

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# NERC Summary of Unaudited Results Third Quarter 2019

Andy Sharp, Vice President, Controller and Interim CFO  
Finance and Audit Committee Meeting  
October 31, 2019

RELIABILITY | RESILIENCE | SECURITY



- Total funding – \$600k (1.0%) over budget
  - Higher workshop revenue and investment income
- Total expenditures – \$2.6M (4.3%) under budget
  - Primarily due to the expected timing of expenditures versus budget
- Net impact was \$3.2M increase in reserves

- Funding – \$200k (0.3%) over budget
  - Higher workshop revenue and investment income, offset by lower third-party revenues needed to fund CRISP
- Operating expenditures – \$400k (0.5%) over budget
  - Personnel expenses expected to be over budget due to transition costs and search fees
  - Meeting expenses expected to be higher than budget, largely offset by workshop fee funding
  - Fixed assets projected to be under budget

- Projected net results from operating activities – \$200k unfavorable to budget
- Debt service will be \$700k favorable to budget
- 2019 loan borrowing for ERO software projects expected to be lower than budget, due to favorable debt service

- Total projected reserve balances – \$9.6M
  - Operating Contingency Reserve – \$4.7M
  - Assessment Stabilization Reserve – \$1.5M
  - Future Obligation Reserve – \$2.1M
  - System Operator Reserve – \$708k
  - CRISP Reserve – \$500k
- Total year-end reserves projected in 2019 budget – \$8.6M



# Questions and Answers

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# ERO Enterprise Combined Summary of Unaudited Results Third Quarter 2019

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- Total expenditures for the ERO Enterprise are under budget \$4.3M (2.9%)
  - Personnel expenses over budget \$713k (0.7%)
    - NERC – \$786k (2.4%) due to transition costs and search fees
    - FRCC – \$1.5M (62.6%) due to FRCC RE transition costs
    - SERC – \$1.2M (12.2%) due to FRCC RE transition costs
  - Other categories under budget mainly due to timing of expenditures and lower spending:
    - Meeting and travel expenses – \$438k (-5.7%)
    - Operating expenses – \$4.0M (-9.9%)
    - Fixed asset additions – \$1.1M (-26.1%)



- NERC and five Regional Entities under budget
  - **NERC** \$2.6M (-4.3%) – operating costs and fixed asset additions
  - **MRO** \$1.7M (-14.6%) – personnel, travel, and operating costs
  - **NPCC** \$858k (-7.4%) – personnel, meeting, and operating costs
  - **RF** \$475k (-4.0%) – personnel and operating costs
  - **Texas RE** \$775k (-7.9%) – personnel, meeting, and operating costs
  - **WECC** \$912k (-4.6%) – personnel, meeting, travel, and operating costs, and fixed asset additions
- Two Regional Entities over budget
  - **FRCC** \$1.4M (41.6%) – personnel costs
  - **SERC** \$1.8M (13.7%) – personnel, meeting, travel, and operating costs, and fixed asset additions

- The ERO Enterprise expects to be over budget \$415k (0.2%) at year-end
  - NERC projects to be over budget \$402k
  - SERC projects to be over budget \$5.1M due to FRCC RE transition
  - FRCC projects to be under budget \$1.6M due to FRCC RE transition
  - MRO projects to be under budget \$1.3M due to staff vacancies
  - NPCC projects to be under budget \$714k
  - RF projects to be under budget \$677k
  - WECC projects to be under budget \$652k
  - Texas RE projects to be under budget \$193k

- \$37.6M – Total reserves as of January 1, 2019
  - Started \$7.7M over combined budgets
- \$49.7M – Total reserves as of September 30, 2019
  - \$16.9M more than expected through Q3
- \$34.9M – Year-end projection for 2019
  - Ending \$9.3M more than budgeted



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# 2021 Business Plan & Budget Preparation Schedule

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- The NERC and Regional Entity (RE) business plan and budget (BP&B) process takes several months and numerous stakeholders and groups are involved throughout:
  - NERC Board of Trustees (Board) and Finance and Audit Committee (FAC)
  - RE boards and finance committees
  - ERO Finance Group (NERC and RE representatives)
  - Other ERO working groups where relevant
  - Members Representatives Committee (MRC)
  - MRC BP&B Input Group
  - Trade associations and forums

- April

- High-level NERC budget overview provided to MRC BP&B Input Group, trades and forums representatives, and NERC FAC
- Draft 1 of RE BP&Bs due to NERC

- May

- Preview of Draft 1 NERC and RE BP&Bs shared with NERC FAC
- Draft 1 NERC BP&B posted for comment
- NERC and RE BP&Bs reviewed with FERC
- FAC webinar to review Draft 1 NERC and RE BP&Bs



- July

- Final, RE Board-approved BP&Bs and LSE/NEL data due to NERC
- NERC BP&B Draft 1 comments and preview of Draft 2 discussed with MRC BP&B Input Group, trades and forums representatives, and NERC FAC
- Draft 2 NERC BP&B posted for comment
- FAC webinar to review Draft 2 NERC and Final RE BP&Bs

- August

- Final NERC and RE BP&Bs and assessments posted
- Request for NERC Board approval of NERC and RE BP&Bs and assessments
- FERC filing for approval of NERC and RE BP&Bs and assessments, with subsequent filings to Canadian provincial authorities



# Questions and Answers