

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

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

COMPLIANCE FILING OF THE NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”)¹ submits this compliance filing in accordance with the Commission’s January 16, 2013 Order in Docket No. FA11-21-000.² 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.³

Attached hereto is the unaudited report of NERC’s budget-to-actual variance information for the second quarter of 2017, in accordance with the January 16 Order. This variance

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

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

³ *Id.*

information was posted on NERC’s website and reviewed at the August 9, 2017 open meeting of the NERC Finance and Audit Committee (“FAC”). The unaudited report was accepted by the NERC Board of Trustees at its meeting on August 10, 2017.

II. NOTICES AND COMMUNICATIONS

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

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III. DISCUSSION OF SIGNIFICANT VARIANCES BETWEEN 2017 BUDGET AND PROJECTED ACTUAL 2017 RESULTS

The attached second quarter 2017 variance report compares actual (unaudited) financial results to NERC’s budgeted expenditures as of June 30, 2017, and projected year-end 2017 financial results to NERC’s total 2017 budgeted expenditures. NERC is providing additional discussion of significant variances between the actual (unaudited) second quarter results and NERC’s budgeted expenditures, by NERC department or program area and by major activity within departments and program areas. For purposes of this discussion, NERC has focused on actual cost 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. Consultants and Contracts

Expenses related to the Consultant and Contract category of expenditures were under budget \$966M (14.4%), and are projected to be \$1.25M (9.5%) over budget at year-end. \$645k of this projected over budget variance relates to the Cyber Risk Information Sharing Program (“CRISP”), including start-up costs for new participants and a security review engagement, and will be funded by CRISP participants. Additionally, the projected total over budget variance includes expenses for the E-ISAC portal improvement project (\$319k) and the system operator certification (“SOCCED”) database replacement project (\$167k, funded by SOCCED reserves). The additional consultant and contract costs in E-ISAC are offset by reductions in fixed assets. The E-ISAC portal project was originally anticipated to be a custom software development project and was budgeted in fixed assets. However, NERC now plans to use an “off-the-shelf” software platform and would recognize ongoing license and maintenance expenses instead of capitalizing all project costs as a fixed asset. Therefore, this project has no impact on NERC’s overall budget, but represents costs originally budgeted in fixed assets, but recognized in consultants and contracts.

B. Fixed Assets

Fixed Assets were \$1.4M (66.3%) under budget for the second quarter and are projected to be \$765k (17.5%) under budget at year-end. The under budget variance is partially related to the costs associated with the E-ISAC portal work being recorded as expenses (noted previously). Additionally, NERC budgeted the purchase of audio/visual assets in this category, but began a

leasing program for these assets in late 2016. Therefore, these costs have been reflected as operating costs instead of fixed asset purchases. This has no impact on NERC's overall budget, but represents costs originally budgeted in fixed assets, but recognized in operating expenses.

C. Compliance Analysis, Certification and Registration Program

Actual 2017 direct expenses plus net fixed asset expenditures for the Compliance Analysis, Certification and Registration Program are projected at year end to be \$945K more than budgeted, primarily due to the allocation of additional staff resources to support program activities (\$417k), and costs related to designing a new entity registration database (\$502k). Costs associated with the entity registration database were budgeted in IT as part of the ERO Enterprise application development budget, but will be charged to the Compliance Analysis, Certification and Registration Program to match costs with the relevant operating program utilizing the application.

D. Reliability Risk Management

Actual 2017 direct expenses plus net fixed asset expenditures for the Reliability Risk Management Program are projected at year end to be \$544K more than budgeted, primarily due to the costs related to two IT projects, MIDAS (\$376k) and FERC 854 (\$86k). Costs associated with these two projects were budgeted in IT as part of the ERO Enterprise application development budget, but will be charged to the Reliability Risk Management Program to match costs with the relevant operating program utilizing the application, which has no impact on NERC's overall budget.

E. Information Technology

Actual 2017 direct expenses plus net fixed asset expenditures for the Information Technology department are projected to be \$950k under budget, however \$965k of IT budgeted costs will eventually be recognized in the program areas utilizing the application. Considering these transfers, the IT department is approximately on budget (\$14k over, or 0.1%).

F. Operating Reserves

The balance in working capital and operating reserves was \$14.3M on June 30, 2017, which was \$3.7M over budget. The increase in working capital and operating reserves is a reflection of an increase in CRISP reserves. CRISP reserves increased \$4.3M due to timing differences between receipts of third-party funding for CRISP, which occurs at the beginning of the year, and expenses incurred throughout the year.

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

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*Counsel for North American Electric Reliability
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Dated: August 14, 2017

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 14th day of August, 2017.

/s/ Meredith M. Jolivert

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

ATTACHMENT

North American Electric Reliability Corporation Summary of Unaudited Results June 30, 2017

Through June 30, 2017, NERC was \$2.6M (7.3%) under its expense and fixed asset budget, including costs related to the Cyber Risk Information Sharing Program (CRISP). NERC is projected to be \$898k (1.3%) over budget at year-end, primarily due to higher consultant and contract expenses, and office costs. The projected spending variances are substantially offset by (a) increased CRISP participant funding, (b) the usage of operating contingency, future obligation and SOCCED reserves, and (c) projected spending reductions in fixed assets.

YTD Actual vs Budget and Annual Projection vs Budget

	Actual	Budget	Variance Over (Under) %		Annual Projection	Annual Budget	Over (Under) %	
TOTAL FUNDING	\$ 39,755,705	\$ 39,121,054	\$ 634,652	1.6%	\$ 70,577,832	\$ 70,151,660	\$ 426,172	0.6%
EXPENSES and FIXED ASSETS								
PERSONNEL EXPENSES	\$ 19,838,049	\$ 19,838,320	\$ (271)	0.0%	\$ 38,742,691	\$ 38,641,331	\$ 101,360	0.3%
MEETINGS, TRAVEL and CONFERENCE CALLS	1,767,286	1,686,443	80,843	4.8%	3,458,942	3,372,886	86,056	2.6%
CONSULTANTS and CONTRACTS	5,747,944	6,714,299	(966,355)	-14.4%	14,378,546	13,127,749	1,250,797	9.5%
RENT	1,447,983	1,558,505	(110,521)	-7.1%	3,124,992	3,117,009	7,983	0.3%
OFFICE COSTS, PROFESSIONAL SERVICES and MISC.	3,309,721	3,429,688	(119,967)	-3.5%	7,071,679	6,864,475	207,204	3.0%
OTHER NON-OPERATING EXPENSES	26,996	53,363	(26,367)	-49.4%	115,797	106,725	9,072	8.5%
FIXED ASSET PURCHASES (excluding depreciation)	736,382	2,186,000	(1,449,618)	-66.3%	3,607,212	4,372,000	(764,788)	-17.5%
TOTAL EXPENSES and FIXED ASSETS	\$ 32,874,360	\$ 35,466,617	\$ (2,592,256)	-7.3%	\$ 70,499,859	\$ 69,602,175	\$ 897,684	1.3%
FTEs	190.0	189.9	0.2	0.1%	188.9	189.9	(1.0)	-0.5%

The projected total spending variance of \$898k is offset by increased revenue funding (primarily from CRISP participants) of \$426k, resulting in a net projected spending variance of \$472k for 2017. Of this projected net spending variance,

- (1) \$114k is related to 2016 projects carried over into 2017, which are funded through the future obligation reserves;
- (2) \$205k is projected to be funded from SOCCED reserves for operation and database project spending increases, and
- (3) \$85k of 2017 spending has been approved and funded with operating contingency reserves.

Following is a brief summary of significant variances by major categories:

- Consultant and Contract expenses were under budget \$966M (14.4%), and are projected to be \$1.25M (9.5%) over budget at year-end. Most of this over budget variance relates to CRISP, including start-up costs for new participants and a security review engagement. Additionally, the variance includes the E-ISAC portal improvement project, the system operator certification database replacement project (funded by SOCCED reserves), and additional outside support in IT. The additional consultant and contract costs in E-ISAC and IT are substantially offset by reductions in fixed assets. The E-ISAC portal project was originally anticipated to be a custom software development project and was budgeted in fixed assets. However, NERC now plans to use an “off-the-shelf” software platform and would recognize ongoing license and maintenance expenses instead of capitalizing development costs as a fixed asset.

**Consultant and Contract Expenses
By Department**

	Actual	Budget	Variance Over (Under)	Annual Projection	Annual Budget	Variance Over (Under)
STANDARDS	\$ -	\$ -	\$ -	\$ 40,000	\$ -	\$ 40,000
COMPLIANCE ASSURANCE	-	25,000	(25,000)	35,800	50,000	(14,200)
RELIABILITY ASSESSMENTS and SYSTEM ANALYSIS	64,020	262,500	(198,480)	438,025	525,000	(86,975)
RELIABILITY RISK MANAGEMENT	1,063,298	1,062,391	907	1,866,982	1,823,932	43,050
E-ISAC	300,728	449,918	(149,190)	1,194,285	899,835	294,450
TRAINING, EDUCATION & OPERATOR CERTIFICATION	303,457	290,300	13,157	796,624	580,600	216,024
POLICY and EXTERNAL AFFAIRS	3,732	7,500	(3,768)	15,000	15,000	-
INFORMATION TECHNOLOGY	678,160	1,156,394	(478,234)	2,485,587	2,312,787	172,800
HUMAN RESOURCES	49,115	287,500	(238,386)	575,000	575,000	-
FINANCE and ACCOUNTING	10,135	228,500	(218,365)	397,000	457,000	(60,000)
TOTAL (excluding CRISP)	\$ 2,472,644	\$ 3,770,002	\$ (1,297,358)	\$ 7,844,303	\$ 7,239,155	\$ 605,148
CRISP	3,275,300	2,944,297	331,003	6,534,243	5,888,594	645,649
TOTAL CONTRACTS and CONSULTANTS	\$ 5,747,944	\$ 6,714,299	\$ (966,355)	\$ 14,378,546	\$ 13,127,749	\$ 1,250,797

- Office costs, professional services and miscellaneous expenses were collectively under budget \$120k (3.5%), and are projected to be \$207k (3.0%) over budget at year-end. The projected over budget office costs are primarily related to the expense treatment of the new audio/video lease agreement. NERC has historically budgeted purchases of A/V equipment and computers in fixed assets, but has entered into a lease for this new equipment. The projected over budget variance in office costs are substantially offset by reductions in fixed assets spending. While 2017 is a transitional year for this new lease, beginning in 2018, these costs will be budgeted and booked in alignment.
- Fixed Asset Purchases (excluding depreciation) were \$1.4M (66.3%) under budget and projected to be \$765k (17.5%) under budget at year-end. The under budget variance is primarily related to the costs associated with both the audio/video lease assets and E-ISAC portal work, which are being recorded as expenses as previously explained.

SUMMARY OF VARIANCES BY PROGRAM

The following table reflects variances by department as of June, 30 2017.

DIRECT EXPENSES and NET FIXED ASSETS	2017	2017	Variance	2017	2017	Variance
	Actual	Budget	Over/(Under)	Projection	Budget	Over/(Under)
RELIABILITY STANDARDS	\$ 1,691,526	\$ 1,848,578	\$ (157,052)	\$ 3,362,768	\$ 3,629,945	\$ (267,177)
COMPLIANCE ANALYSIS, CERTIFICATION and REGISTRATION	1,089,931	863,432	226,499	2,631,459	1,686,689	944,769
COMPLIANCE ASSURANCE	2,050,343	1,945,274	105,070	4,152,639	3,816,924	335,715
ENFORCEMENT	1,237,886	1,213,039	24,847	2,371,741	2,371,347	394
RELIABILITY ASSESSMENTS and SYSTEM ANALYSIS	1,668,551	1,960,592	(292,042)	3,695,498	3,861,344	(165,846)
RELIABILITY RISK MANAGEMENT	4,400,425	3,968,001	432,424	8,073,077	7,529,324	543,753
E-ISAC	2,494,432	2,944,550	(450,118)	5,999,327	5,813,801	185,526
TRAINING, EDUCATION and OPERATOR CERTIFICATION	897,669	971,710	(74,041)	1,949,648	1,920,376	29,272
GENERAL and ADMINISTRATIVE and EXECUTIVE	3,892,146	4,117,744	(225,598)	8,024,305	8,171,444	(147,139)
POLICY and EXTERNAL AFFAIRS	1,152,723	1,043,557	109,166	2,261,671	2,034,533	227,138
LEGAL and REGULATORY	1,297,479	1,684,725	(387,246)	2,772,040	3,292,379	(520,339)
INFORMATION TECHNOLOGY	4,785,148	6,293,693	(1,508,545)	11,530,995	12,480,846	(949,851)
HUMAN RESOURCES	520,899	811,484	(290,585)	1,552,551	1,608,583	(56,032)
FINANCE and ACCOUNTING	1,928,980	2,012,576	(83,596)	4,106,959	3,827,050	279,909
TOTAL (excluding CRISP)	\$ 29,108,138	\$ 31,678,955	\$(2,570,817)	\$ 62,484,678	\$ 62,044,585	\$ 440,093
CRISP	3,766,222	3,787,662	(21,439)	8,015,181	7,557,591	457,590
TOTAL (EXPENSES and NET FIXED ASSETS)	\$ 32,874,360	\$ 35,466,617	\$(2,592,256)	\$ 70,499,859	\$ 69,602,175	\$ 897,684

Following is a brief summary of significant variances:

- Compliance Analysis, Certification and Registration; Compliance Assurance; E-ISAC; Finance and Accounting – Projected to be over budget at year-end primarily due to additional resources added to support ongoing program activities. Compliance Registration is projected to be over budget due to the ERO Entity Registration software project, which is being transferred from IT. The additional resources in Finance and Accounting are to support the Enterprise Risk Management and Internal Audit activities.
- Standards; Reliability Assessments and System Analysis; General and Administrative and Executive; Legal and Regulatory – Under budget year-to-date and projected to be under budget at year-end primarily due to lower than budgeted personnel expenses.
- Policy and External Affairs – Over budget YTD and expected to be over budget at year-end primarily due to additional policy and external affairs legal expenses that were budgeted in the legal and regulatory department but recorded in this program.
- Reliability Risk Management (includes Event Analysis, Performance Analysis, and Situation Awareness departments) – Over budget YTD and expected to be over budget at year-end primarily related to ERO Application development costs that are budgeted in IT but recorded in the programs utilizing the applications.
- CRISP – Over budget primarily due to start-up costs for new participants and a security review engagement required pursuant to the terms of the CRISP program agreements.

- Information Technology – Under budget year-to-date and projected to be under budget at year-end. ERO application development costs budgeted in IT will be charged to the relevant operating departments utilizing the application. The following table shows the detail of project costs allocated to other departments.

This table shows that IT is projected to be approximately \$950k under budget, but \$965k of IT budgeted costs will be eventually recognized in the program areas utilizing those tools. Therefore, before considering the transfer of project costs, the IT department is approximately on budget (\$14k over, or 0.1%).

Information Technology	2017 YTD	2017 Projection
Actual	\$ 4,785,148	\$ 11,530,995
Budget	6,293,693	12,480,846
Variance Over (Under)	\$ (1,508,545)	\$ (949,851)
Transferred Projects		
Entity Registration (Registration)	\$ -	\$ 501,800
MIDAS (RRM)	260,525	376,325
FERC 854 (RRM)	61,350	86,400
Total Transferred	\$ 321,875	\$ 964,525
Adjusted Variance Over (Under)	\$ (1,186,670)	\$ 14,674

BOARD OF TRUSTEES EXPENSES

Board of Trustees expenses were under budget YTD by \$95k (11.0%) and are expected to be approximately on budget at year-end.

Board of Trustee Expenses	Actual	Budget	Variance Over (Under)	%
Meetings and Travel Expenses				
Quarterly Board Meetings	\$ 51,256	\$ 122,000	\$ (70,744)	-58.0%
Trustee Travel	72,348	78,665	(6,316)	-8.0%
Total Board of Trustees Meetings and Travel Expenses	\$ 123,605	\$ 200,665	\$ (77,060)	-38.4%
Professional Services				
Independent Trustee Fees	597,919	613,000	(15,081)	-2.5%
Trustee Search Fees	47,400	50,000	(2,600)	-5.2%
Total Board of Trustee Professional Services Expenses	\$ 645,319	\$ 663,000	\$ (17,681)	-2.7%
Total Board of Trustee Expenses	\$ 768,924	\$ 863,665	\$ (94,741)	-11.0%

OPERATING RESERVES

The balance in working capital and operating reserves at June 30, 2017 was \$14.3M, which was \$3.7M higher than budget. The increase was primarily due to higher CRISP reserves, which increased \$4.3M due to timing differences between receipt of third-party funding for CRISP, which occurs at the beginning of the year, and expenses incurred throughout the year.

The current year-end projection in total operating reserves is \$8.0M (table below), including approximately \$3.0M in the Operating Contingency Reserve (OCR) and \$1.7M in the Assessment Stabilization Reserve (ASR). Please note that while the OCR is generally impacted by NERC being over or under budget, it is also impacted by other items such as borrowing activities (new funding and repayments) and non-cash expenses. The net impact of all this activity is an increase of \$600k for the OCR for 2017.

				2017 Projected Year End Reserve Balances				
	2017 Projection	2017 Budget	Variance Over (Under)	Future Obligations Reserve	Operating Contingency Reserve	System Operator Reserves	***CRISP Reserves	Assessment Stabilization Reserve
2017 Beginning Reserve Balances	8,782,011	7,828,700	953,311	2,875,467	2,307,531	828,013	500,000	2,271,000
Change in Reserves from Current Year Operations								
Change in Reserves from budgeted operations	246,078	549,485	(303,407)	-	284,507	(38,429)	(0)	-
Additions to reserves	198,768	-	198,768	198,768	-	-	-	-
Approved use of reserves	(366,873)	-	(366,873)	(114,145)	(85,986)	(166,742)	-	-
Capital Financing								
Proceeds from Financing Activities (non-current only)	966,667	966,667	-	-	966,667	-	-	-
Debt Service	(719,522)	(985,750)	266,228	-	(719,522)	-	-	-
Other adjustments to reserves**	(1,128,397)	(600,000)	(528,397)	(727,165)	198,768	-	-	(600,000)
Reserve Balance	7,978,732	7,759,102	219,631	2,232,925	2,951,965	622,842	500,000	1,671,000

** Represents transactions recorded only on the Statement of Financial Position (balance sheet) and do not impact the Statement of Activities (income statement), including recording of capitalized leases, amortization of future obligations and funding the 457f plan.

*** Represents \$500k of insurance reserves, plus 2017 CRISP funding billed, net of 2017 projected 2017 expenses.

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
Statement of Activities and Fixed Assets Budget
(Unaudited)
For the period ended 06/30/2017

	Actual	Budget	Variance Over (Under)	%	Annual Projection	Annual Budget	Variance Over (Under)	%
Funding								
Assessments	\$ 29,928,157	\$ 29,928,157	0		\$ 59,856,314	\$ 59,856,314	\$ -	
Assessment Stabilization Reserves - Penalties	1,100,000	1,100,000	0		1,100,000	1,100,000	-	
Assessment Stabilization Reserves - Non-Penalties	-	-	-		-	-	-	
Third-Party Funding (CRISP)	7,667,788	6,990,447	677,341		7,400,905	6,990,447	410,458	
Testing	858,474	960,950	(102,476)		1,749,315	1,921,900	(172,585)	
Services & Software	21,764	25,000	(3,236)		50,000	50,000	-	
Workshop Fees	116,000	115,000	1,000		305,300	230,000	75,300	
Interest	63,399	1,500	61,899		115,999	3,000	112,999	
Miscellaneous	123	-	123		-	-	-	
Total Funding	\$ 39,755,705	\$ 39,121,054	\$ 634,652	1.6%	\$ 70,577,832	\$ 70,151,660	\$ 426,172	0.6%
Expenses								
Personnel Expenses								
Salaries	\$ 15,255,007	\$ 15,090,387	\$ 164,620		\$ 30,222,616	\$ 30,073,438	\$ 149,177	
Payroll Taxes	1,243,772	1,276,273	(32,501)		1,822,452	1,847,130	(24,678)	
Employee Benefits	1,807,710	1,833,331	(25,621)		3,736,337	3,643,806	92,531	
Savings & Retirement	1,531,560	1,638,329	(106,769)		2,961,287	3,076,956	(115,670)	
Total Personnel Expenses	\$ 19,838,049	\$ 19,838,320	\$ (271)	0.0%	\$ 38,742,691	\$ 38,641,331	\$ 101,360	0.3%
Meeting Expenses								
Meetings	\$ 465,421	\$ 535,750	\$ (70,329)		\$ 1,053,168	\$ 1,071,500	\$ (18,332)	
Travel	1,177,990	1,101,893	76,097		2,248,220	2,203,786	44,434	
Conference Calls	123,876	48,800	75,076		157,553	97,600	59,953	
Total Meeting Expenses	\$ 1,767,286	\$ 1,686,443	\$ 80,843	4.8%	\$ 3,458,942	\$ 3,372,886	\$ 86,056	2.6%
Operating Expenses								
Consultants and Contracts	\$ 5,747,944	\$ 6,714,299	\$ (966,355)		\$ 14,378,546	\$ 13,127,749	\$ 1,250,797	
Rent & Improvements	1,447,983	1,558,505	(110,521)		3,124,992	3,117,009	7,983	
Office Costs	2,250,403	2,177,120	73,282		4,599,488	4,359,340	240,148	
Professional Services	1,045,850	1,234,068	(188,218)		2,419,577	2,468,135	(48,558)	
Miscellaneous	13,468	18,500	(5,032)		52,613	37,000	15,613	
Depreciation	1,333,295	845,728	487,567		2,661,466	1,691,457	970,009	
Total Operating Expenses	\$ 11,838,943	\$ 12,548,220	\$ (709,277)	-5.7%	\$ 27,236,682	\$ 24,800,690	\$ 2,435,993	9.8%
Other Non-Operating Expenses	\$ 26,996	\$ 53,363	\$ (26,367)	-49.4%	\$ 115,797	\$ 106,725	\$ 9,072	8.5%
Indirect Expenses	\$ -	\$ -	\$ (0)		\$ -	\$ -	\$ 0	
Total Expenses	\$ 33,471,273	\$ 34,126,345	\$ (655,072)	-1.9%	\$ 69,554,112	\$ 66,921,632	\$ 2,632,480	3.9%
Net Change in Assets	\$ 6,284,432	\$ 4,994,709	\$ 1,289,723	25.8%	\$ 1,023,720	\$ 3,230,028	\$ (2,206,308)	-68.3%
Fixed Assets								
Depreciation	\$ (1,333,295)	\$ (845,728)	\$ (487,567)		\$ (2,661,466)	\$ (1,691,457)	\$ (970,009)	
Computer & Software	671,618	1,286,000	(614,382)		2,417,441	2,572,000	(154,559)	
Furniture & Fixtures	-	-	-		-	-	-	
Equipment	64,764	900,000	(835,236)		1,189,772	1,800,000	(610,229)	
Leasehold Improvements	-	-	-		-	-	-	
Allocation of Fixed Assets	0	0	-		-	0	(0)	
Incr(Dec) in Fixed Assets	\$ (596,913)	\$ 1,340,272	\$ (1,937,185)	-144.5%	\$ 945,747	\$ 2,680,543	\$ (1,734,796)	-64.7%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	\$ 32,874,360	\$ 35,466,617	\$ (2,592,256)	-7.3%	\$ 70,499,859	\$ 69,602,175	\$ 897,684	1.3%
Change in Operating Reserves (Total Funding less Total Budget)	6,881,345	3,654,437	3,226,908	88.3%	77,973	549,485	(471,511)	-85.8%
FTE's	190.0	189.9	0.2	0.1%	188.9	189.9	(1.0)	-0.5%

**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
STATEMENT OF FINANCIAL POSITION**

(Unaudited)

For the period ended 06/30/2017

	Unaudited		Audited		Working Capital and Operating Reserves	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016	06/30/2017	12/31/2016
ASSETS						
Cash	\$ 44,599,387	\$ 54,523,917	\$ 44,599,387	\$ 54,523,917		
Accounts receivable, net of allowance for uncollectible accounts of \$0	18,807,376	3,784,074	18,807,376	3,784,074		
Prepaid expenses and other current assets	2,098,277	2,046,006	2,098,277	2,046,006		
Security deposit	125,585	125,585				
457(b) – Non-Qualified Deferred Compensation	1,109,883	1,109,883				
457(f) - Non-Qualified Deferred Compensation	720,449	473,741				
Property and equipment	10,194,301	10,791,214				
Total Assets	\$ 77,655,258	\$ 72,854,420				
LIABILITIES AND NET ASSETS						
Liabilities						
Current Portion						
Accounts payable and accrued expenses	\$ 6,249,929	\$ 4,288,119	\$ (6,249,929)	\$ (4,288,119)		
Accrued incentive compensation	2,586,175	4,979,436	(2,586,175)	(4,979,436)		
Deferred rent-current	437,999	396,121	(437,999)	(396,121)		
Deferred compensation - current	12,298	-	(12,298)	-		
Capital lease obligations - current	74,212	74,212	(74,212)	(74,212)		
Accrued retirement liabilities	976,814	1,903,342	(976,814)	(1,903,342)		
Debt service - current portion	1,238,940	1,238,940	(1,238,940)	(1,238,940)		
Deferred income	17,928,513	12,301,737	(17,928,513)	(12,301,737)		
Deferred revenue - CRISP	-	2,418,927	-	(2,418,927)		
Regional assessments	21,212,903	23,471,153	(21,212,903)	(23,471,153)		
Total Current Portion	\$ 50,717,783	\$ 51,071,987				
Long-Term Portion						
Deferred compensation ¹	\$ 1,589,976	\$ 1,527,437				
Long-Term Debt	264,548	625,433				
Penalties-Assessments stabilization	-	-				
Deferred Rent-non-current	2,784,741	3,015,784				
CRISP Insurance Reserve	500,000	500,000				
Capital lease obligations - non-current	77,541	77,541				
Total Long-Term Portion	\$ 5,216,806	\$ 5,746,195				
Total Liabilities	\$ 55,934,589	\$ 56,818,182				
Net Assets - unrestricted	\$ 19,549,670	\$ 13,265,238				
Net Assets - Restricted: Unreleased penalties	500,000	500,000	(500,000)	(500,000)		
Net Assets - Restricted-Assessments stabilization	1,671,000	2,271,000				
Total Liabilities and Net Assets	\$ 77,655,259	\$ 72,854,420	\$ 14,287,257	\$ 8,782,010		
¹ Includes 457b and 457f liabilities, life insurance for former executive, and retiree medical						
Total Operating Reserves	\$ 14,287,257	\$ 8,782,011				
Less: Net Assets - Restricted: Assessments stabilization	(1,671,000)	(2,271,000)				
Working Capital and Operating Reserves	\$ 12,616,257	\$ 6,511,011				
Financial Covenants						
1 - WC & OR Balance to Debt Service Ratio > 1.2 to 1.0 (=Working Capital / Debt Service)		10.18				
2 - Liquidity to Debt Service Ratio > 1.5 to 1.0* (=(Cash - Regional Assessments - Restricted Net Assets)/ Debit Service)		17.53				