



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

April 19, 2021

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
First Quarter 2021 Statement of Activities

Dear Andy:

The variance comparison for the period ended March 31, 2021 is included along with Northeast Power Coordinating Council, Inc.'s unaudited First Quarter 2021 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. Charles Dickerson – NPCC President & CEO
Ms. Jennifer Budd Mattiello – NPCC Senior Vice President & COO
Mr. Christopher Weir, CPA – NPCC Treasurer
ERO Finance Group



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NPCC Regional Entity Division Budget to Actual Variance Comparison as of March 31, 2021

TOTAL EXPENSES

For the quarter ending March 31, 2021, the NPCC Regional Entity Division is \$193k or 4.75% under budget year to date. Based on planned activities, NPCC's current full year projection (FYP) is an under budget variance of \$195k or 1.19%. The full impacts of the COVID-19 pandemic on the NPCC Region are currently unknown. It is anticipated that projections will change throughout 2021 and will be updated in quarterly variance reports. NPCC will reprioritize resources as necessary to fulfill all of its responsibilities under its Regional Delegation Agreement, agreements and memorandums of understanding respecting Canadian Provinces, and the NPCC Bylaws.

INCOME

- **Penalty Sanctions** (Penalties released of \$201k were applied to reduce 2021 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.
- **Workshop Fees** (\$68k under budget FYP)
Under budget variance is a result of NPCC's 2021 Standards and Compliance Workshops being converted to a virtual format to allow for remote participation due to continued in-person meeting and travel limitations as a result of the COVID-19 pandemic. The virtual workshops have received positive feedback and high attendance. Fees are only charged for in-person workshops in order to offset the associated expenses. There are no fees collected for virtual workshop participation.
- **Interest & Investment Income** (Actual income of \$369 year-to-date and \$41k under budget FYP)
Interest & investment income earned from the investment of excess operating cash in a 100% U.S. Treasury Securities money market fund. NPCC allocated \$369 as a portion of total interest income (94%) to the Regional Entity Division consistent with the ratio of Regional Entity (RE) to Criteria Services (CS) Division 2021 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 \$68k under budget year-to-date and \$546k over budget FYP)
During the first quarter there was one open position in the compliance program area. NPCC will retain three additional compliance full time employees (FTEs) in 2021 to replace the use of independent contractors in compliance auditing activities. Increased personnel expenses in the compliance program area will be offset by decreased consultants and contracts expense. In the IT program area, NPCC will retain one additional FTE during 2021 to support IT security posture improvements. NPCC is currently recruiting to retain qualified technical individuals to fill these positions. In response to the COVID-19 pandemic, NPCC has adjusted recruiting and hiring procedures through the use of teleconference and video conference interviews with candidates, and remote onboarding of newly hired personnel. Current responsibilities of any open positions, in the interim, are being addressed through resource re-allocations among the existing workforce. Cost savings resulting from the consolidation of multiple insurance carriers partially offset increases in actual and projected benefits expenses.
- **Meetings and Conference Calls** (Variance of \$177k under budget year-to-date and \$661k under budget FYP)
Under budget variance is due to continued in-person meeting and travel limitations as a result of the COVID-19 pandemic. NPCC's 2021 Standards and Compliance Workshops have been converted to a virtual format to allow for remote participation. Other meetings have also been conducted successfully via video conference and teleconference. Full year projections will be updated in subsequent quarterly variance reports.
- **Consultants and Contracts** (Variance of \$55k over budget year-to-date and \$346k under budget FYP)
Year-to-date over budget variance is due to the timing of the use of independent contractors for virtual compliance engagements. The full year projection is based on NPCC replacing the use of independent contractor compliance auditors with FTEs.
- **Office Costs** (Variance of \$29k over budget year-to-date and \$244k over budget FYP)
Current over budget variance and full year projection are driven by improvements to NPCC's IT security posture and infrastructure. Areas of focus include data protection, identity and access management, and security monitoring.
- **Fixed Assets** (Variance of \$19k under budget year-to-date and \$22k over budget FYP)
Year-to-date under budget variance is primarily due to the timing of planned fixed asset additions. The full year projection includes IT equipment and software development for the configuration of risk compliance software.

*(Unaudited)
Submitted April 19, 2021*



Northeast Power Coordinating Council, Inc. - Regional Entity Division
Statement of Activities, Fixed Assets and Change in Working Capital
(Unaudited)
For the Period Ended March 31, 2021

	2021 YTD Actual	2021 YTD Budget	2021 YTD Actual Variance from Budget Over(Under)	%	2021 Projection	2021 Annual Budget	2021 Projection Variance from Budget Over(Under)	%
Funding								
Assessments	3,788,646	3,788,646	-		15,154,584	15,154,584	-	
Penalties Released*	201,132	201,132	-		201,132	201,132	-	
Testing	-	-	-		-	-	-	
Services & Software	-	-	-		-	-	-	
Workshop Fees	-	-	-		-	67,500	(67,500)	
Interest & Investment Income	369	14,066	(13,697)		15,275	56,264	(40,989)	
Total Funding	3,990,147	4,003,844	(13,697)	-0.34%	15,370,991	15,479,480	(108,489)	-0.70%
Expenses								
Personnel Expenses								
Salaries	2,077,327	1,995,530	81,798		8,297,656	7,982,119	315,537	
Payroll Taxes	181,625	218,596	(36,971)		546,254	485,768	60,486	
Employee Benefits	404,985	505,311	(100,326)		2,192,474	2,021,243	171,231	
Savings & Retirement	215,031	227,458	(12,427)		908,567	909,832	(1,266)	
Total Personnel Expenses	2,878,968	2,946,894	(67,926)	-2.31%	11,944,951	11,398,963	545,989	4.79%
Meeting Expenses								
Meetings & Conference Calls	4,412	36,130	(31,718)		73,200	334,400	(261,200)	
Travel	441	145,584	(145,143)		327,960	727,920	(399,960)	
Total Meeting Expenses	4,852	181,714	(176,862)	-97.33%	401,160	1,062,320	(661,160)	-62.24%
Operating Expenses, excluding Depreciation								
Consultants & Contracts	399,461	344,593	54,868		1,163,650	1,509,800	(346,150)	
Rent & Improvements	198,548	215,185	(16,637)		870,141	870,141	-	
Office Costs	238,168	209,355	28,813		1,081,420	837,420	244,000	
Professional Services	230,694	214,500	16,194		1,005,000	1,005,000	-	
Miscellaneous	3,461	12,750	(9,289)		51,000	51,000	-	
Total Operating Expenses	1,070,333	996,383	73,950	7.42%	4,171,212	4,273,362	(102,150)	-2.39%
Indirect Expense Allocation	(100,130)	(96,999)	(3,131)	3.23%	(387,995)	(387,995)	-	0.00%
Other Non-Operating Expenses	-	-	-	n/a	-	-	-	n/a
Total Expenses	3,854,023	4,027,992	(173,969)	-4.32%	16,129,328	16,346,650	(217,321)	-1.33%
Change in Net Assets	136,124	(24,148)	160,273	-663.70%	(758,337)	(867,170)	108,832	-12.55%
Fixed Asset Additions, excluding Right of Use Assets	4,869	23,500	(18,631)	-79.28%	116,000	94,000	22,000	23.40%
Net Financing Activity	-	-	-	n/a	-	-	-	n/a
Total Budget (Expenses plus Fixed Assets and Net Financing Activity)	3,858,892	4,051,492	(192,600)	-4.75%	16,245,328	16,440,650	(195,321)	-1.19%
Change in Working Capital (Total Funding less Total Budget)	131,255	(47,648)	178,904	-375.47%	(874,337)	(961,170)	86,832	-9.03%
Equivalent Full Time Employees	41.21	42.11	(0.90)		42.55	41.09	1.46	
Headcount	44.00	43.00	1.00		47.00	43.00	4.00	
Beginning Total Reserves - 1/1/21	6,815,904	5,214,288	1,601,616		6,815,904	5,214,288	1,601,616	
Change to Working Capital	131,255	(47,648)	178,904		(874,337)	(961,170)	86,832	
Penalties Received (+)	-	-	-		-	-	-	
Penalties Released (-)	(201,132)	(201,132)	-		(201,132)	(201,132)	-	
Other Reserve Activity	-	-	-		-	-	-	
Total Reserves at 12/31/21	6,746,027	4,965,508	1,780,519		5,740,435	4,051,986	1,688,448	
Reserve Balance Summary								
Working Capital & Operating Contingency Reserves					5,172,498	3,649,118	1,523,380	
Assessment Stabilization & Penalty Reserves					567,937	402,868	165,069	
Other Reserves					-	-	-	
Total Projected Reserve Balance at 12/31/2021					5,740,435	4,051,986	1,688,448	

*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).