

Attached hereto is the unaudited report of NERC's budget-to-actual variance information for the second quarter of 2013, in accordance with the January 16 Order. This variance information was posted on NERC's website and reviewed in open session at the August 14, 2013 meeting of the NERC Finance and Audit Committee.

I. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to:⁴

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⁴ 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 (2012), to allow the inclusion of more than two persons on the service list in this proceeding.

II. 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/ Rebecca J. Michael

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Dated: August 14, 2013

ATTACHMENT

North American Electric Reliability Corporation- Review of June 30, 2013 Unaudited Results – Budget to Actual Variance Analysis

Summary of Results as of June 30, 2013

Through June 30, 2013, NERC was \$914.9k, 3.2%, under its expense and fixed asset budget, primarily due to lower consulting and contract expenses, as further explained below. Absent a reduction in projected expenses during Q3 and Q4, management is projecting the company will be approximately \$1.3M, 2.3%, over budget at year end, due to the use of operating reserves (from both Known and Unforeseen operating reserve categories) to fund numerous initiatives in support of NERC's 2013 goals and objectives. NERC's approved 2013 budget included the expenditure of \$1M in known operating reserve contingencies. All uses of operating reserves receive necessary corporate authorizations and are further explained beginning on page 6 under the heading Operating Reserve Analysis. Senior management is taking steps to reduce expenditures during Q3 and Q4 to ensure that the company ends the year within budget, inclusive of \$1M in expenditures for known operating reserve contingencies.

	YTD Results through June 30, 2013							
	2013 YTD Actual	2013 YTD Budget	Variance from Budget Over(Under)	%	2013 Projection	2013 Annual Budget	Variance from Budget Over(Under)	%
TOTAL FUNDING	26,166,232	26,102,328	63,905	0.2%	52,246,830	52,252,656	(5,826)	0.0%
BUDGET - EXPENSES and FIXED ASSETS								
PERSONNEL EXPENSES	16,174,673	15,871,386	303,286	1.9%	31,621,401	31,298,403	322,996	1.0%
MEETINGS, TRAVEL and CONFERENCE CALLS	1,828,661	2,029,155	(200,494)	-9.9%	3,901,664	4,098,310	(196,646)	-4.8%
CONSULTANTS and CONTRACTS	4,096,766	5,339,911	(1,243,144)	-23.3%	8,140,646	8,816,254	(675,608)	-7.7%
RENT	1,374,292	1,454,003	(79,711)	-5.5%	2,695,217	2,756,840	(61,623)	-2.2%
OFFICE COSTS, PROFESSIONAL SERVICES and MISCELLANEOUS	2,906,618	2,747,170	159,448	5.8%	5,877,172	5,494,346	382,826	7.0%
Other Non-Operating Expenses	83,820	25,000	58,820	235.3%	128,060	50,000	78,060	100.0%
FIXED ASSET PURCHASES (excludes the credit for depreciation)	972,920	886,050	86,870	9.8%	3,187,704	1,772,100	1,415,604	79.9%
TOTAL BUDGET	27,437,750	28,352,674	(914,925)	-3.2%	55,551,864	54,286,253	1,265,609	2.3%
FTEs	174.49	186.25	(11.76)	-6.3%	179.04	186.25	(7.21)	-3.9%

Funding – (\$63.9k over budget YTD; projected to be \$5.8k under budget at year end)

Total funding was slightly over budget through June 30, 2013 due to (1) higher than budgeted system operator testing fees, certificate renewals and continuing education fees, and (2) higher than budgeted funding from pc-GAR software licensing. Funding from workshop fees was lower than budgeted due to the elimination of a planned NASPI workshop. Total funding is projected to be approximately equal to budget at year end.

Actual to Budget Variances for Expenses and Fixed Assets by Category

- **Personnel** expenses were over budget \$303.3k, 1.9%, and are projected to be \$323.0k, 1.0% over budget at year end, due to higher average salaries expense than budgeted offset by lower than budgeted benefits and retirement expenses. The higher than budgeted salary expense was due to the addition of senior personnel and more experienced personnel to fill budgeted and open positions due to staff departures. There were 11.8, 6.3%, fewer FTEs on staff than budgeted through June 30, 2013. We are projecting to be under budget 7.2, 3.9%, FTEs at year end due to attrition.
 - Salaries were over \$618.2k, 5.2%, budget due to higher average salaries than budgeted for current staff as discussed above, a higher incentive compensation accrual based upon historical achievement and higher expenses for employment agency fees and temporary office services needed to support NERC's ongoing operations during times of staff vacancies. Consistent with prior years, the budget for incentive compensation is based upon a lower achievement than historical results. Historical results are the basis for the current year accrual because the timing of hiring and staff turnover that occurs during the course of the year generally result in a lower final incentive compensation award. The actual year end budget impact will be reflected with actual documented performance results. Salary expense is projected to be \$908.9k, 3.8%, over budget at year end after taking into account assumptions on the timing of hiring open positions, reduced by 0.5% for attrition.
 - Payroll taxes were over budget \$78.2k, 8.1% due to higher salaries expense and due to a higher maximum taxable earnings cap than the assumption in the budget. Payroll taxes are projected to be close to budget at year end.
 - Employee Benefits were \$4.8k, 0.3%, under budget due to having fewer FTEs on staff than budgeted and due to lower costs than budgeted. Benefits are projected to be \$162.4k, 5.3%, under budget at year end due to lower than budgeted renewal costs which became effective on April 1st.
 - Retirement costs were \$388.4k, 27.9%, under budget through June 30th and are projected to be \$437.6k, 16.2%, under budget at year end due to having fewer FTEs on staff, later eligibility dates due to timing of hiring and due to forfeiture of unvested funds related to personnel attrition.
- **Meeting, travel and conferencing** expenses were collectively under budget \$200.5k, 9.9%, for the first half of the year, and are projected to be \$196.6k, 4.8%, under budget at year end.
 - Meetings and workshop expenses were \$41.8k, 8.3%, over budget, primarily due to higher costs of the quarterly BOT meetings, an increase in the number of meetings held by the Standards program in connection with the standards overview project, and sponsorship of the Electric Infrastructure Security Council and the Canadian Electricity Association's cross-border forum on energy issues which were not budgeted. Higher meetings expenses were offset by

lower than budgeted workshop expenses due to the elimination of one of three budgeted NASPI workshops. Meeting and workshop expenses are projected to be \$116.3k, 11.2%, over budget at year end.

- Travel expenses were \$219.4k, 16.0%, under budget through June 30, 2013, and are projected to be \$319.0k, 11.6%, under budget at year end due to having fewer FTEs on staff, fewer telecommuters, and having department staff consolidated in either the Atlanta or Washington, DC office. This is an area that management is focusing on to further reduce expenses through year end in order to stay within the operating overall budget.
- Webinar and conferencing expenses were \$22.9k, 14.4%, under budget through the first half of the year and are projected to be very close to budget by year end due to a number of large webinars that occur in the second half of the year.
- **Consultant and Contract** expenses were \$1.2M, 23.3%, under budget and are projected to be under budget \$675.6k, 7.7%, at year end due to (i) timing related to projects that will not begin until the second half of the year; (ii) elimination of certain projects due to cost increases and lack of available funding in the 2013 budget; and (iii) reclassification of expenses related to development of the BES database and the Event Information Database System (EIDS), which were partially budgeted as consulting and contract expense, but will be recorded in Fixed Assets as capitalized software. The reclassification of BES and EIDS expenses had the largest impact in reducing overall contractor and consulting expense below budgeted levels. However, as set forth below under Fixed Assets, the resulting increase in Fixed Asset expense compared to budget more than offsets this reduction. The following table summarizes the over and under budget variances for Consultants and Contracts by Program area.

	2013 YTD Actual	2013 YTD Budget	Variance from Budget Over(Under)	2013 Projection	2013 Annual Budget	Variance from Budget Over(Under)
CONSULTANTS and CONTRACTS						
STANDARDS	279,915	150,000	129,915	380,367	150,000	230,367
COMPLIANCE OPERATIONS	-	-	-	60,000	-	60,000
COMPLIANCE ENFORCEMENT	-	-	-	-	-	-
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS	234,856	572,900	(338,045)	735,764	685,000	50,764
RELIABILITY RISK MANAGEMENT						
EVENT ANALYSIS	3,000	60,000	(57,000)	48,000	120,000	(72,000)
SITUATION AWARENESS	1,674,526	1,963,793	(289,267)	2,644,605	2,743,180	(98,575)
RELIABILITY RISK MANAGEMENT	1,677,526	2,023,793	(346,267)	2,692,605	2,863,180	(170,575)
CRITICAL INFRASTRUCTURE DEPARTMENT	259,926	342,500	(82,574)	785,000	785,000	(0)
TRAINING, EDUCATION and OPERATOR CERTIFICATION	363,913	332,800	31,114	735,844	848,574	(112,730)
GENERAL and ADMINISTRATIVE and EXECUTIVE	-	-	-	-	-	-
GOVERNMENT RELATIONS	39,223	75,000	(35,777)	39,223	150,000	(110,777)
LEGAL and REGULATORY	-	-	-	-	-	-
INFORMATION TECHNOLOGY	794,777	1,445,500	(650,723)	1,715,846	2,721,000	(1,005,154)
HUMAN RESOURCES	207,126	190,498	16,628	353,175	288,500	64,675
FINANCE and ACCOUNTING	239,505	206,920	32,585	642,822	325,000	317,822
TOTAL CONTRACTS and CONSULTANTS	4,096,766	5,339,911	(1,243,144)	8,140,646	8,816,254	(675,608)

- Standards – The \$230.4k over budget projection is related to the NERC standards review project utilizing outside expert consulting resources to help reduce unnecessary industry burdens (Paragraph 81 and guidance on compliance) and transformation of two or more Standards towards Steady-state, as well as for the basis of the 2014-2016 Reliability Standards Development Plan. These costs are being funded from the Unknown Contingency operating reserves..
- Compliance Operations – The \$60k over budget projection is for an industry liaison and special advisor to staff on the reliability assurance initiative. These costs will be funded from the Unknown Contingency operating reserves..
- Reliability Assessments and Performance Analysis – Under budget \$338.0k through June 30th due to, (i) timing of GMD technical conferences and consulting support for NERC assessment reports; and (ii) postponement of the development of the Reliability Assessment Data System (RADS). The \$50.8k over budget projection is primarily related to change management for GADS and TADS databases.
- Reliability Risk Management – The use of subject matter experts to support event analysis was not required during the first half of 2013 and is not expected to be required for the remainder of the year, resulting in an under budget variance of \$57.0k through June 30th and a projected \$72.0k under budget at year end. Situation Awareness was \$289.3k under budget for the first half of 2013 due to lower than budgeted costs for additional industry user licensing fees for SAFNR, which were incurred in 2012 but budgeted in 2013, and due to lower than budgeted costs for the current secure alerts system. Due to the projected cost to replace the company's legacy secure alerts system, the project has been postponed to 2014, pending further review of replacement application options and approval of NERC's 2014 Business Plan and Budget.
- Training, Education and Operator Certification – Projected to be \$112.7k under budget at year end primarily due to a reduction in the requirement for consulting and contract support for web-based course development.
- Information Technology – Under budget \$650.7k through June 30, 2013 and projected to be \$1.0M under budget at year end, due to the reclassification of expenses related to development of the BES database and EIDS, which were partially budgeted as consulting and contract expense, but will be recorded in Fixed Assets as capitalized software when the projects are completed in the second half of the year, (\$850.0k of the total \$2.7M IT budget for consultants and contracts was allocated to these projects). In addition, management is projecting \$250.0k of budgeted costs for data warehouse design will not be needed in 2013. The combination of IT contract and consulting expense and fixed asset expense is projected to exceed budget, requiring expenditure of operating reserves as reflected in the working capital and operating reserve analysis.
- Finance and Accounting - \$32.6k over budget through June 30th and projected to be \$317.8k over budget at year end, due to the use of budgeted operating reserves to fund increased

contract and consulting support for outside auditor support in connection with various risk management initiatives and for costs associated with the evaluation and implementation of upgrades to the company's accounting system.

- **Rent** - \$79.7K, 5.5% under budget through June 30, 2013 and projected to be \$61.6k, 2.2%, under budget at year end due to lower than budgeted straight-line rent expense as a result of the refund of an excess tenant improvement associated with the expansion of the Atlanta office.
- **Office Costs, Professional Services and Miscellaneous**
 - Office Costs were \$120.9k, 7.6%, over budget through the first half primarily due to higher than budgeted internet expense for data connections between NERC's offices and data center, which in part is the result of an unforeseen delay in final closure of the Princeton data center. Office costs are projected to be \$306.7k, 9.6%, over budget at year end due primarily to higher than budgeted communication expenses (i.e. internet and cellular services).
 - Professional Services were \$44.7k, 3.9%, over budget through June 30th and are projected to be \$78.4k, 3.4%, over budget at year end primarily due an increase in outside services expenses related to the implementation of a new travel and expense management system which will improve efficiency and reduce long term costs..
 - Miscellaneous expenses consist of employee rewards and recognition expenses, costs associated with community responsibility activities, and charitable contributions. Miscellaneous expenses were \$6.1k, 56.8%, under budget through June 30, 2013 and are projected to be equal to budget at year end.
- **Other Non-Operating Expenses** were over budget \$58.8k, 235.3%, through June 30, 2013 and are projected to be over budget \$78.1k, 156.1%, at year end due to disposal of fixed assets and projected interest expense associated with the plan to finance development costs of the BES database and EIDS.
- **Fixed Asset Purchases**, which excludes the credit for depreciation, were \$86.9k, 9.8%, over budget for the first half of 2013 primarily due to furniture and leasehold improvement costs required for the expansion of the Atlanta offices. These costs were not fully know and were estimated at the time the budget was developed, but were within the range of projected expenditures at the time the lease amendment and associated improvements were authorized by the board and review and recommendation by the finance and audit committee and management. As previously noted under the IT variance explanation for Contracts and Consultants, fixed asset purchases are projected to be \$1.4M, 79.9%, over budget at year end due to capitalization of the development costs of the BES database, (projected to be \$747.1k), and EIDS, (projected to be \$581.0k), which were budgeted as Contracts and Consultants. Projected development costs for the BES database and EIDS which are in excess of available funding in the budget are further detailed in the Operating and Reserve Analysis and received necessary corporate authorizations in accordance with NERC's Working Capital and Operating Reserve Policy.

Operating Reserve Analysis

The company began the year with \$8.2M in working capital based upon audited 2012 results, compared to \$5.4M projected in the 2013 Business Plan and Budget, an increase of \$2.7M. As explained in previous various reports, in prior years and in connection with the preparation of NERC's 2013 Business Plan and Budget, management took a conservative approach when calculating the balance in working capital and operating reserves¹ and included the entire balance of Deferred Rent as a current liability. The balance in deferred rent was historically relatively low (\$165,559 in 2010), and represented the difference between recording rent expense on a straight-line basis over the life of the lease and the actual rent paid to the landlord, which increases over time due to escalations. In 2011 and 2012, the balance in deferred rent increased significantly due to the abatement of rent associated with the lease of NERC's offices in Atlanta, the cash contribution received from the landlord of the new DC office space which was negotiated as part of the lease to mitigate the cost of subletting the company's prior DC space which was insufficient to accommodate existing and projected staffing needs, and refunds of excess tenant improvement allowances associated with both the Atlanta and new DC leases. These transactions also resulted in a higher cash balance. Due to the significant increase in the balance of the deferred rent liability and because the balance will be amortized over the life of the leases, which extend to the year 2023, management reviewed the balance to determine the current and non-current portion of the deferred rent liability and calculated the beginning balance in working capital and operating reserves by including only the current portion of the deferred rent liability in the calculation. As a result of this change, the beginning balance is \$2.7M higher than the projected balance included in the 2013 Business Plan and Budget. Notwithstanding this revised calculation and the resulting higher balance in working capital and operating reserves and after review with its outside accountants, management adjusted the beginning balance so that funds collected from the leasing activities described above are maintained to offset future liabilities and are not expended in the current year.

As part of the working capital and operating reserve analysis and review, it's important to keep in mind that NERC's 2013 approved budget includes the return of \$2.0M in excess operating reserves. The use of these excess reserves to fund actual 2013 operating expenses is effectively spread among each operating expense category based on the ratio of the budget for each category to the total budget.

As detailed by the following table, the current projection includes the use of "Known Contingency Reserves" for (i) the development of two new enterprise software applications, the BES Exception Application, \$184.0k, and the Events Information Database System, \$228.2k, (both systems partially budgeted in Contracts and Consultants but actual costs will be recorded in fixed assets); (ii) consulting support for the Reliability Assurance Initiative and risk management audits, collectively \$276.1k; and (iii) implementation of additional back office accounting and expense management systems, together with consulting support, related to implementation of the FERC Audit recommendations, \$101.8k. The projected use of "Unknown Contingency Reserves" is primarily related to funding for (i) the Standards Overview Project, \$230.4k; (ii) GADS and TADS change management and consulting, \$132.7k; and (iii),

¹ Working capital is defined as being equal to current assets minus current liabilities.

costs in excess of the tenant improvement allowance associated with the 8th floor expansion of the Atlanta office of \$49.6k which were recorded as operating expenses and \$114.6k which were recorded in fixed assets, for a total of \$164.2k. The total cost of construction, furniture, equipment, leasehold improvements, and operating expenses was \$915,162. The tenant improvement allowance was \$751,007. The difference between these two figures of \$164,155 represents the total cash outlay by NERC for the build out of the 8th floor. The projected use of Known Contingency and Unknown Contingency Reserves are \$836.7k and \$434.7k, respectively. No additional (unbudgeted) draws on the operating reserve balance associated with the System Operating Certification and Testing Program were made during the first quarter.

OPERATING RESERVE ANALYSIS - June 30, 2013

	2013 YTD Actual	2013 YTD Budget	Generation (Use) of Reserves	2013 Projection	2013 Annual Budget	Generation (Use) of Reserves	2013 Projected Generation (Use) of Reserves in Excess of Budget		
							Known Contingency Reserves	Unknown Contingency Reserves ¹	System Operator Reserves
Beginning Working Capital and Operating Reserves									
Balance as of 12/31/12 - per audit	8,167,396	5,440,748	2,726,648	8,167,396	5,440,748	2,726,648			
Release of penalty funding from restriction	2,512,500		2,512,500	2,512,500		2,512,500			
Less: Adjustment for future liabilities	(3,667,844)		(3,667,844)	(3,667,844)		(3,667,844)			
Available Working Capital and Operating Reserves	7,012,052	5,440,748	1,571,304	7,012,052	5,440,748	1,571,304	1,000,000	4,446,090	1,565,962
(1) Generation (Use) of Operating Reserves from Budgeted Operations									
Funding	26,127,658	26,102,328	25,330	52,189,830	52,252,656	(62,826)		(62,826)	
Personnel	(16,174,673)	(15,871,386)	(303,286)	(31,621,401)	(31,298,403)	(322,996)		(322,996)	
Meetings, Travel and Conference Calls	(1,828,661)	(2,029,155)	200,494	(3,901,664)	(4,098,310)	196,646		196,646	
Contracts and Consultants	(3,529,455)	(4,972,991)	1,443,535	(6,860,968)	(7,386,518)	525,550		525,550	
Operating Expenses (excl. contracts, consultants & depreciation)	(4,191,256)	(4,184,719)	(6,536)	(8,439,140)	(8,214,186)	(224,954)		(224,954)	
Non-Operating Expenses	(5,421)	(25,000)	19,579	(5,661)	(50,000)	44,339		44,339	
Fixed Assets (excluding depreciation)	(939,730)	(886,050)	(53,680)	(1,714,000)	(1,747,100)	33,100		33,100	
Total Operating Reserves Generated(Used) from Budgeted Operations	(541,539)	(1,866,973)	1,325,436	(353,004)	(541,861)	188,859	-	188,859	-
(2) Additions to Operating Reserves									
Services and Software Fees not budgeted	38,575	-	38,575	57,000	-	57,000		57,000	
Total Additions to Operating Reserves	38,575	-	38,575	57,000	-	57,000	-	57,000	-
(3) Expenditures of Operating Reserves									
Contracts and Consultants									
NERC Standards Overview Project	(279,915)	(150,000)	(129,915)	(380,367)	(150,000)	(230,367)		(230,367)	
GADS and TADS Change Management and Consulting	(117,741)	(80,000)	(37,741)	(212,667)	(80,000)	(132,667)		(132,667)	
ERO Applications - BES Exceptions - Non-Capitalized Costs	(50,150)	(50,000)	(150)	(81,600)	(644,736)	563,136	563,136		
ERO Applications - EIDS - Non-Capitalized Costs				(22,222)	(350,000)	327,778		327,778	
Reliability Assurance Initiative and Other Auditing	(87,580)	(86,920)	(660)	(481,072)	(205,000)	(276,072)		(276,072)	
Systems review and implementation (FERC Audit)	(31,925)		(31,925)	(101,750)	-	(101,750)		(101,750)	
Subtotal	(567,311)	(366,920)	(200,391)	(1,279,678)	(1,429,736)	150,058	513,092	(363,034)	-
Operating Expenses									
Travel and invoice system implementation	(40,067)	(16,453)	(23,614)	(83,662)	(37,000)	(46,662)		(46,662)	
AFC Expansion	(49,587)		(49,587)	(49,587)		(49,587)		(49,587)	
Subtotal	(89,654)	(16,453)	(73,201)	(133,249)	(37,000)	(96,249)	(46,662)	(49,587)	-
Other Non-Operating Expenses									
Disposal of assets - Princeton	(78,399)		(78,399)	(78,399)		(78,399)		(78,399)	
Interest on capital financing				(44,000)		(44,000)		(44,000)	
Subtotal	(78,399)	-	(78,399)	(122,399)	-	(122,399)	-	(122,399)	-
Fixed Assets									
SAS Software Upgrade	(33,190)	-	(33,190)	(31,000)	-	(31,000)		(31,000)	
AFC Expansion - Furniture, Equipment and LI - net in excess of TIA				(114,568)		(114,568)		(114,568)	
ERO Applications - BES Exceptions - Capitalized Costs				(747,136)		(747,136)	(747,136)		
ERO Applications - EIDS - Capitalized Costs				(581,000)	(25,000)	(556,000)	(556,000)		
Subtotal	(33,190)	-	(33,190)	(1,473,704)	(25,000)	(1,448,704)	(1,303,136)	(145,568)	-
Total Expenditure of Operating Reserves	(768,554)	(383,373)	(385,181)	(3,009,030)	(1,491,736)	(1,517,294)	(836,706)	(680,588)	-
(4) Net Expenditure of Operating Reserves	(729,979)	(383,373)	(346,606)	(2,952,030)	(1,491,736)	(1,460,294)	(836,706)	(623,588)	-
Total Generation (Use) of Operating Reserves	(1,271,518)	(2,250,346)	978,830	(3,305,034)	(2,033,597)	(1,271,435)	(836,706)	(434,729)	-
							2013 Projected Reserve Balance		
TOTAL Operating Reserves									
Beginning Balance 1/1/2013	7,012,052	5,440,748	1,571,304	7,012,052	5,440,748	1,571,304	1,000,000	4,446,090	1,565,962
Generation (Use) from Budgeted Operations	(541,539)	(1,866,973)	1,325,436	(353,004)	(541,861)	188,859	-	6,217	(359,221)
Generation (Use) - Known and Unknown Contingency Reserves ¹	(729,979)	(383,373)	(346,606)	(2,952,030)	(1,491,736)	(1,460,294)	(836,706)	(2,115,324)	
Proceeds from Financing Activities (non-current portion only)				843,000		843,000		843,000	
Amortize adjustment for future liabilities				(120,801)		(120,801)		(120,801)	
Projected Balance 12/31/13	5,740,534	3,190,402	2,550,134	4,429,217	3,407,151	1,022,068	163,294	3,059,182	1,206,741

¹The use of Unknown Contingency Reserves includes the \$1,686,309 budgeted reduction in reserves, excluding the System Operator program. The 2013 budget also included a \$347,288 reduction in System Operator reserves, for a total 2013 budgeted reduction of \$2,033,597 in reserves.

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
Statement of Activities, Fixed Assets and Change in Working Capital
(Unaudited)
For the period ended 06/30/2013

	2013 YTD Actual	2013 YTD Budget	2013 YTD Actual Variance from Budget		2013 Projection	2013 Annual Budget	2013 Projected Variance from Budget	
			Over(Under)	%			Over(Under)	%
Funding								
Assessments	23,802,078	23,802,078	0		47,604,156	47,604,156	-	
Penalties	1,256,250	1,256,250	-		2,512,500	2,512,500	-	
Testing	931,675	840,000	91,675		1,680,000	1,680,000	-	
Services & Software	38,575	-	38,575		57,000	-	57,000	
Workshop Fees	135,125	194,000	(58,875)		372,950	436,000	(63,050)	
Interest	2,306	10,000	(7,694)		20,000	20,000	-	
Miscellaneous	224	-	224		224	-	224	
Total Funding	26,166,232	26,102,328	63,905	0.2%	52,246,830	52,252,656	(5,826)	0.0%
Expenses								
Personnel Expenses								
Salaries	12,591,379	11,973,139	618,240		24,965,038	24,056,165	908,873	
Payroll Taxes	1,044,883	966,714	78,169		1,473,809	1,459,710	14,099	
Employee Benefits	1,535,158	1,539,919	(4,761)		2,917,558	3,079,941	(162,383)	
Savings & Retirement	1,003,254	1,391,616	(388,362)		2,264,996	2,702,588	(437,592)	
Total Personnel Expenses	16,174,673	15,871,386	303,286	1.9%	31,621,401	31,298,403	322,996	1.0%
Meeting Expenses								
Meetings	542,760	501,000	41,760		1,158,289	1,042,000	116,289	
Travel	1,149,870	1,369,250	(219,380)		2,419,525	2,738,500	(318,975)	
Conference Calls	136,031	158,905	(22,874)		323,850	317,810	6,040	
Total Meeting Expenses	1,828,661	2,029,155	(200,494)	-9.9%	3,901,664	4,098,310	(196,646)	-4.8%
Operating Expenses								
Consultants and Contracts	4,096,766	5,339,911	(1,243,144)		8,140,646	8,816,254	(675,608)	
Rent & Improvements	1,374,292	1,454,003	(79,711)		2,695,217	2,756,840	(61,623)	
Office Costs	1,711,608	1,590,758	120,851		3,488,179	3,181,515	306,664	
Professional Services	1,190,364	1,145,662	44,702		2,369,743	2,291,331	78,412	
Miscellaneous	4,645	10,750	(6,105)		19,250	21,500	(2,250)	
Depreciation	903,878	789,903	113,974		1,859,008	1,579,801	279,208	
Total Operating Expenses	9,281,554	10,330,986	(1,049,433)	-10.2%	18,572,043	18,647,241	(75,198)	-0.4%
Other Non-Operating Expenses	83,820	25,000	58,820		128,060	50,000	78,060	0.0%
Total Expenses	27,368,709	28,256,527	(887,821)	-3.1%	54,223,168	54,093,954	129,212	0.2%
Net Change in Assets	(1,202,476)	(2,154,199)	951,725	-44.2%	(1,976,338)	(1,841,298)	(135,038)	7.3%
Fixed Assets								
Depreciation	(903,878)	(789,903)	(113,974)		(1,859,008)	(1,579,801)	(279,208)	
Computer & Software CapEx	154,974	778,050	(623,076)		2,242,083	1,556,100	685,983	
Furniture & Fixtures CapEx	340,788	-	340,788		340,788	-	340,788	
Equipment CapEx	405,128	108,000	297,128		527,031	216,000	311,031	
Leasehold Improvements	72,030	-	72,030		77,803	-	77,803	
Incr(Dec) in Fixed Assets	69,042	96,147	(27,105)	-28.2%	1,328,696	192,299	1,136,397	591.0%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	27,437,750	28,352,674	(914,925)	-3.2%	55,551,864	54,286,253	1,265,609	2.3%
Change in Operating Reserves (Total Funding less Total Budget)	(1,271,518)	(2,250,346)	978,830		(3,305,034)	(2,033,597)	(1,271,435)	
FTE's	174.49	186.25	(11.76)	-6.3%	179.04	186.25	(7.21)	-3.9%

CERTIFICATE OF SERVICE

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

Dated at Washington, D.C. this 14th day of August, 2013.

/s/ Rebecca J. Michael

Rebecca J. Michael
*Attorney for North American
Electric Reliability Corporation*