

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

North American Electric Reliability Corporation )  
 ) **Docket No. FA11-21-000**

**COMPLIANCE FILING OF THE NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**

**I. INTRODUCTION**

The North American Electric Reliability Corporation (“NERC”)<sup>1</sup> submits this compliance filing in accordance with the Commission’s January 16, 2013 Order in Docket No. FA11-21-000.<sup>2</sup> In the January 16 Order, the Commission approved a Settlement Agreement between the Office of Enforcement (“Enforcement”) and NERC related to Enforcement’s findings and recommendations arising out of its 2012 performance audit of NERC. Specifically, Section II.7(b)(i) of the Settlement Agreement requires that:

Within forty-five days of the end of each quarter, beginning with the quarter ending March 31, 2013, NERC will file with the Commission the unaudited report of the NERC budget-to-actual spending variances during the preceding quarter. This report will include information regarding sources and uses of operating and working capital reserves and will match or exceed the level of detail of the quarterly budget-to-actual variance report of NERC expenditures attached to the agenda of NERC Board of Trustees Finance and Audit Committee’s October 2012 meeting.<sup>3</sup>

Attached hereto is the unaudited report of NERC’s budget-to-actual variance information for the third quarter of 2017, in accordance with the January 16 Order. This variance information

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<sup>1</sup> NERC was certified by FERC as the electric reliability organization (“ERO”) authorized by Section 215 of the Federal Power Act. FERC certified NERC as the ERO in its order issued July 20, 2006 in Docket No. RR06-1-000. *Order Certifying North American Electric Reliability Corporation as the Electric Reliability Organization and Ordering Compliance Filing*, 116 FERC ¶ 61,062 (2006) (“ERO Certification Order”).

<sup>2</sup> *See North American Electric Reliability Corporation, Order Approving Settlement Agreement*, 142 FERC ¶ 61,042 (2013) (“January 16 Order”).

<sup>3</sup> *Id.*

was posted on NERC's website November 1, 2017 and reviewed at the November 8, 2017 open meeting of the NERC Finance and Audit Committee. The unaudited report was accepted by the NERC Board of Trustees at its meeting on November 9, 2017.

## **II. NOTICES AND COMMUNICATIONS**

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

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

The attached third quarter 2017 variance report compares actual (unaudited) financial results to NERC's budgeted expenditures as of September 30, 2017, and projected year-end 2017 financial results to NERC's total 2017 budgeted expenditures. NERC is providing additional discussion of significant variances between the actual (unaudited) third quarter results and NERC's budgeted expenditures, by NERC department or program area and by major activity within departments and program areas. For purposes of this discussion, NERC has focused on actual cost variances in excess of budget of \$500,000 or more, because Section 7(b)(ii) of the Settlement Agreement specifies that NERC will file for Commission review and approval proposals approved by the NERC Board of Trustees to expend \$500,000 or more from Operating Reserves designated for "unforeseen contingencies" (as defined in NERC's Working Capital and

Operating Reserves Policy), *i.e.*, where any amount allocated from the unforeseen contingencies account of Operating Reserves plus any amount redirected from previously budgeted funds is, in the aggregate, \$500,000 or more for any one specific project or major activity in a program area.

**A. Consultants and Contracts**

Expenses related to the Consultant and Contract category of expenditures were under budget \$1.0M (10.1%), and are projected to be \$1.3M (10.1%) over budget at year-end. \$865k of this projected over budget variance relates to the Cyber Risk Information Sharing Program (“CRISP”), including start-up costs for new participants and a security review engagement, and will be funded by CRISP participants. Furthermore, the projected total over budget variance includes expenses for the E-ISAC portal improvement project (\$449k) and the system operator certification (“SOCCED”) database replacement project (\$189k, funded by SOCCED reserves). The additional consultant and contract costs related to the E-ISAC portal project are offset by spending reductions in fixed assets (where the project was originally budgeted), and the total projected 2017 spending is under budget.

**B. Fixed Assets**

Net fixed asset expenditures were \$2.1M (62.7%) under budget through the third quarter and are projected to be \$1.1M (24.4%) under budget at year-end. The under budget variance is primarily related to the accounting treatment of software projects and the leasing of audio/visual equipment, which were both originally budgeted in fixed assets.

**C. 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 \$917k (54.4%) more than budgeted, primarily due to the allocation of additional staff resources to support

program activities (\$354k), and costs related to designing a new entity registration database (\$479k). Costs associated with the entity registration database were budgeted in IT 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.

**D. Reliability Risk Management**

Actual 2017 direct expenses plus net fixed asset expenditures for the Reliability Risk Management Program are projected at year-end to be \$506k (6.7%) more than budgeted, primarily due to the costs related to two IT projects, MIDAS and FERC 854, totaling \$463k. Costs associated with these two projects were budgeted in IT as part of the ERO Enterprise application development budget, but will be charged to the Reliability Risk Management Program to match costs with the relevant operating program utilizing the application, which has no impact on NERC's overall budget.

**E. Information Technology**

Actual 2017 direct expenses plus net fixed asset expenditures for the Information Technology department are projected to be \$969k (7.8%) under budget, primarily related to certain ERO development projects transferred to program areas, as described above.

**F. Operating Reserves**

Through the third quarter, \$85k of operating reserves were utilized to fund an ERO leadership conference, and \$79k of SOCCED reserves have been utilized to fund the new SOCCED database project and operations. The SOCCED department is projecting to use an additional \$168k in reserves to complete the database project and fund estimated net operating

costs. The use of SOCCED reserves is approved by the Personnel Certification Governance Committee.

**G. Board of Trustees Expenses**

Through the third quarter, a total of \$1.3M was budgeted for Board of Trustee expenses and \$1.2M was incurred. Board of Trustee expenses are projected to be under budget at year-end. The under-budget variance is primarily due to two Board of Trustee vacancies that occurred after the second quarter of 2017, and the positions are expected to be filled in February 2018.

**CONCLUSION**

NERC respectfully requests that the Commission accept this filing as compliant with Section II.7(b)(i) of the Settlement Agreement and the Commission's January 16 Order in Docket No. FA11-21-000.

Respectfully submitted,

*/s/ Meredith M. Jolivert*

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Dated: November 13, 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 13<sup>th</sup> day of November, 2017.

*/s/ Meredith M. Jolivert*

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

# **ATTACHMENT**

## Summary of Unaudited Results For the Month ending September 30, 2017

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## Executive Summary

NERC 2017 - Year-end Projected Results  
As of September 30, 2017  
(\$ millions)

<u>FUNDING</u>	<u>Projected</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues	\$ 69.4	\$ 69.1	\$ 0.3
<b>Funding from Reserves</b>			
Assessment Stabilization Reserve	1.1	1.1	-
SOCCED	0.2	-	0.2
Future Obligation	0.1	-	0.1
Operating Contingency	0.1	-	0.1
<b>TOTAL FUNDING</b>	<b>\$ 70.9</b>	<b>\$ 70.2</b>	<b>\$ 0.7</b>
<b><u>EXPENDITURES</u></b>			
Expenses (excluding Depreciation)	\$ 66.6	\$ 65.2	\$ 1.4
Fixed Asset Additions	3.3	4.4	(1.1)
<b>TOTAL EXPENDITURES</b>	<b>\$ 69.9</b>	<b>\$ 69.6</b>	<b>\$ 0.3</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1.0</b>	<b>\$ 0.6</b>	<b>\$ 0.4</b>

### FUNDING

- Revenues
  - CRISP funding projected to exceed budget due to new participant start-up costs and additional funding for a security review
  - Interest income higher than budget; testing fees lower than budget
- Funding from Reserves
  - SOCCED – Planned use of reserve funding for operations and projects
  - Future Obligation<sup>1</sup> – Planned use for IT projects from 2016 (funds held from prior year)

### EXPENDITURES

- Expenses
  - Additional CRISP costs due to new participant start-ups and security review
  - Expected to be over-budget for projects budgeted in fixed assets, but recognized here
- Fixed Assets
  - Expected to be under-budget for projects budgeted here but recognized as an expense

### RESERVE INCREASE (DECREASE)

- Anticipate larger than expected increase in total reserves

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

**NERC 2017 - Actual Results  
As of September 30, 2017  
(\$ millions)**

<b>FUNDING</b>	<b>Actual</b>	<b>Budget</b>	<b>Over (Under)</b>
<b>Revenues</b>	<b>\$ 54.7</b>	<b>\$ 53.5</b>	<b>\$ 1.2</b>
<b>Funding from Reserves</b>			
<b>Assessment Stabilization Reserve</b>	<b>1.1</b>	<b>1.1</b>	<b>-</b>
<b>SOCCEd</b>	<b>0.2</b>	<b>-</b>	<b>0.2</b>
<b>Future Obligation</b>	<b>0.1</b>	<b>-</b>	<b>0.1</b>
<b>Operating Contingency</b>	<b>0.1</b>	<b>-</b>	<b>0.1</b>
<b>TOTAL FUNDING</b>	<b>\$ 56.2</b>	<b>\$ 54.6</b>	<b>\$ 1.6</b>
<b>EXPENDITURES</b>			
<b>Expenses (excluding Depreciation)</b>	<b>\$ 48.2</b>	<b>\$ 49.3</b>	<b>\$ (1.1)</b>
<b>Fixed Asset Additions</b>	<b>1.2</b>	<b>3.3</b>	<b>(2.1)</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 49.4</b>	<b>\$ 52.6</b>	<b>\$ (3.2)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 6.8</b>	<b>\$ 2.0</b>	<b>\$ 4.8</b>

**FUNDING**

- Revenues – CRISP additional participant funding
- Funding from Reserves
  - SOCCEd – Planned use of reserve funding for operations
  - Future Obligation<sup>2</sup> – Planned use for IT projects from 2016 (held from prior year)

**EXPENDITURES**

- Expenses
  - Additional CRISP costs due to new participant start-ups and security review
  - Several projects under budget due to timing differences of spending
- Fixed Assets
  - Some projects budgeted as fixed assets are being recorded as expense
  - Timing differences in spending

**RESERVE INCREASE (DECREASE)**

- Greater increase in reserves than anticipated year-to-date primarily because of CRISP funding and lag in timing of expenses

<sup>2</sup> Excludes the budgeted use of deferred rent reserves, which is recorded as a direct adjustment to rent expense. Office rent expense is being budgeted and amortized on a straight-line basis over the lease term, which varies from the actual cash amount paid.

## Detailed Operating Results

### Total NERC (including CRISP) as of September 30, 2017

#### Variances by Revenue and Expense Category

	Actual	Budget	Variance Over (Under)	%	Annual Projection	Annual Budget	Variance Over (Under)	%
<b>TOTAL FUNDING</b>	\$ 56,158,106	\$ 54,636,357	\$ 1,521,749	2.8%	\$ 70,893,170	\$ 70,151,660	\$ 741,509	1.1%
<b>EXPENDITURES</b>								
Personnel	\$ 29,490,646	\$ 29,298,089	\$ 192,557	0.7%	\$ 38,646,071	\$ 38,641,331	\$ 4,739	0.0%
Meetings, Travel & Conference Calls	2,614,590	2,529,665	84,925	3.4%	3,513,682	3,372,886	140,796	4.2%
Consultants & Contracts	8,918,080	9,921,024	(1,002,944)	-10.1%	14,453,379	13,127,749	1,325,630	10.1%
Office Costs, Professional and Misc.	4,914,019	5,147,081	(233,063)	-4.5%	6,878,337	6,864,475	13,862	0.2%
Fixed Asset Additions	1,222,031	3,279,000	(2,056,969)	-62.7%	3,304,896	4,372,000	(1,067,104)	-24.4%
<b>TOTAL EXPENDITURES</b>	\$ 49,352,496	\$ 52,592,660	\$ (3,240,164)	-6.2%	\$ 69,885,788	\$ 69,602,175	\$ 283,613	0.4%
<b>RESERVE INCREASE (DECREASE)</b>	\$ 6,805,611	\$ 2,043,697	\$ 4,761,914	233.0%	\$ 1,007,381	\$ 549,485	\$ 457,896	83.3%
FTEs	190.4	189.9	0.5	0.3%	188.1	189.9	(1.8)	-1.0%

Following is a brief summary of variances by major categories:

- Total Funding – Exceeds budget primarily due to additional CRISP participant funding, and \$400k use of reserves
- Consultants and Contracts – Projected to be over budget at year-end:
  - Additional PNNL costs for CRISP (new participant start-up costs, security review)
  - E-ISAC portal improvement project – budgeted as custom development project in fixed assets, project is utilizing licensed software with costs recognized here
  - System operator certification (SOCCED) database replacement project
  - Additional outside support in IT

Budget variances in Consultants and Contracts are substantially offset by additional CRISP participant funding and lower spending in Fixed Assets. Department detail is provided below.

CONSULTANTS and CONTRACTS	YTD			Annual Projection	Annual Budget	Annual Variance Over (Under)
	YTD Actual	YTD Budget	Variance Over (Under)			
STANDARDS	\$ 13,268	\$ -	\$ 13,268	\$ 60,000	\$ -	\$ 60,000
COMPLIANCE ASSURANCE	750	37,500	(36,750)	35,800	50,000	(14,200)
REL. ASSESSMENTS and SYSTEM ANALYSIS	75,651	393,750	(318,099)	418,025	525,000	(106,975)
RELIABILITY RISK MANAGEMENT	1,354,105	1,443,162	(89,057)	1,866,982	1,823,932	43,049
E-ISAC	492,994	674,876	(181,882)	1,249,177	899,835	349,342
TRAINING, ED. & OP. CERTIFICATION	410,116	435,450	(25,334)	769,700	580,600	189,100
POLICY and EXTERNAL AFFAIRS	3,732	11,250	(7,518)	15,000	15,000	-
INFORMATION TECHNOLOGY	1,535,740	1,734,591	(198,850)	2,311,242	2,312,787	(1,545)
HUMAN RESOURCES	160,263	431,250	(270,987)	575,000	575,000	-
FINANCE and ACCOUNTING	84,567	342,750	(258,183)	399,001	457,000	(57,999)
<b>TOTAL (excluding CRISP)</b>	<b>\$ 4,131,185</b>	<b>\$ 5,504,578</b>	<b>\$ (1,373,394)</b>	<b>\$ 7,699,926</b>	<b>\$ 7,239,155</b>	<b>\$ 460,771</b>
CRISP	4,786,895	4,416,446	370,450	6,753,453	5,888,594	864,859
<b>TOTAL CONTRACTS and CONSULTANTS</b>	<b>\$ 8,918,080</b>	<b>\$ 9,921,024</b>	<b>\$ (1,002,944)</b>	<b>\$ 14,453,379</b>	<b>\$ 13,127,749</b>	<b>\$ 1,325,630</b>

- Office costs, professional services and miscellaneous – Projected to be over budget at year-end, primarily due to the expense treatment of the audio/video lease agreement. This variance is partially offset by lower spending in Fixed Assets, and lower spending on professional services and legal fees.
- Fixed Asset Additions (excluding depreciation) – Under budget primarily due to the accounting treatment of software projects and the A/V lease.

## Variations by Department / Program

DIRECT EXPENSES and NET FIXED ASSETS	2017 Actual	2017 Budget	Variance Over/(Under)	2017 Projection	2017 Budget	Variance Over/(Under)
RELIABILITY STANDARDS	\$ 2,468,699	\$ 2,745,375	\$ (276,676)	\$ 3,325,132	\$ 3,629,945	\$ (304,813)
COMPLIANCE ANALYSIS, CERT. and REG.	1,819,339	1,278,294	541,045	2,603,870	1,686,689	917,181
COMPLIANCE ASSURANCE	3,046,793	2,888,870	157,922	4,129,854	3,816,924	312,930
ENFORCEMENT	1,838,631	1,794,211	44,420	2,391,507	2,371,347	20,159
REL. ASSESSMENTS and SYSTEM ANALYSIS	2,620,356	2,916,253	(295,897)	3,727,350	3,861,344	(133,995)
RELIABILITY RISK MANAGEMENT	6,196,953	5,762,850	434,103	8,035,549	7,529,324	506,225
E-ISAC	3,753,934	4,383,698	(629,765)	5,791,572	5,813,801	(22,229)
TRAINING, ED. and OP. CERTIFICATION	1,293,075	1,448,497	(155,422)	1,923,756	1,920,376	3,380
GENERAL, ADMINISTRATIVE, and EXECUTIVE	5,796,786	6,145,980	(349,194)	7,775,192	8,171,444	(396,252)
POLICY and EXTERNAL AFFAIRS	1,731,694	1,539,285	192,409	2,273,081	2,034,533	238,548
LEGAL and REGULATORY	1,978,836	2,490,937	(512,101)	2,743,233	3,292,379	(549,146)
INFORMATION TECHNOLOGY	7,506,106	9,392,284	(1,886,177)	11,511,535	12,480,846	(969,311)
HUMAN RESOURCES	847,997	1,210,067	(362,070)	1,541,732	1,608,583	(66,850)
FINANCE and ACCOUNTING	2,921,793	2,922,456	(664)	4,056,050	3,827,050	229,000
<b>TOTAL (excluding CRISP)</b>	<b>\$ 43,820,992</b>	<b>\$ 46,919,059</b>	<b>\$ (3,098,067)</b>	<b>\$ 61,829,412</b>	<b>\$ 62,044,585</b>	<b>\$ (215,173)</b>
CRISP	5,531,504	5,673,601	(142,097)	8,056,376	7,557,591	498,786
<b>TOTAL EXPENSES and FIXED ASSETS</b>	<b>\$ 49,352,496</b>	<b>\$ 52,592,660</b>	<b>\$ (3,240,164)</b>	<b>\$ 69,885,788</b>	<b>\$ 69,602,175</b>	<b>\$ 283,613</b>

Following is a brief summary of significant variances (over \$500k):

- Compliance Analysis, Certification and Registration
  - Additional resources added to support ongoing program activities
  - ERO Entity Registration project, transferred from IT (\$479k)
- Reliability Risk Management
  - ERO software projects MIDAS and FERC 854, transferred from IT (\$463k)
- Legal and Regulatory
  - Lower personnel costs
  - Lower professional services costs (offset by higher costs in Policy and External Affairs)
- Information Technology
  - Under budget primarily due to the transfer of certain ERO development projects, budgeted in IT but recognized in the relevant program area

## SUPPLEMENTAL SCHEDULE 1

NERC Operating Reserves  
 2017 Year-end Projections  
 As of September 30, 2017

	Beginning	Budgeted	Budgeted	Other	Net Financing	Expected
	Balance	Funding	Uses	Funding (Uses)	Activity	Ending
						Balance
Operating Contingency Reserve (OCR)	\$ 2,307,531	\$ 600,000	\$ -	\$ 450,911	\$ 247,145	\$ 3,605,587
Future Obligations Reserve (FOR)	2,875,467	-	(400,370)	(114,145)	-	2,360,952
Assessment Stabilization Reserve (ASR)	2,271,000	-	(1,100,000)	500,000	-	1,671,000
System Operator Reserves	828,013	-	-	(246,532)	-	581,481
CRISP	500,000	-	-	-	-	500,000
<b>Total Reserves</b>	<b>\$ 8,782,011</b>	<b>\$ 600,000</b>	<b>\$ (1,500,370)</b>	<b>\$ 590,234</b>	<b>\$ 247,145</b>	<b>\$ 8,719,020</b>

## SUPPLEMENTAL SCHEDULE 2

### NERC IT Projects 2017 Summary Actuals through September 2017

Projects in Progress	Project	YTD	Expected	Expected
	Budget <sup>(1)</sup>	Spend	Spend	Over (Under) Budget
Document Management	\$ 2,211,000	\$ 2,113,326	\$ 2,246,325	\$ 35,325
E-ISAC Portal	555,000	200,114	555,000	-
CMEP Program - Discovery	280,000	50,000	280,000	-
ERO Portal - MIDAS	174,725	174,725	174,725	-
NERC.com Phase 2	300,000	126,350	218,600	(81,400)
Entity Registration	600,000	211,677	507,035	(92,965)
SOCCEd Replacement <sup>(2)</sup>	225,000	139,134	293,900	68,900

Projects Completed in 2017	Project	Actual	Actual	Actual
	Budget <sup>(1)</sup>	Spend	Over (Under) Budget	Budget
BESnet	\$ 111,145	\$ 111,145	\$ -	
GADS Wind	142,110	138,515	(3,595)	
User Management and Registration (UMR)	569,279	572,601	3,322	
Standards Balloting System	125,000	125,000	-	
Enterprise Reporting - GADS	500,000	497,589	(2,411)	

#### NOTES:

(1) The Project Budget noted above usually corresponds to the approved business case for each project and funds for each project are drawn from the available budget. In some projects, business cases may not be prepared, particularly when a project is smaller and/or may be in response to a FERC order.

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

\* Some of these projects span multiple years, so the amounts above do not represent a single budget year expenditure.

\* The amounts noted above do not include internal labor and reflect only external (consultant) costs of the projects.

## SUPPLEMENTAL SCHEDULE 2 (continued)

### **Document Management**

*(Started Aug 2015 / Planned Completion Nov 2017)*

NERC launched the Document Management Program to provide a secure and efficient method of creating, collaborating, storing and disseminating the vast amount of information produced at NERC.

### **E-ISAC Portal**

*(Started Mar 2017 / Planned Completion Mar 2018)*

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

### **CMEP - Discovery**

*(Started Apr 2017 / Planned Completion Dec 2020)*

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

### **ERO Portal-MIDAS**

*(Started Jan 2017 / Planned Completion Dec 2017)*

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

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

*(Started May 2017 / Planned Completion Dec 2017)*

In response to feedback from stakeholders, this project is a first step to improve the usability and search capability of the public NERC.com website. The project will also enhance the stability of the NERC.com platform with a technology upgrade from SharePoint 2010 to SharePoint 2016 in Azure.

### **Entity Registration**

*(Started Jan 2017 / Planned Completion Dec 2017)*

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

### **SOCCED Replacement**

*(Started Oct 2016 / Planned Completion Dec 2017)*

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



## SUPPLEMENTAL SCHEDULE 2 (continued)

### **BESnet**

*(Started Oct 2016 / Completed Mar 2017)*

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

### **GADS Wind**

*(Started Jun 2016 / Completed Jun 2017)*

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

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

*(Started Jan 2016 / Completed Jun 2017)*

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

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

*(Started Jul 2016 / Completed Feb 2017)*

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

### **Enterprise Reporting: GADS**

*(Started Jun 2016 / Completed Feb 2017)*

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

## SUPPLEMENTAL SCHEDULE 3

**NERC E-ISAC and CRISP  
2017 Summary of Activities  
As of September 30, 2017**

### TOTAL E-ISAC (including CRISP)

	YTD Actual	Year-end Projection	Budget	Projected Over (Under)
Assessments	\$ 8,453,029	\$ 11,270,705	\$ 11,270,705	\$ -
Other Funding	8,451,658	7,718,351	7,244,636	473,715
Total Funding	\$ 16,904,687	\$ 18,989,056	\$ 18,515,341	\$ 473,715
Personnel Expenses	\$ 3,403,601	\$ 4,528,427	\$ 4,382,370	\$ 146,057
Meeting Expense	271,911	448,562	493,198	(44,636)
Operating Expenses, excluding Depreciation	5,482,450	8,406,988	7,395,824	1,011,164
Fixed Assets, including Allocations	(32,787)	463,044	1,433,765	(970,721)
Indirect Expenses	3,623,279	5,035,021	4,810,185	224,836
Total Expenditures	\$ 12,748,454	\$ 18,882,042	\$ 18,515,341	\$ 366,701
<b>Net Position</b>	<b>\$ 4,156,233</b>	<b>\$ 107,014</b>	<b>\$ -</b>	<b>\$ 107,014</b>

**SUPPLEMENTAL SCHEDULE 3**  
(continued)

CRISP only				
	YTD	Year-end		Projected
	Actual	Projection	Budget	Over (Under)
Assessments	\$ 956,760	\$ 1,275,681	\$ 1,275,681	\$ -
Other Funding	8,282,514	7,475,311	7,016,760	458,552
Total Funding	\$ 9,239,275	\$ 8,750,992	\$ 8,292,441	\$ 458,551
Personnel Expenses	\$ 566,451	\$ 742,050	\$ 768,371	\$ (26,321)
Meeting Expense	23,777	68,303	69,692	(1,389)
Operating Expenses, excluding Depreciation	4,893,300	7,037,710	6,369,527	668,183
Fixed Assets, including Allocations	26,040	208,185	397,681	(189,496)
Indirect Expenses	495,949	694,743	687,169	7,574
Total Expenditures	\$ 6,005,516	\$ 8,750,992	\$ 8,292,441	\$ 458,551
<b>Net Position</b>	\$ 3,233,759	\$ -	\$ -	\$ -

E-ISAC (without CRISP)				
	YTD	Year-end		Projected
	Actual	Projection	Budget	Over (Under)
Assessments	\$ 7,496,268	\$ 9,995,024	\$ 9,995,024	\$ -
Other Funding	169,144	243,040	227,876	15,164
Total Funding	\$ 7,665,412	\$ 10,238,064	\$ 10,222,900	\$ 15,164
Personnel Expenses	\$ 2,837,150	\$ 3,786,377	\$ 3,613,999	\$ 172,378
Meeting Expense	248,134	380,259	423,505	(43,247)
Operating Expenses, excluding Depreciation	589,150	1,369,279	1,026,297	342,982
Fixed Assets, including Allocations	(58,827)	254,859	1,036,084	(781,225)
Indirect Expenses	3,127,331	4,340,277	4,123,015	217,262
Total Expenditures	\$ 6,742,938	\$ 10,131,050	\$ 10,222,900	\$ (91,850)
<b>Net Position</b>	\$ 922,474	\$ 107,014	\$ -	\$ 107,014

# NERC

## Summary of Unaudited Results

### September 30, 2017

Scott Jones, Vice President and Chief Financial and Administrative Officer  
Finance and Audit Committee Meeting  
November 8, 2017

**RELIABILITY | ACCOUNTABILITY**



- NERC was 2.8% over budget in total funding
  - Primarily due to additional funding for new CRISP members
- NERC was 6.2% under budget in total expenditures (including cap-ex)
  - Personnel costs are very close to budget
  - Contracts/Consultants and Cap-Ex are currently well under budget

- NERC is projecting 1.1% over budget in total funding
  - Primarily due to additional funding for new CRISP members
- NERC is projecting 0.4% over budget in total expenditures (including cap-ex)
  - Personnel is projected to be almost exactly on budget
  - Additional costs related to new CRISP members
  - Remaining increases in contracts/consultants are largely offset by decreases in cap-ex
- Net impact of funding, expenditures, and reserves is an increase in operating reserves (above budget) of \$458k

- System Operator Reserve - \$581k
- CRISP Reserve - \$500k
- Assessment Stabilization Reserve - \$1.7M
- Future Obligation Reserve - \$2.4M
- Operating Contingency Reserve - \$3.6M
  - Over budget projection implies reduction of operating reserves
  - Other factors impact reserves as well (financing proceeds, non-cash expenses, other reserve funding)



# Questions and Answers