

and recommended that the NERC Board of Trustees (“Board”) accept the report. The NERC Board is expected to accept the report on August 17, 2023.

II. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to the following:

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III. DISCUSSION OF SIGNIFICANT VARIANCES BETWEEN THE 2023 BUDGET AND 2023 SECOND QUARTER ACTUAL FINANCIAL RESULTS

In the attached variance report, NERC outlines the following:

- (a) a comparison of actual (unaudited) financial results through June 30, 2023 to NERC’s budgeted expenditures through June 30, 2023; and
- (b) additional discussion of significant variances by NERC department or program area and by major activity within departments and program areas. NERC treats “significant” variances as those that are \$500,000 or more.⁴

A. 2023 Second Quarter Actual Financial Results vs. 2023 Budget Variances of \$500,000 or More by Revenue and Expense Category

Five revenue and expense categories had a budget variance \$500,000 or more as of June 30, 2023:

⁴ In Section 7(b)(ii) of the Settlement Agreement, the Commission specifies that the threshold for its review and approval for expenditures from Operating Reserves is where any amount allocated from the unforeseen contingencies account of Operating Reserves plus any amount redirected from previously budgeted funds is, in the aggregate, \$500,000 or more for any one specific project or major activity in a program area.

- Personnel expenses were \$911,415 (3.1%) under budget and are expected to be \$149,083 (0.3%) over budget at year-end. This category is under budget year-to-date largely due to lower medical insurance premiums and retirement plan costs, as well as lower parking and transportation expenses due to a continued hybrid workforce strategy. Personnel expenses are projected to trend closer to budget at year-end primarily due to (1) market, promotion, and equity adjustments; (2) new hire and other projected compensation; and (3) higher employment agency search fees, partially offset by lower medical insurance premiums and lower parking and transportation expense.
- Contracts and Consultants expenses were \$1,988,276 (23.2%) under budget and are expected to be \$61,607 (0.4%) under budget at year-end. This category is under budget mainly as a result of the timing of costs versus the budget across many of the departments. Other variances consist of (1) IT being under budget due to the higher direct allocation of Contracts and Consultants costs to other departments for technology system maintenance and support and (2) CRISP being under budget due to lower third-party contractor costs for liability insurance costs. The category is expected to be near budget at year-end, with various departments being over and under budget, consisting primarily of the following: (1) Compliance Assurance and Compliance Enforcement are projected to be over budget due to additional support for the Align system, including direct allocation of IT contractor costs; (2) Reliability Assessment and Technical Committees is projected to be over budget because of expected contractor work needed for the interregional transfer capability

study (ITCS)⁵; (3) IT is projected to be under budget mainly attributable to contractors budgeted in IT but being allocated directly to other departments for work being performed in those departments; and (4) CRISP is projected to be under budget primarily as a result of lower third-party contractor costs for liability insurance.

- Office Costs, Professional, and Misc. expenses were \$1,283,686 (16.1%) under budget and are expected to be \$582,810 (3.6%) under budget at year-end. This category is under budget largely due to the timing of costs versus budget for outside counsel fees and software license and support costs, and lower liability insurance costs. They are projected to be under budget at year-end mostly as a result of slightly lower software license and support costs, as well as lower liability insurance costs.
- Fixed Asset Additions were \$1,552,342 (49.9%) under budget and are expected to be \$255,345 (4.1%) under budget at year-end. This category is under budget year-to-date primarily as a result of timing differences for some technology projects.
- Net Financing Activity was \$1,844,883 (119.4%) over budget and is expected to be \$247,532 (8.9%) over budget at year-end. The Net Financing Activity budget is comprised of financing proceeds/borrowings and principal payments. The budget included \$4.0M of loan borrowings for technology projects that is spread evenly

⁵ NERC's current plan to fund ITCS costs in 2023 consists of the following (of which a portion will fund the contracts and consultant costs): (1) deferring the hiring of four budgeted open positions in the Situation Awareness, BPS Security and Grid Transformation, Reliability Assessment and Technical Committees, and Reliability Standards departments until 2024 (approximately \$450k); (2) repurposing budgeted funds for contracts and consultants for certain other projects (approximately \$400k); and (3) expending up to \$700k from NERC's Assessment Stabilization Reserve.

throughout the year. No loan borrowings occurred in the first quarter, resulting in net financing activity that is over budget year-to-date.

B. 2023 Second Quarter Actual Results vs. 2023 Budget Variances of \$500,000 or More by Department or Program Area

Three departments or program areas had a variance exceeding \$500,000 as of June 30, 2023.

- General and Administrative and Executive expenses were \$2,145,401 (85.9%) over budget and are expected to be \$1,665,519 (30.9%) over budget at year-end. This area is over budget year-to-date mainly due to Net Financing Activity. The Net Financing Activity budget is comprised of financing proceeds/borrowings and principal payments. The budget included \$4.0M of borrowings for technology projects that is spread evenly throughout the year. No borrowings occurred in the first or second quarter and will be made later in the year. The result is that net financing activity is over budget. It is projected to be over budget at year-end due to the current assumption that only \$2.6M the budgeted \$4.0M borrowing will be needed in the administrative departments, and an additional \$800,000 budgeted in G&A will be directly allocated to Performance Analysis.
- Information Technology was \$2,078,285 (20.2%) under budget and is expected to be \$1,309,315 (6.4%) under budget at year-end. This department is under budget year-to-date primarily because of timing of costs versus the budget for software licenses and support, the direct allocation of contractor costs budgeted in IT but directly charged to other departments, and lower capital software partially offset by higher hardware cost. This department is projected to be under budget at year-end

mainly due to the direct allocation of contractor costs budgeted in IT but directly charged to other departments, and lower capital software, partially offset by higher than budgeted equipment.

- CRISP is \$818,889 (15.9%) under budget and is expected to be \$874,047 (8.5%) under budget at year-end. CRISP is under budget year-to-date primarily due to third-party contractor costs being lower than budget for liability insurance costs. CRISP is expected to be under budget at year-end for the same reason, as well as due to lower than budgeted other outside consultant costs.

Four additional departments are currently projected to have a budget variance greater than \$500,000 at year-end.

- Reliability Standards and Power Risk Issues and Strategic Management is expected to be \$523,996 (11.1%) under budget at year-end. This department is projected to be under budget at year-end primarily because of the transfer of an open FTE position to the BPS Security and Grid Transformation department, as well as the deferral of one FTE position to 2024 to help fund the ITCS in 2023.
- BPS Security and Grid Transformation is expected to be \$578,725 (34.7%) over budget at year-end. This department is projected to be over budget at year-end mainly because of the transfer of two open FTE positions to this department, one from Reliability Standards and Power Risk Issues Strategic Management and one from Advanced System Analytics and Modeling, and also the addition of two positions related to the ITCS that are being funded by hiring deferrals in other departments.

- Reliability Assessment and Technical Committees is expected to be \$575,527 (21.8%) over budget at year-end. This department is projected to be over budget at year-end due to contractors for the ITCS.
- Performance Analysis is expected to be \$687,576 (24.3%) under budget at year-end. This department is projected to be under budget at year-end primarily because of the potential funding of technology projects by loan proceeds that are budgeted in General & Administrative but would be directly allocated to this department.

IV. CONCLUSION

NERC respectfully requests that the Commission accept this filing as compliant with Section II.7(b)(i) of the Settlement Agreement and the Commission's Settlement Order in Docket No. FA11-21-000.

Respectfully submitted,

/s/ Shamai Elstein

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Dated: August 14, 2023

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 14th day of August 2023.

/s/ Shamai Elstein

Shamai Elstein
*Counsel for North American Electric
Reliability Corporation*

ATTACHMENT

Summary of Unaudited Results For the Period Ending June 30, 2023

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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	\$ 100.3	\$ 98.8	\$ 1.5
Funding from Reserves			
Assessment Stabilization Reserve	1.0	1.0	-
TOTAL FUNDING	\$ 101.3	\$ 99.8	\$ 1.5
<u>EXPENDITURES</u>			
Expenses (excluding Depreciation)	\$ 96.9	\$ 97.6	\$ (0.7)
Fixed Asset Additions	6.0	6.2	(0.2)
Net Financing Activity	(2.5)	(2.8)	0.3
TOTAL EXPENDITURES	\$ 100.4	\$ 101.0	\$ (0.6)
RESERVE INCREASE (DECREASE)	\$ 0.9	\$ (1.2)	\$ 2.1

Funding is projected to be over budget mainly due to increased investment income due to higher interest rates. Expenses (excluding depreciation) are expected to be under budget primarily due to lower office and professional services costs. The net result is a projected year-end reserve increase of \$2.1M more than budget. This activity is explained in more detail in the remainder of the report.

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

<u>FUNDING</u>	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues	\$ 50.2	\$ 49.4	\$ 0.8
Funding from Reserves			
Assessment Stabilization Reserve	0.5	0.5	-
TOTAL FUNDING	\$ 50.7	\$ 49.9	\$ 0.8
<u>EXPENDITURES</u>			
Expenses (excluding Depreciation)	\$ 45.4	\$ 49.4	\$ (4.0)
Fixed Asset Additions	1.5	3.1	(1.6)
Net Financing Activity	0.3	(1.5)	1.8
TOTAL EXPENDITURES	\$ 47.2	\$ 51.0	\$ (3.8)
RESERVE INCREASE (DECREASE)	\$ 3.5	\$ (1.1)	\$ 4.6

Funding is over budget primarily due to increased investment income due to higher interest rates. Expenses (excluding depreciation) are under budget primarily because of lower personnel, contracts and consultants, and office costs, as well as fixed asset additions. This is partially offset by net financing activity. The net result is a reserve increase of \$4.6M higher than budget. This activity is explained in more detail in the remainder of the report.

Detailed Operating Results

Variances by Revenue and Expense Category

Total NERC (including CRISP)

	YTD Actual	YTD Budget	YTD Over (Under)	% Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)	% Over (Under)
TOTAL FUNDING	\$ 50,744,986	\$ 49,917,216	\$ 827,770	1.7%	\$ 101,342,129	\$ 99,822,126	\$ 1,520,003	1.5%
EXPENDITURES								
Personnel	28,796,520	29,707,935	(911,415)	(3.1%)	58,167,489	58,018,406	149,083	0.3%
Meetings and Travel	1,774,368	1,572,775	201,593	12.8%	3,192,721	3,145,550	47,171	1.5%
Contracts and Consultants	6,586,279	8,574,555	(1,988,276)	(23.2%)	17,087,503	17,149,110	(61,607)	(0.4%)
Office Rent	1,452,211	1,487,796	(35,585)	(2.4%)	2,937,266	3,022,266	(85,000)	(2.8%)
Office Costs, Professional, and Misc.*	6,704,816	7,988,502	(1,283,686)	(16.1%)	15,396,293	15,979,103	(582,810)	(3.6%)
Other Non-Operating	49,515	79,127	(29,612)	(37.4%)	219,841	254,254	(34,413)	(13.5%)
Fixed Asset Additions*	1,559,658	3,112,000	(1,552,342)	(49.9%)	5,968,655	6,224,000	(255,345)	(4.1%)
Net Financing Activity**	299,345	(1,545,538)	1,844,883	(119.4%)	(2,543,544)	(2,791,076)	247,532	(8.9%)
TOTAL EXPENDITURES	\$ 47,222,711	\$ 50,977,152	\$ (3,754,441)	(7.4%)	\$ 100,426,225	\$ 101,001,613	\$ (575,388)	(0.6%)
RESERVE INCREASE (DECREASE)	\$ 3,522,275	\$ (1,059,936)	\$ 4,582,211	(432.3%)	\$ 915,904	\$ (1,179,487)	\$ 2,095,391	(177.7%)
FTEs	229.0	236.9	(7.8)	(3.3%)	229.7	236.9	(7.2)	(3.0%)

* 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 description of variances by category, as illustrated in the table above:

- Funding is over budget year-to-date mainly because of increased investment income due to higher interest rates and is projected to be over budget at year-end for the same reason.
- Personnel expenses are under budget year-to-date largely attributable to lower medical insurance premiums and retirement plan costs, as well as lower parking and transportation expense due to a continued hybrid workforce strategy. Personnel expenses are projected to trend closer to budget at year-end primarily due to (1) market, promotion, and equity adjustments; (2) new hire and other projected compensation; and (3) higher employment agency search fees, partially offset by lower medical insurance premiums and lower parking and transportation expense.
- Contracts and Consultants expenses are under budget year-to-date mainly as a result of the timing of costs versus the budget across many of the departments, as summarized in the table below. Other variances consist of (1) IT being under budget due to the higher direct allocation of Contracts and Consultants costs to other departments for technology system maintenance and support and (2) CRISP being under budget due to lower third-party contractor costs for liability insurance costs.

The category is expected to be near budget at year-end, with various departments being over and under budget, consisting primarily of the following: (1) Compliance Assurance and Compliance Enforcement are projected to be over budget due to additional support for the Align system, including direct allocation of IT contractor costs; (2) Reliability Assessment and Technical Committees is projected to be over budget because of expected contractor work needed for the

interregional transfer capability study (ITCS)¹; (3) IT is projected to be under budget mainly attributable to contractors budgeted in IT but being allocated directly to other departments for work being performed in those departments; and (4) CRISP is projected to be under budget primarily as a result of lower third-party contractor costs for liability insurance.

CONTRACTS and CONSULTANTS	YTD Actual	YTD Budget	YTD Over (Under)	% Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)	% Over (Under)
Reliability Standards and Power Risk Issue Management	\$ 47,869	\$ 101,369	\$ (53,501)	(52.8%)	\$ 202,739	\$ 202,739	\$ -	0.0%
Compliance Assurance	140,186	50,000	90,186	180.4%	490,534	100,000	390,534	390.5%
Registration and Certification	22,280	20,400	1,880	9.2%	40,800	40,800	-	0.0%
Compliance Enforcement	140,186	34,500	105,686	306.3%	560,264	69,000	491,264	712.0%
BPS Security and Grid Transformation	-	100,000	(100,000)	(100.0%)	100,000	200,000	(100,000)	(50.0%)
Reliability Assessment and Technical Committees	-	105,400	(105,400)	(100.0%)	913,000	210,800	702,200	333.1%
Advanced System Analytics and Modeling	-	102,500	(102,500)	(100.0%)	55,000	205,000	(150,000)	(73.2%)
Performance Analysis	62,548	130,427	(67,879)	(52.0%)	260,154	260,854	(700)	(0.3%)
Situation Awareness	63,685	11,500	52,185	453.8%	196,685	23,000	173,685	755.2%
Event Analysis	18,267	110,401	(92,134)	(83.5%)	190,802	220,802	(30,000)	(13.6%)
E-ISAC	1,425,965	1,413,917	12,048	0.9%	3,046,460	2,827,834	218,626	7.7%
Training, Education and Personnel Certification	236,326	248,875	(12,549)	(5.0%)	604,926	497,750	107,176	21.5%
General and Administrative and Executive	509	50,000	(49,491)	(99.0%)	-	100,000	(100,000)	(100.0%)
Legal and Regulatory	11,851	102,500	(90,649)	(88.4%)	205,000	205,000	-	0.0%
External Affairs	8,600	10,000	(1,400)	(14.0%)	140,000	20,000	120,000	600.0%
Information Technology	1,156,291	1,710,255	(553,964)	(32.4%)	2,449,087	3,420,510	(971,423)	(28.4%)
Human Resources and Administration	264,638	425,000	(160,362)	(37.7%)	743,961	850,000	(106,039)	(12.5%)
Finance and Accounting	28,252	175,000	(146,748)	(83.9%)	100,000	350,000	(250,000)	(71.4%)
TOTAL (excluding CRISP)	\$ 3,627,453	\$ 4,902,044	\$ (1,274,592)	(26.0%)	\$ 10,299,412	\$ 9,804,089	\$ 495,323	5.1%
CRISP	2,958,826	3,672,510	(713,684)	(19.4%)	6,788,091	7,345,021	(556,930)	(7.6%)
TOTAL (including CRISP)	\$ 6,586,279	\$ 8,574,555	\$ (1,988,276)	(23.2%)	\$ 17,087,503	\$ 17,149,110	\$ (61,607)	(0.4%)

- Office Costs, Professional Services, and Miscellaneous expenses are under budget year-to-date largely due to the timing of costs versus budget for outside counsel fees and software license and support costs, and lower liability insurance costs. They are projected to be under budget at year-end mostly as a result of slightly lower software license and support costs, as well as lower liability insurance costs.
- Fixed Asset Additions are under budget year-to-date primarily as a result of timing differences for some technology projects.
- The Net Financing Activity budget is comprised of financing proceeds/borrowings and principal payments. The budget included \$4.0M of loan borrowings for technology projects that is spread evenly throughout the year. No loan borrowings occurred in the first quarter, resulting in net financing activity that is over budget year-to-date.
- Reserves are over budget year-to-date by \$4.6M, primarily due to the reasons noted above for timing of costs versus the budget for contracts and consultants, software license and support costs, and fixed asset additions, while being partially offset by financing activity being over budget. Reserves are projected to be over budget by \$2.1M mainly due to higher investment income and lower office and professional services costs.

¹ NERC's current plan to fund ITCS costs in 2023 consists of the following (of which a portion will fund the contracts and consultant costs): (1) deferring the hiring of four budgeted open positions in the Situation Awareness, BPS Security and Grid Transformation, Reliability Assessment and Technical Committees, and Reliability Standards departments until 2024 (approximately \$450k); (2) repurposing budgeted funds for contracts and consultants for certain other projects (approximately \$400k); and (3) expending up to \$700k from NERC's Assessment Stabilization Reserve.

Variations by Department

DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	YTD Actual	YTD Budget	YTD Over (Under)	% Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)	% Over (Under)
Reliability Standards and Power Risk Issue Management	\$ 2,030,194	\$ 2,427,221	\$ (397,027)	(16.4%)	\$ 4,205,007	\$ 4,729,003	\$ (523,996)	(11.1%)
Compliance Assurance	3,007,781	3,201,827	(194,046)	(6.1%)	6,110,919	6,282,140	(171,220)	(2.7%)
Registration and Certification	584,016	665,287	(81,272)	(12.2%)	1,291,173	1,287,593	3,580	0.3%
Compliance Enforcement	1,870,110	1,931,606	(61,496)	(3.2%)	3,980,508	3,796,681	183,827	4.8%
BPS Security and Grid Transformation	971,282	847,903	123,379	14.6%	2,248,382	1,669,657	578,725	34.7%
Reliability Assessment and Technical Committees	984,785	1,343,623	(358,839)	(26.7%)	3,218,161	2,642,635	575,527	21.8%
Advanced System Analytics and Modeling	1,052,063	1,388,601	(336,538)	(24.2%)	2,243,748	2,718,009	(474,261)	(17.4%)
Performance Analysis	1,297,357	1,425,943	(128,586)	(9.0%)	2,140,283	2,827,859	(687,576)	(24.3%)
Situation Awareness	1,759,601	1,952,791	(193,189)	(9.9%)	4,056,213	3,870,002	186,211	4.8%
Event Analysis	995,424	1,137,041	(141,616)	(12.5%)	2,234,812	2,234,065	747	0.0%
E-ISAC	7,384,452	7,466,121	(81,668)	(1.1%)	14,696,315	14,690,846	5,468	0.0%
Training, Education and Personnel Certification	829,745	887,921	(58,176)	(6.6%)	1,868,516	1,746,788	121,728	7.0%
General and Administrative and Executive	4,642,235	2,496,834	2,145,401	85.9%	7,059,817	5,394,298	1,665,519	30.9%
Legal and Regulatory	2,513,466	2,830,607	(317,141)	(11.2%)	5,403,555	5,552,134	(148,579)	(2.7%)
External Affairs	1,777,020	1,866,257	(89,237)	(4.8%)	4,047,007	3,625,795	421,212	11.6%
Information Technology	8,230,614	10,308,899	(2,078,285)	(20.2%)	19,133,525	20,442,840	(1,309,315)	(6.4%)
Human Resources and Administration	1,801,287	2,192,421	(391,134)	(17.8%)	4,203,787	4,335,353	(131,567)	(3.0%)
Finance and Accounting	1,161,685	1,457,764	(296,079)	(20.3%)	2,883,311	2,880,682	2,629	0.1%
TOTAL (excluding CRISP)	\$ 42,893,117	\$ 45,828,669	\$ (2,935,552)	(6.4%)	\$ 91,025,039	\$ 90,726,381	\$ 298,659	0.3%
CRISP	4,329,594	5,148,483	(818,889)	(15.9%)	9,401,186	10,275,232	(874,047)	(8.5%)
TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	\$ 47,222,711	\$ 50,977,152	\$ (3,754,441)	(7.4%)	\$ 100,426,225	\$ 101,001,613	\$ (575,388)	(0.6%)

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

- Reliability Standards and Power Risk Issue Management – Under budget year-to-date and projected to be under budget at year-end primarily because of the transfer of an open FTE position to the BPS Security and Grid Transformation department, as well as the deferral of one FTE position to 2024 to help fund the ITCS in 2023.
- BPS Security and Grid Transformation – Expected to be over budget at year-end mainly because of the transfer of two open FTE positions to this department, one from Reliability Standards and Power Risk Issue Management and one from Advanced System Analytics and Modeling, and also the addition of two positions related to the ITCS that are being funded by hiring deferrals in other departments.
- Reliability Assessment and Technical Committees – Under budget year-to-date primarily attributable to contracts and consultants dollars that have not yet been spent and will be used toward the ITCS, as well as the deferral of a technology project to 2024. Expected to be over budget at year-end due to contractors for the ITCS.
- Advanced System Analytics and Modeling – Projected to be under budget mostly attributable to the transfer of an open FTE position to the BPS Security and Grid Transformation department, as well as lower than budgeted contractor costs that will be used toward the ITCS.
- Performance Analysis – Projected to be under budget at year-end primarily because of the potential funding of technology projects by loan proceeds that are budgeted in General & Administrative (G&A) but would be directly allocated to this department.
- General & Administrative and Executive – Over budget year-to-date mainly attributable to Net Financing Activity. The Net Financing Activity budget is comprised of financing proceeds/borrowings and principal payments. The budget included \$4.0M of borrowings for technology projects that is spread evenly throughout the year. No borrowings occurred in the first or second quarter and will be made later in the year. The result is that net financing activity is

over budget. It is projected to be over budget at year-end due to the current assumption that only \$2.6M the budgeted \$4.0M borrowing will be needed in the administrative departments, and an additional \$800,000 budgeted in G&A will be directly allocated to Performance Analysis.

- Legal & Regulatory – Under budget year-to-date mainly due to lower personnel costs for two open FTE positions that will be filled later in the year, as well as timing of costs versus the budget for contracts and consultants.
- External Affairs – Projected to be over budget at year-end mainly attributable to higher than budgeted salary expense, as well as higher contracts and consultants expense for communications needs related to the ITCS.
- Information Technology – Under budget year-to-date primarily because of timing of costs versus the budget for software licenses and support, the direct allocation of contractor costs budgeted in IT but directly charged to other departments, and lower capital software partially offset by higher hardware cost. Projected to be under budget at year-end mainly attributable to the direct allocation of contractor costs budgeted in IT but directly charged to other departments, and lower capital software, partially offset higher than budgeted equipment.
- Human Resources – Under budget year-to-date primarily because of the timing of costs versus the budget for employment agency fees and contracts and consultant costs.
- Finance and Accounting – Under budget year-to-date largely due to timing of costs versus the budget for contracts and consultants costs related to system enhancements.
- CRISP – Under budget year-to-date primarily due to third-party contractor costs being lower than budget for liability insurance costs. Expected to be under budget at year-end for the same reason, as well as due to lower than budgeted other outside consultant costs.

Supplemental Schedules

Schedule 1 – Year-End Projected Reserves

Reserve Account	1/1/2023		Operating and		12/31/2023
	Beginning Balance ⁽¹⁾	Budgeted Funding/(Use) ⁽²⁾	Unbudgeted Funding/(Use) ⁽³⁾	Financing Activity Versus Budget ⁽⁴⁾	Ending Balance
NERC Operating Contingency	\$ 10,880,743	\$ (1,000,000)	\$ -	\$ 2,329,465	\$ 12,210,208
Future Obligations	2,293,856	283,841	330,530	-	2,908,227
Assessment Stabilization	3,256,000	(1,000,000)	-	-	2,256,000
System Operator	964,284	(179,488)	-	(106,202)	678,594
CRISP Defense Fund	500,000	-	-	-	500,000
CRISP Operating	2,961,621	-	(450,000)	872,127	3,383,748
CRISP Equipment Reserve	-	-	450,000	-	450,000
Total Reserves	\$ 20,856,504	\$ (1,895,647)	\$ 330,530	\$ 3,095,391	\$ 22,386,778

NOTES:

(1) 2023 beginning balances have been adjusted from the 12/31/2022 variance report balances as the result of a reconciliation to the final audited balance sheet.

(2) The 2023 Business Plan & Budget (2023 BP&B) contained a budgeted use of NERC Operating Contingency Reserves (OCR) totaling \$1,000,000 and a budgeted use of \$1,000,000 of Assessment Stabilization Reserves (ASR) to help fund the budget increase for the first year of NERC's three-year strategic plan.

The 2023 BP&B included an estimated addition to the Future Obligations Reserve for lease incentives of \$283,841.

The 2023 BP&B included a use of System Operator Reserves derived from budgeted revenues being \$179,488 lower than budgeted expenses.

(3) Additional funding of the Future Obligations Reserve is the result of final landlord lease incentives and tenant improvements for the Washington, DC office.

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

This column does not reflect the release of \$700k from the ASR to fund the inter-regional transfer capability study since the release has not been approved by FERC yet.

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

The increase in reserves related to the CRISP department is \$1,109,939, with \$237,811 going into the NERC OCR for the portion of CRISP costs funded by assessments and \$872,127 going into the CRISP Operating Reserve for CRISP costs funded by the CRISP participants.

Schedule 2 – Technology Projects (> \$300k)

Projects in Progress ⁽¹⁾	Expected Spend	Actual Spend to Date	Over (Under) Budget
Align Enhancements	\$ 300,000	\$ 285,486	\$ (14,514)
GADS Conventional-Design Data	315,000	210,000	(105,000)

NOTES:

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



Align Enhancements

(Started Q1 2023 / Anticipated Completion Q4 2023)

To implement requested enhancements, complete the migration of Open and Closed Enforcement Actions from the regional legacy systems, and provide requested system changes to accommodate the Canadian Provinces that are planning on using Align and the ERO SEL.

GADS Conventional-Design Data

(Started Q1 2023 / Anticipated Completion Q4 2023)

To implement changes to the GADS Design Data that is part of the Board-approved Section 1600 Data Request.

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	\$ 13,912,682	\$ 27,825,365	\$ 27,825,365	\$ -
Other Funding	5,463,193	10,749,729	10,200,776	548,953
TOTAL FUNDING	\$ 19,375,875	\$ 38,575,094	\$ 38,026,141	\$ 548,953
EXPENDITURES				
Personnel Expense	\$ 5,744,123	\$ 11,555,467	\$ 11,237,278	\$ 318,189
Meetings and Travel Expense	353,380	346,196	386,000	(39,804)
Operating Expenses (excluding Depreciation)	5,599,859	12,162,504	13,034,801	(872,297)
Other Non-Operating Expenses	20	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	16,665	33,333	308,000	(274,667)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 11,714,047	\$ 24,097,500	\$ 24,966,079	\$ (868,578)
Indirect Expense Allocation	5,956,478	12,790,992	12,990,480	(199,489)
Fixed Asset Allocation	247,590	1,115,009	1,060,735	54,274
Net Financing Activity Allocation	29,053	(666,946)	(991,153)	324,207
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 17,947,168	\$ 37,336,554	\$ 38,026,141	\$ (689,587)
RESERVE INCREASE (DECREASE)	\$ 1,428,707	\$ 1,238,540	\$ 0	\$ 1,238,539

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

CRISP					
FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)	
Assessments	\$ 1,146,968	\$ 2,293,937	\$ 2,293,937	\$ -	
Other Funding	5,042,529	9,808,235	9,613,803	194,432	
TOTAL FUNDING	\$ 6,189,498	\$ 12,102,172	\$ 11,907,740	\$ 194,432	
EXPENDITURES					
Personnel Expense	\$ 694,426	\$ 1,454,402	\$ 1,400,761	\$ 53,641	
Meetings and Travel Expense	214,197	242,699	81,000	161,699	
Operating Expenses (excluding Depreciation)	3,420,971	7,704,084	8,743,471	(1,039,387)	
Other Non-Operating Expenses	-	-	-	-	
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	-	50,000	(50,000)	
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-	
Total Direct Costs (excluding Depreciation and Allocations)	\$ 4,329,594	\$ 9,401,186	\$ 10,275,232	\$ (874,047)	
Indirect Expense Allocation	689,796	1,537,201	1,623,810	(86,609)	
Fixed Asset Allocation	28,672	134,000	132,592	1,408	
Net Financing Activity Allocation	3,365	(80,153)	(123,894)	43,742	
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 5,051,427	\$ 10,992,234	\$ 11,907,740	\$ (915,507)	
RESERVE INCREASE (DECREASE)	\$ 1,138,071	\$ 1,109,939	\$ 0	\$ 1,109,939	

Note - In its July 8, 2022 order in Docket No. RR21-9-001, the Commission held that expenditure of funds paid by new CRISP participants for costs associated with joining the program should be included in NERC's quarterly variance reports and annual true-up filings. Accordingly, NERC notes that year-to-date billings sent by NERC to new CRISP participants related to the program's third-party subcontractor total approximately \$440k and is included in the "Other Funding" amount above. Year-to-date expenses sent by the third-party contractor to NERC for new CRISP participants total approximately \$190k and is included in the "Operating Expenses (excluding Depreciation)" amount above.

E-ISAC (excluding CRISP)					
FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)	
Assessments	\$ 12,765,714	\$ 25,531,428	\$ 25,531,428	\$ -	
Other Funding	420,664	941,494	586,973	354,521	
TOTAL FUNDING	\$ 13,186,377	\$ 26,472,922	\$ 26,118,401	\$ 354,521	
EXPENDITURES					
Personnel Expense	\$ 5,049,697	\$ 10,101,065	\$ 9,836,516	\$ 264,548	
Meetings and Travel Expense	139,183	103,497	305,000	(201,503)	
Operating Expenses (excluding Depreciation)	2,178,887	4,458,420	4,291,330	167,090	
Other Non-Operating Expenses	20	-	-	-	
Fixed Asset Purchases (excluding Fixed Asset Allocation)	16,665	33,333	258,000	(224,667)	
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-	
Total Direct Costs (excluding Depreciation and Allocations)	\$ 7,384,452	\$ 14,696,315	\$ 14,690,846	\$ 5,468	
Indirect Expense Allocation	5,266,683	11,253,791	11,366,670	(112,879)	
Fixed Asset Allocation	218,917	981,009	928,143	52,865	
Net Financing Activity Allocation	25,689	(586,794)	(867,259)	280,465	
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 12,895,741	\$ 26,344,321	\$ 26,118,401	\$ 225,920	
RESERVE INCREASE (DECREASE)	\$ 290,636	\$ 128,601	\$ 0	\$ 128,601	

Schedule 4 – Summary of Investments

	Quarter-End	Ticker		S&P	Average
	Balance	Symbol	Fund Name	Credit Rating	Annualized
					Yield
<u>Cash Sweep Accounts</u>					
Operating Account Sweep	\$ 34,246,238	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	4.74%
SOCED Account Sweep	1,541,417	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	4.74%
CRISP Account Sweep	9,366,552	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	4.74%
<u>Total Cash Sweep Accounts</u>	<u>\$ 45,154,207</u>				
<u>Investment Account</u>					
Reserve Funds	\$ 10,342,937	GRTXX	Federated Hermes Government Obligations Fund	AAAm	4.96%
<u>Total Investments</u>	<u>\$ 10,342,937</u>				