

# Agenda

## Finance and Audit Committee

August 11, 2021 | 2:30-3:30 p.m. Eastern

**Attendee Webex:** [Join Meeting](#)

**Call to Order**

**Introductions and Chair's Remarks**

**NERC Antitrust Compliance Guidelines\***

### Agenda

1. **Minutes\* – Approve**
  - a. May 12, 2021 Meeting
  - b. June 3, 2021 Informational Session and Webinar
  - c. July 22, 2021 Informational Session and Webinar
2. **Third Quarter Calendar of FAC Responsibilities**
  - a. **Second Quarter Statement of Activities\* – Review and Recommend to Board of Trustees for Acceptance**
    - i. NERC Summary of Results as of June 30, 2021
    - ii. Total ERO Enterprise Summary of Results as of June 30, 2021
    - iii. Regional Entity Variance Reports as of June 30, 2021
  - b. **NERC and Regional Entity Proposed 2022 Business Plans and Budgets and Associated Assessments\* – Review and Recommend to Board of Trustees for Approval**
    - i. NERC 2022 Business Plan and Budget
    - ii. ERO Enterprise Combined 2022 Business Plans and Budgets
    - iii. Regional Entity and WIRAB 2022 Business Plans and Budgets
    - iv. 2022 Assessment Schedule
    - v. NERC Review of Regional Budgets
3. **Other Matters and Adjournment**

\*Background materials included.

# Antitrust Compliance Guidelines

## **I. General**

It is NERC's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC's compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC's antitrust compliance policy is implicated in any situation should consult NERC's General Counsel immediately.

## **II. Prohibited Activities**

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.

- Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

### **III. Activities That Are Permitted**

From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC's Certificate of Incorporation, Bylaws, and Rules of Procedure are followed in conducting NERC business.

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.
- Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.



# **DRAFT Minutes**

## **Finance and Audit Committee**

Agenda Item 1a

May 12, 2021 | 2:30–3:30 p.m. Eastern

Virtual Meeting

Mr. Robert G. Clarke, Chair, called to order a duly noticed open meeting of the Finance and Audit Committee (“FAC” or the “Committee”) of the Board of Trustees (“Board”) of the North American Electric Reliability Corporation (“NERC” or the “Company”) on May 12, 2021, at 2:30 p.m. Eastern, and a quorum was declared present.

Present at the meeting were:

### **Committee Members**

Robert G. Clarke, Chair  
Suzanne Keenan  
Susan N. Kelly  
Jim Piro  
Colleen Sidford  
Kenneth W. DeFontes, Jr., *ex officio*

### **Board of Trustees Members**

George Hawkins  
Robin E. Manning  
James B. Robb, President and Chief Executive Officer  
Roy Thilly

### **NERC Staff**

Tina Buzzard, Assistant Corporate Secretary  
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC  
Erika Chanzas, Manager of Business Planning  
Howard Gugel, Vice President, Engineering Standards, Reliability Standards  
Kelly Hanson, Senior Vice President and Chief Administrative Officer  
Stan Hoptroff, Vice President, Business Technology  
Nina Johnston, Assistant General Counsel  
Mark Lauby, Senior Vice President and Chief Engineer  
Meg Leonard, Controller  
Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary  
Kristin Miller, Director, Internal Audit  
Janet Sena, Senior Vice President, External Affairs  
Andy Sharp, Vice President and Chief Financial Officer  
Mechelle Thomas, Vice President, Compliance, Compliance Assurance

### **Introduction and Chair’s Remarks**

Mr. Clarke welcomed the participants to the meeting and provided an overview of the agenda.

**NERC Antitrust Compliance Guidelines**

Mr. Clarke directed the participants' attention to the NERC Antitrust Compliance Guidelines included in the agenda package, and indicated that all questions regarding antitrust compliance or related matters should be directed to Ms. Mendonça.

**Minutes**

Upon motion duly made and seconded, the February 3, 2021, open meeting minutes were approved as presented at the meeting.

**Second Quarter Calendar of FAC Responsibilities**

Mr. Sharp presented the results of 2020 financial statement independent audit, noting that there had been no findings by Grant Thornton.

Mr. Sharp reviewed the 2021 First Quarter statement of activities for NERC, highlighting that funding was close to budget and that expenditures were under budget. Mr. Sharp compared budget to actual expenditures for various categories of activities. He noted that regarding year end projections, funding is projected to be lower than budgeted due to lower investment returns and system operator certification revenues and that NERC is projecting to be 1.0% over budget due to the postponed CRISP operational technology pilot project which was funded in 2020, but will not incur costs until 2021. Mr. Sharp explained that there will be no assessment impact since CRISP reserves will be used to fund the project costs.

Mr. Sharp reviewed the first quarter results for the rest of the ERO Enterprise, highlighting variances and projected reserve balances by Regional Entity. Mr. Thilly inquired about whether events on the Bulk Power System have affected collection of assessments. Mr. Sharp noted that there have been no significant collection issues to date and there are mechanisms in place to recover unpaid assessments, if needed. NERC is also researching options to potentially help manage future collection risks.

Upon motion duly made and seconded, the Committee approved recommendation of the 2020 financial statement independent audit and first quarter statement of activities for NERC and the ERO Enterprise for approval by the Board.

**2022 Business Plan and Budget (BP&B)**

Mr. Sharp reviewed the first draft of the NERC 2022 BP&B, highlighting proposed additional resources to help NERC focus on priority risks to the bulk power system, and provided an overview of historical resource allocations. Mr. Sharp also summarized the Total ERO Enterprise 2022 BP&B, noting a budget increase of 7% versus prior year and an assessment increase of 9.9% versus prior year. He also reviewed the budget assumptions and key drivers to the budget and noted that the impact of the ongoing office facility negotiations will be reflected in the second draft of the budget.

Mr. Sharp reviewed the ERO Enterprise Draft 1 budget of \$226.0 million, noting a 7.0% increase from prior year, and assessments of \$201.1 million, a 6.5% increase from prior year. He concluded with a review of the remaining schedule for the 2022 BP&B process.

### **Renewal of Line of Credit**

Mr. Sharp reviewed NERC's line of credit renewal, referencing the bank term sheet reviewed in closed session on May 11, 2021. Mr. Sharp requested that the Committee recommend for the Board to approve the renewal of NERC's line of credit and requested authorization for NERC management to take necessary actions to renew this credit facility each year, barring any material changes. Upon motion duly made and seconded, the Committee recommended the authorization of NERC management to renew the line of credit for the current year and for future years for approval by the Board, if the terms of the renewal are substantially the same.

Submitted by,



Sônia Mendonça  
Corporate Secretary



# **DRAFT Minutes** **Finance and Audit Informational Session and Webinar**

Agenda Item 1b

June 3, 2021 | 2:00–3:30 p.m. Eastern

Virtual Meeting

Mr. Robert G. Clarke, Chair, called to order a duly noticed open meeting of the Finance and Audit Committee (“FAC” or the “Committee”) of the Board of Trustees (“Board”) of the North American Electric Reliability Corporation (“NERC” or the “Company”) on June 3, 2021, at 2:00 p.m. Eastern, and a quorum was declared present.

Present at the meeting were:

#### **Committee Members**

Robert G. Clarke, Chair  
Suzanne Keenan  
Susan N. Kelly  
Jim Piro  
Colleen Sidford  
Kenneth W. DeFontes, Jr., *ex officio*

#### **Board of Trustees Members**

Jane Allen  
George S. Hawkins  
Robin E. Manning  
James B. Robb, President and Chief Executive Officer  
Roy Thilly

#### **NERC Staff**

Tina Buzzard, Assistant Corporate Secretary  
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC  
Erika Chanzas, Manager of Business Planning  
Kelly Hanson, Senior Vice President and Chief Administrative Officer  
Nina Johnston, Assistant General Counsel  
Mark Lauby, Senior Vice President and Chief Engineer  
Meg Leonard, Controller  
Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary  
Kristin Miller, Director, Internal Audit  
Janet Sena, Senior Vice President, External Affairs  
Andy Sharp, Vice President and Chief Financial Officer

#### **Regional Entity Staff**

Carol Baskey, ReliabilityFirst  
Lisa Brohaugh, Western Interconnection Regional Advisory Body  
Lam Chung, Midwest Reliability Organization  
Judy Foppiano, Texas Reliability Entity, Inc.  
Jessica Hala, Northeast Power Coordinating Council, Inc.

George Krogstie, SERC Reliability Corporation  
Jillian Lessner, Western Electricity Coordinating Council  
Wynne Schweitzer, Western Electricity Coordinating Council

### **Introduction and Chair's Remarks**

Mr. Clarke welcomed the participants to the meeting and provided an overview of the agenda. He noted that comments on the first draft of the NERC 2022 Business Plan and Budget are due by June 18, 2021.

### **NERC Antitrust Compliance Guidelines**

Mr. Clarke directed the participants' attention to the NERC Antitrust Compliance Guidelines included in the agenda package, and indicated that all questions regarding antitrust compliance or related matters should be directed to Ms. Mendonça.

### **NERC 2022 Draft Business Plan and Budget (BP&B)**

Mr. Sharp presented the draft 2022 BP&B, referencing the materials in the advance agenda package. He discussed the 2022 budget drivers, highlighting efficiencies in the 2022 BP&B as compared to the Company's budget in 2013. Mr. Sharp noted the growth in the 2022 BP&B with relation to operational areas of the Company, excluding the E-ISAC and CRISP. Mr. Sharp reviewed the 2022 budget by program area, 2022 assessment details, and the projected reserve balances. He noted that NERC's preliminary 2023 and 2024 projections will be included in the next draft of the 2022 BP&B.

### **Regional Entities' and WIRAB 2022 Draft Business Plans and Budgets**

The Regional Entities' and WIRAB's representatives provided an overview of their draft 2022 BP&Bs, referencing materials included in the advance agenda package.

### **2022 ERO Enterprise Combined Budgets and Assessments Overview**

Mr. Sharp reviewed the combined ERO Enterprise combined budgets and assessments, referencing the materials included in the advance agenda package. He reviewed the ERO Enterprise long-term strategy focus areas, the ERO Enterprise 2022 preliminary budget by program area, and preliminary assessments.

### **Closing Remarks and Adjournment**

Mr. Clarke adjourned the open session and excused all Regional Entity and NERC staff. The Committee continued in executive session with the Trustees, Mr. Sharp, Ms. Hanson, and Mr. Walker to discuss contract matters.

Submitted by,



Sônia Mendonça  
Corporate Secretary





# **DRAFT Minutes**

## **Finance and Audit Committee**

Agenda Item 1c

July 22, 2021 | 2:00–3:30 p.m. Eastern

Virtual Meeting

Mr. Robert G. Clarke, Chair, called to order a duly noticed open meeting of the Finance and Audit Committee (“FAC” or the “Committee”) of the Board of Trustees (“Board”) of the North American Electric Reliability Corporation (“NERC” or the “Company”) on July 22, 2021, at 2:00 p.m. Eastern, and a quorum was declared present.

Present at the meeting were:

### **Committee Members**

Robert G. Clarke, Chair  
Larry Irving  
Suzanne Keenan  
Susan N. Kelly  
Jim Piro  
Colleen Sidford  
Kenneth W. DeFontes, Jr., *ex officio*

### **Board of Trustees Members**

Jane Allen  
Robin E. Manning  
James B. Robb  
Roy Thilly

### **NERC Staff**

Tina Buzzard, Assistant Corporate Secretary  
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC  
Erika Chanzas, Manager of Business Planning  
Howard Gugel, Vice President, Engineering and Standards  
Kelly Hanson, Senior Vice President and Chief Administrative Officer  
Stan Hoptroff, Vice President, Business Technology  
Nina Johnston, Assistant General Counsel  
Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary  
Kristin Miller, Director, Internal Audit  
Janet Sena, Senior Vice President, External Affairs  
Andy Sharp, Vice President and Chief Financial Officer  
Mechelle Thomas, Vice President, Compliance, Compliance Assurance

### **Regional Entity Staff**

Carol Baskey, ReliabilityFirst  
Irma Bernard, Texas Reliability Entity, Inc.  
Lisa Brohaugh, Western Interconnection Regional Advisory Body  
Lam Chung, Midwest Reliability Organization  
Jessica Hala, Northeast Power Coordinating Council, Inc.

George Krogstie, SERC Reliability Corporation  
Wynne Schweitzer, Western Electricity Coordinating Council

### **Introduction and Chair's Remarks**

Mr. Clarke welcomed the participants to the meeting and provided an overview of the agenda. Mr. Sharp advised that the webinar will focus on comments on the second draft of the 2022 Business Plan and Budget.

### **NERC Antitrust Compliance Guidelines**

Mr. Clarke directed the participants' attention to the NERC Antitrust Compliance Guidelines included in the agenda package, and indicated that all questions regarding antitrust compliance or related matters should be directed to Ms. Mendonça.

### **NERC 2022 Second Draft Business Plan and Budget**

Mr. Sharp presented the second draft of the 2022 Business Plan and Budget, referencing the materials in the advance agenda package. NERC received six comments on the second draft which touched on the need for addressing priority Bulk Power System reliability and security, concerns around increases given challenges faced by industry, and efforts to increase efficiency.

Mr. Sharp discussed the second draft updates. He noted that the second draft budget reflects a decrease in the budget and assessments from the first draft. There are no changes to full-time employees for the second draft and no proposed use of reserves or capital financing.

Mr. Sharp outlined NERC's preliminary 2023 and 2024 projections, which are based on management's current estimates. These projects contemplate resource additions and system enhancements, gradual increase in meetings and travel expenses, albeit lower than pre-COVID levels. DC office savings are expected to continue. There are no assumptions regarding the Atlanta office.

Mr. Sharp shared that NERC's response to the first draft comments were filed on July 15, 2021 and industry comments on the second draft are due by July 28, 2021.

### **Regional Entities' and WIRAB 2022 Second Draft Business Plans and Budgets**

The Regional Entities' and WIRAB's representatives provided an overview of their second draft 2022 business plans and budgets, referencing materials included in the advance agenda package.

### **2022 ERO Enterprise Combined Budgets and Assessments Overview**

Mr. Sharp reviewed the combined ERO Enterprise combined budgets and assessments, referencing the material included in the advance agenda package. He reviewed the ERO Enterprise long-term strategy focus areas, the changes in ERO Enterprise budgets and assessments by Regional Entity between 2021 and 2022, and a breakdown of the budget for 2022 by program area.

### **Closing Remarks and Adjournment**

There being no further business, Mr. Clarke adjourned the open session.



Submitted by,

A handwritten signature in black ink, appearing to read "Sônia", is placed within a light gray rectangular box. The signature is fluid and cursive.

Sônia Mendonça  
Corporate Secretary



# Summary of Unaudited Results For the Period Ending June 30, 2021

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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	\$ 80.9	\$ 81.2	\$ (0.3)
Funding from Reserves			
Assessment Stabilization Reserve	-	-	-
<b>TOTAL FUNDING</b>	<b>\$ 80.9</b>	<b>\$ 81.2</b>	<b>\$ (0.3)</b>
<b><u>EXPENDITURES</u></b>			
Expenses (excluding Depreciation)	\$ 80.7	\$ 79.3	\$ 1.4
Fixed Asset Additions	3.3	2.8	0.5
Net Financing Activity	(0.1)	0.8	(0.9)
<b>TOTAL EXPENDITURES</b>	<b>\$ 83.9</b>	<b>\$ 82.9</b>	<b>\$ 1.0</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ (3.0)</b>	<b>\$ (1.7)</b>	<b>\$ (1.3)</b>

#### Funding

- Revenues
  - Investment income and SOCCED revenues expected to be lower than budget.

#### Expenditures

- Expenses (excluding depreciation)
  - Personnel expenses are expected to be over budget mainly due to lower than budgeted attrition, partially offset by lower parking and transportation benefits due to the pandemic.
  - Meeting and Travel expenses are projected to be under budget largely because of reduced in-person meetings and lower employee travel due to the pandemic.
  - Contracts and Consultants expenses are expected to be over budget primarily attributable to the CRISP operational technology pilot program costs that were budgeted for in 2020 but for which the costs will be incurred in 2021 (and funded with money collected from and reserved by the CRISP participants in 2020), and costs for standards project support, reliability assessments studies, workforce development, internal audit support, and IT contractors.
  - Office Costs expenses are projected to be over budget mainly as a result of higher than budgeted software costs for the CRISP program (a portion of which will be funded with the aforementioned CRISP reserve).

- Professional Services expenses are expected to be over budget largely due to fees for an additional NERC trustee and increased costs for liability insurance.
- Fixed Asset Additions
  - Projected to be over budget primarily because of the timing of approximately \$700k in expenditures for the ERO Secure Evidence Locker (ERO SEL) project that were approved to be spent and financed in 2020, but will be incurred and financed in 2021. This is partially offset by lower than expected spending for IT equipment and servers.
- Net Financing Activity
  - The 2021 budget did not contemplate loan proceeds, but due to the timing of expenditures on the ERO SEL capital investment, NERC is projected to borrow approximately \$700k in 2021 to fund the carryover costs. Accordingly, debt principal payments in 2021 will be lower than budgeted since the loan advance will not occur until later in the year. The total borrowing for the ERO SEL project in 2020 and 2021 will be at or below the total amount of \$2.0 million approved by the NERC Board of Trustees for the project initial investment.

#### **Reserve Increase (Decrease)**

- Total projected reserve decrease is \$3.0M versus a budgeted decrease of \$1.7M, for a difference of \$1.3M, which is primarily comprised of the \$1.0M unbudgeted use of CRISP reserves for operational technology pilot project costs and the unbudgeted use of \$300k of System Operator reserves. The remaining \$1.7M decrease of Operating Contingency Reserves is on budget.

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

<u>FUNDING</u>	Actual	Budget	Over (Under)
Revenues	\$ 40.4	\$ 40.6	\$ (0.2)
Funding from Reserves			
Assessment Stabilization Reserve	-	-	-
<b>TOTAL FUNDING</b>	<b>\$ 40.4</b>	<b>\$ 40.6</b>	<b>\$ (0.2)</b>
<b>EXPENDITURES</b>			
Expenses (excluding Depreciation)	\$ 37.3	\$ 40.0	\$ (2.7)
Fixed Asset Additions	1.3	1.4	(0.1)
Net Financing Activity	0.3	0.4	(0.1)
<b>TOTAL EXPENDITURES</b>	<b>\$ 38.9</b>	<b>\$ 41.8</b>	<b>\$ (2.9)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1.5</b>	<b>\$ (1.2)</b>	<b>\$ 2.7</b>

#### Funding

- Revenues
  - Investment income and SOCCED revenues are lower than budget.

#### Expenditures

- Expenses (excluding depreciation)
  - Personnel expenses are under budget mainly due to the timing of training class costs versus the budget, lower than budgeted medical insurance premiums, and lower parking and transportation benefits due to the pandemic.
  - Meeting and Travel expenses are under budget largely because of reduced in-person meetings and lower employee travel due to the pandemic.
  - Contracts and Consultants expenses are lower than budget primarily attributable to timing of costs versus the budget.

#### Reserve Increase (Decrease)

- Actual reserve increase is higher than budget by \$2.7 million, primarily due to the timing of expenditures and reduced in-person meeting, travel, and benefit costs due to the pandemic.

## 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)
<b>TOTAL FUNDING</b>	<b>\$ 40,439,159</b>	<b>\$ 40,577,496</b>	<b>\$ (138,338)</b>	<b>(0.3%)</b>	<b>\$ 80,888,955</b>	<b>\$ 81,155,550</b>	<b>\$ (266,595)</b>	<b>(0.3%)</b>
<b>EXPENDITURES</b>								
Personnel	\$ 24,041,951	\$ 24,475,463	\$ (433,512)	(1.8%)	\$ 48,534,952	\$ 48,189,435	\$ 345,517	0.7%
Meetings and Travel	134,675	1,100,874	(966,199)	(87.8%)	761,968	2,201,748	(1,439,780)	(65.4%)
Consultants and Contracts	5,299,426	6,345,907	(1,046,481)	(16.5%)	14,639,818	12,691,813	1,948,005	15.3%
Office Rent	1,739,619	1,801,721	(62,103)	(3.4%)	3,603,442	3,603,442	-	0.0%
Office Costs, Professional, and Misc.*	6,098,339	6,235,520	(137,181)	(2.2%)	12,987,462	12,471,039	516,423	4.1%
Other Non-Operating	29,592	64,831	(35,239)	(54.4%)	181,049	129,661	51,388	39.6%
Fixed Asset Additions*	1,347,788	1,375,750	(27,962)	(2.0%)	3,286,328	2,751,500	534,828	19.4%
Net Financing Activity**	325,693	422,301	(96,607)	(22.9%)	(83,519)	844,601	(928,120)	(109.9%)
<b>TOTAL EXPENDITURES</b>	<b>\$ 39,017,082</b>	<b>\$ 41,822,366</b>	<b>\$ (2,805,284)</b>	<b>(6.7%)</b>	<b>\$ 83,911,501</b>	<b>\$ 82,883,240</b>	<b>\$ 1,028,261</b>	<b>1.2%</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1,422,076</b>	<b>\$ (1,244,870)</b>	<b>\$ 2,666,946</b>	<b>(214.2%)</b>	<b>\$ (3,022,546)</b>	<b>\$ (1,727,689)</b>	<b>\$ (1,294,857)</b>	<b>74.9%</b>
<b>FTEs</b>	<b>207.1</b>	<b>213.4</b>	<b>(6.3)</b>	<b>(3.0%)</b>	<b>209.0</b>	<b>213.4</b>	<b>(4.4)</b>	<b>(2.1%)</b>

\* 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.

Following is a brief summary of variances by category:

- Personnel expenses are under budget mainly due to the timing of training class costs versus the budget, lower than budgeted medical insurance premiums because of reduced rates, and lower parking and transportation benefits due to the pandemic. They are expected to be over budget mainly due to lower than budgeted attrition, partially offset by lower parking and transportation benefits due to the pandemic.
- Meetings and Travel expenses are under budget and expected to be under budget at year-end because of reduced in-person meetings and travel due to the pandemic.
- Contracts and Consultants expenses are under budget mainly attributable to timing of costs versus the budget and are expected to be over budget at year-end due to CRISP operational technology pilot program costs that were budgeted for in 2020 but will be spent in 2021 (and funded with CRISP reserves), and costs for standards project support, reliability assessments studies, workforce development, internal audit support, and IT contractors.





CONTRACTS and CONSULTANTS	YTD	YTD	YTD	%	Annual	Annual	Annual	%
	Actual	Budget	Over (Under)	Over (Under)	Projection	Budget	Over (Under)	Over (Under)
Reliability Standards and Risk Issue Management	\$ 104,919	\$ 57,276	\$ 47,643	83.2%	\$ 271,080	\$ 114,552	\$ 156,528	136.6%
Compliance Assurance	42,625	25,000	17,625	70.5%	198,400	50,000	148,400	296.8%
Registration and Certification	21,750	19,776	1,974	10.0%	41,760	39,552	2,208	5.6%
Compliance Enforcement	-	34,500	(34,500)	(100.0%)	50,000	69,000	(19,000)	(27.5%)
BPS Security and Grid Transformation	-	-	-	0.0%	-	-	-	0.0%
Reliability Assessment and Technical Committees	21,750	29,776	(8,026)	(27.0%)	215,580	59,552	156,028	262.0%
Advanced System Analytics and Modeling & Power System Analysis	50,000	82,500	(32,500)	(39.4%)	165,000	165,000	-	0.0%
Performance Analysis	55,501	89,325	(33,825)	(37.9%)	167,680	178,651	(10,971)	(6.1%)
Situation Awareness	-	7,500	(7,500)	(100.0%)	15,000	15,000	-	0.0%
Event Analysis	40,095	57,795	(17,700)	(30.6%)	117,680	115,590	2,090	1.8%
E-ISAC	1,132,951	1,199,959	(67,008)	(5.6%)	2,482,645	2,399,918	82,727	3.4%
Training, Education and Personnel Certification	94,578	279,325	(184,748)	(66.1%)	564,650	558,650	6,000	1.1%
General and Administrative and Executive	25,054	-	25,054	0.0%	60,000	-	60,000	0.0%
Legal and Regulatory	-	105,000	(105,000)	(100.0%)	445,000	210,000	235,000	111.9%
External Affairs	36,660	10,000	26,660	266.6%	56,713	20,000	36,713	183.6%
Information Technology	790,850	817,813	(26,963)	(3.3%)	1,994,793	1,635,625	359,168	22.0%
Human Resources and Administration	326,743	305,000	21,743	7.1%	752,900	610,000	142,900	23.4%
Finance and Accounting	17,787	62,500	(44,714)	(71.5%)	125,000	125,000	-	0.0%
<b>TOTAL (excluding CRISP)</b>	<b>\$ 2,761,261</b>	<b>\$ 3,183,045</b>	<b>\$ (421,784)</b>	<b>(13.3%)</b>	<b>\$ 7,723,881</b>	<b>\$ 6,366,090</b>	<b>\$ 1,357,791</b>	<b>21.3%</b>
CRISP	2,538,165	3,162,861	(624,697)	(19.8%)	6,915,937	6,325,723	590,214	9.3%
<b>TOTAL (including CRISP)</b>	<b>\$ 5,299,426</b>	<b>\$ 6,345,907</b>	<b>\$ (1,046,481)</b>	<b>(16.5%)</b>	<b>\$ 14,639,818</b>	<b>\$ 12,691,813</b>	<b>\$ 1,948,005</b>	<b>15.3%</b>

- Office Costs expenses are projected to be over budget mainly as a result of higher than budgeted software costs (a portion of which is being funded with the CRISP reserves).
- Professional Services expenses are expected to be over budget largely due to fees for an additional NERC trustee and increased costs for liability insurance.
- Fixed Asset Additions are projected to be over budget primarily because of the timing of approximately \$700k in expenditures for the ERO Secure Evidence Locker (ERO SEL) project that were approved to be spent and financed in 2020, but will be incurred and financed in 2021. These costs will be partially offset by lower than expected spending for IT equipment and servers.
- Net Financing Activity budget did not contemplate loan proceeds, but due to the timing of expenditures on the ERO SEL capital investment, NERC is projected to borrow approximately \$700k in 2021 to fund the carryover costs. Accordingly, principal payments in 2021 will be lower than budgeted since the loan advance will not occur until later in the year. The total borrowing for the ERO SEL project in 2020 and 2021 will be at or below the total amount of \$2.0 million approved by the NERC Board of Trustees for the project initial investment.



### Variations by Department

DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	YTD	YTD	YTD	%	Annual	Annual	Annual	%
	Actual	Budget	Over (Under)	Over (Under)	Projection	Budget	Over (Under)	Over (Under)
Reliability Standards and Risk Issue Management	\$ 1,901,281	\$ 1,842,058	\$ 59,223	3.2%	\$ 3,925,881	\$ 3,627,620	\$ 298,260	8.2%
Compliance Assurance	3,130,492	3,311,488	(180,996)	(5.5%)	6,102,360	6,508,460	(406,101)	(6.2%)
Registration and Certification	556,201	639,603	(83,402)	(13.0%)	1,186,397	1,248,210	(61,813)	(5.0%)
Compliance Enforcement	2,083,129	2,144,021	(60,892)	(2.8%)	4,034,488	4,244,467	(209,979)	(4.9%)
Power System Analysis	152,249	140,854	11,395	8.1%	429,361	428,239	1,122	0.3%
Reliability Assessment and Technical Committees	923,858	1,001,050	(77,193)	(7.7%)	2,009,428	1,957,274	52,154	2.7%
Advanced System Analytics and Modeling & Power System Analysis	1,027,434	1,276,558	(249,125)	(19.5%)	2,169,871	2,503,640	(333,769)	(13.3%)
Performance Analysis	718,392	824,819	(106,427)	(12.9%)	1,557,652	1,665,414	(107,762)	(6.5%)
Situation Awareness	1,290,348	1,412,659	(122,311)	(8.7%)	2,921,550	2,790,692	130,858	4.7%
Event Analysis	983,140	1,229,004	(245,864)	(20.0%)	1,933,710	2,389,731	(456,020)	(19.1%)
E-ISAC	6,046,411	6,377,367	(330,956)	(5.2%)	12,625,794	12,698,677	(72,884)	(0.6%)
Training, Education and Personnel Certification	603,014	822,935	(219,921)	(26.7%)	1,657,197	1,635,119	22,078	1.4%
General and Administrative and Executive	4,194,067	4,251,047	(56,980)	(1.3%)	8,746,796	8,445,444	301,352	3.6%
Legal and Regulatory	2,160,090	2,367,761	(207,671)	(8.8%)	4,893,832	4,631,911	261,921	5.7%
External Affairs	1,443,303	1,459,906	(16,603)	(1.1%)	2,908,964	2,859,325	49,639	1.7%
Information Technology	6,189,998	6,531,575	(341,577)	(5.2%)	13,075,447	12,936,602	138,845	1.1%
Human Resources and Administration	1,361,661	1,400,088	(38,427)	(2.7%)	3,100,946	2,775,720	325,226	11.7%
Finance and Accounting	1,001,079	1,039,098	(38,018)	(3.7%)	2,107,712	2,052,043	55,669	2.7%
<b>TOTAL (excluding CRISP)</b>	<b>\$ 35,766,147</b>	<b>\$ 38,071,891</b>	<b>\$ (2,305,744)</b>	<b>(6.1%)</b>	<b>\$ 75,387,387</b>	<b>\$ 75,398,589</b>	<b>\$ (11,202)</b>	<b>(0.0%)</b>
CRISP	3,250,936	3,750,475	(499,540)	(13.3%)	8,524,114	7,484,651	1,039,464	13.9%
<b>TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY</b>	<b>\$ 39,017,082</b>	<b>\$ 41,822,366</b>	<b>\$ (2,805,283)</b>	<b>(6.7%)</b>	<b>\$ 83,911,501</b>	<b>\$ 82,883,240</b>	<b>\$ 1,028,261</b>	<b>1.2%</b>

Following is a brief summary of significant variances by department:

- Reliability Standards and Risk Issue Management – Expected to be over budget in personnel costs mainly due to the repurposing of one FTE from the Advanced System Analytics and Modeling & Power System Analysis department and higher than budgeted contractor costs.
- Compliance Assurance – Projected to be under budget largely because of lower personnel costs due to the repurposing of one position, as well as lower meeting and travel expenses.
- Advanced System Analytics and Modeling & Power System Analysis – Under budget and expected to be under budget primarily attributable to the repurposing of one FTE to the Reliability Standards and Risk Issue Management department and also because of lower travel, meeting, and software license and support costs.
- Event Analysis – Expected to be under budget mainly as a result of lower personnel expenses due to the transfer of an open FTE position to Situation Awareness and also because of lower travel expenses.
- E-ISAC – Under budget largely due to lower benefit costs, travel and meeting expenses, and the timing of contractor and software license costs versus the budget.
- General and Administrative and Executive – Projected to be over budget due to higher personnel expense primarily from lower than budgeted attrition and support for administrative and facility projects, fees for an additional NERC trustee, and higher liability insurance costs, which are partially offset by lower travel, meetings, and office supplies expense.
- Legal and Regulatory – Expected to be over budget primarily due to internal audit staff augmentation and support for corporate risk management initiatives.

- Information Technology – Under budget primarily because of lower travel and meeting expenses, timing of software license costs versus the budget, and reduced equipment purchases.
- Human Resources – Expected to be over budget mainly attributable to higher personnel expenses and workforce development support costs.
- CRISP – Under budget largely as a result of the timing of costs versus the budget for contractor costs and is expected to be over budget because of the operational technology pilot program costs that were budgeted for in 2020 but will be spent in 2021 (and funded with CRISP reserves).

## Supplemental Schedules

### Schedule 1 – Year-End Projected Reserves

Reserve Account	1/1/2021		Unbudgeted Funding/(Use)	Operating and Financing Activity Versus Budget <sup>(3)</sup>	12/31/2021	
	Beginning Balance <sup>(1)</sup>	Budgeted Funding/(Use) <sup>(2)</sup>			Ending Balance	
Operating Contingency	\$ 7,982,913	\$ (1,800,000)	\$ -	\$ 85,294	\$ 6,268,207	
Future Obligations	1,657,901	(551,600)	-	-	1,106,301	
Assessment Stabilization	2,521,000	-	-	-	2,521,000	
System Operator	996,220	-	-	(258,290)	737,930	
CRISP (Defense Fund)	500,000	-	-	-	500,000	
CRISP (Special Projects)	1,049,549	-	-	(1,049,549)	-	
<b>Total Reserves</b>	<b>\$ 14,707,584</b>	<b>\$ (2,351,600)</b>	<b>\$ -</b>	<b>\$ (1,222,546)</b>	<b>\$ 11,133,438</b>	

**NOTES:**

(1) 2021 beginning balances have been adjusted from the 12/31/2020 variance report balances as the result of a reconciliation to the final audited balance sheet.

(2) The 2021 Business Plan & Budget contained a budgeted use of Operating Contingency Reserves totaling \$1,800,000 to lower assessments for costs associated with the Compliance Monitoring and Enforcement Program Align project. The Future Obligations Reserve decrease of \$551,600 is a budgeted use of deferred rent reserves to fund a portion of office lease costs.

(3) This column primarily reflects the net impact of normal operations. For example, under normal circumstances, if NERC was 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.



### Schedule 2 – IT Projects

Projects in Progress	Project Budget <sup>(1)</sup>	Actual Spend to Date	Expected Spend	Expected Over (Under) Budget
Align (2017-2021)	\$ 7,203,000	\$ 6,505,368	\$ 7,203,000	\$ -
E-ISAC Portal Replacement	259,680	259,680	259,680	-
SAFNR Disaster Recovery	78,516	67,372	67,372	(11,144)
CRISP Dragos Operational Technology Pilot	426,000	-	426,000	-

  

Projects Completed in 2021	Project Budget <sup>(1)</sup>	Actual Spend
Secure Evidence Locker <sup>(2)</sup>	\$ 2,265,000	\$ 1,818,900
Mobile Device Management/Laptop Build	36,000	62,573

**NOTES:**

(1) The Project Budget noted above usually corresponds to the approved business case for each project and funds for each project are drawn from the available budget. In some projects, business cases may not be prepared, particularly when a project is smaller and/or may be in response to a FERC order.

(2) Still awaiting the final invoices for this project.

\* Some of these projects span multiple years, so the amounts above do not represent a single budget year expenditure.

\* The amounts noted above do not include internal labor or license/maintenance/support costs and reflect only external (consultant) costs of the projects.

## Schedule 2 (continued) – IT Projects

### Align

(Started Q2 2017 / Planned Completion Q4 2021)

This project will provide registered entities, Regional Entities, and NERC the ability manage the compliance and enforcement processes and data in a single ERO Enterprise system. Today, those processes and related data are managed across three separate systems that have to be synchronized (webCDMS, CITS, and CRATS).

### E-ISAC Portal Replacement

(Started Q3 2020 / Planned Completion Q3 2021)

This project will re-platform the current portal and ticket/case system, which will combine the functions and services into a single E-ISAC Sharing Platform (ESP) solution, allowing members, partners, and the E-ISAC staff to interact more effectively and efficiently.

### SAFNR Disaster Recovery

(Started Q3 2020 / Planned Completion Q3 2021)

Project objective is to install a redundant instance of the SAFNR application in NERC's data warehouse to be activated in a disaster recovery situation should the primary site become physically unavailable.

### CRISP Dragos Operational Technology Pilot

(Started Q4 2020 / Planned Completion Q4 2021)

The objective of this project is to measure the capabilities of the Dragos Platform to evaluate cyber security risks based upon data made available through CRISP. Additionally, the pilot will promote E-ISAC analyst training and capabilities through guided-hunt participation and development of other cyber security threat intelligence best practices (such as generation of analytics and playbooks). The one-year pilot will be funded through CRISP and benefit its participants, but will enrich the overall threat intelligence capabilities of the E-ISAC.

### Secure Evidence Locker

(Started Q2 2020 / Completed Q1 2021)

This is a key component of the NERC's reimagined suite of Compliance Monitoring and Enforcement Program (CMEP) work and data management tools and is being implemented in conjunction with Align. It will be used for the collection and analysis of evidence provided by registered entities in connection with CMEP activities.

### Mobile Device Management/Laptop Build

(Started Q1 2021 / Completed Q2 2021)

This project provided NERC with the capability to secure mobile devices and also to send laptops to remote employees and have most of the build completed remotely thereby reducing the time required to build the laptop in the office and then ship to employees.

### Schedule 3 – E-ISAC and CRISP Summary of Activity

#### TOTAL E-ISAC (including CRISP)

FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 11,336,517	\$ 22,673,035	\$ 22,673,035	\$ -
Other Funding	3,563,995	7,158,110	7,148,703	9,407
<b>TOTAL FUNDING</b>	<b>\$ 14,900,512</b>	<b>\$ 29,831,145</b>	<b>\$ 29,821,738</b>	<b>\$ 9,407</b>
<b>EXPENDITURES</b>				
Personnel Expense	\$ 4,622,787	\$ 9,471,381	\$ 9,463,819	\$ 7,562
Meetings and Travel Expense	52,759	153,219	297,080	(143,861)
Operating Expenses (excluding Depreciation)	4,567,800	11,410,058	10,339,429	1,070,629
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	54,000	115,250	83,000	32,250
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 9,297,346	\$ 21,149,908	\$ 20,183,328	\$ 966,580
Indirect Expense Allocation	4,645,602	9,966,789	9,315,576	651,213
Fixed Asset Allocation	14,636	130,759	188,624	(57,865)
Net Financing Activity Allocation	94,718	113,290	134,209	(20,920)
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 14,052,302</b>	<b>\$ 31,360,746</b>	<b>\$ 29,821,738</b>	<b>\$ 1,539,009</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 848,210</b>	<b>\$ (1,529,602)</b>	<b>\$ 0</b>	<b>\$ (1,529,602)</b>

### Schedule 3 (continued) – E-ISAC and CRISP Summary of Activity

CRISP				
FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 547,932	\$ 1,095,863	\$ 1,095,863	\$ -
Other Funding	3,532,974	7,097,260	7,100,343	(3,084)
<b>TOTAL FUNDING</b>	<b>\$ 4,080,905</b>	<b>\$ 8,193,123</b>	<b>\$ 8,196,207</b>	<b>\$ (3,084)</b>
<b>EXPENDITURES</b>				
Personnel Expense	\$ 419,381	\$ 878,185	\$ 833,011	\$ 45,174
Meetings and Travel Expense	259	8,105	28,939	(20,834)
Operating Expenses (excluding Depreciation)	2,777,296	7,563,825	6,572,701	991,124
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	54,000	74,000	50,000	24,000
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 3,250,936	\$ 8,524,114	\$ 7,484,651	\$ 1,039,464
Indirect Expense Allocation	399,847	767,274	687,687	79,587
Fixed Asset Allocation	1,260	10,066	13,946	(3,880)
Net Financing Activity Allocation	8,152	8,721	9,923	(1,201)
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 3,660,194</b>	<b>\$ 9,310,176</b>	<b>\$ 8,196,207</b>	<b>\$ 1,113,970</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 420,711</b>	<b>\$ (1,117,053)</b>	<b>\$ (0)</b>	<b>\$ (1,117,053)</b>

E-ISAC (excluding CRISP)				
FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 10,788,586	\$ 21,577,172	\$ 21,577,172	\$ -
Other Funding	31,021	60,850	48,360	12,490
<b>TOTAL FUNDING</b>	<b>\$ 10,819,607</b>	<b>\$ 21,638,022</b>	<b>\$ 21,625,531</b>	<b>\$ 12,490</b>
<b>EXPENDITURES</b>				
Personnel Expense	\$ 4,203,407	\$ 8,593,196	\$ 8,630,809	\$ (37,612)
Meetings and Travel Expense	52,500	145,115	268,141	(123,026)
Operating Expenses (excluding Depreciation)	1,790,504	3,846,233	3,766,728	79,505
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	41,250	33,000	8,250
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 6,046,411	\$ 12,625,794	\$ 12,698,677	\$ (72,884)
Indirect Expense Allocation	4,245,756	9,199,515	8,627,890	571,626
Fixed Asset Allocation	13,376	120,693	174,678	(53,985)
Net Financing Activity Allocation	86,566	104,568	124,286	(19,718)
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 10,392,108</b>	<b>\$ 22,050,570</b>	<b>\$ 21,625,531</b>	<b>\$ 425,039</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 427,499</b>	<b>\$ (412,548)</b>	<b>\$ 0</b>	<b>\$ (412,548)</b>



### Schedule 4 – Summary of Investments

	Quarter-End	Ticker		S&P	Average
	Balance	Symbol	Fund Name	Credit Rating	Annualized
					Yield
<u>Cash Sweep Accounts</u>					
Operating Account Sweep	\$ 19,178,472	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.02%
SOCED Account Sweep	1,225,976	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.02%
CRISP Account Sweep	4,522,380	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.02%
<u>Total Cash Sweep Accounts</u>	<u>\$ 24,926,828</u>				
<u>Investment Account</u>					
Reserve Funds	\$ 8,471,711	GRTXX	Federated Hermes Government Obligations Fund	AAAm	0.01%
<u>Total Investments</u>	<u>\$ 8,471,711</u>				



# Total ERO Enterprise (NERC and Regional) Agenda Item 2aii

## Summary of Unaudited Results

June 30, 2021

The ERO Enterprise was under budget \$4.2M (4.0%) for combined expense and fixed asset (capital) spending and net financing activity. The budget variances ranged from 9.4% under budget to 7.7% over budget. The year-end projection for the ERO Enterprise is to be under budget \$2.0M (1.0%).

Entity	Total Budget (Total Expenses plus Fixed Assets & Net Financing Activity)							
	2021 YTD	2021 YTD	Over (Under)		2021 Year-End	2021 Year-End	Over (Under)	
	Actual	Budget	\$	%	Projected	Budgeted	\$	%
NERC	\$ 39,017,082	\$ 41,822,366	\$ (2,805,284)	(6.7%)	\$ 83,911,501	\$ 82,883,238	\$ 1,028,263	1.2%
MRO	9,914,176	9,206,101	708,075	7.7%	17,380,341	18,412,202	(1,031,861)	(5.6%)
NPCC	7,393,710	8,162,031	(768,321)	(9.4%)	15,855,557	16,440,649	(585,092)	(3.6%)
RF	12,013,527	12,636,120	(622,593)	(4.9%)	23,561,928	24,785,492	(1,223,564)	(4.9%)
SERC	12,111,746	12,391,208	(279,462)	(2.3%)	25,829,079	25,829,078	-	0.0%
Texas RE	6,977,883	6,752,776	225,107	3.3%	14,404,538	14,211,538	193,000	1.4%
WECC	13,433,204	14,120,220	(687,016)	(4.9%)	28,195,510	28,605,029	(409,519)	(1.4%)
	<b>\$ 100,861,329</b>	<b>\$ 105,090,822</b>	<b>\$ (4,229,493)</b>	<b>(4.0%)</b>	<b>\$ 209,138,454</b>	<b>\$ 211,167,226</b>	<b>\$ (2,028,773)</b>	<b>(1.0%)</b>

- NERC was under budget \$2.8M (6.7%) primarily as a result of reduced in-person meetings and lower employee travel and transportation costs due to the pandemic, lower than budgeted medical insurance premiums, and timing of expenses. The company expects to be over budget \$1.0M (1.2%) at year-end, which is primarily related to CRISP operational technology pilot program costs that were budgeted for in 2020 but for which the costs will be incurred in 2021 (and funded with money collected from and reserved by the CRISP participants in 2020).
- MRO was over budget \$708k (7.7%), which is attributable primarily to fixed asset purchases related to MRO’s office expansion. The company expects to be under budget \$1.0M (5.6%) at year-end primarily due to continued effects of the pandemic on in-person meetings, travel, use of external consultants, and office costs.
- NPCC was under budget \$768k (9.4%) mainly as a result of lower meetings and travel expenses due to the pandemic and timing of fixed asset expenditures. The company expects to be under budget \$585k (3.6%) at year-end due to lower meetings and travel expenses.
- RF was under budget \$623k (4.9%) largely because of reduced meeting, travel, and training activities due to the pandemic, lower medical benefits impacted by personnel counts that were below approved staffing levels, and timing of actual fixed assets purchases to budget. The company expects to be under budget \$1.2M (4.9%) at year-end, which is mainly attributed to reduced travel, meetings, training, and contracts and consultants expenses directly impacted by the pandemic.

- SERC was under budget \$280k (2.3%) largely due to timing of expenditures versus budget. The company expects to be on budget at year-end.
- Texas RE was over budget \$225k (3.3%) largely as a result of absorbing costs previously allocated to its former non-statutory function as the Texas Reliability Monitor, and executive coaching and consulting fees. The company expects to be over budget \$193k (1.4%) at year-end.
- WECC was under budget \$687k (4.9%) primarily due to the net of an underrun in meeting and travel expenses, timing differences in consulting, and an overrun in personnel expenses. The company expects to be under budget \$410k (1.4%) at year-end.

## Variations by Expense, Fixed Asset, and Net Financing Activity Categories

### Personnel Expenses

For the ERO Enterprise, personnel expenses, consisting of salaries, payroll taxes, benefits, and retirement costs, were collectively under budget \$243k (0.3%), ranging from 1.8% under budget to 3.2% over budget. The ERO Enterprise was under budget in FTEs by 13.4 (1.9%). The year-end projection for ERO Enterprise personnel expenses is to be over budget \$1.8M (1.2%), with FTEs under budget 0.1%. Significant variances are explained below.

Entity	Personnel Expenses					FTEs*				
	2021 YTD Actual	2021 YTD Budget	Over (Under) \$	Over (Under) %	Projected Year-End Variance	2021 YTD Actual	2021 YTD Budget	Over (Under) %	Over (Under) %	Projected Year-End Variance
NERC	\$ 24,041,951	\$ 24,475,463	\$ (433,512)	(1.8%)	0.7%	207.1	213.4	(6.3)	(3.0%)	(2.1%)
MRO	6,856,740	6,641,869	214,871	3.2%	2.5%	65.0	66.0	(1.0)	(1.5%)	0.0%
NPCC	5,804,130	5,796,635	7,495	0.1%	4.2%	41.6	42.1	(0.5)	(1.3%)	3.8%
RF	10,659,029	10,827,620	(168,591)	(1.6%)	(1.5%)	83.9	84.4	(0.4)	(0.5%)	0.0%
SERC	9,886,412	9,955,990	(69,578)	(0.7%)	0.8%	95.0	100.0	(5.0)	(5.0%)	0.0%
Texas RE	5,413,890	5,413,752	138	0.0%	0.0%	62.0	63.0	(1.0)	(1.6%)	0.0%
WECC	11,007,939	10,801,334	206,605	1.9%	3.4%	143.9	143.0	0.9	0.6%	1.6%
	<b>\$ 73,670,091</b>	<b>\$ 73,912,662</b>	<b>\$ (242,571)</b>	<b>(0.3%)</b>	<b>1.2%</b>	<b>698.5</b>	<b>711.8</b>	<b>(13.4)</b>	<b>(1.9%)</b>	<b>(0.1%)</b>

\* Represents equivalent full time positions from a budget and actual financial perspective and does not necessarily represent headcount.

- MRO was over budget \$215k (3.2%) because two budgeted FTEs were hired five months earlier than scheduled. The company expects to be over budget \$338K (2.5%) at year-end for this same reason.
- NPCC was over budget \$7k (0.1%) mainly as a result of a higher staffing level than budgeted (currently fully staffed versus budgeted 6% vacancy factor) offset by lower-than-budgeted insurance premiums. The company expects to be over budget \$475k (4.2%) at year-end due to three additional compliance FTEs that will replace the use of independent contractors in compliance auditing activities (offset by decreased consultants and contracts expense) and one additional FTE to support IT security posture improvements.



- WECC was over budget \$207k (1.9%) primarily due to a net of lower-than-anticipated vacancy rates and health reimbursements. The company expects to be over budget \$772k (3.4%) at year-end for this same reason.

### Meetings, Conference Calls, and Travel Expenses

For the ERO Enterprise, meetings, conference calls, and travel expenses were collectively under budget \$3.7M (93.7%). All entities except Texas RE were under budget and expect to be under budget at year-end because of decreased meeting and travel expenses due to the pandemic. Texas RE was over budget \$6k (36.4%) and expects to be over budget \$6k (1.5%) at year-end since all travel expenses are budgeted in Q4 and a workshop was offered in Q2 that was not included in the 2021 budget. The year-end projection for the ERO Enterprise is to be under budget \$6.5M (74.0%).

Meetings, Conference Calls, and Travel Expenses								
Entity	2021 Budget	Meetings & Conference Calls		2021 Actual	Over (Under)		Projected Year-End Variance to Budget	
		Over (Under)	Travel Over (Under)		\$	%		
NERC	\$ 1,100,874	\$ (357,273)	\$ (608,926)	\$ 134,675	\$ (966,199)	(87.8%)	(65.4%)	
MRO	481,634	(101,541)	(378,267)	1,826	(479,808)	(99.6%)	(90.0%)	
NPCC	441,428	(145,623)	(290,727)	5,078	(436,350)	(98.8%)	(86.4%)	
RF	491,815	(171,948)	(302,062)	17,805	(474,010)	(96.4%)	(93.0%)	
SERC	466,627	(158,933)	(280,085)	27,609	(439,018)	(94.1%)	(53.2%)	
Texas RE	15,681	4,680	1,035	21,396	5,715	36.4%	1.5%	
WECC	910,243	(243,154)	(630,267)	36,822	(873,421)	(96.0%)	(92.1%)	
	<b>\$ 3,908,301</b>	<b>\$ (1,173,791)</b>	<b>\$ (2,489,299)</b>	<b>\$ 245,211</b>	<b>\$ (3,663,091)</b>	<b>(93.7%)</b>	<b>(74.0%)</b>	

### Operating Expenses

For the ERO Enterprise, operating expenses, consisting of consultants and contracts expenses, office rent, office costs, professional services, and miscellaneous costs, were collectively under budget \$2.0M (7.7%). The year-end projection for the ERO Enterprise is to be over budget \$1.7M (3.3%). Significant variances are explained below.

Operating Expenses										
Entity	2021 Budget	Contracts & Consulting Expenses Over (Under)	Office Rent Over (Under)	Office Costs Over (Under)	Professional Services Over (Under)	Miscellaneous Over (Under)	2021 Actual	Over (Under)		Projected Year-End Variance to Budget
								\$	%	
NERC	\$ 14,383,147	\$ (1,046,481)	\$ (62,103)	\$ (160,169)	\$ 55,030	\$ (32,042)	\$ 13,137,383	\$ (1,245,764)	(8.7%)	8.6%
MRO	1,957,599	(349,254)	(112,923)	(77,547)	113,183	-	1,531,057	(426,542)	(21.8%)	(24.1%)
NPCC	2,070,966	(209,628)	(47,407)	6,360	(30,459)	(15,874)	1,773,958	(297,008)	(14.3%)	(3.7%)
RF	1,119,185	(28,501)	(23,117)	24,583	157,929	(8,346)	1,241,733	122,548	10.9%	2.1%
SERC	1,968,592	(150,767)	(12,161)	33,357	(32,479)	-	1,806,541	(162,051)	(8.2%)	(4.0%)
Texas RE	1,323,343	141,122	54,613	56,647	(33,128)	-	1,542,597	219,254	16.6%	6.7%
WECC	2,653,834	(295,466)	(29,696)	81,244	64,689	-	2,474,605	(179,229)	(6.8%)	5.5%
	<b>\$ 25,476,665</b>	<b>\$ (1,938,975)</b>	<b>\$ (232,794)</b>	<b>\$ (35,526)</b>	<b>\$ 294,765</b>	<b>\$ (56,261)</b>	<b>\$ 23,507,874</b>	<b>\$ (1,968,792)</b>	<b>(7.7%)</b>	<b>3.3%</b>

- NERC was under budget \$1.2M (8.7%) primarily due to timing of contracts and consultants costs versus the budget. The company expects to be over budget \$2.5M (8.6%) at year-end primarily

due to CRISP operational technology pilot program costs that were budgeted for in 2020 but will be spent in 2021 (and funded with CRISP reserves), and also costs for standards project support, reliability assessments studies, workforce development, internal audit support, and IT contractors.

- MRO was under budget \$427k (21.8%), which is attributable primarily to the continued impacts of the pandemic. The company expects to be under budget \$943k (24.1%) at year-end for this same reason.
- NPCC was under budget \$297k (14.3%) predominately due to replacing the use of independent contractors with FTEs for compliance engagements. The company expects to be under budget \$160k (3.7%) at year-end, which is the net of the decreased compliance consultants and contracts expense and increased IT office costs expenses related to data protection, identity and access management, and security monitoring.
- RF was over budget \$123k (10.9%) largely due to an unbudgeted search fee for an independent director and accounting fees related to payroll system improvements, partially offset by less-than-budgeted contracts and consultants expense for compliance monitoring functions. The company expects to be over budget \$50k (2.1%) for these same reasons.
- SERC was under budget \$162k (8.2%) primarily because of timing of contracts and consultants expenses and legal and independent director fees. The company expects to be under budget \$168k (4.0%) at year-end.
- Texas RE was over budget \$219k (16.6%) largely as a result of consulting fees for executive coaching and software training. Rent was higher than budget due to higher utilities resulting from the winter storm and absorbing rent previously allocated to the Texas RE's non-statutory function as the Texas Reliability Monitor. Office costs were higher than anticipated because of special cleaning and other needs related to the pandemic and preparing the office for employees' return. This is partially offset by lower professional services costs due to timing of actual expenses versus budget. The company expects to be over budget \$187k (6.7%) at year-end.
- WECC was under budget \$179k (6.8%) primarily due to the net of timing differences of IT consulting and lower-than-expected costs for organizational development consulting. The company expects to be over budget \$274k (5.5%) at year-end due to higher-than-budgeted costs for enterprise security tools and computer licensing and unbudgeted legal fees.

### **Indirect Expense Allocation**

NPCC and WECC allocate overhead expenses to their non-statutory functions. Through the second quarter, NPCC allocated \$327 (0.2%) less than budgeted and WECC allocated \$41k (11.9%) less than budgeted. At year-end, NPCC expects to allocate as budgeted and WECC expects to allocate \$22k (3.2%) less than budgeted.

### **Fixed Asset (Capital) Additions**

For the ERO Enterprise, fixed asset (capital) additions were over budget \$1.7M (94.2%). The year-end projection for the ERO Enterprise is to be over budget \$1.8M (49.5%). Significant variances are explained below.

Entity	Fixed Asset Additions							
			Over (Under)				Over (Under)	
	2021 YTD Actual	2021 YTD Budget	\$	%	2021 Year-End Projected	2021 Year-End Budgeted	\$	%
NERC	\$ 1,347,788	\$ 1,375,750	\$ (27,962)	(2.0%)	\$ 3,286,328	\$ 2,751,500	\$ 534,828	19.4%
MRO	1,524,554	125,000	1,399,554	1119.6%	689,754	250,000	439,754	175.9%
NPCC	4,869	47,000	(42,131)	(89.6%)	112,000	94,000	18,000	19.1%
RF	94,960	197,500	(102,540)	(51.9%)	164,960	217,500	(52,540)	(24.2%)
SERC	391,184	-	391,184	100.0%	954,859	200,000	754,859	377.4%
Texas RE	-	-	-	0.0%	50,000	50,000	-	0.0%
WECC	216,521	98,527	117,994	119.8%	216,521	98,527	117,994	119.8%
	<b>\$ 3,579,875</b>	<b>\$ 1,843,777</b>	<b>\$ 1,736,098</b>	<b>94.2%</b>	<b>\$ 5,474,422</b>	<b>\$ 3,661,527</b>	<b>\$ 1,812,895</b>	<b>49.5%</b>

- NERC was under budget \$28k (2.0%) primarily due to the timing of costs versus the budget. The company expects to be over budget \$535k (19.4%) at year-end as a result of the timing of approximately \$700k in expenditures for the ERO Secure Evidence Locker (SEL) project that were approved to be spent and financed in 2020, but will be incurred and financed in 2021, which are partially offset by lower than expected spending for IT equipment and servers.
- MRO was over budget \$1.4M (1119.6%), which is attributable primarily to costs incurred for an office expansion that was completed in the first quarter. The company expects to be over budget \$440k (175.9%) at year-end. The company will receive an allowance to cover the lessor's portion of the improvements and use working capital savings realized in 2020 to cover the remaining over spend in fixed assets.
- NPCC was under budget \$42k (89.6%) due to the timing of planned fixed asset additions. The company expects to be over budget \$18k (19.1%) at year-end due to costs related to IT equipment purchases and software development.
- RF was under budget \$103k (51.9%) due to the timing of planned computer hardware and software additions. The company expects to be under budget \$53k (24.2%) at year-end due to the expectation that some projects may not be completed during the year.
- SERC was over budget \$391k primarily because of timing of certain IT projects budgeted in Q4. The company expects to be over budget \$755k (377.4%) at year-end due to an accelerated timeline for the Member Portal Consolidation project.
- WECC was over budget \$118k (119.8%) primarily due to unbudgeted improvements to the Salt Lake City office and meeting space. Most of the variance has been reimbursed by the landlord through a negotiated tenant improvement allowance. The company expects to be over budget \$118k (119.8%) at year-end for this same reason.

### Net Financing Activity

NERC is the only entity in the ERO Enterprise with financing activity, consisting of loan borrowing, lease financing, and principal debt service repayment for major ERO software projects, such as Align and the ERO SEL, and leased audio visual and IT equipment.

NERC expects to be under budget \$928k (109.9%) for Net Financing Activity at year-end, which means NERC is projecting to receive more in proceeds than it is paying off in principal. The 2021 budget did not contemplate loan proceeds, but due to the timing of expenditures on the ERO SEL capital investment, NERC is projected to borrow approximately \$700k in 2021 to fund the carryover costs. Accordingly, principal payments in 2021 will be lower than budgeted since the loan advance will not occur until later in the year. The total borrowing for the ERO SEL project in 2020 and 2021 will be at or below the total amount of \$2.0 million approved by the NERC Board of Trustees for the project initial investment.

### Total ERO Enterprise Reserves

Prior Total ERO Enterprise Summary of Unaudited Results (ERO Quarterly Variance Reports) have focused on the analysis and reporting of Working Capital and Operating Contingency Reserve based on information submitted on the Statement of Activities included in the Regional Entity Quarterly Variance Reports. However, since NERC and some of the Regional Entities have established additional reserve categories, including assessment stabilization reserves and future obligation reserves, reporting has been expanded to include the following three categories of reserves:

- **Working Capital and Operating Contingency Reserves (WCOCR)** – Includes excess working capital reserves and operating contingency reserves. These reserves typically have a policy target range.
- **Assessment Stabilization Reserves (ASR) and Unreleased Penalties** – Includes funds from penalties received but not yet released against assessments, and other surplus funds designated by the entity, to help reduce the volatility of future year assessments. Note that penalties received but not released are subject to timing of when they can be released to offset assessments as determined by the Rules of Procedure, with some exceptions provided with the proper request and filing of the entity's annual Business Plan and Budget as approved by FERC.
- **Other Reserves** – Includes funds set aside for a specific purpose and will offset future budgeted expense items.

### 2021 Total Reserve Summary

The ERO Enterprise began the year with \$71.7M in total reserves, including \$37.1M in WCOCR, \$24.9M in ASR and Unreleased Penalties, and \$9.7M in Other Reserves.

The ERO Enterprise projects to end the year with \$61.0M in total reserves, including \$38.0M in WCOCR, \$16.9M in ASR and Unreleased Penalties, and \$6.1M in Other Reserves. The WCOCR projected for the end of the year is 18.0% of the 2021 ERO Enterprise combined budget, or 2.2 months of operating expenses. The total reserves projected for the end of the year represents 28.9% of the 2021 ERO Enterprise combined budget, or 3.5 months of operating expenses.

The table below provides a summary of the reserve categories at the beginning of the year and projected year-end.

*\$ - millions*

Entity	Beginning WCOCR <sup>(1)</sup>	Beginning ASR <sup>(2)</sup> & Unreleased Penalties		1/1/2021 Beginning Total Reserves	Projected Ending WCOCR <sup>(1)</sup>	Projected Ending ASR <sup>(2)</sup> & Unreleased Penalties		12/31/2021 Projected Ending Total Reserves	Total 2021 Budget	% of Reserves to 2021 Total Budget
		Other Reserves				Other Reserves				
NERC	\$ 8.1	\$ 2.5	\$ 4.1	\$ 14.7	\$ 6.3	\$ 2.5	\$ 2.3	\$ 11.1	\$ 82.9	13.4%
MRO	5.9	2.6	-	8.5	5.4	3.1	-	8.5	18.4	46.2%
NPCC	5.6	0.6	0.6	6.8	5.5	0.6	-	6.1	16.4	37.2%
RF	4.0	6.5	-	10.5	7.6	2.2	-	9.8	24.8	39.5%
SERC	2.9	4.8	-	7.7	2.1	3.4	-	5.5	25.8	21.3%
Texas RE	2.0	1.6	1.2	4.8	2.0	1.7	-	3.7	14.2	26.1%
WECC	8.6	6.3	3.8	18.7	9.1	3.4	3.8	16.3	28.6	57.0%
	<b>\$ 37.1</b>	<b>\$ 24.9</b>	<b>\$ 9.7</b>	<b>\$ 71.7</b>	<b>\$ 38.0</b>	<b>\$ 16.9</b>	<b>\$ 6.1</b>	<b>\$ 61.0</b>	<b>\$ 211.1</b>	<b>28.9%</b> <sup>(3)</sup>

<sup>(1)</sup> WCOCR - Working Capital & Operating Contingency Reserve - Projected 12/31/21 WCOCR is 18.0% of annual 2021 budget, or 2.2 months of budgeted expenses

<sup>(2)</sup> ASR - Assessment Stabilization Reserve

<sup>(3)</sup> Projected 12/31/21 total reserve balance is 28.9% of annual 2021 budget, or 3.5 months of budgeted operating expenses





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July 20, 2021

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

RE: Unaudited Midwest Reliability Organization (MRO) 2021 Second Quarter Statement of Activity –  
Cash Flow through June 30, 2021

Dear Mr. Sharp:

MRO experienced variances greater than \$10,000 and 10 percent. Second quarter results indicate that MRO’s budget is over spent by 7.7 percent.

**Meeting Expenses (Variance of \$479,808 (99.6%) under budget)**

Meetings and travel continued to be impacted in the second quarter by COVID-19. MRO uses virtual means to conduct meetings. In-person meetings and travel will be re-evaluated in the third quarter 2021.

**Operating Expenses (Variance of \$426,542 (21.8%) under budget)**

There is reduced spending in consulting, contracts, and office costs as MRO continues to manage its systems and processes without the need for external support. Professional costs are year-to-date over budget due to independent retainer fees paid in the first half of the year.

**Fixed Assets (Variance of \$1,399,554 (1119.6%) over budget)**

Final construction costs were paid for an unbudgeted board-approved office expansion. Working capital savings from 2020 were used to pay for office expansion costs. Additionally, a tenant allowance payment will offset a portion of the construction costs expended.

**Budget Outlook**

The 2021 budget anticipates under budget performance due to cancellation of budgeted in-person meetings and both staff and member travel in the first, second, and third quarters as a residual result of the ongoing pandemic. Consulting and contracts are also trending lower than budgeted due to internal IT staff’s ability to maintain MRO’s network without the need for external support. Personnel costs are over budget because budgeted FTEs were hired five months earlier than scheduled.

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



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Midwest Reliability Organization  
 Statement of Activity  
 6/30/2021

PRELIMINARY (Unaudited)

(In Whole Dollars)

	2021 YTD Actual	2021 YTD Budget	2021 YTD Variance	%	Projected 2021 End Of Year	2021 Budget	2021 Variance	%
<b>Funding</b>								
<b>ERO Funding</b>								
ERO Assessments	\$ 8,491,626	\$ 8,491,626	-		\$ 16,983,251	\$ 16,983,251	-	
Penalty Sanctions	180,252	180,252	-		360,504	360,504	-	
<b>A. Total ERO Funding</b>	<b>\$ 8,671,879</b>	<b>\$ 8,671,878</b>	<b>\$ -</b>		<b>\$ 17,343,755</b>	<b>\$ 17,343,755</b>	<b>\$ -</b>	
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	\$ 5,171,456	\$ 5,029,632	141,825		\$ 10,291,974	\$ 10,059,263	232,711	
Payroll Taxes	335,168	315,946	19,222		607,671	631,892	(24,221)	
Benefits	512,011	532,187	(20,176)		1,038,809	1,064,374	(25,565)	
Retirement Costs	838,104	764,104	74,000		1,683,593	1,528,208	155,385	
<b>Total Personnel Expenses</b>	<b>\$ 6,856,740</b>	<b>\$ 6,641,869</b>	<b>\$ 214,871</b>	<b>3.2%</b>	<b>\$ 13,622,046</b>	<b>\$ 13,283,737</b>	<b>\$ 338,309</b>	<b>2.5%</b>
<b>Meeting Expenses</b>								
Meetings & Conference Calls	\$ 909	\$ 102,450	(101,541)		\$ 20,490	\$ 204,900	(184,410)	
Travel	917	379,184	(378,267)		75,837	758,367	(682,530)	
<b>Total Meeting Expenses</b>	<b>\$ 1,826</b>	<b>\$ 481,634</b>	<b>\$ (479,808)</b>	<b>-99.6%</b>	<b>\$ 96,327</b>	<b>\$ 963,267</b>	<b>\$ (866,940)</b>	<b>-90.0%</b>
<b>Operating Expenses</b>								
Consultants & Contracts	\$ 320,596	\$ 669,851	(349,254)		\$ 600,298	\$ 1,339,701	(739,403)	
Office Rent	471,427	584,350	(112,923)		1,087,840	1,168,700	(80,860)	
Office Costs	366,102	443,649	(77,547)		878,644	887,297	(8,653)	
Professional Services	372,933	259,750	113,183		405,433	519,500	(114,067)	
<b>Total Operating Expenses</b>	<b>\$ 1,531,057</b>	<b>\$ 1,957,599</b>	<b>\$ (426,542)</b>	<b>-21.8%</b>	<b>\$ 2,972,214</b>	<b>\$ 3,915,198</b>	<b>\$ (942,984)</b>	<b>-24.1%</b>
<b>Total Direct Expenses</b>	<b>\$ 8,389,622</b>	<b>\$ 9,081,101</b>	<b>\$ (691,479)</b>	<b>-7.6%</b>	<b>\$ 16,690,587</b>	<b>\$ 18,162,202</b>	<b>\$ (1,471,615)</b>	<b>-8.1%</b>
<b>Indirect Expenses</b>								
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>B. Total Expenses</b>	<b>\$ 8,389,622</b>	<b>\$ 9,081,101</b>	<b>\$ (691,479)</b>		<b>\$ 16,690,587</b>	<b>\$ 18,162,202</b>	<b>\$ (1,471,615)</b>	
<b>Net Funding less Expenses (A-B)</b>	<b>\$ 282,256</b>	<b>\$ (409,224)</b>	<b>\$ 691,479</b>		<b>\$ 653,168</b>	<b>\$ (818,447)</b>	<b>\$ 1,471,615</b>	
<b>C. Fixed Asset Additions, excluding Right of Use Assets</b>	<b>\$ 1,524,554</b>	<b>\$ 125,000</b>	<b>\$ 1,399,554</b>	<b>1119.6%</b>	<b>\$ 689,754</b>	<b>\$ 250,000</b>	<b>\$ 439,754</b>	<b>175.9%</b>
<b>Total Budget (B + C)</b>	<b>\$ 9,914,176</b>	<b>\$ 9,206,101</b>	<b>\$ 708,075</b>	<b>7.7%</b>	<b>\$ 17,380,341</b>	<b>\$ 18,412,202</b>	<b>\$ (1,031,861)</b>	<b>-5.6%</b>
<b>Change in Working Capital (A-B-C)</b>	<b>\$ (1,242,298)</b>	<b>\$ (534,224)</b>	<b>\$ (708,075)</b>		<b>\$ (36,586)</b>	<b>\$ (1,068,447)</b>	<b>\$ 1,031,861</b>	
<b>Head Count</b>	65.00	66.00	(1.00)		66.00	66.00	-	
<b>FTEs</b>	64.00	66.00	(2.00)		66.00	66.00	-	
<b>Reserve Activity:</b>								
Beginning Reserves - 1/1/21	\$ 8,504,677	\$ 6,811,768	\$ 1,692,909		\$ 8,504,677	6,811,768	\$ 1,692,909	
Change to Working Capital	(1,242,298)	(534,224)	(708,074)		(36,586)	(1,068,447)	1,031,861	
Penalties Received	458,250	-	458,250		458,250	-	458,250	
Penalties Released	(180,252)	(180,252)	-		(360,504)	(360,504)	-	
Other Reserve Activity	-	-	-		-	-	-	
<b>Ending Reserves at 6/30/21 :</b>	<b>\$ 7,540,377</b>	<b>\$ 6,097,293</b>	<b>\$ 1,443,085</b>		<b>\$ 8,565,837</b>	<b>\$ 5,382,817</b>	<b>\$ 3,183,020</b>	

Reserve Summary	1/1/2021	Additions	Uses/Transfer	12/31/2021
Working Capital & Operating Contingency	5,904,677	1,031,861	(1,500,000)	5,436,538
Assessment Stabilization & Penalty Reserves	2,600,000	1,958,250	(1,428,951)	3,129,299
Other Reserve Activity	-	-	-	-
<b>Total Reserves</b>	<b>8,504,677</b>	<b>2,990,111</b>	<b>(2,928,951)</b>	<b>8,565,837</b>



NORTHEAST POWER COORDINATING COUNCIL, INC.  
1040 AVE OF THE AMERICAS. NEW YORK, NY 10018 (212) 840-1070 FAX (212) 302-2782

July 19, 2021

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

Subject: NPCC Regional Entity Division Variance Comparison and  
Second Quarter 2021 Statement of Activities

Dear Andy:

The variance comparison for the period ended June 30, 2021 is included along with Northeast Power Coordinating Council, Inc.'s unaudited Second Quarter 2021 Statement of Activities.

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

Sincerely,

*Jessica Hala*

Jessica Hala  
Director, Finance and Accounting

Enclosures

cc: Mr. Charles Dickerson – NPCC President & CEO  
Ms. Kristin McKeown – NPCC Interim Senior Vice President & CAO  
Mr. Christopher Weir, CPA – NPCC Treasurer  
ERO Finance Group



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## **NPCC Regional Entity Division Budget to Actual Variance Comparison as of June 30, 2021**

### **TOTAL EXPENSES**

For the quarter ending June 30, 2021, the NPCC Regional Entity Division is \$768k or 9.41% under budget year to date. Based on planned activities, NPCC's current full year projection (FYP) is an under budget variance of \$585k or 3.56%. It is anticipated that projections will change throughout 2021 due to the continuing impacts of the COVID-19 pandemic. Projections will continue to be updated in quarterly variance reports. NPCC will 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 \$201k were applied to reduce 2021 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.
- **Workshop Fees** (\$68k under budget FYP)  
Under budget variance is a result of NPCC's 2021 Standards and Compliance Workshops being converted to a virtual format to allow for remote participation due to continued in-person meeting and travel limitations as a result of the COVID-19 pandemic. The virtual workshops have received positive feedback and high attendance. Fees are only charged for in-person workshops in order to offset the associated expenses. There are no fees collected for virtual workshop participation.
- **Interest & Investment Income** (Actual income of \$641 year-to-date and \$55k under 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 \$641 as a portion of total interest income (94%) to the Regional Entity Division consistent with the ratio of Regional Entity (RE) to Criteria Services (CS) Division 2021 funding. A common system of accounts, with divisional separation, is used for both RE and CS revenue tracking and financial reporting.

## EXPENSES

- **Personnel Expenses** (Variance of \$7k over budget year-to-date and \$475k over budget FYP)  
 Two compliance full time employees (FTEs) were onboarded during the second quarter. NPCC will retain two additional compliance full time employees (FTEs) in 2021 to replace the use of independent contractors in compliance auditing activities. Increased personnel expenses in the compliance program area are offset by decreased consultants and contracts expense. In the IT program area, NPCC will retain one additional FTE during 2021 to support IT security posture improvements. NPCC is currently recruiting to retain qualified technical individuals to fill these positions. In response to the COVID-19 pandemic, NPCC has adjusted recruiting and hiring procedures through the use of teleconference and video conference interviews with candidates, and remote onboarding of newly hired personnel. Responsibilities are currently being addressed through resource re-allocations among the existing workforce. Cost savings resulting from the consolidation of multiple insurance carriers partially offset increases in actual and projected benefits expenses.
- **Meeting Expenses** (Variance of \$436k under budget year-to-date and \$918k under budget FYP)  
 Under budget variance is due to continued in-person meeting and travel limitations as a result of the COVID-19 pandemic. While NPCC staff is beginning to resume travel for some in-person meetings and seminars, NPCC is not planning to host any in-person meetings for the remainder of 2021 and on-site compliance engagements will continue to be deferred through year end. NPCC's 2021 Standards and Compliance Workshops have been converted to a virtual format to allow for remote participation. Other meetings have also been conducted successfully via video conference and teleconference. Full year projections will continue to be updated in subsequent quarterly variance reports.
- **Consultants and Contracts** (Variance of \$210k under budget year-to-date and \$320k under budget FYP)  
 Under budget variance is the result of NPCC replacing the use of independent contractor compliance auditors with FTEs. Decreased consultants and contracts expenses are offset by increased personnel expenses in the compliance program.
- **Office Costs** (Variance of \$6k over budget year-to-date and \$200k over budget FYP)  
 Current over budget variance and full year projection are driven by improvements to NPCC's IT security posture and infrastructure. Areas of focus include data protection, identity and access management, and security monitoring.
- **Fixed Assets** (Variance of \$42k under budget year-to-date and \$18k over budget FYP)  
 Year-to-date under budget variance is primarily due to the timing of planned fixed asset additions. The full year projection includes IT equipment and software development for the configuration of risk compliance software.

*(Unaudited)*  
*Submitted July 19, 2021*



**Northeast Power Coordinating Council, Inc. - Regional Entity Division**  
**Statement of Activities, Fixed Assets and Change in Working Capital**  
**(Unaudited)**  
**For the Period Ended June 30, 2021**

	2021 YTD Actual	2021 YTD Budget	2021 YTD Actual Variance from Budget Over(Under)	%	2021 Projection	2021 Annual Budget	2021 Projection Variance from Budget Over(Under)	%
<b>Funding</b>								
Assessments	7,577,292	7,577,292	-		15,154,584	15,154,584	-	
Penalties Released*	201,132	201,132	-		201,132	201,132	-	
Testing	-	-	-		-	-	-	
Services & Software	-	-	-		-	-	-	
Workshop Fees	-	-	-		-	67,500	(67,500)	
Interest & Investment Income	641	28,132	(27,491)		1,400	56,264	(54,864)	
<b>Total Funding</b>	<b>7,779,065</b>	<b>7,806,556</b>	<b>(27,491)</b>	<b>-0.35%</b>	<b>15,357,116</b>	<b>15,479,480</b>	<b>(122,364)</b>	<b>-0.79%</b>
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	4,181,802	3,991,059	190,743		8,328,714	7,982,119	346,595	
Payroll Taxes	331,507	340,037	(8,530)		523,796	485,768	38,028	
Employee Benefits	857,800	1,010,622	(152,821)		2,099,813	2,021,243	78,570	
Savings & Retirement	433,020	454,916	(21,896)		921,868	909,832	12,035	
<b>Total Personnel Expenses</b>	<b>5,804,130</b>	<b>5,796,635</b>	<b>7,495</b>	<b>0.13%</b>	<b>11,874,190</b>	<b>11,398,963</b>	<b>475,228</b>	<b>4.17%</b>
<b>Meeting Expenses</b>								
Meetings & Conference Calls	4,637	150,260	(145,623)		9,000	334,400	(325,400)	
Travel	441	291,168	(290,727)		135,000	727,920	(592,920)	
<b>Total Meeting Expenses</b>	<b>5,078</b>	<b>441,428</b>	<b>(436,350)</b>	<b>-98.85%</b>	<b>144,000</b>	<b>1,062,320</b>	<b>(918,320)</b>	<b>-86.44%</b>
<b>Operating Expenses, excluding Depreciation</b>								
Consultants & Contracts	479,557	689,185	(209,628)		1,189,800	1,509,800	(320,000)	
Rent & Improvements	387,664	435,071	(47,407)		830,141	870,141	(40,000)	
Office Costs	425,070	418,710	6,360		1,037,420	837,420	200,000	
Professional Services	472,041	502,500	(30,459)		1,005,000	1,005,000	-	
Miscellaneous	9,626	25,500	(15,874)		51,000	51,000	-	
<b>Total Operating Expenses</b>	<b>1,773,958</b>	<b>2,070,966</b>	<b>(297,008)</b>	<b>-14.34%</b>	<b>4,113,362</b>	<b>4,273,362</b>	<b>(160,000)</b>	<b>-3.74%</b>
Indirect Expense Allocation	(194,324)	(193,997)	(327)	0.17%	(387,995)	(387,995)	-	0.00%
Other Non-Operating Expenses	-	-	-	n/a	-	-	-	n/a
<b>Total Expenses</b>	<b>7,388,841</b>	<b>8,115,031</b>	<b>(726,190)</b>	<b>-8.95%</b>	<b>15,743,557</b>	<b>16,346,650</b>	<b>(603,092)</b>	<b>-3.69%</b>
<b>Change in Net Assets</b>	<b>390,224</b>	<b>(308,475)</b>	<b>698,699</b>	<b>-226.50%</b>	<b>(386,441)</b>	<b>(867,170)</b>	<b>480,728</b>	<b>-55.44%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>4,869</b>	<b>47,000</b>	<b>(42,131)</b>	<b>-89.64%</b>	<b>112,000</b>	<b>94,000</b>	<b>18,000</b>	<b>19.15%</b>
<b>Net Financing Activity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>
<b>Total Budget (Expenses plus Fixed Assets and Net Financing Activity)</b>	<b>7,393,710</b>	<b>8,162,031</b>	<b>(768,321)</b>	<b>-9.41%</b>	<b>15,855,557</b>	<b>16,440,650</b>	<b>(585,092)</b>	<b>-3.56%</b>
<b>Change in Working Capital (Total Funding less Total Budget)</b>	<b>385,355</b>	<b>(355,475)</b>	<b>740,830</b>	<b>-208.41%</b>	<b>(498,441)</b>	<b>(961,170)</b>	<b>462,728</b>	<b>-48.14%</b>
Equivalent Full Time Employees	41.57	42.11	(0.54)		42.64	41.09	1.55	
Headcount	44.00	43.00	1.00		46.10	43.00	3.10	
Beginning Total Reserves - 1/1/21	6,815,904	5,214,288	1,601,616		6,815,904	5,214,288	1,601,616	
Change to Working Capital	385,355	(355,475)	740,830		(498,441)	(961,170)	462,728	
Penalties Received (+)	-	-	-		-	-	-	
Penalties Released (-)	(201,132)	(201,132)	-		(201,132)	(201,132)	-	
Other Reserve Activity	-	-	-		-	-	-	
<b>Total Reserves at 12/31/21</b>	<b>7,000,127</b>	<b>4,657,682</b>	<b>2,342,445</b>		<b>6,116,331</b>	<b>4,051,986</b>	<b>2,064,344</b>	
<b>Reserve Balance Summary</b>								
Working Capital & Operating Contingency Reserves					5,548,394	3,649,118	1,899,276	
Assessment Stabilization & Penalty Reserves					567,937	402,868	165,069	
Other Reserves					-	-	-	
<b>Total Projected Reserve Balance at 12/31/2021</b>					<b>6,116,331</b>	<b>4,051,986</b>	<b>2,064,344</b>	

\*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).



Carol Baskey  
Treasurer and Manager – Finance and Accounting  
3 Summit Park Drive, Suite 600  
Cleveland, OH 44131  
Office: 216.503.0600  
Carol.Baskey@rfirst.org

July 20, 2021

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

**ReliabilityFirst's 2021 2nd Quarter Statement of Activities Variance Report - Unaudited**

Dear Mr. Andy Sharp:

As requested, the attached 2021 2nd Quarter Statement of Activities (unaudited) provides a comparison of budgeted and actual expenses relative to the 2021 ReliabilityFirst Corporation's Budget.

For more information, please contact me at 216.503.0600 or carol.baskey@rfirst.org.

Very truly yours,

**RELIABILITYFIRST CORPORATION**

*Carol Baskey*

Carol Baskey  
Treasurer and Manager, Finance and Accounting



## ReliabilityFirst's 2021 2nd Quarter Statement of Activities Variance Report - Unaudited

### Significant Variances

For the quarter ending June 30, 2021 ReliabilityFirst Corporation is \$623k (4.93%) under budget. The major contributors to this variance are:

### Budget Funding

- **Investment Income:** \$58K (231%) under budget for YTD
  - Investment Income is under budget due to a greater than anticipated decrease in value of the company's investment portfolio.

### Budget Expenses

- **Personnel Expenses**
  - **Employee Benefits:** \$154K (12%) under budget for YTD  
Employee Benefits are under budget mainly due to variances in training and medical benefits. Training is under budget due to underutilized budgeted training, as a result of the cancellation of training activities due to the Covid 19 pandemic. Medical benefits are under budget due to personnel count that was below the approved staffing levels during part of the year, along with employees selecting medical plans that differed from what was budgeted.
- **Meeting Expenses**
  - **Total Meeting Expenses:** \$474K (96%) under budget for YTD  
Total meeting expenses are under budget due to the cancellation and reduction of meetings and travel activities as a result of the Covid 19 pandemic.
- **Operating Expenses**
  - **Contracts & Consultants:** \$29K (31%) under budget for YTD  
Contracts and Consultants expense is under budget due to less than expected contract support for compliance monitoring functions.
  - **Professional Services:** \$158K (65%) over budget for YTD.  
Professional Services are over budget primarily due to a search fee to replace an Independent Board Member and an increase in accounting fees to implement payroll system improvements.





- **Fixed Assets**

- **Computer Hardware & Software:** \$103K (52%) under budget for YTD  
Computer Hardware & Software is under budget due to the difference in timing of when projects were budgeted and when they are completed.

**FTE Count**

- FTE Count is lower than budget due to three positions that were mostly unfilled in the first half of the year. One of these positions was filled at the end of May. The FTE count is partially offset by two overlap positions.

**Reserves**

- **Working Capital Reserve**  
The Working Capital Reserve of \$5,230,418 will be utilized to satisfy projected cash flow for daily operations and to stabilize and minimize volatility in future years' assessments.
- **Operating Reserve**  
The Operating Reserve of \$1,000,000 has been designated with the intention of providing for any unbudgeted and unexpected expenditures for the organization.

**Year-End Projection**

- **Expenses**  
For the year-end projection ReliabilityFirst is \$1.2M (4.94%) under budget. The variances in Employee Benefits, Meetings, Travel, and Contracts & Consultants are directly impacted by the Covid 19 pandemic, and these variances are expected to continue through the majority of the year. Rent and Utilities are expected to be under due to the decision to not enter into a lease for additional office space that was budgeted for the year. Professional Services is projected to be over budget due to the search fee to replace the Independent Board Member at the beginning of the year and unbudgeted accounting and payroll system improvements. Office Costs are predicted to be equal to budget. Computer Hardware & Software is currently projected to be slightly under budget due to the expectation that some projects may not be completed during the year.
- **FTE Count**  
FTE count is projected to be equal to budget due to the filling of all open positions.
- **Reserves**  
Working Capital Reserve is projected to increase by \$1.4M and will be used to stabilize and minimize volatility in future years' assessments.



ReliabilityFirst Corporation  
 Statement of Activities, Fixed Assets and Change in Working Capital  
 (unaudited)  
 From 01/01/2021 Through 06/30/2021  
 (in Whole Numbers)

2021 YTD Actual	2021 YTD Budget	YTD Variance Over/(Under)	% Variance		Total 2021 Projection	Total 2021 Budget	Total 2021 Projected Variance Over/(Under)	% Projected Variance
11,382,498	11,382,498	0	0.00%	<b>Funding</b>	22,764,995	22,764,995	0	0.00%
4,540,000	4,540,000	0	0.00%	Assessments	22,764,995	22,764,995	0	0.00%
(32,625)	25,000	(57,625)	-230.50%	Penalties Released *	4,540,000	4,540,000	0	0.00%
3,500	0	3,500	0.00%	Investment Income	50,000	50,000	0	0.00%
15,893,372	15,947,498	(54,125)	-0.34%	Miscellaneous Income	3,500	0	3,500	0.00%
				<b>Total Funding</b>	27,358,495	27,354,995	3,500	0.01%
				<b>Expenses</b>				
				<b>Personnel Expenses</b>				
7,599,429	7,633,023	(33,594)	-0.44%	Salaries	15,328,157	15,372,329	(44,172)	-0.29%
566,723	585,929	(19,206)	-3.28%	Payroll Taxes	926,963	934,645	(7,682)	-0.82%
1,085,425	1,239,803	(154,378)	-12.45%	Employee Benefits	2,133,829	2,351,930	(218,101)	-9.27%
1,407,452	1,368,865	38,587	2.82%	Savings & Retirement Costs	2,454,722	2,493,787	(39,065)	-1.57%
10,659,029	10,827,620	(168,591)	-1.56%	<b>Total Personnel Expenses</b>	20,843,670	21,152,691	(309,021)	-1.46%
				<b>Meeting Expenses</b>				
17,853	189,801	(171,948)	-90.59%	Meetings & Conference Calls	58,385	379,635	(321,250)	-84.62%
(48)	302,014	(302,062)	-100.02%	Travel	9,952	601,000	(591,048)	-98.34%
17,805	491,815	(474,010)	-96.38%	<b>Total Meeting Expenses</b>	68,336	980,635	(912,299)	-93.03%
				<b>Operating Expenses</b>				
62,351	90,852	(28,501)	-31.37%	Contracts & Consultants	190,597	324,578	(133,981)	-41.28%
290,929	314,046	(23,117)	-7.36%	Rent & Utilities	581,857	628,092	(46,235)	-7.36%
478,552	453,969	24,583	5.42%	Office Costs	981,776	956,776	25,000	2.61%
399,179	241,250	157,929	65.46%	Professional Services	686,846	481,335	205,511	42.70%
10,722	19,068	(8,346)	-43.77%	Miscellaneous	43,885	43,885	0	0.00%
1,241,733	1,119,185	122,548	10.95%	<b>Total Operating Expenses</b>	2,484,961	2,434,666	50,295	2.07%
0	0	0	0.00%	<b>Non-Operating Expenses</b>	0	0	0	0.00%
11,918,567	12,438,620	(520,053)	-4.18%	<b>Total Expenses</b>	23,396,968	24,567,992	(1,171,024)	-4.77%
3,974,805	3,508,878	465,928	13.28%	<b>Net Change in Assets</b>	3,961,527	2,787,003	1,174,524	42.14%
94,960	197,500	(102,540)	-51.92%	<b>Increase/(Decrease) in Fixed Assets</b>	164,960	217,500	(52,540)	-24.16%
12,013,527	12,636,120	(622,593)	-4.93%	<b>Total Budget (Expenses + Incr/(Decr) in Fixed Assets)</b>	23,561,928	24,785,492	(1,223,564)	-4.94%
3,879,845	3,311,378	568,468	17.17%	<b>Change in Working Capital (Total Funding less Total Budget)</b>	3,796,567	2,569,503	1,227,064	47.75%
83.93	84.35	(0.42)	-0.49%	<b>FTE Count</b>	84.35	84.35	0.00	0.00%
(1,727,667)	(2,411,429)	683,762		WC - 12/31/2020	(1,727,667)	(2,411,429)	683,762	
(506,627)	0	(506,627)		Less: Adjustment for future liabilities	(506,627)	0	(506,627)	
(2,234,294)	(2,411,429)	177,135		Available Working Capital	(2,234,294)	(2,411,429)	177,135	
3,879,845	3,311,378	568,468		Change to WC - 2021	3,796,567	2,569,503	1,227,064	
(79,037)	(79,037)	0		Other Adjustments to Reserves	(158,074)	(158,074)	0	
<b>1,566,514</b>	<b>820,912</b>	<b>745,602</b>		<b>Total Working Capital</b>	<b>1,404,199</b>	<b>0</b>	<b>1,404,199</b>	
5,230,418	5,230,418	0		Working Capital Reserve	5,230,418	5,230,418	0	
1,000,000	1,000,000	0		Operating Reserve	1,000,000	1,000,000	0	
<b>7,796,932</b>	<b>7,051,330</b>	<b>745,602</b>		<b>Total Working Capital and Operating Reserve</b>	<b>7,634,617</b>	<b>6,230,418</b>	<b>1,404,199</b>	

\* 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).



July 15, 2021

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

RE: SERC 2021 Q2 Unaudited Financial Statement – Budget vs. Actual

Andy:

Following please find SERC's unaudited 2021 Q2 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', is 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 1/1/2021 Through 6/30/2021								
	2021	2021	Variance		2021	2021	Variance	
	YTD Actual	YTD Budget	2021 YTD Actual	%	Projection	Budget	2021 Projection	%
			v 2021 YTD Budget				v 2021 Budget	
			Over(Under)				Over(Under)	
<b>Funding</b>								
<b>Statutory Funding</b>								
SERC Assessments	\$ 11,756,943	\$ 11,756,943	\$ -		\$ 23,513,886	\$ 23,513,886	\$ -	
Penalties Released*	590,000	590,000	-		1,180,000	1,180,000	-	
<b>Total Statutory Funding</b>	<b>\$ 12,346,943</b>	<b>\$ 12,346,943</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ 24,693,886</b>	<b>\$ 24,693,886</b>	<b>\$ -</b>	<b>0.00%</b>
Membership Fees	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Services & Software	-	-	-		-	-	-	
Workshops & Miscellaneous	63,390	87,500	(24,110)		130,000	175,000	(45,000)	
Interest	6,162	15,000	(8,838)		20,000	30,000	(10,000)	
<b>Total Funding (A)</b>	<b>\$ 12,416,495</b>	<b>\$ 12,449,443</b>	<b>\$ (32,948)</b>	<b>-0.26%</b>	<b>\$ 24,843,886</b>	<b>\$ 24,898,886</b>	<b>\$ (55,000)</b>	<b>-0.22%</b>
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	\$ 7,632,746	\$ 7,578,981	\$ 53,765		15,371,644	\$ 15,157,961	\$ 213,683	
Payroll Taxes	550,598	528,861	21,737		1,080,721	1,057,723	22,998	
Benefits	690,356	885,719	(195,363)		1,778,518	1,920,038	(141,520)	
Retirement Costs	1,012,712	962,429	50,283		1,987,772	1,924,857	62,915	
<b>Total Personnel Expenses</b>	<b>\$ 9,886,412</b>	<b>\$ 9,955,990</b>	<b>\$ (69,578)</b>	<b>-0.70%</b>	<b>\$ 20,218,655</b>	<b>\$ 20,060,580</b>	<b>\$ 158,075</b>	<b>0.79%</b>
<b>Meeting Expenses</b>								
Meetings & Conference Calls	\$ 23,324	\$ 182,257	\$ (158,933)		\$ 255,712	\$ 415,308	\$ (159,596)	
Travel	4,285	284,370	(280,085)		400,000	985,632	(585,632)	
<b>Total Meeting Expenses</b>	<b>\$ 27,609</b>	<b>\$ 466,627</b>	<b>\$ (439,018)</b>	<b>-94.08%</b>	<b>\$ 655,712</b>	<b>\$ 1,400,940</b>	<b>\$ (745,228)</b>	<b>-53.19%</b>
<b>Operating Expenses, excluding Depreciation</b>								
Consultants & Contracts	\$ 708,167	\$ 858,934	\$ (150,767)		1,568,936	\$ 1,764,136	\$ (195,200)	
Office Rent	399,439	411,600	(12,161)		816,961	823,200	(6,239)	
Office Costs	468,506	435,149	33,357		1,082,309	1,068,823	13,486	
Professional Services	230,429	262,908	(32,479)		531,647	511,400	20,247	
Miscellaneous	-	-	-		-	-	-	
<b>Total Operating Expenses</b>	<b>\$ 1,806,541</b>	<b>\$ 1,968,592</b>	<b>\$ (162,051)</b>	<b>-8.23%</b>	<b>\$ 3,999,853</b>	<b>\$ 4,167,559</b>	<b>\$ (167,706)</b>	<b>-4.02%</b>
<b>Total Direct Expenses</b>	<b>\$ 11,720,562</b>	<b>\$ 12,391,208</b>	<b>\$ (670,646)</b>	<b>-5.41%</b>	<b>\$ 24,874,220</b>	<b>\$ 25,629,079</b>	<b>\$ (754,859)</b>	<b>-2.95%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses (B)</b>	<b>\$ 11,720,562</b>	<b>\$ 12,391,208</b>	<b>\$ (670,646)</b>	<b>-5.41%</b>	<b>\$ 24,874,220</b>	<b>\$ 25,629,079</b>	<b>\$ (754,859)</b>	<b>-2.95%</b>
<b>Change in Assets</b>	<b>\$ 695,933</b>	<b>\$ 58,235</b>	<b>\$ 637,698</b>	<b>1095.04%</b>	<b>\$ (30,334)</b>	<b>\$ (730,193)</b>	<b>\$ 699,859</b>	<b>-95.85%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 391,184</b>	<b>\$ -</b>	<b>\$ 391,184</b>	<b>0.00%</b>	<b>\$ 954,859</b>	<b>\$ 200,000</b>	<b>\$ 754,859</b>	<b>377.43%</b>
<b>TOTAL BUDGET (B+C)</b>	<b>\$ 12,111,746</b>	<b>\$ 12,391,208</b>	<b>\$ (279,462)</b>	<b>-2.26%</b>	<b>\$ 25,829,079</b>	<b>\$ 25,829,079</b>	<b>\$ 0</b>	<b>0.00%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ 304,749</b>	<b>\$ 58,235</b>	<b>\$ 246,514</b>	<b>423.31%</b>	<b>\$ (985,193)</b>	<b>\$ (930,193)</b>	<b>\$ (55,000)</b>	<b>5.91%</b>
FTE's	95.00	100.00	(5.00)		100.00	100.00	-	
Head Count	95.00	100.00	(5.00)		100.00	100.00	-	
<b>Beginning Reserve at 1/1/2021</b>	<b>7,676,396</b>	<b>6,257,698</b>	<b>1,418,698</b>		<b>7,676,396</b>	<b>6,257,698</b>	<b>1,418,698</b>	
Change to Working Capital	304,749	58,235	246,514		(985,193)	(930,193)	(55,000)	
Penalties Received (+)	-	-	-		-	-	-	
Penalties Released (-)	(590,000)	(590,000)	-		(1,180,000)	(1,180,000)	-	
Other Reserve Activity	-	-	-		-	-	-	
<b>Ending Reserves at 3/31/2021</b>	<b>7,391,145</b>	<b>5,725,933</b>	<b>1,665,212</b>		<b>5,511,203</b>	<b>4,147,505</b>	<b>1,363,698</b>	
Working Capital & Operating Contingency Reserves	3,436,145	2,535,933	900,212		2,146,203	1,547,505	598,698	
Assessment Stabilization & Penalty Reserves	3,955,000	3,485,000	470,000		3,365,000	2,600,000	765,000	
Other Reserves	-	-	-		-	-	-	
<b>Total Reserves Balance</b>	<b>7,391,145</b>	<b>6,020,933</b>	<b>1,370,212</b>		<b>5,511,203</b>	<b>4,147,505</b>	<b>1,363,698</b>	

\* 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 June 30, 2021 (Unaudited)**

### **Overall Summary**

- Spending \$280k under budget as timing of expenditures varies from budget
- Funding \$33k under budget attributable to planned in-person workshops conducted remotely at no charge
- Full year projected spending on target to 2021 budget

### **Income**

- **Funding (Actual - \$33k under budget)**
  - Investment income lower due to rising interest rates decreasing market value of bond holdings
  - Workshop revenue lower than budget due to planned in-person workshops conducted remotely at no charge
  - Full year projected to be \$55k under budget associated with planned in-person workshops conducted remotely at no charge due to COVID-19 travel restrictions

### **Expense**

- **Personnel Expenses (Actual - \$70k under budget)**
  - Lower than budgeted insurance rate renewal and timing of relocation expenses
  - Full year impact projected to be \$158k over budget due to improved hiring and retaining of talent resulting in lower than budgeted vacancies
- **Meeting/Travel Expenses (Actual - \$439k under budget)**
  - Decreased meeting and travel associated with COVID-19 restrictions; full year projected to be \$745k under budget
- **Contracts/Consultants (Actual - \$151k under budget)**
  - Timing of projects drove majority of variance, certain software costs budgeted in Contracts, but expensed in Office Costs
- **Office Rent (Actual - \$12k under budget)**
  - Common area maintenance expenses lower than expected
- **Office Costs (Actual - \$33k over budget)**
  - Certain software costs budgeted in Contracts, but expensed in Office Costs
- **Professional Services (Actual - \$32k under budget)**
  - Timing of actual legal fees and Independent Director fees varies from budget
- **Fixed Asset Purchases (Actual - \$391k over budget)**
  - Timing of certain IT projects budgeted in Q4. Full year impact projected at \$755k over budget due to accelerated timeline for Member Portal Consolidation project



July 14, 2021

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

RE: Texas Reliability Entity, Inc. 2nd Quarter 2021 Statement of Activities and Variance Report

Dear Andy,

Attached is the 2021 second quarter Statement of Activities (unaudited) and Variance Report for Texas RE with variance explanations.

Please contact me if you have questions or comments.

Thank you.

*Judy Foppiano*

Judy A. Foppiano, CPA  
CFO & Director of Corporate Services  
**Texas Reliability Entity, Inc.**  
805 Los Cimas Parkway, Suite 200  
Austin, Texas 78746  
Judy.foppiano@texasre.org  
512.583.4959



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## Budget to Actual Comparison as of June 30, 2021

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

### FUNDING

- **Penalty Sanctions:** (Actual penalty income of \$169,195 remitted to Texas RE as of June 30, 2020 has reduced 2021 assessments.) All penalty sanctions remitted from July 1, 2020 through June 30, 2021 will be included in the Texas RE 2022 Business Plan and Budget and applied to reduce 2022 assessments.
- **Interest:** \$39,416 is less 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 lower than anticipated at the time the 2021 budget was prepared. The forecast has been adjusted accordingly.

### EXPENSES

**Total Budget as of June 30, 2021 is \$264,523 greater than budget (3.3%).**

- **Personnel Expenses:** \$139 greater than budget (0.0%).
  - Salaries and taxes are over budget 4.4% and 1.8%, respectively, due to promotions and market adjustments after the budget was prepared. Employee benefits are less than budget because health insurance was budgeted to increase 14% but actual costs stayed consistent with prior year. Savings and Retirement are less than budget due to forfeitures being used to fund the account when available.
- **Meetings and Travel Expenses:** \$5,715 greater than 2021 budget (36.4%).
  - Meetings and Conference calls are over budget due to a workshop occurring that was not in the 2021 budget.
  - Some travel occurred in June and the budget doesn't begin until July.
- **Total Operating Expenses: \$219,253 greater than 2021 budget (16.6 %).**
  - Costs for executive coaching, search fees for Vice President & COO position, and consulting fees for accounting software not included in the Consultants and Contracts budget are causing the budget over-run for Q2.
  - Utilities cost and common area maintenance are higher due to the winter storm. Rent expense is greater since Texas RE is having to absorb rent that was previously allocated to the Reliability Monitor.



- Office Costs are higher than anticipated because of special cleaning and needs related to the pandemic and preparing the office for employee's return. Software and Software maintenance, which falls under office cost, is higher than budget due to absorbing the cost previously allocated to the Reliability Monitor.
- Professional services are less than budget because penetration testing has been scheduled for later in the year. Budgeted legal fees for outside counsel have not been used as of end of second quarter, but are anticipated for later in the year.





**Texas Reliability Entity, Inc.**  
**Statement of Activities and Fixed Assets**  
**For period ended June 30, 2021**  
**(Unaudited)**

	2021 Actual	2021 Budget	YTD Actual Variance from Budget		2021 Forecast	2021 Annual Budget	Forecast Variance from Budget		
<b>Funding</b>									
Assessments	\$ 6,671,700	\$ 6,671,700	-	0.0%	\$ 13,343,401	\$ 13,343,401	\$ -	0.0%	
Penalties Released	169,195	169,195	-	0.0%	169,195	169,195	-	0.0%	
Interest Income	584	40,000	(39,416)	-98.5%	10,000	80,000	(70,000)	-87.5%	
<b>Total Funding</b>	<b>\$ 6,841,479</b>	<b>\$ 6,880,895</b>	<b>\$ (39,416)</b>	<b>-0.6%</b>	<b>\$ 13,522,596</b>	<b>\$ 13,592,596</b>	<b>\$ (70,000)</b>	<b>-0.5%</b>	
<b>Expenses</b>									
<b>Personnel Expenses</b>									
Salaries	\$ 4,036,353	\$ 3,866,192	\$ 170,162	4.4%	\$ 7,886,558	\$ 7,886,558	\$ -	0.0%	
Payroll Taxes	303,845	298,581	5,264	1.8%	537,917	537,917	-	0.0%	
Employee Benefits	571,683	704,966	(133,283)	-18.9%	1,412,700	1,412,700	-	0.0%	
Savings & Retirement	502,009	544,013	(42,004)	-7.7%	1,107,299	1,107,299	-	0.0%	
<b>Total Personnel Expenses</b>	<b>\$ 5,413,890</b>	<b>\$ 5,413,752</b>	<b>\$ 139</b>	<b>0.0%</b>	<b>\$ 10,944,474</b>	<b>\$ 10,944,474</b>	<b>\$ -</b>	<b>0.0%</b>	
<b>Meeting &amp; Travel Expenses</b>									
Meetings & Conference Calls	\$ 16,156	\$ 11,476	\$ 4,680	40.8%	\$ 41,400	\$ 35,400	\$ 6,000	16.9%	
Travel	5,240	4,205	1,035	24.6%	371,685	371,685	-	-	
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 21,396</b>	<b>\$ 15,681</b>	<b>\$ 5,715</b>	<b>36.4%</b>	<b>\$ 413,085</b>	<b>\$ 407,085</b>	<b>\$ 6,000</b>	<b>1.5%</b>	
<b>Operating Expenses</b>									
Consultants & Contracts	\$ 299,271	\$ 158,149	\$ 141,122	89.2%	\$ 472,404	\$ 442,404	\$ 30,000	6.8%	
Rent & Improvements	587,611	532,998	54,613	10.2%	1,173,000	1,066,000	107,000	10.0%	
Office Costs	396,625	339,978	56,647	16.7%	736,740	686,740	50,000	7.3%	
Professional Services	259,090	292,218	(33,129)	-11.3%	614,835	614,835	-	0.0%	
<b>Total Operating Expenses</b>	<b>\$ 1,542,597</b>	<b>\$ 1,323,343</b>	<b>\$ 219,253</b>	<b>16.6%</b>	<b>\$ 2,996,979</b>	<b>\$ 2,809,979</b>	<b>\$ 187,000</b>	<b>6.7%</b>	
<b>Total Expenses</b>	<b>\$ 6,977,883</b>	<b>\$ 6,752,776</b>	<b>\$ 225,107</b>	<b>3.3%</b>	<b>\$ 14,354,538</b>	<b>\$ 14,161,538</b>	<b>\$ 193,000</b>	<b>1.4%</b>	
Change in Assets	<b>\$ (136,404)</b>	<b>\$ 128,119</b>	<b>\$ (264,523)</b>	<b>-206.5%</b>	<b>\$ (831,942)</b>	<b>\$ (568,942)</b>	<b>\$ (263,000)</b>	<b>46.2%</b>	
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ -</b>	<b>-</b>	
<b>Total Budget</b>	<b>\$ 6,977,883</b>	<b>\$ 6,752,776</b>	<b>\$ 225,107</b>	<b>3.3%</b>	<b>\$ 14,404,538</b>	<b>\$ 14,211,538</b>	<b>\$ 193,000</b>	<b>1.4%</b>	
<b>Change in Working Capital (Total Revenue less Total Budget)</b>	<b>\$ (136,404)</b>	<b>\$ 128,119</b>	<b>\$ (264,523)</b>	<b>-206.5%</b>	<b>\$ (881,942)</b>	<b>\$ (618,942)</b>	<b>\$ (263,000)</b>	<b>42.5%</b>	
FTE's	63	63			63	63			
Beginning Reserves - 1/1/21	\$ 4,800,000	\$ 4,800,000	\$ -		\$ 4,800,000	\$ 4,800,000	\$ -		
Change to WC - 2021	(136,404)	128,119	(264,523)		(881,942)	(618,942)	(263,000)		
Penalties Released	(169,195)	(169,195)	-		(169,195)	(169,195)	-		
Other Reserve Activity	-	-	-		-	-	-		
<b>Total Reserves - 6/30/2021</b>	<b>\$ 4,494,401</b>	<b>\$ 4,758,924</b>	<b>\$ (264,523)</b>		<b>\$ 3,748,863</b>	<b>\$ 4,011,863</b>	<b>\$ (263,000)</b>		
Working Capital & Operating Contingency					\$ 2,000,000	\$ 2,000,000	\$ -		
Assessment Stabilization & Contingency Fund					1,748,863	1,748,863	-		
Other					-	-	-		
<b>Total Reserves and Contingency</b>					<b>\$ 3,748,863</b>	<b>\$ 3,748,863</b>	<b>\$ -</b>		



**Jillian Lessner**  
**Vice President and CFAO**  
**July 20, 2021**

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

RE: WECC Q2 2021 Statutory Statement of Activities and Variance Report

Dear Andy,

Attached is WECC's second-quarter Statutory Statement of Activities (Unaudited) and Variance Report. WECC's 2021 year-to-date unaudited results are \$400,000 under budget, excluding the impact of the change in the Generally Accepted Accounting Principles (GAAP) treatment of penalty revenue recognition. Explanations and drivers are noted below.

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

Regards,



Jillian Lessner  
Vice President and Chief Financial and Administrative Officer

Enclosures

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



**Statutory Statement of Activities  
(Unaudited)**

**As of June 30, 2021**

**Variance Report**

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

**Revenue**

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- Workshops & Miscellaneous: \$203,000 under budget

Workshops & Miscellaneous are under budget primarily due to the cancellation of the in-person March Reliability and Security Workshop due to the COVID-19 pandemic and its conversion to a free online format. Workshops & Miscellaneous are expected to be \$421,000 under budget at year-end, due to pandemic-related workshop cancellations.

- Interest: \$84,000 under budget

Interest is under budget due to lower-than-expected yields on short-term investments. Interest is expected to be under budget by \$157,000 at year-end.

**Expenses**

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- Meetings & Conference Calls: \$243,000 under budget

Meetings & Conference Calls are under budget primarily due to the cancellation of in-person meetings and workshops due to COVID-19. Meetings & Conference Calls are expected to be \$524,000 under budget at year-end.

- Travel: \$630,000 under budget

Travel is under budget primarily due to the cancellation of on-site audits and in-person meetings and training due to COVID-19 and is expected to be \$1,071,000 under budget at year-end.

- Consultants & Contracts: \$295,000 under budget

Consultants & Contracts are under budget primarily due to the net of timing differences of information technology consulting and lower-than-expected cost of organizational development consulting. Consultants & Contracts are expected to be under budget by \$8,000 at year-end.

## Statutory Statement of Activities and Variance Explanations (July 20, 2021)

- Professional Services: \$65,000 over budget

Professional Services are over budget primarily due to legal fees related to unanticipated regulatory activities. Professional Services are expected to be over budget by \$139,000 at year-end.

- Indirect Expenses: \$41,000 over budget

Indirect Expenses are over budget primarily due to an underrun in Corporate Services expenses and a vacancy in the non-statutory program area which was filled by the end of the first quarter. Corporate Services expenses are allocated to the non-statutory program area based on full-time equivalents. Indirect Expenses are expected to be \$22,000 over budget at year-end.

### Fixed Assets

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- Fixed Asset Additions: \$118,000 over budget

Fixed Asset Additions are over budget due to unbudgeted improvements to the Salt Lake City office and meeting space. All the improvements have been reimbursed by the landlord through a negotiated tenant improvement allowance in 2021, which per GAAP is amortized over the remaining life of the lease.



## Statutory Statement of Activities and Variance Explanations (July 20, 2021)



**Western Electricity Coordinating Council**  
**Statutory Statement of Activities**  
**From 1/1/2021 to 6/30/2021**  
**(Unaudited)**

(In Whole Dollars)

	2021 YTD Actual	2021 YTD Budget	2021 YTD Variance Over(Under)	%	2021 Projection	2021 Annual Budget	2021 Projected Variance Over(Under)	%
<b>Funding</b>								
Assessments	25,000,000	25,000,000	-	0.0%	25,000,000	25,000,000	-	0.0%
Penalties Released <sup>1</sup>	3,499,000	3,499,000	-	0.0%	3,499,000	3,499,000	-	0.0%
Workshops & Miscellaneous	7,087	210,000	(202,913)	-96.6%	9,087	430,000	(420,913)	-97.9%
Interest	7,245	91,670	(84,425)	-92.1%	43,245	200,000	(156,755)	-78.4%
<b>Total Funding</b>	<b>28,513,332</b>	<b>28,800,670</b>	<b>(287,338)</b>	<b>-1.0%</b>	<b>28,551,332</b>	<b>29,129,000</b>	<b>(577,668)</b>	<b>-2.0%</b>
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	8,517,424	8,282,469	234,955	2.8%	18,077,348	17,447,448	629,900	3.6%
Payroll Taxes	623,194	617,675	5,519	0.9%	1,223,199	1,144,116	79,083	6.9%
Employee Benefits	1,120,904	1,182,121	(61,217)	-5.2%	2,416,172	2,390,953	25,219	1.1%
Savings & Retirement	746,417	719,069	27,348	3.8%	1,537,045	1,499,399	37,646	2.5%
<b>Total Personnel Expenses</b>	<b>11,007,939</b>	<b>10,801,334</b>	<b>206,605</b>	<b>1.9%</b>	<b>23,253,764</b>	<b>22,481,916</b>	<b>771,848</b>	<b>3.4%</b>
<b>Meeting Expenses</b>								
Meetings & Conference Calls	30,818	273,972	(243,154)	-88.8%	60,834	585,190	(524,356)	-89.6%
Travel	6,004	636,271	(630,267)	-99.1%	76,068	1,146,887	(1,070,819)	-93.4%
<b>Total Meeting Expenses</b>	<b>36,822</b>	<b>910,243</b>	<b>(873,421)</b>	<b>-96.0%</b>	<b>136,902</b>	<b>1,732,077</b>	<b>(1,595,175)</b>	<b>-92.1%</b>
<b>Operating Expenses, excluding Depreciation</b>								
Consultants & Contracts	306,352	601,818	(295,466)	-49.1%	980,152	988,500	(8,348)	-0.8%
Rent & Improvements	659,970	689,666	(29,696)	-4.3%	1,321,889	1,372,346	(50,457)	-3.7%
Office Costs	950,294	869,050	81,244	9.3%	1,856,925	1,663,299	193,626	11.6%
Professional Services	557,989	493,300	64,689	13.1%	1,095,027	955,800	139,227	14.6%
Miscellaneous	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>2,474,605</b>	<b>2,653,834</b>	<b>(179,229)</b>	<b>-6.8%</b>	<b>5,253,993</b>	<b>4,979,945</b>	<b>274,048</b>	<b>5.5%</b>
<b>Total Direct Expenses</b>	<b>13,519,366</b>	<b>14,365,411</b>	<b>(846,045)</b>	<b>-5.9%</b>	<b>28,644,659</b>	<b>29,193,938</b>	<b>(549,279)</b>	<b>-1.9%</b>
<b>Indirect Expenses</b>	<b>(302,683)</b>	<b>(343,718)</b>	<b>41,035</b>	<b>-11.9%</b>	<b>(665,670)</b>	<b>(687,436)</b>	<b>21,766</b>	<b>-3.2%</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses</b>	<b>13,216,683</b>	<b>14,021,693</b>	<b>(805,010)</b>	<b>-5.7%</b>	<b>27,978,989</b>	<b>28,506,502</b>	<b>(527,513)</b>	<b>-1.9%</b>
<b>Change in Net Assets</b>	<b>15,296,649</b>	<b>14,778,977</b>	<b>517,672</b>	<b>3.5%</b>	<b>572,343</b>	<b>622,498</b>	<b>(50,155)</b>	<b>-8.1%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>216,521</b>	<b>98,527</b>	<b>117,994</b>	<b>119.8%</b>	<b>216,521</b>	<b>98,527</b>	<b>117,994</b>	<b>119.8%</b>
<b>Total Expenditures</b>	<b>13,433,204</b>	<b>14,120,220</b>	<b>(687,016)</b>	<b>-4.9%</b>	<b>28,195,510</b>	<b>28,605,029</b>	<b>(409,519)</b>	<b>-1.4%</b>
<b>Change in Working Capital</b>								
<b>(Total Funding less Total Budget)</b>	<b>15,080,128</b>	<b>14,680,450</b>	<b>399,678</b>		<b>355,822</b>	<b>523,971</b>	<b>(168,149)</b>	
FTEs	143.90	143.00	0.90		150.90	148.50	2.40	
Headcount	147.00	143.00	4.00		151.00	148.00	3.00	
Working Capital at 1/1/2021	8,549,906	8,184,307	365,599		8,549,906	8,184,307	365,599	
Year-end Adjustments	26,613				26,613			
Reserve Calculation Adjustment <sup>2</sup>	(138,160)				(138,160)			
Non-Statutory Fund Change	331,917				331,917			
Change to WC - 2021	15,080,128	14,680,450	399,678		355,822	523,971	355,822	
<b>Working Capital at 6/30/2021<sup>3</sup></b>	<b>23,850,404</b>	<b>22,864,757</b>	<b>765,277</b>		<b>9,126,098</b>	<b>8,708,278</b>	<b>721,421</b>	

<sup>1</sup> 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 are shown on the Penalty Sanctions Variance Reconciliation table and will be reported as income on the audited financial statements in accordance with GAAP. See Penalty Sanctions Reconciliation table for additional details.

<sup>2</sup> An amount was incorrectly excluded from the fourth-quarter working capital calculation and an adjustment to long-term liabilities.

<sup>3</sup> See Working Capital and Reserve Analysis table for additional details.



Statutory Statement of Activities and Variance Explanations (April 20, 2021)

Penalty Sanctions Reconciliation

Penalty Information				Business Plan & Budget** (Year to Offset Assessments)			Financial Statements*** (Year Recognized)			2021 Penalty Revenue Variance	
Date Invoiced	Amount Invoiced	Date Payment Received	Amount Received	2021	2022	Future Year	2019	2020	2021		
5/30/2019	32,000	7/9/2019	32,000	32,000			32,000			Business Plan & Budget	(A) 3,499,000
7/26/2019	87,000	9/4/2019	87,000	87,000			87,000			Financial Statements	(B) 455,000
8/30/2019	74,000	10/14/2019	74,000	74,000			74,000			(Over)/Under	<u>3,044,000</u>
9/27/2019	50,000	11/13/2019	50,000	50,000			50,000				
9/27/2019	59,000	11/13/2019	59,000	59,000			59,000				
11/29/2019	2,678,000	12/23/2019	2,678,000	2,678,000			2,678,000				
10/1/2019	80,000	8/27/2020	80,000		80,000		80,000				
10/1/2019	2,100,000	8/27/2020	2,100,000		2,100,000		2,100,000				
1/29/2020	65,000	4/30/2020	65,000	65,000				65,000			
4/7/2020	153,000	5/29/2020	153,000	153,000				153,000			
4/7/2020	70,000	5/7/2020	70,000	70,000				70,000			
4/7/2020	231,000	5/29/2020	231,000	231,000				231,000			
7/2/2020	112,000	8/6/2020	112,000		112,000			112,000			
12/31/2020	450,000	2/19/2021	450,000		450,000			450,000			
12/31/2020	53,000	2/23/2021	53,000		53,000			53,000			
12/31/2020	79,000	2/24/2021	22,000		22,000			22,000			
12/31/2020	26,000	3/18/2021	26,000		26,000			26,000			
4/19/2021	205,000	5/19/2021	205,000		205,000				205,000		
6/7/2021	50,000	6/24/2021	50,000		50,000				50,000		
6/25/2021	200,000	*	-			200,000			200,000		
6/30/2021	2,200,000	6/30/2021	2,200,000		2,200,000				***		
<b>Total</b>				<b>3,499,000</b>	<b>5,298,000</b>	<b>200,000</b>	<b>5,160,000</b>	<b>1,182,000</b>	<b>455,000</b>		
				(A)						(B)	

\* Penalty revenue has been recognized but payment has not been received. The penalty will offset assessments in 2023 if payment is received by June 30, 2022.

\*\* Penalties collected between July 1, 20X1 and June 30, 20X2 will offset assessments in budget year 20X3.

\*\*\* Penalties are recognized for financial reporting purposes when they are approved by FERC and invoiced.



Statutory Statement of Activities and Variance Explanations (July 20, 2021)

Working Capital and Reserve Analysis

Working Capital and Reserve Analysis				
STATUTORY				
	Total	Working Capital Reserve	Unreleased Penalties	Peak Reliability Donation
<b>Beginning Reserve, January 1, 2021</b>	\$ 18,719,300	\$ 8,549,906	\$ 6,342,000	\$ 3,827,394
Plus: Total Funding	28,968,332	28,513,332	455,000	-
Penalties Release	(3,499,000)	-	(3,499,000)	-
Plus: Year-end Adjustments	26,613	26,613	-	-
Less: Expenditures	(13,433,204)	(13,433,204)	-	-
Plus: Non-statutory Fund Adjustment	331,917	331,917	-	-
Less: Reserve Calculation Adjustment <sup>1</sup>	(138,160)	(138,160)	-	-
<b>Reserve (Deficit), June 30, 2021</b>	<b>\$ 30,975,798</b>	<b>\$ 23,850,404</b>	<b>\$ 3,298,000</b>	<b>\$ 3,827,394</b>

<sup>1</sup> Includes an amount was incorrectly excluded from the fourth-quarter working capital calculation and an adjustment to long-term liabilities.



## **NERC and Regional Entity Proposed 2022 Business Plans and Budgets and Associated Assessments**

### **Action**

Review and recommend for Board of Trustees approval:

[Final NERC 2022 Business Plan and Budget \(BP&B\)](#)

[Final Regional Entity and Western Interconnection Regional Advisory Body \(WIRAB\) 2022 BP&Bs 2022 Assessment Schedule](#)

### **Background**

The second draft of the NERC 2022 BP&B was posted on the NERC website for stakeholder review and comment on July 15, 2021, with comments requested by July 28, 2021. No comments were received. The final proposed NERC BP&B is unchanged from the second draft except for minor wording adjustments and the inclusion of the most recent 2021 budget projections that are shown on applicable Statement of Activity tables.

### **Summary**

NERC management will provide an overview of the final proposed NERC 2022 BP&B and ERO Enterprise combined 2022 budgets and assessments. A summary of NERC's review of the 2022 Regional Entity BP&Bs is also enclosed for reference.





**Andy Sharp**  
Vice President, Chief Financial Officer

To: NERC Board of Trustees

Agenda Item 2bv

From: Andy Sharp

Re: NERC Review of Regional Entity 2022 Business Plans & Budgets (BP&Bs)

Date: June 25, 2021

NERC has reviewed the Regional Entity 2022 BP&Bs and believes each provides for adequate resources to meet its delegated functions. Additional details on the review process and outcomes are discussed below.

In accordance with 18 C.F.R. Section 39.4, Rules of Procedure Section 1104, and Exhibit E of the regional delegation agreements, NERC oversees that the Regional Entities are adequately funded to accomplish their delegated functions. For each annual BP&B cycle, the Regional Entities submit their BP&Bs to NERC according to a schedule established collaboratively by NERC and the Regional Entities, and NERC conducts reviews of each, focusing on the following:

- Adequacy of the resources and activities to perform delegated functions;
- Alignment of the Regional Entity's goals, objectives, and major activities to the *ERO Enterprise Long-Term Strategy* and the related focus areas;
- Efforts to improve efficiency and control costs;
- Quality and completeness of the financial information presented, including:
  - Conformance with FERC budget reporting requirements and common presentation format;
  - Separation of statutory and non-statutory activities;
  - Supporting detail, including explanations for significant changes from the previous budget;
  - Reporting of reserve budgets and explanation of policies; and
  - Compliance with any budget or audit-related orders from FERC, if applicable.

These reviews generally occur according to the following timeline and process for each BP&B cycle:

- End of April/early May – Regional Entities provide their Draft 1 BP&Bs to NERC
- May through early June – Managerial staff from each NERC statutory program area reviews its respective sections of each Regional Entity BP&B and completes a template/checklist to indicate alignment with the above noted areas of focus. NERC Finance staff reviews for conformance to reporting requirements and presentation format. NERC also coordinates reviews of the Regional Entity BP&Bs with the external counsel that prepares the annual BP&B filings to provide feedback regarding overall document integrity and adherence to FERC expectations and requirements.

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**RELIABILITY | RESILIENCE | SECURITY**

- In accordance with the timeline for each Regional Entity board meeting to approve its final BP&B, NERC provides any necessary feedback to the Regional Entity on suggested revisions.
- Regional Entities address feedback and NERC confirms implementation of revisions.
- Mid-May through June – Regional Entities provide their NERC-reviewed BP&Bs to their boards for approval.
- Mid-June – Regional Entities submit their Net Energy for Load and Load-Serving Entity (LSE) data to NERC.
- Mid-June through July – NERC validates the data and calculates assessments for each LSE to be included with the submission of the final NERC and Regional Entity BP&Bs to the Board in August, followed by applicable regulatory filings.

The above process is in addition to regular touchpoints with the ERO Finance Group (comprised of NERC and Regional Entity financial representatives) to discuss and coordinate development of the BP&Bs, as well as ongoing discussions among the other ERO working groups and ERO Executive Committee.

In recent years, this review process has produced minimal feedback to the Regional Entities, as resources are generally found to be adequate with respect to Regional Entities fulfilling their delegated statutory functions. Any input has primarily been limited to suggestions on narrative language or, from the financial perspective, the implementation of recent Statement of Activity format changes. Any areas of improvement for the Regional Entities regarding activities, processes, and procedures are addressed through ongoing Regional Entity oversight and the collaborative work of the ERO Executive Committee and its working groups.

NERC recently completed reviews of the Regional Entity 2022 BP&Bs. The following is a summary of the review findings and outcomes:

- All Regional Entity budgets cover activities eligible for funding, consistent with the regional delegation agreements as well as section 215 criteria.
- All statutory areas for all Regional Entities have adequate resources to fulfill their delegated functions.
- All Regional Entities conform to necessary budget reporting and format requirements. NERC also worked with the Regional Entities to further alignment on reserve reporting, clarifying category definitions and overall presentation on reserve balances and penalty funds received.
- Other minor wording change suggestions.

Additionally, the ERO Finance Group continues to have ongoing discussions regarding reserve balances and policies, including long-term strategies for the use of these funds to offset future assessments.