

Agenda

Finance and Audit Committee

November 3, 2021 | 1:00-2:00 p.m. Eastern

Attendee WebEx Link: [Click to Join Meeting](#)

Call to Order

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines

Agenda

1. **Minutes* – Approve**
 - a. September 28, 2021 Meeting
 - b. August 11, 2021 Meeting
2. **Amendment to Investment Policy* – Review and Recommend to Board of Trustees for Approval**
3. **Third Quarter Calendar of FAC Responsibilities**
 - a. **Third Quarter Statement of Activities* – Review and Recommend to Board of Trustees for Acceptance**
 - i. NERC Summary of Results as of September 30, 2021
 - ii. Total ERO Enterprise Summary of Results as of September 30, 2021
 - iii. Regional Entity Variance Reports as of September 30, 2021
4. **2022 Business Plan and Budget Status – Update**
5. **2023 Business Plan and Budget Schedule* – Review**
6. **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 Open Meeting**

September 28, 2021 | 12:15 –12:30 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 September 28, 2021, at 12:15 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
George S. Hawkins
Robin E. Manning
James B. Robb, President and Chief Executive Officer
Roy Thilly

NERC Staff

Tina Buzzard, Assistant Corporate Secretary
Erika Chanzas, Manager of Business Planning
Kelly Hanson, Senior Vice President and Chief Administrative Officer
Nina Johnston, Assistant General Counsel
Andy Sharp, Vice President and Chief Financial Officer
Michael Walker, Senior Advisor, Strategic Initiatives

Introduction and Chair’s Remarks

Mr. Clarke invited Mr. Sharp to provide an overview of his presentation.

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.

New Atlanta Office Lease and Amendment to the 2022 NERC Business Plan and Budget

Mr. Sharp provided a high level overview of the current lease and the option to exercise a one-time early termination and pursue another opportunity pursuant to terms provided to the Board. He described the proposed opportunity and noted that it presents financial savings along with a reduced footprint that fits

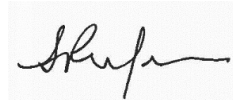
with NERC's new workforce model. In addition, Mr. Sharp described the budget impacts which are reflected in the proposed amended budget. He also explained that the the early termination fee is proposed to be funded from the Operating Contingency Reserve (OCR). Mr. Sharp also noted that the proposed opportunity would result in an \$800,000 increase in out of pocket costs for fixed asset expenditures to be funded out of the Future Obligations Reserve and the OCR, as reflected in the 2022 budget amendment. Mr. Sharp confirmed that due to the proposed means of funding the increase, there would be no impact on total 2022 assessments.

Upon motion duly made and seconded, the FAC approved and recommended Board approval to execute the a final lease, and to approve the amendment to the 2022 NERC budget as presented. The Committee also confirmed that the exigency of the circumstances necessitated use of a shortend comment period for the amended budget.

Adjournment

There being no further business before the Committee, the meeting was adjourned.

Submitted by,



Sônia Mendonça
Corporate Secretary

DRAFT Minutes**Finance and Audit Committee Open Meeting**

August 11, 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 August 11, 2021, at 2:30 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
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
Howard Gugel, Vice President, Engineering & 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 Assurance

Introduction and Chair’s Remarks

Mr. Clarke outlined the agenda, noting the presentation of the second quarter statement of activities and final draft of the business plan and budget (BP&B), to include the process followed in finalizing the 2022 business plan and budget. In addition, Mr. Clarke summarized the July 7 and August 9, 2021 closed Committee meetings.

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 Committee approved the May 12, June 3, and July 22, 2021 minutes as presented in the advance agenda package.

NERC Summary of Unaudited Results as of June 30, 2021

Mr. Sharp presented the second quarter year-to-date unaudited results. He noted that total funding for the Company is \$200,000 under budget and total expenditures are also under budget due to a decrease in travel and lower medical insurance premiums. Mr. Sharp noted that there is an increase in reserves through the second quarter due to several factors, including lower than budgeted personnel, meetings and travel, operating expenses, fixed assets, and net financing activity.

In his year-end projection, he noted that NERC expects funding to be under budget, but over budget on expenditures due to a delayed CRISP operational pilot program. Mr. Sharp summarized the amounts in the operating contingency reserves as well as the assessment stabilization reserves. He also presented year-end projections for each category of reserves.

Mr. Sharp also presented a summary for the ERO Enterprise's year-to-date results for the second quarter. Total expenditures are under budget across the ERO Enterprise, while MRO and Texas RE are the only Regional Entities that saw increases.

In his year end projections for the ERO Enterprise, Mr. Sharp noted that NERC and Texas RE are expected to be over budget. All Regional Entities, except MRO, are expected to have flat reserve balances. He presented a new table showing reserve usage for NERC and each Regional Entity.

NERC 2022 Business Plan and Budget

Mr. Sharp noted the risks that the ERO Enterprise seeks to address through the budget including supply chain, energy and fuel assurances, and extreme weather-related events. He explained that budget priorities for the 2022 fiscal year include Critical Infrastructure Protection and Operations and Planning Reliability Standard revisions, the E-ISAC long-term strategy, information technology security and partial return to work and meetings.

Mr. Sharp also highlighted some budget efficiencies attained through moderate full-time employee (FTE) growth, collaboration groups across the ERO Enterprise sharing knowledge and lessons learned, and compliance monitoring and enforcement consistency strengthened by the ALIGN tool.

He noted that the final budget shows a 6.2% increase to budget, an 8.9% increase to assessments, and a 4.8% increase to FTEs as compared to 2021. The final draft contained no changes from the second draft.

Mr. Sharp explained that projected 2022 reserve balances will be finalized once a final determination is made regarding the Atlanta lease.

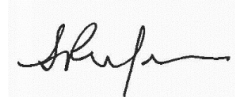
Mr. Sharp also provided preliminary 2023 and 2024 budget projections which have yet to be reviewed by the Board. Mr. Sharp expects FTE increases in both years as well as budget and assessment increases; however, he noted that resource needs are subject to ongoing strategic review as well as scoping of information technology system enhancements.

Mr. Sharp concluded by presenting the ERO Enterprise long-term strategy focus areas.

Adjournment

There being no further business before the Committee, the meeting was adjourned.

Submitted by,



Sônia Mendonça
Corporate Secretary

Investment Policy

Action

Review and Recommend to Board of Trustees for approval

Background

At the April and October 2021 closed meetings of the Finance and Audit Committee (FAC), the Committee discussed options to amend the current investment policy.

NERC's portfolio of cash and reserve funds is currently invested in two money market funds. Both of these money market funds have the highest credit rating from Standard & Poor's (AAA-m) as required by NERC's investment policy, with a focus on maintaining liquidity and price stability. They are both short-term in nature with a weighted average maturity of less than 30 days.

NERC funds are invested through PNC, our primary banking relationship. Management has worked with an investment advisor at PNC in connection with the review and amendment of the company's investment policy.

Recommendation

Management is recommending to remain conservative with the investment policy and strategy with a primary focus on liquidity and price stability, and maintaining the majority of investments in short-term money market funds. The proposed amendments to the investment policy would allow investment in highly rated corporate bonds or mortgage-backed securities (within policy limits), and would clarify the average portfolio duration should not exceed twelve months. Minor administrative updates are also being proposed to the policy.

Summary of Unaudited Results For the Period Ending September 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	\$ 80.8	\$ 81.2	\$ (0.4)
Funding from Reserves			
Assessment Stabilization Reserve	-	-	-
TOTAL FUNDING	\$ 80.8	\$ 81.2	\$ (0.4)
EXPENDITURES			
Expenses (excluding Depreciation)	\$ 79.6	\$ 79.3	\$ 0.3
Fixed Asset Additions	2.9	2.8	0.1
Net Financing Activity	(0.1)	0.8	(0.9)
TOTAL EXPENDITURES	\$ 82.4	\$ 82.9	\$ (0.5)
RESERVE INCREASE (DECREASE)	\$ (1.6)	\$ (1.7)	\$ 0.1

Funding

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

Expenditures

- Expenses (excluding depreciation)
 - 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 costs for standards project support, a compliance assurance contractor used in lieu of an FTE, reliability assessments studies, internal audit support, IT contractors, and CRISP program costs.
 - 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 CRISP reserve) and other departments, as well as slightly higher than budgeted telephone and internet expense.

- Professional Services expenses are expected to be over budget largely due to fees for an additional NERC trustee, higher legal expenses for office lease negotiations, and increased costs for liability insurance.
- Fixed Asset Additions and Net Financing Activity
 - The 2021 budget did not contemplate ERO SEL fixed asset expenditures or loan proceeds, but due to the timing of expenditures on the project, NERC is projected to spend and borrow approximately \$700k in 2021 for 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. Other fixed asset expenditures are projected to be below budget.

Reserve Increase (Decrease)

- Total projected reserve decrease of \$1.6M is close to the budgeted decrease of \$1.7M.

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

<u>FUNDING</u>	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues	\$ 60.7	\$ 60.9	\$ (0.2)
Funding from Reserves			
Assessment Stabilization Reserve	-	-	-
TOTAL FUNDING	\$ 60.7	\$ 60.9	\$ (0.2)
<u>EXPENDITURES</u>			
Expenses (excluding Depreciation)	\$ 55.9	\$ 59.7	\$ (3.8)
Fixed Asset Additions	2.4	2.1	0.3
Net Financing Activity	0.5	0.6	(0.1)
TOTAL EXPENDITURES	\$ 58.8	\$ 62.4	\$ (3.6)
RESERVE INCREASE (DECREASE)	\$ 1.9	\$ (1.5)	\$ 3.4

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 due to lower rates, 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 for SOCCED program exam development and job task analysis support and CRISP program third-party contractor and pilot project program costs.
- Fixed Asset Additions
 - 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 budgeted spending for IT equipment and servers.

Reserve Increase (Decrease)

- Actual reserve increase is higher than budget by \$3.4 million, primarily due to the timing of contract and consultant expenditures versus the budget, and reduced in-person meeting and travel 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)
TOTAL FUNDING	\$ 60,687,272	\$ 60,858,946	\$ (171,674)	(0.3%)	\$ 80,752,721	\$ 81,155,550	\$ (402,829)	(0.5%)
EXPENDITURES								
Personnel	\$ 35,578,495	\$ 36,358,218	\$ (779,723)	(2.1%)	\$ 48,135,827	\$ 48,189,435	\$ (53,608)	(0.1%)
Meetings and Travel	220,255	1,651,311	(1,431,056)	(86.7%)	338,585	2,201,748	(1,863,163)	(84.6%)
Consultants and Contracts	7,969,086	9,518,860	(1,549,774)	(16.3%)	14,105,343	12,691,813	1,413,530	11.1%
Office Rent	2,637,885	2,702,582	(64,696)	(2.4%)	3,603,442	3,603,442	-	0.0%
Office Costs, Professional, and Misc.*	9,420,815	9,353,279	67,536	0.7%	13,226,876	12,471,039	755,836	6.1%
Other Non-Operating	40,716	97,246	(56,530)	(58.1%)	181,057	129,661	51,396	39.6%
Fixed Asset Additions*	2,450,310	2,063,625	386,685	18.7%	2,874,586	2,751,500	123,086	4.5%
Net Financing Activity**	478,501	633,451	(154,950)	(24.5%)	(86,295)	844,601	(930,896)	(110.2%)
TOTAL EXPENDITURES	\$ 58,796,064	\$ 62,378,572	\$ (3,582,508)	(5.7%)	\$ 82,379,422	\$ 82,883,240	\$ (503,818)	(0.6%)
RESERVE INCREASE (DECREASE)	\$ 1,891,209	\$ (1,519,626)	\$ 3,410,834	(224.5%)	\$ (1,626,701)	\$ (1,727,689)	\$ 100,988	(5.8%)
FTEs	207.4	213.4	(5.9)	(2.8%)	208.4	213.4	(4.9)	(2.3%)

* 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 close to budget at year-end with higher than budgeted personnel costs due to new hires in the fourth quarter, largely offset by lower medical insurance premiums and parking and transportation benefits.
- 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 for SOCCED program exam development and job task analysis support and also CRISP program third-party contractor and pilot project program costs. They are expected to be over budget at year-end due to costs for standards project support, a compliance assurance contractor used in lieu of an FTE, reliability assessments studies, internal audit support, IT contractors, and CRISP program costs.

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	\$ 161,863	\$ 85,914	\$ 75,949	88.4%	\$ 271,080	\$ 114,552	\$ 156,528	136.6%
Compliance Assurance	90,035	37,500	52,535	140.1%	186,470	50,000	136,470	272.9%
Registration and Certification	30,798	29,664	1,134	3.8%	41,760	39,552	2,208	5.6%
Compliance Enforcement	-	51,750	(51,750)	(100.0%)	38,070	69,000	(30,930)	(44.8%)
BPS Security and Grid Transformation	-	-	-	0.0%	-	-	-	0.0%
Reliability Assessment and Technical Committees	105,798	44,664	61,134	136.9%	210,000	59,552	150,448	252.6%
Advanced System Analytics and Modeling & Power System Analysis	75,000	123,750	(48,750)	(39.4%)	165,000	165,000	-	0.0%
Performance Analysis	97,184	133,988	(36,804)	(27.5%)	167,680	178,651	(10,971)	(6.1%)
Situation Awareness	-	11,250	(11,250)	(100.0%)	15,000	15,000	-	0.0%
Event Analysis	63,585	86,693	(23,108)	(26.7%)	117,680	115,590	2,090	1.8%
E-ISAC	1,629,307	1,799,939	(170,632)	(9.5%)	2,408,756	2,399,918	8,838	0.4%
Training, Education and Personnel Certification	130,920	418,988	(288,068)	(68.8%)	587,260	558,650	28,610	5.1%
General and Administrative and Executive	43,983	-	43,983	0.0%	60,000	-	60,000	0.0%
Legal and Regulatory	111,600	157,500	(45,900)	(29.1%)	482,000	210,000	272,000	129.5%
External Affairs	36,660	15,000	21,660	144.4%	56,713	20,000	36,713	183.6%
Information Technology	1,255,757	1,226,719	29,038	2.4%	1,973,846	1,635,625	338,221	20.7%
Human Resources and Administration	486,465	457,500	28,965	6.3%	692,100	610,000	82,100	13.5%
Finance and Accounting	35,196	93,750	(58,554)	(62.5%)	125,000	125,000	-	0.0%
TOTAL (excluding CRISP)	\$ 4,354,150	\$ 4,774,568	\$ (420,417)	(8.8%)	\$ 7,598,415	\$ 6,366,090	\$ 1,232,325	19.4%
CRISP	3,614,936	4,744,292	(1,129,356)	(23.8%)	6,506,928	6,325,723	181,205	2.9%
TOTAL (including CRISP)	\$ 7,969,086	\$ 9,518,860	\$ (1,549,774)	(16.3%)	\$ 14,105,343	\$ 12,691,813	\$ 1,413,530	11.1%

- 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, higher legal expenses for office lease negotiations, and increased costs for liability insurance.
- Fixed Asset Additions are 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 budgeted 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	\$ 2,874,969	\$ 2,740,333	\$ 134,636	4.9%	\$ 3,906,393	\$ 3,627,620	\$ 278,772	7.7%
Compliance Assurance	4,792,736	4,918,245	(125,509)	(2.6%)	5,954,462	6,508,460	(553,998)	(8.5%)
Registration and Certification	792,510	945,864	(153,354)	(16.2%)	1,134,906	1,248,210	(113,304)	(9.1%)
Compliance Enforcement	3,327,038	3,197,457	129,581	4.1%	3,995,100	4,244,467	(249,367)	(5.9%)
Power System Analysis	214,930	260,029	(45,099)	(17.3%)	320,799	428,239	(107,440)	(25.1%)
Reliability Assessment and Technical Committees	1,429,832	1,481,191	(51,360)	(3.5%)	2,004,619	1,957,274	47,345	2.4%
Advanced System Analytics and Modeling & Power System Analysis	1,493,400	1,894,603	(401,203)	(21.2%)	2,138,365	2,503,640	(365,274)	(14.6%)
Performance Analysis	1,015,828	1,246,283	(230,454)	(18.5%)	1,427,811	1,665,414	(237,603)	(14.3%)
Situation Awareness	2,005,991	2,105,456	(99,465)	(4.7%)	2,765,249	2,790,692	(25,443)	(0.9%)
Event Analysis	1,389,391	1,812,112	(422,721)	(23.3%)	1,868,404	2,389,731	(521,327)	(21.8%)
E-ISAC	9,065,990	9,542,681	(476,690)	(5.0%)	12,519,957	12,698,677	(178,720)	(1.4%)
Training, Education and Personnel Certification	894,789	1,229,980	(335,191)	(27.3%)	1,612,925	1,635,119	(22,194)	(1.4%)
General and Administrative and Executive	6,302,851	6,349,501	(46,651)	(0.7%)	8,659,710	8,445,444	214,266	2.5%
Legal and Regulatory	3,454,613	3,503,031	(48,418)	(1.4%)	5,002,275	4,631,911	370,364	8.0%
External Affairs	2,139,426	2,160,988	(21,561)	(1.0%)	2,908,198	2,859,325	48,872	1.7%
Information Technology	9,271,487	9,736,462	(464,975)	(4.8%)	12,868,123	12,936,602	(68,479)	(0.5%)
Human Resources and Administration	2,017,235	2,089,273	(72,037)	(3.4%)	2,966,849	2,775,720	191,128	6.9%
Finance and Accounting	1,543,947	1,546,746	(2,799)	(0.2%)	2,156,969	2,052,043	104,926	5.1%
TOTAL (excluding CRISP)	\$ 54,026,963	\$ 56,760,234	\$ (2,733,271)	(4.8%)	\$ 74,211,114	\$ 75,398,589	\$ (1,187,475)	(1.6%)
CRISP	4,769,100	5,618,338	(849,238)	(15.1%)	8,168,308	7,484,651	683,657	9.1%
TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	\$ 58,796,064	\$ 62,378,572	\$ (3,582,508)	(5.7%)	\$ 82,379,422	\$ 82,883,240	\$ (503,818)	(0.6%)

Following is a brief summary of significant variances by department:

- 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 and software license and support costs.
- Event Analysis – Under budget and 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 costs versus the budget.
- Training, Education and Personnel Certification – Under budget primarily because of the timing of SOCCED program exam development and job task analysis support versus the budget and lower Training & Education department contractor needs.
- Legal and Regulatory – Expected to be over budget primarily due to internal audit staff augmentation, support for corporate risk management initiatives, and outside counsel support for the Atlanta and DC office lease negotiations.
- Information Technology – Under budget primarily because of timing of software license and support costs and reduced equipment purchases.

- CRISP – Under budget largely as a result of the timing of costs versus the budget for third party contractor costs and pilot program contractor costs and is expected to be over budget because of higher contractor and software costs.

Supplemental Schedules

Schedule 1 – Year-End Projected Reserves

Reserve Account	1/1/2021		Unbudgeted Funding/(Use)	Operating and Financing Activity Versus Budget ⁽³⁾	12/31/2021 Ending Balance
	Beginning Balance ⁽¹⁾	Budgeted Funding/(Use) ⁽²⁾			
Operating Contingency	\$ 7,982,913	\$ (1,800,000)	\$ -	\$ 1,223,614	\$ 7,406,528
Future Obligations	1,657,901	(551,600)	-	-	1,106,301
Assessment Stabilization	2,521,000	-	-	-	2,521,000
System Operator	996,220	-	-	(244,315)	751,905
CRISP (Defense Fund)	500,000	-	-	-	500,000
CRISP (Special Projects)	1,049,549	-	-	(806,000)	243,549
Total Reserves	\$ 14,707,584	\$ (2,351,600)	\$ -	\$ 173,299	\$ 12,529,283

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 ⁽¹⁾	Actual Spend to Date	Expected Spend	Expected Over (Under) Budget
Align (2017-2021)	\$ 7,203,000	\$ 6,928,473	\$ 7,203,000	\$ -
E-ISAC Portal Replacement	259,680	259,680	259,680	-
CRISP Dragos Operational Technology Pilot	426,000	159,425	426,000	-

Projects Completed in 2021	Project Budget ⁽¹⁾	Actual Spend
Secure Evidence Locker ⁽²⁾	\$ 2,265,000	\$ 2,109,656
Mobile Device Management/Laptop Build	36,000	62,573
SAFNR Disaster Recovery	78,516	67,372

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 Q4 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.

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.

SAFNR Disaster Recovery

(Started Q3 2020 / Completed Q3 2021)

This project involved the installation of 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.

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	\$ 17,004,776	\$ 22,673,035	\$ 22,673,035	\$ -
Other Funding	5,345,559	7,025,682	7,148,703	(123,021)
TOTAL FUNDING	\$ 22,350,335	\$ 29,698,717	\$ 29,821,738	\$ (123,021)
EXPENDITURES				
Personnel Expense	\$ 6,956,755	\$ 9,492,876	\$ 9,463,819	\$ 29,057
Meetings and Travel Expense	63,011	95,596	297,080	(201,484)
Operating Expenses (excluding Depreciation)	6,785,325	11,048,793	10,339,429	709,365
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	30,000	51,000	83,000	(32,000)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 13,835,091	\$ 20,688,265	\$ 20,183,328	\$ 504,937
Indirect Expense Allocation	7,218,767	10,196,205	9,315,576	880,628
Fixed Asset Allocation	38,760	71,979	188,624	(116,646)
Net Financing Activity Allocation	100,783	115,276	134,209	(18,933)
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 21,193,401	\$ 31,071,725	\$ 29,821,738	\$ 1,249,987
RESERVE INCREASE (DECREASE)	\$ 1,156,934	\$ (1,373,008)	\$ 0	\$ (1,373,008)

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

CRISP					
FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)	
Assessments	\$ 821,897	\$ 1,095,863	\$ 1,095,863	\$ -	
Other Funding	5,299,280	6,963,825	7,100,343	(136,519)	
TOTAL FUNDING	\$ 6,121,178	\$ 8,059,688	\$ 8,196,207	\$ (136,519)	
EXPENDITURES					
Personnel Expense	\$ 643,707	\$ 881,663	\$ 833,011	\$ 48,652	
Meetings and Travel Expense	759	14,331	28,939	(14,608)	
Operating Expenses (excluding Depreciation)	4,094,635	7,222,314	6,572,701	649,613	
Other Non-Operating Expenses	-	-	-	-	
Fixed Asset Purchases (excluding Fixed Asset Allocation)	30,000	50,000	50,000	(0)	
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-	
Total Direct Costs (excluding Depreciation and Allocations)	\$ 4,769,100	\$ 8,168,308	\$ 7,484,651	\$ 683,657	
Indirect Expense Allocation	650,137	751,135	687,687	63,448	
Fixed Asset Allocation	3,491	5,303	13,946	(8,644)	
Net Financing Activity Allocation	9,077	8,492	9,923	(1,431)	
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 5,431,805	\$ 8,933,238	\$ 8,196,207	\$ 737,031	
RESERVE INCREASE (DECREASE)	\$ 689,373	\$ (873,550)	\$ (0)	\$ (873,550)	

E-ISAC (excluding CRISP)					
FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)	
Assessments	\$ 16,182,879	\$ 21,577,172	\$ 21,577,172	\$ -	
Other Funding	46,279	61,857	48,360	13,498	
TOTAL FUNDING	\$ 16,229,158	\$ 21,639,029	\$ 21,625,531	\$ 13,498	
EXPENDITURES					
Personnel Expense	\$ 6,313,048	\$ 8,611,213	\$ 8,630,809	\$ (19,596)	
Meetings and Travel Expense	62,253	81,265	268,141	(186,876)	
Operating Expenses (excluding Depreciation)	2,690,690	3,826,480	3,766,728	59,752	
Other Non-Operating Expenses	-	-	-	-	
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	1,000	33,000	(32,000)	
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-	
Total Direct Costs (excluding Depreciation and Allocations)	\$ 9,065,990	\$ 12,519,957	\$ 12,698,677	\$ (178,720)	
Indirect Expense Allocation	6,568,630	9,445,069	8,627,890	817,180	
Fixed Asset Allocation	35,269	66,676	174,678	(108,002)	
Net Financing Activity Allocation	91,707	106,784	124,286	(17,502)	
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 15,761,596	\$ 22,138,487	\$ 21,625,531	\$ 512,956	
RESERVE INCREASE (DECREASE)	\$ 467,562	\$ (499,458)	\$ 0	\$ (499,458)	

Schedule 4 – Summary of Investments

	Quarter-End Balance	Ticker Symbol	Fund Name	S&P Credit Rating	Average Annualized Yield
<u>Cash Sweep Accounts</u>					
Operating Account Sweep	\$ 19,475,656	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.03%
SOCED Account Sweep	1,529,808	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.03%
CRISP Account Sweep	5,348,999	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.03%
<u>Total Cash Sweep Accounts</u>	<u>\$ 26,354,463</u>				
<u>Investment Account</u>					
Reserve Funds	\$ 8,471,747	GRTXX	Federated Hermes Government Obligations Fund	AAAm	0.03%
<u>Total Investments</u>	<u>\$ 8,471,747</u>				

Total ERO Enterprise (NERC and Regional) Summary of Unaudited Results

September 30, 2021

The ERO Enterprise was under budget \$7.9M (5.0%) for combined expense and fixed asset (capital) spending and net financing activity. The budget variances ranged from 12.2% under budget to 1.3% over budget. The year-end projection for the ERO Enterprise is to be under budget \$4.3M (2.0%).

Total Budget (Total Expenses plus Fixed Assets & Net Financing Activity)

Entity	2021 YTD		Over (Under)		2021 Year-End		Over (Under)	
	Actual	Budget	\$	%	Projected	Budgeted	\$	%
NERC	\$ 58,796,064	\$ 62,378,572	\$ (3,582,508)	(5.7%)	\$ 82,379,423	\$ 82,883,238	\$ (503,815)	(0.6%)
MRO	13,050,241	13,809,152	(758,911)	(5.5%)	17,582,951	18,412,202	(829,251)	(4.5%)
NPCC	10,753,845	12,245,940	(1,492,095)	(12.2%)	15,060,095	16,440,649	(1,380,554)	(8.4%)
RF	17,601,464	18,648,911	(1,047,447)	(5.6%)	23,765,617	24,785,492	(1,019,875)	(4.1%)
SERC	18,311,268	18,769,937	(458,669)	(2.4%)	25,528,599	25,829,078	(300,479)	(1.2%)
Texas RE	10,397,405	10,267,143	130,262	1.3%	14,340,853	14,211,538	129,315	0.9%
WECC	20,319,012	20,959,978	(640,966)	(3.1%)	28,262,479	28,605,029	(342,550)	(1.2%)
	\$ 149,229,298	\$ 157,079,633	\$ (7,850,334)	(5.0%)	\$ 206,920,017	\$ 211,167,226	\$ (4,247,209)	(2.0%)

- NERC was under budget \$3.6M (5.7%) primarily as a result of reduced in-person meetings and lower employee travel and transportation costs due to the pandemic and timing of expenses (primarily contracts and consultants). The company expects to be under budget \$504k (0.6%) at year-end, which is predominately due to lower meetings and travel expenses as a result of the pandemic, fixed asset additions, and net financing activity, offset by higher contracts and consultants, software, and professional services expenses.
- MRO was under budget \$759k (5.5%), primarily due to lower meetings and travel expenses as a result of the ongoing pandemic. Fixed asset costs related to an office expansion were reduced after receipt of the lessor's portion of the improvements. The company expects to be under budget \$829k (4.5%) 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 \$1.5M (12.2%) mainly as a result of lower meetings and travel expenses due to the pandemic, lower consultants and contracts expenses due to the discontinued use of contract auditors for compliance auditing activities (replaced by FTEs), and timing of fixed asset expenditures. The company expects to be under budget \$1.4M (8.4%) at year-end.
- RF was under budget \$1.0M (5.6%) largely because of reduced meeting, travel, and training activities due to the pandemic, lower medical benefit costs, and timing of actual fixed assets purchases. This is partially offset by an unbudgeted fees for an additional independent director,

and costs associated with payroll system improvements. The company expects to be under budget \$1.0M (4.1%) at year-end.

- SERC was under budget \$459k (2.4%) largely due to timing of expenditures versus budget. The company expects to be under budget \$300k (1.2%) at year-end.
- Texas RE was over budget \$130k (1.3%) 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 \$129k (0.9%) at year-end.
- WECC was under budget \$641k (3.1%) primarily due to the net of an underrun in meeting and travel expenses, an overrun in personnel expenses, and timing differences in consulting. The company expects to be under budget \$343k (1.2%) at year-end.

Variances 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 \$1.0M (0.9%), ranging from 2.5% under budget to 2.1% over budget. The ERO Enterprise was under budget in FTEs by 13.7 (1.9%). The year-end projection for ERO Enterprise personnel expenses is to be over budget \$792k (0.5%), with FTEs under budget 0.3%. 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	\$ 35,578,495	\$ 36,358,218	\$ (779,723)	(2.1%)	(0.1%)	207.4	213.4	(5.9)	(2.8%)	(2.3%)
MRO	10,172,599	9,962,803	209,796	2.1%	2.3%	65.0	66.0	(1.0)	(1.5%)	(1.5%)
NPCC	8,620,292	8,597,798	22,494	0.3%	1.7%	41.5	42.1	(0.6)	(1.4%)	2.6%
RF	15,653,978	16,047,769	(393,791)	(2.5%)	(1.6%)	84.3	84.4	(0.0)	(0.0%)	0.0%
SERC	14,734,415	14,977,992	(243,577)	(1.6%)	0.1%	95.0	100.0	(5.0)	(5.0%)	0.0%
Texas RE	8,039,062	8,178,555	(139,493)	(1.7%)	(0.9%)	61.0	63.0	(2.0)	(3.2%)	0.0%
WECC	16,603,376	16,327,043	276,333	1.7%	3.4%	143.9	143.0	0.9	0.6%	1.6%
	\$ 109,402,217	\$ 110,450,178	\$ (1,047,961)	(0.9%)	0.5%	698.2	711.8	(13.7)	(1.9%)	(0.3%)

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

- NERC was under budget \$780k (2.1%) mainly due to the timing of training class costs versus the budget, lower than budgeted medical insurance premiums due to lower rates, and lower parking and transportation benefits due to the pandemic. The company expects to be near budget at year-end due to the reasons noted above offset by costs for FTEs projected to be hired in the fourth quarter.
- MRO was over budget \$210k (2.1%) because two budgeted FTEs were hired five months earlier than scheduled. There was net one turnover year-to-date. The company expects to be over budget \$305k (2.3%) at year-end for this same reason.

- NPCC was over budget \$22k (0.3%) 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 \$196k (1.7%) at year-end due to a higher than budgeted staffing level, including three compliance FTEs that will replace the use of independent contractors in compliance auditing activities (offset by decreased consultants and contracts expense).
- RF was under budget \$394k (2.5%) primarily due underutilized budgeted training as a result of the cancellation of training activities due to the pandemic, and lower medical benefits due to personnel count that was below the approved staffing levels during the first part of the year, along with employees selecting medical plans that differed from what was budgeted. The company expects to be under budget by \$338k (\$1.6%) at year-end due to the same reasons.
- SERC was under budget \$244k (1.6%) primarily due to a lower-than-anticipated insurance rate renewal and timing of relocation expenses. The company expects to be slightly over budget at year-end due to improved hiring and retaining of talent, resulting in lower-than-budgeted vacancies.
- Texas RE was under budget \$139k (1.7%) predominately as a result of lower-than-budgeted health insurance increases and savings and retirement forfeitures being used to fund the account when available.
- WECC was over budget \$276k (1.7%) primarily due to a net of lower-than-anticipated vacancy rates and health reimbursements. The company expects to be over budget \$758k (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 \$3.8M (93.0%). All entities were under budget and expect to be under budget at year-end because of decreased meeting and travel expenses due to the pandemic. The year-end projection for the ERO Enterprise is to be under budget \$7.9M (90.4%).

Meetings, Conference Calls, and Travel Expenses

Entity	2021 Budget	Meetings & Conference Calls		Travel Over (Under)	2021 Actual	Over (Under)		Projected Year-End Variance to Budget
		Over (Under)	Over (Under)			\$	%	
NERC	\$ 1,651,311	\$ (535,876)	\$ (895,180)	\$ 220,255	\$ (1,431,056)	(86.7%)	(84.6%)	
MRO	722,450	(151,877)	(567,057)	3,516	(718,934)	(99.5%)	(99.5%)	
NPCC	712,874	(195,247)	(505,922)	11,704	(701,170)	(98.4%)	(97.8%)	
RF	710,160	(225,585)	(446,161)	38,414	(671,746)	(94.6%)	(93.0%)	
SERC	681,919	(213,758)	(430,344)	37,817	(644,102)	(94.5%)	(83.4%)	
Texas RE	63,259	2,425	(29,155)	36,529	(26,730)	(42.3%)	(77.5%)	
WECC	1,249,932	(313,949)	(881,494)	54,489	(1,195,443)	(95.6%)	(95.4%)	
	\$ 5,791,906	\$ (1,633,867)	\$ (3,755,314)	\$ 402,724	\$ (5,389,181)	(93.0%)	(90.4%)	

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 \$2.9M (7.7%). The year-end projection for the ERO Enterprise is to be over budget \$1.6M (3.1%). 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)	Over (Under)			Projected Year-End Variance to Budget
							2021 Actual	\$	%	
NERC	\$ 21,574,721	\$(1,549,774)	\$ (64,696)	\$ (15,909)	\$ 135,155	\$ (51,710)	\$ 20,027,787	\$ (1,546,934)	(7.2%)	7.5%
MRO	2,936,399	(492,390)	(161,639)	(157,183)	3,876	-	2,129,063	(807,336)	(27.5%)	(24.8%)
NPCC	3,155,764	(547,470)	(68,532)	(44,047)	(79,431)	(23,512)	2,392,771	(762,993)	(24.2%)	(13.0%)
RF	1,673,482	(68,394)	(40,229)	58,384	201,215	(10,346)	1,814,112	140,630	8.4%	10.6%
SERC	3,110,026	(374,496)	(13,724)	151,966	(106,116)	-	2,767,656	(342,370)	(11.0%)	0.8%
Texas RE	2,025,329	189,374	81,148	86,255	(60,292)	-	2,321,814	296,485	14.6%	8.7%
WECC	3,800,053	(116,066)	(52,312)	137,548	117,252	-	3,886,475	86,422	2.3%	7.9%
	\$ 38,275,773	\$(2,959,216)	\$ (319,984)	\$ 217,014	\$ 211,659	\$ (85,568)	\$ 35,339,678	\$ (2,936,095)	(7.7%)	3.1%

- NERC was under budget \$1.5M (7.2%) primarily due to timing of contracts and consultants costs versus the budget. The company expects to be over budget \$2.2M (7.5%) at year-end primarily due to higher contracts and consultants, software, and professional services expenses.
- MRO was under budget \$807k (27.5%), which is attributable primarily to reduced spending in consulting, contracts, and office costs as MRO continues to manage its systems and processes without the need for external support. Facility costs are also less than budgeted due to reduction in utilities and building maintenance costs. The company expects to be under budget \$973k (24.8%) at year-end for this same reason.
- NPCC was under budget \$763k (24.2%) predominately due to replacing the use of independent contractors with FTEs for compliance auditing activities. The company expects to be under budget \$555k (13.0%) at year-end, which is the net of the decreased compliance contracts expense and increased IT office costs related to data protection, identity and access management, and security monitoring.
- RF was over budget \$141k (8.4%) primarily due to an unbudgeted search fee for an independent director, increased annual fees related to an additional board approved director, and accounting fees related to a payroll system upgrade, partially offset by less-than-budgeted contracts and consultants expense for compliance monitoring functions. The company expects to be over budget \$258k (10.6%) for the same reasons at year end, in addition to increased expenses due to office expansions.
- SERC was under budget \$342k (11.0%) primarily because of timing of contracts and consultants expenses and legal and independent director fees. The company expects to be slightly over budget at year-end.
- Texas RE was over budget \$296k (14.6%) largely as a result of (1) consulting fees for executive coaching and software training, (2) higher utilities resulting from the winter storm, (3) absorbing rent previously allocated to the Texas RE's non-statutory function as the Texas Reliability Monitor,

and (4) special cleaning and other needs related to the pandemic. This is partially offset by lower professional services costs due to timing of actual expenses versus budget. The company expects to be over budget \$245k (8.7%) at year-end.

- WECC was over budget \$86k (2.3%) primarily due to the net higher-than-anticipated costs for computer licensing and unbudgeted enterprise security tools, unbudgeted legal fees related to unanticipated regulatory activities, and the timing of information technology consulting. The company expects to be over budget \$395k (7.9%) at year-end.

Indirect Expense Allocation

NPCC and WECC allocate overhead expenses to their non-statutory functions. Through the third quarter, NPCC allocated \$15k (5.2%) less than budgeted and WECC allocated \$54k (10.4%) less than budgeted. At year-end, NPCC expects to allocate as budgeted and WECC expects to allocate \$19k (2.7%) less than budgeted.

Fixed Asset (Capital) Additions

For the ERO Enterprise, fixed asset (capital) additions were over budget \$1.7M (63.1%). The year-end projection for the ERO Enterprise is to be over budget \$1.9M (50.7%). 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	\$ 2,450,310	\$ 2,063,625	\$ 386,685	18.7%	\$ 2,874,587	\$ 2,751,500	\$ 123,087	4.5%
MRO	745,063	187,500	557,563	297.4%	1,046,941	250,000	796,941	318.8%
NPCC	4,869	70,500	(65,631)	(93.1%)	112,000	94,000	18,000	19.1%
RF	94,960	217,500	(122,540)	(56.3%)	189,599	217,500	(27,901)	(12.8%)
SERC	771,380	-	771,380	0.0%	1,007,000	200,000	807,000	403.5%
Texas RE	-	-	-	0.0%	50,000	50,000	-	0.0%
WECC	236,711	98,527	138,184	140.2%	236,711	98,527	138,184	140.2%
	\$ 4,303,293	\$ 2,637,652	\$ 1,665,641	63.1%	\$ 5,516,838	\$ 3,661,527	\$ 1,855,311	50.7%

- NERC was over budget \$387k (18.7%) primarily due to 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. The total borrowing for the ERO SEL project in 2020 and 2021 should be at or below the total amount of \$2.0 million approved by the NERC Board of Trustees (Board) for the project initial investment. This is partially offset by lower than budgeted spending for IT equipment and servers. The company expects to be over budget \$123k (4.5%) at year end.
- MRO was over budget \$558k (297.4%), 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 \$797k (318.8%) at year-end. The company received an allowance to cover the lessor's portion of the improvements and used working capital savings realized in 2020 to cover the remaining over spend in fixed assets.

- NPCC was under budget \$66k (93.1%) 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 \$123k (56.3%) due to the timing of planned computer hardware and software additions. The company expects to be under budget \$28k (12.8%) at year-end due to the expectation that some projects may not be completed during the year.
- SERC was over budget \$771k primarily because of timing of certain IT projects budgeted in Q4. The company expects to be over budget \$807k (403.5%) at year-end due to an accelerated timeline for the Member Portal Consolidation project.
- WECC was over budget \$138k (140.2%) 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 \$138k (140.2%) 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 \$931k (110.2%) 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, 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 for the project initial investment.

Total ERO Enterprise Reserves

Total ERO Enterprise Summary of Unaudited Results (ERO Quarterly Variance Reports) prior to 2021 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 \$67.7M in total reserves, including \$39.9M in WCOCR, \$21.4M in ASR and Unreleased Penalties, and \$6.4M in Other Reserves. The WCOCR projected for the end of the year is 18.9% of the 2021 ERO Enterprise combined budget, or 2.3 months of operating expenses. The total reserves projected for the end of the year represents 32.1% of the 2021 ERO Enterprise combined budget, or 3.8 months of operating expenses.

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

ERO Enterprise Total Reserve Balances - 2021 Projected

\$ - millions

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

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

⁽²⁾ ASR - Assessment Stabilization Reserve

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



Lam Chung, Corporate Treasurer

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E: lam.chung@mro.net

October 20, 2021

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

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

Dear Mr. Sharp:

MRO experienced variances greater than \$10,000 and 10 percent. Third quarter results indicate that MRO's budget is under spent by 5.5 percent.

Meeting Expenses (Variance of \$718,934 (99.5%) under budget)

Meetings and travel continued to be impacted in the third quarter because of the ongoing pandemic. MRO uses virtual means to conduct meetings. All in-person meetings and most travel have been canceled for the year.

Operating Expenses (Variance of \$807,336 (27.5%) 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. Facility costs are less than budgeted due to reduction in utilities and building maintenance costs.

Fixed Assets (Variance of \$557,563 (297.4%) over budget)

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

Budget Outlook

Year-end projected budget results anticipate an under budget performance. Salary costs are over budget because budgeted FTEs were hired five months earlier than scheduled. Retirement costs are also higher than budgeted because employer costs are based upon staff contributions, which are higher. Supply chain challenges have disrupted the timing of a budgeted capital asset. Staff is diligently at work with vendors to get this purchase done by year-end.

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

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

Cc: Sara Patrick, MRO President and CEO



**Midwest Reliability Organization
Statement of Activity
9/30/2021
PRELIMINARY (Unaudited)**

(In Whole Dollars)

	2021 YTD Actual	2021 YTD Budget	2021 YTD Variance	%	Projected 2021 End Of Year	2021 Budget	2021 Variance	%
Funding								
ERO Funding								
ERO Assessments	\$ 12,737,438	\$ 12,737,438	-		\$ 16,983,251	\$ 16,983,251	-	
Penalty Sanctions	270,378	270,378	-		360,504	360,504	-	
A. Total ERO Funding	\$ 13,007,817	\$ 13,007,816	\$ -		\$ 17,343,755	\$ 17,343,755	\$ -	
Expenses								
Personnel Expenses								
Salaries	\$ 7,676,258	\$ 7,544,447	131,811		\$ 10,280,848	\$ 10,059,263	221,585	
Payroll Taxes	480,472	473,919	6,553		607,671	631,892	(24,221)	
Benefits	753,477	798,281	(44,804)		1,016,599	1,064,374	(47,775)	
Retirement Costs	1,262,392	1,146,156	116,236		1,683,593	1,528,208	155,385	
Total Personnel Expenses	\$ 10,172,599	\$ 9,962,803	\$ 209,796	2.1%	\$ 13,588,710	\$ 13,283,737	\$ 304,973	2.3%
Meeting Expenses								
Meetings & Conference Calls	\$ 1,798	\$ 153,675	(151,877)		\$ 2,397	\$ 204,900	(202,503)	
Travel	1,718	568,775	(567,057)		2,291	758,367	(756,076)	
Total Meeting Expenses	\$ 3,516	\$ 722,450	\$ (718,934)	-99.5%	\$ 4,688	\$ 963,267	\$ (958,579)	-99.5%
Operating Expenses								
Consultants & Contracts	\$ 512,386	\$ 1,004,776	(492,390)		\$ 855,522	\$ 1,339,701	(484,179)	
Office Rent	714,886	876,525	(161,639)		953,181	1,168,700	(215,519)	
Office Costs	508,290	665,473	(157,183)		706,408	887,297	(180,889)	
Professional Services	393,501	389,625	3,876		427,501	519,500	(91,999)	
Total Operating Expenses	\$ 2,129,063	\$ 2,936,399	\$ (807,336)	-27.5%	\$ 2,942,612	\$ 3,915,198	\$ (972,586)	-24.8%
Total Direct Expenses	\$ 12,305,178	\$ 13,621,652	\$ (1,316,474)	-9.7%	\$ 16,536,010	\$ 18,162,202	\$ (1,626,192)	-9.0%
Indirect Expenses								
Other Non-Operating Expenses								
	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
B. Total Expenses	\$ 12,305,178	\$ 13,621,652	\$ (1,316,474)		\$ 16,536,010	\$ 18,162,202	\$ (1,626,192)	
Net Funding less Expenses (A-B)	\$ 702,640	\$ (613,835)	\$ 1,316,474		\$ 807,745	\$ (818,447)	\$ 1,626,192	
C. Fixed Asset Additions, excluding Right of Use Assets	\$ 745,063	\$ 187,500	\$ 557,563	297.4%	\$ 1,046,941	\$ 250,000	\$ 796,941	318.8%
Total Budget (B + C)	\$ 13,050,241	\$ 13,809,152	\$ (758,911)	-5.5%	\$ 17,582,951	\$ 18,412,202	\$ (829,251)	-4.5%
Change in Working Capital (A-B-C)	\$ (42,423)	\$ (801,335)	\$ 758,911		\$ (239,196)	\$ (1,068,447)	\$ 829,251	
Head Count	64.00	66.00	(2.00)		65.00	66.00	(1.00)	
FTEs	64.00	66.00	(2.00)		65.00	66.00	(1.00)	
Reserve Activity:								
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	(42,423)	(801,335)	758,912		(239,196)	(1,068,447)	829,251	
Penalties Received	458,250	-	458,250		458,250	-	458,250	
Penalties Released	(270,378)	(270,378)	-		(360,504)	(360,504)	-	
Other Reserve Activity	-	-	-		-	-	-	
Ending Reserves at 9/30/21 :	\$ 8,650,126	\$ 5,740,055	\$ 2,910,071		\$ 8,363,227	\$ 5,382,817	\$ 2,980,410	
Reserve Summary								
		1/1/2021	Additions	Uses/Transfer		12/31/2021		
Working Capital & Operating Contingency		5,904,677	829,251	(1,500,000)		5,233,927		
Assessment Stabilization & Penalty Reserves		2,600,000	1,958,250	(1,428,951)		3,129,299		
Other Reserve Activity		-	-	-		-		
Total Reserves		8,504,677	2,787,501	(2,928,951)		8,363,226		



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

October 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
Third Quarter 2021 Statement of Activities

Dear Andy:

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

Please do not hesitate to contact me via email at 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 and General Counsel
Mr. Christopher Weir, CPA – NPCC Treasurer
ERO Finance Group



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NPCC Regional Entity Division Budget to Actual Variance Comparison as of September 30, 2021

TOTAL EXPENSES

For the quarter ending September 30, 2021, the NPCC Regional Entity Division is \$1.5M or 12.18% under budget year to date. Based on planned activities, NPCC's current full year projection (FYP) is an under budget variance of \$1.4M or 8.40%. Three full time employees (FTEs) are planned to be onboarded during the fourth quarter. NPCC will continue to reprioritize resources as necessary to fulfill all of its responsibilities under its Regional Delegation Agreement, agreements and memorandums of understanding respecting Canadian Provinces, and the NPCC Bylaws.

INCOME

- **Penalty Sanctions** (Penalties released of \$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 virtual format to allow for remote participation due to continuing 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 \$2k year-to-date and \$54k 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 \$2k 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 \$22k over budget year-to-date and \$196k over budget FYP)
One compliance full time employee (FTE) was onboarded during the third quarter. During the fourth quarter NPCC will retain one additional compliance FTE, one IT FTE and one general and administrative FTE. 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. Increased personnel expenses in the compliance program area are offset by decreased consultants and contracts expense. Cost savings resulting from the consolidation of multiple insurance carriers partially offset increases in actual and projected benefits expenses.
- **Meeting Expenses** (Variance of \$701k under budget year-to-date and \$1M under budget FYP)
Under budget variance is due to continuing 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.
- **Consultants and Contracts** (Variance of \$547k under budget year-to-date and \$465k 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 partially offset by increased personnel expenses in the compliance program.
- **Office Costs** (Variance of \$44k under budget year-to-date and \$40k over budget FYP)
Current underage is a result of lower than budgeted office supplies, shipping and copying expenses related to staff working remotely. Over budget full year projection is 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 \$66k 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 October 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 September 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)	%
Funding								
Assessments	11,365,938	11,365,938	-		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	1,509	42,198	(40,689)		2,000	56,264	(54,264)	
Total Funding	11,568,579	11,609,268	(40,689)	-0.35%	15,357,716	15,479,480	(121,764)	-0.79%
Expenses								
Personnel Expenses								
Salaries	6,186,151	5,986,589	199,562		8,293,035	7,982,119	310,916	
Payroll Taxes	458,495	412,903	45,592		521,804	485,768	36,036	
Employee Benefits	1,289,686	1,515,932	(226,247)		1,855,058	2,021,243	(166,185)	
Savings & Retirement	685,961	682,374	3,587		924,832	909,832	15,000	
Total Personnel Expenses	8,620,292	8,597,798	22,494	0.26%	11,594,729	11,398,962	195,766	1.72%
Meeting Expenses								
Meetings & Conference Calls	8,083	203,330	(195,247)		14,000	334,400	(320,400)	
Travel	3,622	509,544	(505,922)		9,000	727,920	(718,920)	
Total Meeting Expenses	11,704	712,874	(701,170)	-98.36%	23,000	1,062,320	(1,039,320)	-97.83%
Operating Expenses, excluding Depreciation								
Consultants & Contracts	552,022	1,099,493	(547,470)		1,044,800	1,509,800	(465,000)	
Rent & Improvements	586,424	654,956	(68,532)		810,141	870,141	(60,000)	
Office Costs	584,018	628,065	(44,047)		877,420	837,420	40,000	
Professional Services	655,569	735,000	(79,431)		965,000	1,005,000	(40,000)	
Miscellaneous	14,738	38,250	(23,512)		21,000	51,000	(30,000)	
Total Operating Expenses	2,392,771	3,155,764	(762,993)	-24.18%	3,718,362	4,273,362	(555,000)	-12.99%
Indirect Expense Allocation	(275,792)	(290,996)	15,204	-5.22%	(387,995)	(387,995)	-	0.00%
Other Non-Operating Expenses	-	-	-	n/a	-	-	-	n/a
Total Expenses	10,748,976	12,175,440	(1,426,464)	-11.72%	14,948,095	16,346,649	(1,398,554)	-8.56%
Change in Net Assets	819,603	(566,172)	1,385,775	-244.76%	409,620	(867,169)	1,276,789	-147.24%
Fixed Asset Additions, excluding Right of Use Assets	4,869	70,500	(65,631)	-93.09%	112,000	94,000	18,000	19.15%
Net Financing Activity	-	-	-	n/a	-	-	-	n/a
Total Budget (Expenses plus Fixed Assets and Net Financing Activity)	10,753,845	12,245,940	(1,492,095)	-12.18%	15,060,095	16,440,649	(1,380,554)	-8.40%
Change in Working Capital (Total Funding less Total Budget)	814,734	(636,672)	1,451,406	-227.97%	297,620	(961,169)	1,258,789	-130.96%
Equivalent Full Time Employees	41.51	42.11	(0.60)		42.14	41.09	1.05	
Headcount	44.10	43.00	1.10		47.10	43.00	4.10	
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	814,734	(636,672)	1,451,406		297,620	(961,169)	1,258,789	
Penalties Received (+)	460,000	-	-		460,000	-	-	
Penalties Released (-)	(201,132)	(201,132)	-		(201,132)	(201,132)	-	
Other Reserve Activity	-	-	-		-	-	-	
Total Reserves at 12/31/21	7,889,506	4,376,485	3,053,022		7,372,392	4,051,987	2,860,406	
Reserve Balance Summary								
Working Capital & Operating Contingency Reserves					6,344,456	3,649,119	2,695,336	
Assessment Stabilization & Penalty Reserves					1,027,937	402,868	625,069	
Other Reserves					-	-	-	
Total Projected Reserve Balance at 12/31/2021					7,372,392	4,051,987	3,320,405	

*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

October 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 3rd Quarter Statement of Activities Variance Report - Unaudited

Dear Mr. Andy Sharp:

As requested, the attached 2021 3rd 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



RELIABILITY FIRST

ReliabilityFirst's 2021 3rd Quarter Statement of Activities Variance Report - Unaudited

Significant Variances

For the quarter ending September 30, 2021 ReliabilityFirst Corporation is \$1.0M (5.6%) under budget. The major contributors to this variance are:

Budget Funding

- **Investment Income:** \$74K (197%) under budget for YTD
 - Investment Income is under budget due to a greater than anticipated decrease in value of the company's investment portfolio, primarily the result of unrealized losses.

Budget Expenses

- **Personnel Expenses**
 - **Employee Benefits:** \$253K (14%) 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:** \$672K (95%) 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:** \$68K (38%) under budget for YTD
Contracts and Consultants expense is under budget due to less than expected contract support for compliance monitoring functions.
 - **Professional Services:** \$201K (58%) over budget for YTD.
Professional Services are over budget primarily due to a search fee to replace an Independent Board Member, annual fees related to an additional board approved director in May, and an increase in accounting fees to implement payroll system improvements.



RELIABILITY FIRST

- **Fixed Assets**

- **Computer Hardware & Software:** \$123K (56%) 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 \$1.0M (4.1%) 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 remainder 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, annual fees related to an additional board approved director in May, and unbudgeted accounting and payroll system improvements. Office Costs are predicted to be higher than budget due to office renovations. 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 \$1.2M 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 09/30/2021
(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
17,073,746	17,073,746	0	0.00%	Funding				
4,540,000	4,540,000	0	0.00%	Assessments	22,764,995	22,764,995	0	0.00%
(36,508)	37,500	(74,008)	-197.35%	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%
21,580,738	21,651,246	(70,508)	-0.33%	Miscellaneous Income	3,500	0	3,500	0.00%
				Total Funding	27,358,495	27,354,995	3,500	0.01%
				Expenses				
				Personnel Expenses				
11,394,057	11,500,392	(106,335)	-0.92%	Salaries	15,164,615	15,372,329	(207,714)	-1.35%
778,815	809,903	(31,088)	-3.84%	Payroll Taxes	923,921	934,645	(10,724)	-1.15%
1,551,689	1,804,882	(253,193)	-14.03%	Employee Benefits	2,258,453	2,351,930	(93,477)	-3.97%
1,929,417	1,932,592	(3,175)	-0.16%	Savings & Retirement Costs	2,467,815	2,493,787	(25,972)	-1.04%
15,653,978	16,047,769	(393,791)	-2.45%	Total Personnel Expenses	20,814,803	21,152,691	(337,888)	-1.60%
				Meeting Expenses				
33,879	259,464	(225,585)	-86.94%	Meetings & Conference Calls	53,619	379,635	(326,016)	-85.88%
4,535	450,696	(446,161)	-98.99%	Travel	14,535	601,000	(586,465)	-97.58%
38,414	710,160	(671,746)	-94.59%	Total Meeting Expenses	68,154	980,635	(912,481)	-93.05%
				Operating Expenses				
109,884	178,278	(68,394)	-38.36%	Contracts & Consultants	249,835	324,578	(74,744)	-23.03%
430,840	471,069	(40,229)	-8.54%	Rent & Utilities	574,453	628,092	(53,639)	-8.54%
708,916	650,532	58,384	8.97%	Office Costs	1,127,838	956,776	171,062	17.88%
549,216	348,001	201,215	57.82%	Professional Services	697,050	481,335	215,715	44.82%
15,256	25,602	(10,346)	-40.41%	Miscellaneous	43,885	43,885	0	0.00%
1,814,112	1,673,482	140,630	8.40%	Total Operating Expenses	2,693,061	2,434,666	258,395	10.61%
0	0	0	0.00%	Non-Operating Expenses	0	0	0	0.00%
17,506,504	18,431,411	(924,907)	-5.02%	Total Expenses	23,576,018	24,567,992	(991,974)	-4.04%
4,074,234	3,219,835	854,399	26.54%	Net Change in Assets	3,782,477	2,787,003	995,474	35.72%
94,960	217,500	(122,540)	-56.34%	Increase/(Decrease) in Fixed Assets	189,599	217,500	(27,902)	-12.83%
17,601,464	18,648,911	(1,047,447)	-5.62%	Total Budget (Expenses + Incr/(Decr) in Fixed Assets)	23,765,616	24,785,492	(1,019,876)	-4.11%
3,979,274	3,002,335	976,939	32.54%	Change in Working Capital (Total Funding less Total Budget)	3,592,879	2,569,503	1,023,376	39.83%
84.32	84.35	(0.03)	-0.04%	FTE Count	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	
3,979,274	3,002,335	976,939		Change to WC - 2021	3,592,879	2,569,503	1,023,376	
(118,556)	(118,556)	0		Other Adjustments to Reserves	(158,074)	(158,074)	0	
1,626,425	472,351	1,154,074		Total Working Capital	1,200,510	0	1,200,510	
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	
7,856,843	6,702,769	1,154,074		Total Working Capital and Operating Reserve	7,430,928	6,230,418	1,200,510	

* 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).



SERC RELIABILITY CORPORATION

October 12, 2021

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

RE: SERC 2021 Q3 Unaudited Financial Statement – Budget vs. Actual

Andy:

Following please find SERC's unaudited 2021 Q3 financial statement, reflecting actual to budgeted amounts with variance explanations.

If you have any questions, please let me know.

Thank you,

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 9/30/2021

			Variance				Variance	
	2021 YTD Actual	2021 YTD Budget	2021 YTD Actual v 2021 YTD Budget Over(Under)	%	2021 Projection	2021 Budget	2021 Projection v 2021 Budget Over(Under)	%
Funding								
Statutory Funding								
SERC Assessments	\$ 17,635,415	\$ 17,635,415	\$ -		\$ 23,513,886	\$ 23,513,886	\$ -	
Penalties Released*	885,000	885,000	-		1,180,000	1,180,000	-	
Total Statutory Funding	<u>\$ 18,520,415</u>	<u>\$ 18,520,415</u>	<u>\$ -</u>	<u>0.00%</u>	<u>\$ 24,693,886</u>	<u>\$ 24,693,886</u>	<u>\$ -</u>	<u>0.00%</u>
Membership Fees	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Services & Software	-	-	-		-	-	-	
Workshops & Miscellaneous	93,070	155,500	(62,430)		135,000	175,000	(40,000)	
Interest	7,605	15,000	(7,395)		15,000	30,000	(15,000)	
Total Funding (A)	<u>\$ 18,621,090</u>	<u>\$ 18,690,915</u>	<u>\$ (69,825)</u>	<u>-0.37%</u>	<u>\$ 24,843,886</u>	<u>\$ 24,898,886</u>	<u>\$ (55,000)</u>	<u>-0.22%</u>
Expenses								
Personnel Expenses								
Salaries	\$ 11,429,585	\$ 11,368,471	\$ 61,114		15,314,000	\$ 15,157,961	\$ 156,039	
Payroll Taxes	785,960	793,292	(7,332)		1,063,816	1,057,723	6,093	
Benefits	1,003,997	1,372,586	(368,589)		1,717,000	1,920,038	(203,038)	
Retirement Costs	1,514,873	1,443,643	71,230		1,991,000	1,924,857	66,143	
Total Personnel Expenses	<u>\$ 14,734,415</u>	<u>\$ 14,977,992</u>	<u>\$ (243,577)</u>	<u>-1.63%</u>	<u>\$ 20,085,816</u>	<u>\$ 20,060,580</u>	<u>\$ 25,236</u>	<u>0.13%</u>
Meeting Expenses								
Meetings & Conference Calls	\$ 31,599	\$ 245,357	\$ (213,758)		\$ 116,104	\$ 415,308	\$ (299,204)	
Travel	6,218	436,562	(430,344)		117,000	985,632	(868,632)	
Total Meeting Expenses	<u>\$ 37,817</u>	<u>\$ 681,919</u>	<u>\$ (644,102)</u>	<u>-94.45%</u>	<u>\$ 233,104</u>	<u>\$ 1,400,940</u>	<u>\$ (1,167,836)</u>	<u>-83.36%</u>
Operating Expenses, excluding Depreciation								
Consultants & Contracts	\$ 1,023,207	\$ 1,397,703	\$ (374,496)		1,669,729	\$ 1,764,136	\$ (94,407)	
Office Rent	603,676	617,400	(13,724)		810,307	823,200	(12,893)	
Office Costs	806,040	654,074	151,966		1,209,762	1,068,823	140,939	
Professional Services	334,733	440,849	(106,116)		512,881	511,400	1,481	
Miscellaneous	-	-	-		-	-	-	
Total Operating Expenses	<u>\$ 2,767,656</u>	<u>\$ 3,110,026</u>	<u>\$ (342,370)</u>	<u>-11.01%</u>	<u>\$ 4,202,679</u>	<u>\$ 4,167,559</u>	<u>\$ 35,120</u>	<u>0.84%</u>
Total Direct Expenses	<u>\$ 17,539,888</u>	<u>\$ 18,769,937</u>	<u>\$ (1,230,049)</u>	<u>-6.55%</u>	<u>\$ 24,521,599</u>	<u>\$ 25,629,079</u>	<u>\$ (1,107,480)</u>	<u>-4.32%</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Total Expenses (B)	<u>\$ 17,539,888</u>	<u>\$ 18,769,937</u>	<u>\$ (1,230,049)</u>	<u>-6.55%</u>	<u>\$ 24,521,599</u>	<u>\$ 25,629,079</u>	<u>\$ (1,107,480)</u>	<u>-4.32%</u>
Change in Assets	<u>\$ 1,081,202</u>	<u>\$ (79,023)</u>	<u>\$ 1,160,224</u>	<u>-1468.21%</u>	<u>\$ 322,287</u>	<u>\$ (730,193)</u>	<u>\$ 1,052,480</u>	<u>-144.14%</u>
Fixed Asset Additions, excluding Right of Use Assets (C)	<u>\$ 771,380</u>	<u>\$ -</u>	<u>\$ 771,380</u>	<u>0.00%</u>	<u>\$ 1,007,000</u>	<u>\$ 200,000</u>	<u>\$ 807,000</u>	<u>403.50%</u>
TOTAL BUDGET (B+C)	<u>\$ 18,311,268</u>	<u>\$ 18,769,937</u>	<u>\$ (458,669)</u>	<u>-2.44%</u>	<u>\$ 25,528,599</u>	<u>\$ 25,829,079</u>	<u>\$ (300,480)</u>	<u>-1.16%</u>
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	<u>\$ 309,822</u>	<u>\$ (79,023)</u>	<u>\$ 388,844</u>	<u>-492.07%</u>	<u>\$ (684,713)</u>	<u>\$ (930,193)</u>	<u>\$ 245,480</u>	<u>-26.39%</u>
FTE's	95.00	100.00	(5.00)		100.00	100.00	-	
Head Count	95.00	100.00	(5.00)		100.00	100.00	-	
Beginning Reserve at 1/1/2021	<u>7,676,396</u>	<u>6,257,698</u>	<u>1,418,698</u>		<u>7,676,396</u>	<u>6,257,698</u>	<u>1,418,698</u>	
Change to Working Capital	309,822	(79,023)	388,845		(684,713)	(930,193)	245,480	
Penalties Received (+)	-	-	-		-	-	-	
Penalties Released (-)	(885,000)	(885,000)	-		(1,180,000)	(1,180,000)	-	
Other Reserve Activity	-	-	-		-	-	-	
Ending Reserves at 3/31/2021	<u>7,101,218</u>	<u>5,293,675</u>	<u>1,807,543</u>		<u>5,811,683</u>	<u>4,147,505</u>	<u>1,664,178</u>	
Working Capital & Operating Contingency Reserves	3,441,218	2,398,675	1,042,543		2,446,683	1,547,505	899,178	
Assessment Stabilization & Penalty Reserves	3,660,000	3,485,000	175,000		3,365,000	2,600,000	765,000	
Other Reserves	-	-	-		-	-	-	
Total Reserves Balance	<u>7,101,218</u>	<u>5,883,675</u>	<u>1,217,543</u>		<u>5,811,683</u>	<u>4,147,505</u>	<u>1,664,178</u>	

* 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 September 30, 2021 (Unaudited)

Overall Summary

- Spending \$459k under budget as timing of expenditures varies from budget
- Funding \$70k under budget attributable to one conference moved to Q4 and planned in-person workshops conducted remotely at no charge
- Full year projected spending \$300k less than 2021 budget

Income

- **Funding (Actual - \$70k under budget)**
 - Workshop revenue lower than budget due to one conference moved to Q4 and planned in-person workshops conducted remotely at no charge due to COVID-19 travel restrictions
 - Investment income lower due to continued low interest rates
 - Full year projected to be \$55k for reasons described above

Expense

- **Personnel Expenses (Actual - \$244k under budget)**
 - Lower than budgeted insurance rate renewal and timing of relocation expenses
 - Full year impact projected to be \$25k over budget due to improved hiring and retaining of talent resulting in lower than budgeted vacancies
- **Meeting/Travel Expenses (Actual - \$644k under budget)**
 - Decreased meeting and travel associated with COVID-19 restrictions; full year projected to be \$1.168M under budget
- **Contracts/Consultants (Actual - \$374k under budget)**
 - Timing of projects drove majority of variance, in addition to certain software costs budgeted in Contracts, but expensed in Office Costs
- **Office Rent (Actual - \$14k under budget)**
 - Common area maintenance expenses lower than expected
- **Office Costs (Actual – \$152k over budget)**
 - Certain software costs budgeted in Contracts, but expensed in Office Costs
- **Professional Services (Actual - \$106k under budget)**
 - Timing of actual legal fees and Independent Director fees varies from budget
- **Fixed Asset Purchases (Actual - \$771k over budget)**
 - Timing of certain IT projects budgeted in Q4.
 - Full year impact projected at \$807k over budget due to accelerated timeline for Member Portal Consolidation project

October 12, 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. 3rd Quarter 2021 Statement of Activities and Variance Report

Dear Andy,

Attached is the 2021 third 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

Budget to Actual Comparison as of September 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:** \$59,355 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 September 30, 2021 is \$130,262 greater than budget (1.3%).

- **Personnel Expenses:** \$139,493 less than budget (1.7%).
 - Salaries and taxes are over budget 3.1% and 0.4%, 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:** \$26,730 less than 2021 budget (42.3%).
 - Meetings and Conference calls are over budget due to a workshop occurring that was not in the 2021 budget.
 - Anticipated travel did not occur. At this point, very little travel will occur for the remainder of 2021. The forecast has been adjusted to reflect minimal travel.
- **Total Operating Expenses: \$296,485 greater than 2021 budget (14.6 %).**
 - 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 Q3.
 - 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 absorbing costs previously allocated to TRM. 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 Q4. Budgeted legal fees for outside counsel have not been used as of end of second quarter, but are anticipated for later in the year.

The Other Non-Operating Expenses forecast for 2021 has been adjusted to include costs for the office relocation that cannot be capitalized; cost that are being paid in Q4 2021. These costs are in the budget for 2022.

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

	2021 Actual	2021 Budget	YTD Actual Variance from Budget		2021 Forecast	2021 Annual Budget	Forecast Variance from Budget		
Funding									
Assessments	\$ 10,007,550	\$ 10,007,550	-	0.0%	\$ 13,343,400	\$ 13,343,400	\$ -	0.0%	
Penalties Released	169,195	169,195	-	0.0%	169,195	169,195	-	0.0%	
Interest Income	645	60,000	(59,355)	-98.9%	1,000	80,000	(79,000)	-98.8%	
Total Funding	\$ 10,177,390	\$ 10,236,745	\$ (59,355)	-0.6%	\$ 13,513,595	\$ 13,592,595	\$ (79,000)	-0.6%	
Expenses									
Personnel Expenses									
Salaries	\$ 6,039,927	\$ 5,859,060	189,867	3.1%	\$ 7,886,558	\$ 7,886,558	-	0.0%	
Payroll Taxes	431,590	430,032	1,558	0.4%	537,917	537,917	-	0.0%	
Employee Benefits	832,525	1,064,955	(232,430)	-21.8%	1,312,700	1,412,700	(100,000)	-7.1%	
Savings & Retirement	735,020	824,508	(89,488)	-10.9%	1,107,299	1,107,299	-	0.0%	
Total Personnel Expenses	\$ 8,039,062	\$ 8,178,555	\$ (139,493)	-1.7%	\$ 10,844,474	\$ 10,944,474	\$ (100,000)	-0.9%	
Meeting & Travel Expenses									
Meetings & Conference Calls	\$ 19,827	\$ 17,402	2,425	13.9%	\$ 41,400	\$ 35,400	6,000	16.9%	
Travel	16,702	45,857	(29,155)	-63.6%	50,000	371,685	(321,685)	-86.5%	
Total Meeting & Travel Expenses	\$ 36,529	\$ 63,259	\$ (26,730)	-42.3%	\$ 91,400	\$ 407,085	\$ (315,685)	-77.5%	
Operating Expenses									
Consultants & Contracts	\$ 451,996	\$ 262,622	189,374	72.1%	\$ 492,404	\$ 442,404	50,000	11.3%	
Rent & Improvements	880,645	799,497	81,148	10.1%	1,176,000	1,066,000	110,000	10.3%	
Office Costs	600,140	513,885	86,255	16.8%	771,740	686,740	85,000	12.4%	
Professional Services	389,033	449,325	(60,292)	-13.4%	614,835	614,835	-	0.0%	
Total Operating Expenses	\$ 2,321,814	\$ 2,025,329	\$ 296,485	14.6%	\$ 3,054,979	\$ 2,809,979	\$ 245,000	8.7%	
Other Non-Operating Expenses	\$ -	\$ -	-		\$ 300,000	\$ -	300,000	100.0%	
Total Expenses	\$ 10,397,405	\$ 10,267,143	\$ 130,262	1.3%	\$ 14,290,853	\$ 14,161,538	\$ 129,315	0.9%	
Change in Assets	\$ (220,015)	\$ (30,398)	\$ (189,617)	623.8%	\$ (777,258)	\$ (568,943)	\$ (208,315)	36.6%	
Fixed Asset Additions, excluding Right of Use Assets	\$ -	\$ -	\$ -	0.0%	\$ 50,000	\$ 50,000	\$ -	0.0%	
Total Budget	\$ 10,397,405	\$ 10,267,143	\$ 130,262	1.3%	\$ 14,340,853	\$ 14,211,538	\$ 129,315	0.9%	
Change in Working Capital (Total Revenue less Total Budget)	\$ (220,015)	\$ (30,398)	\$ (189,617)	623.8%	\$ (827,258)	\$ (618,943)	\$ (208,315)	33.7%	
FTE's	61	63			63	63			
Beginning Reserves - 1/1/21	\$ 4,800,000	\$ 4,800,000	\$ -		\$ 4,800,000	\$ 4,800,000	\$ -		
Change to WC - 2021	(220,015)	(30,398)	(189,617)		(827,258)	(618,943)	(208,315)		
Penalties Released	(169,195)	(169,195)	-		(169,195)	(169,195)	-		
Other Reserve Activity	-	-	-		-	-	-		
Total Reserves - 9/30/2021	\$ 4,410,790	\$ 4,600,407	\$ (189,617)		\$ 3,803,547	\$ 4,011,862	\$ (208,315)		
Working Capital & Operating Contingency					\$ 2,000,000	\$ 2,000,000	\$ -		
Assessment Stabilization & Contingency Fund					1,803,547	1,748,863	54,684		
Other					-	-	-		
Total Reserves and Contingency					\$ 3,803,547	\$ 3,748,863	\$ 54,684		



Jillian Lessner
Vice President and CFAO
October 18, 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 Q3 2021 Statutory Statement of Activities and Variance Report

Dear Andy,

Attached is WECC's third-quarter Statutory Statement of Activities (Unaudited) and Variance Report. WECC's 2021 year-to-date unaudited results are \$641,000 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

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

Revenue

- Workshops & Miscellaneous: \$211,000 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 \$419,000 under budget at year-end, due to pandemic-related workshop cancellations.

- Interest: \$146,000 under budget

Interest is under budget due to lower-than-expected yields on short-term investments. Interest is expected to be under budget by \$188,000 at year-end.

Expenses

- Meetings & Conference Calls: \$314,000 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 \$536,000 under budget at year-end.

- Travel: \$881,000 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 \$1,116,000 under budget at year-end.

- Consultants & Contracts: \$116,000 under budget

Consultants & Contracts are under budget primarily due to the net of timing of information technology consulting, unbudgeted Oversight consulting to address protection and controls standards skills gaps, and lower-than-expected cost of a Board Director search. Consultants & Contracts are expected to be over budget by \$103,000 at year-end.

Statutory Statement of Activities and Variance Explanations (October 18, 2021)

- Office Costs: \$138,000 over budget

Office Costs are over budget primarily due to higher-than-anticipated cost of computer licenses and maintenance due to increases in subscription-based services and unbudgeted enterprise security tools. Office Costs are expected to be over budget by \$214,000 at year-end.

- Professional Services: \$117,000 over budget

Professional Services are over budget primarily due to legal fees related to unanticipated regulatory activities and higher-than-anticipated Board retainer fees. Retainer fees were overbudgeted for in the 2020 Business Plan and Budget (BP&B) and subsequently adjusted in the 2021 BP&B to correct the two-year cumulative budget. Professional Services are expected to be over budget by \$151,000 at year-end.

- Indirect Expenses: \$54,000 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 that 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 \$19,000 over budget at year-end.

Fixed Assets

- Fixed Asset Additions: \$138,000 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 (October 18, 2021)



Western Electricity Coordinating Council Statutory Statement of Activities From 1/1/2021 to 9/30/2021 (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)	%
Funding								
Assessments	25,000,000	25,000,000	-	0.0%	25,000,000	25,000,000	-	0.0%
Penalties Released ¹	3,499,000	3,499,000	-	0.0%	3,499,000	3,499,000	-	0.0%
Workshops & Miscellaneous	9,304	220,000	(210,696)	-95.8%	11,304	430,000	(418,696)	-97.4%
Interest	9,417	155,264	(145,847)	-93.9%	12,417	200,000	(187,583)	-93.8%
Total Funding	28,517,721	28,874,264	(356,543)	-1.2%	28,522,721	29,129,000	(606,279)	-2.1%
Expenses								
Personnel Expenses								
Salaries	12,837,698	12,548,804	288,894	2.3%	18,176,515	17,447,448	729,067	4.2%
Payroll Taxes	919,644	903,126	16,518	1.8%	1,201,731	1,144,116	57,615	5.0%
Employee Benefits	1,696,429	1,790,180	(93,751)	-5.2%	2,302,810	2,390,953	(88,143)	-3.7%
Savings & Retirement	1,149,605	1,084,933	64,672	6.0%	1,558,602	1,499,399	59,203	3.9%
Total Personnel Expenses	16,603,376	16,327,043	276,333	1.7%	23,239,658	22,481,916	757,742	3.4%
Meeting Expenses								
Meetings & Conference Calls	39,100	353,049	(313,949)	-88.9%	48,883	585,190	(536,307)	-91.6%
Travel	15,389	896,883	(881,494)	-98.3%	30,889	1,146,887	(1,115,998)	-97.3%
Total Meeting Expenses	54,489	1,249,932	(1,195,443)	-95.6%	79,772	1,732,077	(1,652,305)	-95.4%
Operating Expenses, excluding Depreciation								
Consultants & Contracts	674,134	790,200	(116,066)	-14.7%	1,091,816	988,500	103,316	10.5%
Rent & Improvements	977,547	1,029,856	(52,309)	-5.1%	1,299,465	1,372,346	(72,881)	-5.3%
Office Costs	1,392,492	1,254,944	137,548	11.0%	1,877,281	1,663,299	213,982	12.9%
Professional Services	842,302	725,050	117,252	16.2%	1,106,571	955,800	150,771	15.8%
Miscellaneous	-	-	-	-	-	-	-	-
Total Operating Expenses	3,886,475	3,800,050	86,425	2.3%	5,375,133	4,979,945	395,188	7.9%
Total Direct Expenses	20,544,340	21,377,025	(832,685)	-3.9%	28,694,563	29,193,938	(499,375)	-1.7%
Indirect Expenses	(462,039)	(515,577)	53,538	-10.4%	(668,795)	(687,436)	18,641	-2.7%
Other Non-Operating Expenses	-	-	-	-	-	-	-	-
Total Expenses	20,082,301	20,861,448	(779,147)	-3.7%	28,025,768	28,506,502	(480,734)	-1.7%
Change in Net Assets	8,435,420	8,012,816	422,604	5.3%	496,953	622,498	(125,545)	-20.2%
Fixed Asset Additions, excluding Right of Use Assets	236,711	98,527	138,184	140.2%	236,711	98,527	138,184	140.2%
Total Expenditures	20,319,012	20,959,975	(640,963)	-3.1%	28,262,479	28,605,029	(342,550)	-1.2%
Change in Working Capital (Total Funding less Total Budget)	8,198,709	7,914,289	284,420		260,242	523,971	(263,729)	
FTEs	147.90	143.00	4.90		148.90	148.50	0.40	
Headcount	147.00	143.00	4.00		149.00	148.00	1.00	
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			
Non-Statutory Fund Change	331,917				331,917			
Change to WC - 2021	8,198,709	7,914,289	284,420		260,242	523,971	260,242	
Working Capital at 9/30/2021²	17,107,145	16,098,596	650,019		9,168,678	8,708,278	625,841	

¹ Penalties released in the current year reflects the designated amount of funds released to offset U.S. assessments as approved by the WECC Board of Directors and FERC. Actual penalties invoiced in the current reporting year are shown on the Penalty Sanctions 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.

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



Statutory Statement of Activities and Variance Explanations (October 18, 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	2023	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			
8/30/2019	74,000	10/14/2019	74,000	74,000			74,000			(Over)/Under <u>673,000</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	7/29/2021	200,000			200,000			200,000	
6/30/2021	2,200,000	6/30/2021	2,200,000		2,200,000				2,200,000	
10/4/2021	37,000	*	*			*			37,000	
10/4/2021	85,000	*	*			*			85,000	
10/4/2021	49,000	*	*			*			49,000	
Total				3,499,000	5,298,000	200,000	5,160,000	1,182,000	2,826,000	
				(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.



Working Capital and Reserve Analysis

Working Capital and Reserve Analysis				
STATUTORY				
	Total	Working Capital Reserve	Unreleased Penalties	Peak Reliability Donation
Beginning Reserve, January 1, 2021	\$ 18,719,300	\$ 8,549,906	\$ 6,342,000	\$ 3,827,394
Plus: Total Funding	31,343,721	28,517,721	2,826,000	-
Penalties Release	(3,499,000)	-	(3,499,000)	-
Plus: Year-end Adjustments	26,613	26,613	-	-
Less: Expenditures	(20,319,012)	(20,319,012)	-	-
Plus: Non-statutory Fund Adjustment	331,917	331,917	-	-
Reserve (Deficit), September 30, 2021	\$ 26,603,539	\$ 17,107,145	\$ 5,669,000	\$ 3,827,394



2023 Business Plan and Budget Schedule

Action

Review

Background

As part of the ERO's efforts to become more efficient and agile, the annual Business Plan and Budget (BP&B) process is being reimagined. While still allowing adequate opportunities for stakeholder feedback and input, NERC is proposing to revise the NERC BP&B preparation schedule for the 2023 BP&B (which will take place in 2022) to streamline the process and reduce administrative burden.

Summary

The proposed preparation process would be in closer alignment with the schedule of the Regional Entities. Primary changes to the schedule include the following:

- Strategic focus on multi-year planning for significant budget drivers (e.g., human resources/FTEs and technology investments);
- Draft 1 of the NERC BP&B would include both the following year's budget and the projections for the two subsequent years;
- Current Draft 2 release of the budget and second webinar would be discontinued;
- Final Draft of the BP&B would serve as the "second" opportunity for stakeholder review.

Additionally, in 2022 the ERO Enterprise will be working with FERC and stakeholders to develop recommendations that further enhance and streamline the BP&B document process which will be implemented for the 2024 BP&B development cycle.