

Agenda

Finance and Audit Committee Informational Session and Webinar

May 21, 2025 | 11:00 a.m. – 12:00 p.m. Eastern
Virtual Meeting

Virtual Attendees

Webinar Link: [Join Meeting](#)

Attendee Password: FACINFOATT525 (32246362 from phones)

Audio Only: 1-415-655-0002 US | 1-416-915-8942 Canada | Access Code: 2301 620 9808

Introduction and Chair's Remarks

[NERC Antitrust Compliance Guidelines](#)

Agenda Items

1. **ERO Enterprise 2026 Business Plans and Budgets*– Review**
 - a. NERC Business Plan and Budget
 - b. Regional Entities Budgets and Assessments
 - c. ERO Enterprise Combined Budgets and Assessments
2. **Closing Remarks and Conclude Session**

*Background materials included.

ERO Enterprise 2026 Business Plans and Budgets

Action

Review

Background

NERC and each of the Regional Entities prepare an annual Business Plan and Budget (BP&B). Each organization develops its annual BP&B according to its own individual preparation process and stakeholder outreach schedules. NERC also reviews each Regional Entity BP&B to ensure the Regional Entities are adequately funded to accomplish their delegated functions.

For the 2026 budget year, each Regional Entity has prepared its draft 2026 BP&B and (1) reviewed the assumptions with its respective Board of Directors and (2) posted the draft for comment. All of the draft Regional Entity 2026 BP&Bs are currently under review by the NERC program areas.

NERC is finalizing its 2026 BP&B and assumptions have been shared with the Board of Trustees (Board) and key stakeholders. NERC's 2026 BP&B will be posted on its website for a 30-day comment period by May 23, 2025. The drafts of the Regional Entity 2026 BP&Bs will also be posted for reference.

The NERC and Regional Entity 2026 BP&Bs will be finalized and submitted for NERC Board approval at its August 14, 2025, meeting. The 2026 BP&Bs will then be filed with the Federal Energy Regulatory Commission (FERC) and applicable Canadian regulatory authorities.

Summary

During the public FAC webinar on May 21, 2025, NERC will review the key assumptions of its proposed 2026 BP&B, followed by a review of the budget and assessment increases for each Regional Entity and the total ERO Enterprise. For advanced review, the posted material includes an appendix slide for each organization's 2026 BP&B that provides details on the increases and decreases by major cost category. Representatives from each Regional Entity will be in attendance for questions and discussion on the information provided.

The NERC logo consists of the letters "NERC" in a bold, black, sans-serif font. A horizontal blue bar is positioned directly beneath the letters.

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

ERO Enterprise Business Plans and Budgets

Andy Sharp, Vice President and CFO
Finance and Audit Committee Informational Session
May 21, 2025

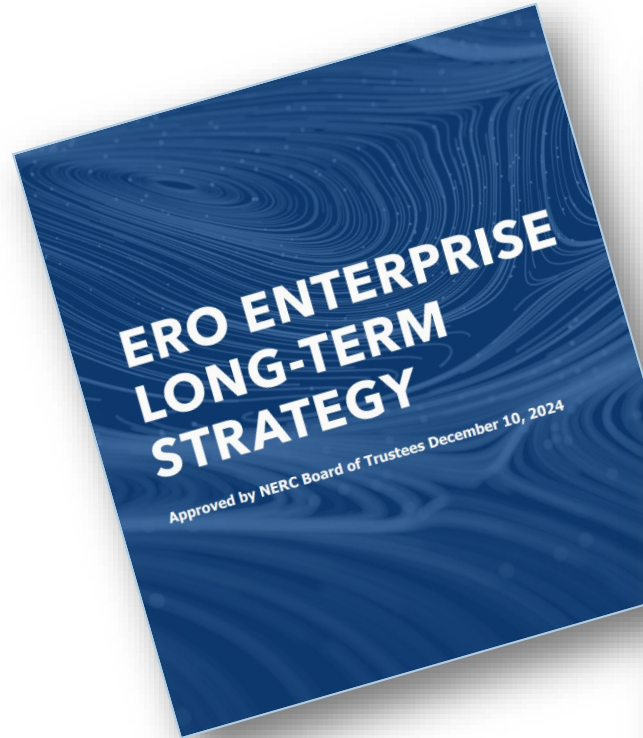
RELIABILITY | RESILIENCE | SECURITY

NERC 2026 Business Plan and Budget

ERO Enterprise 2026 Budgets and Assessments

Next Steps

Discussion



ERO Enterprise Focus Areas

The ERO Enterprise has identified four focus areas for achieving success in its vision and mission:



ENERGY

Effectively leverage a broad range of data, tools, and approaches to assist stakeholders and policymakers in addressing existing BPS risks and proactively identifying and preparing for emerging and unknown risks to the grid.



SECURITY

Maintain cyber and physical security programs (E-ISAC, Standards, Compliance Monitoring and Enforcement Program (CMEP), technical committee work², outreach and engagement) that are risk-based, efficient, coordinated, and effectively advance the security posture of industry.



ENGAGEMENT

Ensure that the increasingly diverse spectrum of stakeholders and policymakers find value in engagements with the ERO Enterprise, seek ERO Enterprise expertise to inform their decision-making, and have confidence in the integrity and independence of ERO Enterprise programs.



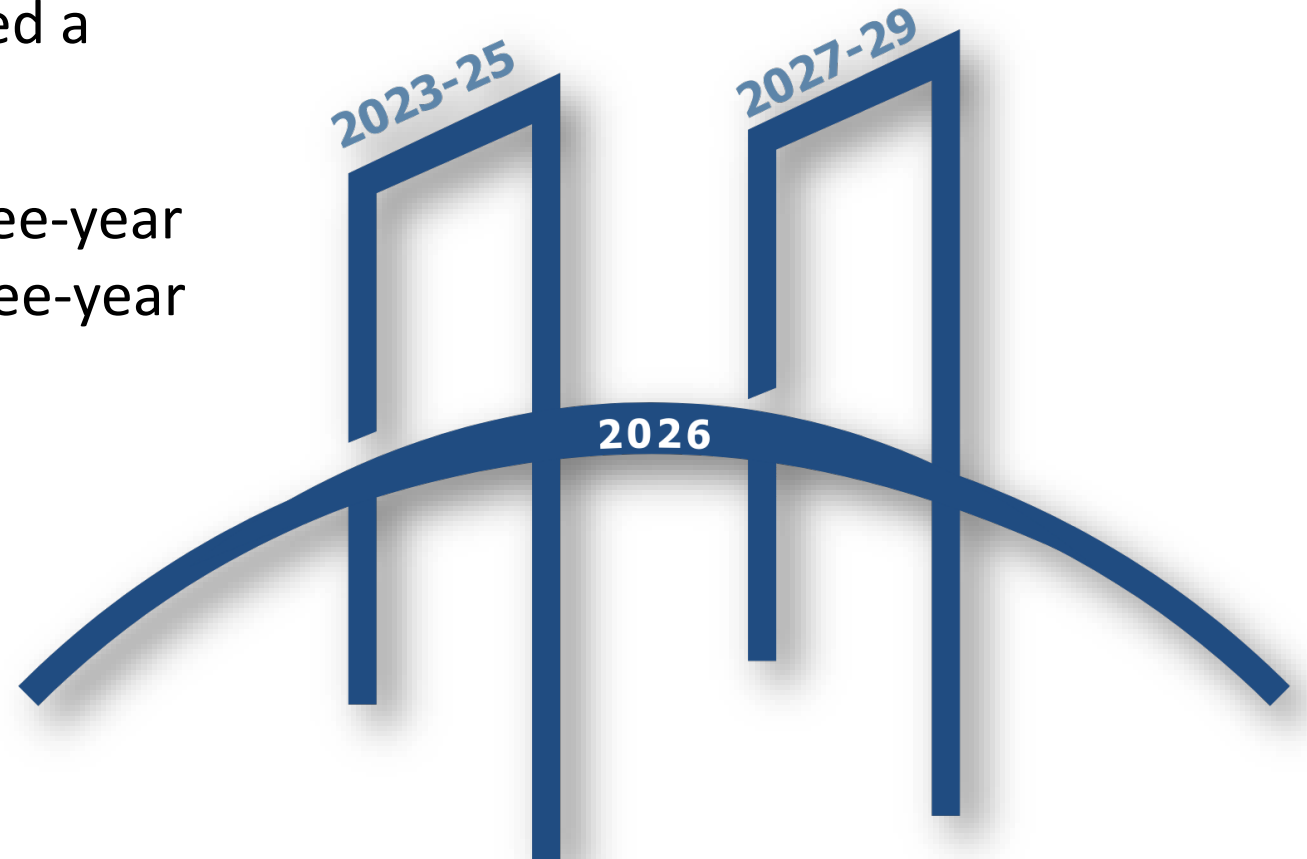
AGILITY AND SUSTAINABILITY

Perform as an effective and efficient team acting in coordination, ensuring its programs and efforts deliver value for stakeholders and policymakers as they manage changing reliability and security risk within the evolving industry landscape, and capturing cost efficiencies when practical.

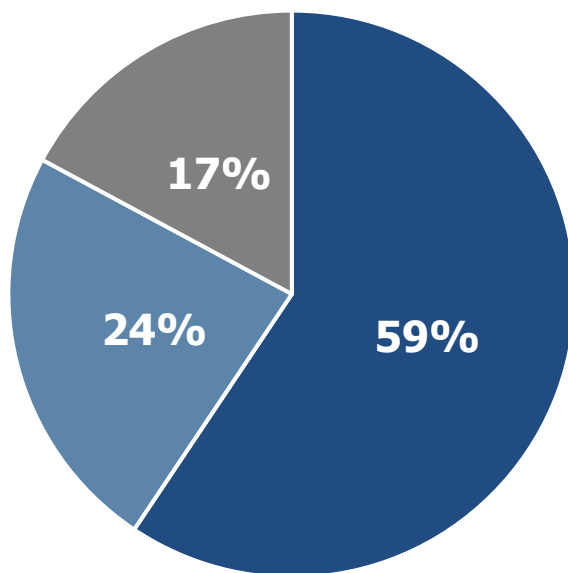
² Technical committees include the NERC Standing Committees (Compliance and Certification Committee, Personnel Certification and Governance Committee, Reliability Issues Steering Committee, Reliability and Security Technical Committee, and Standards Committee) and Regional Entity committees.



- The bridge approach means we prepared a single-year budget for 2026
- We will resume our comprehensive three-year planning process for the 2027-2029 three-year plan



Draft 2026 Budget - \$128.3M



- Personnel Expenses
- Technology
- Other



- 2 Energy
- 2 Security
- 2 Engagement



- RADS
- IBR and Cold Weather Data
- Engagement and Outreach
- Data Analytics
- Align and SEL
- Infrastructure

BUDGET

\$128.3M



increase of **\$5.3M** or **4.3%**
*versus prior year
projection of 8.6%*

ASSESSMENT

\$113.7M



increase of **\$5.3M** or **4.9%**
*versus prior year
projection of 9.1%*

Budget: \$128.3M (\$5.3M or 4.3% increase vs 2025)

- Personnel – \$76.2M (\$4.7M or 6.5% increase)
 - Six new positions in 2026 related to support priorities in engineering, security, and engagement
 - Average merit increase assumption of 4.0%, consistent with market data, and 1.5% estimate for market or equity adjustments and promotions
- Meetings & Travel – \$4.1M (\$238k or 6.2% increase)
- Operating Expenses – \$43.3M (\$596k or 1.4% decrease)
- Fixed Assets – \$7.2M (\$2.1M or 41.8% increase)
- Net Financing Activity – (\$2.9M) (\$1.0M or 52.0% increase)

Assessment: \$113.7M (\$5.3M or 4.9% increase vs 2025)

- No proposed release of reserves to conserve funds for unanticipated expenditures

A map of North America is shown in the background. A horizontal band of three shades of blue (light, medium, and dark from top to bottom) stretches across the middle of the map, passing through the United States. The text "Questions and Answers" is centered within this band.

Questions and Answers

Personnel assumptions

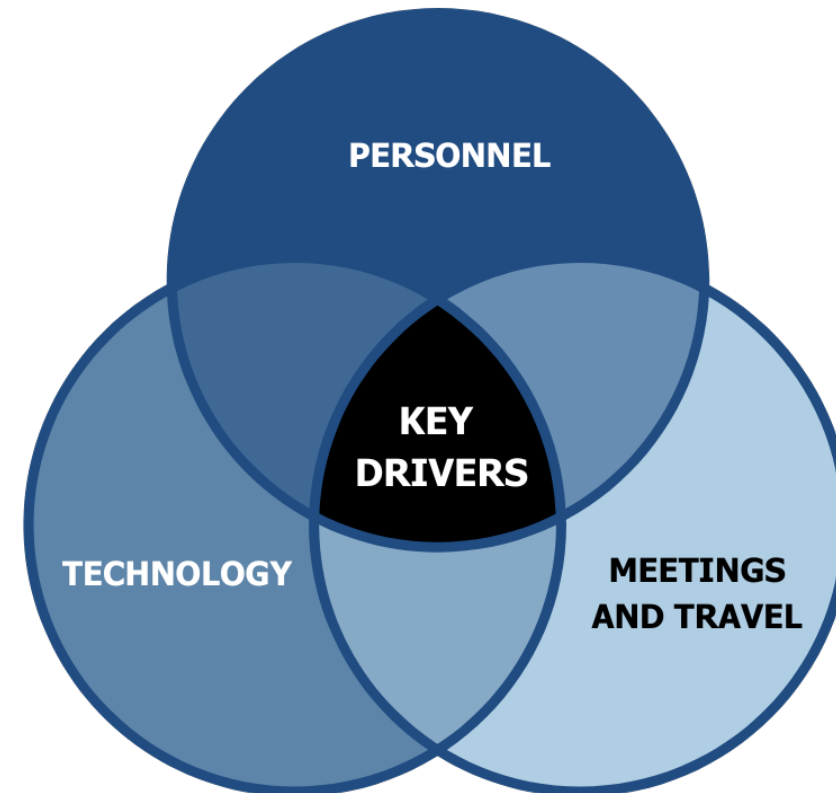
- Salary and benefits increases
- Additional FTEs, including capabilities related to:
 - CMEP (IBR registration, CIP, enforcement processing)
 - Increasing complexity related to reliability assessments, studies, and data analytics
 - Outreach, engagement, and regulatory affairs

Meetings and travel

- Increased outreach and engagement

Increases in technology-related consulting and software expenses

- Reliability assessment and analytical tools
- Other technology initiatives (cloud-based solutions, cybersecurity, AI, etc.)



Regional Entity Budget Increases (2026 vs 2025)

Budget Change (in millions)	2025	2026	2025 vs. 2026 \$ Change	2025 vs. 2026 % Change
WECC <i>(excludes WIRAB)</i>	39.3	40.1	0.8	2.1%
SERC	35.4	37.5	2.2	6.1%
RF	33.4	35.6	2.3	6.8%
MRO	26.8	27.8	1.0	3.9%
NPCC	25.7	28.4	2.7	10.6%
TEXAS RE	20.3	21.6	1.3	6.4%



Regional Entity Assessment Increases (2026 vs 2025)

Assessments Change (in millions)	2025	2026	2025 vs. 2026 \$ Change	2025 vs. 2026 % Change
WECC (<i>excludes WIRAB</i>)	33.0	35.7	2.6	8.0%
SERC	31.5	34.3	2.7	8.6%
RF	28.6	32.6	4.0	14.0%
MRO	25.2	26.2	1.0	3.9%
NPCC	24.1	26.6	2.5	10.5%
TEXAS RE	19.3	19.8	0.6	2.9%



Total ERO Enterprise 2026 Budget and Assessment

BUDGET

\$319.4M



increase of **\$15.6M** or **5.1%**

ASSESSMENT

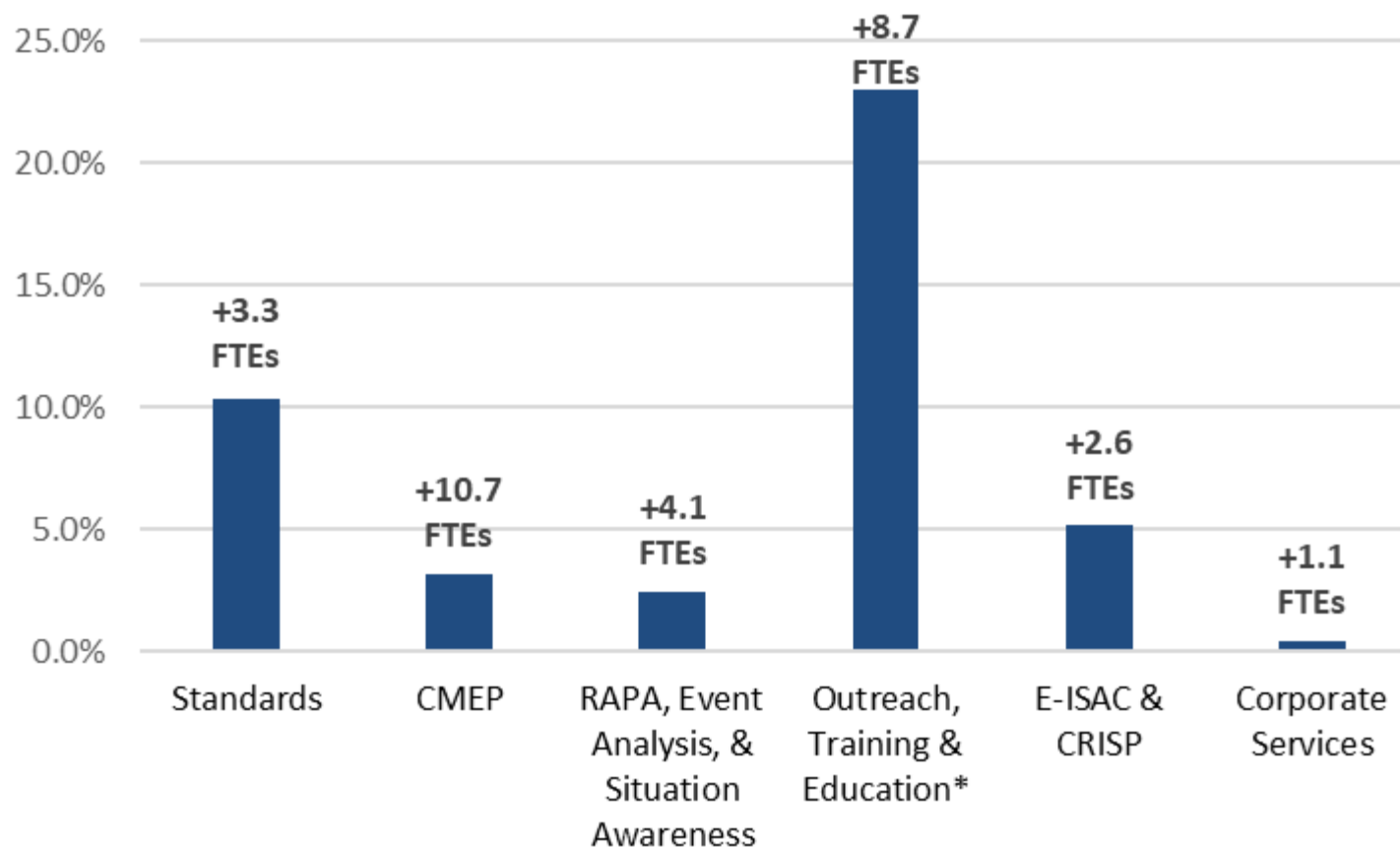
\$288.9M



increase of **\$18.7M** or **6.9%**

Total ERO Enterprise FTE Increases (2026 vs 2025)

Total ERO Enterprise 2026 FTEs – 917.0
(30.4 or 3.4% increase vs 2025)



**Includes engagement and outreach for some Regional Entities*

May 23 (*target*) – Post Draft NERC 2026 BP&B for 30-day Comment Period Regional Entity 2026 BP&B will also be posted for reference.

July 22 – MRC BP&B Input Group Call to review Final NERC 2026 BP&B

August 14 – Board approval of NERC and Regional Entity BP&Bs

By August 25 – File 2026 BP&Bs with FERC

A map of North America, including the United States, Canada, and Mexico. A horizontal band of varying shades of blue and grey stretches across the middle of the map, passing through the United States. The text "Questions and Answers" is centered within this band.

Questions and Answers

A map of North America is shown, with the United States and Canada in shades of blue and purple, and Mexico in a hatched pattern. The word "Appendices" is written in large, bold, black letters across the center of the map.

Appendices

Budget: \$128.3M (\$5.3M or 4.3% increase vs 2025)

- **Personnel** – \$76.2M (\$4.7M or 6.5% increase)
 - New positions, benefits increase
 - Average merit increase assumption of 4.0%, consistent with market data, and 1.5% estimate for market or equity adjustments and promotions
- **Meetings & Travel** – \$4.1M (\$240k or 6.2% increase)
 - Meeting costs flat; slight increase in travel expenses
- **Operating Expenses** – \$43.3M (\$596k or 1.4% decrease)
 - Increase in contractors and consulting and software agreements, offset by lower rent, facility, insurance costs
- **Fixed Assets** – \$7.2M (\$2.1M or 41.8% increase)
 - Capital software and equipment investments
- **Net Financing Activity** – (\$2.9M) (\$1.0M or 52.0% increase)
 - Assuming \$4.3M in loan and lease financing proceeds, which spreads capital investments over time

Assessment: \$113.7M (\$5.3M or 4.9% increase vs 2025)

- No proposed release of reserves to conserve funds for unanticipated expenditures

FTEs – 272.6 (increase of 9.1 vs 2025)

- Four incremental positions added in 2025 to support critical needs in standards, engagement, and security. Increase managed within the 2025 personnel expense budget.
- Six new positions in 2026 related to support priorities in engineering, security, and engagement

Budget: \$27.8M (\$1.0M or 3.9% increase vs 2025)

- **Personnel** – \$23.2M (\$1.4M or 6.4% increase)
 - New positions, benefit increases
 - Average merit increase assumption of 3% and 2% for promotions and market adjustments, 1% vacancy rate
- **Meetings & Travel** – \$730k (\$53k or 7.8% increase)
 - Combined offsite workshops planned, increased outreach and regulatory affairs, recognizing inflation
- **Operating Expenses** – \$3.7M (\$242k or 6.2% decrease)
 - Decrease in consulting, lease assets, and other office costs
- **Fixed Assets** – \$163k (\$160k or 49.5% decrease)
 - Fewer replacements of end-of-life assets

Assessment: \$26.2M (\$1.0M or 3.9% increase vs 2025)

- Includes assessment stabilization adjustment of \$1.6M, including penalties assessed prior to June 30, 2025

FTEs – 87.0 (increase of 4.0 vs 2025)

- Four incremental positions for RAPA, Regulatory Affairs, and Enforcement

Budget: \$28.4M (\$2.7M or 10.6% increase vs 2025)

- **Personnel** – \$22.9M (\$2.6M or 12.5% increase)
 - New positions, benefits increase
 - Average merit increase assumption of 3.5%, including adjustments and promotions
- **Meetings & Travel** – \$1.6M (\$168k or 12.0% increase)
 - Expanding outreach and stakeholder engagement
- **Operating Expenses** – \$4.2M (\$55k or 1.4% decrease)
 - One less independent director search in 2026 vs 2025
 - IT negotiated lower renewals and consolidated services to partially offset increasing costs
- **Fixed Assets** – \$113k (\$43k or 60.8% increase)
 - Laptop replacements scheduled for 2026. Deferred some replacements to 2027.

Assessment: \$26.6M (\$2.5M or 10.5% increase vs 2025)

- Includes release of \$972k from operating reserves and \$500k from Assessment Stabilization Reserve (penalties)

FTEs – 83.3 (increase of 6.1 vs 2025)

- Six incremental positions to support Registration, Compliance, RAPA, Situational Awareness and Event Analysis, and IT
- A re-organization during 2025 resulted in re-allocation of several employees to enhance external communications and expand outreach within the 2025 budget

Budget: \$35.6M (\$2.3M or 6.8% increase vs 2025)

- **Personnel** – \$30.6M (\$1.9M or 6.8% increase)
 - New positions, benefit increase
 - Average merit increase assumption of 3.0% and 1.0% for market adjustments
- **Meetings & Travel** – \$1.2M (\$135k or 12.4% increase)
 - After keeping meeting and travel flat for the last three years, slight increase for additional staff and more in-person events
- **Operating Expenses** – \$3.8M (\$234k or 6.6% increase)
 - Improvements to data warehouse architecture, investments in generative AI tools, software to support ongoing energy assessment studies
- **Fixed Assets** – \$30k (\$60k or 66.7% decrease)
 - Continuation of technology cloud strategy and moving more assets to the cloud.

Assessment: \$32.6M (\$4.0M or 14% increase vs 2025)

- Includes release of \$1.9M from Working Capital Reserve and \$970k from penalties
- Increase is affected by significantly less penalties than in previous years and need to offset reductions in working capital

FTEs – 106.0 (increase of 5.0 vs 2025)

- Five incremental positions to support RAPA, Training, Education, and Outreach, and Reliability and Risk

Budget: \$37.5M (\$2.2M or 6.1% increase vs 2025)

- **Personnel** – \$30.7M (\$2.1M or 7.2% increase)
 - Benefit increases, reduced vacancy rate
 - Average merit increase assumption of 3.5% and 1.0% for market driven adjustments
- **Meetings & Travel** – \$1.7M (\$118k or 7.6% increase)
 - Increased meeting expenses for GridSecCon and outreach and training events
- **Operating Expenses** – \$5.0M (\$196k or 4.1% increase)
 - Increase in IT and security program support and software agreements, partially offset by lower rent
- **Fixed Assets** – \$140k (\$220k or 61.1% decrease)
 - Website redesign completed in 2025

Assessment: \$34.3M (\$2.7M or 8.6% increase vs 2025)

- Includes release of \$2.5M of Assessment Stabilization Reserves (ASR) (\$443k less than 2025)
- Includes release of \$325k of excess Working Capital Reserves

FTEs – 115.0 (no change vs 2025)

Budget: \$21.6 (\$1.3M or 6.3% increase vs 2025)

- **Personnel** – \$17.1M (\$1.1M or 7.0% increase)
 - Additional positions
 - Average merit increase assumption of 4.0%, including merit and market adjustment pool
- **Meetings & Travel** – \$473K (\$52k or 9.9% decrease)
 - Reduction in non-essential travel. RAPA focused on new energy assessment requirements; increased virtual meetings vs. in-person.
- **Operating Expenses** – \$3.4M (\$216k or 5.8% increase)
 - Increased costs for software, including tool for RAPA Energy Assessment Program; cost increases for professional service contracts
- **Fixed Assets** – \$75K (\$25k or 50.0% increase)
 - Equipment for new FTEs and replacement of ageing equipment

Assessment: \$19.9M (\$557K or 2.9% increase vs 2025)

- Includes release of \$1.1M of Assessment Stabilization Reserves, \$430k of Penalty Reserves, and \$225k of Interest Income

FTEs – 75.0 (increase of 3.0 vs 2025)

- Three incremental positions to support Compliance Monitoring, Legal, and HR

Budget: \$40.1M (\$808k or 2.1% increase vs 2025)

- **Personnel** – \$32.7M (\$1.5M or 4.9% increase)
 - Additional positions
 - 4% merit and market adjustment pool
- **Meetings & Travel** – \$1.7M (\$42k or 2.5% decrease)
 - Reduced travel cost assumptions
- **Operating Expenses** – \$7.2M (\$349k or 4.7% decrease)
 - Enforcement contract labor, offset by reduction in WestTEC project consulting
- **Fixed Assets** – \$109k (\$42k or 27.6% decrease)

Assessment: \$35.7M (\$2.6M or 8.0% increase vs 2025)

- Includes release of \$2.5M of working capital reserves

FTEs – 178.0 (increase of 3.0 vs 2025)

- Registration engineer, risk assessment engineer, and one generator readiness specialist