



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

July 20, 2020

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 2020 Statement of Activities

Dear Andy:

The variance comparison for the period ended June 30, 2020 is included along with Northeast Power Coordinating Council, Inc.'s unaudited Second Quarter 2020 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 June 30, 2020

TOTAL EXPENSES

For the quarter ending June 30, 2020, the NPCC Regional Entity Division is \$1.1M or -13.81% under budget year to date. Based on currently planned activities, NPCC's current full year projection is an under budget variance of \$1.4M or -8.62%. The full impacts of the COVID-19 pandemic to the NPCC Region to some degree are currently unknown. It is anticipated that projections would further change throughout 2020 and would be reflected in each subsequent quarter's variance report. NPCC will reprioritize resources as necessary to fulfill all of its responsibilities under its Regional Delegation Agreement.

INCOME

- **Penalty Sanctions** (Actual income of \$120k remitted to NPCC as of June 30, 2019 has been applied to reduce 2020 assessments to NPCC U.S. load serving entity designees.) Penalty sanctions remitted from July 1, 2019 through June 30, 2020 are included in NPCC's Assessment Stabilization Reserve to be applied to budget year 2021 and future budget years to reduce assessments to NPCC U.S. load serving entity designees. Penalties collected will be reported in NPCC's audited financial statements in accordance with GAAP.
- **Interest & Investment Income** (Actual income of \$17k year-to-date, \$36k under budget FYP)
Interest & investment income earned from the investment of excess operating cash into a 100% U.S. Treasury Securities mutual fund. Full year projection was adjusted based on current and projected yields. NPCC allocated \$17k 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 2020 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 \$460k under budget year-to-date, and \$140k under budget FYP)
 - Several open positions during portions of the first half of the year resulted in lower than budgeted salaries and related benefits. Two individuals have accepted offers to begin employment in July and one at the end of August bringing NPCC to its full complement of staff. In response to the COVID-19 pandemic, NPCC successfully adjusted recruiting and hiring procedures, conducting teleconference, WebEx and video conference interviews with candidates and remotely onboarding.

- **Meetings and Conference Calls** (Variance of \$376k under budget year-to-date, and \$996k under budget FYP)
 - The current underage is primarily due to travel being suspended since early March due to the COVID-19 pandemic and shelter in place orders. NPCC's Spring Compliance and Standards Workshop was converted to a remote attendance webinar format. There was positive feedback received on the virtual format and the workshop was remotely attended by a greater than average number of participants. Other planned meetings and activities have been conducted successfully via webinar, video conferencing and teleconference. Full year projections will continue to be updated in subsequent quarters' variance reports.

- **Consultants and Contracts** (Variance of \$361k under budget year-to-date, and \$295k under budget FYP)
 - Year-to-date under budget variance is due to the timing of the use of independent contractors for virtual compliance audits and other contract engagements that have been deferred due to the suspension of access to registered entity physical sites related to the COVID-19 pandemic. It is anticipated that onsite compliance audits could resume to some degree in 2021. The full year projection will continue to be updated in subsequent reports as scheduling is adjusted.

- **Professional Services** (Variance of \$82k over budget year-to-date, and as budgeted FYP)
 - Year-to-date over budget variance is due to the timing of the independent audit of NPCC's financial statements for the prior year occurring during the first half of this year. The full year projection continues to be as budgeted.

- **Fixed Assets** (Variance of \$9k under budget year to date and as budgeted FYP)
 - Year to date under budget variance is primarily due to the timing of scheduled website enhancements that have been deferred several months. The full year projection continues to be as budgeted.

(Unaudited)
Submitted July 20, 2020