

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

**North American Electric Reliability
Corporation**)
)

Docket No. FA11-21-000

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

I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”)¹ 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”).² 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.³

Attached hereto is the variance report for the second quarter of 2025, in accordance with the Settlement Order. On August 13, 2025, the NERC Finance and Audit Committee reviewed and

¹ FERC certified NERC as the electric reliability organization (“ERO”) pursuant to Section 215 of the Federal Power Act 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).

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

³ *Id.* (emphasis added).

recommended that the NERC Board of Trustees (“Board”) accept the report. The NERC Board accepted the report on August 14, 2025.

II. NOTICES AND COMMUNICATIONS

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

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III. DISCUSSION OF SIGNIFICANT VARIANCES BETWEEN THE 2025 BUDGET AND 2025 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, 2025 to NERC’s budgeted expenditures through June 30, 2025; and
- (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.

A. 2025 Second Quarter Actual Financial Results vs. 2025 Budget Variances of \$500,000 or More by Revenue and Expense Category

Six revenue and expense categories had a budget variance of \$500,000 or more as of June 30, 2025:

- Personnel expenses were \$1,159,607 (3.2%) under budget and are expected to be \$407,245 (0.6%) under budget at year-end. Personnel expenses are under budget year-to-date

primarily due to lower salary and retirement plan costs. Personnel expenses are projected to be under budget at year-end due to these same reasons.

- Meetings and Travel expenses were \$673,646 (35.3%) over budget and are expected to be \$711,979 (18.7%) over budget at year-end. Meetings and Travel expenses are over budget year-to-date primarily due to higher travel costs associated with increased demand for in-person meetings and engagement and overall higher “per trip” costs. Meetings and Travel expenses are projected to be over budget at year-end for this same reason.
- Contracts and Consultants expenses were \$2,892,692 (26.0%) under budget and are expected to be \$1,505,102 (6.8%) over budget at year-end. Contracts and Consultants expenses are under budget year-to-date primarily due to lower third-party contractor costs for CRISP and overall timing of expenses. Contracts and Consultants expenses are projected to be over budget at year-end due to (1) support needs for Modernization of Standards Process and Procedures (MSPP) activities; (2) additional costs related to establishing a new exam developer for the System Operator Certification program; and (3) higher-than budgeted support for new technology tools and initiatives, partially offset by lower-than-budgeted capital software and equipment expenditures.
- Office Costs, Professional, and Misc. expenses were \$529,280 (5.7%) under budget and are expected to be \$891,527 (4.8%) under budget at year-end. Office Costs, Professional Services, and Miscellaneous expenses are under budget year-to-date largely due to timing of expenses, lower A/V and hardware lease costs, and insurance expenses. Office Costs, specifically, are projected to be over budget at year end due to higher software licenses and support costs, offset by lower corporate insurance expenses.

- Fixed Asset Additions were \$1,348,207 (52.9%) under budget and are expected to be \$1,403,787 (27.5%) under budget at year-end. Fixed Asset Additions are under budget year-to-date primarily due to lower spending on leased assets and capital software expenditures, including a replacement for the System Operator Certification and Continuing Education (SOCCED) database that will not be completed until 2026. Fixed Asset Additions are projected to be under budget at year-end due to these same reasons.
- Net Financing Activity was \$1,568,063 (162.6%) over budget and is expected to be near budget at year-end. The Net Financing Activity budget is comprised of loan and lease financing proceeds (borrowings) and principal payments. The budget included a total of \$3.8M for both loan borrowings for capital software projects and leased assets, spread evenly throughout the year. The year-to-date variance is primarily because NERC did not borrow during the first half of the year. By year-end, NERC is projecting to borrow \$400k less than budgeted due to anticipated lower leased asset needs and capital software expenditures, which is partially offset by lower loan payments/debt service from less-than-budgeted borrowing in 2023 and 2024.

B. 2025 Second Quarter Actual Results vs. 2025 Budget Variances of \$500,000 or More by Department or Program Area

Three departments or program areas had a variance exceeding \$500,000 as of June 30, 2025:

- Advanced System Analytics and Modeling was \$684,489 (47.1%) under budget and is expected to be \$1,345,585 (47.1%) under budget at year-end. Advanced System Analytics and Modeling was under budget year-to-date and projected to be under budget at year-end primarily due to lower Personnel expenses as a result of a recent reorganization of the

standards and analytics-related departments, and lower Contracts and Consultants expenses to help fund MSPP efforts.

- Human Resources and Administration was \$574,306 (22.0%) under budget and expected to be \$348,421 (6.8%) under budget at year-end. Human Resources and Administration expenses were under budget year-to-date and projected to be under budget due to lower Personnel expenses and Fixed Asset expenditures, partially offset by Net Financing Activity.
- CRISP was \$1,852,674 (33.3%) under budget and is expected to be \$549,355 (5.0%) under budget at year-end. CRISP was under budget year-to-date and projected to be under budget at year-end due to lower third-party contractor costs and lower professional services expense.

Three additional departments are currently projected to have a significant variance at year-end:

- Reliability Standards and Power Risk Issues and Strategic Management was \$115,204 (3.7%) over budget and is expected to be \$1,027,701 (17.0%) over budget at year-end. Reliability Standards and Power Risk Issues and Strategic Management is projected to be over budget primarily due to increased Contracts and Consultants support needs for standards process modernization activities, as well as higher personnel costs due to a recent reorganization of the standards and analytics-related departments.
- Reliability Assessment and Technical Committees is \$462,796 (16.7%) under budget and is expected to be \$559,231 (10.3%) under budget at year-end. Reliability Assessment and Technical Committees is projected to be under budget at year-end primarily due to lower

personnel costs due to the reorganization efforts referenced above and lower Fixed Asset Additions, partially offset by Net Financing Activity.

- Event Analysis was \$342,312 (23.8%) under budget and is expected to be \$649,161 (23.1%) under budget at year-end. Event Analysis was under budget year-to-date due to lower Personnel, Contracts and Consultants, and Fixed Asset Additions, partially offset by Net Financing Activity and is projected to be under budget for these same reasons.

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/ Shamai Elstein

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Dated: August 14, 2025

CERTIFICATE OF SERVICE

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

Dated at Washington, D.C. this 14th day of August 2025.

/s/ Shamai Elstein

Shamai Elstein
*Counsel for North American Electric
Reliability Corporation*

ATTACHMENT

Summary of Unaudited Results For the Period Ending June 30, 2025

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Executive Summary

Projected Year-End Results (\$ million)

<u>FUNDING</u>	<u>Projected</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues	\$ 122.1	\$ 123.1	\$ (1.0)
Funding from Reserves			
Assessment Stabilization Reserve	-	-	-
<u>TOTAL FUNDING</u>	<u>\$ 122.1</u>	<u>\$ 123.1</u>	<u>\$ (1.0)</u>
<u>EXPENDITURES</u>			
Expenses (excluding Depreciation)	\$ 120.5	\$ 119.8	\$ 0.7
Fixed Asset Additions	3.7	5.1	(1.4)
Net Financing Activity	(1.9)	(1.9)	-
<u>TOTAL EXPENDITURES</u>	<u>\$ 122.3</u>	<u>\$ 123.0</u>	<u>\$ (0.7)</u>
<u>RESERVE INCREASE (DECREASE)</u>	<u>\$ (0.2)</u>	<u>\$ 0.1</u>	<u>\$ (0.3)</u>

Revenues are projected to be under budget primarily due to lower third-party funding for CRISP and lower system operator certification renewal and continuing education fee revenue. Expenses (excluding Depreciation) are projected to be over budget at year-end primarily due to higher Contracts and Consultants and Meeting and Travel costs, which are partially offset by lower Personnel expenses. Fixed Asset Additions are expected to be under budget due to lower-than-anticipated spending for leased assets and capital software expenditures. Net Financing Activity is projected to be at budget. The net result is a projected year-end reserve decrease of \$200k versus a budgeted increase of \$100k, which is primarily attributed to the unbudgeted use of funds from the CRISP Operating Reserve for equipment purchases (as approved by the CRISP Governance Advisory Committee). 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	\$ 61.3	\$ 61.6	\$ (0.3)
Funding from Reserves			
Assessment Stabilization Reserve	-	-	-
TOTAL FUNDING	\$ 61.3	\$ 61.6	\$ (0.3)
<u>EXPENDITURES</u>			
Expenses (excluding Depreciation)	\$ 56.8	\$ 60.9	\$ (4.1)
Fixed Asset Additions	1.2	2.5	(1.3)
Net Financing Activity	0.6	(1.0)	1.6
TOTAL EXPENDITURES	\$ 58.6	\$ 62.4	\$ (3.8)
RESERVE INCREASE (DECREASE)	\$ 2.7	\$ (0.8)	\$ 3.5

Revenue is under budget year-to-date primarily due to lower third-party funding for CRISP. Expenses (excluding Depreciation) are under budget year-to-date primarily because of lower Personnel, Contracts and Consultants, Office Costs, Professional Services, and Miscellaneous expenses, which are partially offset by higher Meetings and Travel expenses. Fixed Asset Additions are under budget year-to-date due to lower spending on leased assets and capital software expenditures, partially offset by Net Financing Activity. The net result is a year-to-date reserve increase of \$3.5M more 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)
TOTAL FUNDING	\$ 61,260,446	\$ 61,584,068	\$ (323,622)	(0.5%)	\$ 122,072,381	\$ 123,063,843	\$ (991,463)	(0.8%)
EXPENDITURES								
Personnel	35,602,873	36,762,480	(1,159,607)	(3.2%)	71,128,063	71,535,308	(407,245)	(0.6%)
Meetings and Travel	2,582,053	1,908,408	673,646	35.3%	4,528,794	3,816,815	711,979	18.7%
Contracts and Consultants	8,224,354	11,117,047	(2,892,692)	(26.0%)	23,739,195	22,234,093	1,505,102	6.8%
Office Rent	1,562,645	1,537,434	25,211	1.6%	3,074,867	3,074,867	-	0.0%
Office Costs, Professional, and Misc.*	8,770,577	9,299,858	(529,280)	(5.7%)	17,708,188	18,599,715	(891,527)	(4.8%)
Other Non-Operating	172,093	282,000	(109,907)	(39.0%)	349,973	564,000	(214,027)	(37.9%)
Fixed Asset Additions*	1,201,088	2,549,295	(1,348,207)	(52.9%)	3,694,803	5,098,590	(1,403,787)	(27.5%)
Net Financing Activity**	603,703	(964,360)	1,568,063	(162.6%)	(1,987,261)	(1,928,720)	(58,542)	3.0%
TOTAL EXPENDITURES	\$ 58,719,387	\$ 62,492,160	\$ (3,772,773)	(6.0%)	\$ 122,236,622	\$ 122,994,669	\$ (758,047)	(0.6%)
RESERVE INCREASE (DECREASE)	\$ 2,541,059	\$ (908,092)	\$ 3,449,151	(379.8%)	\$ (164,241)	\$ 69,174	\$ (233,415)	(337.4%)
FTEs	258.5	263.5	(5.0)	(1.9%)	261.9	263.5	(1.6)	(0.6%)

* 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.

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

- Personnel expenses are under budget year-to-date primarily due to lower salary and retirement plan costs. Personnel expenses are projected to be under budget at year-end due to these same reasons.
- Meetings and Travel expenses are over budget year-to-date primarily due to higher travel costs associated with increased demand for in-person meetings and engagement and overall higher “per trip” costs. Meetings and Travel expenses are projected to be over budget at year-end for this same reason.
- Contracts and Consultants expenses are under budget year-to-date primarily due to lower third-party contractor costs for CRISP and overall timing of expenses. Contracts and Consultants expenses are projected to be over budget at year-end due to (1) support needs for Modernization of Standards Process and Procedures (MSPP) activities; (2) additional costs related to establishing a new exam developer for the System Operator Certification program; and (3) higher-than-budgeted support for new technology tools and initiatives, partially offset by lower-than-budgeted capital software and equipment expenditures. This is further illustrated in the table below detailing Contracts and Consultants expenses by department.

CONTRACTS and CONSULTANTS	YTD Actual	YTD Budget	YTD Over (Under)	% Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)	% Over (Under)
Reliability Standards and Power Risk Issues and Strategic Management	\$ 193,926	\$ 94,000	\$ 99,926	106.3%	\$ 726,000	\$ 188,000	\$ 538,000	286.2%
Compliance Assurance	186,589	342,312	(155,723)	(45.5%)	800,673	684,623	116,050	17.0%
Registration and Certification	100,486	84,750	15,736	18.6%	534,504	169,500	365,004	215.3%
Compliance Enforcement	239,433	342,312	(102,879)	(30.1%)	794,513	684,623	109,890	16.1%
Engineering and Security Integration	12,530	100,000	(87,470)	(87.5%)	16,953	200,000	(183,047)	(91.5%)
Reliability Assessment and Technical Committees	137,804	137,000	804	0.6%	331,340	274,000	57,340	20.9%
Advanced System Analytics and Modeling	-	154,750	(154,750)	(100.0%)	-	309,500	(309,500)	(100.0%)
Performance Analysis	53,211	139,500	(86,290)	(61.9%)	162,560	279,000	(116,440)	(41.7%)
Situation Awareness	1,958	123,000	(121,042)	(98.4%)	148,416	246,000	(97,584)	(39.7%)
Event Analysis	15,778	160,000	(144,222)	(90.1%)	27,200	320,000	(292,800)	(91.5%)
E-ISAC	1,254,954	1,487,602	(232,648)	(15.6%)	3,272,150	2,975,205	296,945	10.0%
Training, Education and Personnel Certification	221,025	257,539	(36,514)	(14.2%)	862,274	515,078	347,196	67.4%
General and Administrative and Executive	111,730	125,000	(13,270)	(10.6%)	255,220	250,000	5,220	2.1%
Legal and Regulatory	54,487	115,000	(60,513)	(52.6%)	106,287	230,000	(123,710)	(53.8%)
External Affairs	70,120	70,000	120	0.2%	235,500	140,000	95,500	68.2%
Business Technology	2,382,187	2,800,118	(417,930)	(14.9%)	5,685,119	5,600,235	84,884	1.5%
Human Resources and Administration	544,899	437,500	107,399	24.5%	930,919	875,000	55,919	6.4%
Finance and Accounting	282,159	112,500	169,659	150.8%	571,800	225,000	346,800	154.1%
TOTAL (excluding CRISP)	\$ 5,863,277	\$ 7,082,882	\$ (1,219,605)	(17.2%)	\$ 15,461,428	\$ 14,165,764	\$ 1,295,667	9.1%
CRISP	2,361,077	4,034,165	(1,673,087)	(41.5%)	8,277,767	8,068,329	209,438	2.6%
TOTAL (including CRISP)	\$ 8,224,354	\$ 11,117,047	\$ (2,892,692)	(26.0%)	\$ 23,739,195	\$ 22,234,093	\$ 1,505,105	6.8%

- Office Costs, Professional Services, and Miscellaneous expenses are under budget year-to-date largely due to timing of expenses, lower A/V and hardware lease costs, and insurance expenses. Office Costs are projected to be over budget at year end due to higher software licenses and support costs, offset by lower corporate insurance expenses.
- Fixed Asset Additions are under budget year-to-date primarily due to lower spending on leased assets and capital software expenditures, including a replacement for the System Operator Certification and Continuing Education (SOCCED) database that will not be completed until 2026. Fixed Asset Additions are projected to be under budget at year-end due to these same reasons.
- The Net Financing Activity budget is comprised of loan and lease financing proceeds (borrowings) and principal payments. The budget included a total of \$3.8M for both loan borrowings for capital software projects and leased assets, spread evenly throughout the year. The year-to-date variance is primarily because NERC did not borrow during the first half of the year. By year-end, NERC is projecting to borrow \$400k less than budgeted due to anticipated lower leased asset needs and capital software expenditures, which is partially offset by lower loan payments/debt service from less-than-budgeted borrowing in 2023 and 2024.
- Reserves are over budget year-to-date by \$3.5M, primarily due to the reasons noted above for the timing of costs for Contracts and Consultants and Office, Professional, and Miscellaneous expenses, and lower spending on Personnel and Fixed Asset Additions, offset by Net Financing Activity. Reserves are projected to decrease by \$200k at year-end (versus a budgeted increase of \$100k) mainly due to an unbudgeted use of funds from the CRISP Operating Reserve (as approved by the CRISP Governance Advisory Committee) to fund equipment purchases.

Variances by Department

DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	YTD Actual	YTD Budget	YTD Over (Under)	Over (Under)	Annual Projection	Annual Budget	Annual Over (Under)	Over (Under)
Reliability Standards and Power Risk Issues and Strategic Mgmt	\$ 3,201,056	\$ 3,085,852	\$ 115,204	3.7%	\$ 7,067,242	\$ 6,039,541	\$ 1,027,701	17.0%
Compliance Assurance and Certification	3,517,544	3,486,687	30,857	0.9%	6,882,441	6,845,408	37,033	0.5%
Registration	844,094	821,483	22,611	2.8%	1,959,518	1,611,438	348,080	21.6%
Compliance Enforcement	2,381,860	2,485,480	(103,620)	(4.2%)	4,793,411	4,899,029	(105,618)	(2.2%)
Engineering and Security Integration	1,277,674	1,298,987	(21,313)	(1.6%)	2,757,782	2,542,599	215,183	8.5%
Reliability Assessment and Technical Committees	2,311,113	2,773,910	(462,796)	(16.7%)	4,889,111	5,448,342	(559,231)	(10.3%)
Advanced System Analytics and Modeling	767,410	1,451,900	(684,489)	(47.1%)	1,509,844	2,855,428	(1,345,585)	(47.1%)
Performance Analysis	1,140,983	1,354,339	(213,356)	(15.8%)	2,326,908	2,671,764	(344,856)	(12.9%)
Situation Awareness	2,162,187	2,199,848	(37,660)	(1.7%)	4,348,559	4,348,000	559	0.0%
Event Analysis	1,098,257	1,440,569	(342,312)	(23.8%)	2,160,291	2,809,452	(649,161)	(23.1%)
E-ISAC	8,360,872	8,780,512	(419,640)	(4.8%)	17,571,549	17,102,200	469,349	2.7%
Training, Education and Personnel Certification	946,791	999,056	(52,265)	(5.2%)	2,256,553	1,977,720	278,833	14.1%
General and Administrative and Executive	5,128,724	4,911,639	217,085	4.4%	9,938,714	9,763,543	175,171	1.8%
Legal and Regulatory	3,012,056	3,069,405	(57,349)	(1.9%)	5,909,348	6,010,019	(100,672)	(1.7%)
External Affairs	2,508,314	2,444,475	63,839	2.6%	5,165,906	4,795,710	370,196	7.7%
Business Technology	12,410,706	11,927,398	483,308	4.1%	23,498,679	23,512,429	(13,750)	(0.1%)
Human Resources and Administration	2,034,888	2,609,194	(574,306)	(22.0%)	4,806,531	5,154,952	(348,421)	(6.8%)
Finance and Accounting	1,911,254	1,795,150	116,104	6.5%	3,875,518	3,539,022	336,496	9.5%
TOTAL (excluding CRISP)	\$ 55,015,783	\$ 56,935,882	\$ (1,920,099)	(3.4%)	\$ 111,717,902	\$ 111,926,595	\$ (208,693)	(0.2%)
CRISP	3,703,604	5,556,278	(1,852,674)	(33.3%)	10,518,720	11,068,074	(549,355)	(5.0%)
TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	\$ 58,719,387	\$ 62,492,160	\$ (3,772,773)	(6.0%)	\$ 122,236,622	\$ 122,994,669	\$ (758,047)	(0.6%)

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

- Reliability Standards and Power Risk Issues and Strategic Management – Projected to be over budget primarily due to increased Contracts and Consultants support needs for standards process modernization activities, as well as higher personnel costs.
- Registration – Projected to be over budget primarily due to costs for technology supporting Inverter-Based Resources (IBR) data collection efforts. The budgeted funds for this effort were spread across multiple program areas expected to benefit from the data; however, the technology expenditures for the current phase of this effort are applicable to the Registration program.
- Reliability Assessment and Technical Committees – Under budget year-to-date due to lower Personnel and Fixed Asset Additions, partially offset by Net Financing Activity. Projected to be under budget for these same reasons.
- Advanced System Analytics and Modeling – Under budget year-to-date and projected to be under budget at year-end primarily due to lower Personnel expenses, and Contracts and Consultants expenses to help fund MSPP efforts.
- Performance Analysis – Under budget year-to-date and projected to be under budget at year-end primarily due to lower Fixed Asset Additions partially offset by Net Financing Activity.
- Event Analysis – Under budget year-to-date due to lower Personnel, Contracts and Consultants, and Fixed Asset Additions, partially offset by Net Financing Activity. Projected to be under budget for these same reasons.
- E-ISAC – Under budget year-to-date due to lower Personnel expenses and timing of Contracts and Consultants costs. Projected to be over budget at year-end due to higher Meetings and Travel and Contracts and Consultants expenses, partially offset by lower Personnel costs.
- Training, Education and Personnel Certification – Projected to be over budget primarily due to higher Contracts and Consultants expenses for the System Operator Certification program.

- External Affairs – Projected to be over budget due to higher-than-anticipated Personnel expenses and communications and governmental affairs support.
- Business Technology – Over budget year-to-date due to higher Personnel, Contracts and Consultants, and Net Financing Activity (no borrowing year-to-date). Projected to be at budget at year-end.
- Human Resources and Administration – Under budget year-to-date and projected to be under budget due to lower Personnel expenses and Fixed Asset expenditures, partially offset by Net Financing Activity.
- Finance and Accounting – Projected to be over budget due to higher-than-anticipated accounting system and consulting support.
- CRISP – Under budget year-to-date and projected to be under budget at year-end due to lower third-party contractor costs and lower professional services expense.

Supplemental Schedules

Schedule 1 – Year-End Projected Reserves

Reserve Account	1/1/2025 Beginning Balance ⁽¹⁾	Budgeted Funding/(Use) ⁽²⁾	Unbudgeted Funding/(Use) ⁽³⁾	Operating and Financing Activity Versus Budget ⁽⁴⁾	12/31/2025 Ending Balance ⁽⁵⁾
NERC Operating Contingency	\$ 10,405,143	\$ (300,000)	\$ -	\$ 1,295,452	\$ 11,400,595
Future Obligations	2,911,139	(789,192)	-	-	2,121,947
Assessment Stabilization	956,000	-	-	-	956,000
System Operator	1,078,663	369,174	-	(999,776)	448,062
CRISP Defense Fund	500,000	-	-	-	500,000
CRISP Operating	5,076,816	-	(765,000)	296,320	4,608,136
CRISP Equipment Reserve	900,000	-	-	-	900,000
Total Reserves	\$ 21,827,761	\$ (720,018)	\$ (765,000)	\$ 591,996	\$ 20,934,739

NOTES:

(1) 2025 beginning balances have been adjusted from the 12/31/2024 variance report balances as the result of a reconciliation to the final audited balance sheet.

(2) The 2025 Business Plan & Budget (BP&B) contained a budgeted use of NERC Operating Contingency Reserves (OCR) of \$300,000 to help lower assessments, and System Operator Reserves contained a budgeted increase of \$369,174 due to budgeted 2025 revenues being higher than budgeted expenses. The Future Obligations Reserve is a budgeted use of deferred rent reserves to fund a portion of office lease costs.

(3) The CRISP Governance Advisory Committee approved a used of operating reserves up to \$765,000 for equipment purchases.

(4) This column primarily reflects the net impact of normal operations. For example, under normal circumstances, if tracking 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.

The net increase in reserves in this column related to the CRISP department is \$364,373, with \$296,320 going into the CRISP Operating Reserve for CRISP costs funded by the CRISP participants and \$68,053 going into the NERC OCR for the portion of CRISP costs funded by assessments. \$765,000 of the CRISP Operating Reserve has been approved by the CRISP Governance Advisory Committee to fund equipment purchases in 2025. The projected CRISP net results are a reduction to the CRISP Operating Reserve of \$468,680 in 2025.

(5) The projected 12/31/25 OCR balance of \$11.4M is \$1.8M less than the \$13.2M year-end balance projected in the 2025 budget primarily due to lower actual 2024 financing activity than was projected in the 2024 budget (no loan borrowing was made for capital software projects in 2024). The ending OCR balance of \$11.4 million is 10.6% of NERC's 2025 budget (less CRISP & SOCCED) and within the OCR target range of 8% to 16%.

Schedule 2 – E-ISAC and CRISP Summary of Activity

TOTAL E-ISAC (including CRISP)

FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 16,229,891	\$ 32,459,782	\$ 32,459,782	\$ -
Other Funding	5,336,981	10,521,481	11,335,302	(813,821)
TOTAL FUNDING	\$ 21,566,872	\$ 42,981,263	\$ 43,795,084	\$ (813,821)
EXPENDITURES				
Personnel Expense	\$ 6,888,721	\$ 13,820,719	\$ 14,032,057	\$ (211,338)
Meetings and Travel Expense	433,813	731,842	479,675	252,167
Operating Expenses (excluding Depreciation)	4,739,149	13,537,707	13,489,341	48,366
Other Non-Operating Expenses	-	-	2,194	(2,194)
Fixed Asset Purchases (excluding Fixed Asset Allocation)	2,793	-	183,000	(183,000)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	(15,993)	15,993
Total Direct Costs (excluding Depreciation and Allocations)	\$ 12,064,475	\$ 28,090,268	\$ 28,170,274	\$ (80,005)
Indirect Expense Allocation	7,546,678	15,556,733	15,263,944	292,789
Fixed Asset Allocation	249,126	517,883	496,600	21,284
Net Financing Activity Allocation	113,141	(233,634)	(135,734)	(97,901)
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 19,973,421	\$ 43,931,250	\$ 43,795,084	\$ 136,166
RESERVE INCREASE (DECREASE)	\$ 1,593,451	\$ (949,987)	\$ -	\$ (949,987)

Schedule 2 (continued) – E-ISAC and CRISP Summary of Activity

CRISP

FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 1,239,841	\$ 2,479,682	\$ 2,479,682	\$ -
Other Funding	5,070,593	9,865,171	10,583,011	(717,840)
TOTAL FUNDING	\$ 6,310,434	\$ 12,344,853	\$ 13,062,692	\$ (717,840)
EXPENDITURES				
Personnel Expense	\$ 935,293	\$ 1,545,205	\$ 1,637,505	\$ (92,300)
Meetings and Travel Expense	130,485	197,937	175,000	22,937
Operating Expenses (excluding Depreciation)	2,635,033	8,775,578	9,105,569	(329,991)
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	2,793	-	150,000	(150,000)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 3,703,603	\$ 10,518,720	\$ 11,068,074	\$ (549,355)
Indirect Expense Allocation	1,126,885	2,186,804	1,948,548	238,256
Fixed Asset Allocation	37,200	72,799	63,399	9,399
Net Financing Activity Allocation	16,895	(32,842)	(17,329)	(15,513)
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 4,884,583	\$ 12,745,480	\$ 13,062,692	\$ (317,212)
RESERVE INCREASE (DECREASE)	\$ 1,425,851	\$ (400,627)	\$ -	\$ (400,627)

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 \$190,000. Year-to-date expenses sent by the third-party contractor to NERC for new CRISP participants total \$31,000.

Schedule 2 (continued) – E-ISAC and CRISP Summary of Activity

E-ISAC (excluding CRISP)

FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 14,990,050	\$ 29,980,100	\$ 29,980,100	\$ -
Other Funding	266,388	656,310	752,291	(95,981)
TOTAL FUNDING	\$ 15,256,438	\$ 30,636,410	\$ 30,732,391	\$ (95,981)
EXPENDITURES				
Personnel Expense	\$ 5,953,428	\$ 12,275,514	\$ 12,394,552	\$ (119,037)
Meetings and Travel Expense	303,328	533,905	304,675	229,230
Operating Expenses (excluding Depreciation)	2,104,116	4,762,129	4,383,772	378,358
Other Non-Operating Expenses	-	-	2,194	(2,194)
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	-	33,000	(33,000)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	(15,993)	15,993
Total Direct Costs (excluding Depreciation and Allocations)	\$ 8,360,872	\$ 17,571,549	\$ 17,102,200	\$ 469,349
Indirect Expense Allocation	6,419,793	13,369,929	13,315,396	54,533
Fixed Asset Allocation	211,926	445,085	433,200	11,884
Net Financing Activity Allocation	96,247	(200,792)	(118,405)	(82,388)
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 15,088,837	\$ 31,185,770	\$ 30,732,391	\$ 453,378
RESERVE INCREASE (DECREASE)	\$ 167,600	\$ (549,359)	\$ -	\$ (549,359)

Schedule 3 – Summary of Investments

	Quarter-End	Ticker		S&P	Average
	Balance	Symbol	Fund Name	Credit Rating	Annualized Yield
<u>Cash Sweep Accounts</u>					
Operating Account Sweep	\$ 16,928,694	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	3.94%
SOCED Account Sweep	3,582,207	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	3.94%
CRISP Account Sweep	16,928,694	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	3.94%
Total Cash Sweep Accounts	\$ 37,439,596				
<u>Investment Account</u>					
Money Market Funds	\$ 2,336,184		Federated Hermes Gov't Obligations Fund	AAAm	4.27%
U.S. Treasury Portfolio	9,451,241		PNC Ultra Short U.S. Government Portfolio	AA+	4.66%
Total Investments	\$ 11,787,425				