

NERC Final 2016 Business Plan and Budget

August 12, 2015

NERC Finance and Audit Committee Meeting

RELIABILITY | ACCOUNTABILITY



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

- NERC budget and assessment increase
 - Budget increase of 0.8%
 - Average assessment increase of 3.2%
- NERC – without CRISP
 - Budget increase of 3.3% (*below 3-year average*)
 - Assessment increase of 2.8% (*below 3-year average*)
- CRISP
 - Significant reduction in budgeted costs
 - Increase in NERC assessment allocation primarily due to personnel reallocation

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

	2015 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	-	580,972	580,972	-	-	
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%

2016 Budget – NERC without CRISP

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

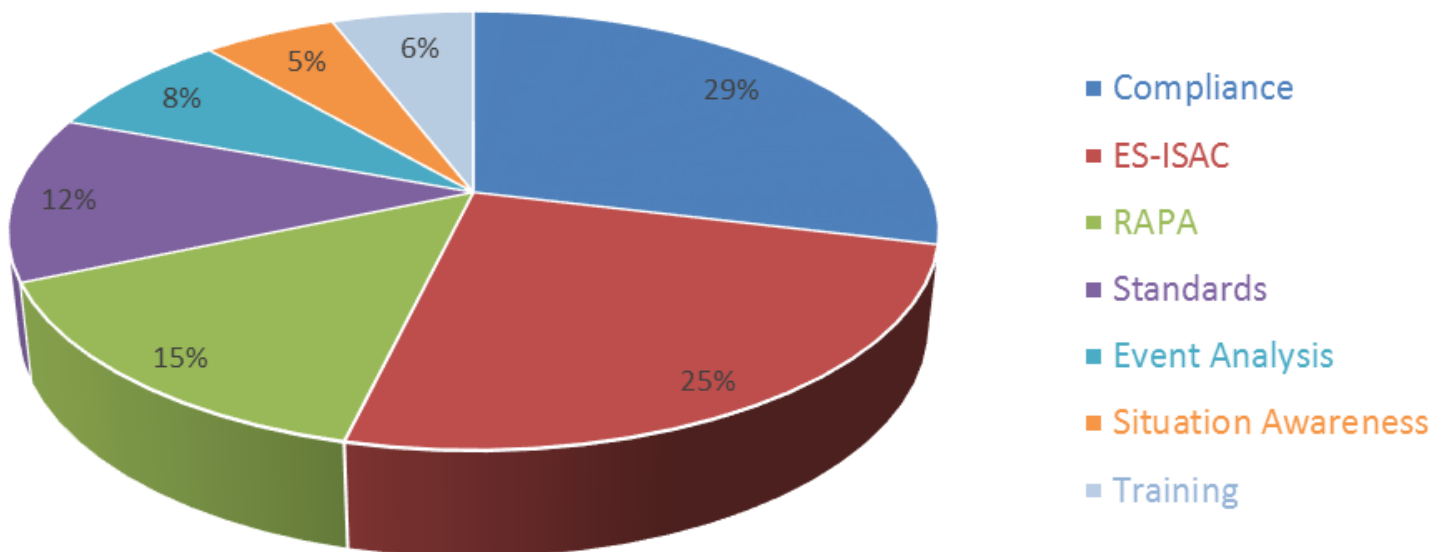
	2015		2016		2015 vs 2016 Budget	
	BUDGET	#	BUDGET		Over (Under)	
					\$	%
Funding						
NERC Assessments	\$ 860,938		\$ 1,108,641		\$ 247,703	28.8%
Penalties	16,554		33,572		17,018	
CRISP Funding	8,943,589		6,830,738		(2,112,851)	
Other Revenues / Fees	42		68		26	
Total Funding (A)	\$ 9,821,123		\$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

	2016	2015
SOURCES (Revenue and other funding sources)	Final Budget	Final Budget
NERC Assessments	\$ 57,081,445	\$ 55,308,375
Penalties	1,439,000	1,155,000
CRISP Revenue (used for CRISP only)	6,830,738	8,943,589
Testing Fees (used for Operator Cert. and Cont. Ed)	1,867,972	1,670,000
Workshop Fees (used for Standards, RAPA, EA, ES-ISAC)	230,000	241,300
pcGAR Services Revenue (used for RAPA only)	50,000	50,000
Interest Income	3,000	3,000
Proceeds from financing (used for ERO IT projects only)	1,000,000	1,266,667
Operator Certification Reserve	245,937	405,042
TOTAL SOURCES	\$ 68,748,092	\$ 69,042,973

USES (Expenses and other uses of funds)

ES-ISAC	\$ 16,767,525	\$ 18,366,116
RAPA	9,918,728	9,825,750
Compliance Assurance	9,420,903	5,737,572
Reliability Standards	8,193,116	10,247,145
Event Analysis	5,355,795	4,203,169
Compliance Enforcement	5,293,298	5,806,866
Compliance Analysis & Certification	4,632,871	4,864,863
Situation Awareness	3,692,197	3,646,902
Training and Continuing Education	2,398,254	2,475,817
Operator Certification	1,513,978	1,475,109
Debt payments	1,055,000	893,664
Reserve Funding - CRISP	-	500,000
Reserve Funding - Operating Contingency	506,427	1,000,000
TOTAL USES	\$ 68,748,092	\$ 69,042,973

2016 Budget By Program Area



- Total NERC Assessment Increase \$1,773,070 (3.2%)
 - U.S. Increase \$1,738,987 (3.5%)
 - Canada Increase \$24,441 (0.5%)
 - Mexico Increase \$9,642 (6.4%)

Canadian Credits and Total Canadian Assessments

	Credits 2016	Credits 2015	\$ Change	% Change
AESO	\$ 294,262	\$ 249,682	\$ 44,580	17.9%
IESO*	629,417	552,797	76,620	13.9%
New Brunswick*	62,901	58,008	4,893	8.4%
Quebec	676,536	625,439	51,097	8.2%
	Assessments 2016	Assessments 2015	\$ Change	% Change
AESO	\$ 514,324	\$ 511,339	\$ 2,985	0.6%
IESO	1,173,912	1,215,106	(41,194)	-3.4%
New Brunswick	117,079	118,912	(1,833)	-1.5%
Quebec	1,765,517	1,757,802	7,715	0.4%
Nova Scotia	145,541	144,412	1,129	0.8%
Manitoba Hydro	323,583	308,347	15,236	4.9%
SaskPower	310,311	292,856	17,455	6.0%
British Columbia Hydro	785,247	762,637	22,610	3.0%
Total Canada	\$ 5,135,513	\$ 5,111,411	\$ 24,103	0.5%

*2016 Credits are Preliminary as of 8-3-2015



Questions and Answers