

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

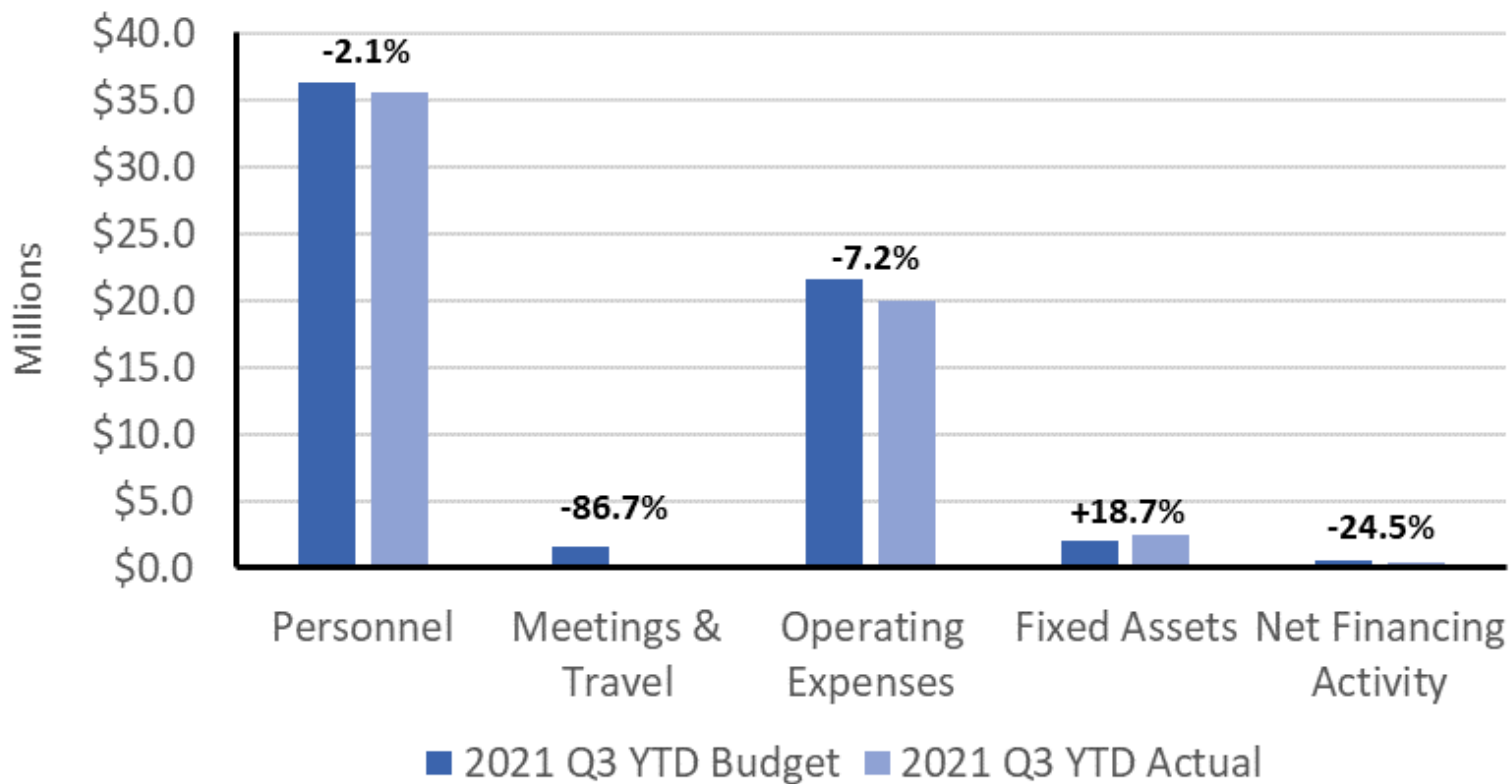
NERC Summary of Unaudited Results as of September 30, 2021

Meg Leonard, Controller
Finance and Audit Committee Meeting
November 3, 2021

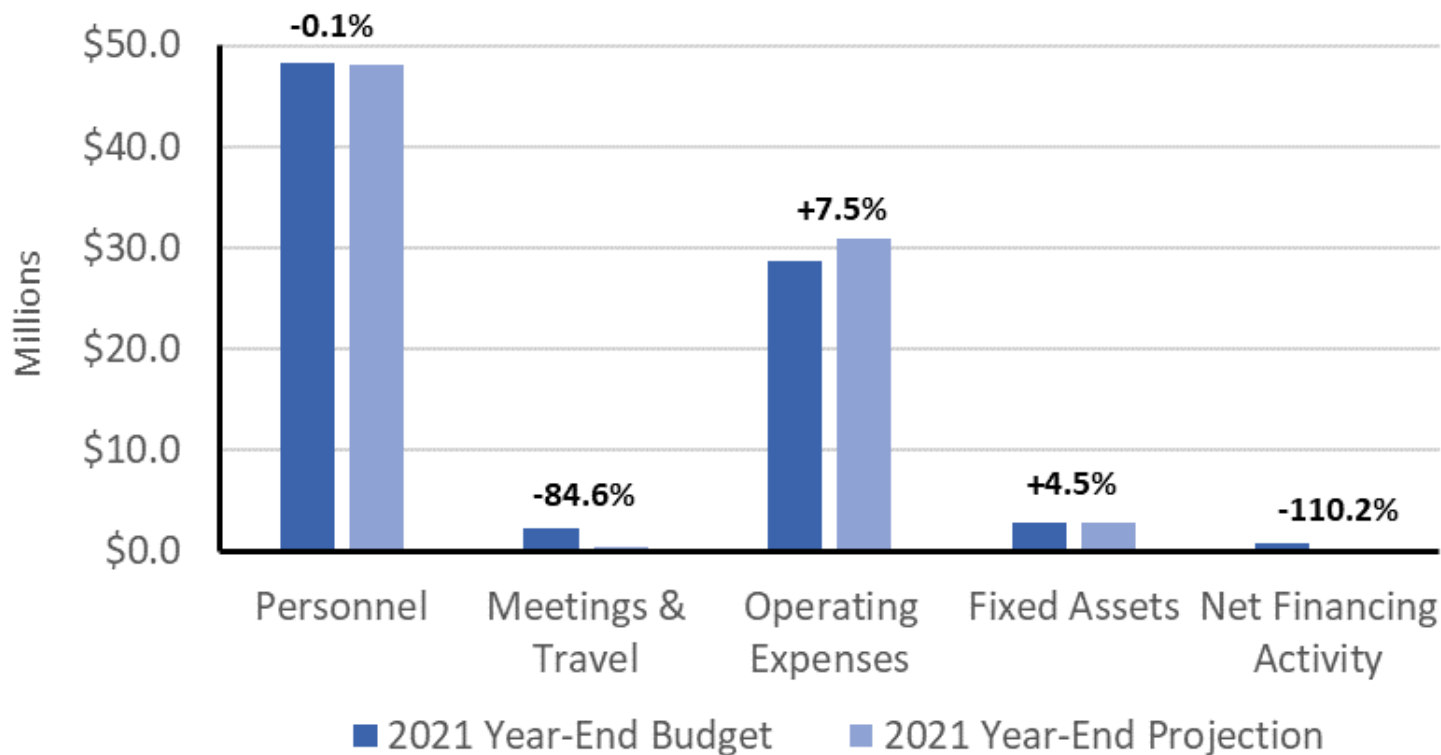
RELIABILITY | RESILIENCE | SECURITY



- Total funding – \$200k (0.3%) under budget
 - Investment income and System Operator Certification Program revenues are lower than budget
- Total expenditures – \$3.6M (5.7%) under budget
 - Lower spending on meetings, travel, and transportation due to the pandemic
 - Timing of expenses versus budget, primarily contracts and consultants
- Reserve increase \$3.4M over budget

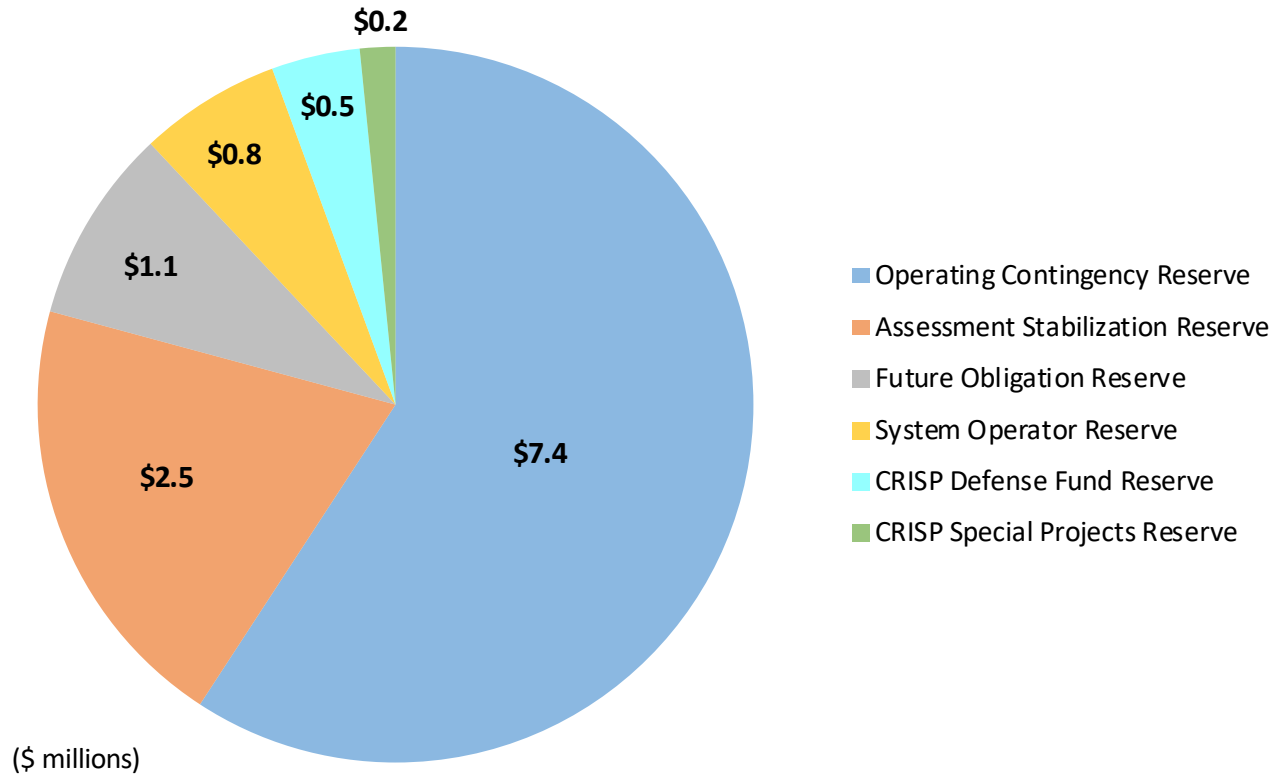


- Funding – \$400k (0.5%) under budget
 - Investment income and System Operator Certification Program revenues expected to be lower than budget
- Total expenditures – \$500k (0.6%) under budget
 - Primarily due to lower meetings and travel expenses as a result of the pandemic, lower fixed asset additions, and net financing activity
 - Offset by higher contracts and consultants, software, and professional services expenses



- Operating Contingency Reserve (OCR)
 - Began year with \$8.0M
 - Budgeted use of \$1.8M to fund 2021 Align project costs
 - Projected net increase of \$1.2M from operating and financing activity
 - Projected year-end balance \$7.4M
- Assessment Stabilization Reserve (ASR) – \$2.5M
 - No releases or additions

TOTAL RESERVES OF \$12.5M





Questions and Answers

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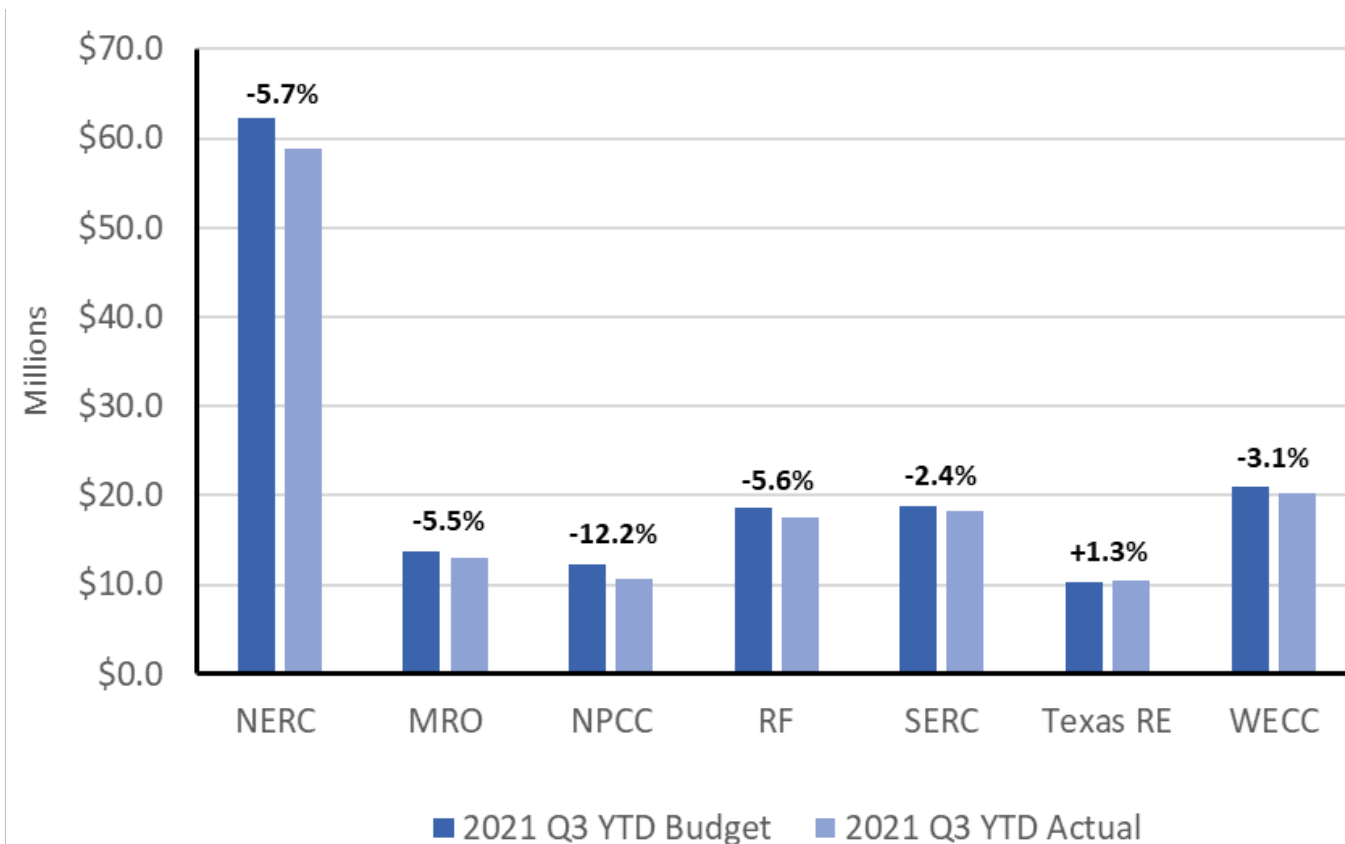
Total ERO Enterprise Summary of Unaudited Results as of September 30, 2021

Meg Leonard, Controller
Finance and Audit Committee Meeting
November 3, 2021

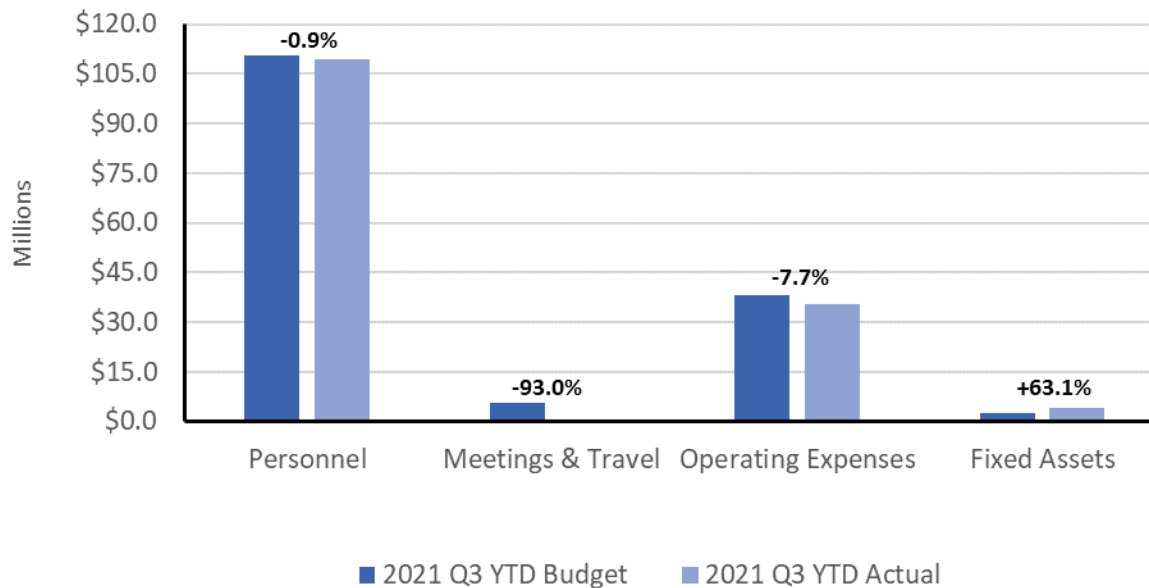
RELIABILITY | RESILIENCE | SECURITY



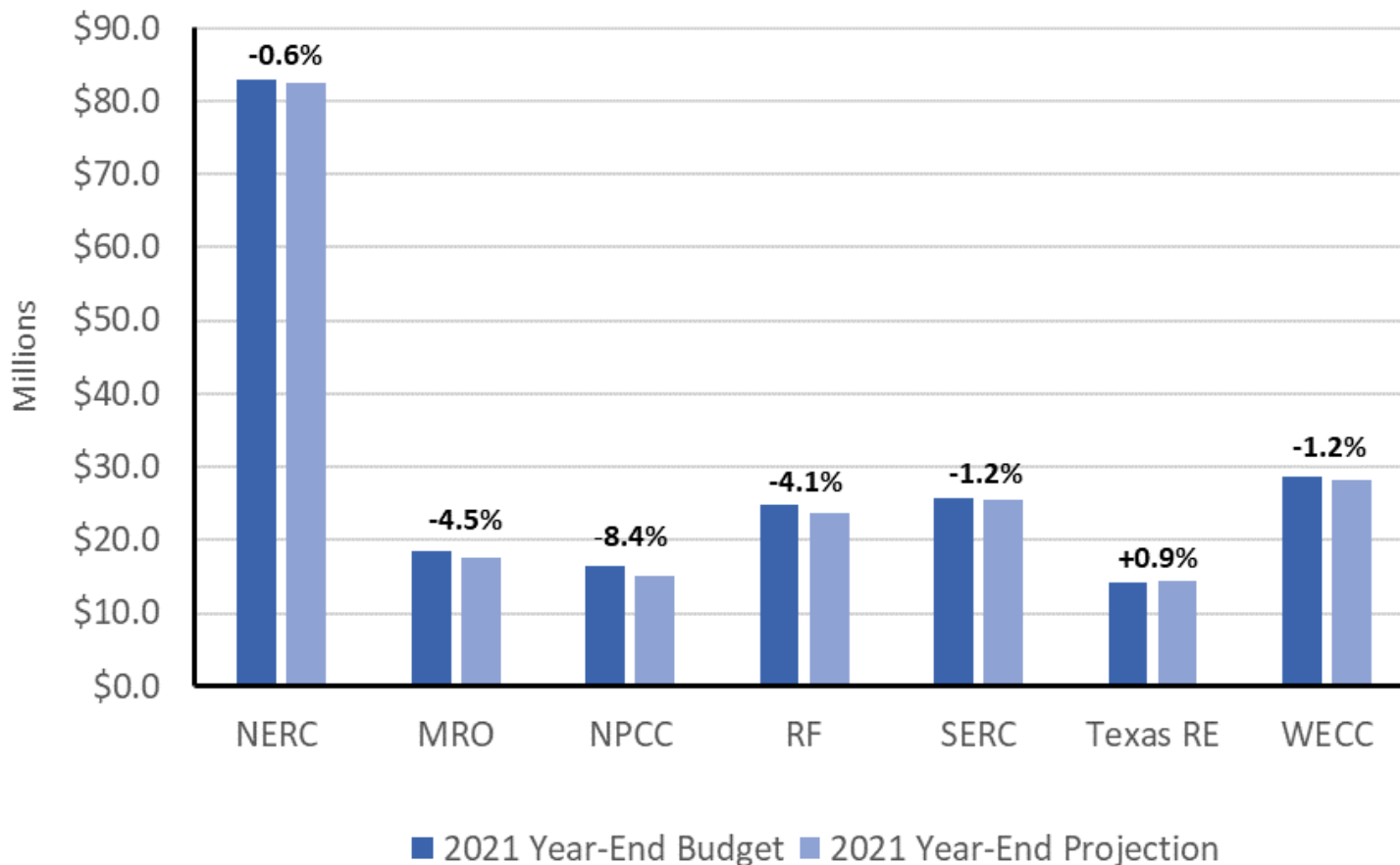
- Total expenditures for the ERO Enterprise were under budget \$7.9M (5.0%).



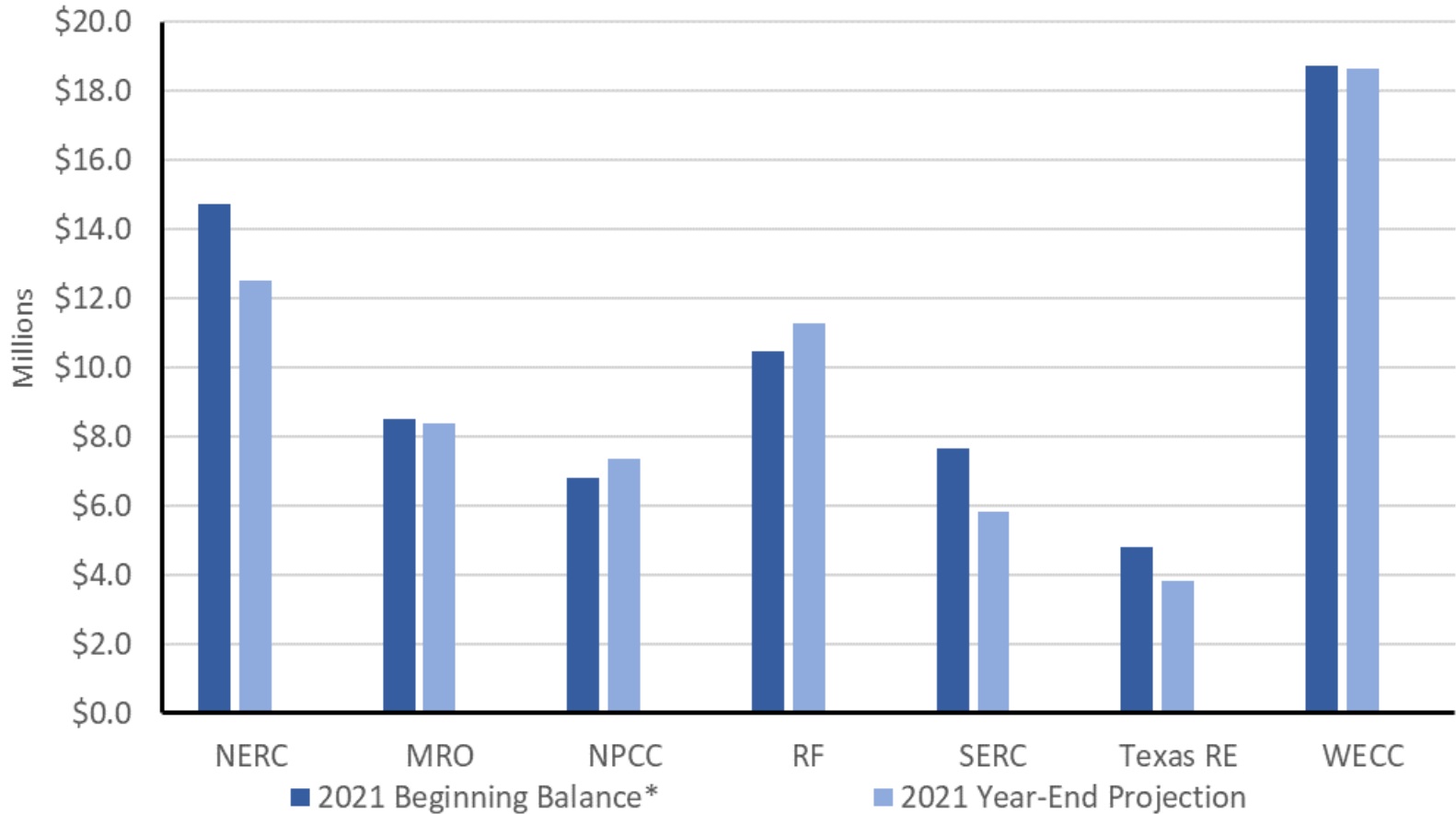
- Personnel – NERC, RF, SERC, & Texas RE were under budget. All other entities were over budget.
- Meetings and Travel – All entities were under budget.
- Operating Expenses – All entities were under budget except RF, Texas RE, & WECC, which were over budget.
- Fixed Assets – NERC, MRO, SERC, & WECC were over budget. NPCC and RF were under budget. Texas RE had no budgeted or actual expenditures through Q3.



- The ERO Enterprise expects to be under budget \$4.3M (2.0%) at year-end.



2021 Projected Total Reserve Balances by Entity



*Adjusted for audited results and all reserve categories

\$ - millions

Entity	Beginning WCOCR ⁽¹⁾	Beginning ASR ⁽²⁾ & Unreleased Penalties	Beginning Other Reserves	1/1/2021 Beginning Total Reserves	Projected Ending WCOCR ⁽¹⁾	Projected Ending ASR ⁽²⁾ & Unreleased Penalties	Projected Ending Other Reserves	12/31/2021 Projected Ending Total Reserves	Total 2021 Budget	% of Reserves to 2021 Total Budget
NERC	\$ 8.1	\$ 2.5	\$ 4.1	\$ 14.7	\$ 7.4	\$ 2.5	\$ 2.6	\$ 12.5	\$ 82.9	15.1%
MRO	5.9	2.6	-	8.5	5.2	3.1	-	8.3	18.4	45.1%
NPCC	5.6	0.6	0.6	6.8	6.3	1.0	-	7.3	16.4	44.5%
RF	4.0	6.5	-	10.5	7.4	3.8	-	11.2	24.8	45.2%
SERC	2.9	4.8	-	7.7	2.4	3.4	-	5.8	25.8	22.5%
Texas RE	2.0	1.6	1.2	4.8	2.0	1.8	-	3.8	14.2	26.8%
WECC	8.6	6.3	3.8	18.7	9.2	5.8	3.8	18.8	28.6	65.7%
	\$ 37.1	\$ 24.9	\$ 9.7	\$ 71.7	\$ 39.9	\$ 21.4	\$ 6.4	\$ 67.7	\$ 211.1	32.1% ⁽³⁾

⁽¹⁾ WCOCR - Working Capital & Operating Contingency Reserve - Projected 12/31/21 WCOCR is 18.9% of annual 2021 budget, or 2.3 months of budgeted expenses

⁽²⁾ ASR - Assessment Stabilization Reserve

⁽³⁾ Projected 12/31/21 total reserve balance is 32.1% of annual 2021 budget, or 3.8 months of budgeted operating expenses



Questions and Answers

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2023 Business Plan & Budget Development Schedule

Andy Sharp, Vice President and Chief Financial Officer
Finance and Audit Committee Open Meeting
November 3, 2021

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- NERC 2023 Business Plan & Budget (BP&B) process enhancements
 - Strategic focus on multi-year planning for significant budget drivers
 - Draft 1 includes following year's budget and future year projections
 - Discontinue Draft 2 BP&B publication, webinar, and comment period
 - Differences between Draft 1 and Final Draft in recent years have been minimal
 - Better alignment with Regional Entity process and reduces administrative burden
 - Final draft continues to be posted prior to request for Board approval
- ERO Enterprise efforts for 2024 BP&B
 - NERC and Regional Entities to work with FERC and stakeholders to develop recommendations that enhance and streamline BP&B document and process

- **Beginning Fall 2021**
 - Three-year (2023–2025) strategic planning for human resources and other major budget drivers
- **February—March 2022**
 - Develop preliminary 2023 budget and 2024 and 2025 projections
- **April 2022**
 - Share preliminary budget and projections
 - Finance and Audit Committee (FAC)
 - Member Representatives Committee (MRC) BP&B Input Group
 - Trades & Forums
 - Member Executive Committee (MEC) for Electricity Information Sharing and Analysis Center (E-ISAC) and Cybersecurity Information Sharing Program (CRISP)

- **May 2022**
 - Draft 1 2023 BP&B previewed during open FAC meeting
 - Draft 1 2023 BP&B posted for comment
- **June 2022**
 - FAC webinar and FERC briefing on NERC and Regional Entity 2023 BP&Bs
 - Draft 1 comment period ends
- **July 2022**
 - Review Draft 1 comments with MRC BP&B Input Group
 - Review and discuss any changes from Draft 1 to Final Draft with FAC, MRC BP&B Input Group, Trades & Forums, and MEC
- **August 2022**
 - Final Draft NERC and Regional Entity 2023 BP&Bs posted in conjunction with August Open FAC materials



Questions and Answers