

NERC

Summary of Unaudited Results

2017

Scott Jones
Vice President, Chief Financial and Administrative Officer
Finance and Audit Committee Meeting
February 7, 2018

RELIABILITY | ACCOUNTABILITY



- Total Funding was \$227k (0.3%) over budget
 - Includes planned use of SOCCED and Future Obligation Reserves
 - CRISP and testing fees were lower than budget
 - Interest income higher than budgeted
- Total Expenditures were \$933k (1.3%) under budget
 - Personnel and office costs over budget
 - Fixed assets under budget
- Net impact was \$1.7M increase in operating reserves

- Total Reserves Balance - \$9.0M
 - Operating Contingency Reserve (OCR) - \$3.3M
 - Assessment Stabilization Reserve (ASR) - \$2.2M
 - Future Obligation Reserve - \$2.6M
 - System Operator Reserve - \$477k
 - CRISP Reserve - \$500k

- Operating Contingency Reserve (\$3.3M)
 - Began year with \$2.3M
 - Budgeted \$500k replenishment
 - Generated additional \$1.2M from normal operations
 - Used \$700k for budgeted debt service

- Assessment Stabilization Reserve (\$2.2M)
 - Began year with \$2.3M
 - Received \$1.0M in penalties
 - Used \$1.1M for budgeted offset to assessment

- Financial audit by Grant Thornton will begin in March
- Auditor's report and findings will be presented to FAC in May
- Likely adjustments between budget presentation and accounting guidance (leases, capitalized labor, others)
- In 2018, planning to match variance reporting with budget, make adjustments before audit
 - Transfer of IT projects between departments
 - Treatment of capital leases
 - Treatment of capitalized labor



Questions and Answers

Combined ERO Enterprise Summary of Unaudited Results 2017

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- Combined ERO Enterprise was under budget \$3.3M (1.7%)
 - Personnel expenses were on budget
 - Meeting expenses were under budget (-12.5%) mainly due to less travel
 - Operating expenses were slightly over budget (+2.0%) due primarily to higher office costs
 - Fixed assets were under budget (-24.7%) as a result of lower spending, as well as reclassification of expenses to office costs

- NERC and five Regional Entities ended under budget
 - NERC (-1.3) – lower fixed asset expenses
 - FRCC (-4.0%) – lower personnel, meeting, travel, and operating expenses
 - MRO (-5.2%) – lower operating and fixed asset expenses
 - NPCC (-3.7%) – lower personnel, meeting, travel, and operating expenses
 - SERC (-4.4%) – lower personnel expenses
 - TRE (-5.6%) – lower personnel, meeting, travel, and operating expenses
- Three Regional Entities ended at or over budget
 - SPP (1.7%) – higher personnel and operating expenses
 - RF and WECC were slightly over budget

- \$36.7M – Total reserves as of January 1, 2017
 - Budgeted release of \$7.8M to offset assessments/budgets in 2017
 - Generated \$3.4M in reserves during 2017 from operations
 - Net decline in reserves for 2017 of \$4.4M
- \$32.3M – Total reserves as of December 31, 2017
 - Started 2017 with \$6.2M more than budgeted
 - Starting 2018 with \$4.9M more than budgeted



Questions and Answers