NERC Summary of Unaudited Results as of December 31, 2021

Andy Sharp, Vice President and Chief Financial Officer
Finance and Audit Committee Meeting
February 9, 2022
• Total funding – $0.3M (0.5%) over budget
  ▪ CRISP third-party funding higher than budget, offset by lower investment income
• Total expenditures – $2.8M (3.3%) under budget
  ▪ Lower personnel costs and net financing activity, decreased spending on meetings, travel, and transportation due to the pandemic
  ▪ Partially offset by higher spending on software, liability insurance, and professional services
• Reserve increase $3.1M over budget
2021 Fourth Quarter YTD Results by Category

- Personnel: +1.1%
- Meetings & Travel: -87.3%
- Operating Expenses: -0.7%
- Fixed Assets: +5.5%
- Net Financing Activity: -111.6%

2021 Year-End Budget compared to 2021 Year-End Actuals
• Operating Contingency Reserve (OCR)
  ▪ Began year with $8.0M
    o Budgeted use of $1.8M to fund 2021 Align project costs
    o Actual net increase of $700k from operating and financing activity ($2.5M favorable to budget)
    o Ending balance of $8.7M

• Assessment Stabilization Reserve (ASR) – $2.5M
  ▪ No releases or additions
2021 Projected Year-End Reserves Breakdown

TOTAL RESERVES OF $15.8M

- Operating Contingency Reserve: $8.7 million
- Assessment Stabilization Reserve: $0.4 million
- Future Obligation Reserve: $1.4 million
- System Operator Reserve: $1.4 million
- CRISP Defense Fund Reserve: $0.9 million
- CRISP Operating Reserve: $0.5 million
- CRISP Special Projects Reserve: $0.1 million

($ millions)
Next Steps

- Financial audit by RSM will begin in March
- Auditor’s report and findings will be presented to the Finance and Audit Committee in May
Questions and Answers
Total ERO Enterprise Summary of Unaudited Results as of December 31, 2021

Andy Sharp, Vice President and Chief Financial Officer
Finance and Audit Committee Meeting
February 9, 2022
Total expenditures for the ERO Enterprise were under budget $7.6M (3.6%).
• Personnel – NERC, RF, and Texas RE were under budget.
• Meetings and Travel – All entities were under budget.
• Operating Expenses – NERC, RF, Texas RE, and WECC were over budget.
• Fixed Assets – NPCC and Texas RE were under budget, all other entities were over budget.
2021 Total Reserve Balances by Entity

*Adjusted for audited results and all reserve categories
## 2021 Year-End Total Reserves

<table>
<thead>
<tr>
<th>Entity</th>
<th>Beginning WOCOR(^{(1)})</th>
<th>Beginning ASR(^{(2)}) &amp; Unreleased Penalties</th>
<th>Beginning Other Reserves</th>
<th>1/1/2021 Beginning Total Reserves</th>
<th>Year End WOCOR(^{(1)})</th>
<th>Year End ASR(^{(2)}) &amp; Unreleased Penalties</th>
<th>Year End Other Reserves</th>
<th>12/31/2021 Year End Total Reserves</th>
<th>Total 2021 Budget</th>
<th>% of Reserves to 2021 Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>NERC</td>
<td>$8.1</td>
<td>$2.5</td>
<td>$4.1</td>
<td>$14.7</td>
<td>$8.7</td>
<td>$2.5</td>
<td>$4.6</td>
<td>$15.8</td>
<td>$82.9</td>
<td>19.1%</td>
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<tr>
<td>MRO</td>
<td>5.9</td>
<td>2.6</td>
<td>-</td>
<td>8.5</td>
<td>5.3</td>
<td>3.2</td>
<td>-</td>
<td>8.5</td>
<td>18.4</td>
<td>46.2%</td>
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<tr>
<td>NPCC</td>
<td>5.6</td>
<td>0.6</td>
<td>0.6</td>
<td>6.8</td>
<td>6.5</td>
<td>1.0</td>
<td>-</td>
<td>7.5</td>
<td>16.4</td>
<td>45.7%</td>
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<tr>
<td>RF</td>
<td>4.0</td>
<td>6.5</td>
<td>-</td>
<td>10.5</td>
<td>7.8</td>
<td>5.3</td>
<td>-</td>
<td>13.1</td>
<td>24.8</td>
<td>52.8%</td>
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<tr>
<td>SERC</td>
<td>2.9</td>
<td>4.8</td>
<td>-</td>
<td>7.7</td>
<td>2.8</td>
<td>5.4</td>
<td>-</td>
<td>8.2</td>
<td>25.8</td>
<td>31.8%</td>
</tr>
<tr>
<td>Texas RE</td>
<td>2.0</td>
<td>1.6</td>
<td>1.2</td>
<td>4.8</td>
<td>2.0</td>
<td>1.9</td>
<td>-</td>
<td>3.9</td>
<td>14.2</td>
<td>27.5%</td>
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<tr>
<td>WECC</td>
<td>8.6</td>
<td>6.3</td>
<td>3.8</td>
<td>18.7</td>
<td>9.7</td>
<td>6.7</td>
<td>3.8</td>
<td>20.2</td>
<td>28.6</td>
<td>70.6%</td>
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<tr>
<td>Total</td>
<td>$37.1</td>
<td>$24.9</td>
<td>$9.7</td>
<td>$71.7</td>
<td>$42.8</td>
<td>$26.0</td>
<td>$8.4</td>
<td>$77.2</td>
<td>$211.1</td>
<td>36.6%</td>
</tr>
</tbody>
</table>

\(^{(1)}\) WOCOR - Working Capital & Operating Contingency Reserve - Year End 12/31/21 WOCOR is 20.3% of annual 2021 budget, or 2.4 months of budgeted expenses

\(^{(2)}\) ASR - Assessment Stabilization Reserve

\(^{(3)}\) Year End 12/31/21 total reserve balance is 36.6% of annual 2021 budget, or 4.4 months of budgeted operating expenses
Questions and Answers