

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

North American Electric Reliability Corporation )  
Corporation ) **Docket No. FA11-21-000**

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

**I. INTRODUCTION**

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

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

Attached hereto is the unaudited report of NERC’s budget-to-actual variance information for the first quarter of 2018, in accordance with the January 16 Order. This variance information

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

<sup>2</sup> *See North American Electric Reliability Corporation, Order Approving Settlement Agreement*, 142 FERC ¶ 61,042 (2013) (“January 16 Order”).

<sup>3</sup> *Id.*

was posted on NERC's website May 3, 2018 and reviewed at the May 9, 2018 open meeting of the NERC Finance and Audit Committee. The unaudited report was accepted by the NERC Board of Trustees at its meeting on May 10, 2018.

## **II. NOTICES AND COMMUNICATIONS**

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

Meredith M. Jolivert  
Senior Counsel  
North American Electric Reliability  
Corporation  
1325 G Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 400-3000  
(202) 644-8099 – facsimile  
Meredith.jolivert@nerc.net

Scott Jones  
Senior Vice President  
Chief Financial and Administrative Officer  
and Treasurer  
North American Electric Reliability  
Corporation  
3353 Peachtree Road NE, North Tower, Suite 600  
Atlanta, GA 30326  
(404) 446-9645  
Scott.Jones@nerc.net

## **III. DISCUSSION OF SIGNIFICANT VARIANCES BETWEEN 2018 BUDGET AND ACTUAL PROJECTED 2018 RESULTS**

The attached first quarter 2018 variance report compares actual (unaudited) financial results to NERC's budgeted expenditures as of March 31, 2018, and projected year-end 2018 financial results to NERC's total 2018 budgeted expenditures. NERC is providing additional discussion of significant variances between the projected (unaudited) year-end 2018 results and NERC's 2018 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 2018 results and the 2018 budget. For purposes of this discussion, NERC has focused on projected year-end variances in excess of budget of \$500,000 or more, because Section 7(b)(ii) of the Settlement Agreement specifies that NERC will file for Commission review and approval proposals approved by the NERC Board of Trustees to expend

\$500,000 or more from Operating Reserves designated for “unforeseen contingencies” (as defined in NERC’s Working Capital and Operating Reserves Policy), *i.e.*, 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. Information Technology**

Actual 2018 direct expenses plus net fixed asset expenditures for the Information Technology department are projected to be \$500k over budget, due in large part to the unanticipated costs of the SPP RE transition work, specifically related to the transfer of systems and data between Regional Entities. In addition, the department is expected to be slightly over budget in personnel, software maintenance and license 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/ Meredith M. Jolivert*

Meredith M. Jolivert  
Senior Counsel  
North American Electric Reliability  
Corporation  
1325 G Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 400-3000  
(202) 644-8099 – facsimile  
meredith.jolivert@nerc.net

*Counsel for North American Electric Reliability  
Corporation*

Dated: May 15, 2018

**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 15<sup>th</sup> day of May, 2018.

*/s/ Meredith M. Jolivert*

Meredith M. Jolivert  
*Counsel for North American Electric  
Reliability Corporation*

# **ATTACHMENT**

## Summary of Unaudited Results For the Month Ending March 31, 2018

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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	\$ 72.4	\$ 72.4	\$ -
Funding from Reserves			
Assessment Stabilization Reserve	0.6	0.6	-
<b>TOTAL FUNDING</b>	<b>\$ 73.0</b>	<b>\$ 73.0</b>	<b>\$ -</b>
 <u>EXPENDITURES</u>			
Expenses (excluding Depreciation)	\$ 69.9	\$ 69.3	\$ 0.6
Fixed Asset Additions	3.9	3.9	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 73.8</b>	<b>\$ 73.2</b>	<b>\$ 0.6</b>
 <b>RESERVE INCREASE (DECREASE)</b>			
	<b>\$ (0.8)</b>	<b>\$ (0.2)</b>	<b>\$ (0.6)</b>

#### **FUNDING**

- Revenues
  - Projected to be on budget
- Funding from Reserves
  - No reserve funding expected other than the budgeted amount from the Assessment Stabilization Reserve

#### **EXPENDITURES**

- Expenses
  - Personnel expenses expected to be over budget because of increased medical insurance, retirement, and executive search fee costs
  - Contracts and consultants projected to be over budget primarily due to costs for SPP RE transition work and a cyber-security supply chain risk study
- Fixed Assets
  - Expected to be on budget

#### **RESERVE INCREASE (DECREASE)**

- Projected decrease in total reserves is greater than budget by \$0.6M

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

<b>FUNDING</b>	<b>Actual</b>	<b>Budget</b>	<b>Over (Under)</b>
Revenues	\$ 18.0	\$ 18.1	\$ (0.1)
Funding from Reserves			
Assessment Stabilization Reserve	0.6	0.6	-
<b>TOTAL FUNDING</b>	<b>\$ 18.6</b>	<b>\$ 18.7</b>	<b>\$ (0.1)</b>
<b>EXPENDITURES</b>			
Expenses (excluding Depreciation)	\$ 17.3	\$ 18.2	\$ (0.9)
Fixed Asset Additions	0.1	1.0	(0.9)
<b>TOTAL EXPENDITURES</b>	<b>\$ 17.4</b>	<b>\$ 19.2</b>	<b>\$ (1.8)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1.2</b>	<b>\$ (0.5)</b>	<b>\$ 1.7</b>

**FUNDING**

- Revenues
  - Testing fees and workshop fees slightly below budget

**EXPENDITURES**

- Expenses
  - Meetings, Contracts and Consultants, and Office Costs are under budget due to the expected timing of expenditures versus budget
- Fixed Assets
  - Project expenditures are under budget because of the expected timing of expenditures versus budget

**OPERATING RESERVE INCREASE (DECREASE)**

- Reserve increase higher than budget by \$1.7 million
  - Additional net increase of reserves from operating results, primarily due to the expected timing of expenditures versus budget

## Detailed Operating Results

### Total NERC (including CRISP)

#### Variances by Revenue and Expense Category

	YTD Actual	YTD Budget	YTD Over (Under)	% Inc (Dec)	Annual Projection	Annual Budget	Annual Over (Under)	% Inc (Dec)
<b>TOTAL FUNDING</b>	<b>\$ 18,623,957</b>	<b>\$ 18,714,055</b>	<b>\$ (90,098)</b>	<b>(0.5%)</b>	<b>\$ 73,018,216</b>	<b>\$ 72,981,221</b>	<b>\$ 36,995</b>	<b>0.1%</b>
<b>EXPENDITURES</b>								
Personnel	\$ 10,853,675	\$ 10,810,451	\$ 43,224	0.4%	\$ 41,450,947	\$ 40,969,105	\$ 481,842	1.2%
Meetings, Travel, and Conference Calls	645,006	866,900	(221,894)	(25.6%)	3,331,353	3,395,100	(63,747)	(1.9%)
Contracts and Consultants	3,243,623	3,733,003	(489,380)	(13.1%)	14,096,841	13,724,185	372,656	2.7%
Rent and Facilities	749,745	772,951	(23,206)	(3.0%)	3,087,919	3,091,804	(3,885)	(0.1%)
Office Costs, Professional, and Misc. *	1,757,032	1,994,198	(237,166)	(11.9%)	7,821,916	7,942,084	(120,167)	(1.5%)
Other Non-Operating Expenses	8,704	34,720	(26,015)	(74.9%)	138,878	138,878	-	0.0%
Fixed Asset Additions *	149,097	968,500	(819,403)	(84.6%)	3,874,000	3,874,000	-	0.0%
<b>TOTAL EXPENDITURES</b>	<b>\$ 17,406,882</b>	<b>\$ 19,180,722</b>	<b>\$ (1,773,840)</b>	<b>(9.2%)</b>	<b>\$ 73,801,855</b>	<b>\$ 73,135,156</b>	<b>\$ 666,699</b>	<b>0.9%</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1,217,075</b>	<b>\$ (466,667)</b>	<b>\$ 1,683,742</b>	<b>(360.8%)</b>	<b>\$ (783,639)</b>	<b>\$ (153,935)</b>	<b>\$ (629,704)</b>	<b>409.1%</b>
<b>FTEs</b>	<b>192.9</b>	<b>199.3</b>	<b>(6.4)</b>	<b>(3.2%)</b>	<b>191.3</b>	<b>199.3</b>	<b>(8.0)</b>	<b>(4.0%)</b>

\* Excluding depreciation

Following is a brief summary of variances by major categories:

- Personnel Expense
  - On-budget year-to-date
  - Expected to be over budget at year-end because of increased medical insurance, retirement, and executive search fee costs
- Meetings, Travel, and Conference Calls Expense
  - Under budget year-to-date due to the expected timing of expenditures versus budget
  - Expected to be near budget at year-end

- Contracts and Consultants Expense
  - Under budget year-to-date because of the expected timing of expenditures versus budget
  - Projected to be over budget at year-end primarily due to SPP RE transition costs and an unplanned cyber-security supply chain risk EPRI project

<u>CONTRACTS and CONSULTANTS</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>YTD Over (Under)</u>	<u>Annual Projection</u>	<u>Annual Budget</u>	<u>Annual Over (Under)</u>
Reliability Standards	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ 100,000
Compliance Assurance	-	12,500	(12,500)	50,000	50,000	-
Compliance Analysis, Registration and Certification	28,670	-	28,670	49,950	-	49,950
Compliance Enforcement	-	-	-	-	-	-
Reliability Assessment and System Analysis	30,500	131,250	(100,750)	525,000	525,000	-
Reliability Risk Management	754,621	841,338	(86,717)	1,867,525	1,867,525	-
E-ISAC	297,254	275,050	22,204	1,100,200	1,100,200	-
Training, Education, and Personnel Certification	77,610	149,725	(72,115)	598,900	598,900	-
General and Administrative and Executive	-	-	-	80,000	80,000	-
Legal and Regulatory	-	-	-	-	-	-
Policy and External Affairs	-	6,250	(6,250)	41,500	20,000	21,500
Information Technology	425,059	530,992	(105,933)	2,325,172	2,123,966	201,206
Human Resources	54,797	106,250	(51,453)	640,000	640,000	-
Finance and Accounting	33,606	106,750	(73,144)	427,000	427,000	-
<b>TOTAL (excluding CRISP)</b>	<b>\$ 1,702,116</b>	<b>\$ 2,160,104</b>	<b>\$ (457,988)</b>	<b>\$ 7,805,247</b>	<b>\$ 7,432,591</b>	<b>\$ 372,656</b>
CRISP	1,541,506	1,572,899	(31,392)	6,291,594	6,291,594	-
<b>TOTAL (including CRISP)</b>	<b>\$ 3,243,623</b>	<b>\$ 3,733,003</b>	<b>\$ (489,380)</b>	<b>\$ 14,096,841</b>	<b>\$ 13,724,185</b>	<b>\$ 372,656</b>

- Office Costs and Professional Fees
  - Under budget year-to-date because of the expected timing of expenditures versus budget
  - Projected to be near budget at year-end
- Fixed Asset Additions (excluding depreciation)
  - Under budget year-to-date because of the expected timing of expenditures versus budget
  - Projected to be near budget at year-end

## Variations by Department / Program

<u>DIRECT EXPENSES and NET FIXED ASSETS</u>	YTD			Annual Projection	Annual	
	YTD Actual	YTD Budget	Over (Under)		Budget	Over (Under)
Reliability Standards	\$ 681,104	\$ 876,532	\$ (195,428)	\$ 2,894,287	\$ 3,293,666	\$ (399,378)
Compliance Assurance	1,248,172	1,147,842	100,330	4,647,111	4,520,550	126,561
Compliance Analysis, Registration and Certification	703,527	712,075	(8,548)	2,906,759	2,748,762	157,996
Compliance Enforcement	733,125	1,009,370	(276,245)	4,084,925	3,894,123	190,802
Reliability Assessment and System Analysis	1,046,751	1,087,851	(41,101)	4,362,443	4,105,476	256,967
Reliability Risk Management	2,203,586	2,359,501	(155,914)	7,516,969	7,654,264	(137,296)
E-ISAC	1,521,768	1,891,010	(369,242)	7,167,371	7,357,222	(189,851)
Training, Education, and Personnel Certification	370,588	432,631	(62,043)	1,726,311	1,706,574	19,737
General and Administrative and Executive	1,854,166	2,007,330	(153,164)	7,688,441	7,874,321	(185,880)
Legal and Regulatory	738,418	770,440	(32,022)	3,035,046	2,914,377	120,669
Policy and External Affairs	613,284	593,833	19,451	2,327,338	2,221,826	105,512
Information Technology	2,588,767	2,881,570	(292,803)	11,766,931	11,266,626	500,305
Human Resources	301,570	385,378	(83,808)	1,682,659	1,704,459	(21,799)
Finance and Accounting	1,019,538	1,043,941	(24,403)	4,227,342	4,008,326	219,016
<b>TOTAL (excluding CRISP)</b>	<b>\$ 15,624,364</b>	<b>\$ 17,199,306</b>	<b>\$ (1,574,941)</b>	<b>\$ 66,033,932</b>	<b>\$ 65,270,572</b>	<b>\$ 763,360</b>
CRISP	1,782,517	1,981,416	(198,899)	7,767,923	7,864,584	(96,661)
<b>TOTAL EXPENSES and NET FIXED ASSETS</b>	<b>\$ 17,406,882</b>	<b>\$ 19,180,722</b>	<b>\$ (1,773,840)</b>	<b>\$ 73,801,855</b>	<b>\$ 73,135,156</b>	<b>\$ 666,699</b>

- Reliability Standards: Projected to be under budget primarily because of reduced personnel costs resulting from the reallocation of resources to other departments.
- Reliability Assessments and System Analysis: Projected to be over budget because of increased personnel costs related to the reallocation of resources from other departments.
- Information Technology: Projected to be over budget due to largely to the unanticipated costs of the SPP RE transition, particularly related to the transfer of systems and data between regional entities. Additionally, the department is expected to be slightly over budget in personnel and software maintenance/license costs.

## SUPPLEMENTAL SCHEDULE 1

### Year-End Projected Reserves

Reserve Account	Beginning Balance <sup>(2)</sup>	Budgeted Funding	Budgeted Uses	Other Funding (Uses) <sup>(1)</sup>	Net Financing Activity <sup>(3)</sup>	Expected Ending Balance
Operating Contingency	\$ 3,680,094	\$ 600,000	\$ (231,393)	\$ (1,185,147)	\$ 714,726	\$ 3,578,280
Future Obligations	3,015,787	-	(480,457)	(15,759)	-	2,519,571
Assessment Stabilization	2,671,000	-	(600,000)	-	-	2,071,000
System Operator	477,484	77,458	-	(44,556)	-	510,386
CRISP	500,000	-	-	-	-	500,000
<b>Total Reserves</b>	<b>\$ 10,344,365</b>	<b>\$ 677,458</b>	<b>\$ (1,311,850)</b>	<b>\$ (1,245,463)</b>	<b>\$ 714,726</b>	<b>\$ 9,179,237</b>

**NOTES:**

(1) The column Other Funding (Uses) 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.

(2) Some 2018 beginning balances have been adjusted from the 12/31/2017 variance report balances as the result of a reconciliation to the final audited balance sheet.

(3) Net Financing Activity is projected to be favorable to budget by \$483k due to lower debt service requirements in 2018, primarily as a result of no capital borrowing in 2017.

## SUPPLEMENTAL SCHEDULE 2

### IT Projects Actuals Through March 2018

	Project Budget <sup>(1)</sup>	Actual Spend	Expected Spend	Expected Over (Under) Budget
<b>Projects in Progress</b>				
CMEP Program	\$ 5,103,000	\$ 288,000	\$ 5,103,000	\$ -
E-ISAC Portal Enhancements	403,975	308,791	403,975	-
E-ISAC Document Management	215,000	-	215,000	-
Entity Registration - CORES (Discovery) and JRO (On Hold)	600,000	138,539	187,989	(412,011)
SPP RE Transition	-	-	201,206	201,206
	Project Budget <sup>(1)</sup>	Actual Spend	Actual Over (Under) Budget	
<b>Projects Completed in 2018</b>				
NERC.com Phase 2	\$ 300,000	\$ 217,100	\$ (82,900)	

**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.*

*\* 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 and reflect only external (consultant) costs of the projects.*

## **SUPPLEMENTAL SCHEDULE 2** (continued)

### **CMEP Program**

*(Started May 2017 / Planned Completion Dec 2020)*

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 Enhancements**

*(Started Jan 2018/ Planned Completion Dec 2018)*

As requested by and prioritized by the MEC, certain enhancements will be made to the E-ISAC portal during 2018 related to areas such as email notifications, user communities, and STIX-TAXII.

### **E-ISAC Document Management**

*(Started Apr 2018 / Planned Completion Jun 2018)*

NERC launched the Document Management Program to provide a secure and efficient method of creating, collaborating, storing and disseminating the vast amount of information produced at NERC. The E-ISAC is the final business unit to be implemented.

### **Entity Registration – CORES (Discovery) and JRO (On Hold)**

*(Started Dec 2017 / Planned Completion May 2018)*

NERC is undertaking an effort to both standardize and modernize the Entity Registration process. The discovery phase of the CORES project includes the capture of region specific needs, variations, and exceptions in the registration process. CORES will be a centralized entity registration process, which will require the retirement of registration in CDMS, CITS and CRATS. The JRO portion of the project was put on hold for construction, to be combined with the CORES production release in 2019.

### **SPP RE Transition**

*(Started Mar 2018 / Planned Completion Jul 2018)*

With SPP dissolving, NERC is assessing the changes required to applications that contain SPP RE data and the reassignment/classification of such information. The inventory will require the mapping utility, functionality, migration, and support efforts by both region and entity. Activities include facilitated discussions with IT and business owners of impacted applications to capture and document high-level, as well as more detailed requirements necessary to support the transition of Registered Entities from SPP RE to MRO and SERC.

### **NERC.com Phase 2**

*(Started May 2017 / Completed Feb 2018)*

In response to feedback from stakeholders, this project is a first step to improve the usability and search capability of the public NERC.com website. The project will also enhance the stability of the NERC.com platform with a technology upgrade from SharePoint 2010 to SharePoint 2016 in Azure.

**SUPPLEMENTAL SCHEDULE 3****E-ISAC and CRISP  
Summary of Activity****TOTAL E-ISAC (including CRISP)**

<u>FUNDING</u>	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 3,574,381	\$ 14,297,524	\$ 14,297,524	\$ -
Other Funding	1,973,834	7,475,629	7,553,073	(77,444)
<b>TOTAL FUNDING</b>	<b>\$ 5,548,215</b>	<b>\$ 21,773,153</b>	<b>\$ 21,850,597</b>	<b>\$ (77,444)</b>
<u>EXPENDITURES</u>				
Personnel Expense	\$ 1,272,816	\$ 5,874,557	\$ 6,004,182	\$ (129,625)
Meeting Expense	110,730	456,530	418,000	38,530
Operating Expenses (excluding Depreciation)	1,920,740	8,354,207	8,549,624	(195,418)
Fixed Assets (including Allocations)	(87,151)	347,121	359,377	(12,256)
Indirect Expenses	1,344,356	5,933,723	6,519,415	(585,692)
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,561,490</b>	<b>\$ 20,966,138</b>	<b>\$ 21,850,597</b>	<b>\$ (884,460)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 986,725</b>	<b>\$ 807,016</b>	<b>\$ -</b>	<b>\$ 807,016</b>

## SUPPLEMENTAL SCHEDULE 3 (continued)

### CRISP

<u>FUNDING</u>	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 342,942	\$ 1,371,768	\$ 1,371,768	\$ -
Other Funding	1,856,443	7,275,084	7,348,144	(73,060)
<b>TOTAL FUNDING</b>	<b>\$ 2,199,385</b>	<b>\$ 8,646,852</b>	<b>\$ 8,719,912</b>	<b>\$ (73,060)</b>
<u>EXPENDITURES</u>				
Personnel Expense	\$ 204,501	\$ 930,187	\$ 944,070	\$ (13,882)
Meeting Expense	6,484	49,492	48,000	1,492
Operating Expenses (excluding Depreciation)	1,571,532	6,688,243	6,772,514	(84,271)
Fixed Assets (including Allocations)	(13,325)	114,154	114,113	41
Indirect Expenses	205,550	864,775	841,215	23,560
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,974,742</b>	<b>\$ 8,646,852</b>	<b>\$ 8,719,912</b>	<b>\$ (73,060)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 224,643</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### E-ISAC (excluding CRISP)

<u>FUNDING</u>	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 3,231,439	\$ 12,925,757	\$ 12,925,757	\$ -
Other Funding	117,391	200,545	204,929	(4,384)
<b>TOTAL FUNDING</b>	<b>\$ 3,348,830</b>	<b>\$ 13,126,301</b>	<b>\$ 13,130,686</b>	<b>\$ (4,384)</b>
<u>EXPENDITURES</u>				
Personnel Expense	\$ 1,068,315	\$ 4,944,370	\$ 5,060,112	\$ (115,742)
Meeting Expense	104,245	407,038	370,000	37,038
Operating Expenses (excluding Depreciation)	349,207	1,665,963	1,777,110	(111,147)
Fixed Assets (including Allocations)	(73,826)	232,967	245,263	(12,297)
Indirect Expenses	1,138,806	5,068,948	5,678,200	(609,252)
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,586,748</b>	<b>\$ 12,319,286</b>	<b>\$ 13,130,686</b>	<b>\$ (811,400)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 762,082</b>	<b>\$ 807,016</b>	<b>\$ -</b>	<b>\$ 807,016</b>

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# NERC Summary of Unaudited Results First Quarter 2018

Scott Jones, Senior Vice President, Chief Financial and Administrative Officer  
Finance and Audit Committee Meeting  
May 9, 2018

**RELIABILITY | ACCOUNTABILITY**



- Total funding was \$100k (0.6%) under budget
  - Testing fees and workshop fees slightly below budget
- Total expenditures were \$1.8M (9.4%) under budget
  - Primarily due to the expected timing of expenditures versus budget
- Net impact was \$1.7M increase in operating reserves

- NERC projecting to be on budget for funding
- NERC projecting to be \$600k (0.8%) over budget for costs
  - Personnel expenses expected to be slightly over budget
  - Contracts and consultants costs projected to be over budget primarily due to SPP RE transition work and a cybersecurity supply chain risk study
- Net impact of cost and funding projections is \$600k additional decrease in operating reserves
- Financing activity is projected to be favorable by \$500k

- Total reserves balance is \$9.2M
  - Operating Contingency Reserve (OCR) – \$3.6M
  - Assessment Stabilization Reserve (ASR) – \$2.1M
  - Future Obligation Reserve – \$2.5M
  - System Operator Reserve – \$510k
  - CRISP Reserve – \$500k



# Questions and Answers