

**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 third quarter of 2018, in accordance with the January 16 Order. This variance information

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.*

was posted on NERC's website October 31, 2018 and reviewed at the November 6, 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 November 7, 2018.

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 2018 BUDGET AND ACTUAL PROJECTED 2018 RESULTS

The attached third quarter 2018 variance report compares actual (unaudited) financial results to NERC's budgeted expenditures as of September 30, 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. 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. Fixed Asset Additions

Fixed asset additions are \$2.0 million (68.7%) under budget as of September 30, 2018, due to timing differences of expenditures and lower than budgeted spending. Fixed asset additions are projected to be under budget at year-end by \$533,342 (13.8%), primarily in the IT Department to manage overall department costs to the annual budget. No single variance item in the IT Department is projected to exceed \$500,000 for the year, nor will funds be redirected to any specific project or major activity that exceeds \$500,000.

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: November 14, 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 14th day of November, 2018.

/s/ Meredith M. Jolivert

Meredith M. Jolivert
*Counsel for North American Electric
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ATTACHMENT

Summary of Unaudited Results For the Month Ending September 30, 2018

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Executive Summary

Projected Year-End Results (\$ millions)

	<u>FUNDING</u>	Projected	Budget	Over (Under)
Revenues		\$ 72.5	\$ 72.4	\$ 0.1
Funding from Reserves				
Assessment Stabilization Reserve		0.6	0.6	-
TOTAL FUNDING		\$ 73.1	\$ 73.0	\$ 0.1
	<u>EXPENDITURES</u>			
Expenses (excluding Depreciation)		\$ 70.3	\$ 69.3	\$ 1.0
Fixed Asset Additions		3.3	3.9	(0.6)
TOTAL EXPENDITURES		\$ 73.6	\$ 73.2	\$ 0.4
RESERVE INCREASE (DECREASE)		\$ (0.5)	\$ (0.2)	\$ (0.3)

FUNDING

- Revenues
 - Projected to be close to budget at year-end. Interest income and workshop fees are projected to be above budget, while testing fee income and CRISP revenues are expected to be below budget.

EXPENDITURES

- Expenses (excluding depreciation)
 - Personnel expenses expected to be over budget primarily due to increased medical insurance costs and search fees, and are partially offset by lower retirement 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.
 - Office costs projected to be over budget due to higher software license, support, and hosting expense.
- Fixed Assets
 - Projected to be below budget at year-end due to anticipated lower spending in IT to manage overall department costs to the annual budget.

RESERVE INCREASE (DECREASE)

- Projected decrease in total reserves is \$0.5M versus a budgeted decrease of \$0.2M.

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

FUNDING	Actual	Budget	Over (Under)
Revenues	\$ 54.4	\$ 54.3	\$ 0.1
Funding from Reserves			
Assessment Stabilization Reserve	0.6	0.6	-
TOTAL FUNDING	\$ 55.0	\$ 54.9	\$ 0.1
EXPENDITURES			
Expenses (excluding Depreciation)	\$ 50.7	\$ 52.2	\$ (1.5)
Fixed Asset Additions	0.9	2.9	(2.0)
TOTAL EXPENDITURES	\$ 51.6	\$ 55.1	\$ (3.5)
RESERVE INCREASE (DECREASE)	\$ 3.4	\$ (0.2)	\$ 3.6

FUNDING

- Revenues
 - Interest income and workshops are over budget year-to-date, which is offset by lower than budgeted testing fee revenue.

EXPENDITURES

- Expenses (excluding depreciation)
 - Contracts and Consultants, Office Costs, and Professional Services are under budget due to the expected timing of expenditures versus budget.
- Fixed Assets
 - Under budget due to the expected timing of expenditures and lower than budgeted spending in IT.

OPERATING RESERVE INCREASE (DECREASE)

- Reserve increase higher than budget by \$3.6 million
 - Additional net increase of reserves from operating results, primarily due to the expected timing of expenditures versus budget, and anticipated lower spending in IT to manage overall department costs to the annual 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)
TOTAL FUNDING	\$ 54,982,092	\$ 54,892,166	\$ 89,926	0.2%	\$ 73,107,152	\$ 72,981,221	\$ 125,931	0.2%
EXPENDITURES								
Personnel	\$ 30,987,867	\$ 31,030,004	\$ (42,137)	(0.1%)	\$ 41,399,667	\$ 40,969,105	\$ 430,562	1.1%
Meetings, Travel, and Conference Calls	2,521,391	2,555,700	(34,309)	(1.3%)	3,481,777	3,395,100	86,677	2.6%
Contracts and Consultants	9,239,784	10,215,458	(975,674)	(9.6%)	14,039,122	13,724,185	314,937	2.3%
Rent and Facilities	2,198,298	2,318,853	(120,555)	(5.2%)	3,038,960	3,091,804	(52,844)	(1.7%)
Office Costs, Professional, and Misc.*	5,669,165	5,962,011	(292,846)	(4.9%)	8,190,897	7,942,084	248,813	3.1%
Other Non-Operating Expenses	74,016	104,159	(30,143)	(28.9%)	149,171	138,878	10,293	7.4%
Fixed Asset Additions*	908,455	2,905,500	(1,997,045)	(68.7%)	3,340,658	3,874,000	(533,342)	(13.8%)
TOTAL EXPENDITURES	\$ 51,598,976	\$ 55,091,684	\$ (3,492,707)	(6.3%)	\$ 73,640,254	\$ 73,135,156	\$ 505,098	0.7%
RESERVE INCREASE (DECREASE)	\$ 3,383,116	\$ (199,518)	\$ 3,582,634	(1795.6%)	\$ (533,102)	\$ (153,935)	\$ (379,167)	246.3%
FTEs	189.7	199.3	(9.6)	(4.8%)	191.9	199.3	(7.4)	(3.7%)

* Excludes depreciation expense

Following is a brief summary of variances by major categories:

- Personnel Expense
 - Year-to-date actuals are slightly under budget, and annual projection is over budget due to higher than expected medical insurance costs and search fees.
- Contracts and Consultants Expense
 - Under budget year-to-date because of the expected timing of expenditures versus budget.
 - Projected to be over budget primarily due to costs for SPP RE transition work, and a cyber-security supply chain risk study (see table below).

	YTD			Annual Projection	Annual Budget	Annual Over (Under)
	YTD Actual	YTD Budget	Over (Under)			
CONTRACTS and CONSULTANTS						
Reliability Standards	\$ 100,000	\$ -	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
Compliance Assurance	32,944	37,500	(4,556)	53,750	50,000	3,750
Compliance Analysis, Registration and Certification	-	-	-	-	-	-
Compliance Enforcement	42,131	-	42,131	48,500	-	48,500
Reliability Assessment and System Analysis	142,500	393,750	(251,250)	370,000	525,000	(155,000)
Reliability Risk Management	1,476,591	1,542,963	(66,372)	1,938,475	1,867,525	70,950
E-ISAC	739,865	825,150	(85,285)	1,200,000	1,100,200	99,800
Training, Education, and Personnel Certification	222,468	449,175	(226,707)	552,900	598,900	(46,000)
General and Administrative and Executive	41,000	-	41,000	80,000	80,000	-
Legal and Regulatory	-	-	-	-	-	-
Policy and External Affairs	14,225	16,250	(2,025)	41,500	20,000	21,500
Information Technology	1,438,428	1,592,975	(154,547)	2,345,403	2,123,966	221,437
Human Resources	365,173	318,750	46,423	590,000	640,000	(50,000)
Finance and Accounting	265,437	320,250	(54,813)	427,000	427,000	-
TOTAL (excluding CRISP)	\$ 4,880,762	\$ 5,496,762	\$ (616,000)	\$ 7,747,528	\$ 7,432,591	\$ 314,937
CRISP	4,359,022	4,718,696	(359,674)	6,291,594	6,291,594	-
TOTAL (including CRISP)	\$ 9,239,784	\$ 10,215,458	\$ (975,674)	\$ 14,039,122	\$ 13,724,185	\$ 314,937

- Office Costs and Professional Fees
 - Under budget year-to-date because of the expected timing of expenditures versus budget.
 - Projected to be slightly over budget at year-end due to higher than budgeted software license, support, and hosting expense.

- Fixed Asset Additions (excluding depreciation)
 - Under budget year-to-date because of the expected timing of expenditures versus budget.
 - Projected to be below budget at year-end due to anticipated lower spending in IT.

Variances by Department / Program

DIRECT EXPENSES and NET FIXED ASSETS	YTD			Annual Projection	Annual Budget	Annual Over (Under)
	YTD Actual	YTD Budget	Over (Under)			
Reliability Standards	\$ 2,218,671	\$ 2,499,492	\$ (280,821)	\$ 2,974,652	\$ 3,293,666	\$ (319,014)
Compliance Assurance	3,632,716	3,393,859	238,857	4,887,804	4,520,550	367,254
Compliance Analysis, Registration and Certification	1,711,511	2,077,528	(366,017)	2,545,486	2,748,762	(203,277)
Compliance Enforcement	2,675,020	2,936,977	(261,957)	4,264,044	3,894,123	369,921
Reliability Assessment and System Analysis	2,998,707	3,112,336	(113,629)	4,024,436	4,105,476	(81,040)
Reliability Risk Management	5,960,212	5,928,267	31,945	7,921,198	7,654,264	266,934
E-ISAC	4,772,762	5,546,793	(774,031)	7,004,448	7,357,222	(352,774)
Training, Education, and Personnel Certification	972,083	1,291,585	(319,502)	1,505,994	1,706,574	(200,580)
General and Administrative and Executive	5,639,205	5,880,043	(240,838)	7,939,879	7,874,321	65,558
Legal and Regulatory	2,164,118	2,206,653	(42,535)	2,982,211	2,914,377	67,834
Policy and External Affairs	1,838,596	1,682,005	156,591	2,477,470	2,221,826	255,643
Information Technology	7,802,739	8,482,738	(679,999)	11,507,268	11,266,626	240,643
Human Resources	999,820	1,122,224	(122,404)	1,657,004	1,704,459	(47,455)
Finance and Accounting	3,197,698	3,026,411	171,287	4,255,166	4,008,326	246,839
TOTAL (excluding CRISP)	\$ 46,583,858	\$ 49,186,910	\$ (2,603,052)	\$ 65,947,060	\$ 65,270,572	\$ 676,488
CRISP	5,015,118	5,904,773	(889,655)	7,693,193	7,864,584	(171,390)
TOTAL EXPENSES and NET FIXED ASSETS	\$ 51,598,976	\$ 55,091,684	\$ (3,492,707)	\$ 73,640,254	\$ 73,135,156	\$ 505,098

- **Reliability Standards:** Under budget year-to-date and projected to be under budget primarily due to reduced personnel costs resulting from the reallocation of resources to other departments.
- **Compliance Assurance:** Over budget year-to-date and projected to be over budget mainly because of additional personnel costs resulting from the reallocation of resources from other departments.
- **Compliance Analysis, Registration and Certification:** Under budget year-to-date and projected to be under budget largely due to reduced personnel costs resulting from the reallocation of resources to other departments.
- **Compliance Enforcement:** Under budget year-to-date mainly due to the expected timing of CMEP technology project expenditures versus budget. Projected to be over budget primarily because of personnel and SPP RE transition costs.
- **Reliability Risk Management:** Projected to be over budget due to personnel and workshop meeting expenses, which is partially offset by increased revenues from workshop fees due to higher than budgeted conference attendance.
- **E-ISAC:** Under budget year-to-date largely because of decreased personnel costs due to lower FTEs and the expected timing of expenditures versus budget. Projected to be under budget at year-end because of lower than expected personnel costs.
- **Training, Education, and Personnel Certification:** Under budget year-to-date and projected to be under budget primarily because of reduced personnel costs resulting from lower than budgeted FTEs, as well as lower than budgeted testing fee revenue.

- Policy and External Affairs: Projected to be over budget at year-end because of higher personnel costs related to lower than budgeted attrition.
- Information Technology: Under budget year-to-date mainly due to the expected timing of expenditures versus budget. Projected to be over budget by year-end due to SPP RE transition costs.
- Finance and Accounting: Projected to be over budget at year-end largely due to higher personnel costs related to lower than budgeted attrition.
- CRISP: Under budget year-to-date mainly due to the expected timing of expenditures versus budget. Projected to be under by year-end because of lower than budgeted office costs.

SUPPLEMENTAL SCHEDULE 1

Year-End Projected Reserves

Reserve Account	Beginning Balance ⁽²⁾	Budgeted Funding	Budgeted Uses	Other Funding (Uses) ⁽¹⁾	Net Financing Activity ⁽³⁾	Expected Ending Balance
Operating Contingency	\$ 3,680,094	\$ 600,000	\$ (231,393)	\$ (964,996)	\$ 714,726	\$ 3,798,431
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	-	(14,171)	-	540,771
CRISP	500,000	-	-	-	-	500,000
Total Reserves	\$ 10,344,365	\$ 677,458	\$ (1,311,850)	\$ (994,926)	\$ 714,726	\$ 9,429,773

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

	Project	Actual	Expected	Expected
	Budget ⁽¹⁾	Spend	Spend	Over (Under)
<u>Projects in Progress</u>				Budget
CMEP Technology Project	\$ 5,103,000	\$ 882,338	\$ 5,103,000	\$ -
E-ISAC Portal Enhancements	743,475	548,508	743,475	-
Entity Registration	600,000	139,472	600,000	-
CFR Enhancements	113,000	-	113,000	-
SPP RE Transition	-	335,652	484,637	484,637
	Project	Actual	Actual	
	Budget ⁽¹⁾	Spend	Over (Under)	Budget
<u>Projects Completed in 2018</u>				
NERC.com Phase 2	\$ 300,000	\$ 281,530	\$ (18,471)	
E-ISAC Document Management	215,000	215,000	-	

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 Technology Project

(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 Member Executive Committee (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.

Entity Registration

(Started Dec 2017 / Planned Completion Dec 2019)

NERC is undertaking an effort to both standardize and modernize the Entity Registration process. The discovery phase of the Centralized Organization Registration Entity System (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 Joint Registration Organization (JRO) portion of the project will be combined with the CORES production release in 2019.

CFR Enhancements

(Started Sep 2018/ Planned Completion Dec 2018)

This project is an enhancement to the Coordinated Functional Requirement (CFR) functionality, which is going to update the standard requirements that appear in the system, as well as performance improvement.

SPP RE Transition

(Started Mar 2018 / Planned Completion Oct 2018)

With SPP RE 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 was a first step to improve the usability and search capability of the public NERC.com website. The project also enhanced the stability of the NERC.com platform with a technology upgrade from SharePoint 2010 to SharePoint 2016 in Azure.

E-ISAC Document Management

(Started Apr 2018 / Completed Oct 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 was the final business unit to be implemented.

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	\$ 10,723,144	\$ 14,297,524	\$ 14,297,524	\$ -
Other Funding	5,715,686	7,614,497	7,553,073	61,424
TOTAL FUNDING	\$ 16,438,830	\$ 21,912,022	\$ 21,850,597	\$ 61,424
<u>EXPENDITURES</u>				
Personnel Expense	\$ 3,964,778	\$ 5,558,855	\$ 6,004,182	\$ (445,326)
Meeting Expense	342,130	493,589	418,000	75,589
Operating Expenses (excluding Depreciation)	5,480,972	8,395,198	8,549,624	(154,427)
Fixed Assets (including Allocations)	(283,957)	9,981	359,377	(349,395)
Indirect Expenses	4,370,493	6,203,111	6,519,415	(316,304)
TOTAL EXPENDITURES	\$ 13,874,415	\$ 20,660,734	\$ 21,850,597	\$ (1,189,864)
RESERVE INCREASE (DECREASE)	\$ 2,564,415	\$ 1,251,288	\$ 0	\$ 1,251,288

SUPPLEMENTAL SCHEDULE 3

(continued)

CRISP				
<u>FUNDING</u>	<u>YTD Actual</u>	<u>Annual Projection</u>	<u>Annual Budget</u>	<u>Projected Over (Under)</u>
Assessments	\$ 1,028,826	\$ 1,371,768	\$ 1,371,768	\$ -
Other Funding	5,567,042	7,261,770	7,348,144	(86,375)
TOTAL FUNDING	\$ 6,595,868	\$ 8,633,537	\$ 8,719,912	\$ (86,375)
<u>EXPENDITURES</u>				
Personnel Expense	\$ 494,100	\$ 949,451	\$ 944,070	\$ 5,381
Meeting Expense	58,658	72,818	48,000	24,818
Operating Expenses (excluding Depreciation)	4,462,360	6,570,925	6,772,514	(201,589)
Fixed Assets (including Allocations)	(39,038)	62,150	114,113	(51,963)
Indirect Expenses	600,847	978,193	841,215	136,978
TOTAL EXPENDITURES	\$ 5,576,927	\$ 8,633,537	\$ 8,719,912	\$ (86,375)
RESERVE INCREASE (DECREASE)	\$ 1,018,941	\$ 0	\$ 0	\$ 0

E-ISAC (excluding CRISP)				
<u>FUNDING</u>	<u>YTD Actual</u>	<u>Annual Projection</u>	<u>Annual Budget</u>	<u>Projected Over (Under)</u>
Assessments	\$ 9,694,318	\$ 12,925,757	\$ 12,925,757	\$ -
Other Funding	148,644	352,728	204,929	147,799
TOTAL FUNDING	\$ 9,842,962	\$ 13,278,485	\$ 13,130,686	\$ 147,799
<u>EXPENDITURES</u>				
Personnel Expense	\$ 3,470,678	\$ 4,609,405	\$ 5,060,112	\$ (450,708)
Meeting Expense	283,472	420,771	370,000	50,771
Operating Expenses (excluding Depreciation)	1,018,612	1,824,273	1,777,110	47,163
Fixed Assets (including Allocations)	(244,919)	(52,169)	245,263	(297,433)
Indirect Expenses	3,769,645	5,224,918	5,678,200	(453,282)
TOTAL EXPENDITURES	\$ 8,297,488	\$ 12,027,197	\$ 13,130,686	\$ (1,103,489)
RESERVE INCREASE (DECREASE)	\$ 1,545,474	\$ 1,251,288	\$ 0	\$ 1,251,288

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

NERC Summary of Unaudited Results Third Quarter 2018

Andy Sharp, Controller
Finance and Audit Committee Meeting
November 6, 2018

RELIABILITY | ACCOUNTABILITY



- Total funding is on budget
 - Interest income is over budget, offset by lower testing fee revenue
- Total expenditures were \$3.5M (6.3%) under budget
 - Primarily due to the expected timing of expenditures versus budget
- Net impact was \$3.6M increase in operating reserves

- NERC projecting to be on budget for funding
 - Interest income and workshop fees projected to be above budget, while testing fee income and CRISP revenues expected to be below budget
- NERC projecting to be slightly over budget for total expenditures (\$400k or 0.7%)
 - Primarily costs associated with SPP RE dissolution activity
- Projected operating reserve usage of \$500k, which is \$300k over budget
- Net impact of financing activity (new borrowings and loan payments) is a \$483k favorable variance to projected reserves

- Total projected reserves balance is \$9.4M
 - Operating Contingency Reserve (OCR) – \$3.8M
 - Assessment Stabilization Reserve (ASR) – \$2.1M
 - Future Obligation Reserve – \$2.5M
 - System Operator Reserve – \$541k
 - CRISP Reserve – \$500k



Questions and Answers