

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**North American Electric Reliability
Corporation**)
)

Docket No. FA11-21-000

**COMPLIANCE FILING OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**

I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”)¹ submits this compliance filing in accordance with the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) January 16, 2013 Settlement Order in Docket No. FA11-21-000 (“Settlement Order”).² In the Settlement Order, the Commission approved a Settlement Agreement between the FERC Office of Enforcement (“OE”) and NERC relating to OE’s findings and recommendations in its 2012 performance audit of NERC. Specifically, Section II.7(b)(i) of the Settlement Agreement requires that:

Within forty-five days of the end of each quarter, beginning with the quarter ending March 31, 2013, NERC will file with the Commission the unaudited report of the NERC budget-to-actual spending variances during the preceding quarter. This report will include information *regarding sources and uses* of operating and working capital reserves and will match or exceed the level of detail of the quarterly budget-to-actual variance report of NERC expenditures attached to the agenda of NERC Board of Trustees Finance and Audit Committee’s October 2012 meeting.³

Attached hereto is the variance report for the first quarter of 2025, in accordance with the Settlement Order. On May 7, 2025, the NERC Finance and Audit Committee reviewed and

¹ FERC certified NERC as the electric reliability organization (“ERO”) pursuant to Section 215 of the Federal Power Act in its order issued July 20, 2006 in Docket No. RR06-1-000. *Order Certifying North American Electric Reliability Corporation as the Electric Reliability Organization and Ordering Compliance Filing*, 116 FERC ¶ 61,062 (2006).

² See N. Am. Elec. Reliability Corp., *Order Approving Settlement Agreement*, 142 FERC ¶ 61,042 (Jan. 16, 2013) [hereinafter Settlement Order].

³ *Id.* (emphasis added).

recommended that the NERC Board of Trustees (“Board”) accept the report. The NERC Board accepted the report on May 8, 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 2025 BUDGET AND 2025 FIRST QUARTER ACTUAL FINANCIAL RESULTS

In the attached variance report, NERC outlines the following:

- (a) a comparison of actual (unaudited) financial results through March 31, 2025 to NERC’s budgeted expenditures through March 31, 2025; 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. 2025 First Quarter Actual Financial Results vs. 2025 Budget Variances of \$500,000 or More by Revenue and Expense Category

Four revenue and expense categories had a budget variance of \$500,000 or more as of March 31, 2025:

- Personnel expenses were \$744,261 (3.9%) under budget and are expected to be \$771,244 (1.1%) under budget at year-end. Personnel expenses are under budget year-to-date due to

lower salary and retirement plan costs. Personnel expenses are projected to be under budget at year-end for the same reasons, partially offset by higher payroll taxes.

- Contracts and Consultants expenses were \$1,696,567 (30.5%) under budget and are expected to be \$1,361,791 (6.1%) over budget at year-end. Contracts and Consultants expenses are under budget year-to-date due to lower third-party contractor costs for CRISP and overall timing of expenses. Contracts and Consultants expenses are projected to be over budget at year-end due to (1) increased support needs for standards process modernization activities; (2) additional costs related to establishing a new exam developer for the System Operator Certification program; and (3) higher-than-budgeted support for new and existing technology tools and cybersecurity initiatives.
- Fixed Asset Additions were \$1,022,724 (80.2%) under budget and are expected to be \$1,174,756 (23.0%) under budget at year-end. Fixed Asset Additions are under budget primarily due to lower-than-budgeted leased asset and capital software expenditures, including a replacement for the System Operator Certification and Continuing Education (SOCCED) database that will not be completed until 2026. Fixed Asset Additions are projected to be under budget at year-end due to these same reasons.
- Net Financing Activity was \$788,906 (163.6%) over budget and expected to be near budget at year-end. The Net Financing Activity budget is comprised of loan and lease financing proceeds (borrowings) and principal payments. The budget included a total of \$3.8M for both loan borrowings for capital software projects and leased assets, spread evenly throughout the year. The year-to-date variance is primarily because NERC did not borrow during the first quarter. By year-end, NERC is projecting to borrow \$500k less than budgeted due to lower-than-anticipated leased asset needs and capital software

expenditures, offset by lower-than-budgeted loan payments/debt service from less than budgeted borrowing in 2023 and 2024.

B. 2025 First Quarter Actual Results vs. 2025 Budget Variances of \$500,000 or More by Department or Program Area

Two departments or program areas had a variance exceeding \$500,000 as of March 31, 2025:

- E-ISAC was \$555,339 (12.2%) under budget. This department was under budget due to lower Personnel expenses and timing of Contracts and Consultants costs and is projected to be near budget at year-end.
- CRISP was \$705,924 (25.3%) under budget and is expected to be \$746,478 (6.7%) under budget at year-end. CRISP was under budget year-to-date and projected to be under budget at year-end due to lower third party contractor costs and lower professional services expenses.

Three additional departments are currently projected to have a significant variance at year-end:

- Advanced System Analytics and Modeling is expected to be \$860,197 (30.1%) under budget at year-end. This department is anticipated to be under budget at year-end primarily due to lower Personnel expenses.
- Business Technology is expected to be \$558,920 (2.4%) over budget at year-end. This department is anticipated to be over budget at year-end due to higher Personnel, Contracts and Consultants, and Fixed Asset Additions, partially offset by Net Financing Activity.
- Reliability Standards and Power Risk Issues and Strategic Management is expected to be \$792,497 (13.1%) over budget at year-end. This department is anticipated to be over budget

primarily due to increased Contracts and Consultants support needs for standards process modernization activities.

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: May 8, 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 8th day of May 2025.

/s/ Shamai Elstein

Shamai Elstein
*Counsel for North American Electric
Reliability Corporation*

ATTACHMENT

Summary of Unaudited Results For the Period Ending March 31, 2025

Table of Contents

	<u>Page</u>
1. Executive Summary	
a. Projected Year-End Results	2
b. Year-to-Date Actual Results	3
2. Detailed Operating Results	
a. Variances by Revenue and Expense Category	4
b. Variances by Department	6
3. Supplemental Schedules	
a. Schedule 1 – Year-End Projected Reserves	7
b. Schedule 2 – E-ISAC & CRISP Summary of Activity	8
c. Schedule 3 – Summary of Investments	10

Executive Summary

Projected Year-End Results (\$ million)

<u>FUNDING</u>	<u>Projected</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues	\$ 122.3	\$ 123.1	\$ (0.8)
Funding from Reserves			
Assessment Stabilization Reserve	-	-	-
TOTAL FUNDING	\$ 122.3	\$ 123.1	\$ (0.8)
<u>EXPENDITURES</u>			
Expenses (excluding Depreciation)	\$ 120.6	\$ 119.8	\$ 0.8
Fixed Asset Additions	3.9	5.1	(1.2)
Net Financing Activity	(1.9)	(1.9)	-
TOTAL EXPENDITURES	\$ 122.6	\$ 123.0	\$ (0.4)
RESERVE INCREASE (DECREASE)	\$ (0.3)	\$ 0.1	\$ (0.4)

Revenues are projected to be under budget primarily due to lower third-party funding for CRISP. Expenses (excluding Depreciation) are projected to be over budget at year-end primarily due to higher Contracts and Consultants and Meeting and Travel costs, offset by lower Personnel expenses. Fixed Asset Additions are expected to be under budget due to lower-than-anticipated spending for leased assets and capital software expenditures. Net Financing Activity is projected to be near budget. The net result is a projected year-end reserve decrease of \$400k versus a budgeted increase of \$100k, which is primarily attributed to the unbudgeted use of funds from the CRISP Operating Reserve for equipment purchases (as approved by the CRISP Governance Advisory Committee). 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	\$ 30.9	\$ 30.7	\$ 0.2
Funding from Reserves			
Assessment Stabilization Reserve	-	-	-
TOTAL FUNDING	\$ 30.9	\$ 30.7	\$ 0.2
<u>EXPENDITURES</u>			
Expenses (excluding Depreciation)	\$ 28.4	\$ 31.1	\$ (2.7)
Fixed Asset Additions	0.3	1.3	(1.0)
Net Financing Activity	0.3	(0.5)	0.8
TOTAL EXPENDITURES	\$ 29.0	\$ 31.9	\$ (2.9)
RESERVE INCREASE (DECREASE)	\$ 1.9	\$ (1.2)	\$ 3.1

Revenue is over budget year-to-date primarily due to higher-than-budgeted investment income. Expenses (excluding Depreciation) are under budget year-to-date primarily because of lower Personnel, Contracts and Consultants, Office Costs, Professional Services, and Miscellaneous expenses. Fixed Asset Additions are under budget year-to-date due to lower spending for leased assets and capital software expenditures, partially offset by Net Financing Activity. The net result is a year-to-date reserve increase of \$3.1M more 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	\$ 30,876,469	\$ 30,659,510	\$ 216,959	0.7%	\$ 122,256,004	\$ 123,063,843	\$ (807,840)	(0.7%)
EXPENDITURES								
Personnel	18,286,761	19,031,022	(744,261)	(3.9%)	70,764,064	71,535,308	(771,244)	(1.1%)
Meetings and Travel	1,210,340	954,204	256,136	26.8%	4,217,386	3,816,815	400,571	10.5%
Contracts and Consultants	3,861,957	5,558,523	(1,696,567)	(30.5%)	23,595,884	22,234,093	1,361,791	6.1%
Office Rent	770,324	768,717	1,607	0.2%	3,074,867	3,074,867	-	0.0%
Office Costs, Professional, and Misc. *	4,307,933	4,649,929	(341,996)	(7.4%)	18,630,756	18,599,715	31,041	0.2%
Other Non-Operating	43,258	141,000	(97,742)	(69.3%)	325,216	564,000	(238,783)	(42.3%)
Fixed Asset Additions*	251,924	1,274,648	(1,022,724)	(80.2%)	3,923,834	5,098,590	(1,174,756)	(23.0%)
Net Financing Activity**	306,726	(482,180)	788,906	(163.6%)	(1,951,290)	(1,928,720)	(22,570)	1.2%
TOTAL EXPENDITURES	\$ 29,039,223	\$ 31,895,863	\$ (2,856,640)	(9.0%)	\$ 122,580,718	\$ 122,994,669	\$ (413,951)	(0.3%)
RESERVE INCREASE (DECREASE)	\$ 1,837,246	\$ (1,236,353)	\$ 3,073,599	(248.6%)	\$ (324,714)	\$ 69,174	\$ (393,889)	(569.4%)
FTEs	258.5	263.5	(5.0)	(1.9%)	261.9	263.5	(1.6)	(0.6%)

* 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 year-to-date due to lower salary and retirement plan costs. Personnel expenses are projected to be under budget at year-end due to these same reasons, partially offset by higher payroll taxes.
- Meetings and Travel expenses are over budget year-to-date primarily due to higher Travel costs associated with increased demand for in-person meetings and engagement and overall higher “per trip” costs. Meetings and Travel expenses are projected to be over budget at year-end for this same reason.
- Contracts and Consultants expenses are under budget year-to-date due to lower third-party contractor costs for CRISP and overall timing of expenses. Contracts and Consultants expenses are projected to be over budget at year-end due to (1) increased support needs for standards process modernization activities; (2) additional costs related to establishing a new exam developer for the System Operator Certification program; and (3) higher-than-budgeted support for new and existing technology tools and cybersecurity initiatives. This is further illustrated in the table below detailing Contracts and Consultants expenses by department.

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 Issues and Strategic Management	\$ 12,280	\$ 47,000	\$ (34,720)	(73.9%)	\$ 704,200	\$ 188,000	\$ 516,200	274.6%
Compliance Assurance	188,000	171,156	16,844	9.8%	795,170	684,623	110,547	16.1%
Registration and Certification	54,396	42,375	12,021	28.4%	492,324	169,500	322,824	190.5%
Compliance Enforcement	53,000	171,156	(118,156)	(69.0%)	795,170	684,623	110,547	16.1%
Engineering and Security Integration	-	50,000	(50,000)	(100.0%)	-	200,000	(200,000)	(100.0%)
Reliability Assessment and Technical Committees	40,555	68,500	(27,945)	(40.8%)	434,500	274,000	160,500	58.6%
Advanced System Analytics and Modeling	-	77,375	(77,375)	(100.0%)	290,000	309,500	(19,500)	(6.3%)
Performance Analysis	20,477	69,750	(49,273)	(70.6%)	160,800	279,000	(118,200)	(42.4%)
Situation Awareness	-	61,500	(61,500)	(100.0%)	74,500	246,000	(171,500)	(69.7%)
Event Analysis	10,578	80,000	(69,422)	(86.8%)	320,000	320,000	-	0.0%
E-ISAC	433,374	743,801	(310,427)	(41.7%)	3,147,150	2,975,205	171,945	5.8%
Training, Education and Personnel Certification	51,781	128,770	(76,989)	(59.8%)	892,054	515,078	376,976	73.2%
General and Administrative and Executive	-	62,500	(62,500)	(100.0%)	250,000	250,000	-	0.0%
Legal and Regulatory	14,487	57,500	(43,013)	(74.8%)	230,000	230,000	-	0.0%
External Affairs	7,200	35,000	(27,800)	(79.4%)	157,500	140,000	17,500	12.5%
Business Technology	1,128,813	1,400,059	(271,246)	(19.4%)	5,834,310	5,600,235	234,075	4.2%
Human Resources and Administration	269,087	218,750	50,337	23.0%	862,919	875,000	(12,081)	(1.4%)
Finance and Accounting	164,118	56,250	107,868	191.8%	342,527	225,000	117,527	52.2%
TOTAL (excluding CRISP)	\$ 2,448,146	\$ 3,541,441	\$ (1,093,295)	(30.9%)	\$ 15,783,124	\$ 14,165,764	\$ 1,617,360	11.4%
CRISP	1,413,811	2,017,082	(603,272)	(29.9%)	7,812,760	8,068,329	(255,569)	(3.2%)
TOTAL (including CRISP)	\$ 3,861,957	\$ 5,558,523	\$ (1,696,567)	(30.5%)	\$ 23,595,884	\$ 22,234,093	\$ 1,361,791	6.1%

- Office Costs, Professional Services, and Miscellaneous expenses are under budget year-to-date largely due to timing of expenses and lower than expected A/V and hardware lease costs and insurance expenses. Office Costs are projected to be over budget at year end due to higher-than-budgeted software licenses and support costs, offset by lower-than-budgeted Professional Services expenses.
- Fixed Asset Additions are under budget year-to-date primarily due to lower-than-budgeted leased asset and capital software expenditures, including a replacement for the System Operator Certification and Continuing Education (SOCCED) database that will not be completed until 2026. Fixed Asset Additions are projected to be under budget at year-end due to these same reasons.
- The Net Financing Activity budget is comprised of loan and lease financing proceeds (borrowings) and principal payments. The budget included a total of \$3.8M for both loan borrowings for capital software projects and leased assets, spread evenly throughout the year. The year-to-date variance is primarily because NERC did not borrow during the first quarter. By year-end, NERC is projecting to borrow \$500k less than budgeted due to lower-than-anticipated leased asset needs and capital software expenditures, offset by lower-than-budgeted loan payments/debt service from less-than-budgeted borrowing in 2023 and 2024.
- Reserves are over budget year-to-date by \$3.1M, primarily due to the reasons noted above for the timing of costs for Contracts and Consultants and Office, Professional, and Misc. expenses, and lower spending on Personnel and Fixed Asset Additions, offset by Net Financing Activity. Reserves are projected to decrease by \$300k at year-end (versus a budgeted increase of \$100k) mainly due to an unbudgeted use of funds from the CRISP Operating Reserve (as approved by the CRISP Governance Advisory Committee) to fund equipment purchases.

Variances 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 Issues and Strategic Mgmt	\$ 1,596,092	\$ 1,578,607	\$ 17,484	1.1%	\$ 6,832,037	\$ 6,039,541	\$ 792,497	13.1%
Compliance Assurance and Certification	1,742,752	1,776,901	(34,149)	(1.9%)	6,968,936	6,845,408	123,528	1.8%
Registration	397,782	420,013	(22,232)	(5.3%)	1,875,297	1,611,438	263,859	16.4%
Compliance Enforcement	1,085,892	1,266,443	(180,551)	(14.3%)	4,915,576	4,899,029	16,547	0.3%
Engineering and Security Integration	586,748	662,161	(75,413)	(11.4%)	2,629,911	2,542,599	87,312	3.4%
Reliability Assessment and Technical Committees	1,178,985	1,410,219	(231,234)	(16.4%)	5,162,551	5,448,342	(285,791)	(5.2%)
Advanced System Analytics and Modeling	454,824	733,879	(279,055)	(38.0%)	1,995,231	2,855,428	(860,197)	(30.1%)
Performance Analysis	477,889	688,008	(210,119)	(30.5%)	2,268,065	2,671,764	(403,699)	(15.1%)
Situation Awareness	1,117,836	1,113,613	4,223	0.4%	4,235,720	4,348,000	(112,280)	(2.6%)
Event Analysis	571,223	737,580	(166,357)	(22.6%)	2,530,326	2,809,452	(279,126)	(9.9%)
E-ISAC	4,001,318	4,556,658	(555,339)	(12.2%)	17,178,175	17,102,200	75,976	0.4%
Training, Education and Personnel Certification	424,324	506,180	(81,857)	(16.2%)	2,281,055	1,977,720	303,335	15.3%
General and Administrative and Executive	2,496,298	2,482,343	13,955	0.6%	9,781,109	9,763,543	17,566	0.2%
Legal and Regulatory	1,484,913	1,583,472	(98,560)	(6.2%)	5,984,966	6,010,019	(25,054)	(0.4%)
External Affairs	1,249,658	1,256,610	(6,951)	(0.6%)	4,947,191	4,795,710	151,481	3.2%
Business Technology	6,075,351	6,090,116	(14,764)	(0.2%)	24,071,349	23,512,429	558,920	2.4%
Human Resources and Administration	1,004,793	1,325,765	(320,972)	(24.2%)	4,897,062	5,154,952	(257,890)	(5.0%)
Finance and Accounting	1,005,878	914,703	91,174	10.0%	3,704,565	3,539,022	165,544	4.7%
TOTAL (excluding CRISP)	\$ 26,952,554	\$ 29,103,270	\$ (2,150,716)	(7.4%)	\$ 112,259,121	\$ 111,926,595	\$ 332,526	0.3%
CRISP	2,086,669	2,792,592	(705,924)	(25.3%)	10,321,597	11,068,074	(746,478)	(6.7%)
TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	\$ 29,039,223	\$ 31,895,863	\$ (2,856,640)	(9.0%)	\$ 122,580,718	\$ 122,994,669	\$ (413,951)	(0.3%)

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

- Reliability Standards and Power Risk Issues and Strategic Management – Projected to be over budget primarily due to increased Contracts and Consultants support needs for standards process modernization activities.
- Registration – Projected to be over budget primarily due to higher-than-expected costs for technology supporting Inverter-Based Resources (IBR) data collection efforts.
- Reliability Assessment and Technical Committees – Under budget year-to-date due to lower Personnel and Fixed Asset Additions, partially offset by Net Financing Activity. Projected to be under budget for these same reasons.
- Advanced System Analytics and Modeling – Under budget year-to-date and projected to be under budget at year-end primarily due to lower Personnel expenses.
- Performance Analysis – Under budget year-to-date and projected to be under budget at year-end primarily due to lower Fixed Asset Additions partially offset by Net Financing Activity.
- Event Analysis – Under budget year-to-date due to lower Personnel and Fixed Asset Additions, partially offset by Net Financing Activity. Projected to be under budget for these same reasons.
- E-ISAC – Under budget year-to-date due to lower Personnel expenses and timing of Contracts and Consultants costs. Projected to be near budget at year-end.
- Training, Education and Personnel Certification – Projected to be over budget primarily due to higher Contracts and Consultants expenses for the System Operator Certification program.
- Business Technology – Projected to be over budget at year-end due to higher Personnel, Contracts and Consultants, and Fixed Asset Additions, partially offset by Net Financing Activity.
- CRISP – Under budget year-to-date and projected to be under budget at year-end due to lower third-party contractor costs and lower professional services expense.

Supplemental Schedules

Schedule 1 – Year-End Projected Reserves

Reserve Account	1/1/2025			Operating and	12/31/2025
	Beginning Balance ⁽¹⁾	Budgeted Funding/(Use) ⁽²⁾	Unbudgeted Funding/(Use) ⁽³⁾	Financing Activity Versus Budget ⁽⁴⁾	Ending Balance ⁽⁵⁾
NERC Operating Contingency	\$ 10,405,143	\$ (300,000)	\$ -	\$ 744,831	\$ 10,849,974
Future Obligations	2,911,139	(789,192)	-	-	2,121,947
Assessment Stabilization	956,000	-	-	-	956,000
System Operator	1,078,663	369,174	-	(739,271)	708,566
CRISP Defense Fund	500,000	-	-	-	500,000
CRISP Operating	5,076,816	-	(765,000)	428,103	4,739,919
CRISP Equipment Reserve	900,000	-	-	-	900,000
Total Reserves	\$ 21,827,761	\$ (720,018)	\$ (765,000)	\$ 433,663	\$ 20,776,406

NOTES:

(1) 2025 beginning balances have been adjusted from the 12/31/2024 variance report balances as the result of a reconciliation to the final audited balance sheet.

(2) The 2025 Business Plan & Budget (BP&B) contained a budgeted use of NERC Operating Contingency Reserves (OCR) of \$300,000 to help lower assessments, and System Operator Reserves contained a budgeted increase of \$369,174 due to budgeted 2025 revenues being higher than budgeted expenses. The Future Obligations Reserve is a budgeted use of deferred rent reserves to fund a portion of office lease costs.

(3) The CRISP Governance Advisory Committee approved a used of operating reserves up to \$765,000 for equipment purchases.

(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 in this column related to the CRISP department is \$553,477, with \$428,103 going into the CRISP Operating Reserve for CRISP costs funded by the CRISP participants and \$125,374 going into the NERC OCR for the portion of CRISP costs funded by assessments. \$765,000 of the CRISP Operating Reserve has been approved by the CRISP Governance Advisory Committee to fund equipment purchases in 2025. The projected CRISP net results are a reduction to the CRISP Operating Reserve of \$336,897 in 2025.

(5) The projected 12/31/25 OCR balance of \$10.9 million is \$2.3M less than the \$13.2 million year-end balance projected in the 2025 budget primarily due to lower actual 2024 financing activity than was projected in the 2024 budget (no loan borrowing was made for capital software projects in 2024). The ending OCR balance of \$10.9 million is 10.1% of NERC's 2025 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	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 8,114,945	\$ 32,459,782	\$ 32,459,782	\$ -
Other Funding	2,844,460	10,516,481	11,335,302	(818,821)
TOTAL FUNDING	\$ 10,959,405	\$ 42,976,263	\$ 43,795,084	\$ (818,821)
EXPENDITURES				
Personnel Expense	\$ 3,467,664	\$ 13,734,142	\$ 14,032,057	\$ (297,915)
Meetings and Travel Expense	223,093	534,996	479,675	55,322
Operating Expenses (excluding Depreciation)	2,397,230	13,224,034	13,489,341	(265,307)
Other Non-Operating Expenses	-	-	2,194	(2,194)
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	33,000	183,000	(150,000)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	(26,400)	(15,993)	(10,407)
Total Direct Costs (excluding Depreciation and Allocations)	\$ 6,087,987	\$ 27,499,772	\$ 28,170,274	\$ (670,502)
Indirect Expense Allocation	3,768,094	15,532,368	15,263,944	268,424
Fixed Asset Allocation	73,778	711,578	496,600	214,979
Net Financing Activity Allocation	58,105	(345,924)	(135,734)	(210,190)
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 9,987,964	\$ 43,397,794	\$ 43,795,084	\$ (397,289)
RESERVE INCREASE (DECREASE)	\$ 971,441	\$ (421,531)	\$ -	\$ (421,531)

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

CRISP

FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 619,920	\$ 2,479,682	\$ 2,479,682	\$ -
Other Funding	2,683,649	9,865,171	10,583,011	(717,840)
TOTAL FUNDING	\$ 3,303,570	\$ 12,344,853	\$ 13,062,692	\$ (717,840)
EXPENDITURES				
Personnel Expense	\$ 489,489	\$ 1,543,947	\$ 1,637,505	\$ (93,558)
Meetings and Travel Expense	57,674	182,650	175,000	7,650
Operating Expenses (excluding Depreciation)	1,539,506	8,595,000	9,105,569	(510,569)
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	-	150,000	(150,000)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 2,086,668	\$ 10,321,597	\$ 11,068,074	\$ (746,478)
Indirect Expense Allocation	562,659	2,183,379	1,948,548	234,831
Fixed Asset Allocation	11,017	100,026	63,399	36,627
Net Financing Activity Allocation	8,676	(48,626)	(17,329)	(31,298)
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 2,669,021	\$ 12,556,375	\$ 13,062,692	\$ (506,317)
RESERVE INCREASE (DECREASE)	\$ 634,549	\$ (211,523)	\$ 0	\$ (211,523)

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 \$190,000. Year-to-date expenses sent by the third-party contractor to NERC for new CRISP participants total \$15,000.

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

E-ISAC (excluding CRISP)

FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 7,495,025	\$ 29,980,100	\$ 29,980,100	\$ -
Other Funding	160,810	651,310	752,291	(100,981)
TOTAL FUNDING	\$ 7,655,836	\$ 30,631,410	\$ 30,732,391	\$ (100,981)
EXPENDITURES				
Personnel Expense	\$ 2,978,175	\$ 12,190,195	\$ 12,394,552	\$ (204,357)
Meetings and Travel Expense	165,419	352,346	304,675	47,672
Operating Expenses (excluding Depreciation)	857,724	4,629,034	4,383,772	245,262
Other Non-Operating Expenses	-	-	2,194	(2,194)
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	33,000	33,000	-
Net Financing Activity (excluding Net Financing Activity Allocation)	-	(26,400)	(15,993)	(10,407)
Total Direct Costs (excluding Depreciation and Allocations)	\$ 4,001,318	\$ 17,178,175	\$ 17,102,200	\$ 75,976
Indirect Expense Allocation	3,205,435	13,348,989	13,315,396	33,593
Fixed Asset Allocation	62,762	611,552	433,200	178,352
Net Financing Activity Allocation	49,429	(297,297)	(118,405)	(178,892)
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 7,318,943	\$ 30,841,419	\$ 30,732,391	\$ 109,028
RESERVE INCREASE (DECREASE)	\$ 336,892	\$ (210,009)	\$ -	\$ (210,009)

Schedule 3 – 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	\$ 43,132,197	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	3.97%
SOCCEd Account Sweep	3,070,172	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	3.97%
CRISP Account Sweep	10,428,837	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	3.97%
Total Cash Sweep Accounts	\$ 56,631,205				
<u>Investment Account</u>					
Money Market Funds	\$ 2,311,386		Federated Hermes Gov't Obligations Fund	AAAm	4.27%
U.S. Treasury Portfolio	9,347,123		PNC Ultra Short U.S. Government Portfolio	AA+	4.67%
Total Investments	\$ 11,658,509				