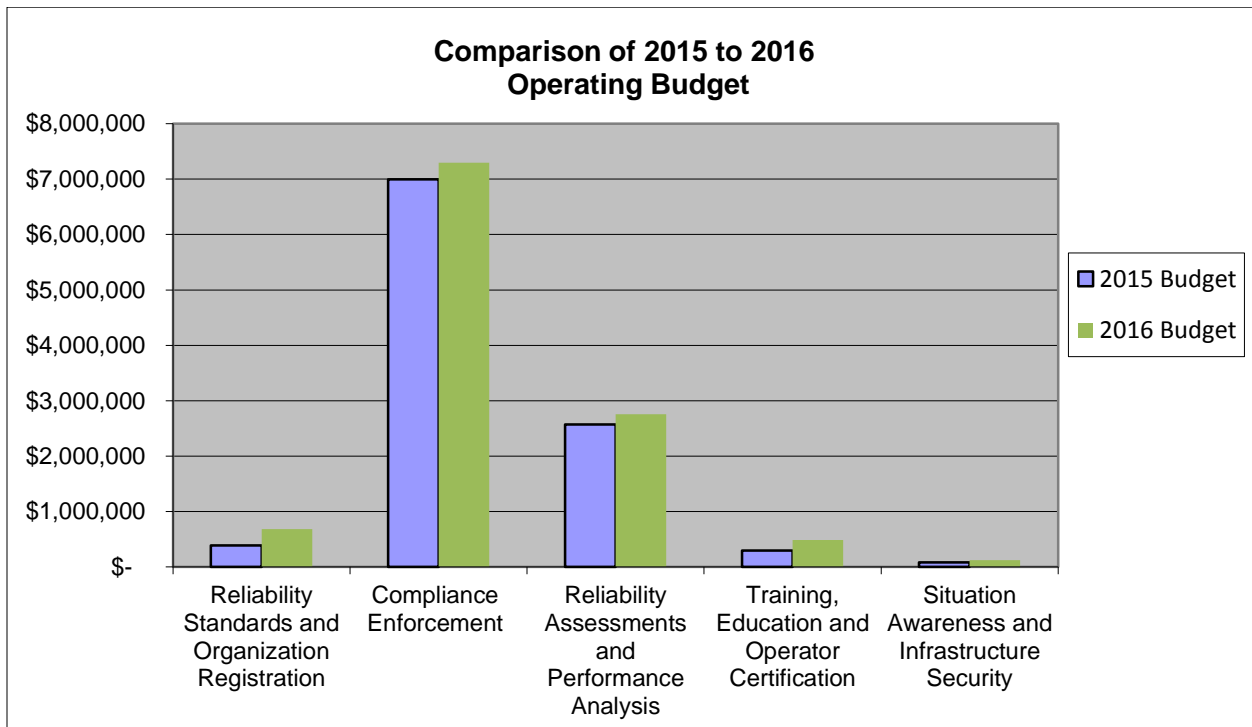
Summary by Program

The following table and figure summarize and illustrate MRO budget by program area.

Program	2015 Budget	2016 Budget	Variance 2016 Budget v 2015	
			Budget	% of Change
Reliability Standards and Organization Registration	\$ 387,930	\$ 684,207	\$ 296,277	76.37%
Compliance Enforcement	6,994,216	7,297,310	303,093	4.33%
Reliability Assessments and Performance Analysis	2,571,309	2,758,745	187,436	7.29%
Training, Education and Operator Certification	295,307	488,857	193,550	65.54%
Situation Awareness and Infrastructure Security	79,927	125,523	45,595	57.05%
TOTAL BUDGET	\$ 10,328,689	\$ 11,354,641	\$ 1,025,952	9.93%

This graphical representation does not include an allocation of working capital requirements among the program areas.

Table 2. Budget by Program Area



This graphical representation does not include an allocation of working capital requirements among the program areas.

Figure 1. Budget by Program Area Chart

The following table displays total FTEs by program area.

Total FTEs by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs 2016 Budget ¹	Total FTEs 2016 Budget	Change from 2015 Budget
STATUTORY						
Operational Programs						
Reliability Standards and Organization and Certification	1.01	1.89	2.11		2.11	1.10
Compliance	10.63	10.50	11.22		11.22	0.59
Compliance Risk Assessment and Mitigation	7.03	7.43	6.97		6.97	(0.06)
Compliance Enforcement	4.42	2.99	3.07		3.07	(1.35)
Training and Education	0.28	0.81	1.34		1.34	1.06
Reliability Assessment and Performance Analysis	7.55	7.42	7.52		7.52	(0.03)
Situation Awareness and Infrastructure Security	0.16	0.28	0.28		0.28	0.12
Total FTEs Operational Programs	31.08	31.32	32.51	-	32.51	1.43
Administrative Programs						
Technical Committees and Member Forums	-	-	-		-	-
General and Administrative	2.24	2.17	2.61		2.61	0.37
Legal and Regulatory	1.31	0.87	0.87		0.87	(0.44)
Information Technology	4.24	4.15	3.26		3.26	(0.98)
Human Resources	-	-	-		-	-
Finance and Accounting	3.63	3.65	3.75		3.75	0.12
Total FTEs Administrative Programs	11.42	10.84	10.49	-	10.49	(0.93)
Total FTEs	42.50	42.16	43.00	-	43.00	0.50

¹A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

Table 3. Total FTEs by Program Area

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

2015 Budget and Projection and 2016 Budget Comparisons

The following table lists the 2015 budget and projection compared to the 2016 budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
STATUTORY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 9,426,019	\$ 9,426,018	\$ (1)	\$ 10,891,562	\$ 1,465,543
Penalty Sanctions	395,000	395,000	(0)	136,250	(258,750)
Total NERC Funding	\$ 9,821,019	\$ 9,821,018	\$ (1)	\$ 11,027,812	\$ 1,206,793
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 9,821,019	\$ 9,821,018	-	\$ 11,027,812	\$ 1,206,793
Expenses					
Personnel Expenses					
Salaries	\$ 5,522,559	\$ 5,503,464	-	\$ 5,682,871	\$ 160,312
Payroll Taxes	357,594	356,352	-	361,827	4,233
Benefits	438,920	544,725	105,805	582,253	143,333
Retirement Costs	1,033,187	1,071,719	38,532	1,094,515	61,328
Total Personnel Expenses	\$ 7,352,260	\$ 7,476,260	-	\$ 7,721,466	\$ 369,206
Meeting Expenses					
Meetings	\$ 106,600	\$ 134,600	\$ 28,000	\$ 85,500	\$ (21,100)
Travel	622,200	637,200	15,000	680,330	58,130
Conference Calls	-	-	-	900	900
Total Meeting Expenses	\$ 728,800	\$ 771,800	\$ 43,000	\$ 766,730	\$ 37,930
Operating Expenses					
Consultants & Contracts	\$ 676,436	\$ 729,436	\$ 53,000	\$ 679,681	\$ 3,245
Office Rent	501,000	501,000	-	648,946	147,946
Office Costs	539,891	539,891	-	534,818	(5,073)
Professional Services	193,500	209,500	16,000	218,500	25,000
Miscellaneous	-	-	-	-	-
Depreciation	521,000	521,000	-	480,722	(40,278)
Total Operating Expenses	\$ 2,431,827	\$ 2,500,827	\$ 69,000	\$ 2,562,667	\$ 130,840
Total Direct Expenses	\$ 10,512,887	\$ 10,748,887	-	\$ 11,050,863	\$ 537,976
Indirect Expenses	\$ -	\$ -	\$ 0	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 10,512,887	\$ 10,748,887	-	\$ 11,050,863	\$ 537,976
Change in Assets	\$ (691,868)	\$ (927,869)	-	\$ (23,051)	\$ 668,817
Fixed Assets					
Depreciation	\$ (521,000)	\$ (521,000)	\$ -	\$ (480,722)	\$ 40,278
Computer & Software CapEx	336,800	386,800	50,000	317,500	(19,300)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	467,000	467,000
Allocation of Fixed Assets	\$ -	-	-	-	-
Inc(Dec) in Fixed Assets (C)	(184,200)	(134,200)	50,000	303,778	487,978
TOTAL BUDGET (=B + C)	\$ 10,328,687	\$ 10,614,687	-	\$ 11,354,641	\$ 1,025,954
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (507,668)	\$ (793,669)	-	\$ (326,829)	\$ 180,839
FTEs	42.50	42.16	(0.34)	43.00	0.50

Table 4. Budget and Projection Comparison, 2015 to 2016

Section A – Statutory Programs

2016 Business Plan and Budget



Section A – Statutory Programs

Reliability Standards Program, Organization Registration and Certification Program

The following table shows funding sources and related expenses for the Reliability Standards, Organization Registration and Certification Program.

Reliability Standards Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	1.01	2.11	1.10
Direct Expenses	\$ 261,242	\$ 390,234	\$ 128,992
Indirect Expenses	\$ 132,672	\$ 274,257	\$ 141,584
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (5,986)	\$ 19,716	\$ 25,702
Total Funding Requirement	\$ 387,930	\$ 684,207	\$ 296,277

Table A-1. Reliability Standards Budget

Program Scope and Functional Description

NERC uses stakeholder-driven processes consistent with the Rules of Procedure to develop and maintain reliability standards that apply to Bulk Electric System owners, operators, and users and that enable NERC and Regional Entities to measure the reliability performance of Bulk Electric System owners, operators and users; and to hold them accountable for reliable operation of the Bulk Electric Systems. The reliability standards must be technically sound, timely, just, reasonable, not unduly discriminatory or preferential, in the public interest, and consistent with other applicable requirements.

MRO supports NERC standards development through its Standards Committee. Organization Registration criteria and requirements are approved by NERC and the Commission in the United States, and MRO staff carries out those responsibilities through its Delegation Agreement with NERC. Registration is documented by MRO and incorporated into the overall NERC Registry. MRO staff registers all known entities (owners, operators, and users) subject to the reliability standards and revises the Registered Entity list as required under the Rules of Procedure.

MRO will work with NERC on development of common and consistent registration processes, information systems and methods among regions. MRO will use NERC's revised certification Rules which will require technical training to be developed by NERC.

2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Reliability Standards Program and the Organization Registration and Certification Program can be located in the Key Assumptions section of Exhibit A in NERC's 2016 Business Plan and Budget.

MRO utilizes a balanced stakeholder Standards Committee (SC) to administer the regional standards program, educate stakeholders about the application of reliability standards, and

provide regional input to the NERC Standards development efforts. The SC is charged with the following responsibilities:

- Recommend to the MRO Board regional representatives for NERC standards development and drafting-related working groups and committees
- Promote coordination of MRO's efforts with other Regional Entities and NERC, including a periodic review of NERC reliability standards and their applicability to those subject to the reliability standards
- Provide non-binding assistance to stakeholders in understanding the application of continent-wide reliability standards and the types of evidence needed to demonstrate compliance through examples
- Identify pools of subject matter experts (SMEs) in the industry to assist in the development of application guides
- Oversee the development of application guides for NERC reliability standards
- Review frequently occurring compliance violations to determine if there are any additional application guidelines that are needed or additional changes to standards or request interpretations
- Provide education and training on effectively demonstrating compliance to stakeholders through webinars, emails, conference calls, presentations or workshops
- Provide recommendations to the NERC standing committees or other working groups as required
- Provide comments and voting positions on NERC-proposed standards interpretations and compliance application notice from MRO stakeholders
- Where necessary, assure regional reliability standards are consistent with continent-wide reliability standards
- Process all requests for new or modifications to reliability standards
- Maintain MRO reliability standards process documentation
- Assign the development of a regional Reliability Standard to a drafting team
- Present new, or modifications to, regional reliability standards for adoption by the MRO Board upon recommendation from the SC

In supporting the work of the SC, MRO staff monitors the NERC Standards development efforts and facilitates the efforts of the SC and its subgroups to provide input in a coordinated manner. Staff also ensures the regional processes are followed for the regional standards development. Currently, MRO has no regional standards under development and does not anticipate any Standards Authorization Request (SAR) submittals in the future.

The SC is committed to developing and delivering training to industry stakeholders on meeting the obligations and requirements of existing, new, or emerging reliability standards. In support of the SC's commitment, MRO staff provides input to the SME teams in developing their training tools and reviews the Application Guidance documents and presentations. In addition, MRO staff helps manage all SME team projects and provides technical support. MRO staff appreciates the SME teams sharing their technical expertise and knowledge to improve power system reliability for all.

MRO staff and stakeholders provide technical advice and comment to NERC when developing reliability standards applicable across North America and the Eastern Interconnection. MRO staff and Registered Entities participate in NERC and MRO standards drafting teams, hold meetings and conferences to discuss standards, and actively work with NERC on its standards development plan.

NERC's Four Year Standards Development Plan, included in NERC's 2015 Business Plan and Budget as Exhibit A, supports the significant effort required by MRO to participate in standards development.

Organization Registration

- 2016 variance: reduction in registered entities due to approval of the Risked Based Registration initiative in 2015 primarily affecting Purchasing and Selling Entities, Interchange Authorities and small Distribution Providers.
- Workload associated with maintaining the registry will continue
- Pre-June 18, 2007 voluntary program (28 participants/255 functions)
- June 18, 2007 mandatory implementation (110 Registered Entities/432 functions)
- 2015 (136 Registered Entities/458 functions)
- Registration is an ongoing assignment
- Continue to inventory Bulk Electric System generating facilities and transmission elements
- Joint Registration Organization (JRO) maintenance
- Coordinated Functional Registration (CFR) development and maintenance
- Modify registry if it is discovered an entity meets additional functional criteria or no longer performs any function.
- Continue to obtain and review system on-line diagrams, maps, and agreements used to identify owners and operators of the Bulk Electric System
- Continue to manage overall registry by having a staff person directly assigned to this task

Organization Certification

- 2016 variance: no material changes.
- Work performed to review changes to existing Registered Entities, and work performed to certify new Registered Entities, are expected to continue. The equivalent rate or amount of work is expected to increase in 2016 as Registered Entities continue to replace EMS/SCADA systems.

2016 Goals and Key Deliverables

The 2016 goals and key deliverables are the following:

- Provide comments and support to other NERC and MRO SC activities
- Work with NERC to improve interpretation of existing reliability standards
- Work with NERC to improve the timeliness of reliability standards development
- Comment on all NERC Standards Authorization Requests (SAR) and draft standards
- Communicate with stakeholders and vote on all NERC Standards
- Support and inform MRO SC and Board of standards-related activities
- Participate on various NERC committees and subgroups
- MRO SME teams and staff train and educate Registered Entities on the application of standards by participating in MRO workshops (costs are captured in Training and Education)

Resource Requirements

An additional resource is being added to the 2015 projection for focused registration and certification efforts.

Personnel Expenses

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase.
- MRO continues to facilitate additional technical resources from the industry in drafting

teams and in other areas to augment staff involvement, which has resulted in a relatively stabilized number of FTEs in prior years. MRO reimburses travel expenses for stakeholder participation.

- The 2016 budgeted salaries increased when compared to the 2015 budget, due to the addition of an administrative assistant in December 2014.

Consultants and Contracts

- 2016 Consultant and Contract costs reflect a third party vendor's costs, remaining flat for the standards tracking software applications.

Reliability Standards, Organization Registration and Certification Budget Detail

The following table shows funding sources and related expenses for the Reliability Standards section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
RELIABILITY STANDARDS AND ORGANIZATIONAL REGISTRATION					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 375,092	\$ 375,092	\$ -	\$ 675,364	\$ 300,271
Penalty Sanctions	12,836	12,836		8,843	(3,993)
Total NERC Funding	\$ 387,929	\$ 387,928	\$ -	\$ 684,207	\$ 296,278
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 387,929	\$ 387,928	\$ -	\$ 684,207	\$ 296,278
Expenses					
Personnel Expenses					
Salaries	\$ 156,160	\$ 179,019	\$ 22,859	\$ 235,577	\$ 79,417
Payroll Taxes	9,024	11,885	2,861	14,726	5,702
Benefits	10,705	24,632	13,927	28,571	17,866
Retirement Costs	31,123	47,435	16,312	53,266	22,143
Total Personnel Expenses	\$ 207,012	\$ 262,971	\$ 55,959	\$ 332,140	\$ 125,128
Meeting Expenses					
Meetings	\$ 2,000	\$ 2,000	\$ -	\$ 2,000	\$ -
Travel	33,600	33,600	-	37,200	3,600
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 35,600	\$ 35,600	\$ -	\$ 39,200	\$ 3,600
Operating Expenses					
Consultants & Contracts	\$ 13,236	\$ 13,236	\$ -	\$ 13,236	\$ -
Office Rent	-	-	-	-	-
Office Costs	5,394	5,394	-	5,658	264
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 18,630	\$ 18,630	\$ -	\$ 18,894	\$ 264
Total Direct Expenses	\$ 261,242	\$ 317,201	\$ 55,959	\$ 390,234	\$ 128,992
Indirect Expenses	\$ 132,672	\$ 249,766	\$ 117,094	\$ 274,257	\$ 141,584
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 393,914	\$ 566,967	\$ 173,053	\$ 664,491	\$ 270,576
Change in Assets	\$ (5,986)	\$ (179,039)	\$ (173,053)	\$ 19,716	\$ 25,702
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (5,986)	(8,098)	(2,112)	19,716	25,702
Inc(Dec) in Fixed Assets (C)	(5,986)	(8,098)	(2,112)	19,716	25,702
TOTAL BUDGET (=B + C)	\$ 387,929	\$ 558,869	\$ 170,940	\$ 684,207	\$ 296,278
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (170,941)	\$ (170,941)	\$ -	\$ -
FTEs	1.01	1.89	0.88	2.11	1.10

Table A-2. Reliability Standards, Organization Registration and Certification Budget Detail

Compliance Monitoring and Enforcement Program

The following table lists the budget for the Compliance Monitoring and Enforcement Program.

Compliance Monitoring and Enforcement Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	22.08	21.26	(0.82)
Direct Expenses	\$ 4,224,673	\$ 4,335,290	\$ 110,618
Indirect Expenses	\$ 2,900,403	\$ 2,763,363	\$ (137,040)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (130,860)	\$ 198,656	\$ 329,517
Total Funding Requirement	\$ 6,994,216	\$ 7,297,310	\$ 303,094

Table A-3. Compliance Monitoring and Enforcement Budget

Program Scope and Functional Description

In 2016, the MRO Compliance Monitoring and Enforcement Program includes performing CMEP activities with approximately 136 Registered Entities in the MRO Region.

All Registered Entities are subject to periodic compliance audits and/or spot checks. For 2016, there are a total of 25 compliance audits planned, and spot checks will be conducted as needed.

In addition to the normal and ongoing compliance discovery activities under the NERC CMEP, MRO Compliance staff will be prepared to assist with compliance investigations, system performance monitoring and assessment, and compliance reviews for all events in which the NERC Event Analysis and Compliance Review Process is initiated. These activities are included in the business plan for 2016. Investigations are handled through MRO's Risk Assessment and Mitigation team.

2016 Key Assumptions

NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measureable reliability outcomes, consistent with their respective roles and responsibilities. The common assumptions for the Compliance Monitoring can be located in the Key Assumptions section of Exhibit A in NERC's 2016 Business Plan and Budget.

MRO will monitor compliance with reliability standards for each Registered Entity that has compliance responsibilities as defined in the Compliance Registry for MRO. In the United States, MRO monitors reliability standards according to Commission-approved Rules. In Manitoba, MRO monitors reliability standards under provincial law as implemented in the Manitoba Reliability Standards Regulation. In Saskatchewan, MRO carries out its compliance monitoring responsibilities according to an agreement with the Saskatchewan Electric Reliability Authority. 2016 Key Focus Areas include:

- Monitoring and management of enforcement measures and metrics in support of NERC's Strategic Plan and Oversight Program;

- Ongoing implementation of the risk-based Compliance Monitoring and Enforcement Program (CMEP);
- Use of consistent compliance monitoring and enforcement practices focused on higher reliability risks.

Compliance Monitoring and Enforcement

Using generally accepted risk-based approaches to compliance monitoring and enforcement, as transformed through the Reliability Assurance Initiative (RAI), requires revisions to processes and procedures. MRO does not anticipate a material impact from the revisions in 2016.

2016 Compliance Monitoring Program Goals and Key Deliverables

- Assure professionally-trained staff is available to perform the required activities under the NERC Rules of Procedure
- Deliver consistent results when processing all instances of noncompliance
- Process initial compliance determinations of standards in a fair, uniform, systematic, and timely manner
- Maintain internal controls for “one-up and next door” reviews to assure all determinations receive adequate “due care” and review
- Conduct secondary independent review to assure all determinations of possible noncompliance are accurate, complete, and technically sufficient
- Ensure an accurate and complete discovery record is created, maintained, and retained for each noncompliance discovered, as well as where there are no findings
- Conduct system performance compliance monitoring (such as due diligence review of misoperations, physical inspections, etc.)
- Conduct compliance investigations as warranted
- Continue to maintain information in a secured environment through webCDMS; expand use of webCDMS tool suite for staff to drive more efficiencies in the conduct of the work and make the work more meaningful to Registered Entities
- Participate in working groups or task forces where ERO-wide compliance and enforcement program processes and procedures will be developed to drive consistency
- Continue to implement the Auditor Checklist and Auditor Handbook for compliance audits to ensure utilization of consistent audit practices

Funding Requirements — Explanation of Increase (Decrease)

Compliance Monitoring Explanation of Variances – 2016 Budget versus 2015 Budget

Annual Implementation Plan

- Monitor compliance with all regulatory-approved reliability standards as defined in the NERC Annual Implementation Plan
- Continued implementation of the risk-based compliance monitoring framework, customizing scope of individual compliance monitoring engagements but incurring additional effort when reviewing Registered Entities’ internal controls
- It is assumed that Compliance Audits will only be required in 2016 per the NERC CMEP Implementation Plan for those entities registered for the Reliability Coordinator (RC), Balancing Authority (BA), and Transmission Operator (TOP) functions. Additionally, in place of the annual Self-Certification, a program of quarterly, guided Self-Certifications will be employed to address those NERC Reliability Standards and Requirements that mitigate the most significant risks in the MRO region.
- Unscheduled spot checks and/or compliance audits may be conducted if:
 - Entity registration changes (such as adding TOP, BA, RC function)

- Evidence of compliance provided during an audit (or other method) is found to be non-compliant and the entity is using another entity's program or process
- Follow-up is needed as a result of self-certifications or events

Compliance Audits

- 2016 variance: decrease of workload
- The number of audits to be performed in 2016 is 11, which is a decrease from the 25 audits planned for 2015. The significant decrease is a result of NERC's removal of the six-year audit requirement for entities that are not registered for the RC, BA, or TOP functions. While the number of audits is more than 50% lower, the net impact on workload will be less substantial given that six-year audits generally require less effort than the remaining three-year audits.
- The rigor, scope, depth and recurrence of audits and spot checks will be driven by reliability risk. Over the next few years, oversight plans will be developed for registered entities according to their risk and the best CMEP tools. While the immediate impact of this transition is difficult to predict for 2016, there will ultimately be a shift in the use of tools (audits vs. guided self-certification vs. self-logging).

Self-Certifications

- 2016 variance: increase in workload
- MRO will not include a blanket annual Self-Certification in its CMEP Implementation Plan for 2016. However, quarterly, guided Self-Certifications will continue to be conducted in 2016.
- While MRO's guided Self-Certification program involves fewer requirements and impacts fewer entities than the previous annual Self-Certification program, it will require more resources in 2016. This is primarily due to the effort required by Compliance staff to review entities' detailed submissions. Additional effort is necessary to develop the guided Self-Certification worksheets, which currently exist for very few NERC Reliability Standards.

Spot Checks

- 2016 variance: increase of workload
- The use of spots checks may increase as a result of more reliance on guided self-certification and self-logging, but should have little effect on overall resource requirements

Technical Feasibility Exceptions (TFEs)

- 2016 variance: decrease in workload
- With the transition to CIP v5, the overall number of Technical Feasibility Exceptions (TFEs) should decrease due to the reduced number of Requirements eligible for TFEs, as well as the addition of "per device capability" clauses. Additionally, changes to Appendix 4D of the CMEP significantly reduced the administrative burden associated with the processing of TFEs.

Compliance Investigations (CIs)

- 2016 variance: increase in workload, if a CI is initiated in the MRO Region
- MRO Risk Assessment and Mitigation staff have assumed the lead on investigations in the MRO Region as of 2015

Compliance Findings Discovery

- 2016 variance: increased workload

- For every potential noncompliance, MRO Risk Assessment and Mitigation performs a fact and circumstance review
- MRO expects an increase in workload associated with reviewing facts and circumstances around entity implementations of CIP V5, particularly at substations (which were rarely considered in CIP V3).

Compliance Findings Record Development

- 2016 variance: consistent workload
- A discovery record is developed for every instance of noncompliance. The discovery record and supplemental forms represent the initial development of the record to support the processing determinations.

Mitigation Plan Acceptance and Verification of Completion

- 2016 variance: consistent workload
- MRO uses number of days in process (DIP) and violation aging as key indicators for process efficiency and effectiveness. Dedicated CIP personnel will need to be allocated to address the conversion from v3 to v5 and provide support to Registered Entities during the transition. However, instances of noncompliance related to operations and planning standards are expected to continue to decrease as most Registered Entities have been audited and their compliance programs have matured.
- For every noncompliance identified by MRO staff or a Registered Entity, a description of mitigating activities/mitigation plan must be submitted. MRO Risk Assessment and Mitigation staff reviews each submission to assess whether the proposed actions will mitigate and prevent recurrence of the subject noncompliance. The development of the mitigating activities/mitigation plan provides the information necessary to determine the potential and actual risk to the reliability of the BES.

Compliance Enforcement Explanation of Variances – 2016 Budget versus 2015 Budget

2016 Enforcement and Mitigation Program Goals and Key Deliverables.

- Assure professionally-trained staff is available to perform the required activities under the NERC Rules of Procedure
- Deliver consistent results when processing all instances of noncompliance
- Process noncompliance and Possible Violations of standards in a fair, uniform, systematic, and timely manner
- Maintain internal controls for “one-up and next door” reviews to assure all determinations receive adequate “due care” and review
- Conduct secondary independent review to assure all enforcement determinations of noncompliance and Possible Violations are accurate, complete, and technically sufficient
- Ensure an accurate and complete record is created, maintained, and retained for each instance of noncompliance and/or Possible Violation discovered, as well as findings that are dismissed.
- Continue to maintain information in a secured environment through webCDMS; expand use of webCDMS tool suite for staff to drive more efficiencies in the conduct of the work and make the work more meaningful to Registered Entities
- Participate and lead working groups or task forces where ERO-wide compliance and enforcement program processes and procedures will be developed to drive consistency

Compliance Exception Process

- 2016 variance: increased workload

- This alternative path allows NERC and the Regional Entities to exercise appropriate discretion to determine whether to initiate an enforcement action or to resolve an instance of noncompliance outside of the enforcement process as a Compliance Exception.
- For instances of noncompliance resolved as Compliance Exceptions, MRO Enforcement staff verifies that there is a sufficient record to support the determination, based on the risk posed by the noncompliance and the documentation available to support processing as a Compliance Exception.
- With implementation of Version 5 of the CIP Reliability Standards, MRO anticipates an increase in minimal risk issues being identified and resolved as Compliance Exceptions.
- MRO had a significant resource impact in development of the risk-based approach to enforcement throughout 2014, and had fully implemented the Compliance Exception process by 2015.

CIP Version 5 Transition

The transition to CIP v5 will continue to be a mission critical activity in 2016. MRO plans to support the ongoing CIP v5 transition and has seen an expansion in the number of Registered Entities that require CIP guidance, which is expected to continue into 2016. While resource demands are expected to increase throughout the planning period on account of the CIP v5 transition, prior efficiency gains related to CIP compliance monitoring will likely lead to no significant net increase in workload.

Processing of Alleged Violations

- 2016 variance: consistent workload
- For every instance of noncompliance identified by MRO Compliance staff or a Registered Entity, MRO Enforcement staff performs a review to confirm its validity.
- For possible violations deemed valid and subject to enforcement, MRO Enforcement staff prepares and issues a Notice of Possible Violation and MRO Risk Assessment and Mitigation staff performs a facts and circumstances review to determine if the Registered Entity was or was not in violation of the Reliability Standard(s). If the Registered Entity is in violation of a standard, MRO Enforcement staff prepares a Notice of Alleged Violation which may include a Disposition Document for each alleged violation or a Notice of Find, Fix, Track and Report processing for each remediated issue. Where a Notice of Alleged Violation is issued, a proposed penalty is calculated and reviewed and considered by at least two MRO Enforcement staff. Upon acceptance or lapse of the required time for response to the Notice of Alleged Violation, MRO Enforcement staff prepares a Notice of Confirmed Violation. The drafting of these notices is an iterative process and requires resources. For more complex or significant matters, MRO Enforcement staff anticipates resolution through negotiated settlement. This process is sometimes lengthy and typically results in ongoing tracking and monitoring requirements for MRO and the Registered Entity to ensure completion of agreed-upon remedies. MRO encourages Registered Entities to make investments in equipment and people as an offset for proposed penalties. This results in longer-term monitoring commitments in the enforcement process. MRO will continue to promote self-identification of noncompliance as a factor in determining how to resolve instances of noncompliance. It is anticipated that a high percentage of self-identified instances of noncompliance will be resolved as Compliance Exceptions. Additionally, instances of noncompliance related to operations and planning standards are expected to continue to decrease as most Registered Entities have been audited and their compliance efforts and programs have matured.

Record Development and Maintenance

- 2016 variance: consistent workload
- Processes have been formalized and necessary documentation identified to complete

the record.

- The webCDMS application provides for a central repository accessible to each Registered Entity.
- An assessment project was completed in 2014 to evaluate software systems used for compliance, registration, analysis and tracking, which may result in changing or replacing existing systems in the future. Until a decision is made to change or replace systems, MRO is continuing to maintain its current multi-year contract to utilize webCDMS compliance, registration, analysis and tracking.

Resource Requirements

The transition to CIP v5 will continue to be a mission critical activity in 2016. MRO plans to support the ongoing CIP v5 transition and has seen an expansion in the number of Registered Entities that require CIP guidance, which is expected to continue into 2016. While resource demands are expected to increase throughout the planning period on account of the CIP v5 transition, prior efficiency gains related to CIP compliance monitoring will likely lead to no significant net increase in workload.

Personnel Expenses

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase.
- The overall budgeted FTE count for Compliance reflects a .82 decrease for 2016 when compared to the FTE count for the 2015 business plan and budget due to a reduction of one FTE in the enforcement area. The CIP version 5 transition shouldn't see an immediate impact. Just as before, the majority of issues will be minimal risk and should be dealt with outside of Enforcement.

Consultants and Contracts

- 2016 Consultants and Contracts reflects a third party vendor's annual escalation starting March 2016.

Compliance Monitoring and Enforcement Budget Detail

The following table shows funding sources and related expenses for the Compliance Monitoring and Enforcement and Organization Registration and Certification section of the *2016 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
COMPLIANCE MONITORING, AND ENFORCEMENT					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 6,713,598	\$ 6,713,598	\$ -	\$ 7,208,209	\$ 494,610
Penalty Sanctions	280,618	280,618		89,101	(191,517)
Total NERC Funding	<u>\$ 6,994,216</u>	<u>\$ 6,994,216</u>	<u>\$ -</u>	<u>\$ 7,297,310</u>	<u>\$ 303,093</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 6,994,216</u>	<u>\$ 6,994,216</u>	<u>\$ -</u>	<u>\$ 7,297,310</u>	<u>\$ 303,093</u>
Expenses					
Personnel Expenses					
Salaries	\$ 2,894,581	\$ 2,802,461	\$ (92,120)	\$ 2,888,818	\$ (5,763)
Payroll Taxes	192,689	188,395	(4,294)	188,646	(4,043)
Benefits	233,912	279,620	45,708	288,012	54,100
Retirement Costs	475,589	488,197	12,608	496,769	21,180
Total Personnel Expenses	<u>\$ 3,796,771</u>	<u>\$ 3,758,673</u>	<u>\$ (38,098)</u>	<u>\$ 3,862,245</u>	<u>\$ 65,474</u>
Meeting Expenses					
Meetings	\$ 6,250	\$ 6,250	\$ -	\$ 7,250	\$ 1,000
Travel	221,900	221,900	-	235,400	13,500
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 228,150</u>	<u>\$ 228,150</u>	<u>\$ -</u>	<u>\$ 242,650</u>	<u>\$ 14,500</u>
Operating Expenses					
Consultants & Contracts	\$ 111,000	\$ 111,000	\$ -	\$ 114,000	\$ 3,000
Office Rent	-	-	-	-	-
Office Costs	88,752	88,752	-	91,395	2,643
Professional Services	-	-	-	25,000	25,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 199,752</u>	<u>\$ 199,752</u>	<u>\$ -</u>	<u>\$ 230,395</u>	<u>\$ 30,643</u>
Total Direct Expenses	<u>\$ 4,224,673</u>	<u>\$ 4,186,575</u>	<u>\$ (38,098)</u>	<u>\$ 4,335,290</u>	<u>\$ 110,617</u>
Indirect Expenses	<u>\$ 2,900,403</u>	<u>\$ 2,764,607</u>	<u>\$ (135,797)</u>	<u>\$ 2,763,363</u>	<u>\$ (137,040)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 7,125,076</u>	<u>\$ 6,951,182</u>	<u>\$ (173,895)</u>	<u>\$ 7,098,653</u>	<u>\$ (26,423)</u>
Change in Assets	<u>\$ (130,860)</u>	<u>\$ 43,034</u>	<u>\$ 173,894</u>	<u>\$ 198,656</u>	<u>\$ 329,517</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (130,860)	(89,638)	41,222	198,656	329,517
Inc(Dec) in Fixed Assets (C)	<u>\$ (130,860)</u>	<u>\$ (89,638)</u>	<u>\$ 41,222</u>	<u>\$ 198,656</u>	<u>\$ 329,517</u>
TOTAL BUDGET (=B + C)	<u>\$ 6,994,216</u>	<u>\$ 6,861,544</u>	<u>\$ (132,672)</u>	<u>\$ 7,297,310</u>	<u>\$ 303,093</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ 132,672</u>	<u>\$ 132,672</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	22.08	20.92	(1.16)	21.26	(0.82)

Table A-4. Compliance Monitoring and Enforcement Budget Detail

Reliability Assessment and Performance Analysis Program

The following table lists the budget for the Reliability Assessments and Performance Analysis program (RAPA).

Reliability Assessments and Performance Analysis (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	7.55	7.52	(0.03)
Direct Expenses	\$ 1,624,296	\$ 1,711,032	\$ 86,736
Indirect Expenses	\$ 991,759	\$ 977,445	\$ (14,314)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (44,746)	\$ 70,268	\$ 115,014
Total Funding Requirement	\$ 2,571,309	\$ 2,758,745	\$ 187,435

Table A-5. Reliability Assessments and Performance Analysis (RAPA) Budget

Program Scope and Functional Description

The objectives of the Reliability Assessment and Performance Analysis Program are to:

1. Review seasonal and long-term reliability assessments of the Planning Coordinator reporting areas within the MRO Region from an operation and planning perspective.
2. Evaluate existing and planned generation and transmission facilities to identify key reliability issues and the risks and uncertainties affecting adequacy and security of the bulk electric system.
3. Review event analysis efforts by Registered Entities to ensure causes are identified and corrected and that lessons learned are shared with industry.
4. Facilitate data collection and the development of power flow and dynamics simulation models for the MRO Region and the Eastern Interconnection.
5. Perform legacy Regional Reliability Organization functions until those functions are assigned to Registered Entities through reliability standards (fill in the blank standards).
6. Support MRO stakeholder groups and participate in NERC efforts.
7. Implement enhancements to improve ERO enterprise-wide efficiency and effectiveness of RAPA related functions.

MRO RAPA provides BES analysis, data gathering, and analysis of events. RAPA identifies reliability risks to the BES in the MRO footprint, in accordance with the Delegation Agreement and NERC's Rules of Procedure. RAPA's mission is to promote a culture of reliability excellence within the MRO BES. The program accomplishes this mission by identifying risks to reliability, analyzing performance, and prioritizing significant risks.

2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Reliability Assessment and Performance Analysis (RAPA) program can be located in the Key Assumptions section of Exhibit A in NERC's 2016 Business Plan and Budget.

Regarding periodic assessments, MRO analyzes, assesses, and reports on reliability and adequacy in the past, present, and future. This includes the long-term and seasonal assessments developed by Planning Coordinators and reviewed by the MRO Operating Committee (OC) and the Planning Committee (PC), as required by the Delegation Agreement. In addition, specific possible scenarios may be evaluated.

The OC and PC have balanced stakeholder representation, work with MRO staff, and report to the MRO Board. The OC and PC review and consolidate the reports of the overall reliability of the MRO Region, both existing and planned. The OC and PC verify that assessments performed within the MRO Region conform to NERC reliability standards related to system performance.

Regarding other activities included in the RAPA program, in 2016 continued attention will be given to transmission adequacy and security, protection and control standards, special protection scheme reviews, resource adequacy, demand response, reliability metrics, integration of renewable generation per renewable portfolio standards, operational issues and event analysis, Eastern Interconnection Reliability Assessment Group (ERAG), NERC and regulatory data requests, electric system modeling data, and reviews of regional reliability criteria and procedures. The collection and validation of Generating Availability Data System, Transmission Availability Data System, and Demand Response Availability Data System will add to MRO's workload as will efforts related to BES exception reporting. MRO did not include any resource requirements directly relating to the BES exception reporting due to the uncertainty.

2016 Goals and Key Deliverables

- Annually review the overall reliability of the MRO Region and interregional BES for the long-term planning horizons and develop planning horizon assessment reports
- Review the seasonal assessments (summer and winter) of the MRO Region and interregional BES
- Review system disturbance reports and event analyses to assure the appropriate analysis is performed and that lessons learned are identified and shared with the industry
- Expand periodic assessments of the MRO Region for emerging issues and probabilistic scenarios. Address impacts of new technologies, changing resource or demand resource composition, and environmental-related regulations or legislation.
- Perform special reliability assessments on a regional, interregional, and interconnection basis as conditions warrant, or as directed by the Board or NERC
- Coordinate with NERC on system event analyses on a regional, interregional, and interconnection basis as conditions warrant
- Annually prepare an MRO set of electric system modeling data. Support the compilation of long-term sustainable Eastern Interconnection models.
- Develop, verify and validate quality reliability assessment and analyses model and data quality characteristics
- Perform legacy Regional Reliability Organization (RRO) responsibilities associated with “fill in the blank” standards until they are transitioned to Registered Entities
- Participate in and represent the MRO Region in all ERAG and NERC groups, as required, that report to the ERAG Management Committee (MC) and NERC Planning Committee (PC) and Operating Committee (OC)
- The ongoing implementation of BES exception process will require resources to manage the process execution and the technical validation of the definition and exception requests. Resource time will be driven by the number and complexity of exception requests received.
- Develop and implement improved enterprise-based data collection and analysis systems and capabilities
- Support the integration of RAPA information systems for modeling and data requirements

and achieve timelines for delivering high quality reports (e.g., Long-Term Reliability Assessment and State of Reliability Report)

- Provide for technical resources and expertise to perform analyses as needed to support and determine risk priorities for standards development and compliance and enforcement activities.
- Support quality analysis and overall assessment of high impact, low frequency system risks, including physical security, geomagnetic disturbance (GMD) vulnerability, planning guides, and planning standards.
- Support the development of measures and a framework for the assessment of Essential Reliability Services
- Continue to develop quality metrics of BES performance and to demonstrate effectiveness of activities to improve reliability

To the extent that significant events occur, contractor services may be required to support wide-area system analyses and root cause evaluations.

Resource Requirements

Costs associated with increased activities in BES definition and technical committee strategic planning. MRO reimburses travel expenses for stakeholder participation.

Personnel Expenses

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase.
- The overall budgeted FTE count for Reliability Assessment and Performance Analysis remains stabilized in number of FTEs.

Consultants and Contracts

- Consultants and contracts decreased in 2016 primarily because MRO removed the contingency dollars for model building cost over runs.

Reliability Assessment and Performance Analysis Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2016 *Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2015 Budget & Projection, and 2016 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 2,475,355	\$ 2,475,355	\$ -	\$ 2,727,229	\$ 251,874
Penalty Sanctions	95,954	95,954	-	31,516	(64,438)
Total NERC Funding	\$ 2,571,309	\$ 2,571,309	\$ -	\$ 2,758,745	\$ 187,436
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 2,571,309	\$ 2,571,309	\$ -	\$ 2,758,745	\$ 187,436
Expenses					
Personnel Expenses					
Salaries	\$ 934,523	\$ 978,394	\$ 43,871	\$ 997,720	\$ 63,197
Payroll Taxes	63,510	63,948	438	64,905	1,395
Benefits	79,541	99,465	19,924	101,421	21,880
Retirement Costs	210,377	227,402	17,025	229,851	19,474
Total Personnel Expenses	\$ 1,287,951	\$ 1,369,209	\$ 81,258	\$ 1,393,897	\$ 105,946
Meeting Expenses					
Meetings	\$ 7,700	\$ 7,700	\$ -	\$ 18,600	\$ 10,900
Travel	187,100	187,100	-	202,000	14,900
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 194,800	\$ 194,800	\$ -	\$ 220,600	\$ 25,800
Operating Expenses					
Consultants & Contracts	\$ 118,700	\$ 118,700	\$ -	\$ 79,435	\$ (39,265)
Office Rent	-	-	-	-	-
Office Costs	22,845	22,845	-	17,100	(5,745)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 141,545	\$ 141,545	\$ -	\$ 96,535	\$ (45,010)
Total Direct Expenses	\$ 1,624,296	\$ 1,705,554	\$ 81,258	\$ 1,711,032	\$ 86,736
Indirect Expenses	\$ 991,759	\$ 980,563	\$ (11,196)	\$ 977,445	\$ (14,314)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,616,055	\$ 2,686,117	\$ 70,062	\$ 2,688,477	\$ 72,422
Change in Assets	\$ (44,746)	\$ (114,808)	\$ (70,062)	\$ 70,268	\$ 115,014
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (44,746)	(31,793)	\$ 12,953	70,268	\$ 115,014
Inc(Dec) in Fixed Assets (C)	\$ (44,746)	\$ (31,793)	\$ 12,953	\$ 70,268	\$ 115,014
TOTAL BUDGET (=B + C)	\$ 2,571,309	\$ 2,654,324	\$ 83,015	\$ 2,758,745	\$ 187,436
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (83,015)	\$ (83,015)	\$ -	\$ -
FTEs	7.55	7.42	(0.13)	7.52	(0.03)

Table A-6. Reliability Assessment and Performance Analysis Budget Detail

Training and Education Program

The following table summarizes the budget for Training and Education.

Training and Education (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	0.28	1.34	1.06
Direct Expenses	\$ 260,185	\$ 302,163	\$ 41,978
Indirect Expenses	\$ 36,780	\$ 174,172	\$ 137,392
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (1,659)	\$ 12,521	\$ 14,181
Total Funding Requirement	\$ 295,307	\$ 488,857	\$ 193,551

Table A-7. Training and Education Budget

Program Scope and Functional Description

The MRO Training and Education program provides education and training necessary to understand and operate the BPS. The program's target audience is BPS operating personnel, including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, and training personnel. The program also supports MRO staff training and development initiative, and facilitates administering the records necessary to maintain MRO status as a NERC Continuing Education provider.

Maintaining the reliability of the BES requires informed and trained Regional and Registered Entity personnel. Education and training is one of the primary objectives of MRO. The education and training program specifically pertains to the implementation of the CMEP, the application of reliability standards, reviewing reliability assessments, performing quality event analysis, identifying lessons learned from event analysis, defining expectations and responsibilities for the "fill in the blank" standards, and other related information pertinent to system reliability and compliance. The target audience for this program is Registered Entities.

MRO will provide training to Registered Entities through workshops, conferences, presentation opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publications. MRO will continue to identify additional training opportunities for Registered Entities.

The objectives outlined in the key assumptions are intended to educate and train the industry on Compliance Monitoring and Enforcement Program implementation, the requirements and application of the Standards, lessons learned, and elements of an effective compliance program.

2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measurable reliability outcomes, consistent with their respective roles and responsibilities. The common assumptions for the Training and Education Program can be located in the Key Assumptions section of Exhibit A in NERC's 2016 Business Plan and Budget.

Registered Entities should have processes and procedures in place to ensure adherence with the reliability standards and address risks to reliability, which is why education and training is a key initiative for MRO. The MRO Compliance Committee assists and oversees the compliance and enforcement training and education initiatives for Registered Entities, including participation in Compliance Monitoring and Enforcement Program workshops, and stakeholder forums and group training initiatives. The MRO Standards Committee assists and oversees the reliability standards requirement and application training for Registered Entities. The Planning and Operating Committees contribute to planning Reliability Conferences and other technical workshops as appropriate.

2016 Goals and Key Deliverables

In addition to the MRO management team participating in, and presenting at, various forums (such as Transmission Forum, Generation Forum, MCCF, RTO/ISO, APDA, State Regulator meetings, etc.), MRO will provide workshops (one Compliance Monitoring and Enforcement Program workshop, one Reliability Conference, one Standards Workshop (likely focused on CIP V5), and one Security Workshop). In addition, smaller workshops will be held for specific technical topics.

Resource Requirements

For 2016, MRO will provide education to Registered Entities through workshops and other opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publications. MRO will continue to identify education options for Registered Entities in the MRO Region so that they can also accomplish the objectives of the NERC program through a third party.

Personnel Expenses

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase
- FTE count increase in 2016 when compared to 2015 business plan and budget because we expect the executive involvement in the workshops, newsletters, and speaker engagements to increase.

Consultants and Contracts

N/A

Training and Education Budget Detail

The following table shows funding sources and related expenses for the Training and Education section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
TRAINING and EDUCATION					
	2015	2015	Variance	2016	Variance
	Budget	Projection	2015 Projection	Budget	2016 Budget
			v 2015 Budget		v 2015 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 291,747	\$ 291,747	\$ -	\$ 483,241	\$ 191,493
Penalty Sanctions	3,559	3,559	-	5,616	2,057
Total NERC Funding	\$ 295,306	\$ 295,306	\$ -	\$ 488,857	\$ 193,551
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 295,306	\$ 295,306	\$ -	\$ 488,857	\$ 193,551
Expenses					
Personnel Expenses					
Salaries	\$ 135,117	\$ 154,476	\$ 19,359	\$ 180,187	\$ 45,070
Payroll Taxes	6,618	7,735	1,117	9,800	3,182
Benefits	6,209	8,166	1,957	18,280	12,071
Retirement Costs	22,841	26,496	3,655	31,896	9,055
Total Personnel Expenses	\$ 170,785	\$ 196,873	\$ 26,088	\$ 240,163	\$ 69,378
Meeting Expenses					
Meetings	\$ 60,000	\$ 88,000	\$ 28,000	\$ 28,800	\$ (31,200)
Travel	29,400	44,400	15,000	33,200	3,800
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 89,400	\$ 132,400	\$ 43,000	\$ 62,000	\$ (27,400)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 260,185	\$ 329,273	\$ 69,088	\$ 302,163	\$ 41,978
Indirect Expenses	\$ 36,780	\$ 107,043	\$ 70,262	\$ 174,172	\$ 137,392
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 296,965	\$ 436,316	\$ 139,350	\$ 476,335	\$ 179,370
Change in Assets	\$ (1,659)	\$ (141,010)	\$ (139,351)	\$ 12,521	\$ 14,181
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (1,659)	(3,471)	(1,811)	12,521	\$ 14,181
Inc(Dec) in Fixed Assets (C)	\$ (1,659)	\$ (3,471)	\$ (1,811)	\$ 12,521	\$ 14,181
TOTAL BUDGET (=B + C)	\$ 295,306	\$ 432,845	\$ 137,539	\$ 488,857	\$ 193,551
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (137,539)	\$ (137,539)	\$ -	\$ -
FTEs	0.28	0.81	0.53	1.34	1.06

Table A-8. Training and Education Budget Detail

Situation Awareness and Infrastructure Security Program

The following table lists the budget for Situation Awareness and Infrastructure Security.

Situation Awareness and Infrastructure Security (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	0.16	0.28	0.12
Direct Expenses	\$ 59,858	\$ 86,512	\$ 26,654
Indirect Expenses	\$ 21,017	\$ 36,394	\$ 15,377
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (948)	\$ 2,616	\$ 3,565
Total Funding Requirement	\$ 79,927	\$ 125,523	\$ 45,595

Table A-9. Situation Awareness and Infrastructure Security Budget

Situation Awareness Program Scope and Functional Description

NERC and the Regions shall, through Reliability Coordinators and available tools, monitor present conditions on the Bulk Electric System and provide leadership coordination, technical expertise, and assistance to the industry in responding to events as necessary.

2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measureable reliability outcomes, consistent with their respective roles and responsibilities. The common assumptions for the Situation Awareness and Infrastructure Security Program can be located in the Key Assumptions section of Exhibit A in NERC's 2016 Business Plan and Budget.

The Situation Awareness program includes costs and resources to review and to respond to incidents and events that impact the reliability of the Bulk Electric System and respond to inquiries by NERC or others.

2016 Goals and Key Deliverables

The goal of the Situation Awareness program is to maintain awareness about the conditions of the Bulk Electric System and to respond to events by providing coordination assistance and communications between key parties. In 2016, staff will continue to try to fully utilize and improve the second version of the situation awareness tools and related processes.

Infrastructure Security Program Scope and Functional Description

NERC and the Regions coordinate electric industry activities to promote critical infrastructure protection of the Bulk Electric System in North America by taking a leadership role in critical infrastructure protection of the electricity sector to reduce vulnerabilities of the electricity sector's critical infrastructure.

2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for Critical Infrastructure Protection can be located in the Key Assumptions section of Exhibit A in NERC's 2016 Business Plan and Budget.

The Infrastructure Security Program is responsible for raising the awareness of security, promoting standard security practices, and aiding the Registered Entities in organizing and sharing security implementations specific to the electric utility sector.

The MRO Standards Committee will participate in the development of CIP standards and develop guidance on the application of standards.

New for 2016 is the formation of the MRO Security Committee, which will provide opportunities for sharing security implementation approaches utilized by Registered Entities, contain representatives on the NERC CIPC from within the MRO Region, and sponsor a Security Workshop.

The Standards Committee is comprised of MRO sector representatives and facilitated by MRO staff.

The Operations Group within MRO has Situation Awareness responsibilities, which are budgeted in their respective areas.

2016 Goals and Key Deliverables

The goal is to provide effective communication, coordination and industry facilitation in all areas of security to ensure the region is prepared for cyber-related incidents.

Resource Requirements

The 2016 Budget reflects an increase from 2015 in the Situation Awareness and Infrastructure Security Program area due to the formation of the MRO Security Committee. Increased staff travel and training for NERC/Regional initiatives.

Personnel Expenses

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase
- Personnel costs for 2016 slightly increase reflecting the additional travel and training.

Consultants and Contracts

N/A

Situation Awareness and Infrastructure Security Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2016 *Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2015 Budget & Projection, and 2016 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 77,894	\$ 77,894	\$ -	\$ 124,349	\$ 46,455
Penalty Sanctions	2,033	2,033	\$ -	1,173	(860)
Total NERC Funding	\$ 79,927	\$ 79,927	\$ -	\$ 125,523	\$ 45,595
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 79,927	\$ 79,927	\$ -	\$ 125,523	\$ 45,595
Expenses					
Personnel Expenses					
Salaries	\$ 32,947	\$ 38,414	\$ 5,467	\$ 41,582	\$ 8,635
Payroll Taxes	1,976	2,642	666	2,763	787
Benefits	2,141	3,753	1,612	3,927	1,786
Retirement Costs	4,794	8,494	3,700	9,140	4,346
Total Personnel Expenses	\$ 41,858	\$ 53,303	\$ 11,445	\$ 57,412	\$ 15,554
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 200	\$ 200
Travel	16,000	16,000	-	22,000	6,000
Conference Calls	-	-	-	400	400
Total Meeting Expenses	\$ 16,000	\$ 16,000	\$ -	\$ 22,600	\$ 6,600
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	2,000	2,000	-	6,500	4,500
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 2,000	\$ 2,000	\$ -	\$ 6,500	\$ 4,500
Total Direct Expenses	\$ 59,858	\$ 71,303	\$ 11,445	\$ 86,512	\$ 26,654
Indirect Expenses	\$ 21,017	\$ 37,002	\$ 15,985	\$ 36,394	\$ 15,377
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 80,875	\$ 108,305	\$ 27,430	\$ 122,906	\$ 42,031
Change in Assets	\$ (948)	\$ (28,378)	\$ (27,430)	\$ 2,616	\$ 3,565
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (948)	(1,200)	(251)	2,616	3,565
Inc(Dec) in Fixed Assets (C)	\$ (948)	\$ (1,200)	\$ (251)	\$ 2,616	\$ 3,565
TOTAL BUDGET (=B + C)	\$ 79,927	\$ 107,106	\$ 27,178	\$ 125,523	\$ 45,595
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (27,179)	\$ (27,179)	\$ -	\$ -
FTEs	0.16	0.28	0.12	0.28	0.12

Table A-10. Situation Awareness and Infrastructure Security Budget Detail

Administrative Services

The following table lists the budget for Administrative Services.

	Administrative Services (in whole dollars)					
	Direct Expenses and Fixed Assets			FTEs		
	2015 Budget	2016 Budget	Increase (Decrease)	2015 Budget	2016 Budget	Increase (Decrease)
General and Administrative	\$ 689,147	\$ 817,157	\$ 128,010	2.24	2.61	0.37
Legal and Regulatory	\$ 471,607	\$ 432,614	\$ (38,993)	1.31	0.87	(0.44)
Information Technology	\$1,498,978	\$1,366,533	\$(132,445)	4.24	3.26	(0.98)
Human Resources, Finance and Accounting	\$1,238,701	\$1,913,106	\$ 674,405	3.63	3.75	0.12
Total Administrative Services	\$3,898,433	\$4,529,410	\$ 630,977	11.42	10.49	(0.93)

Table A-11. Administrative Services Budget

Methodology for Allocation of Administrative Services Expenses to Programs

All expenses for the Administrative Services Programs, referred to as indirect expenses, are allocated to the delegated program areas based on their respective number of FTEs. This allocation provides improved financial perspective for the delegated functions.

Program Scope and Functional Description

NERC's Administrative Services area includes all business and administrative functions of the organization, including legal and regulatory, human resources, information technology, finance and accounting, and general expenses. Costs incurred for these services are allocated as an indirect expense across NERC's other program areas.

Technical Committees and Member Forums

The following table lists the budget for Technical Committees and Member Forums.

Technical Committees and Member Forums (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	-	-	-
Total Direct Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-12. Technical Committees and Member Forums Budget

Program Scope and Functional Description

The Technical Committees and Members' Forums serve to strengthen capabilities within the Region to plan and operate the BES reliably and in compliance with Reliability Standards. The success of MRO reliability programs depends on the active and direct participation of its members. The forums are also a source of expertise in the industry for enhancing reliability through technical excellence.

MRO staff and Registered Entities participate in various NERC committees, working groups and task forces. This participation provides for Regional Entity staff input as well as Registered Entity input into NERC governance and other activities. In order to conform to NERC and the other Regions, in mid-2013 MRO began recording these costs in the traveling employee's department rather than in 1100 Technical Committees and Member Forums.

Technical Committees and Member Forums Budget Detail

The following table shows funding sources and related expenses for the Technical Committees and Member Forums section of the *2016 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
TECHNICAL COMMITTEES and MEMBER FORUMS					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2015 Budget v 2016 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-	-	-

Table A-13. Technical Committees and Member Forums Budget Detail

General and Administrative

The following table lists the General and Administrative budget.

General and Administrative (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	2.24	2.61	0.37
Total Direct Expenses	\$ 689,147	\$ 817,157	\$ 128,010
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ (507,668)	\$ (326,829)	\$ 180,839

Table A-14. General and Administrative Budget

Program Scope and Functional Description

The MRO General and Administrative function provides executive management over the day-to-day operations of the Corporation.

Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs are allocated proportionately to the direct programs for 2016 based on the number of FTEs in those programs.

2016 Key Assumptions

- Work related to NERC and Regional Entity initiatives may impact existing staff resources, training, and business travel costs
- MRO will continue to reimburse approved stakeholder travel costs for participation on NERC committees and working groups
- Any increase or decrease in assessments to achieve desired working capital reserve will be included in the General and Administrative area and will be allocated proportionately based on FTE to the direct program area

2016 Goals and Key Deliverables

The MRO General and Administrative function assures that there is adequate attention to the day-to-day management of the corporation, including facilities and maintenance, board governance, policies and procedures to maintain and enhance operation of the corporation, proper record-keeping, and related responsibilities under applicable regulations as well as MRO's Delegation Agreement.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Assessments

The Board initially approved an Operating and Working Capital Reserves Policy on March 14, 2013 and has reviewed it on an annual basis. (See Section B for the current version.)

Funding Sources

In 2016, the expenses related to the indirect program areas are being allocated entirely to the direct programs.

Resource Requirements

The number of meetings and outreach efforts planned in 2016 has increased. Budgeted meeting expenses reduce slightly because of efficiencies and cost savings realized from hosting meetings at MRO's facility in Saint Paul, Minnesota; however, reimbursement for stakeholder participant travel-related expenses will increase.

Personnel Expenses

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase.
- Budgeted FTEs slightly increase in 2016 as a result of supporting an increase in outreach efforts.

Consultants and Contracts

- Increase in costs of the Office of Coordinated Activities for the Regional Entity Management Group. Associated costs are shared among the eight Regional Entities.

General and Administrative Budget Detail

The following table shows funding sources and related expenses for the General and Administrative section of the 2016 *Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
GENERAL and ADMINISTRATIVE					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ (507,668)	\$ (507,668)	\$ -	\$ (326,829)	\$ 180,839
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ (507,668)	\$ (507,668)	\$ -	\$ (326,829)	\$ 180,839
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ (507,668)	\$ (507,668)	\$ -	\$ (326,829)	\$ 180,839
Expenses					
Personnel Expenses					
Salaries	\$ 335,471	\$ 390,307	\$ 54,836	\$ 422,618	\$ 87,147
Payroll Taxes	17,104	19,040	1,936	21,172	4,068
Benefits	26,121	30,295	4,174	35,341	9,220
Retirement Costs	77,751	81,138	3,387	89,526	11,775
Total Personnel Expenses	\$ 456,447	\$ 520,780	\$ 64,333	\$ 568,657	\$ 112,210
Meeting Expenses					
Meetings	\$ 30,000	\$ 30,000	\$ -	\$ 28,000	\$ (2,000)
Travel	100,000	100,000	-	113,000	13,000
Conference Calls	-	-	-	500	500
Total Meeting Expenses	\$ 130,000	\$ 130,000	\$ -	\$ 141,500	\$ 11,500
Operating Expenses					
Consultants & Contracts	\$ 70,000	\$ 70,000	\$ -	\$ 75,000	\$ 5,000
Office Rent	-	-	-	-	-
Office Costs	32,700	32,700	-	32,000	(700)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 102,700	\$ 102,700	\$ -	\$ 107,000	\$ 4,300
Total Direct Expenses	\$ 689,147	\$ 753,480	\$ 64,333	\$ 817,157	\$ 128,010
Indirect Expenses	\$ (689,147)	\$ (753,480)	\$ (64,333)	\$ (817,157)	\$ (128,010)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ (507,668)	\$ (507,668)	\$ -	\$ (326,829)	\$ 180,839
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (507,668)	\$ (507,668)	\$ -	\$ (326,829)	\$ 180,839
FTEs	2.24	2.17	(0.07)	2.61	0.37

Table A-15. General and Administrative Budget Detail

Legal and Regulatory

The following table lists the Legal and Regulatory budget.

Legal and Regulatory (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	1.31	0.87	(0.44)
Total Direct Expenses	\$ 471,607	\$ 432,614	\$ (38,993)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-16. Legal and Regulatory Budget

Program Scope and Functional Description

MRO has one internal corporate legal counsel to provide advice to the Board, the President and CEO, and staff on legal and regulatory matters affecting MRO. MRO may use additional specialized legal resources on an as-needed basis, such as for tax matters, employee benefit plan issues, and significant policy or FERC matters.

2016 Key Assumptions

In the 2016 Budget, as in the 2013 - 2015 budgets, there are no specific funds for hearings under CMEP Rules; therefore if there were a hearing, MRO would use its current budget resources and reserves to fund the expense.

2016 Goals and Key Deliverables

Legal and Regulatory functions are responsible for general corporate legal advice, legal training, and timely, accurate filings to Regulatory authorities. The staff member in this function also serves as the primary MRO staff person to the MRO Board Governance and Personnel Committee. External affairs and communications are also incorporated into this function including outreach to stakeholders and regulators (federal, state and provincial). Outside legal will be used exclusively for any hearings and to supplement internal resources as necessary due to the need for specialized advice or workflow volume.

Communications training is also part of the Legal and Regulatory budget. Communications training is provided as part of MRO's Crisis Communication function. Internal legal counsel serves as the communication coordinator of the MRO Crisis Communication Team and the Vice President of Regulatory Affairs and Enforcement serves as the legal advisor.

Resource Requirements**Funding Sources**

In 2016, the expenses related to the indirect program areas are allocated entirely to the direct programs and therefore have no ERO assessment revenue.

Resource Requirements

Reflects continued engagement of members of the MRO Board of Directors' outreach to U.S. federal regulators and Canadian provincial regulators.

Personnel Expenses

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase.
- Reduced FTE in this area as the staff in this area supports the expanded efforts in outreach, which is charged to the Training and Education Program.

Consultants and Contracts

- Increase in communications training for staff involved in the outreach efforts.

Legal and Regulatory Budget Detail

The following table shows funding sources and related expenses for the Legal and Regulatory section of the 2016 *Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
LEGAL and REGULATORY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 252,886	\$ 211,520	\$ (41,366)	\$ 193,551	\$ (59,335)
Payroll Taxes	11,417	9,428	(1,989)	9,185	(2,232)
Benefits	1,499	938	(561)	11,780	10,281
Retirement Costs	38,255	37,268	(987)	36,383	(1,872)
Total Personnel Expenses	\$ 304,057	\$ 259,154	\$ (44,903)	\$ 250,899	\$ (53,158)
Meeting Expenses					
Meetings	\$ 150	\$ 150	\$ -	\$ 150	\$ -
Travel	21,700	21,700	-	23,500.00	1,800
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 21,850	\$ 21,850	\$ -	\$ 23,650	\$ 1,800
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
Office Rent	-	-	-	-	-
Office Costs	5,700	5,700	-	8,065	2,365
Professional Services	140,000	140,000	-	140,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 145,700	\$ 145,700	\$ -	\$ 158,065	\$ 12,365
Total Direct Expenses	\$ 471,607	\$ 426,704	\$ (44,903)	\$ 432,614	\$ (38,993)
Indirect Expenses	\$ (471,607)	\$ (426,704)	\$ 44,903	\$ (432,614)	\$ 38,993
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	1.31	0.87	(0.44)	0.87	(0.44)

Table A-17. Legal and Regulatory Budget Detail

Information Technology

The following table lists the Information Technology budget.

Information Technology (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	4.24	3.26	(0.98)
Total Direct Expenses	\$ 1,683,178	\$ 1,529,755	\$ (153,423)
Inc(Dec) in Fixed Assets	\$ (184,200)	\$ (163,222)	\$ 20,978
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-18. Information Technology Budget

Program Scope and Functional Description

MRO's Information Technology ("IT") program responds to business needs by providing the technology and communications tools for staff to perform Regional Entity functions.

2016 Key Assumptions

IT deploys business systems and provides technical support and training for the technologies used at MRO. Systems include secure networks, business applications, office equipment such as copiers and fax machines, servers to support connected and shared resources, personal computers, printers, handheld devices, telephones, remote access, and conference solutions.

IT has a keen focus on availability of networks and systems, maintenance of those systems, investigation of issues, and deployment of new tools. Managing IT is essential to staff productivity.

2016 Goals and Key Deliverables

The IT program's goal is to provide secure technology solutions that enable staff to have information and data to perform business functions, both locally and remotely, along with communications technologies to support interaction among staff, Registered Entities, and others.

IT resources will focus on reviewing business systems to look for opportunities to automate or improve efficiency. The SharePoint application will continue to grow in terms of functionality initially implemented by MRO, and staff will look for workflow automation opportunities..

Resources will continue to support and maintain a highly secure network and secure data storage and access systems. Back up and disaster recovery systems will be maintained and verified.

Funding Sources

In 2016, the expenses related to indirect program areas are being allocated entirely to the direct programs.

Resource Requirements

To continue building and implementing enterprise applications, resources will be required from NERC and the Regions. New ERO applications will be centralized in one location to maximize efficiency of technology hardware, resources and data security.

NERC will continue to fund the development and maintenance of Enterprise applications. Regional Entities may be required to allocate or augment business teams to help develop application business requirements and to test business functionality within the enterprise applications.

Personnel Expenses

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase.
- Personnel costs decrease in 2016 as a result of charging the time of the business system analyst to the specific programs that the staff is assisting. The role of this position is to work with IT staff to implement technologies to enable greater business efficiencies. The position was added at the beginning of the MRO SharePoint and website projects and is responsible for coordinating the SharePoint implementation along with all future enhancements, the new MRO website implementation, as well as other business applications in the Compliance and Finance areas.

Consultants and Contracts

- MRO uses contractors and consultants for technical assistance on network and security related projects, for real time network monitoring and for complex implementation and upgrade projects. In 2016 the focus will be on additional SharePoint development for business improvement projects and outreach, as well as ongoing security risk evaluation and related mitigation projects.

Information Technology Budget Detail

The following table shows funding sources and related expenses for the Information Technology section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
INFORMATION TECHNOLOGY					
	2015	2015	Variance	2016	Variance
	Budget	Projection	2015 Projection v 2015 Budget Over(Under)	Budget	2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 427,779	\$ 402,663	\$ (25,116)	\$ 334,488	\$ (93,291)
Payroll Taxes	32,213	30,106	(2,107)	24,454	(7,759)
Benefits	45,177	55,630	10,453	44,143	(1,034)
Retirement Costs	103,259	83,965	(19,294)	69,198	(34,061)
Total Personnel Expenses	\$ 608,428	\$ 572,364	\$ (36,064)	\$ 472,283	\$ (136,145)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	8,000	8,000	-	8,000.00	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 8,000	\$ 8,000	\$ -	\$ 8,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ 332,600	\$ 332,600	\$ -	\$ 359,200	\$ 26,600
Office Rent	-	-	-	-	-
Office Costs	213,150	213,150	-	209,550	(3,600)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	521,000	521,000	-	480,722.00	(40,278)
Total Operating Expenses	\$ 1,066,750	\$ 1,066,750	\$ -	\$ 1,049,472	\$ (17,278)
Total Direct Expenses	\$ 1,683,178	\$ 1,647,114	\$ (36,064)	\$ 1,529,755	\$ (153,423)
Indirect Expenses	(1,683,178)	(1,647,114)	\$ 36,064	(1,529,755)	\$ 153,423
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	(521,000)	(521,000)	-	(480,722)	40,278
Computer & Software CapEx	336,800	386,800	50,000	317,500	(19,300)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 184,200	\$ 134,200	(50,000)	\$ 163,222	\$ (20,978)
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	4.24	4.15	(0.09)	3.26	(0.98)

Table A-19. Information Technology Budget Detail

Human Resources, Finance and Accounting

The following table lists the Human Resources, Finance and Accounting budget.

Accounting and Finance (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	3.63	3.75	0.12
Total Direct Expenses	\$ 1,238,701	\$ 1,446,106	\$ 207,405
Inc(Dec) in Fixed Assets	\$ -	\$ 467,000	\$ 467,000
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-20. Human Resources, Finance and Accounting Budget

Program Scope and Functional Description

Human Resources

The Human Resource function of MRO designs, plans, and implements Human Resource policies and procedures in adherence with applicable federal and state laws. The Human Resource function also organizes the recruitment efforts of the organization and coordinates onboarding, training, personnel development, and best practice employee retention initiatives.

MRO has developed a culture and talent management program that features an in-depth communication and training plan. New hire training initiatives and employee collaborations are planned to create an opportunity for peer-to-peer internal mentorship and team building. The program also facilitates MRO's enterprise-wide corporate compliance and ethics program. MRO reviewed its employee engagement and culture enrichment activities in an effort to positively impact both the experience of new employees upon arrival at MRO, as well as the overall corporate culture to be an "employer of choice."

Finance and Accounting

The Finance and Accounting function directs the overall financial plans and accounting practices of the organization, oversees treasury, accounting, budget, tax, and audit activities, and oversees financial and accounting system controls and standards. The Finance and Accounting function also administrates employee benefit plans, and reports the overall outcome of its annual activities to the MRO Board.

2016 Goals and Key Deliverables

- Forecasts and projections
- Payroll and expense administration
- Preparation of Quarterly Financial Statements
- IRS Reporting - Form 990
- Review and improve fiscal controls
- Annual Independent Audit initiated by the Regional Entity
- Enterprise-wide Corporate Compliance and Ethics Program
- Treasury Functions with MRO Board
- 401(k) and VEBA Trust Administration

Funding Sources

In 2016, the expenses related to indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue.

Resource Requirements

MRO's efforts include maintenance of core employee benefits, offsets to non-core benefits when necessary, analysis of office and other operational costs, improving efficiencies, and establishing uniformity in methodologies of cost allocation. MRO staff further explores improved cost effectiveness of routine expenses, and pursues early detection and quick resolution of budget concerns, lessening the impact of cost adjustments. It is our intent to continuously detect and address any risks.

Personnel Expenses

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase.
- Personnel expenses increased only slightly in 2016.

Consultants and Contracts

- Consultants and Contracts decreased slightly in 2016.

Human Resources, Finance and Accounting Budget Detail

The following table shows funding sources and related expenses for the Human Resources, Finance and Accounting section of the *2016 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2015 Budget & Projection, and 2016 Budget					
FINANCE and ACCOUNTING					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 353,095	\$ 346,210	\$ (6,885)	\$ 388,330	\$ 35,235
Payroll Taxes	23,043	23,173	130	26,176	3,133
Benefits	33,615	42,226	8,611	50,778	17,163
Retirement Costs	69,199	71,324	2,125	78,486	9,287
Total Personnel Expenses	\$ 478,951	\$ 482,933	\$ 3,982	\$ 543,770	\$ 64,819
Meeting Expenses					
Meetings	\$ 500	\$ 500	\$ -	\$ 500	\$ -
Travel	4,500	4,500	-	6,030	1,530
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 5,000	\$ 5,000	\$ -	\$ 6,530	\$ 1,530
Operating Expenses					
Consultants & Contracts	\$ 30,900	\$ 83,900	\$ 53,000	\$ 28,810	\$ (2,090)
Office Rent	501,000	501,000	-	648,946	147,946
Office Costs	169,350	169,350	-	164,550	(4,800)
Professional Services	53,500	69,500	16,000	53,500	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 754,750	\$ 823,750	\$ 69,000	\$ 895,806	\$ 141,056
Total Direct Expenses	\$ 1,238,701	\$ 1,311,683	\$ 72,982	\$ 1,446,106	\$ 207,405
Indirect Expenses	\$ (1,238,701)	\$ (1,311,683)	\$ (72,982)	\$ (1,446,106)	\$ (207,405)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	467,000	467,000
Allocation of Fixed Assets	\$ -	\$ -	-	(467,000)	(467,000)
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	3.63	3.65	0.02	3.75	0.12

Table A-21. Human Resources, Finance and Accounting Budget Detail

Section B – Supplemental Financial Information

2016 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Table B-1 analyzes the working capital reserve for 2015 through 2016.

Working Capital Reserve Analysis 2015-2016	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2014	2,448,755
Plus: 2015 MRO Funding (from LSEs or designees)	9,426,019
Less: 2015 Projected expenses & capital expenditures	(10,614,687)
Projected Working Capital Reserve (Deficit), December 31, 2015 ¹	<u>1,260,087</u>
Targeted Working Capital Reserve, December 31, 2016 (((\$11,354,641 / 365 days) X 30 days)	933,258
Less: Projected Working Capital Reserve, December 31, 2015	(1,260,087)
Increase(decrease) in assessments to achieve targeted Working Capital Reserve	<u>(326,829)</u>
2016 Expenses and Capital Expenditures	11,354,641
Less: Penalty Sanctions ²	(136,250)
Less: Other Funding Sources	0
Adjustment to achieve targeted Working Capital Reserve	(326,829)
2016 MRO Assessment	<u>10,891,562</u>

¹ MRO's projected reserve December 31, 2015 assumes that there will not be a material difference between BOD approved 2015 revised budget versus actual/projected results from 2015.

² Represents collections on or prior to June 30, 2015. See page 56 for full disclosure.

Table B-1. Working Capital Reserve Analysis 2015 - 2016

Explanation of Changes in Reserve Policy from Prior Years

MRO previously had a cash reserve policy to maintain 45 days of cash beginning in 2010 with funding increments of one-third each year, subject to periodic re-evaluation. MRO's Finance and Audit Committee (FAC) resolved that 30 days of cash was sufficient based on MRO's cash flow risk, with the Board's approval. The certainty of MRO's funding stream supports that a 30-day reserve is reasonable for sustaining short-term contingencies. MRO resets its reserves at the beginning of each year to the approved policy.

Breakdown by Statement of Activity Sections

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2015.

Penalty Sanctions Received On or Prior to June 30, 2015		Date Received	Amount Received
		Jul-14	\$ 5,000
		Jul-14	5,000
		Sep-14	15,000
		Oct-14	40,000
		Oct-14	30,000
		Jan-15	31,500
		Apr-15	9,750
Total Penalties Received			<u>\$ 136,250</u>

Table B-2. Penalty Sanctions Received

Penalty Sanctions

Penalty monies received prior to June 30, 2015 are to be used to offset assessments in the 2016 Budget, as documented in the NERC Policy – Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards. Penalty monies received from July 1, 2014 through June 30, 2015 will be used to offset assessments in the 2016 Budget.

All penalties received prior to June 30, 2015 are listed above, including the amount and date received.

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

Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget
Compliance Monitoring, Enforcement & Org. Registration	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Testing Fees and Certificate Renewals	\$ -	\$ -	\$ -	\$ -
CEH Fees	-	-	-	-
Workshops	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security				
FIST Royalties	\$ -	\$ -	\$ -	\$ -
TSIN Fees				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ -	\$ -	\$ -	\$ -

Table B-3. Supplemental Funding

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

MRO does not earn interest income. Our general banking account offsets the bank charges with any earned interest.

Table B-4 summarizes Personnel Expenses.

Personnel Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Total Salaries	\$ 5,522,559	\$ 5,503,464	\$ 5,682,871	\$ 160,312	2.9%
Total Payroll Taxes	357,594	356,352	361,827	4,233	1.2%
Total Benefits	438,920	544,725	582,253	143,333	32.7%
Total Retirement	1,033,187	1,071,719	1,094,515	61,328	5.9%
Total Personnel Costs	\$ 7,352,260	\$ 7,476,260	\$ 7,721,466	\$ 369,206	5.0%
FTEs	42.50	42.16	42.50	-	0.0%
Cost per FTE					
Salaries	\$ 129,943	\$ 130,538	\$ 133,715	3,772	2.9%
Payroll Taxes	8,414	8,452	8,514	100	1.2%
Benefits	10,328	12,920	13,700	3,373	32.7%
Retirement	24,310	25,420	25,753	1,443	5.9%
Total Cost per FTE	\$ 172,994	\$ 177,331	\$ 181,682	\$ 8,687	5.0%

Table B-4. Personnel Expenses

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

FTEs remain flat in 2016

- No additional staff are added in 2016; 43 FTEs reflects the 2015 revised nose count at year-end 2015
- 3% salary increase
- The 2016 medical premium reflects an additional 8% increase.
- 2016 retirement costs increase
 - Cost of living adjustment in retirement plans
 - Post-retirement medical plan expense increase reflecting the actuarial calculation prepared annually by a third party expert. The future obligation is a result of the discount rate, expected rate of return on the plan assets, and health care cost trend rate.

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	2015 Budget	2015 Projection	2016 Budget	Variance 2016 Budget v 2015 Revised Budget	Variance %
Meeting Expenses	\$ 106,600	\$ 134,600	\$ 85,500	\$ (21,100)	-19.8%
Travel	622,200	637,200	680,330	58,130	9.3%
Conference Calls	-		900	900	
Total Meeting Expenses	\$ 728,800	\$ 771,800	\$ 766,730	\$ 37,930	5.2%

Table B-5. Meeting Expenses

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Reliability Assessment and Performance Analysis Program

Includes \$12,000 for the technical committee strategic planning which is a new initiative focusing on high risk areas.

Training and Education

Includes (\$31,200) which reflects cost savings realized when the workshops are all held on-site. Annual savings for workshops are budgeted at \$72,250 (savings per workshop: \$14,450 times 5 workshops).

General and Administrative

The number of meetings and outreach efforts planned in 2016 has increased. Budgeted meeting expenses reduce slightly because of efficiencies and cost savings realized from hosting meetings at MRO's facility in Saint Paul, Minnesota; however, reimbursement for stakeholder participant travel-related expenses will increase.

Table B-6 lists the budget for Consultants and Contracts.

Consultants	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Consultants					
Reliability Standards and Organization Registration and Certification	\$ -	\$ -	\$ -	\$ -	
Compliance	28,000	28,000	31,000	3,000	11%
Reliability Assessment and Performance Analysis (Alert)	20,000	20,000	8,000	(12,000)	-60%
Event Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	70,000	70,000	75,000	5,000	7%
Legal and Regulatory	-	-	10,000	10,000	
Information Technology	205,000	205,000	227,500	22,500	11%
Human Resources	-	-	-	-	
Accounting and Finance	5,000	5,000	2,000	(3,000)	-0.6
Consultants Total	\$ 328,000	\$ 328,000	\$ 353,500	\$ 25,500	8%
Contracts					
Outsource Standards Tracking Software Applications	\$ 13,236	\$ 13,236	\$ 13,236	-	0%
Subtotal - Reliability Standards Contracts	\$ 13,236	\$ 13,236	\$ 13,236	-	0%
Outsource Compliance Information Tracking Applications				-	
Subtotal - Compliance and Organization Registration and Certification Contracts	\$ 83,000	\$ 83,000	\$ 83,000	-	0%
\$ 83,000	\$ 83,000	\$ 83,000	-	0%	
Model Series Development (MRO's portion of expenses of the MMWG/ERAG)	\$ 25,400	\$ 25,400	\$ 28,235	2,835	11%
Model Building	30,100	30,100	20,000	(10,100)	-34%
PTI Software	23,200	23,200	23,200	-	0%
Data Collection Expansion	20,000	20,000		(20,000)	-100%
Subtotal - Reliability Assessments Contracts	\$ 98,700	\$ 98,700	\$ 71,435	\$ (27,265)	-28%
Cisco	25,000	25,000	25,000	-	0%
Barracuda	2,600	2,600	800	(1,800)	-69%
Domain Registration	500	500		(500)	-100%
EFT Maintenance	7,200	7,200	7,500	300	4%
Symantec Antivirus	5,000	5,000	1,850	(3,150)	-63%
Varonis File Maintenance	8,500	8,500	8,500	-	0%
Net App Data Storage Maintenance	23,000	23,000		(23,000)	-100%
Lyris	1,300	1,300	4,050	2,750	212%
VMWare Support	14,000	14,000	30,000	16,000	114%
SmartPhone Maintenance	6,000	6,000	6,500	500	8%
Server Support	6,000	6,000	7,000	1,000	17%
Great Plains	4,000	4,000	4,000	-	0%
Comodo-Certificates	1,500	1,500	1,000	(500)	-33%
Lync Monitoring	-	-	14,400	14,400	
NetApp Multistore-Security software for SAN	8,000	8,000	9,000	1,000	13%
Load Balancer Support	5,500	5,500	5,500	-	0%
Network Monitor	3,300	3,300	700	(2,600)	-79%
Somus HW Support	4,000	4,000	2,400	(1,600)	-40%
Anitspam Service	2,200	2,200	3,500	1,300	59%
Subtotal - Information Technology Contracts	\$ 127,600	\$ 127,600	\$ 131,700	\$ 4,100	3%
401K / 457b, 457f 3rd Party Administrator	-	-	-	-	
FSA 3rd Party Administrator	1,800	1,800	1,800	-	0%
Transportation 3rd Party Administrator	1,200	1,200	2,100	900	75%
Benefits 3rd Party Administrator	3,900	3,900	3,910	10	0%
Payroll 3rd Party Administrator	19,000	19,000	19,000	-	0%
HR-Employment Costs	-	53,000	-	-	
Subtotal - HR and Finance Contracts	\$ 25,900	\$ 78,900	\$ 26,810	910	4%
Contracts Total	\$ 348,436	\$ 401,436	\$ 326,181	\$ (22,255)	-6%
Total Consulting and Contracts	\$ 676,436	\$ 729,436	\$ 679,681	\$ 3,245	0%

Table B-6. Consultants and Contracts

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Reliability Standards Program, Organization Registration and Certification Program

2016 Consultants and Contracts reflects a third party vendor's costs and will remain flat for the standards tracking software applications.

Compliance Monitoring and Enforcement Program

2016 Consultants and Contracts reflects a third party vendor's annual escalation starting March 2016.

Reliability Assessment and Performance Analysis Program

Consultants and contracts decrease in 2016 primarily because MRO removed the contingency dollars for model building cost over runs.

General and Administrative

Increase in costs of the Office of Coordinated Activities for the Regional Entity Management Group. Associated costs are shared among the eight Regional Entities.

Legal and Regulatory

Increase in communications training for staff involved in the outreach efforts.

Information Technology

MRO uses contractors and consultants for technical assistance on network and security related projects, for real time network monitoring and for complex implementation and upgrade projects. In 2016 the focus will be on additional SharePoint development for business improvement projects and outreach, as well as ongoing security risk evaluation and related mitigation projects.

Human Resources, Finance and Accounting

Consultants and Contracts decrease slightly in 2016.

Table B-7 lists the budget for Office Rent.

Office Rent	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Office Rent	\$ 490,000	\$ 490,000	\$ 633,946	\$ 143,946	29.4%
Utilities	6,000	6,000	8,000	2,000	33.3%
Maintenance	5,000	5,000	7,000	2,000	40.0%
Office Cleaning	-	-	-	-	
Waste Management	-	-	-	-	
Total Office Rent	\$ 501,000	\$ 501,000	\$ 648,946	\$ 147,946	29.53%

Table B-7. Office Rent

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

2016 annual lease cost has an increase of \$147,545 reflecting the expansion increase of 6,409 square feet. The office rent increase is offset by workshop savings of \$72,250.

Facilities Expansion

- Internal office space at 93%; little future flexibility
- Conference area utilization very high
- Continue to insource meetings at substantial “out of pocket” and productivity savings

Table B-8 lists the budget for Office Costs.

Office Costs	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Phone Service					
Data Circuit (qmoe)	\$ 60,000	\$ 60,000	\$ 66,000	\$ 6,000	10.00%
Data Circuit (dsl)	-	-	-	-	
Voice Circuits	14,000	14,000	18,000	4,000	28.57%
Business Cable	2,000	2,000	2,000	-	0.00%
Internet Service Provider	23,800	23,800	19,000	(4,800)	-20.17%
Internet/Cell	47,291	47,291	49,383	2,092	4.42%
Office Supplies	24,000	24,000	24,450	450	1.88%
Employee Member Events	15,000	15,000	15,000	-	0.00%
Employee Related Expense (Drug Testing, Finder Fees Etc)	9,500	9,500	13,000	3,500	36.84%
Computer Supplies and Maintenance	61,300	61,300	67,000	5,700	9.30%
Publications & Subscriptions	5,900	5,900	6,700	800	13.56%
Professional Dues	17,850	17,850	16,120	(1,730)	-9.69%
Postage	2,700	2,700	2,700	-	0.00%
Temporary Services	-	-	-	-	
Finance-Filing/Reg Fees	7,000	7,000	5,000	(2,000)	-28.57%
Equipment Repair/Service Contracts	28,150	28,150	14,050	(14,100)	-50.09%
Bank Charges	18,600	18,600	23,000	4,400	23.66%
Sales & Use Taxes	-	-	-	-	
Merchant Card Fees	-	-	-	-	
Presentation & Publicity & Supplies Promotional	5,000	5,000	2,000	(3,000)	-60.00%
Departmental Functional Training	147,800	147,800	134,415	(13,385)	-9.06%
Insurance Expense	50,000	50,000	57,000	7,000	14.00%
Total Office Costs	\$ 539,891	\$ 539,891	\$ 534,818	\$ (5,073)	-0.94%

Table B-8. Office Costs

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Reliability Assessments and Performance Analysis – Office Costs

Reduced training costs reflect historical trending. There have been local training opportunities that are cost effective.

Information Technology

- Equipment repair service contract costs
- MRO moved the disaster recovery site to a new location that is more secure with less cost.

Human Resources, Finance and Accounting

Training costs are reduced in 2016. Staff is encouraged if possible to take training locally. Additionally, if staff has more than one certification or required CEUs in more than one area, they are strongly encouraged to seek training opportunities that can be applied to more than one area. Both activities help reduce the overall training costs.

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Independent Trustee Fees	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	0.00%
Outside Legal	40,000	40,000	65,000	\$ 25,000	62.50%
Accounting and Auditing Fees	28,500	44,500	28,500	\$ -	0.00%
Actuarial Fees	25,000	25,000	25,000	\$ -	0.00%
Total Services	\$ 193,500	\$ 209,500	\$ 218,500	\$ 25,000	12.92%

Table B-9. Professional Services

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Compliance - Professional Services

2016 professional services increase in the outside legal costs due to hearing body training, which is not held annually but rather when deemed necessary.

Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
	\$ -	\$ -	\$ -	\$ -	-
					-
					-
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	100.00%

Table B-10. Miscellaneous

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Table B-11 lists the budget for other Non-Operating Expenses.

Other Non-Operating Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment					-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	100.00%

Table B-11. Other Non-Operating Expenses

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	2015 Budget	2015 Projection	2016 Budget	Variance 2016 Budget v 2015 Revised Budget	Variance %
Depreciation	\$ (521,000)	\$ (521,000)	\$ (480,722)	\$ 40,278	-7.7%
Computer Equipment	316,800	366,800	317,500	700	0.2%
Capitalized Software	20,000	-	-	(20,000)	-100.0%
Furniture and Equipment	-	-	-	-	
Leasehold Improvements	-	-	467,000	467,000	
Total Change in Fixed Assets	\$ (184,200)	\$ (134,200)	\$ 303,778	\$ 487,978	-264.9%

Table B-12. Fixed Assets

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Depreciation/Computer Equipment/Capitalization Software

2016 costs decrease as fewer equipment purchases were made in 2014 and 2015. More focus is placed on IT system and infrastructure maintenance.

Leasehold Improvements

MRO is at 93% capacity for staff and its conference facilities are frequently at capacity. To resolve the capacity issues, additional space will be leased to accommodate MRO's current and future needs. The one-time capital cost in 2016 is \$357k with an annual operations impact, net of savings, of \$133k.

Facilities Expansion

- Internal office space at 93%; little future flexibility
- Conference area utilization very high
- Continue to insource meetings at substantial "out of pocket" and productivity savings

Table B-13 compares the 2016 budget with projections for 2017-2018.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2017 and 2018 Projections							
	2016 Budget	2017 Projection	\$ Change 17 v 16	% Change 17 v 16	2018 Projection	\$ Change 18 v 17	% Change 18 v 17
Funding							
ERO Funding							
NERC Assessments	\$ 10,901,312	\$ 11,214,270	\$ 312,958	2.87%	\$ 11,550,698	\$ 336,428	2.9%
Penalty Sanctions	126,500	-	(126,500)	-100.00%	-	-	
Total NERC Funding	\$ 11,027,812	\$ 11,214,270	\$ 186,458	1.7%	\$ 11,550,698	\$ 336,428	2.9%
Membership Dues	-	-	-	-	-	-	
Testing Fees	-	-	-	-	-	-	
Services & Software	-	-	-	-	-	-	
Workshops	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	-	
Total Funding (A)	\$ 11,027,812	\$ 11,214,270	\$ 186,458	1.7%	\$ 11,550,698	\$ 336,428	3.0%
Expenses							
Personnel Expenses							
Salaries	\$ 5,682,871	\$ 5,853,357	\$ 170,486	3.0%	\$ 6,028,958	\$ 175,601	3.0%
Payroll Taxes	361,827	372,682	10,855	3.0%	383,862	11,180	3.0%
Benefits	582,253	599,721	17,468	3.0%	617,712	17,992	3.0%
Retirement Costs	1,094,515	1,127,350	32,835	3.0%	1,161,171	33,821	3.0%
Total Personnel Expenses	\$ 7,721,466	\$ 7,953,110	\$ 231,644	3.0%	\$ 8,191,703	\$ 238,593	3.0%
Meeting Expenses							
Meetings	\$ 85,500	\$ 88,065	\$ 2,565	3.0%	\$ 90,707	\$ 2,642	3.0%
Travel	626,730	645,532	18,802	3.0%	664,898	19,366	3.0%
Conference Calls	54,500	56,135	1,635	3.0%	57,819	1,684	3.0%
Total Meeting Expenses	\$ 766,730	\$ 789,732	\$ 23,002	3.0%	\$ 813,424	\$ 23,692	3.0%
Operating Expenses							
Consultants & Contracts	\$ 679,681	\$ 700,071	\$ 20,390	3.0%	\$ 721,074	\$ 21,002	3.0%
Office Rent	648,946	668,414	19,468	3.0%	688,467	20,052	3.0%
Office Costs	534,818	550,863	16,045	3.0%	567,388	16,526	3.0%
Professional Services	218,500	225,055	6,555	3.0%	231,807	6,752	3.0%
Miscellaneous	-	-	-	-	-	-	
Depreciation	480,722	495,144	14,422	3.0%	509,998	14,854	3.0%
Total Operating Expenses	\$ 2,562,667	\$ 2,639,547	\$ 76,880	3.0%	\$ 2,718,733	\$ 79,186	3.0%
Total Direct Expenses	\$ 11,050,863	\$ 11,382,389	\$ 331,526	3.0%	\$ 11,723,861	\$ 341,472	3.0%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses (B)	\$ 11,050,863	\$ 11,382,389	\$ 331,526	3.0%	\$ 11,723,861	\$ 341,472	3.0%
Change in Assets	\$ (23,051)	\$ (168,119)	\$ (145,068)	629.3%	\$ (173,163)	\$ (5,044)	3.0%
Fixed Assets							
Depreciation	\$ (480,722)	\$ (495,144)	\$ (14,422)	3.0%	\$ (509,998)	\$ (14,854)	3.0%
Computer & Software CapEx	317,500	327,025	9,525	3.0%	336,836	9,811	3.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	-	
Leasehold Improvements	467,000	-	(467,000)	-100.0%	-	-	
Allocation of Fixed Assets							
Inc(Dec) in Fixed Assets (C)	\$ 303,778	\$ (168,119)	\$ (471,897)	-155.3%	\$ (173,162)	\$ (5,044)	0.0%
TOTAL BUDGET (=B + C)	\$ 11,354,641	\$ 11,214,270	\$ (140,371)	-1.2%	\$ 11,550,698	\$ 341,472	3.0%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (326,829)	\$ -	\$ 326,829	-100.0%	\$ -	\$ -	46.5%
FTEs	43.00	43.00	-	-	43.00	-	-

Table B-13. Budget 2016 Compared with 2017-2018 Projections

Section C – Non-Statutory Activities

2016 Business Plan and Budget



Section C – Non-Statutory Activities

2016 Non-Statutory Business Plan and Budget

Paragraph

The following table lists the Non-Statutory Activities budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2015 Budget & Projection, and 2016 Budget				
NON-STATUTORY				
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	Variance 2016 Budget v 2015 Budget Over(Under)
Funding				
ERO Funding				
NERC Assessments	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues				-
Testing Fees			-	-
Services & Software			-	-
Workshops			-	-
Interest			-	-
Miscellaneous			-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses				
Personnel Expenses				
Salaries				\$ -
Payroll Taxes				-
Benefits				-
Retirement Costs				-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses				
Meetings				
Travel				
Conference Calls				
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses				
Consultants & Contracts				
Office Rent				
Office Costs				
Professional Services				
Miscellaneous				
Depreciation				
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Indirect Expenses		\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets				
Depreciation	-	-	-	-
Computer & Software CapEx				
Furniture & Fixtures CapEx				
Equipment CapEx				
Leasehold Improvements				
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FTEs

Table C-1. Non-Statutory Activities Budget

Section D – Additional Consolidated Financial Statements

2016 Business Plan and Budget



Section D – Additional Consolidated Financial Statements

2016 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

				Functions in Delegation Agreement											
Statement of Activities and Capital Expenditures by Program	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards and Organization Registration and Certification (Section 300 & 500)	Compliance (Section 400)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 600&900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
2016 Business Plan and Budget															
Funding															
ERO Funding															
NERC Assessments	10,891,562	10,891,562	-	10,891,562	675,364	7,208,209	2,727,229	483,241	124,349		(326,829)				
Penalty Sanctions	136,250	136,250	-	136,250	8,843	89,101	31,516	5,616	1,173						
Total NERC Funding	11,027,812	11,027,812	-	11,027,812	684,207	7,297,310	2,758,745	488,857	125,523	-	(326,829)	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-						
Testing Fees	-	-	-	-	-	-	-	-	-						
Services & Software	-	-	-	-	-	-	-	-	-						
Workshops	-	-	-	-	-	-	-	-	-						
Interest	-	-	-	-	-	-	-	-	-						
Miscellaneous	-	-	-	-	-	-	-	-	-						
Total Funding (A)	11,027,812	11,027,812	-	11,027,812	684,207	7,297,310	2,758,745	488,857	125,523	-	(326,829)	-	-	-	-
Expenses															
Personnel Expenses															
Salaries	5,682,871	5,682,871	-	5,682,871	235,577	2,888,818	997,720	180,187	41,582		422,618	193,551	334,488	-	388,330
Payroll Taxes	361,827	361,827	-	361,827	14,726	188,646	64,905	9,800	2,763		21,172	9,185	24,454	-	26,176
Benefits	582,253	582,253	-	582,253	28,571	288,012	101,421	18,280	3,927		11,780	44,143	-	-	50,778
Retirement Costs	1,094,515	1,094,515	-	1,094,515	53,266	496,769	229,851	31,896	9,140		89,526	36,383	69,198	-	78,486
Total Personnel Expenses	7,721,466	7,721,466	-	7,721,466	332,140	3,862,245	1,393,897	240,163	57,412	-	568,657	250,899	472,283	-	543,770
Meeting Expenses															
Meetings	85,500	85,500	-	85,500	2,000	7,250	18,600	28,800	200		28,000	150	-	-	500
Travel	680,330	680,330	-	680,330	37,200	235,400	202,000	33,200	22,000		113,000	23,500	8,000	-	6,030
Conference Calls	900	900	-	900	-	-	-	-	400		500	-	-	-	-
Total Meeting Expenses	766,730	766,730	-	766,730	39,200	242,650	220,600	62,000	22,600	-	141,500	23,650	8,000	-	6,530
Operating Expenses															
Consultants & Contracts	679,681	679,681	-	679,681	13,236	114,000	79,435	-	-		75,000	10,000	359,200	-	28,810
Office Rent	648,946	648,946	-	648,946	-	-	-	-	-		-	-	-	-	648,946
Office Costs	534,818	534,818	-	534,818	5,658	91,395	17,100	-	6,500		32,000	8,065	209,550	-	164,550
Professional Services	218,500	218,500	-	218,500	-	25,000	-	-	-		-	140,000	-	-	53,500
Miscellaneous	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Depreciation	480,722	480,722	-	480,722	-	-	-	-	-		-	-	480,722	-	-
Total Operating Expenses	2,562,667	2,562,667	-	2,562,667	18,894	230,395	96,535	-	6,500	-	107,000	158,065	1,049,472	-	895,806
Total Direct Expenses	11,050,863	11,050,863	-	11,050,863	390,234	4,335,290	1,711,032	302,163	86,512	-	817,157	432,614	1,529,755	-	1,446,106
Indirect Expenses															
	-	-	-	-	274,257	2,763,363	977,445	174,172	36,394		(817,157)	(432,614)	(1,529,755)	-	(1,446,106)
Other Non-Operating Expenses															
	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Total Expenses (B)	11,050,863	11,050,863	-	11,050,863	664,491	7,098,653	2,688,477	476,335	122,906	-	-	-	-	-	-
Change in Assets	(23,051)	(23,051)	-	(23,051)	19,716	198,656	70,268	12,521	2,616	-	(326,829)	-	-	-	-
Fixed Assets															
Depreciation	(480,722)	(480,722)	-	(480,722)	-	-	-	-	-		-	-	(480,722)	-	-
Computer & Software CapEx	317,500	317,500	-	317,500	-	-	-	-	-		-	-	317,500	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Leasehold Improvements	467,000	467,000	-	467,000	-	-	-	-	-		-	-	-	-	467,000
Allocation of Fixed Assets	-	-	-	-	19,716	198,656	70,268	12,521	2,616		-	-	163,222	-	(467,000)
Inc(Dec) in Fixed Assets (C)	303,778	303,778	-	303,778	19,716	198,656	70,268	12,521	2,616	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	11,354,641	11,354,641	-	11,354,641	684,207	7,297,310	2,758,745	488,857	125,523	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(326,829)	(326,829)	-	(326,829)	(0)	0	0	-	-	-	(326,829)	-	-	-	-
FTEs	43.00	43.00	-	43.00	2.11	21.26	7.52	1.34	0.28	-	2.61	0.87	3.26	-	3.75

Table D-1. Consolidated Statements of Activities by Program, Statutory and Non-Statutory

Statement of Financial Position

The following table provides MRO Statement of Financial Position as of these dates:

- As of December 31, 2014, per audit
- As of December 31, 2015, projected
- As of December 31, 2016, as budgeted

Statement of Financial Position 2014 Audited, 2015 Projection, and 2016 Budget			
STATUTORY			
	(Per Audit) 31-Dec-14	Projected 31-Dec-15	Budget 31-Dec-16
ASSETS			
Cash	3,655,712	3,357,886	3,031,057
Restricted Cash	395,044	-	136,500
Other Receivables	6,762	-	-
Prepaid expenses and other current assets	188,536	145,000	175,000
Security deposit	39,858	39,858	39,858
Restricted Cash - non-current	95,008	136,500	-
Property and equipment and capitalized software	984,499	850,299	1,154,077
Total Assets	5,365,419	4,529,543	4,536,492
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	1,797,299	2,242,799	2,409,300
Postretirement medical benefit obligation	410,296	588,230	644,166
Deferred assessments - non-current	95,008	136,500	-
Deferred rent - non-current	452,941	424,172	565,337
Total Liabilities	2,755,544	3,391,701	3,618,803
Net Assets - unrestricted	2,609,875	1,137,842	917,690
Total Liabilities and Net Assets	5,365,419	4,529,543	4,536,493

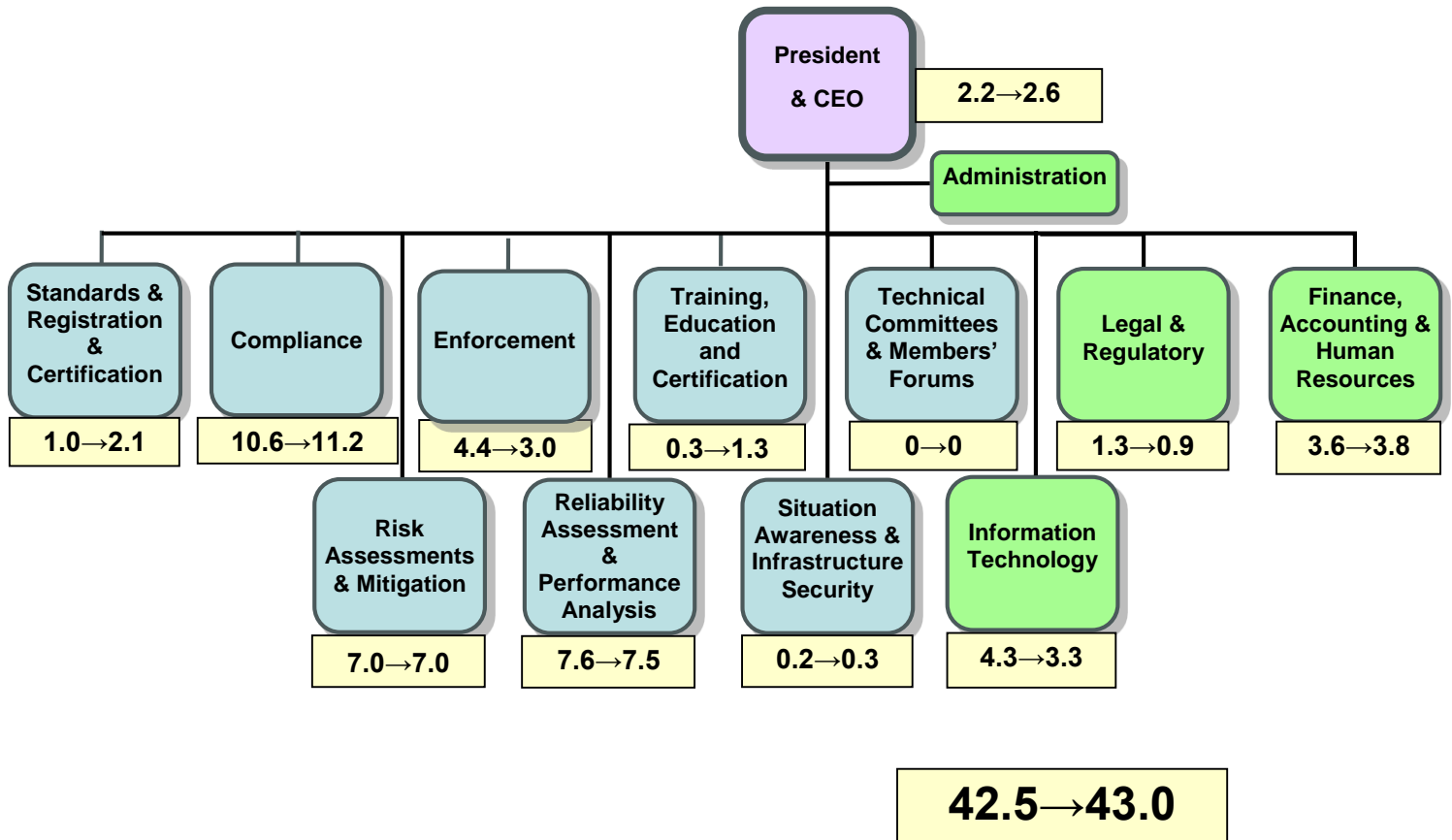
Table D-2. Statement of Financial Position, Three-Year Comparison

Appendix A

Organization Chart

The MRO Organization Chart is shown below.

2015 to 2016 Full Time Equivalent (FTE) Comparison Organization Chart



FTE Trend from 2014 to 2018

2014	2015	2016	2017 Estimate	2018 Estimate
40.75	42.5	43.0	43.0	43.0

Figure 2. Organization Chart

Appendix B

Acronyms

This section lists acronyms used in this document.

Acronym	Definition
APDA	American Power Dispatchers Association
BA	Balancing Authority
BES	Bulk Electric System
BPS	Bulk Power System
CDMS	Compliance Data Management System
CFR	Coordinated Functional Registration
CI	Compliance Investigation
CIP	Critical Infrastructure Protection
CMEP	Compliance Monitoring and Enforcement Program
DIP	Days in Process
EMS	Energy Management System
ERAG	Eastern Interconnection Reliability Assessment Group
ERO	Electric Reliability Organization
FAC	Finance and Audit Committee
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
FTE	Full-Time Equivalent
GMD	Geomagnetic Disturbance
IRA	Inherent Risk Assessment
ISO	Independent System Operator
IT	Information Technology
JRO	Joint Registration Organization
MC	Management Committee
MCCF	Mid-Continent Compliance Forum
MRO	Midwest Reliability Organization
NERC	North American Electric Reliability Corporation
OC	Operating Committee
PC	Planning Committee
PV	Possible Violation
RAI	Reliability Assurance Initiative
RAPA	Reliability Assessment and Performance Analysis

RC	Reliability Coordinator
RE	Regional Entity
RRO	Regional Reliability Organization
RTO	Regional Transmission Organization
SAR	Standards Authorization Request
SC	Standards Committee
SCADA	Supervisory Control and Data Acquisition
SME	Subject Matter Expert
TFE	Technical Feasibility Exception
TOP	Transmission Operator
VEBA	Voluntary Employee Beneficiary Association

Appendix C

Index of Figures and Tables

List of Figures [Select this section and click F9 to update.]

Figure 1.	Budget by Program Area Chart	13
Figure 2.	Organization Chart.....	74

List of Tables [Select this section and click F9 to update.]

Table 1.	MRO Budget for 2016	3
Table 2.	Budget by Program Area	13
Table 3.	Total FTEs by Program Area	14
Table 4.	Budget and Projection Comparison, 2015 to 2016.....	15
Table A-1.	Reliability Standards Budget.....	17
Table A-2.	Reliability Standards, Organization Registration and Certification Budget Detail	21
Table A-3.	Compliance Monitoring and Enforcement Budget.....	22
Table A-4.	Compliance Monitoring and Enforcement Budget Detail.....	28
Table A-5.	Reliability Assessments and Performance Analysis (RAPA) Budget.....	29
Table A-6.	Reliability Assessment and Performance Analysis Budget Detail.....	32
Table A-7.	Training and Education Budget	33
Table A-8.	Training and Education Budget Detail	35
Table A-9.	Situation Awareness and Infrastructure Security Budget	36
Table A-10.	Situation Awareness and Infrastructure Security Budget Detail.....	38
Table A-11.	Administrative Services Budget	39
Table A-12.	Technical Committees and Member Forums Budget	40
Table A-13.	Technical Committees and Member Forums Budget Detail.....	41
Table A-14.	General and Administrative Budget	42
Table A-15.	General and Administrative Budget Detail.....	44
Table A-16.	Legal and Regulatory Budget	45
Table A-17.	Legal and Regulatory Budget Detail	47
Table A-18.	Information Technology Budget.....	48
Table A-19.	Information Technology Budget Detail.....	50
Table A-20.	Human Resources, Finance and Accounting Budget.....	51
Table A-21.	Human Resources, Finance and Accounting Budget Detail	53
Table B-1.	Working Capital Reserve Analysis 2015 - 2016	55
Table B-2.	Penalty Sanctions Received	56
Table B-3.	Supplemental Funding	57
Table B-4.	Personnel Expenses	58
Table B-5.	Meeting Expenses.....	59
Table B-6.	Consultants and Contracts.....	60
Table B-7.	Office Rent	62
Table B-8.	Office Costs.....	63
Table B-9.	Professional Services	64
Table B-10.	Miscellaneous	65
Table B-11.	Other Non-Operating Expenses	66
Table B-12.	Fixed Assets.....	67
Table B-13.	Budget 2016 Compared with 2017-2018 Projections.....	68
Table C-1.	Non-Statutory Activities Budget	70
Table D-1.	Consolidated Statements of Activities by Program, Statutory and Non-Statutory	72
Table D-2.	Statement of Financial Position, Three-Year Comparison	73

DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 5

NORTHEAST POWER COORDINATING COUNCIL, INC.

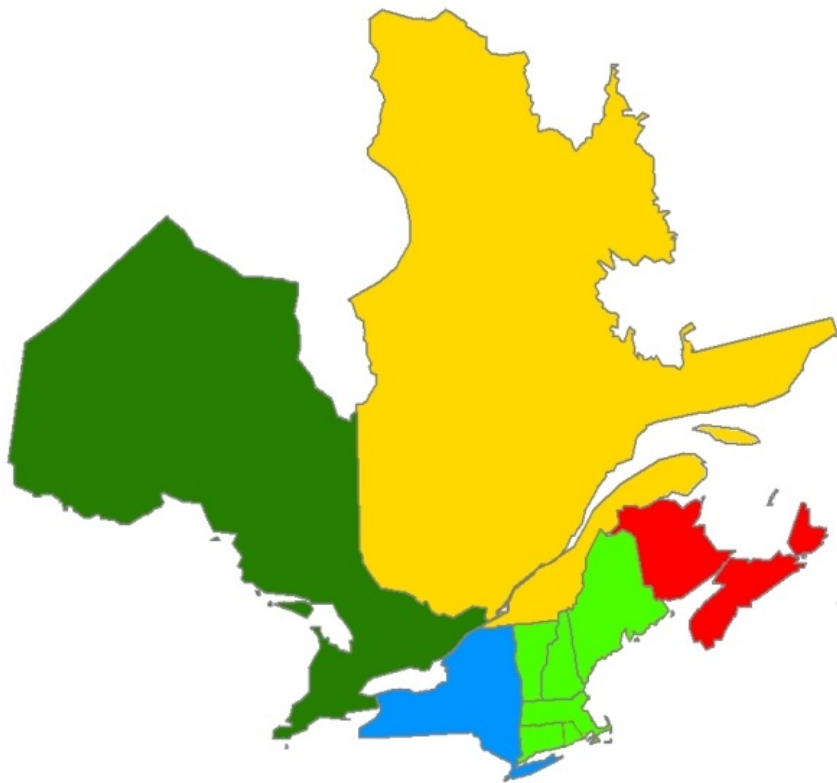
PROPOSED 2016 BUSINESS PLAN AND BUDGET



NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE. OF THE AMERICAS, NEW YORK, NY 10018 (212) 840-1070 FAX (212) 302-2782

Northeast Power Coordinating Council, Inc. (NPCC)

2016 Business Plan and Budget



**Approved by the
NPCC Board of Directors
at its June 25, 2015 Meeting and
Resubmitted to NERC June 25, 2016**

Table of Contents

Introduction.....	3
Personnel Analysis.....	12
Section A — 2016 Regional Entity Division Business Plan and Budget.....	15
Reliability Standards Program	15
Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	23
Reliability Assessment and Performance Analysis Program.....	31
Training, Education, and Operator Certification Program.....	44
Situation Awareness and Infrastructure Security Program.....	48
Administrative Services	54
Technical Committees and Member Forums.....	56
General and Administrative	57
Legal and Regulatory.....	58
Information Technology	59
Human Resources	61
Accounting and Finance	62
Regional Entity Assessment Analysis	63
Section B — Supplemental Financial Information.....	67
Reserve Balance.....	67
Breakdown by Statement of Activity Sections	68
Section C —2016 Criteria Services Division Business Plan and Budget.....	78
Personnel Analysis.....	85
Reserve Analysis 2015-2016	86
Section D — Additional Financial Statements	88
Statement of Financial Position	88
Appendix A Staff Allocations.....	91
Appendix B Acronyms.....	93
Appendix C Index of Figures and Tables.....	95

Introduction

Total NPCC Resources				
(in whole dollars)				
	2016 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	\$15,028,819			
Criteria Services Division Expenses	\$1,165,572			
Total Expenses	\$16,194,391			
Regional Entity Division Inc(Dec) in Fixed Assets	\$44,179			
Criteria Services Division Inc(Dec) in Fixed Assets	(\$8,506)			
Total Inc(Dec) in Fixed Assets	\$35,673			
Regional Entity Division Working Capital Requirement**	(\$592,801)			
Criteria Services Division Working Capital Requirement***	(\$96,525)			
Total Working Capital Requirement	(\$689,326)			
Total Regional Entity Division Funding Requirement	\$14,480,196			
Total Criteria Services Division Funding Requirement	\$1,060,542			
Total Funding Requirement	\$15,540,738			
Regional Entity Division Assessments	\$14,349,196	\$8,959,216	\$5,389,980	
Regional Entity Division Assessments Percentage	100.0%	62.4%	37.6%	
Criteria Services Division Membership Fees	\$1,060,542	\$475,050	\$585,492	
Total NPCC Assessments & Membership Fees	\$15,409,738	\$9,434,266	\$5,975,472	
NEL	641,246,000	287,234,000	354,012,000	
NEL %	100%	44.79%	55.21%	

** Refer to Table B-1 on page 67 in Section B.

*** Refer to the Reserve Analysis on page 86 in Section C.

2016 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 budget and assessments by 2.0% comprising a Regional Entity increase of 2.0% and a Criteria Services division increase of 2.4%. The proposed 2016 funding requirements will be satisfied by a Regional Entity division assessment of \$14,349,196 and Criteria Services division fees of \$1,060,542, for a total of \$15,409,738. This is an overall increase of 2.0% compared to the 2015 total assessments and fees of \$15,104,099. 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 2016 business plan, NPCC has included activities consistent with NERC initiatives including the enhancement of reliability assessments, risk-based registration, risk-based compliance monitoring and enforcement, expanded training for compliance auditing, and increased situation awareness.

It is imperative that NPCC maintain its ability to carry out delegated authorities and responsibilities. NPCC has a flat 2016 targeted staffing level of 39 power industry professionals and support personnel. Details of the 2016 business plans and budget for each program area are included in Section A for the Regional Entity division. The 2016 Regional Entity division schedules are shown in Section B. Section C details the 2016 criteria services division business plan and budget.

Membership and Governance

NPCC monitors approximately 218 registered entities and some 487 functions in the Region for compliance with mandatory Reliability Standards. NPCC currently has approximately 79 members. There are two categories of membership, General and Full. The two categories distinguish between Regional Entity delegated services that are provided in support of the U.S. FERC and Canadian provincial MOUs or Agreements with regulatory and/or governmental authorities, and Criteria Services which FERC references as U.S. non-delegated activities.

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

Full Membership is available to Members which are already General Members and participate in electricity markets in the Northeast. Independent system operators (ISOs), Regional

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

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

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

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

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

Industry technical experts from within the membership provide valuable input to the Board through various working groups and task forces as well as the committees. The *Amended and Restated Bylaws* 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 implementation of the Québec reliability standards compliance monitoring and enforcement program. NPCC, NERC and Nova Scotia executed a MOU that sets forth the mutual understanding of the parties in relation to the approval and implementation of NERC Reliability Standards and NPCC Regional reliability criteria for the province of Nova Scotia.

International Foundation

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

a) U.S. Foundation

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

b) Ontario

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

Among other things, the MOU recognizes that NERC and NPCC are standards authorities under the *Electricity Act, 1998* (Ontario). Additionally, under the authority of that same legislation, and as memorialized in the MOU, the NERC reliability standards and NPCC reliability criteria have effect in Ontario. However a 2008 amendment to the Electricity Act, 1998 (Ontario) allows the OEB to review these standards and criteria and issue orders preventing their implementation and remanding them back to NERC and NPCC.

The IESO is subject to compliance monitoring and enforcement by NPCC. The IESO is also subject to compliance monitoring and enforcement of the Ontario market rules by the IESO's

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

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

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

c) *Québec*

The Régie de l'énergie, NERC and NPCC are parties to the May 8, 2009 *Agreement on the Development of Electric Power Transmission Reliability Standards and of Procedures and a Program for the Monitoring of the Application of These Standards for Québec* (the 2009 Agreement). Under the terms of the 2009 Agreement, the Régie de l'énergie, which is charged with ensuring the reliability of the electric transmission in Québec, retained NPCC and NERC as experts to develop reliability standards and monitoring program procedures for the Province.

The Régie de l'énergie, NERC and NPCC are parties to the September 24, 2014, *Agreement on the Implementation of the Québec Reliability Standards Compliance Monitoring and Enforcement Program* (the 2014 Agreement). Through the 2014 Agreement, the Régie de l'énergie retains the services of NPCC to monitor and assess the compliance of registered entities in Québec with the reliability standards adopted by the Régie with respect to electric power transmission in Québec.

On April 1, 2015, the Québec Reliability Standards Compliance Monitoring and Enforcement Program ("QCMEP"), which was developed jointly by the Régie de l'énergie, NPCC and NERC, came into effect. Together, the 2014 Agreement and the QCMEP detail the procedures and program for monitoring and enforcing mandatory electric power transmission reliability standards in Québec. The Hydro-Québec companies, including Hydro-Québec TransÉnergie, Hydro-Québec Distribution and Hydro-Québec Production are subject to voluntary compliance monitoring and enforcement, including comprehensive audits by NPCC.

The Régie de l'énergie is a public body established by the *Act respecting the Régie de l'énergie* (the Act). Pursuant to its authority under the Act, the Régie de l'énergie, through a series of decisions in 2007, designated Hydro-Québec Contrôle des mouvements d'énergie (HQCME), a division of Hydro-Québec TransÉnergie, as the Reliability Coordinator for Québec. In accordance with its mandate and as recognized in the 2009 Agreement, it is this entity that is responsible for the filing with the Régie de l'énergie for approval of reliability standards in Québec. HQCME has filed for the approval of certain reliability standards and the Régie de l'énergie has made certain reliability standards mandatory in Québec and is continuing proceedings to make additional reliability standards mandatory in Québec.

The Hydro-Québec companies, including Hydro-Québec TransÉnergie and Hydro-Québec Production have been subject to voluntarily compliance monitoring and enforcement, including comprehensive audits by NPCC. NPCC plans to continue to these voluntary compliance monitoring and enforcement activities for any standards that have not yet been declared in effect by the Régie de l'énergie. 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 (“NBEUB”) and NPCC entered into an Agreement dated October 1, 2013, whereby NPCC provides services for the NBEUB. The NBEUB 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 NBEUB 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 is required to file for approval, modification, or retirement of NERC Reliability Standards 60 days after a NERC Reliability Standard is approved, modified, or retired by the Federal Energy Regulatory Commission (“FERC”). The NBEUB rules on the filed Reliability Standard after considering (a) the potential impact on the reliability of the bulk power system, (b) the potential cost and benefits (c) the public interest, and (d) any other factors that the NBUEB 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 NBEUB in the New Brunswick specific registry. Additionally, NPCC is required to carry out the compliance monitoring and assessment for the NBEUB and assist and advise the enforcement for the NBEUB, including financial penalties. NPCC is also permitted to carry out or exercise any power in the implementing regulations that is specific to the NBEUB. Additionally, NPCC has the powers of an inspector, which permits NPCC to audit and spot check entities within New Brunswick.

e) Nova Scotia

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

NPCC will conduct compliance and enforcement activities with respect to the standards and forward any non-compliance information and recommendations to the NSUARB. The NSUARB maintains the final authority with respect to enforcement in Nova Scotia and based on the recommendations from NPCC, may determine whether a violation has occurred and, if so, what remedial measures or non-monetary penalties should be imposed.

Regional Entity Division Functional Scope

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

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

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

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

2016 Key Assumptions and 2016 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 2016 through 2018 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 2016 Business Plan and Budget and may be referenced by the users of this document. NPCC activities that support ERO Enterprise Goals are detailed in each of the following program area sections.

2016 Overview of Regional Entity Division Cost Impacts

The proposed Regional Entity division assessment of \$14,349,196 to support the budget is an increase of 2.0% compared to the 2015 assessment of \$14,068,878.

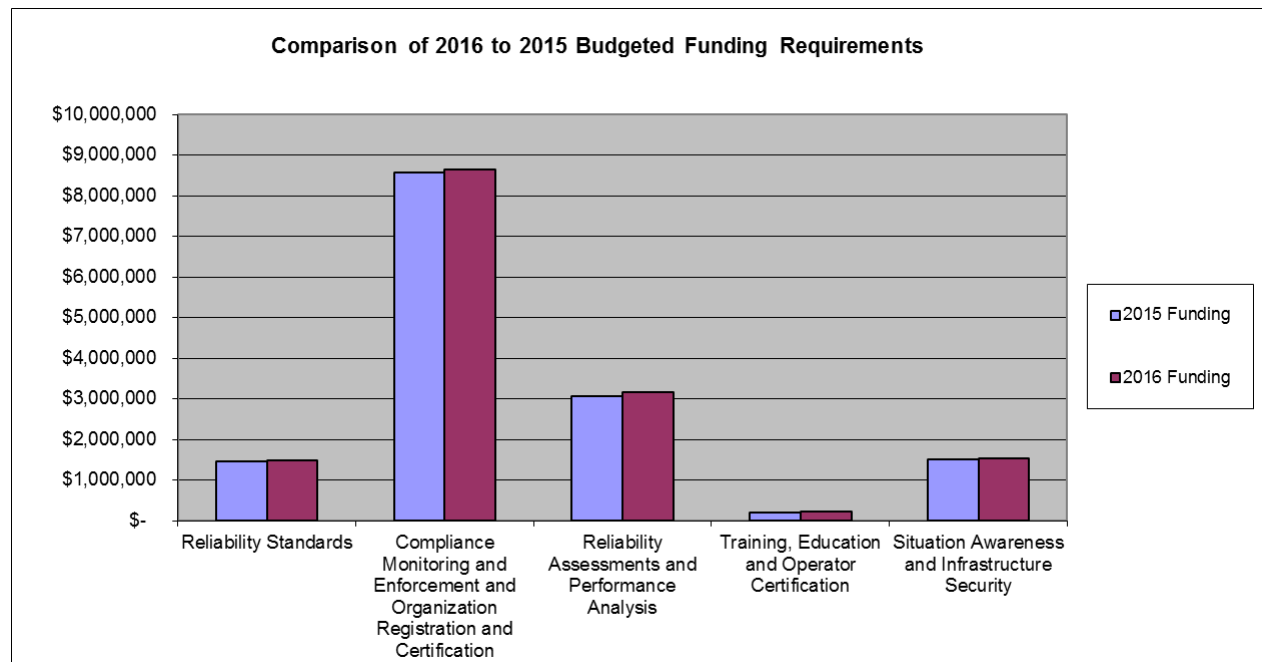
2015 Projections

Current year projections are taken into consideration in development of the budget. Expenses are currently projected to be on budget in all areas or slightly under budget. 2015 Projections reflect expectations based on the first quarter variance report. It is anticipated that projections could change throughout 2015 and would be reflected in each subsequent quarter's variance report.

Summary by Program

Program	Budget 2015	Projection 2015	Budget 2016	Variance	
				2016 Budget v 2015 Budget	Variance %
Reliability Standards	\$ 1,456,129	\$ 1,456,129	\$ 1,487,419	\$ 31,290	2.1%
Compliance Monitoring and Enforcement and Organization Registration and Certification	\$ 8,568,145	\$ 8,568,145	\$ 8,650,196	\$ 82,051	1.0%
Reliability Assessments and Performance Analysis	\$ 3,053,923	\$ 3,053,923	\$ 3,171,574	\$ 117,651	3.9%
Training, Education and Operator Certification	\$ 199,010	\$ 199,010	\$ 219,956	\$ 20,946	10.5%
Situation Awareness and Infrastructure Security	\$ 1,501,332	\$ 1,501,332	\$ 1,543,852	\$ 42,520	2.8%
Total	\$ 14,778,539	\$ 14,778,539	\$ 15,072,998	\$ 294,458	2.0%

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

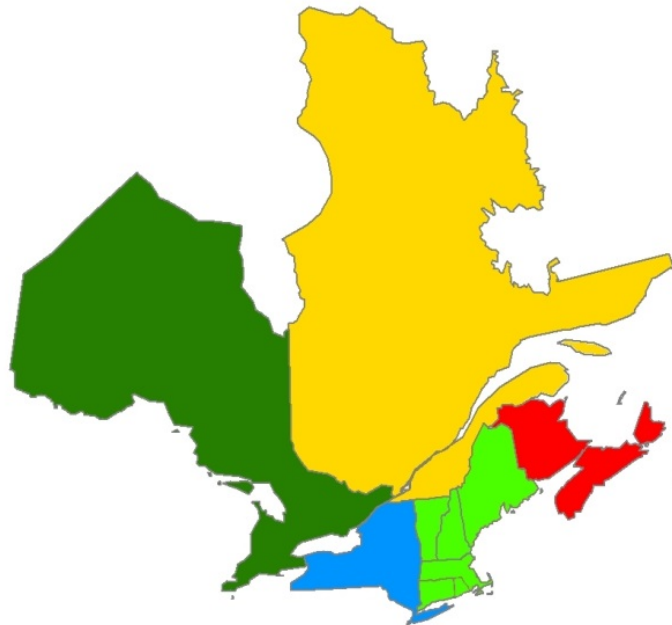
Total FTEs by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs ¹ 2016 Budget	Total FTEs 2016 Budget	Change from 2015 Budget
REGIONAL ENTITY DIVISION						
Operational Programs						
Reliability Standards	2.93	2.93	2.00	0.93	2.93	0.00
Compliance Monitoring and Enforcement and 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.

2015 Budget and Projection and 2016 Budget Comparisons

Statement of Activities and Capital Expenditures 2015 Budget & Projection, and 2016 Budget						
REGIONAL ENTITY DIVISION						
				Variance ⁽²⁾ 2015 Projection v 2015 Budget Over(Under)		Variance 2016 Budget v 2015 Budget Over(Under)
	2015 Budget	2015 Projection			2016 Budget	
Funding						
ERO Funding						
ERO Assessments	\$ 14,068,878	\$ 14,068,878	\$ -		\$ 14,349,196	\$ 280,318
Penalty Sanctions ⁽¹⁾	290,500	290,500	-		67,000	(223,500)
Total ERO Funding	\$ 14,359,378	\$ 14,359,378	\$ -		\$ 14,416,196	\$ 56,818
Membership Dues	-	-	-		-	-
Testing Fees	-	-	-		-	-
Services & Software	-	-	-		-	-
Workshops	64,000	64,000	-		64,000	-
Interest	-	-	-		-	-
Miscellaneous	-	-	-		-	-
Total Funding (A)	\$ 14,423,378	\$ 14,423,378	\$ -		\$ 14,480,196	\$ 56,818
Expenses						
Personnel Expenses						
Salaries	\$ 6,195,425	\$ 6,195,425	\$ -		\$ 6,561,470	\$ 366,046
Payroll Taxes	387,209	387,209	-		399,057	11,848
Benefits	1,256,595	1,256,595	-		1,364,799	108,205
Retirement Costs	1,090,013	1,090,013	-		833,118	(256,895)
Total Personnel Expenses	\$ 8,929,241	\$ 8,929,241	\$ -		\$ 9,158,445	\$ 229,204
Meeting Expenses						
Meetings	\$ 365,000	\$ 365,000	\$ -		\$ 394,000	\$ 29,000
Travel	890,000	890,000	-		907,100	17,100
Conference Calls	45,000	45,000	-		47,000	2,000
Total Meeting Expenses	\$ 1,300,000	\$ 1,300,000	\$ -		\$ 1,348,100	\$ 48,100
Operating Expenses						
Consultants & Contracts	\$ 2,342,000	\$ 2,342,000	\$ -		\$ 2,223,500	\$ (118,500)
Office Rent	751,500	751,500	-		802,500	51,000
Office Costs	578,700	578,700	-		639,500	60,800
Professional Services	1,025,000	1,025,000	-		1,011,000	(14,000)
Computer & Equipment Leases	-	-	-		-	-
Miscellaneous	40,000	40,000	-		41,000	1,000
Depreciation	202,019	202,019	-		231,821	29,802
Total Operating Expenses	\$ 4,939,219	\$ 4,939,219	\$ -		\$ 4,949,321	\$ 10,102
Total Direct Expenses	\$ 15,168,460	\$ 15,168,460	\$ -		\$ 15,455,866	\$ 287,406
Indirect Expenses	\$ (409,902)	\$ (409,902)	\$ -		\$ (427,047)	\$ (17,145)
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -
Total Expenses (B)	\$ 14,758,558	\$ 14,758,558	\$ -		\$ 15,028,819	\$ 270,260
Change in Assets	\$ (335,180)	\$ (335,180)	\$ -		\$ (548,622)	\$ (213,442)
Fixed Assets						
Depreciation	\$ (202,019)	\$ (202,019)	\$ -		\$ (231,821)	\$ (29,802)
Computer & Software CapEx	222,000	222,000	-		276,000	54,000
Furniture & Fixtures CapEx	-	-	-		-	-
Equipment CapEx	-	-	-		-	-
Leasehold Improvements	-	-	-		-	-
Allocation of Fixed Assets	(0)	(0)	-		-	0
Inc(Dec) in Fixed Assets (C)	19,981	19,981	-		44,179	24,198
TOTAL BUDGET (=B+C)	\$ 14,778,539	\$ 14,778,539	\$ -		\$ 15,072,998	\$ 294,458
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (355,161)	\$ (355,161)	\$ -		\$ (592,801)	\$ (237,640)
⁽¹⁾ \$67,000 of penalty sanctions collected to date and prior to June 30, 2015.						
⁽²⁾ 2015 Projections reflect expectations based on the 1st quarter statement of activities. It is anticipated that projections could change throughout 2015 and would be reflected in each subsequent quarter's statement of activities.						

Section A – Regional Entity Division 2016 Business Plan and Budget



Section A — 2016 Regional Entity Division Business Plan and Budget

Reliability Standards Program

Reliability Standards Program Resources			
(in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	2.93	2.93	0.00
Direct Expenses	\$905,638	\$913,958	\$8,320
Indirect Expenses	\$561,221	\$584,695	\$23,475
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$10,729)	(\$11,234)	(\$505)
Total Funding Requirement	\$1,456,129	\$1,487,419	\$31,290

Program Scope and Functional Description

The NPCC Reliability Standards Program Area 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, the 2016 ERO Strategic Plan and 2016-2018 Shared Business Plan and Budget Assumptions. NPCC’s Reliability Standards Program Area provides 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 Reliability Standards Program Area is to support the development of ERO standards which establish “results-based” and effective 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, and maintains NPCC Regional Reliability Standards, ERO Standards Variances and ensures that NPCC’s Regional reliability criteria, contained in the form of Directories, are “not inconsistent with” any applicable NERC and Regional Reliability Standards, in accordance with the NERC Rules of Procedure. The NPCC Reliability Standards Program Area also supports and participates in the development, revision, and maintenance of NERC ERO Reliability Standards, initiates new Regional or continent-wide reliability standards through the NERC Standards Authorization Request (SAR) process when necessary, and provides a forum for the comprehensive review and improvement of existing and developing reliability standards. The NPCC Regional Standards Program Area also facilitates and assists with initiating SARs and Requests for Interpretation of ERO standards for the entities within the NPCC footprint. Many of the activities of the NPCC Reliability Standards Program Area are conducted and oversight provided by the NPCC Regional Standards Committee (RSC).

The NPCC Reliability Standards Program Area supports the reliability of the bulk electric system by:

- Facilitating active participation of NPCC Regional industry stakeholders in all NERC Reliability Standards activities to promote the development of results-based, cost effective, clear and concise quality standards in a timely and efficient manner.
- Promoting awareness by holding Regional workshops to provide outreach and conducting Regional Standards Committee meetings to inform and educate stakeholders on standards being developed, modified or maintained.
- Internally and informally providing training to staff to facilitate the transition of new standards to compliance monitoring and enforcement.
- Regional coordination activities with Standards Program Areas from other Regions.
- Developing and maintaining 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.
- Pursuing retirement of Regional Standards and promoting the reliability objectives of those Regional Standards into the NERC Continent-wide standards.
- Maintaining and abiding by the NPCC Regional Standard Processes Manual assuring compliance with all FERC filed documents with respect to standards development.

Funding Drivers and Reliability Benefits

- Scope of the NPCC Regional Reliability Standards Program Area’s activities
 - Utilize NPCC RSC, Task Forces and Working Groups to comment on developing NERC Standards to ensure they are results-based
 - Develop processes for ensuring lessons learned from NPCC Event Analysis are evaluated for any gaps in standards or criteria
 - Review FERC Rulings, NOPRs, preliminary staff assessments, and FERC issued Directives to determine potential impacts on Northeastern North American reliability
 - Provide selective support for standard development activities as outlined in the NERC 2016-2017 Reliability Standards Development Plan
 - Participate in the Enhanced Periodic Review of NERC reliability standards
 - Provide a forum for all NPCC representatives on the NERC drafting teams to raise issues, socialize concepts, and receive feedback on the standards during the development process to enhance efficiency and timeliness of standards development
 - Provide NPCC Regional point of contact for the Reliability Issues Steering Committee (“RISC”) to provide emerging and existing BES reliability related risks and potential gaps in the existing NERC standards
- Number of Standards Projects
 - The level of standards development projects is expected to be similar for 2016 as it was for 2015.
 - Conducting outreach during standards’ development will continue in 2016 requiring more technical support, participation, and facilitation from NPCC staff. NERC has developed procedures and processes to allow it to revise standards in a more expeditious manner which 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.
- Tracking Paragraph 81 Phase 2 retirement candidates, and conducting measured cost effectiveness in 2016
- NPCC is assisting the Standards Committee Process Subcommittee (SCPS) with standards related processes such as development of Drafting Team training materials, Quality Review, etc.
- Further resources required to assist NERC with the evaluation of the standards from a “cost effectiveness” perspective may be required.

2016 Key Assumptions

- Facilitate stakeholder review, comment on, and develop ballot recommendations or list of Regional issues, for all NERC Reliability Standards Projects under 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 standards (enhanced periodic reviews)
 - Conduct training for performing Quality Reviews of standards at the Regional level
 - 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 northeast 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 or correct standards
- Monitor and participate in the drafting/revision 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
- Review reliability requirements of ERO and NPCC Regional Standards, NPCC Criteria and ensure consistency and alignment, remove redundancies, adopt Functional Model language
 - The unambiguous assignment of reliability requirements to specific functional entities benefits interconnection and continent-wide 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.
 - Contribute to the improvement of process related to NERC providing timely interpretations and tracking the status of in-process 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 regulatory and/or governmental orders or actions adopting standards to assure consistency in interpretation
- Review notices of proposed rulemakings (NOPRs) and coordinate and facilitate discussions related to reliability, compliance, and potential standards related actions
- Review final rulings that are issued and all FERC Directives for potential reliability related issues and opportunities to promote cost effective solutions
- Conduct and support regulatory and/or 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

2016 Goals and Key Deliverables

The Reliability Standards program goals and objectives for 2016 are grouped into six 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 NERC Standards Committee strategic initiatives to provide a “defense in depth,” comprehensive set of standards, participate in standards 10 year review activities, and address any outstanding FERC Directives.
- Support cost effectiveness, timely development, and quality of content attributes of new standards
- Participate in 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
- Assist NERC’s review of all industry requested Interpretations of standards
- NPCC staff along with NPCC solicited Regional drafting team volunteers, will participate in the drafting of ERO standards affecting or potentially affecting reliability in the Eastern Interconnection and provide support for review and development of comments and propose improvements
- NPCC and its members will review and coordinate potential member’s comments on FERC staff informal assessments as appropriate
- Participate in pre-ballot reviews of ERO standards and provide consensus recommendations of the NPCC Members to the NERC Standards Drafting Team (SDT) and provide a list of any unaddressed issues to allow the Members to cast a ballot based on Regional concerns
- Review and identify issues on FERC Notice of Proposed Rulemakings for any and all standards related issues as appropriate
- Coordinate and evaluate proposed standards utilizing NPCC’s 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 such as the North American Generator Forum and North American Transmission Forum
 - Provide a forum for NPCC review of proposed and posted standards related documents from the NERC Critical Infrastructure Protection Committee (CIPC) and NPCC Task Force on Infrastructure Security and Technology (TFIST) such as but not limited to whitepapers and technical guidelines
 - 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 CIP, Balancing Authority Controls, 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”.
 - Provide continued insights 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, as needed, for conducting Quality Review activities on NERC continent-wide standards
 - Continue to develop new and innovative processes to better utilize the limited internal and external resources in the Region to enable sufficient technical review of posted standards and related materials
 - Support the ERO and the relationships with FERC and applicable provincial governmental authorities for standards development activities as necessary to accomplish the ERO’s strategic goals and objectives

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.
- Conduct reviews for opportunities to include Regional Standards as Variances into the associated NERC continent wide standards as they individually undergo Enhanced Periodic Reviews

3) Standards Improvement

- Achieve NPCC Northeastern North American 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
- Support 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
- Identify any emerging interconnection wide reliability issues which may need standards solutions and forward to the NERC Reliability Issues Steering Committee.
- Identify opportunities to increase reliability through the revision of standards and their associated requirements

4) 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

5) Opportunities for Process Improvement

- Review the NERC Standards Development Process for possible revisions to consider expedited standards development and cost effectiveness analysis and maintaining the ANSI accreditation for standards development
- Evaluate continuing usefulness of the Single Portal on the NERC website to provide answers to stakeholders' questions.
- 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 and implement 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, 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 Functional Model Advisory Group activities to refine functions, tasks and responsibilities of applicable entities as needed
- Solicit and provide outreach to FERC in future revisions to the Regional Standard Processes Manual

6) Communications

- Improve the 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 provided outreach, promote awareness and educate the industry on standards related activities
- Participate in consensus building activities and notification process(es) to engage stakeholders and provide notification to NPCC's subject matter experts 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 requirements and 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 ERO Enterprise.

The NPCC RSC works with the individual NERC standards developers to participate in outreach to the NPCC Region and coordination of issues at each NPCC RSC meeting. NPCC RSC also assists 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

NPCC will also participate in the development and revision of standards as directed by FERC, Canadian provincial and other regulatory and/or governmental authorities. NPCC will support these efforts as needed and potential revision of the NERC Interpretation process. The standards scheduled for revision will be delineated in the 2016 – 2018 NERC Reliability Standards Development Plan, and will be ready to be reviewed and revised throughout 2016.

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.

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2016.

Consultants and contracts

- Consultant and contractor costs are expected to decrease due to a full complement of staff and internal subject matter expertise to evaluate standards and criteria and fulfill all ERO delegated functions assigned to the Reliability Standards Program Area.

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2016 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures 2015 Budget & Projection, and 2016 Budget						
Reliability Standards						
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 1,425,578	\$ 1,425,578	\$ -	\$ 1,480,373	\$ 54,795	
Penalty Sanctions	30,552	30,552	-	7,046	(23,505)	
Total ERO Funding	\$ 1,456,129	\$ 1,456,129	\$ -	\$ 1,487,419	\$ 31,290	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 1,456,129	\$ 1,456,129	\$ -	\$ 1,487,419	\$ 31,290	
Expenses						
Personnel Expenses						
Salaries	\$ 535,458	\$ 535,458	\$ -	\$ 548,639	\$ 13,181	
Payroll Taxes	31,420	31,420	-	32,229	809	
Benefits	93,684	93,684	-	116,140	22,456	
Retirement Costs	85,075	85,075	-	61,950	(23,125)	
Total Personnel Expenses	\$ 745,638	\$ 745,638	\$ -	\$ 758,958	\$ 13,320	
Meeting Expenses						
Meetings	\$ 20,000	\$ 20,000	\$ -	\$ 20,000	\$ -	
Travel	115,000	115,000	-	125,000	10,000	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 135,000	\$ 135,000	\$ -	\$ 145,000	\$ 10,000	
Operating Expenses						
Consultants & Contracts	\$ 25,000	\$ 25,000	\$ -	\$ 10,000	\$ (15,000)	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 25,000	\$ 25,000	\$ -	\$ 10,000	\$ (15,000)	
Total Direct Expenses	\$ 905,638	\$ 905,638	\$ -	\$ 913,958	\$ 8,320	
Indirect Expenses	\$ 561,221	\$ 561,221	\$ -	\$ 584,695	\$ 23,475	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 1,466,858	\$ 1,466,858	\$ -	\$ 1,498,654	\$ 31,795	
Change in Assets	\$ (10,729)	\$ (10,729)	\$ -	\$ (11,234)	\$ (505)	
Fixed Assets						
Depreciation	\$ -	-	\$ -	-	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(10,729)	(10,729)	-	(11,234)	(505)	
Inc(Dec) in Fixed Assets (C)	(10,729)	(10,729)	-	(11,234)	(505)	
TOTAL BUDGET (=B+C)	\$ 1,456,129	\$ 1,456,129	\$ -	\$ 1,487,419	\$ 31,290	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 0	\$ -	\$ 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)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	16.00	16.00	0.00
Direct Expenses	\$5,440,048	\$5,367,667	(\$72,381)
Indirect Expenses	\$3,064,686	\$3,192,876	\$128,190
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	\$63,410	\$89,653	\$26,242
Total Funding Requirement	\$8,568,145	\$8,650,196	\$82,051

Program Scope and Functional Description

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

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

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

Compliance Implementation, Registration and Certification

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 guided 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 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 Monitoring Program

The Compliance Monitoring Program is charged with conducting both on-site and off-site compliance audits, spot checks, and guided self-certifications of NERC Reliability Standards in accordance with the NERC Rules of Procedure and associated NPCC procedures developed under the NPCC Compliance Implementation Program. The program supports the ERO standards program area roles and responsibilities, the 2016 ERO Strategic Plan and 2016-2018 Shared Business Plan and Budget Assumptions. NPCC's Compliance Monitoring Area provides supporting activities by implementation of the risk-based Compliance Monitoring and Enforcement Program (CMEP); and by use of consistent compliance monitoring practices focused on higher reliability risks. NPCC also support the ERO Enterprise learning effort, as well as NERC oversight of program implementation. In collaboration with NERC, NPCC supports the CIP V5 transition plans and related training with anticipated expansion in the number of registered entities that require guidance. Compliance engagements are performed on the basis of risk to the BES. The Entity Reliability Assessment (ERA) group performs an Inherent Risk Assessment of entities scheduled for a CMEP engagement and forwards results to the manager of compliance to develop a schedule. The yearly schedule is produced consistent with Risk Assessment of registered entities and the desired frequency of CMEP engagements. The schedule is posted annually on NERC and NPCC public websites. Flexibility may be used in the predefined frequency based on the risk assessment and performance based assessment of each entity scheduled for an audit, and changes requiring certification. The CMEP engagement may be in the form of an audit, spot check or guided self-certification and are led by qualified

senior NPCC Staff. Findings include the identification of any possible violations. Contents and processing of audit and spot check reports are in accordance with NERC directives for reporting. Specific lessons learned are factored into the program to promote continuous improvement and are presented at workshops in conjunction with the Compliance Implementation Program. An annual comprehensive spot-check program is established based on the NERC and NPCC Risk Elements, NPCC's assessment of 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 Entity Risk Assessment

The Entity Risk Assessment group conducts activity that is the basis for CMEP engagement scoping. They conduct an entity's Inherent Risk Assessment prior to scoping the compliance engagement to determine which CMEP tool will be used.

Entity risk also includes an assessment of an entity's Internal Controls which is used for further reducing requirements of the engagement. Internal Controls Evaluation (ICE) is voluntary and must be agreed to by the entity.

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 utilizing a risk-based compliance enforcement approach, 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;
- d) Identifying and processing candidates for the FFT Process;
- e) Administer both the compliance exception process and the self-logging process for identified minimal violations;
- 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 the risk-based compliance enforcement model including :
 - a. 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”);
- i) Utilizing the Compliance Exception Process; and
- j) Utilizing the Self-Logging Process; and
- k) Develop and monitor a set of enforcement metrics that support NERC’s Strategic Plan and Oversight Program

2016 Key Assumptions and Cost Impacts

2015	Projected 2016
4 Large On-Site Audits	4 Large On-Site Audits
0 Medium On-Site Audits	0 Medium On-Site Audits
3 Small On-Site Audits	0 Small On-Site Audits
4 On-Site CIP Audits	9 On-Site CIP Audits
8 Large Off-Site Audits	5 Large Off-Site Audits
21 Medium Off-Site Audits	15 Medium Off-Site Audits
10 Small Off-Site Audits	10 Small Off-Site Audits
24 Off-Site CIP Audits	24 Off-Site CIP Audits
350 Spot Checks	150 Spot Checks
4 TFE Part B reviews	4 TFE Part B Reviews
200 Violations (Estimated)	100 Violations (Estimated)
Settlements Covering 100 Violations	Settlements Covering 100 Violations
2 Hearings (Unbudgeted)	2 Hearings (Unbudgeted)
1 CI (Estimated)	1 CI (Estimated)
2 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 four on-site reviews will be performed in 2016.

- Decrease in audit costs reflects Risk Assessment activity that is the basis for entity engagement scoping. The Risk Assessment includes an assessment of an entity's Internal Controls which is used for future reduction in engagement scoping and frequency of engagements.
- Potential increases due to the newly identified role related to implementing the QCMEP in Quebec and the continuing role of implementing the NB CMEP in New Brunswick.
- The 2016 Business Plan projects no increases in Enforcement Processing activities over the 2015 Budget.
- The 2016 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)

2016 Goals and Key Deliverables

- Conduct 2016 CMEP consistent with a risk-based compliance monitoring and enforcement model, assessing Inherent Risk Assessment; conducting voluntary Internal Control Evaluation; and expanding the use of compliance exceptions and the self-logging program for disposition of minimal violations. The CMEP would monitor and enforce all applicable NERC Reliability Standards and applicable Regional Reliability Standards.
 - Continue to process identified violations as effectively as possible, including the timely identification of a violation and its disposition method (e.g. compliance exceptions; FFT; etc.), and the timely issuance of appropriate notification to the registered entity and NERC;
 - Continue to implement settlement process when applicable and send proper notifications to NERC and FERC and continue to enhance the settlement process by modifying existing practices and adopting new practices to reduce the duration of settlement negotiations without sacrificing the rigor and quality of the negotiated settlements;
 - Develop and analyze appropriate performance metrics that track settlement process duration and utilize results of analysis to further enhance process.
 - Conduct necessary Hearings related to resolution of outstanding disputes regarding violations and/or sanctions. Send results of hearings to NERC and FERC.
- Implement compliance responsibilities identified in the approved Canadian MOUs;
- Annual report to NERC and Régie on NPCC implementation of QCMEP
- Annual report to NERC and New Brunswick Electric Utility Board (NBEUB) on NPCC implementation of NB CMEP.
- Review and revise NPCC Compliance Registry based on FERC approved risk-based approach ;
- 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 strategy;
- Provide NPCC Regional Entity input, through participation in appropriate NERC compliance committees, on policy and implementation issues related to compliance and enforcement including the development of compliance elements for all new or revised NERC Reliability Standards;

- Provide required information to NERC on a timely basis including reporting of alleged violations and confirmed violations
- Track the progress of, report status of, and approve mitigation plans and mitigating activities;
- Conduct 2016 Compliance Engagement Schedule based on risk to the BES and number of registered entities and promote RAI initiatives by:
 - Utilizing the Audit Checklist and Auditor’s Handbook for all on-site and off-site audits
 - Preparing an Inherent Risk Assessment for all scheduled engagements and Internal Control Assessment for all entities that volunteer for one;
- On-site CIP audits may be combined with scheduled 2016 on-site audits;
- Assure that NPCC Staff is trained to conduct Entity Risk Assessment and CMEP engagements including CIP Compliance Audit training;
- Assure that NPCC Staff is trained to conduct Certification of entities intending to Register as BA, RC or TOP for the first time, or Certification Reviews of changes by existing BAs, RCs or TOPs that meet the criteria requiring a Certification Review;
- Continue to implement compliance reform consistent with a risk-based approach by being an integral participant in committees and workgroups that are involved in the development of polices related to the implementation of a risk-based compliance and enforcement model;
- Continue to expand the utilization of compliance exception and self-logging, as it relates to the processing of minimal violations;
- NPCC will collaborate with NERC to promote better coordination, planning, delivery and management of training efforts across the enterprise through a unified learning management system (LMS), without adversely impacting region-specific training requirements;
- Continue to implement physical security outreach and cyber security outreach by visiting registered entity sites to perform an assessment of their physical security, evaluate their cyber security and supply recommendations for improvements;
- Enhance the CDAA to expand its capabilities from both the registered entity perspective and the NPCC Compliance staff perspective;
- Conduct 2016 Compliance Workshops and interim information sessions for registered entities as necessary as a part of Training and Education program area.
- Continue to promote practices to enhance the benefits of the self-reporting of violations by the registered entity. This could include the emphasis on the benefits of a registered entity improving its internal processes used for identifying and submitting self-reports improvement in the way Regional Entities process self-reports and the streamlining and standardizing of the amount and type of data needed to evaluate a self-report.

Based on the portion of professional/technical staff time and other resources devoted to Compliance monitoring and enforcement and organizational registration and certification, NPCC estimates that it will expend 58 percent of its resources on this activity.

Resource Requirements**Personnel**

- NPCC anticipates no need to hire additional personnel in this program area in 2016.

Consultants and contracts

- In 2016, contractor costs will decrease due to the implementation of the risk-based approach in 2015. With a risk and performance based assessment of each registered entity, compliance engagements will transition to a periodicity more reflective of the risk profile of the entity such that some will result in audits which are more in-depth while others may have a reduced scope which will result in spot checks or guided self-certifications.

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 2016 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures						
2015 Budget & Projection, and 2016 Budget						
Compliance Monitoring and Enforcement and Organization Registration and Certification						
	2015	2015	Variance	2016	Variance	
	Budget	Projection	2015 Projection	Budget	2016 Budget	
			v 2015 Budget		v 2015 Budget	
			Over(Under)		Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 8,401,311	\$ 8,401,311	\$ -	\$ 8,611,718	\$ 210,407	
Penalty Sanctions	166,834	166,834	-	38,478	(128,356)	
Total ERO Funding	\$ 8,568,145	\$ 8,568,145	\$ -	\$ 8,650,196	\$ 82,051	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 8,568,145	\$ 8,568,145	\$ -	\$ 8,650,196	\$ 82,051	
Expenses						
Personnel Expenses						
Salaries	\$ 2,393,832	\$ 2,393,832	\$ -	\$ 2,494,251	\$ 100,419	
Payroll Taxes	162,511	162,511	-	166,018	3,506	
Benefits	479,499	479,499	-	491,904	12,405	
Retirement Costs	284,206	284,206	-	268,494	(15,711)	
Total Personnel Expenses	\$ 3,320,048	\$ 3,320,048	\$ -	\$ 3,420,667	\$ 100,619	
Meeting Expenses						
Meetings	\$ 32,000	\$ 32,000	\$ -	\$ 32,000	\$ -	
Travel	360,000	360,000	-	355,000	(5,000)	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 392,000	\$ 392,000	\$ -	\$ 387,000	\$ (5,000)	
Operating Expenses						
Consultants & Contracts	\$ 1,728,000	\$ 1,728,000	\$ -	\$ 1,560,000	\$ (168,000)	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 1,728,000	\$ 1,728,000	\$ -	\$ 1,560,000	\$ (168,000)	
Total Direct Expenses	\$ 5,440,048	\$ 5,440,048	\$ -	\$ 5,367,667	\$ (72,381)	
Indirect Expenses	\$ 3,064,686	\$ 3,064,686	\$ -	\$ 3,192,876	\$ 128,190	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 8,504,735	\$ 8,504,735	\$ -	\$ 8,560,543	\$ 55,809	
Change in Assets	\$ 63,410	\$ 63,410	\$ -	\$ 89,653	\$ 26,242	
Fixed Assets						
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	
Computer & Software CapEx	122,000	122,000	-	151,000	29,000	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(58,590)	(58,590)	-	(61,347)	(2,758)	
Inc(Dec) in Fixed Assets (C)	63,410	63,410	-	89,653	26,242	
TOTAL BUDGET (=B+C)	\$ 8,568,145	\$ 8,568,145	\$ -	\$ 8,650,196	\$ 82,051	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ (0)	\$ -	\$ -	\$ (0)	

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources			
(in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	5.83	5.83	0.00
Direct Expenses	\$1,958,577	\$2,030,523	\$71,946
Indirect Expenses	\$1,116,695	\$1,163,404	\$46,709
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$21,349)	(\$22,353)	(\$1,005)
Total Funding Requirement	\$3,053,923	\$3,171,574	\$117,651

Program Scope and Functional Description

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

- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserves; and,
- Assessing the impact of planned transmission and resource additions or modifications on NPCC system reliability.

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

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

2016 Key Assumptions

Key focus area activities include:

Management of the Bulk Electric System exception process execution, technical validation of the definition and exception requests, self-determined notification submittals, periodic reviews of network changes affecting Bulk Electric System determinations, as reliability assessment and performance analysis, including:

- ✓ In collaboration with NERC, development and implementation of expanded and enhanced enterprise-based data collection and analysis systems and capabilities for performance analyses;
- ✓ Support of the integration of RAPA information systems for assessments and associated data requirements, with focus on independent and technically sound reliability

assessments supporting delivery of high quality reports (e.g., Long-Term Reliability Assessment, seasonal assessments, special or scenario assessments, and State of Reliability Report);

- In collaboration with NERC, development of assessment and performance analysis techniques as well as resource capabilities and tools, including probabilistic and scenario evaluations, which address the impacts of new technologies, changing resource or demand resource composition, and environmental related regulations or legislation;
- Support for ERO activities to identify key reliability risks and appropriate risk control projects designed to enhance reliability or mitigate risks.
- Support for the development of long-term sustainable Interconnection-based models that exhibit the accuracy and fidelity reflecting actual Bulk Power System reliability performance and dynamic conditions (these models will integrate needed elements that address reliability behavior of changing resource mix and technology of both generation and loads), including:
 - In collaboration with NERC, development and tracking of metrics that demonstrate the accuracy of the powerflow and dynamics models to replicate actual system conditions and reliability behavior;
 - Support for the compilation and of long-term sustainable interconnection-wide powerflow and dynamics cases under Reliability Standards MOD-032 and MOD-033;
 - In collaboration with NERC, development and tracking of metrics associated with Essential Reliability Services;

In addition, NPCC supports:

- Development of NERC's Reliability Assessment Data System (RADS), for the reporting and validation of the NERC Reliability Assessment Subcommittee Seasonal and Long-Term Reliability Assessment data requirements.
- 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 and model validation activities. Specialized contractors may be used to complete detailed analysis to support model data collection and validation;
- Support of proposed NERC PMO IT deployments; and,
- Provide support and technical input for related BES risks identified by the NERC Reliability Issues Steering Committee (RISC) and Essential Reliability Services Task force.

Definition of the Bulk Electric System (BES)

Implementation of the July 1, 2014 Bulk Electric System (BES) definition and Exception Process is not expected to significantly impact resources requirements in this program area for 2016.

Eastern Interconnection Reliability Assessment Group

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. The assessment-related activities indicated for the ERAG Management and Steering Committees below, are done in support of ERO Goal 4a. ("4a. Risks

are identified and prioritized based on reliability impacts, cost and practicality of assessments, projected resources, and emerging issues.”) 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). The base case compilation and development-related activities indicated for the ERAG Management and MMWG below, are done in support of ERO Goal 4d. (“4d. Reliability models and data accurately represent system behavior and are shared among stakeholders.”) NPCC participates in the ERAG activities as one of the six Eastern Interconnection Regional Entities.

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

Management Committee Activities

- ✓ Oversee the steady state and dynamic simulation base case data compilation and development;
- ✓ Oversee ERAG Multi-Regional Modeling Working Group (MMWG) changes to the dynamics base cases;
- ✓ Oversee MMWG effort to use NERC Governor Survey and actual multiple frequency drop event analysis to make necessary changes to the modeling of governor-turbine control systems to achieve frequency response that more closely reflects actual response during system frequency deviation events.
- ✓ Oversee the ERAG 2016 Summer and 2016-2017 Winter Assessments, (NPCC) Assessments of anticipated inter-Regional, inter-Balancing Authority transfer limit conditions and sensitivities. Consider different assessment approaches to enhance the way assessments are conducted. Coordinate the effort with NERC Assessment Program staff;
- ✓ Develop ERAG Strategic Direction (i.e. anticipated new developments in MMWG process and system assessments); Resolve any issues with application of the ERAG MMWG non-disclosure agreement process so that base cases and assessments have sufficient protections in place for use and transmittal of confidential data and information; and
- ✓ Develop and approve the ERAG activity budgets.

Multi-Regional Modeling Working Group Items

- ✓ Complete the steady state and dynamic simulation base case data compilation and development for the 2016 series of cases. This will include 12 steady state base cases and 8 dynamic simulation base cases;
- ✓ Check and confirm that the dynamic model data passes all applicable checks and acceptance criteria. Include 60 second steady state simulation of each case to detect numerical errors; and,
- ✓ Apply changes to the MMWG dynamics case so they are available for interconnection dynamics studies.
- ✓ Incorporate dispatch information into the future and seasonal ERAG MMWG base cases so that the dispatches are more closely aligned with economic dispatch practices;
- ✓ Determine how the Regional MMWG case development processes will change due to the use of the new web-based System Dynamics Data Base program;

- ✓ 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;
- ✓ Continue the effort to use NERC Governor Survey and actual multiple frequency drop event analysis to make necessary changes to the modeling of governor-turbine control systems to achieve frequency response that more closely reflects actual response during system frequency deviation events;
- ✓ Apply MMWG base case non-disclosure agreement process so that MMWG cases continue to have sufficient protections in place for use and transmittal of confidential data and information.
- ✓ Verify that procedures in the MMWG manual are followed;

System Assessments Items

- ✓ Conduct the ERAG 2016 Summer and 2016-2017 Winter Assessments and prepare the ERAG Assessment Reports, including, the Assessments of anticipated inter-Regional, inter-Balancing Authority transfer limit conditions and sensitivities;
- ✓ Consider different assessment approaches to enhance the way assessments are conducted; and,
- ✓ Coordinate Assessment efforts with NERC Assessment Program staff to incorporate any risk-based or other approaches to supplement NERC Assessments.

NERC

NPCC will provide the Regional perspective with judicious NPCC RAPA staff participation on selective NERC Planning and Operating Committees and key related NERC Subcommittees, Task Forces and Working Groups which could include:

- ✓ 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 2016 NERC Long-Term Reliability Assessment through the NPCC 2016 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.

As well as:

- ✓ 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 Essential Reliability Services Task Force (e.g., environmental requirements, gas-electric system interdependency, distributed generation, reactive support, 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 2016 NERC Seasonal (and post Seasonal) Reliability Assessments; and,
- ✓ Completing the 2016 NERC Long-Term Reliability Assessment.
- ✓ Completing the 2016 NERC Probabilistic Assessment.

2016 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:

- Initiate reviews of NPCC Directory No. 1 “Design and Operation of the Bulk Power System”, of other NPCC standards, criteria, guidelines, and procedures related to planning, and of those documents which provide for the uniform implementation, interpretation and monitoring of compliance with standards, criteria, guidelines and procedures related to planning. These reviews will be coordinated with the other Task Forces, based on a schedule set forth in the NPCC Reliability Assessment Program (NRAP).
- Initiate reviews of any documents in response to lessons learned from major system events as relates to planning.
- Review the adequacy of the NPCC Areas to supply load in accordance with NPCC Directory No. 1 Appendix D, “Guidelines for Area Review of Resource Adequacy”, based on a schedule set forth in the NRAP.
- Coordinate the review of future Area plans for compliance with Directory No. 1 including an analysis of resource and transmission system additions, and the potential inter-Area effects of special protection systems, based on a schedule set forth in the NRAP. Specific projects, which could have an impact on the reliability of the NPCC bulk power system, may be reviewed outside of the set schedule.

- Coordinate the review of proposed new, modified and retired special protection systems in accordance with the NPCC Directory No 7, Appendix B, “Procedure for the Review of a Special Protection Systems”.
- Maintain close liaison and coordination with other task forces of the NPCC and the adjoining councils, with reference to system planning activities.
- Review the implications of various reliability related issues and make recommendations to the Reliability Coordinating Committee as appropriate.
- Encourage Area planning organizations to initiate inter-Area and interregional studies where improved reliability may be achievable through joint planning.
- Establish working groups, and approve the Scopes and Terms of Reference of such groups; initiate studies, including joint efforts with other task forces as appropriate, relative to the overall reliability of the planned bulk power system. Monitor the progress of these Working Groups.
- Assess requests by member systems for exclusions in accordance with the NPCC Directory No. 1, Appendix E, “Guidelines for Requesting Exclusions to Sections 5.4.1 (B) and 5.5.1 (B) of NPCC Directory No. 1 - Design and Operation of the Bulk Power System”, and make recommendations to the Reliability Coordinating Committee regarding such requests.
- Interface with and provide information to the North American Electric Reliability Corporation (NERC) committees, subcommittees and working groups, as required. Ensure NPCC Standards and Criteria are consistent with the NERC requirements as set forth in their Reliability Standards.
- Coordinate NPCC responses to related FERC and regulatory/governmental agencies. Ensure NPCC Standards and Criteria are reviewed with respect to approved governmental regulatory orders.
- Assess use of emerging technologies for consistency with current best reliability practices.
- Report to the Reliability Coordinating Committee on these and other matters as required.
- Meet the obligations required of the TFCP as detailed in the Criteria, Guides, and Procedures, and as set forth in the committee’s work plan.

Key TFCP Reliability Assessment and Performance Analysis Deliverables

- ✓ Coordinate 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.
- ✓ Coordinate the development of additional Criteria as necessary, and track any new and developing standards through the Regional Standards Committee (RSC).
- ✓ Monitor the development of Bulk Power System (BPS) Regional Standard.
- ✓ Monitor the actions of the NERC Systems Analysis and Modeling Subcommittee (SAMS) in the areas of resource adequacy, system protection and system control.
- ✓ Oversee the Revised A-10 BPS Implementation Plan (dated December 1, 2009).
- ✓ Oversee and evaluate the annual NPCC Long Range Adequacy Overview (LRAO) and associated NERC ProbA review.
- ✓ Evaluate and approve Area Transmission Adequacy Reviews.
- ✓ Coordinate, monitor, review, and make 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 practice within the NPCC for the use of an SPS with input from the other task force groups.
- ✓ Monitor industry practices and make recommendations to NPCC on transmission adequacy standards related to intermittent generation such as wind or solar photovoltaic
- ✓ Coordinate to ensure that further UVLS analysis beyond the initial feasibility/screening study is completed according to schedules set by the RCC and the NERC Planning Committee.
- ✓ Evaluate and approve Area Resource Adequacy Assessment Reviews.
- ✓ Monitor the actions of applicable NERC Subcommittees in the areas of resource adequacy, system protection and system control.
- ✓ Review the load shape assumption used in NPCC Multi-Area Probabilistic Reliability Assessments.
- ✓ Monitor the developments in fuel supply, demand resources, energy efficiency, and conservation methods including all intermittent renewable resources, which can include embedded distributed resources.
- ✓ Monitor the process for the annual review of the NPCC Load, Capacity, Energy, Fuel and Transmission Report (LCEF&T).
- ✓ Facilitate Wide-Area Planning through participation in regional activities and coordinate inter-Area reliability analysis.
- ✓ Review Events Analysis Lessons Learned using the Events Analysis discussion/review template.

Task Force on System Studies

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

TFSS activities 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.

Key TFSS Reliability Assessment and Performance Analysis Deliverables:

- ✓ Review and recommend approval of Area Transmission Reviews, in accordance with the “Guidelines and Procedures for NPCC Area Transmission Reviews” (Appendix B of Directory No. 1), based on material presented by the Areas. These reviews will assess the impact of planned transmission and resource additions or modifications on system reliability, and determine the Area’s conformance with the Basic Criteria. Through the Area Transmission Reviews, re-evaluate the performance and classification of existing SPSs and Dynamic Control Systems as appropriate.
- ✓ Review and classify new and modified Special Protection Systems, in accordance with the Appendix B of NPCC Directory No. 7, “Special Protection Systems.”
- ✓ Implement A-10: a. Review and recommend approval of changes to the NPCC list of bulk power system elements, in accordance with the “*Classification of Bulk Power System Elements*” (Document A-10).
- ✓ Update the NPCC Bulk Power System (A-10) List.
- ✓ Through the SS-37 Working Group:
 - Annually develop a library of power flow base cases and associated dynamic models for use by authorized NPCC members. The models will also be used to support the development of the MMWG library of power flow and dynamic cases and databases for the Eastern Interconnection
 - i. Final NPCC power flow models developed each year in support of Multiregional Modeling Working Group (MMWG) schedule
 - ii. Final NPCC dynamic models developed each year in support of MMWG schedule

- On an as needed basis, update SS-37 Procedure Manual and other SS-37 documents including the Master Tie-line Data and Interchange Schedule
- On an as needed basis by TFSS, provide mid-term updates to the ten-year-out cases in the NPCC/MMWG Library
- ✓ Through the SS-38 Load Modeling Working Group (LMWG)
 - Investigate the use of dynamic load models for transient stability studies:
 - Following up on recommendation No. 3 of the SS-38 Load Modeling White Paper, the LMWG will further investigate the most appropriate load model for transient stability studies. The LMWG will:
 - Focus on load behavior during large system disturbances that involve large frequency, voltage, and angle excursions.
 - Determine the impact of load modeling variations on inter-area dynamics via large scale transient stability simulations. Continue investigation of the impact that dynamic load models may have on the transfer capability across the system.
 - Recommend whether to develop improved models for use in analysis of major disturbances or to develop appropriate models at the time of analyzing a disturbance.
 - Initiate a load survey to improve the accuracy of dynamic load model data:
 - The LMWG will initiate a load survey to follow up on recommendation #1 of the SS-38 Load Modeling White Paper. This survey will:
 - ✓ take into account various loading conditions (e.g. peak and light load);
 - ✓ obtain the breakdown of the customer types in each area (e.g. residential, commercial, industrial); and,
 - ✓ also obtain further breakdown on the load type within each customer type (e.g. air conditioner, heating, lighting load).
 - Investigate the use of load monitoring equipment to aid in the benchmarking of dynamic load models used in transient stability studies:
 - The LMWG will perform this task to address recommendation No. 2 of the SS-38 Load Modeling White Paper. Load monitoring devices will help benchmark the dynamic load models used for simulations. The LMWG will consider the following:
 - ✓ Investigate the feasibility and cost effectiveness of installing high-sampling load monitoring devices throughout the NPCC system. These devices include PQ meters, synchro-phasors and dynamic disturbance recorders.
 - ✓ The most ideal locations to install these devices.

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:

- ✓ Assess proposed protection systems and special protection systems for compliance with Directory No. 4 and Directory No. 7
- ✓ Review and analyze the performance of protection systems of power system disturbances, lessons learned, 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). Issue recommendations for changes to NPCC Documents and lessons learned, as appropriate. Provide support to the NERC Event Analysis Coordinating Group as required.
- ✓ Provide formal review and response for all NERC lessons learned as requested by the RCC. Issue recommendations for changes to NPCC Documents, as appropriate.
- ✓ Participate or serve as lead Task Force in the implementation of applicable Regional Reliability Standards.
- ✓ Participate as required in the ongoing development and submission of NPCC inputs/comments into the development of protection related NERC Reliability Standards.
- ✓ Maintain ongoing log of protection relay failures
- ✓ Through the SP-7 Working Group, review protection system misoperations as they occurred in the NPCC Region and participate in providing the NPCC input for NERC Metric ALR4-1 (M-9) Correct Protection System Operations.
- ✓ 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.
- ✓ Oversee NPCC implementation of the new NERC SPS/RAS Operations/Misoperations Reporting Template.

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.

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 Simultaneous Activation of Reserve process.
- ✓ Prepare and conduct the spring and autumn NPCC System Operator Seminars. Provide recommendations to enhance the programs.
- ✓ Implement training program changes as required by PER-005, “System Personnel Training.”
- ✓ Develop and securely disseminate the annual compilation of “Facilities for Notification.”
- ✓ Present to the TFCO an annual summary of operating tool failures and lessons learned for the preceding year.
- ✓ Complete an annual review of the RC area restoration plans.
- ✓ Support an annual enhanced, wide area restoration drill among the Reliability Coordinator areas of NPCC and their neighboring Reliability Coordinators.
- ✓ Assess the dependency of successful system operations on current telecommunication systems.
- ✓ Conduct the CO-12 seasonal NPCC Reliability Assessment and incorporate the multi-area probabilistic simulation results developed by NPCC Working Group CP-8 in each assessment. Coordinate the results of the CO-12 assessments with the corresponding NERC RAS Seasonal Assessments and provide NPCC input into the corresponding NERC RAS Seasonal Assessment.
- ✓ Provide assistance to the NERC event analysis process. Evaluate the operational applicability of Lessons Learned from the NERC event analysis process.

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.

Resource Requirements**Personnel**

- NPCC anticipates no need to hire additional personnel in this program area in 2016.

Consultants and contracts

- Increase in RAPA consultant costs associated with supporting proposed Regional expanded assessment and performance analyses. A portion of the increase is offset by a slight decrease in consultant involvement related to expected processing of BES Exception Requests and Self-Determined Notifications.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2016 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures						
2015 Budget & Projection, and 2016 Budget						
Reliability Assessment and Performance Analysis						
	2015	2015	Variance	2016	Variance	
	Budget	Projection	2015 Projection	Budget	2016 Budget	
			v 2015 Budget		v 2015 Budget	
			Over(Under)		Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 2,993,133	\$ 2,993,133	\$ -	\$ 3,157,554	\$ 164,420	
Penalty Sanctions	60,790	60,790	-	14,020	(46,770)	
Total ERO Funding	\$ 3,053,923	\$ 3,053,923	\$ -	\$ 3,171,574	\$ 117,651	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 3,053,923	\$ 3,053,923	\$ -	\$ 3,171,574	\$ 117,651	
Expenses						
Personnel Expenses						
Salaries	\$ 937,098	\$ 937,098	\$ -	\$ 1,031,149	\$ 94,050	
Payroll Taxes	61,387	61,387	-	64,284	2,897	
Benefits	196,252	196,252	-	212,345	16,094	
Retirement Costs	172,840	172,840	-	116,395	(56,444)	
Total Personnel Expenses	\$ 1,367,577	\$ 1,367,577	\$ -	\$ 1,424,173	\$ 56,596	
Meeting Expenses						
Meetings	\$ 41,000	\$ 41,000	\$ -	\$ 45,000	\$ 4,000	
Travel	185,000	185,000	-	186,850	1,850	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 226,000	\$ 226,000	\$ -	\$ 231,850	\$ 5,850	
Operating Expenses						
Consultants & Contracts	\$ 365,000	\$ 365,000	\$ -	\$ 374,500	\$ 9,500	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 365,000	\$ 365,000	\$ -	\$ 374,500	\$ 9,500	
Total Direct Expenses	\$ 1,958,577	\$ 1,958,577	\$ -	\$ 2,030,523	\$ 71,946	
Indirect Expenses	\$ 1,116,695	\$ 1,116,695	\$ -	\$ 1,163,404	\$ 46,709	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 3,075,272	\$ 3,075,272	\$ -	\$ 3,193,927	\$ 118,656	
Change in Assets	\$ (21,349)	\$ (21,349)	\$ -	\$ (22,353)	\$ (1,005)	
Fixed Assets						
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(21,349)	(21,349)	-	(22,353)	(1,005)	
Inc(Dec) in Fixed Assets (C)	(21,349)	(21,349)	-	(22,353)	(1,005)	
TOTAL BUDGET (=B+C)	3,053,923	3,053,923	-	3,171,574	117,651	
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)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	0.10	0.10	0.00
Direct Expenses	\$180,222	\$200,384	\$20,162
Indirect Expenses	\$19,154	\$19,955	\$801
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$366)	(\$383)	(\$17)
Total Funding Requirement	\$199,010	\$219,956	\$20,946

Program Scope and Functional Description

The NPCC Training, Education, and Operator Certification program supports NERC Rules of Procedure Section 900. The program provides education and training necessary to understand and operate the bulk electric system. The target audience of the program is bulk power system operating personnel - including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, and training personnel. NPCC staff training and development is incorporated within each respective program area.

Training Program Background and Description

This NPCC Program establishes and coordinates training for system operators relating to inter-Reliability Coordinator area matters, criteria, terminology, standards and operating procedures and instructions. It includes development and execution training seminars, held twice yearly, at which: 1) potential operational problems for the coming season are discussed, 2) the implementation of NPCC Directories and NERC Standards are discussed, 3) significant disturbances are reviewed for lessons learned and 4) table-top drills and communication and coordination exercises are conducted. The seminars promote camaraderie and better communication among system operators from the NPCC Reliability Coordinator (RC) areas and the Nova Scotia Balancing Authority (BA) area.

This Program also provides for: 1) sharing of existing training techniques and methods, 2) evaluation of new techniques and training aids as they become available; 3) opportunities to consolidate training among the NPCC RCs and BAs, which includes opportunities to share training material and training sessions and 4) exchange of information on internal methods of system operator selection and training. The training activities indicated below are done in support of ERG Goal 5b. (“5b. The ERO Enterprise acquires, engages, and retains highly qualified talent suited to the mission.”)

Funding Drivers and Reliability Benefits

- Provide two high-quality continuing education seminars for system operators
 - System operators participating in the Seminars: 1) get exposure to NPCC issues and current industry operations topics, 2) review recent NPCC or major external disturbances, 3) discuss projected conditions for the coming summer or winter peak season, 4) review key operations-related content in NPCC Directories and NERC Standards, and 5) participate in hands on “table top exercises” pertaining

- to system operation practices. PJM system operators and trainers are also invited to and normally attend and participate in these seminars.
- Seminar attendees also receive Continuing Education Hours (CEHs) and operator trainers from each RC / BA 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 contact among operators
 - Continually 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.
 - Enhance the system operator's awareness and knowledge of the standards, criteria and procedures they apply in real time operation.
 - Provide more sharing of new training approaches, exchange of information on internal methods of system operator selection, training material and training sessions.
 - Enhance efficiency and cost savings in the training programs in the NPCC RC / BA areas
 - Provide a forum among NPCC RC/BA areas for sharing of approaches to meet the requirements of the NERC PER standards. The sharing of approaches used by some NPCC Areas to address any changes needed to existing system operator training programs due to PER-005-2 requirements is valuable to CO-2 Working Group members.
 - 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.
 - NPCC will conduct two Standards and Compliance workshops in 2016, 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).

2016 Key Assumptions

NPCC regularly conducts seminars as well as Spring and Fall Standards and Compliance workshops specifically designed, primarily through the conduct of targeted breakout class room sessions and presentations on current industry related activities, to provide for the most efficient exchange of information between the NPCC Compliance and Standards Staff and the NPCC Stakeholders. Presentations in the past have been conducted by FERC, NERC and Stakeholder representatives in addition to NPCC Staff members. To supplement these workshops, NPCC is also considering expanding the use of on-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 RC/BA 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.

2016 Goals and Key Deliverables

- Prepare and conduct the 2016 spring and autumn NPCC System Operator Seminars
- 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, to meet the requirements generated by PER-005-2, as necessary.
- 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.

Resource Requirements**Personnel**

- NPCC anticipates no need to hire additional personnel in this program area in 2016.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2016 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures						
2015 Budget & Projection, and 2016 Budget						
Training, Education, and Operator Certification						
	2015	2015	Variance	2016	Variance	
	Budget	Projection	2015 Projection v 2015 Budget Over(Under)	Budget	2016 Budget v 2015 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 133,967	\$ 133,967	\$ -	\$ 155,715	\$ 21,748	
Penalty Sanctions	1,043	1,043	-	240	(802)	
Total ERO Funding	\$ 135,010	\$ 135,010	\$ -	\$ 155,956	\$ 20,946	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	64,000	64,000	-	64,000	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 199,010	\$ 199,010	\$ -	\$ 219,956	\$ 20,946	
Expenses						
Personnel Expenses						
Salaries	\$ 18,460	\$ 18,460	\$ -	\$ 19,073	\$ 613	
Payroll Taxes	1,274	1,274	-	1,311	37	
Benefits	4,052	4,052	-	5,452	1,400	
Retirement Costs	4,436	4,436	-	2,397	(2,038)	
Total Personnel Expenses	\$ 28,222	\$ 28,222	\$ -	\$ 28,234	\$ 12	
Meeting Expenses						
Meetings	\$ 137,000	\$ 137,000	\$ -	\$ 157,000	\$ 20,000	
Travel	15,000	15,000	-	15,150	150	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 152,000	\$ 152,000	\$ -	\$ 172,150	\$ 20,150	
Operating Expenses						
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Direct Expenses	\$ 180,222	\$ 180,222	\$ -	\$ 200,384	\$ 20,162	
Indirect Expenses	\$ 19,154	\$ 19,154	\$ -	\$ 19,955	\$ 801	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 199,376	\$ 199,376	\$ -	\$ 220,339	\$ 20,964	
Change in Assets	\$ (366)	\$ (366)	\$ -	\$ (383)	\$ (17)	
Fixed Assets						
Depreciation	\$ -	-	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(366)	(366)	-	(383)	(17)	
Inc(Dec) in Fixed Assets (C)	(366)	(366)	-	(383)	(17)	
TOTAL BUDGET (=B+C)	199,010	199,010	-	219,956	20,946	
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)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Direct Expenses	\$937,689	\$956,690	\$19,002
Indirect Expenses	\$574,629	\$598,664	\$24,036
Other Non-Operating Expenses	\$0	\$0	\$0
Inc(Dec) in Fixed Assets	(\$10,986)	(\$11,503)	(\$517)
Total Funding Requirement	\$1,501,332	\$1,543,852	\$42,520

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 Program

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

The Event Analysis Program recognizes that many events which occur on the bulk power system beyond those identified through NERC Reliability Standard EOP-004-2, "Event Reporting," can have varying levels of significance to the electric system, providing otherwise unrealized lessons to be learned from these events and the trending of such events to identify possible reliability concerns. By integrating a "bottom-up" approach to a disturbance review within the framework of the NERC Event Analysis Program, consistency, comparability, flexibility and timeliness in the event analysis process will be promoted by NPCC, the registered entities and NERC in a collaborative initiative. Upon the identification of an event, the goal of the Event Analysis Program is to:

- identify what transpired;
- categorize the event within the NERC Event Analysis Program;
- establish the sequence of events;
- understand the essential root causes of the event;
- identify recommendations or corrective actions; and

- develop and disseminate to the industry lessons to be learned so that the operational reliability of the bulk power system can be further enhanced.

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

To complete this effort, the entity, the Region and NERC staff will collaborate to assess the NERC Event Analysis Report and perform a formal cause code analysis, identifying a root cause and 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 risks to the reliability of the bulk power system for detailed and in depth analysis; only concise and succinct reviews are desired for more minor events. It also delineates the expectations of roles and responsibilities of the registered entities, NPCC and NERC in a uniform review of system disturbances by the industry, and, ultimately, the program promotes the timely development and dissemination of valuable lessons learned to the industry. The identification and tracking of emerging common risks through the assessment of events will further distinguish trends which may be of concern to reliability. By rigorously pursuing the lesser events on the system and learning from these disturbances, 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.

Situational Awareness

Operational Status

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 Contrôle de mouvements d'énergie (HQCME, a division of 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 also 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 levels of 230 kV and above are displayed, and the tool provides the ability to “drill down” to detailed bus information, including generation outputs and bus voltages.

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), permitting continued cross-border voice communications 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 2016 critical infrastructure goals and objectives, supporting ERO Goal 4.c.:

- 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-8
- Coordinate Cyber Protection activities, discussions and hold workshops as may be required to maintain Cyber Security of BES Cyber Assets.
- Provide continued support and participation in NERC's Critical Infrastructure Protection Committee (CIPC)
- 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 membership
- Regarding the Cross Border Emergency Telecommunications recommendation
 - Continue to annually report to RCC on this testing
 - Continue to support CO-8's monthly testing

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

2016 Key Assumptions

- The monitoring of Lessons Learned will be a major focus of NERC in 2016.
- Critical infrastructure protection will fully integrate the requirements of version 5 of the Cyber Standards in 2016.

2016 Goals and Key Deliverables

- 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.
- Assist NERC in the development of a data base which will provide a common repository for event reporting and data.
- Establish a mechanism for the dissemination of the detailed Event Analysis Report to the broad industry.
- Assess and implement the Lessons Learned generated by the GridEx III wide-area exercise

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.

Resource Requirements

Personnel

- Total personnel expenses have been adjusted to reflect planned retirement of a senior staff member.
- NPCC anticipates no need to hire additional personnel in this program area in 2016.

Consultants and contracts

- Consultants and contracts expense increase in support of NPCC's efforts to enhance investigations and root cause analyses and the integration of ES-ISAC, GADS, and TADS information with events analyses.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2016 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures						
2015 Budget & Projection, and 2016 Budget						
Situation Awareness and Infrastructure Security						
	2015	2015	Variance	2016	Variance	
	Budget	Projection	2015 Projection	Budget	2016 Budget	
			v 2015 Budget		v 2015 Budget	
			Over(Under)		Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ 1,470,051	\$ 1,470,051	\$ -	\$ 1,536,637	\$ 66,587	
Penalty Sanctions	31,281	31,281	-	7,215	(24,067)	
Total ERO Funding	\$ 1,501,332	\$ 1,501,332	\$ -	\$ 1,543,852	\$ 42,520	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 1,501,332	\$ 1,501,332	\$ -	\$ 1,543,852	\$ 42,520	
Expenses						
Personnel Expenses						
Salaries	\$ 541,258	\$ 541,258	\$ -	\$ 516,951	\$ (24,306)	
Payroll Taxes	32,811	32,811	-	32,630	(181)	
Benefits	80,801	80,801	-	116,230	35,428	
Retirement Costs	107,819	107,819	-	53,880	(53,939)	
Total Personnel Expenses	\$ 762,689	\$ 762,689	\$ -	\$ 719,690	\$ (42,998)	
Meeting Expenses						
Meetings	\$ 15,000	\$ 15,000	\$ -	\$ 15,000	\$ -	
Travel	60,000	60,000	-	65,000	5,000	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 75,000	\$ 75,000	\$ -	\$ 80,000	\$ 5,000	
Operating Expenses						
Consultants & Contracts	\$ 100,000	\$ 100,000	\$ -	\$ 157,000	\$ 57,000	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Depreciation	-	-	-	-	-	
Total Operating Expenses	\$ 100,000	\$ 100,000	\$ -	\$ 157,000	\$ 57,000	
Total Direct Expenses	\$ 937,689	\$ 937,689	\$ -	\$ 956,690	\$ 19,002	
Indirect Expenses	\$ 574,629	\$ 574,629	\$ -	\$ 598,664	\$ 24,036	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 1,512,318	\$ 1,512,318	\$ -	\$ 1,555,355	\$ 43,037	
Change in Assets	\$ (10,986)	\$ (10,986)	\$ -	\$ (11,503)	\$ (517)	
Fixed Assets						
Depreciation	\$ -	-	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	(10,986)	(10,986)	-	(11,503)	(517)	
Inc(Dec) in Fixed Assets (C)	(10,986)	(10,986)	-	(11,503)	(517)	
TOTAL BUDGET (=B+C)	1,501,332	1,501,332	-	1,543,852	42,520	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ (0)	\$ -	\$ (0)	\$ (0)	

Administrative Services

Administrative Services Program Resources						
(in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2015 Budget	2016 Budget	Increase (Decrease)	2015 Budget	2016 Budget	Increase (Decrease)
Technical Committees and Members Forum	\$73,779	\$71,929	(\$1,850)	0.50	0.50	0.00
General and Administrative	\$3,209,290	\$3,345,139	\$135,848	2.50	2.50	0.00
Legal and Regulatory	\$628,183	\$639,905	\$11,723	1.00	1.00	0.00
Information Technology	\$1,156,674	\$1,233,263	\$76,589	3.00	3.00	0.00
Human Resources	\$183,817	\$176,588	(\$7,229)	1.00	1.00	0.00
Finance and Accounting	\$494,544	\$519,820	\$25,276	1.00	1.00	0.00
Total Administrative Services	\$5,746,287	\$5,986,643	\$240,356	9.00	9.00	0.00

Program Scope and Functional Description

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

Methodology for Allocation of Administrative Services Expenses to Programs

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

Administrative Services

Funding sources and related expenses for the Administrative Services section of the 2016 business plan are shown in the table below. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities and Capital Expenditures 2015 Budget & Projection, and 2016 Budget						
ADMINISTRATIVE SERVICES						
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ (355,161)	\$ (355,161)	\$ -	\$ (592,801)	\$ (237,640)	
Penalty Sanctions	-	-	-	-	-	
Total ERO Funding	\$ (355,161)	\$ (355,161)	\$ -	\$ (592,801)	\$ (237,640)	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ (355,161)	\$ (355,161)	\$ -	\$ (592,801)	\$ (237,640)	
Expenses						
Personnel Expenses						
Salaries	\$ 1,769,318	\$ 1,769,318	\$ -	\$ 1,951,407	\$ 182,089	
Payroll Taxes	97,804	97,804	-	102,585	4,781	
Benefits	402,307	402,307	-	422,729	20,421	
Retirement Costs	435,638	435,638	-	330,001	(105,636)	
Total Personnel Expenses	\$ 2,705,068	\$ 2,705,068	\$ -	\$ 2,806,722	\$ 101,654	
Meeting Expenses						
Meetings	\$ 120,000	\$ 120,000	\$ -	\$ 125,000	\$ 5,000	
Travel	155,000	155,000	-	160,100	5,100	
Conference Calls	45,000	45,000	-	47,000	2,000	
Total Meeting Expenses	\$ 320,000	\$ 320,000	\$ -	\$ 332,100	\$ 12,100	
Operating Expenses						
Consultants & Contracts	\$ 124,000	\$ 124,000	\$ -	\$ 122,000	\$ (2,000)	
Office Rent	751,500	751,500	-	802,500	51,000	
Office Costs	578,700	578,700	-	639,500	60,800	
Professional Services	1,025,000	1,025,000	-	1,011,000	(14,000)	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	40,000	40,000	-	41,000	1,000	
Depreciation	202,019	202,019	-	231,821	29,802	
Total Operating Expenses	\$ 2,721,219	\$ 2,721,219	\$ -	\$ 2,847,821	\$ 126,602	
Total Direct Expenses	\$ 5,746,287	\$ 5,746,287	\$ -	\$ 5,986,643	\$ 240,356	
Indirect Expenses	\$ (5,746,287)	\$ (5,746,287)	\$ -	\$ (5,986,643)	\$ (240,356)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ (0)	\$ (0)	\$ -	\$ -	\$ 0	
Change in Assets	\$ (355,161)	\$ (355,161)	\$ -	\$ (592,801)	\$ (237,640)	
Fixed Assets						
Depreciation	(202,019)	(202,019)	\$ -	(231,821)	\$ (29,802)	
Computer & Software CapEx	100,000	100,000	-	125,000	25,000	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	102,019	102,019	-	106,821	4,802	
Inc(Dec) in Fixed Assets (C)	-	-	-	-	-	
TOTAL BUDGET (=B+C)	(0)	(0)	-	-	0	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (355,161)	\$ (355,161)	\$ -	\$ (592,801)	\$ (237,640)	

Technical Committees and Member Forums

Program Scope and Functional Description

The success of the NPCC programs depends on the active and direct volunteerism and participation of its members. The stakeholders are the source of 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.

2016 Key Assumptions

- NPCC's standing committee and subgroup structure for effective stakeholder involvement will continue in 2016
- 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 2016
- NPCC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability

2016 Goals and Key Deliverables

The 2016 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.

2016 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 include, but are not limited to:

- Conducting the Media Event – release of the Summer 2016 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.)

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2016.

General and Administrative

Program Scope and Functional Description

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

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

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2016.

Legal and Regulatory

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, General Counsel and staff on a wide range of legal and regulatory matters including legislation, corporate law, code of conduct, confidentiality, governance, employment law, tax matters, contract law and other areas affecting NPCC. In-house counsel provides legal advice to advance significant corporate policy and strategic planning initiatives and also provide legal support to other program areas on matters arising in connection with the performance of NPCC's delegated functions. In-house counsel draft agreements and pleadings and provide interpretations of relevant statutes, regulations, court opinions, and regulatory decisions of FERC, state agencies and provincial authorities. Outside counsel, as necessary, reviews items filed with the governmental agencies for legal sufficiency, maintains relationships with U.S. and Canadian jurisdictions and provides contract review.

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2016.

Professional Services

- Decrease in professional services expense is projected in 2016 due to change in outside counsel effective January 2015 and increased workload taken on by in-house counsel.

Information Technology

Program Scope and Functional Description

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

NPCC supports the ERO efforts to implement, operate and maintain software tools supporting common enterprise wide operations which have been approved by the ERO Executive Management Group (EROEMG), which is comprised of the senior leadership of NERC and each of the Regional Entities. NPCC's budget assumes the availability of enterprise software tools as described in NERC's business plan and budget. If implementation of these software applications is delayed or otherwise not available as planned, NPCC could incur additional costs to implement ERO Enterprise-wide programs pending the availability of these applications.

NERC and the Regional Entities are committed to working collaboratively to minimize duplication of effort and investments, and improve operational efficiency. This collaboration continues to refine existing strategies, governance and procurement practices applicable to the development, operation and maintenance of enterprise architecture, software and data systems supporting complementary and combined NERC and Regional Entity operations.

The NERC information technology budget does not supplant NPCC's need for IT expenditures for specific regional projects and internal region specific IT support needs. NPCC's 2016 Business Plan and Budget assumes agreed-upon ERO Enterprise applications will be available and includes only NPCC costs for region specific support needs.

2016 Key Assumptions

- Continue to develop and maintain the compliance portal through collaboration with other Regional Entities and NERC (CUG).
- Support the Event Analysis program through continued participation in the tools used for the tracking and analysis of system events and identification of better practice elements.
- Support the Bulk Electric System Exception Process "BEP" to enable and facilitate tracking and processing of exceptions submitted. Maintenance of the BESNET support services such as updates, patching, coordinating issues with NERC.
- Support Cyber Security Reviews done by compliance to provide advisory role during those reviews.

2016 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:

- Conduct initial implementation and utilization of a document management system
- Create an information security program and environment aimed at reducing breach of security risks
- Determine longer-term software and systems needs and hardware acquisitions
- Develop and implement information security standards and procedures

- Ensure all information systems are functional and secure, and that all applications running on those systems meet business requirements for performance, availability, and security
- Plan and implement organization-wide information systems, services, and network facilities, including local area networks, wide-area networks, and peripheral systems
- Provide outreach and education to NPCC members in IT best practices
- Continually improve Disaster Recovery policies and practices to ensure continuity of service

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2016.

Human Resources

Program Scope and Functional Description

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

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2016.

Accounting and Finance

Program Scope and Functional Description

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

2016 Goals and Key Deliverables

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

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

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2016.

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 2014 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 2014 NEL within the Region. Non ISO/BAA Full Members will be assessed no membership fee.

NPCC Cost Allocation Methodology

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

In order to reflect and respect the international membership and nature of NPCC, 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. In order to establish the RE division funding requirements for each balancing authority area on a NEL basis for all programs except for Compliance the proposed expenses and fixed assets of all other programs are calculated and the adjustment for the RE division cash reserve requirement is identified. Any penalty monies received from NPCC registered entities within the U.S. prior to June 30th of the year preceding the business plan and budget year are then allocated among the NPCC program areas based on their FTE ratio and between the U.S. BAAs based on their relative NELs. Consistent with each of the Canadian provincial MOUs and agreements, all penalty monies resulting from compliance actions within Canada, if any, would remain within the applicable province. The total budgeted fees for NPCC workshop participation are indicated as a credit, with the resultant addition being the RE division assessment, without the compliance program costs, calculated on a NEL basis.

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

For costs associated with the RE division compliance program, NPCC's allocation methodology apportions 23.61% of the costs for the program, attributed to CORC Fundamentals (CF), between the BAAs in the United States and Canada on a NEL basis.

Audits and Investigations (AI) related costs, representing 51.18% of the costs of the compliance program, are allocated between U.S. and Canadian BAAs in NPCC, and among the Canadian provinces, using an audit-based methodology. The audit-based methodology incorporates relative costs based on categories of compliance audits which are reflective of their size and complexity, as well as the differing compliance program implementation models that are utilized in NPCC due to the international nature of the Regional Entity. The portion allocated to the U.S. BAAs in NPCC is calculated using the audit-based methodology, and this amount is then re-allocated between the New York and New England BAAs based on their relative NEL.

The remaining 25.21% of the costs of the compliance program represent Mitigation and Enforcement (ME) related costs and are allocated between U.S. and Canadian BAAs in NPCC, and among the Canadian provinces, using an enforcement activity based methodology,. Based on historical data, NPCC reviewed each BAAs percentage of violations, mitigation plans and settlement agreements to determine each BAAs total average percentage of enforcement activities. The portion allocated to the U.S. BAAs in NPCC is calculated using the enforcement activity based methodology, and this amount is then re-allocated between the New York and New England BAAs based on their relative NEL.

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

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

NPCC 2016 Regional Entity (RE)
and Criteria Services (CS) Divisional Funding Information

A-1	B-1	B-1a	C-1	C-1a	D-1	E-1	F-1	G-1	H-1	I-1	J-1	K-1	L-1
NPCC Balancing Authorities (LSE Designees)	2014 Net Energy for Load (MWh)	2014 NPCC US NEL (MWh)	2014 NPCC NEL % of Total	2014 NPCC NEL % of Total	2016 NPCC RE Division Expenses & Fixed Assets Minus CORC Program	Adjustment to RE Division Cash Reserve Requirement	2016 NPCC RE Division Funding Requirement Minus CORC Program	Penalty Monies Applied to RE Division Minus CORC Program	Budgeted Workshop Fees	2016 NPCC CS Division Expenses & Fixed Assets	2016 NPCC CS Division Assessment Minus CORC Program (F-1 plus G-1 plus H-1)	2016 NPCC CS Division Adjustment to Cash Reserve Requirement	2016 NPCC CS Division Funding Requirement & Member Fees (L-1 plus K-1)
New England	127,175,000	19,832,488	15.60%	44.27575%	1,273,801	-117,567	1,156,234	-12,628	-12,693	1,130,913	229,475	-19,143	210,332
New York	160,059,000	24,960,628	15.60%	55.72425%	1,603,171	-147,967	1,455,204	-15,894	-15,975	1,423,336	288,811	-24,093	264,718
Ontario	139,804,000	21,801,938	15.60%	15.60%	1,400,295	-129,242	1,271,053	0	-13,953	1,257,099	252,263	-21,044	231,219
Quebec	189,311,000	29,522,378	15.60%	15.60%	1,896,163	-175,009	1,721,154	0	-18,894	1,702,260	341,593	-28,496	313,097
New Brunswick	13,953,000	2,175,928	15.60%	15.60%	139,755	-12,899	126,856	0	-1,393	125,464	25,177	-2,100	23,077
Nova Scotia	10,944,000	1,706,688	15.60%	15.60%	109,616	-10,117	99,499	0	-1,092	98,407	19,747	-1,647	18,100
Total	641,246,000	100,000,000%	100.000000%	100.000000%	\$6,422,801	-\$92,801	\$5,830,000	-\$28,322	-\$64,000	\$5,777,478	\$1,157,066	-\$96,525	\$1,060,542

A-2	B-2	CORC Audit and Investigation Cost Allocation ³			CORC Mitigation and Enforcement Cost Allocation ⁴			G-2	H-2	I-2	J-2	K-2	L-2	M
		C-2	D-2	E-2	F-2	G-2	H-2							
NPCC Balancing Authorities (LSE Designees)	2014 NEL Based Allocation of 23.6% of 2016 CORC Program Fundamentals ²	2016 Audit and Investigation Allocation Methodology	2016 CORC Program 51.18% of CORC Program	2016 Mitigation and Enforcement Allocation Methodology	2016 CORC Program 25.21% of CORC Program	2016 Total CORC Program Expenses & Fixed Assets	2016 Total CORC Program Expenses & Fixed Assets	2016 Total CORC Program Penalty Monies Applied to CORC Program (H-2 plus K-1)	2016 Total CORC Program Assessment (I-2 plus H-2)	2016 Total CORC Program Funding Requirement (J-2 plus I-2)	2016 Total CORC Program Assessment (K-2 plus J-2)	2016 Total CORC Program Funding Requirement (L-2 plus K-2)	2016 Total CORC Program Assessment & Member Fees (M)	
New England	405,101	46,0653%	36.49280%	1,615,452	55.84865%	38.16605%	832,331	2,852,884	-17,056	2,835,847	4,009,118	3,986,760	4,219,449	4,177,992
New York	509,849	36.35613%	45.92885%	2,033,164	30.35215%	48.03475%	1,047,549	3,590,562	-21,442	3,569,120	5,045,766	4,992,456	5,310,484	5,257,174
Ontario	445,329	5.00147%	5.00147%	221,404	4.07653%	4.07653%	88,902	755,634	0	755,634	2,026,667	2,012,733	2,257,905	2,243,952
Quebec	603,027	7.77035%	7.77035%	343,975	8.52078%	8.52078%	185,822	1,132,825	0	1,132,825	2,853,979	2,835,085	3,167,076	3,148,182
New Brunswick	44,446	2.58136%	2.58136%	114,271	0.58065%	0.58065%	12,663	171,380	0	171,380	298,236	296,843	321,312	319,920
Nova Scotia	34,861	2.22516%	2.22516%	98,303	0.62123%	0.62123%	13,548	146,911	0	146,911	246,411	245,318	264,511	263,418
Total	\$2,042,612	100.000000%	82.42166%	\$3,648,617	100.000000%	86.20081%	\$1,879,880	\$8,650,196	-\$38,478	\$8,611,718	\$14,480,196	\$14,549,196	\$15,540,738	\$15,409,738

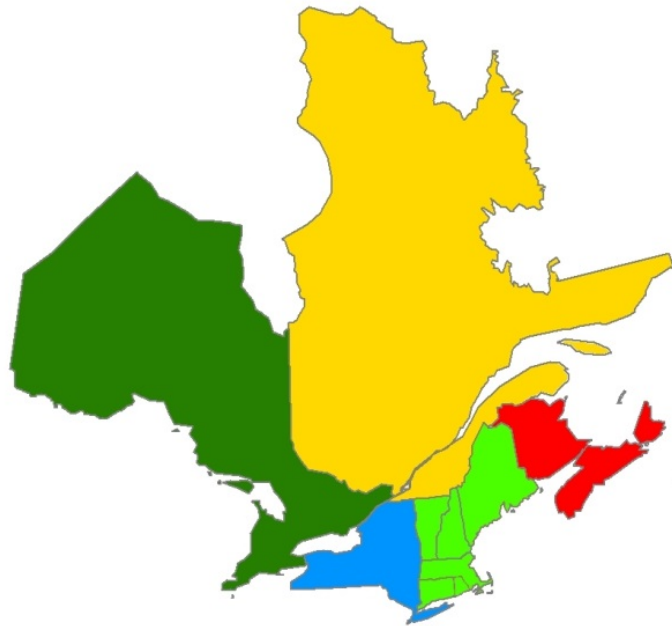
1. Consistent with NERC's Policy on Allocation of Certain Compliance and Enforcement Costs, the NPCC Board approved Allocation Methodologies for Certain NPCC Compliance Program Area Costs Assessed to Non-U.S. Entities.

2. CORC Program Fundamentals expenses of \$2,042,612 represent 23.61% of the Total CORC Program Costs and are allocated using the Regional NEL based methodology.

3. Audit and Investigation expenses of \$4,426,769 represent 51.18% of the Total CORC Program Costs. The Canadian costs are allocated utilizing an audit based methodology. The portion of 82.42166% attributable to U.S. NPCC is allocated between the New York and New England balancing authority areas based on their respective net energy for load (NEL) as shown in Columns B-1a and C-1a. The ratios in C-1a are applied to the 82.42166% of U.S. audit costs to obtain the percentages (Column C-2) which are then applied to the 51.18% of CORC costs. Audit based allocation uses Compliance Registry Data registrations as of May 1, 2015.

4. Mitigation and Enforcement expenses of \$2,180,815 represent 25.21% of the Total CORC Program Costs. The Canadian costs are allocated utilizing an enforcement activity based methodology. The portion of 86.20081% attributable to U.S. NPCC is allocated between the New York and New England balancing authority areas based on their respective net energy for load (NEL) as shown in Columns B-1a and C-1a. The ratios in C-1a are applied to the 82.42166% of U.S. enforcement costs to obtain the percentages (Column C-2) which are then applied to the 25.21% of CORC costs.

Section B – Supplemental Financial Information 2016 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1 – Reserve Balance

Working Capital and Operating Reserve Analysis 2015-2016			
REGIONAL ENTITY DIVISION			
	Total Reserve	Operating Reserve	Working Capital
Beginning Total Reserve, December 31, 2014	4,287,707	3,031,674	1,256,033
Plus: 2015 ERO Funding (from LSEs or designees)	14,068,878	14,068,878	0
Plus: 2015 Other funding sources	354,500	354,500	0
Less: 2015 Projected expenses & capital expenditures	(14,778,539)	(14,778,539)	0
Projected Total Reserve, December 31, 2015	3,932,546	2,676,513	1,256,033
Desired Total Reserve, December 31, 2016 ¹	3,339,745	2,083,712 ²	1,256,033
22.16% of Total Regional Entity Budget of \$15,072,998			
Less: Projected Working Capital and Operating Reserve, December 31, 2015	(3,932,546)	(2,676,513)	(1,256,033)
Increase(decrease) in assessments to achieve desired Total Reserve	(592,801)	(592,801)	0
2016 Expenses and Capital Expenditures	15,072,998		
Less: Penalty Sanctions ⁴	(67,000)		
Less: Other Funding Sources	(64,000)		
Adjustment to achieve desired Total Reserve balance	(592,801)		
2016 Assessment	14,349,197		

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. \$2,083,712 represents 13.82% of the 2016 budget of \$15,072,998

³ Working Capital equal to 8.33% of Budget. \$1,256,033 represents 8.33% of the 2016 budget of \$15,072,998

⁴ Represents collections prior to June 30, 2015.

Explanation of Changes in Reserve Policy from Prior Year

None

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 2016 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, 2015 are to be used to offset assessments in the 2016 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, 2015 through June 30, 2016 will be used to offset U.S. load serving entity designee assessments in the 2017 Budget.

All penalties received prior to June 30, 2015 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, 2015	Date Received	Amount Received
Penalty Payment 1	11/14/2014	\$ 5,000.00
Penalty Payment 2	11/24/2014	\$ 20,000.00
Penalty Payment 3	11/20/2014	\$ 12,000.00
Penalty Payment 4	12/1/2014	\$ 20,000.00
Penalty Payment 5	3/5/2015	\$ 10,000.00
Total Penalties Received		\$ 67,000.00

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 –2016 Budget versus 2015 Budget

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

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Salaries					
Salary	\$ 6,175,425	\$ 6,175,425	\$ 6,531,470	\$ 356,046	5.8%
Employment Agency Fees	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.0%
Temporary Office Services	\$ 10,000	\$ 10,000	\$ 20,000	\$ 10,000	100.0%
Total Salaries	\$ 6,195,425	\$ 6,195,425	\$ 6,561,470	\$ 366,046	5.9%
Total Payroll Taxes	\$ 387,209	\$ 387,209	\$ 399,057	\$ 11,848	3.1%
Benefits					
Education Reimbursement	\$ 10,000	\$ 10,000	\$ 15,000	\$ 5,000	50.0%
Training and Seminars	\$ 36,123	\$ 36,123	\$ 36,860	\$ 737	2.0%
Medical Insurance	\$ 720,337	\$ 720,337	\$ 763,048	\$ 42,711	5.9%
Life-LTD-STD Insurance	\$ 64,566	\$ 64,566	\$ 83,048	\$ 18,482	28.6%
Worker's Compensation	\$ 14,700	\$ 14,700	\$ 15,000	\$ 300	2.0%
Vacation	\$ 410,868	\$ 410,868	\$ 451,843	\$ 40,975	10.0%
Relocation	\$ -	\$ -	\$ -	\$ -	-
Total Benefits	\$ 1,256,595	\$ 1,256,595	\$ 1,364,799	\$ 108,205	8.6%
Retirement					
Pension Contribution	\$ 353,723	\$ 353,723	\$ -	\$ (353,723)	-100.0%
Employee Savings Plan	\$ 644,290	\$ 644,290	\$ 713,118	\$ 68,828	10.7%
Savings Admin	\$ 32,000	\$ 32,000	\$ 60,000	\$ 28,000	87.5%
Deferred Compensation	\$ 60,000	\$ 60,000	\$ 60,000	\$ -	0.0%
Total Retirement	\$ 1,090,013	\$ 1,090,013	\$ 833,118	\$ (256,895)	-23.6%
Total Personnel Costs	\$ 8,929,241	\$ 8,929,241	\$ 9,158,445	\$ 229,204	2.6%
FTEs	36.86	36.86	36.86	-	0.0%
Cost per FTE					
Salaries	\$ 168,080	\$ 168,080	\$ 178,011	\$ 9,931	5.9%
Payroll Taxes	\$ 10,505	\$ 10,505	\$ 10,826	\$ 321	3.1%
Benefits	\$ 34,091	\$ 34,091	\$ 37,027	\$ 2,936	8.6%
Retirement	\$ 29,572	\$ 29,572	\$ 22,602	\$ (6,969)	-23.6%
Total Cost per FTE	\$ 242,247	\$ 242,247	\$ 248,466	\$ 6,218	2.6%

Explanation of Significant Variances –2016 Budget versus 2015 Budget

- Salaries include a 3% wage package increase. Salary assumptions are based on fully implementing NPCC Management Development and Compensation Committee recommended and NPCC Board approved changes to salary and variable incentive bandwidths in order to achieve a 50th percentile target.
- Decrease vacancy rate from 2% to 0% based on recent staffing trend.
- Increase temporary office services to supplement staff in administrative services program areas.
- Medical insurance increase reflects a medical premium increase of 10%.
- Increases in life and disability insurance premiums.
- Defined benefit pension contribution reduced based on the assumption that IRS approves plan termination by year end 2015. Potential increases in pension liability would be funded through reserves.
- Increase in employee savings plan and savings admin expenses are the result of defined benefit pension plan termination.

Table B-5 – Meeting Expense

Meeting Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Meetings	\$ 365,000	\$ 365,000	\$ 394,000	\$ 29,000	7.9%
Travel	\$ 890,000	\$ 890,000	\$ 907,100	\$ 17,100	1.9%
Conference Calls	\$ 45,000	\$ 45,000	\$ 47,000	\$ 2,000	4.4%
Total Meeting Expenses	\$ 1,300,000	\$ 1,300,000	\$ 1,348,100	\$ 48,100	3.7%

Explanation of Significant Variances –2016 Budget versus 2015 Budget

- Meeting expenses increase as a result of greater number and participation in NPCC seminars and workshops.

Table B-6 Consultants and Contracts

Consultants	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Compliance Enforcement and Organization Registration and Certification	\$ 15,000	\$ 15,000	\$ 15,000	\$ -	0.0%
Reliability Assessment and Performance Analysis	\$ -	\$ -	\$ -	\$ -	-
Training and Education	\$ -	\$ -	\$ -	\$ -	-
Situation Awareness and Infrastructure Security	\$ -	\$ -	\$ -	\$ -	-
Member Forums	\$ -	\$ -	\$ -	\$ -	-
General and Administrative	\$ 35,000	\$ 35,000	\$ 33,000	\$ (2,000)	-5.7%
Legal and Regulatory	\$ -	\$ -	\$ -	\$ -	-
Information Technology	\$ -	\$ -	\$ -	\$ -	-
Human Resources	\$ -	\$ -	\$ -	\$ -	-
Accounting and Finance	\$ -	\$ -	\$ -	\$ -	-
Consultants Total	\$ 50,000	\$ 50,000	\$ 48,000	\$ (2,000)	-4.0%
Contracts	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Reliability Standards	\$ 25,000	\$ 25,000	\$ 10,000	\$ (15,000)	-60.0%
Compliance Enforcement and Organization Registration and Certification	\$ 1,713,000	\$ 1,713,000	\$ 1,545,000	\$ (168,000)	-9.8%
Reliability Assessment and Performance Analysis	\$ 365,000	\$ 365,000	\$ 374,500	\$ 9,500	2.6%
Training and Education	\$ -	\$ -	\$ -	\$ -	-
Situation Awareness and Infrastructure Security	\$ 100,000	\$ 100,000	\$ 157,000	\$ 57,000	57.0%
Member Forums	\$ -	\$ -	\$ -	\$ -	-
General and Administrative	\$ 82,000	\$ 82,000	\$ 82,000	\$ -	0.0%
Legal and Regulatory	\$ -	\$ -	\$ -	\$ -	-
Information Technology	\$ -	\$ -	\$ -	\$ -	-
Human Resources	\$ -	\$ -	\$ -	\$ -	-
Accounting and Finance	\$ 7,000	\$ 7,000	\$ 7,000	\$ -	0.0%
Contracts Total	\$ 2,292,000	\$ 2,292,000	\$ 2,175,500	\$ (116,500)	-5.1%
Total Consultants and Contracts	\$ 2,342,000	\$ 2,342,000	\$ 2,223,500	\$ (118,500)	-5.1%

Explanation of Significant Variances –2016 Budget versus 2015 Budget

- In the area of Reliability Standards consultant and contractor costs are expected to decrease due to a full complement of staff and internal subject matter expertise to evaluate standards and criteria and fulfill all ERO delegated functions assigned to the Reliability Standards Program Area.
- Contractor costs are projected to decrease in 2016 in the area of Compliance Monitoring and Enforcement and Organization Registration and Certification as a result of the implementation of the risk-based approach in 2015.
- In the area of Situation Awareness and Infrastructure Security, consultants and contracts expense increase in support of NPCC's efforts to enhance investigations and root cause analyses and the integration of ES-ISAC, GADS, and TADS information with events analyses.

Table B-7 Office Rent

Office Rent	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Office Rent	\$ 645,000	\$ 645,000	\$ 650,000	\$ 5,000	0.8%
Utilities	\$ 40,000	\$ 40,000	\$ 40,000	\$ -	0.0%
Maintenance	\$ 22,000	\$ 22,000	\$ 40,000	\$ 18,000	81.8%
Security	\$ 2,500	\$ 2,500	\$ 2,500	\$ -	0.0%
Real Estate Taxes	\$ 42,000	\$ 42,000	\$ 70,000	\$ 28,000	66.7%
Total Office Rent	\$ 751,500	\$ 751,500	\$ 802,500	\$ 51,000	6.8%

Explanation of Significant Variances –2016 Budget versus 2015 Budget

- Maintenance expense reflects full year impact of landlord projected increase in operating costs.
- Real estate taxes reflect full year impact of landlord projected increase.

Table B-8 Office Costs

Office Costs	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Telephone	\$ 110,000	\$ 110,000	\$ 112,000	\$ 2,000	1.8%
Internet Expense	\$ 80,000	\$ 80,000	\$ 95,400	\$ 15,400	19.3%
Office Supplies	\$ 36,000	\$ 36,000	\$ 33,000	\$ (3,000)	-8.3%
Computer Supplies and Maintenance	\$ 260,000	\$ 260,000	\$ 321,000	\$ 61,000	23.5%
Subscriptions & Publications	\$ 13,500	\$ 13,500	\$ 13,500	\$ -	0.0%
Dues	\$ 4,000	\$ 4,000	\$ 4,000	\$ -	0.0%
Postage	\$ 1,200	\$ 1,200	\$ 1,200	\$ -	0.0%
Express Shipping	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.0%
Copying	\$ 25,000	\$ 25,000	\$ 26,400	\$ 1,400	5.6%
Reports	\$ 5,000	\$ 5,000	\$ 6,000	\$ 1,000	20.0%
Stationary and Office Forms	\$ 3,000	\$ 3,000	\$ 2,000	\$ (1,000)	-33.3%
Equipment Repair/Service Contracts	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)	-100.0%
Bank Charges	\$ 23,000	\$ 23,000	\$ 15,000	\$ (8,000)	-34.8%
Sales and Use Tax	\$ -	\$ -	\$ -	\$ -	-
Merchant Credit Card Fees	\$ -	\$ -	\$ -	\$ -	-
Presentation and Publicity	\$ -	\$ -	\$ -	\$ -	-
Total Office Costs	\$ 578,700	\$ 578,700	\$ 639,500	\$ 60,800	10.5%

Explanation of Significant Variances –2016 Budget versus 2015 Budget

- Internet expense increased as a result of system upgrades.
- Computer supplies and maintenance expense increase associated with additional software contracts and new equipment leases. Partially offset by decrease in equipment repair/service contracts.
- Reduction in bank charges due to reclassification of employee savings admin fees to savings admin account under personnel.

Table B-9 Professional Services

Professional Services	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
BOT Fee	\$ 325,000	\$ 325,000	\$ 325,000	\$ -	0.0%
BOT Search Fee	\$ -	\$ -	\$ -	\$ -	-
Legal - Reorganization	\$ -	\$ -	\$ -	\$ -	-
Accounting & Auditing Fees	\$ 310,000	\$ 310,000	\$ 310,000	\$ -	0.0%
Legal Fees - Other	\$ 350,000	\$ 350,000	\$ 316,000	\$ (34,000)	-9.7%
Insurance - Commercial	\$ 40,000	\$ 40,000	\$ 60,000	\$ 20,000	50.0%
Total Services	\$ 1,025,000	\$ 1,025,000	\$ 1,011,000	\$ (14,000)	-1.4%

Explanation of Significant Variances –2016 Budget versus 2015 Budget

- Decrease in legal fees due to change in outside counsel effective January 1, 2015 and increased workload taken on by General Counsel.
- General liability increase based on broker projection.

Table B-10 – Miscellaneous

Miscellaneous Expense	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Miscellaneous Expense	\$ 40,000	\$ 40,000	\$ 41,000	\$ 1,000	2.5%
Total Miscellaneous Expense	\$ 40,000	\$ 40,000	\$ 41,000	\$ 1,000	2.5%

Table B-11 Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Office Relocation	\$ -	\$ -	\$ -	\$ -	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Table B-12 Fixed Assets

Fixed Assets	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Depreciation	\$ (202,019)	\$ (202,019)	\$ (231,821)	\$ (29,802)	14.8%
Equipment CapEx	\$ -	\$ -	\$ -	\$ -	-
Computer & Software CapEx	\$ 222,000	\$ 222,000	\$ 276,000	\$ 54,000	24.3%
Furniture & Fixtures CapEx	\$ -	\$ -	\$ -	\$ -	-
Leasehold Improvements	\$ -	\$ -	\$ -	\$ -	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	-
Total Increase (Decrease) in Fixed Assets	\$ 19,981	\$ 19,981	\$ 44,179	\$ 24,198	121.1%

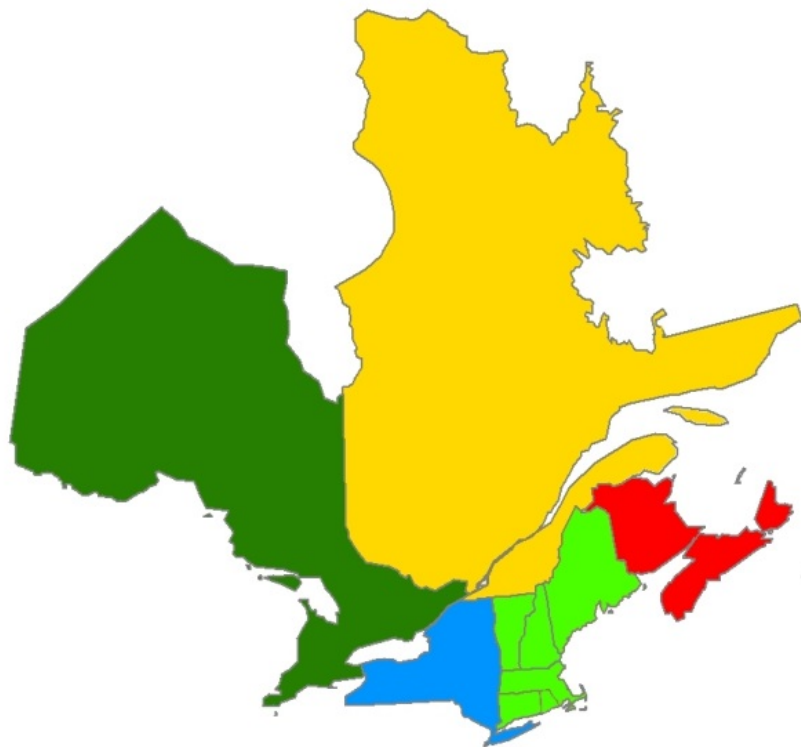
Explanation of Significant Variances –2016 Budget versus 2015 Budget

- Depreciation expense increase based on additional assets to be placed in service during 2015.
- Computer & software capital expenditures are associated with CDAA and CITS software enhancements, as well as the initial implementation of a document management system.

Table B-13 2017 and 2018 Projections

Statement of Activities and Capital Expenditures 2016 Budget & Projected 2017 and 2018 Budgets								
	2016 Budget	2017 Projection	\$ Change 16 v 17	% Change 16 v 17	2018 Projection	\$ Change 17 v 18	% Change 17 v 18	
Funding								
ERO Funding								
ERO Assessments	\$ 14,349,196	\$ 15,351,270	\$ 1,002,074	7.0%	\$ 15,705,786	\$ 354,516	2.3%	
Penalty Sanctions	67,000	-	(67,000)	-100.0%	-	-		
Total ERO Funding	\$ 14,416,196	\$ 15,351,270	\$ 935,074	6.5%	\$ 15,705,786	\$ 354,516	2.3%	
Membership Dues	-	-	-		-	-		
Testing Fees	-	-	-		-	-		
Services & Software	-	-	-		-	-		
Workshops	64,000	64,000	-	0.0%	64,000	-	0.0%	
Interest	-	-	-		-	-		
Miscellaneous	-	-	-		-	-		
Total Funding (A)	\$ 14,480,196	\$ 15,415,270	\$ 935,074	6.5%	\$ 15,769,786	\$ 354,516	2.3%	
Expenses								
Personnel Expenses								
Salaries	\$ 6,561,470	\$ 6,758,314	\$ 196,844	3.0%	\$ 6,961,064	\$ 202,749	3.0%	
Payroll Taxes	399,057	411,029	11,972	3.0%	423,360	12,331	3.0%	
Benefits	1,364,799	1,446,687	81,888	6.0%	1,533,488	86,801	6.0%	
Retirement Costs	833,118	858,111	24,994	3.0%	883,855	25,743	3.0%	
Total Personnel Expenses	\$ 9,158,445	\$ 9,474,142	\$ 315,697	3.4%	\$ 9,801,767	\$ 327,625	3.5%	
Meeting Expenses								
Meetings	\$ 394,000	\$ 397,940	\$ 3,940	1.0%	\$ 401,919	\$ 3,979	1.0%	
Travel	907,100	916,171	9,071	1.0%	925,333	9,162	1.0%	
Conference Calls	47,000	47,470	470	1.0%	47,945	475	1.0%	
Total Meeting Expenses	\$ 1,348,100	\$ 1,361,581	\$ 13,481	1.0%	\$ 1,375,197	\$ 13,616	1.0%	
Operating Expenses								
Consultants & Contracts	\$ 2,223,500	\$ 2,223,500	-	0.0%	\$ 2,223,500	-	0.0%	
Office Rent	802,500	810,525	8,025	1.0%	818,630	8,105	1.0%	
Office Costs	639,500	652,290	12,790	2.0%	665,336	13,046	2.0%	
Professional Services	1,011,000	1,011,000	-	0.0%	1,011,000	-	0.0%	
Miscellaneous	41,000	41,820	820	2.0%	42,656	836	2.0%	
Depreciation	231,821	236,457	4,636	2.0%	241,187	4,729	2.0%	
Total Operating Expenses	\$ 4,949,321	\$ 4,975,592	\$ 26,271	0.5%	\$ 5,002,309	\$ 26,717	0.5%	
Total Direct Expenses	\$ 15,455,866	\$ 15,811,315	\$ 355,450	2.3%	\$ 16,179,273	\$ 367,957	2.3%	
Indirect Expenses	\$ (427,047)	\$ (435,588)	\$ (8,541)	2.0%	\$ (444,300)	\$ (8,712)	2.0%	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Total Expenses (B)	\$ 15,028,819	\$ 15,375,727	\$ 346,909	2.3%	\$ 15,734,973	\$ 359,246	2.3%	
Change in Assets	\$ (548,622)	\$ 39,543	\$ 588,165	-107.2%	\$ 34,813	\$ (4,729)	-12.0%	
Fixed Assets								
Depreciation	\$ (231,821)	\$ (236,457)	\$ (4,636)	2.0%	\$ (241,187)	\$ (4,729)	2.0%	
Computer & Software CapEx	276,000	276,000	-	0.0%	276,000	-	0.0%	
Furniture & Fixtures CapEx	-	-	-		-	-		
Equipment CapEx	-	-	-		-	-		
Leasehold Improvements	-	-	-		-	-		
(Incr)Dec in Fixed Assets (C)	\$ 44,179	\$ 39,543	\$ (4,636)	-10.5%	\$ 34,813	\$ (4,729)	-12.0%	
TOTAL BUDGET (=B+C)	\$ 15,072,998	\$ 15,415,270	\$ 342,272	2.3%	\$ 15,769,786	\$ 354,516	2.3%	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (592,801)	\$ 0	\$ 592,801	-100.0%	\$ 0	\$ 0	733.3%	
FTEs	36.86	36.86	0	0.0%	36.86	0.00	0.0%	

Section C – Criteria Services Division Activities 2016 Business Plan and Budget



Section C —2016 Criteria Services Division Business Plan and Budget

Criteria Services Division			
(in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	2.14	2.14	0.00
Total Direct Expenses	\$729,550	\$738,525	\$8,975
Total Indirect Expenses	\$409,902	\$427,047	\$17,145
Other Non-Operating Expenses	\$0	\$0	\$0
Working Capital and Operating Reserves Requirement	(\$94,220)	(\$96,525)	(\$2,305)
Inc(Dec) in Fixed Assets	(\$10,011)	(\$8,506)	\$1,505
Funding Requirement	\$1,035,221	\$1,060,542	\$25,321

NPCC Regionally-Specific Criteria Services Background

NPCC Criteria Services division activities are based on the development, maintenance (including retirement when no longer needed), and promulgation of Regionally-specific more stringent criteria, as well as criteria establishing resource adequacy requirements within the Region. These criteria contain requirements which are more stringent, more specific or augment the existing NERC Reliability Standards requirements. These criteria require continual evaluation to ensure they are “not inconsistent with” any NERC reliability standards as the standards are approved by FERC and the applicable provincial governmental authorities, as per the NERC Rules of Procedure.

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 2016 Assumptions and Cost Impacts

The Criteria Services division services are expected to remain stable throughout 2016 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.

2016 Primary Goals and Objectives

- Continue with the development and maintenance of a set of NPCC Phase II Directories which are “not inconsistent with” the NERC Reliability Standards and which clearly delineate the more stringent NPCC criteria requirements
 - The combination of North American and Regional Reliability Standards with the more-stringent NPCC Regional criteria provides for consistency and operational clarity while providing a more robust defense in-depth, results based, standards to ensure BES reliability
 - Continually review the criteria found in the NPCC Directories and the ERO standards to ensure no redundancies or inconsistencies exist.
 - Retire Directory Criteria which 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, 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, TFCP, TFSS, and TFSP to review criteria and measures within each specific NPCC Directory to identify and develop them into specific reporting forms for approval.
- Continually review impact of Bulk Electric System definition on Directory and Criteria content and compliance reporting.
- Continually review potential impacts of Sector or NPCC organizational changes on the Directories and Criteria by performing a review of enforcement and arbitration processes as needed
- Assist Legal with preparation of revised Directories for Regulatory filings with the individual Provinces in accordance with their respective Memorandum of Understandings (MOUs) as well as the State of New York Public Service Commission

- Facilitate any requested interpretations for NPCC Criteria with the necessary subject matter experts and identify potential opportunities for clarifications of the Criteria.
- Conduct review of the following Documents including incorporation of Phase II Directory effort:
 - Develop a new Directory for Disturbance Monitoring Equipment to house criteria, guides, and procedures.
 - Review and respond to Requests for Interpretations and Clarifications to existing NPCC Standards, Directories, and Criteria
 - Directory 7 – NPCC Special Protection Systems – Serve as lead Task Force working in conjunction with TFCP and TFSS on revisions required to ensure consistency with the development of the new NERC standard on Remedial Action Schemes.

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 conversion of NPCC’s criteria into Directories was undertaken to remove any redundancies with the NERC or NPCC Regional Reliability Standards and to clearly delineate the more stringent NPCC criteria requirements, assign Functional Model designations to those responsible for compliance and create measurable compliance criteria. 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 2016, work will proceed with maintenance, revision, or potential retirement of the individual Directories to address any future redundancies with new or modified NERC or NPCC Reliability Standards, as well as the continued need for additional more stringent or specific NPCC Regional criteria requirements as 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 2016. 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 and involves the translation of the existing criteria language into “requirements” which are clear, concise and measurable. Also, a standards style 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. NPCC will conduct internal reviews of all draft standards against Regional criteria and utilize subject matter experts to identify reliability and compliance related concerns. NPCC will file the revised NPCC Directories and notifications of retirements of Directories with the Canadian governmental and/or provincial Regulatory authorities within the NPCC “footprint”, on an as needed basis, in accordance with established provincial procedures and agreements executed with NPCC.

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:

NPCC Operations and Planning Directories

The following Directories are envisioned to remain active for 2016.

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 # 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 assures 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 2015 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 – 2016 Budget versus 2015 Budget

Resource Requirements

Personnel

- NPCC anticipates no need to hire additional personnel in this program area in 2016.

2015 Budget and Projection and 2016 Budget Comparisons

Statement of Activities and Capital Expenditures 2015 Budget & Projection, and 2016 Budget						
CRITERIA SERVICES DIVISION						
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)	
Funding						
ERO Funding						
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	
Penalty Sanctions	-	-	-	-	-	
Total ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -	
Membership Dues	1,035,221	1,035,221	-	1,060,542	25,321	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding (A)	\$ 1,035,221	\$ 1,035,221	\$ -	\$ 1,060,542	\$ 25,321	
Expenses						
Personnel Expenses						
Salaries	\$ 369,319	\$ 369,319	\$ -	\$ 393,882	\$ 24,563	
Payroll Taxes	22,681	22,681	-	23,275	594	
Benefits	76,900	76,900	-	88,412	11,512	
Retirement Costs	145,639	145,639	-	144,950	(689)	
Total Personnel Expenses	\$ 614,539	\$ 614,539	\$ -	\$ 650,519	\$ 35,980	
Meeting Expenses						
Meetings	\$ 10,000	\$ 10,000	\$ -	\$ 6,500	\$ (3,500)	
Travel	63,000	63,000	-	46,000	(17,000)	
Conference Calls	-	-	-	-	-	
Total Meeting Expenses	\$ 73,000	\$ 73,000	\$ -	\$ 52,500	\$ (20,500)	
Operating Expenses						
Consultants & Contracts	\$ 30,000	\$ 30,000	\$ -	\$ 25,000	\$ (5,000)	
Office Rent	-	-	-	-	-	
Office Costs	-	-	-	-	-	
Professional Services	-	-	-	-	-	
Computer & Equipment Leases	-	-	-	-	-	
Miscellaneous	2,000	2,000	-	2,000	-	
Depreciation	10,011	10,011	-	8,506	(1,505)	
Total Operating Expenses	\$ 42,011	\$ 42,011	\$ -	\$ 35,506	\$ (6,505)	
Total Direct Expenses	\$ 729,550	\$ 729,550	\$ -	\$ 738,525	\$ 8,975	
Indirect Expenses	\$ 409,902	\$ -	\$ -	\$ 427,047	\$ 17,145	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 1,139,452	\$ 1,139,452	\$ -	\$ 1,165,572	\$ 26,120	
Change in Assets	\$ (104,231)	\$ (104,231)	\$ -	\$ (105,031)	\$ (800)	
Fixed Assets						
Depreciation	\$ (10,011)	(10,011)	\$ -	\$ (8,506)	\$ 1,505	
Computer & Software CapEx	-	-	-	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	
Allocation of Fixed Assets	-	-	-	-	-	
Inc(Dec) in Fixed Assets (C)	(10,011)	(10,011)	-	(8,506)	1,505	
TOTAL BUDGET (=B+C)	1,129,441	1,129,441	-	1,157,066	27,625	
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (94,220)	\$ (94,220)	\$ -	\$ (96,525)	\$ (2,305)	

Personnel Analysis

Total FTE's by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs ¹ 2016 Budget	Total FTEs 2016 Budget	Change from 2015 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 2015-2016

Working Capital and Operating Reserve Analysis 2015-2016			
CRITERIA SERVICES DIVISION			
	Total Reserve	Operating Reserve	Working Capital
Beginning Working Capital and Operating Reserves, December 31, 2014	532,491	443,736	88,755
2015 Non-Statutory Funding (from members)	1,035,221	1,035,221	0
2015 Other funding sources	0	0	0
Less: 2015 Projected expenses & fixed asset additions	(1,129,441)	(1,129,441)	0
Projected Working Capital, December 31, 2015	438,271	349,516	88,755
Desired Working Capital and Operating Reserve, December 31, 2016	341,746	245,328	96,418
Less: Projected Working Capital Reserve Balance December 31, 2015	(438,271)	(349,516)	(88,755)
Increase(decrease) in assessments to achieve desired Total Reserve	(96,525)	(104,188)	7,663
2016 Funding requirement for expenses and fixed asset additions	1,157,066		
Adjustment to achieve desired Working Capital and Operating Reserve balance	(96,525)		
2016 Funding and reserve requirement	1,060,542		

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

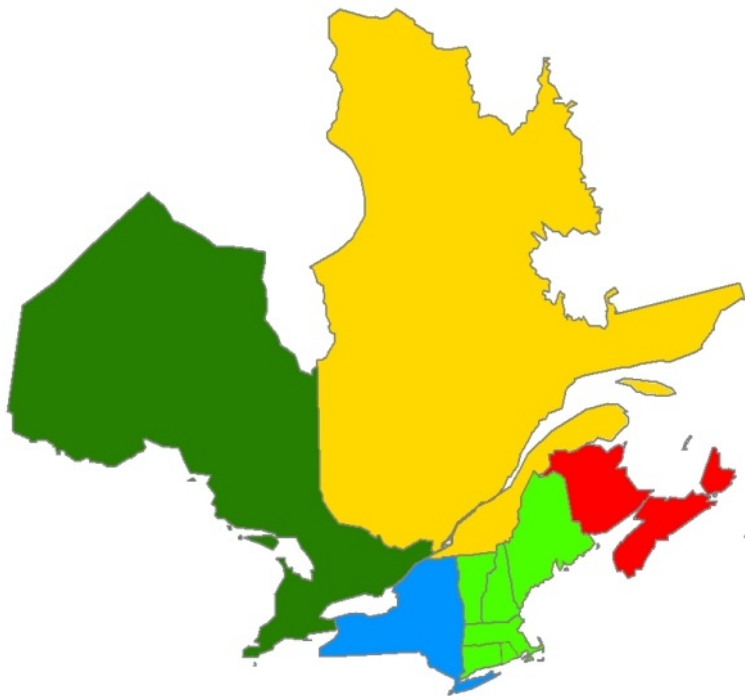
² Total NPCC Operating Reserve must be within a range from 8.33% to 25.00% of Budget. \$245,328 represents 21.20% of the 2016 budget of \$1,157,066, however the combined total of the RE and CS budgets does not exceed 25.00%

³ Total NPCC Working Capital must equal 8.33% of Budget. \$96,418 represents 8.33% of the 2016 budget of \$1,157,066

Explanation of Changes in Reserve Policy from Prior Year

None

Section D – Additional Consolidated Financial
Statements
2016 Business Plan and Budget



Section D — Additional Financial Statements

Statement of Financial Position

Statement of Financial Position				
2014 Audited, 2015 Projection, and 2016 Budget				
Regional Entity and Criteria Services Division				
	(Per Audit)	Projected	Budget	
	31-Dec-14	31-Dec-15	31-Dec-16	
ASSETS				
Cash and cash equivalents	5,414,548	3,792,000	3,171,000	
Restricted cash	648,796	367,000	150,000	
Temporary cash investments	2,211,002	2,211,000	2,211,000	
Prepaid expenses	243,624	244,000	244,000	
Other assets	52,878	111,000	139,000	
Equipment and leasehold improvements, net	973,224	883,000	888,000	
Total Assets	9,544,072	7,608,000	6,803,000	
LIABILITIES AND NET ASSETS				
Liabilities				
Accrued expenses and other liabilities	1,648,827	1,600,000	1,600,000	
Accrued liability for pension	18,777	-	-	
Deferred revenue	994,910	-	-	
Deferred rent	740,636	687,000	633,000	
Total Liabilities	3,403,150	2,287,000	2,233,000	
Net Assets - unrestricted	6,140,922	5,321,000	4,570,000	
Total Liabilities and Net Assets	9,544,072	7,608,000	6,803,000	

Section D — Additional Financial Statements

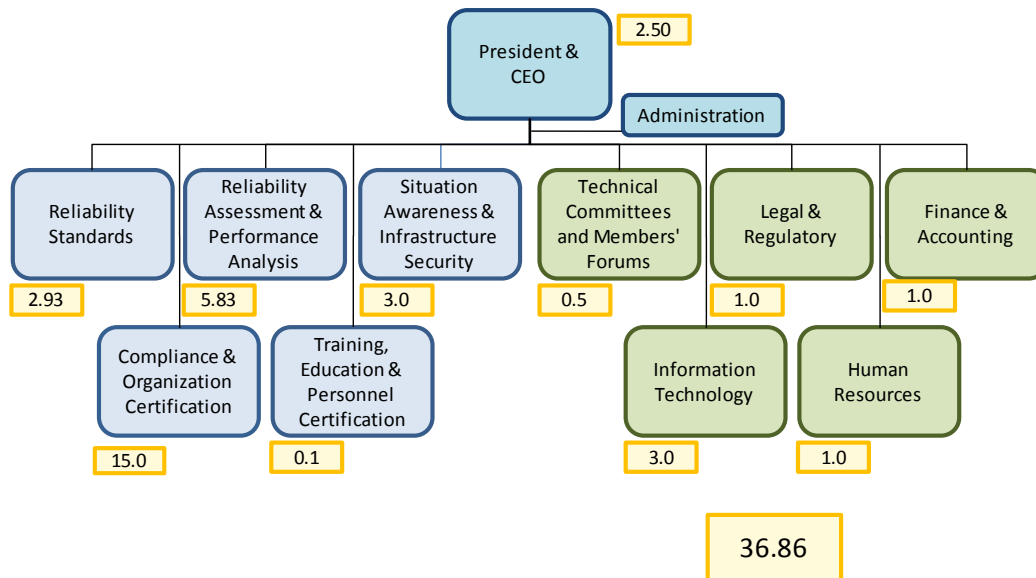
NPCC Statement of Activities 2016 Budget			Reliability	Compliance Monitoring and	Reliability	Training,	Situation	Technical	Administrative
	RE Division Total	RE Division Total	Standards (Section 300)	Enforcement and Organization Registration and Certification (Section 400 & 500)	Assessment and Performance Analysis (Section 800)	Education, and Operator Certification (Section 900)	Awareness and Infrastructure Security (Section 1000)	Committees and Member Forums	Services
Funding									
ERO Funding									
ERO Assessments	14,349,196	14,349,196	1,480,373	8,611,718	3,157,554	155,715	1,536,637	-	(592,801)
Penalty Sanctions	67,000	67,000	7,046	38,478	14,020	240	7,215	-	-
Total ERO Funding	14,416,196	14,416,196	1,487,419	8,650,196	3,171,574	155,956	1,543,852	-	(592,801)
Membership Dues	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-
Workshops	64,000	64,000	-	-	-	64,000	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total Funding (A)	14,480,196	14,480,196	1,487,419	8,650,196	3,171,574	219,956	1,543,852	-	(592,801)
Expenses									
Personnel Expenses									
Salaries	6,561,470	6,561,470	548,639	2,494,251	1,031,149	19,073	516,951	40,385	1,911,022
Payroll Taxes	399,057	399,057	32,229	166,018	64,284	1,311	32,630	3,479	99,106
Benefits	1,364,799	1,364,799	116,140	491,904	212,345	5,452	116,230	15,496	407,233
Retirement Costs	833,118	833,118	61,950	268,494	116,395	2,397	53,880	5,469	324,533
Total Personnel Expenses	9,158,445	9,158,445	758,958	3,420,667	1,424,173	28,234	719,690	64,829	2,741,893
Meeting Expenses									
Meetings	394,000	394,000	20,000	32,000	45,000	157,000	15,000	2,000	123,000
Travel	907,100	907,100	125,000	355,000	186,850	15,150	65,000	5,100	155,000
Conference Calls	47,000	47,000	-	-	-	-	-	-	47,000
Total Meeting Expenses	1,348,100	1,348,100	145,000	387,000	231,850	172,150	80,000	7,100	325,000
Operating Expenses									
Consultants & Contracts	2,223,500	2,223,500	10,000	1,560,000	374,500	-	157,000	-	122,000
Office Rent	802,500	802,500	-	-	-	-	-	-	802,500
Office Costs	639,500	639,500	-	-	-	-	-	-	639,500
Professional Services	1,011,000	1,011,000	-	-	-	-	-	-	1,011,000
Miscellaneous	41,000	41,000	-	-	-	-	-	-	41,000
Depreciation	231,821	231,821	-	-	-	-	-	-	231,821
Total Operating Expenses	4,949,321	4,949,321	10,000	1,560,000	374,500	-	157,000	-	2,847,821
Total Direct Expenses	15,455,866	15,455,866	913,958	5,367,667	2,030,523	200,384	956,690	71,929	5,914,714
Indirect Expenses	(427,047)	(427,047)	584,695	3,192,876	1,163,404	19,955	598,664	(71,929)	(5,914,714)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-
Total Expenses (B)	15,028,819	15,028,819	1,498,654	8,560,543	3,193,927	220,339	1,555,355	-	-
Change in Assets	(548,622)	(548,622)	(11,234)	89,653	(22,353)	(383)	(11,503)	-	(592,801)
Fixed Assets									
Depreciation	(231,821)	(231,821)	-	-	-	-	-	-	(231,821)
Computer & Software CapEx	276,000	276,000	-	151,000	-	-	-	-	125,000
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	(11,234)	(61,347)	(22,353)	(383)	(11,503)	-	106,821
Inc (Dec) in Fixed Assets (C)	44,179	44,179	(11,234)	89,653	(22,353)	(383)	(11,503)	-	-
TOTAL BUDGET (-B + C)	15,072,998	15,072,998	1,487,419	8,650,196	3,171,574	219,956	1,543,852	-	-
TOTAL CHANGE IN WORKING CAPITAL (-A-B-C)	(592,801)	(592,801)	0	-	0	(0)	(0)	-	(592,801)
FTEs	36.86	36.86	2.93	16.00	5.83	0.10	3.00	0.50	8.50

Section D — Additional Financial Statements

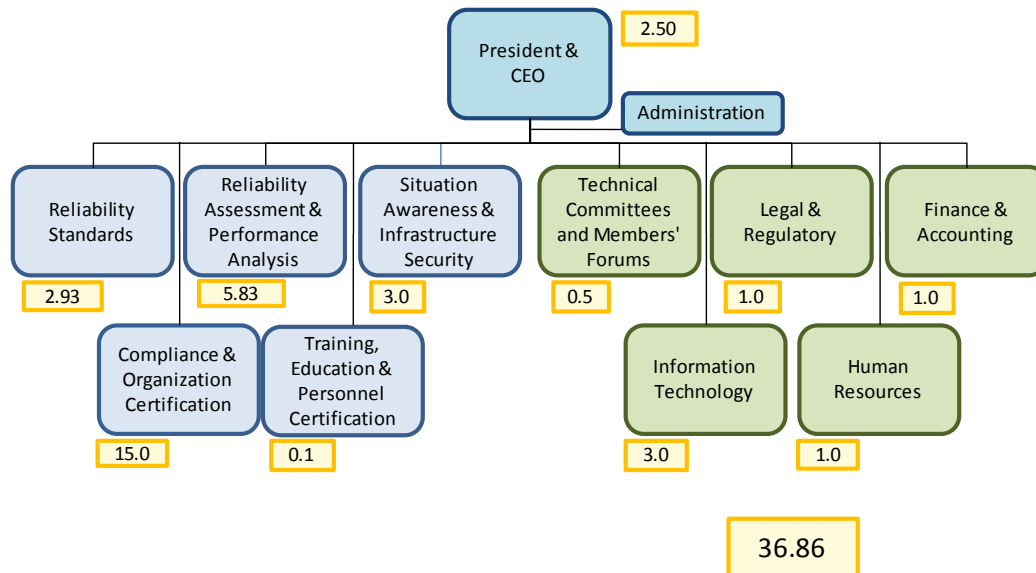
NPCC Statement of Activities 2016 Budget		CS Division Total	Criteria Development	Criteria Assessment	General and Administrative
Funding					
ERO Funding					
	ERO Assessments	-	-	-	-
	Penalty Sanctions	-	-	-	-
	Total ERO Funding	-	-	-	-
	Membership Dues	1,060,542	548,020	609,046	(96,525)
	Testing Fees	-	-	-	-
	Services & Software	-	-	-	-
	Workshops	-	-	-	-
	Interest	-	-	-	-
	Miscellaneous	-	-	-	-
	Total Funding (A)	1,060,542	548,020	609,046	(96,525)
Expenses					
Personnel Expenses					
	Salaries	393,882	173,918	219,964	-
	Payroll Taxes	23,275	10,679	12,596	-
	Benefits	88,412	32,965	55,448	-
	Retirement Costs	144,950	70,435	74,514	-
	Total Personnel Expenses	650,519	287,997	362,523	-
Meeting Expenses					
	Meetings	6,500	3,500	3,000	-
	Travel	46,000	22,000	24,000	-
	Conference Calls	-	-	-	-
	Total Meeting Expenses	52,500	25,500	27,000	-
Operating Expenses					
	Consultants & Contracts	25,000	20,000	5,000	-
	Office Rent	-	-	-	-
	Office Costs	-	-	-	-
	Professional Services	-	-	-	-
	Miscellaneous	2,000	1,000	1,000	-
	Depreciation	8,506	4,253	4,253	-
	Total Operating Expenses	35,506	25,253	10,253	-
	Total Direct Expenses	738,525	338,750	399,776	-
	Indirect Expenses	427,047	213,524	213,524	-
	Other Non-Operating Expenses	-	-	-	-
	Total Expenses (B)	1,165,572	552,273	613,299	-
	Change in Assets	(105,031)	(4,253)	(4,253)	(96,525)
Fixed Assets					
	Depreciation	(8,506)	(4,253)	(4,253)	-
	Computer & Software CapEx	-	-	-	-
	Furniture & Fixtures CapEx	-	-	-	-
	Equipment CapEx	-	-	-	-
	Leasehold Improvements	-	-	-	-
	Allocation of Fixed Assets	-	-	-	-
	Inc (Dec) in Fixed Assets (C)	(8,506)	(4,253)	(4,253)	-
	TOTAL BUDGET (=B + C)	1,157,066	548,020	609,046	-
	TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(96,525)	-	-	(96,525)
	FTEs	2.14	1.07	1.07	0

Appendix A Staff Allocations

2015 Budget Staff Allocations - RE Division

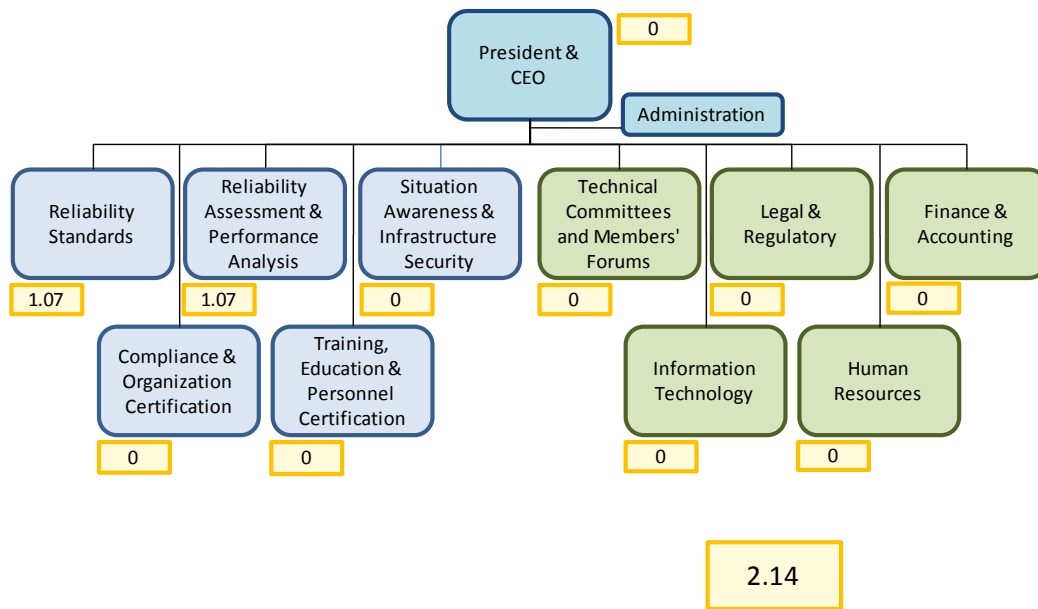


2016 Budget Staff Allocations - RE Division

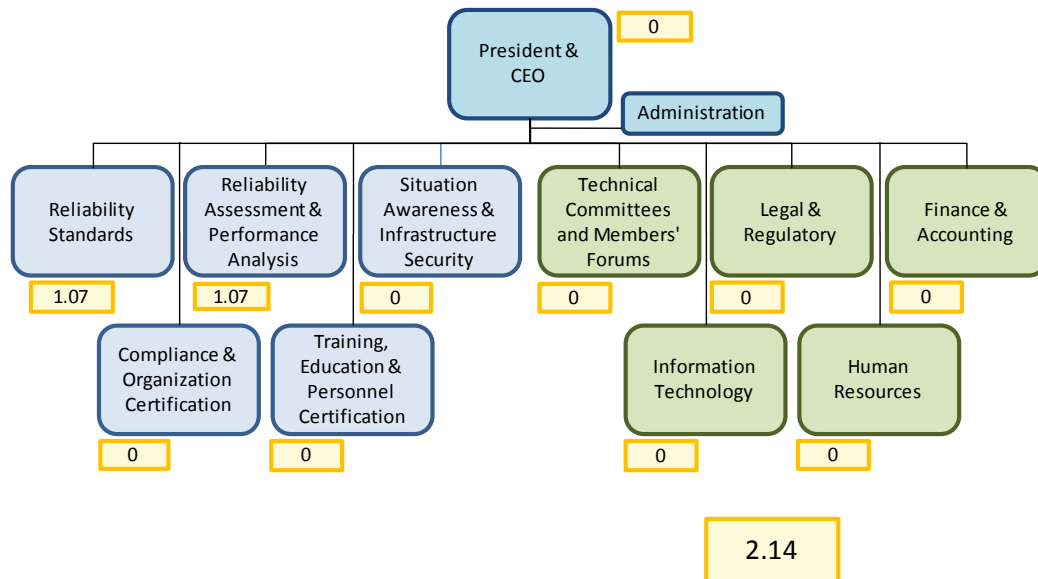


Section D — Additional Financial Statements

2015 Budget Staff Allocations - CS Division



2016 Budget Staff Allocations - CS Division



Appendix B Acronyms

This section lists acronyms used in this document.

Acronym	Definition
AI	Audits and Investigations
BAA	Balancing Authority Area
BEPWG	BES Exception Process Working Group
BES	Bulk Electric System
BOT	Board of Trustees
BPS	Bulk Power System
CC	Compliance Committee
CCEP	Criteria Compliance Enforcement Program
CDAA	CMEP Data Administration Application
CEAP	Cost Effective Analysis Process
CEH	Continuing Education Hour
CGNC	Corporate Governance and Nominating Committee
CIPC	Critical Infrastructure Protection Committee
CIPIS	Critical Information Protection Information Sharing
CMEP	Compliance Monitoring and Enforcement Program
CORC	Compliance Monitoring and Enforcement and Organization Registration and Certification Program
CUG	Consortium Users Group
DADS	Demand Availability Data System
DADSWG	Demand Response Availability Data System Working Group
ERA	Entity Reliability Assessment
ERAG	Eastern Interconnection Reliability Assessment Group
ERO	Electric Reliability Organization
EUB	Electric Utility Board
EUB	Energy and Utilities Board
FAC	Finance and Audit Committee
FERC	Federal Energy Regulatory Commission
FFT	Find, Fix, Track
GADS	Generator Availability Data System
GADSWG	Generating Availability Data System Working Group
GMD	Geomagnetic Disturbance
HQCMÉ	Hydro-Québec Contrôle des mouvements d'énergie
HSIN	Homeland Security Information Network
ICE	Internal Controls Evaluation
IED	Intelligent Electronic Device
IERP	Independent Experts Review Panel Report
IESO	Independent Electricity System Operator
ISO	Independent System Operator
ITSG	IT Steering Group
LCEFT	Load, Capacity, Energy, Fuels, and Transmission
LMS	Learning Management System
LMWG	Load Modeling Working Group
LSE	Load Serving Entity
MACD	Market Assessment and Compliance Division of the IESO
MDCC	Management Development and Compensation Committee
ME	Mitigation and Enforcement
MMWG	Multi-Regional Modeling Working Group
MOU	Memorandum of Understanding
MPLS	Multiprotocol Label Switching
MVWG	Model Validation Working Group
NAESB	North American Electric Standards Review Board

Section D — Additional Financial Statements

Acronym	Definition
NEL	Net Energy for Load
NERC	North American Electric Reliability Corporation
NOAV	Notice of Alleged Violation
NOCV	Notice of Confirmed Violation
NOPR	Notice of Proposed Rulemaking
NOPV	Notice of Possible Violation
NPCC	Northeast Power Coordinating Council, Inc.
NRAP	NPCC Reliability Assessment program
NSPI	Nova Scotia Power Incorporated
NSUARB	Nova Scotia Utility and Review Board
OEB	Ontario Energy Board
PAS	Performance Analysis Subcommittee
PC	Pension Committee
PMOS	Project Management Oversight Subcommittee
PSMTF	Protection System Mis-operations Task Force
PSTN	Public Switched Telephone Network
QCMEP	Québec Reliability Standards Compliance Monitoring and Enforcement Program
RADS	Reliability Assessment Data System
RADWG	Reliability Assessment Data Working Group
RAS	Reliability Assessment Subcommittee
RC	Reliability Coordinator
RCC	Reliability Coordinating Committee
RISC	Reliability Issues Steering Committee
RSAW	Reliability Standards Audit Worksheet
RSC	Regional Standards Committee
RTO	Regional Transmission Organization
SAFNR	Situational Awareness-FERC, NERC, Regions
SAMS	System Analysis and Modeling Subcommittee
SAR	Standards Authorization Request
SAT	Systematic Approach to Training
SBS	Standards Balloting System
SCPS	Standards Committee Process Subcommittee
SDT	Standards Drafting Team
SEDS	Spare Equipment Database System
SEDTF	Spare Equipment Database Task Force
SPS	Special Protection Systems
TADS	Transmission Availability Data System
TADSWG	Transmission Availability Data System Working Group
TFCO	Task Force on Coordination of Operation
TFCP	Task Force on Coordination of Planning
TFE	Technical Feasibility Exception
TFIST	Task Force on Infrastructure Security and Technology
TFSP	Task Force on System Protection
TFSS	Task Force on System Studies
TLR	Transmission Loading Relief
TOP	Transmission Operator
UFLS	Underfrequency Load Shedding
UVLS	Under-Voltage Load Shedding
VRF	Violation Risk Factor
VSL	Violation Security Level

Appendix C Index of Figures and Tables

Figure 1.	Budget by Program Area Chart	11
Table 1.	NPCC Budget for 2016	3
Table 2.	Budget by Program Area	11
Table 3.	Total FTE's by Program Area	12
Table 4.	Budget and Projection Comparison, 2015 to 2016	13
Table A-1.	Reliability Standards Budget	15
Table A-2.	Reliability Standards Budget Detail	24
Table A-3.	Compliance Monitoring and Enforcement and Organization Registration and Certification Budget	25
Table A-4.	Compliance Monitoring and Enforcement and Organization Registration and Certification Budget Detail	32
Table A-5.	Reliability Assessments and Performance Analysis (RAPA) Budget	33
Table A-6.	Reliability Assessments and Performance Analysis (RAPA) Budget Detail	49
Table A-7.	Training, Education, and Operator Certification Budget	50
Table A-8.	Training, Education, and Operator Certification Budget Detail	53
Table A-9.	Situation Awareness and Infrastructure Security Budget	54
Table A-10.	Situation Awareness and Infrastructure Security Budget Detail	59
Table A-11.	Administrative Services Budget	60
Table A-12.	Administrative Services Budget Detail	61
Table B-1.	Working Capital Reserve Analysis 2015-2016	72
Table B-2.	Penalty Sanctions Received	73
Table B-3.	Supplemental Funding	74
Table B-4.	Personnel Expenses	75
Table B-5.	Meeting Expense	76
Table B-6.	Consultants and Contracts	77
Table B-7.	Office Rent	77
Table B-8.	Office Costs	78
Table B-9.	Professional Services	79
Table B-10.	Miscellaneous	80
Table B-11.	Other Non-Operating Expenses	81
Table B-12.	Fixed Assets	82
Table B-13.	Budget 2016 Compared with 2016-2017 Projections	84
Table C-1.	2015 Criteria Services Division Business Plan and Budget	86
Table C-2.	2015 Budget and Projection and 2016 Budget Comparisons	92
Table C-3.	Personnel Analysis	93
Table C-4.	Reverse Analysis 2015-2016	94
Table D-1.	Statement of Financial Position, Three-Year Comparison	97

DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 6

RELIABILITYFIRST CORPORATION

PROPOSED 2016 BUSINESS PLAN AND BUDGET



RELIABILITY FIRST

**RELIABILITYFIRST CORPORATION
2016 BUSINESS PLAN AND BUDGET**

**APPROVED BY BOARD OF DIRECTORS
JUNE 4, 2015**

FINAL VERSION

Table of Contents

Introduction	4
Organizational Overview.....	4
Membership and Governance.....	5
2016 Key Assumptions	6
2016 Key Deliverables.....	6
2016 Overview of Cost Impacts	7
Summary by Program Area	9
2016 Versus 2015 Cost Allocation by Program Summary of Expenses	9
FTEs by Program Area	10
2015 Budget and Projection and 2016 Budget Comparisons	11
Section A – Statutory Programs	12
Reliability Standards Program	13
Compliance Monitoring and Enforcement, and Organization Registration and Certification Program	16
Reliability Assurance.....	18
Compliance Monitoring	21
Enforcement	27
Reliability Assessment and Performance Analysis Program	31
Training, Education, and Operator Certification Program.....	35
Situation Awareness and Infrastructure Security Program	38
Administrative Services	42
General and Administrative.....	44
Legal and Regulatory Affairs.....	45
Information Technology	47
Human Resources	50
Finance and Accounting	51
Section B – Supplemental Financial Information.....	53
Table B-1: Working Capital and Operating Reserve Analysis	54
Table B-2: Penalty Sanctions Received.....	55
Table B-3: Supplemental Funding	56
Table B-4: Personnel Expenses	57
Table B-5: Meeting Expenses.....	58
Table B-6: Consultants and Contracts	59

Table B-7: Office Rent	59
Table B-8: Office Costs.....	60
Table B-9: Professional Services	60
Table B-10: Miscellaneous	61
Table B-11: Non-Operating Expenses	61
Table B-12: Fixed Assets.....	62
Table B-13: 2017 and 2018 Projections.....	63
Section C – Non-Statutory Activities	66
Section D – Additional Consolidated Financial Statements	67
2016 Consolidated Statement of Activities by Program.....	68
Statement of Financial Position	69
Appendix A – Organization Chart	70

Introduction

The following table summarizes ReliabilityFirst Corporation (ReliabilityFirst) budget for 2016.

	2016 Budget (in whole dollars)			
		U.S.	Canada	Mexico
Statutory FTEs	72.2			
Non-statutory FTEs	-			
Total FTEs	72.2			
Statutory Expenses	\$ 19,546,377			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 19,546,377			
Statutory Inc(Dec) in Fixed Assets	\$ (179,168)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (179,168)			
Statutory Working Capital Requirement	\$ 748,250			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ 748,250			
Total Statutory Funding Requirement	\$ 20,115,459			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 20,115,459			
Statutory Funding Assessments	\$ 19,367,209	\$ 19,367,209		
Non-Statutory Fees	\$ -	\$ -		
NEL (MWH)				
NEL%	100%	100%		

Organizational Overview

ReliabilityFirst is a not-for-profit company incorporated in the State of Delaware and authorized by the Federal Energy Regulatory Commission (FERC) to operate as a Regional Entity. ReliabilityFirst is responsible for promoting and improving the reliability of the Bulk Electric System (BES) in all or parts of thirteen states and the District of Columbia. As a Regional Entity, ReliabilityFirst performs key reliability functions delegated to it by the Electric Reliability Organization (ERO) or North American Electric Reliability Corporation (NERC). These functions include:

- Active participation in the development of North American Reliability Standards for the BES, and as needed, development of Reliability Standards applicable within the ReliabilityFirst Region.
- Monitoring and enforcement of approved Reliability Standards, including the registration of responsible entities, and as needed, certification of such entities.
- Assessment of the present and future reliability, adequacy, and security of the BES.
- Promoting effective training and education of personnel.

- Promoting situational awareness and the protection of critical infrastructure.

ReliabilityFirst intends to perform only the functions delegated to it by the ERO.

Membership and Governance

Members

- ReliabilityFirst has an open membership policy that permits participation of all industry stakeholders through their designated representatives. There is no annual fee for ongoing membership in ReliabilityFirst; however, members are required to pay a nominal one-time fee to cover the costs of processing the membership application, which can be waived by the President for proper cause. There are six (6) Industry Sectors: Suppliers, Transmission Companies, Regional Transmission Organizations (RTOs), Small Load Serving Entities (LSEs), Medium LSEs, and Large LSEs.
- There are three (3) Classes of Members: Regular Members, Associate Members, and Adjunct Members.
 - A Regular Member is any entity that has joined an Industry Sector that either (i) has no Affiliates or Related Parties that are Members or (ii) is the entity designated to be the Regular Member by any related group of Associate Members.
 - An Associate Member is any entity that has joined an Industry Sector and is an Affiliate or Related Party of a Regular Member.
 - An Adjunct Member is any entity that does not qualify to join an Industry Sector but has been approved for membership. Adjunct Members may include Regulatory Participants.

There are currently 68 Members of ReliabilityFirst; 43 are Regular Members with voting rights, 17 are Associate Members, and 8 are Adjunct Members. ReliabilityFirst's foundation has been and continues to be the broad, active participation of volunteer technical and policy experts representing electricity industry stakeholders within the Region who are committed to the reliability of the BES. ReliabilityFirst believes that extensive use of industry expert resources, combined with a competent and independent ReliabilityFirst staff, provides a strong and cost effective approach to reliability that is consistent with the industry self-regulatory model envisioned by Congress in the Energy Policy Act of 2005.

Board of Directors

ReliabilityFirst is governed by a hybrid, independent, and balanced stakeholder Board that consists of 14 directors.

- Eight (8) directors are elected by the Industry Sectors as follows:
 - Suppliers elect two (2) directors;
 - Transmission Companies elect two (2) directors;
 - RTOs elect one (1) director;

- Small LSEs elect one (1) director;
- Medium LSEs elect one (1) director; and
- Large LSEs elect one (1) director.
- Three (3) directors are at-large. At-large directors are elected by all of the Industry Sectors voting together as a single class.
- Three (3) directors are independent from ReliabilityFirst, any Member, Affiliate or Related Party of any Member. Independent directors are elected by all of the Industry Sectors voting together as a single class.

2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document is located in Exhibit A of NERC's 2016 Business Plan and Budget.

2016 Key Deliverables

- Promote a culture of compliance that addresses reliability risks across the ReliabilityFirst Region and the ERO.
 - Ensure that the industry understands the essential purpose of Reliability Standards and compliance expectations.
 - Work with the industry to maintain effective risk control programs for compliance, reliability, and security.
 - Use efficient processes and proportional exercise of discretion to verify that the industry meets compliance objectives.
- Identify the most significant risks to reliability in the ReliabilityFirst Region.
 - Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources, and emerging issues.
 - Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to inform Reliability Standards, compliance, and other programs.
 - Ensure that the industry is well-informed of emerging trends, risk analysis, lessons learned, and expected actions.
- Mitigate reliability risks.
 - Ensure that the industry understands security threats and addresses them effectively.
 - Facilitate information sharing among the industry, Regions, ERO, and government.
 - Work with the ERO to track industry accountability for critical reliability and security recommendations.

- Promote a culture of reliability excellence.
 - Ensure reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among entities.
- Serve as a leading resource to industry and policy makers to supply reliability information.
- Serve as an independent, objective, and fair enforcement authority, without conflicts of interest.
 - Register entities commensurate to the risk to the BES and ensure all key reliability entities are certified to have essential capabilities.
 - Enforce compliance of Registered Entities with mandatory Reliability Standards, in accordance with the delegation agreement and Compliance Monitoring and Enforcement Program (CMEP). Perform timely and transparent compliance reviews.
 - Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough, and comprehensive manner to prevent reoccurrence.
- Improve transparency, consistency, quality and timeliness of results; collaborate with NERC and the other Regions; improve efficiencies and cost effectiveness.
 - Identify, understand, and manage internal risks.
 - Ensure processes are effective, efficient, and continually improving.

2016 Overview of Cost Impacts

This Business Plan and Budget reflects ReliabilityFirst's best estimate of the costs it will incur in carrying out its delegated functions in support of the ERO in 2016. Overall, the ReliabilityFirst 2016 budget of \$19,367,209 increased 3.25% over the 2015 budget of \$18,756,763. The 2016 assessment of \$19,367,209 represents a 3.49% increase over the 2015 assessment of \$18,713,897.

Personnel costs increased by \$598,904, an increase of 3.95% over the 2015 budget. Incorporated into the personnel costs is a 3% general wage increase and a 6.42% medical premium increase. For 2016, ReliabilityFirst did not include a personnel vacancy rate because the unused personnel dollars resulting from vacancies are to be used to fund the company's graduate program that the board of directors approved and recruitment activities to attract necessary employee candidates.

The operating and fixed asset costs of \$3,593,073 increased by 0.3% over the 2015 budget of \$3,581,530.

The 2016 assessment represents the actual monies to be collected to fund the total operating expenses of the organization for the calendar year. In order to stabilize year-upon-year assessments, the 2016 assessment and budget amounts are equal, in accordance with Board direction. ReliabilityFirst has experienced a decrease in revenue collected from monetary penalties due to improved performance by the industry and a shift in the enforcement philosophy to focus on incenting continuous improvement within our registered entities and reserving monetary penalties to deter, and send clear signals of what constitutes, undesirable entity

behavior. All Regional Entities continue to take appropriate steps to align budget changes with assessment changes in a pragmatic manner.

The ReliabilityFirst Board has approved a \$250,000 increase in the operating reserve for 2016 to restore the operating reserve to the historical amount of \$1,000,000. This level of operating reserve is consistent with ReliabilityFirst policy and is believed to be appropriate for any unbudgeted and unexpected expenditures of the organization.

In addition to the increase in the operating reserve the board of directors also approved an increase in the working capital reserve. Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow for daily operations. However, in an effort to better manage and stabilize assessments, the working capital reserve has been increased to include additional funds that will be used to enhance day to day cash flow management of expenditures, while providing the capability to stabilize future assessments. In the 2016 budget, the operating and working capital reserves have been differentiated to enable more granular identification and control in the utilization and monitoring of these funds in the appropriate manner.

Several years ago, NERC and the eight Regional Entities formed an executive management group (known as the ERO EMG) which, among other things, concentrates on developing enterprise-wide applications, thus improving efficiency and consistency across NERC and the Regional Entities. As enterprise-wide projects are identified and prioritized by the ERO EMG, they are managed through a single Project Management Office at NERC. ReliabilityFirst assumes agreed upon ERO Enterprise wide applications will be available and has only included appropriate funding for applications and supporting systems necessary to satisfy its business needs that are not within the mutually agreed upon scope of the ERO Enterprise wide applications funded by NERC.

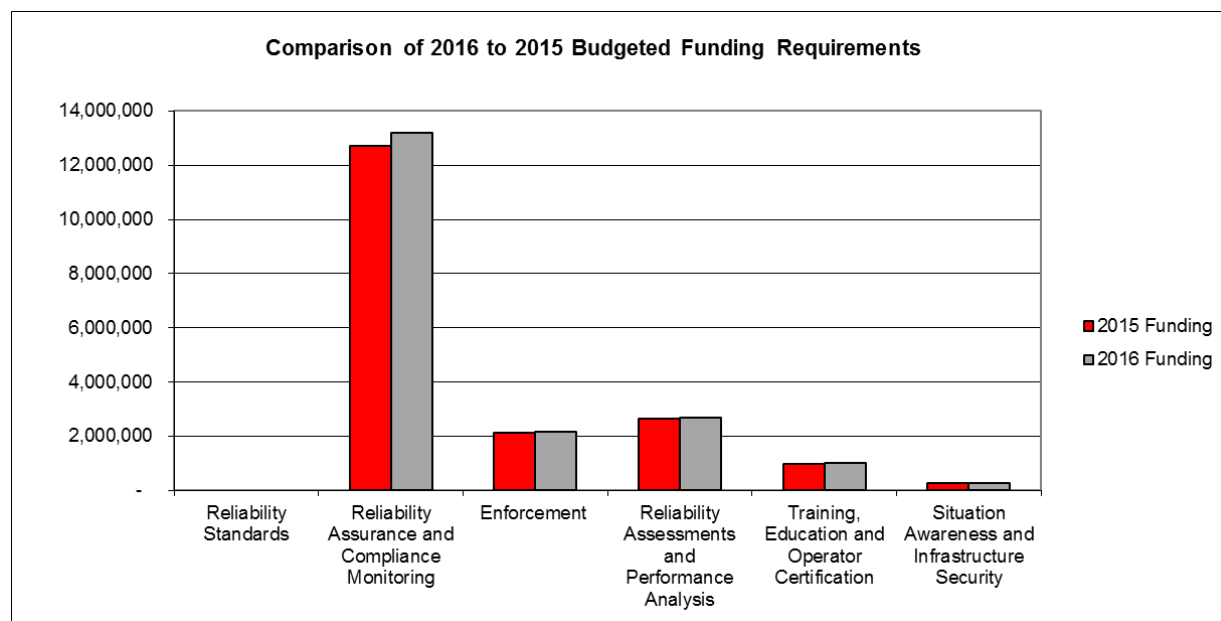
In the development of each annual Business Plan and Budget, ReliabilityFirst examines projected workload using the common assumptions referenced above and conducts a manpower analysis to determine staffing levels required to complete necessary tasks and meet the obligations of the Regional Delegation Agreement. The manpower analysis for 2016 yielded a requirement of 75.5 Full Time Equivalent (FTEs) in order to fully address the expected workload. Although the manpower analysis indicates a need for 75.5 FTEs, the staffing level incorporated into the 2016 budget includes staffing for 72.2 FTEs, which holds staffing levels stable compared to 2014 and 2015. ReliabilityFirst believes this staffing level is justified due to enhancements being made in many process areas and the maturation of the organization (and the resulting expected efficiency improvements).

Summary by Program Area

The following table and figure summarize and illustrate ReliabilityFirst's budget by program area.

Program	Budget 2015	Projection 2015	Budget 2016	Variance	
				2015 Budget v 2016 Budget	Variance %
Reliability Standards	-	-	-	-	0.0%
Reliability Assurance and Compliance Monitoring	12,726,123	12,726,123	13,198,505	472,382	3.7%
Enforcement	2,146,525	2,146,525	2,182,560	36,035	1.7%
Reliability Assessments and Performance Analysis	2,658,506	2,658,506	2,697,660	39,154	1.5%
Training, Education and Operator Certification	959,098	959,098	1,006,098	47,000	4.9%
Situation Awareness and Infrastructure Security	266,512	266,512	282,387	15,875	6.0%

2016 Versus 2015 Cost Allocation by Program Summary of Expenses



FTEs by Program Area

Total FTEs by Program Area	Budget 2015	Projection 2015	Total FTEs 2016 Budget	Change from 2015 Budget
STATUTORY				
Operational Programs				
Reliability Standards	0.00	0.00	0.00	0.00
Reliability Assurance and Compliance Monitoring	37.50	37.50	37.50	0.00
Enforcement	8.25	8.25	8.25	0.00
Reliability Assessment and Performance Analysis	8.35	8.35	8.35	0.00
Training and Education	3.00	3.00	3.00	0.00
Situation Awareness and Infrastructure Security	0.50	0.50	0.50	0.00
Total FTEs Operational Programs	57.60	57.60	57.60	0.00
Administrative Programs				
General & Administrative	3.00	3.00	3.00	0.00
Legal and Regulatory Affairs	2.00	2.00	2.00	0.00
Information Technology	5.00	5.00	5.00	0.00
Human Resources	3.00	3.00	3.00	0.00
Finance and Accounting	1.60	1.60	1.60	0.00
Total FTEs Administrative Programs	14.60	14.60	14.60	0.00
Total FTEs	72.20	72.20	72.20	0.00

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

2015 Budget and Projection and 2016 Budget Comparisons

The following table lists the 2015 budget and projection compared to the 2016 budget.

2015 Budget and Projection, and 2016 Budget					
STATUTORY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ReliabilityFirst Assessments	\$ 18,713,897	\$ 18,713,897	\$ -	\$ 19,367,209	\$ 653,312
Penalty Sanctions	570,001	570,001	-	748,250	178,249
Total ReliabilityFirst Funding	\$ 19,283,898	\$ 19,283,898	\$ -	\$ 20,115,459	\$ 831,561
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	100,000	100,000	-	-	(100,000)
Total Funding	\$ 19,383,898	\$ 19,383,898	-	\$ 20,115,459	\$ 731,561
Expenses					
Personnel Expenses					
Salaries	\$ 11,085,279	\$ 11,085,279	\$ -	\$ 11,427,306	\$ 342,027
Payroll Taxes	646,939	646,939	-	699,888	52,949
Benefits	1,666,553	1,666,553	-	1,786,698	120,145
Retirement Costs	1,776,461	1,776,461	-	1,860,244	83,783
Total Personnel Expenses	\$ 15,175,232	\$ 15,175,232	\$ -	\$ 15,774,136	\$ 598,904
Meeting Expenses					
Meetings	\$ 177,350	\$ 177,350	\$ -	\$ 222,750	\$ 45,400
Travel	781,779	781,779	-	836,800	55,021
Conference Calls	40,800	40,800	-	42,000	1,200
Total Meeting Expenses	\$ 999,929	\$ 999,929	\$ -	\$ 1,101,550	\$ 101,621
Operating Expenses					
Consultants & Contracts	\$ 620,734	\$ 620,734	\$ -	\$ 540,110	\$ (80,624)
Office Rent	548,330	548,330	-	534,619	(13,711)
Office Costs	746,477	746,477	-	717,182	(29,295)
Professional Services	455,571	455,571	-	488,989	33,418
Miscellaneous	30,491	30,491	-	34,640	4,149
Depreciation	421,106	421,106	-	352,668	(68,438)
Total Operating Expenses	\$ 2,822,709	\$ 2,822,709	\$ -	\$ 2,668,208	\$ (154,501)
Total Direct Expenses	\$ 18,997,870	\$ 18,997,870	\$ -	\$ 19,543,894	\$ 546,024
Indirect Expenses	\$ (1)	\$ -	\$ 1	\$ -	\$ 1
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 2,483	\$ 2,483
Total Expenses	\$ 18,997,869	\$ 18,997,870	\$ 1	\$ 19,546,377	\$ 548,508
Change in Assets	\$ 386,029	\$ 386,028	\$ (1)	\$ 569,082	\$ 183,053
Fixed Assets					
Depreciation	(421,106)	(421,106)	-	(352,668)	68,438
Computer & Software CapEx	140,000	140,000	-	133,500	(6,500)
Furniture & Fixtures CapEx	40,000	40,000	-	40,000	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (241,106)	\$ (241,106)	\$ -	\$ (179,168)	\$ 61,938
Allocation of Fixed Assets	\$ 1	\$ -	\$ (1)	\$ -	\$ (1)
Inc/(Dec) in Fixed Assets	\$ (241,105)	\$ (241,106)	\$ (1)	\$ (179,168)	\$ 61,937
Total Budget	\$ 18,756,764	\$ 18,756,764	\$ (0)	\$ 19,367,209	\$ 610,445
Change in Working Capital	\$ 627,134	\$ 627,134	\$ 0	\$ 748,250	\$ 121,116

Section A – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	0.00	0.00	0.00
Direct Expenses	\$ -	\$ -	\$ -
Indirect Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

In support of the ERO, ReliabilityFirst may develop Regional Reliability Standards as deemed necessary. Regional Reliability Standards must be developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure and must be more stringent than a NERC Reliability Standard, addressing a regional difference where a NERC Reliability Standard does not, or a regional difference necessitated by a physical difference in the BES.

ReliabilityFirst may also develop regional criteria. Regional criteria are good utility practices used to enhance the reliability of the BES and may augment Reliability Standards. Regional criteria are not Reliability Standards, and therefore are not enforceable. ReliabilityFirst regional criteria are developed in accordance with the ReliabilityFirst Reliability Standards Development Procedure.

2016 Key Assumptions

The Reliability Standards Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document.

During the 2015 Budget process and continuing in 2016, ReliabilityFirst reallocated the resources and expenses associated with the Reliability Standards Program to the Reliability Assurance and Compliance Monitoring Program as a result of decreased activity in the Standards Program and the need to deploy resources to advance the Reliability Assurance Program. In the unanticipated instance that ReliabilityFirst needs to develop a Regional Reliability Standard or regional criteria in 2016, ReliabilityFirst will temporarily redeploy the necessary resources from the existing Reliability Assurance and Compliance Monitoring groups, and Reliability Assessment and Performance Analysis Program resources.

2016 Key Deliverables

- Submit to NERC, and subsequently file with FERC any new regional standards that:
 - May be needed to support revised NERC Reliability Standards.
 - May address reliability gaps not currently covered by NERC Reliability Standards.

- Submit to ReliabilityFirst Board any new regional criteria that:
 - Addresses issues not within the scope of NERC Reliability Standards.
 - Promotes more consistent implementation of a NERC Reliability Standard within the Region.
- Initiate and coordinate revisions to regional standards or regional criteria in any stage of development to align with NERC and FERC requirements.
 - Support for enhanced periodic reviews focused on conducting measured, in-depth reviews to further improve Reliability Standards using the Enhanced Periodic Review template.
 - Support for ERO activities necessary to incorporate regional standards into continent-wide standards as appropriate as the continent-wide Reliability Standards are reviewed through the Enhanced Periodic Review process.
 - Retire regional standards and regional criteria that are duplicative with NERC Reliability Standards or no longer needed for reliability.
- Review and provide feedback on potential Regional concerns associated with NERC Reliability Standards and RSAWs under development.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year. As explained in the 2016 Key Assumptions, in the unanticipated instance that ReliabilityFirst needs to develop a Regional Reliability Standard or regional criteria, ReliabilityFirst will temporarily allocate the necessary resources from the Reliability Assurance and Compliance Monitoring groups, and Reliability Assessment and Performance Analysis Program.

- **Contractors and Consultants**

No contractor or consultant support is budgeted in this year.

Reliability Standards Program Budget Detail

The following table shows funding sources and related expenses for the Reliability Standards Program section of the 2016 Business Plan and Budget.

2015 Budget and Projection, and 2016 Budget					
Reliability Standards					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	-	-	-	-	-
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses					
	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses					
	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses					
	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget	\$ -	\$ -	\$ -	\$ -	\$ -
Total Change in Working Capital	\$ -	\$ -	\$ -	\$ -	\$ -

Compliance Monitoring and Enforcement, and Organization Registration and Certification Program

Compliance Monitoring, and Enforcement, and Organization Registration and Certification Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	45.75	45.75	0.00
Direct Expenses	\$ 10,677,953	\$ 11,009,462	\$ 331,509
Indirect Expenses	\$ 4,391,664	\$ 4,517,711	\$ 126,047
Inc(Dec) in Fixed Assets	\$ (196,969)	\$ (146,108)	\$ 50,861
Total Funding Requirement	\$ 14,872,648	\$ 15,381,065	\$ 508,417

Program Scope and Functional Description

The Compliance Monitoring and Enforcement, and Organization Registration and Certification Program is structured to achieve maximum effectiveness, consistency, and provide the requisite due diligence in compliance monitoring, investigations and assessments, data and status reporting, enforcement actions, and settlement and hearing activities with regard to compliance with the Reliability Standards, in the furtherance of ReliabilityFirst's mission to assure reliability.

In preparation to execute the programs necessary to implement the risk-based compliance monitoring approach recently approved by FERC,¹ ReliabilityFirst reorganized its departments in April 2014 to align with the four-step process for risk-based compliance monitoring (risk/threat identification; the Inherent Risk Assessment; the Internal Controls Evaluation; and the informed use of compliance monitoring and enforcement tools based on the foregoing steps).

ReliabilityFirst staff has now delineated the responsibility to execute the Compliance Monitoring and Enforcement, and Organization Registration and Certification Program among three groups: Reliability Assurance, Compliance Monitoring, and Enforcement.

The Reliability Assurance group performs various activities to assess risk and scope compliance monitoring and enforcement activities in accordance with risk. These activities, discussed in further detail in the Reliability Assurance section, include: (1) conducting Inherent Risk Assessments to determine the scope and frequency of compliance monitoring activities; (2) conducting Internal Controls Evaluations to drive continuous improvement and to further refine the scope and frequency of compliance monitoring, based upon the maturity of the Registered Entity's internal controls; (3) developing lessons learned and identifying key trends from all aspects of the compliance monitoring processes and Registered Entity corrective action activities; (4) performing registration and certification activities; and (5) conducting risk assessments and

¹ *Order on Electric Reliability Organization Reliability Assurance Initiative and Requiring Compliance Filing*, 150 FERC ¶ 61,108 (2015).

supporting mitigation plan activities associated with noncompliances (e.g., reviewing proposed mitigation plans and accepting those that contain effective corrective and preventative actions and verifying mitigation plan completion to ensure the Registered Entity has returned to compliance).

The Compliance Monitoring group monitors compliance to Reliability Standards across 228 registered owners, operators, and users of the BES through a variety of risk-based activities. These activities, discussed in further detail in the Compliance Monitoring section, include compliance audits, spot checks, investigations, and the assessment of complaints.

The Enforcement group is responsible for performing ReliabilityFirst's delegated function to enforce, where necessary, compliance with the NERC Reliability Standards. These efforts, discussed in further detail in the Enforcement section, involve ensuring that the selected disposition method for any noncompliance (whether settlement agreement or compliance exception) is appropriately supported by the record in light of the risk posed by the noncompliance and promotes the desired Registered Entity behavior.

Major activities for the Reliability Assurance, Compliance Monitoring, and Enforcement groups during 2016 and through 2018 include the advancement of the Reliability Assurance program and Risk-Based Registration, and the transition to the CIP Version 5 Standards (CIPv5). These are all joint ERO Enterprise level initiatives that will benefit NERC, the Regional Entities, and the Registered Entities. ReliabilityFirst will continue to assess resource conditions and will redeploy existing staff, utilize contract resources, or provide a manpower evaluation for additional staffing to provide the resource support which is determined to be necessary to support the implementation of these major activities.

A detailed Program Scope and Functional Description for the Reliability Assurance, Compliance Monitoring, and Enforcement groups, as well as the Key Assumptions and Deliverables for each of these groups, can be found in their respective sections below.

Reliability Assurance and Compliance Monitoring (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	37.50	37.50	0.00
Direct Expenses	\$ 9,292,640	\$ 9,619,254	\$ 326,614
Indirect Expenses	\$ 3,599,725	\$ 3,703,042	\$ 103,317
Inc(Dec) in Fixed Assets	\$ (166,242)	\$ (123,790)	\$ 42,452
Total Funding Requirement	\$ 12,726,123	\$ 13,198,505	\$ 472,382

Reliability Assurance

Program Scope and Functional Description

The activities performed by the Reliability Assurance group include: Inherent Risk Assessments, Internal Controls Evaluations, assist visits, organization registration, organization certification, mitigation plan acceptance, approval, and verification, assessment of self-certifications and periodic data submittals, review and analysis of events for risk trending, analysis and reporting of system disturbances and events, risk-harm analysis and analytics (e.g., in support of the use of enforcement discretion for lesser-risk issues), the creation of compliance monitoring plans and schedules to align with potential risk, the provision of industry training, BES Definition implementation, and serving as a technical resource for the Corporation.

2016 Key Assumptions

The Reliability Assurance group incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document and includes the following regional assumptions:

1. Inherent Risk Assessment and Internal Controls Evaluation activities are expected to increase with the implementation of the Reliability Assurance Program.
2. With the implementation of the revised BES definition, there have been additional resource demands in the registration area to process BES Exception Requests, Self-Determined Notifications and answer entity questions related to the revised BES Definition. The BES Definition and Exception Process was mostly implemented in 2015 but it is anticipated that there will continue to be new submittals in 2016.
3. Entities have expressed a desire to consolidate and where applicable, increase the number of Joint Registration Organizations and Coordinated Functional Registrations. Requests are expected to increase as entities better delineate shared responsibilities and seek to achieve efficiency and effectiveness in compliance management by registering as a corporate entity. This increase will have a direct impact on the workload associated with registration and certification.

4. The Multi-Regional Registered Entity (MRRE) process is now in the first phases of implementation. To date, ReliabilityFirst has been designated Lead Region for six MRRE entities, and as affected region for seven MRRE entities. It is anticipated, taking into account RF's location and impact on the eastern interconnection, that RF will be designated as the Lead Region for additional MRREs. Additionally, requests to use the MRRE process are expected to increase as entities seek to achieve efficiency and effectiveness in compliance. The aforementioned factors may have an impact on the workload associated with coordinating compliance monitoring and enforcement processes under the MRRE process.
5. Revisions to the registration process will take place in 2016 in accordance with FERC's recent issuance of its Order approving NERC's Risk-Based Registration Initiative. A resulting increase in workload is expected in 2016 to implement the changes associated with the Risk Based Registration Initiative and to assure that no reliability gaps are created.
6. Assist Visits and Internal Controls Evaluations will continue to take place to collaboratively assist an entity's drive for continuous improvement and reliability excellence, its capability in key management practice areas, and to assure reliability performance. An increase in Assist Visit requests is anticipated due to the transition to the CIP V5 Reliability Standards.
7. There will be an effort to ensure that a specific risk targeted by a particular Reliability Standard is being adequately addressed (i.e., whether the Reliability Standard as written, monitored and enforced for compliance, is effectively mitigating the identified risk.)
8. Work with NERC will continue on the development of educational materials for Registered Entities regarding the Reliability Assurance Program, Risk-Based Registration, and new and revised Reliability Standards.

2016 Key Deliverables

- Develop material for Registered Entities regarding expectations for new and existing Reliability Standards.
- Process all registration requests and implement the recently-approved Risk-Based Registration Initiative.
- Process and assess self-certifications and periodic data submittals.
- Provide technical subject matter expertise and support for compliance monitoring activities, regional outreach activities, and other initiatives as identified within ReliabilityFirst and/or the ERO.
- Collect and validate data, review, and analyze system events and disturbances as described in the NERC ERO Event Analysis Process and cooperate with NERC and FERC staff and other Regional Entity staff to assure root cause, corrective actions, and lessons learned are identified.

- For system events and disturbances, review and make a timely decision whether a compliance monitoring action needs to be undertaken (considering the significance of the event and its risk to the BES).
- Collect and review disturbance reports as required in NERC Standard EOP-004 and as required by the Department of Energy in form OE-417.
- Support and participate in the ongoing implementation of the Risk-Based Compliance Monitoring and Enforcement (CMEP) Program, with a focus on ongoing assessment of ReliabilityFirst Regional Risk Elements, and maturation of the Inherent Risk Assessment and Internal Controls Evaluation processes.
- Perform Inherent Risk Assessments of registered entities in alignment with the ERO Inherent Risk Assessment guide to define the scope, recommended tool (audit, spot check, self-certification, etc.), and frequency of the compliance monitoring activity for a given registered entity.
- Conduct risk harm assessments of all possible non-compliances to assess the potential risk posed by each noncompliance and to inform the proper enforcement action(s).
- Perform mitigation plan activities associated with noncompliances in an effort to return entities to compliance and prevent reoccurrence by:
 - Reviewing proposed mitigation plans and accepting those that contain effective corrective and preventative actions.
 - Communicating with Enforcement and the Registered Entity throughout the mitigation plan review process to ensure defined corrective and preventative actions will mitigate the violation.
 - Verifying mitigation plan completion through the evaluation of evidence provided by the Registered Entity to demonstrate that agreed to actions have been implemented according to established milestones.
- Perform reviews of self-logged noncompliances, submitted quarterly by registered entities afforded logging privileges, to assess the non-compliances and associated mitigating activities.
- Continue to increase efficiency through process improvement, such as efficiency in the completion of risk-harm analysis, mitigation acceptance and verification reviews, and self-logging reviews.
- Support the development, training, and outreach for Registered Entities to successfully transition to CIP v5 standards.
- Perform assist visits, support two regional compliance workshops, and monthly “open” compliance calls.
- Support the NERC Sufficiency Review Program/CIP-OS Outreach Sessions, as requested. The expectation is that NERC will conduct 1 to 2 sufficiency reviews of entities registered in the ReliabilityFirst region.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

In the event the work load exceeds available resources, contractors may be used to temporarily supplement staff. There is a possible need for additional resources to address an increase in the demand for Internal Controls Evaluations from Registered Entities as the program becomes more fully realized.

- **Contractors and Consultants**

Contractor and consultant support is budgeted to assist in Mitigation Plan review activities where needed.

Compliance Monitoring

Program Scope and Functional Description

The Compliance Monitoring group is responsible for the completion of the Operations/Planning and Critical Infrastructure Protection (CIP) audits, complaints, investigations, spot checks, and management of TFEs, which address the NERC Reliability Standards. The Compliance Monitoring group also reviews and finalizes compliance monitoring plans and serves as a subject matter expert and technical resource for the Corporation.

2016 Key Assumptions

The Compliance Monitoring group incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document and includes the following regional assumptions:

1. Continue to monitor compliance to the NERC Reliability Standards for applicable Registered Entities through compliance audits and/or spot checks, ensuring that all pre-audit, onsite or offsite, and post audit activities are completed per the established process and timelines.
2. Audits will continue under the on-going schedule to complete the BA, TOP, and RC audits on a three year cycle. All Registered Entities that are registered for other functions will have an Inherent Risk Assessment completed to determine if their engagement will continue or be delayed. Audit schedules will be determined through an assessment of a Registered Entity's risk profile (the Inherent Risk Assessment and an optional Internal Controls Evaluation) and will no longer be subject to predefined actively monitored lists. This change is not expected to result in a reduction in resource needs during the 2016 through 2018 timeframe.
3. The use of spot checks and self-certifications, when determined to be the most effective and efficient means to assure significant reliability risks do not exist, is expected to increase as risk-based monitoring is implemented, and should have a minor effect on overall resource requirements.

4. ReliabilityFirst will continue to implement the guidance and process steps contained in the Audit Handbook and Checklist and other ERO Enterprise tools. ReliabilityFirst will support the training requirements necessary to meet the criteria set forth by the ERO Auditor Manual and Handbook and the Compliance Auditor Capabilities and Competency Guide. The Compliance Auditor Capabilities and Competency Guide is being used to assess ReliabilityFirst's existing resources and potentially adjust skill sets to meet these requirements.
5. ReliabilityFirst and NERC will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the compliance staff. Through NERC training and other available training courses, ReliabilityFirst will provide the necessary training to continue to provide a skilled, competent, and respected audit staff.
6. ReliabilityFirst will continue to seek and employ initiatives to increase efficiencies and production. Staff will continue to work with NERC to develop a global audit management tool which will be utilized by all the Regions. This will improve the efficiency of monitoring processes and NERC oversight for all the Regions.
7. The Final FERC Rule in Order 791 approving CIP Version 5 (CIP V5) Reliability Standards established the following:
 - a. Effective date for Compliance with all non-periodic requirements as of **April 1, 2016** for High and Medium Impact BES Cyber Systems, and **April 1, 2017** for Low Impact BES Cyber Systems
 - b. Compliance with initial performance of periodic requirements using an Effective Date of **April 1, 2016**

A resource impact is anticipated during the ensuing transition period from CIP Version 3 (CIP V3) Reliability Standards to CIP V5. Associated with the transition period is the additional workload of providing extensive outreach and training to Registered Entities on the effective implementation of CIP V5. The actual impact is materializing in 2015 and is expected to continue throughout 2016. Existing CIP staff will continue to manage and monitor the impact, which will guide the development of any future resource recommendations.

8. The time required to complete the onsite CIP audit reviews for CIP V5 includes site and field visits based on the scope of the audit and whether initial evidence is sufficient to substantiate that an entity is compliant. This may add workload to the CIP Monitoring Program.
9. For Registered Entities subject to compliance to CIP V3 that have historically declared no Critical Cyber Assets, the audit scope will continue to focus on CIP-002 and CIP-003 R2. During the transition period these audits will be conducted offsite or through self-certifications, spot checks, or data submittals.

10. For Registered Entities who have completed their transition to CIP V5 and declare only Low Impact BES Cyber Systems, Compliance Monitoring will conduct offsite audits.
11. After FERC approval of CIP V5, the ERO continues to evaluate:
 - a. Whether the changes being proposed in CIP V5 will materially change the amount of time Regional Entities will need to spend on audit/monitoring activities for entities with and without Critical Assets and Critical Cyber Assets, including whether field visits will be required; and
 - b. Whether material changes or additions are going to be required by the Regional Entity and NERC outreach efforts to communicate requirements to these entities.

Results of this evaluation may impact the audit scope, regional resource requirements, and expectations that will need to be factored into future resource recommendations for the budget.
12. The NERC Rules of Procedure Appendix 4D will require revisions due to a change in the applicable TFE requirements. This will require webCDMS tool updates and internal process modifications. The immediate impact of these required changes is unknown. ReliabilityFirst will continue to support the TFE program with existing CIP staff and will monitor the impact, which will guide the development of any future resource recommendations.
13. Any approved and/or terminated TFEs will continue to be audited as part of a scheduled CIP audit according to Appendix 4D. This rule is applicable to entities that have identified Critical Cyber Assets under CIP V3 and have such TFEs. During the transition to CIP V5, the applicable TFE requirements will continue to be audited as they were under CIP V3. The effort required to review these TFEs continues to be monitored and may extend the audit review schedule or result in a separate unscheduled audit review, resulting in additional time and/or resources required to complete the audit of such TFEs.
14. CIP Staff will support the ERO and Regional outreach and training efforts including the NERC Security Reliability Program, CIP V5 Small Group Advisory Sessions, ReliabilityFirst CIP V5 Workshops, ReliabilityFirst CIP V5 Focus Group Sessions, and CIP-related Assist Visits.

2016 Key Deliverables

- Manage all compliance activities in a risk-based, unbiased, fair, and consistent manner, affording all Registered Entities appropriate due process.
- Conduct thorough and formal compliance audits consistently with all regions through the incorporation of the Auditor Handbook and Checklist. Audit teams will consist of staff supplemented, when necessary, by independent contractors.

- Prepare and distribute compliance monitoring process reports to NERC and Registered Entities.
- Ensure all auditors receive training and meet all NERC auditor training requirements.
- Provide efficiencies in audit and spot check processes through continued auditor training and process improvements.
- Support two reliability workshops, monthly "open" compliance calls, CIP V5 Outreach Workshops and training sessions, assist visits (as needed), and provide Registered Entity assistance as required.
- CIP audits will be performed as separate audits from the Operations/Planning audits unless agreed to otherwise between ReliabilityFirst and the audited entity. The number of CIP audits targeted for 2016 is defined below and will be based on the number of entities that identify Critical Assets in accordance with the latest Cyber Security Standards Transition Guidance published by NERC. It is expected that the number of CIP audits will be greater than or at least the same as in 2015 due to the transition to CIP V5, resulting in approximately:
 - 9 CIP audits of entities on the three year cycle (onsite).
 - During the CIP V3 to V5 transition period entities can be audited to either the CIP V3 or CIP V5s, or both. These entities typically have Critical Assets and Critical Cyber Assets under CIP V3 or High and/or Medium BES Cyber Systems under CIP V5 due to being registered for multiple functions such as a Balancing Authority, Transmission Operator, and Reliability Coordinator.
 - 15 CIP audits of entities historically on the six year cycle (offsite).
 - During the CIP V3 to V5 transition period these entities can be audited to either CIP V3 or CIP V5, or both. These entities may or may not have Critical Assets but have identified no Critical Cyber Assets under CIP V3 and will have only Low Impact BES Cyber Systems under CIP V5.
- Spot Checks will be used to assess performance to selected Reliability Standards as outlined in the annual CMEP Implementation Plan and/or as defined by ReliabilityFirst's regional risk assessment, Inherent Risk Assessments, and results from compliance monitoring activities that identify emerging risks. This monitoring process may also be used to confirm self-certifications, self-reports, the status of mitigation plans or agreed-to activities associated with settlement agreements.
- Manage TFE processing in accordance with the revised NERC Rules of Procedure Appendix 4D.
- Compliance audits of CIP Standards will continue to include the review of Approved and Terminated TFEs. The plan is to continue incorporating the review of these TFEs into the existing audit review schedule for 2016 and beyond.

- Participate in the 2016 NERC Security Reliability Program CIP-OS Outreach sessions. The expectation is that NERC will conduct two to three security reviews of entities registered in the ReliabilityFirst region in 2016.
- Support NERC in developing and supporting training and outreach for Registered Entities to successfully transition to CIP Version 5 standards.
- Complete Compliance Assessment Reviews according to the ReliabilityFirst designed and approved Compliance Assessment process, to determine if there is a need for the initiation of a compliance monitoring process. It is anticipated that the reviews will include a request for the Registered Entities' Compliance Self-Assessment and at least one request for information to acquire any needed clarification in order to make a determination if a formal monitoring process is initiated.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

In the event the workload exceeds available resources, contractors may be used to temporarily supplement staff. The workload in the CIP monitoring area will be continually evaluated to ensure the availability of necessary resources.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2016 to temporarily supplement staff in the event workload exceeds available resources.

Reliability Assurance and Compliance Monitoring Budget Detail

The following table shows funding sources and related expenses for the Reliability Assurance and Compliance Monitoring section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2015 Budget and Projection, and 2016 Budget					
Reliability Assurance and Compliance Monitoring					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 12,289,925	\$ 12,289,925	\$ -	\$ 12,711,363	\$ 421,438
Penalty Sanctions	371,094	371,094	-	487,142	116,048
Total ReliabilityFirst Funding	\$ 12,661,019	\$ 12,661,019	\$ -	\$ 13,198,505	\$ 537,486
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	65,104	65,104	-	-	(65,104)
Total Funding	12,726,123	12,726,123	-	13,198,505	472,382
Expenses					
Personnel Expenses					
Salaries	\$ 5,931,175	\$ 5,931,175	\$ -	\$ 6,157,443	\$ 226,268
Payroll Taxes	350,077	350,077	-	383,693	33,616
Benefits	837,400	837,400	-	924,660	87,260
Retirement Costs	928,260	928,260	-	963,975	35,715
Total Personnel Expenses	\$ 8,046,912	\$ 8,046,912	\$ -	\$ 8,429,771	\$ 382,859
Meeting Expenses					
Meetings	\$ 9,400	\$ 9,400	\$ -	\$ 21,850	\$ 12,450
Travel	522,379	522,379	-	564,000	41,621
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 531,779	\$ 531,779	\$ -	\$ 585,850	\$ 54,071
Operating Expenses					
Consultants & Contracts	\$ 375,000	\$ 375,000	\$ -	\$ 243,600	\$ (131,400)
Office Rent	-	-	-	-	-
Office Costs	310,613	310,613	-	336,287	25,674
Professional Services	-	-	-	-	-
Miscellaneous	1,765	1,765	-	1,400	(365)
Depreciation	26,571	26,571	-	22,345	(4,226)
Total Operating Expenses	\$ 713,949	\$ 713,949	\$ -	\$ 603,632	\$ (110,317)
Total Direct Expenses	\$ 9,292,640	\$ 9,292,640	\$ -	\$ 9,619,254	\$ 326,614
Indirect Expenses	\$ 3,599,725	\$ 3,599,725	\$ 0	\$ 3,703,042	\$ 103,317
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 12,892,365	\$ 12,892,365	\$ 0	\$ 13,322,295	\$ 429,930
Change in Assets	\$ (166,242)	\$ (166,242)	\$ (0)	\$ (123,790)	\$ 42,452
Fixed Assets					
Depreciation	(26,571)	(26,571)	-	(22,345)	4,226
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Total Fixed Assets	\$ (26,571)	\$ (26,571)	\$ -	\$ (22,345)	\$ 4,226
Allocation of Fixed Assets	\$ (139,671)	\$ (139,671)	\$ (0)	\$ (101,445)	\$ 38,226
Inc/(Dec) in Fixed Assets	\$ (166,242)	\$ (166,242)	\$ (0)	\$ (123,790)	\$ 42,452
Total Budget	\$ 12,726,123	\$ 12,726,123	\$ 0	\$ 13,198,505	\$ 472,382
Total Change in Working Capital	\$ -	\$ (0)	\$ (0)	\$ -	\$ (0)

Enforcement

Enforcement (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	8.25	8.25	0.00
Direct Expenses	\$ 1,385,313	\$ 1,390,209	\$ 4,896
Indirect Expenses	\$ 791,939	\$ 814,669	\$ 22,730
Inc(Dec) in Fixed Assets	\$ (30,727)	\$ (22,318)	\$ 8,409
Total Funding Requirement	\$ 2,146,525	\$ 2,182,560	\$ 36,035

Program Scope and Functional Description

The Enforcement group is responsible for performing ReliabilityFirst's delegated function to enforce, where necessary, compliance with the NERC Reliability Standards.

This effort involves ensuring that the selected disposition method for any noncompliance (whether settlement agreement or compliance exception) is appropriately supported by the record in light of the risk posed by the noncompliance and promotes the desired Registered Entity behavior. In the event that a noncompliance is enforced, Enforcement staff is responsible for (1) drafting and negotiating with Registered Entities all necessary disposition documents; (2) performing hearings where necessary; (3) ensuring all requisite notices are timely issued; (4) post-filing support and advocacy with NERC and FERC; and (5) ensuring that the record and related disposition documents comply with all applicable (a) FERC orders, rules, and regulations, (b) NERC Rules of Procedures and Appendices, guidance, and ERO-wide program documents, and (c) ReliabilityFirst policies and procedures (collectively, "applicable orders, rules, and procedures"). In the event that a noncompliance is not enforced (e.g., compliance exception or dismissal), Enforcement staff is responsible for (1) ensuring all requisite notices are timely issued; (2) post-filing support and advocacy with NERC and FERC; and (3) ensuring that the record and related disposition documents comply with all applicable orders, rules, and procedures.

For continuity and stakeholder convenience, Enforcement staff also serve as a single point of contact for Registered Entities for noncompliance-related activities.

ReliabilityFirst frequently serves as the lead Region in resolving multi-regional enforcement actions for significant Registered Entities. Consequently, Enforcement staff devotes substantial resources to coordinate the enforcement work of various Regions, obtain consensus on a myriad of issues, and negotiate acceptable resolutions.

Enforcement staff regularly works with FERC, NERC, the other Regions, and industry to shape effective enforcement policies that drive desired entity behavior. This work includes drafting, or supporting the drafting, of ERO-wide enforcement program documents and enforcement related regulatory filings and presenting and training on enforcement programs in various forums.

Enforcement staff also works with NERC and the other Regions to promote and otherwise ensure the consistent application of enforcement programs and Reliability Standards.

In NERC's recent five-year assessment of ReliabilityFirst, NERC noted that ReliabilityFirst should consider exploring and implementing solutions (such as process improvements and additional staffing) that will assist ReliabilityFirst in processing the substantial number of noncompliances that it receives on a yearly basis.

The Enforcement group has evaluated its processes and staffing levels and has determined that, since the number of noncompliances appear to be reaching more of a steady state and there has been implementation of various process improvements, Enforcement staff levels are adequate to ensure that noncompliances are processed as quickly as practicable consistent with their circumstances.

Although the number of noncompliances processed has remained steady over the past two years, ReliabilityFirst anticipates an increase in the number of noncompliances for a period of time when CIP V5 becomes enforceable due to the increased scope of the assets covered. ReliabilityFirst presently anticipates that enforcement work in this regard will mostly occur in the compliance exception space and entail enforcement ensuring that adequate records are internally developed and maintained.

2016 Key Assumptions

The Enforcement Management group incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document and includes the following regional assumptions:

1. The number of non-CIP violations will remain steady, and the number of CIP violations will increase leading up to CIP Version 5 implementation and for a period of time thereafter.
2. Enforcement staff levels are adequate to ensure the completion of the activities described in the Program Scope and Functional Description. If noncompliances increase in the future, additional Enforcement staff may be needed to avoid the creation of a backlog.
3. Complex, higher-risk noncompliances will require approximately 50% of Enforcement resources. These matters often involve more complex mitigation, above and beyond action items, and the negotiation of sanctions.
4. The Find Fix and Track (FFT) disposition method will be used for moderate risk issues. It will be used less than in prior years in favor of the Compliance Exception disposition method, which will be used for almost all qualified minimal risk noncompliances.
5. Enforcement staff will spend significant time ensuring adequate records are created for minimal risk issues. The expenditure of this time will be driven by anticipated receipt of minimal risk issues for CIP V5 as well as implementation of the new self logged and case by case compliance exception mechanisms.

6. ReliabilityFirst will frequently serve as the lead Region for multi-regional Registered Entities and devote substantial resources to coordinate enforcement work and negotiate acceptable solutions among the Regions.
7. Enforcement staff will continue to work with FERC, NERC, the other Regions, and the industry to shape effective enforcement policies that drive desired behavior and ensure consistency.
8. The number of hearings to be conducted in 2016 is unknown, and therefore no internal or external resources have been budgeted for hearings.

2016 Key Deliverables

- Continue to focus on resolving enforcement actions in a thoughtful, risk-based, reliability focused manner.
- Ensure that the use of discretion in Enforcement is internally documented, repeatable, and consistent with NERC directives and FERC orders, rules, and regulations.
- Conduct initial violation fact and circumstance reviews and communicate with the entity through each step of the enforcement process.
- Continue to work with the Reliability Assurance group to refine the risk harm assessment process, a key input into enforcement decision making.
- Continue to increase efficiency, through process improvement, in dispositioning enforcement actions and preparing settlement agreements.
- Continue to work with NERC and the other Regions to shape a well-reasoned Enforcement philosophy that results in uniform, repeatable, transparent, and reliability-focused approaches.
- Use knowledge obtained in the context of Inherent Risk Assessments and Internal Controls Evaluations to inform all of its decision-making.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in this year.

Enforcement Budget Detail

The following table shows funding sources and related expenses for the Enforcement section of the *2016 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2015 Budget and Projection, and 2016 Budget					
Enforcement					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 2,050,561	\$ 2,050,561	\$ -	\$ 2,075,389	\$ 24,828
Penalty Sanctions	81,641	81,641	-	107,171	25,530
Total ReliabilityFirst Funding	\$ 2,132,202	\$ 2,132,202	\$ -	\$ 2,182,560	\$ 50,358
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	14,323	14,323	-	-	(14,323)
Total Funding	2,146,525	2,146,525	-	2,182,560	36,035
Expenses					
Personnel Expenses					
Salaries	\$ 902,267	\$ 902,267	\$ -	\$ 944,027	\$ 41,760
Payroll Taxes	64,104	64,104	-	67,401	3,297
Benefits	202,968	202,968	-	173,031	(29,937)
Retirement Costs	144,216	144,216	-	150,897	6,681
Total Personnel Expenses	\$ 1,313,555	\$ 1,313,555	\$ -	\$ 1,335,356	\$ 21,801
Meeting Expenses					
Meetings	\$ 8,000	\$ 8,000	\$ -	\$ 5,500	\$ (2,500)
Travel	40,000	40,000	-	40,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 48,000	\$ 48,000	\$ -	\$ 45,500	\$ (2,500)
Operating Expenses					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	23,258	23,258	-	8,853	(14,405)
Professional Services	-	-	-	-	-
Miscellaneous	500	500	-	500	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 23,758	\$ 23,758	\$ -	\$ 9,353	\$ (14,405)
Total Direct Expenses	\$ 1,385,313	\$ 1,385,313	\$ -	\$ 1,390,209	\$ 4,896
Indirect Expenses	\$ 791,939	\$ 791,940	\$ 1	\$ 814,669	\$ 22,730
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,177,252	\$ 2,177,253	\$ 1	\$ 2,204,878	\$ 27,626
Change in Assets	\$ (30,727)	\$ (30,728)	\$ (1)	\$ (22,318)	\$ 8,409
Fixed Assets					
Depreciation	-	-	-	-	-
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Total Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (30,727)	\$ (30,728)	\$ (1)	\$ (22,318)	\$ 8,409
Inc/(Dec) in Fixed Assets	\$ (30,727)	\$ (30,728)	\$ (1)	\$ (22,318)	\$ 8,409
Total Budget	\$ 2,146,525	\$ 2,146,525	\$ (0)	\$ 2,182,560	\$ 36,035
Total Change in Working Capital	\$ -	\$ 0	\$ 0	\$ -	\$ -

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	8.35	8.35	0.00
Direct Expenses	\$ 1,888,067	\$ 1,895,704	\$ 7,637
Indirect Expenses	\$ 801,539	\$ 824,544	\$ 23,005
Inc(Dec) in Fixed Assets	\$ (31,100)	\$ (22,588)	\$ 8,512
Total Funding Requirement	\$ 2,658,506	\$ 2,697,660	\$ 39,154

Program Scope and Functional Description

ReliabilityFirst's Reliability Assessment and Performance Analysis (RAPA) staff independently analyzes, assesses, and reports on the reliability and adequacy of the BES within the ReliabilityFirst footprint, in accordance with the Regional Delegation Agreement and NERC's Rules of Procedure. This includes performance of seasonal, near-term and long-term resource and transmission assessments, special investigations as warranted, and collection and dissemination of data, lessons learned, and other information. The RAPA program provides resources and data input for the technical analyses and support of the many risk based activities described in the Reliability Assurance and Compliance Monitoring sections.

2016 Key Assumptions

The Reliability Assessment and Performance Analysis Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document for the 2016 budget cycle. There are no additional assumptions unique to the Reliability Assessment and Performance Program.

2016 Key Deliverables

- Assessments of Reliability Performance
 - Perform seasonal (summer and winter) and long term resource adequacy assessments and produce reports.
 - Perform seasonal (summer and winter) transmission assessment studies, a near-term (1 through 5 years into the future) transmission assessment, and a long-term (5 through 10 years into the future) transmission assessment and produce reports.
 - Collect data and produce assessment reports for the NERC Reliability Assessment Subcommittee's seasonal, long-term, and post-seasonal operational reports.
 - Work with neighboring Regional Entities in the Eastern Interconnection Reliability Assessment Group (ERAG) to perform seasonal, near-term, and long-term transmission assessment studies and produce reports.

- Model Development to Conduct Assessments
 - Develop a series of thirteen power flow base case models (ERAG/Multiregional Modeling Working Group (MMWG) effort).
 - Update power flow base case models for regional and interregional study efforts.
 - Develop a series of eight dynamic base case models (ERAG/MMWG effort).
 - Develop any needed dynamic base case models (regional and interregional study efforts).
- Reporting Requirements
 - Submit ReliabilityFirst load, capacity, and transmission data and power flow base cases annually for the DOE EIA-411 report.
 - Assist NERC in the collection and validation of data for the Transmission Availability Data System (TADS), Generator Availability Data System (GADS) and the Demand Response Availability Data System (DADS)
 - Assist NERC in the collection and validation of data for the Reliability Assessment Data System (RADS). This project has been created to help automate the data collection, validation, submission, and analysis process for the reliability assessment reports.
 - Submit ReliabilityFirst power flow data annually for the FERC 715 report.
 - Submit an assessment report to the Public Utilities Commission of Ohio.
- Other Requirements and Activities
 - Publish any lessons learned that are developed from misoperation reporting, and other sources.
 - Continue to actively participate in ERAG, which includes the Management Committee, MMWG, and the study forums.
 - Analyze protective relay misoperation information and track corrective action plans.
 - Conduct initial and periodic Special Protection System reviews and maintain a database of regional Special Protection Systems.
 - Conduct under-frequency load shed (UFLS) reviews.
 - Conduct under-voltage load shed (UVLS) reviews.
 - Develop and maintain a ReliabilityFirst BES facilities map for EIA-411 reporting.
 - Develop and maintain a linear contingency database for transmission assessment studies.
 - In support of the ERO, actively participate in NERC committees, subcommittees, task forces, and other technical groups, such as the Planning Committee, Operating Committee, and associated subgroups.

- Continue to support stakeholder participation through various regional technical groups. The Reliability Committee is the primary technical advisory body to the ReliabilityFirst Board of Directors. Other technical subcommittees analyze and discuss technical issues related to reliability assessments, disturbance reporting, event analysis, and other technical and assessment related activities.
- Provide the various organizational groups with information and presentations to improve human performance.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractor and consulting support is budgeted to develop power flow and dynamic base case models.

Reliability Assessment and Performance Analysis Program Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2015 Budget and Projection, and 2016 Budget					
Reliability Assessment and Performance Analysis					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 2,561,379	\$ 2,561,379	\$ -	\$ 2,589,189	\$ 27,810
Penalty Sanctions	82,630	82,630	-	108,470	25,840
Total ReliabilityFirst Funding	\$ 2,644,009	\$ 2,644,009	\$ -	\$ 2,697,660	\$ 53,651
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	14,497	14,497	-	-	(14,497)
Total Funding	2,658,506	2,658,506	-	2,697,660	39,154
Expenses					
Personnel Expenses					
Salaries	\$ 1,242,644	\$ 1,242,644	\$ -	\$ 1,251,776	\$ 9,132
Payroll Taxes	76,842	76,842	-	80,732	3,890
Benefits	143,664	143,664	-	133,015	(10,649)
Retirement Costs	198,437	198,437	-	199,898	1,461
Total Personnel Expenses	\$ 1,661,587	\$ 1,661,587	\$ -	\$ 1,665,421	\$ 3,834
Meeting Expenses					
Meetings	\$ 15,000	\$ 15,000	\$ -	\$ 11,500	\$ (3,500)
Travel	80,000	80,000	-	92,500	12,500
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 95,000	\$ 95,000	\$ -	\$ 104,000	\$ 9,000
Operating Expenses					
Consultants & Contracts	\$ 80,734	\$ 80,734	\$ -	\$ 91,280	\$ 10,546
Office Rent	-	-	-	-	-
Office Costs	50,686	50,686	-	34,883	(15,803)
Professional Services	-	-	-	-	-
Miscellaneous	60	60	-	120	60
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 131,480	\$ 131,480	\$ -	\$ 126,283	\$ (5,197)
Total Direct Expenses	\$ 1,888,067	\$ 1,888,067	\$ -	\$ 1,895,704	\$ 7,637
Indirect Expenses	\$ 801,539	\$ 801,539	\$ (0)	\$ 824,544	\$ 23,005
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,689,606	\$ 2,689,606	\$ (0)	\$ 2,720,248	\$ 30,642
Change in Assets	\$ (31,100)	\$ (31,100)	\$ 0	\$ (22,588)	\$ 8,512
Fixed Assets					
Depreciation	-	-	-	-	-
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Total Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (31,100)	\$ (31,100)	\$ (0)	\$ (22,588)	\$ 8,512
Inc/(Dec) in Fixed Assets	\$ (31,100)	\$ (31,100)	\$ (0)	\$ (22,588)	\$ 8,512
Total Budget	\$ 2,658,506	\$ 2,658,506	\$ (0)	\$ 2,697,660	\$ 39,154
Total Change in Working Capital	\$ -	\$ 0	\$ 0	\$ -	\$ -

Training, Education, and Operator Certification Program

Training, Education and Operator Certification Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	3.00	3.00	0.00
Direct Expenses	\$ 682,294	\$ 717,970	\$ 35,676
Indirect Expenses	\$ 287,978	\$ 296,243	\$ 8,265
Inc(Dec) in Fixed Assets	\$ (11,174)	\$ (8,116)	\$ 3,058
Total Funding Requirement	\$ 959,098	\$ 1,006,098	\$ 47,000

Program Scope and Functional Description

The ReliabilityFirst Training and Education Program focuses on providing relevant training to entities operating in the ReliabilityFirst region. This training is structured to provide timely information in a concise format to enable participation at all levels within an organization. The Director of Human Resources participates in the NERC Staff Training Group, which identifies training needs of the industry and Regional Entity staff. ReliabilityFirst does not provide system operator certification training, as it is provided by the RTO's within the region.

2016 Key Assumptions

The Training and Education Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document. There are no additional assumptions unique to the ReliabilityFirst Training and Education Program.

2016 Key Deliverables

- Board of Directors Training
 - Per the Bylaws of ReliabilityFirst, the Board of Directors receives training annually to keep current with activities within the ReliabilityFirst footprint and to stay abreast of changes affecting the industry. This training requirement also includes orientation training for new directors addressing the organization, governance, goals, and objectives.
- Industry Education
 - ReliabilityFirst will increase and add greater focus to its activities aimed at helping industry participants achieve excellence in reliability. These activities include:
 - The development and publication of lessons learned/best practices from system events.
 - Guidance on the transition from CIP V3 to CIP V5 reliability standards.
 - Identification of common root causes of Reliability Standards violations.

- Efforts to better prepare entities for compliance audits and enforcement activities.
- Open compliance and enforcement calls that cover a span of compliance, CIP V5 transition and enforcement related topics.
- Increased focus on any lessons learned or trends in reliability assessments.
- Industry Workshops
 - Continued workshops and forums to allow for free exchange of information between ReliabilityFirst and its stakeholders. Workshops to be conducted in 2016 include:
 - Two Compliance Monitoring and Enforcement Program workshops (spring and fall) to promote an understanding of the concepts of the Inherent Risk Assessment and the Internal Controls Evaluation, as well as targeted discussion on methods to demonstrate compliance.
 - Open forums to provide insight into new standards developed and approved by the industry, changes in the Compliance Monitoring and Enforcement Program, Critical Infrastructure Protection issues, or other topics requested by Members/Registered Entities.
 - CIP Version 5 Standards Seminar to provide insight into the evolution of these standards and to provide a forum for registered entities to share thoughts, problems, and solutions.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

No contractor and consultant support is budgeted in this year.

Training, Education, and Operator Certification Program Budget Detail

The following table shows funding sources and related expenses for the Training, Education, and Operator Certification section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2015 Budget and Projection, and 2016 Budget					
Training, Education, and Operator Certification Program					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirst Funding					
ERO Assessments	\$ 924,202	\$ 924,202	\$ -	\$ 967,126	\$ 42,924
Penalty Sanctions	29,688	29,688	-	38,971	9,283
Total ReliabilityFirst Funding	\$ 953,890	\$ 953,890	\$ -	\$ 1,006,098	\$ 52,208
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	5,208	5,208	-	-	(5,208)
Total Funding	959,098	959,098	-	1,006,098	47,000
Expenses					
Personnel Expenses					
Salaries	\$ 426,419	\$ 426,419	\$ -	\$ 444,686	\$ 18,267
Payroll Taxes	28,864	28,864	-	31,103	2,239
Benefits	57,040	57,040	-	58,287	1,247
Retirement Costs	67,971	67,971	-	70,894	2,923
Total Personnel Expenses	\$ 580,294	\$ 580,294	\$ -	\$ 604,970	\$ 24,676
Meeting Expenses					
Meetings	\$ 90,000	\$ 90,000	\$ -	\$ 105,000	\$ 15,000
Travel	12,000	12,000	-	8,000	(4,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 102,000	\$ 102,000	\$ -	\$ 113,000	\$ 11,000
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 682,294	\$ 682,294	\$ -	\$ 717,970	\$ 35,676
Indirect Expenses	\$ 287,978	\$ 287,978	\$ 0	\$ 296,243	\$ 8,265
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 970,272	\$ 970,272	\$ 0	\$ 1,014,213	\$ 43,941
Change in Assets	\$ (11,174)	\$ (11,174)	\$ (0)	\$ (8,116)	\$ 3,058
Fixed Assets					
Depreciation	-	-	-	-	-
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation of Fixed Assets	\$ (11,174)	\$ (11,174)	\$ 0	\$ (8,116)	\$ 3,058
Inc/(Dec) in Fixed Assets	\$ (11,174)	\$ (11,174)	\$ 0	\$ (8,116)	\$ 3,058
Total Budget	\$ 959,098	\$ 959,098	\$ 0	\$ 1,006,098	\$ 47,000
Total Change in Working Capital	\$ -	\$ (0)	\$ (0)	\$ -	\$ -

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	0.50	0.50	0.00
Direct Expenses	\$ 220,378	\$ 235,369	\$ 14,991
Indirect Expenses	\$ 47,996	\$ 49,374	\$ 1,378
Inc(Dec) in Fixed Assets	\$ (1,862)	\$ (2,356)	\$ (494)
Total Funding Requirement	\$ 266,512	\$ 282,387	\$ 15,875

Program Scope and Functional Description

In support of the ERO, Situation Awareness and Infrastructure Security staff, in coordination with members of the Engineering staff, will monitor present conditions on, and emerging threats to, the BES.

The Situation Awareness and Infrastructure Security activity continues to evolve to provide the tools and information required by the staff and stakeholders to promote infrastructure protection. The Situation Awareness and Infrastructure Security program area addresses two separate but related functions, Situation Awareness and Critical Infrastructure Protection (CIP).

The Situation Awareness and Infrastructure Security program supports the ReliabilityFirst staff and Registered Entities in understanding potential threats to the electricity sector, implementation of Reliability Standards developed to reinforce infrastructure security, and maintaining an awareness of conditions on the BES.

2016 Key Assumptions

The Situation Awareness and Infrastructure Security Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document, and includes the following regional assumption:

1. National level security exercises will be conducted to examine industry's cyber security and physical security preparedness and response capabilities through simulation of coordinated cyber and physical attacks on industrial control systems, System Control and Data Acquisition, and information technology assets. ReliabilityFirst will participate in these exercises as appropriate.

2016 Key Deliverables

- Support of the ReliabilityFirst Critical Infrastructure Protection Committee (CIPC)
 - The purpose of the ReliabilityFirst CIPC is to share information concerning CIP and to promote CIP within the region. Situation Awareness and Infrastructure Security staff will support the committee through the scheduling and facilitation of

committee meetings and webinars and the dissemination of messages, alerts, and warnings from NERC, the Electricity Sector-Information Sharing and Analysis Center (ES-ISAC), and the U.S. Department of Homeland Security (U.S. DHS).

- Support/Oversee ReliabilityFirst Staff Resources Compliance to the NERC Cyber Security Standards (CIP-002 - CIP-011)
 - ReliabilityFirst is committed to complying with the intent of the NERC Cyber Security Standards. The Situation Awareness and Infrastructure Security staff will provide training, guidance, and oversight to the staff, particularly the Information Technology staff, in achieving compliance to these standards.
- Provide Information on CIP-Related Issues
 - This activity involves dissemination of information to Registered Entities from agencies such as the ES-ISAC, the U.S. Department of Homeland Security, and others containing information on events or suspected events representing potential threats to the electricity sector.
 - Situation Awareness and Infrastructure Security staff will work with other members of the NERC CIPC and NERC staff to develop a robust messaging system for dissemination of CIP-related messages to the appropriate target audience and will promote the use of this messaging system for exchange of security-related information.
- Monitor the Health of the BES
 - The use of situation awareness tools by staff has been evolving over the last few years. Situation Awareness and Infrastructure Security staff continues to participate in the Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR) project and is making use of the SAFNRv2 displays developed through this project. ReliabilityFirst is a signatory to the NERC Operating Reliability Data Confidentiality Agreement and the SAFNR Subscriber Agreement and as such, will use tools such as the Reliability Coordinator Information System (RCIS), System Data eXchange (SDX), Area Control Error (ACE), and Abnormal Frequency System Monitoring, in addition to SAFNR Version 2, to monitor the health of the BES within the ReliabilityFirst geographical area.
- Facilitate the ReliabilityFirst Threats and Vulnerabilities Team
 - In early 2014, ReliabilityFirst created a cross-functional team of subject matter experts to monitor, quantify, and assess new and emerging threats to the BES. The team continues to mature the tools and techniques used to perform this activity in support of the Reliability Assurance program.
- Maintain and Test Business Continuity/Disaster Recovery and Pandemic Plans for the ReliabilityFirst Office
 - A business continuity plan deals with the ability to continue business functions in a degraded situation such as the loss of corporate assets including office space or computer assets.

- Disaster recovery deals with a more complete loss of access to corporate assets due to a large-scale event such as a tornado or blackout.
- A pandemic plan focuses on business continuity in the face of a declared pandemic.
- Assist stakeholders in complying with CIP Standards
 - As the NERC Cyber Security Standards (CIP-002 - CIP-011) and the Physical Security Standard (CIP-014) evolve, ReliabilityFirst stakeholders will continue to monitor and implement revisions to the standards as those revisions are completed and approved. Situation Awareness and Infrastructure Security staff will be available to answer questions concerning these standards and, in coordination with the ReliabilityFirst CIPC, will sponsor/support regional workshops and webinars as needed to foster the exchange of ideas and solutions developed by stakeholders.
- Support the Compliance Monitoring and Enforcement Program
 - Support the activities involving CIP-related issues and events in the Compliance Monitoring and Enforcement program, by providing expertise on CIP monitoring, mitigation plans and settlements that include assessment of compliance to the CIP Standards (CIP-002 - CIP-011).

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractor and consultant support is budgeted in 2016 to complete the Vulnerability Assessment (scheduled to begin in 2015).

Situation Awareness and Infrastructure Security Program Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2015 Budget and Projection, and 2016 Budget					
Situation Awareness and Infrastructure Security					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 260,696	\$ 260,696	\$ -	\$ 275,892	\$ 15,196
Penalty Sanctions	4,948	4,948	-	6,495	1,547
Total ReliabilityFirst Funding	\$ 265,644	\$ 265,644	\$ -	\$ 282,387	\$ 16,743
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	868	868	-	-	(868)
Total Funding	266,512	266,512	-	282,387	15,875
Expenses					
Personnel Expenses					
Salaries	\$ 106,160	\$ 106,160	\$ -	\$ 109,593	\$ 3,433
Payroll Taxes	5,276	5,276	-	5,717	441
Benefits	7,958	7,958	-	12,883	4,925
Retirement Costs	16,899	16,899	-	17,448	549
Total Personnel Expenses	\$ 136,293	\$ 136,293	\$ -	\$ 145,641	\$ 9,348
Meeting Expenses					
Meetings	\$ 2,400	\$ 2,400	\$ -	\$ 2,000	\$ (400)
Travel	19,500	19,500	-	23,000	3,500
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 21,900	\$ 21,900	\$ -	\$ 25,000	\$ 3,100
Operating Expenses					
Consultants & Contracts	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	2,185	2,185	-	3,725	1,540
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	1,003	1,003
Total Operating Expenses	\$ 62,185	\$ 62,185	\$ -	\$ 64,728	\$ 2,543
Total Direct Expenses	\$ 220,378	\$ 220,378	\$ -	\$ 235,369	\$ 14,991
Indirect Expenses	\$ 47,996	\$ 47,996	\$ 0	\$ 49,374	\$ 1,378
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 268,374	\$ 268,374	\$ 0	\$ 284,743	\$ 16,369
Change in Assets	\$ (1,862)	\$ (1,862)	\$ (0)	\$ (2,356)	\$ (494)
Fixed Assets					
Depreciation	-	-	-	(1,003)	(1,003)
Computer Hardware & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ (1,003)	\$ (1,003)
Allocation of Fixed Assets	\$ (1,862)	\$ (1,862)	\$ (0)	\$ (1,353)	\$ 509
Inc/(Dec) in Fixed Assets	\$ (1,862)	\$ (1,862)	\$ (0)	\$ (2,356)	\$ (494)
Total Budget	\$ 266,512	\$ 266,512	\$ 0	\$ 282,387	\$ 15,875
Total Change in Working Capital	\$ -	\$ (0)	\$ (0)	\$ -	\$ -

Administrative Services

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2015 Budget	2016 Budget	Increase (Decrease)	2015 Budget	2016 Budget	Increase (Decrease)
General and Administrative	\$ 2,314,990	\$ 2,435,418	\$ 120,428	3.00	3.00	0.00
Legal and Regulatory	\$ 708,440	\$ 724,146	\$ 15,706	2.00	2.00	0.00
Information Technology	\$ 1,251,295	\$ 1,297,466	\$ 46,171	5.00	5.00	0.00
Human Resources	\$ 786,929	\$ 812,803	\$ 25,874	3.00	3.00	0.00
Finance and Accounting	\$ 252,989	\$ 262,219	\$ 9,230	1.60	1.60	0.00
Total Administrative Services	\$ 5,314,643	\$ 5,532,052	\$ 217,409	14.60	14.60	0.00

Program Scope and Functional Description

Administrative Services is comprised of the following programs: General and Administrative, Legal and Regulatory Affairs, Information Technology, Human Resources, and Finance and Accounting.

Methodology for Allocation of Administrative Services Expenses to Programs

The majority of the Operating Expenses are accounted for within the related department's budget. If an expense cannot be specifically associated to a department, it is included in one of the Administrative Services programs. All expenses for the Administrative Services Programs, referred to as indirect expenses, are allocated proportionately based on FTE count to the direct programs. This allocation provides improved financial perspective for the direct program areas.

Administrative Services Budget Detail

The following table shows funding sources and related expenses for the Administrative Services section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Financial Tables found in Section B.

2015 Budget and Projection, and 2016 Budget					
Administrative Services					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ReliabilityFirstFunding					
ERO Assessments	\$ 627,134	\$ 627,134	\$ -	\$ 748,250	\$ 121,116
Penalty Sanctions	-	-	-	-	-
Total ReliabilityFirst Funding	\$ 627,134	\$ 627,134	\$ -	\$ 748,250	\$ 121,116
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	627,134	627,134	-	748,250	121,116
Expenses					
Personnel Expenses					
Salaries	\$ 2,476,614	\$ 2,476,614	\$ -	\$ 2,519,781	\$ 43,167
Payroll Taxes	121,776	121,776	-	131,242	9,466
Benefits	417,523	417,523	-	484,822	67,299
Retirement Costs	420,678	420,678	-	457,132	36,454
Total Personnel Expenses	\$ 3,436,591	\$ 3,436,591	\$ -	\$ 3,592,977	\$ 156,386
Meeting Expenses					
Meetings	\$ 52,550	\$ 52,550	\$ -	\$ 76,900	\$ 24,350
Travel	107,900	107,900	-	109,300	1,400
Conference Calls	40,800	40,800	-	42,000	1,200
Total Meeting Expenses	\$ 201,250	\$ 201,250	\$ -	\$ 228,200	\$ 26,950
Operating Expenses					
Consultants & Contracts	\$ 105,000	\$ 105,000	\$ -	\$ 145,230	\$ 40,230
Office Rent	548,330	548,330	-	534,619	(13,711)
Office Costs	359,735	359,735	-	333,435	(26,300)
Professional Services	455,571	455,571	-	488,989	33,418
Miscellaneous	28,166	28,166	-	32,620	4,454
Depreciation	394,535	394,535	-	329,320	(65,215)
Total Operating Expenses	\$ 1,891,337	\$ 1,891,337	\$ -	\$ 1,864,212	\$ (27,125)
Total Direct Expenses	\$ 5,529,178	\$ 5,529,178	\$ -	\$ 5,685,389	\$ 156,211
Indirect Expenses	\$ (5,529,178)	\$ (5,529,178)	\$ -	\$ (5,687,872)	\$ (158,694)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 2,483	\$ 2,483
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ 0
Change in Assets	\$ 627,134	\$ 627,134	\$ -	\$ 748,250	\$ 121,116
Fixed Assets					
Depreciation	(394,535)	(394,535)	-	(329,320)	65,215
Computer Hardware & Software CapEx	140,000	140,000	-	133,500	(6,500)
Furniture & Fixtures CapEx	40,000	40,000	-	40,000	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
	\$ (214,535)	\$ (214,535)	\$ -	\$ (155,820)	\$ 58,715
Allocation of Fixed Assets	\$ 214,535	\$ 214,535	\$ -	\$ 155,820	\$ (58,715)
Inc/(Dec) in Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget	\$ -	\$ -	\$ -	\$ -	\$ 0
Total Change in Working Capital	\$ 627,134	\$ 627,134	\$ -	\$ 748,250	\$ 121,116

General and Administrative

Program Scope and Functional Description

The General and Administrative Department consists of the President and CEO, Senior Vice President and Treasurer, and Executive Assistant. Responsibilities include leadership, oversight, and management of all of ReliabilityFirst Corporation's activities, interacting with the Board of Directors and other Regional Entity Management Groups, performing the Corporate Treasurer function, and managing the relationships with governmental agencies, regulators, members, stakeholders, and other industry organizations.

2016 Key Assumptions & Deliverables

The General and Administrative Program incorporates the regional specific common business planning assumptions as described in *the ERO Enterprise 2015 – 2018 Shared Business Plan and Budget Assumptions document*. There are no additional assumptions or deliverables unique to the General and Administrative Program.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractor and consultant support is budgeted for 2016 for leadership training and project management support of the Regional Entity Management Group.

Legal and Regulatory Affairs

Program Scope and Functional Description

The Legal and Regulatory Affairs program is responsible for four key areas: (1) all legal issues germane to the corporation; (2) regulatory affairs (communication and outreach to FERC, NERC, and the States); (3) public affairs (communication and outreach to ReliabilityFirst stakeholders and the public); and (4) corporate governance of the ReliabilityFirst Board of Directors and its committees. Each of these functions is discussed in turn below.

First, the department is responsible for all legal issues germane to the corporation. This responsibility includes ensuring legal and regulatory compliance with all applicable laws, orders, rules, and regulations; serving as advisor to the President and CEO and the Board of Directors; providing legal support to all other departments of the corporation; and overseeing all regulatory filings and interactions.

Second, the department is responsible for ReliabilityFirst's regulatory affairs. This responsibility includes communication and outreach to FERC, NERC, and the States on specific issues relating to ReliabilityFirst and/or the performance of its delegated functions; working to ensure the consistent application of ERO-wide programs and initiatives across NERC and the Regions; advising senior executives on various strategic and tactical initiatives for the corporation in light of the regulatory landscape; and advocating and advancing ReliabilityFirst's strategic initiatives in a clear and articulate manner to FERC, NERC, and the States as applicable.

Third, the department is responsible for ReliabilityFirst's external affairs. This responsibility includes communication and outreach to ReliabilityFirst's stakeholders, the general public, and media. This work concerns media relations, the issuance of announcements, newsletters, and reports on key issues facing the corporation and the industry. This work generally ensures that ReliabilityFirst clearly communicates its strategic initiatives in a clear and articulate manner.

Finally, the department is responsible for the corporate governance of the ReliabilityFirst Board of Directors and its Committees. This responsibility includes the completion of all activities associated with the Corporate Secretary function (the General Counsel serves as the corporation's Corporate Secretary), such as ensuring that director elections, Board of Directors and Committee meetings, and Meetings of Members adhere to the ReliabilityFirst Bylaws and other relevant governing documents.

2016 Key Assumptions

The Legal and Regulatory Affairs Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document, and includes the following regional assumptions:

1. Provide legal support to all other departments of the corporation to ensure that those departments and their activities are consistent with NERC directives, FERC orders, rules, and regulations, and other applicable law.

2. Provide legal support to all other departments to make all necessary regulatory filings with FERC, NERC, and any other applicable regulatory body or agency, as well as support NERC in its efforts to do the same.
3. Continue to lead interactions with the FERC, NERC, the States, and other governmental agencies regarding ReliabilityFirst and its mission.
4. Continue work to ensure the consistent application of ERO-wide programs and initiatives across NERC and the Regions, including its leadership role in the implementation of the Regional Consistency Tool and the Multi-Regional Registered Entity program.
5. Continue to lead public communications and outreach, including the ReliabilityFirst website and the issuance of the bimonthly corporate newsletter, reports on key issues facing the corporation and the industry, ReliabilityFirst's annual report, and quarterly reports to the NERC Board of Trustees.
6. Provide legal support and perform the Corporate Secretary function for the Board of Directors and support the corporate governance needs of the organization.

2016 Key Deliverables

- Support all legal and regulatory needs of the corporation.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractor and consultant support is budgeted for leadership training.

Information Technology

Program Scope and Functional Description

The goal of the Information Technology (IT) department is to provide users with cost-effective information technology tools and proactively deliver enabling technologies to assist the departments in meeting their goals, objectives, and deliverables. The IT department minimizes the outsourcing of any critical infrastructure services and as such must implement and manage controls to maintain a security posture that minimizes ReliabilityFirst's risks. The department provides the necessary technical services in the following categories:

- Data Center Management (Local/Remote)
- Website Hosting
- VOIP Phone System
- Voice Conferencing (outsource)
- Web Conferencing (outsource)
- Email
- Mobile Device Management
- Wireless Network Management
- Audio/Video Management
- Document Management
- Desktop Support
- Telecommuter Support
- Application Support and Development
- Business Analysis
- Information Security Awareness and Monitoring
- Business Continuity and Disaster Recovery

ReliabilityFirst supports the ERO efforts to implement, operate and maintain software tools supporting common enterprise wide IT operations. ReliabilityFirst is committed to working collaboratively with NERC and the other regions to minimize duplication of effort and investments, and improve operation efficiency. This collaboration continues to refine existing strategies, governance and procurement practices applicable to the development, operation and maintenance of enterprise architecture, software and data systems supporting combined NERC and Regional Entity operations.

NERC's business plan and budget will include ongoing funding support for the development, operation, and maintenance of NERC and Regional Entity approved enterprise wide applications. Funding for these applications will be subject to the budget and funding limits set forth in NERC's approved business plan and budget. If implementation of these applications are delayed or otherwise not available as planned, ReliabilityFirst could incur additional costs to conduct operations pending the availability of these applications. ReliabilityFirst assumes agreed upon ERO Enterprise applications will be available and has only included appropriate funding for applications and supporting systems necessary to satisfy its business needs that are not within the mutually agreed upon scope of the ERO Enterprise wide applications funded by NERC.

The implementation of an offsite Data Management Center will be in its third year of operation. Operational experience to date has been excellent and believed to be very effective in IT resource management. Initial data indicates substantial savings in the operation of our equipment, while affording the organization many benefits in security, utilities, and back up capability.

2016 Key Assumptions

The IT Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document, specifically the support for building and implementing centralized enterprise applications for the ERO. The IT Program includes the following regional assumptions:

1. Provide IT support services to all corporate functions to ensure efficient and effective performance.
2. Continue monitoring of the security posture across the company-wide data infrastructure and remediate any vulnerability to protect sensitive data.
3. Maintain lower fixed asset costs (infrastructure servers) by continuing implementation of virtualization technologies, therefore minimizing replacement costs.
4. Continue to improve departmental processes and efficiencies where automation is needed.
5. Continue departmental training exercises for implemented technologies in order to maintain proficiency.

2016 Key Deliverables

- Perform necessary software upgrades including, but not limited to, the upgrade of various workstation and server applications and targeted server operating systems.
- Continue the implementation of infrastructure virtualization technologies. Remaining physical infrastructure servers will be transitioned to use virtualization to improve manageability and business continuity/disaster recovery capabilities. This will also allow for a more efficient hardware preventative maintenance program in the future, lowering overall infrastructure hardware and software costs.
- Continue the enhancements in the development, integration, and expansion of databases and applications into a unified company-wide Information Management System.
- Continue enhancements of the internal "intranet" website and related applications to further improve employee efficiency. Focus will continue to be with the Document Management System, Time Management System, and Report Management System.
- Continue the implementation of new data security and defense technologies to provide layered prevention/detection of the latest advanced cyber security threats.
- Working closely with the Situation Awareness and Infrastructure Security department to continue security awareness of staff by providing training documents, questionnaires,

simulated exercises, and/or seminars on existing workplace vulnerabilities. Vulnerability Assessment is scheduled to occur in late 2015 and continue into early 2016.

- Continue supporting ERO initiatives of developing, testing, and deploying ERO enterprise solutions.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractors and consultant support is budgeted for 2016 as needed for network maintenance projects, vulnerability assessment activities, and document/data management system implementation activities.

Human Resources

Program Scope and Functional Description

ReliabilityFirst realizes that talented, experienced employees are its greatest assets, and that finding, nurturing, developing, and retaining that talent is one of our most important tasks. Therefore, the responsibilities of the Human Resources program center on its greatest resource, the staff. These responsibilities include attraction and retention, employee development through performance management and training initiatives, policy and procedure development and adherence measures, as well as compensation and benefits administration. The Human Resources staff must be vigilant in understanding and complying with federal and state employment laws covering five states and the respective reporting requirements for each.

ReliabilityFirst will maintain its staff of 73 individuals including two part-time positions equaling one (1.2) FTE, which brings the total to an equivalent of 72.2 FTEs. The staff is comprised of qualified management, professional, and technical employees with the expertise necessary to serve its stakeholders and to support the ERO by properly carrying out the organization's delegated functions.

2016 Key Assumptions

The Human Resources Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document. There are no additional assumptions unique to the ReliabilityFirst Human Resources Program.

2016 Key Deliverables

- Recruit highly skilled and excellent employees.
- Sustain competitiveness via the use of annual third party salary and market analyses.
- Provide training programs and career development.
 - ReliabilityFirst conducts a week of training for staff as part of its effort to provide cost-effective training. The training topics are selected to improve the knowledge of staff in areas relevant to staff members' functions and strategic business initiatives as specified in the Strategic Plan.
- Review and manage employee benefits.
- Review succession plans.

Resource Requirements

- **Personnel**

No increase in personnel is budgeted in this year.

- **Contractors and Consultants**

Contractors and consultant support is budgeted in 2016 to perform a compensation and benefits study.

Finance and Accounting

Program Scope and Functional Description

The Finance and Accounting department is responsible for linking the strategy of ReliabilityFirst and its major departments to their annual operating budgets, managing accounting practices to ensure the accuracy of reported results, and making meaningful financial information available to decision makers. The Finance and Accounting department is responsible for directing the complete cycle of financial management activities of ReliabilityFirst Corporation, including:

- Processing the day to day activities such as travel and expense reporting, monthly financial reporting, accounts payables and receivables, and cash flow management;
- Leading the creation of the annual business plan and budget that adequately supports its delegated functions;
- Establishing and maintaining accounting policies and procedures to guide the preparation of ReliabilityFirst's internal and external financial statements in accordance with Generally Accepted Accounting Principles;
- Overseeing the annual external audit of ReliabilityFirst's financials and all required filings;
- Supporting the ERO's funding/collection mechanism, ReliabilityFirst will annually collect and supply the ERO with a list of LSEs within the ReliabilityFirst footprint and their associated Net Energy for Load (NEL) data as mandated by FERC; and
- Working with the ERO to develop common accounting practices throughout NERC and the Regions.

2016 Key Assumptions

The Finance and Accounting Program incorporates the regional specific common business planning assumptions as described in the *ERO Enterprise 2015 - 2018 Shared Business Plan and Budget Assumptions* document. There are no additional assumptions unique to the Finance and Accounting Program.

2016 Key Deliverables

- Work with all Regional Entities through the Electric Reliability Organization Finance Group (EROFG) to provide consistency in budget submittals to the ERO and to FERC.
- Provide all ReliabilityFirst program areas, the Board of Directors, and the ERO with financial clarity and understanding of ReliabilityFirst's financial position.
- Direct the overall financial plans and accounting practices of the organization; oversee treasury, accounting, budget, tax, audit activities, and financial and accounting internal controls and standards.
- Participate with NERC on the annual Regional Entity true-up filing.

- In an effort to continuously improve the entire accounting and budgeting process, implement actions to monitor operating expenses at a more granular level with the management staff.
- Provide advice from the financial perspective on contracts into which the organization may enter.

Resource Requirements**Personnel**

No increase in personnel is budgeted in this year.

Contractors and Consultants

No contractors or consultants are budgeted in this year.

Section B – Supplemental Financial Information

Table B-1: Working Capital and Operating Reserve Analysis

Working Capital and Operating Reserve Analysis 2015-2016			
STATUTORY			
	Total	Working Capital Reserve	Operating Reserve
Beginning Working Capital, December 31, 2014 Per Audited Financial Statements	2,705,878		
Less: Adjustment for Future Long-Term Liabilities	(757,358)		
Less: Temporarily Restricted Funds as of December 31, 2014	(1,362,500)		
Plus: Penalty Funds Released from Restriction January 1, 2015	570,000		
Plus: 2015 ReliabilityFirst Funding (from LSEs or designees)	18,713,897		
Plus: 2015 Other funding sources ¹	100,000		
Less: 2015 Projected expenses & capital expenditures	(18,756,764)		
Other Adjustments to Reserves ²	(158,074)		
Projected Working Capital and Operating Reserves, December 31, 2015	1,055,079	305,079	750,000
Working Capital and Operating Reserves, December 31, 2016	1,645,255	645,255	1,000,000
Less: Projected Working Capital and Operating Reserves, December 31, 2015	(1,055,079)	(305,079)	(750,000)
Increase/(Decrease) in Assessments to Achieve Working Capital and Operating Reserves	590,176	340,176	250,000
2016 Expenses and Capital Expenditures	19,367,209		
Less: Penalty Sanctions ³	(748,250)		
Less: Other Funding Sources	0		
Adjustment to achieve Working Capital and Operating Reserves	590,176		
Other Adjustments to Reserve ²	158,074		
2016 ReliabilityFirst Assessment ⁴	19,367,209		

¹ Includes office relocation grant money from the City of Independence.

² Represents transactions recorded only on the Statement of Financial Position (balance sheet) that do not impact the Statement of Activities (income statement), including true-up of current versus non-current deferred rent obligation.

³ Represents penalty sanctions collected from July 1, 2014 to June 30, 2015.

⁴ On April 21, 2015, the ReliabilityFirst Board of Directors approved a resolution to make the 2016 assessment equal to the 2016 budget.

Explanation of the Working Capital Reserve

Historically, the working capital reserve has consisted of the amount necessary to satisfy projected cash flow for daily operations. In an effort to better manage and stabilize assessments, the working capital reserve will be used to enhance day to day cash flow management of expenditures and provide the capability to stabilize future assessments. The working capital reserve of \$645K is the funds remaining after \$408K was utilized to make the 2016 assessment equal to the 2016 budget, in accordance with Board direction.

Explanation of the Operating Reserve

The amount of the operating reserve is determined and recommended for approval by the Board of Directors during the annual budget process. On March 25, 2015, the ReliabilityFirst Board approved a \$250,000 increase in the operating reserve for 2016 to restore reserves to the historical amount of \$1,000,000. This level of operating reserve is consistent with ReliabilityFirst policy and is believed to be appropriate for any unbudgeted and unexpected expenditures of the organization.

Breakdown of Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities and Capital Expenditure Tables in the Introduction section. The explanations of variances are provided based on the following criteria:

- Variances equal to or greater than +/- 10% and
- Variances greater than \$10,000, or
- Other variances that are considered significant.

Table B-2: Penalty Sanctions Received

Penalty Sanctions Received Between July 1, 2014 and June 30, 2015	
Dates Received	Amount Received
11/10/2014	30,000
11/12/2014	50,000
11/14/2014	12,500
11/25/2014	208,333
12/3/2014	208,333
12/3/2014	208,333
Collected July 1, 2014 to December 31, 2014	<u>717,500</u>
4/24/2015	<u>30,750</u>
Collected January 1, 2015 to June 30, 2015	<u>30,750</u>
Total	<u>748,250</u>

Penalty monies received between July 1, 2014 and June 30, 2015, are totaled above and are to be used to offset assessments in the 2016 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, 2015 through June 30, 2016 will be used to offset assessments in the 2017 Budget.

Allocation Method

Penalty monies received have been allocated based upon the number of FTEs to the following direct programs to reduce assessments:

- Reliability Standards;
- Reliability Assurance and Compliance Monitoring;
- Enforcement;
- Reliability Assessments and Performance Analysis;
- Training, Education and Operator Certification; and
- Situation Awareness and Infrastructure Security

Table B-3: Supplemental Funding

Outside Funding Breakdown By Program (excluding ReliabilityFirst Assessments & Penalty Sanctions)	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget
Interest Income	\$ -	\$ -	\$ -	-
Miscellaneous Income	100,000	100,000	-	(100,000)
Total Outside Funding	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Miscellaneous Income for 2015 includes office relocation grant money that is being received from the City of Independence. This grant money was a one-time payment and will not be received in 2016.

Table B-4: Personnel Expenses

Personnel Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Salaries					
Salaries	\$ 11,039,403	\$ 11,039,403	\$ 11,381,430	\$ 342,027	3.10%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Vacation Expense	45,876	45,876	45,876	-	0.00%
Total Salaries	\$ 11,085,279	\$ 11,085,279	\$ 11,427,306	\$ 342,027	3.09%
Total Payroll Taxes	\$ 646,939	\$ 646,939	\$ 699,888	\$ 52,949	8.18%
Benefits					
Workers Compensation	\$ 26,000	\$ 26,000	\$ 27,000	\$ 1,000	3.85%
Medical Insurance	1,277,315	1,277,315	1,323,666	46,351	3.63%
Life-LTD Insurance	93,328	93,328	93,080	(248)	-0.27%
Education	249,910	249,910	322,952	73,042	29.23%
Relocation	20,000	20,000	20,000	-	0.00%
Total Benefits	\$ 1,666,553	\$ 1,666,553	\$ 1,786,698	\$ 120,145	7.21%
Retirement					
Discretionary 401k Contribution	\$ 1,074,351	\$ 1,074,351	\$ 1,107,965	\$ 33,614	3.13%
Savings Plan	644,610	644,610	664,779	20,169	3.13%
Pension & Savings Admin	57,500	57,500	87,500	30,000	52.17%
Total Retirement	\$ 1,776,461	\$ 1,776,461	\$ 1,860,244	\$ 83,783	4.72%
Total Personnel Costs	\$ 15,175,232	\$ 15,175,232	\$ 15,774,136	\$ 598,904	3.95%
FTEs	72.20	72.20	72.20	0.00	0.00%
Cost per FTE					
Salaries	\$ 153,536	\$ 153,536	\$ 158,273	4,737	3.09%
Payroll Taxes	8,960	8,960	9,694	733	8.18%
Benefits	23,082	23,082	24,747	1,664	7.21%
Retirement	24,605	24,605	25,765	1,160	4.72%
Total Cost per FTE	\$ 210,183	\$ 210,183	\$ 218,478	\$ 8,295	3.95%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- The increase in **Education** is due to the increase costs associated with the annual week of corporate training and education for the entire staff. This increase is reflected in the \$67,299 (16.1%) increase in Benefits expense in the Administrative Services budget.
- The increase in **Pension & Savings Admin** is due to the administrative costs relating to the management of the company's retirement plans. This increase is reflected in the \$36,454 (8.7%) increase in Retirement Costs in the Administrative Services budget.

Table B-5: Meeting Expenses

Meeting Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Reliability Assurance and Compliance Monitoring	531,779	531,779	585,850	54,071	10.17%
Enforcement	48,000	48,000	45,500	(2,500)	-5.21%
Reliability Assessment and Performance Analysis	95,000	95,000	104,000	9,000	9.47%
Training and Education	102,000	102,000	113,000	11,000	10.78%
Situation Awareness and Infrastructure Security	21,900	21,900	25,000	3,100	14.16%
Administrative Services	201,250	201,250	228,200	26,950	13.39%
Total Meeting Expenses	\$ 999,929	\$ 999,929	\$ 1,101,550	\$ 101,621	10.16%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- The increase in **Reliability Assurance and Compliance Monitoring** is due to the increase in the regional outreach activities.
- The increase in **Training and Education** is due to the costs associated with the two workshops, the CIP Version 5 Standards Seminars, and the open forums.
- The increase in **Administrative Services** is due to the costs associated with the fourth quarter Annual Meeting of the Members and Board of Directors and Committee meetings.

Table B-6: Consultants and Contracts

Contractors	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Reliability Assurance and Compliance Monitoring Enforcement	375,000	375,000	243,600	(131,400)	-35.04%
Reliability Assessment and Performance Analysis Training and Education	80,734	80,734	91,280	10,546	13.06%
Situation Awareness and Infrastructure Security	60,000	60,000	60,000	-	0.00%
Administrative Services	105,000	105,000	145,230	40,230	38.31%
Contractors Total	\$ 620,734	\$ 620,734	\$ 540,110	\$ (80,624)	-12.99%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- The decrease in **Reliability Assurance and Compliance Monitoring** is due to the process improvements and efficiency gains that are being achieved from implementing risk based compliance monitoring, resulting in less need for consultant and contractor services
- The increase in **Reliability Assessment and Performance Analysis** is due to the additional enhancements approved by ERAG relating to the power flow and dynamic databases.
- The increase in **Administrative Services** is due to the additional support needed to redesign and implement the latest version of the document management system and a compensation and benefits study that is planned to be performed.

Table B-7: Office Rent

Office Rent	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Office Rent	\$ 437,530	\$ 437,530	437,530	\$ -	0.00%
Data Center Rent	70,800	70,800	63,789	(7,011)	-9.90%
Utilities	40,000	40,000	33,300	(6,700)	-16.75%
	-	-	-	-	
Total Office Rent	\$ 548,330	\$ 548,330	\$ 534,619	\$ (13,711)	-2.50%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- No explanation is needed

Table B-8: Office Costs

Office Costs	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Telephone	\$ 75,587	\$ 75,587	\$ 76,993	\$ 1,406	1.86%
Internet	36,545	36,545	35,369	(1,176)	-3.22%
Office Supplies	25,575	25,575	51,797	26,222	102.53%
Computer Supplies and Maintenance	555,634	555,634	502,913	(52,721)	-9.49%
Publications & Subscriptions	14,691	14,691	14,940	249	1.69%
Dues	18,617	18,617	15,377	(3,240)	-17.40%
Postage	2,263	2,263	2,180	(83)	-3.67%
Express Shipping	1,540	1,540	850	(690)	-44.81%
Copying	13,680	13,680	14,040	360	2.63%
Reports	600	600	600	-	0.00%
Stationary Forms	40	40	544	504	1260.00%
Equipment Repair/Service Contracts	1,704	1,704	980	(724)	-42.49%
Bank Charges	-	-	600	600	
Total Office Costs	\$ 746,476	\$ 746,476	\$ 717,182	\$ (29,294)	-3.92%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- The increase in **Office Supplies** is due to the planned replacement of the employees' desk chairs.
- **Computer Supplies and Maintenance**
 -
 - The decrease is primarily due to **Reliability Assessment and Performance Analysis** no longer utilizing an engineering software tool.

Table B-9: Professional Services

Professional Services	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Independent Trustee Fees	\$ 227,750	\$ 227,750	\$ 290,000	\$ 62,250	27.33%
Outside Legal	65,000	65,000	62,000	(3,000)	-4.62%
Accounting & Auditing Fees	80,821	80,821	57,989	(22,832)	-28.25%
Insurance Commercial	82,000	82,000	79,000	(3,000)	-3.66%
Total Services	\$ 455,571	\$ 455,571	\$ 488,989	\$ 33,418	7.34%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- The **Independent Trustee Fees** increased due to the fees associated with the search for a new independent director.
- The **Accounting & Auditing Fees** decreased due to the lower fees associated with a new payroll service provider.

Table B-10: Miscellaneous

Miscellaneous Expense	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Miscellaneous	\$ 30,491	\$ 30,491	\$ 37,123	\$ 6,632	21.75%
	-	-	-	-	
Total Miscellaneous Expense	\$ 30,491	\$ 30,491	\$ 37,123	\$ 6,632	21.75%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- No explanation is needed

Table B-11: Non-Operating Expenses

Other Non-Operating Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Interest Expense	\$ -	\$ 4,587	\$ 2,483	\$ 2,483	
Line of Credit Payment	-	-	-	-	
Office Relocation	-	-	-	-	
Total Non-Operating Expenses	\$ -	\$ 4,587	\$ 2,483	\$ 2,483	

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- **Interest Expense** is a result of the note payable that was entered into to fund the purchase of laptop computers.

Table B-12: Fixed Assets

Fixed Assets	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Computer Hardware	\$ 70,000	\$ 70,000	\$ 103,500	\$ 33,500	47.86%
Computer Software	70,000	70,000	\$ 30,000	(40,000)	-57.14%
Furniture & Fixtures	40,000	40,000	\$ 40,000	-	0.00%
Leasehold Improvements	-	-	-	-	
Total Fixed Assets	\$ 180,000	\$ 180,000	\$ 173,500	\$ (6,500)	-3.61%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- The increase in **Computer Hardware** is due to the implementation of new data security and defense technologies to address cyber security threats.
- The decrease in **Computer Software** is due to the budgeting for a one time purchase of a Human Resource Information System expected in 2015.

Table B-13: 2017 and 2018 Projections

Statement of Activities 2017 and 2018 Projections							
	2016 Budget	2017 Projection	\$ Change 16 v 17	% Change 16 v 17	2018 Projection	\$ Change 17 v 18	% Change 17 v 18
Funding							
ERO Funding							
ERO Assessments	\$ 19,367,209	\$ 20,073,206	\$ 705,997	3.6%	\$ 21,255,270	\$ 1,182,065	5.9%
Penalty Sanctions	717,500	-	-717,500	-100%	-	-	
Total ERO Funding	\$ 20,084,709	\$ 20,073,206	\$ (11,503)	-0.1%	\$ 21,255,270	\$ 1,182,065	5.9%
Membership Dues	\$ -	\$ -	\$ -		\$ -	\$ -	
Federal Grants	-	-	-		-	-	
Services & Software	-	-	-		-	-	
Workshops	-	-	-		-	-	
Interest	-	-	-		-	-	
Miscellaneous	-	-	-		-	-	
Total Funding	\$ 20,084,709	\$ 20,073,206	\$ (11,503)	-0.1%	\$ 21,255,270	\$ 1,182,065	5.9%
Expenses							
Personnel Expenses							
Salaries	\$ 11,427,306	\$ 11,787,712	\$ 360,406	3.2%	\$ 12,438,030	\$ 650,318	5.5%
Payroll Taxes	699,888	709,362	9,474	1.4%	739,148	29,786	4.2%
Benefits	1,786,698	1,912,411	125,713	7.0%	2,231,752	319,341	16.7%
Retirement Costs	1,860,244	1,919,225	58,981	3.2%	2,024,476	105,251	5.5%
Total Personnel Expenses	\$ 15,774,136	\$ 16,328,710	\$ 554,575	3.5%	\$ 17,433,406	\$ 1,104,696	6.8%
Meeting Expenses							
Meetings	\$ 222,750	\$ 224,978	\$ 2,228	1.0%	\$ 227,227	\$ 2,250	1.0%
Travel	836,800	866,088	29,288	3.5%	896,401	30,313	3.5%
Conference Calls	42,000	43,260	1,260	3.0%	44,558	1,298	3.0%
Total Meeting Expenses	\$ 1,101,550	\$ 1,134,326	\$ 32,775	3.0%	\$ 1,168,186	\$ 33,861	3.0%
Operating Expenses							
Consultants & Contracts	\$ 540,110	\$ 556,313	\$ 16,203	3.0%	\$ 573,003	\$ 16,689	3.0%
Office Rent	534,619	539,965	5,346	1.0%	545,365	5,400	1.0%
Office Costs	717,182	806,526	89,344	12.5%	822,657	16,131	2.0%
Professional Services	488,989	493,879	4,890	1.0%	498,818	4,939	1.0%
Miscellaneous	34,640	34,986	346	1.0%	35,336	350	1.0%
Depreciation	352,668	352,668	-	0.0%	352,668	-	0.0%
Total Operating Expenses	2,668,208	2,784,338	116,129	4.4%	2,827,846	43,508	1.6%
Total Direct Expenses	\$ 19,543,894	\$ 20,247,374	\$ 703,479	3.6%	\$ 21,429,438	\$ 1,182,065	5.8%
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Other Non-Operating Expenses	\$ 2,483	\$ -	\$ (2,483)	-100.0%	\$ -	\$ -	
Total Expenses	\$ 19,546,377	\$ 20,247,374	\$ 700,997	3.6%	\$ 21,429,438	\$ 1,182,065	5.8%
Change in Assets	\$ 538,332	\$ (174,168)	\$ (712,500)	-132.4%	\$ (174,168)	\$ -	0.0%
Fixed Assets							
Depreciation	\$ (352,668)	\$ (352,668)	\$ -	0.0%	\$ (352,668)	\$ -	0.0%
Computer & Software CapEx	133,500	138,500	5,000	3.7%	138,500	-	0.0%
Furniture & Fixtures CapEx	40,000	40,000	-	0.0%	40,000	-	0.0%
Equipment CapEx	-	-	-		-	-	
Leasehold Improvements	-	-	-		-	-	
Total Fixed Assets	\$ (179,168)	\$ (174,168)	\$ 5,000	-2.8%	\$ (174,168)	\$ -	0.0%
Allocation of Fixed Assets	\$ -	\$ -	\$ -		\$ -	\$ -	
Inc/(Dec) in Fixed Assets	\$ (179,168)	\$ (174,168)	\$ 5,000	-2.8%	\$ (174,168)	\$ -	0.0%
Total Budget	\$ 19,367,209	\$ 20,073,206	\$ 705,997	3.6%	\$ 21,255,270	\$ 1,182,065	5.9%
Change in Working Capital	\$ 717,500	\$ -	\$ (717,500)	-100.0%	\$ -	\$ -	

Explanation of 2017 and 2018 Projections

ReliabilityFirst projected budget increases for 2017 and 2018. The projected range for 2017 is 3.6% to 7.2%; and for 2018 is 5.9% to 8.9%. ReliabilityFirst identified a range for its 2017 and 2018 projections to reflect both its baseline projections (the lower end of the range) and its projections of significant at-risk initiatives (the higher end of the range).

These at-risk initiatives primarily concern projected staffing needs to support increased internal work load to implement various programs currently under way or under consideration. They also concern the need to mature ReliabilityFirst's document and data management capability and risk analytics and management applications. Below is an overview of each of these at-risk initiatives.

Additional Staffing

- To effectively implement the Reliability Assurance Program, ReliabilityFirst projects that a small investment may be needed to increase regional staffing to yield significant savings for stakeholders. This staffing increase is intended to effectively reduce and otherwise shift the current administrative burden from the stakeholders to ReliabilityFirst. The staffing increase is intended to position ReliabilityFirst to perform meaningful internal control evaluations, entity development, risk management and outreach activities, and ensure ReliabilityFirst's activities are focused on reliability. Need for additional staffing will be solely driven by and dependent on Registered Entity demand for optional voluntary outreach, assist visits, and internal control/management practice evaluations.

Fixed Asset Additions

- With eight years of accumulating significant amounts of documentation and data, the present documentation management tools need to be updated to assure improved controls, improved configuration management, and advanced data mining capabilities.
- Risk analytics and management software will enable more robust risk assessment capability in support of Reliability Assurance activities.
- Personal Computers will be required to be replaced across 2017 and 2018.

The following is a breakdown of the projected budget ranges for 2017 and 2018.

2017 Lower Range: 3.6%

- Personnel Expense: 3.5%
 - Salary Increase: 3%
 - Medical/Dental/Vision Premiums: 15%/8%/8%
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 4.4%

2017 Higher Range Increase to Address At-Risk Initiatives: 7.2%

- Personnel Expense: 6.0%
 - Salary Increase: 3%
 - Hire 2 FTEs: Reliability Assurance/Entity Development
 - Medical/Dental/Vision Premiums: 15%/8%/8%
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 4.4%
- Fixed Asset Additions:
 - Document/Data Management Application: \$200,000
 - Risk Management Software: \$100,000

2018 Lower Range: 5.9%

- Personnel Expense: 6.8%
 - Salary Increase: 3%
 - Medical/Dental Premiums: 20%/8%
 - Life Insurance: 5%
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 1.6%

2018 Higher Range Increase to Address At-Risk Initiatives: 8.9%

- Personnel Expense: 9.2%
 - Salary Increase: 3%
 - Hire 2 FTEs: Reliability Assurance/Entity Development
 - Medical/Dental: 20%/8%
 - Life Insurance: 5%
- Meeting Expense: 1%
- Travel Expense: 3.5%
- Operating Expense: 1.6%
- Fixed Asset Additions:
 - Document/Data Management Application: \$100,000
 - Risk Management Software: \$100,000

Notes:

1. 2017 Projections are based on 2016 budget.

2018 Projections are based on 2017 lower range projections.

Section C – Non-Statutory Activities

ReliabilityFirst performed only those functions delegated to it by the ERO in 2015 and the organization does not intend to perform any functions outside its ERO delegated activities in 2016, therefore Section C is not applicable.

**Section D – Additional Consolidated Financial
Statements**

2016 Consolidated Statement of Activities by Program

	Total	Statutory Total	Reliability Standards (Section 300)	Reliability Assurance and Compliance Monitoring	Enforcement	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
Funding													
ReliabilityFirst Funding													
ReliabilityFirst Assessments	19,367,209	19,367,209	-	12,711,363	2,075,389	2,589,189	967,126	275,892	748,250	-	-	-	-
Penalty Sanctions	748,250	748,250	-	487,142	107,171	108,470	38,971	6,495	-	-	-	-	-
Total ReliabilityFirst Funding	20,115,459	20,115,459	-	13,198,505	2,182,560	2,697,660	1,006,098	282,387	748,250	-	-	-	-
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	20,115,459	20,115,459	-	13,198,505	2,182,560	2,697,660	1,006,098	282,387	748,250	-	-	-	-
Expenses													
Personnel Expenses													
Salaries	11,427,306	11,427,306	-	6,157,443	944,027	1,251,776	444,686	109,593	1,117,807	475,326	530,157	261,174	135,317
Payroll Taxes	699,898	699,898	-	383,693	67,401	80,732	31,103	5,717	37,197	23,430	39,888	19,751	10,975
Benefits	1,786,698	1,786,698	-	924,660	173,031	133,015	58,287	12,883	69,897	32,508	124,266	232,149	26,002
Retirement Costs	1,860,244	1,860,244	-	963,975	150,897	199,898	70,894	17,448	151,839	69,811	84,602	129,231	21,649
Total Personnel Expenses	15,774,136	15,774,136	-	8,429,771	1,335,356	1,665,421	604,970	145,641	1,376,740	601,075	778,913	642,305	193,943
Meeting Expenses													
Meetings	222,750	222,750	-	21,850	5,500	11,500	105,000	2,000	56,600	750	1,050	17,500	1,000
Travel	836,800	836,800	-	564,000	40,000	92,500	8,000	23,000	46,500	42,000	12,500	4,700	3,600
Conference Calls	42,000	42,000	-	-	-	-	-	-	-	-	42,000	-	-
Total Meeting Expenses	1,101,550	1,101,550	-	585,850	45,500	104,000	113,000	25,000	103,100	42,750	55,550	22,200	4,600
Operating Expenses													
Consultants & Contracts	540,110	540,110	-	243,600	-	91,280	-	60,000	52,230	5,000	51,000	37,000	-
Office Rent	534,619	534,619	-	-	-	-	-	-	470,830	-	63,789	-	-
Office Costs	717,182	717,182	-	336,287	8,853	34,883	-	3,725	91,498	13,321	207,631	5,584	15,401
Professional Services	488,989	488,989	-	-	-	-	-	-	290,000	62,000	-	88,714	48,275
Miscellaneous	34,640	34,640	-	1,400	500	120	-	-	11,020	-	4,600	17,000	-
Depreciation	352,668	352,668	-	22,345	-	-	-	1,003	162,683	-	166,437	200	-
Total Operating Expenses	2,668,208	2,668,208	-	603,632	9,353	126,283	-	64,728	1,078,261	80,321	493,457	148,498	63,676
Total Direct Expenses	19,543,894	19,543,894	-	9,819,254	1,390,209	1,895,704	717,970	235,369	2,558,101	724,146	1,327,920	813,003	262,219
Indirect Expenses	(0)	(0)	-	3,703,042	814,669	824,544	296,243	49,374	(2,558,101)	(724,146)	(1,330,403)	(813,003)	(262,219)
Other Non-Operating Expenses	2,483	2,483	-	-	-	-	-	-	-	-	2,483	-	-
Total Expenses	19,546,377	19,546,377	-	13,322,295	2,204,878	2,720,248	1,014,213	284,743	-	-	-	-	-
Change in Assets	569,082	569,082	-	(123,790)	(22,318)	(22,588)	(8,116)	(2,356)	748,250	-	-	-	-
Fixed Assets													
Depreciation	(352,668)	(352,668)	-	(22,345)	-	-	-	(1,003)	(162,683)	-	(166,437)	(200)	-
Computer & Software CapEx	133,500	133,500	-	-	-	-	-	-	-	-	133,500	-	-
Furniture & Fixtures CapEx	40,000	40,000	-	-	-	-	-	-	40,000	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	(179,168)	(179,168)	-	(22,345)	-	-	-	(1,003)	(122,683)	-	(32,937)	(200)	-
Allocation of Fixed Assets	-	-	-	(101,445)	(22,318)	(22,588)	(8,116)	(1,353)	122,683	-	32,937	200	-
Inc/(Dec) Fixed Assets	(179,168)	(179,168)	-	(123,790)	(22,318)	(22,588)	(8,116)	(2,356)	-	-	-	-	-
Total Budget	19,367,209	19,367,209	-	13,198,505	2,182,560	2,697,660	1,006,098	282,387	-	-	-	-	-
Change in Working Capital	748,250	748,250	-	-	-	-	-	-	748,250	-	-	-	-
FTEs	72.20	72.20	-	37.50	8.25	8.35	3.00	0.50	3.00	2.00	5.00	3.00	1.60

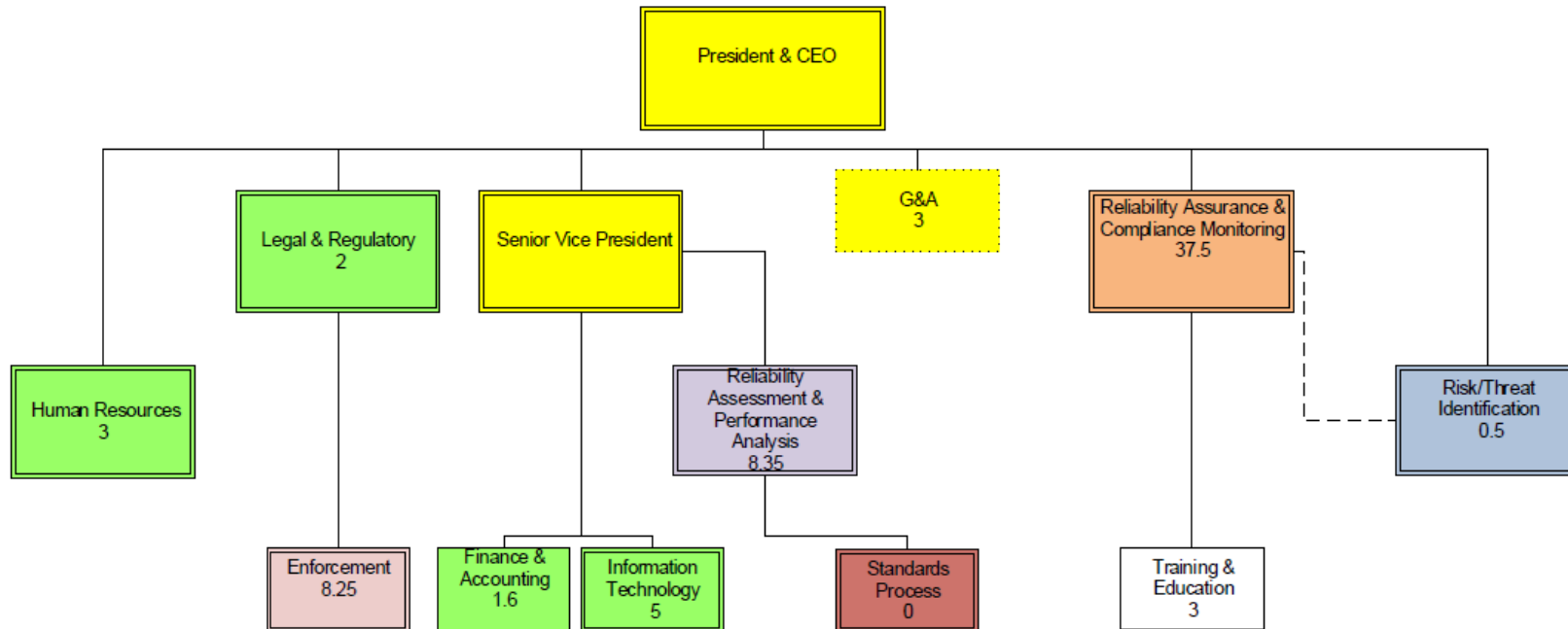
Statement of Financial Position

Statement of Financial Position 2014 Audited, 2015 Projection, and 2016 Budget

STATUTORY and NON-STATUTORY

	(Per Audit) 31-Dec-14	Projected 31-Dec-15	Budget 31-Dec-16
ASSETS			
Cash	5,827,344	5,453,292	5,264,468
Accounts receivable, net of allowance for uncollectible	204,794	-	-
Lease Incentives	-	-	-
Prepaid expenses and other current assets	113,442	113,442	113,442
Property and equipment	2,373,196	2,132,090	2,132,090
Total Assets	8,518,776	7,698,824	7,510,000
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued expenses	38,494	38,494	38,494
Accrued expenses	3,349,414	3,349,414	3,349,414
Notes Payable	51,795	53,899	32,437
Deferred Revenue	-	-	-
Total Current Liabilities	3,439,703	3,441,806	3,420,344
Long Term Liabilities			
Accrued expenses	174,686	467,685	467,685
Notes Payable	86,336	32,437	-
Deferred Revenue	250,000	350,000	350,000
Deferred Rent	2,419,564	1,765,155	1,607,081
Total Long Term Liabilities	2,930,586	2,615,277	2,424,766
Net Assets - unrestricted	785,988	893,492	1,664,890
Net Assets - restricted	1,362,500	748,250	-
Total Liabilities and Net Assets	8,518,776	7,698,825	7,510,000

Appendix A – Organization Chart



DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 7

SERC RELIABILITY CORPORATION

PROPOSED 2016 BUSINESS PLAN AND BUDGET



SERC Reliability Corporation
3701 Arco Corporate Drive, Suite 300
Charlotte, NC 28273
704.357.7372 | Fax 704.357.7914 | www.serc1.org

SERC Reliability Corporation

2016 Business Plan and Budget

FINAL
August, 2015

TABLE OF CONTENTS

Introduction	3
Organizational Overview	3
Membership and Governance	4
Statutory Functional Scope	4
2016 Key Assumptions	5
2016 Goals and Key Deliverables	6
2016 Overview of Cost Impacts.....	7
Summary by Program.....	9
2015 Budget and Projection and 2016 Budget Comparisons	12
Section A – Statutory Programs.....	14
Reliability Standards Program.....	14
Reliability Standards Budget Detail	16
Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	17
Compliance Monitoring and Enforcement and Organization Registration and Certification Budget Detail	23
Reliability Assessment and Performance Analysis Program	24
Reliability Assessment and Performance Analysis Budget Detail.....	26
Training, Education, and Operator Certification Program	27
Training, Education, and Operator Certification Budget Detail	29
Situation Awareness and Infrastructure Security Program	30
Situation Awareness and Infrastructure Security Budget Detail.....	32
Administrative Services	33
Technical Committees and Member Forums	34
General and Administrative	36
Legal and Regulatory	37
Information Technology	38
Human Resources	40
Finance and Accounting.....	41
Administrative Services	42
Section B – Supplemental Financial Information	44
Reserve Balance	44
Breakdown by Statement of Activity Sections	45
Section C – Non-Statutory Activities	58
2016 Non-Statutory Business Plan and Budget	58
Section D – Additional Consolidated Financial Statements.....	60
2016 Consolidated Statement of Activities by Program, Statutory and Non-Statutory	60
Statement of Financial Position	61
Appendix A Organization Chart.....	62
Appendix B Acronyms	63
Appendix C Index of Figures and Tables	65

Introduction

The following table summarizes SERC Reliability Corporation's (SERC) budget for 2016.

	TOTAL RESOURCES (in whole dollars)			
	2016 Budget	U.S.	Canada	Mexico
Statutory FTEs	78.12			
Non-statutory FTEs**	-			
Total FTEs	78.12			
Statutory Expenses	\$ 16,143,014			
Non-Statutory Expenses**	\$ -			
Total Expenses	\$ 16,143,014			
Statutory Inc(Dec) in Fixed Assets	\$ (276,169)			
Non-Statutory Inc(Dec) in Fixed Assets**	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (276,169)			
Statutory Working Capital Requirement*	\$ (832,284)			
Non-Statutory Working Capital Requirement**	\$ -			
Total Working Capital Requirement	\$ (832,284)			
Total Statutory Funding Requirement	\$ 15,034,561			
Total Non-Statutory Funding Requirement**	\$ -			
Total Funding Requirement	\$ 15,034,561			
Statutory Funding Assessments	\$ 13,730,986	\$ 13,730,986	\$ -	\$ -
Non-Statutory Fees**	\$ -	\$ -	\$ -	\$ -
NEL	1,028,847,098	1,028,847,098	-	-
NEL%	100.00%	100.00%	0.00%	0.00%

Table 1. SERC Budget for 2016

Organizational Overview

SERC is a nonprofit corporation responsible for promoting and improving the reliability of the Bulk Power System (BPS) in all or portions of 16 central and southeastern states. The SERC Region covers an area of approximately 560,000 square miles. Electric systems in the Region serve approximately 25.7 percent of the net energy for load (NEL) in North America and 30.9 percent of the NEL in the Eastern Interconnection.

On May 2, 2007, SERC executed an agreement with the North American Electric Reliability Corporation (NERC) that delegated to SERC certain responsibilities and authorities of a Regional Entity as defined in these documents:

- Section 215 of the *Federal Power Act*, Chapter I, Title 18, *Code of Federal Regulations*, Part 39
- Other Federal Energy Regulatory Commission (FERC) regulations and directives
- *NERC Rules of Procedure*

SERC, originally called the Southeastern Electric Reliability Council, was formed in 1970 as a voluntary association of members comprising electric industry reliability stakeholders in the Southeast. Throughout its history, SERC has successfully promoted the reliability of the BPS

using an industry electric reliability organization (ERO) model that relies on reciprocity, peer influence, and the mutual reliability focus of BPS owners, operators, and users to ensure that the system remains reliable and secure.

SERC was incorporated as a 501(c)(6) nonprofit corporation in the state of Alabama on April 29, 2005, to position SERC to become a Regional Entity with an appropriate stakeholder governance structure. In April 2006, SERC changed its name to SERC Reliability Corporation. Effective January 1, 2015, SERC incorporated in the state of North Carolina.

SERC has a 2016 targeted staffing level of 78.12 Full-Time Equivalent (FTEs) (2016 total headcount of 79.7) composed of power industry professionals and support personnel.

Membership and Governance

As part of its delegated duties, SERC monitors 241 Registered Entities in the SERC Region for compliance with the NERC Reliability Standards. Membership in SERC is voluntary and free. SERC's member companies participate in the technical activities and governance of the organization. SERC currently has 54 member companies.

A Board of Directors (Board), composed of a representative from each member company, governs SERC. The Board delegates operational oversight of the corporation to an Executive Committee of 12 directors. The Board has formed the following committees:

- Board Compliance Committee (BCC): Oversees the program that monitors and enforces compliance of Registered Entities in the Region to FERC-approved Reliability Standards.
- Human Resources and Compensation Committee (HRCC): Advises the President, Board officers, and the Board about employee compensation and human resources.
- Finance and Audit Committee (FAC): Advises the President, Board officers and Board about the organization's finances and internal controls.

Statutory Functional Scope

SERC provides statutory functions that support the ERO, in accordance with its delegation agreement between SERC and NERC. SERC provides the following functions:

- Analyzes events to identify Lessons Learned that will improve reliability.
- Promotes BPS reliability, adequacy, and security.
- Helps develop Reliability Standards for the North American BPS and the SERC Region.
- Monitors and enforces approved mandatory Reliability Standards.
- Registers and certifies responsible entities under the reliability compliance program.
- Assesses the BPS past, present, and future risk profile in order to assure reliability, adequacy, and security.
- Trains operating personnel to assure competence.

SERC only performs functions called for in section 215 of the Federal Power Act that have been delegated from NERC to SERC.

2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual *Business Plan and Budget* process. The *2016 – 2018 Shared Business Plan and Budget Assumptions* document is located in Exhibit A of NERC's *2016 Business Plan and Budget*.

NERC and the Regional Entities implement joint coordination and collaboration processes to develop the multi-year ERO Enterprise Strategic Plan and performance metrics.

2016 Goals and Key Deliverables

1. Serve as an independent, objective, and fair enforcement authority, without conflicts of interest.
 - A. Register entities commensurate to the risk to the BPS and ensure all key reliability entities are certified to have essential capabilities.
 - B. Enforce compliance of Registered Entities with mandatory Reliability Standards, in accordance with the delegation agreement and Compliance Monitoring and Enforcement Program (CMEP). Perform timely and transparent reviews.
 - C. Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough, and comprehensive manner to prevent recurrence.
2. Promote a culture of compliance that addresses reliability risks across the SERC Region and the ERO.
 - A. Ensure that the industry understands the essential purpose of standards and compliance expectations.
 - B. Work with the industry to maintain effective risk control programs for compliance, reliability, and security.
 - C. Use efficient processes and proportional exercise of discretion to verify that the industry meets compliance objectives.
3. Identify the most significant risks to reliability in the SERC Region.
 - A. Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources, and emerging issues.
 - B. Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to inform standards, compliance, and other programs.
 - C. Ensure that the industry is well-informed of emerging trends, risk analysis, Lessons Learned, and expected actions.
4. Mitigate reliability risks.
 - A. Ensure that the industry understands security threats and addresses them effectively.
 - B. Facilitate information sharing among industry, Regions, ERO, and government.
 - C. Work with ERO to track industry accountability for critical reliability and security recommendations.
5. Promote a culture of reliability excellence.
 - A. Ensure reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among reliability entities.
 - B. Serve as a leading resource to industry and policy makers to supply reliability information.
6. Improve transparency, consistency, quality, and timeliness of results; collaborate with NERC and the other Regions; improve efficiencies and cost effectiveness.
 - A. Identify, understand, and manage internal risks.
 - B. Ensure processes are effective, efficient, and continually improving.

2016 Overview of Cost Impacts

SERC proposes to decrease its operating budget from \$15,995,840 to \$15,866,845 in 2016, a decrease of \$128,995 or 0.8 percent. The proposed 2016 assessment of \$13,730,986 is a decrease of 0.0 percent from the 2015 assessment of \$13,731,034. SERC believes that in 2016 it will continue to realize material efficiencies that allow the Region to remain an efficient provider of statutory functions as SERC will continue to be one of the lowest-cost Regional Entities on the basis of cost per NEL. SERC's culture promotes consistent delivery of excellent results at a cost that respects the longstanding tradition of affordable and reliable electricity across SERC's geography.

SERC has applied its penalty funds as an offset to assessments and as a temporary increase to SERC's Operating Reserve, as detailed in Table B-1.

The following is a list of targeted budget increases to allow SERC to accomplish the specific objectives outlined in the *2016 Business Plan and Budget* (dollars are stated as an increase in the 2016 budget compared to the 2015 budget). SERC will continue to perform Cross-Regional Compliance Monitoring and Enforcement for other Regions, if requested. The Regional Entity that contracts with SERC for its services will pay the costs in accordance with the contract. \$150,000 is included in the *2016 Business Plan and Budget* under Other Funding and various expense accounts for the performance of these services. Additionally, the costs associated with the Regional Entity Coordinator position will be shared equally with the other Regional Entities and included in Contracts and Consultant Expense in each of the Regional Entity's respective budgets, \$42,000 each, and the related offset of \$294,000 is included in SERC's Miscellaneous Income.

The most significant changes to the budget are in personnel, which includes two components:

- **Staff changes proposed in 2016** – The targeted staffing level for 2016 is 78.12 FTEs, a decrease of 0.58 FTEs (no change in headcount) as compared to the 2015 budget, due to staggering the hire dates for four FTEs. In 2015, SERC budgeted for three early in career engineering positions to assist in information transfer and succession planning. SERC has continued to fund these early in career positions.
- **Cost decrease for maintaining staff budgeted in 2016** – The net decrease in Personnel costs of \$172,455 compared to 2015 reflects a decrease of 0.58 FTEs and a change in personnel strategy to use consultants in lieu of FTEs for Human Resources and Information Technology (IT). This decrease is offset by a budgeted average increase in salary of 3 percent for existing staff, and an overall increase in employee benefits costs. Additionally, a 10 percent vacancy rate has been applied to all Personnel Expenses, further reducing costs.

Other notable changes in the proposed budget from year to year include the following:

- **Meetings and Travel** – A decrease of \$25,689 and \$97,173 or 9.4 percent and 16.6 percent, respectively, is due to a continued effort to have most meetings in SERC's office or member facilities, decreasing the total meetings and travel costs.
- **Consultants and Contracts** – An increase of \$319,564 or 27.1 percent is primarily due to the development of a simulator for the SERC region and training materials, and a qualification program and implementing a systematic approach to training. Additional increase is due to a change in staffing strategy of using consultants in lieu of FTEs.
- **Office Rent** – An increase of \$53,108 or 11.4 percent is due to recording rent on a straight line basis, per Generally Accepted Accounting Standards. An offset to record the difference in the actual rent paid is recorded to a deferred rent account on the balance sheet.
- **Office Costs** – A decrease of \$119,672 or 27.8 percent is primarily due to a decrease in computer and software purchases.

- **Professional Fees** – An increase of \$43,800 or 39.3 percent is primarily due to a change in the carrier for SERC’s ancillary insurances, including life insurance, and short-term and long-term disability.
- **Depreciation** – An increase of \$65,410 or 15.6 percent is due to an increase in the capital assets purchased in previous years which would now incur a full year of depreciation.

SERC’s budget is defined and approved by the Board of Directors in aggregate. SERC works within the total budget to perform its delegated duties. Any variances will be explained in the quarterly variance reports.

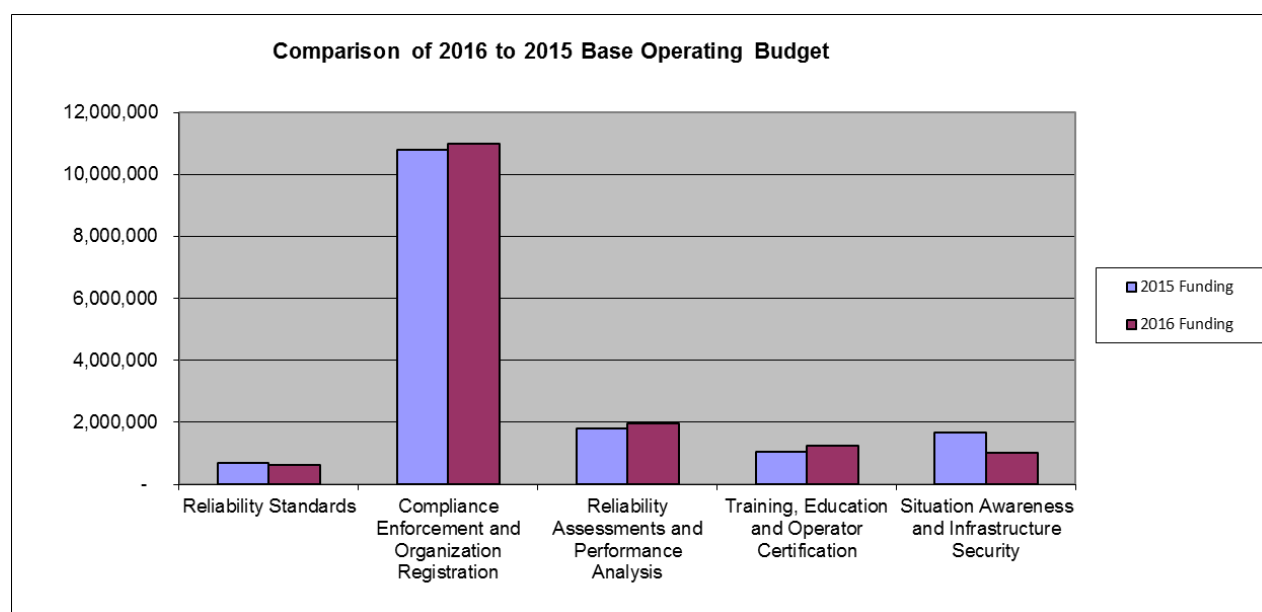
Summary by Program

The following table and figure summarize and illustrate the SERC budget by program area.

Base Operating Budget	Budget	Projection	Budget	Change	
	2015	2015	2016	2016 Budget v 2015 Budget	% Change
Reliability Standards	681,119	558,057	613,891	(67,228)	-9.9%
Compliance Enforcement and Organization Registration	10,779,635	10,101,640	10,995,642	216,007	2.0%
Reliability Assessments and Performance Analysis	1,809,522	2,293,930	1,975,482	165,960	9.2%
Training, Education and Operator Certification	1,055,419	1,139,869	1,259,915	204,496	19.4%
Situation Awareness and Infrastructure Security	1,670,145	1,871,776	1,021,915	(648,230)	-38.8%
Total	15,995,840	15,965,272	15,866,845	(128,995)	-0.8%
Working Capital Reserve	76,549	(248,971)	(832,284)	(908,833)	
Total Funding	16,072,389	15,716,301	15,034,561	(1,037,828)	-6.5%

This graphical representation does not include an allocation of working capital requirements among the program areas.

Table 2. Budget by Program Area



This graphical representation does not include an allocation of working capital requirements among the program areas.

Figure 1. Budget by Program Area Chart

Reliability Standards – The 9.9 percent decrease in total funding, from \$681,119 in 2015 to \$613,891 budgeted in 2016, is due to the decrease in indirect expenses being allocated to the Reliability Standards program. This decrease is due to the reduction of 0.63 FTEs as described in the Resource Requirements section of the program area budget. Additionally, an overall 10 percent vacancy rate has been applied to Personnel costs, based on historical data.

Compliance Enforcement and Organization Registration – The 2.0 percent increase in total funding, from \$10,779,635 budgeted in 2015 to \$10,995,642 budgeted in 2016, results from an increase in indirect expenses being allocated to the Compliance Enforcement and Organization Registration program. This increase is due to the increase of FTEs and total costs in

Administrative Services. As an offset, a 10 percent vacancy rate has been applied to Personnel costs, based on historical data.

Reliability Assessments and Performance Analysis – The 9.2 percent increase in total funding, from \$1,809,522 in 2015 to \$1,975,482 budgeted in 2016, is due to the increase of 0.7 FTE as described in the Resource Requirements section of the program area budget, which was offset by a 10 percent vacancy rate applied to Personnel costs, based on historical data. Additionally, there is a decrease in Consultants and Contracts due to a one-time cost in 2015 to perform a benchmarking system-wide stability study.

Training, Education and Operator Certification – The 19.4 percent increase in total funding, from \$1,055,419 budgeted in 2015 to \$1,259,915 budgeted in 2016, is primarily due to an increase in consultants to expand the Restoration Drill to include more simulation exercises; for system simulator development for the SERC system; and for contractor support to develop training materials, a qualification program, and to implement a systematic approach to training.

Situation Awareness and Infrastructure Security – The 38.8 percent decrease in total funding, from \$1,670,145 budgeted in 2015 to \$1,021,915 budgeted in 2016, is due to the reduction of 2.55 FTEs as described in the Resource Requirements section of the program area budget, as well as an overall 10 percent vacancy rate applied to Personnel costs, based on historical data. The decrease in indirect expenses being allocated to the Situation Awareness and Infrastructure Security program is due to the reduction of FTEs.

The following table displays total FTEs by program area.

Total FTE's by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs ¹ 2016 Budget	Total FTEs 2016 Budget	Change from 2015 Budget
STATUTORY						
Operational Programs						
Reliability Standards	2.61	1.62	1.98	-	1.98	(0.63)
Compliance Monitoring and Enforcement and Organization Registration and Certification	37.50	25.60	36.92	-	36.92	(0.58)
Reliability Assessment and Performance Analysis	5.90	6.78	6.60	-	6.60	0.70
Training and Education	2.61	2.58	2.23	-	2.23	(0.38)
Situation Awareness and Infrastructure Security	5.95	5.63	3.40	-	3.40	(2.55)
Total FTEs Operational Programs	54.57	42.21	51.13	-	51.13	(3.44)
Administrative Programs						
Technical Committees and Member Forums	5.13	4.51	5.99	-	5.99	0.86
General & Administrative	19.00	17.96	21.00	-	21.00	2.00
Legal and Regulatory	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	-	-	-	-	-	-
Total FTEs Administrative Programs	24.13	22.47	26.99	-	26.99	2.86
Total FTEs	78.70	64.68	78.12	-	78.12	(0.58)

¹A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

Table 3. Total FTEs by Program Area

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

2015 Budget and Projection and 2016 Budget Comparisons

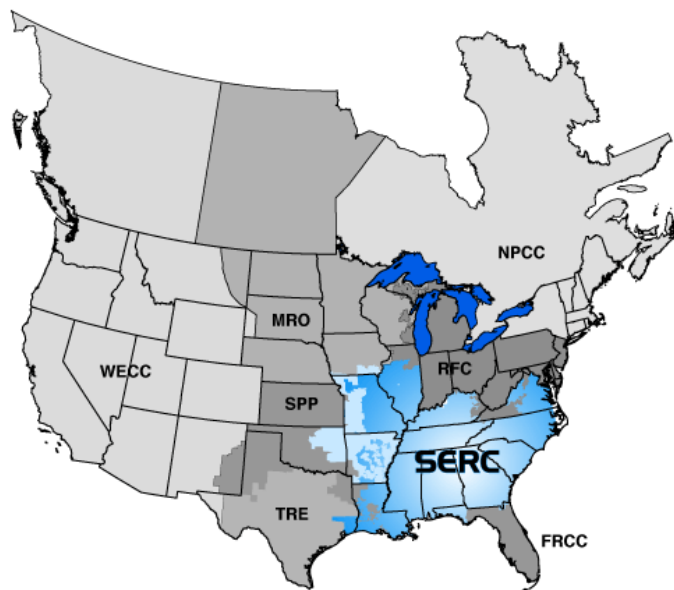
The following table lists the 2015 budget and projection compared to the 2016 budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
STATUTORY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 13,731,034	\$ 13,731,034	\$ -	\$ 13,730,986	\$ (48)
Penalty Sanctions	1,787,000	1,787,000	-	648,500	(1,138,500)
Total NERC Funding	\$ 15,518,034	\$ 15,518,034	\$ -	\$ 14,379,486	\$ (1,138,548)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	259,355	197,625	(61,730)	210,075	(49,280)
Interest	1,000	1,200	200	1,000	-
Miscellaneous	294,000	325,500	31,500	444,000	150,000
Total Funding (A)	\$ 16,072,389	\$ 16,042,359	\$ (30,030)	\$ 15,034,561	\$ (1,037,828)
Expenses					
Personnel Expenses					
Salaries	\$ 9,717,873	\$ 9,353,765	\$ (364,108)	\$ 9,457,718	\$ (260,155)
Payroll Taxes	583,072	692,179	109,107	642,524	59,452
Benefits	938,825	868,437	(70,388)	993,030	54,205
Retirement Costs	1,325,619	1,259,771	(65,848)	1,299,662	(25,957)
Total Personnel Expenses	\$ 12,565,389	\$ 12,174,152	\$ (391,237)	\$ 12,392,934	\$ (172,455)
Meeting Expenses					
Meetings	\$ 273,110	\$ 248,974	\$ (24,136)	\$ 247,421	\$ (25,689)
Travel	585,639	486,756	(98,883)	488,466	(97,173)
Conference Calls	48,000	48,000	-	44,544	(3,456)
Total Meeting Expenses	\$ 906,749	\$ 783,730	\$ (123,019)	\$ 780,431	\$ (126,318)
Operating Expenses					
Consultants & Contracts	\$ 1,177,609	\$ 1,820,977	\$ 643,368	\$ 1,497,173	\$ 319,564
Office Rent	464,809	542,271	77,462	517,917	53,108
Office Costs	430,551	439,367	8,816	310,879	(119,672)
Professional Services	111,400	136,500	25,100	155,200	43,800
Miscellaneous	-	5,000	5,000	5,000	5,000
Depreciation	418,070	366,475	(51,595)	483,480	65,410
Total Operating Expenses	\$ 2,602,439	\$ 3,310,590	\$ 708,151	\$ 2,969,649	\$ 367,210
Total Direct Expenses	\$ 16,074,577	\$ 16,268,472	\$ 193,895	\$ 16,143,014	\$ 68,437
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 16,074,577	\$ 16,268,472	\$ 193,895	\$ 16,143,014	\$ 68,437
Change in Assets	\$ (2,188)	\$ (226,113)	\$ (223,925)	\$ (1,108,453)	\$ (1,106,265)
Fixed Assets					
Depreciation	\$ (418,070)	\$ (366,475)	\$ 51,595	\$ (483,480)	\$ (65,410)
Computer & Software CapEx	309,333	309,333	-	207,311	(102,022)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	30,000	30,000	-	-	(30,000)
Leasehold Improvements	-	50,000	50,000	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	(78,737)	22,858	101,595	(276,169)	(197,432)
TOTAL BUDGET (=B + C)	\$ 15,995,840	\$ 16,291,330	\$ 295,490	\$ 15,866,845	\$ (128,995)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 76,549	\$ (248,971)	\$ (325,520)	\$ (832,284)	\$ (908,833)
FTEs	78.70	64.68	(14.02)	78.12	(0.58)

Table 4. Budget and Projection Comparison, 2015 to 2016

Section A – Statutory Programs

2016 Business Plan and Budget



Section A – Statutory Programs

Reliability Standards Program

The following table shows funding sources and related expenses for the Reliability Standards program.

Reliability Standards Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	2.61	1.98	(0.63)
Direct Expenses	\$ 380,205	\$ 354,272	\$ (25,933)
Indirect Expenses	\$ 304,680	\$ 270,314	\$ (34,366)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (3,766)	\$ (10,695)	\$ (6,929)
Total Funding Requirement	\$ 681,119	\$ 613,891	\$ (67,228)

Table A-1. Reliability Standards Budget

Program Scope and Functional Description

The SERC Reliability Standards program will develop regional Reliability Standards in accordance with the *Delegation Agreement* as well as develop regional criteria. The program will also promote the development and maintenance of NERC Reliability Standards that enable NERC and Regional Entities to measure the reliability performance of BPS owners, operators, and users.

2016 Key Assumptions

SERC's 2016 key assumptions are:

- SERC regional standards development activity will continue to be limited.
- The volume of NERC Reliability Standard changes is expected to decrease as compared with prior years as the standards are expected to reach steady state.
- SERC resources will support ERO initiatives in the areas of:
 - Improvement in the timely and efficient development of clear, reasonable, and technically sound mandatory Reliability Standards.
 - Standards guidance including related training activities.
- The ERO Regional Standards Development Plan goal is to transition from the current set of Reliability Standards to a world-class body of Reliability Standards. These clear, concise standards will assure the reliability of the BPS in North America. They will also require a significant increase in throughput.
 - In developing these standards, new web-based tools will facilitate collaboration and consensus.
- The ERO goal is to implement a cost effectiveness analysis or assessment of proposed standards. This goal will require additional stakeholder review and input on developing standards.

2016 Goals and Key Deliverables

SERC's 2016 goals and key deliverables are the following:

- Manage SERC's catalog of Regional Criteria and administer the SERC Regional Reliability Standards development procedure.
- Support the ERO in development of clear, reasonable, and technically sound mandatory Reliability Standards in a timely and efficient manner.

Resource Requirements

Personnel

A decrease of 0.63 FTEs in Reliability Standards consists of the following:

- A decrease of 1.0 FTE, an entry-level position, was reclassified from Reliability Standards into Compliance to provide additional opportunities for development.
- A decrease of 0.13 FTE is due to SERC repurposed an administrative support position into General and Administrative as a Receptionist. The previous administrative support position was allocated to Reliability Standards, Reliability Assessments and Performance Analysis, Training and Education, Situation Awareness and Infrastructure and Technical Committees.
- An increase of 0.5 FTE was reclassified from the Technical Committees and Members Forums program into the Reliability Standards program, to better align actual work performed.

Contractors and Consultants

There are no contractor and consultant resource requirements.

Reliability Standards Budget Detail

The following table shows funding sources and related expenses for the Reliability Standards section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
RELIABILITY STANDARDS					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 595,650	\$ 595,650	\$ -	\$ 588,776	\$ (6,874)
Penalty Sanctions	85,469	85,469	-	25,115	(60,354)
Total NERC Funding	\$ 681,119	\$ 681,119	\$ -	\$ 613,891	\$ (67,228)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 681,119	\$ 681,119	\$ -	\$ 613,891	\$ (67,228)
Expenses					
Personnel Expenses					
Salaries	\$ 284,511	\$ 205,178	\$ (79,333)	\$ 264,723	\$ (19,788)
Payroll Taxes	17,071	15,183	(1,888)	19,590	2,519
Benefits	31,214	24,018	(7,196)	31,619	405
Retirement Costs	40,080	28,425	(11,655)	37,277	(2,803)
Total Personnel Expenses	\$ 372,876	\$ 272,804	\$ (100,072)	\$ 353,209	\$ (19,667)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	7,329	7,329	-	1,063	(6,266)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 7,329	\$ 7,329	\$ -	\$ 1,063	\$ (6,266)
Operating Expenses					
Consultants & Contracts	\$ -	\$ 15,400	\$ 15,400	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ 15,400	\$ 15,400	\$ -	\$ -
Total Direct Expenses	\$ 380,205	\$ 295,533	\$ (84,672)	\$ 354,272	\$ (25,933)
Indirect Expenses	\$ 304,680	\$ 261,647	\$ (43,033)	\$ 270,314	\$ (34,366)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 684,885	\$ 557,180	\$ (127,705)	\$ 624,586	\$ (60,299)
Change in Assets	\$ (3,766)	\$ 123,939	\$ 127,705	\$ (10,695)	\$ (6,929)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (3,766)	877	4,643	(10,695)	(6,929)
Inc(Dec) in Fixed Assets (C)	(3,766)	877	4,643	(10,695)	(6,929)
TOTAL BUDGET (=B + C)	\$ 681,119	\$ 558,057	\$ (123,062)	\$ 613,891	\$ (67,228)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 123,062	\$ 123,062	\$ -	\$ -
FTEs	2.61	1.62	(0.99)	1.98	(0.63)

Table A-2. Reliability Standards Budget Detail

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

The following table lists the budget for the Compliance Monitoring and Enforcement and Organization Registration and Certification program.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	37.50	36.92	(0.58)
Direct Expenses	\$ 6,456,152	\$ 6,155,109	\$ (301,043)
Indirect Expenses	\$ 4,377,590	\$ 5,039,944	\$ 662,354
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (54,107)	\$ (199,411)	\$ (145,304)
Total Funding Requirement	\$ 10,779,635	\$ 10,995,642	\$ 216,007

Table A-3. Compliance Monitoring and Enforcement and Organization Registration and Certification Budget

Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program is implemented by SERC's Compliance and Enforcement personnel, who are independent of stakeholders and Registered Entities. To accomplish this objective, SERC's Compliance Monitoring and Enforcement and Organization Registration and Certification Program area is further divided into four areas: Compliance Monitoring, Compliance Programs, Entity Assessment and Mitigation, and Enforcement.

Compliance

SERC's Compliance staff implements the Compliance Monitoring processes and Organization Registration and Certification activities pursuant to the *Delegation Agreement* and Uniform CMEP. The Compliance Program consists of four functional areas:

- Compliance Monitoring
 - Conducts compliance audits, spot checks, and investigations.
 - Personnel serve as subject matter experts for all standards and for implementing the process for Technical Feasibility Exceptions to the Critical Infrastructure Protection (CIP) Standards.
- Compliance Programs and Services
 - Implements and deploys CMEP-related analytics and Compliance Assessments.
- Entity Assessment and Mitigation
 - Implements and deploys Entity Inherent Risk Assessments and Internal Control Evaluations.
 - Staff serves as the single point of contact for all non-compliance issues discovered and/or self-reported to the Region.
 - Determines the complete scope of the violation and the actual and potential risk to the BPS reliability.
 - Reviews the Registered Entity's mitigating activities to ensure that the entity corrects the issue and prevents recurrence.

- Organization Registration and Certification
 - Registers owners, operators, and users of the BPS for compliance with Reliability Standards.
 - Certifies applicable entities.

Enforcement

Enforcement personnel evaluate all Possible Violations of Reliability Standards and conduct a thorough assessment to determine if there is a violation. The Enforcement personnel follow these steps:

1. Notify the Registered Entity of the findings regarding the violation and any applicable penalties or sanctions.
2. Negotiate settlement with the Registered Entity.
3. Submit the proposed Enforcement action, along with any proposed penalty or sanctions, to NERC for review, approval, and subsequent submittal to FERC.
4. If a Registered Entity challenges the findings of the violation and/or penalty, the Enforcement staff prosecutes the case before the Board Compliance Committee, which acts as SERC's hearing body.

2016 Key Assumptions

Compliance

- SERC will collaborate with NERC in the development of procedures, IT platforms, and tools.
- SERC will address complaints submitted to the Regions that allege a violation of a Reliability Standard.
- Risk-based monitoring activities are expected to increase. SERC has modified its time-based six-year audit cycle to a risk-based compliance monitoring approach. The three-year audit cycle remains unchanged.
- SERC will employ consistent audit practices and focus on higher-target reliability risks to increase the efficiency of Compliance Monitoring and mitigate overall compliance costs.
- SERC will continue training Compliance staff on risk principles and enhanced audit practices, including credentialing and risk-based compliance monitoring and enforcement processes. Training activity will affect staffing needs and costs (e.g., travel, lodging, and labor).
- Staff will maintain professional credentials, such as industry certifications, NERC System Operator Certification, Cyber Security certifications, Professional Engineering licenses, and certified auditor credentials, to ensure that staff skills remain current on industry trends and standards.
- SERC will continue to support the training requirements necessary to meet the criteria set forth by the *ERO Auditor Manual and Handbook* and the *Compliance Auditor Capabilities and Competency Guide*. SERC will demonstrate the following:
 - Compliance staff and other personnel, as necessary, understand guidance documents.
 - An annual process exists for personnel to acknowledge their commitment to Professional Standards, Ethical Principles, and Rules of Conduct.
 - An annual assessment process exists to evaluate audit team content and capability needs.
 - A training program exists that addresses initial and continuing training for capability and competency development.

- The use of compliance monitoring methods other than audits is expected to increase as risk-based monitoring is implemented. These other methods include Spot Checks and Guided Self-Certifications.
- CIP violations are expected to decrease as most Registered Entities have been previously audited, and the standards and Reliability Standards Audit Worksheets (RSAWs) have matured.
 - Dedicated CIP compliance personnel have been allocated to address the conversion from V3 to V5 and to support entities undergoing a CIP audit.
- SERC estimates it will perform 11 on-site and 19 off-site CIP audits or Spot Checks and 11 on-site and 19 off-site Operations and Planning audits or Spot Checks. The exact number of off-site audits or Spot Checks will depend on the results of an entity's Risk Assessment.
- The Technical Feasibility Exception (TFE) processing implementation will continue. This implementation will probably include equipment class-based exceptions, audit sampling, and a simpler process for reporting and reviewing.
- SERC will provide to NERC timely and accurate information about changes in registrations.
- SERC will review the analyses of system events to confirm that all necessary entities are registered, and Registered Entities initiate corrective actions, as appropriate.
- SERC will collaborate with NERC to determine if a certification review is appropriate or if a new certification is required to accommodate a change in a Registered Entity's status.
- In certifying Registered Entities, SERC will collaborate with NERC and implement the NERC-approved certification process to assess a Registered Entity's capability for performing its registered function(s) and to use the tools NERC provides.
- SERC will document the information obtained during the certification process and make recommendations to NERC regarding certification.
- SERC estimates that it will conduct six certification activities.
- The volume of documents for Joint Registration Organization, Coordinated Functional Registration, and Multi-Regional Entity Registration will increase as entities better delineate shared responsibilities and promote efficiency and effectiveness in compliance. This increase will affect the workload for Registration and Compliance Monitoring within SERC.
- Consideration will be given to reallocating existing staff and/or contract resources, or using available reserves to provide the resource support that is necessary to support the successful implementation (or transition) of these major activities: Reliability Assurance Initiative, Risk-Based Registration, and CIP V5.
- As the risk-based compliance monitoring and enforcement program is defined and implemented, SERC will provide training to ensure that personnel have the necessary skills.
- SERC utilizes resources to design and implement risk-based compliance monitoring and enforcement for minimal-risk non-compliance through the Compliance Exception process.

Enforcement

- The rate of incoming Possible Violations will remain steady (approximately 370 violations per year).

- Actions to process or dismiss Possible Violations will be timely and transparent to the industry.
- There will be no significant increase in travel for Enforcement staff to process Possible Violations and Mitigation Plans.
- No SERC BCC hearings will be held to resolve contested findings of a violation or penalty.

2016 Goals and Key Deliverables

Compliance

- Conduct scheduled Compliance Monitoring activities pursuant to the 2016 Implementation Plan.
 - The number of Compliance Monitoring engagements for 2016 are currently scheduled to include on-site Audits, off-site Audits, and Spot Checks. We anticipate 11 CIP on-site Audits and 11 Operations & Planning on-site Audits. At this time, the Inherent Risk Assessments are being done for entities that could fall into the 2016 off-site audit or Spot Check engagements. Based on the anticipated results of these Inherent Risk Assessments, we anticipate 19 off-site audits for both CIP and Operations & Planning, and 4 Spot Checks for CIP and 8 Spot Checks for Operations & Planning.
- Facilitate efficient and collaborative transition to new and revised standards through:
 - Workshops focused on upcoming enforceable standards.
 - Review of Registered Entities' progress towards compliance with upcoming standards.
- Work with ERO to consolidate to a common set of Reliability Standards Audit Worksheets (RSAWs), or successors, for all standards.
- Work with the industry to provide information on effective procedures and programs to monitor, detect, correct, report, and prevent deficiencies in compliance, reliability, and security.
 - Implement compliance reform through a risk-based compliance monitoring approach.
 - Implement risk-based compliance monitoring techniques and principles consistently.
 - Collaborate with the industry regarding best practices to encourage effective internal controls models.
 - Initiate compliance phase-in learning periods for new standards.
- Monitor each Registered Entity, by role, for its standards and requirements commensurate with the reliability risk.
- Train Compliance staff on risk principles and implementation of enhanced audit practices, including credentialing for audit team leads and other audit team members, as appropriate, to manage employee development.
- Continue outreach to Registered Entities for implementation of CIP V5 transition.
- Develop and deliver Lessons Learned from all aspects of the Compliance Monitoring processes and corrective action activities resulting from entity performance.
- Continue implementing the Bulk Electric System (BES) exception process.
- Evaluate the certification program for sufficiency and effectiveness. Modify the program, as needed.

- Develop the Implementation Plan.
- Deploy the plan for registration commensurate with risk to the BPS.
- Work with ERO to develop common and consistent registration processes, information systems, and methods among Regions.
- Ensure that all key reliability entities are certified to have essential capabilities.
- Develop and implement the compliance monitoring and enforcement reform through risk-based techniques, including the following:
 - Focus on serious risk violations to improve the effectiveness of SERC operations.
 - Reduce unnecessary costs of compliance on Registered Entities, while ensuring that reliability objectives are achieved.
- Review and accept Mitigation Plans that contain effective corrective actions.
- Ensure timely mitigation of all violations to restore compliance and prevent recurrence, thereby maintaining the reliability of the BPS. Timely mitigation will cause the aging curve to trend positively.
- Develop and implement violation processing management tools and training based on the risk-based techniques to improve the efficiency, transparency, consistency, quality, and timeliness of violation processing.
- Identify trends in violations and their causes.
- Provide Lessons Learned and outreach to Registered Entities, including CIP V5 implementation training.

Enforcement

- Manage all Enforcement activities in an unbiased, fair, and consistent manner to ensure due process for all Registered Entities.
- Hold the industry accountable for violations that create a serious risk to the BPS. Ensure resulting actions are timely and transparent to the industry, including appropriate use of Compliance Exceptions, Find, Fix, and Track (FFT), Spreadsheet Notice of Penalty (SNOP), and Full Notice of Penalty (NOP). To achieve this, SERC will do the following:
 - Increase the percentage of self-identified non-compliances (Self-Reports and Self-Certifications).
 - Decrease the Caseload Index and violation aging.
 - Allocate a higher percentage of lower and moderate risk violations to the BPS to be processed through Compliance Exceptions, FFT, or SNOP.
 - Expand use of Compliance exceptions.

Resource Requirements

Personnel

A decrease of 0.58 FTEs in Compliance consists of the following:

- An increase of 1.0 FTE, an entry-level position, was reclassified from Reliability Standards into Compliance to provide additional opportunities for development.
- A decrease of 1.0 FTE. SERC reclassified an existing position previously recorded in Compliance into General and Administrative Services as a Project Manager. This position is responsible for furthering the implementation of project management techniques at SERC and obtaining top-tier project management-based results for selected profile projects.

- A net decrease of 0.58 FTEs related to staggering entry dates.

Contractors and Consultants

The 2016 budget includes contractor support in lieu of FTEs to supplement the audit program.

Compliance Monitoring and Enforcement and Organization Registration and Certification Budget Detail

The following table shows funding sources and related expenses for the Compliance Monitoring and Enforcement and Organization Registration and Certification section of the *2016 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 9,544,624	\$ 9,544,624	\$ -	\$ 10,377,385	\$ 832,761
Penalty Sanctions	1,228,011	1,228,011	-	468,257	(759,754)
Total NERC Funding	\$ 10,772,635	\$ 10,772,635	\$ -	\$ 10,845,642	\$ 73,007
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	7,000	23,500	16,500	150,000	143,000
Total Funding (A)	\$ 10,779,635	\$ 10,796,135	\$ 16,500	\$ 10,995,642	\$ 216,007
Expenses					
Personnel Expenses					
Salaries	\$ 4,592,037	\$ 4,231,213	\$ (360,824)	\$ 4,396,706	\$ (195,331)
Payroll Taxes	275,522	313,110	37,588	307,769	32,247
Benefits	455,748	381,543	(74,205)	471,441	15,693
Retirement Costs	631,558	565,906	(65,652)	604,302	(27,256)
Total Personnel Expenses	\$ 5,954,865	\$ 5,491,772	\$ (463,093)	\$ 5,780,218	\$ (174,647)
Meeting Expenses					
Meetings	\$ 21,700	\$ 25,493	\$ 3,793	\$ 23,140	\$ 1,440
Travel	319,455	247,630	(71,825)	271,550	(47,905)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 341,155	\$ 273,123	\$ (68,032)	\$ 294,690	\$ (46,465)
Operating Expenses					
Consultants & Contracts	\$ 134,333	\$ 162,613	\$ 28,280	\$ 54,543	\$ (79,790)
Office Rent	-	-	-	-	-
Office Costs	15,799	15,600	(199)	15,658	(141)
Professional Services	10,000	10,000	-	10,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 160,132	\$ 188,213	\$ 28,081	\$ 80,201	\$ (79,931)
Total Direct Expenses	\$ 6,456,152	\$ 5,953,108	\$ (503,044)	\$ 6,155,109	\$ (301,043)
Indirect Expenses	\$ 4,377,590	\$ 4,134,669	\$ (242,921)	\$ 5,039,944	\$ 662,354
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 10,833,742	\$ 10,087,777	\$ (745,965)	\$ 11,195,053	\$ 361,311
Change in Assets	\$ (54,107)	\$ 708,358	\$ 762,465	\$ (199,411)	\$ (145,304)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(54,107)	13,863	67,970	(199,411)	(145,304)
Inc(Dec) in Fixed Assets (C)	\$ (54,107)	\$ 13,863	\$ 67,970	\$ (199,411)	\$ (145,304)
TOTAL BUDGET (=B + C)	\$ 10,779,635	\$ 10,101,640	\$ (677,995)	\$ 10,995,642	\$ 216,007
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 694,495	\$ 694,495	\$ -	\$ -
FTEs	37.50	25.60	(11.90)	36.92	(0.58)

Table A-4. Compliance Monitoring and Enforcement and Organization Registration and Certification Budget Detail

Reliability Assessment and Performance Analysis Program

The following table lists the budget for the Reliability Assessments and Performance Analysis program (RAPA).

Reliability Assessments and Performance Analysis (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	5.90	6.60	0.70
Direct Expenses	\$ 1,129,294	\$ 1,110,087	\$ (19,207)
Indirect Expenses	\$ 688,741	\$ 901,046	\$ 212,305
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (8,513)	\$ (35,651)	\$ (27,138)
Total Funding Requirement	\$ 1,809,522	\$ 1,975,482	\$ 165,960

Table A-5. Reliability Assessments and Performance Analysis (RAPA) Budget

Program Scope and Functional Description

In 2014, NERC implemented a bright line definition for the BES. SERC's Reliability Assessments and Performance Analysis (RAPA) program provides analysis, data gathering, and analysis of events on the BES. The RAPA function identifies reliability risks to the BES in the SERC footprint for the purpose of integrated risk analysis. RAPA's mission is to promote a culture of reliability excellence among the owners of BES assets. The program accomplishes this mission by identifying risks to reliability, analyzing performance and prioritizing significant risks.

SERC conducts an independent reliability assessment of the BES within the SERC Region, including data gathering and analysis. The assessment program uses information from its internal data collection sources along with other programs, such as NERC Transmission Availability Data System (TADS), Generating Availability Data Systems (GADS), and Demand Response Availability Data System (DADS). SERC evaluates the overall reliability, performance, and adequacy of the SERC Region and reports its results to NERC. SERC's work supports NERC's obligation to perform similar analysis of the interconnected North American BPS.

2016 Key Assumptions

- Workloads will increase to provide the processes, data, and information required to implement enhanced analytical efforts associated with NERC Reliability Assessment Program improvements.
- Workloads will increase to support requirements for risk identification and mitigation. SERC will use project management software to collaborate, balance workloads, and manage resources effectively.
- Workloads will increase to support regional and NERC initiatives associated with reliability impacts from the Environmental Protection Agency Clean Power Plan Rule and other special assessments as may be called for by NERC.

2016 Goals and Key Deliverables

- Improve model and model data management to support reliability risk management and performance analysis reporting.

- Analyze projected, historical, and operational data to measure seasonal system reliability performance.
- Implement new Reliability Assessment Portal improvements to support RAPA data collection, analysis, and reporting requirements.
- Complete quarterly TADS, GADS, and DADS data submittals.
- Complete reliability assessment studies and support through the NERC Reliability Assessment Subcommittee (RAS) and ERO RAPA group. These studies include Summer, Winter, Post-Seasonal, Long-Term, Scenario, and Probabilistic Reliability Assessments. Regional planning requirements include SERC seasonal and long-term operational scenario studies.
- Complete annual FERC Form 715 and EIA submittals on behalf of SERC entities within specified time frames.
- Continue to develop and implement the integrated reliability risk management program to determine risk control initiatives and necessary mitigation actions, and to inform the SERC Compliance functions.
- Publish 2016 SERC primary reliability risk identification reports for ERO and SERC committee discussion.

Resource Requirements

Personnel

An increase of 0.7 FTE in Reliability Assessment and Performance Analysis consists of the following:

- An increase of 1.0 FTE was reclassified from the Situation Awareness and Infrastructure Security program into the Reliability Assessment and Performance Analysis program, to better align actual work performed.
- A decrease of 0.3 FTE is due to SERC repurposed an administrative support position into General and Administrative as a Receptionist. The previous administrative support position was allocated to Reliability Standards, Reliability Assessments and Performance Analysis, Training and Education, Situation Awareness and Infrastructure and Technical Committees.

Contractors and Consultants

The 2016 budget includes contractor support for the probabilistic study done through the Resource Adequacy Working Group and for the compiling and assessment of modeling information by the Eastern-Interconnection Reliability Assessment Group.

Reliability Assessment and Performance Analysis Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the *2016 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2015 Budget & Projection, and 2016 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,616,315	\$ 1,616,315	\$ -	\$ 1,891,766	\$ 275,451
Penalty Sanctions	193,207	193,207	-	83,716	(109,491)
Total NERC Funding	\$ 1,809,522	\$ 1,809,522	\$ -	\$ 1,975,482	\$ 165,960
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,809,522	\$ 1,809,522	\$ -	\$ 1,975,482	\$ 165,960
Expenses					
Personnel Expenses					
Salaries	\$ 553,482	\$ 683,882	\$ 130,400	\$ 640,779	\$ 87,297
Payroll Taxes	33,209	50,607	17,398	51,262	18,053
Benefits	76,022	81,980	5,958	86,294	10,272
Retirement Costs	77,407	95,880	18,473	90,051	12,644
Total Personnel Expenses	\$ 740,120	\$ 912,349	\$ 172,229	\$ 868,386	\$ 128,266
Meeting Expenses					
Meetings	\$ 21,030	\$ 15,929	\$ (5,101)	\$ 10,845	\$ (10,185)
Travel	43,032	60,939	17,907	40,170	(2,862)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 64,062	\$ 76,868	\$ 12,806	\$ 51,015	\$ (13,047)
Operating Expenses					
Consultants & Contracts	\$ 322,500	\$ 203,400	\$ (119,100)	\$ 188,000	\$ (134,500)
Office Rent	-	-	-	-	-
Office Costs	2,612	2,600	(12)	2,686	74
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 325,112	\$ 206,000	\$ (119,112)	\$ 190,686	\$ (134,426)
Total Direct Expenses	\$ 1,129,294	\$ 1,195,217	\$ 65,923	\$ 1,110,087	\$ (19,207)
Indirect Expenses	\$ 688,741	\$ 1,095,041	\$ 406,300	\$ 901,046	\$ 212,305
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,818,035	\$ 2,290,258	\$ 472,223	\$ 2,011,133	\$ 193,098
Change in Assets	\$ (8,513)	\$ (480,736)	\$ (472,223)	\$ (35,651)	\$ (27,138)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (8,513)	\$ 3,672	\$ 12,185	(35,651)	(27,138)
Inc(Dec) in Fixed Assets (C)	\$ (8,513)	\$ 3,672	\$ 12,185	\$ (35,651)	\$ (27,138)
TOTAL BUDGET (=B + C)	\$ 1,809,522	\$ 2,293,930	\$ 484,408	\$ 1,975,482	\$ 165,960
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (484,408)	\$ (484,408)	\$ -	\$ -
FTEs	5.90	6.78	0.88	6.60	0.70

Table A-6. Reliability Assessment and Performance Analysis Budget Detail

Training, Education, and Operator Certification Program

The following table summarizes the budget for Training, Education, and Operator Certification.

Training, Education and Operator Certification (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	2.61	2.23	(0.38)
Direct Expenses	\$ 754,505	\$ 967,517	\$ 213,012
Indirect Expenses	\$ 304,680	\$ 304,444	\$ (236)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (3,766)	\$ (12,046)	\$ (8,280)
Total Funding Requirement	\$ 1,055,419	\$ 1,259,915	\$ 204,496

Table A-7. Training, Education, and Operator Certification Budget

Program Scope and Functional Description

The SERC Training, Education, and Operator Certification program provides education and training necessary to obtain essential knowledge on the operations of the BPS. SERC Training and Education programs support the continuing education of Certified System Operators in the SERC Region. The program's target audience is BPS operating personnel, system operators, operations support personnel, and training personnel.

SERC supports the development of SERC's staff training and education in power system operating topics.

2016 Key Assumption

- Support the ERO goal to implement risk-based compliance monitoring. Achieving this goal will require structured training.
 - SERC will use common ERO training methods and curriculum for regional consistency of auditors and other key staff on the required qualification and competencies.
- SERC will provide training to operating personnel to promote the reliability of the BPS in North America.
 - SERC will educate utility personnel regarding changes to NERC Reliability Standards, ERO procedures, and programs that detect, monitor, report, correct, and prevent recurrence of issues with reliability and/or compliance.

2016 Goals and Key Deliverables

- The SERC Training program will maintain SERC's status as a NERC-certified Continuing Education Provider.
- The SERC Training program will support the following goals:
 - Develop and deliver training on required knowledge, skills, and abilities for auditors and other key staff positions within SERC.
 - Develop and deliver four System Operator Conferences that promote BES reliability by assuring the competence of real-time operating personnel through continuing education on power system operating topics.
 - Deliver a Wide Area Restoration Drill that provides the opportunity for real-time operating personnel and operations support personnel to practice the use of their

restoration plans, communications protocol, and to return the BES to a stable interconnected operating state after a major system disturbance.

- Deliver NERC Reliability Standards workshops or webinars to BPS system operators, operating support personnel, compliance and training personnel to explain changed expectations within new or revised Reliability Standards and related procedures and programs.

Resource Requirements

Personnel

A decrease of 0.38 FTEs in Training and Education consists of the following:

- A decrease of 0.25 FTEs was reclassified from the Training and Education program into the Technical Committee and Member Forums program, to better align actual work performed.
- A decrease of 0.13 FTE is due to SERC repurposed an administrative support position into General and Administrative as a Receptionist. The previous administrative support position was allocated to Reliability Standards, Reliability Assessments and Performance Analysis, Training and Education, Situation Awareness and Infrastructure and Technical Committees.

Contractors and Consultants

The 2016 budget includes contractor support for the System Operator Conferences, Restoration Drill conference, and system simulator development. Additionally, the budget includes contractor support to develop training materials, a qualification program, and to implement a systematic approach to training.

Training, Education, and Operator Certification Budget Detail

The following table shows funding sources and related expenses for the Training, Education, and Operator Certification section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
Funding	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
ERO Funding					
NERC Assessments	\$ 710,595	\$ 710,595	\$ -	\$ 1,021,554	\$ 310,959
Penalty Sanctions	85,469	85,469	-	28,286	(57,183)
Total NERC Funding	\$ 796,064	\$ 796,064	\$ -	\$ 1,049,840	\$ 253,776
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	259,355	197,625	(61,730)	210,075	(49,280)
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,055,419	\$ 993,689	\$ (61,730)	\$ 1,259,915	\$ 204,496
Expenses					
Personnel Expenses					
Salaries	\$ 333,898	\$ 320,953	\$ (12,945)	\$ 271,998	\$ (61,900)
Payroll Taxes	20,034	23,751	3,717	19,040	(994)
Benefits	25,990	30,140	4,150	30,113	4,123
Retirement Costs	46,584	43,369	(3,215)	37,373	(9,211)
Total Personnel Expenses	\$ 426,506	\$ 418,213	\$ (8,293)	\$ 358,524	\$ (67,982)
Meeting Expenses					
Meetings	\$ 144,100	\$ 140,087	\$ (4,013)	\$ 137,196	\$ (6,904)
Travel	18,875	18,875	-	15,597	(3,278)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 162,975	\$ 158,962	\$ (4,013)	\$ 152,793	\$ (10,182)
Operating Expenses					
Consultants & Contracts	\$ 163,000	\$ 143,400	\$ (19,600)	\$ 455,000	\$ 292,000
Office Rent	-	-	-	-	-
Office Costs	2,024	1,200	(824)	1,200	(824)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 165,024	\$ 144,600	\$ (20,424)	\$ 456,200	\$ 291,176
Total Direct Expenses	\$ 754,505	\$ 721,775	\$ (32,730)	\$ 967,517	\$ 213,012
Indirect Expenses	\$ 304,680	\$ 416,697	\$ 112,017	\$ 304,444	\$ (236)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,059,185	\$ 1,138,472	\$ 79,287	\$ 1,271,961	\$ 212,776
Change in Assets	\$ (3,766)	\$ (144,783)	\$ (141,017)	\$ (12,046)	\$ (8,280)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (3,766)	\$ 1,397	5,163	(12,046)	\$ (8,280)
Inc(Dec) in Fixed Assets (C)	\$ (3,766)	\$ 1,397	\$ 5,163	\$ (12,046)	\$ (8,280)
TOTAL BUDGET (=B + C)	\$ 1,055,419	\$ 1,139,869	\$ 84,450	\$ 1,259,915	\$ 204,496
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (146,180)	\$ (146,180)	\$ -	\$ -
FTEs	2.61	2.58	(0.03)	2.23	(0.38)

Table A-8. Training, Education, and Operator Certification Budget Detail

Situation Awareness and Infrastructure Security Program

The following table lists the budget for Situation Awareness and Infrastructure Security.

Situation Awareness and Infrastructure Security (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	5.95	3.40	(2.55)
Direct Expenses	\$ 984,152	\$ 576,106	\$ (408,046)
Indirect Expenses	\$ 694,578	\$ 464,175	\$ (230,403)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	(8,585)	(18,366)	(9,781)
Total Funding Requirement	\$ 1,670,145	\$ 1,021,915	\$ (648,230)

Table A-9. Situation Awareness and Infrastructure Security Budget

Program Scope and Functional Description

The Situation Awareness and Events Analysis (SAEA) program identifies and analyzes conditions that impact or might impact reliable operations. The SERC Situation Awareness and Infrastructure Security program accomplishes this by monitoring sources of information and maintaining communications with stakeholders, NERC, and other organizations. This program identifies initiatives to mitigate and improve reliability by analyzing significant BES events and existing technical reliability guidance for risks and vulnerabilities that could recur elsewhere within the BPS.

2016 Key Assumptions

- SERC will continue to work with NERC’s Electric Sector – Information Sharing and Analysis Center (ES-ISAC) to identify opportunities for improving information sharing on CIP-related events, threats and vulnerabilities to improve reliability within the BES.
- SERC will continue outreach efforts to communicate Situation Awareness (SA), Events Analysis (EA), Compliance Assessment (CA) and CIP-related reporting importance.
- SERC will continue to review, track and trend reliability events to support events reduction and outreach efforts in the SERC Region.
- SERC will share mitigating measures and other BES improvements with SERC entities and the ERO.
- SERC will continue to work with other Regional SAEA groups to identify conditions or best practices that improve reliability within the BES.

2016 Goals and Key Deliverables

- Complete process and System Data Exchange software improvements to support analysis and reporting requirements.
- Develop SERC Reliability Bulletins and support NERC Lessons Learned initiatives.
- Continue stakeholder outreach efforts that support the program.
- Continue post-event reporting initiatives that promote entity and regulatory organization awareness.
- Evaluate events information to identify risk trends and benchmarking efforts.
- Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources and emerging issues.
- Complete and publish the annual report on SERC Causal Analysis and Lessons Learned to promote engagement of NERC, SERC entities, and the Regions.
- Monitor and evaluate CIP-related threats, vulnerabilities and events for information sharing internally (SERC staff) and externally (member stakeholders).
- Provide outreach on CIP-related topics to promote security awareness and support compliance activities as necessary to include the System Operator Conferences.
- Participate in the NERC Critical Infrastructure Protection Committee (CIPC) and other working groups that develop and promote Cyber and Physical Security Initiatives for the industry.
- Assist Compliance and member stakeholders with CIP V3 to V5 transition to include participating in the NERC Security Reliability Program (SRP).
- Participate in and coordinate SERC activities in drills and exercises to include Grid Security Exercise III (GridEx III), GridSecCon, and FERC and SERC Restoration Drills.
- Participate in follow-up process improvements and initiatives developed from the 2015 GridEx III exercise.

Resource Requirements

Personnel

A decrease of 2.55 FTEs in Situation Awareness and Infrastructure Security consists of the following:

- A decrease of 2.25 FTEs was reclassified from the Situation Awareness and Infrastructure program into the Technical Committee and Member Forums program to better align with actual work performed.
- A decrease of 0.3 FTE is due to SERC repurposed an administrative support position into General and Administrative as a Receptionist. The previous administrative support position was allocated to Reliability Standards, Reliability Assessments and Performance Analysis, Training and Education, Situation Awareness and Infrastructure and Technical Committees.

Contractors and Consultants

There are no contractor and consultant resource requirements.

Situation Awareness and Infrastructure Security Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the *2016 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,475,301	\$ 1,475,301	\$ -	\$ 978,789	\$ (496,512)
Penalty Sanctions	194,844	194,844	-	43,126	(151,718)
Total NERC Funding	\$ 1,670,145	\$ 1,670,145	\$ -	\$ 1,021,915	\$ (648,230)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,670,145	\$ 1,670,145	\$ -	\$ 1,021,915	\$ (648,230)
Expenses					
Personnel Expenses					
Salaries	\$ 724,538	\$ 687,009	\$ (37,529)	\$ 410,959	\$ (313,579)
Payroll Taxes	43,472	50,839	7,367	28,767	(14,705)
Benefits	71,381	83,025	11,644	45,864	(25,517)
Retirement Costs	91,105	89,150	(1,955)	56,399	(34,706)
Total Personnel Expenses	\$ 930,496	\$ 910,023	\$ (20,473)	\$ 541,989	\$ (388,507)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	52,766	33,600	(19,166)	33,717	(19,049)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 52,766	\$ 33,600	\$ (19,166)	\$ 33,717	\$ (19,049)
Operating Expenses					
Consultants & Contracts	\$ -	\$ 15,400	\$ 15,400	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	890	400	(490)	400	(490)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 890	\$ 15,800	\$ 14,910	\$ 400	\$ (490)
Total Direct Expenses	\$ 984,152	\$ 959,423	\$ (24,729)	\$ 576,106	\$ (408,046)
Indirect Expenses	\$ 694,578	\$ 909,304	\$ 214,726	\$ 464,175	\$ (230,403)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,678,730	\$ 1,868,727	\$ 189,997	\$ 1,040,281	\$ (638,449)
Change in Assets	\$ (8,585)	\$ (198,582)	\$ (189,997)	\$ (18,366)	\$ (9,781)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (8,585)	\$ 3,049	11,634	(18,366)	(9,781)
Inc(Dec) in Fixed Assets (C)	\$ (8,585)	\$ 3,049	\$ 11,634	\$ (18,366)	\$ (9,781)
TOTAL BUDGET (=B + C)	\$ 1,670,145	\$ 1,871,776	\$ 201,631	\$ 1,021,915	\$ (648,230)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (201,631)	\$ (201,631)	\$ -	\$ -
FTEs	5.95	5.63	(0.32)	3.40	(2.55)

Table A-10. Situation Awareness and Infrastructure Security Budget Detail

Administrative Services

The following table lists the budget for Administrative Services.

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2015 Budget	2016 Budget	Inc(Dec)	2015 Budget	2016 Budget	Inc(Dec)
Technical Committees and Members Forum	\$ 927,215	\$ 1,075,524	\$ 148,309	5.13	-	(5.13)
General and Administrative	\$ 4,700,115	\$ 5,119,580	\$ 419,465	19.00	-	(19.00)
Legal and Regulatory	\$ 31,605	\$ 53,270	\$ 21,665	-	-	-
Information Technology	\$ 590,626	\$ 649,640	\$ 59,014	-	-	-
Human Resources	\$ 81,308	\$ 21,209	\$ (60,099)	-	-	-
Finance and Accounting	\$ 39,400	\$ 60,700	\$ 21,300	-	-	-
Total Administrative Services	\$ 6,370,269	\$ 6,979,923	\$ 609,654	24.13	-	(24.13)

Table A-11. Administrative Services Budget

Program Scope and Functional Description

SERC's Administrative Services area includes the budget for all business and administrative functions of the organization, including (1) Technical Committees and Member Forums; (2) General and Administrative; (3) Legal and Regulatory; (4) Information Technology; (5) Human Resources; and (6) Finance and Accounting. Administrative Services also includes expenses for the organization, including conference calls, office rent, supplies, and other general administrative expenses necessary to support program area activities. These functions are necessary to the existence and functioning of the organization and support the performance of SERC's ERO statutory activities. The resource requirements and comparative budget information for each of these functions is described further below.

Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs are allocated proportionately to the direct programs for 2016 based on the number of FTEs in those programs.

Technical Committees and Member Forums

Program Scope and Functional Description

The Technical Committees and Member Forums serve to strengthen capabilities within the Region to plan and operate the BES reliably and in compliance with Reliability Standards. The success of SERC's reliability programs depends on the active and direct participation of its members. The forums are also a source of expertise in the industry for enhancing reliability through technical excellence.

2016 Key Assumptions

- SERC will continue its standing committee and subgroup structure for effective stakeholder involvement in 2016 with each committee maintaining a work plan.
- SERC will continue to invest in technology and innovation to allow efficient collaboration on technical issues related to reliability.
- The ERO goals—to identify the most significant risks to reliability, prioritize them, facilitate effective solutions and interventions, and monitor results—will continue to require a toolkit to address reliability issues. SERC's own reliability risk management program will support the ERO program.
 - The management of the work plans will focus on deploying the most appropriate tool for the need and to produce outcomes that address reliability risks. This will help to mitigate the required increase in resources, including industry and ERO staff.
- As needs change, SERC will assess committee structure and optimize, as required.

2016 Goals and Key Deliverables

- The SERC Technical Committees and Member Forums programs will manage committee work according to the *Organization and Procedures Manual for SERC Technical Committees*.
- The SERC Technical Committees and Member Forums programs will promote an expanded available toolkit that addresses reliability risks by doing the following:
 - Convene regular meetings of the standing committees each year and of the subordinate groups, as necessary.
 - Communicate to the SERC Board of Directors and SERC staff on issues pertaining to operation, planning and engineering of electric systems, and the advancement of the physical and cyber security of the BPS.
 - Provide a forum for representatives to share experience and discuss issues of operating, planning and engineering, and physical and cyber security.
 - Perform special projects at the request of the SERC Board of Directors.
 - Participate in the establishment of Reliability Standards.
 - Participate in the measurement of performance relative to Reliability Standards.
 - Promote compliance with Reliability Standards through review and discussion of compliance and performance statistics.
 - Develop and exchange information about operating, planning and engineering, and physical and cyber security that affect the reliability and adequacy of the BPS.
 - Review activities within the SERC Region impacting reliability and adequacy, as necessary, to meet Reliability Standards.
 - Perform technical functions through the assignment of specific tasks to subordinate groups.

Resource Requirements

Personnel

An increase of 0.86 FTE in Technical Committees and Member Forums consists of the following:

- An increase of 0.25 FTE and 1.25 FTEs was reclassified from the Training and Education program and Situation Awareness and Infrastructure Security program, respectively, and a decrease of 0.5 FTE was reclassified from Reliability Standards, for a net increase of 1.0 FTE into the Technical Committee and Member Forums program, to better align actual work performed.
- A decrease of 0.13 FTE is due to SERC repurposed an administrative support position into General and Administrative as a Receptionist. The previous administrative support position was allocated to Reliability Standards, Reliability Assessments and Performance Analysis, Training and Education, Situation Awareness and Infrastructure and Technical Committees.

Contractors and Consultants

There are no contractor and consultant resource requirements.

General and Administrative

Program Scope and Functional Description

The SERC general and administrative function provides executive management of the corporation, management of the SERC office and other administrative support programs, and provides coordinated and consistent outreach to stakeholders and members.

2016 Key Assumptions

- Each of the delegated functional areas will evolve with continued emphasis on effective execution, efficiency, transparency, and consistency.
- Continued focus will be placed on facilitating reliability enhancing activities.
- Increase outreach and communication with members/stakeholders in order to ensure the effectiveness of SERC.

2016 Goals and Key Deliverables

- Continue high-quality performance of delegated functions while maintaining a level resource requirement.
- Provide training and education to members/stakeholders to improve efficiency of interactions with SERC staff.

Resource Requirements

Personnel

SERC reclassified an existing position previously recorded in Compliance into General and Administrative Services as a Project Manager. This position is responsible for furthering the implementation of project management techniques at SERC and obtaining top-tier project management-based results for selected profile projects. This was offset by utilizing contract support in lieu of an FTE.

Additionally, SERC repurposed an administrative support position into General and Administrative as a Receptionist. The previous administrative support position was allocated to Reliability Standards, Reliability Assessments and Performance Analysis, Training and Education, Situation Awareness and Infrastructure and Technical Committees.

All personnel costs for the other administrative functions, including Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative to protect the confidentiality of individual compensation information of employees in these programs.

Contractors and Consultants

The 2016 budget includes contractor support for ongoing training and development of SERC's management team, continued development of a communications plan, a consultant to the Board, and a change in staffing strategy of using consultants in lieu of FTEs.

Legal and Regulatory

Program Scope and Functional Description

SERC maintains in-house legal staff and hires outside legal consultants, as needed. These legal resources provide the following services:

- Provide legal advice to the CEO, Board of Directors, and staff on legal and regulatory matters that affect SERC.
- Review items filed with governmental agencies for legal sufficiency.
- Review contracts and corporate documents, as needed.
- Ensure continuing recognition of SERC as a Regional Entity.
- Obtain regulatory approvals for new and revised regional Reliability Standards on a timely basis.
- Review legal documents, including Notices of Penalty, required to be filed with FERC.
- Provide legal support for contested compliance actions and other assistance, as needed.
- Provide legal counsel during Compliance and Enforcement proceedings, as needed.
- Interface with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders.
- Review corporate policies and procedures, as needed.
- Coordinate outside legal support.

2016 Key Assumptions

- Support enforcement action cycle time.
- Limit (or keep unchanged) the number of incoming violations.
- No hearings are conducted.

2016 Goals and Key Deliverables

- Work with Enforcement to support processing violations.
- Support corporate legal needs.
- Work with NERC and other Regions on changes to the Rules of Procedure, as needed.

Resource Requirements

Personnel

There are no significant changes requiring an explanation. There are no FTEs included in the Legal and Regulatory program. All in-house attorneys are recorded under the General and Administrative program.

Contractors and Consultants

There are no contractor and consultant resource requirements.

Information Technology

Program Scope and Functional Description

The Information Technology (IT) department of SERC offers network services including design and maintenance for the SERC IT and infrastructure, as well as project and vendor management for all current and future technology-related contracts. The IT group at SERC supports other staff and SERC members with the Portal system and core technology infrastructure. IT performs these functions:

- Maintains facilities by working with construction, access control, and other outside contractors.
- Hosts, develops, and/or maintains multiple SERC Portals, Compliance Issues Tracking System (CITS), Protected Entity Information (PEI) environment, Communications systems, Project Server, Documentum, Network Infrastructure, and Intranet SharePoint system.
- Maintains equipment for the Operating Committee Hotline.
- Maintains telecommunication and Internet circuits.
- Provides and maintains web-based solutions for meetings and collaboration.
- Maintains the backup and recovery solution for SERC information systems. This includes AppAssure software and two Storage Area Networks (SAN).

Several years ago, NERC and the eight Regional Entities formed an executive management group (known as the Electric Reliability Organization Executive Management Group (ERO EMG)) that works to develop enterprise-wide IT applications to improve efficiency and consistency across NERC and the Regional Entities. As the ERO EMG identifies and prioritizes enterprise-wide projects, these projects are managed through a single Project Management Office (PMO) at NERC. As an example, the ERO EMG collectively prioritized the BES exception project and developed an application that is a single interface for NERC and the Regional Entities, promoting consistency and reducing cost duplications. SERC will coordinate with other IT departments to ensure they are benchmarking themselves against peer Regions. SERC, Northeast Power Coordinating Council (NPCC), and Florida Reliability Coordinating Council (FRCC) together develop and maintain the Portal and CITS. This allows for a common system and cost sharing.

SERC supports the NERC PMO in its efforts to provide IT tools across the ERO Enterprise. SERC's budget assumes the availability of new and existing IT tools from the PMO and other sources. If the required IT tools are not available as planned, SERC could incur additional costs to ensure its core responsibilities are fulfilled.

NERC and the Regional Entities will collaborate to refine existing strategies, governance and procurement practices applicable to the development, operation and maintenance of enterprise architecture, and software and data systems supporting both NERC and Regional Entity operations. NERC's *Business Plan and Budget* will include ongoing funding support for the development, operation, and maintenance of NERC and Regional Entity-approved enterprise applications. Enterprise application funding in any given year will be subject to the budget and funding limits set forth in NERC's approved *Business Plan and Budget*.

2016 Key Assumptions

- FRCC, NPCC, and SERC will continue to work together on the Compliance Portal, enabling SERC to share the total costs of maintenance and development.

2016 Goals and Key Deliverables

- Coordinate with other Regions' IT efforts and benchmark with peer Regions.
- Maintain IT and telecommunications systems and resources for efficient use by SERC personnel.
- Implement updated communications tools and technologies.
- Continue to improve SERC's Protected Entity Information infrastructure to allow efficient and secure data transfers to and from SERC's Entities.

Resource Requirements**Personnel**

There are no significant changes requiring an explanation. All personnel for Information Technology are included under the General and Administrative program.

Contractors and Consultants

The 2016 budget includes contractor support for software development, database administration, internal and external security assessment, and a change in staffing strategy of using consultants in lieu of FTEs.

Human Resources

Program Scope and Functional Description

The SERC Human Resources function is responsible to recruit stellar employees, maintain appropriate salaries and benefits based on industry data, provide employee training programs, and update the employee handbook.

2016 Key Assumptions

- Provide competitive compensation and benefits.
- Provide a 3.0 percent average salary increase. This assumption is reflected in the salary expense budget for all program areas.
- Assume a 10 percent vacancy rate to total Personnel Expenses.
- Assume an increased expectation for staff training.
- Ensure that staff develops and maintains the appropriate professional credentials to remain current with industry standards and trends.
- Maintain and update job descriptions to include all new requirements, such as the *Compliance Auditor Capabilities and Competency Guide*.

2016 Goals and Key Deliverables

- Attract, develop, and retain highly competent and motivated staff.
- Review compensation and benefits continually in targeted classifications.
- Increase employee retention.

Resource Requirements

Personnel

There are no significant changes requiring an explanation. All personnel for Human Resources are included under the General and Administrative program.

Contractors and Consultants

The 2016 budget includes contractor support for a climate survey.

Finance and Accounting

Program Scope and Functional Description

The objectives are to provide the financial and accounting services for SERC by doing the following:

- Prepare quarterly financial statements.
- Develop SERC's *Business Plan and Budget*.
- Review and improve fiscal controls and complete a year-end external audit.
- File federal and state tax and other forms required of non-profit corporations.
- Provide payroll and expense administration.

2016 Key Assumptions

- Current accounting systems and controls are adequate.
- There are no major changes in accounting regulations.

2016 Goals and Key Deliverables

- Prepare and review monthly, quarterly, and annual financial statements.
- Exercise budgetary controls.
- Maintain necessary internal controls.
- Continue improvements in the annual business planning process within SERC and the ERO.
- Process payroll and expense reports.

Resource Requirements

Personnel

There are no significant changes requiring an explanation. All personnel for Finance and Accounting are included under the General and Administrative program.

Contractors and Consultants

There are no contractor and consultant resource requirements.

Administrative Services

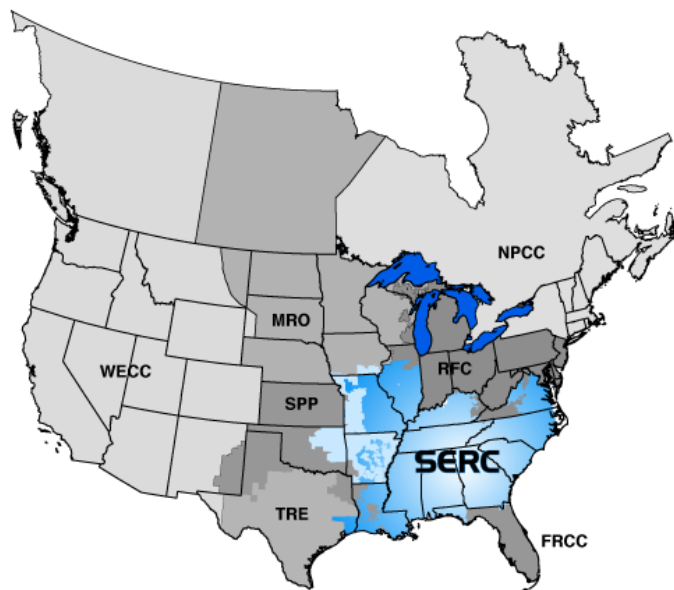
The following table shows funding sources and related expenses for the Administrative Services section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
ADMINISTRATIVE SERVICES					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ (211,451)	\$ (211,451)	\$ -	\$ (1,127,284)	\$ (915,833)
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ (211,451)	\$ (211,451)	\$ -	\$ (1,127,284)	\$ (915,833)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	1,000	1,200	200	1,000	-
Miscellaneous	287,000	302,000	15,000	294,000	7,000
Total Funding (A)	\$ 76,549	\$ 91,749	\$ 15,200	\$ (832,284)	\$ (908,833)
Expenses					
Personnel Expenses					
Salaries	\$ 3,229,407	\$ 3,225,530	\$ (3,877)	\$ 3,472,553	\$ 243,146
Payroll Taxes	193,764	238,689	44,925	216,096	22,332
Benefits	278,470	267,731	(10,739)	327,699	49,229
Retirement Costs	438,885	437,041	(1,844)	474,260	35,375
Total Personnel Expenses	\$ 4,140,526	\$ 4,168,991	\$ 28,465	\$ 4,490,608	\$ 350,082
Meeting Expenses					
Meetings	\$ 86,280	\$ 67,465	\$ (18,815)	\$ 76,240	\$ (10,040)
Travel	144,182	118,383	(25,799)	126,369	(17,813)
Conference Calls	48,000	48,000	-	44,544	(3,456)
Total Meeting Expenses	\$ 278,462	\$ 233,848	\$ (44,614)	\$ 247,153	\$ (31,309)
Operating Expenses					
Consultants & Contracts	\$ 557,776	\$ 1,280,764	\$ 722,988	\$ 799,630	\$ 241,854
Office Rent	464,809	542,271	77,462	517,917	53,108
Office Costs	409,226	419,567	10,341	290,935	(118,291)
Professional Services	101,400	126,500	25,100	145,200	43,800
Miscellaneous	-	5,000	5,000	5,000	5,000
Depreciation	418,070	366,475	(51,595)	483,480	65,410
Total Operating Expenses	\$ 1,951,281	\$ 2,740,577	\$ 789,296	\$ 2,242,162	\$ 290,881
Total Direct Expenses	\$ 6,370,269	\$ 7,143,416	\$ 773,147	\$ 6,979,923	\$ 609,654
Indirect Expenses	\$ (6,370,269)	\$ (6,817,358)	\$ (447,089)	\$ (6,979,923)	\$ (609,654)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ 326,058	\$ 326,058	\$ -	\$ -
Change in Assets	\$ 76,549	\$ (234,309)	\$ (310,858)	\$ (832,284)	\$ (908,833)
Fixed Assets					
Depreciation	(418,070)	(366,475)	51,595	(483,480)	(65,410)
Computer & Software CapEx	309,333	309,333	-	207,311	(102,022)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	30,000	30,000	-	-	(30,000)
Leasehold Improvements	-	50,000	50,000	-	-
Allocation of Fixed Assets	\$ 78,737	\$ (22,858)	\$ (101,595)	\$ 276,169	\$ 197,432
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ 326,058	\$ 326,058	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 76,549	\$ (234,309)	\$ (310,858)	\$ (832,284)	\$ (908,833)
FTEs	24.13	22.47	-1.66	26.99	2.86

Table A-12. Administrative Services Budget Detail

Section B – Supplemental Financial Information

2016 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Table B-1 analyzes the working capital reserve for 2015 through 2016.

Working Capital Reserve Analysis 2015-2016	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2014	\$ 3,537,255
Plus: 2015 Funding (from LSEs or designees)	15,518,034
Plus: 2015 Other funding sources	524,325
Less: 2015 Projected expenses & capital expenditures	(16,291,330)
Projected Working Capital Reserve (Deficit), December 31, 2015	\$ 3,288,284
Desired Working Capital Reserve, December 31, 2016	¹ \$ 2,456,000
Minus: Projected Working Capital Reserve, December 31, 2015	3,288,284
Increase(decrease) in funding requirement to achieve Working Capital Reserve	\$ (832,284)
2016 Expenses and Capital Expenditures	\$ 15,866,845
Less: Penalty Sanctions ²	(648,500)
Less: Other Funding Sources	(655,075)
Adjustment to achieve desired Working Capital Reserve	(832,284)
2016 ERO Assessment	\$ 13,730,986

¹ As documented in the April 23, 2008 minutes, the SERC Board of Directors has approved the establishment of a cash reserve equal to up to 10% of its budgeted annual statutory operating costs, with the understanding that should it become necessary to spend any of the reserve funds, the President shall provide a report detailing such expenditures at the next regular meeting of the Board of Directors. The reserve was established for contingencies.

In July 2013, the SERC Board approved the establishment of a working capital policy. Any excess income greater than two months of statutory operating costs will be treated as a temporary increase in SERC's operating reserve. Any expenditures from the increased working capital are subject to SERC's applicable policies and procedures, including approval limits, signature authorities, and disclosure in SERC's quarterly variance report.

² Represents collections on or prior to June 30, 2015.

Table B-1. Working Capital Reserve Analysis 2015- 2016

Explanation of Changes in Reserve Policy from Prior Years

Persuant to SERC's Working Capital and Operating Reserve policies, the \$2,456,000 desired working capital reserve included in the *2016 Business Plan and Budget* consists of \$1,600,000 as an operating reserve and \$856,000 as a temporary increase to the operating reserve.

Breakdown by Statement of Activity Sections

The following detailed schedules support the Statement of Activities and Capital Expenditures, page 12, of the 2016 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2015, are to be used to offset assessments in the 2016 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, 2015 through June 30, 2016 will be used to offset assessments in the 2017 Budget.

All penalties received prior to July 1, 2015, are detailed below, including the amount and date received.

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

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2015.

Penalty Sanctions Received On or Prior to June 30, 2015	Date Received	Amount Received
Penalty payment 1	7/1/2014	\$ 30,000
Penalty payment 2	7/28/2014	250,000
Penalty payment 3	8/14/2014	16,000
Penalty payment 4	10/2/2014	10,000
Penalty payment 5	10/10/2014	10,000
Penalty payment 6	10/15/2014	15,000
Penalty payment 7	12/1/2014	5,000
Penalty payment 8	12/22/2014	9,000
Penalty payment 9	2/13/2015	30,000
Penalty payment 10	2/19/2015	29,000
Penalty payment 11	2/25/2015	120,000
Penalty payment 12	4/3/2015	70,000
Penalty payment 13	5/4/2015	20,000
Penalty payment 14	6/1/2015	34,500
Total Penalties Received		\$ 648,500

Table B-2. Penalty Sanctions Received

Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget
Compliance Monitoring, Enforcement & Org. Registration				
Miscellaneous - CEA function in FRCC	\$ 3,500	\$ 3,500	\$ 75,000	\$ 71,500
Miscellaneous - CEA function in SPP	3,500	20,000	75,000	71,500
Total	\$ 7,000	\$ 23,500	\$ 150,000	\$ 143,000
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	259,355	197,625	210,075	(49,280)
Total	\$ 259,355	\$ 197,625	\$ 210,075	\$ (49,280)
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 1,000	\$ 1,200	\$ 1,000	\$ -
Miscellaneous Income - Regional Entity Coordinator	287,000	287,000	294,000	7,000
Miscellaneous Income - Other	-	15,000	-	-
Total	\$ 288,000	\$ 303,200	\$ 295,000	\$ 7,000
Total Outside Funding	\$ 321,000	\$ 524,325	\$ 655,075	\$ 100,720

Table B-3. Supplemental Funding

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Compliance Monitoring, Enforcement and Organization Registration – Other Funding includes the costs associated with SERC performing Cross-Regional Compliance Monitoring of Registered Entity functions performed by other Regional Entity organizations. The costs associated with any Cross-Regional Compliance Monitoring performed by SERC with respect to affiliated Registered Entity functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with SERC for such services, in accordance with the contract between SERC and the other Regional Entities. The 2016 budgeted amount includes projected direct costs plus an appropriate allocation of SERC's General and Administrative costs, as required by the contracts with FRCC and Southwest Power Pool (SPP).

Training and Education – SERC's new office location has a large meeting space. Most meetings will be held in-house or at a Member's facilities, substantially reducing the costs associated with hosting a meeting, enabling SERC to lower registration fees, causing a decrease in Workshop revenue.

General and Administrative – Other funding includes the reimbursement from the other Regional Entities for the costs associated with the Regional Entity coordinator position.

Table B-4 summarizes Personnel Expenses.

Personnel Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Total Salaries	\$ 9,717,873	\$ 9,353,765	\$ 9,457,718	\$ (260,155)	-2.7%
Total Payroll Taxes	583,072	692,179	642,524	59,452	10.2%
Total Benefits	938,825	868,437	993,030	54,205	5.8%
Total Retirement	1,325,619	1,259,771	1,299,662	(25,957)	-2.0%
Total Personnel Costs	<u>\$ 12,565,389</u>	<u>\$ 12,174,152</u>	<u>\$ 12,392,934</u>	<u>\$ (172,455)</u>	<u>-1.4%</u>
FTEs	78.70	64.68	78.12	(0.58)	-0.7%
Cost per FTE					
Salaries	\$ 123,480	\$ 144,616	\$ 121,072	(2,408)	-2.0%
Payroll Taxes	7,409	10,702	8,225	816	11.0%
Benefits	11,929	13,427	12,712	783	6.6%
Retirement	16,844	19,477	16,637	(207)	-1.2%
Total Cost per FTE	\$ 159,662	\$ 188,221	\$ 158,646	\$ (1,015)	-0.6%

Table B-4. Personnel Expenses

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Total Personnel Expenses decreased due to the reduction of 0.58 FTEs compared to the 2015 budget. As an offset, the payroll tax percentage applied to salaries remained flat or increased per program area to better align payroll taxes with historical actuals. Additionally, benefits costs increased to account for increases in premiums.

The budget also reflects a 3.0 percent merit increase and 10.0 percent vacancy rate applied to all personnel costs.

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Meetings	\$ 273,110	\$ 248,974	\$ 247,421	\$ (25,689)	-9.41%
Travel	585,639	486,756	488,466	(97,173)	0.35%
Conference calls	48,000	48,000	44,544	(3,456)	-7.20%
Total Meeting Expenses	\$ 906,749	\$ 783,730	\$ 780,431	\$ (126,318)	-13.93%

Table B-5. Meeting Expenses

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

SERC's new office location has a large meeting space. SERC will schedule most meetings in-house or at a Member's facilities, substantially reducing hotel hosting costs and Meetings expense.

With most meetings now held in the new meeting space, staff travel has decreased. Additionally, SERC staff will travel to fewer audits due to a change in the process to conduct off-site audits.

There are no significant changes related to conference calls requiring an explanation.

Table B-6 lists the budget for Consultants and Contracts.

Consultants and Contracts	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Reliability Standards	\$ -	\$ 15,400	\$ -	\$ -	
Compliance Monitoring and Enforcement and Organization					
Registration and Certification	134,333	162,613	54,543	(79,790)	-59%
Reliability Assessment and Performance Analysis	322,500	203,400	188,000	(134,500)	-42%
Training and Education	163,000	143,400	455,000	292,000	179%
Situation Awareness and Infrastructure Security					
Situation Awareness	-	15,400	-	-	
Critical Infrastructure Protection	-	-	-	-	
Total Situation Awareness and Infrastructure Security	-	15,400	-	-	
Committee and Member Forums	-	15,400	-	-	
General and Administrative	85,000	353,664	237,500	152,500	179%
Legal and Regulatory	-	-	-	-	
Information Technology	402,776	822,900	552,130	149,354	37%
Human Resources	70,000	88,800	10,000	(60,000)	100%
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 1,177,609	\$ 1,820,977	\$ 1,497,173	\$ 319,564	27%

Table B-6. Consultants and Contracts

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Compliance – A decrease of \$79,790 is due to fewer software development projects in 2016. All planned development projects are below the capitalization limit and will therefore be expensed. Any development project over SERC's capitalization policy is included as a capitalized asset. Total Compliance projects included in the 2016 budget that are included as a capitalized asset are \$171,236. *The 2016 budget continues to fund contractor support to supplement the audit program.*

Reliability Assessments – A decrease of \$134,500 in the program consists of 1) the 2015 budget included funds for a one-time cost for a benchmarking system-wide stability study, and for the Dynamic Study Group study that is performed biennially; and 2) an increasing offset for the Eastern Interconnection Assessment Group (ERAG) to align with historical costs.

Training and Education – An increase of \$292,000 from the 2015 budget consists of 1) an increase to expand the Restoration Drill to include more simulation exercises; 2) for system simulator development for the SERC system; and 3) for contractor support to develop training materials, a qualification program, and to implement a systematic approach to training.

General and Administrative - An increase of \$152,500 consists of utilizing contract support in lieu of FTEs, project management, communications and a board consultant; and as an offset 2) a reduction in the amount for ongoing training and development of SERC's management team, and 3) to better align communications activities with historical actuals.

Information Technology – An increase of \$149,354 is for additional hosting for disaster recovery and business continuity and utilizing contract support in lieu of FTEs.

Human Resources – A decrease of \$60,000 is for a compensation and benefit study performed in 2015, which is performed biennially and therefore not budgeted in 2016.

Table B-7 lists the budget for Office Rent.

Rent	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Office Rent	\$ 464,809	\$ 542,271	\$ 517,917	\$ 53,108	11.43%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Total Office Rent	\$ 464,809	\$ 542,271	\$ 517,917	\$ 53,108	11.43%

Table B-7. Office Rent

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

An increase of \$53,108 is due to recording rent on a straight-line basis, consistent with Generally Accepted Accounting Standards. An offset to record the difference in the actual rent paid is recorded to a deferred rent account on the balance sheet.

Table B-8 lists the budget for Office Costs.

Office Costs	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Telephone	\$ 144,684	133,000	\$ 131,814	\$ (12,870)	-8.90%
Telephone Answering Srv	-	-	-	-	
Internet	6,588	7,000	7,104	516	7.83%
Office Supplies	44,530	65,000	31,650	(12,880)	-28.92%
Computer Supplies and Maintenance					
Computers	95,800	16,000	34,300	(61,500)	
Computer Supplies	35,960	110,302	40,600	4,640	12.90%
Maintenance & Service Agreements	-	-	-	-	
Software	50,850	42,185	10,850	(40,000)	-88.67%
Network Supplies	-	-	-	-	
Publications & Subscriptions	10,657	19,900	7,499	(3,158)	-29.63%
Dues	7,717	12,000	10,883	3,166	41.03%
Postage	500	600	500	-	0.00%
Express Shipping	3,500	3,000	2,500	(1,000)	-28.57%
Copying	6,000	5,000	5,000	(1,000)	-16.67%
Reports	-	-	-	-	
Stationary/Forms	-	-	-	-	
Equipment Repair/Service Contracts	10,765	6,880	9,679	(1,086)	-10.09%
Bank Charges	1,000	500	500	(500)	-50.00%
Taxes	5,000	10,000	10,000	5,000	100.00%
Merchant Card Fees	7,000	8,000	8,000	1,000	14.29%
Total Office Costs	\$ 430,551	439,367	\$ 310,879	\$ (119,672)	-27.80%

Table B-8. Office Costs

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

The decrease of \$12,870 in Telephone is due to a renegotiation of the cellular contracts into a more cost-effective plan.

Office supplies decreased by \$12,880 from 2015's budget, which included a one-time expense of \$10,000 for office furnishings in the new office space.

A net decrease in Computer Supplies and Maintenance consists of the following:

- A decrease of \$61,500 in computers due to a decrease in the number of replacement computers
- An increase in computer supplies of \$4,640 for additional video conferencing technology, offset by a decrease in new printers
- A decrease in software of \$40,000 for one-time purchases related to SharePoint and upgrading Microsoft Office products

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Candidate Search	\$ 10,000	\$ 6,500	\$ 10,000	\$ -	0.00%
Outside Legal	40,000	50,000	60,000	20,000	50.00%
Accounting & Auditing Fees	26,400	40,000	42,200	15,800	59.85%
Insurance Commercial	35,000	40,000	43,000	8,000	22.86%
Total Professional Services	\$ 111,400	\$ 136,500	\$ 155,200	\$ 43,800	39.32%

Table B-9. Professional Services

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

An increase in Outside Legal of \$20,000 is to better align with historical costs.

The primary increase in Accounting and Auditing fees is due to an increase in cost from a change in the payroll, HRIS, time reporting, and applicant tracking systems.

Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expense	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Miscellaneous Expense	\$ -	\$ 5,000	\$ 5,000	\$ 5,000	
Total Miscellaneous Expense	\$ -	\$ 5,000	\$ 5,000	\$ 5,000	

Table B-10. Miscellaneous

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

There are no significant variances requiring an explanation.

Table B-11 lists the budget for other Non-Operating Expenses.

Other Non-Operating Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Table B-11. Other Non-Operating Expenses

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

There are no significant variances requiring an explanation.

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	Budget 2015	Projection 2015	Budget 2016	Variance	
				2016 Budget v 2015 Budget	Variance %
Depreciation	\$ (418,070)	\$ (366,475)	\$ (483,480)	\$ (65,410)	15.65%
Computer & Software CapEx	309,333	309,333	207,311	(102,022)	-32.98%
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	30,000	30,000	-	(30,000)	-100.00%
Leasehold Improvements	-	50,000	-	-	
Allocation of Fixed Assets	-	-	-	-	
Total Fixed Assets	\$ (78,737)	\$ 22,858	\$ (276,169)	\$ (197,432)	251%

Table B-12. Fixed Assets

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

An increase of \$65,410 in Depreciation is due to an increase in the capital assets purchased in previous years that will now incur a full year of depreciation.

The Computer and Software capital expenditures included in the 2016 budget are split among the other members of the Consortium User Group (FRCC and NPCC), resulting in a decrease from 2015.

A decrease in Equipment capital expenditures is due to the budget of additional servers for data analysis systems in 2015, which are not budgeted to purchase again in 2016.

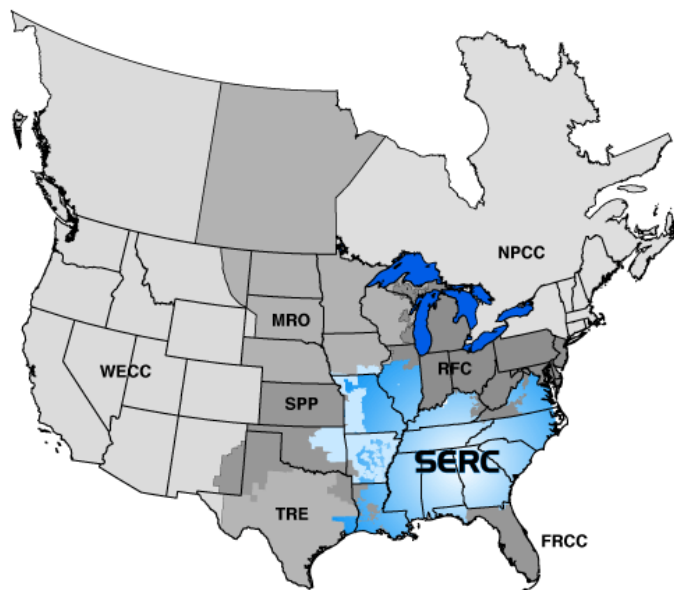
Table B-13 compares the 2016 budget with projections for 2017-2018.

2016 Budget & Projected 2017 and 2018 Budgets							
	2016 Budget	2017 Projection	\$ Change 17 v 16	% Change 17 v 16	2018 Projection	\$ Change 18 v 17	% Change 18 v 17
Funding							
ERO Funding							
NERC Assessments	\$ 13,730,986	\$ 14,436,029	\$ 705,043	5.13%	\$ 14,852,542	\$ 416,512	2.8%
Penalty Sanctions	648,500	-	(648,500)	-100.00%	-	-	-
Total NERC Funding	\$ 14,379,486	\$ 14,436,029	\$ 56,543	0.4%	\$ 14,852,542	\$ 416,512	2.8%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	210,075	210,075	-	0.00%	210,075	-	0.0%
Interest	1,000	1,000	-	0.00%	1,000	-	0.0%
Miscellaneous	444,000	466,200	22,200	5.00%	489,510	23,310	5.0%
Total Funding (A)	\$ 15,034,561	\$ 15,113,304	\$ 78,743	0.5%	\$ 15,553,127	\$ 439,822	2.9%
Expenses							
Personnel Expenses							
Salaries	\$ 9,457,718	\$ 9,694,161	\$ 236,443	2.5%	\$ 9,936,515	\$ 242,354	2.5%
Payroll Taxes	642,524	658,587	16,063	2.5%	675,052	16,465	2.5%
Benefits	993,030	1,042,682	49,652	5.0%	1,094,816	52,134	5.0%
Retirement Costs	1,299,662	1,338,652	38,990	3.0%	1,378,811	40,160	3.0%
Total Personnel Expenses	\$ 12,392,934	\$ 12,734,081	\$ 341,147	2.8%	\$ 13,085,194	\$ 351,113	2.8%
Meeting Expenses							
Meetings	\$ 247,421	\$ 247,421	\$ -	0.0%	\$ 247,421	\$ -	0.0%
Travel	488,466	488,466	-	0.0%	488,466	-	0.0%
Conference Calls	44,544	45,880	1,336	3.0%	47,257	1,376	3.0%
Total Meeting Expenses	\$ 780,431	\$ 781,767	\$ 1,336	0.2%	\$ 783,144	\$ 1,376	0.2%
Operating Expenses							
Consultants & Contracts	\$ 1,497,173	\$ 1,364,700	(132,473)	-8.8%	\$ 1,249,700	(115,000)	-8.4%
Office Rent	517,917	517,917	-	0.0%	517,917	-	0.0%
Office Costs	310,879	313,988	3,109	1.0%	317,128	3,140	1.0%
Professional Services	155,200	156,752	1,552	1.0%	158,320	1,568	1.0%
Miscellaneous	5,000	5,000	-	0.0%	5,000	-	0.0%
Depreciation	483,480	222,035	(261,445)	-54.1%	198,813	(23,222)	-10.5%
Total Operating Expenses	\$ 2,969,649	\$ 2,580,392	\$ (389,257)	-13.1%	\$ 2,446,877	\$ (133,515)	-5.2%
Total Direct Expenses	\$ 16,143,014	\$ 16,096,240	\$ (46,774)	-0.3%	\$ 16,315,215	\$ 218,974	1.4%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses (B)	\$ 16,143,014	\$ 16,096,240	\$ (46,774)	-0.3%	\$ 16,315,215	\$ 218,974	1.4%
Change in Assets	\$ (1,108,453)	\$ (982,936)	\$ 125,517	-11.3%	\$ (762,088)	\$ 220,848	-22.5%
Fixed Assets							
Depreciation	\$ (483,480)	\$ (222,035)	\$ 261,445	-54.1%	\$ (198,813)	\$ 23,222	-10.5%
Computer & Software CapEx	207,311	100,000	(107,311)	-51.8%	100,000	-	0.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ (276,169)	\$ (122,035)	\$ 154,134	-55.8%	\$ (98,813)	\$ 220,848	0.0%
TOTAL BUDGET (=B + C)	\$ 15,866,845	\$ 15,974,205	\$ 107,360	0.7%	\$ 16,216,402	\$ 218,974	1.4%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (832,284)	\$ (860,901)	\$ (28,617)	100.0%	\$ (663,275)	197,626	-23.0%
FTEs	78.12	78.12	-	-	78.12	-	-

Table B-13. Budget 2016 Compared with 2017-2018 Projections

Section C – Non-Statutory Activities

2016 Business Plan and Budget



Section C – Non-Statutory Activities

2016 Non-Statutory Business Plan and Budget

SERC does not provide any non-statutory functions at this time, although SERC may in the future consider providing non-statutory functions from time to time as appropriate and as permitted by its Board and applicable statutes and regulations.

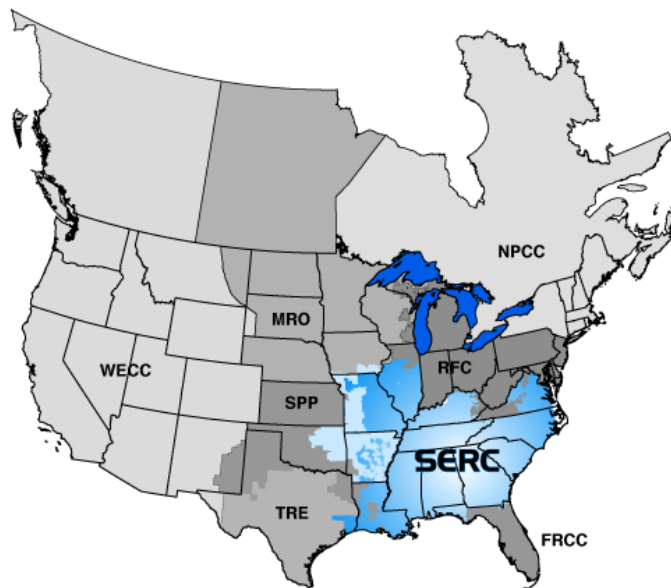
The following table lists the Non-Statutory Activities budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
NON-STATUTORY					
	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					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	1	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	-	-	-	-	-
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Meeting Expenses					
Meetings	-	-	-	-	-
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ -
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>

Table C-1. Non-Statutory Activities Budget

Section D – Additional Consolidated Financial Statements

2016 Business Plan and Budget



Section D – Additional Consolidated Financial Statements

2016 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2016 Budget	Total	Statutory Total	Non-Statutory Total	Statutory Activities											Non-Statutory Total	Non-Statutory Functions	
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources			Accounting and Finance
Funding																	
ERO Funding																	
NERC Assessments	13,730,986	13,730,986	-	13,730,986	588,776	10,377,385	1,891,766	1,021,554	978,789	-	(1,127,284)	-	-	-	-	-	-
Penalty Sanctions	648,500	648,500	-	648,500	25,115	468,257	83,716	28,286	43,126	-	-	-	-	-	-	-	-
Total NERC Funding	14,379,486	14,379,486	-	14,379,486	613,891	10,845,642	1,975,482	1,049,840	1,021,915	-	(1,127,284)	-	-	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	210,075	210,075	-	210,075	-	-	-	210,075	-	-	-	-	-	-	-	-	-
Interest	1,000	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1,000
Miscellaneous	444,000	444,000	-	444,000	-	150,000	-	-	-	-	294,000	-	-	-	-	-	-
Total Funding (A)	15,034,561	15,034,561	-	15,034,561	613,891	10,995,642	1,975,482	1,259,915	1,021,915	-	(833,284)	-	-	-	-	-	1,000
Expenses																	
Personnel Expenses																	
Salaries	9,457,718	9,457,718	-	9,457,718	264,723	4,396,706	640,779	271,998	410,959	774,254	2,698,299	-	-	-	-	-	-
Payroll Taxes	642,524	642,524	-	642,524	19,590	307,769	51,262	19,040	28,767	54,198	161,898	-	-	-	-	-	-
Benefits	993,030	993,030	-	993,030	31,619	471,441	86,294	30,113	45,864	72,043	255,656	-	-	-	-	-	-
Retirement Costs	1,299,662	1,299,662	-	1,299,662	37,277	604,302	90,051	37,373	56,399	107,826	366,434	-	-	-	-	-	-
Total Personnel Expenses	12,392,934	12,392,934	-	12,392,934	353,209	5,780,218	868,386	358,524	541,989	1,008,321	3,482,287	-	-	-	-	-	-
Meeting Expenses																	
Meetings	247,421	247,421	-	247,421	-	23,140	10,845	137,196	-	12,500	63,740	-	-	-	-	-	-
Travel	488,466	488,466	-	488,466	1,063	271,550	40,170	15,597	33,717	53,959	72,410	-	-	-	-	-	-
Conference Calls	44,544	44,544	-	44,544	-	-	-	-	-	-	44,544	-	-	-	-	-	-
Total Meeting Expenses	780,431	780,431	-	780,431	1,063	294,690	51,015	152,793	33,717	66,459	180,694	-	-	-	-	-	-
Operating Expenses																	
Consultants & Contracts	1,497,173	1,497,173	-	1,497,173	-	54,543	188,000	455,000	-	-	237,500	-	552,130	10,000	-	-	-
Office Rent	517,917	517,917	-	517,917	-	-	-	-	-	-	517,917	-	-	-	-	-	-
Office Costs	310,879	310,879	-	310,879	-	15,658	2,686	1,200	400	744	169,702	3,270	97,510	1,209	18,500	-	-
Professional Services	155,200	155,200	-	155,200	-	10,000	-	-	-	-	43,000	50,000	-	10,000	42,200	-	-
Miscellaneous	5,000	5,000	-	5,000	-	-	-	-	-	-	5,000	-	-	-	-	-	-
Depreciation	483,480	483,480	-	483,480	-	-	-	-	-	-	483,480	-	-	-	-	-	-
Total Operating Expenses	2,969,649	2,969,649	-	2,969,649	-	80,201	190,686	456,200	400	744	1,456,599	53,270	649,640	21,209	60,700	-	-
Total Direct Expenses	16,143,014	16,143,014	-	16,143,014	354,272	6,155,109	1,110,087	967,517	576,106	1,075,524	5,119,580	53,270	649,640	21,209	60,700	-	-
Indirect Expenses																	
	-	-	-	-	270,314	5,039,944	901,046	304,444	464,175	(1,075,524)	(5,119,580)	(53,270)	(649,640)	(21,209)	(60,700)	-	-
Other Non-Operating Expenses																	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	16,143,014	16,143,014	-	16,143,014	624,586	11,195,053	2,011,133	1,271,961	1,040,281	-	-	-	-	-	-	-	-
Change in Assets	(1,108,453)	(1,108,453)	-	(1,108,453)	(10,695)	(199,411)	(35,651)	(12,046)	(18,366)	-	(833,284)	-	-	-	-	-	1,000
Fixed Assets																	
Depreciation	(483,480)	(483,480)	-	(483,480)	-	-	-	-	-	-	(483,480)	-	-	-	-	-	-
Computer & Software CapEx	207,311	207,311	-	207,311	-	-	-	-	-	-	207,311	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	(10,695)	(199,411)	(35,651)	(12,046)	(18,366)	-	276,169	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	(276,169)	(276,169)	-	(276,169)	(10,695)	(199,411)	(35,651)	(12,046)	(18,366)	-	-	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	15,866,845	15,866,845	-	15,866,845	613,891	10,995,642	1,975,482	1,259,915	1,021,915	-	-	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(832,284)	(832,284)	-	(832,284)	-	-	-	-	-	-	(833,284)	-	-	-	-	-	1,000
FTEs	78.12	78.12	-	78.12	1.98	36.92	6.60	2.23	3.40	5.99	21.00	-	-	-	-	-	-

Table D-1. Consolidated Statements of Activities by Program, Statutory and Non-Statutory

Statement of Financial Position

The following table provides SERC Statement of Financial Position as of these dates:

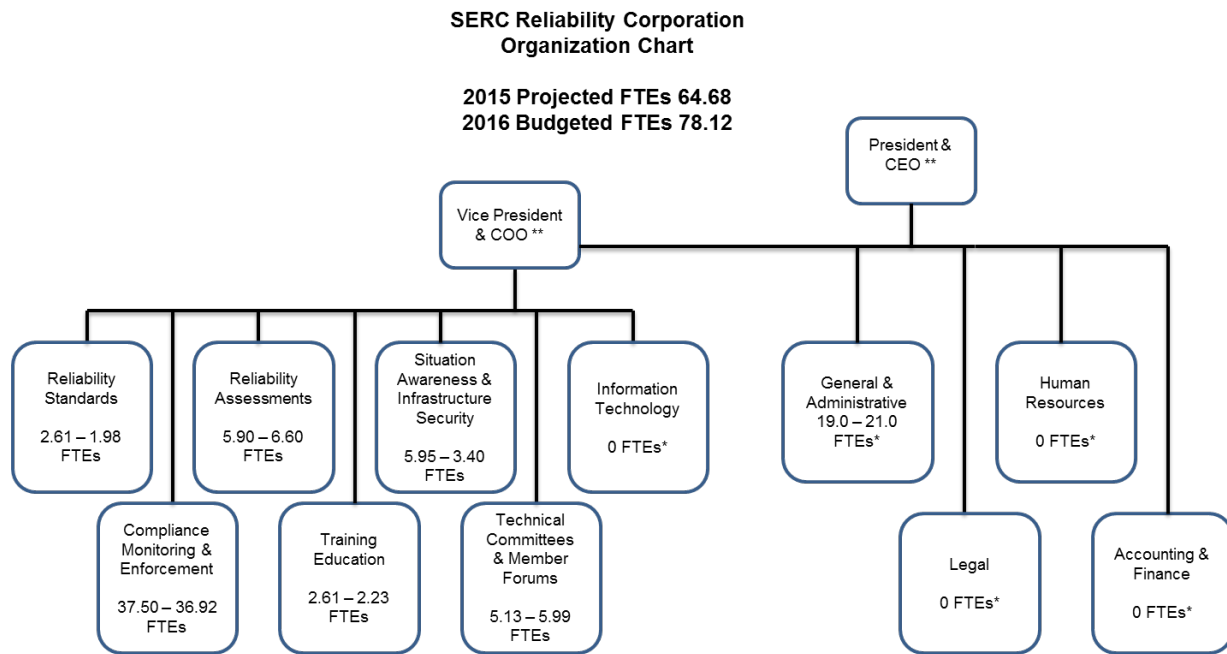
- As of December 31, 2014, per audit
- As of December 31, 2015, projected
- As of December 31, 2016, as budgeted

Statement of Financial Position			
2014 Audited, 2015 Projection, and 2016 Budget			
STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-14	31-Dec-15	31-Dec-16
ASSETS			
Cash	7,325,853	5,151,558	4,944,247
Trade Accounts receivable, net of allowance for uncollectible accounts of \$0	896,504	896,504	896,504
Other Receivables	-	-	-
Prepaid expenses and other current assets	184,338	184,338	184,338
Security deposit	-	-	-
Cash value of insurance policies	-	-	-
Property and equipment	800,867	778,009	1,054,178
Total Assets	9,207,562	7,010,409	7,079,267
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	876,509	876,509	876,509
Deferred income	32,479	32,479	32,479
Deferred penalty income	2,133,040	648,500	439,219
Deferred rent	385,234	438,341	439,219
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities	363,403	454,750	522,936
Accrued incentive compensation	1,078,775	1,312,913	1,332,452
Total Liabilities	4,869,440	3,763,492	3,203,595
Net Assets - unrestricted	4,338,122	3,246,917	3,875,672
Total Liabilities and Net Assets	9,207,562	7,010,409	7,079,267

Table D-2. Statement of Financial Position, Three-Year Comparison

Appendix A Organization Chart

The SERC Organization Chart is shown below.



*All FTEs for Information Technology, Legal, Finance, and Human Resources, are recorded within General and Administrative
 ** Executive positions are recorded within General and Administrative

Figure 2. SERC Organization Chart

Appendix B Acronyms

This section lists and defines acronyms used in this document.

Acronym	Definition
BES	Bulk Electric System
BCC	Board Compliance Committee
BPS	Bulk Power System
CA	Compliance Assessment
CIP	Critical Infrastructure Protection
CIPC	Critical Infrastructure Protection Committee
CITS	Compliance Issues Tracking System
CMEP	Compliance Monitoring and Enforcement Program
DADS	Demand Response Availability Data System
EA	Events Analysis
EIA	Energy Information Administration
EMG	Executive Management Group
ERAG	Eastern Interconnection Assessment Group
ERO	Electric Reliability Organization
ES-ISAC	NERC's Electric Sector – Information Sharing and Analysis Center
FAC	Finance and Audit Committee
FERC	Federal Energy Regulatory Commission
FFT	Find, Fix, and Track
FRCC	Florida Reliability Coordinating Council
FTE	Full-Time Equivalent
GADS	Generating Availability Data System
GridEx	Grid Security Exercise
HRCC	Human Resources and Compensation Committee
HRIS	Human Resources Information System
IT	Information Technology
NEL	Net Energy for Load
NERC	North American Electric Reliability Corporation
NOP	Full Notice of Penalty
NPCC	Northeast Power Coordinating Council
PEI	Protected Entity Information
PMO	Project Management Office

Acronyms

Acronym	Definition
RAPA	Reliability Assessments and Performance Analysis
RAS	NERC Reliability Assessment Subcommittee
RSAW	Reliability Standards Audit Worksheet
SA	Situation Awareness
SAEA	Situation Awareness and Events Analysis
SAN	Storage Area Network
SERC	SERC Reliability Corporation
SNOP	Spreadsheet Notice of Penalty
SPP	Southwest Power Pool
SRP	NERC Security Reliability Program
TADS	NERC Transmission Availability Data System
TFE	Technical Feasibility Exception

Appendix C Index of Figures and Tables

List of Figures

Figure 1.	Budget by Program Area Chart.....	9
Figure 2.	SERC Organization Chart.....	62

List of Tables

Table 1.	SERC Budget for 2016	3
Table 2.	Budget by Program Area	9
Table 3.	Total FTEs by Program Area	11
Table 4.	Budget and Projection Comparison, 2015 to 2016	12
Table A-1.	Reliability Standards Budget.....	14
Table A-2.	Reliability Standards Budget Detail.....	16
Table A-3.	Compliance Monitoring and Enforcement and Organization Registration and Certification Budget.....	17
Table A-4.	Compliance Monitoring and Enforcement and Organization Registration and Certification Budget Detail.....	23
Table A-5.	Reliability Assessments and Performance Analysis (RAPA) Budget	24
Table A-6.	Reliability Assessment and Performance Analysis Budget Detail	26
Table A-7.	Training, Education, and Operator Certification Budget	27
Table A-8.	Training, Education, and Operator Certification Budget Detail	29
Table A-9.	Situation Awareness and Infrastructure Security Budget	30
Table A-10.	Situation Awareness and Infrastructure Security Budget Detail	32
Table A-11.	Administrative Services Budget	33
Table A-12.	Administrative Services Budget Detail	42
Table B-1.	Working Capital Reserve Analysis 2015- 2016	44
Table B-2.	Penalty Sanctions Received	45
Table B-3.	Supplemental Funding	46
Table B-4.	Personnel Expenses	47
Table B-5.	Meeting Expenses.....	48
Table B-6.	Consultants and Contracts.....	49
Table B-7.	Office Rent	50
Table B-8.	Office Costs.....	51
Table B-9.	Professional Services.....	52
Table B-10.	Miscellaneous	53
Table B-11.	Other Non-Operating Expenses.....	54
Table B-12.	Fixed Assets.....	55
Table B-13.	Budget 2016 Compared with 2017-2018 Projections	56
Table C-1.	Non-Statutory Activities Budget	58
Table D-1.	Consolidated Statements of Activities by Program, Statutory and Non-Statutory	60
Table D-2.	Statement of Financial Position, Three-Year Comparison.....	61

DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 8

SOUTHWEST POWER POOL REGIONAL ENTITY

PROPOSED 2016 BUSINESS PLAN AND BUDGET

2016 Business Plan and Budget

Southwest Power Pool Regional Entity

Approved by SPP Regional Entity Trustees

June 15, 2015

Table of Contents

Introduction	3
Section A - 2016 Business Plan	10
Reliability Standards Program	11
Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	13
Reliability Assessment and Performance Analysis Program.....	18
Training, Education, and Operator Certification Program	22
Situation Awareness and Infrastructure Security Program	25
Administrative Services	29
Section B — Supplemental Financial Information	35
Reserve Balance	36
Breakdown by Statement of Activity Sections	37
Section C — 2015 Non-Statutory Business Plan and Budget	45
Section D	49
Section E	51
Section F	53

Introduction

TOTAL RESOURCES (in whole dollars)				
	2016 Budget	U.S.	Canada	Mexico
Statutory FTEs	32.25			
Non-statutory FTEs	-			
Total FTEs	32.25			
Statutory Expenses	\$ 10,095,819			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 10,095,819			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ -			
Statutory Working Capital Requirement Adjustment	\$ (1,276,068)			
Non-Statutory Working Capital Requirement	\$ -			
Total Working Capital Requirement	\$ (1,276,068)			
Total Statutory Funding Requirement	\$ 8,819,751			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 8,819,751			
Statutory Funding Assessments	\$ 8,819,751	\$ 8,819,751		
Non-Statutory Fees	\$ -	\$ -		
NEL	230,481,153	230,481,153		
NEL%	100%	100%		

Organizational Overview

Southwest Power Pool, Inc. (SPP), founded in 1941 and based in Little Rock, Arkansas, is a nonprofit organization whose primary mission is maintaining electric reliability. SPP is one of nine Federal Energy Regulatory Commission (FERC) approved Independent System Operators/Regional Transmission Organizations and one of eight North American Electric Reliability Corporation (NERC) Regional Entities.

Southwest Power Pool Regional Entity (SPP RE), an independent and functionally separate division of SPP, was created to fulfill the functions and duties specified in the SPP Regional Delegation Agreement with NERC originally approved by FERC in 2007 and again in October 2011. As a NERC Regional Entity, SPP RE promotes and works to improve the reliability of the bulk power system (BPS). Specifically, SPP RE is responsible for developing regional reliability standards, monitoring and enforcing registered entity compliance with reliability standards, and assessing and evaluating BPS reliability. SPP RE provides technical expertise and assistance to BPS owners, operators and users, in particular to the approximately 110 registered entities located within the SPP RE's footprint, an eight-state area that includes all or a portion of Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, and Texas.

Sections A and B of this business plan and budget (BP&B) detail the programs and costs for the activities the SPP RE performs to fulfill the duties specified in the Regional Entity Delegation Agreement between SPP and NERC.

The SPP's RTO activities, which are listed in Section C of this BP&B, are non-statutory, and as such, are not included in the SPP RE's BP&B.

Membership and Governance

Pursuant to the SPP bylaws, SPP RE is governed by three independent Regional Entity Trustees, who are not on the SPP Board and operate separately from the SPP Board. The SPP RE Trustees have autonomy over decisions in fund allocation and approval of the SPP RE budget, as well as oversight of SPP RE decisions on regional standards, compliance enforcement actions, and penalties. The SPP RE's General Manager reports directly to the SPP RE Trustees. Only the SPP RE Trustees and certain direct SPP RE Staff members have the authority to make compliance and enforcement decisions. SPP RE direct staff is independent of all BPS users, owners, and operators.

To avoid the appearance of any conflicts of interest, SPP RE has engaged SERC Reliability Corporation to serve as the compliance enforcement authority for SPP's registered functions in the SPP RE region.

SPP RE's governance, which has been approved by NERC and FERC, meets the requirements of the Energy Policy Act of 2005.

Statutory Functional Scope

SPP RE performs various activities in the execution of its delegated functions and in support of NERC's responsibilities as the electric reliability organization (ERO). These activities include:

- Reliability Standard Development
- Compliance Enforcement
- Organization Registration and Certification
- Reliability Assessment and Performance Analysis
- Training and Education
- Situation Awareness and Infrastructure Security

2016 Key Assumptions

The key assumptions underlying the SPP RE 2016 Business Plan and Budget (BP&B) are consistent with ERO BP&B Assumptions as found in NERC's 2016 BP&B. The assumptions that are of particular importance to the SPP RE's 2016 BP&B include the expectation that:

1. NERC and the Regional Entities will continue to work collaboratively to promote and improve the reliability of the BPS.
2. NERC and the Regional Entities will continue to work under the regulatory framework governing the establishment and enforcement of reliability standards for the BPS established by Energy Policy Act of 2005.
3. SPP RE's delegated authorities and responsibilities will remain relatively constant.

4. NERC and the Regional Entities will work collaboratively to refine and revise processes and procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measureable reliability outcomes.
5. Cyber and critical asset security will continue to be a priority in the United States, with significant oversight by applicable government authorities.
6. Cost pressures may affect stakeholder resources available to participate in NERC and Regional Entity activities. NERC and the Regional Entities business plans, budgets, and resource requirements will continue to be established based upon the assumption of continued industry participation in support of key program areas, including but not limited to event analysis, reliability assessments, and standards development.
7. NERC and the Regional Entities will implement the Reliability Assurance Initiative (RAI) to focus on higher reliability risks to increase efficiency and mitigate overall compliance costs for registered entities.
8. NERC and the Regional Entities will work collaboratively to implement the registration and certification process through Risk-Based Registration. NERC and the Regions will work to ensure entities are properly registered and have been assigned the proper compliance responsibilities.

In addition to the above assumptions, which are shared among NERC and the Regional Entities, assumptions that are unique to SPP RE include:

1. SPP RE continues to operate as an independent and functionally separate division of SPP.
2. SPP RE continues to utilize SPP Shared staff to conduct certain activities in the SPP RE's Reliability Assessment and Performance Analysis program.
3. SPP RE will continue to engage SERC to perform the compliance enforcement authority activities for the SPP registered functions that would otherwise be performed by SPP RE.

Key assumptions specific to individual programs are provided in Section A of this BP&B.

Goals and Key Deliverables

As part of the implementation of the Electric Reliability Organization Strategic Goals through 2018 (ERO Strategic Plan)¹, NERC and the Regional Entities developed a set of Common Assumptions² that are now used to guide budget resource projections for each regional entity and the ERO overall. In addition to the ERO Strategic Goals, the SPP RE Strategic Plan – 2012-2015³, which was developed in a collaborative manner, seeking input from RE staff, RTO staff,

¹<http://www.nerc.com/gov/bot/FINANCE/Hidden%20Documents/ERO%20Enterprise%20Strategic%20Plan%202015-2018.pdf>

² See NERC 2016 Business Plan and Budget, Exhibit A.

³ <http://www.nerc.com/gov/bot/FINANCE/2015nercbsnspnbg/2015%20NERC%20Business%20Plan%20and%20Budget.pdf>

³ http://www.spp.org/publications/RE_Strategy_2012_2015%20Clean.pdf

stakeholders, RE Trustees, the SPP Board, and the SPP Strategic Planning Committee, also serves as a guide for SPP RE's planning processes and ongoing actions.

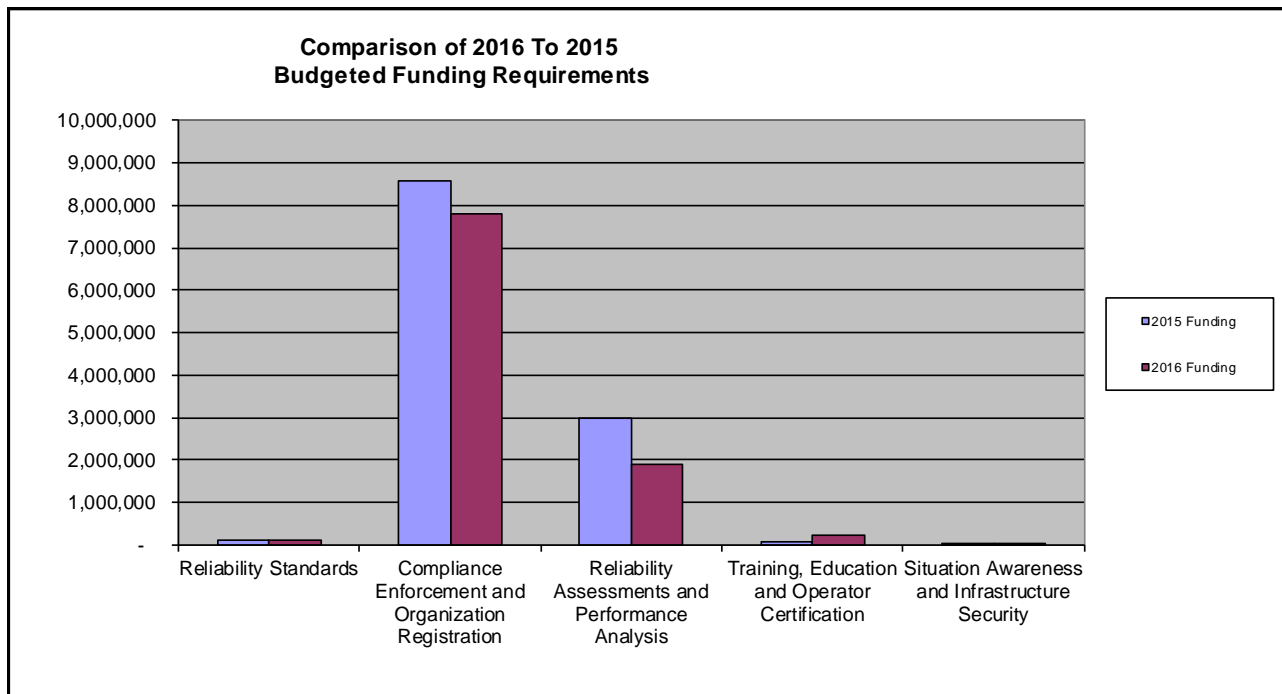
SPP RE-specific goals and deliverables include:

- Effectively and efficiently perform the delegated functions of registration, compliance monitoring and enforcement, reliability assessments, performance analysis, and situational awareness with independence, without conflict of interest, with objectivity and fairness.
- Conduct outreach activities, including compliance workshops, training seminars and videos, and newsletters, that facilitate a learning environment and promote a strong culture of reliability excellence and compliance.
- Identify current “gap” areas for reliability and grid security improvement and pursue implementation through new or revised reliability standards and other SPP RE or NERC processes.
- Participate in NERC-sponsored ERO compliance auditor and enforcement staff training.

2016 Overview of Cost Impacts

The \$10.1 million operating budget reflects an approximate \$1.7 million decrease or 14.5%. Funding assessments decreased by \$1,054 thousand or 13%, from \$9.7 million to \$8.6 million. A summary of the funding by program area is shown in the chart below.

Program	Budget 2015	Projection 2015	Budget 2016	Change 2016 Budget v 2015 Budget	% Change
Reliability Standards	114,693	115,919	109,518	(5,175)	-4.5%
Compliance Enforcement and Registration	8,583,743	9,002,873	7,787,038	(796,705)	-9.3%
Reliability Assess and Perf Analysis	2,978,437	2,375,075	1,912,600	(1,065,836)	-35.8%
Training and Education	88,086	88,809	245,432	157,347	178.6%
Situation Awareness	43,152	43,744	41,232	(1,920)	-4.5%
	<u>11,808,110</u>	<u>11,626,421</u>	<u>10,095,819</u>	<u>(1,712,291)</u>	<u>-14.5%</u>
Working Capital Reserve	\$ -	\$ -	\$ -	\$ -	
Total Funding	11,808,110	11,626,421	10,095,819	(1,712,291)	-14.5%



As shown in the chart that follows, the net decrease in budgeted FTEs is 0.50. Two Lead Engineer positions were eliminated from the Reliability Assessment and Performance Analysis Program area. The number of SPP Shared Staff FTEs in this program area was increased by 0.50 FTE. In addition, two Enforcement Law Clerks were made permanent employees and their 0.50 FTE each was changed to 1.0 FTE each for an overall increase of 1.0 FTE. In addition, an Enforcement Attorney position was moved to Compliance and 0.50 FTE was moved from Compliance to the Training & Education program area to reflect the CIP V5 transition training being provided by the CIP audit staff.

Total FTEs by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs ¹ 2016 Budget	Total FTEs 2016 Budget	Change from 2016 Budget
STATUTORY						
Operational Programs						
Reliability Standards	0.15	0.15	0.15	0.00	0.15	0.00
Compliance and Organization Registration and Certification	20.85	21.85	21.35	0.00	21.35	0.50
Training and Education	0.00	0.00	0.50	0.00	0.50	0.50
Reliability Assessment and Performance Analysis	7.13	5.13	1.38	4.25	5.63	-1.50
Situation Awareness and Infrastructure Security	0.13	0.13	0.13	0.00	0.13	0.00
Total FTEs Operational Programs	28.25	27.25	23.50	4.25	27.75	-0.50
Administrative Programs						
Technical Committees and Member Forums	0.00	0.00	0.00	0.00	0.00	0.00
General & Administrative	4.50	4.50	4.50	0.00	4.50	0.00
Information Technology	0.00	0.00	0.00	0.00	0.00	0.00
Legal and Regulatory	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	0.00	0.00	0.00	0.00	0.00	0.00
Finance and Accounting	0.00	0.00	0.00	0.00	0.00	0.00
Total FTEs Administrative Programs	4.50	4.50	4.50	0.00	4.50	0.00
Total FTEs	32.75	31.75	28.00	4.25	32.25	-0.50

¹A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

Compared to the 2015 budget, the net decrease in direct expenses and the net decrease in SPP, Inc. indirect expenses are approximately \$581 thousand and \$1,132 thousand, respectively. The decrease in direct expenses is principally due to a reduction in the use of contractors and consultants and the elimination of hearing costs. The decrease in SPP, Inc. indirect expenses is due to a change in the way the SPP, Inc. overhead charges are allocated.⁴ Additional information regarding the changes to the SPP RE operating budget is detailed in the Statutory Statement of Activities and Capital Expenditures table on the next page.

⁴ A table showing the derivation of the Indirect Expense is presented in Section E.

Statement of Activities and Capital Expenditures 2015 Budget & Projection, and 2016 Budget

	2015 Budget	2015 Projection	Variance 2015 Projection v 2016 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 9,680,648	\$ 9,680,648	\$ -	\$ 8,626,751	\$ (1,053,896)
Penalty Sanctions	464,500	464,500	-	193,000	(271,500)
Total SPP RE Funding	\$ 10,145,148	\$ 10,145,148	\$ -	\$ 8,819,751	\$ (1,325,396)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 10,145,148	\$ 10,145,148	\$ -	\$ 8,819,751	\$ (1,325,396)
Expenses					
Personnel Expenses					
Salaries	\$ 3,890,082	\$ 3,756,774	\$ (133,309)	\$ 3,896,492	\$ 6,410
Payroll Taxes	297,591	287,393	(10,198)	298,082	490
Benefits	346,900	338,260	(8,640)	333,564	(13,336)
Retirement Costs	155,603	150,271	(5,332)	155,860	256
Total Personnel Expenses	\$ 4,690,177	\$ 4,532,698	\$ (157,479)	\$ 4,683,997	\$ (6,180)
Meeting Expenses					
Meetings	\$ 86,500	\$ 86,500	\$ -	\$ 90,000	\$ 3,500
Travel	603,000	603,000	-	680,200	77,200
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 689,500	\$ 689,500	\$ -	\$ 770,200	\$ 80,700
Operating Expenses					
Consultants & Contracts	\$ 1,370,600	\$ 1,390,600	\$ 20,000	\$ 965,042	\$ (405,558)
Office Rent	-	-	-	-	-
Office Costs	8,000	8,000	-	8,000	-
Professional Services	477,645	476,345	(1,300)	153,450	(324,195)
Miscellaneous	-	-	-	74,445	74,445
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 1,856,245	\$ 1,874,945	\$ 18,700	\$ 1,200,937	\$ (655,308)
Total Direct Expenses	\$ 7,235,922	\$ 7,097,143	\$ (138,779)	\$ 6,655,134	\$ (580,788)
SPP Inc. Indirect Expenses	\$ 4,572,188	\$ 4,529,278	\$ (42,910)	\$ 3,440,685	\$ (1,131,503)
SPP RE Indirect Expenses ⁽¹⁾	-	-	-	-	-
Total Indirect Expenses	\$ 4,572,188	\$ 4,529,278	\$ (42,910)	\$ 3,440,685	\$ (1,131,503)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 11,808,110	\$ 11,626,421	\$ (181,689)	\$ 10,095,819	\$ (1,712,291)
Change in Assets	\$ (1,662,962)	\$ (1,481,273)	\$ 181,689	\$ (1,276,068)	\$ 386,894
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ -
Inc(Dec) in Fixed Assets (C)	-	-	-	-	-
TOTAL BUDGET (=B + C)	\$ 11,808,110	\$ 11,626,421	\$ (181,689)	\$ 10,095,819	\$ (1,712,291)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,662,962)	\$ (1,481,273)	\$ 181,689	\$ (1,276,068)	\$ 386,894

(1) SPP RE Indirect Expenses which represent direct expenses for SPP RE Administrative Services, are included in direct expenses.

Section A – Statutory Programs

2016 Business Plan and Budget



Section A — 2016 Business Plan

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	0.15	0.15	-
Direct Expenses	\$ 69,181	\$ 71,613	\$ 2,432
Indirect Expenses- SPP Inc.	\$ 20,941	\$ 16,003	\$ (4,938)
Indirect Expenses- SPP RE	\$ 24,571	\$ 21,902	\$ (2,669)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 114,693	\$ 109,518	\$ (5,175)

Program Scope and Functional Description

The Reliability Standards Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 300.

The 0.15 FTEs represents the time spent by the Enforcement Group staff member on reliability standards development activities. Specifically, SPP RE Staff coordinate with NERC to develop and maintain technically sound, fair and balanced reliability standards that enable NERC and Regional Entities to measure the reliability performance of bulk power system owners, operators, and users.

2016 Key Assumptions

The key assumptions concerning the SPP RE's Reliability Standards Program are consistent with the assumptions contained in the ERO BP&B Assumptions.

2016 Goals and Key Deliverables

- Meet directives of ERO governmental authorities regarding standards development and procedures;
- Communicate with stakeholders and regulators regarding standards development;
- Participate and represent SPP region in NERC standard development activities that may have significant influence on the planning and business practices of the entities registered with SPP RE

Resource Requirements

There is no change to the budgeted FTEs for this program area.

Reliability Standards Program

Statement of Activities and Capital Expenditures
2015 Budget & Projection, and 2016 Budget

Reliability Standards

	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 112,227	\$ 112,227	\$ -	\$ 108,474	\$ (3,752)
Penalty Sanctions	2,466	2,466	-	1,043	(1,423)
Total SPP RE Funding	\$ 114,693	\$ 114,693	\$ -	\$ 109,518	\$ (5,175)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 114,693	\$ 114,693	\$ -	\$ 109,518	\$ (5,175)
Expenses					
Personnel Expenses					
Salaries	\$ 16,019	\$ 16,019	\$ -	\$ 18,010	\$ 1,991
Payroll Taxes	1,225	1,225	-	1,378	152
Benefits	1,296	1,296	-	1,505	209
Retirement Costs	641	641	-	720	80
Total Personnel Expenses	\$ 19,181	\$ 19,181	\$ -	\$ 21,613	\$ 2,432
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	50,000	50,000	-	50,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 69,181	\$ 69,181	\$ -	\$ 71,613	\$ 2,432
SPP Inc. Indirect Expenses	\$ 20,941	\$ 21,398	\$ 457	\$ 16,003	\$ (4,938)
SPP RE Indirect Expenses	24,571	25,340	769	21,902	(2,669)
Total Indirect Expenses	\$ 45,512	\$ 46,738	\$ 1,226	\$ 37,905	\$ (7,607)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 114,693	\$ 115,919	\$ 1,226	\$ 109,518	\$ (5,175)
Change in Assets	\$ -	\$ (1,226)	\$ (1,226)	\$ -	\$ 1
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 114,693	\$ 115,919	\$ 1,226	\$ 109,518	\$ (5,175)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (1,226)	\$ (1,226)	\$ -	\$ 1
FTEs	0.15	0.15	0.00	0.15	0.00

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	20.85	21.35	0.50
Direct Expenses	\$ 4,186,132	\$ 4,218,955	\$ 32,822
Indirect Expenses- SPP Inc.	\$ 2,910,843	\$ 2,277,787	\$ (633,056)
Indirect Expenses- SPP RE	\$ 1,486,767	\$ 1,290,296	\$ (196,471)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 8,583,743	\$ 7,787,038	\$ (796,705)

Program Scope and Functional Description

The Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 400. There are approximately 150 registered entities located within the SPP RE's footprint. The SPP RE CMEP is administered by the SPP RE Staff. Only the SPP RE Trustees and certain SPP RE Staff members have the authority to make compliance and enforcement decisions.

To avoid the appearance of any conflicts of interest, SPP RE has engaged SERC Reliability Corporation to serve as the compliance enforcement authority for SPP's registered functions in the SPP RE region. In accordance with the terms of the agreement between SERC and SPP, SPP RE has included \$75,000 in its budget to compensate SERC for performing the 2016 CMEP activities for SPP's registered functions in the SPP RE region.

SPP RE CMEP activities are organized into three distinct groups: Compliance Monitoring; Critical Infrastructure Protection (CIP); and Enforcement. The SPP RE Director of Compliance and Events is responsible for the oversight of the Compliance Monitoring Group, the Director of Critical Infrastructure Protection (CIP) is responsible for the oversight of the CIP Group, and the SPP RE Manager of Enforcement is responsible for the oversight of the Enforcement Group.

Compliance Groups

The FTEs assigned to the Compliance Groups (Compliance Monitoring and CIP) are responsible for registering owners, operators and users of the BPS and monitoring and assessing registered entities' compliance with NERC-approved reliability standards. The various activities performed by the staff members assigned to the Compliance groups include: 1) performing entity-specific inherent risk assessments and internal controls evaluations, 2) conducting compliance audits, spot checks, and self-certifications of entities registered in the SPP RE footprint, 3) reviewing CIP technical feasibility exception requests (TFEs), periodic data submittals and self-reports made by entities registered in the SPP RE footprint, 4) participating in SPP RE workshops and webinars, and 5) participating in various SPP and NERC working groups. The Compliance Groups also

make the initial determination of whether a registered entity is non-compliant with a reliability standard.

A total of 11.50 FTEs are assigned to the Compliance Groups, and include: the SPP RE Director of Compliance, allocated at 0.5 FTEs, five Compliance Monitoring positions, Director of Critical Infrastructure Protection, five CIP audit positions, and one Compliance Coordinator, allocated at 0.5 FTEs. In addition, 0.5 FTE has been transferred to the Training & Education program area to recognize the CIP V5 transition training being performed by the CIP auditors.

In addition to the SPP RE Staff, SPP RE uses consultants to assist the SPP RE with operations and planning (693) and CIP audits. On average, two consultants participate on each SPP RE onsite 693 and CIP audit team and one consultant participates on SPP's offsite 693 audit team and CIP field tests audit team. SPP RE has included \$733,042 in its budget for compliance consulting costs.

Enforcement Group

The FTEs assigned to the Enforcement group are responsible for reviewing the Compliance Groups' findings of non-compliance, notifying registered entities and NERC of possible violations, reviewing and verifying the registered entities' mitigation plans, determining proposed monetary penalties and non-monetary sanctions, and participating in settlement negotiations. The various activities performed by the staff members assigned to the Enforcement Group include: 1) conducting discovery, 2) preparing and issuing Notice of Possible Violations, Notice of Alleged Violations and Penalties and Sanctions, and Confirmed Notice of Violation, 3) preparing and processing Find, Fix and Track (FFTs) and Compliance Exceptions, 4) reviewing, accepting, and verifying completion of mitigation plans, 5) participating in settlement negotiations, 6) participating in hearings of contested violations, as necessary, and 7) participating in various SPP and NERC working groups and SPP RE workshops.

A total of 9.85 FTEs are assigned to this group, and include: the Manager of Enforcement, three enforcement attorneys, one compliance enforcement specialist, one mitigation plan analyst, one mitigation plan engineer, one paralegal, and two permanent law clerks (at 1.0 FTE each). To recognize that staff members assigned to the Enforcement group are also responsible for participating and representing SPP RE in NERC standard development activities, 0.15 FTEs assigned to the Enforcement group has been allocated to the Reliability Standards Program.

In addition to the SPP RE Staff, SPP RE uses consultants to assist SPP RE with reviewing, accepting, verifying completion of mitigation plans, and processing possible violations. SPP RE has included \$150,000 in its budget for enforcement consulting costs.

2016 Key Assumptions

The assumptions for this program are consistent with those contained in the ERO BP&B Assumptions. NERC and the Regional Entities will continue to collaborate and define ongoing training needs, priorities, and implementation schedules for the auditors, enforcement, and investigation staff. As part of the training effort, at least two compliance enforcement authority (CEA) workshops will occur. It is expected that this training and possible certification effort will have an impact on staffing needs and costs (e.g., travel and labor expenses) to participate and attend this training. SPP RE has provided time for staff to maintain industry certifications, such

as NERC System Operator Certification, physical and cyber security technical certifications, professional auditing certifications, Professional Engineering License, etc.

Given these key assumptions and based on actual 2015 resource requirements, SPP RE believes the resources assigned to this program area are adequate to achieve the goals and deliverables detailed below.

2016 Goals and Key Deliverables

- Ensure that bulk power system owners, operators, and users are correctly registered, ensure the revised BES definition is correctly applied, and process Exception Requests in a timely manner;
- Engage contractors to assist in the evaluation of whether to grant or deny a registered entity's request for a declaration that elements of its system are not part of the Bulk Electric System
- Conduct entity-specific Inherent Risk Assessments and Internal Controls Evaluations
- Coordinated oversight of Multi-Region Registered Entities (MRREs)
- Perform six to eight on-site FERC Order 693 compliance audits of registered TOP entities (3-year cycle entities);
- Perform fifteen to eighteen off-site FERC Order 693 compliance audits of other registered entities (6-year cycle entities);
- Perform six to eight on-site CIP compliance audits of registered entities with High or Medium Impact BES Cyber Systems;
- Perform spot check, self-certifications, and periodic data submittals of specified standards as dictated by NERC's 2016 Compliance Monitoring and Enforcement Program Annual Implementation Plan;
- Perform Compliance Investigations, as necessary;
- Perform secondary review of initial findings of possible violations;
- Create Notices of Alleged Violation and Proposed Penalties and Sanctions (NAVAPS) and Notices of Confirmed Violations (NOCV);
- Process Find, Fix and Track (FFT) and Compliance Exceptions
- Negotiate and develop settlements of violations;
- Verify that findings of non-compliance are and/or have been appropriately mitigated;

- Serve as SPP RE liaisons to SPP working groups and attend approximately 30 SPP working group meetings in 2016;
- SPP RE supports NERC's implementation of the Risk-Based Registration Initiative and CIP v5 transition as joint ERO Enterprise initiatives that have benefit to NERC, the Regional Entities and Registered Entities.

Resource Requirements

Personnel

The Compliance program area reflects a net increase of 0.50 FTEs due to the implementation of the Risk-Based Compliance Monitoring and Enforcement Program and the anticipation of an increase in the number of registered entities in the SPP RE footprint due to the CIP V5 transition. While an additional CIP Auditor has been added, 0.50 FTE has been transferred to the Training & Education program area to reflect the outreach being conducted by the CIP audit team for the CIP V5 transition.

While the Enforcement program reflects no overall change in FTEs, two law clerks budgeted at 0.50 FTEs each in the 2015 budget are being converted to 1.0 FTE each in the 2016 budget. This 1.0 FTE increase is being offset by the transfer of a Compliance Enforcement Attorney position to the CIP Auditor position.

Contracts and Consultants

The use of consultants is expected to decrease due to the increase in SPP RE staff experience and improved efficiencies in SPP RE processes.

Statement of Activities and Capital Expenditures					
2015 Budget & Projection, and 2016 Budget					
Compliance and Organization Registration and Certification					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 8,240,917	\$ 8,240,917	\$ -	\$ 7,638,549	\$ (602,368)
Penalty Sanctions	342,826	342,826	-	148,488	(194,337)
Total SPP RE Funding	\$ 8,583,743	\$ 8,583,743	\$ -	\$ 7,787,038	\$ (796,705)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 8,583,743	\$ 8,583,743	\$ -	\$ 7,787,038	\$ (796,705)
Expenses					
Personnel Expenses					
Salaries	\$ 2,349,882	\$ 2,433,325	\$ 83,443	\$ 2,373,788	\$ 23,906
Payroll Taxes	179,766	186,149	6,383	181,595	1,829
Benefits	222,444	231,084	8,640	214,183	(8,261)
Retirement Costs	93,995	97,333	3,338	94,952	956
Total Personnel Expenses	\$ 2,846,087	\$ 2,947,891	\$ 101,804	\$ 2,864,518	\$ 18,430
Meeting Expenses					
Meetings	\$ 1,500	\$ 1,500	\$ -	\$ 15,000	\$ 13,500
Travel	350,000	350,000	-	400,200	50,200
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 351,500	\$ 351,500	\$ -	\$ 415,200	\$ 63,700
Operating Expenses					
Consultants & Contracts	\$ 964,600	\$ 984,600	\$ 20,000	\$ 883,042	\$ (81,558)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	23,945	23,945	-	4,750	(19,195)
Miscellaneous	-	-	-	51,445	51,445
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 988,545	\$ 1,008,545	\$ 20,000	\$ 939,237	\$ (49,308)
Total Direct Expenses	\$ 4,186,132	\$ 4,307,936	\$ 121,804	\$ 4,218,955	\$ 32,822
SPP Inc. Indirect Expenses	\$ 2,910,843	\$ 3,116,999	\$ 206,156	\$ 2,277,787	\$ (633,056)
SPP RE Indirect Expenses	1,486,767	1,577,938	91,170	1,290,296	(196,471)
Total Indirect Expenses	\$ 4,397,610	\$ 4,694,937	\$ 297,326	\$ 3,568,083	\$ (829,527)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 8,583,743	\$ 9,002,873	\$ 419,131	\$ 7,787,038	\$ (796,705)
Change in Assets	\$ -	\$ (419,131)	\$ (419,131)	\$ -	\$ -
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 8,583,743	\$ 9,002,873	\$ 419,131	\$ 7,787,038	\$ (796,705)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ (419,131)	\$ (419,131)	\$ (0)	\$ (1)
FTEs	20.85	21.85	1.00	21.35	0.50

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	7.13	5.63	(1.50)
Direct Expenses	\$ 1,463,824	\$ 1,005,091	\$ (458,733)
Indirect Expenses- SPP Inc.	\$ 994,713	\$ 600,119	\$ (394,594)
Indirect Expenses- SPP RE	\$ 519,899	\$ 307,390	\$ (212,509)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 2,978,437	\$ 1,912,600	\$ (1,065,836)

Program Scope and Functional Description

The Reliability Assessment and Performance Analysis Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 800. SPP RE direct and Shared Staff members available as consultants to the Regional Entity support NERC's efforts in preparing three reliability assessments each year: a long-term reliability assessment (LTRA) report, a summer assessment report, and a winter assessment report. These reports analyze electricity demand and adequacy of supply throughout the North American bulk power system, as well as examine the adequacy of the transmission system.

SPP RE direct staff participates in numerous meetings each year with the Shared Staff during the development of the models and the performance of studies leading up to the issuance of the annual reliability assessments. Once each assessment has been prepared internally by SPP RE direct staff and the SPP Shared Staff, the SPP RE, in the spirit of transparency, holds two public meetings to discuss the process, assumptions, and findings for that assessment. The public meetings are well attended, usually by over 150 people, with the final meeting resulting in the endorsement of the proposed assessment by the SPP RE Trustees.

SPP Shared Staff also conduct inter-regional studies and other planning studies.

SPP RE is responsible for overseeing and conducting Event Analyses on reliability events within the SPP RE footprint. The analysis may be conducted by the entity involved in the event, an assigned SPP Working Group/Committee, a technical team comprised of industry experts or may be conducted by the RE, NERC or FERC staff. SPP RE is responsible for producing a final technical report on each reportable event. Any issues that surface which may lead to standards compliance questions will be handled through the CMEP portion of this Business Plan.

2016 Key Assumptions

SPP RE expects to continue to utilize SPP Shared Staff to assist SPP RE in fulfilling its non-CMEP activities in this program. Key assumptions shared by NERC and the Regional Entities affecting the SPP RE budget in this program area include:

- NERC and the Regional Entities will prioritize and budget for a long-term and two seasonal reliability assessments per year;

-
- SPP RE will continue to support the NERC Reliability Assessment Subcommittee;
 - NERC and the Regional Entities will continue to define clear, uniform criteria/ranking for reporting and categorizing of system events and security incidents;
 - NERC and the Regional Entities will continue to work together to develop joint processes and resourcing for triage, analysis, and reporting of system events to the regulators and will coordinate with regulators regarding these issues;
 - NERC and the Regional Entities will provide timely publication of lessons learned and recommendations and track responses to recommendations;
 - NERC and the Regional Entities will continue to process and encourage prompt and complete self-analysis of events and disturbances to promote continuous improvement and information sharing;
 - Support cause coding of events for trend analysis purposes; and
 - The number of events requiring review and analysis are expected to remain at approximately the same level as 2015.

2016 Goals and Key Deliverables

- Maintain and host a library of solved power flow models, a system dynamics database, and dynamics simulation cases for use by regional reliability organizations and their registered entities to assist with planning and evaluating future systems and current operating conditions;
- Provide regional input to NERC's three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report;
- Perform a Probabilistic Assessment in support of the LTRA;
- Participate in NERC meetings to discuss reliability assessment and analyses of the impact of these assessments;
- Conduct inter-regional and other planning studies, including participation in the Eastern Interconnection Reliability Assessment Group (ERAG);
- Participate in NERC's model validation efforts;
- Investigate, assess, and report on the potential impacts of new and evolving electricity market practices, new or proposed regulatory procedures, and new or proposed legislation (e.g., environmental requirements) on the adequacy and operating reliability of the bulk power system;
- Maintain a working dialog on bulk power system reliability and adequacy issues with SPP members; and
- Participate actively in the following NERC working groups/committees/task forces:
 - Event Analysis Subcommittee (EAS)

- Reliability Assessment Database Working Group (RADWG)
- Reliability Assessment Subcommittee (RAS)
- Performance Analysis Subcommittee (PAS)
 - Generator Availability Data System Working Group (GADSWG)
 - Transmission Availability Data System Working Group (TADSWG)
 - Demand Response Availability Data System Working Group (DADSWG)

Resource Requirements

Personnel

Due to a decrease in the number of events in the SPP RE footprint and the severity level (category) of the event, two lead engineer positions are being eliminated from this program area, partially offset by an increase of 0.50 FTE in Engineering Shared Staff.

Contracts and Consultants

The use of consultants is expected to decrease primarily due to the completion of the Engineering Model Data Validation project in 2015.

Statement of Activities and Capital Expenditures					
2015 Budget & Projection, and 2016 Budget					
Reliability Assessment and Performance Analysis					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 2,861,284	\$ 2,861,284	\$ -	\$ 1,873,479	\$ (987,805)
Penalty Sanctions	117,153	117,153	-	39,122	(78,031)
Total SPP RE Funding	\$ 2,978,437	\$ 2,978,437	\$ -	\$ 1,912,600	\$ (1,065,836)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 2,978,437	\$ 2,978,437	\$ -	\$ 1,912,600	\$ (1,065,836)
Expenses					
Personnel Expenses					
Salaries	\$ 847,886	\$ 631,134	\$ (216,752)	\$ 728,223	\$ (119,663)
Payroll Taxes	64,863	48,282	(16,582)	55,709	(9,154)
Benefits	64,560	47,280	(17,280)	56,430	(8,130)
Retirement Costs	33,915	25,245	(8,670)	29,129	(4,787)
Total Personnel Expenses	\$ 1,011,224	\$ 751,941	\$ (259,284)	\$ 869,491	\$ (141,733)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	100,000	100,000	-	105,000	5,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 100,000	\$ 100,000	\$ -	\$ 105,000	\$ 5,000
Operating Expenses					
Consultants & Contracts	\$ 350,000	\$ 350,000	\$ -	\$ 25,000	\$ (325,000)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	2,600	1,300	(1,300)	2,600	-
Miscellaneous	-	-	-	3,000	3,000
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 352,600	\$ 351,300	\$ (1,300)	\$ 30,600	\$ (322,000)
Total Direct Expenses	\$ 1,463,824	\$ 1,203,241	\$ (260,584)	\$ 1,005,091	\$ (458,733)
SPP Inc. Indirect Expenses	\$ 994,713	\$ 731,104	\$ (263,609)	\$ 600,119	\$ (394,594)
SPP RE Indirect Expenses	519,899	440,731	(79,169)	307,390	(212,509)
Total Indirect Expenses	\$ 1,514,612	\$ 1,171,835	\$ (342,778)	\$ 907,509	\$ (607,103)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,978,437	\$ 2,375,075	\$ (603,361)	\$ 1,912,600	\$ (1,065,836)
Change in Assets	\$ -	\$ 603,361	\$ 603,361	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 2,978,437	\$ 2,375,075	\$ (603,361)	\$ 1,912,600	\$ (1,065,836)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ 603,361	\$ 603,361	\$ -	\$ -
FTEs	7.13	5.13	(2.00)	5.63	(1.50)

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	-	0.50	0.50
Direct Expenses*	\$ 65,000	\$ 147,100	\$ 82,100
Indirect Expenses- SPP Inc.	\$ -	\$ 53,344	\$ 53,344
Indirect Expenses- SPP RE	\$ 23,086	\$ 44,988	\$ 21,902
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 88,086	\$ 245,432	\$ 157,347
* To maintain confidentiality, Personnel Expenses are included in Compliance and General & Administrative.			

Program Scope and Functional Description

The Training, Education, and Operator Certification Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 900. SPP RE Staff design, develop, and conduct training and education via workshops, newsletters, webinars, SPP RE Trustee meetings, and videos.

Operator Certification Training is provided by SPP RTO staff, and as such, the expenses for this training continue to be excluded from the SPP RE budget and are included in the SPP, Inc. budget.

2016 Key Assumptions

SPP RE will continue its outreach activities designed to increase regional BPS reliability, educate stakeholders about compliance matters, inform stakeholders of emerging issues and compliance program changes and conduct CIP V5 outreach. NERC will continue to budget and incur the cost of a unified learning system for the regional CEA staff and work with the Registered Entities to consolidate training resources. This promotes better coordination, planning, delivery and management of training efforts across the enterprise without adversely impacting region-specific training requirements.

2016 Goals and Key Deliverables

- Host three compliance workshops, one focused on CIP
- Publish a monthly newsletter
- Host at least six compliance webinars
- Maintain an online training video library to share compliance information with stakeholders.
- Conduct CIP V5 Outreach

Resource Requirements

Personnel

The personnel expenses for the Training and Education program coordinator are accounted for within the General and Administrative program (50%) and the Compliance Program (50%). The 0.50 FTE increase represents the combined efforts of the CIP audit team in conducting CIP V5 outreach.

.

Statement of Activities and Capital Expenditures 2015 Budget & Projection, and 2016 Budget

Training and Education

	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 88,086	\$ 88,086	\$ -	\$ 241,955	\$ 153,869
Penalty Sanctions	-	-	-	3,477	3,477
Total SPP RE Funding	<u>\$ 88,086</u>	<u>\$ 88,086</u>	<u>\$ -</u>	<u>\$ 245,432</u>	<u>\$ 157,347</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 88,086</u>	<u>\$ 88,086</u>	<u>\$ -</u>	<u>\$ 245,432</u>	<u>\$ 157,347</u>
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ 64,563	\$ 64,563
Payroll Taxes	-	-	-	4,939	4,939
Benefits	-	-	-	5,016	5,016
Retirement Costs	-	-	-	2,583	2,583
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,100</u>	<u>\$ 77,100</u>
Meeting Expenses					
Meetings	\$ 60,000	\$ 60,000	\$ -	\$ 50,000	\$ (10,000)
Travel	-	-	-	20,000	20,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 10,000</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	5,000	5,000	-	-	(5,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,000)</u>
Total Direct Expenses	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ -</u>	<u>\$ 147,100</u>	<u>\$ 82,100</u>
SPP Inc. Indirect Expenses	\$ -	\$ -	-	\$ 53,344	\$ 53,344
SPP RE Indirect Expenses	23,086	23,809	-	44,988	21,902
Total Indirect Expenses	<u>\$ 23,086</u>	<u>\$ 23,809</u>	<u>\$ 723</u>	<u>\$ 98,332</u>	<u>\$ 75,246</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 88,086</u>	<u>\$ 88,809</u>	<u>\$ 723</u>	<u>\$ 245,432</u>	<u>\$ 157,347</u>
Change in Assets	<u>\$ -</u>	<u>\$ (723)</u>	<u>\$ (723)</u>	<u>\$ -</u>	<u>\$ (2)</u>
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	\$ 88,086	\$ 88,809	\$ 723	\$ 245,432	\$ 157,347
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ (723)</u>	<u>\$ (723)</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-	0.50	0.50

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	0.13	0.13	-
Direct Expenses	\$ 18,965	\$ 21,362	\$ 2,397
Indirect Expenses- SPP Inc.	\$ 17,451	\$ 13,336	\$ (4,115)
Indirect Expenses- SPP RE	\$ 6,736	\$ 6,533	\$ (203)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 43,152	\$ 41,232	\$ (1,920)

Program Scope and Functional Description

The Situation Awareness and Infrastructure Security Program is required under the Regional Entity Delegation Agreement, as well as NERC Rules of Procedure, Section 1000.

NERC coordinates electric industry activities to promote critical infrastructure protection of the bulk power system in North America. NERC has a leadership role in the critical infrastructure protection of the electricity sector to reduce vulnerability and improve mitigation and protection of the electricity sector's critical infrastructure. NERC acts as the electricity sector's Sector Coordinator and operates its Information Sharing and Analysis Center to gather and communicate information about security-related threats within the sector, United States and Canadian governmental authorities, and other critical infrastructure sectors. NERC also performs security planning activities focused on the critical infrastructure protection of the electricity sector, including sharing sensitive or classified information with federal, state, and provincial governmental authorities.

SPP Reliability Coordinator actively participates in NERC critical infrastructure protection activities and serves as an information conduit between NERC and SPP members. These activities are non-statutory. SPP also sponsors a Critical Infrastructure Protection Working Group (CIPWG), which:

- Serves as an expert advisory panel to the SPP Board of Directors, committees, and members, provides a forum for discussion of physical and cyber security issues within the SPP Region;
- Provides general guidance to SPP members on CIP Standards and related compliance efforts; and
- Serves as the interface between the NERC Critical Information Protection Committee (CIPC) and the SPP membership, including:
 - Serving as a conduit for information flow between the CIPC and SPP members

- Developing guidance and recommendations to CIPC members representing the SPP

The CIPWG consists of SPP members who are subject to the NERC CIP Cyber Security Standards (CIP-002 through CIP-009) and is facilitated by an SPP staff member. The working group meets quarterly at a member location. Additional meetings and conference calls are scheduled as required.

SPP RE is represented on the CIPC by three SPP member company representatives who represent the physical, cyber, and operations disciplines. Per the SPP Bylaws, SPP RE reimburses the member representatives for travel expenses incurred while performing CIPC responsibilities.

CIP compliance monitoring and enforcement is included in Compliance Monitoring and Enforcement and Organization Registration and Certification Program.

2016 Key Assumptions

In addition to the assumptions that are shared among NERC and the Regional Entities, SPP RE expects the continued support of the SPP CIPWG, and continued support for CIPC participation from designated SPP member representatives.

2016 Goals and Key Deliverables

- Continue sponsoring the Critical Infrastructure Protection Working Group (CIPWG)
 - Continue quarterly meetings
 - Maintain and Increase CIPWG membership
 - Provide registered entities-only discussion periods regarding CIP compliance progress
 - Provide progress updates on CIP standards drafting and CIP Version 3 to Version 5 transition
 - Provide a discussion forum for NERC-requested comments and ballot issues
 - Provide support to the RE-sponsored CIP “How-To” Workshop
- Provide enhanced support to SPP registered entities about CIP Standards
 - Provide general recommendations and discussion/outreach forum for CIP Version 5 implementation issues
 - Provide general recommendations on appropriate security best practices
 - Provide opportunities for technical and compliance-related training
 - Coordinate and perform entity outreach visits and NERC Security Reliability Program activities
 - Maintain the CIPWG electronic mail lists for group discussion of CIP-related issues
- Continue supporting CIPC attendance by CIPWG representatives
 - Reimburse expenses for Physical, Cyber, and Operations representatives (or designated alternates)

Resource Requirements

Personnel

There is no change to the budgeted FTEs for this program area.

Situation Awareness and Infrastructure Security Program

Statement of Activities and Capital Expenditures					
2014 Budget & Projection, and 2015 Budget					
Situation Awareness and Infrastructure Security					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2016 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2016 Budget Over(Under)
Funding					
SPP RE Funding					
SPP RE Assessments	\$ 41,097	\$ 41,097	\$ -	\$ 40,362	\$ (735)
Penalty Sanctions	2,055	2,055	-	869	(1,186)
Total SPP RE Funding	<u>\$ 43,152</u>	<u>\$ 43,152</u>	<u>\$ -</u>	<u>\$ 41,232</u>	<u>\$ (1,920)</u>
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 43,152</u>	<u>\$ 43,152</u>	<u>\$ -</u>	<u>\$ 41,232</u>	<u>\$ (1,920)</u>
Expenses					
Personnel Expenses					
Salaries	\$ 16,019	\$ 16,019	\$ -	\$ 18,010	\$ 1,991
Payroll Taxes	1,225	1,225	-	1,378	152
Benefits	1,080	1,080	-	1,254	174
Retirement Costs	641	641	-	720	80
Total Personnel Expenses	<u>\$ 18,965</u>	<u>\$ 18,965</u>	<u>\$ -</u>	<u>\$ 21,362</u>	<u>\$ 2,397</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ 18,965</u>	<u>\$ 18,965</u>	<u>\$ -</u>	<u>\$ 21,362</u>	<u>\$ 2,397</u>
SPP Inc. Indirect Expenses	\$ 17,451	\$ 17,832		\$ 13,336	\$ (4,115)
SPP RE Indirect Expenses	6,736	6,947		6,533	(203)
Total Indirect Expenses	<u>\$ 24,187</u>	<u>\$ 24,779</u>	<u>\$ 592</u>	<u>\$ 19,869</u>	<u>\$ (4,318)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 43,152</u>	<u>\$ 43,744</u>	<u>\$ 592</u>	<u>\$ 41,232</u>	<u>\$ (1,919)</u>
Change in Assets	<u>\$ -</u>	<u>\$ (592)</u>	<u>\$ (592)</u>	<u>\$ -</u>	<u>\$ (2)</u>
Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ 43,152</u>	<u>\$ 43,744</u>	<u>\$ 592</u>	<u>\$ 41,232</u>	<u>\$ (1,919)</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ (592)</u>	<u>\$ (592)</u>	<u>\$ -</u>	<u>\$ (1)</u>
FTEs	0.13	0.13	-	0.13	-

Administrative Services

	Administrative Services					
	Direct Expense and Fixed Assets (in whole dollars)			FTEs		
	2015 Budget	2016 Budget	Inc(Dec)	2015 Budget	2016 Budget	Inc(Dec)
General and Administrative	\$ 1,761,059	\$ 1,671,109	(89,950)	4.50	4.50	-
Technical Committee and Members Forums	\$ -	\$ -	-	0.00	-	-
Legal and Regulatory	\$ 300,000	\$ -	(300,000)	0.00	-	-
Information Technology	\$ -	\$ -	-	0.00	-	-
Human Resources	\$ -	\$ -	-	0.00	-	-
Finance and Accounting	\$ -	\$ -	-	0.00	-	-
Total Administrative Services	\$ 2,061,059	\$ 1,671,109	(389,950)	4.50	4.50	-

General and Administrative

Program Scope and Functional Description

The General and Administrative function consists of the RE General Manager, the RE Manager of Regulatory Interface and Process Improvement, RE Administrative Assistant, RE Outreach Coordinator, RE Business Analyst, and three independent Regional Entity Trustees.

The RE Trustees, who are independent of the SPP Board of Directors, any SPP member, SPP registered entity, industry stakeholder, or organizational group, have autonomy over decisions in fund allocation and approval of the SPP RE budget, as well as decisions on regional standards, compliance enforcement actions, and penalties.

The RE General Manager provides executive level support through, among other means, participation in meetings and conference calls with other Regional Entities and Senior NERC staff. The RE General Manager reports directly to the three independent RE Trustees.

The RE Manager of Regulatory Interface and Process Improvement is responsible for coordinating and developing the SPP RE processes for SPP RE's Regulatory Interface and performing process improvement activities for the RE operational program functions, including internal auditing of SPP RE's processes. The RE Manager of Regulatory Interface and Process Improvement also coordinates and facilitates the development of compliance plans, policies, and procedures and implementation of appropriate systems/software for the SPP RE compliance monitoring and enforcement activities to enhance implementation of the NERC Compliance Monitoring and Enforcement Program (CMEP) and Rules of Procedure (RoP).

The RE Administrative Assistant provides support to all SPP RE programs and SPP RE direct staff members.

2016 Key Assumptions

- SPP RE continues to operate as an independent and functionally separate division of SPP

2016 Goals and Key Deliverables

-
- Ensure that SPP RE fulfills the responsibilities of the Regional Delegation Agreement between SPP and NERC;
 - Ensure that SPP RE is adequately staffed and has the resources needed to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC; and
 - Continue to explore opportunities to enhance the effectiveness and efficiency of SPP RE in promoting and improving the reliability of the bulk power system

Resource Requirements

Personnel

There is no change to the budgeted FTEs for this program area.

Technical Committees and Member Forums

Program Scope and Functional Description

SPP RE provides forums for registered entities within its footprint to discuss and share reliability concerns. This includes SPP committees, subcommittees, working groups, and task forces that are grouped by technical areas. The expenses incurred by SPP RE for these forums are included in the direct expenses of the applicable program.

SPP RE also conducts a minimum of three public workshops per year where registered entities are able to interact with SPP RE Staff and NERC staff and discuss reliability issues. These expenses are included in the Training, Education, and Operator Certification Program.

2016 Key Assumptions

- SPP RE liaisons to SPP working groups are projected to attend approximately 30 SPP working group meetings in 2016.

2016 Goals and Key Deliverables

- Provide input on ERO and RE issues, including but not limited to the NERC Members Representative Committee and other NERC standing committees
- Provide technical committee forums to act as standards-drafting teams in development of SPP regional reliability standards

Resource Requirements

Personnel

N/A

Legal and Regulatory

Program Scope and Functional Description

SPP RE has a Manager of Enforcement and Legal who provides exclusive legal support to SPP RE. The expenses related to the Manager of Enforcement and Legal and Regulatory are included in the Compliance Enforcement and Organization Registration Program area. If SPP RE is required to convene hearings under the Compliance Enforcement and Organization Registration program, independent hearing officers and outside legal counsel may be utilized.

2016 Key Assumptions

- Estimated hearing costs have been eliminated since no hearings are anticipated.

2016 Goals and Key Deliverables

- N/A

Resource Requirements

Personnel

N/A

Contractors and Consultants

The budget no longer includes any provision for hearings.

Information Technology

Program Scope and Functional Description

The SPP Information Technology department provides resources for SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2016 Key Assumptions

- The SPP Information Technology department continues to provide resources for SPP RE.
- NERC and the Regional Entities will collaboratively work to refine existing strategies, governance and procurement practices applicable to the development, operation and maintenance of enterprise architecture, software and data systems supporting both NERC and Regional Entity operations. NERC's business plan and budget will include ongoing funding support for the development, operation and maintenance of NERC and Regional Entity approved enterprise applications. Enterprise application funding in any given year will be subject to the budget and funding limits set forth in NERC's approved business plan and budget.
- SPP RE will include appropriate funding for applications and supporting systems designed to satisfy Regional business needs, that are not within the mutually agreed upon scope of the ERO Enterprise applications which are funded by NERC.
- The costs for IT services to support all RE programs are accounted for within the SPP, Inc. Indirect Expenses. The SPP, Inc. cost for IT services does not include funding for the development of NERC's ERO Enterprise IT applications.

2016 Goals and Key Deliverables

-
- To provide adequate information technology support for SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

Resource Requirements

Personnel

N/A

Human Resources

Program Scope and Functional Description

The SPP Human Resource department provides resources for SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2016 Key Assumptions

- The SPP Human Resource department continues to provide resources for SPP RE.

2016 Goals and Key Deliverables

- To provide adequate human resource support for SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

Resource Requirements

Personnel

N/A

Finance and Accounting

Program Scope and Functional Description

The SPP Accounting department provides resources for SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2016 Key Assumptions

- The SPP Accounting department continues to provide resources for SPP RE.

2016 Goals and Key Deliverables

- To provide adequate accounting and finance support for SPP RE to fulfill the responsibilities of the Regional Entity Delegation Agreement between SPP and NERC.

Resource Requirements

Personnel

N/A

Methodology for Allocation of Administrative Services Expenses to Programs

The expenses for finance and accounting, information technology, and human resources administrative support services that are provided to SPP RE by SPP (SPP, Inc. Indirect Expenses), which are separate and distinct from the services provided by SPP RE direct staff and consultants and contractors, are assessed to SPP RE on an annual basis by allocating SPP's shared services support costs by an appropriate measure (headcount, square footage, number of devices, etc.). In addition, an allocation of overhead costs will be added to the directly assignable staff's hourly rate for those employees performing SPP's statutory activities in the RAPA program area. Previously, the SPP Indirect Expense rate was calculated by dividing the total costs for these support functions (excluding certain IT costs that are specific to SPP's RTO functions) by the total hours worked by non-support personnel in the entire SPP organization. The indirect expense rate was then multiplied by each hour directly charged to SPP RE by SPP Shared staff and for designated number of hours for SPP RE direct staff. A table showing the derivation of the SPP, Inc. Indirect Expense is presented in Section E of this BP&B.

SPP RE Administrative Services Expenses, which are limited to expenses incurred for SPP RE General and Administrative, are allocated among the five operational programs based on each program's pro rata share of the total direct operational program expense.

Administrative Services

Statement of Activities and Capital Expenditures
2015 Budget & Projection, and 2016 Budget

ADMINISTRATIVE SERVICES

Funding	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2016 Budget Over(Under)
SPP RE Funding					
SPP RE Assessments	\$ (1,662,962)	\$ (1,662,962)	\$ -	\$ (1,276,068)	\$ 386,894
Penalty Sanctions	-	-	-	-	-
Total SPP RE Funding	\$ (1,662,962)	\$ (1,662,962)	\$ -	\$ (1,276,068)	\$ 386,894
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ (1,662,962)	\$ (1,662,962)	\$ -	\$ (1,276,068)	\$ 386,894
Expenses					
Personnel Expenses					
Salaries	\$ 660,277	\$ 660,277	\$ -	\$ 693,898	\$ 33,621
Payroll Taxes	50,511	\$ 50,511	-	\$ 53,083	2,572
Benefits	57,520	\$ 57,520	-	\$ 55,176	(2,344)
Retirement Costs	26,411	\$ 26,411	-	\$ 27,756	1,345
Total Personnel Expenses	\$ 794,719	\$ 794,719	\$ -	\$ 829,913	\$ 35,194
Meeting Expenses					
Meetings	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Travel	103,000	\$ 103,000	-	\$ 105,000	2,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 128,000	\$ 128,000	\$ -	\$ 130,000	\$ 2,000
Operating Expenses					
Consultants & Contracts	\$ 56,000	\$ 56,000	\$ -	\$ 57,000	\$ 1,000
Office Rent	-	-	-	-	-
Office Costs	8,000	\$ 8,000	-	\$ 8,000	-
Professional Services	446,100	\$ 446,100	-	\$ 146,100	(300,000)
Miscellaneous	-	-	-	\$ 20,000	20,000
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 210,100	\$ 510,100	\$ -	\$ 231,100	\$ (279,000)
Total Direct Expenses	\$ 1,132,819	\$ 1,432,819	\$ -	\$ 1,191,013	\$ (241,806)
SPP Inc. Indirect Expenses	\$ 628,240	\$ 641,945	\$ -	\$ 480,096	\$ (148,144)
SPP RE Indirect Expenses	\$ (1,761,059)	\$ (2,074,764)	\$ -	\$ (1,671,109)	\$ 89,950
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ (1,662,962)	\$ (1,662,962)	\$ -	\$ (1,276,068)	\$ 386,894
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
Inc (Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,662,962)	\$ (1,662,962)	\$ -	\$ (1,276,068)	\$ 386,894
FTEs	3.00	4.50	1.50	4.50	1.50

Section B – Supplemental Financial Information
2016 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2015-2016	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2014	\$ 3,685,778 ¹
Less Penalties Received 7/1/2014- 12/31/2014	(114,000)
Less: 2014 Year-End True-Up	(349,937)
Plus: 2015 SPP RE Funding (from LSEs or designees)	9,680,648
Less: 2015 Projected expenses & capital expenditures	(11,626,421)
Projected Working Capital Reserve (Deficit), December 31, 2015	<u>1,276,068</u>
Desired Working Capital Reserve, December 31, 2015	² \$ -
Less: Projected Working Capital Reserve, December 31, 2015	(1,276,068)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	<u>(1,276,068)</u>
2016 Expenses and Capital Expenditures	10,095,819
Less: Penalty sanctions to be used as offset to 2016 assessments ¹	(193,000)
Less: Other Funding Sources	0
Adjustment to achieve desired Working Capital Reserve	(1,276,068)
2016 SPP RE Assessment	<u>8,626,751</u>

¹ Represents collections on or prior to June 30, 2015. See Table B-2 for full disclosure.

² The SPP RE does not require a working capital reserve in that on a cash basis SPP, Inc. is able to fund shortfalls in its statutory (Regional Entity) funding through its operating cash balances, and also has access to liquidity through a bank credit facility.

Explanation of Changes in Reserve Policy from Prior Years

There have not been any changes in the SPP RE Reserve Policy. SPP RE does not maintain a working capital reserve. The expenses incurred by SPP RE are paid by SPP, Inc. from its operating cash balances and then reimbursed from SPP RE statutory funding on a monthly basis. If at any time SPP RE does not have sufficient statutory funds to finance its expenses, the statutory funding will be increased by the amount of the deficiency in the following year. When the funding is received from NERC, the SPP RE General Manager will authorize a reimbursement to SPP, Inc. for the amount of the shortfall. If needed, a line of credit is also available to SPP, Inc. to fund any shortfalls. SPP, Inc. would not charge any interest or penalties to SPP RE in the case of a shortfall.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Statement of Activities and Capital Expenditures on page 9 of the 2016 RE Business Plan and Budget.

Penalty Sanctions

Penalty monies received prior to June 30, 2015 are to be used to offset assessments in the 2016 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, 2015 through June 30, 2016 will be used to offset assessments in the 2017 Budget.

All penalties received prior to June 30, 2015 are detailed below, including the amount and date received.

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

Table B-2

	Date Received	Amount Received
Name of Entity		
Entity 1	07/17/14	\$ 10,000.00
Entity 2	10/15/2014	\$ 8,000.00
Entity 3	10/14/2014	\$ 68,000.00
Entity 4	11/18/2014	\$ 28,000.00
Entity 5	1/12/2015	\$ 10,000.00
Entity 6	1/23/2015	\$ 45,000.00
Entity 7	1/27/2015	\$ 24,000.00
Total Penalties Received		<u>\$ 193,000</u>

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (excluding SPP RE Assessments & Penalty Sanctions)	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget
Reliability Standards	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Training and Education	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Technical Committees and Member Forums	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ -	\$ -	\$ -	\$ -

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

SPP RE has not projected any interest income for 2016 because at the current market interest rate any interest income would be minimal.

Personnel Expenses**Table B-4**

Personnel Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Salaries					
Salaries	\$ 3,890,082	3,756,774	\$ 3,896,492	\$ 6,410	0.2%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	\$ 3,890,082	\$ 3,756,774	\$ 3,896,492	\$ 6,410	0.2%
Total Payroll Taxes	\$ 297,591	\$ 287,393	\$ 298,082	\$ 490	0.2%
Benefits					
Workers Compensation	\$ -	\$ -	\$ -	\$ -	
Medical Insurance	287,927	280,756	276,858	(11,069)	-3.8%
Life-LTD-LTC Insurance	20,814	20,296	20,014	(800)	-3.8%
Education	38,159	37,209	36,692	(1,467)	-3.8%
Relocation	-	-	-	-	
Total Benefits	\$ 346,900	\$ 338,261	\$ 333,564	\$ (13,336)	-3.8%
Retirement					
Discretionary 401k Contribution	\$ 155,603	\$ 150,271	\$ 155,860	\$ 256	0.2%
Savings Plan	-	-	-	-	
Total Retirement	\$ 155,603	\$ 150,271	\$ 155,860	\$ 256	0.2%
Total Personnel Costs	\$ 4,690,177	\$ 4,532,699	\$ 4,683,997	\$ (6,180)	-0.1%
FTEs	32.75	31.75	32.25	-0.50	-1.5%
Cost per FTE					
Salaries	\$ 118,781	\$ 118,324	\$ 120,821	2,040	1.7%
Payroll Taxes	9,087	9,052	9,243	156	1.7%
Benefits	10,592	10,654	10,343	(249)	-2.4%
Retirement	4,751	4,733	4,833	82	1.7%
Total Cost per FTE	\$ 143,212	\$ 142,762	\$ 145,240	\$ 2,029	1.4%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

The slight increase in salaries is principally due to the budgeted merit increase combined with the elimination of two Lead Engineers, offset by the increase in Shared Staff FTEs and the conversion of two Law Clerks to 1.0 FTE each. The small decrease in benefits is primarily due to the elimination of the two Lead Engineers partially offset by an increase in benefit costs, primarily medical insurance.

Meetings, Travel and Conference Calls

Table B-5

Meetings, Travel and Conference Calls	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Meetings	\$ 86,500	\$ 86,500	\$ 90,000	\$ 3,500	4%
Travel	603,000	\$ 603,000	\$ 680,200	77,200	13%
Conference Calls	-	\$ -	\$ -	-	
Total Meetings, Travel & Conf Calls	\$ 689,500	\$ 689,500	\$ 770,200	\$ 80,700	12%

The increase in travel expense is primarily due to the increased outreach being performed by the CIP audit team for the CIP V5 transition as well as an increase in air fare costs.

Consultants and Contracts

Table B-6

Consultants	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	855,100	855,100	670,042	(185,058)	-22%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	350,000	350,000	25,000	(325,000)	-93%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	56,000	56,000	57,000	1,000	2%
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 1,261,100	\$ 1,261,100	\$ 752,042	\$ (509,058)	-40%
Contracts	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Contracts					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	109,500	129,500	213,000	103,500	95%
Reliability Readiness Evaluation and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	-	-	
Information Technology	-	-	-	-	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Contracts Total	\$ 109,500	\$ 129,500	\$ 213,000	\$ 103,500	95%
Total Consulting and Contracts	\$ 1,370,600	\$ 1,390,600	\$ 965,042	\$ (405,558)	-30%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

The \$405,558 decrease in consultant and contract costs is primarily due to the increased experience of the SPP RE audit staff and the completion of the Engineering Data Validation software tool in the RAPA program offset by the increase in the use of consultants by Enforcement.

Table B-7

Office Rent	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Office Rent	\$ -	\$ -	\$ -	\$ -	-
Utilities	-	-	-	-	-
Maintenance	-	-	-	-	-
Security	-	-	-	-	-
Total Office Rent	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

This cost is included in the SPP, Inc. Indirect Expense.

Table B-8

Office Costs	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Telephone	\$ -	\$ -	\$ -	\$ -	-
Internet	-	-	-	-	-
Office Supplies	8,000	8,000	8,000	-	-
Computer Supplies and Maintenance	-	-	-	-	-
Publications & Subscriptions	-	-	-	-	-
Dues	-	-	-	-	-
Postage	-	-	-	-	-
Express Shipping	-	-	-	-	-
Copying	-	-	-	-	-
Reports	-	-	-	-	-
Equipment Repair/Service Contracts	-	-	-	-	-
Bank Charges	-	-	-	-	-
Taxes	-	-	-	-	-
Merchant Card Fees	-	-	-	-	-
Presentation & Publicity	-	-	-	-	-
Total Office Costs	\$ 8,000	\$ 8,000	\$ 8,000	\$ -	-

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Office Costs are included in the SPP, Inc. Indirect Expense. There is no change in the budgeted expense. The \$8,000 reflects the costs for miscellaneous office supplies such as supplies needed for RE workshops and RE Trustee meetings.

Table B-9

Professional Services	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Independent Trustee Fees	\$ 145,000	\$ 145,000	\$ 145,000	\$ -	0.00%
Outside Legal	300,000	300,000	-	(300,000)	-100.00%
Accounting & Auditing Fees	-	-	-	-	
Insurance Commercial	-	-	-	-	
Other	50,000	31,345	50,000	-	0.00%
Total Services	\$ 495,000	\$ 476,345	\$ 195,000	\$ (300,000)	-60.61%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

The \$300,000 decrease in Outside Legal Services is due to the elimination of hearing expenses.

Table B-10

Other Non-Operating Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
	\$ -	\$ -		\$ -	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

N/A

2017, 2018 and 2019 Projections

Table B-11

Statement of Activities and Capital Expenditures 2016 Budget & Projected 2017, 2018 and 2019 Budgets										
	2016	2017	\$ Change	%	2018	\$ Change	%	2019	\$ Change	%
	Budget	Projection	17 v 16	Change 17 v 16	Projection	18 v 17	Change 18 v 17	Projection	19 v 18	Change 19 v 18
Funding										
ERO Funding										
ERO Assessments	\$ 8,626,751	\$ 10,398,694	\$ 1,771,943	20.54%	\$ 10,710,655	\$ 311,961	2.9%	\$ 11,031,975	\$ 321,320	2.9%
Penalty Sanctions	193,000	-	(193,000)	-100.00%	-	-	-	-	-	-
Total ERO Funding	\$ 8,819,751	\$ 10,398,694	\$ 1,578,943	17.9%	\$ 10,710,655	\$ 311,961	2.9%	\$ 11,031,975	\$ 321,320	2.9%
Membership Dues	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Funding	\$ 8,819,751	\$ 10,398,694	\$ 1,578,943	17.9%	\$ 10,710,655	\$ 311,961	3.0%	\$ 11,031,975	\$ 321,320	3.0%
Expenses										
Personnel Expenses										
Salaries	\$ 3,896,492	\$ 4,013,387	\$ 116,895	3.0%	\$ 4,133,789	\$ 120,402	3.0%	\$ 4,257,802	\$ 124,014	3.0%
Payroll Taxes	298,082	307,024	8,942	3.0%	316,235	9,211	3.0%	325,722	9,487	3.0%
Benefits	333,564	343,571	10,007	3.0%	353,878	10,307	3.0%	364,494	10,616	3.0%
Retirement Costs	155,860	160,535	4,676	3.0%	165,352	4,816	3.0%	170,312	4,961	3.0%
Total Personnel Expenses	\$ 4,683,997	\$ 4,824,517	\$ 140,520	3.0%	\$ 4,969,253	\$ 144,736	3.0%	\$ 5,118,331	\$ 149,078	3.0%
Meeting Expenses										
Meetings	\$ 90,000	\$ 92,700	\$ 2,700	3.0%	\$ 95,481	\$ 2,781	3.0%	\$ 98,345	\$ 2,864	3.0%
Travel	680,200	700,606	20,406	3.0%	721,624	21,018	3.0%	743,273	21,649	3.0%
Conference Calls	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	\$ 770,200	\$ 793,306	\$ 23,106	3.0%	\$ 817,105	\$ 23,799	3.0%	\$ 841,618	\$ 24,513	3.0%
Operating Expenses										
Consultants & Contracts	\$ 965,042	\$ 993,993	28,951	3.0%	\$ 1,023,813	29,820	3.0%	\$ 1,054,527	30,714	3.0%
Office Rent	-	-	-	-	-	-	-	-	-	-
Office Costs	8,000	8,240	240	3.0%	8,487	247	3.0%	8,742	255	3.0%
Professional Services	153,450	158,054	4,604	3.0%	162,795	4,742	3.0%	167,679	4,884	3.0%
Miscellaneous	74,445	76,678	2,233	3.0%	78,979	2,300	3.0%	81,348	2,369	3.0%
Depreciation	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 1,200,937	\$ 1,236,965	\$ 36,028	3.0%	\$ 1,274,074	\$ 37,109	3.0%	\$ 1,312,296	\$ 38,222	3.0%
Total Direct Expenses	\$ 6,655,134	\$ 6,854,789	\$ 199,654	3.0%	\$ 7,060,432	\$ 205,644	3.0%	\$ 7,272,245	\$ 211,813	3.0%
Indirect Expenses	\$ 3,440,685	\$ 3,543,906	\$ 103,221	3.0%	\$ 3,650,223	\$ 106,317	3.0%	\$ 3,759,729	\$ 109,507	3.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses	\$ 10,095,819	\$ 10,398,694	\$ 302,875	3.0%	\$ 10,710,655	\$ 311,961	3.0%	\$ 11,031,975	\$ 321,320	3.0%
Change in Assets	\$ (1,276,068)	\$ -	\$ 1,276,068	-100.0%	\$ -	\$ -	-	\$ -	\$ -	-
Fixed Assets										
Depreciation	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
(Incr)Dec in Fixed Assets	\$ -	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
TOTAL CHANGE IN NET ASSETS	\$ (1,276,068)	\$ -	\$ 1,276,068	-100.0%	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
FTEs	32.25	32.25	0.00	0.0%	32.25	0.00	0.0%	32.25	0.00	0.0%

Explanation of 2017 and 2018 and 2019 Projections

At this time, SPP RE does not anticipate material changes in its personnel or business operations for the years 2017 and 2018.

- No projected change in FTEs
- No projected change in operating costs other than inflationary adjustments
- Budgeted merit pay increases
- Assessment stabilization will be managed year by year

Section C – Non-Statutory Activities
2016 Business Plan and Budget



Section C — 2015 Non-Statutory Business Plan and Budget

Non-Statutory Functional Scope

As discussed in the Introduction, SPP is one of nine FERC-approved Independent System Operators/Regional Transmission Organizations (ISOs/RTOs). As an RTO, SPP helps ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. These activities are budgeted for separately from SPP RE and constitute the non-statutory activities further described below.

Membership and Governance (for non-statutory activities)

SPP is a relationship-based organization with member-driven processes offering independence through diversity in Organizational Group membership and recognition that reliability and economic/equity issues are inseparable. SPP strives to continuously improve and implement new concepts in a deliberate evolutionary manner.

SPP membership is voluntary and open to any electric utility, federal power marketing agency, transmission service provider, any entity engaged in the business of producing, selling and/or purchasing electric energy for resale, and any entity willing to meet the membership requirements, including execution of the Membership Agreement. Membership is also open to entities eligible to take service under the SPP Open Access Transmission Tariff (OATT). SPP offers its Members greater efficiency and service reliability through better coordination.

SPP members serve customers across 14 states (Arkansas, Iowa, Kansas, Louisiana, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas and Wyoming)

SPP is governed in accordance with its Bylaws by an independent Board of Directors consisting of seven directors independent of any SPP Member. The Board of Directors works to ensure equity to all Members and acts in the best interest of SPP through its management, control and direction of the general business of SPP.

Non-Statutory Functional Scope

SPP is mandated by the Federal Energy Regulatory Commission (Commission) to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity.

SPP provides the following primary services to our members and customers:

Tariff Administration: SPP provides independent administration of the Open Access Transmission Tariff that offers one-stop shopping for regional transmission service with consistent rates and terms.

Reliability Coordination: SPP monitors power flow throughout our footprint. We anticipate problems and take preemptive action to mitigate operating limit violations. SPP coordinates regional response in emergency situations or blackouts.

Regional Scheduling: SPP ensures that the amount of power sent is coordinated and matched with power received. SPP's regional scheduling service reduces the number of entities with which SPP members and customers have to coordinate.

Market Operations: SPP began developing new energy markets in 2009 to bring additional regional benefit to our members. The Integrated Marketplace launched in 2014 and includes a Day-Ahead Market with Transmission Congestion Rights, a Reliability Unit Commitment process, a Real-Time Balancing Market, replacing the Energy Imbalance Marketplace, and the incorporation of price-based Operating Reserve Procurement. The Integrated Marketplace also consolidated SPP footprint's 16 legacy Balancing Authorities into an SPP Balancing Authority.

Expansion Planning: SPP's planning process seeks to identify system limitations and develop transmission upgrades for increased capacity.

Contract Services: SPP provides reliability, tariff administration, and scheduling for non-members on a contract basis.

Finally, as a Public Utility under the Federal Power Act, SPP is required to submit its budget to the Commission. The Commission already has approved SPP's activities and has ordered that SPP's budgets be filed with the Commission.⁵

Schedule for Preparation and Approval of SPP Inc.'s Overall Annual Budget

SPP's overall annual budget is prepared on a budget cycle to be approved by its independent Board of Directors annually at its October meeting. Because of this timing difference with the NERC budget process SPP is unable to provide an accurate 2016 SPP budget for non-statutory activities at this time. The process begins during the second quarter when the SPP staff develops preliminary non-statutory budgets. During the third quarter the Finance Committee of SPP initially reviews and evaluates the budget prepared by SPP staff. Once the budget is approved by the Finance Committee, it is presented to the Board of Directors for their review and approval at its quarterly meeting held in October. The SPP overall annual budget is then submitted to FERC for approval. Because the 2016 SPP budget is not yet available, SPP is providing its Commission-approved 2015 budget and its 2014 actual results on the following table:

⁵ See Sw. Power Pool, Inc., 109 FERC ¶ 61,010, at P 98 (2004) (requiring SPP to file its operating budget on an annual basis). See also Sw. Power Pool, Inc., 109 FERC ¶ 61,009, at PP 3-5 (2004), order on reh'g, 110 FERC ¶ 61,137 (2005) (describing history of SPP RTO application, including approval and revision of SPP Bylaws); see also, generally, Sw. Power Pool, Inc., 108 FERC ¶ 61,003 (2004), order on reh'g, 110 FERC ¶ 61,138 (2005); Sw. Power Pool, Inc., 106 FERC ¶ 61,110 (2004).

Southwest Power Pool
Income Statement



(in \$000)	<u>2015 Budget</u>	<u>2014 Actual</u>
Income		
Tariff Administrative Service	141,149	133,722
Fees & Assessments	27,633	25,013
Contract Services Revenue	475	453
Miscellaneous Income	5,338	4,350
Total Income	<u>174,595</u>	<u>163,537</u>
Expense		
Salary & Benefits	80,020	85,575
Employee Travel	2,094	1,924
Administrative	4,921	4,399
Assessments & Fees	16,400	16,323
Meetings	998	833
Communications	4,307	3,745
Leases	192	180
Maintenance	14,670	15,149
Services	15,849	16,128
Regional State Committee	288	191
Depreciation & Amortization	61,247	51,046
Other Expense (Income)	8,996	14,093
Total Expense	<u>209,982</u>	<u>209,586</u>
Net Income (Loss)	<u>(\$35,387)</u>	<u>(\$46,050)</u>
Debt Repayment	\$24,300	\$12,999
Billing Determinant (MWh)	363,500	350,976
Net Revenue Requirement	\$141,200	\$138,138
Calculated Admin Fee / MWh	\$ 0.389	\$ 0.381
Recommended Admin Fee / MWh	\$ 0.390	\$ 0.381
Capital Expense	\$28,900	\$24,743
Headcount	598	572

Section D – Additional Consolidated Financial
Statements
2016 Business Plan and Budget



Section D — Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Section D 2015 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2015 Budget	Functions in Delegation Agreement														Non-Statutory Functions	
	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards (Section 900)	Compliance and Organization Registration and Certification (Section 499 & 500)	Reliability Assessment and Performance Analysis (Section 900)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1200)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total
Funding																
SPP RE Funding																
SPP RE Assessments	8,626,751	8,626,751	-	8,626,751	108,474	7,638,549	1,873,479	241,955	40,362	-	(1,276,068)	-	-	-	-	-
Penalty Sanctions	193,000	193,000	-	193,000	1,043	148,488	39,122	3,477	869	-	-	-	-	-	-	-
Total SPP RE Funding	8,819,751	8,819,751	-	8,819,751	109,518	7,787,038	1,912,600	245,432	41,232	-	(1,276,068)	-	-	-	-	-
Non-statutory Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	8,819,751	8,819,751	-	8,819,751	109,518	7,787,038	1,912,600	245,432	41,232	-	(1,276,068)	-	-	-	-	-
Expenses																
Personnel Expenses																
Salaries	3,896,492	3,896,492	-	3,896,492	18,010	2,373,788	728,223	64,563	18,010	-	693,898	-	-	-	-	-
Payroll Taxes	298,082	298,082	-	298,082	1,378	181,595	55,709	4,939	1,378	-	53,083	-	-	-	-	-
Benefits	333,564	333,564	-	333,564	1,505	214,183	56,430	5,016	1,254	-	55,176	-	-	-	-	-
Retirement Costs	155,860	155,860	-	155,860	720	94,952	29,129	2,583	720	-	27,756	-	-	-	-	-
Total Personnel Expenses	4,683,997	4,683,997	-	4,683,997	21,613	2,864,518	869,491	77,100	21,362	-	829,913	-	-	-	-	-
Meeting Expenses																
Meetings	90,000	90,000	-	90,000	-	15,000	-	50,000	-	-	25,000	-	-	-	-	-
Travel	680,200	680,200	-	680,200	50,000	400,200	105,000	20,000	-	-	105,000	-	-	-	-	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	770,200	770,200	-	770,200	50,000	415,200	105,000	70,000	-	-	130,000	-	-	-	-	-
Operating Expenses																
Consultants & Contracts	965,042	965,042	-	965,042	-	883,042	25,000	-	-	-	57,000	-	-	-	-	-
Office Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Costs	8,000	8,000	-	8,000	-	-	-	-	-	-	8,000	-	-	-	-	-
Professional Services	153,450	153,450	-	153,450	-	4,750	2,600	-	-	-	146,100	-	-	-	-	-
Miscellaneous	74,445	74,445	-	74,445	-	51,445	3,000	-	-	-	20,000	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	1,200,937	1,200,937	-	1,200,937	-	939,237	30,600	-	-	-	231,100	-	-	-	-	-
Total Direct Expenses	6,655,134	6,655,134	-	6,655,134	71,613	4,218,955	1,005,091	147,100	21,362	-	1,191,013	-	-	-	-	-
SPP Inc. Indirect Expenses	3,440,685	3,440,685	-	3,440,685	16,003	2,277,787	600,119	53,344	13,336	-	480,096	-	-	-	-	-
SPP RE Indirect Expenses	(0)	(0)	-	(0)	21,902	1,290,296	307,390	44,988	6,533	-	(1,671,109)	-	-	-	-	-
Total Indirect Expenses	3,440,685	3,440,685	-	3,440,685	37,905	3,568,083	907,509	98,332	19,869	-	(1,191,013)	-	-	-	-	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	10,095,819	10,095,819	-	10,095,819	109,518	7,787,038	1,912,600	245,432	41,232	-	(1,276,068)	-	-	-	-	-
Change in Assets	(1,276,068)	(1,276,068)	-	(1,276,068)	-	-	-	-	-	-	(1,276,068)	-	-	-	-	-
Fixed Assets																
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Inc)/Dec in Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CHANGE IN NET ASSETS	(1,276,068)	(1,276,068)	-	(1,276,068)	-	-	-	-	-	-	(1,276,068)	-	-	-	-	-
FTEs	32.25	32.3	-	32.25	0.15	21.35	5.63	0.50	0.13	-	4.50	-	-	-	-	-
Percentage of FTEs				100%	0.5%	66.2%	17.4%	1.6%	0.4%	0.0%	14.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program FTEs				100%	0.5%	76.9%	20.3%	1.8%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Functional Program Direct Expenses				100%	1.3%	77.2%	18.4%	2.7%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Indirect Cost Allocation																
SPP Inc. Indirect Costs	3,440,685	3,440,685	-	3,440,685	16,003	2,277,787	600,119	53,344	13,336	-	480,096	-	-	-	-	-
SPP RE Indirect Costs	1,671,109	1,671,109	-	1,671,109	21,902	1,290,296	307,390	44,988	6,533	-	-	-	-	-	-	-
Total Indirect Costs	5,111,794	5,111,794	-	5,111,794	37,905	3,568,083	907,509	98,332	19,869	-	480,096	-	-	-	-	-
Fixed Assets Allocation																
Penalty Sanctions Allocation	193,000	193,000	-	193,000	1,043	148,488	39,122	3,477	869	-	-	-	-	-	-	-

Section E – Calculation of SPP, Inc. Indirect Expense
2016 Business Plan and Budget



Section E

CALCULATION OF THE SPP INC. INDIRECT EXPENSE CHARGE¹

<u>Expense Category</u> ²		<u>Overhead Costs Allocation (\$000)</u>
Facilities	\$	433
Information Technology		577
Human Resources/Benefits/Payroll		290
Corporate Services		1,135
2014 Total Costs		<u>2,435</u>
Escalated by 3%	\$	2,508

Shared Staff Overhead Allocation

2014 Overhead Allocation Escalated by 3%		702	A
Ending 2014 FTEs		3.2	B
2016 Budgeted FTEs		4.25	C
2014 Total Cost		<u>933</u>	D

$$D = (A / B) \times C$$

Budgeted SPP Inc. Indirect Costs	\$	3,440,685
---	-----------	------------------

¹Due to the timing of the budget process/schedule, the estimated indirect expense charge for 2016 is based on actual 2014 costs, escalated by 3%. Any variance between the estimated overhead expenses and the actual 2016 overhead expenses will be included in the annual 2016 Business Plan and Budget true-up filing.

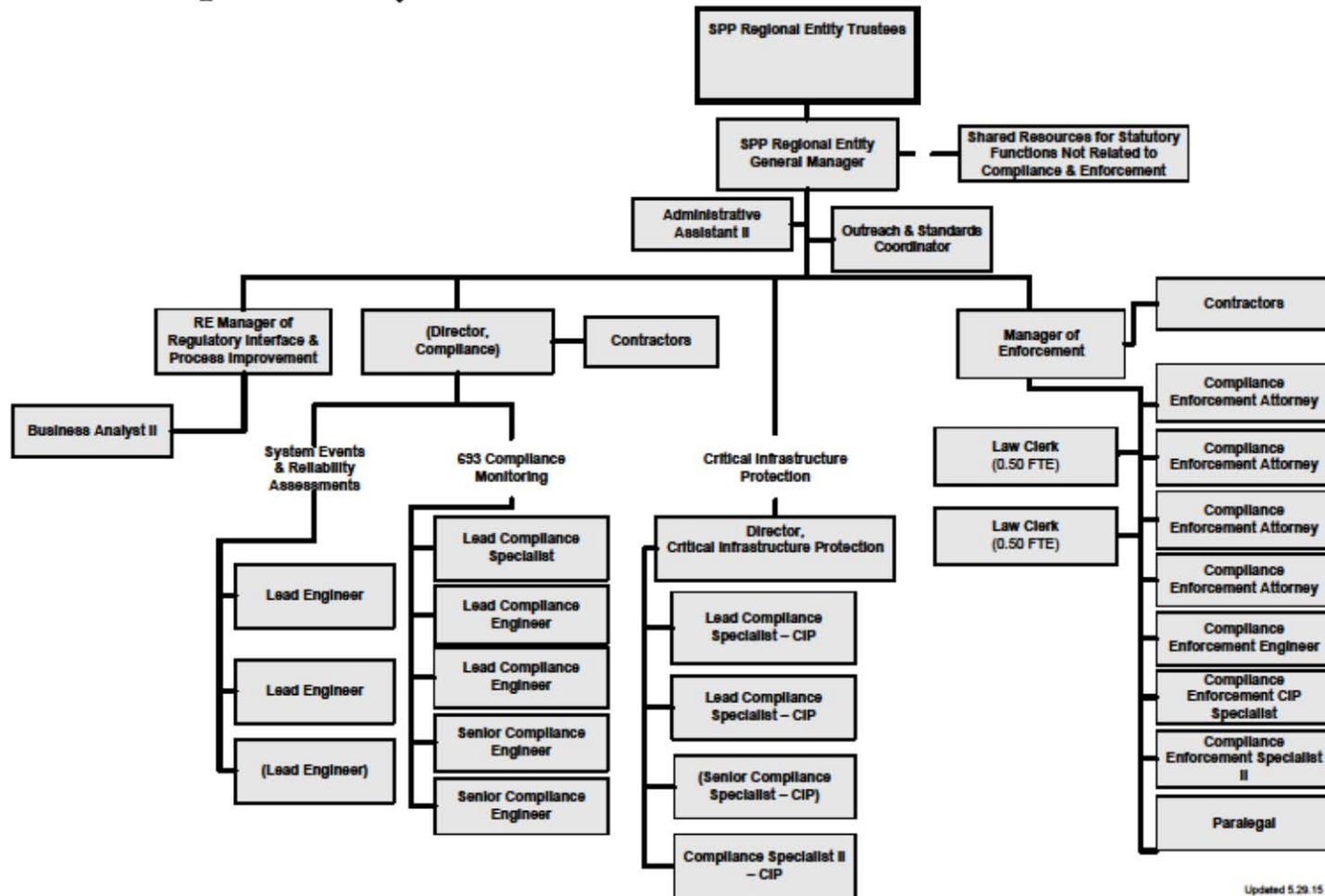
² SPP RE cost allocation is based on an appropriate measure per expense category (square footage, number of devices, headcount, etc.)

Section F– Organizational Chart 2016 Business Plan and Budget





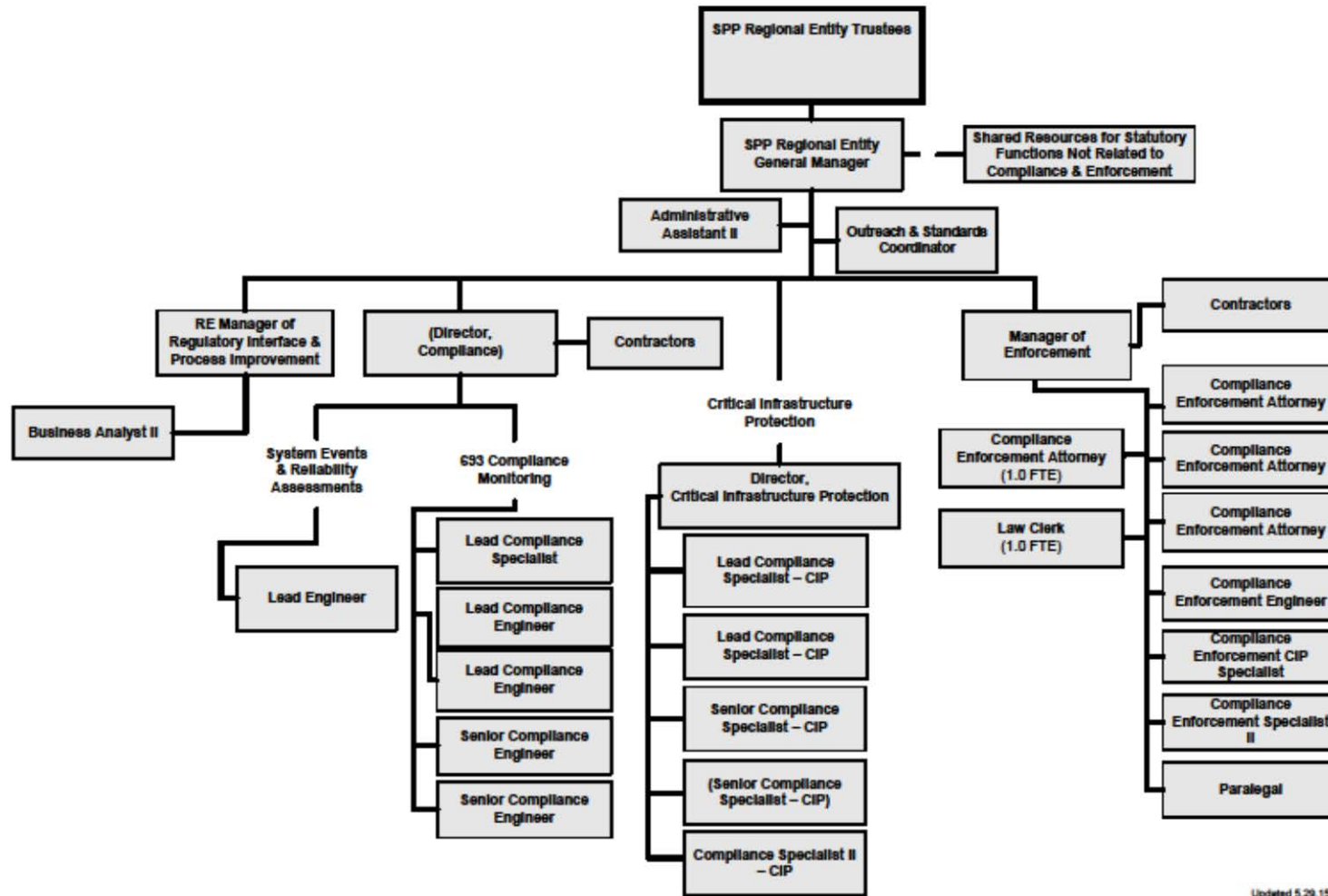
Organizational Chart – 2015



Updated 5.29.15



Organizational Chart – 2016 Proposed



Updated 5.29.15

DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 9

TEXAS RELIABILITY ENTITY

PROPOSED 2016 BUSINESS PLAN AND BUDGET



2016 Business Plan and Budget

Texas Reliability Entity, Inc.

Approved by Texas RE Board of Directors

Date: May 21, 2015

Table of Contents

Table of Contents.....	2
Introduction	3
Section A — 2016 Business Plan – Statutory Programs	11
Reliability Standards Program	11
Compliance Monitoring and Enforcement and Organization Registration and Certification Program	15
Reliability Assessment and Performance Analysis Program.....	21
Training, Education, and Operator Certification Program	26
Administrative Services	29
General and Administrative	29
Legal and Regulatory	30
Information Technology	30
Human Resources.....	32
Finance and Accounting	33
Section B — Supplemental Financial Information.....	36
Reserve Balance	36
Breakdown by Statement of Activity Sections.....	37
Section C — 2016 State (Non-Statutory) Business Plan and Budget	51
Personnel Analysis.....	54
Reserve Analysis — 2015–2016	55
Section D – Supplemental Information	57
2016 Consolidated Statement of Activities by Program, Statutory and State (Non-Statutory)....	57
Statement of Financial Position	58
2016 Texas RE Combined Statutory and Non-statutory Organization Chart.....	59

Introduction

TOTAL RESOURCES (in whole dollars)				
	2016 Budget	U.S.	Canada	Mexico
Statutory FTEs	60.00			
Non-statutory FTEs	5.0			
Total FTEs	65.00			
Statutory Expenses	\$ 11,897,248			
Non-Statutory Expenses	\$ 1,029,072			
Total Expenses	\$ 12,926,320			
Statutory Inc(Dec) in Fixed Assets	\$ (115,033)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (115,033)			
Statutory Working Capital Requirement	\$ (1,883,767)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (1,883,767)			
Total Statutory Funding Requirement	\$ 9,898,448			
Total Non-Statutory Funding Requirement	\$ 1,029,072			
Total Funding Requirement	\$ 10,927,520			
Statutory Funding Assessments	\$ 9,560,448			
Non-Statutory Fees	\$ 1,029,072			
NEL	341,255,629	341,255,629		
NEL%	100.00%	100.00%		

*Refer to Table B-1 Reserve Analysis on page 41 in Section B.

Organizational Overview

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is the Regional Entity and Reliability Monitor for the Electric Reliability Council of Texas, Inc. (ERCOT) region, pursuant to its Amended and Restated Delegation Agreement (Delegation Agreement) with North American Electric Reliability Corporation (NERC). Texas RE's current Delegation Agreement was approved by the Federal Energy Regulatory Commission (FERC) in October 2010 for a five-year period beginning January 1, 2011. NERC and Texas RE are currently renegotiating the Delegation Agreement. Texas RE ensures the reliability of the ERCOT region bulk-power system (BPS).

Texas RE also performs non-statutory activities as the Reliability Monitor for the ERCOT region, on behalf of the Public Utility Commission of Texas (PUCT). As the Reliability Monitor, Texas RE

monitors and reports to the PUCT regarding market participants' compliance with reliability-related ERCOT Protocols, Operating Guides, and Texas rules (ERCOT Regional Rules).

The ERCOT region is the geographic area located within the state of Texas that operates under the jurisdiction of the PUCT and is not synchronously interconnected with any electric utilities operating outside of Texas. The ERCOT region includes approximately 90% of Texas load and 75% of the Texas land area.

Membership and Governance

Members

Texas RE has the following six membership sectors under its Bylaws:

- System Coordination and Planning
- Transmission and Distribution
- Cooperative Utility
- Municipal Utility
- Generation
- Load-Serving and Marketing

Membership in Texas RE is voluntary and open to any entity that is a user, owner, or operator in the ERCOT region BPS, who registers with Texas RE and complies with the Texas RE Bylaws requirements. The Texas RE bylaws provide for a \$250 membership fee; however, the Texas RE Board of Directors waived the 2016 membership fee to encourage increased membership. Any person or entity that has a direct and material interest in the BPS has a right to participate in the Texas RE Standards Development Process, even if not a Texas RE member.

Texas RE has two stakeholder committees, the Member Representatives Committee (MRC) and the Reliability Standards Committee (RSC). The MRC includes representatives from members in each of the six membership sectors and provides advice and recommendations to the Board on administrative, financial, reliability-related, or any other matters, except for standards development issues, through its elected Chair and Vice Chair, who serve as directors. The RSC includes representatives from the six sectors described above, whether or not members of Texas RE, which may include any entity with a direct and material interest in the ERCOT region BPS. The RSC facilitates the Regional Standards Development Process, and coordinates the development of regional standards and variances with the development of national standards. A subcommittee of the RSC, the NERC Standards Review Subcommittee (NSRS), monitors, reviews, and discusses NERC (continent-wide) standards under development and standards interpretation requests.

Board of Directors

Texas RE is governed by a hybrid board of directors (Board), comprised of the following nine individuals:

- The Texas RE President & Chief Executive Officer

-
- Four Independent Directors (elected by membership)
 - Two Affiliated Directors (the Chair and Vice-Chair of the Member Representatives Committee)
 - Chairman of the PUCT or another PUCT Commissioner designated by the Chairman, as an ex officio non-voting member
 - Texas Public Counsel, from the Texas Office of Public Utility Counsel, as an ex officio non-voting member

The Board's primary role is to oversee the management of Texas RE, including assuring that Texas RE meets its requirements under the Bylaws and Delegation Agreement, and appointing a chief executive officer to manage and be responsible for the day-to-day on-going activities of Texas RE.

Statutory Functional Scope

In accordance with its Delegation Agreement with NERC and in compliance with the NERC Rules of Procedure (NERC ROP), Texas RE performs the following statutory (or delegated) functions:

- Participation in the development of NERC Reliability Standards (Standards), or modifications thereof, and facilitation of developing needed regional standards or variances through Texas RE's Standards Development Process.
- Identification and registration of responsible entities with NERC and, as needed, certification of such entities within the ERCOT region.
- Monitoring and enforcement of compliance with approved Standards and regional standards, in accordance with the NERC ROP, in the ERCOT region.
- Analysis and assessment of system events and disturbances.
- Assessment of the present and future reliability, adequacy, and security of the BPS.
- Promotion of effective training and education of personnel, and assistance in the certification of operating personnel.
- Promotion of situation awareness and the protection of critical infrastructure.

Financial Policies

Texas RE has policies and procedures in place that address its overall financial management, including procurement, business expense reimbursement, and line of credit. Additionally, Texas RE has a working capital and operating reserve policy to ensure the stability of the ongoing operations of the organization. This policy is intended to provide funds for situations such as a sudden unanticipated increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses.

2016 Overview of Cost Impacts

In developing the Texas RE 2016 Business Plan and Budget, Texas RE, NERC, and the other Regional Entities collaborated and agreed upon common foundational and program assumptions which are contained in the [Shared Business Plan and Budget Assumptions for the 2015-2018 Planning Period \(2016 Budget Cycle\)](#). Texas RE used these shared assumptions as well as the Electric Reliability Organization Enterprise Strategic Goals in developing this 2016 Business Plan and Budget. Prior to obtaining final approval from its Board of Directors, Texas RE seeks NERC input and review of its annual Regional Entity Business Plan and Budget, including coordination of program requirements and any related key initiative for the Electric Reliability Organization (ERO) Enterprise.

Overall, the Texas RE 2016 statutory expenses (\$11,897,248) decreased by 2.1% from the 2015 statutory expenses (\$12,152,761).

The 2016 statutory assessment (\$9,612,448) represents a decrease of 8.5% from the 2015 assessment (\$10,500,446).

Significant statutory expense changes (including capital expenditures) include:

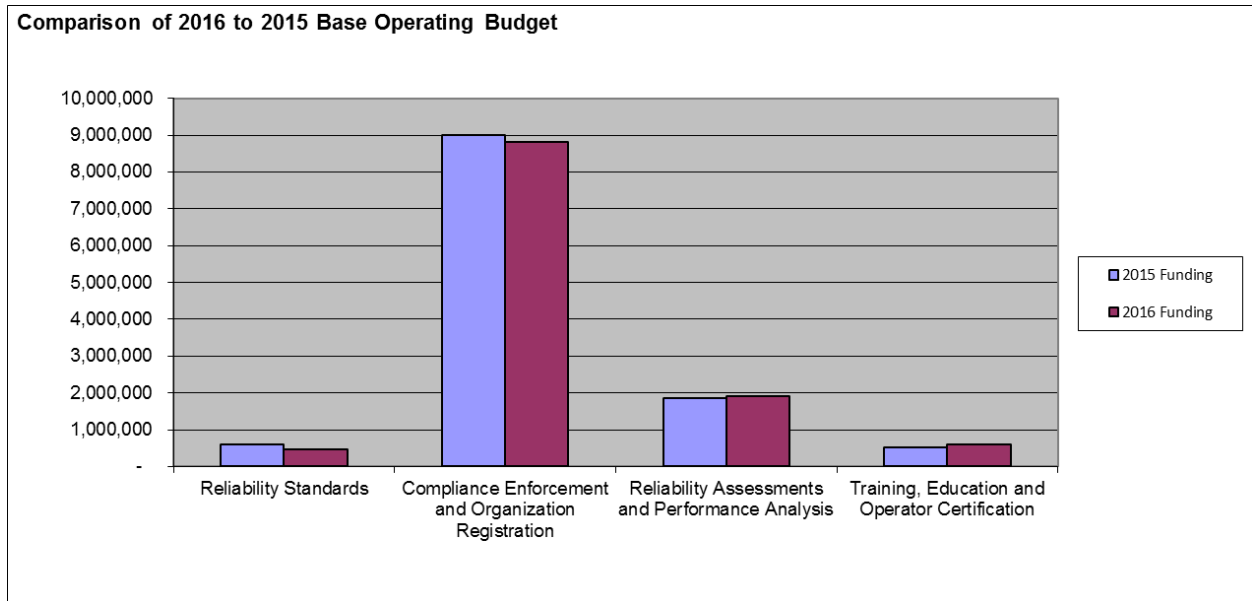
- Total Personnel expenses are increasing by 3.2%. Salaries are increasing 3.3% due to anticipated annual merit increases and promotions and to reflect the reassignment of certain full-time equivalents (FTEs) to higher-salary positions. Payroll taxes are decreasing 19.6% to better align with actual experience. Benefits expense is increasing 17.3%, which offsets the decrease in payroll taxes. The increase is primarily due to higher employee participation in health and retirement benefits. Health plan expense is projected to increase 12% in 2016. Employee benefits also include education reimbursement, relocation, training and professional development costs. This is consistent with the NERC budget guidelines.
- Reallocation of FTEs among various departments caused variances from 2015 in most programs.
- Total Meeting and Travel expenses are decreasing by 15.7% primarily due to cost savings efforts. Meeting expense is increasing by 15.1% due to more on-site meetings anticipated with the new conference room space, which is offset with a decrease in conference call expense by 26.7%. Meeting Expense is decreasing 184% due to more on-site meetings and cost savings efforts.
- Total Operating Expenses are decreasing by 17.5%. The Consultants and Contracts category is increasing 18.8% due to a compensation study and a potential custom Regional Entity salary survey. Rent cost is increasing 14.6% due to additional conference room space. Professional Services costs are decreasing 52.1% due to the elimination of the contingency for the anticipated cost of outside legal counsel for one contested enforcement case from the 2016 budget. If Texas RE hires outside legal counsel to assist with a contested case, it will be funded through the operating reserve.

All statutory activity in the 2016 Business Plan and Budget aligns with the NERC Enterprise Strategic Plan.

Summary by Program

The following table summarizes the Texas RE budget by program area.

Base Operating Budget	Budget	Projection	Budget	Variance	
	2015	2015	2016	2016 Budget v 2015 Budget	Variance %
Reliability Standards	\$ 606,806	\$ 606,806	\$ 469,003	\$ (137,803)	-22.7%
Compliance Enforcement and Organization Registration	9,008,548	9,008,548	8,809,903	(198,645)	-2.2%
Reliability Assessments and Performance Analysis	1,857,017	1,857,017	1,911,637	54,619	2.9%
Training, Education and Operator Certification	511,329	511,329	591,672	80,342	15.7%
Total by Program	\$ 11,983,701	\$ 11,983,701	\$ 11,782,215	\$ (201,486)	-1.7%



FTEs by Program Area

Personnel Analysis

The following table displays total FTEs by program area.

Total FTEs by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2015	2015	2016	FTEs 2016	2016	from 2015
	Budget	Budget	Budget	Budget	Budget	Budget
STATUTORY						
Operational Programs						
Reliability Standards	2.25	2.25	1.75	-	1.75	(0.50)
Compliance and Organization Registration and Certification	33.50	33.50	35.75	-	35.75	2.25
Training and Education	2.25	2.25	2.25	-	2.25	-
Reliability Assessment and Performance Analysis	6.50	6.50	6.50	-	6.50	-
Situation Awareness and Infrastructure Security	-	-	-	-	-	-
Total FTEs Operational Programs	44.50	44.50	46.25	-	46.25	1.75
Administrative Programs						
Technical Committees and Member Forums	-	-	-	-	-	-
General & Administrative	2.00	2.00	3.00	-	3.00	1.00
Legal and Regulatory	4.50	4.50	2.75	-	2.75	(1.75)
Information Technology	4.00	4.00	5.00	-	5.00	1.00
Human Resources	1.00	1.00	-	-	-	(1.00)
Finance and Accounting	4.00	4.00	3.00	-	3.00	(1.00)
Total FTEs Administrative Programs	15.50	15.50	13.75	-	13.75	(1.75)
Total FTEs	60.00	60.00	60.00	-	60.00	-

A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

2015 Budget and Projection and 2016 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
STATUTORY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 10,500,446	\$ 10,500,446	\$ -	\$ 9,560,448	\$ (939,998)
Penalty Sanctions	483,500	483,500	-	337,000	(146,500)
Total NERC Funding	\$ 10,983,946	\$ 10,983,946	\$ -	\$ 9,897,448	\$ (1,086,498)
Membership Dues	18,500	18,500	-	-	\$ (18,500)
Interest	15,045	15,045	-	1,000	(14,045)
Total Funding (A)	\$ 11,017,491	\$ 11,017,491	\$ -	\$ 9,898,448	\$ (1,119,043)
Expenses					
Personnel Expenses					
Salaries	\$ 6,531,781	\$ 6,531,781	\$ -	\$ 6,749,489	\$ 217,708
Payroll Taxes	617,840	617,840	-	496,723	(121,117)
Benefits	917,129	917,129	-	1,075,949	158,819
Retirement Costs	935,450	935,450	-	968,077	32,628
Total Personnel Expenses	\$ 9,002,199	\$ 9,002,199	\$ -	\$ 9,290,238	\$ 288,038
Meeting & Travel Expenses					
Meetings	\$ 43,726	\$ 43,726	\$ -	\$ 50,350	\$ 6,624
Travel	451,108	451,108	-	368,115	(82,993)
Conference Calls	13,640	13,640	-	10,000	(3,640)
Total Meeting & Travel Expenses	\$ 508,474	\$ 508,474	\$ -	\$ 428,465	\$ (80,009)
Operating Expenses					
Consultants & Contracts	\$ 288,070	\$ 288,070	\$ -	\$ 342,148	\$ 54,078
Office Rent	427,080	427,080	-	489,557	62,477
Office Costs	636,958	636,958	-	672,307	35,349
Professional Services	1,077,240	1,077,240	-	515,500	(561,740)
Depreciation	212,740	212,740	-	159,033	(53,707)
Total Operating Expenses	\$ 2,642,088	\$ 2,642,088	\$ -	\$ 2,178,545	\$ (463,543)
Total Direct Expenses	\$ 12,152,761	\$ 12,152,761	\$ -	\$ 11,897,248	\$ (255,514)
Indirect Expenses	\$ (0)	\$ (0)	\$ -	\$ -	\$ 0
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 12,152,761	\$ 12,152,761	\$ -	\$ 11,897,248	\$ (255,514)
Change in Assets	\$ (1,135,270)	\$ (1,135,270)	\$ -	\$ (1,998,800)	\$ (863,530)
Fixed Assets					
Depreciation	\$ (212,740)	\$ (212,740)	\$ -	\$ (159,033)	\$ 53,707
Computer & Software CapEx	43,680	43,680	-	44,000	320
Inc(Dec) in Fixed Assets (C)	(169,060)	(169,060)	-	(115,033)	54,027
TOTAL BUDGET (=B + C)	11,983,701	\$ 11,983,701	\$ -	\$ 11,782,215	\$ (201,486)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (966,210)	\$ (966,210)	\$ -	\$ (1,883,767)	\$ (917,557)

Section A – Statutory Programs 2016 Business Plan and Budget



Section A — 2016 Business Plan – Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	2.25	1.75	(0.50)
Direct Expenses	\$ 394,711	\$ 309,161	\$ (85,550)
Indirect Expenses	\$ 220,643	\$ 164,195	\$ (56,448)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (8,548)	\$ (4,353)	\$ 4,195
Total Funding Requirement	\$ 606,806	\$ 469,003	\$ (137,803)

Program Scope and Functional Description

Texas RE's Reliability Standards Program supports the NERC Reliability Standards program and facilitates the development of regional standards and variances, in accordance with the Texas RE Standards Development Process. Texas RE Standards staff coordinates and publicly posts information regarding the activities of the Texas RE Reliability Standards Committee (RSC), NERC Standards Review Subcommittee (NSRS) and all regional standard drafting teams (SDTs).

The Texas RE Standards Development Process is open to all individuals and organizations that are directly and materially affected by the ERCOT region BPS, with no undue financial barriers and regardless of Texas RE membership status. Texas RE's Standards Development Process provides for fair and due process by providing sufficient public notice of the intent to develop a regional standard. In addition, all proposed regional standards are posted on the Texas RE Reliability Standards Tracking Site for public comments. The Tracking Site allows all interested parties to access materials related to regional standards and to submit comments on Standard Authorization Requests (SARs) and draft standards during designated commenting periods. The Tracking Site allows members of the Registered Ballot Body to join any open Registered Ballot Pool and to vote online. The Standards Development Process includes an appeals process and an interpretation process.

Texas RE Standards staff supports and participates in the NERC Standards Committee and other NERC activities relating to standards development. Texas RE regularly comments and votes on proposed NERC standards and revisions from its perspective as the Compliance Enforcement Authority, based on recommendations and input from subject matter experts employed by Texas RE.

In addition, Texas RE reviews proposed reliability standards from NERC and other regions, and staff from NERC and other Regional Entities have the opportunity to review proposed Texas RE regional standards. This Program area supports and facilitates meetings of the Texas RE RSC

and the NSRS. The RSC is a stakeholder committee that oversees the execution of the Texas RE Standard Development Process. The NSRS provides a regional stakeholder forum for education and discussion of NERC standards activities, both regional and continent-wide.

Texas RE Standards staff provides education and advice to other Texas RE departments regarding issues relating to standards, including applicability and interpretation of requirements in accordance with NERC processes.

When developing regional Reliability Standards, Texas RE is responsible for adhering to the approved Regional Reliability Standards development processes, and for assisting NERC as needed with obtaining Board approval and subsequent filing(s) with FERC and other regulatory authorities, as appropriate, including developing the record necessary to support approval.

2016 Key Assumptions

- The number of continent-wide standards and regional standards development projects will remain at the reduced 2015 level.
- Continent-wide standards projects will consist primarily of conducting enhanced periodic reviews to improve the content and quality of standards, responding to identified risks to reliability, and addressing FERC directives that may arise. This activity will require the allocation of technical resources from several internal NERC departments (e.g., Reliability Assessment and Performance Analysis (RAPA), Reliability Risk Management (RRM), Compliance Analysis and Certification (CAC), and Compliance Assurance) and support from across the enterprise.
- In coordination with SDTs and consistent with current approaches, Regional Entities may support outreach during standard development. Additionally, following FERC approval, Regions will assist the transition of standards to compliance monitoring and enforcement supporting industry and auditor training, or providing information regarding the intent of the standard.

2016 Goals and Key Deliverables

- Encourage stakeholder awareness and participation in the NERC standards development process through educational outreach efforts and participation in Standard Drafting Teams, the NERC Standards Committee and related subcommittees.
- Participate in and provide outreach to regional stakeholders regarding nation-wide Standard development (including through announcements, meetings and webinars, enhancement to the Texas RE website, and expansion of the NSRS), to help ensure that ERCOT region perspective is represented in continent-wide Standards.
- Facilitate Texas RE participation in NERC standards development activities, including preparation of recommendations for voting and comments on NERC ballots, and provide standards-related expertise to other Program areas.

-
- Work closely with other Texas RE departments to ensure that staff is appropriately educated and informed regarding proper application and interpretation of standards and requirements while performing functions under the Compliance Monitoring and Enforcement Program (CMEP).
 - Continue to enhance communication to and education of the registered entities in the ERCOT region to increase awareness of regional standards development activities and to ensure adequate representation on the Registered Ballot Body.

Resource Requirements

Personnel Expenses

FTEs are decreasing by 0.50 and personnel expenses for this Program are 23.6% less than 2015.

Consultants and Contracts

No consulting support and contracts are budgeted for 2016, which is consistent with the 2015 budget.

Reliability Standards Program

The following table shows the funding sources and related expenses for the Reliability Standards Program for 2016. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
RELIABILITY STANDARDS					
	2015	2015	Variance	2016	Variance
	Budget	Projection	2015 Projection	Budget	2016 Budget
			v 2015 Budget		v 2015 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 530,921	\$ 530,921	\$ -	\$ 361,747	\$ (169,174)
Penalty Sanctions	24,447	24,447	-	12,751	(11,696)
Total NERC Funding	\$ 555,368	\$ 555,368	\$ -	\$ 374,498	\$ (180,870)
Membership Dues	\$ 935	935	-	-	(935)
Interest	761	761	-	38	(723)
Total Funding	\$ 557,064	\$ 557,064	\$ -	\$ 374,536	\$ (182,528)
Expenses					
Personnel Expenses					
Salaries	\$ 287,955	\$ 287,955	\$ -	208,137	\$ (79,818)
Payroll Taxes	27,208	27,208	-	16,001	(11,206)
Benefits	26,670	26,670	-	37,853	11,183
Retirement Costs	41,754	41,754	-	31,192	(10,562)
Total Personnel Expenses	\$ 383,586	\$ 383,586	\$ -	\$ 293,183	\$ (90,403)
Meeting & Travel Expenses					
Meetings	\$ -	\$ -	\$ -	-	\$ -
Travel	9,521	9,521	-	14,333	4,812
Conference Calls	-	-	-	-	-
Total Meeting & Travel Expenses	\$ 9,521	\$ 9,521	\$ -	\$ 14,333	\$ 4,812
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	-	\$ -
Office Rent	-	-	-	-	-
Office Costs	1,604	1,604	-	1,645	41
Professional Services	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 1,604	\$ 1,604	\$ -	\$ 1,645	\$ 41
Total Direct Expenses	\$ 394,711	\$ 394,711	\$ -	\$ 309,161	\$ (85,550)
Indirect Expenses	\$ 220,643	\$ 220,643	\$ -	\$ 164,195	\$ (56,448)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 615,354	\$ 615,354	\$ -	\$ 473,356	\$ (141,998)
Change in Assets	\$ (58,290)	\$ (58,290)	\$ -	\$ (98,820)	\$ (40,530)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(8,548)	(8,548)	-	(4,353)	4,195
Inc(Dec) in Fixed Assets (C)	\$ (8,548)	\$ (8,548)	\$ -	\$ (4,353)	\$ 4,195
TOTAL BUDGET	\$ 606,806	\$ 606,806	\$ -	\$ 469,003	\$ (137,803)
TOTAL CHANGE IN WORKING CAPITAL	\$ (49,742)	\$ (49,742)	\$ -	\$ (94,467)	\$ (44,725)

Approved by the Texas RE Board of Directors May 21, 2015

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	33.50	35.75	2.3
Direct Expenses	\$ 5,850,689	\$ 5,544,552	\$ (306,137)
Indirect Expenses	\$ 3,285,129	\$ 3,354,269	\$ 69,140
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (127,270)	\$ (88,917)	\$ 38,353
Total Funding Requirement	\$ 9,008,548	\$ 8,809,903	\$ (198,645)

Program Scope and Functional Description

Texas RE's Compliance Monitoring and Enforcement and Organization Registration and Certification Program (CMEP) includes the key activities of registering (and where required, certifying) responsible entities, monitoring and assessing compliance with the NERC Reliability Standards and regional standards, and enforcing and ensuring mitigation of violations of Standards in accordance with the NERC ROP. The primary monitoring and assessment methods include audits, self-reports, self-certifications, complaints, spot checks, compliance investigations, exception reporting, and data submittals.

There are several major ERO-wide activities that are expected to benefit NERC, the Regional Entities, and registered entities. The risk-based Compliance and Enforcement Program (risk-based CMEP) formerly known as the Reliability Assurance Initiative (RAI), is a multi-year effort to identify and implement changes to enhance the effectiveness of the ERO's compliance and enforcement functions. Risk-based CMEP is designed to improve BES reliability by refocusing efforts on serious and substantial reliability risks and on the internal controls that mitigate those risks. The Risk-Based Registration Initiative (RBR), is a project that is assessing the current registration criteria and practices to ensure the right entities are subject to the right set of applicable Reliability Standards, using a consistent and common approach to risk assessment and registration across the ERO Enterprise. In addition, NERC, the Regional Entities, and registered entities will transition to apply Critical Infrastructure Protection (CIP) Version 5, which adopts new cybersecurity controls and extends the scope of the systems that the CIP standards protect.

Two elements of risk-based CMEP—RBR and the CIP Version 5 transition—are expected to be major activities for Texas RE in 2016. Risk-based CMEP, for example, will require Texas RE to allocate resources to re-validate the design and to enhance the processes necessary to implement risk-based CMEP for both compliance and enforcement. Additionally, increased resources may be required to meet the training requirements for the compliance and enforcement staff associated with the implementation of risk-based CMEP 2016 Key Assumptions. Because resource demands are not fully known, consideration will be given to reallocating existing staff or

using available reserves to provide the resource support, if Texas RE determines this to be necessary to support the successful implementation (or transition) of these major activities.

2016 Key Assumptions

- The implementation of the risk-based CMEP, as transformed through the Reliability Assurance Initiative (RAI), will require the allocation of dedicated resources from both NERC and the Regional Entities for both compliance and enforcement.
- Regional Entities should anticipate at least the same level of participation in implementing the risk-based CMEP as they did in developing it under RAI in 2014 and possibly more as they operationally implement its components for the first time in 2015.
- An assessment project was completed in 2014 to evaluate software systems used for compliance, registration, analysis and tracking, which may result in changing or replacing existing systems in the future. Until a decision is made by the ERO EMG to change or replace existing systems, NERC and the Regional Entities should continue to maintain contractor and consultant services to support existing systems.
- CIP compliance personnel will need to support the transition from the cyber-security Reliability Standards version 3 (V3) to V5 and provide support to entities undergoing a CIP audit:
- NERC will lead the CIP V5 training development, coordination, and facilitation for the ERO CIP auditors and industry outreach. ERO CIP auditors will support these activities in collaboration with NERC, as needed, to ensure appropriate knowledge and guidance are developed, understood, and administered.
- Potential increase in resources may be necessary to support compliance and enforcement activities related to CIP V5 Standards in 2016 and 2017.
- Additional resource considerations should be given to managing the increased amount of registered entities applicable to the CIP Standards due to the addition of “low impact” requirements that are forecast to come into effect in 2017 and 2018.
- Additional resources may be necessary for increased Physical Security activities as the CIP-014 Reliability Standard becomes effective. Similar to the cyber security Reliability Standards activities, industry and auditor training will be developed, along with increased guidance.
- As the depth of focused analysis of reliability performance and events across NERC improves, any identification of possible gaps in standards and compliance monitoring could potentially influence this program area.
- Certification program assessment will result in enhancements to the current program, targeted for implementation in 2016.

- The implementation of the BES definition may place additional resource demands in the registration area. These demands cannot be fully assessed at this time. If a high number of BES exceptions is requested, the potential for a backlog in the first two or three years of implementation is possible.
- Planned oversight activities for 2016 will be aligned with the ERO Enterprise Operating Model and may affect 2016 resource allocation, but they should have little effect on overall NERC resource requirements. NERC understands that each regional entity will need to evaluate its individual resource needs and allocations.

2016 Goals and Key Deliverables

COMPLIANCE MONITORING

- Perform formal, in depth, risk-based compliance audits for the functions posing risk to the BES. The frequency of audits will vary as a result of new risk-based CMEP process implementation. The number of anticipated audits provided below are similar to the current cyclic approach, but may increase or decrease.
- Perform approximately 40 audits including all aspects of 693 and CIP risks identified through risk-based CMEP processes.
- Perform spot checks where warranted due to identified risks, system events, complaints, or other reliability concerns.
- Continue to work with NERC and other Regional Entities to improve consistency of engagements of registered entities.
- Conduct self-certifications of registered entities as needed.
- Increase coordination with Enforcement regarding all compliance monitoring engagements.
- Enhance registered entities' understanding of standard requirements by capturing lessons learned from compliance monitoring engagements and distributing to registered entities via training programs, newsletters, and announcements.
- Review and re-validate risk-based CMEP processes and tools.
- Participation in the RSAW development process.
- Training related to transition to a risk-based monitoring approach.

ENFORCEMENT

- Review, validate, and process or dismiss all possible violations in a timely fashion, to enhance visibility of violations and penalties.
- Manage all settlements and contested cases to completion, as efficiently as possible.

- Coordinate appropriate engineering, other subject matter experts, and legal resources for the processing of alleged violations, including all settlements, appeals, and contested cases.
- Use targeted, aggressive enforcement for the violations posing the most risk to BPS reliability.
- Support streamlined mechanisms implemented to expedite possible violations which pose a lesser reliability risk to the BPS.
- Improve the consistency and timeliness of all compliance and enforcement data tracking to enable review and reporting for compliance and enforcement staff, management, the Texas RE Board, NERC, and stakeholders.
- Promote timeliness and transparency of compliance results, including those efforts associated with meeting the caseload index, average violation aging, and mitigation aging metrics.
- Assure timely mitigation of all violations, assessing all mitigating activities and mitigation plans for effectiveness and reasonableness of implementation, tracking completion of accepted plans to closure, and verifying completion of mitigation plans.

REGISTRATION AND CERTIFICATION

- Continue to monitor activity in the region and to register and certify entities in accordance with Texas RE procedures and the NERC ROP, including revisions to registrations and annual maintenance to reflect new and revised NERC standards. The level of activity is expected to be consistent with 2015.
- Continue to work with NERC and other Regional Entities to improve efficiency and consistency in performing registration and certification functions. Register new entities associated with generation and transmission facilities that may be planned and constructed during the applicable period, and conduct any required certifications.
- Continue to implement the revised Bulk Electric System definition, including execution of the exception process, handling exclusion notices, tracking the status of exclusions and exceptions, and dealing with related issues.

Resource Requirements

Personnel Expenses

FTEs are increasing from 33.5 FTEs in 2015 to 35.75 FTEs in 2016 due to an FTE reallocation, which results in salaries increasing 4.4%. There is a 26.1% increase in benefits due to more employees participating in the plans and increased cost for the benefits. This increase is offset by a 20.7% decrease in payroll taxes. The payroll tax decrease is the result of correctly aligning the taxes with the salary amounts for 2016.

Consultants and Contracts

There is a slight decrease of 10% in contracts and consulting services for this department. The reduction is based on actual 2014 costs and occurs because work previously expected to be performed by consultants would be performed by in-house personnel.

Compliance Monitoring, Enforcement and Organization Registration and Certification Program

The following table shows the funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification Program for 2016. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
COMPLIANCE MONITORING, ENFORCEMENT and ORGANIZATION REGISTRATION and CERTIFICATION					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 7,904,830	\$ 7,904,830	\$ -	\$ 7,389,968	\$ (514,862)
Penalty Sanctions	363,983	363,983	-	260,492	(103,491)
Total NERC Funding	\$ 8,268,813	\$ 8,268,813	\$ -	\$ 7,650,459	\$ (618,354)
Membership Dues	13,927	13,927	-	-	(13,927)
Interest	11,326	11,326	-	773	(10,553)
Total Funding	\$ 8,294,066	\$ 8,294,066	\$ -	\$ 7,651,232	\$ (642,834)
Expenses					
Personnel Expenses					
Salaries	\$ 3,664,126	\$ 3,664,126	\$ -	\$ 3,825,208	\$ 161,082
Payroll Taxes	352,833	352,833	-	279,713	(73,120)
Benefits	442,593	442,593	-	557,967	115,374
Retirement Costs	531,298	531,298	-	556,678	25,380
Total Personnel Expenses	\$ 4,990,849	\$ 4,990,849	\$ -	\$ 5,219,566	\$ 228,717
Meeting & Travel Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 2,900	\$ 2,900
Travel	236,096	236,096	-	146,934	(89,162)
Total Meeting& Travel Expenses	\$ 236,096	\$ 236,096	\$ -	\$ 149,834	\$ (86,262)
Operating Expenses					
Consultants & Contracts	\$ 176,820	\$ 176,820	\$ -	\$ 159,052	\$ (17,768)
Office Rent	-	-	-	-	-
Office Costs	4,924	4,924	-	15,100	10,176
Professional Services	442,000	442,000	-	1,000	(441,000)
Total Operating Expenses	\$ 623,744	\$ 623,744	\$ -	\$ 175,152	\$ (448,592)
Total Direct Expenses	\$ 5,850,689	\$ 5,850,689	\$ -	\$ 5,544,552	\$ (306,137)
Indirect Expenses	\$ 3,285,129	\$ 3,285,129	\$ -	\$ 3,354,269	\$ 69,140
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 9,135,818	\$ 9,135,818	\$ -	\$ 8,898,821	\$ (236,998)
Change in Assets	\$ (841,752)	\$ (841,752)	\$ -	\$ (1,247,588)	\$ (405,836)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(127,270)	(127,270)	-	(88,917)	38,353
Inc(Dec) in Fixed Assets	\$ (127,270)	\$ (127,270)	\$ -	\$ (88,917)	\$ 38,353
TOTAL BUDGET	\$ 9,008,548	\$ 9,008,548	\$ -	\$ 8,809,903	\$ (198,645)
TOTAL CHANGE IN WORKING CAPITAL	\$ (714,482)	\$ (714,482)	\$ -	\$ (1,158,671)	\$ (444,189)

Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	6.50	6.50	-
Direct Expenses	\$ 1,244,298	\$ 1,317,936	\$ 73,638
Indirect Expenses	\$ 637,413	\$ 609,867	\$ (27,546)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (24,694)	\$ (16,167)	\$ 8,527
Total Funding Requirement	\$ 1,857,017	\$ 1,911,637	\$ 54,619

Program Scope and Functional Description

Texas RE's Reliability Assessment and Performance Analysis (RAPA) Program provides input to seasonal and long-term reliability assessments for the adequacy of resources and operating reliability of the BPS in the ERCOT region, both existing and planned, as well as review of system events and disturbances that impact the ERCOT region BPS. In addition to support for these assessments and analyses, Texas RE will continue to participate with NERC in ongoing work to evaluate risk and severity from reliability performance, measure progress in improving current reliability and track leading indicators of future reliability. This program requires validation and analysis of data collected from registered entities, which is used in measurement of ongoing reliability performance of generation, transmission, and demand response. RAPA also identifies risks and analyzes key issues that may affect reliability, such as market practices, legislation, regulation, technology developments, high-impact low frequency (HILF) events, industry trends, or proposed public policy measures. Event analyses will determine causative factors for system disturbances as well as best practices used in preparing or recovering from them. Texas RE will disseminate these insights to industry and seek broader collaboration among stakeholders to identify and reduce threats to reliability.

RAPA also includes Situation Awareness and Infrastructure Security. Situation Awareness covers the assessment of the current condition of and threats to the BPS and development and application of situation awareness tools for monitoring the BPS. Infrastructure Security resources participate in the on-going development of CIP standards, improving regional coordination and cooperation of the CIP program, and to support the NERC-led efforts to develop industry alerts and guidance and to support NERC's role as the Electricity Sector – Information Sharing and Analysis Center. Most of the Texas RE CIP resources functionally reside in the Compliance, Monitoring, Enforcement and Organizational Registration and Certification Program, and much of situation awareness involves initial event review, which is primarily performed as part of the Event Analysis Process, in the RAPA Program.

2016 Key Assumptions

- Current staffing levels are expected to meet known and predicted program needs; however, as many RAPA tasks are presently in preliminary stages of definition or are under re-evaluation, potential additional program staffing demands are not known. Additionally, there is some uncertainty regarding the amount of resources that will be required to support joint Enterprise-wide modeling and data collection systems.
- Continued ERCOT stakeholder support is expected in Regional planning activities that meet ERO schedules for seasonal, long-term and probabilistic risk assessments as well as events analysis and performance metrics.

2016 Goals and Key Deliverables

- Provide independent reviews of reliability assessments for the ERCOT region and assist NERC in its overall development of the long-term, winter and summer assessments, along with the post-seasonal reviews.
- Provide independent review of the two anticipated special reliability assessments in 2016, involving topics such as the impact of physical security, new technologies and environmental regulations, changes in resource mix, gas dependency, or delays in transmission development.
- Oversee collection of reliability data for the ERCOT Region, provide analysis and validation, and support stakeholders as enhancements for databases and portals are added or as new systems are developed. Systems include:
 - Transmission Availability Data System (TADS)
 - Generation Availability Data System (GADS)
 - Demand Response Availability Data System (DADS)
 - Spare Equipment Database (SED)
 - Protection System Mis-operations
- Participate in ERO development of an outcome-based approach to achieve measurable improvements in reliability, utilizing the data above and NERC's adequate level of reliability (ALR) metrics. Collect data and perform analysis as needed to evaluate the ALR metrics. The number of metrics and level of analysis is expected to remain consistent in 2016.
- Provide regional data collection and analysis to meet NERC or FERC initiatives, orders or directives. These may include continuing review of high impact/low frequency events (such as geomagnetic disturbances), physical security, protection system mis-operations, system frequency response, human performance, drought, environmental regulations, single point of failure in protection systems, characterization of contingent load loss and new technology integration. Additional topics are likely to develop based on emerging reliability concerns.

- Review NERC Standards and process developments.
- Review proposed Regional criteria and processes for reliability.
- Continue to implement the NERC event analysis and cause-coding process within the ERCOT Region, expecting a similar volume of events as 2015, estimated at 12 Category 1 (minor), three Category 2 or 3 (moderate impact) and 1 Category 4 or 5 event (significant impact). Conduct follow-up on recommendations from past major events within ERCOT and other Regions and event trends associated with events across the ERO.
- Review approximately 100 lesser system events, such as special protection system mis-operations, communications issues, and frequency disturbances, which do not meet the threshold for NERC events analysis, in order to monitor trends and system impacts in these areas.
- Contribute to the implementation of the BES Definition exception process by providing technical review of exception requests and coordination internally and with other Regions and NERC for consistent application. At this time, the number of such requests is uncertain but is expected to be handled by existing staff.
- Engage ERCOT stakeholders to identify system issues that lead to reliability concerns, including those identified and prioritized by the NERC Reliability Issues Steering Committee.
- Provide workshops, webinars, and other outreach to support industry participation in RAPA programs and to disseminate lessons learned, best practices, trends and observations.
- Texas RE staff will continue ongoing monitoring for Situation Awareness, including system data, weather, technological developments, industry news, and media to understand trends that affect reliability both in the near and long term horizon.
- Texas RE's regional implementation of the Situation Awareness for FERC, NERC and the Regional Entities (SAFNR) tool.
- Texas RE will support utilization of data for Situation Awareness, including regular weekly reporting to NERC along with providing current information on on-going events in the ERCOT Region.
- Texas RE will continue to monitor and follow up on NERC alerts and anticipates that the volume of alerts will be similar to 2015, or approximately four, with one alert expected to require responses and analysis.
- Texas RE's staff will continue to support initiatives in the Situation Awareness area that concern infrastructure security, working closely NERC cyber security staff. An example is participation in the NERC Grid-X Security exercise.

Resource Requirements

Personnel Expenses

The number of FTEs is remaining constant for 2016.

Consultants and Contracts

No consulting support and contracts are budgeted for 2016, which is consistent with the 2015 budget.

Reliability Assessment and Performance Analysis Program

The following table shows the funding sources and related expenses for the Reliability Assessment and Performance Analysis Program for 2016. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,533,773	\$ 1,533,773	\$ -	\$ 1,343,630	\$ (190,143)
Penalty Sanctions	70,624	70,624	-	47,362	(23,262)
Total NERC Funding	\$ 1,604,397	\$ 1,604,397	\$ -	\$ 1,390,993	\$ (213,404)
Membership Dues	\$ 2,702	2,702	-	-	(2,702)
Interest	\$ 2,198	2,198	-	141	(2,057)
Total Funding	\$ 1,609,296	\$ 1,609,296	\$ -	\$ 1,391,133	\$ (218,164)
Expenses					
Personnel Expenses					
Salaries	\$ 836,623	\$ 836,623	\$ -	\$ 871,652	\$ 35,029
Payroll Taxes	79,049	79,049	-	66,974	(12,075)
Benefits	129,673	129,673	-	135,225	5,552
Retirement Costs	121,310	121,310	-	127,401	6,091
Total Personnel Expenses	\$ 1,166,654	\$ 1,166,654	\$ -	\$ 1,201,251	\$ 34,597
Meeting & Travel Expenses					
Travel	72,284	72,284	-	75,825	3,541
Total Meeting & Travel Expenses	\$ 72,284	\$ 72,284	\$ -	\$ 75,825	\$ 3,541
Operating Expenses					
Office Costs	5,360	5,360	-	40,860	35,500
Professional Services	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 5,360	\$ 5,360	\$ -	\$ 40,860	\$ 35,500
Total Direct Expenses	\$ 1,244,298	\$ 1,244,298	\$ -	\$ 1,317,936	\$ 73,638
Indirect Expenses	\$ 637,413	\$ 637,413	\$ -	\$ 609,867	\$ (27,546)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,881,711	\$ 1,881,711	\$ -	\$ 1,927,803	\$ 46,092
Change in Assets	\$ (272,416)	\$ (272,416)	\$ -	\$ (536,670)	\$ (264,256)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(24,694)	(24,694)	-	(16,167)	8,527
Inc(Dec) in Fixed Assets	\$ (24,694)	\$ (24,694)	\$ -	\$ (16,167)	\$ 8,527
TOTAL BUDGET	\$ 1,857,017	\$ 1,857,017	\$ -	\$ 1,911,637	\$ 54,619
TOTAL CHANGE IN WORKING CAPITAL	\$ (247,721)	\$ (247,721)	\$ -	\$ (520,503)	\$ (272,783)

Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	2.25	2.25	-
Direct Expenses	\$ 299,234	\$ 386,160	\$ 86,925
Indirect Expenses	\$ 220,643	\$ 211,108	\$ (9,535)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (8,548)	\$ (5,596)	\$ 2,952
Total Funding Requirement	\$ 511,329	\$ 591,672	\$ 80,342

Program Scope and Functional Description

Texas RE's Training, Education, and Operator Certification Program provides education and training primarily focused on implementation of the CMEP (including processes and expectations), application of Standards, lessons learned from event analysis, and other related information pertinent to system reliability and compliance. Texas RE subject matter experts from other Programs provide expertise for educational materials, meetings, and workshops. In addition, Texas RE provides assistance for the annual ERCOT Operations Training Seminar.

Texas RE will continue to coordinate Standards and Compliance workshops and other education and sharing meetings and webinars, including *Talk with Texas RE*, in 2016. The purpose of these workshops, meetings, and webinars is to provide standards, compliance, and procedural information and expectations, share lessons learned and best practices, obtain feedback from stakeholders, and provide sharing opportunities for registered entities and other stakeholders. Texas RE will use cost effective additional education mechanisms such as webinars, newsletters, and conference calls, and will coordinate presentations by Texas RE subject matter experts at other industry meetings.

2016 Key Assumptions

- Additional resources may be required to support certain training activities of the risk-based CMEP and the CIP version 5 transition.
- The Operating Personnel Certification program is expected to remain at a steady state with no additional resources required from Texas RE.

2016 Goals and Key Deliverables

- Communicate and maintain effective relationships with industry, regulators, and stakeholders.
- Promote stakeholder engagement in Texas RE and the ERO Enterprise, including attending training opportunities.
- Develop technical materials for and present Standards and Compliance workshops for registered entities.
- Present additional workshops, webinars, meetings, and other industry outreach, including *Talk with Texas RE* meetings to support CMEP implementation and any new or modified NERC standards, procedures, or programs.
- Create and publish newsletters that disseminate lessons learned for registered entities and include useful updates regarding standard revisions and interpretations, other reliability or compliance-related information, and Texas RE and NERC activities.
- Coordinate with and provide Texas RE subject matter experts as a resource for ERCOT regional stakeholder training and NERC compliance working groups.
- Provide a mechanism for workshop, webinar, and meeting participants and other stakeholders to provide feedback and suggestions to be used to enhance future workshops, webinars, and meetings.

Resource Requirements

Personnel Expenses

The number of FTEs assigned to this Program are remaining constant in 2016. Personnel expenses have increased to reflect actual costs based on experience. Benefits include professional development and training costs for employees assigned to this Program.

Consultants and Contracts

Consulting support and contracts are consistent with the 2015 budget.

Training, Education, and Operator Certification Program

The following table shows the funding sources and related expenses for the Training, Education, and Operator Certification Program for 2016. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 530,921	\$ 530,921	\$ -	\$ 465,103	\$ (65,819)
Penalty Sanctions	24,447	24,447	\$ -	16,395	(8,052)
Total NERC Funding	\$ 555,368	\$ 555,368	\$ -	\$ 481,497	\$ (73,871)
Membership Dues	935	935	-	-	(935)
Interest	761	761	-	49	(712)
Total Funding	\$ 557,064	\$ 557,064	\$ -	\$ 481,546	\$ (75,518)
Expenses					
Personnel Expenses					
Salaries	\$ 180,683	\$ 180,683	\$ -	\$ 232,644	\$ 51,961
Payroll Taxes	17,072	17,072	-	17,822	750
Benefits	27,385	27,385	-	51,265	23,880
Retirement Costs	26,199	26,199	-	33,588	7,389
Total Personnel Expenses	\$ 251,339	\$ 251,339	\$ -	\$ 335,320	\$ 83,980
Meeting & Travel Expenses					
Meetings	\$ 30,900	\$ 30,900	\$ -	\$ 30,000	\$ (900)
Travel	2,705	2,705	-	6,700	3,995
Conference Calls	10,000	10,000	-	10,000	-
Total Meeting & Travel Expenses	\$ 43,605	\$ 43,605	\$ -	\$ 46,700	\$ 3,095
Operating Expenses					
Consultants & Contracts	\$ 2,250	\$ 2,250	\$ -	\$ 2,000	\$ (250)
Office Rent	-	-	-	-	-
Office Costs	2,040	2,040	-	2,140	100
Professional Services	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 4,290	\$ 4,290	\$ -	\$ 4,140	\$ (150)
Total Direct Expenses	\$ 299,234	\$ 299,234	\$ -	\$ 386,160	\$ 86,925
Indirect Expenses	\$ 220,643	\$ 220,643	\$ -	\$ 211,108	\$ (9,535)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 519,877	\$ 519,877	\$ -	\$ 597,268	\$ 77,390
Change in Assets	\$ 37,186	\$ 37,186	\$ -	\$ (115,722)	\$ (152,909)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Allocation of Fixed Assets	(8,548)	(8,548)	-	(5,596)	2,952
Inc(Dec) in Fixed Assets	\$ (8,548)	\$ (8,548)	\$ -	\$ (5,596)	\$ 2,952
TOTAL BUDGET	\$ 511,329	\$ 511,329	\$ -	\$ 591,672	\$ 80,342
TOTAL CHANGE IN WORKING CAPITAL	\$ 45,734	\$ 45,734	\$ -	\$ (110,125)	\$ (155,861)

Approved by the Texas RE Board of Directors May 21, 2015

Administrative Services

	Administrative Services					
	Direct Expenses & Fixed Assets			FTEs		
	2015 Budget	2016 Budget	Inc (Dec)	2015 Budget	2016 Budget	Inc (Dec)
General and Administrative	1,533,261	1,799,268	266,007	2.00	3.00	1.00
Legal and Regulatory	641,648	476,792	(164,857)	4.50	2.75	(1.75)
Information Technology	1,232,388	1,301,812	69,424	4.00	5.00	1.00
Human Resources	193,440	98,370	(95,070)	1.00	-	(1.00)
Finance and Accounting	594,032	548,164	(45,868)	4.00	3.00	(1.00)
Total Administrative Services	4,194,768	4,224,405	29,637	15.50	13.75	(1.75)

Program Scope and Functional Description

The Administrative Services Program is comprised of the following programs: General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Finance and Accounting. The resource requirements and comparative budget information for each of these functions is described below.

Texas RE allocates its general and administrative expenses to the functional/direct areas proportionately based on FTE count. Each direct activity receives a pro-rata allocation of expense based on its FTEs compared to total FTEs.

Fixed assets that benefit the entire corporation that are not specific to any one activity/function will be allocated based on FTEs to all of the direct activities.

General and Administrative

This Program includes the President and CEO and the personnel costs for the HR Department. The President and CEO carries out the general affairs of Texas RE, including administrative and corporate facilities support, and includes the time and expenses of the Texas RE Board. The President and CEO reports to the Board and is responsible for leading, overseeing and managing the activities of Texas RE, managing relationships with NERC, FERC, registered entities, and other stakeholders, and for making final decisions with respect to non-contested enforcement actions. The CEO's time is expended for and charged to other operational Program activities.

Personnel expenses are increasing due in part to the personnel cost for Human Resources (HR) being included in General and Administrative (G&A) beginning in 2016. The benefits expenses in G&A now include tuition reimbursement, training and classes, and relocation costs previously charged to HR.

Consulting fees and contracts are increasing 50.8% due to a compensation study for the Board of Directors.

Legal and Regulatory

The Legal and Regulatory area provides legal advice, counsel, and governmental and external relations support to Texas RE management, Board, and employees, on all legal and regulatory matters affecting the organization. The Legal and Regulatory group also oversees (1) corporate membership enrollment, meetings and voting; (2) Board meetings, minutes, support, training and other activities; (3) corporate documents and transactions; (4) governmental, regulatory relations and communications; (5) the work of any outside legal counsel; and (6) the prosecution of any contested enforcement matters.

2016 Key Assumptions

- Texas RE will maintain the scope of its current operations.
- Activities of the Legal and Regulatory program will be consistent with current levels.

2016 Key Deliverables and Goals

- Provide timely, useful legal advice to the CEO, the Board, and all Program areas, and provide annual employee and Board ethics and antitrust compliance training.
- Effectively communicate information to the Board, Texas RE members, and registered entities.
- Oversee membership registration, membership voting and meetings, and maintain an accurate roster of members.
- Maintain effective relationships and communications with NERC, FERC, PUCT, and other state and federal representatives, and timely file all documents required by NERC or FERC.
- Review contracts and corporate documents.
- Update and maintain corporate policies and procedures.
- Assist with the prosecution and any appeal of contested enforcement or disputed registration matters.

The budgeted number of FTEs for Legal and Regulatory is 2.75, a decrease of 1.75 FTEs over 2015. The FTEs were reallocated to the CMEP program to better align actual work performed.

Consulting support and contracts are consistent with the 2015 budget.

Information Technology

Texas RE's Information Technology (IT) program provides information technology and security support to Texas RE, including the following: hardware, systems, software, and applications; physical security, electronic security, data center operations, IT and security-related vendor management, strategy, planning, development, and deployment of enterprise systems,

application, and training, research, and planning for improvement and efficiency of business process and operations.

Texas RE's approach is to keep its in-house IT staff small and efficiently outsource maintenance, services, and major development to ensure that applications and hardware are well maintained, service levels remain high, costs are controlled, and systems are consistent with business, federal, and regional requirements.

Texas RE supports the ERO efforts to implement, operate and maintain software tools supporting common enterprise wide operations which have been approved by the ERO Executive Management Group (EROEMG), which is comprised of the senior leadership of NERC and each of the Regional Entities. Texas RE's budget assumes the availability of enterprise software tools as described in NERC's Business Plan and Budget. If implementation of these software applications are delayed or otherwise not available as planned, Texas RE could incur additional costs to conduct operations pending the availability of these applications.

NERC and the Regional Entities are committed to working collaboratively to minimize duplication of effort and investments, and improve operational efficiency. This collaboration continues to refine existing strategies, governance and procurement practices applicable to the development, operation and maintenance of enterprise architecture, software and data systems supporting combined NERC and Regional Entity operations.

The NERC information technology budget does not supplant Texas RE's need for IT expenditures for specific regional projects and internal region specific IT support needs. Texas RE's 2016 Business Plan and Budget assumes agreed-upon ERO Enterprise applications will be available and includes on Texas RE costs for internal region specific supports needs.

2016 Key Assumptions

- Focus on better leverage of current technology to support business functions and workflow.
- Increase knowledge of industry best practices for security, data management, and system administration.

2016 Goals and Key Deliverables

- Provide IT and security support to all Texas RE's operations, including: IT and security budget; infrastructure; service support; service design and delivery; service transition; and hardware and network security in a secure and efficient manner, with the following strategy:
 - Continue to develop knowledge of systems through training and experience to reduce the reliance on external vendors.
 - Continue to utilize third-party security services to evaluate and test Texas RE's security posture, while fostering maturity in Texas RE's Internal Controls Program and security posture.
 - Continue to maintain the appropriate number of employees to oversee the strategy, policies and procedures, service and performance, budget, and vendor management. Cross-train employees to serve as backups and mentors to each other.

-
- Continue to outsource IT and security services that are not within the core competencies or IT's cost containment plan, and augment employees with temporary contractors as needed to meet business requirements while developing knowledge of systems through training and experience to reduce the reliance on external vendors.
 - Develop internal applications to increase consistency, efficiency, and assist users in business processes.
 - Assist business staff with development of webCDMS enhancement requests and other IT-related project requirements, and prioritize and oversee all IT or security-related projects.
 - Coordinate and share best practices with other Regional Entities and NERC.
 - Participate in the design, planning and implementation of ERO Centralized Applications.
 - Continue maturing a Security Awareness Program that addresses, through education and training, social vulnerabilities that pose threats to Texas RE systems.
 - Train and support Texas RE staff on software and applications.
 - Continue to develop and test failover and disaster recovery methods for all Texas RE systems.
 - Improve the usability and functionality of Texas RE's website and implement an extranet site.

FTEs are increasing by 1.0.

Consulting fees and contracts are decreasing 28.2% due to significant improvements in Disaster Recovery capabilities eliminating the need for offsite tape vaulting.

Human Resources

The Texas RE Human Resource (HR) program area is responsible for the delivery of all HR functions including: recruitment, staffing, compensation, benefits, health and safety, employee relations, performance management, and employee training and development. HR maintains Human Resources related databases and ensures compliance with all federal and state requirements.

2016 Key Assumptions

- Provide competitive compensation and benefits.
- Ensure that Texas RE maintains a skilled, qualified workforce.
- Maintain appropriate salaries and benefits based on industry data.

2016 Goals and Key Deliverables

- Recruit highly skilled employees.
- Review and update employee handbook and policies and procedures, as needed.
- Review and manage employee benefit plans.
- Review Texas RE compensation strategy in concert with executive management team to ensure Texas RE remains a competitive employer in its industry.

Personnel expenses are reported under G&A beginning in 2016.

Consulting services and contracts are increasing significantly in 2016 due to a compensation study and a potential custom Regional Entity salary survey.

Finance and Accounting

The Finance and Accounting function provides all accounting services and financial analysis for Texas RE. Texas RE Finance and Accounting personnel are responsible for general accounting and reporting, budget preparation and reporting, cash management, and tax filing.

2016 Key Assumptions

- Current accounting systems and controls are adequate.
- Identify and implement efficiencies in financial processes.
- Provide improved reporting and financial analysis to Directors, Finance and Audit Committee and the Board of Directors.

2016 Goals and Key Deliverables

- Work with all Regional Entities to provide consistency in budget submittals to NERC and FERC.
- Provide improved reporting and financial analysis to the Texas RE CEO, managers, and the Texas RE Board.
- Ensure strong internal controls designed to protect the assets of Texas RE and ensure accurate financial reporting.
- Identify and implement efficiencies in the financial processes.
- Ensure that Texas RE receives an unqualified opinion on the audit of its financial statements.

FTEs are decreasing by 1.0. The FTE has been reallocated to G&A.

No consulting support and contracts are budgeted for 2016, which is consistent with the 2015 budget.

Administrative Services

The following table shows funding sources and related expenses for the Administrative Services section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Department Section and with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
ADMINISTRATIVE SERVICES					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 1,562,394	\$ 1,562,394	\$ -	\$ 1,611,847	\$ 49,454
Payroll Taxes	141,679	141,679	-	116,213	(25,466)
Benefits	290,809	290,809	-	293,639	2,830
Retirement Costs	214,889	214,889	-	219,218	4,329
Total Personnel Expenses	\$ 2,209,770	\$ 2,209,770	\$ -	\$ 2,240,917	\$ 31,147
Meeting and Travel Expenses					
Meetings	\$ 12,826	\$ 12,826	\$ -	\$ 17,450	\$ 4,624
Travel	130,502	130,502	-	124,323	(6,179)
Conference Calls	3,640	3,640	-	-	(3,640)
Total Meeting & Travel Expenses	\$ 146,968	\$ 146,968	\$ -	\$ 141,773	\$ (5,195)
Operating Expenses					
Consultants & Contracts	\$ 109,000	\$ 109,000	\$ -	\$ 181,096	\$ 72,096
Office Rent	427,080	427,080	-	489,557	62,477
Office Costs	623,030	623,030	-	612,562	(10,468)
Professional Services	635,240	635,240	-	514,500	(120,740)
Depreciation	212,740	212,740	-	159,033	(53,707)
Total Operating Expenses	\$ 2,007,090	\$ 2,007,090	\$ -	\$ 1,956,748	\$ (50,342)
Total Direct Expenses	\$ 4,363,828	\$ 4,363,828	\$ -	\$ 4,339,438	\$ (24,390)
Indirect Expenses	\$ (4,363,828)	\$ (4,363,828)	\$ -	\$ (4,339,438)	\$ 24,390
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 0	\$ 0	\$ -	\$ -	\$ (0)
Change in Assets	\$ (0)	\$ (0)	\$ -	\$ -	\$ 0
Fixed Assets					
Depreciation	(212,740)	(212,740)	-	(159,033)	53,707
Computer & Software CapEx	43,680	43,680	-	44,000	320
Allocation of Fixed Assets	169,060	\$ 169,060	-	115,033	(54,027)
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 0	\$ 0	\$ -	\$ -	\$ (0)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (0)	\$ (0)	\$ -	\$ -	\$ 0

Approved by the Texas RE Board of Directors May 21, 2015

Section B – Supplemental Financial Information

2016 Business Plan and Budget



Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2015-2016	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2014	5,254,312
Plus: 2015 Funding (from LSEs or designees)	10,983,946
Plus: 2015 Other funding sources	33,545
Less: 2015 Projected expenses & capital expenditures	(11,983,701)
Projected Working Capital Reserve (Deficit), December 31, 2015	4,288,102
Desired Working Capital Reserve, December 31, 2016 ¹	2,404,335
Minus: Projected Working Capital Reserve, December 31, 2015	(4,288,102)
Minus: adjustment to Cash Reserve, December 31, 2015	-
Increase(decrease) in funding requirement to achieve Working Capital Reserve	(1,883,767)
2016 Expenses and Capital Expenditures	11,782,215
Less: Penalty Sanctions ²	(337,000)
Less: Other Funding Sources	(1,000)
Adjustment to achieve desired Working Capital Reserve	(1,883,767)
2016 NERC Assessment	9,560,448

¹ On May 21, 2015, the Finance and Audit Committee of the NERC Board of Trustees approved management's proposed 2016 Business Plan and Budget which included a projected year end working capital reserve of approximately \$2.4M.

² Represents collections on or prior to June 30, 2015.

Explanation of Changes in Reserve Policy from Prior Years

Consistent with its Working Capital and Operating Reserve Policy, Texas RE is retaining its \$2,000,000 cash reserve requirement plus an additional \$400,000 and has obtained a \$500,000 line of credit to ensure it has appropriate liquidity for contingencies.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the statement of activities on page 9 of the 2016 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Texas RE anticipates no variance between budgeted and actual/forecasted results for 2015. The 2016 budget was based on this information.

Penalty Sanctions

Penalty monies received by June 30, 2015 are to be used to offset assessments in the 2016 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, 2015 through June 30, 2016 will be used to offset assessments in the 2017 Budget.

All penalties received by June 30, 2015 are detailed in exhibit B-2.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards; Compliance Monitoring & Enforcement and Organization Registration & Certification; Reliability Assessments and Performance Analysis; and Training, Education and Operator Certification. Penalty sanctions are allocated based 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 On or Prior to June 30, 2015	Date Received	Amount Received
	7/3/2014	25,000
	8/21/2014	20,000
	9/3/2014	40,000
	9/19/2014	10,000
	11/10/2014	28,000
	12/22/2014	56,000
	1/9/2015	106,000
	5/7/2015	52,000
Total Penalties Received		<u>\$ 337,000</u>

Table B-3 – Supplemental Funding

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget
Reliability Standards				
Total	\$ -	\$ -	\$ -	\$ -
Compliance Monitoring, Enforcement & Org. Registration				
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Workshops	\$ -	\$ -	\$ -	-
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security				
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ 15,045	\$ 15,045	\$ 1,000	\$ (14,045)
Membership Dues	\$ 18,500	\$ 18,500	\$ -	\$ (18,500)
Total	\$ 33,545	\$ 33,545	\$ 1,000	\$ (32,545)
Total Outside Funding	\$ 33,545	\$ 33,545	\$ 1,000	\$ (32,545)

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Texas RE anticipates its investments will earn interest of approximately \$1,000 in 2016. The decrease reflects historical interest income.
- Texas RE will not charge membership dues for 2016, in order to encourage increased membership.

Table B-4 – Personnel Expenses

Personnel Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Total Salaries	\$ 6,531,781	\$ 6,531,781	\$ 6,749,489	\$ 217,708	3.3%
Total Payroll Taxes	617,840	617,840	496,723	(121,117)	-19.6%
Total Benefits	917,129	917,129	1,075,949	158,819	17.3%
Total Retirement	935,450	935,450	968,077	32,628	3.5%
Total Personnel Costs	\$ 9,002,199	\$ 9,002,199	\$ 9,290,238	\$ 288,038	3.2%
FTEs	60.00	60.00	60.00	-	0.0%
Cost per FTE					
Salaries	\$ 108,863	\$ 108,863	\$ 112,491	3,628	3.3%
Payroll Taxes	10,297	10,297	8,279	(2,019)	-19.6%
Benefits	15,285	15,285	17,932	2,647	17.3%
Retirement	15,591	15,591	16,135	544	3.5%
Total Cost per FTE	\$ 150,037	\$ 150,037	\$ 154,837	\$ 4,801	3.2%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Total costs for Texas RE personnel expenses are increasing by 3.2%. Salaries are increasing 3.3% due to anticipated annual merit increases and promotions and to reflect the reassignment of certain full-time equivalents (FTEs) to higher-salary positions. Payroll taxes are decreasing 19.6% to more accurately reflect actual tax costs based on experience. The decrease in taxes is offset by employee benefits, which are increasing 17.3% primarily due to a projected 12% increase in health benefits.
- Total benefits include employee training, relocation, and employee education reimbursement.
- A vacancy rate of 2% is assumed for the 2016 budget.

Table B-5 – Meeting & Travel Expenses

Meeting and Travel Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Meetings	\$ 43,726	\$ 43,726	\$ 50,350	\$ 6,624	15.1%
Travel	451,108	451,108	368,115	(82,993)	-18.4%
Conference Calls	13,640	13,640	10,000	(3,640)	-26.7%
	\$ 508,474	\$ 508,474	\$ 428,465	\$ (80,009)	-15.7%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Meeting Expense is increasing due to the anticipated costs of on-site meetings in the new conference room space.
- The ability to hold meetings on-site is reducing travel expense.

Table B-6 – Consultants and Contracts

Consultants and Contracts	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	176,820	176,820	159,052	(17,768)	-10.0%
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	2,250	2,250	2,000	(250)	-11.1%
General and Administrative	47,004	47,004	70,896	23,892	50.8%
Legal and Regulatory	3,000	3,000	3,200	200	6.7%
Information Technology	38,996	38,996	28,000	(10,996)	-28.2%
Human Resources	20,000	20,000	79,000	59,000	295.0%
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 288,070	\$ 288,070	\$ 342,148	\$ 54,078	18.8%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

Table B-7 – Office Rent

Rent	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Office Rent	\$ 427,080	\$ 427,080	\$ 489,557	\$ 62,477	14.6%
Utilities			-	-	
Maintenance			-	-	
Total Office Rent	\$ 427,080	\$ 427,080	\$ 489,557	\$ 62,477	14.6%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Rent expense is increasing by 14.6%. The increase in rent is due to additional conference space being leased beginning in 2015.
- The rent expense includes utilities.

Table B-8 – Office Costs

Office Costs	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Telephone/Cell Phone	\$ 17,280	\$ 17,280	\$ 24,760	\$ 7,480	43.3%
Internet Expense	140,000	140,000	125,000	(15,000)	-10.7%
Office Supplies	28,779	28,779	49,590	20,811	72.3%
Computer Supplies & Maintenance	31,530	31,530	28,100	(3,430)	-10.9%
Software & Software Maintenance	142,080	142,080	161,020	18,940	13.3%
Subscriptions & Publications	23,300	23,300	34,450	11,150	47.9%
Dues	7,419	7,419	12,350	4,931	66.5%
Postage	535	535	495	(40)	-7.5%
Express Shipping	575	575	575	-	0.0%
Stationary & Office Forms	3,910	3,910	2,200	(1,710)	-43.7%
Equipment Repair/Srv. Contracts	2,000	2,000	5,000	3,000	150.0%
Bank Charges	2,100	2,100	2,313	213	10.1%
Property Taxes	25,200	25,200	15,000	(10,200)	-40.5%
Merchant Credit Card Fee	2,250	2,250	1,454	(796)	-35.4%
IT-Leased Equipment	210,000	210,000	200,000	(10,000)	-4.8%
Total Office Costs	\$ 636,958	\$ 636,958	\$ 662,307	\$ 25,349	3.98%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- All categories in the Office Costs have been adjusted in the 2016 budget to more accurately reflect actual experience, including Telephone/Cell phone and Office supplies. Office Supplies are increasing to cover supplies for the added conference area space.
- Internet Expense is decreasing primarily due to negotiation for cost savings with the telecommunications vendors.
- Software and Software Maintenance increased to cover the cost of licenses and maintenance agreements for ongoing and new software programs. The increase is partially offset by the decrease in Computer Supplies and Maintenance.
- Subscriptions and Publications increased to cover costs for Board of Director meeting package publication software.
- Dues increase is caused by more employees maintaining professional licenses.
- Equipment Repair and Service Contracts is increasing for maintenance on equipment not covered under maintenance agreements.
- Stationery and Office Forms decreased 43.7% to more accurately reflect actual experience.
- Property Taxes decreased primarily due to moving the data center location from the Dallas area to San Antonio.
- Merchant credit card fee decrease is due to negotiating rates for a corporate card for company travel.

Table B-9 – Professional Services

Professional Services	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Board of Director Fees	\$ 351,600	\$ 351,600	\$ 275,000	\$ (76,600)	-21.8%
Accounting & Auditing Fees	88,400	88,400	42,500	(45,900)	-51.9%
Legal Fees	472,000	472,000	31,000	(441,000)	-93.4%
Insurance - Commercial	81,000	81,000	75,000	(6,000)	-7.4%
Professional Services-Other	84,240	84,240	92,000	7,760	9.2%
Total Professional Services	\$ 1,077,240	\$ 1,077,240	\$ 515,500	\$ (561,740)	-52.1%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Fees paid to Independent Board of Directors have been adjusted to reflect actual experience.
- Accounting and Auditing fees are decreasing 51.9%. The decrease is partially due to negotiated rates with the outside auditors, the payroll service, and expense reimbursement and travel agent service. The budget for these fees has been reduced to reflect historical experience.
- Legal Fees are decreasing because the costs for a potential contested case are not included in the 2016 operating budget.
- Commercial Insurance is projected to decrease 7.4% based on an estimate from the broker. Texas RE now has history with an experience rating that allows for better rates.

Table B-10 – Miscellaneous Expense

Miscellaneous	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Miscellaneous Expense	\$ -	\$ -	\$ -	\$ -	-
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- N/A

Table B-11 – Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2015	Projection 2015	Budget 2016	Variance	
				2016 Budget v 2015 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment					-
Office Relocation	-	-	-		-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- N/A

Table B-12 – Fixed Assets

Fixed Assets	Budget 2015	Projection 2015	Budget 2016	Variance	
				2016 Budget v 2015 Budget	Variance %
Depreciation	\$ (212,740)	\$ (212,740)	\$ (159,033)	\$ 53,707	-25.2%
Computer & Software CapEx	43,680	43,680	44,000	320	0.7%
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	-	-	-	-	
Leasehold Improvements	-	-	-	-	
Total Fix Assets	\$ (169,060)	\$ (169,060)	\$ (115,033)	\$ 54,027	-32.0%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Depreciation is decreasing 25.2% due to assets fully depreciating.
- Computer and software equipment is remaining consistent with 2015 budget.

Table B-13 – 2017 and 2018 Projection

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2016 Budget & Projected 2017 and 2018 Budgets							
	2016 Budget	2017 Projection	\$ Change 17 v 16	% Change 17 v 16	2018 Projection	\$ Change 18 v 17	% Change 18 v 17
Funding							
ERO Funding							
NERC Assessments	\$ 9,560,448	\$ 9,942,865	\$ 382,418	4.00%	\$ 10,340,580	\$ 397,715	3.8%
Penalty Sanctions	337,000	-	(337,000)	-100.00%	-	-	
Total NERC Funding	\$ 9,897,448	\$ 9,942,865	\$ 45,418	0.5%	\$ 10,340,580	\$ 397,715	3.8%
Membership Dues	-	\$ -	-		-	-	
Interest	1,000	1,040	40	4.00%	1,082	42	4.0%
Total Funding (A)	\$ 9,898,448	\$ 9,943,905	\$ 45,458	0.5%	\$ 10,341,662	\$ 397,756	4.0%
Expenses							
Personnel Expenses							
Salaries	\$ 6,749,489	\$ 7,019,468	\$ 269,980	4.0%	\$ 7,300,247	\$ 280,779	4.0%
Payroll Taxes	496,723	516,592	19,869	4.0%	537,256	20,664	4.0%
Benefits	1,075,949	1,118,987	43,038	4.0%	1,163,746	44,759	4.0%
Retirement Costs	968,077	1,006,800	38,723	4.0%	1,047,072	40,272	4.0%
Total Personnel Expenses	\$ 9,290,238	\$ 9,661,847	\$ 371,610	4.0%	\$ 10,048,321	\$ 386,474	4.0%
Meeting & Travel Expenses							
Meetings	\$ 50,350	\$ 52,364	\$ 2,014	4.0%	\$ 54,458.56	2,095	4.0%
Travel	368,115	382,840	14,725	4.0%	398,153	15,314	4.0%
Conference Calls	10,000	10,400	400	4.0%	10,816	416	4.0%
Total Meeting & Travel Expenses	\$ 428,465	\$ 445,604	\$ 17,139	4.0%	\$ 463,428	\$ 17,824	4.0%
Operating Expenses							
Consultants & Contracts	\$ 342,148	\$ 355,834	13,686	4.0%	\$ 370,067	14,233	4.0%
Office Rent	489,557	509,139	19,582	4.0%	529,505	20,366	4.0%
Office Costs	672,307	699,199	26,892	4.0%	727,167	27,968	4.0%
Professional Services	515,500	536,120	20,620	4.0%	557,565	21,445	4.0%
Depreciation	159,033	165,394	6,361	4.0%	172,010	6,616	4.0%
Total Operating Expenses	\$ 2,178,545	\$ 2,265,687	\$ 87,142	4.0%	\$ 2,356,314	\$ 90,627	4.0%
Total Direct Expenses	\$ 11,897,248	\$ 12,373,137	\$ 475,890	4.0%	\$ 12,868,063	\$ 494,925	4.0%
Indirect Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	
Total Expenses (B)	\$ 11,897,248	\$ 12,373,137	\$ 475,890	4.0%	\$ 12,868,063	\$ 494,925	4.0%
Change in Assets	\$ (1,998,800)	\$ (2,429,232)	\$ (430,432)	21.5%	\$ (2,526,401)	\$ (97,169)	4.0%
Fixed Assets							
Depreciation	\$ (159,033)	\$ (165,394)	\$ (6,361)	4.0%	\$ (172,010)	\$ (6,616)	4.0%
Computer & Software CapEx	44,000	45,760	1,760	4.0%	47,590	1,830	4.0%
Inc(Dec) in Fixed Assets (C)	\$ (115,033)	\$ (119,634)	\$ (4,601)	4.0%	\$ (124,420)	\$ (97,169)	0.0%
TOTAL BUDGET (=B + C)	\$ 11,782,215	\$ 12,253,503	\$ 471,289	4.0%	\$ 12,743,643	\$ 494,925	4.0%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (1,883,767)	\$ (2,309,598)	\$ (425,831)	22.6%	\$ (2,401,982)	(92,384)	4.0%
FTEs	60	60	-	0.0%	60	-	-

2017 and 2018 Projection Analysis

- Assumes overall workload will remain consistent; reflects no additional FTEs and an overall expense increase of approximately 4% per year.

Section C – 2016 State (Non-Statutory) Activities 2016 Business Plan and Budget



Section C — 2016 State (Non-Statutory) Business Plan and Budget

State (Non-Statutory) Activities (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	5.0	5.0	
Direct Expenses	999,100	1,029,073	29,973
Indirect Expenses	-	-	-
Inc(Dec) in Fixed Assets	-	-	
Total Funding Requirement	999,100	1,029,073	29,973

State (Non-Statutory) Functional Scope

Texas RE is authorized by Public Utility Commission of Texas (PUCT), and is permitted by NERC, to serve as PUCT’s Reliability Monitor for the ERCOT region. Under the direction of PUCT, Texas RE performs audits, investigations, monthly metrics review, and other monitoring and reporting of market entities’ compliance with the reliability-related ERCOT Protocols, Operating Guides, and PUCT rules (Regional Rules). Texas RE also monitors the ERCOT Regional Rules creation and modification process and provides technical support to the PUCT regarding proposed reliability-related changes. Texas RE does not perform any enforcement activities related to Regional Rules, but, when needed, provides testimony and technical support to PUCT for its enforcement cases.

Major 2016 Assumptions and Cost Impacts

- Texas RE will continue to be the Reliability Monitor and perform ERCOT Regional Rules compliance monitoring and reporting for PUCT in 2016.

2016 State (Non-Statutory) Goals and Objectives

- Appropriately monitor, investigate, and report to PUCT regarding stakeholder compliance with the Regional Rules.
- Review and assess system disturbances for potential violations of ERCOT Regional Rules and report all findings to PUCT.
- Provide technical expertise to PUCT for the review and modification of ERCOT Regional Rules that impact reliability of the BES.
- Provide technical or testimony support as needed to the PUCT for its enforcement of ERCOT Regional Rules violations.

Funding Sources

- State (Non-Statutory) activities are funded through the ERCOT ISO system administration fee and payment to Texas RE is authorized by the PUCT. Texas RE’s total 2016 non-statutory budget and funding is \$1,029,079.
- Total expenses for 2016 are increasing 3% over 2015 .

Personnel Expenses

- State (Non-statutory) personnel are remaining constant at 5 FTEs. Personnel expenses are increasing 16.1%. One FTE will continue to represent the composite of time spent on non-statutory activities by employees who report to statutory and G&A program areas.

Meeting and Travel Expenses

- Meeting and travel is increasing 66.7%. The increase is primarily due to conference calls for meetings. This increase is offset by a decrease in Operating Expenses.

Operating Expenses

- Operating expenses are decreasing 50.3%.

Indirect Expenses

- Costs are being charged directly to the expense line item in 2016, therefore, no indirect expenses are charged.

Section C — 2016 Business Plan – 2016 State (Non-Statutory) Activities

2016 Budget and Projection and 2015 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
STATE (NON-STATUTORY)					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -		\$ -	\$ -
Penalty Sanctions	-	-		-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
PUCT	\$ 999,100	\$ 999,100		\$ 1,029,073	\$ 29,973
Total Funding (A)	\$ 999,100	\$ 999,100	\$ -	\$ 1,029,073	\$ 29,973
Expenses					
Personnel Expenses					
Salaries	\$ 600,736	\$ 600,736		\$ 672,103	\$ 71,368
Payroll Taxes	48,624	48,624		51,667	3,043
Benefits	62,841	62,841		106,573	43,732
Retirement Costs	86,607	86,607		97,455	10,848
Total Personnel Expenses	\$ 798,807	\$ 798,807	\$ -	\$ 927,798	\$ 128,991
Meeting and Travel Expenses					
Travel	1,500	1,500		1,500	\$ -
Conference Calls	-	-		1,000	1,000
Total Meeting and Travel Expenses	\$ 1,500	\$ 1,500	\$ -	\$ 2,500	\$ 1,000
Operating Expenses					
Consultants & Contracts	\$ 99,593	\$ 99,593		\$ 22,861	(76,732)
Office Rent	32,146	32,146		50,000	17,854
Office Costs	41,625	41,625		7,220	(34,405)
Professional Services	8,640	8,640		7,140	(1,500)
Depreciation	16,789	16,789		11,553	(5,236)
Total Operating Expenses	\$ 198,793	\$ 198,793	\$ -	\$ 98,774	\$ (100,019)
Total Direct Expenses	\$ 999,100	\$ 999,100	\$ -	\$ 1,029,073	\$ 29,973
Indirect Expenses	\$ -	\$ -			\$ -
Other Non-Operating Expenses	\$ -	\$ -		\$ -	\$ -
Total Expenses (B)	\$ 999,100	\$ 999,100	\$ -	\$ 1,029,073	\$ 29,973
Change in Assets	\$ 0	\$ 0	\$ -	\$ (0)	\$ (0)
Fixed Assets					
Depreciation	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ 999,100	\$ 999,100	\$ -	\$ 1,029,073	29,973
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 0	\$ 0	\$ -	\$ (0)	\$ (0)

Approved by the Texas RE Board of Directors May 21, 2015

Personnel Analysis

Total FTE's by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs 2016 Budget	Total FTEs 2016 Budget	Change from 2015 Budget
STATE (NON-STATUTORY)						
Operational Programs						
State (Non-Statutory)	4.00	4.00	4.00	0.00	4.00	0.00
Total FTEs Operational Programs	4.00	4.00	4.00	0.00	4.00	0.00
Administrative Programs						
G&A	1.00	1.00	0.00	1.00	1.00	0.00
Total FTEs Administrative Programs	1.00	1.00	0.00	1.00	1.00	0.00
Total FTEs	5.00	5.00	4.00	1.00	5.00	0.00

A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

Reserve Analysis — 2015–2016

Texas RE does not have reserves for State (Non-Statutory) activities due to contractual provisions ensuring minimal risk for this funding.

Section D – Supplemental Information

2016 Business Plan and Budget



Section D – Supplemental Information

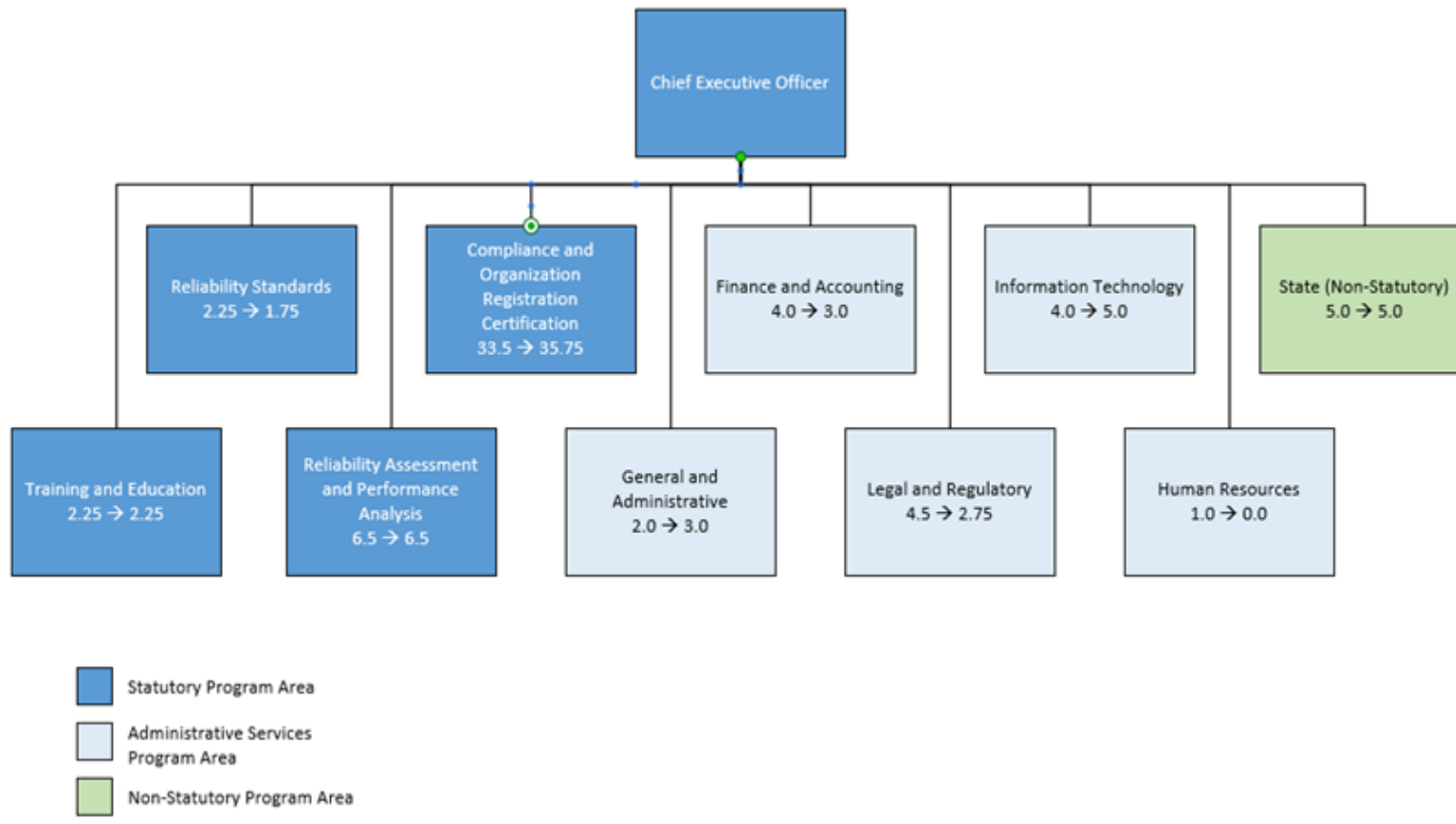
2016 Consolidated Statement of Activities by Program, Statutory and State (Non-Statutory)

Statement of Activities and Capital Expenditures by Program 2016 Budget	Total	Statutory Total	State (Non-Statutory) Total	Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 800)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	State (Non-Statutory) Total
Funding														
ERO Funding														
NERC Assessments	9,560,448	9,560,448	-	9,560,448	361,747	7,389,968	1,343,630	465,103	-	-	-	-	-	-
Penalty Sanctions	337,000	337,000	-	337,000	12,751	260,492	47,362	16,395	-	-	-	-	-	-
Total NERC Funding	9,897,448	9,897,448	-	9,897,448	374,498	7,650,459	1,390,993	481,497	-	-	-	-	-	-
PUCT Fees	1,029,073	-	1,029,073	-	-	-	-	-	-	-	-	-	-	1,029,073
Interest	1,000	1,000	-	1,000	38	773	141	49	-	-	-	-	-	-
Total Funding (A)	10,927,521	9,898,448	1,029,073	9,898,448	374,536	7,651,232	1,391,133	481,546	-	-	-	-	-	1,029,073
Expenses														
Personnel Expenses														
Salaries	7,421,592	6,749,489	672,103	6,749,489	208,137	3,825,208	871,652	232,644	529,762	316,836	413,493	-	351,756	672,103
Payroll Taxes	548,390	496,723	51,667	496,723	16,001	279,713	66,974	17,822	32,958	24,349	31,835	-	27,071	51,667
Benefits	1,182,522	1,075,949	106,573	1,075,949	37,853	557,967	135,225	51,265	68,129	41,100	121,048	-	63,363	106,573
Retirement Costs	1,065,532	968,077	97,455	968,077	31,192	556,678	127,401	33,588	62,316	45,941	59,956	-	51,005	97,455
Total Personnel Expenses	10,218,036	9,290,238	927,798	9,290,238	293,183	5,219,566	1,201,251	335,320	693,165	428,227	626,332	-	493,194	927,798
Meeting Expenses														
Meetings	50,350	50,350	-	50,350	-	2,900	-	30,000	4,750	-	3,000	9,700	-	-
Travel	369,615	368,115	1,500	368,115	14,333	146,934	75,825	6,700	84,133	12,200	19,980	4,575	3,435	1,500
Conference Calls	11,000	10,000	1,000	10,000	-	-	-	10,000	-	-	-	-	-	1,000
Total Meeting Expenses	430,965	428,465	2,500	428,465	14,333	149,834	75,825	46,700	88,883	12,200	22,980	14,275	3,435	2,500
Operating Expenses														
Consultants & Contracts	365,009	342,148	22,861	342,148	-	159,052	-	2,000	70,896	3,200	28,000	79,000	-	22,861
Office Rent	539,557	489,557	50,000	489,557	-	-	-	-	489,557	-	-	-	-	50,000
Office Costs	679,527	672,307	7,220	672,307	1,645	15,100	40,860	2,140	106,767	3,165	488,500	5,095	9,035	7,220
Professional Services	522,640	515,500	7,140	515,500	-	1,000	-	-	350,000	30,000	92,000	-	42,500	7,140
Depreciation	170,586	159,033	11,553	159,033	-	-	-	-	159,033	-	-	-	-	11,553
Total Operating Expenses	2,277,319	2,178,545	98,774	2,178,545	1,645	175,152	40,860	4,140	1,176,253	36,365	608,500	84,095	51,535	98,774
Total Direct Expenses	12,926,320	11,897,248	1,029,072	11,897,248	309,161	5,544,552	1,317,936	386,160	1,958,301	476,792	1,257,812	98,370	548,164	1,029,072
Indirect Expenses	-	-	-	-	164,195	3,354,269	609,867	211,108	(1,958,301)	(476,792)	(1,257,812)	(98,370)	(548,164)	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	12,926,320	11,897,248	1,029,073	11,897,248	473,356	8,898,821	1,927,803	597,268	-	-	-	-	-	1,029,072
Change in Assets	(1,998,799)	(1,998,800)	(0)	(1,998,800)	(98,820)	(1,247,588)	(536,670)	(115,722)	-	-	-	-	-	-
Fixed Assets														
Depreciation	(159,033)	(159,033)	-	(159,033)	-	-	-	-	(159,033)	-	-	-	-	-
Computer & Software CapEx	44,000	44,000	-	44,000	-	-	-	-	-	-	44,000	-	-	-
Allocation of Fixed Assets	-	-	-	-	(4,353)	(88,917)	(16,167)	(5,596)	159,033	-	(44,000)	-	-	-
Inc(Dec) in Fixed Assets (C)	(115,033)	(115,033)	-	(115,033)	(4,353)	(88,917)	(16,167)	(5,596)	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	11,782,215	11,782,215	-	11,782,215	469,003	8,809,903	1,911,637	591,672	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(1,883,767)	(1,883,767)	(0)	(1,883,767)	(94,467)	(1,158,671)	(520,503)	(110,125)	-	-	-	-	-	-
FTEs	65.00	60.00	5.00	60.00	1.75	35.75	6.50	2.25	3.00	2.75	5.00	-	3.00	5.00

Statement of Financial Position

Statement of Financial Position			
STATUTORY and STATE (NON- STATUTORY)			
	(Per Audit) 31-Dec-14	Projected 31-Dec-15	Budget 31-Dec-16
ASSETS			
Cash	6,811,872	2,000,000	2,404,335
Accounts receivable, net of allowance for uncollecti	-	-	-
Other Receivables	106,000	-	-
Prepaid expenses and other current assets	194,795	194,795	194,795
Security deposit	39,705	39,705	39,705
Cash value of insurance policies	-	-	-
Property and equipment	455,373	296,340	296,340
Total Assets	7,607,745	2,530,840	2,935,175
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	703,901	703,901	703,901
Deferred income/rent	151,133	151,133	151,133
Deferred penalty income	-	-	-
Regional assessments	-	-	-
Deferred compensation	-	-	-
Accrued retirement liabilities			
Accrued incentive compensation			
Total Liabilities	855,034	855,034	855,034
Unrestricted Net Assets			
Undesignated	6,058,379	1,390,806	1,390,806
Regulator designated	694,332	285,000	285,000
Total Net Assets	6,752,711	1,675,806	2,080,141
Total Liabilities and Net Assets	7,607,745	2,530,840	2,935,175

2016 Texas RE Combined Statutory and Non-statutory Organization Chart



Arrow indicates number of FTEs from 2015 to 2016.

DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 10

WESTERN ELECTRICITY COORDINATING COUNCIL

PROPOSED 2016 BUSINESS PLAN AND BUDGET

2016 Business Plan and Budget

Western Electricity Coordinating Council

Approved by: WECC Board of Directors

Date: June 24, 2015



155 North 400 West, Suite 200
Salt Lake City, Utah 84103-1114

Table of Contents

Introduction.....	3
Organizational Overview.....	3
Membership and Governance	5
Statutory Functional Scope.....	6
2016 Key Assumptions	7
2016 WECC Business Objectives	7
2016 Overview of Cost Impacts	8
Personnel Analysis	10
2015 Budget and Projection and 2016 Budget Comparisons	11
Section A — 2016 Business Plan and Budget - Statutory Programs	13
Reliability Standards Program.....	13
Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	16
Reliability Assessment and Performance Analysis Program	21
Training, Education, and Operator Certification Program	25
Situation Awareness and Infrastructure Security Program	28
Corporate Services	31
Technical Committees and Member Forums.....	32
General and Administrative	33
Legal and Regulatory.....	34
Information Technology.....	35
Human Resources	36
Finance and Accounting.....	37
Section B — Supplemental Financial Information	40
Reserve Balance	40
Penalty Sanctions	42
Supplemental Funding	43
Personnel Expenses.....	44
Meeting Expenses	46
Office Rent	50
Office Costs	51
Professional Services.....	52
Other Non-Operating	53
Section C — 2016 Budget - Non-Statutory Activities	55
Western Renewable Energy Generation Information System (WREGIS)	55
Personnel Analysis	58
Reserve Analysis — 2015–2016	59
Section D — Additional Financial Information	61
2016 Consolidated Statement of Activities by Program, Statutory, and Non-Statutory	61
Statement of Financial Position	62
Appendix A: Organizational Chart.....	63
Appendix B: 2016 Budget & Projected 2017 and 2018 Budgets.....	64
Appendix C: Adjustment to the Alberta Electric System Operator (AESO) 2016 Assessment ..	65

Introduction

TOTAL RESOURCES (in whole dollars)				
	2016 Budget	U.S.	Canada	Mexico
Statutory FTEs *	140.5			
Non-statutory FTEs	6.0			
Total FTEs	146.5			
Statutory Expenses	\$ 28,233,204			
Non-Statutory Expenses	\$ 1,811,373			
Total Expenses	\$ 30,044,577			
Statutory Inc(Dec) in Fixed Assets	\$ (848,248)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ (15,362)			
Total Inc(Dec) in Fixed Assets	\$ (863,610)			
Statutory Working Capital Requirement **	844,377			
Non-Statutory Working Capital Requirement	106,239			
Total Working Capital Requirement	950,616			
Total Statutory Funding Requirement	\$ 28,229,334			
Total Non-Statutory Funding Requirement	\$ 1,902,250			
Total Funding Requirement	\$ 30,131,584			
Statutory Funding Assessments	\$ 25,032,134	\$ 21,722,495	\$ 2,921,574	\$ 388,066
Non-Statutory Fees	\$ 1,902,250	\$ 1,807,138	\$ 95,113	\$ -
NEL ****	867,474,309	733,730,165	121,733,108	12,011,036
NEL%	100.00%	84.58%	14.03%	1.38%

*An FTE is defined as a full-time equivalent employee.

**Refer to the Statutory Reserve Analysis on page 40 in Section B.

***Refer to the Non-Statutory Reserve Analysis on page 59 in Section C.

****NEL is defined as Net Energy for Load.

Organizational Overview

The Western Electricity Coordinating Council (WECC) is a 501(c)(4) entity operating “for the promotion of social welfare.” WECC’s mission is to foster and promote reliability and efficient coordination in the Western Interconnection. WECC’s website is <http://www.wecc.biz>.

The Western Interconnection is a geographic area in which the use and generation of electricity is synchronized. This area includes all or part of 14 Western states in the United States, the Canadian provinces of British Columbia and Alberta, and a portion of Baja California Norte, Mexico. As articulated by its Bylaws, WECC will lead the stakeholders in the Western Interconnection to achieve appropriate system reliability, be the premier source of unbiased information, and serve as the trusted thought leader for the Western Interconnection by providing:

- 1) impartial independent review and analysis of reliability issues impacting the Western Interconnection;
- 2) development of electric reliability standards incorporating Western Interconnection experience and knowledge;
- 3) consistent and fair monitoring and enforcement activities for compliance with reliability standards;

- 4) event analysis and lessons-learned from system events; and
- 5) value for its membership through cost effective and efficient services and practices through:
 - a) being a centralized repository of reliable information relating to the planning and operation of the Bulk Electric System (BES) in the Western Interconnection;
 - b) coordinating system planning and modeling;
 - c) sharing of, and providing comment on adherence to, recognized industry best practices;
 - d) facilitating resolution of market seams and coordination issues;
 - e) secure sharing of critical reliability data; and
 - f) providing a robust stakeholder forum.

WECC's business philosophy is guided by the following core values:

Integrity – We are honest, ethical, and trustworthy. We are complete in all of our interactions. We honor our commitments and take personal responsibility for our actions.

Collaboration – We work collaboratively and focus on bringing the best expertise and experience possible to solve the complex reliability challenges faced by the Western Interconnection.

Excellence – We strive for technical and managerial excellence in all that we do.

Professionalism – We conduct ourselves with skill, good judgment, and respectful behavior across all of our interactions.

Inclusiveness – We respect the broad set of constituents in the West and their unique needs and perspectives, and will foster an open and participatory environment that encourages contributions (time, talent, ideas, and perspectives) from our staff and our stakeholders.

Integrated Reliability Assurance Model

The Integrated Reliability Assurance Model represents WECC's approach to identifying, analyzing and addressing the top reliability challenges facing the Western Interconnection. WECC is taking an integrated approach to registered entity oversight, Reliability Planning, Performance Analysis and Stakeholder Outreach.

Through its compliance enforcement and reliability assurance roles in the Western Interconnection, and by leveraging its independence, expertise and analytical capabilities, WECC will partner with stakeholders to address key reliability challenges the West is facing.

Membership and Governance

WECC has 353 members¹ divided into the following five membership classes:

1. Large Transmission Owners
2. Small Transmission Owners
3. Transmission Dependent Energy Service Providers
4. End Users
5. Representatives of State and Provincial Governments

WECC membership is open to any person or entity that has an interest in the reliable operation of the Western Interconnection BES. WECC membership is not a requirement for participation in the WECC Standards Development Process.²

WECC is governed by a nine-member Independent Board of Directors elected by the WECC membership, and WECC's Chief Executive Officer who is the tenth member per a Board resolution. The nine Independent Directors are compensated by WECC for their time.

WECC has five Board Committees that provide additional oversight of WECC operations:

- Finance and Audit Committee (FAC)
- Governance Committee (GC)
- Human Resources and Compensation Committee (HRCC)
- Nominating Committee (NC)
- Transmission Expansion Planning Policy Committee (TEPPC)

Under the direction of the WECC Board, five Standing Committees provide the Board with technical work and policy recommendations.

1. **The Member Advisory Committee (MAC)** – advises the Board on any matters the Board requests the committee to evaluate or consider, and on matters the MAC deems appropriate. The MAC chair attends WECC Board meetings to provide advice or clarifications, or to respond to Directors' questions. The Board gives serious consideration to the MAC's recommendations and responds through a means that the Board determines appropriate. The MAC is comprised of three representatives from each of the five Member Classes and three international representatives, for a total of 18 members. MAC representatives communicate and obtain input from their respective class membership.
2. **WECC Standards Committee (WSC)** – oversees the process for responding to requests for Regional Reliability Standards and Regional Criteria in accordance with the Reliability Standards Development Procedures. The WECC Standards Committee consists of one

¹ As of June 12, 2015.

² Non-WECC members may participate in standards drafting teams and participating stakeholders may vote on Regional Reliability Standards. A Participating Stakeholder is defined in Section 3.23 of the WECC Bylaws and the Participating Stakeholder Application Process is described in Section 8.7.4. WECC's Reliability Standards Voting Procedures are detailed in the Reliability Standards Development Procedures.

member from each of the WECC Standards Voting Sectors and a member of the WECC Board who acts as chair of the committee.

3. **Planning Coordination Committee (PCC)** – advises the Board and makes recommendations on all matters within the jurisdiction of WECC pertaining to maintaining reliability through evaluating generation and load balance, and the adequacy of the physical infrastructure of the BES within the Western Interconnection. All member organizations are eligible for representation on the committee.
4. **Operating Committee (OC)** – advises the Board and makes recommendations on all matters within the jurisdiction of WECC pertaining to maintaining reliability through the operation and security of the BES in the Western Interconnection. All member organizations are eligible for representation on the committee.
5. **Market Interface Committee (MIC)** – advises the Board and makes recommendations on the development of consistent Market Interface practices and compatible commercial practices within the Western Interconnection. The MIC considers matters pertaining to the impact of North American Electric Reliability Corporation (NERC) Reliability Standards and WECC Regional Reliability Standards, Regional Criteria, and procedures on the commercial electricity market in the Western Interconnection. The MIC also facilitates analysis regarding the impact of electricity market practices on electric system reliability. All member organizations are eligible for representation on the committee.

WECC is currently undergoing a review of its structure and governance as required by section 4.9 of the WECC Bylaws. Any recommendations that arise out of this review will be implemented in late 2015 through 2016. Due to the timing of this review, WECC has not made any provision for budget impacts in 2016.

Pursuant to Section 215(j) of the Federal Power Act, the Western Governors created the Western Interconnection Regional Advisory Body (WIRAB). WIRAB's purpose is to advise WECC, the Electric Reliability Organization (ERO) and the Federal Energy Regulatory Commission (FERC) on whether proposed reliability standards, and the governance and budgets of the ERO and WECC, are in the public interest. FERC may request that WIRAB provide advice on other topics. Members are appointed by the Governors/Premiers from Alberta, Arizona, British Columbia, California, Colorado, Idaho, Montana, Nebraska, Nevada, New Mexico, Oregon, South Dakota, Utah, Texas, Washington, Wyoming and Mexico. WECC's budget does not include any costs related to WIRAB operations.

Statutory Functional Scope

WECC has been approved by FERC as a Regional Entity, with authority, pursuant to the WECC /NERC Delegation Agreement, to:

- Participate in the development of NERC Reliability Standards, or modifications thereof, and facilitate the development of regional standards or variances through WECC's Standards Development Process;
- Identify and register responsible entities with NERC and, as needed, certify such entities;

- Monitor and enforce compliance with approved Reliability Standards, in accordance with the NERC Rules of Procedure;
- Analyze and assess system events and disturbances;
- Assess the present and future reliability, adequacy, and security of the Western Interconnection;
- Provide effective training and education; and
- Maintain situation awareness, as part of its role in periodic assessments, and protection of critical infrastructure.

2016 Key Assumptions

NERC and the eight Regional Entities (collectively known as the ERO Enterprise) collaborated in the development of the white paper “Improving Coordinated Operations Across The Electric Reliability Organization (ERO) Enterprise” commonly referred to as the ERO Enterprise 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 2015-through-2018 period. NERC and the Regional Entities’ business plans and budgets reflect the work mentioned above. The entire set of Common Assumptions is provided in Exhibit A to the NERC 2016 Business Plan and Budget. WECC supports these Common Assumptions as well as assumptions specific to WECC that are described in each statutory program area in [Section A](#).

2016 WECC Business Objectives

WECC has established the following primary, long-term business objectives to improve its foundational capabilities:

Strengthen the Business

- Build a shared understanding of the key reliability challenges that will drive all of our programs
- Implement the Risk-Based Compliance Monitoring and Enforcement program
- Manage the business effectively
- Meet the responsibilities and accountabilities specified in WECC’s Bylaws and the Regional Delegation Agreement with NERC

Provide Valued and High-Quality Reliability Assessments and Services

- Develop more effective integration across programs
- Support the Region’s long-term reliability planning needs
- Improve the timeliness and impact of performance analysis activities
- Continue to improve operator training programs

Bolster WECC’s Institutional Capabilities

- Strengthen governance processes and clarify decision-making roles and responsibilities
- Effectively integrate stakeholder expertise and ensure appropriate transparency in WECC’s work
- Strengthen WECC’s Organizational Development program
- Implement the new leadership development model

Increase external engagement

- Foster relationships with key leaders across the industry footprint
- Listen to and learn from key policymakers and opinion leaders
- Extend outreach to ensure the right messages are getting to the right audiences
- Engage effectively with the ERO Enterprise

In addition, WECC's management, stakeholders, and Board have identified three broad areas of future reliability challenges that must be considered in WECC's work:

- Changing resources and loads
- Operational practices
- Situation Awareness and Event Analysis

2016 Overview of Cost Impacts

WECC's proposed 2016 statutory budget is \$27.38 million, a \$1.08 million (4.13 percent) increase from the 2015 statutory budget. The increase is mainly attributable to Remedial Action Scheme (RAS) modeling software enhancements, labor float assumption changes based on actual turnover and vacancy rates, market adjustments to salaries, and search fees for Board candidates.

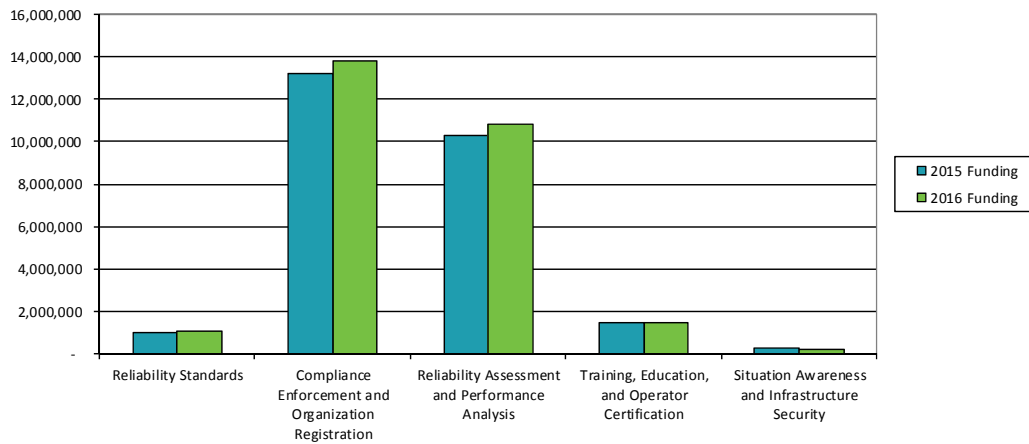
Full-time equivalents (FTE) represent the fractional allocation of a full-time position's cost to one or more functional areas. Headcount represents either vacant or filled positions. Significant changes to the 2016 statutory budget from the 2015 statutory budget are as follows:

- Personnel Expenses increase by a net of \$1.66 million primarily due to continued refinement of labor float percentages, the net addition of three positions, and adjustments to WECC's compensation program as a result of an HRCC-directed study.
- Consultants and Contracts increase by \$1.15 million primarily due to RAS modeling enhancements. There is a corresponding decrease in Fixed Assets, where RAS modeling was budgeted in 2015. There is a net decrease related to RAS modeling of \$482,000. Additionally, \$250,000 is budgeted for Board Director search fees.
- Travel decreases by \$249,000 due to standardized budget assumptions used across all departments for the costs of airfare, rental car, and hotel expenditures.
- Fixed Assets decrease by \$1.38 million mainly due to the reclassification of the RAS modeling expenditures from Fixed Assets to Consultants and Contracts.

A summary of funding requirements for WECC’s primary statutory functional areas is shown in the following table and graphs:

Program	Budget 2015	Projection 2015	Budget 2016	2015 Budget v 2016	
				Budget	Variance %
Reliability Standards	1,026,818	978,174	1,089,200	62,382	6.1%
Compliance Enforcement and Organization Registration	13,178,512	13,644,011	13,811,437	632,925	4.8%
Reliability Assessment and Performance Analysis	10,301,986	10,602,672	10,789,121	487,135	4.7%
Training, Education, and Operator Certification	1,497,717	1,392,708	1,460,475	(37,242)	-2.5%
Situation Awareness and Infrastructure Security	295,002	280,254	234,722	(60,280)	-20.4%
Total By Program	26,300,035	26,897,819	27,384,955	1,084,920	
Working Capital Reserve	-	-	-	-	
Total Funding	-	-	-	-	0.0%

Comparison of 2016 to 2015 Budgeted Funding Requirements



Personnel Analysis

In 2016, there is a net increase of 3.0 FTEs (three positions). Two new auditors and two engineers are being added and one position in General and Administrative is being eliminated. Additionally, WECC realigned and shifted some positions between programs areas in 2015 to more appropriately classify costs based on the scope of work. Those shifts account for the balance of the changes in FTEs between 2016 and 2015.

Total FTEs by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2015	2015	2016	FTEs* 2016	2016	from 2015
STATUTORY						
Operational Programs						
Reliability Standards	4.0	3.0	4.0	0.0	4.0	-
Compliance and Organization Registration and Certification	53.5	48.9	54.0	0.0	54.0	0.5
Training and Education	3.1	1.6	2.6	0.0	2.6	(0.5)
Reliability Assessment and Performance Analysis	30.8	29.0	32.5	0.0	32.5	1.7
Situation Awareness and Infrastructure Security	1.2	1.2	1.0	0.0	1.0	(0.2)
Total FTEs Operational Programs	92.6	83.7	94.1	0.0	94.1	1.5
Corporate Services						
Technical Committees and Member Forums	0.0	0.0	0.0	0.0	0.0	-
General & Administrative	20.9	19.5	21.4	0.0	21.4	0.5
Information Technology	10.0	8.0	10.0	0.0	10.0	-
Legal and Regulatory	6.0	6.0	6.0	0.0	6.0	-
Human Resources	3.0	3.0	4.0	0.0	4.0	1.0
Finance and Accounting	5.0	4.7	5.0	0.0	5.0	-
Total FTEs Corporate Services	44.9	41.2	46.4	0.0	46.4	1.5
Total FTEs	137.5	124.9	140.5	0.0	140.5	3.0

2015 Budget and Projection and 2016 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital 2015 Budget & Projection, and 2016 Budget					
STATUTORY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2016 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 25,032,135	\$ 25,032,135	\$ -	\$ 25,032,134	\$ (1)
Penalty Sanctions	143,000	143,000	-	1,983,700	1,840,700
Total WECC Funding	\$ 25,175,135	\$ 25,175,135	\$ -	\$ 27,015,834	\$ 1,840,699
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	(0)	(0)	-	-	0
Services & Software	-	-	-	-	-
Workshops	1,055,900	1,088,052	32,152	1,129,500	73,600
Interest	69,000	38,456	(30,544)	84,000	15,000
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 26,300,035	\$ 26,301,643	\$ 1,608	\$ 28,229,334	\$ 1,929,299
Expenses					
Personnel Expenses					
Salaries	\$ 13,095,525	\$ 13,529,562	\$ 434,037	\$ 14,552,825	\$ 1,457,300
Payroll Taxes	960,685	948,978	\$ (11,707)	1,047,090	86,405
Benefits	2,100,312	2,022,077	\$ (78,235)	2,074,608	(25,704)
Retirement Costs	1,122,028	1,196,448	\$ 74,420	1,259,074	137,046
Total Personnel Expenses	\$ 17,278,551	\$ 17,697,065	\$ 418,514	\$ 18,933,597	\$ 1,655,046
Meeting Expenses					
Meetings	\$ 813,548	\$ 744,349	\$ (69,199)	\$ 820,200	\$ 6,652
Travel	1,422,823	1,241,209	(181,614)	1,173,371	(249,452)
Conference Calls	75,239	69,690	(5,549)	70,823	(4,416)
Total Meeting Expenses	\$ 2,311,610	\$ 2,055,248	\$ (256,362)	\$ 2,064,394	\$ (247,216)
Operating Expenses					
Consultants & Contracts	\$ 2,123,220	\$ 3,466,551	\$ 1,343,331	\$ 3,271,170	\$ 1,147,950
Office Rent	987,136	938,962	(48,174)	936,988	(50,148)
Office Costs	1,627,611	1,682,367	54,756	1,655,424	27,813
Professional Services	988,350	1,269,055	280,705	1,051,975	63,625
Miscellaneous	-	-	-	-	-
Depreciation	875,000	948,610	73,610	948,609	73,609
Total Operating Expenses	\$ 6,601,317	\$ 8,305,545	\$ 1,704,228	\$ 7,864,166	\$ 1,262,849
Total Direct Expenses	\$ 26,191,478	\$ 28,057,858	\$ 1,866,380	\$ 28,862,157	\$ 2,670,679
Indirect Expenses	\$ (492,049)	\$ (410,123)	\$ 81,926	\$ (628,953)	\$ (136,904)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 25,699,428	\$ 27,647,735	\$ 1,948,307	\$ 28,233,204	\$ 2,533,776
Change in Assets	\$ 600,607	\$ (1,346,092)	\$ (1,946,699)	\$ (3,870)	\$ (604,477)
Fixed Assets					
Depreciation	\$ (875,000)	\$ (948,610)	\$ (73,610)	\$ (948,609)	\$ (73,609)
Computer & Software CapEx	1,319,000	62,085	(1,256,915)	55,000	(1,264,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	148,000	128,000	(20,000)	30,000	(118,000)
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 8,607	\$ 8,607	\$ -	\$ 15,361	\$ 6,754
Incr(Dec) in Fixed Assets (C)	\$ 600,607	\$ (749,918)	\$ (1,350,525)	\$ (848,248)	\$ (1,448,855)
TOTAL BUDGET (B+C)	26,300,035	26,897,817	597,782	27,384,956	1,084,921
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ (596,174)	\$ (596,174)	\$ 844,378	\$ 844,378
FTEs	137.5	137.5	-	140.5	3.0
HC	138.0	137.0	(1.0)	141.0	3.0

Section A Statutory Programs

2016 Business Plan and Budget

Section A — 2016 Business Plan and Budget - Statutory Programs

Reliability Standards Program

Reliability Standards Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	4.0	4.0	-
Direct Expenses	\$ 640,064	\$ 680,140	\$ 40,076
Indirect Expenses	\$ 393,639	\$ 419,301	\$ 25,662
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (6,885)	\$ (10,241)	\$ (3,356)
Total Funding Requirement	\$ 1,026,818	\$ 1,089,200	\$ 62,382

Program Scope and Functional Description

The WECC Reliability Standards Program supports the NERC Reliability Standards Program as well as facilitates the development of WECC Regional Reliability Standards (RRS), WECC Regional Variances to NERC Reliability Standards, and WECC Regional Criteria. WECC supports the development of regional variances to a NERC Reliability Standard when it is necessary to address reliability issues within the Region that are necessitated by a physical difference in the BES or in instances where more stringent performance is desired by Western Interconnection stakeholders. WECC will only develop an RRS (rather than a variance) when a NERC Reliability Standard addressing a reliability issue does not exist.

Regional Criteria may be necessary to implement, augment or comply with NERC Reliability Standards, but they are not reliability standards and are not enforceable. Regional Criteria may include acceptable operating or planning parameters, guides, or other documents used to enhance Bulk-Power System reliability.

2016 Key Assumptions

- WECC expects that a significant proportion of the work required to develop regional standards, variances to NERC Reliability Standards, and Regional Criteria will continue to be performed by voluntary stakeholder participation.
- WECC will continue to rely on stakeholder volunteers for the staffing of the majority of NERC Standards drafting teams. WECC staff may, at times, participate as drafting team members or observers.
- WECC Standards staff will take an active role in the coordination and communication of NERC Standards drafting teams' activities to the Western stakeholders.
- WECC may need to develop one or more RRSs to address any regional obligations in this area, depending on the final treatment of the NERC Fill-in-the-Blank Standards. However, WECC supports NERC's efforts to replace all fill-in-the-blank standards with standards applicable to the appropriate registered entity, and doesn't anticipate it will be necessary to develop additional RRSs to address fill-in-the-blank standards.

- WECC will complete several current WECC RRS and Regional Criteria projects to allow for development work on unforeseen future projects.
- WECC will undertake a review of existing WECC RRSs to determine whether any are candidates for incorporation as a regional variance to a continent-wide NERC Reliability Standard.
- Integration of renewable resources may require new or modified NERC Reliability Standards.
- WECC will support the concept of and will participate, when appropriate, in the enhanced periodic reviews of NERC Reliability Standards.

2016 Goals and Key Deliverables

- Ensure the Western Interconnection perspective is represented in NERC continent-wide Reliability Standards, if necessary, through the development of Regional Variances.
- Ensure that the RRSs and Regional Criteria developed by the WECC Standards Department meet the needs of the Western stakeholders.
- Ensure that WECC members and stakeholders are informed and engaged in NERC Standards development efforts.
- Provide leadership and guidance to encourage Western Interconnection stakeholder awareness and participation in the development of NERC Results-Based Standards.
- Undertake regular outreach to keep stakeholders informed about standards development and the NERC Results-Based Standards initiative.
- Provide support to NERC's informal outreach and enhanced periodic review efforts.
- Provide support to the NERC Cost Effective Analysis Process.
- Ensure that WECC's procedures are developed and updated as necessary to comply with the requirements of any remaining NERC Fill-in-the-Blank Standards.
- Post updates and provide enhancements to the WECC Standards Outreach Web page.
- Facilitate and support the activities of the WECC Standards Committee.
- Continue support of the NERC Standards Committee and its subcommittees.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by \$46,000 primarily due to the refinement of the labor float rate and a budgeted three-percent merit increase.

Meeting Expenses

- No significant changes.

Operating Expenses

- No significant changes.

Fixed Assets

- No significant changes.

See Section B – Supplemental Financial Information for explanations of other variances between the 2015 and 2016 budgets.

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2016 Business Plan and Budget are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
RELIABILITY STANDARDS					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2016 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 1,017,660	\$ 1,017,660	\$ -	\$ 1,034,890	\$ 17,230
Penalty Sanctions	6,177	6,177	-	84,323	78,146
Total WECC Funding	\$ 1,023,837	\$ 1,023,837	\$ -	\$ 1,119,213	\$ 95,376
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	2,981	1,662	(1,319)	3,571	590
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,026,818	\$ 1,025,499	\$ (1,319)	\$ 1,122,784	\$ 95,966
Expenses					
Personnel Expenses					
Salaries	\$ 477,416	\$ 432,516	\$ (44,900)	\$ 518,048	\$ 40,632
Payroll Taxes	34,358	28,839	(5,519)	37,302	2,944
Benefits	44,967	29,812	(15,155)	44,778	(189)
Retirement Costs	41,514	38,926	(2,588)	43,757	2,243
Total Personnel Expenses	\$ 598,255	\$ 530,093	\$ (68,162)	\$ 643,885	\$ 45,630
Meeting Expenses					
Meetings	\$ 528	\$ 489	\$ (39)	\$ 1,420	\$ 892
Travel	32,175	25,043	(7,132)	26,925	(5,250)
Conference Calls	3,027	3,153	126	2,565	(462)
Total Meeting Expenses	\$ 35,730	\$ 28,685	\$ (7,045)	\$ 30,910	\$ (4,820)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	6,079	5,079	(1,000)	5,345	(734)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 6,079	\$ 5,079	\$ (1,000)	\$ 5,345	\$ (734)
Total Direct Expenses	\$ 640,064	\$ 563,857	\$ (76,207)	\$ 680,140	\$ 40,076
Indirect Expenses	\$ 393,639	\$ 420,972	\$ 27,333	\$ 419,301	\$ 25,662
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,033,703	\$ 984,829	\$ (48,874)	\$ 1,099,441	\$ 65,738
Change in Assets	\$ (6,885)	\$ 40,670	\$ 47,555	\$ 23,343	\$ 30,228
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (6,885)	\$ (6,655)	\$ 230	\$ (10,241)	\$ (3,356)
Incr(Dec) in Fixed Assets (C)	\$ (6,885)	\$ (6,655)	\$ 230	\$ (10,241)	\$ (3,356)
TOTAL BUDGET (B+C)	1,026,818	978,174	(48,644)	1,089,200	62,382
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ 47,325	\$ 47,325	\$ 33,584	\$ 33,584
FTEs	4.0	3.0	(1.0)	4.0	-
HC	4.0	3.0	(1.0)	4.0	-

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	53.5	54.0	0.5
Direct Expenses	\$ 8,025,682	\$ 8,322,754	\$ 297,072
Indirect Expenses	\$ 5,264,920	\$ 5,660,573	\$ 395,653
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (112,090)	\$ (171,890)	\$ (59,800)
Total Funding Requirement	\$ 13,178,512	\$ 13,811,437	\$ 632,925

Program Scope and Functional Description

WECC's Compliance Monitoring and Enforcement and Organization Registration Program Area (CMEP) is implemented by WECC Registered Entity Oversight staff members who are independent of all users, owners, and operators of the BES. All approved and effective mandatory reliability standards are monitored and enforced under the CMEP, including standards made mandatory pursuant to FERC Order 693, the Critical Infrastructure Protection (CIP) standards under FERC Order 706 and various other FERC orders approving standards since Orders 693 and 703. To accomplish its objectives, Compliance staff is divided into five main areas: 1) Operations and Planning (O&P) Audits and Investigations, 2) CIP Audits and Investigations, 3) Enforcement, 4) Risk Analysis, and 5) Program Administration.

As WECC fully implements the risk-based concepts and tailors compliance monitoring strategies for individual entities, resource requirements are shifting to more comprehensive assessment of reliability, regional and entity risk from the more recent one size fits all approach with check-the-box auditing. Auditors are supporting the inherent risk assessment and internal controls evaluation; both critical to audit planning. This shift will allow for flexibility in the audit and compliance monitoring program to more effectively use audit staff and respond to potential reliability issues in a proactive way. One example is more focus on misoperations and the various follow up activities and coordination between entities.

The recently codified Multi-Region Registered Entity, or Coordinated Oversight Program, has been implemented across the ERO with minimal impact to WECC. FERC has essentially approved phase I of the ongoing Risk-Based Registration initiative with some guidance for additional information. WECC is fully supportive of the phase one effort that reduces the burden on WECC staff to audit entities that are non-material to the BPS. However, phase two is a more significant analytical effort. Both the current integration of risk-based concepts in the compliance monitoring and enforcement program and the ongoing BES definition implementation should be allowed to fully play out and mature prior to any potential conflicting conclusions being reached in phase two of the Risk-Based Registration.

Compliance in Alberta, British Columbia, and Mexico

Alberta and British Columbia, Canada; and Baja California Norte, Mexico are all part of the WECC footprint, and have adopted or are adopting mandatory reliability standards based on FERC-approved Standards. WECC has entered into agreements with the Alberta Market Surveillance Administrator (MSA), the British Columbia Utilities Commission (BCUC), and Mexico's Comisión Federal de Electricidad (CFE) under which WECC performs compliance monitoring activities to help assure reliability across international borders within the Western Interconnection.

2016 Key Assumptions

- WECC provides support, as needed, for activities undertaken subject to NERC's Strategic Plan, and in fulfilling WECC's role as noted above.
- WECC Compliance responds to FERC directives and orders as well as to significant new initiatives not currently identified that may be generated by NERC or by NERC and the Regional Entities.
- The deregistration and removal of Distribution Providers and Load-Serving Entities results in reduced audit and compliance monitoring efforts by WECC staff that can be redirected to the inherent risk assessment and internal controls evaluation.
- WECC fully integrates risk-based concepts in compliance monitoring activities.
- Recommendations from the NERC review of the WECC Inherent Risk Assessment (IRA) and Internal Controls Evaluation (ICE) processes will be accomplished with existing resources, process improvements and reprioritized staff efforts. Any additional workload will be handled with our existing FTEs through identification of efficiencies and work process improvement.
- WECC will use compliance program results and system events to identify emerging reliability challenges and where existing NERC Reliability Standards can be improved or clarified.
- WECC has planned 20 on-site audits and four spot checks of registered entities for 2016. Off-site audits will be determined from risk-based analysis.³
- WECC does not anticipate any hearings in 2016.
- WECC adds two auditor trainee positions in 2016. These positions are being added as a result of workforce planning. Our intention is to reduce our reliance on contract employees.
- WECC transfers two administrative positions to General and Administrative in 2016.

2016 Goals and Key Deliverables

- Monitor and enforce compliance with mandatory standards in accordance with the WECC/NERC Delegation Agreement, including the Rules of Procedure and the CMEP within the U.S. With respect to non-U.S. jurisdictions, monitor compliance in accordance

³ The 2016 schedule of on-site audits, off-site audits, and spot checks is based on the risk assessment and analysis process and is subject to change.

with the approved memoranda of understanding with Canadian and Mexican authorities.

- Work with registered entities within the WECC Region to promote a strong culture of compliance and reliability improvement. Provide feedback to the registration and standards programs as part of the Integrated Reliability Assurance Model:
 - Identify key areas needing improvement based on compliance program results and system events, implement educational efforts to improve compliance in those areas.
 - Identify where existing NERC Reliability Standards can be improved or clarified.
- Participate in and represent the Western Interconnection on issues that will impact WECC in regard to NERC and regional initiatives, for example: integrating risk-based concepts in compliance monitoring and enforcement for the Risk-based CMEP (formerly known as the Reliability Assurance Initiative (RAI)) streamlining enforcement processing, increasing consistency across the Regions, and reviewing information technology needs.
- Monitor and manage enforcement measures and metrics in support of NERC's Strategic Plan including caseload index, violation aging, and mitigation plan aging; collaborate with the ERO enterprise to develop better measures of program effectiveness.
- Develop processes to demonstrate rigor and competency in the implementation of risk-based compliance monitoring activities.
- Develop a process to increase flexibility in the use of compliance monitoring resources while meeting statutory obligations and addressing emerging reliability risks in a proactive manner.
- Capture resource changes and impacts of the full integration of risk-based concepts in the compliance monitoring activities.
- Conduct outreach to the industry in various forums; webinars, conferences and entity specific engagement as part of the Integrated Reliability Assurance Model demonstrating feedback loops and inter-relationships across WECC.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by \$266,000 primarily due to the reclassification of one position (1 FTE) from Compliance to Corporate Services, the reallocation of 0.5 FTE of the Stakeholder Relations position from Compliance to the Communications Department in Corporate Services, the addition of two auditor trainee positions (2.0 FTE) for a net increase of 0.5 FTEs as well as the refinement of the labor float rate based on actual turnover and vacancy rates and a budgeted three-percent merit increase.

Meeting Expenses

- Travel Expense decreases by \$153,000 due to the implementation of risk-based compliance monitoring, which should reduce travel expenditures in Compliance. Additionally, standard budget assumptions were used in all departments for travel,

hotel and rental car expenditures, which also reduces estimated travel costs in some areas.

Operating Expenses

- Office Costs increase by \$172,000 primarily due to the reclassification of webCDMS from General and Administrative to Compliance.

Fixed Assets

- No significant changes.

See Section B – Supplemental Financial Information for explanations of other variances between the 2015 and 2016 budgets.

Compliance Enforcement and Organization and Registration and Certification Program

Funding sources and related expenses for the Compliance Enforcement and Organization and Registration and Certification section of the 2016 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
COMPLIANCE AND ORGANIZATION REGISTRATION AND CERTIFICATION					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2016 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 13,056,028	\$ 13,056,028	\$ -	\$ 13,047,128	\$ (8,900)
Penalty Sanctions	82,619	82,619	-	1,138,361	1,055,742
Total WECC Funding	\$ 13,138,647	\$ 13,138,647	\$ -	\$ 14,185,489	\$ 1,046,842
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	3,600	3,600
Interest	39,865	22,218	(17,647)	48,204	8,339
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 13,178,512	\$ 13,160,865	\$ (17,647)	\$ 14,237,293	\$ 1,058,781
Expenses					
Personnel Expenses					
Salaries	\$ 5,032,890	\$ 5,024,251	\$ (8,639)	\$ 5,288,714	\$ 255,824
Payroll Taxes	387,555	393,237	5,682	411,811	24,256
Benefits	675,026	662,356	(12,670)	648,318	(26,708)
Retirement Costs	438,745	433,087	(5,658)	451,633	12,888
Total Personnel Expenses	\$ 6,534,216	\$ 6,512,931	\$ (21,285)	\$ 6,800,476	\$ 266,260
Meeting Expenses					
Meetings	\$ 6,685	\$ 9,076	\$ 2,391	\$ 1,948	\$ (4,737)
Travel	849,896	735,943	(113,953)	696,704	(153,192)
Conference Calls	13,152	12,188	(964)	13,339	187
Total Meeting Expenses	\$ 869,733	\$ 757,207	\$ (112,526)	\$ 711,991	\$ (157,742)
Operating Expenses					
Consultants & Contracts	\$ 467,920	\$ 517,280	\$ 49,360	\$ 472,170	\$ 4,250
Office Rent	1,600	2,327	727	-	(1,600)
Office Costs	132,213	332,253	200,040	304,481	172,268
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	20,000	33,635	13,635	33,636	13,636
Total Operating Expenses	\$ 621,733	\$ 885,495	\$ 263,762	\$ 810,287	\$ 188,554
Total Direct Expenses	\$ 8,025,682	\$ 8,155,633	\$ 129,951	\$ 8,322,754	\$ 297,072
Indirect Expenses	\$ 5,264,920	\$ 5,630,492	\$ 365,572	\$ 5,660,573	\$ 395,653
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 13,290,602	\$ 13,786,125	\$ 495,523	\$ 13,983,327	\$ 692,725
Change in Assets	\$ (112,090)	\$ (625,260)	\$ (513,170)	\$ 253,966	\$ 366,056
Fixed Assets					
Depreciation	(20,000)	(33,635)	(13,635)	(33,636)	(13,636)
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (92,090)	\$ (108,479)	\$ (16,389)	\$ (138,254)	\$ (46,164)
Incr(Dec) in Fixed Assets (C)	\$ (112,090)	\$ (142,114)	\$ (30,024)	\$ (171,890)	\$ (59,800)
TOTAL BUDGET (B+C)	13,178,512	13,644,011	465,499	13,811,437	632,925
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ (483,146)	\$ (483,146)	\$ 425,856	\$ 425,856
FTEs	53.5	48.9	(4.6)	54.0	0.5
HC	54.0	50.0	(4.0)	54.0	-

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	30.8	32.5	1.7
Direct Expenses	\$ 6,543,983	\$ 8,035,786	\$ 1,491,803
Indirect Expenses	\$ 3,031,019	\$ 3,410,320	\$ 379,301
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 726,984	\$ (656,985)	\$ (1,383,969)
Total Funding Requirement	\$ 10,301,986	\$ 10,789,121	\$ 487,135

Program Scope and Functional Description

WECC conducts a variety of studies and assessments essential to the reliable planning and operation of the BES in the Western Interconnection. In addition, WECC compiles and distributes planning data and information that is used by WECC stakeholders to aid in local planning studies. These integrated planning efforts enhance WECC's overall ability to participate in, and respond to, the major planning and public policy issues emerging both in the Western Interconnection and nationally.

In early 2015, as the next step in operationalizing the Integrated Reliability Assurance Model, WECC organized the RAPA Program Area into three departments.

1. The Performance Analysis Department will focus on conducting robust analyses on the historical operation and performance of the Western Interconnection in an effort to identify best practices and assess risks.
2. The Events Analysis Department will focus on performing analyses with the objective that system conditions that impact or have the potential to impact reliable operations are recognized and analyzed in detail to ensure a full understanding of the events.
3. The Reliability Planning Department will focus on developing and maintaining WECC's integrated capability to study Western Interconnection reliability issues considering both system adequacy and system stability in close collaboration with the WECC Member Committees.

These are the teams that will be most involved in the Integrated Reliability Assurance Model assessments of:

- reliability implications of the West's changing resource mix;
- institutionalization of operating practices across our registered entities, which will improve reliability; and
- improvement in timeliness and dissemination of lessons learned from event analyses.

2016 Key Assumptions

- WECC will assume a leadership role in the identification of emerging reliability challenges in the Western Interconnection.
- WECC will add two engineering positions in 2016 to perform reliability studies in lieu of using higher-priced consultants.
- WECC will be designated as the Interconnection-wide model builder under the NERC MOD-032 Standard.
- WECC will continue the development of RAS and contingency definition models for use in power flow and stability simulation programs.
- Work will continue to reconcile data in various planning models to allow WECC to perform integrated reliability analyses based on challenges identified through the Integrated Reliability Assurance Model.
- WECC will study the Interconnection-wide reliability impacts of the State Implementation Plans associated with EPA's proposed 111(d) rules in 2016.
- WECC will continue to support and participate in the NERC ERO Events Analysis Process and will coordinate with entities to perform detailed cause coding of events.

2016 Goals and Key Deliverables

- WECC will proactively coordinate internally and with stakeholders to ensure that emerging reliability challenges are being identified and addressed.
- Produce Interconnection-wide base cases that include RAS by requesting RAS owners to provide data as part of the base case development process.
- Prepare Interconnection-wide power flow and stability base cases and conduct reliability studies to address key reliability challenges facing the Interconnection.
- Facilitate dynamic model development.
- Develop and maintain a database for production cost and capital cost models and conduct system adequacy analyses to meet the needs of NERC and WECC.
- Enhance probabilistic-based planning and analysis tools and capabilities.
- Support Interconnection-wide transmission expansion planning processes.
- Use data from actual system disturbances to validate power flow and stability base case models, and to identify near-misses.
- Publish WECC Transmission Maps of the existing and planned system.
- Oversee and facilitate the Project Coordination and Project Rating Review Process.
- Process BES Definition exception requests.
- Verify and submit NERC Transmission Availability Data System (TADS), Generator Availability Data System (GADS), and Demand Response Availability Data System (DADS) filings.

- Analyze trends and patterns in historical system performance, resource and load composition, and publish in reports such as the Annual State of the Interconnection report.
- Conduct the annual Operational Practices Survey and accompanying summary report to identify best practices and potential risk to reliability.
- Evaluate historical system performance trends to identify reliability risk metrics and key indicators.
- Complete Events Analysis reports and develop Lessons Learned to support a high level of reliability within the BES while minimizing the possibility of major significant events and preventing reoccurrence of similar type events.
- Ensure the Western Interconnection is represented in reliability matters by participating in various NERC committees and industry forums.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by \$453,000 primarily due to the addition of two engineers (1.5 FTE), for studies and analyses to reduce the need for outside consultants as well as a budgeted three-percent merit increase and the refinement of the labor float percentage based on actual turnover and vacancy rates.

Meeting Expenses

- No significant changes.

Operating Expenses

- Consultants and Contracts increases by a net of \$992,000 primarily due to an increase of \$898,000 for RAS modeling. RAS modeling was reclassified from Fixed Assets to Consultants and Contracts in 2016; the net change in RAS modeling expenditures between 2015 and 2016 is a decrease of \$402,000. Additionally, consultants in one department were eliminated due to an increase in staff, which reduces Consultants and Contracts by \$167,000. Other increases for studies and modeling total \$261,000.

Fixed Assets

- Fixed Assets decrease by \$1.3 million mainly due to the reclassification of the RAS modeling expenditures from Fixed Assets to Consultants and Contracts.

See Section B – Supplemental Financial Information for explanations of other variances between the 2015 and 2016 budgets.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2016 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2016 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 10,231,472	\$ 10,231,472	\$ -	\$ 10,406,920	\$ 175,448
Penalty Sanctions	47,564	47,564	-	685,828	638,264
Total WECC Funding	\$ 10,279,036	\$ 10,279,036	\$ -	\$ 11,092,748	\$ 813,712
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	22,950	12,791	(10,159)	29,041	6,091
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 10,301,986	\$ 10,291,827	\$ (10,159)	\$ 11,121,789	\$ 819,803
Expenses					
Personnel Expenses					
Salaries	\$ 3,062,768	\$ 3,201,381	\$ 138,613	\$ 3,446,796	\$ 384,028
Payroll Taxes	238,217	234,098	(4,119)	268,330	30,113
Benefits	375,438	384,940	9,502	373,565	(1,873)
Retirement Costs	266,328	314,620	48,292	307,085	40,757
Total Personnel Expenses	\$ 3,942,751	\$ 4,135,039	\$ 192,288	\$ 4,395,776	\$ 453,025
Meeting Expenses					
Meetings	\$ 137,430	\$ 112,543	\$ (24,887)	\$ 130,934	\$ (6,496)
Travel	221,552	196,094	(25,458)	209,375	(12,177)
Conference Calls	29,600	27,487	(2,113)	32,100	2,500
Total Meeting Expenses	\$ 388,582	\$ 336,124	\$ (52,458)	\$ 372,409	\$ (16,173)
Operating Expenses					
Consultants & Contracts	\$ 1,332,000	\$ 2,535,492	\$ 1,203,492	\$ 2,324,000	\$ 992,000
Office Rent	-	-	-	-	-
Office Costs	360,650	375,786	15,136	369,910	9,260
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	520,000	573,690	53,690	573,691	53,691
Total Operating Expenses	\$ 2,212,650	\$ 3,484,968	\$ 1,272,318	\$ 3,267,601	\$ 1,054,951
Total Direct Expenses	\$ 6,543,983	\$ 7,956,131	\$ 1,412,148	\$ 8,035,786	\$ 1,491,803
Indirect Expenses	\$ 3,031,019	\$ 3,241,479	\$ 210,460	\$ 3,410,320	\$ 379,301
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 9,575,002	\$ 11,197,610	\$ 1,622,608	\$ 11,446,106	\$ 1,871,104
Change in Assets	\$ 726,984	\$ (905,783)	\$ (1,632,767)	\$ (324,317)	\$ (1,051,301)
Fixed Assets					
Depreciation	(520,000)	(573,690)	(53,690)	(573,691)	(53,691)
Computer & Software CapEx	1,300,000	43,085	(1,256,915)	-	(1,300,000)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (53,016)	\$ (64,333)	\$ (11,317)	\$ (83,294)	\$ (30,278)
Incr(Dec) in Fixed Assets (C)	\$ 726,984	\$ (594,938)	\$ (1,321,922)	\$ (656,985)	\$ (1,383,969)
TOTAL BUDGET (B+C)	10,301,986	10,602,672	300,686	10,789,121	487,135
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ (310,845)	\$ (310,845)	\$ 332,668	\$ 332,668
FTEs	30.8	29.0	(1.8)	32.5	1.7
HC	32.0	29.0	(3.0)	33.0	1.0

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	3.1	2.6	(0.5)
Direct Expenses	\$ 1,197,983	\$ 1,194,586	\$ (3,397)
Indirect Expenses	\$ 305,070	\$ 272,546	\$ (32,524)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (5,336)	\$ (6,657)	\$ (1,321)
Total Funding Requirement	\$ 1,497,717	\$ 1,460,475	\$ (37,242)

Program Scope and Functional Description

The Training, Education, and Operator Certification Program Area provides education and training on the application of standards, compliance issues, improvement of compliance programs, and technical training for system operators and schedulers as a NERC-approved training provider.

2016 Key Assumptions

- Overall attendance continues to trend upward for 2016.
- There are no significant changes in operator certification continuing education unit requirements for 2016.
- The Training, Education, and Operator Certification Program Area remains primarily self-funded in 2016.
- Operator training sessions are mostly held at the Salt Lake City Training Center, with the balance hosted by WECC members.
- WECC will deliver two Compliance User Group and three CIP User Group meetings in 2016.
- WECC will conduct one reliability issues forum in 2016 to enhance outreach to all stakeholders as part of the Integrated Reliability Assurance Model.

2016 Goals and Key Deliverables

- Improve reliability by providing high-quality operator training through the WECC-sponsored Training Program, to include:
 - Review and revise curriculum as needed;
 - Support the Continuing Education Program for System Operators requiring NERC Certification;
 - Continue to enhance and expand the use of the simulator and practical Western Interconnection-specific training; and
 - Evaluate member feedback and concerns, and address through training program improvements.
- Create and deliver additional outreach for CIP version 5.

- Provide 12 monthly “Compliance Open-Webs.”

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses decrease by \$55,000 primarily due to 0.5 FTE moving from Stakeholder Relations to the Communications Department in Corporate Services as well as refinement of the labor float rate.

Meeting Expenses

- Meetings increase by \$82,000 primarily due to the addition of the reliability issues forum.

Operating Expenses

- No significant changes.

Fixed Assets

- No significant changes.

See Section B – Supplemental Financial Information for explanations of other variances between the 2015 and 2016 budgets.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the Training, Education, and Operator Certification section of the 2016 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
TRAINING AND EDUCATION					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2016 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 434,720	\$ 434,720	\$ -	\$ 322,476	\$ (112,244)
Penalty Sanctions	4,787	4,787	-	54,810	50,023
Total WECC Funding	\$ 439,507	\$ 439,507	\$ -	\$ 377,286	\$ (62,221)
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	1,055,900	1,088,052	32,152	1,125,900	70,000
Interest	2,310	1,287	(1,023)	2,321	11
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,497,717	\$ 1,528,846	\$ 31,129	\$ 1,505,507	\$ 7,790
Expenses					
Personnel Expenses					
Salaries	\$ 351,089	\$ 214,807	\$ (136,282)	\$ 310,800	\$ (40,289)
Payroll Taxes	25,665	14,687	(10,978)	22,861	(2,804)
Benefits	36,173	12,171	(24,002)	28,113	(8,060)
Retirement Costs	30,530	19,393	(11,137)	26,252	(4,278)
Total Personnel Expenses	\$ 443,457	\$ 261,058	\$ (182,399)	\$ 388,026	\$ (55,431)
Meeting Expenses					
Meetings	\$ 489,300	\$ 483,338	\$ (5,962)	\$ 571,000	\$ 81,700
Travel	16,850	19,742	2,892	9,220	(7,630)
Conference Calls	8,750	7,744	(1,006)	5,980	(2,770)
Total Meeting Expenses	\$ 514,900	\$ 510,824	\$ (4,076)	\$ 586,200	\$ 71,300
Operating Expenses					
Consultants & Contracts	\$ 92,000	\$ 129,593	\$ 37,593	\$ 68,000	\$ (24,000)
Office Rent	47,676	46,433	(1,243)	45,000	(2,676)
Office Costs	99,950	122,097	22,147	107,360	7,410
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 239,626	\$ 298,123	\$ 58,497	\$ 220,360	\$ (19,266)
Total Direct Expenses	\$ 1,197,983	\$ 1,070,005	\$ (127,978)	\$ 1,194,586	\$ (3,397)
Indirect Expenses	\$ 305,070	\$ 326,252	\$ 21,182	\$ 272,546	\$ (32,524)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,503,053	\$ 1,396,257	\$ (106,796)	\$ 1,467,132	\$ (35,921)
Change in Assets	\$ (5,336)	\$ 132,589	\$ 137,925	\$ 38,375	\$ 43,711
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (5,336)	\$ (3,549)	\$ 1,787	\$ (6,657)	\$ (1,321)
Incr(Dec) in Fixed Assets (C)	\$ (5,336)	\$ (3,549)	\$ 1,787	\$ (6,657)	\$ (1,321)
TOTAL BUDGET (B+C)	1,497,717	1,392,708	(105,009)	1,460,475	(37,242)
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ 136,138	\$ 136,138	\$ 45,032	\$ 45,032
FTEs	3.1	1.6	(1.5)	2.6	(0.5)
HC	3.0	2.0	(1.0)	3.0	-

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	1.2	1.0	(0.2)
Direct Expenses	\$ 178,977	\$ 135,866	\$ (43,111)
Indirect Expenses	\$ 118,092	\$ 101,331	\$ (16,761)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (2,066)	\$ (2,475)	\$ (409)
Total Funding Requirement	\$ 295,002	\$ 234,722	\$ (60,280)

Program Scope and Functional Description

WECC's Situation Awareness and Infrastructure Security (SAIS) Program Area maintains near real-time awareness about the conditions and significant occurrences on the Bulk Electric System in the Western Interconnection, with the objective of recognizing conditions and situations that could impact the reliability of the BES. WECC has access to limited real-time data via the Situation Awareness for NERC, FERC and the Regions (SAFNR) tool. WECC's role is to understand system issues when they emerge and coordinate with relevant parties (typically NERC and FERC) about the conditions of the BES. Through this coordination, WECC is seeking to discern patterns and identify trends aimed at helping to build a stronger and more resilient system. Additionally, personnel respond to events by providing coordination, assistance and communication with Peak Reliability, stakeholders, WECC management, and NERC SAIS personnel.

2016 Key Assumptions

- The Situation Awareness – FERC, NERC, and Regions (SAFNR) tool will continue to provide situation awareness capabilities at both NERC and Regional Entity levels.
- WECC will use its Situation Awareness activities to support NERC and FERC's efforts for situation awareness of current system conditions.
- WECC will continue working with stakeholders, government agencies, NERC and the ES-ISAC to ensure appropriate event information is being disseminated in a timely manner to industry.

2016 Goals and Key Deliverables

- WECC SAIS Staff will monitor system events, collect information and coordinate the distribution of timely updates on system events to WECC Management, industry stakeholders and NERC SAIS personnel.
- Staff will continue to work with NERC to monitor system data, weather, and technological developments to understand trends that affect reliability for the near- and long-term horizons.

- Staff will participate on daily NERC SAIS calls to coordinate, report, and receive any critical information.
- Staff will keep stakeholders informed of emerging reliability threats and risks to the BES, including any expected actions.
- Staff will continue to work and support efforts to develop and enhance ways to improve on the use of SAFNR data to further support SAIS.
- WECC will ensure the Western Interconnection is represented in reliability matters by participating in various NERC committees and industry forums.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses decrease by \$43,000 primarily due to a reduction in the FTE allocation to the Situation Awareness and Infrastructure Security program as well as the refinement of labor float assumptions.

Meeting Expenses

- No significant changes.

Operating Expenses

- No significant changes.

Fixed Assets

- No significant changes.

See Section B – Supplemental Financial Information for explanations of other variances between the 2015 and 2016 budgets.

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2016 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
SITUATION AWARENESS AND INFRASTRUCTURE SECURITY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2016 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ 292,255	\$ 292,255	\$ -	\$ 220,719	\$ (71,536)
Penalty Sanctions	1,853	1,853	-	20,378	18,525
Total WECC Funding	\$ 294,108	\$ 294,108	\$ -	\$ 241,097	\$ (53,011)
Membership Dues	\$ -	\$ -	\$ -	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	894	498	(396)	863	(31)
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 295,002	\$ 294,606	\$ (396)	\$ 241,960	\$ (53,042)
Expenses					
Personnel Expenses					
Salaries	\$ 141,605	\$ 124,106	\$ (17,499)	\$ 107,448	\$ (34,157)
Payroll Taxes	11,010	9,327	(1,683)	8,806	(2,204)
Benefits	14,048	11,135	(2,913)	10,494	(3,554)
Retirement Costs	12,313	12,057	(256)	9,118	(3,195)
Total Personnel Expenses	\$ 178,977	\$ 156,625	\$ (22,352)	\$ 135,866	\$ (43,111)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 178,977	\$ 156,625	\$ (22,352)	\$ 135,866	\$ (43,111)
Indirect Expenses	\$ 118,092	\$ 126,291	\$ 8,199	\$ 101,331	\$ (16,761)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 297,068	\$ 282,916	\$ (14,152)	\$ 237,197	\$ (59,871)
Change in Assets	\$ (2,066)	\$ 11,690	\$ 13,756	\$ 4,763	\$ 6,829
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (2,066)	\$ (2,662)	\$ (596)	\$ (2,475)	\$ (409)
Incr(Dec) in Fixed Assets (C)	\$ (2,066)	\$ (2,662)	\$ (596)	\$ (2,475)	\$ (409)
TOTAL BUDGET (B+C)	295,002	280,254	(14,748)	234,722	(60,280)
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ 14,352	\$ 14,352	\$ 7,238	\$ 7,238
FTEs	1.2	1.2	-	1.0	(0.2)
HC	-	-	-	1.0	1.0

Corporate Services

Corporate Services (in whole dollars)						
	Direct Expenses and Fixes Assets			FTEs		
	2015 Budget	2016 Budget	Increase	2015 Budget	2016 Budget	Increase
			(Decrease)			(Decrease)
Committee and Member Forums	\$ 1,122,427	\$ 1,275,312	\$ 152,885	-	-	-
General and Administrative	\$ 4,192,980	\$ 4,665,973	\$ 472,993	20.90	21.40	0.50
Legal and Regulatory	\$ 1,098,349	\$ 1,168,659	\$ 70,310	6.00	6.00	-
Information Technology	\$ 1,646,668	\$ 1,594,545	\$ (52,123)	10.00	10.00	-
Human Resources	\$ 874,047	\$ 1,043,908	\$ 169,861	3.00	4.00	1.00
Accounting and Finance	\$ 670,318	\$ 744,628	\$ 74,310	5.00	5.00	-
Total Corporate Services	\$ 9,604,789	\$ 10,493,025	\$ 888,236	44.90	46.40	1.50

Program Scope and Functional Description

WECC's Corporate Services encompasses the following program areas and includes all business and administrative functions of the organization:

- Technical Committees and Member Forums
- General and Administrative
- Legal and Regulatory
- Information Technology
- Human Resources
- Finance and Accounting

These functions are necessary for the existence and operation of the organization and support the performance of WECC's statutory activities. This area includes Board fees and expenses, executive leadership and communications, as well as administrative support for WECC staff, committees, members, and management; logistics support of the Salt Lake City office and meeting facilities; and indirect costs such as Office Rent that benefits multiple functional areas.

Methodology for Allocation of Corporate Services Expenses to Programs

Corporate Services expenses are allocated to statutory and non-statutory program areas based on FTEs.

Technical Committees and Member Forums

Program Scope and Functional Description

WECC provides forums for members and other interested stakeholders within its footprint to discuss and share reliability, compliance, and operating concerns. These forums include the Board of Directors, Board committees and Joint Guidance Committee.

2016 Key Assumptions

- The same level of meetings and meeting support will carry forward into 2016.
- Board members will be compensated for meeting participation in accordance with the Board Compensation Schedule.
- The Nominating Committee will engage a search firm to identify candidates for any open Independent Director positions in 2016.
- All four 2016 in-person Board meetings will be held in the Salt Lake City meeting space. Historically, WECC held one meeting off-site each year.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- No significant changes.

Meeting Expenses

- Meeting expenses decrease by \$104,000 primarily due to all WECC Board meetings being held in Salt Lake City.

Operating Expenses

- Consultants and Contracts increase by \$180,000 due to Board Director search fees; and
- Professional Services increase by \$75,000 due to an increase in Board meeting compensation.

Fixed Assets

- No significant changes.

General and Administrative

Program Scope and Functional Description

The General and Administrative Department provides executive leadership, communications, and administrative support for WECC staff, committees, members, and management, as well as logistics support of the Salt Lake City office and meeting facilities. In addition, indirect costs such as Office Rent that benefit multiple functional areas are accounted for in this budget.

2016 Key Assumptions

- WECC will eliminate one position in General and Administrative in 2016.
- Transfer one position from Compliance to General and Administrative in 2016 to more closely align costs with scope of work.
- Transfer and reclassify one position from Compliance to General and Administrative.
- Transfer one position from General and Administrative to Human Resources and reclassify from an entry-level to a senior-level position.

2016 Goals and Deliverables

- Provide executive leadership and strategic guidance for the activities undertaken by WECC.
- Continue to enhance the Business Services group to drive efficiencies and effective services throughout WECC.
- Continue to enhance the stakeholder relations program.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel expenses increase by \$714,000 primarily due to a three-percent merit increase and market adjustments to compensation as a result of an HRCC-directed study and refinements in the labor float rate. One position (1 FTE) was reclassified from Compliance to General and Administrative, 0.5 FTE was reallocated from the Training Program to the General and Administrative program. An Administrative Assistant position (1 FTE) was reclassified to an HR Generalist position and transferred to Human Resources.

Meeting Expenses

- No significant changes.

Operating Expenses

- Office rent and maintenance decrease by \$44,000 due to the alignment of the budget with the straight-line rent expense.
- Office Costs decrease by \$189,000 primarily due to the reclassification of webCDMS from General and Administrative to Compliance.

Fixed Assets

- No significant changes.

Legal and Regulatory

Program Scope and Functional Description

The Legal and Regulatory Department provides coordinated legal services to the WECC Board, committees, and staff, in addition to consistent legal interpretations of relevant statutes, regulations, court opinions, and regulatory decisions. The department also develops specific subject matter expertise to further assist WECC with its legal needs. On occasion, major efforts may be outsourced to select law firms, but the responsibility for all legal matters remains with the Legal and Regulatory Department.

WECC's international operations and its broad scope of activities require significant legal support and review. Arranging for legal support is complicated by the technical nature of this developing area of law and there are many potential areas of conflict prohibiting the use of law firms with energy practices.

2016 Key Assumptions

- Maintain the scope of its current operations.

2016 Goals and Deliverables

- Provide efficient, cost-effective legal support to the WECC Board, committees and staff through a combination of in-house and outside resources.
- Advise WECC departments on specified legal matters and general matters relating to WECC business.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by \$103,000 primarily due to the refinement of the labor float rate and a three-percent merit increase.

Meeting Expenses

- No significant changes.

Operating Expenses

- No significant changes.

Fixed Assets

- No significant changes.

Information Technology

Program Scope and Functional Description

WECC's Information Technology (IT) Department provides systems support including: servers, data, email, telephone systems, and Internet and Intranet website maintenance. In addition, IT includes development of new technology solutions using both internal staff and working with external service providers. IT provides resources and tools to enable the organization to meet the evolving requirements to support activities and responsibilities as directed by NERC and FERC.

2016 Key Assumptions

- Reclassify two positions from senior-level to entry-level positions.
- Replace personal computer equipment on a four-year refresh cycle, refresh servers are every five years, and replace network equipment every seven-to-10 years.
- WECC supports the ERO Enterprise IT Strategy and is committed to working collaboratively to minimize duplication of effort and investments and improve operational efficiency.

2016 Goals and Deliverables

- Continue to provide increased data support, analysis and communication. Create centralized databases, automated processes, and tools to organize a growing volume of electronic data that will be in high demand.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses decrease by \$63,000 primarily due to the refinement of the labor float rate and the reclassification of one position to a lower level.

Meeting Expenses

- No significant changes.

Operating Expenses

- Consulting and Contracts increase by a net of \$15,000 due to contractual labor needed for enhancements to features on WECC's public website.

Fixed Assets

- Fixed Assets decrease by a net of \$46,000 due to the completion of the new WECC website.

Human Resources

Program Scope and Functional Description

Human Resources (HR) is responsible for the delivery of all HR functions to WECC, including: recruitment, staffing, compensation, benefits, safety, health and wellness, employee relations, performance management, succession planning, and employee training and development.

2016 Key Assumptions

- Transfer one position from General and Administrative to Human Resources and reclassify from an entry-level to a senior-level position.

2016 Goals and Deliverables

- Continue to enhance the recruiting program that targets power engineering and cyber security programs to increase visibility of WECC and broaden the applicant pool for hard-to-fill positions, which will increase bench strength for key roles in Compliance and in Operations and Planning.
- Continue to build strong network relationships with area universities to promote WECC as a viable employer in the community.
- Enhance the scope of succession planning, employee development and training, which are vital to ensuring that WECC maintains a skilled, qualified workforce.
- Manage all employee benefits to deliver an attractive benefit package to employees, and to attract potential employees, while managing overall costs to the organization.
- Identify training needs that develop and deliver programs to enhance employee development.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by \$153,000 primarily due to the addition of an HR Generalist position (1 FTE) transferred from the General and Administrative Program as well as the refinement of the labor float rate and a three-percent merit increase.

Meeting Expenses

- No significant changes.

Operating Expenses

- Consultants and Contracts decrease by \$15,000 due to a reduction in the consulting services within Human Resources.
- Office Costs increase by \$25,000 due to the cost of a compensation survey requested by the Human Resources and Compensation Committee.

Fixed Assets

- No significant changes.

Finance and Accounting

Program Scope and Functional Description

The Finance and Accounting Department provides accounting and financial analysis support to WECC. Finance is responsible for accounts payable, billing, accounts receivable, budgeting, fixed asset management, banking, cash management, payroll, and financial reporting.

2016 Key Assumptions

- Reclassify two accounting positions to higher-level positions to increase the capabilities of the Finance and Accounting Department.
- Implement a cloud-hosted expense reporting system.

2016 Goals and Deliverables

- Identify and implement efficiencies in financial processes.
- Provide improved reporting and financial analysis to WECC managers, the Finance and Audit Committee, and the WECC Board.

Resource Requirements/Explanation of Significant Changes

Personnel Expenses

- Personnel Expenses increase by \$81,000 primarily due to the refinement of the labor float percentage and a three-percent merit increase.

Meeting Expenses

- No significant changes.

Operating Expenses

- No significant changes.

Fixed Assets

- No significant changes.

See Section B – Supplemental Financial Information for explanations of other variances between the 2015 and 2016 budgets.

Corporate Services

Funding sources and related expenses for the Corporate Services section of the 2016 Business Plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
CORPORATE SERVICES					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2016 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 4,029,757	\$ 4,532,502	\$ 502,745	\$ 4,881,019	\$ 851,262
Payroll Taxes	263,880	268,790	4,910	297,980	34,100
Benefits	954,660	921,663	(32,997)	969,340	14,680
Retirement Costs	332,598	378,364	45,766	421,229	88,631
Total Personnel Expenses	\$ 5,580,895	\$ 6,101,319	\$ 520,424	\$ 6,569,568	\$ 988,673
Meeting Expenses					
Meetings	\$ 179,605	\$ 138,904	\$ (40,701)	\$ 114,898	\$ (64,707)
Travel	302,350	264,387	(37,963)	231,147	(71,203)
Conference Calls	20,710	19,118	(1,592)	16,839	(3,871)
Total Meeting Expenses	\$ 502,665	\$ 422,409	\$ (80,256)	\$ 362,884	\$ (139,781)
Operating Expenses					
Consultants & Contracts	\$ 231,300	\$ 284,188	\$ 52,888	\$ 407,000	\$ 175,700
Office Rent	937,860	890,201	(47,659)	891,988	(45,872)
Office Costs	1,028,719	847,152	(181,567)	868,328	(160,391)
Professional Services	988,350	1,269,055	280,705	1,051,975	63,625
Miscellaneous	-	-	-	-	-
Depreciation	335,000	341,285	6,285	341,282	6,282
Total Operating Expenses	\$ 3,521,229	\$ 3,631,881	\$ 110,652	\$ 3,560,573	\$ 39,344
Total Direct Expenses	\$ 9,604,789	\$ 10,155,609	\$ 550,820	\$ 10,493,025	\$ 888,236
Indirect Expenses	\$ (9,604,789)	\$ (10,155,609)	\$ (550,820)	\$ (10,493,025)	\$ (888,236)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	(335,000)	(341,285)	(6,285)	(341,282)	(6,282)
Computer & Software CapEx	-	19,000	19,000	55,000	55,000
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	128,000	128,000	30,000	30,000
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 335,000	\$ 194,285	\$ (140,715)	\$ 256,282	\$ (78,718)
Incr(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (B+C)	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	44.9	41.2	(3.7)	46.4	1.5
HC	45.0	42.0	(3.0)	46.0	1.0

Section B Supplemental Financial Information

2016 Business Plan and Budget

Section B — Supplemental Financial Information

Reserve Balance

Table B-1

Working Capital Reserve Analysis 2015-2016	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2014	\$ 2,990,344
Plus: 2015 WECC Funding (from Load-Serving Entities (LSE) or designees)	25,175,135
Plus: 2015 Other funding sources	1,126,508
Less: 2015 Projected expenses & capital expenditures	(26,897,817)
Projected Working Capital Reserve (Deficit), December 31, 2015	<u>\$ 2,394,170</u>
 Desired Working Capital Reserve, December 31, 2016	 ² \$ 3,238,547
Less: Projected Working Capital Reserve, December 31, 2015	(2,394,170)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	<u>\$ 844,377</u>
2016 Expenses and Capital Expenditures	\$ 27,384,956
Less: Penalty Sanctions ¹	(1,983,700)
Less: Other Funding Sources	(1,213,500)
Adjustment to achieve desired Working Capital Reserve	844,377
2016 WECC Assessment	<u>\$ 25,032,134</u>

1 – Represents collections from July 1, 2014 through June 30, 2015. See page 42 for full disclosure.

2 – On June 24, 2015, the WECC Board of Directors approved this reserve level.

WECC's Board has approved a Working Capital Reserve balance equal to one-to-two months of Personnel and Operating Expenses.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statutory Statement of Activities and Capital Expenditures on page 11.

Monetary Penalties

As documented in the NERC Policy *Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*, penalty monies received on or prior to June 30, 2015 will be used to offset assessments in the 2016 WECC Budget.

All penalty monies received on or prior to June 30, 2015 are listed in Table B-2, including the amount and the date received.

Allocation Method: Penalty monies received have been allocated to the following Statutory Programs to reduce assessments:

- Reliability Standards;
- Compliance Monitoring and Enforcement and Organization Registration and Certification;
- Reliability Assessment and Performance Analysis;
- Training, Education, and Operator Certification; and
- Situation Awareness and Infrastructure Security.

Penalty monies are allocated based on the number of FTEs in the functional areas divided by the aggregate total FTEs in the programs receiving the allocation.

Penalty Sanctions

Table B-2

Penalty Sanctions Received on or Prior to June 30, 2015					
Date Received	Amount Received	Date Received	Amount Received	Date Received	Amount Received
7/2/2014	155,000	11/12/2014	12,500	3/5/2015	\$ 60,000
7/21/2014	98,500	12/2/2014	40,000	3/27/2015	16,000
7/25/2014	97,500	12/2/2014	25,000	4/2/2015	13,200
8/12/2014	12,000	1/14/2015	60,000	4/21/2015	30,000
8/18/2014	10,000	1/27/2015	94,500	5/13/2015	17,000
8/21/2014	109,000	2/6/2015	5,000	5/27/2015	45,000
9/11/2014	20,000	2/12/2015	65,000	6/3/2015	85,000
9/15/2014	24,000	2/12/2015	7,000	6/5/2015	70,000
9/18/2014	20,000	2/18/2015	150,000		
9/18/2014	35,000	2/20/2015	103,500		
9/29/2014	180,000	2/20/2015	12,000		
10/20/2014	40,000	2/25/2015	15,000		
10/20/2014	50,000	3/3/2015	65,000		
11/4/2014	22,000	3/5/2015	120,000		
				Total Penalties Received	\$ 1,983,700
				Net Penalties to Offset Assessments	<u>\$ 1,983,700</u>

Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (Excluding WECC Assessments & Penalty Sanctions)	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget
Reliability Standards				
Interest	\$ 2,981	\$ 1,662	\$ 3,571	\$ 590
Miscellaneous	-	-	-	-
Total	\$ 2,981	\$ 1,662	\$ 3,571	\$ 590
Compliance Monitoring, Enforcement & Org. Registration				
Workshops	\$ -	\$ -	\$ 3,600	\$ 3,600
Interest	39,865	22,218	48,204	8,339
Miscellaneous	-	-	-	-
Total	\$ 39,865	\$ 22,218	\$ 51,804	\$ 11,939
Reliability Assessment and Performance Analysis				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Interest	22,950	12,791	29,041	6,091
Miscellaneous	-	-	-	-
Total	\$ 22,950	\$ 12,791	\$ 29,041	\$ 6,091
Training and Education				
Workshops	\$ 1,055,900	\$ 1,088,052	\$ 1,125,900	\$ 70,000
Interest	2,310	1,287	2,321	11
Miscellaneous	-	-	-	-
Total	\$ 1,058,210	\$ 1,089,339	\$ 1,128,221	\$ 70,011
Situation Awareness and Infrastructure Security				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Interest	894	498	863	(31)
Miscellaneous	-	-	-	-
Total	\$ 894	\$ 498	\$ 863	\$ (31)
Corporate Services				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ 1,124,900	\$ 1,126,508	\$ 1,213,500	\$ 88,600

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

WECC anticipates its investments will earn interest of approximately \$84,000 in 2016. This revenue is allocated to the Statutory and Non-Statutory Programs based on FTEs.

Compliance Monitoring and Enforcement and Organization Registration and Certification

- An increase of \$3,600 in training revenue is related to Organization Registration and Certification training meetings.

Training and Education

- Workshop revenue increases by \$70,000 primarily due to an anticipated increase in Compliance User Group (CUG) attendance.

Situation Awareness and Infrastructure Security

- No significant changes.

Corporate Services

- Not applicable.

Personnel Expenses

Table B-4

Personnel Expenses	Budget		Projection		Variance	
	2015	2015	2016	2016 Budget v 2015 Budget	Variance %	
Salaries						
Salaries	\$ 13,095,525	\$ 13,529,562	\$ 14,552,825	\$ 1,457,300	11.1%	
Employment Agency Fees	-	-	-	-		
Temporary Office Services	-	-	-	-		
Total Salaries	\$ 13,095,525	\$ 13,529,562	\$ 14,552,825	\$ 1,457,300	11.1%	
Total Payroll Taxes	\$ 960,686	\$ 948,977	\$ 1,047,090	\$ 86,404	9.0%	
Benefits						
Workers Compensation	\$ 19,000	\$ 22,019	\$ 15,000	\$ (4,000)	-21.1%	
Medical Insurance	1,658,341	1,578,662	1,664,684	6,343	0.4%	
Life-LTD-STD Insurance	74,911	78,202	83,188	8,277	11.0%	
Education	286,878	255,968	257,381	(29,497)	-10.3%	
Relocation	50,000	77,376	40,000	(10,000)	-20.0%	
Other	11,182	9,850	14,355	3,173	28.4%	
Total Benefits	\$ 2,100,312	\$ 2,022,077	\$ 2,074,608	\$ (25,704)	-1.2%	
Retirement						
Discretionary 401k Contribution	\$ 1,107,028	\$ 1,185,540	\$ 1,229,074	\$ 122,046	11.0%	
Retirement Administration Fees	15,000	10,909	30,000	15,000	100.0%	
Total Retirement	\$ 1,122,028	\$ 1,196,449	\$ 1,259,074	\$ 137,046	12.2%	
Total Personnel Costs	\$ 17,278,551	\$ 17,697,065	\$ 18,933,597	\$ 1,655,046	9.6%	
FTEs	137.5	137.0	140.5	3.0	2.2%	
Cost per FTE						
Salaries	\$ 95,240	\$ 98,756	\$ 103,579	8,339	8.8%	
Payroll Taxes	6,987	6,927	7,453	466	6.7%	
Benefits	15,275	14,760	14,766	(509)	-3.3%	
Retirement	8,160	8,733	8,961	801	9.8%	
Total Cost per FTE	\$ 125,662	\$ 129,176	\$ 134,759	\$ 9,097	7.2%	

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Salaries

- Salaries increase by a net \$1.46 million primarily due to the refinement of WECC's labor float percentage, a three-percent merit increase, market adjustments to compensation as a result of an HRCC-directed study, and the net addition of 3.0 FTEs.

Payroll Taxes

- Payroll Taxes increase by \$86,000 due to the increase in Salaries.

Benefits

- Workers Compensation decreases by \$4,000 based on estimated premiums.
- Medical Insurance increases by \$6,000 to reflect a more accurate estimate of actual employee enrollment.
- Life, Long-Term Disability, and Short-Term Disability Insurance increases by \$8,000 due to the refinement of WECC's labor float percentage as well as the net addition of 3.0 FTEs.
- Education decreases by \$29,000 to reflect a more accurate estimate of actual employee usage of the tuition reimbursement program.

- Relocation decreases by \$10,000 to reflect estimated relocation offers in 2016.
- Other (benefits) increases by \$3,000 to reflect higher participation in WECC's employee wellness program.

Retirement

- Contributions to 401(k) plans increase by \$122,000 due to the refinement of WECC's labor float percentage, a three-percent merit increase, and the net addition of 3.0 FTEs.
- Retirement Administration Fees increase by \$15,000 as a result of switching to a new 401(k) plan administrator.

Meeting Expenses

Table B-5

Meeting Expense	Budget 2015	Projection 2015	Budget 2016	Variance	
				2016 Budget v 2015 Budget	Variance %
Reliability Standards	\$ 528	\$ 489	\$ 1,420	892	168.9%
Compliance Monitoring, Enforcement & Org. Registration	6,685	9,076	1,948	(4,737)	-70.9%
Reliability Assessment and Performance Analysis	137,430	112,543	130,934	(6,496)	-4.7%
Training and Education	489,300	483,338	571,000	81,700	16.7%
Situation Awareness	-	-	-	-	-
Corporate Services	179,605	138,904	114,898	(64,707)	-36.0%
Total Meeting Expenses	\$ 813,548	\$ 744,349	\$ 820,200	\$ 6,652	0.8%

Travel Expense	Budget 2015	Projection 2015	Budget 2016	Variance	
				2016 Budget v 2015 Budget	Variance %
Reliability Standards	\$ 32,175	\$ 25,043	\$ 26,925	(5,250)	-16.3%
Compliance Monitoring, Enforcement & Org. Registration	849,896	735,943	696,704	(153,192)	-18.0%
Reliability Assessment and Performance Analysis	221,552	196,094	209,375	(12,177)	-5.5%
Training and Education	16,850	19,742	9,220	(7,630)	-45.3%
Situation Awareness	-	-	-	-	-
Corporate Services	302,350	264,387	231,147	(71,203)	-23.5%
Total Travel Expenses	\$ 1,422,823	\$ 1,241,208	\$ 1,173,371	\$ (249,452)	-17.5%

Conference Call Expense	Budget 2015	Projection 2015	Budget 2016	Variance	
				2016 Budget v 2015 Budget	Variance %
Reliability Standards	3,027	\$ 3,153	\$ 2,565	(462)	-15.3%
Compliance Monitoring, Enforcement & Org. Registration	13,152	12,188	13,339	187	1.4%
Reliability Assessment and Performance Analysis	29,600	27,487	32,100	2,500	8.4%
Training and Education	8,750	7,744	5,980	(2,770)	-31.7%
Situation Awareness	-	-	-	-	-
Corporate Services	20,710	19,118	16,839	(3,871)	-18.7%
Total Conference Call Expenses	\$ 75,239	\$ 69,690	\$ 70,823	\$ (4,416)	-5.9%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Meeting Expense

- Compliance decreases by a net of \$5,000 due to a decrease in costs for external meetings.
- Reliability Assessment and Performance Analysis decreases by \$6,000 due to a decrease in costs for external meetings.
- Training and Education increases by \$82,000 primarily due to the addition of the reliability issues forum.
- Corporate Services decreases by a net of \$65,000 primarily due to all WECC Board meetings being held in Salt Lake City.

Travel Expense

- Reliability Standards decreases by \$5,000 due to standard budget assumptions that were used in all departments for travel, hotel and rental car expenditures, which reduced estimated travel costs in some areas.
- Compliance decreases by \$153,000 due to the implementation of risk-based compliance monitoring, which reduces travel expenditures in Compliance. Additionally, standard

budget assumptions were used in all departments for travel, hotel and rental car expenditures, which also reduces estimated travel costs in some areas.

- Reliability Assessment and Performance Analysis decreases by a net of \$12,000 due to standard budget assumptions that were used in all departments for travel, hotel and rental car expenditures, which reduced estimated travel costs in some areas.
- Training and Education decreases by a net of \$8,000 due to standard budget assumptions that were used in all departments for travel, hotel and rental car expenditures, which reduced estimated travel costs in some areas.
- Corporate Services decreases by a net of \$71,000 primarily due to all WECC Board meetings being held in Salt Lake City.

Conference Calls

- Corporate Services decrease by a net of \$4,000 due to an anticipated reduction in conference call usage.

Consultants and Contracts

Table B-6

Consultants	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	35,640	5,000	-	(35,640)	-100.0%
Reliability Assessment and Performance Analysis	1,332,000	2,535,491	2,324,000	992,000	74.5%
Training and Education	92,000	129,593	68,000	(24,000)	-26.1%
Situation Awareness and Infrastructure Security	-	-	-	-	
Corporate Services	226,500	281,133	377,000	150,500	66.4%
Consultants Total	\$ 1,686,140	\$ 2,951,216	\$ 2,769,000	\$ 1,082,860	64.2%

Contracts	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Contracts					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	432,280	512,280	472,170	39,890	9.2%
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Corporate Services	4,800	3,055	30,000	25,200	525.0%
Contracts Total	\$ 437,080	\$ 515,335	\$ 502,170	\$ 65,090	14.9%
Total Consulting and Contracts	\$ 2,123,220	\$ 3,466,551	\$ 3,271,170	\$ 1,147,950	54.1%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Consultants

- Compliance and Organization Registration and Certification decreases by \$36,000 primarily due shifting work from consultants to Corporate Services staff.
- RAPA increases by a net \$992,000 due to the following:
 - A decrease of \$167,000 is due to transitioning work from consultants to in-house staff in Operations Performance Analysis.
 - An increase of \$111,000 in Transmission Expansion Planning for transmission scenario studies.
 - An increase of \$898,000 for RAS modeling that was previously budgeted in Fixed Assets.
 - An increase of \$150,000 for composite load modeling.
- Training and Education consultants decrease by \$24,000 due to a decrease in use of consultants to conduct training sessions.
- Corporate Services increases by a net of \$151,000 due to the following:
 - Technical Committee and Member Forums consultants increase by \$180,000 primarily due to an increase for Board Director Search fees.
 - Information Technology consulting decreases by \$15,000 due to a reduction in information management analytics consulting.
 - Human Resources decreases by \$15,000 due to a reduction in expenses for a compensation study.

Contracts

- Compliance and Organization Registration and Certification contracts increase by \$40,000 due to shift of costs from Corporate Services to Compliance and Organization Registration and Certification for Compliance software.
- Corporate Services contracts increase by \$25,000 due to contractual labor for enhancement of features for WECC's public website including interfacing features and application migration development within Information Technology.

Office Rent

Table B-7

Office Rent	Budget 2015	Projection 2015	Budget 2016	Variance	
				2016 Budget v 2015 Budget	Variance %
Office Rent	\$ 969,480	\$ 923,732	\$ 926,748	(42,732)	-4.4%
Utilities	-	-	-	-	0.0%
Maintenance	17,656	15,230	10,240	(7,416)	-42.0%
Security	-	-	-	-	0.0%
Total Office Rent	\$ 987,136	\$ 938,962	\$ 936,988	\$ (50,148)	-5.1%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Office Rent decreases by \$43,000 to align the budget with the straight-lined expense.

Office Costs

Table B-8

Office Costs	Budget		Projection		Variance	
	2015	2015	2016	2016	2016 Budget v 2015 Budget	Variance %
Telephone	\$ 96,747	\$ 62,450	\$ 78,640	\$ (18,107)	-18.7%	
Internet	117,618	66,005	68,836	(48,782)	-41.5%	
Office Supplies	104,859	113,567	94,921	(9,938)	-9.5%	
Computer Supplies and Maintenance	908,990	948,870	1,017,268	108,278	11.9%	
Publications & Subscriptions	17,535	49,917	38,170	20,635	117.7%	
Dues and Fees	159,314	238,552	178,258	18,944	11.9%	
Postage	5,699	4,708	5,376	(323)	-5.7%	
Express Shipping	11,304	12,469	6,430	(4,874)	-43.1%	
Copying	67,545	49,133	39,850	(27,695)	-41.0%	
Bank Charges	74,000	76,168	66,000	(8,000)	-10.8%	
Taxes	64,000	60,528	61,675	(2,325)	-3.6%	
Total Office Costs	\$ 1,627,611	\$ 1,682,367	\$ 1,655,424	\$ 27,813	1.7%	

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Telephone expenses decrease by \$18,000 to more accurately reflect cellular phone expenses.
- Internet expenses decrease by a net \$49,000 to more accurately reflect actual expenses.
- Computer Supplies and Maintenance increases by a net of \$108,000 primarily due to an increase of \$50,000 for workspace reconfiguration and improvements, and an increase of \$65,000 for Microsoft Office 360 licensing renewal, which includes exchange cloud migration.
- Publications and Subscriptions increase by \$20,000 primarily due to the subscription fee for compensation data.
- Dues and Fees increase by a net of \$19,000 primarily due to an increase in recruiting expenses for WECC's new annual LinkedIn membership and accounting reporting enhancements.
- Copying decreases by \$28,000 to more accurately reflect estimated expenditures.

Professional Services

Table B-9

Professional Services	Budget		Projection		Variance				
	2015	2015	2016	2016	2016 Budget v 2015 Budget	Variance %			
Board Director fees	\$	749,250	\$	808,750	\$	824,250	\$	75,000	10.0%
Outside Legal		30,600		229,990		31,600		1,000	3.3%
Accounting & Auditing Fees		88,500		127,750		86,125		(2,375)	-2.7%
Insurance Commercial		120,000		102,565		110,000		(10,000)	-8.3%
Total Services	\$	988,350	\$	1,269,055	\$	1,051,975	\$	63,625	6.4%

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Board of Director fees increase by \$75,000 due to an increase in anticipated compensable meetings.
- Insurance Commercial decreases \$10,000 to more accurately reflect actual premium costs.

Other Non-Operating

Table B-10

Other Non-Operating Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment	-	-	-	-	-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	-

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

- Not applicable.

Section C

Non-Statutory Activities

2016 Business Plan and Budget

Section C — 2016 Budget - Non-Statutory Activities

Western Renewable Energy Generation Information System (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	5.0	6.0	1.0
Direct Expenses	1,177,192	1,182,420	5,228
Indirect Expenses	492,049	628,953	136,904
Inc(Dec) in Fixed Assets	(8,607)	(15,362)	(6,755)
Total Funding Requirement	(29,759)	106,239	135,998

Western Renewable Energy Generation Information System (WREGIS)

WREGIS is an independent, renewable energy database for the Western Interconnection. WREGIS creates renewable energy certificates (REC) for verifiable renewable generation from units that are registered in the database.

WREGIS was developed through a collaborative process between the Western Governors' Association, the Western Regional Air Partnership, and the California Energy Commission (CEC). This development was further guided by stakeholder input from more than 400 participants over a period greater than three years. WREGIS' governance was integrated into WECC on March 31, 2012 following the expiration of WECC's contract that had previously provided for backstop funding from the CEC. WREGIS is governed by a WECC member committee consisting of representatives from the WECC membership and various WREGIS stakeholder groups.

WREGIS costs fall outside Section 215 of the Federal Power Act. Participants fund WREGIS through registration and transaction fees.

WREGIS consists of two parts: the information system software and the administrative operations. The WREGIS staff oversees the software contractor and performs all of the administrative tasks required to operate the program including: registering account holders and generation units; training WREGIS users; and managing the budgeting, billing, and financial reporting.

Major 2016 Assumptions and Cost Impacts

WREGIS is funded entirely by user fees and is not subsidized by Section 215 funding.

- User fees are based on size (generation capacity) and user type.
 - Approximately 25 percent of revenues are based on size.
 - Approximately 75 percent of revenues are based on usage levels, which can depend on factors such as weather (wind and solar generation levels) and state regulatory policies (retirement, transfers, etc.).

- Revenues can vary greatly from year to year: therefore, WECC holds large WREGIS reserves to allow for normal operations during years in which fee levels are low and to fund large, non-recurring expenditures such as major software upgrades.

2016 Primary Goals and Objectives

- Implement the WREGIS program as required by the participating states, provinces and voluntary programs.
- Register program participants, whether mandatory or voluntary.
- Refine the WREGIS software to ensure optimum performance in terms of both efficiency and ease of use for account holders.
- Keep abreast of possible needs to increase WREGIS's functionality.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

- WREGIS account holders pay an initial registration fee and annual renewal fees. Amounts vary by the size and category of the account holder.
- Volumetric-based fees are assessed when RECs are traded, retired, reserved, or transferred.
- Nominal fees are charged for users who attend training.

Personnel Expenses

- Personnel Expenses increase a net of \$62,000 mainly due to the addition of one position.

Travel Expenses

- Travel Expenses decrease by a net \$25,000 due to estimates of actual travel and meeting expenditure requirements in 2016.

Operating Expenses

- Office Costs decrease by \$22,000 primarily due to decreases in WREGIS software upgrade costs.

Indirect Expenses

- Indirect Expenses are allocated based on FTEs. WECC calculates a quarterly allocation for WREGIS's indirect costs, based on actual results.

Other Non-Operating Expenses

- Not applicable

2015 Budget and Projection and 2016 Budget Comparisons

Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
NON-STATUTORY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2016 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
WECC Funding					
WECC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total WECC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	1,626,000	1,794,345	168,345	1,900,000	274,000
Federal Grants	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	4,875	-	(4,875)	2,250	(2,625)
Interest	-	5,923	5,923	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,630,875	\$ 1,800,268	\$ 169,393	\$ 1,902,250	\$ 271,375
Expenses					
Personnel Expenses					
Salaries	\$ 358,476	\$ 300,620	\$ (57,856)	\$ 411,618	\$ 53,142
Payroll Taxes	29,669	26,948	(2,721)	34,402	4,733
Benefits	62,675	30,577	(32,098)	63,249	574
Retirement Costs	31,172	26,341	(4,831)	34,870	3,698
Total Personnel Expenses	\$ 481,992	\$ 384,486	\$ (97,506)	\$ 544,139	\$ 62,147
Meeting Expenses					
Meetings	\$ 3,975	\$ 5,511	\$ 1,536	\$ 4,200	\$ 225
Travel	52,000	39,425	(12,575)	27,575	(24,425)
Conference Calls	1,200	944	(256)	850	(350)
Total Meeting Expenses	\$ 57,175	\$ 45,880	\$ (11,295)	\$ 32,625	\$ (24,550)
Operating Expenses					
Consultants & Contracts	\$ 2,400	\$ 2,897	\$ 497	\$ 2,400	\$ -
Office Rent	-	-	-	-	-
Office Costs	616,125	546,547	(69,578)	594,256	(21,869)
Professional Services	19,500	12,636	(6,864)	9,000	(10,500)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	73,610	-	-
Total Operating Expenses	\$ 638,025	\$ 562,080	\$ (2,335)	\$ 605,656	\$ (32,369)
Total Direct Expenses	\$ 1,177,192	\$ 992,446	\$ (111,136)	\$ 1,182,420	\$ 5,228
Indirect Expenses	\$ 492,049	\$ 410,123	\$ (81,926)	\$ 628,953	\$ 136,904
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,669,241	\$ 1,402,569	\$ (193,062)	\$ 1,811,373	\$ 142,132
Change in Assets	\$ (38,366)	\$ 397,699	\$ 362,455	\$ 90,877	\$ 129,243
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (8,607)	\$ (8,607)	\$ -	\$ (15,362)	\$ (6,755)
Incr(Dec) in Fixed Assets (C)	\$ (8,607)	\$ (8,607)	\$ -	\$ (15,362)	\$ (6,755)
TOTAL BUDGET (=B+C)	1,660,634	1,393,962	(193,062)	1,796,011	135,377
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 244,820	\$ 406,306	\$ 362,455	\$ 106,239	\$ 135,998
FTEs	5.0	4.0	(1.0)	6.0	1.0
HC	5.0	4.0	(1.0)	6.0	1.0

Personnel Analysis

FTEs are defined as full-time equivalent employees only. Fractional FTEs reflect part-time employees or employees who worked in fewer than all four quarters of the year.

Total FTEs by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs ¹ 2016 Budget	Total FTEs 2016 Budget	Change from 2015 Budget
NON-STATUTORY						
Operational Programs						
Total FTEs Operational Programs	0.0	0.0	0.0	0.0	0.0	0.0
Administrative Programs						
WREGIS	5.0	4.0	6.0	0.0	6.0	1.0
Total FTEs Administrative Programs	5.0	4.0	6.0	0.0	6.0	1.0
Total FTEs	5.0	4.0	6.0	0.0	6.0	1.0

¹A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

The addition of one FTE for a Program Analyst position.

Reserve Analysis — 2015–2016

Working Capital Reserve Analysis	
NON-STATUTORY	
WREGIS Reserves	
Beginning Working Capital Reserve (Deficit), December 31, 2014	4,589,516
Plus: 2015 WREGIS Funding	1,800,268
Plus: 2015 Other funding sources	
Less: 2015 Projected expenses & capital expenditures	(1,393,962)
Projected Working Capital Reserve (Deficit), December 31, 2015	<u><u>4,995,822</u></u>
Projected Working Capital Reserve, December 31, 2016	4,995,822
Less: Projected Working Capital Reserve, December 31, 2015	(4,995,822)
Adjustments to achieve Working Capital Reserve, December 31, 2015	<u><u>0</u></u>
2015 Funding Sources	1,902,250
Less: Expenses and Capital Expenditures	(1,796,011)
2016 Reserve Adjustment	<u><u>106,239</u></u>

Section D

Additional Financial Information

2016 Business Plan and Budget

Section D – Additional Financial Information

2016 Consolidated Statement of Activities by Program, Statutory, and Non-Statutory

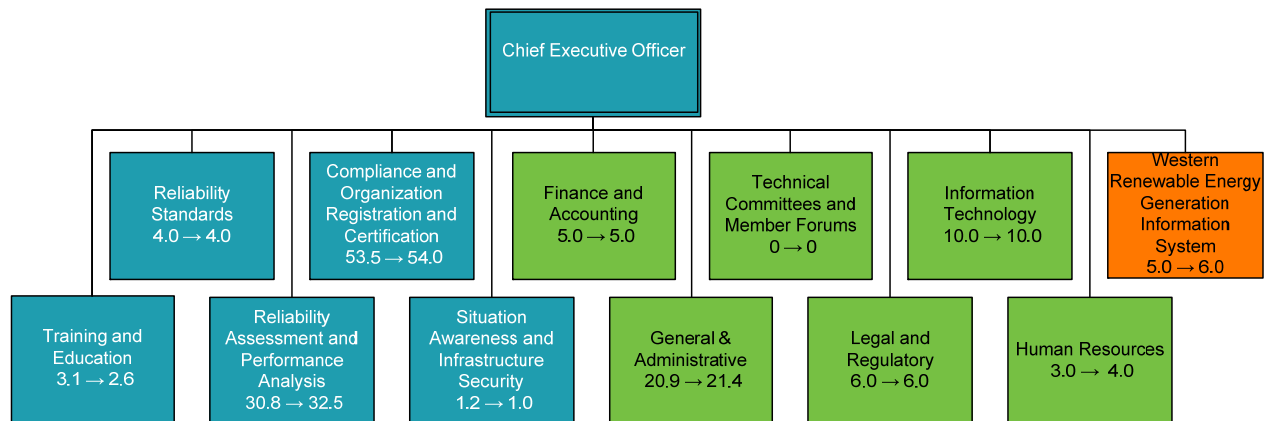
Statement of Activities and Capital Expenditures by Program 2016 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement						Non-Statutory Functions			
				Statutory Total	Reliability Standards (Section 300)	Compliance and Organization Registration and Certification (Section 400 & 500)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Corporate Services	Non-Statutory Total	WREGIS	
Funding													
WECC Funding													
WECC Assessments	25,032,134	25,032,134	-	25,032,134	1,034,890	13,047,128	10,406,920	322,476	220,719	-	-	-	-
Penalty Sanctions	1,983,700	1,983,700	-	1,983,700	84,323	1,138,361	685,828	54,810	20,378	-	-	-	-
Total WECC Funding	27,015,834	27,015,834	-	27,015,834	1,119,213	14,185,489	11,092,748	377,286	241,097	-	-	-	-
Non-statutory Funding	1,900,000	-	1,900,000	-	-	-	-	-	-	-	1,900,000	1,900,000	-
Federal Grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	1,131,750	1,129,500	2,250	1,129,500	-	3,600	-	1,125,900	-	-	2,250	2,250	-
Interest	84,000	84,000	-	84,000	3,571	48,204	29,041	2,321	863	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding (A)	30,131,584	28,229,334	1,902,250	28,229,334	1,122,784	14,237,293	11,121,789	1,505,507	241,960	-	1,902,250	1,902,250	-
Expenses													
Personnel Expenses													
Salaries	14,964,443	14,552,825	411,618	14,552,825	518,048	5,288,714	3,446,796	310,800	107,448	4,881,019	411,618	411,618	-
Payroll Taxes	1,081,492	1,047,090	34,402	1,047,090	37,302	411,811	268,330	22,861	8,806	297,980	34,402	34,402	-
Benefits	2,137,857	2,074,608	63,249	2,074,608	44,778	648,318	373,565	28,113	10,494	969,340	63,249	63,249	-
Retirement Costs	1,293,944	1,259,074	34,870	1,259,074	43,757	451,633	307,085	26,252	9,118	421,229	34,870	34,870	-
Total Personnel Expenses	19,477,736	18,933,597	544,139	18,933,597	643,885	6,800,476	4,395,776	388,026	135,866	6,569,568	544,139	544,139	-
Meeting Expenses													
Meetings	824,400	820,200	4,200	820,200	1,420	1,948	130,934	571,000	-	114,898	4,200	4,200	-
Travel	1,200,946	1,173,371	27,575	1,173,371	26,925	696,704	209,375	9,220	-	231,147	27,575	27,575	-
Conference Calls	71,673	70,823	850	70,823	2,565	13,339	32,100	5,980	-	16,839	850	850	-
Total Meeting Expenses	2,097,019	2,064,394	32,625	2,064,394	30,910	711,991	372,409	586,200	-	362,884	32,625	32,625	-
Operating Expenses													
Consultants & Contracts	3,273,570	3,271,170	2,400	3,271,170	-	472,170	2,324,000	68,000	-	407,000	2,400	2,400	-
Office Rent	936,988	936,988	-	936,988	-	-	-	45,000	-	891,988	-	-	-
Office Costs	2,249,680	1,655,424	594,256	1,655,424	5,345	304,481	369,910	107,360	-	868,328	594,256	594,256	-
Professional Services	1,060,975	1,051,975	9,000	1,051,975	-	-	-	-	-	1,051,975	9,000	9,000	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	948,609	948,609	-	948,609	-	33,636	573,691	-	-	341,282	-	-	-
Total Operating Expenses	8,469,822	7,864,166	605,656	7,864,166	5,345	810,287	3,267,601	220,360	-	3,560,573	605,656	605,656	-
Total Direct Expenses	30,044,577	28,862,157	1,182,420	28,862,157	680,140	8,322,754	8,035,786	1,194,586	135,866	10,493,025	1,182,420	1,182,420	-
Indirect Expenses	0	(628,953)	628,953	(628,953)	419,301	5,660,573	3,410,320	272,546	101,331	(10,493,025)	628,953	628,953	-
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	30,044,577	28,233,204	1,811,373	28,233,204	1,099,441	13,983,327	11,446,106	1,467,132	237,197	-	1,811,373	1,811,373	-
Change in Assets	87,006	(3,870)	90,877	(3,870)	23,343	253,966	(324,317)	38,375	4,763	-	90,877	90,877	-
Fixed Assets													
Depreciation	(948,609)	(948,609)	-	(948,609)	-	(33,636)	(573,691)	-	-	(341,282)	-	-	-
Computer & Software CapEx	55,000	55,000	-	55,000	-	-	-	-	-	55,000	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	30,000	30,000	-	30,000	-	-	-	-	-	30,000	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	(1)	15,361	(15,362)	15,361	(10,241)	(138,254)	(83,294)	(6,657)	(2,475)	256,282	(15,362)	(15,362)	-
Inc(Dec) in Fixed Assets (C)	(863,610)	(848,248)	(15,362)	(848,248)	(10,241)	(171,890)	(656,985)	(6,657)	(2,475)	-	(15,362)	(15,362)	-
TOTAL BUDGET (B+C)	29,180,967	27,384,956	1,796,011	27,384,956	1,089,200	13,811,437	10,789,121	1,460,475	234,722	-	1,796,011	1,796,011	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	950,616	844,378	106,239	844,378	33,584	425,856	332,668	45,032	7,238	-	106,239	106,239	-
FTEs	146.5	140.5	6.0	140.5	4.0	54.0	32.5	2.6	1.0	46.4	6.0	6.0	-
HC	147.0	141.0	6.0	141.0	4.0	54.0	33.0	3.0	1.0	46.0	6.0	6.0	-

Section D — Additional Financial Information

Statement of Financial Position

Statement of Financial Position			
2014 Audited, 2015 Projection, and 2016 Budget			
STATUTORY and NON-STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-14	31-Dec-15	31-Dec-16
ASSETS			
Cash and cash equivalents	\$ 38,445,013	\$ 22,393,653	\$ 22,617,589
Certificates of deposit	3,711,823	2,783,867	2,811,706
Investments	2,128,775	1,596,581	1,612,547
Accounts receivable, net	4,449,584	3,337,188	3,370,560
Prepaid expenses and other assets	450,832	338,124	341,505
Property and equipment	1,574,721	1,659,721	1,744,721
Total Assets	<u>\$ 50,760,748</u>	<u>\$ 32,109,134</u>	<u>\$ 32,498,628</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	22,020,846	4,894,948	4,384,442
Accrued Expenses	5,268,048	4,268,048	4,194,853
Deferred revenue	14,210,397	13,767,674	13,767,674
Other liabilities	1,284,835	1,391,710	1,414,289
Total Liabilities	<u>\$ 42,784,126</u>	<u>\$ 24,322,380</u>	<u>\$ 23,761,257</u>
Unrestricted net assets	7,976,622	7,786,754	8,737,370
Total Liabilities and Net Assets	<u>\$ 50,760,748</u>	<u>\$ 32,109,134</u>	<u>\$ 32,498,628</u>

Appendix A: Organizational Chart



- Statutory Program Area
- Corporate Services Program Area
- Non-statutory Program Area

Appendix B: 2016 Budget & Projected 2017 and 2018 Budgets

Statement of Activities and Capital Expenditures							
2016 Budget & Projected 2017 and 2018 Budgets							
Statutory							
	2016 Budget	2017 Projection	\$ Change 16 v 17	% Change 16 v 17	2018 Projection	\$ Change 17 v 18	% Change 17 v 18
Funding							
ERO Funding							
WECC Assessments	\$ 25,032,134	\$ 25,050,000	\$ 17,866	0.1%	\$ 25,050,000	\$ -	0.0%
Penalty Sanctions	1,983,700	-	(1,983,700)	-100.0%	-	-	-
Total ERO Funding	\$ 27,015,834	\$ 25,050,000	\$ (1,965,834)	-7.3%	\$ 25,050,000	\$ -	0.0%
Membership Dues	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-
Workshops	1,129,500	1,174,680	45,180	4.0%	1,233,414	58,734	5.0%
Interest	84,000	84,000	-	0.0%	84,000	-	0.0%
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 28,229,334	\$ 26,308,680	\$ (1,920,654)	-6.8%	\$ 26,367,414	\$ 58,734	0.2%
Expenses							
Personnel Expenses							
Salaries	\$ 14,552,825	\$ 14,989,410	436,585	3.0%	\$ 15,439,092	449,682	3.0%
Payroll Taxes	1,047,090	1,078,503	31,413	3.0%	\$ 1,110,858	32,355	3.0%
Benefits	2,074,608	2,136,846	62,238	3.0%	\$ 2,200,952	64,105	3.0%
Retirement Costs	1,259,074	1,296,846	37,772	3.0%	\$ 1,335,752	38,905	3.0%
Total Personnel Expenses	\$ 18,933,597	\$ 19,501,605	\$ 568,008	3.0%	\$ 20,086,653	\$ 585,048	3.0%
Meeting Expenses							
Meetings	\$ 820,200	\$ 853,008	32,808	4.0%	\$ 887,128	34,120	4.0%
Travel	1,173,371	1,173,371	-	0.0%	1,173,371	-	0.0%
Conference Calls	70,823	70,823	-	0.0%	70,823	-	0.0%
Total Meeting Expenses	\$ 2,064,394	\$ 2,097,202	\$ 32,808	1.6%	\$ 2,131,322	\$ 34,120	1.6%
Operating Expenses							
Consultants & Contracts	\$ 3,271,170	\$ 2,423,170	(848,000)	-25.9%	\$ 2,470,097	46,927	1.9%
Office Rent	936,988	940,000	3,012	0.3%	990,000	50,000	5.3%
Office Costs	1,655,424	1,705,424	50,000	3.0%	1,705,424	-	0.0%
Professional Services	1,051,975	1,151,975	100,000	9.5%	1,151,975	-	0.0%
Miscellaneous	-	-	-	-	-	-	-
Depreciation	948,609	986,553	37,944	4.0%	-	(986,553)	-100.0%
Total Operating Expenses	\$ 7,864,166	\$ 7,207,122	\$ (657,044)	-8.4%	\$ 6,317,496	\$ (889,627)	-12.3%
Total Direct Expenses	\$ 28,862,157	\$ 28,805,929	\$ (56,228)	-0.2%	\$ 28,535,471	\$ (270,458)	-0.9%
Indirect Expenses	(628,953)	(628,953)	-	0.0%	(628,953)	-	0.0%
Other Non-Operating Expenses	-	-	-	-	-	-	-
Total Expenses (B)	\$ 28,233,204	\$ 28,176,976	\$ (56,228)	-0.2%	\$ 27,906,518	\$ (270,458)	-1.0%
Change in Assets	\$ (3,870)	\$ (1,868,296)	\$ (1,864,426)	48176.4%	\$ (1,539,104)	\$ 329,192	-17.6%
Fixed Assets							
Depreciation	\$ (948,609)	\$ (986,553)	\$ (37,944)	4.0%	\$ -	\$ 986,553	-100.0%
Computer & Software CapEx	55,000	-	(55,000)	-100.0%	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	30,000	-	(30,000)	-100.0%	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	15,361	-	(15,361)	-100.0%	-	-	-
Incr(Dec) in Fixed Assets (C)	\$ (848,248)	\$ (986,553)	\$ (138,305)	16.3%	\$ -	\$ 986,553	-100.0%
TOTAL BUDGET (B+C)	\$ 27,384,956	\$ 27,190,423	\$ (194,533)	-0.7%	\$ 27,906,518	\$ 716,095	2.6%
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 844,378	\$ (881,743)	\$ (1,726,121)	-100.0%	\$ (1,539,104)	\$ (657,361)	74.6%
FTEs	140.5	140.5	0.0	0.0%	140.5	-	0.0%
HC	141.0	141.0	0.0	0.0%	141.0	-	0.0%

Appendix C: Adjustment to the Alberta Electric System Operator (AESO) 2016 Assessment

Adjustment to the AESO 2015 and 2016 Assessments		
Credit for WECC Compliance Costs		
	2015	2016
	Compliance Budget AESO NEL Allocation	Compliance Budget AESO NEL Allocation
WECC Compliance Costs		
Direct Costs less Direct Revenue	\$ 7,985,817	\$ 8,270,950
Indirect Costs	5,264,920	5,660,573
Fixed Asset Expenditures	(112,090)	(171,890)
Total Net Costs, including Fixed Assets	\$ 13,138,647	\$ 13,759,633
Net total to be allocated	\$ 13,138,647	\$ 13,759,633
AESO NEL Share (2013 & 2014)	7.000%	6.975%
AESO Proportional Share of Compliance Costs, including Fixed Assets	\$ 919,649	\$ 959,752
% Credit (51.23 of 53.5 FTE for 2015; 52.8 of 54 FTE for 2016)	95.76%	97.78%
AESO Credit for Compliance Costs	\$ 880,629	\$ 938,424

DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 11

**WESTERN INTERCONNECTION
REGIONAL ADVISORY BODY**

PROPOSED 2016 BUSINESS PLAN AND BUDGET

Western Interconnection Regional Advisory Body
1600 Broadway, Suite1700
Denver, CO 80202

Western Interconnection Regional Advisory Body

2016 Business Plan and Budget

Approved by:
Western Interconnection Regional Advisory Body
June 30, 2015

TABLE OF CONTENTS

Introduction	3
Organizational Overview	3
Membership and Governance	4
Statutory Functional Scope	5
2016 Key Assumptions	5
2016 Goals and Key Deliverables	6
A. Goals	6
B. Key Deliverables	7
2016 Initiatives	
WIRAB Board Operations and Meetings	
2016 Overview of Cost Impacts	12
Summary by Program	14
2015 Budget and Projection and 2016 Budget Comparisons	16
Section A – Statutory Programs	18
Western Interconnection Regional Advisory Program	18
Section B – Supplemental Financial Information	20
Reserve Balance	20
Breakdown by Statement of Activity Sections	21
Section C – Non-Statutory Activities	25
2016 Non-Statutory Business Plan and Budget	254
Section D – Additional Consolidated Financial Statements	276
Statement of Financial Position	277
Appendix A Organization Chart	28
Appendix B Acronyms	29
Appendix C Index of Figures and Tables	30

Introduction

The following table summarizes the Western Interconnection Regional Advisory Body (WIRAB) budget for 2016.

TOTAL RESOURCES (in whole dollars)				
	2016 Budget	U.S.	Canada	Mexico
Statutory FTEs	5.50			
Non-statutory FTEs				
Total FTEs	5.50			
Statutory Expenses	\$ 1,370,274			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 1,370,274			
Statutory Inc(Dec) in Fixed Assets	\$ -			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ -			
Statutory Working Capital Requirement	\$ (130,276)			
Non-Statutory Working Capital Requirement	0			
Total Working Capital Requirement	\$ (130,276)			
Total Statutory Funding Requirement	\$ 1,239,998			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 1,239,998			
Statutory Funding Assessments	\$ 1,239,998			
Non-Statutory Fees				
NEL	866,703,757	735,744,819	119,345,107	11,606,918
NEL%	100.00%	84.89%	13.77%	1.34%

Table 1. WIRAB Budget for 2016

Organizational Overview

In April 2006, ten Western Governors petitioned to create the Western Interconnection Regional Advisory Body under Section 215(j) of the Federal Power Act. The Governors indicated their interest in inviting all U.S. states, Canadian provinces, and Mexico (which have territory in the Western Interconnection) to join WIRAB.

Pursuant to the order of the Federal Energy Regulatory Commission (FERC) in Docket No. RR06-2-000 issued on July 20, 2006 (the "Order")¹, the FERC:

- Granted the Western Governors' petition to establish WIRAB under Section 215(j) of the Federal Power Act;
- Granted the request that WIRAB receive funding for reasonable costs of its Section 215(j) activities; and
- Directed WIRAB to develop a budget and related information and submit it to the Electric Reliability Organization (ERO) for review by the ERO and submission through the ERO budget approval process.

¹ Order on Petition to Establish a Regional Advisory Body for the Western Interconnection, 116 FERC ¶61,061, Docket No. RR06-2-000, July 20, 2006.

The Order states that funding for Regional Advisory Bodies should be part of the overall funding process for the ERO. The Commission instructed WIRAB to develop a budget in a form similar to that specified for regional entities as set forth in Order 672.² The July 20 Order specified that the WIRAB should annually develop and submit to the ERO its budget for 215(j) activities and an organization chart that the ERO will then review and submit to the Commission. The Order also required WIRAB to identify the portion of funding from Canada and Mexico. Approximately 14 percent of the WIRAB funding will come from Canada (\$170,797) and slightly over one percent from Mexico (\$16,621). This allocation is based on net energy for load in the Western Interconnection (see Table 1).

Membership and Governance

All of the states with territory in the Western Interconnection (AZ, CA, CO, ID, MT, NE, NV, NM, OR, SD, TX, UT, WA, WY), the Canadian provinces of Alberta and British Columbia, and Mexico are members of WIRAB. Below is the list of members appointed by the Governor or Premier:

Alberta	David James, Department of Energy
Arizona	Vacant
British Columbia	Les MacLaren, Ministry of Energy, Mines and Petroleum Resources
California	Janea Scott, California Energy Commission
Colorado	Jeff Ackermann, Colorado Energy Office
Idaho	John Chatburn, Office of Energy Resources
Mexico	Ernesto Olivas, CFE
Montana	Jeff Blend, Department of Environmental Quality
Nebraska	Tim Texel, Nebraska Power Review Board
Nevada	Rebecca Wagner, Public Utilities Commission
New Mexico	Vacant
Oregon	John Savage, Public Utility Commission
South Dakota	Brian Rounds, Public Utilities Commission
Texas	Vacant
Utah	Dave Clark, Public Service Commission
Washington	Tony Usibelli, Department of Commerce, Trade and Economic Development
Wyoming	Shawn Reese, Governor's Office

The Governors created WIRAB as a standing advisory committee to the Western Interstate Nuclear Board (WINB), which was formed pursuant to the Western Interstate Nuclear Compact, P.L. 91-461. Members of the WIRAB are appointees of the Governors and Premiers or their alternates. WIRAB has the same status under the compact as the Western Interstate

² Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Reliability Standards, Order 672, Docket RM05-30-000, Feb. 3, 2006, P. 228. "Each Regional Entity must submit its complete business plan, entire budget and organizational chart to the ERO for it to submit to the Commission. The complete business plan and the entire budget will provide the Commission with necessary information about any non-statutory activities, the source of their funding, and whether the pursuit of such activities presents a conflict of interest for the Regional Entity. For a Cross-Border Regional Entity, this information will also inform the Commission as to what portion of the budget is expended upon activities within the United States."

Energy Board (WIEB). WIRAB operates under the bylaws of WINB as revised on April 4, 2006. (See organizational chart on page 28.)

Statutory Functional Scope

FERC approved the petition of the Western Governors to create WIRAB as a Regional Advisory Body under section 215(j) of the Federal Power Act on July 20, 2006. The language in Section 215(j) of the Federal Power Act specifically provides for WIRAB's authority to advise NERC, FERC and WECC on whether reliability standards, budgets and fees, governance, compliance, assessments, strategic direction and other activities conducted pursuant to Section 215 are just, reasonable, not unduly discriminatory or preferential, and in the public interest. FERC has additionally authorized WIRAB to advise Peak Reliability on these topics: "[D]eference to WIRAB is appropriate here because Peak Reliability funding implicates the following topics listed in FPA section 215(j) on which a Regional Advisory Body may give advice: 'governance of an existing or proposed regional entity ... [and] whether fees proposed to be assessed within the region are just, reasonable, not unduly discriminatory or preferential, and in the public interest.'" FERC Order on Rehearing, Docket No. EL13-52 et al., P. 46 (Dec. 6, 2013).

2016 Key Assumptions

- The resource mix of the Western power system will continue its rapid evolution. New reliability challenges and opportunities will be presented by more wind and solar generation, more distributed energy resources that may not be visible to bulk power system operators, and less large spinning mass synchronous generation.
- The structure of Western power markets will continue to change. The expansion of the California ISO Energy Imbalance Market, potential new members of the California ISO and reforms in system operations (e.g., transmission scheduling, congestion management) in other parts of the Western Interconnection will present new reliability challenges and opportunities
- There will be an increasing focus on physical and cyber security.
- New technologies and applications provide opportunities to improve the reliability of the Western grid.
- EPA will have published its final 111(d) rule. Absent a stay, Western states will be developing and evaluating compliance plans.
- WIRAB will continue to provide advice to both the Western Electricity Coordinating Council (WECC) and Peak Reliability.
- WIRAB will operate with the participation of all U.S. States and Canadian Provinces in the Western Interconnection, and Mexico.

- WIRAB will meet regularly by conference call and topical webinars, and will hold two in-person meetings in 2016. WIRAB representatives will meet with FERC at its offices once in 2016.
- There will be no significant expansion of FERC, NERC, WECC, or Peak Reliability responsibilities as a result of legislation or administrative actions.
- To fulfill its mission, WIRAB will execute the Section 215(j) reliability-related work previously conducted by the State-Provincial Steering Committee which was disbanded in May 2015 following the expiration of a five-year ARRA grant.
- State and provincial agency budgets are constrained making travel difficult. Reimbursement of travel costs is necessary to ensure effective state and provincial involvement in reliability issues.

2016 Goals and Key Deliverables

A. Goals

Pursuant to its statutory functional scope, WIRAB has established the following system reliability goals and priorities for 2016:

- Improve the ability of WECC and Peak Reliability to identify, analyze, and recommend actions to address current and looming reliability challenges.
- Work with WECC and Peak Reliability to rectify shortcomings in grid reliability practices of Balancing Authorities, Transmission Operators and other key registered entities.
- Enhance the performance of WECC and Peak Reliability by:
 - developing meaningful performance metrics for each organization;
 - determining whether the scope of their activities is appropriate to improve system reliability;
 - fostering effective structures to secure policy input from states and provinces and subject matter experts; and
 - maintaining adequate, stable funding for both organizations.
- Promote more open and transparent information sharing practices at WECC and Peak Reliability.
- Advance best practices to maintain physical and cyber security of the grid.

- Explore the feasibility of a new dynamic path transfer capability methodology to replace the current static path transfer methodology to more accurately reflect grid conditions and to improve system reliability.
- Foster deployment of advanced grid monitoring and control technologies.
- Explore the need for better two-way communication between distribution systems with large amounts of distributed energy resources and bulk power system operators.
- Participate in and advocate for a more thorough reliability assessment by WECC of potential plans to meet 111(d) targets.

B. Key Deliverables

To achieve the aforementioned goals and priorities, WIRAB has identified key deliverables and initiatives. The “2016 Initiatives” section further explains WIRAB’s priorities for WECC and Peak Reliability. Key deliverables are set forth below and include:

- Offer timely, concise and relevant advice to FERC, NERC, WECC and Peak Reliability that reflects the public interest of Western states, Western provinces, and Mexico and will improve the reliability of the Western Interconnection. Promote consistent, reasoned positions among state, provincial, and Mexican representatives.
- Evaluate Registered Entity, WECC, Peak Reliability, NERC and FERC actions to implement the recommendations from the NERC/FERC inquiry into the September 8, 2011 Pacific Southwest outage – the largest outage in the Western Interconnection since 1996 – and make recommendations, take actions, and work with industry leaders and reliability organizations to promote best practices throughout the Western Interconnection.
- Participate in WECC and Peak Reliability task forces and deliberations to improve deficient data sharing practices in the Western Interconnection.
- Assess the effectiveness and efficiency of WECC and Peak Reliability operations and make recommendations.
- Analyze the reliability impacts of changes to the Western power system from implementation of the EPA’s Clean Power Plan; growth in distributed energy resources; increased reliance on variable solar and wind generation, increased use of natural gas generation; increased coal plant retirements; and the introduction of new technologies.

- Examine the reliability impacts of Western Interconnection market reforms such as energy imbalance markets, changes to reserve sharing practices, and congestion management tools.
- Evaluate federal physical and cyber security actions, with a focus on opportunities for states and PUCs to assist in improving the physical and cyber security practices of the Western Interconnection's Registered Entities.
- Conduct analysis of contribution to system reliability from expanding organized markets in the West.
- Conduct regular conference calls, webinars, and in-person meetings of WIRAB and provide opportunities for public comment. Post notice of in-person meetings and meeting recordings to the WIRAB website.
- Organize and sponsor webinars and workshops on key reliability issues for WIRAB members, state and provincial representatives, industry, and others.

2016 Initiatives

To fulfill its goals and priorities, and to provide input to the deliverables identified above, WIRAB has established the following initiatives for 2016:

A. Rectify shortcomings in grid reliability practices at registered entities in the West

The September 8, 2011 Southwest outage highlighted significant deficiencies in the operation of the Western grid. These shortcomings have been confirmed by: WECC's 2012, 2013 and 2014 Operational Practices Surveys of Registered Entities; WECC's "Entity Report Cards" (shared between the WECC CEO and entity CEOs); and by a 2013 report prepared for the SPSC ("Perspectives on Real-Time Grid Operating Technologies to Manage Reliability in the Western Interconnection") regarding the application of new transmission technologies in the Western Interconnection.

Gaps still exist in Registered Entity operating practices in the Western Interconnection in the following areas: (1) coordination of next-day studies;(2) effectiveness of operational studies; (3) failure to validate the load, interchange and generation forecasts used in next-day studies using actual data; (4) failure to use real-time tools for Real-Time Contingency Analysis; (5) failure to share relay overload trip settings and (6) accuracy and coordination seasonal studies.

In order to rectify these shortcomings and generate information on other potential shortcomings, WIRAB will:

- Continue reviewing and providing feedback to WECC on its annual Operational Practices Survey of Registered Entities, as well as its annual State of the Interconnection report. WIRAB's input will continue to encourage WECC to make entity results public, where doing so would not reveal violations of Critical Infrastructure Protection (CIP) reliability standards, but would encourage the

- adoption of best operating practices by Western Interconnection entities in order to fill gaps in these practices.
- Promote actions by Peak Reliability to improve operational practices, maintain central network models and tools, provide services (particularly to smaller Western Interconnection entities), and foster technological innovation in the Western Interconnection.
 - Advise Peak Reliability on its ongoing development and implementation of reliability performance metrics. In so doing, WIRAB will encourage Peak Reliability to make the results of its “Reliability Performance Scorecards” (for BAs and TOPs) public, where doing so would not reveal violations of CIP reliability standards, but would encourage the adoption of best operating practices by Western Interconnection entities in order to fill gaps in these practices.
 - Examine the impact of new market structures on grid reliability, including the impact of the California Independent System Operator’s expanding Energy Imbalance Market on grid reliability and reforms in other parts of the West (e.g., 15-minute scheduling, transmission congestion forecasting).
 - Work with industry leaders to highlight high-performing organizations and foster best practices.

B. Improve WECC’s ability to identify, analyze and recommend actions to address major reliability challenges and participate in the analysis of those challenges

WECC is implementing its Integrated Reliability Assurance Model (IRAM) to focus the organization on identifying, evaluating and addressing current and future reliability challenges. WIRAB supports IRAM but is concerned that WECC is not moving quickly enough to define the reliability challenges within its four priority areas: changing resources and loads; situational awareness; event analysis; and operational practices. WIRAB is also concerned that WECC has not built sufficient analytical capabilities and has not structured its committees to capitalize on subject matter expertise in companies and research institutions. WECC should also follow the example NERC has set, by identifying and proposing solutions to these challenges, including solutions that may require follow-up actions by other parties.

Specifically, in 2016, WIRAB will take on the following activities related to this initiative:

- Encourage and participate in WECC efforts to implement the IRAM process focusing on the following.
 - Identification of significant reliability challenges facing the Western grid in the next five years. For example, the grid reliability impacts from the deployment of significant amounts of asynchronous wind and solar generation and the retirement of significant amounts of synchronous coal generation.
 - Development of staff analytic capability to investigate the reliability challenges. This includes improved production cost and power flow analysis of different future resource mixes to identify potential reliability issues such as

- insufficient ramping capability, insufficient frequency response, or insufficient voltage stability.
- Expansion of the current analytic framework to include the evaluation of mitigation measures when reliability problems are identified. For example, the use of “smart inverters” to address large scale tripping photovoltaics (PVs) during frequency disturbances or the use of two-way communication systems to provide system operations with visibility of distributed generation and better situational awareness.
- WIRAB will continue to encourage WECC to use its new analytic capabilities to provide rigorous unbiased analysis of potential reliability implications associated with compliance with EPA’s Clean Power Plan, including how best to avoid or mitigate any risks.

C. Create a high performance organization at Peak Reliability

WIRAB will:

- Evaluate Peak Reliability’s performance measures to determine if progress is being made and if new measures are needed.
- Review the WECC audits of the Reliability Coordination function in the West, and if needed recommend new procedures at Peak Reliability to measure and improve the quality of Reliability Coordination functions and services.
- Advise Peak Reliability to make the results of its “Reliability Performance Scorecards” (metrics for BAs and TOPs) public, where doing so would not reveal violations of CIP reliability standards, but would encourage the adoption of best operating practices by Western Interconnection entities. Peak Reliability already has begun to make the aggregated results of its “Reliability Metrics Dashboard” (metrics for the RC) public, and WIRAB will continue to support that effort.
- In order to communicate entity performance effectively with entities, WIRAB will continue to recommend that the Peak Reliability CEO hold one-on-one meetings with the CEOs of BAs and TOPs, in order to review their “Reliability Performance Scorecard” results and to point out specific areas of high performance and low performance, so that entities in the Western Interconnection can continually improve their operational practices.

D. Encourage WECC and Peak Reliability to adopt more open and transparent data sharing practices

One of the recommendations stemming from the joint NERC/FERC inquiry into the September 8, 2011 Pacific Southwest outage was that Western Interconnection BAs and TOPs improve their data sharing practices to enable better coordination in the planning and operations time horizons. Peak Reliability and WECC have thus far been unable to implement effective data sharing practices that enable needed research to improve system planning and operations. WIRAB will participate at both Peak and WECC to encourage better data sharing practices.

As needed, WIRAB will promote actions to improve data sharing practices in the Western Interconnection including, but not limited to: (1) the potential filing of a Petition for Declaratory Order at FERC; (2) WECC exercising its authority under Section 1600 of the NERC Rules of Procedure to secure data from Registered Entities (independent of the Universal Data Sharing Agreement [UNDA]); (3) Peak developing an acceptable long-term data sharing policy; and (4) participate in Peak discussions of a new UNDA.

E. Secure adequate and reliable funding for Peak Reliability

WIRAB continues to believe that Section 215 funding is the most reliable and secure funding source for both WECC and Peak Reliability. However, Peak Reliability's bylaws require it to consider alternative funding mechanisms within its first year of operation. Any funding alternative would need to be approved by Peak Reliability's members and the Peak Board of Directors. WIRAB's concern is that the alternative funding mechanism being promoted may undercut the independence of the Reliability Coordination function and threaten reliability.

WIRAB will continue to participate in discussions of alternative funding mechanisms for Peak.

F. Ensure that both Peak Reliability and WECC can effectively identify and disseminate best practices to maintain physical and cyber security of the Western Interconnection

WIRAB supports the identification and dissemination of best cyber and physical security practices by both WECC and Peak Reliability. In 2016, WIRAB will:

- Continue to explore options to improve current training and audit programs at WECC and Peak Reliability to accelerate the use of best operating practices, including examining successful practices in other regions and industries.
- Continue to review and provide feedback to WECC on its annual Operational Practices survey of Registered Entities and its annual State of the Interconnection report.
- Continue to analyze Peak Reliability's development and implementation of its performance metrics for the RC, BAs, and TOPs, and assess how effectively Peak is using this information to identify and disseminate best practices to its members.
- Urge the CEOs of both Peak Reliability and WECC to continue holding one-on-one meetings with entity CEOs to evaluate individual entity performance and effectively disseminate best practices to the true "decision-makers" for these entities.
- Continue to host educational webinars on the implementation of new NERC standards.

G. Other Activities

1. *Risk-based Standards and Entity Registration*

- WIRAB will review NERC's implementation of risk-based standards and risk-based entity registration.

2. *Consistency in Standards and the Sharing of Data Across International Borders*

- WIRAB will foster consistency in standards and the sharing of data across international borders.

3. *Path Ratings*

- WIRAB will foster the testing of a methodology to establish dynamic transfer limits on major transmission paths that better reflects grid conditions compared to the current static long-term and seasonal operating limits.

WIRAB Board Operations and Meetings

- Hold regular meetings with FERC staff and/or Commissioners.
- Coordinate with WECC and NERC on receipt of revenues to support the 2016 WIRAB budget.
- Develop the 2017 proposed WIRAB business plan and budget.
- Execute annual audit of WIRAB finances.
- Attend all WECC and Peak Reliability Boards of Directors meetings.
- Monitor all WECC and Peak Reliability Member Advisory Committee (MAC) meetings.
- Attend WECC and Peak Reliability committee and subcommittee meetings on germane issues.
- Attend WECC and Peak Reliability workshops on system operations and standards.
- Attend some, but not all, NERC Board meetings and NERC Member Representatives Committee meetings.
- Attend selected NERC meetings and workshops on relevant topics.
- Monitor all FERC business meetings.
- Attend, by webcast or in person, FERC technical conferences on reliability issues.
- Annually visit with FERC in its offices.
- Hold briefings and webinars for WIRAB members and other Western state and provincial officials on reliability issues important to regulatory commissions and energy agencies in the Western Interconnection.

2016 Overview of Cost Impacts

WIRAB's proposed 2016 budget is \$1,370,274, a notable increase from the 2015 budget. Total projected FTEs in 2016 will increase from 4 to 5.5. Staffing and indirect costs will increase in 2016 for the following reasons:

- WIRAB's advice has benefited greatly from the work of the State-Provincial Steering Committee, which has been funded entirely by the Department of Energy's ARRA grant. The ARRA funding expires in 2015. To continue providing well-informed advice, WIRAB

will be taking on those reliability-related SPSC activities that should be funded by Section 215(j) of the Federal Power Act.

- WIRAB will continue to monitor and offer advice on the activities of two regional organizations – WECC and Peak Reliability – rather than just one organization, as it had in the past.
- Due to WECC and Peak Reliability having independent Boards of Directors, membership input is now provided through Member Advisory Committees, or MACs, for both organizations. The activities of both MACs will require monitoring and evaluation by WIRAB, as well.
- WIRAB will be delving more deeply into actions that Peak Reliability, WECC and the industry are taking to rectify the deficiencies in grid operations highlighted by the September 8, 2011 Pacific Southwest outage.
- Using an analysis framework developed by GE Energy Consulting, WIRAB will continue to work to improve WECC’s analytic capabilities. The framework provides guidance on how to carefully and credibly analyze the reliability challenges associated with high levels of variable energy resources and the retirement of coal plants in the Western Interconnection. The report discusses the types of analysis and data needed to identify and quantify potential reliability problems, as well as the identification and analysis of mitigation options that can provide promising solutions. GE Energy Consulting presented the analytic framework to state/provincial energy policy makers and regulators at the WIRAB meeting in April 2015.
- WIRAB will be examining the reliability impacts of reforms to lower the cost of integrating variable energy resources and increase system efficiencies, such as the growing California ISO/PacifiCorp/Nevada Energy energy imbalance market (Puget Sound will join in 2016) and development of new practices in congestion management (e.g., the Northwest Power Pool MC’s Phase 3 initiative).
- WIRAB will also closely examine reliability impacts from increased variable energy resources due to EPA’s Clean Power Plan and to states/provinces increasing renewable portfolio standards.

The budget includes \$150,000 (the same as in 2015) for contracting for technical expertise on issues related to improved grid operating practices, standards and compliance. This expertise will help WIRAB prepare technically-sound advice under Section 215(j). Travel costs will increase from \$70,700 to \$96,600 due to the need for both staff and states/provinces to attend meetings of both WECC and Peak Reliability. Meeting costs will increase significantly because WIRAB will no longer be able to rely on meetings of the SPSC to generate input on reliability issues from all state/provincial agencies in the Western Interconnection. To fill this gap, WIRAB will hold two major in-person meetings per year that include participation by state/provincial agencies with electric power responsibilities in the Western Interconnection. Meeting costs will increase from \$35,320 to \$58,000. Wherever feasible, WIRAB meetings will be coordinated with other meetings of Western states and provinces. A working capital reserve of \$100,000 will be maintained.

Summary by Program

The following table and figure summarize and illustrate WIRAB’s 2016 budget.

Base Operating Budget	Budget 2015	Projection 2015	Budget 2016	Change	
				2016 Budget v 2015 Budget	% Change
Western Interconnection Regional Advisory Body	1,013,581	1,019,128	1,370,274	356,693	35.2%
TOTAL	1,013,581	1,019,128	1,370,274	356,693	35.2%
Working Capital Reserve	45,021	39,474	(129,726)	(174,747)	
Total Funding	1,058,602	1,058,602	1,240,548	181,946	17.2%

Table 2. WIRAB Budget Comparison 2015 to 2016

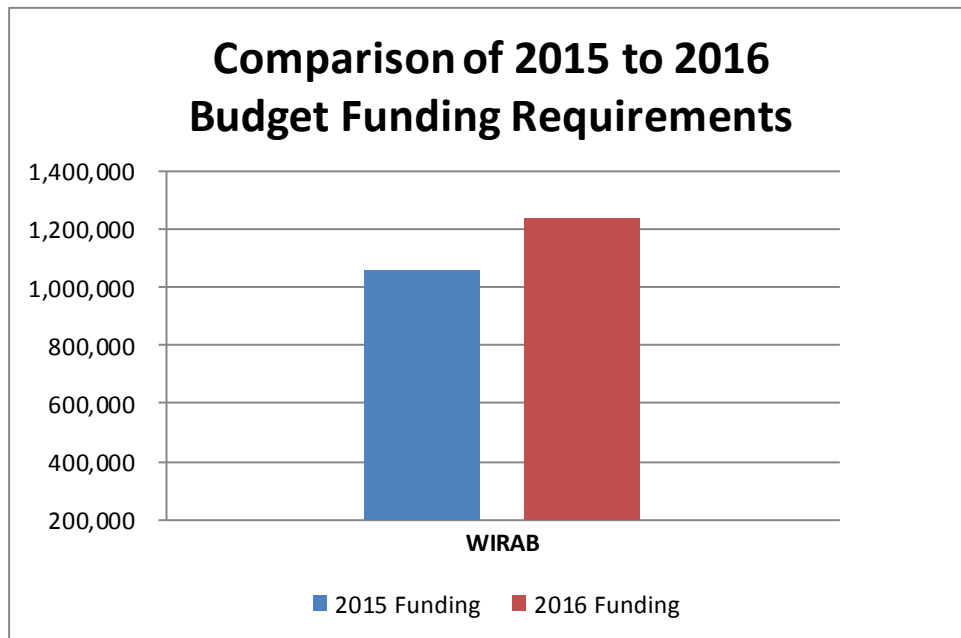


Figure 1. Comparison of 2015 funding to 2016 funding requirements

The following table displays total FTEs by program area.

Total FTE's by Program Area	Budget 2015	Projection 2015	Direct FTEs	Shared	Total FTEs	Change
			2016 Budget	FTEs1 2016 Budget	2015 Budget	from 2015 Budget
STATUTORY						
Operational Programs						
WIRAB	4.00	4.00	5.50		5.50	1.50
Total FTEs Operational Programs	4.00	4.00	5.50	-	5.50	1.50
Administrative Programs						
WIRAB (included in indirect expense)	-	-	-	-	-	-
Total FTEs Administrative Programs	-	-	-	-	-	-
Total FTEs	4.00	4.00	5.50	-	5.50	1.50

Table 3. Total FTEs

2015 Budget and Projection and 2016 Budget Comparisons

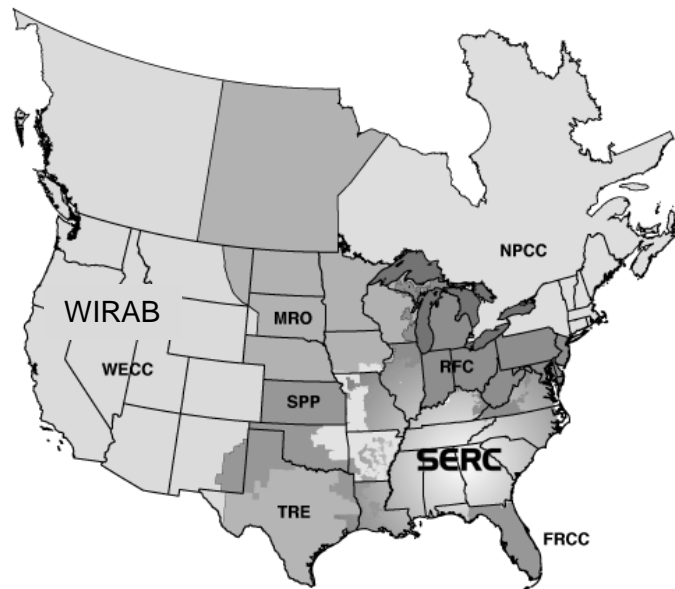
The following table lists the 2015 budget and projection compared to the 2016 budget.

WIRAB - Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
STATUTORY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	Draft 2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,058,152	\$ 1,058,152	\$ -	1,239,998	\$ 181,846
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ 1,058,152	\$ 1,058,152	\$ -	\$ 1,239,998	\$ 181,846
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	450	450	\$ -	550	\$ 100
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 1,058,602	\$ 1,058,602	\$ -	\$ 1,240,548	\$ 181,946
Expenses					
Personnel Expenses					
Salaries	\$ 387,300	\$ 387,300	\$ -	\$ 539,500	\$ 152,200
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ 387,300	\$ 387,300	\$ -	\$ 539,500	\$ 152,200
Meeting Expenses					
Meetings	\$ 35,320	\$ 35,320	\$ -	\$ 58,000	\$ 22,680
Travel	70,700	70,700	\$ -	96,600	\$ 25,900
Conference Calls	5,500	4,000	\$ (1,500)	8,254	\$ 2,754
Total Meeting Expenses	\$ 111,520	\$ 110,020	\$ (1,500)	\$ 162,854	\$ 51,334
Operating Expenses					
Consultants & Contracts	\$ 150,000	\$ 150,000	\$ -	\$ 150,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 150,000	\$ 150,000	\$ -	\$ 150,000	\$ -
Total Direct Expenses	\$ 648,820	\$ 647,320	\$ (1,500)	\$ 852,354	\$ 203,534
Indirect Expenses	\$ 364,761	\$ 371,808	\$ 7,047	\$ 517,920	\$ 153,159
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,013,581	\$ 1,019,128	\$ 5,547	\$ 1,370,274	\$ 356,693
Change in Assets	\$ 45,021	\$ 39,474	\$ (5,547)	\$ (129,726)	\$ (174,747)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets (C)	-	-	-	-	-
TOTAL BUDGET (=B + C)	\$ 1,013,581	\$ 1,019,128	\$ 5,547	\$ 1,370,274	\$ 356,693
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ 45,021	\$ 39,474	\$ (5,547)	\$ (129,726)	\$ (174,747)
FTEs	4.00	4.00	-	5.50	1.50

Table 4. Budget and Projection Comparison, 2015 to 2016

Section A – Statutory Programs

2016 Business Plan and Budget



Section A – Statutory Programs

Western Interconnection Regional Advisory Program

The following table shows funding sources and related expenses for the Western Interconnection Regional Advisory Body. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

WIRAB (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	4.00	5.50	1.50
Direct Expenses	\$ 648,820	\$ 852,354	\$ 203,534
Indirect Expenses	\$ 364,761	\$ 517,920	\$ 153,159
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Total Funding Requirement	\$ 1,013,581	\$ 1,370,274	\$ 356,692

Table A-1. WIRAB Budget

Program Scope and Functional Description

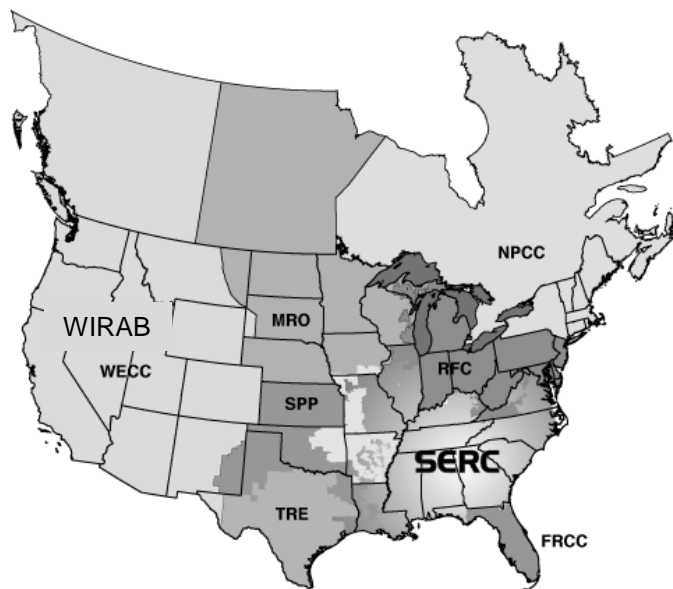
Western governors created WIRAB to provide advice to FERC, NERC and WECC on whether standards, budgets and fees, compliance, assessments, strategic direction and other activities conducted pursuant to Section 215 are just, reasonable, not unduly discriminatory or preferential, and in the public interest. Effective February 12, 2014, WECC bifurcated into WECC and Peak Reliability and FERC has acknowledged WIRAB's authority to advise Peak Reliability on these same issues.³

WIRAB meetings are open to all. There are regular meetings via web conferencing and topical webinars. In 2016, there will be two in-person meetings. These meetings are expected to be held in April and October.

³ “[D]eference to WIRAB is appropriate here because Peak Reliability funding implicates the following topics listed in FPA section 215(j) on which a Regional Advisory Body may give advice: ‘governance of an existing or proposed regional entity ... [and] whether fees proposed to be assessed within the region are just, reasonable, not unduly discriminatory or preferential, and in the public interest.’” FERC Order on Rehearing, Docket No. EL13-52 et al., P. 46 (Dec. 6, 2013).

Section B – Supplemental Financial Information

2016 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Working Capital Reserve Analysis 2015-2016	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2014	190,196
Plus: 2015 Funding (from LSEs or designees)	1,058,158
Plus: 2015 Other funding sources	500
Less: 2015 Projected expenses & capital expenditures	(1,019,128)
Projected Working Capital Reserve (Deficit), December 31, 2015	229,726
Desired Working Capital Reserve, December 31, 2016	¹ 100,000
Minus: Projected Working Capital Reserve, December 31, 2015	229,726
Increase(decrease) in funding requirement to achieve Working Capital Reserve	(129,726)
2016 Expenses and Capital Expenditures	1,370,274
Less: Penalty Sanctions ²	0
Less: Other Funding Sources	(550)
Adjustment to achieve desired Working Capital Reserve	(129,726)
2016 NERC Assessment	1,239,998

¹ On June 29, 2009 WIRAB members approved a desired working capital reserve of \$100,000. The reserve consists of the following components: \$100,000 for contingencies

² Penalty sanctions are not applicable to WIRAB

Table B-1. Working Capital Reserve Analysis 2015 - 2016

Explanation of Changes in Reserve Policy from Prior Years

None

Breakdown by Statement of Activity Sections

Explanation of Significant Variances – 2016 Budget versus 2015 Budget

Personnel Expenses

Personnel expenses will increase due to additional staff time being spent on WIRAB priorities. However, costs per FTE will remain relatively stable.

Personnel Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Total Salaries	\$ 387,300	\$ 340,000	\$ 539,500	\$ 152,200	39.3%
Total Payroll Taxes	-	-	-	-	
Total Benefits	-	-	-	-	
Total Retirement	-	-	-	-	
Total Personnel Costs	\$ 387,300	\$ 340,000	\$ 539,500	\$ 152,200	39.3%
FTEs	4.00	3.50	5.50	1.50	37.5%
Cost per FTE					
Salaries	\$ 96,825	\$ 97,143	\$ 98,091	1,266	1.3%
Payroll Taxes	7,649	7,674	7,749	100	1.3%
Benefits	10,070	10,103	10,201	132	1.3%
Retirement	7,262	7,286	7,357	95	1.3%
Total Cost per FTE	\$ 121,806	\$ 122,206	\$ 123,398	\$ 1,593	1.3%

Table B-2. Personnel Expenses

Meetings, Travel and Conference Calls

Meeting expenses will increase due to the end of the ARRA funding. WIRAB will no longer be able to rely on meetings of the SPSC to generate input on reliability issues from all state/provincial agencies in the Western Interconnection with electric power responsibilities. To fill this gap, WIRAB will hold two major in-person meetings per year that include participation by state/provincial agencies with electric power responsibilities in the Western Interconnection.

Travel will also increase since staff and state personnel will no longer be able to rely on ARRA funding. However the WIRAB travel funds will only cover travel to reliability related meetings, not all of the travel that was covered by the ARRA grant.

Conference calls will increase also due to increased use of webinars. We have found webinars to be very valuable in providing information to members between the two annual meetings.

WIRAB

Meeting Expense	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
WIRAB Meetings	\$ 35,320	\$ 35,320	\$ 58,000	\$ 22,680	64.21%
Travel	\$ 70,700	\$ 70,700	\$ 96,600	\$ 25,900	36.63%
Conference calls	\$ 5,500	\$ 4,000	\$ 8,254	\$ 2,754	50.07%
Total	\$ 111,520	\$ 110,020	\$ 162,854	\$ 51,334	46.03%

Table B-3. Meeting Expenses

Consultants and Contracts

No change in the expenses for Consultants and Contracts.

Consultants and Contracts	Budget 2015	Projection 2015	Budget 2016	Variance 2015 Budget v 2016 Budget	Variance %
WIRAB TOTAL	\$ 150,000	\$ 150,000	\$ 150,000	\$ -	-
Reliability Standards	-	-	-	-	-
Compliance and Organization Registration and Certification	-	-	-	-	-
Reliability Assessment and Performance Analysis	-	-	-	-	-
Training and Education	-	-	-	-	-
Situation Awareness and Infrastructure Security					
Situation Awareness	-	-	-	-	-
Critical Infrastructure Protection	-	-	-	-	-
Total Situation Awareness and Infrastructure Security	-	-	-	-	-
Consultants Total	\$ 150,000	\$ 150,000	\$ 150,000	\$ -	0%

Table B-4. Consultants and Contracts

Indirect Costs

WIRAB uses a single rate method for indirect expenses. The indirect expenses include office expenses, medical and retirement expenses as well as holiday vacation and sick leave for WIRAB staff. The indirect rate is a percent of direct staff time spent on WIRAB. It is estimated that the indirect rate will increase slightly from 95 percent to 96 percent. Since staff will increase from 4 FTEs to 5.5 FTEs labor costs will increase (about 40%) and indirect costs will increase in relation to labor increases.

Overhead/indirect	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
WIRAB	\$ 364,761	\$ 371,808	\$ 517,920	\$ 153,159	41.99%
Total Services	\$ 364,761	\$ 371,808	\$ 517,920	\$ 153,159	41.99%

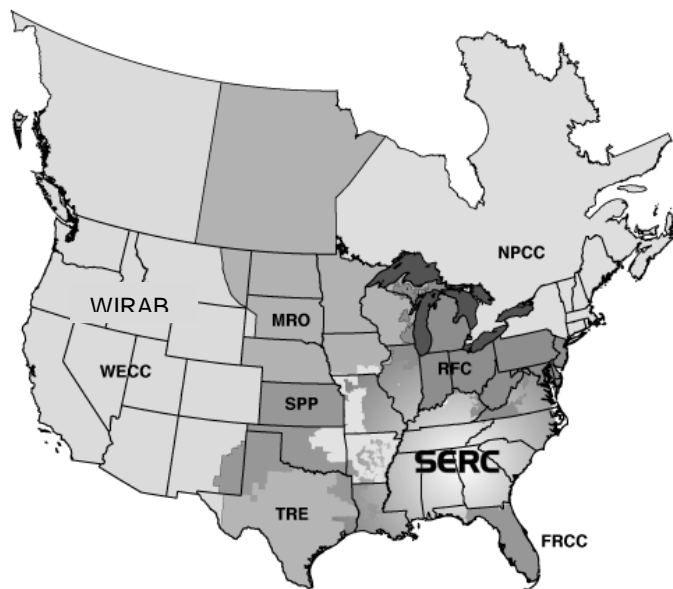
Table B-5. Indirect Costs

Table B-6. Budget 2016 Compared with 2017-2018 Projections

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital							
2016 Budget & Projected 2017 and 2018 Budgets							
	2016	2017	\$ Change	% Change	2018	\$ Change	% Change
	Budget	Projection	16 v 15	16 v 15	Projection	17 v 16	17 v 16
Funding							
ERO Funding							
NERC Assessments	\$ 1,240,357	\$ 1,409,299	\$ 168,942	13.62%	\$ 1,452,470	\$ 43,171	3.0%
Penalty Sanctions			-			-	
Total NERC Funding	\$ 1,240,357	\$ 1,409,299	\$ 168,942	13.6%	\$ 1,452,470	\$ 43,171	3.0%
Membership Dues	-		-			-	
Testing Fees			-			-	
Services & Software			-			-	
Workshops			-			-	
Interest	550	650	100	18.18%	750	100	15.4%
Miscellaneous			-			-	
Total Funding (A)	\$ 1,240,907	\$ 1,409,949	\$ 169,042	13.6%	\$ 1,453,220	\$ 43,271	3.1%
Expenses							
Personnel Expenses							
Salaries	\$ 539,500	\$ 555,700	\$ 16,200	3.0%	\$ 577,928	\$ 22,228	4.0%
Payroll Taxes			-			-	
Benefits			-			-	
Retirement Costs			-			-	
Total Personnel Expenses	\$ 539,500	\$ 555,700	\$ 16,200	3.0%	\$ 577,928	\$ 22,228	4.0%
Meeting Expenses							
Meetings	\$ 58,000	\$ 60,900	\$ 2,900	5.0%	\$ 62,727	1,827	3.0%
Travel	96,600	101,430	4,830	5.0%	104,473	3,043	3.0%
Conference Calls	8,254	8,419	165	2.0%	8,587	168	2.0%
Total Meeting Expenses	\$ 162,854	\$ 170,749	\$ 7,895	4.8%	\$ 175,787	\$ 5,038	3.0%
Operating Expenses							
Consultants & Contracts	\$ 150,000	\$ 150,000	-	0.0%	\$ 150,000	-	0.0%
Office Rent			-			-	
Office Costs			-			-	
Professional Services			-			-	
Miscellaneous			-			-	
Depreciation			-			-	
Total Operating Expenses	\$ 150,000	\$ 150,000	\$ -	0.0%	\$ 150,000	\$ -	0.0%
Total Direct Expenses	\$ 852,354	\$ 876,449	\$ 24,095	2.8%	\$ 903,715	\$ 27,266	3.1%
Indirect Expenses	\$ 517,920	\$ 533,500	15,580	3.0%	\$ 549,505	\$ 16,005	3.0%
Other Non-Operating Expenses			\$ -			-	
Total Expenses (B)	\$ 1,370,274	\$ 1,409,949	\$ 39,675	2.9%	\$ 1,453,220	43,271	3.1%
Change in Assets	\$ (129,367)	\$ -	\$ 129,367	-100.0%	\$ -	\$ -	

Section C – Non-Statutory Activities

2016 Business Plan and Budget



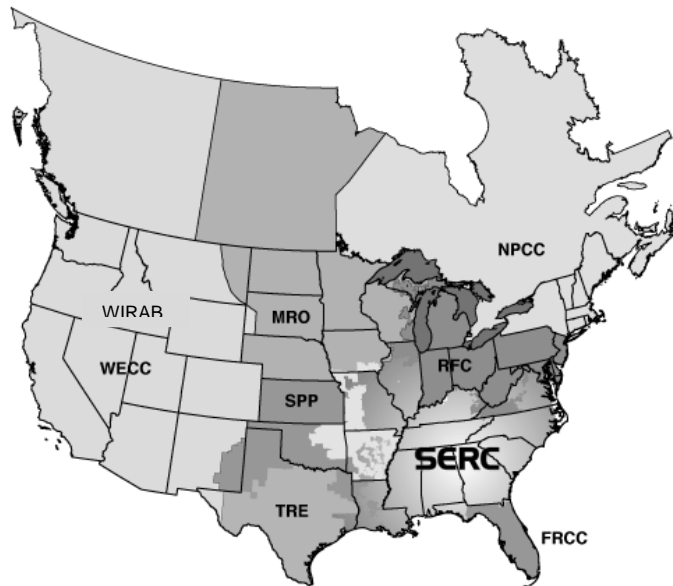
Section C – Non-Statutory Activities

2016 Non-Statutory Business Plan and Budget

None.

Section D – Additional Consolidated Financial Statements

2016 Business Plan and Budget



Section D – Additional Consolidated Financial Statements

Statement of Financial Position

The following table provides WIRAB Statement of Financial Position as of these dates:

- As of December 31, 2014, per audit
- As of December 31, 2015, projected
- As of December 31, 2016, as budgeted

WIRAB Statement of Financial Position				
STATUTORY				
	As of December 31, 2014	As of December 31, 2015,	As of December 31, 2016,	
	(per July 2013 -	projected	as budgeted	
	June 2014 audit)			
ASSETS				
Cash and Investments	\$ 189,836	\$ 100,000	\$ 100,000	
Total Assets	\$ 189,836	\$ 100,000	\$ 100,000	

Table D-1. Statement of Financial Position, Three-Year Comparison

Appendix A Organization Chart

The WIRAB Organization Chart is shown below.

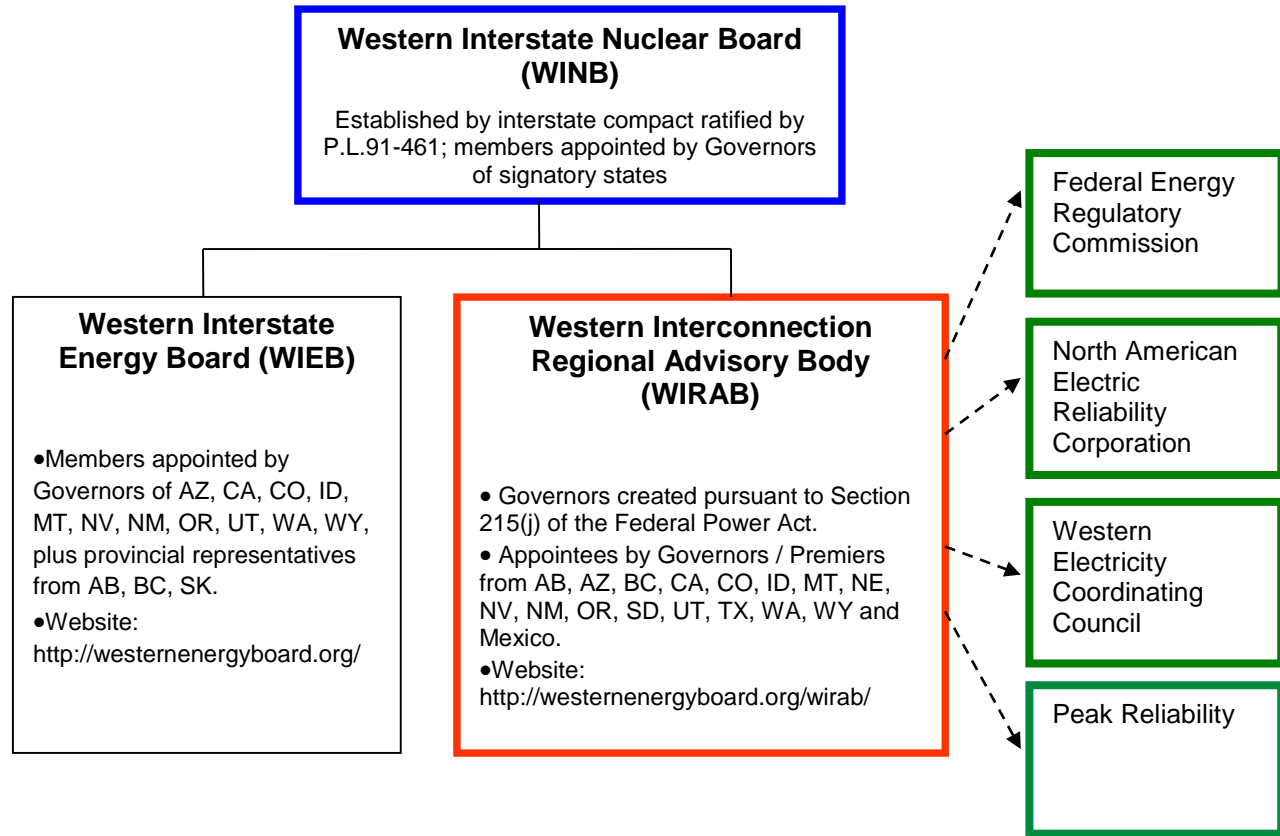


Figure 2. Organization Chart

Appendix C Index of Figures and Tables

List of Figures

Figure 1.	Comparison of 2015 funding to 2016 funding requirements.....	14
Figure 2.	Organization Chart.....	28

List of Tables

Table 1.	WIRAB Budget for 2016.....	3
Table 2.	WIRAB Budget Comparison 2015 to 2016	14
Table 3.	Total FTEs.....	15
Table 4.	Budget and Projection Comparison, 2015 to 2016	16

DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 12

DISCUSSION OF COMMENTS RECEIVED

DURING DEVELOPMENT OF NERC'S

2016 BUSINESS PLAN AND BUDGET

ATTACHMENT 12

DISCUSSION OF COMMENTS RECEIVED DURING DEVELOPMENT OF NERC'S 2016 BUSINESS PLAN AND BUDGET

During the preparation of its 2016 Business Plan and Budget, NERC posted several drafts on its website for stakeholder review and comment. Formal comments were solicited on the first and second drafts. The final draft was posted as part of the agenda for the open Finance and Audit Committee meeting, during which an opportunity for comments from stakeholders was provided. Copies of the comments received were posted on NERC's website.¹

Comments on Draft #1 of the NERC Business Plan and Budget were received from Edison Electric Institute ("EEI"), the Canadian Electricity Association ("CEA"), and the Ontario Independent Electricity System Operator (IESO). There were no written comments received on Draft #2 of the NERC Business Plan and Budget. NERC did receive comments regarding the WECC 2016 business plan and budget and these comments were posted on NERC's website, together with WECC's response. During the August 12, 2015 NERC Finance and Audit Committee meeting presentation recommending approval of NERC, the Regional Entities and WIRAB's 2016 business plans and budgets and associated assessments, additional comments were received from stakeholders which NERC regarded as generally supportive.

During the February 2015 meetings of the NERC Member Representatives Committee and Board of Trustees, management indicated it would be developing and posting an Accountability Matrix to track stakeholder recommendations and policy input, as well as management's actions and response to this input. The Accountability Matrix is posted on NERC's Website on the Business Plan and Budget page² and will be updated on a quarterly basis. The remainder of this Attachment 12 is comprised of: (1) the NERC Management Response to Comments Received by CEA, IESO, and EEI, and (2) the most recently-updated version of the Accountability Matrix, updated as of August 10, 2015. These documents show NERC's responses and action items to the stakeholder comments received on Draft #1 of the 2016 Business Plan and Budget, as well as NERC's responses and action items to policy input received from stakeholders.

¹ Copies of the comments received on the posted drafts of the 2016 Business Plan and Budget are available at: <http://www.nerc.com/gov/bot/FINANCE/Pages/2016-NERC-Business-Plan-and-Budget.aspx>. The policy input received is available at: <http://www.nerc.com/gov/bot/Pages/Agenda-Highlights-and-Minutes-.aspx>.

² Available at: <http://www.nerc.com/gov/bot/FINANCE/Pages/2016-NERC-Business-Plan-and-Budget.aspx>.

NERC Business Plan & Budget – Draft 1

Management Response to Comments Received

by CEA, IESO, and EEI

1. Canadian Electricity Association

a. Risk-Based Strategies

- i. The development and implementation of risk-based strategies has and is expected to continue to produce efficiencies within NERC and the Regional Entity operations that will mitigate the need for additional resource additions to support emerging reliability needs and enhance the ERO's ability to stabilize assessment increases. For example, as noted in NERC's draft business plan and budget, the reduction in legal and enforcement headcount allowed NERC to reallocate open budgeted resources to support emerging reliability assessment needs³, as well as provide greater resource support to the ES-ISAC, the need for which has been strongly supported by industry. This resource allocation was all accomplished without increasing NERC's overall FTE budget. In fact, without risk-based strategies, additional resource additions would likely be required.
- ii. In addition to providing efficiencies supporting resource allocation needs, risk-based strategies also reinforce and support the common ERO and industry objective of focusing on the most important factors affecting reliability and mitigating unnecessary costs to registered entities while maximizing the efficiency and effectiveness of NERC and RE resources.

b. Proposed Budget and Assessment Increases

Further details regarding the allocation of assessments between the U.S., Canada and Mexico is outlined in the final draft of NERC's business plan and budget and accompanying presentation materials for the July 22, 2015 webinar. As further detailed in the cover memo accompanying the posting of the revised draft of NERC's business plan and budget, the net effect of the revisions to NERC's proposed 2016 budget is a total increase of \$537k over 2015. This represents a year-over-year increase of less than 1% and a decrease of \$1.6M (2.3%) from the initial draft. After taking into account preliminary projections of credits to certain Canadian entities pursuant to NERC's Expanded Policy on Allocation of Certain Compliance and Enforcement Costs, the total NERC Canadian assessment will increase by \$35,993 (less than 1%) over the 2015 assessment. In addition, 2016 NERC assessments for the IESO and New Brunswick are projected to decrease below 2015 levels.

c. General and Administrative Department Increase

- i. The increase in the General and Administrative (G&A) department budget is more a reflection of how NERC's organizational structure has historically been budgeted,

³ For a further discussion of these needs please refer to Section A of NERC's business plan and budget under the Reliability Assessment and Performance Analysis department.

and not necessarily about common overhead functions and costs. NERC's G&A includes normal departments you typically see in overhead – accounting, finance, human resources, etc. However, it also includes the Executive, Legal, and IT departments as well as NERC's Chief Reliability Officer (CRO)⁴ and support staff for all of those. The Executive, Legal, and IT departments, as well as NERC's CRO, are extensively involved in NERC's day to day operations.

- ii. The company recently put in place a time accounting and cost allocation system that tracks time and allocates costs by activity. With this new system the company can now compare the time, resources and costs to support various major activities to how the company budgets. For example, time and associated costs incurred by standards department personnel, attorneys and other personnel on various standards activities can now be grouped and compared to the traditional departmental budget categories. In general and as expected, preliminary reports show total general and administrative costs running lower than what's reflected in the G&A budget based on work actually being performed by personnel within the G&A departments. Management has been refining activity code descriptions and groupings, as well as training personnel on the appropriate activity codes to record their time. Summary information from these reports will be made available to stakeholders as part of the 2017 business planning cycle.

d. ES-ISAC

- i. Senior management is committed to assessing the ability to reallocate resources internally prior to seeking incremental increases in a department's budget or NERC's overall budget. This was clearly the case during 2015 in connection with the re-allocation of existing resources to emerging resources needs in the security (ES-ISAC), reliability assessment (RAPA) and compliance assurance areas without increasing NERC's overall budget.
- ii. Ensuring adequate funding for the ES-ISAC in the future, including the review of funding needs and mechanisms, will continue to be a priority focus for the company throughout the annual business planning process, with ongoing opportunities for stakeholder consultation and input.

e. Budget Performance and Format

NERC will continue to provide historic year over year trending of actual to budgeted and projected costs for key functional areas for both NERC and the Regional Entities. This information has historically been provided in connection with the company's submittal of its final recommended business plan and budget to the NERC Finance and Audit Committee. During the year NERC also provides quarterly and year-end variance reports for both NERC and the Regional Entities.

⁴ The CRO has oversight of most operating departments within NERC

2. Independent Electricity System Operator

a. NERC Program Spending

- i. The changing nature of the bulk power system, including changing generation resource, are placing increased demands on the resources required to support the work performed by the RAPA and Event Analysis departments. Further information regarding the work being performed by these departments and priorities for 2016 is contained in the departmental descriptions in Section A of the NERC business plan and budget.
- ii. Management has updated the ES-ISAC section of NERC's business plan and budget, has recently hired a Senior Vice President and Chief Security Officer in charge of the ES-ISAC and has allocated additional personnel to support ES-ISAC operations. Management is also working diligently to fill open positions within the ES-ISAC.
- iii. As further described in the company's response above to the comments of the Canadian Electricity Association, the increase in the G&A department budget is more a function of what NERC includes in G&A and how they have been historically budgeted, and less about a true increase in normal overhead costs.
- iv. The Compliance Assurance department increase is primarily due to two factors. First, we transferred auditor positions from the former Critical Infrastructure Department to Compliance Assurance to more closely align audit functions and further separate ES-ISAC operations from NERC's compliance functions. Second, NERC increased the allocation of indirect expenses to this program area based on the increase in departmental FTEs. Indirect costs are allocated among program areas based on the ratios of that department's FTE budget to total budgeted FTEs.
- v. The Compliance Enforcement department budget is expected remain relatively flat. Reductions in personnel were generally offset by increases in overall personnel costs which are included in both direct and indirect expenses.
- vi. With respect to NERC's investment in a document management system, this investment was discussed and reviewed with the NERC Standards Oversight and Technology Committee (SOTC) and Finance and Audit Committee (FAC) in open session in May 2015. Extensive background documentation was included regarding the justification, cost and benefits, as well as benchmarking costs against other companies⁵. With respect to IT investments in general, as part of the annual business plan and budget development process, management also reviews proposed plans and spending with SOTC in open session, including both short and long term projections.

b. ERO Programs and Priorities

- i. NERC and Regional Entity management review total and allocated resources requirements and budgets on an ongoing basis to ensure consistency with statutory and delegated responsibilities. While there are always opportunities for improvement, considerable efforts are undertaken to review and discuss each Regional Entity's

⁵ Please also see references under response to comments regarding IT infrastructure investments.

business plan and budget prior to NERC management recommending approval by the NERC Board of Trustees.

- ii. While budgets vary considerably among regions based upon the nature and scope of the function they perform, a consistent format was developed for presentation of each entities' business plan and budget in order to facilitate year of over year comparisons.
- iii. Each Regional Entity business plan and budget is also subject to review by the Regional Entity board and stakeholders prior to submittal to NERC.
- iv. NERC reviews each Regional Entity business plan and budget on a departmental basis. This review includes, but is not limited to, assessing (1) whether departmental resources are adequate to perform their delegated functions, (2) whether departmental and overall activities are aligned with the ERO Enterprise Strategic Plan, (3) the format and content of financial and supporting schedules, (4) compliance with any outstanding regulatory directives or requirements (5) ensuring no overlap between NERC and Regional Entity capital spending, (6) cost control and efficiency initiatives.
- v. In connection with the NERC FAC review and recommendation of Board approval of the NERC and Regional Entities' annual business plans and budgets, NERC management provides the FAC with a memorandum summarizing its review of the Regional Entity business plans and budgets, together with supporting materials providing comparisons of year over year budgets by entity and department. This information is posted on NERC's website and publicly available. NERC's annual business plan and budget filing with the FERC also includes various NERC and Regional Entity budget metrics.
- vi. NERC and Regional Entity management are committed to continuing to build on these efforts with the goal of further improving the efficiency and effectiveness of ERO Enterprise operations.

c. IT Infrastructure Investments

- i. NERC has made considerable efforts over the past two years to increase the transparency and information provided to stakeholders regarding IT capital spending plans and budgets. This information is posted and reviewed publicly as part an open SOTC agenda, prior to finalization of NERC's business plan and budget. The investment in the proposed document management system was subject to extensive review by both the SOTC⁶ and FAC⁷ at their May 2015 open meetings prior to FAC and Board approval of the use of reserves to initiate this important program in 2015.
- ii. Management will continue to make efforts to maintain transparency and provide detail requiring proposed capital spending needs and resource requirements.

d. Budget Implications of ES-ISAC Strategic Review

⁶ See [Standards Oversight and Technology Committee Agenda Package-May 6, 2015](#)

⁷ See [Finance and Audit Committee Agenda Package May 6, 2015](#)

- i. Management is not recommending an increase in the 2016 NERC budget or that the current ES-ISAC or CRISP funding model be changed at this time based on the ESCC's findings and recommendations.
 - ii. Consistent with the evaluation of resource allocation in support of all program area needs and priorities, management will undertake an evaluation of both intra and inter departmental needs, work load and priorities in an effort to mitigate the need for incremental increases in NERC's overall or individual department budgets. Despite these efforts, there is always the possibility that departmental and overall NERC resource requirements and funding needs will increase. In these circumstances management will make every effort to make sure that stakeholders, including registered users of the ES-ISAC, are properly informed regarding the need and have an opportunity to provide input.
- e. *Process Improvements*
- i. Management will continue to work with the RISC to ensure alignment between RISC and ERO project and program prioritization timelines and NERC's business plan and budget schedule.
 - ii. A year-end true up report based on audited financial results for both NERC and the Regional Entities is filed with FERC each year on or about May 31st and is publicly available on NERC's website under the page entitled [Filings and Orders](#). NERC and the Regional entities review this information in connection with the development of their budgets for the following year. NERC will include information regarding year-end audited results in future drafts of its business plan and budget.
 - iii. Management will continue to provide ongoing reporting regarding Enterprise IT Application development projects, benefits, budgets and spending.
 - iv. Building on the experience gained to date in the development of a number of Enterprise IT applications, management will explore opportunities to further enhance stakeholder engagement in IT capital spending plans and application development.
 - v. Management will recommend that the Regional Entities consider preparation of an accountability matrix similar to NERC.

3. Edison Electric Institute

a. *Alignment of resources with reliability risks*

NERC will continue to ensure that resources are aligned with reliability risk and advancing consistency in multi-regional registered entity compliance and enforcement.

Strategic and Business Planning Input			
Entity / Stakeholder (Date)	Topic	Stakeholder Comment (Abridged version)	Action/Response and Notes
EEI (Jan 2015)	Assessment Stabilization Initiative	The initial principle stated in the January 16 letter seeking policy input expresses a broad financial management principle and should be deleted.	With due consideration of stakeholder input, including but not limited to these comments, NERC Board of Trustee's adopted an amended Working Capital and Operating Reserve Policy at its February 12, 2015 open meeting. This amended policy provides for the establishment of an Assessment Stabilization Reserve. It also sets forth guidelines regarding the criteria to be used in establishing funding requirements, as well as the procedures that will apply to the review and approval of annual contributions and expenditures of funds from this reserve, including opportunities for stakeholder input.
		EEI seeks to understand why NERC or the regions do not have the flexibility today to set reserves policy as part of their budget and business planning process.	With due consideration of stakeholder input, including but not limited to these comments, NERC Board of Trustee's adopted an amended Working Capital and Operating Reserve Policy at its February 12, 2015 open meeting. This amended policy provides for the establishment of an Assessment Stabilization Reserve. It also sets forth guidelines regarding the criteria to be used in establishing funding requirements, as well as the procedures that will apply to the review and approval of annual contributions and expenditures of funds from this reserve, including opportunities for stakeholder input.
Sector 8 and ELCON (Jan 2015)	Assessment Stabilization Initiative	Recommends annual post hoc evaluations to ascertain its success.	With due consideration of stakeholder input, including but not limited to these comments, NERC Board of Trustee's adopted an amended Working Capital and Operating Reserve Policy at its February 12, 2015 open meeting. This amended policy provides for the establishment of an Assessment Stabilization Reserve. It also sets forth

			guidelines regarding the criteria to be used in establishing funding requirements, as well as the procedures that will apply to the review and approval of annual contributions and expenditures of funds from this reserve, including opportunities for stakeholder input.
SM-TDUs/APPA/TAPS/LPPC (Jan 2015)	Assessment Stabilization Initiative	Urge both NERC and the regions to adopt the goals and guiding principles applicable to the assessment stabilization initiative.	With due consideration of stakeholder input, including but not limited to these comments, NERC Board of Trustee’s adopted an amended Working Capital and Operating Reserve Policy at its February 12, 2015 open meeting. This amended policy provides for the establishment of an Assessment Stabilization Reserve. It also sets forth guidelines regarding the criteria to be used in establishing funding requirements, as well as the procedures that will apply to the review and approval of annual contributions and expenditures of funds from this reserve, including opportunities for stakeholder input.
		The initiative should be applied to all section 215 assessments by NERC and each of its regional entities. Further, greater uniformity in the working capital and operating reserve policies of the regional entities is needed.	With due consideration of stakeholder input, including but not limited to these comments, NERC Board of Trustee’s adopted an amended Working Capital and Operating Reserve Policy at its February 12, 2015 open meeting. This amended policy provides for the establishment of an Assessment Stabilization Reserve. It also sets forth guidelines regarding the criteria to be used in establishing funding requirements, as well as the procedures that will apply to the review and approval of annual contributions and expenditures of funds from this reserve, including opportunities for stakeholder input.
		NERC and the Regional Entities should each adopt the proposed Working Capital and Operating Reserve Policy or explain why their specific variations on such policies accomplish consistent outcomes for section 215-related activities.	With due consideration of stakeholder input, including but not limited to these comments, NERC Board of Trustee’s adopted an amended Working Capital and Operating Reserve Policy at its February 12, 2015 open meeting. This amended policy provides for the establishment of an Assessment Stabilization Reserve. It also sets forth guidelines regarding the criteria to be used in establishing

			<p>funding requirements, as well as the procedures that will apply to the review and approval of annual contributions and expenditures of funds from this reserve, including opportunities for stakeholder input.</p>
		<p>Request that the NERC Board review and compare the Working Capital and Operating Reserve Policies employed by each of the Regional Entities, with respect to all funds collected and expended for section 215 purposes.</p>	<p>With due consideration of stakeholder input, including but not limited to these comments, NERC Board of Trustee’s adopted an amended Working Capital and Operating Reserve Policy at its February 12, 2015 open meeting. This amended policy provides for the establishment of an Assessment Stabilization Reserve. It also sets forth guidelines regarding the criteria to be used in establishing funding requirements, as well as the procedures that will apply to the review and approval of annual contributions and expenditures of funds from this reserve, including opportunities for stakeholder input.</p>
<p>CEA (Jan 2015)</p>	<p>Assessment Stabilization Initiative</p>	<p>Requests recognition that the important effort to stabilize assessments is being pursued in parallel with the foundational objective of stabilizing budgets towards a trend that more fully reflects and comports with the current and future operating realities of registered entities.</p>	<p>With due consideration of stakeholder input, including but not limited to these comments, NERC Board of Trustee’s adopted an amended Working Capital and Operating Reserve Policy at its February 12, 2015 open meeting. This amended policy provides for the establishment of an Assessment Stabilization Reserve. It also sets forth guidelines regarding the criteria to be used in establishing funding requirements, as well as the procedures that will apply to the review and approval of annual contributions and expenditures of funds from this reserve, including opportunities for stakeholder input.</p>
		<p>Requests explicit reference in the guiding principles and goals to the broader budgetary roadmap and trajectory of the ERO.</p>	<p>With due consideration of stakeholder input, including but not limited to these comments, NERC Board of Trustee’s adopted an amended Working Capital and Operating Reserve Policy at its February 12, 2015 open meeting. This amended policy provides for the establishment of an Assessment Stabilization Reserve. It also sets forth guidelines regarding the criteria to be used in establishing funding requirements, as well as the procedures that will</p>

			apply to the review and approval of annual contributions and expenditures of funds from this reserve, including opportunities for stakeholder input.
		Recommends re-including the goal of the “percent change in consolidated assessments on a region by region basis more closely tracking the percent change in consolidated budgets on a region by region basis,” as we believe greater convergence between assessment changes and budget changes is an appropriate target for NERC at this phase in its maturation as the ERO.	With due consideration of stakeholder input, including but not limited to these comments, NERC Board of Trustee’s adopted an amended Working Capital and Operating Reserve Policy at its February 12, 2015 open meeting. This amended policy provides for the establishment of an Assessment Stabilization Reserve. It also sets forth guidelines regarding the criteria to be used in establishing funding requirements, as well as the procedures that will apply to the review and approval of annual contributions and expenditures of funds from this reserve, including opportunities for stakeholder input.
		Encourages attentiveness to achieving the desired result with respect to assessments levied on Canadian registered entities (especially in view of such variables as the different treatment of penalty funds in Canada and the U.S.).	With due consideration of stakeholder input, including but not limited to these comments, NERC Board of Trustee’s adopted an amended Working Capital and Operating Reserve Policy at its February 12, 2015 open meeting. This amended policy provides for the establishment of an Assessment Stabilization Reserve. It also sets forth guidelines regarding the criteria to be used in establishing funding requirements, as well as the procedures that will apply to the review and approval of annual contributions and expenditures of funds from this reserve, including opportunities for stakeholder input.
		Encourages consistency between NERC and Regional Entity reserve policies, to the greatest extent possible.	With due consideration of stakeholder input, including but not limited to these comments, NERC Board of Trustee’s adopted an amended Working Capital and Operating Reserve Policy at its February 12, 2015 open meeting. This amended policy provides for the establishment of an Assessment Stabilization Reserve. It also sets forth guidelines regarding the criteria to be used in establishing funding requirements, as well as the procedures that will apply to the review and approval of annual contributions

			and expenditures of funds from this reserve, including opportunities for stakeholder input.
SERC (Jan 2015)	Assessment Stabilization Initiative	Recognizing that working capital and operating reserve policies should be designed complementary to a corporation’s business model and risk tolerances, NERC and each of the Regional Entities should be at liberty to design respective policies appropriate for each corporation’s unique situations.	With due consideration of stakeholder input, including but not limited to these comments, NERC Board of Trustee’s adopted an amended Working Capital and Operating Reserve Policy at its February 12, 2015 open meeting. This amended policy provides for the establishment of an Assessment Stabilization Reserve. It also sets forth guidelines regarding the criteria to be used in establishing funding requirements, as well as the procedures that will apply to the review and approval of annual contributions and expenditures of funds from this reserve, including opportunities for stakeholder input.
CEA	Business Plan & Budget (Draft 1 comments)	Overall, against the backdrop of widespread recognition of NERC’s ever-strengthening maturation and the threshold into the risk-based frontier having been irreversibly crossed in 2015, CEA members were hoping for signs in the 2016 budget which would point towards NERC positioning itself to achieve enduring efficiencies and savings. CEA believes the Draft Budget leaves much to be desired in this regard and, accordingly, would urge budgetary reductions to be incorporated into the next draft.	<p>The development and implementation of risk-based strategies has and is expected to continue to produce efficiencies within NERC and the Regional Entity operations that will mitigate the need for additional resource additions to support emerging reliability needs and enhance the ERO’s ability to stabilize assessment increases. For example, as noted in NERC’s draft business plan and budget, the reduction in legal and enforcement headcount allowed NERC to reallocate open budgeted resources to support emerging reliability assessment needs⁸, as well as provide greater resource support to the ES-ISAC, the need for which has been strongly supported by industry. This resource allocation was all accomplished without increasing NERC’s overall FTE budget. In fact, without risk-based strategies, additional resource additions would likely be required.</p> <p>In addition to providing efficiencies supporting resource allocation needs, risk-based strategies also reinforce and</p>

⁸ For a further discussion of these needs please refer to Section A of NERC’s business plan and budget under the Reliability Assessment and Performance Analysis department.

			support the common ERO and industry objective of focusing on the most important factors affecting reliability and mitigating unnecessary costs to registered entities while maximizing the efficiency and effectiveness of NERC and RE resources.
		CEA believes that at this stage in NERC's history – with its major start-up and growth phases firmly situated in the rear-view mirror – annual budget increases (if any) should be in a lower or flatter range than the proposed one. CEA wishes to see more clear and compelling signs from NERC that it is sharing in the belt-tightening exercises which are standard practice for utilities under present fiscal and regulatory constraints.	Further details regarding the allocation of assessments between the U.S., Canada and Mexico is outlined in the final draft of NERC's business plan and budget and accompanying presentation materials for the July 22, 2015 webinar. As further detailed in the cover memo accompanying the posting of the revised draft of NERC's business plan and budget, the net effect of the revisions to NERC's proposed 2016 budget is a total increase of \$537k over 2015. This represents a year-over-year increase of less than 1% and a decrease the initial draft. After taking into account preliminary projections of credits to certain Canadian entities pursuant to NERC's Expanded Policy on Allocation of Certain Compliance and Enforcement Costs, the total NERC Canadian assessment will increase by approximately \$24k (less than 1%) over the 2015 assessment. In addition, 2016 NERC assessments for the IESO and New Brunswick are projected to decrease below 2015 levels.
		In terms of any recommendations emerging from the review which may have an upward impact on NERC's budget, CEA would call for NERC to first seek to identify potential efficiencies within existing ES-ISAC and NERC budgets as a way of fulfilling any such incremental resource needs. Similarly, CEA encourages early action on any recommendations to dial-back ES-ISAC activities which stakeholders have identified as yielding little or no value to improving industry's security posture.	Senior management is committed to assessing the ability to reallocate resources internally prior to seeking incremental increases in a department's budget or NERC's overall budget. This was clearly the case during 2015 in connection with the re-allocation of existing resources to emerging resources needs in the security (ES-ISAC), reliability assessment (RAPA) and compliance assurance areas without increasing NERC's overall budget.

		In light of the ESCC's strategic review, CEA acknowledges that the time is ripe for a coordinated review amongst applicable governmental authorities, NERC, and industry on the appropriate funding and governance model for the ES-ISAC's non-CRISP activities going forward.	Ensuring adequate funding for the ES-ISAC in the future, including the review of funding needs and mechanisms, will continue to be a priority focus for the company throughout the annual business planning process, with ongoing opportunities for stakeholder consultation and input.
		Potential enhancements that CEA would welcome include more trending of NERC program area results over previous years, and evaluations of budget aspects such as forecast accuracy and validity of assumptions. A clearer understanding of NERC's record of success in fulfilling its budgetary goals and business planning assumptions could serve as a valuable tool for evaluating organizational performance.	NERC will continue to provide historic year over year trending of actual to budgeted and projected costs for key functional areas for both NERC and the Regional Entities. This information has historically been provided in connection with the company's submittal of its final recommended business plan and budget to the NERC Finance and Audit Committee. During the year NERC also provides quarterly and year-end variance reports for both NERC and the Regional Entities.
EEL	Business Plan & Budget (Draft 1 comments)	EEL recommends that NERC continue to sharpen the measurement of corresponding system reliability risks, balance potential resource needs for any a timely manner.	NERC will continue to ensure that resources are aligned with reliability risk and advancing consistency in multi-regional registered entity compliance and enforcement.
		EEL looks for important progress in managing the multi-regional registered entity area of compliance and enforcement, where these types of entities' experiences with the regions offer a critical metric for understanding consistent process applications.	NERC will continue to ensure that resources are aligned with reliability risk and advancing consistency in multi-regional registered entity compliance and enforcement.
IESO	Business Plan & Budget (Draft 1 comments)	The IESO continues to have concerns that the enduring efficiency gains anticipated as part of the move towards "steady state", the expected completion in 2015 and 2016 of major initiatives such as facilitating transition to CIPv5 and CIP-014, and adoption of risk-based methods, are not evident in the Draft	The changing nature of the bulk power system, including changing generation resource, are placing increased demands on the resources required to support the work performed by the RAPA and Event Analysis departments. Further information regarding the work being performed by these departments and priorities for 2016 is contained in the departmental descriptions in Section A of the NERC business

		<p>2016 BPB. The lack of enduring efficiency gains is clear given NERC's total budgeted FTE is forecast to remain flat from 2015 to 2016 (going from 192.3. to 192.48) and is forecast to remain flat through 2018.</p>	<p>plan and budget.</p> <p>Management has updated the ES-ISAC section of NERC's business plan and budget, has recently hired a Senior Vice President and Chief Security Officer in charge of the ES-ISAC and has allocated additional personnel to support ES-ISAC operations. Management is also working diligently to fill open positions within the ES-ISAC.</p> <p>As further described in the company's response above to the comments of the Canadian Electricity Association, the increase in the G&A department budget is more a function of what NERC includes in G&A and how they have been historically budgeted, and less about a true increase in normal overhead costs.</p> <p>The Compliance Assurance department increase is primarily due to two factors. First, we transferred auditor positions from the former Critical Infrastructure Department to Compliance Assurance to more closely align audit functions and further separate ES-ISAC operations from NERC's compliance functions. Second, NERC increased the allocation of indirect expenses to this program area based on the increase in departmental FTEs. Indirect costs are allocated among program areas based on the ratios of that department's FTE budget to total budgeted FTEs.</p> <p>The Compliance Enforcement department budget is expected remain relatively flat. Reductions in personnel were generally offset by increases in overall personnel costs which are included in both direct and indirect expenses.</p> <p>With respect to NERC's investment in a document management system, this investment was discussed and</p>
--	--	---	---

			<p>reviewed with the NERC Standards Oversight and Technology Committee (SOTC) and Finance and Audit Committee (FAC) in open session in May 2015. Extensive background documentation was included regarding the justification, cost and benefits, as well as benchmarking costs against other companies. With respect to IT investments in general, as part of the annual business plan and budget development process, management also reviews proposed plans and spending with SOTC in open session, including both short and long term projections.</p>
		<p>With NERC and the ERO reaching the organizational maturity milestone, it is an appropriate time for NERC management to lead an ERO-wide review and benchmarking of spending on Programs and priorities.</p>	<p>NERC and Regional Entity management review total and allocated resources requirements and budgets on an ongoing basis to ensure consistency with statutory and delegated responsibilities. While there are always opportunities for improvement, considerable efforts are undertaken to review and discuss each Regional Entity's business plan and budget prior to NERC management recommending approval by the NERC Board of Trustees.</p> <p>While budgets vary considerably among regions based upon the nature and scope of the function they perform, a consistent format was developed for presentation of each entities' business plan and budget in order to facilitate year of over year comparisons. Each Regional Entity business plan and budget is also subject to review by the Regional Entity board and stakeholders prior to submittal to NERC. NERC reviews each Regional Entity business plan and budget on a departmental basis. This review includes, but is not limited to, assessing (1) whether departmental resources are adequate to perform their delegated functions, (2) whether departmental and overall activities are aligned with the ERO Enterprise Strategic Plan, (3) the format and content of financial and supporting schedules, (4) compliance with any outstanding regulatory directives or requirements (5)</p>

			<p>ensuring no overlap between NERC and Regional Entity capital spending, (6) cost control and efficiency initiatives.</p> <p>In connection with the NERC FAC review and recommendation of Board approval of the NERC and Regional Entities' annual business plans and budgets, NERC management provides the FAC with a memorandum summarizing its review of the Regional Entity business plans and budgets, together with supporting materials providing comparisons of year over year budgets by entity and department. This information is posted on NERC's website and publicly available. NERC's annual business plan and budget filing with the FERC also includes various NERC and Regional Entity budget metrics.</p> <p>NERC and Regional Entity management are committed to continuing to build on these efforts with the goal of further improving the efficiency and effectiveness of ERO Enterprise operations.</p>
		<p>The IESO recommends NERC examine and report back to stakeholders the business risks, costs and benefits to extend the life of existing tools and processes and to delay further effort to implement proposed all new, replacement or refreshed tools, including the new Document Management System (entirely, or certain lower priority modules) and other tools investment planned through 2018.</p>	<p>NERC has made considerable efforts over the past two years to increase the transparency and information provided to stakeholders regarding IT capital spending plans and budgets. This information is posted and reviewed publicly as part an open SOTC agenda, prior to finalization of NERC's business plan and budget. The investment in the proposed document management system was subject to extensive review by both the SOTC and FAC at their May 2015 open meetings prior to FAC and Board approval of the use of reserves to initiate this important program in 2015.</p> <p>Management will continue to make efforts to maintain transparency and provide detail requiring proposed capital spending needs and resource requirements.</p>
		<p>The IESO recommends that NERC commit to</p>	<p>Management is not recommending an increase in the 2016</p>

		fund any potential capital or operating budget needs related to actions taken through the existing overall NERC budget envelope (capital and operating budgets, excluding reserves).	NERC budget or that the current ES-ISAC or CRISP funding model be changed at this time based on the ESCC's findings and recommendations.
		ES-ISAC registrants include NERC member entities and non-NERC entities, and the IESO encourages the ES-ISAC effort to add non-NERC registrants to continue enhancing the value of ES-ISAC member services. Coinciding with the ESCC Strategic Review, the IESO recommends that it is an appropriate time to examine the ES-ISAC funding model to ensure it is aligned with membership and corresponding services and benefits.	Consistent with the evaluation of resource allocation in support of all program area needs and priorities, management will undertake an evaluation of both intra and inter departmental needs, work load and priorities in an effort to mitigate the need for incremental increases in NERC's overall or individual department budgets. Despite these efforts, there is always the possibility that departmental and overall NERC resource requirements and funding needs will increase. In these circumstances management will make every effort to make sure that stakeholders, including registered users of the ES-ISAC, are properly informed regarding the need and have an opportunity to provide input.
		The IESO recommends NERC look at enhancing RISC and ERO project and Program prioritization timelines to align with the BPB schedule.	Management will continue to work with the RISC to ensure alignment between RISC and ERO project and program prioritization timelines and NERC's business plan and budget schedule.
		It would be very informative for stakeholders if the draft BPB also included prior year actual Program spending based on the prior year audited results.	A year-end true up report based on audited financial results for both NERC and the Regional Entities is filed with FERC each year on or about May 31 st and is publicly available on NERC's website under the page entitled Filings and Orders . NERC and the Regional entities review this information in connection with the development of their budgets for the following year. NERC will include information regarding year-end audited results in future drafts of its business plan and budget.
		Starting with the 2016 BPB, the IESO recommends NERC use enhanced capital	Management will continue to provide ongoing reporting regarding Enterprise IT Application development projects,

		project implementation reporting to provide member entities on an ongoing basis, analysis of ERO investments measured against achievement of benefits as defined at the outset of the projects.	benefits, budgets and spending.
		The IESO recommends NERC and the ERO enhance capital planning and budgeting processes to secure greater stakeholder understanding and buy-in of the business case and merits of all new capital programs.	Building on the experience gained to date in the development of a number of Enterprise IT applications, management will explore opportunities to further enhance stakeholder engagement in IT capital spending plans and application development.
		Starting with the 2016 BPB year and in support of the ERO Strategic Plan, the IESO recommends that NERC require all Regional Entities to prepare a similar Accountability Matrix and that these Matrices be published on the NERC website along with copies of all stakeholder comments received on Regional Entity BPBs.	Management will recommend that the Regional Entities consider preparation of an accountability matrix similar to NERC.
Entity / Stakeholder (Date)	Topic	Stakeholder Comment (Abridged version)	Action/Response and Notes
EI (Apr 2015)	Future of Standards Development	NERC should maintain achievement of steady-state as a high priority corporate goal.	NERC agrees that this is a high priority.
		EI members strongly desire to turn their focus to the execution, innovation, operational excellence and compliance without having technical subject matter experts distracted by an unnecessary cycle of Standards development to address the concerns of a few over the needs of the many.	NERC agrees and the latest Reliability Standards Development Plan takes a deliberate approach to standards review and modification.
		EI requests that the Standards Committee and NERC Staff work together to bring an enhanced periodic review approach (including	The latest Reliability Standards Development Plan takes a deliberate approach to standards review and modification through enhanced periodic reviews. After the final

		a timeline) for the review of Standards consistent with EEI’s comments to the Board of Trustees for their endorsement in the November Board meeting.	comments, a projected project schedule for 2016 will be provided.
CIP Version 5 Transition		In the time remaining prior to April 2016, EEI urges NERC to make use of the Section 11 process for development of CIP V.5 compliance guidance documents.	NERC has engaged the industry and Regional Entity Stakeholder group (Version 5 Transition Advisory Group (“V5TAG”)) to identify, prioritize and expedite the delivery of guidance via the Section 11 process.
		Any NERC statements interpreting ambiguous language in the CIP Standards should acknowledge the ambiguity, note the NERC position as one possible position and instruct auditors to use compliance discretion and not find a different position as a noncompliance merely because it is a different position.	NERC agrees and notes that the guidance being developed and provided is one possible solution, and other solutions may be acceptable.
		Longer term, EEI strongly encourages NERC to commit to a process that will strategically review the purpose and application of compliance guidance processes within both NERC and the regions.	In response to the May 2015 meetings, a strategic review is occurring related to guidance. The Board supported the creation, with the MRC, of a Compliance Guidance Team to consider alternative approaches to provide compliance guidance and develop a proposal for the purpose, development, use, and maintenance of compliance guidance in the future. Progress on the project will be reported at the August 2015 MRC meeting, with a final proposal expected to be presented at the November meetings.
Compliance Guidance		To the extent the subject matter experts on an SDT are available, the individuals best suited to such work, EEI strongly encourages NERC to seek their advice and guidance in developing responses prior to issuing the final FAQ.	NERC agrees that SDT members can provide valuable input. Further, NERC is working to resolve compliance expectations during standards development while the standard is open and can be modified.
		EEI further requests that the issuance of FAQs should be limited to those issues that NERC strongly believes require additional clarity.	NERC agrees that FAQs should be focused on issues that require clarity.
		EEI member companies have differing views	The Compliance Guidance Team is considering the purpose

		on the value and usefulness of RSAWs. The strategic review of compliance guidance should include RSAWs, including their purpose and effectiveness, and the methods used to develop them.	of RSAWs. Progress on the project will be reported at the August 2015 MRC meeting, with a final proposal expected to be presented at the November meetings.
IRC ISO/RTO (Apr 2015)	Future of Standards Development	<p>Recommends that the NERC Standards Committee address the following standards development issues and bring back a work plan to the MRC:</p> <ul style="list-style-type: none"> • There are not clear, defined, specific criteria that are utilized to evaluate the reliability need for a standards project. Thus, the IRC suggests development of such criteria and implementation of industry voting to move a Standards Authorization Request (SAR) proposal forward into Standards Development. • There is not a quality assurance evaluation to ensure that Standards Review Teams (SRTs) and Standards Drafting Teams (SDTs) are applying the result-based standard and Paragraph 81 criteria. • Existing guidance of what is a “good” standard are not always adhered to by the SDTs and SRTs. Further, there is not clear, specific guidance that identifies the elements and characteristics of a “good” standard. 	NERC staff and the Standards Committee are addressing these issues through the Standards Committee Process Subcommittee.
	CIP Version 5 Transition	The approach of creating new versions of the Critical Infrastructure Protection (CIP) standards is cumbersome and not a proficient tool to address ever-evolving risks. Hence, the IRC recommends that NERC explore whether there are tools (other than reliability	NERC recognizes that a reliability standard is not always the best solution and will continue to consider other tools to address emerging risks.

		standards) that would provide the agility needed to better suit evolving risks such as cybersecurity.	
	Compliance Guidance	The NERC Compliance and Certification Committee (CCC) should review new Reliability Standards Audit Worksheets (RSAWs) for quality and scope before they are posted for industry comment. A process developed by a sub-committee of the CCC has not yet been implemented and should be revisited to determine feasibility for implementation.	The Compliance Guidance Team is considering the purpose of RSAWs and any potential role for the CCC. Progress on the project will be reported at the August 2015 MRC meeting, with a final proposal expected to be presented at the November meetings.
Merchant Electricity Generators and Electricity Marketers (Apr 2015)	Future of Standards Development	Standards Requirements that do not support reliability should be retired.	NERC agrees and the enhanced periodic reviews will take a closer look at this.
		There should be an effort to make standards performance based which would resolve the majority of the standard issues.	NERC agrees that performance-based standards are one of the preferred types of standards, but other types are sometimes appropriate.
	CIP Version 5 Transition	It is imperative that compliance guidance issued by NERC is consistent with the standards and ROP, is issued in a timely fashion, is well communicated, and considers the audience.	NERC has engaged V5TAG to identify, prioritize and expedite the delivery of guidance via the Section 11 process.
		Believe NERC needs to develop a better framework around issuing guidance and making clear what authority these staff have to provide guidance and answers to industry questions.	In response to the May 2015 meetings, a strategic review is occurring related to guidance. The Board supported the creation, with the MRC, of a Compliance Guidance Team to consider alternative approaches to provide compliance guidance and develop a proposal for the purpose, development, use, and maintenance of compliance guidance in the future. Progress on the project will be reported at the August 2015 MRC meeting, with a final proposal expected to be presented at the November meetings.
		G&Ms encourage NERC to employ sufficient resources so that full, timely, and appropriate guidance is generated over the next year	NERC has engaged V5TAG to identify, prioritize and expedite the delivery of guidance via the Section 11 process.

		leading into the April 16, 2016 compliance date for Version 5.	
	Compliance Guidance	Compliance and audit guidance should be developed in a clear and transparent manner with a quality control process that provides an opportunity for stakeholder input.	In response to the May 2015 meetings, a strategic review is occurring related to guidance. The Board supported the creation, with the MRC, of a Compliance Guidance Team to consider alternative approaches to provide compliance guidance and develop a proposal for the purpose, development, use, and maintenance of compliance guidance in the future. Progress on the project will be reported at the August 2015 MRC meeting, with a final proposal expected to be presented at the November meetings.
	Recordings of NERC meetings	NERC needs to develop a clear policy for recording NERC meetings including Board, MRC, committee, subcommittee, working group, and task force meetings.	NERC is working on a protocol for recording NERC meetings.
NAGF (Apr 2015)	Future of Standards Development	To improve reliability NERC should continue to focus on the changing grid – the technology, the fuels and the provision of essential reliability services. In lieu of the development of new standards, NERC should continue working with the industry to improve reliability as has occurred through the winterization efforts and the continuing improvement of governor frequency response.	NERC agrees and will incorporate any appropriate standards recommendations from the IVGTF and the ERSTF.
	CIP Version 5 Transition	The NAGF cautions that the continual change in guidance hinders the development of implementation plans and projects that as the industry implements Version 5, issues will arise and additional clarification, perhaps through the Standards Development process, will be required.	NERC encourages stakeholders to submit the appropriate requests for interpretation, standards authorization requests, etc., as appropriate to address perceived shortcomings or omissions in the current version(s) of the Reliability Standards.
	Compliance Guidance	The NAGF would recommend that compliance guidance continue to be developed and	In response to the May 2015 meetings, a strategic review is occurring related to guidance. The Board supported the

		communicated. The NAGF also recommends the guidance be developed with industry input to ensure greater regulatory certainty and the process to collect compliance evidence is pragmatic.	creation, with the MRC, of a Compliance Guidance Team to consider alternative approaches to provide compliance guidance and develop a proposal for the purpose, development, use, and maintenance of compliance guidance in the future. Progress on the project will be reported at the August 2015 MRC meeting, with a final proposal expected to be presented at the November meetings.
NRECA (Apr 2015)	Future of Standards Development	NRECA urges NERC to pursue a “steady state” as planned within the next year. Further, we request NERC to support a “steady state” for at least the next three years to allow industry to fully implement the existing FERC-approved reliability standards, and to allow FERC to rule on standards that have been filed for their approval.	NERC agrees and the latest Reliability Standards Development Plan takes a deliberate approach to standards review and modification.
	CIP Version 5 Transition/Compliance Guidance	NRECA is concerned that NERC is regressing back toward Compliance Application Notices (CANs) and we strongly recommend against going in that direction.	In response to the May 2015 meetings, a strategic review is occurring related to guidance. The Board supported the creation, with the MRC, of a Compliance Guidance Team to consider alternative approaches to provide compliance guidance and develop a proposal for the purpose, development, use, and maintenance of compliance guidance in the future. Progress on the project will be reported at the August 2015 MRC meeting, with a final proposal expected to be presented at the November meetings.
		NRECA encourages NERC to work with industry under Section 11 of the SPM to issue guidance for reliability standards that do not interpret or change the applicability of the standards.	In response to the May 2015 meetings, a strategic review is occurring related to guidance. The Board supported the creation, with the MRC, of a Compliance Guidance Team to consider alternative approaches to provide compliance guidance and develop a proposal for the purpose, development, use, and maintenance of compliance guidance in the future. Progress on the project will be reported at the August 2015 MRC meeting, with a final proposal expected to be presented at the November meetings.
	CIP-014-1	Encourages NERC to continue its outreach	NERC, through direct outreach and via coordinated events

	Implementation	efforts in this area including providing lessons learned during the implementation of CIP-014-1.	with the Regions, will continue to provide outreach on CIP-014, including support for lessons learned that may be identified.
Sector 8 and ELCON (Apr 2015)	Future of Standards Development	NERC needs to (1) preserve the gains achieved so far in addressing BES risks and now focus on new potential risks, and (2) increase the automated collection of data and process monitoring.	NERC agrees and will incorporate any suggested standards improvements from the RISC.
	CIP Version 5 Transition	NERC needs to further develop the tie-in to the Risk-based Compliance and Monitoring Program.	Activities pertaining to both compliance and enforcement are conducted in the context of risk based activities, and that is the frame of reference as guidance is developed and published.
	Compliance Guidance	There needs to be greater transparency and consistency between the guidance provided to registered entities and that provided to ERO Enterprise compliance and enforcement staff. The development of compliance guidance should also begin with the subject matter experts of the SDTs. Feedback from the industry should be an on-going effort.	In response to the May 2015 meetings, a strategic review is occurring related to guidance. The Board supported the creation, with the MRC, of a Compliance Guidance Team to consider alternative approaches to provide compliance guidance and develop a proposal for the purpose, development, use, and maintenance of compliance guidance in the future. Progress on the project will be reported at the August 2015 MRC meeting, with a final proposal expected to be presented at the November meetings.
SM-TDUs (Apr 2015)	Future of Standards Development	NERC and stakeholders should work together to set priorities through the Reliability Standards Development Plan and address remaining reliability gaps, deficiencies in quality and clarity, lessons learned from compliance implementation, and identification of standards that impose a compliance burden that is disproportionate to their reliability benefits.	NERC agrees and the latest Reliability Standards Development Plan takes a deliberate approach to standards review and modification.
	CIP Version 5 Transition	SM-TDUs recommend the following specific steps for guidance development: 1. The Version 5 Transition Advisory Group (VTAG) should be retained as the	The V5TAG remains in place to identify, prioritize and expedite the delivery of guidance via the Section 11 process. Group activity is coordinated by NERC to facilitate effective and timely efforts.

		<p>mechanism for industry input into CIP V5 lessons learned,</p> <ol style="list-style-type: none"> 2. NERC guidance development should follow the NERC Standard Processes Manual Section 11 process, 3. NERC should provide executive leadership and direction to the VTAG process, 4. The group should utilize structured facilitation to resolve conflicts, 5. An escalation procedure to address issues that require interpretation through the standards development process should be adopted, 6. More effective methods for disseminating the results should be adopted, and 7. NERC should form a separate CIP V5 low impact asset technical advisory group. 	<p>Stakeholders are encouraged to submit the appropriate requests for interpretation, standards authorization requests, etc. as appropriate to address perceived shortcomings or omissions in the current version(s) of the Reliability Standards.</p> <p>Public distribution of guidance occurs through listservs and on NERC’s web site.</p> <p>A “low impact technical advisory group” is a possible approach to addressing issues pertinent to entities that are subject to those requirements.</p>
	CIP-014-1 Implementation	The legal enforcement date for Requirement R2 is 90 days after the responsible transmission owner completes and distributes its reliability assessment under R1. SM-TDUs request that NERC clarify that this 90-day clock begins to run on October 1, 2015, the enforcement date for R1.	R2 is enforceable 90 days after the effective date of 10/1/2015.
	Compliance Guidance	An understanding of what “ERO independence” means with regard to compliance and enforcement is needed. We urge NERC to recognize and embrace the benefits of transparent and collaborative processes for guidance development and the importance of regulatory certainty for registered entities.	In response to the May 2015 meetings, a strategic review is occurring related to guidance. The Board supported the creation, with the MRC, of a Compliance Guidance Team to consider alternative approaches to provide compliance guidance and develop a proposal for the purpose, development, use, and maintenance of compliance guidance in the future. Progress on the project will be reported at the August 2015 MRC meeting, with a final proposal expected to be presented at the November meetings.
	Phase I Special	SM-TDUs encourage NERC to conduct	It is NERC’s plan to conduct these additional special

	Assessment of EPA's Clean Power Plan	additional special assessments as state and regional clean power implementation plans are developed and then submitted to EPA for approval.	assessments.
Sector 12 (Apr 2015)	Future of Standards Development	While the State Government Sector does not prescribe a particular methodology for determining whether NERC Reliability Standards are achieving a level of diminishing returns, we respectfully (and continue to) request that cost be considered when conducting that analysis.	NERC agrees and a core value included in its three-year strategic plan is to ensure the legitimate interests of all parties, including costs imposed on registered entities, are duly considered and balanced in the development of policies and reliability standards, and in its programs and operations.
	CIP Version 5 Transition	Respectfully requests that NERC be willing to provide education to State Commissions and NARUC on this endeavor when requested.	NERC is willing to accommodate such requests.
	CIP-014-1 Implementation	Respectfully requests that NERC be willing to provide education to State Commissions and NARUC on this endeavor when requested.	NERC is open to facilitate training and education efforts where possible in support of industry awareness.
CEA (Apr 2015)	Future of Standards Development	Additional initiatives should be avoided at this stage and recent standards development reforms should be granted an adequate cushion of time to demonstrate their effectiveness.	NERC agrees and the latest Reliability Standards Development Plan takes a deliberate approach to standards review and modification.
	CIP Version 5 Transition	At this stage, CEA would encourage more engaged consultation by NERC staff with the Critical Infrastructure and Protection Committee as compliance guidance is developed, and acknowledgement that approaches set forth in guidance materials do not represent an exclusive set of options for achieving compliance.	The V5TAG continues to identify, prioritize and expedite the delivery of guidance via the Section 11 process. That group includes members with a broad range of perspectives and the process provides the opportunity for industry input. Guidance documents include a standard disclaimer stating that "there may be other legitimate ways to fulfill the obligations of the requirements that are not expressed within this supporting document."
	Compliance Guidance	CEA members are generally finding the standards guidance issued by NERC to be	Guidance is not part of the standard, and NERC agrees that is not legally binding, and cannot expand the requirements in a

		valuable. One issue of concern, however, is the characterization of guidance as “part of” a standard. CEA believes that guidance should neither expand the requirements in a standard, nor be legally binding upon a registered entity, nor serve as the <i>de facto</i> litmus test against which compliance is assessed.	standards.
FRCC (Apr 2015)	Compliance Guidance	Guidance, in whatever form it is provided, should be used by the compliance and enforcement staff as just one way of meeting a reliability standard requirement. And, all Regional Entities should accept this guidance as an acceptable means of meeting the intent of a requirement.	In response to the May 2015 meetings, a strategic review is occurring related to guidance. The Board supported the creation, with the MRC, of a Compliance Guidance Team to consider alternative approaches to provide compliance guidance and develop a proposal for the purpose, development, use, and maintenance of compliance guidance in the future. Progress on the project will be reported at the August 2015 MRC meeting, with a final proposal expected to be presented at the November meetings.
		Guidance should refrain from defining terms – definitions should only be developed through the standards development process.	NERC agrees that compliance guidance cannot provide definitions of terms.
MRO (Apr 2015)	Future of Standards Development	The ERO should strive to maintain a set of standards that is technically sufficient to ensure the secure and reliable operations of the bulk power system; active and continuous improvement processes should be used to both distill existing standards and add new standards to address gaps, where appropriate.	NERC agrees and the latest Reliability Standards Development Plan takes a deliberate approach to standards review and modification.
	CIP Version 5 Transition	The focus should be on those standards and requirements that are ambiguous or in conflict with other standards and requirements.	Guidance documents are intended to convey lessons learned from NERC’s various CIP version 5 transition activities. The VSTAG is helping to identify, prioritize, and expedite development of guidance and outreach until any standards that are ambiguous or in conflict with other standards can be revised through a standards development project.

NPCC (Apr 2015)	Future of Standards Development	NPCC recommends that NERC establish a high threshold for the development of any additional standards, informed by reliability metrics trending data, reliability assessments, events analysis and compliance monitoring, and reflective of emerging risks to the international, interconnected bulk power systems.	NERC agrees and the latest Reliability Standards Development Plan takes a deliberate approach to standards review and modification.
		NPCC recommends that as a part of the periodic review of existing standards that standards be assessed for their continued reliability need, technological neutrality, and their applicability to evolving industry resources, organizational structures, and operations.	NERC agrees and the enhanced periodic reviews will include this evaluation.
	CIP Version 5 Transition	NPCC recommends that NERC utilize the Section 11 process in the Standards Manual as the primary approach to addressing transition issues.	The V5TAG continues to identify, prioritize and expedite the delivery of guidance via the Section 11 process.
		NPCC recommends that if staff developed memorandum are necessary to resolve irreconcilable differences, drafts be circulated for industry comment prior to issuance.	The April 2015 memoranda have been withdrawn.
		NPCC recommends that, in order to enhance the efficient delivery of consistent guidance, NERC's planned Security Reliability Program outreach on CIP V5 transition be coordinated with already scheduled Regional Entity industry-focused workshops.	Security Reliability Program outreach events are scheduled with Regional Entity activities whenever possible. Contact TransitionProgram@nerc.net for additional information.
	SERC (Apr 2015)	Future of Standards Development	Consideration should be given to having a more robust framework that guides the establishment of need for a new or revised reliability standard.
CIP Version 5		While progress has been made, significant	The V5TAG consists of stakeholder representatives and has

	Transition	technical questions remain to be clarified. Consideration should be given to identifying and prioritizing topics from a stakeholder perspective.	established priorities in the guidance it is developing.
		Due to the lead time required to implement the comprehensive changes necessary to support CIP Version 5 and given the limited early guidance, the ERO Enterprise should explore options to recognize earnest efforts by registered entities to be fully compliant, particularly during the period immediately after the effective date.	That is one of the strengths of the risk-based compliance monitoring and enforcement program’s design.
	CIP-014-1 Implementation	The ERO Enterprise needs to review its data confidentiality and protection policies and procedures. Absolute confidentiality and protection of information received in performance of compliance enforcement authority duties must exist.	NERC prioritizes data confidentiality and protection.
EI (Jan 2015)	CIP Version 5 Transition	The ERO needs to provide support to quicken the pace of releasing the Lessons Learned. Development of Lessons Learned should remain focused and build on group consensus to move forward. Once the group reaches consensus on an issue, the Lesson Learned or FAQ should move forward to final under Section 11 of the Standards Process Manual. Ambiguous language should not lead to interpretations outside of the NERC standards development process.	The Section 11 process will continue to be used as the primary method for developing guidance. Stakeholders are encouraged to submit the appropriate requests for interpretation, standards authorization requests, etc. as appropriate to address issues beyond the authority or ability of the Transition Advisory team to address.
		NERC should initiate a transition pilot as soon as feasible for the CIP-003-6 requirements applicable to assets with Low Impact BES Cyber Systems.	The focus during the initial stages of the guidance development process has necessarily been on entities with High and Medium Impact BES Cyber Systems. As those efforts continue and mature, further guidance especially applicable to entities with Low Impact BES Cyber Systems

			will be developed.
CIP-014-1 Implementation	To the extent NERC considers development of targeted compliance guidance documents, EEI requests that the activity takes place through the NERC Standards Committee.	NERC, through direct outreach and via coordinated events with the Regions and NERC subcommittees, will continue to provide CIP-014 lessons learned and guidance to industry.	
	EEI asks that NERC coordinate with NATF activities focused on CIP-014.	NERC will continue to provide feedback to NATF and other industry groups on activities focused on CIP-014.	
	To the extent that NERC and the regions make commitments to conduct implementation-related support activities for CIP-014, EEI believes that NERC needs to communicate a clear plan and specific actions that are carefully coordinated.	NERC, through direct outreach and via coordinated events with the Regions, will continue to provide outreach on CIP-014, including support for lessons learned that may be identified.	
	To the maximum extent possible, EEI asks that training aim at clear and consistent regional compliance practices.	NERC will continue to provide ERO compliance and enforcement personnel training on CIP-014 compliance monitoring practices.	
	EEI opposes the development of a dedicated Physical Security Standard Working Group (PSSWG) organized under the NERC CIPC and thinks it will be counterproductive. EEI seeks to understand who, when, and how NERC requested this unusual approach for CIP-014.	NERC understands that the NERC CIPC created the group based in part on the CIPC's role in facilitating implementation of standards by developing reference documents, among other activities, and it is intended to be an ad-hoc group available to lend industry expertise when and if needed in the development of guidance.	
	ERSTF Measures Framework Report	ERSTF should remain focused on identifying the needs of the Bulk Electric System while remaining neutral with regard to specific solutions to meet these needs.	NERC agrees and will continue to support the assessment while remaining neutral and independent.
RSAW Development	Work on the CIP V5 RSAWs should continue in collaboration with the CIP V5 Revisions drafting team; updated drafts should be posted for stakeholders comment with a reasonable amount of time given for stakeholders for review; and a report on the lessons learned from the CIP RSAW	The work on the CIP V5 RSAWs continued in collaboration with the CIP V5 Revisions drafting team and were posted for stakeholder comment. While NERC does not plan to provide a report on the lessons learned to the SC, a key lesson learned is that RSAWs should be developed during the standards development process.	

		development should be submitted to the Standards Committee following completion of the RSAWs.	
	111(d) Assessments	Encourages NERC to continue this important assessment of the EPA CPP, including continued outreach and input from the stakeholder subject matter experts, such as those on the Planning Committee’s subcommittee.	NERC will continue this assessment and outreach to stakeholders.
Bonneville Power Administration (Jan 2015)	CIP Version 5 Transition	BPA recommends that NERC thoroughly vet (via NATF, WICF, etc.) their transition approaches with industry stakeholders prior to releasing instructions/guidance on key compliance transition decisions.	The V5TAG continues to identify, prioritize and expedite the delivery of guidance via the Section 11 process.
IRC ISO/RTO (Jan 2015)	CIP Version 5 Transition	Recommends that items pending that have not yet been tried under the Implementation Study be turned over to volunteer entities to work with their Regional Entities to help expedite the drafting of additional guidance for implementation.	Responsible Entities with recommendations and experiences that may warrant a “Lesson Learned” are welcome to submit the information to NERC, where it will be presented to the V5TAG for review and possible publication.
		Asks NERC to consider opening up the CIP Version 5 auditor training in mid-2015 and Q1 of 2016 for industry members to attend.	NERC provided some combined industry and auditor training in the Spring of 2015, and it provides similar training at the semi-annual Standards and Compliance workshops.
	ERSTF Measures Framework Report	Asks NERC to utilize its volunteer stakeholder experts like those serving on the Operating Committee, the Planning Committee and their subcommittees to devise appropriate metrics for a proof of concept.	This work is being conducted by the Essential Reliability Services Task Force (ERSTF), which was formed by the Planning and Operating Committees.
Merchant Electricity Generators and Electricity Marketers (Jan 2015)	CIP Version 5 Transition	CIP V.5 FAQ and Lessons Learned should get a final technical review and recommends that the CIPC would best serve as a final technical reviewer.	The V5TAG includes subject matter experts who also represent a wide range of groups and activities. The CIPC has designated a member to be a part of the V5TAG to facilitate such review and input.
		Notifications under CIP V. 5 should be coordinated for consistent messaging and	The V5TAG includes subject matter experts who also represent a wide range of groups and activities. As

		implementation by all transmission organizations in all Regions.	appropriate, the representative of a particular group (e.g., CIPC) can use colleagues for additional input and coordination.
		Encourage NERC to employ sufficient resources so that full, timely, and appropriate guidance is generated over the next year leading into the April 16, 2016 compliance date for Version 5.	The V5TAG continues to identify, prioritize and expedite the delivery of guidance via the Section 11 process.
	ERSTF Measures Framework Report	ERS Reports should acknowledge market implications and consider the appropriateness of the traditional frequency response curve for assessment.	NERC agrees and this is part of the ERSTF's approach in developing the report.
NAGF (Jan 2015)	CIP Version 5 Transition	Outreach and communication programs have already proven to be helpful. However, guidance being delivered in these sessions is then being reversed or changed through the issuance of Lessons Learned and/or FAQ documents. Would like to see better coordination/timing of responses so as not to be in a constant state of changing our implementation programs every time guidance changes.	The V5TAG continues to identify, prioritize and expedite the delivery of guidance via the Section 11 process.
	ERSTF Measures Framework Report	Recommendations based on the ERS measures should tie to system level performance, and that both the interpretation of the measures and future mitigating actions are likely to be specific to the balancing areas and systems. Recommendations should also be technology neutral.	NERC agrees and will continue to support the assessment while remaining neutral and independent.
NRECA (Jan 2015)	CIP Version 5 Transition	NRECA urges NERC to ensure that Lessons Learned resulting from the transition program are issued as soon as possible.	The V5TAG continues to identify, prioritize and expedite the delivery of guidance via the Section 11 process.
		To the extent language in the CIP Version 5	The Section 11 process will continue to be used as the

		standards (and future versions) is unclear and not able to be addressed by Lessons Learned, the standard development process must be used to address these issues.	primary method for developing guidance. Stakeholders are encouraged to submit the appropriate requests for interpretation, standards authorization requests, etc. as appropriate to address issues beyond what the V5TAG can address.
		Recommends that NERC initiate a transition program focusing on CIP-003-6 requirements applicable to assets with Low Impact BES Cyber Systems.	The focus during the initial stages of the guidance development process has necessarily been on entities with High and Medium Impact BES Cyber Systems. As those efforts continue and mature, further guidance especially applicable to entities with Low Impact BES Cyber Systems will be developed.
	CIP-014-1 Implementation	Encourages NERC to hold additional webinars and an in-person workshop on the key requirements in the standard.	NERC, through direct outreach and via coordinated events with the Regions, will continue to provide outreach on CIP-014, including support for lessons learned that may be identified.
	RSAW Development	Requests that NERC leadership provide industry with an update on their thinking on the effectiveness of RSAWs and whether the intent is to use them for the long-term as a part of the Compliance Monitoring and Enforcement Program reforms currently being implemented.	The Compliance Guidance Team is considering the purpose of RSAWs. Progress on the project will be reported at the August 2015 MRC meeting, with a final proposal expected to be presented at the November meetings.
Sector 8 and ELCON (Jan 2015)	CIP Version 5 Transition	Recommend additional outreach efforts targeted at registered entities with only low impact systems.	The focus during the initial stages of the guidance development process has necessarily been on entities with High and Medium Impact BES Cyber Systems. As those efforts continue and mature, further guidance especially applicable to entities with Low Impact BES Cyber Systems will be developed.
		Encourage NERC to continue to stress the importance of coordination between the RSAW drafting team for CIP V5 and the Standards Drafting Team as this will provide additional industry guidance.	The development of the CIP V5 RSAWs included all members of the CIP V5 Revisions SDT.
	ERSTF Measures	ELCON is not convinced that the industry and	NERC does not assess societal tradeoffs and is solely focused

	Framework Report	reliability regulatory agencies are presenting an effective accounting of the real societal tradeoffs that the transition to renewables will bring. NERC will need to be part of the education process.	on the reliability of the BPS.
SM-TDUs/APPA/TAPS/LPPC (Jan 2015)	CIP Version 5 Transition	Registered Entities need regulatory certainty in order to comply with NERC Standards. A lack of clarity continues to exist with regards to many aspects of CIP Version 5 compliance expectations. This has significant impact on Registered Entities, the Regional Entities and NERC due to the implementation timeline. This is an untenable situation which must be recognized and addressed with a sense of urgency.	The V5TAG continues to identify, prioritize and expedite the delivery of guidance via the Section 11 process, including either risk-based or regulatory solutions that can be implemented in a time sensitive manner. The Section 11 process will continue to be used as the primary method for developing guidance. Stakeholders are encouraged to submit the appropriate requests for interpretation, standards authorization requests, etc. as necessary to address issues beyond what the V5TAG can address.
		We urge NERC to work with industry stakeholders to timely complete and issue Lessons Learned developed through the Transition Study process. We also request assurance that the regions will follow this guidance.	The V5TAG continues to identify, prioritize and expedite the delivery of guidance via the Section 11 process. NERC and the Regional Entities support the guidance.
		While Lesson Learned guidance is still in development, we urge discretion in the ERO's initial audit approach as both industry and auditors incorporate the Lesson Learned into their CIP programs.	NERC supports successful transition to CIP Version 5, and the risk-based compliance monitoring and enforcement program design provides tools to support successful transition.
		A Transition Study should be conducted as soon as practicable for the new Low Impact asset requirements that become enforceable on April 1, 2017.	A "low impact asset transition study" is a possible approach to identifying pertinent issues for entities that are subject to those requirements. A study or other outreach or coordination for low impact asset requirements is under evaluation.
	CIP-014-1 Implementation	The Commission's directive to eliminate or define "widespread" from Requirement R1	NERC encourages stakeholders to submit the appropriate requests for interpretation, standards authorization

		could create substantial difficulty in meeting the October 1, 2015 implementation date. We request regulatory forbearance where a Registered Entity's initial identification of BES risk differs from what NERC and the Commission subsequently require.	requests, etc. as appropriate to address perceived shortcomings, challenges or omissions in the current version(s) of the Reliability Standards.
		Urge NERC to work with stakeholders to timely complete each of the implementation program elements, to ensure that Registered Entities can meet each of the compliance deadlines set forth in the approved standard, beginning on October 1, 2015.	NERC, through direct outreach and via coordinated events with the Regions, will continue to provide outreach on CIP-014, including support for lessons learned that may be identified.
	ERSTF Measures Framework Report	The ERSTF needs to formalize the process to document results and identify best practices.	This is the goal of the report being developed by the ERSTF.
State Government (Jan 2015)	CIP-014-1 Implementation	State regulators must balance the importance of these standards against the cost of compliance, among other important factors, and we ask that NERC be mindful of this guidance when implementing the physical security standards.	NERC, through direct outreach and via coordinated events with the Regions, will continue to provide outreach on CIP-014, including support for lessons learned that may be identified.
	ERSTF Measures Framework Report	NERC should consider effective ways to relay the Task Force's technical outcomes to policymakers. As a suggestion, NERC could include a more policy-oriented executive summary with all materials produced by this Task Force.	A supplemental report will be developed targeted to policymakers and regulators.
CEA (Jan 2015)	CIP-014-1 Implementation	Encourages a robust focus on ensuring that the implementation program does not deviate from the original expectations articulated by governmental authorities and NERC.	As with any reliability standard, the Regional Entities will leverage the principles of risk-based compliance monitoring when evaluating CIP-014-1.
	ERSTF Measures Framework Report	Urges NERC to present the ERSTF's final recommendations with the key audience of policymakers and regulators in mind.	A supplemental report will be developed targeted to policymakers and regulators.

MRO (Jan 2015)	CIP Version 5 Transition	During 2015, outreach needs to target smaller entities that did not have a CIP program under Version 3.	NERC agrees that smaller entities that are “new” to CIP should be afforded ample outreach. Looking ahead, NERC will continue activities such as Small Group Advisory Sessions, workshops from NERC or various regions, Security Reliability Program (SRP) engagements, and resources at NERC’s “CIP V5 Transition Page”. Guidance especially applicable to entities with Low Impact BES Cyber Systems will be developed as well.
		To ensure an effective transition, Regional Entities must focus on mitigating issues of non-compliance and appropriately exercise discretion to treat minimal risk matters as Compliance Exceptions.	NERC agrees that compliance efforts of both the ERO Enterprise and the industry should be focused on higher risk concerns. Activities pertaining to both compliance and enforcement, by definition, are conducted in the context of risk based activities, and that is the frame of reference as guidance is developed and published.
	CIP-014-1 Implementation	More emphasis needs to be placed on training and certifying ERO staff to ensure staff’s competency.	NERC will continue to provide ERO compliance and enforcement personnel training on CIP-014 compliance monitoring practices.
	ERSTF Measures Framework Report	The ERSTF should leverage the work of other relevant NERC task forces and working groups (e.g., Variable Generation Task Force, Frequency Working Group).	The ERSTF is working closely with other groups and liaisons through other committees.
		We should share the existing Framework Report with regulators and policy makers to make them aware of the potential technical issues associated with policy decisions and seek their input to guide our work so it meets their needs.	NERC is actively engaged in governmental outreach at the state, federal, and provincial levels.
NPCC (Jan 2015)	CIP Version 5 Transition	Recommends that NERC’s guidance be focused on clarification of the application of the standard and on how compliance will be assessed, and not on how to comply.	The V5TAG continues to identify, prioritize and expedite the delivery of guidance via the Section 11 process.
		Recommends that the Chair and/or Vice Chair of the CIP SDT be included in the development of the associated RSAWs, as an	The development of the CIP V5 RSAWs included all members of the CIP V5 Revisions SDT.

		appropriate implementation of NERC's commitment to include industry participants in the drafting of RSAWs.	
	ERSTF Measures Framework Report	Recommends the continued efforts of the ERSTF to propose measures and corresponding analysis to further inform items identified as 'Under Review' in the ERSTF Framework.	The ERSTF will continue these efforts.
SERC (Jan 2015)	CIP Version 5 Transition	Encourages the ERO Enterprise to be more timely in the guidance provided.	The V5TAG continues to identify, prioritize and expedite the delivery of guidance via the Section 11 process.
		NERC is encouraged to be transparent in its CIP V5 and CIP-014 implementation activities and use existing processes (such as the standards process) when possible rather than creating alternative approaches.	NERC is committed to transparency.
		Repeating previous policy input from the SERC Board, consideration may need to be given to special situations where a registered entity is not able to meet the effective date without significant undue hardship, such as transitions involving safe and reliable nuclear facility operation. Specifically, accessing nuclear switch yards is difficult and work can only be done typically when the nuclear plant is offline during a scheduled refueling outage. An update on NERC's consideration of this input would be instructive.	The risk-based compliance monitoring and enforcement program design provides tools to address such risks.

DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 13

**CALCULATION OF ADJUSTMENTS
THE AESO 2016 NERC ASSESSMENT,
THE IESO 2016 NERC ASSESSMENT,
THE NEW BRUNSWICK 2016 NERC ASSESSMENT,
AND THE QUEBEC 2016 NERC ASSESSMENT**

Alberta Electric System Operator Adjustment
Credit for NERC Compliance Costs

	Total NERC Compliance Budget AESO NEL Allocation 2016	Total NERC Compliance Budget AESO NEL Allocation 2015			2016 FTEs	
					Total	Credit
NERC Compliance Budget						
Compliance Assurance	\$ 9,410,738	\$ 5,737,572			19.36	17.86
Analysis and Certification	4,632,667	4,864,863	400	Assurance	10.14	9.00
Enforcement	5,292,943	5,806,866	406 & 500	Analysis & Certification	12.22	12.22
Event Analysis	5,353,823	4,203,169	404	Enforcement	11.06	5.50
			402	Event Analysis	52.78	44.58
Total Compliance Budget, including Fixed Assets	\$ 24,690,171	\$ 20,612,470				
AESO NEL Share (2014)	1.382%	1.350%				84.5%
AESO Proportional Share of Compliance Costs, including Fixed Assets	\$ 341,218	\$ 278,268				
Net Total Staff	52.78	47.83				
% Credit	84.5%	87.50%	400 & 406	Operations & Investigations	19.60	15.00
\$ Credit	\$ 20,854,260	\$ 18,035,373	500	Org Registration	3.84	3.84
			402	Event Analysis	9.38	8.00
			404	Enforcement	15.01	15.01
AESO credit for compliance costs	\$ 288,206	\$ 243,478			47.83	41.85
Additional Credits						87.5%
Credit for SAFNR	\$ 438,200	\$ 459,609				
	\$ 438,200	\$ 459,609				
AESO NEL Share (2014)	1.382%	1.350%				
AESO credit for additional costs not allocated	\$ 6,056	\$ 6,205				
Total AESO Credit	\$ 294,262	\$ 249,682	\$ 44,580	17.9%		
NERC Assessment	\$ 514,324	\$ 511,339	\$ 2,985	0.6%		

IESO Adjustment
Credit for NERC Compliance Costs

	<u>2016</u>	<u>2015</u>	<u>Change</u>		<u>2016 FTEs</u>	
NERC Compliance Budget						
Compliance Assurance	\$ 9,410,738	\$ 5,737,572				
Analysis and Certification	4,632,667	4,864,863	400	Assurance	19.36	16.00
Enforcement	5,292,943	5,806,866	406 & 500	Analysis & Certification	10.14	9.00
Event Analysis	5,353,823	4,203,169	404	Enforcement	12.22	12.22
			402	Event Analysis	11.06	5.50
Total Compliance Budget, including Fixed Assets	24,690,171	20,612,470			52.78	42.72
IESO NEL Share (2014)	3.082%	3.137%				80.9%
IESO Proportional Share of Compliance Costs, including Fixed Assets	\$ 760,951	\$ 646,517				
Total Compliance Staff	52.78	47.83				
% Credit	80.9%	83.3%				
\$ Credit	\$ 615,912	\$ 538,381				
Additional Credit for SAFNR Contract	\$ 438,200	\$ 459,609				
IESO NEL Share (2014)	3.082%	3.137%				
Additional Credit for SAFNR Contract	\$ 13,505	\$ 14,416				
IESO Credit - NERC Costs, including Fixed Assets	\$ 629,417	\$ 552,797	76,620		15.52%	
Total NERC Assessment	\$ 1,173,912	\$ 1,215,106	\$ (41,194)		-3.98%	

**New Brunswick Adjustment
Credit for NERC Compliance Costs**

	<u>2016</u>		<u>2015</u>		<u>Change</u>		<u>2016 FTEs</u>			
							<u>Total</u>	<u>Credit</u>		
NERC Compliance Budget										
Compliance Assurance	\$	9,410,738	\$	5,737,572			400	Assurance	19.36	16.00
Analysis and Certification		4,632,667		4,864,863			406 & 500	Analysis & Certification	10.14	9.00
Enforcement		5,292,943		5,806,866			404	Enforcement	12.22	12.22
Event Analysis		5,353,823		4,203,169			402	Event Analysis	11.06	5.50
									<u>52.78</u>	<u>42.72</u>
Total Compliance Budget		24,690,171		20,612,470						
										80.9%
New Brunswick NEL Share (2014)		0.308%		0.314%						
NB Proportional Share of Compliance Costs, including Fixed Assets	\$	76,046	\$	64,694						
Total Compliance Staff		<u>52.78</u>		<u>47.83</u>						
% Credit (42.72 of 52.78 FTEs)		80.94%		87.46%						
\$ Credit (42.72 of 52.78 FTEs)	\$	61,551	\$	56,579						
Additional Credits - SAFNR Contract	\$	438,200	\$	459,609						
New Brunswick NEL Share (2014)		0.308%		0.311%						
Additional Credits for SAFNR	\$	1,350	\$	1,429						
New Brunswick Credit - NERC Costs, including Fixed Assets	\$	<u>62,901</u>	\$	<u>58,008</u>	\$	4,893			8.4%	
NERC Assessment	\$	117,079	\$	118,912	\$	(1,833)			-1.5%	

2016 Quebec Adjustment
Credit for NERC Compliance Costs

	Total NERC Compliance Budget Quebec NEL Allocation				
NERC Compliance Budget					
Compliance Assurance	\$	9,410,738			
Analysis and Certification		4,632,667			
Enforcement		5,292,943			
Total Costs, including Fixed Assets	\$	19,336,348			
Quebec NEL Share (2014)		4.173%	400	Assurance	19.36
Quebec Proportional Share of Compliance Costs, including Fixed Assets	\$	806,906	406 & 500	Analysis & Certification	10.14
			404	Enforcement	12.22
Total Compliance Staff		41.72			41.72
% Credit (28.22 of 41.72 FTEs)		67.64%			28.22
\$ Credit (28.22 of 41.72 FTEs)	\$	13,079,380			
Quebec Credit (Proportional share of all costs x % Credit)	\$	545,803	400 & 406	Regional Oversight	19.60
			500	CompAnalysis&Cert	3.84
			402	Event Analysis	9.38
			404	Enforcement	15.01
					47.83
					33.26
Proportional Share of NERC Compliance Costs paid by Régie de l'énergie	\$	261,103			
Proportional Share of NPCC CORC Program paid by Régie de l'énergie	\$	1,132,825			
2016 Billing to Régie de l'énergie for Compliance Program Costs-NERC and NPCC	\$	1,393,928			
Additional Credits					
Event Analysis - \$5,353,823	\$	2,691,434	402	Event Analysis	11.06
SAFNR		438,200			50%
	\$	3,129,634			
Quebec NEL Share (2014)		4.173%			
Quebec credit for additional costs not allocated	\$	130,600			
Total Quebec Credit for 2016	\$	676,402			
Total NERC Assessment in Quebec	\$	1,765,517	\$	7,715	0.4%
Proportional Share of NERC Compliance Costs paid by Régie de l'énergie		261,103		(4,366)	-1.6%
NERC Assessment paid by Hydro Quebec		1,504,414		12,082	0.8%

2015 Quebec Adjustment
Credit for NERC Compliance Costs

	Total NERC Compliance Budget Quebec NEL Allocation				
NERC Compliance Budget					
Compliance Assurance	\$	5,737,572			
Analysis and Certification		4,864,863			
Enforcement		5,806,866			
Event Analysis		4,203,169			
Total Costs, including Fixed Assets	\$	20,612,470			
Quebec NEL Share (2013)		4.228%			
Quebec Proportional Share of Compliance Costs, including Fixed Assets	\$	871,477			
Total Compliance Staff		47.83			
% Credit (33.26 of 47.83 FTEs)		69.54%			
\$ Credit (33.26 of 47.83 FTEs)	\$	14,333,488			
Quebec Credit (Proportional share of all costs x % Credit)	\$	606,007			
Proportional Share of NERC Compliance Costs paid by Régie de l'énergie	\$	265,470			
Proportional Share of NPCC CORC Program paid by Régie de l'énergie (Refer to Column I-2, page 75, 2015 NPCC Business Plan and Budget)	\$	1,087,229			
2015 Billing to Régie de l'énergie for Compliance Program Costs-NERC and NPCC	\$	1,352,699			
Additional Credits					
Credit for SAFNR	\$	459,609			
	\$	459,609			
Quebec NEL Share (2013)		4.228%			
Quebec credit for additional costs not allocated	\$	19,432			
Total Quebec Credit for 2015	\$	625,439			
Total NERC Assessment in Quebec	\$	1,757,802			
Proportional Share of NERC Compliance Costs paid by Régie de l'énergie		265,470			
NERC Assessment paid by Hydro Quebec		1,492,332			

16 vs 15

DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 14

**METRICS COMPARING
REGIONAL ENTITY OPERATIONS
BASED ON
THE 2016 BUDGETS**

2016 Metrics for Budget Submissions

Budget Metrics		FRCC	MRO	NPCC⁵	RF	SERC	SPP RE	Texas RE	WECC
1	Number of registered entities	52	136	218	228	191	109	197	347
2	Number of registered functions	208	458	487	510	584	347	409	979
3	Total NEL (GWh)	224,666	288,744	641,246	914,112	1,028,847	230,481	341,256	867,474,309
4	NEL (GWh) per registered entity	4,320	2,123	2,941	4,009	5,387	2,115	1,732	2,499,926
5	Total ERO Funding ¹	\$ 6,709,457	\$ 11,027,812	\$ 14,416,196	\$ 20,115,459	\$ 14,379,486	\$ 8,819,751	\$ 9,897,448	\$ 27,015,834
6	ERO Funding per registered entity	\$ 129,028	\$ 81,087	\$ 66,129	\$ 88,226	\$ 75,285	\$ 80,915	\$ 50,241	\$ 77,855
7	ERO Funding per registered function	\$ 32,257	\$ 24,078	\$ 29,602	\$ 39,442	\$ 24,622	\$ 25,417	\$ 24,199	\$ 27,595
8	Total Budget ²	\$ 7,261,527	\$ 11,354,641	\$ 15,072,998	\$ 19,367,209	\$ 15,866,845	\$ 10,095,819	\$ 11,782,215	\$ 27,384,956
9	Total Budget per registered entity	\$ 139,645	\$ 83,490	\$ 69,142	\$ 84,944	\$ 83,072	\$ 92,622	\$ 59,808	\$ 78,919
10	Total Budget per registered function	\$ 34,911	\$ 24,792	\$ 30,951	\$ 37,975	\$ 27,169	\$ 29,095	\$ 28,807	\$ 27,972
11	Total Statutory FTE ³	30.59	43.00	36.86	72.20	78.12	32.25	60.00	140.50
12	Registered entity per Statutory FTE	1.700	3.163	5.914	3.158	2.445	3.380	3.283	2.470
13	Registered function per Statutory FTE	6.800	10.651	13.212	7.064	7.476	10.760	6.817	6.968
14	Total Compliance Budget ⁴	\$ 5,186,867	\$ 7,297,310	\$ 8,650,196	\$ 15,381,065	\$ 10,995,642	\$ 7,787,038	\$ 8,809,903	\$ 13,811,437
15	Compliance budget per registered entity	\$ 99,747	\$ 53,657	\$ 39,680	\$ 67,461	\$ 57,569	\$ 71,441	\$ 44,720	\$ 39,802
16	Compliance budget per registered function	\$ 24,937	\$ 15,933	\$ 17,762	\$ 30,159	\$ 18,828	\$ 22,441	\$ 21,540	\$ 14,108
17	Total Compliance FTE ³	18.83	21.26	16.00	45.75	36.92	21.35	35.75	54.00
18	Registered entity per Compliance FTE	2.8	6.4	13.6	5.0	5.2	5.1	5.5	6.4
19	Registered function per Compliance FTE	11.0	21.5	30.4	11.1	15.8	16.3	11.4	18.1

¹ ERO Funding is a sum of Assessments and Penalty Sanctions

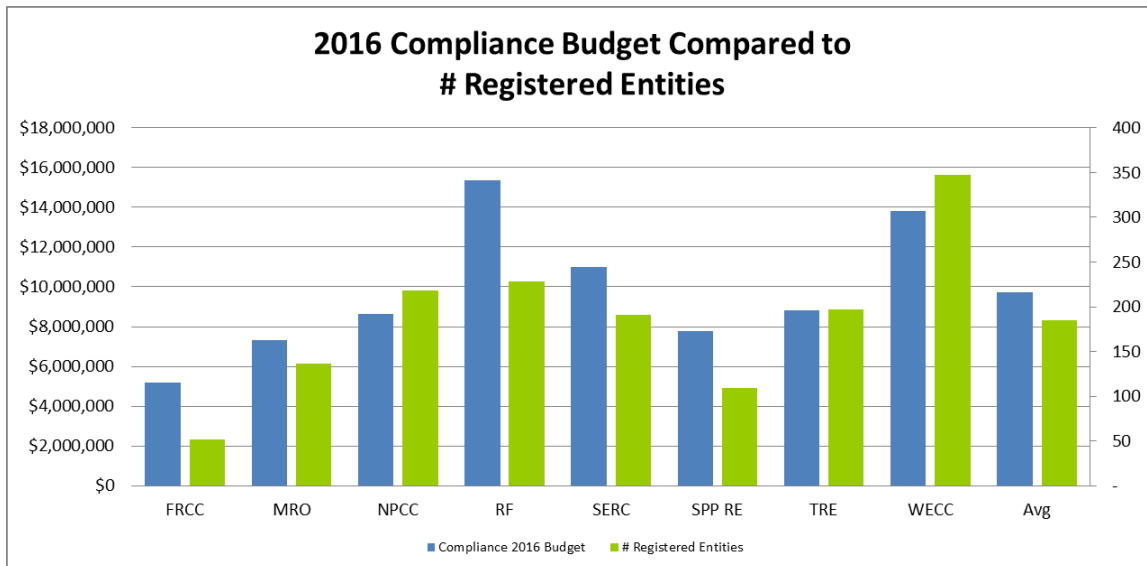
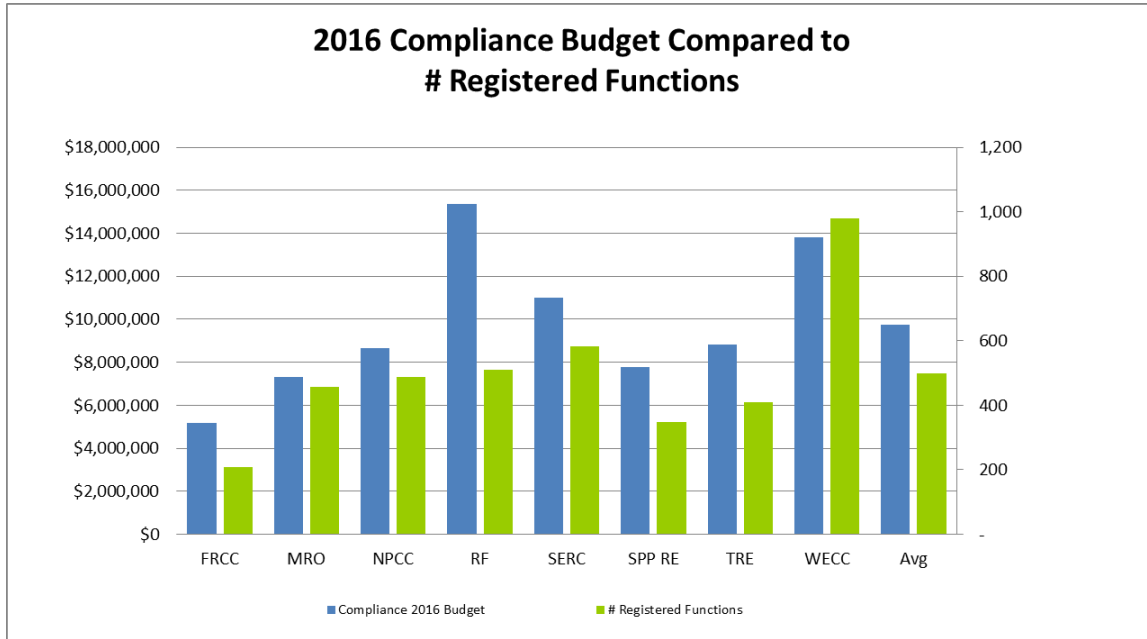
² Total Budget is a sum of Total Expenses and Capital Expenditures

³ Each FTE that works 2,080 hours per year is counted as one FTE. An FTE working less than the 2,080 hours per year is counted as a fractional FTE.

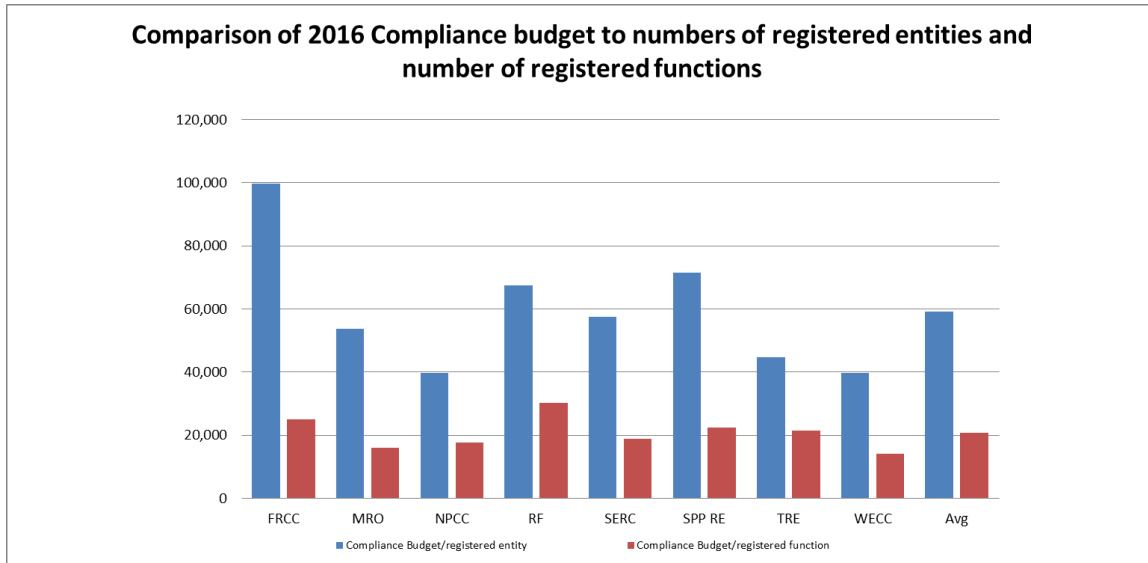
⁴ Total Compliance Budget is a sum of Direct Expenses, Indirect Expenses and Capital Expenditures

⁵ Due to the specifics of the compliance program included in the individual provincial MOUs for cross-border regional entities, some of these metrics are not directly comparable.

	FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
Compliance 2016 Budget	5,186,867	7,297,310	8,650,196	15,381,065	10,995,642	7,787,038	8,809,903	13,811,437	9,739,932
# Registered Entities	52	136	218	228	191	109	197	347	185
# Registered Functions	208	458	487	510	584	347	409	979	498

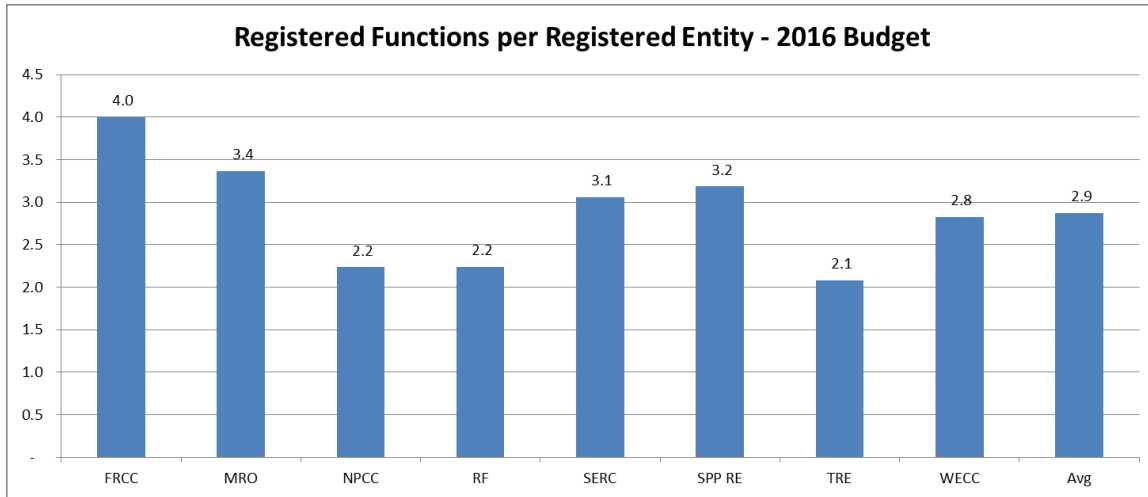


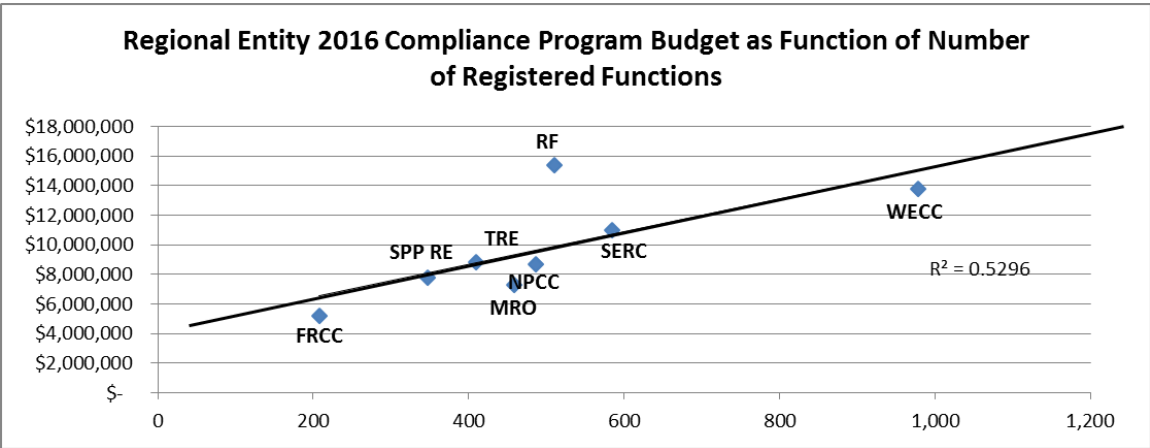
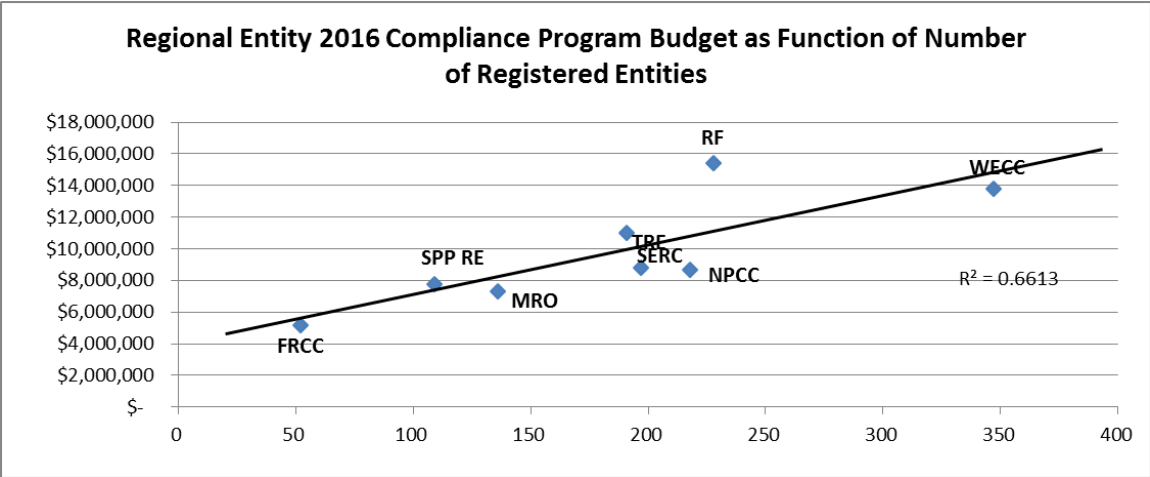
	FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
Compliance Budget/registered entity	99,747	53,657	39,680	67,461	57,569	71,441	44,720	39,802	59,260
Compliance Budget/registered function	24,937	15,933	17,762	30,159	18,828	22,441	21,540	14,108	20,714



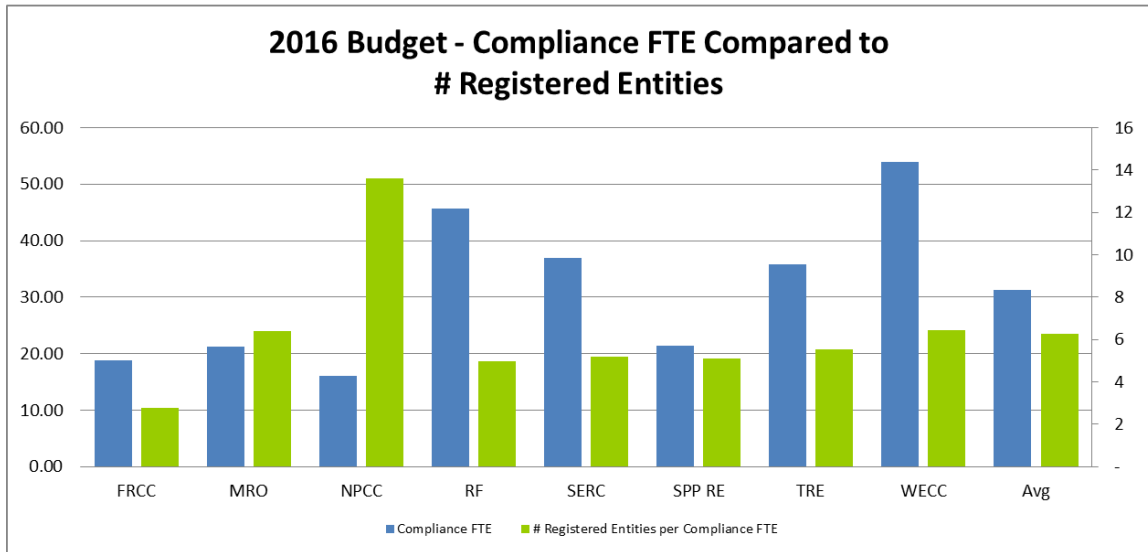
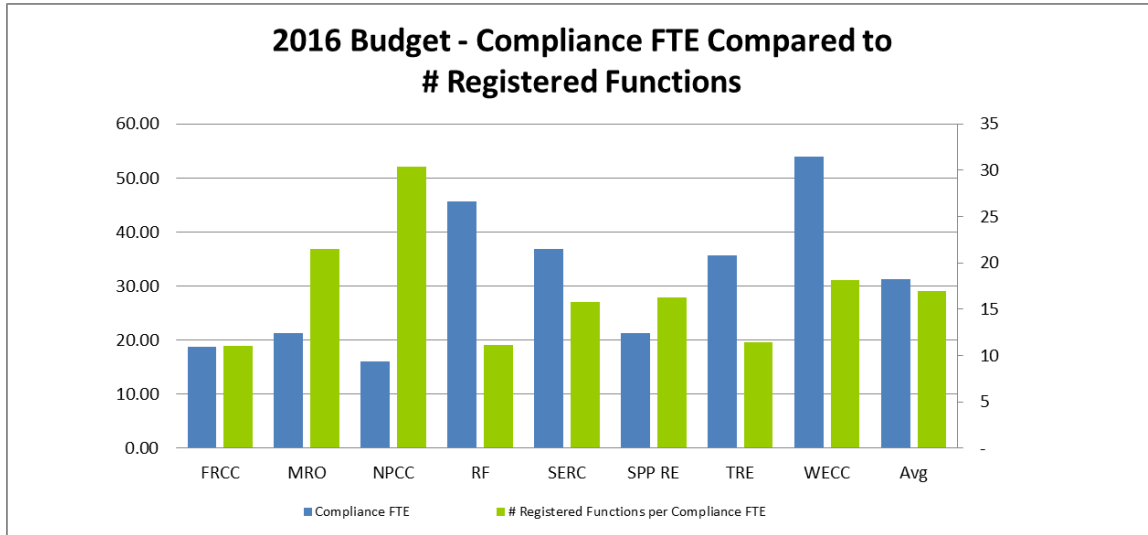
Registered Functions per Registered Entity
2016 Budget

FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
4.0	3.4	2.2	2.2	3.1	3.2	2.1	2.8	2.9

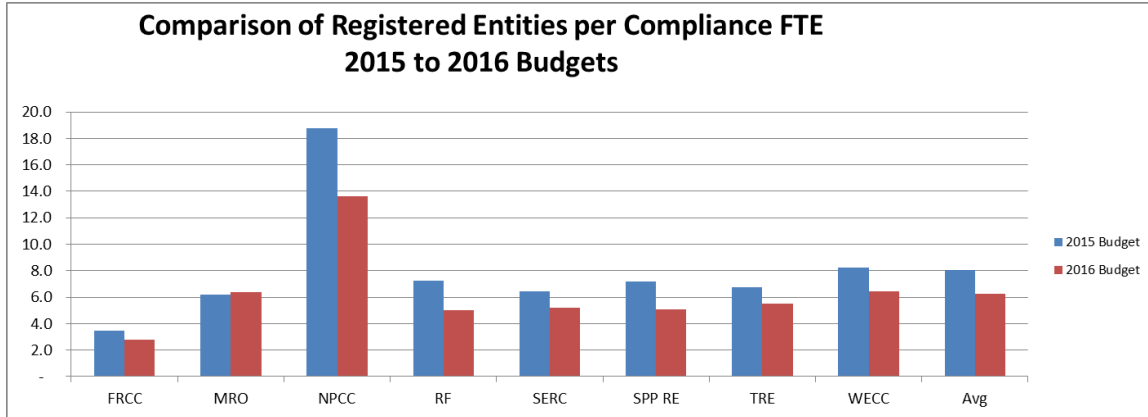




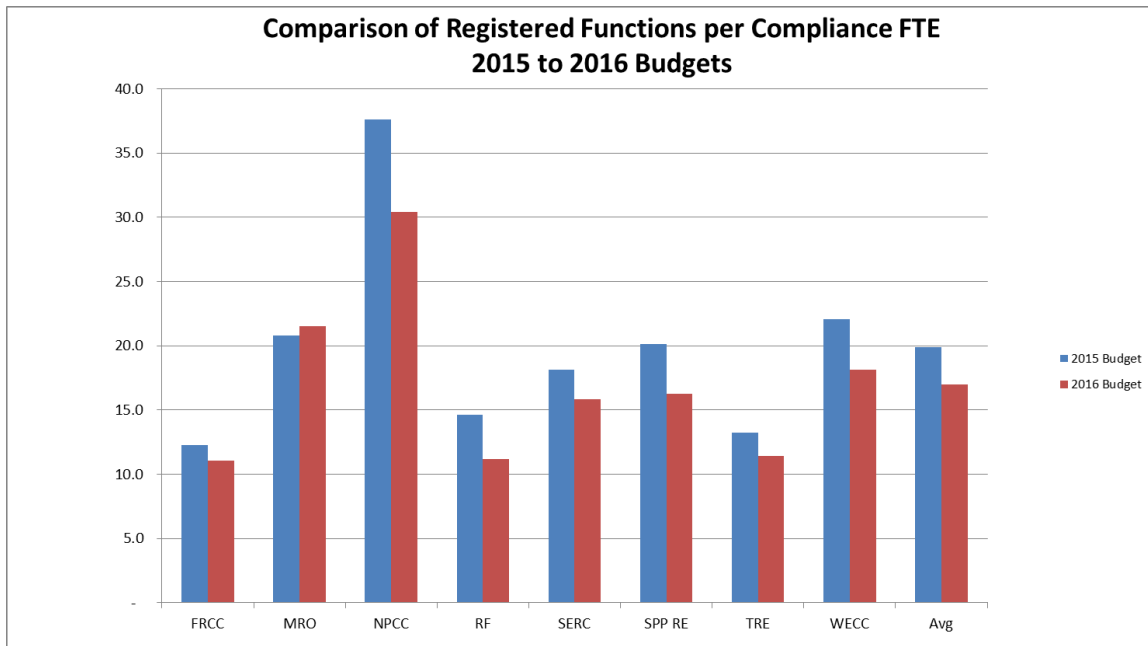
	FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
Compliance FTE	18.83	21.26	16.00	45.75	36.92	21.35	35.75	54.00	31.23
# Registered Entities per Compliance FTE	2.8	6.4	13.6	5.0	5.2	5.1	5.5	6.4	6.2
# Registered Functions per Compliance FTE	11.0	21.5	30.4	11.1	15.8	16.3	11.4	18.1	17.0



	FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
2015 Budget	3.4	6.2	18.8	7.2	6.5	7.2	6.7	8.2	8.0
2016 Budget	2.8	6.4	13.6	5.0	5.2	5.1	5.5	6.4	6.2



	FRCC	MRO	NPCC	RF	SERC	SPP RE	TRE	WECC	Avg
2015 Budget	12.3	20.8	37.6	14.6	18.2	20.1	13.3	22.1	19.9
2016 Budget	11.0	21.5	30.4	11.1	15.8	16.3	11.4	18.1	17.0



DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 15

METRICS ON NERC AND REGIONAL ENTITY

ADMINISTRATIVE (INDIRECT) COSTS

BASED ON

THE 2015 AND 2016 BUDGETS

**Analysis of Indirect (Administrative Services) Costs
2016 Budget versus 2015 Budget**

2015 BUDGET						2016 BUDGET				
Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total Statutory	Ratio of Statutory Direct Budget to Indirect Budget		Total Statutory Budget	Total Statutory Direct Budget	Total Statutory Indirect Budget	% Statutory Indirect Budget to Total Statutory	Ratio of Statutory Direct Budget to Indirect Budget
\$ 66,649,306	\$ 38,801,269	\$ 27,848,037	41.8%	1.39	NERC	\$ 67,186,665	36,744,230	30,442,435	45.3%	1.21
7,162,233	6,379,570	782,663	10.9%	8.15	FRCC	7,261,527	6,388,331	873,196	12.0%	7.32
10,328,687	6,430,254	3,898,433	37.7%	1.65	MRO	11,354,641	6,825,231	4,529,410	39.9%	1.51
14,778,540	9,544,174	5,234,366	35.4%	1.82	NPCC	15,072,998	9,620,222	5,452,776	36.2%	1.76
18,756,764	13,442,121	5,314,643	28.3%	2.53	RF	19,367,210	13,835,158	5,532,052	28.6%	2.50
15,995,840	9,704,308	6,291,532	39.3%	1.54	SERC	16,350,325	9,163,091	7,187,234	44.0%	1.27
11,808,109	5,803,102	6,005,007	50.9%	0.97	SPP RE	6,655,134	5,464,121	1,191,013	17.9%	4.59
11,983,701	7,788,932	4,194,769	35.0%	1.86	Texas RE	11,782,215	7,557,810	4,224,405	35.9%	1.79
26,300,034	17,346,688	8,953,346	34.0%	1.94	WECC	28,083,548	17,761,805	10,321,743	36.8%	1.72
			34.8%	2.43	AVERAGE				32.9%	2.63

2015 BUDGETED FTEs						2016 BUDGETED FTEs				
Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs		Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs
192.30	124.76	67.54	35.1%	1.85	NERC	192.48	121.25	71.23	37.0%	1.70
30.91	26.87	4.04	13.1%	6.65	FRCC	30.59	26.12	4.47	14.6%	5.84
42.50	31.08	11.42	26.9%	2.72	MRO	43.00	32.51	10.49	24.4%	3.10
36.86	27.86	9.00	24.4%	3.10	NPCC	36.86	27.86	9.00	24.4%	3.10
72.20	57.60	14.60	20.2%	3.95	RF	72.20	57.60	14.60	20.2%	3.95
78.70	54.57	24.13	30.7%	2.26	SERC	78.12	51.13	26.99	34.5%	1.89
32.75	28.25	4.50	13.7%	6.28	SPP RE	32.25	27.75	4.50	14.0%	6.17
60.00	44.50	15.50	25.8%	2.87	Texas RE	60.00	46.25	13.75	22.9%	3.36
137.50	92.60	44.90	32.7%	2.06	WECC	140.50	94.10	46.40	33.0%	2.03
			24.7%	3.53	AVERAGE				25.0%	3.46

DOCKET NO. RR15-__-000

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2016 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 16

BOARD OF TRUSTEE REMUNERATION REVIEW

JULY 2015



North American Electric Reliability Corporation

Board of Trustee Remuneration Review

July 2015

Introduction

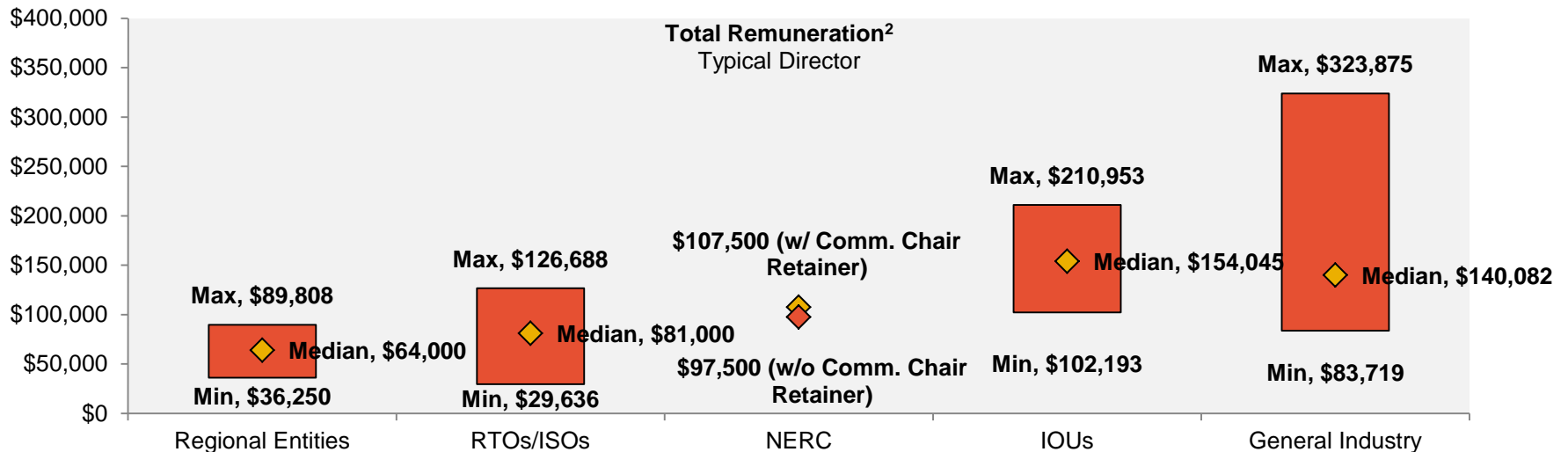
- North American Electric Reliability Corporation (NERC) engaged Towers Watson to conduct a Board of Trustees' (or Directors') compensation and structure assessment examining four market perspectives
 - Towers Watson last performed this assessment for NERC in August 2013 and utilized the same methodology
 - The four market perspectives examined are as follows:
 - **Regional Entities:** 6 of 8 organizations¹ are included in the analysis
 - **Regional Transmission Organization / Independent System Operator (RTOs/ISOs):** All 9 organizations are included in the analysis
 - **Investor Owned Utilities (IOUs):** 14 organizations with median revenues of \$1.2 billion
 - **General Industry:** 13 organizations with median revenues of \$409 million and median asset size of \$756 million
 - To see the complete list of peer organizations for each market perspective, please refer to the Appendix

Notes:

(1) 2 of 8 organizations have all stakeholder boards and thus do not compensate their board members.

Typical Trustee Total Remuneration

- The chart below presents the range (minimum to maximum) and median of total remuneration provided to a “typical Director¹” for each market perspective
- NERC’s total remuneration for a “typical Trustee¹” of \$107,500 falls above the median value provided by Regional Entities and RTOs/ISOs, but below the median value at IOU and General Industry peers



NERC Total Remuneration as a % of Peer Median

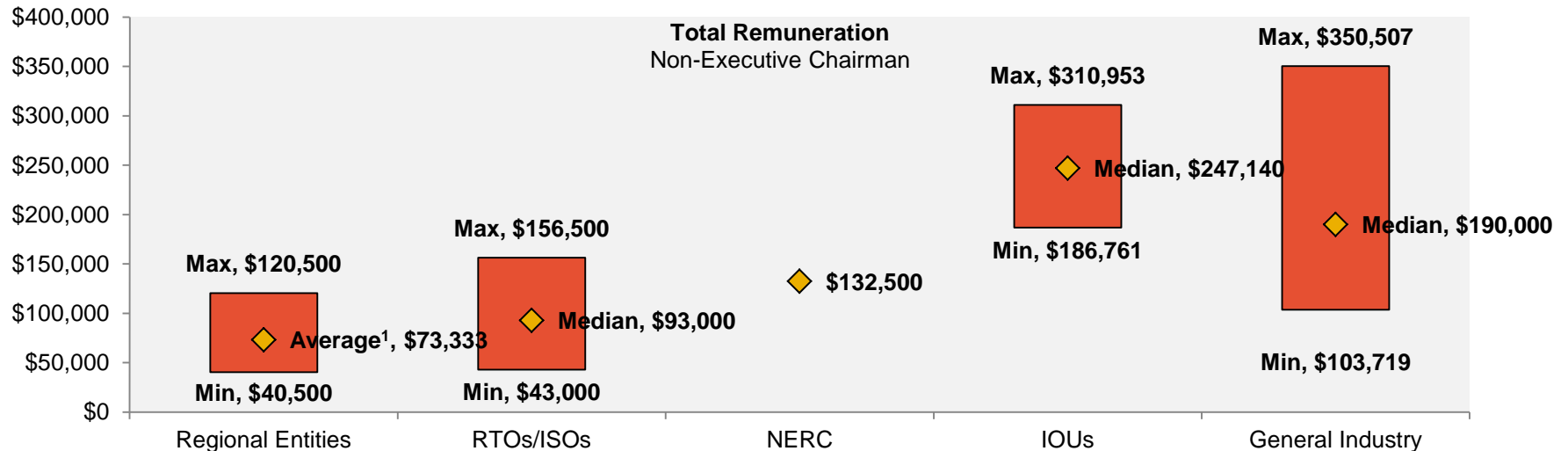
Retainer	168%	133%	100%	70%	77%
No Retainer	152%	120%	100%	63%	70%

Notes:

- A “typical Director” cannot be in a Board leadership position, an employee of the company or serve as a Director for less than a full year.
- Compensation for Regional Entities and RTOs / ISOs includes Committee Chair compensation while it has been excluded from IOUs and the General Industry market perspectives, given applicable disclosure.

Non-Executive Chairman Total Remuneration

- The chart below presents the range (minimum to maximum) and median of total remuneration provided to a Non-Executive Chairman for each market perspective
- NERC's total remuneration to the Chairman of the Board of \$132,500 falls above the median value provided by Regional Entities and RTOs/ISOs, but below the median value at IOU and General Industry peers



NERC Total Remuneration as a % of Peer Median

181%	142%	100%	54%	70%
------	------	------	-----	-----

Notes:

(1) Average data was provided due to insufficient sample size to calculate the median.

Committee Chair Additional Retainers

- NERC provides an annual cash amount of \$10,000 to Committee Chairs and the independent Trustee serving on the Electricity Sub-Sector Coordinating Council
- The additional compensation provided to NERC Committee Chairs is comparable to or above the median (50th percentile) of Committee Chairs of the three most common types of committees for both the IOU and General Industry peers

Committee Chair Additional Pay Element	NERC	Investor Owned Utilities			General Industry		
		25th Percentile	50th Percentile	75th Percentile	25th Percentile	50th Percentile	75th Percentile
Finance & Audit Committee							
Additional Total Compensation	\$10,000	\$10,000	\$11,000	\$12,500	\$10,000	\$10,000	\$16,250
Corporate Governance / Compensation Committee¹							
Additional Total Compensation	\$10,000	\$7,875	\$10,000	\$10,000	\$5,750	\$7,500	\$10,000
Nominating Committee²							
Additional Total Compensation	\$10,000	\$7,500	\$7,500	\$7,500	\$5,000	\$5,000	\$7,750
Compliance Committee							
Additional Total Compensation	\$10,000	N/A	N/A	N/A	N/A	N/A	N/A
Standards Oversight and Technology Committee							
Additional Total Compensation	\$10,000	N/A	N/A	N/A	N/A	N/A	N/A
Enterprise-Wide Risk Committee							
Additional Total Compensation	\$10,000	N/A	N/A	N/A	N/A	N/A	N/A

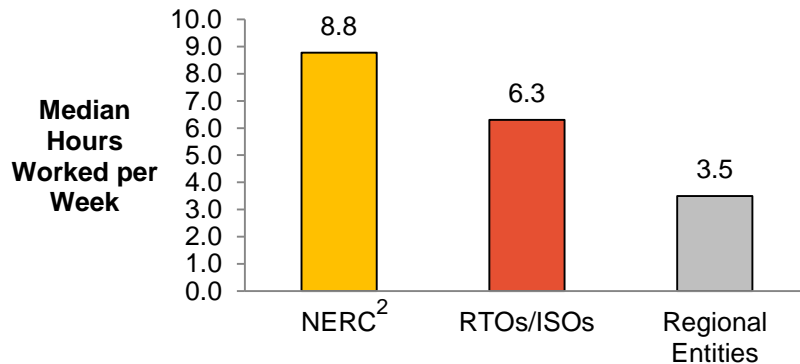
Notes:

- (1) Market data for IOUs and General Industry is reflective of Compensation Committees.
- (2) Market data for IOUs and General Industry is reflective of Corporate Governance and Nominating Committees.

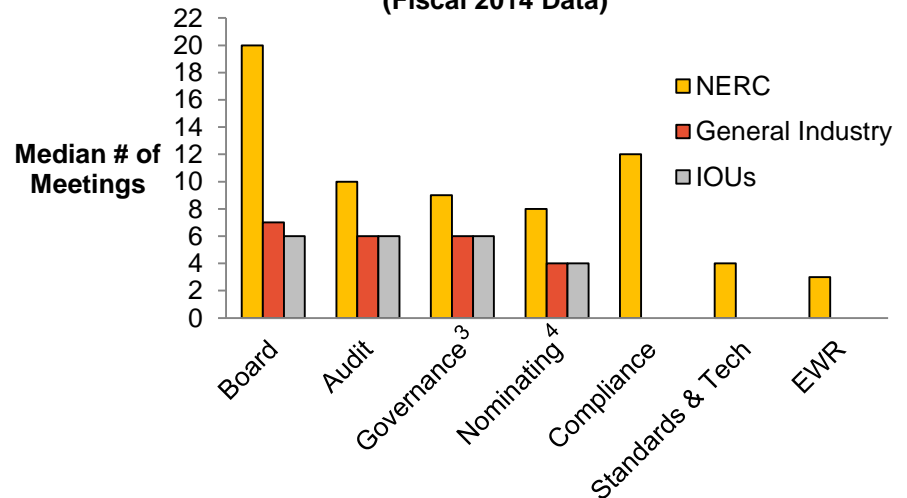
Workload

- Compared to all four market perspectives, NERC ranks among the highest in regards to average hours worked and number of meetings held (both Board and Committees)
 - Findings do not include the regional board meetings NERC's Trustees attend throughout the year

**NERC vs. RTOs/ISOs & Regional Entities
(Fiscal 2013 Data)¹**



**NERC vs. General Industry & IOUs
(Fiscal 2014 Data)**

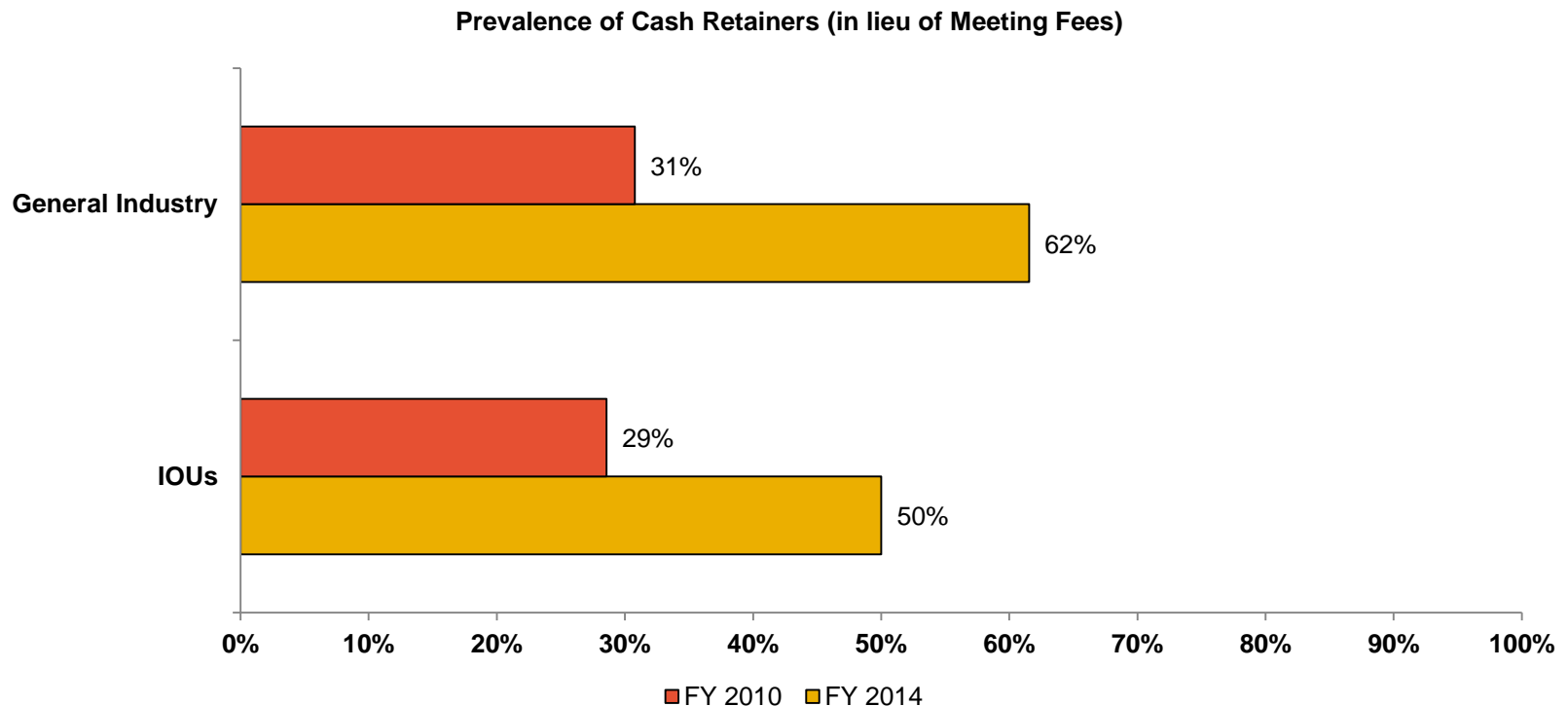


Notes:

- Hours disclosed excludes the Chairman of the Board.
- NERC's 2014 and 2015 average hours increased to 9.0 and 9.5 hours, respectively, but 2014 and 2015 market data are currently unavailable.
- Market data for IOUs and General Industry is reflective of Compensation Committees.
- Market data for IOUs and General Industry is reflective of Corporate Governance and Nominating Committees.

Pay Structure

- NERC's practice of paying retainers (in lieu of board or committee meeting fees) is consistent with IOU and General Industry peer practices and aligns with broader market best practice



Trends in Director Compensation¹

- Buoyed by larger equity awards, total remuneration for board members of Fortune 500 companies increased by 6% at the median from 2012 to 2013
 - Median total annual stock compensation increased 4% while cash compensation remained flat year-over-year
 - The table below summarizes annual total remuneration increases for Fortune 500 and NERC peers:

	Regional Entities ²	RTOs / ISOs ²	IOUs ²	General Industry ²	Fortune 500
Annual % Increase	19%	9%	12%	6%	6%

- Consistent with prior years, companies continue to deliver cash compensation via retainers instead of per-meeting fees
 - Prevalence of board meeting fees and committee meeting fees decreased from 32% to 23% and 37% to 28%, respectively, from 2011 to 2013
 - Prevalence of committee member retainers increased from 22% to 28% from 2011 to 2013
- Majority of companies continue to provide additional retainers for leadership positions within the board, such as Non-Executive Chairman of the Board and Committee Chairs, especially Audit, Compensation and Governance Committees

Notes:

- (1) Source: Based on year-over-year analysis of 474 Fortune 500 proxy filings reflecting fiscal year 2013.
- (2) Annual increase in total remuneration is based on companies included in both the 2013 and 2015 Towers Watson analyses.

Design Considerations

Pay Structure

- Maintain alignment with market best practices by continuing with current all retainer approach – Trustee, Committee Chair and Non-Executive Chairman retainers

Pay Levels

- Maintain the guideline of targeting pay between the market 50th percentile of RTOs/ISOs and market 25th percentile of IOUs (lower market positioning reflects NERC’s not-for-profit status), as shown in the table below
- Given the greater workload carried by NERC Trustees versus peers, current positioning of NERC pay in the bottom half of the competitive pay range and the increase in market pay levels since the last study conducted by Towers Watson, the following adjustments should be considered:
 1. Increase Trustee annual cash retainer
 2. Increase Non-Executive Chairman annual cash retainer

Annual Cash Retainer	2013 Analysis		2015 Analysis		Proposed
	NERC	Competitive Pay Range	NERC	Competitive Pay Range	
Trustee	\$75,000	\$80,000 – \$115,000	\$97,500	\$80,000 – \$145,000	\$112,500
Committee Chair ¹	\$10,000	\$5,000 – \$10,000	\$10,000	\$7,500 – \$10,000	\$10,000
Non-Executive Chairman	\$110,000	\$105,000 – \$180,000	\$132,500	\$95,000 – \$225,000	\$160,000

Notes:

(1) Reflects IOU market data reference points only, as RTOs/ISOs data are not available.

Appendix

Appendix

Peer Group Financial Data: Regional Entities

Organization	Operating Budget (millions)	Data Effective Date
Florida Reliability Coordinating Council (FRCC)	\$13	2013
Midwest Reliability Organization (MRO)	\$9	2013
Northeast Power Coordinating Council (NPCC)	\$14	2013
ReliabilityFirst Corporation (RFC)	\$15	2013
SERC Reliability Corporation (SERC)	\$14	2013
Southwest Power Pool RE (SPP RE)	N/A	2013
Texas Reliability Entity (Texas RE)	\$10	2013
Western Electricity Coordinating Council (WECC)	\$60	2013

n = 8

25th %ile	\$11
50th %ile	\$14
Average	\$19
75th %ile	\$15

North American Electric Reliability Corporation¹	\$250
Percent Rank	Highest

Notes:

Data based on 2013 Form 990s unless footnoted otherwise

N/A = Data is not available

¹ Data was provided by NERC and reflects their operating budget.

Appendix

Peer Group Financial Data: RTOs/ISOs

Organization	Operating Budget (millions)	Data Effective Date
Alberta Electric System Operator	N/A	2014
California ISO (CAISO)	\$214	2013
Electric Reliability Council of Texas (ERCOT)	\$157	2013
ISO New England (ISO - NE)	\$157	2013
Midwest ISO (MISO)	\$309	2013
New York ISO (NYISO)	\$160	2013
Ontario Independent Electricity System Operator	N/A	2014
PJM Interconnection (PJM) ¹	\$332	2014
Southwest Power Pool (SPP)	\$144	2013

n = 9

25th %ile	\$157
50th %ile	\$160
Average	\$210
75th %ile	\$261

North American Electric Reliability Corporation²	\$250
Percent Rank	73%

Notes:

Data based on 2013 Form 990s unless footnoted otherwise

N/A = Data is not available

¹ Data was based on its 2014 Financial Statement as the organization is not required to file a Form 990.

² Data was provided by NERC and reflects their operating budget.

Appendix

Peer Group Financial Data: Investor Owned Utilities

Company	Revenues (millions) ¹
Allete, Inc.	\$1,137
Avista Corp.	\$1,473
El Paso Electric Co.	\$918
Empire District Electric Co.	\$652
Great Plains Energy Incorporated	\$2,568
IDACORP, Inc.	\$1,283
ITC Holdings Corp.	\$1,023
MGE Energy Inc.	\$620
NorthWestern Corporation	\$1,205
OGE Energy Corp.	\$2,453
Otter Tail Corporation	\$799
PNM Resources, Inc.	\$1,436
Portland General Electric Company	\$1,900
Westar Energy, Inc.	\$2,602

n = 14

25th %ile	\$944
50th %ile	\$1,244
75th %ile	\$1,793

North American Electric Reliability Corporation ²	\$250
Percentile Rank	Lowest

Notes:

(1) Financial figures are as reported by S&P Capital IQ. All financials are as of 2014 fiscal year end.

(2) The data was provided by NERC and reflects their operating budget.

Appendix

Peer Group Financial Data: General Industry

Company	Revenues (millions) ¹	Assets (millions) ¹
AeroVironment, Inc.	\$252	\$385
Badger Meter, Inc.	\$365	\$341
Cogent Communications Group Inc.	\$380	\$762
Emergent BioSolutions, Inc.	\$450	\$945
FormFactor Inc.	\$269	\$344
Hancock Holding Co.	\$849	\$20,747
Iridium Communications Inc.	\$409	\$2,910
Lydall Inc.	\$536	\$362
NASDAQ OMX Group Inc.	\$3,500	\$12,087
NIC	\$272	\$173
Premiere Global Services, Inc.	\$567	\$756
Seattle Genetics, Inc.	\$287	\$459
Wintrust Financial Corporation	\$793	\$20,011

n = 13

25th %ile	\$287	\$362
50th %ile	\$409	\$756
75th %ile	\$567	\$2,910

North American Electric Reliability Corporation ²	\$250	--
Percentile Rank	Lowest	--

Notes:

(1) Financial figures are as reported by S&P Capital IQ. All financials are as of 2014 fiscal year end.

(2) The data was provided by NERC and reflects their operating budget.