

was reviewed at the November 7, 2022 open meeting of the NERC Finance and Audit Committee and will be presented at the November 16, 2022 meeting of the NERC Board of Trustees.

II. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to the following:⁴

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III. DISCUSSION OF SIGNIFICANT VARIANCES BETWEEN THE 2022 BUDGET AND 2022 THIRD QUARTER ACTUAL FINANCIAL RESULTS

In the attached variance report, NERC outlines the following:

- (a) a comparison of actual (unaudited) financial results through September 30, 2022 to NERC's budgeted expenditures through September 30, 2022; and

⁴ Persons to be included in the Commission's official service. The Petitioners respectfully request a waiver of Rule 203 of the Commission's regulations, 18 C.F.R. § 385.203, to allow the inclusion of more than two persons on the service list in this proceeding.

- (b) additional discussion of significant variances by NERC department or program area and by major activity within departments and program areas. NERC treats “significant” variances as those that are \$500,000 or more.⁵

A. 2022 Third Quarter Actual Financial Results vs. 2022 Budget Variances of \$500,000 or More by Revenue and Expense Category

Six revenue and expense categories had a budget variance \$500,000 or more as of September 30, 2022 or are expected to at year-end:

- Personnel expenses were \$1,274,028 (3.2%) under budget. This category was under budget largely as a result of the following lower costs: 1) salaries and retirement due to lower than budgeted FTEs, 2) medical insurance premiums because of different elections than budgeted, and 3) parking and transportation expense mainly attributable to a continued hybrid workforce. Personnel expenses are projected to be \$578,396 (1.1%) under budget at year-end for similar reasons, with the exception of salaries expense which will be close to budget due to anticipated new hires in the fourth quarter as well as lower than budgeted attrition.
- Meetings and Travel expenses were \$724,347 (39.1%) under budget. This category was under budget because of reduced in-person meetings and travel due to the pandemic. NERC expects this category to be \$597,104 (22.9%) under budget at year-end.
- Contracts and Consultants expenses were \$2,281,340 (22.2%) under budget primarily due to the timing of costs versus the budget. A large part of that amount

⁵ In Section 7(b)(ii) of the Settlement Agreement, the Commission specifies that the threshold for its review and approval for expenditures from Operating Reserves is where any amount allocated from the unforeseen contingencies account of Operating Reserves plus any amount redirected from previously budgeted funds is, in the aggregate, \$500,000 or more for any one specific project or major activity in a program area.

is due to the CRISP third party subcontractor costs. NERC expects that several departments using contractors and consultants will complete their work in the fourth quarter even though this expense was budgeted equally throughout the year. This category is expected to be \$1,718,133 (12.6%) over budget at year-end mainly as a result of 1) costs from the CRISP third party subcontractor for new program participants (funded by revenues from the new participants), 2) replacement of equipment for existing CRISP program participants (funded by revenues from those participants), 3) costs for OT pilot projects (funded from the CRISP Special Projects Reserve), and cloud-based Information Sharing Devices project costs (funded by CRISP Operating Reserves), and 4) two IT security contractors that were not budgeted (which will be partially funded by the deferral of FTEs in other departments).

- Office Costs, Professional, and Miscellaneous expenses are projected to be \$919,836 (6.9%) over budget at year-end. This is largely due to fees for an unbudgeted trustee search, increased costs for liability insurance, and various costs related to subscriptions and publications, equipment rental costs, and telephone expenses.
- Fixed Asset Additions expense were \$2,430,807 (65.9%) under budget primarily as a result of 1) timing of costs versus the budget for capital lease assets related to new equipment leases that will begin in the fourth quarter, 2) budgeted leasehold improvements and office furniture for an Atlanta office relocation that did not materialize, and 3) certain IT equipment and servers that are being lease financed. The category is projected to be \$1,246,009 (25.3%) under budget mainly because

of the aforementioned leasehold improvements and office furniture related to the Atlanta office and also due to IT equipment and servers that are being lease financed.

- Net Financing Activity expenses were \$912,541 (110.6%) over budget and is expected to be \$267,446 (24.3%) under budget at year-end. The Net Financing Activity budget is comprised of financing proceeds/borrowings and principal payments. The budget included borrowings for new equipment leases spread evenly throughout the year. Those borrowings did not occur during the first part of the year and will occur later in the year. Accordingly, debt principal payments are lower than budgeted. The net result is that net financing activity is over budget because of more principal payments than borrowings on new equipment leases during the first part of the year.

B. 2022 Third Quarter Actual Results vs. 2022 Budget Variances of \$500,000 or More by Department or Program Area

Five departments or program areas had a variance exceeding \$500,000 as of September 30, 2022.

- Advanced System Analytics and Modeling & Power System Analysis was \$544,404 (27.3%) under budget. This area is under budget and projected to be \$404,279 (15.4%) under budget at year-end primarily due to lower personnel expenses due to lower than budgeted FTEs, lower travel and meeting expenses due to the pandemic, and lower than budgeted contractor costs.
- E-ISAC was \$970,308 (9.7%) under budget mostly because of lower personnel expenses due to lower than budgeted FTEs, lower travel and meeting expenses due

to the pandemic, and the timing of contractor costs versus the budget. It is projected to be \$545,014 (4.1%) under budget at year-end for the same reasons, except for contractor costs, which are expected to be near budget at year-end.

- Information Technology was \$789,900 (7.5%) under budget primarily due to the timing of costs versus the budget for fixed asset additions and financing activity related to equipment leases that will occur in the fourth quarter. This was partially offset by higher than budgeted contractor needs for two cyber security consultants (that are being partially funded by FTE underruns in other departments). It is expected to be \$122,112 (0.9%) over budget at year-end.
- Human Resources and Administration was \$726,774 (25.0%) under budget primarily due to lower personnel expenses due to less FTEs and also timing of costs versus the budget for contractor work that may occur in the fourth quarter. It is projected to be \$413,624 (10.7%) under budget due to lower personnel expenses due to lower than budgeted FTEs and lower contracts and consultant expenses.
- CRISP is \$1,004,543 (16.8%) under budget and is projected to be \$1,485,627 (18.7%) over budget at year-end. CRISP was under budget largely as a result of the timing of costs versus the budget for the third party subcontractor work. It is expected to be over budget because of costs from the CRISP third party subcontractor for new program participants, from the replacement of equipment for existing program participants, both of which will be funded by the CRISP participants, and also from costs for the OT equipment needs that were carried over from 2021 and being funded by the CRISP Special Projects Reserve.

IV. CONCLUSION

NERC respectfully requests that the Commission accept this filing as compliant with Section II.7(b)(i) of the Settlement Agreement and the Commission's Settlement Order in Docket No. FA11-21-000.

Respectfully submitted,

/s/ Nina Jenkins-Johnston

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*Counsel for North American Electric Reliability
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Dated: November 14, 2022

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 14th day of November, 2022.

/s/ Nina Jenkins-Johnston

Nina Jenkins-Johnston
*Counsel for North American Electric
Reliability Corporation*

/s/ Stefan Bergere

Stefan Bergere
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ATTACHMENT

Summary of Unaudited Results For the Period Ending September 30, 2022

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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	\$ 89.6	\$ 88.3	\$ 1.3
Funding from Reserves			
Assessment Stabilization Reserve	-	-	-
TOTAL FUNDING	\$ 89.6	\$ 88.3	\$ 1.3
<u>EXPENDITURES</u>			
Expenses (excluding Depreciation)	\$ 86.6	\$ 85.1	\$ 1.5
Fixed Asset Additions	3.7	4.9	(1.2)
Net Financing Activity	(1.4)	(1.1)	(0.3)
TOTAL EXPENDITURES	\$ 88.9	\$ 88.9	\$ -
RESERVE INCREASE (DECREASE)	\$ 0.7	\$ (0.6)	\$ 1.3

Funding is projected to be over budget mainly due to higher CRISP third-party funding, investment income, and Personnel Certification/Credential Maintenance fees. Expenditures (excluding depreciation) are expected to be at budget with lower personnel, meetings, travel, and fixed asset additions costs offset by higher contracts and consultants, office costs, and professional services. The result is a reserve increase of \$1.3M more than budget. This activity is explained in more detail in the remainder of the report.

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

			Over	
<u>FUNDING</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>	
Revenues	\$ 66.5	\$ 66.5	\$	-
Funding from Reserves				
Assessment Stabilization Reserve	-	-	-	-
TOTAL FUNDING	\$ 66.5	\$ 66.5	\$	-
<u>EXPENDITURES</u>				
Expenses (excluding Depreciation)	\$ 59.4	\$ 64.0	\$	(4.6)
Fixed Asset Additions	1.3	3.7		(2.4)
Net Financing Activity	0.1	(0.8)		0.9
TOTAL EXPENDITURES	\$ 60.8	\$ 66.9	\$	(6.1)
RESERVE INCREASE (DECREASE)	\$ 5.7	\$ (0.4)	\$	6.1

Funding is on target with the budget. Expenses (excluding depreciation) year-to-date are under budget primarily because of lower personnel, meetings and travel, contracts and consultants, and fixed asset addition costs, and is partially offset by higher net financing activity. The result is a reserve increase of \$6.1M higher 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	\$ 66,533,902	\$ 66,472,347	\$ 61,555	0.1%	\$ 89,607,316	\$ 88,268,926	\$ 1,338,389	1.5%
EXPENDITURES								
Personnel	38,089,815	39,363,842	(1,274,028)	(3.2%)	51,388,039	51,966,435	(578,396)	(1.1%)
Meetings and Travel	1,127,628	1,851,975	(724,347)	(39.1%)	2,010,946	2,608,050	(597,104)	(22.9%)
Contracts and Consultants	7,974,760	10,256,100	(2,281,340)	(22.2%)	15,392,933	13,674,800	1,718,133	12.6%
Office Rent	2,251,788	2,452,258	(200,470)	(8.2%)	3,284,222	3,243,277	40,945	1.3%
Office Costs, Professional, and Misc.*	9,948,036	10,006,479	(58,443)	(0.6%)	14,301,808	13,381,972	919,836	6.9%
Other Non-Operating	90,961	101,250	(10,289)	(10.2%)	194,274	135,000	59,274	43.9%
Fixed Asset Additions*	1,258,256	3,689,062	(2,430,807)	(65.9%)	3,672,741	4,918,750	(1,246,009)	(25.3%)
Net Financing Activity**	87,541	(825,000)	912,541	(110.6%)	(1,367,446)	(1,100,000)	(267,446)	24.3%
TOTAL EXPENDITURES	\$ 60,828,784	\$ 66,895,967	\$ (6,067,183)	(9.1%)	\$ 88,877,516	\$ 88,828,284	\$ 49,232	0.1%
RESERVE INCREASE (DECREASE)	\$ 5,705,118	\$ (423,620)	\$ 6,128,738	(1446.8%)	\$ 729,800	\$ (559,358)	\$ 1,289,157	(230.5%)
FTEs	216.2	223.7	(7.5)	(3.4%)	216.6	223.7	(7.1)	(3.2%)

* 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.

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

- Funding is on target year-to-date. Funding is projected to be over budget mainly due to CRISP third-party funding being higher than budget largely because of new program participants that have joined in 2022, as well as program participants that are projected to join during the remainder of the year. Additionally, investment income and Personnel Certification/Credential Maintenance fees are expected to be higher than budget.
- Personnel expenses are under budget largely as a result of lower 1) salaries and retirement costs due to lower than budgeted FTEs, 2) medical insurance premiums because of different elections than budgeted, 3) relocation needs, and 4) parking and transportation expense mainly attributable to a continued remote workforce. Personnel expenses are projected to be under budget for similar reasons, with the exception of salaries expense which will be close to budget due to anticipated new hires in the fourth quarter and also lower than budgeted attrition.
- Meetings and Travel expenses are under budget and expected to be under budget because of reduced in-person meetings and travel due to the pandemic.
- Contracts and Consultants expenses are under budget primarily due to the timing of costs versus the budget, with a large part of that due to the CRISP third party subcontractor costs and the remainder due to work that may be completed in the fourth quarter in several departments but that was budgeted equally throughout the year. This category is expected to be over budget at year-end mainly as a result of 1) costs from the CRISP third party subcontractor for new program

participants (funded by revenues from the new participants), replacement of equipment for existing program participants (funded by revenues from those participants), costs for OT pilot projects (funded by the CRISP Special Projects Reserve), and cloud-based ISDs project costs (funded by CRISP Operating Reserves) and 2) two IT security contractors that were not budgeted (which will be partially funded by the deferral of FTEs in other departments).

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 Issue Management	\$ 121,184	\$ 119,220	\$ 1,964	1.6%	\$ 158,960	\$ 158,960	\$ -	0.0%
Compliance Assurance	92,056	228,750	(136,695)	(59.8%)	305,000	305,000	-	0.0%
Registration and Certification	36,080	30,000	6,080	20.3%	40,000	40,000	-	0.0%
Compliance Enforcement	17,838	186,750	(168,913)	(90.4%)	249,000	249,000	-	0.0%
BPS Security & Grid Transformation	94,846	-	94,846	0.0%	94,846	-	94,846	0.0%
Reliability Assessment and Technical Committees	75,000	157,500	(82,500)	(52.4%)	100,000	210,000	(110,000)	(52.4%)
Advanced System Analytics and Modeling & Power System Analysis	75,000	187,500	(112,500)	(60.0%)	125,000	250,000	(125,000)	(50.0%)
Performance Analysis	135,676	165,920	(30,245)	(18.2%)	273,727	221,227	52,500	23.7%
Situation Awareness	48,750	11,250	37,500	333.3%	15,000	15,000	-	0.0%
Event Analysis	71,737	88,619	(16,882)	(19.0%)	118,158	118,158	-	0.0%
E-ISAC	1,434,277	1,628,281	(194,004)	(11.9%)	2,182,798	2,171,041	11,757	0.5%
Training, Education and Personnel Certification	239,899	422,391	(182,492)	(43.2%)	425,453	563,188	(137,735)	(24.5%)
General and Administrative and Executive	105,206	75,000	30,206	40.3%	157,565	100,000	57,565	57.6%
Legal and Regulatory	78,730	232,500	(153,770)	(66.1%)	452,820	310,000	142,820	46.1%
External Affairs	-	15,000	(15,000)	(100.0%)	20,000	20,000	-	0.0%
Information Technology	1,559,249	1,300,055	259,194	19.9%	2,233,167	1,733,406	499,761	28.8%
Human Resources and Administration	245,391	652,500	(407,110)	(62.4%)	752,265	870,000	(117,735)	(13.5%)
Finance and Accounting	106,399	138,750	(32,351)	(23.3%)	185,000	185,000	-	0.0%
TOTAL (excluding CRISP)	\$ 4,537,315	\$ 5,639,985	\$ (1,102,670)	(19.6%)	\$ 7,888,759	\$ 7,519,980	\$ 368,779	4.9%
CRISP	3,437,445	4,616,115	(1,178,670)	(25.5%)	7,504,174	6,154,820	1,349,354	21.9%
TOTAL (including CRISP)	\$ 7,974,760	\$ 10,256,100	\$ (2,281,340)	(22.2%)	\$ 15,392,933	\$ 13,674,800	\$ 1,718,133	12.6%

- Office Costs, Professional Services, and Miscellaneous expenses are expected to be over budget largely due to fees for an unbudgeted trustee search, increased costs for liability insurance, and various costs related to subscriptions and publications, equipment leases, and telephone expense.
- Fixed Asset Additions are under budget primarily as a result of 1) timing of costs versus the budget for capital lease assets related to new equipment leases, 2) IT equipment and servers that are being leased rather than purchased, and 3) leasehold improvements and office furniture budgeted for a new Atlanta office that did not materialize. The category is projected to be under budget mainly because of the aforementioned leasehold improvements and office furniture related to the Atlanta office and also due to IT equipment and servers that are being leased rather than purchased.
- The Net Financing Activity budget is comprised of financing proceeds/borrowings and principal payments. The budget included borrowings for new equipment leases spread evenly throughout the year. Those borrowings did not occur during the first part of the year and will occur later in the year. Accordingly, debt principal payments are lower than budgeted. The net result is that net financing activity is over budget because of more principal payments than borrowings on new equipment leases during the first part of the year.
- Reserves are over budget by \$6.1M, primarily due to the reasons noted above for expenses related to personnel, meetings and travel, contracts and consultants, and fixed asset additions. Reserves are projected to be over budget by \$1.3M mainly due to lower personnel, meetings and travel, and fixed asset additions, partially offset by higher than budgeted spend in contracts and consultants and office costs/professional services/miscellaneous.

Variations by Department

DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	YTD	YTD	YTD	%	Annual	Annual	Annual	%
	Actual	Budget	Over (Under)	Over (Under)	Projection	Budget	Over (Under)	Over (Under)
Reliability Standards and Power Risk Issue Management	\$ 3,230,494	\$ 3,268,154	\$ (37,661)	(1.2%)	\$ 4,398,093	\$ 4,321,038	\$ 77,055	1.8%
Compliance Assurance	4,068,044	4,514,422	(446,378)	(9.9%)	5,607,039	5,972,082	(365,043)	(6.1%)
Registration and Certification	798,380	754,217	44,163	5.9%	1,054,916	995,345	59,571	6.0%
Compliance Enforcement	2,558,690	2,855,242	(296,552)	(10.4%)	3,677,228	3,782,700	(105,472)	(2.8%)
BPS Security & Grid Transformation	605,621	708,031	(102,410)	(14.5%)	920,257	935,162	(14,905)	(1.6%)
Reliability Assessment and Technical Committees	1,462,088	1,699,065	(236,978)	(13.9%)	2,037,844	2,246,928	(209,085)	(9.3%)
Advanced System Analytics and Modeling & Power System Analysis	1,449,338	1,993,741	(544,404)	(27.3%)	2,229,418	2,633,697	(404,279)	(15.4%)
Performance Analysis	1,443,562	1,617,419	(173,857)	(10.7%)	1,977,609	2,146,112	(168,503)	(7.9%)
Situation Awareness	2,317,209	2,334,435	(17,226)	(0.7%)	3,325,364	3,129,990	195,374	6.2%
Event Analysis	1,416,582	1,576,001	(159,419)	(10.1%)	1,980,669	2,078,854	(98,185)	(4.7%)
E-ISAC	9,062,839	10,033,147	(970,308)	(9.7%)	12,736,035	13,281,050	(545,014)	(4.1%)
Training, Education and Personnel Certification	1,045,583	1,229,497	(183,915)	(15.0%)	1,549,110	1,635,993	(86,882)	(5.3%)
General and Administrative and Executive	6,679,941	6,971,558	(291,617)	(4.2%)	9,394,988	9,385,265	9,723	0.1%
Legal and Regulatory	3,828,958	3,874,455	(45,497)	(1.2%)	5,525,496	5,123,376	402,120	7.8%
External Affairs	2,356,943	2,381,074	(24,131)	(1.0%)	3,228,769	3,151,081	77,688	2.5%
Information Technology	9,779,720	10,569,620	(789,900)	(7.5%)	14,148,711	14,026,598	122,112	0.9%
Human Resources and Administration	2,177,132	2,903,906	(726,774)	(25.0%)	3,438,689	3,852,313	(413,624)	(10.7%)
Finance and Accounting	1,589,616	1,649,394	(59,777)	(3.6%)	2,217,339	2,186,385	30,954	1.4%
TOTAL (excluding CRISP)	\$ 55,870,739	\$ 60,933,379	\$ (5,062,640)	(8.3%)	\$ 79,447,575	\$ 80,883,970	\$ (1,436,395)	(1.8%)
CRISP	4,958,045	5,962,587	(1,004,543)	(16.8%)	9,429,941	7,944,314	1,485,627	18.7%
TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	\$ 60,828,784	\$ 66,895,967	\$ (6,067,183)	(9.1%)	\$ 88,877,516	\$ 88,828,284	\$ 49,232	0.1%

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

- Compliance Assurance – Under budget mostly because of lower personnel expenses due to less FTEs, lower travel and meeting expenses due to the pandemic, and lower than budgeted contractor costs due to timing of costs versus the budget, which is partially offset by higher year-to-date fixed asset additions cost for the Align project. Projected to be under budget at year-end for the same reasons, except for contractor costs that are expected to be on budget.
- Compliance Enforcement – Under budget mostly because of lower personnel expenses due to less FTEs and lower than budgeted contractor costs due to timing of costs versus the budget, which is partially offset by higher year-to-date fixed asset additions cost for the Align project.
- Advanced System Analytics and Modeling & Power System Analysis – Under budget and projected to be under budget primarily due to lower personnel expenses due to less FTEs, lower travel and meeting expenses due to the pandemic, and lower than budgeted contractor costs. Projected to be under budget for the same reasons at year-end.
- E-ISAC – Under budget mostly because of lower personnel expenses due to less FTEs, and lower travel and meeting expenses due to the pandemic and lower FTEs, and timing of contractor costs versus the budget. Projected to be under for the same reasons, except for contractor costs, which are expected to be near budget.
- General & Administrative and Executive – Under budget mainly attributable to leasehold improvements and office furniture budgeted for a new Atlanta office that did not materialize, partially offset by higher personnel expenses due to lower attrition, higher retirement plan costs, and unbudgeted trustee search fees.
- Legal & Regulatory – Projected to be over budget mainly due to higher personnel costs because of lower attrition, as well as some contractor support for Internal Audit staff augmentation.

- Information Technology – Under budget primarily due to timing of costs versus the budget for fixed asset additions and financing activity related to equipment leases, partially offset by higher than budgeted contractor needs for two cyber security consultants (that are being partially funded by FTE underruns in other departments).
- Human Resources – Under budget primarily due to lower personnel expenses due to less FTEs and also timing of costs versus the budget for contractor work that may occur in the fourth quarter. Projected to be under budget due to lower personnel expenses due to less FTEs and lower contracts and consultant expense.
- CRISP – Under budget largely as a result of timing of costs versus the budget for the third party subcontractor work and expected to be over budget because of costs from the CRISP third party subcontractor for new program participants and replacement of equipment for existing program participants, and also for costs for the OT equipment needs discussed earlier that were carried over from 2021 and being funded by the CRISP Special Projects Reserve.

Supplemental Schedules

Schedule 1 – Year-End Projected Reserves

Reserve Account	1/1/2022		Unbudgeted Funding/(Use) ⁽³⁾	Operating and Financing Activity		12/31/2022	
	Beginning Balance ⁽¹⁾	Budgeted Funding/(Use) ⁽²⁾		Versus Budget ⁽⁴⁾	Ending Balance		
NERC Operating Contingency	\$ 8,728,678	\$ (64,253)	\$ -	\$ 968,281	\$	\$ 9,632,706	
Future Obligations	1,381,843	(679,629)	882,756	708,893		2,293,863	
Assessment Stabilization	2,521,000	-	735,000	-		3,256,000	
System Operator	915,083	(86,212)	-	108,859		937,730	
CRISP Defense Fund	512,821	-	50,000	-		562,821	
CRISP Operating	1,596,902	300,000	-	(109,134)		1,787,768	
CRISP Special Projects	445,316	-	-	(387,741)		57,575	
Total Reserves	\$ 16,101,643	\$ (530,094)	\$ 1,667,756	\$ 1,289,157	\$	\$ 18,528,462	

NOTES:

(1) 2022 beginning balances have been adjusted from the 12/31/2021 variance report balances as the result of a reconciliation to the final audited balance sheet.

(2) The amended 2022 Business Plan & Budget (2022 BP&B) contained a budgeted use of NERC Operating Contingency Reserves (OCR) totaling \$64,253 and a budgeted use of \$708,893 of Future Obligation Reserves (FOR) to help fund costs of a potential new Atlanta office space. Those costs will not materialize in 2022 and the money will go back into the NERC OCR and FOR.

The 2022 BP&B included a use of System Operator Reserves derived from budgeted revenues being \$86,212 lower than budgeted expenses.

The 2022 BP&B also contained \$300,000 to build the balance in the CRISP Operating Reserve.

(3) The unbudgeted addition to the Future Obligation Reserve of \$882,756 is primarily the result of lease concessions at the current Atlanta office that will be applied to future rent expense over the remainder of the Atlanta lease.

An increase of \$735,000 in the Assessment Stabilization Reserve is due to the unbudgeted collection of penalties.

(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.

For the CRISP Special Projects Reserve, any amount remaining at the end of 2022 will be incorporated into the CRISP Operating Reserve.

Schedule 2 – IT Projects (> \$250k)

Projects in Progress	Project Budget ⁽¹⁾	Actual Spend to Date	Expected Spend	Expected Over (Under) Budget
Align Release 4.5 ⁽²⁾	\$ -	\$ 262,490	\$ 400,000	\$ 400,000
Disaster Recovery	490,000	450,160	490,000	-

Projects Completed in 2022	Project Budget	Actual Spend
E-ISAC Portal Replacement (fixed contract) ⁽³⁾	\$ 259,680	\$ 259,680
CRISP Operational Technology Project ⁽³⁾	426,000	366,975
Align Enhancements/Release 4.0	300,000	371,553

NOTES:

(1) The Project Budget noted above usually corresponds to the approved business case if required for each project and funds for each project are drawn from the available budget.

(2) The Align Release 4.5 project was not specifically identified in the 2022 BP&B, but is being funded by a portion of the 2022 budgeted Align and SEL enhancements and deferral of other software projects.

(3) The amounts do not include internal labor or license/maintenance/support costs and reflect only external (consultant) costs of the projects.

* Some of these projects span multiple years, so the amounts above do not represent a single budget year expenditure.

Schedule 2 (continued) – IT Projects

Align Release 4.5

(Started Q1 2022 / Estimated Completion Q4 2022)

This will include required functionality for Inherent Risk Assessments (IRAs) and Compliance Oversight Planning (COPs).

Disaster Recovery

(Started Q1 2022 / Estimated Completion Q4 2022)

This project will provide NERC with the capability to securely fail over and restore our network of our Tier 0 and Tier 1 mission critical applications in response to a malicious event or unplanned outage.

E-ISAC Portal Replacement

(Started Q3 2020 / Completed Q1 2022)

This project re-platformed the current portal and ticket/case system, which combined the functions and services into a single E-ISAC Sharing Platform (ESP) solution, allowing members, partners, and the E-ISAC staff to interact more effectively and efficiently.

CRISP Operational Technology Pilot

(Started Q4 2020 / Completed Q2 2022)

This project will promote E-ISAC analyst training and capabilities through guided-hunt participation and development of other cyber security threat intelligence best practices (such as generation of analytics and playbooks). The project is being funded through CRISP and benefit its participants, but will enrich the overall threat intelligence capabilities of the E-ISAC.

Align Enhancements/Release 4.0

(Started Q1 2022 / Completed Q2 2022)

This work included enhancements from Release 3 (audit and scheduling) as requested and approved by the Align Steering Committee. It also includes platform performance and optimization enhancements resulting from the December 2021 outage event.

Schedule 3 – E-ISAC and CRISP Summary of Activity

TOTAL E-ISAC (including CRISP)

FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 18,851,925	\$ 25,135,900	\$ 25,135,900	\$ -
Other Funding	6,217,361	9,082,380	8,011,505	1,070,876
TOTAL FUNDING	\$ 25,069,286	\$ 34,218,280	\$ 33,147,405	\$ 1,070,876
EXPENDITURES				
Personnel Expense	\$ 7,265,796	\$ 9,827,483	\$ 10,430,408	\$ (602,926)
Meetings and Travel Expense	151,980	293,054	324,000	(30,946)
Operating Expenses (excluding Depreciation)	6,532,522	12,004,191	10,379,706	1,624,485
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	70,586	41,250	91,250	(50,000)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 14,020,883	\$ 22,165,977	\$ 21,225,364	\$ 940,613
Indirect Expense Allocation	7,756,514	11,239,383	10,944,281	295,102
Fixed Asset Allocation	117,441	707,342	1,132,166	(424,824)
Net Financing Activity Allocation	(63,175)	(528,727)	(454,407)	(74,320)
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 21,831,664	\$ 33,583,976	\$ 32,847,405	\$ 736,571
RESERVE INCREASE (DECREASE)	\$ 3,237,622	\$ 634,304	\$ 300,000	\$ 334,304

Schedule 3 (continued) – E-ISAC and CRISP Summary of Activity

CRISP				
FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 1,016,927	\$ 1,355,903	\$ 1,355,903	\$ -
Other Funding	6,144,168	8,962,867	7,929,423	1,033,444
TOTAL FUNDING	\$ 7,161,096	\$ 10,318,770	\$ 9,285,326	\$ 1,033,444
<u>EXPENDITURES</u>				
Personnel Expense	\$ 729,619	\$ 976,430	\$ 1,095,553	\$ (119,123)
Meetings and Travel Expense	58,349	62,827	34,000	28,827
Operating Expenses (excluding Depreciation)	4,099,490	8,390,685	6,814,761	1,575,924
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	70,586	-	-	-
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 4,958,045	\$ 9,429,941	\$ 7,944,314	\$ 1,485,627
Indirect Expense Allocation	577,982	1,301,144	980,303	320,841
Fixed Asset Allocation	8,751	81,887	101,411	(19,524)
Net Financing Activity Allocation	(4,707)	(61,209)	(40,702)	(20,507)
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 5,540,070	\$ 10,751,763	\$ 8,985,326	\$ 1,766,437
RESERVE INCREASE (DECREASE)	\$ 1,621,026	\$ (432,993)	\$ 300,000	\$ (732,993)

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 approximately \$330k. Year-to-date expenses sent by the third-party contractor to NERC for new CRISP participants totals approximately \$200k.

E-ISAC (excluding CRISP)

FUNDING	YTD Actual	Annual Projection	Annual Budget	Projected Over (Under)
Assessments	\$ 17,834,998	\$ 23,779,997	\$ 23,779,997	\$ -
Other Funding	73,193	119,513	82,082	37,432
TOTAL FUNDING	\$ 17,908,190	\$ 23,899,510	\$ 23,862,079	\$ 37,432
<u>EXPENDITURES</u>				
Personnel Expense	\$ 6,536,177	\$ 8,851,053	\$ 9,334,855	\$ (483,802)
Meetings and Travel Expense	93,630	230,227	290,000	(59,773)
Operating Expenses (excluding Depreciation)	2,433,032	3,613,506	3,564,945	48,561
Other Non-Operating Expenses	-	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	-	41,250	91,250	(50,000)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 9,062,839	\$ 12,736,035	\$ 13,281,050	\$ (545,014)
Indirect Expense Allocation	7,178,533	9,938,239	9,963,978	(25,739)
Fixed Asset Allocation	108,689	625,456	1,030,756	(405,300)
Net Financing Activity Allocation	(58,467)	(467,518)	(413,705)	(53,813)
TOTAL EXPENDITURES (excluding Depreciation, including Allocations)	\$ 16,291,594	\$ 22,832,212	\$ 23,862,079	\$ (1,029,866)
RESERVE INCREASE (DECREASE)	\$ 1,616,597	\$ 1,067,298	\$ -	\$ 1,067,298

Schedule 4 – Summary of Investments

	<u>Quarter-End</u> <u>Balance</u>	<u>Ticker</u> <u>Symbol</u>	<u>Fund Name</u>	<u>S&P</u> <u>Credit Rating</u>	<u>Average</u> <u>Annualized</u> <u>Yield</u>
<u>Cash Sweep Accounts</u>					
Operating Account Sweep	\$ 25,087,973	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	2.06%
SOCCEd Account Sweep	1,194,021	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	2.06%
CRISP Account Sweep	10,042,628	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	2.06%
<u>Total Cash Sweep Accounts</u>	<u>\$ 36,324,622</u>				
<u>Investment Account</u>					
Reserve Funds	\$ 10,042,628		IAM OCIO Principal - IAM Bank Sweep		3.10%
<u>Total Investments</u>	<u>\$ 10,042,628</u>				