

September 29, 2021

**VIA ELECTRONIC FILING**

Ms. Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

**Re: North American Electric Reliability Corporation  
Docket No. RR21-9-000  
Amendment to  
Request for Acceptance of 2022 Business Plans and Budgets of NERC and Regional  
Entities and for Approval of Proposed Assessments to Fund Budgets**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits for filing in Docket No. 21-9-000 the attached Amendment to NERC's request for acceptance of the 2022 Business Plans and Budgets of NERC, the six Regional Entities, and the Western Interconnection Regional Advisory Body, and approval of the proposed assessments to fund the 2022 budgets ("Budget Amendment").

NERC's filing consists of: (1) this transmittal letter, (2) the narrative text of this filing which follows this transmittal letter, and (3) Attachment 1, the proposed Budget Amendment, all of which are being transmitted in a single pdf file.

Please note that as stated on pages 2-3 of the filing, NERC respectfully requests a shortened comment period of 14 days for this proposed Budget Amendment.

Please contact the undersigned if you have any questions concerning this filing.

Respectfully submitted,

/s/ Owen E. MacBride  
Owen E. MacBride

Attorney for North American Electric  
Reliability Corporation

**UNITED STATES OF AMERICA**  
**Before the**  
**FEDERAL ENERGY REGULATORY COMMISSION**

<b>NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION</b>	) ) )	<b>Docket No. RR21-9-000</b>
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**AMENDMENT TO REQUEST OF THE  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
FOR ACCEPTANCE OF ITS 2022 BUSINESS PLAN AND BUDGET AND  
THE 2022 BUSINESS PLANS AND BUDGETS OF REGIONAL ENTITIES  
AND FOR APPROVAL OF PROPOSED ASSESSMENTS TO FUND BUDGETS**

The North American Electric Reliability Corporation (“NERC”) files this “Amendment to Request of the North American Electric Reliability Corporation for Acceptance of its 2022 Business Plan and Budget and the 2022 Business Plans and Budgets of Regional Entities and for Approval of Proposed Assessments to Fund Budgets.” NERC’s original 2022 Business Plan and Budget (“Original Budget”) was filed on August 24, 2021, in this docket. The proposed amendment to the Original Budget (“Budget Amendment”) is **Attachment 1** to this filing.<sup>1</sup>

**I. Introduction**

The purpose of this filing is to submit for Federal Energy Regulatory Commission (“Commission”) review and approval the Budget Amendment to NERC’s 2022 Original Budget, to include additional Fixed Asset expenditures NERC expects to incur in 2022 in connection with its anticipated move to a new headquarters office location in the Atlanta, Georgia, area (the “New Office Space”). The decision to pursue an early termination option in the lease for NERC’s current headquarters office in Atlanta (the “Current Office Space”) and to move to the New Office Space was not reached until after NERC finalized its 2022 Original Budget. While the Budget Amendment reflects additional Fixed Asset Additions expenditures for the New Office Space, the

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<sup>1</sup> The Original Budget with the Budget Amendment is referred to herein as the “Amended Budget.”

Budget Amendment does not provide for any increase from the Original Budget in NERC's 2022 statutory assessments. Additionally, no change to any Regional Entity's 2022 Business Plan and Budget is required or proposed.

## **II. Notices and Communications**

Notices and communications concerning this filing may be addressed to:

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## **III. Request for Shortened Comment Period**

NERC respectfully requests that the Commission establish a shortened comment period of 14 days for the proposed Budget Amendment. For NERC's Original Budget filing on August 24, 2021, the Commission established a comment period of 21 days. NERC submits that given the limited scope of the Budget Amendment (including that it does not propose any change in 2022 assessments), a shortened comment period of 14 days is appropriate. Further, a shortened comment period may facilitate issuance of a Commission Order on the proposed Budget Amendment on or about the same date as the Order on the Original Budget filing, but in any event prior to the start of NERC's 2022 fiscal year on January 1, 2022. Additionally, NERC conducted outreach to multiple stakeholders prior to consideration of the Budget Amendment by the NERC Finance and Audit Committee ("FAC") and Board of Trustees ("Board"),<sup>2</sup> and publicly posted the Budget Amendment showing the impact of the additional Fixed Asset Additions expenditures on

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<sup>2</sup> Stakeholder outreach included meetings with the Member Representatives Committee Business Plan & Budget Input Group, trade associations and Forums, and certain Canadian entities.

NERC's 2022 Business Plan and Budget on September 14, 2021 for stakeholder review and comment. NERC received one set of supportive comments from the Canadian Electricity Association (CEA).<sup>3</sup>

#### **IV. Amendment to NERC'S 2022 Business Plan and Budget**

NERC's lease for its Current Office Space in Atlanta provides an early termination option which must be exercised by October 31, 2021. If NERC exercises this option, the lease will terminate on October 31, 2022, and NERC will enter into a lease for the New Office Space. The additional Fixed Asset Additions expenditures included in the Budget Amendment are the budgeted costs, to be incurred in 2022, for construction build-out and furnishings for the New Office Space, net of the landlord tenant improvement allowances that will be provided in the lease for the New Office Space.

On September 15, 2021, NERC filed with the Commission a "Request of the North American Electric Reliability Corporation to Expend Funds from Its Operating Contingency Reserve" (the "OCR Petition," Docket No. RR20-6-001).<sup>4</sup> In the OCR Petition, NERC demonstrates that the decision to pursue the early termination option for the Current Office Space and move to the New Office Space under the lease terms that are being negotiated with that

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<sup>3</sup> The Budget Amendment and comments received are posted on the NERC website at: <https://www.nerc.com/gov/bot/FINANCE/Pages/2022NERCBusinessPlanandBudget.aspx>.

<sup>4</sup> In the OCR Petition, NERC requests Commission approval, pursuant to the terms of NERC's Working Capital and Operating Reserve ("WCOR") Policy and Paragraph 7(b)(ii) of the Settlement Order and Agreement in Docket No. FA11-21-000 (*N. Am. Elec. Reliability Corp.*, 142 FERC ¶ 61,042 (2013)), to expend up to \$2.0 million from its Operating Contingency Reserve ("OCR") to make the early termination payment required by the Current Office Space lease in order to exercise the early termination option. Those costs will be incurred in 2021.

The Budget Amendment respectfully assumes that the Commission will grant the OCR Petition (or take no action on it within 30 days, thereby deeming it approved). If the Commission does not approve the OCR Petition, then NERC will not be able to exercise the early termination option in the Current Office Space lease, and therefore will not incur the construction build-out and furnishings costs for the New Office Space, making the Budget Amendment moot.

landlord is cost-effective and will result in overall cost savings that will be reflected in NERC's future budgets in the coming years, with a three-year net present value savings (including relocation costs) of more than \$900,000.<sup>5</sup>

In this filing, NERC is submitting the Budget Amendment to include in its 2022 Business Plan and Budget the additional budgeted expenditure of \$800,000 during 2022 for construction build-out and furnishings, net of landlord tenant improvement allowances, at the New Office Space. As explained herein, NERC proposes to use approximately \$709,000 of accumulated funds in its Future Obligations Reserve<sup>6</sup> that will no longer be needed in connection with the Current Office Space, due to the early lease termination, as well as a lesser amount (approximately \$64,000) from the OCR, to pay for the net construction and furnishings costs at the New Office Space. These costs will be incurred during 2022.<sup>7</sup> By using funds from the OCR and Future Obligations Reserve to pay for the additional Fixed Asset expenditures, the need to increase the 2022 statutory assessments from the assessments proposed in the Original Budget is avoided.<sup>8</sup>

The tables included in **Attachment 1** to this filing show the impact of the additional Fixed

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<sup>5</sup> As described in the OCR Petition, the costs savings result, in part, from a reduction in floor space at the New Office Space compared to the Current Office Space. This downsizing, in turn, reflects the "flexible work" experience gained during the Covid-19 pandemic which demonstrated that employees do not need to travel to and work in company office space five days per week in order to perform their assignments efficiently and effectively.

<sup>6</sup> See description of the Future Obligations Reserve on pages 6-7 below.

<sup>7</sup> The \$800,000 amount for net construction build-out and furnishings costs and the proposed amounts of funds from the Future Obligations Reserve and the OCR, stated in this filing, are budget estimates. Only actual costs incurred will be recorded and only the actual amounts of funds required from the Future Obligations Reserve and the OCR for the actual costs will be used.

<sup>8</sup> If and to the extent that the Commission views the planned expenditures from the Future Obligations Reserve as requiring approval or a waiver or variance pursuant to either or both the terms of the NERC WCOR Policy or the terms of the Settlement Order and Agreement in Docket No. FA11-21-000, NERC hereby requests such approval, waiver and/or variance.

Asset Additions for the New Office Space on NERC’s 2022 Business Plan and Budget:<sup>9</sup>

**Table 1:** Revised NERC total-company Statement of Activities with the additional Fixed Asset expenditures included, showing the line item changes due to the Budget Amendment.

**Table 2:** Table showing the Original Budget by NERC program area, for major budget categories of Funding (Assessments), Funding (Other), Direct Expenses, Indirect Expenses, Other Non-Operating Expenses, Total Expenses, Fixed Asset Additions, Net Financing Activity, Total Budget, and Change in Working Capital.

**Table 3:** Table showing the Amended Budget by NERC program area, for major budget categories of Funding (Assessments), Funding (Other), Direct Expenses, Indirect Expenses, Other Non-Operating Expenses, Total Expenses, Fixed Asset Additions, Net Financing Activity, Total Budget, and Change in Working Capital.

**Table 4:** Table showing the net change by NERC program area from the Original Budget to the Amended Budget, for major budget categories of Funding (Assessments), Funding (Other), Direct Expenses, Indirect Expenses, Other Non-Operating Expenses, Total Expenses, Fixed Asset Additions, Net Financing Activity, Total Budget, and Change in Working Capital.

**Table 5:** Amended Total Reserve Analysis (*i.e.*, amended Table B-1 for the 2022 NERC Business Plan and Budget) for the Amended Budget, reflecting the proposed use of Reserves to fund the additional Fixed Asset Additions expenditures for construction build-out and furnishings costs at the New Office Space.

As shown on **Tables 1** and **4**, NERC’s Amended Budget is increased by \$800,000 from the Original Budget. The additional Fixed Asset Additions expenditures for the New Office Space are budgeted as indirect costs which are allocated to the budgets of the statutory programs based on the ratios of each statutory program’s budgeted full-time equivalent (“FTE”) staffing to the total budgeted FTE staffing for the statutory programs.<sup>10</sup> The resulting changes for each statutory program from the Original Budget to the Amended Budget are shown on **Tables 3** and **4**.

Although the Amended Budget is increased by \$800,000, the Change in Working Capital

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<sup>9</sup> These tables, along with an accompanying explanatory memorandum, were posted on the NERC website on September 14, 2021, for stakeholder review and comment on the proposed Budget Amendment. As noted earlier, one set of supportive comments was received, which is also posted on the NERC website.

<sup>10</sup> The Amended Budget does not include any changes in staffing from the FTE staffing presented in the Original Budget.

(i.e., reserves) is increased by a lesser amount, \$788,961, from the Original Budget. This difference occurs because for the Cybersecurity Risk Information Sharing Program (“CRISP”), which is funded in part by participants, Third-Party Funding is increased by \$11,038 (see **Table 4**) to fund the applicable portion of the additional Fixed Asset Additions allocation to CRISP. In addition, in the Personnel Certification and Continuing Education Program, the funding for the System Operator Certification Program (which is not funded by assessments) is budgeted based on expected revenue from program-related fees rather than budgeted expenses; therefore, the Change in Working Capital for this program is adjusted. The Change in Working Capital necessitates an additional use of the System Operator Certification Reserve of \$15,815 (see **Table 4**). The overall impact on the Future Obligations Reserve and the OCR is to reduce them by (i.e., use funds totaling) \$773,146 to fund the Fixed Asset Additions.<sup>11</sup> Of this amount, NERC has budgeted to draw \$708,893 from the Future Obligations Reserve (representing about 89% of the additional budgeted Fixed Asset Additions expenditures), and \$64,253 from the OCR (about 8% of the additional budgeted Fixed Asset Additions expenditures).

**V. Use of Funds from the Future Obligations Reserve to Pay for Construction Build-Out and Furnishings Costs at the New Office Space**

As stated above, NERC plans to primarily use funds in its Future Obligations Reserve that will no longer need to be held in that reserve account as a result of the early termination of the lease for the Current Office Space, to pay for most of the net construction build-out and furnishings costs at the New Office Space. Per NERC’s Commission-approved WCOR Policy, the Future Obligations Reserve:

includes funding that has been received to satisfy future obligations under lease, credit, loan or other agreements to which the company is a party. An example is office lease funding that is in excess of actual office rent expense due to a landlord’s partial

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<sup>11</sup> \$800,000 minus \$11,038 minus \$15,815 = \$773,146.

abatement of rent and a budgeted lease expense based on straight line amortization of the rent expense over the term of the lease. In such a case, the surplus funding is being held to offset future rent expense . . . .

The example provided in the Future Obligation Reserve description in the WCOR Policy, above, depicts the situation with respect to the Current Office Space. For prior budgeting and accounting purposes, and consistent with Generally-Accepted Accounting Principles, NERC has amortized its rent expense ratably over the life of the lease on a straight-line basis; but because the landlord provided a tenant improvement allowance and rent abatement early in the lease term, and because the cash rent escalates over the life of the lease, NERC's actual cash rent costs were lower in the early years of the lease term and are higher in the later years. Therefore, NERC has accumulated funds in the Future Obligations Reserve to be used to subsidize the higher cash rent costs in later years. Under NERC's WCOR Policy, this surplus funding has been accumulated and is being held in the Future Obligations Reserve to use to offset future rent expense.

In the event that NERC exercises the early termination of the lease for the Current Office Space, NERC will no longer need to pay the higher rent costs in the remaining years of the lease term, and funds that have been accumulated in the Future Obligations Reserve to pay such costs are then no longer needed for that purpose. Accordingly, NERC plans to use funds in the Future Obligations Reserve to pay for the net construction build-out and furnishings costs at the New Office Space – costs which are being incurred only because the Current Office Space lease is being terminated, thereby freeing up funds in the Future Obligations Reserve. Thus, these funds will continue to be used for their originally-intended purpose: leasehold costs for NERC's headquarters office, albeit for the New Office Space rather than the Current Office Space.

As noted earlier, the planned utilization of these funds from the Future Obligations Reserve will enable NERC to pay for the net construction build-out and furnishings costs for the New Office Space without raising its statutory assessments for 2022 from the assessments amount



presented in the Original Budget.

**Table 5** provides an amended Total Reserve Analysis (*i.e.*, revised Table B-1) showing the adjustments to the reserves accounts in 2022 and the resulting reserves account balances at December 31, 2022, with the use of funds from the Future Obligations Reserve and the OCR to fund the net construction build-out and furnishing costs for the New Office Space in 2022 as described above. The projected Future Obligations Reserve balance at December 31, 2022 is \$426,672 (*i.e.*, \$708,893 lower than the balance shown on Table B-1 in the Original Budget). The projected OCR balance at December 31, 2022 is \$4,291,542 (*i.e.*, \$1,976,665 lower than the balance shown in Table B-1 in the Original Budget), reflecting both (i) the use of \$64,253 in 2022 to fund a portion of the net construction build-out and furnishings costs for the New Office Space, and (ii) the projected use of approximately \$1.9 million from the OCR in 2021 to fund the early termination payment for the Current Office Space, as described in the OCR Petition.<sup>12</sup> The projected OCR balance at December 31, 2022 of \$4,291,542 is approximately 5.5% of the budget baseline (using the Amended Budget), which is within the policy target range of 3.5% to 7.0% provided in the WCOR Policy.

## **VI. NERC FAC and Board Approvals for the Budget Amendment**

On September 28, 2021, the NERC FAC reviewed the Budget Amendment, including the proposed uses of funds from the Future Obligations Reserve and the OCR to pay for the net construction build-out and furnishings costs at the New Office Space, and recommended approval by the NERC Board.<sup>13</sup> Also on September 28, 2021, the NERC Board reviewed the Budget

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<sup>12</sup> The OCR Petition requests approval to use up to \$2.0 million in the OCR in 2021 for the early termination payment for the Current Office Space. Only the actual cost incurred will be recorded.

<sup>13</sup> In accordance with the NERC Bylaws, information on the proposed Budget Amendment was posted on the NERC website for stakeholder review and comment on September 14, 2021. In accordance with Article XIII, §5 of the Bylaws, the Board determined that a shortened stakeholder comment period was appropriate based on the exigencies of the circumstances resulting in the Budget Amendment, taking into account that

Amendment, considered the FAC's recommendation, and voted to approve the Budget Amendment and directed that it be filed with the Commission for approval.

**VII. Conclusion**

Based on the information provided in this filing and in NERC's 2022 Business Plan and Budget filing submitted on August 24, 2021, NERC requests that the Commission issue an order pursuant to 18 C.F.R. §39.4, accepting the proposed Budget Amendment to NERC's 2022 Business Plan and Budget and granting the other approvals requested in the original 2022 Business Plan and Budget filing.

September 29, 2021

Respectfully submitted,

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the Budget Amendment does not reflect any increase in assessments for 2022 from the Original Budget. As noted earlier, one set of supportive comments was received.

**DOCKET NO. RR21-9-000**

**NORTH AMERICAN ELECTRIC RELIABILITY  
CORPORATION**

**AMENDMENT TO 2022 BUSINESS PLAN AND BUDGET**

**ATTACHMENT 1 – BUDGET AMENDMENT**

**INCLUDING TABLES 1, 2, 3, 4 and 5**

# Proposed Amendment to NERC 2022 Business Plan and Budget

September 14, 2021

## Overview

NERC's 2022 Business Plan and Budget (BP&B) was approved by the NERC Board of Trustees (Board) on August 12, 2021, and subsequently filed with FERC on August 24, 2021. NERC is proposing to amend the 2022 BP&B to include additional fixed asset expenditures in connection with an anticipated move to a new office location in Atlanta, Georgia. The decision to pursue an available early termination option in the lease for NERC's current office in Atlanta in connection with the possible move to a new office space was not reached until after NERC's 2022 BP&B had been finalized and posted for final review and approval by the Board. While the budget amendment reflects additional fixed asset expenditures for the new office space, the amendment does not reflect any increase in NERC's 2022 assessments.

## Background

NERC's lease for its current office space in Atlanta provides an early termination option that may be exercised by October 31, 2021. NERC is considering exercising this early termination option in connection with a possible move to a new office space. Although lease terms are still being negotiated, NERC expects that the move to a new office space would result in significant cost savings that will be reflected in NERC's future budgets in the coming years.<sup>1</sup> Upon exercising the early lease termination option, NERC's current lease would terminate on October 31, 2022, and NERC would take occupancy of the new office space by no later than November 1, 2022. The termination of the current lease and execution of a new agreement would result in the following financial impacts:

- In 2021, NERC would need to expend \$1.9M from its Operating Contingency Reserve (OCR) to make the early termination payment required for the current office space lease,<sup>2</sup> and
- In 2022, NERC anticipates an expenditure of an estimated \$800k for construction build-out and furnishings, net of landlord tenant improvement allowances, at the new office space.

## NERC 2022 Budget Amendment

NERC is proposing to amend the 2022 budget to include an additional \$800k in fixed asset expenditures for the build-out and furnishings referenced above, and to use primarily accumulated funds from its Future Obligation Reserve (FOR) that will no longer be needed in connection with the current office lease, as well as a lesser amount from the OCR, to pay for these costs. By using funds from the FOR and OCR to fund the additional fixed asset expenditures, the need to increase the 2022 assessments from the assessments proposed in the original budget is avoided.

<sup>1</sup> Additional information relating to the decision to move office spaces is discussed in the background materials available in the agenda packages for the public FAC and Board meetings to be held on September 28, 2021.

<sup>2</sup> NERC will seek FERC approval for this OCR expenditure in 2021 pursuant to the terms of NERC's *Working Capital and Operating Reserve Policy* and Paragraph 7(b)(ii) of the Settlement Order and Agreement in Docket No. FA11-21-000.

The tables provided at the end of this document show the impact of the additional expenditure on NERC's current 2022 budget. The additional \$800k is budgeted as a fixed asset expenditure in the Administrative Programs area, which is then allocated to the budgets of the statutory programs.<sup>3</sup> As a result, each statutory program area's budget is increased accordingly, and the total budget is increased by \$800k. See Table 4 for the increase by program area.

Although the budget is increased by \$800k, the release of reserves to fund this cost is approximately \$773k. This difference is due to other funding NERC receives for the Cybersecurity Risk Information Sharing Program (CRISP) and System Operator Certification program, as follows:

- A significant portion of CRISP is funded by participants, which is shown as Third-Party Funding (CRISP) on Table 1. With the addition of the \$800k to the budget, Third-Party Funding is increased by approximately \$11k to fund the applicable portion of the additional fixed asset allocation to CRISP. See the "Funding (Other)" column of Table 4.
- The Personnel Certification and Continuing Education program is funded completely by revenue received for the System Operator Certification program (shown as Testing, Renewal, & Continuing Ed Fees on Table 1). This funding is budgeted based on expected revenue from these program fees rather than budgeted expenses. As such, the funding for the additional fixed asset allocation to the Personnel Certification and Continuing Education program appears as a change in working capital for this program, resulting in an additional use of approximately \$16k the System Operator Certification Reserve. See the "Working Capital Change" column of Table 4.

Due to the \$27k of funding from the sources above, the reserves needed to fund the \$800k are reduced by this amount to \$773k. Of the \$773k, NERC has budgeted to draw \$709k from the FOR (the balance of this reserve) and the remaining \$64k from the OCR. The ending balance of OCR in 2022 is projected to be 5.5% of the revised 2022 budget, within the policy target range of 3.5% to 7.0%. See Table 5.

### **Impacts to Canadian Credits**

As explained above, the amendment to the 2022 budget to include funding for additional fixed asset expenditures does not impact NERC's total 2022 assessment since the additional costs will be funded by reserves. However, the increase in budget for the individual statutory program areas as a result of the additional fixed asset allocation affects the calculation of credits for certain costs for Canadian entities.<sup>4</sup> The impact is a corresponding increase to each credit calculation, totaling approximately \$14k, or 0.02% of the total assessments. Given that these credit increases are relatively nominal, and to maintain no changes to the 2022 assessment schedule previously approved by the Board, NERC proposes to add these credit adjustments resulting from this 2022 budget amendment during the Canadian credit calculation process for the 2023 BP&B and assessment.

### **Next Steps**

NERC plans to seek Board approval on this amendment on September 28, 2021, and subsequently file with FERC. The use of funds contemplated is subject to the conclusion of ongoing lease negotiations.

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<sup>3</sup>Fixed Asset expenditures for the Administrative Programs are allocated to the statutory programs based on the ratios of each statutory program's budgeted full-time equivalent (FTE) staffing to the total budgeted FTE staffing for the statutory programs.

<sup>4</sup>Pursuant to NERC's Expanded Policy on Allocation of Certain Compliance and Enforcement Costs included in North American Electric Reliability Corp., Docket No. RR08-6-000, Attachment 16, (filed August 22, 2008)

**Table 1: Statement of Activities**

Statement of Activities and Fixed Asset Additions 2021 Budget & Projection, and 2022 Budget								
STATUTORY								
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2022 Budget v 2021 Budget Over(Under)	% Inc 2022 Over 2021	2022 Original Budget	Variance to Original Budget Over(Under)
<b>Funding</b>								
<b>NERC Funding</b>								
NERC Assessments	\$ 72,011,373	\$ 72,011,374	\$ -	\$ 78,387,280	\$ 6,375,907		\$ 78,387,280	\$ -
Penalties Released*	-	-	-	-	-		-	-
<b>Total NERC Funding</b>	<b>\$ 72,011,373</b>	<b>\$ 72,011,374</b>	<b>\$ -</b>	<b>\$ 78,387,280</b>	<b>\$ 6,375,907</b>	<b>8.9%</b>	<b>\$ 78,387,280</b>	<b>\$ -</b>
Third-Party Funding (CRISP)	\$ 7,064,343	\$ 7,095,260	\$ 30,917	\$ 7,928,423	\$ 864,080		\$ 7,917,385	\$ 11,038
Testing, Renewal, & Continuing Ed Fees	1,801,634	1,654,822	(146,812)	1,756,723	(44,911)		1,756,723	-
Services & Software	60,000	60,000	-	60,000	-		60,000	-
Miscellaneous	-	60,500	60,500	60,000	60,000		60,000	-
Interest & Investment Income	218,200	7,000	(211,200)	76,500	(141,700)		76,500	-
<b>Total Funding (A)</b>	<b>\$ 81,155,551</b>	<b>\$ 80,888,956</b>	<b>\$ (266,594)</b>	<b>\$ 88,268,926</b>	<b>\$ 7,113,376</b>	<b>8.8%</b>	<b>\$ 88,257,888</b>	<b>\$ 11,038</b>
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	\$ 36,636,628	\$ 37,229,211	\$ 592,583	\$ 39,557,528	\$ 2,920,900		\$ 39,557,528	\$ -
Payroll Taxes	2,122,568	2,176,206	53,638	2,310,836	188,267		2,310,836	-
Benefits	5,703,799	5,360,249	(343,550)	6,038,487	334,688		6,038,487	-
Retirement Costs	3,726,439	3,769,288	42,849	4,059,585	333,146		4,059,585	-
<b>Total Personnel Expenses</b>	<b>\$ 48,189,435</b>	<b>\$ 48,534,954</b>	<b>\$ 345,519</b>	<b>\$ 51,966,435</b>	<b>\$ 3,777,000</b>	<b>7.8%</b>	<b>\$ 51,966,435</b>	<b>\$ -</b>
<b>Meeting &amp; Travel Expenses</b>								
Meetings & Conference Calls	\$ 890,751	\$ 379,978	\$ (510,773)	\$ 1,132,550	\$ 241,799		\$ 1,132,550	\$ -
Travel	1,310,997	381,990	(929,007)	1,475,500	164,503		1,475,500	-
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 2,201,748</b>	<b>\$ 761,968</b>	<b>\$ (1,439,780)</b>	<b>\$ 2,608,050</b>	<b>\$ 406,302</b>	<b>18.5%</b>	<b>\$ 2,608,050</b>	<b>\$ -</b>
<b>Operating Expenses, excluding Depreciation</b>								
Consultants & Contracts	\$ 12,691,813	\$ 14,639,818	\$ 1,948,005	\$ 13,674,800	\$ 982,987		\$ 13,674,800	\$ -
Office Rent	3,603,442	3,603,442	-	3,243,277	(360,165)		3,243,277	-
Office Costs	10,185,789	10,483,815	298,026	10,749,222	563,433		10,749,222	-
Professional Services	2,185,100	2,398,563	213,463	2,488,100	303,000		2,488,100	-
Miscellaneous	100,150	105,086	4,936	144,650	44,500		144,650	-
<b>Total Operating Expenses, excluding Depreciation</b>	<b>\$ 28,766,294</b>	<b>\$ 31,230,724</b>	<b>\$ 2,464,430</b>	<b>\$ 30,300,049</b>	<b>\$ 1,533,755</b>	<b>5.3%</b>	<b>\$ 30,300,049</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 79,157,477</b>	<b>\$ 80,527,646</b>	<b>\$ 1,370,169</b>	<b>\$ 84,874,534</b>	<b>\$ 5,717,057</b>	<b>7.2%</b>	<b>\$ 84,874,534</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 129,661</b>	<b>\$ 181,048</b>	<b>\$ 51,387</b>	<b>\$ 135,000</b>	<b>\$ 5,339</b>	<b>4.1%</b>	<b>\$ 135,000</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 79,287,138</b>	<b>\$ 80,708,694</b>	<b>\$ 1,421,557</b>	<b>\$ 85,009,534</b>	<b>\$ 5,722,396</b>	<b>7.2%</b>	<b>\$ 85,009,534</b>	<b>\$ -</b>
<b>Change in Net Assets (=A-B)</b>	<b>\$ 1,868,413</b>	<b>\$ 180,262</b>	<b>\$ (1,688,151)</b>	<b>\$ 3,259,392</b>	<b>\$ 1,390,979</b>		<b>\$ 3,248,354</b>	<b>\$ 11,039</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 2,751,500</b>	<b>\$ 3,286,328</b>	<b>\$ 534,828</b>	<b>\$ 4,918,750</b>	<b>\$ 2,167,250</b>	<b>78.8%</b>	<b>\$ 4,118,750</b>	<b>\$ 800,000</b>
<b>Financing Activity</b>								
Loan or Financing Lease - Borrowing (-)	(100,000)	(887,476)	(787,476)	(2,100,000)	(2,000,000)		(2,100,000)	-
Loan or Financing Lease - Principal Payments (+)	944,601	803,957	(140,640)	1,000,000	55,399		1,000,000	-
<b>Net Financing Activity (D)</b>	<b>\$ 844,601</b>	<b>\$ (83,519)</b>	<b>\$ (928,120)</b>	<b>\$ (1,100,000)</b>	<b>\$ (1,944,601)</b>	<b>-230.2%</b>	<b>\$ (1,100,000)</b>	<b>\$ -</b>
<b>Total Budget (=B+C+D)</b>	<b>\$ 82,883,239</b>	<b>\$ 83,911,503</b>	<b>\$ 1,028,265</b>	<b>\$ 88,828,284</b>	<b>\$ 5,945,045</b>	<b>7.2%</b>	<b>\$ 88,028,284</b>	<b>\$ 800,000</b>
<b>Change in Working Capital (=A-B-C-D)</b>	<b>\$ (1,727,688)</b>	<b>\$ (3,022,547)</b>	<b>\$ (1,294,859)</b>	<b>\$ (559,358)</b>	<b>\$ 1,168,330</b>		<b>\$ 229,604</b>	<b>\$ (788,961)</b>
<b>FTEs</b>	<b>213.38</b>	<b>208.95</b>	<b>(4.43)</b>	<b>223.72</b>	<b>10.34</b>	<b>4.8%</b>	<b>223.72</b>	<b>0.00</b>

\*Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve to offset U.S. assessments as approved by the NERC Board and FERC. Actual penalties invoiced in the current reporting year are shown as an increase to the Assessment Stabilization Reserve on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

**Table 2: 2022 Budget by Program Area (as filed on August 24, 2021)**

As Filed on August 24, 2021												
2022 NERC Business Plan and Budget by Program Area	Funding (Assessments)	Funding (Other)	Total Funding	Direct Expenses	Indirect Expenses*	Non-Op Expenses	Total Expenses	Fixed Assets*	Net Financing Activity*	Total Budget	Working Capital Change	
Reliability Standards and Power Risk Issue Strategic Management	\$ 9,420,030	\$ 10,895	\$ 9,430,925	\$ 4,321,038	\$ 4,916,148	\$ -	\$ 9,237,186	\$ 397,858	\$ (204,119)	\$ 9,430,925	\$ -	
Compliance Assurance and Organization Registration and Certification	12,552,038	11,933	12,563,971	6,492,428	5,384,352	27,500	11,904,280	695,750	(36,058)	12,563,971	-	
Compliance Enforcement	6,939,219	6,744	6,945,963	3,317,700	3,043,329	27,500	6,388,529	496,293	61,141	6,945,963	-	
RAPA	14,700,555	74,527	14,775,082	7,486,899	6,554,863	-	14,041,762	1,005,478	(272,158)	14,775,082	-	
Event Analysis	3,778,518	3,632	3,782,150	2,018,854	1,638,716	-	3,657,570	192,619	(68,040)	3,782,150	-	
Situation Awareness	5,072,463	4,150	5,076,614	3,022,490	1,872,818	-	4,895,308	259,065	(77,759)	5,076,614	-	
Personnel Certification	-	1,757,223	1,757,223	1,097,635	702,307	-	1,799,942	56,837	(29,160)	1,827,619	(70,396)	
Training and Education	1,023,976	1,038	1,025,014	538,358	468,205	-	1,006,562	37,891	(19,440)	1,025,014	-	
E-ISAC (non-CRISP)	23,555,615	82,082	23,637,696	13,189,800	9,963,978	-	23,153,777	897,624	(413,705)	23,637,696	-	
E-ISAC (CRISP)	1,344,865	7,918,385	9,263,250	7,944,314	980,303	-	8,924,618	79,335	(40,702)	8,963,250	300,000	
Administrative Programs	-	-	-	35,445,018	(35,525,018)	80,000	-	-	-	-	-	
<b>Total</b>	<b>\$ 78,387,280</b>	<b>\$ 9,870,608</b>	<b>\$ 88,257,888</b>	<b>\$ 84,874,534</b>	<b>\$ -</b>	<b>\$ 135,000</b>	<b>\$ 85,009,534</b>	<b>\$ 4,118,750</b>	<b>\$ (1,100,000)</b>	<b>\$ 88,028,284</b>	<b>\$ 229,604</b>	

\*Includes allocation from Administrative Programs

**Table 3: 2022 Budget by Program Area (as proposed amended)**

As Amended												
2022 NERC Business Plan and Budget by Program Area	Funding (Assessments)	Funding (Other)	Total Funding	Direct Expenses	Indirect Expenses	Non-Op Expenses	Total Expenses	Fixed Assets**	Net Financing Activity	Total Budget	Working Capital Change	
Reliability Standards and Power Risk Issue Strategic Management	\$ 9,530,739	\$ 10,895	\$ 9,541,634	\$ 4,321,038	\$ 4,916,148	\$ -	\$ 9,237,186	\$ 508,567	\$ (204,119)	\$ 9,541,634	\$ -	
Compliance Assurance and Organization Registration and Certification	12,673,290	11,933	12,685,223	6,492,428	5,384,352	27,500	11,904,280	817,002	(36,058)	12,685,224	-	
Compliance Enforcement	7,007,753	6,744	7,014,497	3,317,700	3,043,329	27,500	6,388,529	564,827	61,141	7,014,497	-	
RAPA	14,848,167	74,527	14,922,693	7,486,899	6,554,863	-	14,041,762	1,153,089	(272,158)	14,922,693	-	
Event Analysis	3,815,421	3,632	3,819,053	2,018,854	1,638,716	-	3,657,570	229,522	(68,040)	3,819,053	-	
Situation Awareness	5,114,638	4,150	5,118,788	3,022,490	1,872,818	-	4,895,308	301,240	(77,759)	5,118,788	-	
Personnel Certification	-	1,757,223	1,757,223	1,097,635	702,307	-	1,799,942	72,652	(29,160)	1,843,435	(86,212)	
Training and Education	1,034,520	1,038	1,035,557	538,358	468,205	-	1,006,562	48,435	(19,440)	1,035,557	-	
E-ISAC (non-CRISP)	23,779,997	82,082	23,862,079	13,189,800	9,963,978	-	23,153,777	1,122,006	(413,705)	23,862,079	-	
E-ISAC (CRISP)	1,355,903	7,929,423	9,285,326	7,944,314	980,303	-	8,924,618	101,411	(40,702)	8,985,326	300,000	
Administrative Programs	(773,146)	-	(773,146)	35,445,018	(35,525,018)	80,000	-	-	-	-	(773,146)	
<b>Total</b>	<b>\$ 78,387,280</b>	<b>\$ 9,881,646</b>	<b>\$ 88,268,926</b>	<b>\$ 84,874,534</b>	<b>\$ -</b>	<b>\$ 135,000</b>	<b>\$ 85,009,534</b>	<b>\$ 4,918,750</b>	<b>\$ (1,100,000)</b>	<b>\$ 88,828,284</b>	<b>\$ (559,358)</b>	

\*\*Includes \$800k for leasehold improvements and furniture in the Fixed Assets budget for Administrative Programs (allocated to the individual program areas).

**Table 4: 2022 Budget Net Change by Program Area (as filed versus amended)**

Net Change (As Filed vs. Amended)												
2022 NERC Business Plan and Budget by Program Area	Funding (Assessments)	Funding (Other)	Total Funding	Direct Expenses	Indirect Expenses	Non-Op Expenses	Total Expenses	Fixed Assets	Net Financing Activity	Total Budget	Working Capital Change	
Reliability Standards and Power Risk Issue Strategic Management	\$ 110,708	\$ -	\$ 110,708	\$ -	\$ -	\$ -	\$ -	\$ 110,708	\$ -	\$ 110,708	\$ -	
Compliance Assurance and Organization Registration and Certification	121,252	-	121,252	-	-	-	-	121,252	-	121,252	-	
Compliance Enforcement	68,534	-	68,534	-	-	-	-	68,534	-	68,534	-	
RAPA	147,611	-	147,611	-	-	-	-	147,611	-	147,611	-	
Event Analysis	36,903	-	36,903	-	-	-	-	36,903	-	36,903	-	
Situation Awareness	42,175	-	42,175	-	-	-	-	42,175	-	42,175	-	
Personnel Certification	-	-	-	-	-	-	-	15,815	-	15,815	(15,815)	
Training and Education	10,544	-	10,544	-	-	-	-	10,544	-	10,544	-	
E-ISAC (non-CRISP)	224,382	-	224,382	-	-	-	-	224,382	-	224,382	-	
E-ISAC (CRISP)	11,038	11,038	22,076	-	-	-	-	22,076	-	22,076	-	
Administrative Programs	(773,146)	-	(773,146)	-	-	-	-	-	-	-	(773,146)	
<b>Total</b>	<b>\$ -</b>	<b>\$ 11,038</b>	<b>\$ 11,038</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 800,000</b>	<b>\$ -</b>	<b>\$ 800,000</b>	<b>\$ (788,961)</b>	

**Table 5: Amended Total Reserve Analysis**

<b>Total Reserves Analysis</b>						
<b>Statutory</b>						
	<b>Total Reserves</b>	<b>Future Obligation Reserve<sup>1</sup></b>	<b>Operating Contingency Reserve<sup>2</sup></b>	<b>System Operator Certification Reserve</b>	<b>CRISP Reserves<sup>3</sup></b>	<b>Assessment Stabilization Reserve</b>
<b>Beginning Reserves - 1/1/2021</b>	<b>\$ 14,707,583</b>	<b>\$ 1,657,901</b>	<b>\$ 7,982,913</b>	<b>\$ 996,220</b>	<b>\$ 1,549,549</b>	<b>\$ 2,521,000</b>
<b>Generation or (Use) of reserves from 2021 projections</b>						
Projected 2021 operating results, including debt service and financing	\$ (3,134,957)	\$ -	\$ (1,827,118)	\$ (258,290)	\$ (1,049,549)	\$ -
From 2021 approved addition/(use) of reserves	(2,351,600)	(551,600)	(1,800,000)	-	-	-
Other addition/(use) of reserves	-	-	-	-	-	-
<b>Projected Reserves - 12/31/21</b>	<b>\$ 9,221,026</b>	<b>\$ 1,106,301</b>	<b>\$ 4,355,795</b>	<b>\$ 737,930</b>	<b>\$ 500,000</b>	<b>\$ 2,521,000</b>
<b>Required Working Capital and Operating Reserves - 12/31/22</b>	<b>\$ 8,690,932</b>	<b>\$ 426,672</b>	<b>\$ 4,291,542</b>	<b>\$ 651,718</b>	<b>\$ 800,000</b>	<b>\$ 2,521,000</b>
Adjustment in funding to achieve required reserve balance	(530,094)	(679,629)	(64,253)	(86,212)	300,000	-
Less: Assessment Stabilization Reserve Release - Penalties	-	-	-	-	-	-
<b>Total Adjustments to Reserves</b>	<b>\$ (530,094)</b>	<b>\$ (679,629)</b>	<b>\$ (64,253)</b>	<b>\$ (86,212)</b>	<b>\$ 300,000</b>	<b>\$ -</b>
<b>Assessment Reconciliation</b>						
2022 Expenses, Capital Expenditures & Net Financing	\$ 88,828,284					
Less: Assessment Stabilization Reserve Release - Penalties	-					
Adjustment in funding to achieve required reserve balance	(559,358)					
Less: Other Funding Sources	(9,881,646)					
<b>2022 NERC Assessment</b>	<b>\$ 78,387,280</b>					

<sup>1</sup>The Future Obligations Reserve offsets future, non-current liabilities.

<sup>2</sup>Except as otherwise approved by the Board, after review by the FAC, the amount of the Operating Contingency Reserve shall be between three and one half (3.5%) percent and seven (7%) percent of the company's total expense and fixed asset budget minus the sum of the System Operator Certification and CRISP budgets, each of which have separate reserves.

<sup>3</sup>The CRISP Reserve is used solely for certain contingencies in connection with CRISP. The reserve level of \$500,000 at December 31, 2021 is equal to the original CRISP reserve, established in 2015, funded by the participating utilities. Subject to approval of the CRISP participants, NERC proposes to increase the reserve by \$300,000 in 2022, funded by the participants, to provide additional operating reserve for CRISP.