



NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE OF THE AMERICAS. NEW YORK, NY 10018 (212) 840-1070 FAX (212) 302-2782

October 15, 2019

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

Subject: NPCC Regional Entity Division Variance Comparison and
Third Quarter 2019 Statement of Activities

Dear Andy:

The variance comparison for the period ended September 30, 2019 is included along with Northeast Power Coordinating Council, Inc.'s unaudited Third Quarter 2019 Statement of Activities.

Please do not hesitate to contact me via email at 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
Director, 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



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NPCC Regional Entity Division Budget to Actual Variance Comparison as of September 30, 2019

TOTAL EXPENSES

For the quarter ending September 30, 2019, the NPCC Regional Entity Division is \$858k or -7.35% under budget year to date. Based on planned activities, NPCC's current full year projection is an under budget variance of \$714k or -4.52%. NPCC continues to reprioritize resources as necessary to fulfill all of its responsibilities under its Regional Delegation Agreement.

INCOME

- **Penalty Sanctions** No penalty sanctions were remitted from July 1, 2017 through June 30, 2018. All penalty sanctions remitted from July 1, 2018 through June 30, 2019 were included in the NPCC 2020 Business Plan and Budget and applied to reduce 2020 assessments to NPCC U.S. load serving entity designees. Penalty Sanctions received from July 1, 2019 through June 30, 2020 will be applied to reduce 2021 assessments to NPCC U.S. load serving entity designees.
- **Interest & Investment Income** (Actual income of \$60k year-to-date, not included in budget)
NPCC accounts for but has not budgeted for interest income as returns on 100% U.S. treasury securities fund have been low and corporate money market fund returns have been minimal.
 - NPCC allocated \$60k 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 2019 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 \$382k under budget year-to-date, and \$578k under budget FYP)
 - NPCC is recruiting heavily to fill its three open engineering positions. Recent vacancies were filled through a combination of in-house promotions, resource re-allocations and the retention of less seasoned successors with the expected net result of lower than budgeted salaries and related benefits.
- **Meeting Expenses** (Variance of \$197k under budget year-to-date, and as budgeted FYP)
 - The current underage is primarily due to timing of planned meetings, with the heaviest meeting schedule occurring in the fourth quarter. Efforts to limit the number of attendees sent to off-site meetings, and to hold more meetings onsite, at member facilities or via webinar where effective, will continue. As part of an ongoing organizational renewal, NPCC is exposing more of its staff to targeted meetings to gain greater industry insight.

- **Consultants and Contracts** (Variance of \$291k under budget year-to-date, and \$120k under budget FYP)
 - Year-to-date under budget variance is primarily due to the timing of the use of independent contractors for compliance audits, as well as underages in the Reliability Assessment and Performance Analysis, and Situation Awareness and Infrastructure Security program areas.

- **Fixed Assets** (Variance of \$9k under budget year to date and \$24k under budget FYP)
 - Year to date under budget variance is primarily due to the timing of scheduled software development projects, which include website enhancements and the continued refinement of document management. Equipment capital expenditure includes hardware related to CRISP implementation.

(Unaudited)
Submitted October 15, 2019



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, 2019

	2019 YTD				2019			
	2019 YTD	2019 YTD	Actual		2019	2019 Annual	2019	
	Actual	Budget	Variance from	%	Projection	Budget	Variance from	%
			Budget				Budget	
Funding								
Assessments	11,252,558	11,252,558	0.05		15,003,411	15,003,411	-	
Penalties	-	-	-		-	-	-	
Testing	-	-	-		-	-	-	
Services & Software	-	-	-		-	-	-	
Workshop Fees	38,085	33,750	4,335		67,500	67,500	-	
Interest	60,030	-	60,030		60,030	-	60,030	
Miscellaneous	-	-	-		-	-	-	
Total Funding	11,350,673	11,286,308	64,365	0.57%	15,130,941	15,070,911	60,030	0.40%
Expenses								
Personnel Expenses								
Salaries	5,214,043	5,499,210	(285,167)		6,902,280	7,332,280	(430,000)	
Payroll Taxes	394,772	404,994	(10,222)		424,993	449,993	(25,000)	
Employee Benefits	1,163,742	1,209,809	(46,067)		1,549,078	1,613,078	(64,000)	
Savings & Retirement	599,901	640,133	(40,232)		794,510	853,510	(59,000)	
Total Personnel Expenses	7,372,458	7,754,146	(381,688)	-4.92%	9,670,863	10,248,863	(578,000)	-5.64%
Meeting Expenses								
Meetings	173,982	229,525	(55,543)		370,750	370,750	-	
Travel	459,286	592,130	(132,844)		845,900	845,900	-	
Conference Calls	18,572	27,000	(8,428)		36,000	36,000	-	
Total Meeting Expenses	651,840	848,655	(196,815)	-23.19%	1,252,650	1,252,650	-	0.00%
Operating Expenses								
Consultants & Contracts	1,161,336	1,452,755	(291,419)		1,902,150	2,022,150	(120,000)	
Rent & Improvements	582,858	617,775	(34,917)		820,700	820,700	-	
Office Costs	523,379	507,260	16,118		676,347	676,347	-	
Professional Services	684,845	641,000	43,845		978,000	978,000	-	
Miscellaneous	35,450	38,250	(2,800)		51,000	51,000	-	
Depreciation	162,095	191,250	(29,155)		215,000	255,000	(40,000)	
Total Operating Expenses	3,149,963	3,448,290	(298,327)	-8.65%	4,643,197	4,803,197	(160,000)	-3.33%
Indirect Expense Allocation	(302,666)	(311,864)	9,198	-2.95%	(415,818)	(415,818)	-	0.00%
Other Non-Operating Expenses	-	-	-	n/a	-	-	-	n/a
Total Expenses	10,871,594	11,739,227	(867,633)	-7.39%	15,150,892	15,888,892	(738,000)	-4.64%
Net Change in Assets	479,079	(452,919)	931,998	-205.78%	(19,951)	(817,981)	798,030	-97.56%
Fixed Assets								
Depreciation	(162,095)	(191,250)	29,155		(215,000)	(255,000)	40,000	
Computer & Software CapEx	53,363	127,500	(74,137)		100,000	170,000	(70,000)	
Furniture & Fixtures CapEx	-	-	-		-	-	-	
Equipment CapEx	54,178	-	54,178		54,178	-	54,178	
Leasehold Improvements	-	-	-		-	-	-	
Incr(Dec) in Fixed Assets	(54,554)	(63,750)	9,196	-14.42%	(60,822)	(85,000)	24,178	-28.44%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	10,817,040	11,675,477	(858,437)	-7.35%	15,090,070	15,803,892	(713,822)	-4.52%
Change in Working Capital (Total Funding less Total Budget)	533,633	(389,169)	922,802	-237.12%	40,871	(732,981)	773,852	-105.58%
Equivalent Full Time Employees	35.32	38.86	(3.54)		35.32	38.86	(3.54)	
Headcount	38.00	41.00	(3.00)		41.00	41.00	-	
Beginning Total Reserves - 1/1/19	4,969,944	4,453,571	516,373		4,969,944	4,453,571	516,373	
Change to Reserves - YTD 2019	533,633	(389,169)	922,802		40,871	(732,981)	773,852	
Projected Total Reserves at 12/31/19	5,503,577	4,064,402	1,439,175		5,010,815	3,720,590	1,290,225	