

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

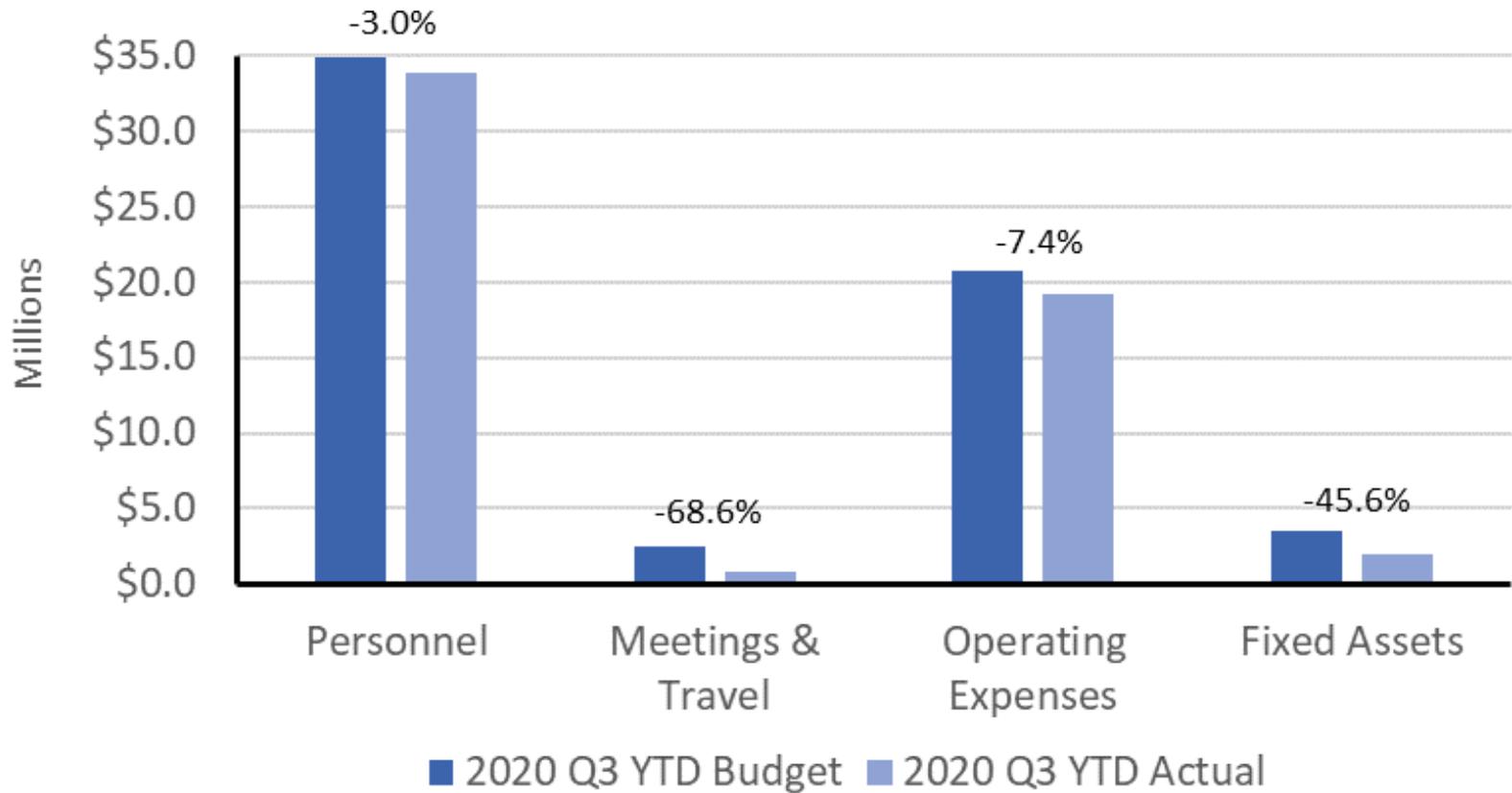
NERC Summary of Unaudited Results as of September 30, 2020

Meg Leonard, Controller
Finance and Audit Committee Open Meeting
November 4, 2020

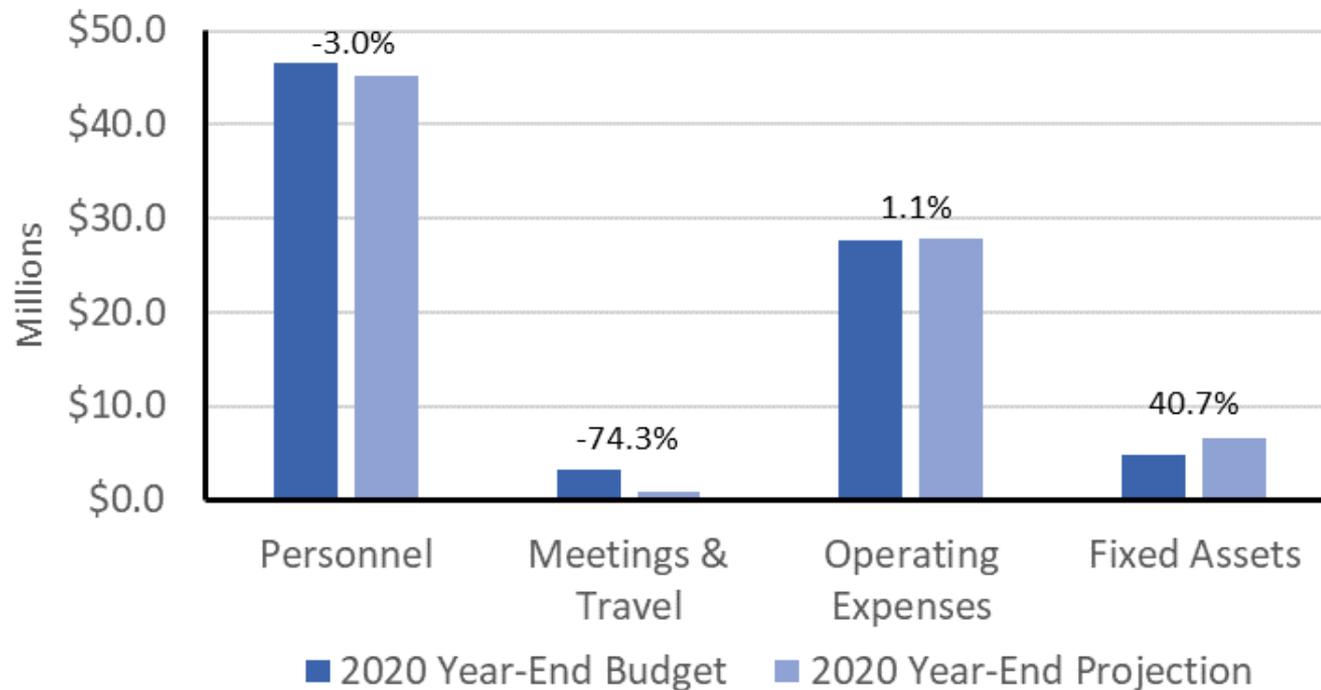
RELIABILITY | RESILIENCE | SECURITY



- Total funding – \$229k (0.4%) under budget
 - Lower investment income (from lower interest rates) and system operator revenue
- Total expenditures – \$5.7M (9.2%) under budget
 - Timing of expenses versus budget
 - Lower than budgeted expenses for CRISP pilot program
 - Lower spending on meetings and travel due to the pandemic
 - 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 – \$5.5M over budget

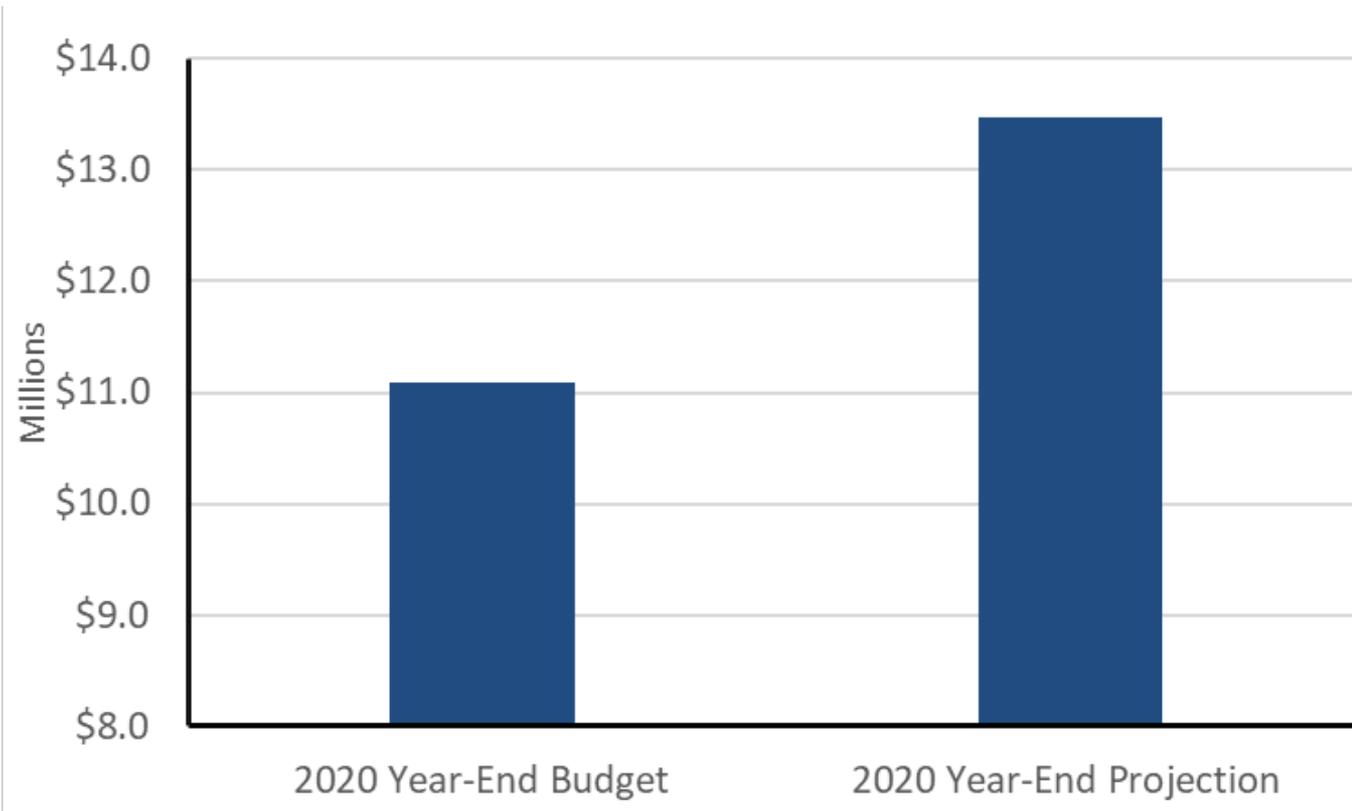


- Funding – \$1.0M (1.2%) under budget
 - Lower investment income and third-party revenues for CRISP
- Total expenditures – \$3.5M (4.2%) under budget
 - Deferred hiring and capital expenditures as part of cost savings efforts
 - Reduced meeting and travel expenses related to the pandemic
 - Offset by higher capital expenditures and software licenses and support for the ERO SEL
 - Loan borrowing (\$2.0M) approved for the ERO SEL

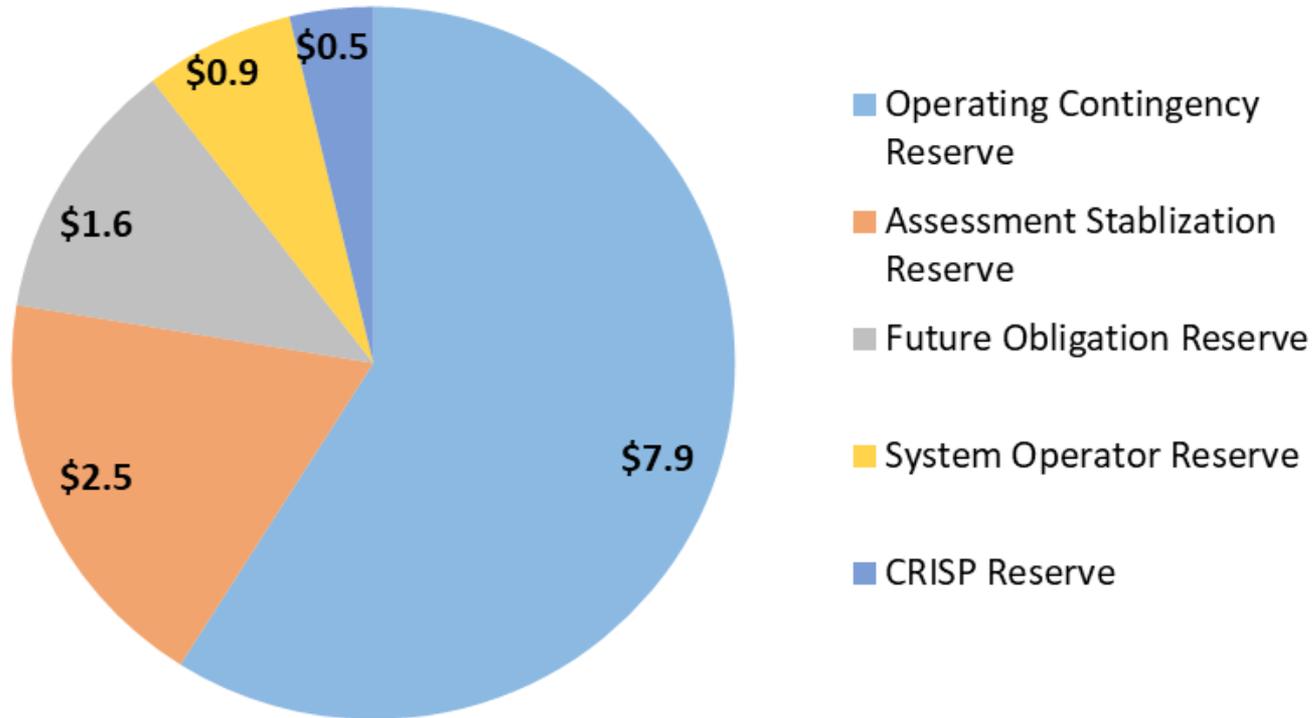


- Projected year-end net reserve increase of \$1.8M
 - Favorable increase of \$2.5M versus 2020 budget
 - Includes cash funding \$1.8M of 2020 Align project costs
 - Includes \$1.8M usage of Operating Contingency Reserves to fund portion of ERO SEL project
- Additional 2020 year-end reserves to fund \$1.8M in 2021 Align project costs

2020 Projected Year-End Reserves



(\$ millions)



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Combined ERO Enterprise Summary of Unaudited Results as of September 30, 2020

Meg Leonard, Controller

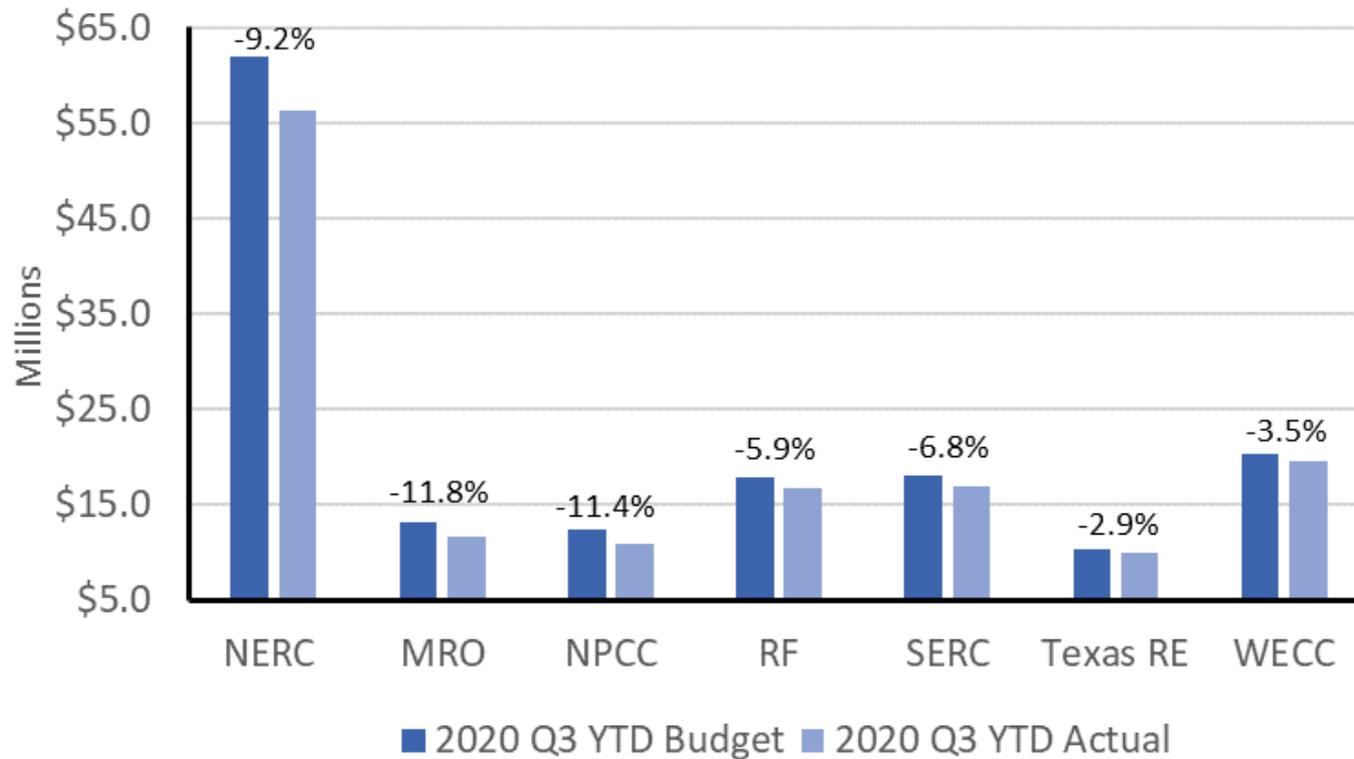
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November 4, 2020

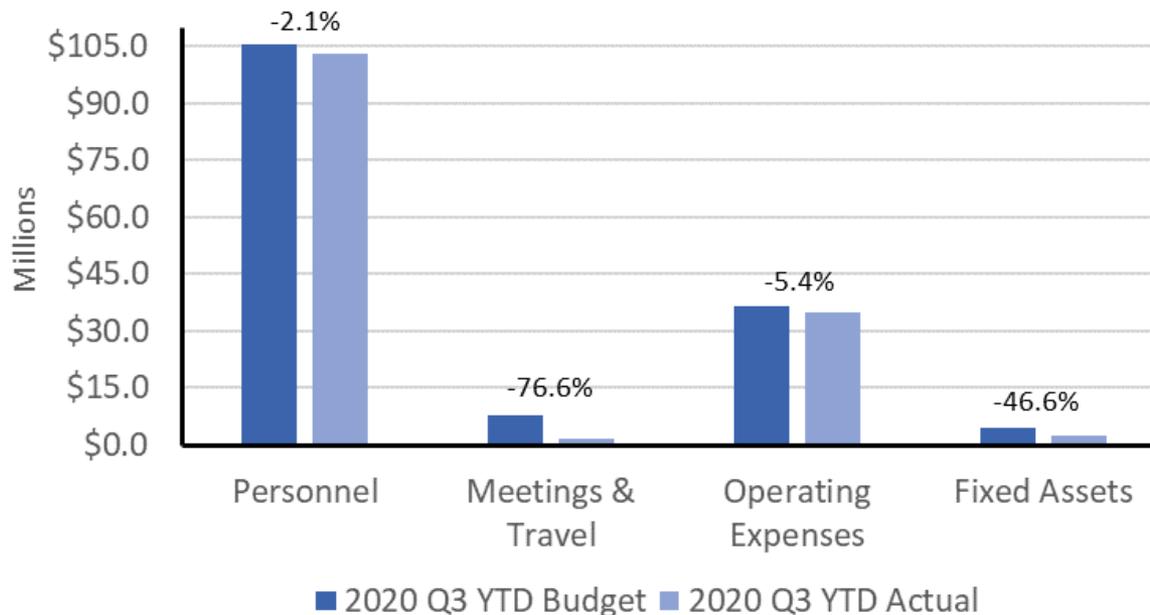
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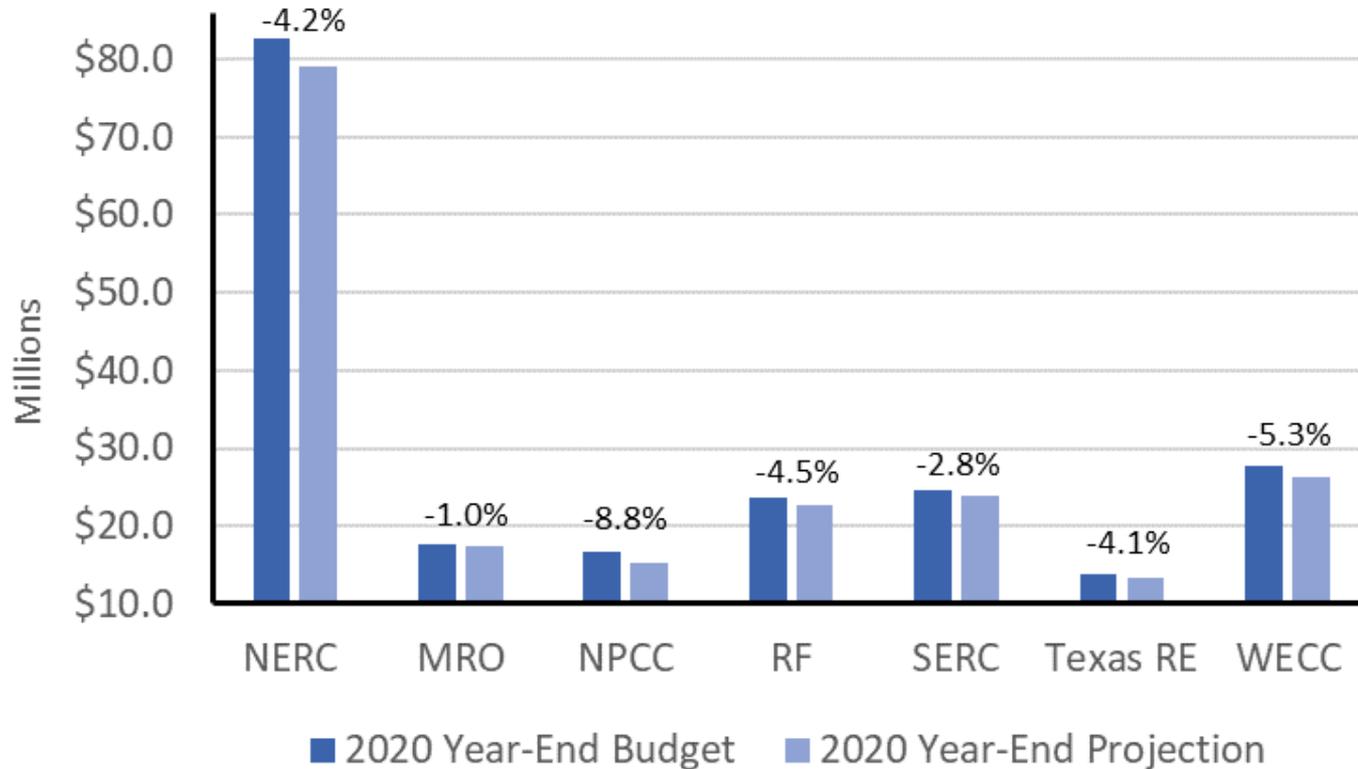
- Total expenditures for the ERO Enterprise were under budget \$12.0M (7.8%)



- All entities were under budget in all categories, except:
 - MRO was slightly over budget for Personnel
 - SERC and Texas RE were slightly over budget in Operating Expenses
 - NPCC was slightly over budget in Fixed Asset Additions
 - WECC was over budget in Operating Expenses and Fixed Asset Additions

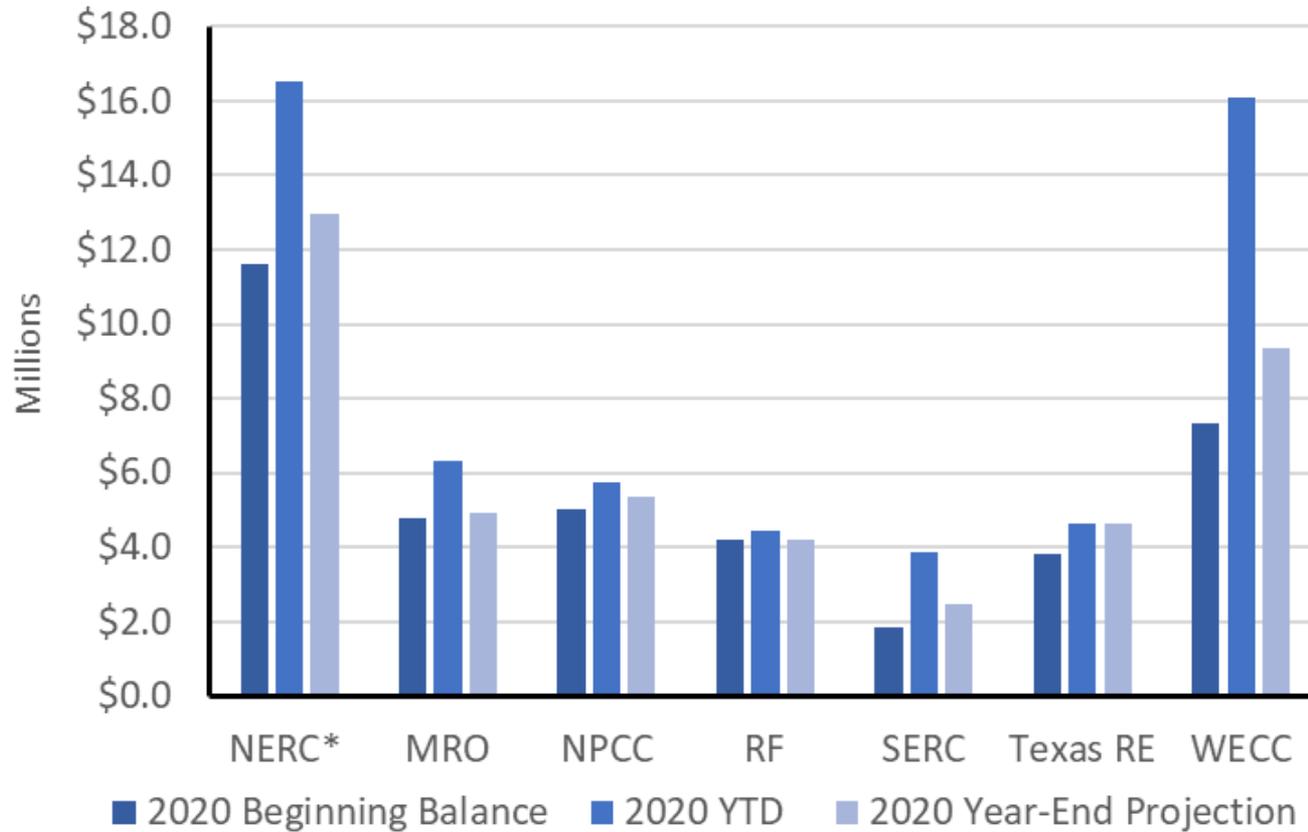


- The ERO Enterprise expects to be under budget \$8.9M (4.3%)



- \$38.6 – Total reserves as of January 1, 2020
 - Started \$4.6M over combined budgets
- \$57.6M – Total reserves as of September 30, 2020
 - \$16.5M more than expected through Q3
- \$44.0M – Year-end projection as of December 31, 2020
 - Ending \$9.8M more than budgeted

2020 Reserve Balances by Entity



*Excludes CRISP

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2022 Business Plan & Budget Preparation Schedule

Andy Sharp, Vice President and Chief Financial Officer
Finance and Audit Committee Open Meeting
November 4, 2020

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- The NERC and Regional Entity (RE) business plan and budget (BP&B) development process takes several months and numerous stakeholders and groups are involved throughout:
 - NERC Board of Trustees (Board) and Finance and Audit Committee (FAC)
 - RE boards and finance committees
 - ERO Finance Group (NERC and RE representatives)
 - Members Representatives Committee (MRC)
 - MRC BP&B Input Group
 - Trade associations and forums

- January–March 2021
 - NERC updates MRC BP&B Input Group on budget development activities
- April 2021
 - Initial NERC budget and assessment assumptions provided to MRC BP&B Input Group, trades and forums representatives, and FAC
 - Draft 1 of RE BP&Bs due to NERC for review
- May 2021
 - Draft 1 NERC and RE budgets and assessments presented to FAC
 - Draft 1 NERC BP&B posted for comment
 - Draft 1 NERC and current draft RE BP&Bs reviewed with FERC
- June 2021
 - FAC webinar to review Draft 1 NERC and current draft RE BP&Bs
 - Draft 1 NERC BP&B comments discussed with MRC BP&B Input Group

- July 2021
 - Final, RE Board-approved BP&Bs and LSE/NEL data due to NERC
 - Draft 1 NERC BP&B comments and preview of Draft 2 discussed with MRC BP&B Input Group, trades and forums representatives, and FAC
 - Draft 2 NERC BP&B posted for comment
 - FAC webinar to review Draft 2 NERC and Final RE BP&Bs
- August 2021
 - Final NERC and RE BP&Bs and assessments posted
 - Request for Board approval of NERC and RE BP&Bs and assessments
 - FERC filing for approval of NERC and RE BP&Bs and assessments, with subsequent filings to Canadian provincial authorities