

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# NERC Summary of Unaudited Results for 2018

Scott Jones, Senior Vice President, Chief Financial and Administrative Officer  
Finance and Audit Committee Meeting  
February 6, 2019

**RELIABILITY | ACCOUNTABILITY**



- Total funding is slightly under budget
  - CRISP revenue, after true-ups, is lower than budget. CRISP program contractor costs were under budget, contributing to an adjustment to CRISP revenue.
- Total expenditures were \$2.0M (2.8%) under budget
  - Lower-than-expected spending for contracts and consultants
  - Less-than-budgeted costs from PNNL for CRISP
  - Excluding CRISP, NERC's total expenses were under budget 1.2%
- Net impact was \$1.6M increase in operating reserves
  - Loan principal payments were \$483k less than budgeted, contributing to larger reserve increase

- Total reserves balance is \$11.0M
  - Operating Contingency Reserve (OCR) – \$5.3M
  - Assessment Stabilization Reserve (ASR) – \$2.1M
  - Future Obligation Reserve – \$2.5M
  - System Operator Reserve – \$581k
  - CRISP Reserve – \$500k

- Operating Contingency Reserve (\$5.3M)
  - Began year with \$3.7M
  - Budgeted \$600k transfer from ASR
  - Budgeted use of \$231k
  - Generated \$1.9M from under budget spending in operations
  - Used \$717k for loan principal payments
- Assessment Stabilization Reserve (\$2.1M)
  - Began year with \$2.7M
  - Used \$600k for budgeted offset to assessments

- Financial audit by Grant Thornton will begin in March
- Auditor's report and findings will be presented to FAC in May
- Adjustments between budget presentation and accounting guidance for audit, primarily for leases and capitalized labor on IT projects (no effect on operating reserves)



# Questions and Answers

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# Combined ERO Enterprise Summary of Unaudited Results 2018

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- Combined ERO Enterprise was under budget \$7.8M (4.0%)
  - Personnel expenses were slightly under budget (-1.5%) predominately due to staff vacancies
  - Meeting and travel expenses were under budget (-13.4%) mainly due to meeting cost savings efforts, reduced or rescheduled meetings, and lower-than-expected travel activity
  - Operating expenses were slightly under budget (-0.3%)
  - Fixed assets were under budget (-20.9%) primarily due to lower spending



- NERC and five Regional Entities were under budget
  - NERC (-2.8%) – lower operating and fixed asset expenses
  - NPCC (-4.6%) – lower personnel, meetings, travel, and operating expenses
  - RF (-2.3%) – lower personnel and travel expenses
  - SPP RE (-50.7%) – lower expenses overall due to dissolution of operations
  - Texas RE (-10.4%) – lower personnel, travel, and operating expenses
  - WECC (-0.4%) – lower meeting expenses
- Three Regional Entities were over budget
  - FRCC (+4.7%) – higher personnel expenses
  - MRO (+15.9%) – higher personnel and operating expenses
  - SERC (+0.7%) – higher operating expenses

- \$33.0M – Total reserves as of January 1, 2018
  - Started \$5.5M over combined budgets
- \$37.4M – Total reserves as of December 31, 2018
  - Starting 2019 with \$7.3M more than expected



# Questions and Answers