

## Agenda

# Finance and Audit Committee Open Meeting

February 12, 2025 | 11:15 a.m.-12:00 p.m. Eastern

### **In-Person**

JW Marriott Miami  
1109 Brickell Ave  
Miami, FL 33131

Conference Room: Grand Ballroom (5<sup>th</sup> Floor)

### **Virtual Attendees**

Webcast Link: [Join Meeting](#)

Webcast Password: FEB2025BRDTECHA (33220253 when dialing from a phone)

Audio Only: +1-415-655-0002 US Toll | +1-416-915-8942 Canada Toll | Access code: 2314 546 6229

### **Committee Members**

Colleen Sidford, Chair  
Robert G. Clarke  
Susan Kelly  
Jim Piro  
Kristine Schmidt  
Kenneth W. DeFontes, Jr., *ex-officio*

### **Introduction and Chair's Remarks**

### **[NERC Antitrust Compliance Guidelines](#)**

### **Agenda Items**

- 1. Minutes - Approve**
  - a. August 14, 2024 Meeting\*
- 2. Fourth Quarter Calendar of FAC Responsibilities\* – Review and Recommend Board of Trustees Acceptance**
  - a. NERC 2024 Unaudited Year-End Report
  - b. ERO Enterprise Combined 2024 Unaudited Year-End Report
  - c. Regional Entity 2024 Unaudited Year-End Reports
- 3. 2026 Business Plan and Budget Schedule\* – Update**
- 4. Other Matters and Adjournment**

\*Background materials included.

## DRAFT Minutes

# Finance and Audit Committee Open Meeting

August 14, 2024 | 11:25 a.m.-12:25 p.m. Pacific

Hyatt Regency Vancouver  
655 Burrard St.  
Vancouver, BC V6C 2R7, Canada  
Conference Room: Regency A/B/C

Ms. Colleen Sidford, Chair, called to order a duly noticed open meeting of the Finance and Audit Committee (the Committee) of the Board of Trustees (Board) of the North American Electric Reliability Corporation (NERC) on August 14, 2024, at approximately 11:35 a.m. Pacific, and a quorum was declared present.

Present at the meeting were:

#### **Committee Members**

Colleen Sidford, Chair

Jim Piro

Kristine Schmidt

Robert G. Clark

Susan Kelly

Kenneth W. DeFontes, Jr., ex officio

#### **Board of Trustees Members**

George Hawkins

James B. Robb, President and Chief Executive Officer

Jane Allen

Larry Irving

Robin E. Manning

Suzanne Keenan

#### **NERC Staff**

Andy Sharp, Vice President and Chief Financial Officer

Bluma Sussman, Vice President, E-ISAC Stakeholder Engagement

Camilo Serna, Senior Vice President, Strategy and External Engagement

Fritz Hirst, Vice President, Government Affairs

Howard Gugel, Vice President, Regulatory Oversight

Kelly Hanson, Senior Vice President and Chief Operating Officer

Liz Saunders, Vice President, People and Culture

Manny Cancel, Senior Vice President and CEO of the E-ISAC

Mark Lauby, Senior Vice President and Chief Engineer

Mathew Duncan, Vice President, E-ISAC Security Operations and Intelligence

Meg Leonard, Controller

Sonia Rocha, Senior Vice President, General Counsel, and Corporate Secretary

Soo Jin Kim, Vice President, Engineering and Standards

Tina Buzzard, Assistant Corporate Secretary

#### **Introduction and Chair's Remarks**

Chair Sidford welcomed the members of the Committee to the meeting and reviewed the agenda. She expressed her appreciation for all the stakeholder feedback on the 2025 Business Plan and Budget and thanked the MRC Business Plan & Budget Input Group for their engagement throughout this year's budget process and their efforts on NERC's 2023–2025 plan. Ms. Sidford stated that the Committee and Board

thoroughly reviewed the stakeholder comments submitted and believe management has been responsive. She acknowledged that while cost increases are never welcomed, regardless of the benefits they may provide, NERC vows to continue being good stewards for the effective and efficient use of resources. Lastly, Ms. Sidford noted that the Committee held a closed meeting on August 7, 2024 where it received an update on the ERP software project and an update from Internal Audit.

### **NERC Antitrust Compliance Guidelines**

Ms. Buzzard directed the participants' attention to the NERC Antitrust Compliance Guidelines included in the advance agenda package and indicated that all questions regarding antitrust compliance or related matters should be directed to Ms. Rocha.

### **Minutes**

Upon motion duly made and seconded, the Committee approved the minutes for the May 8, 2024, Committee open meeting as presented at the meeting.

### **Second Quarter Unaudited Summary of Results**

Ms. Leonard reviewed: (i) the NERC Second Quarter 2024 Unaudited Summary of Results; and (ii) the Total ERO Enterprise (NERC and the Regional Entities combined) Second Quarter 2024 Unaudited Summary of Results. Upon motion duly made and seconded, the Committee reviewed and recommended acceptance by the Board of these items.

### **NERC, Regional Entity, and WIRAB 2025 Business Plans and Budgets and Associated Assessments**

Mr. Sharp presented the final proposed draft of the NERC, Regional Entity, and Western Interconnection Regional Advisory Body (WIRAB) 2025 Business Plans and Budgets and associated assessments. He noted that the draft budget and assessment is materially consistent with the original three-year plan projection and discussed outstanding assessments from Mexico. Mr. Sharp provided an overview of the stakeholder comments on the draft budget and how those comments were addressed. Upon motion duly made and seconded, the Committee reviewed and recommended acceptance by the Board of the of the NERC, Regional Entity and WIRAB 2025 Business Plans and Budgets and associated assessments.

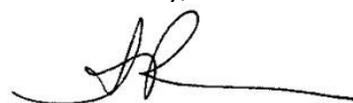
### **Finance and Audit Committee Mandate**

Chair Sidford noted that the Committee reviewed the Committee mandate with the NERC Legal Department and the Committee is not recommending any revisions at this time.

### **Adjournment**

Chair Sidford concluded the meeting by thanking NERC staff and the MRC budget input group for their work on the budget. There being no further business, the meeting was adjourned.

Submitted by,



Sônia Rocha  
Corporate Secretary

## **Fourth Quarter Calendar of FAC Responsibilities**

### **Action**

Review and recommend to Board of Trustees for acceptance

### **Summary**

NERC management will review the fourth quarter calendar of FAC responsibilities to include (i) the NERC Year-End 2024 Unaudited Summary of Results; and (ii) the Total ERO Enterprise (NERC and the Regional Entities combined) Year-End 2024 Unaudited Summary of Results. The Regional Entity 2024 Unaudited Year-End Reports are enclosed for reference.

# Summary of Unaudited Results For the Period Ending December 31, 2024

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## Executive Summary

### Year-to-Date Actual Results (\$ millions)

<u>FUNDING</u>	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues	\$ 111.2	\$ 110.4	\$ 0.8
Funding from Reserves			
Assessment Stabilization Reserve	1.3	1.3	-
<b>TOTAL FUNDING</b>	<b>\$ 112.5</b>	<b>\$ 111.7</b>	<b>\$ 0.8</b>
<b><u>EXPENDITURES</u></b>			
Expenses (excluding Depreciation)	\$ 109.6	\$ 111.6	\$ (2.0)
Fixed Asset Additions	4.7	4.6	0.1
Net Financing Activity	(0.4)	(2.6)	2.2
<b>TOTAL EXPENDITURES</b>	<b>\$ 113.9</b>	<b>\$ 113.6</b>	<b>\$ 0.3</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ (1.4)</b>	<b>\$ (1.9)</b>	<b>\$ 0.5</b>

Revenues are over budget due to higher investment income and miscellaneous revenues. Expenses (excluding Depreciation) are under budget primarily due to lower Personnel, Contracts and Consultants, Office, and Professional Services costs, offset by higher Meetings and Travel expenses. Fixed Asset Additions are slightly over budget due to higher capital software expenditures, and Net Financing Activity is over budget due to lower borrowing proceeds which are partially offset by lower loan and lease principal payments. The net result is a year-end reserve balance that is \$500k more than budgeted. 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)

	YTD Actual	YTD Budget	YTD Over (Under)	% Over (Under)
<b>TOTAL FUNDING</b>	<b>\$ 112,538,652</b>	<b>\$ 111,716,829</b>	<b>\$ 821,823</b>	<b>0.7%</b>
<b>EXPENDITURES</b>				
Personnel	65,485,646	65,781,342	(295,696)	<b>(0.4%)</b>
Meetings and Travel	3,976,432	3,506,800	469,632	<b>13.4%</b>
Contracts and Consultants	20,321,785	21,369,135	(1,047,350)	<b>(4.9%)</b>
Office Rent	3,036,227	3,089,858	(53,631)	<b>(1.7%)</b>
Office Costs, Professional, and Misc.*	16,521,366	17,376,029	(854,663)	<b>(4.9%)</b>
Other Non-Operating	285,334	468,040	(182,706)	<b>(39.0%)</b>
Fixed Asset Additions*	4,754,461	4,624,000	130,461	<b>2.8%</b>
Net Financing Activity**	(393,257)	(2,594,260)	2,201,003	<b>(84.8%)</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 113,987,994</b>	<b>\$ 113,620,944</b>	<b>\$ 367,050</b>	<b>0.3%</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ (1,449,342)</b>	<b>\$ (1,904,115)</b>	<b>\$ 454,773</b>	<b>(23.9%)</b>
<b>FTEs</b>	<b>244.7</b>	<b>251.1</b>	<b>(6.5)</b>	<b>(2.6%)</b>

\* Excludes depreciation expense

\*\* A positive amount indicates that NERC is paying off more principal than it is receiving in proceeds. A negative amount indicates that NERC is receiving more in proceeds than it is paying off principal.

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

- Personnel expenses are under budget primarily due to lower benefits and retirement costs.
- Meetings and Travel expenses are over budget due to higher travel costs across all departments due to increased demand for in-person stakeholder engagement and higher-than-budgeted in-person team meetings than planned. These higher travel expenses are partially offset by lower meetings expenses.
- Contracts and Consultants expenses are under budget due to (1) lower than expected third-party contract costs for CRISP; (2) lower spending on a new System Operator Certification and Continuing Education Database (SOCCED) system that will not be completed until 2025; and (3) lower support needs for the Interregional Transmission Capability Study (ITCS). This is partially offset by increased support needs for (1) standards development activities; (2) studies related to generation and extreme weather; (3) automation, system conversion, and improved experience efforts for new and

existing technology tools; and (4) temporary backfills for vacant positions. The activity by department is further illustrated in the table below.

<b>CONTRACTS and CONSULTANTS</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>YTD Over (Under)</b>	<b>% Over (Under)</b>
Reliability Standards and Power Risk Issues and Strategic Management	\$ 242,625	\$ 219,888	\$ 22,737	10.3%
Compliance Assurance	574,613	674,933	(100,320)	(14.9%)
Registration and Certification	137,766	105,388	32,378	30.7%
Compliance Enforcement	576,020	696,933	(120,913)	(17.3%)
Engineering and Security Integration	516,515	100,000	416,515	416.5%
Reliability Assessment and Technical Committees	1,375,052	1,517,400	(142,348)	(9.4%)
Advanced System Analytics and Modeling	110,330	57,000	53,330	93.6%
Performance Analysis	99,047	144,000	(44,953)	(31.2%)
Situation Awareness	231,075	83,000	148,075	178.4%
Event Analysis	13,658	165,000	(151,342)	(91.7%)
E-ISAC	2,990,514	2,391,237	599,277	25.1%
Training, Education and Personnel Certification	316,176	872,260	(556,084)	(63.8%)
General and Administrative and Executive	146,225	125,000	21,225	17.0%
Legal and Regulatory	363,157	255,000	108,157	42.4%
External Affairs	72,743	315,000	(242,258)	(76.9%)
Business Technology	4,677,267	4,597,096	80,171	1.7%
Human Resources and Administration	981,684	835,000	146,684	17.6%
Finance and Accounting	586,972	540,000	46,972	8.7%
<b>TOTAL (excluding CRISP)</b>	<b>\$ 14,011,437</b>	<b>\$ 13,694,135</b>	<b>\$ 317,302</b>	<b>2.3%</b>
CRISP	6,310,348	7,675,000	(1,364,652)	(17.8%)
<b>TOTAL (including CRISP)</b>	<b>\$ 20,321,785</b>	<b>\$ 21,369,135</b>	<b>\$ (1,047,350)</b>	<b>(4.9%)</b>

- Office Costs, Professional Services, and Miscellaneous expenses are under budget largely due to lower than expected (1) telephone, internet, supplies, and A/V and hardware lease costs; and (2) legal, outside service, and insurance expenses.
- Fixed Asset Additions are slightly over budget primarily due to increased capitalized software activities, offset by lower capital lease asset expenditures.
- The Net Financing Activity budget is comprised of loan and lease financing proceeds (borrowings) and principal payments. The budget included a total of \$4.2M for both loan borrowings for capital software projects and leased assets, spread evenly throughout the year. The variance is the net result of (1) NERC not borrowing any funds for capital software projects in 2024 due to higher investment and miscellaneous income and favorable Operating Contingency Reserve position at the beginning of the year, and (2) lower than budgeted loan principal (debt service) payments from less-than-budgeted borrowing in 2023.
- Total reserves are over budget \$500k due to the reasons explained above, including higher investment and miscellaneous income and lower Personnel, Contracts and Consultants, Office, and Professional Services costs, partially offset by Net Financing Activity.

## Variances by Department

DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	YTD	YTD	YTD	%
	Actual	Budget	Over (Under)	Over (Under)
Reliability Standards and Power Risk Issues and Strategic Management	\$ 5,340,566	\$ 5,178,957	\$ 161,609	3.1%
Compliance Assurance	6,739,598	6,515,768	223,829	3.4%
Registration and Certification	1,484,894	1,251,212	233,682	18.7%
Compliance Enforcement	4,587,590	4,491,305	96,284	2.1%
Engineering and Security Integration	2,492,355	2,949,925	(457,570)	(15.5%)
Reliability Assessment and Technical Committees	5,118,229	4,815,683	302,546	6.3%
Advanced System Analytics and Modeling	1,845,898	2,404,937	(559,039)	(23.2%)
Performance Analysis	2,587,257	2,291,015	296,242	12.9%
Situation Awareness	3,842,797	3,988,335	(145,538)	(3.6%)
Event Analysis	2,119,725	2,470,380	(350,655)	(14.2%)
E-ISAC	16,111,096	15,455,423	655,673	4.2%
Training, Education and Personnel Certification	1,795,042	2,149,794	(354,752)	(16.5%)
General and Administrative and Executive	9,532,689	9,479,271	53,418	0.6%
Legal and Regulatory	5,987,436	6,075,391	(87,956)	(1.4%)
External Affairs	4,915,581	4,548,817	366,765	8.1%
Business Technology	21,817,361	21,180,319	637,041	3.0%
Human Resources and Administration	4,696,372	4,370,563	325,808	7.5%
Finance and Accounting	3,854,519	3,285,324	569,195	17.3%
<b>TOTAL (excluding CRISP)</b>	<b>\$ 104,869,003</b>	<b>\$ 102,902,421</b>	<b>\$ 1,966,582</b>	<b>1.9%</b>
CRISP	9,118,991	10,718,523	(1,599,532)	(14.9%)
<b>TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY</b>	<b>\$ 113,987,994</b>	<b>\$ 113,620,944</b>	<b>\$ 367,050</b>	<b>0.3%</b>

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

- Registration – Over budget due to higher Personnel costs, including the reallocation of one FTE to this department, and no loan borrowing for capital software investments.
- Engineering and Security Integration – Under budget due to lower Personnel costs resulting from the reallocation of FTEs to another area, partially offset by higher Contracts and Consultants Costs.
- Reliability Assessment and Technical Committees – Over budget due to higher Personnel costs, including the reallocation of FTEs to this department, and no loan borrowing for capital software projects, offset by lower Contracts and Consultants expenses and capital software expenditures.
- Advanced System Analytics and Modeling – Under budget due to lower Personnel expenses.
- Performance Analysis – Over budget primarily due to no loan borrowing for capital software projects, offset by lower software license expenses and capital software expenditures.
- Event Analysis – Under budget due to lower Personnel and Contracts and Consultants expenses and capital software expenditures, offset by no loan borrowing for capital software projects.
- E-ISAC (excluding CRISP) – Over budget primarily due to higher Contracts & Consultants costs, partially offset by higher miscellaneous revenue for the Vendor Affiliate Program.
- Training, Education and Personnel Certification – Under budget primarily due to lower spending on a new SOCCED system that will not be completed until 2025.

- External Affairs – Over budget mainly due to higher Personnel costs, partially offset by lower Contracts and Consultants expenses.
- Business Technology – Over budget primarily due to no loan borrowing on and higher capital software expenditures, partially offset by lower Personnel expenses.
- Human Resources and Administration – Over budget primarily due to higher Contracts and Consultants and software license expenses, partially offset by lower capital software expenditures.
- Finance and Accounting – Over budget due to higher Personnel, software license expenses and capital software expenditures, as well as no loan borrowing for capital software projects.
- CRISP – Under budget due to lower third-party contractor costs and lower Personnel costs, partially due to the reallocation of FTE time to the E-ISAC department.

## Supplemental Schedules

### Schedule 1 – Year-End Actual Reserves

Reserve Account	1/1/2024		Unbudgeted Funding/(Use) <sup>(3)</sup>	Operating and Financing Activity		12/31/2024	
	Beginning Balance <sup>(1)</sup>	Budgeted Funding/(Use) <sup>(2)</sup>		Versus Budget <sup>(4)</sup>	Ending Balance <sup>(5)</sup>		
NERC Operating Contingency	\$ 13,229,753	\$ (1,300,000)	\$ -	\$ (1,250,462)	\$	10,679,291	
Future Obligations	2,908,227	218,053	(229,495)	-	-	2,896,785	
Assessment Stabilization	2,256,000	(1,300,000)	-	-	-	956,000	
System Operator	908,879	(604,115)	-	637,422	-	942,186	
CRISP Defense Fund	500,000	-	-	-	-	500,000	
CRISP Operating	3,615,851	-	(450,000)	1,067,813	-	4,233,664	
CRISP Equipment Reserve	450,000	-	450,000	-	-	900,000	
<b>Total Reserves</b>	<b>\$ 23,868,710</b>	<b>\$ (2,986,062)</b>	<b>\$ (229,495)</b>	<b>\$ 454,773</b>	<b>\$</b>	<b>21,107,926</b>	

**NOTES:**

(1) 2024 beginning balances have been adjusted from the 12/31/2023 variance report balances as the result of a reconciliation to the final audited balance sheet.

(2) The 2024 Business Plan & Budget (BP&B) contained a budgeted use of NERC Operating Contingency Reserves (OCR) totaling \$1,300,000 to fully fund the incremental Interregional Transfer Capability Study (ITCS) FTEs hired in 2023 and a budgeted use of \$1,300,000 of Assessment Stabilization Reserves (ASR) to fund the net ITCS non-personnel costs.

(3) The Future Obligations Reserve was adjusted to reflect the deferred rent balance for the DC office lease. The CRISP participants agreed to transfer \$450k from the CRISP Operating Reserve to fund the CRISP Equipment Reserve.

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

The net increase in reserves related to the CRISP department is \$1,160,319, with \$92,507 going into the NERC OCR for the portion of CRISP costs funded by assessments and \$1,067,813 going into the CRISP Operating Reserve for CRISP costs funded by the CRISP participants.

(5) The 12/31/24 OCR balance of \$10.7 million is \$200k less than the \$10.9 million year-end balance projected in the 2024 BP&B. Due to a favorable opening OCR balance at 1/1/2024 and higher investment and miscellaneous revenues in 2024, no loan borrowing for capital software projects was made in 2024. The ending OCR balance of \$10.7 million is 10.9% of NERC's 2024 budget (less CRISP & SOCCED) and within the OCR target range of 8% to 16%.

## Schedule 2 – E-ISAC and CRISP Summary of Activity

### TOTAL E-ISAC (including CRISP)

FUNDING	Annual Actual	Annual Budget	Over (Under)
Assessments	\$ 29,777,134	\$ 29,777,134	\$ -
Other Funding	11,114,241	11,276,439	(162,198)
<b>TOTAL FUNDING</b>	<b>\$ 40,891,376</b>	<b>\$ 41,053,573</b>	<b>\$ (162,198)</b>
<b>EXPENDITURES</b>			
Personnel Expense	\$ 12,901,864	\$ 13,072,503	\$ (170,639)
Meetings and Travel Expense	665,262	483,000	182,262
Operating Expenses (excluding Depreciation)	11,516,846	12,440,651	(923,806)
Other Non-Operating Expenses	-	8,791	(8,791)
Fixed Asset Purchases (excluding Fixed Asset Allocation)	146,114	173,000	(26,886)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	(4,000)	4,000
Total Direct Costs (excluding Depreciation and Allocations)	\$ 25,230,086	\$ 26,173,946	\$ (943,860)
Indirect Expense Allocation	14,796,491	14,590,026	206,465
Fixed Asset Allocation	960,432	617,658	342,775
Net Financing Activity Allocation	(250,434)	(328,056)	77,622
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 40,736,575</b>	<b>\$ 41,053,574</b>	<b>\$ (316,999)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 154,801</b>	<b>\$ (0)</b>	<b>\$ 154,801</b>

**Schedule 2 (continued) – E-ISAC and CRISP Summary of Activity**

**CRISP**

FUNDING	Annual Actual	Annual Budget	Over (Under)
Assessments	\$ 2,477,166	\$ 2,477,166	\$ -
Other Funding	9,957,725	10,319,598	(361,873)
<b>TOTAL FUNDING</b>	<b>\$ 12,434,891</b>	<b>\$ 12,796,764</b>	<b>\$ (361,873)</b>
<b>EXPENDITURES</b>			
Personnel Expense	\$ 1,609,813	\$ 1,780,267	\$ (170,454)
Meetings and Travel Expense	298,739	146,000	152,739
Operating Expenses (excluding Depreciation)	7,073,394	8,652,256	(1,578,862)
Other Non-Operating Expenses	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	137,045	140,000	(2,955)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 9,118,990	\$ 10,718,523	\$ (1,599,533)
Indirect Expense Allocation	2,056,883	2,037,792	19,091
Fixed Asset Allocation	133,511	86,268	47,243
Net Financing Activity Allocation	(34,813)	(45,820)	11,006
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 11,274,571</b>	<b>\$ 12,796,764</b>	<b>\$ (1,522,193)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1,160,320</b>	<b>\$ -</b>	<b>\$ 1,160,320</b>

*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 totaled \$0.*

**Schedule 2 (continued) – E-ISAC and CRISP Summary of Activity**

**E-ISAC (excluding CRISP)**

FUNDING	Annual Actual	Annual Budget	Over (Under)
Assessments	\$ 27,299,969	\$ 27,299,969	\$ -
Other Funding	1,156,516	956,841	199,675
<b>TOTAL FUNDING</b>	<b>\$ 28,456,485</b>	<b>\$ 28,256,810</b>	<b>\$ 199,675</b>
<b>EXPENDITURES</b>			
Personnel Expense	\$ 11,292,052	\$ 11,292,236	\$ (185)
Meetings and Travel Expense	366,524	337,000	29,524
Operating Expenses (excluding Depreciation)	4,443,452	3,788,396	655,056
Other Non-Operating Expenses	-	8,791	(8,791)
Fixed Asset Purchases (excluding Fixed Asset Allocation)	9,069	33,000	(23,931)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	(4,000)	4,000
Total Direct Costs (excluding Depreciation and Allocations)	\$ 16,111,096	\$ 15,455,423	\$ 655,673
Indirect Expense Allocation	12,739,608	12,552,234	187,374
Fixed Asset Allocation	826,921	531,389	295,532
Net Financing Activity Allocation	(215,621)	(282,236)	66,615
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 29,462,004</b>	<b>\$ 28,256,810</b>	<b>\$ 1,205,194</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ (1,005,519)</b>	<b>\$ (0)</b>	<b>\$ (1,005,519)</b>

### Schedule 3 – Summary of Investments

	Quarter-End	Ticker		S&P	Average
	Balance	Symbol	Fund Name	Credit Rating	Annualized
					Yield
<u>Cash Sweep Accounts</u>					
Operating Account Sweep	\$ 32,295,137	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	4.76%
SOCCEd Account Sweep	2,510,834	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	4.76%
CRISP Account Sweep	18,166,845	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	4.76%
<u>Total Cash Sweep Accounts</u>	<u>\$ 52,972,817</u>				
<u>Investment Account</u>					
Money Market Funds	\$ 2,286,801		Federated Hermes Gov't Obligations Fund	AAAm	4.86%
U.S. Treasury Portfolio	9,205,277		PNC Ultra Short U.S. Government Portfolio	AA+	4.67%
<u>Total Investments</u>	<u>\$ 11,492,078</u>				

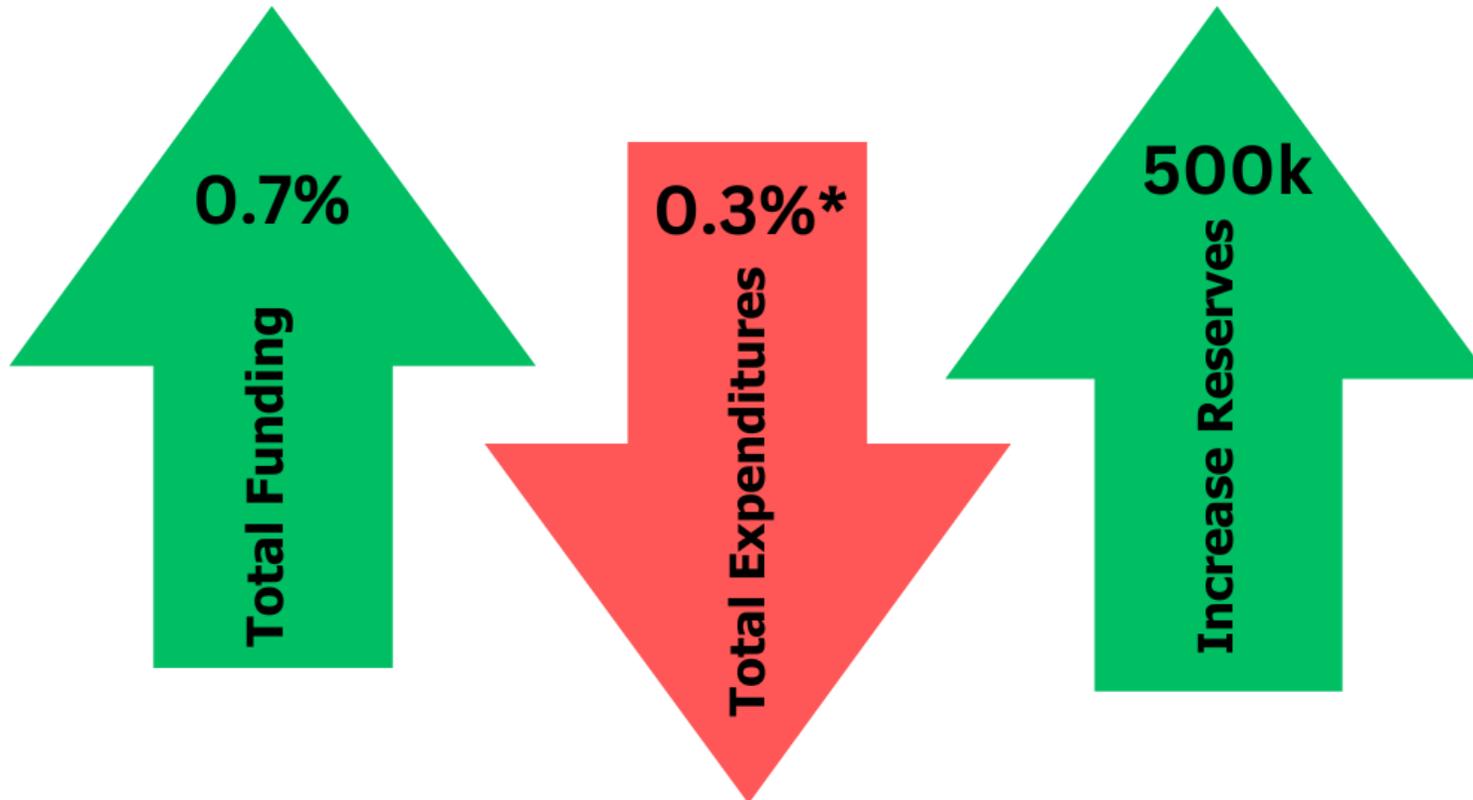
**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# NERC Unaudited Summary of Results as of December 31, 2024

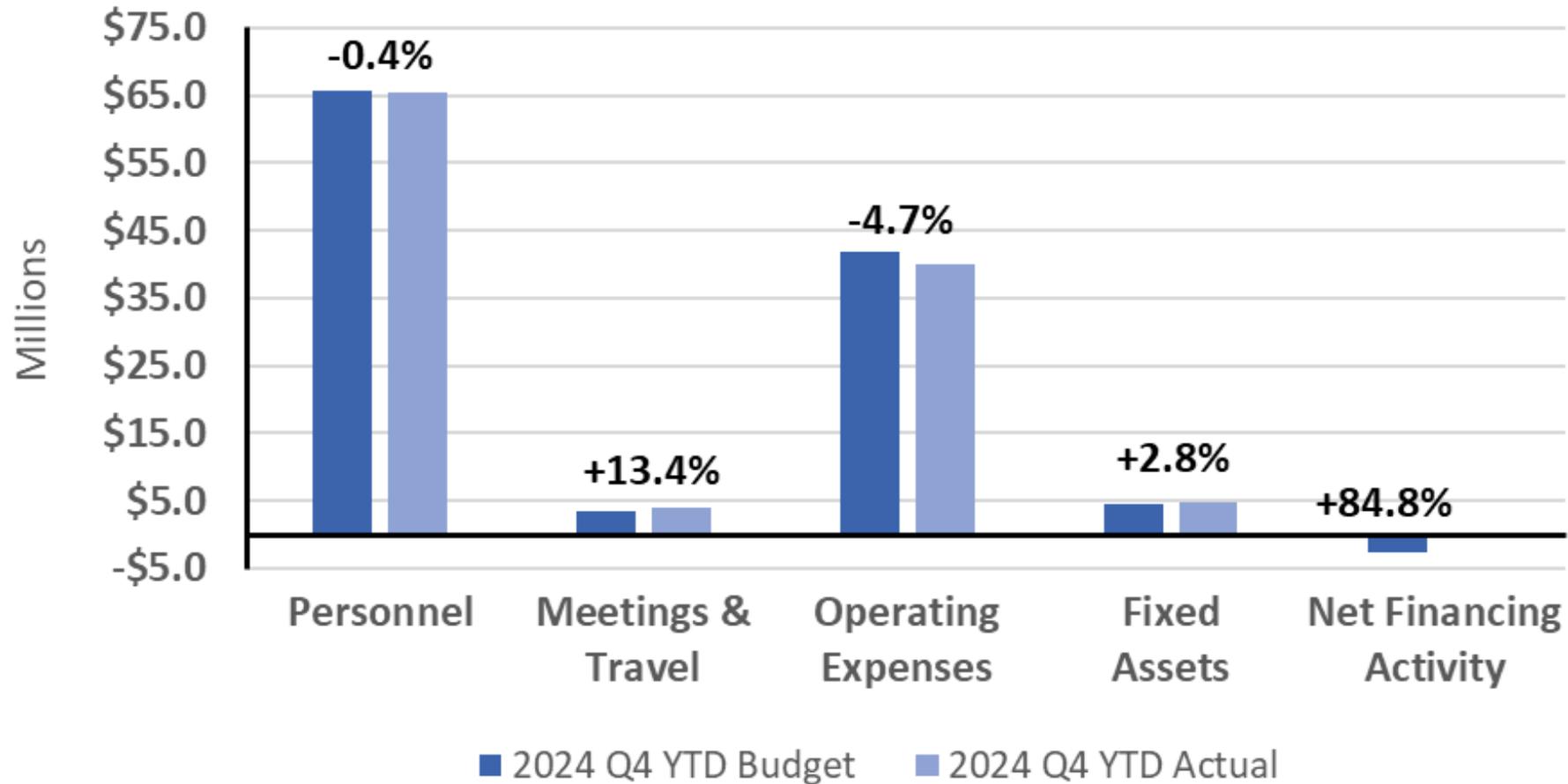
Andy Sharp, Vice President and Chief Financial Officer  
Finance and Audit Committee Meeting  
February 12, 2025

RELIABILITY | RESILIENCE | SECURITY



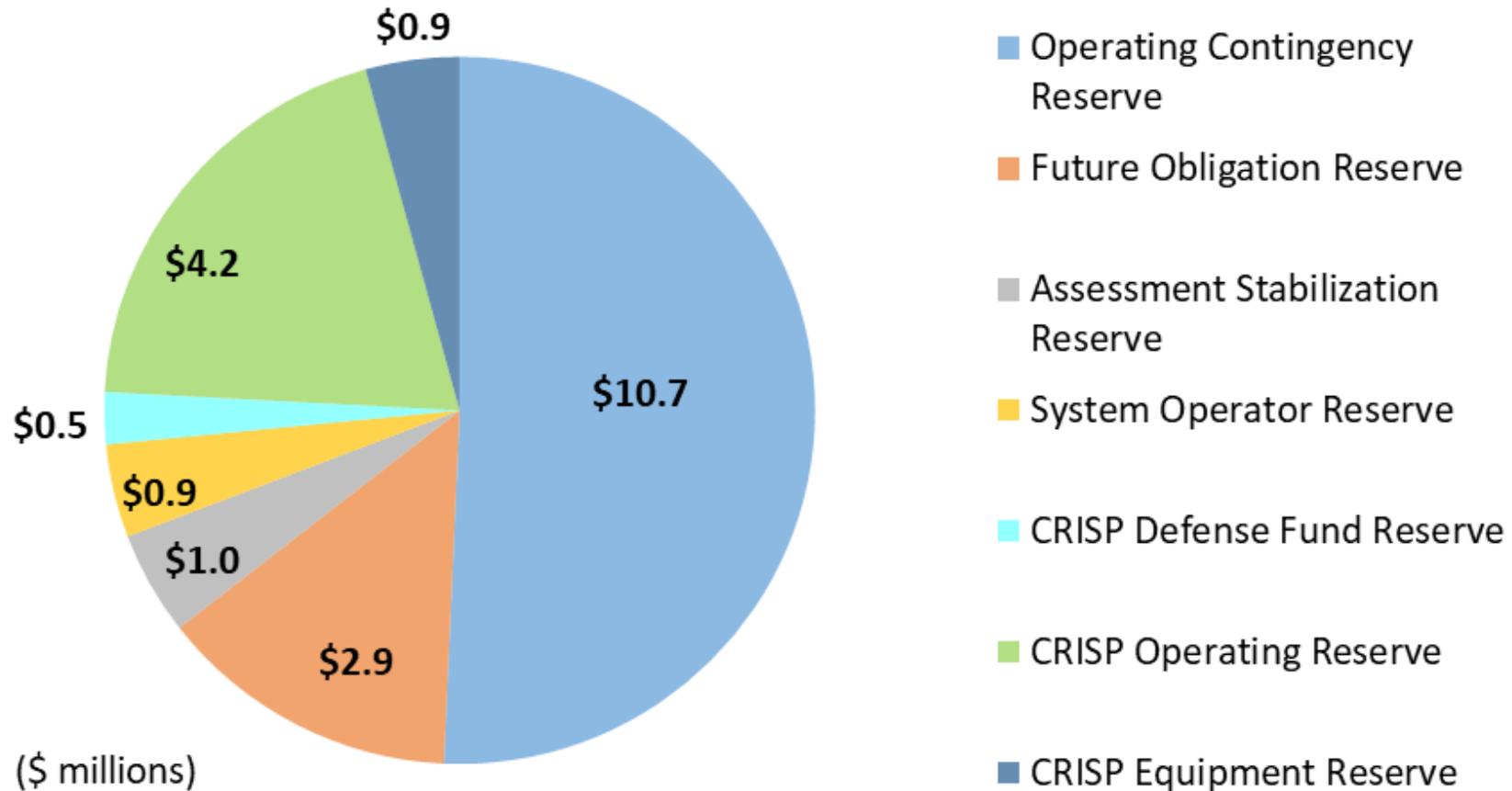
*\*Net result of actual spend and  
no loan borrowing in 2024*

# 2024 Year-End Unaudited Results by Category



- **Operating Contingency Reserve (OCR)**
  - Began year with \$13.2M
    - Budgeted use of \$1.3M in 2024
    - Decrease of \$1.3M from operating and financing activity
    - Ending balance of \$10.7M (vs. \$10.9M in 2024 BP&B)
    - 10.9% of 2024 budget (within target range of 8–16%)
- **Assessment Stabilization Reserve (ASR)**
  - Began year with \$2.3M
    - Released \$1.3M in 2024
    - Ending balance of \$956k

## TOTAL RESERVES OF \$21.1M



- Independent financial audit by RSM will begin in March
- Auditor's report and findings will be presented to the FAC in May



# Questions and Answers

**NERC**

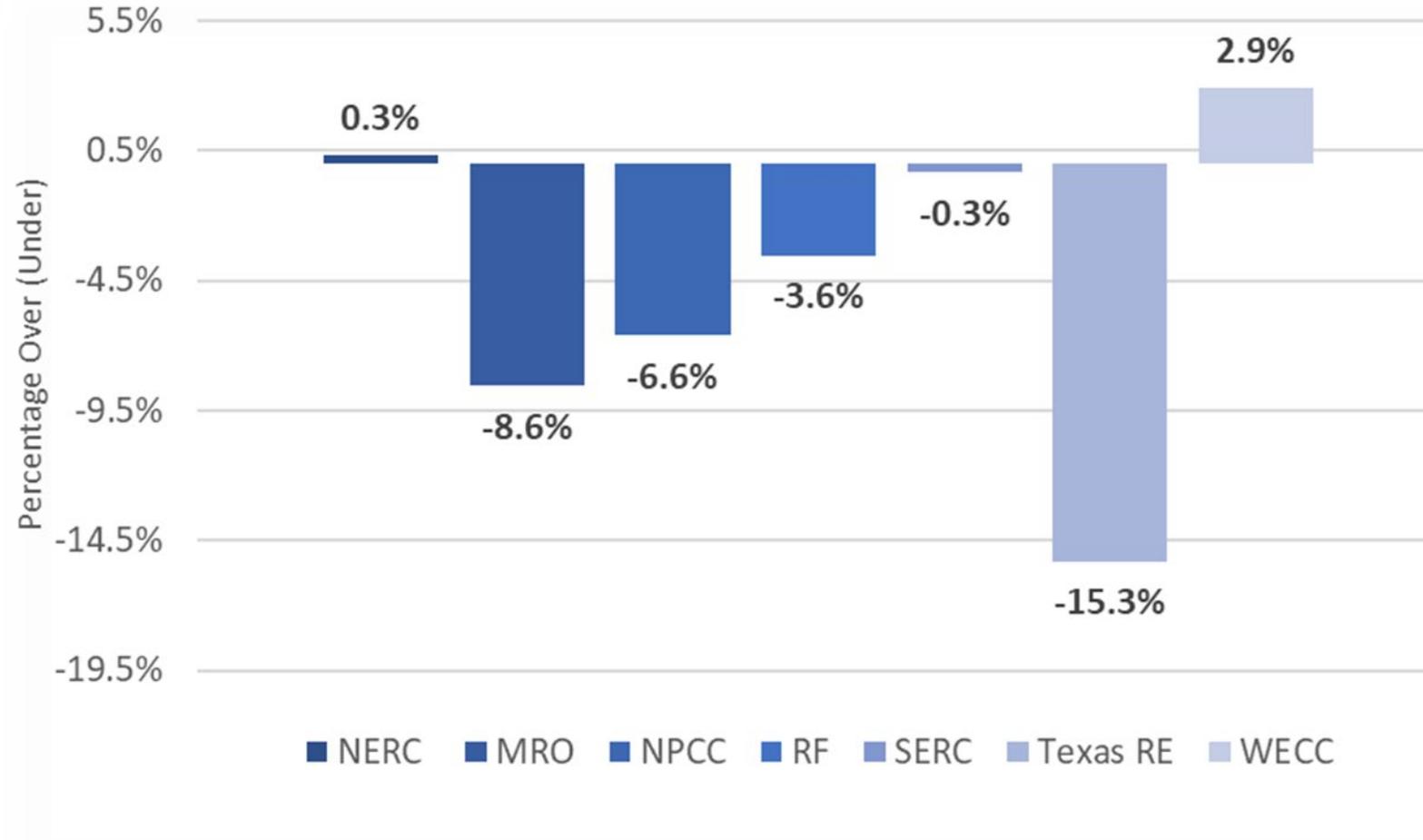
NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

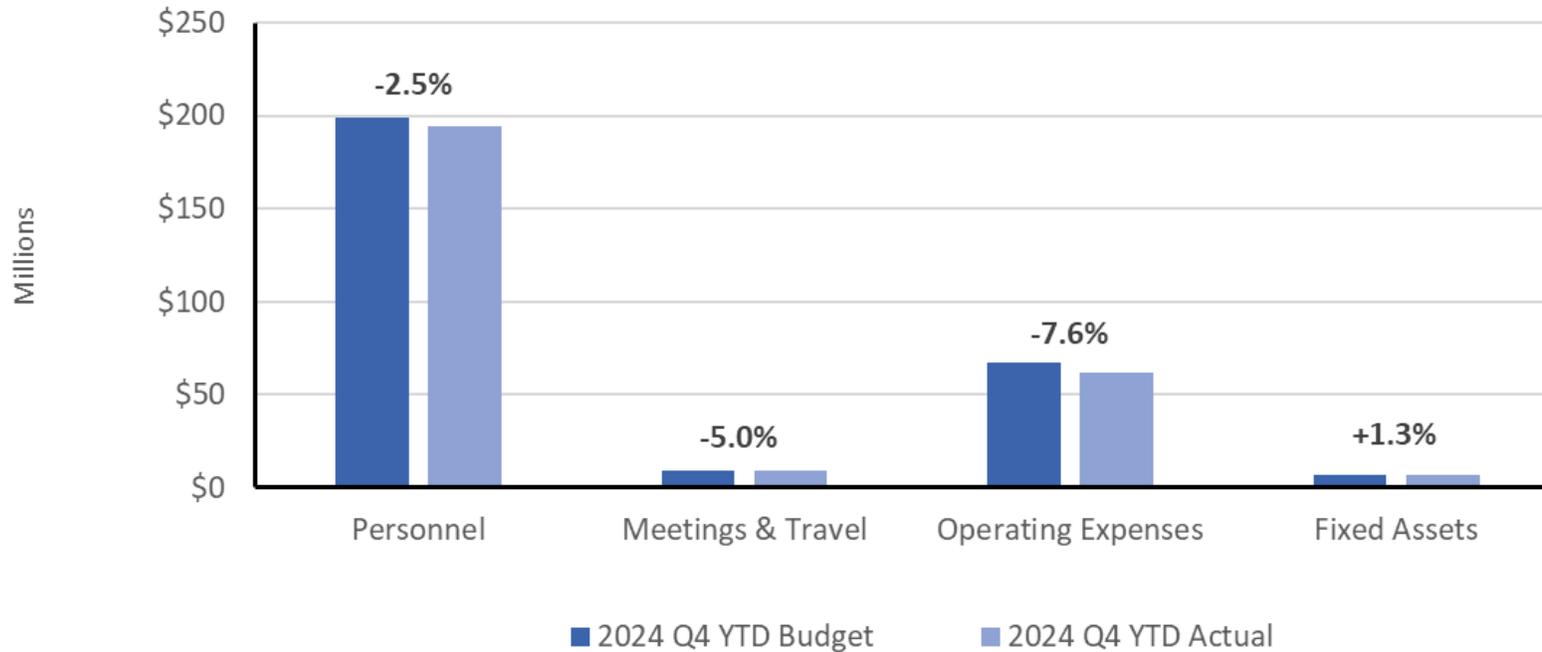
# Total ERO Enterprise Unaudited Summary of Results as of December 31, 2024

Andy Sharp, Vice President and Chief Financial Officer  
Finance and Audit Committee Meeting  
February 12, 2025

RELIABILITY | RESILIENCE | SECURITY

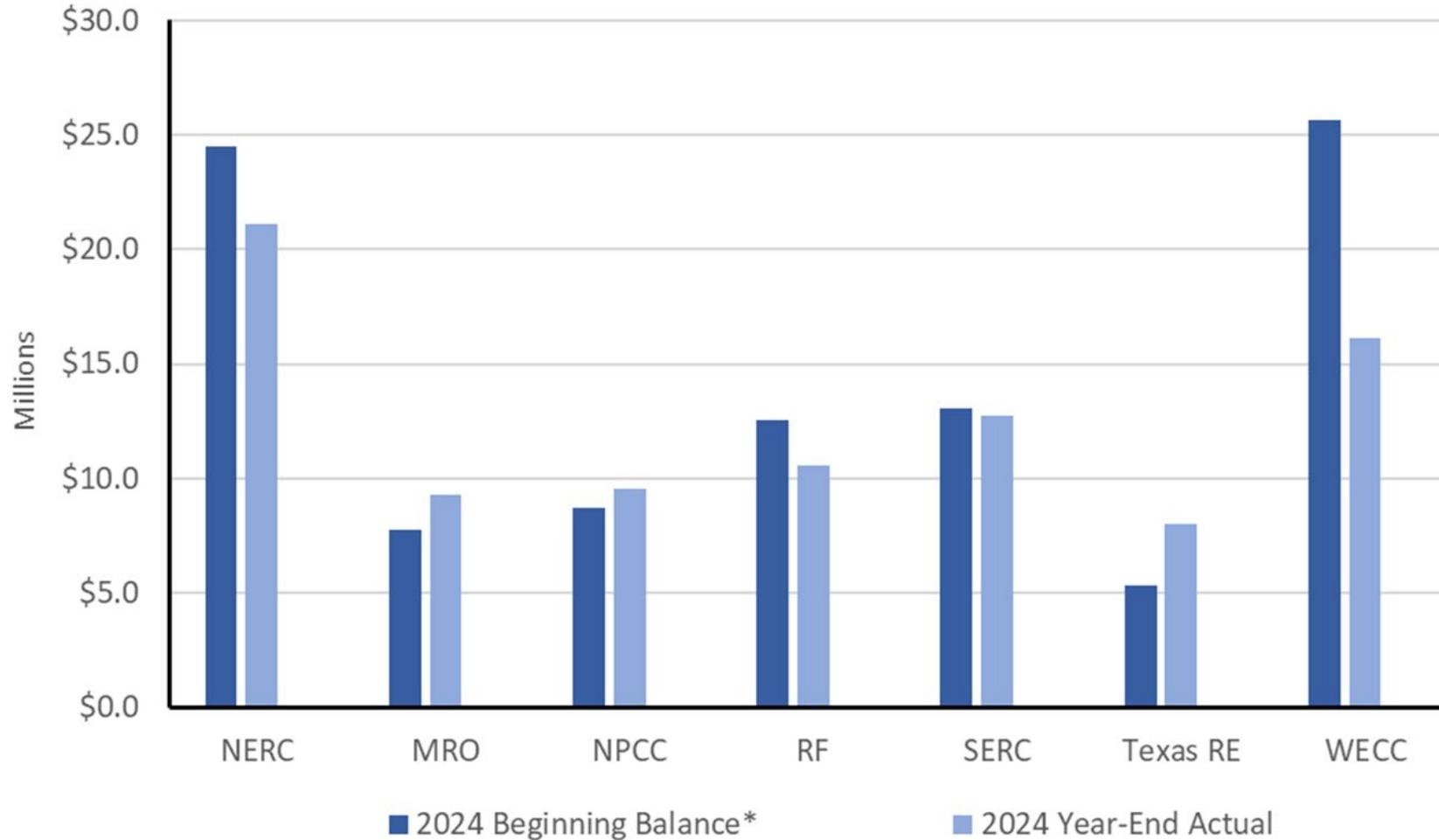
# 2024 Year-End Actual vs Total Budget (% by Entity)





- Personnel – All entities were under budget except for SERC
- Meetings & Travel – All entities were under budget except for NERC
- Operating Expenses – All entities were under budget except for WECC
- Fixed Assets – NERC, NPCC, SERC, and Texas RE over budget. All other entities were under budget

# 2024 Total Reserve Balances by Entity



*\*Adjusted for audited results*

*\$ - millions*

Entity	Actual Beginning				Actual Ending				Total 2024 Budget	% of Reserves to 2024 Total Budget
	WCOCR <sup>(1)</sup>	ASR <sup>(2)</sup> & Unreleased Penalties	Other Reserves	1/1/2024 Total Reserves	WCOCR <sup>(1)</sup>	ASR <sup>(2)</sup> & Unreleased Penalties	Other Reserves	12/31/2024 Total Reserves		
<b>NERC</b>	\$ 13.2	\$ 2.3	\$ 8.4	\$ 23.9	\$ 10.7	\$ 1.0	\$ 9.5	\$ 21.2	\$ 113.6	18.7%
<b>MRO</b>	1.9	5.5	-	7.4	1.3	5.8	-	7.1	24.9	28.5%
<b>NPCC</b>	7.1	1.7	-	8.8	8.1	1.5	-	9.6	22.1	43.4%
<b>RF</b>	8.8	3.8	-	12.6	7.4	3.1	-	10.5	31.3	33.5%
<b>SERC</b>	3.3	9.7	-	13.0	2.6	8.3	-	10.9	32.0	34.1%
<b>Texas RE</b>	2.1	2.9	0.3	5.3	5.4	2.3	0.3	8.0	19.2	41.7%
<b>WECC</b>	12.1	10.1	3.5	25.7	13.2	-	2.9	16.1	35.4	45.5%
	<b>\$ 48.5</b>	<b>\$ 36.0</b>	<b>\$ 12.2</b>	<b>\$ 96.7</b>	<b>\$ 48.7</b>	<b>\$ 22.0</b>	<b>\$ 12.7</b>	<b>\$ 83.4</b>	<b>\$ 278.5</b>	<b>29.9%</b>

<sup>(1)</sup> WCOCR - Working Capital & Operating Contingency Reserve - Actual 12/31/24 WCOCR is 17.5% of annual 2024 budget, or 2.1 months of budgeted expenses

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

<sup>(3)</sup> Actual 12/31/24 total reserve balance is 29.9% of annual 2024 budget, or 3.6 months of budgeted operating expenses

# 2024 Total Year-End vs Budgeted Reserves

\$ - millions

Entity	Actual Ending				Budgeted Ending				Over/(Under)			
	WCOCR <sup>(1)</sup>	ASR <sup>(2)</sup> & Unreleased Penalties	Other Reserves	12/31/2024 Total Reserves	WCOCR <sup>(1)</sup>	ASR <sup>(2)</sup> & Unreleased Penalties	Other Reserves	12/31/2024 Total Reserves	WCOCR <sup>(1)</sup>	ASR <sup>(2)</sup> & Unreleased Penalties	Other Reserves	12/31/2024 Total Reserves
NERC	\$ 10.7	\$ 1.0	\$ 9.5	\$ 21.2	\$ 10.9	\$ 0.3	\$ 7.5	\$ 18.7	\$ (0.2)	\$ 0.7	\$ 2.0	\$ 2.5
MRO	1.3	5.8	-	7.1	1.0	2.3	-	3.3	0.3	3.5	-	3.8
NPCC	8.1	1.5	-	9.6	5.6	0.7	-	6.3	2.5	0.8	-	3.3
RF	7.4	3.1	-	10.5	2.9	1.0	-	3.9	4.5	2.1	-	6.6
SERC	2.6	8.3	-	10.9	1.9	7.8	-	9.7	0.7	0.5	-	1.2
Texas RE	5.4	2.3	0.3	8.0	2.1	2.4	0.3	4.8	3.3	(0.1)	-	3.2
WECC	13.2	-	2.9	16.1	11.7	-	2.6	14.3	1.5	-	0.3	1.8
	<b>\$ 48.7</b>	<b>\$ 22.0</b>	<b>\$ 12.7</b>	<b>\$ 83.4</b>	<b>\$ 36.1</b>	<b>\$ 14.5</b>	<b>\$ 10.4</b>	<b>\$ 61.0</b>	<b>\$ 12.6</b>	<b>\$ 7.5</b>	<b>\$ 2.3</b>	<b>\$ 22.4</b>

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

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



# Questions and Answers

*Lam Chung, Corporate Treasurer*

*P: 651.256.5187*

*F: 651.855.1712*

*E: [lam.chung@mro.net](mailto:lam.chung@mro.net)*

January 19, 2025

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

RE: Unaudited Midwest Reliability Organization (MRO) 2024 Fourth Quarter Statement of Activity –  
Cash Flow through December 31, 2024

Dear Mr. Sharp:

MRO experienced variances greater than \$10,000 and 10 percent. Fourth quarter results indicate that MRO's budget remains underspent by 8.6 percent.

**Meeting Expenses (Variance of \$161,646 (22.7%) under budget)**

Meetings and travel continue to be impacted by the hybrid approach of virtual and in-person meetings. Travel experienced less than budgeted travel costs as the virtual option was used more than expected.

**Operating Expenses (Variance of \$1,090,632 (26.3%) under budget)**

Consultants and contracts are under budget by 38.4 percent. Consulting decreased as staff re-prioritized needs. Some contracts were not renewed while others were renewed at a lesser amount. Office costs were less than budgeted because of the hybrid work environment. Reduced costs were realized mainly in supplies, repairs, and temporary staffing. Professional services were primarily underspent because legal fees were less than budgeted. The need for external legal support is difficult to predict.

**Fixed Assets (Variance of \$258,532 (38.7%) under budget)**

Capital asset purchases are under budget. Some fixed assets scheduled for 2024 were advanced to 2023 to accommodate unbudgeted expenses related to the ITCS. Unbudgeted costs for the ITCS were not substantial.

**2024 Budget Summary and 2025 Budget Outlook**

The budget underspend was driven by:

- Lower than budgeted personnel retirement costs and mid-year staff vacancies.
- Lower than budgeted consulting costs due to reprioritization of work managed by staff
- Cost savings realized in acquiring new contracts and renewing some existing contracts
- Reduced costs in office operations (i.e. repairs, supplies, temporary staffing)
- Cost for external legal support unrealized
- Lower than budgeted asset purchases including unbudgeted purchases related to ITCS study

We expect to meet the 2025 budget. There are external factors that may continue to present some uncertainty to the budget in the form of hybrid meetings, hybrid work environment, potential turnover and hiring costs, and unbudgeted costs related to new work.

Limited Disclosure

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**  
**12/31/2024**  
**PRELIMINARY (Unaudited)**

(In Whole Dollars)

	2024 YTD Actual	2024 YTD Budget	2024 YTD Variance	%
<b>Funding</b>				
<b>ERO Funding</b>				
	\$ 23,583,367	\$ 23,583,367	-	
	57,192	57,192	-	
<b>A. Total ERO Funding</b>	<b>\$ 23,640,559</b>	<b>\$ 23,640,559</b>	<b>\$ -</b>	
	354,311	61,834	292,477	
<b>Total Funding</b>	<b>\$ 23,994,870</b>	<b>\$ 23,702,393</b>	<b>\$ 292,477</b>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
	\$ 14,045,821	\$ 14,236,654	(190,833)	
	932,157	940,730	(8,573)	
	1,677,492	1,653,189	24,303	
	2,081,301	2,525,303	(444,002)	
<b>Total Personnel Expenses</b>	<b>\$ 18,736,771</b>	<b>\$ 19,355,876</b>	<b>\$ (619,105)</b>	<b>-3.2%</b>
<b>Meeting Expenses</b>				
	\$ 204,579	200,000	4,579	
	346,700	512,925	(166,225)	
<b>Total Meeting Expenses</b>	<b>\$ 551,279</b>	<b>\$ 712,925</b>	<b>\$ (161,646)</b>	<b>-22.7%</b>
<b>Operating Expenses</b>				
	\$ 708,254	\$ 1,150,498	(442,244)	
	1,066,680	1,171,880	(105,200)	
	813,410	1,244,266	(430,856)	
	468,668	581,000	(112,332)	
<b>Total Operating Expenses</b>	<b>\$ 3,057,012</b>	<b>\$ 4,147,644</b>	<b>\$ (1,090,632)</b>	<b>-26.3%</b>
<b>Total Direct Expenses</b>	<b>\$ 22,345,062</b>	<b>\$ 24,216,445</b>	<b>\$ (1,871,383)</b>	<b>-7.7%</b>
<b>Indirect Expenses</b>				
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>B. Total Expenses</b>	<b>\$ 22,345,062</b>	<b>\$ 24,216,445</b>	<b>\$ (1,871,383)</b>	
<b>Net Funding less Expenses (A-B)</b>	<b>\$ 1,649,809</b>	<b>\$ (514,052)</b>	<b>\$ 2,163,860</b>	
<b>C. Fixed Asset Additions, excluding Right of Use Assets</b>	<b>\$ 409,468</b>	<b>\$ 668,000</b>	<b>\$ (258,532)</b>	<b>-38.7%</b>
<b>Total Budget (B + C)</b>	<b>\$ 22,754,529</b>	<b>\$ 24,884,445</b>	<b>\$ (2,129,916)</b>	<b>-8.6%</b>
<b>Change in Working Capital (A-B-C)</b>	<b>\$ 1,240,341</b>	<b>\$ (1,182,052)</b>	<b>\$ 2,422,393</b>	
<b>Head Count</b>	80.00	80.00	-	
<b>FTEs</b>	78.75	80.00	(1.25)	

**Reserve Activity:**

Beginning Reserves - 1/1/24	\$ 7,478,219	\$ 4,599,521	\$ 2,878,698
Change to Working Capital	1,240,341	(1,182,052)	2,422,393
Penalties Received	395,550	-	395,550
Penalties Released	(119,026)	(119,026)	-
Other Reserve Activity	281,616	-	281,616
<b>Ending Reserves at 12/31/2024 :</b>	<b>\$ 9,276,700</b>	<b>\$ 3,298,443</b>	<b>\$ 5,978,256</b>

<b>Reserve Summary</b>	<b>1/1/2024</b>	<b>Additions</b>	<b>Uses/Transfer</b>	<b>12/31/2024</b>
Working Capital & Operating Contingency	1,931,281	1,240,341		3,171,622
Assessment Stabilization & Penalty Reserves	5,546,938	677,166	(119,026)	6,105,078
Other Reserve Activity	-	-		-
<b>Total Reserves</b>	<b>7,478,219</b>	<b>1,917,507</b>	<b>(119,026)</b>	<b>9,276,700</b>

Limited Disclosure



January 17, 2024

North American Electric Reliability Corporation  
3353 Peachtree Road NE  
Suite 600, North Tower  
Atlanta, GA 30326  
Attention: Andy Sharp, Vice President and Chief Financial Officer

Subject: NPCC Regional Entity Division Variance Comparison and  
Fourth Quarter 2024 Statement of Activities

Dear Andy:

The variance comparison for the period ended December 31, 2024 is included along with Northeast Power Coordinating Council, Inc.'s unaudited Fourth Quarter 2024 Statement of Activities.

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

Sincerely,

*Jessica Hala*

Jessica Hala  
Vice President, Finance and Treasurer

Enclosures

cc: Charles Dickerson – NPCC President & CEO  
ERO Finance Group



**NPCC Regional Entity Division  
Budget to Actual  
Variance Comparison as of December 31, 2024**

**TOTAL EXPENSES**

For the quarter ending December 31, 2024, the NPCC Regional Entity Division is \$1.5M or 6.6% under budget based on invoices received to date. This underspend will be added to NPCC's working capital and operating reserves and be utilized to reduce future assessments to fund operations. Despite several partial year open positions, resulting in lower than budgeted personnel expenses, NPCC successfully reprioritized 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 \$400k were applied to reduce 2024 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.
- **Interest & Investment Income** (Actual income of \$455k at year end) Interest & investment income is earned from the investment of excess operating cash in a 100% U.S. Treasury Securities money market fund. NPCC allocated \$455k as a portion of total interest income (95%) to the Regional Entity Division consistent with the ratio of Regional Entity (RE) to Criteria Services (CS) Division 2024 funding. A common system of accounts, with divisional separation, is used for both RE and CS revenue tracking and financial reporting.

**EXPENSES**

- **Personnel** (Variance of \$1.4M under budget at year end)  
Under budget variance is due to open positions for various periods throughout the year. Five partial year vacancies resulted from resignations. 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.
- **Meetings** (Variance of \$99k under budget at year end)  
Under budget variance is due to lower travel than projected. Some meetings continue to be held in virtual or hybrid format allowing for remote participation.



- **Office Costs** (Variance of \$167k under budget at year end)  
Under budget variance is mainly due to the shift from individual software products to Office 365 functionality, which is already covered by existing licenses. Additionally, the IT team successfully negotiated lower costs for license renewals compared to the budget.
- **Fixed Assets** (Variance of \$210k over budget at year end)  
Over budget variance is associated with advancing several software development projects planned for 2025. Over budget variance is offset by under budget office costs.

*(Unaudited)*  
*Submitted January 17, 2024*



**Northeast Power Coordinating Council, Inc. - Regional Entity Division**  
**Statement of Activities, Fixed Assets and Change in Working Capital**  
**(Unaudited)**  
**For the Period Ended December 31, 2024**

	2024 YTD Actual	2024 YTD Budget	2024 YTD Actual Variance from Budget Over(Under)	%
<b>Funding</b>				
ERO Assessments	20,734,062	20,734,062	-	
Penalties Released*	400,000	400,000	-	
Workshops & Misc Revenue	41,957	27,500	14,457	
Interest & Investment Income	455,191	47,337	407,854	
<b>Total Funding</b>	<b>21,631,210</b>	<b>21,208,899</b>	<b>422,311</b>	<b>2.0%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	11,546,358	12,456,749	(910,391)	
Payroll Taxes	855,222	886,163	(30,941)	
Benefits	2,892,406	3,198,026	(305,620)	
Retirement Costs	1,168,649	1,293,505	(124,856)	
<b>Total Personnel Expenses</b>	<b>16,462,636</b>	<b>17,834,444</b>	<b>(1,371,808)</b>	<b>-7.7%</b>
<b>Meeting Expenses</b>				
Meetings & Conference Calls	371,468	313,300	58,168	
Travel	521,125	678,650	(157,525)	
<b>Total Meeting Expenses</b>	<b>892,594</b>	<b>991,950</b>	<b>(99,357)</b>	<b>-10.0%</b>
<b>Operating Expenses, excluding Depreciation</b>				
Consultants & Contracts	817,812	900,000	(82,188)	
Office Rent	355,136	420,110	(64,974)	
Office Costs	1,049,774	1,216,463	(166,689)	
Professional Services	920,865	945,500	(24,635)	
Miscellaneous	20,962	30,000	(9,038)	
<b>Total Operating Expenses, excluding Depreciation</b>	<b>3,164,548</b>	<b>3,512,073</b>	<b>(347,525)</b>	<b>-9.9%</b>
Indirect Expense Allocation	(264,511)	(414,901)	150,390	-36.2%
Other Non-Operating Expenses	-	-	-	n/a
<b>Total Expenses</b>	<b>20,255,267</b>	<b>21,923,566</b>	<b>(1,668,299)</b>	<b>-7.6%</b>
<b>Change in Net Assets</b>	<b>1,375,943</b>	<b>(714,667)</b>	<b>2,090,610</b>	<b>-292.5%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>373,610</b>	<b>163,200</b>	<b>210,410</b>	<b>128.9%</b>
<b>Net Financing Activity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>
<b>Total Budget (Expenses plus Fixed Assets and Net Financing Activity)</b>	<b>20,628,877</b>	<b>22,086,766</b>	<b>(1,457,889)</b>	<b>-6.6%</b>
<b>Change in Working Capital (Total Funding less Total Budget)</b>	<b>1,002,333</b>	<b>(877,867)</b>	<b>1,880,200</b>	<b>-214.2%</b>
Equivalent Full Time Employees	61.60	67.00	(5.40)	
Headcount	67.00	71.00	(4.00)	
Beginning Total Reserves - 1/1/24	8,785,020	7,554,919	1,230,101	
Change to Working Capital	1,002,333	(877,867)	1,880,200	
Penalties Received (+)	186,000	-	186,000	
Penalties Released (-)	(400,000)	(400,000)	-	
Other Reserve Activity	-	-	-	
<b>Total Projected Reserves at 12/31/24</b>	<b>9,573,353</b>	<b>6,277,052</b>	<b>3,296,301</b>	
<b>Reserve Balance Summary</b>				
Working Capital & Operating Contingency Reserves	8,076,450	5,605,149	2,471,301	
Assessment Stabilization & Penalty Reserves	1,496,903	671,903	825,000	
Other Reserves	-	-	-	
<b>Total Projected Reserves at 12/31/24</b>	<b>9,573,353</b>	<b>6,277,052</b>	<b>3,296,301</b>	

\*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).



Beth Dowdell  
Treasurer and Senior Director, Corporate Services  
3 Summit Park Drive, Suite 600  
Cleveland, OH 44131  
Office: 216.503.0689  
Beth.Dowdell@rfirst.org

January 17, 2025

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

**ReliabilityFirst's 2024 4<sup>th</sup> Quarter Year-to-Date Statement of Activities Variance Report - Unaudited**

Dear Andy,

Attached is RF's 2024 4<sup>th</sup> Quarter Year-to-Date Statement of Activities (unaudited) and Variance Report. This includes a comparison of budgeted and actual expenses relative to the ReliabilityFirst Corporation 2024 Budget.

For more information, please contact me at 216.503.0689 or [beth.dowdell@rfirst.org](mailto:beth.dowdell@rfirst.org).

Sincerely,

**RELIABILITYFIRST CORPORATION**

*Beth Dowdell*

Beth Dowdell  
Treasurer and Senior Director, Corporate Services

Enclosures

Cc: Tim Gallagher, President and Chief Executive Officer  
Finance and Audit Committee

**RELIABILITY FIRST****ReliabilityFirst's 2024 4<sup>th</sup> Quarter Year-to-Date Statement of Activities Variance Report - Unaudited**

Year-to-date variances greater than \$10,000 and 10% are explained below.

**Funding**

- **Investment Income:** \$479K (958.74%) over budget
  - Unrealized returns; Investment portfolio performed better than expected. Interest income received on new checking accounts.

**Expenses**

- **Employee Benefits:** \$744K (24.93%) under budget
  - Negotiated lower health care costs than budgeted; Experienced a 2% vacancy rate for the fourth quarter. Training costs and education reimbursements were less than budgeted.
- **Meetings & Conference Calls:** \$71K (16.34%) under budget
  - Meeting costs were under budget primarily as a result of employees utilizing more virtual options and lower costs to host meetings than expected. There were also a few in-person meetings that we did not host but had in our budget.
- **Contracts & Consultants:** \$79K (14.33%) under budget
  - Lower contract costs from planned projects related to cloud consulting, network upgrades, assessments, and specialized topics, and the need for certain contractors was less than planned.
- **Rent & Utilities:** \$137K (16.10%) under budget
  - Rent was budgeted based on planned cash expenditures, which were higher than actual expense recognized per U.S. GAAP.
- **Office Costs:** \$124K (12.23%) under budget
  - Expenditures for computer software and services (situational awareness tools, MK Insight), subscriptions, and dues were less than planned.
- **Miscellaneous:** \$15K (31.51%) over budget
  - Higher background screening fees for new employees and employee programs.
- **Fixed Assets:** \$24K (13.40%) under budget
  - Timing of budgeted fixed asset purchases versus when projects will be completed; some fixed assets budgeted items were properly accounted for as expense.


**RELIABILITY FIRST**

ReliabilityFirst Statement of Activities  
From 1/1/2024 – 12/31/2024 (unaudited)

	2024 YTD Actual	2024 YTD Budget	YTD Variance Over/(Under)	% Variance
<b>Funding</b>				
Assessments	26,959,272	26,959,272	0	0.00%
Penalties Released	1,474,585	1,473,348	1,237	0.08%
Investment Income	529,368	50,000	479,368	958.74%
Miscellaneous Income	1,495	0	1,495	0.00%
<b>Total Funding</b>	<b>28,964,720</b>	<b>28,482,620</b>	<b>482,100</b>	<b>1.69%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	19,520,858	19,495,381	25,477	0.13%
Payroll Taxes	1,231,361	1,232,095	(734)	-0.06%
Employee Benefits	2,241,212	2,985,469	(744,257)	-24.93%
Savings & Retirement Costs	3,196,534	3,145,630	50,904	1.62%
<b>Total Personnel Expenses</b>	<b>26,189,964</b>	<b>26,858,575</b>	<b>(668,611)</b>	<b>-2.49%</b>
<b>Meeting Expenses</b>				
Meetings & Conference Calls	362,141	432,855	(70,714)	-16.34%
Travel	596,925	648,100	(51,175)	-7.90%
<b>Total Meeting Expenses</b>	<b>959,066</b>	<b>1,080,955</b>	<b>(121,889)</b>	<b>-11.28%</b>
<b>Operating Expenses</b>				
Contracts & Consultants	474,379	553,700	(79,321)	-14.33%
Rent & Utilities	715,496	852,751	(137,255)	-16.10%
Office Costs	887,512	1,011,134	(123,622)	-12.23%
Professional Services	766,912	741,816	25,096	3.38%
Miscellaneous	64,051	48,704	15,347	31.51%
<b>Total Operating Expenses</b>	<b>2,908,349</b>	<b>3,208,105</b>	<b>(299,756)</b>	<b>-9.34%</b>
<b>Non-Operating Expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>
<b>Total Expenses</b>	<b>30,057,379</b>	<b>31,147,635</b>	<b>(1,090,256)</b>	<b>-3.50%</b>
<b>Net Change in Assets</b>	<b>(1,092,659)</b>	<b>(2,665,015)</b>	<b>(1,572,356)</b>	<b>-59.00%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>153,198</b>	<b>176,900</b>	<b>(23,702)</b>	<b>-13.40%</b>
<b>Total Budget (Expenses + Fixed Assets)</b>	<b>30,210,577</b>	<b>31,324,535</b>	<b>(1,113,958)</b>	<b>-3.56%</b>
<b>Change in Working Capital (Total Funding less Total Budget)</b>	<b>(1,245,857)</b>	<b>(2,841,915)</b>	<b>(1,596,058)</b>	<b>-56.16%</b>
<b>FTE Count</b>	<b>97</b>	<b>98</b>	<b>(1)</b>	<b>-1.02%</b>



Working Capital Reserve Analysis  
From 1/1/2024 – 12/31/2024

	<b>2024 YTD Actual</b>
Beginning Total Reserves - 1/1/2024	8,806,790
Plus: Temporary Restricted Penalties	3,759,845
Beginning Total Reserve Balance 1/1/2024	12,566,635
Change to Working Capital	(1,245,857)
Add: Penalties Received	852,650
Subtract: Penalties Released	(1,474,585)
Other Reserve Activity	(143,620)
<b>Ending Reserve</b>	<b>10,555,223</b>
Working Capital & Operating Contingency Reserves	7,417,313
Assessment Stabilization & Penalty Reserves	3,137,910
<b>Total Reserves</b>	<b>10,555,223</b>

January 24, 2025

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

RE: SERC 2024 Q4 Unaudited Financial Statement – Budget vs. Actual

Andy:

Following, please find SERC's unaudited 2024 Q4 financial statement, reflecting actual to budgeted amounts with variance explanations.

If you have any questions, please let me know.

Thank you,

A handwritten signature in black ink, appearing to read "George Krogstie". The signature is written in a cursive, flowing style.

George Krogstie  
Chief Financial Officer and Corporate Treasurer

cc: Jason Blake

<b>SERC Reliability Corporation</b>				
<b>Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital</b>				
<b>From 1/1/2024 Through 12/31/2024</b>				
	<b>2024</b>	<b>2024</b>	<b>Variance</b>	
	<b>YTD Actuals</b>	<b>YTD Budget</b>	<b>2024 YTD Actual v 2024 YTD Budget</b>	<b>%</b>
			<b>Over(Under)</b>	
<b>Funding</b>				
<b>Statutory Funding</b>				
SERC Assessments	\$ 28,737,687	\$ 28,737,687	\$ -	
Penalties Released*	\$ 2,896,449	\$ 2,896,449	-	
<b>Total Statutory Funding</b>	<b>\$ 31,634,136</b>	<b>\$ 31,634,136</b>	<b>\$ -</b>	<b>0.00%</b>
Membership Fees	\$ -	\$ -	\$ -	
Federal Grants	-	-	-	
Services & Software	-	-	-	
Workshops & Miscellaneous	162,595	177,500	(14,905)	
Interest	883,134	106,000	777,134	
<b>Total Funding (A)</b>	<b>\$ 32,679,865</b>	<b>\$ 31,917,636</b>	<b>\$ 762,229</b>	<b>2.39%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	20,379,010	19,642,715	\$ 736,295	
Payroll Taxes	1,311,990	1,175,625	136,365	
Benefits	1,922,626	2,236,235	(313,609)	
Retirement Costs	2,654,159	2,495,863	158,296	
<b>Total Personnel Expenses</b>	<b>\$ 26,267,785</b>	<b>\$ 25,550,438</b>	<b>\$ 717,347</b>	<b>2.81%</b>
<b>Meeting Expenses</b>				
Meetings & Conference Calls	\$ 370,609	\$ 462,883	\$ (92,274)	
Travel	772,394	947,770	(175,376)	
<b>Total Meeting Expenses</b>	<b>\$ 1,143,003</b>	<b>\$ 1,410,653</b>	<b>\$ (267,650)</b>	<b>-18.97%</b>
<b>Operating Expenses, excluding Depreciation</b>				
Consultants & Contracts	\$ 766,559	\$ 1,155,750	\$ (389,191)	
Office Rent	956,196	\$ 855,067	101,129	
Office Costs	1,476,959	\$ 1,790,576	(313,617)	
Professional Services	542,135	\$ 547,470	(5,335)	
Miscellaneous	-	\$ -	-	
<b>Total Operating Expenses</b>	<b>\$ 3,741,849</b>	<b>\$ 4,348,863</b>	<b>\$ (607,014)</b>	<b>-13.96%</b>
<b>Total Direct Expenses</b>	<b>\$ 31,152,637</b>	<b>\$ 31,309,954</b>	<b>\$ (157,317)</b>	<b>-0.50%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses (B)</b>	<b>\$ 31,152,637</b>	<b>\$ 31,309,954</b>	<b>\$ (157,317)</b>	<b>-0.50%</b>
<b>Change in Assets</b>	<b>\$ 1,527,228</b>	<b>\$ 607,682</b>	<b>\$ 919,546</b>	<b>151.32%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 737,091</b>	<b>\$ 690,000</b>	<b>\$ 47,091</b>	<b>6.82%</b>
<b>TOTAL BUDGET (B+C)</b>	<b>\$ 31,889,728</b>	<b>\$ 31,999,954</b>	<b>\$ (110,226)</b>	<b>-0.34%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ 790,137</b>	<b>\$ (82,318)</b>	<b>\$ 872,455</b>	<b>-1059.86%</b>
FTE's	109.00	111.00	(2.00)	
Head Count	109.00	111.00	(2.00)	
<b>Beginning Reserve at 1/1/2024</b>	<b>13,084,551</b>	<b>12,683,610</b>	<b>400,941</b>	
Change to Working Capital	790,137	(82,318)	872,455	
Penalties Received (+)	1,781,300	-	1,781,300	
Penalties Released (-)	(2,896,449)	(2,896,449)	-	
Other Reserve Activity	-	-	-	
<b>Ending Reserves at 12/31/2024</b>	<b>12,759,539</b>	<b>9,704,843</b>	<b>3,054,696</b>	
Working Capital & Operating Contingency Reserves	3,221,499	1,904,843	1,316,656	
Assessment Stabilization & Penalty Reserves	9,538,040	7,800,000	1,738,040	
Other Reserves	-	-	-	
<b>Total Reserves Balance</b>	<b>12,759,539</b>	<b>9,704,843</b>	<b>3,054,696</b>	

\* 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 December 31, 2024 (Unaudited)****Overall Summary**

- YTD spending is \$110k under budget. Planned deferrals in travel, consulting and software expenses more than offset office relocation expenses and higher personnel expenses (driven by low staff vacancy rates).
- The timing of certain office relocation costs will result in approximately \$225k - \$275k planned for 2024 to be expensed in 2025
- Funding \$762k over budget YTD attributable to increased investment returns

**Income**

- **Funding (Actual - \$762k over budget)**
  - Favorable variances are driven by higher interest rates and increased overall investment amounts

**Expense**

- **Personnel Expenses (Actual - \$717k over budget)**
  - Significantly lower staff vacancy rate compared to budget, and higher participation in SERC 401k retirement program driving variances, partially offset by favorable health insurance renewal rates
- **Meeting/Travel Expenses (Actual - \$268k under budget)**
  - Deferred meetings, reduced travel and a weather-related meeting cancellation contributed to lower than budgeted expenses
- **Contracts/Consultants (Actual - \$389k under budget)**
  - Underage primarily due to lower-than-anticipated costs for RAPA studies and partial deferrals for management coaching and IT projects
- **Office Rent (Actual - \$101k over budget)**
  - Overage driven by new office lease expense beginning in December
- **Office Costs (Actual - \$314k under budget)**
  - Certain planned software purchases deferred driving underage in Office Costs
- **Professional Services (Actual - \$5k under budget)**
  - Lower than expected legal fees
- **Fixed Asset Purchases (Actual - \$47k over budget)**
  - Overage due to tenant improvement expenses associated with new lease, offset by planned expense reductions in other categories. Additional improvement expenses planned for 2024 will be expensed in 2025 due to timing of receipt and/or completion of activities.



January 19, 2025

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

RE: Texas Reliability Entity, Inc. 4th Quarter 2024 Statement of Activities and Variance Report

Dear Andy,

Attached is the 2024 fourth 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.

*Donna Bjornson*

Donna Bjornson, CPA  
Vice President and CFO  
**Texas Reliability Entity, Inc.**  
800 Metropolis Drive, Suite 300  
Austin, Texas 78744  
donna.bjornson@texasre.org  
512.583.4959



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## Budget to Actual Comparison as of December 31, 2024

Year-to-date variances greater than \$10,000 and 10% explained below.

### FUNDING

- **Interest: \$361,086 (722%) more than budget.**
  - Texas RE's banking account is the Business Banking U.S. End of Day Money Market Mutual Fund Sweep account. Interest earnings are greater than budget because interest rates are higher than anticipated at the time the 2024 budget was prepared.

### EXPENSES

Total Expenses as of December 31, 2024 are \$2,931,152 (-15.3%) less than budget.

- **Personnel Expenses: \$1,911,855 (-12.9%) less than budget.**
  - Personnel expenses are less than budget primarily because of turnover and vacancies. Texas RE has maintained an average of 63 full time equivalents (FTE's) throughout 2024 as compared to 70 FTE's in the budget. As of 12/31/24 only three vacancies remained: Two O&P Compliance Engineers and one IT Cybersecurity position.
  - Other personnel expenses such as payroll taxes, employee benefits, health benefits, and savings and retirement have a direct relationship to the number FTE's and salary expense, resulting in expenses which are lower than budgeted in all of these categories.
  - Health insurance premiums did not increase as budgeted and the use of forfeitures to fund retirement contributions also contributed to savings in personnel costs.
- **Meetings and Travel Expenses: \$138,146 (-29.6%) less than budget.**
  - Meetings and Conference Calls are \$11,167 (13%) more than budget primarily because of the reduction in travel expenses.
  - Travel expenses are \$149,314 (-39.2%) less than budget in most departments. Some travel costs did not materialize as expected. For example, the NERC leadership meeting as postponed to 2025 and the 2025 Business Plan and Budget presentations to FERC were virtual as opposed to in-person. Travel expenses in the RAPA Department were also significantly less than budgeted as the Department focused on the Interregional Transfer Capability Study and the implementation of the software being used for the energy adequacy assessments.



- **Total Operating Expenses: \$921,120 (-23.9%) less than budget.**
  - Rent and Improvements are \$975,413 (-47.7%) less than budget. Building maintenance expenses were almost \$700,000 less than budgeted. These estimates were prepared prior to moving into new office space and costs to maintain the new space have been significantly lower. The variance is also affected by the recognition of lease incentives to comply with the GAAP Lease Accounting Standard (ASC 842) and in March we received a \$60,000 credit from our Landlord resulting from the 2023 CAM reconciliation.
  - Office Costs are \$215,581 over budget (29.3%) primarily because of activities in the IT Department: 1) \$246,000 increase in software expenses, offset by \$115,000 of software costs which were previously in the budget as IT Managed Services (under Consultants & Contracts), but have been converted to software subscriptions. The software expense increase includes an investment in Enterprise Risk Management Software and software to assist the RAPA department in conducting energy adequacy assessments. 2) \$32,000 increase in computer equipment and supplies for new employees.
  - Consultants and Contracts are \$68,356 (-17.4%) under budget. \$115,000 of the under-run relates to IT Managed Services which have been converted to software subscriptions and are now allocated to Office Costs. This is offset by \$100,000 paid to recruiter fees to assist Texas RE in filling vacant positions. The balance in the under-run relates to Consulting expenses not needed in General and Administrative and IT Departments.
  - Professional Services are \$67,161 (-13.2%) under budget because of IT and Legal Services included in the budget but not needed in 2024.
- **Fixed Asset Additions: \$40,000 (80.0%) more than budget.**
  - Fixed asset additions are over budget primarily because of the installation of new door closure and badge readers.



**Texas Reliability Entity, Inc.**  
Statement of Activities and Fixed Assets  
For period December 31, 2024 (Unaudited)

	2024 Actual	2024 Budget	Budget Variance	% Budget Variance
<b>Funding</b>				
ERO Funding				
Assessments	\$ 18,681,013	\$ 18,681,013	\$ -	0.0%
Penalties Released	426,912	426,912	-	0.0%
Interest Income	411,086	50,000	361,086	722.2%
<b>Total Funding (A)</b>	<b>\$ 19,519,011</b>	<b>\$ 19,157,925</b>	<b>\$ 361,086</b>	<b>1.9%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	\$ 9,818,413	\$ 10,642,011	\$ (823,598)	-7.7%
Payroll Taxes	630,741	723,371	(92,630)	-12.8%
Employee Benefits	1,270,805	1,904,576	(633,771)	-33.3%
Savings & Retirement	1,159,034	1,520,920	(361,886)	-23.8%
<b>Total Personnel Expenses</b>	<b>\$ 12,878,993</b>	<b>\$ 14,790,878</b>	<b>\$ (1,911,885)</b>	<b>-12.9%</b>
<b>Meeting &amp; Travel Expenses</b>				
Meetings & Conference Calls	\$ 97,067	\$ 85,900	\$ 11,167	13.0%
Travel	231,836	381,150	(149,314)	-39.2%
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 328,904</b>	<b>\$ 467,050</b>	<b>\$ (138,146)</b>	<b>-29.6%</b>
<b>Operating Expenses</b>				
Consultants & Contracts	\$ 325,144	\$ 393,500	\$ (68,356)	-17.4%
Rent & Improvements	1,070,291	2,045,704	(975,413)	-47.7%
Office Costs	951,199	735,618	215,581	29.3%
Professional Services	582,242	675,175	(92,933)	-13.8%
<b>Total Operating Expenses</b>	<b>\$ 2,928,877</b>	<b>\$ 3,849,997</b>	<b>\$ (921,120)</b>	<b>-23.9%</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Total Expenses</b>	<b>\$ 16,136,773</b>	<b>\$ 19,107,925</b>	<b>\$ (2,971,152)</b>	<b>-15.5%</b>
Change in Assets	<b>\$ 3,382,238</b>	<b>\$ 50,000</b>	<b>\$ 3,332,238</b>	<b>6664.5%</b>
<b>Fixed Asset Additions, excl. ROU Assets</b>	<b>\$ 90,000</b>	<b>\$ 50,000</b>	<b>\$ 40,000</b>	<b>80.0%</b>
<b>Total Budget (B)</b>	<b>\$ 16,226,773</b>	<b>\$ 19,157,925</b>	<b>\$ (2,931,152)</b>	<b>-15.3%</b>
<b>Change in Working Capital (A - B)</b>	<b>\$ 3,292,238</b>	<b>\$ (0)</b>	<b>\$ 3,292,238</b>	<b>-1135254606.9%</b>
FTE's	67	70	(3)	



## Working Capital Reserve Analysis

	YTD 2024 Actual	Total 2024 Projection
Beginning Working Capital as of 1/1/24	\$ 5,329,020	\$ 5,329,020
Change to Working Capital 2024	3,292,238	3,292,237
Minus Penalties Released	(426,912)	(426,912)
Penalties Collected	4,600	4,600
Other Reserve Activity (ASC 842 Lease Incentives)	(169,153)	(169,153)
<b>Working Capital</b>	<b><u>\$ 8,029,793</u></b>	<b><u>\$ 8,029,792</u></b>
Operating Contingency Reserves	\$ 2,000,000	\$ 2,000,000
Working Capital Reserves	3,436,968	3,436,967
Assessment Stabilization & Penalty Reserves	2,260,107	2,260,107
Reserve for Future Lease Obligations	332,718	332,718
<b>Total Reserves and Contingency</b>	<b><u>\$ 8,029,793</u></b>	<b><u>\$ 8,029,792</u></b>



**Adam Jensen**  
**Financial Controller**  
**January 21, 2025**

Mr. Andy Sharp  
Vice President, Chief Financial Officer  
North American Electric Reliability Corporation  
3353 Peachtree Road, N.E. Suite 600—North Tower  
Atlanta, GA 30326

RE: WECC Q4 2024 Statutory Statement of Activities and Variance Report

Dear Andy,

Attached is WECC's fourth-quarter Statutory Statement of Activities (Unaudited) and Variance Report. WECC's 2024 unaudited, net year-to-date results are \$235,040 over budget, excluding the impact of 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 contact me.

Regards,

Adam Jensen  
Financial Controller

Enclosures

Cc: Melanie Frye, President and Chief Executive Officer  
WECC Finance and Audit Committee



**Statutory Statement of Activities**  
**(Unaudited)**  
**As of January 21, 2025**  
**Variance Report**

*Year-to-date variances greater than \$10,000 and 10% are explained below. The explanations pertain to all statutory activities.*

## **Funding**

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- Interest: \$840,000 over budget

Interest is over budget due to higher-than-budgeted interest rates and investment income.

## **Expenses**

---

- Employee Benefits: \$352,000 under budget

Employee Benefits are under budget primarily due to budgeted benefits enrollment level assumptions compared to actual, and lower-than-budgeted utilization of the Health Reimbursement Account benefit.

- Meetings & Conference Calls: \$152,000 under budget

Meetings & Conference Calls are under budget primarily due to the conversion of some in-person meetings to a virtual format.

- Consultants & Contracts: \$238,000 over budget

Consultants & Contracts are over budget primarily due to unbudgeted Board Director search fees.

- Other Non-Operating Expenses: \$1.85 million over budget

Other Non-Operating Expenses are over budget by \$1.85 million due to the write-off of assessment invoices owed from Centro Nacional de Control de Energia.

## **Fixed Assets**

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- Fixed Assets: \$60,000 under budget

Fixed Assets are under budget primarily due to the timing of server and equipment upgrades and replacements compared to budget.

### Statutory Statement of Activities and Variance Explanations (Jan 21, 2025)



#### Western Electricity Coordinating Council Statutory Statement of Activities From 1/1/2024 to 12/31/2024 (Unaudited)

(In Whole Dollars)

	2024 YTD Actual	2024 YTD Budget	2024 YTD Variance	%
<b>Funding</b>				
Assessments	25,000,000	25,000,000	-	0.0%
Penalties Released <sup>1</sup>	10,137,948	10,137,948	-	0.0%
Workshops & Miscellaneous	431,552	475,250	(43,698)	-9.2%
Interest	1,440,284	600,000	840,284	140.0%
<b>Total Funding</b>	<b>37,009,784</b>	<b>36,213,198</b>	<b>796,586</b>	<b>2.2%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	22,095,062	22,648,808	(553,746)	-2.4%
Payroll Taxes	1,554,953	1,436,739	118,214	8.2%
Employee Benefits	2,417,785	2,770,166	(352,381)	-12.7%
Retirement Costs	1,939,510	2,040,273	(100,763)	-4.9%
<b>Total Personnel Expenses</b>	<b>28,007,310</b>	<b>28,895,986</b>	<b>(888,676)</b>	<b>-3.1%</b>
<b>Meeting Expenses</b>				
Meetings & Conference Calls	452,323	604,764	(152,441)	-25.2%
Travel	744,896	749,170	(4,274)	-0.6%
<b>Total Meeting Expenses</b>	<b>1,197,219</b>	<b>1,353,934</b>	<b>(156,715)</b>	<b>-11.6%</b>
<b>Operating Expenses, excluding Depreciation</b>				
Consultants & Contracts	967,069	728,900	238,169	32.7%
Office Rent	1,287,260	1,327,202	(39,942)	-3.0%
Office Costs	2,744,446	2,691,307	53,139	2.0%
Professional Services	1,177,666	1,261,211	(83,545)	-6.6%
Miscellaneous	-	-	-	
<b>Total Operating Expenses</b>	<b>6,176,441</b>	<b>6,008,620</b>	<b>167,821</b>	<b>2.8%</b>
<b>Total Direct Expenses</b>	<b>35,380,970</b>	<b>36,258,540</b>	<b>(877,570)</b>	<b>-2.4%</b>
<b>Indirect Expenses</b>	<b>(863,111)</b>	<b>(980,785)</b>	<b>117,674</b>	<b>-12.0%</b>
<b>Other Non-Operating Expenses</b>	<b>1,851,793</b>	<b>-</b>	<b>1,851,793</b>	
<b>Total Expenses</b>	<b>36,369,652</b>	<b>35,277,755</b>	<b>1,091,897</b>	<b>3.1%</b>
<b>Change in Net Assets</b>	<b>640,132</b>	<b>935,443</b>	<b>(295,311)</b>	<b>-31.6%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>66,769</b>	<b>127,040</b>	<b>(60,271)</b>	<b>-47.4%</b>
<b>Total Expenditures</b>	<b>36,436,421</b>	<b>35,404,795</b>	<b>1,031,626</b>	<b>2.9%</b>
<b>Change in Working Capital (Total Funding less Total Budget)</b>	<b>573,363</b>	<b>808,403</b>	<b>(235,040)</b>	
FTEs	155.18	168.00	(12.83)	
Headcount	160.00	168.00	(8.00)	
Working Capital at 1/1/2024	12,062,711	10,664,692	1,398,019	
Peak Reliability Donation Expenditures	400,760	250,000	150,760	
Change to WC - 2024	573,363	808,403	(235,040)	
<b>Working Capital at 12/31/2024<sup>2</sup></b>	<b>13,036,834</b>	<b>11,723,095</b>	<b>1,313,739</b>	

<sup>1</sup> 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.

<sup>2</sup> See Working Capital and Reserve Analysis table for additional details.



## Working Capital and Reserve Analysis

<b>Working Capital and Reserve Analysis</b>					
<b>STATUTORY</b>					
	<b>Total</b>	<b>Working Capital Reserve</b>	<b>Unreleased Penalties</b>	<b>Peak Reliability Donation</b>	
<b>Beginning Reserve, January 1, 2024</b>	\$ 25,658,711	\$ 12,062,711	\$ 10,137,948	3,458,052	
Plus: Total Funding	37,014,184	37,009,784	4,400	-	
Penalties Release	(10,137,948)	-	(10,137,948)	-	
Less: Expenditures	(36,436,421)	(36,035,661)	-	(400,760)	
Plus: Non-Statutory Fund Adjustment	-	-	-	-	
<b>Reserve, December 31, 2024</b>	<b>\$ 16,098,526</b>	<b>\$ 13,036,834</b>	<b>\$ 4,400</b>	<b>\$ 3,057,292</b>	

## **2026 Business Plan and Budget Schedule**

### **Action**

Update

### **Background**

As will be discussed further during the February 13, 2025, MRC Meeting, NERC is developing its three-year plan for 2026–2028. The three-year plan supports the [ERO Enterprise Long-Term Strategy](#) by defining how NERC realizes its long-term ambitions to achieve specific objectives. NERC’s annual Business Plan and Budget (BP&B) for each of the three years operationalizes the plan and identifies resource and funding requirements. NERC is currently preparing its 2026 BP&B, which will include NERC’s proposed budget for 2026 and projections for 2027 and 2028 in support of the 2026-2028 plan. The BP&B will connect NERC’s investments with the value proposition of the three-year plan strategic priorities and goals.

### **Summary**

The preparation of NERC’s annual BP&B undergoes a robust development and stakeholder review process. The 2026 BP&B preparation schedule includes the following:

#### **November 2024–March 2025**

- Seek stakeholder input on and finalize the 2026-2028 strategic priorities and goals

#### **January-March 2025**

- Develop the 2026 budget and 2027 and 2028 projections in support of NERC’s 2026-2028 plan

#### **April 2025**

- Review proposed 2026 budget and 2027 and 2028 projection assumptions with:
  - Board of Trustees
  - MRC BP&B Input Group
  - Trades & Forums Representatives
  - Member Executive Committee (MEC) for E-ISAC budget

#### **May-June 2025**

- Finance and Audit Committee (FAC) hosts public webinar to review NERC and Regional Entity 2026 BP&B highlights (Regional Entity BP&Bs are developed through their own stakeholder input processes)
- Post draft 2026 BP&B for 30-day stakeholder comment period

## **July 2025**

- Prepare final 2026 BP&B
- Review NERC's response to stakeholder comments and the final 2026 budget and 2027 and 2028 projection assumptions with:
  - FAC
  - MRC BP&B Input Group
  - Trades & Forums Representatives
  - MEC (MEC endorses 2026 E-ISAC budget)

## **August 2025**

- Request FAC recommend approval of NERC and Regional Entity 2026 BP&Bs
- Request Board approval of NERC and Regional Entity 2026 BP&Bs
- File 2026 BP&Bs with FERC, followed by filings with Canadian regulatory authorities

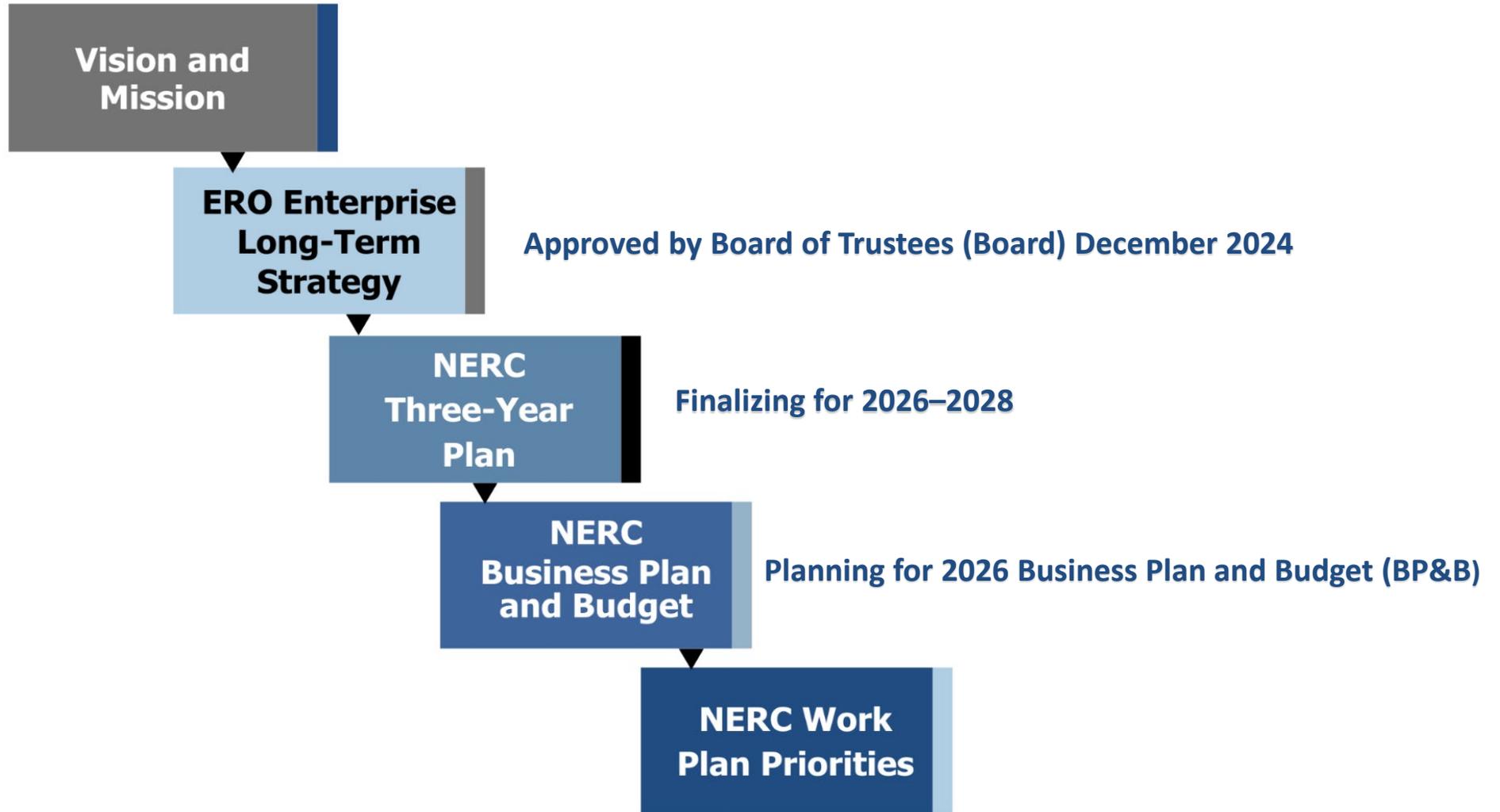
NERC management will provide an overview of this process and timeline for the 2026 BP&B during the FAC's February 12, 2025, meeting.

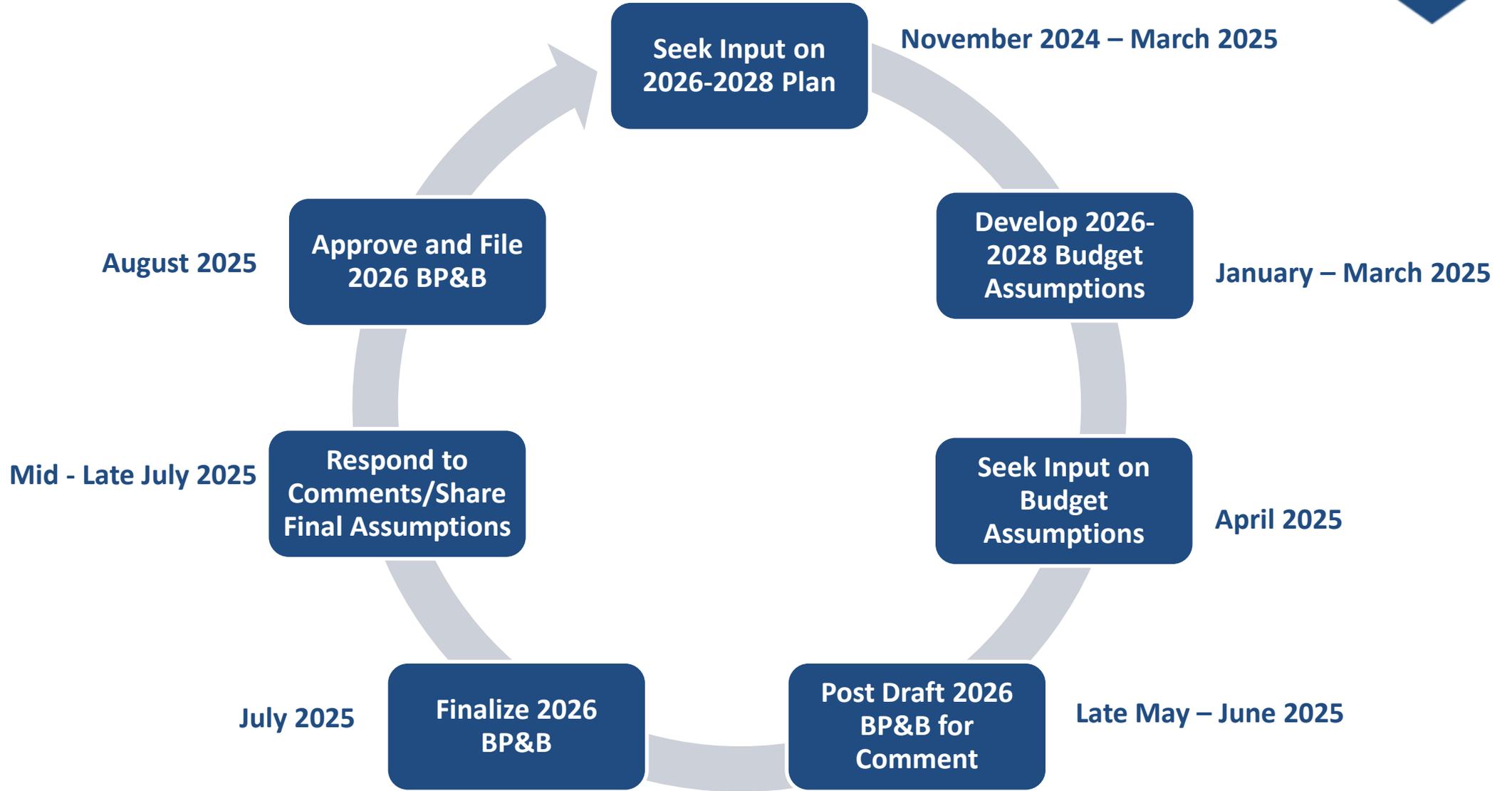
**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# 2026 Business Plan and Budget Planning Schedule

Andy Sharp, Vice President and Chief Financial Officer  
Finance and Audit Committee Meeting  
February 12, 2025







# Questions and Answers