

# Agenda

## Finance and Audit Committee

### Open Meeting

May 11, 2022 | 8:45-9:45 a.m. Eastern  
In-Person Meeting

#### **Ritz-Carlton Pentagon City**

1250 Hayes St.  
Arlington, VA 22202

#### **Introduction and Chair's Remarks**

#### **NERC Antitrust Compliance Guidelines\***

#### **Agenda Items**

- 1. Minutes\* – Approve**
  - a. February 9, 2022 Meeting
- 2. First Quarter Calendar of FAC Responsibilities\* – Review and Recommend Board of Trustees Acceptance (Meg, 15 mins)**
  - a. 2021 Financial Statement Audit Results
  - b. First Quarter Statement of Activities
    - i. NERC Summary of Results as of March 31, 2022
    - ii. Total ERO Enterprise Summary of Results as of March 31, 2022
    - iii. Regional Entity Variance Reports as of March 31, 2022
- 3. 2023 Business Plan and Budget\* – Update (Kelly and Erika, 40 mins)**
- 4. Other Business and Adjournment**

\*Background materials included.

# Antitrust Compliance Guidelines

## I. General

It is NERC's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC's compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC's antitrust compliance policy is implicated in any situation should consult NERC's General Counsel immediately.

## II. Prohibited Activities

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.

- Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

### **III. Activities That Are Permitted**

From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC's Certificate of Incorporation, Bylaws, and Rules of Procedure are followed in conducting NERC business.

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.
- Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

## Draft Minutes

# Finance and Audit Committee Open Meeting

February 9, 2022 | 11:00 a.m. – 12:00 p.m. Eastern

### Virtual Meeting

Mr. Robert G. Clarke, Chair, called to order a duly noticed closed meeting of the Finance and Audit Committee (“FAC” or the “Committee”) of the Board of Trustees (“Board”) of the North American Electric Reliability Corporation (“NERC” or the “Company”) on February 9, 2022, at 11:00 a.m. Eastern, and a quorum was declared present.

Present at the meeting were:

#### Committee Members

Robert G. Clarke, Chair  
Suzanne Keenan  
Susan N. Kelly  
Jim Piro  
Colleen Sidford  
Kenneth W. DeFontes, Jr., *ex officio*

#### Board of Trustees Members

Jane Allen  
George S. Hawkins  
Robin E. Manning  
James B. Robb, President and Chief Executive Officer  
Roy Thilly

#### NERC Staff

Monica Bales, Senior Auditor, Internal Audit  
Tina Buzzard, Assistant Corporate Secretary  
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC  
Erika Chanzas, Manager of Business Planning  
Howard Gugel, Vice President of Engineering Standards, Reliability Standards  
Kelly Hanson, Senior Vice President and Chief Administrative Officer  
Stan Hoptroff, Vice President, Business Technology  
Nina Johnston, Assistant General Counsel  
David Kilgus, Principal Auditor  
Mark Lauby, Senior Vice President and Chief Engineer  
Meg Leonard, Controller  
Sonia Mendonca, Senior Vice President, General Counsel, and Corporate Secretary  
Kristin Miller, Director of Internal Audit  
Bryan Preston, Vice President, People and Culture  
Janet Sena, Senior Vice President, External Affairs, Policy and External Affairs  
Andy Sharp, Vice President and Chief Financial Officer  
Mechelle Thomas, Vice President and Chief Compliance Officer

## **Introduction and Chair's Remarks**

Mr. Clarke opened the meeting and noted that the Committee held a closed meeting the day before, including an executive session with the Director of Internal Audit.

## **NERC Antitrust Compliance Guidelines**

Ms. Buzzard directed the participants' attention to the NERC Antitrust Compliance Guidelines included in the agenda package, and indicated that all questions regarding antitrust compliance or related matters should be directed to Ms. Mendonça.

## **Minutes**

Upon motion duly made and seconded, the Committee approved the minutes for the November 3, 2021, meeting as presented to the Committee.

## **2021 Year-End Unaudited Summary of Results**

Mr. Sharp provided an overview of the unaudited 2021 year-end financial results. He noted that for the quarter ending on December 31, 2021, total funding was \$300k (0.5%) over budget, total expenditures were \$2.8 million (3.3%) under budget, and total reserve increases were \$3.1 million over budget.

For expense categories, Mr. Sharp explained that the Company's personnel costs, meetings and travel and financing activity were under budget, and operating expenses were over budget, largely due to liability insurance and professional services. Fixed assets were also over budget, primarily due to carry over costs related to the construction of the Secure Evidence Locker but partially offset by information technology hardware spending.

Mr. Sharp reported the Company had a net increase of \$700,000 in operating contingency reserves. There were no releases or additions to the assessment stabilization reserve. He provided a projected reserve breakdown for 2022, noting the creation of a new CRISP operating reserve following the elimination of the true-up process for underruns not returned to the CRISP participants.

Mr. Sharp concluded by announcing the annual independent financial audit would begin in March, with findings presented to the Committee and Board in May.

## **ERO Enterprise Combined 2021 Year-End Report**

Mr. Sharp provided an overview of the unaudited 2021 year-end ERO Enterprise financial results. Overall, total expenditures were \$76 million (3.6%) under budget. Texas Regional Entity was slightly over budget and all other entities were under budget. By category, fixed assets were 46% over budget, primarily driven by an office expansion in Midwest Reliability Organization and member portal projects at SERC Reliability Corporation. Overall reserve balances increased during the year by \$5.5 million. Texas Regional Entity was the only entity with a reserve decrease for the year, which was planned in their 2021 budget.

Upon motion duly made and seconded, the Committee accepted the 2021 year-end unaudited summary of results.

### **Regional Entity 2021 Year-End Reports**

Mr. Sharp referenced materials included in the agenda package.

### **Renewal of Capital Financing Program**

Upon motion duly made and seconded, the Committee approved the \$5 million renewal of the Capital Financing Program for large technology and software projects. This approval includes the ability for management to automatically renew the program without seeking prior Committee approval, barring any material changes to the underlying financial terms.

### **Proposed Amendment to Committee Mandate**

Upon motion duly made and seconded, the Committee approved and recommended Corporate Governance and Human Resources Committee approval of the proposed amendment to the Committee mandate to eliminate the three-year audit plan.

### **Other Matters / Final Remarks / Adjournment**

In his closing remarks, Mr. Clarke announced that it was his final meeting serving as the chair of the Committee, thanked NERC staff and Committee members for their support, and welcomed Mr. Piro as incoming Chair.

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

Submitted by,



Sônia Mendonça  
Corporate Secretary

## **First Quarter Calendar of FAC Responsibilities**

### **Action**

Review and recommend Board of Trustees acceptance.

### **Background**

NERC management will review the first quarter calendar of FAC responsibilities to include (i) 2021 Financial Statement Audit Results; (ii) NERC Summary of Results as of March 31, 2022; and (iii) Total ERO Enterprise Summary of Results as of March 31, 2022.

# Summary of Unaudited Results For the Period Ending March 31, 2022

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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	\$ 88.8	\$ 88.3	\$ 0.5
Funding from Reserves			
Assessment Stabilization Reserve	-	-	-
<b>TOTAL FUNDING</b>	<b>\$ 88.8</b>	<b>\$ 88.3</b>	<b>\$ 0.5</b>
<b><u>EXPENDITURES</u></b>			
Expenses (excluding Depreciation)	\$ 86.0	\$ 85.0	\$ 1.0
Fixed Asset Additions	4.5	4.9	(0.4)
Net Financing Activity	(1.2)	(1.1)	(0.1)
<b>TOTAL EXPENDITURES</b>	<b>\$ 89.3</b>	<b>\$ 88.8</b>	<b>\$ 0.5</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ (0.5)</b>	<b>\$ (0.5)</b>	<b>\$ -</b>

Funding is projected to be over budget mainly due to CRISP third-party funding being higher than budget largely because of new program participants. Expenditures (excluding depreciation) are expected to be over budget primarily attributable to higher contractor and professional services costs, partially offset by lower personnel, travel, meeting, and fixed asset additions costs. The result is a projected total reserve decrease equal to that in the budget. This activity is explained in more detail in the remainder of the report.

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

				<b>Over</b>
<u>FUNDING</u>	<u>Actual</u>	<u>Budget</u>		<u>(Under)</u>
Revenues	\$ 22.3	\$ 22.8	\$	(0.5)
Funding from Reserves				
Assessment Stabilization Reserve	-	-	-	-
<b>TOTAL FUNDING</b>	<b>\$ 22.3</b>	<b>\$ 22.8</b>	<b>\$</b>	<b>(0.5)</b>
<u>EXPENDITURES</u>				
Expenses (excluding Depreciation)	\$ 19.9	\$ 22.0	\$	(2.1)
Fixed Asset Additions	0.5	1.2		(0.7)
Net Financing Activity	-	(0.3)		0.3
<b>TOTAL EXPENDITURES</b>	<b>\$ 20.4</b>	<b>\$ 22.9</b>	<b>\$</b>	<b>(2.5)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1.9</b>	<b>\$ (0.1)</b>	<b>\$</b>	<b>2.0</b>

Funding is under budget mainly as a result of the timing differences between budgeted and actual assessment revenues. Expenses (excluding depreciation) during the year are under budget primarily because of lower personnel, meeting, travel, contractor, and fixed asset addition costs, and is partially offset by higher net financing activity. The result is a reserve increase of \$2.0M 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)
<b>TOTAL FUNDING</b>	\$ 22,246,625	\$ 22,756,516	\$ (509,891)	(2.2%)	\$ 88,807,838	\$ 88,268,926	\$ 538,912	0.6%
<b>EXPENDITURES</b>								
Personnel	\$ 13,357,584	\$ 13,716,308	\$ (358,724)	(2.6%)	\$ 51,536,831	\$ 51,966,435	\$ (429,604)	(0.8%)
Meetings and Travel	51,026	617,325	(566,299)	(91.7%)	2,174,550	2,608,050	(433,500)	(16.6%)
Contracts and Consultants	2,415,865	3,418,700	(1,002,835)	(29.3%)	14,963,161	13,674,800	1,288,361	9.4%
Office Rent	896,663	830,619	66,044	8.0%	3,191,370	3,243,277	(51,907)	(1.6%)
Office Costs, Professional, and Misc.*	3,204,877	3,335,493	(130,616)	(3.9%)	14,026,250	13,381,972	644,278	4.8%
Other Non-Operating	19,063	33,750	(14,687)	(43.5%)	117,427	135,000	(17,573)	(13.0%)
Fixed Asset Additions*	354,605	1,229,687	(875,083)	(71.2%)	4,490,191	4,918,750	(428,559)	(8.7%)
Net Financing Activity**	49,338	(275,000)	324,338	(117.9%)	(1,174,933)	(1,100,000)	(74,933)	6.8%
<b>TOTAL EXPENDITURES</b>	\$ 20,349,021	\$ 22,906,883	\$ (2,557,862)	(11.2%)	\$ 89,324,848	\$ 88,828,284	\$ 496,564	0.6%
<b>RESERVE INCREASE (DECREASE)</b>	\$ 1,897,604	\$ (150,367)	\$ 2,047,971	(1362.0%)	\$ (517,009)	\$ (559,358)	\$ 42,348	(7.6%)
<b>FTEs</b>	<b>214.1</b>	<b>223.7</b>	<b>(9.6)</b>	<b>(4.3%)</b>	<b>217.5</b>	<b>223.7</b>	<b>(6.2)</b>	<b>(2.8%)</b>

\* 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 under budget mainly as a result of actual assessments being recorded evenly over the year, while budgeted assessments are higher in the beginning of the year because of certain activity being budgeted earlier in the year. Funding is projected to be over budget mainly due to CRISP third-party funding being higher than budget largely because of new program participants.
- Personnel expenses are under budget largely as a result of lower training costs, relocation expense, medical insurance premiums, and parking and transportation benefits. They are expected to be under budget primarily because of the deferral of FTEs in several departments to help fund the need for two IT security contractors that were not budgeted.
- Meetings and Travel expenses are under budget and expected to be under budget because of reduced in-person meetings and travel due to the pandemic.
- Contracts and Consultants expenses are under budget primarily due to the timing of costs versus the budget, with a large part of that due to the CRISP third party contractor costs. This category is expected to be over budget at year-end mainly as a result of costs from the CRISP third party contractor for new program participants and replacement of equipment for existing program participants, and also the need for two IT security contractors that were not budgeted (and will be funded by the deferral of FTEs in other departments).

CONTRACTS and CONSULTANTS	YTD	YTD	YTD	%	Annual	Annual	Annual	%
	Actual	Budget	Over (Under)	Over (Under)	Projection	Budget	Over (Under)	Over (Under)
Reliability Standards and Power Risk Issue Management	\$ 49,654	\$ 39,740	\$ 9,914	24.9%	\$ 158,960	\$ 158,960	\$ -	0.0%
Compliance Assurance	-	76,250	(76,250)	(100.0%)	305,000	305,000	-	0.0%
Registration and Certification	10,480	10,000	480	4.8%	40,000	40,000	-	0.0%
Compliance Enforcement	-	62,250	(62,250)	(100.0%)	249,000	249,000	-	0.0%
BPS Security and Grid Transformation	36,848	-	36,848	0.0%	73,320	-	73,320	0.0%
Reliability Assessment and Technical Committees	75,000	52,500	22,500	42.9%	210,000	210,000	-	0.0%
Advanced System Analytics and Modeling & Power System Analysis	25,000	62,500	(37,500)	(60.0%)	250,000	250,000	-	0.0%
Performance Analysis	37,879	55,307	(17,427)	(31.5%)	245,227	221,227	24,000	10.8%
Situation Awareness	-	3,750	(3,750)	(100.0%)	15,000	15,000	-	0.0%
Event Analysis	18,449	29,540	(11,091)	(37.5%)	118,158	118,158	-	0.0%
E-ISAC	463,079	542,760	(79,681)	(14.7%)	2,171,041	2,171,041	-	0.0%
Training, Education and Personnel Certification	52,689	140,797	(88,108)	(62.6%)	563,188	563,188	-	0.0%
General and Administrative and Executive	30,000	25,000	5,000	20.0%	120,000	100,000	20,000	20.0%
Legal and Regulatory	12,820	77,500	(64,680)	(83.5%)	310,000	310,000	-	0.0%
External Affairs	-	5,000	(5,000)	(100.0%)	20,000	20,000	-	0.0%
Information Technology	408,997	433,352	(24,354)	(5.6%)	2,196,602	1,733,406	463,196	26.7%
Human Resources and Administration	53,618	217,500	(163,882)	(75.3%)	820,000	870,000	(50,000)	(5.7%)
Finance and Accounting	48,746	46,250	2,496	5.4%	150,000	185,000	(35,000)	(18.9%)
<b>TOTAL (excluding CRISP)</b>	<b>\$ 1,323,260</b>	<b>\$ 1,879,995</b>	<b>\$ (556,735)</b>	<b>(29.6%)</b>	<b>\$ 8,015,496</b>	<b>\$ 7,519,980</b>	<b>\$ 495,516</b>	<b>6.6%</b>
CRISP	1,092,605	1,538,705	(446,100)	(29.0%)	6,947,665	6,154,820	792,845	12.9%
<b>TOTAL (including CRISP)</b>	<b>\$ 2,415,865</b>	<b>\$ 3,418,700</b>	<b>\$ (1,002,835)</b>	<b>(29.3%)</b>	<b>\$ 14,963,161</b>	<b>\$ 13,674,800</b>	<b>\$ 1,288,361</b>	<b>9.4%</b>

- Professional Services expenses are expected to be over budget largely due to fees for an unbudgeted trustee search and increased costs for liability insurance.
- Fixed Asset Additions are under budget primarily as a result of timing of costs versus the budget and are projected to be under budget mainly because of the leasehold improvements and office furniture budgeted for a new Atlanta office that did not materialize. This under budget amount is expected to be partially offset by equipment costs that had originally been planned to be spent in 2021 for an operational technology (OT) project but are now being spent in 2022 to complete the same CRISP OT pilot program for which the expenditure was originally approved. This will be funded by the CRISP Special Projects Reserve.
- Reserves are over budget by \$2.0 million, primarily due to reduced in-person meeting and travel costs due to the pandemic, as well as lower contracts and consultant costs and fixed asset additions due to timing of costs versus the budget. They are projected to be near-budget at year-end.

## 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 Power Risk Issue Management	\$ 1,064,403	\$ 1,131,333	\$ (66,930)	(5.9%)	\$ 4,323,691	\$ 4,321,038	\$ 2,653	0.1%
Compliance Assurance	1,376,943	1,549,124	(172,181)	(11.1%)	5,932,790	5,972,082	(39,293)	(0.7%)
Registration and Certification	258,735	262,595	(3,861)	(1.5%)	1,042,171	995,345	46,825	4.7%
Compliance Enforcement	842,141	980,376	(138,235)	(14.1%)	3,713,808	3,782,700	(68,892)	(1.8%)
Power System Analysis	131,768	240,407	(108,640)	(45.2%)	743,238	935,162	(191,923)	(20.5%)
Reliability Assessment and Technical Committees	540,581	589,788	(49,207)	(8.3%)	2,252,001	2,246,928	5,073	0.2%
Advanced System Analytics and Modeling & Power System Analysis	532,702	685,734	(153,032)	(22.3%)	2,552,326	2,633,697	(81,371)	(3.1%)
Performance Analysis	511,819	549,006	(37,188)	(6.8%)	1,997,171	2,146,112	(148,941)	(6.9%)
Situation Awareness	733,595	792,939	(59,344)	(7.5%)	3,160,752	3,129,990	30,762	1.0%
Event Analysis	475,374	549,469	(74,095)	(13.5%)	2,044,730	2,078,854	(34,124)	(1.6%)
E-ISAC	3,130,362	3,447,544	(317,182)	(9.2%)	12,984,538	13,281,050	(296,512)	(2.2%)
Training, Education and Personnel Certification	318,136	416,770	(98,634)	(23.7%)	1,667,218	1,635,993	31,225	1.9%
General and Administrative and Executive	2,210,857	2,375,587	(164,730)	(6.9%)	8,843,503	9,385,265	(541,761)	(5.8%)
Legal and Regulatory	1,243,886	1,346,699	(102,813)	(7.6%)	5,273,311	5,123,376	149,935	2.9%
External Affairs	776,415	830,960	(54,545)	(6.6%)	3,142,869	3,151,081	(8,212)	(0.3%)
Information Technology	3,230,556	3,599,427	(368,871)	(10.2%)	14,411,331	14,026,598	384,733	2.7%
Human Resources and Administration	786,715	994,993	(208,278)	(20.9%)	3,703,293	3,852,313	(149,021)	(3.9%)
Finance and Accounting	536,319	568,515	(32,196)	(5.7%)	2,182,433	2,186,385	(3,952)	(0.2%)
<b>TOTAL (excluding CRISP)</b>	<b>\$ 18,701,306</b>	<b>\$ 20,911,267</b>	<b>\$ (2,209,961)</b>	<b>(10.6%)</b>	<b>\$ 79,971,173</b>	<b>\$ 80,883,970</b>	<b>\$ (912,797)</b>	<b>(1.1%)</b>
CRISP	1,647,714	1,995,616	(347,901)	(17.4%)	9,353,674	7,944,314	1,409,360	17.7%
<b>TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY</b>	<b>\$ 20,349,021</b>	<b>\$ 22,906,883</b>	<b>\$ (2,557,862)</b>	<b>(11.2%)</b>	<b>\$ 89,324,848</b>	<b>\$ 88,828,284</b>	<b>\$ 496,564</b>	<b>0.6%</b>

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

- E-ISAC – Under budget mostly because of lower personnel expenses due to less FTEs, and lower travel and meeting expenses due to the pandemic. Projected to be under for the same reasons.
- General & Administrative – Projected to be under budget primarily because of the leasehold improvements and office furniture budgeted for a new Atlanta office that did not materialize.
- Information Technology – Under budget primarily due to timing of costs versus the budget for fixed asset additions and financing activity and projected to be over budget due to the need for two IT security contractors that were not budgeted (and will be funded by the deferral of FTEs in other departments).
- CRISP – Under budget largely as a result of timing of costs versus the budget for third party contractor and expected to be over budget because of costs from the CRISP third party contractor for new program participants and replacement of equipment for existing program participants, and also for costs for the OT equipment needs discussed earlier that were carried over from 2021 and being funded by the CRISP Special Projects Reserve.

## Supplemental Schedules

### Schedule 1 – Year-End Projected Reserves

Reserve Account	1/1/2022 Beginning Balance <sup>(1)</sup>	Budgeted Funding/(Use) <sup>(2)</sup>	Unbudgeted Funding/(Use) <sup>(3)</sup>	Operating and Financing Activity Versus Budget <sup>(4)</sup>	12/31/2022 Ending Balance
NERC Operating Contingency	\$ 8,728,678	\$ (64,253)	\$ -	\$ 90,710	\$ 8,755,135
Future Obligations	1,381,843	(679,629)	882,756	708,893	2,293,863
Assessment Stabilization	2,521,000	-	-	-	2,521,000
System Operator	915,083	(86,212)	-	(86,374)	742,497
CRISP Defense Fund	512,821	-	25,000	-	537,821
CRISP Operating	1,596,902	300,000	-	(225,565)	1,671,337
CRISP Special Projects	445,316	-	-	(445,316)	-
<b>Total Reserves</b>	<b>\$ 16,101,643</b>	<b>\$ (530,094)</b>	<b>\$ 907,756</b>	<b>\$ 42,348</b>	<b>\$ 16,521,653</b>

**NOTES:**

(1) 2022 beginning balances have been adjusted from the 12/31/2021 variance report balances as the result of a reconciliation to the final audited balance sheet.

(2) The amended 2022 Business Plan & Budget (2022 BP&B) contained a budgeted use of NERC Operating Contingency Reserves (OCR) totaling \$64,253 and a budgeted use of \$708,893 of Future Obligation Reserves (FOR) to help fund costs of a potential new Atlanta office space. Those costs will not materialize in 2022 and the money will go back into the NERC OCR and FOR.

The 2022 BP&B included a use of System Operator Reserves derived from budgeted revenues being \$86,212 lower than budgeted expenses.

The 2022 BP&B also contained \$300,000 to build the balance in the CRISP Operating Reserve.

(3) The unbudgeted addition to the FOR of \$882,756 is primarily the result of lease concessions at the current Atlanta office that will be applied to future rent expense.

(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.

## Schedule 2 – IT Projects

Projects in Progress	Project Budget <sup>(1)</sup>	Actual Spend to Date	Expected Spend	Expected Over (Under) Budget
Align Release 4.0/4.5	\$ -	\$ -	\$ 475,000	\$ 475,000
Align Enhancements	300,000	205,769	289,000	(11,000)
Disaster Recovery	490,000	45,217	440,000	(50,000)
CRISP Operational Technology Project	426,000	324,175	426,000	-
Projects Completed in 2022	Project Budget	Actual Spend		
E-ISAC Portal Replacement	259,680	259,680		

**NOTES:**

*(1) The Project Budget noted above usually corresponds to the approved business case if required for each project and funds for each project are drawn from the available budget.*

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

## **Schedule 2 (continued) – IT Projects**

### **Align Release 4.0/4.5**

(Started Q1 2022 / Estimated Completion Q4 2022)

Align Release 4.0 will include additional required functionality for audit and scheduling. Release 4.5 will include required functionality for Inherent Risk Assessments (IRAs) and Compliance Oversight Planning (COPs).

### **Align Enhancements**

(Started Q1 2022 / Estimated Completion Q2 2022)

This work includes enhancements from Release 3 (audit and scheduling) as requested and approved by the Align Steering Committee. It also includes platform performance and optimization enhancements resulting from the December 2021 outage event.

### **Disaster Recovery**

(Started Q1 2022 / Estimated Completion Q4 2022)

This project will provide NERC with the capability to securely fail over and restore our network of our Tier 0 and Tier 1 mission critical applications in response to a malicious event or unplanned outage.

### **CRISP Operational Technology Pilot**

(Started Q4 2020 / Estimated Completion Q2 2022)

This project 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 project is being funded through CRISP and benefit its participants, but will enrich the overall threat intelligence capabilities of the E-ISAC.

### **E-ISAC Portal Replacement**

(Started Q3 2020 / Completed Q1 2022)

This project re-platformed the current portal and ticket/case system, which combined 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.



### 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	\$ 6,283,975	\$ 25,135,900	\$ 25,135,900	\$ -
Other Funding	2,168,549	8,608,330	8,011,505	596,825
<b>TOTAL FUNDING</b>	<b>\$ 8,452,524</b>	<b>\$ 33,744,230</b>	<b>\$ 33,147,405</b>	<b>\$ 596,825</b>
<b>EXPENDITURES</b>				
Personnel Expense	\$ 2,578,399	\$ 10,118,233	\$ 10,430,408	\$ (312,175)
Meetings and Travel Expense	4,389	269,200	324,000	(54,800)
Operating Expenses (excluding Depreciation)	2,124,703	11,539,088	10,379,706	1,159,382
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	70,586	411,691	91,250	320,441
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
<b>Total Direct Costs (excluding Depreciation and Allocations)</b>	<b>\$ 4,778,076</b>	<b>\$ 22,338,212</b>	<b>\$ 21,225,364</b>	<b>\$ 1,112,848</b>
Indirect Expense Allocation	2,615,431	11,041,708	10,944,281	97,427
Fixed Asset Allocation	-	875,800	1,132,166	(256,366)
Net Financing Activity Allocation	14,772	(476,740)	(454,407)	(22,333)
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 7,408,279</b>	<b>\$ 33,778,980</b>	<b>\$ 32,847,405</b>	<b>\$ 931,576</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1,044,245</b>	<b>\$ (34,750)</b>	<b>\$ 300,000</b>	<b>\$ (334,750)</b>

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

FUNDING	CRISP			
	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 338,976	\$ 1,355,903	\$ 1,355,903	\$ -
Other Funding	2,153,304	8,541,106	7,929,423	611,683
<b>TOTAL FUNDING</b>	<b>\$ 2,492,280</b>	<b>\$ 9,897,009</b>	<b>\$ 9,285,326</b>	<b>\$ 611,683</b>
<b>EXPENDITURES</b>				
Personnel Expense	\$ 255,716	\$ 1,061,890	\$ 1,095,553	\$ (33,663)
Meetings and Travel Expense	9,304	27,200	34,000	(6,800)
Operating Expenses (excluding Depreciation)	1,312,109	7,944,143	6,814,761	1,129,382
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	70,586	320,441	-	320,441
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 1,647,714	\$ 9,353,674	\$ 7,944,314	\$ 1,409,360
Indirect Expense Allocation	192,311	1,105,736	980,303	125,432
Fixed Asset Allocation	-	87,704	101,411	(13,706)
Net Financing Activity Allocation	1,086	(47,742)	(40,702)	(7,039)
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 1,841,112</b>	<b>\$ 10,499,373</b>	<b>\$ 8,985,326</b>	<b>\$ 1,514,047</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 651,168</b>	<b>\$ (602,364)</b>	<b>\$ 300,000</b>	<b>\$ (902,364)</b>

**E-ISAC (excluding CRISP)**

FUNDING	E-ISAC (excluding CRISP)			
	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 5,944,999	\$ 23,779,997	\$ 23,779,997	\$ -
Other Funding	15,245	67,224	82,082	(14,858)
<b>TOTAL FUNDING</b>	<b>\$ 5,960,244</b>	<b>\$ 23,847,221</b>	<b>\$ 23,862,079</b>	<b>\$ (14,858)</b>
<b>EXPENDITURES</b>				
Personnel Expense	\$ 2,322,683	\$ 9,056,343	\$ 9,334,855	\$ (278,512)
Meetings and Travel Expense	(4,916)	242,000	290,000	(48,000)
Operating Expenses (excluding Depreciation)	812,594	3,594,945	3,564,945	30,000
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	91,250	91,250	-
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 3,130,362	\$ 12,984,538	\$ 13,281,050	\$ (296,512)
Indirect Expense Allocation	2,423,120	9,935,972	9,963,978	(28,005)
Fixed Asset Allocation	-	788,096	1,030,756	(242,660)
Net Financing Activity Allocation	13,686	(428,998)	(413,705)	(15,294)
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 5,567,167</b>	<b>\$ 23,279,608</b>	<b>\$ 23,862,079</b>	<b>\$ (582,471)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 393,077</b>	<b>\$ 567,613</b>	<b>\$ -</b>	<b>\$ 567,613</b>

### 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	\$ 24,575,215	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.03%
SOCED Account Sweep	2,052,892	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.03%
CRISP Account Sweep	8,654,775	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.03%
<u>Total Cash Sweep Accounts</u>	<u>\$ 35,282,882</u>				
<u>Investment Account</u>					
Reserve Funds	\$ 8,471,955	GRTXX	Federated Hermes Government Obligations Fund	AAAm	0.17%
<u>Total Investments</u>	<u>\$ 8,471,955</u>				

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

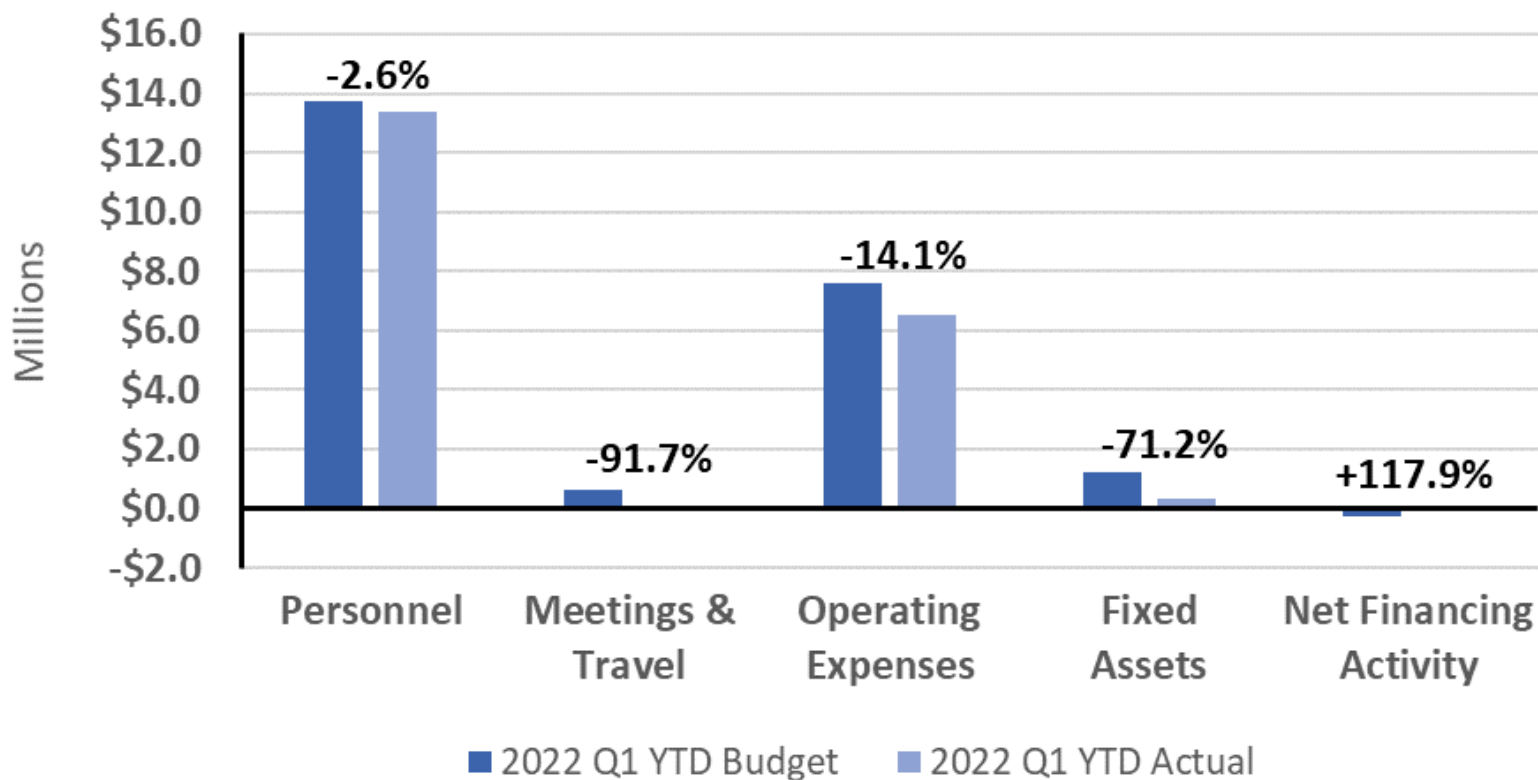
# NERC Summary of Unaudited Results as of March 31, 2022

Meg Leonard, Controller  
Finance and Audit Committee Meeting  
May 11, 2022

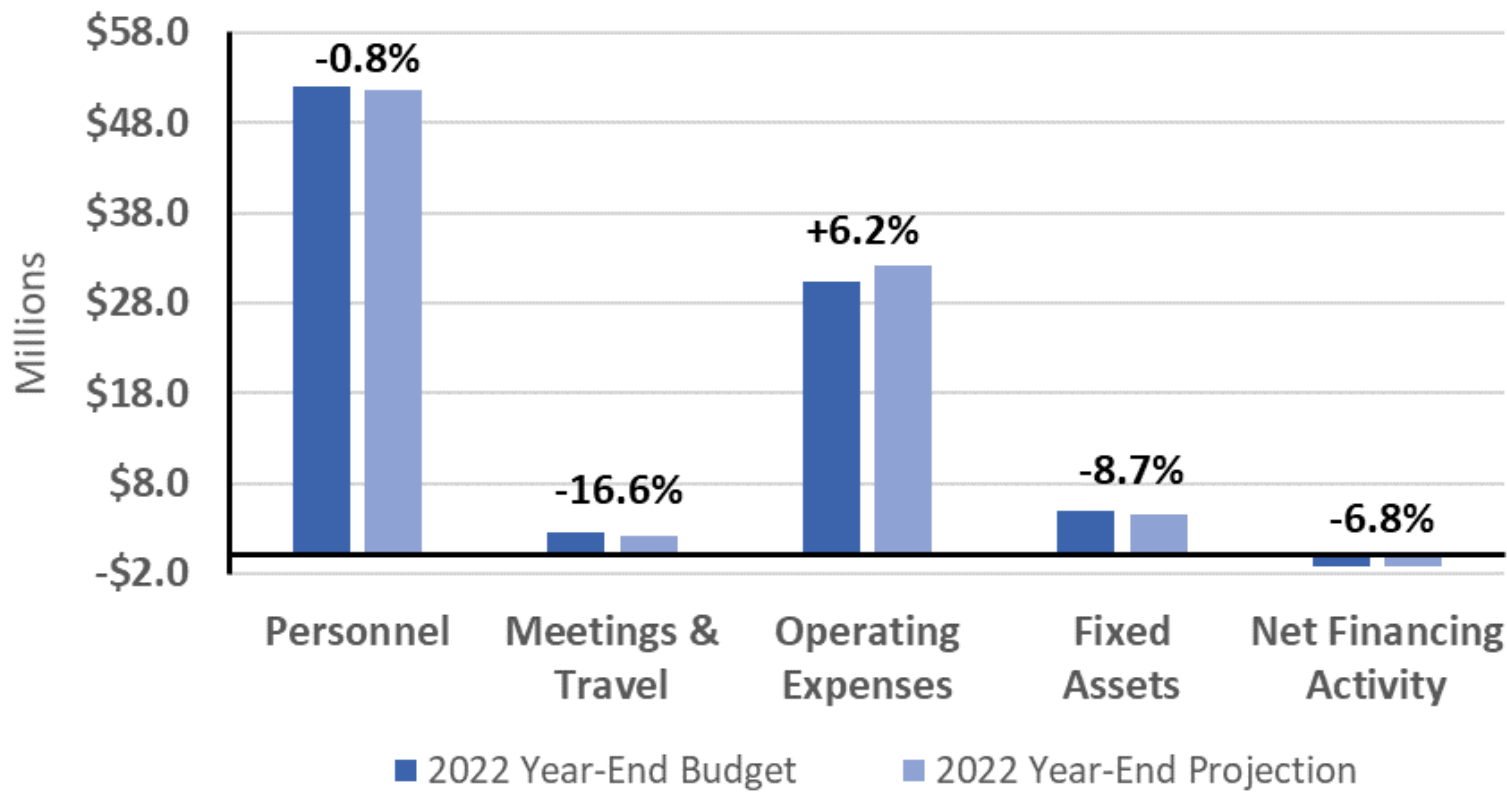
**RELIABILITY | RESILIENCE | SECURITY**



- Total funding – \$0.5M (2.2%) under budget
  - Timing of assessment revenues versus budget, partially offset by CRISP third-party funding higher than budget
- Total expenditures – \$2.5M (11.2%) under budget
  - Lower personnel and contracts and consultant costs
  - Decreased spending on meetings and travel due to the pandemic
  - Partially offset by higher net financing activity
- Reserve increase \$2.0M over budget



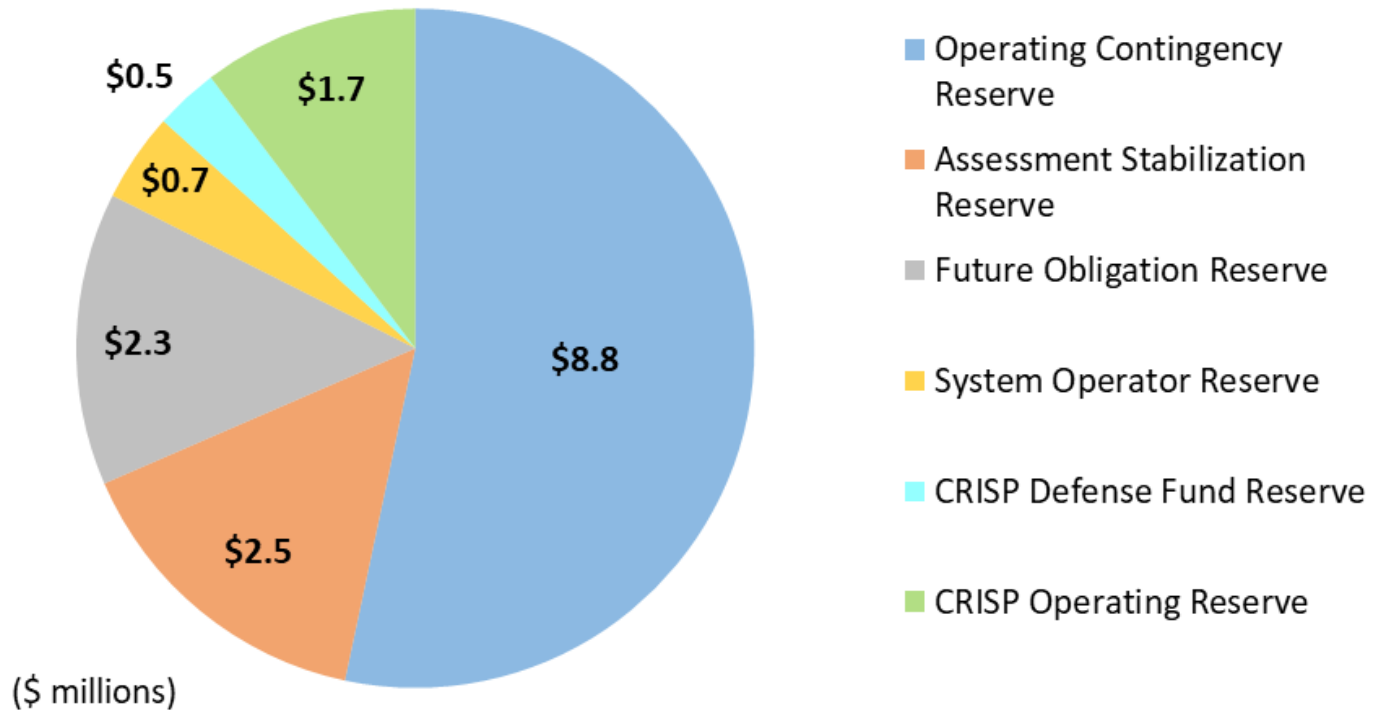
- Funding – \$0.5M (0.6%) over budget
  - CRISP third-party funding
- Total expenditures – \$0.5M (0.6%) over budget
  - Higher contractors and consultants and professional services expenses
  - Partially offset by lower personnel, meeting and travel expenses, and fixed asset additions





- Operating Contingency Reserve (OCR)
  - Began year with \$8.7M
    - Budgeted use of \$65k to fund Atlanta leasehold improvements/equipment
    - Projected increase from 2022 operating activity \$91k
    - Projected ending balance of \$8.8M
- Assessment Stabilization Reserve (ASR) – \$2.5M
  - No releases or additions

## TOTAL RESERVES OF \$16.5M





# Questions and Answers

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

March 31, 2022

The ERO Enterprise was under budget \$3.6M (6.4%) for combined expense and fixed asset (capital) spending and net financing activity. The budget variances ranged from 11.2% under budget to 4.4% over budget. The year-end projection for the ERO Enterprise is to be over budget \$1.0M (0.5%).

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

Entity	2022 YTD		Over (Under)		2022 Year-End		2022 Year-End		Over (Under)	
	Actual	Budget	\$	%	Projected	Budgeted	\$	%		
NERC	\$ 20,349,022	\$ 22,906,882	\$ (2,557,860)	(11.2%)	\$ 89,324,847	\$ 88,828,285	\$ 496,562	0.6%		
MRO	4,626,482	5,008,591	(382,108)	(7.6%)	20,171,135	20,034,362	136,773	0.7%		
NPCC	3,930,901	4,345,413	(414,511)	(9.5%)	16,933,286	17,465,133	(531,847)	(3.0%)		
RF	7,022,453	7,050,133	(27,680)	(0.4%)	26,472,003	26,219,927	252,076	1.0%		
SERC	6,704,576	6,418,952	285,624	4.4%	26,744,260	26,708,260	36,000	0.1%		
Texas RE	3,608,413	3,762,035	(153,622)	(4.1%)	17,160,613	17,160,613	-	0.0%		
WECC	6,843,490	7,239,368	(395,878)	(5.5%)	30,394,434	29,746,899	647,535	2.2%		
	<b>\$ 53,085,337</b>	<b>\$ 56,731,373</b>	<b>\$ (3,646,035)</b>	<b>(6.4%)</b>	<b>\$ 227,200,578</b>	<b>\$ 226,163,479</b>	<b>\$ 1,037,100</b>	<b>0.5%</b>		

- NERC was under budget \$2.6M (11.2%) primarily because of lower personnel, meeting, travel, contractor, and fixed asset addition costs, partially offset by higher net financing activity. The company expects to be over budget \$497k (0.6%) at year-end, which is predominately due to higher contractor and professional services costs, partially offset by lower personnel, travel, meeting, and fixed asset additions costs.
- MRO was under budget \$382k (7.6%), due to continued effects of the pandemic on in-person meetings, travel, professional services, and office costs. The company expects to be over budget \$137k (0.7%) at year-end primarily due to the completion of a budgeted 2021 capital project that was incomplete.
- NPCC was under budget \$415k (9.5%) mainly as a result of lower meetings and travel expenses due to the pandemic and lower-than-budgeted personnel expenses. The company expects to be under budget \$532k (3.0%) at year-end due to lower personnel expenses.
- RF was under budget \$28k (0.4%) largely because of reduced meeting, travel, and training activities due to the pandemic, timing of an anticipated search fee for an independent director, and lower medical benefit costs. This was partially offset by increased salary costs and unbudgeted fees for an additional independent director. The company expects to be over budget \$252k (1.0%) at year-end.
- SERC was over budget \$286k (4.4%) largely due to timing of expenditures. The company expects to be over budget \$36k (0.1%) at year-end.

- Texas RE was under budget \$154k (4.1%) primarily due to vacancies in the Compliance department and increased cost for risk insurance. This was offset by Consultants and Contracts being over budget due to a compensation study completed earlier in the year than anticipated. The company expects to be equal to budget at year-end.
- WECC was under budget \$396k (5.5%) primarily due to the net of an underrun in meeting and travel expenses and timing differences in consulting. The company expects to be over budget \$648k (2.2%) at year-end.

## Variations by Expense, Fixed Asset, and Net Financing Activity Categories

### Personnel Expenses

For the ERO Enterprise, personnel expenses, consisting of salaries, payroll taxes, benefits, and retirement costs, were collectively under budget \$637k (1.6%), ranging from 5.9% under budget to 4.2% over budget. The ERO Enterprise was under budget in FTEs by 47.7 (6.3%). The year-end projection for ERO Enterprise personnel expenses is to be over budget \$40k (0.0%), with FTEs under budget 1.3%. Significant variances are explained below.

Entity	Personnel Expenses						FTEs*					
	2022 YTD		Over (Under)	Projected	Year-End	Variance	2022 YTD		Over (Under)	Projected	Year-End	Variance
	Actual	Budget					Actual	Budget				
NERC	\$ 13,357,585	\$ 13,716,308	\$ (358,723)	(2.6%)	(0.8%)	214.1	223.7	(9.6)	(4.3%)	(2.8%)		
MRO	3,721,967	3,819,245	(97,278)	(2.5%)	0.2%	63.5	71.0	(7.5)	(10.6%)	0.0%		
NPCC	3,126,996	3,315,255	(188,258)	(5.7%)	(4.1%)	44.1	47.9	(3.8)	(8.0%)	(5.7%)		
RF	6,274,962	6,020,080	254,882	4.2%	1.6%	84.7	88.6	(3.9)	(4.4%)	0.0%		
SERC	5,253,063	5,287,243	(34,180)	(0.6%)	(0.6%)	97.0	104.0	(7.0)	(6.7%)	0.0%		
Texas RE	2,807,135	2,983,226	(176,091)	(5.9%)	0.0%	60.0	66.0	(6.0)	(9.1%)	0.0%		
WECC	5,710,892	5,748,429	(37,537)	(0.7%)	3.1%	142.7	152.5	(9.8)	(6.4%)	(0.5%)		
	<b>\$ 40,252,601</b>	<b>\$ 40,889,786</b>	<b>\$ (637,185)</b>	<b>(1.6%)</b>	<b>0.0%</b>	<b>706.1</b>	<b>753.7</b>	<b>(47.7)</b>	<b>(6.3%)</b>	<b>(1.3%)</b>		

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

- NERC was under budget \$359k (2.6%) largely as a result of lower training costs, relocation reimbursement, medical insurance premiums, and parking and transportation benefits. The company expects to be under budget \$430k (0.8%) primarily because of the deferral of FTEs in several departments to help fund the need for two IT security contractors that were not budgeted.
- MRO was under budget \$97k (2.5%) due to a combination of early turnovers and timing of new hires. The company expects to be near to budget at year-end and fully staffed.
- NPCC was under budget \$188k (5.7%) mainly as a result of several open positions and lower-than-budgeted medical insurance premiums. The company expects to be under budget \$532k (4.1%) at year-end based on planned onboarding dates for new hires. Onboarding dates and projections will be adjusted throughout the year as open positions are filled.

- RF was over budget \$255k (4.2%) primarily due to higher than budgeted incentive and vacation payouts, offset by underutilized budgeted training as a result of the cancellation of training activities due to the pandemic, and lower medical benefits due to personnel count that was below the approved staffing levels. The company expects to be over budget by \$362k (\$1.6%) at year-end due to the same reasons.
- SERC was under budget \$34k (0.6%) due to lower than budgeted insurance rate renewal and timing of relocation expenses. The full year impact is projected to be \$125k (0.6%) under budget due to anticipated lead time to fill open positions in conjunction with lower health insurance expenses.
- Texas RE was under budget \$176k (5.9%) predominately due to vacancies in the Compliance Department. The company expects to be fully staffed and within budget at year end.
- WECC was under budget \$38k (0.7%) primarily due to lower-than-anticipated health reimbursements. The company expects to be over budget \$738k (3.1%) at year-end primarily due to three unbudgeted positions anticipated to be pre-hired in 2022 and budgeted for in 2023.

### Meetings, Conference Calls, and Travel Expenses

For the ERO Enterprise, meetings, conference calls, and travel expenses were collectively under budget \$1.5M (85.0%). All entities were under budget because of decreased meeting and travel expenses due to the pandemic. The year-end projection for the ERO Enterprise is to be under budget \$1.4M (17.5%).

Meetings, Conference Calls, and Travel Expenses

Entity	2022 Budget	Meetings & Conference Calls		Travel		2022 Actual	Over (Under)		Projected Year- End Variance to Budget
		Over (Under)	Over (Under)	Over (Under)	Over (Under)		\$	%	
NERC	\$ 617,325	\$ (210,737)	\$ (355,562)	\$ 51,026	\$ (566,299)	(91.7%)	(16.6%)		
MRO	190,137	(44,025)	(137,455)	8,657	(181,480)	(95.4%)	(25.0%)		
NPCC	129,709	(26,603)	(100,298)	2,809	(126,901)	(97.8%)	0.0%		
RF	225,285	(53,867)	(141,139)	30,279	(195,006)	(86.6%)	(21.9%)		
SERC	321,363	(28,654)	(153,945)	138,764	(182,599)	(56.8%)	(13.5%)		
Texas RE	6,500	(454)	(702)	5,344	(1,156)	(17.8%)	0.0%		
WECC	234,473	(50,523)	(162,379)	21,571	(212,902)	(90.8%)	(32.0%)		
	\$ 1,724,793	\$ (414,863)	\$ (1,051,480)	\$ 258,450	\$ (1,466,343)	(85.0%)	(17.5%)		

### Operating Expenses

For the ERO Enterprise, operating expenses, consisting of consultants and contracts expenses, office rent, office costs, professional services, and miscellaneous costs, were collectively under budget \$1.3M (10.2%). The year-end projection for the ERO Enterprise is to be over budget \$2.3M (4.2%). Significant variances are explained below.

Operating Expenses

Entity	2022 Budget	Contracts & Consulting Expenses Over (Under)	Office Rent Over (Under)	Office Costs Over (Under)	Professional Services Over (Under)	Miscellaneous Over (Under)	Over (Under)			Projected Year-End Variance to Budget
							2022 Actual	\$	%	
NERC	\$ 7,584,812	\$ (1,002,835)	\$ 66,044	\$ (101,765)	\$ (10,399)	\$ (18,452)	\$ 6,517,405	\$ (1,067,407)	(14.1%)	6.2%
MRO	967,959	(78,900)	(11,602)	(2,865)	(40,125)	-	834,467	(133,492)	(13.8%)	0.0%
NPCC	962,265	(89,568)	(18,192)	(41,351)	(15,286)	(11,340)	786,529	(175,736)	(18.3%)	0.0%
RF	754,768	(25,886)	23,766	2,225	(76,524)	(1,175)	677,174	(77,594)	(10.3%)	3.7%
SERC	810,345	179,708	(1,665)	25,902	(11,563)	-	1,002,727	192,382	23.7%	(1.3%)
Texas RE	712,309	16,818	(122)	(231)	15,362	-	744,136	31,827	4.5%	0.0%
WECC	1,388,852	(93,770)	2,325	(29,437)	4,778	-	1,272,748	(116,104)	(8.4%)	6.0%
	<b>\$ 13,181,310</b>	<b>\$ (1,094,433)</b>	<b>\$ 60,554</b>	<b>\$ (147,521)</b>	<b>\$ (133,757)</b>	<b>\$ (30,967)</b>	<b>\$ 11,835,186</b>	<b>\$ (1,346,125)</b>	<b>(10.2%)</b>	<b>4.2%</b>

- NERC was under budget \$1.1M (14.1%) primarily due to timing of costs versus the budget in contracts and consultant expenses. The company expects to be over budget \$2.2M (6.2%) at year-end, which is largely as a result of higher contracts and consultants due to the need for two IT security contractors that were not budgeted for, as well as, professional services expenses that are over budget largely due to fees for an additional NERC trustee and increased costs for liability insurance.
- MRO was under budget \$133k (13.8%), which is attributable to a combination of timing and reduced spending in office rent, professional services, and office costs as MRO realizes the impact of its hybrid work environment. The company expects to be at budget at year-end.
- NPCC was under budget \$176k (18.3%) predominately due to the timing of contract expenses and IT licenses. The company expects to be at budget at year-end.
- RF was under budget \$78k (10.3%) primarily due to the timing of an anticipated search fee to replace an Independent Board Member and lower contract support for compliance monitoring functions, partially offset by fees for an additional board approved director in May 2021 not included in the budget. The variance was partially offset by increased rent and utilities related to an office expansion and extension. The company expects to be over budget \$105k (3.7%) at year end due to the additional board approved director and the office expansion and extension mentioned above.
- SERC was over budget \$192k (23.7%) primarily because contractor and consulting expertise used to provide support in IT while filling open positions. The company expects to be slightly under budget \$50k (1.3%) at year-end due to planned deferrals on certain IT projects.
- Texas RE was over budget \$32k (4.5%) as a result of consulting fees for a compensation study completed in Q1 that is budgeted later in the year. An unanticipated increase in risk insurance caused professional services to be greater than budget. The company expects the variances to level out by year end.
- WECC was under budget \$116k (8.4%) primarily due to the net of timing of IT consulting and modeling enhancement consulting budgeted for in 2021 but completed in early 2022. The company expects to be over budget \$314k (6.0%) at year-end.

### Indirect Expense Allocation

NPCC and WECC allocate overhead expenses to their non-statutory functions. Through the first quarter, NPCC allocated \$19k (20.9%) less than budgeted and WECC allocated \$16k (9.0%) more than budgeted. At year-end, NPCC expects to allocate as budgeted and WECC expects to allocate \$16k (2.2%) less than budgeted.

### Fixed Asset (Capital) Additions

For the ERO Enterprise, fixed asset (capital) additions were under budget \$500k (36.3%). The year-end projection for the ERO Enterprise is to be over budget \$263k (4.3%). Significant variances are explained below.

Entity	Fixed Asset Additions							
	2022 YTD		Over (Under)		2022 Year-End		Over (Under)	
	Actual	Budget	\$	%	Projected	Budgeted	\$	%
NERC	\$ 354,605	\$ 1,229,687	\$ (875,082)	(71.2%)	\$ 4,490,191	\$ 4,918,750	\$ (428,559)	(8.7%)
MRO	61,391	31,250	30,141	96.5%	424,835	125,000	299,835	239.9%
NPCC	85,420	27,788	57,633	207.4%	111,150	111,150	-	0.0%
RF	40,038	50,000	(9,962)	(19.9%)	120,000	120,000	-	0.0%
SERC	310,022	-	310,022	0.0%	650,000	264,000	386,000	146.2%
Texas RE	-	-	-	0.0%	512,000	512,000	-	0.0%
WECC	27,624	41,380	(13,756)	(33.2%)	117,624	111,914	5,710	5.1%
	<b>\$ 879,100</b>	<b>\$ 1,380,105</b>	<b>\$ (501,005)</b>	<b>(36.3%)</b>	<b>\$ 6,425,800</b>	<b>\$ 6,162,814</b>	<b>\$ 262,986</b>	<b>4.3%</b>

- NERC was under budget \$875k (71.25%) primarily as a result of timing of costs versus the budget. The company expects to be under budget \$429k (8.7%) at year-end, mainly because of the leasehold improvements and office furniture budgeted for a new Atlanta office that did not materialize.
- MRO was over budget \$30k (96.5%), which is due to the completion of a prior year budgeted capital project that was impacted by supply chain issues. The company expects to be over budget \$300k (240%) at year end. The company will use working capital savings realized in 2021 to cover the remaining over spend in fixed assets.
- NPCC was over budget \$58k (207.4%) due to the timing of planned fixed asset additions. The company expects to be at budget at year-end.
- RF was under budget \$10k (19.9%) due to the difference in timing of when projects were budgeted and when they are completed. The company expects to be equal to budget at year end.
- SERC was over budget \$310k due to the ongoing Member Portal project. The company expects to be over budget \$386k (146.21%) at year-end due to completion of the Member Portal Consolidation project.
- WECC was under budget \$14k (33.2%) primarily due to timing of IT refreshes. The company expects to be over budget \$6k (5.1%) at year-end.



### **Net Financing Activity**

NERC is the only entity in the ERO Enterprise with financing activity, consisting of loan borrowing, lease financing, and principal debt service repayment for major ERO software projects, such as Align and the ERO Secure Evidence Locker (SEL), and leased audio visual and IT equipment.

Net financing activity is over budget by \$324k (117.9%), which means NERC made more principal payments than borrowings, due to timing differences on new equipment leases. The company is projected to be slightly under budget by \$75k (6.8%) at year-end.

### **Total ERO Enterprise Reserves**

Prior to 2021, this report focused on the analysis and reporting of Working Capital and Operating Contingency Reserve based on information submitted on the Statement of Activities included in the Regional Entity Quarterly Variance Reports. However, since NERC and some of the Regional Entities have established additional reserve categories, including assessment stabilization reserves and future obligation reserves, reporting has been expanded to include the following three categories of reserves:

- **Working Capital and Operating Contingency Reserves (WCOCR)** – Includes excess working capital reserves and operating contingency reserves. These reserves typically have a policy target range.
- **Assessment Stabilization Reserves (ASR) and Unreleased Penalties** – Includes funds from penalties received but not yet released against assessments, and other surplus funds designated by the entity, to help reduce the volatility of future year assessments. Note that penalties received but not released are subject to timing of when they can be released to offset assessments as determined by the Rules of Procedure, with some exceptions provided with the proper request and filing of the entity's annual Business Plan and Budget as approved by FERC.
- **Other Reserves** – Includes funds set aside for a specific purpose and will offset future budgeted expense items.

### **2022 Total Reserve Summary**

The ERO Enterprise began the year with \$77.2M in total reserves, including \$43.0M in WCOCR, \$25.5M in ASR and Unreleased Penalties, and \$8.7M in Other Reserves.

The ERO Enterprise projects to end the year with \$64.2M in total reserves, including \$39.7M in WCOCR, \$15.7M in ASR and Unreleased Penalties, and \$8.8M in Other Reserves. The projected WCOCR for the end of the year is 17.8% of the 2022 ERO Enterprise combined budget, or 2.1 months of operating expenses. The projected total reserves for the end of the year represents 28.8% of the 2022 ERO Enterprise combined budget, or 3.5 months of operating expenses.

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

**ERO Enterprise Total Reserve Balances - 2022 Projected**

*\$ - millions*

Entity	Beginning WCOCR <sup>(1)</sup>	Beginning ASR <sup>(2)</sup> & Unreleased Penalties	Beginning Other Reserves	1/1/2022 Beginning Total Reserves	Projected Ending WCOCR <sup>(1)</sup>	Projected Ending ASR <sup>(2)</sup> & Unreleased Penalties	Projected Ending Other Reserves	12/31/2022 Projected Ending Total Reserves	Total 2022 Budget	% of Reserves to 2022 Total Budget
NERC	\$ 8.7	\$ 2.5	\$ 4.9	\$ 16.1	\$ 8.8	\$ 2.5	\$ 5.2	\$ 16.5	\$ 88.8	18.6%
MRO	5.2	3.2	-	8.4	3.6	2.7	-	6.3	18.3	34.4%
NPCC	7.0	0.5	-	7.5	6.0	0.5	-	6.5	17.5	37.1%
RF	7.7	5.3	-	13.0	7.8	2.8	-	10.6	26.9	39.4%
SERC	2.8	5.4	-	8.2	2.2	5.4	-	7.6	26.0	29.2%
Texas RE	2.0	1.9	-	3.9	1.3	0.4	-	1.7	15.6	10.9%
WECC	9.6	6.7	3.8	20.1	10.0	1.4	3.6	15.0	29.7	50.4%
	<b>\$ 43.0</b>	<b>\$ 25.5</b>	<b>\$ 8.7</b>	<b>\$ 77.2</b>	<b>\$ 39.7</b>	<b>\$ 15.7</b>	<b>\$ 8.8</b>	<b>\$ 64.2</b>	<b>\$ 222.8</b>	<b>28.8%</b> <sup>(3)</sup>

<sup>(1)</sup> WCOCR - Working Capital & Operating Contingency Reserve - Projected 12/31/22 WCOCR is 17.8% of annual 2022 budget, or 2.1 months of budgeted expenses

<sup>(2)</sup> ASR - Assessment Stabilization Reserve

<sup>(3)</sup> Projected 12/31/22 total reserve balance is 28.8% of annual 2022 budget, or 3.5 months of budgeted operating expenses



*Lam Chung, Corporate Treasurer*

*P: 651.256.5187*

*F: 651.855.1712*

*E: [lam.chung@mro.net](mailto:lam.chung@mro.net)*

April 20, 2022

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

RE: Unaudited Midwest Reliability Organization (MRO) 2022 First Quarter Statement of Activity – Cash Flow through March 31, 2022

Dear Mr. Sharp:

MRO experienced variances greater than \$10,000 and 10 percent. First quarter results indicate that MRO's budget is under spent by 7.6 percent.

**Meeting Expenses (Variance of \$181,480 (95.4%) under budget)**

Meetings and travel continue to be impacted in this first quarter by the pandemic. MRO is using a hybrid approach of virtual and in-person meetings. This creates flexibility for those not yet planning to travel, which will result in some expected cost reduction as travel plans trend closer to a new post-pandemic normal.

**Operating Expenses (Variance of \$133,492 (13.8%) under budget)**

Consultants and contracts are under budget by 26 percent; however, this is primarily a result of timing as projects commence for the year. MRO is using a hybrid approach to office operations as staff adjusts to working remotely and in-office. Much of the cost to maintain onsite operations remains low through the first quarter as MRO realizes the impact of its hybrid work environment.

**Fixed Assets (Variance of \$30,141 (96.5%) over budget)**

Budgeted computer purchases proceeded in earnest in the first quarter. A budgeted AV project from the prior year was incomplete. Completion of that project will result in a 240 percent over spend in fixed assets for the year. Working capital savings from the prior year will be used to cover the cost of this project.

**Budget Outlook**

The 2022 budget projects year-end net expenses to result in a 0.7 percent over spend. Early projections assume 75 percent of budgeted meeting and travel cost will reflect a post-pandemic normal. Personnel, meeting, and operating expenses net a budget under spend of 0.8 percent. The completion of the AV project results in a 1.5 percent overage to budget.

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

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

Cc: Sara Patrick, MRO President and CEO



Midwest Reliability Organization  
Statement of Activity  
3/31/2022  
PRELIMINARY (Unaudited)

(In Whole Dollars)

	2022 YTD Actual	2022 YTD Budget	2022 YTD Variance	%	Projected 2022 End Of Year	2022 Budget	2022 Variance	%
<b>Funding</b>								
<b>ERO Funding</b>								
ERO Assessments	\$ 4,458,104	\$ 4,458,104	-		\$ 17,832,414	\$ 17,832,414	-	
Penalty Sanctions	114,563	114,563	-		458,250	458,250	-	
<b>A. Total ERO Funding</b>	<b>\$ 4,572,667</b>	<b>\$ 4,572,666</b>	<b>\$ -</b>		<b>\$ 18,290,664</b>	<b>\$ 18,290,664</b>	<b>\$ -</b>	
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	\$ 2,794,741	\$ 2,854,140	(59,400)		\$ 11,478,490	\$ 11,416,561	61,929	
Payroll Taxes	183,345	186,042	(2,697)		767,872	744,166	23,706	
Benefits	285,508	298,499	(12,991)		1,224,197	1,193,996	30,201	
Retirement Costs	458,374	480,565	(22,190)		1,833,498	1,922,258	(88,760)	
<b>Total Personnel Expenses</b>	<b>\$ 3,721,967</b>	<b>\$ 3,819,245</b>	<b>\$ (97,278)</b>	<b>-2.5%</b>	<b>\$ 15,304,056</b>	<b>\$ 15,276,981</b>	<b>\$ 27,075</b>	<b>0.2%</b>
<b>Meeting Expenses</b>								
Meetings & Conference Calls	\$ 695	\$ 44,719	(44,025)		\$ 134,158	\$ 178,877	(44,719)	
Travel	7,962	145,418	(137,455)		436,253	581,670	(145,418)	
<b>Total Meeting Expenses</b>	<b>\$ 8,657</b>	<b>\$ 190,137</b>	<b>\$ (181,480)</b>	<b>-95.4%</b>	<b>\$ 570,410</b>	<b>\$ 760,547</b>	<b>\$ (190,137)</b>	<b>-25.0%</b>
<b>Operating Expenses</b>								
Consultants & Contracts	\$ 222,300	\$ 301,200	(78,900)		\$ 1,204,800	\$ 1,204,800	-	
Office Rent	271,423	283,025	(11,602)		1,132,100	1,132,100	-	
Office Costs	239,119	241,984	(2,865)		967,934	967,934	-	
Professional Services	101,625	141,750	(40,125)		567,000	567,000	-	
<b>Total Operating Expenses</b>	<b>\$ 834,467</b>	<b>\$ 967,959</b>	<b>\$ (133,492)</b>	<b>-13.8%</b>	<b>\$ 3,871,834</b>	<b>\$ 3,871,834</b>	<b>-</b>	<b>0.0%</b>
<b>Total Direct Expenses</b>	<b>\$ 4,565,091</b>	<b>\$ 4,977,341</b>	<b>\$ (412,249)</b>	<b>-8.3%</b>	<b>\$ 19,746,300</b>	<b>\$ 19,909,362</b>	<b>\$ (163,062)</b>	<b>-0.8%</b>
<b>Indirect Expenses</b>								
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>B. Total Expenses</b>	<b>\$ 4,565,091</b>	<b>\$ 4,977,341</b>	<b>\$ (412,249)</b>		<b>\$ 19,746,300</b>	<b>\$ 19,909,362</b>	<b>\$ (163,062)</b>	
<b>Net Funding less Expenses (A-B)</b>	<b>\$ 7,576</b>	<b>\$ (404,675)</b>	<b>\$ 412,249</b>		<b>\$ (1,455,636)</b>	<b>\$ (1,618,698)</b>	<b>\$ 163,062</b>	
<b>C. Fixed Asset Additions, excluding Right of Use Assets</b>	<b>\$ 61,391</b>	<b>\$ 31,250</b>	<b>\$ 30,141</b>	<b>96.5%</b>	<b>\$ 424,835</b>	<b>\$ 125,000</b>	<b>\$ 299,835</b>	<b>239.9%</b>
<b>Total Budget (B + C)</b>	<b>\$ 4,626,482</b>	<b>\$ 5,008,591</b>	<b>\$ (382,108)</b>	<b>-7.6%</b>	<b>\$ 20,171,135</b>	<b>\$ 20,034,362</b>	<b>\$ 136,773</b>	<b>0.7%</b>
<b>Change in Working Capital (A-B-C)</b>	<b>\$ (53,815)</b>	<b>\$ (435,925)</b>	<b>\$ 382,108</b>		<b>\$ (1,880,471)</b>	<b>\$ (1,743,698)</b>	<b>\$ (136,773)</b>	
<b>Head Count</b>	66.00	71.00	(5.00)		71.00	71.00	-	
<b>FTEs</b>	63.50	71.00	(7.50)		71.00	71.00	-	

Reserve Activity:

Beginning Reserves - 1/1/22	\$ 8,377,927	\$ 7,541,460	\$ 836,467	\$ 8,377,927	7,541,460	\$ 836,467
Change to Working Capital	(53,815)	(435,925)	382,109	(1,880,471)	(1,743,698)	(136,773)
Penalties Received	-	-	-	273,100	-	273,100
Penalties Released	(114,563)	(114,563)	-	(458,250)	(458,250)	-
Other Reserve Activity	-	-	-	-	-	-
<b>Ending Reserves at 3/31/22 :</b>	<b>\$ 8,209,549</b>	<b>\$ 6,990,973</b>	<b>\$ 1,218,576</b>	<b>\$ 6,312,306</b>	<b>\$ 5,339,512</b>	<b>\$ 972,794</b>

Reserve Summary

	1/1/2022	Additions	Uses/Transfer	12/31/2022
Working Capital & Operating Contingency	3,752,946	-	(136,773)	3,616,173
Assessment Stabilization & Penalty Reserves	4,624,981	273,100	(2,201,948)	2,696,133
Other Reserve Activity	-	-	-	-
<b>Total Reserves</b>	<b>8,377,927</b>	<b>273,100</b>	<b>(2,338,721)</b>	<b>6,312,306</b>



April 20, 2022

North American Electric Reliability Corporation  
3353 Peachtree Road NE  
Suite 600, North Tower  
Atlanta, GA 30326  
Attention: Mr. Andy Sharp

Subject: NPCC Regional Entity Division Variance Comparison and  
First Quarter 2022 Statement of Activities

Dear Andy:

The variance comparison for the period ended March 31, 2022 is included along with Northeast Power Coordinating Council, Inc.'s unaudited First Quarter 2022 Statement of Activities.

Please do not hesitate to contact me via email at [jhala@npcc.org](mailto:jhala@npcc.org) or (646) 632-7071 should you have any comments or questions with regard to the materials provided.

Sincerely,

*Jessica Hala*

Jessica Hala  
Director, Finance and Accounting

Enclosures

cc: Mr. Charles Dickerson – NPCC President & CEO  
Mr. Christopher Weir, CPA – NPCC Treasurer  
ERO Finance Group



**NPCC Regional Entity Division  
Budget to Actual  
Variance Comparison as of March 31, 2022**

**TOTAL EXPENSES**

For the quarter ending March 31, 2022, the NPCC Regional Entity Division is \$415k or 9.54% under budget year to date. Based on planned activities, NPCC's current full year projection (FYP) is an under budget variance of \$532k or 3.05%. It is anticipated that projections will change throughout 2022 and will be updated in quarterly variance reports. NPCC will reprioritize resources as necessary to fulfill all of its responsibilities under its Regional Delegation Agreement, agreements and memorandums of understanding respecting Canadian Provinces, and the NPCC Bylaws.

**INCOME**

- **Penalty Sanctions** (Penalties released of \$201k were applied to reduce 2022 assessments to NPCC U.S. load serving entity designees.) Penalty sanctions remitted are included in NPCC's Assessment Stabilization Reserve (ASR) to be applied to future budget years to reduce assessments to NPCC U.S. load serving entity designees. Penalties are reported in NPCC's audited financial statements in accordance with GAAP.

**EXPENSES**

- **Personnel Expenses** (Variance of \$188k under budget year-to-date and \$532k under budget FYP) NPCC is currently recruiting to retain qualified technical individuals to fill four open positions. Five additional positions will be strategically phased in throughout the remainder of the year. In the interim, current responsibilities of any open positions are being addressed through resource re-allocations among the existing workforce. The under budget full year projection is based on planned onboarding dates for new hires and lower than budgeted increases in medical insurance premiums. Onboarding dates for new hires will be adjusted throughout the year as open positions are filled.
- **Meeting Expenses** (Variance of \$127k under budget year-to-date and as budgeted FYP) Under budget variance resulted from continued in-person meeting and travel limitations due to the COVID-19 pandemic. Meetings and travel expenses are projected to increase throughout the year as a result of a measured return to meeting in-person. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.
- **Consultants and Contracts** (Variance of \$90k under budget year-to-date and as budgeted FYP) Under budget variance is due to the timing. The full year projection continues to be as budgeted.



- **Office Costs** (Variance of \$41k under budget year-to-date and as budgeted FYP)  
Under budget variance is due to the timing of some IT software contracts and licenses. The full year projection continues to be as budgeted.
- **Fixed Assets** (Variance of \$58k over budget year to date and as budgeted FYP)  
Year to date over budget variance is due to the timing of software development projects, which include website enhancements and the implementation of an enterprise risk management system.

*(Unaudited)*  
*Submitted April 20, 2022*



**Northeast Power Coordinating Council, Inc. - Regional Entity Division**  
**Statement of Activities, Fixed Assets and Change in Working Capital**  
**(Unaudited)**  
**For the Period Ended March 31, 2022**

	2022 YTD Actual	2022 YTD Budget	2022 YTD Actual Variance from Budget Over(Under)	%	2022 Projection	2022 Annual Budget	2022 Projection Variance from Budget Over(Under)	%
<b>Funding</b>								
Assessments	3,978,078	3,978,078	-		15,912,313	15,912,313	-	
Penalties Released*	201,132	201,132	-		201,132	201,132	-	
Testing	-	-	-		-	-	-	
Services & Software	-	-	-		-	-	-	
Workshop Fees	-	-	-		33,750	33,750	-	
Interest & Investment Income	412	7,116	(6,705)		2,000	28,465	(26,465)	
<b>Total Funding</b>	<b>4,179,622</b>	<b>4,186,326</b>	<b>(6,705)</b>	<b>-0.16%</b>	<b>16,149,195</b>	<b>16,175,660</b>	<b>(26,465)</b>	<b>-0.16%</b>
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	2,223,296	2,268,102	(44,806)		8,825,235	9,072,408	(247,173)	
Payroll Taxes	190,290	228,117	(37,827)		592,019	595,815	(3,796)	
Employee Benefits	465,653	558,684	(93,031)		2,058,244	2,234,738	(176,494)	
Savings & Retirement	247,757	260,351	(12,594)		937,021	1,041,405	(104,384)	
<b>Total Personnel Expenses</b>	<b>3,126,996</b>	<b>3,315,255</b>	<b>(188,258)</b>	<b>-5.68%</b>	<b>12,412,519</b>	<b>12,944,366</b>	<b>(531,847)</b>	<b>-4.11%</b>
<b>Meeting Expenses</b>								
Meetings & Conference Calls	1,992	28,595	(26,603)		230,600	230,600	-	
Travel	816	101,114	(100,298)		505,572	505,572	-	
<b>Total Meeting Expenses</b>	<b>2,809</b>	<b>129,709</b>	<b>(126,901)</b>	<b>-97.83%</b>	<b>736,172</b>	<b>736,172</b>	<b>-</b>	<b>0.00%</b>
<b>Operating Expenses, excluding Depreciation</b>								
Consultants & Contracts	120,345	209,913	(89,568)		839,650	839,650	-	
Rent & Improvements	206,693	224,885	(18,192)		906,141	906,141	-	
Office Costs	263,167	304,518	(41,351)		1,218,071	1,218,071	-	
Professional Services	194,914	210,200	(15,286)		1,017,000	1,017,000	-	
Miscellaneous	1,410	12,750	(11,340)		51,000	51,000	-	
<b>Total Operating Expenses</b>	<b>786,529</b>	<b>962,265</b>	<b>(175,736)</b>	<b>-18.26%</b>	<b>4,031,862</b>	<b>4,031,862</b>	<b>-</b>	<b>0.00%</b>
Indirect Expense Allocation	(70,853)	(89,604)	18,751	-20.93%	(358,417)	(358,417)	-	0.00%
Other Non-Operating Expenses	-	-	-	n/a	-	-	-	n/a
<b>Total Expenses</b>	<b>3,845,481</b>	<b>4,317,625</b>	<b>(472,144)</b>	<b>-10.94%</b>	<b>16,822,136</b>	<b>17,353,983</b>	<b>(531,847)</b>	<b>-3.06%</b>
<b>Change in Net Assets</b>	<b>334,140</b>	<b>(131,299)</b>	<b>465,439</b>	<b>-354.49%</b>	<b>(672,941)</b>	<b>(1,178,323)</b>	<b>505,382</b>	<b>-42.89%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>85,420</b>	<b>27,788</b>	<b>57,633</b>	<b>207.40%</b>	<b>111,150</b>	<b>111,150</b>	<b>-</b>	<b>0.00%</b>
<b>Net Financing Activity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>
<b>Total Budget (Expenses plus Fixed Assets and Net Financing Activity)</b>	<b>3,930,901</b>	<b>4,345,413</b>	<b>(414,511)</b>	<b>-9.54%</b>	<b>16,933,286</b>	<b>17,465,133</b>	<b>(531,847)</b>	<b>-3.05%</b>
<b>Change in Working Capital (Total Funding less Total Budget)</b>	<b>248,720</b>	<b>(159,086)</b>	<b>407,807</b>	<b>-256.34%</b>	<b>(784,091)</b>	<b>(1,289,473)</b>	<b>505,382</b>	<b>-39.19%</b>
Equivalent Full Time Employees	44.07	47.90	(3.83)		47.07	49.90	(2.83)	
Headcount	45.00	50.00	(5.00)		52.00	52.00	-	
Beginning Total Reserves - 1/1/22	7,452,044	6,179,595	1,272,449		7,452,044	6,179,595	1,272,449	
Change to Working Capital	248,720	(159,086)	407,807		(784,091)	(1,289,473)	505,382	
Penalties Received (+)	10,080	-	10,080		10,080	-	10,080	
Penalties Released (-)	(201,132)	(201,132)	-		(201,132)	(201,132)	-	
Other Reserve Activity	-	-	-		-	-	-	
<b>Total Reserves at 12/31/22</b>	<b>7,509,712</b>	<b>5,819,377</b>	<b>1,690,336</b>		<b>6,476,901</b>	<b>4,688,990</b>	<b>1,787,911</b>	
<b>Reserve Balance Summary</b>								
Working Capital & Operating Contingency Reserves	6,972,827	5,416,509	1,556,319		5,940,016	4,286,122	1,653,894	
Assessment Stabilization & Penalty Reserves	536,885	402,868	134,017		536,885	402,868	134,017	
Other Reserves	-	-	-		-	-	-	
<b>Total Projected Reserve Balance at 12/31/22</b>	<b>7,509,712</b>	<b>5,819,377</b>	<b>1,690,336</b>		<b>6,476,901</b>	<b>4,688,990</b>	<b>1,787,911</b>	

\*Penalties Released reflect the designated amount of funds released to offset U.S. assessments. Actual penalties invoiced are reported in the audited financial statements as an increase in net assets in accordance with Generally Accepted Accounting Principles (GAAP).





Carol Baskey  
Treasurer and Manager – Finance and Accounting  
3 Summit Park Drive, Suite 600  
Cleveland, OH 44131  
Office: 216.503.0600  
Carol.Baskey@rfirst.org

April 22, 2022

Mr. Andy Sharp  
North American Electric Reliability Corporation  
3353 Peachtree Road, N.E.  
Suite 600, North Tower  
Atlanta, Georgia 30326

**ReliabilityFirst's 2022 Q1 Quarter Statement of Activities Variance Report - Unaudited**

Dear Mr. Andy Sharp:

As requested, the attached 2022 1st Quarter Statement of Activities (unaudited) provides a comparison of budgeted and actual expenses relative to the 2022 ReliabilityFirst Corporation's Budget.

For more information, please contact me at 216.503.0600 or carol.baskey@rfirst.org.

Very truly yours,

**RELIABILITYFIRST CORPORATION**

*Carol Baskey*

Carol Baskey  
Treasurer and Manager, Finance and Accounting

**RELIABILITY FIRST****ReliabilityFirst's 2022 1st Quarter Statement of Activities Variance Report - Unaudited****Significant Variances**

For the quarter ending March 31, 2022 ReliabilityFirst Corporation is \$28K (0.4%) under budget. The major contributors to this variance are:

**Budget Funding**

- **Investment Income:** \$271K under budget for YTD
  - Investment Income is under budget due to a greater than anticipated decrease in value of the company's investment portfolio, primarily the result of unrealized losses.

**Budget Expenses**

- **Personnel Expenses**
  - **Salaries:** \$305K (7.4%) over budget for YTD  
Salaries were over budget primarily as the result of higher than budgeted incentives and vacation payouts.
  - **Employee Benefits:** \$54K (7.5%) under budget for YTD  
Employee Benefits are under budget mainly due to variances in training and medical benefits. Training is under budget due to underutilized budgeted training, as a result of the cancellation of training activities due to the Covid 19 pandemic. Medical benefits are under budget due to personnel count that was below the approved staffing levels.
- **Meeting Expenses**
  - **Total Meeting Expenses:** \$195K (86.6%) under budget for YTD  
Total meeting expenses are under budget due to the cancellation and reduction of meetings and travel activities as a result of the Covid 19 pandemic.
- **Operating Expenses**
  - **Contracts & Consultants:** \$26K (34.1%) under budget for YTD  
Contracts and Consultants expense is under budget due to less than expected contract support for compliance monitoring functions.
  - **Rent and Utilities:** \$24K (15.9%) over budget for YTD  
Rent and Utilities is over budget as a result of an unbudgeted office expansion and lease extension.
  - **Professional Services:** \$77K (29%) under budget for YTD.  
Professional Services are over budget primarily due to the timing of an anticipated search fee to replace an Independent Board Member, partially offset by fees for an additional board approved director in May 2021 not included in the budget.



## RELIABILITY FIRST

- **Fixed Assets**

- **Computer Hardware & Software:** \$10K (19.9%) under budget for YTD  
Computer Hardware & Software is under budget due to the difference in timing of when projects were budgeted and when they are completed.

### FTE Count

- FTE Count is lower than budget primarily due to three positions that were unfilled as of the end of the period.

### Reserves

- **Working Capital Reserve**

The Working Capital Reserve of \$6,743,577 will be utilized to satisfy projected cash flow for daily operations and to stabilize and minimize volatility in future years' assessments.

- **Operating Reserve**

The Operating Reserve of \$1,000,000 has been designated with the intention of providing for any unbudgeted and unexpected expenditures for the organization.

### Year-End Projection

- **Expenses**

For the year-end projection ReliabilityFirst is expected to be \$0.3M (1%) over budget. The variances in Salaries are expected to be over for the remainder of the year due to higher than budgeted incentives and vacation payouts. The variances in Employee Benefits, Meetings, Travel, and Contracts & Consultants are directly impacted by the Covid 19 pandemic, and these variances are expected to continue through the remainder of the year. Rent and Utilities are expected to be over budget as the result of an unbudgeted office expansion and lease extension. Professional Services is projected to be over budget due to fees for an additional board approved independent director in May 2021. Office Costs and Computer Hardware & Software are predicted to be equal to budget.

- **FTE Count**

FTE count is projected to be equal to budget due to the filling of all open positions.

- **Reserves**

Working Capital Reserve is projected to increase by \$0.6M and will be used to stabilize and minimize volatility in future years' assessments.



ReliabilityFirst Corporation  
Statement of Activities, Fixed Assets and Change in Working Capital  
(unaudited)  
(in whole numbers)  
From 01/01/2022 Through 03/31/2022

CONFIDENTIAL

2022 YTD Actual	2022 YTD Budget	YTD Variance Over/(Under)	% Variance		Total 2022 Projection	Total 2022 Budget	Total 2022 Projected Variance Over/(Under)	% Projected Variance
				<b>Funding</b>				
5,861,986	5,861,986	(0)	0.00%	Assessments	23,447,945	23,447,945	0	0.00%
3,488,681	3,488,681	0	0.00%	Penalties Released *	3,488,681	3,488,681	0	0.00%
(258,699)	12,500	(271,199)	-2169.59%	Investment Income	(221,199)	50,000	(271,199)	-542.40%
2,100	0	2,100	0.00%	Miscellaneous Income	2,100	0	2,100	0.00%
<b>9,094,068</b>	<b>9,363,167</b>	<b>(269,099)</b>	<b>-2.87%</b>	<b>Total Funding</b>	<b>26,717,527</b>	<b>26,986,626</b>	<b>(269,099)</b>	<b>-1.00%</b>
				<b>Expenses</b>				
				<b>Personnel Expenses</b>				
4,396,229	4,091,719	304,510	7.44%	Salaries	16,601,913	16,274,245	327,668	2.01%
343,980	331,844	12,136	3.66%	Payroll Taxes	1,088,192	992,282	95,910	9.67%
665,260	719,479	(54,219)	-7.54%	Employee Benefits	2,358,587	2,412,806	(54,219)	-2.25%
869,493	877,038	(7,545)	-0.86%	Savings & Retirement Costs	2,594,560	2,602,105	(7,545)	-0.29%
<b>6,274,962</b>	<b>6,020,080</b>	<b>254,882</b>	<b>4.23%</b>	<b>Total Personnel Expenses</b>	<b>22,643,251</b>	<b>22,281,438</b>	<b>361,813</b>	<b>1.62%</b>
				<b>Meeting Expenses</b>				
21,168	75,035	(53,867)	-71.79%	Meetings & Conference Calls	305,894	379,635	(73,741)	-19.42%
9,111	150,250	(141,139)	-93.94%	Travel	459,861	601,000	(141,139)	-23.48%
<b>30,279</b>	<b>225,285</b>	<b>(195,006)</b>	<b>-86.56%</b>	<b>Total Meeting Expenses</b>	<b>765,755</b>	<b>980,635</b>	<b>(214,880)</b>	<b>-21.91%</b>
				<b>Operating Expenses</b>				
49,989	75,875	(25,886)	-34.12%	Contracts & Consultants	386,645	448,874	(62,230)	-13.86%
173,289	149,523	23,766	15.89%	Rent & Utilities	693,156	598,092	95,064	15.89%
261,464	259,239	2,225	0.86%	Office Costs	1,110,388	1,110,388	0	0.00%
184,223	260,747	(76,524)	-29.35%	Professional Services	708,047	631,765	76,282	12.07%
8,209	9,384	(1,175)	-12.52%	Miscellaneous	44,760	48,735	(3,975)	-8.16%
<b>677,174</b>	<b>754,768</b>	<b>(77,594)</b>	<b>-10.28%</b>	<b>Total Operating Expenses</b>	<b>2,942,996</b>	<b>2,837,854</b>	<b>105,142</b>	<b>3.70%</b>
0	0	0	0.00%	<b>Non-Operating Expenses</b>	0	0	0	0.00%
<b>6,982,415</b>	<b>7,000,133</b>	<b>(17,718)</b>	<b>-0.25%</b>	<b>Total Expenses</b>	<b>26,352,002</b>	<b>26,099,927</b>	<b>252,075</b>	<b>0.97%</b>
<b>2,111,653</b>	<b>2,363,034</b>	<b>(251,381)</b>	<b>-10.64%</b>	<b>Net Change in Assets</b>	<b>365,525</b>	<b>886,699</b>	<b>(521,174)</b>	<b>-58.78%</b>
40,038	50,000	(9,962)	-19.92%	<b>Increase/(Decrease) in Fixed Assets</b>	120,000	120,000	0	0.00%
7,022,453	7,050,133	(27,680)	-0.39%	<b>Total Budget (Expenses + Incr/(Decr) in Fixed Assets)</b>	26,472,002	26,219,927	252,075	0.96%
<b>2,071,615</b>	<b>2,313,034</b>	<b>(241,419)</b>	<b>-10.44%</b>	<b>Change in Working Capital (Total Funding less Total Budget)</b>	245,525	766,699	(521,174)	-67.98%
84.67	88.60	(3.93)	-4.44%	<b>FTE Count</b>	88.60	88.60	0.00	0.00%
91,767	(608,625)	700,392		WC - 12/31/2021	91,767	(608,625)	700,392	
(146,231)	0	(146,231)		Less: Adjustment for future liabilities	(146,231)	0	(146,231)	
(54,464)	(608,625)	554,161		Available Working Capital	(54,464)	(608,625)	554,161	
2,071,615	2,313,034	(241,419)		Change to WC - 2022	245,525	766,699	(521,174)	
(39,578)	(39,578)	0		Other Adjustments to Reserves	(158,313)	(158,313)	0	
<b>1,977,573</b>	<b>1,664,831</b>	<b>312,742</b>		<b>Total Working Capital</b>	<b>32,748</b>	<b>(239)</b>	<b>32,987</b>	
6,743,577	6,743,577	0		Working Capital Reserve	6,743,577	6,743,577	0	
1,000,000	1,000,000	0		Operating Reserve	1,000,000	1,000,000	0	
<b>9,721,150</b>	<b>9,408,408</b>	<b>312,742</b>		<b>Total Working Capital and Operating Reserve</b>	<b>7,776,325</b>	<b>7,743,338</b>	<b>32,987</b>	

\* Penalties Released reflect the designated amount of funds released to offset U.S. assessments. Actual penalties invoiced are reported in the audited financial statements as an increase in net assets in accordance with Generally Accepted Accounting Principles (GAAP).



# SERC RELIABILITY CORPORATION

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April 12, 2021

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

RE: SERC 2022 Q1 Unaudited Financial Statement – Budget vs. Actual

Andy:

Following please find SERC's unaudited 2022 Q1 financial statement, reflecting actual to budgeted amounts with variance explanations.

If you have any questions, please let me know.

Thank you,

George Krogstie  
Chief Financial Officer and Corporate Treasurer

cc: Jason Blake

**SERC Reliability Corporation**  
**Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital**

From 1/1/2022 Through 3/31/2022

	2022 YTD Actuals	2022 YTD Budget	Variance 2022 YTD Actual v 2022 YTD Budget		2022 Projection	2022 Budget	Variance 2022 Projection v 2022 Budget	
			Over(Under)	%			Over(Under)	%
<b>Funding</b>								
<b>Statutory Funding</b>								
SERC Assessments	\$ 6,199,733	\$ 6,199,733	\$ -		\$ 24,798,934	\$ 24,798,934	-	
Penalties Released*	\$ 300,000	300,000	-		1,200,000	1,200,000	-	
<b>Total Statutory Funding</b>	<b>\$ 6,499,733</b>	<b>\$ 6,499,733</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ 25,998,934</b>	<b>\$ 25,998,934</b>	<b>\$ -</b>	<b>0.00%</b>
Workshops & Miscellaneous	29,180	18,000	11,180		166,000	166,000	-	
Interest	(29,738)	7,500	(37,238)		30,000	30,000	-	
<b>Total Funding (A)</b>	<b>\$ 6,499,175</b>	<b>\$ 6,525,233</b>	<b>\$ (26,058)</b>	<b>-0.40%</b>	<b>\$ 26,194,934</b>	<b>\$ 26,194,934</b>	<b>\$ -</b>	<b>0.00%</b>
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	\$ 4,077,531	\$ 4,059,953	\$ 17,578		\$ 16,114,814	\$ 16,239,814	(125,000)	
Payroll Taxes	292,993	242,991	50,002		971,965	971,965	-	
Benefits	368,661	468,938	(100,277)		1,981,828	1,981,828	-	
Retirement Costs	513,878	515,360	(1,482)		2,061,442	2,061,442	-	
<b>Total Personnel Expenses</b>	<b>\$ 5,253,063</b>	<b>\$ 5,287,243</b>	<b>\$ (34,180)</b>	<b>-0.65%</b>	<b>\$ 21,130,049</b>	<b>\$ 21,255,049</b>	<b>\$ (125,000)</b>	<b>-0.59%</b>
<b>Meeting Expenses</b>								
Meetings & Conference Calls	\$ 108,969	\$ 137,624	\$ (28,655)		\$ 443,307	\$ 443,307	-	
Travel	29,795	183,740	(153,945)		680,340	855,340	(175,000)	
<b>Total Meeting Expenses</b>	<b>\$ 138,764</b>	<b>\$ 321,363</b>	<b>\$ (182,599)</b>	<b>-56.82%</b>	<b>\$ 1,123,647</b>	<b>\$ 1,298,647</b>	<b>\$ (175,000)</b>	<b>-13.48%</b>
<b>Operating Expenses, excluding Depreciation</b>								
Consultants & Contracts	\$ 383,425	\$ 203,718	\$ 179,708		\$ 1,327,944	\$ 1,377,944	(50,000)	
Office Rent	208,352	210,017	(1,665)		840,067	840,067	-	
Office Costs	286,712	260,810	25,902		1,171,193	1,171,193	-	
Professional Services	124,238	135,801	(11,563)		501,360	501,360	-	
Miscellaneous	-	-	-		-	-	-	
<b>Total Operating Expenses</b>	<b>\$ 1,002,727</b>	<b>\$ 810,345</b>	<b>\$ 192,382</b>	<b>23.74%</b>	<b>\$ 3,840,564</b>	<b>\$ 3,890,564</b>	<b>\$ (50,000)</b>	<b>-1.29%</b>
<b>Total Direct Expenses</b>	<b>\$ 6,394,554</b>	<b>\$ 6,418,952</b>	<b>\$ (24,398)</b>	<b>-0.38%</b>	<b>\$ 26,094,260</b>	<b>\$ 26,444,260</b>	<b>\$ (350,000)</b>	<b>-1.32%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses (B)</b>	<b>\$ 6,394,554</b>	<b>\$ 6,418,952</b>	<b>\$ (24,398)</b>	<b>-0.38%</b>	<b>\$ 26,094,260</b>	<b>\$ 26,444,260</b>	<b>\$ (350,000)</b>	<b>-1.32%</b>
<b>Change in Assets</b>	<b>\$ 104,621</b>	<b>\$ 106,282</b>	<b>\$ (1,660)</b>	<b>-1.56%</b>	<b>\$ 100,674</b>	<b>\$ (249,326)</b>	<b>\$ 350,000</b>	<b>-140.38%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 310,022</b>	<b>\$ -</b>	<b>\$ 310,022</b>	<b>0.00%</b>	<b>\$ 650,000</b>	<b>\$ 264,000</b>	<b>386,000</b>	<b>146.21%</b>
<b>TOTAL BUDGET (B+C)</b>	<b>\$ 6,704,576</b>	<b>\$ 6,418,952</b>	<b>\$ 285,624</b>	<b>4.45%</b>	<b>\$ 26,744,260</b>	<b>\$ 26,708,260</b>	<b>\$ 36,000</b>	<b>0.13%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ (205,401)</b>	<b>\$ 106,282</b>	<b>\$ (311,682)</b>	<b>-293.26%</b>	<b>\$ (549,326)</b>	<b>\$ (513,326)</b>	<b>\$ (36,000)</b>	<b>7.01%</b>
FTE's	97.00	104.00	(7.00)		104.00	104.00	-	
Head Count	97.00	104.00	(7.00)		104.00	104.00	-	
<b>Beginning Reserve at 1/1/2022</b>	<b>8,186,304</b>	<b>5,478,703</b>	<b>2,707,601</b>		<b>8,186,304</b>	<b>6,257,698</b>	<b>1,928,606</b>	
Change to Working Capital	(205,401)	106,282	(311,683)		(549,326)	(513,326)	(36,000)	
Penalties Received (+)	1,183,000	-	1,183,000		1,183,000	-	1,183,000	
Penalties Released (-)	(300,000)	(300,000)	-		(1,200,000)	(1,200,000)	-	
Other Reserve Activity	-	-	-		-	-	-	
<b>Ending Reserves at 12/31/2022</b>	<b>8,863,903</b>	<b>5,284,985</b>	<b>3,578,918</b>		<b>7,619,978</b>	<b>4,544,372</b>	<b>3,075,606</b>	
Working Capital & Operating Contingency Reserves	2,572,565	2,219,985	352,580		2,228,640	1,600,377	628,263	
Assessment Stabilization & Penalty Reserves	6,291,338	3,065,000	3,226,338		5,391,338	2,165,000	3,226,338	
Other Reserves	-	-	-		-	-	-	
<b>Total Reserves Balance</b>	<b>8,863,903</b>	<b>5,284,985</b>	<b>3,578,918</b>		<b>7,619,978</b>	<b>3,765,377</b>	<b>3,854,601</b>	

\* Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve (ASR) to offset U.S. assessments as approved by the SERC Board of Directors and FERC. Actual penalties invoiced in the current reporting year are shown as an increase in the ASR on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).



## Budget to Actual Comparison as of April 12, 2022 (Unaudited)

### Overall Summary

- Spending \$286k over budget as timing of expenditures varies from budget
- Funding \$26k under budget attributable to loss on investments partially offset by higher than anticipated workshop revenues.

### Income

- **Funding (Actual - \$26k under budget)**
  - Investment income lower due to rising interest rates decreasing market value of existing bond holdings
  - Workshop revenue higher than budget due to increase in workshop attendance

### Expense

- **Personnel Expenses (Actual - \$34k under budget)**
  - Lower than expected health insurance renewal driving benefits under budget
  - Full year impact projected to be \$125k under budget due to anticipated lead time to fill open positions in conjunction with lower health insurance expenses
  -
- **Meeting/Travel Expenses (Actual - \$183k under budget)**
  - Decreased meeting and travel associated with Q1 COVID-19 restrictions; full year projected to be \$175k under budget
- **Contracts/Consultants (Actual - \$180k over budget)**
  - Contractor expertise used to provide support in IT while filling open positions; full year projected to be \$50k under budget due to planned deferrals on certain IT projects
- **Office Rent (Actual - \$2k under budget)**
  - Common area maintenance expenses lower than expected
- **Office Costs (Actual – \$26k over budget)**
  - Software renewal costs higher than anticipated driving overage in Office Costs
- **Professional Services (Actual - \$12k under budget)**
  - Timing of actual legal fees varies from budget
- **Fixed Asset Purchases (Actual - \$310k over budget)**
  - Full year impact projected at \$386k over budget due to completion of Member Portal Consolidation project

April 12, 2022

Mr. Andy Sharp  
North American Electric Reliability Corporation  
3353 Peachtree Road NE, Suite 600, North Tower  
Atlanta, GA 30326

RE: Texas Reliability Entity, Inc. 1st Quarter 2022 Statement of Activities and Variance Report

Dear Andy,

Attached is the 2022 first quarter Statement of Activities (unaudited) and Variance Report for Texas RE with variance explanations.

Please contact me if you have questions or comments.

Thank you.

*Judy Foppiano*

Judy A. Foppiano, CPA  
CFO & Director of Corporate Services  
**Texas Reliability Entity, Inc.**  
805 Los Cimas Parkway, Suite 200  
Austin, Texas 78746  
Judy.foppiano@texasre.org  
512.583.4959



## **Budget to Actual Comparison as of March 31, 2022**

Year-to-date variances greater than \$10,000 and 10% explained below.

### **FUNDING**

- **Penalty Sanctions:** (Actual penalty income of \$558,750 remitted to Texas RE as of June 30, 2021 has reduced 2022 assessments.) All penalty sanctions remitted from July 1, 2021 through June 30, 2022 will be included in the Texas RE 2023 Business Plan and Budget and applied to reduce 2023 assessments.
- **Interest:** \$3,752 less than budget. Texas RE's banking account is the Business Banking U.S. End of Day Money Market Mutual Fund Sweep account. Interest rates are lower than anticipated at the time the 2022 budget was prepared. The forecast has been adjusted accordingly.

### **EXPENSES**

**Total Budget as of March 31, 2022 is \$153,622 less than budget (4.1%).**

- **Personnel Expenses:** \$176,091 less than budget (-5.9%).
  - Salaries and taxes are less than budget 7.0% and 10.8%, respectively. Employee benefits are less than budget 5.8%. The variance is due to vacancies in the first quarter. Savings and Retirement is greater than budget 5.0% due to retirement applied to bonuses paid out in March.
- **Meetings and Travel Expenses: \$1,156 less than 2022 budget (-17.8%).**
- **Total Operating Expenses: \$31,827 greater than 2022 budget (4.5%).**
  - Cost for compensation studies were completed earlier in the year than planned. The budget for Consultants and Contracts will level out as the year progresses because the variance is timing.
  - Professional services are greater than budget 10.2% due to higher rates for risk insurance. Higher rates were given after the 2022 budget was prepared.

**Other Non-Operating Expenses: \$8,202 less than budget (-13.7%).**

- Cost that cannot be capitalized to relocate the office will level out in second quarter when the actual move occurs.

The forecast is not being adjusted from the 2022 Business Plan and Budget because variances are timing differences.

**Texas Reliability Entity, Inc.**  
**Statement of Activities and Fixed Assets**  
**For period ended March 31, 2022**  
**(Unaudited)**

	2022 Actual	2022 Budget	YTD Actual Variance from Budget		2022 Forecast	2022 Annual Budget	Forecast Variance from Budget	
<b>Funding</b>								
ERO Funding								
Assessments	\$ 3,750,841	\$ 3,750,841	\$ -	0.0%	\$ 15,003,365	\$ 15,003,365	\$ -	\$ -
Penalties Released	558,750	558,750	-	0.0%	558,750	558,750	-	-
Interest Income	20	3,752	(3,732)	-99.5%	5,000	15,000	(10,000)	-66.7%
<b>Total Funding</b>	<b>\$ 4,309,611</b>	<b>\$ 4,313,343</b>	<b>\$ (3,732)</b>	<b>-0.1%</b>	<b>\$ 15,567,115</b>	<b>\$ 15,577,115</b>	<b>\$ (10,000)</b>	<b>-0.1%</b>
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	\$ 2,026,771	\$ 2,180,444	(153,673)	-7.0%	\$ 9,199,332	\$ 9,199,332	-	0.0%
Payroll Taxes	157,657	176,777	(19,120)	-10.8%	635,827	635,827	-	0.0%
Employee Benefits	301,495	320,000	(18,505)	-5.8%	1,641,720	1,641,720	-	0.0%
Savings & Retirement	321,212	306,005	15,207	5.0%	1,290,440	1,290,440	-	0.0%
<b>Total Personnel Expenses</b>	<b>\$ 2,807,135</b>	<b>\$ 2,983,226</b>	<b>\$ (176,091)</b>	<b>-5.9%</b>	<b>\$ 12,767,319</b>	<b>\$ 12,767,319</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Meeting &amp; Travel Expenses</b>								
Meetings & Conference Calls	\$ 2,546	\$ 3,000	(454)	-15.1%	\$ 71,900	\$ 71,900	-	0.0%
Travel	2,798	3,500	(702)	-20.1%	371,684	371,684	-	0.0%
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 5,344</b>	<b>\$ 6,500</b>	<b>\$ (1,156)</b>	<b>-17.8%</b>	<b>\$ 443,584</b>	<b>\$ 443,584</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Operating Expenses</b>								
Consultants & Contracts	\$ 92,244	\$ 75,426	16,818	22.3%	\$ 351,700	\$ 351,700	-	0.0%
Rent & Improvements	314,878	315,000	(122)	0.0%	1,459,545	1,459,545	-	0.0%
Office Costs	171,769	172,000	(231)	-0.1%	698,840	698,840	-	0.0%
Professional Services	165,245	149,883	15,362	10.2%	607,625	607,625	-	0.0%
<b>Total Operating Expenses</b>	<b>\$ 744,136</b>	<b>\$ 712,309</b>	<b>\$ 31,827</b>	<b>4.5%</b>	<b>\$ 3,117,710</b>	<b>\$ 3,117,710</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Other Non-Operating Expenses</b>								
	\$ 51,798	\$ 60,000	(8,202)	-13.7%	\$ 320,000	\$ 320,000	-	0.0%
<b>Total Expenses</b>	<b>\$ 3,608,413</b>	<b>\$ 3,762,035</b>	<b>\$ (153,622)</b>	<b>-4.1%</b>	<b>\$ 16,648,613</b>	<b>\$ 16,648,613</b>	<b>\$ -</b>	<b>0.0%</b>
Change in Assets	\$ 701,198	\$ 551,308	149,890	27.2%	\$ (1,081,498)	\$ (1,071,498)	\$ (10,000)	0.9%
Fixed Asset Additions, excluding Right of Use Assets	\$ -	\$ -	-	0.0%	\$ 512,000	\$ 512,000	\$ -	0.0%
<b>Total Budget</b>	<b>\$ 3,608,413</b>	<b>\$ 3,762,035</b>	<b>\$ (153,622)</b>	<b>-4.1%</b>	<b>\$ 17,160,613</b>	<b>\$ 17,160,613</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Change in Working Capital (Total Revenue less Total Budget)</b>	<b>\$ 701,198</b>	<b>\$ 551,308</b>	<b>\$ 149,890</b>	<b>27.2%</b>	<b>\$ (1,593,498)</b>	<b>\$ (1,583,498)</b>	<b>\$ (10,000)</b>	<b>0.6%</b>
FTE's	60	66	(6)		66	66	-	
Beginning WC - 1/1/22	\$ 3,885,000	\$ 3,885,000	\$ -		\$ 3,885,000	\$ 3,885,000	\$ -	
Change to WC - 2022	701,198	551,308	149,890		(1,593,498)	(1,583,498)	(10,000)	
Penalties Released	(558,750)	(558,750)	-		(558,750)	(558,750)	-	
Other Reserve Activity	-	-	-		-	-	-	
Working Capital 3/31/2022	<b>\$ 4,027,448</b>	<b>\$ 3,877,558</b>	<b>\$ 149,890</b>		<b>\$ 1,732,752</b>	<b>\$ 1,742,752</b>	<b>\$ (10,000)</b>	
Working Capital & Operating Contingency					\$ 1,330,000	\$ 1,330,000		
Assessment Stabilization & Contingency Fund					402,000	412,000	(10,000)	
Other					-	-		
Total Reserves and Contingency					<b>\$ 1,732,000</b>	<b>\$ 1,742,000</b>	<b>\$ (10,000)</b>	



**Wynne Schweitzer**  
**Manager, Finance and Accounting**  
**April 20, 2022**

Mr. Andy Sharp  
Vice President and Chief Financial Officer  
North American Electric Reliability Corporation  
3353 Peachtree Road, N.E. Suite 600, North Tower  
Atlanta, GA 30326

RE: WECC Q1 2022 Statutory Statement of Activities and Variance Report

Dear Andy,

Attached is WECC's first-quarter Statutory Statement of Activities (Unaudited) and Variance Report. WECC's 2022 unaudited year-to-date results are \$396,000 under budget, excluding the impact of the change in the Generally Accepted Accounting Principles (GAAP) treatment of penalty revenue recognition. Explanations and drivers are noted below.

If you have questions or need more information, please do not hesitate to contact me.

Regards,

Wynne Schweitzer  
Manager, Finance and Accounting

Enclosures

Cc: Melanie Frye, President and Chief Executive Officer  
Jillian Lessner, Vice President and Chief Financial and Administrative Officer  
WECC Finance and Audit Committee

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

## **Funding**

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- Interest: \$48,000 under budget

Interest is under budget due to higher-than-expected unrealized losses on short-term investments. These investments will be held to reduce the likelihood of realized losses. Interest is expected to be \$10,000 under budget at year-end.

## **Expenses**

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- Payroll Taxes: \$70,000 over budget

Payroll Taxes are over budget primarily due to higher-than-anticipated payroll taxes across the organization due to changes in employee state and local tax rates and timing of merit payments made in the first quarter. Payroll Taxes are expected to be \$121,000 over budget at year-end.

- Employee Benefits: \$97,000 under budget

Employee Benefits are under budget primarily due to lower-than-anticipated use of the Health Reimbursement Account (HRA) and are expected to be \$164,000 under budget at year-end.

- Meetings & Conference Calls: \$51,000 under budget

Meetings & Conference Calls are under budget primarily due to the cancellation of in-person meetings and workshops due to COVID-19 through March and are anticipated to be \$103,000 under budget at year-end.

- Travel: \$162,000 under budget

Travel is under budget primarily due to the cancellation of on-site audits and in-person meetings and training due to COVID-19 through March and is anticipated to be \$292,000 under budget at year-end.

- Consultants & Contracts: \$94,000 under budget

Consultants & Contracts are under budget primarily due to the timing of information technology consulting budgeted for the first quarter and anticipated to be completed later in 2022. Consultants & Contracts is anticipated to be \$160,000 over budget at year-end.

## Fixed Assets

---

- Fixed Asset Additions: \$14,000 under budget

Fixed Asset Additions are under budget due to the timing of server replacements and are anticipated to be close to budget at year-end.



## Statutory Statement of Activities and Variance Explanations (April 20, 2022)



### Western Electricity Coordinating Council Statutory Statement of Activities From 1/1/2022 to 3/31/2022 (Unaudited)

(In Whole Dollars)

	2022 YTD Actual	2022 YTD Budget	2022 YTD Variance Over(Under)	%	2022 Projection	2022 Annual Budget	2022 Projected Variance	%
<b>Funding</b>								
Assessments	25,000,000	25,000,000	-	0.0%	25,000,000	25,000,000	-	0.0%
Penalties Released <sup>1</sup>	5,298,000	5,298,000	-	0.0%	5,298,000	5,298,000	-	0.0%
Workshops & Miscellaneous	2,400	9,900	(7,500)	-75.8%	139,498	194,700	(55,202)	-28.4%
Interest	(20,920)	27,000	(47,920)	-177.5%	99,382	109,501	(10,119)	-9.2%
<b>Total Funding</b>	<b>30,279,480</b>	<b>30,334,900</b>	<b>(55,420)</b>	<b>-0.2%</b>	<b>30,536,880</b>	<b>30,602,201</b>	<b>(65,321)</b>	<b>-0.2%</b>
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	4,407,032	4,407,892	(860)	0.0%	19,134,373	18,411,644	722,729	3.9%
Payroll Taxes	373,949	304,423	69,526	22.8%	1,339,134	1,217,683	121,451	10.0%
Employee Benefits	539,325	636,527	(97,202)	-15.3%	2,441,582	2,605,571	(163,989)	-6.3%
Retirement Costs	390,586	399,587	(9,001)	-2.3%	1,721,411	1,663,608	57,803	3.5%
<b>Total Personnel Expenses</b>	<b>5,710,892</b>	<b>5,748,429</b>	<b>(37,537)</b>	<b>-0.7%</b>	<b>24,636,500</b>	<b>23,898,506</b>	<b>737,994</b>	<b>3.1%</b>
<b>Meeting Expenses</b>								
Meetings & Conference Calls	9,363	59,886	(50,523)	-84.4%	355,421	458,044	(102,623)	-22.4%
Travel	12,208	174,587	(162,379)	-93.0%	480,921	772,654	(291,733)	-37.8%
<b>Total Meeting Expenses</b>	<b>21,571</b>	<b>234,473</b>	<b>(212,902)</b>	<b>-90.8%</b>	<b>836,342</b>	<b>1,230,698</b>	<b>(394,356)</b>	<b>-32.0%</b>
<b>Operating Expenses, excluding Depreciation</b>								
Consultants & Contracts	202,433	296,203	(93,770)	-31.7%	1,164,730	1,004,600	160,130	15.9%
Office Rent	332,775	330,450	2,325	0.7%	1,316,203	1,306,912	9,291	0.7%
Office Costs	481,762	511,199	(29,437)	-5.8%	1,925,311	1,844,335	80,976	4.4%
Professional Services	255,778	251,000	4,778	1.9%	1,108,369	1,045,000	63,369	6.1%
Miscellaneous	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>1,272,748</b>	<b>1,388,852</b>	<b>(116,104)</b>	<b>-8.4%</b>	<b>5,514,613</b>	<b>5,200,847</b>	<b>313,766</b>	<b>6.0%</b>
<b>Total Direct Expenses</b>	<b>7,005,211</b>	<b>7,371,754</b>	<b>(366,543)</b>	<b>-5.0%</b>	<b>30,987,455</b>	<b>30,330,051</b>	<b>657,404</b>	<b>2.2%</b>
<b>Indirect Expenses</b>	<b>(189,345)</b>	<b>(173,766)</b>	<b>(15,579)</b>	<b>9.0%</b>	<b>(710,645)</b>	<b>(695,066)</b>	<b>(15,579)</b>	<b>2.2%</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses</b>	<b>6,815,866</b>	<b>7,197,988</b>	<b>(382,122)</b>	<b>-5.3%</b>	<b>30,276,810</b>	<b>29,634,985</b>	<b>641,825</b>	<b>2.2%</b>
<b>Change in Net Assets</b>	<b>23,463,614</b>	<b>23,136,912</b>	<b>326,702</b>	<b>1.4%</b>	<b>260,070</b>	<b>967,216</b>	<b>(707,146)</b>	<b>-73.1%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>27,624</b>	<b>41,380</b>	<b>(13,756)</b>	<b>-33.2%</b>	<b>117,624</b>	<b>111,914</b>	<b>5,710</b>	<b>5.1%</b>
<b>Total Expenditures</b>	<b>6,843,490</b>	<b>7,239,368</b>	<b>(395,878)</b>	<b>-5.5%</b>	<b>30,394,434</b>	<b>29,746,899</b>	<b>647,535</b>	<b>2.2%</b>
<b>Change in Working Capital (Total Funding less Total Budget)</b>	<b>23,435,990</b>	<b>23,095,532</b>	<b>340,458</b>		<b>142,446</b>	<b>855,302</b>	<b>(712,856)</b>	
FTEs	142.73	152.50	(9.77)		151.73	152.50	(0.77)	
Headcount	144.00	152.00	(8.00)		152.00	152.00	-	
Working Capital at 1/1/2022	9,690,377	8,410,422	1,279,955		9,690,377	8,410,422	1,279,955	
Year-end Adjustments	(98,679)				(98,679)		(98,679)	
Peak Reliability Donation Expenditures	233,360				233,360	400,000	(166,640)	
Change to WC - 2022	23,435,990	23,095,532	340,458		142,446	855,302	(712,856)	
<b>Working Capital at 3/31/2022<sup>2</sup></b>	<b>33,261,048</b>	<b>31,505,954</b>	<b>1,620,413</b>		<b>9,967,504</b>	<b>9,665,724</b>	<b>301,780</b>	

<sup>1</sup> Penalties released in the current year reflects the designated amount of funds released to offset U.S. assessments as approved by the WECC Board of Directors and FERC. Actual penalties invoiced in the current reporting year will be reported as income on the audited financial statements in accordance with GAAP.

<sup>2</sup> See Working Capital and Reserve Analysis table for additional details.



## Working Capital and Reserve Analysis

Working Capital and Reserve Analysis				
STATUTORY				
	Total	Working Capital Reserve	Unreleased Penalties	Peak Reliability Donation
<b>Beginning Reserve, January 1, 2022</b>	\$ 20,154,417	\$ 9,690,377	\$ 6,636,646	\$ 3,827,394
Plus: Total Funding	30,380,480	30,279,480	101,000	-
Penalties Release	(5,298,000)	-	(5,298,000)	-
Plus: 2021 Year-End Adjustments	(98,679)	(98,679)	-	-
Less: Expenditures	(6,843,490)	(6,610,130)	-	(233,360)
Plus: Non-Statutory Fund Adjustment	-	-	-	-
<b>Reserve (Deficit), March 31, 2022</b>	<b>\$ 38,294,728</b>	<b>\$ 33,261,048</b>	<b>\$ 1,439,646</b>	<b>\$ 3,594,034</b>

*Note: Penalty sanction amounts received are considered deferred revenue and are not included in working capital amounts until approved by FERC.*



# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Total ERO Enterprise Summary of Unaudited Results as of March 31, 2022

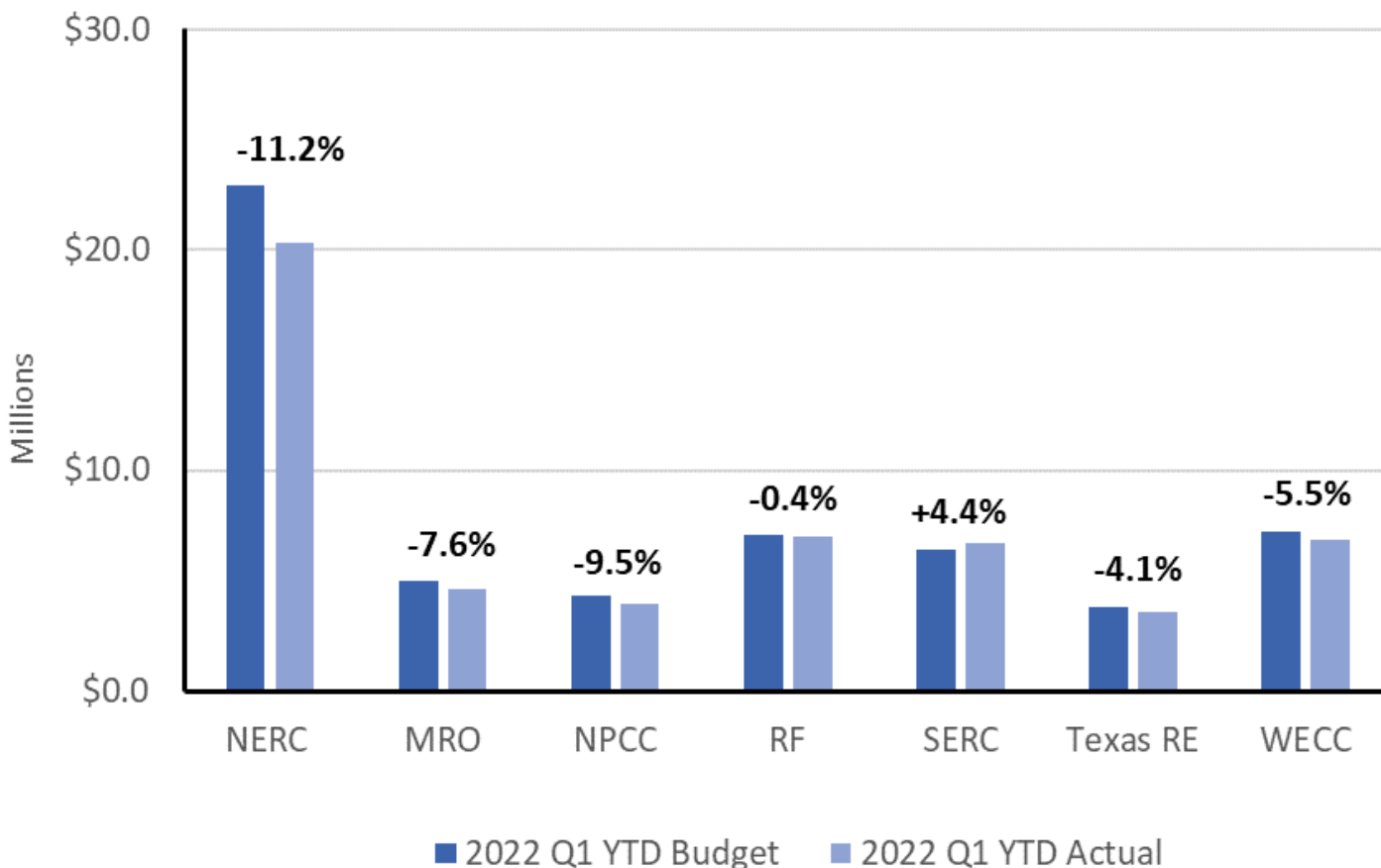
Meg Leonard, Controller  
Finance and Audit Committee Meeting  
May 11, 2022

**RELIABILITY | RESILIENCE | SECURITY**

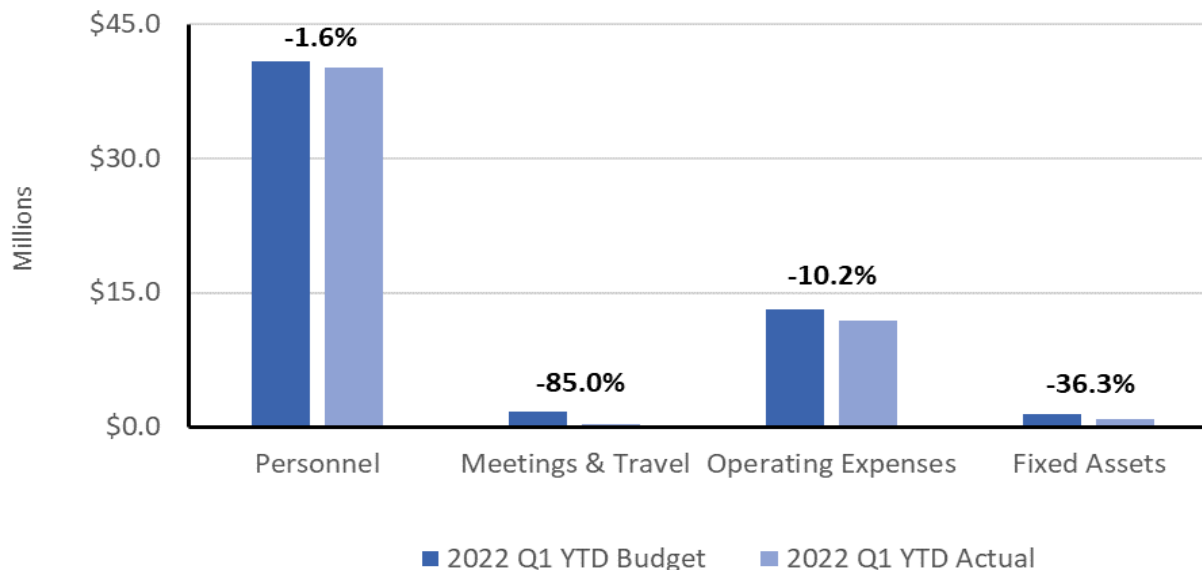




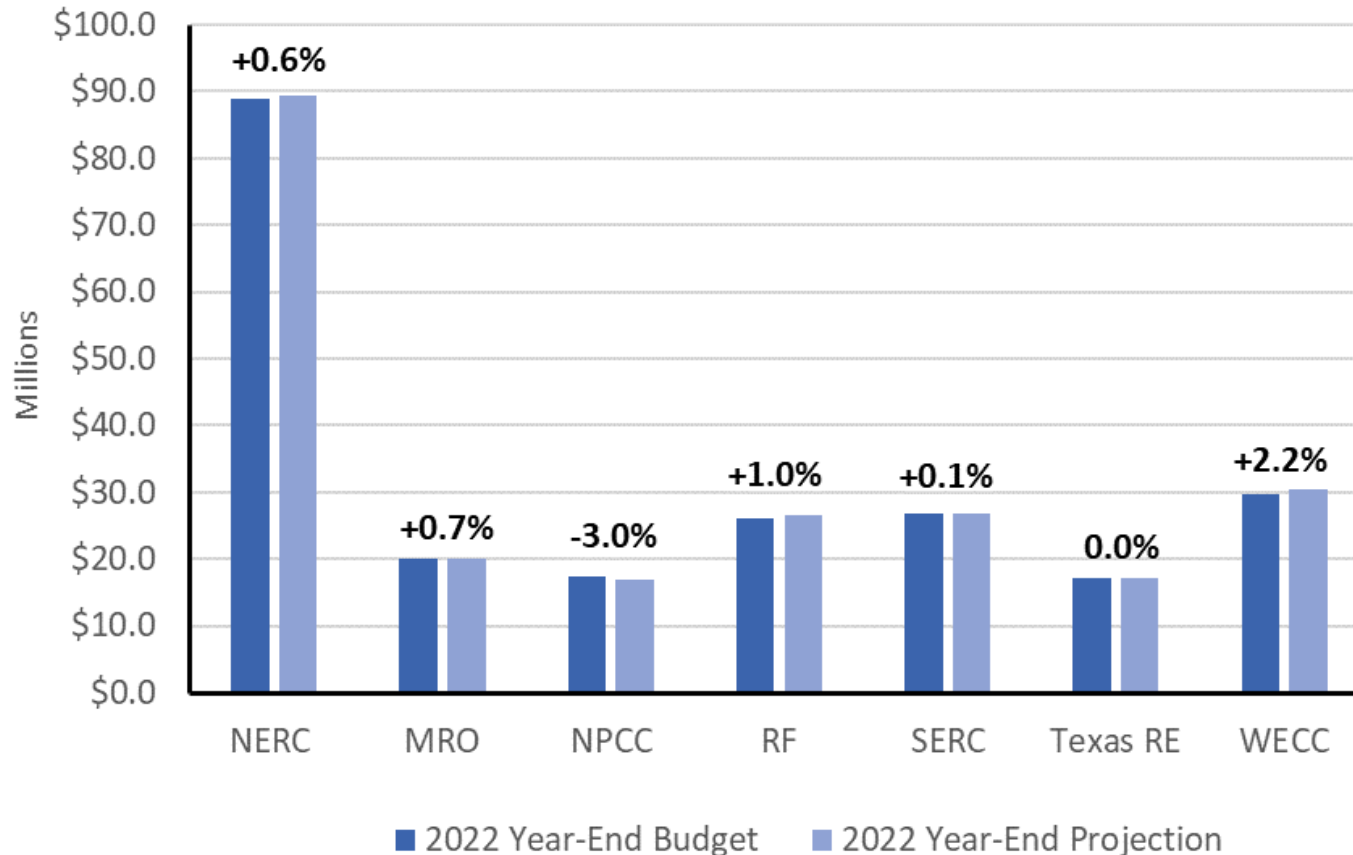
- Total expenditures for the ERO Enterprise were under budget \$3.6M (6.4%).

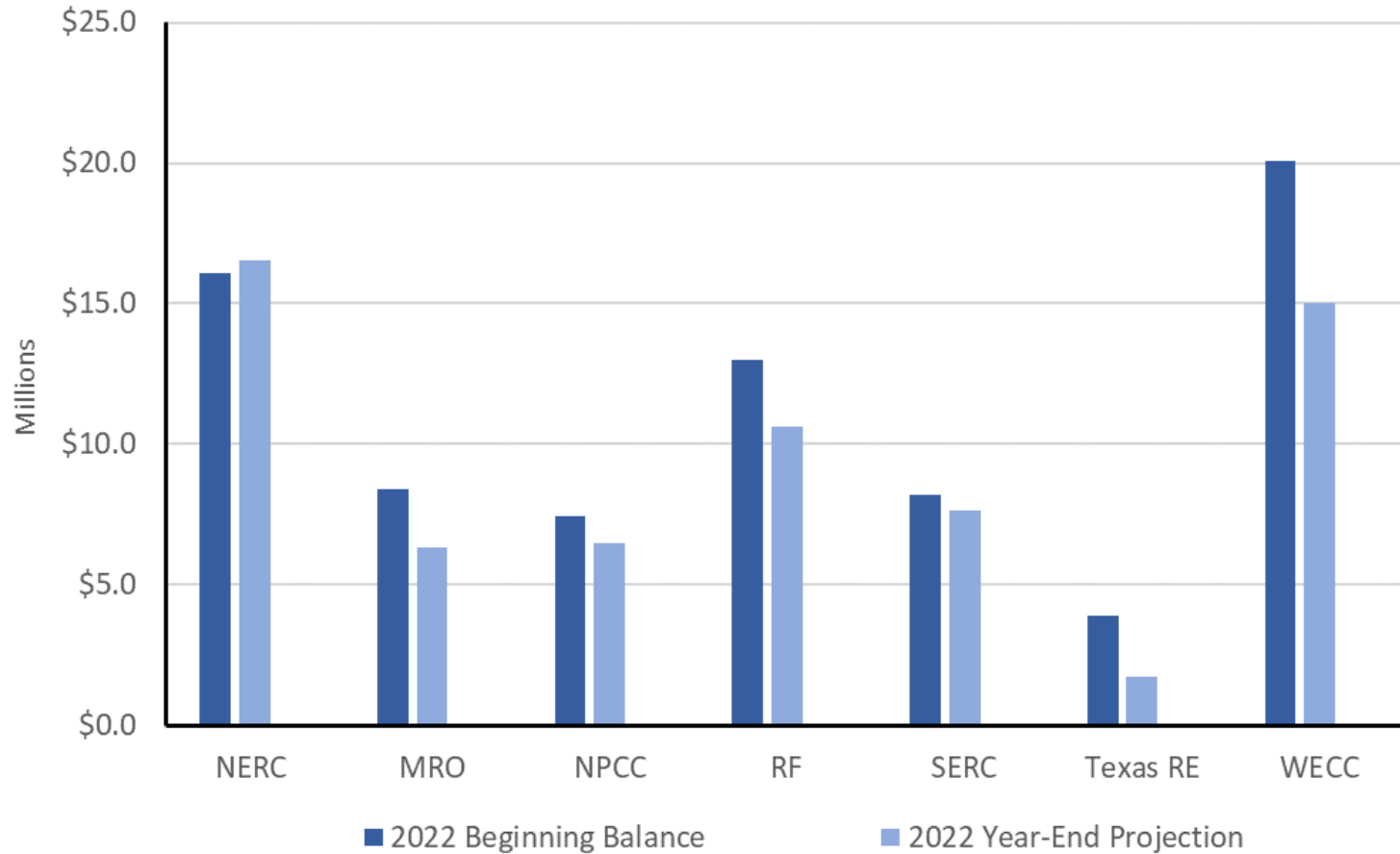


- Personnel – All entities were under budget except RF, which was over budget.
- Meetings & Travel – All entities were under budget.
- Operating Expenses – All entities were under budget except SERC and Texas RE, which were over budget.
- Fixed Assets – NERC, RF, and WECC were under budget. MRO, NPCC, and SERC were over budget. Texas RE had no budgeted or actual expenditures through Q1.



- The ERO Enterprise expects to be over budget \$1.0M (0.5%) at year-end.





*\*Adjusted for audited results and all reserve categories*

# 2022 Beginning Reserves & Projected Ending Reserves

*\$ - millions*

Entity	Beginning WCOCR <sup>(1)</sup>	Beginning ASR <sup>(2)</sup> & Unreleased Penalties	Beginning Other Reserves	1/1/2022 Beginning Total Reserves	Projected Ending WCOCR <sup>(1)</sup>	Projected Ending ASR <sup>(2)</sup> & Unreleased Penalties	Projected Ending Other Reserves	12/31/2022 Projected Ending Total Reserves	Total 2022 Budget	% of Reserves to 2022 Total Budget
<b>NERC</b>	\$ 8.7	\$ 2.5	\$ 4.9	\$ 16.1	\$ 8.8	\$ 2.5	\$ 5.2	\$ 16.5	\$ 88.8	18.6%
<b>MRO</b>	5.2	3.2	-	8.4	3.6	2.7	-	6.3	18.3	34.4%
<b>NPCC</b>	7.0	0.5	-	7.5	6.0	0.5	-	6.5	17.5	37.1%
<b>RF</b>	7.7	5.3	-	13.0	7.8	2.8	-	10.6	26.9	39.4%
<b>SERC</b>	2.8	5.4	-	8.2	2.2	5.4	-	7.6	26.0	29.2%
<b>Texas RE</b>	2.0	1.9	-	3.9	1.3	0.4	-	1.7	15.6	10.9%
<b>WECC</b>	9.6	6.7	3.8	20.1	10.0	1.4	3.6	15.0	29.7	50.4%
	<b>\$ 43.0</b>	<b>\$ 25.5</b>	<b>\$ 8.7</b>	<b>\$ 77.2</b>	<b>\$ 39.7</b>	<b>\$ 15.7</b>	<b>\$ 8.8</b>	<b>\$ 64.2</b>	<b>\$ 222.8</b>	<b>28.8%</b> <sup>(3)</sup>

<sup>(1)</sup> WCOCR - Working Capital & Operating Contingency Reserve - Projected 12/31/22 WCOCR is 17.8% of annual 2022 budget, or 2.1 months of budgeted expenses

<sup>(2)</sup> ASR - Assessment Stabilization Reserve

<sup>(3)</sup> Projected 12/31/22 total reserve balance is 28.8% of annual 2022 budget, or 3.5 months of budgeted operating expenses

# 2022 Projected Ending Reserves vs Budgeted Ending Reserves

\$ - millions

Entity	Projected Ending WCOCR <sup>(1)</sup>	Projected Ending ASR <sup>(2)</sup> & Unreleased Penalties	Projected Ending Other Reserves	Projected Ending Total Reserves	Budgeted Ending WCOCR <sup>(1)</sup>	Budgeted Ending ASR <sup>(2)</sup> & Unreleased Penalties	Budgeted Ending Other Reserves	Budgeted Ending Total Reserves	Over/(Under) Ending WCOCR <sup>(1)</sup>	Over/(Under) Ending ASR <sup>(2)</sup> & Unreleased Penalties	Over/(Under) Ending Other Reserves	Over/(Under) Total Reserves
NERC	\$ 8.8	\$ 2.5	\$ 5.2	\$ 16.5	\$ 4.3	\$ 2.5	\$ 1.9	\$ 8.7	\$ 4.5	\$ -	\$ 3.3	\$ 7.8
MRO	3.6	2.7	-	6.3	4.4	0.9	-	5.3	(0.8)	1.8	-	1.0
NPCC	6.0	0.5	-	6.5	3.8	0.4	-	4.2	2.2	0.1	-	2.3
RF	7.8	2.8	-	10.6	7.7	-	-	7.7	0.1	2.8	-	2.9
SERC	2.2	5.4	-	7.6	1.6	2.2	-	3.8	0.6	3.2	-	3.8
Texas RE	1.3	0.4	-	1.7	1.3	1.3	-	2.6	-	(0.9)	-	(0.9)
WECC	10.0	1.4	3.6	15.0	9.7	-	3.4	13.1	0.3	1.4	0.2	1.9
	<b>\$ 39.7</b>	<b>\$ 15.7</b>	<b>\$ 8.8</b>	<b>\$ 64.2</b>	<b>\$ 32.8</b>	<b>\$ 7.3</b>	<b>\$ 5.3</b>	<b>\$ 45.4</b>	<b>\$ 6.9</b>	<b>\$ 8.4</b>	<b>\$ 3.5</b>	<b>\$ 18.8</b>

<sup>(1)</sup> WCOCR - Working Capital & Operating Contingency Reserve

<sup>(2)</sup> ASR - Assessment Stabilization Reserve



# Questions and Answers

## **2023 Business Plan and Budget**

### **Action**

Update

### **Background**

NERC management will review the 2023–2025 budget assumptions along with the 2023 budget and assessment and 2024 and 2025 projections that will be included in the draft NERC 2023 Business Plan and Budget (BP&B). The draft NERC 2023 BP&B and the Regional Entity and Western Interconnection Regional Advisory Body (WIRAB) 2023 BP&Bs will be posted on the NERC website on or about May 25, 2022. The comment period on the NERC 2023 BP&B will run until June 24, 2022.



# NERC 2023–2025

## Business Plan and Budget Assumptions

Finance and Audit Committee

May 11, 2022

### Executive Summary

This document provides information related to NERC's 2023–2025 business plan, including proposed technology and people strategies, and the associated 2023 budget, 2024 and 2025 projections, and funding/assessment requirements to be included in the draft 2023 Business Plan and Budget (BP&B). The assumptions included in this document have been developed to support the ERO Enterprise's mission to assure a reliable and secure North American bulk power system (BPS).

#### NERC's proposed business plan for 2023–2025 does the following:

- Ensures NERC has the resources to address two critical emerging risks to BPS reliability and security while leveraging the work of key partners:
  1. Evolving concerns around energy availability as the resource mix changes and climatic conditions become more extreme
  2. Heightened cyber security risks driven by supply chain vulnerabilities being uncovered at an unprecedented rate
- Retools NERC's approach to mitigating risk through a more nimble, stakeholder-owned standard setting process, and finding more effective ways to drive action in advance of an agreed upon Reliability Standard
- Invests in NERC's own infrastructure to reduce enterprise and cyber risks related to our own business activities and systems

#### The business plan does NOT:

- Seek to duplicate the work of other partners, but rather leverages their expertise
- Anticipate any changing regulatory framework around natural gas reliability and security
- Address new evolving risks in technical areas NERC has not engaged in the past (e.g., 6 GHz communications)
- Seek to staff a proprietary outreach program, but rather guides, leverages, and relies on the Regional Entities to lead relationships with key state and provincial authorities
- Seek to assume all technical and regulatory activities "in house," rather, will continue to leverage the total reliability eco-system, including stakeholder subject matter expert resources through the technical committees and standards development processes

### The business plan's value proposition:

- Provides the framework and plans for NERC and the industry to get ahead of key grid transformation risks by defining key performance outcomes
- Is responsive to key needs of the security role envisioned for the Electricity Information Sharing and Analysis Center (E-ISAC) expressed by industry through the Member Executive Committee (MEC) and government partners, including the Department of Energy (DOE) and its Office of Cybersecurity, Energy Security, and Emergency Response (CESER)
- Leverages technology and expertise to drive more comprehensive analytics around reliability assessments (i.e., more complete assessments of energy availability) and key institutional risks (e.g., improving the cyber security posture of NERC's own systems and applications)
- Creates the capacity for better analytics and focus to manage and improve the productivity of NERC's back-office systems while reducing risk of human error due to currently manual processes
- Continues a strong focus on driving efficiency while assuring effectiveness of ERO programs while embedding risk-informed thinking into programs and processes
- Will add a small but critical component to the overall cost of the transforming grid: approximately 7 cents/year on average for a typical residential customer

To support the business plan, NERC is recommending incremental investments in technology and people over previous historical trends to achieve desired results in four priority focus areas:

- **Energy:** Tackle the challenge of grid transformation and climate change-driven, extreme weather
- **Security:** Move the needle by focusing on supply chain, Information Technology (IT) and Operational Technology (OT) system monitoring, cyber design, and evolution of the Critical Infrastructure Protection (CIP) Standards
- **Agility:** Tool the company to be more nimble in key areas, particularly standards development and internal operational processes, re-visit the FERC settlement restrictions, and explore alternate funding mechanisms
- **Sustainability:** Invest in ERO systematic controls, eliminate single points of failure, strengthen succession planning, and ensure robust cyber security protections for all systems

### Historical Budget and Assessment Increase Overview

As reflected in the table below, NERC has managed growth of additional projects, capabilities, and responsibilities in a fiscally sensible manner. Over the 10-year period of 2013–2022, NERC's average annual budget and assessment increase was 5.7%. During this period, NERC launched the Cyber Risk Information Sharing Program (CRISP) addition in 2015, significantly expanded E-ISAC programs, improved the analytics behind routine reliability assessments, and implemented the Align and Secure Evidence Locker (SEL) systems. This growth in budget masked multiple underlying productivity gains as programs matured, such as the extraordinary reduction of personnel dedicated to enforcement processing and the elimination of NERC's proprietary investigations team.

## NERC Budget and Assessment 2013–2022

	2013	2014	2015 <sup>(1)</sup>	2016	2017	2018	2019 <sup>(2)</sup>	2020	2021	2022 <sup>(3)</sup>	Avg Annual
<b>NERC Total Budget (millions)</b>	\$54.3	\$56.4	\$66.7	\$67.2	\$69.6	\$73.1	\$79.9	\$82.7	\$82.9	\$88.8	
<i>Annual Increase %</i>		3.9%	18.3%	0.7%	3.6%	5.0%	9.3%	3.5%	0.2%	7.1%	<b>5.7%</b>
<b>NERC Assessment (millions)</b>	\$47.6	\$51.4	\$55.3	\$57.1	\$59.9	\$62.9	\$68.9	\$72.0	\$72.0	\$78.4	
<i>Annual Increase %</i>		8.0%	7.6%	3.3%	4.9%	5.0%	9.5%	4.5%	0.0%	8.9%	<b>5.7%</b>

<sup>(1)</sup> 2015 Budget increase includes addition of CRISP program (\$9 million)

<sup>(2)</sup> Budgets in 2019 and prior years do not include net financing activity

<sup>(3)</sup> 2022 Budget, as amended for Atlanta office transition costs

The table reveals some higher historic volatility in budget increases versus assessment increases, particularly in 2015 when NERC added CRISP. However, a large portion of the CRISP cost is funded by CRISP participants and, therefore, did not have a significant impact on assessments. The 2019 budget and assessment increases reflect a spike over historical norms primarily due to increased people and technology resources associated with the *E-ISAC Long-Term Strategic Plan* implementation. The 2021 budget and assessment had no increase resulting from the temporary deferral of costs and projects to provide industry relief due to the financial uncertainty associated with the COVID-19 pandemic.

With the proposed 2023–2025 business plan developed to achieve goals associated with the four focus areas, NERC expects a significantly higher than historical average budget and assessment increase over this time period to deal with a series of new and emerging risks that drive fundamental change in how the grid will need to be planned and operated (the intersection of extreme, and not necessarily rare, weather and grid transformation) and a step change in the severity of the cyber (and physical) security landscape. However, the financial plan assumes financing a portion of the capital technology investments and the use of reserves to help smooth the assessment impact of the budget increases. E-ISAC is also in the very early stages of exploring DOE funding for certain programs and expansion of participant funded programs (e.g., CRISP), which may further reduce assessment growth relative to underlying budget growth.

## Key Budget Assumptions

### Technology Strategy Assumptions

NERC’s Business Technology Investment Strategy (Technology Strategy) provides needed investments that support the ERO Enterprise’s mission of a reliable and secure North American BPS. It also addresses ever-emerging cyber security risks, enables agile business processes, mitigates ERO Enterprise and corporate risks, and delivers long-term benefits across the program areas. This plan not only addresses the four focus areas, adheres to the following for investment justification:

- **Flexible:** Responsive to emerging issues (e.g., cyber) by shifting investments and priorities
- **Measureable:** Large investments will be vetted through the IT Value Management Policy and Procedure for justification and expected benefits
- **Business-Unit Driven:** Investments are mapped to the NERC program areas and support primary mission objectives

- **Aligned to Key Business Drivers:** In addition to the four focus areas, each investment is linked to a key set of business drivers in alignment with the ERO Enterprise golden circle:
  - Producing a Highly Reliable and Secure BPS
  - Supporting Independence and Objectivity
  - Attracting Top Talent and Expertise
  - Introducing Innovation and New Capabilities
  - Enabling and Promoting Collaboration
  - An ERO Enterprise that is Effective, Efficient, and Collaborative
    - Managing Reliability Risk
    - Managing Corporate/Security Risk
    - Modernizing Technology
    - Creating Efficiency
    - Lowering Costs



The process used to score and estimate the investments is a function of business unit interviews, previously deferred work, product roadmaps from key vendors, and technology trends and best practices.

**Key Investments**

This past year, the ERO Enterprise faced an onslaught of risks threatening the reliability and security of the BPS. Like almost every other industry, ours faces global supply chain compromises and the constant threat of cyberattacks. There is an immediate need to reliably and securely support NERC and the ERO Enterprise mission in this very fluid landscape with targeted technology investments. The investment strategy focuses the multitude of priorities against the four focus areas.

Priority Focus Area	Key Investments
<b>Energy</b>	<ul style="list-style-type: none"> <li>● Situational Awareness for FERC, NERC and the Regions (SAFNR); Centralized Organization Registration ERO System (CORES); Generator Availability Data System (GADS); Transmission Availability Data System (TADS); Reliability Assessment Data System (RADS); and The Event Analysis Management System (TEAMS), with a focus on BPS reliability, data analytics, and cyber security</li> <li>● New capabilities and FERC mandates, such as GADS Solar</li> </ul>
<b>Security</b>	<ul style="list-style-type: none"> <li>● Security reviews of legacy applications, with decisions on retirement or replacement as warranted as applications age and more secure technologies evolve</li> <li>● Cyber security capabilities for NERC, the ERO Enterprise, the E-ISAC, and CRISP</li> </ul>

Priority Focus Area	Key Investments
	<ul style="list-style-type: none"> <li>Identity Access Management (IAM) and Privileged Access Management (PAM) technology, Data Loss Prevention (DLP), and procedural controls</li> <li>Mobile Device Management for protection of email and other applications</li> </ul>
<b>Agility</b>	<ul style="list-style-type: none"> <li>Efficiencies in the Internal Audit and Corporate Risk Management areas using currently licensed software, extending the reach of current platform investments</li> <li>Expansion of specialized infrastructure, including collaboration technologies (e.g., Microsoft Teams, WebEx, audio/visual (A/V) equipment) to extend and support ERO Enterprise collaboration and strategic workforce development</li> </ul>
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>Enhancing disaster recovery capability to mitigate ransomware attacks and payments</li> <li>Expansion and modernization to cloud-based human resources and finance systems to ensure adherence to best practices, support internal audit controls, and further the benefits of the NERC 2.0 Connected Workforce model</li> <li>Modernization and support of core IT infrastructure to keep abreast of evolving security features and reduce support costs that come with aging systems</li> <li>Support of the Compliance Monitoring and Enforcement Program (CMEP) with continued evolution of Align, ERO SEL, CORES, and NERC Membership</li> <li>Expansion of existing core service agreements and desktop infrastructure (e.g., Microsoft service agreements, laptops, cell phones, etc.) to support the increase in NERC staff, contractors, and expansion of secure remote work capabilities</li> </ul>

The incremental technology investments referenced above span across NERC’s Program Areas and Shared Services departments (including IT itself) and are intended to support and further the activities necessary for the four focus areas. The associated expenses will be reflected in several cost categories of NERC’s budget, primarily capitalized software (fixed asset additions), software licenses and support, and contractors and consultants.

***Technology Project Financing***

For a portion of the proposed technology projects that are considered “capital” investments, a project financing strategy will be deployed to spread investment costs over several years to reduce the amount of costs funded by assessments over the next three years. A summary of the proposed project borrowing amounts by year is listed on p. 10 of this document and related debt service is included in the annual budget and projection numbers.

### ***IT Investment Review Procedure***

Large investments will be vetted through the IT Value Management Policy and Procedure, which defines the merits of a business case. The purpose of this policy is to ensure accountability by NERC management for investment decision-making for IT projects. The policy establishes criteria for which investments are subject to this review, roles and responsibilities for IT and other business units, and how the investments will be measured and evaluated for business value. This policy draws from standard IT investment decision-making and approval processes that are commonly used across industries, and was developed in consultation with the Gartner Group's IT Benefits Realization practice and their subject matter experts. Investment review policies and procedures such as these are a leading practice in well-managed organizations. They enable management to make well-informed decisions about expected expenditures, potential benefits and return on those investments, and to use outcomes to make future investment decisions based on lessons learned.

The IT investment review process is triggered by a set of criteria that distinguishes “must-do” investments (such as those involving cyber security, operations, or infrastructure) from those that are in the business process improvement arena (such as a centralizing or consolidating business operations, replacing outdated legacy business systems, etc.). The criteria that triggers the requirement for investment review can be one or many of the following:

- Request for review by a NERC officer or project sponsor
- \$500,000 or more in capital expenditures, such as:
  - Hardware
  - Software licensing
  - Professional services or contracting (not including internal labor)
- The project is discretionary, not “must do,” to keep the business running
- The project has high visibility with stakeholders or the NERC Board of Trustees
- The project provides strategic business value to the ERO Enterprise

### ***Technology Strategy Conclusion***

The Technology Strategy is a multi-year plan intended to show how the valuable NERC resources (time, talent, and dollars) will support the mission of the ERO Enterprise. The plan is flexible should the need arise to push projects out to subsequent years or should other technology resource impacting events (e.g., supply chain compromise) occur, causing a need to rapidly shift attention to other areas. As illustrated in the focus areas, there is a large shift in attention during the past two years to cyber threats, and this upward trend is expected to continue in the coming years. A large portion of the plan is predicated on cyber preparedness and resource requirements needed to meet the increased volume and sophistication of cyber threats.

The resulting total NERC business technology spend, exclusive of FTEs and inclusive of contractor support, is expected to increase from approximately \$14 million in 2022 to \$25 million in 2025. This projected level of spend was developed “bottom up” but also aligns with spending benchmarks obtained from Gartner Group for companies of our size with comparable activities.

## People Strategy Assumptions

NERC’s personnel cost is a significant driver of future budget requirements. The proposed People Strategy consists of increases to merit salary, health insurance and other benefits over the next three years for existing employees, and anticipates hiring 37 additional employees (34.8 FTEs, which incorporates a 6.0% vacancy rate) to support the four focus areas, primarily in Security, along with and Energy and Sustainability.

Focus Area	2023	2024	2025	FTEs
Energy	3	4	1	8
Security	7	6	6	19
Agility	0	1	1	2
Sustainability	4	1	3	8
TOTAL	14	12	11	37
<b>FTEs with 6% attrition rate</b>	<b>13.2</b>	<b>11.3</b>	<b>10.3</b>	<b>34.8</b>

The scope of NERC’s strategy for 2023–2025 is much greater than what was projected in previous plans, but the accompanying increase to future headcount is minimized. This was accomplished by reviewing existing work and associated processes with the intent of continuously finding ways to improve efficiency, eliminate unnecessary work, improve processes, and optimize existing core resources. Examples of these efforts include:

- **Optimization across the ERO Enterprise**
  - Align/SEL implementation to consolidate all ERO Enterprise CMEP activities onto a common highly secure platform and dramatically increase the security of how registered entity evidence is handled
  - Creation of functional collaboration groups between the Regional Entities and NERC, using the expertise inside the ERO Enterprise
  - Leveraging ERO Enterprise technical innovation and cybersecurity collaboration, including the creation of a collaboration group of NERC and Regional Entity IT professionals charged with creating synthetic scale across the ERO Enterprise to share scarce cyber expertise, develop common tools where possible, and drive effective and timely mitigation to cyber risks
- **Leveraging industry partnerships**
  - Relied on partnerships with the Electric Power Research Institute (EPRI), Institute of Electrical and Electronics Engineers (IEEE), and the Power Systems Engineering Research Center (PSERC) to address BPS risks, such as resource availability, photovoltaic modeling, distributed energy resources (DER) and inverter-based resource interconnection standards
  - Worked with the North American Transmission Forum (NATF) and the North American Generator Forum (NAGF) on topics such as facility ratings and supply chain, and with the National Association of Regulatory Utility Commissioners (NARUC) on the interconnection of inverter-based resources

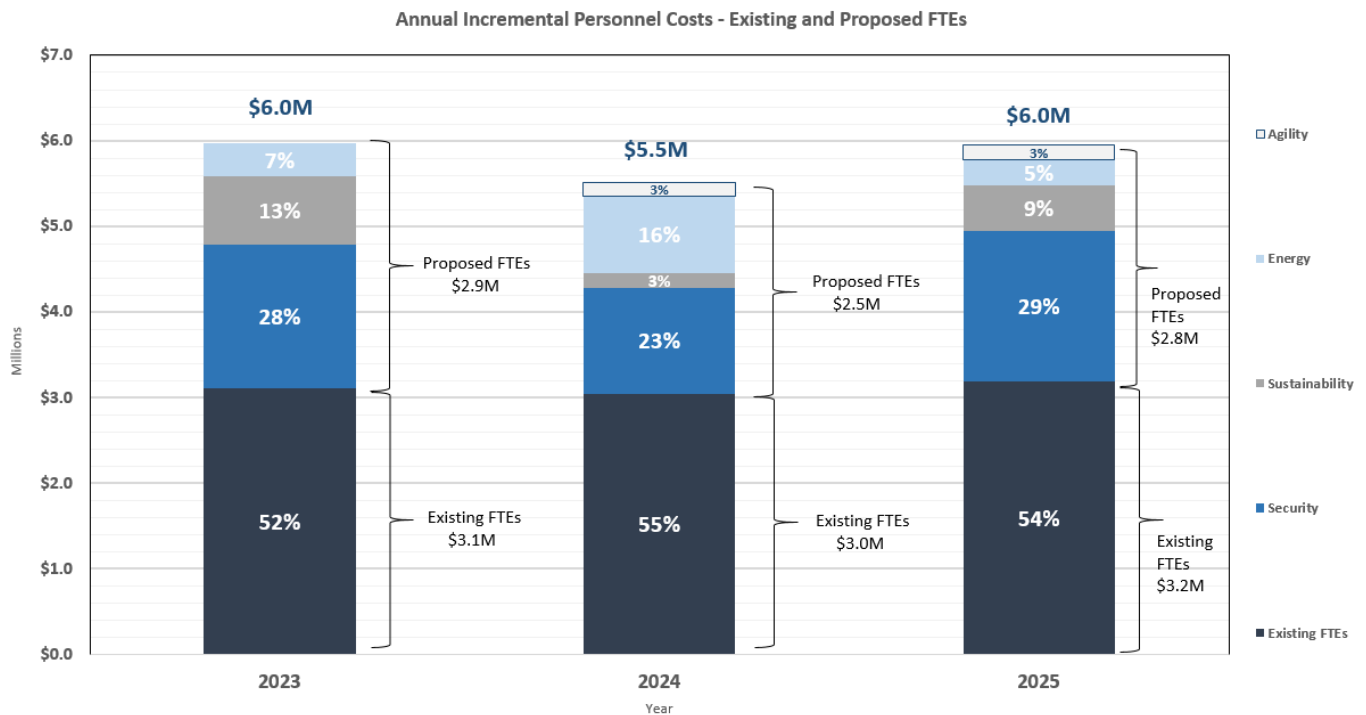
- Continued working closely with our government partners, including the DOE and Department of Homeland Security on cyber and physical security, energy analysis, and critical infrastructure interdependencies, and the ongoing work related to the current Russian invasion of Ukraine
- **Reimagining work**
  - Established round-the-clock E-ISAC Watch Operations
  - Transformed our workforce, changing where and how work is done
- **Improving processes with technology**
  - Launched new analysis platforms, including the E-ISAC Portal and tools, the Risk Registry, and the SAFNR tool
  - Made back-office improvements to payroll, budgeting, performance management, and expense automation systems, and added cloud-based computing
- **Eliminating work / redeploying resources**
  - In addition to leveraging partnerships, eliminated some efforts and reallocated resources (e.g., human performance conference, standards and compliance workshops)
  - Formed a Reliability and Security Technical Committee (RSTC), which consolidated three committees and their subcommittees and reduced the number of face-to-face meetings, freeing NERC staff to focus on priority risks
  - Eliminated NERC's Investigations department, instead relying on the expertise found in the Regional Entities
- **Facilities contracts**
  - Washington, D.C. and ATL facility lease savings

Progress has been made in many of these areas and will continue as a normal part of business cadence.

NERC's employee base primarily consists of professional skilled labor, with a relatively high concentration of cyber security and IT employees. NERC is scheduled to perform a market compensation study for all staff positions before the 2023 merit review cycle. However, based on several factors, including market supply and demand for cyber and IT talent and recent higher inflation rates, NERC is currently assuming a weighted average increase in merit adjustments of 5.5% to 6.0% over the three-year period. The weighted average assumes a higher increase for cyber security and IT positions compared to other staff members. This estimate is likely to prove to be conservative based on anecdotal data, but is a responsible starting point for this key cost driver.

The total projected three-year increase in personnel costs will be approximately \$17.5 million over the 2022 budget. Approximately \$8.2 million of this increase is attributed to the new FTEs proposed to be added in 2023–2025, and \$9.3 million is the projected increase for the current workforce. The following graph represents the annual incremental personnel expense increases projected each year.





This People Strategy does not include resources and all its impacts throughout the organization for:

- Reliability Standards, CMEP, Reliability Assessment, and Performance Analysis activities related to natural gas regulation, including Transportation Security Administration (TSA) directives
- A detailed assessment of communications risk issues (e.g., 6 GHz) and regulation
- Creation of a DER Management System (DERMS) and DER regulation
- Establishing system hardening requirements from climate-change impacts
- A larger role assisting state/provinces with their capacity/energy planning (as some are suggesting for the Western Interconnection)
- Registration and standard implications if Federal Power Act Section 215 authority is expanded to address risks to the BPS from third-party contractors
- A comprehensive outreach program for NERC related to:
  - Related infrastructure (e.g., gas or communications)
  - Attendance at registered entities' meetings
  - All regulatory, congressional committees, and North American government agencies in the energy sector (e.g., U.S. and Canadian governments with electricity footprints such as U.S. Department of Interior; U.S. Corps of Engineers; U.S. Department of State; Nuclear Regulatory Commission, TSA; NRCAN; Canadian energy ministers, etc.)

## Other Assumptions

### Inflation and Salary Escalation

The most significant cost drivers of NERC's future budget and projections, including technology and people costs summarized above, are based on actual projected costs and other market factors and do not rely specifically on an inflation estimate. However, some line items in the budget and projections are based on prior year spending and an assumed 3% inflation factor was applied on these items based on the most recent Federal Open Market Committee Personal Consumption Expenditures (PCE) inflation forecast (as of March 15, 2022), which predicts an annual average 3.1% inflation increase in 2022 through 2024. Further evaluation of this inflation assumption will be reviewed before the 2023 BP&B is finalized, as current dynamics around supply chain shortages and commodity markets would suggest a higher period of core inflation ahead.

### Office Facilities and Rent

NERC will realize lower annual office rent expenses in 2023–2025 of approximately \$300k per year compared to previous rent projections due to receiving additional landlord incentives related to the Atlanta office lease, which will be applied to budgeted rent (funded by assessments) for the remaining term of the Atlanta office lease, which ends in October 2025. Some other facility-related costs are projected to increase slightly during the three-year time period, which will partially offset some of the rent savings.

The 2025 projection assumes continued acquisition and development of capital software projects under the Technology Strategy, as well as lease financed and out-of-pocket expenditures for a potential new Atlanta office space. The 2025 projection assumes the acquisition of up to \$2.0 million of A/V equipment (financed through a new lease), \$800k in new furniture, \$600k in network and wireless infrastructure, and \$200k for legal and professional services.

### Meetings and Travel

Meetings and travel expenses were reduced significantly (\$1.1M) in the 2021 budget from the 2020 budget in response to the COVID-19 pandemic. The 2022 budget was increased by \$400k (19%) over 2021 and the 2023 budget reflects an additional increase of \$500k over the 2022 budget, to a total of \$3.1M. The 2023 budget assumes two in-person meetings for the Board and RSTC and two hybrid format meetings. In-person meetings have also been planned for the annual ERO Enterprise Leadership Conference and the Reliability Issues Steering Committee's Reliability Leadership Summits in 2023 and 2025.

While virtual attendance at meetings will be encouraged, NERC program areas have performed detailed travel projections by employee and event and included an assumed growth in FTEs to inform the requested budget increase in 2023. Current projections in 2024 and 2025 show a more moderate increase in meetings and travel of \$69k and \$159k, respectively. With these projections, the 2025 travel budget would still be slightly below the pre-pandemic budget level; however, the unit cost of travel is increasing significantly from pre-pandemic levels, which means a net reduction in travel events but a higher unit cost per event.

**Contractors and Consultants**

Contractors and consultants (C&C) expenses are projected to increase \$3.8M (28%) over the three-year period. Of this total amount, the costs related to the CRISP contract with Pacific Northwest National Laboratory (PNNL) are estimated to increase by \$1.9M (33%). These cost estimates are best internal estimates and firmer projections are expected soon from PNNL. These PNNL costs are funded completely by CRISP participants and do not impact assessments. IT C&C costs are projected to increase \$1.4M (82%) over the three-year period, primarily to support the Technology Strategy. E-ISAC C&C costs are projected to increase by \$700k (32%) due to GridEx costs of \$300k (2025 is a GridEx year, 2022 is an off year) and other anticipated C&C work, including increased physical security projects.

**Capital Financing Assumptions**

Due to the increased spending on capital software projects in 2023–2025, a portion of these projects are proposed to be financed with a 60-month amortization to help level the assessment percentage increase over the next three years. Borrowing proceeds and related debt service (principal and interest) are included in the 2023–2025 budget and projections. The table below shows the assumed loan borrowing related to the Technology Strategy in 2023–2025.

Year	Capital Software Investment \$	Loan Financing Amount
2023	\$5.6M	\$4.0M
2024	\$6.2M	\$4.0M
2025	\$6.3M	\$2.5M

In 2025, \$2M in projected spending for new A/V equipment and network and wireless infrastructure for a new Atlanta office location is included, with the assumption that the A/V equipment will be funded by a new lease program toward the end of 2025. Future year lease payments on any Atlanta office equipment are assumed to begin in 2026.

**Reserve Funding**

With this three-year financial plan, the annual increase from the 2022 to 2023 represents the largest single year percentage increase of the three years. The use of \$2M from a combination of the Assessment Stabilization Reserve (ASR) and Operating Contingency Reserves (OCR) is proposed in 2023 to help reduce the assessment. An additional \$500k of ASR or OCR is assumed in the 2025 projection to help fund any one-time out-of-pocket equipment or furnishing costs related to a potential Atlanta office relocation.

Using this reserve funding strategy, along with capital financing above, annual assessment increases are projected to stay between 11.3% and 11.5% during the three-year period.

### Three-Year Financial Summary

The table below reflects the preliminary estimates of the three-year budget and assessment amounts, with annual dollar and percentage increase amounts, and recommended reserve usage in 2023 and 2025. Minor adjustments may occur to the numbers below before publishing the draft of the 2023 BP&B as certain cost estimates are refined.

*\$ millions*

	2022 <sup>(1)</sup>	2023	2024	2025	Notes
<b>Annual Total Budget</b>	<b>\$88.8</b>	<b>\$100.1</b>	<b>\$109.0</b>	<b>\$121.7</b>	
<i>\$ annual increase</i>	<b>\$5.9</b>	<b>\$11.3</b>	<b>\$8.9</b>	<b>\$12.7</b>	
<i>% annual increase</i>	7.2%	12.7%	8.9%	11.7%	<b>Annual avg. 2023-2025 11.1%</b>
<b>Annual Total Assessment</b>	<b>\$78.4</b>	<b>\$87.4</b>	<b>\$97.3</b>	<b>\$108.4</b>	
<i>\$ annual increase</i>	<b>\$6.4</b>	<b>\$9.0</b>	<b>\$9.9</b>	<b>\$11.1</b>	
<i>% annual increase</i>	8.9%	11.5%	11.3%	11.4%	<b>Annual avg. 2023-2025 11.4%</b>
<b>Recommended Reserve Usage</b>		<b>\$2.0</b>		<b>\$0.5</b>	

<sup>(1)</sup> 2022 budget includes amendment for Atlanta office lease costs (funded by reserves)

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# 2023 Business Plan and Budget

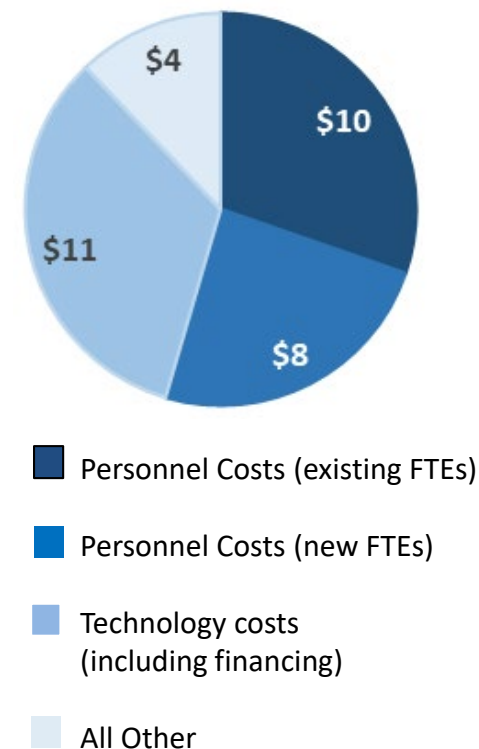
Kelly Hanson, Chief Administrative Officer  
Erika Chanzas, Manager of Business Planning  
Finance and Audit Committee Meeting  
May 11, 2022

**RELIABILITY | RESILIENCE | SECURITY**

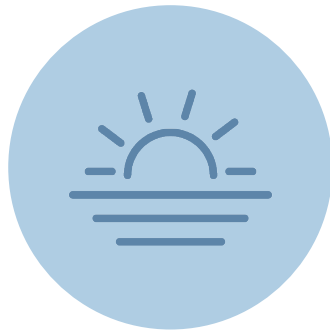


- **Ensures NERC has the resources to address emerging risks (reliability, security) while leveraging key partners**
  - Energy availability
  - Cyber security vulnerabilities
- **Retools NERC's approach to mitigating risk**
  - More nimble stakeholder-owned standards setting process
- **Invests in NERC's own infrastructure**
  - Reduce enterprise and cyber risks related to our own business activities and systems

**2022-2025 Incremental Increase  
\$33 million**



**Approximately 7 cents/year on average  
for a typical residential customer**



**Formation**

2006- 2013



**Maturation**

2014-2021



**2020 - 2021**



**Energy:** Tackle the challenge of grid transformation and climate change-driven, extreme weather

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**Security:** Move the needle by focusing on supply chain, Information Technology (IT) and Operational Technology (OT) system monitoring, cyber design, and evolution of the Critical Infrastructure Protection (CIP) Standards

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**Agility:** Tool the company to be more nimble in key areas, particularly standards development, internal operational processes, re-visit the FERC settlement restrictions, and explore alternate funding mechanisms

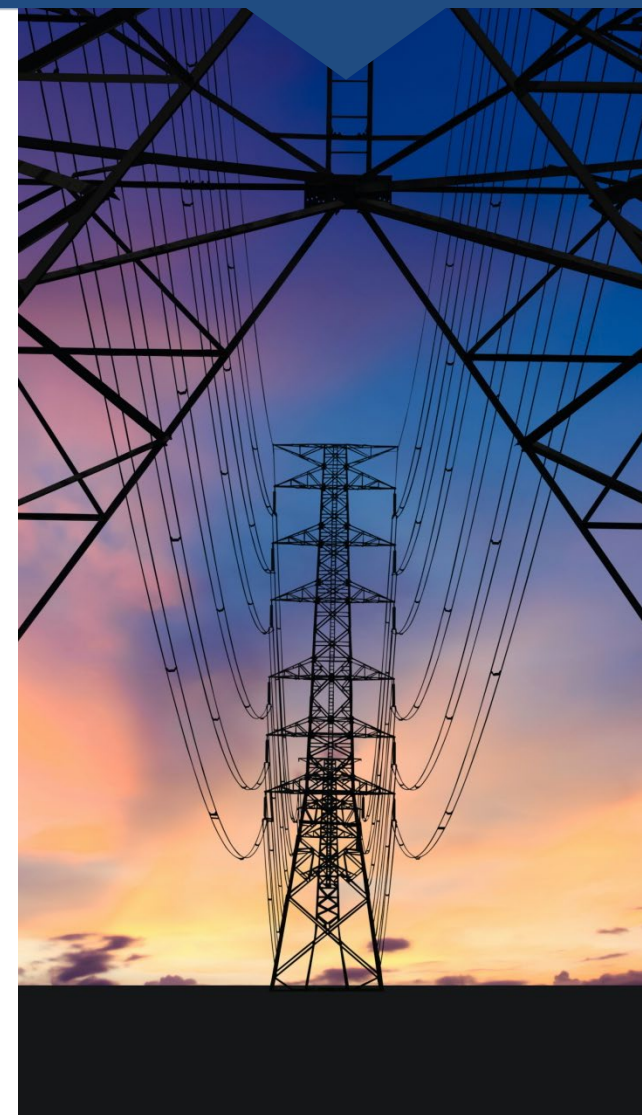
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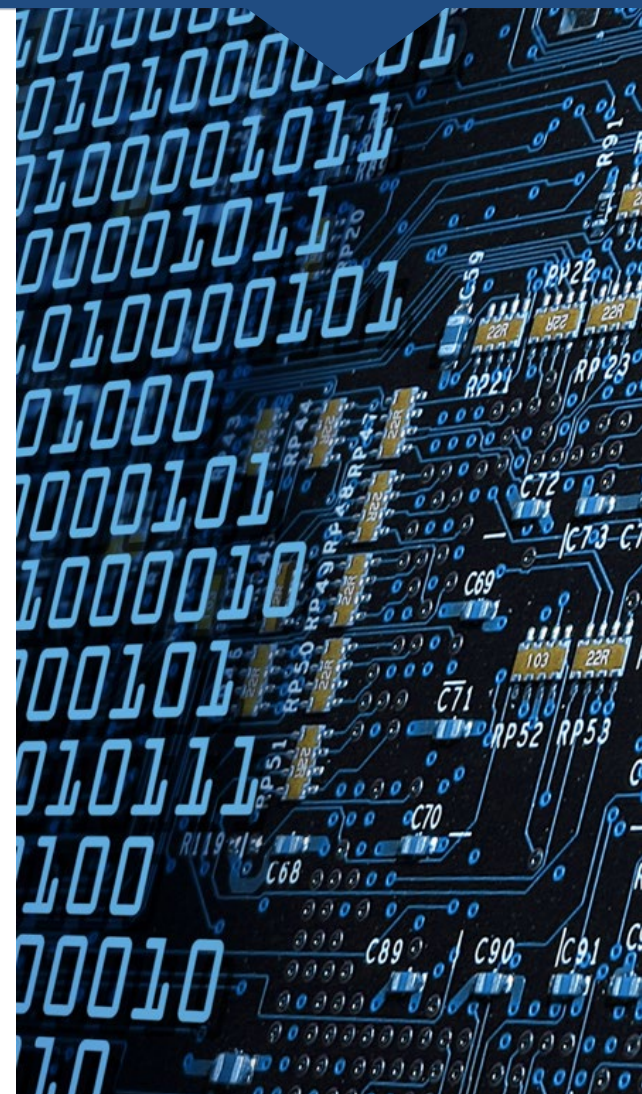
**Sustainability:** Invest in ERO systematic controls, eliminate single points of failure, strengthen succession planning, and ensure robust cyber security protections for all systems



- **More in-depth BPS situation awareness**
  - Impacts of interdependent infrastructure
  - Effects of distributed energy resources
- **Expanded analytics and modeling**
  - Interactions between natural gas pipeline and industry
  - Cyber attacks
  - Energy availability scenarios
  - Analysis of new resource performance (solar, wind, etc.)
- **Responsive approaches to mitigating emerging risks**
  - Inverter-based resources
  - Electric-natural gas interdependencies
  - Extreme weather
  - Energy constraints



- **An expanded, stronger E-ISAC**
  - Curated intelligence applicable to the electricity sector
  - Threat hunts for malicious software on IT/OT sensor platforms
  - Expanded CRISP participation and technology modernization
  - Dedicated support to DOE ETAC and DHS JCDC
  - Expanded membership and strategic relationships
- **A more secure, less vulnerable BPS**
  - Unattributed threat intelligence informs system planning design
  - CIP Standard suite provides appropriate security against a different threat landscape
- **A more secure, less vulnerable NERC**
  - Cyber security focuses on prevention, detection, and mitigation
  - IT polices, procedures align with standard cyber frameworks
  - IT systems, processes support internal assurance programs
  - Technology solutions designed for today's security environment



- **Comprehensive risk registry**
  - Increased transparency on work to address BPS risks
  - A more risk-informed, responsive ERO
- **Efficient enforcement program**
  - Improved quality and speed of enforcement oversight activities
  - Increased ability to identify and act on trends
- **Emerging risks mitigated BEFORE triggering a crisis**
  - Industry-driven standard development
  - Tools to drive essential actions in advance of or in lieu of mandatory standards



- **Mature internal assurance programs**
  - Internal audit, risk management, contingency planning
  - Increased automation for HR and Finance controls
  - Meaningful data to track metrics and measure efficiency
- **Enhanced state outreach and engagement**
  - Further developed outreach for ERO Enterprise assessments and reports
  - Expanded collaboration with NARUC
  - Support for U.S. government engagement
- **Adaptable and sustainable technology**
  - Technical roadmaps accelerate adoption of cloud computing
  - Quality assurance programs improve disaster recovery, testing capabilities, and solution performance and security



**Historical hiring**

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**Efficiency gains**

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**Workforce planning process**

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# Comparison to Prior Year Projection

2022 BP&B

2023  
9.4 FTEs

2023 BP&B

2023  
13.2 FTEs

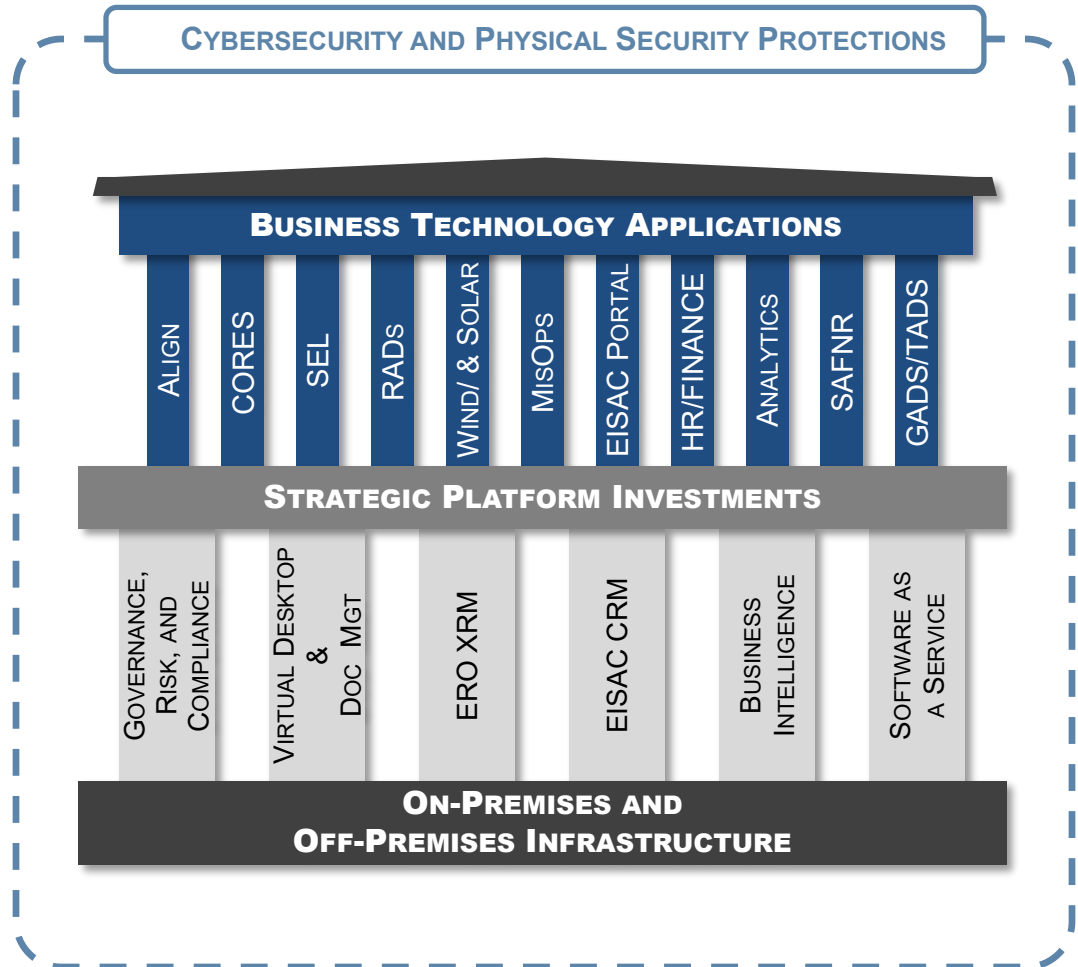
+3.8

2024  
8.5 FTEs

2024  
11.3 FTEs

+2.8

- Build and provide applications that enable our core mission
- Provide foundational infrastructure to support the ERO Enterprise
- Ensure the protection of our platforms and applications





## People and technology strategies

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## Meetings and travel

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## Facilities and rent

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## Significant market pressure on liability insurance

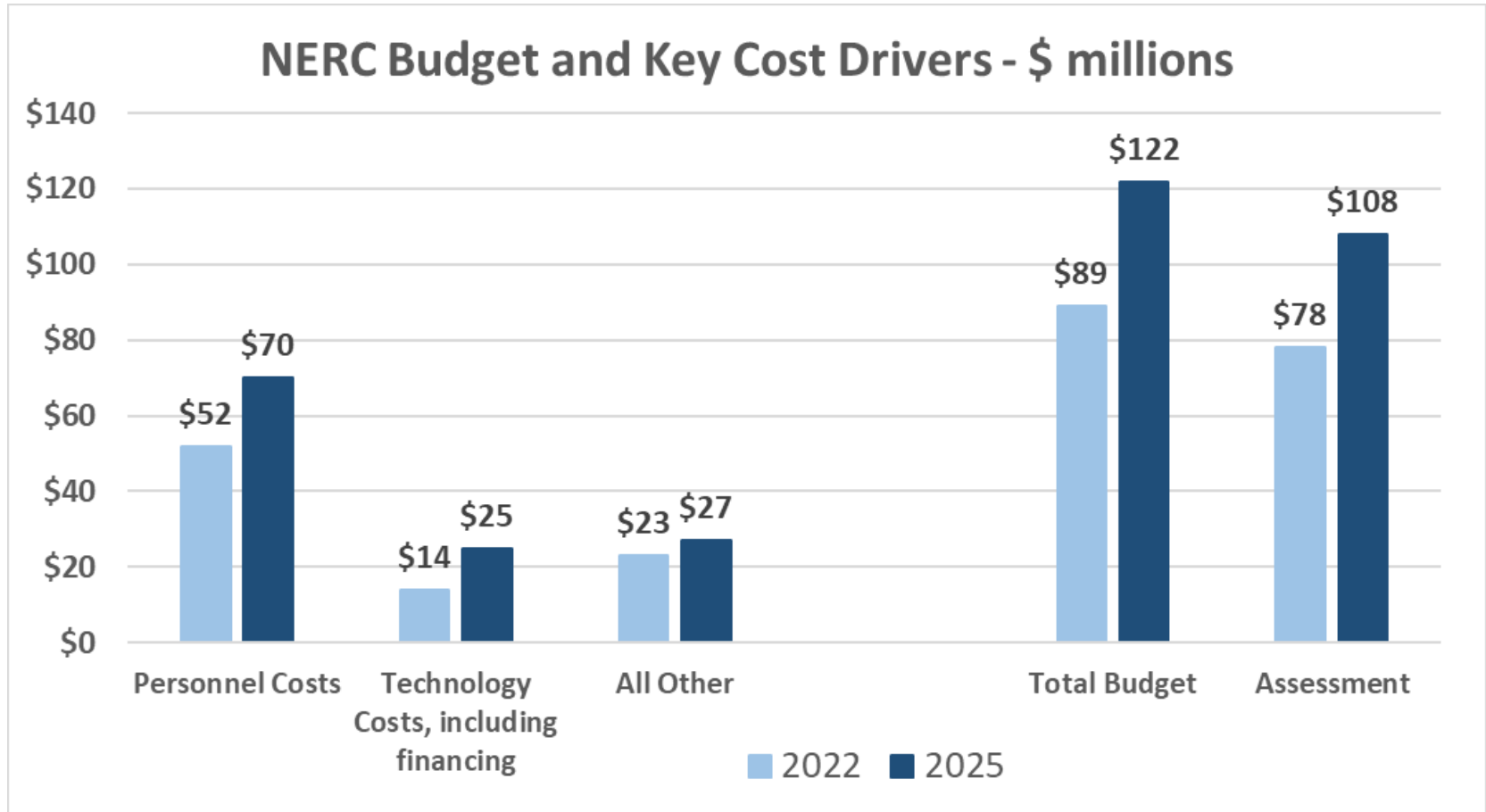
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## Inflation assumption

- 3% per year (to be reviewed for Final)
- 

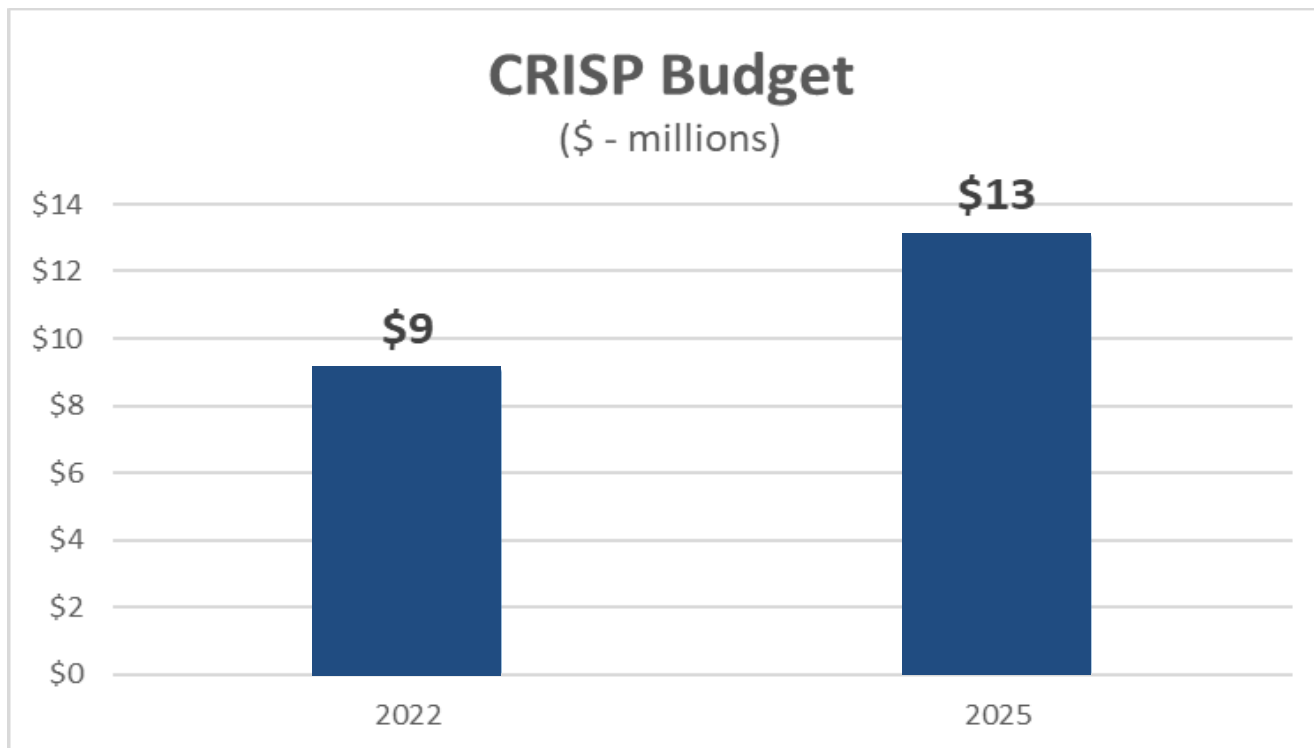
## Capital financing and reserve releases to smooth assessments

- Reserve release (ASR/OCR TBD) \$2.0M in 2023 and \$500k in 2025
- Technology capital borrowing of \$4.0M in 2023 & 2024; \$2.5M in 2025



# Three Year Projected Budget and Assessment Increase

<i>\$ millions</i>		
Increase from prior year	Budget	Assessment
Year 1 - 2023 \$	\$12	\$9
Year 1 - 2023 %	13.0%	11.5%
Year 2 - 2024 \$	\$9	\$10
Year 2 - 2024 %	8.9%	11.3%
Year 3 - 2025 \$	\$12	\$11
Year 3 - 2025 %	11.3%	11.4%



- CRISP three-year projected budget increase of 45%
- Primarily due to PNNL costs and insurance
- Majority of budget increase funded by CRISP participants

- **Review NERC and Regional Entity draft 2023 BP&Bs**
  - May 25 to June 24 – Comment period on draft NERC 2023 BP&B
  - June 1 – FAC webinar
  - June 8 – FERC briefing

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- **Review NERC and Regional Entity final 2023 BP&Bs**
  - July 7 – Closed FAC
  - July 22 – MRC BP&B Input Group
  - July 27 – Trades and Forums and MEC endorses E-ISAC 2023 budget

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- **Approve NERC and Regional Entity final 2023 BP&Bs**
  - August 17 & 18 – Open FAC and Board

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A stylized map of North America is centered on the page. The map is divided into three horizontal color bands: a light purple band at the top, a medium blue band in the middle, and a dark blue band at the bottom. The word "Questions" is written in a large, bold, black sans-serif font, centered over the medium blue band. The map shows the outlines of the United States, Canada, and Mexico.

# Questions