

ATTACHMENT 1-A

REVISED 2015 ACTUAL COST-TO-BUDGET COMPARISON

AND

2015 AUDITED FINANCIAL REPORT

FOR

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

North American Electric Reliability Corporation 2015 Audited Results - Actual to Budget Variance Analysis

Based upon audited results for the year ending December 31, 2015, NERC was \$1.7M, 2.6%, under budget for total expenses and fixed asset (capital) purchases, inclusive of expenses associated with the Cyber Risk Information Sharing Program (CRISP).

2015 Actual vs Budget By Category – Including CRISP

	Actual	Budget	Variance Over (Under)	%
TOTAL FUNDING	\$ 63,752,653	\$ 67,371,264	\$(3,618,611)	-5.4%
EXPENSES and FIXED ASSETS				
PERSONNEL EXPENSES	\$ 36,213,698	\$ 35,803,311	\$ 410,387	1.1%
MEETINGS, TRAVEL and CONFERENCE CALLS	3,341,900	3,566,146	(224,246)	-6.3%
CONSULTANTS and CONTRACTS	12,156,301	14,311,466	(2,155,166)	-15.1%
RENT	2,937,585	2,987,777	(50,192)	-1.7%
OFFICE COSTS, PROFESSIONAL SERVICES and MISC.	5,636,631	6,231,108	(594,477)	-9.5%
Other Non-Operating Expenses	99,828	131,000	(31,172)	-23.8%
FIXED ASSET PURCHASES (excluding depreciation)	4,561,062	3,618,500	942,562	26.0%
TOTAL EXPENSES and FIXED ASSETS	\$ 64,947,005	\$ 66,649,308	\$(1,702,304)	-2.6%
FTEs	192.97	192.30	0.67	0.3%

NERC VARIANCES - excluding CRISP

Excluding expenses related to CRISP, NERC was \$1.8M, 3.1%, over budget at year-end due primarily to the following items, as explained in greater detail below. These items were reported in NERC’s 2015 quarterly variance reports filed with FERC, and the use of reserves for these expenditures received all necessary authorizations under NERC’s Working Capital and Operating Reserves Policy.

- (1) Consulting support for assessment studies regarding the EPA’s proposed Clean Power Plan;
- (2) Contract costs for multiple reliability tools and costs of a secure alert system that was anticipated to be replaced by another system at lower costs¹;
- (3) Leasehold improvements in the Atlanta and DC offices, which were funded by reserves and approved by the FAC at their meeting in November, 2014;
- (4) Software costs for the development of the document management system for which reserve funding was authorized at the FAC meeting in May 2015 and affirmed through a subsequent FERC filing; and
- (5) The executive and employee compensation studies.

**2015 Actual vs Budget
By Category – Excluding CRISP**

	Actual	Budget	Variance Over (Under)	%
TOTAL FUNDING	\$ 57,600,538	\$ 57,550,142	\$ 50,398	0.1%
EXPENSES and FIXED ASSETS				
PERSONNEL EXPENSES	\$ 35,871,699	\$ 35,344,061	\$ 527,638	1.5%
MEETINGS, TRAVEL and CONFERENCE CALLS	3,289,599	3,516,146	(226,547)	-6.4%
CONSULTANTS and CONTRACTS	7,245,348	6,645,411	599,937	9.0%
RENT	2,937,585	2,987,777	(50,192)	-1.7%
OFFICE COSTS, PROFESSIONAL SERVICES and MISC.	5,493,158	5,576,108	(82,950)	-1.5%
Other Non-Operating Expenses	99,828	131,000	(31,172)	-23.8%
Indirect Expenses	(377,684)	(396,002)	18,318	-4.6%
FIXED ASSET PURCHASES (excluding depreciation)	4,529,192	3,518,500	1,010,692	28.7%
Allocation of Fixed Assets	(17,967)	(23,638)	5,671	-0.24
TOTAL	\$ 59,070,758	\$ 57,299,362	\$ 1,771,395	3.1%
FTEs	191.31	190.42	0.89	0.5%

¹ A replacement system is currently under evaluation.

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

- **Personnel** expenses were \$527.6k, 1.5% over budget. Salaries (including incentive compensation and employment agency fees) and associated payroll taxes were over budget approximately \$957.2k, 3.3% due primarily to the addition of staff resources during the year, and due to the addition of more senior staff than was planned in the budget. This was partially offset by an under budget variance of \$429.6k, 6.6%, in benefits and retirement costs due largely to a lower than budgeted increase in medical premiums and timing of hiring, which impacts eligibility in NERC’s retirement plans.
- **Meeting, travel and conferencing** expenses were collectively under budget \$226.5k, 6.4%. Meetings expenses were \$36.3k under budget. Travel expenses were \$144.6k under budget due to more aggressive travel expense management. Conferencing expenses were \$45.6k under budget due to a reduction in the number of teleconferences with a large number of participants.
- **Consultant and Contract** expenses were \$599.9k, 9.0%, over budget at year-end inclusive of the previously reported authorized uses of reserves. The table below summarizes actual vs. budget variances by department.

**Consultant and Contract Expenses
By Department**

CONSULTANTS and CONTRACTS	Actual	Budget	Variance Over (Under)	%
COMPLIANCE ASSURANCE	\$ 298,485	\$ 388,000	\$ (89,515)	-23.1%
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS	1,195,074	955,450	239,624	25.1%
SITUATION AWARENESS	1,960,674	1,077,321	883,353	82.0%
E-ISAC	990,391	1,090,135	(99,744)	-9.1%
TRAINING, EDUCATION and OPERATOR CERTIFICATION	640,590	752,130	(111,540)	-14.8%
GENERAL and ADMINISTRATION and EXECUTIVE	63,045	-	63,045	100.0%
POLICY and EXTERNAL AFFAIRS	11,028	15,000	(3,972)	-26.5%
INFORMATION TECHNOLOGY	1,341,819	1,729,600	(387,781)	-22.4%
HUMAN RESOURCES	445,993	298,275	147,718	49.5%
FINANCE and ACCOUNTING	298,248	339,500	(41,252)	-12.2%
TOTAL (excluding CRISP)	\$ 7,245,348	\$ 6,645,411	\$ 599,937	9.0%

- Compliance Assurance² – Consulting and contract support for implementation of risk-based compliance monitoring was less than budgeted.
 - Reliability Assessments and Performance Analysis (RAPA) - Over budget \$239.6k primarily due to costs for consulting support for assessment studies regarding the EPA’s proposed Clean Power Plan and added support for the Reliability Issues Steering Committee (RISC). The use of operating reserves to support the additional expenditures received all required authorizations.
 - Situation Awareness – Over budget \$883.4k due to higher than budgeted costs for multiple reliability tools, costs resulting from delays in the replacement of a secure alert system, and costs resulting from delays in the transition from NERCnet (costs borne by NERC) to the new network established by the Eastern Interconnection Data Sharing Network, Inc., (which is responsible for costs of the new network).
 - Electricity Information Sharing and Analysis Center (E-ISAC)³ - Under budget due to lower than budgeted expenses in support of the Critical Infrastructure Protection Committee and CIP V5 implementation.
 - Training, Education and Operator Certification – Under budget primarily due to lower than budgeted costs associated with the system operator certification and continuing education database.
 - General, Administrative and Executive – The over budget variance is related to the ERO effectiveness survey which began in 2014 and carried over into 2015 but for which costs were not budgeted in 2015.
 - Information Technology (IT) – Under budget partially due to lower than budgeted costs for ERO application support and security programs. Additional under budget variances in Consultants and Contracts were used to offset additional costs in fixed assets and travel for IT.
 - Human Resources - Over budget due to costs for the executive and employee compensation studies, for which all necessary authorizations for the use of reserves were received, as noted above.
 - Finance and Accounting – Under budget primarily due to lower than budgeted costs to support internal audit and risk management.
- Rent expense was \$50.2k, 1.7%, under budget due to a refund of property taxes paid in the prior year.
 - Office Costs were \$233.4k, 7.1%, over budget due primarily to higher than budgeted expenses for subscriptions and publications, telecommunications, and service agreements related to network equipment and software licenses.

² The Compliance Assurance Program includes the Compliance Analysis, Certification and Registration Program and the Regional Entity Assurance and Oversight Program. These two operational programs were combined for reporting purposes in 2015.

³ Variances related to CRISP, which is part of the E-ISAC Program, are explained the E-ISAC Program section that begins on page 25.

- **Professional Services** were \$311.9k, 13.8%, under budget due to lower than budgeted outside legal fees.
- **Depreciation Expense** was under budget due to the delay in completion of some ERO Enterprise software application projects. The variances in depreciation are not explained in the following summaries by program because Depreciation is recorded as an expense and as a corresponding offset to Fixed Assets additions, and therefore has no impact on the budget, assessments, or actual results.
- **Other Non-Operating** expenses were \$31.1k, 23.8%, under budget due to lower than budgeted interest expense related to the capital financing loan. As a result of budget under runs in 2014 for capital expenditure projects, management did not draw on the loan in 2014 as was planned when the 2015 budget was developed.
- **Fixed Asset Purchases** (excluding depreciation) were \$1.0M, 28.7%, over budget due to the document management implementation and leasehold improvements in the Atlanta and DC offices, both funded by the authorized use of reserves (as previously mentioned above). These projects are explained in further detail in the Information Technology and General and Administrative sections below.

SUMMARY OF VARIANCES BY PROGRAM (Direct Expenses Only)

DIRECT EXPENSES and NET FIXED ASSETS	2015 Actual	2015 Budget	Variance Over/(Under)	%
RELIABILITY STANDARDS	3,722,384	4,800,751	(1,078,367)	-22.5%
COMPLIANCE ASSURANCE	5,949,892	5,370,325	579,567	10.8%
ENFORCEMENT	2,595,784	2,456,441	139,343	5.7%
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS	6,164,991	5,428,456	736,535	13.6%
EVENTS ANALYSIS	2,667,140	2,109,432	557,708	26.4%
SITUATION AWARENESS	3,216,954	2,285,303	931,650	40.8%
E-ISAC	4,806,400	5,248,338	(441,937)	-8.4%
TRAINING, EDUCATION and OPERATOR CERTIFICATION	1,889,370	2,171,920	(282,550)	-13.0%
GENERAL and ADMINISTRATIVE and EXECUTIVE	8,511,256	7,071,800	1,439,455	20.4%
POLICY and EXTERNAL AFFAIRS	1,883,180	1,558,089	325,091	20.9%
LEGAL and REGULATORY	3,136,321	4,448,015	(1,311,694)	-29.5%
INFORMATION TECHNOLOGY	9,954,507	10,514,943	(560,436)	-5.3%
HUMAN RESOURCES	1,530,088	1,158,304	371,784	32.1%
FINANCE and ACCOUNTING	3,438,142	3,096,886	341,256	11.0%
TOTAL (excluding CRISP)	59,466,409	57,719,003	1,747,406	3.0%
CRISP	5,480,596	8,930,306	(3,449,710)	-38.6%
TOTAL (EXPENSES and NET FIXED ASSETS)	64,947,005	66,649,308	(1,702,304)	-2.6%

Following is a brief summary of significant variances. Additional details are provided below in each program area analysis.

- Reliability Standards – Under budget primarily due to having fewer FTEs on staff than budgeted. As reliability standards have transitioned to a steady state and the department has improved efficiency, less resources were needed for this program.
- Compliance Assurance – Over budget primarily due to the allocation of additional resources to support the implementation of the department’s risk-based compliance monitoring program.
- Reliability Assessments and Performance Analysis – Over budget due to higher than budgeted Consultant and Contract expenses for the Clean Power Plan analysis mentioned above and expenditures associated with the development of the Reliability Assessment Data System (RADS). These development costs were budgeted in the Information Technology department, but actual costs were recorded in RAPA to align the costs with the users of the system.
- Reliability Risk Management – includes the Event Analysis and Situation Awareness departments:
 - Event Analysis – Over budget primarily due to the reclassification of development costs for the Event Analysis Management System budgeted in Information Technology but recorded under Event Analysis.
 - Situation Awareness and Infrastructure Security – Over budget due to higher than budgeted Consultant and Contract expenses (for reliability tools and NERCnet costs mentioned above).
- General and Administrative and Executive – Over budget due to the approved use of operating reserves for leasehold improvements in the Atlanta and DC offices. Additionally, this department includes personnel resources, including the Chief Reliability Officer and supporting staff, who have oversight and responsibilities across multiple operating areas.
- Legal and Regulatory – Under budget due to having fewer FTEs on staff than were budgeted and due to lower than budgeted expenses for outside legal counsel.
- Information Technology – Under budget due to several capital projects that were budgeted in IT, but charged to the program utilizing the product to properly align costs. These reductions were partially offset by additional developmental costs associated with the new document management program, which received all necessary authorizations.

Board of Trustees Expenses

As detailed in the following table, Board of Trustee expenses were over budget by \$31.5k, 2.1% primarily due to unbudgeted trustee search fees related to the unplanned resignation of one trustee.

Board of Trustee Expenses	Actual	Budget	Variance Over	
			(Under)	%
Meetings and Travel Expenses				
Quarterly Board Meetings and Conference Calls	213,561	244,000	(30,439)	-12.5%
Trustee Travel	153,891	150,000	3,891	2.6%
Total Board of Trustees Meetings and Travel Expenses	367,453	394,000	(26,547)	-6.7%
Professional Services				
Independent Trustee Fees	1,049,689	1,085,000	(35,311)	-3.3%
Trustee Search Fees	93,397	-	93,397	0.0%
Total Board of Trustee Professional Services Expenses	1,143,086	1,085,000	58,086	5.4%
Total Board of Trustee Expenses	1,510,538	1,479,000	31,538	2.1%

CRISP VARIANCES

CRISP was \$3.5M, 37.2%, under budget at year-end, primarily due to lower than budgeted contract and consulting expenses. When the 2015 budget was prepared, it was assumed that all CRISP contracts would be executed and associated expenses would be incurred in 2015. However, a portion of CRISP expenses that were budgeted in 2015 were incurred in 2014. Contract and consulting expenses related to CRISP were \$2.8M under budget in 2015. The under runs in actual versus budgeted CRISP costs which are funded by CRISP participants will be credited to CRISP participants pursuant to the terms of the CRISP participant agreements.

Allocation of Indirect Expenses and Fixed Assets by Program

Total expenses and fixed asset expenditures, net of depreciation for all administrative programs were \$605.5k, 2.2%, over budget. Total expenses of the administrative programs were \$27.2M, which was \$882.0k, 3.4%, over budget. Direct expenses were over budget primarily due to higher personnel expenses as a result of having more administrative personnel than budgeted due to reallocation of resources to administrative program functions supporting all operating areas. The actual and budgeted allocations of indirect expenses by FTE were \$227.5k and \$210.2k, respectively, for an increase of \$16.9k per FTE.

Total fixed asset purchases, (excluding the offset of depreciation), for the administrative programs were \$2.9M, which was \$453.9k, 13.7%, under budget. As explained above, fixed assets in the administrative programs were under budget primarily due to several capital projects that were budgeted in IT, but charged to the direct function program utilizing the product, to properly align costs. These reductions were partially offset by additional developmental costs associated with the new document management

program, which received all necessary authorizations for the use of operating reserves. Total fixed assets, including the offset of depreciation, were \$276.6k, 17.6%, under budget. The actual and budgeted allocations of fixed assets net of depreciation by FTE were \$10.8k and \$12.6k, respectively for a decrease of \$1.8k per FTE.

The variances in indirect expenses and the allocation of fixed assets reflected in the variance reports by department are the result of the change in costs per FTE and the difference in actual versus budgeted FTE by department.

Use of Statutory Funds for Non-Statutory Activities

NERC does not have non-statutory activities and therefore did not use statutory funds for non-statutory activities.

OPERATING RESERVES ANALYSIS

As of December 31, 2015, the balance in working capital and operating reserves was \$6.1M, which was \$270.2k lower than projected in the 2015 budget. The beginning (January 1, 2015) balance was \$1.9M higher than projected when the 2015 budget was developed due to expense and fixed asset under runs in 2014. The higher beginning balance was offset by the approved use of reserves in 2015, as identified throughout this report. In addition, several projects that were budgeted and started in 2015, but will be completed in 2016, will be funded using the capital financing program (3-year loan). Because the work on these projects was not complete at the end of 2015, the borrowing to replenish reserves was extended into 2016. This project extension and the delay of the associated borrowing had no impact on the original budget for these projects. The 2016 borrowing related to the 2015 approved budget increased reserves by \$589k as reported in NERC's Summary of Unaudited Results as of March 31, 2016, which has also been filed with FERC.⁴

⁴ North American Electric Reliability Corporation's Compliance Filing in Response to January 16, 2013 Order, filed May 13, 2016, in Docket No. FA11-21-000.

				2015 Reserve Balances				
	Actual	Budget	Variance Over (Under)	Future Obligations Reserve	Operating Contingency Reserve	System Operator Reserves	***CRISP Reserves	Assessment Stabilization Reserve
2015 Beginning Reserve Balances	\$ 7,460,907	\$ 5,573,225	\$ 1,887,682	\$ 3,569,492	\$ 2,011,402	\$ 1,294,513	\$ 585,500	\$ -
Change in Reserves from Current Year Operations								
Change in Reserves from budgeted operations	217,336	721,956	(504,619)	320,218	261,063	(363,945)		
Approved use of reserves	(1,411,688)	-	(1,411,688)	61,488	(1,473,176)			
Capital Financing								
Proceeds from Financing Activities (non-current only)	645,172	1,266,667	(621,495)		645,172			
Debt Service	(421,667)	(893,664)	471,997		(421,667)			
Other adjustments to reserves**	(414,279)	(322,218)	(92,061)	(519,402)	190,624		(85,500)	
December 31, 2015 Reserve Balance	\$ 6,075,781	\$ 6,345,966	\$ (270,184)	\$ 3,431,796	\$ 1,213,418	\$ 930,568	\$ 500,000	\$ -

** 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.

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
Statement of Activities and Fixed Assets Budget
(Audited)
For the period ended 12/31/2015 (Including CRISP)

	Actual	Budget	Variance Over (Under)	%
Funding				
Assessments	\$ 55,308,374	\$ 55,308,375	-	0.0%
Penalties	1,155,000	1,155,000	-	0.0%
Third-Party Funding (CRISP)	5,273,658	8,943,589	(3,669,931)	-41.0%
Testing	1,683,977	1,670,000	13,977	0.8%
Services & Software	71,000	50,000	21,000	42.0%
Workshop Fees	249,726	241,300	8,426	3.5%
Interest	10,761	3,000	7,761	258.7%
Miscellaneous	156	-	156	
Total Funding	\$ 63,752,653	\$ 67,371,264	\$ (3,618,611)	-5.4%
Expenses				
Personnel Expenses				
Salaries	\$ 28,386,719	\$ 27,580,676	\$ 806,043	2.9%
Payroll Taxes	1,727,949	1,673,628	54,321	3.2%
Employee Benefits	3,485,862	3,547,177	(61,315)	-1.7%
Savings & Retirement	2,613,167	3,001,829	(388,662)	-12.9%
Total Personnel Expenses	\$ 36,213,698	\$ 35,803,311	\$ 410,387	1.1%
Meeting Expenses				
Meetings	\$ 1,010,057	\$ 1,050,000	\$ (39,943)	-3.8%
Travel	2,068,938	2,203,395	(134,457)	-6.1%
Conference Calls	262,905	312,751	(49,846)	-15.9%
Total Meeting Expenses	\$ 3,341,900	\$ 3,566,146	\$ (224,246)	-6.3%
Operating Expenses				
Consultants and Contracts	\$ 12,156,301	\$ 14,311,466	\$ (2,155,166)	-15.1%
Rent & Improvements	2,937,585	2,987,777	(50,192)	-1.7%
Office Costs	3,515,041	3,583,328	(68,287)	-1.9%
Professional Services	2,089,546	2,611,280	(521,734)	-20.0%
Miscellaneous	32,045	36,500	(4,455)	-12.2%
Depreciation	2,116,798	2,333,006	(216,209)	-9.3%
Total Operating Expenses	\$ 22,847,314	\$ 25,863,357	\$ (3,016,043)	-11.7%
Other Non-Operating Expenses	\$ 99,828	\$ 131,000	\$ (31,172)	-23.8%
Indirect Expenses	\$ -	\$ -	\$ (0)	0.0%
Total Expenses	\$ 62,502,740	\$ 65,363,815	\$ (2,861,075)	-4.4%
Net Change in Assets	\$ 1,249,913	\$ 2,007,450	\$ (757,536)	-37.7%
Fixed Assets				
Depreciation	\$ (2,116,798)	\$ (2,333,006)	\$ 216,209	-9.3%
Computer & Software	3,026,139	3,153,500	(127,361)	-4.0%
Furniture & Fixtures	193,216	-	193,216	100.0%
Equipment	1,061,847	465,000	596,847	128.4%
Leasehold Improvements	279,860	-	279,860	100.0%
Allocation of Fixed Assets	0	0	(0)	
Incr(Dec) in Fixed Assets	\$ 2,444,265	\$ 1,285,494	\$ 1,158,771	90.1%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	\$ 64,947,005	\$ 66,649,308	\$ (1,702,304)	-2.6%
FTE's	192.97	192.30	0.67	0.3%

Reliability Standards

Statement of Activities and Fixed Asset Budget

	Reliability Standards		Variance	
	2015 Actual	2015 Budget	Over (Under)	%
Funding				
Assessments	9,911,464	9,911,464	-	
Penalties	231,095	231,095	-	
Third-Party Funding (CRISP)	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	118,793	104,000	14,793	14.2%
Interest	1,647	587	1,060	180.5%
Misc.	27	-	27	
Total Funding	10,263,026	10,247,146	15,880	0.2%
Expenses				
Personnel Expenses				
Salaries	2,338,875	3,082,972	(744,097)	-24.1%
Payroll Taxes	161,421	202,258	(40,837)	-20.2%
Employee Benefits	359,384	441,383	(81,999)	-18.6%
Savings & Retirement	233,820	346,269	(112,449)	-32.5%
Total Personnel Expenses	3,093,500	4,072,883	(979,383)	-24.0%
Meeting Expenses				
Meetings	132,119	194,056	(61,937)	-31.9%
Travel	264,050	339,300	(75,250)	-22.2%
Conference Calls	68,644	117,736	(49,092)	-41.7%
Total Meeting Expenses	464,812	651,092	(186,280)	-28.6%
Operating Expenses				
Consultants and Contracts				
Rent & Improvements	-	-	-	
Office Costs	55,157	76,276	(21,119)	-27.7%
Professional Services	-	-	-	
Miscellaneous	-	500	(500)	-100.0%
Depreciation	194,545	-	194,545	
Total Operating Expenses	249,702	76,776	172,926	225.2%
Other Non-Operating Expenses	-	-	-	0.0%
Indirect Expenses	4,295,589	5,139,603	(844,014)	-16.4%
Total Expenses	8,103,604	9,940,354	(1,836,750)	-18.5%
Net Change in Assets	2,159,421	306,792	1,852,630	603.9%
Fixed Assets				
Depreciation	(194,545)	-	(194,545)	
Computer & Software	108,914	-	108,914	100.0%
Furniture & Fixtures	-	-	-	
Equipment	-	-	-	
Leasehold Improvements	-	-	-	
Allocation of Fixed Assets	204,343	306,791	(102,448)	-33.4%
Incr(Dec) in Fixed Assets	118,712	306,791	(188,079)	-61.3%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	8,222,317	10,247,145	(2,024,828)	-19.8%
FTE's	18.88	24.40	(5.52)	-22.6%

Explanation of Variances by Category – Reliability Standards

- **Funding** – Workshop fees were \$14.7k, 14.2%, over budget due to higher attendance at the Standards and Compliance Workshops.
- **Personnel** – Salaries, payroll taxes, benefits and retirement costs were collectively under budget \$979.4k, 24.1%, due to having 5.5, 22.6%, fewer FTEs on staff than budgeted. This reduced staffing was identified in “Response to September 15, 2015 Letter” filed September 29, 2015, in NERC’s 2016 Business Plan and Budget case, Docket No. RR15-16-000⁵, and in “Compliance Filing In Response to January 16 Order” filed February 16, 2016, Docket No. FA11-21-000⁶, where NERC explained that, due to the transformation of the NERC Reliability Standards to a “steady state,” together with reorganization and improved efficiency of operations within the Reliability Standards Program, fewer FTEs were necessary to support the ongoing operations, goals and objectives of the Reliability Standards Program. During 2015, positions were transferred from the Reliability Standards Program as follows: two (2) positions were transferred to Compliance Assurance to support implementation of the risk-based compliance monitoring program; one (1) position was transferred to the General and Administrative function to support the Senior Vice President and Chief Reliability Officer (“CRO”), who has oversight over most operating areas within NERC; two (2) positions were transferred to the Information Technology department (“IT”) to provide for ERO application development and support as well as infrastructure support and software development for NERC operations in several program areas; and one (1) position was transferred to the E-ISAC to provide added resources to support cybersecurity analysis and information sharing activities. The transfers of these positions from the Reliability Standards Program occurred at various times during 2015. The effect of the transfers of these 6 positions was 5.5 fewer FTEs than budgeted in Reliability Standards for the year.
- **Meetings, Travel and Conferencing Expenses**
 - Meetings – Meeting expenses, which includes catering, room rental and audio visual expenses was \$61.9k, 31.9%, lower than budget due to a reduction in the number of required meetings as a result of the transformation of the Program to a “steady state”, as noted above.
 - Travel – Under budget \$75.3k, 22.2%, due to having fewer FTEs than budgeted.
 - Conference Calls – Under budget \$49.1k, 41.7%, due to a reduction in the number of required conference calls as a result of the transformation of the Program to a “steady state”, as noted above, and having fewer FTEs on staff than budgeted.

⁵ North American Electric Reliability Corporation’s Response to September 15, 2015 Letter, filed September 29, 2015, in Docket No. RR15-16-000 (“September 29, 2015 Response”).

⁶ North American Electric Reliability Corporation’s Compliance Filing, filed February 16, 2016, in accordance with the Commission’s January 16, 2013 Order in Docket No. FA11-21-000.

- **Operating Expenses**
 - Office Costs – Under budget \$21.1k, 27.7%, primarily due to lower than budgeted telecommunications expenses as a result of having fewer FTEs on staff.
- **Indirect Expenses** – Under budget \$844.0k, 16.4%, due to having fewer FTEs on staff, offset by actual indirect expense being \$15.3k per FTE higher than budgeted, as explained above beginning on Page 7.
- **Fixed Assets** – The over budget variance of \$109k for Computer and Software is related to Standards Balloting and Commenting System (SBS) release 3 which was budgeted in Information Technology as part of the total budget for ERO Enterprise software application development. Actual costs were charged to Standards to match expenditures with the statutory program served.

Compliance Assurance Program

Statement of Activities and Fixed Asset Budget

Compliance Assurance	2015 Actual	2015 Budget	Variance Over (Under)	%
Funding				
Assessments	10,379,869	10,379,869	-	
Penalties	222,003	222,003	-	
Third-Party Funding (CRISP)	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	2,306	563	1,743	309.6%
Miscellaneous	37	-	37	
Total Funding	10,604,215	10,602,435	1,780	0.0%
Expenses				
Personnel Expenses				
Salaries	3,880,380	3,442,483	437,897	12.7%
Payroll Taxes	245,617	220,459	25,159	11.4%
Employee Benefits	549,722	424,407	125,315	29.5%
Savings & Retirement	334,940	387,082	(52,141)	-13.5%
Total Personnel Expenses	5,010,659	4,474,431	536,229	12.0%
Meeting Expenses				
Meetings	105,561	73,064	32,497	44.5%
Travel	419,172	362,158	57,014	15.7%
Conference Calls	59,526	10,788	48,738	451.8%
Total Meeting Expenses	584,259	446,010	138,249	31.0%
Operating Expenses				
Consultants and Contracts	298,485	388,000	(89,515)	-23.1%
Rent & Improvements	-	-	-	
Office Costs	56,173	61,384	(5,211)	-8.5%
Professional Services	-	-	-	
Miscellaneous	316	500	(184)	-36.9%
Depreciation	2,417	-	2,417	
Total Operating Expenses	357,391	449,884	(92,493)	-20.6%
Other Non-Operating Expenses	-	-	-	
Indirect Expenses	6,295,496	4,937,389	1,358,106	27.5%
Total Expenses	12,247,805	10,307,714	1,940,091	18.8%
Net Change in Assets	(1,643,590)	294,721	(1,938,311)	-657.7%
Fixed Assets				
Depreciation	(2,417)	-	(2,417)	
Computer & Software	-	-	-	
Furniture & Fixtures	-	-	-	
Equipment	-	-	-	
Leasehold Improvements	-	-	-	
Allocation of Fixed Assets	299,480	294,721	4,759	1.6%
Incr(Dec) in Fixed Assets	297,063	294,721	2,342	0.8%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	12,544,868	10,602,435	1,942,433	18.3%
FTE's	27.67	23.45	4.22	18.0%

Explanation of Variances by Category – Compliance Assurance

- **Personnel** – Over budget \$536.2k, 12.0%, due to the allocation of additional resources to support development and implementation of the risk-based compliance monitoring program, including the transfer of two (2) positions from the Reliability Standards Program as described above, as well as additional unbudgeted resources. The over budget variance noted above applies to various roles and projects in the Compliance Assurance area, including oversight of Regional Entity audits, development of oversight programs and processes to support the risk-based compliance monitoring program, and training initiatives directed to Regional staff and industry. As a result of allocating staff resources to this program area that were included in NERC's total 2015 budgeted FTEs, less Contract and Consultant support for the risk-based compliance monitoring program was needed and the expense for Consultants & Contracts was \$89.5k, 23.1%, under budget.
- **Meetings, Travel and Conferencing Expenses**
 - Meetings – Due to an increase in the number of meetings held related to the development and implementation of the risk-based compliance monitoring program, meeting expenses were \$32.5k, 44.5%, over budget.
 - Travel – Over budget \$57.0k, 15.7%, due to an increase in the number of meetings held and having more FTEs on staff than budgeted.
- **Operating Expenses**
 - Consultant and Contract expenses were \$89.5k, 23.1% under budget primarily due to the allocation of additional staff resources to support the implementation of the department's risk-based compliance monitoring program, as noted above, resulting in a reduced need to use consultants and contractors.
- **Indirect Expenses** – Over budget \$1.4M, 27.5%, as a result of having more FTEs on staff than budgeted and, as explained above, Indirect Expenses were \$16.9k higher per FTE than budgeted.

Compliance Enforcement

Statement of Activities and Fixed Asset Budget

Compliance Enforcement	2015 Actual	2015 Budget	Variance Over (Under)	%
Funding				
Assessments	5,664,344	5,664,344	-	
Penalties	142,161	142,161	-	
Third-Party Funding (CRISP)	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	1,124	361	763	211.4%
Miscellaneous	19	-	19	
Total Funding	5,807,647	5,806,866	782	0.0%
Expenses				
Personnel Expenses				
Salaries	1,674,987	1,785,495	(110,509)	-6.2%
Payroll Taxes	106,667	110,866	(4,199)	-3.8%
Employee Benefits	168,655	254,644	(85,989)	-33.8%
Savings & Retirement	178,166	200,635	(22,469)	-11.2%
Total Personnel Expenses	2,128,475	2,351,641	(223,166)	-9.5%
Meeting Expenses				
Meetings	764	2,000	(1,236)	-61.8%
Travel	44,570	57,900	(13,330)	-23.0%
Conference Calls	2,703	2,900	(197)	-6.8%
Total Meeting Expenses	48,038	62,800	(14,762)	-23.5%
Operating Expenses				
Consultants and Contracts				
Rent & Improvements				
Office Costs	22,041	41,500	(19,459)	-46.9%
Professional Services	-	-	-	
Miscellaneous	948	500	448	89.6%
Depreciation	1,790	-	1,790	
Total Operating Expenses	24,778	42,000	(17,222)	-41.0%
Other Non-Operating Expenses				
Indirect Expenses	2,975,970	3,161,698	(185,729)	-5.9%
Total Expenses	5,177,260	5,618,139	(440,879)	-7.8%
Net Change in Assets	630,387	188,726	441,661	234.0%
Fixed Assets				
Depreciation	(1,790)	-	(1,790)	
Computer & Software	396,283	-	396,283	
Furniture & Fixtures	-	-	-	
Equipment	-	-	-	
Leasehold Improvements	-	-	-	
Allocation of Fixed Assets	141,568	188,727	(47,158)	-25.0%
Incr(Dec) in Fixed Assets	536,062	188,727	347,335	184.0%
Total Budget (Expenses plus Incr(Dec) in Fixed	5,713,322	5,806,866	(93,544)	-1.6%
FTE's	13.08	15.01	(1.93)	-12.9%

Explanation of Variances by Category – Compliance Enforcement

- **Personnel** – Personnel expenses were \$223k, 9.5%, under budget due to having 1.93, 12.9%, fewer FTEs on staff than budgeted, resulting from unfilled budgeted positions. In addition to having fewer FTEs on staff than budgeted, Employee Benefits was under budget because no relocation expense was incurred during the year in this Program. Savings and Retirement expenses are impacted by the timing of hiring which affects eligibility in the retirement plan.
- **Travel Expenses** were under budget \$13.3k, 23.0%, as a result of having fewer FTEs on staff and ongoing focus on travel expense management.
- **Operating Expenses**
 - **Office Costs** – Under budget \$19.5k, 46.9%, due to lower telecommunications expense as a result of having fewer FTEs on staff than budgeted and due to a lower per FTE cost in this program. Telecommunications expense is budgeted by calculating the average cost per FTE in the program in the prior year. In 2015, the average actual telecommunications expense was lower than in prior years.
- **Indirect Expenses** – Under budget \$185.7k, 5.9%, due to having fewer FTEs on staff, partially offset by the higher cost per FTE as explained above.
- **Fixed Assets** - The over budget variance of \$396.3k for Computer and Software is related to enhancements to the current Compliance Reporting and Tracking System (CRATS) database which was budgeted in Information Technology as part of the total budget for ERO Enterprise software application development. Actual costs were charged to Compliance Enforcement to match expenditures with the statutory program served.

Reliability Assessments and Performance Analysis

Statement of Activities and Fixed Asset Budget

Reliability Assessments and Performance Analysis	2015 Actual	2015 Budget	Variance Over (Under)	%
Funding				
Assessments	9,571,195	9,571,195	-	
Penalties	186,581	186,581	-	
Third-Party Funding (CRISP)	-	-	-	
Testing	-	-	-	
Services & Software	71,000	50,000	21,000	42.0%
Workshop Fees		17,500	(17,500)	-100.0%
Interest	1,482	474	1,008	212.6%
Miscellaneous	19		19	
Total Funding	9,830,277	9,825,750	4,527	0.0%
Expenses				
Personnel Expenses				
Salaries	2,922,225	2,833,480	88,745	3.1%
Payroll Taxes	200,423	176,963	23,460	13.3%
Employee Benefits	339,664	356,502	(16,838)	-4.7%
Savings & Retirement	308,979	317,664	(8,685)	-2.7%
Total Personnel Expenses	3,771,292	3,684,609	86,683	2.4%
Meeting Expenses				
Meetings	111,065	90,018	21,047	23.4%
Travel	334,661	313,993	20,668	6.6%
Conference Calls	13,427	31,500	(18,073)	-57.4%
Total Meeting Expenses	459,153	435,511	23,642	5.4%
Operating Expenses				
Consultants and Contracts	1,195,074	955,450	239,624	25.1%
Rent & Improvements	-	-	-	
Office Costs	126,494	152,386	(25,891)	-17.0%
Professional Services	-	-	-	
Miscellaneous	204	500	(296)	-59.1%
Depreciation	304,467	228,000	76,467	33.5%
Total Operating Expenses	1,626,240	1,336,336	289,904	21.7%
Other Non-Operating Expenses				
		-	-	
Indirect Expenses	4,479,881	4,149,598	330,284	8.0%
Total Expenses	10,336,566	9,606,054	730,513	7.6%
Net Change in Assets	(506,289)	219,697	(725,986)	-330.4%
Fixed Assets				
Depreciation	(304,467)	(228,000)	(76,467)	33.5%
Computer & Software	612,772	200,000	412,772	206.4%
Furniture & Fixtures	-	-	-	
Equipment	-	-	-	
Leasehold Improvements	-	-	-	
Allocation of Fixed Assets	213,110	247,696	(34,586)	-14.0%
Incr(Dec) in Fixed Assets	521,416	219,696	301,719	137.3%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	10,857,982	9,825,750	1,032,232	10.5%
FTE's	19.69	19.70	(0.01)	-0.1%

Explanation of Variances by Category – Reliability Assessments and Performance Analysis

- **Funding**
 - Fees collected for services and software were \$21k, 42.0%, higher than budgeted due to increased requests from industry for historical data related to generation availability.
 - Workshop fees were not collected from attendees of the modeling workshops because the workshops were held in the NERC and Regional Entity offices, resulting in funding being \$18k under budget.
- **Personnel** – During 2015, one (1) position was transferred to IT to provide additional support for development and management of software applications supporting operations in several programs. This was offset by the addition of unbudgeted positions to RAPA to provide additional technical analytics capabilities.
 - Salaries were over budget due to increased use of temporary office services to support ongoing initiatives and due to higher than budgeted average salary per FTE.
 - Payroll taxes were over budget due to a higher maximum taxable earnings cap than the assumption in the budget.
 - Medical benefits were under budget due to lower than budgeted renewal costs associated with NERC's health plans; partially offset by higher than budget professional training and relocation expenses.
 - Retirement costs were under budget due to timing of hiring which impacts eligibility in the retirement plan.
- **Meetings, Travel and Conferencing Expenses**
 - Meetings expenses were over budget \$21.0k, 23.4%, due to higher than budgeted costs associated with the Reliability Issues Steering Committee (RISC).
 - Conferencing expenses were under budget \$18.1k, 57.4%, due to a reduction in the cost of large conference calls to deliver results of Summer, Winter and Long-Term Assessments.
- **Operating Expenses**
 - Consultants and Contracts were over budget \$240k due to costs for consulting support for assessment studies regarding the EPA's proposed Clean Power Plan and added support for the RISC. As explained above, the use of operating reserves for these purposes received all required authorizations.
 - Office Costs were under budget \$26k, 17.0%, primarily due to lower than budget Postage, Express Shipping, Copying and Reports expenses. In the past, the three major assessment reports, Summer, Winter, and Long-Term, were printed. These reports are now delivered electronically, reducing costs.

- **Fixed Assets** – The over budget variance of \$413k for Computer and Software is related to the development of a Reliability Assessment Data System (RADS), which was budgeted in Information Technology as part of the total budget for ERO Enterprise software application development. Actual costs are charged to RAPA to match expenditures with the statutory program served. The \$200k budget for Computer and Software was for the planned, but delayed development of a replacement for pcGAR.

Situation Awareness

Statement of Activities and Fixed Asset Budget

Situation Awareness	2015 Actual	2015 Budget	Variance Over (Under)	%
Funding				
Assessments	3,588,981	3,588,981	-	
Penalties	57,774	57,774	-	
Third-Party Funding (CRISP)	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	499	147	352	239.4%
Miscellaneous	8	-	8	
Total Funding	3,647,262	3,646,902	360	0.0%
Expenses				
Personnel Expenses				
Salaries	858,547	849,802	8,745	1.0%
Payroll Taxes	55,051	55,831	(781)	-1.4%
Employee Benefits	150,998	112,106	38,891	34.7%
Savings & Retirement	87,468	95,226	(7,758)	-8.1%
Total Personnel Expenses	1,152,063	1,112,965	39,098	3.5%
Meeting Expenses				
Meetings	342	5,000	(4,659)	-93.2%
Travel	38,053	45,882	(7,829)	-17.1%
Conference Calls	699	2,610	(1,911)	-73.2%
Total Meeting Expenses	39,094	53,492	(14,398)	-26.9%
Operating Expenses				
Consultants and Contracts	1,960,674	1,077,321	883,353	82.0%
Rent & Improvements	-	-	-	
Office Costs	41,989	41,025	964	2.4%
Professional Services	-	-	-	
Miscellaneous	133	500	(367)	-73.5%
Depreciation	7,107	161,498	(154,390)	-95.6%
Total Operating Expenses	2,009,904	1,280,343	729,560	57.0%
Other Non-Operating Expenses				
	-	-	-	
Indirect Expenses	1,335,546	1,284,901	50,645	3.9%
Total Expenses	4,536,607	3,731,701	804,905	21.6%
Net Change in Assets	(889,345)	(84,800)	(804,545)	948.8%
Fixed Assets				
Depreciation	(7,107)	(161,498)	154,390	-95.6%
Computer & Software	23,000	-	23,000	
Furniture & Fixtures	-	-	-	
Equipment	-	-	-	
Leasehold Improvements	-	-	-	
Allocation of Fixed Assets	63,533	76,698	(13,165)	-17.2%
Incr(Dec) in Fixed Assets	79,425	(84,800)	164,225	-193.7%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	4,616,032	3,646,902	969,131	26.6%
FTE's	5.87	6.10	(0.23)	-3.8%

Explanation of Variances by Category – Situation Awareness

- **Personnel**
 - Benefits - were over budget due to higher per FTE medical coverage than the average per FTE cost budgeted. NERC uses a blended coverage rate to calculate a budget per FTE, which averages no coverage for some employees (who elect not to participate in the company plan) and four coverage levels for those employees in the plan. In some programs, such as Situation Awareness, with fewer FTEs and with all FTEs electing coverage, medical benefits exceed the budgeted amount.
- **Operating Expenses**
 - Consultants and Contracts expenses were \$883.4k, 82.0%, over budget, primarily due to: (i) delays in the transition from NERCnet to the new network established by the Eastern Interconnection Data Sharing Network, Inc. (\$492k); (ii) higher than budget expenses for the secure alerts reporting system due to delays in a previously scheduled replacement system, (\$138k); and (iii) higher than budget costs for multiple reliability tools, (\$193k).
- **Fixed Assets**
 - The over budget variance in Computer and Software is related to a software license budgeted in IT but charged to Situation Awareness to match expenditures with the statutory program served.

Event Analysis

Statement of Activities and Fixed Asset Budget

Event Analysis	2015 Actual	2015 Budget	Variance Over (Under)	%
Funding				
Assessments	4,066,804	4,066,804	-	
Penalties	88,839	88,839	-	
Third-Party Funding (CRISP)	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	45,588	47,300	(1,712)	-3.6%
Interest	924	226	698	308.8%
Miscellaneous	15	-	15	
Total Funding	4,202,170	4,203,169	(999)	0.0%
Expenses				
Personnel Expenses				
Salaries	1,535,649	1,447,159	88,489	6.1%
Payroll Taxes	95,934	92,831	3,103	3.3%
Employee Benefits	164,814	173,284	(8,470)	-4.9%
Savings & Retirement	151,788	162,193	(10,405)	-6.4%
Total Personnel Expenses	1,948,185	1,875,467	72,718	3.9%
Meeting Expenses				
Meetings	132,008	79,228	52,780	66.6%
Travel	116,087	114,500	1,587	1.4%
Conference Calls	13,510	10,000	3,510	35.1%
Total Meeting Expenses	261,605	203,728	57,877	28.4%
Operating Expenses				
Consultants and Contracts	-	-	-	
Rent & Improvements	-	-	-	
Office Costs	44,665	29,736	14,929	50.2%
Professional Services	-	-	-	
Miscellaneous	109	500	(391)	-78.3%
Depreciation	20,470	193,667	(173,197)	-89.4%
Total Operating Expenses	65,244	223,903	(158,659)	-70.9%
Other Non-Operating Expenses				
Indirect Expenses	2,436,746	1,975,798	460,948	23.3%
Total Expenses	4,711,780	4,278,897	432,884	10.1%
Net Change in Assets	(509,610)	(75,728)	(433,883)	572.9%
Fixed Assets				
Depreciation	(20,470)	(193,667)	173,197	-89.4%
Computer & Software	412,576	-	412,576	
Furniture & Fixtures	-	-	-	
Equipment	-	-	-	
Leasehold Improvements	-	-	-	
Allocation of Fixed Assets	115,917	117,939	(2,021)	-1.7%
Incr(Dec) in Fixed Assets	508,023	(75,728)	583,751	-770.9%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	5,219,803	4,203,170	1,016,635	24.2%
FTE's	10.71	9.38	1.33	14.2%

Explanation of Variances by Category – Event Analysis

- **Personnel**
 - Salaries – Over budget \$88.5k, 6.1%, due to more FTEs on staff than budgeted. One (1) position originally budgeted in Situation Awareness was transferred to Event Analysis to better align staffing resources to accommodate the workloads of these departments.
 - Benefits – While Salaries and Payroll Taxes were over budget due to having more FTEs on staff than budgeted, lower than budgeted renewal costs associated with NERC’s health plans and lower than budgeted education and training expenses resulted in an under budget variance of \$8.5k, 4.9%, for total Benefits expenses.
 - Saving and Retirement expenses were under budget \$10.4k, 6.4%, due to timing of hiring which impacts eligibility in the retirement plan and due to lower than budgeted employee contributions, resulting in a reduction in the employer match expense which is based on the amount of the employee contribution.
- **Meetings, Travel and Conferencing Expenses**
 - Meeting expenses were \$53k, 66.6%, over budget primarily due to higher costs related to the Human Performance Workshop as a result of significantly higher attendance
- **Operating Expenses**
 - Office costs were over budget \$15k, 50.2%, primarily due to an increase in subscription expenses.
- **Indirect Expenses** were over budget \$460.9k, 23.3%, due to having more FTEs on staff than budgeted, a higher cost per FTE as explained on page 7, and the result of having a higher percentage of FTEs in the Event Analysis Department compared to total FTEs in the statutory direct functions.
- **Fixed Assets** – The over budget variance of \$413k for Computer and Software is related to the development of an Event Analysis Management System (EAMS) database, which was budgeted in Information Technology as part of the total budget for ERO Enterprise software application development. Actual costs are charged to Event Analysis to match expenditures with the statutory program served.

E-ISAC, including CRISP

Statement of Activities and Fixed Asset Budget

E-ISAC, including CRISP	2015 Actual	2015 Budget	Variance Over (Under)	%
Funding				
Assessments	\$ 9,671,899	\$ 9,671,899	\$ -	
Penalties	177,676	177,676	-	
Third-Party Funding (CRISP)	5,273,658	8,943,589	(3,669,931)	-41.0%
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	85,346	72,500	12,846	17.7%
Interest	2,152	451	1,701	377.2%
Miscellaneous	20	-	20	
Total Funding	\$ 15,210,751	\$ 18,866,115	\$(3,655,364)	-19.4%
Expenses				
Personnel Expenses				
Salaries	\$ 2,765,696	\$ 3,157,196	\$ (391,500)	-12.4%
Payroll Taxes	167,863	188,916	(21,054)	-11.1%
Employee Benefits	337,132	339,525	(2,393)	-0.7%
Savings & Retirement	207,973	354,866	(146,894)	-41.4%
Total Personnel Expenses	\$ 3,478,664	\$ 4,040,504	\$ (561,840)	-13.9%
Meeting Expenses				
Meetings	\$ 212,798	\$ 193,134	\$ 19,664	10.2%
Travel	265,366	314,358	(48,992)	-15.6%
Conference Calls	36,901	46,385	(9,484)	-20.4%
Total Meeting Expenses	\$ 515,065	\$ 553,877	\$ (38,812)	-7.0%
Operating Expenses				
Consultants and Contracts	\$ 5,901,343	\$ 8,756,190	\$(2,854,847)	-32.6%
Rent & Improvements	-	-	-	
Office Costs	108,375	377,072	(268,698)	-71.3%
Professional Services	140,175	350,000	(209,825)	-60.0%
Miscellaneous	446	1,000	(554)	-55.4%
Depreciation	11,576	-	11,576	
Total Operating Expenses	\$ 6,161,916	\$ 9,484,262	\$(3,322,347)	-35.0%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	
Indirect Expenses	\$ 3,635,780	\$ 3,951,596	\$ (315,817)	-8.0%
Total Expenses	\$ 13,791,424	\$ 18,030,240	\$(4,238,816)	-23.5%
Net Change in Assets	\$ 1,419,328	\$ 835,876	\$ 583,452	69.8%
Fixed Assets				
Depreciation	\$ (11,576)	\$ -	\$ (11,576)	
Computer & Software	45,861	-	45,861	
Furniture & Fixtures	-	-	-	
Equipment	97,068	100,000	(2,932)	-2.9%
Leasehold Improvements	-	-	-	
Allocation of Fixed Assets	172,956	235,877	(62,921)	-26.7%
Incr(Dec) in Fixed Assets	\$ 304,308	\$ 335,877	\$ (31,569)	-9.4%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	\$ 14,095,732	\$ 18,366,116	\$(4,270,385)	-23.3%
FTE's	15.98	18.76	(2.78)	-14.8%

Explanation of Variances by Category – E-ISAC, including CRISP

- **Funding**
 - Third-Party Funding, which represents funding of CRISP expenses by CRISP participants, was under budget \$3.7M, 41%, primarily due to lower than budgeted Consultants and Contracts expense for CRISP, as further explained below.
 - Workshop fees were \$12.8k, 17.7%, over budget due to higher attendance at the Grid Security Conference than budgeted.

- **Personnel** expenses were collectively \$561.8k, 13.9%, under budget due to having 2.78, 14.8%, fewer FTEs on staff than budgeted as a result of staff vacancies. The under budget variances in salaries and payroll taxes are generally consistent with the under budget variance for actual FTEs compared to budget. The under budget percentage variance for Retirement expenses was higher due to the timing of hiring, which impacts eligibility in the plan. Employee Benefits expenses was only slightly below budget due to higher than budgeted training expenses, which offset the lower than budgeted expenses related to having fewer FTEs on staff.

- **Meetings, Travel and Conferencing Expenses**
 - Meeting expenses were \$20k, 10.2%, higher than budget due to higher costs of the Grid Security Conference. This higher than budgeted expense was partially offset by higher workshop fees collected from attendees as described above.
 - Travel expenses were \$49.0k, 15.6%, under budget due to having fewer FTEs on staff than budgeted.
 - Conferencing expenses were \$9.5k, 20.4%, under budget due to having fewer FTEs on staff.

- **Operating Expenses**
 - Consultant and contract expenses were \$2.9M, 32.6%, under budget due to lower than budgeted expenses related to CRISP. A portion of expenditures for CRISP budgeted for 2015 were actually incurred in late 2014. The under-run in actual versus budgeted CRISP expenses that are funded by CRISP participants will be credited to the CRISP participants pursuant to the terms of the CRISP participation agreements.
 - Office costs were \$268.7k, 71.3%, under budget due to lower than budgeted data storage requirements for CRISP.
 - Professional Services expenses were \$209.8k, 60.0%, under budget due to lower than budgeted insurance costs related to CRISP.

- **Fixed Assets**
 - Computer and Software expenditures were over budget due to the separation of the office space for the E-ISAC from other program areas in NERC's Washington, D.C. office.

Training, Education and Operator Certification

Statement of Activities and Fixed Asset Budget

Training, Education and Operator Certification	2015 Actual	2015 Budget	Variance Over (Under)	%
Funding				
Assessments	\$1,826,822	\$1,826,822	\$ -	
Penalties	48,871	48,871	-	
Third-Party Funding (CRISP)	-	-	-	
Testing	1,683,977	1,670,000	13,977	0.8%
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	627	191	436	228.5%
Miscellaneous	10	-	10	
Total Funding	\$3,560,307	\$3,545,884	\$ 14,424	0.4%
Expenses				
Personnel Expenses				
Salaries	\$ 822,456	\$ 903,106	\$ (80,650)	-8.9%
Payroll Taxes	57,458	60,937	(3,478)	-5.7%
Employee Benefits	102,773	146,059	(43,286)	-29.6%
Savings & Retirement	76,391	101,437	(25,047)	-24.7%
Total Personnel Expenses	\$1,059,078	\$1,211,539	\$ (152,461)	-12.6%
Meeting Expenses				
Meetings	\$ 38,346	\$ 59,931	\$ (21,585)	-36.0%
Travel	17,148	25,322	(8,174)	-32.3%
Conference Calls	39,927	29,320	10,607	36.2%
Total Meeting Expenses	\$ 95,421	\$ 114,573	\$ (19,152)	-16.7%
Operating Expenses				
Consultants and Contracts	\$ 640,590	\$ 752,130	\$ (111,540)	-14.8%
Rent & Improvements	-	-	-	
Office Costs	93,894	93,178	717	0.8%
Professional Services	-	-	-	
Miscellaneous	387	500	(113)	-22.6%
Depreciation	1,919	-	1,919	
Total Operating Expenses	\$ 736,791	\$ 845,808	\$ (109,018)	-12.9%
Other Non-Operating Expenses				
	\$ -	\$ -	\$ -	
Indirect Expenses	\$1,706,405	\$1,678,797	\$ 27,608	1.6%
Total Expenses	\$3,597,694	\$3,850,716	\$ (253,022)	-6.6%
Net Change in Assets	\$ (37,386)	\$ (304,834)	\$ 267,446	-87.7%
Fixed Assets				
Depreciation	\$ (1,919)	\$ -	\$ (1,919)	
Computer & Software	-	-	-	
Furniture & Fixtures	-	-	-	
Equipment	-	-	-	
Leasehold Improvements	-	-	-	
Allocation of Fixed Assets	81,175	100,210	(19,035)	-19.0%
Incr(Dec) in Fixed Assets	\$ 79,256	\$ 100,210	\$ (20,955)	-20.9%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	\$3,676,949	\$3,950,926	\$ (273,977)	-6.9%
Change in Working Capital	(116,642)	(405,043)	288,401	-71.2%
FTE's	7.50	7.97	(0.47)	-5.9%

Explanation of Variances by Category – Training, Education and Operator Certification

- **Personnel** – Salaries, payroll taxes, benefits and retirement costs were collectively under budget \$152.5k, 12.6%, due to having 0.47, 5.9%, fewer FTEs on staff than budgeted. In addition to having fewer FTEs on staff than budgeted, personnel expenses were also impacted by the following:
 - Employee Benefits were under budget by a higher percentage because not all employees in the Program have elected medical benefit coverage. The budget for medical benefits is based on an average cost applied to all FTEs.
 - Savings and Retirement – Also under budget due to timing of hiring which impacts eligibility in the retirement plan.
- **Meetings, Travel and Conferencing** expenses were collectively \$19k, 16.7% under budget.
 - Meetings expense was \$21.6k, 36.0%, under budget primarily due to cost reductions achieved by holding meetings of the Personnel Certification Governance Committee (PCGC) in connection with the NERC Board of Trustee Meetings instead of being at a separate location.
 - Travel expenses were \$8.2k, 32.3%, under budget due to having fewer FTEs on staff and ongoing focus on travel expense management.
 - Conferencing expenses were \$10.6k, 36.2%, over budget due to conducting more webinars than planned to support NERC staff training and education activities.
- **Operating Expenses**
 - Consultant and contract expenses were under budget \$111.5k, 14.8%, due to lower than budgeted expenses related to certain operator certification system development projects.

General and Administrative, Executive, and Policy and External Affairs

Statement of Activities and Fixed Asset Budget

General and Administrative, Executive, and Policy and External Affairs	2015 Actual	2015 Budget	Variance Over (Under)	%
Funding				
Assessments	626,997	626,997	-	
Penalties	0	0	-	
Third-Party Funding (CRISP)	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	0	-	
Interest	-	0	-	
Miscellaneous	-	0	-	
Total Funding	626,997	626,997	-	0.0%
Expenses				
Personnel Expenses				
Salaries	3,641,003	2,425,909	1,215,095	50.1%
Payroll Taxes	171,225	122,928	48,297	39.3%
Employee Benefits	393,746	314,644	79,102	25.1%
Savings & Retirement	293,004	203,656	89,348	43.9%
Total Personnel Expenses	4,498,978	3,067,137	1,431,841	46.7%
Meeting Expenses				
Meetings	258,997	338,900	(79,903)	-23.6%
Travel	386,525	426,482	(39,957)	-9.4%
Conference Calls	17,087	28,831	(11,744)	-40.7%
Total Meeting Expenses	662,609	794,213	(131,604)	-16.6%
Operating Expenses				
Consultants and Contracts	74,073	15,000	59,073	393.8%
Rent & Improvements	2,937,585	2,987,777	(50,192)	-1.7%
Office Costs	396,899	444,262	(47,363)	-10.7%
Professional Services	1,245,623	1,185,000	60,623	5.1%
Miscellaneous	9,734	5,500	4,234	77.0%
Depreciation	506,623	419,399	87,224	20.8%
Total Operating Expenses	5,170,537	5,056,938	113,598	2.2%
Other Non-Operating Expenses	95,859	131,000	(35,141)	-26.8%
Indirect Expenses	(10,427,983)	(9,049,288)	(1,378,694)	15.2%
Total Expenses	-	-	-	-
Net Change in Assets	626,997	626,997	-	0.0%
Fixed Assets				
Depreciation	(506,623)	(419,399)	(87,224)	20.8%
Computer & Software	-	-	-	
Furniture & Fixtures	193,216	-	193,216	
Equipment	-	-	-	
Leasehold Improvements	279,860	-	279,860	
Allocation of Fixed Assets	33,547	419,399	(385,852)	-92.0%
Incr(Dec) in Fixed Assets	-	-	-	-
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	-	-	-	-
Change in Working Capital	626,997	626,997	-	0.0%
FTE's	18.08	13.13	4.95	37.7%

Explanation of Variances by Category – General and Administrative, Executive, and Policy and External Affairs

- **Personnel** – Salaries, payroll taxes, benefits and retirement were collectively \$1.4M, 46.7%, over budget due to having 4.95, 37.7%, higher FTEs allocated to general and administrative support than budgeted for this department. During 2015, one (1) position was transferred from the Reliability Standards Program to General and Administrative to support the CRO, who has oversight responsibility for several NERC programs. Further, one (1) position was transferred from Legal and Regulatory to provide administrative support for General and Administrative staff members supporting NERC's outreach efforts and operational coordination within the ERO Enterprise. Also, one (1) position was transferred from Legal and Regulatory to Policy and External Affairs to support outreach efforts and operational coordination with the Canadian provinces. Additionally, one (1) position transferred to General and Administrative from Finance and Accounting to provide administrative support. Finally, a 6% vacancy rate was budgeted for General and Administrative in the 2015 budget, but the General and Administrative function had no meaningful vacancies during 2015, creating an additional over-budget variance in Personnel expenses. Due to the higher ratio of executives and officers compared to other, less highly compensated staff in this department, the lack of meaningful vacancies caused Salaries, Payroll Taxes and Savings and Retirement expenses to be over budget by a higher percentage than FTEs. The over budget variance for Employee Benefits was consistent with the over budget variance for FTEs.
- **Meeting, Travel and Conferencing Expenses** were collectively \$132k, 16.6%, under budget.
 - Meeting expenses were \$79.9k, 23.6%, under budget due to lower than budgeted costs associated with the quarterly Board of Trustee meetings, as noted above, and lower than budgeted costs related to Policy and External Affairs in Canada.
 - Travel expenses were \$40.0k, 9.4%, under budget due to focus on travel expense management and fewer meetings in Canada, as noted above.
 - Conferencing expenses were \$11.7k, 40.7%, under budget due to no major events that required use of the service.
- **Operating Expenses**
 - Consultant and contract expenses were \$59.1k, 393.8%, over budget due to the ERO effectiveness survey which began in 2014 and carried over into 2015, but was not included in the 2015 budget.
 - Office costs were \$47.4k, 10.7%, under budget primarily due to lower than budgeted copying, equipment repair and merchant credit card fees.
 - Professional services were \$60.6k, 5.1% over budget due to higher than budgeted trustee search fees resulting from the unplanned search to replace a trustee who resigned from the Board.

- **Fixed Assets** purchases for Furniture & Fixtures and Leasehold Improvements of \$473.1k associated with the Atlanta and DC office expansions were not included in the 2015 Budget. The additional expenditures for furniture and leasehold improvements at the Atlanta office, totaling \$170,686, were incurred to increase the number of offices; the use of Operating Reserves for this purpose was approved by the FAC at its November 2014 meeting (subsequent to finalization, approval, and submission to the Commission of NERC's 2015 Business Plan and Budget). The additional expenditures for leasehold improvements at the Washington, D.C., office, totaling \$302,389, were incurred (1) to facilitate the addition of space necessary to accommodate the physical separation of the E-ISAC from other NERC operations in the office, and (2) to accommodate current and future staffing needs.⁷ The use of Operating Reserves for this purpose was also approved by the FAC at its November 2014 meeting (again, subsequent to finalization, approval, and submission to the Commission of NERC's 2015 Business Plan and Budget).⁸

⁷ See September 29, 2015 Response at 9.

⁸ The FAC approved the use of up to \$425,000 from Operating Reserves for the leasehold improvements at the Washington, D.C., office, but only about 71% of the authorized expenditure was required to complete the improvements. The FAC approved the use of up to \$285,000 from Operating Reserves for the leasehold improvements at the Atlanta office, but only about 60% of the authorized expenditure was required to complete the improvements.

Legal and Regulatory

Statement of Activities and Fixed Asset Budget

	2015 Actual	2015 Budget	Variance Over (Under)	%
Legal and Regulatory				
Funding				
Assessments	-	-	-	
Penalties	-	-	-	
Third-Party Funding (CRISP)	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	2,212,106	2,798,380	(586,275)	-21.0%
Payroll Taxes	127,566	152,178	(24,611)	-16.2%
Employee Benefits	165,685	288,597	(122,911)	-42.6%
Savings & Retirement	203,984	314,835	(110,851)	-35.2%
Total Personnel Expenses	2,709,342	3,553,990	(844,648)	-23.8%
Meeting Expenses				
Meetings	5,650	7,500	(1,850)	-24.7%
Travel	50,087	106,000	(55,913)	-52.7%
Conference Calls	3,436	8,874	(5,438)	-61.3%
Total Meeting Expenses	59,174	122,374	(63,200)	-51.6%
Operating Expenses				
Consultants and Contracts	-	-	-	
Rent & Improvements	-	-	-	
Office Costs	49,665	71,152	(21,487)	-30.2%
Professional Services	317,919	700,000	(382,081)	-54.6%
Miscellaneous	222	500	(278)	-55.5%
Depreciation	2,947		2,947	
Total Operating Expenses	370,753	771,652	(400,899)	-52.0%
Other Non-Operating Expenses	-	-	-	
Indirect Expenses	(3,139,268)	(4,448,015)	1,308,747	-29.4%
Total Expenses	-	-	-	
Net Change in Assets	-	-	-	
Fixed Assets				
Depreciation	(2,947)	-	(2,947)	
Computer & Software	-	-	-	
Furniture & Fixtures	-	-	-	
Equipment	-	-	-	
Leasehold Improvements	-	-	-	
Allocation of Fixed Assets	2,947	-	2,947	
Incr(Dec) in Fixed Assets	-	-	-	
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	-	-	-	
Change in Working Capital	-	-	-	
FTE's	12.88	15.01	(2.13)	-14.2%

Explanation of Variances by Category – Legal and Regulatory

- **Personnel** expenses were collectively \$844.6k, 23.8%, under budget primarily due to having 3.07, 19.2%, fewer FTEs on staff than budgeted. As previously stated, two (2) positions were transferred from Legal and Regulatory; one (1) to General and Administrative and one (1) to Policy and External Affairs. In addition, two (2) positions were open during a portion of the year, however these open positions were partially offset by the assumed vacancy rate. The under budget variances for Salaries and Payroll Taxes were generally consistent with the under budget variance related to FTEs. Employee Benefits were under budget by a higher percentage due to lower than budgeted training, education and relocation expenses. Retirement expenses were also under budget due to lack of participation in the retirement plan by some staff and timing of departures which impacts eligibility in the employer contribution to the retirement plan.
- **Meeting, travel and conferencing** expenses were collectively \$63.2k, 51.6%, under budget primarily due to lower than budgeted travel expenses, \$55.9k, 52.7%, under budget related to focus on travel expense management.
- **Operating Expenses**
 - Office costs were \$21.5k, 30.2%, under budget due to lower telecommunications expense as a result of having fewer FTEs on staff than budgeted.
 - Professional services were \$382.1k, 54.6% under budget, due to lower than budgeted outside legal fees associated with lobbying and other support services. The occurrence of legal proceedings at the Commission or before other bodies, or of other legal needs, requiring the use of outside legal counsel during the budget year, is particularly difficult to forecast in the development of the annual budget which must be completed by July or August of the preceding year.

Information Technology

Statement of Activities and Fixed Asset Budget

Information Technology	2015 Actual	2015 Budget	Variance Over (Under)	%
Funding				
Assessments	-	-	-	
Penalties	-	-	-	
Third-Party Funding (CRISP)	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	2,777,808	2,477,896	299,912	12.1%
Payroll Taxes	197,145	160,263	36,882	23.0%
Employee Benefits	402,225	356,502	45,723	12.8%
Savings & Retirement	304,071	277,094	26,976	9.7%
Total Personnel Expenses	3,681,248	3,271,754	409,494	12.5%
Meeting Expenses				
Meetings	7,456	3,169	4,287	135.3%
Travel	55,439	35,000	20,439	58.4%
Conference Calls	5,705	13,000	(7,295)	-56.1%
Total Meeting Expenses	68,601	51,169	17,432	34.1%
Operating Expenses				
Consultants and Contracts	1,341,819	1,729,600	(387,781)	-22.4%
Rent & Improvements	-	-	-	
Office Costs	2,466,743	2,143,420	323,323	15.1%
Professional Services	-	-	-	
Miscellaneous	315	500	(185)	-37.0%
Depreciation	1,055,308	1,330,443	(275,136)	-20.7%
Total Operating Expenses	4,864,184	5,203,963	(339,779)	-6.5%
Other Non-Operating Expenses	4,269	-	4,269	
Indirect Expenses	(8,618,303)	(8,526,886)	(91,416)	1.1%
Total Expenses	-	-	-	
Net Change in Assets	-	-	-	
Fixed Assets				
Depreciation	(1,055,308)	(1,330,443)	275,136	-20.7%
Computer & Software	1,426,733	2,953,500	(1,526,767)	-51.7%
Furniture & Fixtures	-	-	-	
Equipment	964,779	365,000	599,779	164.3%
Leasehold Improvements	-	-	-	
Allocation of Fixed Assets	(1,336,205)	(1,988,057)	651,852	-32.8%
Incr(Dec) in Fixed Assets	-	-	-	
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	-	-	-	
FTE's	23.21	19.70	3.51	17.8%

Explanation of Variances by Category – Information Technology

- **Personnel Expenses** were collectively over budget 409.5k, 12.5%, due to having 3.5, 17.8%, more FTEs on staff than budgeted. As described earlier, during 2015 two (2) positions were transferred from the Reliability Standards Program and one (1) position was transferred from RAPA to IT to provide additional support for development and management of software applications supporting operations in several programs. The over budget variances in Personnel Expenses category are generally consistent with the over budget variance for FTEs.
- **Meeting, travel and conferencing** expenses were collectively \$17.4k, 34.1%, over budget primarily due to higher travel expenses, which resulted from an increase in travel between the Atlanta and DC offices and travel related to employee training.
- **Consultants and Contracts** were under budget by \$387.8k, 22.4%, due to: (i) the reallocation of \$91.7k budgeted as contract and consulting expense for the development of a document management system to the fixed asset cost of the document management system; (ii) the reallocation of \$96.2k budgeted as contract and consulting expense for ERO application development and support to the fixed asset cost of the Standards Balloting System; (iii) lower than budgeted costs for network vulnerability testing, \$45.1k; and (iv) lower than budgeted costs for ERO application support and data analysis, \$154.8k.
- **Office Costs** were over budget by \$323.3k, 15.1%, due to; (i) higher than budgeted telecommunications expenses, which were over budget \$137.7k, 22.8%, primarily due to a delay in the implementation of a new network simplification project that began in 2014; (ii) higher than budgeted maintenance and service agreements expenses related to data back-up, \$162.6k, 12.2%; and (iii) higher than budgeted subscription expenses, \$79.1k. These over budget expenses were offset by lower than budgeted computer supplies.
- **Fixed Assets**
 - Computer and Software under budget \$1.5M, 51.7%, primarily due to expenditures for several capital projects being budgeted in the IT department in the 2015 budget, but the actual costs expended on the projects were recorded in the user programs or departments. As described earlier, these reclassifications occurred for the RADS (\$589,800 reclassified to RAPA) and the EAMS (\$389,600 reclassified to Event Analysis), as well as for enhancements to CRATS (\$396,300 reclassified to Compliance Enforcement).
 - Equipment was over budget \$599.8k, 164.3%, due to the incurrence of unbudgeted (in the 2015 budget) expenditures for the accelerated development and implementation of a new ERO Enterprise corporate Document Management Program. Funding for the development and implementation of the Document Management Program during 2015 included \$600,000 from Operating Reserves. This use of \$600,000 from Operating Reserves was recommended by the NERC FAC on May 6, 2015, approved by the NERC Board on May 7,

2015, and was filed with and approved by the Commission in accordance with Section 7(b)(ii) of the Settlement Agreement.⁹

⁹ *Request of the North American Electric Reliability Corporation for Approval of an Operating Expenditure Greater than \$500,000 from Operating Reserves*, filed May 15, 2015, in Docket No. RR14-6-002. The Commission approved this use of Operating Reserves in a letter order dated June 4, 2015.

Human Resources

Statement of Activities and Fixed Asset Budget

Human Resources	2015 Actual	2015 Budget	Variance Over (Under)	%
Funding				
Assessments	-	-	-	
Penalties	-	-	-	
Third-Party Funding (CRISP)	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	811,276	606,214	205,061	33.8%
Payroll Taxes	28,895	23,797	5,099	21.4%
Employee Benefits	95,890	50,929	44,961	88.3%
Savings & Retirement	37,430	42,964	(5,534)	-12.9%
Total Personnel Expenses	973,490	723,904	249,587	34.5%
Meeting Expenses				
Meetings	3,298	1,500	1,798	119.9%
Travel	4,879	14,000	(9,121)	-65.1%
Conference Calls	892	1,247	(355)	-28.5%
Total Meeting Expenses	9,069	16,747	(7,678)	-45.8%
Operating Expenses				
Consultants and Contracts	445,993	298,275	147,718	49.5%
Rent & Improvements	-	-	-	
Office Costs	9,214	14,099	(4,885)	-34.6%
Professional Services	73,667	80,280	(6,613)	-8.2%
Miscellaneous	18,655	25,000	(6,345)	-25.4%
Depreciation	6,444	-	6,444	
Total Operating Expenses	553,974	417,654	136,320	32.6%
Other Non-Operating Expenses	-	-	-	
Indirect Expenses	(1,536,533)	(1,158,304)	(378,229)	32.7%
Total Expenses	-	-	-	
Net Change in Assets	-	-	-	
Fixed Assets				
Depreciation	(6,444)	-	(6,444)	
Computer & Software	-	-	-	
Furniture & Fixtures	-	-	-	
Equipment	-	-	-	
Leasehold Improvements	-	-	-	
Allocation of Fixed Assets	6,444	-	6,444	
Incr(Dec) in Fixed Assets	-	-	-	
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	-	-	-	
FTE's	3.00	2.81	0.19	6.8%

Explanation of Variances by Category – Human Resources

- **Personnel** expenses were collectively \$250k, 34.5%, over budget.
 - Salaries expense was \$205.1k, 33.8% over budget due to higher than budgeted employment agency fees, which are recorded as Personnel Expense in Human Resources.
 - Benefits were \$45k, 88.3%, over budget due to cost of transition to a new electronic employee benefit enrollment program which will cost less annually in the future. This cost is recorded as Benefits Expense in Human Resources.

- **Operating Expenses**
 - Consultant and contract expenses were \$147.7k, 49.5%, over budget due to costs related to unbudgeted executive and employee compensation studies. The use of reserves for these studies received all necessary authorizations, as noted above.

Finance and Accounting

Statement of Activities and Fixed Asset Budget

Finance and Accounting	2015 Actual	2015 Budget	Variance Over (Under)	%
Funding				
Assessments	-	-	-	
Penalties	-	-	-	
Third-Party Funding (CRISP)	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	2,145,711	1,770,583	375,129	21.2%
Payroll Taxes	112,683	105,402	7,281	6.9%
Employee Benefits	255,175	288,597	(33,422)	-11.6%
Savings & Retirement	195,154	197,906	(2,753)	-1.4%
Total Personnel Expenses	2,708,723	2,362,488	346,235	14.7%
Meeting Expenses				
Meetings	1,653	2,500	(847)	-33.9%
Travel	72,900	48,500	24,400	50.3%
Conference Calls	448	9,560	(9,112)	-95.3%
Total Meeting Expenses	75,001	60,560	14,441	23.8%
Operating Expenses				
Consultants and Contracts	298,248	339,500	(41,252)	-12.2%
Rent & Improvements	-	-	-	
Office Costs	43,731	37,838	5,893	15.6%
Professional Services	312,163	296,000	16,163	5.5%
Miscellaneous	576	500	76	15.3%
Depreciation	1,184	-	1,184	
Total Operating Expenses	655,902	673,838	(17,936)	-2.7%
Other Non-Operating Expenses	(300)	-	(300)	
Indirect Expenses	(3,439,325)	(3,096,886)	(342,440)	11.1%
Total Expenses	-	-	-	
Net Change in Assets	-	-	-	
Fixed Assets				
Depreciation	(1,184)	-	(1,184)	
Computer & Software	-	-	-	
Furniture & Fixtures	-	-	-	
Equipment	-	-	-	
Leasehold Improvements	-	-	-	
Allocation of Fixed Assets	1,184	-	1,184	
Incr(Dec) in Fixed Assets	-	-	-	
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	-	-	-	
Change in Working Capital	-	-	-	
FTE's	16.42	16.89	(0.47)	-2.8%

Explanation of Variances by Category – Finance and Accounting

- **Personnel Expenses** – During 2015, one (1) position was transferred to General and Administrative to support administrative needs of the department.
 - Salaries Expense was \$375.1k, 21.2%, over budget due to having more experienced FTEs on staff than was planned in the budget and the use of temporary office services during periods of staff vacancies.
 - Employee Benefits expenses were under budget \$33.4k, 11.6%, primarily due to lower than budgeted training, education and relocation benefits. In addition, the average cost of medical benefits per FTE in this department were lower than the budgeted average cost per FTE based upon the actual coverages elected by employees in this department.
- **Meeting, travel and conferencing** expenses were collectively \$14.4k, 23.8%, over budget primarily due to more travel between the Atlanta and DC offices than was planned.
- **Operating Expenses**
 - Consultants and Contracts were \$41.3k, 12.2%, under budget primarily due to lower than budgeted costs to support internal audit and risk management.

Financial Statements and Report of
Independent Certified Public Accountants

North American Electric Reliability Corporation

December 31, 2015 and 2014

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Trustees of
North American Electric Reliability Corporation

We have audited the accompanying financial statements of **North American Electric Reliability Corporation** (a New Jersey non-profit corporation), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North American Electric Reliability Corporation as of December 31, 2015 and 2014, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of selected expenses shown on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as whole.



Atlanta, Georgia

May 4, 2016

Statements of financial position

December 31,	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 39,808,955	\$ 38,310,796
Restricted cash	500,000	500,000
Accounts receivable, net of allowance for doubtful accounts of \$0	3,986,346	5,059,002
Prepaid expenses	1,291,805	756,727
Total Current Assets	45,587,106	44,626,525
Long-Term Assets		
Property and equipment, net	8,301,731	5,929,366
Security deposits	125,416	99,136
457f Plan Assets	271,200	-
457b Plan Assets	744,439	522,756
Total Long-Term Assets	9,442,786	6,551,258
Total Assets	\$ 55,029,892	\$ 51,177,783
Liabilities and net assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 10,048,001	\$ 8,930,613
Accrued retirement liabilities	1,878,830	1,907,563
Current portion of long-term debt	744,253	421,667
Deferred revenue	10,469,830	10,182,338
Deferred rent - current	322,016	249,269
Deferred compensation - current	-	14,257
Capital lease obligations - current	64,728	56,457
Regional assessments collected in advance	12,273,666	11,438,454
Total Current Liabilities	35,801,324	33,200,618
Long-Term Liabilities		
Deferred rent - non-current	3,412,298	3,569,492
Deferred compensation - non-current	1,038,351	783,446
Insurance reserve	500,000	500,000
Long-term debt	680,311	456,806
Capital lease obligations - non-current	151,752	216,481
Total Long-Term Liabilities	5,782,712	5,526,225
Total Liabilities	41,584,036	38,726,843
Net Assets		
Unrestricted	9,735,856	8,485,940
Temporarily restricted	3,710,000	3,965,000
Total Net Assets	13,445,856	12,450,940
Total Liabilities and Net Assets	\$ 55,029,892	\$ 51,177,783

The accompanying notes are an integral part of these financial statements.

Statements of activities

	For the Year Ended December 31, 2015			For the Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
NERC assessments	\$ 55,308,376	\$ -	\$ 55,308,376	\$ 51,401,382	\$ -	\$ 51,401,382
Penalty income	-	900,000	900,000	-	3,810,000	3,810,000
Third-Party funding	5,273,658	-	5,273,658	1,587,876	-	1,587,876
Testing / fees	1,683,977	-	1,683,977	1,659,137	-	1,659,137
Services and software	71,000	-	71,000	77,000	-	77,000
Workshops	249,726	-	249,726	231,090	-	231,090
Rental income	188,684	-	188,684	242,589	-	242,589
Interest	10,761	-	10,761	2,830	-	2,830
Loss on disposal of fixed assets	(3,969)	-	(3,969)	(9,142)	-	(9,142)
Miscellaneous revenues	156	-	156	58	-	58
Net assets (penalties) released from restrictions	1,155,000	(1,155,000)	-	290,000	(290,000)	-
Total revenues	63,937,369	(255,000)	63,682,369	55,482,820	3,520,000	59,002,820
Expenses:						
Salaries	28,386,720	-	28,386,720	25,729,089	-	25,729,089
Employee costs	5,213,812	-	5,213,812	4,665,434	-	4,665,434
Retirement and savings plans	2,613,168	-	2,613,168	2,336,382	-	2,336,382
Travel and meetings	3,341,900	-	3,341,900	3,486,930	-	3,486,930
Services	14,245,845	-	14,245,845	10,485,664	-	10,485,664
Rent	3,126,268	-	3,126,268	2,980,370	-	2,980,370
Office costs	1,669,306	-	1,669,306	1,472,572	-	1,472,572
Computer	1,845,733	-	1,845,733	1,796,180	-	1,796,180
Depreciation and amortization	2,116,797	-	2,116,797	1,845,951	-	1,845,951
Property tax expense	41,435	-	41,435	52,312	-	52,312
Provision for bad debts	17	-	17	10,554	-	10,554
Miscellaneous expenses	32,045	-	32,045	19,861	-	19,861
Interest	54,407	-	54,407	30,173	-	30,173
Total expenses	62,687,453	-	62,687,453	54,911,472	-	54,911,472
Change in net assets	1,249,916	(255,000)	994,916	571,348	3,520,000	4,091,348
Net assets, beginning of year	8,485,940	3,965,000	12,450,940	7,914,592	445,000	8,359,592
Net assets, end of year	\$ 9,735,856	\$ 3,710,000	\$ 13,445,856	\$ 8,485,940	\$ 3,965,000	\$ 12,450,940

The accompanying notes are an integral part of these financial statements.

Statements of cash flows

For the Years Ended December 31,	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 994,916	\$ 4,091,348
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,116,797	1,845,951
Straight-line rent accrual	(84,447)	(181,138)
Loss on disposal of fixed assets	3,969	9,142
Provision for bad debts	17	10,554
457f Non-qualified deferred compensation	(271,200)	-
Change in cash attributable to changes in operating assets and liabilities:		
Accounts receivable	1,072,639	(1,715,661)
Prepaid expenses	(535,078)	113,149
Security deposits	(26,280)	-
Receipt of funds for regional entities	109,618,044	94,703,215
Disbursements of funds to regional entities	(109,618,044)	(94,703,215)
Accounts payable and accrued expenses	1,063,227	1,923,684
Deferred revenue	287,492	4,895,294
Insurance Reserve	-	500,000
Regional assessments collected in advance	835,212	2,011,161
Deferred compensation	18,965	(22,293)
Accrued retirement liabilities	(28,733)	118,939
Net cash provided by operating activities	5,447,496	13,600,130
Cash flows from investing activities		
Purchases of property and equipment	(4,441,281)	(1,806,735)
Proceeds from sales of property and equipment	2,311	11,519
Net cash used in investing activities	(4,438,970)	(1,795,216)
Cash flows from financing activities		
Proceeds from non-revolving credit facility	967,758	1,265,000
Debt service	(421,667)	(386,527)
Capital lease payments	(56,458)	(54,651)
Net cash provided by financing activities	489,633	823,822
Net increase in cash and cash equivalents	1,498,159	12,628,736
Cash and cash equivalents, beginning of year	38,810,796	26,182,060
Cash and cash equivalents, end of year	\$ 40,308,955	\$ 38,810,796
Supplemental disclosure of non-cash information		
Fixed asset purchases within accounts payable	\$ 54,161	\$ 63,646
Capital lease obligation for equipment	-	280,481
Supplemental disclosure of cash paid		
Interest	\$ 54,407	\$ 30,173
Reconciliation of Cash		
Cash and cash equivalents	\$ 39,808,955	\$ 38,310,796
Restricted cash	500,000	500,000
Cash and cash equivalents, end of year	\$ 40,308,955	\$ 38,810,796

The accompanying notes are an integral part of these financial statements.

Notes to financial statements

1 Organization and Nature of Business

North American Electric Reliability Corporation (the "Corporation" or "NERC") is an international, independent, not-for-profit organization, whose mission is to ensure the reliability of the bulk power system in North America. NERC relies on the diverse and collective expertise of electricity industry participants, subject to government oversight and audit. The Corporation is certified by the United States Federal Energy Regulatory Commission ("FERC") as the Electric Reliability Organization ("ERO") within the United States. In the United States, the Corporation has the authority to levy fines and penalties against any of the individual users, owners and operators of the bulk power system for non-compliance with the reliability standards that govern the bulk power system. The Corporation has also been recognized as the ERO by governmental authorities in Canada.

To achieve the Corporation's mission, it develops and enforces reliability standards; monitors the bulk power system; assesses future adequacy; and educates, trains and certifies industry personnel. Entities subject to the Corporation's reliability standards account for virtually all the electricity supplied in the United States, Canada and a portion of Baja California, Norte, Mexico.

The Corporation is the successor to the North American Electric Reliability Council (the "Council") which was formed in 1968 in the aftermath of the November 1965 blackout that affected the northeastern United States and Ontario, Canada. On October 31, 2006, the Council entered into an agreement and plan of merger with the Corporation, a New Jersey non-profit corporation. At the effective date of the merger, January 1, 2007, the separate corporate existence of the Council ceased, and the Corporation became the surviving entity. All of the property, assets, rights, privileges, powers, franchises and immunities of the Council became the property of the Corporation. All debts, liabilities and obligations of the Council were also assumed by the Corporation. The Corporation is organized and operates as a business league under Internal Revenue Code Section 501(c)(6). The activities of the Corporation are directed by an independent Board of Trustees.

The membership of the Corporation is unique. It is a not-for-profit corporation whose members include users, owners and operators of the bulk power system, eight regional entities, large and small end-use customers, state and provincial governmental authorities and other interested parties.

Annually, the Board of Trustees approves an operating budget for the Corporation that includes a provision for working capital and operating reserves, which are recovered through assessments to Load-Serving Entities ("LSE"). The determination of the annual working capital and operating reserve requirements and the authorization of management to access these funds is governed by the Corporation's "Working Capital and Operating Reserve Policy." The Corporation assesses each LSE a proportional share of its annual operating budget based on "net energy for load." During 2015, the assessments to LSEs made up approximately 86.1% of the total funding for the Corporation. Assessments to U.S. entities in 2015 were offset by \$1,155,000 in penalties received in prior years, but restricted from use until 2015 per the Corporation's policy on the "Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards." The Corporation also generates funding from the collection of fees charged for various services. These services include management of some contracts associated with the Electricity Information Sharing and Analysis Center (E-ISAC), the maintenance of a certification program for system operators, the development of reports and software programs, and the hosting of workshops to educate the industry on various reliability matters.

The Corporation has entered into separate delegation agreements, which have been approved by FERC, with eight regional entities: Florida Reliability Coordinating Council ("FRCC"), Midwest Reliability Organization ("MRO"), Northeast Power Coordinating Council ("NPCC"), Reliability First Corporation ("RFC"), SERC Reliability Corporation ("SERC"), Southwest Power Pool Regional Entity ("SPP"), Texas Reliability Entity ("TRE") and Western Electricity Coordinating Council ("WECC") (collectively the "Regional Entities"). Through these agreements, the Corporation has delegated certain ERO responsibilities and functions to the Regional Entities.

The Corporation must annually approve the eight Regional Entities' budgets and submit them, along with its budget and schedule of LSE assessments, to FERC for final approval of the budgets and the U.S. portion of the assessments. The Corporation has the sole responsibility to invoice, collect and disburse the monies approved in the Regional Entities' budgets. These pass-through amounts are not included as revenue and expense in the statement of activities (see Note 6).

2 Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements of the Corporation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of restrictions. The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets as of December 31, 2015 or 2014. Net assets totaling \$3,710,000 and \$3,965,000 were temporarily restricted as of December 31, 2015 and 2014, respectively, to offset future assessments.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents. The Corporation maintains its cash balances with one bank. The accounts at the bank are insured up to certain limits by the Federal Deposit Insurance Corporation. Balances in these accounts may exceed Federally-insured limits from time to time. A total of \$500,000 has been set aside for the insurance reserve in current assets and non-current liabilities and is restricted from use for any other purpose.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Corporation recognizes assessment revenue billed to the LSEs on a pro-rata basis over the calendar year. Fees generated for contract management, testing, certifications, services and software, workshops and other services are recognized when the test is taken, service rendered and/or workshops are completed.

Penalty income is derived from FERC's approval of assessment of penalties to registered entities regarding enforcement of NERC's Reliability Standards. The penalty income from a registered entity is recorded following closure of the enforcement matter including exhaustion of appeals. The funds are temporarily restricted due to FERC's requirement that the funds be used to reduce future NERC assessments.

Deferred Revenue

Deferred revenue represents assessments and fees billed and received in advance of the period in which it is earned. Deferred revenue is recognized as revenue in the period in which it is earned.

Accounts Receivable

Accounts receivable are recorded at the original invoice amount, less an estimated allowance for uncollectible accounts. Credit is generally extended on a short-term basis; thus accounts receivable do not bear interest. Accounts receivable are periodically evaluated for collectability based on past experience and an analysis of current accounts receivable collectability. Changes in the estimated collectability of accounts receivable are recorded in the results of operations for the period in which the estimate is revised. Accounts deemed uncollectible are charged to the allowance in the years they are deemed uncollectible.

Property and Equipment

Purchased property and equipment are capitalized at cost. Donated assets are capitalized at the fair market value of the assets on the date of contribution. The Corporation's minimum capitalization policy is for additions greater than \$2,000.

Depreciation and amortization is provided by the straight-line method over the estimated useful lives of the related assets as follows:

	Years
Software development	3-5 years
Furniture and equipment	3-7 years
Leasehold improvements	Term of lease or estimated useful life of the asset, whichever is shorter

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized.

Compensated Absences

Employees of the Corporation are entitled to paid time off depending on length of service. At December 31, 2015 and 2014, the Corporation has recorded accrued compensated absences of \$565,999 related to days earned, which is included with accounts payable and accrued expenses on the statements of financial position.

Income Taxes

The Corporation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The Corporation is subject to income taxes on revenues from unrelated business activities. The Corporation is subject to a proxy tax related to nondeductible lobbying and political expenses incurred. There was no proxy tax incurred in 2015 or 2014.

The Corporation recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. The Corporation is no longer subject to federal and state tax examinations by the respective taxing authorities for the years prior to 2012. Tax years 2012 through 2015 remain subject to examination by major tax jurisdictions.

Subsequent Events

The Corporation discloses material events that occur after the statement of financial position date but before financial statements are issued. In general, these events are recognized in the financial statements if the condition existed at the date of the statement of financial position, but are not recognized if the condition did not exist at the statement of financial position date. The Corporation discloses non-recognized events if required to keep the financial statements from being misleading. Management evaluated events occurring subsequent to December 31, 2015 through May 4, 2016, the date the financial statements were available for issuance.

3 Property and Equipment

Property and equipment consist of the following at December 31:

December 31,	2015	2014
Software development	\$ 6,712,491	\$ 4,392,007
Furniture and equipment	7,618,243	6,805,180
Leasehold improvements	1,380,675	1,100,816
	15,711,409	12,298,003
Accumulated depreciation and amortization	(7,409,678)	(6,368,637)
	\$ 8,301,731	\$ 5,929,366

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 was \$2,116,797 and \$1,845,951, respectively.

4 Non-Revolving Credit Facility and Line of Credit

On January 13, 2014, the company secured a non-revolving credit facility under the Capital Financing Program that was approved by the Board of Trustees and the FERC as part of the Corporation's 2014 Business Plan and Budget. The interest rate is floating and equal to LIBOR plus 275 basis points, which yielded a rate of 2.91% at closing. The total size of this facility is \$7,500,000, with the total authorized borrowings each year limited to the amount approved by the Board of Trustees and FERC in that year's business plan and budget. This facility is collateralized by all existing and future assets and subject to a filing under the Uniform Commercial Code. Borrowings outstanding as of December 31, 2015 were \$1,424,564.

The Corporation has a line of credit with a bank that expires in June 2016. The line of credit provides for up to \$4,000,000 of availability to be used for working capital needs. In connection with the non-revolving credit facility secured on January 13, 2014, the line of credit was amended and restated. The line of credit accrues interest at a rate per annum equal to LIBOR plus 275 basis points, which yielded a rate of 2.91% at closing. The line of credit is collateralized by all existing and future assets and subject to a filing under the Uniform Commercial Code. There were no borrowings outstanding at December 31, 2015 or 2014. At December 31, 2015 and 2014, the available amount under the line of credit was reduced by open letters of credit totaling \$142,708 and \$140,772, respectively, which represent security deposits for the Corporation's office lease agreements.

Both loan agreements contain various positive and negative covenants, and the Corporation was in compliance with these covenants as of December 31, 2015.

5 Penalty Income

The Corporation received \$900,000 and \$3,810,000 of penalty income in 2015 and 2014, respectively, which is temporarily restricted. The penalty income will be utilized in accordance with the timing of the receipt of the income and FERC's requirement for the use of penalty income to reduce assessments. NERC transferred \$1,155,000 of penalty income from temporarily restricted net assets to unrestricted net assets during 2015. During 2014, NERC transferred \$290,000 of penalty income from temporarily restricted net assets to unrestricted net assets.

6 Regional Assessments Collected in Advance

In addition to the Corporation assessments billed to LSEs or designees, a regional assessment is also billed by the Corporation on behalf of the Regional Entities. The regional assessment is based on approved budgets of the eight Regional Entities and remitted to the Regional Entities by the Corporation. There is a credit risk if the Corporation does not collect the assessments from LSEs or designees before the regional assessments are due to the Regional Entities. However, the risk is minimal since the Corporation has the ability to reassess and rebill in a subsequent period for any uncollected assessments. Regional assessments billed and remitted for 2015 and 2014 were as follows:

For the Year Ended December 31,	2015		2014	
Total regional assessments billed to WECC, ERCOT, individual LSE's and designees	\$	108,272,977	\$	92,683,354
Total regional assessments remitted to Regional Entities		(108,269,729)		(92,648,361)
Billings over remittances	\$	3,248	\$	34,993

As of December 31, 2015 and 2014, regional assessments collected in advance and not yet remitted to the Regional Entities based upon the remittance schedule set forth in the delegation agreements totaled \$12,273,666 and \$11,438,454, respectively.

7 Deferred Compensation

Agreements and Life Insurance Policies

During 2005, the Council entered into a deferred compensation agreement with a retiring executive that provided benefits payable over a period selected by the retiring employee, payable to the retiree or his surviving spouse. The Corporation assumed the liability upon merger with the Council. The original agreement was superseded in 2008 and a variable universal life policy was used to fund the liability. This life policy, including the cash surrender value, was assigned and transferred to the retired executive in January 2009. In accordance with the new agreement, the Corporation paid all remaining policy premiums as of December 31, 2015. At December 31, 2014, the present value of the unfunded liability, using a discount rate of 0.75% was \$14,257. The present value of the unfunded liability as of December 31, 2014 is included in current deferred compensation on the statement of financial position.

Deferred Compensation Plan

The Corporation established a deferred compensation plan for certain employees in 2012 in accordance with Internal Revenue Code Section 457. The plan provides that eligible employees may make elective salary reduction contributions in accordance with limitations established by the Internal Revenue Code. In 2014, the plan was amended to allow the company to make discretionary, non-elective contributions to the plan on behalf of the employee. While the Company has the discretion to make contributions to this plan, the balances are primarily comprised of funds contributed by the employees. The asset and liability for this deferred compensation plan of \$744,439 and \$522,756 at December 31, 2015 and 2014, respectively, are included in 457b Plan Assets and non-current deferred compensation on the statements of financial position.

In 2015, the Corporation established a 457f nonqualified deferred compensation plan for certain key employees. The plan allows the company to make discretionary, annual awards that vest over time. The vesting period of each award for each participant is specified in writing. When the award is made, the Corporation makes a contribution to the 457f plan and records the contribution as 457f Plan Assets on the statement of financial position. The company records the expense of the award over time, based on the vesting schedule, on the statement of activities. The accrued expense liability is recorded in non-current deferred compensation on the statement of financial position. As of December 31, 2015, the asset and liability for this deferred compensation plan are \$271,200 and \$61,488, respectively.

Retiree Medical Benefits

Effective September 1, 2007, the Board of Trustees approved and adopted a policy to provide medical coverage for a limited number of current and transitional retirees and their dependents up to a maximum monthly benefit of \$550 paid directly to the applicable insurer. Assumptions used in recording the retiree medical benefits included the 2009 Social Security Administration Actuarial Period Life Table, annual inflation rate of 1.5% and discount rate of 3.8%. At December 31, 2015 and 2014, the accrued retiree medical benefits liability was \$232,424 and \$256,694, respectively, and is included in non-current deferred compensation on the statements of financial position. The retiree medical expense related to this policy was \$5,345 and \$9,507, respectively, for the years ended December 31, 2015 and 2014.

8 Commitments

Operating Leases

The Corporation leases office space in Washington, D.C. and Atlanta, Georgia under non-cancellable lease agreements, with expiration dates through 2022. In 2012 and 2015, the Corporation entered into agreements to expand the amount of leased space in Atlanta, Georgia with an expiration date in 2022, which is coterminous with the term of the lease for the original premises. In 2015, the Corporation entered into an agreement to expand the amount of leased space in Washington, D.C. with an expiration date in 2022, which is coterminous with the term of the lease for the original premises.

In 2011, the Corporation entered into a separate sub-lease agreement for one of the two locations in Washington D.C., with an expiration date of February 2017. On June 23, 2014, the Corporation and sub-tenant agreed to amend the sublease agreement for the space in Washington D.C., to reduce the amount of space subleased to sub-tenant and to reduce the rate of rent due under the terms of the sublease agreement.

Approximate future minimum payments on office lease space at December 31, 2015 are as follows, net of rental income for sub-leased space and including lease agreements entered into subsequently in January, 2016:

Years Ending December 31,	Leased Space	Sub-leased Space	Net
2016	\$ 3,467,000	\$ (213,000)	\$ 3,254,000
2017	3,275,000	(36,000)	3,239,000
2018	3,300,000	-	3,300,000
2019	3,386,000	-	3,386,000
2020	3,475,000	-	3,475,000
Thereafter	5,974,000	-	5,974,000
	\$ 22,877,000	\$ (249,000)	\$ 22,628,000

The office leases are subject to escalation clauses covering increases in real estate taxes and operating costs over the base year. The Corporation had received tenant improvement allowances as of December 31, 2015 totaling \$381,632. The difference between rent expense calculated ratably over the lease term and actual payments under the agreements are recorded as a deferred rent obligation on the statements of financial position in the amount of \$3,734,314 and \$3,818,761 at December 31, 2015 and 2014, respectively.

Office rent expense, net of sub-lease income of \$188,684 and \$242,589, was \$2,761,804 and \$2,534,672 for the years ended December 31, 2015 and 2014, respectively.

Capital Leases

The Corporation has entered into capital lease agreements for office equipment. Depreciation expense related to these capital leases was \$70,120 and \$51,227 for the years ended December 31, 2015 and 2014, respectively.

Assets leased by the Corporation under capital leases are included in fixed assets and capital lease obligation on the statements of financial position and consisted of the following:

December 31, 2015

Copier leases	\$	280,481
Accumulated depreciation		(75,963)
Net Book Value	\$	204,518

The following is a schedule of future minimum lease payments under these capital leases, together with the future obligation net of interest and maintenance as of December 31, 2015:

Years ending December 31,		Future Minimum Payments
2016	\$	91,000
2017		91,000
2018		83,000
Total Minimum Lease Payment		265,000
Less: Amounts representing interest and maintenance		(48,520)
Future Obligation Net of Interest and Maintenance	\$	216,480

Contractual Commitments

The Corporation has software license, maintenance support and data management service agreements with varying expiration dates through 2017. The following table is a schedule of future commitments under the terms of the agreements:

Years ending December 31,		Future Minimum Payments
2016	\$	227,000
2017		59,000
Total Service Agreements	\$	286,000

9 Savings and Investment Plan

The Corporation sponsors an employee savings 401(k) plan (the "Plan") whereby eligible employees may elect to contribute up to the Internal Revenue Service Code 402(g)(1) limit. The Corporation contributes a 75% match of the first 6% of a participant's elective contribution. The Corporation also makes a discretionary contribution equal to a percentage of the eligible compensation of all qualifying participants. The additional discretionary contributions are determined annually by the Board of Trustees and are subject to the limitation imposed by the Internal Revenue Service Code 401(a)(17). The Corporation's expenses related to the Plan for the years ended December 31, 2015 and 2014 were \$2,613,168 and \$2,336,382, respectively. The contributions accrued as of December 31, 2015 and 2014 amounted to \$1,878,830 and \$1,907,563, respectively, and are included in accrued retirement liabilities in the statements of financial position.

10 Concentration of Credit Risk

The Corporation receives a significant portion of its income from assessments, based upon "net energy for load," to LSEs within the eight regions located throughout the United States, Canada and a portion of Baja California, Norte, Mexico. LSEs are assessed a proportional share of the Corporation's operating budget as well as a proportional share of the operating budget of the regional entity in whose territory the LSE is located. The Corporation issues quarterly invoices directly to LSEs or, in some circumstances, designees. With respect to LSEs located within TRE, the Corporation issues a quarterly invoice to Electric Reliability Council of Texas ("ERCOT") which then issues invoices to the LSEs in its region, collects the assessments and remits the funds to the Corporation. The Corporation then remits the regional assessments to TRE. A similar arrangement exists with respect to LSEs located within the WECC. For LSEs located within the PJM Interconnection ("PJM"), the Corporation issues invoices to PJM which issues invoices to the LSEs, collects the assessments and remits the funds to the Corporation. The Corporation then forwards the regional assessment to RFC, the regional entity. The Corporation is extending credit to the LSEs and designees and is exposed to credit risk to the extent regional assessments are paid by the Corporation to the Regional Entities prior to collecting assessments from the LSEs or designees. Based on past history, the Corporation believes that the risk of its trade accounts receivable credit exposure is limited.

11 Functional Classification

The Corporation is required to provide information about expenses reported by their functional classification, which is a method of grouping expenses according to the purpose for which costs are incurred. The Corporation groups expenses by operational programs and by administrative programs as defined by FERC. In 2015, the Compliance Operations program was renamed as Compliance Assurance and the Critical Infrastructure program was renamed as the Electricity Information Sharing and Analysis Center (E-ISAC).

The following table shows the functional classification of expenses for the years ended December 31, 2015 and 2014.

For the Years Ended December 31,	2015	2014
Operational Programs:		
Reliability Standards	\$ 3,808,015	\$ 4,435,265
Compliance Assurance	5,952,309	5,011,773
Compliance Enforcement	2,201,290	2,347,294
Reliability Assessment and Performance Analysis	5,856,685	5,289,551
Event Analysis	2,275,034	1,976,454
Situation Awareness	3,201,061	2,839,878
Training, Education and Operator Certification	1,891,289	1,561,112
E-ISAC	10,155,644	5,783,518
	35,341,327	29,244,845
Administrative Programs:		
General and Administrative	10,612,697	9,331,197
Legal and Regulatory	3,139,268	3,946,155
Information Technology	8,618,303	8,484,162
Human Resources	1,536,533	1,075,167
Finance and Accounting	3,439,325	2,829,946
	27,346,126	25,666,627
Total Expenses	\$ 62,687,453	\$ 54,911,472

Supplemental Schedules of Selected Expenses

For the Years Ended December 31,	2015		2014	
Employee costs:				
Payroll taxes (FICA, SUI, FUI, Medicare)	\$	1,727,949	\$	1,615,713
Employee benefits - medical		2,529,766		2,210,021
Employee benefits - life / disability		166,717		198,766
Gym Membership		17,024		-
Insurance - workers' compensation		66,623		74,343
Relocation expenses		151,891		93,176
Educational		553,842		473,415
	\$	5,213,812	\$	4,665,434
Travel and meetings:				
Meetings	\$	742,094	\$	862,026
Workshops		267,962		130,661
Travel		2,068,939		2,175,616
On-line meetings		262,905		318,627
	\$	3,341,900	\$	3,486,930
Services:				
Insurance - commercial	\$	212,909	\$	126,127
Contract and consultants		12,156,300		7,857,813
Independent trustee fees		1,049,689		1,010,000
Search fees		94,336		93,239
Outside services		185,629		181,392
Accounting and auditing fees		111,453		162,167
Legal fees		435,529		1,054,926
	\$	14,245,845	\$	10,485,664
Office costs:				
Publications and subscriptions	\$	136,950	\$	84,296
Dues		49,478		40,862
Postage		14,644		13,854
UPS, express mail, etc.		22,698		20,215
Telephone		568,237		506,292
Office and equipment repair/services		69,417		74,528
Copying		29,234		70,426
Stationery and office forms		80		2,080
Office supplies		198,803		171,176
Bank charges		21,056		42,620
Card fees		75,788		82,241
Internet expenses		482,921		363,982
	\$	1,669,306	\$	1,472,572

ATTACHMENT 1-B

CORRECTED TABLES AND TEXT

IN THE

***REVISED* 2015 ACTUAL COST-TO-BUDGET COMPARISON**

FOR

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

North American Electric Reliability Corporation 2015 Audited Results - Actual to Budget Variance Analysis - Corrections

This document provides the corrections contained in the revised NERC True-Up Report included with this filing as "Attachment 1-A". Corrections to the text are noted as 'redlined' changes. Changes to the table immediately following are highlighted in yellow. Changes to all subsequent tables included in this document are reflected in the final column on the right labeled "Change in Variance".

2015 Actual vs Budget By Category – Excluding CRISP – correction to table on page 2 of previously submitted report

	Actual	Budget	Variance Over (Under)	%
TOTAL FUNDING	\$ 57,600,538	\$ 57,550,142	\$ 50,398	0.1%
EXPENSES and FIXED ASSETS				
PERSONNEL EXPENSES	\$ 35,871,699	\$ 35,344,061	\$ 527,638	1.5%
MEETINGS, TRAVEL and CONFERENCE CALLS	3,289,599	3,516,146	(226,547)	-6.4%
CONSULTANTS and CONTRACTS	7,245,348	6,645,411	599,937	9.0%
RENT	2,937,585	2,987,777	(50,192)	-1.7%
OFFICE COSTS, PROFESSIONAL SERVICES and MISC.	5,493,158	5,576,108	(82,950)	-1.5%
Other Non-Operating Expenses	99,828	131,000	(31,172)	-23.8%
Indirect Expenses	(377,684)	(396,002)	18,318	-4.6%
FIXED ASSET PURCHASES (excluding depreciation)	4,529,192	3,518,500	1,010,692	28.7%
Allocation of Fixed Assets	(17,967)	(23,638)	5,671	-0.24
TOTAL	\$ 59,070,758	\$ 57,299,362	\$ 1,771,395	3.1%
FTEs	191.31	190.42	0.89	0.5%

CRISP VARIANCES – correction to page 7 of previously submitted report

CRISP was \$3.5M, ~~38.6~~37.2%, under budget at year-end, primarily due to lower than budgeted contract and consulting expenses.

Allocation of Indirect Expenses and Fixed Assets by Program – corrections to pages 7 and 8

The actual and budgeted allocations of indirect expenses by FTE were \$227.5k and ~~\$212.2~~\$210.2k, respectively, for an increase of ~~\$15.3~~\$16.9k per FTE.

The actual and budgeted allocations of fixed assets net of depreciation by FTE were \$10.8k and ~~\$12.7~~\$12.6k, respectively for a decrease of ~~\$1.9~~\$1.8k per FTE.

Reliability Standards – corrections to table on page 11 and text on page 13

Statement of Activities and Fixed Asset Budget

Reliability Standards	2015	2015	Variance		2015 Budget	Variance per	Change in
	Actual	Budget	Over (Under)	%	per 5-31-2016 Submission	5-31-2016 Over (Under)	
Funding							
Assessments	9,911,464	9,911,464	-		9,911,464	-	-
Penalties	231,095	231,095	-		231,095	-	-
Third-Party Funding (CRISP)	-	-	-		-	-	-
Testing	-	-	-		-	-	-
Services & Software	-	-	-		-	-	-
Workshop Fees	118,793	104,000	14,793	14.2%	104,000	14,793	-
Interest	1,647	587	1,060	180.5%	587	1,060	-
Misc.	27	-	27		-	27	-
Total Funding	10,263,026	10,247,146	15,880	0.2%	10,247,146	15,880	-
Expenses							
Personnel Expenses							
Salaries	2,338,875	3,082,972	(744,097)	-24.1%	3,082,972	(744,097)	-
Payroll Taxes	161,421	202,258	(40,837)	-20.2%	202,258	(40,837)	-
Employee Benefits	359,384	441,383	(81,999)	-18.6%	441,383	(81,999)	-
Savings & Retirement	233,820	346,269	(112,449)	-32.5%	346,269	(112,449)	-
Total Personnel Expenses	3,093,500	4,072,883	(979,383)	-24.0%	4,072,883	(979,383)	-
Meeting Expenses							
Meetings	132,119	194,056	(61,937)	-31.9%	194,056	(61,937)	-
Travel	264,050	339,300	(75,250)	-22.2%	339,300	(75,250)	-
Conference Calls	68,644	117,736	(49,092)	-41.7%	117,736	(49,092)	-
Total Meeting Expenses	464,812	651,092	(186,280)	-28.6%	651,092	(186,280)	-
Operating Expenses							
Consultants and Contracts	-	-	-		-	-	-
Rent & Improvements	-	-	-		-	-	-
Office Costs	55,157	76,276	(21,119)	-27.7%	76,276	(21,119)	-
Professional Services	-	-	-		-	-	-
Miscellaneous	-	500	(500)	-100.0%	500	(500)	-
Depreciation	194,545	-	194,545		-	194,545	-
Total Operating Expenses	249,702	76,776	172,926	225.2%	76,776	172,926	-
Other Non-Operating Expenses	-	-	-	0.0%	-	-	-
Indirect Expenses	4,295,589	5,139,603	(844,014)	-16.4%	5,176,499	(880,909)	36,896
Total Expenses	8,103,604	9,940,354	(1,836,750)	-18.5%	9,977,250	(1,873,646)	36,896
Net Change in Assets	2,159,421	306,792	1,852,630	603.9%	269,896	1,889,525	(36,896)
Fixed Assets							
Depreciation	(194,545)	-	(194,545)		-	(194,545)	-
Computer & Software	108,914	-	108,914	100.0%	-	108,914	-
Furniture & Fixtures	-	-	-		-	-	-
Equipment	-	-	-		-	-	-
Leasehold Improvements	-	-	-		-	-	-
Allocation of Fixed Assets	204,343	306,791	(102,448)	-33.4%	308,993	(104,650)	2,202
Incr(Dec) in Fixed Assets	118,712	306,791	(188,079)	-61.3%	308,993	(190,281)	2,202
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	8,222,317	10,247,145	(2,024,828)	-19.8%	10,286,243	(2,063,927)	39,098
FTE's	18.88	24.40	(5.52)	-22.6%	24.39	(5.51)	(0.01)

Explanation of Variances by Category – Reliability Standards

- **Indirect Expenses** – Under budget \$~~880.9844.0~~k, ~~17.016.4~~%, due to having fewer FTEs on staff, offset by actual indirect expense being \$~~15.316.9~~k per FTE higher than budgeted, as explained above beginning on Page 7.

Compliance Assurance Program - corrections to table on page 14 and text on page 15

Statement of Activities and Fixed Asset Budget

Compliance Assurance	2015	2015	Variance		2015 Budget	Variance per	Change in
	Actual	Budget	Over (Under)	%	per 5-31-2016 Submission	5-31-2016 Over (Under)	
Funding							
Assessments	10,379,869	10,379,869	-		10,379,869	-	-
Penalties	222,003	222,003	-		222,003	-	-
Third-Party Funding (CRISP)	-	-	-		-	-	-
Testing	-	-	-		-	-	-
Services & Software	-	-	-		-	-	-
Workshop Fees	-	-	-		-	-	-
Interest	2,306	563	1,743	309.6%	563	1,743	-
Miscellaneous	37	-	37		-	37	-
Total Funding	10,604,215	10,602,435	1,780	0.0%	10,602,435	1,780	-
Expenses							
Personnel Expenses							
Salaries	3,880,380	3,442,483	437,897	12.7%	3,442,483	437,897	-
Payroll Taxes	245,617	220,459	25,159	11.4%	220,459	25,159	-
Employee Benefits	549,722	424,407	125,315	29.5%	424,407	125,315	-
Savings & Retirement	334,940	387,082	(52,141)	-13.5%	387,082	(52,141)	-
Total Personnel Expenses	5,010,659	4,474,431	536,229	12.0%	4,474,431	536,229	-
Meeting Expenses							
Meetings	105,561	73,064	32,497	44.5%	73,064	32,497	-
Travel	419,172	362,158	57,014	15.7%	362,158	57,014	-
Conference Calls	59,526	10,788	48,738	451.8%	10,788	48,738	-
Total Meeting Expenses	584,259	446,010	138,249	31.0%	446,010	138,249	-
Operating Expenses							
Consultants and Contracts	298,485	388,000	(89,515)	-23.1%	388,000	(89,515)	-
Rent & Improvements	-	-	-		-	-	-
Office Costs	56,173	61,384	(5,211)	-8.5%	61,384	(5,211)	-
Professional Services	-	-	-		-	-	-
Miscellaneous	316	500	(184)	-36.9%	500	(184)	-
Depreciation	2,417	-	2,417		-	2,417	-
Total Operating Expenses	357,391	449,884	(92,493)	-20.6%	449,884	(92,493)	-
Other Non-Operating Expenses	-	-	-	-	-	-	-
Indirect Expenses	6,295,496	4,937,389	1,358,106	27.5%	4,976,995	1,318,501	39,605
Total Expenses	12,247,805	10,307,714	1,940,091	18.8%	10,347,319	1,900,485	39,605
Net Change in Assets	(1,643,590)	294,721	(1,938,311)	-657.7%	255,116	(1,898,705)	(39,605)
Fixed Assets							
Depreciation	(2,417)	-	(2,417)		-	(2,417)	-
Computer & Software	-	-	-		-	-	-
Furniture & Fixtures	-	-	-		-	-	-
Equipment	-	-	-		-	-	-
Leasehold Improvements	-	-	-		-	-	-
Allocation of Fixed Assets	299,480	294,721	4,759	1.6%	297,085	2,395	2,364
Incr(Dec) in Fixed Assets	297,063	294,721	2,342	0.8%	297,085	(22)	2,364
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	12,544,868	10,602,435	1,942,433	18.3%	10,644,404	1,900,464	41,969
FTE's	27.67	23.45	4.22	18.0%	23.45	4.22	-

Explanation of Variances by Category – Compliance Assurance

- **Indirect Expenses** – Over budget \$1.31.4M, 26.527.5%, as a result of having more FTEs on staff than budgeted and, as explained above, Indirect Expenses were \$15.316.9k higher per FTE than budgeted.

Compliance Enforcement - corrections to table on page 16 and text on page 17

Statement of Activities and Fixed Asset Budget

Compliance Enforcement	2015		Variance		2015 Budget per 5-31-2016 Submission	Variance per 5-31-2016 Over (Under)	Change in Variance
	Actual	Budget	Over (Under)	%			
Funding							
Assessments	5,664,344	5,664,344	-		5,664,344	-	-
Penalties	142,161	142,161	-		142,161	-	-
Third-Party Funding (CRISP)	-	-	-		-	-	-
Testing	-	-	-		-	-	-
Services & Software	-	-	-		-	-	-
Workshop Fees	-	-	-		-	-	-
Interest	1,124	361	763	211.4%	361	763	-
Miscellaneous	19	-	19		-	19	-
Total Funding	5,807,647	5,806,866	782	0.0%	5,806,866	782	-
Expenses							
Personnel Expenses							
Salaries	1,674,987	1,785,495	(110,509)	-6.2%	1,785,495	(110,509)	-
Payroll Taxes	106,667	110,866	(4,199)	-3.8%	110,866	(4,199)	-
Employee Benefits	168,655	254,644	(85,989)	-33.8%	254,644	(85,989)	-
Savings & Retirement	178,166	200,635	(22,469)	-11.2%	200,635	(22,469)	-
Total Personnel Expenses	2,128,475	2,351,641	(223,166)	-9.5%	2,351,641	(223,166)	-
Meeting Expenses							
Meetings	764	2,000	(1,236)	-61.8%	2,000	(1,236)	-
Travel	44,570	57,900	(13,330)	-23.0%	57,900	(13,330)	-
Conference Calls	2,703	2,900	(197)	-6.8%	2,900	(197)	-
Total Meeting Expenses	48,038	62,800	(14,762)	-23.5%	62,800	(14,762)	-
Operating Expenses							
Consultants and Contracts	-	-	-		-	-	-
Rent & Improvements	-	-	-		-	-	-
Office Costs	22,041	41,500	(19,459)	-46.9%	41,500	(19,459)	-
Professional Services	-	-	-		-	-	-
Miscellaneous	948	500	448	89.6%	500	448	-
Depreciation	1,790	-	1,790		-	1,790	-
Total Operating Expenses	24,778	42,000	(17,222)	-41.0%	42,000	(17,222)	-
Other Non-Operating Expenses							
	-	-	-		-	-	-
Indirect Expenses	2,975,970	3,161,698	(185,729)	-5.9%	2,986,197	(10,227)	(175,502)
Total Expenses	5,177,260	5,618,139	(440,879)	-7.8%	5,442,637	(265,378)	(175,502)
Net Change in Assets	630,387	188,726	441,661	234.0%	364,228	266,159	175,502
Fixed Assets							
Depreciation	(1,790)	-	(1,790)		-	(1,790)	-
Computer & Software	396,283	-	396,283		-	396,283	-
Furniture & Fixtures	-	-	-		-	-	-
Equipment	-	-	-		-	-	-
Leasehold Improvements	-	-	-		-	-	-
Allocation of Fixed Assets	141,568	188,727	(47,158)	-25.0%	178,251	(36,682)	(10,476)
Incr(Dec) in Fixed Assets	536,062	188,727	347,335	184.0%	178,251	357,811	(10,476)
Total Budget (Expenses plus Incr(Dec) in Fixed)	5,713,322	5,806,866	(93,544)	-1.6%	5,620,888	92,434	(185,978)
FTE's	13.08	15.01	(1.93)	-12.9%	14.07	(0.99)	(0.94)

Explanation of Variances by Category – Compliance Enforcement

- **Personnel** – Personnel expenses were \$223k, 9.5%, under budget due to having 0.991.93, 712.9%, fewer FTEs on staff than budgeted, resulting from unfilled budgeted positions.
- **Indirect Expenses** – Under budget \$185.7k, 5.9%, due to having fewer FTEs on staff, partially offset by the higher cost per FTE as explained above.

Reliability Assessments and Performance Analysis - correction to table on page 18

Statement of Activities and Fixed Asset Budget

Reliability Assessments and Performance Analysis	2015	2015	Variance		2015 Budget	Variance per	Change in
	Actual	Budget	Over	%	per 5-31-2016	5-31-2016	
			(Under)		Submission	Over (Under)	Variance
Funding							
Assessments	9,571,195	9,571,195	-		9,571,195	-	-
Penalties	186,581	186,581	-		186,581	-	-
Third-Party Funding (CRISP)	-	-	-		-	-	-
Testing	-	-	-		-	-	-
Services & Software	71,000	50,000	21,000	42.0%	50,000	21,000	-
Workshop Fees	-	17,500	(17,500)	-100.0%	17,500	(17,500)	-
Interest	1,482	474	1,008	212.6%	474	1,008	-
Miscellaneous	19	-	19		-	19	-
Total Funding	9,830,277	9,825,750	4,527	0.0%	9,825,750	4,527	-
Expenses							
Personnel Expenses							
Salaries	2,922,225	2,833,480	88,745	3.1%	2,833,480	88,745	-
Payroll Taxes	200,423	176,963	23,460	13.3%	176,963	23,460	-
Employee Benefits	339,664	356,502	(16,838)	-4.7%	356,502	(16,838)	-
Savings & Retirement	308,979	317,664	(8,685)	-2.7%	317,664	(8,685)	-
Total Personnel Expenses	3,771,292	3,684,609	86,683	2.4%	3,684,609	86,683	-
Meeting Expenses							
Meetings	111,065	90,018	21,047	23.4%	90,018	21,047	-
Travel	334,661	313,993	20,668	6.6%	313,993	20,668	-
Conference Calls	13,427	31,500	(18,073)	-57.4%	31,500	(18,073)	-
Total Meeting Expenses	459,153	435,511	23,642	5.4%	435,511	23,642	-
Operating Expenses							
Consultants and Contracts	1,195,074	955,450	239,624	25.1%	955,450	239,624	-
Rent & Improvements	-	-	-		-	-	-
Office Costs	126,494	152,386	(25,891)	-17.0%	152,386	(25,891)	-
Professional Services	-	-	-		-	-	-
Miscellaneous	204	500	(296)	-59.1%	500	(296)	-
Depreciation	304,467	228,000	76,467	33.5%	228,000	76,467	-
Total Operating Expenses	1,626,240	1,336,336	289,904	21.7%	1,336,336	289,904	-
Other Non-Operating Expenses							
	-	-	-		-	-	-
Indirect Expenses	4,479,881	4,149,598	330,284	8.0%	4,181,100	298,781	31,502
Total Expenses	10,336,566	9,606,054	730,513	7.6%	9,637,556	699,010	31,502
Net Change in Assets	(506,289)	219,697	(725,986)	-330.4%	188,195	(694,483)	(31,502)
Fixed Assets							
Depreciation	(304,467)	(228,000)	(76,467)	33.5%	(228,000)	(76,467)	-
Computer & Software	612,772	200,000	412,772	206.4%	200,000	412,772	-
Furniture & Fixtures	-	-	-		-	-	-
Equipment	-	-	-		-	-	-
Leasehold Improvements	-	-	-		-	-	-
Allocation of Fixed Assets	213,110	247,696	(34,586)	-14.0%	249,576	(36,466)	1,880
Incr(Dec) in Fixed Assets	521,416	219,696	301,719	137.3%	221,576	299,839	1,880
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	10,857,982	9,825,750	1,032,232	10.5%	9,859,132	998,849	33,383
FTE's	19.69	19.70	(0.01)	-0.1%	19.70	(0.01)	-

Situation Awareness – correction to table on page 21

Statement of Activities and Fixed Asset Budget

Situation Awareness	2015		Variance		2015 Budget		Change in
	Actual	Budget	Over (Under)	%	per 5-31-2016	Variance per 5-31-2016 Over (Under)	
Funding							
Assessments	3,588,981	3,588,981	-		3,588,981	-	-
Penalties	57,774	57,774	-		57,774	-	-
Third-Party Funding (CRISP)	-	-	-		-	-	-
Testing	-	-	-		-	-	-
Services & Software	-	-	-		-	-	-
Workshop Fees	-	-	-		-	-	-
Interest	499	147	352	239.4%	147	352	-
Miscellaneous	8	-	8		-	8	-
Total Funding	3,647,262	3,646,902	360	0.0%	3,646,902	360	-
Expenses							
Personnel Expenses							
Salaries	858,547	849,802	8,745	1.0%	849,802	8,745	-
Payroll Taxes	55,051	55,831	(781)	-1.4%	55,831	(781)	-
Employee Benefits	150,998	112,106	38,891	34.7%	112,106	38,891	-
Savings & Retirement	87,468	95,226	(7,758)	-8.1%	95,226	(7,758)	-
Total Personnel Expenses	1,152,063	1,112,965	39,098	3.5%	1,112,965	39,098	-
Meeting Expenses							
Meetings	342	5,000	(4,659)	-93.2%	5,000	(4,659)	-
Travel	38,053	45,882	(7,829)	-17.1%	45,882	(7,829)	-
Conference Calls	699	2,610	(1,911)	-73.2%	2,610	(1,911)	-
Total Meeting Expenses	39,094	53,492	(14,398)	-26.9%	53,492	(14,398)	-
Operating Expenses							
Consultants and Contracts	1,960,674	1,077,321	883,353	82.0%	1,077,321	883,353	-
Rent & Improvements	-	-	-		-	-	-
Office Costs	41,989	41,025	964	2.4%	41,025	964	-
Professional Services	-	-	-		-	-	-
Miscellaneous	133	500	(367)	-73.5%	500	(367)	-
Depreciation	7,107	161,498	(154,390)	-95.6%	161,498	(154,390)	-
Total Operating Expenses	2,009,904	1,280,343	729,560	57.0%	1,280,343	729,560	-
Other Non-Operating Expenses							
	-	-	-		-	-	-
Indirect Expenses	1,335,546	1,284,901	50,645	3.9%	1,294,655	40,891	9,755
Total Expenses	4,536,607	3,731,701	804,905	21.6%	3,741,456	795,151	9,755
Net Change in Assets	(889,345)	(84,800)	(804,545)	948.8%	(94,554)	(794,791)	(9,755)
Fixed Assets							
Depreciation	(7,107)	(161,498)	154,390	-95.6%	(161,498)	154,390	-
Computer & Software	23,000	-	23,000		-	23,000	-
Furniture & Fixtures	-	-	-		-	-	-
Equipment	-	-	-		-	-	-
Leasehold Improvements	-	-	-		-	-	-
Allocation of Fixed Assets	63,533	76,698	(13,165)	-17.2%	77,280	(13,747)	582
Incr(Dec) in Fixed Assets	79,425	(84,800)	164,225	-193.7%	(84,217)	163,643	582
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	4,616,032	3,646,902	969,131	26.6%	3,657,238	958,794	10,337
FTE's	5.87	6.10	(0.23)	-3.8%	6.10	(0.23)	-

Event Analysis - correction to table on page 23 and text on page 24

Statement of Activities and Fixed Asset Budget

Event Analysis	2015	2015	Variance		2015 Budget	Variance per	Change in
	Actual	Budget	Over (Under)	%	per 5-31-2016 Submission	5-31-2016 Over (Under)	
Funding							
Assessments	4,066,804	4,066,804	-		4,066,804	-	-
Penalties	88,839	88,839	-		88,839	-	-
Third-Party Funding (CRISP)	-	-	-		-	-	-
Testing	-	-	-		-	-	-
Services & Software	-	-	-		-	-	-
Workshop Fees	45,588	47,300	(1,712)	-3.6%	47,300	(1,712)	-
Interest	924	226	698	308.8%	226	698	-
Miscellaneous	15	-	15		-	15	-
Total Funding	4,202,170	4,203,169	(999)	0.0%	4,203,169	(999)	-
Expenses							
Personnel Expenses							
Salaries	1,535,649	1,447,159	88,489	6.1%	1,447,159	88,489	-
Payroll Taxes	95,934	92,831	3,103	3.3%	92,831	3,103	-
Employee Benefits	164,814	173,284	(8,470)	-4.9%	173,284	(8,470)	-
Savings & Retirement	151,788	162,193	(10,405)	-6.4%	162,193	(10,405)	-
Total Personnel Expenses	1,948,185	1,875,467	72,718	3.9%	1,875,467	72,718	-
Meeting Expenses							
Meetings	132,008	79,228	52,780	66.6%	79,228	52,780	-
Travel	116,087	114,500	1,587	1.4%	114,500	1,587	-
Conference Calls	13,510	10,000	3,510	35.1%	10,000	3,510	-
Total Meeting Expenses	261,605	203,728	57,877	28.4%	203,728	57,877	-
Operating Expenses							
Consultants and Contracts	-	-	-		-	-	-
Rent & Improvements	-	-	-		-	-	-
Office Costs	44,665	29,736	14,929	50.2%	29,736	14,929	-
Professional Services	-	-	-		-	-	-
Miscellaneous	109	500	(391)	-78.3%	500	(391)	-
Depreciation	20,470	193,667	(173,197)	-89.4%	193,667	(173,197)	-
Total Operating Expenses	65,244	223,903	(158,659)	-70.9%	223,903	(158,659)	-
Other Non-Operating Expenses							
	-	-	-		-	-	-
Indirect Expenses	2,436,746	1,975,798	460,948	23.3%	1,990,798	445,948	15,000
Total Expenses	4,711,780	4,278,897	432,884	10.1%	4,293,896	417,884	15,000
Net Change in Assets	(509,610)	(75,728)	(433,883)	572.9%	(90,727)	(418,883)	(15,000)
Fixed Assets							
Depreciation	(20,470)	(193,667)	173,197	-89.4%	(193,667)	173,197	-
Computer & Software	412,576	-	412,576		-	412,576	-
Furniture & Fixtures	-	-	-		-	-	-
Equipment	-	-	-		-	-	-
Leasehold Improvements	-	-	-		-	-	-
Allocation of Fixed Assets	115,917	117,939	(2,021)	-1.7%	118,834	(2,917)	895
Incr(Dec) in Fixed Assets	508,023	(75,728)	583,751	-770.9%	(74,833)	582,856	895
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	5,219,803	4,203,170	1,016,635	24.2%	4,219,063	1,000,740	15,895
FTE's	10.71	9.38	1.33	14.2%	9.38	1.33	-

Explanation of Variances by Category – Event Analysis

- **Indirect Expenses** were over budget \$445.9460.9k, 22.423.3%, due to having more FTEs on staff than budgeted, a higher cost per FTE as explained on page 7, and the result of having a higher percentage of FTEs in the Event Analysis Department compared to total FTEs in the statutory direct functions.

E-ISAC, including CRISP - correction to table on page 25

Statement of Activities and Fixed Asset Budget

E-ISAC, including CRISP	2015	2015	Variance		2015 Budget	Variance per	Change in
	Actual	Budget	Over (Under)	%	per 5-31-2016 Submission	5-31-2016 Over (Under)	
Funding							
Assessments	\$ 9,671,899	\$ 9,671,899	\$ -		9,671,899	-	-
Penalties	177,676	177,676	-		177,676	-	-
Third-Party Funding (CRISP)	5,273,658	8,943,589	(3,669,931)	-41.0%	8,943,589	(3,669,931)	-
Testing	-	-	-		-	-	-
Services & Software	-	-	-		-	-	-
Workshop Fees	85,346	72,500	12,846	17.7%	72,500	12,846	-
Interest	2,152	451	1,701	377.2%	451	1,701	-
Miscellaneous	20	-	20		-	20	-
Total Funding	\$ 15,210,751	\$ 18,866,115	\$(3,655,364)	-19.4%	18,866,115	(3,655,364)	-
Expenses							
Personnel Expenses							
Salaries	\$ 2,765,696	\$ 3,157,196	\$(391,500)	-12.4%	3,157,196	(391,500)	-
Payroll Taxes	167,863	188,916	(21,054)	-11.1%	188,916	(21,054)	-
Employee Benefits	337,132	339,525	(2,393)	-0.7%	339,525	(2,393)	-
Savings & Retirement	207,973	354,866	(146,894)	-41.4%	354,866	(146,894)	-
Total Personnel Expenses	\$ 3,478,664	\$ 4,040,504	\$(561,840)	-13.9%	4,040,504	(561,840)	-
Meeting Expenses							
Meetings	\$ 212,798	\$ 193,134	\$ 19,664	10.2%	193,134	19,664	-
Travel	265,366	314,358	(48,992)	-15.6%	314,358	(48,992)	-
Conference Calls	36,901	46,385	(9,484)	-20.4%	46,385	(9,484)	-
Total Meeting Expenses	\$ 515,065	\$ 553,877	\$(38,812)	-7.0%	553,877	(38,812)	-
Operating Expenses							
Consultants and Contracts	\$ 5,901,343	\$ 8,756,190	\$(2,854,847)	-32.6%	8,756,190	(2,854,847)	-
Rent & Improvements	-	-	-		-	-	-
Office Costs	108,375	377,072	(268,698)	-71.3%	377,072	(268,698)	-
Professional Services	140,175	350,000	(209,825)	-60.0%	350,000	(209,825)	-
Miscellaneous	446	1,000	(554)	-55.4%	1,000	(554)	-
Depreciation	11,576	-	11,576		-	11,576	-
Total Operating Expenses	\$ 6,161,916	\$ 9,484,262	\$(3,322,347)	-35.0%	9,484,262	(3,322,347)	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -		-	-	-
Indirect Expenses	\$ 3,635,780	\$ 3,951,596	\$(315,817)	-8.0%	3,981,596	(345,816)	29,999
Total Expenses	\$ 13,791,424	\$ 18,030,240	\$(4,238,816)	-23.5%	18,060,239	(4,268,815)	29,999
Net Change in Assets	\$ 1,419,328	\$ 835,876	\$ 583,452	69.8%	805,876	613,451	(29,999)
Fixed Assets							
Depreciation	\$ (11,576)	\$ -	\$(11,576)		-	(11,576)	-
Computer & Software	45,861	-	45,861		-	45,861	-
Furniture & Fixtures	-	-	-		-	-	-
Equipment	97,068	100,000	(2,932)	-2.9%	100,000	(2,932)	-
Leasehold Improvements	-	-	-		-	-	-
Allocation of Fixed Assets	172,956	235,877	(62,921)	-26.7%	237,668	(64,712)	1,791
Incr(Dec) in Fixed Assets	\$ 304,308	\$ 335,877	\$(31,569)	-9.4%	337,668	(33,360)	1,791
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	\$ 14,095,732	\$ 18,366,116	\$(4,270,385)	-23.3%	18,397,907	(4,302,175)	31,790
FTE's	15.98	18.76	(2.78)	-14.8%	18.76	(2.78)	-

Training, Education and Operator Certification - correction to table on page 27

Statement of Activities and Fixed Asset Budget

Training, Education and Operator Certification	2015 Actual	2015 Budget	Variance		2015 Budget per 5-31-2016 Submission		
			Over (Under)	%	Variance per 5-31-2016 Over (Under)	Change in Variance	
Funding							
Assessments	\$1,826,822	\$1,826,822	\$ -	-	1,826,822	-	-
Penalties	48,871	48,871	-	-	48,871	-	-
Third-Party Funding (CRISP)	-	-	-	-	-	-	-
Testing	1,683,977	1,670,000	13,977	0.8%	1,670,000	13,977	-
Services & Software	-	-	-	-	-	-	-
Workshop Fees	-	-	-	-	-	-	-
Interest	627	191	436	228.5%	191	436	-
Miscellaneous	10	-	10	-	-	10	-
Total Funding	\$3,560,307	\$3,545,884	\$ 14,424	0.4%	3,545,884	14,424	-
Expenses							
Personnel Expenses							
Salaries	\$ 822,456	\$ 903,106	\$ (80,650)	-8.9%	903,106	(80,650)	-
Payroll Taxes	57,458	60,937	(3,478)	-5.7%	60,937	(3,478)	-
Employee Benefits	102,773	146,059	(43,286)	-29.6%	146,059	(43,286)	-
Savings & Retirement	76,391	101,437	(25,047)	-24.7%	101,437	(25,047)	-
Total Personnel Expenses	\$1,059,078	\$1,211,539	\$ (152,461)	-12.6%	1,211,539	(152,461)	-
Meeting Expenses							
Meetings	\$ 38,346	\$ 59,931	\$ (21,585)	-36.0%	59,931	(21,585)	-
Travel	17,148	25,322	(8,174)	-32.3%	25,322	(8,174)	-
Conference Calls	39,927	29,320	10,607	36.2%	29,320	10,607	-
Total Meeting Expenses	\$ 95,421	\$ 114,573	\$ (19,152)	-16.7%	114,573	(19,152)	-
Operating Expenses							
Consultants and Contracts	\$ 640,590	\$ 752,130	\$ (111,540)	-14.8%	752,130	(111,540)	-
Rent & Improvements	-	-	-	-	-	-	-
Office Costs	93,894	93,178	717	0.8%	93,178	717	-
Professional Services	-	-	-	-	-	-	-
Miscellaneous	387	500	(113)	-22.6%	500	(113)	-
Depreciation	1,919	-	1,919	-	-	1,919	-
Total Operating Expenses	\$ 736,791	\$ 845,808	\$ (109,018)	-12.9%	845,808	(109,018)	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -		-	-	-
Indirect Expenses	\$1,706,405	\$1,678,797	\$ 27,608	1.6%	1,691,541	14,863	12,745
Total Expenses	\$3,597,694	\$3,850,716	\$ (253,022)	-6.6%	3,863,461	(265,767)	12,745
Net Change in Assets	\$ (37,386)	\$ (304,834)	\$ 267,446	-87.7%	(317,578)	280,191	(12,745)
Fixed Assets							
Depreciation	\$ (1,919)	\$ -	\$ (1,919)	-	-	(1,919)	-
Computer & Software	-	-	-	-	-	-	-
Furniture & Fixtures	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	81,175	100,210	(19,035)	-19.0%	100,971	(19,796)	761
Incr(Dec) in Fixed Assets	\$ 79,256	\$ 100,210	\$ (20,955)	-20.9%	100,971	(21,715)	761
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	\$3,676,949	\$3,950,926	\$ (273,977)	-6.9%	3,964,432	(287,483)	13,506
Change in Working Capital	(116,642)	(405,043)	288,401	-71.2%	(418,548)	301,906	(0.72)
FTE's	7.50	7.97	(0.47)	-5.9%	7.97	(0.47)	-

**General and Administrative, Executive, and Policy and External Affairs –
corrections to table on page 29 and text on page 30**

Statement of Activities and Fixed Asset Budget

General and Administrative, Executive, and Policy and External Affairs	2015 Actual	2015 Budget	Variance Over (Under)	%	2015 Budget per 5-31-2016 Submission	Variance per 5-31-2016 Over (Under)	Change in Variance
Funding							
Assessments	626,997	626,997	-		626,997	-	-
Penalties	0	0	-		-	-	-
Third-Party Funding (CRISP)	-	-	-		-	-	-
Testing	-	-	-		-	-	-
Services & Software	-	-	-		-	-	-
Workshop Fees	-	0	-		-	-	-
Interest	-	0	-		-	-	-
Miscellaneous	-	0	-		-	-	-
Total Funding	626,997	626,997	-	0.0%	626,997	-	-
Expenses							
Personnel Expenses							
Salaries	3,641,003	2,425,909	1,215,095	50.1%	2,425,909	1,215,095	-
Payroll Taxes	171,225	122,928	48,297	39.3%	122,928	48,297	-
Employee Benefits	393,746	314,644	79,102	25.1%	314,644	79,102	-
Savings & Retirement	293,004	203,656	89,348	43.9%	203,656	89,348	-
Total Personnel Expenses	4,498,978	3,067,137	1,431,841	46.7%	3,067,137	1,431,841	-
Meeting Expenses							
Meetings	258,997	338,900	(79,903)	-23.6%	338,900	(79,903)	-
Travel	386,525	426,482	(39,957)	-9.4%	426,482	(39,957)	-
Conference Calls	17,087	28,831	(11,744)	-40.7%	28,831	(11,744)	-
Total Meeting Expenses	662,609	794,213	(131,604)	-16.6%	794,213	(131,604)	-
Operating Expenses							
Consultants and Contracts	74,073	15,000	59,073	393.8%	15,000	59,073	-
Rent & Improvements	2,937,585	2,987,777	(50,192)	-1.7%	2,987,777	(50,192)	-
Office Costs	396,899	444,262	(47,363)	-10.7%	444,262	(47,363)	-
Professional Services	1,245,623	1,185,000	60,623	5.1%	1,185,000	60,623	-
Miscellaneous	9,734	5,500	4,234	77.0%	5,500	4,234	-
Depreciation	506,623	419,399	87,224	20.8%	419,399	87,224	-
Total Operating Expenses	5,170,537	5,056,938	113,598	2.2%	5,056,938	113,598	-
Other Non-Operating Expenses	95,859	131,000	(35,141)	-26.8%	131,000	(35,141)	-
Indirect Expenses	(10,427,983)	(9,049,288)	(1,378,694)	15.2%	(9,049,288)	(1,378,694)	-
Total Expenses	-	-	-	-	-	-	-
Net Change in Assets	626,997	626,997	-	0.0%	626,997	-	-
Fixed Assets							
Depreciation	(506,623)	(419,399)	(87,224)	20.8%	(419,399)	(87,224)	-
Computer & Software	-	-	-		-	-	-
Furniture & Fixtures	193,216	-	193,216		-	193,216	-
Equipment	-	-	-		-	-	-
Leasehold Improvements	279,860	-	279,860		-	279,860	-
Allocation of Fixed Assets	33,547	419,399	(385,852)	-92.0%	419,399	(385,852)	-
Incr(Dec) in Fixed Assets	-	-	-	-	-	-	-
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	-	-	-	-	-	-	-
Change in Working Capital	626,997	626,997	-	0.0%	626,997	-	-
FTE's	18.08	13.13	4.95	37.7%	14.07	4.01	0.94

Explanation of Variances by Category – General and Administrative, Executive, and Policy and External Affairs

- **Personnel** – Salaries, payroll taxes, benefits and retirement were collectively \$1.4M, 46.7%, over budget due to having ~~4.014.95~~, ~~28.537.7~~%, higher FTEs allocated to general and administrative support than budgeted for this department. During 2015, one (1) position was transferred from the Reliability Standards Program to General and Administrative to support the CRO, who has oversight responsibility for several NERC programs. Further, one (1) position was transferred from Legal and Regulatory to provide administrative support for General and Administrative staff members supporting NERC's outreach efforts and operational coordination within the ERO Enterprise. Also, one (1) position was transferred from Legal and Regulatory to Policy and External Affairs to support outreach efforts and operational coordination with the Canadian provinces. Additionally, one (1) position transferred to General and Administrative from Finance and Accounting to provide administrative support. Finally, a 6% vacancy rate was budgeted for General and Administrative in the 2015 budget, but the General and Administrative function had no meaningful vacancies during 2015, creating an additional over-budget variance in Personnel expenses.

Legal and Regulatory – corrections to table on page 32 and text on page 33

Statement of Activities and Fixed Asset Budget

	2015 Actual	2015 Budget	Variance Over (Under)	%	2015 Budget per 5-31-2016 Submission	Variance per 5-31-2016 Over (Under)	Change in Variance
Legal and Regulatory							
Funding							
Assessments	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Third-Party Funding (CRISP)	-	-	-	-	-	-	-
Testing	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshop Fees	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total Funding	-	-	-	-	-	-	-
Expenses							
Personnel Expenses							
Salaries	2,212,106	2,798,380	(586,275)	-21.0%	2,798,380	(586,275)	-
Payroll Taxes	127,566	152,178	(24,611)	-16.2%	152,178	(24,611)	-
Employee Benefits	165,685	288,597	(122,911)	-42.6%	288,597	(122,911)	-
Savings & Retirement	203,984	314,835	(110,851)	-35.2%	314,835	(110,851)	-
Total Personnel Expenses	2,709,342	3,553,990	(844,648)	-23.8%	3,553,990	(844,648)	-
Meeting Expenses							
Meetings	5,650	7,500	(1,850)	-24.7%	7,500	(1,850)	-
Travel	50,087	106,000	(55,913)	-52.7%	106,000	(55,913)	-
Conference Calls	3,436	8,874	(5,438)	-61.3%	8,874	(5,438)	-
Total Meeting Expenses	59,174	122,374	(63,200)	-51.6%	122,374	(63,200)	-
Operating Expenses							
Consultants and Contracts	-	-	-	-	-	-	-
Rent & Improvements	-	-	-	-	-	-	-
Office Costs	49,665	71,152	(21,487)	-30.2%	71,152	(21,487)	-
Professional Services	317,919	700,000	(382,081)	-54.6%	700,000	(382,081)	-
Miscellaneous	222	500	(278)	-55.5%	500	(278)	-
Depreciation	2,947	-	2,947	-	-	2,947	-
Total Operating Expenses	370,753	771,652	(400,899)	-52.0%	771,652	(400,899)	-
Other Non-Operating Expenses							
Indirect Expenses	(3,139,268)	(4,448,015)	1,308,747	-29.4%	(4,448,015)	1,308,747	-
Total Expenses	-	-	-	-	-	-	-
Net Change in Assets	-	-	-	-	-	-	-
Fixed Assets							
Depreciation	(2,947)	-	(2,947)	-	-	(2,947)	-
Computer & Software	-	-	-	-	-	-	-
Furniture & Fixtures	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	2,947	-	2,947	-	-	2,947	-
Incr(Dec) in Fixed Assets	-	-	-	-	-	-	-
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	-	-	-	-	-	-	-
Change in Working Capital	-	-	-	-	-	-	-
FTE's	12.88	15.01	(2.13)	-14.2%	15.95	(3.07)	0.94

Explanation of Variances by Category – Legal and Regulatory

- **Personnel** expenses were collectively \$844.6k, 23.8%, under budget primarily due to having 3,072.13, 19,214.2%, fewer FTEs on staff than budgeted. As previously stated, two (2) positions were transferred from Legal and Regulatory; one (1) to General and Administrative and one (1) to Policy and External Affairs. In addition, two (2) positions were open during a ~~significant~~ portion of the year, however these open positions were partially offset by the assumed vacancy rate.

Finance and Accounting – changes to the table on page 39 and text on page 40

Statement of Activities and Fixed Asset Budget

Finance and Accounting	2015	2015	Variance		2015 Budget	Variance per	Change in
	Actual	Budget	Over (Under)	%	per 5-31-2016 Submission	5-31-2016 Over (Under)	
Funding							
Assessments	-	-	-		-	-	-
Penalties	-	-	-		-	-	-
Third-Party Funding (CRISP)	-	-	-		-	-	-
Testing	-	-	-		-	-	-
Services & Software	-	-	-		-	-	-
Workshop Fees	-	-	-		-	-	-
Interest	-	-	-		-	-	-
Miscellaneous	-	-	-		-	-	-
Total Funding	-	-	-		-	-	-
Expenses							
Personnel Expenses							
Salaries	2,145,711	1,770,583	375,129	21.2%	1,770,583	375,129	-
Payroll Taxes	112,683	105,402	7,281	6.9%	105,402	7,281	-
Employee Benefits	255,175	288,597	(33,422)	-11.6%	288,597	(33,422)	-
Savings & Retirement	195,154	197,906	(2,753)	-1.4%	197,906	(2,753)	-
Total Personnel Expenses	2,708,723	2,362,488	346,235	14.7%	2,362,488	346,235	-
Meeting Expenses							
Meetings	1,653	2,500	(847)	-33.9%	2,500	(847)	-
Travel	72,900	48,500	24,400	50.3%	48,500	24,400	-
Conference Calls	448	9,560	(9,112)	-95.3%	9,560	(9,112)	-
Total Meeting Expenses	75,001	60,560	14,441	23.8%	60,560	14,441	-
Operating Expenses							
Consultants and Contracts	298,248	339,500	(41,252)	-12.2%	339,500	(41,252)	-
Rent & Improvements	-	-	-		-	-	-
Office Costs	43,731	37,838	5,893	15.6%	37,838	5,893	-
Professional Services	312,163	296,000	16,163	5.5%	296,000	16,163	-
Miscellaneous	576	500	76	15.3%	500	76	-
Depreciation	1,184	-	1,184		-	1,184	-
Total Operating Expenses	655,902	673,838	(17,936)	-2.7%	673,838	(17,936)	-
Other Non-Operating Expenses	(300)	-	(300)		-	(300)	-
Indirect Expenses	(3,439,325)	(3,096,886)	(342,440)	11.1%	(3,096,886)	(342,440)	-
Total Expenses	-	-	-	-	-	-	-
Net Change in Assets	-	-	-	-	-	-	-
Fixed Assets							
Depreciation	(1,184)	-	(1,184)		-	(1,184)	-
Computer & Software	-	-	-		-	-	-
Furniture & Fixtures	-	-	-		-	-	-
Equipment	-	-	-		-	-	-
Leasehold Improvements	-	-	-		-	-	-
Allocation of Fixed Assets	1,184	-	1,184		-	1,184	-
Incr(Dec) in Fixed Assets	-	-	-	-	-	-	-
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	-	-	-	-	-	-	-
Change in Working Capital	-	-	-	-	-	-	-
FTE's	16.42	16.89	(0.47)	-2.8%	15.95	0.47	(0.94)

Explanation of Variances by Category – Finance and Accounting

- **Personnel Expenses** – During 2015, one (1) ~~unbudgeted~~ position was transferred to General and Administrative to support administrative needs of the department.
 - Salaries Expense was \$375.1k, 21.2%, over budget due to having more experienced FTEs on staff than was planned in the budget~~ed~~ and the use of temporary office services during periods of staff vacancies.