

Agenda

Finance and Audit Committee Meeting

May 8, 2024 | 9:00-9:30 a.m. Eastern

In-Person (*Board, MRC, NERC Staff ONLY*)

NERC DC Office
1401 H Street NW, Suite 410
Washington, D.C. 20005

Virtual Attendees

Webinar Link: [Join Meeting](#)

Attendee Password: Day1May82024 (32916298 from phones)

Audio Only: 1-415-655-0002 US | 1-416-915-8942 Canada | Access Code: 2310 963 8050

Committee Members

Colleen Sidford – Chair
Robert G. Clarke
Susan Kelly
Jim Piro
Kristine Schmidt
Kenneth W. DeFontes, Jr. – *Ex Officio*

Introduction and Chair's Remarks

[NERC Antitrust Compliance Guidelines](#)

Agenda Items

- 1. Minutes – Approve**
 - a. February 14, 2024 Open Meeting*
- 2. 2023 Year-End Audited Summary of Results* – Review and Recommend to Board of Trustees for Acceptance**
- 3. First Quarter Unaudited Summary of Results* – Review and Recommend to Board of Trustees for Acceptance**
 - a. NERC First Quarter 2024 Unaudited Summary of Results
 - b. Each Regional Entity First Quarter 2024 Unaudited Summary of Results
- 4. 2025 Business Plan and Budget Status* - Update**
- 5. Other Matters and Adjournment**

*Background materials included.

DRAFT Minutes

Finance and Audit Committee Open Meeting

February 14, 2024 | 7:45-8:15 a.m. Central
In-Person

The Houstonian Hotel Houston
111 North Post Oak Lane
Houston, TX 77024
Conference Room: Forest III (lower level)

Ms. Colleen Sidford, Chair, called to order a duly noticed open meeting of the Finance and Audit Committee (the Committee) of the Board of Trustees (Board) of the North American Electric Reliability Corporation (NERC) on February 14, 2024, at approximately 7:45 a.m. Central, and a quorum was declared present.

Present at the meeting were:

Committee Members

Colleen Sidford, Chair
Robert G. Clark
Jim Piro
Kristine Schmidt
Susan Kelly
George Hawkins
Kenneth W. DeFontes, Jr., *ex officio*

Board of Trustees Members

James B. Robb, NERC President and Chief Executive Officer

NERC Staff

Andy Sharp, Vice President, Chief Financial Officer
Kelly Hanson, Senior Vice President, Chief Administrative Officer
Kristin Miller, Director, Internal Audit
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC
Mark La, Senior Vice President and Chief Engineer
Sônia Rocha, Senior Vice President, General Counsel, and Corporate Secretary
Stan Hoptroff, Vice President, Business Technology
Tina Buzzard, Assistant Corporate Secretary

Introduction and Chair's Remarks

Chair Sidford welcomed the members of the Committee to the meeting.

NERC Antitrust Compliance Guidelines

Chair Sidford directed the participants' attention to the NERC Antitrust Compliance Guidelines included in the advance agenda package and indicated that all questions regarding antitrust compliance or related matters should be directed to Ms. Rocha.

Minutes

Upon motion duly made and seconded, the Committee approved the minutes for the August 16, 2023, Committee closed meeting.

2023 Year-End Unaudited Summary of Results

Mr. Sharp reviewed the fourth quarter calendar of FAC responsibilities, including (i) the NERC Fourth Quarter 2023 Unaudited Summary of Results; and (ii) the NERC and Regional Entity Combined (ERO) Fourth Quarter 2023 Unaudited Summary of Results. The Committee discussed NERC reserves and recent changes to the Working Capital and Reserve Policy approved by the Federal Energy Regulatory Commission.

2025 Business Plan and Schedule

Mr. Sharp also reviewed with the Committee the proposed schedule for preparation of the 2025 Business Plan and Budget. He noted that NERC will review and refine the annual budget for year 3 of the 2023-2025 plan and begin preliminary planning for the next three-year plan for 2026-2028.

Adjournment

There being no further business, the meeting was adjourned.

Submitted by,



Sônia Rocha
Corporate Secretary

2023 Year-End Audited Summary of Results

Action

Review and Recommend to Board of Trustees for Acceptance.

Background

NERC management will request the FAC recommend to the Board of Trustees acceptance of the 2023 Financial Statement Audit during its open meeting on May 9, 2024.

First Quarter Unaudited Summary of Results

Action

Review and Recommend to Board of Trustees for Acceptance.

Background

NERC management will review the NERC First Quarter 2024 Unaudited Summary of Results. Each Regional Entity First Quarter 2024 Unaudited Summary of Results is enclosed for reference.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

NERC Summary of Unaudited Results as of March 31, 2024

Andy Sharp, Vice President and Chief Financial Officer
Finance and Audit Committee Meeting
May 8, 2024

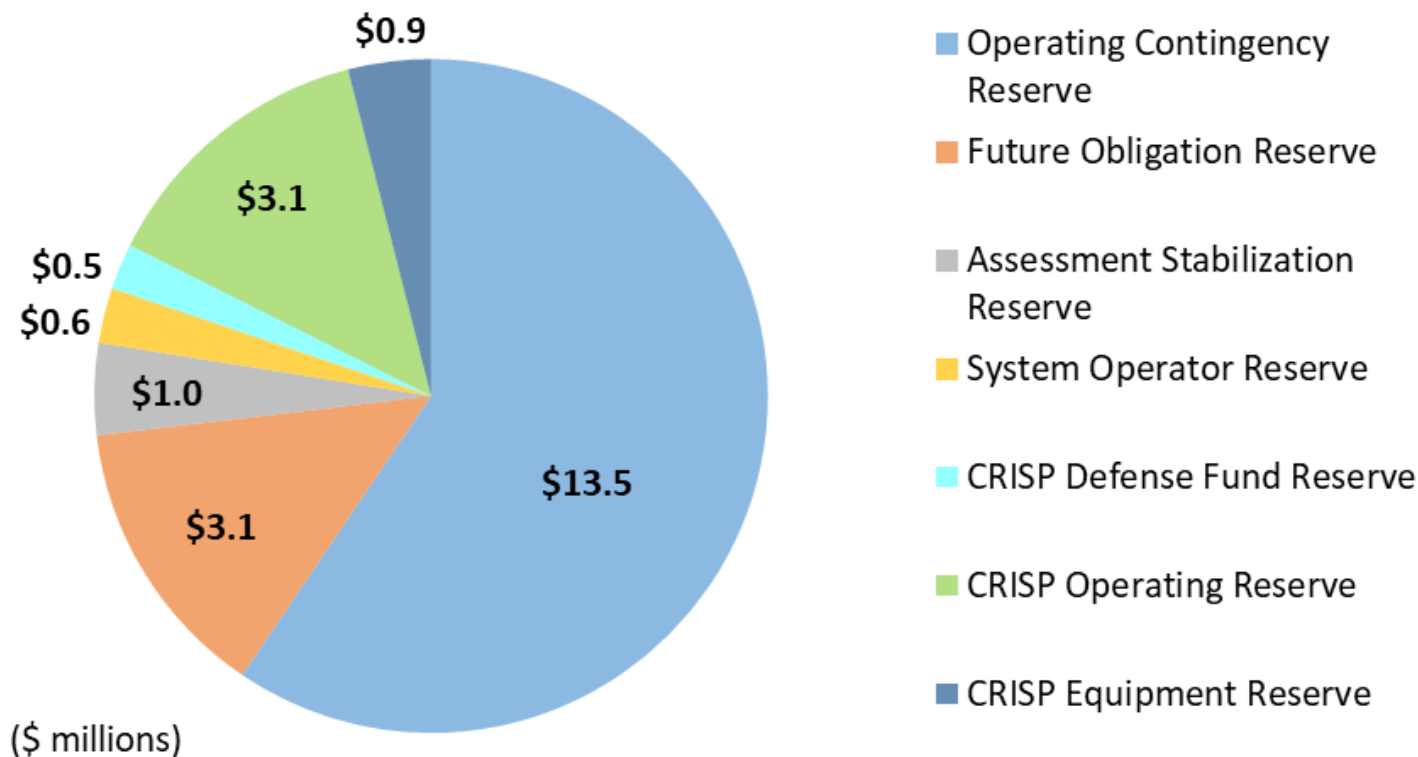
RELIABILITY | RESILIENCE | SECURITY



- Total funding – At budget
- Total expenditures – \$3.3M (11.5%) under budget
 - Lower contracts and consultants expenses, office costs, and fixed assets
 - Partially offset by higher net financing activity
- Reserve increase – \$3.3M over budget

- Funding – At budget
- Total expenditures – \$500k (0.5%) under budget
 - Lower personnel, office, and professional services expenses
- Reserve increase – \$500k over budget

TOTAL RESERVES OF \$22.7M





Questions and Answers

Summary of Unaudited Results For the Period Ending March 31, 2024

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Executive Summary

Projected Year-End Results (\$ millions)

<u>FUNDING</u>	<u>Projected</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues	\$ 110.4	\$ 110.4	\$ -
Funding from Reserves			
Assessment Stabilization Reserve	1.3	1.3	-
TOTAL FUNDING	\$ 111.7	\$ 111.7	\$ -
<u>EXPENDITURES</u>			
Expenses (excluding Depreciation)	\$ 111.1	\$ 111.6	\$ (0.5)
Fixed Asset Additions	5.1	4.6	0.5
Net Financing Activity	(3.1)	(2.6)	(0.5)
TOTAL EXPENDITURES	\$ 113.1	\$ 113.6	\$ (0.5)
RESERVE INCREASE (DECREASE)	\$ (1.4)	\$ (1.9)	\$ 0.5

Expenses (excluding Depreciation) are projected to be under budget at year-end primarily due to lower Personnel, Office, and Professional Services costs. Fixed Asset Additions are expected to be over budget due to additional leased assets and capital software expenditures, offset by Net Financing Activity. The net result is a projected year-end reserve increase of \$0.5M more than budget. This activity is explained in more detail in the remainder of the report.

Year-to-Date Actual Results
(\$ millions)

<u>FUNDING</u>	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues	\$ 27.6	\$ 27.6	\$ -
Funding from Reserves			
Assessment Stabilization Reserve	0.3	0.3	-
TOTAL FUNDING	\$ 27.9	\$ 27.9	\$ -
<u>EXPENDITURES</u>			
Expenses (excluding Depreciation)	\$ 25.5	\$ 28.8	\$ (3.3)
Fixed Asset Additions	0.4	1.2	(0.8)
Net Financing Activity	0.2	(0.6)	0.8
TOTAL EXPENDITURES	\$ 26.1	\$ 29.4	\$ (3.3)
RESERVE INCREASE (DECREASE)	\$ 1.8	\$ (1.5)	\$ 3.3

Expenses (excluding Depreciation) are under budget year-to-date primarily because of lower Contracts and Consultants, Office, and Professional Services costs, as well as Fixed Asset Additions, partially offset by Net Financing Activity. The net result is a year-to-date reserve increase of \$3.3M more than budget. This activity is explained in more detail in the remainder of the report.

Detailed Operating Results

Variances by Revenue and Expense Category

Total NERC (including CRISP)

	YTD Actual	YTD Budget	YTD Over (Under)	Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)	Over (Under)
TOTAL FUNDING	\$ 27,968,803	\$ 27,929,207	\$ 39,596	0.1%	\$ 111,758,739	\$ 111,716,829	\$ 41,910	0.0%
EXPENDITURES								
Personnel	16,915,575	17,367,066	(451,490)	(2.6%)	65,112,590	65,781,342	(668,753)	(1.0%)
Meetings and Travel	934,823	876,700	58,123	6.6%	3,628,629	3,506,800	121,829	3.5%
Contracts and Consultants	3,566,426	5,342,284	(1,775,858)	(33.2%)	22,043,333	21,369,135	674,198	3.2%
Office Rent	757,878	772,465	(14,587)	(1.9%)	3,089,858	3,089,858	-	0.0%
Office Costs, Professional, and Misc. *	3,265,594	4,344,007	(1,078,413)	(24.8%)	16,880,710	17,376,029	(495,319)	(2.9%)
Other Non-Operating	29,441	117,010	(87,569)	(74.8%)	339,212	468,040	(128,828)	(27.5%)
Fixed Asset Additions*	408,739	1,156,000	(747,261)	(64.6%)	5,146,609	4,624,000	522,609	11.3%
Net Financing Activity**	235,084	(648,565)	883,649	(136.2%)	(3,072,707)	(2,594,260)	(478,446)	18.4%
TOTAL EXPENDITURES	\$ 26,113,560	\$ 29,326,966	\$ (3,213,406)	(11.0%)	\$ 113,168,234	\$ 113,620,944	\$ (452,710)	(0.4%)
RESERVE INCREASE (DECREASE)	\$ 1,855,244	\$ (1,397,759)	\$ 3,253,002	(232.7%)	\$ (1,409,495)	\$ (1,904,115)	\$ 494,620	(26.0%)
FTEs	235.2	251.1	(16.0)	(6.4%)	240.9	251.1	(10.2)	(4.1%)

* Excludes depreciation expense

** A positive amount indicates that NERC is paying off more principal than it is receiving in proceeds. A negative amount indicates that NERC is receiving more in proceeds than it is paying off principal.

The following is a brief description of variances by category, as illustrated in the table above:

- Personnel expenses are under budget year-to-date due to lower medical insurance premiums and retirement plan costs. Personnel expenses are projected to be under budget at year-end primarily due to lower medical insurance premiums and retirement costs, as well as new hire and other projected compensation.
- Contracts and Consultants expenses are under budget year-to-date due to lower third-party contractor costs for CRISP and overall timing of expenses. Contracts and Consultants expenses are projected to be over budget at year-end due to increased support needs for (1) standards development activities; (2) studies related to generation and extreme weather; (3) automation, system conversion, and improved experience efforts for new and existing technology tools; and (4) temporary backfills for vacant positions. This is offset by lower spending on a new System Operator Certification and Continuing Education Database (SOCCED) system that will be completed in 2025 and projected lower support needs for the Interregional Transmission Capability Study (ITCS). This is further illustrated in the table below detailing Contracts and Consultants expenses by department.

CONTRACTS and CONSULTANTS	YTD Actual	YTD Budget	YTD Over (Under)	% Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)	% Over (Under)
Reliability Standards and Power Risk Issues and Strategic Management	\$ 35,019	\$ 54,972	\$ (19,954)	(36.3%)	\$ 581,488	\$ 219,888	\$ 361,600	164.4%
Compliance Assurance	27,449	168,733	(141,284)	(83.7%)	598,520	674,933	(76,413)	(11.3%)
Registration and Certification	11,259	26,347	(15,088)	(57.3%)	105,388	105,388	-	0.0%
Compliance Enforcement	27,449	174,233	(146,784)	(84.2%)	620,520	696,933	(76,413)	(11.0%)
Engineering and Security Integration	414,278	25,000	389,278	1557.1%	450,000	100,000	350,000	350.0%
Reliability Assessment and Technical Committees	247,053	379,350	(132,297)	(34.9%)	1,381,900	1,517,400	(135,500)	(8.9%)
Advanced System Analytics and Modeling	-	14,250	(14,250)	(100.0%)	157,000	57,000	100,000	175.4%
Performance Analysis	44,366	36,000	8,366	23.2%	229,565	144,000	85,565	59.4%
Situation Awareness	12,020	20,750	(8,730)	(42.1%)	83,000	83,000	-	0.0%
Event Analysis	2,793	41,250	(38,458)	(93.2%)	165,000	165,000	-	0.0%
E-ISAC	742,179	597,809	144,370	24.1%	2,667,256	2,391,237	276,019	11.5%
Training, Education and Personnel Certification	63,333	218,065	(154,732)	(71.0%)	509,860	872,260	(362,400)	(41.5%)
General and Administrative and Executive	(1,675)	31,250	(32,925)	(105.4%)	89,000	125,000	(36,000)	(28.8%)
Legal and Regulatory	59,054	63,750	(4,696)	(7.4%)	255,000	255,000	-	0.0%
External Affairs	500	78,750	(78,250)	(99.4%)	90,000	315,000	(225,000)	(71.4%)
Business Technology	652,696	1,149,274	(496,578)	(43.2%)	4,928,274	4,597,096	331,178	7.2%
Human Resources and Administration	251,284	208,750	42,534	20.4%	863,826	835,000	28,826	3.5%
Finance and Accounting	192,922	135,000	57,922	42.9%	610,178	540,000	70,178	13.0%
TOTAL (excluding CRISP)	\$ 2,781,977	\$ 3,423,534	\$ (641,557)	(18.7%)	\$ 14,385,775	\$ 13,694,135	\$ 691,640	5.1%
CRISP	784,449	1,918,750	(1,134,301)	(59.1%)	7,657,558	7,675,000	(17,442)	(0.2%)
TOTAL (including CRISP)	\$ 3,566,426	\$ 5,342,284	\$ (1,775,858)	(33.2%)	\$ 22,043,333	\$ 21,369,135	\$ 674,198	3.2%

- Office Costs, Professional Services, and Miscellaneous expenses are under budget year-to-date largely due to (1) timing of software licenses and support expenses; (2) lower than expected telephone and expensed A/V and hardware lease costs; and (3) lower outside counsel and insurance expenses. At year-end, software licenses and support expenses are expected to be near budget, with the remaining reasons contributing to the overall projected under budget variance in these areas.
- Fixed Asset Additions are under budget year-to-date primarily because of timing of expenditures. This area is projected to be over budget at year-end due to additional leased asset expenditures (directly offset by financing lease proceeds) and additional capital software expenditures.
- The Net Financing Activity budget is comprised of loan and lease financing proceeds (borrowings) and principal payments. The budget included a total of \$4.2M for both loan borrowings for capital software projects and leased assets, spread evenly throughout the year. The year-to-date variance is primarily because NERC did not borrow during the first quarter. By year-end, NERC is projecting to borrow \$140k more than budgeted due to additional leased asset needs, offset by lower than budgeted loan payments/debt service from less-than-budgeted borrowing in 2023.
- Reserves are over budget year-to-date by \$3.3M, primarily due to the reasons noted above for timing of costs for Contracts and Consultants and Fixed Asset Additions, and timing of and lower spending on Office Costs, offset by Net Financing Activity. Reserves are projected to be over budget by \$0.5M at year-end mainly due to lower projected Personnel, Office, Professional Services, and debt service costs.

Variations by Department

DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	YTD	YTD	YTD	Over	Annual	Annual	Annual	Over
	Actual	Budget	Over (Under)	(Under)	Projection	Budget	Over (Under)	(Under)
Reliability Standards and Power Risk Issues and Strategic Management	\$ 1,351,113	\$ 1,350,870	\$ 243	0.0%	\$ 5,550,719	\$ 5,178,957	\$ 371,763	7.2%
Compliance Assurance	1,574,860	1,681,897	(107,037)	(6.4%)	6,483,952	6,515,768	(31,816)	(0.5%)
Registration and Certification	328,088	327,427	660	0.2%	1,278,018	1,251,212	26,806	2.1%
Compliance Enforcement	981,373	1,159,255	(177,882)	(15.3%)	4,337,326	4,491,305	(153,979)	(3.4%)
Engineering and Security Integration	1,000,475	768,144	232,332	30.2%	2,944,578	2,949,925	(5,347)	(0.2%)
Reliability Assessment and Technical Committees	1,086,445	1,238,811	(152,366)	(12.3%)	4,864,201	4,815,683	48,517	1.0%
Advanced System Analytics and Modeling	469,215	626,012	(156,797)	(25.0%)	2,169,943	2,404,937	(234,993)	(9.8%)
Performance Analysis	561,660	587,578	(25,918)	(4.4%)	2,372,893	2,291,015	81,878	3.6%
Situation Awareness	862,136	1,027,493	(165,356)	(16.1%)	3,571,175	3,988,335	(417,160)	(10.5%)
Event Analysis	541,634	650,036	(108,402)	(16.7%)	2,301,232	2,470,380	(169,148)	(6.8%)
E-ISAC	4,065,506	4,010,062	55,444	1.4%	15,617,449	15,455,423	162,026	1.0%
Training, Education and Personnel Certification	405,609	548,072	(142,462)	(26.0%)	1,832,199	2,149,794	(317,595)	(14.8%)
General and Administrative and Executive	2,247,220	2,409,936	(162,716)	(6.8%)	9,736,134	9,479,271	256,862	2.7%
Legal and Regulatory	1,407,909	1,592,271	(184,361)	(11.6%)	5,897,673	6,075,391	(177,719)	(2.9%)
External Affairs	1,284,559	1,259,153	25,406	2.0%	4,875,036	4,548,817	326,219	7.2%
Business Technology	4,325,069	5,418,276	(1,093,208)	(20.2%)	20,740,703	21,180,319	(439,616)	(2.1%)
Human Resources and Administration	1,259,435	1,125,181	134,254	11.9%	4,601,594	4,370,563	231,030	5.3%
Finance and Accounting	864,248	847,291	16,956	2.0%	3,642,565	3,285,324	357,241	10.9%
TOTAL (excluding CRISP)	\$ 24,616,554	\$ 26,627,764	\$ (2,011,210)	(7.6%)	\$ 102,817,389	\$ 102,902,421	\$ (85,031)	(0.1%)
CRISP	1,497,006	2,699,202	(1,202,196)	(44.5%)	10,350,844	10,718,523	(367,679)	(3.4%)
TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	\$ 26,113,560	\$ 29,326,966	\$ (3,213,406)	(11.0%)	\$ 113,168,234	\$ 113,620,944	\$ (452,710)	(0.4%)

Following is a brief description of significant variances by department, as illustrated in the table above:

- Reliability Standards and Power Risk Issues and Strategic Management – Projected to be over budget primarily due to increased Contracts and Consultants support needs for standards development and study activities.
- Situation Awareness – Projected to be under budget primarily due to lower Personnel and software licenses and support costs.
- Training, Education and Personnel Certification – Projected to be under budget primarily due to lower spending on a new SOCCED system that will not be completed until 2025.
- General & Administrative and Executive – Projected to over budget mainly due to higher Personnel and software licenses and support costs.
- External Affairs – Projected to over budget mainly due to higher Personnel costs, offset by lower Contracts and Consultants expenses.
- Business Technology – Under budget year-to-date primarily due to lower Personnel costs, (including the transfer of an FTE to Compliance Assurance to support Align activities), and timing of expenses. Projected to be under budget at year-end due to lower Personnel and Office costs, offset by higher Contracts and Consultants costs.
- Finance and Accounting – Projected to be over budget due to higher Contracts and Consultants costs to support system conversion activities.
- CRISP – Under budget due to lower third-party contractor costs. Expected to be under budget at year-end due to lower projected Personnel costs partially due to the reallocation of FTE time to the E-ISAC department.

Supplemental Schedules

Schedule 1 – Year-End Projected Reserves

Reserve Account	1/1/2024		Operating and		12/31/2024
	Beginning Balance ⁽¹⁾	Budgeted Funding/(Use) ⁽²⁾	Unbudgeted Funding/(Use) ⁽³⁾	Financing Activity Versus Budget ⁽⁴⁾	Ending Balance
NERC Operating Contingency	\$ 13,229,753	\$ (1,300,000)	\$ -	\$ 1,598,912	\$ 13,528,665
Future Obligations	2,908,227	218,053	-	-	3,126,280
Assessment Stabilization	2,256,000	(1,300,000)	-	-	956,000
System Operator	908,879	(604,115)	-	246,980	551,744
CRISP Defense Fund	500,000	-	-	-	500,000
CRISP Operating	3,615,851	-	(450,000)	(51,272)	3,114,579
CRISP Equipment Reserve	450,000	-	450,000	-	900,000
Total Reserves	\$ 23,868,710	\$ (2,986,062)	\$ -	\$ 1,794,620	\$ 22,677,268

NOTES:

(1) 2024 beginning balances have been adjusted from the 12/31/2023 variance report balances as the result of a reconciliation to the final audited balance sheet.

(2) The 2024 Business Plan & Budget (2024 BP&B) contained a budgeted use of NERC Operating Contingency Reserves (OCR) totaling \$1,300,000 to fully fund the incremental Interregional Transfer Capability Study (ITCS) FTEs hired in 2023 and a budgeted use of \$1,300,000 of Assessment Stabilization Reserves (ASR) to fund the net ITCS non-personnel costs.

The 2024 BP&B included a use of System Operator Reserves derived from budgeted revenues being \$604,115 lower than budgeted expenses.

(3) The CRISP participants agreed to transfer \$450k from the CRISP Operating Reserve to fund the CRISP Equipment Reserve.

(4) This column primarily reflects the net impact of normal operations. For example, under normal circumstances, if tracking well under budget in actual expenditures, this would reflect additional funds into the reserve account. It also reflects the increase or decrease in working capital during the period.

The net increase in reserves related to the CRISP department is \$181,748, with \$233,020 going into the NERC OCR for the portion of CRISP costs funded by assessments and \$51,272 coming out of the CRISP Operating Reserve for CRISP costs funded by the CRISP participants.

Schedule 2 – E-ISAC and CRISP Summary of Activity

TOTAL E-ISAC (including CRISP)

FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 7,444,284	\$ 29,777,134	\$ 29,777,134	\$ 0
Other Funding	2,663,684	11,162,052	11,276,439	(114,387)
TOTAL FUNDING	\$ 10,107,967	\$ 40,939,187	\$ 41,053,573	\$ (114,387)
EXPENDITURES				
Personnel Expense	\$ 3,393,865	\$ 12,771,469	\$ 13,072,503	\$ (301,034)
Meetings and Travel Expense	165,951	547,686	483,000	64,686
Operating Expenses (excluding Depreciation)	2,002,696	12,505,837	12,440,651	65,185
Other Non-Operating Expenses	-	-	8,791	(8,791)
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	173,000	173,000	(0)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	(29,699)	(4,000)	(25,699)
Total Direct Costs (excluding Depreciation and Allocations)	\$ 5,562,512	\$ 25,968,293	\$ 26,173,946	\$ (205,653)
Indirect Expense Allocation	3,431,495	14,449,411	14,590,026	(140,615)
Fixed Asset Allocation	71,119	727,686	617,658	110,028
Net Financing Activity Allocation	40,373	(383,811)	(328,056)	(55,755)
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 9,105,498	\$ 40,761,579	\$ 41,053,574	\$ (291,995)
RESERVE INCREASE (DECREASE)	\$ 1,002,469	\$ 177,608	\$ (0)	\$ 177,608

Schedule 2 (continued) – E-ISAC and CRISP Summary of Activity

CRISP

FUNDING	YTD	Annual	Annual	Projected
	Actual	Projection	Budget	Over (Under)
Assessments	\$ 619,291	\$ 2,477,166	\$ 2,477,166	\$ 0
Other Funding	2,379,432	10,041,117	10,319,598	(278,481)
TOTAL FUNDING	\$ 2,998,723	\$ 12,518,283	\$ 12,796,764	\$ (278,481)
EXPENDITURES				
Personnel Expense	\$ 451,510	\$ 1,478,668	\$ 1,780,267	\$ (301,599)
Meetings and Travel Expense	82,693	235,000	146,000	89,000
Operating Expenses (excluding Depreciation)	962,803	8,497,176	8,652,256	(155,080)
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	140,000	140,000	(0)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 1,497,006	\$ 10,350,844	\$ 10,718,523	\$ (367,679)
Indirect Expense Allocation	437,254	1,939,532	2,037,792	(98,260)
Fixed Asset Allocation	9,062	97,677	86,268	11,408
Net Financing Activity Allocation	5,144	(51,519)	(45,820)	(5,699)
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 1,948,466	\$ 12,336,535	\$ 12,796,764	\$ (460,229)
RESERVE INCREASE (DECREASE)	\$ 1,050,257	\$ 181,748	\$ -	\$ 181,748

Note - In its July 8, 2022 order in Docket No. RR21-9-001, the Commission held that expenditure of funds paid by new CRISP participants for costs associated with joining the program should be included in NERC's quarterly variance reports and annual true-up filings. Accordingly, NERC notes that year-to-date billings sent by NERC to new CRISP participants related to the program's third-party subcontractor total \$0. Year-to-date expenses sent by the third-party contractor to NERC for new CRISP participants total \$0.

E-ISAC (excluding CRISP)

FUNDING	YTD	Annual	Annual	Projected
	Actual	Projection	Budget	Over (Under)
Assessments	\$ 6,824,992	\$ 27,299,969	\$ 27,299,969	\$ 0
Other Funding	284,252	1,120,935	956,841	164,094
TOTAL FUNDING	\$ 7,109,244	\$ 28,420,904	\$ 28,256,810	\$ 164,094
EXPENDITURES				
Personnel Expense	\$ 2,942,356	\$ 11,292,801	\$ 11,292,236	\$ 564
Meetings and Travel Expense	83,258	312,686	337,000	(24,314)
Operating Expenses (excluding Depreciation)	1,039,893	4,008,661	3,788,396	220,265
Other Non-Operating Expenses	-	-	8,791	(8,791)
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	33,000	33,000	-
Net Financing Activity (excluding Net Financing Activity Allocation)	-	(29,699)	(4,000)	(25,699)
Total Direct Costs (excluding Depreciation and Allocations)	\$ 4,065,506	\$ 15,617,449	\$ 15,455,423	\$ 162,026
Indirect Expense Allocation	2,994,240	12,509,879	12,552,234	(42,355)
Fixed Asset Allocation	62,057	630,009	531,389	98,620
Net Financing Activity Allocation	35,228	(332,292)	(282,236)	(50,056)
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 7,157,032	\$ 28,425,044	\$ 28,256,810	\$ 168,234
RESERVE INCREASE (DECREASE)	\$ (47,788)	\$ (4,140)	\$ (0)	\$ (4,140)

Schedule 3 – Summary of Investments

	Quarter-End Balance	Ticker Symbol	Fund Name	S&P Credit Rating	Annualized Yield
<u>Cash Sweep Accounts</u>					
Operating Account Sweep	\$ 32,164,158	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	4.94%
SOCED Account Sweep	1,606,309	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	4.94%
CRISP Account Sweep	3,834,495	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	4.94%
<u>Total Cash Sweep Accounts</u>	<u>\$ 37,604,962</u>				
<u>Investment Account</u>					
Reserve Funds	\$ 10,750,957		IAM Bank Sweep Collateralized		5.24%
<u>Total Investments</u>	<u>\$ 10,750,957</u>				



Lam Chung, Corporate Treasurer

P: 651.256.5187

F: 651.855.1712

E: lam.chung@mro.net

April 19, 2024

Mr. Andy Sharp
North American Electric Reliability Corporation (NERC)

RE: Unaudited Midwest Reliability Organization (MRO) 2024 First Quarter Statement of Activity – Cash Flow through March 31, 2024

Dear Mr. Sharp:

MRO experienced variances greater than \$10,000 and 10 percent. First quarter results indicate that MRO's budget is under spent by 2.2 percent.

Meeting Expenses (Variance of \$21,887 (61.4%) over budget)

Travel exceeded budget in the first quarter because of a change in assumptions related to virtual CMEP audits. CMEP staff travel increased as the number of on-site engagements increased this quarter.

Operating Expenses (Variance of \$131,218 (15.4%) under budget)

Consultants and contracts are under budget by 40 percent as budgeted expenditures have not been realized this quarter. Costs for office rent are over budget as the common area maintenance (CAM) expense increased higher than estimated. Office costs are under spent partly due to MRO's hybrid work environment. Much of the cost to maintain onsite operations remains low.

Fixed Assets (Variance of \$17,382 (37.2%) under budget)

Capital asset purchases are under budget. In general, timing of asset purchases is subject to change depending on supply chain and/or priority changes.

Budget Outlook

An early prediction of 2024 budget results projects expenses to be within 1.5 percent of budget. Personnel expenses are impacted by early changes in compensation based on a compensation study. Some fixed assets scheduled for 2024 were advanced to 2023 and is expected to result in an under spend for 2024.

If you have any questions regarding this report, please contact me. Thank you.

Lam Chung
Vice President and Engineer for Strategy, Innovation, and Finance

Cc: Sara Patrick, MRO President and CEO

**Midwest Reliability Organization
Statement of Activity
3/31/2024
PRELIMINARY (Unaudited)**

(In Whole Dollars)

	2024 YTD Actual	2024 YTD Budget	2024 YTD Variance	%	Projected 2024 End Of Year	2024 Budget	2024 Variance	%
Funding								
ERO Funding								
ERO Assessments	\$ 5,895,842	\$ 5,895,842	-		\$ 23,583,367	\$ 23,583,367	-	
Penalty Sanctions	29,757	29,757	-		119,026	119,026	-	
A. Total ERO Funding	\$ 5,925,598	\$ 5,925,598	\$ -		\$ 23,702,393	\$ 23,702,393	\$ -	
Expenses								
Personnel Expenses								
Salaries	\$ 3,507,645	\$ 3,434,593	73,052		\$ 14,839,202	\$ 14,236,654	602,549	
Payroll Taxes	208,505	226,951	(18,446)		980,546	940,730	39,815	
Benefits	439,553	398,832	40,722		1,474,494	1,653,189	(178,695)	
Retirement Costs	516,793	609,229	(92,436)		2,301,770	2,525,303	(223,533)	
Total Personnel Expenses	\$ 4,672,496	\$ 4,669,605	\$ 2,891	0.1%	\$ 19,596,012	\$ 19,355,876	\$ 240,136	1.2%
Meeting Expenses								
Meetings & Conference Calls	\$ 4,307	\$ 10,000	(5,693)		\$ 150,000	\$ 200,000	(50,000)	
Travel	53,226	25,646	27,580		410,340	512,925	(102,585)	
Total Meeting Expenses	\$ 57,533	\$ 35,646	\$ 21,887	61.4%	\$ 560,340	\$ 712,925	\$ (152,585)	-21.4%
Operating Expenses								
Consultants & Contracts	\$ 139,146	\$ 235,852	(96,706)		\$ 1,043,408	\$ 1,150,498	(107,090)	
Office Rent	264,681	240,235	24,446		1,242,193	1,171,880	70,313	
Office Costs	205,870	255,075	(49,205)		1,058,421	1,244,266	(185,845)	
Professional Services	109,352	119,105	(9,753)		541,000	581,000	(40,000)	
Total Operating Expenses	\$ 719,049	\$ 850,267	\$ (131,218)	-15.4%	\$ 3,885,022	\$ 4,147,644	\$ (262,622)	-6.3%
Total Direct Expenses	\$ 5,449,078	\$ 5,555,518	\$ (106,441)	-1.9%	\$ 24,041,374	\$ 24,216,445	\$ (175,071)	-0.7%
Indirect Expenses								
Other Non-Operating Expenses								
	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
B. Total Expenses	\$ 5,449,078	\$ 5,555,518	\$ (106,441)		\$ 24,041,374	\$ 24,216,445	\$ (175,071)	
Net Funding less Expenses (A-B)	\$ 476,521	\$ 370,080	\$ 106,441		\$ (338,981)	\$ (514,052)	\$ 175,071	
C. Fixed Asset Additions, excluding Right of Use Assets	\$ 29,378	\$ 46,760	\$ (17,382)	-37.2%	\$ 467,600	\$ 668,000	\$ (200,400)	-30.0%
Total Budget (B + C)	\$ 5,478,455	\$ 5,602,278	\$ (123,823)	-2.2%	\$ 24,508,974	\$ 24,884,445	\$ (375,471)	-1.5%
Change in Working Capital (A-B-C)	\$ 447,143	\$ 323,320	\$ 123,823		\$ (806,581)	\$ (1,182,052)	\$ 375,471	
Head Count	77.00	80.00	(3.00)		80.00	80.00	-	
FTEs	77.00	80.00	(3.00)		80.00	80.00	-	
Reserve Activity:								
Beginning Reserves - 1/1/24	\$ 7,478,219	\$ 4,599,521	\$ 2,878,698		\$ 7,478,219	4,599,521	\$ 2,878,698	
Change to Working Capital	447,143	323,320	123,823		(806,581)	(1,182,052)	375,471	
Penalties Received	-	-	-		-	-	-	
Penalties Released	(29,757)	(29,757)	-		(119,026)	(119,026)	-	
Other Reserve Activity	-	-	-		-	-	-	
Ending Reserves at 3/31/2024 :	\$ 7,895,606	\$ 4,893,084	\$ 3,002,521		\$ 6,552,612	\$ 3,298,443	\$ 3,254,169	



April 19, 2024

North American Electric Reliability Corporation
3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
Attention: Andy Sharp, Vice President and Chief Financial Officer

Subject: NPCC Regional Entity Division Variance Comparison and
First Quarter 2024 Statement of Activities

Dear Andy:

The variance comparison for the period ended March 31, 2024 is included along with Northeast Power Coordinating Council, Inc.'s unaudited First Quarter 2024 Statement of Activities.

Please do not hesitate to contact me via email at jhala@npcc.org or (646) 632-7071 should you have any comments or questions with regard to the materials provided.

Sincerely,

Jessica Hala

Jessica Hala
Vice President, Finance and Treasurer

Enclosures

cc: Charles Dickerson – NPCC President & CEO
ERO Finance Group



**NPCC Regional Entity Division
Budget to Actual
Variance Comparison as of March 31, 2024**

TOTAL EXPENSES

For the quarter ending March 31, 2024, the NPCC Regional Entity Division is \$922k or 16.3% under budget year to date. Based on planned activities, NPCC's current full year projection (FYP) is an under budget variance of \$120k or 0.5%. NPCC will continue to reprioritize resources as necessary to fulfill all of its responsibilities under its Regional Delegation Agreement, agreements and memorandums of understanding respecting Canadian Provinces, and the NPCC Bylaws.

INCOME

- **Penalty Sanctions** (Penalties released of \$400k were applied to reduce 2024 assessments to NPCC U.S. load serving entity designees.) Penalty sanctions remitted are included in NPCC's Assessment Stabilization Reserve (ASR) to be applied to future budget years to reduce assessments to NPCC U.S. load serving entity designees. Penalties are reported in NPCC's audited financial statements in accordance with GAAP.
- **Interest & Investment Income** (Actual income of \$107k year-to-date and \$353k over budget FYP) Interest & investment income is earned from the investment of excess operating cash in a 100% U.S. Treasury Securities money market fund. NPCC allocated \$350k as a portion of total interest income (95%) to the Regional Entity Division consistent with the ratio of Regional Entity (RE) to Criteria Services (CS) Division 2024 funding. A common system of accounts, with divisional separation, is used for both RE and CS revenue tracking and financial reporting.

EXPENSES

- **Personnel** (Variance of \$569k under budget year-to-date and as budgeted FYP) Several open positions during the first quarter resulted in an under budget variance. Based on projected start dates for remaining open positions the full year projection is for personnel expenses to be as budgeted. NPCC is currently recruiting to retain qualified technical individuals to fill open positions. In the interim, current responsibilities of any open positions are being addressed through resource re-allocations among the existing workforce.
- **Meetings** (Variance of \$85k under budget year-to-date and as budgeted FYP) Under budget variance is due to timing with a greater number of in-person meetings scheduled in the second half of the year. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.
- **Consultants & Contracts** (Variance of \$188k under budget year-to-date and as budgeted FYP) Under budget variance is due to timing. The full year projection continues to be as budgeted.



- **Office Costs** (Variance of \$9k under budget year-to-date and \$120k under budget FYP)
Under budget variance is mainly due to the shift from individual software products to Office 365 functionality, which is already covered by existing licenses. Additionally, the IT team successfully negotiated lower costs for license renewals compared to budget.
- **Professional Services** (Variance of \$75k under budget year-to-date and as budgeted FYP)
Under budget variance is due to timing. The full year projection continues to be as budgeted.

(Unaudited)
Submitted April 19, 2024



Northeast Power Coordinating Council, Inc. - Regional Entity Division
Statement of Activities, Fixed Assets and Change in Working Capital
(Unaudited)
For the Period Ended March 31, 2024

	2024 YTD Actual				2024 Projection		2024 Projection	
	2024 YTD Actual	2024 YTD Budget	Variance from Budget Over(Under)	%	2024 Projection	2024 Annual Budget	Variance from Budget Over(Under)	%
Funding								
Assessments	5,183,516	5,183,516	-		20,734,062	20,734,062	-	
Penalties Released*	400,000	400,000	-		400,000	400,000	-	
Testing	-	-	-		-	-	-	
Services & Software	-	-	-		-	-	-	
Workshop Fees	-	6,875	(6,875)		47,500	27,500	20,000	
Interest & Investment Income	106,618	47,337	59,281		400,000	47,337	352,663	
Total Funding	5,690,133	5,637,728	52,406	0.9%	21,581,562	21,208,899	372,663	1.8%
Expenses								
Personnel Expenses								
Salaries	2,742,243	3,114,187	(371,945)		12,456,749	12,456,749	-	
Payroll Taxes	372,325	398,773	(26,448)		886,163	886,163	-	
Employee Benefits	645,919	799,506	(153,587)		3,198,026	3,198,026	-	
Savings & Retirement	306,738	323,376	(16,638)		1,293,505	1,293,505	-	
Total Personnel Expenses	4,067,225	4,635,844	(568,618)	-12.3%	17,834,444	17,834,444	-	0.0%
Meeting Expenses								
Meetings & Conference Calls	29,050	46,870	(17,820)		313,300	313,300	-	
Travel	68,660	135,730	(67,070)		678,650	678,650	-	
Total Meeting Expenses	97,710	182,600	(84,890)	-46.5%	991,950	991,950	-	0.0%
Operating Expenses, excluding Depreciation								
Consultants & Contracts	36,560	225,000	(188,440)		900,000	900,000	-	
Rent & Improvements	86,011	103,527	(17,516)		420,110	420,110	-	
Office Costs	295,336	304,116	(8,780)		1,096,463	1,216,463	(120,000)	
Professional Services	183,236	258,125	(74,889)		945,500	945,500	-	
Miscellaneous	2,807	7,500	(4,693)		30,000	30,000	-	
Total Operating Expenses	603,950	898,268	(294,318)	-32.8%	3,392,073	3,512,073	(120,000)	-3.4%
Indirect Expense Allocation	(64,218)	(103,725)	39,507	-38.1%	(414,901)	(414,901)	-	0.0%
Other Non-Operating Expenses	-	-	-	n/a	-	-	-	n/a
Total Expenses	4,704,667	5,612,987	(908,319)	-16.2%	21,803,566	21,923,566	(120,000)	-0.5%
Change in Net Assets	985,466	24,741	960,725	3883.1%	(222,004)	(714,667)	492,663	-68.9%
Fixed Asset Additions, excluding Right of Use Assets	26,997	40,800	(13,803)	-33.8%	163,200	163,200	-	0.0%
Net Financing Activity	-	-	-	n/a	-	-	-	n/a
Total Budget (Expenses plus Fixed Assets and Net Financing Activity)	4,731,664	5,653,787	(922,122)	-16.3%	21,966,766	22,086,766	(120,000)	
Change in Working Capital (Total Funding less Total Budget)	958,469	(16,059)	974,528	-6068.4%	(385,204)	(877,867)	492,663	-56.1%
Equivalent Full Time Employees	57.73	60.00	(2.27)		65.48	64.00	1.48	
Headcount	61.00	60.00	1.00		72.00	71.00	1.00	
Beginning Total Reserves - 1/1/24	8,788,908	7,554,919	1,233,989		8,788,908	7,554,919	1,233,989	
Change to Working Capital	958,469	(16,059)	974,528		(385,204)	(877,867)	492,663	
Penalties Received (+)	-	-	-		-	-	-	
Penalties Released (-)	(400,000)	(400,000)	-		(400,000)	(400,000)	-	
Other Reserve Activity	-	-	-		-	-	-	
Total Projected Reserves at 12/31/24	9,347,377	7,138,860	2,208,517		8,003,704	6,277,052	1,726,652	
Reserve Balance Summary								
Working Capital & Operating Contingency Reserves	8,275,474	6,466,957	1,808,517		6,931,801	5,605,149	1,326,652	
Assessment Stabilization & Penalty Reserves	1,071,903	671,903	400,000		1,071,903	671,903	400,000	
Other Reserves	-	-	-		-	-	-	
Total Projected Reserves at 12/31/24	9,347,377	7,138,860	2,208,517		8,003,704	6,277,052	1,726,652	

*Penalties Released reflect the designated amount of funds released to offset U.S. assessments. Actual penalties invoiced are reported in the audited financial statements as an increase in net assets in accordance with Generally Accepted Accounting Principles (GAAP).



Beth Dowdell
Treasurer and Senior Director, Corporate Services
3 Summit Park Drive, Suite 600
Cleveland, OH 44131
Office: 216.503.0689
Beth.Dowdell@rfirst.org

April 15, 2024

Mr. Andy Sharp
North American Electric Reliability Corporation
3353 Peachtree Road, N.E.
Suite 600, North Tower
Atlanta, Georgia 30326

ReliabilityFirst's 2024 1st Quarter Year-to-Date Statement of Activities Variance Report - Unaudited

Dear Andy,

Attached is RF's 2024 1st Quarter Year-to-Date Statement of Activities (unaudited) and Variance Report. This includes a comparison of budgeted and actual expenses relative to ReliabilityFirst Corporation 2024 Budget.

For more information, please contact me at 216.503.0689 or beth.dowdell@rfirst.org.

Sincerely,

RELIABILITYFIRST CORPORATION

Beth Dowdell

Beth Dowdell
Treasurer and Senior Director, Corporate Services

Enclosures

Cc: Tim Gallagher, President and Chief Executive Officer
Finance and Audit Committee



RELIABILITY FIRST

ReliabilityFirst's 2024 1st Quarter Year-to-Date Statement of Activities Variance Report - Unaudited

Year-to-date variances greater than \$10,000 and 10% are explained below.

Funding

- **Investment Income:** \$67K (533.56%) over budget
 - Unrealized returns; Investment portfolio performing better than expected

Expenses

- **Employee Benefits:** \$129K (14.81%) under budget
 - Negotiated lower health care costs than budgeted; Experienced a 2% vacancy rate for the first quarter. Timing of budgeted training versus actual.
- **Savings and Retirement Costs:** \$324K (42.22%) over budget
 - Over budget due to retirement (401K and Safe Harbor) benefits for incentive compensation.
- **Meetings & Conference Calls:** \$16K (33.7%) under budget
 - Timing of scheduled meetings versus actual meetings
- **Travel:** \$28K (17.34%) under budget
 - Timing of scheduled travel versus actual travel
- **Contracts & Consultants:** \$120K (52.94%) under budget
 - Timing of scheduled projects and initiatives versus actual implementation and project launch.
- **Rent & Utilities:** \$33K (15.72%) under budget
 - Annual catch-up invoice from leasing company in line with actuals paid versus the estimated higher amount that was anticipated.
- **Office Costs:** \$103K (35.28%) under budget
 - Timing of IT projects, software purchases, subscriptions, phone and internet costs.
- **Professional Services:** \$64K (22.11%) under budget
 - Currently only three Independent Board Directors instead of four. Offset by Director search fee. Additionally, Corporate Insurance amortized throughout the year but was budgeted all in June.



RELIABILITY FIRST

ReliabilityFirst Statement of Activities
From 1/1/2024 – 3/31/2024 (unaudited)

2024 YTD Actual	2024 YTD Budget	YTD Variance Over/(Under)	% Variance		Total 2024 Projection	Total 2024 Budget	Total 2024 Projected Variance Over/(Under)	% Projected Variance
6,739,818	6,739,818	0	0.00%	Funding				
1,474,585	1,473,348	1,237	0.08%	Assessments	26,959,272	26,959,272	0	0.00%
79,195	12,500	66,695	533.56%	Penalties Released *	1,474,585	1,473,348	1,237	0.08%
0	0	0	0.00%	Investment Income	250,000	50,000	200,000	400.00%
8,293,598	8,225,666	67,932	0.83%	Miscellaneous Income	0	0	0	0.00%
				Total Funding	28,683,857	28,482,620	201,237	0.71%
				Expenses				
4,713,067	4,747,824	(34,757)	-0.73%	Personnel Expenses				
389,449	414,089	(24,640)	-5.95%	Salaries	19,495,381	19,495,381	0	0.00%
739,787	868,435	(128,648)	-14.81%	Payroll Taxes	1,232,095	1,232,095	0	0.00%
1,091,138	767,230	323,908	42.22%	Employee Benefits	2,856,821	2,985,469	(128,648)	-4.31%
6,933,441	6,797,578	135,863	2.00%	Savings & Retirement Costs	3,469,538	3,145,630	323,908	10.30%
				Total Personnel Expenses	27,053,835	26,858,575	195,260	0.73%
31,218	47,085	(15,867)	-33.70%	Meeting Expenses				
133,315	161,276	(27,961)	-17.34%	Meetings & Conference Calls	432,855	432,855	0	0.00%
164,533	208,361	(43,828)	-21.03%	Travel	648,100	648,100	0	0.00%
				Total Meeting Expenses	1,080,955	1,080,955	0	0.00%
106,480	226,280	(119,800)	-52.94%	Operating Expenses				
178,434	211,705	(33,271)	-15.72%	Contracts & Consultants	553,700	553,700	0	0.00%
188,322	291,000	(102,678)	-35.28%	Rent & Utilities	719,667	852,751	(133,084)	-15.61%
226,320	290,567	(64,247)	-22.11%	Office Costs	1,011,134	1,011,134	0	0.00%
12,208	8,576	3,632	42.35%	Professional Services	741,816	741,816	0	0.00%
711,764	1,028,128	(316,364)	-30.77%	Miscellaneous	48,704	48,704	0	0.00%
				Total Operating Expenses	3,075,021	3,208,105	(133,083)	-4.15%
0	0	0	0.00%	Non-Operating Expenses	0	0	0	0.00%
-	-	-	-	Total Expenses	31,209,811	31,147,635	62,177	0.20%
7,809,738	8,034,067	(224,329)	-2.79%	Net Change in Assets	(2,525,954)	(2,665,015)	139,060	-5.22%
483,860	191,599	292,261	152.54%	Increase/(Decrease) in Fixed Assets	176,900	176,900	0	0.00%
8,500	44,225	(35,725)	-80.78%	Total Budget (Expenses + Incr/(Decr) in Fixed Assets)	31,386,711	31,324,535	62,177	0.20%
7,818,238	8,078,292	(260,054)	-3.22%	Change in Working Capital (Total Funding less Total Budget)	(2,702,854)	(2,841,915)	139,060	-4.89%
475,360	147,374	327,986	222.55%	FTE Count	98.00	98.00	0.00	0.00%
96.54	98.00	(1.46)	-1.49%					

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RELIABILITY FIRST

Working Capital Reserve Analysis

	2024 YTD Actual	Total 2024 Projection
Beginning Total Reserves - 1/1/2024	8,806,067	8,806,067
Plus: Temporary Restricted Penalties	3,759,845	3,759,845
Beginning Total Reserve Balance 1/1/2024	12,565,912	12,565,912
Change to Working Capital	475,360	(2,702,854)
Add: Penalties Received	323,650	323,650
Subtract: Penalties Released	(1,474,585)	(1,474,585)
Other Reserve Activity	(35,905)	(143,620)
Ending Reserve at 3/31/2024	11,854,432	8,568,503
Working Capital & Operating Contingency Reserves	9,245,522	5,959,593
Assessment Stabilization & Penalty Reserves	2,608,910	2,608,910
Total Reserves	11,854,432	8,568,503

April 18, 2024

Mr. Andy Sharp
North American Electric Corporation
3353 Peachtree Road, NE
Atlanta, GA 30326

RE: SERC 2024 Q1 Unaudited Financial Statement – Budget vs. Actual

Andy:

Following please find SERC's unaudited 2024 Q1 financial statement, reflecting actual to budgeted amounts with variance explanations.

If you have any questions, please let me know.

Thank you,

A handwritten signature in black ink, appearing to read "George Krogstie". The signature is fluid and cursive, written over a light blue horizontal line.

George Krogstie
Chief Financial Officer and Corporate Treasurer

cc: Jason Blake

SERC Reliability Corporation
Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital

From 1/1/2024 Through 3/31/2024

	2024 YTD Actuals	2024 YTD Budget	Variance 2024 YTD Actual v 2024 YTD Budget		2024 Projection	2024 Budget	Variance 2024 Projection v 2024 Budget	
			Over(Under)	%			Over(Under)	%
Funding								
Statutory Funding								
SERC Assessments	\$ 7,184,422	\$ 7,184,422	\$ -		\$ 28,737,687	\$ 28,737,687	-	
Penalties Released*	\$ 724,112	\$ 724,112	-		2,896,449	2,896,449	-	
Total Statutory Funding	\$ 7,908,534	\$ 7,908,534	\$ -	0.00%	\$ 31,634,136	\$ 31,634,136	\$ -	0.00%
Workshops & Miscellaneous	10,650	16,000	(5,350)		170,294	177,500	(7,206)	
Interest	118,314	26,500	91,814		489,509	106,000	383,509	
Total Funding (A)	\$ 8,037,498	\$ 7,951,034	\$ 86,464	1.09%	\$ 32,293,939	\$ 31,917,636	\$ 376,303	1.18%
Expenses								
Personnel Expenses								
Salaries	\$ 4,989,722	4,910,679	\$ 79,043		\$ 19,722,030	\$ 19,642,715	79,315	
Payroll Taxes	372,441	293,906	78,535		1,184,325	1,175,625	8,700	
Benefits	428,358	471,242	(42,884)		2,044,017	2,236,235	(192,218)	
Retirement Costs	669,016	623,962	45,054		2,552,476	2,495,863	56,613	
Total Personnel Expenses	\$ 6,459,537	\$ 6,299,788	\$ 159,749	2.54%	\$ 25,502,848	\$ 25,550,438	\$ (47,590)	-0.19%
Meeting Expenses								
Meetings & Conference Calls	\$ 127,332	\$ 140,784	\$ (13,452)		\$ 408,377	\$ 462,883	(54,506)	
Travel	136,946	183,389	(46,443)		926,071	947,770	(21,699)	
Total Meeting Expenses	\$ 264,278	\$ 324,173	\$ (59,895)	-18.48%	\$ 1,334,448	\$ 1,410,653	\$ (76,205)	-5.40%
Operating Expenses, excluding Depreciation								
Consultants & Contracts	\$ 146,553	\$ 295,563	\$ (149,010)		\$ 980,682	\$ 1,155,750	(175,068)	
Office Rent	211,988	212,517	(529)		969,816	855,067	114,749	
Office Costs	310,311	402,522	(92,211)		1,705,843	1,790,576	(84,733)	
Professional Services	135,699	147,218	(11,519)		546,650	547,470	(820)	
Miscellaneous	-	-	-		-	-	-	
Total Operating Expenses	\$ 804,551	\$ 1,057,819	\$ (253,268)	-23.94%	\$ 4,202,991	\$ 4,348,863	\$ (145,872)	-3.35%
Total Direct Expenses	\$ 7,528,366	\$ 7,681,780	\$ (153,414)	-2.00%	\$ 31,040,287	\$ 31,309,954	\$ (269,667)	-0.86%
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Total Expenses (B)	\$ 7,528,366	\$ 7,681,780	\$ (153,414)	-2.00%	\$ 31,040,287	\$ 31,309,954	\$ (269,667)	-0.86%
Change in Assets	\$ 509,132	\$ 269,254	\$ 239,878	89.09%	\$ 1,253,652	\$ 607,682	\$ 645,970	106.30%
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ -	\$ 305,000	\$ (305,000)	-100.00%	\$ 1,120,000	\$ 690,000	\$ 430,000	62.32%
TOTAL BUDGET (B+C)	\$ 7,528,366	\$ 7,986,780	\$ (458,414)	-5.74%	\$ 32,160,287	\$ 31,999,954	\$ 160,333	0.50%
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	\$ 509,132	\$ (35,746)	\$ 544,878	-1524.31%	\$ 133,652	\$ (82,318)	\$ 215,970	-262.36%
FTE's	105.00	111.00	(6.00)		111.00	111.00	-	
Head Count	105.00	111.00	(6.00)		111.00	111.00	-	
Beginning Reserve at 1/1/2024	13,084,551	12,683,610	400,941		13,084,551	12,683,610	400,941	
Change to Working Capital	509,132	(35,746)	544,878		133,652	(82,318)	215,970	
Penalties Received (+)	519,900	-	519,900		519,900	-	519,900	
Penalties Released (-)	(724,112)	(724,112)	-		(2,896,449)	(2,896,449)	-	
Other Reserve Activity	-	-	-		-	-	-	
Ending Reserves at 12/31/2024	13,389,471	11,923,752	1,465,719		10,841,654	9,704,843	1,136,811	
Working Capital & Operating Contingency Reserves	2,940,494	1,951,415	989,079		2,565,014	1,904,843	660,171	
Assessment Stabilization & Penalty Reserves	10,448,977	9,972,337	476,640		8,276,640	7,800,000	476,640	
Other Reserves	-	-	-		-	-	-	
Total Reserves Balance	13,389,471	11,923,752	1,465,719		10,841,654	9,704,843	1,136,811	

* Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve (ASR) to offset U.S. assessments as approved by the SERC Board of Directors and FERC. Actual penalties invoiced in the current reporting year are shown as an increase in the ASR on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Budget to Actual Comparison as of March 31, 2024 (Unaudited)

Overall Summary

- YTD spending \$458k under budget due to timing of planned fixed asset purchases and deferred consulting expenditures. Full year projection \$160k over budget due to timing of expenses associated with office relocation
- Funding \$86k over budget YTD and projected \$376k over budget for the full year attributable to increased investment returns

Income

- **Funding (Actual - \$86k over budget)**
 - Higher interest rates are driving the YTD and projected favorable variances

Expense

- **Personnel Expenses (Actual - \$160k over budget)**
 - Timing of actual payroll taxes versus budget and higher participation in SERC 401k retirement program driving YTD variances. Full year expense projected to be under budget due to favorable health insurance renewal rates
- **Meeting/Travel Expenses (Actual - \$60k under budget)**
 - Deferred meeting and travel resulting in lower expenses versus budget
- **Contracts/Consultants (Actual - \$149k under budget)**
 - Timing of projects varies from budget; full year projected to be \$175k under budget due to planned deferrals on certain IT projects
- **Office Rent (Actual - \$1k under budget)**
 - Common area maintenance expenses lower than expected. Projected overage driven by new office lease expected to be expensed beginning in Q4
- **Office Costs (Actual – \$92k under budget)**
 - Certain planned software purchases deferred driving YTD and projected underage in Office Costs
- **Professional Services (Actual - \$12k under budget)**
 - Timing of actual legal fees varies from budget
- **Fixed Asset Purchases (Actual - \$305k under budget)**
 - Planned deferral of fixed asset purchase associated with Interregional Transfer Capability Study is driving YTD underage. Projected overage due to tenant improvement expenses associated with new lease, offset by planned expense reductions in other categories

April 17, 2024

Mr. Andy Sharp
North American Electric Reliability Corporation
3353 Peachtree Road NE, Suite 600, North Tower
Atlanta, GA 30326

RE: Texas Reliability Entity, Inc. 1st Quarter 2024 Statement of Activities and Variance Report

Dear Andy,

Attached is the 2024 first quarter Variance Report for Texas RE with variance explanations.

Please contact me if you have questions or comments.

Thank you.

Donna Bjornson

Donna Bjornson, CPA
Vice President and CFO
Texas Reliability Entity, Inc.
800 Metropolis Drive, Suite 300
Austin, Texas 78744
Donna.bjornson@texasre.org
512.583.4959

2024 First Quarter Budget to Actual Comparison

Year-to-date variances greater than \$10,000 and 10% explained below.

FUNDING

- **Interest:** \$80K (643%) more than budget
 - Texas RE's banking account is the Business Banking U.S. End of Day Money Market Mutual Fund Sweep account. Interest rates are higher than anticipated at the time the 2024 budget was prepared.

EXPENSES

- **Personnel Expenses:** \$556K (-15.4%) less than budget
 - Salaries and taxes are less than budget by \$321K (-12.6%) and \$31K (-15.6%), respectively because of vacancies in the first quarter.
 - Employee benefits are \$151K (-29.7%) less than budget. Texas RE negotiated lower health care costs than budgeted. Vacancies in the first quarter also contributed to lower health care expenses.
 - Savings and Retirement is less than budget by \$54K (-14.7%) and corresponds with vacancies in the first quarter.
- **Operating Expenses:** \$73K (-11.1%) less than budget
 - Building Rent and Improvements are \$63K (-23%) less than budget. The budget underrun is because building maintenance expenses were estimated when the 2024 budget was prepared and Texas RE had not yet moved into new offices.

Texas Reliability Entity, Inc.
Statement of Activities and Fixed Assets
For the period ended March 31, 2024
(Unaudited)

	2024 Actual	2024 Budget	YTD Actual Variance from Budget		2024 Forecast	2024 Budget	Forecast Variance from Budget		
Funding									
ERO Funding									
Assessments	\$ 4,670,253	\$ 4,670,253	-	0.0%	\$18,681,013	\$ 18,681,013	\$ -	0.0%	
Penalties Released	426,912	426,912	-	0.0%	426,912	426,912	-	0.0%	
Interest Income	92,877	12,500	80,377	643.0%	50,000	50,000	-	0.0%	
Total Funding (A)	\$ 5,190,042	\$ 5,109,665	\$ 80,377	1.6%	\$19,157,925	\$ 19,157,925	\$ -	0.0%	
Expenses									
Personnel Expenses									
Salaries	\$ 2,229,701	\$ 2,550,615	\$ (320,914)	-12.6%	\$10,642,010	\$ 10,642,010	\$ -	0.0%	
Payroll Taxes	164,936	195,490	(30,554)	-15.6%	723,372	723,372	-	0.0%	
Employee Benefits	357,986	508,940	(150,954)	-29.7%	1,904,576	1,904,576	-	0.0%	
Savings & Retirement	311,837	365,542	(53,705)	-14.7%	1,520,920	1,520,920	-	0.0%	
Total Personnel Expenses	\$ 3,064,460	\$ 3,620,587	\$ (556,127)	-15.4%	\$14,790,878	\$ 14,790,878	\$ -	0.0%	
Meeting & Travel Expenses									
Total Meetings & Conference Calls	\$ 7,012	\$ 6,550	\$ 462	7.1%	\$ 85,900	\$ 85,900	\$ -	0.0%	
Total Travel	50,212	53,076	(2,864)	-5.4%	381,150	381,150	-	0.0%	
Total Meeting & Travel Expenses	\$ 57,224	\$ 59,626	\$ (2,402)	-4.0%	\$ 467,050	\$ 467,050	\$ -	0.0%	
Operating Expenses									
Total Consultants & Contracts	\$ 36,205	\$ 39,250	\$ (3,045)	-7.8%	\$ 393,500	\$ 393,500	\$ -	0.0%	
Total Rent & Improvements	211,801	275,225	(63,424)	-23.0%	2,045,704	2,045,704	-	0.0%	
Total Office Costs	186,660	193,164	(6,504)	-3.4%	735,619	735,619	-	0.0%	
Total Professional Services	147,899	148,010	(111)	-0.1%	675,175	675,175	-	0.0%	
Total Operating Expenses	\$ 582,565	\$ 655,649	\$ (73,084)	-11.1%	\$ 3,849,998	\$ 3,849,998	\$ -	0.0%	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	0.0%	
Total Expenses	\$ 3,704,249	\$ 4,335,862	\$ (631,613)	-14.6%	\$19,107,926	\$ 19,107,926	\$ -	0.0%	
Change In Net Assets	\$ 1,485,793	\$ 773,803	\$ 711,990	92.0%	\$ 49,999	\$ 49,999	\$ -	0.0%	
Fixed Asset Additions, excl. ROU Assets	\$ -	\$ -	\$ -	0.0%	\$ 50,000	\$ 50,000	\$ -	0.0%	
Total Budget (B)	\$ 3,704,249	\$ 4,335,862	\$ (631,613)	-14.6%	\$19,157,926	\$ 19,157,926	\$ -	0.0%	
Change in Working Capital (A - B)	\$ 1,485,793	\$ 773,803	\$ 711,990	92.0%	\$ -	\$ -	\$ -	0.0%	
FTEs	60	70	(10)		70	70	-		

Working Capital Reserve Analysis

	YTD 2024 Actual	Total 2024 Projection	
Beginning Working Capital as of 1/1/24	\$ 5,359,346	\$ 5,359,346	
Change to Working Capital	1,485,793	-	
Minus Penalties Released	(426,912)	(426,912)	
Add Penalties Received	-	-	
Other Reserve Activity	-	-	
Working Capital as of 3/31/24	\$ 6,418,227	\$ 4,932,434	
Operating Contingency Fund	\$ 2,000,000	\$ 2,000,000	
Working Capital and Penalty Reserves	1,824,256	338,463	
Assessment Stabilization Reserves	2,593,971	2,593,971	
Total Reserves and Contingency	\$ 6,418,227	\$ 4,932,434	



Joshuah Martinez
Controller
April 23, 2024

Mr. Andy Sharp
Vice President, Chief Financial Officer
North American Electric Reliability Corporation
3353 Peachtree Road, N.E. Suite 600—North Tower
Atlanta, GA 30326

RE: WECC Q1 2024 Statutory Statement of Activities and Variance Report

Dear Andy,

Attached is WECC's first-quarter Statutory Statement of Activities (Unaudited) and Variance Report. WECC's 2024 unaudited, net year-to-date results are \$598,743 under budget, excluding the impact of Generally Accepted Accounting Principles (GAAP) treatment of penalty revenue recognition. Explanations and drivers are noted below.

If you have questions or need more information, please contact me.

Regards,

Joshuah Martinez
Controller

Enclosures

Cc: Melanie Frye, President and Chief Executive Officer
WECC Finance and Audit Committee



**Statutory Statement of Activities
(Unaudited)**

As of March 31, 2024

Variance Report

Year-to-date variances greater than \$10,000 and 10% are explained below. The explanations pertain to all statutory activities.

Funding

- Workshops & Miscellaneous: \$36,000 under budget

Workshops & Miscellaneous funding is under budget primarily due to lower-than-budgeted workshop attendance for the March Reliability and Security Workshop.

- Interest: \$258,000 over budget

Interest is over budget due to higher-than-budgeted interest rates and investment income.

Expenses

- Payroll Taxes: \$43,000 over budget

Payroll Taxes are over budget primarily due to the timing of payroll taxes; Social Security, Medicare, and unemployment taxes are straight-lined in the budget, and actuals are higher in the beginning of the year due to salary caps for each of the calculations.

- Employee Benefits: \$106,000 under budget

Employee Benefits are under budget primarily due to budgeted benefits enrollment level assumptions compared to actual, and the timing of Health Reimbursement Account (HRA) use.

- Meetings & Conference Calls: \$192,000 under budget

Meetings & Conference Calls are under budget primarily due to the timing of actual expenses compared to budget.

- Travel: \$52,000 under budget

Travel is under budget primarily due to the timing of in-person meetings compared to budget and the conversion of some in-person meetings to a virtual format.

- Consultants & Contracts: \$245,000 over budget

Consultants & Contracts are over budget primarily due to the timing of Board Director search fees.

Statutory Statement of Activities and Variance Explanations (April 23, 2024)

- Office Costs: \$126,000 under budget

Office Costs are under budget primarily due to timing of actuals versus budget for IT projects.

Fixed Assets

- Fixed Assets: \$27,000 under budget

Fixed Assets are under budget primarily due to the timing of server and equipment upgrades and replacements compared to budget.



Statutory Statement of Activities and Variance Explanations (April 23, 2024)



Western Electricity Coordinating Council
Statutory Statement of Activities
From 1/1/2024 to 3/31/2024
(Unaudited)

(In Whole Dollars)

	2024 YTD Actual	2024 YTD Budget	2024 YTD Variance	%	2024 Projection	2024 Annual Budget	2024 Projected Variance	%
Funding								
Assessments	25,000,000	25,000,000	-	0.0%	25,000,000	25,000,000	-	0.0%
Penalties Released ¹	10,137,948	10,137,948	-	0.0%	10,137,948	10,137,948	-	0.0%
Services & Software	-	-	-	-	-	-	-	-
Workshops & Miscellaneous	190,400	226,500	(36,100)	-15.9%	445,510	475,250	(29,740)	-6.3%
Interest	407,689	150,000	257,689	171.8%	851,329	600,000	251,329	41.9%
Total Funding	35,736,037	35,514,448	221,589	0.6%	36,434,787	36,213,198	221,589	0.6%
Expenses								
Personnel Expenses								
Salaries	4,998,595	5,128,255	(129,660)	-2.5%	23,416,341	22,648,813	767,528	3.4%
Payroll Taxes	397,026	354,298	42,728	12.1%	1,663,475	1,436,739	226,736	15.8%
Employee Benefits	564,792	670,639	(105,847)	-15.8%	2,389,828	2,770,167	(380,339)	-13.7%
Retirement Costs	432,611	463,831	(31,220)	-6.7%	2,086,283	2,040,274	46,009	2.3%
Total Personnel Expenses	6,393,024	6,617,023	(223,999)	-3.4%	29,555,927	28,895,993	659,934	2.3%
Meeting Expenses								
Meetings & Conference Calls	70,824	262,970	(192,146)	-73.1%	408,112	604,764	(196,652)	-32.5%
Travel	152,513	204,688	(52,175)	-25.5%	726,906	749,170	(22,264)	-3.0%
Total Meeting Expenses	223,337	467,658	(244,321)	-52.2%	1,135,018	1,353,934	(218,916)	-16.2%
Operating Expenses, excluding Depreciation								
Consultants & Contracts	343,248	98,267	244,981	249.3%	1,079,548	728,900	350,648	48.1%
Office Rent	322,148	333,889	(11,741)	-3.5%	1,313,461	1,327,202	(13,741)	-1.0%
Office Costs	642,570	769,058	(126,488)	-16.4%	2,616,345	2,691,307	(74,962)	-2.8%
Professional Services	309,713	324,553	(14,840)	-4.6%	1,246,131	1,261,211	(15,080)	-1.2%
Miscellaneous	-	-	-	-	-	-	-	-
Total Operating Expenses	1,617,679	1,525,767	91,912	6.0%	6,255,485	6,008,620	246,865	4.1%
Total Direct Expenses	8,234,040	8,610,448	(376,408)	-4.4%	36,946,430	36,258,547	687,883	1.9%
Indirect Expenses	(218,669)	(245,197)	26,528	-10.8%	(954,257)	(843,037)	(111,220)	13.2%
Other Non-Operating Expenses	-	-	-	-	-	-	-	-
Total Expenses	8,015,371	8,365,251	(349,880)	-4.2%	35,992,173	35,415,510	576,663	1.6%
Change in Net Assets	27,720,666	27,149,197	571,469	2.1%	442,614	797,688	(355,074)	-44.5%
Fixed Asset Additions, excluding Right of Use Assets	8,726	36,000	(27,274)	-75.8%	8,726	54,868	(46,142)	-84.1%
Total Expenditures	8,024,097	8,401,251	(377,154)	-4.5%	36,000,899	35,470,378	530,521	1.5%
Change in Working Capital (Total Funding less Total Budget)	27,711,940	27,113,197	598,743		433,888	742,820	(308,932)	
FTEs	151.10	150.20	0.90		159.90	168.00	(8.10)	
Headcount	153.00	151.00	2.00		168.00	168.00	-	
Working Capital at 1/1/2024	12,062,711	10,664,692	1,398,019		12,062,711	10,664,692	1,398,019	
Peak Reliability Donation Expenditures	-	-	-		595,000	595,000	-	
Change to WC - 2024	27,711,940	27,113,197	598,743		433,888	742,820	(308,932)	
Working Capital at 3/31/2024	39,774,651	37,777,889	1,996,762		13,091,599	12,002,512	1,089,087	

¹ Penalties released in the current year reflects the designated amount of funds released to offset U.S. assessments as approved by the WECC Board of Directors and FERC. Actual penalties invoiced in the current reporting year will be reported as income on the audited financial statements in accordance with GAAP.

² See Working Capital and Reserve Analysis table for additional details.



Working Capital and Reserve Analysis

Working Capital and Reserve Analysis				
STATUTORY				
	Total	Working Capital Reserve	Unreleased Penalties	Peak Reliability Donation
Beginning Reserve, January 1, 2024	25,658,711	\$ 12,062,711	\$ 10,137,948	3,458,052
Plus: Total Funding	35,740,437	35,736,037	4,400	-
Penalties Release	(10,137,948)	-	(10,137,948)	-
Less: Expenditures	(8,024,097)	(8,024,097)	-	-
Plus: Non-Statutory Fund Adjustment	-	-	-	-
Reserve, March 31, 2024	\$ 43,237,103	\$ 39,774,651	\$ 4,400	\$ 3,458,052



2025 Business Plan and Budget Status

Action

Update

Background

NERC management will provide an update on the preparation of the draft 2025 Business Plan and Budget (BP&B), which will be posted for public comment on or about May 24, 2024. The NERC Finance and Audit Committee will be hosting a webinar to review the NERC and Regional Entity 2024 BP&Bs on June 10, 2024.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

2025 Business Plan and Budget Update

Andy Sharp, Vice President and CFO
Finance and Audit Committee Meeting
May 8, 2024

RELIABILITY | RESILIENCE | SECURITY



- 2025 BP&B currently in development
 - 2025 is Year 3 of NERC's three-year plan (2023–2025)
 - As shared with MRC BP&B Input Group and Trades & Forums, NERC expects 2025 assessment to be consistent with prior year projection and budget to be slightly below
-
- Upcoming key dates
 - **May 24–June 21** – Draft NERC 2025 BP&B posted for comment
 - **June 10** – FAC webinar to review NERC and Regional Entity 2025 BP&Bs
 - **July 16** – MRC BP&B Input Group (update on final NERC 2025 BP&B)
 - **July 22** – Quarterly Trades & Forums (update on final NERC 2025 BP&B)
 - **August 14 & 15** – Recommend Board approval of NERC and Regional Entity 2025 BP&Bs

A map of North America is shown in a light blue color. A darker blue horizontal band runs across the middle of the map, passing through the United States. The text "Questions and Answers" is centered within this band.

Questions and Answers