

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

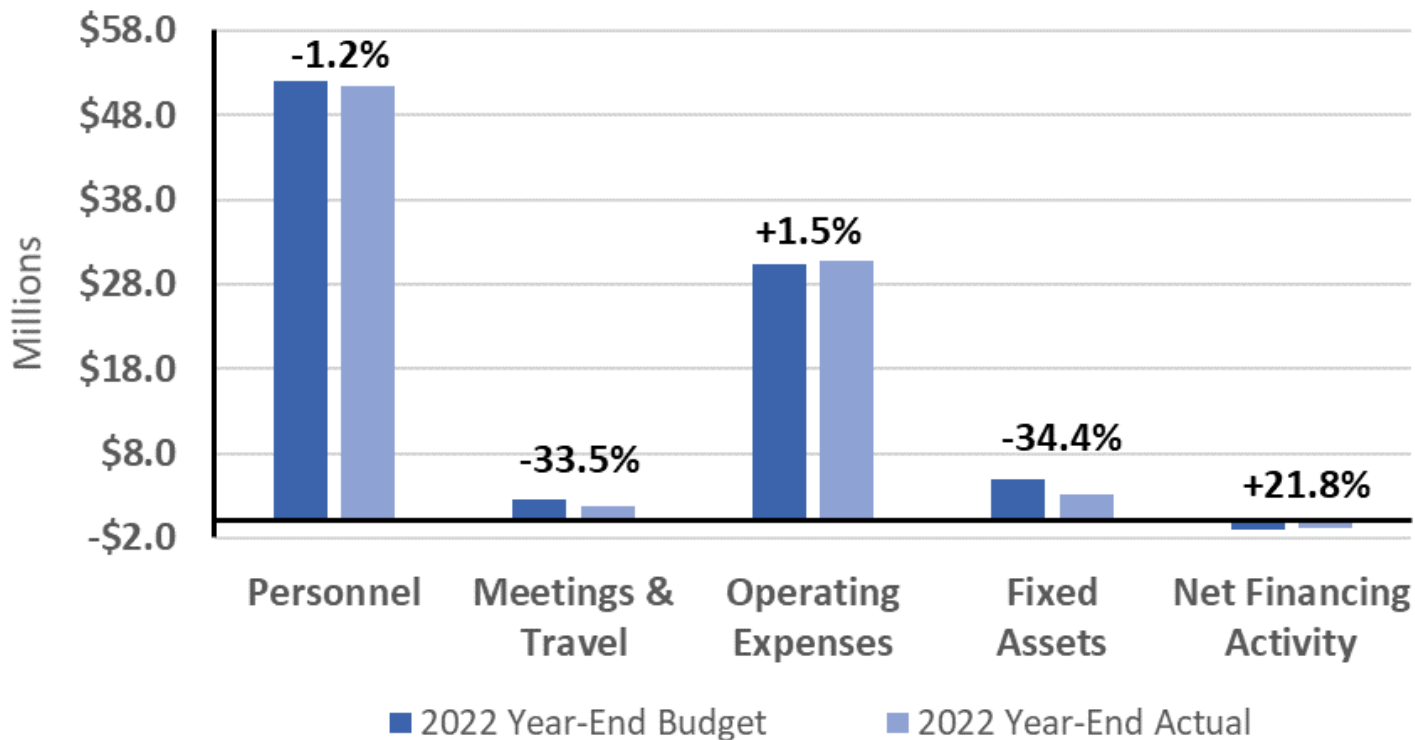
NERC Summary of Unaudited Results as of December 31, 2022

Andy Sharp, Vice President and Chief Financial Officer
Finance and Audit Committee Meeting
February 15, 2023

RELIABILITY | RESILIENCE | SECURITY

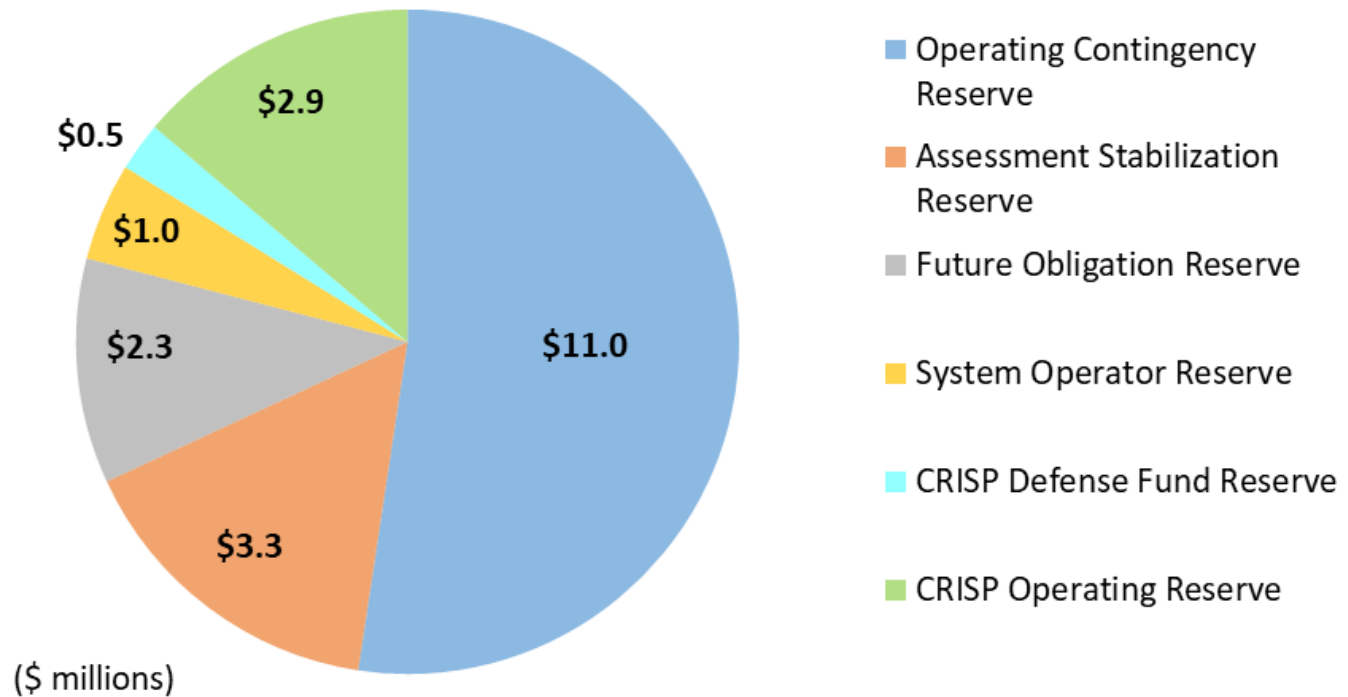


- Total funding – \$1.2M (1.4%) over budget
 - CRISP third party funding and higher investment income
- Total expenditures – \$2.5M (2.8%) under budget
 - Decreased spending on meetings and travel
 - Lower fixed asset additions on Atlanta office
 - Lower costs for training, search fees, temp labor, and parking/transportation costs
 - Partially offset by higher liability insurance expense and carrying costs on new DC office A/V and network equipment
- Reserve increase \$3.7M over budget



- Operating Contingency Reserve (OCR)
 - Began year with \$8.7M
 - Budgeted use of \$64k in 2022 to fund a portion of new Atlanta office
 - Actual net increase of \$2.3M from operating and financing activity
 - Ending balance of \$11.0M
- Assessment Stabilization Reserve (ASR) – \$3.3M
 - Penalty of \$735k received in 2022

TOTAL RESERVES OF \$21.0M



- Financial audit by RSM will begin in March
- Auditor's report and findings will be presented to the FAC in May

A stylized map of North America is centered on the page. The map is divided into three horizontal color bands: a light purple band at the top covering Canada, a dark blue band in the middle covering the United States, and a light grey band at the bottom covering Mexico. The text "Questions and Answers" is overlaid on the dark blue band.

Questions and Answers

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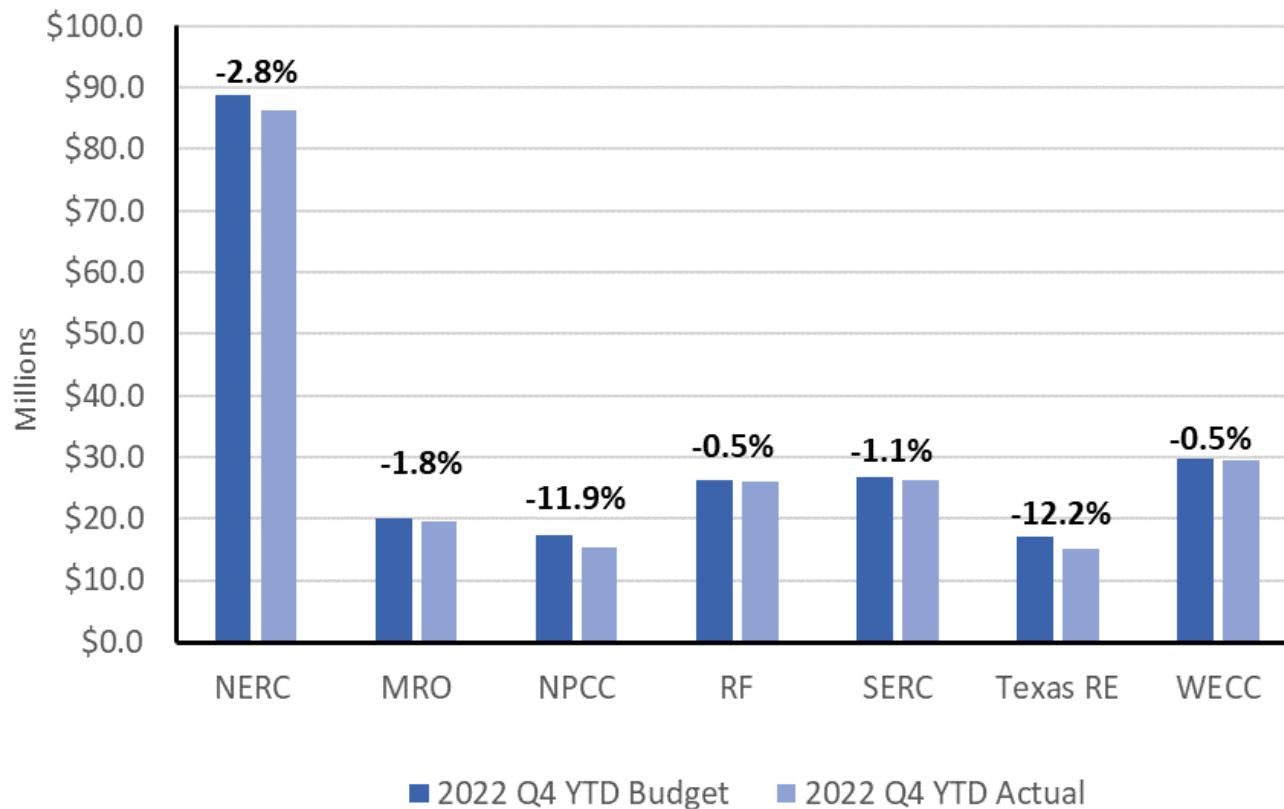
Total ERO Enterprise Summary of Unaudited Results as of December 31, 2022

Andy Sharp, Vice President and Chief Financial Officer
Finance and Audit Committee Meeting
February 15, 2023

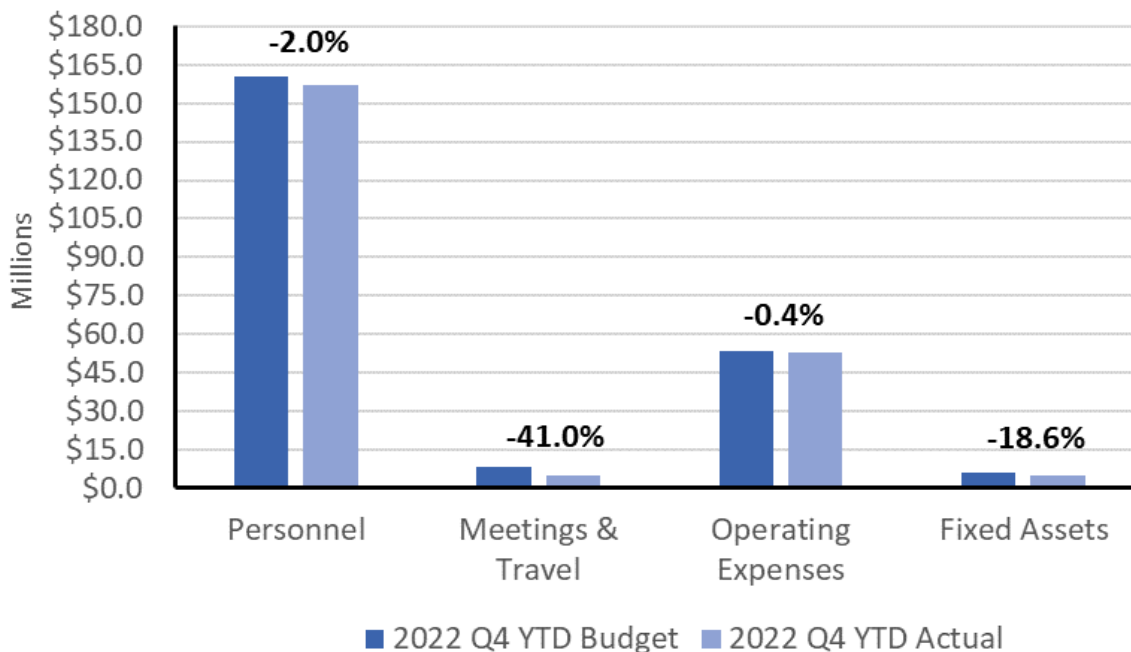
RELIABILITY | RESILIENCE | SECURITY

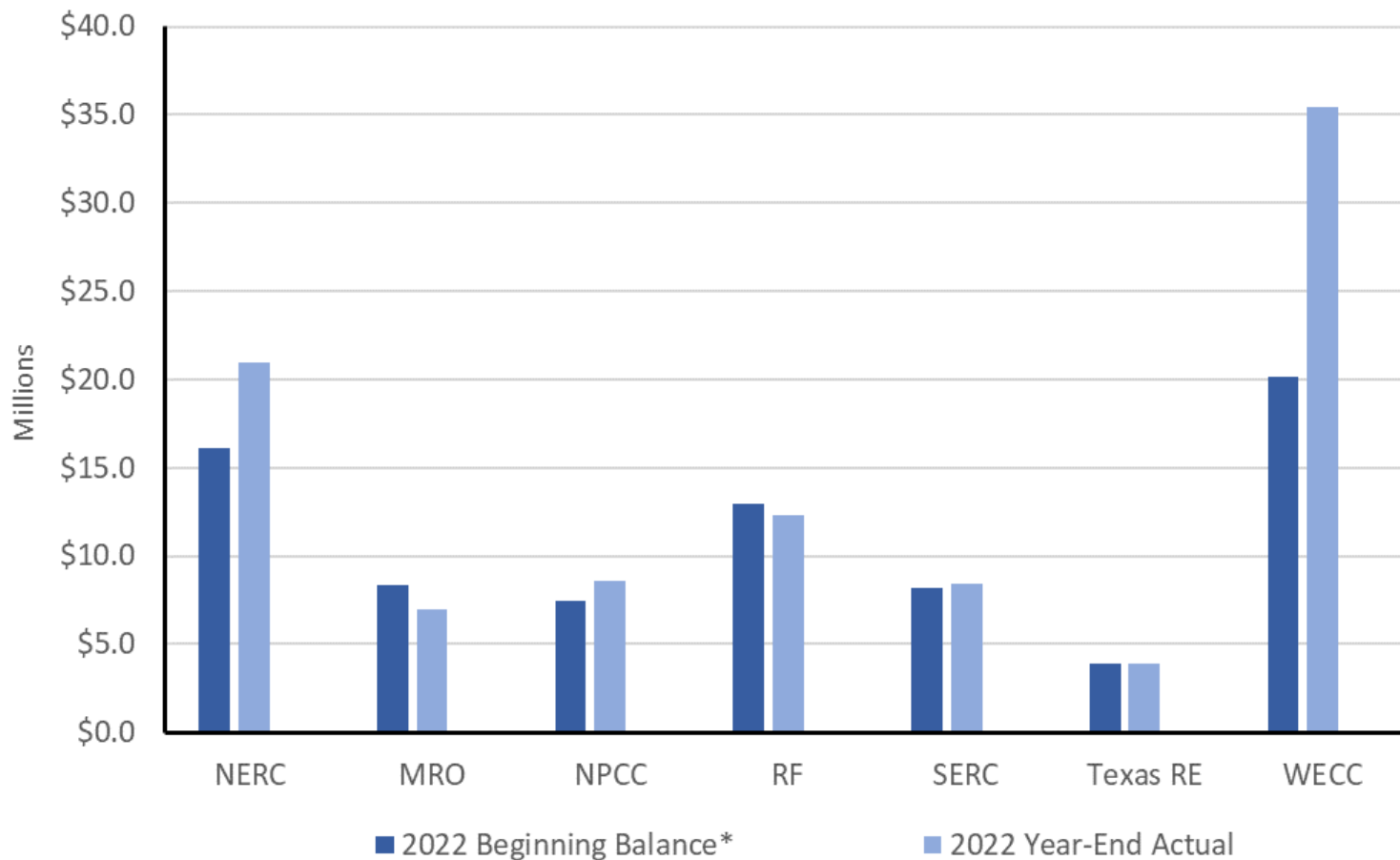


- Total expenditures for the ERO Enterprise were under budget \$7.6M (3.4%)



- Personnel – All entities were under or near budget
- Meetings & Travel – All entities were under budget
- Operating Expenses – All entities were under budget except for NERC, RF, and WECC
- Fixed Assets – NERC, RF, Texas RE and WECC were under budget. MRO, NPCC, and SERC were over budget





**Adjusted for audited results*

ERO Enterprise Total Reserve Balances - 2022 Year End Reserves

\$ - millions

Entity	Beginning WCOCR ⁽¹⁾	Beginning ASR ⁽²⁾ & Unreleased Penalties	Beginning Other Reserves	1/1/2022 Beginning Total Reserves	Year End WCOCR ⁽¹⁾	Year End ASR ⁽²⁾ & Unreleased Penalties	Year End Other Reserves	12/31/2022 Year End Total Reserves	Total 2022 Budget	% of Reserves to 2022 Total Budget
NERC	\$ 8.7	\$ 2.5	\$ 4.9	\$ 16.1	\$ 11.0	\$ 3.3	\$ 6.7	\$ 21.0	\$ 88.8	23.6%
MRO	5.2	3.2	-	8.4	4.1	2.8	-	6.9	18.3	37.7%
NPCC	7.0	0.5	-	7.5	7.5	1.1	-	8.6	17.5	49.1%
RF	7.7	5.3	-	13.0	8.0	4.3	-	12.3	26.9	45.7%
SERC	2.8	5.4	-	8.2	2.6	5.8	-	8.4	26.0	32.3%
Texas RE	2.0	1.9	-	3.9	2.0	1.9	-	3.9	15.6	25.0%
WECC	9.7	6.7	3.8	20.2	11.6	20.2	3.6	35.4	29.7	119.0%
	\$ 43.1	\$ 25.5	\$ 8.7	\$ 77.3	\$ 46.8	\$ 39.4	\$ 10.3	\$ 96.5	\$ 222.8	43.3%

⁽¹⁾ WCOCR - Working Capital & Operating Contingency Reserve - Year End 12/31/22 WCOCR is 21.0% of annual 2022 budget, or 2.5 months of budgeted expenses

⁽²⁾ ASR - Assessment Stabilization Reserve

⁽³⁾ Year End 12/31/22 total reserve balance is 43.3% of annual 2022 budget, or 5.2 months of budgeted operating expenses

2022 ERO Enterprise Year-End Actual versus Budgeted Reserves

\$ - millions

Entity	Actual Ending Total Reserves	Budgeted Ending Total Reserves	Over/(Under) Ending WCOCR ⁽¹⁾	Over/(Under)		Over/(Under) Ending Other Reserves	Over/(Under) Total Reserves
				Ending ASR ⁽²⁾ & Unreleased Penalties			
NERC	\$ 21.0	\$ 8.7	\$ 6.7	\$ 0.8	\$ 4.8	\$ 12.3	
MRO	6.9	5.3	(0.3)	1.9	-	1.6	
NPCC	8.6	4.2	3.7	0.7	-	4.4	
RF	12.3	7.7	0.3	4.3	-	4.6	
SERC	8.4	3.8	1.0	3.6	-	4.6	
Texas RE	3.9	2.6	0.7	0.6	-	1.3	
WECC	35.4	13.1	1.9	20.2	0.2	22.3	
	\$ 96.5	\$ 45.4	\$ 14.0	\$ 32.1	\$ 5.0	\$ 51.1	

⁽¹⁾ WCOCR - Working Capital & Operating Contingency Reserve

⁽²⁾ ASR - Assessment Stabilization Reserve



Questions and Answers