



NORTHEAST POWER COORDINATING COUNCIL, INC.  
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October 16, 2018

North American Electric Reliability Corporation  
3353 Peachtree Road NE  
Suite 600, North Tower  
Atlanta, GA 30326  
Attention: Mr. Scott Jones

Subject: NPCC Regional Entity Division Variance Comparison and  
Third Quarter 2018 Statement of Activities

Dear Scott:

The variance comparison for the period ended September 30<sup>th</sup>, 2018 is included along with Northeast Power Coordinating Council, Inc.'s unaudited Third Quarter 2018 Statement of Activities.

Please do not hesitate to contact me via email at [jhala@npcc.org](mailto:jhala@npcc.org) or via telephone at (212) 840-1070 should you have any comments or questions with regard to the materials provided.

Sincerely,

*Jessica Hala*

Jessica Hala  
Senior Manager, Finance and Accounting

Enclosures

cc: Mr. Christopher Weir, CPA – NPCC Treasurer  
Mr. Edward A. Schwerdt – NPCC President & CEO  
Ms. Jennifer Budd Mattiello – NPCC Senior Vice President & COO  
ERO Finance Group



## **NPCC Regional Entity Division Budget to Actual Variance Comparison as of September 30, 2018**

### **TOTAL EXPENSES**

For the quarter ending September 30, 2018, the NPCC Regional Entity Division is \$545k or -4.89% under budget year to date. Based on planned activities, NPCC's current full year projection is an under budget variance of \$228k or -1.51%. NPCC will reprioritize resources as necessary to fulfill all of its responsibilities under its Regional Delegation Agreement.

### **INCOME**

- **Penalty Sanctions** (Actual income of \$75k remitted to NPCC from July 1, 2016 through June 30, 2017 was applied to reduce 2018 assessments to NPCC U.S. load serving entity designees.) No penalty sanctions were received from July 1, 2017 through June 30, 2018. All penalties remitted from July 1, 2018 through June 30, 2019 will be applied to reduce 2020 assessments to NPCC U.S. load serving entity designees.
- **Interest Income** (Actual income of \$13k year-to-date, not included in budget)  
NPCC accounts for but has not budgeted for interest income for operating fund investments as returns on U.S. treasury securities fund have been negligible and corporate money market fund returns have been minimal. Should the current trend toward rising interest rates continue, NPCC could experience greater returns on operating cash.
  - NPCC allocated \$13k as a portion of total interest income (93%) to the Regional Entity Division consistent with the ratio of Regional Entity (RE) to Criteria Services (CS) Division 2018 funding. A common system of accounts, with divisional separation, is used for both RE and CS revenue tracking and financial reporting.

### **EXPENSES**

- **Personnel Expenses** (Variance of \$301k under budget year-to-date, and \$248k under budget FYP)
  - NPCC is currently fully staffed. Three vacancies resulted from the departure of seasoned professionals. Those vacancies were filled through a combination of in-house promotions, resource re-allocations and the retention of less seasoned successors with the net result of lower than budgeted salaries and related expenses.
- **Meetings and Conference Calls** (Variance of \$230k under budget year-to-date, and \$30k under budget FYP)
  - Cost savings resulted from streamlining NPCC Spring and Fall Compliance and Standards Workshops from a three day format to a two day format. A portion of the current underage is due to the regular timing of planned meetings, with the heaviest meeting schedule occurring during the fourth quarter.

Efforts to limit the number of attendees sent to off-site meetings, participation via webinar and teleconferences and to hold more meetings onsite, at member facilities or conduct numerous NPCC webinars where effective and pragmatic for NPCC registered entities, will continue.

- **Consultants and Contracts** (Variance of \$19k over budget year-to-date, and \$150k over budget FYP)
  - Over budget projection of \$150k is related to unbudgeted risk assessment initiatives including increased probabilistic assessments, a gas supply disturbance study and a tie benefits study. These activities and associated resource needs were not identified prior to the June 2017 approval of the 2018 NPCC Business Plan and Budget.
- **Rent & Improvements** (Variance of \$49k under budget year-to-date, and as budgeted FYP)
  - Under budget variance is primarily due to the timing of billing of office space costs associated with NPCC's existing lease. Office space related expenses are currently projected to be as budgeted.
- **Office Costs** (Variance of \$60k under budget year-to-date, and \$40k under budget FYP)
  - Lower negotiated office internet rates and cell phone contracts resulted in cost savings of over \$30k per year. Other office costs are projected to be as budgeted.
- **Professional Services** (Variance of \$40k over budget year-to-date, and as budgeted FYP)
  - Over budget variance is primarily due to timing. Expense for professional services are projected to be as budgeted at year end.
- **Fixed Assets** (Variance of \$61k under budget year to date and \$60k under budget FYP)
  - Under budget variance is based on no new functionality planned for the CDAA and CITS tools through the end of the year and the timing of scheduled software development projects, which include the continued roll out of NPCC's document management system.
- **Net Change in Assets** (Variance of \$498k over budget year to date and \$181k over budget FYP)
  - Over budget variance in net change in assets is a result of variance in total expenses.
- **Change in Working Capital** (Variance of \$560k over budget year to date and \$241k over budget FYP)
  - Over budget variance in change in working capital is a result of variance in total budget.

*(Unaudited)*

*Submitted October 16<sup>th</sup>, 2018*



**Northeast Power Coordinating Council, Inc. - Regional Entity Division**  
**Statement of Activities, Fixed Assets and Change in Working Capital**  
**(Unaudited)**  
**For the Period Ended September 30, 2018**

	2018 YTD				2018			
	Actual	Budget	Actual Variance from Budget	%	Projection	2018 Annual Budget	Projection Variance from Budget	%
<b>Funding</b>								
Assessments	10,756,340	10,756,340	-		14,341,787	14,341,787	-	
Penalties	75,000	75,000	-		75,000	75,000	-	
Testing	-	-	-		-	-	-	
Services & Software	-	-	-		-	-	-	
Workshop Fees	33,810	32,000	1,810		64,000	64,000	-	
Interest	12,570	-	12,570		12,570	-	12,570	
Miscellaneous	-	-	-		-	-	-	
<b>Total Funding</b>	<b>10,877,720</b>	<b>10,863,340</b>	<b>14,380</b>	<b>0.13%</b>	<b>14,493,357</b>	<b>14,480,787</b>	<b>12,570</b>	<b>0.09%</b>
<b>Expenses</b>								
Personnel Expenses								
Salaries	5,073,140	5,330,699	(257,560)		6,907,599	7,107,599	(200,000)	
Payroll Taxes	363,942	370,296	(6,354)		404,440	411,440	(7,000)	
Employee Benefits	1,101,502	1,107,283	(5,781)		1,468,378	1,476,378	(8,000)	
Savings & Retirement	587,359	619,015	(31,656)		792,353	825,353	(33,000)	
<b>Total Personnel Expenses</b>	<b>7,125,942</b>	<b>7,427,294</b>	<b>(301,351)</b>	<b>-4.06%</b>	<b>9,572,770</b>	<b>9,820,770</b>	<b>(248,000)</b>	<b>-2.53%</b>
Meeting Expenses								
Meetings	144,611	217,135	(72,524)		323,050	353,050	(30,000)	
Travel	431,950	584,150	(152,200)		834,500	834,500	-	
Conference Calls	22,177	27,750	(5,573)		37,000	37,000	-	
<b>Total Meeting Expenses</b>	<b>598,738</b>	<b>829,035</b>	<b>(230,297)</b>	<b>-27.78%</b>	<b>1,194,550</b>	<b>1,224,550</b>	<b>(30,000)</b>	<b>-2.45%</b>
Operating Expenses								
Consultants & Contracts	1,368,110	1,349,530	18,580		2,027,640	1,877,640	150,000	
Rent & Improvements	561,572	610,175	(48,603)		810,700	810,700	-	
Office Costs	438,803	498,570	(59,767)		624,760	664,760	(40,000)	
Professional Services	667,104	627,500	39,604		960,000	960,000	-	
Miscellaneous	27,626	37,500	(9,874)		50,000	50,000	-	
Depreciation	189,825	201,750	(11,925)		269,000	269,000	-	
<b>Total Operating Expenses</b>	<b>3,253,040</b>	<b>3,325,025</b>	<b>(71,986)</b>	<b>-2.16%</b>	<b>4,742,100</b>	<b>4,632,100</b>	<b>110,000</b>	<b>2.37%</b>
Indirect Expense Allocation	(192,556)	(312,340)	119,784	-38.35%	(416,453)	(416,453)	-	0.00%
Other Non-Operating Expenses	-	-	-	n/a	-	-	-	n/a
<b>Total Expenses</b>	<b>10,785,164</b>	<b>11,269,014</b>	<b>(483,850)</b>	<b>-4.29%</b>	<b>15,092,967</b>	<b>15,260,967</b>	<b>(168,000)</b>	<b>-1.10%</b>
<b>Net Change in Assets</b>	<b>92,557</b>	<b>(405,674)</b>	<b>498,231</b>	<b>-122.82%</b>	<b>(599,610)</b>	<b>(780,181)</b>	<b>180,570</b>	<b>-23.14%</b>
<b>Fixed Assets</b>								
Depreciation	(189,825)	(201,750)	11,925		(269,000)	(269,000)	-	
Computer & Software CapEx	12,836	86,250	(73,414)		55,000	115,000	(60,000)	
Furniture & Fixtures CapEx	-	-	-		-	-	-	
Equipment CapEx	-	-	-		-	-	-	
Leasehold Improvements	-	-	-		-	-	-	
<b>Incr(Dec) in Fixed Assets</b>	<b>(176,989)</b>	<b>(115,500)</b>	<b>(61,489)</b>	<b>53.24%</b>	<b>(214,000)</b>	<b>(154,000)</b>	<b>(60,000)</b>	<b>38.96%</b>
<b>Total Budget (Expenses plus Incr(Dec) in Fixed Assets)</b>	<b>10,608,174</b>	<b>11,153,514</b>	<b>(545,340)</b>	<b>-4.89%</b>	<b>14,878,967</b>	<b>15,106,967</b>	<b>(228,000)</b>	<b>-1.51%</b>
<b>Change in Working Capital (Total Funding less Total Budget)</b>	<b>269,546</b>	<b>(290,174)</b>	<b>559,720</b>	<b>-192.89%</b>	<b>(385,610)</b>	<b>(626,181)</b>	<b>240,570</b>	<b>-38.42%</b>
Equivalent Full Time Employees	36.53	36.86	(0.33)		36.53	36.86	(0.33)	
Headcount	39.00	39.00	-		39.00	39.00	-	
Beginning Total Reserves - 1/1/18	5,017,751	4,499,893	517,858		5,017,751	4,499,893	517,858	
Change to Reserves - YTD 2018	269,546	(290,174)	559,720		(385,610)	(626,181)	240,570	
<b>Projected Total Reserves at 12/31/18</b>	<b>5,287,297</b>	<b>4,209,719</b>	<b>1,077,578</b>		<b>4,632,141</b>	<b>3,873,712</b>	<b>758,428</b>	