

posted on NERC's website and reviewed in open session at the May 6, 2015 meeting of the NERC Finance and Audit Committee. The unaudited report was accepted by the NERC Board of Trustees at its meeting on May 7, 2015.

I. NOTICES AND COMMUNICATIONS

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

Michael Walker*
Senior Vice President and Chief Financial and
Administrative Officer
North American Electric Reliability
Corporation
3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, G.A. 30326
(404) 446-9740
(404) 467-0474 – facsimile

Meredith M. Jolivert*
Senior Counsel
North American Electric Reliability
Corporation
1325 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 400-3000
(202) 644-8099 – facsimile
meredith.jolivert@nerc.net

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

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

Michael Walker
Senior Vice President and Chief Financial and
Administrative Officer
North American Electric Reliability
Corporation
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Washington, D.C. 20005
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(202) 644-8099 – facsimile
meredith.jolivert@nerc.net

*Counsel for North American Electric
Reliability Corporation*

Dated: May 15, 2015

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 May, 2015.

/s/ Meredith M. Jolivert

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

ATTACHMENT

North American Electric Reliability Corporation Summary of Results as of March 31, 2015

Through March 31, 2015, NERC was \$1.6M, 9.3%, under its expense and fixed asset budget, including costs related to the Cyber Risk Information Sharing Program (CRISP). As reflected in the following table, NERC is projecting to be approximately \$358.0k, 0.5%, under budget at year end, due to a variety of reasons, but primarily due to lower than budgeted costs for CRISP.

YTD Actual versus YTD Budget and 2015 Projection versus 2015 Total Budget by Category

	2015 Actual	2015 Budget	2015 Variance Over(Under)	%	2015 Projection	2015 Annual Budget	2015 Projected Variance from Budget Over(Under)	%
TOTAL FUNDING	20,395,475	17,700,754	2,694,721	15.2%	65,656,973	67,371,264	(1,714,291)	-2.5%
BUDGET - EXPENSES and FIXED ASSETS								
PERSONNEL EXPENSES	9,274,547	9,316,593	(42,046)	-0.5%	35,380,411	35,803,311	(422,900)	-1.2%
MEETINGS, TRAVEL and CONFERENCE CALLS	871,033	905,559	(34,526)	-3.8%	3,758,931	3,566,146	192,785	5.4%
CONSULTANTS and CONTRACTS	2,519,192	3,995,150	(1,475,958)	-36.9%	13,509,173	14,311,466	(802,293)	-5.6%
RENT	701,577	746,939	(45,362)	-6.1%	2,987,777	2,987,777	-	0.0%
OFFICE COSTS, PROFESSIONAL SERVICES and MISCELLANEOUS	1,421,594	1,557,744	(136,150)	-8.7%	6,264,196	6,231,108	33,088	0.5%
Other Non-Operating Expenses	5,972	32,750	(26,778)	-81.8%	75,000	131,000	(56,000)	-42.7%
FIXED ASSET PURCHASES (excludes the credit for depreciation)	741,987	578,083	163,903	28.4%	4,315,807	3,618,500	697,307	19.3%
TOTAL BUDGET	15,535,903	17,132,818	(1,596,915)	-9.3%	66,291,295	66,649,308	(358,014)	-0.5%
FTEs	188.00	192.35	(4.35)	-2.3%	190.73	192.30	(1.57)	-0.8%

Excluding CRISP, NERC was \$107.1k, 0.7%, under budget and is projecting to be \$937.0k, 1.6%, over budget at year end due to costs associated with (1) consulting support for assessment studies regarding the Environmental Protection Agency's proposed Clean Power Plan; (2) contract costs for multiple reliability tools and costs of a secure alert system that was anticipated to be replaced by another system at lower costs¹; and (3) the use of reserves for leasehold improvements in the Atlanta and Washington, DC offices, which were approved by the Finance and Audit Committee at their meeting in November, 2014. The following table and the summary of variances by expense category reflect year-to-date (YTD) actual results and 2015 projected results without CRISP. A summary of results for CRISP is also provided on page 4. It's important to keep in mind that this projection is preliminary and subject to change. This year end projection will be utilized in preparation of the initial draft of NERC's 2016 business plan and budget, which will be posted on May 19th. It will be further refined and updated as part of the second quarter variance report and the final draft of the 2016 business plan and budget which is scheduled to be posted on July 15th.

¹ A replacement system is currently under evaluation.

**YTD Actual versus YTD Budget and 2015 Projection versus 2015 Total Budget by Category
(Excluding CRISP)**

	2015	2015	2015 Variance		2015	2015	2015 Projected	
	Actual	Budget	Over(Under)		Projection	Annual Budget	Variance from Budget Over(Under)	
TOTAL FUNDING	15,197,487	15,233,058	(35,570)	-0.2%	57,550,142	57,550,142	-	0.0%
BUDGET - EXPENSES and FIXED ASSETS								
PERSONNEL EXPENSES	9,227,709	9,197,183	30,526	0.3%	35,156,055	35,344,061	(188,006)	-0.5%
MEETINGS, TRAVEL and CONFERENCE CALLS	869,134	893,053	(23,919)	-2.7%	3,708,931	3,516,146	192,785	5.5%
CONSULTANTS and CONTRACTS	1,855,108	2,078,637	(223,529)	-10.8%	7,064,561	6,645,411	419,150	6.3%
RENT	701,577	746,939	(45,362)	-6.1%	2,987,777	2,987,777	-	0.0%
OFFICE COSTS, PROFESSIONAL SERVICES and MISCELLANEOUS	1,392,316	1,393,991	(1,675)	-0.1%	5,547,871	5,576,108	(28,237)	-0.5%
Other Non-Operating Expenses	5,972	32,750	(26,778)	-81.8%	75,000	131,000	(56,000)	-42.7%
FIXED ASSET PURCHASES (excludes the credit for depreciation)	736,729	553,083	183,646	33.2%	4,115,807	3,518,500	597,307	17.0%
TOTAL BUDGET	14,788,546	14,895,637	(107,091)	-0.7%	58,656,002	57,719,003	936,999	1.6%
FTEs	186.9	190.5	(3.6)	-1.9%	188.9	190.4	(1.6)	-0.8%

Following is a brief summary of variances by major categories:

- Personnel expenses were over budget \$30.5k, 0.3%, due to higher than budgeted employment agency fees and payroll taxes, offset by lower than budgeted benefits and retirement costs. Personnel expenses are projected to be \$188.0k, 0.5% under budget at year end. There were 4.4, 2.3%, fewer FTEs on staff than budgeted through March 31, 2015. The 2015 budget for personnel expenses and total FTEs reflects a 6% vacancy assumption to account for attrition and timing of hiring open positions.
 - Salaries expense, which consists of salaries, incentive compensation, employment agency fees and temporary office services, was \$73.4k, 1.1%, over budget through March 31st due to higher than budgeted employment agency fees.
 - Payroll taxes were over budget \$73.7k, 10.4%, through March 31st, and are projected to be over budget \$132.8k, 7.9%, at year end due to a higher maximum salary subject to taxes in 2015 than was budgeted. Higher than budgeted expense through March 31st was also due to timing related to payroll taxes paid in February in connection with the payout of incentive compensation.
 - Employee Benefits were \$61.8k, 7.0%, under budget and are projected to be under budget \$167.2k, 4.7%, at year end due to lower than budgeted renewal rates for employee health benefits.
 - Retirement costs were \$127.4k, 15.4%, under budget due to having fewer FTEs on staff. Retirement costs are projected to be \$196.7k, 6.6%, under budget at year end due to timing of hiring open positions which delays eligibility in the savings and investment plan.

- Meeting, travel and conferencing expenses were collectively under budget \$23.9k, 2.7%, through March 31st, and are projected to be \$192.8k, 5.5%, over budget at year end. Travel expenses were over budget \$14.7k through March, 2015, and are projected to be \$145.4k over budget at year end primarily due to increased travel related to implementation of risk-based CMEP and event analysis. Management will be reviewing projected travel and meeting expenses further in an effort to identify opportunities to reduce this projected budget variance.
- Consultant and Contract expenses were \$223.5k, 10.8%, under budget, primarily due to timing of the budget versus actual payments for numerous projects throughout the organization. Consultant and contract expenses are projected to be \$419.2k, 6.3%, over budget at year end. The following table summarizes existing and projected over budget variances by department.
 - RAPA - Over budget \$197.6k YTD and projected to be \$145.3k over budget at year end due to costs for consulting support for assessment studies regarding the Environmental Protection Agency's proposed Clean Power Plan. The use of operating reserves received all necessary corporate authorization as required by NERC's Working Capital and Operating Reserve Policy.
 - Reliability Risk Management – Over budget YTD and projected to be over budget at year end due to higher than budgeted costs for multiple reliability tools and costs resulting from delays in the replacement of a secure alert system, as previously noted.
 - ES-ISAC – Under budget YTD due to timing difference between actual expenses incurred and the budget, which is allocated equally throughout the year.
 - Training, Education and Operator Certification - Under budget YTD due to timing difference between actual expenses incurred and the budget, which is allocated equally throughout the year.
 - General and Administrative – The YTD actual and projected year end over budget variance is related to the ERO effectiveness survey which began in 2014 and carried over into 2015.
 - Information Technology, Human Resources and Finance and Accounting - Under budget YTD due to timing difference between actual expenses incurred and the budget, which is allocated equally throughout the year.

SUMMARY OF CONSULTANT AND CONTRACT EXPENSES BY DEPARTMENT

CONSULTANTS and CONTRACTS	2015		2015 Over(Under)	2015 Projection	2015 Annual Budget	Variance from Budget Over(Under)
	2015 Actual	Budget				
COMPLIANCE ASSURANCE	-	97,003	(97,003)	388,000	388,000	-
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS	685,206	487,612	197,594	1,100,780	955,450	145,330
RELIABILITY RISK MANAGEMENT	532,185	437,868	94,318	1,286,655	1,077,321	209,334
ES-ISAC	103,274	272,530	(169,257)	1,111,867	1,090,135	21,732
TRAINING, EDUCATION and OPERATOR CERTIFICATION	110,139	188,028	(77,890)	746,014	752,130	(6,116)
GENERAL and ADMINISTRATIVE	48,870	-	48,870	48,870	-	48,870
POLICY and EXTERNAL AFFAIRS	500	3,750	(3,250)	15,000	15,000	-
INFORMATION TECHNOLOGY	319,898	432,403	(112,505)	1,729,600	1,729,600	-
HUMAN RESOURCES	27,911	74,571	(46,660)	298,275	298,275	-
FINANCE and ACCOUNTING	27,126	84,872	(57,746)	339,500	339,500	-
CONTRACTS and CONSULTANTS (excluding CRISP)	1,855,108	2,078,637	(223,529)	7,064,561	6,645,411	419,150

- Other Non-Operating Expenses were \$26.8k, 81.8%, under budget through March 31st, and are projected to be \$56.0k, 42.7%, under budget at year end due to a lower than budgeted interest expense related to the capital financing loan. As a result of budget under runs in 2014, management did not draw on the loan in 2014 as was planned when the 2015 budget was developed.
- Fixed Asset Purchases, which excludes the credit for depreciation, were \$183.6k, 33.2%, over budget through March 31st and are projected to be \$597.3k, 17.0%, over budget at year end due to leasehold improvements in the Atlanta and Washington, DC offices, which were approved by the Finance and Audit Committee at their meeting in November, 2014.

CRISP was \$1.5M, 65.1% under budget through March 31st, and is projected to be \$1.2M, 13.2%, under budget at year end, primarily due to lower than budgeted contract and consulting expense. When the 2015 budget was prepared, it was assumed that all CRISP contracts would be executed and associated expenses would be incurred in 2015. However, as previously reported, a portion of CRISP expenses that were budgeted in 2015 were incurred in 2014. Based upon 2015 contract costs, which were finalized after the 2015 budget was submitted to FERC, contract and consulting expense related to CRISP is projected to be \$1.2M under budget in 2015. This will also have the effect of reducing 2015 funding from CRISP participants, since CRISP contractual funding mechanisms match funding to actual costs. As reflected in the projected year-end balance in CRISP Reserves on page 6, we project the change in reserves from current year operations to be \$14.5k. Any under runs in actual versus budgeted CRISP costs which are funded by CRISP participants will be credited to CRISP participants pursuant to the terms of the CRISP participant agreements.

OPERATING RESERVE ANALYSIS

As of March 31, 2015, the balance in working capital and operating reserves was \$12.0M, which was \$6.1M higher than budget. This higher than budgeted reserve balance was the result of two factors that were not anticipated at the time the 2015 budget was approved. First, the reserve balance reflects \$4.3M in additional CRISP reserves due to timing differences between receipt of third-party funding for CRISP, which occurs at the beginning of the year, and expenses incurred throughout the year. Pursuant to the agreements with CRISP participants, any excess in funding over expenses is returned to participants per the terms of the CRISP contracts. These additional reserves are reported in the table below under the row labeled Changes in Reserves from Current Operations. Second, the beginning balance in working capital and operating reserves was \$1.9M higher than budgeted due to expense and fixed asset under runs in 2014. The actual 2015 beginning balance in working capital and operating reserves was \$7.46M, based upon audited 2014 year-end results. The balances in the Future Obligations Reserve, the Operating Contingency Reserve, the System Operator Reserves, and CRISP Reserves as of March 31st, were approximately \$3.35M, \$2.5M, \$1.16M, and \$4.97M respectively.

	2015 Actual	2015 Budget	Variance - Actual to Budget	March 31, 2015 Reserve Balances				
				Future Obligations Reserve	Operating Contingency Reserve	System Operator Reserves	CRISP Reserves***	Assessment Stabilization Reserve
Beginning Working Capital and Operating Reserves - 1/1/2015	7,460,907	5,573,225	1,887,682	3,569,492	2,011,402	1,294,513	585,500	-
Proceeds from Financing Activities (non-current portion only)	-	-	-		-			
Debt Service	(105,417)	(223,416)	117,999		(105,417)			
Change in Reserves from Current Year Operations	4,859,572	567,936	4,291,636		615,367	(138,902)	4,383,107	
Other adjustments to reserves**	(248,090)	(80,555)	(167,536)	(224,130)	(23,960)		-	
Reserve Balance	11,966,973	5,837,191	6,129,782	3,345,362	2,497,392	1,155,611	4,968,607	-

**Represents transactions recorded only on the Statement of Financial Position (balance sheet) and do not impact the Statement of Activities (income statement), including recording of capitalized leases, amortization of future obligations and funding the 457f plan.

***Represents 2015 CRISP funding billed, net of 2014 credits issued for budget under runs.

As of March 31st, the projected use of operating reserves includes \$597.3k for leasehold improvements, \$140.75k to study the EPA Clean Power Plan, and \$50k for higher than budgeted costs associated with GridEx III. As explained above, the use of reserves to fund leasehold improvements was approved by the Finance and Audit Committee in 2014. All necessary corporate authorizations have been obtained for reserve funding of these projects. The projected year-end reserve balances reflected in the following table do not include funding to commence implementation of a document management program in 2015. Further information regarding the document management program, including funding requirements, is set forth under agenda item 2 of the Standards Oversight and Technology Committee May 6, 2015 agenda and agenda item 5 of the Finance and Audit Committee's May 6, 2015 agenda. Primarily due to higher

than projected starting year reserve balances, we expect sufficient reserves will be available to fund the projected 2015 costs of the document management program without materially impacting overall operating reserve levels. The projected year end balances in the Future Obligations Reserve, the Operating Contingency Reserve, the System Operator Reserves, and CRISP Reserves, are approximately \$3.1M, \$2.65M, \$826.5k, and \$600.0k respectively.

	2015 Projection as of 3/31/2015	2015 Budget	Variance - Projection to Budget	2015 Projected Year End Reserve Balances				
				Future Obligations Reserve	Operating Contingency Reserve	System Operator Reserves	CRISP Reserves***	Assessment Stabilization Reserve
Beginning Working Capital and Operating Reserves - 1/1/2015	7,460,907	5,573,225	1,887,682	3,569,492	2,011,402	1,294,513	585,500	-
Proceeds from Financing Activities (non-current portion only)	1,266,667	1,266,667	-		1,266,667			
Debt Service	(421,667)	(893,664)	471,997		(421,667)			
Change in Reserves from Current Year Operations	(634,322)	721,956	(1,356,278)	-	(180,778)	(468,047)	14,503	
Other adjustments to reserves**	(519,698)	(322,218)	(197,480)	(493,418)	(26,280)			
Reserve Balance	7,151,887	6,345,966	805,922	3,076,074	2,649,344	826,466	600,003	-

**Represents transactions recorded only on the Statement of Financial Position (balance sheet) and do not impact the Statement of Activities (income statement), including recording of capitalized leases, amortization of future obligations and funding the 457f plan.

***Represents 2015 CRISP funding billed, net of 2014 credits issued for budget under runs.

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
Statement of Activities and Fixed Assets Budget
(Unaudited)
For the period ended 03/31/2015

	2015	2015	2015		2015	2015	2015 Projected	
	Actual	Budget	Variance	%	Projection	Annual	Variance from	%
			Over(Under)			Budget	Budget	
Funding								
Assessments	13,827,094	13,827,094	-		55,308,375	55,308,375	-	
Penalties	1,155,000	1,155,000	-		1,155,000	1,155,000	-	
Third-Party Funding (CRISP)	4,965,860	2,235,898	2,729,962		7,228,140	8,943,589	(1,715,449)	
Testing	383,587	417,504	(33,917)		1,670,000	1,670,000	-	
Services & Software	17,000	12,506	4,494		50,000	50,000	-	
Workshop Fees	44,725	52,000	(7,275)		241,300	241,300	-	
Interest	2,209	752	1,457		4,158	3,000	1,158	
Miscellaneous	-	-	-		-	-	-	
Total Funding	20,395,475	17,700,754	2,694,721	15.2%	65,656,973	67,371,264	(1,714,291)	-2.5%
Expenses								
Personnel Expenses								
Salaries	6,968,591	6,895,175	73,416		27,388,831	27,580,676	(191,845)	
Payroll Taxes	781,395	707,701	73,694		1,806,463	1,673,628	132,835	
Employee Benefits	825,011	886,786	(61,775)		3,380,013	3,547,177	(167,164)	
Savings & Retirement	699,550	826,930	(127,380)		2,805,104	3,001,829	(196,725)	
Total Personnel Expenses	9,274,547	9,316,593	(42,046)	-0.5%	35,380,411	35,803,311	(422,900)	-1.2%
Meeting Expenses								
Meetings	231,292	276,542	(45,250)		1,051,303	1,050,000	1,303	
Travel	565,509	550,824	14,685		2,348,831	2,203,395	145,436	
Conference Calls	74,232	78,193	(3,961)		358,797	312,751	46,046	
Total Meeting Expenses	871,033	905,559	(34,526)	-3.8%	3,758,931	3,566,146	192,785	5.4%
Operating Expenses								
Consultants and Contracts	2,519,192	3,995,150	(1,475,958)		13,509,173	14,311,466	(802,293)	
Rent & Improvements	701,577	746,939	(45,362)		2,987,777	2,987,777	-	
Office Costs	918,824	895,793	23,031		3,552,416	3,583,328	(30,912)	
Professional Services	497,060	652,826	(155,766)		2,672,280	2,611,280	61,000	
Miscellaneous	5,710	9,125	(3,415)		39,500	36,500	3,000	
Depreciation	467,632	583,253	(115,622)		2,438,110	2,333,006	105,103	
Total Operating Expenses	5,109,995	6,883,086	(1,773,091)	-25.8%	25,199,255	25,863,357	(664,102)	-2.6%
Other Non-Operating Expenses	5,972	32,750	(26,778)	-81.8%	75,000	131,000	(56,000)	-42.7%
Total Expenses	15,261,548	17,137,988	(1,876,440)	-10.9%	64,413,597	65,363,815	(950,217)	-1.5%
Net Change in Assets	5,133,927	562,766	4,571,161	812.3%	1,243,376	2,007,449	(764,074)	-38.1%
Fixed Assets								
Depreciation	(467,632)	(583,253)	115,622		(2,438,110)	(2,333,006)	(105,103)	
Computer & Software	460,465	492,250	(31,785)		3,158,757	3,153,500	5,257	
Furniture & Fixtures	-	-	-		-	-	-	
Equipment	148,320	85,833	62,487		559,743	465,000	94,743	
Leasehold Improvements	133,202	-	133,202		597,307	-	597,307	
Incr(Dec) in Fixed Assets	274,355	(5,170)	279,525	-5406.7%	1,877,697	1,285,494	592,204	46.1%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	15,535,903	17,132,818	(1,596,915)	-9.3%	66,291,295	66,649,308	(358,014)	-0.5%
FTE's	188.00	192.35	(4.35)	-2.3%	190.73	192.30	(1.57)	-0.8%

**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
STATEMENT OF FINANCIAL POSITION
(Unaudited)**

	Unaudited 3/31/2015	Audited 12/31/2014	Working Capital and Operating Reserves	
			3/31/2015	12/31/2014
ASSETS				
Cash	37,734,536	38,904,711	37,734,536	38,904,711
Accounts receivable, net of allowance for uncollectible accounts of 0 and 62,573 in 2014 and 2013	25,156,002	5,059,002	25,156,002	5,059,002
Prepaid expenses and other current assets	920,226	756,727	920,226	756,727
Security deposit	125,416	99,136		
Employee Fiduciary - 457b	522,756	522,756		
457(f) Non-Qualified Def Comp	171,200	-		
Property and equipment	6,203,720	5,929,365		
Total Assets	70,833,856	51,271,697		
LIABILITIES AND NET ASSETS				
Liabilities				
Current Portion				
Accounts payable and accrued expenses (includes vacation accrual)	6,306,175	4,970,198	(6,306,175)	(4,970,198)
Accrued incentive compensation	1,076,177	4,054,329	(1,076,177)	(4,054,329)
Deferred rent-current	246,442	249,269	(246,442)	(249,269)
Deferred compensation - current	14,257	14,257	(14,257)	(14,257)
Capital lease obligations - current	56,457	56,457	(56,457)	(56,457)
Accrued retirement liabilities	693,207	1,907,562	(693,207)	(1,907,562)
Debt service - current portion	421,667	421,667	(421,667)	(421,667)
Deferred income	19,274,440	6,228,959	(19,274,440)	(6,228,959)
Deferred revenue - penalties	-	-	-	-
Deferred revenue - CRISP	-	3,953,379	-	(3,953,379)
Regional assessments	20,544,968	11,438,455	(20,544,968)	(11,438,455)
Total Current Portion	48,633,791	33,294,532		
Long-Term Portion				
Deferred compensation ¹	785,766	783,446		
Long-Term Debt	351,389	456,806		
Deferred Rent-non-current	3,516,562	3,569,492		
CRISP Insurance Reserve	500,000	500,000		
Capital lease obligations - non-current	216,481	216,481		
Total Long-Term Portion	5,370,198	5,526,224		
Total Liabilities	54,003,988	38,820,756		
Net Assets - unrestricted	13,619,868	8,485,941		
Net Assets - restricted	3,210,000	3,965,000	(3,210,000)	(3,965,000)
Total Liabilities and Net Assets	70,833,856	51,271,697	11,966,973	7,460,907
Working Capital and Operating Reserves	11,966,973	7,460,907		

¹Includes 457b liability, life insurance for former executive, and retiree medical