

## Agenda

# Finance and Audit Committee Open Meeting

February 14, 2024 | 7:45-8:15 a.m. Central  
In-Person

The Houstonian Hotel Houston  
111 North Post Oak Lane  
Houston, TX 77024  
Conference Room: Grand Ballroom (lower level)

### Virtual Attendees

Webcast Link: [Join Meeting](#)

### Committee Members

Colleen Sidford - Chair  
Robert G. Clarke  
George S. Hawkins  
Susan Kelly  
Kristine Schmidt  
Jim Piro  
Kenneth W. DeFontes, Jr. – *Ex Officio*

### Introduction and Chair's Remarks

### [NERC Antitrust Compliance Guidelines](#)

### Agenda Items

1. **Minutes - Approve**
  - a. August 16, 2023 Meeting\*
2. **Fourth Quarter Calendar of FAC Responsibilities\* – Review and Recommend Board of Trustees Acceptance**
  - a. NERC 2023 Unaudited Year-End Report
  - b. ERO Enterprise Combined 2023 Unaudited Year-End Report
  - c. Regional Entity 2023 Unaudited Year-End Reports
3. **2025 Business Plan and Budget Schedule\* – Update**
4. **Other Matters and Adjournment**

\*Background materials included.

## **DRAFT** Minutes Finance and Audit Committee Open Meeting

August 16, 2023 | 3:15 – 4:15 p.m. Eastern

Westin Ottawa Hotel  
11 Colonel By Dr.  
Ottawa, ON K1N 9H4, Canada

### **Call to Order**

Ms. Colleen Sidford, Chair, called to order a duly noticed closed meeting of the Finance and Audit Committee (the Committee) of the Board of Trustees (Board) of the North American Electric Reliability Corporation (NERC) on August 15, 2023 at approximately 9:45 a.m. Eastern, and a quorum was declared present.

Present at the meeting were:

### **Committee Members** Colleen

Sidford, Chair

Robert G. Clarke

George S. Hawkins

Susan Kelly

Kristine Schmidt

Jim Piro

Kenneth W. DeFontes, Jr. *ex officio*

### **Board Members**

Larry Irving

Suzanne Keenan

### **NERC Staff**

Tina Buzzard, Assistant Corporate Secretary

Manny Cancel, Sr. Vice President and Chief Executive Officer of the E-ISAC

Erika Chanzas, Manager of Business Planning

Howard Gugel, Vice President, Compliance Assurance and Registration

Kelly Hanson, Senior Vice President and Chief Administrative Officer

Stan Hoptroff, Vice President, Business Technology

Nina Johnston, Assistant General Counsel, Director of Corporate Risk Management

Mark Lauby, Senior Vice President and Chief Engineer

Soo-Jin Kim, Vice President, Standards and Engineering

Kimberly Mielcarek, Vice President, Communications

Kristin Miller, Director, Internal Audit

Darrel Moore, Director, Situation Awareness

Sônia Rocha, Senior Vice President, General Counsel, and Corporate Secretary

Janet Sena, Senior Vice President, External Affairs  
Andy Sharp, Vice President, Chief Financial Officer

### **Introduction and Chair's Remarks**

Ms. Sidford opened the meeting by reviewing the agenda and noting the importance of NERC being a responsible steward given the increase in the proposed business plan and budget.

### **NERC Antitrust Compliance Guidelines**

Ms. Sidford directed the participants' attention to the NERC Antitrust Compliance Guidelines and directed that any questions regarding antitrust compliance or other related matters be directed to Ms. Rocha.

### **Minutes**

Upon motion duly made and seconded, the Committee approved the minutes for the July 12, 2023 open meeting.

### **Second Quarter Statement of Activities**

Mr. Sharp presented the 2023 second quarter year-to-date results. He highlighted that total funding is 1.7% over budget while total expenditures are 7.4% under budget. The increase to reserves is \$4.6 million over budget. Year to date, NERC is only over budget in meetings and travel. Year-end projections show that funding will be 1.5% over budget and total expenditures will be 0.6% under budget, primarily due to lower office and professional services costs. Finally, the increase to reserves is expected to be \$2.1 million over budget. Mr. Sharp also provided a summary of reserve usage, changes, and projected ending balances.

Mr. Sharp also presented on the second quarter unaudited results for the ERO Enterprise. Year-to-date results show only SERC exceeding budgeted total expenditures, with all other entities running under budget. NERC and the Regional Entities combined are running below budget in all categories, including personnel, meetings and travel, operating expenses and fixed assets. Projections show only ReliabilityFirst and SERC running over budget at year-end. Reserve balances are projected to increase for only NERC and SERC. Mr. Sharp also reviewed the projected ending reserves balances for NERC and all of the Regional Entities.

Upon motion duly made and seconded, the Committee accepted the second quarter statement of activities.

### **NERC, Regional Entity, and WIRAB Proposed 2024 Business Plans and Budgets and Associated Assessments**

Mr. Sharp presented the final proposed 2024 Business Plan and Budget. He opened with a description of the 2023-2025 Strategic Plan, an overview of the drivers and key assumptions, and a review of the development of the 2024 Business Plan and Budget. In response to posting the draft 2024 Business Plan and Budget, NERC received six sets of comments. Mr. Sharp then provided an overview of the final 2024 budget and assessment, including an assessment breakdown by country, as well as projected reserve balances for 2024. He also reviewed the projections for 2025 and 2026. Mr. Sharp then presented the ERO Enterprise combined budgets and assessments for 2024. The final budget breakdown by program area for

the total ERO Enterprise is 45% CMEP, 29% RAPA, Event Analysis and Situation Awareness, 10% E-ISAC, 5% CRISP, 6% Training and Education and 5% Reliability Standards.

Upon motion duly made and seconded, the Committee recommended for Board of Trustees approval the NERC, Regional Entity, and WIRAB 2024 Business Plan and Budgets and the associated assessments.

**Other Matters**

Mr. Sharp also provided an overview of NERC’s line of credit and capital financing program.

**Adjournment**

There being no further business before the Committee, the meeting was adjourned.

Submitted by,



Sônia Rocha  
Corporate Secretary

## **Fourth Quarter Calendar of FAC Responsibilities**

### **Action**

Review and recommend Board of Trustees acceptance.

### **Background**

NERC management will review the fourth quarter calendar of FAC responsibilities to include (i) NERC Fourth Quarter 2023 Unaudited Summary of Results; and (ii) NERC and Regional Entity Combined (ERO) Fourth Quarter 2023 Unaudited Summary of Results.

# Summary of Unaudited Results For the Period Ending December 31, 2023

## Table of Contents

	<u>Page</u>
1. Executive Summary	
a. Year-to-Date Actual Results	2
2. Detailed Operating Results	
a. Variances by Revenue and Expense Category	3
b. Variances by Department	5
3. Supplemental Schedules	
a. Schedule 1 – Year-End Actual Reserves	7
b. Schedule 2 – Technology Projects	8
c. Schedule 3 – E-ISAC & CRISP Summary of Activity	10
d. Schedule 4 – Summary of Investments	12

## Executive Summary

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

<u>FUNDING</u>	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
Revenues	\$ 100.7	\$ 98.8	\$ 1.9
Funding from Reserves			
Assessment Stabilization Reserve	1.0	1.0	-
<b>TOTAL FUNDING</b>	<b>\$ 101.7</b>	<b>\$ 99.8</b>	<b>\$ 1.9</b>
<b><u>EXPENDITURES</u></b>			
Expenses (excluding Depreciation)	\$ 94.1	\$ 97.6	\$ (3.5)
Fixed Asset Additions	4.4	6.2	(1.8)
Net Financing Activity	0.2	(2.8)	3.0
<b>TOTAL EXPENDITURES</b>	<b>\$ 98.7</b>	<b>\$ 101.0</b>	<b>\$ (2.3)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 3.0</b>	<b>\$ (1.2)</b>	<b>\$ 4.2</b>

Funding is over budget primarily due to increased investment income due to higher interest rates. Expenses (excluding depreciation) are under budget primarily because of lower contracts and consultants, office, and professional services costs, as well as fixed asset additions. This is partially offset by net financing activity. The net result is a reserve increase of \$4.2M 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)
<b>TOTAL FUNDING</b>	\$ 101,711,319	\$ 99,822,126	\$ 1,889,193	1.9%
<b>EXPENDITURES</b>				
Personnel	57,796,777	58,018,406	(221,629)	(0.4%)
Meetings and Travel	3,296,628	3,145,550	151,078	4.8%
Contracts and Consultants	15,575,440	17,149,110	(1,573,670)	(9.2%)
Office Rent	2,901,756	3,022,266	(120,510)	(4.0%)
Office Costs, Professional, and Misc.*	14,372,259	15,979,103	(1,606,844)	(10.1%)
Other Non-Operating	157,750	254,254	(96,504)	(38.0%)
Fixed Asset Additions*	4,415,782	6,224,000	(1,808,218)	(29.1%)
Net Financing Activity**	184,153	(2,791,076)	2,975,229	(106.6%)
<b>TOTAL EXPENDITURES</b>	<b>\$ 98,700,545</b>	<b>\$ 101,001,613</b>	<b>\$ (2,301,068)</b>	<b>(2.3%)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 3,010,774</b>	<b>\$ (1,179,487)</b>	<b>\$ 4,190,261</b>	<b>(355.3%)</b>

<b>FTEs</b>	<b>231.0</b>	<b>236.9</b>	<b>(5.9)</b>	<b>(2.5%)</b>
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\* 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:

- Funding is over budget mainly because of increased investment income due to higher interest rates.
- Contracts and Consultants expenses are under budget due to lower spending in many departments with the largest components including (1) lower third-party contractor costs for CRISP, primarily due to lower liability insurance costs and other lower consultant costs and (2) allocation of costs budgeted in IT but charged directly to program areas. These underruns were partially offset by higher costs reflected in Compliance Assurance and Compliance Enforcement, which were directly allocated from IT.



Contracts and Consultants activity by department is summarized in the table below.

<b>CONTRACTS and CONSULTANTS</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>YTD Over (Under)</b>	<b>% Over (Under)</b>
Reliability Standards and Power Risk Issues and Strategic Management	\$ 90,581	\$ 202,739	\$ (112,158)	(55.3%)
Compliance Assurance	422,626	100,000	322,626	322.6%
Registration and Certification	43,671	40,800	2,871	7.0%
Compliance Enforcement	422,626	69,000	353,626	512.5%
BPS Security and Grid Transformation	22,835	200,000	(177,165)	(88.6%)
Reliability Assessment and Technical Committees	332,751	210,800	121,951	57.9%
Advanced System Analytics and Modeling	-	205,000	(205,000)	(100.0%)
Performance Analysis	122,010	260,854	(138,844)	(53.2%)
Situation Awareness	169,729	23,000	146,729	638.0%
Event Analysis	18,723	220,802	(202,079)	(91.5%)
E-ISAC	2,818,596	2,827,834	(9,238)	(0.3%)
Training, Education and Personnel Certification	469,546	497,750	(28,204)	(5.7%)
General and Administrative and Executive	40,509	100,000	(59,491)	(59.5%)
Legal and Regulatory	73,692	205,000	(131,308)	(64.1%)
External Affairs	41,100	20,000	21,100	105.5%
Information Technology	3,021,182	3,420,510	(399,328)	(11.7%)
Human Resources and Administration	748,821	850,000	(101,179)	(11.9%)
Finance and Accounting	360,940	350,000	10,940	3.1%
<b>TOTAL (excluding CRISP)</b>	<b>\$ 9,219,937</b>	<b>\$ 9,804,089</b>	<b>\$ (584,152)</b>	<b>(6.0%)</b>
CRISP	6,355,503	7,345,021	(989,518)	(13.5%)
<b>TOTAL (including CRISP)</b>	<b>\$ 15,575,440</b>	<b>\$ 17,149,110</b>	<b>\$ (1,573,670)</b>	<b>(9.2%)</b>

- Office Costs, Professional Services, and Miscellaneous expenses are under budget largely due to lower outside counsel needs, liability insurance costs, and software license and support expenses due to less than anticipated software licenses needs across several departments.
- Fixed Asset Additions are under budget primarily because of lower capital software project expenditures, primarily due to lower than expected capitalized spending on software systems for the Reliability Assessment, Situation Awareness, and E-ISAC programs, as well as lower than expected capitalized spending for technology initiatives in the IT department.
- The Net Financing Activity budget is comprised of financing proceeds/borrowings and principal payments. The variance is primarily because NERC did not borrow as much due to the higher investment income than budgeted and lower spending on capital projects. This is partially offset by loan and lease payments being lower than budgeted due to lower debt service from less borrowing.
- Reserves are over budget by \$4.2M, primarily due to the reasons noted above for investment income, lower contracts and consultants, software license and support, professional services, and fixed asset additions, partially offset by net financing activity.

## Variations by Department

DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY	YTD	YTD	YTD	%
	Actual	Budget	Over (Under)	Over (Under)
Reliability Standards and Power Risk Issues and Strategic Management	\$ 4,162,682	\$ 4,729,003	\$ (566,321)	(12.0%)
Compliance Assurance	6,080,766	6,282,140	(201,374)	(3.2%)
Registration and Certification	1,313,440	1,287,593	25,847	2.0%
Compliance Enforcement	3,962,776	3,796,681	166,095	4.4%
BPS Security and Grid Transformation	2,035,541	1,669,657	365,885	21.9%
Reliability Assessment and Technical Committees	2,374,372	2,642,635	(268,263)	(10.2%)
Advanced System Analytics and Modeling	2,033,022	2,718,009	(684,987)	(25.2%)
Performance Analysis	2,716,073	2,827,859	(111,786)	(4.0%)
Situation Awareness	3,400,834	3,870,002	(469,169)	(12.1%)
Event Analysis	2,009,529	2,234,065	(224,536)	(10.1%)
E-ISAC	14,529,948	14,690,846	(160,898)	(1.1%)
Training, Education and Personnel Certification	1,697,650	1,746,788	(49,138)	(2.8%)
General and Administrative and Executive	9,591,257	5,394,298	4,196,959	77.8%
Legal and Regulatory	5,060,004	5,552,134	(492,130)	(8.9%)
External Affairs	3,850,205	3,625,795	224,411	6.2%
Information Technology	17,986,874	20,442,840	(2,455,966)	(12.0%)
Human Resources and Administration	3,770,457	4,335,353	(564,897)	(13.0%)
Finance and Accounting	2,882,098	2,880,682	1,416	0.0%
<b>TOTAL (excluding CRISP)</b>	<b>\$ 89,457,529</b>	<b>\$ 90,726,381</b>	<b>\$ (1,268,852)</b>	<b>(1.4%)</b>
CRISP	9,243,016	10,275,232	(1,032,216)	(10.0%)
<b>TOTAL DIRECT EXPENSES, FIXED ASSETS, AND FINANCING ACTIVITY</b>	<b>\$ 98,700,545</b>	<b>\$ 101,001,613</b>	<b>\$ (2,301,068)</b>	<b>(2.3%)</b>

The following is a brief description of significant variances by department, as shown in the table above:

- Reliability Standards and Power Risk Issues and Strategic Management (PRISM) – Under budget primarily because of the transfer of an open FTE position to the BPS Security and Grid Transformation department, as well as the deferral of one FTE position to 2024 anticipated to help fund the Interregional Transfer Capability Study (ITCS) in 2023.
- BPS Security and Grid Transformation – Over budget mainly because of the transfer of two open FTE positions to this department, one from Reliability Standards and PRISM and one from Advanced System Analytics and Modeling, and the addition of two positions related to the ITCS funded by hiring deferrals in other departments.
- Reliability Assessment and Technical Committees – Under budget primarily attributable to contracts and consultants dollars that were anticipated to be used toward the ITCS, as well as the deferral of a technology project to 2024.
- Advanced System Analytics and Modeling – Under budget primarily due to the transfer of an open FTE position to the BPS Security and Grid Transformation department, as well as lower than budgeted contractor costs anticipated to be used toward the ITCS.
- Situation Awareness – Under budget due to timing differences versus budget for RCIS replacement.
- General & Administrative and Executive – Over budget primarily because of Net Financing Activity since NERC did not borrow as much due to the higher investment income than budgeted and

lower spending on capital projects. This is partially offset by loan and lease payments being lower than budgeted due to lower debt service from less borrowing and also higher personnel costs.

- Legal & Regulatory – Under budget due to timing of hiring open positions and lower contracts and consultants and outside legal costs.
- External Affairs – Over budget mainly attributable to higher than budgeted salary expense, including the addition of one position related to the ITCS.
- Information Technology – Under budget primarily because of lower software licenses and support costs, contractor costs budgeted in IT but directly allocated to other departments, and lower capital software expenditures, partially offset by higher hardware and leased asset costs. Also, loan borrowing proceeds used to finance IT capital expenditures contributed to the under budget variance in IT, as the loan proceeds were budgeted in the General & Administrative department but recorded to IT.
- Human Resources and Administration – Under budget mainly because of lower personnel expenses and capital software and contractor costs related to a new payroll system.
- CRISP – Under budget primarily due lower third-party contractor costs, primarily due to lower liability insurance costs, and other lower consultant costs.

## Supplemental Schedules

### Schedule 1 – Year-End Actual Reserves

Reserve Account	1/1/2023		Operating and		12/31/2023
	Beginning Balance <sup>(1)</sup>	Budgeted Funding/(Use) <sup>(2)</sup>	Unbudgeted Funding/(Use) <sup>(3)</sup>	Financing Activity Versus Budget <sup>(4)</sup>	Ending Balance
NERC Operating Contingency	\$ 10,880,743	\$ (1,000,000)	\$ -	\$ 3,953,280	\$ 13,834,022
Future Obligations	2,293,856	283,841	330,530	-	2,908,227
Assessment Stabilization	3,256,000	(1,000,000)	-	-	2,256,000
System Operator	964,284	(179,488)	-	118,197	902,993
CRISP Defense Fund	500,000	-	-	-	500,000
CRISP Operating	2,961,621	-	(450,000)	1,118,784	3,630,405
CRISP Equipment Reserve	-	-	450,000	-	450,000
<b>Total Reserves</b>	<b>\$ 20,856,504</b>	<b>\$ (1,895,647)</b>	<b>\$ 330,530</b>	<b>\$ 5,190,261</b>	<b>\$ 24,481,648</b>

**NOTES:**

(1) 2023 beginning balances have been adjusted from the 12/31/2022 variance report balances as the result of a reconciliation to the final audited balance sheet.

(2) The 2023 Business Plan & Budget (2023 BP&B) contained a budgeted use of NERC Operating Contingency Reserves (OCR) totaling \$1,000,000 and a budgeted use of \$1,000,000 of Assessment Stabilization Reserves (ASR) to help fund the budget increase for the first year of NERC's three-year strategic plan.

The 2023 BP&B included an estimated addition to the Future Obligations Reserve for lease incentives of \$283,841.

The 2023 BP&B included a use of System Operator Reserves derived from budgeted revenues being \$179,488 lower than budgeted expenses.

(3) Additional funding of the Future Obligations Reserve is the result of final landlord lease incentives and tenant improvement allowances for the Washington, DC office.

The CRISP participants agreed to transfer \$450k from the CRISP Operating Reserve to fund a CRISP Equipment Reserve.

In its August 10, 2023 order in Docket No. RR22-4-003, the Commission approved NERC to expend up to \$700,000 from the ASR to fund a portion of the 2023 expenses anticipated in connection with the interregional transfer capability study (ITCS) directed in section 322 of the Fiscal Responsibility Act of 2023. Based on final financial position for 2023, NERC does not need to expend any of the \$700,000 from the ASR.

(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 increase in reserves related to the CRISP department is \$1,214,516, with \$95,732 going into the NERC OCR for the portion of CRISP costs funded by assessments and \$1,118,784 going into the CRISP Operating Reserve for CRISP costs funded by the CRISP participants.

**Schedule 2 – Technology Projects (> \$300k)**

Projects in Progress <sup>(1)</sup>	Expected Spend	Actual Spend to Date	Over (Under)
GADS Conventional-Design Data	\$ 315,000	\$ 315,000	\$ -
Identity Access Management	400,000	332,336	(67,664)
Finance Systems Upgrade	250,000	360,854	110,854

Projects Completed in 2023	Expected Spend	Actual Spend	Over (Under)
Align Enhancements	\$ 300,000	\$ 524,491	\$ 224,491
Data Loss Prevention - Phase 2	480,000	411,204	(68,796)

**NOTES:**

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

**GADS Conventional-Design Data**

(Started Q1 2023 / Anticipated Completion Q1 2024)

To implement changes to the GADS Design Data that is part of the Board-approved Section 1600 Data Request.



**Identity Access Management**

(Started Q1 2023 / Anticipated Completion Q1 2024)

To combine with Identity Governance and Administration functionality to facilitate automated, scalable handling of account management and provisioning.



**Finance Systems Upgrade**

(Started Q2 2023 / Anticipated Completion Q4 2024)

To migrate multiple financial tools into one common system to support procurement, contract management, accounting, financial reporting, budgeting, and planning.



**Align Enhancements**

(Started Q1 2023 / Completed Q4 2023)

To implement requested enhancements, complete the migration of Open and Closed Enforcement Actions from the regional legacy systems, and provide requested system changes to accommodate the Canadian Provinces that are planning on using Align and the ERO SEL.



## **Data Loss Prevention – Phase 2**

(Started Q1 2023 / Completed Q4 2023)

To improve upon data loss prevention by implementing data classification and forcing the tagging on NERC laptops.

### Schedule 3 – E-ISAC and CRISP Summary of Activity

#### TOTAL E-ISAC (including CRISP)

FUNDING	Annual Actual	Annual Budget	Over (Under)
Assessments	\$ 27,825,365	\$ 27,825,365	\$ -
Other Funding	10,904,012	10,200,776	703,235
<b>TOTAL FUNDING</b>	<b>\$ 38,729,376</b>	<b>\$ 38,026,141</b>	<b>\$ 703,235</b>
<u>EXPENDITURES</u>			
Personnel Expense	\$ 11,556,832	\$ 11,237,278	\$ 319,555
Meetings and Travel Expense	598,180	386,000	212,180
Operating Expenses (excluding Depreciation)	11,431,272	13,034,801	(1,603,529)
Other Non-Operating Expenses	20	-	20
Fixed Asset Purchases (excluding Fixed Asset Allocation)	186,660	308,000	(121,340)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 23,772,965	\$ 24,966,079	\$ (1,193,114)
Indirect Expense Allocation	12,826,441	12,990,480	(164,039)
Fixed Asset Allocation	736,727	1,060,735	(324,008)
Net Financing Activity Allocation	(71,856)	(991,153)	919,298
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 37,264,277</b>	<b>\$ 38,026,141</b>	<b>\$ (761,863)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1,465,099</b>	<b>\$ 0</b>	<b>\$ 1,465,099</b>

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

#### CRISP

FUNDING	Annual		Over (Under)
	Actual	Budget	
Assessments	\$ 2,293,937	\$ 2,293,937	\$ -
Other Funding	9,944,520	9,613,803	330,717
<b>TOTAL FUNDING</b>	<b>\$ 12,238,457</b>	<b>\$ 11,907,740</b>	<b>\$ 330,717</b>
<b>EXPENDITURES</b>			
Personnel Expense	\$ 1,527,006	\$ 1,400,761	\$ 126,245
Meetings and Travel Expense	303,258	81,000	222,258
Operating Expenses (excluding Depreciation)	7,242,758	8,743,471	(1,500,713)
Other Non-Operating Expenses	-	-	-
Fixed Asset Purchases (excluding Fixed Asset Allocation)	169,995	50,000	119,995
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 9,243,016	\$ 10,275,232	\$ (1,032,216)
Indirect Expense Allocation	1,693,158	1,623,810	69,348
Fixed Asset Allocation	97,252	132,592	(35,340)
Net Financing Activity Allocation	(9,485)	(123,894)	114,409
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 11,023,940</b>	<b>\$ 11,907,740</b>	<b>\$ (883,800)</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 1,214,516</b>	<b>\$ 0</b>	<b>\$ 1,214,516</b>

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 \$400k and is included in the "Other Funding" amount above. Year-to-date expenses sent by the third-party contractor to NERC for new CRISP participants total approximately \$400k and is included in the "Operating Expenses (excluding Depreciation)" amount above.

#### E-ISAC (excluding CRISP)

FUNDING	Annual		Over (Under)
	Actual	Budget	
Assessments	\$ 25,531,428	\$ 25,531,428	\$ -
Other Funding	959,492	586,973	372,519
<b>TOTAL FUNDING</b>	<b>\$ 26,490,920</b>	<b>\$ 26,118,401</b>	<b>\$ 372,519</b>
<b>EXPENDITURES</b>			
Personnel Expense	\$ 10,029,826	\$ 9,836,516	\$ 193,310
Meetings and Travel Expense	294,922	305,000	(10,078)
Operating Expenses (excluding Depreciation)	4,188,515	4,291,330	(102,815)
Other Non-Operating Expenses	20	-	20
Fixed Asset Purchases (excluding Fixed Asset Allocation)	16,665	258,000	(241,335)
Net Financing Activity (excluding Net Financing Activity Allocation)	-	-	-
Total Direct Costs (excluding Depreciation and Allocations)	\$ 14,529,948	\$ 14,690,846	\$ (160,898)
Indirect Expense Allocation	11,133,284	11,366,670	(233,386)
Fixed Asset Allocation	639,475	928,143	(288,668)
Net Financing Activity Allocation	(62,370)	(867,259)	804,889
<b>TOTAL EXPENDITURES (excluding Depreciation, including Allocations)</b>	<b>\$ 26,240,337</b>	<b>\$ 26,118,401</b>	<b>\$ 121,936</b>
<b>RESERVE INCREASE (DECREASE)</b>	<b>\$ 250,583</b>	<b>\$ 0</b>	<b>\$ 250,583</b>



### Schedule 4 – Summary of Investments

	Quarter-End Balance	Ticker Symbol	Fund Name	S&P Credit Rating	Average Annualized Yield
<u>Cash Sweep Accounts</u>					
Operating Account Sweep	\$ 30,918,883	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	4.99%
SOCCEd Account Sweep	2,083,459	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	4.99%
CRISP Account Sweep	8,674,799	TDDXX	BlackRock Liquidity Fund FedFund Dollar	AAAm	4.99%
<u>Total Cash Sweep Accounts</u>	<u>\$ 41,677,141</u>				
<u>Investment Account</u>					
Reserve Funds	\$ 10,612,268	GRTXX	Federated Hermes Government Obligations Fund	AAAm	5.27%
<u>Total Investments</u>	<u>\$ 10,612,268</u>				

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

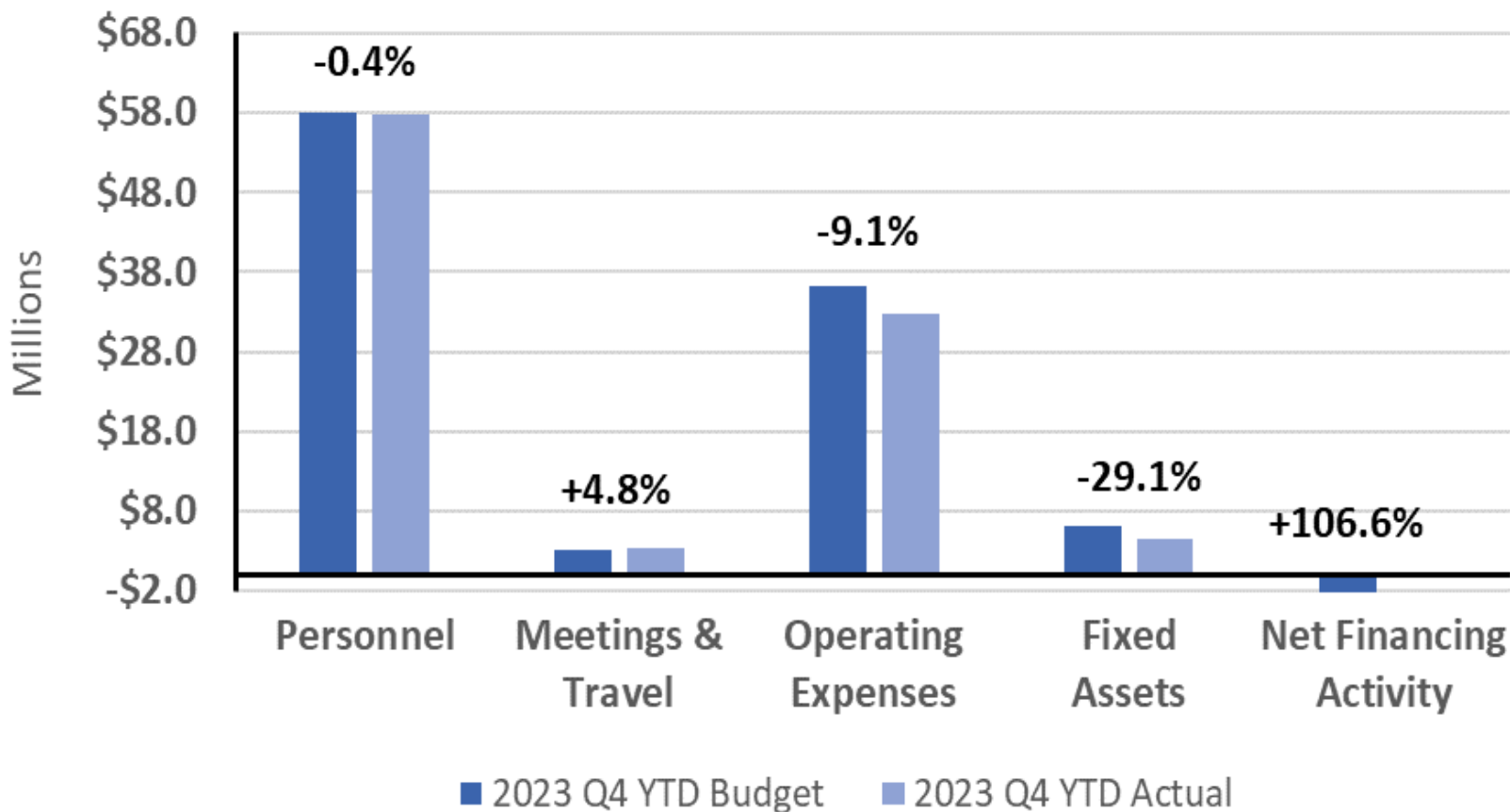
# NERC Summary of Unaudited Results as of December 31, 2023

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

**RELIABILITY | RESILIENCE | SECURITY**

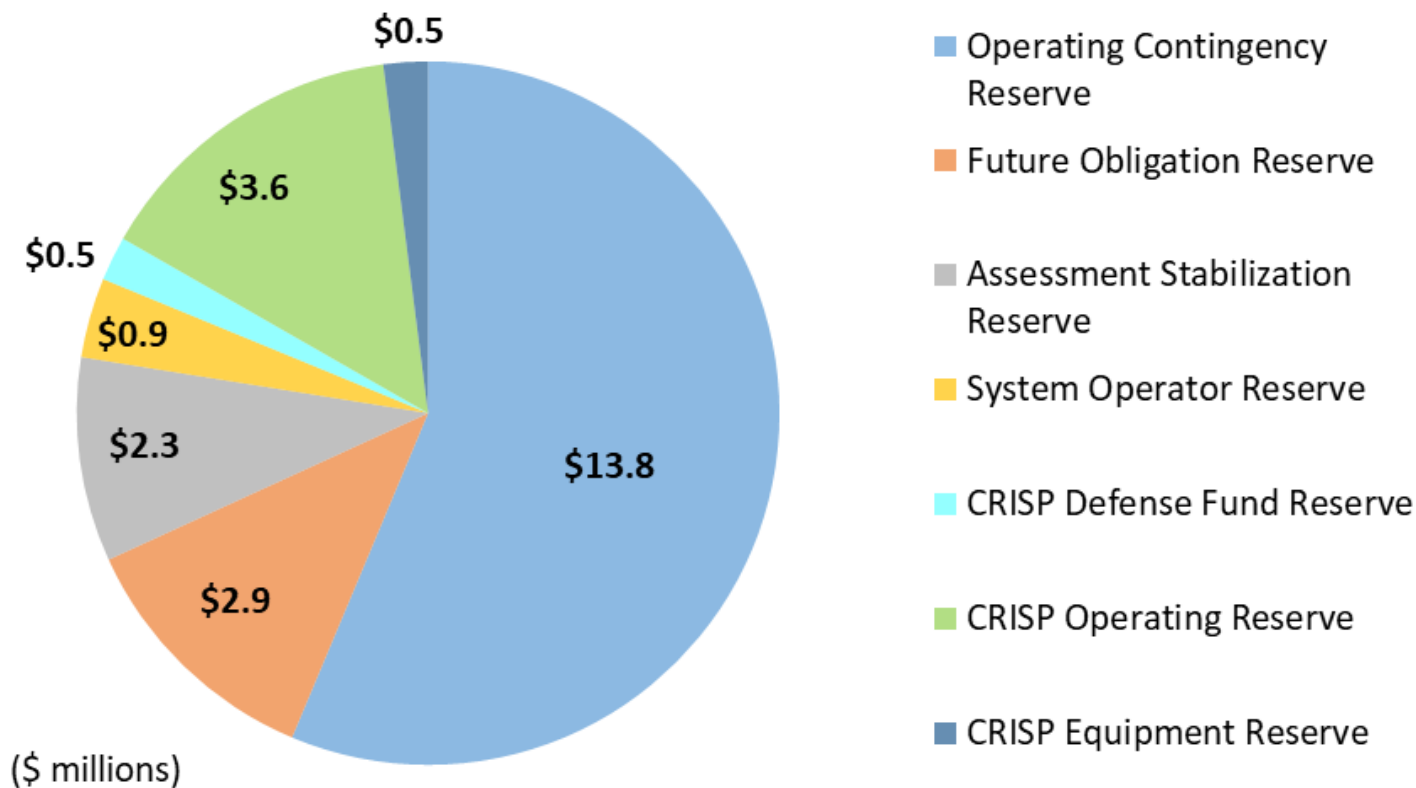


- Total funding – \$1.9M (1.9%) over budget
  - Higher interest income
- Total expenditures – \$2.3M (2.3%) under budget
  - Lower contracts and consultants
    - Primarily due to lower PNNL costs for CRISP
  - Lower software license and support and A/V lease costs
  - Lower legal and insurance expense
  - Lower fixed asset expenditures and principal loan payments
  - Partially offset by lower loan proceeds
- Reserve increase \$4.2M over budget
  - Increase of reserves for CRISP (\$1.2M) and PCGC (\$100k)
  - Rest of NERC reserve increase of \$2.9M



- Operating Contingency Reserve (OCR)
  - Began year with \$10.9M
    - Budgeted use of \$1.0M in 2023
    - Actual increase of \$2.9M from operating and financing activity
    - Ending balance of \$13.8M
- Assessment Stabilization Reserve (ASR)
  - Began year with \$3.3M
    - Released \$1.0M in 2023
    - No release necessary for ITCS
    - Ending balance of \$2.3M

## TOTAL RESERVES OF \$24.5M



- Independent financial audit by RSM will begin in March 2024
- Auditor's report and findings will be presented to the FAC in May 2024



# Questions and Answers



# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

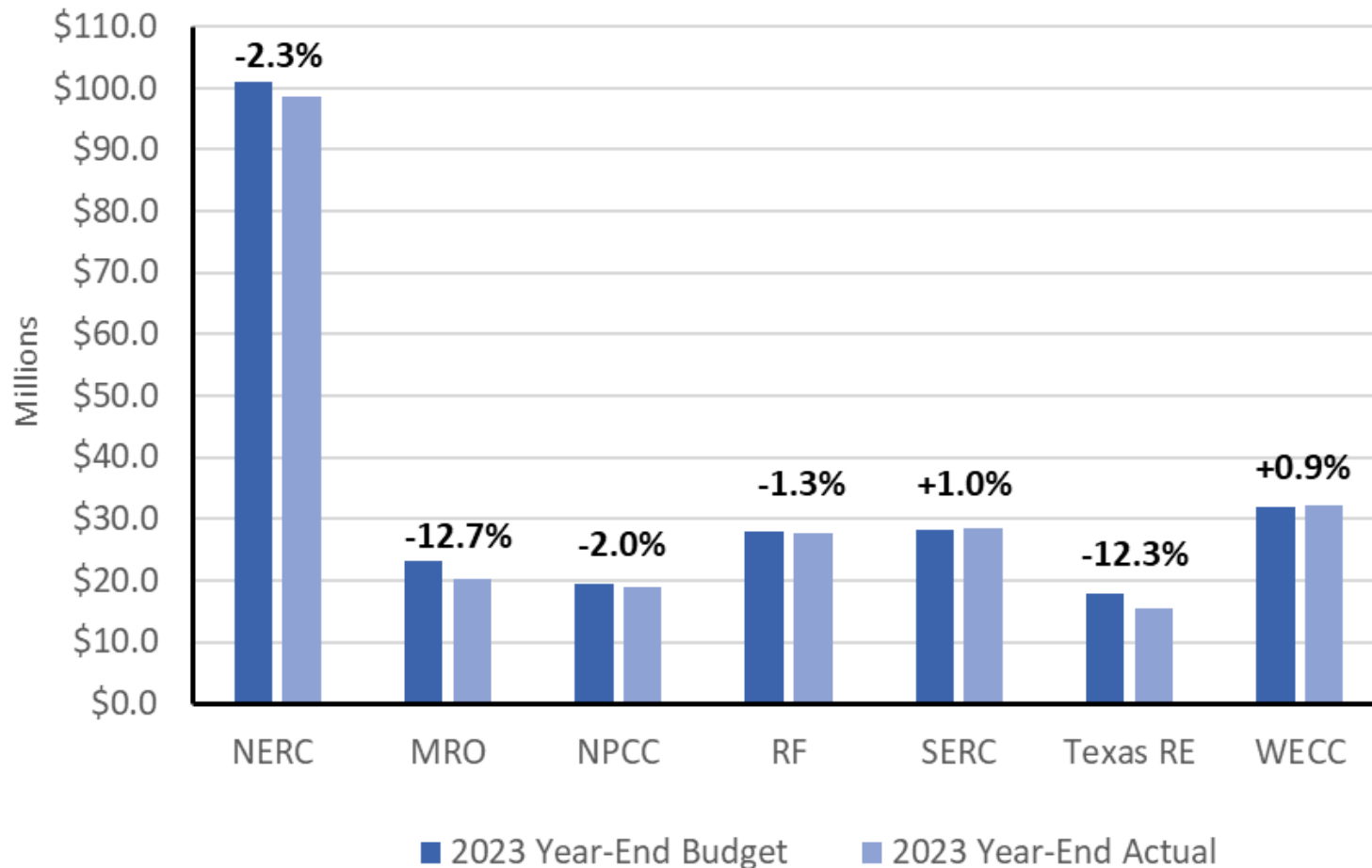
# Total ERO Enterprise Summary of Unaudited Results as of December 31, 2023

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

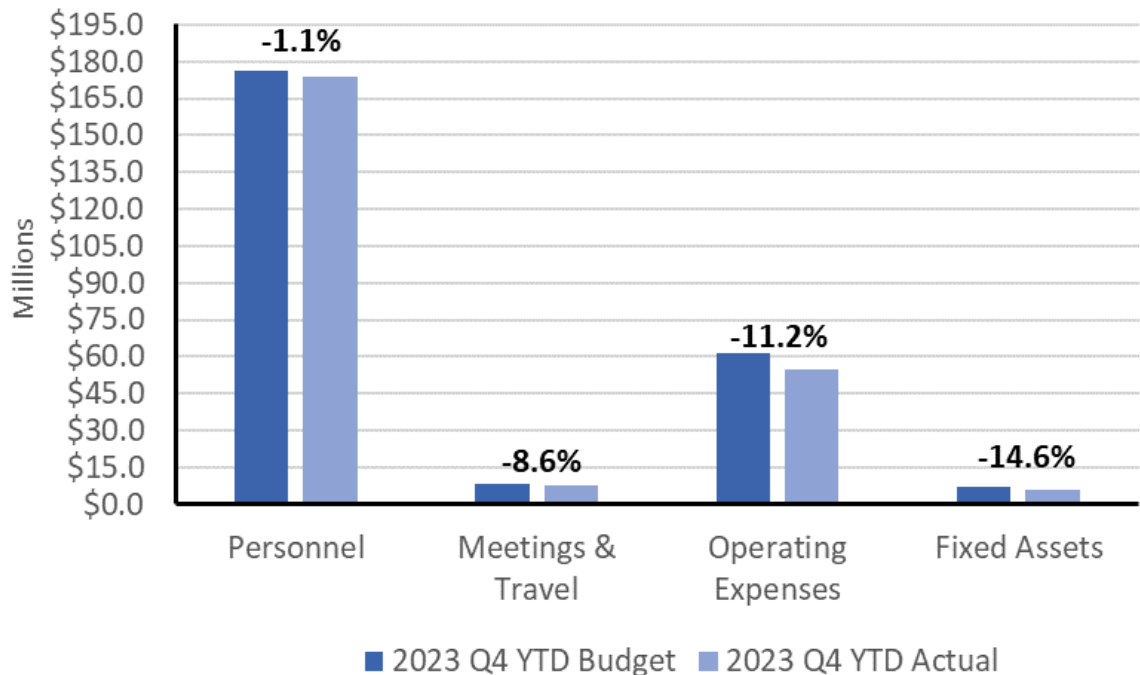
**RELIABILITY | RESILIENCE | SECURITY**

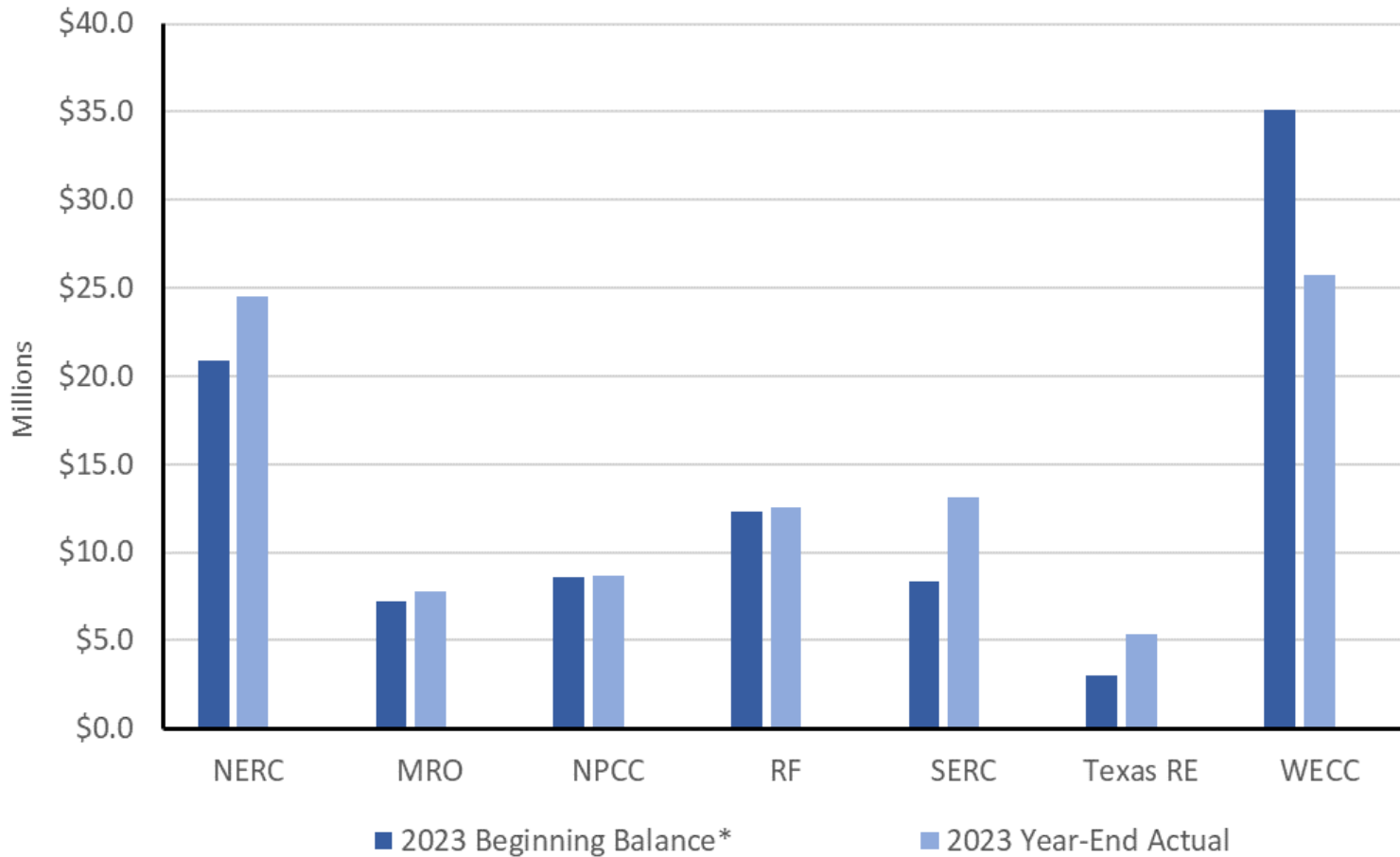


- Total expenditures for the ERO Enterprise were under budget \$7.6M (3.0%).



- Personnel – All entities were under budget except for RF, SERC and WECC.
- Meetings & Travel – All entities were under budget except for NERC and WECC.
- Operating Expenses – All entities were under budget.
- Fixed Assets – NERC and RF under budget. All other entities were over budget.





*\*Adjusted for audited results*

## ERO Enterprise Total Reserve Balances - 2023 Actual (Unaudited)

\$ - millions

Entity	Beginning			1/1/2023 Beginning Total Reserves	Actual Ending			12/31/2023 Actual Ending Total Reserves	Total 2023 Budget	% of Reserves to 2023 Total Budget
	Beginning WCOCR <sup>(1)</sup>	ASR <sup>(2)</sup> & Unreleased Penalties	Beginning Other Reserves		Actual Ending WCOCR <sup>(1)</sup>	ASR <sup>(2)</sup> & Unreleased Penalties	Actual Ending Other Reserves			
NERC	\$ 10.9	\$ 3.3	\$ 6.7	\$ 20.9	\$ 13.8	\$ 2.3	\$ 8.4	\$ 24.5	\$ 101.0	24.3%
MRO	2.1	5.1	-	7.2	5.0	2.7	-	7.7	23.1	33.3%
NPCC	7.2	1.4	-	8.6	7.0	1.7	-	8.7	19.4	44.8%
RF	8.0	4.3	-	12.3	8.8	3.8	-	12.6	28.0	45.0%
SERC	2.5	5.8	-	8.3	2.5	10.7	-	13.2	28.2	46.8%
Texas RE	2.1	0.9	-	3.0	5.0	0.3	-	5.3	17.7	29.9%
WECC	11.4	20.3	3.5	35.2	12.1	10.1	3.5	25.7	31.8	80.8%
	<b>\$ 44.2</b>	<b>\$ 41.1</b>	<b>\$ 10.2</b>	<b>\$ 95.5</b>	<b>\$ 54.2</b>	<b>\$ 31.6</b>	<b>\$ 11.9</b>	<b>\$ 97.7</b>	<b>\$ 249.2</b>	<b>39.2%</b>

<sup>(1)</sup> WCOCR - Working Capital & Operating Contingency Reserve - Actual 12/31/23 WCOCR is 21.7% of annual 2023 budget, or 2.6 months of budgeted expenses

<sup>(2)</sup> ASR - Assessment Stabilization Reserve

<sup>(3)</sup> Actual 12/31/23 total reserve balance is 39.2% of annual 2023 budget, or 4.7 months of budgeted operating expenses

## 2023 ERO Enterprise Year-End Actual (Unaudited) versus Budgeted Reserves

\$ - millions

Entity	Actual Ending WCOCR <sup>(1)</sup>	Actual Ending ASR <sup>(2)</sup> & Unreleased Penalties	Actual Ending Other Reserves	Actual Ending Total Reserves	Budgeted Ending WCOCR <sup>(1)</sup>	Budgeted Ending ASR <sup>(2)</sup> & Unreleased Penalties	Budgeted Ending Other Reserves	Budgeted Ending Total Reserves	Over/(Under) Ending WCOCR <sup>(1)</sup>	Over/(Under) Ending ASR <sup>(2)</sup> & Unreleased Penalties	Over/(Under) Ending Other Reserves	Over/(Under) Total Reserves
NERC	\$ 13.8	\$ 2.3	\$ 8.4	\$ 24.5	\$ 7.8	\$ 1.5	\$ 5.3	\$ 14.6	\$ 6.0	\$ 0.8	\$ 3.1	\$ 9.9
MRO	5.0	2.7	-	7.7	3.8	0.1	-	3.9	1.2	2.6	-	3.8
NPCC	7.0	1.7	-	8.7	4.7	0.5	-	5.2	2.3	1.2	-	3.5
RF	8.8	3.8	-	12.6	10.6	-	-	10.6	(1.8)	3.8	-	2.0
SERC	2.5	10.7	-	13.2	1.7	4.1	-	5.8	0.8	6.6	-	7.4
Texas RE	5.0	0.3	-	5.3	1.3	-	-	1.3	3.7	0.3	-	4.0
WECC	12.1	10.1	3.5	25.7	10.2	8.7	2.8	21.7	1.9	1.4	0.7	4.0
	<b>\$ 54.2</b>	<b>\$ 31.6</b>	<b>\$ 11.9</b>	<b>\$ 97.7</b>	<b>\$ 40.1</b>	<b>\$ 14.9</b>	<b>\$ 8.1</b>	<b>\$ 63.1</b>	<b>\$ 14.1</b>	<b>\$ 16.7</b>	<b>\$ 3.8</b>	<b>\$ 34.6</b>

<sup>(1)</sup> WCOCR - Working Capital & Operating Contingency Reserve

<sup>(2)</sup> ASR - Assessment Stabilization Reserve



# Questions and Answers



*Lam Chung, Corporate Treasurer*

*P: 651.256.5187*

*F: 651.855.1712*

*E: [lam.chung@mro.net](mailto:lam.chung@mro.net)*

January 19, 2024

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

RE: Unaudited Midwest Reliability Organization (MRO) 2023 Fourth Quarter Statement of Activity –  
Cash Flow through December 31, 2023

Dear Mr. Sharp:

MRO experienced variances greater than \$10,000 and 10 percent. Fourth quarter results indicate that MRO's budget remains underspent by 12.7 percent.

**Personnel Expenses (Variance of \$2,221,411 (12.4%) under budget)**

Personnel costs have been lower than budgeted due to being understaffed, including turnover experienced during the year.

**Meeting Expenses (Variance of \$276,939 (36.4%) under budget)**

Meetings and travel continue to be impacted by the hybrid approach of virtual and in-person meetings. Travel experienced less than budgeted travel costs as the virtual option was used more than expected.

**Operating Expenses (Variance of \$676,253 (16.1%) under budget)**

Consultants and contracts are under budget by 30.1 percent. This is due to consulting costs and contract renewals being less than budgeted. Professional costs are under budget as legal costs were less than budgeted.

**Fixed Assets (Variance of \$239,933 (96.6%) over budget)**

Capital asset purchases are over budget. Capital asset purchases were advanced from the 2024 budget.

**2023 Budget Summary and 2024 Budget Outlook**

The budget underspend is a culmination of lower than budgeted meeting, travel, operating, and personnel costs. Reallocation of costs in meeting and operating expenses offset the unbudgeted costs in fixed assets. We expect to meet the 2024 budget. There are external factors that may continue to present some uncertainty to the budget in the form of hybrid meetings, potential turnover and hiring costs, and unbudgeted costs related to the Interregional Transfer Capability Study (ITCS) and work related to energy assessments.

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  
12/31/2023  
PRELIMINARY (Unaudited)**

(In Whole Dollars)

		2023 YTD Actual	2023 YTD Budget	2023 YTD Variance	%
<b>Funding</b>					
<b>ERO Funding</b>					
	ERO Assessments	\$ 20,507,276	\$ 20,507,276	-	
	Penalty Sanctions	332,347	332,347	-	
<b>A.</b>	<b>Total ERO Funding</b>	<b>\$ 20,839,624</b>	<b>\$ 20,839,623</b>	<b>\$ -</b>	
<b>Expenses</b>					
<b>Personnel Expenses</b>					
	Salaries	\$ 11,707,574	\$ 13,294,284	(1,586,710)	
	Payroll Taxes	830,773	863,417	(32,644)	
	Benefits	1,338,700	1,425,181	(86,481)	
	Retirement Costs	1,761,703	2,277,278	(515,575)	
	<b>Total Personnel Expenses</b>	<b>\$ 15,638,749</b>	<b>\$ 17,860,160</b>	<b>\$ (2,221,411)</b>	<b>-12.4%</b>
<b>Meeting Expenses</b>					
	Meetings & Conferences	\$ 153,703	\$ 178,877	(25,174)	
	Travel	329,905	581,670	(251,765)	
	<b>Total Meeting Expenses</b>	<b>\$ 483,608</b>	<b>\$ 760,547</b>	<b>\$ (276,939)</b>	<b>-36.4%</b>
<b>Operating Expenses</b>					
	Consultants & Contracts	\$ 964,681	\$ 1,381,018	(416,337)	
	Office Rent	1,047,798	1,046,000	1,798	
	Office Costs	1,076,978	1,154,744	(77,766)	
	Professional Services	447,552	631,500	(183,948)	
	<b>Total Operating Expenses</b>	<b>\$ 3,537,009</b>	<b>\$ 4,213,262</b>	<b>\$ (676,253)</b>	<b>-16.1%</b>
	<b>Total Direct Expenses</b>	<b>\$ 19,659,367</b>	<b>\$ 22,833,969</b>	<b>\$ (3,174,602)</b>	<b>-13.9%</b>
<b>Indirect Expenses</b>					
<b>Other Non-Operating Expenses</b>					
		\$ -	\$ -	-	
<b>B.</b>	<b>Total Expenses</b>	<b>\$ 19,659,367</b>	<b>\$ 22,833,969</b>	<b>\$ (3,174,602)</b>	
	<b>Net Funding less Expenses (A-B)</b>	<b>\$ 1,180,257</b>	<b>\$ (1,994,346)</b>	<b>\$ 3,174,602</b>	
<b>C.</b>	<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>\$ 488,433</b>	<b>\$ 248,500</b>	<b>\$ 239,933</b>	<b>96.6%</b>
	<b>Total Budget (B + C)</b>	<b>\$ 20,147,800</b>	<b>\$ 23,082,469</b>	<b>\$ (2,934,669)</b>	<b>-12.7%</b>
	<b>Change in Working Capital (A-B-C)</b>	<b>\$ 691,824</b>	<b>\$ (2,242,846)</b>	<b>\$ 2,934,669</b>	
	<b>Head Count</b>	77.00	78.00	(1.00)	
	<b>FTEs</b>	73.00	78.00	(5.00)	

**Reserve Activity:**

Beginning Reserves - 1/1/23	\$ 7,186,361	\$ 6,449,079	\$ 737,282
Change to Working Capital	691,824	(2,242,846)	2,934,670
Penalties Received	226,200	-	226,200
Penalties Released	(332,347)	(332,347)	-
Other Reserve Activity	-	-	-
<b>Ending Reserves at 12/31/23 :</b>	<b>\$ 7,772,038</b>	<b>\$ 3,873,886</b>	<b>\$ 3,898,152</b>

	1/1/2023	Additions	Uses/Transfer	12/31/2023
Working Capital & Operating Contingency	2,107,420	2,934,669	-	5,042,089
Assessment Stabilization & Penalty Reserves	5,078,941	226,200	-	5,305,141
Other Reserve Activity	-	-	-	-
<b>Total Reserves</b>	<b>7,186,361</b>	<b>3,160,869</b>	<b>-</b>	<b>10,347,230</b>



January 19, 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  
Fourth Quarter 2023 Statement of Activities

Dear Andy:

The variance comparison for the period ended December 31, 2023 is included along with Northeast Power Coordinating Council, Inc.'s unaudited Fourth Quarter 2023 Statement of Activities.

Please do not hesitate to contact me via email at [jhala@npcc.org](mailto: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 December 31, 2023**

**TOTAL EXPENSES**

For the year ending December 31, 2023, the NPCC Regional Entity Division is \$386k or 2.0% under budget based on invoices received to date. This under spend will be added to NPCC's working capital and operating reserves and be utilized to reduce future assessments to fund operations. Despite several partial year open positions, resulting in lower than budgeted personnel expenses, NPCC successfully reprioritized 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 \$300k were applied to reduce 2023 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 \$350k at year end) 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 2023 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 \$219k under budget at year end)  
Several partial year open positions were offset in part by advance hiring two positions budgeted to start in 2024.
- **Rent & Improvements** (Variance of \$210k under budget at year end)  
NPCC negotiated the early termination of the prior office lease and executed a new lease for a smaller office space to accommodate the hybrid work environment while realizing long term cost savings. Lower rent commenced during the second quarter of 2023. Office rent cost savings in 2023 are partially offset by office relocation expenses, primarily in fixed assets.



- **Office Costs** (Variance of \$167k under budget at year end)  
Under budget variance is due to several IT software contracts and license renewals negotiated lower than budgeted. A number of analog telephone lines were also discontinued resulting in cost savings.
- **Professional Services** (Variance of \$170k under budget at year end)  
Under budget variance is due to lower than budgeted accounting fees and legal fees resulting from increasing in-house responsibilities. The underage is partially offset by higher than budgeted liability insurance premiums.
- **Fixed Assets** (Variance of \$315k over budget at year end)  
Over budget variance is due to unbudgeted expenses associated with office relocation. The projected full year overage is associated with office relocation costs and advancing IT fixed asset purchases budgeted for 2024 into 2023. Over budget variance is offset by under budget rent & improvements and office costs.

*(Unaudited)*

*Submitted January 19, 2024*



**Northeast Power Coordinating Council, Inc. - Regional Entity Division**  
**Statement of Activities, Fixed Assets and Change in Working Capital**  
**(Unaudited)**  
**For the Period Ended December 31, 2023**

	2023 YTD Actual	2023 YTD Budget	2023 YTD Actual Variance from Budget Over(Under)	%
<b>Funding</b>				
Assessments	18,140,037	18,140,037	-	
Penalties Released*	300,000	300,000	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	29,863	33,750	(3,887)	
Interest & Investment Income	350,324	19,089	331,235	
<b>Total Funding</b>	<b>18,820,224</b>	<b>18,492,876</b>	<b>327,348</b>	<b>1.8%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	10,197,891	10,411,939	(214,048)	
Payroll Taxes	738,131	690,562	47,569	
Employee Benefits	2,547,092	2,535,986	11,106	
Savings & Retirement	1,031,802	1,095,815	(64,014)	
<b>Total Personnel Expenses</b>	<b>14,514,916</b>	<b>14,734,302</b>	<b>(219,386)</b>	<b>-1.5%</b>
<b>Meeting Expenses</b>				
Meetings & Conference Calls	344,023	237,250	106,773	
Travel	495,018	642,600	(147,582)	
<b>Total Meeting Expenses</b>	<b>839,042</b>	<b>879,850</b>	<b>(40,809)</b>	<b>-4.6%</b>
<b>Operating Expenses, excluding Depreciation</b>				
Consultants & Contracts	950,298	909,000	41,298	
Rent & Improvements	699,323	909,500	(210,178)	
Office Costs	1,035,954	1,202,900	(166,946)	
Professional Services	860,345	1,030,000	(169,655)	
Miscellaneous	20,214	30,000	(9,786)	
<b>Total Operating Expenses</b>	<b>3,566,134</b>	<b>4,081,400</b>	<b>(515,266)</b>	<b>-12.6%</b>
Indirect Expense Allocation	(266,346)	(340,356)	74,010	-21.7%
Other Non-Operating Expenses	-	-	-	n/a
<b>Total Expenses</b>	<b>18,653,745</b>	<b>19,355,196</b>	<b>(701,450)</b>	<b>-3.6%</b>
<b>Change in Net Assets</b>	<b>166,479</b>	<b>(862,320)</b>	<b>1,028,799</b>	<b>-119.3%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>383,523</b>	<b>68,400</b>	<b>315,123</b>	<b>460.7%</b>
<b>Net Financing Activity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>
<b>Total Budget (Expenses plus Fixed Assets and Net Financing Activity)</b>	<b>19,037,268</b>	<b>19,423,596</b>	<b>(386,327)</b>	<b>-2.0%</b>
<b>Change in Working Capital (Total Funding less Total Budget)</b>	<b>(217,044)</b>	<b>(930,720)</b>	<b>713,676</b>	<b>-76.7%</b>
Equivalent Full Time Employees	53.78	55.25	(1.47)	
Headcount	58.00	59.00	(1.00)	
Beginning Total Reserves - 1/1/23	8,573,113	6,503,366	2,069,747	
Change to Working Capital	(217,044)	(930,720)	713,676	
Penalties Received (+)	639,000	-	639,000	
Penalties Released (-)	(300,000)	(300,000)	-	
Other Reserve Activity	-	-	-	
<b>Total Projected Reserves at 12/31/23</b>	<b>8,695,069</b>	<b>5,272,646</b>	<b>3,422,423</b>	
<b>Reserve Balance Summary</b>				
Working Capital & Operating Contingency Reserves	6,984,166	4,735,761	2,248,405	
Assessment Stabilization & Penalty Reserves	1,710,903	536,885	1,174,018	
Other Reserves	-	-	-	
<b>Total Projected Reserves at 12/31/23</b>	<b>8,695,069</b>	<b>5,272,646</b>	<b>3,422,423</b>	

\*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).



**RELIABILITY FIRST**

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

January 23, 2024

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

**ReliabilityFirst's 2023 4th Quarter Year-to-Date Statement of Activities Variance Report - Unaudited**

Dear Andy,

Attached is RF's 2023 4th Quarter Year-to-Date Statement of Activities (unaudited) and Variance Report. This includes a comparison of budgeted and actual expenses relative to ReliabilityFirst Corporation 2023 Budget.

For more information, please contact me at 216.503.0689 or [beth.dowdell@rfirst.org](mailto: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

### ReliabilityFirst's 2023 4th Quarter Year-to-Date Statement of Activities Variance Report - Unaudited

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

#### Funding

- **Penalties Released:** \$593K (14.4%) under budget
  - Penalties released were lower than budget because of larger than anticipated payouts to MRRE's.
- **Investment Income:** \$341K (341.4%) over budget
  - Unrealized investment income was higher than budgeted due to a well performing investment strategy which partially offset the penalties released.

#### Expenses

- **Employee Benefits:** \$537K (19.4%) under budget
  - Employee Benefits primary driver for being under budget is from lower medical costs than anticipated as well as a reduction in company and individual training.
- **Meetings & Conference Calls:** \$256K (57.1%) under budget
  - Meeting expenses are under budget as the result of employees utilizing more virtual options and being strategic in their approach when traveling.
- **Travel:** \$199K (30.6%) under budget
  - Travel is also under budget from a more strategic approach to who attends engagements and more virtualization.
- **Contracts & Consultants:** \$267K (31.9%) under budget
  - Contracts and Consultants expense is under budget due to lower contract costs from planned projects related to our website redesign and cyber security penetration testing. In addition, there was a reduction of additional contractors support that was needed from what was budgeted.
- **Rent & Utilities:** \$89K (13%) over budget
  - Rent & Utilities are over budget due the completion of our construction build out that was not budgeted and higher than anticipated utility costs.
- **Miscellaneous:** \$12K (24.6%) under budget
  - Miscellaneous is under budget due to reduced spending in employee programs
- **Fixed Assets:** \$110K (100.2%) under budget
  - Fixed Assets is under budget primarily due to a write off of an asset that is no longer in service.



# RELIABILITY FIRST

## ReliabilityFirst Statement of Activities From 1/1/2023 – 12/31/2023 (unaudited)

	2023 YTD Actual	2023 YTD Budget	YTD Variance Over/(Under)	% Variance
<b>Funding</b>				
Assessments	24,620,339	24,620,339	0	0.00%
Penalties Released *	3,515,100	4,108,420	(593,320)	-14.44%
Investment Income	441,428	100,000	341,428	341.43%
Miscellaneous Income	1,255	0	1,255	0.00%
<b>Total Funding</b>	<b>28,578,122</b>	<b>28,828,759</b>	<b>(250,637)</b>	<b>-0.87%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	17,737,760	16,913,744	824,016	4.87%
Payroll Taxes	1,103,377	1,052,888	50,489	4.80%
Employee Benefits	2,236,933	2,773,918	(536,985)	-19.36%
Savings & Retirement Costs	2,738,318	2,706,562	31,756	1.17%
<b>Total Personnel Expenses</b>	<b>23,816,388</b>	<b>23,447,112</b>	<b>369,276</b>	<b>1.57%</b>
<b>Meeting Expenses</b>				
Meetings & Conference Calls	192,177	447,855	(255,678)	-57.09%
Travel	449,479	648,100	(198,621)	-30.65%
<b>Total Meeting Expenses</b>	<b>641,656</b>	<b>1,095,955</b>	<b>(454,299)</b>	<b>-41.45%</b>
<b>Operating Expenses</b>				
Contracts & Consultants	570,429	837,549	(267,120)	-31.89%
Rent & Utilities	771,094	682,584	88,510	12.97%
Office Costs	1,089,912	1,066,747	23,165	2.17%
Professional Services	695,925	685,915	10,010	1.46%
Miscellaneous	37,352	49,559	(12,207)	-24.63%
<b>Total Operating Expenses</b>	<b>3,164,712</b>	<b>3,322,353</b>	<b>(157,642)</b>	<b>-4.74%</b>
<b>Non-Operating Expenses</b>	0	0	0	0.00%
<b>Total Expenses</b>	<b>27,622,756</b>	<b>27,865,420</b>	<b>(242,665)</b>	<b>-0.87%</b>
<b>Net Change in Assets</b>	<b>955,366</b>	<b>963,339</b>	<b>(7,972)</b>	<b>-0.83%</b>
<b>Increase/(Decrease) in Fixed Assets</b>	<b>(220)</b>	<b>110,000</b>	<b>(110,220)</b>	<b>-100.20%</b>
<b>Total Budget (Expenses + Incr/(Decr) in Fixed Assets)</b>	<b>27,622,536</b>	<b>27,975,420</b>	<b>(352,885)</b>	<b>-1.26%</b>
<b>Change in Working Capital (Total Funding less Total Budget)</b>	<b>955,586</b>	<b>853,339</b>	<b>102,248</b>	<b>11.98%</b>
<b>FTE Count</b>	<b>89.29</b>	<b>91.00</b>	<b>(1.71)</b>	<b>-1.88%</b>





**RELIABILITY FIRST**

## Working Capital Reserve Analysis

	<b>2023 YTD Actual</b>
Beginning Total Reserves - 1/1/2023	8,008,070
Plus: Temporary Restricted Penalties	4,288,948
Beginning Total Reserve Balance 1/1/2023	<u>12,297,018</u>
Change to Working Capital	955,586
Add: Penalties Received	2,985,997
Subtract: Penalties Released	(3,514,376)
Other Reserve Activity	(158,313)
<b>Ending Reserve at 12/31/2023</b>	<u><b>12,565,912</b></u>
Working Capital & Operating Contingency Reserves	8,806,067
Assessment Stabilization & Penalty Reserves	3,759,845
<b>Total Reserves</b>	<u><b>12,565,912</b></u>



January 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. 4th Quarter 2023 Statement of Activities and Variance Report

Dear Andy,

Attached is the 2023 fourth 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 December 31, 2023

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

### FUNDING

- **Penalty Sanctions:** Actual penalty income of \$576,188 remitted to Texas RE as of June 30, 2022 has reduced 2023 assessments. All penalty sanctions remitted from July 1, 2022 through June 30, 2023 will be included in the Texas RE 2024 Business Plan and Budget and applied to reduce 2024 assessments.
- **Interest:** \$264,328 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 2023 budget was prepared.

### EXPENSES

**Total Budget as of December 31, 2023: \$2,189,231 less than forecasted budget (-12.9%).**

- **Personnel Expenses: \$933,997 less than budget (-7.1%).**
  - Employee Benefits are \$425,723 (-26.5%) less than budget. The primary factors contributing to this budget underrun are: 1) Health insurance premiums did not increase as budgeted. 2) We have been using forfeitures to partially fund retirement contributions. 3) Employee benefits as a whole are directly correlated to total salaries, which are lower. We had several vacancies, primarily in CMEP, causing our salaries to be \$256,008, or (-2.7%) less than budget.
  - Savings and Retirement is less than budget by \$195,954 (-14.2%). The variance can also be attributed to vacancies we have had difficulty filling in 2023.
- **Meetings and Travel Expenses: \$107,368 less than budget (-24.8%).**
  - Travel expenses are \$141,346 less than budget (-37.5%). Travel expenses in 2023 did not increase to pre-COVID levels as forecasted. However, we are seeing an increase in travel and expect it to continue to increase to pre-COVID levels by 2025.
  - Meetings and conference calls are more than budget by \$33,978 (59.7%). In addition to meetings increasing in lieu of travel, in 2023 we held a DEI training series for all employees and TXRE Management attended a 2 day leadership and planning retreat. Both of these events were not accounted for in the original budget and contributed to meeting expenses to be over budget.

- **Total Operating Expenses: \$1,224,965 less than budget (-30.4%).**
  - The largest variance in Operating Expenses is in Rent and Improvements, which are \$1,055,652 (-49.06%) less than budget. The 2023 budget was prepared before Texas RE moved into new offices and at that time costs for utilities and building maintenance was estimated. This variance is also affected by the implementation of ASC 842. Now that our new run rate has been established, future budgets will be adjusted to reflect actual costs.
  - Consultants & Contracts are under budget by \$252,641 (-62%). There were two departments that originally planned for services in 2023, but delayed until 2024: \$70,500 for executive coaching and \$72,000 for management coaching. The remaining variance can be attributed to Information Technology expense allocations whereby the actual expenses did not align with where they were allocated in the budget. Specifically, IT Managed Services (Under Consultants and Contracts), was under budget by \$125,546 (-55.8%), but is offset by over-budget balances in Software and Software Maintenance by \$98,799 (42%) and IT Consultants Expense by \$32,750 (100%).
  - Office expenses that were less than budget include, \$33,539 less for telephone and internet because we reorganized our service plans, including the issuance of company cell phones instead of paying a stipend for personal cell phone use. We spent \$19,070 less for IT leased equipment because of a renegotiation of our contract for laptops.
  - Professional services are underbudget by the following: \$19,995 (-40%) for legal fees that we did not incur and \$70,000 (-100%) for IT external audit services we did not incur. These items were offset by a \$14,701 (13.1%) increase in commercial insurance rates.
- **Fixed Asset Additions: \$77,098 more than budget (77.1%).**
  - Fixed asset additions included remaining retainage from the finishout of our new office space. These amounts were unresolved at the end of 2022 and final resolution of various issues, along with the retainage was paid in 2023. This amount was greater than originally estimated.



**Texas Reliability Entity, Inc.**  
Statement of Activities and Fixed Assets  
For period ended December 31, 2023 (Unaudited)



	2023 Actual	2023 Budget	Budget Variance	% Budget Variance
<b>Funding</b>				
Assessments	\$ 17,155,278	\$ 17,155,278	\$ -	0.0%
Penalties Released	576,188	576,188	-	0.0%
Interest Income	266,328	2,000	264,328	13216.4%
<b>Total Funding</b>	<b>\$ 17,997,794</b>	<b>\$ 17,733,466</b>	<b>\$ 264,328</b>	<b>1.5%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	\$ 9,272,194	\$ 9,528,202	(256,008)	-2.7%
Payroll Taxes	602,324	658,636	(56,312)	-8.5%
Employee Benefits	1,180,649	1,606,372	(425,723)	-26.5%
Savings & Retirement	1,179,485	1,375,439	(195,954)	-14.2%
<b>Total Personnel Expenses</b>	<b>\$ 12,234,652</b>	<b>\$ 13,168,649</b>	<b>\$ (933,997)</b>	<b>-7.1%</b>
<b>Meeting &amp; Travel Expenses</b>				
Meetings & Conference Calls	\$ 90,878	\$ 56,900	33,978	59.7%
Travel	235,390	376,736	(141,346)	-37.5%
<b>Total Meeting &amp; Travel Expenses</b>	<b>\$ 326,268</b>	<b>\$ 433,636</b>	<b>\$ (107,368)</b>	<b>-24.8%</b>
<b>Operating Expenses</b>				
Consultants & Contracts	\$ 155,059	\$ 407,700	(252,641)	-62.0%
Rent & Improvements	1,241,261	2,151,708	(910,447)	-42.3%
Office Costs	822,019	791,248	30,771	3.9%
Professional Services	587,877	680,525	(92,648)	-13.6%
<b>Total Operating Expenses</b>	<b>\$ 2,806,216</b>	<b>\$ 4,031,181</b>	<b>\$ (1,224,965)</b>	<b>-30.4%</b>
<b>Total Expenses</b>	<b>\$ 15,367,136</b>	<b>\$ 17,633,466</b>	<b>\$ (2,266,330)</b>	<b>-12.9%</b>
Change in Assets	<b>\$ 2,630,658</b>	<b>\$ 100,000</b>	<b>\$ 2,530,658</b>	<b>2530.7%</b>
Fixed Asset Additions, excluding Right of Use Assets	\$ 177,098	\$ 100,000	77,098	77.1%
<b>Total Budget</b>	<b>\$ 15,544,235</b>	<b>\$ 17,733,466</b>	<b>\$ (2,189,231)</b>	<b>-12.3%</b>
<b>Change in Working Capital (Total Revenue less Total Budget)</b>	<b>\$ 2,453,560</b>	<b>\$ -</b>	<b>\$ 2,453,560</b>	<b>0.0%</b>
FTE's	63	67	(4)	
Beginning WC - 1/1/23	\$ 3,048,112	\$ 3,048,112	\$ -	
Change to WC - 2023	2,453,560	-	2,453,560	
Penalties Released	(576,188)	(576,188)	-	
Penalties Received	433,862	-	433,862	
Other Reserve Activity	-	-	-	
Working Capital 12/31/2023	<b>\$ 5,359,346</b>	<b>\$ 2,471,924</b>	<b>\$ 2,887,422</b>	
Working Capital & Operating Contingency	\$ 2,000,000	\$ 2,000,000	\$ -	
Assessment Stabilization & Contingency Fund	3,359,346	471,924	2,887,422	
Other (Replenish Operating Reserve)	-	-	-	
Total Reserves and Contingency	<b>\$ 5,359,346</b>	<b>\$ 2,471,924</b>	<b>\$ 2,887,422</b>	





# SERC RELIABILITY CORPORATION

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January 25, 2024

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

RE: SERC 2023 Q4 Unaudited Financial Statement – Budget vs. Actual

Andy:

Following please find SERC's unaudited 2023 Q4 financial statement, reflecting actual to budgeted amounts with variance explanations.

If you have any questions, please let me know.

Thank you,



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 1/1/2023 Through 12/31/2023

	2023 YTD Actuals	2023 YTD Budget	Variance 2023 YTD Actual v 2023 YTD Budget Over(Under)	%
<b>Funding</b>				
<b>Statutory Funding</b>				
SERC Assessments	\$ 26,192,877	\$ 26,192,877	\$ -	
Penalties Released*	\$ 1,291,337	1,291,337	-	
<b>Total Statutory Funding</b>	<b>\$ 27,484,214</b>	<b>\$ 27,484,214</b>	<b>\$ -</b>	<b>0.00%</b>
Workshops & Miscellaneous	166,359	166,000	359	
Interest	735,511	30,000	705,511	
<b>Total Funding (A)</b>	<b>\$ 28,386,084</b>	<b>\$ 27,680,214</b>	<b>\$ 705,870</b>	<b>2.55%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	\$ 18,598,685	\$ 17,445,769	\$ 1,152,916	
Payroll Taxes	1,173,511	1,042,996	130,515	
Benefits	1,603,696	2,256,982	(653,286)	
Retirement Costs	2,426,604	2,221,068	205,536	
<b>Total Personnel Expenses</b>	<b>\$ 23,802,496</b>	<b>\$ 22,966,815</b>	<b>\$ 835,681</b>	<b>3.64%</b>
<b>Meeting Expenses</b>				
Meetings & Conference Calls	\$ 386,591	\$ 448,836	\$ (62,245)	
Travel	739,094	877,727	(138,633)	
<b>Total Meeting Expenses</b>	<b>\$ 1,125,685</b>	<b>\$ 1,326,563</b>	<b>\$ (200,878)</b>	<b>-15.14%</b>
<b>Operating Expenses, excluding Depreciation</b>				
Consultants & Contracts	\$ 774,737	\$ 1,094,411	\$ (319,674)	
Office Rent	843,721	850,067	(6,346)	
Office Costs	1,233,638	1,407,889	(174,251)	
Professional Services	487,222	528,150	(40,928)	
Miscellaneous	-	-	-	
<b>Total Operating Expenses</b>	<b>\$ 3,339,318</b>	<b>\$ 3,880,517</b>	<b>\$ (541,199)</b>	<b>-13.95%</b>
<b>Total Direct Expenses</b>	<b>\$ 28,267,499</b>	<b>\$ 28,173,895</b>	<b>\$ 93,604</b>	<b>0.33%</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses (B)</b>	<b>\$ 28,267,499</b>	<b>\$ 28,173,895</b>	<b>\$ 93,604</b>	<b>0.33%</b>
<b>Change in Assets</b>	<b>\$ 118,585</b>	<b>\$ (493,681)</b>	<b>\$ 612,266</b>	<b>-124.02%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 236,555</b>	<b>\$ 42,000</b>	<b>\$ 194,555</b>	<b>463.23%</b>
<b>TOTAL BUDGET (B+C)</b>	<b>\$ 28,504,054</b>	<b>\$ 28,215,895</b>	<b>\$ 288,159</b>	<b>1.02%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (A-B-C)</b>	<b>\$ (117,970)</b>	<b>\$ (535,681)</b>	<b>\$ 417,711</b>	<b>-77.98%</b>
FTE's	105.00	106.00	(1.00)	
Head Count	105.00	106.00	(1.00)	
<b>Beginning Reserve at 1/1/2023</b>	<b>8,357,428</b>	<b>7,619,978</b>	<b>737,450</b>	
Change to Working Capital	(117,970)	(535,681)	417,711	
Penalties Received (+)	6,171,940	-	6,171,940	
Penalties Released (-)	(1,291,337)	(1,291,337)	-	
Other Reserve Activity	-	-	-	
<b>Ending Reserves at 12/31/2023</b>	<b>13,120,061</b>	<b>5,792,960</b>	<b>7,327,101</b>	
Working Capital & Operating Contingency Reserves	2,466,872	1,692,959	773,913	
Assessment Stabilization & Penalty Reserves	10,653,189	4,100,001	6,553,188	
Other Reserves	-	-	-	
<b>Total Reserves Balance</b>	<b>13,120,061</b>	<b>5,792,960</b>	<b>7,327,101</b>	

\* 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 December 31, 2023 (Unaudited)

### Overall Summary

- Funding \$706k over budget resulting from increased investments and higher interest rates
- Spending \$288k over budget primarily attributable to a combination of inflation-driven wage adjustments and a decrease in staffing vacancies
- Total Working Capital change was \$418k favorable to budget

### Income

- **Funding (Actual - \$706k over budget)**
  - Increased investments and significantly higher interest rates

### Expense

- **Personnel Expenses (Actual - \$836k over budget)**
  - Salaries, taxes and retirement over budget due to a combination of minimal staff vacancies versus budget, wage inflation and performance driven incentives (wage inflation impact offset by deferred expenses in other categories)
  - Favorable health insurance rates and provider credits driving lower benefits expense
- **Meeting/Travel Expenses (Actual - \$201k under budget)**
  - Under budget due to deferred travel
- **Contracts/Consultants (Actual - \$320k under budget)**
  - Certain RAPA and IT projects were deferred
- **Office Rent (Actual - \$6k under budget)**
  - Common area maintenance expenses lower than expected
- **Office Costs (Actual - \$174k under budget)**
  - Under budget due to deferred software purchases, combined with renegotiated contracts for IT virus software
- **Professional Services (Actual - \$41k under budget)**
  - Legal fees lower than historical norms
- **Fixed Asset Purchases (Actual - \$195k over budget)**
  - Hardware purchase planned for Q4 2022 was delayed due to supply chain issues
  - Planned completion of Member Portal Consolidation project in 2022 was delayed until to 2023



**Joshuah Martinez**  
**Controller**  
**January 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 Q4 2023 Statutory Statement of Activities and Variance Report

Dear Andy,

Attached is WECC's fourth-quarter Statutory Statement of Activities (Unaudited) and Variance Report. WECC's 2023 unaudited year-to-date results are \$1,344,730 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,

Joshuah Martinez  
Controller

Enclosures

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



## Statutory Statement of Activities (Unaudited)

As of December 31, 2023

### Variance Report

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

#### Funding

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- Workshops & Miscellaneous: \$59,000 over budget

Workshops & Miscellaneous funding is over budget primarily due to higher-than-budgeted workshop attendance and revenue for the October Reliability and Security Workshop.

- Interest: \$1,567,000 over budget

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

#### Expenses

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- Salaries: \$735,000 over budget

Salaries are over budget primarily due to the net of recruiting and retention initiatives and higher-than-budgeted vacancy rates.

- Employee Benefits: \$449,000 under budget

Employee Benefits are under budget primarily due to an unanticipated health insurance premium rebate, budgeted benefits enrollment level assumptions compared to actual, and lower-than-budgeted Health Reimbursement Account (HRA) use.

- Travel: \$184,000 over budget

Travel is over budget primarily due to inflationary impacts on airfare and hotel rates and higher-than-budgeted travel to in-person meetings throughout the year.

- Consultants & Contracts: \$614,000 under budget

Consultants & Contracts are under budget primarily due to the net of timing of actual information technology consulting expenses compared to budget, unbudgeted contract labor being used to augment staff skillsets, and the deferral of the IT/RPPA data project to 2024.

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

### Fixed Assets

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- Fixed Assets: \$89,000 over budget

Fixed Assets are over budget primarily due to higher-than-budgeted server replacement costs.



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



Western Electricity Coordinating Council  
Statutory Statement of Activities  
From 1/1/2023 to 12/31/2023  
(Unaudited)

(In Whole Dollars)

	2023 YTD Actual	2023 YTD Budget	2023 YTD Variance	%
<b>Funding</b>				
Assessments	19,750,537	19,750,537	-	0.0%
Penalties Released <sup>1</sup>	11,218,646	11,218,646	-	0.0%
Workshops & Miscellaneous	246,700	188,100	58,600	31.2%
Interest	1,627,345	60,000	1,567,345	2612.2%
<b>Total Funding</b>	<b>32,843,228</b>	<b>31,217,283</b>	<b>1,625,945</b>	<b>5.2%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	20,774,028	20,039,300	734,728	3.7%
Payroll Taxes	1,444,644	1,322,041	122,603	9.3%
Employee Benefits	2,200,969	2,649,518	(448,549)	-16.9%
Retirement Costs	1,790,661	1,809,267	(18,606)	-1.0%
<b>Total Personnel Expenses</b>	<b>26,210,301</b>	<b>25,820,126</b>	<b>390,175</b>	<b>1.5%</b>
<b>Meeting Expenses</b>				
Meetings & Conference Calls	394,320	386,181	8,139	2.1%
Travel	744,821	561,108	183,713	32.7%
<b>Total Meeting Expenses</b>	<b>1,139,141</b>	<b>947,289</b>	<b>191,852</b>	<b>20.3%</b>
<b>Operating Expenses, excluding Depreciation</b>				
Consultants & Contracts	639,917	1,254,100	(614,183)	-49.0%
Office Rent	1,340,876	1,318,436	22,440	1.7%
Office Costs	2,194,343	2,173,501	20,842	1.0%
Professional Services	1,181,140	1,087,000	94,140	8.7%
Miscellaneous	-	-	-	-
<b>Total Operating Expenses</b>	<b>5,356,276</b>	<b>5,833,037</b>	<b>(476,761)</b>	<b>-8.2%</b>
<b>Total Direct Expenses</b>	<b>32,705,718</b>	<b>32,600,452</b>	<b>105,266</b>	<b>0.3%</b>
<b>Indirect Expenses</b>	<b>(756,470)</b>	<b>(843,037)</b>	<b>86,567</b>	<b>-10.3%</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenses</b>	<b>31,949,248</b>	<b>31,757,415</b>	<b>191,833</b>	<b>0.6%</b>
<b>Change in Net Assets</b>	<b>893,980</b>	<b>(540,132)</b>	<b>1,434,112</b>	<b>-265.5%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>144,250</b>	<b>54,868</b>	<b>89,382</b>	<b>162.9%</b>
<b>Total Expenditures</b>	<b>32,093,498</b>	<b>31,812,283</b>	<b>281,215</b>	<b>0.9%</b>
<b>Change in Working Capital (Total Funding less Total Budget)</b>	<b>749,730</b>	<b>(595,000)</b>	<b>1,344,730</b>	
FTEs	154.58	169.00	(14.42)	
Headcount	158.00	170.00	(12.00)	
Working Capital at 1/1/2023	11,368,371	10,210,376	1,157,995	
Peak Reliability Donation Expenditures	7,112	595,000	(587,888)	
Change to WC - 2023	749,730	(595,000)	1,344,730	
<b>Working Capital at 12/31/2023<sup>2</sup></b>	<b>12,125,213</b>	<b>10,210,376</b>	<b>1,914,837</b>	

<sup>1</sup> 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.

<sup>2</sup> See Working Capital and Reserve Analysis table for additional details.



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

Working Capital and Reserve Analysis

<b>Working Capital and Reserve Analysis</b>					
<b>STATUTORY</b>					
	<b>Total</b>	<b>Working Capital Reserve</b>	<b>Unreleased Penalties</b>	<b>Peak Reliability Donation</b>	
<b>Beginning Reserve, January 1, 2023</b>	\$ 35,140,129	\$ 11,368,371	\$ 20,306,594	3,465,164	
Plus: Total Funding	33,893,228	32,843,228	1,050,000	-	
Penalties Release	(11,218,646)	-	(11,218,646)	-	
Less: Expenditures	(32,093,498)	(32,086,386)	-	(7,112)	
Plus: Non-Statutory Fund Adjustment	-	-	-	-	
<b>Reserve, December 31, 2023</b>	<b>\$ 25,721,213</b>	<b>\$ 12,125,213</b>	<b>\$ 10,137,948</b>	<b>\$ 3,458,052</b>	



## **Proposed 2025 Business Plan and Budget Schedule**

### **Action**

Update

### **Background**

NERC management will review the proposed schedule for preparation of the 2025 Business Plan and Budget.



# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# 2025 Business Plan and Budget Preparation Schedule

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

**RELIABILITY | RESILIENCE | SECURITY**



- 2025 Business Plan and Budget (BP&B) preparation
  - Continue strategic focus areas: Energy, Security, Agility, Sustainability
  - Review and refine annual budget for year 3 of 2023-2025 plan
- Continue BP&B development process improvements
  - Early stakeholder outreach for any significant changes or assumptions
  - One public comment period and webinar, with additional informal outreach touchpoints
- Begin preliminary planning for next three-year plan: 2026–2028

- **Q4 2023 and Q1 2024**

- Evaluate resource plans for 2025 BP&B
- Initial touchpoint with Member Representatives Committee (MRC) BP&B Input Group
- Additional stakeholder outreach as needed

- **Q2 2024**

- Review 2025 BP&B assumptions with applicable Board committees, MRC BP&B Input Group, and Trades and Forums
- Post draft NERC 2025 BP&B for public comment
- FAC informational webinar
- FERC briefing

- **Q3 2024**

- Review stakeholder comments, responses, and proposed final 2025 BP&B with FAC, MRC BP&B Input Group, Trades and Forums, and MEC
- Provide response to comments
- Submit 2025 BP&Bs for Board approval
- File 2025 BP&Bs with FERC



# Questions and Answers

