



posted on NERC's website and reviewed at the May 10, 2017 open meeting of the NERC Finance and Audit Committee ("FAC"). The unaudited report was accepted by the NERC Board of Trustees at its meeting on May 11, 2017.

## **II. NOTICES AND COMMUNICATIONS**

Notices and communications with respect to this filing may be addressed to the following:<sup>4</sup>

Michael Walker\*  
Senior Vice President and Chief Financial and  
Strategic Development Officer  
Meredith M. Jolivert\*  
Senior Counsel  
North American Electric Reliability  
Corporation  
1325 G Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 400-3000  
(202) 644-8099 – facsimile  
Michael.walker@nerc.net  
Meredith.jolivert@nerc.net

## **III. DISCUSSION OF SIGNIFICANT VARIANCES BETWEEN 2017 BUDGET AND UNAUDITED ACTUAL 2017 RESULTS**

The attached first quarter 2017 variance report compares actual (unaudited) financial results to NERC's budgeted expenditures as of March 31, 2017, and projected year-end 2017 financial results to NERC's total 2017 budgeted expenditures.

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

Actual 2017 direct expenses plus net fixed asset expenditures for the Compliance Analysis, Certification and Registration Program are projected at year end to be \$538K more than budgeted, primarily due to the allocation of additional staff resources to support program activities, and costs related to design of a new entity registration database. Costs associated with

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<sup>4</sup> Persons to be included on the Commission's service list are identified by an asterisk. NERC respectfully requests a waiver of Rule 203 of the Commission's regulations, 18 C.F.R. § 385.203 (2016), to allow the inclusion of more than two persons on the service list in this proceeding.

the entity registration database were budgeted in Information Technology as part of the ERO Enterprise application development budget, but will be charged to the Compliance Analysis, Certification and Registration Program to match costs with the relevant operating program utilizing the application.

**B. Information Technology**

Actual 2017 direct expenses plus net fixed asset expenditures for the Information Technology department are projected to be \$575k under budget. ERO application development costs budgeted in IT will be charged to the relevant operating programs utilizing the application. Refer to the table on page 5 of the Attachment.

**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

Michael Walker  
Senior Vice President and Chief Financial and  
Strategic Development Officer  
Meredith M. Jolivert  
Senior Counsel  
North American Electric Reliability Corporation  
1325 G Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 400-3000  
(202) 644-8099 – facsimile  
michael.walker@nerc.net  
meredith.jolivert@nerc.net

*Counsel for North American Electric Reliability  
Corporation*

Dated: May 15, 2017

**CERTIFICATE OF SERVICE**

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 15<sup>th</sup> day of May, 2017.

*/s/ Meredith M. Jolivert*

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

# **ATTACHMENT**

## North American Electric Reliability Corporation Summary of Unaudited Results March 31, 2017

Through March 31, 2017, NERC was \$1.9M (10.4%) under its expense and fixed asset budget, including costs related to the Cyber Risk Information Sharing Program (CRISP). NERC is projecting to be approximately \$503k (0.7%) over budget at year-end primarily due to higher than budget personnel, conference calls, consultants and contracts, and office expenses. The increase in consultant and contract expenses is offset by spending reductions in fixed assets.

Excluding the approved use of reserves, NERC was \$2.0M (10.9%) under its expense and fixed asset budget through March and is projecting to be over budget \$417k (0.6%) at year-end.

The over budget variance (including reserve usage) of \$502k projected for 2017 is offset by an over budget variance in funding of \$144k. Therefore, the net impact to NERC's operations and operating contingency reserves for these 2017 projections is \$358k, or approximately 0.5% of total budgeted expenditures.

### Actual vs Budget (YTD) and Projection vs Total Budget (including CRISP)

	Actual	Budget	Variance Over (Under)	%	Annual Projection	Annual Budget	Variance Over (Under)	%
<b>TOTAL FUNDING</b>	<b>\$ 20,351,538</b>	<b>\$ 20,110,527</b>	<b>\$ 241,012</b>	<b>1.2%</b>	<b>\$ 70,296,074</b>	<b>\$ 70,151,660</b>	<b>\$ 144,413</b>	<b>0.2%</b>
<b>EXPENSES and FIXED ASSETS</b>								
PERSONNEL EXPENSES	\$ 10,062,307	\$ 10,225,862	\$ (163,555)	-1.6%	\$ 38,701,038	\$ 38,641,331	\$ 59,707	0.2%
MEETINGS, TRAVEL and CONFERENCE CALLS	1,010,982	843,222	167,761	19.9%	3,753,651	3,372,886	380,764	11.3%
CONSULTANTS and CONTRACTS	2,145,844	3,507,575	(1,361,731)	-38.8%	13,751,417	13,127,749	623,668	4.8%
RENT	807,814	779,252	28,562	3.7%	3,117,009	3,117,009	-	0.0%
OFFICE COSTS, PROFESSIONAL SERVICES and MISC.	1,773,318	1,714,844	58,474	3.4%	7,142,825	6,864,475	278,350	4.1%
OTHER NON-OPERATING EXPENSES	11,739	26,681	(14,943)	-56.0%	106,725	106,725	-	0.0%
FIXED ASSET PURCHASES (excluding depreciation)	489,599	1,093,000	(603,401)	-55.2%	3,532,145	4,372,000	(839,855)	-19.2%
<b>TOTAL EXPENSES and FIXED ASSETS</b>	<b>\$ 16,301,603</b>	<b>\$ 18,190,436</b>	<b>\$ (1,888,832)</b>	<b>-10.4%</b>	<b>\$ 70,104,810</b>	<b>\$ 69,602,175</b>	<b>\$ 502,635</b>	<b>0.7%</b>
APPROVED USE of RESERVES	85,986	-	85,986		85,986	-	85,986	
<b>TOTAL EXPENSES and FIXED ASSETS (excluding reserves)</b>	<b>\$ 16,215,617</b>	<b>\$ 18,190,436</b>	<b>\$ (1,974,818)</b>	<b>-10.9%</b>	<b>\$ 70,018,824</b>	<b>\$ 69,602,175</b>	<b>\$ 416,649</b>	<b>0.6%</b>
<b>FTEs</b>	<b>188.2</b>	<b>189.9</b>	<b>(1.7)</b>	<b>-0.9%</b>	<b>189.9</b>	<b>189.9</b>	<b>-</b>	<b>0.0%</b>

**NERC VARIANCES - excluding CRISP**

NERC was \$1.0M (6.2%) under budget and is currently projecting to be very close to budget at year-end (\$565k or 0.9% over). The projected over budget variance is primarily due to higher anticipated costs in consultants and contracts expenses, conference calls expense, and office costs. These higher costs were substantially offset by lower expenses in fixed assets.

The following table and summary of variances by category reflect 2017 year-to-date (YTD) actual and projected results without CRISP. A summary of results for CRISP is provided on page 6.

**Actual vs Budget (YTD) and Projection vs Total Budget  
(Excluding CRISP)**

	Actual	Budget	Variance Over (Under)	%	Annual Projection	Annual Budget	Variance Over (Under)	%
<b>TOTAL FUNDING</b>	\$ 16,267,995	\$ 16,270,123	\$ (2,129)	0.0%	\$ 61,997,027	\$ 61,859,220	\$ 137,807	0.2%
<b>EXPENSES and FIXED ASSETS</b>								
PERSONNEL EXPENSES	\$ 9,882,389	\$ 10,023,173	\$ (140,784)	-1.4%	\$ 37,974,921	\$ 37,872,960	\$ 101,961	0.3%
MEETINGS, TRAVEL and CONFERENCE CALLS	1,004,996	825,798	179,198	21.7%	3,686,195	3,303,194	383,001	11.6%
CONSULTANTS and CONTRACTS	1,337,792	2,035,426	(697,634)	-34.3%	7,783,073	7,239,155	543,918	7.5%
RENT	807,814	779,252	28,562	3.7%	3,117,009	3,117,009	-	0.0%
OFFICE COSTS, PROFESSIONAL SERVICES and MISC.	1,738,143	1,594,611	143,532	9.0%	6,661,892	6,383,542	278,350	4.4%
OTHER NON-OPERATING EXPENSES	11,739	26,681	(14,943)	-56.0%	106,725	106,725	-	0.0%
FIXED ASSET PURCHASES (excluding depreciation)	468,123	1,005,500	(537,377)	-53.4%	3,261,895	4,022,000	(760,105)	-18.9%
INDIRECT EXPENSES and ALLOCATION OF FIXED ASSETS	(153,430)	(190,053)	36,623	-19.3%	(716,823)	(734,850)	18,027	-2.5%
<b>TOTAL</b>	<b>\$ 15,097,565</b>	<b>\$ 16,100,389</b>	<b>\$ (1,002,824)</b>	<b>-6.2%</b>	<b>\$ 61,874,887</b>	<b>\$ 61,309,735</b>	<b>\$ 565,152</b>	<b>0.9%</b>
FTEs	185.6	187.1	(1.5)	-0.8%	187.1	187.1	-	0.0%

Following is a brief summary of variances by major categories (excluding CRISP):

- Personnel expenses were under budget \$141k (1.4%) and are projected to be slightly over budget (\$102k or 0.3%) at year-end based on current staffing assumptions. The 2017 personnel budget was based on 202 positions, reduced by a vacancy rate of 6.0% (accounting for attrition and timing of new hires). Actual attrition through March 31<sup>st</sup> was 1.6%.
- Meeting, travel and conferencing expenses were collectively over budget \$179k (21.7%), and are projected to be \$383k (11.6%) over budget at year-end. The actual and projected over budget meeting expenses related in part to the approved use of reserves for an ERO leadership conference. Additionally, NERC incurred higher than budgeted costs associated with the Human Performance Workshop, but those costs were substantially offset by higher than budgeted workshop fees. The projected over budget variance in

conferencing expenses is due to a delay in canceling services from the previous provider and transitional support for the new audio/video system, although IT intends for these costs to be offset by other savings.

- Consultant and Contract expenses were under budget \$698k (34.3%), and are projected to be \$544k (7.5%) over budget at year-end. In addition to smaller variances in other departments, the projected over budget variance is primarily due to the portal improvement project in E-ISAC and additional outside support needed for IT. In both cases, the additional consultant and contract costs were offset by reductions in fixed assets. The E-ISAC portal project was originally anticipated to be a software development project and budgeted in fixed assets. However, the project will likely be using an existing software platform and NERC will be recognizing ongoing license and maintenance expenses instead of fixed asset developmental costs.

**SUMMARY OF CONSULTANT AND CONTRACT EXPENSES BY DEPARTMENT**

<b>CONSULTANTS and CONTRACTS</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance Over (Under)</b>	<b>Annual Projection</b>	<b>Annual Budget</b>	<b>Variance Over (Under)</b>
COMPLIANCE ASSURANCE	\$ -	\$ 12,500	\$ (12,500)	\$ 35,800	\$ 50,000	\$ (14,200)
RELIABILITY ASSESSMENTS and SYSTEM ANALYSIS	35,093	131,250	(96,157)	503,020	525,000	(21,980)
RELIABILITY RISK MANAGEMENT	748,624	681,621	67,003	1,823,932	1,823,932	(0)
E-ISAC	79,473	224,959	(145,486)	1,204,085	899,835	304,250
TRAINING, EDUCATION & OPERATOR CERTIFICATION	157,932	145,150	12,782	718,614	580,600	138,014
POLICY and EXTERNAL AFFAIRS	1,276	3,750	(2,474)	15,000	15,000	-
INFORMATION TECHNOLOGY	299,245	578,197	(278,952)	2,510,622	2,312,787	197,835
HUMAN RESOURCES	9,500	143,750	(134,250)	575,000	575,000	-
FINANCE and ACCOUNTING	6,649	114,250	(107,601)	397,000	457,000	(60,000)
<b>TOTAL (excluding CRISP)</b>	<b>\$ 1,337,792</b>	<b>\$ 2,035,426</b>	<b>\$ (697,634)</b>	<b>\$ 7,783,073</b>	<b>\$ 7,239,155</b>	<b>\$ 543,918</b>
CRISP	808,052	1,472,149	(664,096)	5,968,344	5,888,594	79,750
<b>TOTAL CONTRACTS and CONSULTANTS</b>	<b>\$ 2,145,844</b>	<b>\$ 3,507,575</b>	<b>\$ (1,361,731)</b>	<b>\$ 13,751,417</b>	<b>\$ 13,127,749</b>	<b>\$ 623,668</b>

- Office costs, professional services and miscellaneous expenses were collectively over budget \$144k (9.0%), and are projected to be \$278k (4.4%) over budget at year-end. The projected over budget office costs are primarily related to the expense treatment of the new audio/video lease agreement. NERC has historically budgeted purchases for A/V equipment in fixed assets, but due to the timing of the final lease transaction and leasing of this equipment, the fixed asset expenditures will be under budget and offset by higher than budgeted operating expenses due to the decision to lease these assets in lieu of purchasing. Going forward after 2017, the lease will be budgeted and expensed in the same account.
- Fixed Asset Purchases (excluding depreciation) were \$537k (53.4%) under budget and projected to be \$760k (18.9%) under budget at year-end. The under budget variance is primarily related to the costs associated with both the audio/video lease assets and E-ISAC portal work. As previously mentioned, both were originally budgeted in fixed assets, but were recognized as expenses in other areas due to the nature of the transactions.



**SUMMARY OF VARIANCES BY PROGRAM**

The following table reflects variances by department as of March 31, 2017.

DIRECT EXPENSES and NET FIXED ASSETS	2017 Actual	2017 Budget	Variance Over/(Under)	2017 Projection	2017 Budget	Variance Over/(Under)
RELIABILITY STANDARDS	\$ 879,883	\$ 945,599	\$ (65,715)	\$ 3,533,195	\$ 3,629,945	\$ (96,750)
COMPLIANCE ANALYSIS, CERTIFICATION and REGISTRATION	558,343	443,306	115,037	2,224,479	1,686,689	537,789
COMPLIANCE ASSURANCE	1,023,473	994,531	28,941	4,176,007	3,816,924	359,083
ENFORCEMENT	649,579	625,456	24,123	2,343,364	2,371,347	(27,984)
RELIABILITY ASSESSMENTS and SYSTEM ANALYSIS	867,613	1,001,197	(133,585)	3,739,404	3,861,344	(121,941)
RELIABILITY RISK MANAGEMENT	2,555,627	2,165,553	390,074	7,981,327	7,529,324	452,003
E-ISAC	1,123,336	1,495,475	(372,139)	6,092,187	5,813,801	278,387
TRAINING, EDUCATION and OPERATOR CERTIFICATION	478,724	494,574	(15,850)	1,858,552	1,920,376	(61,823)
GENERAL and ADMINISTRATIVE and EXECUTIVE	2,140,485	2,086,756	53,728	7,987,718	8,171,444	(183,725)
POLICY and EXTERNAL AFFAIRS	595,542	541,837	53,705	2,075,071	2,034,533	40,538
LEGAL and REGULATORY	623,975	869,203	(245,228)	3,030,976	3,292,379	(261,403)
INFORMATION TECHNOLOGY	2,513,252	3,184,284	(671,032)	11,905,763	12,480,846	(575,083)
HUMAN RESOURCES	250,123	410,922	(160,799)	1,587,857	1,608,583	(20,726)
FINANCE and ACCOUNTING	991,040	1,031,748	(40,708)	4,056,956	3,827,050	229,907
<b>TOTAL (excluding CRISP)</b>	<b>\$ 15,250,995</b>	<b>\$ 16,290,442</b>	<b>\$ (1,039,447)</b>	<b>\$ 62,592,856</b>	<b>\$ 62,044,585</b>	<b>\$ 548,271</b>

Following is a brief summary of significant variances:

- Compliance Analysis, Certification and Registration; Compliance Assurance; E-ISAC; Finance and Accounting – Over budget YTD and projected to be over budget at year-end primarily due to additional resources added to support ongoing program activities within these program areas. The additional resources in Finance and Accounting are to support the Internal Audit and Risk Management department.
- Standards; Reliability Assessments and System Analysis; Legal and Regulatory – Under budget year-to-date and projected to be under budget at year-end due to lower than budgeted personnel expenses.
- Reliability Risk Management (includes Event Analysis, Performance Analysis, and Situation Awareness departments) – Over budget YTD and expected to be over budget at year-end primarily related to ERO Application development costs that are budgeted in IT but recorded in the programs utilizing the applications.

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

<u>Information Technology</u>		<u>2017 YTD</u>		<u>2017 Projection</u>
Actual	\$	2,513,252	\$	11,905,968
Budget		3,184,284		12,480,846
Variance Over (Under)	\$	(671,032)	\$	(574,878)
<b>Transferred Projects</b>				
Entity Registration (Registration)	\$	-	\$	125,000
MIDAS (RRM)		139,475		362,600
FERC 854 (RRM)		58,050		86,400
Total Transferred	\$	197,525	\$	574,000
<b>Adjusted Variance Over (Under)</b>	<b>\$</b>	<b>(473,507)</b>	<b>\$</b>	<b>(878)</b>

**BOARD OF TRUSTEES EXPENSES**

Board of Trustees expenses were under budget YTD by \$45k (10.2%) and are expected to be approximately on budget at year-end.

<u>Board of Trustee Expenses</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>	<u>%</u>
<b>Meetings and Travel Expenses</b>				
Quarterly Board Meetings and Conference Calls	\$ 51,256	\$ 69,750	\$ (18,494)	-26.5%
Trustee Travel	44,698	39,332	5,366	13.6%
<b>Total Board of Trustees Meetings and Travel Expenses</b>	<b>\$ 95,954</b>	<b>\$ 109,082</b>	<b>\$ (13,128)</b>	<b>-12.0%</b>
<b>Professional Services</b>				
Independent Trustee Fees	299,585	306,500	(6,915)	-2.3%
Trustee Search Fees		25,000	(25,000)	-100.0%
<b>Total Board of Trustee Professional Services Expenses</b>	<b>\$ 299,585</b>	<b>\$ 331,500</b>	<b>\$ (31,915)</b>	<b>-9.6%</b>
<b>Total Board of Trustee Expenses</b>	<b>\$ 395,539</b>	<b>\$ 440,582</b>	<b>\$ (45,043)</b>	<b>-10.2%</b>

**CRISP VARIANCES**

CRISP was \$886k (42.4%) under budget YTD and is projected to be \$63k (0.8%) under budget at year-end.

	Actual	Budget	Variance Over (Under)	%	Annual Projection	Annual Budget	Variance Over (Under)	%
<b>TOTAL FUNDING</b>	<b>\$ 4,083,544</b>	<b>\$ 3,840,404</b>	<b>\$ 243,140</b>	<b>6.3%</b>	<b>\$ 8,299,047</b>	<b>\$ 8,292,441</b>	<b>\$ 6,606</b>	<b>0.1%</b>
<b>EXPENSES and FIXED ASSETS</b>								
PERSONNEL EXPENSES	\$ 179,918	\$ 202,689	\$ (22,771)		\$ 726,117	\$ 768,371	\$ (42,254)	
MEETINGS, TRAVEL and CONFERENCE CALLS	5,986	17,423	(11,437)		67,455	69,692	(2,237)	
CONSULTANTS and CONTRACTS	808,052	1,472,149	(664,096)		5,968,344	5,888,594	79,750	
RENT	-	-	-		-	-	-	
OFFICE COSTS, PROFESSIONAL SERVICES and MISC.	35,175	120,233	(85,058)		480,933	480,933	-	
OTHER NON-OPERATING EXPENSES	-	-	-		-	-	-	
FIXED ASSET PURCHASES (excluding depreciation)	21,477	87,500	(66,024)		270,250	350,000	(79,750)	
INDIRECT EXPENSES and ALLOCATION OF FIXED ASSETS	153,430	190,053	(36,623)		716,823	734,850	(18,028)	
<b>TOTAL EXPENSES and FIXED ASSETS</b>	<b>\$ 1,204,038</b>	<b>\$ 2,090,046</b>	<b>\$ (886,007)</b>	<b>-42.4%</b>	<b>\$ 8,229,923</b>	<b>\$ 8,292,441</b>	<b>\$ (62,519)</b>	<b>-0.8%</b>

**OPERATING RESERVES – Current Balances**

The balance in working capital and operating reserves was \$11.7M, which was \$2.8M higher than budget. The increase was primarily due to higher CRISP reserves, which increased \$2.9M due to timing differences between receipt of third-party funding for CRISP, which occurs at the beginning of the year, and expenses incurred throughout the year.

	March 31, 2017 Reserve Balances							
	Actual	Budget	Variance Over (Under)	Future Obligations Reserve	Operating Contingency Reserve	System Operator Reserves	Assessment ***CRISP Reserves	Stabilization Reserve
2017 Beginning Reserve Balances	8,782,011	7,828,700	953,311	2,875,467	2,307,531	828,013	500,000	2,271,000
<b>Change in Reserves from Current Year Operations</b>								
Change in Reserves from budgeted operations	4,197,768	1,920,091	2,277,677	-	1,386,752	(68,490)	2,879,506	-
Approved use of reserves	(147,833)	-	(147,833)	(53,308)	(85,986)	(8,539)	-	-
<b>Capital Financing</b>	-	-	-	-	-	-	-	-
Proceeds from Financing Activities (non-current only)	-	-	-	-	-	-	-	-
Debt Service	(181,567)	(246,425)	64,858	-	(181,567)	-	-	-
<b>Other adjustments to reserves**</b>	<b>(933,529)</b>	<b>(600,000)</b>	<b>(333,529)</b>	<b>(333,529)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(600,000)</b>
<b>Reserve Balance</b>	<b>11,716,850</b>	<b>8,902,366</b>	<b>2,814,484</b>	<b>2,488,630</b>	<b>3,426,731</b>	<b>750,984</b>	<b>3,379,506</b>	<b>1,671,000</b>

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

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

**OPERATING RESERVES – Year-End Projection**

The current year-end projection in total operating reserves is \$8.1M, 0.5% (\$333k) more than budgeted, including \$2.6M in the Operating Contingency Reserve (OCR) and \$1.7M in the Assessment Stabilization Reserve (ASR).

					2017 Projected Year End Reserve Balances				
	2017 Projection	2017 Budget	Variance Over (Under)		Future Obligations Reserve	Operating Contingenc y Reserve	System Operator Reserves	***CRISP Reserves	Assessment Stabilization Reserve
2017 Beginning Reserve Balances	8,782,011	7,828,700	953,311		2,875,467	2,307,531	828,013	500,000	2,271,000
<b>Change in Reserves from Current Year Operations</b>									
Change in Reserves from budgeted operations	281,358	549,485	(268,127)		-	104,551	107,683	69,124	-
Approved use of reserves	(90,095)	-	(90,095)		84,623	(85,986)	(88,732)	-	-
	-	-	-		-	-	-	-	-
<b>Capital Financing</b>									
Proceeds from Financing Activities (non-current only)	966,667	966,667	-		-	966,667	-	-	-
Debt Service	(719,522)	(985,750)	266,228		-	(719,522)	-	-	-
<b>Other adjustments to reserves**</b>	<b>(1,128,397)</b>	<b>(600,000)</b>	<b>(528,397)</b>		<b>(528,397)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(600,000)</b>
<b>Reserve Balance</b>	<b>8,092,022</b>	<b>7,759,102</b>	<b>332,921</b>		<b>2,431,694</b>	<b>2,573,241</b>	<b>846,964</b>	<b>569,124</b>	<b>1,671,000</b>

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

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

**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**  
**Statement of Activities and Fixed Assets Budget**  
**(Unaudited)**  
**For the period ended 03/31/2017**

	Actual	Budget	Variance Over (Under)	%	Annual Projection	Annual Budget	Variance Over (Under)	%
<b>Funding</b>								
Assessments	\$ 14,964,078	\$ 14,964,078	0		\$ 59,856,314	\$ 59,856,314	\$ -	
Assessment Stabilization Reserves - Penalties	1,100,000	1,100,000	0		1,100,000	1,100,000	-	
Assessment Stabilization Reserves - Non-Penalties	-	-	-		-	-	-	
Third-Party Funding (CRISP)	3,736,712	3,495,223	241,489		6,990,447	6,990,447	-	
Testing	414,420	480,475	(66,056)		1,921,900	1,921,900	-	
Services & Software	3,000	12,500	(9,500)		50,000	50,000	-	
Workshop Fees	115,300	57,500	57,800		305,300	230,000	75,300	
Interest	18,028	750	17,278		72,113	3,000	69,113	
Miscellaneous	-	-	-		-	-	-	
<b>Total Funding</b>	<b>\$ 20,351,538</b>	<b>\$ 20,110,527</b>	<b>\$ 241,012</b>	<b>1.2%</b>	<b>\$ 70,296,074</b>	<b>\$ 70,151,660</b>	<b>\$ 144,413</b>	<b>0.2%</b>
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	\$ 7,515,488	\$ 7,545,194	\$ (29,706)		\$ 30,202,897	\$ 30,073,438	\$ 129,459	
Payroll Taxes	836,399	849,836	(13,436)		1,843,079	1,847,130	(4,052)	
Employee Benefits	867,124	917,102	(49,977)		3,635,671	3,643,806	(8,135)	
Savings & Retirement	843,295	913,731	(70,436)		3,019,391	3,076,956	(57,565)	
<b>Total Personnel Expenses</b>	<b>\$ 10,062,307</b>	<b>\$ 10,225,862</b>	<b>\$ (163,555)</b>	<b>-1.6%</b>	<b>\$ 38,701,038</b>	<b>\$ 38,641,331</b>	<b>\$ 59,707</b>	<b>0.2%</b>
<b>Meeting Expenses</b>								
Meetings	\$ 368,527	\$ 267,875	\$ 100,652		\$ 1,174,000	\$ 1,071,500	\$ 102,500	
Travel	568,808	550,947	17,861		2,261,286	2,203,786	57,499	
Conference Calls	73,648	24,400	49,248		318,365	97,600	220,765	
<b>Total Meeting Expenses</b>	<b>\$ 1,010,982</b>	<b>\$ 843,222</b>	<b>\$ 167,761</b>	<b>19.9%</b>	<b>\$ 3,753,651</b>	<b>\$ 3,372,886</b>	<b>\$ 380,764</b>	<b>11.3%</b>
<b>Operating Expenses</b>								
Consultants and Contracts	\$ 2,145,844	\$ 3,507,575	\$ (1,361,731)		\$ 13,751,417	\$ 13,127,749	\$ 623,668	
Rent & Improvements	807,814	779,252	28,562		3,117,009	3,117,009	-	
Office Costs	1,270,908	1,088,560	182,348		4,631,940	4,359,340	272,600	
Professional Services	497,663	617,034	(119,371)		2,468,135	2,468,135	-	
Miscellaneous	4,748	9,250	(4,502)		42,750	37,000	5,750	
Depreciation	665,856	422,864	242,992		1,691,457	1,691,457	-	
<b>Total Operating Expenses</b>	<b>\$ 5,392,832</b>	<b>\$ 6,424,535</b>	<b>\$ (1,031,703)</b>	<b>-16.1%</b>	<b>\$ 25,702,708</b>	<b>\$ 24,800,690</b>	<b>\$ 902,018</b>	<b>3.6%</b>
<b>Other Non-Operating Expenses</b>								
	\$ 11,739	\$ 26,681	\$ (14,943)	-56.0%	\$ 106,725	\$ 106,725	\$ -	0.0%
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
<b>Total Expenses</b>	<b>\$ 16,477,860</b>	<b>\$ 17,520,300</b>	<b>\$ (1,042,440)</b>	<b>-5.9%</b>	<b>\$ 68,264,122</b>	<b>\$ 66,921,632</b>	<b>\$ 1,342,490</b>	<b>2.0%</b>
<b>Net Change in Assets</b>	<b>\$ 3,873,678</b>	<b>\$ 2,590,227</b>	<b>\$ 1,283,451</b>	<b>49.5%</b>	<b>\$ 2,031,952</b>	<b>\$ 3,230,028</b>	<b>\$ (1,198,077)</b>	<b>-37.1%</b>
<b>Fixed Assets</b>								
Depreciation	\$ (665,856)	\$ (422,864)	\$ (242,992)		\$ (1,691,457)	\$ (1,691,457)	\$ -	
Computer & Software	468,123	643,000	(174,877)		2,446,669	2,572,000	(125,332)	
Furniture & Fixtures	-	-	-		-	-	-	
Equipment	21,477	450,000	(428,524)		1,085,477	1,800,000	(714,524)	
Leasehold Improvements	-	-	-		-	-	-	
Allocation of Fixed Assets	-	-	-		-	-	-	
<b>Incr(Dec) in Fixed Assets</b>	<b>\$ (176,257)</b>	<b>\$ 670,136</b>	<b>\$ (846,393)</b>	<b>-126.3%</b>	<b>\$ 1,840,688</b>	<b>\$ 2,680,543</b>	<b>\$ (839,855)</b>	<b>-31.3%</b>
<b>Total Budget (Expenses plus Incr(Dec) in Fixed Assets)</b>	<b>\$ 16,301,603</b>	<b>\$ 18,190,436</b>	<b>\$ (1,888,832)</b>	<b>-10.4%</b>	<b>\$ 70,104,810</b>	<b>\$ 69,602,175</b>	<b>\$ 502,635</b>	<b>0.7%</b>
<b>Change in Reserves (Total Funding less Total Budget)</b>	<b>4,049,935</b>	<b>1,920,091</b>	<b>2,129,844</b>	<b>110.9%</b>	<b>191,263</b>	<b>549,485</b>	<b>(358,222)</b>	
<b>FTE's</b>	<b>188.2</b>	<b>189.9</b>	<b>(1.7)</b>	<b>-0.9%</b>	<b>189.9</b>	<b>189.9</b>	<b>-</b>	<b>0.0%</b>

**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
STATEMENT OF FINANCIAL POSITION  
(Unaudited)  
For the period ended 03/31/2017**

	Unaudited		Audited		Working Capital and Operating Reserves	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016	03/31/2017	12/31/2016
<b>ASSETS</b>						
Cash	\$ 44,546,567	\$ 54,523,917	\$ 44,546,567	\$ 54,523,917		
Accounts receivable, net of allowance for uncollectible accounts of \$0	19,622,518	3,784,074	19,622,518	3,784,074		
Prepaid expenses and other current assets	2,269,363	2,046,006	2,269,363	2,046,006		
Security deposit	125,585	125,585				
457(b) – Non-Qualified Deferred Compensation	1,109,883	1,109,883				
457(f) - Non-Qualified Deferred Compensation	720,449	473,741				
Property and equipment	10,614,957	10,791,214				
<b>Total Assets</b>	<b>\$ 79,009,322</b>	<b>\$ 72,854,420</b>				
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
<b>Current Portion</b>						
Accounts payable and accrued expenses (includes vacation accrual)	\$ 6,725,715	\$ 4,288,119	\$ (6,725,715)	\$ (4,288,119)		
Accrued incentive compensation	1,299,670	4,979,436	(1,299,670)	(4,979,436)		
Deferred rent-current	416,947	396,121	(416,947)	(396,121)		
Deferred compensation - current	-	-	-	-		
Capital lease obligations - current	74,212	74,212	(74,212)	(74,212)		
Accrued retirement liabilities	494,642	1,903,342	(494,642)	(1,903,342)		
Debt service - current portion	1,238,940	1,238,940	(1,238,940)	(1,238,940)		
Deferred income	20,840,612	12,301,737	(20,840,612)	(12,301,737)		
Deferred revenue - CRISP	2,418,927	2,418,927	(2,418,927)	(2,418,927)		
Regional assessments	21,211,931	23,471,153	(21,211,931)	(23,471,153)		
<b>Total Current Portion</b>	<b>\$ 54,721,598</b>	<b>\$ 51,071,987</b>				
<b>Long-Term Portion</b>						
Deferred compensation <sup>1</sup>	1,552,582	1,527,437				
Long-Term Debt	443,867	625,433				
Penalties-Assessments stabilization	-	-				
Deferred Rent-non-current	2,903,818	3,015,784				
CRISP Insurance Reserve	500,000	500,000				
Capital lease obligations - non-current	77,541	77,541				
<b>Total Long-Term Portion</b>	<b>\$ 5,477,808</b>	<b>\$ 5,746,195</b>				
<b>Total Liabilities</b>	<b>\$ 60,199,405</b>	<b>\$ 56,818,182</b>				
Net Assets - unrestricted	\$ 17,138,917	\$ 13,265,238				
Net Assets - restricted	1,671,000	2,771,000	(1,671,000)	(2,771,000)		
<b>Total Liabilities and Net Assets</b>	<b>\$ 79,009,322</b>	<b>\$ 72,854,420</b>	<b>\$ 10,045,850</b>	<b>\$ 6,511,010</b>		
<b>Working Capital and Operating Reserves</b>	<b>\$ 11,716,850</b>	<b>\$ 6,075,782</b>				

<sup>1</sup>Includes 457b and 457f liabilities, life insurance for former executive, and retiree medical

**Financial Covenants**

1 - WC & OR Balance to Debt Service Ratio > 1.2 to 1.0 (=Working Capital / Debt Service)	9.46
2 - Liquidity to Debt Service Ratio > 1.5 to 1.0* (= (Cash - Regional Assessments - Restricted Net Assets)/ Debit Service)	17.49