



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

January 20, 2022

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  
Fourth Quarter 2021 Statement of Activities

Dear Andy:

The variance comparison for the period ended December 31, 2021 is included along with Northeast Power Coordinating Council, Inc.'s unaudited Fourth Quarter 2021 Statement of Activities.

Please do not hesitate to contact me via email at [jhala@npcc.org](mailto: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 Senior Vice President, CAO & General Counsel  
Mr. Christopher Weir, CPA – NPCC Treasurer  
ERO Finance Group



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## **NPCC Regional Entity Division Budget to Actual Variance Comparison as of December 31, 2021**

### **TOTAL EXPENSES**

For the year ending December 31, 2021, the NPCC Regional Entity Division is \$1.5M or 9.29% under budget, based on invoices received to date. This under-spend will be factored into NPCC's reserve requirements calculations to reduce future assessments. Meeting and travel expenses were significantly under budget as a result of in-person meetings and travel being suspended due to the COVID-19 pandemic. Consultants and contracts expenses were under budget as a result of NPCC replacing the use of independent contractor compliance auditors with full time employees (FTEs). Decreased consultants and contracts expenses were partially offset by increased personnel expenses. Despite several partial year open positions, 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 \$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 at year end)  
Under budget variance is a result of NPCC's 2021 Standards and Compliance Workshops being converted to virtual format to allow for remote participation due to continuing 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** (\$54k under budget 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 \$3k 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 \$60k over budget at year end)  
Two full time employees (FTEs) were onboarded during the fourth quarter. In response to the COVID-19 pandemic, NPCC adjusted recruiting and hiring procedures through the use of telephone and video conference interviews with candidates, and remote onboarding of newly hired personnel. Increased personnel expenses in the compliance program area were offset by decreased consultants and contracts expense. Benefits expenses were under budget as a result of lower than budgeted increases in medical insurance premiums and cost savings resulting from the consolidation of multiple insurance carriers.
- **Meeting Expenses** (Variance of \$1M under budget at year end)  
Under budget variance resulted from continued in-person meeting and travel limitations due to the COVID-19 pandemic. NPCC's 2021 Standards and Compliance Workshops were converted to a virtual format to allow for remote participation. Other meetings were also conducted successfully via video conference and teleconference.
- **Consultants and Contracts** (Variance of \$469k under budget at year end)  
Under budget variance is the result of NPCC replacing the use of independent contractor compliance auditors with FTEs. Decreased consultants and contracts expenses are partially offset by increased personnel expenses in the compliance program.
- **Rent and Improvements** (Variance of \$114k under budget at year end)  
Maintenance, utilities and landlord operating expenses were lower than budgeted related to remote working due to the COVID-19 pandemic.

*(Unaudited)*  
*Submitted January 20, 2022*



**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, 2021**

	2021 YTD Actual	2021 YTD Budget	2021 YTD Actual Variance from Budget Over(Under)	%
<b>Funding</b>				
Assessments	15,154,584	15,154,584	0.1200	
Penalties Released*	201,132	201,132	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	67,500	(67,500)	
Interest & Investment Income	2,613	56,264	(53,652)	
<b>Total Funding</b>	<b>15,358,329</b>	<b>15,479,480</b>	<b>(121,151)</b>	<b>-0.78%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	8,268,278	7,982,119	286,159	
Payroll Taxes	555,264	485,768	69,496	
Employee Benefits	1,748,675	2,021,243	(272,568)	
Savings & Retirement	886,921	909,832	(22,912)	
<b>Total Personnel Expenses</b>	<b>11,459,138</b>	<b>11,398,962</b>	<b>60,176</b>	<b>0.53%</b>
<b>Meeting Expenses</b>				
Meetings & Conference Calls	14,511	334,400	(319,889)	
Travel	6,883	727,920	(721,037)	
<b>Total Meeting Expenses</b>	<b>21,394</b>	<b>1,062,320</b>	<b>(1,040,926)</b>	<b>-97.99%</b>
<b>Operating Expenses, excluding Depreciation</b>				
Consultants & Contracts	1,040,922	1,509,800	(468,879)	
Rent & Improvements	756,003	870,141	(114,138)	
Office Costs	838,820	837,420	1,400	
Professional Services	1,049,173	1,005,000	44,173	
Miscellaneous	14,747	51,000	(36,253)	
<b>Total Operating Expenses</b>	<b>3,699,665</b>	<b>4,273,362</b>	<b>(573,697)</b>	<b>-13.42%</b>
Indirect Expense Allocation	(352,891)	(387,995)	35,104	-9.05%
Other Non-Operating Expenses	-	-	-	n/a
<b>Total Expenses</b>	<b>14,827,306</b>	<b>16,346,649</b>	<b>(1,519,343)</b>	<b>-9.29%</b>
<b>Change in Net Assets</b>	<b>531,022</b>	<b>(867,169)</b>	<b>1,398,191</b>	<b>-161.24%</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>85,893</b>	<b>94,000</b>	<b>(8,107)</b>	<b>-8.62%</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>14,913,199</b>	<b>16,440,649</b>	<b>(1,527,450)</b>	<b>-9.29%</b>
<b>Change in Working Capital (Total Funding less Total Budget)</b>	<b>445,129</b>	<b>(961,169)</b>	<b>1,406,298</b>	<b>-146.31%</b>
Equivalent Full Time Employees	41.95	41.09	0.86	
Headcount	44.40	43.00	1.40	
Beginning Total Reserves - 1/1/21	6,815,904	5,214,288	1,601,616	
Change to Working Capital	445,129	(961,169)	1,406,298	
Penalties Received (+)	460,000	-	-	
Penalties Released (-)	(201,132)	(201,132)	-	
Other Reserve Activity	-	-	-	
<b>Total Reserves at 12/31/21</b>	<b>7,519,901</b>	<b>4,051,988</b>	<b>3,007,914</b>	
<b>Reserve Balance Summary</b>				
Working Capital & Operating Contingency Reserves	6,491,965	3,649,120	2,842,845	
Assessment Stabilization & Penalty Reserves	1,027,937	402,868	625,069	
Other Reserves	-	-	-	
<b>Total Projected Reserve Balance at 12/31/2021</b>	<b>7,519,901</b>	<b>4,051,988</b>	<b>3,467,914</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).