

**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

The North American Electric Reliability Corporation (“NERC”)¹ submits this compliance filing in accordance with the Commission’s January 16, 2013 Order in Docket No. FA11-21-000.² In the January 16 Order, the Commission approved a Settlement Agreement between the Office of Enforcement (“Enforcement”) and NERC related to Enforcement’s findings and recommendations arising out of its 2012 performance audit of NERC. Specifically, Section II.7(b)(i) of the Settlement Agreement requires that:

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

Attached hereto is the unaudited report of NERC’s budget-to-actual variance information for the second quarter of 2014, in accordance with the January 16 Order. This variance information was

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

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

³ *Id.*

posted on NERC's website and reviewed in open session at the August 13, 2014 meeting of the NERC Finance and Audit Committee. The unaudited report was accepted by the NERC Board of Trustees at its meeting on August 14, 2014.

I. NOTICES AND COMMUNICATIONS

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

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*Persons to be included on the
Commission's official service list

⁴ Persons to be included on the Commission's service list are identified by an asterisk. NERC respectfully requests a waiver of Rule 203 of the Commission's regulations, 18 C.F.R. § 385.203 (2012), to allow the inclusion of more than two persons on the service list in this proceeding.

II. CONCLUSION

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

Respectfully submitted,

/s/ Meredith M. Jolivert

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*Counsel for North American Electric
Reliability Corporation*

Dated: August 14, 2014

ATTACHMENT

North American Electric Reliability Corporation- Review of June 30, 2014 Unaudited Results – Budget to Actual Variance Analysis

Summary of Results as of June 30, 2014

Through June 30, 2014, NERC was \$2.9M, 10.0%, under its expense and fixed asset budget, primarily due to (1) lower personnel expenses as a result of having fewer FTEs on staff than budgeted; (2) lower consulting and contract expenses due to timing delays in starting several projects; and (3) lower fixed asset purchases, also due to timing delays, as further explained below. Management is projecting the company will be approximately \$944.7k, 1.7%, under budget at year end. This year-end projection, which is included in the July 15th draft of NERC's 2015 Business Plan and Budget, assumes funding for several projects which are either in the initial phase or planned to be initiated in Q3 or Q4, including: (1) \$470k for reliability affects of GMD and vegetation management (FAC3) research and additional reliability assessment consulting support; (2) \$141.7k for ES-ISAC contract and consulting support related to secure communications, software integration and analytical tools for the portal and for Aurora webinars; (3) approximately \$1.6M for NERC IT projects which include disaster recovery planning, network architecture improvements, document management, and communications infrastructure for the Atlanta and Washington, DC offices and (4) approximately \$1.3M for ERO Enterprise software projects.

	2014 YTD Actual	2014 YTD Budget	2014 YTD Variance Over(Under)	%	2014 Projection	2014 Annual Budget	2014 Projected Variance from Budget Over(Under)	%
TOTAL FUNDING	26,931,681	27,015,191	(83,510)	-0.3%	53,602,882	53,735,382	(132,500)	-0.2%
BUDGET - EXPENSES and FIXED ASSETS								
PERSONNEL EXPENSES	16,873,490	17,318,635	(445,147)	-2.6%	33,789,547	34,059,654	(270,107)	-0.8%
MEETINGS, TRAVEL and CONFERENCE CALLS	1,781,904	1,896,763	(114,860)	-6.1%	3,464,447	3,789,526	(325,079)	-8.6%
CONSULTANTS and CONTRACTS	2,718,837	3,713,381	(994,544)	-26.8%	7,516,119	6,828,973	687,146	10.1%
RENT	1,309,243	1,308,649	593	0.0%	2,650,300	2,617,300	33,000	1.3%
OFFICE COSTS, PROFESSIONAL SERVICES and MISCELLANEOUS	2,831,016	2,910,948	(79,932)	-2.7%	5,733,387	5,832,854	(99,467)	-1.7%
Other Non-Operating Expenses	14,518	72,000	(57,482)	-79.8%	79,367	144,000	(64,633)	-44.9%
FIXED ASSET PURCHASES (excludes the credit for depreciation)	374,817	1,558,895	(1,184,078)	-76.0%	2,212,196	3,117,789	(905,593)	-29.0%
TOTAL BUDGET	25,903,825	28,779,271	(2,875,449)	-10.0%	55,445,363	56,390,096	(944,733)	-1.7%
FTEs	177.36	189.53	(12.17)	-6.4%	185.51	189.53	(4.02)	-2.1%

Funding – (\$83.5k under budget YTD; projected to be \$132.5k under budget at year end)

Total funding was under budget through June 30th and is projected to be under budget at year end primarily due to lower workshop fees due to the elimination of NASPI workshops. When the 2014 budget was developed, it was assumed that NERC might continue to sponsor NASPI workshops.

Actual to Budget Variances for Expenses and Fixed Assets by Category

- **Personnel** expenses were under budget \$445.1k, 2.6%, and are projected to be \$270.1k, 0.8% under budget at year end, due primarily to having fewer FTEs on staff. There were 12.2, 6.4%, fewer FTEs on staff than budgeted through June 30, 2014. We are projecting to be under budget 4.0, 2.1%, FTEs at year end due to attrition.
 - Salaries expense, which includes salaries, incentive compensation, employment agency fees, and temporary office services (staffing), was \$153.4k, 1.2%, under budget. Salaries were \$371.0k under due primarily to open positions, offset by: (i) \$96.3k higher than budgeted accrual for incentive compensation based on historic average payout levels; (ii) \$107.2k higher employment agency fees due to timing of advertising and the use of agencies to fill key positions in Information Technology, including a Chief Information Officer; and (iii) \$14.1k higher temporary office services used during periods of staff vacancies and to support ongoing operations.
 - Payroll taxes were \$54.1k, 5.1%, over budget due to timing of actual expense, which occurs more heavily in the beginning of the year versus the budget, which is spread equally throughout the year, and due to an increase in the maximum taxable earnings cap which is higher than the assumption in the budget.
 - Benefits were \$198.4k, 11.7%, under budget due to open positions, lower than budgeted renewal rates for employee health benefits and lower than budgeted relocation expense. Medical, life and workers' compensation benefits were collectively \$155.9k under budget. Relocation and other benefits, (which includes the cost of employee parking in Atlanta and Washington, DC), were collectively \$61.6k under budget. Employee education and training benefits were \$19.2k over budget.
 - Retirement costs were \$147.4k, 10.1%, under budget due to having fewer FTEs on staff and delayed eligibility related to timing of hiring and attrition.
- **Meeting, travel and conferencing** expenses were collectively under budget \$114.9k, 6.1%, for the first half of the year, and are projected to be \$325.1k, 8.6%, under budget at year end.
 - Meetings and workshop expenses were \$73.3k, 13.9%, under budget primarily due to lower than budgeted workshop expenses related to the elimination of NASPI workshops, as noted above, and lower than budgeted costs for a compliance auditor workshop held in NERC's Atlanta office instead of a hotel.
 - Travel expenses were \$36.8k, 3.0%, under budget through June 30, 2014, and are projected to be \$310.2k, 12.8%, under budget at year end based upon the current spend compared to the actual monthly spending trend in 2013. Management will continue to focus on the elimination of unnecessary travel in order to keep travel expense under budget in 2014 and position the

company to not exceed the 2015 travel budget, which is equal to the 2014 projection of approximately \$2.2M.

- Webinar and conferencing expenses were \$4.8k, 3.0%, under budget through the first half of the year and are projected to be \$24.2k, 7.6% at year end.
- **Consultant and Contract** expenses were \$994.5k, 26.8%, under budget and are projected to be over budget \$687.1k, 10.1%, at year end due to timing of projects that will not begin until the second half of the year, as further explained below.

<u>CONSULTANTS and CONTRACTS</u>	<u>Actual</u>	<u>Budget</u>	<u>Over(Under)</u>	<u>2014 Projection</u>	<u>2014 Annual Budget</u>	<u>Variance from Budget Over(Under)</u>
REGIONAL ENTITY OVERSIGHT AND ASSURANCE	267,543	325,000	(57,457)	470,165	400,000	70,165
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS	212,492	409,043	(196,550)	804,652	638,085	166,567
RELIABILITY RISK MANAGEMENT	931,045	740,671	190,374	1,445,337	1,289,108	156,229
CRITICAL INFRASTRUCTURE DEPARTMENT	55,138	95,002	(39,864)	240,000	190,000	50,000
ES-ISAC	256,066	442,950	(186,884)	701,600	786,450	(84,850)
TRAINING, EDUCATION and OPERATOR CERTIFICATION	104,521	437,665	(333,144)	679,305	848,830	(169,525)
POLICY and EXTERNAL AFFAIRS	6,110	37,500	(31,390)	15,000	75,000	(60,000)
INFORMATION TECHNOLOGY	685,331	973,050	(287,719)	2,468,808	1,944,000	524,808
HUMAN RESOURCES	147,891	82,500	65,391	332,000	257,500	74,500
FINANCE and ACCOUNTING	52,699	170,000	(117,301)	359,252	400,000	(40,748)
TOTAL CONTRACTS and CONSULTANTS	2,718,837	3,713,381	(994,544)	7,516,119	6,828,973	687,146

- Regional Entity Oversight and Assurance – Under budget \$57.5k through June 30th due to timing of consulting support for RAI. The \$70k over budget projection is for consulting support to develop the internal control evaluation and testing processes.
- Reliability Assessments and Performance Analysis – Under budget \$196.6k through June 30th due to delay in execution of the contract to study the reliability effects of GMD. The \$166.6k over budget 2014 year end projection is primarily related to FAC 3 consulting expenses, which are also pending contract execution and were identified as a use of Known Contingency Reserves in the 2014 Business Plan and Budget.
- Reliability Risk Management – \$190.4k over budget due to higher than budgeted expenses for NERCnet and due to timing of actual expenses incurred for the Resource Adequacy and Frequency Monitory tools which were budgeted for renewal in the second half of the year. The over budget projection is due to higher than budgeted expenses for NERCnet.
- Critical Infrastructure Department – Under budget \$39.9k through June 30th due to timing. The over budget year end projection is for contract support to begin the planning process for GridEx III which will take place in 2015.
- Training, Education and Operator Certification – Under budget through June 30th due to: (i) timing related to the system operator database improvement project; (ii) lower than budgeted

- system operator testing expenses due to a new vendor contract that was negotiated after the 2014 budget was developed; and (iii) lower than budgeted costs for industry and staff training. Due to the transition to a new vendor to deliver web-based course hosting and lower than budgeted costs for industry and staff training, contract and consulting support for the training department is projected to be \$139.5k under budget at year end.
- Policy and External Affairs – Under budget through June 30th and projected to be under budget at year end due to a reduction in the need for outside consulting to support external affairs as a result of these duties being managed by NERC staff.
 - Information Technology – \$287.7k under budget due to timing. Management is projecting to be approximately \$525k over budget at year end primarily due to: (i) higher than budgeted expenses for maintenance of the current compliance database; (ii) consulting support related to review and development of Enterprise IT architecture and strategy; and (iii) various IT infrastructure projects, including disaster recovery and network simplification.
 - Human Resources – Over budget \$65.4k through June 30th and projected to be \$74.5k over budget at year end due primarily to higher than budgeted expenses for executive training and development.
 - Finance and Accounting – Under budget \$117.3k through June 30th and projected to be \$40.7k under budget at year end due to lower than budgeted expenses related to for outside auditor consulting support.
- **Rent** – Projected to be over budget at year end due to a reduction in sublease revenue from NERC’s former Washington, DC office in connection with renegotiation of the subtenant agreement as a result of the subtenant’s bankruptcy reorganization. The company received an upfront payment in connection with the execution of its current lease space in Washington, D.C. to offset potential liabilities associated with the sublet of its former office space. This upfront payment is included in the company’s working capital reserves and is being amortized over the term of the lease.
 - **Office Costs, Professional Services and Miscellaneous** – Collectively \$79.9k, 2.7%, under budget through June 30th; projected to be \$99.5k, 1.7% under budget at year end.
 - Office Costs were \$133.6k under budget through June 30th due to lower than budgeted communications expenses (telephone and internet) and maintenance and service agreement costs. Communications expenses are lower due to fewer FTEs on staff, but also due to lower average cost per employee. Office costs are projected to be \$96.0k under budget at year end due primarily to lower than budgeted costs for maintenance and service agreements expenses based upon current trend and elimination of certain data back-up fees due to purchase of software and equipment in 2013 to service this requirement in-house.
 - Professional services expenses were \$67.6k over budget through June 30th due to higher than budgeted outside counsel expenses related to preparation of the 5-year performance

assessment and to the negotiation of contracts related to the Cyber Risk Information Sharing Program (CRISP) and due to higher than budgeted accounting and auditing fees related to review of NERC’s retirement and deferred compensation plans. Professional services are projected to be equal to budget at year end but could potentially exceed budget depending on total outside counsel expenditures in connection with the negotiation of the CRISP contracts and the finalization of 2014 third party funding arrangements assuming the project moves forward

- **Other Non-Operating Expenses** were under budget \$57.5k, 79.8%, primarily due to lower than budgeted interest expense associated with the capital financing loan. Interest expense is projected to be \$64.6k lower than budget due to a lower than budgeted interest rate and a delay in closing the capital financing program loan. The actual interest rate on the loan, which closed in January, 2014 instead of fourth quarter, 2013, is 2.9%. The 2014 budget was developed using an interest rate of 3.5%.
- **Fixed Asset Purchases**, which excludes the credit for depreciation, were \$1.2M, 76.0%, under budget through June 30th and are projected to be \$905.6k, 29.0%, under budget at year end, due to management’s decision to review and make improvements in the company’s Enterprise IT software application development strategy, application development priorities and execution. Savings in fixed asset purchases are being used to offset the use of operating reserves to fund Enterprise IT strategy and application consulting support noted above.

The following table summarizes contract and consulting cost incurred through June 30, 2014 related to the development of various enterprise software applications, including use of reserves.

Total Enterprise Software Application Development Spending as of 6/30/2014

Project	2013			2014			Total		
	Actual	Budget*	Use of Reserves	Actual	Budget*	Use of Reserves	Actual	Budget*	Use of Reserves
BES**	822,327	644,736	177,591	210,141	220,000	-	1,032,468	864,736	177,591
SBS	250,131	245,000	5,131	216,735	216,735	-	466,866	461,735	5,131
EIDS	638,755	432,500	206,255	23,461	23,461	-	662,216	455,961	206,255
TOTAL	1,711,213	1,322,236	388,977	450,337	460,196	-	2,161,550	1,782,432	388,977

*Budget includes funds specifically budgeted for an individual project, as well as funds budgeted for general application development support.

**The 2014 approved development funding for the BES project included a 'not to exceed' authorization \$220k. Actual and budget amounts do not include \$110,229 for outside help desk support for the BES application, which is budgeted separately.

OPERATING RESERVE ANALYSIS

As of June 30, 2014, the balance in working capital and operating reserves was \$7.8M¹. After taking into consideration the restriction for future liabilities associated with NERC’s lease obligations, the balance in available operating reserves was approximately \$1.5M higher than budget. The current balances in the Known Contingency Reserve, Unknown Contingency Reserve and the System Operator Reserves as of June 30, 2014 were \$1.0M, \$1.7M, and \$1.47M, respectively, for a total balance of \$4,147,808, net of the adjustment of reserves held for future liabilities.

OPERATING RESERVE ANALYSIS - June 30, 2014

	2014 Actual	2014 Budget*	Variance - Actual to Budget	2014 Current Reserve Balances		
				Known Contingency Reserves	Unknown Contingency Reserves	System Operator Reserves
WORKING CAPITAL and OPERATING RESERVES						
Balance as of 12/31/13	6,264,672	8,217,862	(1,953,190)			
Less: Adjustment for future liabilities	(3,817,478)	(3,788,645)	(28,833)			
Beginning Available Operating Reserves	2,447,194	4,429,217	(1,982,023)	1,000,000	(69,672)	1,516,866
Proceeds from Financing Activities (non-current portion only)	667,639		667,639		667,639	
Change in Reserves from Current Year Operations	1,027,856	(1,764,080)	2,791,938	-	1,079,480	(51,625)
Other adjustments to reserves**	5,119		5,119		5,119	
Available Reserve Balance	4,147,808	2,665,137	1,482,673	1,000,000	1,682,566	1,465,241

*The 2014 budget includes a \$1.2M reduction in Known and Unknown reserves and a \$438.3k planned reduction in the System Operator Reserves, for a total budgeted reduction in reserves of \$1,660,724.

**Represents transactions recorded only on the Statement of Financial Position (balance sheet) and do not impact the Statement of Activities (income statement)

As of June 30th, the projected use of Unknown Contingency Reserves for contract and consulting support was \$324.6k: (i) \$70.2k for RAI contract support to develop the internal control evaluation and testing processes; (ii) \$55.0k for data modeling and change orders related to generation databases; (iii) \$74.5k for executive coaching and HR administrative support; and (iv) \$504.7k for IT architecture and strategy consulting, compliance database maintenance, and various IT infrastructure projects, including disaster recovery and network simplification, as explained above. The projected use of \$150k of Known Contingency Reserves is for the FAC3, vegetation research project. The projected year end balances in the Known Contingency Reserve, Unknown Contingency Reserve and the System Operator Reserves are \$850k, \$159.1k, and \$996.4k, respectively, for a total of approximately \$2.0M. These projected year end balances were used in preparation of the July 15th draft of NERC’s 2015 Business Plan and Budget.

¹ Refer to the Statement of Financial Position on page 9.

OPERATING RESERVE ANALYSIS - June 30, 2014

	2014 Projection as of 6/30/2014	2014 Budget*	Variance - Projection to Budget	2014 Projected Year End Reserve Balances		
				Known Contingency Reserves	Unknown Contingency Reserves	System Operator Reserves
WORKING CAPITAL and OPERATING RESERVES						
Balance as of 12/31/13	6,264,672	8,217,862	(1,953,190)			
Less: Adjustment for future liabilities	(3,817,478)	(3,788,645)	(28,833)			
Beginning Available Operating Reserves	2,447,194	4,429,217	(1,982,023)	1,000,000	(69,672)	1,516,866
Proceeds from Financing Activities (non-current portion only)	1,400,799	943,993	456,806		1,400,799	
Change in Reserves from Current Year Operations	(1,842,482)	(2,654,715)	812,233	(150,000)	(1,172,046)	(520,436)
Other adjustments to reserves**		49,999	(49,999)		-	
Available Reserve Balance	2,005,511	2,768,494	(762,983)	850,000	159,081	996,430

*The 2014 budget includes a \$1.2M reduction in Known and Unknown reserves and a \$438.3k planned reduction in the System Operator Reserves, for a total budgeted reduction in reserves of \$1,660,724.

**Represents transactions recorded only on the Statement of Financial Position (balance sheet) and do not impact the Statement of Activities (income statement)

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
Statement of Activities, Fixed Assets and Change in Working Capital
(Unaudited)
For the period ended 06/30/2014

	2014	2014	2014 YTD		2014	2014	2014 Projected	
	YTD Actual	YTD Budget	Variance	%	Projection	Annual Budget	Variance from Budget	%
			Over(Under)				Over(Under)	
Funding								
Assessments	25,700,692	25,700,691	1		51,401,382	51,401,382	-	
Penalties	290,000	290,000	(0)		290,000	290,000	-	
Testing	824,973	810,000	14,973		1,620,000	1,620,000	-	
Services & Software	30,000	25,000	5,000		50,000	50,000	-	
Workshop Fees	84,800	179,500	(94,700)		239,000	354,000	(115,000)	
Interest	1,159	10,000	(8,841)		2,500	20,000	(17,500)	
Miscellaneous	58	-	58		-	-	-	
Total Funding	26,931,681	27,015,191	(83,510)	-0.3%	53,602,882	53,735,382	(132,500)	-0.2%
Expenses								
Personnel Expenses								
Salaries	12,955,841	13,109,289	(153,449)		26,168,292	26,218,572	(50,280)	
Payroll Taxes	1,113,028	1,058,961	54,066		1,726,865	1,570,954	155,911	
Employee Benefits	1,494,550	1,692,946	(198,396)		3,179,008	3,385,917	(206,909)	
Savings & Retirement	1,310,071	1,457,440	(147,369)		2,715,382	2,884,211	(168,829)	
Total Personnel Expenses	16,873,490	17,318,635	(445,147)	-2.6%	33,789,547	34,059,654	(270,107)	-0.8%
Meeting Expenses								
Meetings	454,795	528,076	(73,281)		1,061,453	1,052,150	9,303	
Travel	1,173,005	1,209,762	(36,757)		2,109,344	2,419,525	(310,181)	
Conference Calls	154,103	158,925	(4,821)		293,649	317,851	(24,202)	
Total Meeting Expenses	1,781,904	1,896,763	(114,860)	-6.1%	3,464,447	3,789,526	(325,079)	-8.6%
Operating Expenses								
Consultants and Contracts	2,718,837	3,713,381	(994,544)	-26.8%	7,516,119	6,828,973	687,146	10.1%
Rent & Improvements	1,309,243	1,308,649	593	0.0%	2,650,300	2,617,300	33,000	1.3%
Office Costs	1,626,427	1,760,042	(133,615)	-7.6%	3,410,107	3,506,074	(95,967)	-2.7%
Professional Services	1,200,255	1,132,656	67,599	6.0%	2,290,280	2,290,280	-	0.0%
Miscellaneous	4,334	18,250	(13,916)	-76.3%	33,000	36,500	(3,500)	-9.6%
Depreciation	941,186	1,166,503	(225,317)	-19.3%	1,790,990	2,333,006	(542,016)	-23.2%
Total Operating Expenses	7,800,282	9,099,481	(1,299,200)	-14.3%	17,690,796	17,612,133	78,663	0.4%
Other Non-Operating Expenses	14,518	72,000	(57,482)	-79.8%	79,367	144,000	(64,633)	-44.9%
Total Expenses	26,470,194	28,386,880	(1,916,688)	-6.8%	55,024,157	55,605,313	(581,156)	-1.0%
Net Change in Assets	461,487	(1,371,689)	1,833,177	-133.6%	(1,421,275)	(1,869,931)	448,656	-24.0%
Fixed Assets								
Depreciation	(941,186)	(1,166,503)	225,317		(1,790,990)	(2,333,006)	542,016	
Computer & Software	293,061	1,452,395	(1,159,334)		2,025,476	2,904,790	(879,314)	
Furniture & Fixtures	-	-	-		-	-	-	
Equipment	81,756	106,500	(24,744)		186,721	213,000	(26,279)	
Leasehold Improvements	-	-	-		-	-	-	
Incr(Dec) in Fixed Assets	(566,369)	392,392	(958,761)	-244.3%	421,206	784,783	(363,577)	-46.3%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	25,903,825	28,779,271	(2,875,449)	-10.0%	55,445,363	56,390,094	(944,733)	-1.7%
FTE's	177.36	189.53	(12.17)	-6.4%	185.51	189.53	(4.02)	-2.1%

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
Statement of Financial Position
(Unaudited)
For the period ended 06/30/2014

	6/30/2014	12/31/2013	Available Working Capital	
			6/30/2014	12/31/2013
ASSETS				
Cash	33,546,436	26,182,060	33,546,436	26,182,060
Trade Accounts receivable, net of allowance for uncollectible accounts of 0 and 62,573 in 2014 and 2013	14,970,257	3,353,895	14,970,257	3,353,895
Prepaid expenses and other current assets	657,787	869,876	657,787	869,876
Security deposit	99,136	99,136		
Cash value of insurance policies	-	-		
Employee Fiduciary - 457b	320,660	320,660		
Property and equipment	5,078,747	5,645,116		
Total Assets	54,673,023	36,470,743		
LIABILITIES AND NET ASSETS				
Liabilities				
Current Portion				
Accounts payable and accrued expenses (includes vacation accrual)	2,874,758	2,917,303	(2,874,758)	(2,917,303)
Accrued incentive compensation	1,986,345	4,025,979	(1,986,345)	(4,025,979)
Deferred rent-current	216,074	182,421	(216,074)	(182,421)
Deferred compensation - current	14,257	20,386	(14,257)	(20,386)
Capital lease obligations - current	47,108	47,108	(47,108)	(47,108)
Accrued retirement liabilities	1,071,769	1,788,624	(1,071,769)	(1,788,624)
Debt service - current portion	421,667		(421,667)	-
Deferred income	15,414,996	5,287,044	(15,414,996)	(5,287,044)
Deferred revenue - penalties	0	-	(0)	-
Deferred revenue - other	10,000		(10,000)	-
Regional assessments	19,115,052	9,427,293	(19,115,052)	(9,427,293)
Total Current Portion	41,172,025	23,696,159		
Long-Term Portion				
Deferred compensation ¹	602,633	597,514		
Long-Term Debt	667,639			
Deferred Rent-non-current	3,699,647	3,817,478	(3,699,647)	(3,817,478)
Capital lease obligations - non-current	-	-		
Total Long-Term Portion	4,969,919	4,414,992		
Total Liabilities	46,141,943	28,111,151		
Net Assets - unrestricted	8,376,079	7,914,592		
Net Assets - restricted	155,000	445,000	(155,000)	(445,000)
Total Liabilities and Net Assets	54,673,023	36,470,743	4,147,808	2,447,194
¹ Includes 457b liability, life insurance for former executive, and retiree medical				
Working Capital and Operating Reserves	7,847,455	6,264,672		
Less: Restriction for future liabilities	(3,699,647)	(3,817,478)		
Available Working Capital and Operating Reserves	4,147,808	2,447,194		
Financial Covenants				
1 - WC & OR Balance to Debt Service Ratio > 1.2 to 1.0 (Working Capital / Debt Service)	18.61			
2 - Liquidity to Debt Service Ratio > 1.5 to 1.0 (= Cash - Regional Assessments - Restricted Net Assets)	33.86			

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, 2014.

/s/ Meredith M. Jolivert

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