

was posted on NERC's website on October 29, 2020 and was reviewed at the November 4, 2020 open meeting of the NERC Finance and Audit Committee.

II. NOTICES AND COMMUNICATIONS

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

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

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

III. DISCUSSION OF SIGNIFICANT VARIANCES BETWEEN 2020 BUDGET AND ACTUAL 2020 RESULTS

The attached third quarter 2020 variance report compares actual (unaudited) financial results to NERC's budgeted expenditures as of September 30, 2020 and projected year-end 2020 financial results to NERC's total 2020 budgeted expenditures. NERC is providing additional discussion of significant variances between the projected (unaudited) year-end 2020 results and NERC's 2020 budgeted expenditures, by NERC department or program area and by major activity within departments and program areas. This discussion focuses on variances of \$500,000 or more between projected year-end 2020 results and the 2020 budget because this threshold is used in Section 7(b)(ii) of the Settlement Agreement. Section 7(b)(ii) specifies that Commission review and approval is triggered where any amount allocated from the unforeseen contingencies account of Operating Reserves plus any amount redirected from previously budgeted funds is, in the aggregate, \$500,000 or more for any one specific project or major activity in a program area.

A. Actual and Projected Variances of \$500,000 or More by Expense Category

In 2020, NERC is expected to be under budget in multiple categories. Travel and meeting costs are projected to be lower than budgeted for 2020 due to the business impact of the COVID-19 pandemic. Other areas are also expected to be under budget partially due to their cost saving efforts to prioritize expenses in light of changing economic circumstances. These reductions by NERC areas include (1) deferring hiring for some open FTE positions to 2021, (2) lowering software and hardware spending, (3) reducing the Atlanta meeting space renovation costs, and (4) avoiding debt service that had been budgeted for ERO software projects.

Five revenue and expense categories are under budget by more than \$500,000 as of September 30, 2020:

- Personnel is currently \$1,048,249 (3.0%) under budget and anticipated to be \$1,388,151 (3.0%) under budget at year-end largely because of deferred hiring of open positions until 2021 and also from open E-ISAC positions budgeted as FTEs that are being filled with contractor labor, which is being partially offset by higher expenses in several departments because of lower attrition.
- Meetings and Travel expenses are currently \$1,709,631 (68.6%) under budget, and are anticipated to be \$2,469,591 (74.3%) under budget at year-end due to the cancelation of in-person meetings and reduced travel due to the COVID-19 pandemic.
- Consultants and Contracts are currently \$667,944 (7.2%) under budget; however, NERC expects Consultants and Contracts expenses to be \$439,784 (3.5%) over budget at year-end. Contracts and Consultants expenses are under budget mainly due to lower than budgeted costs for a CRISP pilot program, timing of certain costs

versus the budget, and reprioritization of certain projects due to the pandemic, which are partially offset by higher E-ISAC costs from FTE positions being filled with contract labor. The category is expected to be over budget at year-end because of the E-ISAC contractors and will be offset by lower third-party contractor costs for the CRISP program, reprioritization of projects to future years, and savings efforts to help fund the Secure Evidence Locker Project and 2020 Align costs to reduce future debt service.

- Office Costs, Professional, and Miscellaneous expenses are currently \$867,649 (9.9%) under budget. Office Cost expenses are under budget YTD mainly due to the timing of expenditures versus the budget and lower than budgeted CRISP program software costs. This category is projected to be near budget at year-end.
- Fixed Asset Additions are currently \$1,609,437 (45.6%) under budget. By year-end, the category is expected to be \$1,913,516 (40.7%) over budget. Fixed Asset Additions are under budget YTD due to the deferral of some hardware and software projects and the Atlanta office and meeting space renovations. This category is projected to be over budget by year-end due to the unbudgeted costs for the Secure Evidence Locker project and is partially offset by the deferral of the hardware, software, and Atlanta renovation costs to help fund that project.

In addition to the above variances, the following category is currently projected to have a variance of more than \$500,000 at year-end 2020:

- Net Financing Activity is expected to be \$1,628,915 (1,167.2%) under budget at year-end. The Net Financing Activity budget anticipated that NERC would pay off slightly more in principal than it would collect in loan proceeds, but because NERC

is now expected to borrow for a portion of the unbudgeted Secure Evidence Locker project, NERC is projected to receive more in loan proceeds than it will pay off in principal.

B. Actual and Projected Variances of \$500,000 or More by Department or Program

Area

The following departments and program areas are under budget as of September 30, 2020 by \$500,000 or more:

- Compliance Assurance is currently \$523,003 over budget. At year-end, the category is expected to be \$1,465,918 over budget. This category is over budget YTD and expected to be over budget primarily because of higher than budgeted personnel expenses as well as unbudgeted hardware, software and maintenance costs for the Secure Evidence Locker. These costs are partially offset by loan proceeds for the Secure Evidence Locker and lower travel costs.
- E-ISAC is currently \$700,635 under budget. It is under budget YTD primarily because of personnel underruns due to the deferral of FTEs to 2021.
- General and Administrative and Executive is currently \$896,739 under budget. At year-end it is anticipated to be \$1,108,017 under budget. This is primarily due to the postponement of Atlanta office renovation costs, as well as lower personnel, meeting, travel, and excise tax expenses.
- Legal & Regulatory is currently \$652,411 under budget YTD and is expected to be under budget by \$591,029 at year-end, mainly due to personnel and outside legal costs.

- Information Technology is currently \$886,919 under budget. It is expected to be under budget \$667,493 at year-end. The variance is primarily in Contracts and Consultants and Fixed Assets in order to help fund a portion of the Secure Evidence locker and 2020 Align costs to reduce future debt service, and these costs are partially offset by higher personnel costs due to lower attrition.

Additionally, CRISP is \$1,050,105 under budget due to the timing of contractor and software license and maintenance costs. It is expected to be \$754,422 under budget at year-end largely because of lower contractor costs.

Finally, the following two departments are expected to have a variance of \$500,000 or more at year-end:

- Compliance Enforcement is expected to be \$1,140,692 over budget. This is primarily due to unbudgeted hardware, software and maintenance costs for the Secure Evidence Locker. These costs are partially offset by loan proceeds for the Secure Evidence Locker and lower personnel costs.
- Power System Analysis is projected to be \$535,317 under budget because of lower personnel, travel costs, and consultant costs.

IV. CONCLUSION

NERC respectfully requests that the Commission accept this filing as compliant with Section II.7(b)(i) of the Settlement Agreement and the Commission's January 16 Order in Docket No. FA11-21-000.

Respectfully submitted,

/s/ Nina Jenkins-Johnston

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

*Counsel for North American Electric Reliability
Corporation*

Dated: November 16, 2020

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 16th day of November, 2020.

/s/ Nina Jenkins-Johnston

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

ATTACHMENT

Summary of Unaudited Results For the Period Ending September 30, 2020

Table of Contents

	<u>Page</u>
1. Executive Summary	
a. Projected Year-End Results	2
b. Year-to-Date Actual Results	4
2. Detailed Operating Results	
a. Variances by Revenue and Expense Category	6
b. Variances by Department	8
3. Supplemental Schedules	
a. Schedule 1 – Year-End Projected Reserves	10
b. Schedule 2 – IT Projects	11
c. Schedule 3 – E-ISAC & CRISP Summary of Activity	13

Executive Summary

Projected Year-End Results (\$ millions)

	<u>FUNDING</u>	<u>Projected</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues		\$ 81.0	\$ 82.0	\$ (1.0)
Funding from Reserves				
Assessment Stabilization Reserve		-	-	-
	TOTAL FUNDING	\$ 81.0	\$ 82.0	\$ (1.0)
EXPENDITURES				
Expenses (excluding Depreciation)		\$ 74.1	\$ 77.9	\$ (3.8)
Fixed Asset Additions		6.6	4.7	1.9
Net Financing Activity		(1.5)	0.1	(1.6)
	TOTAL EXPENDITURES	\$ 79.2	\$ 82.7	\$ (3.5)
	RESERVE INCREASE (DECREASE)	\$ 1.8	\$ (0.7)	\$ 2.5

Funding

- Revenues
 - Expected to be under budget at year-end due to lower investment income (from lower interest rates) and third-party revenues for the CRISP program because of lower program costs required to be funded by CRISP members.

Expenditures

- Expenses (excluding depreciation)
 - Personnel expenses are expected to be under budget due to the deferred hiring of currently open positions until 2021 and certain E-ISAC positions budgeted as FTEs that are being filled with contract labor, and is partially offset by higher expenses in several departments because of lower attrition.
 - Meeting and Travel expenses are projected to be under budget because of the cancellation of in-person meetings and lower employee travel due to the pandemic.
 - Contracts and Consultants expenses are expected to be over budget at year-end, with E-ISAC over budget from FTE positions being filled with contract labor, which is offset by lower third-party contractor costs for the CRISP program, reprioritization of certain projects due to the

pandemic, and savings efforts to help fund a portion of the unbudgeted Secure Evidence Locker Project and 2020 Align costs to reduce future debt service.

- Fixed Asset Additions
 - Projected to be over budget by year-end due to the unbudgeted costs for the Secure Evidence Locker project, which is partially offset by the deferral of hardware and software costs and postponement of Atlanta office renovation costs.
- Net Financing Activity
 - The 2020 budget anticipated that NERC would pay off slightly more in principal than it would receive in loan proceeds, but because NERC is now expected to borrow funds for a portion of the unbudgeted Secure Evidence Locker project, NERC is projected to receive more in loan proceeds than it will pay off in principal.

Operating Reserve Increase (Decrease)

- Projected reserve increase from operating activity is \$1.8M versus a budgeted decrease of \$0.7M.

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

<u>FUNDING</u>	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues	\$ 61.3	\$ 61.5	\$ (0.2)
Funding from Reserves			
Assessment Stabilization Reserve	-	-	-
TOTAL FUNDING	\$ 61.3	\$ 61.5	\$ (0.2)
<u>EXPENDITURES</u>			
Expenses (excluding Depreciation)	\$ 53.9	\$ 58.4	\$ (4.5)
Fixed Asset Additions	1.9	3.5	(1.6)
Net Financing Activity	0.5	0.1	0.4
TOTAL EXPENDITURES	\$ 56.3	\$ 62.0	\$ (5.7)
RESERVE INCREASE (DECREASE)	\$ 5.0	\$ (0.5)	\$ 5.5

Funding

- Revenues
 - Slightly under budget due to lower investment income (from lower interest rates) and system operator revenue.

Expenditures

- Expenses (excluding depreciation)
 - Personnel expenses are under budget primarily due to deferred hiring of open positions and certain E-ISAC positions that were budgeted as FTEs that are being filled with contract labor, which is being partially offset by higher expenses in several departments because of lower attrition.
 - Meeting and Travel expenses are below budget because of the cancellation of in-person meetings and lower employee travel due to the pandemic.
 - Contracts and Consultants expenses are lower than budget mainly attributable to lower than budgeted costs for a CRISP pilot program, timing of certain costs versus the budget, and reprioritization of certain projects due to the pandemic, which are partially offset by higher E-ISAC costs from FTE positions being filled with contract labor.
 - Office Costs expenses are below budget primarily due to lower than budgeted costs for CRISP program software and timing of costs versus the budget.
 - Professional Services expenses are under budget mainly due to lower than budgeted outside legal costs.

- Fixed Asset Additions
 - Under budget year-to-date (YTD) mainly due to the deferral of hardware and software costs to help fund a portion the Secure Evidence Locker project and 2020 Align costs to reduce future debt service, as well as the postponement of Atlanta office renovation costs.
- Net Financing Activity
 - The 2020 budget anticipated that NERC would make principal payments on borrowings for ERO projects. Because no borrowings for ERO projects have been made through September, actuals are lower than budget.

Operating Reserve Increase (Decrease)

- Actual reserve increase from operations is higher than budget by \$5.5 million.

Detailed Operating Results

Variances by Revenue and Expense Category

Total NERC (including CRISP)

	YTD Actual	YTD Budget	YTD Over (Under)	% Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)	% Over (Under)
TOTAL FUNDING	\$ 61,276,594	\$ 61,505,213	\$ (228,619)	(0.4%)	\$ 81,002,045	\$ 82,006,951	\$ (1,004,906)	(1.2%)
EXPENDITURES								
Personnel	\$ 33,900,371	\$ 34,948,620	\$ (1,048,249)	(3.0%)	\$ 45,210,009	\$ 46,598,160	\$ (1,388,151)	(3.0%)
Meetings and Travel	782,806	2,492,438	(1,709,631)	(68.6%)	853,659	3,323,250	(2,469,591)	(74.3%)
Consultants and Contracts	8,658,983	9,326,927	(667,944)	(7.2%)	12,875,686	12,435,902	439,784	3.5%
Office Rent	2,593,052	2,587,851	5,201	0.2%	3,464,580	3,450,468	14,112	0.4%
Office Costs, Professional, and Misc.*	7,904,894	8,772,543	(867,649)	(9.9%)	11,537,225	11,696,724	(159,499)	(1.4%)
Other Non-Operating	45,240	229,967	(184,727)	(80.3%)	89,544	306,623	(217,079)	(70.8%)
Fixed Asset Additions*	1,920,325	3,529,762	(1,609,437)	(45.6%)	6,619,865	4,706,349	1,913,516	40.7%
Net Financing Activity**	454,052	104,668	349,383	333.8%	(1,489,358)	139,558	(1,628,915)	(1167.2%)
TOTAL EXPENDITURES	\$ 56,259,723	\$ 61,992,775	\$ (5,733,053)	(9.2%)	\$ 79,161,210	\$ 82,657,034	\$ (3,495,823)	(4.2%)
RESERVE INCREASE (DECREASE)	\$ 5,016,871	\$ (487,562)	\$ 5,504,434	(1129.0%)	\$ 1,840,835	\$ (650,083)	\$ 2,490,917	(383.2%)
FTEs	200.9	213.4	(12.5)	(5.9%)	201.3	213.4	(12.1)	(5.7%)

* Excludes depreciation expense

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

Following is a brief summary of variances by category:

- Personnel expenses are under budget YTD and expected to be under budget at year-end largely because of deferred hiring of open positions until 2021 and also from open E-ISAC positions budgeted as FTEs that are being filled with contractor labor, which is being partially offset by higher expenses in several departments because of lower attrition.
- Meetings and Travel expenses are under budget YTD and expected to be under budget at year-end from decreased in-person meetings and travel due to the pandemic.

- Contracts and Consultants expenses are under budget mainly attributable to lower than budgeted costs for a CRISP pilot program, timing of certain costs versus the budget, and reprioritization of certain projects due to the pandemic, which are partially offset by higher E-ISAC costs from FTE positions being filled with contract labor. They are expected to be over budget at year-end because of the E-ISAC contractors and will be offset by lower third-party contractor costs for the CRISP program, reprioritization of projects to future years, and savings efforts to help fund the Secure Evidence Locker Project and 2020 Align costs to reduce future debt service.

CONTRACTS and CONSULTANTS	YTD Actual	YTD Budget	YTD Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)
Reliability Standards and Risk Issue Management	\$ 115,463	\$ 30,240	\$ 85,223	\$ 211,790	\$ 40,320	\$ 171,470
Compliance Assurance	-	37,500	(37,500)	50,000	50,000	(0)
Compliance Analysis, Registration, and Certification	29,220	30,240	(1,020)	41,200	40,320	880
Compliance Enforcement	-	-	-	50,000	-	50,000
Power System Analysis	-	47,250	(47,250)	-	63,000	(63,000)
Reliability Assessment and Technical Committees	29,220	273,990	(244,770)	66,200	365,320	(299,120)
Advanced System Analytics and Modeling	100,000	131,250	(31,250)	115,000	175,000	(60,000)
Performance Analysis	215,287	111,938	103,350	310,700	149,250	161,450
Situation Awareness	-	-	-	-	-	-
Event Analysis	64,460	7,500	56,960	84,267	10,000	74,267
E-ISAC	1,769,765	1,059,375	710,390	2,604,436	1,412,500	1,191,936
Training, Education and Personnel Certification	178,351	294,000	(115,649)	367,189	392,000	(24,811)
General and Administrative and Executive	(51,566)	-	(51,566)	(51,567)	-	(51,567)
Legal and Regulatory	30,580	225,000	(194,420)	226,135	300,000	(73,865)
Policy and External Affairs	76,560	15,000	61,560	134,300	20,000	114,300
Information Technology	1,199,224	1,354,269	(155,045)	1,536,935	1,805,692	(268,757)
Human Resources and Administration	519,378	570,000	(50,622)	776,160	760,000	16,160
Finance and Accounting	44,227	131,250	(87,023)	123,890	175,000	(51,110)
TOTAL (excluding CRISP)	\$ 4,320,168	\$ 4,318,802	\$ 1,366	\$ 6,646,635	\$ 5,758,402	\$ 888,233
CRISP	4,338,815	5,008,125	(669,310)	6,229,051	6,677,500	(448,449)
TOTAL (including CRISP)	\$ 8,658,983	\$ 9,326,927	\$ (667,944)	\$ 12,875,686	\$ 12,435,902	\$ 439,784

- Office Cost expenses are under budget YTD mainly due to the timing of expenditures versus the budget and lower than budgeted CRISP program software costs. Projected to be near budget at year-end.
- Professional Services expenses are under budget YTD and projected to be under budget by year-end largely because of lower than budgeted outside counsel costs.
- Fixed Asset Additions are under budget YTD due to the deferral of some hardware and software projects and the Atlanta office and meeting space renovations. Projected to be over budget by year-end due to the unbudgeted costs for the Secure Evidence Locker project and is partially offset by the deferral of the hardware, software, and Atlanta renovation costs to help fund that project.
- Net Financing Activity budget anticipated that NERC would pay off slightly more in principal than it would collect in loan proceeds, but because NERC is now expected to borrow for a portion of the unbudgeted Secure Evidence Locker project, NERC is projected to receive more in loan proceeds than it will pay off in principal.

Variations by Department

DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	YTD Actual	YTD Budget	YTD Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)
Reliability Standards and Risk Issue Management	\$ 2,668,637	\$ 2,938,734	\$ (270,096)	\$ 3,554,638	\$ 3,918,311	\$ (363,673)
Compliance Assurance	4,390,570	3,867,567	523,003	6,622,674	5,156,756	1,465,918
Compliance Analysis, Registration, and Certification	907,963	1,015,995	(108,032)	1,238,217	1,354,660	(116,444)
Compliance Enforcement	2,736,960	2,459,773	277,187	4,420,390	3,279,697	1,140,692
Power System Analysis	881,189	1,279,143	(397,954)	1,170,207	1,705,525	(535,317)
Reliability Assessment and Technical Committees	1,434,516	1,649,540	(215,024)	1,818,268	2,199,387	(381,118)
Advanced System Analytics and Modeling	882,139	1,044,481	(162,342)	1,260,277	1,392,641	(132,364)
Performance Analysis	1,239,005	1,541,971	(302,966)	1,725,507	2,055,961	(330,453)
Situation Awareness	1,896,620	2,206,642	(310,022)	2,588,289	2,942,190	(353,901)
Event Analysis	1,867,169	1,819,756	47,413	2,463,895	2,426,341	37,555
E-ISAC	8,577,549	9,278,184	(700,635)	11,967,052	12,370,912	(403,860)
Training, Education and Personnel Certification	977,114	1,199,637	(222,523)	1,444,157	1,599,516	(155,359)
General and Administrative and Executive	5,538,497	6,435,237	(896,739)	7,472,298	8,580,315	(1,108,017)
Legal and Regulatory	2,788,871	3,441,282	(652,411)	3,997,346	4,588,376	(591,029)
Policy and External Affairs	2,030,177	2,252,834	(222,657)	2,734,126	3,003,778	(269,652)
Information Technology	8,736,312	9,623,231	(886,919)	12,163,481	12,830,975	(667,493)
Human Resources and Administration	2,002,881	2,043,415	(40,534)	2,796,312	2,724,553	71,759
Finance and Accounting	1,675,733	1,817,429	(141,696)	2,374,595	2,423,239	(48,644)
TOTAL (excluding CRISP)	\$ 51,231,903	\$ 55,914,850	\$ (4,682,948)	\$ 71,811,732	\$ 74,553,134	\$ (2,741,402)
CRISP	5,027,820	6,077,925	(1,050,105)	7,349,478	8,103,900	(754,422)
TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	\$ 56,259,723	\$ 61,992,775	\$ (5,733,053)	\$ 79,161,210	\$ 82,657,034	\$ (3,495,823)

Following is a brief summary of significant variances by department:

- Compliance Assurance – Over budget YTD due to and expected to be over budget primarily because of higher than budgeted personnel expenses as well as unbudgeted hardware, software and maintenance costs for the Secure Evidence Locker. These costs are partially offset by loan proceeds for the Secure Evidence Locker and lower travel costs.
- Compliance Enforcement – Projected to be over budget primarily due to unbudgeted hardware, software and maintenance costs for the Secure Evidence Locker. These costs are partially offset by loan proceeds for the Secure Evidence Locker and lower personnel costs.
- Power System Analysis – Projected to be under budget largely because of lower personnel, travel costs, and consultant costs.
- E-ISAC – Under budget YTD primarily because of personnel underruns due to the deferral of FTEs to 2021.
- General & Administrative and Executive – Under budget YTD and projected to be under budget primarily due to the postponement of Atlanta office renovation costs, as well as lower personnel, meeting, travel, and excise tax expenses.
- Legal and Regulatory – Under budget YTD and expected to be lower than budget mainly in personnel and outside legal costs.
- Information Technology – Under budget YTD and projected to be under budget primarily in Contracts and Consultants and Fixed Assets in order to help fund a portion of the Secure Evidence locker and 2020 Align costs to reduce future debt service, and these costs are partially offset by higher personnel costs due to lower attrition.

- CRISP – Under budget YTD and projected to be under budget due to the timing of contractor and software license and maintenance costs.

Supplemental Schedules

Schedule 1 – Year-End Projected Reserves

Reserve Account	1/1/2020		Unbudgeted Funding/(Use)	Operating and Financing Activity		12/31/2020
	Beginning Balance ⁽¹⁾	Budgeted Funding/(Use) ⁽²⁾		Versus Budget ⁽³⁾		Projected Ending Balance ⁽⁴⁾
Operating Contingency	\$ 6,199,083	\$ (654,036)	\$ -	\$ 2,360,017	\$	7,905,064
Future Obligations	2,119,719	(485,958)	-	-		1,633,761
Assessment Stabilization	2,521,000	-	-	-		2,521,000
System Operator	777,274	-	-	134,853		912,127
CRISP	500,000	-	-	-		500,000
Total Reserves	\$ 12,117,076	\$ (1,139,994)	\$ -	\$ 2,494,871	\$	13,471,952

NOTES:

(1) 2020 beginning balances have been adjusted from the 12/31/2019 variance report balances as the result of a reconciliation to the final audited balance sheet.

(2) The 2020 Business Plan & Budget contained a budgeted use of Operating Contingency Reserves totaling \$654,036 to lower assessments. The Future Obligations Reserve decrease of \$485,958 is a budgeted use of deferred rent reserves to fund a portion of office lease costs.

(3) This column reflects the projected reserve impact of operating and financing activities versus budget. In 2020, NERC is expected to be under budget primarily due to the deferral of some open FTE positions to 2021, lower meeting and travel costs, lower software and hardware spending, reduction of the Atlanta meeting space renovation costs, and no debt service on ERO projects. The approved capital investment of \$3.8M for the ERO SEL project, net of \$2.0M in loan financing, is included in 2020 operating activity and represents a projected \$1.8M use of Operating Contingency reserves during the year.

(4) The Operating Contingency Reserve at year-end is higher than target but is being planned to be reduced by \$1.8 million in the 2021 Business Plan & Budget for Align project delay costs.

Schedule 2 – IT Projects

IT Projects

Projects in Progress ⁽¹⁾	Project	Actual	Expected	Expected
	Budget ⁽²⁾	Spend	Year-to-Date	Over (Under)
			Spend	Budget
Align (2017-2021)	\$ 7,203,000	\$ 4,495,702	\$ 7,284,524	\$ 81,524
Secure Evidence Locker	2,265,000	270,119	2,265,000	-
E-ISAC Portal Replacement	259,680	19,800	259,680	-

Projects Completed in 2020	Project	Actual	Actual	Actual
	Budget ⁽¹⁾	Spend	Over (Under)	Budget
Microsoft Windows 10 Upgrade	\$ 169,890	\$ 146,176	\$ (23,714)	
Microsoft Teams Pilot	98,000	98,000	-	
End-Point Management	76,000	76,682	682	

NOTES:

(1) While the June 2020 report contained a project for the E-ISAC data center move, it has been removed from this report since the project costs were related to hardware and move costs rather than project implementation costs.

(2) 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.

* 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 May 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).

Secure Evidence Locker

(Started May 2020 / Planned Completion Dec 2020)

This is a key component of the NERC's reimagined suite of Compliance Monitoring and Enforcement Program (CMEP) work and data management tools and will be 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.

E-ISAC Portal Replacement

(Started Aug 2020 / Planned Completion Nov 2020)

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.

Microsoft Windows 10 Upgrade

(Started Dec 2019 / Completed Feb 2020)

This project involved the upgrade of all laptops and desktops from Windows 7 to Windows 10. This upgrade provided a more secure environment. Microsoft stopped support of Windows 7 security patches in January 2020.

Microsoft Teams Pilot

(Started Apr 2020 / Completed Sep 2020)

This project implemented a basic Microsoft Teams environment that allows for a unified communication and collaboration platform that combines persistent workplace chat, video meetings, and file storage (including collaboration on files).

End-Point Management

(Started May 2020 / Completed Sep 2020)

This project will replace the current tool that is used as the application used for Windows security patching and updates.

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	\$ 17,522,515	\$ 23,363,353	\$ 23,363,353	\$ -
Other Funding	5,941,858	7,153,706	7,956,784	(803,079)
TOTAL FUNDING	\$ 23,464,373	\$ 30,517,059	\$ 31,320,137	\$ (803,079)
EXPENDITURES				
Personnel Expense	\$ 6,368,455	\$ 8,485,789	\$ 9,825,628	\$ (1,339,838)
Meetings and Travel Expense	108,976	125,122	464,200	(339,078)
Operating Expenses (excluding Depreciation)	7,016,002	10,217,984	9,728,189	489,796
Fixed Asset Purchases (excluding Fixed Asset Allocation)	111,936	487,635	421,449	66,186
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	35,347	(35,347)
Total Direct Costs (excluding Depreciation and Allocations)	\$ 13,605,369	\$ 19,316,530	\$ 20,474,812	\$ (1,158,282)
Indirect Expense Allocation	5,962,817	8,196,790	10,119,683	(1,922,893)
Fixed Asset Allocation	-	92,839	439,831	(346,992)
Net Financing Activity Allocation	121,309	136,428	285,811	(149,382)
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 19,689,495	\$ 27,742,587	\$ 31,320,137	\$ (3,577,550)
RESERVE INCREASE (DECREASE)	\$ 3,774,877	\$ 2,774,471	\$ -	\$ 2,774,471

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

CRISP					
FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)	
Assessments	\$ 709,183	\$ 945,577	\$ 945,577	\$ -	
Other Funding	5,877,382	7,073,088	7,850,577	(777,489)	
TOTAL FUNDING	\$ 6,586,565	\$ 8,018,666	\$ 8,796,155	\$ (777,489)	
EXPENDITURES					
Personnel Expense	\$ 500,246	\$ 655,287	\$ 627,736	\$ 27,552	
Meetings and Travel Expense	16,995	17,497	49,200	(31,703)	
Operating Expenses (excluding Depreciation)	4,482,595	6,494,194	7,289,465	(795,271)	
Fixed Asset Purchases (excluding Fixed Asset Allocation)	27,984	182,500	137,500	45,000	
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-	
Total Direct Costs (excluding Depreciation and Allocations)	\$ 5,027,820	\$ 7,349,478	\$ 8,103,900	\$ (754,422)	
Indirect Expense Allocation	464,026	637,873	645,937	(8,064)	
Fixed Asset Allocation	-	7,225	28,074	(20,850)	
Net Financing Activity Allocation	9,440	10,617	18,243	(7,626)	
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 5,501,286	\$ 8,005,193	\$ 8,796,155	\$ (790,962)	
RESERVE INCREASE (DECREASE)	\$ 1,085,279	\$ 13,473	\$ -	\$ 13,473	

E-ISAC (excluding CRISP)					
FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)	
Assessments	\$ 16,813,332	\$ 22,417,776	\$ 22,417,776	\$ -	
Other Funding	64,476	80,617	106,207	(25,589)	
TOTAL FUNDING	\$ 16,877,808	\$ 22,498,393	\$ 22,523,983	\$ (25,589)	
EXPENDITURES					
Personnel Expense	\$ 5,868,209	\$ 7,830,502	\$ 9,197,892	\$ (1,367,390)	
Meetings and Travel Expense	91,981	107,625	415,000	(307,375)	
Operating Expenses (excluding Depreciation)	2,533,407	3,723,790	2,438,724	1,285,066	
Fixed Asset Purchases (excluding Fixed Asset Allocation)	83,952	305,135	283,950	21,185	
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	35,347	(35,347)	
Total Direct Costs (excluding Depreciation and Allocations)	\$ 8,577,549	\$ 11,967,052	\$ 12,370,912	\$ (403,860)	
Indirect Expense Allocation	5,498,791	7,558,916	9,473,746	(1,914,829)	
Fixed Asset Allocation	-	85,614	411,757	(326,142)	
Net Financing Activity Allocation	111,869	125,812	267,568	(141,756)	
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 14,188,209	\$ 19,737,395	\$ 22,523,983	\$ (2,786,588)	
RESERVE INCREASE (DECREASE)	\$ 2,689,598	\$ 2,760,998	\$ -	\$ 2,760,998	