

**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”)<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 second quarter of 2019, in accordance with the January 16 Order. This variance

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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.*

information was posted on NERC's website August 7, 2019 and was reviewed at the August 14, 2019 open meeting of the NERC Finance and Audit Committee. The unaudited report was approved by the NERC Finance and Audit Committee at its meeting on August 14, 2019, and is being recommended for approval by the NERC Board of Trustees at its meeting on August 15, 2019.

## **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 2019 BUDGET AND ACTUAL PROJECTED 2019 RESULTS**

The attached second quarter 2019 variance report compares actual (unaudited) financial results to NERC's budgeted expenditures as of June 30, 2019, and projected year-end 2019 financial results to NERC's total 2019 budgeted expenditures. NERC is providing additional discussion of significant variances between the projected (unaudited) year-end 2019 results and NERC's 2019 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 2019 results and the 2019 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. Projected Variances of \$500,000 or more by Department or Program Area**

In late 2018, NERC management went through an organizational assessment, including the alignment of various programs and staffing resources according to roles and responsibilities, and re-characterized several employees across multiple departments. In general, these employees maintained the same responsibilities and functional oversight, but were assigned different managers or departments. In some cases, similar roles were consolidated to align certain technical functions. The changes had no effect on total FTEs for the company, and the net cost impact of these movements was immaterial. However, for financial presentation purposes as it relates to the original 2019 Business Plan & Budget, these four departments now reflect budget variances because of the change in alignment of staffing within and across these program areas: Compliance Assurance; Compliance Analysis, Registration and Certification; Reliability Assessment and System Analysis; and Performance Analysis. As of June 30, 2019, Compliance Assurance is projected to be over budget by \$1,200,041, Compliance Analysis, Registration and Certification is projected to be under budget by \$1,025,397, Reliability Assessment and System Analysis is projected to be under budget by \$959,361, and Performance Analysis is projected to be over budget by \$537,654 (primarily due to the staffing reorganization discussed previously and unbudgeted costs associated with the Florida Reliability Coordinating Council (FRCC)

Regional Entity dissolution costs). Other departments and program areas reflect over and under budget amounts as well resulting from this reorganization, but none were greater than \$500,000. Legal and Regulatory is projected to be over budget by \$917,339 due to personnel transition costs and search fees, as well as Internal Audit contracts and consultants expenditures that were budgeted in the Finance and Accounting department that will be charged to the Legal and Regulatory department.

**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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Dated: August 14, 2019

**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 14<sup>th</sup> day of August, 2019.

*/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 June 30, 2019

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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	\$ 78.8	\$ 78.5	\$ 0.3
Funding from Reserves			
Assessment Stabilization Reserve	\$ 0.6	\$ 0.6	-
<b>TOTAL FUNDING</b>	<b>\$ 79.4</b>	<b>\$ 79.1</b>	<b>\$ 0.3</b>
<b><u>EXPENDITURES</u></b>			
Expenses (excluding Depreciation)	\$ 76.9	\$ 75.2	\$ 1.7
Fixed Asset Additions	3.8	4.8	(1.0)
<b>TOTAL EXPENDITURES</b>	<b>\$ 80.7</b>	<b>\$ 80.0</b>	<b>\$ 0.7</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ (1.3)</b>	<b>\$ (0.9)</b>	<b>\$ (0.4)</b>

#### Funding

- Revenues
  - Expected to be slightly over budget at year-end primarily due to higher than budgeted investment income, and will be partially offset by lower third-party revenues for the CRISP program.

#### Expenditures

- Expenses (excluding depreciation)
  - Personnel expenses are expected to be over budget mainly because of transition costs and search fees.
  - Contracts and consultants expenses are projected to be over budget primarily due to FRCC transition work, SOCCED database system upgrades, and E-ISAC support costs (which are offset by lower spending in other E-ISAC categories).
- Fixed Asset Additions
  - Projected to be below budget in order to offset other increased costs.

#### Operating Reserve Increase (Decrease)

- Projected reserve decrease from operating activity is \$1.3M versus a budgeted decrease of \$0.9M.

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

<b>FUNDING</b>	<b>Actual</b>	<b>Budget</b>	<b>Over (Under)</b>
Revenues	\$ 39.5	\$ 39.3	\$ 0.2
Funding from Reserves			
Assessment Stabilization Reserve	0.6	0.6	-
<b>TOTAL FUNDING</b>	<b>\$ 40.1</b>	<b>\$ 39.9</b>	<b>\$ 0.2</b>
<b>EXPENDITURES</b>			
Expenses (excluding Depreciation)	\$ 36.9	\$ 38.4	\$ (1.5)
Fixed Asset Additions	1.7	2.4	(0.7)
<b>TOTAL EXPENDITURES</b>	<b>\$ 38.6</b>	<b>\$ 40.8</b>	<b>\$ (2.2)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1.5</b>	<b>\$ (0.9)</b>	<b>\$ 2.4</b>

**Funding**

- Revenues
  - Slightly over budget mainly due to higher investment income.

**Expenditures**

- Expenses (excluding depreciation)
  - Contracts and Consultants expenses are under budget primarily because of the expected timing of expenditures versus budget.
- Fixed Asset Additions
  - Under budget largely due to the expected timing of expenditures versus budget and lower spending to offset increased costs in other areas.

**Operating Reserve Increase (Decrease)**

- Reserve increase from operating activity is higher than budget by \$2.4 million mainly because of the expected timing of expenditures versus budget.

## Detailed Operating Results

### Variances by Revenue and Expense Category

#### Total NERC (including CRISP)

	YTD Actual	YTD Budget	YTD Over (Under)	% Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)	% Over (Under)
<b>TOTAL FUNDING</b>	<b>\$ 40,099,143</b>	<b>\$ 39,872,674</b>	<b>\$ 226,468</b>	<b>0.6%</b>	<b>\$ 79,387,028</b>	<b>\$ 79,130,349</b>	<b>\$ 256,679</b>	<b>0.3%</b>
<b>EXPENDITURES</b>								
Personnel	\$ 22,578,141	\$ 22,627,743	\$ (49,602)	(0.2%)	\$ 44,389,285	\$ 43,952,190	\$ 437,095	1.0%
Meetings, Travel, and Conference Calls	2,034,956	1,771,450	263,506	14.9%	3,747,062	3,380,400	366,662	10.8%
Contracts and Consultants	5,788,775	7,597,584	(1,808,809)	(23.8%)	15,579,153	15,043,318	535,835	3.6%
Rent and Facilities	1,647,411	1,637,529	9,882	0.6%	3,305,058	3,335,058	(30,000)	(0.9%)
Office Costs, Professional, and Misc.*	4,756,352	4,641,523	114,830	2.5%	9,696,877	9,346,517	350,360	3.7%
Other Non-Operating Expenses	63,270	113,018	(49,748)	(44.0%)	139,971	214,171	(74,200)	(34.6%)
Fixed Asset Additions*	1,738,837	2,389,000	(650,163)	(27.2%)	3,847,990	4,778,000	(930,010)	(19.5%)
<b>TOTAL EXPENDITURES</b>	<b>\$ 38,607,741</b>	<b>\$ 40,777,847</b>	<b>\$ (2,170,106)</b>	<b>(5.3%)</b>	<b>\$ 80,705,396</b>	<b>\$ 80,049,655</b>	<b>\$ 655,742</b>	<b>0.8%</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1,491,401</b>	<b>\$ (905,172)</b>	<b>\$ 2,396,574</b>	<b>(264.8%)</b>	<b>\$ (1,318,368)</b>	<b>\$ (919,306)</b>	<b>\$ (399,063)</b>	<b>43.4%</b>
<b>FTEs</b>	<b>201.8</b>	<b>205.9</b>	<b>(4.1)</b>	<b>(2.0%)</b>	<b>202.0</b>	<b>204.9</b>	<b>(2.9)</b>	<b>(1.4%)</b>

\* Excludes depreciation expense

Following is a brief summary of variances by category:

- Personnel Expense
  - Expected to be over budget primarily due to transition costs and search fees.
- Meeting, Travel, and Conference Call Expense
  - Currently and projected to be over budget due to higher attendance at workshops and conferences, which is partially offset by increased revenues for these events.
- Contracts and Consultants Expense
  - Under budget due to lower costs from the CRISP program contractor and expected timing of expenditures versus budget. Expected to be over budget at year-end because of unbudgeted costs for SPP RE transition work, SOCCED database system upgrades, and E-ISAC support costs. Also, amounts for Internal Audit projects that were originally budgeted in the Finance and Accounting department will be charged to the Legal and Regulatory department, which nets to an \$86k over budget amount between those departments.

<u>CONTRACTS and CONSULTANTS</u>	YTD			Annual	Annual	Annual
	YTD Actual	YTD Budget	Over (Under)	Projection	Budget	Over (Under)
Reliability Standards	\$ -	\$ 25,000	\$ (25,000)	\$ 50,000	\$ 50,000	\$ (0)
Compliance Assurance	-	25,000	(25,000)	50,000	50,000	(0)
Compliance Analysis, Registration and Certification	-	-	-	-	-	-
Compliance Enforcement	35,131	80,500	(45,369)	161,000	161,000	(0)
Reliability Assessment and System Analysis	124,050	312,500	(188,450)	485,000	625,000	(140,000)
Situation Awareness	926,693	878,920	47,773	1,329,740	1,280,990	48,750
Event Analysis	-	-	-	-	-	-
Performance Analysis	236,446	326,783	(90,336)	775,243	653,565	121,678
E-ISAC	558,245	910,250	(352,005)	2,259,475	1,820,500	438,975
Training, Education, and Personnel Certification	301,518	248,500	53,018	632,000	497,000	135,000
General and Administrative and Executive	94,304	80,000	14,304	220,000	220,000	-
Legal and Regulatory	-	-	-	385,900	-	385,900
Policy and External Affairs	13,260	10,000	3,260	24,000	20,000	4,000
Information Technology	725,995	1,021,382	(295,386)	1,969,295	2,042,763	(73,468)
Human Resources and Administration	277,875	212,500	65,375	605,000	690,000	(85,000)
Finance and Accounting	60,077	237,500	(177,423)	175,000	475,000	(300,000)
<b>TOTAL (excluding CRISP)</b>	<b>\$ 3,353,595</b>	<b>\$ 4,368,834</b>	<b>\$ (1,015,239)</b>	<b>\$ 9,121,653</b>	<b>\$ 8,585,818</b>	<b>\$ 535,835</b>
CRISP	2,435,180	3,228,750	(793,570)	6,457,500	6,457,500	-
<b>TOTAL (including CRISP)</b>	<b>\$ 5,788,775</b>	<b>\$ 7,597,584</b>	<b>\$ (1,808,809)</b>	<b>\$ 15,579,153</b>	<b>\$ 15,043,318</b>	<b>\$ 535,835</b>

- Office Costs
  - Projected to be over budget at year-end primarily due to software costs that were budgeted in fixed assets but that will be charged to office costs due to the type of license acquired.
- Fixed Asset Additions
  - Under budget year-to-date largely because of the expected timing of expenditures versus budget, and projected to be under budget mainly due to lower spending to offset increased costs in other areas.

## Variations by Department

<u>DIRECT EXPENSES and NET FIXED ASSETS</u>	YTD			Annual Projection	Annual	
	YTD Actual	YTD Budget	Over (Under)		Budget	Over (Under)
Reliability Standards	\$ 1,718,880	\$ 1,747,839	\$ (28,959)	\$ 3,839,827	\$ 3,419,581	\$ 420,245
Compliance Assurance	3,272,783	2,623,916	648,866	6,378,546	5,178,505	1,200,041
Compliance Analysis, Registration and Certification	1,212,596	1,470,032	(257,437)	1,856,407	2,881,804	(1,025,397)
Compliance Enforcement	1,851,487	1,963,488	(112,001)	3,672,568	3,861,690	(189,122)
Reliability Assessment and System Analysis	1,789,349	2,358,580	(569,231)	3,646,746	4,606,107	(959,361)
Situation Awareness	1,638,846	1,754,698	(115,853)	3,028,102	3,012,404	15,698
Event Analysis	1,427,052	1,441,638	(14,586)	2,583,676	2,771,658	(187,982)
Performance Analysis	1,609,272	1,462,330	146,941	3,411,621	2,873,967	537,654
E-ISAC	4,486,432	5,386,945	(900,513)	10,733,378	10,649,090	84,288
Training, Education, and Personnel Certification	774,899	678,556	96,343	1,599,892	1,367,755	232,137
General and Administrative and Executive	4,229,069	4,120,074	108,996	8,101,933	8,144,200	(42,267)
Legal and Regulatory	1,969,760	1,989,315	(19,555)	4,796,130	3,878,791	917,339
Policy and External Affairs	1,210,817	1,285,423	(74,606)	2,534,800	2,510,721	24,079
Information Technology	5,675,631	5,908,315	(232,684)	11,681,408	11,696,532	(15,125)
Human Resources	1,191,708	1,163,893	27,815	2,268,316	2,562,371	(294,056)
Finance and Accounting	1,601,280	1,277,795	323,485	2,698,138	2,553,747	144,390
<b>TOTAL (excluding CRISP)</b>	<b>\$ 35,659,860</b>	<b>\$ 36,632,838</b>	<b>\$ (972,978)</b>	<b>\$ 72,831,487</b>	<b>\$ 71,968,925</b>	<b>\$ 862,562</b>
CRISP	2,947,881	4,145,009	(1,197,127)	7,873,909	8,080,729	(206,820)
<b>TOTAL EXPENSES and NET FIXED ASSETS</b>	<b>\$ 38,607,741</b>	<b>\$ 40,777,847</b>	<b>\$ (2,170,106)</b>	<b>\$ 80,705,396</b>	<b>\$ 80,049,655</b>	<b>\$ 655,741</b>

In late 2018, NERC management went through an organizational assessment involving various program areas and re-characterized several employees across multiple departments. In most cases, these employees kept the same responsibilities and functional oversight, but were assigned new departments and/or consolidated with other similar roles to align certain technical functions. The changes had no effect on the total FTEs, and the net cost impact of these movements was immaterial. The following program areas were impacted by this review:

- Reliability Standards
- Compliance Assurance
- Compliance Analysis, Registration and Certification
- Reliability Assessment and System Analysis
- Event Analysis
- Performance Analysis

Following is a brief summary of variances by department:

- E-ISAC - Under budget year-to-date largely because of the expected timing of expenditures and hiring of FTEs versus the budget.
- Legal and Regulatory - Projected to be over budget at year-end primarily due to transition costs and search fees, as well as Internal Audit expenditures that were budgeted in the Finance and Accounting department that will be charged to the Legal and Regulatory department.
- CRISP - Under budget year-to-date largely because of the expected timing of expenditures versus the budget from the program contractor.

## Supplemental Schedules

### Schedule 1 – Year-End Projected Reserves

Reserve Account	Beginning Balance <sup>(1)</sup>	Budgeted Funding	Budgeted Uses	Other Funding (Uses) <sup>(2)</sup>	Net Financing Activity <sup>(3)</sup>	Ending Balance
Operating Contingency	\$ 5,644,359	\$ 550,000	\$ (1,067,980)	\$ (678,640)	\$ 694,646	\$ 5,142,385
Future Obligations	2,535,333	-	(480,457)	64,843	-	2,119,719
Assessment Stabilization	2,071,000	-	(550,000)	-	-	1,521,000
System Operator	592,110	148,674	-	(270,423)	-	470,361
CRISP	500,000	-	-	-	-	500,000
<b>Total Reserves</b>	<b>\$ 11,342,801</b>	<b>\$ 698,674</b>	<b>\$ (2,098,437)</b>	<b>\$ (884,219)</b>	<b>\$ 694,646</b>	<b>\$ 9,753,464</b>

**NOTES:**

(1) Some 2019 beginning balances have been adjusted from the 12/31/2018 variance report balances as the result of a reconciliation to the final audited balance sheet.

(2) 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. It also reflects the increase or decrease in working capital during the period.

(3) Net financing activity in 2019 reflects principal debt repayments for borrowings originating in 2016. NERC did not make budgeted borrowings for 2017 and 2018 in light of a favorable working capital position, and is projected to borrow 50% of its 2019 budgeted financing in 2019.

## Schedule 2 – IT Projects

Projects in Progress	Project Budget <sup>(1)</sup>	Actual Spend	Expected Spend	Expected Over (Under) Budget
CMEP Technology Project (2017-2020)	\$ 5,403,000	\$ 2,760,107	\$ 5,403,000	\$ -
Entity Registration - CORES (2018-2020)	1,400,000	1,221,418	1,373,797	(26,203)
SAFNR V3	221,500	-	188,000	(33,500)
Document Management - Records Center Reconfiguration	190,500	92,700	190,500	-
Multifactor Authentication	27,660	7,173	27,660	-
FRCC Dissolution	128,497	121,713	152,303	23,806
Standards	300,000	61,863	300,000	-
E-ISAC - Customer Relationship Managemenet (CRM)	237,800	133,770	293,300	55,500
Footprints Upgrade	84,753	-	84,753	-

**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 or license/maintenance/support costs and reflect only external (consultant) costs of the projects.*

## Schedule 2 (continued) – IT Projects

### **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).

### **Entity Registration - CORES**

(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.

### **SAFNR V3**

(Started May 2019 / Planned Completion Nov 2019)

One of the primary functions of the ERO Enterprise is to maintain situational awareness of Bulk Power System conditions and provide accurate and timely information regarding threats that may adversely impact reliability. This project will replace the existing Situation Awareness for FERC, NERC, and the Regional Entities system (SAFNR V2) system with a new version to reduce reliability risk, provide new capabilities, reduce corporate risk, and increase productivity.

### **Document Management – Records Center Reconfiguration**

(Started May 2019 / Planned Completion Dec 2019)

The Record Center is in alignment with the original intent and business case for Document Management. One of the key items for addressing information management across all program areas, was to have the ability to address document retention. The Record Center will be configured in accordance with the NERC Records Retention and Destruction policy, allowing records to be managed and retained in accordance with policy.

### **Multifactor Authentication**

(Started Jan 2019 / Planned Completion Jul 2019)

The purpose of this project is to implement the DUO Multi Factor Authorization solution to enhance the overall security of the NERC ERO suite of applications and to meet existing requirements for applications currently under development, primarily CORES and CMEP/Align projects. Multi-factor authorization provides functionality requiring multiple means of user authentication (Mobile PIN code, etc.) in addition to traditional user authentication methods like user name and password.

## Schedule 2 (continued) – IT Projects

### **FRCC Dissolution**

(Started Jan 2019 / Planned Completion Jun 2019)

With FRCC dissolving, NERC assessed the changes required to applications that contained FRCC data and the reassignment/classification of such information. The inventory requires 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 FRCC to SERC.

### **Standards**

(Started Jan 2019 / Planned Completion Oct 2019)

In support of the CMEP Technology Project, this project involves the movement all of the Standards data from the old source system to the new one.

### **E-ISAC – Customer Relationship Management (CRM)**

(Started Jul 2019 / Planned Completion Oct 2019)

The purpose of this project is to select and implement a Customer Relationship Management (CRM) tool to assist the E-ISAC team in growing its North American electricity owner/operator base from the current roughly 1,000 members to a progressively greater share of the roughly 5,000 total. The team will be able to do so through improved outreach, marketing, and overall engagement and tracking processes expected from use of the new tool. The plan is also to integrate with the E-ISAC Portal.

### **Footprints Upgrade**

(Started Mar 2019 / Planned Completion Aug 2019)

The purpose of this project is to replace the current Footprints helpdesk application used to support both NERC and the ERO applications with the latest version.

### 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	\$ 9,813,949	\$ 19,627,897	\$ 19,627,897	\$ -
Other Funding	4,008,492	7,746,805	7,767,730	(20,925)
TOTAL FUNDING	\$ 13,822,440	\$ 27,374,702	\$ 27,395,627	\$ (20,925)
<u>EXPENDITURES</u>				
Personnel Expense	\$ 3,692,983	\$ 7,664,050	\$ 8,180,123	\$ (516,073)
Meeting Expense	241,331	662,142	418,000	244,142
Operating Expenses (excluding Depreciation)	3,465,223	9,961,095	9,431,696	529,399
Fixed Assets (excluding Depreciation and Fixed Asset Allocation)	34,776	320,000	700,000	(380,000)
Total Direct Costs (excluding Depreciation and Allocations)	\$ 7,434,313	\$ 18,607,287	\$ 18,729,819	\$ (122,532)
Indirect Expense Allocation	4,162,502	8,482,370	9,004,572	(522,202)
Fixed Asset Allocation	(200,822)	(320,265)	(338,764)	18,499
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 11,395,992	\$ 26,769,391	\$ 27,395,627	\$ (626,235)
RESERVE INCREASE (DECREASE)	\$ 2,426,448	\$ 605,311	\$ -	\$ 605,311

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

		<b>CRISP</b>			
	<u>FUNDING</u>	<u>YTD Actual</u>	<u>Annual Projection</u>	<u>Annual Budget</u>	<u>Projected Over (Under)</u>
Assessments		\$ 763,194	\$ 1,526,388	\$ 1,526,388	\$ -
Other Funding		3,815,750	7,437,873	7,517,319	(79,446)
<b>TOTAL FUNDING</b>		<b>\$ 4,578,944</b>	<b>\$ 8,964,261</b>	<b>\$ 9,043,707</b>	<b>\$ (79,446)</b>
		<u>EXPENDITURES</u>			
Personnel Expense		\$ 351,179	\$ 707,711	\$ 965,793	\$ (258,082)
Meeting Expense		32,445	49,262	48,000	1,262
Operating Expenses (excluding Depreciation)		2,564,257	6,966,936	6,966,936	-
Fixed Assets (excluding Depreciation and Fixed Asset Allocation)		-	150,000	100,000	50,000
Total Direct Costs (excluding Depreciation and Allocations)		\$ 2,947,881	\$ 7,873,909	\$ 8,080,729	\$ (206,820)
Indirect Expense Allocation		414,338	979,904	1,000,605	(20,702)
Fixed Asset Allocation		(19,990)	(36,998)	(37,628)	630
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>		<b>\$ 3,342,229</b>	<b>\$ 8,816,815</b>	<b>\$ 9,043,707</b>	<b>\$ (226,892)</b>
<b>RESERVE INCREASE (DECREASE)</b>		<b>\$ 1,236,715</b>	<b>\$ 147,446</b>	<b>\$ -</b>	<b>\$ 147,446</b>

		<b>E-ISAC (excluding CRISP)</b>			
	<u>FUNDING</u>	<u>YTD Actual</u>	<u>Annual Projection</u>	<u>Annual Budget</u>	<u>Projected Over (Under)</u>
Assessments		\$ 9,050,755	\$ 18,101,509	\$ 18,101,509	\$ -
Other Funding		192,742	308,932	250,411	58,521
<b>TOTAL FUNDING</b>		<b>\$ 9,243,496</b>	<b>\$ 18,410,441</b>	<b>\$ 18,351,920</b>	<b>\$ 58,521</b>
		<u>EXPENDITURES</u>			
Personnel Expense		\$ 3,341,804	\$ 6,956,339	\$ 7,214,330	\$ (257,991)
Meeting Expense		208,886	612,880	370,000	242,880
Operating Expenses (excluding Depreciation)		900,967	2,994,159	2,464,760	529,399
Fixed Assets (excluding Depreciation and Fixed Asset Allocation)		34,776	170,000	600,000	(430,000)
Total Direct Costs (excluding Depreciation and Allocations)		\$ 4,486,432	\$ 10,733,378	\$ 10,649,090	\$ 84,288
Indirect Expense Allocation		3,748,164	7,502,466	8,003,966	(501,500)
Fixed Asset Allocation		(180,832)	(283,268)	(301,136)	17,869
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>		<b>\$ 8,053,763</b>	<b>\$ 17,952,577</b>	<b>\$ 18,351,920</b>	<b>\$ (399,343)</b>
<b>RESERVE INCREASE (DECREASE)</b>		<b>\$ 1,189,733</b>	<b>\$ 457,864</b>	<b>\$ -</b>	<b>\$ 457,864</b>

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

June 30, 2019

The ERO Enterprise was under budget \$3.1M (3.1%) for combined expense and fixed asset (capital) spending. The budget variances ranged from 13.0% under budget to 41.6% over budget. The year-end projection for the ERO Enterprise is to be over budget by 1.0%.

Entity	Total Budget (Total Expenses plus the Increase (Decrease) in Fixed Assets)							
	2019 YTD	2019 YTD	Over (Under)		2019 Year-End	2019 Year-End	Over (Under)	
	Actual	Budget	\$	%	Projected	Budgeted	\$	%
NERC	\$ 38,607,741	\$ 40,777,847	\$ (2,170,106)	(5.3%)	\$ 80,705,396	\$ 80,049,655	\$ 655,741	0.8%
FRCC	4,816,108	3,401,414	1,414,694	41.6%	5,139,340	6,695,786	(1,556,446)	(23.2%)
MRO	6,853,745	7,875,517	(1,021,772)	(13.0%)	14,773,126	15,980,356	(1,207,230)	(7.6%)
NPCC	7,303,311	7,655,063	(351,752)	(4.6%)	15,615,914	15,803,889	(187,975)	(1.2%)
RF	11,269,660	11,744,579	(474,919)	(4.0%)	22,321,620	22,648,458	(326,838)	(1.4%)
SERC	9,216,005	8,798,216	417,789	4.7%	23,276,025	18,144,948	5,131,077	28.3%
Texas RE	5,988,406	6,512,106	(523,700)	(8.0%)	13,002,845	13,069,595	(66,750)	(0.5%)
WECC	12,805,455	13,233,246	(427,791)	(3.2%)	26,480,478	26,950,566	(470,088)	(1.7%)
	<b>\$ 96,860,431</b>	<b>\$ 99,997,988</b>	<b>\$ (3,137,557)</b>	<b>(3.1%)</b>	<b>\$ 201,314,744</b>	<b>\$ 199,343,253</b>	<b>\$ 1,971,491</b>	<b>1.0%</b>

- NERC was under budget \$2.2M (5.3%) primarily due to timing of expenditures for contracts and consultants and fixed assets. The company expects to be slightly over budget at year-end.
- FRCC was over budget \$1.4M (46.1%) and projects to be under budget \$1.6M (23.2%) at year-end due to changing operations associated with the dissolution of FRCC Regional Entity (RE) functions. FRCC transferred its RE activities to SERC effective July 1, 2019, and will complete the wind down of its RE business on August 31, 2019. A FERC-approved special assessment of \$630k has been charged to Load-Serving Entities in the FRCC RE footprint to assist in funding the wind down costs of the RE.
- MRO was under budget \$1.0M (13.0%), which is attributable primarily to lower spending in personnel and travel costs, and timing of contracts and consultants expenses. The company expects to be under budget \$1.2M (7.6%) at year-end primarily due to under budget personnel costs as MRO continues to become fully staffed.
- NPCC was under budget \$352k (4.6%) mainly as a result of lower personnel costs and timing of meeting and contractor expenses. The company expects to be under budget \$188k (1.2%) at year-end.
- RF was under budget \$475k (4.0%), largely due to lower personnel costs and timing of contracts and consultants, computer, and leasehold improvement expenses. The company expects to be under budget \$327k (1.4%) at year-end.

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# NERC Summary of Unaudited Results Second Quarter 2019

Andy Sharp, Interim CFO and Controller  
Finance and Audit Committee Meeting  
August 14, 2019

RELIABILITY | RESILIENCE | SECURITY



- Total funding – \$200k (0.6%) over budget
  - Higher investment income
- Total expenditures – \$2.2M (5.3%) under budget
  - Primarily due to the expected timing of expenditures versus budget
- Net impact was \$2.4M increase in reserves

- Funding – \$300k (0.3%) over budget
  - Higher investment income and offset by lower third-party revenues needed to fund CRISP
- Operating expenditures – \$700k (0.8%) over budget
  - Personnel expenses expected to be over budget due to transition costs and search fees
  - Contracts and consultants projected to be over budget due to FRCC transition work, SOCCED system enhancements, and E-ISAC support costs
  - Meeting expenses expected to be higher than budget, but partially offset by workshop fee funding
  - Fixed assets projected to be under budget

- Projected net results from operating activities – \$400k unfavorable to budget
- Debt service will be \$700k favorable to budget
- 2019 loan borrowing for ERO software projects expected to be lower than budget, due to favorable debt service

- Total projected reserve balances – \$9.8M
  - Operating Contingency Reserve – \$5.1M
  - Assessment Stabilization Reserve – \$1.5M
  - Future Obligation Reserve – \$2.1M
  - System Operator Reserve – \$470k
  - CRISP Reserve – \$500k
- Total year-end reserves projected in 2019 budget – \$8.6M



# Questions and Answers