

**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 fourth quarter of 2012, 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 January 31, 2018 and reviewed at the February 7, 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 February 8, 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 2017 BUDGET AND PROJECTED ACTUAL 2017 RESULTS**

The attached fourth quarter 2017 variance report compares actual (unaudited) year-end 2017 financial results to NERC's budgeted expenditures as of December 31, 2017. NERC is providing additional discussion of significant variances between the actual (unaudited) year-end 2017 results and NERC's 2017 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 year-end 2017 results and the 2017 budget. For purposes of this discussion, NERC has focused on 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. Variance by Expense Category**

Based on preliminary, unaudited results for the year ending December 31, 2017, NERC was \$933k (1.3%) under its expense and fixed asset budget, including costs related to the Cyber Risk Information Sharing Program ("CRISP"). Actual 2017 personnel expenses were over budget \$681k (1.8%), due primarily to a lower than budgeted attrition rate. Fixed asset additions, excluding depreciation, were under budget \$1.8M (40.2%) primarily due to lower than anticipated costs on the E-ISAC portal project, and the accounting treatment of the E-ISAC portal and A/V lease as discussed on page 5 of the fourth quarter 2017 variance report.

**B. Compliance Assurance Program**

Actual 2017 direct expenses plus net fixed assets for the Compliance Assurance Program were over budget by \$529k, primarily due to the transfer of \$215k for the Compliance Monitoring and Enforcement Program ("CMEP") technology project from the Information Technology ("IT") Department, and the transfer of personnel budgeted in other departments, as discussed on page 6 of the fourth quarter 2017 variance report. Costs associated with the CMEP technology project were budgeted in IT as part of the ERO Enterprise application development budget, but are being charged to the Compliance Assurance Program to match costs with the relevant operating program utilizing the application.

### **C. Compliance Analysis, Certification and Registration Program**

Actual 2017 direct expenses plus net fixed assets for the Compliance Analysis, Certification and Registration Program were \$1.0M more than budgeted, primarily due to the allocation of additional staff resources to support program activities and costs related to designing a new ERO Entity Registration database (\$548k). Costs associated with the ERO Entity Registration database were budgeted in IT as part of the ERO Enterprise application development budget, but are being charged to the Compliance Analysis, Certification and Registration Program to match costs with the relevant operating program utilizing the application.

### **D. Information Technology**

Actual expenses plus net fixed assets were under budget \$1.3M, primarily related to certain ERO development projects transferred to program areas as described above and on page 7 of the fourth quarter 2017 variance report.

### **E. Board of Trustees Expenses**

Actual 2017 Board of Trustee expenses totaled \$1.5M compared to a budget of \$1.7M. The under budget variance was due to two Board of Trustee vacancies that occurred after the second quarter 2017, which lowered travel and Trustee fee costs for 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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Dated: February 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 14<sup>th</sup> day of February, 2018.

*/s/ Meredith M. Jolivert*

Meredith M. Jolivert  
*Counsel for North American Electric  
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# **ATTACHMENT**

## Summary of Unaudited Results For the Year ending December 31, 2017

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## Executive Summary

NERC 2017 - Actual Results

As of December 31, 2017

(\$ millions)

<u>FUNDING</u>	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues	\$ 68.8	\$ 69.1	\$ (0.3)
Funding from Reserves			
Assessment Stabilization Reserve	1.1	1.1	-
SOCCED Reserve	0.4	-	0.4
Future Obligation Reserve	0.1	-	0.1
<b>TOTAL FUNDING</b>	<b>\$ 70.4</b>	<b>\$ 70.2</b>	<b>\$ 0.2</b>
<u>EXPENDITURES</u>			
Expenses (excluding Depreciation)	\$ 66.1	\$ 65.3	\$ 0.8
Fixed Asset Additions	2.6	4.4	(1.8)
<b>TOTAL EXPENDITURES</b>	<b>\$ 68.7</b>	<b>\$ 69.7</b>	<b>\$ (1.0)</b>
<b>OPERATING RESERVE INCREASE (DECREASE)</b>	<b>\$ 1.7</b>	<b>\$ 0.5</b>	<b>\$ 1.2</b>

### FUNDING

- Revenues
  - CRISP revenue and testing fee revenue below budget
  - Interest income above budget
- Funding from Reserves
  - SOCCED – Planned use of reserve funding for operations and new system project
  - Future Obligation<sup>1</sup> – Planned use to finish IT projects from 2016

### EXPENDITURES

- Expenses
  - Personnel costs were above budget primarily due to a lower attrition rate
  - Contractor and consultant costs were slightly under budget, including CRISP
  - Office costs were over budget

<sup>1</sup> Excludes the budgeted use of deferred rent reserves, which is recorded as a direct adjustment to rent expense. Office rent expense is being budgeted and amortized on a straight-line basis over the lease term, which varies from the actual cash amount paid.

## Executive Summary (continued)

### **EXPENDITURES (continued)**

- Fixed Assets
  - Some project expenditures, such as the audio/visual lease and a portion of the E-ISAC portal, were budgeted as fixed assets but are recorded as expense
  - E-ISAC portal project under budget

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

- Reserve increase of \$1.7 million
  - Includes a budgeted increase in operating reserves of \$519k
  - \$465k of reserves used for operating costs, primarily in SOCCED and Future Obligation
  - Additional net increase of reserves from operating results, primarily due to lower than expected spending in fixed assets and non-CRISP contractors and consultants

## Detailed Operating Results

### Total NERC (including CRISP) as of December 31, 2017

#### Variances by Revenue and Expense Category

	Actual	Budget	Variance Over (Under)	%
<b>TOTAL FUNDING</b>	<b>\$ 70,378,893</b>	<b>\$ 70,151,660</b>	<b>\$ 227,233</b>	<b>0.3%</b>
<b>EXPENDITURES</b>				
Personnel	\$ 39,322,782	\$ 38,641,331	\$ 681,451	1.8%
Meetings, Travel & Conference Calls	3,376,880	3,372,886	3,994	0.1%
Consultants & Contracts	13,065,499	13,127,749	(62,249)	-0.5%
Office Costs, Professional and Misc.	7,269,180	6,864,475	404,705	5.9%
Fixed Asset Additions	2,612,373	4,372,000	(1,759,627)	-40.2%
<b>TOTAL EXPENDITURES</b>	<b>\$ 68,669,668</b>	<b>\$ 69,602,175</b>	<b>\$ (932,507)</b>	<b>-1.3%</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1,709,225</b>	<b>\$ 549,485</b>	<b>\$ 1,159,740</b>	<b>211.1%</b>
<b>FTEs</b>	<b>190.8</b>	<b>189.9</b>	<b>0.9</b>	<b>0.5%</b>

Following is a brief summary of variances by major categories:

- Total Funding – Slightly over budget due to:
  - \$465k use of reserves, primarily in SOCCED and Future Obligation
  - Revenues under budget for CRISP (\$155k) and testing fees (\$290k)
  - Interest income over budget by \$161k
- Personnel Expense – Over budget primarily due to lower attrition rate
- Consultants and Contracts – Slightly under budget in total. Over budget in the following areas:
  - Additional PNNL costs for CRISP (new participant start-up costs, security review)
  - E-ISAC portal improvement project – budgeted as custom development project in fixed assets, project contract labor costs are recognized here
  - System operator certification (SOCCED) database replacement project
  - Compliance Assurance over budget due to CMEP costs transferred from the IT department

Lower than expected spending in other departments offset the departments over budget

			<b>YTD Variance</b>
<b><u>CONSULTANTS and CONTRACTS</u></b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>Over (Under)</b>
STANDARDS	\$ 58,829	\$ -	\$ 58,829
COMPLIANCE ASSURANCE	221,102	50,000	171,102
RELIABILITY ASSESSMENTS and SYSTEM ANALYSIS	397,495	525,000	(127,505)
RELIABILITY RISK MANAGEMENT	1,594,236	1,823,932	(229,696)
E-ISAC	863,464	899,835	(36,371)
TRAINING, EDUCATION & OPERATOR CERTIFICATION	783,121	580,600	202,521
POLICY and EXTERNAL AFFAIRS	7,373	15,000	(7,627)
INFORMATION TECHNOLOGY	1,838,358	2,312,787	(474,429)
HUMAN RESOURCES	464,021	575,000	(110,979)
FINANCE and ACCOUNTING	292,875	457,000	(164,125)
<b>TOTAL (excluding CRISP)</b>	<b>\$ 6,557,496</b>	<b>\$ 7,239,155</b>	<b>\$ (681,659)</b>
CRISP	6,508,004	5,888,594	619,410
<b>TOTAL CONTRACTS and CONSULTANTS</b>	<b>\$13,065,499</b>	<b>\$ 13,127,749</b>	<b>\$ (62,249)</b>

- Office costs, professional services and miscellaneous – Over budget primarily due to the expense treatment of the audio/video lease agreement. Software maintenance and support costs were above budget, but were offset by lower spending on telephone expense, and professional and legal services.
- Fixed Asset Additions (excluding depreciation) – Under budget primarily due to lower than anticipated costs on the E-ISAC portal project, and the accounting treatment of the E-ISAC portal and the A/V lease.

## Variances by Department / Program

<u>DIRECT EXPENSES and NET FIXED ASSETS</u>	<b>2017 Actual</b>	<b>2017 Budget</b>	<b>Variance Over/(Under)</b>
RELIABILITY STANDARDS	\$ 3,152,495	\$ 3,629,945	\$ (477,450)
COMPLIANCE ANALYSIS, CERTIFICATION and REGISTRATION	2,712,280	1,686,689	1,025,590
COMPLIANCE ASSURANCE	4,346,890	3,816,924	529,966
ENFORCEMENT	2,427,003	2,371,347	55,655
RELIABILITY ASSESSMENTS and SYSTEM ANALYSIS	3,828,594	3,861,344	(32,750)
RELIABILITY RISK MANAGEMENT	7,900,050	7,529,324	370,726
E-ISAC	5,339,907	5,813,801	(473,894)
TRAINING, EDUCATION and OPERATOR CERTIFICATION	1,953,189	1,920,376	32,813
GENERAL and ADMINISTRATIVE and EXECUTIVE	7,639,725	8,171,444	(531,719)
POLICY and EXTERNAL AFFAIRS	2,374,177	2,034,533	339,644
LEGAL and REGULATORY	2,765,241	3,292,379	(527,138)
INFORMATION TECHNOLOGY	11,143,297	12,480,846	(1,337,549)
HUMAN RESOURCES	1,421,776	1,608,583	(186,806)
FINANCE and ACCOUNTING	4,135,809	3,827,050	308,759
<b>TOTAL (excluding CRISP)</b>	<b>\$ 61,140,432</b>	<b>\$ 62,044,585</b>	<b>\$ (904,153)</b>
CRISP	7,529,237	7,557,591	(28,354)
<b>TOTAL EXPENSES and FIXED ASSETS</b>	<b>\$ 68,669,668</b>	<b>\$ 69,602,175</b>	<b>\$ (932,507)</b>

Following is a brief summary of significant variances (+/- \$500k):

- Compliance Analysis, Certification and Registration
  - Additional resources added to support ongoing program activities
  - ERO Entity Registration projects, transferred from IT (\$548k)
- Compliance Assurance
  - Transfer of personnel budgeted in other departments
  - CMEP project costs transferred from IT (\$215k)
- General, Administrative & Executive
  - Under budget in personnel, professional services and building expenses
- Legal and Regulatory
  - Lower personnel costs
  - Lower professional services costs (offset by higher professional service costs in Policy and External Affairs)

- Information Technology
  - Under budget primarily due to the transfer of certain ERO development projects, budgeted in IT but recognized in the relevant program area (see table below):

	<b>2017</b>
<b>Information Technology</b>	<b>YTD</b>
Actual	\$11,143,572
Budget	12,480,846
Variance Over (Under)	\$ (1,337,274)
<b>Transferred Projects</b>	
Entity Registration (Registration)	\$ 548,154
ERO Portal MIDAS (Reliability Risk Management)	174,725
Enterprise Reporting - MIDAS (Reliability Risk Management)	167,400
FERC 824 (Reliability Risk Management)	67,350
CMEP (Compliance Assurance)	215,000
BESnet (Reliability Assessment & System Analysis)	31,145
Standards Balloting System R4 (Standards)	68,114
Total Transferred	\$ 1,271,888
<b>Adjusted Variance Over (Under)</b>	<b><u>\$ (65,386)</u></b>

## SUPPLEMENTAL SCHEDULE 1

**Reserves**  
**2017 Year-end Actual**  
**As of December 31, 2017**

	Beginning	Budgeted	Budgeted	Other	Net Financing	Expected
	Balance	Funding	Uses	Funding (Uses)*	Activity **	Ending
						Balance
Operating Contingency Reserve (OCR)	\$ 2,307,531	\$ 519,083	\$ -	\$ 1,190,142	\$ (719,522)	\$ 3,297,234
Future Obligations Reserve (FOR)	2,875,467	-	(396,119)	86,600	-	2,565,948
Assessment Stabilization Reserve (ASR)	2,271,000	-	(1,100,000)	1,000,000	-	2,171,000
System Operator Reserves (SOCCED)	828,013	-	-	(350,529)	-	477,484
CRISP	500,000	-	-	-	-	500,000
<b>Total Reserves</b>	<b>\$ 8,782,011</b>	<b>\$ 519,083</b>	<b>\$ (1,496,119)</b>	<b>\$ 1,926,213</b>	<b>\$ (719,522)</b>	<b>\$ 9,011,666</b>

**NOTES:**

\* 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.

\*\* No borrowing in 2017 for ERO Software Development projects, principal debt repayment only

## SUPPLEMENTAL SCHEDULE 2

IT Projects  
Actuals through December 2017

Projects in Progress	Project	YTD	Expected	Expected
	Budget <sup>(1)</sup>	Spend	Spend	Over (Under) Budget
CMEP Program - Discovery	\$ 280,000	\$ 215,000	\$ 280,000	\$ -
CMEP Program - Design & Development	4,823,000	-	4,823,000	-
NERC.com Phase 2	300,000	217,100	218,600	(81,400)
SOCCEd Replacement	225,000	315,700	315,700	90,700

  

Projects Completed in 2017	Project	Actual	Actual	Actual
	Budget <sup>(1)</sup>	Spend	Budget	Over (Under)
Standards Balloting System (SBS)	\$ 125,000	\$ 125,000	\$ -	-
Enterprise Reporting - GADS	500,000	497,589	(2,411)	(2,411)
BESnet	111,145	111,145	-	-
GADS Wind	142,110	138,515	(3,595)	(3,595)
User Management and Registration (UMR)	569,279	572,601	3,322	3,322
ERO Portal - MIDAS	174,725	174,725	-	-
Document Management	2,211,000	2,215,650	4,650	4,650
Entity Registration - CFR	600,000	511,532	(88,468)	(88,468)
E-ISAC Portal	575,923	523,437	(52,486)	(52,486)
Enterprise Reporting - MIDAS	201,600	167,400	(34,200)	(34,200)

**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.

(2) The SOCCEd project overage is being funded by PCGC reserves.

\* 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 – Discovery**

*(Started Apr 2017 / Planned Completion April 2018)*

This initial phase of the CMEP Technology Project aims to discover the high-level business and technical requirements needed to launch an ERO Enterprise-wide CMEP tool, and to conduct a rigorous vendor selection for the tool itself. This discovery will transition into the full scope project expected over the next three years.

### **CMEP – Design & Development**

*(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 process and related data is managed across three separate systems that have to be synchronized (webCDMS, CITS and CRATS).

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

*(Started May 2017 / Planned Completion 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.

### **SOCCED Replacement**

*(Started Oct 2016 / Planned Completion Feb 2018)*

This project will replace the current SOCCEd credential management tool to enhance reliability and improve ease of maintenance.

### **Standards Balloting System (SBS)**

*(Started Jul 2016 / Completed Feb 2017)*

This 4<sup>th</sup> release of SBS addressed several business enhancements that included user interface updates, social survey access, sorting and filtering capability, and the ability to provide comments.

### **Enterprise Reporting - GADS**

*(Started Jun 2016 / Completed Feb 2017)*

This project is the second installment of the Enterprise Reporting-Data Warehouse program, to include the loading of GADS data into the data warehouse. In future installments, the data warehouse will include data from other areas and be “connected” to each other via common fields. That will enable analytics across the enterprise not available today.

### **BESnet**

*(Started Oct 2016 / Completed Mar 2017)*

This provided enhancements to the existing BESnet application launched in 2014. Those enhancements included various user interface updates and automatic process notifications.

## SUPPLEMENTAL SCHEDULE 2 (continued)

### **GADS Wind**

*(Started Jun 2016 / Completed Jun 2017)*

The Generating Availability Data System (GADS) Wind Data Capture and Reporting project enabled consistent and reliable submission, processing, and reporting of wind generation data from Registered Entities to NERC for reliability and performance analysis.

### **User Management and Registration (UMR)**

*(Started Jan 2016 / Completed Jun 2017)*

This project consolidated three legacy applications and their functions (User Management Program, NERC MyAccount and AppBroker) into the xRM platform. The result is one core identification and authentication system to manage access to NERC online resources. The project also provided the foundation for the xRM portal, by which stakeholders can access their authorized applications via one interface and single sign-on.

### **ERO Portal-MIDAS**

*(Started Jan 2017 / Completed Oct 2017)*

The ERO Portal Misoperations Information Data Analysis System (MIDAS) project enhanced the secure access point to the MIDAS application for Functional Entities (FEs). New functionality will allow the FEs more flexibility in managing their Misoperations data, while enhancing security through integration with the new User Management and Records account management system.

### **Document Management**

*(Started Aug 2015 / Completed Nov 2017)*

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.

### **Entity Registration - CFR**

*(Started Jan 2017 / Completed Nov 2017)*

This first project addresses Consolidated Functional Registration (CFRs). Currently, this is a manual process using email and spreadsheets to request, approve and track CFRs. NERC IT leveraged the xRM platform (used for many other enterprise applications) to create an interface by which registered entities and Regions may request and track CFRs.

### **E-ISAC Portal**

*(Started Mar 2017 / Completed Dec 2017)*

A replacement of the current portal platform with a more feature-rich content management solution (CMS), which could flex, grow, and change per the needs of the E-ISAC and sector over time.

### **Enterprise Reporting - MIDAS**

*(Started May 2017 / Completed Dec 2017)*

This project is the next installment of data into the NERC data warehouse, providing the ability in the future to run data analytics on previously segmented and unrelated data elements and making that data securely available outside of the native application.

## SUPPLEMENTAL SCHEDULE 3

### E-ISAC and CRISP 2017 Summary of Activity As of December 31, 2017

#### TOTAL E-ISAC (including CRISP)

	YTD		Over (Under)
	Actual	Budget	
Assessments	\$ 11,270,705	\$ 11,270,705	\$ 0
Other Funding	7,188,660	7,244,636	(55,976)
Total Funding	\$ 18,459,365	\$ 18,515,341	\$ (55,976)
Personnel Expenses	\$ 4,443,327	\$ 4,382,370	\$ 60,957
Meeting Expense	436,435	493,198	(56,763)
Operating Expenses, excluding Depreciation	7,736,906	7,395,824	341,081
Fixed Assets, including Allocations	164,718	1,433,765	(1,269,047)
Indirect Expenses	5,016,732	4,810,185	206,548
Total Expenditures	\$ 17,798,117	\$ 18,515,341	\$ (717,224)
<b>Net Position</b>	<b>\$ 661,248</b>	<b>\$ (0)</b>	<b>\$ 661,248</b>

#### CRISP only

	YTD		Projected
	Actual	Budget	Over (Under)
Assessments	\$ 1,275,681	\$ 1,275,681	\$ (0)
Other Funding	6,898,244	7,016,760	(118,516)
Total Funding	\$ 8,173,924	\$ 8,292,441	\$ (118,516)
Personnel Expenses	\$ 725,513	\$ 768,371	\$ (42,858)
Meeting Expense	38,528	69,692	(31,164)
Operating Expenses, excluding Depreciation	6,685,969	6,369,527	316,442
Fixed Assets, including Allocations	67,748	397,681	(329,933)
Indirect Expenses	656,166	687,169	(31,003)
Total Expenditures	\$ 8,173,924	\$ 8,292,441	\$ (118,516)
<b>Net Position</b>	<b>\$ 0</b>	<b>\$ (0)</b>	<b>\$ 0</b>

**SUPPLEMENTAL SCHEDULE 3**  
(continued)

E-ISAC (without CRISP)			
	YTD	YTD	Projected
	Actual	Budget	Over (Under)
Assessments	\$ 9,995,024	\$ 9,995,024	\$ 0
Other Funding	290,416	227,876	62,539
Total Funding	\$ 10,285,440	\$ 10,222,900	\$ 62,540
Personnel Expenses	\$ 3,717,814	\$ 3,613,999	\$ 103,815
Meeting Expense	397,906	423,505	(25,599)
Operating Expenses, excluding Depreciation	1,050,937	1,026,297	24,640
Fixed Assets, including Allocations	96,970	1,036,084	(939,114)
Indirect Expenses	4,360,566	4,123,015	237,551
Total Expenditures	\$ 9,624,193	\$ 10,222,900	\$ (598,708)
<b>Net Position</b>	<b>\$ 661,247</b>	<b>\$ (0)</b>	<b>\$ 661,247</b>

# NERC

# Summary of Unaudited Results

# 2017

Scott Jones  
Vice President, Chief Financial and Administrative Officer  
Finance and Audit Committee Meeting  
February 7, 2018

**RELIABILITY | ACCOUNTABILITY**



- Total Funding was \$227k (0.3%) over budget
  - Includes planned use of SOCCED and Future Obligation Reserves
  - CRISP and testing fees were lower than budget
  - Interest income higher than budgeted
- Total Expenditures were \$933k (1.3%) under budget
  - Personnel and office costs over budget
  - Fixed assets under budget
- Net impact was \$1.7M increase in operating reserves

- Total Reserves Balance - \$9.0M
  - Operating Contingency Reserve (OCR) - \$3.3M
  - Assessment Stabilization Reserve (ASR) - \$2.2M
  - Future Obligation Reserve - \$2.6M
  - System Operator Reserve - \$477k
  - CRISP Reserve - \$500k

- Operating Contingency Reserve (\$3.3M)
  - Began year with \$2.3M
  - Budgeted \$500k replenishment
  - Generated additional \$1.2M from normal operations
  - Used \$700k for budgeted debt service
  
- Assessment Stabilization Reserve (\$2.2M)
  - Began year with \$2.3M
  - Received \$1.0M in penalties
  - Used \$1.1M for budgeted offset to assessment



- Financial audit by Grant Thornton will begin in March
- Auditor's report and findings will be presented to FAC in May
- Likely adjustments between budget presentation and accounting guidance (leases, capitalized labor, others)
- In 2018, planning to match variance reporting with budget, make adjustments before audit
  - Transfer of IT projects between departments
  - Treatment of capital leases
  - Treatment of capitalized labor