

# Agenda

## Finance and Audit Committee

### Open Meeting

May 12, 2021 | 2:30-3:30 p.m. Eastern  
Virtual Meeting

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#### Introduction and Chair's Remarks

#### NERC Antitrust Compliance Guidelines\*

#### Agenda Items

1. **Minutes\*— Approve**
  - a. February 3, 2021 Meeting
2. **Second Quarter Calendar of FAC Responsibilities\* – Review and Recommend Board of Trustees Acceptance**
  - a. 2020 Financial Statement Audit Results
  - b. First Quarter Statement of Activities
    - i. NERC Summary of Results as of March 31, 2021
    - ii. Total ERO Enterprise Summary of Results as of March 31, 2021
    - iii. Regional Entity Variance Reports as of March 31, 2021
3. **Line of Credit Renewal\* – Approve and Recommend Board of Trustees Approval**
4. **2022 Business Plan and Budget\* – Update**
5. **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

February 3, 2021 | 11:00 a.m. - 12:00 p.m. Eastern

### Conference Call

Mr. Robert G. Clarke, Chair, called to order a duly noticed open meeting of the Finance and Audit Committee (the “Committee”) of the Board of Trustees (“Board”) of the North American Electric Reliability Corporation (“NERC” or the “Company”) on February 3, 2021, at approximately 11:00 a.m. Eastern, and a quorum was declared present.

Present at the meeting were:

#### Committee Members

Robert G. Clarke, Chair  
Suzanne Keenan  
Robin E. Manning  
Jim Piro  
Roy Thilly, *ex officio*

#### Board of Trustees Members

Jane Allen  
Kenneth W. DeFontes, Jr.  
George Hawkins  
James B. Robb, President and Chief Executive Officer  
Jan Schori  
Colleen Sidford

#### NERC Staff

Tina Buzzard, Assistant Corporate Secretary  
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC  
Kelly Hanson, Senior Vice President and Chief Administrative Officer  
Stan Hoptroff, Vice President, Business Technology  
Nina Jenkins-Johnston, Senior Counsel  
Mark Lauby, Senior Vice President and Chief Engineer  
Meg Leonard, Controller  
Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary  
Kristin Miller, Director, Internal Audit  
Janet Sena, Senior Vice President, External Affairs  
Andy Sharp, Vice President and Chief Financial Officer

#### Introduction and Chair’s Remarks

Mr. Clarke welcomed the participants to the meeting and provided an overview of the agenda.

#### 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 November 4, 2020, meeting minutes were approved as presented at the meeting.

**2020 Year-End Unaudited Statement of Activities**

Mr. Sharp reviewed the 2020 Year-End Unaudited Statement of Activities for NERC and the ERO Enterprise, highlighting that NERC's total funding was 0.8 percent under budget and total expenditures were 5.3 percent under budget. Mr. Sharp noted that Grant Thornton will begin the NERC financial audit in March 2021 and the auditor's report and findings will be presented to the Committee in May 2021.

Mr. Sharp reported that the total expenditures for the ERO Enterprise were under budget by 5.4 percent. He noted the 2020 total ERO operating reserves and referred to the Regional Entity reports.

After discussion, and upon motion duly made and seconded, the Committee recommended the 2020 Year-End Statement of Activities for acceptance by the Board.

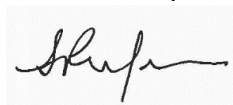
**Proposed Amendments to Committee Mandate**

Ms. Jenkins-Johnston presented the proposed amendments to the Committee mandate, noting that the revisions to the Committee mandate implement a new policy on Internal Audit and Corporate Risk Management which was discussed with the Committee at the October 2020 meeting. Ms. Jenkins-Johnston summarized the proposed changes to the Committee mandate related to Committee membership, purpose, and authority and responsibilities. After discussion, and upon motion duly made and seconded, the Committee recommended the revised mandate for approval by the Corporate Governance and Human Resources Committee.

**Adjournment**

There being no further business, and upon motion duly made and seconded, the meeting was adjourned.

Submitted by,



Sônia Mendonça  
Corporate Secretary

# Summary of Unaudited Results For the Period Ending March 31, 2021

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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	\$ 80.8	\$ 81.2	\$ (0.4)
Funding from Reserves			
Assessment Stabilization Reserve	-	-	-
<b>TOTAL FUNDING</b>	<b>\$ 80.8</b>	<b>\$ 81.2</b>	<b>\$ (0.4)</b>
<b>EXPENDITURES</b>			
Expenses (excluding Depreciation)	\$ 80.2	\$ 79.3	\$ 0.9
Fixed Asset Additions	3.4	2.8	0.6
Net Financing Activity	0.1	0.8	(0.7)
<b>TOTAL EXPENDITURES</b>	<b>\$ 83.7</b>	<b>\$ 82.9</b>	<b>\$ 0.8</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ (2.9)</b>	<b>\$ (1.7)</b>	<b>\$ (1.2)</b>

### Funding

- Revenues
  - Expected to be under budget at year-end due to lower investment income (from lower interest rates) and System Operator Certification testing and certificate renewal fees.

### Expenditures

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

- Professional Services expenses are expected to be over budget mostly due to fees for an additional NERC trustee and increased costs for liability insurance.
- Fixed Asset Additions
  - Projected to be over budget due to the timing of approximately \$700k in expenditures for the ERO Secure Evidence Locker (ERO SEL) project that were approved to be spent and financed in 2020, but will be incurred and financed in 2021.
- Net Financing Activity
  - The 2021 budget did not contemplate loan proceeds, but due to the timing of expenditures on the ERO SEL capital investment, NERC is projected to borrow approximately \$700k in 2021 to fund the carryover costs. The total borrowing for the ERO SEL project in 2020 and 2021 will be at or below the total amount of \$2.0 million approved by the NERC Board of Trustees for the project initial investment.

### **Reserve Increase (Decrease)**

- Total projected reserve decrease is \$2.9M versus a budgeted decrease of \$1.7M, for a difference of \$1.2M, which is primarily comprised of the \$1.0M unbudgeted use of CRISP reserves for operational technology pilot project costs and the unbudgeted use of \$200k of System Operator reserves. The remaining \$1.7M decrease of Operating Contingency Reserves is on budget.



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

				<b>Over</b>
<u>FUNDING</u>	<u>Actual</u>	<u>Budget</u>		<u>(Under)</u>
Revenues	\$ 20.2	\$ 20.3	\$	(0.1)
Funding from Reserves				
Assessment Stabilization Reserve	-	-	-	-
<b>TOTAL FUNDING</b>	<b>\$ 20.2</b>	<b>\$ 20.3</b>	<b>\$</b>	<b>(0.1)</b>
<u>EXPENDITURES</u>				
Expenses (excluding Depreciation)	\$ 18.5	\$ 20.4	\$	(1.9)
Fixed Asset Additions	0.5	0.7		(0.2)
Net Financing Activity	0.2	0.2		-
<b>TOTAL EXPENDITURES</b>	<b>\$ 19.2</b>	<b>\$ 21.3</b>	<b>\$</b>	<b>(2.1)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1.0</b>	<b>\$ (1.0)</b>	<b>\$</b>	<b>2.0</b>

**Funding**

- Revenues
  - Close to budget year-to-date.

**Expenditures**

- Expenses (excluding depreciation)
  - Meeting and Travel expenses are under budget because of reduced in-person meetings and lower employee travel due to the pandemic.
  - Contracts and Consultants expenses are lower than budget mainly attributable to timing of costs versus the budget.
- Fixed Asset Additions
  - Under budget mainly due to the timing of costs versus the budget.

**Reserve Increase (Decrease)**

- Actual reserve increase is higher than budget by \$2.0 million, primarily due to the timing of expenditures and reduced in-person meeting and travel costs due to the pandemic.

## Detailed Operating Results

### Variances by Revenue and Expense Category

Total NERC (including CRISP)

	YTD Actual	YTD Budget	YTD Over (Under)	% Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)	% Over (Under)
<b>TOTAL FUNDING</b>	<b>\$ 20,215,424</b>	<b>\$ 20,293,576</b>	<b>\$ (78,153)</b>	<b>(0.4%)</b>	<b>\$ 80,773,449</b>	<b>\$ 81,155,550</b>	<b>\$ (382,101)</b>	<b>(0.5%)</b>
<b>EXPENDITURES</b>								
Personnel	\$ 12,416,629	\$ 12,570,161	\$ (153,532)	(1.2%)	\$ 48,466,045	\$ 48,189,435	\$ 276,610	0.6%
Meetings and Travel	50,534	550,437	(499,903)	(90.8%)	1,025,513	2,201,748	(1,176,235)	(53.4%)
Consultants and Contracts	2,134,931	3,172,953	(1,038,023)	(32.7%)	13,984,290	12,691,813	1,292,477	10.2%
Office Rent	891,514	900,861	(9,347)	(1.0%)	3,603,442	3,603,442	-	0.0%
Office Costs, Professional, and Misc.*	2,964,044	3,117,760	(153,716)	(4.9%)	12,997,074	12,471,039	526,035	4.2%
Other Non-Operating	16,731	32,415	(15,684)	(48.4%)	129,661	129,661	-	0.0%
Fixed Asset Additions*	478,180	687,875	(209,695)	(30.5%)	3,376,250	2,751,500	624,750	22.7%
Net Financing Activity**	185,549	211,150	(25,601)	(12.1%)	144,601	844,601	(700,000)	(82.9%)
<b>TOTAL EXPENDITURES</b>	<b>\$ 19,138,112</b>	<b>\$ 21,243,612</b>	<b>\$ (2,105,500)</b>	<b>(9.9%)</b>	<b>\$ 83,726,876</b>	<b>\$ 82,883,240</b>	<b>\$ 843,636</b>	<b>1.0%</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1,077,311</b>	<b>\$ (950,036)</b>	<b>\$ 2,027,347</b>	<b>(213.4%)</b>	<b>\$ (2,953,427)</b>	<b>\$ (1,727,689)</b>	<b>\$ (1,225,738)</b>	<b>70.9%</b>
<b>FTEs</b>	<b>207.0</b>	<b>213.4</b>	<b>(6.3)</b>	<b>(3.0%)</b>	<b>210.4</b>	<b>213.4</b>	<b>(3.0)</b>	<b>(1.4%)</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 summary of variances by category:

- Meetings and Travel expenses are under budget and expected to be under budget at year-end from reduced in-person meetings and travel due to the pandemic.
- Contracts and Consultants expenses are under budget mainly attributable to timing of costs versus the budget and are expected to be over budget at year-end primarily due to the CRISP operational technology pilot program costs that were budgeted for in 2020 but will be spent in 2021 (and funded with CRISP reserves), as well as costs for workforce development and internal audit support.

CONTRACTS and CONSULTANTS	YTD	YTD	YTD	%	Annual	Annual	Annual	%
	Actual	Budget	Over (Under)	Over (Under)	Projection	Budget	Over (Under)	Over (Under)
Reliability Standards and Risk Issue Management	\$ 45,919	\$ 28,638	\$ 17,281	60.3%	\$ 258,146	\$ 114,552	\$ 143,594	125.4%
Compliance Assurance	-	12,500	(12,500)	(100.0%)	50,000	50,000	-	0.0%
Registration and Certification	10,440	9,888	552	5.6%	39,743	39,552	191	0.5%
Compliance Enforcement	-	17,250	(17,250)	(100.0%)	50,000	69,000	(19,000)	(27.5%)
BPS Security and Grid Transformation	-	-	-	0.0%	-	-	-	0.0%
Reliability Assessment and Technical Committees	10,440	14,888	(4,448)	(29.9%)	59,743	59,552	191	0.3%
Advanced System Analytics and Modeling & Power System Analysis	25,000	41,250	(16,250)	(39.4%)	165,000	165,000	-	0.0%
Performance Analysis	25,740	44,663	(18,923)	(42.4%)	180,696	178,651	2,045	1.1%
Situation Awareness	-	3,750	(3,750)	(100.0%)	15,000	15,000	-	0.0%
Event Analysis	19,260	28,898	(9,638)	(33.4%)	115,590	115,590	-	0.0%
E-ISAC	532,909	599,980	(67,071)	(11.2%)	2,558,901	2,399,918	158,983	6.6%
Training, Education and Personnel Certification	55,407	139,663	(84,256)	(60.3%)	494,650	558,650	(64,000)	(11.5%)
General and Administrative and Executive	-	-	-	0.0%	-	-	-	0.0%
Legal and Regulatory	-	52,500	(52,500)	(100.0%)	445,000	210,000	235,000	111.9%
External Affairs	25,260	5,000	20,260	405.2%	69,480	20,000	49,480	247.4%
Information Technology	356,303	408,906	(52,604)	(12.9%)	1,477,815	1,635,625	(157,810)	(9.6%)
Human Resources and Administration	94,413	152,500	(58,087)	(38.1%)	905,000	610,000	295,000	48.4%
Finance and Accounting	7,772	31,250	(23,478)	(75.1%)	125,000	125,000	-	0.0%
<b>TOTAL (excluding CRISP)</b>	<b>\$ 1,208,862</b>	<b>\$ 1,591,523</b>	<b>\$ (382,661)</b>	<b>(24.0%)</b>	<b>\$ 7,009,765</b>	<b>\$ 6,366,090</b>	<b>\$ 643,675</b>	<b>10.1%</b>
CRISP	926,069	1,581,431	(655,362)	(41.4%)	6,974,525	6,325,723	648,802	10.3%
<b>TOTAL (including CRISP)</b>	<b>\$ 2,134,931</b>	<b>\$ 3,172,953</b>	<b>\$ (1,038,023)</b>	<b>(32.7%)</b>	<b>\$ 13,984,290</b>	<b>\$ 12,691,813</b>	<b>\$ 1,292,477</b>	<b>10.2%</b>

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

## Variations by Department

DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	YTD	YTD	YTD	%	Annual	Annual	Annual	%
	Actual	Budget	Over (Under)	Over (Under)	Projection	Budget	Over (Under)	Over (Under)
Reliability Standards and Risk Issue Management	\$ 942,143	\$ 936,148	\$ 5,995	0.6%	\$ 3,976,716	\$ 3,627,620	\$ 349,096	9.6%
Compliance Assurance	1,515,519	1,689,641	(174,122)	(10.3%)	6,049,647	6,508,460	(458,813)	(7.0%)
Registration and Certification	311,115	328,501	(17,386)	(5.3%)	1,166,936	1,248,210	(81,274)	(6.5%)
Compliance Enforcement	950,062	1,082,266	(132,204)	(12.2%)	4,282,167	4,244,467	37,700	0.9%
Power System Analysis	81,813	72,124	9,690	13.4%	481,383	428,239	53,144	12.4%
Reliability Assessment and Technical Committees	457,524	514,000	(56,476)	(11.0%)	1,874,838	1,957,274	(82,436)	(4.2%)
Advanced System Analytics and Modeling & Power System Analysis	527,534	650,443	(122,909)	(18.9%)	2,177,236	2,503,640	(326,404)	(13.0%)
Performance Analysis	376,831	401,197	(24,366)	(6.1%)	1,662,800	1,665,414	(2,614)	(0.2%)
Situation Awareness	620,157	715,721	(95,565)	(13.4%)	3,006,133	2,790,692	215,441	7.7%
Event Analysis	523,074	633,923	(110,849)	(17.5%)	1,964,640	2,389,731	(425,090)	(17.8%)
E-ISAC	3,096,021	3,245,547	(149,527)	(4.6%)	12,512,884	12,698,677	(185,793)	(1.5%)
Training, Education and Personnel Certification	305,284	415,884	(110,600)	(26.6%)	1,565,235	1,635,119	(69,884)	(4.3%)
General and Administrative and Executive	2,091,021	2,148,817	(57,796)	(2.7%)	8,700,933	8,445,444	255,489	3.0%
Legal and Regulatory	1,084,906	1,220,429	(135,524)	(11.1%)	4,815,146	4,631,911	183,235	4.0%
External Affairs	763,149	755,029	8,120	1.1%	2,945,036	2,859,325	85,711	3.0%
Information Technology	3,202,188	3,312,711	(110,523)	(3.3%)	12,935,806	12,936,602	(796)	(0.0%)
Human Resources and Administration	627,524	709,868	(82,344)	(11.6%)	3,054,803	2,775,720	279,082	10.1%
Finance and Accounting	487,693	530,574	(42,881)	(8.1%)	2,073,793	2,052,043	21,750	1.1%
<b>TOTAL (excluding CRISP)</b>	<b>\$ 17,963,559</b>	<b>\$ 19,362,824</b>	<b>\$ (1,399,265)</b>	<b>(7.2%)</b>	<b>\$ 75,246,132</b>	<b>\$ 75,398,589</b>	<b>\$ (152,457)</b>	<b>(0.2%)</b>
CRISP	1,174,553	1,880,788	(706,235)	(37.5%)	8,480,744	7,484,651	996,093	13.3%
<b>TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY</b>	<b>\$ 19,138,112</b>	<b>\$ 21,243,612</b>	<b>\$ (2,105,500)</b>	<b>(9.9%)</b>	<b>\$ 83,726,876</b>	<b>\$ 82,883,240</b>	<b>\$ 843,636</b>	<b>1.0%</b>

Following is a brief summary of significant variances by department:

- Reliability Standards and Risk Issue Management – Expected to be over budget in personnel costs related to the repurposing of one FTE from the Advanced System Analytics and Modeling & Power System Analysis department and higher than budgeted contractor costs.
- Advanced System Analytics and Modeling & Power System Analysis – Projected to be under budget primarily due to the repurposing of one FTE to the Reliability Standards and Risk Issue Management department.
- Compliance Assurance – Projected to be under budget mainly because of lower personnel costs due to the repurposing of one position, as well as lower meeting and travel expenses.
- Event Analysis – Expected to be under budget primarily due to lower personnel expenses because of the transfer of an open FTE position to Situation Awareness.
- CRISP – Under budget year-to-date mainly due to the timing of costs versus the budget for contractor costs and is expected to be over budget because of the operational technology pilot program costs that were budgeted for in 2020 but will be spent in 2021 (and funded with CRISP reserves).

## Supplemental Schedules

### Schedule 1 – Year-End Projected Reserves

Reserve Account	1/1/2021		Unbudgeted Funding/(Use)	Operating and Financing Activity Versus Budget <sup>(3)</sup>	12/31/2021
	Beginning Balance <sup>(1)</sup>	Budgeted Funding/(Use) <sup>(2)</sup>			Ending Balance
Operating Contingency	\$ 7,982,913	\$ (1,800,000)	\$ -	\$ 112,193	\$ 6,295,106
Future Obligations	1,657,901	(551,600)	-	-	1,106,301
Assessment Stabilization	2,521,000	-	-	-	2,521,000
System Operator	996,220	-	-	(216,071)	780,150
CRISP (Defense Fund)	500,000	-	-	-	500,000
CRISP (Special Projects)	1,049,549	-	-	(1,049,549)	-
<b>Total Reserves</b>	<b>\$ 14,707,584</b>	<b>\$ (2,351,600)</b>	<b>\$ -</b>	<b>\$ (1,153,427)</b>	<b>\$ 11,202,557</b>

**NOTES:**

(1) 2021 beginning balances have been adjusted from the 12/31/2020 variance report balances as the result of a reconciliation to the final audited balance sheet.

(2) The 2021 Business Plan & Budget contained a budgeted use of Operating Contingency Reserves totaling \$1,800,000 to lower assessments for costs associated with the Compliance Monitoring and Enforcement Program Align project. The Future Obligations Reserve decrease of \$551,600 is a budgeted use of deferred rent reserves to fund a portion of office lease costs.

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

## Schedule 2 – IT Projects

Projects in Progress	Project Budget <sup>(1)</sup>	Actual Spend to Date	Expected Spend	Expected Over (Under) Budget
Align (2017-2021)	\$ 7,203,000	\$ 5,441,468	\$ 7,203,000	\$ -
E-ISAC Portal Replacement	259,680	259,680	259,680	-
Mobile Device Management/Laptop Build	36,000	35,738	35,738	(262)
SAFNR Disaster Recovery	78,516	67,372	78,516	-
CRISP Dragos Operational Technology Pilot	426,000	-	426,000	-

Projects Completed in 2021	Project Budget <sup>(1)</sup>	Actual Spend <sup>(2)</sup>
Secure Evidence Locker	\$ 2,265,000	\$ 1,732,442

**NOTES:**

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

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

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

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

## Schedule 2 (continued) – IT Projects

### **Align**

(Started Q2 2017 / Planned Completion Q4 2021)

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

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

(Started Q3 2020 / Planned Completion Q2 2021)

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

### **Mobile Device Management/Laptop Build**

(Started Q1 2021 / Planned Completion Q2 2021)

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

### **SAFNR Disaster Recovery**

(Started Q3 2020 / Planned Completion Q2 2021)

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

### **CRISP Dragos Operational Technology Pilot**

(Started Q4 2020 / Planned Completion Q2 2021)

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

### **Secure Evidence Locker**

(Started Q2 2020 / Completed Q1 2021)

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

### 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	\$ 5,668,259	\$ 22,673,035	\$ 22,673,035	\$ -
Other Funding	1,781,356	7,132,068	7,148,703	(16,635)
<b>TOTAL FUNDING</b>	<b>\$ 7,449,615</b>	<b>\$ 29,805,103</b>	<b>\$ 29,821,738</b>	<b>\$ (16,635)</b>
<b>EXPENDITURES</b>				
Personnel Expense	\$ 2,362,660	\$ 9,291,909	\$ 9,463,819	\$ (171,911)
Meetings and Travel Expense	8,171	168,524	297,080	(128,556)
Operating Expenses (excluding Depreciation)	1,899,742	11,441,946	10,339,429	1,102,517
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	91,250	83,000	8,250
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 4,270,573	\$ 20,993,629	\$ 20,183,328	\$ 810,301
Indirect Expense Allocation	2,268,349	9,691,340	9,315,576	375,764
Fixed Asset Allocation	14,233	162,024	188,624	(26,600)
Net Financing Activity Allocation	52,476	135,869	134,209	1,660
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 6,605,631</b>	<b>\$ 30,982,862</b>	<b>\$ 29,821,738</b>	<b>\$ 1,161,125</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 843,984</b>	<b>\$ (1,177,759)</b>	<b>\$ 0</b>	<b>\$ (1,177,760)</b>



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

CRISP					
FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)	
Assessments	\$ 273,966	\$ 1,095,863	\$ 1,095,863	\$ -	
Other Funding	1,766,306	7,067,839	7,100,343	(32,505)	
<b>TOTAL FUNDING</b>	<b>\$ 2,040,271</b>	<b>\$ 8,163,702</b>	<b>\$ 8,196,207</b>	<b>\$ (32,505)</b>	
<b>EXPENDITURES</b>					
Personnel Expense	\$ 138,042	\$ 857,613	\$ 833,011	\$ 24,602	
Meetings and Travel Expense	178	9,631	28,939	(19,308)	
Operating Expenses (excluding Depreciation)	1,036,332	7,563,500	6,572,701	990,799	
Other Non-Operating Expenses	-	-	-	-	
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	50,000	50,000	(0)	
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-	
Total Direct Costs (excluding Depreciation and Allocations)	\$ 1,174,553	\$ 8,480,744	\$ 7,484,651	\$ 996,093	
Indirect Expense Allocation	134,516	630,618	687,687	(57,069)	
Fixed Asset Allocation	844	10,543	13,946	(3,403)	
Net Financing Activity Allocation	3,112	8,841	9,923	(1,082)	
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 1,313,025</b>	<b>\$ 9,130,746</b>	<b>\$ 8,196,207</b>	<b>\$ 934,540</b>	
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 727,246</b>	<b>\$ (967,044)</b>	<b>\$ (0)</b>	<b>\$ (967,044)</b>	

E-ISAC (excluding CRISP)					
FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)	
Assessments	\$ 5,394,293	\$ 21,577,172	\$ 21,577,172	\$ -	
Other Funding	15,051	64,230	48,360	15,870	
<b>TOTAL FUNDING</b>	<b>\$ 5,409,344</b>	<b>\$ 21,641,401</b>	<b>\$ 21,625,531</b>	<b>\$ 15,870</b>	
<b>EXPENDITURES</b>					
Personnel Expense	\$ 2,224,618	\$ 8,434,296	\$ 8,630,809	\$ (196,513)	
Meetings and Travel Expense	7,992	158,893	268,141	(109,248)	
Operating Expenses (excluding Depreciation)	863,410	3,878,445	3,766,728	111,718	
Other Non-Operating Expenses	-	-	-	-	
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	41,250	33,000	8,250	
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-	
Total Direct Costs (excluding Depreciation and Allocations)	\$ 3,096,021	\$ 12,512,884	\$ 12,698,677	\$ (185,793)	
Indirect Expense Allocation	2,133,833	9,060,722	8,627,890	432,833	
Fixed Asset Allocation	13,389	151,481	174,678	(23,197)	
Net Financing Activity Allocation	49,364	127,028	124,286	2,742	
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 5,292,606</b>	<b>\$ 21,852,116</b>	<b>\$ 21,625,531</b>	<b>\$ 226,585</b>	
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 116,737</b>	<b>\$ (210,715)</b>	<b>\$ 0</b>	<b>\$ (210,715)</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	\$ 18,395,184	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.04%
SOCCEd Account Sweep	1,739,296	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.04%
CRISP Account Sweep	7,322,592	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.04%
<u>Total Cash Sweep Accounts</u>	<u>\$ 27,457,072</u>				
<u>Investment Account</u>					
Reserve Funds	\$ 8,471,567	GRTXX	Federated Hermes Government Obligations Fund	AAAm	0.02%
<u>Total Investments</u>	<u>\$ 8,471,567</u>				

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

March 31, 2021

The ERO Enterprise was under budget \$2.5M (4.8%) for combined expense and fixed asset (capital) spending and net financing activity. The budget variances ranged from 9.9% under budget to 6.5% over budget. The year-end projection for the ERO Enterprise is to be near budget.

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

Entity	2021 YTD		Over (Under)		2021 Year-End		Over (Under)	
	Actual	Budget	\$	%	Projected	Budgeted	\$	%
NERC	\$ 19,138,113	\$ 21,243,612	\$ (2,105,499)	(9.9%)	\$ 83,726,876	\$ 82,883,238	\$ 843,638	1.0%
MRO	4,903,678	4,603,051	300,628	6.5%	18,515,661	18,412,202	103,459	0.6%
NPCC	3,858,892	4,051,492	(192,600)	(4.8%)	16,245,328	16,440,649	(195,321)	(1.2%)
RF	6,087,322	6,414,851	(327,529)	(5.1%)	24,058,091	24,785,492	(727,401)	(2.9%)
SERC	6,055,991	6,043,806	12,185	0.2%	25,829,079	25,829,078	1	0.0%
Texas RE	3,413,163	3,311,295	101,868	3.1%	14,211,538	14,211,538	-	0.0%
WECC	6,797,292	7,113,044	(315,752)	(4.4%)	28,658,613	28,605,029	53,584	0.2%
	<b>\$ 50,254,451</b>	<b>\$ 52,781,151</b>	<b>\$ (2,526,700)</b>	<b>(4.8%)</b>	<b>\$ 211,245,186</b>	<b>\$ 211,167,226</b>	<b>\$ 77,960</b>	<b>0.0%</b>

- NERC was under budget \$2.1M (9.9%) primarily as a result of reduced in-person meetings and lower employee travel due to the pandemic and timing of contracts and consultants expenses and fixed asset expenditures. The company expects to be over budget \$844k (1.0%) at year-end, which is primarily related to CRISP operational technology pilot program costs that were budgeted for in 2020 but for which the costs will be incurred in 2021 (and funded with money collected from and reserved by the CRISP participants in 2020).
- MRO was over budget \$301k (6.5%), which is attributable primarily to fixed asset purchases related to MRO's office expansion. The company expects to be over budget \$104k (0.6%) at year-end primarily due to the incurred costs from the office expansion. Working capital savings realized in 2020 are being used to cover costs related to the office expansion.
- NPCC was under budget \$193k (4.8%) 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 \$195k (1.2%) at year-end due to lower meetings and travel expenses.
- RF was under budget \$328k (5.1%) largely due to the cancellation and reduction of meeting and travel activities due to the pandemic and budget to actual timing differences in computer hardware and software projects. The company expects to be under budget \$727k (2.9%) at year-end, which is mainly attributed to the reduction in travel and meetings directly impacted by the pandemic, which are expected to continue through the majority of the year.

- SERC was near budget. The company expects no variance to budget at year-end.
- Texas RE was over budget \$102k (3.1%) largely as a result of executive coaching and consulting fees for new software. The company expects to be within budget at year-end.
- WECC was under budget \$316k (4.4%) primarily due to the net of an underrun in meeting and travel expenses and an overrun in personnel expenses. The company expects to be near budget 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 over budget \$95k (0.3%), ranging from 2.3% under budget to 2.9% over budget. The ERO Enterprise was under budget in FTEs by 12.7 (1.8%). The year-end projection for ERO Enterprise personnel expenses is to be over budget 1.2%, with FTEs over budget 0.2%. Significant variances are explained below.

Entity	Personnel Expenses					FTEs*				
	2021 YTD	2021 YTD	Over (Under)		Projected	2021 YTD	2021 YTD	Over (Under)		Projected
	Actual	Budget	\$	%	Year-End Variance	Actual	Budget	\$	%	Year-End Variance
NERC	\$ 12,416,629	\$ 12,570,161	\$ (153,532)	(1.2%)	0.6%	207.0	213.4	(6.3)	(3.0%)	(1.4%)
MRO	3,374,786	3,320,934	53,851	1.6%	0.0%	64.0	66.0	(2.0)	(3.0%)	0.0%
NPCC	2,878,968	2,946,894	(67,926)	(2.3%)	4.8%	41.2	42.1	(0.9)	(2.1%)	3.6%
RF	5,526,086	5,507,037	19,049	0.3%	(0.1%)	83.8	84.4	(0.6)	(0.7%)	0.0%
SERC	5,014,401	4,982,497	31,904	0.6%	1.2%	96.0	100.0	(4.0)	(4.0%)	0.0%
Texas RE	2,727,430	2,672,119	55,311	2.1%	0.0%	63.0	63.0	-	0.0%	0.0%
WECC	5,556,947	5,401,097	155,850	2.9%	3.4%	144.2	143.0	1.2	0.8%	1.8%
	<b>\$ 37,495,246</b>	<b>\$ 37,400,739</b>	<b>\$ 94,507</b>	<b>0.3%</b>	<b>1.2%</b>	<b>699.2</b>	<b>711.8</b>	<b>(12.7)</b>	<b>(1.8%)</b>	<b>0.2%</b>

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

- NPCC was under budget \$68k (2.3%) mainly as a result of one open position during the first quarter and lower-than-budgeted insurance premiums due to cost savings resulting from consolidating carriers. The company expects to be over budget \$546k (4.8%) at year-end due to retaining three additional compliance FTEs in 2021 to replace the use of independent contractors in compliance auditing activities. These increased personnel expenses in the compliance program area will be offset by decreased consultants and contracts expense. In the IT program area, NPCC will retain one additional FTE during 2021 to support IT security posture improvements.
- Texas RE was over budget \$55k (2.1%) largely as a result of market adjustments and promotions that were done after the budget was prepared. The company expects to be within budget at year-end predominately due to (1) lower-than-expected health benefits premium increases and (2) savings and retirement costs being less than budget due to forfeiture funds being used to fund the account when available.

- WECC was over budget \$156k (2.9%) primarily due to a net of lower-than-anticipated vacancy rates and health reimbursements. The company expects to be over budget \$776k (3.4%) at year-end for this same reason.

### Meetings, Conference Calls, and Travel Expenses

For the ERO Enterprise, meetings, conference calls, and travel expenses were collectively under budget \$1.8M (95.6%). All entities except Texas RE were under budget and expect to be under budget at year-end because of decreased meeting and travel expenses due to the pandemic. Texas RE was over budget \$1,123 (31.6%) but expects to be at budget at year-end since all travel expenses are budgeted in Q4. The year-end projection for the ERO Enterprise is to be under budget 48.1%.

#### Meetings, Conference Calls, and Travel Expenses

Entity	2021 Budget	Meetings & Conference Calls		2021 Actual	Over (Under)		Projected Year-End Variance to Budget
		Over (Under)	Travel Over (Under)		\$	%	
NERC	\$ 550,437	\$ (176,579)	\$ (323,324)	\$ 50,534	\$ (499,903)	(90.8%)	(53.4%)
MRO	240,817	(51,006)	(189,295)	516	(240,301)	(99.8%)	(24.9%)
NPCC	181,714	(31,718)	(145,143)	4,852	(176,862)	(97.3%)	(62.2%)
RF	219,320	(63,475)	(149,284)	6,561	(212,759)	(97.0%)	(70.7%)
SERC	211,645	(54,267)	(148,547)	8,831	(202,814)	(95.8%)	(28.5%)
Texas RE	3,550	442	681	4,673	1,123	31.6%	0.0%
WECC	499,724	(221,230)	(270,079)	8,415	(491,309)	(98.3%)	(59.9%)
	<b>\$ 1,907,207</b>	<b>\$ (597,833)</b>	<b>\$ (1,224,991)</b>	<b>\$ 84,382</b>	<b>\$ (1,822,825)</b>	<b>(95.6%)</b>	<b>(48.1%)</b>

### 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 \$1.5M (12.1%). The year-end projection for the ERO Enterprise is to be over budget 2.8%. Significant variances are explained below.

#### Operating Expenses

Entity	2021 Budget	Contracts & Consulting Expenses					2021 Actual	Over (Under)		Projected Year-End Variance to Budget
		Over (Under)	Office Rent Over (Under)	Office Costs Over (Under)	Professional Services Over (Under)	Miscellaneous Over (Under)		\$	%	
NERC	\$ 7,191,574	\$(1,038,022)	\$ (9,347)	\$ (91,515)	\$ (49,032)	\$ (13,168)	\$ 5,990,490	\$ (1,201,084)	(16.7%)	6.3%
MRO	978,800	(244,375)	(75,586)	(51,708)	54,835	-	661,966	(316,834)	(32.4%)	(8.1%)
NPCC	996,383	54,868	(16,637)	28,813	16,194	(9,289)	1,070,333	73,950	7.4%	(2.4%)
RF	588,494	(30,632)	(17,683)	(46,162)	64,165	(3,507)	554,675	(33,819)	(5.7%)	(0.3%)
SERC	849,664	(56,127)	(4,913)	24,067	93,964	-	906,655	56,991	6.7%	(1.6%)
Texas RE	635,626	18,588	26,536	2,076	(1,765)	-	681,060	45,434	7.1%	0.0%
WECC	1,364,082	(188,130)	(14)	22,695	17,730	-	1,216,363	(147,719)	(10.8%)	2.6%
	<b>\$ 12,604,622</b>	<b>\$(1,483,829)</b>	<b>\$ (97,645)</b>	<b>\$ (111,734)</b>	<b>\$ 196,091</b>	<b>\$ (25,964)</b>	<b>\$ 11,081,542</b>	<b>\$ (1,523,081)</b>	<b>(12.1%)</b>	<b>2.8%</b>

- NERC was under budget \$1.2M (16.7%) primarily due to timing of contracts and consultants costs versus the budget. The company expects to be over budget \$1.8M (6.3%) at year-end primarily

due to CRISP operational technology pilot program costs that were budgeted for in 2020 but will be spent in 2021 (and funded with CRISP reserves).

- MRO was under budget \$317k (32.4%), which is attributable primarily to the continued impacts of the pandemic. The company expects to be under budget \$317k (8.1%) at year-end for this same reason.
- NPCC was over budget \$74k (7.4%) due to the timing of the use of independent contractors for compliance engagements and improvements to IT security and infrastructure. The company expects to be under budget \$102k (2.4%) at year-end. These decreased consultants and contracts expenses resulting from NPCC replacing the use of independent contractor compliance auditors with FTEs will be partially offset by increased IT expenses related to data protection, identity and access management, and security monitoring.
- RF was under budget \$34k (5.7%) largely due to timing differences in office costs and contracts and consultants, partially offset by an unbudgeted search fee for an independent director. The company expects to be close to budget at year-end due to the expectation that projects will be completed throughout the remainder of the year.
- SERC was over budget \$57k (6.7%) primarily because of timing related to actual independent director fees. The company expects to be under budget \$67k (1.6%) at year-end mainly because of lower office costs associated with the temporary office closure due to the pandemic.
- Texas RE was over budget \$45k (7.1%) largely as a result of consulting fees for executive coaching and software training. Rent was slightly higher than budget due to higher utilities resulting from the winter storm. The company expects to be at budget at year-end.
- WECC was under budget \$148k (10.8%) primarily due to the net of timing differences of IT consulting and lower-than-expected costs for organizational development consulting. The company expects to be over budget \$130k (2.6%) at year-end due to higher-than-budgeted office costs and professional services expenses.

### **Indirect Expense Allocation**

NPCC and WECC allocate overhead expenses to their non-statutory functions. Through the first quarter, NPCC allocated \$3k (3.2%) more than budgeted and WECC allocated \$32k (18.4%) less than budgeted. At year-end, NPCC expects to allocate as budgeted and WECC expects to allocate \$73k (10.6%) less than budgeted.

### **Fixed Asset (Capital) Additions**

For the ERO Enterprise, fixed asset (capital) additions were over budget \$738k (82.5%). The year-end projection for the ERO Enterprise is to be over budget \$1.7M (45.0%). Significant variances are explained below.

Entity	Fixed Asset Additions							
			Over (Under)				Over (Under)	
	2021 YTD Actual	2021 YTD Budget	\$	%	2021 Year-End Projected	2021 Year-End Budgeted	\$	%
NERC	\$ 478,180	\$ 687,875	\$ (209,695)	(30.5%)	\$ 3,376,250	\$ 2,751,500	\$ 624,750	22.7%
MRO	866,411	62,500	803,911	1286.3%	910,594	250,000	660,594	264.2%
NPCC	4,869	23,500	(18,631)	(79.3%)	116,000	94,000	22,000	23.4%
RF	-	100,000	(100,000)	(100.0%)	217,500	217,500	-	0.0%
SERC	126,104	-	126,104	0.0%	429,564	200,000	229,564	114.8%
Texas RE	-	-	-	0.0%	50,000	50,000	-	0.0%
WECC	155,827	20,000	135,827	679.1%	210,828	98,527	112,301	114.0%
	<b>\$ 1,631,391</b>	<b>\$ 893,875</b>	<b>\$ 737,516</b>	<b>82.5%</b>	<b>\$ 5,310,736</b>	<b>\$ 3,661,527</b>	<b>\$ 1,649,209</b>	<b>45.0%</b>

- NERC was under budget \$210k (30.5%) primarily due to the timing of costs versus the budget. The company expects to be over budget \$625k (22.7%) at year-end as a result of the timing of approximately \$700k in expenditures for the ERO Secure Evidence Locker (SEL) project that were approved to be spent and financed in 2020, but will be incurred and financed in 2021.
- MRO was over budget \$804k (1286.3%), which is attributable primarily to costs incurred for an office expansion that completed in the first quarter. The company expects to be over budget \$661k (264.2%) at year-end for this same reason. The company plans to use working capital savings realized in 2020 to cover the overspend in fixed assets.
- NPCC was under budget \$19k (79.3%) due to the timing of planned fixed asset additions. The company expects to be over budget \$22k (23.4%) at year-end due to costs related to IT equipment and software development for the configuration of risk compliance software.
- RF was under budget \$100k (100.0%) due to the difference in timing of when projects were budgeted and when they will be completed. The company expects to be equal to budget at year-end.
- SERC was over budget \$126k primarily because of timing of certain IT projects budgeted in Q4. The company expects to be over budget \$230k (114.8%) at year-end due to an accelerated timeline for the Member Portal Consolidation project.
- WECC was over budget \$136k (679.1%) primarily due to unbudgeted improvements to the Salt Lake City office and meeting space. Most of the variance will be reimbursed by the landlord through a negotiated tenant improvement allowance in 2021. The company expects to be over budget \$112k (114.0%) at year-end for this same reason.

### Net Financing Activity

NERC is the only entity in the ERO Enterprise with financing activity, which consists of loan borrowing, lease financing, and principal debt service repayment for major ERO software projects such as Align and the ERO SEL, and leased audio visual and information technology equipment.

NERC expects to be under budget \$700k in Net Financing Activity at year end, which means it projects to receive \$700k (82.9%) more in loan proceeds than budgeted. The 2021 Net Financing Activity budget did not contemplate loan proceeds, but due to the timing of expenditures on the ERO SEL capital investment, NERC is projected to borrow \$700k in 2021 to fund the carryover costs from 2020. The total borrowing for the ERO SEL project in 2020 and 2021 will be at or below the total amount of \$2.0 million approved by the NERC Board of Trustees for the initial project investment.

### **Total ERO Enterprise Reserves**

Prior Total ERO Enterprise Summary of Unaudited Results (ERO Quarterly Variance Reports) have 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.

### **2021 Total Reserve Summary**

The ERO Enterprise began the year with \$71.1M in total reserves, including \$37.1M in WCOCR, \$24.3M in ASR and Unreleased Penalties, and \$9.7M in Other Reserves.

The ERO Enterprise projects to end the year with \$56.2M in total reserves, including \$35.2M in WCOCR, \$14.8M in ASR and Unreleased Penalties and \$6.2M in Other Reserves. The WCOCR projected for the end of the year is 16.7% of the 2021 ERO Enterprise combined budget, or 2.0 months of operating expenses. The total reserves projected for the end of the year represents 26.6% of the 2021 ERO Enterprise combined budget, or 3.2 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 - 2021 Projected**

*\$ - millions*

Entity	Beginning WCOCR <sup>(1)</sup>	Beginning ASR <sup>(2)</sup> & Unreleased Penalties	Beginning Other Reserves	1/1/2021 Beginning Total Reserves	Projected Ending WCOCR <sup>(1)</sup>	Projected Ending ASR <sup>(2)</sup> & Unreleased Penalties	Projected Ending Other Reserves	12/31/2021 Projected Ending Total Reserves	Total 2021 Budget	% of Reserves to 2021 Total Budget
<b>NERC</b>	\$ 8.1	\$ 2.5	\$ 4.1	\$ 14.7	\$ 6.3	\$ 2.5	\$ 2.4	\$ 11.2	\$ 82.9	13.5%
<b>MRO</b>	5.9	2.6	-	8.5	4.3	2.7	-	7.0	18.4	38.0%
<b>NPCC</b>	5.6	0.6	0.6	6.8	5.1	0.6	-	5.7	16.4	34.8%
<b>RF</b>	4.0	6.4	-	10.4	7.1	2.2	-	9.3	24.8	37.5%
<b>SERC</b>	2.9	4.8	-	7.7	2.1	3.4	-	5.5	25.8	21.3%
<b>Texas RE</b>	2.0	1.6	1.2	4.8	2.0	0.5	-	2.5	14.2	17.6%
<b>WECC</b>	8.6	5.8	3.8	18.2	8.3	2.9	3.8	15.0	28.6	52.4%
	<b>\$ 37.1</b>	<b>\$ 24.3</b>	<b>\$ 9.7</b>	<b>\$ 71.1</b>	<b>\$ 35.2</b>	<b>\$ 14.8</b>	<b>\$ 6.2</b>	<b>\$ 56.2</b>	<b>\$ 211.1</b>	<b>26.6%</b>

<sup>(1)</sup> WCOCR - Working Capital & Operating Contingency Reserve - Projected 12/31/21 WCOCR is 16.7% of annual 2021 budget, or 2.0 months of budgeted expenses

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

<sup>(3)</sup> Projected 12/31/21 total reserve balance is 26.6% of annual 2021 budget, or 3.2 months of budgeted operating expenses



*Lam Chung, Corporate Treasurer*

*P: 651.256.5187*

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

April 20, 2021

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

RE: Unaudited Midwest Reliability Organization (MRO) 2021 First Quarter Statement of Activity – Cash Flow through March 31, 2021

Dear Mr. Sharp:

MRO experienced variances greater than \$10,000 and 10 percent. First quarter results indicate that MRO's budget is over spent by 6.5 percent.

**Meeting Expenses (Variance of \$240,301 (99.8%) under budget)**

Meetings and travel continued to be impacted in this first quarter by COVID-19. MRO uses virtual means to conduct meetings. In-person meetings and travel will be re-evaluated after first quarter 2021.

**Operating Expenses (Variance of \$316,834 (32.4%) under budget)**

There is reduced spending in consulting, contracts, and office costs due to COVID-19. As staff continues to work through remote capability, much of the cost to maintain onsite operations remains low through the first quarter. Internal IT staff continue to maintain MRO's virtual environment.

**Fixed Assets (Variance of \$803,911 (1286.3%) over budget)**

Unbudgeted costs of a board-approved office expansion to accommodate increased staff and physical distancing materialized in the first quarter of 2021. Working capital savings from 2020 are expected to be used to pay for office expansion costs.

**Budget Outlook**

The 2021 budget anticipates expenses to be within 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  
3/31/2021  
PRELIMINARY (Unaudited)**

(In Whole Dollars)

	2021 YTD Actual	2021 YTD Budget	2021 YTD Variance	%	Projected 2021 End Of Year	2021 Budget	2021 Variance	%
<b>Funding</b>								
<b>ERO Funding</b>								
ERO Assessments	\$ 4,245,813	\$ 4,245,813	-		\$ 16,983,251	\$ 16,983,251	-	
Penalty Sanctions	90,126	90,126	-		360,504	360,504	-	
<b>A. Total ERO Funding</b>	<b>\$ 4,335,940</b>	<b>\$ 4,335,939</b>	<b>\$ -</b>		<b>\$ 17,343,755</b>	<b>\$ 17,343,755</b>	<b>\$ -</b>	
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	\$ 2,540,603	\$ 2,514,816	25,787		\$ 10,059,263	\$ 10,059,263	-	
Payroll Taxes	173,052	157,973	15,079		631,892	631,892	-	
Benefits	229,029	266,094	(37,064)		1,064,374	1,064,374	-	
Retirement Costs	432,102	382,052	50,050		1,528,208	1,528,208	-	
<b>Total Personnel Expenses</b>	<b>\$ 3,374,786</b>	<b>\$ 3,320,934</b>	<b>\$ 53,851</b>	<b>1.6%</b>	<b>\$ 13,283,737</b>	<b>\$ 13,283,737</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Meeting Expenses</b>								
Meetings & Conference Calls	\$ 219	\$ 51,225	(51,006)		\$ 153,894	\$ 204,900	(51,006)	
Travel	297	189,592	(189,295)		569,072	758,367	(189,295)	
<b>Total Meeting Expenses</b>	<b>\$ 516</b>	<b>\$ 240,817</b>	<b>\$ (240,301)</b>	<b>-99.8%</b>	<b>\$ 722,966</b>	<b>\$ 963,267</b>	<b>\$ (240,301)</b>	<b>-24.9%</b>
<b>Operating Expenses</b>								
Consultants & Contracts	\$ 90,551	\$ 334,925	(244,375)		\$ 1,095,326	\$ 1,339,701	(244,375)	
Office Rent	216,589	292,175	(75,586)		1,093,114	1,168,700	(75,586)	
Office Costs	170,117	221,824	(51,708)		835,589	887,297	(51,708)	
Professional Services	184,710	129,875	54,835		574,335	519,500	54,835	
<b>Total Operating Expenses</b>	<b>\$ 661,966</b>	<b>\$ 978,800</b>	<b>\$ (316,834)</b>	<b>-32.4%</b>	<b>\$ 3,598,364</b>	<b>\$ 3,915,198</b>	<b>\$ (316,834)</b>	<b>-8.1%</b>
<b>Total Direct Expenses</b>	<b>\$ 4,037,267</b>	<b>\$ 4,540,551</b>	<b>\$ (503,283)</b>	<b>-11.1%</b>	<b>\$ 17,605,067</b>	<b>\$ 18,162,202</b>	<b>\$ (557,135)</b>	<b>-3.1%</b>
<b>Indirect Expenses</b>								
<b>Other Non-Operating Expenses</b>	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
<b>B. Total Expenses</b>	<b>\$ 4,037,267</b>	<b>\$ 4,540,551</b>	<b>\$ (503,283)</b>		<b>\$ 17,605,067</b>	<b>\$ 18,162,202</b>	<b>\$ (557,135)</b>	
<b>Net Funding less Expenses (A-B)</b>	<b>\$ 298,672</b>	<b>\$ (204,612)</b>	<b>\$ 503,283</b>		<b>\$ (261,312)</b>	<b>\$ (818,447)</b>	<b>\$ 557,135</b>	
<b>C. Fixed Asset Additions, excluding Right of Use Assets</b>	<b>\$ 866,411</b>	<b>\$ 62,500</b>	<b>\$ 803,911</b>	<b>1286.3%</b>	<b>\$ 910,594</b>	<b>\$ 250,000</b>	<b>\$ 660,594</b>	<b>264.2%</b>
<b>Total Budget (B + C)</b>	<b>\$ 4,903,678</b>	<b>\$ 4,603,051</b>	<b>\$ 300,627</b>	<b>6.5%</b>	<b>\$ 18,515,661</b>	<b>\$ 18,412,202</b>	<b>\$ 103,459</b>	<b>0.6%</b>
<b>Change in Working Capital (A-B-C)</b>	<b>\$ (567,738)</b>	<b>\$ (267,112)</b>	<b>\$ (300,627)</b>		<b>\$ (1,171,906)</b>	<b>\$ (1,068,447)</b>	<b>\$ (103,459)</b>	
<b>Head Count</b>	65.00	66.00	(1.00)		66.00	66.00	-	
<b>FTEs</b>	64.00	66.00	(2.00)		66.00	66.00	-	
<b>Reserve Activity:</b>								
Beginning Reserves - 1/1/21	\$ 8,504,677	\$ 6,811,768	\$ 1,692,909		\$ 8,504,677	6,811,768	\$ 1,692,909	
Change to Working Capital	(567,738)	(267,112)	(300,626)		(1,171,906)	(1,068,447)	(103,459)	
Penalties Received	27,000	-	27,000		27,000	-	27,000	
Penalties Released	(90,126)	(90,126)	-		(360,504)	(360,504)	-	
Other Reserve Activity	-	-	-		-	-	-	
<b>Ending Reserves at 3/31/21 :</b>	<b>\$ 7,873,813</b>	<b>\$ 6,454,530</b>	<b>\$ 1,419,283</b>		<b>\$ 6,999,267</b>	<b>\$ 5,382,817</b>	<b>\$ 1,616,450</b>	
<b>Reserve Summary</b>		1/1/2021	Additions	Uses/Transfer		12/31/2021		
Working Capital & Operating Contingency		5,904,677	-	(1,603,459)		4,301,217		
Assessment Stabilization & Penalty Reserves		2,600,000	1,527,000	(1,428,951)		2,698,049		
Other Reserve Activity		-	-	-		-		
<b>Total Reserves</b>		<b>8,504,677</b>	<b>1,527,000</b>	<b>(3,032,410)</b>		<b>6,999,266</b>		



NORTHEAST POWER COORDINATING COUNCIL, INC.  
1040 AVE OF THE AMERICAS. NEW YORK, NY 10018 (212) 840-1070 FAX (212) 302-2782

April 19, 2021

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 2021 Statement of Activities

Dear Andy:

The variance comparison for the period ended March 31, 2021 is included along with Northeast Power Coordinating Council, Inc.'s unaudited First Quarter 2021 Statement of Activities.

Please do not hesitate to contact me via email at [jhala@npcc.org](mailto:jhala@npcc.org) or via telephone at (212) 840-1070 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  
Ms. Jennifer Budd Mattiello – NPCC Senior Vice President & COO  
Mr. Christopher Weir, CPA – NPCC Treasurer  
ERO Finance Group



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1040 AVE OF THE AMERICAS, NEW YORK, NY 10018 (212) 840-1070 FAX (212) 302-2782

## **NPCC Regional Entity Division Budget to Actual Variance Comparison as of March 31, 2021**

### **TOTAL EXPENSES**

For the quarter ending March 31, 2021, the NPCC Regional Entity Division is \$193k or 4.75% under budget year to date. Based on planned activities, NPCC's current full year projection (FYP) is an under budget variance of \$195k or 1.19%. The full impacts of the COVID-19 pandemic on the NPCC Region are currently unknown. It is anticipated that projections will change throughout 2021 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 2021 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.
- **Workshop Fees** (\$68k under budget FYP)  
Under budget variance is a result of NPCC's 2021 Standards and Compliance Workshops being converted to a virtual format to allow for remote participation due to continued in-person meeting and travel limitations as a result of the COVID-19 pandemic. The virtual workshops have received positive feedback and high attendance. Fees are only charged for in-person workshops in order to offset the associated expenses. There are no fees collected for virtual workshop participation.
- **Interest & Investment Income** (Actual income of \$369 year-to-date and \$41k under budget FYP)  
Interest & investment income earned from the investment of excess operating cash in a 100% U.S. Treasury Securities money market fund. NPCC allocated \$369 as a portion of total interest income (94%) to the Regional Entity Division consistent with the ratio of Regional Entity (RE) to Criteria Services (CS) Division 2021 funding. A common system of accounts, with divisional separation, is used for both RE and CS revenue tracking and financial reporting.

## EXPENSES

- **Personnel Expenses** (Variance of \$68k under budget year-to-date and \$546k over budget FYP)  
During the first quarter there was one open position in the compliance program area. NPCC will retain three additional compliance full time employees (FTEs) in 2021 to replace the use of independent contractors in compliance auditing activities. Increased personnel expenses in the compliance program area will be offset by decreased consultants and contracts expense. In the IT program area, NPCC will retain one additional FTE during 2021 to support IT security posture improvements. NPCC is currently recruiting to retain qualified technical individuals to fill these positions. In response to the COVID-19 pandemic, NPCC has adjusted recruiting and hiring procedures through the use of teleconference and video conference interviews with candidates, and remote onboarding of newly hired personnel. Current responsibilities of any open positions, in the interim, are being addressed through resource re-allocations among the existing workforce. Cost savings resulting from the consolidation of multiple insurance carriers partially offset increases in actual and projected benefits expenses.
- **Meetings and Conference Calls** (Variance of \$177k under budget year-to-date and \$661k under budget FYP)  
Under budget variance is due to continued in-person meeting and travel limitations as a result of the COVID-19 pandemic. NPCC's 2021 Standards and Compliance Workshops have been converted to a virtual format to allow for remote participation. Other meetings have also been conducted successfully via video conference and teleconference. Full year projections will be updated in subsequent quarterly variance reports.
- **Consultants and Contracts** (Variance of \$55k over budget year-to-date and \$346k under budget FYP)  
Year-to-date over budget variance is due to the timing of the use of independent contractors for virtual compliance engagements. The full year projection is based on NPCC replacing the use of independent contractor compliance auditors with FTEs.
- **Office Costs** (Variance of \$29k over budget year-to-date and \$244k over budget FYP)  
Current over budget variance and full year projection are driven by improvements to NPCC's IT security posture and infrastructure. Areas of focus include data protection, identity and access management, and security monitoring.
- **Fixed Assets** (Variance of \$19k under budget year-to-date and \$22k over budget FYP)  
Year-to-date under budget variance is primarily due to the timing of planned fixed asset additions. The full year projection includes IT equipment and software development for the configuration of risk compliance software.

*(Unaudited)  
Submitted April 19, 2021*



**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, 2021**

	2021 YTD Actual	2021 YTD Budget	2021 YTD Actual Variance from Budget Over(Under)	%	2021 Projection	2021 Annual Budget	2021 Projection Variance from Budget Over(Under)	%
<b>Funding</b>								
Assessments	3,788,646	3,788,646	-		15,154,584	15,154,584	-	
Penalties Released*	201,132	201,132	-		201,132	201,132	-	
Testing	-	-	-		-	-	-	
Services & Software	-	-	-		-	-	-	
Workshop Fees	-	-	-		-	67,500	(67,500)	
Interest & Investment Income	369	14,066	(13,697)		15,275	56,264	(40,989)	
<b>Total Funding</b>	<b>3,990,147</b>	<b>4,003,844</b>	<b>(13,697)</b>	<b>-0.34%</b>	<b>15,370,991</b>	<b>15,479,480</b>	<b>(108,489)</b>	<b>-0.70%</b>
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	2,077,327	1,995,530	81,798		8,297,656	7,982,119	315,537	
Payroll Taxes	181,625	218,596	(36,971)		546,254	485,768	60,486	
Employee Benefits	404,985	505,311	(100,326)		2,192,474	2,021,243	171,231	
Savings & Retirement	215,031	227,458	(12,427)		908,567	909,832	(1,266)	
<b>Total Personnel Expenses</b>	<b>2,878,968</b>	<b>2,946,894</b>	<b>(67,926)</b>	<b>-2.31%</b>	<b>11,944,951</b>	<b>11,398,963</b>	<b>545,989</b>	<b>4.79%</b>
<b>Meeting Expenses</b>								
Meetings & Conference Calls	4,412	36,130	(31,718)		73,200	334,400	(261,200)	
Travel	441	145,584	(145,143)		327,960	727,920	(399,960)	
<b>Total Meeting Expenses</b>	<b>4,852</b>	<b>181,714</b>	<b>(176,862)</b>	<b>-97.33%</b>	<b>401,160</b>	<b>1,062,320</b>	<b>(661,160)</b>	<b>-62.24%</b>
<b>Operating Expenses, excluding Depreciation</b>								
Consultants & Contracts	399,461	344,593	54,868		1,163,650	1,509,800	(346,150)	
Rent & Improvements	198,548	215,185	(16,637)		870,141	870,141	-	
Office Costs	238,168	209,355	28,813		1,081,420	837,420	244,000	
Professional Services	230,694	214,500	16,194		1,005,000	1,005,000	-	
Miscellaneous	3,461	12,750	(9,289)		51,000	51,000	-	
<b>Total Operating Expenses</b>	<b>1,070,333</b>	<b>996,383</b>	<b>73,950</b>	<b>7.42%</b>	<b>4,171,212</b>	<b>4,273,362</b>	<b>(102,150)</b>	<b>-2.39%</b>
Indirect Expense Allocation	(100,130)	(96,999)	(3,131)	3.23%	(387,995)	(387,995)	-	0.00%
Other Non-Operating Expenses	-	-	-	n/a	-	-	-	n/a
<b>Total Expenses</b>	<b>3,854,023</b>	<b>4,027,992</b>	<b>(173,969)</b>	<b>-4.32%</b>	<b>16,129,328</b>	<b>16,346,650</b>	<b>(217,321)</b>	<b>-1.33%</b>
<b>Change in Net Assets</b>	<b>136,124</b>	<b>(24,148)</b>	<b>160,273</b>	<b>-663.70%</b>	<b>(758,337)</b>	<b>(867,170)</b>	<b>108,832</b>	<b>-12.55%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>4,869</b>	<b>23,500</b>	<b>(18,631)</b>	<b>-79.28%</b>	<b>116,000</b>	<b>94,000</b>	<b>22,000</b>	<b>23.40%</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>3,858,892</b>	<b>4,051,492</b>	<b>(192,600)</b>	<b>-4.75%</b>	<b>16,245,328</b>	<b>16,440,650</b>	<b>(195,321)</b>	<b>-1.19%</b>
<b>Change in Working Capital (Total Funding less Total Budget)</b>	<b>131,255</b>	<b>(47,648)</b>	<b>178,904</b>	<b>-375.47%</b>	<b>(874,337)</b>	<b>(961,170)</b>	<b>86,832</b>	<b>-9.03%</b>
Equivalent Full Time Employees	41.21	42.11	(0.90)		42.55	41.09	1.46	
Headcount	44.00	43.00	1.00		47.00	43.00	4.00	
Beginning Total Reserves - 1/1/21	6,815,904	5,214,288	1,601,616		6,815,904	5,214,288	1,601,616	
Change to Working Capital	131,255	(47,648)	178,904		(874,337)	(961,170)	86,832	
Penalties Received (+)	-	-	-		-	-	-	
Penalties Released (-)	(201,132)	(201,132)	-		(201,132)	(201,132)	-	
Other Reserve Activity	-	-	-		-	-	-	
<b>Total Reserves at 12/31/21</b>	<b>6,746,027</b>	<b>4,965,508</b>	<b>1,780,519</b>		<b>5,740,435</b>	<b>4,051,986</b>	<b>1,688,448</b>	
<b>Reserve Balance Summary</b>								
Working Capital & Operating Contingency Reserves					5,172,498	3,649,118	1,523,380	
Assessment Stabilization & Penalty Reserves					567,937	402,868	165,069	
Other Reserves					-	-	-	
<b>Total Projected Reserve Balance at 12/31/2021</b>					<b>5,740,435</b>	<b>4,051,986</b>	<b>1,688,448</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 21, 2021

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

**ReliabilityFirst's 2021 1st Quarter Statement of Activities Variance Report - Unaudited**

Dear Mr. Andy Sharp:

As requested, the attached 2021 1st Quarter Statement of Activities (unaudited) provides a comparison of budgeted and actual expenses relative to the 2021 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 2021 1st Quarter Statement of Activities Variance Report - Unaudited

### Significant Variances

For the quarter ending March 31, 2021 ReliabilityFirst Corporation is \$328k (5.11%) under budget. The major contributors to this variance are:

### Budget Funding

- **Investment Income:** \$59K (474%) under budget for YTD
  - Investment Income is under budget due to a lower than anticipated decrease in value of the company's investment portfolio during the first quarter.

### Budget Expenses

- **Meeting Expenses**
  - **Total Meeting Expenses:** \$213K (97%) under budget for YTD  
Total meeting expenses are under budget due to the cancellation and reduction of travel activities as a result of the Covid 19 pandemic.
- **Operating Expenses**
  - **Contracts & Consultants:** \$31K (73%) under budget for YTD  
Contracts and Consultants expense is under budget due to less than expected contract support for compliance monitoring and HR activities during the first quarter.
  - **Rent & Utilities:** \$18K (11%) under budget for YTD  
Rent and Utilities are under budget due to the decision not to enter into a lease for additional office space that was budgeted for the year.
  - **Office Costs:** \$46K (18%) under budget for YTD  
Office Costs are under budget due to the difference in timing of when projects were budgeted and when they are completed.
  - **Professional Services:** \$64K (53%) over budget for YTD.  
Professional Services are over budget primarily due to a search fee to replace an Independent Board Member.



## RELIABILITY FIRST

- **Fixed Assets**

- **Computer Hardware & Software:** \$100K (100%) 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 due to three positions in the first quarter that have not been filled, offset partially by two overlap positions.

### Reserves

- **Working Capital Reserve**

The Working Capital Reserve of \$5,230,418 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 \$727K (2.93%) under budget. The variances in Employee Benefits, Meetings, and Travel are directly impacted by the Covid 19 pandemic, and these variances are expected to continue through the majority of the year. Rent and Utilities are expected to be under due to the decision to not enter into a lease for additional office space that was budgeted for the year. Professional Services is projected to be over budget due to the search fee to replace the Independent Board Member at the beginning of the year. Contracts & Consultants, Office Costs, Computer Hardware & Software, and Leasehold Improvements are currently projected to be equal to budget due to the expectation to complete the budgeted IT projects and office modifications throughout the remainder of the year.

- **FTE Count**

Due to the timing of the first quarter statement of activities and the limited actual data available, the year-end projections are equal to budget.

- **Reserves**

Working Capital Reserve is projected to increase by \$0.9M 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)  
From 01/01/2021 Through 03/31/2021  
(in Whole Numbers)

2021 YTD Actual	2021 YTD Budget	YTD Variance Over/(Under)	% Variance		Total 2021 Projection	Total 2021 Budget	Total 2021 Projected Variance Over/(Under)	% Projected Variance
				<b>Funding</b>				
5,691,249	5,691,249	0	0.00%	Assessments	22,764,995	22,764,995	0	0.00%
4,540,000	4,540,000	0	0.00%	Penalties Released *	4,540,000	4,540,000	0	0.00%
(46,782)	12,500	(59,282)	-474.26%	Investment Income	50,000	50,000	0	0.00%
3,500	0	3,500	0.00%	Miscellaneous Income	3,500	0	3,500	0.00%
<u>10,187,967</u>	<u>10,243,749</u>	<u>(55,782)</u>	<u>-0.54%</u>	<b>Total Funding</b>	<u>27,358,495</u>	<u>27,354,995</u>	<u>3,500</u>	<u>0.01%</u>
				<b>Expenses</b>				
				<b>Personnel Expenses</b>				
3,755,441	3,740,581	14,860	0.40%	Salaries	15,422,812	15,372,329	50,483	0.33%
304,445	307,164	(2,719)	-0.89%	Payroll Taxes	945,687	934,645	11,042	1.18%
609,217	648,872	(39,655)	-6.11%	Employee Benefits	2,174,762	2,351,930	(177,168)	-7.53%
856,983	810,420	46,563	5.75%	Savings & Retirement Costs	2,584,046	2,493,787	90,259	3.62%
<u>5,526,086</u>	<u>5,507,037</u>	<u>19,049</u>	<u>0.35%</u>	<b>Total Personnel Expenses</b>	<u>21,127,307</u>	<u>21,152,691</u>	<u>(25,384)</u>	<u>-0.12%</u>
				<b>Meeting Expenses</b>				
6,413	69,888	(63,475)	-90.82%	Meetings & Conference Calls	136,641	379,635	(242,994)	-64.01%
148	149,432	(149,284)	-99.90%	Travel	150,304	601,000	(450,696)	-74.99%
<u>6,561</u>	<u>219,320</u>	<u>(212,759)</u>	<u>-97.01%</u>	<b>Total Meeting Expenses</b>	<u>286,945</u>	<u>980,635</u>	<u>(693,690)</u>	<u>-70.74%</u>
				<b>Operating Expenses</b>				
11,294	41,926	(30,632)	-73.06%	Contracts & Consultants	324,578	324,578	0	0.00%
139,340	157,023	(17,683)	-11.26%	Rent & Utilities	564,856	628,092	(63,236)	-10.07%
216,599	262,761	(46,162)	-17.57%	Office Costs	956,776	956,776	0	0.00%
184,415	120,250	64,165	53.36%	Professional Services	536,244	481,335	54,909	11.41%
3,027	6,534	(3,507)	-53.67%	Miscellaneous	43,885	43,885	0	0.00%
<u>554,675</u>	<u>588,494</u>	<u>(33,819)</u>	<u>-5.75%</u>	<b>Total Operating Expenses</b>	<u>2,426,339</u>	<u>2,434,666</u>	<u>(8,327)</u>	<u>-0.34%</u>
0	0	0	0.00%	<b>Non-Operating Expenses</b>	0	0	0	0.00%
<u>6,087,322</u>	<u>6,314,851</u>	<u>(227,529)</u>	<u>-3.60%</u>	<b>Total Expenses</b>	<u>23,840,591</u>	<u>24,567,992</u>	<u>(727,401)</u>	<u>-2.96%</u>
4,100,645	3,928,898	171,747	4.37%	<b>Net Change in Assets</b>	<u>3,517,904</u>	<u>2,787,003</u>	<u>730,901</u>	<u>26.23%</u>
0	100,000	(100,000)	-100.00%	<b>Increase/(Decrease) in Fixed Assets</b>	217,500	217,500	0	0.00%
6,087,322	6,414,851	(327,529)	-5.11%	<b>Total Budget (Expenses + Incr/(Decr) in Fixed Assets)</b>	24,058,091	24,785,492	(727,401)	-2.93%
4,100,645	3,828,898	271,747	7.10%	<b>Change in Working Capital (Total Funding less Total Budget)</b>	3,300,404	2,569,503	730,901	28.45%
83.75	84.35	(0.60)	-0.71%	<b>FTE Count</b>	84.35	84.35	0.00	0.00%
(1,727,667)	(2,411,429)	683,762		WC - 12/31/2020	(1,727,667)	(2,411,429)	683,762	
(506,627)	0	(506,627)		Less: Adjustment for future liabilities	(506,627)	0	(506,627)	
<u>(2,234,294)</u>	<u>(2,411,429)</u>	<u>177,135</u>		Available Working Capital	<u>(2,234,294)</u>	<u>(2,411,429)</u>	<u>177,135</u>	
4,100,645	3,828,898	271,747		Change to WC - 2021	3,300,404	2,569,503	730,901	
(39,519)	(39,519)	0		Other Adjustments to Reserves	(158,074)	(158,074)	0	
<u>1,826,832</u>	<u>1,377,950</u>	<u>448,882</u>		<b>Total Working Capital</b>	<u>908,036</u>	<u>0</u>	<u>908,036</u>	
5,230,418	5,230,418	0		Working Capital Reserve	5,230,418	5,230,418	0	
1,000,000	1,000,000	0		Operating Reserve	1,000,000	1,000,000	0	
<u>8,057,250</u>	<u>7,608,368</u>	<u>448,882</u>		<b>Total Working Capital and Operating Reserve</b>	<u>7,138,454</u>	<u>6,230,418</u>	<u>908,036</u>	

\* 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).



April 14, 2021

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

RE: SERC 2021 Q1 Unaudited Financial Statement – Budget vs. Actual

Andy:

Following please find SERC's unaudited 2021 Q1 financial statement, reflecting actual to budgeted amounts with variance explanations.

If you have any questions, please let me know.

Thank you,

A handwritten signature in black ink, appearing to read 'George Krogstie', is written over a light blue horizontal line.

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 1/1/2021 Through 3/31/2021

			Variance				Variance	
	2021 YTD Actual	2021 YTD Budget	2021 YTD Actual v 2021 YTD Budget Over(Under)	%	2021 Projection	2021 Budget	2021 Projection v 2021 Budget Over(Under)	%
<b>Funding</b>								
<b>Statutory Funding</b>								
SERC Assessments	\$ 5,878,472	\$ 5,878,472	\$ -		\$ 23,513,886	\$ 23,513,886	\$ -	
Penalties Released*	295,000	295,000	-		1,180,000	1,180,000	-	
<b>Total Statutory Funding</b>	<b>\$ 6,173,472</b>	<b>\$ 6,173,472</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ 24,693,886</b>	<b>\$ 24,693,886</b>	<b>\$ -</b>	<b>0.00%</b>
Membership Fees	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Services & Software	-	-	-		-	-	-	
Workshops & Miscellaneous	-	19,500	(19,500)		87,500	175,000	(87,500)	
Interest	(1,392)	7,500	(8,892)		30,000	30,000	-	
<b>Total Funding (A)</b>	<b>\$ 6,172,080</b>	<b>\$ 6,200,472</b>	<b>\$ (28,392)</b>	<b>-0.46%</b>	<b>\$ 24,811,386</b>	<b>\$ 24,898,886</b>	<b>\$ (87,500)</b>	<b>-0.35%</b>
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	\$ 3,841,537	\$ 3,789,490	\$ 52,047		15,418,809	\$ 15,157,961	\$ 260,848	
Payroll Taxes	294,646	264,431	30,215		1,076,489	1,057,723	18,766	
Benefits	374,594	447,362	(72,768)		1,843,802	1,920,038	(76,236)	
Retirement Costs	503,624	481,214	22,410		1,958,019	1,924,857	33,162	
<b>Total Personnel Expenses</b>	<b>\$ 5,014,401</b>	<b>\$ 4,982,497</b>	<b>\$ 31,904</b>	<b>0.64%</b>	<b>\$ 20,297,119</b>	<b>\$ 20,060,580</b>	<b>\$ 236,539</b>	<b>1.18%</b>
<b>Meeting Expenses</b>								
Meetings & Conference Calls	\$ 7,584	\$ 61,851	\$ (54,267)		\$ 352,268	\$ 415,308	\$ (63,040)	
Travel	1,247	149,794	(148,547)		649,510	985,632	(336,122)	
<b>Total Meeting Expenses</b>	<b>\$ 8,831</b>	<b>\$ 211,645</b>	<b>\$ (202,814)</b>	<b>-95.83%</b>	<b>\$ 1,001,778</b>	<b>\$ 1,400,940</b>	<b>\$ (399,162)</b>	<b>-28.49%</b>
<b>Operating Expenses, excluding Depreciation</b>								
Consultants & Contracts	\$ 337,265	\$ 393,392	\$ (56,127)		1,739,436	\$ 1,764,136	\$ (24,700)	
Office Rent	200,887	205,800	(4,913)		823,200	823,200	-	
Office Costs	239,942	215,875	24,067		1,005,422	1,068,823	(63,401)	
Professional Services	128,561	34,597	93,964		532,560	511,400	21,160	
Miscellaneous	-	-	-		-	-	-	
<b>Total Operating Expenses</b>	<b>\$ 906,655</b>	<b>\$ 849,663</b>	<b>\$ 56,992</b>	<b>6.71%</b>	<b>\$ 4,100,618</b>	<b>\$ 4,167,559</b>	<b>\$ (66,941)</b>	<b>-1.61%</b>
<b>Total Direct Expenses</b>	<b>\$ 5,929,887</b>	<b>\$ 6,043,805</b>	<b>\$ (113,918)</b>	<b>-1.88%</b>	<b>\$ 25,399,515</b>	<b>\$ 25,629,079</b>	<b>\$ (229,564)</b>	<b>-0.90%</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>\$ 5,929,887</b>	<b>\$ 6,043,805</b>	<b>\$ (113,918)</b>	<b>-1.88%</b>	<b>\$ 25,399,515</b>	<b>\$ 25,629,079</b>	<b>\$ (229,564)</b>	<b>-0.90%</b>
<b>Change in Assets</b>	<b>\$ 242,193</b>	<b>\$ 156,666</b>	<b>\$ 85,526</b>	<b>54.59%</b>	<b>\$ (588,129)</b>	<b>\$ (730,193)</b>	<b>\$ 142,064</b>	<b>-19.46%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 126,104</b>	<b>\$ -</b>	<b>\$ 126,104</b>	<b>0.00%</b>	<b>\$ 429,564</b>	<b>\$ 200,000</b>	<b>\$ 229,564</b>	<b>114.78%</b>
<b>TOTAL BUDGET (B+C)</b>	<b>\$ 6,055,991</b>	<b>\$ 6,043,805</b>	<b>\$ 12,185</b>	<b>0.20%</b>	<b>\$ 25,829,079</b>	<b>\$ 25,829,079</b>	<b>\$ 0</b>	<b>0.00%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ 116,089</b>	<b>\$ 156,666</b>	<b>\$ (40,577)</b>	<b>-25.90%</b>	<b>\$ (1,017,693)</b>	<b>\$ (930,193)</b>	<b>\$ (87,500)</b>	<b>9.41%</b>
FTE's	96.00	100.00	(4.00)		100.00	100.00	-	
Head Count	96.00	100.00	(4.00)		100.00	100.00	-	
<b>Beginning Reserve at 1/1/2021</b>	<b>7,676,396</b>	<b>6,257,698</b>	<b>1,418,698</b>		<b>7,676,396</b>	<b>6,257,698</b>	<b>1,418,698</b>	
Change to Working Capital	116,089	156,666	(40,577)		(1,017,693)	(930,193)	(87,500)	
Penalties Received (+)	-	-	-		-	-	-	
Penalties Released (-)	(295,000)	(295,000)	-		(1,180,000)	(1,180,000)	-	
Other Reserve Activity	-	-	-		-	-	-	
<b>Ending Reserves at 3/31/2021</b>	<b>7,497,485</b>	<b>6,119,364</b>	<b>1,378,121</b>		<b>5,478,703</b>	<b>4,147,505</b>	<b>1,331,198</b>	
Working Capital & Operating Contingency Reserves	3,247,485	2,634,364	613,121		2,113,703	1,547,505	566,198	
Assessment Stabilization & Penalty Reserves	4,250,000	3,485,000	765,000		3,365,000	2,600,000	765,000	
Other Reserves	-	-	-		-	-	-	
<b>Total Reserves Balance</b>	<b>7,497,485</b>	<b>6,119,364</b>	<b>1,378,121</b>		<b>5,478,703</b>	<b>4,147,505</b>	<b>1,331,198</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 15, 2021 (Unaudited)

### Overall Summary

- Spending \$12k over budget as timing of expenditures varies from budget
- Funding \$28k under budget attributable to planned in-person workshops conducted remotely at no charge
- Full year projected spending on target to 2021 budget

### Income

- **Funding (Actual - \$28k under budget)**
  - Investment income lower due to rising interest rates decreasing market value of bond holdings
  - Workshop revenue lower than budget due to planned in-person workshops conducted remotely at no charge
  - Full year projected to be \$87k under budget associated with planned in-person workshops conducted remotely at no charge due to COVID-19 travel restrictions

### Expense

- **Personnel Expenses (Actual - \$32k over budget)**
  - Lower than budgeted vacancies offset by timing of relocation expenses
  - Full year impact projected to be \$237k over budget due to improved hiring and retaining of talent resulting in lower than budgeted vacancies
- **Meeting/Travel Expenses (Actual - \$203k under budget)**
  - Decreased meeting and travel associated with COVID-19 restrictions; full year projected to be \$399k under budget
- **Contracts/Consultants (Actual - \$56k under budget)**
  - Certain software costs budgeted in Contracts, but expensed in Office Costs
- **Office Rent (Actual - \$5k under budget)**
  - Common area maintenance expenses lower than expected
- **Office Costs (Actual – \$24k over budget)**
  - Certain software costs budgeted in Contracts, but expensed in Office Costs
- **Professional Services (Actual - \$94k over budget)**
  - Timing of actual Independent Director fees varies from budget
- **Fixed Asset Purchases (Actual - \$126k over budget)**
  - Timing of certain IT projects budgeted in Q4
  - Full year impact projected at \$230k over budget due to accelerated timeline for Member Portal Consolidation project

April 14, 2021

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

RE: Texas Reliability Entity, Inc. First Quarter 2021 Statement of Activities and Variance Report

Dear Andy,

Attached is the 2021 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, 2021**

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

### **FUNDING**

- **Penalty Sanctions:** (Actual penalty income of \$169,195 remitted to Texas RE as of June 30, 2020 has reduced 2021 assessments.) All penalty sanctions remitted from July 1, 2020 through June 30, 2021 will be included in the Texas RE 2022 Business Plan and Budget and applied to reduce 2022 assessments.
- **Interest:** \$19,456 is 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 at the end of this quarter than anticipated at the time the 2021 budget was prepared. The forecast has been adjusted accordingly.

### **EXPENSES**

**Total Budget as of March 31, 2021 is \$101,868 greater than budget (3.1%).**

- **Personnel Expenses:** \$55,311 greater than budget (2.1%).
  - The variance is due to market adjustments and promotions that were done after this budget was prepared. Employee benefits are less than budget because health insurance was budgeted to increase 14% but actual costs stayed consistent with prior year. Savings and Retirement are less than budget due to forfeitures being used to fund the account when available.
- **Meetings and Travel Expenses:** \$1,123 greater than 2021 budget (31.6%).
  - Travel did not occur in Q1 due to pandemic.
- **Total Operating Expenses: \$45,434 greater than 2021 budget (7.1%).**
  - Costs for executive coaching and consulting fees for accounting software charged in Q1 are budgeted later in the year causing Consultants and Contracts to be over budget for Q1.
  - Utilities cost and common area maintenance was higher in Q1 due to winter storm.

These variances are timing issues and expected to level out as the year progresses.



**Texas Reliability Entity, Inc.**  
**Statement of Activities and Fixed Assets**  
 For period ended March 31, 2021  
 (Unaudited)

	2021 Actual	2021 Budget	YTD Actual Variance from Budget		2021 Forecast	2021 Annual Budget	Variance from Budget	
<b>Funding</b>								
Assessments	\$ 3,335,850	\$ 3,335,850	\$ -	0.0%	\$ 13,343,400	\$ 13,343,400	\$ -	0.0%
Penalties Released	169,195	169,195	-	0.0%	169,195	169,195	-	0.0%
Interest Income	544	20,000	(19,456)	-97.3%	40,000	80,000	(40,000)	-50.0%
<b>Total Funding</b>	<b>\$ 3,505,589</b>	<b>\$ 3,525,045</b>	<b>\$ (19,456)</b>	<b>-0.6%</b>	<b>\$ 13,552,595</b>	<b>\$ 13,592,595</b>	<b>\$ (40,000)</b>	<b>-0.3%</b>
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	\$ 2,018,272	\$ 1,888,156	\$ 130,116	6.9%	\$ 7,886,558	\$ 7,886,558	\$ -	0.0%
Payroll Taxes	161,804	156,077	5,727	3.7%	537,917	537,917	-	0.0%
Employee Benefits	324,964	362,073	(37,109)	-10.2%	1,412,700	1,412,700	-	0.0%
Savings & Retirement	222,389	265,813	(43,424)	-16.3%	1,107,299	1,107,299	-	0.0%
<b>Total Personnel Expenses</b>	<b>\$ 2,727,430</b>	<b>\$ 2,672,119</b>	<b>\$ 55,311</b>	<b>2.1%</b>	<b>\$ 10,944,474</b>	<b>\$ 10,944,474</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Meeting &amp; Travel Expenses</b>								
Meetings & Conference Calls	\$ 3,992	\$ 3,550	\$ 442	12.5%	\$ 35,400	\$ 35,400	\$ -	0.0%
Travel	681	-	681	100.0%	371,685	371,685	-	0.0%
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 4,673</b>	<b>\$ 3,550</b>	<b>\$ 1,123</b>	<b>31.6%</b>	<b>\$ 407,085</b>	<b>\$ 407,085</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Operating Expenses</b>								
Consultants & Contracts	\$ 77,765	\$ 59,177	\$ 18,588	31.4%	\$ 442,404	\$ 442,404	\$ -	0.0%
Rent & Improvements	293,035	266,499	26,536	10.0%	1,066,000	1,066,000	-	0.0%
Office Costs	178,615	176,539	2,076	1.2%	686,740	686,740	-	0.0%
Professional Services	131,646	133,411	(1,765)	-1.3%	614,835	614,835	-	0.0%
<b>Total Operating Expenses</b>	<b>\$ 681,060</b>	<b>\$ 635,626</b>	<b>\$ 45,434</b>	<b>7.1%</b>	<b>\$ 2,809,979</b>	<b>\$ 2,809,979</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Total Expenses</b>	<b>\$ 3,413,163</b>	<b>\$ 3,311,295</b>	<b>\$ 101,868</b>	<b>3.1%</b>	<b>\$ 14,161,538</b>	<b>\$ 14,161,538</b>	<b>\$ -</b>	<b>0.0%</b>
Change in Assets	\$ 92,426	\$ 213,750	\$ (121,324)	-56.8%	\$ (608,943)	\$ (568,943)	\$ (40,000)	7.0%
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Total Budget</b>	<b>\$ 3,413,163</b>	<b>\$ 3,311,295</b>	<b>\$ 101,868</b>	<b>3.1%</b>	<b>\$ 14,211,538</b>	<b>\$ 14,211,538</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Change in Working Capital (Total Revenue less Total Budget)</b>	<b>\$ 92,426</b>	<b>\$ 213,750</b>	<b>\$ (121,324)</b>	<b>-56.8%</b>	<b>\$ (658,943)</b>	<b>\$ (618,943)</b>	<b>\$ (40,000)</b>	<b>6.5%</b>
FTE's	63	63			63	63		
Beginning WC - 1/1/21	\$ 4,800,000	\$ 4,800,000	\$ -		\$ 4,800,000	\$ 4,800,000	\$ -	
Change to WC - 2021	92,426	213,750	(121,324)		(658,943)	(618,943)	(40,000)	
Penalties Released	(169,195)	(169,195)	-		(169,195)	(169,195)	-	
Other Reserve Activity	-	-	-		(1,500,000)	(1,500,000)		
Working Capital 3/31/2021	<b>\$ 4,723,231</b>	<b>\$ 4,844,555</b>	<b>\$ (121,324)</b>		<b>\$ 2,471,862</b>	<b>\$ 4,011,862</b>	<b>\$ (1,540,000)</b>	
Working Capital & Operating Contingency					\$ 2,000,000			
Assessment Stabilization & Contingency Fund					1,972,000			
Other					(1,500,000)			
Total Reserves and Contingency					<b>\$ 2,472,000</b>			



**Jillian Lessner**  
**Vice President and CFAO**  
**April 20, 2021**

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 2021 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 2021 year-to-date unaudited results are \$60,000 under budget, excluding the impact of the change in Generally Accepted Accounting Principles' (GAAP) treatment of penalty revenue recognition. Explanations and drivers are noted below.

If you have any questions or need more information, please contact me.

Regards,

Jillian Lessner  
Vice President and Chief Financial and Administrative Officer

Enclosures

Cc: Melanie Frye, President and Chief Executive 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.*

## Revenue

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- Workshops & Miscellaneous: \$207,000 under budget

Workshops & Miscellaneous are under budget primarily due to the cancellation of the in-person March Reliability and Security workshop due to the COVID-19 pandemic and its conversion to a free online format. Workshops & Miscellaneous are expected to be \$207,000 under budget at year-end, due to pandemic-related workshop cancellations.

- Interest: \$49,000 under budget

Interest is under budget due to lower-than-expected yields on short-term investments. Interest is expected to be under budget by \$122,000 at year-end.

## Expenses

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- Meetings & Conference Calls: \$221,000 under budget

Meetings & Conference Calls are under budget primarily due to the cancellation of in-person meetings and workshops due to COVID-19. Meetings & Conference Calls are expected to be \$263,000 under budget at year-end.

- Travel: \$270,000 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 and is expected to be \$775,000 under budget at year-end.

- Consultants & Contracts: \$188,000 under budget

Consultants & Contracts are under budget primarily due to the net of timing differences of information technology consulting and lower-than-expected cost of organizational development consulting. Consultants and Contracts are expected to be under budget by \$98,000 at year-end.

- Indirect Expenses: \$32,000 over budget

Indirect Expenses are over budget primarily due to an underrun in Corporate Services expenses and a vacancy, which was filled by the end of the quarter, in the non-statutory program area.

## Statutory Statement of Activities and Variance Explanations (April 20, 2021)

Corporate Services expenses are allocated to the non-statutory program areas based on full-time equivalents. Indirect Expenses are expected to be \$73,000 over budget at year-end.

### Fixed Assets

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- Fixed Asset Additions: \$156,000 over budget

Fixed Asset Additions are over budget due to unbudgeted improvements to the Salt Lake City office and meeting space. Most of the variance will be reimbursed by the landlord through a negotiated tenant improvement allowance in 2021.



# Statutory Statement of Activities and Variance Explanations (April 20, 2021)



## Western Electricity Coordinating Council Statutory Statement of Activities From 1/1/2021 to 3/31/2021 (Unaudited)

(In Whole Dollars)

	2021 YTD Actual	2021 YTD Budget	2021 YTD Variance Over(Under)	%	2021 Projection	2021 Annual Budget	2021 Projected Variance Over(Under)	%
<b>Funding</b>								
Assessments	25,000,000	25,000,000	-	0.0%	25,000,000	25,000,000	-	0.0%
Penalty Sanctions <sup>1</sup>	3,499,000	3,499,000	-	0.0%	3,499,000	3,499,000	-	0.0%
Workshops & Miscellaneous	3,284	210,000	(206,716)	-98.4%	223,283	430,000	(206,717)	-48.1%
Interest	4,388	53,548	(49,160)	-91.8%	77,824	200,000	(122,176)	-61.1%
<b>Total Funding</b>	<b>28,506,672</b>	<b>28,762,548</b>	<b>(255,876)</b>	<b>-0.9%</b>	<b>28,800,107</b>	<b>29,129,000</b>	<b>(328,893)</b>	<b>-1.1%</b>
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	4,308,322	4,141,435	166,887	4.0%	18,036,273	17,447,448	588,825	3.4%
Payroll Taxes	328,814	317,433	11,381	3.6%	1,260,501	1,144,116	116,385	10.2%
Employee Benefits	544,930	582,694	(37,764)	-6.5%	2,425,534	2,390,953	34,581	1.4%
Savings & Retirement	374,881	359,535	15,346	4.3%	1,535,225	1,499,399	35,826	2.4%
<b>Total Personnel Expenses</b>	<b>5,556,947</b>	<b>5,401,097</b>	<b>155,850</b>	<b>2.9%</b>	<b>23,257,533</b>	<b>22,481,916</b>	<b>775,617</b>	<b>3.4%</b>
<b>Meeting Expenses</b>								
Meetings & Conference Calls	8,282	229,512	(221,230)	-96.4%	322,575	585,190	(262,615)	-44.9%
Travel	133	270,212	(270,079)	-100.0%	371,572	1,146,887	(775,315)	-67.6%
<b>Total Meeting Expenses</b>	<b>8,415</b>	<b>499,724</b>	<b>(491,309)</b>	<b>-98.3%</b>	<b>694,147</b>	<b>1,732,077</b>	<b>(1,037,930)</b>	<b>-59.9%</b>
<b>Operating Expenses, excluding Depreciation</b>								
Consultants & Contracts	144,237	332,367	(188,130)	-56.6%	890,100	988,500	(98,400)	-10.0%
Rent & Improvements	345,362	345,376	(14)	0.0%	1,333,110	1,372,346	(39,236)	-2.9%
Office Costs	478,284	455,589	22,695	5.0%	1,838,244	1,663,299	174,945	10.5%
Professional Services	248,480	230,750	17,730	7.7%	1,048,911	955,800	93,111	9.7%
Miscellaneous	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>1,216,363</b>	<b>1,364,082</b>	<b>(147,719)</b>	<b>-10.8%</b>	<b>5,110,365</b>	<b>4,979,945</b>	<b>130,420</b>	<b>2.6%</b>
<b>Total Direct Expenses</b>	<b>6,781,725</b>	<b>7,264,903</b>	<b>(483,178)</b>	<b>-6.7%</b>	<b>29,062,045</b>	<b>29,193,938</b>	<b>(131,893)</b>	<b>-0.5%</b>
<b>Indirect Expenses</b>	<b>(140,260)</b>	<b>(171,859)</b>	<b>31,599</b>	<b>-18.4%</b>	<b>(614,260)</b>	<b>(687,436)</b>	<b>73,176</b>	<b>-10.6%</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>6,641,465</b>	<b>7,093,044</b>	<b>(451,579)</b>	<b>-6.4%</b>	<b>28,447,785</b>	<b>28,506,502</b>	<b>(58,717)</b>	<b>-0.2%</b>
<b>Change in Net Assets</b>	<b>21,865,207</b>	<b>21,669,504</b>	<b>195,703</b>	<b>0.9%</b>	<b>352,322</b>	<b>622,498</b>	<b>(270,176)</b>	<b>-43.4%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>155,827</b>	<b>20,000</b>	<b>135,827</b>	<b>679.1%</b>	<b>210,828</b>	<b>98,527</b>	<b>112,301</b>	<b>114.0%</b>
<b>Total Expenditures</b>	<b>6,797,292</b>	<b>7,113,044</b>	<b>(315,752)</b>	<b>-4.4%</b>	<b>28,658,613</b>	<b>28,605,029</b>	<b>53,584</b>	<b>0.2%</b>
<b>Change in Working Capital (Total Funding less Total Budget)</b>	<b>21,709,380</b>	<b>21,649,504</b>	<b>59,876</b>		<b>141,494</b>	<b>523,971</b>	<b>(382,477)</b>	
FTEs	144.19	143.00	1.19		151.19	148.50	2.69	
Headcount	142.00	143.00	(1.00)		151.00	148.00	3.00	
WC from Q4 Variance Report - 1/1/2021	8,549,906	8,184,307	365,599		8,549,906	8,184,307	365,599	
Year-end Adjustments	26,613				26,613			
Reserve Calculation Adjustment <sup>2</sup>	(423,299)							
Change to WC - 2021	21,709,380	21,649,504	59,876		141,494	523,971	141,494	
<b>Working Capital at 3/31/2021<sup>3</sup></b>	<b>29,862,600</b>	<b>29,833,811</b>	<b>425,475</b>		<b>8,718,013</b>	<b>8,708,278</b>	<b>507,093</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 are shown on the Penalty Sanctions Variance Reconciliation table and will be reported as income on the audited financial statements in accordance with GAAP. See Penalty Sanctions Variance Reconciliation table for additional details.

<sup>2</sup> An amount was incorrectly excluded from the fourth-quarter working capital calculation.

<sup>3</sup> See Working Capital and Reserve Analysis table for additional details.



## Statutory Statement of Activities and Variance Explanations (April 20, 2021)

### Penalty Sanctions Variance Reconciliation

Penalty Information				Business Plan & Budget** (Year to Offset Assessments)		Financial Statements*** (Year Recognized)			2021 Penalty Revenue Variance	
Date Invoiced	Amount Invoiced	Date Payment Received	Amount Received	2021	2022	2019	2020	2021		
5/30/2019	32,000	7/9/2019	32,000	32,000		32,000			Business Plan & Budget	(A) 3,499,000
7/26/2019	87,000	9/4/2019	87,000	87,000		87,000			Financial Statements	(B) -
8/30/2019	74,000	10/14/2019	74,000	74,000		74,000			(Over)/Under	<u>3,499,000</u>
9/27/2019	50,000	11/13/2019	50,000	50,000		50,000				
9/27/2019	59,000	11/13/2019	59,000	59,000		59,000				
11/29/2019	2,678,000	12/23/2019	2,678,000	2,678,000		2,678,000				
10/1/2019	80,000	8/27/2020	80,000		80,000	80,000				
10/1/2019	2,100,000	8/27/2020	2,100,000		2,100,000	2,100,000				
1/29/2020	65,000	4/30/2020	65,000	65,000			65,000			
4/7/2020	153,000	5/29/2020	153,000	153,000			153,000			
4/7/2020	70,000	5/7/2020	70,000	70,000			70,000			
4/7/2020	231,000	5/29/2020	231,000	231,000			231,000			
7/2/2020	112,000	8/6/2020	112,000		112,000		112,000			
12/31/2020	450,000	2/19/2021	450,000		450,000		450,000			
12/31/2020	53,000	2/23/2021	53,000		53,000		53,000			
12/31/2020	79,000	2/24/2021	22,000		22,000		22,000			
12/31/2020	26,000	3/18/2021	26,000		26,000		26,000			
<b>Total</b>				<u><u>3,499,000</u></u>	<u><u>2,843,000</u></u>	<u><u>5,160,000</u></u>	<u><u>1,182,000</u></u>	<u><u>-</u></u>		
				(A)					(B)	

\*\* Penalties collected between July 1, 20X1 and June 30, 20X2 will offset assessments in budget year 20X3.

\*\*\* Penalties are recognized for financial reporting purposes when they are approved by FERC and invoiced.



## 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, 2021</b>	\$ 18,168,300	\$ 8,549,906	\$ 5,791,000	\$ 3,827,394
Plus: Total Funding	29,057,672	28,506,672	551,000	-
Penalties Release	(3,499,000)	-	(3,499,000)	-
Plus: Year-end Adjustments	26,613	26,613	-	-
Less: Expenditures	(6,797,292)	(6,797,292)	-	-
Less: Reserve Calculation Adjustment <sup>1</sup>	(423,299)	(423,299)	-	-
<b>Reserve (Deficit), March 31, 2021</b>	<b>\$ 36,532,994</b>	<b>\$ 29,862,600</b>	<b>\$ 2,843,000</b>	<b>\$ 3,827,394</b>

<sup>1</sup> An amount was incorrectly excluded from the fourth-quarter working capital calculation.



## **Line of Credit Renewal**

### **Action**

Review and recommend Board of Trustees approval.

### **Background**

Since 2007, NERC has maintained a line of credit with a lender for emergency working capital needs or unforeseen contingencies. NERC annually obtains renewal of this line of credit. A new line of credit agreement was approved by the NERC Board of Trustees (Board) in August 2020 and it expires on June 20, 2021.

The terms of this line of credit renewal remain substantially the same as the currently effective line of credit, with the addition of a LIBOR replacement rider and minimum LIBOR rate, as outlined in the term sheet reviewed with the Finance and Audit Committee (Committee) in closed session on May 11, 2021.

NERC management requests that the Committee recommend approval of this line of credit renewal by the Board and seeks Board authorization for NERC management to take necessary actions to renew this credit facility for a minimum period of twelve months.

NERC management also requests that the Committee recommend that the Board authorize management to proceed to take such actions as are necessary to execute this line of credit renewal documentation on an annual basis so long as the material terms of the renewal remain substantially the same. NERC management will provide an update to the Committee on annual renewals and will also request Board approval for the renewal if the terms and conditions materially change.



## **2022 Business Plan and Budget**

### **Action**

Update

### **Background**

NERC management will review the Draft 1 NERC 2022 Business Plan and Budget (BP&B) assumptions, and provide the preliminary 2022 budget and assessments for NERC and the Regional Entities. Draft 1 of the NERC 2022 BP&B and the current Regional Entity and Western Interconnection Regional Advisory Body (WIRAB) 2022 BP&Bs will be posted on the NERC website on or about May 24, 2021. The comment period on the NERC 2022 BP&B will run until June 18, 2021.