

**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 Order in Docket No. FA11-21-000.² In the January 16 Order, the Commission approved a Settlement Agreement between the FERC Office of Enforcement (“Enforcement”) and NERC related to Enforcement’s findings and recommendations arising out of 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 unaudited report of NERC’s budget-to-actual variance information for the second quarter of 2011, in accordance with the January 16 Order. This variance information

¹ NERC was certified by FERC as the electric reliability organization (“ERO”) authorized by Section 215 of the Federal Power Act. FERC certified NERC as the ERO 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 January 16 Order].

³ *Id.*

was posted on NERC’s website on August 5, 2021 and was reviewed at the August 11, 2021 open meeting of the NERC Finance and Audit Committee.

II. NOTICES AND COMMUNICATIONS

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

Nina Jenkins-Johnston
Assistant General Counsel
North American Electric Reliability
Corporation
3353 Peachtree Road NE, Suite 600 – North
Tower
Atlanta, GA 30326
(404) 446-9650
nina.johnston@nerc.net

Andy Sharp
Vice President, Chief Financial Officer
North American Electric Reliability
Corporation
3353 Peachtree Road NE, Suite 600 – North
Tower
Atlanta, GA 30326
(404) 446-9732
andy.sharp@nerc.net

III. DISCUSSION OF SIGNIFICANT VARIANCES BETWEEN THE 2021 BUDGET AND PROJECTED YEAR-END 2021 RESULTS

The attached variance report compares actual (unaudited) financial results for the second quarter of 2021 as of June 30, 2021 to NERC’s budgeted expenditures for the second quarter of 2021. NERC is also providing additional discussion of significant variances between the actual 2021 (unaudited) second quarter results and NERC’s 2021 budgeted revenues and expenditures by NERC department or program area and by major activity within departments and program areas. This discussion focuses on variances of \$500,000 or more because this threshold is used in Section 7(b)(ii) of the Settlement Agreement. In Section 7(b)(ii) of the Settlement Agreement, the Commission specifies that the threshold for its review and approval 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.

A. 2021 Second Quarter Actual Results and Projected Year End Results with Budget
Variances of \$500,000 or More by Revenue and Expense Category

Two revenue and expense categories had a budget variance of more than \$500,000 as of June 30, 2021:

- “Meetings and Travel” expenses were \$966,199 (87.8%) under budget as of the second quarter and expected to be \$1,439,780 (65.4%) under budget at year-end because of reduced in-person meetings and travel due to the pandemic.
- “Consultants and Contracts” expenses were \$1,046,481 (16.5%) under budget for the second quarter due mainly to timing of costs versus the budget and are expected to be \$1,948,005 (15.3%) over budget at year-end primarily due to CRISP operational technology pilot program costs that were budgeted for in 2020 but will be spent in 2021 (and funded with CRISP reserves), and costs for standards project support, reliability assessments studies, workforce development, internal audit support, and IT contractors.

Additionally, three other revenue and expense categories are projected to have a budget variance of more than \$500,000 at year-end:

- “Office Costs, Professional, and Misc.” expenses are projected to be \$516,423 (4.1%) over budget mainly as a result of higher than budgeted software costs (a portion of which is being funded with the CRISP reserves), fees for an additional NERC trustee, and increased costs for liability insurance.
- “Fixed Asset Additions” are projected to be \$534,828 (19.4%) over budget primarily because of the timing of approximately \$700k in expenditures for the ERO Secure Evidence Locker (“ERO SEL”) project that were approved to be spent

and financed in 2020, but will be incurred and financed in 2021. These costs will be partially offset by lower than expected spending for IT equipment and servers.

- “Net Financing Activity” is projected to be \$928,120 (109.9%) under budget at year-end. The “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.

B. 2021 Second Quarter Actual Results and Projected Year End Results with Budget Variances of \$500,000 or More by Department or Program Area

As of June 30, 2021, there are no departments with actual or projected year-end variances greater than \$500,000, except for CRISP. CRISP is projected to be \$1,039,464 (13.9%) over budget at year-end. CRISP is expected to be over budget because of the operational technology pilot program costs that were budgeted for in 2020 but will be spent in 2021 (and funded with CRISP reserves).

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 January 16 Order in Docket No. FA11-21-000.

Respectfully submitted,

/s/ Nina Jenkins-Johnston

Nina Jenkins-Johnston
Assistant General Counsel
North American Electric Reliability Corporation
3353 Peachtree Road NE, Suite 600 – North Tower
Atlanta, GA 30326
(404) 446-9650
nina.johnston@nerc.net

*Counsel for North American Electric Reliability
Corporation*

Dated: August 16, 2021

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 16th day of August, 2021.

/s/ Nina Jenkins-Johnston

Nina Jenkins-Johnston
*Counsel for North American Electric
Reliability Corporation*

ATTACHMENT

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

Table of Contents

	<u>Page</u>
1. Executive Summary	
a. Projected Year-End Results	2
b. Year-to-Date Actual Results	4
2. Detailed Operating Results	
a. Variances by Revenue and Expense Category	5
b. Variances by Department	7
3. Supplemental Schedules	
a. Schedule 1 – Year-End Projected Reserves	9
b. Schedule 2 – IT Projects	10
c. Schedule 3 – E-ISAC & CRISP Summary of Activity	12
d. Schedule 4 – Summary of Investments	14

Executive Summary

Projected Year-End Results (\$ millions)

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

Funding

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

Expenditures

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

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

Reserve Increase (Decrease)

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

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

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

Funding

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

Expenditures

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

Reserve Increase (Decrease)

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

Detailed Operating Results

Variances by Revenue and Expense Category

Total NERC (including CRISP)

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

* Excludes depreciation expense

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

Following is a brief summary of variances by category:

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

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

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

Variations by Department

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

Following is a brief summary of significant variances by department:

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

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

Supplemental Schedules

Schedule 1 – Year-End Projected Reserves

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

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	\$ 6,505,368	\$ 7,203,000	\$ -
E-ISAC Portal Replacement	259,680	259,680	259,680	-
SAFNR Disaster Recovery	78,516	67,372	67,372	(11,144)
CRISP Dragos Operational Technology Pilot	426,000	-	426,000	-

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

NOTES:

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

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

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

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

Schedule 2 (continued) – IT Projects

Align

(Started Q2 2017 / Planned Completion Q4 2021)

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

E-ISAC Portal Replacement

(Started Q3 2020 / Planned Completion Q3 2021)

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

SAFNR Disaster Recovery

(Started Q3 2020 / Planned Completion Q3 2021)

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

CRISP Dragos Operational Technology Pilot

(Started Q4 2020 / Planned Completion Q4 2021)

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

Secure Evidence Locker

(Started Q2 2020 / Completed Q1 2021)

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

Mobile Device Management/Laptop Build

(Started Q1 2021 / Completed Q2 2021)

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

Schedule 3 – E-ISAC and CRISP Summary of Activity

TOTAL E-ISAC (including CRISP)

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

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

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

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

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	\$ 19,178,472	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.02%
SOCED Account Sweep	1,225,976	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.02%
CRISP Account Sweep	4,522,380	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.02%
<u>Total Cash Sweep Accounts</u>	<u>\$ 24,926,828</u>				
<u>Investment Account</u>					
Reserve Funds	\$ 8,471,711	GRTXX	Federated Hermes Government Obligations Fund	AAAm	0.01%
<u>Total Investments</u>	<u>\$ 8,471,711</u>				