



July 19, 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
Second Quarter 2022 Statement of Activities

Dear Andy:

The variance comparison for the period ended June 30, 2022 is included along with Northeast Power Coordinating Council, Inc.'s unaudited Second Quarter 2022 Statement of Activities.

Please do not hesitate to contact me via email at jhala@npcc.org or (646) 632-7071 should you have any comments or questions with regard to the materials provided.

Sincerely,

Jessica Hala

Jessica Hala
Vice President, Finance

Enclosures

cc: Mr. Charles Dickerson – NPCC President & CEO
Mr. Christopher Weir, CPA – NPCC Treasurer
ERO Finance Group



**NPCC Regional Entity Division
Budget to Actual
Variance Comparison as of June 30, 2022**

TOTAL EXPENSES

For the quarter ending June 30, 2022, the NPCC Regional Entity Division is \$929k or 10.8% under budget year to date. Based on planned activities, NPCC's current full year projection (FYP) is an under budget variance of \$753k or 4.3%. It is anticipated that projections will change throughout 2022 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 2022 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** (As budgeted year-to-date and \$11k under budget FYP)
NPCC will host one in-person workshop in the fall of 2022. The workshop will be offered in a hybrid format with in-person and virtual participation options available. Workshop fees are projected to be lower than budgeted due to some virtual participation. Fees are only charged for in-person attendance at workshops in order to offset the associated expenses. There are no fees collected for virtual attendance.
- **Interest & Investment Income** (Actual income of \$2k year-to-date and \$23k 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 \$2k 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 2022 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 \$467k under budget year-to-date and \$532k under budget FYP)
NPCC is currently recruiting to retain qualified technical individuals to fill open positions. In the interim, current responsibilities of any open positions are being addressed through resource re-allocations among the existing workforce. The under budget full year projection is based on planned onboarding dates for new hires and lower than budgeted increases in medical insurance premiums.



- **Meeting Expenses** (Variance of \$277k under budget year-to-date and \$214k under budget FYP)
Under budget variance resulted from continued in-person meeting and travel limitations due to the COVID-19 pandemic. Meetings and travel expenses are projected to increase throughout the year as a result of a measured return to meeting in-person. Some meetings will continue to be held in virtual or hybrid format to allow for remote participation and greater access.
- **Consultants and Contracts** (Variance of \$222k under budget year-to-date and as budgeted FYP)
Under budget variance is due to timing. The full year projection continues to be as budgeted.
- **Office Costs** (Variance of \$110k under budget year-to-date and \$60k under budget FYP)
Under budget variance is due to several IT software contracts and license renewals negotiated lower than budgeted and due to timing. Under budget IT costs are offset by over budget increase in fixed assets related to software development projects.
- **Professional Services** (Variance of \$74k over budget year-to-date and \$50k over budget FYP)
Over budget variance is due to higher than budgeted audit fees related to additional work required to complete the 2021 audit, an unbudgeted actuarial valuation of a retiree benefit plan and higher than budgeted liability insurance premiums.
- **Fixed Assets** (Variance of \$106k over budget year to date and \$50k over budget FYP)
Year to date over budget variance is due to software development projects, which include website enhancements and the implementation of an enterprise risk management system. The overage is offset by lower than budgeted IT office costs.

(Unaudited)

Submitted July 19, 2022



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, 2022

	2022 YTD Actual	2022 YTD Budget	2022 YTD Actual Variance from Budget Over(Under)	%	2022 Projection	2022 Annual Budget	2022 Projection Variance from Budget Over(Under)	%
Funding								
Assessments	7,956,156	7,956,156	-		15,912,313	15,912,313	-	
Penalties Released*	201,132	201,132	-		201,132	201,132	-	
Testing	-	-	-		-	-	-	
Services & Software	-	-	-		-	-	-	
Workshop Fees	-	-	-		22,500	33,750	(11,250)	
Interest & Investment Income	1,708	14,233	(12,524)		6,000	28,465	(22,465)	
Total Funding	8,158,996	8,171,521	(12,524)	-0.2%	16,141,945	16,175,660	(33,715)	-0.2%
Expenses								
Personnel Expenses								
Salaries	4,267,932	4,536,204	(268,272)		8,825,235	9,072,408	(247,173)	
Payroll Taxes	349,856	347,620	2,235		592,019	595,815	(3,796)	
Employee Benefits	945,110	1,117,369	(172,259)		2,058,244	2,234,738	(176,494)	
Savings & Retirement	492,146	520,703	(28,557)		937,021	1,041,405	(104,384)	
Total Personnel Expenses	6,055,043	6,521,896	(466,852)	-7.2%	12,412,519	12,944,366	(531,847)	-4.1%
Meeting Expenses								
Meetings & Conference Calls	4,677	102,190	(97,513)		122,000	230,600	(108,600)	
Travel	22,600	202,229	(179,629)		400,460	505,572	(105,112)	
Total Meeting Expenses	27,277	304,419	(277,142)	-91.0%	522,460	736,172	(213,712)	-29.0%
Operating Expenses, excluding Depreciation								
Consultants & Contracts	198,288	419,825	(221,537)		839,650	839,650	-	
Rent & Improvements	404,006	453,071	(49,064)		884,141	906,141	(22,000)	
Office Costs	498,992	609,035	(110,044)		1,158,071	1,218,071	(60,000)	
Professional Services	502,473	428,100	74,373		1,067,000	1,017,000	50,000	
Miscellaneous	3,438	25,500	(22,062)		26,000	51,000	(25,000)	
Total Operating Expenses	1,607,197	1,935,531	(328,334)	-17.0%	3,974,862	4,031,862	(57,000)	-1.4%
Indirect Expense Allocation	(141,664)	(179,208)	37,544	-21.0%	(358,417)	(358,417)	-	0.0%
Other Non-Operating Expenses	-	-	-	n/a	-	-	-	n/a
Total Expenses	7,547,853	8,582,637	(1,034,784)	-12.1%	16,551,424	17,353,983	(802,559)	-4.6%
Change in Net Assets	611,143	(411,116)	1,022,260	-248.7%	(409,479)	(1,178,323)	768,844	-65.2%
Fixed Asset Additions, excluding Right of Use Assets	161,077	55,575	105,502	189.8%	161,077	111,150	49,927	44.9%
Net Financing Activity	-	-	-	n/a	-	-	-	n/a
Total Budget (Expenses plus Fixed Assets and Net Financing Activity)	7,708,930	8,638,212	(929,282)	-10.8%	16,712,501	17,465,133	(752,632)	-4.3%
Change in Working Capital (Total Funding less Total Budget)	450,066	(466,691)	916,758	-196.4%	(570,556)	(1,289,473)	718,917	-55.8%
Equivalent Full Time Employees	42.90	47.90	(5.00)		45.98	49.90	(3.92)	
Headcount	44.00	50.00	(6.00)		54.00	52.00	2.00	
Beginning Total Reserves - 1/1/22	7,452,044	6,179,595	1,272,449		7,452,044	6,179,595	1,272,449	
Change to Working Capital	450,066	(466,691)	916,758		(570,556)	(1,289,473)	718,917	
Penalties Received (+)	10,080	-	10,080		10,080	-	10,080	
Penalties Released (-)	(201,132)	(201,132)	-		(201,132)	(201,132)	-	
Other Reserve Activity	-	-	-		-	-	-	
Total Reserves at 12/31/22	7,711,058	5,511,772	2,199,287		6,690,436	4,688,990	2,001,446	
Reserve Balance Summary								
Working Capital & Operating Contingency Reserves	7,174,173	5,108,904	2,065,270		6,153,551	4,286,122	1,867,429	
Assessment Stabilization & Penalty Reserves	536,885	402,868	134,017		536,885	402,868	134,017	
Other Reserves	-	-	-		-	-	-	
Total Projected Reserve Balance at 12/31/22	7,711,058	5,511,772	2,199,287		6,690,436	4,688,990	2,001,446	

*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).