Agenda
Finance and Audit Committee
August 17, 2022 | 10:30 a.m.-12:00 p.m. Pacific

Hyatt Regency Vancouver
655 Burrard St.
Vancouver, BC V6C 2R7, Canada

Conference Room: Regency C/D-3rd floor

Call to Order

Introductions and Chair’s Remarks

NERC Antitrust Compliance Guidelines*

Agenda

1. Minutes* – Approve
   a. June 7, 2022 Informational Session and Webinar
   b. May 11, 2022 Meeting

2. Second Quarter Calendar of FAC Responsibilities
   a. Second Quarter Statement of Activities* – Review and Recommend to Board of Trustees for Acceptance
      i. NERC Summary of Results as of June 30, 2022
      ii. Total ERO Enterprise Summary of Results as of June 30, 2022
      iii. Regional Entity Variance Reports as of June 30, 2022
   b. NERC and Regional Entity Proposed 2023 Business Plans and Budgets and Associated Assessments* – Review and Recommend to Board of Trustees for Approval
      i. NERC 2023 Business Plan and Budget
      ii. Regional Entity and WIRAB 2023 Business Plans and Budgets
      iii. 2023 Assessment Schedule
      iv. Additional Materials
         1. ERO Enterprise Combined 2023 Business Plans and Budgets
         2. NERC Review of Regional Budgets

3. Line of Credit Renewal* - Approve and Recommend to Board of Trustees for Approval

4. Other Matters and Adjournment

*Background materials included.
Antitrust Compliance Guidelines

I. General

It is NERC’s policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC’s compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC’s antitrust compliance policy is implicated in any situation should consult NERC’s General Counsel immediately.

II. Prohibited Activities

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants’ expectations as to their future prices or internal costs.
- Discussions of a participant’s marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.
• Any other matters that do not clearly fall within these guidelines should be reviewed with NERC’s General Counsel before being discussed.

III. Activities That Are Permitted
From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC’s Certificate of Incorporation, Bylaws, and Rules of Procedure are followed in conducting NERC business.

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

• Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.

• Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.

• Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.

• Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.
Mr. Jim Piro, Chair, called to order a duly noticed informational session and webinar of the Finance and Audit Committee ("FAC" or the "Committee") of the Board of Trustees ("Board") of the North American Electric Reliability Corporation ("NERC" or the "Company") on June 1, 2022, at 2:00 p.m. Eastern, and a quorum was declared present.

Present at the meeting were:

<table>
<thead>
<tr>
<th>Committee Members</th>
<th>Board of Trustees Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jim Piro, Chair</td>
<td>Jane Allen</td>
</tr>
<tr>
<td>Robert G. Clarke</td>
<td>Suzanne Keenan</td>
</tr>
<tr>
<td>George S. Hawkins</td>
<td>Robin E. Manning</td>
</tr>
<tr>
<td>Susan N. Kelly</td>
<td>James B. Robb</td>
</tr>
<tr>
<td>Colleen Sidford</td>
<td></td>
</tr>
<tr>
<td>Roy Thilly</td>
<td></td>
</tr>
<tr>
<td>Kenneth W. DeFontes, Jr., ex officio</td>
<td></td>
</tr>
</tbody>
</table>

**NERC Staff**
- Tina Buzzard, Assistant Corporate Secretary
- Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC
- Erika Chanzes, Manager of Business Planning
- Howard Gugel, Vice President, Engineering and Standards
- Kelly Hanson, Senior Vice President and Chief Administrative Officer
- Stan Hoptroff, Vice President, Business Technology
- Nina Johnston, Assistant General Counsel
- Mark Lauby, Senior Vice President and Chief Engineer
- Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary
- Kristin Miller, Director, Internal Audit
- Janet Sena, Senior Vice President, External Affairs
- Andy Sharp, Vice President and Chief Financial Officer
- Mechelle Thomas, Vice President, Compliance, Compliance Assurance

**Regional Entity Staff**
- Carol Baskey, ReliabilityFirst
- Irma Bernard, Texas Reliability Entity, Inc.
- Lisa Brohaugh, Western Interconnection Regional Advisory Body
- Lam Chung, Midwest Reliability Organization
- Jessica Hala, Northeast Power Coordinating Council, Inc.
- George Krogstie, SERC Reliability Corporation
- Wynne Schweitzer, Western Electricity Coordinating Council
Introduction and Chair’s Remarks
Mr. Piro welcomed the participants to the meeting and noted the importance of the increase of assessments as noted in the posted budget. He specifically noted the proposed budget increase of $33 million from 2022 to 2025.

NERC Antitrust Compliance Guidelines
Mr. Piro directed the participants’ attention to the NERC Antitrust Compliance Guidelines included in the agenda package, and indicated that all questions regarding antitrust compliance or related matters should be directed to Ms. Mendonça.

NERC 2023 Draft Business Plan and Budget
Mr. Sharp walked the Committee through the 2023 – 2025 vision and draft business plan and budget. He noted that the primary goal is to ensure that NERC has needed resources to address emerging reliability and security risks. This goal called for retooling the Company’s approach to mitigating risk and investing in infrastructure.

Regional Entities’ and WIRAB 2023 Draft Business Plans and Budgets
The Regional Entities’ and WIRAB’s representatives provided an overview of their draft 2023 business plans and budgets, referencing materials included in the advance agenda package.

2023 ERO Enterprise Combined Budgets and Assessments Overview
Mr. Sharp reviewed the combined ERO Enterprise combined budgets and assessments, referencing the material included in the advance agenda package. He reviewed the ERO Enterprise long-term strategy focus areas, the changes in ERO Enterprise budgets and assessments by Regional Entity between 2022 and 2023, and a breakdown of the budget for 2023 by program area.

Closing Remarks and Adjournment
There being no further business, Mr. Piro adjourned the meeting.

Submitted by,

Sônia Mendonça
Corporate Secretary
Call to Order
Mr. Jim Piro, Chair, called to order a duly noticed meeting of the Finance and Audit Committee (the “Committee”) of the Board of Trustees (“Board”) of the North American Electric Reliability Corporation (NERC) on May 11, 2022 at approximately 8:45 a.m. Eastern, and a quorum was declared present.

Present at the meeting were:

**Committee Members**
- Jim Piro, Chair
- Colleen Sidford
- George S. Hawkins
- Roy Thilly
- Susan Kelly
- Kenneth W. DeFontes, *ex officio*

**Board Members**
- Jane Allen
- Larry Irving
- James B. Robb, NERC President and Chief Executive Officer
- Robert G. Clarke
- Robin E. Manning
- Suzanne Keenan

**NERC Staff**
- Andy Sharp, Vice President, Chief Financial Officer
- Bryan Preston, Vice President, People & Culture
- Erika Chanzes, Manager of Business Planning
- Howard Gugel, Vice President, Engineering and Standards
- Janet Sena, Senior Vice President, External Affairs
- Justin Thaxton, Program Specialist, Legal and Regulatory
- Kelly Hanson, Senior Vice President and Chief Administrative Officer
- Kimberly Mielcarek, Vice President, Communications
- Kristin Miller, Director, Internal Audit
- Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC
- Mark Lauby, Senior Vice President and Chief Engineer
- Mechelle Thomas, Vice President, Compliance
- Meg Leonard, Controller
- Shamai Elstein, Assistant General Counsel
- Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary
- Stan Hoptroff, Vice President, Business Technology
- Tina Buzzard, Assistant Corporate Secretary
NERC Antitrust Compliance Guidelines
Mr. Piro directed the participants’ attention to the NERC Antitrust Compliance Guidelines and directed that any questions regarding antitrust compliance or other related matters be directed to Ms. Mendonça.

Introduction and Chair’s Remarks
Mr. Piro outlined the agenda and provided a summary of the April 14, 2022 and May 10, 2022 closed meetings of the Committee.

Meeting Minutes
The draft minutes for the February 9, 2022 meeting of the Committee were approved as presented to the Committee at this meeting.

First Quarter Calendar of FAC Responsibilities
Ms. Leonard reviewed the first quarter calendar of Committee responsibilities, including (i) the 2021 Financial Statement Audit Results; (ii) the NERC Summary of Results as of March 31, 2022; and (iii) the Total ERO Enterprise Summary of Results as of March 31, 2022. Upon motion duly made and seconded, the Committee reviewed and recommended acceptance of 2021 Financial Statement Audit Results and the First Quarter Statement of Activities, inclusive of NERC and the Regional Entities, by the Board.

2023 Business Plan and Budget.
NERC management reviewed the 2023–2025 budget assumptions along with the 2023 budget and assessment and 2024 and 2025 projections that will be included in the draft NERC 2023 Business Plan and Budget (BP&B). Mr. Piro discussed the move to a three-year forecast for the BP&B to provide a better signal to stakeholders. He noted that the Board is very involved in that process and recognizes that it is a step change that will affect stakeholders, but that it is necessary to address the challenges ahead. Mr. DeFontes echoed Mr. Piro’s remarks noting that NERC and industry are facing new risks that must be addressed. He stated that the resources reflected in the BP&B will allow NERC to get ahead of the new risks and changes to the Bulk Power System.

Mr. Robb, Ms. Hanson, and Mr. Sharp outlined NERC’s 2023–2025 business plan, including the drivers and assumptions underlying the BP&B, the workforce planning process NERC used to assess its resource needs, and the impact on stakeholders. They reviewed the proposed technology and people strategies, and the associated 2023 budget, 2024 and 2025 projections, and funding/assessment requirements to be included in the draft 2023 BP&B.

Mr. Piro noted that the BP&P was developed in consultation with the Member Representatives Committee BP&B Input Group and that stakeholders will have an opportunity to comment on the BP&B moving forward. Mr. Sharp noted that the initial draft of the 2023 BP&B will be posted for an initial comment period on or about May 25, 2022.
Adjournment
There being no further business, the meeting was adjourned.

Submitted by,

[Signature]

Sônia Mendonça
Corporate Secretary
Second Quarter Statement of Activities

**Action**
Review and recommend Board of Trustees acceptance.

**Background**
NERC management will review the second quarter calendar of FAC responsibilities to include (i) NERC Summary of Results as of June 30, 2022; and (ii) Total ERO Enterprise Summary of Results as of June 30, 2022.
Summary of Unaudited Results
For the Period Ending June 30, 2022

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Executive Summary

Projected Year-End Results
($ millions)

<table>
<thead>
<tr>
<th></th>
<th>Projected</th>
<th>Budget</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$ 89.4</td>
<td>$ 88.3</td>
<td>$ 1.1</td>
</tr>
<tr>
<td>Funding from Reserves</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessment Stabilization Reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL FUNDING</strong></td>
<td>$ 89.4</td>
<td>$ 88.3</td>
<td>$ 1.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Projected</th>
<th>Budget</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses (excluding Depreciation)</td>
<td>$ 87.5</td>
<td>$ 85.1</td>
<td>$ 2.4</td>
</tr>
<tr>
<td>Fixed Asset Additions</td>
<td>3.6</td>
<td>4.9</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Net Financing Activity</td>
<td>(0.9)</td>
<td>(1.1)</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>$ 90.2</td>
<td>$ 88.9</td>
<td>$ 1.3</td>
</tr>
</tbody>
</table>

| Reserve Increase (Decrease)   | $ (0.8)   | $ (0.6) | $ (0.2)     |

Funding is projected to be over budget mainly due to CRISP third-party funding being higher than budget largely because of new program participants that have joined in 2022 as well as program participants that are projected to join during the remainder of the year. Expenditures (excluding depreciation) are expected to be over budget primarily attributable to higher contractor, office, and professional services costs, partially offset by lower personnel, travel, meeting, and fixed asset additions costs. The result is a reserve decrease of $200k more than budget. This activity is explained in more detail in the remainder of the report.
### Year-to-Date Actual Results

($ millions)

<table>
<thead>
<tr>
<th>FUNDING</th>
<th>Actual</th>
<th>Budget</th>
<th>(Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$ 44.3</td>
<td>$ 44.7</td>
<td>$(0.4)</td>
</tr>
<tr>
<td>Funding from Reserves</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Assessment Stabilization Reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL FUNDING</strong></td>
<td>$ 44.3</td>
<td>$ 44.7</td>
<td>$(0.4)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th>Actual</th>
<th>Budget</th>
<th>(Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses (excluding Depreciation)</td>
<td>$ 39.9</td>
<td>$ 43.1</td>
<td>$(3.2)</td>
</tr>
<tr>
<td>Fixed Asset Additions</td>
<td>$ 0.6</td>
<td>$ 2.5</td>
<td>$(1.9)</td>
</tr>
<tr>
<td>Net Financing Activity</td>
<td>$ 0.3</td>
<td>$(0.6)</td>
<td>$ 0.9</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>$ 40.8</td>
<td>$ 45.0</td>
<td>$(4.2)</td>
</tr>
</tbody>
</table>

| **RESERVE INCREASE (DECREASE)** | $ 3.5   | $(0.3) | $ 3.8   |

Funding is under budget mainly as a result of the timing differences between budgeted and actual assessment revenues. Expenses (excluding depreciation) during the year are under budget primarily because of the timing differences between budgeted and actual costs related to personnel, meeting, travel, contractor, and fixed asset additions, and is partially offset by higher net financing activity. The result is a reserve increase of $3.8M higher 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)

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

- Funding is under budget mainly as a result of actual assessments being recorded evenly over the year, while budgeted assessments are higher in the beginning of the year because of certain activity being budgeted earlier in the year. Funding is projected to be over budget mainly due to CRISP third-party funding being higher than budget largely because of program participants that have joined the program in 2022 as well as participants that may join during the remainder of the year.

- Personnel expenses are under budget largely as a result of lower medical insurance premiums, relocation expense, parking and transportation benefits, and retirement costs. They are expected to be slightly under budget at year-end.

- Meetings and Travel expenses are under budget and expected to be under budget because of reduced in-person meetings and travel due to the pandemic.

- Contracts and Consultants expenses are under budget primarily due to the timing of costs versus the budget, with a large part of that due to the CRISP third party subcontractor costs. This category is expected to be over budget at year-end mainly as a result of, 1) costs from the CRISP third party subcontractor for new program participants (funded by revenues from the new participants), replacement of equipment for existing program participants (funded by revenues from those participants), costs for OT pilot projects (funded by the CRISP Special Projects Reserve), and cloud-based ISDs project costs (funded by CRISP Operating Reserves) and, 2) also the need for
two IT security contractors that were not budgeted (which will be partially funded by the deferral of FTEs in other departments).

- Professional Services expenses are expected to be over budget largely due to fees for an unbudgeted trustee search and increased costs for liability insurance.

- Fixed Asset Additions are under budget primarily as a result of timing of costs versus the budget for capital lease assets related to new equipment leases and also IT equipment and servers and also because of leasehold improvements and office furniture budgeted for a new Atlanta office that did not materialize. The category is projected to be under budget mainly because of the aforementioned leasehold improvements and office furniture and also due to lower than budgeted capital lease assets for new equipment leases.

- The Net Financing Activity budget, which is comprised of financing proceeds/borrowings and principal payments, anticipated borrowings for new equipment leases evenly throughout the year. Those borrowings did not occur during the first part of the year and will not occur until later in the year and also at a lower amount than budgeted. Accordingly, debt principal payments are lower than budgeted. The result is that net financing activity is over budget because of more principal payments than borrowings on new equipment leases during the first part of the year.

- Reserves are over budget by $3.8M, primarily due to lower in-person meeting and travel costs due to the pandemic, as well as lower contracts and consultant costs and fixed asset additions due to timing of costs versus the budget.
Following is a brief description of significant variances by department, as illustrated in the table above:

- **Compliance Assurance** – Under budget mostly because of lower personnel expenses due to less FTEs, lower travel and meeting expenses due to the pandemic and lower FTEs, and lower than budgeted contractor costs, which is partially offset by higher year-to-date fixed asset additions cost for the Align project.

- **Advanced System Analytics and Modeling & Power System Analysis** – Under budget primarily due to lower personnel expenses due to less FTEs, lower travel and meeting expenses due to the pandemic and lower FTEs, and lower than budgeted contractor costs.

- **E-ISAC** – Under budget mostly because of lower personnel expenses due to less FTEs, and lower travel and meeting expenses due to the pandemic and lower FTEs. Projected to be under for the same reasons.

- **General & Administrative and Executive** – Projected to be under budget primarily because of the leasehold improvements and office furniture budgeted for a new Atlanta office that did not materialize, and is partially offset by higher than budgeted personnel expenses due to lower attrition, as well as unbudgeted trustee search fees.

- **Information Technology** – Under budget primarily due to timing of costs versus the budget for software licenses and support, fixed asset additions, and financing activity and is projected to be over budget due to the need for two IT security contractors that were not budgeted (and will be funded by the deferral of FTEs in other departments).

- **Human Resources** – Under budget primarily due to timing of costs versus the budget for contractors.

- **CRISP** – Under budget largely as a result of timing of costs versus the budget for the third party subcontractor work and expected to be over budget because of costs from the CRISP third party subcontracts.
subcontractor for new program participants and replacement of equipment for existing program participants, and also for costs for the OT equipment needs discussed earlier that were carried over from 2021 and being funded by the CRISP Special Projects Reserve.
## Supplemental Schedules

### Schedule 1 – Year-End Projected Reserves

<table>
<thead>
<tr>
<th>Reserve Account</th>
<th>1/1/2022 Beginning Balance (1)</th>
<th>Budgeted Funding/(Use) (2)</th>
<th>Unbudgeted Funding/(Use) (3)</th>
<th>Operating and Financing Activity Versus Budget (4)</th>
<th>12/31/2022 Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>NERC Operating Contingency</td>
<td>$8,728,678</td>
<td>$(64,253)</td>
<td>-</td>
<td>$(208,939)</td>
<td>$8,455,486</td>
</tr>
<tr>
<td>Future Obligations</td>
<td>1,381,843</td>
<td>(679,629)</td>
<td>882,756</td>
<td>708,893</td>
<td>2,293,863</td>
</tr>
<tr>
<td>Assessment Stabilization</td>
<td>2,521,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,521,000</td>
</tr>
<tr>
<td>System Operator</td>
<td>915,083</td>
<td>(86,212)</td>
<td>-</td>
<td>(137,273)</td>
<td>691,599</td>
</tr>
<tr>
<td>CRISP Defense Fund</td>
<td>512,821</td>
<td>-</td>
<td>50,000</td>
<td>-</td>
<td>562,821</td>
</tr>
<tr>
<td>CRISP Operating</td>
<td>1,596,902</td>
<td>300,000</td>
<td>-</td>
<td>(187,737)</td>
<td>1,709,165</td>
</tr>
<tr>
<td>CRISP Special Projects</td>
<td>445,316</td>
<td>-</td>
<td>-</td>
<td>(387,741)</td>
<td>57,575</td>
</tr>
<tr>
<td><strong>Total Reserves</strong></td>
<td><strong>$16,101,643</strong></td>
<td><strong>$(530,094)</strong></td>
<td><strong>$932,756</strong></td>
<td><strong>$(212,797)</strong></td>
<td><strong>$16,291,508</strong></td>
</tr>
</tbody>
</table>

### NOTES:

1. **(1)** 2022 beginning balances have been adjusted from the 12/31/2021 variance report balances as the result of a reconciliation to the final audited balance sheet.

2. **(2)** The amended 2022 Business Plan & Budget (2022 BP&B) contained a budgeted use of NERC Operating Contingency Reserves (OCR) totaling $64,253 and a budgeted use of $708,893 of Future Obligation Reserves (FOR) to help fund costs of a potential new Atlanta office space. Those costs will not materialize in 2022 and the money will go back into the NERC OCR and FOR.

The 2022 BP&B included a use of System Operator Reserves derived from budgeted revenues being $86,212 lower than budgeted expenses.

The 2022 BP&B also contained $300,000 to build the balance in the CRISP Operating Reserve.

3. **(3)** The unbudgeted addition to the FOR of $882,756 is primarily the result of lease concessions at the current Atlanta office that will be applied to future rent expense.

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

For the CRISP Special Projects Reserve, any amount remaining at the end of 2022 will be incorporated into the CRISP Operating Reserve.
## Schedule 2 – IT Projects

### Projects in Progress

<table>
<thead>
<tr>
<th>Project</th>
<th>Project Budget (1)</th>
<th>Actual Spend to Date</th>
<th>Expected Spend</th>
<th>Expected Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Align Release 4.5</td>
<td>$</td>
<td>$52,500</td>
<td>$400,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>Disaster Recovery</td>
<td>490,000</td>
<td>92,141</td>
<td>440,000</td>
<td>(50,000)</td>
</tr>
</tbody>
</table>

### Projects Completed in 2022

<table>
<thead>
<tr>
<th>Project</th>
<th>Project Budget</th>
<th>Actual Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-ISAC Portal Replacement (fixed contract)</td>
<td>$259,680</td>
<td>$259,680</td>
</tr>
<tr>
<td>CRISP Operational Technology Project</td>
<td>426,000</td>
<td>366,975</td>
</tr>
<tr>
<td>Align Enhancements/Release 4.0</td>
<td>300,000</td>
<td>371,553</td>
</tr>
</tbody>
</table>

### NOTES:

1. The Project Budget noted above usually corresponds to the approved business case if required for each project and funds for each project are drawn from the available budget.

2. The amounts noted above do not include internal labor or license/maintenance/support costs and reflect only external (consultant) costs of the projects.

* Some of these projects span multiple years, so the amounts above do not represent a single budget year expenditure.
Schedule 2 (continued) – IT Projects

Align Release 4.5
(Started Q1 2022 / Estimated Completion Q4 2022)
This will include required functionality for Inherent Risk Assessments (IRAs) and Compliance Oversight Planning (COPs).

Disaster Recovery
(Started Q1 2022 / Estimated Completion Q4 2022)
This project will provide NERC with the capability to securely fail over and restore our network of our Tier 0 and Tier 1 mission critical applications in response to a malicious event or unplanned outage.

E-ISAC Portal Replacement
(Started Q3 2020 / Completed Q1 2022)
This project re-platformed the current portal and ticket/case system, which combined the functions and services into a single E-ISAC Sharing Platform (ESP) solution, allowing members, partners, and the E-ISAC staff to interact more effectively and efficiently.

CRISP Operational Technology Pilot
(Started Q4 2020 / Completed Q2 2022)
This project will promote E-ISAC analyst training and capabilities through guided-hunt participation and development of other cyber security threat intelligence best practices (such as generation of analytics and playbooks). The project is being funded through CRISP and benefit its participants, but will enrich the overall threat intelligence capabilities of the E-ISAC.

Align Enhancements/Release 4.0
(Started Q1 2022 / Completed Q2 2022)
This work included enhancements from Release 3 (audit and scheduling) as requested and approved by the Align Steering Committee. It also includes platform performance and optimization enhancements resulting from the December 2021 outage event.
### Schedule 3 – E-ISAC and CRISP Summary of Activity

#### TOTAL E-ISAC (including CRISP)

<table>
<thead>
<tr>
<th>FUNDING</th>
<th>YTD Actual</th>
<th>Annual Projection</th>
<th>Annual Budget</th>
<th>Projected Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessments</td>
<td>$12,567,950</td>
<td>$25,135,900</td>
<td>$25,135,900</td>
<td>-$1,197,542</td>
</tr>
<tr>
<td>Other Funding</td>
<td>$4,172,640</td>
<td>$9,209,047</td>
<td>$8,011,505</td>
<td>$1,197,542</td>
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<td><strong>TOTAL FUNDING</strong></td>
<td>$16,740,590</td>
<td>$34,344,947</td>
<td>$33,147,405</td>
<td>$1,197,542</td>
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#### EXPENDITURES

<table>
<thead>
<tr>
<th>Description</th>
<th>YTD Actual</th>
<th>Annual Projection</th>
<th>Annual Budget</th>
<th>Projected Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Expense</td>
<td>$4,934,471</td>
<td>$9,961,307</td>
<td>$10,430,408</td>
<td>$(69,101)</td>
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<tr>
<td>Meetings and Travel Expense</td>
<td>$89,198</td>
<td>$283,366</td>
<td>$324,000</td>
<td>$(40,634)</td>
</tr>
<tr>
<td>Operating Expenses (excluding Depreciation)</td>
<td>$4,564,105</td>
<td>$12,432,075</td>
<td>$10,379,706</td>
<td>$2,052,369</td>
</tr>
<tr>
<td>Other Non-Operating Expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fixed Asset Purchases (excluding Fixed Asset Allocation)</td>
<td>$70,586</td>
<td>$91,250</td>
<td>$91,250</td>
<td>-</td>
</tr>
<tr>
<td>Net Financing Activity (excluding Net Financing Activity Allocation)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Direct Costs (excluding Depreciation and Allocations)</strong></td>
<td>$9,658,360</td>
<td>$22,767,998</td>
<td>$21,225,364</td>
<td>$1,542,634</td>
</tr>
<tr>
<td>Indirect Expense Allocation</td>
<td>$5,134,162</td>
<td>$11,124,484</td>
<td>$10,944,281</td>
<td>$180,203</td>
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<tr>
<td>Fixed Asset Allocation</td>
<td>-</td>
<td>$658,253</td>
<td>$1,132,166</td>
<td>$(473,913)</td>
</tr>
<tr>
<td>Net Financing Activity Allocation</td>
<td>$33,354</td>
<td>$(400,719)</td>
<td>$(454,407)</td>
<td>$53,688</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</strong></td>
<td>$14,825,876</td>
<td>$34,150,017</td>
<td>$32,847,405</td>
<td>$1,302,612</td>
</tr>
</tbody>
</table>

| RESERVE INCREASE (DECREASE)             | $1,914,714  | $194,930          | $300,000      | $(105,070)             |
## Schedule 3 (continued) – E-ISAC and CRISP Summary of Activity

### CRISP

<table>
<thead>
<tr>
<th>FUNDING</th>
<th>YTD Actual</th>
<th>Annual Projection</th>
<th>Annual Budget</th>
<th>Projected Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessments</td>
<td>$677,952</td>
<td>$1,355,903</td>
<td>$1,355,903</td>
<td>$-</td>
</tr>
<tr>
<td>Other Funding</td>
<td>$4,139,063</td>
<td>$9,140,471</td>
<td>$7,929,423</td>
<td>$1,211,048</td>
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<td><strong>TOTAL FUNDING</strong></td>
<td>$4,817,014</td>
<td>$10,496,374</td>
<td>$9,285,326</td>
<td>$1,211,048</td>
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### EXPENDITURES

<table>
<thead>
<tr>
<th></th>
<th>YTD Actual</th>
<th>Annual Projection</th>
<th>Annual Budget</th>
<th>Projected Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Expense</td>
<td>$499,371</td>
<td>$1,033,567</td>
<td>$1,095,553</td>
<td>$(61,986)</td>
</tr>
<tr>
<td>Meetings and Travel Expense</td>
<td>$37,656</td>
<td>$53,139</td>
<td>$34,000</td>
<td>$19,139</td>
</tr>
<tr>
<td>Operating Expenses (excluding Depreciation)</td>
<td>$2,910,907</td>
<td>$6,814,761</td>
<td>$3,000</td>
<td>$1,933,526</td>
</tr>
<tr>
<td>Other Non-Operating Expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fixed Asset Purchases (excluding Fixed Asset Allocation)</td>
<td>$70,586</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Financing Activity (excluding Net Financing Activity Allocation)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Direct Costs (excluding Depreciation and Allocations)</strong></td>
<td>$3,518,519</td>
<td>$7,944,314</td>
<td>$7,400</td>
<td>$1,890,678</td>
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<tr>
<td>Indirect Expense Allocation</td>
<td>$383,815</td>
<td>$980,303</td>
<td>$980,303</td>
<td>$126,921</td>
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<tr>
<td>Fixed Asset Allocation</td>
<td>-</td>
<td>$101,411</td>
<td>$101,411</td>
<td>$-</td>
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<tr>
<td>Net Financing Activity Allocation</td>
<td>$2,493</td>
<td>$(40,702)</td>
<td>$(40,702)</td>
<td>$53,283</td>
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<tr>
<td><strong>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</strong></td>
<td>$3,904,828</td>
<td>$8,985,326</td>
<td>$7,985,326</td>
<td>$1,982,523</td>
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</tbody>
</table>

**RESERVE INCREASE (DECREASE)**

<table>
<thead>
<tr>
<th></th>
<th>YTD Actual</th>
<th>Annual Projection</th>
<th>Annual Budget</th>
<th>Projected Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessments</td>
<td>$11,889,998</td>
<td>$23,779,997</td>
<td>$23,779,997</td>
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<tr>
<td>Other Funding</td>
<td>$33,577</td>
<td>$68,575</td>
<td>$68,575</td>
<td>$(13,506)</td>
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<tr>
<td><strong>TOTAL FUNDING</strong></td>
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<td>$23,848,572</td>
<td>$23,848,572</td>
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</table>

**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 approximately $330k. Year-to-date expenses sent by the third-party contractor to NERC for new CRISP participants totals approximately $10k.

### E-ISAC (excluding CRISP)

<table>
<thead>
<tr>
<th>FUNDING</th>
<th>YTD Actual</th>
<th>Annual Projection</th>
<th>Annual Budget</th>
<th>Projected Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessments</td>
<td>$4,435,100</td>
<td>$8,927,740</td>
<td>$9,334,855</td>
<td>$(407,115)</td>
</tr>
<tr>
<td>Other Funding</td>
<td>$51,543</td>
<td>$230,227</td>
<td>$290,000</td>
<td>$(59,773)</td>
</tr>
<tr>
<td><strong>TOTAL FUNDING</strong></td>
<td>$4,486,643</td>
<td>$9,157,967</td>
<td>$9,624,855</td>
<td>$(466,918)</td>
</tr>
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</table>

### EXPENDITURES

<table>
<thead>
<tr>
<th></th>
<th>YTD Actual</th>
<th>Annual Projection</th>
<th>Annual Budget</th>
<th>Projected Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Expense</td>
<td>$4,435,100</td>
<td>$8,927,740</td>
<td>$9,334,855</td>
<td>$(407,115)</td>
</tr>
<tr>
<td>Meetings and Travel Expense</td>
<td>$51,543</td>
<td>$230,227</td>
<td>$290,000</td>
<td>$(59,773)</td>
</tr>
<tr>
<td>Operating Expenses (excluding Depreciation)</td>
<td>$1,653,198</td>
<td>$3,683,789</td>
<td>$3,564,945</td>
<td>$118,844</td>
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<tr>
<td>Other Non-Operating Expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fixed Asset Purchases (excluding Fixed Asset Allocation)</td>
<td>-</td>
<td>$91,250</td>
<td>$91,250</td>
<td>-</td>
</tr>
<tr>
<td>Net Financing Activity (excluding Net Financing Activity Allocation)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Direct Costs (excluding Depreciation and Allocations)</strong></td>
<td>$6,139,840</td>
<td>$13,281,050</td>
<td>$13,281,050</td>
<td>$(348,044)</td>
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<td>Indirect Expense Allocation</td>
<td>$4,750,348</td>
<td>$10,017,267</td>
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<td>Fixed Asset Allocation</td>
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<td>$592,737</td>
<td>$1,030,756</td>
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<td>Net Financing Activity Allocation</td>
<td>$30,860</td>
<td>$(413,705)</td>
<td>$(413,705)</td>
<td>$52,870</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</strong></td>
<td>$10,921,048</td>
<td>$23,182,168</td>
<td>$23,182,168</td>
<td>$(679,911)</td>
</tr>
</tbody>
</table>

**RESERVE INCREASE (DECREASE)**

<table>
<thead>
<tr>
<th></th>
<th>YTD Actual</th>
<th>Annual Projection</th>
<th>Annual Budget</th>
<th>Projected Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessments</td>
<td>$1,022,527</td>
<td>$666,404</td>
<td>$666,404</td>
<td>$-</td>
</tr>
<tr>
<td>Other Funding</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL FUNDING</strong></td>
<td>$1,022,527</td>
<td>$666,404</td>
<td>$666,404</td>
<td>$-</td>
</tr>
</tbody>
</table>
## Schedule 4 – Summary of Investments

<table>
<thead>
<tr>
<th>Quarter-End Balance</th>
<th>Ticker Symbol</th>
<th>Fund Name</th>
<th>S&amp;P Credit Rating</th>
<th>Average Annualized Yield</th>
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</thead>
<tbody>
<tr>
<td><strong>Cash Sweep Accounts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Account Sweep</td>
<td>$28,370,151</td>
<td>TDDXX BlackRock Liquidity Fund FedFund Dollar</td>
<td>AAAm</td>
<td>0.79%</td>
</tr>
<tr>
<td>SOCCED Account Sweep</td>
<td>$1,486,172</td>
<td>TDDXX BlackRock Liquidity Fund FedFund Dollar</td>
<td>AAAm</td>
<td>0.79%</td>
</tr>
<tr>
<td>CRISP Account Sweep</td>
<td>$7,676,897</td>
<td>TDDXX BlackRock Liquidity Fund FedFund Dollar</td>
<td>AAAm</td>
<td>0.79%</td>
</tr>
<tr>
<td><strong>Total Cash Sweep Accounts</strong></td>
<td>$37,533,220</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investment Account</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve Funds</td>
<td>$8,479,894</td>
<td>GRTXX Federated Hermes Government Obligations Fund</td>
<td>AAM</td>
<td>1.39%</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td>$8,479,894</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
NERC Summary of Unaudited Results as of June 30, 2022

Andy Sharp, Vice President and Chief Financial Officer
Finance and Audit Committee Meeting
August 17, 2022
• Total funding – $0.4M (0.8%) under budget
  ▪ Timing of assessment revenues versus budget
• Total expenditures – $4.2M (9.2%) under budget
  ▪ Lower personnel, contracts and consultant costs
  ▪ Decreased spending on meetings and travel due to the pandemic
  ▪ Partially offset by higher net financing activity
• Reserve increase $3.8M over budget
2022 Second Quarter YTD Results by Category

- Personnel: -2.9%
- Meetings & Travel: -46.1%
- Operating Expenses: -11.7%
- Fixed Assets: -76.7%
- Net Financing Activity: +157.0%

2022 Q2 YTD Budget | 2022 Q2 YTD Actual
2022 Year-End Projections

- Funding – $1.1M (1.3%) over budget
  - CRISP third-party funding
- Total expenditures – $1.3M (1.6%) over budget
  - Higher contractors and consultants and professional services expenses
  - Partially offset by lower personnel, meeting and travel expenses, and fixed asset additions
- Reserve decrease $200k more than budget
2022 Year-End Projections by Category

<table>
<thead>
<tr>
<th>Category</th>
<th>2022 Year-End Budget</th>
<th>2022 Year-End Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$47.2 millions</td>
<td>$47.2 millions</td>
</tr>
<tr>
<td>Meetings &amp; Travel</td>
<td>-$2.0 million</td>
<td>-$2.0 million</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$26.0 million</td>
<td>$28.4 million</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>-$7.0 million</td>
<td>-$7.0 million</td>
</tr>
<tr>
<td>Net Financing Activity</td>
<td>-$2.0 million</td>
<td>$0.0 million</td>
</tr>
</tbody>
</table>

Percentage Changes:
- Personnel: -0.4%
- Meetings & Travel: -12.9%
- Operating Expenses: +10.4%
- Fixed Assets: -27.7%
- Net Financing Activity: +14.4%
• Operating Contingency Reserve (OCR)
  ▪ Began year with $8.7M
    o Budgeted use of $65k to fund Atlanta leasehold improvements/equipment
    o Projected decrease from 2022 operating activity $209k
    o Projected ending balance of $8.5M

• Assessment Stabilization Reserve (ASR) – $2.5M
  ▪ No releases or additions
2022 Projected Year-End Reserves Breakdown

TOTAL RESERVES OF $16.3M

- Operating Contingency Reserve: $8.5 million
- Assessment Stabilization Reserve: $2.3 million
- Future Obligation Reserve: $2.5 million
- System Operator Reserve: $1.7 million
- CRISP Defense Fund Reserve: $0.7 million
- CRISP Operating Reserve: $0.6 million

($ millions)
Questions and Answers
Total ERO Enterprise (NERC and Regional)
Summary of Unaudited Results
June 30, 2022

The ERO Enterprise was under budget $7.8M (6.9%) for combined expense and fixed asset (capital) spending and net financing activity. The budget variances ranged from 10.8% under budget to 2.0% over budget. The year-end projection for the ERO Enterprise is to be under budget $760k (0.3%).

- **NERC** was under budget $4.2M (9.2%) primarily because of timing differences between budgeted and actual costs related to personnel, meeting, travel, contractor, and fixed asset addition costs, and was partially offset by higher net financing activity. The company expects to be over budget $1.4M (1.6%), which is predominately due to higher contractor and professional services costs, partially offset by lower personnel, travel, meeting, and fixed asset additions costs.

- **MRO** was under budget $557k (5.6%) mainly as a result of lower meetings and travel expenses due to MRO’s hybrid approach to meetings with fewer in-person attendees. Operating expenses are trending lower than budget currently due to timing of project starts, contract renewals, and the impact of a hybrid work environment on office costs. Fixed assets will be over budget due to an incomplete AV project from the prior year. The company expects to be under budget $340k (1.7%) at year-end mainly as a result of the meeting and travel underspend.

- **NPCC** was under budget $929k (10.8%) mainly as a result of lower meetings and travel expenses due to the pandemic and lower-than-budgeted personnel expenses. The company expects to be under budget $753k (4.3%) at year-end.

- **RF** was under budget $851k (6.3%) largely due to lower than budgeted salary costs, employee benefits (medical benefits and training), office costs, meetings, and travel, offset partially by higher than budgeted rent and computer hardware and software. Salaries and employee benefits (medical) were lower than budget mainly due to lower than budgeted staffing levels for the first half of the year. Meetings, travel, and employee benefits (training) were lower due to decreased activity due to the pandemic in the first quarter of the year. Office costs and contracts and
consultants were under budget, offset partially by computer hardware & software that were over budget, primarily due to timing of projects that differed from the budget. This variance was also partially offset by higher than budgeted rent due to an unbudgeted 5th floor expansion and lease extension. The company expects to be under budget $563k (2.1%) at year-end.

- SERC was over budget $262k (2.0%) largely due to timing of expenditures. The company expects to be over budget $36k (0.1%) at year-end.

- Texas RE was under budget $601k (7.4%) primarily due to vacancies in the Compliance department and travel not being fully engaged. This was offset by Consultants and Contracts being over budget due to a compensation study completed earlier in the year than anticipated. An external IT audit has been delayed also causing Professional services are under budget

- WECC was under budget $970k (6.6%) primarily due to the net of an underrun in meeting and travel expenses and timing differences in consulting. The company expects to be under budget $288k (1.0%) at year-end.

### Variances by Expense, Fixed Asset, and Net Financing Activity Categories

#### Personnel Expenses

For the ERO Enterprise, personnel expenses, consisting of salaries, payroll taxes, benefits, and retirement costs, were collectively under budget $2.6M (3.2%), ranging from 9.4% under budget to 0.2% under budget. The ERO Enterprise was under budget in FTEs by 42.3 (5.6%). The year-end projection for ERO Enterprise personnel expenses is to be under budget $1.9M (1.2%), with FTEs under budget 1.6%. Significant variances are explained below.

<table>
<thead>
<tr>
<th>Entity</th>
<th>2022 YTD Actual</th>
<th>2022 YTD Budget</th>
<th>Over (Under)</th>
<th>%</th>
<th>Variance</th>
<th>Projected Year-End</th>
</tr>
</thead>
<tbody>
<tr>
<td>NERC</td>
<td>$25,848,400</td>
<td>$26,608,005</td>
<td>$759,605</td>
<td>(2.9)%</td>
<td>(0.4%)</td>
<td>215.4</td>
</tr>
<tr>
<td>MRO</td>
<td>7,595,207</td>
<td>7,638,491</td>
<td>(43,284)</td>
<td>(0.6)%</td>
<td>(0.1%)</td>
<td>69.0</td>
</tr>
<tr>
<td>NPCC</td>
<td>6,055,043</td>
<td>6,521,896</td>
<td>(466,852)</td>
<td>(7.2)%</td>
<td>(4.1%)</td>
<td>42.9</td>
</tr>
<tr>
<td>RF</td>
<td>11,020,975</td>
<td>11,524,158</td>
<td>(503,183)</td>
<td>(4.4)%</td>
<td>(2.8%)</td>
<td>86.5</td>
</tr>
<tr>
<td>SERC</td>
<td>10,586,874</td>
<td>10,603,567</td>
<td>(16,693)</td>
<td>(0.2)%</td>
<td>(0.6%)</td>
<td>96.0</td>
</tr>
<tr>
<td>Texas RE</td>
<td>5,647,657</td>
<td>6,235,453</td>
<td>(587,796)</td>
<td>(9.4)%</td>
<td>(1.3%)</td>
<td>58.0</td>
</tr>
<tr>
<td>WECC</td>
<td>11,313,606</td>
<td>11,542,420</td>
<td>(228,814)</td>
<td>(2.0)%</td>
<td>(1.0%)</td>
<td>143.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$78,067,762</td>
<td>$80,673,989</td>
<td>($2,606,227)</td>
<td>(3.2)%</td>
<td>(1.2%)</td>
<td>711.4</td>
</tr>
</tbody>
</table>

**FTEs**

<table>
<thead>
<tr>
<th></th>
<th>2022 YTD Actual</th>
<th>2022 YTD Budget</th>
<th>Over (Under)</th>
<th>%</th>
<th>Variance</th>
<th>Projected Year-End</th>
</tr>
</thead>
<tbody>
<tr>
<td>NERC</td>
<td>215.4</td>
<td>223.7</td>
<td>(8.3)</td>
<td>(3.7)%</td>
<td>(3.1%)</td>
<td></td>
</tr>
<tr>
<td>MRO</td>
<td>69.0</td>
<td>71.0</td>
<td>(2.0)</td>
<td>(2.8)%</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>NPCC</td>
<td>42.9</td>
<td>47.9</td>
<td>(5.0)</td>
<td>(10.4%)</td>
<td>(7.9)%</td>
<td></td>
</tr>
<tr>
<td>RF</td>
<td>86.5</td>
<td>88.6</td>
<td>(2.1)</td>
<td>(2.4%)</td>
<td>(1.3%)</td>
<td></td>
</tr>
<tr>
<td>SERC</td>
<td>96.0</td>
<td>104.0</td>
<td>(8.0)</td>
<td>(7.7%)</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Texas RE</td>
<td>58.0</td>
<td>66.0</td>
<td>(8.0)</td>
<td>(12.1%)</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>WECC</td>
<td>143.6</td>
<td>152.5</td>
<td>(8.9)</td>
<td>(5.8%)</td>
<td>0.1%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>711.4</td>
<td>753.7</td>
<td>(42.3)</td>
<td>(5.6%)</td>
<td>(1.6%)</td>
<td></td>
</tr>
</tbody>
</table>

* Represents equivalent full time positions from a budget and actual financial perspective and does not necessarily represent headcount.

- NERC was under budget $760k (2.9%) largely as a result of lower medical insurance premiums, relocation expenses, parking and transportation costs, and retirement costs. The company expects to be slightly under budget at year end.
• MRO was under budget $43k (0.6%) due to a combination of early turnovers, retirements, and timing of new hires. The company expects to be near to budget at year-end and fully staffed.

• NPCC was under budget $467k (7.2%) mainly as a result of several open positions and lower-than-budgeted medical insurance premiums. The company expects to be under budget $532k (4.1%) at year-end based on planned onboarding dates for new hires. Onboarding dates and projections will be adjusted throughout the year as open positions are filled.

• RF was under budget $503k (4.4%) primarily due to personnel count that was below the approved staffing levels during the first half of the year. This variance was also impacted by underutilized budgeted training because of the cancellation of training activities due to the pandemic. The company expects to be fully staffed, but under budget by $627k (2.8%) at year-end due to the lower than budgeted staffing levels in the first half of the year.

• SERC was under budget $17k (0.2%) due to lower than budgeted insurance rate renewal and timing of relocation expenses. The full year impact is projected to be $125k (0.6%) under budget due to anticipated lead time to fill open positions in conjunction with lower health insurance expenses.

• Texas RE was under budget $588k (9.4%) predominately due to vacancies in the Compliance Department. Employee benefits are less than budget 23.0% due to health benefits not increasing as projected. The company expects to be fully staffed and within budget at year end.

• WECC was under budget $229k (2.0%) primarily due to due to an unanticipated health insurance premium credit, budgeted benefits enrollment level assumptions compared to actual benefits enrollment levels, and lower-than-anticipated use of the Health Reimbursement Account (HRA). The company expects to be under budget $239k (1.0%) at year-end due to the same reasons.

Meetings, Conference Calls, and Travel Expenses
For the ERO Enterprise, meetings, conference calls, and travel expenses were collectively under budget $2.1M (58.8%). All entities were under budget because of decreased meeting and travel expenses due to the pandemic. The year-end projection for the ERO Enterprise is to be under budget $1.9M (23.5%).

<table>
<thead>
<tr>
<th>Entity</th>
<th>2022 Budget</th>
<th>Meetings &amp; Conference Calls Over (Under)</th>
<th>Travel Over (Under)</th>
<th>2022 Actual</th>
<th>Over (Under)</th>
<th>%</th>
<th>Projected Year-End Variance to Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>NERC</td>
<td>$1,234,650</td>
<td>$ (27,543)</td>
<td>$(341,597)</td>
<td>$665,510</td>
<td>$(569,140)</td>
<td>46.1%</td>
<td>(12.9%)</td>
</tr>
<tr>
<td>MRO</td>
<td>380,274</td>
<td>$(36,363)</td>
<td>$(225,959)</td>
<td>117,951</td>
<td>$(262,322)</td>
<td>69.0%</td>
<td>(46.5%)</td>
</tr>
<tr>
<td>NPCC</td>
<td>304,419</td>
<td>$(97,513)</td>
<td>$(179,629)</td>
<td>27,277</td>
<td>$(277,142)</td>
<td>91.0%</td>
<td>(29.0%)</td>
</tr>
<tr>
<td>RF</td>
<td>431,745</td>
<td>$(95,285)</td>
<td>$(218,555)</td>
<td>117,905</td>
<td>$(313,840)</td>
<td>72.7%</td>
<td>(32.0%)</td>
</tr>
<tr>
<td>SERC</td>
<td>622,361</td>
<td>$(34,437)</td>
<td>$(201,111)</td>
<td>386,813</td>
<td>$(235,548)</td>
<td>37.8%</td>
<td>(18.1%)</td>
</tr>
<tr>
<td>Texas RE</td>
<td>140,149</td>
<td>$(8,651)</td>
<td>$(76,504)</td>
<td>54,994</td>
<td>$(85,155)</td>
<td>60.8%</td>
<td>(18.0%)</td>
</tr>
<tr>
<td>WECC</td>
<td>544,147</td>
<td>$(107,946)</td>
<td>$(298,226)</td>
<td>137,975</td>
<td>$(406,172)</td>
<td>74.6%</td>
<td>(29.4%)</td>
</tr>
</tbody>
</table>

$ 3,657,744 $ (607,738) $(1,541,581) $ 1,508,425 $ (2,149,319) (58.8%) (23.5%)
Operating Expenses

For the ERO Enterprise, operating expenses, consisting of consultants and contracts expenses, office rent, office costs, professional services, and miscellaneous costs, were collectively under budget $2.4M (9.0%). The year-end projection for the ERO Enterprise is to be over budget $3.7M (6.9%). Significant variances are explained below.

- **NERC** was under budget $1.8M (11.7%) primarily due to timing of costs versus the budget in contracts and consultant expenses, with a large part due to the CRISP third party subcontractor costs. The company expects to be over budget $3.1M (10.4%) at year-end, mainly as a result of, 1) costs from the CRISP third party subcontractor for new program participants, replacement of equipment for existing program participants, costs for OT pilot projects (funded by the CRISP Special Projects Reserve), and cloud-based ISDs project costs (funded by CRISP Operating Reserves), 2) the need for two IT security contractors that were not budgeted (which will be partially funded by the deferral of FTEs in other departments) and, 3) increased costs for liability insurance.

- **MRO** was under budget $284k (14.7%), which is attributable to a combination of timing and reduced spending in consultants and contracts, office rent, and office costs as MRO realizes the impact of its hybrid work environment. The company expects to be 5% under budget at year-end.

- **NPCC** was under budget $328k (17.0%) predominately due to the timing of contract expenses and lower than budgeted IT expenses. The company expects to be $57k (1.4%) under budget at year-end.

- **RF** was under budget $52k (3.7%) primarily due to the timing of IT projects that differed from budget, partially offset by increased rent and utilities related to an office expansion and extension. The company expects to be over budget $387k (13.6%) at year end primarily due to unbudgeted IT and security enhancements, and the office expansion and extension mentioned above.

- **SERC** was over budget $204k (12.5%) primarily because contractor and consulting expertise used to provide support in IT while filling open positions. The company expects to be slightly over budget $10k at year-end due to planned deferrals on certain IT projects.

- **Texas RE** was over budget $183k (12.5%). A compensation study completed earlier in the year and an unbudgeted IT Leadership Team Cross Function consultant is causing a 34.8% variance in
Consultants and Contracts. Professional services are less than budget 27.4% due to unused legal fees and an external IT audit that has been delayed.

- WECC was under budget $321k (11.4%) primarily due to the net of timing of IT consulting and modeling enhancement consulting budgeted for in 2021 but completed in early 2022. The company expects to be over budget $397k (7.6%) at year-end primarily due to the procurement of the PI Historian Database system (funded with Peak Reliability Donation funds), unbudgeted consulting for knowledge transfer efforts on protection and controls standards, and higher-than-anticipated insurance premiums.

**Indirect Expense Allocation**
NPCC and WECC allocate overhead expenses to their non-statutory functions. Through the second quarter, NPCC allocated $38k (21.0%) less than budgeted and WECC allocated $9k (2.5%) more than budgeted. At year-end, NPCC expects to allocate as budgeted and WECC expects to allocate $86k (12.4%) more than budgeted.

**Fixed Asset (Capital) Additions**
For the ERO Enterprise, fixed asset (capital) additions were under budget $1.4M (52.4%). The year-end projection for the ERO Enterprise is to be under budget $695k (11.3%). Significant variances are explained below.

<table>
<thead>
<tr>
<th>Entity</th>
<th>2022 YTD Actual</th>
<th>2022 YTD Budget</th>
<th>Over (Under)</th>
<th>2022 Year-End Projected</th>
<th>2022 Year-End Budgeted</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NERC</td>
<td>$572,889</td>
<td>$2,459,375</td>
<td>($1,886,486)</td>
<td>($3,558,702)</td>
<td>$4,918,750</td>
<td>($1,360,048)</td>
</tr>
<tr>
<td>MRO</td>
<td>95,373</td>
<td>62,500</td>
<td>32,873 (52.6%)</td>
<td>361,225</td>
<td>120,000</td>
<td>236,225 (189.0%)</td>
</tr>
<tr>
<td>NPCC</td>
<td>161,077</td>
<td>55,575</td>
<td>105,502 (189.8%)</td>
<td>161,077</td>
<td>120,000</td>
<td>41,077 (44.9%)</td>
</tr>
<tr>
<td>RF</td>
<td>88,274</td>
<td>70,000</td>
<td>18,274 (26.1%)</td>
<td>110,000</td>
<td>120,000</td>
<td>(10,000) (8.3%)</td>
</tr>
<tr>
<td>SERC</td>
<td>310,021</td>
<td>-</td>
<td>310,021 (0.0%)</td>
<td>650,000</td>
<td>264,000</td>
<td>386,000 (146.2%)</td>
</tr>
<tr>
<td>Texas RE</td>
<td>-</td>
<td>-</td>
<td>512,000 (0.0%)</td>
<td>512,000</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>WECC</td>
<td>64,557</td>
<td>69,594</td>
<td>(5,037) (7.2%)</td>
<td>114,557</td>
<td>111,914</td>
<td>2,643 (2.4%)</td>
</tr>
</tbody>
</table>

$1,292,191 $2,717,044 ($1,424,853) (52.4%) $5,467,561 $6,162,814 (695,253) (11.3%)

- NERC was under budget $1.9M (76.7%) primarily as a result of timing of costs versus the budget for capital lease assets related to new equipment leases and also IT equipment and servers and also because of leasehold improvements and office furniture budgeted for a new Atlanta office that did not materialize. The company expects to be under budget $1.4M (27.7%) at year-end, mainly because of the aforementioned leasehold improvements and office furniture and also due to lower than budgeted capital lease assets for new equipment leases.

- MRO was over budget $33k (52.6), which is due to the completion of a prior year budgeted AV project that was impacted by supply chain issues. The company expects to be over budget $236k (189%) at year end. Projected year-end underage from other budget areas should cover this over spend, however, working capital savings from the prior year is available to cover this cost should year-end actuals exceed projections.
• NPCC was over budget $106k (189.8%) due to the timing of planned software development projects. The company expects to be $50k (44.9%) over budget at budget at year-end. Over budget fixed asset additions are offset by lower than budgeted IT operating expenses.

• RF was over budget $18k (26.1%) due to the difference in timing of when projects were budgeted and when they are completed. The company expects to be $10K (8.3%) under budget at year end.

• SERC was over budget $310k due to the ongoing Member Portal project. The company expects to be over budget $386k (146.21%) at year-end due to completion of the Member Portal Consolidation project.

• WECC was under budget $5k (7.2%) primarily due to timing of IT refreshes. The company expects to be over budget $3k (2.4%) at year-end.

Net Financing Activity
NERC is the only entity in the ERO Enterprise with financing activity, consisting of loan borrowing, lease financing, and principal debt service repayment for major ERO software projects, such as Align and the ERO Secure Evidence Locker (SEL), and leased audio visual and IT equipment.

Net financing activity is over budget by $864k (157.0%), which means NERC made more principal payments than borrowings, due to timing differences on new equipment leases. The company is projected to be slightly over budget by $159k (14.4%) at year-end.

Total ERO Enterprise Reserves
Prior to 2021, this report focused on the analysis and reporting of Working Capital and Operating Contingency Reserve based on information submitted on the Statement of Activities included in the Regional Entity Quarterly Variance Reports. However, since NERC and some of the Regional Entities have established additional reserve categories, including assessment stabilization reserves and future obligation reserves, reporting has been expanded to include the following three categories of reserves:

• Working Capital and Operating Contingency Reserves (WCOCR) – Includes excess working capital reserves and operating contingency reserves. These reserves typically have a policy target range.

• Assessment Stabilization Reserves (ASR) and Unreleased Penalties – Includes funds from penalties received but not yet released against assessments, and other surplus funds designated by the entity, to help reduce the volatility of future year assessments. Note that penalties received but not released are subject to timing of when they can be released to offset assessments as determined by the Rules of Procedure, with some exceptions provided with the proper request and filing of the entity’s annual Business Plan and Budget as approved by FERC.

• Other Reserves – Includes funds set aside for a specific purpose and will offset future budgeted expense items.

2022 Total Reserve Summary
The ERO Enterprise began the year with $77.3M in total reserves, including $43.1M in WCOCR, $25.5M in ASR and Unreleased Penalties, and $8.7M in Other Reserves.
The ERO Enterprise projects to end the year with $86.4M in total reserves, including $42.0M in WCOCR, $35.5M in ASR and Unreleased Penalties, and $8.9M in Other Reserves. The projected WCOCR for the end of the year is 18.8% of the 2022 ERO Enterprise combined budget, or 2.3 months of operating expenses. The projected total reserves for the end of the year represents 38.8% of the 2022 ERO Enterprise combined budget, or 4.7 months of operating expenses.

The table below provides a summary of the reserve categories at the beginning of the year and projected year-end.

### ERO Enterprise Total Reserve Balances - 2022 Projected

<table>
<thead>
<tr>
<th>Entity</th>
<th>Beginning WCOCR(1)</th>
<th>Beginning ASR(2) &amp; Unreleased Penalties</th>
<th>Beginning Other Reserves</th>
<th>1/1/2022 Beginning Total Reserves</th>
<th>Projected Ending WCOCR(1)</th>
<th>Projected Ending ASR(2) &amp; Unreleased Penalties</th>
<th>Projected Ending Other Reserves</th>
<th>12/31/2022 Projected Ending Total Reserves</th>
<th>Total 2022 Budget</th>
<th>% of Reserves to 2022 Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>NERC</td>
<td>$8.5</td>
<td>$2.5</td>
<td>$4.9</td>
<td>$16.1</td>
<td>$8.5</td>
<td>$2.5</td>
<td>$5.3</td>
<td>$16.3</td>
<td>$88.8</td>
<td>18.4%</td>
</tr>
<tr>
<td>MRO</td>
<td>5.2</td>
<td>3.2</td>
<td>-</td>
<td>8.4</td>
<td>4.1</td>
<td>2.7</td>
<td>-</td>
<td>6.8</td>
<td>18.3</td>
<td>37.2%</td>
</tr>
<tr>
<td>NPCC</td>
<td>7.0</td>
<td>0.5</td>
<td>-</td>
<td>7.5</td>
<td>6.2</td>
<td>0.5</td>
<td>-</td>
<td>6.7</td>
<td>17.5</td>
<td>38.3%</td>
</tr>
<tr>
<td>RF</td>
<td>7.7</td>
<td>5.3</td>
<td>-</td>
<td>13.0</td>
<td>8.5</td>
<td>3.8</td>
<td>-</td>
<td>12.3</td>
<td>26.9</td>
<td>45.7%</td>
</tr>
<tr>
<td>SERC</td>
<td>2.8</td>
<td>5.4</td>
<td>-</td>
<td>8.2</td>
<td>2.2</td>
<td>5.4</td>
<td>-</td>
<td>7.6</td>
<td>26.0</td>
<td>29.2%</td>
</tr>
<tr>
<td>Texas RE</td>
<td>2.0</td>
<td>1.9</td>
<td>-</td>
<td>3.9</td>
<td>1.3</td>
<td>0.7</td>
<td>-</td>
<td>2.0</td>
<td>15.6</td>
<td>12.8%</td>
</tr>
<tr>
<td>WECC</td>
<td>9.7</td>
<td>6.7</td>
<td>3.8</td>
<td>20.2</td>
<td>11.2</td>
<td>19.9</td>
<td>3.6</td>
<td>34.7</td>
<td>29.7</td>
<td>116.7%</td>
</tr>
</tbody>
</table>

$ 43.1 $ 25.5 $ 8.7 $ 77.3 $ 42.0 $ 35.5 $ 8.9 $ 86.4 $ 222.8 $ 38.8%

(1) WCOCR - Working Capital & Operating Contingency Reserve  
(2) ASR - Assessment Stabilization Reserve

The table below provides a summary of the projected year-end reserve balances compared to the budgeted year-end reserve balances. The projected total year-end reserve balance for the ERO Enterprise of $86.4M is $41.0M higher than the budgeted total year-end reserve balance of $45.4M. A significant portion of the unbudgeted increase is due to penalty collections by the regions in 2022, with some of the remaining difference due to higher than budgeted reserve balances at the beginning of the year.

### 2022 ERO Enterprise Year-End Projected versus Budgeted Reserves

<table>
<thead>
<tr>
<th>Entity</th>
<th>Projected Ending WCOCR(3)</th>
<th>Projected Ending ASR(2) &amp; Unreleased Penalties</th>
<th>Projected Ending Other Reserves</th>
<th>Budgeted Ending WCOCR(3)</th>
<th>Budgeted Ending ASR(2) &amp; Unreleased Penalties</th>
<th>Budgeted Ending Other Reserves</th>
<th>Over/(Under) Ending Total Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>NERC</td>
<td>$8.5</td>
<td>$2.5</td>
<td>$5.3</td>
<td>$16.3</td>
<td>$4.3</td>
<td>$2.5</td>
<td>$1.9</td>
</tr>
<tr>
<td>MRO</td>
<td>4.1</td>
<td>2.7</td>
<td>-</td>
<td>6.8</td>
<td>4.4</td>
<td>0.9</td>
<td>-</td>
</tr>
<tr>
<td>NPCC</td>
<td>6.2</td>
<td>0.5</td>
<td>-</td>
<td>6.7</td>
<td>3.8</td>
<td>0.4</td>
<td>-</td>
</tr>
<tr>
<td>RF</td>
<td>8.5</td>
<td>3.8</td>
<td>-</td>
<td>12.3</td>
<td>7.7</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SERC</td>
<td>2.2</td>
<td>5.4</td>
<td>-</td>
<td>7.6</td>
<td>1.6</td>
<td>2.2</td>
<td>-</td>
</tr>
<tr>
<td>Texas RE</td>
<td>1.3</td>
<td>0.7</td>
<td>-</td>
<td>2.0</td>
<td>1.3</td>
<td>1.3</td>
<td>-</td>
</tr>
<tr>
<td>WECC</td>
<td>11.2</td>
<td>19.9</td>
<td>3.6</td>
<td>34.7</td>
<td>9.7</td>
<td>-</td>
<td>3.4</td>
</tr>
</tbody>
</table>

$ 42.0 $ 35.5 $ 8.9 $ 86.4 $ 32.8 $ 7.3 $ 5.3 $ 45.4 $ 9.2 $ 28.2 $ 3.6 $ 41.0

(3) WCOCR - Working Capital & Operating Contingency Reserve  
(4) ASR - Assessment Stabilization Reserve
Total ERO Enterprise Summary of Unaudited Results as of June 30, 2022

Andy Sharp, Vice President and Chief Financial Officer
Finance and Audit Committee Meeting
August 17, 2022
Total expenditures for the ERO Enterprise were under budget $7.8M (6.9%)
• Personnel – All entities were under budget
• Meetings & Travel – All entities were under budget
• Operating Expenses – All entities were under budget except SERC and Texas RE
• Fixed Assets – NERC and WECC were under budget. MRO, NPCC, RF, and SERC were over budget. Texas RE had no budgeted or actual expenditures through Q2
The ERO Enterprise expects to be under budget $760k (0.3%) at year-end.

2022 Projected Year-End Results

- NERC: +1.6%
- MRO: -1.7%
- NPCC: -4.3%
- RF: -2.1%
- SERC: +0.1%
- Texas RE: -1.4%
- WECC: -1.0%
2022 Projected Reserve Balances by Entity

*Adjusted for audited results
### ERO Enterprise Total Reserve Balances - 2022 Projected

<table>
<thead>
<tr>
<th>Entity</th>
<th>Beginning WOCR(1)</th>
<th>Beginning ASR(2) &amp; Unreleased Penalties</th>
<th>Beginning Other Reserves</th>
<th>1/1/2022 Beginning Total Reserves</th>
<th>Projected Ending WOCR(1)</th>
<th>Projected Ending ASR(2) &amp; Unreleased Penalties</th>
<th>Projected Ending Other Reserves</th>
<th>12/31/2022 Projected Ending Total Reserves</th>
<th>Total 2022 Budget</th>
<th>% of Reserves to 2022 Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>NERC</td>
<td>$8.7</td>
<td>$2.5</td>
<td>$4.9</td>
<td>$16.1</td>
<td>$8.5</td>
<td>$2.5</td>
<td>$5.3</td>
<td>$16.3</td>
<td>$88.8</td>
<td>18.4%</td>
</tr>
<tr>
<td>MRO</td>
<td>5.2</td>
<td>3.2</td>
<td>-</td>
<td>8.4</td>
<td>4.1</td>
<td>2.7</td>
<td>-</td>
<td>6.8</td>
<td>18.3</td>
<td>37.2%</td>
</tr>
<tr>
<td>NPCC</td>
<td>7.0</td>
<td>0.5</td>
<td>-</td>
<td>7.5</td>
<td>6.2</td>
<td>0.5</td>
<td>-</td>
<td>6.7</td>
<td>17.5</td>
<td>38.3%</td>
</tr>
<tr>
<td>RF</td>
<td>7.7</td>
<td>5.3</td>
<td>-</td>
<td>13.0</td>
<td>8.5</td>
<td>3.8</td>
<td>-</td>
<td>12.3</td>
<td>26.9</td>
<td>45.7%</td>
</tr>
<tr>
<td>SERC</td>
<td>2.8</td>
<td>5.4</td>
<td>-</td>
<td>8.2</td>
<td>2.2</td>
<td>5.4</td>
<td>-</td>
<td>7.6</td>
<td>26.0</td>
<td>29.2%</td>
</tr>
<tr>
<td>Texas RE</td>
<td>2.0</td>
<td>1.9</td>
<td>-</td>
<td>3.9</td>
<td>1.3</td>
<td>0.7</td>
<td>-</td>
<td>2.0</td>
<td>15.6</td>
<td>12.8%</td>
</tr>
<tr>
<td>WECC</td>
<td>9.7</td>
<td>6.7</td>
<td>3.8</td>
<td>20.2</td>
<td>11.2</td>
<td>19.9</td>
<td>3.6</td>
<td>34.7</td>
<td>29.7</td>
<td>116.7%</td>
</tr>
</tbody>
</table>

| Total      | $43.1            | $25.5                                   | $8.7                      | $77.3                           | $42.0                     | $35.5                                         | $8.9                             | $86.4                        | $222.8           | 38.8%                                         |

(1) **WOCR** - Working Capital & Operating Contingency Reserve - Projected 12/31/22 WOCR is 18.8% of annual 2022 budget, or 2.3 months of budgeted expenses

(2) **ASR** - Assessment Stabilization Reserve

(3) Projected 12/31/22 total reserve balance is 38.8% of annual 2022 budget, or 4.7 months of budgeted operating expenses
### 2022 ERO Enterprise Year-End Projected versus Budgeted Reserves

<table>
<thead>
<tr>
<th>Entity</th>
<th>Projected Ending WCOCR(1)</th>
<th>Projected Ending ASR(2) &amp; Unreleased Penalties</th>
<th>Projected Ending Other Reserves</th>
<th>Projected Ending Total Reserves</th>
<th>Budgeted Ending WCOCR(1)</th>
<th>Budgeted Ending ASR(2) &amp; Unreleased Penalties</th>
<th>Budgeted Ending Other Reserves</th>
<th>Budgeted Ending Total Reserves</th>
<th>Over/(Under) Ending WCOCR(1)</th>
<th>Over/(Under) Ending ASR(2) &amp; Unreleased Penalties</th>
<th>Over/(Under) Ending Other Reserves</th>
<th>Over/(Under) Total Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>NERC</td>
<td>$8.5</td>
<td>$2.5</td>
<td>$5.3</td>
<td>$16.3</td>
<td>$4.3</td>
<td>$2.5</td>
<td>$1.9</td>
<td>$8.7</td>
<td>$4.2</td>
<td>$ -</td>
<td>$3.4</td>
<td>$7.6</td>
</tr>
<tr>
<td>MRO</td>
<td>4.1</td>
<td>2.7</td>
<td>-</td>
<td>6.8</td>
<td>4.4</td>
<td>0.9</td>
<td>-</td>
<td>5.3</td>
<td>(0.3)</td>
<td>1.8</td>
<td>-</td>
<td>1.5</td>
</tr>
<tr>
<td>NPCC</td>
<td>6.2</td>
<td>0.5</td>
<td>-</td>
<td>6.7</td>
<td>3.8</td>
<td>0.4</td>
<td>-</td>
<td>4.2</td>
<td>2.4</td>
<td>0.1</td>
<td>-</td>
<td>2.5</td>
</tr>
<tr>
<td>RF</td>
<td>8.5</td>
<td>3.8</td>
<td>-</td>
<td>12.3</td>
<td>7.7</td>
<td>-</td>
<td>-</td>
<td>7.7</td>
<td>0.8</td>
<td>3.8</td>
<td>-</td>
<td>4.6</td>
</tr>
<tr>
<td>SERC</td>
<td>2.2</td>
<td>5.4</td>
<td>-</td>
<td>7.6</td>
<td>1.6</td>
<td>2.2</td>
<td>-</td>
<td>3.8</td>
<td>0.6</td>
<td>3.2</td>
<td>-</td>
<td>3.8</td>
</tr>
<tr>
<td>Texas RE</td>
<td>1.3</td>
<td>0.7</td>
<td>-</td>
<td>2.0</td>
<td>1.3</td>
<td>1.3</td>
<td>-</td>
<td>2.6</td>
<td>-</td>
<td>(0.6)</td>
<td>-</td>
<td>(0.6)</td>
</tr>
<tr>
<td>WECC</td>
<td>11.2</td>
<td>19.9</td>
<td>3.6</td>
<td>34.7</td>
<td>9.7</td>
<td>-</td>
<td>3.4</td>
<td>13.1</td>
<td>1.5</td>
<td>19.9</td>
<td>0.2</td>
<td>21.6</td>
</tr>
</tbody>
</table>

| Total   | $42.0                    | $35.5                                         | $8.9                            | $86.4                           | $32.8                    | $7.3                                         | $5.3                            | $45.4                           | $9.2                        | $28.2                                         | $3.6                             | $41.0                      |

(1) WCOCR - Working Capital & Operating Contingency Reserve
(2) ASR - Assessment Stabilization Reserve
Questions and Answers
July 20, 2022

Mr. Andy Sharp  
North American Electric Reliability Corporation (NERC)  

RE: Unaudited Midwest Reliability Organization (MRO) 2022 Second Quarter Statement of Activity – Cash Flow through June 30, 2022  

Dear Mr. Sharp:  

MRO experienced variances greater than $10,000 and 10 percent. Second quarter results indicate that MRO’s budget is under spent by 5.6 percent.  

**Meeting Expenses (Variance of $262,322 (69.0%) under budget)**  
Meetings and travel began to increase in the second quarter. MRO uses a hybrid approach to conduct meetings resulting in fewer in-person attendees.  

**Operating Expenses (Variance of $284,104 (14.7%) under budget)**  
Consultants and contracts are under budget by 15.4 percent; however, this is primarily a result of timing as contracts renew late third quarter. Also, MRO’s hybrid approach to office operations as staff works remotely and in-office reduces the cost to maintain onsite operations. Office costs are 14 percent under budget through the second quarter as MRO realizes the impact of its hybrid work environment.  

**Fixed Assets (Variance of $32,873 (52.6%) over budget)**  
A budgeted AV project from the prior year was incomplete. Currently, budget under spend in other areas offset the over spend in fixed assets. Completion of that project is estimated to result in a 189 percent over spend in fixed assets for the year. Year-end underage from other budget areas should cover this over spend, however, working capital savings from the previous year are available to cover this cost should year-end actuals exceed projections.  

**Budget Outlook**  
The 2022 budget anticipates under budget performance of 1.7 percent mainly a result of under spent meeting and travel costs. Personnel costs are projected to be within 0.1% of budget. Timing of retirements, turnover, and new hires is the cause of the minor variance. Operating expenses projects a 5 percent under spend driven by consulting and contracts, office costs, and rent trending lower than budget while professional services is anticipated to be slightly over budget. Fixed Assets project over spend of 189 percent. Year-end underage from other budget areas should cover this over spend, however, working capital savings from the previous year are available to cover this cost should year-end actuals exceed projections.  

If you have any questions regarding this report, please contact me. Thank you.
Lam Chung
Vice President and Engineer for Strategy, Innovation, and Finance

Cc: Sara Patrick, MRO President and CEO
## Midwest Reliability Organization

### Statement of Activity

6/30/2022

**PRELIMINARY (Unaudited)**

*(In Whole Dollars)*

<table>
<thead>
<tr>
<th>2022 YTD</th>
<th>Actual</th>
<th>2022 YTD Budget</th>
<th>2022 YTD Variance</th>
<th>%</th>
<th>Projected 2022 End Of Year</th>
<th>2022 Budget</th>
<th>2022 Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funding</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ERO Funding</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ERO Assessments</td>
<td>$8,916,207</td>
<td>$8,916,207</td>
<td>-</td>
<td></td>
<td>$17,832,414</td>
<td>$17,832,414</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Penalty Sanctions</td>
<td>229,125</td>
<td>229,125</td>
<td>-</td>
<td></td>
<td>458,260</td>
<td>458,260</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>A. Total ERO Funding</strong></td>
<td>$9,145,333</td>
<td>$9,145,332</td>
<td>-</td>
<td></td>
<td>$18,290,664</td>
<td>$18,290,664</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>$5,722,803</td>
<td>$5,708,281</td>
<td>14,522</td>
<td>0.25%</td>
<td>$11,452,845</td>
<td>$11,416,561</td>
<td>36,284</td>
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</tr>
<tr>
<td>Payroll Taxes</td>
<td>354,321</td>
<td>372,083</td>
<td>(17,762)</td>
<td>-4.7%</td>
<td>765,467</td>
<td>744,166</td>
<td>21,301</td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>622,984</td>
<td>596,998</td>
<td>25,986</td>
<td>4.3%</td>
<td>1,140,766</td>
<td>1,193,996</td>
<td>(53,230)</td>
<td></td>
</tr>
<tr>
<td>Retirement Costs</td>
<td>895,098</td>
<td>961,129</td>
<td>(66,031)</td>
<td>-7.0%</td>
<td>1,902,103</td>
<td>1,922,258</td>
<td>(20,155)</td>
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</tr>
<tr>
<td><strong>Total Personnel Expenses</strong></td>
<td>$7,595,207</td>
<td>$7,638,491</td>
<td>(43,284)</td>
<td>-0.6%</td>
<td>$15,261,181</td>
<td>$15,276,981</td>
<td>(15,800)</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Meeting Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meetings &amp; Conference Calls</td>
<td>53,076</td>
<td>89,439</td>
<td>(36,363)</td>
<td>-40.4%</td>
<td>$116,270</td>
<td>178,877</td>
<td>(62,607)</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>64,876</td>
<td>290,835</td>
<td>(225,959)</td>
<td>-77.4%</td>
<td>581,670</td>
<td>581,670</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Meeting Expenses</strong></td>
<td>$117,951</td>
<td>$380,274</td>
<td>(262,322)</td>
<td>-69.0%</td>
<td>$407,105</td>
<td>$760,547</td>
<td>(353,442)</td>
<td>-46.5%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultants &amp; Contracts</td>
<td>509,757</td>
<td>602,400</td>
<td>(92,643)</td>
<td>-15.3%</td>
<td>1,084,320</td>
<td>1,240,800</td>
<td>(156,480)</td>
<td>(12.6%)</td>
</tr>
<tr>
<td>Office Rent</td>
<td>512,302</td>
<td>566,050</td>
<td>(53,748)</td>
<td>-9.5%</td>
<td>1,084,129</td>
<td>1,132,100</td>
<td>(47,971)</td>
<td>(4.3%)</td>
</tr>
<tr>
<td>Office Costs</td>
<td>416,294</td>
<td>483,967</td>
<td>(67,673)</td>
<td>-16.2%</td>
<td>900,179</td>
<td>967,934</td>
<td>(67,755)</td>
<td>(6.8%)</td>
</tr>
<tr>
<td>Professional Services</td>
<td>213,460</td>
<td>283,500</td>
<td>(70,040)</td>
<td>-31.1%</td>
<td>595,350</td>
<td>567,000</td>
<td>28,350</td>
<td>(5.1%)</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$1,651,813</td>
<td>$1,935,917</td>
<td>(284,104)</td>
<td>-14.7%</td>
<td>$3,664,812</td>
<td>$3,871,834</td>
<td>(207,022)</td>
<td>-5.3%</td>
</tr>
<tr>
<td>Indirect Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Non-Operating Expenses</td>
<td>$</td>
<td>$</td>
<td>-</td>
<td>-</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td><strong>B. Total Expenses</strong></td>
<td>$9,364,971</td>
<td>$9,954,681</td>
<td>(589,710)</td>
<td>-5.9%</td>
<td>$19,333,098</td>
<td>$19,909,362</td>
<td>(576,264)</td>
<td>-2.9%</td>
</tr>
<tr>
<td><strong>Net Funding less Expenses (A-B)</strong></td>
<td>$219,638</td>
<td>$809,349</td>
<td>$589,710</td>
<td>$</td>
<td>$1,042,434</td>
<td>$1,618,698</td>
<td>$576,264</td>
<td>$</td>
</tr>
<tr>
<td><strong>C. Fixed Asset Additions, excluding Right of Use Assets</strong></td>
<td>$95,373</td>
<td>$62,500</td>
<td>$32,873</td>
<td>52.6%</td>
<td>$361,225</td>
<td>$125,000</td>
<td>$236,225</td>
<td>189.0%</td>
</tr>
<tr>
<td><strong>Total Budget (B + C)</strong></td>
<td>$9,460,344</td>
<td>$10,017,181</td>
<td>($556,837)</td>
<td>-5.6%</td>
<td>$19,694,323</td>
<td>$20,034,362</td>
<td>($340,039)</td>
<td>-1.7%</td>
</tr>
<tr>
<td><strong>Change in Working Capital (A-B-C)</strong></td>
<td>$315,011</td>
<td>($871,849)</td>
<td>$556,837</td>
<td>$</td>
<td>($1,403,659)</td>
<td>($1,743,698)</td>
<td>$340,039</td>
<td>$</td>
</tr>
<tr>
<td><strong>Head Count</strong></td>
<td>69.00</td>
<td>71.00</td>
<td>(2.00)</td>
<td></td>
<td>71.00</td>
<td>71.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>FTEs</strong></td>
<td>66.33</td>
<td>71.00</td>
<td>(4.67)</td>
<td></td>
<td>71.00</td>
<td>71.00</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### Reserve Summary

<table>
<thead>
<tr>
<th>1/1/2022</th>
<th>12/31/2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions</td>
<td>Uses/Transfer</td>
</tr>
<tr>
<td>Working Capital &amp; Operating Contingency</td>
<td>3,752,946</td>
</tr>
<tr>
<td>Assessment Stabilization &amp; Penalty Reserves</td>
<td>4,624,981</td>
</tr>
<tr>
<td>Other Reserve Activity</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Reserves</strong></td>
<td>$3,777,927</td>
</tr>
</tbody>
</table>

---

**Midwest Reliability Organization**

**Outreach & Engagement**

**Assurance**

**Results**

**Clarity**

**380 St. Peter St., Suite 800**

**Saint Paul, MN 55102**

**www.MRO.net**

**651-855-1760**
July 19, 2022

North American Electric Reliability Corporation
3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
Attention: Mr. Andy Sharp

Subject: NPCC Regional Entity Division Variance Comparison and Second Quarter 2022 Statement of Activities

Dear Andy:

The variance comparison for the period ended June 30, 2022 is included along with Northeast Power Coordinating Council, Inc.’s unaudited Second Quarter 2022 Statement of Activities.

Please do not hesitate to contact me via email at jhala@npcc.org or (646) 632-7071 should you have any comments or questions with regard to the materials provided.

Sincerely,

Jessica Hala
Vice President, Finance

Enclosures

cc: Mr. Charles Dickerson – NPCC President & CEO
Mr. Christopher Weir, CPA – NPCC Treasurer
ERO Finance Group
NPCC Regional Entity Division  
Budget to Actual  
Variance Comparison as of June 30, 2022

TOTAL EXPENSES

For the quarter ending June 30, 2022, the NPCC Regional Entity Division is $929k or 10.8% under budget year to date. Based on planned activities, NPCC’s current full year projection (FYP) is an under budget variance of $753k or 4.3%. It is anticipated that projections will change throughout 2022 and will be updated in quarterly variance reports. NPCC will reprioritize resources as necessary to fulfill all of its responsibilities under its Regional Delegation Agreement, agreements and memorandums of understanding respecting Canadian Provinces, and the NPCC Bylaws.

INCOME

- **Penalty Sanctions** (Penalties released of $201k were applied to reduce 2022 assessments to NPCC U.S. load serving entity designees.) Penalty sanctions remitted are included in NPCC’s Assessment Stabilization Reserve (ASR) to be applied to future budget years to reduce assessments to NPCC U.S. load serving entity designees. Penalties are reported in NPCC’s audited financial statements in accordance with GAAP.

- **Workshop Fees** (As budgeted year-to-date and $11k under budget FYP)
  NPCC will host one in-person workshop in the fall of 2022. The workshop will be offered in a hybrid format with in-person and virtual participation options available. Workshop fees are projected to be lower than budgeted due to some virtual participation. Fees are only charged for in-person attendance at workshops in order to offset the associated expenses. There are no fees collected for virtual attendance.

- **Interest & Investment Income** (Actual income of $2k year-to-date and $23k under budget FYP)
  Interest & investment income is earned from the investment of excess operating cash in a 100% U.S. Treasury Securities money market fund. NPCC allocated $2k as a portion of total interest income (94%) to the Regional Entity Division consistent with the ratio of Regional Entity (RE) to Criteria Services (CS) Division 2022 funding. A common system of accounts, with divisional separation, is used for both RE and CS revenue tracking and financial reporting.

EXPENSES

- **Personnel Expenses** (Variance of $467k under budget year-to-date and $532k under budget FYP)
  NPCC is currently recruiting to retain qualified technical individuals to fill open positions. In the interim, current responsibilities of any open positions are being addressed through resource re-allocations among the existing workforce. The under budget full year projection is based on planned onboarding dates for new hires and lower than budgeted increases in medical insurance premiums.
Meeting Expenses (Variance of $277k under budget year-to-date and $214k under budget FYP)
Under budget variance resulted from continued in-person meeting and travel limitations due to the COVID-19 pandemic. Meetings and travel expenses are projected to increase throughout the year as a result of a measured return to meeting in-person. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.

Consultants and Contracts (Variance of $222k under budget year-to-date and as budgeted FYP)
Under budget variance is due to timing. The full year projection continues to be as budgeted.

Office Costs (Variance of $110k under budget year-to-date and $60k under budget FYP)
Under budget variance is due to several IT software contracts and license renewals negotiated lower than budgeted and due to timing. Under budget IT costs are offset by over budget increase in fixed assets related to software development projects.

Professional Services (Variance of $74k over budget year-to-date and $50k over budget FYP)
Over budget variance is due to higher than budgeted audit fees related to additional work required to complete the 2021 audit, an unbudgeted actuarial valuation of a retiree benefit plan and higher than budgeted liability insurance premiums.

Fixed Assets (Variance of $106k over budget year to date and $50k over budget FYP)
Year to date over budget variance is due to software development projects, which include website enhancements and the implementation of an enterprise risk management system. The overage is offset by lower than budgeted IT office costs.

(Unaudited)
Submitted July 19, 2022
## Northeast Power Coordinating Council, Inc. - Regional Entity Division

### Statement of Activities, Fixed Assets and Change in Working Capital

**Unaudited**

For the Period Ended June 30, 2022

<table>
<thead>
<tr>
<th>2022 YTD Actual</th>
<th>2022 YTD Variance from Budget</th>
<th>2022 Projection</th>
<th>2022 Annual Variance from Budget</th>
<th>2022 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget Over(under) %</td>
<td>Over(under)</td>
<td>Budget Over(under) %</td>
<td></td>
</tr>
</tbody>
</table>

### Funding

- **Assessments**: 7,956,156 (15,912,313) -7.4%
- **Penalties Released**: 201,132 (201,132) -0%
- **Testing**: 1,708 (22,500) -96.9%
- **Workshop Fees**: 14,233 (4,142) -28.9%
- **Interest & Investment Income**: 1,022,260 (10,080) -0.1%

**Total Funding**: 8,158,996 (16,141,945) -4.9%

### Expenses

#### Personnel Expenses

- **Salaries**: 4,267,932 (1,607,197) -41.8%
- **Payroll Taxes**: 349,856 (79,019) -18.1%
- **Employee Benefits**: 945,110 (2,058,244) -53.9%
- **Savings & Retirement**: 492,146 (937,021) -85.9%

**Total Personnel Expenses**: 6,055,043 (12,412,519) -49.7%

#### Operating Expenses, excluding Depreciation

- **Consultants & Contracts**: 198,288 (839,650) -75.0%
- **Rent & Improvements**: 404,006 (884,141) -56.5%
- **Office Costs**: 498,992 (1,158,071) -56.5%
- **Professional Services**: 502,473 (1,067,000) -52.9%
- **Miscellaneous**: 3,438 (26,000) -88.8%

**Total Operating Expenses**: 1,607,197 (3,974,862) -62.6%

#### Indirect Expense Allocation

- **(141,664)** (358,417) -54.9%

**Other Non-Operating Expenses**: n/a (n/a)

#### Total Expenses

- **7,547,853** (16,551,424) -54.9%

#### Change in Net Assets

- **611,143** (409,479) -67.0%

#### Fixed Asset Additions, excluding Right of Use Assets

- **161,077** (4,688,990) -99.4%

#### Net Financing Activity

- **161,077** (4,688,990) -99.4%

#### Total Budget (Expenses plus Fixed Assets and Net Financing Activity)

- **7,708,930** (17,162,501) -54.9%

#### Change in Working Capital (Total Funding less Total Budget)

- **450,066** (570,556) -24.4%

#### Equivalent Full Time Employees

- **42.9%** 45.9% 49.0% (3.92%)

### Reserve Balance Summary

- **Working Capital & Operating Contingency Reserves**: 7,174,173 (6,153,551) -16.9%
- **Assessment Stabilization & Penalty Reserves**: 536,885 (536,885)
- **Other Reserves**: n/a (n/a)

**Total Projected Reserve Balance at 12/31/22**: 7,711,058 (6,690,436) -15.3%

---

*Penalties Released reflect the designated amount of funds released to offset U.S. assessments. Actual penalties invoiced are reported in the audited financial statements as an increase in net assets in accordance with Generally Accepted Accounting Principles (GAAP).*
July 21, 2022

Mr. Andy Sharp
North American Electric Reliability Corporation
3353 Peachtree Road, N.E.
Suite 600, North Tower
Atlanta, Georgia 30326

ReliabilityFirst’s 2022 2nd Quarter Statement of Activities Variance Report - Unaudited

Dear Mr. Andy Sharp:

As requested, the attached 2022 2nd Quarter Statement of Activities (unaudited) provides a comparison of budgeted and actual expenses relative to the 2022 ReliabilityFirst Corporation’s Budget.

For more information, please contact me at 216.503.0600 or carol.baskey@rfirst.org.

Very truly yours,

RELIABILITYFIRST CORPORATION

Carol Baskey
Treasurer and Manager, Finance and Accounting
ReliabilityFirst’s 2022 2nd Quarter Statement of Activities Variance Report - Unaudited

Significant Variances
For the quarter ending June 30, 2022 ReliabilityFirst Corporation is $851K (6.3%) under budget. The major contributors to this variance are:

Budget Funding
- **Investment Income**: $339K under budget for YTD
  - Investment Income is under budget due to a greater than anticipated decrease in value of the company’s investment portfolio, primarily the result of unrealized losses.

Budget Expenses
- **Personnel Expenses**
  - **Salaries**: $360K (4.4%) under budget for YTD
    - Salaries are under budget primarily as the result of personnel count that was below the approved staffing levels during the first half of the year.
  - **Employee Benefits**: $75K (5.8%) under budget for YTD
    - Employee Benefits are under budget mainly due to variances in training and medical benefits. Training is under budget due to underutilized budgeted training, as a result of the cancellation of training activities due to the Covid 19 pandemic. Medical benefits are under budget due to personnel count that was below the approved staffing levels, along with employees selecting medical plans that differed from what was budgeted.

- **Meeting Expenses**
  - **Total Meeting Expenses**: $314K (73%) under budget for YTD
    - Total meeting expenses are under budget due to the cancellation and reduction of meetings and travel activities as a result of the Covid 19 pandemic.

- **Operating Expenses**
  - **Contracts & Consultants**: $52K (37%) under budget for YTD
    - Contracts and Consultants expense is under budget due to less than expected contract support primarily due to the timing of IT projects.
  - **Office Costs**: $72K (12%) under budget for YTD
    - Office costs are under budget primarily due to the difference in timing of laptop purchases and computer hardware and software projects compared to budget.
  - **Rent & Utilities**: $67K (23%) over budget for YTD
    - Rent & Utilities were over budget primarily due to the 5th floor office expansion and lease extension.
• **Fixed Assets**
  o **Computer Hardware & Software:** $18K (26%) over budget for YTD
    Computer Hardware & Software is over budget due to the difference in timing of when projects were budgeted and when they were completed.

• **FTE Count**
  • FTE Count is lower than budget primarily due to two positions that were unfilled as of the end of the period.

• **Reserves**
  • **Working Capital Reserve**
    The Working Capital Reserve of $6,743,577 will be utilized to satisfy projected cash flow for daily operations and to stabilize and minimize volatility in future years’ assessments.
  
  • **Operating Reserve**
    The Operating Reserve of $1,000,000 has been designated with the intention of providing for any unbudgeted and unexpected expenditures for the organization.

• **Year-End Projection**
  • **Expenses**
    For the year-end projection ReliabilityFirst is $563K (2.2%) under budget. The variances in Salaries are expected to be under for the remainder of the year due to several positions that were unfilled during the first half of the year. The variances in Employee Benefits, Meetings, and Travel are directly impacted by the Covid 19 pandemic, and these variances are expected to continue through the remainder of the year. Contracts & Consultants are expected to be over budget due to several unbudgeted security enhancements in the second half of the year. Rent and Utilities are expected to be over budget as the result of an unbudgeted office expansion and lease extension. Professional Services is projected to be over budget due to fees for an additional independent director approved by the board in May 2021. Office Costs and Computer Hardware & Software are predicted to be over budget due to a laptop replacement program impacting all employees in 2022, instead of half of the employees per budget.

  • **FTE Count**
    FTE count is projected to be slightly lower than budget due to the impact of several unfilled positions in the first half of the year.

  • **Reserves**
    Working Capital Reserve is projected to increase by $0.6M and will be used to stabilize and minimize volatility in future years’ assessments.
## Statement of Activities, Fixed Assets and Change in Working Capital

### Confidentail

From 01/01/2022 Through 06/30/2022

### Funding

<table>
<thead>
<tr>
<th>Fund</th>
<th>2022 YTD Actual</th>
<th>2022 YTD Budget</th>
<th>YTD Variance</th>
<th>% Variance</th>
<th>Total 2022 Projected</th>
<th>Total 2022 Budget</th>
<th>Projected Variance</th>
<th>% Projected Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>11,723,973</td>
<td>11,723,973</td>
<td>0</td>
<td>0.00%</td>
<td>23,447,945</td>
<td>23,447,945</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Assessments</td>
<td>3,488,681</td>
<td>3,488,681</td>
<td>0</td>
<td>0.00%</td>
<td>3,488,681</td>
<td>3,488,681</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Penalties Released *</td>
<td>(314,049)</td>
<td>25,000</td>
<td>(339,049)</td>
<td>-1356.20%</td>
<td>(289,049)</td>
<td>50,000</td>
<td>(339,049)</td>
<td>-67.10%</td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td>2,100</td>
<td>0</td>
<td>2,100</td>
<td>0.00%</td>
<td>2,100</td>
<td>0</td>
<td>2,100</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Funding</strong></td>
<td>26,649,677</td>
<td>26,986,626</td>
<td>(336,949)</td>
<td>-1.25%</td>
<td>26,649,677</td>
<td>26,986,626</td>
<td>(336,949)</td>
<td>-1.25%</td>
</tr>
</tbody>
</table>

### Expenses

#### Personnel Expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>2022 YTD Actual</th>
<th>2022 YTD Budget</th>
<th>YTD Variance</th>
<th>% Variance</th>
<th>Total 2022 Budget</th>
<th>Total 2022 Budget</th>
<th>Projected Variance</th>
<th>% Projected Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ballance</td>
<td>7,801,403</td>
<td>8,161,220</td>
<td>(359,817)</td>
<td>-4.14%</td>
<td>16,274,245</td>
<td>(425,296)</td>
<td>-2.61%</td>
<td></td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>579,902</td>
<td>622,368</td>
<td>(42,466)</td>
<td>-6.82%</td>
<td>992,282</td>
<td>(25,931)</td>
<td>-2.61%</td>
<td></td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>1,216,069</td>
<td>1,291,546</td>
<td>(75,477)</td>
<td>-5.84%</td>
<td>2,412,806</td>
<td>(75,477)</td>
<td>-3.13%</td>
<td></td>
</tr>
<tr>
<td>Savings &amp; Retirement Costs</td>
<td>1,423,601</td>
<td>1,449,024</td>
<td>(25,423)</td>
<td>-1.75%</td>
<td>2,502,217</td>
<td>(99,888)</td>
<td>-3.84%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Personnel Expenses</strong></td>
<td>26,649,677</td>
<td>26,986,626</td>
<td>(336,949)</td>
<td>-1.25%</td>
<td>26,649,677</td>
<td>26,986,626</td>
<td>(336,949)</td>
<td>-1.25%</td>
</tr>
</tbody>
</table>

#### Meeting Expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>2022 YTD Actual</th>
<th>2022 YTD Budget</th>
<th>YTD Variance</th>
<th>% Variance</th>
<th>Total 2022 Budget</th>
<th>Total 2022 Budget</th>
<th>Projected Variance</th>
<th>% Projected Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meetings &amp; Conference Calls</td>
<td>81,945</td>
<td>300,500</td>
<td>(218,555)</td>
<td>-72.73%</td>
<td>300,500</td>
<td>(218,555)</td>
<td>-72.73%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Travel</td>
<td>382,445</td>
<td>601,000</td>
<td>(218,555)</td>
<td>-36.37%</td>
<td>601,000</td>
<td>(218,555)</td>
<td>-36.37%</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Meeting Expenses</strong></td>
<td>666,795</td>
<td>980,635</td>
<td>(313,840)</td>
<td>-32.00%</td>
<td>980,635</td>
<td>(313,840)</td>
<td>-32.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

#### Operating Expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>2022 YTD Actual</th>
<th>2022 YTD Budget</th>
<th>YTD Variance</th>
<th>% Variance</th>
<th>Total 2022 Budget</th>
<th>Total 2022 Budget</th>
<th>Projected Variance</th>
<th>% Projected Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracts &amp; Consultants</td>
<td>564,941</td>
<td>448,874</td>
<td>116,067</td>
<td>25.86%</td>
<td>448,874</td>
<td>(25,931)</td>
<td>-5.70%</td>
<td></td>
</tr>
<tr>
<td>Rent &amp; Utilities</td>
<td>366,527</td>
<td>299,046</td>
<td>67,481</td>
<td>22.57%</td>
<td>299,046</td>
<td>(25,931)</td>
<td>-5.70%</td>
<td></td>
</tr>
<tr>
<td>Office Costs</td>
<td>733,054</td>
<td>598,092</td>
<td>134,962</td>
<td>22.57%</td>
<td>598,092</td>
<td>(25,931)</td>
<td>-5.70%</td>
<td></td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>1,216,069</td>
<td>1,291,546</td>
<td>(75,477)</td>
<td>-5.84%</td>
<td>2,412,806</td>
<td>(75,477)</td>
<td>-3.13%</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>48,735</td>
<td>48,735</td>
<td>0</td>
<td>0.00%</td>
<td>48,735</td>
<td>0</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>21,654,846</td>
<td>22,281,438</td>
<td>(626,592)</td>
<td>-2.81%</td>
<td>22,281,438</td>
<td>(626,592)</td>
<td>-2.81%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

#### Non-Operating Expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>2022 YTD Actual</th>
<th>2022 YTD Budget</th>
<th>YTD Variance</th>
<th>% Variance</th>
<th>Total 2022 Budget</th>
<th>Total 2022 Budget</th>
<th>Projected Variance</th>
<th>% Projected Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Non-Operating Expenses</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.00%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

### Total Expenses

| Total Expenses | 25,546,524 | 26,099,927 | (553,403) | -2.12% |

### Net Change in Assets

<table>
<thead>
<tr>
<th>YTD Variance</th>
<th>% Variance</th>
<th>Change in Working Capital (Total Funding less Total Budget)</th>
<th>Total Working Capital and Operating Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>993,153</td>
<td>766,699</td>
<td>226,454</td>
<td>8,523,953</td>
</tr>
</tbody>
</table>

* Penalties Released reflect the designated amount of funds released to offset U.S. assessments. Actual penalties invoiced are reported in the audited financial statements as an increase in net assets in accordance with Generally Accepted Accounting Principles (GAAP).
July 14, 2022

Mr. Andy Sharp  
North American Electric Corporation  
3353 Peachtree Road, NE  
Atlanta, GA 30326

RE: SERC 2022 Q2 Unaudited Financial Statement – Budget vs. Actual

Andy:

Following please find SERC’s unaudited 2022 Q2 financial statement, reflecting actual to budgeted amounts with variance explanations.

If you have any questions, please let me know.

Thank you,

George Krogstie  
Chief Financial Officer and Corporate Treasurer

cc: Jason Blake
## Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital

**From 1/1/2022 Through 6/30/2022**

### Funding

<table>
<thead>
<tr>
<th>Description</th>
<th>2022 YTD Actual</th>
<th>Variance</th>
<th>2022 Projection</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statutory Funding</strong></td>
<td>$12,399,466</td>
<td></td>
<td>$12,399,466</td>
<td></td>
</tr>
<tr>
<td>SERC Assessments</td>
<td></td>
<td>$-</td>
<td>$24,798,934</td>
<td>$24,798,934</td>
</tr>
<tr>
<td>Penalties Released*</td>
<td>$600,000</td>
<td></td>
<td>$1,200,000</td>
<td>$1,200,000</td>
</tr>
<tr>
<td><strong>Total Statutory Funding</strong></td>
<td>$12,999,466</td>
<td>$-</td>
<td>$25,998,934</td>
<td>$25,998,934</td>
</tr>
<tr>
<td>Workshops &amp; Miscellaneous</td>
<td>44,820</td>
<td>(38,180)</td>
<td>$166,000</td>
<td>$166,000</td>
</tr>
<tr>
<td>Interest</td>
<td>(36,237)</td>
<td>(50,237)</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>Total Funding (A)</strong></td>
<td>$13,009,049</td>
<td>(88,417)</td>
<td>$26,194,934</td>
<td>$26,194,934</td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2022 YTD</th>
<th>Variance</th>
<th>2022 YTD</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>$8,167,839</td>
<td>$8,119,907</td>
<td>$47,932</td>
<td>$16,314,814</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>567,885</td>
<td>485,982</td>
<td>81,903</td>
<td>971,965</td>
</tr>
<tr>
<td>Benefits</td>
<td>800,578</td>
<td>966,957</td>
<td>(166,379)</td>
<td>1,981,828</td>
</tr>
<tr>
<td>Retirement Costs</td>
<td>1,050,572</td>
<td>1,030,721</td>
<td>19,851</td>
<td>2,061,442</td>
</tr>
<tr>
<td><strong>Total Personnel Expenses</strong></td>
<td>$10,586,874</td>
<td>(16,693)</td>
<td>$21,130,047</td>
<td>$21,130,047</td>
</tr>
<tr>
<td>Meetings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meetings &amp; Conference Calls</td>
<td>$153,116</td>
<td>$187,553</td>
<td>(34,437)</td>
<td>$443,307</td>
</tr>
<tr>
<td>Travel</td>
<td>233,697</td>
<td>434,808</td>
<td>(201,111)</td>
<td>620,340</td>
</tr>
<tr>
<td><strong>Total Meeting Expenses</strong></td>
<td>$386,813</td>
<td>(235,548)</td>
<td>$1,063,647</td>
<td>$1,063,647</td>
</tr>
<tr>
<td><strong>Operating Expenses, excluding Depreciation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultants &amp; Contracts</td>
<td>$610,292</td>
<td>$436,525</td>
<td>$173,767</td>
<td>$1,367,944</td>
</tr>
<tr>
<td>Office Rent</td>
<td>414,936</td>
<td>420,034</td>
<td>(5,098)</td>
<td>840,067</td>
</tr>
<tr>
<td>Office Costs</td>
<td>600,161</td>
<td>528,431</td>
<td>71,730</td>
<td>1,191,193</td>
</tr>
<tr>
<td>Professional Services</td>
<td>221,955</td>
<td>257,812</td>
<td>(35,857)</td>
<td>501,360</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$1,847,384</td>
<td>$204,582</td>
<td>$3,900,564</td>
<td>$3,900,564</td>
</tr>
<tr>
<td><strong>Total Direct Expenses</strong></td>
<td>$12,821,071</td>
<td>(47,658)</td>
<td>$26,094,260</td>
<td>$26,094,260</td>
</tr>
<tr>
<td>Indirect Expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other Non-Operating Expenses</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenses (B)</strong></td>
<td>$12,821,071</td>
<td>(47,658)</td>
<td>$26,094,260</td>
<td>$26,094,260</td>
</tr>
<tr>
<td><strong>Change in Assets</strong></td>
<td>$187,978</td>
<td>$228,738</td>
<td>(40,759)</td>
<td>(40,759)</td>
</tr>
<tr>
<td><strong>Total Budget (B+C)</strong></td>
<td>$13,009,049</td>
<td>(88,417)</td>
<td>$26,194,934</td>
<td>$26,194,934</td>
</tr>
</tbody>
</table>

### Change in Fixed Assets Expenditures, excluding Right of Use Assets (C)

<table>
<thead>
<tr>
<th>Description</th>
<th>2022 YTD</th>
<th>Variance</th>
<th>2022 YTD</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTE's</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Head Count</td>
<td>96.00</td>
<td>104.00</td>
<td>(8.00)</td>
<td>104.00</td>
</tr>
<tr>
<td><strong>Beginning Reserve at 1/1/2022</strong></td>
<td>5,391,338</td>
<td>2,228,640</td>
<td>3,162,698</td>
<td>3,162,698</td>
</tr>
<tr>
<td>Change to Working Capital</td>
<td>(122,043)</td>
<td>228,738</td>
<td>(350,780)</td>
<td>(350,780)</td>
</tr>
<tr>
<td><strong>Other Reserve Activity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Penalties Received (+)</td>
<td>1,183,000</td>
<td>1,183,000</td>
<td>1,183,000</td>
<td>1,183,000</td>
</tr>
<tr>
<td>Penalties Released (-)</td>
<td>(600,000)</td>
<td>(600,000)</td>
<td>(1,200,000)</td>
<td>(1,200,000)</td>
</tr>
<tr>
<td><strong>Total Reserves Balance</strong></td>
<td>8,647,261</td>
<td>5,107,441</td>
<td>3,539,800</td>
<td>3,539,800</td>
</tr>
</tbody>
</table>

### Operating Expenditures

- **Statutory Funding**
- **Personnel Expenses**
- **Operating Expenses, excluding Depreciation**
- **Other Non-Operating Expenses**
- **Total Expenses**
- **Change in Assets**
- **Total Budget**

### Other Reserves

- **Assessment Stabilization & Penalty Reserves**
- **Penalties Released**
- **Other Reserve Activity**
- **Total Reserves Balance**

---

*Penalties Released* in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve (ASR) to offset U.S. assessments as approved by the SERC Board of Directors and FERC. Actual penalties invoiced in the current reporting year are shown as an increase in the ASR on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).
Budget to Actual Comparison as of June 30, 2022 (Unaudited)

Overall Summary
- Spending $262k over budget as timing of expenditures varies from budget
- Funding $88k under budget attributable to loss on investments and lower than anticipated System Operator Conference workshop revenues.

Income
- Funding (Actual - $88k under budget)
  - Investment income lower due to rising interest rates decreasing market value of existing bond holdings
  - Workshop revenue lower than budget due to decrease in workshop attendance

Expense
- Personnel Expenses (Actual - $17k under budget)
  - Lower than expected health insurance renewal driving benefits under budget
  - Full year impact projected to be $125k under budget due to anticipated lead time to fill open positions in conjunction with lower health insurance expenses
- Meeting/Travel Expenses (Actual - $236k under budget)
  - Decreased meeting and travel associated with Q1 COVID-19 restrictions; full year projected to be $235k under budget
- Contracts/Consultants (Actual - $174k over budget)
  - Contractor expertise used to provide support in IT while filling open positions; full year projected to be $10k under budget due to planned deferrals on certain IT projects
- Office Rent (Actual - $5k under budget)
  - Common area maintenance expenses lower than expected
- Office Costs (Actual – $72k over budget)
  - Software renewal costs higher than anticipated driving overage in Office Costs; full year projected to be $20k over budget
- Professional Services (Actual - $39k under budget)
  - Timing of actual legal fees varies from budget
- Fixed Asset Purchases (Actual - $310k over budget)
  - Full year impact projected at $386k over budget due to completion of Member Portal Consolidation project
July 12, 2022

Mr. Andy Sharp  
North American Electric Reliability Corporation  
3353 Peachtree Road NE, Suite 600, North Tower  
Atlanta, GA 30326

RE: Texas Reliability Entity, Inc. 2nd Quarter 2022 Statement of Activities and Variance Report

Dear Andy,

Attached is the 2022 second quarter Statement of Activities (unaudited) and Variance Report for Texas RE with variance explanations.

Please contact me if you have questions or comments.

Thank you.

Judy A. Foppiano  
CFO & Director of Corporate Services  
Texas Reliability Entity, Inc.  
805 Los Cimas Parkway, Suite 200  
Austin, Texas 78746  
Judy.foppiano@texasre.org  
512.583.4959
Budget to Actual Comparison as of June 30, 2022
Year-to-date variances greater than $10,000 and 10% explained below.

FUNDING

• **Penalty Sanctions**: (Actual penalty income of $558,750 remitted to Texas RE as of June 30, 2021 has reduced 2022 assessments.) All penalty sanctions remitted from July 1, 2021 through June 30, 2022 will be included in the Texas RE 2023 Business Plan and Budget and applied to reduce 2023 assessments.

• **Interest**: $6,365 less than budget. Texas RE’s banking account is the Business Banking U.S. End of Day Money Market Mutual Fund Sweep account. Interest rates are lower than anticipated at the time the 2022 budget was prepared. This account did not receive any interest or dividends until June 2022. The forecast has been adjusted accordingly.

EXPENSES

Total Budget as of June 30, 2022 is $601,037 less than budget (7.4%).

• **Personnel Expenses**: $587,796 less than budget (-9.4%).
  
  o Salaries and taxes are less than budget 6.6% and 12.5%, respectively, due to personnel vacancies.
  
  o Employee benefits are less than budget 23.0%. This variance is due to health benefits not increasing as projected when the 2022 budget was prepared. Benefits also include employee training that was not been used at the end of Q2. The forecast for Employee benefits has been adjusted to reflect reduced benefits cost.
  
  o Savings and Retirement is less than budget 12.1% due to vacancies. Taxes and savings and retirement are directly related to the FTE count.

  o Salaries, taxes and retirement forecast is not being adjusted. Some positions are being filled at salaries higher than budget which impacts all accounts in personnel expenses.

• **Meetings and Travel Expenses**: $85,155 less than 2022 budget (-60.8%).
  
  o Meetings and Conference Calls are less than budget because meetings were still being held virtually in Q2.
  
  o Travel is less than budget even though some travel resumed mid second quarter.

  o In person meetings will begin in third quarter and travel is expected to increase. Forecast for both categories has been adjusted.
• **Total Operating Expenses: $183,535 greater than 2022 budget (12.5%).**
  
  o A compensation study completed earlier in the year than planned and an unbudgeted IT Leadership Team Cross Function consultant is causing the 34.8% over budget variance in Consultants and Contracts. The forecast as been adjusted to reflect the additional consultant.

  o Office Cost is greater than budget 75.6% due to supplies, software, and office equipment and furniture for the new office space that do not meet the capitalization threshold. The variance is timing.

  o Professional services are less than budget 27.4% due to unused legal fees and an external IT audit that has been delayed. The forecast reflects the audit delay.

**Other Non-Operating Expenses: $111,621 less than budget (-34.9%).**

  o Cost to relocate the office that cannot be capitalized. The variance will level out by year end when the costs are finalized.

The forecast has been adjusted from the 2022 Business Plan and Budget where needed.
Texas Reliability Entity, Inc.
Statement of Activities and Fixed Assets
For period ended June 30, 2022
(Unaudited)

<table>
<thead>
<tr>
<th>Funding</th>
<th>2022 Actual</th>
<th>2022 Budget</th>
<th>YTD Actual Variance from Budget</th>
<th>2022 Forecast</th>
<th>2022 Annual Budget</th>
<th>Forecast Variance from Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERO Funding</td>
<td>$7,501,683</td>
<td>$7,501,684</td>
<td>$ -</td>
<td>$0.0%</td>
<td>$15,003,365</td>
<td>$15,003,365</td>
</tr>
<tr>
<td>Penalties Released</td>
<td>$558,750</td>
<td>$558,750</td>
<td>$ -</td>
<td>$0.0%</td>
<td>$558,750</td>
<td>$558,750</td>
</tr>
<tr>
<td>Interest Income</td>
<td>$1,135</td>
<td>$7,500</td>
<td>$(6,365)</td>
<td>-84.9%</td>
<td>$7,700</td>
<td>$15,000</td>
</tr>
<tr>
<td><strong>Total Funding</strong></td>
<td><strong>$8,061,568</strong></td>
<td><strong>$8,069,364</strong></td>
<td><strong>$(6,365) -0.1%</strong></td>
<td><strong>$15,569,815</strong></td>
<td><strong>$15,577,115</strong></td>
<td><strong>$(7,300) 0.0%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>2022 Actual</th>
<th>2022 Budget</th>
<th>YTD Actual Variance from Budget</th>
<th>2022 Forecast</th>
<th>2022 Annual Budget</th>
<th>Forecast Variance from Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Expenses</td>
<td>$4,222,019</td>
<td>$4,520,407</td>
<td>$(298,388)</td>
<td>-6.6%</td>
<td>$9,199,332</td>
<td>$9,199,332</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>$304,149</td>
<td>$347,776</td>
<td>$(43,627)</td>
<td>-12.5%</td>
<td>$635,827</td>
<td>$635,827</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>$564,270</td>
<td>$733,120</td>
<td>$(168,850)</td>
<td>-23.0%</td>
<td>$1,476,720</td>
<td>$1,641,720</td>
</tr>
<tr>
<td>Savings &amp; Retirement</td>
<td>$517,219</td>
<td>$634,150</td>
<td>$(116,931)</td>
<td>-18.1%</td>
<td>$1,290,440</td>
<td>$1,290,440</td>
</tr>
<tr>
<td><strong>Total Personnel Expenses</strong></td>
<td><strong>$5,647,657</strong></td>
<td><strong>$6,235,453</strong></td>
<td><strong>$(587,796) -9.4%</strong></td>
<td><strong>$3,117,710</strong></td>
<td><strong>$3,117,710</strong></td>
<td><strong>$ -</strong></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$219,124</td>
<td>$301,912</td>
<td>$(82,788)</td>
<td>-27.4%</td>
<td>$557,625</td>
<td>$607,625</td>
</tr>
<tr>
<td>Consultants &amp; Contracts</td>
<td>$203,407</td>
<td>$150,852</td>
<td>$52,555</td>
<td>34.8%</td>
<td>$1,459,545</td>
<td>$1,459,545</td>
</tr>
<tr>
<td>Rent &amp; Improvements</td>
<td>$688,192</td>
<td>$695,108</td>
<td>$(6,916)</td>
<td>-0.8%</td>
<td>$1,495,345</td>
<td>$1,495,345</td>
</tr>
<tr>
<td>Office Costs</td>
<td>$558,937</td>
<td>$318,253</td>
<td>$240,684</td>
<td>75.6%</td>
<td>$698,840</td>
<td>$698,840</td>
</tr>
<tr>
<td>Professional Services</td>
<td>$219,124</td>
<td>$301,912</td>
<td>$(82,788)</td>
<td>-27.4%</td>
<td>$557,625</td>
<td>$607,625</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>$1,649,660</strong></td>
<td><strong>$1,466,125</strong></td>
<td><strong>$183,535 12.5%</strong></td>
<td><strong>$3,117,710</strong></td>
<td><strong>$3,117,710</strong></td>
<td><strong>-$</strong></td>
</tr>
<tr>
<td>Non-Operating Expenses</td>
<td>$5,894</td>
<td>$140,149</td>
<td>$(85,155)</td>
<td>-60.8%</td>
<td>$363,584</td>
<td>$443,584</td>
</tr>
<tr>
<td>Change in Assets</td>
<td>$500,878</td>
<td>$(85,793)</td>
<td>$594,671</td>
<td>404.0%</td>
<td>$833,798</td>
<td>$(1,071,498)</td>
</tr>
<tr>
<td>Fixed Asset Additions, excluding Right of Use Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
<td>$512,000</td>
<td>$512,000</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$7,560,690</strong></td>
<td><strong>$8,161,727</strong></td>
<td><strong>$(6,365) -634.0%</strong></td>
<td><strong>$16,403,613</strong></td>
<td><strong>$16,648,613</strong></td>
<td><strong>$(245,000) -1.5%</strong></td>
</tr>
<tr>
<td>Change in Working Capital (Total Revenue less Total Budget)</td>
<td>$500,878</td>
<td>$(85,793)</td>
<td>$594,671</td>
<td>404.0%</td>
<td>$(1,345,798)</td>
<td>$(1,583,498)</td>
</tr>
<tr>
<td>FTE's</td>
<td>58</td>
<td>66</td>
<td>8</td>
<td>66</td>
<td>66</td>
<td>66</td>
</tr>
<tr>
<td>Beginning WC - 1/1/22</td>
<td>$3,885,000</td>
<td>$3,885,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$3,885,000</td>
<td>$3,885,000</td>
</tr>
<tr>
<td>Change to WC - 2022</td>
<td>$500,878</td>
<td>$(93,793)</td>
<td>$594,671</td>
<td>$(1,345,798)</td>
<td>$(1,583,498)</td>
<td>$237,700</td>
</tr>
<tr>
<td>Penalties Released</td>
<td>$(558,750)</td>
<td>$(558,750)</td>
<td>$(558,750)</td>
<td>$(558,750)</td>
<td>$(558,750)</td>
<td>$(558,750)</td>
</tr>
<tr>
<td>Other Reserve Activity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Working Capital 3/31/2022</strong></td>
<td><strong>$3,827,128</strong></td>
<td><strong>$3,232,457</strong></td>
<td><strong>$594,671</strong></td>
<td><strong>$1,980,452</strong></td>
<td><strong>$1,742,752</strong></td>
<td><strong>$237,700</strong></td>
</tr>
</tbody>
</table>

Working Capital & Operating Contingency:
- $1,330,000

Assessment Stabilization & Contingency Fund:
- $650,452

Other:
- $412,752

Total Reserves and Contingency:
- $1,980,452

**Funding**:
- $8,061,568
- $8,069,364
- $(6,365) -0.1%
- $15,569,815
- $15,577,115
- $(7,300) 0.0%

**Expenses**:
- Personnel Expenses:
  - Salaries: $4,222,019
  - Payroll Taxes: $304,149
  - Employee Benefits: $564,270
  - Savings & Retirement: $517,219
- Operating Expenses:
  - Consultants & Contracts: $203,407
  - Rent & Improvements: $688,192
  - Office Costs: $558,937
  - Professional Services: $219,124
- Other Non-Operating Expenses:
  - Change in Assets: $500,878
  - Fixed Asset Additions, excluding Right of Use Assets: -

**Change in Assets**:
- Beginning WC - 1/1/22: $3,885,000
- Change to WC - 2022: $500,878
- Penalties Released: $(558,750)
- Other Reserve Activity: -

**Working Capital 3/31/2022**:
- $3,827,128
- $3,232,457
- $594,671
- $1,980,452
- $1,742,752
- $237,700
Mr. Andy Sharp  
Vice President and Chief Financial Officer  
North American Electric Reliability Corporation  
3353 Peachtree Road, N.E. Suite 600, North Tower  
Atlanta, GA  30326  

RE: WECC Q2 2022 Statutory Statement of Activities and Variance Report

Dear Andy,

Attached is WECC’s second-quarter Statutory Statement of Activities (Unaudited) and Variance Report. WECC’s 2022 unaudited year-to-date results are $970,000 under budget, excluding the impact of the Generally Accepted Accounting Principles (GAAP) treatment of penalty revenue recognition. Explanations and drivers are noted below.

If you have questions or need more information, please do not hesitate to contact me.

Regards,

Wynne Schweitzer  
Manager, Finance and Accounting

Enclosures

Cc:  Melanie Frye, President and Chief Executive Officer  
      Jillian Lessner, Vice President and Chief Financial and Administrative Officer  
      WECC Finance and Audit Committee
Year-to-date variances greater than $10,000 and 10% are explained below. The explanations pertain to all statutory activities.

Funding

- Interest: $45,000 under budget
  
  Interest is under budget due to higher-than-expected unrealized losses on short-term investments. These investments will be held to maturity to reduce the likelihood of realized losses. Interest is expected to be $10,000 over budget at year-end.

Expenses

- Payroll Taxes: $99,000 over budget
  
  Payroll Taxes are over budget primarily due to higher-than-anticipated payroll taxes across the organization due to changes in state and local tax rates and timing of merit payments made in the first quarter. Payroll Taxes are expected to be $14,000 over budget at year-end.

- Employee Benefits: $285,000 under budget
  
  Employee Benefits are under budget primarily due to an unanticipated health insurance premium credit issued by United Healthcare, budgeted benefits enrollment level assumptions compared to actual benefits enrollment levels, and lower-than-anticipated use of the Health Reimbursement Account (HRA). Employee Benefits are expected to be $341,000 under budget at year-end.

- Meetings & Conference Calls: $108,000 under budget
  
  Meetings & Conference Calls are under budget primarily due to the cancellation of most in-person meetings and workshops due to COVID-19 through May and are anticipated to be $82,000 under budget at year-end.

- Travel: $298,000 under budget
  
  Travel is under budget primarily due to the cancellation of most on-site audits and in-person meetings and training due to COVID-19 through May and is anticipated to be $280,000 under budget at year-end.
• Consultants & Contracts: $348,000 under budget

Consultants & Contracts are under budget primarily due to the timing of information technology consulting budgeted for the first quarter and anticipated to be completed later in 2022. Consultants & Contracts are anticipated to be $96,000 over budget at year-end.
### Western Electricity Coordinating Council
#### Statutory Statement of Activities
From 1/1/2022 to 6/30/2022
(Unaudited)

##### In Whole Dollars

<table>
<thead>
<tr>
<th>2022 YTD Actual</th>
<th>2022 YTD Budget</th>
<th>2022 YTD Variance Over(Under)</th>
<th>%</th>
<th>2022 Projection</th>
<th>2022 Annual Budget</th>
<th>2022 Projected Variance Over(Under)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funding</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessments</td>
<td>25,000,000</td>
<td>25,000,000</td>
<td>-</td>
<td>0.0%</td>
<td>25,000,000</td>
<td>25,000,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>Penalties Released(^1)</td>
<td>5,298,000</td>
<td>5,298,000</td>
<td>-</td>
<td>0.0%</td>
<td>5,298,000</td>
<td>5,298,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>Workshops &amp; Miscellaneous</td>
<td>2,400</td>
<td>9,900</td>
<td>(7,500)</td>
<td>-75.8%</td>
<td>123,384</td>
<td>194,700</td>
<td>(71,316)</td>
</tr>
<tr>
<td>Interest</td>
<td>8,693</td>
<td>54,000</td>
<td>(45,307)</td>
<td>-83.9%</td>
<td>119,109</td>
<td>109,501</td>
<td>9,608</td>
</tr>
<tr>
<td><strong>Total Funding</strong></td>
<td>30,309,093</td>
<td>30,361,900</td>
<td>(52,807)</td>
<td>-0.2%</td>
<td>30,540,493</td>
<td>30,602,201</td>
<td>(57,708)</td>
</tr>
</tbody>
</table>

| **Expenses**    |                |                               |   |                |                   |                                     |   |
| Personnel Expenses |                |                               |   |                |                   |                                     |   |
| Salaries        | 8,810,406      | 8,826,936 (16,530)            | -0.2% | 18,521,607 | 18,411,649 | 109,963 | 0.6% |
| Payroll Taxes    | 707,800        | 688,845                       | 98,955 | 16.3% | 1,231,823 | 1,217,683 | 14,140 | 1.2% |
| Employee Benefits | 1,022,881 | 1,307,462 (284,581) | -21.8% | 2,264,825 | 2,605,571 | (340,746) | -13.1% |
| Retirement Costs | 772,519 | 799,177 (26,658) | -3.3% | 1,641,354 | 1,663,608 | (22,254) | -1.3% |
| **Total Personnel Expenses** | 11,313,606 | 11,542,420 (228,814) | -2.0% | 23,659,609 | 23,898,506 | (238,897) | -1.0% |

| **Meeting Expenses** |                |                               |   |                |                   |                                     |   |
| Meetings & Conference Calls | 27,536 | 135,482 (107,946) | -74.6% | 375,946 | 458,044 | (82,098) | -17.9% |
| Travel            | 110,439        | 408,665 (298,226)            | -73.0% | 492,315 | 772,654 | (280,339) | -36.3% |
| **Total Meeting Expenses** | 137,975 | 544,147 (406,172) | -74.6% | 868,261 | 1,230,698 | (362,437) | -29.4% |

| **Operating Expenses, excluding Depreciation** |                |                               |   |                |                   |                                     |   |
| Consultants & Contracts | 274,652 | 622,402 (347,750) | -55.9% | 1,100,550 | 1,004,600 | 95,950 | 9.6% |
| Office Rent           | 661,165        | 658,845                       | 2.4% | 1,320,877 | 1,306,912 | 13,965 | 1.1% |
| Office Costs          | 986,800        | 998,757 (11,957)             | -1.2% | 2,051,225 | 1,844,335 | 206,890 | 11.2% |
| Professional Services | 575,318 | 541,000                     | 34,318 | 6.3% | 1,125,173 | 1,045,000 | 80,173 | 7.7% |
| **Total Operating Expenses**, excluding Depreciation | 2,497,935 | 2,818,973 (321,038) | -11.4% | 5,597,825 | 5,200,847 | 396,978 | 7.6% |

| **Total Direct Expenses** | 13,949,516 | 14,905,540 (956,024) | -6.4% | 30,125,695 | 30,330,051 | (204,356) | -0.7% |

| **Indirect Expenses** | (356,307) | (347,533) (8,774) | 2.5% | (781,001) | (695,066) | 85,935 | 12.4% |

| **Other Non-Operating Expenses** | - | - | - | - | - | - | - |

| **Total Expenses** | 13,593,209 | 14,558,007 (964,798) | -6.6% | 29,344,694 | 29,634,985 | (290,291) | -1.0% |

| **Change in Net Assets** | 16,715,884 | 15,803,893 | 911,991 | 5.8% | 1,195,799 | 967,216 | 228,583 | 23.6% |

| **Fixed Asset Additions, excluding Right of Use Assets** | 64,557 | 69,594 (5,037) | -7.2% | 114,557 | 111,914 | 2,643 | 2.4% |

| **Total Expenditures** | 13,657,766 | 14,627,601 (969,835) | -6.6% | 29,459,251 | 29,746,899 | (287,648) | -1.0% |

| Change in Working Capital | 16,651,327 | 15,734,299 | 917,028 | 1,081,242 | 855,302 | 225,940 |

| **Working Capital at 1/1/2022** | 9,690,377 | 8,410,422 | 1,279,955 | 9,690,377 | 8,410,422 | 1,279,955 |
| Peak Reliability Donation Expenditures | 233,360 | 400,000 | (166,640) |
| Non-Statutory Fund Change | 178,203 | 178,203 | - | 178,203 | 178,203 | - |
| Change to WC - 6/30/2022 | 16,651,327 | 15,734,299 | 917,028 | 1,081,242 | 855,302 | 225,940 |

**Working Capital at 6/30/2022**
(Excludes Contingency Reserve)
26,753,267 | 24,144,721 | 2,196,983 | 11,183,182 | 9,665,724 | 1,517,458

\(^{1}\) Penalties released in the current year reflects the designated amount of funds released to offset U.S. assessments as approved by the WECC Board of Directors and FERC. Actual penalties invoiced in the current reporting year will be reported as income on the audited financial statements in accordance with GAAP.

\(^{2}\) See Working Capital and Reserve Analysis table for additional details.

---

Statutory Statement of Activities and Variance Explanations (July 20, 2022)
### Working Capital and Reserve Analysis

**Beginning Reserve, January 1, 2022**

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Working Capital Reserve</th>
<th>Unreleased Penalties</th>
<th>Peak Reliability Donation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$20,154,417</td>
<td>$9,690,377</td>
<td>$6,636,646</td>
<td>$3,827,394</td>
</tr>
</tbody>
</table>

**Plus: Total Funding**

|                                | 48,889,093    | 30,309,093               | 18,580,000           | -                         |

**Penalties Release**

|                                | (5,298,000)   | -                        | (5,298,000)          | -                         |

**Less: Expenditures**

|                                | (13,657,766)  | (13,424,406)             | -                    | (233,360)                |

**Plus: Non-Statutory Fund Adjustment**

|                                | 178,203       | 178,203                  | -                    | -                         |

**Reserve (Deficit), June 30, 2022**

|                                | $50,265,947   | $26,753,267              | $19,918,646          | $3,594,034                |

*Note: Penalty sanction amounts received are considered deferred revenue and are not included in working capital amounts until approved by FERC.*
Regional Entity and WIRAB Proposed 2023 Business Plans and Budgets

Action
Review and recommend the following for Board of Trustees approval:

Final NERC 2023 Business Plan and Budget (BP&B)
Final Regional Entity and Western Interconnection Regional Advisory Body (WIRAB) 2023 BP&Bs
2023 Assessment Schedule

Background
The draft NERC 2023 BP&B was posted for stakeholder review and comment on May 25, 2022, along with the Regional Entity and WIRAB proposed 2023 BP&Bs for reference. On June 1, the Finance and Audit Committee (FAC) hosted a webinar during which NERC, Regional Entity, and WIRAB finance representatives reviewed highlights of their 2023 BP&Bs.

The comment period on the draft NERC 2023 BP&B ended on June 24. Five comment submissions were received. NERC management reviewed and discussed the comments with the Finance and Audit Committee (FAC) during its closed meeting on July 7, the Member Representatives Committee (MRC) BP&B Input Group on July 13, the Trades and Forums on July 27, and the Member Executive Committee (MEC) on July 27. The comments received and a response to comments from NERC management are posted on the NERC website.

Summary
After careful review of the comments, NERC’s proposed final 2023 BP&B includes clarifications to address some of the comments received and some minor adjustments among budget categories and departments based on known updates. The 2023 total budget and assessment (and 2024 and 2025 projections) remain close to what was proposed in the first draft. The MEC also endorsed the proposed final E-ISAC 2023 budget at its July 27, 2022, meeting.

During the August 17, 2022, FAC open meeting, NERC management will provide an overview of the final proposed NERC 2023 BP&B and ERO Enterprise combined 2023 budgets and assessments prior to requesting recommendation of approval to the Board of the following provided via the links above: (1) NERC’s proposed final 2023 BP&B; (2) the Regional Entity and WIRAB final 2023 BP&Bs as approved by their respective boards; and (3) the proposed 2023 Assessment Schedule. A summary of NERC’s review of the Regional Entity 2023 BP&Bs is also enclosed for reference.

Attachments
Attachment 1 – Memo on NERC Review of Regional Entity 2023 BP&Bs

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1 The Regional Entities and WIRAB post their BP&Bs for comment in accordance with each of their individual public review process and schedules.
To:        NERC Board of Trustees
From: Andy Sharp
Re: NERC Review of Regional Entity 2023 Business Plans & Budgets (BP&Bs)
Date: June 30, 2022

NERC has reviewed the Regional Entity 2023 BP&Bs and believes each provides for adequate resources to meet its delegated functions. Additional details on the review process and outcomes are discussed below.

In accordance with 18 C.F.R. Section 39.4, Rules of Procedure Section 1104, and Exhibit E of the regional delegation agreements, NERC oversees that the Regional Entities are adequately funded to accomplish their delegated functions. For each annual BP&B cycle, the Regional Entities submit their BP&Bs to NERC according to a schedule established collaboratively by NERC and the Regional Entities, and NERC conducts reviews of each, focusing on the following:

- Adequacy of the resources and activities to perform delegated functions;
- Alignment of the Regional Entity’s goals, objectives, and major activities to the ERO Enterprise Long-Term Strategy and the related focus areas;
- Efforts to improve efficiency and control costs;
- Quality and completeness of the financial information presented, including:
  - Conformance with FERC budget reporting requirements and common presentation format;
  - Separation of statutory and non-statutory activities;
  - Supporting detail, including explanations for significant changes from the previous budget;
  - Reporting of reserve budgets and explanation of policies; and
  - Compliance with any budget or audit-related orders from FERC, if applicable.

These reviews generally occur according to the following timeline and process for each BP&B cycle:

- End of April/early May – Regional Entities provide their Draft 1 BP&Bs to NERC
- May through early June – Managerial staff from each NERC statutory program area reviews its respective sections of each Regional Entity BP&B and completes a template/checklist to indicate alignment with the above noted areas of focus. NERC Finance staff reviews for conformance to reporting requirements and presentation format. NERC also coordinates reviews of the Regional Entity BP&Bs with the external counsel who prepares the annual BP&B filings to provide feedback regarding overall document integrity and adherence to FERC expectations and requirements.
In accordance with the timeline for each Regional Entity board meeting to approve its final BP&B, NERC provides any necessary feedback to the Regional Entity on suggested revisions.

Regional Entities address feedback and NERC confirms implementation of revisions.

- Mid-May through June – Regional Entities provide their NERC-reviewed BP&Bs to their boards for approval.
- Mid-June – Regional Entities submit their Net Energy for Load and Load-Serving Entity (LSE) data to NERC.
- Mid-June through July – NERC validates the data and calculates assessments for each LSE to be included with the submission of the final NERC and Regional Entity BP&Bs to the Board in August, followed by applicable regulatory filings.

The above process is in addition to regular touchpoints with the ERO Finance Group (comprised of NERC and Regional Entity financial representatives) to discuss and coordinate development of the BP&Bs, as well as ongoing discussions among the other ERO working groups and ERO Executive Committee.

In recent years, this review process has produced minimal feedback to the Regional Entities, as resources are generally found to be adequate with respect to Regional Entities fulfilling their delegated statutory functions. Any input has primarily been limited to suggestions on narrative language or, from the financial perspective, the implementation of recent Statement of Activity format changes. Any areas of improvement for the Regional Entities regarding activities, processes, and procedures are addressed through ongoing Regional Entity oversight and the collaborative work of the ERO Executive Committee and its working groups.

NERC recently completed reviews of the Regional Entity 2023 BP&Bs. The following is a summary of the review findings and outcomes:

- All Regional Entity budgets cover activities eligible for funding, consistent with the regional delegation agreements as well as section 215 criteria.
- All statutory areas for all Regional Entities have adequate resources to fulfill their delegated functions. The Enforcement area indicated they will continue to monitor Enforcement resources at NPCC and MRO due to those Regions’ large inventory of unprocessed noncompliance coupled with FERC’s recent denial of NERC’s proposed streamlining enhancements for modifying reporting of minimal risk noncompliance.¹
- All Regional Entities conform to necessary budget reporting and format requirements.
- Other minor wording change suggestions.

Additionally, the ERO Finance Group continues to have ongoing discussions regarding reserve balances and policies, as well as opportunities for further alignment among the ERO Enterprise during annual BP&B preparation and efficiency and streamlining of the BP&B documents.

NERC 2023 Business Plan and Budget

Andy Sharp, Vice President and Chief Financial Officer
Finance and Audit Committee Meeting
August 17, 2022
2023–2025 Vision and Business Plan

• Ensures NERC has resources to address emerging reliability and security risks while leveraging key partners
  ▪ Energy availability
  ▪ Cyber security vulnerabilities

• Retools NERC’s approach to mitigating risk
  ▪ More nimble stakeholder-owned standards setting process

• Invests in NERC’s own infrastructure
  ▪ Reduce enterprise and cyber risks related to our own business activities and systems

2022–2025 Incremental Increase of $33M

Personnel Costs (existing FTEs)
Personnel Costs (new FTEs)
Technology costs (including financing)
All Other
2023–2025 Key Assumptions

- **People and technology strategies**
  - Adding 34.8 FTEs over the next three years
  - Increase in business technology spending
- **Meetings and travel**
  - Return to some in-person meetings, two annual in-person Board and RSTC
  - 2025 travel projection still slightly below pre-pandemic levels
- **Facilities and rent**
  - Lower annual rent expense due to Atlanta office lease concessions
  - 2025 includes expenses related to potential new Atlanta office space
- **Other**
  - Three-year increase of 33% for CRISP contract with PNNL (participant-funded)
  - Significant market pressures on liability insurance
- **Capital financing and reserve releases to smooth assessments**
  - Technology capital borrowing of $4.0M in 2023 and 2024; $2.5M in 2025
  - Reserve release of $2.0M in 2023 and $500k in 2025
2023 BP&B Development Process

• Three-year business planning
  ▪ Late 2021 to early 2022 – NERC Board strategic planning sessions
    o Identify strategic areas of focus and initial resource evaluation and planning
  ▪ March 18 – MRC BP&B Input Group
  ▪ March 31 – Joint stakeholder meeting

• Share three-year budget and assessment assumptions
  ▪ April 14 – Closed FAC
  ▪ April 27 – MEC Quarterly Update
  ▪ April 29 – MRC BP&B Input Group
  ▪ May 3 – Trades and Forums
  ▪ May 11 – Open FAC
2023 BP&B Development Process

• Review NERC and Regional Entity draft 2023 BP&Bs
  ▪ May 25 to June 24 – Comment period on draft NERC 2023 BP&B
  ▪ June 1 – FAC webinar
  ▪ June 8 – FERC briefing

• Review NERC proposed final 2023 BP&B
  ▪ July 7 – Closed FAC
  ▪ July 13 – MRC BP&B Input Group
  ▪ July 27 – Trades and Forums and MEC endorses E-ISAC 2023 budget

• Approve NERC and Regional Entity final 2023 BP&Bs
  ▪ August 17 & 18 – Open FAC and Board
  ▪ By August 25 – File 2023 BP&Bs with FERC
• Five sets of comments received, major themes:
  
  ▪ Enhancing BP&B development process
    o Metrics that support budget assumptions and demonstrate effectiveness
    o Stakeholder collaboration to guide cyber and technology strategic investments
  
  ▪ Increasing transparency around investments
    o Continued Align and SEL investments
    o Funding and indirect expenses associated with E-ISAC and CRISP
    o Alignment between budget investments and reliability metrics
  
  ▪ Considering efficiencies to reduce budget and assessment increases
    o Use of contractors versus FTEs and leverage industry SMEs
    o Reducing duplication with other organizations
    o Increasing virtual meeting formats
    o Reassess annual merit increases and reserve levels
  
• Comments and NERC response posted on the [NERC website](#)
2023 Budget and Assessment Overview

• Budget – $101.0M ($12.2M or 13.7% increase from 2022)
  ▪ Personnel – $58.0M (11.6% increase)
  ▪ Meetings and Travel – $3.1M (20.6% increase)
  ▪ Operating Expenses – $36.1M (19.3% increase)
  ▪ Fixed Assets – $6.2M (26.5% increase)
  ▪ Net Financing Activity – ($2.8M) (153.7% increase)

• Assessment – $87.1M ($8.7M or 11.1% increase)
  ▪ Assuming $4.0M in capital software financing loan proceeds, which lowers assessment requirements
  ▪ Includes release of $2.0M in reserve funds to offset assessments

• FTEs – 236.9 (increase of 13.2)
• 2023 budget increase of 32.5%

• Primarily due to PNNL costs and insurance

• Majority of budget increase funded by CRISP participants
2023 Assessment Breakdown

- Assessment – $87.1M ($8.7M or 11.1% increase)
  - Includes release of $2.0M in reserve funds to offset assessments
    - $1.0M from Operating Contingency Reserve (OCR)
    - $1.0M from Assessment Stabilization Reserve (ASR)
- Assessments by country (using 2021 NEL allocation)
  - **United States** – $78.2M
    - $7.5M (10.6%) increase from 2022
    - 89.8% of total NERC assessment
  - **Canada** – $8.6M
    - $1.1M (15.1%) increase from 2022
    - 9.8% of total NERC assessment
  - **Mexico** – $306k
    - $43k (16.4%) increase from 2022
Total projected reserves at end of 2023 – $14.6M

- OCR – $7.8M (8.9%, slightly above target)
- ASR – $1.5M
- Future Obligation Reserve – $2.6M
- System Operator Certification Reserve – $563k
- CRISP reserves – $2.2M
• Key assumptions for 2024 and 2025 increase projections
  ▪ People and technology strategies
  ▪ Lease-financed and one-time costs in 2025 for potential Atlanta office move
  ▪ Capital software financing in 2024 and 2025 and $500k OCR release in 2025

• 2024 vs 2023
  ▪ Budget increase of 9.0% ($9.1M)
  ▪ Assessment increase of 11.6% ($10.1M)
  ▪ FTE increase of 11.3

• 2025 vs 2024
  ▪ Budget increase of 11.3% ($12.4M)
  ▪ Assessment increase of 11.1% ($10.8M)
  ▪ FTE increase of 10.3
Questions and Answers
Total ERO Enterprise 2023 budget – $250.1M ($23.1M or 10.1% increase vs 2022)

*ERO Enterprise* includes WIRAB unless otherwise noted
Total ERO Enterprise 2023 assessment – $214.1M ($13.0M or 6.5% increase vs 2022)
Approximately $21M in penalties/reserves released to reduce assessments
Total ERO Enterprise 2023 budgeted FTEs – 798.8 (40.1 or 5.3% increase vs 2022)
ERO Enterprise 2023 v 2022 Budget by Expense Category

- Personnel: +9.7%
- Meetings and Travel: +6.5%
- Operating Expenses: +15.5%
- Fixed Assets: +11.1%
- Net Financing Activity (NERC only): +153.7%

2022 vs 2023
ERO Enterprise 2023 v 2022 Budget by Program Area

*Excludes WIRAB
ERO Enterprise 2023 v 2022 Budgeted FTEs by Program Area

*Excludes WIRAB
**ERO Enterprise 2023 Budget Program Area Breakdown**

- **RAPA, Event Analysis, & Situation Awareness**: 26%
- **E-ISAC**: 11%
- **CRISP**: 5%
- **Training & Ed**: 5%
- **Standards**: 5%
- **CMEP**: 48%

*Excludes WIRAB*
Questions and Answers
Line of Credit Renewal

Action
Approve and recommend to Board of Trustees for approval.

Background
Since 2007, NERC has maintained a line of credit with a lender for emergency working capital needs or unforeseen contingencies. NERC annually obtains renewal of this line of credit and the latest agreement was approved by the NERC Board of Trustees (Board) in May 2021 and it expires on September 30, 2022.

In May 2021, the Board authorized management to proceed to take such actions as are necessary to execute this line of credit renewal documentation on an annual basis so long as the material terms of the renewal remain substantially the same. NERC management committed to provide an update to the Committee on annual renewals and will also request Board approval for the renewal if the terms and conditions materially change.

The interest rate index for this line of credit is being updated for the next renewal period to be based on the Secure Overnight Financing Rate (SOFR). All of the other terms and conditions, including the Commitment/Closing Fee of $5,000, will remain substantially the same.

Due to the change in the interest rate index, which is considered a change to the material terms of the agreement, NERC management requests the Committee approve and recommend to the Board for approval this line of credit renewal as well as Board authorization for NERC management to take necessary actions to renew this credit facility for a minimum period of twelve months.