



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

July 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
Second Quarter 2021 Statement of Activities

Dear Andy:

The variance comparison for the period ended June 30, 2021 is included along with Northeast Power Coordinating Council, Inc.'s unaudited Second Quarter 2021 Statement of Activities.

Please do not hesitate to contact me via email at jhala@npcc.org or via telephone at (646) 632-7071 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. Kristin McKeown – NPCC Interim Senior Vice President & CAO
Mr. Christopher Weir, CPA – NPCC Treasurer
ERO Finance Group



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NPCC Regional Entity Division Budget to Actual Variance Comparison as of June 30, 2021

TOTAL EXPENSES

For the quarter ending June 30, 2021, the NPCC Regional Entity Division is \$768k or 9.41% under budget year to date. Based on planned activities, NPCC's current full year projection (FYP) is an under budget variance of \$585k or 3.56%. It is anticipated that projections will change throughout 2021 due to the continuing impacts of the COVID-19 pandemic. Projections will continue to 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 \$641 year-to-date and \$55k under budget FYP)
Interest & investment income is earned from the investment of excess operating cash in a 100% U.S. Treasury Securities money market fund. NPCC allocated \$641 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 \$7k over budget year-to-date and \$475k over budget FYP)
Two compliance full time employees (FTEs) were onboarded during the second quarter. NPCC will retain two 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 are 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. Responsibilities are currently 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.
- **Meeting Expenses** (Variance of \$436k under budget year-to-date and \$918k under budget FYP)
Under budget variance is due to continued in-person meeting and travel limitations as a result of the COVID-19 pandemic. While NPCC staff is beginning to resume travel for some in-person meetings and seminars, NPCC is not planning to host any in-person meetings for the remainder of 2021 and on-site compliance engagements will continue to be deferred through year end. 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 continue to be updated in subsequent quarterly variance reports.
- **Consultants and Contracts** (Variance of \$210k under budget year-to-date and \$320k under budget FYP)
Under budget variance is the result of NPCC replacing the use of independent contractor compliance auditors with FTEs. Decreased consultants and contracts expenses are offset by increased personnel expenses in the compliance program.
- **Office Costs** (Variance of \$6k over budget year-to-date and \$200k 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 \$42k under budget year-to-date and \$18k 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 July 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 June 30, 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	7,577,292	7,577,292	-		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	641	28,132	(27,491)		1,400	56,264	(54,864)	
Total Funding	7,779,065	7,806,556	(27,491)	-0.35%	15,357,116	15,479,480	(122,364)	-0.79%
Expenses								
Personnel Expenses								
Salaries	4,181,802	3,991,059	190,743		8,328,714	7,982,119	346,595	
Payroll Taxes	331,507	340,037	(8,530)		523,796	485,768	38,028	
Employee Benefits	857,800	1,010,622	(152,821)		2,099,813	2,021,243	78,570	
Savings & Retirement	433,020	454,916	(21,896)		921,868	909,832	12,035	
Total Personnel Expenses	5,804,130	5,796,635	7,495	0.13%	11,874,190	11,398,963	475,228	4.17%
Meeting Expenses								
Meetings & Conference Calls	4,637	150,260	(145,623)		9,000	334,400	(325,400)	
Travel	441	291,168	(290,727)		135,000	727,920	(592,920)	
Total Meeting Expenses	5,078	441,428	(436,350)	-98.85%	144,000	1,062,320	(918,320)	-86.44%
Operating Expenses, excluding Depreciation								
Consultants & Contracts	479,557	689,185	(209,628)		1,189,800	1,509,800	(320,000)	
Rent & Improvements	387,664	435,071	(47,407)		830,141	870,141	(40,000)	
Office Costs	425,070	418,710	6,360		1,037,420	837,420	200,000	
Professional Services	472,041	502,500	(30,459)		1,005,000	1,005,000	-	
Miscellaneous	9,626	25,500	(15,874)		51,000	51,000	-	
Total Operating Expenses	1,773,958	2,070,966	(297,008)	-14.34%	4,113,362	4,273,362	(160,000)	-3.74%
Indirect Expense Allocation	(194,324)	(193,997)	(327)	0.17%	(387,995)	(387,995)	-	0.00%
Other Non-Operating Expenses	-	-	-	n/a	-	-	-	n/a
Total Expenses	7,388,841	8,115,031	(726,190)	-8.95%	15,743,557	16,346,650	(603,092)	-3.69%
Change in Net Assets	390,224	(308,475)	698,699	-226.50%	(386,441)	(867,170)	480,728	-55.44%
Fixed Asset Additions, excluding Right of Use Assets	4,869	47,000	(42,131)	-89.64%	112,000	94,000	18,000	19.15%
Net Financing Activity	-	-	-	n/a	-	-	-	n/a
Total Budget (Expenses plus Fixed Assets and Net Financing Activity)	7,393,710	8,162,031	(768,321)	-9.41%	15,855,557	16,440,650	(585,092)	-3.56%
Change in Working Capital (Total Funding less Total Budget)	385,355	(355,475)	740,830	-208.41%	(498,441)	(961,170)	462,728	-48.14%
Equivalent Full Time Employees	41.57	42.11	(0.54)		42.64	41.09	1.55	
Headcount	44.00	43.00	1.00		46.10	43.00	3.10	
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	385,355	(355,475)	740,830		(498,441)	(961,170)	462,728	
Penalties Received (+)	-	-	-		-	-	-	
Penalties Released (-)	(201,132)	(201,132)	-		(201,132)	(201,132)	-	
Other Reserve Activity	-	-	-		-	-	-	
Total Reserves at 12/31/21	7,000,127	4,657,682	2,342,445		6,116,331	4,051,986	2,064,344	
Reserve Balance Summary								
Working Capital & Operating Contingency Reserves					5,548,394	3,649,118	1,899,276	
Assessment Stabilization & Penalty Reserves					567,937	402,868	165,069	
Other Reserves					-	-	-	
Total Projected Reserve Balance at 12/31/2021					6,116,331	4,051,986	2,064,344	

*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).