

Agenda

Finance and Audit Committee Meeting

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

In-Person

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

Virtual Attendees

Webcast Link: [Join Meeting](#)

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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. May 8, 2024 Open Meeting*
2. **Second Quarter Unaudited Summary of Results* – Review and Recommend to Board of Trustees for Acceptance**
 - i. NERC Second Quarter 2024 Unaudited Summary of Results
 - ii. Total ERO Enterprise Second Quarter 2024 Unaudited Summary of Results
3. **NERC, Regional Entity, and WIRAB Proposed 2025 Business Plans and Budgets and Associated Assessments* – Review and Recommend to Board of Trustees for Approval**
4. **Finance and Audit Committee Mandate* – Update**
5. **Other Matters and Adjournment**

*Background materials included.

DRAFT Minutes

Finance and Audit Committee Open Meeting

May 8, 2024 | 9:00-9:30 a.m. Eastern
Hybrid

NERC DC Office
1401 H Street NW, Suite 410
Washington, DC 20005

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 May 8, 2024, at approximately 9:00 a.m. Eastern, and a quorum was declared present.

Present at the meeting were:

Committee Members

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

Board of Trustees Members

Suzanne Keenan
Larry Irving
Robin E. Manning
Jams B. Robb, President and Chief Executive Officer

NERC Staff

Andy Sharp, Vice President, Chief Financial Officer
Camilo Serna, Senior Vice President, Strategy and External Affairs
Kelly Hanson, Senior Vice President, Chief Administrative Officer
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC
Mark Lauby, Senior Vice President and Chief Engineer
Sônia Rocha, Senior Vice President, General Counsel, and Corporate Secretary
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 noted that the Committee held a closed meeting on May 7, 2024 where the Committee reviewed its annual evaluation results; met with NERC's external auditors, RSM, to receive a report on the 2023 year-end audited summary of results; discussed NERC's reserve investment strategy; and received an update on Internal Audit and Advisory Services activity.

NERC Antitrust Compliance Guidelines

Chair Sidford 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 February 14, 2024, Committee open meeting.

2023 Year-End Audited Summary of Results

Mr. Sharp provided a summary of the independent 2023 Financial Statement Audit. Upon motion duly made and seconded, the Committee reviewed and recommended acceptance of the 2023 Financial Statement Audit by the Board.

First Quarter Unaudited Summary of Results

Mr. Sharp reviewed the NERC First Quarter 2024 Unaudited Summary of Results. He stated that the variances in Q1 are primarily a matter of timing, and the Committee should expect that NERC will be close to budget by year end. Chair Sidford noted that the Regional Entity First Quarter Unaudited Summary of Results were included in the materials provided in advance of the meeting but that the Committee will not review them individually during this meeting. Mr. Sharp commented that there were no significant variances in the Regional Entity results. Upon motion duly made and seconded, the Committee reviewed and recommended acceptance of the First Quarter 2024 Unaudited Summary of Results, inclusive of NERC and the Regional Entities, by the Board.

2025 Business Plan and Budget Status

Mr. Sharp provided an update on the preparation of the draft 2025 Business Plan and Budget (BP&B), which NERC plans to post for public comment on or about May 24, 2024. He noted that the proposed 2025 NERC budget and assessment is consistent with 2023-2025 three-year plan projections. The Committee noted that while preliminary budgets for 2026 and 2027 are included in the 2025 BP&B, management and the Committee are already working on the next three-year planning cycle for 2026-2028 and, as such, 2026 and 2027 will receive a rigorous review as part of that process.

Adjournment

There being no further business, the meeting was adjourned.

Submitted by,



Sônia Rocha
Corporate Secretary

Second Quarter Unaudited Summary of Results

Action

Review and Recommend to Board of Trustees for acceptance

Background

NERC management will review the second quarter calendar of FAC responsibilities to include (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.

Summary of Unaudited Results For the Period Ending June 30, 2024

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Executive Summary

Projected Year-End Results (\$ millions)

| <u>FUNDING</u> | <u>Projected</u> | <u>Budget</u> | <u>Over (Under)</u> |
|------------------------------------|------------------|-----------------|-------------------------|
| Revenues | \$ 110.7 | \$ 110.4 | \$ 0.3 |
| Funding from Reserves | | | |
| Assessment Stabilization Reserve | 1.3 | 1.3 | - |
| TOTAL FUNDING | \$ 112.0 | \$ 111.7 | \$ 0.3 |
| <u>EXPENDITURES</u> | | | |
| Expenses (excluding Depreciation) | \$ 110.1 | \$ 111.6 | \$ (1.5) |
| Fixed Asset Additions | 5.8 | 4.6 | 1.2 |
| Net Financing Activity | (3.1) | (2.6) | (0.5) |
| TOTAL EXPENDITURES | \$ 112.8 | \$ 113.6 | \$ (0.8) |
| RESERVE INCREASE (DECREASE) | \$ (0.8) | \$ (1.9) | \$ 1.1 |

Expenses (excluding Depreciation) are projected to be under budget at year-end primarily due to lower Office and Professional Services costs. Fixed Asset Additions are expected to be over budget due to additional leased and non-leased equipment and capital software expenditures, partially offset by favorable Net Financing Activity. The net result is a projected year-end reserve increase of \$1.1M more than budget. This activity is explained in more detail in the remainder of the report.

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

| <u>FUNDING</u> | <u>Actual</u> | <u>Budget</u> | <u>Over (Under)</u> |
|------------------------------------|----------------|-----------------|-------------------------|
| Revenues | \$ 55.7 | \$ 55.2 | \$ 0.5 |
| Funding from Reserves | | | |
| Assessment Stabilization Reserve | 0.6 | 0.6 | - |
| TOTAL FUNDING | \$ 56.3 | \$ 55.8 | \$ 0.5 |
| <u>EXPENDITURES</u> | | | |
| Expenses (excluding Depreciation) | \$ 51.8 | \$ 56.6 | \$ (4.8) |
| Fixed Asset Additions | 2.3 | 2.3 | - |
| Net Financing Activity | (0.3) | (1.3) | 1.0 |
| TOTAL EXPENDITURES | \$ 53.8 | \$ 57.6 | \$ (3.8) |
| RESERVE INCREASE (DECREASE) | \$ 2.5 | \$ (1.8) | \$ 4.3 |

Expenses (excluding Depreciation) are under budget year-to-date primarily because of lower Personnel, Contracts and Consultants, Office, and Professional Services costs, which are partially offset by Net Financing Activity. The net result is a year-to-date reserve increase of \$4.3M more than budget. 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) | Annual Projection | Annual Budget | Annual Over (Under) | Over (Under) |
|--|----------------------|-----------------------|-----------------------|-----------------|-----------------------|-----------------------|------------------------|-----------------|
| TOTAL FUNDING | \$ 56,365,164 | \$ 55,858,415 | \$ 506,750 | 0.9% | \$ 112,071,050 | \$ 111,716,829 | \$ 354,221 | 0.3% |
| EXPENDITURES | | | | | | | | |
| Personnel | 32,714,224 | 33,705,275 | (991,052) | (2.9%) | 65,689,849 | 65,781,342 | (91,494) | (0.1%) |
| Meetings and Travel | 1,921,101 | 1,753,400 | 167,701 | 9.6% | 3,708,711 | 3,506,800 | 201,911 | 5.8% |
| Contracts and Consultants | 8,530,901 | 10,684,568 | (2,153,666) | (20.2%) | 21,065,988 | 21,369,135 | (303,147) | (1.4%) |
| Office Rent | 1,520,307 | 1,544,929 | (24,622) | (1.6%) | 3,031,233 | 3,089,858 | (58,625) | (1.9%) |
| Office Costs, Professional, and Misc.* | 6,965,666 | 8,688,015 | (1,722,349) | (19.8%) | 16,294,955 | 17,376,029 | (1,081,074) | (6.2%) |
| Other Non-Operating | 153,383 | 234,020 | (80,637) | (34.5%) | 349,219 | 468,040 | (118,821) | (25.4%) |
| Fixed Asset Additions* | 2,317,792 | 2,312,000 | 5,792 | 0.3% | 5,819,597 | 4,624,000 | 1,195,598 | 25.9% |
| Net Financing Activity** | (338,489) | (1,297,130) | 958,641 | (73.9%) | (3,110,130) | (2,594,260) | (515,869) | 19.9% |
| TOTAL EXPENDITURES | \$ 53,784,885 | \$ 57,625,076 | \$ (3,840,191) | (6.7%) | \$ 112,849,423 | \$ 113,620,944 | \$ (771,521) | (0.7%) |
| RESERVE INCREASE (DECREASE) | \$ 2,580,279 | \$ (1,766,662) | \$ 4,346,941 | (246.1%) | \$ (778,373) | \$ (1,904,115) | \$ 1,125,741 | (59.1%) |
| FTEs | 237.8 | 251.1 | (13.3) | (5.3%) | 241.2 | 251.1 | (9.9) | (4.0%) |

* 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 year-to-date due to lower medical insurance premiums and retirement plan costs. Personnel expenses are projected to be near budget at year-end primarily due to lower attrition versus budget in the second half of the year and search fees and transition costs.
- Contracts and Consultants expenses are under budget year-to-date due to lower third-party contract costs for CRISP and overall timing of expenses. Contracts and Consultants expenses are projected to be slightly under budget at year-end. This is primarily 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 be completed in 2025; and (3) projected lower support needs for the Interregional Transmission Capability Study (ITCS). This lower spending 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 actual and projected activity by department is further illustrated in the table below.

| CONTRACTS and CONSULTANTS | YTD | YTD | YTD | % | Annual | Annual | Annual | % |
|--|---------------------|----------------------|-----------------------|----------------|----------------------|----------------------|---------------------|---------------|
| | Actual | Budget | Over (Under) | Over (Under) | Projection | Budget | Over (Under) | Over (Under) |
| Reliability Standards and Power Risk Issues and Strategic Management | \$ 87,754 | \$ 109,944 | \$ (22,190) | (20.2%) | \$ 363,570 | \$ 219,888 | \$ 143,682 | 65.3% |
| Compliance Assurance | 101,637 | 337,467 | (235,830) | (69.9%) | 912,600 | 674,933 | 237,667 | 35.2% |
| Registration and Certification | 23,489 | 52,694 | (29,205) | (55.4%) | 46,978 | 105,388 | (58,410) | (55.4%) |
| Compliance Enforcement | 101,547 | 348,467 | (246,920) | (70.9%) | 934,600 | 696,933 | 237,667 | 34.1% |
| Engineering and Security Integration | 437,225 | 50,000 | 387,225 | 774.5% | 437,476 | 100,000 | 337,476 | 337.5% |
| Reliability Assessment and Technical Committees | 628,582 | 758,700 | (130,119) | (17.2%) | 1,486,400 | 1,517,400 | (31,000) | (2.0%) |
| Advanced System Analytics and Modeling | - | 28,500 | (28,500) | (100.0%) | 21,400 | 57,000 | (35,600) | (62.5%) |
| Performance Analysis | 61,456 | 72,000 | (10,544) | (14.6%) | 229,629 | 144,000 | 85,629 | 59.5% |
| Situation Awareness | 29,860 | 41,500 | (11,640) | (28.0%) | 35,250 | 83,000 | (47,750) | (57.5%) |
| Event Analysis | 2,965 | 82,500 | (79,535) | (96.4%) | 151,706 | 165,000 | (13,294) | (8.1%) |
| E-ISAC | 1,536,107 | 1,195,619 | 340,489 | 28.5% | 2,703,343 | 2,391,237 | 312,106 | 13.1% |
| Training, Education and Personnel Certification | 141,192 | 436,130 | (294,938) | (67.6%) | 431,122 | 872,260 | (441,138) | (50.6%) |
| General and Administrative and Executive | 33,239 | 62,500 | (29,261) | (46.8%) | 134,000 | 125,000 | 9,000 | 7.2% |
| Legal and Regulatory | 114,429 | 127,500 | (13,071) | (10.3%) | 184,250 | 255,000 | (70,750) | (27.7%) |
| External Affairs | 22,600 | 157,500 | (134,900) | (85.7%) | 150,000 | 315,000 | (165,000) | (52.4%) |
| Business Technology | 1,718,849 | 2,298,548 | (579,699) | (25.2%) | 4,594,042 | 4,597,096 | (3,054) | (0.1%) |
| Human Resources and Administration | 582,973 | 417,500 | 165,473 | 39.6% | 808,252 | 835,000 | (26,748) | (3.2%) |
| Finance and Accounting | 327,772 | 270,000 | 57,772 | 21.4% | 545,778 | 540,000 | 5,778 | 1.1% |
| TOTAL (excluding CRISP) | \$ 5,951,676 | \$ 6,847,068 | \$ (895,392) | (13.1%) | \$ 14,170,395 | \$ 13,694,135 | \$ 476,260 | 3.5% |
| CRISP | 2,579,226 | 3,837,500 | (1,258,274) | (32.8%) | 6,896,993 | 7,675,000 | (778,007) | (10.1%) |
| TOTAL (including CRISP) | \$ 8,530,901 | \$ 10,684,568 | \$ (2,153,666) | (20.2%) | \$ 21,067,388 | \$ 21,369,135 | \$ (301,747) | (1.4%) |

- Office Costs, Professional Services, and Miscellaneous expenses are under budget year-to-date largely due to (1) timing of software licenses and support expenses; (2) lower than expected telephone and expensed A/V and hardware lease costs; and (3) lower outside counsel and insurance expenses. At year-end, software licenses and support expenses are expected to be under budget, with the remaining reasons also contributing to the overall projected under budget variance.
- Fixed Asset Additions are near budget year-to-date. This area is projected to be over budget at year-end due to additional capital software and hardware expenditures, and slightly higher leased asset expenditures (directly offset by financing lease proceeds).
- 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 year-to-date variance is primarily because NERC did not borrow during the first half of 2024. By year-end, NERC is projecting to borrow \$4.3M due to additional leased asset needs, offset by lower than budgeted loan principal (debt service) payments from less-than-budgeted borrowing in 2023.
- Reserves are over budget year-to-date by \$4.3M, primarily due to the reasons noted above for timing of costs for Contracts and Consultants and Fixed Asset Additions, and timing of and lower spending on Office Costs, offset by Net Financing Activity. Reserves are projected to be over budget by \$1.1M at year-end mainly due to lower projected Contracts and Consultants, Office, Professional Services, and debt service costs.

Variances by Department

| DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY | YTD Actual | YTD Budget | YTD Over (Under) | % Over (Under) | Annual Projection | Annual Budget | Annual Over (Under) | % Over (Under) |
|--|----------------------|----------------------|-----------------------|-------------------|-----------------------|-----------------------|------------------------|-------------------|
| Reliability Standards and Power Risk Issues and Strategic Management | \$ 2,579,622 | \$ 2,645,643 | \$ (66,021) | (2.5%) | \$ 5,305,929 | \$ 5,178,957 | \$ 126,973 | 2.5% |
| Compliance Assurance | 3,235,386 | 3,310,858 | (75,472) | (2.3%) | 6,822,499 | 6,515,768 | 306,731 | 4.7% |
| Registration and Certification | 708,522 | 639,456 | 69,066 | 10.8% | 1,337,052 | 1,251,212 | 85,839 | 6.9% |
| Compliance Enforcement | 2,014,929 | 2,277,039 | (262,110) | (11.5%) | 4,630,658 | 4,491,305 | 139,353 | 3.1% |
| Engineering and Security Integration | 1,478,638 | 1,506,057 | (27,419) | (1.8%) | 2,860,707 | 2,949,925 | (89,218) | (3.0%) |
| Reliability Assessment and Technical Committees | 2,401,103 | 2,442,032 | (40,929) | (1.7%) | 5,099,939 | 4,815,683 | 284,255 | 5.9% |
| Advanced System Analytics and Modeling | 860,034 | 1,228,462 | (368,428) | (30.0%) | 2,029,046 | 2,404,937 | (375,890) | (15.6%) |
| Performance Analysis | 1,127,743 | 1,158,787 | (31,044) | (2.7%) | 2,452,544 | 2,291,015 | 161,529 | 7.1% |
| Situation Awareness | 1,689,109 | 2,023,305 | (334,196) | (16.5%) | 3,625,047 | 3,988,335 | (363,288) | (9.1%) |
| Event Analysis | 1,063,296 | 1,269,023 | (205,728) | (16.2%) | 2,227,749 | 2,470,380 | (242,631) | (9.8%) |
| E-ISAC | 8,219,544 | 7,859,398 | 360,146 | 4.6% | 15,930,704 | 15,455,423 | 475,281 | 3.1% |
| Training, Education and Personnel Certification | 842,396 | 1,083,768 | (241,372) | (22.3%) | 1,833,200 | 2,149,794 | (316,594) | (14.7%) |
| General and Administrative and Executive | 4,677,703 | 4,768,411 | (90,708) | (1.9%) | 9,600,683 | 9,479,271 | 121,411 | 1.3% |
| Legal and Regulatory | 2,934,012 | 3,097,209 | (163,197) | (5.3%) | 5,867,773 | 6,075,391 | (207,619) | (3.4%) |
| External Affairs | 2,287,910 | 2,364,824 | (76,914) | (3.3%) | 4,899,165 | 4,548,817 | 350,349 | 7.7% |
| Business Technology | 9,497,271 | 10,698,947 | (1,201,676) | (11.2%) | 20,610,978 | 21,180,319 | (569,341) | (2.7%) |
| Human Resources and Administration | 2,304,603 | 2,211,833 | 92,770 | 4.2% | 4,543,550 | 4,370,563 | 172,987 | 4.0% |
| Finance and Accounting | 1,851,615 | 1,664,147 | 187,469 | 11.3% | 3,537,007 | 3,285,324 | 251,683 | 7.7% |
| TOTAL (excluding CRISP) | \$ 49,773,437 | \$ 52,249,199 | \$ (2,475,762) | (4.7%) | \$ 103,214,232 | \$ 102,902,421 | \$ 311,811 | 0.3% |
| CRISP | 4,011,448 | 5,375,877 | (1,364,429) | (25.4%) | 9,635,192 | 10,718,523 | (1,083,331) | (10.1%) |
| TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY | \$ 53,784,885 | \$ 57,625,076 | \$ (3,840,191) | (6.7%) | \$ 112,849,423 | \$ 113,620,944 | \$ (771,520) | (0.7%) |

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

- **Compliance Assurance** – Projected to be over budget primarily due to higher costs for Align support and enhancements, which is being partially offset by funding from the Regional Entities.
- **Reliability Assessment and Technical Committees** – Projected to be over budget primarily due to higher Personnel costs due to the reallocation of FTEs from another area, partially offset by lower Contracts and Consulting costs.
- **Advanced System Analytics and Modeling** – Projected to be under budget primarily due to lower Personnel costs.
- **Situation Awareness** – Projected to be under budget primarily due to lower Personnel and software licenses and support costs, partially offset by higher-than-budgeted Fixed Asset Additions for capital software expenditures.
- **Event Analysis** – Projected to be under budget primarily due to lower Personnel and Fixed Asset Additions for capital software expenditures.
- **E-ISAC (excluding CRISP)** – Projected to be over budget primarily due to higher Personnel, Contracts & Consultants, and Meetings and Travel costs.
- **Training, Education and Personnel Certification** – Projected to be under budget primarily due to lower spending on a new SOCCED system that will not be completed until 2025.
- **External Affairs** – Projected to over budget mainly due to higher Personnel costs, which are partially offset by lower Contracts and Consultants expenses.
- **Business Technology** – Under budget year-to-date primarily due to lower Personnel costs (including the transfer of an FTE to Compliance Assurance to support Align activities) and timing of expenses. Projected to be under budget at year-end primarily due to lower Personnel and Office costs (software license and lease expense), partially offset by higher-than-budgeted Fixed Asset Additions.

Supplemental Schedules

Schedule 1 – Year-End Projected Reserves

| Reserve Account | 1/1/2024 | Budgeted Funding/(Use) ⁽²⁾ | Unbudgeted Funding/(Use) ⁽³⁾ | Operating and | 12/31/2024 |
|----------------------------|-------------------------------------|--|--|--|----------------------|
| | Beginning Balance ⁽¹⁾ | | | Financing Activity Versus Budget ⁽⁴⁾ | Ending Balance |
| NERC Operating Contingency | \$ 13,229,753 | \$ (1,300,000) | \$ - | \$ 1,439,640 | \$ 13,369,393 |
| 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) | - | 328,063 | 632,827 |
| CRISP Defense Fund | 500,000 | - | - | - | 500,000 |
| CRISP Operating | 3,615,851 | - | (450,000) | 658,039 | 3,823,890 |
| CRISP Equipment Reserve | 450,000 | - | 450,000 | - | 900,000 |
| Total Reserves | \$ 23,868,710 | \$ (2,986,062) | \$ - | \$ 2,196,246 | \$ 23,078,895 |

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 (2024 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.

The 2024 BP&B included a use of System Operator Reserves derived from budgeted revenues being \$604,115 lower than budgeted expenses.

(3) 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 well 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 \$910,232, with \$252,193 going into the NERC OCR for the portion of CRISP costs funded by assessments and \$658,039 coming out of the CRISP Operating Reserve for CRISP costs funded by the CRISP participants.

Schedule 2 – E-ISAC and CRISP Summary of Activity

TOTAL E-ISAC (including CRISP)

| FUNDING | YTD Actual | Annual Projection | Annual Budget | Projected Over (Under) |
|---|----------------------|----------------------|----------------------|---------------------------|
| Assessments | \$ 14,888,567 | \$ 29,777,134 | \$ 29,777,134 | \$ - |
| Other Funding | 5,756,522 | 11,140,711 | 11,276,439 | (135,729) |
| TOTAL FUNDING | \$ 20,645,089 | \$ 40,917,845 | \$ 41,053,573 | \$ (135,728) |
| EXPENDITURES | | | | |
| Personnel Expense | \$ 6,550,263 | \$ 12,905,764 | \$ 13,072,503 | \$ (166,740) |
| Meetings and Travel Expense | 386,969 | 708,280 | 483,000 | 225,279 |
| Operating Expenses (excluding Depreciation) | 5,156,229 | 11,906,253 | 12,440,651 | (534,399) |
| Other Non-Operating Expenses | - | - | 8,791 | (8,791) |
| Fixed Asset Purchases (excluding Fixed Asset Allocation) | 137,531 | 120,000 | 173,000 | (53,000) |
| Net Financing Activity (excluding Net Financing Activity Allocation) | - | (74,400) | (4,000) | (70,400) |
| Total Direct Costs (excluding Depreciation and Allocations) | \$ 12,230,992 | \$ 25,565,896 | \$ 26,173,946 | \$ (608,050) |
| Indirect Expense Allocation | 6,828,026 | 14,378,891 | 14,590,026 | (211,135) |
| Fixed Asset Allocation | 511,585 | 954,274 | 617,658 | 336,616 |
| Net Financing Activity Allocation | (167,428) | (511,524) | (328,056) | (183,468) |
| TOTAL EXPENDITURES (excluding Depreciation, including Allocations) | \$ 19,403,175 | \$ 40,387,537 | \$ 41,053,574 | \$ (666,036) |
| RESERVE INCREASE (DECREASE) | \$ 1,241,914 | \$ 530,308 | \$ - | \$ 530,308 |

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

CRISP

| FUNDING | YTD Actual | Annual Projection | Annual Budget | Projected Over (Under) |
|---|---------------------|----------------------|----------------------|---------------------------|
| Assessments | \$ 1,238,583 | \$ 2,477,166 | \$ 2,477,166 | \$ - |
| Other Funding | 5,172,789 | 9,994,690 | 10,319,598 | (324,908) |
| TOTAL FUNDING | \$ 6,411,372 | \$ 12,471,856 | \$ 12,796,764 | \$ (324,908) |
| EXPENDITURES | | | | |
| Personnel Expense | \$ 792,593 | \$ 1,515,594 | \$ 1,780,267 | \$ (264,673) |
| Meetings and Travel Expense | 164,447 | 301,114 | 146,000 | 155,114 |
| Operating Expenses (excluding Depreciation) | 2,925,298 | 7,772,884 | 8,652,256 | (879,372) |
| Other Non-Operating Expenses | - | - | - | - |
| Fixed Asset Purchases (excluding Fixed Asset Allocation) | 129,110 | 120,000 | 140,000 | (20,000) |
| Net Financing Activity (excluding Net Financing Activity Allocation) | - | (74,400) | - | (74,400) |
| Total Direct Costs (excluding Depreciation and Allocations) | \$ 4,011,448 | \$ 9,635,192 | \$ 10,718,523 | \$ (1,083,331) |
| Indirect Expense Allocation | 875,653 | 1,868,886 | 2,037,792 | (168,906) |
| Fixed Asset Allocation | 65,608 | 124,031 | 86,268 | 37,763 |
| Net Financing Activity Allocation | (21,472) | (66,485) | (45,820) | (20,665) |
| TOTAL EXPENDITURES (excluding Depreciation, including Allocations) | \$ 4,931,237 | \$ 11,561,624 | \$ 12,796,764 | \$ (1,235,140) |
| RESERVE INCREASE (DECREASE) | \$ 1,480,135 | \$ 910,232 | \$ - | \$ 910,232 |

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 total \$0. Year-to-date expenses sent by the third-party contractor to NERC for new CRISP participants total \$0.

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

E-ISAC (excluding CRISP)

| FUNDING | YTD Actual | Annual Projection | Annual Budget | Projected Over (Under) |
|---|----------------------|----------------------|----------------------|---------------------------|
| Assessments | \$ 13,649,984 | \$ 27,299,969 | \$ 27,299,969 | \$ - |
| Other Funding | 583,733 | 1,146,020 | 956,841 | 189,179 |
| TOTAL FUNDING | \$ 14,233,717 | \$ 28,445,989 | \$ 28,256,810 | \$ 189,179 |
| EXPENDITURES | | | | |
| Personnel Expense | \$ 5,757,670 | \$ 11,390,169 | \$ 11,292,236 | \$ 97,933 |
| Meetings and Travel Expense | 222,522 | 407,166 | 337,000 | 70,166 |
| Operating Expenses (excluding Depreciation) | 2,230,931 | 4,133,369 | 3,788,396 | 344,974 |
| Other Non-Operating Expenses | - | - | 8,791 | (8,791) |
| Fixed Asset Purchases (excluding Fixed Asset Allocation) | 8,421 | - | 33,000 | (33,000) |
| Net Financing Activity (excluding Net Financing Activity Allocation) | - | - | (4,000) | 4,000 |
| Total Direct Costs (excluding Depreciation and Allocations) | \$ 8,219,544 | \$ 15,930,704 | \$ 15,455,423 | \$ 475,281 |
| Indirect Expense Allocation | 5,952,373 | 12,510,005 | 12,552,234 | (42,229) |
| Fixed Asset Allocation | 445,977 | 830,243 | 531,389 | 298,854 |
| Net Financing Activity Allocation | (145,956) | (445,039) | (282,236) | (162,802) |
| TOTAL EXPENDITURES (excluding Depreciation, including Allocations) | \$ 14,471,938 | \$ 28,825,914 | \$ 28,256,810 | \$ 569,104 |
| RESERVE INCREASE (DECREASE) | \$ (238,221) | \$ (379,925) | \$ - | \$ (379,925) |

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 | \$ 28,016,291 | TDDXX | BlackRock Liquidity Fund FedFund Dollar | AAAm | 4.94% |
| SOCCEd Account Sweep | 1,585,080 | TDDXX | BlackRock Liquidity Fund FedFund Dollar | AAAm | 4.94% |
| CRISP Account Sweep | 7,922,529 | TDDXX | BlackRock Liquidity Fund FedFund Dollar | AAAm | 4.94% |
| Total Cash Sweep Accounts | \$ 37,523,900 | | | | |
| <u>Investment Account</u> | | | | | |
| Reserve Funds | \$ 10,892,761 | | Federated Hermes Gov't Obligations Fund | AAAm | 5.22% |
| Total Investments | \$ 10,892,761 | | | | |

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

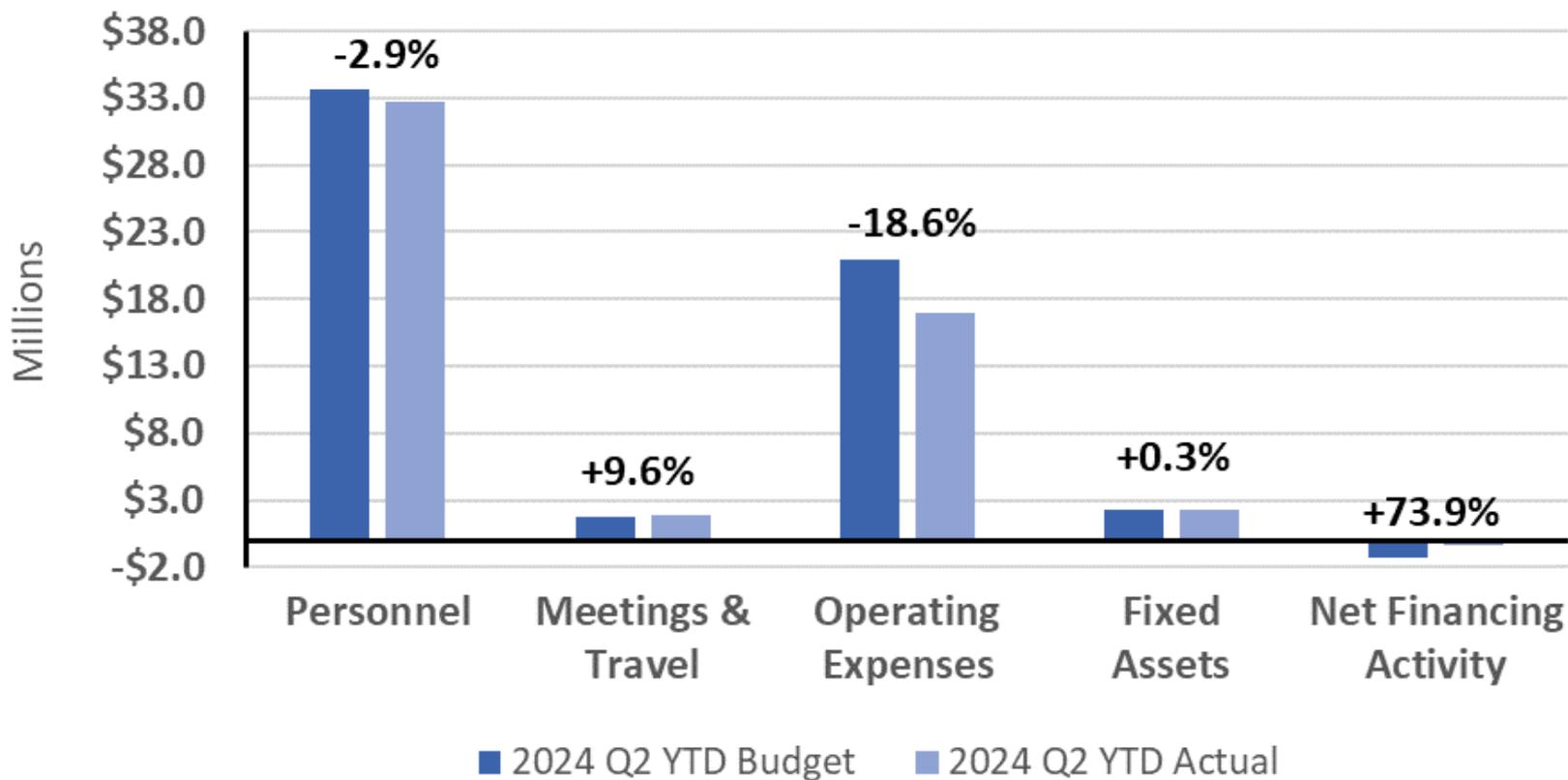
NERC Summary of Unaudited Results as of June 30, 2024

Meg Leonard, Controller
Finance and Audit Committee Meeting
August 14, 2024

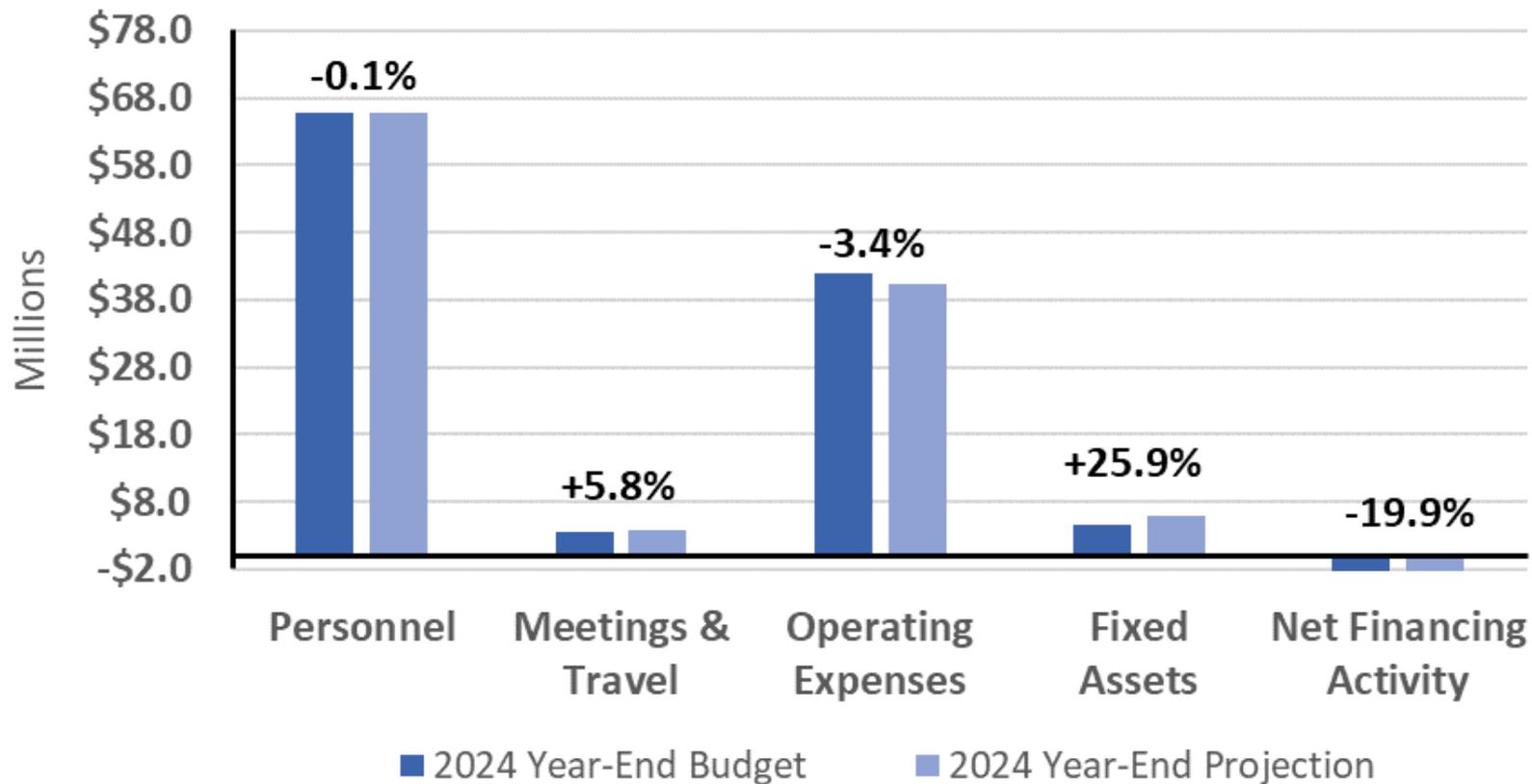
RELIABILITY | RESILIENCE | SECURITY



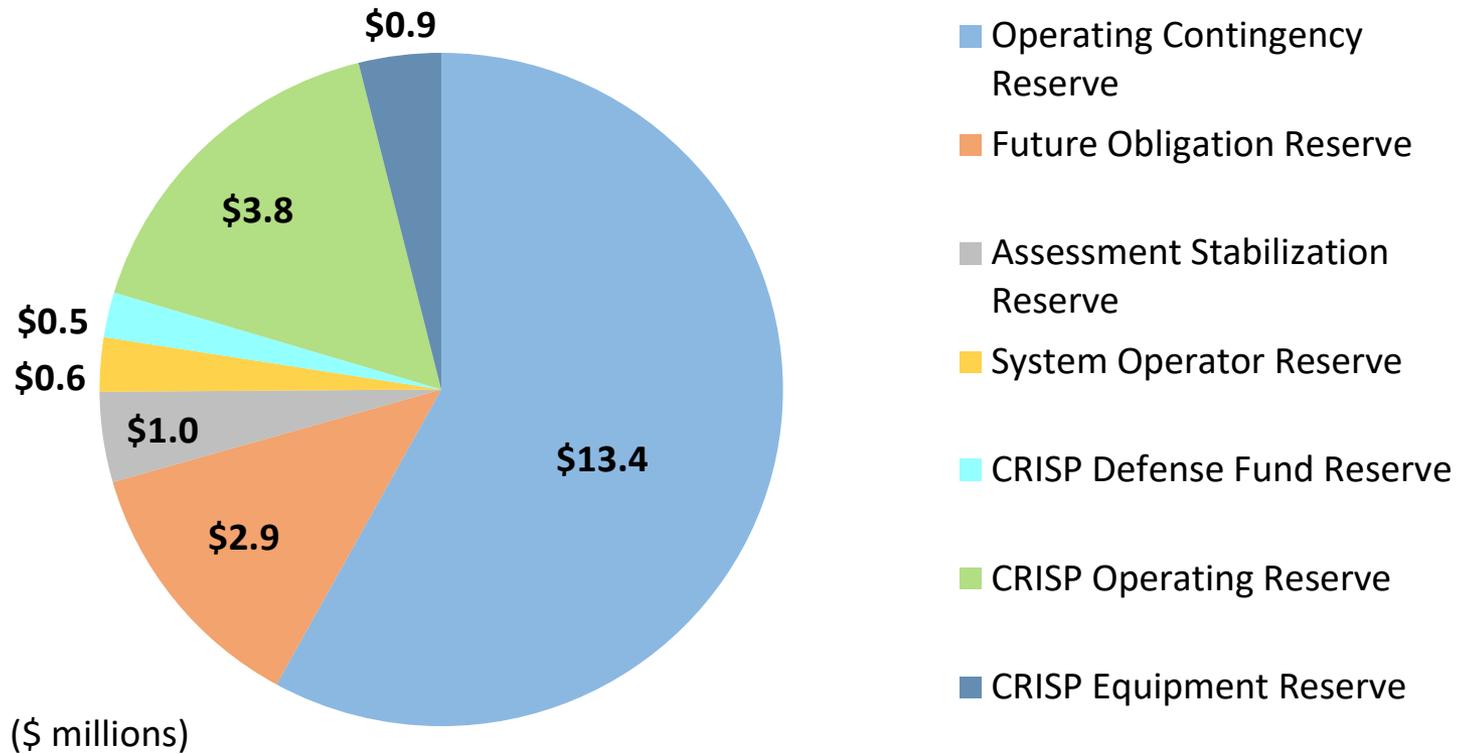
- Total funding – \$507k (0.9%) over budget
 - Higher investment income
 - Higher testing and course fees
- Total expenditures – \$3.8M (6.7%) under budget
 - Lower personnel, contracts and consultant, and office costs, and fixed asset additions
 - Partially offset by higher net financing activity
- Reserve increase – \$4.3M over budget



- Funding – \$354k (0.3%) over budget
- Total expenditures – \$772k (0.7%) under budget
 - Lower office costs and professional services expenses
 - Offset by higher fixed asset additions
- Total reserve increase – \$1.1M over budget
 - Operating Contingency Reserve – \$100k
 - CRISP Reserves – \$700k
 - System Operator Reserve – \$300k



TOTAL RESERVES OF \$23.1M





Questions and Answers



Lam Chung, Corporate Treasurer

P: 651.256.5187

F: 651.855.1712

E: lam.chung@mro.net

July 19, 2024

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

RE: Unaudited Midwest Reliability Organization (MRO) 2024 Second Quarter Statement of Activity –
Cash Flow through June 30, 2024

Dear Mr. Sharp:

MRO experienced variances greater than \$10,000 and 10 percent. Second quarter results indicate that MRO's budget is under spent by 4.0 percent.

Meeting Expenses (Variance of \$56,904 (26.6%) under budget)

Meetings and travel lagged the budget in the second quarter as more attendees and staff utilized virtual rather than in-person options for meetings and conferences.

Operating Expenses (Variance of \$294,216 (16.3%) under budget)

Consultants and contracts are under budget by 35 percent as some new software contracts are not yet implemented and consulting costs are lower than budgeted. Costs for office rent lag budget as reconciled Common Area Maintenance expenses realized a cost savings. Office costs are less than budgeted partly due to MRO's hybrid work environment. Much of the cost to maintain onsite operations remains low.

Fixed Assets (Variance of \$40,670 (43.5%) under budget)

Capital asset purchases are under budget. Some fixed assets scheduled for 2024 were advanced to 2023 and are expected to result in an under spend for 2024. Additionally, the timing of asset purchases could change depending on supply chain and/or leading priorities.

Budget Outlook

The remainder of the 2024 budget projects expenses to be within 2.1 percent of the budget. Personnel expenses are expected to be over budget due to mid-year compensation changes derived from a compensation study. As noted above, some fixed assets scheduled for 2024 were advanced to 2023 and are expected to result in an under spend for 2024.

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
6/30/2024**

PRELIMINARY (Unaudited)

(In Whole Dollars)

| | 2024 YTD Actual | 2024 YTD Budget | 2024 YTD Variance | % | Projected 2024 End Of Year | 2024 Budget | 2024 Variance | % |
|--|----------------------|----------------------|----------------------|---------------|-------------------------------|-----------------------|---------------------|---------------|
| Funding | | | | | | | | |
| ERO Funding | | | | | | | | |
| ERO Assessments | \$ 11,791,684 | \$ 11,791,684 | - | | \$ 23,583,367 | \$ 23,583,367 | - | |
| Penalty Sanctions | 59,513 | 59,513 | - | | 119,026 | 119,026 | - | |
| A. Total ERO Funding | \$ 11,851,197 | \$ 11,851,197 | \$ - | | \$ 23,702,393 | \$ 23,702,393 | \$ - | |
| Expenses | | | | | | | | |
| Personnel Expenses | | | | | | | | |
| Salaries | \$ 7,028,081 | \$ 6,869,185 | 158,895 | | \$ 14,839,202 | \$ 14,236,654 | 602,549 | |
| Payroll Taxes | 416,770 | 453,902 | (37,132) | | 980,546 | 940,730 | 39,815 | |
| Benefits | 819,517 | 797,664 | 21,853 | | 1,719,859 | 1,653,189 | 66,670 | |
| Retirement Costs | 1,010,993 | 1,218,459 | (207,466) | | 2,301,770 | 2,525,303 | (223,533) | |
| Total Personnel Expenses | \$ 9,275,360 | \$ 9,339,210 | \$ (63,850) | -0.7% | \$ 19,841,377 | \$ 19,355,876 | \$ 485,501 | 2.5% |
| Meeting Expenses | | | | | | | | |
| Meetings & Conference Calls | \$ 41,389 | 60,000 | (18,611) | | \$ 130,000 | \$ 200,000 | (70,000) | |
| Travel | 115,585 | 153,878 | (38,293) | | 359,048 | 512,925 | (153,878) | |
| Total Meeting Expenses | \$ 156,974 | \$ 213,878 | \$ (56,904) | -26.6% | \$ 489,048 | \$ 712,925 | \$ (223,878) | -31.4% |
| Operating Expenses | | | | | | | | |
| Consultants & Contracts | \$ 305,686 | \$ 471,704 | (166,018) | | \$ 966,418 | \$ 1,150,498 | (184,080) | |
| Office Rent | 529,438 | 585,940 | (56,502) | | 1,054,692 | 1,171,880 | (117,188) | |
| Office Costs | 451,630 | 510,149 | (58,519) | | 1,045,183 | 1,244,266 | (199,083) | |
| Professional Services | 225,033 | 238,210 | (13,177) | | 488,040 | 581,000 | (92,960) | |
| Total Operating Expenses | \$ 1,511,787 | \$ 1,806,003 | \$ (294,216) | -16.3% | \$ 3,554,334 | \$ 4,147,644 | \$ (593,310) | -14.3% |
| Total Direct Expenses | \$ 10,944,121 | \$ 11,359,091 | \$ (414,970) | -3.7% | \$ 23,884,758 | \$ 24,216,445 | \$ (331,687) | -1.4% |
| Indirect Expenses | | | | | | | | |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | | \$ - | \$ - | \$ - | |
| B. Total Expenses | \$ 10,944,121 | \$ 11,359,091 | \$ (414,970) | | \$ 23,884,758 | \$ 24,216,445 | \$ (331,687) | |
| Net Funding less Expenses (A-B) | \$ 907,076 | \$ 492,106 | \$ 414,970 | | \$ (182,365) | \$ (514,052) | \$ 331,687 | |
| C. Fixed Asset Additions, excluding Right of Use Assets | \$ 52,850 | \$ 93,520 | \$ (40,670) | -43.5% | \$ 467,600 | \$ 668,000 | \$ (200,400) | -30.0% |
| Total Budget (B + C) | \$ 10,996,971 | \$ 11,452,611 | \$ (455,640) | -4.0% | \$ 24,352,358 | \$ 24,884,445 | \$ (532,087) | -2.1% |
| Change in Working Capital (A-B-C) | \$ 854,225 | \$ 398,586 | \$ 455,640 | | \$ (649,965) | \$ (1,182,052) | \$ 532,087 | |
| Head Count | 80.00 | 80.00 | - | | 80.00 | 80.00 | - | |
| FTEs | 78.00 | 80.00 | (2.00) | | 80.00 | 80.00 | - | |
| Reserve Activity: | | | | | | | | |
| Beginning Reserves - 1/1/24 | \$ 7,478,219 | \$ 4,599,521 | \$ 2,878,698 | | \$ 7,478,219 | 4,599,521 | \$ 2,878,698 | |
| Change to Working Capital | 854,225 | 398,586 | 455,640 | | (649,965) | (1,182,052) | 532,087 | |
| Penalties Received | 395,550 | - | 395,550 | | 395,550 | - | 395,550 | |
| Penalties Released | (59,513) | (59,513) | - | | (119,026) | (119,026) | - | |
| Other Reserve Activity | - | - | - | | - | - | - | |
| Ending Reserves at 6/30/2024 : | \$ 8,668,481 | \$ 4,938,594 | \$ 3,729,888 | | \$ 7,104,778 | \$ 3,298,443 | \$ 3,806,335 | |

Limited Disclosure



July 18, 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
Second Quarter 2024 Statement of Activities

Dear Andy:

The variance comparison for the period ended June 30, 2024 is included along with Northeast Power Coordinating Council, Inc.'s unaudited Second Quarter 2024 Statement of Activities.

Please do not hesitate to contact me via email at 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 June 30, 2024**

TOTAL EXPENSES

For the quarter ending June 30, 2024, the NPCC Regional Entity Division is \$1.4M or 12.7% under budget year to date. Based on planned activities, NPCC's current full year projection (FYP) is an under budget variance of \$782k or 3.5%. NPCC will continue to reprioritize 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 \$219k year-to-date and \$353k over budget FYP) Interest & investment income is earned from the investment of excess operating cash in a 100% U.S. Treasury Securities money market fund. NPCC allocated \$350k 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 \$1.1M under budget year-to-date and \$785k under budget FYP) Several open positions during the first half of the year resulted in an under budget variance. The full year projection is based on projected start dates for remaining open positions and pending results of an ongoing compensation study. 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 \$51k under budget year-to-date and as budgeted FYP) Under budget variance is due to timing with a greater number of in-person meetings scheduled in the second half of the year. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.



- **Consultants & Contracts** (Variance of \$246k under budget year-to-date and as budgeted FYP)
Under budget variance is due to timing. The full year projection continues to be as budgeted.
- **Office Costs** (Variance of \$105k under budget year-to-date and \$140k under budget FYP)
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 budget.
- **Fixed Assets** (Variance of \$45k over budget year-to-date and \$40k over budget FYP)
Over budget variance is associated with advancing several software development projects. Over budget variance is offset by under budget office costs.

(Unaudited)
Submitted July 18, 2024



Northeast Power Coordinating Council, Inc. - Regional Entity Division
Statement of Activities, Fixed Assets and Change in Working Capital
(Unaudited)
For the Period Ended June 30, 2024

| | 2024 YTD Actual | | | | 2024 Projection | | | |
|---|-------------------|-------------------|----------------------------------|----------------|-------------------|--------------------|----------------------------------|----------------|
| | 2024 YTD Actual | 2024 YTD Budget | Variance from Budget Over(Under) | % | 2024 Projection | 2024 Annual Budget | Variance from Budget Over(Under) | % |
| Funding | | | | | | | | |
| Assessments | 10,367,031 | 10,367,031 | - | | 20,734,062 | 20,734,062 | - | |
| Penalties Released* | 400,000 | 400,000 | - | | 400,000 | 400,000 | - | |
| Testing | - | - | - | | - | - | - | |
| Services & Software | - | - | - | | - | - | - | |
| Workshop Fees | - | 13,750 | (13,750) | | 47,500 | 27,500 | 20,000 | |
| Interest & Investment Income | 218,983 | 47,337 | 171,646 | | 400,000 | 47,337 | 352,663 | |
| Total Funding | 10,986,014 | 10,828,118 | 157,896 | 1.5% | 21,581,562 | 21,208,899 | 372,663 | 1.8% |
| Expenses | | | | | | | | |
| Personnel Expenses | | | | | | | | |
| Salaries | 5,613,626 | 6,228,375 | (614,749) | | 12,083,047 | 12,456,749 | (373,702) | |
| Payroll Taxes | 472,231 | 620,314 | (148,083) | | 832,993 | 886,163 | (53,170) | |
| Employee Benefits | 1,309,346 | 1,599,013 | (289,667) | | 2,878,223 | 3,198,026 | (319,803) | |
| Savings & Retirement | 618,087 | 646,753 | (28,666) | | 1,254,700 | 1,293,505 | (38,805) | |
| Total Personnel Expenses | 8,013,291 | 9,094,454 | (1,081,164) | -11.9% | 17,048,964 | 17,834,444 | (785,480) | -4.4% |
| Meeting Expenses | | | | | | | | |
| Meetings & Conference Calls | 147,924 | 133,740 | 14,184 | | 313,300 | 313,300 | - | |
| Travel | 206,122 | 271,460 | (65,338) | | 678,650 | 678,650 | - | |
| Total Meeting Expenses | 354,046 | 405,200 | (51,155) | -12.6% | 991,950 | 991,950 | - | 0.0% |
| Operating Expenses, excluding Depreciation | | | | | | | | |
| Consultants & Contracts | 203,672 | 450,000 | (246,328) | | 900,000 | 900,000 | - | |
| Rent & Improvements | 174,210 | 210,055 | (35,845) | | 420,110 | 420,110 | - | |
| Office Costs | 503,621 | 608,232 | (104,610) | | 1,076,463 | 1,216,463 | (140,000) | |
| Professional Services | 423,791 | 440,250 | (16,459) | | 945,500 | 945,500 | - | |
| Miscellaneous | 12,038 | 15,000 | (2,962) | | 30,000 | 30,000 | - | |
| Total Operating Expenses | 1,317,333 | 1,723,537 | (406,203) | -23.6% | 3,372,073 | 3,512,073 | (140,000) | -4.0% |
| Indirect Expense Allocation | (123,839) | (207,450) | 83,611 | -40.3% | (311,176) | (414,901) | 103,725 | -25.0% |
| Other Non-Operating Expenses | - | - | - | n/a | - | - | - | n/a |
| Total Expenses | 9,560,831 | 11,015,741 | (1,454,910) | -13.2% | 21,101,811 | 21,923,566 | (821,755) | -3.7% |
| Change in Net Assets | 1,425,183 | (187,623) | 1,612,806 | -859.6% | 479,751 | (714,667) | 1,194,418 | -167.1% |
| Fixed Asset Additions, excluding Right of Use Assets | 86,047 | 40,800 | 45,247 | 110.9% | 203,200 | 163,200 | 40,000 | 24.5% |
| Net Financing Activity | - | - | - | n/a | - | - | - | n/a |
| Total Budget (Expenses plus Fixed Assets and Net Financing Activity) | 9,646,878 | 11,056,541 | (1,409,663) | -12.7% | 21,305,011 | 22,086,766 | (781,755) | -3.5% |
| Change in Working Capital (Total Funding less Total Budget) | 1,339,136 | (228,423) | 1,567,559 | -686.3% | 276,551 | (877,867) | 1,154,418 | -131.5% |
| Equivalent Full Time Employees | 59.73 | 64.00 | (4.27) | | 63.48 | 64.00 | (0.52) | |
| Headcount | 64.00 | 64.00 | - | | 71.00 | 71.00 | - | |
| Beginning Total Reserves - 1/1/24 | 8,785,020 | 7,554,919 | 1,230,101 | | 8,785,020 | 7,554,919 | 1,230,101 | |
| Change to Working Capital | 1,339,136 | (228,423) | 1,567,559 | | 276,551 | (877,867) | 1,154,418 | |
| Penalties Received (+) | - | - | - | | - | - | - | |
| Penalties Released (-) | (400,000) | (400,000) | - | | (400,000) | (400,000) | - | |
| Other Reserve Activity | - | - | - | | - | - | - | |
| Total Projected Reserves at 12/31/24 | 9,724,156 | 6,926,496 | 2,797,660 | | 8,661,571 | 6,277,052 | 2,384,519 | |
| Reserve Balance Summary | | | | | | | | |
| Working Capital & Operating Contingency Reserves | 8,422,253 | 6,254,593 | 2,167,660 | | 7,359,668 | 5,605,149 | 1,754,519 | |
| Assessment Stabilization & Penalty Reserves | 1,301,903 | 671,903 | 630,000 | | 1,301,903 | 671,903 | 630,000 | |
| Other Reserves | - | - | - | | - | - | - | |
| Total Projected Reserves at 12/31/24 | 9,724,156 | 6,926,496 | 2,797,660 | | 8,661,571 | 6,277,052 | 2,384,519 | |

*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).



Limited Disclosure

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

July 19, 2024

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

ReliabilityFirst's 2024 2nd Quarter Year-to-Date Statement of Activities Variance Report - Unaudited

Dear Andy,

Attached is RF's 2024 2nd Quarter Year-to-Date Statement of Activities (unaudited) and Variance Report. This includes a comparison of budgeted and actual expenses relative to ReliabilityFirst Corporation 2024 Budget.

For more information, please contact me at 216.503.0689 or 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

Limited Disclosure

ReliabilityFirst's 2024 2nd 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:** \$156K (624.02%) over budget
 - Unrealized returns; Investment portfolio performing better than expected

Expenses

- **Employee Benefits:** \$370K (23.48%) under budget
 - Negotiated lower health care costs than budgeted; Experienced a 3% vacancy rate for the second quarter. Timing of budgeted training versus actual.
- **Savings and Retirement Costs:** \$199K (12.73%) over budget
 - Over budget due to retirement (401K and Safe Harbor) benefits for incentive compensation.
- **Meetings & Conference Calls:** \$48K (35.5%) under budget
 - Timing of scheduled meetings versus actual meetings
- **Contracts & Consultants:** \$54K (18.08%) under budget
 - Timing of scheduled projects and initiatives versus actual implementation and project launch.
- **Rent & Utilities:** \$65K (15.24%) under budget
 - Annual catch-up invoice from leasing company in line with actuals paid versus the estimated higher amount that was anticipated.
- **Office Costs:** \$142K (27.04%) under budget
 - Timing of IT projects, software purchases, subscriptions, dues, and phone costs.
- **Miscellaneous:** \$10K (59.72%) over budget
 - Higher background screening fees for new employees and timing of budgeted versus actual miscellaneous purchases.
- **Fixed Assets:** \$145K (94.48%) under budget
 - Timing of budgeted fixed asset purchases versus actual planned purchases later in the year.



RELIABILITY FIRST

Limited Disclosure

ReliabilityFirst Statement of Activities
From 1/1/2024 – 6/30/2024 (unaudited)

| 2024 YTD Actual | 2024 YTD Budget | YTD Variance Over/(Under) | % Variance | | Total 2024 Projection | Total 2024 Budget | Total 2024 Projected Variance Over/(Under) | % Projected Variance |
|-----------------|-----------------|---------------------------|------------|--|-----------------------|--------------------|--|----------------------|
| 13,479,636 | 13,479,636 | 0 | 0.00% | Funding | | | | |
| 1,474,585 | 1,473,348 | 1,237 | 0.08% | Assessments | 26,959,272 | 26,959,272 | 0 | 0.00% |
| 181,006 | 25,000 | 156,006 | 624.02% | Penalties Released * | 1,474,585 | 1,473,348 | 1,237 | 0.08% |
| 0 | 0 | 0 | 0.00% | Investment Income | 300,000 | 50,000 | 250,000 | 500.00% |
| 15,135,227 | 14,977,984 | 157,243 | 1.05% | Miscellaneous Income | 0 | 0 | 0 | 0.00% |
| | | | | Total Funding | 28,733,857 | 28,482,620 | 251,237 | 0.88% |
| | | | | Expenses | | | | |
| | | | | Personnel Expenses | | | | |
| 9,541,984 | 9,685,961 | (143,977) | -1.49% | Salaries | 19,495,381 | 19,495,381 | 0 | 0.00% |
| 715,187 | 763,092 | (47,905) | -6.28% | Payroll Taxes | 1,197,595 | 1,232,095 | (34,500) | -2.80% |
| 1,206,605 | 1,576,917 | (370,312) | -23.48% | Employee Benefits | 2,679,040 | 2,985,469 | (306,429) | -10.26% |
| 1,758,898 | 1,560,237 | 198,661 | 12.73% | Savings & Retirement Costs | 3,182,638 | 3,145,630 | 37,008 | 1.18% |
| 13,222,674 | 13,586,207 | (363,533) | -2.68% | Total Personnel Expenses | 26,554,654 | 26,858,575 | (303,921) | -1.13% |
| | | | | Meeting Expenses | | | | |
| 87,425 | 135,545 | (48,120) | -35.50% | Meetings & Conference Calls | 426,722 | 432,855 | (6,133) | -1.42% |
| 296,677 | 323,403 | (26,726) | -8.26% | Travel | 665,108 | 648,100 | 17,008 | 2.62% |
| 384,102 | 458,948 | (74,846) | -16.31% | Total Meeting Expenses | 1,091,830 | 1,080,955 | 10,875 | 1.01% |
| | | | | Operating Expenses | | | | |
| 245,357 | 299,495 | (54,138) | -18.08% | Contracts & Consultants | 638,698 | 553,700 | 84,998 | 15.35% |
| 360,563 | 425,386 | (64,823) | -15.24% | Rent & Utilities | 712,748 | 852,751 | (140,003) | -16.42% |
| 384,205 | 526,609 | (142,404) | -27.04% | Office Costs | 1,022,644 | 1,011,134 | 11,510 | 1.14% |
| 407,316 | 424,682 | (17,366) | -4.09% | Professional Services | 775,061 | 741,816 | 33,245 | 4.48% |
| 27,396 | 17,152 | 10,244 | 59.72% | Miscellaneous | 58,704 | 48,704 | 10,000 | 20.53% |
| 1,424,837 | 1,693,324 | (268,487) | -15.86% | Total Operating Expenses | 3,207,855 | 3,208,105 | (250) | -0.01% |
| 0 | 0 | 0 | 0.00% | Non-Operating Expenses | 0 | 0 | 0 | 0.00% |
| 15,031,613 | 15,738,479 | (706,866) | -4.49% | Total Expenses | 30,854,339 | 31,147,635 | (293,296) | -0.94% |
| 103,614 | (760,495) | 864,109 | -113.62% | Net Change in Assets | (2,120,482) | (2,665,015) | 544,533 | -20.43% |
| 8,500 | 153,996 | (145,496) | -94.48% | Increase/(Decrease) in Fixed Assets | 176,900 | 176,900 | 0 | 0.00% |
| 15,040,113 | 15,892,475 | (852,362) | -5.36% | Total Budget (Expenses + Incr/(Decr) in Fixed Assets) | 31,031,239 | 31,324,535 | (293,296) | -0.94% |
| 95,114 | (914,491) | 1,009,605 | -110.40% | Change in Working Capital (Total Funding less Total Budget) | (2,297,382) | (2,841,915) | 544,533 | -19.16% |
| 95.67 | 98.00 | (2.33) | -2.38% | FTE Count | 96.17 | 98.00 | (1.83) | -1.87% |

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RELIABILITY FIRST

Limited Disclosure

Working Capital Reserve Analysis

| | 2024 YTD Actual | Total 2024 Projection |
|--|------------------------|------------------------------|
| Beginning Total Reserves - 1/1/2024 | 8,806,067 | 8,806,067 |
| Plus: Temporary Restricted Penalties | 3,759,845 | 3,759,845 |
| Beginning Total Reserve Balance 1/1/2024 | 12,565,912 | 12,565,912 |
| Change to Working Capital | 95,114 | (2,297,382) |
| Add: Penalties Received | 452,650 | 452,650 |
| Subtract: Penalties Released | (1,474,585) | (1,474,585) |
| Other Reserve Activity | (71,810) | (143,620) |
| Ending Reserve at 6/30/2024 | 11,567,281 | 9,102,975 |
| Working Capital & Operating Contingency Reserves | 8,829,371 | 6,365,065 |
| Assessment Stabilization & Penalty Reserves | 2,737,910 | 2,737,910 |
| Total Reserves | 11,567,281 | 9,102,975 |

July 18, 2024

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

RE: SERC 2024 Q2 Unaudited Financial Statement – Budget vs. Actual

Andy:

Following please find SERC's unaudited 2024 Q2 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 fluid and cursive, written over a light blue horizontal line.

George Krogstie
Chief Financial Officer and Corporate Treasurer

cc: Jason Blake

SERC Reliability Corporation
Statement of Activities, Fixed Assets Expenditures, and Change in Working Capital

From 1/1/2024 Through 6/30/2024

| | | | Variance | | | | Variance | |
|---|----------------------|----------------------|---|----------------|----------------------|----------------------|---|-----------------|
| | 2024 YTD Actuals | 2024 YTD Budget | 2024 YTD Actual v 2024 YTD Budget Over(Under) | % | 2024 Projection | 2024 Budget | 2024 Projection v 2024 Budget Over(Under) | % |
| Funding | | | | | | | | |
| Statutory Funding | | | | | | | | |
| SERC Assessments | \$ 14,368,844 | \$ 14,368,844 | \$ - | | \$ 28,737,687 | \$ 28,737,687 | - | |
| Penalties Released* | \$ 1,448,225 | \$ 1,448,225 | - | | 2,896,449 | 2,896,449 | - | |
| Total Statutory Funding | \$ 15,817,068 | \$ 15,817,068 | \$ - | 0.00% | \$ 31,634,136 | \$ 31,634,136 | \$ - | 0.00% |
| Membership Fees | \$ - | \$ - | \$ - | | \$ - | \$ - | - | |
| Federal Grants | - | - | - | | - | - | - | |
| Services & Software | - | - | - | | - | - | - | |
| Workshops & Miscellaneous | 131,088 | 91,500 | 39,588 | | 176,069 | 177,500 | (1,431) | |
| Interest | 311,120 | 53,000 | 258,120 | | 548,621 | 106,000 | 442,621 | |
| Total Funding (A) | \$ 16,259,276 | \$ 15,961,568 | \$ 297,708 | 1.87% | \$ 32,358,826 | \$ 31,917,636 | \$ 441,190 | 1.38% |
| Expenses | | | | | | | | |
| Personnel Expenses | | | | | | | | |
| Salaries | \$ 10,021,117 | 9,821,358 | \$ 199,759 | | \$ 20,042,357 | \$ 19,642,715 | 399,642 | |
| Payroll Taxes | 718,774 | 587,811 | 130,963 | | 1,206,217 | 1,175,625 | 30,592 | |
| Benefits | 930,761 | 1,020,692 | (89,931) | | 2,040,762 | 2,236,235 | (195,473) | |
| Retirement Costs | 1,355,754 | 1,247,923 | 107,831 | | 2,669,909 | 2,495,863 | 174,046 | |
| Total Personnel Expenses | \$ 13,026,406 | \$ 12,677,785 | \$ 348,621 | 2.75% | \$ 25,959,245 | \$ 25,550,438 | \$ 408,807 | 1.60% |
| Meeting Expenses | | | | | | | | |
| Meetings & Conference Calls | \$ 230,798 | \$ 237,209 | \$ (6,411) | | \$ 416,187 | \$ 462,883 | (46,696) | |
| Travel | 356,385 | 442,990 | (86,605) | | 884,016 | 947,770 | (63,754) | |
| Total Meeting Expenses | \$ 587,183 | \$ 680,199 | \$ (93,016) | -13.67% | \$ 1,300,203 | \$ 1,410,653 | \$ (110,450) | -7.83% |
| Operating Expenses, excluding Depreciation | | | | | | | | |
| Consultants & Contracts | \$ 285,327 | \$ 569,125 | \$ (283,798) | | \$ 870,611 | \$ 1,155,750 | (285,139) | |
| Office Rent | 427,866 | 427,034 | 832 | | 960,901 | 855,067 | 105,834 | |
| Office Costs | 648,883 | 839,768 | (190,885) | | 1,500,569 | 1,790,576 | (290,007) | |
| Professional Services | 267,300 | 277,485 | (10,185) | | 542,896 | 547,470 | (4,574) | |
| Miscellaneous | - | - | - | | - | - | - | |
| Total Operating Expenses | \$ 1,629,376 | \$ 2,113,412 | \$ (484,036) | -22.90% | \$ 3,874,977 | \$ 4,348,863 | \$ (473,886) | -10.90% |
| Total Direct Expenses | \$ 15,242,965 | \$ 15,471,395 | \$ (228,430) | -1.48% | \$ 31,134,425 | \$ 31,309,954 | \$ (175,529) | -0.56% |
| Indirect Expenses | \$ - | \$ - | \$ - | | \$ - | \$ - | \$ - | |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | | \$ - | \$ - | \$ - | |
| Total Expenses (B) | \$ 15,242,965 | \$ 15,471,395 | \$ (228,430) | -1.48% | \$ 31,134,425 | \$ 31,309,954 | \$ (175,529) | -0.56% |
| Change in Assets | \$ 1,016,311 | \$ 490,173 | \$ 526,138 | 107.34% | \$ 1,224,401 | \$ 607,682 | \$ 616,719 | 101.49% |
| Fixed Asset Additions, excluding Right of Use Assets (C) | \$ 129,141 | \$ 305,000 | \$ (175,859) | -57.66% | \$ 1,071,541 | \$ 690,000 | \$ 381,541 | 55.30% |
| TOTAL BUDGET (B+C) | \$ 15,372,106 | \$ 15,776,395 | \$ (404,289) | -2.56% | \$ 32,205,966 | \$ 31,999,954 | \$ 206,012 | 0.64% |
| TOTAL CHANGE IN WORKING CAPITAL (A-B-C) | \$ 887,170 | \$ 185,173 | \$ 701,997 | 379.10% | \$ 152,860 | \$ (82,318) | \$ 235,178 | -285.69% |
| FTE's | 109.00 | 111.00 | (2.00) | | 111.00 | 111.00 | - | |
| Head Count | 109.00 | 111.00 | (2.00) | | 111.00 | 111.00 | - | |
| Beginning Reserve at 1/1/2024 | 13,084,551 | 12,683,610 | 400,941 | | 13,084,551 | 12,683,610 | 400,941 | |
| Change to Working Capital | 887,170 | 185,173 | 701,997 | | 152,860 | (82,318) | 235,178 | |
| Penalties Received (+) | 515,300 | - | 515,300 | | 515,300 | - | 515,300 | |
| Penalties Released (-) | (1,448,225) | (1,448,225) | - | | (2,896,449) | (2,896,449) | - | |
| Other Reserve Activity | - | - | - | | - | - | - | |
| Ending Reserves at 12/31/2024 | 13,038,797 | 11,420,559 | 1,618,238 | | 10,856,262 | 9,704,843 | 1,151,419 | |
| Working Capital & Operating Contingency Reserves | 3,318,532 | 2,172,334 | 1,146,198 | | 2,584,222 | 1,904,843 | 679,379 | |
| Assessment Stabilization & Penalty Reserves | 9,720,265 | 9,248,225 | 472,040 | | 8,272,040 | 7,800,000 | 472,040 | |
| Other Reserves | - | - | - | | - | - | - | |
| Total Reserves Balance | 13,038,797 | 11,420,559 | 1,618,238 | | 10,856,262 | 9,704,843 | 1,151,419 | |

* 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 June 30, 2024 (Unaudited)**Overall Summary**

- YTD spending \$404k under budget due to timing of planned fixed asset purchases and deferred consulting and software expenditures. Full year projection \$206k over budget due to improved vacancy rate and timing of expenses associated with office relocation
- Funding \$298k over budget YTD and projected \$441k over budget for the full year attributable to increased investment returns

Income

- **Funding (Actual - \$298k over budget)**
 - Higher interest rates and overall investment amounts are driving the favorable YTD and projected variances

Expense

- **Personnel Expenses (Actual - \$349k over budget)**
 - Staff vacancy rate and higher participation in SERC 401k retirement program driving YTD and projected variances, partially offset by favorable health insurance renewal rates
- **Meeting/Travel Expenses (Actual - \$93k under budget)**
 - Deferred meeting and travel resulting in lower expenses versus budget
- **Contracts/Consultants (Actual - \$284k under budget)**
 - Timing of projects varies from budget; full year projected to be \$285k under budget due to planned deferrals on certain IT projects
- **Office Rent (Actual - \$1k over budget)**
 - Common area maintenance expenses slightly higher than expected. Projected overage driven by new office lease expected to be expensed beginning in Q4
- **Office Costs (Actual – \$191k under budget)**
 - Certain planned software purchases deferred driving YTD and projected underage in Office Costs
- **Professional Services (Actual - \$10k under budget)**
 - Timing of actual legal fees varies from budget
- **Fixed Asset Purchases (Actual - \$176k under budget)**
 - Planned deferral of fixed asset purchase associated with Interregional Transfer Capability Study is driving YTD underage. Projected overage due to tenant improvement expenses associated with new lease, offset by planned expense reductions in other categories



July 16, 2024

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

RE: Texas Reliability Entity, Inc. 2nd Quarter 2024 Statement of Activities and Variance Report

Dear Andy,

Attached is the 2024 second 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



Budget to Actual Comparison as of June 30, 2024

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

FUNDING

- **Interest: \$172,117 (688.5%) more than budget.**
 - Texas RE's banking account is the Business Banking U.S. End of Day Money Market Mutual Fund Sweep account. Interest rates are higher than anticipated at the time the 2024 budget was prepared.

EXPENSES

Total Budget as of June 30, 2024 is \$1,435,095 (-15.6%) less than budget.

- **Personnel Expenses: \$1,042,399 (-14.2%) less than budget.**
 - Personnel expenses are less than budget because of vacancies in the first and second quarters. There were 10 vacancies in the first quarter and 7 in the second quarter, representing 14.3% and 10% of total budgeted FTE's.
 - 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: \$51,847 (-27.2%) less than budget.**
 - Meetings and Conference Calls are \$12,227 (-42.9%) less than budget because of a timing difference related to a training workshop scheduled in August. The budget allocates the training expenses evenly over the year, while the majority of the cost will be incurred in August.
 - Travel expenses are \$39,620 (-24.5%) less than because of timing differences between the allocation of budgeted expenses evenly over the year as opposed when the expenses are incurred. For example, RAPA travel is \$19,900 less than budget the first half of the year, but travel is expected to increase the second half of the year. There are also some travel costs which did not materialize as expected. For example, the 2025 Business Plan and Budget presentations to FERC were virtual as opposed to in-person in Washington DC.
- **Total Operating Expenses: \$378,745 (-22.5%) less than budget.**
 - Rent and Improvements are \$356,625 (-42.2%) less than budget. In March there was a \$60,000 credit from our Landlord for the 2023 CAM reconciliation. The variance is also affected by the recognition of \$83,000 in lease incentives which were booked to comply with the GAAP Lease Accounting Standard, and maintenance expenses which were lower than anticipated.



- Office Costs are \$55,016 over budget (14.6%) because of a \$40,000 investment in Enterprise Risk Management software and \$41,000 of software costs which were previously in the budget as IT Managed Services (under Consultants & Contracts), but have been converted to software subscriptions. The increases are partly offset by \$22,000 in telephone stipends included in the budget, which are no longer paid because employees were issued company phones at the end of 2023.
- Consultants and Contracts are \$53,022 (-41.2%) under budget. \$41,000 relates to IT Managed Services which have been converted to software subscriptions and are now allocated to Office Costs. The balance relates to timing differences between expenses budgeted evenly throughout the year and when they are actually incurred.
- Professional Services are \$24,114 (-7.3%) under budget because of IT and Legal Services included in the budget but not needed in the first half of the year.



Texas Reliability Entity, Inc.
Statement of Activities and Fixed Assets
 For period ended June 30, 2024 (Unaudited)

| | 2024 Actual | 2024 Budget | YTD Actual Variance from Budget | | 2024 Forecast | 2024 Annual Budget | Forecast Variance from Budget | |
|--|---------------------|---------------------|---------------------------------------|---------------|----------------------|-----------------------|-------------------------------------|----------------|
| Funding | | | | | | | | |
| ERO Funding | | | | | | | | |
| Assessments | \$ 9,340,507 | \$ 9,340,507 | \$ - | - | \$ 18,681,013 | \$ 18,681,013 | \$ - | 0.00% |
| Penalties Released | 426,912 | 426,912 | - | - | 426,912 | 426,912 | - | 0.00% |
| Interest Income | 197,117 | 25,000 | 172,117 | 688.5% | 350,000 | 50,000 | 300,000 | 600.00% |
| Total Funding (A) | \$ 9,964,536 | \$ 9,792,419 | \$ 172,117 | 1.8% | \$ 19,457,925 | \$ 19,157,925 | \$ 300,000 | 1.57% |
| Expenses | | | | | | | | |
| Personnel Expenses | | | | | | | | |
| Salaries | \$ 4,697,217 | \$ 5,237,381 | \$ (540,164) | -10.3% | \$ 10,642,011 | \$ 10,642,011 | \$ - | 0.00% |
| Payroll Taxes | 329,444 | 388,564 | (59,120) | -15.2% | 723,371 | 723,371 | - | 0.00% |
| Employee Benefits | 648,208 | 977,443 | (329,235) | -33.7% | 1,904,576 | 1,904,576 | - | 0.00% |
| Savings & Retirement | 636,788 | 750,668 | (113,880) | -15.2% | 1,520,920 | 1,520,920 | - | 0.00% |
| Total Personnel Expenses | \$ 6,311,657 | \$ 7,354,056 | \$ (1,042,399) | -14.2% | \$ 14,790,878 | \$ 14,790,878 | \$ - | 0.00% |
| Meeting & Travel Expenses | | | | | | | | |
| Meetings & Conference Calls | \$ 16,271 | \$ 28,498 | \$ (12,227) | -42.9% | \$ 85,900 | \$ 85,900 | \$ - | 0.00% |
| Travel | 122,347 | 161,967 | (39,620) | -24.5% | 381,150 | 381,150 | - | 0.00% |
| Total Meeting & Travel Expenses | \$ 138,618 | \$ 190,465 | \$ (51,847) | -27.2% | \$ 467,050 | \$ 467,050 | \$ - | 0.00% |
| Operating Expenses | | | | | | | | |
| Consultants & Contracts | \$ 75,633 | \$ 128,655 | \$ (53,022) | -41.2% | \$ 393,500 | \$ 393,500 | \$ - | 0.00% |
| Rent & Improvements | 488,564 | 845,189 | (356,625) | -42.2% | 2,045,704 | 2,045,704 | - | 0.00% |
| Office Costs | 433,127 | 378,111 | 55,016 | 14.6% | 735,619 | 735,619 | - | 0.00% |
| Professional Services | 304,414 | 328,528 | (24,114) | -7.3% | 675,175 | 675,175 | - | 0.00% |
| Total Operating Expenses | \$ 1,301,738 | \$ 1,680,483 | \$ (378,745) | -22.5% | \$ 3,849,998 | \$ 3,849,998 | \$ - | 0.00% |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | - | \$ - | \$ - | \$ - | 0.00% |
| Total Expenses | \$ 7,752,013 | \$ 9,225,004 | \$ (1,472,991) | -16.0% | \$ 19,107,925 | \$ 19,107,925 | \$ - | 0.00% |
| Change in Assets | \$ 2,212,523 | \$ 567,415 | \$ 1,645,108 | 289.9% | \$ 350,000 | \$ 50,000 | \$ 300,000 | 600.00% |
| Fixed Asset Additions, excl. ROU Assets | \$ 37,896 | \$ - | \$ 37,896 | - | \$ 50,000 | \$ 50,000 | \$ - | 0.00% |
| Total Budget (B) | \$ 7,789,909 | \$ 9,225,004 | \$ (1,435,095) | -15.6% | \$ 19,157,925 | \$ 19,157,925 | \$ - | 0.00% |
| Change in Working Capital (A - B) | \$ 2,174,627 | \$ 567,415 | \$ 1,607,212 | 283.3% | \$ 300,000 | \$ - | \$ 300,000 | 0.00% |
| FTE's | 63 | 70 | (7) | | 70 | 70 | - | |



Working Capital Reserve Analysis

| | YTD 2024 | Total 2024 |
|---|---------------------|---------------------|
| | Actual | Projection |
| Beginning Working Capital as of 1/1/24 | \$ 5,329,020 | \$ 5,329,020 |
| Change to Working Capital 2024 | 2,174,627 | 300,000 |
| Minus Penalties Released | (426,912) | (426,912) |
| Penalties Collected | 4,600 | 4,600 |
| | \$ 7,081,335 | \$ 5,206,708 |
| Working Capital | \$ 7,081,335 | \$ 5,206,708 |
| | | |
| Operating Contingency Reserves | \$ 2,000,000 | \$ 2,000,000 |
| Working Capital Reserves | 2,371,641 | 144,730 |
| Assessment Stabilization & Penalty Reserves | 2,429,260 | 2,729,260 |
| Other Reserves | 280,434 | 332,718 |
| | \$ 7,081,335 | \$ 5,206,708 |
| Total Reserves and Contingency | \$ 7,081,335 | \$ 5,206,708 |



Jillian Lessner

Chief Financial and Administrative Officer

July 19, 2024

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 Q2 2024 Statutory Statement of Activities and Variance Report

Dear Andy,

Attached is WECC's second-quarter Statutory Statement of Activities and Variance Report. WECC's 2024 unaudited, net year-to-date results are \$1,172,739 under 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,

Jillian Lessner
Chief Financial and Administrative Officer

Enclosures

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



**Statutory Statement of Activities
(Unaudited)**

As of June 30, 2024

Variance Report

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

Funding

- Workshops & Miscellaneous: \$33,000 under budget

Workshops & Miscellaneous funding is under budget primarily due to lower-than-budgeted workshop attendance for the March Reliability and Security Workshop.

- Interest: \$494,000 over budget

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

Expenses

- Employee Benefits: \$183,0000 under budget

Employee Benefits are under budget primarily due to budgeted benefits enrollment level assumptions compared to actual and the timing of Health Reimbursement Account (HRA) use.

- Meetings & Conference Calls: \$88,000 under budget

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

- Travel: \$76,000 under budget

Travel is under budget primarily due to canceled and lower-than budgeted travel activity and the conversion of some in-person meetings to a virtual format.

- Consultants & Contracts: \$119,000 over budget

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

- Indirect Expenses: \$61,000 under budget

Indirect Expenses are under budget due to the underrun in expenses allocated from the statutory to non-statutory activities.

Statutory Statement of Activities and Variance Explanations (July 19, 2024)

Fixed Assets

- Fixed Assets: \$61,000 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 (July 19, 2024)



Western Electricity Coordinating Council Statutory Statement of Activities From 1/1/2024 to 6/30/2024 (Unaudited)

(In Whole Dollars)

| | 2024 YTD Actual | 2024 YTD Budget | 2024 YTD Variance | % | 2024 Projection | 2024 Annual Budget | 2024 Projected Variance | % |
|--|--------------------|--------------------|----------------------|---------------|--------------------|--------------------------|-------------------------------|---------------|
| Funding | | | | | | | | |
| Assessments | 25,000,000 | 25,000,000 | - | 0.0% | 25,000,000 | 25,000,000 | - | 0.0% |
| Penalties Released ¹ | 10,137,948 | 10,137,948 | - | 0.0% | 10,137,948 | 10,137,948 | - | 0.0% |
| Services & Software | - | - | - | - | - | - | - | - |
| Workshops & Miscellaneous | 193,390 | 226,500 | (33,110) | -14.6% | 564,569 | 475,250 | 89,319 | 18.8% |
| Interest | 793,579 | 300,000 | 493,579 | 164.5% | 1,506,671 | 600,000 | 906,671 | 151.1% |
| Total Funding | 36,124,917 | 35,664,448 | 460,469 | 1.3% | 37,209,188 | 36,213,198 | 995,990 | 2.8% |
| Expenses | | | | | | | | |
| Personnel Expenses | | | | | | | | |
| Salaries | 10,062,776 | 10,311,828 | (249,052) | -2.4% | 22,974,887 | 22,648,808 | 326,079 | 1.4% |
| Payroll Taxes | 752,115 | 712,464 | 39,651 | 5.6% | 1,600,892 | 1,436,739 | 164,153 | 11.4% |
| Employee Benefits | 1,185,293 | 1,367,939 | (182,646) | -13.4% | 2,489,721 | 2,770,166 | (280,445) | -10.1% |
| Retirement Costs | 854,757 | 932,646 | (77,889) | -8.4% | 1,961,166 | 2,040,273 | (79,107) | -3.9% |
| Total Personnel Expenses | 12,854,941 | 13,324,877 | (469,936) | -3.5% | 29,026,666 | 28,895,986 | 130,680 | 0.5% |
| Meeting Expenses | | | | | | | | |
| Meetings & Conference Calls | 203,263 | 290,998 | (87,735) | -30.1% | 510,679 | 604,764 | (94,085) | -15.6% |
| Travel | 355,154 | 431,625 | (76,471) | -17.7% | 700,714 | 749,170 | (48,456) | -6.5% |
| Total Meeting Expenses | 558,417 | 722,623 | (164,206) | -22.7% | 1,211,393 | 1,353,934 | (142,541) | -10.5% |
| Operating Expenses, excluding Depreciation | | | | | | | | |
| Consultants & Contracts | 441,544 | 322,367 | 119,177 | 37.0% | 1,836,580 | 728,900 | 1,107,680 | 152.0% |
| Office Rent | 629,207 | 668,281 | (39,074) | -5.8% | 1,284,234 | 1,327,202 | (42,968) | -3.2% |
| Office Costs | 1,284,180 | 1,404,210 | (120,030) | -8.5% | 2,564,147 | 2,691,307 | (127,160) | -4.7% |
| Professional Services | 603,386 | 642,106 | (38,720) | -6.0% | 1,218,947 | 1,261,211 | (42,264) | -3.4% |
| Miscellaneous | - | - | - | - | - | - | - | - |
| Total Operating Expenses | 2,958,317 | 3,036,964 | (78,647) | -2.6% | 6,903,908 | 6,008,620 | 895,288 | 14.9% |
| Total Direct Expenses | 16,371,675 | 17,084,464 | (712,789) | -4.2% | 37,141,967 | 36,258,540 | 883,427 | 2.4% |
| Indirect Expenses | (429,028) | (490,395) | 61,367 | -12.5% | (919,418) | (980,785) | 61,367 | -6.3% |
| Other Non-Operating Expenses | - | - | - | - | - | - | - | - |
| Total Expenses | 15,942,647 | 16,594,069 | (651,422) | -3.9% | 36,222,549 | 35,277,755 | 944,794 | 2.7% |
| Change in Net Assets | 20,182,270 | 19,070,379 | 1,111,891 | 5.8% | 986,639 | 935,443 | 51,196 | 5.5% |
| Fixed Asset Additions, excluding Right of Use Assets | | | | | | | | |
| | 17,152 | 78,000 | (60,848) | -78.0% | 71,152 | 127,040 | (55,888) | -44.0% |
| Total Expenditures | 15,959,799 | 16,672,069 | (712,270) | -4.3% | 36,293,701 | 35,404,795 | 888,906 | 2.5% |
| Change in Working Capital (Total Funding less Total Budget) | 20,165,118 | 18,992,379 | 1,172,739 | | 915,487 | 808,403 | 107,084 | |
| FTEs | 151.66 | 168.00 | (16.34) | | 158.66 | 168.00 | (9.34) | |
| Headcount | 151.00 | 168.00 | (17.00) | | 165.00 | 168.00 | (3.00) | |
| Working Capital at 1/1/2024 | 12,062,711 | 10,664,692 | 1,398,019 | | 12,062,711 | 10,664,692 | 1,398,019 | |
| Peak Reliability Donation Expenditures | 19,725 | - | | | 19,725 | 595,000 | (575,275) | |
| Change to WC - 2024 | 20,165,118 | 18,992,379 | 1,172,739 | | 915,487 | 808,403 | 107,084 | |
| Working Capital at 6/30/2024 | 32,247,554 | 29,657,071 | 2,570,758 | | 12,997,923 | 12,068,095 | 929,828 | |

¹ 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.

² See Working Capital and Reserve Analysis table for additional details.



Working Capital and Reserve Analysis

| Working Capital and Reserve Analysis | | | | | | |
|--------------------------------------|----------------------|-------------------------|----------------------|---------------------------|--|--|
| STATUTORY | | | | | | |
| | Total | Working Capital Reserve | Unreleased Penalties | Peak Reliability Donation | | |
| Beginning Reserve, January 1, 2024 | 25,658,711 | \$ 12,062,711 | \$ 10,137,948 | 3,458,052 | | |
| Plus: Total Funding | 36,129,317 | 36,124,917 | 4,400 | - | | |
| Penalties Release | (10,137,948) | - | (10,137,948) | - | | |
| Less: Expenditures | (15,959,799) | (15,940,074) | - | (19,725) | | |
| Plus: Non-Statutory Fund Adjustment | - | - | - | - | | |
| Reserve, June 30, 2024 | \$ 35,690,281 | \$ 32,247,554 | \$ 4,400 | \$ 3,438,327 | | |



NERC

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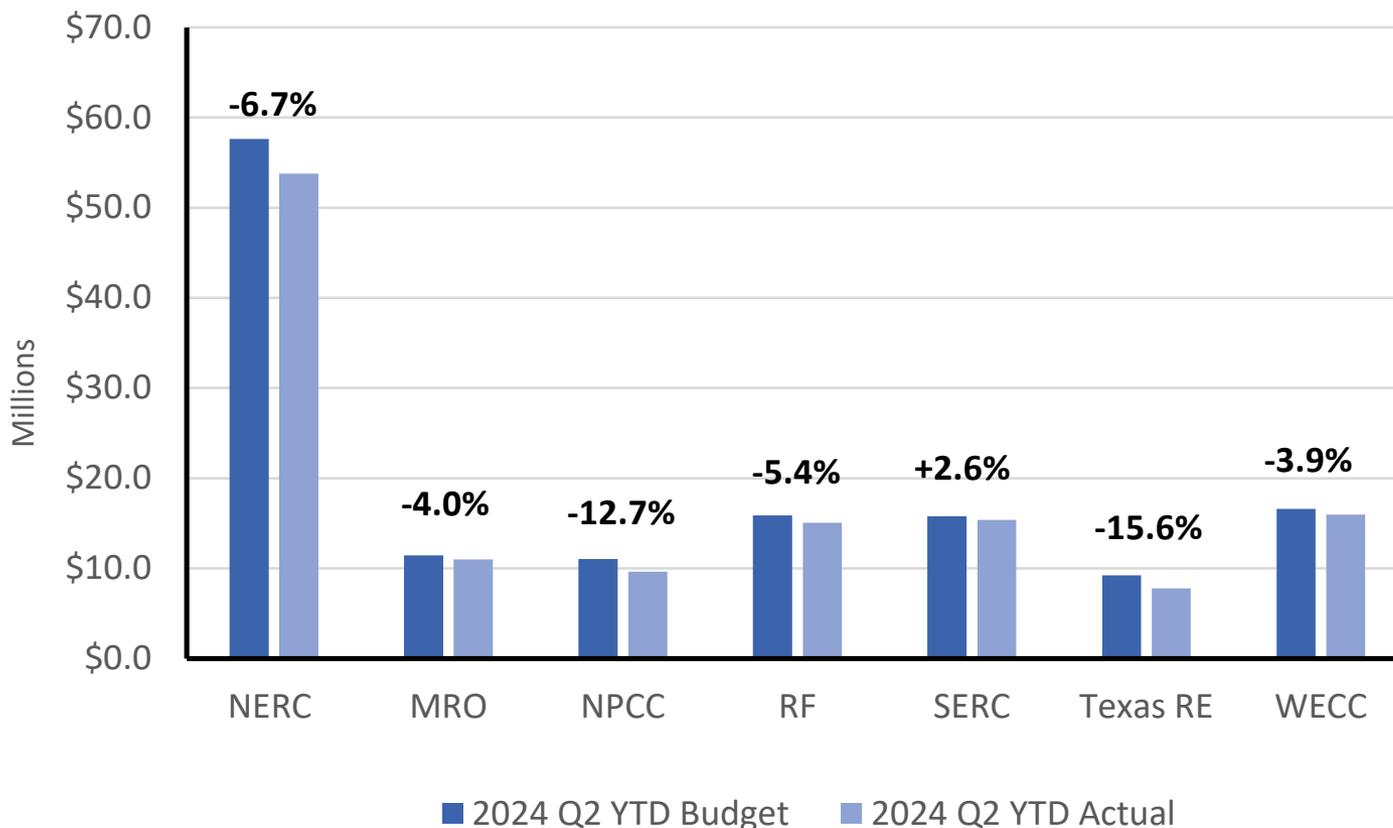
Total ERO Enterprise Summary of Unaudited Results as of June 30, 2024

Meg Leonard, Controller
Finance and Audit Committee Meeting
August 14, 2024

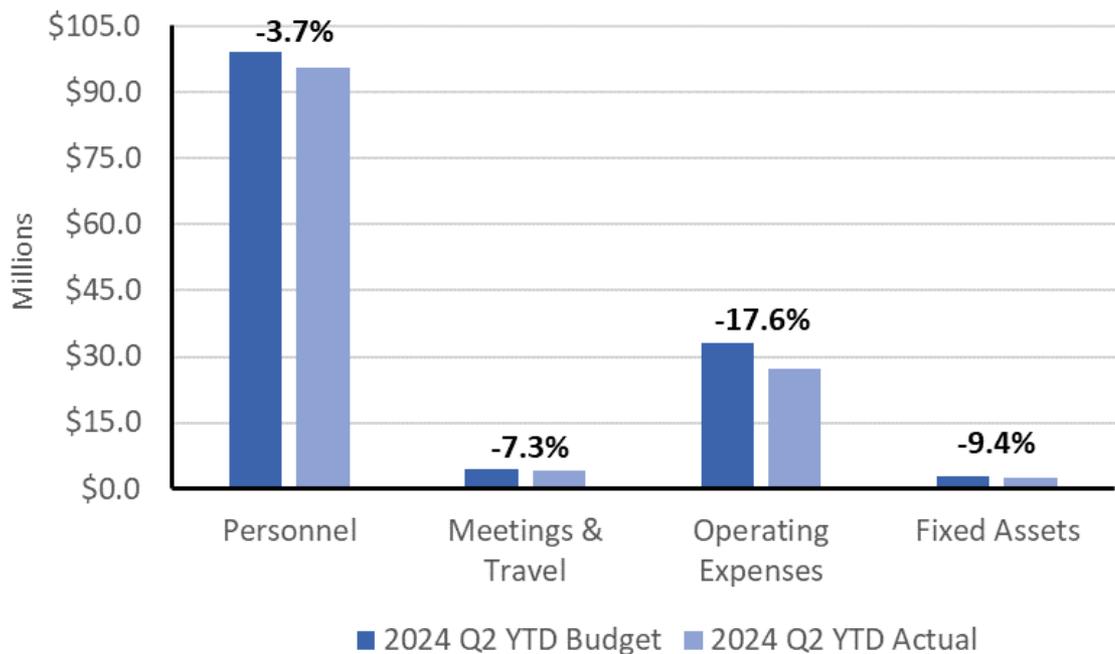
RELIABILITY | RESILIENCE | SECURITY



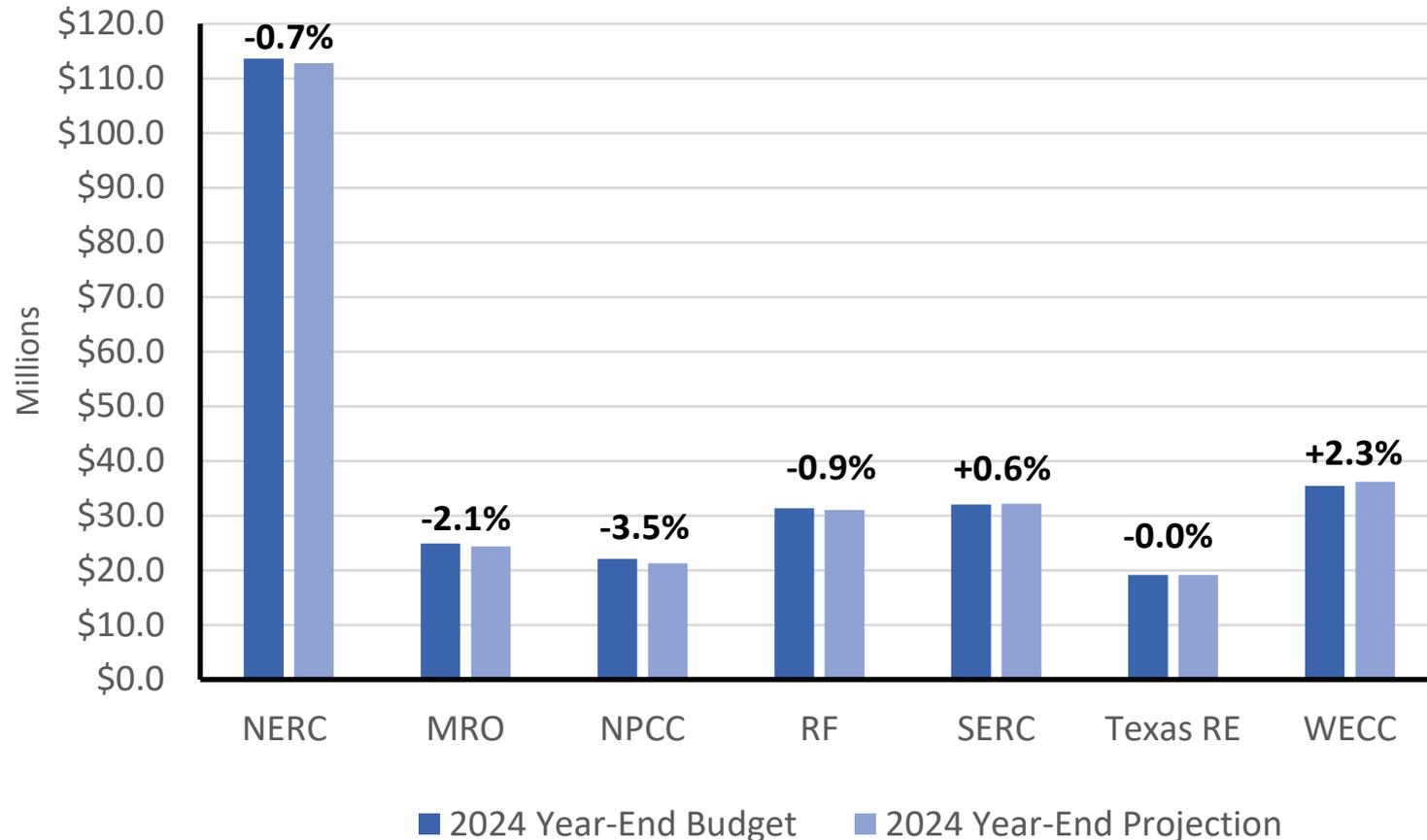
- Total expenditures for the ERO Enterprise were under budget \$9.0M (6.6%).



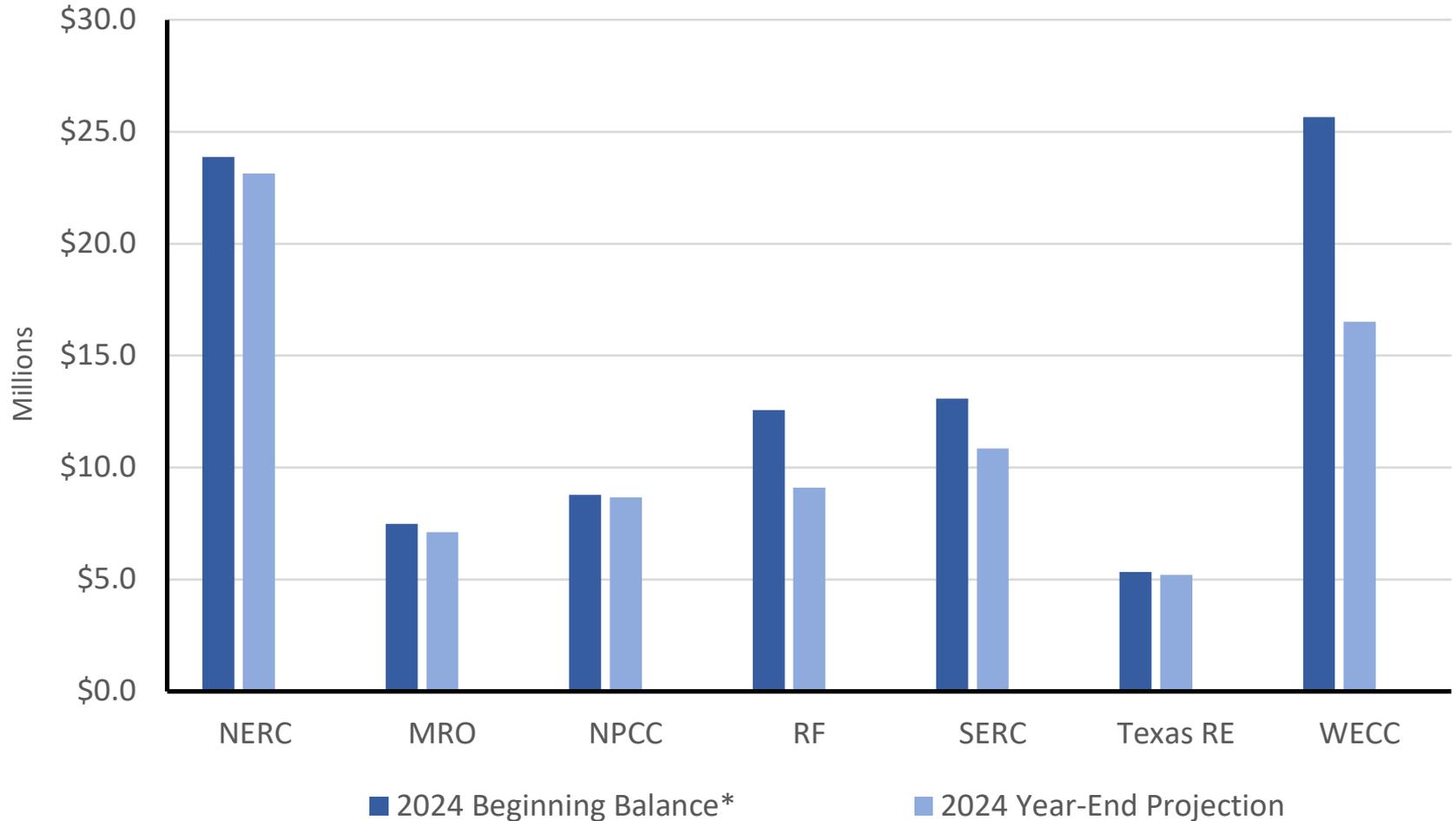
- Personnel – All entities were under budget except for SERC.
- Meetings & Travel – All entities were under budget except for NERC.
- Operating Expenses – All entities were under budget.
- Fixed Assets – NERC, MRO, RF, SERC, and WECC were at or under budget. NPCC and Texas RE were over budget.



- The ERO Enterprise expects to be under budget \$1.4M (0.5%) at year-end.



2024 Projected Reserve Balances

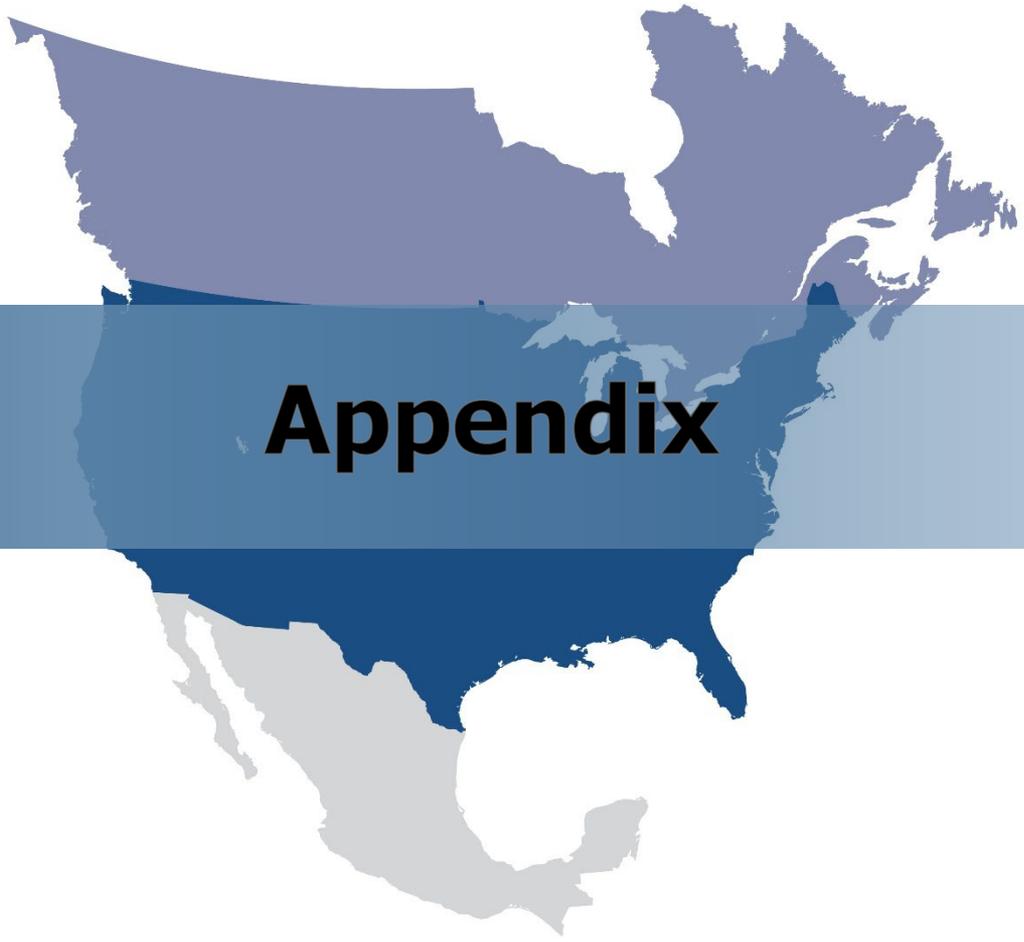


**Adjusted for audited results*

- Projected 2024 total use of reserves – \$16.1M
- Projected 2024 total ending reserves – \$80.6M
 - 3.5 months of budgeted operating expenses



Questions and Answers



Appendix

2024 Actual Beginning Reserves & Projected Ending Reserves

\$ - millions

| Entity | Actual Beginning | | | | Projected Ending | | | | Total 2024 Budget | % of Reserves to 2024 Total Budget | Increase/(Decrease) | | | |
|----------|----------------------|---|----------------|-------------------------|----------------------|---|----------------|---------------------------|-------------------|------------------------------------|----------------------|---|-----------------|------------------|
| | WCOCR ⁽¹⁾ | ASR ⁽²⁾ & Unreleased Penalties | Other Reserves | 1/1/2024 Total Reserves | WCOCR ⁽¹⁾ | ASR ⁽²⁾ & Unreleased Penalties | Other Reserves | 12/31/2024 Total Reserves | | | WCOCR ⁽¹⁾ | ASR ⁽²⁾ & Unreleased Penalties | Other Reserves | Total Reserves |
| NERC | \$ 13.2 | \$ 2.3 | \$ 8.4 | \$ 23.9 | \$ 13.4 | \$ 1.0 | \$ 8.8 | \$ 23.2 | \$ 113.6 | 20.4% | \$ 0.2 | \$ (1.3) | \$ 0.4 | \$ (0.7) |
| MRO | 1.9 | 5.5 | - | 7.4 | 1.3 | 5.8 | - | 7.1 | 24.9 | 28.5% | (0.6) | 0.3 | - | (0.3) |
| NPCC | 7.1 | 1.7 | - | 8.8 | 7.4 | 1.3 | - | 8.7 | 22.1 | 39.4% | 0.3 | (0.4) | - | (0.1) |
| RF | 8.8 | 3.8 | - | 12.6 | 6.4 | 2.7 | - | 9.1 | 31.3 | 29.1% | (2.4) | (1.1) | - | (3.5) |
| SERC | 3.3 | 9.7 | - | 13.0 | 2.6 | 8.3 | - | 10.9 | 32.0 | 34.1% | (0.7) | (1.4) | - | (2.1) |
| Texas RE | 2.1 | 2.9 | 0.3 | 5.3 | 2.1 | 2.7 | 0.3 | 5.1 | 19.2 | 26.6% | - | (0.2) | - | (0.2) |
| WECC | 12.1 | 10.1 | 3.5 | 25.7 | 13.6 | - | 2.9 | 16.5 | 35.4 | 46.6% | 1.5 | (10.1) | (0.6) | (9.2) |
| | \$ 48.5 | \$ 36.0 | \$ 12.2 | \$ 96.7 | \$ 46.8 | \$ 21.8 | \$ 12.0 | \$ 80.6 | \$ 278.5 | 28.9% ⁽³⁾ | \$ (1.7) | \$ (14.2) | \$ (0.2) | \$ (16.1) |

⁽¹⁾ WCOCR - Working Capital & Operating Contingency Reserve - Projected 12/31/24 WCOCR is 16.8% of annual 2024 budget, or 2.0 months of budgeted expenses

⁽²⁾ ASR - Assessment Stabilization Reserve

⁽³⁾ Projected 12/31/24 total reserve balance is 28.9% of annual 2024 budget, or 3.5 months of budgeted operating expenses

2024 Projected Ending Reserves vs Budgeted Ending Reserves

\$ - millions

| Entity | Projected Ending | | | | Budgeted Ending | | | | Over/(Under) | | | |
|-----------------|----------------------|---|----------------|---------------------------|----------------------|---|----------------|---------------------------|----------------------|---|----------------|---------------------------|
| | WCOCR ⁽¹⁾ | ASR ⁽²⁾ & Unreleased Penalties | Other Reserves | 12/31/2024 Total Reserves | WCOCR ⁽¹⁾ | ASR ⁽²⁾ & Unreleased Penalties | Other Reserves | 12/31/2024 Total Reserves | WCOCR ⁽¹⁾ | ASR ⁽²⁾ & Unreleased Penalties | Other Reserves | 12/31/2024 Total Reserves |
| NERC | \$ 13.4 | \$ 1.0 | \$ 8.8 | \$ 23.2 | \$ 10.9 | \$ 0.3 | \$ 7.5 | \$ 18.7 | \$ 2.5 | \$ 0.7 | \$ 1.3 | \$ 4.5 |
| MRO | 1.3 | 5.8 | - | 7.1 | 1.0 | 2.3 | - | 3.3 | 0.3 | 3.5 | - | 3.8 |
| NPCC | 7.4 | 1.3 | - | 8.7 | 5.6 | 0.7 | - | 6.3 | 1.8 | 0.6 | - | 2.4 |
| RF | 6.4 | 2.7 | - | 9.1 | 2.9 | 1.0 | - | 3.9 | 3.5 | 1.7 | - | 5.2 |
| SERC | 2.6 | 8.3 | - | 10.9 | 1.9 | 7.8 | - | 9.7 | 0.7 | 0.5 | - | 1.2 |
| Texas RE | 2.1 | 2.7 | 0.3 | 5.1 | 2.1 | 2.4 | 0.3 | 4.8 | - | 0.3 | - | 0.3 |
| WECC | 13.6 | - | 2.9 | 16.5 | 11.7 | - | 2.6 | 14.3 | 1.9 | - | 0.3 | 2.2 |
| | \$ 46.8 | \$ 21.8 | \$ 12.0 | \$ 80.6 | \$ 36.1 | \$ 14.5 | \$ 10.4 | \$ 61.0 | \$ 10.7 | \$ 7.3 | \$ 1.6 | \$ 19.6 |

⁽¹⁾ WCOCR - Working Capital & Operating Contingency Reserve

⁽²⁾ ASR - Assessment Stabilization Reserve

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

Action

Review and recommend the following for Board of Trustees (Board) approval:

[Final NERC 2025 Business Plan and Budget \(BP&B\)](#)

[Final Regional Entity and Western Interconnection Regional Advisory Body \(WIRAB\) 2025 BP&Bs 2025 Assessment Schedule](#)

Background

On May 28, 2024, NERC posted its draft 2025 Business Plan and Budget (BP&B) for stakeholder review and comment, along with the 2025 BP&Bs of each Regional Entity and WIRAB for reference.¹ On June 10, 2024, the Finance and Audit Committee (FAC) hosted a webinar during which NERC, the Regional Entities, and WIRAB reviewed each of their 2025 BP&Bs. The proposed ERO Enterprise combined 2025 budgets and assessments were also reviewed during the webinar.

The NERC 2025 BP&B included budget and assessment increases for 2025 that are materially consistent with the projections included in the 2023 BP&B as part of NERC's 2023–2025 plan:

- **2025 Budget – \$123.0M (\$9.4M or 8.2% increase from 2024)**
 - Primary drivers are costs related to workforce and technology strategy investments in support of the three-year plan
 - 2025 budget increase is below the prior year projection due to lower personnel, debt service, and removal of out-of-pocket expenses for the Atlanta office move
- **2025 Assessment – \$108.4M (\$11.4M or 11.8% increase from 2024)**
 - Assuming \$3.8M in loan and lease financing proceeds, which lowers assessment requirements
 - Proposing a release of \$300k from Operating Contingency Reserves (OCR)
- **2025 FTEs – 263.5 (increase of 12.4 from 2024)**
 - As part of the workforce strategy, investments mentioned above include additional positions for Reliability Standards, Enforcement, Transmission Assessment, E-ISAC, and Corporate Services

The table below compares the 2023–2025 budget and assessment increase to the original three-year plan developed in 2022. The cumulative budget and assessment in 2025 are materially consistent with the original three-year plan projection, including unanticipated costs for additional transmission assessment capabilities.

¹ The Regional Entities and WIRAB post their BP&Bs for comment in accordance with each of their individual public review process and schedules.

| | Original Plan 2022 v 2025 | Current Proposed 2022 v 2025 | Over/(Under) |
|------------------------|------------------------------|---------------------------------|--------------|
| Assessment Increase \$ | \$29.6 | \$30.0 | \$0.4 |
| Assessment Increase % | 37.8% | 38.3% | 0.5% |
| Budget Increase \$ | \$33.8 | \$34.2 | \$0.4 |
| Budget Increase % | 38.1% | 38.5% | 0.4% |

The 2025 BP&B also included preliminary budget and assessment projections for 2026 and 2027, which show a downward trend in the rate of annual budget and assessment increases as initiatives shift from Sustainability “right-sizing” efforts to Energy and Security. Further, in 2026, avoided office rent expense results in a savings of approximately \$1.4M compared to the 2026 projection provided in the 2024 BP&B.

| | 2026 | 2027 |
|-----------------------|-----------|-----------|
| Assessment Increase % | 8.5%–9.5% | 7.5%–8.5% |
| Budget Increase % | 8.0%–9.0% | 7.0%–8.0% |

These estimates are subject to further evaluation and Board consensus on a new three-year plan for 2026–2028, which will be included in the 2026 BP&B.

Stakeholder Comments

The comment period ended on June 26, 2024. Comments were received from four stakeholder organizations and are posted on NERC’s [website](#):

Bonneville Power Administration (BPA)

- Support the efforts for the updated website and upcoming registration for IBRs.
- Concern with industry keeping up with NERC’s increased activity; matching staffing requirements makes cost recovery difficult.
- Concern with additional VP & SVP positions added to the management structure. NERC may wish to consider a leaner organizational model.
- The increases seem high compared to the general rate of inflation.

Edison Electric Institute (EEI)

- Appreciate the three-year plan approach and maintaining alignment with the plan.
- Evaluate whether NERC should continue, stop, or start activities and prioritize those activities to ensure it is focusing on the most significant reliability risks.
- Provide additional clarity and details regarding the new tools (e.g., Entity Facility Registry, Load Loss Data Collection) and how these tools provide value.

- Recommend NERC continue to collaborate with the Security Advisory Working Group and industry early in the process regarding new and enhanced technology.

Electricity Canada

- Support for the longer-term planning horizon in providing some certainty to industry.
- Applaud the work done to manage 2025 costs within the three-year plan, especially given the unexpected requirements for the Interregional Transfer Capability Study.
- Concern with the trajectory of consecutive, high increases alongside regional increases.
- Staffing that influences long-term scope or direction, such as for transmission assessments, might be better addressed through the three-year planning process.

ISO/RTO (IRC) Standards Review Committee (SRC)

- Sequence standards projects on a schedule that is manageable to ensure engagement by existing industry participants.
- Consider greater sensitivity to meeting notification time frames and the overall volume of meetings.
- Consider adding natural gas expertise to in-house technical staff.

Response to Comments

NERC appreciates the comments received and has reviewed and discussed them with the FAC, the Member Representatives Committee (MRC) BP&B Input Group, and representatives of the Trades and Forums. While there are no material changes proposed to the final 2025 BP&B as a result of the comments, NERC values the input of its stakeholders and will continue to provide ongoing, transparent information on the progress and benefits of its investments. A formal [response to comments](#) is posted on the NERC website.

Mexico Assessments

Unpaid Mexico Assessments

NERC is reallocating unpaid assessments from Mexico to all other WECC load-serving entity (LSEs) as part of the 2025 assessment billings. **The proposed approach for recovering the outstanding balances results in no net assessment impact on WECC LSEs in 2025, as detailed below.**

NERC, WECC, and WIRAB have been unable to collect assessments from Mexico since 2021. The outstanding balance due includes a portion of 2021 assessment and the 2022 through 2024 assessments, totaling \$2.8M for all three entities. Of the total, \$1.9M is owed to WECC, \$945k is owed to NERC, and \$39k is owed to WIRAB.

In accordance with the Rules of Procedure, NERC is proposing to recover the outstanding balances owed from Mexico for the portions owed to NERC and WIRAB by reallocating these amounts to WECC LSEs as part of a special assessment reflected on the 2025 Assessment Schedule. To offset this impact, WECC's final 2025 BP&B reflects a reserve release of \$984k to reduce WECC's 2025 assessment proposed in its draft 2025 BP&B.

For the WECC portion of the outstanding assessments due from Mexico (\$1.9M), instead of NERC charging the WECC LSEs this amount via a special assessment on behalf of WECC in 2025, WECC is writing off its portion in 2024 and use WECC reserves to fund the write-off.

2025 Assessment

Until a new agreement is reached, NERC, WECC, and WIRAB will not include Mexico in the annual assessment calculation beginning in 2025, as reflected on the 2025 Assessment Schedule. This results in a slight impact (approximately \$390k) to the assessment increase by country due to excluding Mexico from the calculation.

Summary

NERC management is proposing the following for the final NERC 2025 BP&B:

- No material changes from the draft 2025 BP&B to the final
- To recover the unpaid Mexico assessments to NERC and WIRAB, NERC will allocate an additional \$984k to WECC LSEs as part of its 2025 Assessment Schedule and billings
 - No net assessment impact on WECC LSEs in 2024 or 2025 since WECC is releasing reserves to cover the total \$2.8M total due to NERC, WECC, and WIRAB.
- NERC, WECC, and WIRAB will not include Mexico in the annual assessment calculation beginning in 2025, until a new agreement can be reached.

During the August 14, 2024, FAC open meeting, NERC will provide an overview of the final proposed NERC 2024 BP&B and ERO Enterprise combined 2025 budgets and assessments prior to requesting recommendation of approval to the Board of the following provided via the links above: (1) NERC's proposed final 2025 BP&B; (2) the Regional Entity and WIRAB final 2025 BP&Bs as approved by their respective boards; and (3) the proposed 2025 Assessment Schedule. A summary of NERC's review of the Regional Entity 2025 BP&Bs is also enclosed for reference.

Attachments

Attachment 1 – Memo on NERC Review of Regional Entity 2025 BP&Bs

To: NERC Board of Trustees

From: Andy Sharp

Re: NERC Review of Regional Entity 2025 Business Plans & Budgets (BP&Bs)

Date: June 27, 2024

NERC has reviewed the Regional Entity 2025 BP&Bs and believes each provides for adequate resources to meet its delegated functions. Additional details on the review process and outcomes are discussed below.

In accordance with 18 C.F.R. Section 39.4, Rules of Procedure Section 1104, and Exhibit E of the regional delegation agreements, NERC oversees that the Regional Entities are adequately funded to accomplish their delegated functions. For each annual BP&B cycle, the Regional Entities submit their BP&Bs to NERC according to a schedule established collaboratively by NERC and the Regional Entities, and NERC conducts reviews of each, focusing on the following:

- Adequacy of the resources and activities to perform delegated functions;
- Alignment of the Regional Entity's activities with ERO goals, objectives, and strategic focus areas;
- Efforts to improve efficiency and control costs;
- Quality and completeness of the financial information presented, including:
 - Conformance with FERC budget reporting requirements and common presentation format;
 - Separation of statutory and non-statutory activities;
 - Supporting detail, including explanations for significant changes from the previous budget;
 - Reporting of reserve budgets and explanation of policies; and
 - Compliance with any budget or audit-related orders from FERC, if applicable.

These reviews generally occur according to the following timeline and process for each BP&B cycle:

- End of April/early May – Regional Entities provide their draft BP&Bs to NERC
- May through early June – Managerial staff from each NERC statutory program area reviews its respective sections of each Regional Entity BP&B and completes a template/checklist to indicate alignment with the above noted areas of focus. NERC Finance staff reviews for conformance to reporting requirements and presentation format. NERC also coordinates reviews of the Regional Entity BP&Bs with counsel who prepares the annual BP&B filing to provide feedback regarding overall document integrity and adherence to FERC expectations and requirements.
 - NERC provides any necessary feedback to the Regional Entity on suggested revisions.
 - Regional Entities address feedback and NERC confirms implementation of revisions.

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Suite 600, North Tower
Atlanta, GA 30326
404-446-2560 | www.nerc.com

- Mid-May through June – Regional Entities provide their BP&Bs to their boards for approval.
- Mid-June – Regional Entities submit their Net Energy for Load and Load-Serving Entity (LSE) data to NERC.
- Mid-June through July – NERC validates the data and calculates assessments for each LSE to be included with the submission of the final NERC and Regional Entity BP&Bs to the Board in August, followed by applicable regulatory filings.

The above process is in addition to regular touchpoints with the ERO Finance Group (comprised of NERC and Regional Entity financial representatives) to discuss and coordinate development of the BP&Bs, as well as ongoing discussions among the other ERO working groups and ERO Executive Committee.

In recent years, this review process has produced minimal feedback to the Regional Entities, as resources are generally found to be adequate with respect to Regional Entities fulfilling their delegated statutory functions. Any input has primarily been limited to suggestions on narrative language or, from the financial perspective, ensuring alignment in the presentation of financial tables. Any areas of improvement for the Regional Entities regarding activities, processes, and procedures are addressed through ongoing Regional Entity oversight and the collaborative work of the ERO Executive Committee and its working groups.

NERC recently completed reviews of the Regional Entity 2025 BP&Bs. The following is a summary of the review findings and outcomes.

- All Regional Entity budgets cover activities eligible for funding, consistent with the regional delegation agreements as well as section 215 criteria.
- All statutory areas for all Regional Entities have adequate resources to fulfill their delegated functions. Any considerations for specific areas are being addressed through ongoing Regional Entity oversight processes.
- All Regional Entities conform to necessary budget reporting and format requirements.
- Other minor wording change suggestions.

Of additional note, in 2023 through the beginning of 2024, the ERO Finance Group worked to evaluate opportunities for the BP&B document and developed a set of recommendations to streamline and improve the value of the BP&B. This was shared and agreed to by FERC staff, and the recommendations were implemented with a new format for the 2025 BP&Bs. Both NERC and the Regional Entities have expressed an increase in efficiency in developing the BP&B document for the 2025 budget cycle.

NERC

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Final 2025 Business Plan and Budget

Andy Sharp, Vice President and Chief Financial Officer
Finance and Audit Committee Meeting
August 14, 2024

RELIABILITY | RESILIENCE | SECURITY





Energy: Tackle the challenge of grid transformation and climate change-driven, extreme weather



Security: Move the needle by focusing on supply chain, Information Technology (IT) and Operational Technology (OT) system monitoring, cyber design, and evolution of the Critical Infrastructure Protection (CIP) Standards

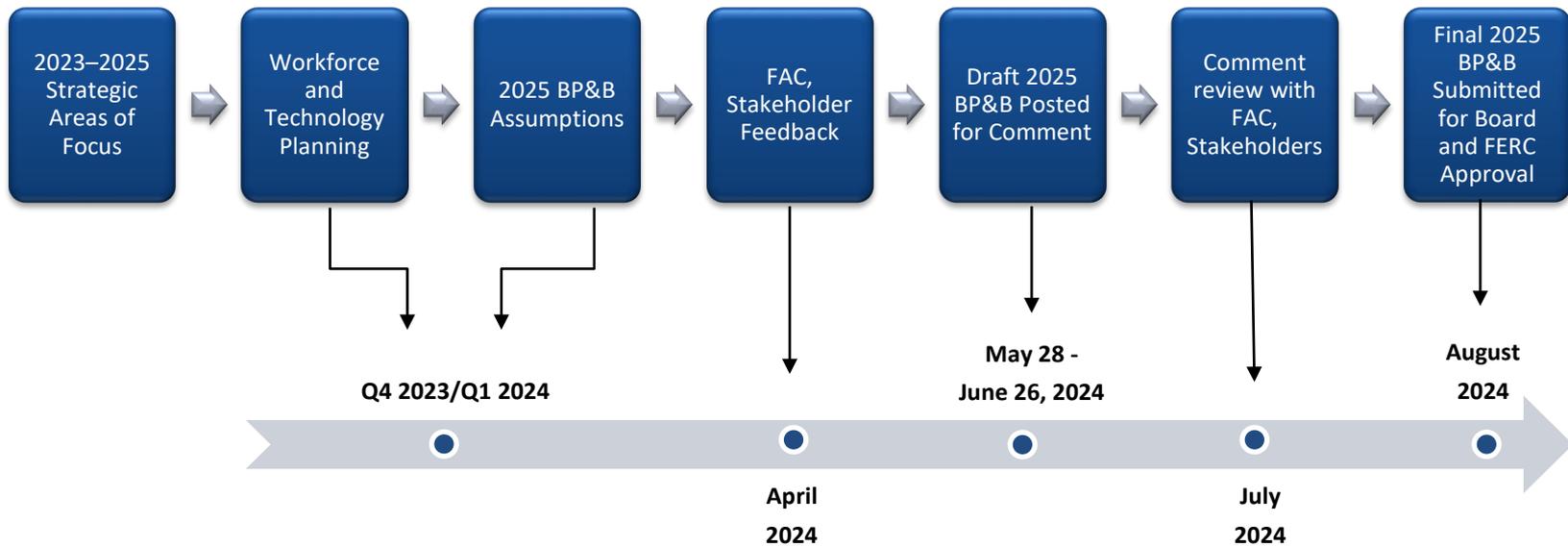


Agility: Tool the company to be more nimble in key areas, particularly standards development, internal operational processes



Sustainability: Invest in ERO systematic controls, eliminate single points of failure, strengthen succession planning, and ensure robust cyber security protections for all systems

2025 BP&B Development Process





- Draft 2025 budget and assessment materially consistent with original three-year plan projection
- No proposed changes for final 2025 BP&B from draft
- NERC reallocating unpaid Mexico assessment to WECC LSEs
 - Impact offset by WECC release of reserves
- 2025 assessment calculation will not include Mexico

➤ *2025 Budget and Assessment on target with original 2023-2025 plan*

BUDGET

\$123.0M



8.2% increase over
2024 (\$9.4M)

ASSESSMENT

\$108.4M



11.8% increase
over 2024
(\$11.4M)

FTEs

263.5



12.4 increase over
2024

Comments received from four
stakeholder organizations

Four themes emerged

Support for three-year planning cycle

Concern with rate of increases

More detail on technology investments

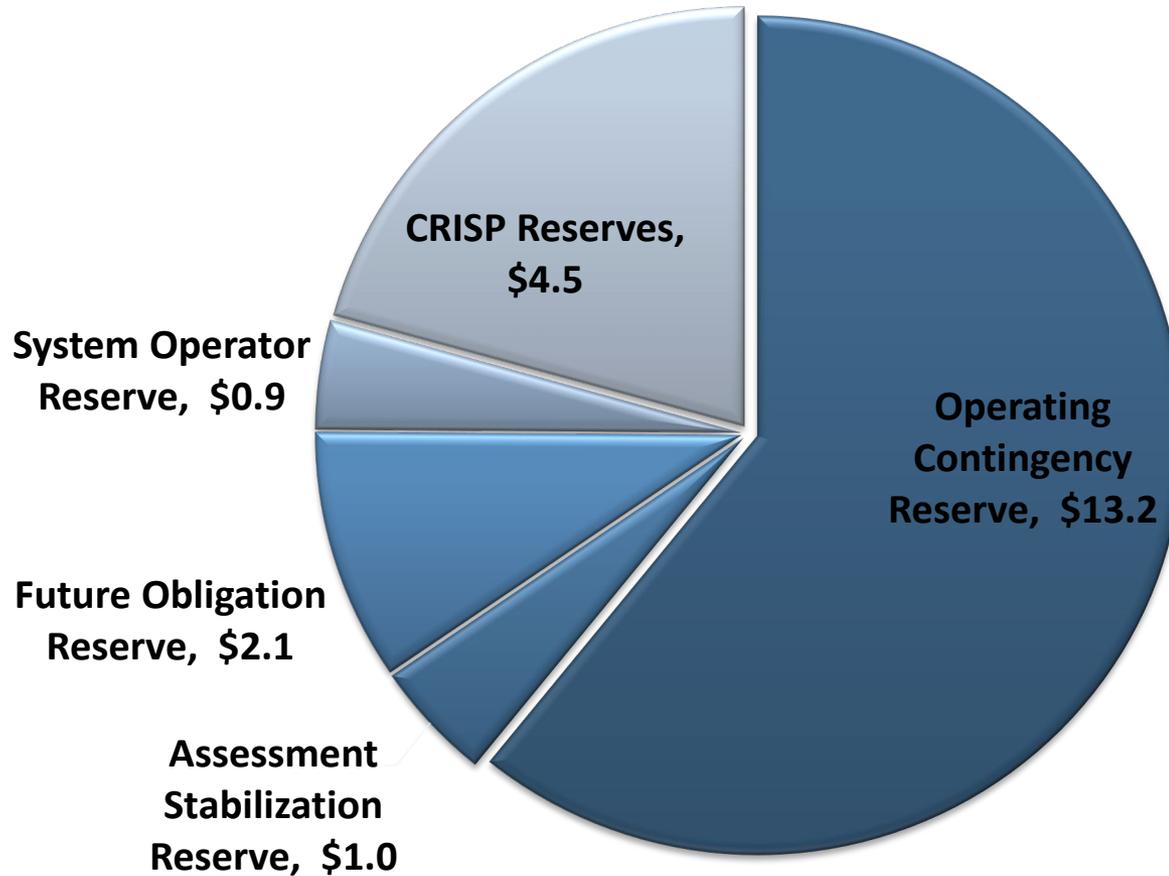
Questions on FTE increases

Response to comments

- Posted on NERC website
- The 2026–2028 plan will continue NERC’s rigorous prioritization and resource planning processes
- Developing a plan to ensure NERC is providing information on technology projects at the right time to the right stakeholders

- **United States – \$97.7M**
 - \$10.6M (12.1%) increase over 2024
 - 90.1% of total NERC assessment
- **Canada – \$10.7M**
 - \$1.2M (12.7%) increase over 2024
 - 9.9% of total NERC assessment
- **Mexico – Not included in 2025 assessment calculation**

\$ - millions



- Preliminary 2026 and 2027 projections evolving, updated in next three-year plan
 - Preliminary 2026 and 2027 annual rate of budget and assessment increase is trending down
 - Personnel and technology projections shifting from right-sizing initiatives around Sustainability to core program area efforts in Energy and Security

| Preliminary Projections | 2026 | 2027 |
|-------------------------|-----------|-----------|
| Assessment Increase % | 8.5%–9.5% | 7.5%–8.5% |
| Budget Increase % | 8.0%–9.0% | 7.0%–8.0% |



Questions and Answers

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

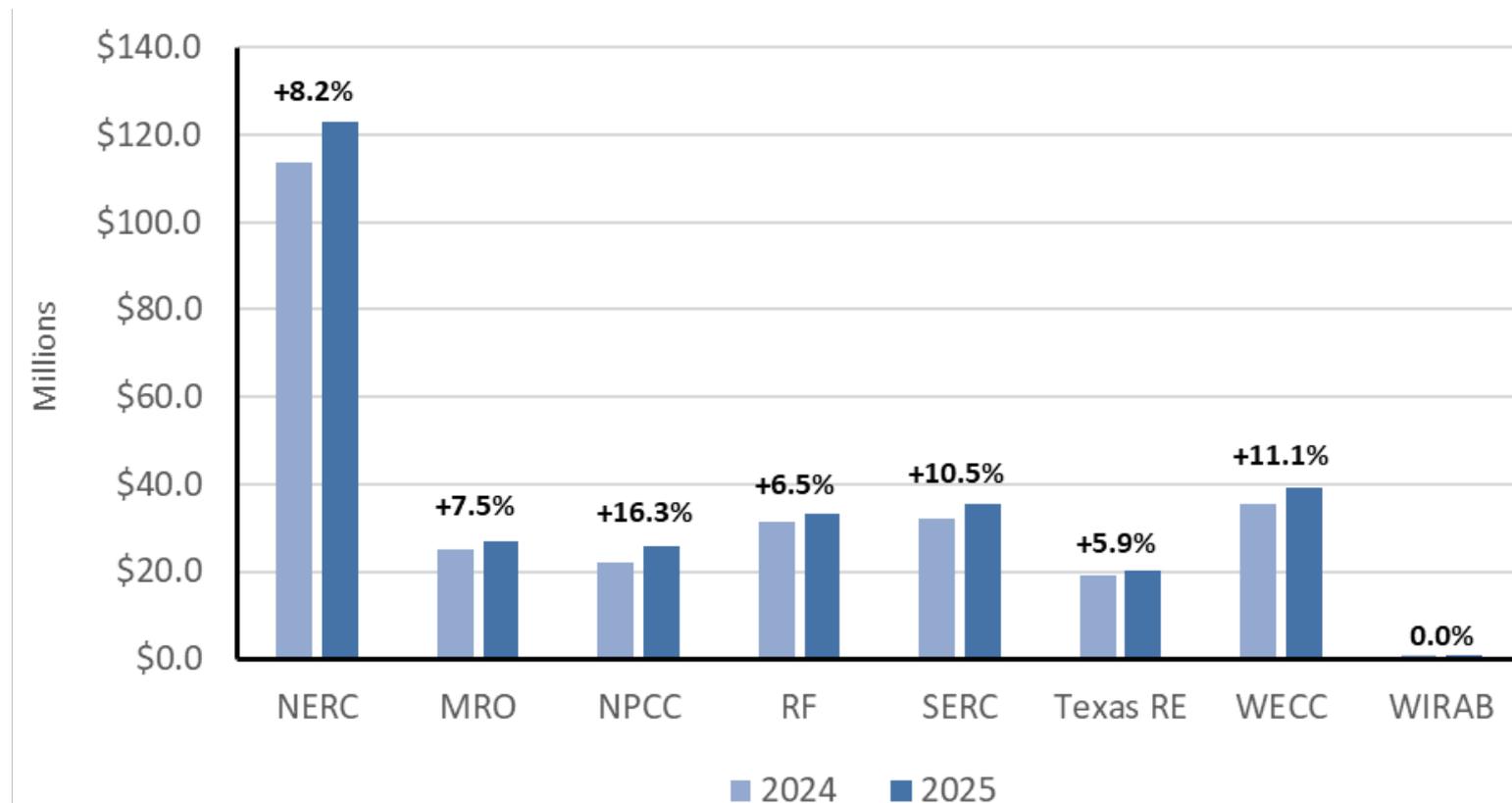
ERO Enterprise Combined 2025 Budgets and Assessments

RELIABILITY | RESILIENCE | SECURITY



Total ERO Enterprise 2025 budget – \$304.6M

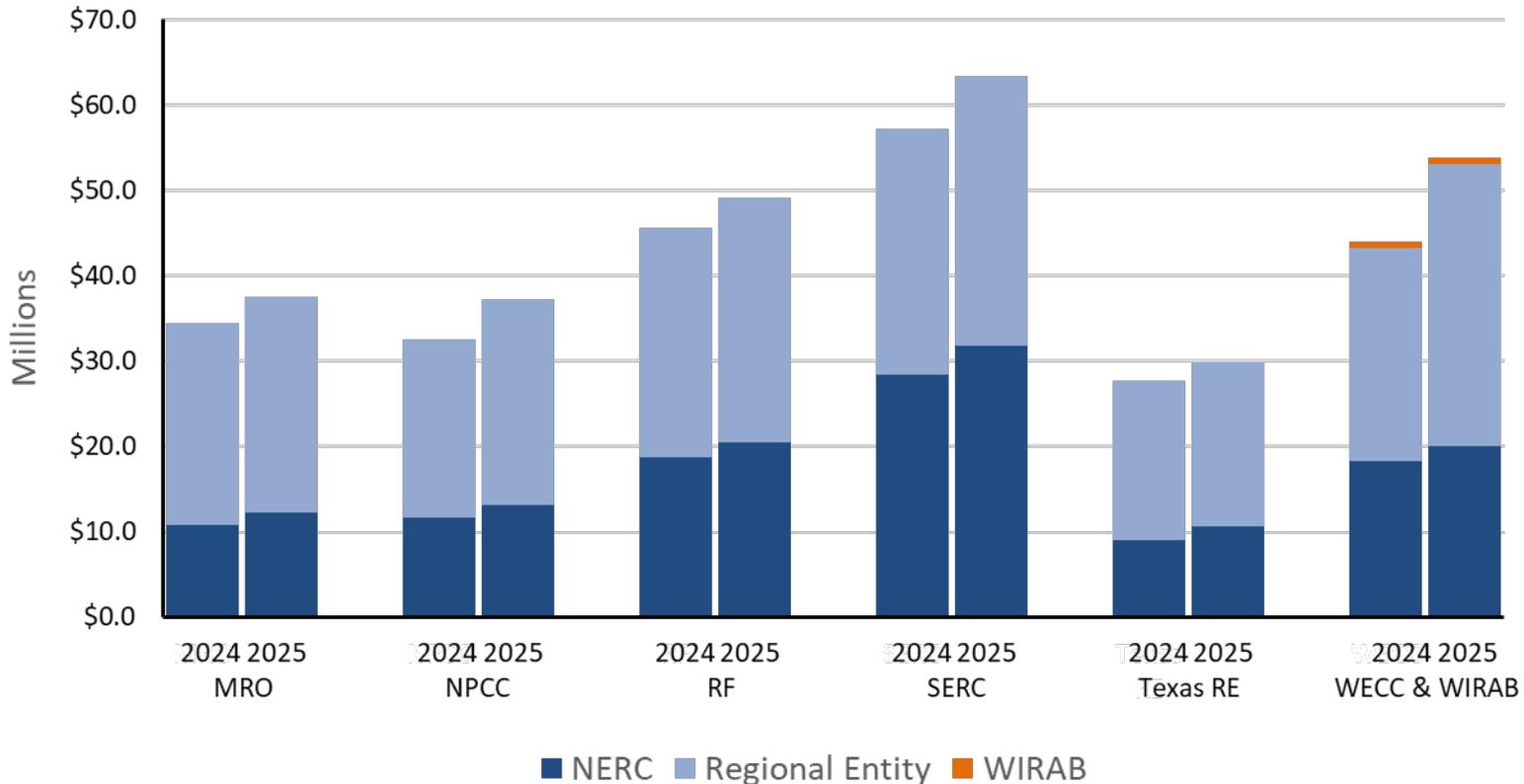
(\$25.3M or 9.1% increase vs 2024)



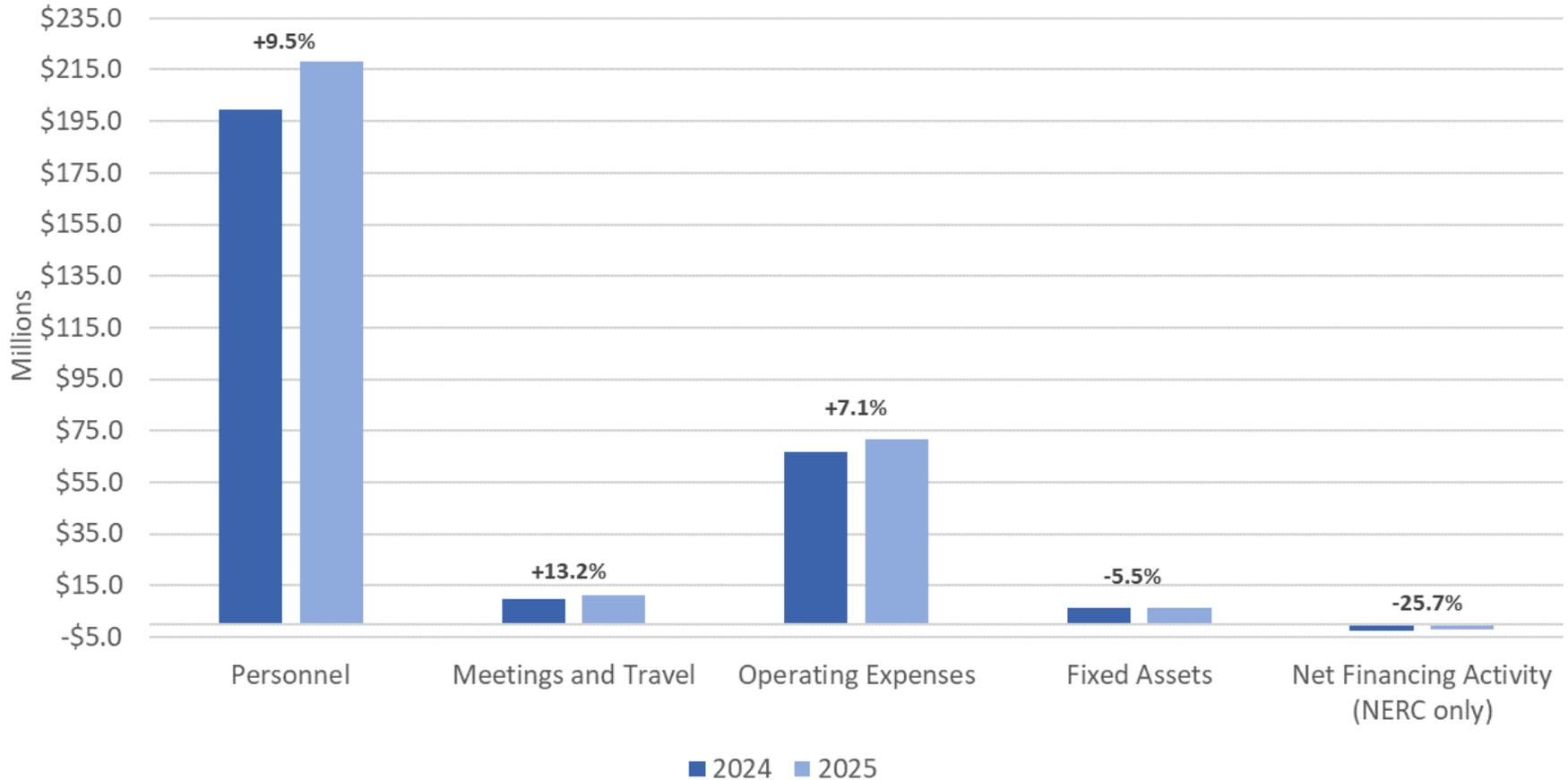
Total ERO Enterprise 2025 assessment – \$270.9M

(\$29.5M or 12.2% increase vs 2024)

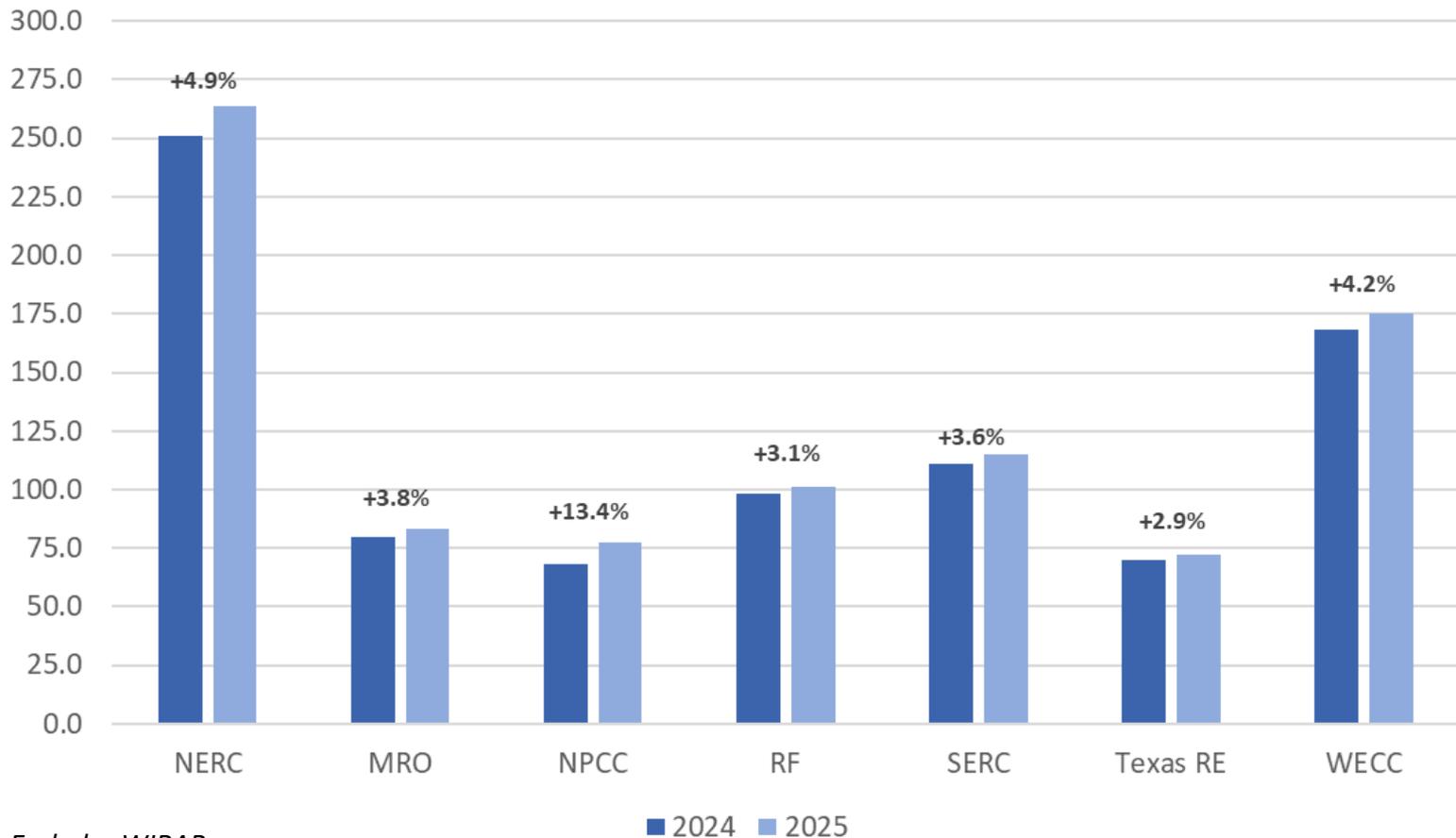
Approximately \$16M in penalties/reserves released to reduce assessments



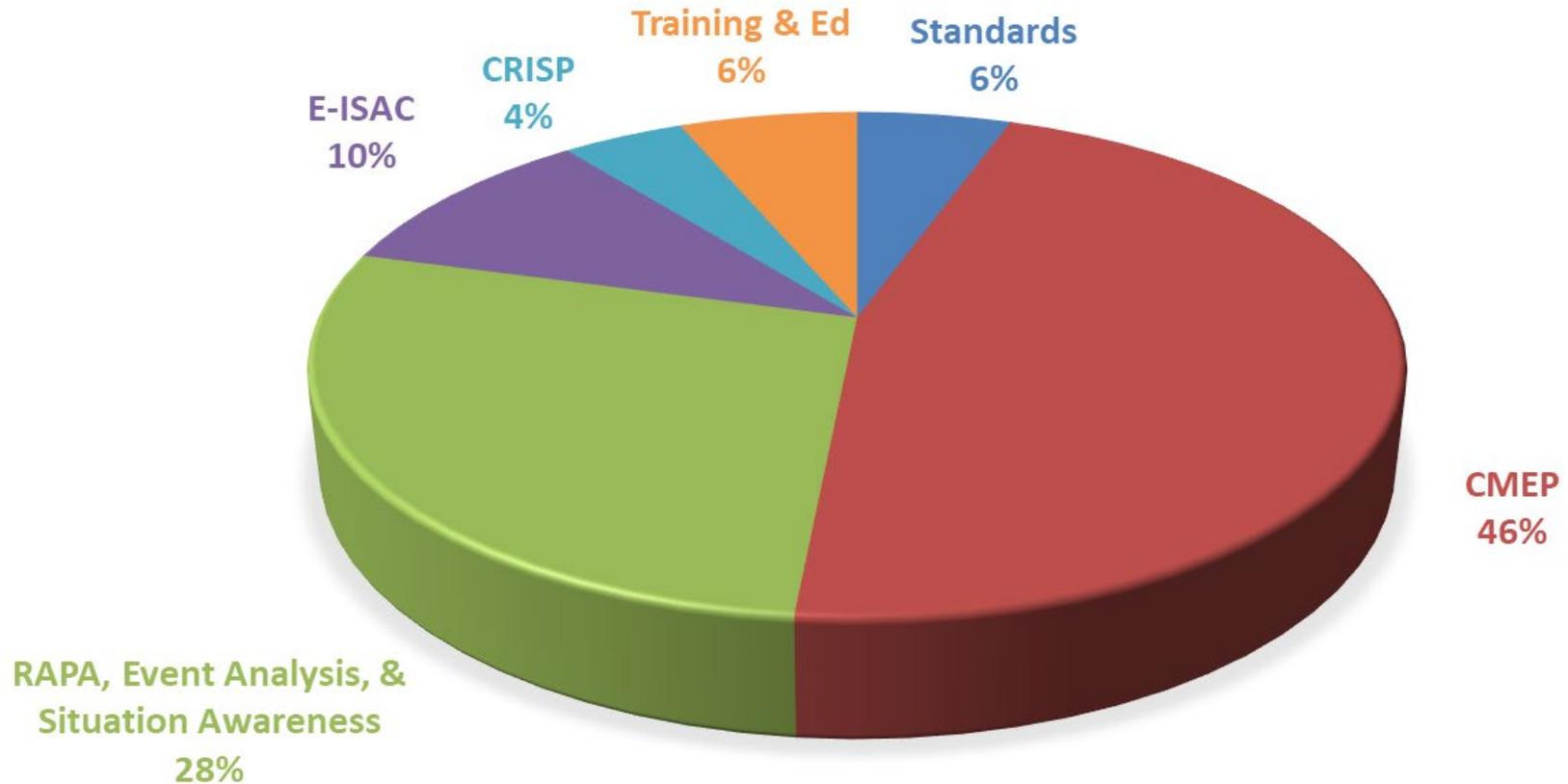
ERO Enterprise 2025 vs. 2024 Budget by Expense Category



Total ERO Enterprise 2025 budgeted FTEs – 886.7 (40.4 or 4.8% increase vs 2024)



Excludes WIRAB



Excludes WIRAB



Questions and Answers

Annual Review of Committee Mandate

Action

Update

Background

As part of the annual review of all Board of Trustees Committee mandates, the NERC Legal Department has reviewed the current Finance and Audit Committee mandate and is not recommending any revisions at this time.