

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

Agenda Item 2a

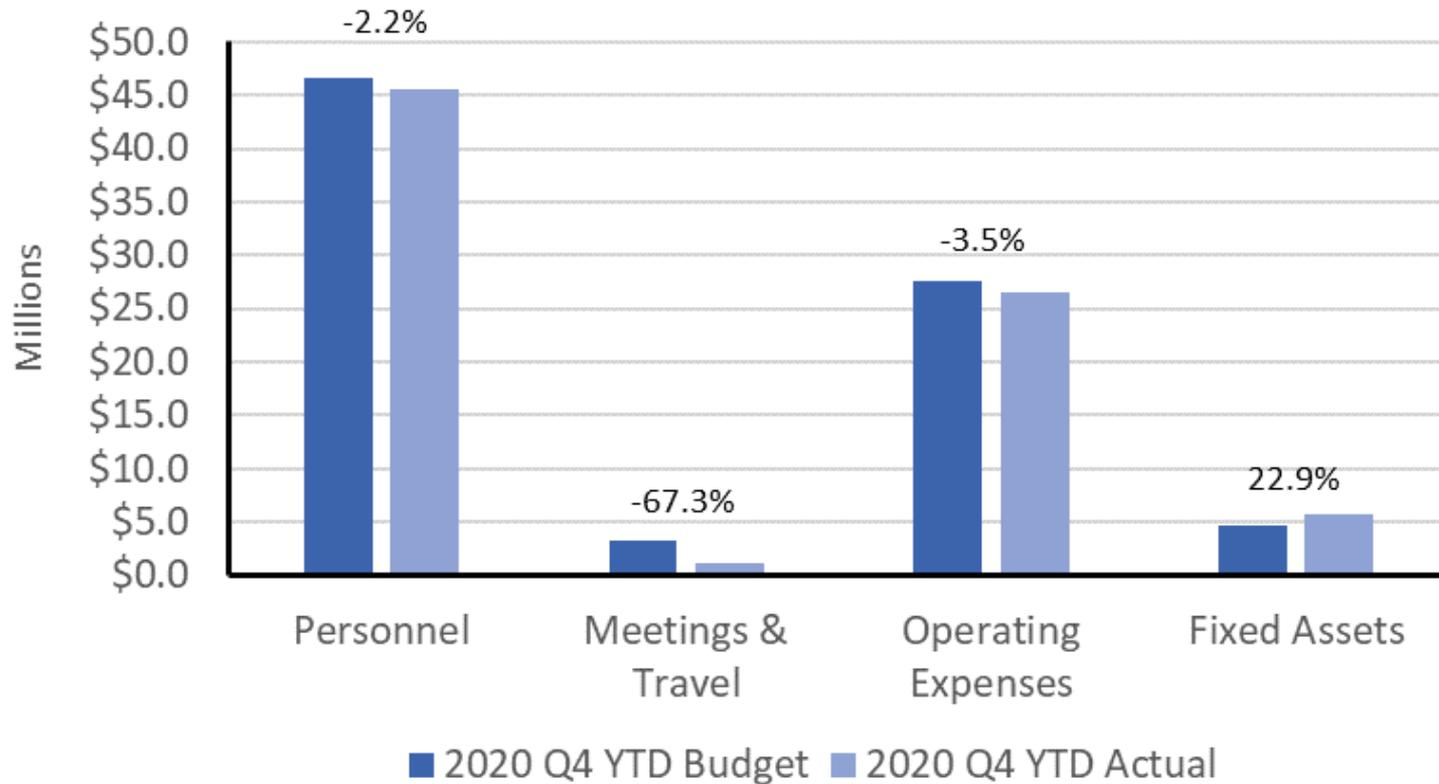
# NERC Summary of Unaudited Results Fourth Quarter 2020

Andy Sharp, Vice President and Chief Financial Officer  
Finance and Audit Committee Meeting  
February 3, 2021

RELIABILITY | RESILIENCE | SECURITY

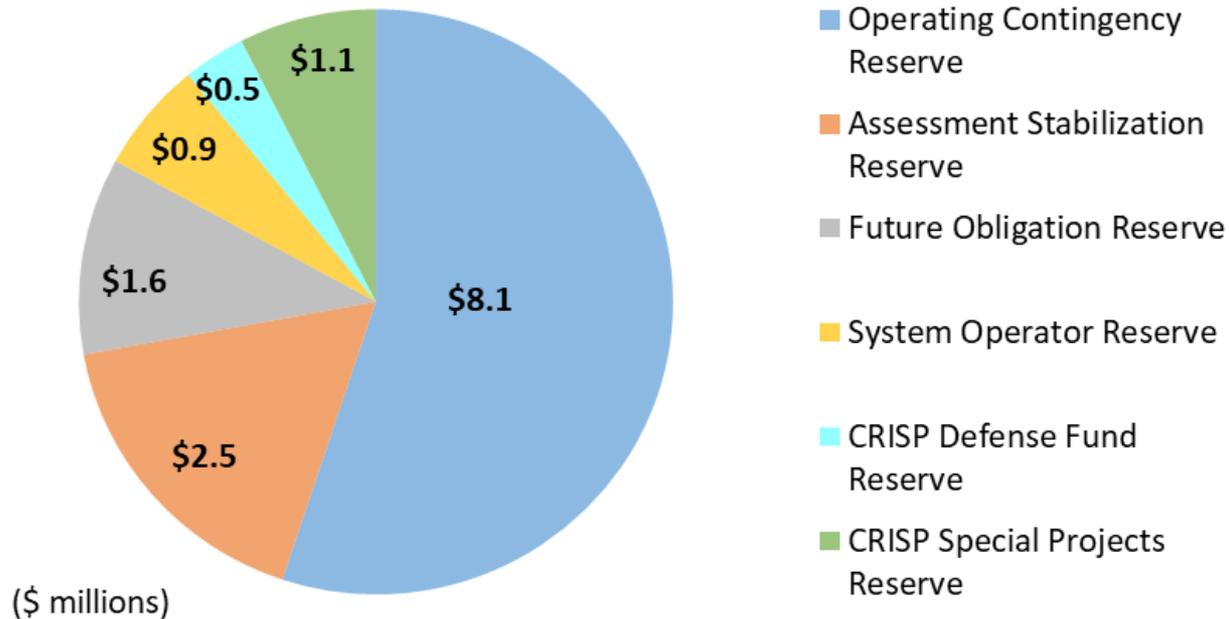


- Total funding – \$640k (0.8%) under budget
  - Lower investment income (from lower interest rates) and CRISP revenues
- Total expenditures – \$4.3M (5.3%) under budget
  - Lower than budgeted FTEs
  - Lower spending on meetings and travel due to the pandemic
  - Lower than budgeted expenses for CRISP pilot program
  - Higher fixed asset additions due to Secure Evidence Locker project
  - Cost savings efforts, which help cash fund Align and a portion of the ERO Secure Evidence Locker (SEL) in 2020, reducing future year debt service
    - Deferred hiring of open positions
    - Deferred hardware, capital software, and office renovation costs
- Total reserves – \$3.7M over budget



- Operating Contingency Reserve (OCR) – \$8.1M
  - Began year with \$6.2M
  - Net increase of \$1.9 M from operating activity
    - Budget savings from revised 2020 operating plan
    - Cash funding \$1.8M of ERO SEL capital investment
    - Cash funding \$1.8M of Align project costs budgeted to be financed
  - Year-end reserve is favorable to Q1 revised target by \$400k
  - Reserves available to fund \$1.8M in 2021 Align project costs
  
- Assessment Stabilization Reserve (ASR) – \$2.5M
  - No releases or additions

## TOTAL RESERVES OF \$14.7M



- Financial audit by Grant Thornton will begin in March
- Auditor's report and findings will be presented to the FAC in May



# Questions and Answers

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Agenda Item 2b

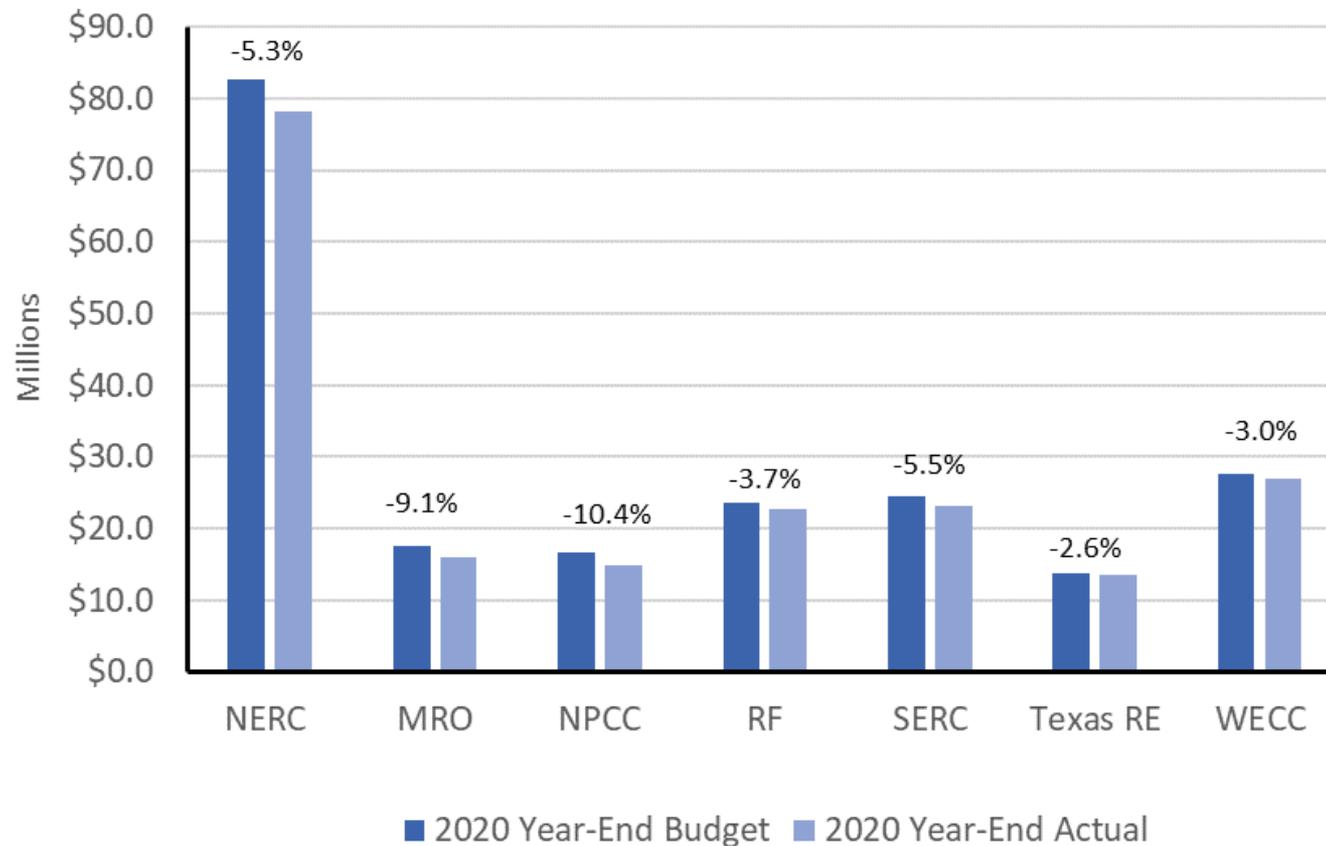
# ERO Enterprise Combined Summary of Unaudited Results Fourth Quarter 2020

Andy Sharp, Vice President and Chief Financial Officer  
Finance and Audit Committee Meeting  
February 3, 2021

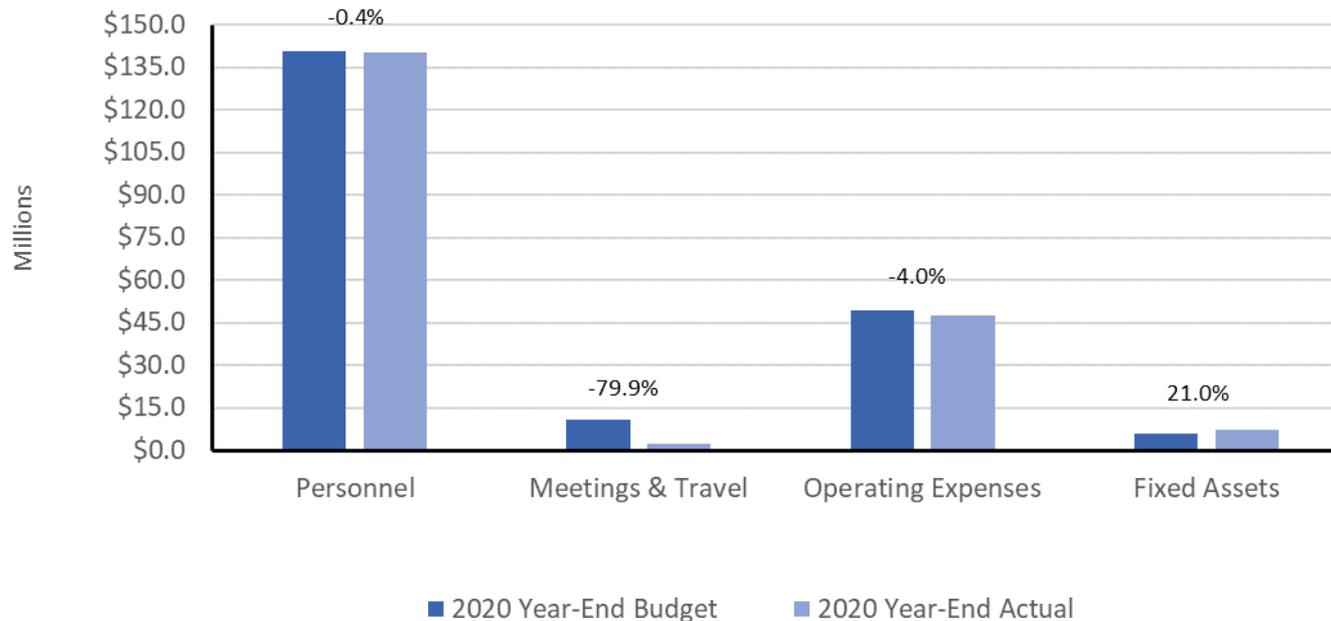
RELIABILITY | RESILIENCE | SECURITY



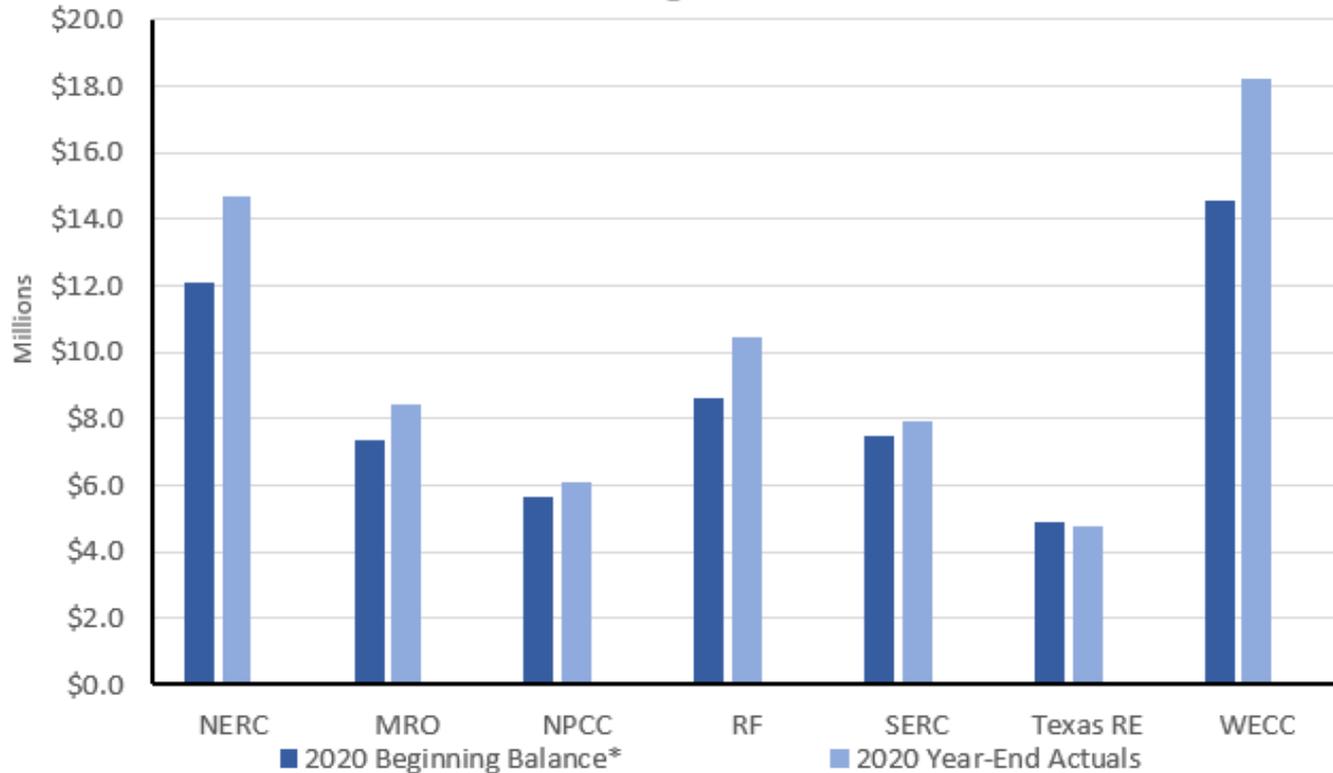
- Total expenditures for the ERO Enterprise were under budget \$11.1M (5.4%)



- All entities were collectively under budget in all categories, except fixed assets and the following exceptions:
  - MRO, RF and SERC were slightly over budget for Personnel
  - Texas RE and WECC were over budget in Operating Expenses
  - NERC, MRO, NPCC, SERC and WECC were over budget in Fixed Asset Additions



# 2020 Reserve Balances by Entity



*\*Adjusted for audited results and all reserve categories*

*\$ - millions*

Entity	Beginning WCOCR <sup>(1)</sup>	Beginning ASR <sup>(2)</sup> & Unreleased Penalties	Beginning Other Reserves	1/1/2020 Beginning Total Reserves	Ending WCOCR <sup>(1)</sup>	Ending ASR <sup>(2)</sup> & Unreleased Penalties	Ending Other Reserves	12/31/2020 Ending Total Reserves	Total 2021 Budget	% of Reserves to 2021 Total Budget
NERC	\$ 6.2	\$ 2.5	\$ 3.4	\$ 12.1	\$ 8.1	\$ 2.5	\$ 4.1	\$ 14.7	\$ 82.9	17.7%
MRO	4.8	2.6	-	7.4	5.8	2.6	-	8.4	18.4	45.7%
NPCC	4.7	-	0.9	5.6	4.9	0.6	0.6	6.1	16.4	37.2%
RF	4.2	4.4	-	8.6	4.0	6.4	-	10.4	24.8	41.9%
SERC	1.9	5.6	-	7.5	3.1	4.8	-	7.9	25.8	30.6%
Texas RE	4.2	0.7	-	4.9	2.0	1.6	1.2	4.8	14.2	33.8%
WECC	7.3	7.2	-	14.5	8.6	5.8	3.8	18.2	28.6	63.6%
	<b>\$ 33.3</b>	<b>\$ 23.0</b>	<b>\$ 4.3</b>	<b>\$ 60.6</b>	<b>\$ 36.5</b>	<b>\$ 24.3</b>	<b>\$ 9.7</b>	<b>\$ 70.5</b>	<b>\$ 211.1</b>	<b>33.4%</b> <sup>(3)</sup>

<sup>(1)</sup> WCOCR - Working Capital & Operating Contingency Reserve

<sup>(2)</sup> ASR - Assessment Stabilization Reserve

<sup>(3)</sup> 33.4% of total 2020 reserves to total budget equates to 4.0 months of 2021 budgeted operating expenses



# Questions and Answers