

and recommended that the NERC Board of Trustees (“Board”) accept the report. The NERC Board accepted the report on February 13, 2025.

II. NOTICES AND COMMUNICATIONS

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

Shamai Elstein
Associate General Counsel
North American Electric Reliability
Corporation
1401 H Street NW, Suite 410
Washington, DC 20005
202-603-3331
shamai.elstein@nerc.net

Andy Sharp
Vice President, Chief Financial Officer
North American Electric Reliability Corporation
1401 H Street NW, Suite 410
Washington, DC 20005
404-446-9732
andy.sharp@nerc.net

III. DISCUSSION OF SIGNIFICANT VARIANCES BETWEEN THE 2024 BUDGET AND 2024 FOURTH QUARTER ACTUAL FINANCIAL RESULTS

In the attached variance report, NERC outlines the following:

- (a) a comparison of actual (unaudited) financial results through December 31, 2024 to NERC’s budgeted expenditures through December 31, 2024; 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.

A. 2024 Fourth Quarter Actual Financial Results vs. 2024 Budget Variances of \$500,000 or More by Revenue and Expense Category

Three revenue and expense categories had a budget variance of \$500,000 or more as of December 31, 2024:

- Contracts and Consultants expenses were \$1,047,350 (4.9%) under budget. Contracts and Consultants expenses were under budget due to (1) lower than expected third-party contract

costs for CRISP; (2) lower spending on a new System Operator Certification and Continuing Education Database (SOCCED) system that will not be completed until 2025; and (3) lower support needs for the Interregional Transmission Capability Study (ITCS). This is partially offset by increased support needs for (1) standards development activities; (2) studies related to generation and extreme weather; (3) automation, system conversion, and improved experience efforts for new and existing technology tools; and (4) temporary backfills for vacant positions.

- Office Costs, Professional, and Misc. expenses were \$854,663 (4.9%) under budget. Office Costs, Professional Services, and Misc. expenses were under budget largely due to lower than expected (1) telephone, internet, supplies, and A/V and hardware lease costs; and (2) legal, outside service, and insurance expenses.
- Net Financing Activity was \$2,201,003 (84.8%) over budget. The Net Financing Activity budget is comprised of loan and lease financing proceeds (borrowings) and principal payments. The budget included a total of \$4.2M for both loan borrowings for capital software projects and leased assets, spread evenly throughout the year. The variance is the net result of (1) NERC not borrowing any funds for capital software projects in 2024 due to higher investment and miscellaneous income and favorable Operating Contingency Reserve position at the beginning of the year, and (2) lower than budgeted loan principal (debt service) payments from less-than-budgeted borrowing in 2023.

B. 2024 Fourth Quarter Actual Results vs. 2024 Budget Variances of \$500,000 or More by Department or Program Area

Five departments or program areas had a variance exceeding \$500,000 as of December 31, 2024:

- Advanced System Analytics and Modeling was \$559,039 (23.2%) under budget. This department was under budget due to lower Personnel expenses.
- E-ISAC was \$655,673 (4.2%) over budget. This department was over budget primarily due to higher Contracts & Consultants costs, partially offset by higher miscellaneous revenue for the Vendor Affiliate Program.
- Business Technology was \$637,041 (3.0%) over budget. This department was over budget primarily due to higher capital software expenditures with no loan borrowing during the year, partially offset by lower Personnel expenses.
- Finance and Accounting was \$569,195 (17.3%) over budget. This department was over budget due to higher Personnel expenses, software license expenses and capital software expenditures, as well as no loan borrowing for capital software projects.
- CRISP was \$1,599,532 (14.9%) under budget. CRISP was under budget due to lower third-party contractor costs and lower Personnel costs, partially due to the reallocation of FTE time to the E-ISAC 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

Shamai Elstein
Associate General Counsel
North American Electric Reliability Corporation
1401 H Street NW, Suite 410
Washington, DC 20005
202-603-3331
shamai.elstein@nerc.net

Counsel for North American Electric Reliability Corporation

Dated: February 14, 2025

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 February 2025.

/s/ Shamai Elstein

Shamai Elstein
*Counsel for North American Electric
Reliability Corporation*

ATTACHMENT

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

Table of Contents

	<u>Page</u>
1. Executive Summary	
a. Year-to-Date Actual Results	2
2. Detailed Operating Results	
a. Variances by Revenue and Expense Category	3
b. Variances by Department	5
3. Supplemental Schedules	
a. Schedule 1 – Year-End Actual Reserves	7
b. Schedule 2 – E-ISAC & CRISP Summary of Activity	8
c. Schedule 3 – Summary of Investments	11

Executive Summary

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

<u>FUNDING</u>	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues	\$ 111.2	\$ 110.4	\$ 0.8
Funding from Reserves			
Assessment Stabilization Reserve	1.3	1.3	-
TOTAL FUNDING	\$ 112.5	\$ 111.7	\$ 0.8
<u>EXPENDITURES</u>			
Expenses (excluding Depreciation)	\$ 109.6	\$ 111.6	\$ (2.0)
Fixed Asset Additions	4.7	4.6	0.1
Net Financing Activity	(0.4)	(2.6)	2.2
TOTAL EXPENDITURES	\$ 113.9	\$ 113.6	\$ 0.3
RESERVE INCREASE (DECREASE)	\$ (1.4)	\$ (1.9)	\$ 0.5

Revenues are over budget due to higher investment income and miscellaneous revenues. Expenses (excluding Depreciation) are under budget primarily due to lower Personnel, Contracts and Consultants, Office, and Professional Services costs, offset by higher Meetings and Travel expenses. Fixed Asset Additions are slightly over budget due to higher capital software expenditures, and Net Financing Activity is over budget due to lower borrowing proceeds which are partially offset by lower loan and lease principal payments. The net result is a year-end reserve balance that is \$500k more than budgeted. 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)
TOTAL FUNDING	\$ 112,538,652	\$ 111,716,829	\$ 821,823	0.7%
EXPENDITURES				
Personnel	65,485,646	65,781,342	(295,696)	(0.4%)
Meetings and Travel	3,976,432	3,506,800	469,632	13.4%
Contracts and Consultants	20,321,785	21,369,135	(1,047,350)	(4.9%)
Office Rent	3,036,227	3,089,858	(53,631)	(1.7%)
Office Costs, Professional, and Misc.*	16,521,366	17,376,029	(854,663)	(4.9%)
Other Non-Operating	285,334	468,040	(182,706)	(39.0%)
Fixed Asset Additions*	4,754,461	4,624,000	130,461	2.8%
Net Financing Activity**	(393,257)	(2,594,260)	2,201,003	(84.8%)
TOTAL EXPENDITURES	\$ 113,987,994	\$ 113,620,944	\$ 367,050	0.3%
RESERVE INCREASE (DECREASE)	\$ (1,449,342)	\$ (1,904,115)	\$ 454,773	(23.9%)
FTEs	244.7	251.1	(6.5)	(2.6%)

* Excludes depreciation expense

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

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

- Personnel expenses are under budget primarily due to lower benefits and retirement costs.
- Meetings and Travel expenses are over budget due to higher travel costs across all departments due to increased demand for in-person stakeholder engagement and higher-than-budgeted in-person team meetings than planned. These higher travel expenses are partially offset by lower meetings expenses.
- Contracts and Consultants expenses are under budget due to (1) lower than expected third-party contract costs for CRISP; (2) lower spending on a new System Operator Certification and Continuing Education Database (SOCCED) system that will not be completed until 2025; and (3) lower support needs for the Interregional Transmission Capability Study (ITCS). This is partially offset by increased support needs for (1) standards development activities; (2) studies related to generation and extreme weather; (3) automation, system conversion, and improved experience efforts for new and

existing technology tools; and (4) temporary backfills for vacant positions. The activity by department is further illustrated in the table below.

CONTRACTS and CONSULTANTS	YTD Actual	YTD Budget	YTD Over (Under)	% Over (Under)
Reliability Standards and Power Risk Issues and Strategic Management	\$ 242,625	\$ 219,888	\$ 22,737	10.3%
Compliance Assurance	574,613	674,933	(100,320)	(14.9%)
Registration and Certification	137,766	105,388	32,378	30.7%
Compliance Enforcement	576,020	696,933	(120,913)	(17.3%)
Engineering and Security Integration	516,515	100,000	416,515	416.5%
Reliability Assessment and Technical Committees	1,375,052	1,517,400	(142,348)	(9.4%)
Advanced System Analytics and Modeling	110,330	57,000	53,330	93.6%
Performance Analysis	99,047	144,000	(44,953)	(31.2%)
Situation Awareness	231,075	83,000	148,075	178.4%
Event Analysis	13,658	165,000	(151,342)	(91.7%)
E-ISAC	2,990,514	2,391,237	599,277	25.1%
Training, Education and Personnel Certification	316,176	872,260	(556,084)	(63.8%)
General and Administrative and Executive	146,225	125,000	21,225	17.0%
Legal and Regulatory	363,157	255,000	108,157	42.4%
External Affairs	72,743	315,000	(242,258)	(76.9%)
Business Technology	4,677,267	4,597,096	80,171	1.7%
Human Resources and Administration	981,684	835,000	146,684	17.6%
Finance and Accounting	586,972	540,000	46,972	8.7%
TOTAL (excluding CRISP)	\$ 14,011,437	\$ 13,694,135	\$ 317,302	2.3%
CRISP	6,310,348	7,675,000	(1,364,652)	(17.8%)
TOTAL (including CRISP)	\$ 20,321,785	\$ 21,369,135	\$ (1,047,350)	(4.9%)

- Office Costs, Professional Services, and Miscellaneous expenses are under budget largely due to lower than expected (1) telephone, internet, supplies, and A/V and hardware lease costs; and (2) legal, outside service, and insurance expenses.
- Fixed Asset Additions are slightly over budget primarily due to increased capitalized software activities, offset by lower capital lease asset expenditures.
- The Net Financing Activity budget is comprised of loan and lease financing proceeds (borrowings) and principal payments. The budget included a total of \$4.2M for both loan borrowings for capital software projects and leased assets, spread evenly throughout the year. The variance is the net result of (1) NERC not borrowing any funds for capital software projects in 2024 due to higher investment and miscellaneous income and favorable Operating Contingency Reserve position at the beginning of the year, and (2) lower than budgeted loan principal (debt service) payments from less-than-budgeted borrowing in 2023.
- Total reserves are over budget \$500k due to the reasons explained above, including higher investment and miscellaneous income and lower Personnel, Contracts and Consultants, Office, and Professional Services costs, partially offset by Net Financing Activity.

Variances by Department

DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	YTD	YTD	YTD	%
	Actual	Budget	Over (Under)	Over (Under)
Reliability Standards and Power Risk Issues and Strategic Management	\$ 5,340,566	\$ 5,178,957	\$ 161,609	3.1%
Compliance Assurance	6,739,598	6,515,768	223,829	3.4%
Registration and Certification	1,484,894	1,251,212	233,682	18.7%
Compliance Enforcement	4,587,590	4,491,305	96,284	2.1%
Engineering and Security Integration	2,492,355	2,949,925	(457,570)	(15.5%)
Reliability Assessment and Technical Committees	5,118,229	4,815,683	302,546	6.3%
Advanced System Analytics and Modeling	1,845,898	2,404,937	(559,039)	(23.2%)
Performance Analysis	2,587,257	2,291,015	296,242	12.9%
Situation Awareness	3,842,797	3,988,335	(145,538)	(3.6%)
Event Analysis	2,119,725	2,470,380	(350,655)	(14.2%)
E-ISAC	16,111,096	15,455,423	655,673	4.2%
Training, Education and Personnel Certification	1,795,042	2,149,794	(354,752)	(16.5%)
General and Administrative and Executive	9,532,689	9,479,271	53,418	0.6%
Legal and Regulatory	5,987,436	6,075,391	(87,956)	(1.4%)
External Affairs	4,915,581	4,548,817	366,765	8.1%
Business Technology	21,817,361	21,180,319	637,041	3.0%
Human Resources and Administration	4,696,372	4,370,563	325,808	7.5%
Finance and Accounting	3,854,519	3,285,324	569,195	17.3%
TOTAL (excluding CRISP)	\$ 104,869,003	\$ 102,902,421	\$ 1,966,582	1.9%
CRISP	9,118,991	10,718,523	(1,599,532)	(14.9%)
TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	\$ 113,987,994	\$ 113,620,944	\$ 367,050	0.3%

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

- Registration – Over budget due to higher Personnel costs, including the reallocation of one FTE to this department, and no loan borrowing for capital software investments.
- Engineering and Security Integration – Under budget due to lower Personnel costs resulting from the reallocation of FTEs to another area, partially offset by higher Contracts and Consultants Costs.
- Reliability Assessment and Technical Committees – Over budget due to higher Personnel costs, including the reallocation of FTEs to this department, and no loan borrowing for capital software projects, offset by lower Contracts and Consultants expenses and capital software expenditures.
- Advanced System Analytics and Modeling – Under budget due to lower Personnel expenses.
- Performance Analysis – Over budget primarily due to no loan borrowing for capital software projects, offset by lower software license expenses and capital software expenditures.
- Event Analysis – Under budget due to lower Personnel and Contracts and Consultants expenses and capital software expenditures, offset by no loan borrowing for capital software projects.
- E-ISAC (excluding CRISP) – Over budget primarily due to higher Contracts & Consultants costs, partially offset by higher miscellaneous revenue for the Vendor Affiliate Program.
- Training, Education and Personnel Certification – Under budget primarily due to lower spending on a new SOCCED system that will not be completed until 2025.

- External Affairs – Over budget mainly due to higher Personnel costs, partially offset by lower Contracts and Consultants expenses.
- Business Technology – Over budget primarily due to no loan borrowing on and higher capital software expenditures, partially offset by lower Personnel expenses.
- Human Resources and Administration – Over budget primarily due to higher Contracts and Consultants and software license expenses, partially offset by lower capital software expenditures.
- Finance and Accounting – Over budget due to higher Personnel, software license expenses and capital software expenditures, as well as no loan borrowing for capital software projects.
- CRISP – Under budget due to lower third-party contractor costs and lower Personnel costs, partially due to the reallocation of FTE time to the E-ISAC department.

Supplemental Schedules

Schedule 1 – Year-End Actual Reserves

Reserve Account	1/1/2024		Unbudgeted Funding/(Use) ⁽³⁾	Operating and Financing Activity		12/31/2024	
	Beginning Balance ⁽¹⁾	Budgeted Funding/(Use) ⁽²⁾		Versus Budget ⁽⁴⁾	Ending Balance ⁽⁵⁾		
NERC Operating Contingency	\$ 13,229,753	\$ (1,300,000)	\$ -	\$ (1,250,462)	\$	10,679,291	
Future Obligations	2,908,227	218,053	(229,495)	-	-	2,896,785	
Assessment Stabilization	2,256,000	(1,300,000)	-	-	-	956,000	
System Operator	908,879	(604,115)	-	637,422	-	942,186	
CRISP Defense Fund	500,000	-	-	-	-	500,000	
CRISP Operating	3,615,851	-	(450,000)	1,067,813	-	4,233,664	
CRISP Equipment Reserve	450,000	-	450,000	-	-	900,000	
Total Reserves	\$ 23,868,710	\$ (2,986,062)	\$ (229,495)	\$ 454,773	\$	21,107,926	

NOTES:

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

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

(3) The Future Obligations Reserve was adjusted to reflect the deferred rent balance for the DC office lease. The CRISP participants agreed to transfer \$450k from the CRISP Operating Reserve to fund the CRISP Equipment Reserve.

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

The net increase in reserves related to the CRISP department is \$1,160,319, with \$92,507 going into the NERC OCR for the portion of CRISP costs funded by assessments and \$1,067,813 going into the CRISP Operating Reserve for CRISP costs funded by the CRISP participants.

(5) The 12/31/24 OCR balance of \$10.7 million is \$200k less than the \$10.9 million year-end balance projected in the 2024 BP&B. Due to a favorable opening OCR balance at 1/1/2024 and higher investment and miscellaneous revenues in 2024, no loan borrowing for capital software projects was made in 2024. The ending OCR balance of \$10.7 million is 10.9% of NERC's 2024 budget (less CRISP & SOCCED) and within the OCR target range of 8% to 16%.

Schedule 2 – E-ISAC and CRISP Summary of Activity

TOTAL E-ISAC (including CRISP)

FUNDING	Annual Actual	Annual Budget	Over (Under)
Assessments	\$ 29,777,134	\$ 29,777,134	\$ -
Other Funding	11,114,241	11,276,439	(162,198)
TOTAL FUNDING	\$ 40,891,376	\$ 41,053,573	\$ (162,198)
EXPENDITURES			
Personnel Expense	\$ 12,901,864	\$ 13,072,503	\$ (170,639)
Meetings and Travel Expense	665,262	483,000	182,262
Operating Expenses (excluding Depreciation)	11,516,846	12,440,651	(923,806)
Other Non-Operating Expenses	-	8,791	(8,791)
Fixed Asset Purchases (excluding Fixed Asset Allocation)	146,114	173,000	(26,886)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	(4,000)	4,000
Total Direct Costs (excluding Depreciation and Allocations)	\$ 25,230,086	\$ 26,173,946	\$ (943,860)
Indirect Expense Allocation	14,796,491	14,590,026	206,465
Fixed Asset Allocation	960,432	617,658	342,775
Net Financing Activity Allocation	(250,434)	(328,056)	77,622
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 40,736,575	\$ 41,053,574	\$ (316,999)
RESERVE INCREASE (DECREASE)	\$ 154,801	\$ (0)	\$ 154,801

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

CRISP

FUNDING	Annual Actual	Annual Budget	Over (Under)
Assessments	\$ 2,477,166	\$ 2,477,166	\$ -
Other Funding	9,957,725	10,319,598	(361,873)
TOTAL FUNDING	\$ 12,434,891	\$ 12,796,764	\$ (361,873)
EXPENDITURES			
Personnel Expense	\$ 1,609,813	\$ 1,780,267	\$ (170,454)
Meetings and Travel Expense	298,739	146,000	152,739
Operating Expenses (excluding Depreciation)	7,073,394	8,652,256	(1,578,862)
Other Non-Operating Expenses	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	137,045	140,000	(2,955)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 9,118,990	\$ 10,718,523	\$ (1,599,533)
Indirect Expense Allocation	2,056,883	2,037,792	19,091
Fixed Asset Allocation	133,511	86,268	47,243
Net Financing Activity Allocation	(34,813)	(45,820)	11,006
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 11,274,571	\$ 12,796,764	\$ (1,522,193)
RESERVE INCREASE (DECREASE)	\$ 1,160,320	\$ -	\$ 1,160,320

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 totaled \$0.

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

E-ISAC (excluding CRISP)

FUNDING	Annual Actual	Annual Budget	Over (Under)
Assessments	\$ 27,299,969	\$ 27,299,969	\$ -
Other Funding	1,156,516	956,841	199,675
TOTAL FUNDING	\$ 28,456,485	\$ 28,256,810	\$ 199,675
EXPENDITURES			
Personnel Expense	\$ 11,292,052	\$ 11,292,236	\$ (185)
Meetings and Travel Expense	366,524	337,000	29,524
Operating Expenses (excluding Depreciation)	4,443,452	3,788,396	655,056
Other Non-Operating Expenses	-	8,791	(8,791)
Fixed Asset Purchases (excluding Fixed Asset Allocation)	9,069	33,000	(23,931)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	(4,000)	4,000
Total Direct Costs (excluding Depreciation and Allocations)	\$ 16,111,096	\$ 15,455,423	\$ 655,673
Indirect Expense Allocation	12,739,608	12,552,234	187,374
Fixed Asset Allocation	826,921	531,389	295,532
Net Financing Activity Allocation	(215,621)	(282,236)	66,615
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 29,462,004	\$ 28,256,810	\$ 1,205,194
RESERVE INCREASE (DECREASE)	\$ (1,005,519)	\$ (0)	\$ (1,005,519)

Schedule 3 – 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	\$ 32,295,137	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	4.76%
SOCCEd Account Sweep	2,510,834	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	4.76%
CRISP Account Sweep	18,166,845	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	4.76%
<u>Total Cash Sweep Accounts</u>	<u>\$ 52,972,817</u>				
<u>Investment Account</u>					
Money Market Funds	\$ 2,286,801		Federated Hermes Gov't Obligations Fund	AAAm	4.86%
U.S. Treasury Portfolio	9,205,277		PNC Ultra Short U.S. Government Portfolio	AA+	4.67%
<u>Total Investments</u>	<u>\$ 11,492,078</u>				