

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

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

COMPLIANCE FILING OF THE  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

**I. INTRODUCTION**

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

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

Attached hereto is the variance report for the second quarter of 2022, in accordance with the Settlement Order. This variance report was posted on NERC’s website on August 11, 2022 and

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

<sup>2</sup> See N. Am. Elec. Reliability Corp., *Order Approving Settlement Agreement*, 142 FERC ¶ 61,042 (Jan. 16, 2013) [hereinafter Settlement Order].

<sup>3</sup> *Id.* (emphasis added).

will be reviewed at the August 17, 2022 open meeting of the NERC Finance and Audit Committee and accepted at the August 18, 2022 meeting of the NERC Board of Trustees.

## **II. NOTICES AND COMMUNICATIONS**

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

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## **III. DISCUSSION OF SIGNIFICANT VARIANCES BETWEEN THE 2022 BUDGET AND 2022 SECOND QUARTER ACTUAL FINANCIAL RESULTS**

In the attached variance report, NERC outlines the following:

- (a) a comparison of actual (unaudited) financial results through June 30, 2022 to NERC's budgeted expenditures through June 30, 2022; and

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<sup>4</sup> Persons to be included in the Commission's official service. The Petitioners respectfully request a waiver of Rule 203 of the Commission's regulations, 18 C.F.R. § 385.203, to allow the inclusion of more than two persons on the service list in this proceeding.

- (b) additional discussion of significant variances by NERC department or program area and by major activity within departments and program areas. NERC treats “significant” variances as those that are \$500,000 or more.<sup>5</sup>

**A. 2022 Second Quarter Actual Financial Results vs. 2022 Budget Variances of \$500,000 or More by Revenue and Expense Category**

Five revenue and expense categories had a budget variance \$500,000 or more as of June 30, 2022:

- Personnel expenses were \$759,605 (2.9%) under budget. Personnel expenses were under budget largely as a result of lower medical insurance premiums, relocation expense, parking and transportation benefits, and retirement costs. They are expected to be \$205,862 (0.4%) under budget at year-end.
- Meetings and Travel expenses were \$569,140 (46.1%) under budget. This category was under budget because of reduced in-person meetings and travel due to the pandemic. NERC expects this category to be \$336,616 (12.9%) under budget at year-end.
- Contracts and Consultants expenses were \$1,583,187 (23.2%) under budget primarily due to the timing of when costs will be incurred, with a large part of that due to the CRISP third party subcontractor costs. This category is expected to be \$2,342,799 (17.1%) over budget at year-end mainly as a result of 1) costs from the CRISP third party subcontractor for new program participants (funded by revenues from the new participants), replacement of equipment for existing program

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<sup>5</sup> In Section 7(b)(ii) of the Settlement Agreement, the Commission specifies that the threshold for its review and approval for expenditures from Operating Reserves is where any amount allocated from the unforeseen contingencies account of Operating Reserves plus any amount redirected from previously budgeted funds is, in the aggregate, \$500,000 or more for any one specific project or major activity in a program area.

participants (funded by revenues from those participants), costs for OT pilot projects (funded by the CRISP Special Projects Reserve), and cloud-based ISDs project costs (funded by CRISP Operating Reserves); and 2) the need for two IT security contractors that were not budgeted (which will be partially funded by the deferral of FTEs in other departments).

- Fixed Asset Additions expenses were \$1,886,487 (76.7%) under budget primarily as a result of timing of costs versus the budget. This category was under budget primarily as a result of timing of costs versus the budget for capital lease assets related to new equipment leases and also IT equipment and servers and also because of leasehold improvements and office furniture budgeted for a new Atlanta office that did not materialize. The category is projected to be \$1,360,048 (27.7%) under budget at year-end mainly because of the aforementioned leasehold improvements and office furniture and also due to lower than budgeted capital lease assets for new equipment leases.
- Net Financing Activity expenses were \$863,549 (157.0%) over budget and is expected to be \$158,585 (14.4%) over budget at year-end. The Net Financing Activity budget is comprised of financing proceeds/borrowings and principal payments. This budget included borrowings for new equipment leases spread evenly throughout the year. Those borrowings did not occur during the first part of the year and will not occur until later in the year and also at a lower amount than budgeted. Accordingly, debt principal payments are lower than budgeted. The result is that Net Financing Activity is over budget because of more principal payments than borrowings on new equipment leases during the first part of the year.

Additionally, Office Costs, Professional, and Miscellaneous expenses are projected to be \$771,650 (5.8%) over budget at year-end. Approximately \$430,000 of this amount is due to Professional Services expenses that are expected to be over budget largely due to increased cost for liability insurance and an unbudgeted trustee search fee. Another \$335,000 of this amount is related to several different Office Costs accounts, with the majority related to 1) AV equipment lease costs that were budgeted in fixed assets but recorded in Office Costs in accordance with generally accepted accounting principles and 2) subscriptions and publications.

**B. 2022 Second Quarter Actual Results vs. 2022 Budget Variances of \$500,000 or More by Department or Program Area**

Two department or program areas had a variance exceeding \$500,000 as of June 30, 2022.

- E-ISAC was \$612,330 (9.1%) under budget mostly because of lower personnel expenses due to fewer FTEs, and lower travel and meeting expenses due to the pandemic. It is projected to be \$348,044 (2.6%) under budget at year-end under for the same reasons.
- Information Technology was \$842,235 (11.9%) under budget primarily due to timing of costs versus the budget for software licenses and support, fixed asset additions, and financing activity and is projected to be \$219,599 (1.6%) over budget at year-end due to the need for two IT security contractors that were not budgeted (and will be funded by the deferral of FTEs in other departments).

Additionally, CRISP is projected to be \$1,890,678 (23.8%) over budget at year-end. This projection includes costs from the CRISP primary subcontractor related to startup costs for new program participants (funded by revenues from the new participants) and replacing equipment of existing program participants (funded by revenues from those participants). Additionally, the costs

for the OT pilot project (funded by the Special Projects Reserve) and cloud-based ISD project (funded by CRISP Operating Reserves) also contribute to the projected over budget amount.

**IV. CONCLUSION**

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

Respectfully submitted,

/s/ Nina Jenkins-Johnston

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*Counsel for North American Electric Reliability Corporation*

Dated: August 15, 2022

**CERTIFICATE OF SERVICE**

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

Dated at Washington, D.C. this 15th day of August, 2022.

/s/ Nina Jenkins-Johnston

Nina Jenkins-Johnston  
*Counsel for North American Electric  
Reliability Corporation*

/s/ Stefan Bergere

Stefan Bergere  
*Counsel for North American Electric  
Reliability Corporation*

# **ATTACHMENT**



# Summary of Unaudited Results For the Period Ending June 30, 2022

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## Executive Summary

### Projected Year-End Results (\$ millions)

<u>FUNDING</u>	<u>Projected</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues	\$ 89.4	\$ 88.3	\$ 1.1
Funding from Reserves			
Assessment Stabilization Reserve	-	-	-
<b>TOTAL FUNDING</b>	<b>\$ 89.4</b>	<b>\$ 88.3</b>	<b>\$ 1.1</b>
<b><u>EXPENDITURES</u></b>			
Expenses (excluding Depreciation)	\$ 87.5	\$ 85.1	\$ 2.4
Fixed Asset Additions	3.6	4.9	(1.3)
Net Financing Activity	(0.9)	(1.1)	0.2
<b>TOTAL EXPENDITURES</b>	<b>\$ 90.2</b>	<b>\$ 88.9</b>	<b>\$ 1.3</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ (0.8)</b>	<b>\$ (0.6)</b>	<b>\$ (0.2)</b>

Funding is projected to be over budget mainly due to CRISP third-party funding being higher than budget largely because of new program participants that have joined in 2022 as well as program participants that are projected to join during the remainder of the year. Expenditures (excluding depreciation) are expected to be over budget primarily attributable to higher contractor, office, and professional services costs, partially offset by lower personnel, travel, meeting, and fixed asset additions costs. The result is a reserve decrease of \$200k more than budget. This activity is explained in more detail in the remainder of the report.

**Year-to-Date Actual Results**  
**(\$ millions)**

<u>FUNDING</u>	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues	\$ 44.3	\$ 44.7	\$ (0.4)
Funding from Reserves			
Assessment Stabilization Reserve	-	-	-
<b>TOTAL FUNDING</b>	<b>\$ 44.3</b>	<b>\$ 44.7</b>	<b>\$ (0.4)</b>
<b><u>EXPENDITURES</u></b>			
Expenses (excluding Depreciation)	\$ 39.9	\$ 43.1	\$ (3.2)
Fixed Asset Additions	0.6	2.5	(1.9)
Net Financing Activity	0.3	(0.6)	0.9
<b>TOTAL EXPENDITURES</b>	<b>\$ 40.8</b>	<b>\$ 45.0</b>	<b>\$ (4.2)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 3.5</b>	<b>\$ (0.3)</b>	<b>\$ 3.8</b>

Funding is under budget mainly as a result of the timing differences between budgeted and actual assessment revenues. Expenses (excluding depreciation) during the year are under budget primarily because of the timing differences between budgeted and actual costs related to personnel, meeting, travel, contractor, and fixed asset additions, and is partially offset by higher net financing activity. The result is a reserve increase of \$3.8M higher than budget. This activity is explained in more detail in the remainder of the report.

## Detailed Operating Results

### Variances by Revenue and Expense Category

Total NERC (including CRISP)

	YTD Actual	YTD Budget	YTD Over (Under)	% Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)	% Over (Under)
<b>TOTAL FUNDING</b>	<b>\$ 44,330,178</b>	<b>\$ 44,701,408</b>	<b>\$ (371,230)</b>	<b>(0.8%)</b>	<b>\$ 89,448,488</b>	<b>\$ 88,268,926</b>	<b>\$ 1,179,562</b>	<b>1.3%</b>
<b>EXPENDITURES</b>								
Personnel	\$ 25,848,400	\$ 26,608,005	\$ (759,605)	(2.9%)	\$ 51,760,573	\$ 51,966,435	\$ (205,862)	(0.4%)
Meetings and Travel	665,510	1,234,650	(569,140)	(46.1%)	2,271,434	2,608,050	(336,616)	(12.9%)
Contracts and Consultants	5,254,213	6,837,400	(1,583,187)	(23.2%)	16,017,599	13,674,800	2,342,799	17.1%
Office Rent	1,750,167	1,661,238	88,929	5.4%	3,282,925	3,243,277	39,648	1.2%
Office Costs, Professional, and Misc.*	6,390,264	6,670,986	(280,722)	(4.2%)	14,153,622	13,381,972	771,650	5.8%
Other Non-Operating	33,033	67,500	(34,467)	(51.1%)	117,202	135,000	(17,798)	(13.2%)
Fixed Asset Additions*	572,888	2,459,375	(1,886,487)	(76.7%)	3,558,702	4,918,750	(1,360,048)	(27.7%)
Net Financing Activity**	313,549	(550,000)	863,549	(157.0%)	(941,415)	(1,100,000)	158,585	(14.4%)
<b>TOTAL EXPENDITURES</b>	<b>\$ 40,828,024</b>	<b>\$ 44,989,154</b>	<b>\$ (4,161,130)</b>	<b>(9.2%)</b>	<b>\$ 90,220,643</b>	<b>\$ 88,828,284</b>	<b>\$ 1,392,359</b>	<b>1.6%</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 3,502,154</b>	<b>\$ (287,746)</b>	<b>\$ 3,789,900</b>	<b>(1317.1%)</b>	<b>\$ (772,155)</b>	<b>\$ (559,358)</b>	<b>\$ (212,797)</b>	<b>38.0%</b>
<b>FTEs</b>	<b>215.4</b>	<b>223.7</b>	<b>(8.3)</b>	<b>(3.7%)</b>	<b>216.8</b>	<b>223.7</b>	<b>(6.9)</b>	<b>(3.1%)</b>

\* Excludes depreciation expense

\*\* A positive amount indicates that NERC is paying off more principal than it is receiving in proceeds. A negative amount indicates that NERC is receiving more in proceeds than it is paying off principal.

Following is a brief description of variances by category, as illustrated in the table above:

- Funding is under budget mainly as a result of actual assessments being recorded evenly over the year, while budgeted assessments are higher in the beginning of the year because of certain activity being budgeted earlier in the year. Funding is projected to be over budget mainly due to CRISP third-party funding being higher than budget largely because of program participants that have joined the program in 2022 as well as participants that may join during the remainder of the year.
- Personnel expenses are under budget largely as a result of lower medical insurance premiums, relocation expense, parking and transportation benefits, and retirement costs. They are expected to be slightly under budget at year-end.
- Meetings and Travel expenses are under budget and expected to be under budget because of reduced in-person meetings and travel due to the pandemic.
- Contracts and Consultants expenses are under budget primarily due to the timing of costs versus the budget, with a large part of that due to the CRISP third party subcontractor costs. This category is expected to be over budget at year-end mainly as a result of 1) costs from the CRISP third party subcontractor for new program participants (funded by revenues from the new participants), replacement of equipment for existing program participants (funded by revenues from those participants), costs for OT pilot projects (funded by the CRISP Special Projects Reserve), and cloud-based ISDs project costs (funded by CRISP Operating Reserves) and 2) also the need for

two IT security contractors that were not budgeted (which will be partially funded by the deferral of FTEs in other departments).

CONTRACTS and CONSULTANTS	YTD	YTD	YTD	%	Annual	Annual	Annual	%
	Actual	Budget	Over (Under)	Over (Under)	Projection	Budget	Over (Under)	Over (Under)
Reliability Standards and Power Risk Issue Management	\$ 78,544	\$ 79,480	\$ (936)	(1.2%)	\$ 158,960	\$ 158,960	\$ -	0.0%
Compliance Assurance	18,974	152,500	(133,526)	(87.6%)	305,000	305,000	-	0.0%
Registration and Certification	22,080	20,000	2,080	10.4%	40,000	40,000	-	0.0%
Compliance Enforcement	1,200	124,500	(123,300)	(99.0%)	249,000	249,000	-	0.0%
BPS Security and Grid Transformation	76,046	-	76,046	0.0%	94,846	-	94,846	0.0%
Reliability Assessment and Technical Committees	75,000	105,000	(30,000)	(28.6%)	210,000	210,000	-	0.0%
Advanced System Analytics and Modeling & Power System Analysis	50,000	125,000	(75,000)	(60.0%)	250,000	250,000	-	0.0%
Performance Analysis	78,222	110,613	(32,391)	(29.3%)	273,727	221,227	52,500	23.7%
Situation Awareness	-	7,500	(7,500)	(100.0%)	15,000	15,000	-	0.0%
Event Analysis	44,372	59,079	(14,707)	(24.9%)	118,158	118,158	-	0.0%
E-ISAC	988,063	1,085,521	(97,457)	(9.0%)	2,207,642	2,171,041	36,601	1.7%
Training, Education and Personnel Certification	120,194	281,594	(161,400)	(57.3%)	605,703	563,188	42,515	7.5%
General and Administrative and Executive	73,706	50,000	23,706	47.4%	143,500	100,000	43,500	43.5%
Legal and Regulatory	41,435	155,000	(113,565)	(73.3%)	360,000	310,000	50,000	16.1%
External Affairs	-	10,000	(10,000)	(100.0%)	20,000	20,000	-	0.0%
Information Technology	901,159	866,703	34,456	4.0%	2,160,560	1,733,406	427,154	24.6%
Human Resources and Administration	135,396	435,000	(299,604)	(68.9%)	820,000	870,000	(50,000)	(5.7%)
Finance and Accounting	75,603	92,500	(16,897)	(18.3%)	185,000	185,000	-	0.0%
<b>TOTAL (excluding CRISP)</b>	<b>\$ 2,779,994</b>	<b>\$ 3,759,990</b>	<b>\$ (979,996)</b>	<b>(26.1%)</b>	<b>\$ 8,217,096</b>	<b>\$ 7,519,980</b>	<b>\$ 697,116</b>	<b>9.3%</b>
CRISP	2,474,219	3,077,410	(603,191)	(19.6%)	7,800,503	6,154,820	1,645,683	26.7%
<b>TOTAL (including CRISP)</b>	<b>\$ 5,254,213</b>	<b>\$ 6,837,400</b>	<b>\$ (1,583,187)</b>	<b>(23.2%)</b>	<b>\$ 16,017,599</b>	<b>\$ 13,674,800</b>	<b>\$ 2,342,799</b>	<b>17.1%</b>

- Professional Services expenses are expected to be over budget largely due to fees for an unbudgeted trustee search and increased costs for liability insurance.
- Fixed Asset Additions are under budget primarily as a result of timing of costs versus the budget for capital lease assets related to new equipment leases and also IT equipment and servers and also because of leasehold improvements and office furniture budgeted for a new Atlanta office that did not materialize. The category is projected to be under budget mainly because of the aforementioned leasehold improvements and office furniture and also due to lower than budgeted capital lease assets for new equipment leases.
- The Net Financing Activity budget, which is comprised of financing proceeds/borrowings and principal payments, anticipated borrowings for new equipment leases evenly throughout the year. Those borrowings did not occur during the first part of the year and will not occur until later in the year and also at a lower amount than budgeted. Accordingly, debt principal payments are lower than budgeted. The result is that net financing activity is over budget because of more principal payments than borrowings on new equipment leases during the first part of the year.
- Reserves are over budget by \$3.8M, primarily due to lower in-person meeting and travel costs due to the pandemic, as well as lower contracts and consultant costs and fixed asset additions due to timing of costs versus the budget.

## Variations by Department

DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	YTD	YTD	YTD	%	Annual	Annual	Annual	%
	Actual	Budget	Over (Under)	Over (Under)	Projection	Budget	Over (Under)	Over (Under)
Reliability Standards and Power Risk Issue Management	\$ 2,132,177	\$ 2,204,546	\$ (72,369)	(3.3%)	\$ 4,370,765	\$ 4,321,038	\$ 49,726	1.2%
Compliance Assurance	2,767,267	3,038,075	(270,808)	(8.9%)	5,862,509	5,972,082	(109,574)	(1.8%)
Registration and Certification	550,708	510,970	39,738	7.8%	1,063,393	995,345	68,047	6.8%
Compliance Enforcement	1,745,299	1,920,825	(175,526)	(9.1%)	3,701,113	3,782,700	(81,587)	(2.2%)
Power System Analysis	344,448	475,647	(131,198)	(27.6%)	849,953	935,162	(85,209)	(9.1%)
Reliability Assessment and Technical Committees	992,680	1,148,336	(155,655)	(13.6%)	2,167,971	2,246,928	(78,957)	(3.5%)
Advanced System Analytics and Modeling & Power System Analysis	996,460	1,344,760	(348,300)	(25.9%)	2,499,540	2,633,697	(134,158)	(5.1%)
Performance Analysis	943,410	1,084,496	(141,086)	(13.0%)	1,993,832	2,146,112	(152,279)	(7.1%)
Situation Awareness	1,539,402	1,565,719	(26,316)	(1.7%)	3,352,895	3,129,990	222,905	7.1%
Event Analysis	947,662	1,069,468	(121,807)	(11.4%)	2,043,420	2,078,854	(35,434)	(1.7%)
E-ISAC	6,139,840	6,752,170	(612,330)	(9.1%)	12,933,005	13,281,050	(348,044)	(2.6%)
Training, Education and Personnel Certification	638,277	823,133	(184,856)	(22.5%)	1,727,812	1,635,993	91,819	5.6%
General and Administrative and Executive	4,692,460	4,694,503	(2,043)	(0.0%)	9,095,442	9,385,265	(289,822)	(3.1%)
Legal and Regulatory	2,535,404	2,616,875	(81,471)	(3.1%)	5,368,664	5,123,376	245,288	4.8%
External Affairs	1,549,965	1,607,744	(57,779)	(3.6%)	3,177,078	3,151,081	25,997	0.8%
Information Technology	6,249,769	7,092,004	(842,235)	(11.9%)	14,246,197	14,026,598	219,599	1.6%
Human Resources and Administration	1,461,047	1,949,913	(488,866)	(25.1%)	3,707,619	3,852,313	(144,694)	(3.8%)
Finance and Accounting	1,083,227	1,110,132	(26,905)	(2.4%)	2,224,442	2,186,385	38,057	1.7%
<b>TOTAL (excluding CRISP)</b>	<b>\$ 37,309,504</b>	<b>\$ 41,009,317</b>	<b>\$ (3,699,813)</b>	<b>(9.0%)</b>	<b>\$ 80,385,651</b>	<b>\$ 80,883,970</b>	<b>\$ (498,319)</b>	<b>(0.6%)</b>
CRISP	3,518,519	3,979,837	(461,317)	(11.6%)	9,834,993	7,944,314	1,890,678	23.8%
<b>TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY</b>	<b>\$ 40,828,024</b>	<b>\$ 44,989,154</b>	<b>\$ (4,161,130)</b>	<b>(9.2%)</b>	<b>\$ 90,220,643</b>	<b>\$ 88,828,284</b>	<b>\$ 1,392,359</b>	<b>1.6%</b>

Following is a brief description of significant variances by department, as illustrated in the table above:

- Compliance Assurance – Under budget mostly because of lower personnel expenses due to less FTEs, lower travel and meeting expenses due to the pandemic and lower FTEs, and lower than budgeted contractor costs, which is partially offset by higher year-to-date fixed asset additions cost for the Align project.
- Advanced System Analytics and Modeling & Power System Analysis – Under budget primarily due to lower personnel expenses due to less FTEs, lower travel and meeting expenses due to the pandemic and lower FTEs, and lower than budgeted contractor costs.
- E-ISAC – Under budget mostly because of lower personnel expenses due to less FTEs, and lower travel and meeting expenses due to the pandemic and lower FTEs. Projected to be under for the same reasons.
- General & Administrative and Executive – Projected to be under budget primarily because of the leasehold improvements and office furniture budgeted for a new Atlanta office that did not materialize, and is partially offset by higher than budgeted personnel expenses due to lower attrition, as well as unbudgeted trustee search fees.
- Information Technology – Under budget primarily due to timing of costs versus the budget for software licenses and support, fixed asset additions, and financing activity and is projected to be over budget due to the need for two IT security contractors that were not budgeted (and will be funded by the deferral of FTEs in other departments).
- Human Resources – Under budget primarily due to timing of costs versus the budget for contractors.
- CRISP – Under budget largely as a result of timing of costs versus the budget for the third party subcontractor work and expected to be over budget because of costs from the CRISP third party

subcontractor for new program participants and replacement of equipment for existing program participants, and also for costs for the OT equipment needs discussed earlier that were carried over from 2021 and being funded by the CRISP Special Projects Reserve.

## Supplemental Schedules

### Schedule 1 – Year-End Projected Reserves

Reserve Account	1/1/2022		Operating and		12/31/2022
	Beginning Balance <sup>(1)</sup>	Budgeted Funding/(Use) <sup>(2)</sup>	Unbudgeted Funding/(Use) <sup>(3)</sup>	Financing Activity Versus Budget <sup>(4)</sup>	Ending Balance
NERC Operating Contingency	\$ 8,728,678	\$ (64,253)	\$ -	\$ (208,939)	\$ 8,455,486
Future Obligations	1,381,843	(679,629)	882,756	708,893	2,293,863
Assessment Stabilization	2,521,000	-	-	-	2,521,000
System Operator	915,083	(86,212)	-	(137,273)	691,599
CRISP Defense Fund	512,821	-	50,000	-	562,821
CRISP Operating	1,596,902	300,000	-	(187,737)	1,709,165
CRISP Special Projects	445,316	-	-	(387,741)	57,575
<b>Total Reserves</b>	<b>\$ 16,101,643</b>	<b>\$ (530,094)</b>	<b>\$ 932,756</b>	<b>\$ (212,797)</b>	<b>\$ 16,291,508</b>

**NOTES:**

(1) 2022 beginning balances have been adjusted from the 12/31/2021 variance report balances as the result of a reconciliation to the final audited balance sheet.

(2) The amended 2022 Business Plan & Budget (2022 BP&B) contained a budgeted use of NERC Operating Contingency Reserves (OCR) totaling \$64,253 and a budgeted use of \$708,893 of Future Obligation Reserves (FOR) to help fund costs of a potential new Atlanta office space. Those costs will not materialize in 2022 and the money will go back into the NERC OCR and FOR.

The 2022 BP&B included a use of System Operator Reserves derived from budgeted revenues being \$86,212 lower than budgeted expenses.

The 2022 BP&B also contained \$300,000 to build the balance in the CRISP Operating Reserve.

(3) The unbudgeted addition to the FOR of \$882,756 is primarily the result of lease concessions at the current Atlanta office that will be applied to future rent expense.

(4) This column primarily reflects the net impact of normal operations. For example, under normal circumstances, if tracking well under budget in actual expenditures, this would reflect additional funds into the reserve account. It also reflects the increase or decrease in working capital during the period.

For the CRISP Special Projects Reserve, any amount remaining at the end of 2022 will be incorporated into the CRISP Operating Reserve.



## Schedule 2 – IT Projects

<u>Projects in Progress</u>	<u>Project Budget<sup>(1)</sup></u>	<u>Actual Spend to Date</u>	<u>Expected Spend</u>	<u>Expected Over (Under) Budget</u>
Align Release 4.5	\$ -	\$ 52,500	\$ 400,000	\$ 400,000
Disaster Recovery	490,000	92,141	440,000	(50,000)

<u>Projects Completed in 2022</u>	<u>Project Budget</u>	<u>Actual Spend</u>
E-ISAC Portal Replacement (fixed contract) <sup>(2)</sup>	\$ 259,680	\$ 259,680
CRISP Operational Technology Project <sup>(2)</sup>	426,000	366,975
Align Enhancements/Release 4.0	300,000	371,553

**NOTES:**

(1) The Project Budget noted above usually corresponds to the approved business case if required for each project and funds for each project are drawn from the available budget.

(2) The amounts noted above do not include internal labor or license/maintenance/support costs and reflect only external (consultant) costs of the projects.

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

## **Schedule 2 (continued) – IT Projects**

### **Align Release 4.5**

(Started Q1 2022 / Estimated Completion Q4 2022)

This will include required functionality for Inherent Risk Assessments (IRAs) and Compliance Oversight Planning (COPs).

### **Disaster Recovery**

(Started Q1 2022 / Estimated Completion Q4 2022)

This project will provide NERC with the capability to securely fail over and restore our network of our Tier 0 and Tier 1 mission critical applications in response to a malicious event or unplanned outage.

### **E-ISAC Portal Replacement**

(Started Q3 2020 / Completed Q1 2022)

This project re-platformed the current portal and ticket/case system, which combined the functions and services into a single E-ISAC Sharing Platform (ESP) solution, allowing members, partners, and the E-ISAC staff to interact more effectively and efficiently.

### **CRISP Operational Technology Pilot**

(Started Q4 2020 / Completed Q2 2022)

This project will promote E-ISAC analyst training and capabilities through guided-hunt participation and development of other cyber security threat intelligence best practices (such as generation of analytics and playbooks). The project is being funded through CRISP and benefit its participants, but will enrich the overall threat intelligence capabilities of the E-ISAC.

### **Align Enhancements/Release 4.0**

(Started Q1 2022 / Completed Q2 2022)

This work included enhancements from Release 3 (audit and scheduling) as requested and approved by the Align Steering Committee. It also includes platform performance and optimization enhancements resulting from the December 2021 outage event.

### Schedule 3 – E-ISAC and CRISP Summary of Activity

#### TOTAL E-ISAC (including CRISP)

FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 12,567,950	\$ 25,135,900	\$ 25,135,900	\$ -
Other Funding	4,172,640	9,209,047	8,011,505	1,197,542
<b>TOTAL FUNDING</b>	<b>\$ 16,740,590</b>	<b>\$ 34,344,947</b>	<b>\$ 33,147,405</b>	<b>\$ 1,197,542</b>
<b>EXPENDITURES</b>				
Personnel Expense	\$ 4,934,471	\$ 9,961,307	\$ 10,430,408	\$ (469,101)
Meetings and Travel Expense	89,198	283,366	324,000	(40,634)
Operating Expenses (excluding Depreciation)	4,564,105	12,432,075	10,379,706	2,052,369
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	70,586	91,250	91,250	-
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
<b>Total Direct Costs (excluding Depreciation and Allocations)</b>	<b>\$ 9,658,360</b>	<b>\$ 22,767,998</b>	<b>\$ 21,225,364</b>	<b>\$ 1,542,634</b>
Indirect Expense Allocation	5,134,162	11,124,484	10,944,281	180,203
Fixed Asset Allocation	-	658,253	1,132,166	(473,913)
Net Financing Activity Allocation	33,354	(400,719)	(454,407)	53,688
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 14,825,876</b>	<b>\$ 34,150,017</b>	<b>\$ 32,847,405</b>	<b>\$ 1,302,612</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1,914,714</b>	<b>\$ 194,930</b>	<b>\$ 300,000</b>	<b>\$ (105,070)</b>

### Schedule 3 (continued) – E-ISAC and CRISP Summary of Activity

CRISP				
FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 677,952	\$ 1,355,903	\$ 1,355,903	\$ -
Other Funding	4,139,063	9,140,471	7,929,423	1,211,048
<b>TOTAL FUNDING</b>	<b>\$ 4,817,014</b>	<b>\$ 10,496,374</b>	<b>\$ 9,285,326</b>	<b>\$ 1,211,048</b>
<b>EXPENDITURES</b>				
Personnel Expense	\$ 499,371	\$ 1,033,567	\$ 1,095,553	\$ (61,986)
Meetings and Travel Expense	37,656	53,139	34,000	19,139
Operating Expenses (excluding Depreciation)	2,910,907	8,748,287	6,814,761	1,933,526
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	70,586	-	-	-
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 3,518,519	\$ 9,834,993	\$ 7,944,314	\$ 1,890,678
Indirect Expense Allocation	383,815	1,107,224	980,303	126,921
Fixed Asset Allocation	-	65,516	101,411	(35,894)
Net Financing Activity Allocation	2,493	(39,884)	(40,702)	819
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 3,904,828</b>	<b>\$ 10,967,849</b>	<b>\$ 8,985,326</b>	<b>\$ 1,982,523</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 912,187</b>	<b>\$ (471,475)</b>	<b>\$ 300,000</b>	<b>\$ (771,475)</b>

**Note** - In its July 8, 2022 order in Docket No. RR21-9-001, the Commission held that expenditure of funds paid by new CRISP participants for costs associated with joining the program should be included in NERC's quarterly variance reports and annual true-up filings. Accordingly, NERC notes that year-to-date billings sent by NERC to new CRISP participants related to the program's third-party subcontractor total approximately \$330k. Year-to-date expenses sent by the third-party contractor to NERC for new CRISP participants totals approximately \$10k.

E-ISAC (excluding CRISP)				
FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 11,889,998	\$ 23,779,997	\$ 23,779,997	\$ -
Other Funding	33,577	68,575	82,082	(13,506)
<b>TOTAL FUNDING</b>	<b>\$ 11,923,575</b>	<b>\$ 23,848,572</b>	<b>\$ 23,862,079</b>	<b>\$ (13,506)</b>
<b>EXPENDITURES</b>				
Personnel Expense	\$ 4,435,100	\$ 8,927,740	\$ 9,334,855	\$ (407,115)
Meetings and Travel Expense	51,543	230,227	290,000	(59,773)
Operating Expenses (excluding Depreciation)	1,653,198	3,683,789	3,564,945	118,844
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	91,250	91,250	-
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 6,139,840	\$ 12,933,005	\$ 13,281,050	\$ (348,044)
Indirect Expense Allocation	4,750,348	10,017,260	9,963,978	53,283
Fixed Asset Allocation	-	592,737	1,030,756	(438,019)
Net Financing Activity Allocation	30,860	(360,835)	(413,705)	52,870
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 10,921,048</b>	<b>\$ 23,182,168</b>	<b>\$ 23,862,079</b>	<b>\$ (679,911)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1,002,527</b>	<b>\$ 666,404</b>	<b>\$ -</b>	<b>\$ 666,404</b>

### Schedule 4 – Summary of Investments

	Quarter-End Balance	Ticker Symbol	Fund Name	S&P Credit Rating	Average Annualized Yield
<u>Cash Sweep Accounts</u>					
Operating Account Sweep	\$ 28,370,151	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.79%
SOCCEd Account Sweep	1,486,172	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.79%
CRISP Account Sweep	7,676,897	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	0.79%
<u>Total Cash Sweep Accounts</u>	<u>\$ 37,533,220</u>				
<u>Investment Account</u>					
Reserve Funds	\$ 8,479,894	GRTXX	Federated Hermes Government Obligations Fund	AAAm	1.39%
<u>Total Investments</u>	<u>\$ 8,479,894</u>				