



NORTHEAST POWER COORDINATING COUNCIL, INC.  
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May 1, 2017

North American Electric Reliability Corporation  
3353 Peachtree Road NE  
Suite 600, North Tower  
Atlanta, GA 30326  
Attention: Mr. Scott Jones

Subject: NPCC 2016 True Up Actual vs. Budget Variance Analysis  
True Up Filing Based on Audited 2016 Financial Statements

Dear Scott:

Enclosed is the Northeast Power Coordinating Council, Inc. (NPCC) submittal regarding the 2016 NPCC actual vs. budget variances. NPCC's independent audit performed by Pricewaterhouse Coopers LLP was concluded on March 16, 2017 and forwarded to NERC for its information and provision to FERC.

As you know, NPCC is a Cross-border Regional Entity which provides Regional Entity functions and services through its regional entity (RE) division. The establishment of Regionally-specific criteria, and monitoring and enforcement of compliance with such criteria are provided through the criteria services (CS) division of NPCC. The CS division is funded by assessments to the Independent System Operators/Balancing Authority Areas within the Region based on their respective Net Energy for Load.

No Regional Entity division assessments were used to fund CS division activities. Allocation between the RE division and CS division represents a 95/5 split for 2016 based upon total corporate FTEs of 36.86 in the RE division and 2.14 in the CS division. No indirect costs were allocated from the CS division to the RE division and no cross subsidies exist. In addition, NPCC does not budget for interest income and reports such income apportioned based upon its Regional Entity (RE) and Criteria Services (CS) division full time equivalent (FTE) ratio.

Actual total expenses and fixed asset expenditures for NPCC's RE division for 2016 were \$13,646,717 which is \$1,426,278 or 9.5% under the 2016 operating budget of \$15,072,998. Actual total expenses and fixed asset expenditures for NPCC's CS division for 2016 were \$865,017 which is \$292,049 or 25.2% under the 2016 operating budget of \$1,157,066. In the aggregate, actual total expenses and fixed asset expenditures for the NPCC RE and CS divisions were \$14,511,734 which is \$1,718,329 or 10.6% under the 2016 total corporate expense budget of \$16,230,063. Indirect expenses are allocated to the direct programs based on FTE ratio.

Variances from budget in total for NPCC, total non-statutory, total statutory and total by statutory program area are provided using the template provided by NERC which presents actual and budgeted costs on program-by-program format. A single consolidated budget versus actual cost comparison is presented for Administrative Services in order to be consistent with the presentation in NPCC's 2016 Business Plan and Budget. Explanations of significant expense variances are provided for the Regional Entity division in total and by program area where the explanation differs from that for the Regional Entity total.

Should you have any questions please do not hesitate to contact me via email at [jhala@npcc.org](mailto:jhala@npcc.org) or via telephone at (212) 840-1070.

Sincerely,

*Jessica Hala*

Jessica Hala  
Manager, Finance and Accounting

Enclosures

cc: Mr. Edward A. Schwerdt – NPCC President & CEO  
Ms. Jennifer Budd Mattiello – NPCC Senior Vice President & COO

Northeast Power Coordinating Council, Inc.  
2016 Statement of Activities Summary  
Total NPCC (RE and CS Divisions)

	2016 Actual	2016 Budget	2016 Variance from Budget Over(Under)
<b>Funding</b>			
<b>ERO Funding</b>			
Assessments	14,349,196	14,349,196	-
Penalty Sanctions	67,000	67,000	-
<b>Total ERO Funding</b>	<b>14,416,196</b>	<b>14,416,196</b>	<b>-</b>
Federal Grants	-	-	-
Non-Statutory Assessments	1,060,542	1,060,542	-
Testing	-	-	-
Services & Software	-	-	-
Workshop Fees	64,540	64,000	540
Interest	5,158	-	5,158
Miscellaneous	-	-	-
<b>Total Funding (A)</b>	<b>15,546,436</b>	<b>15,540,738</b>	<b>5,698</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	6,719,742	6,955,352	(235,610)
Payroll Taxes	411,926	422,332	(10,406)
Employee Benefits	1,287,903	1,453,211	(165,308)
Savings & Retirement	816,461	978,068	(161,606)
<b>Total Personnel Expenses</b>	<b>9,236,032</b>	<b>9,808,963</b>	<b>(572,930)</b>
<b>Meeting Expenses</b>			
Meetings	246,257	400,500	(154,243)
Travel	823,071	953,100	(130,029)
Conference Calls	34,450	47,000	(12,550)
<b>Total Meeting Expenses</b>	<b>1,103,778</b>	<b>1,400,600</b>	<b>(296,822)</b>
<b>Operating Expenses</b>			
Consultants & Contracts	1,736,292	2,248,500	(512,208)
Rent & Improvements	767,678	802,500	(34,822)
Office Costs	504,886	639,500	(134,614)
Professional Services	942,132	1,011,000	(68,868)
Miscellaneous	44,319	43,000	1,319
Depreciation	259,512	240,327	19,185
<b>Total Operating Expenses</b>	<b>4,254,819</b>	<b>4,984,827</b>	<b>(730,008)</b>
<b>Indirect Expenses</b>	-	-	-
<b>Other Non-Operating Expenses</b>	-	-	-
<b>Total Expenses (B)</b>	<b>14,594,629</b>	<b>16,194,390</b>	<b>(1,599,760)</b>
<b>Change in Assets (A - B)</b>	<b>951,807</b>	<b>(653,652)</b>	<b>1,605,458</b>
<b>Fixed Assets</b>			
Depreciation	(259,512)	(240,327)	(19,185)
Computer & Software CapEx	75,517	276,000	(200,483)
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	101,100	-	101,100
Leasehold Improvements	-	-	-
<b>Incr(Dec) in Fixed Assets</b>	<b>(82,895)</b>	<b>35,673</b>	<b>(118,568)</b>
Allocation of Fixed Assets	-	-	(0)
<b>Total Inc(Dec) in Fixed Assets (C)</b>	<b>(82,895)</b>	<b>35,673</b>	<b>(118,569)</b>
<b>TOTAL BUDGET (B + C)</b>	<b>14,511,734</b>	<b>16,230,063</b>	<b>(1,718,329)</b>
<b>Change in Working Capital (A-B-C)</b>	<b>1,034,702</b>	<b>(689,325)</b>	<b>1,724,027</b>
<b>FTE's</b>	<b>38.75</b>	<b>39.00</b>	<b>(0.25)</b>

**Northeast Power Coordinating Council, Inc.**  
**2016 Statement of Activities Summary**

TOTAL STATUTORY	2016 Actual	2016 Budget	2016 Variance from Budget Over(Under)	
<b>Funding</b>				
<b>ERO Funding</b>				
Assessments	14,349,196	14,349,196	-	0.00%
Penalty Sanctions	67,000	67,000	-	0.00%
<b>Total ERO Funding</b>	<b>14,416,196</b>	<b>14,416,196</b>	<b>-</b>	<b>0.00%</b>
Federal Grants	-	-	-	
Non-Statutory Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	64,540	64,000	540	
Interest	4,875	-	4,875	
Miscellaneous	-	-	-	
<b>Total Funding (A)</b>	<b>14,485,611</b>	<b>14,480,196</b>	<b>5,415</b>	<b>0.04%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	6,366,235	6,561,470	(195,235)	-2.98%
Payroll Taxes	389,133	399,057	(9,924)	-2.49%
Employee Benefits	1,237,226	1,364,799	(127,573)	-9.35%
Savings & Retirement	780,695	833,118	(52,422)	-6.29%
<b>Total Personnel Expenses</b>	<b>8,773,289</b>	<b>9,158,445</b>	<b>(385,154)</b>	<b>-4.21%</b>
<b>Meeting Expenses</b>				
Meetings	245,357	394,000	(148,643)	-37.73%
Travel	773,688	907,100	(133,412)	-14.71%
Conference Calls	34,450	47,000	(12,550)	-26.70%
<b>Total Meeting Expenses</b>	<b>1,053,495</b>	<b>1,348,100</b>	<b>(294,605)</b>	<b>-21.85%</b>
<b>Operating Expenses</b>				
Consultants & Contracts	1,734,569	2,223,500	(488,931)	-21.99%
Rent & Improvements	767,678	802,500	(34,822)	-4.34%
Office Costs	503,312	639,500	(136,188)	-21.30%
Professional Services	942,132	1,011,000	(68,868)	-6.81%
Miscellaneous	43,823	41,000	2,823	6.89%
Depreciation	249,466	231,821	17,645	7.61%
<b>Total Operating Expenses</b>	<b>4,240,980</b>	<b>4,949,321</b>	<b>(708,341)</b>	<b>-14.31%</b>
<b>Indirect Expenses</b>	<b>(341,268)</b>	<b>(427,047)</b>	<b>85,781</b>	<b>-20.09%</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Expenses (B)</b>	<b>13,726,496</b>	<b>15,028,819</b>	<b>(1,302,319)</b>	<b>-8.67%</b>
<b>Change in Assets (A - B)</b>	<b>759,115</b>	<b>(548,622)</b>	<b>1,307,734</b>	<b>-238.37%</b>
<b>Fixed Assets</b>				
Depreciation	(249,466)	(231,821)	(17,645)	7.61%
Computer & Software CapEx	74,173	276,000	(201,827)	-73.13%
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	95,514	-	95,514	
Leasehold Improvements	-	-	-	
<b>Incr(Dec) in Fixed Assets</b>	<b>(79,779)</b>	<b>44,179</b>	<b>(123,958)</b>	
Allocation of Fixed Assets	-	-	(0)	
<b>Total Inc(Dec) in Fixed Assets (C)</b>	<b>(79,779)</b>	<b>44,179</b>	<b>(123,959)</b>	<b>-280.58%</b>
<b>TOTAL BUDGET (B + C)</b>	<b>13,646,717</b>	<b>15,072,998</b>	<b>(1,426,278)</b>	<b>-9.46%</b>
<b>Change in Working Capital (A-B-C)</b>	<b>838,894</b>	<b>(592,801)</b>	<b>1,431,693</b>	<b>-241.51%</b>
<b>FTE's</b>	<b>36.61</b>	<b>36.86</b>	<b>(0.25)</b>	<b>-0.68%</b>

**Northeast Power Coordinating Council, Inc.**  
**2016 Statement of Activities Summary**

NON-STATUTORY	2016 Actual	2016 Budget	2016 Variance from Budget Over(Under)	
<b>Funding</b>				
<b>ERO Funding</b>				
Assessments	-	-	-	
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	-	-	-	
Federal Grants	-	-	-	
Non-Statutory Assessments	1,060,542	1,060,542	-	0.00%
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	283	-	283	
Miscellaneous	-	-	-	
<b>Total Funding (A)</b>	1,060,825	1,060,542	283	0.03%
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	353,507	393,882	(40,375)	-10.25%
Payroll Taxes	22,793	23,275	(482)	-2.07%
Employee Benefits	50,677	88,412	(37,735)	-42.68%
Savings & Retirement	35,766	144,950	(109,184)	-75.33%
<b>Total Personnel Expenses</b>	462,743	650,519	(187,776)	-28.87%
<b>Meeting Expenses</b>				
Meetings	900	6,500	(5,600)	-86.15%
Travel	49,383	46,000	3,383	7.35%
Conference Calls	-	-	-	
<b>Total Meeting Expenses</b>	50,283	52,500	(2,217)	-4.22%
<b>Operating Expenses</b>				
Consultants & Contracts	1,723	25,000	(23,277)	-93.11%
Rent & Improvements	-	-	-	
Office Costs	1,574	-	1,574	
Professional Services	-	-	-	
Miscellaneous	496	2,000	(1,504)	-75.20%
Depreciation	10,046	8,506	1,540	18.10%
<b>Total Operating Expenses</b>	13,839	35,506	(21,667)	-61.02%
<b>Indirect Expenses</b>	341,268	427,047	(85,779)	-20.09%
<b>Other Non-Operating Expenses</b>	-	-	-	
<b>Total Expenses (B)</b>	868,133	1,165,572	(297,439)	-25.52%
<b>Change in Assets (A - B)</b>	192,692	(105,030)	297,722	-283.46%
<b>Fixed Assets</b>				
Depreciation	(10,046)	(8,506)	(1,540)	18.10%
Computer & Software CapEx	1,344	-	1,344	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	5,586	-	5,586	
Leasehold Improvements	-	-	-	
<b>Incr(Dec) in Fixed Assets</b>	(3,116)	(8,506)	5,390	
Allocation of Fixed Assets	-	-	-	
<b>Total Inc(Dec) in Fixed Assets (C)</b>	(3,116)	(8,506)	5,390	-63.37%
<b>TOTAL BUDGET (B + C)</b>	865,017	1,157,066	(292,049)	-25.24%
<b>Change in Working Capital (A-B-C)</b>	195,808	(96,524)	292,332	-302.86%
<b>FTE's</b>	2.14	2.14	-	0.00%

## **TOTAL NPCC**

### **Personnel Expenses**

In 2016, NPCC started the year with an open position that was filled in April. Staff was reallocated to continue to meet its Regional Delegation Agreement (RDA) responsibilities. This partial year vacancy resulted in lower salary and associated incentive compensation accruals. A staff reallocation from IT to Situation Awareness and Infrastructure Security (SAIS) also resulted in lower than budgeted indirect expenses. Despite being down one FTE for the first three months of the year, NPCC performed all of its 2016 delegated responsibilities as well as exceeding target attainment of its corporate goals and objectives. In the benefits area, medical insurance coverage was waived by approximately 33% of NPCC employees who have superior coverage from a former employer. Additionally, premiums were lower than budgeted which contributed to the year-end underage.

### **Meeting Expenses**

Continued efforts to limit the number of attendees sent to off-site meetings, and to hold more meetings onsite or via webinar where effective and have kept meeting, travel and conference call expenses under budget. Comparative proposals for NPCC's larger meetings have yielded significant discounting.

### **Consultants and Contracts**

This significant under budget variance is primarily due to the efficiencies that continue to be gained through the Entity Risk Assessment (ERA) sub-program within Compliance. Risk-based compliance monitoring utilizing Inherent Risk Assessments and Internal Control Evaluations resulted in lower costs than projected in the 2016 budget. NPCC is currently sharing many of its ERA processes and procedures with other Regional Entities to assist them in achieving similar savings. Contract expenditures were also reduced through the increased utilization of staff for compliance monitoring, offsetting previously budgeted independent contractor support. Additionally, within the Reliability Assessments and Performance Analysis (RAPA) and SAIS program areas increased staff efforts lessened utilization of outside contractors.

### **Office Costs**

Lower computer and software expenses resulted from purchasing rather than leasing computer equipment. The 2016 budget assumed a three-year lease, however, it was more economic to purchase the equipment. The purchase costs are reflected under capital expenditures as opposed to office costs where the lease payments were budgeted.

### **Professional Services**

Underage in legal fees is due to both General Counsel and NPCC's Sr. Compliance Attorney taking on greater workloads rather than having outside counsel perform certain consultations.

### **Indirect Expenses**

Lower than budgeted Administrative Services expenses, including the reallocation of one FTE from IT (admin services) to SAIS (direct program area), resulted in under budget indirect expenses.

### **Fixed Assets**

Computer & Software capital expenditures were under budget due to timing of CMEP Data Administration Application (CDAA) software development project. Additionally, NPCC had budgeted for a document management system building upon NERC's system, but found that such leveraging would not be cost efficient for NPCC on a Regional Entity level. Document management development and implementation are expected for the 2017 budget year. Overage in equipment capital expenditures is due to purchasing computer equipment rather than entering a three year leasing agreement as budgeted. The purchase decision was an economic one. This overage is partially offset by an underage in office costs. Full cost savings resulting from the elimination of financing costs will be realized over the three-year useful life of the laptop computer equipment.

### **Compliance Hearings**

No funds were budgeted in association with NPCC conducting compliance hearings and no hearings have been initiated to date in NPCC.

**Northeast Power Coordinating Council, Inc.**  
**2016 Statement of Activities Summary**

RELIABILITY STANDARDS	2016 Actual	2016 Budget	2016 Variance from Budget Over(Under)	
<b>Funding</b>				
<b>ERO Funding</b>				
Assessments	1,480,373	1,480,373	-	0.00%
Penalty Sanctions	7,046	7,046	-	0.00%
<b>Total ERO Funding</b>	<b>1,487,419</b>	<b>1,487,419</b>	<b>-</b>	<b>0.00%</b>
Federal Grants	-	-	-	
Non-Statutory Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
<b>Total Funding (A)</b>	<b>1,487,419</b>	<b>1,487,419</b>	<b>-</b>	<b>0.00%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	310,683	548,639	(237,956)	-43.37%
Payroll Taxes	20,558	32,229	(11,671)	-36.21%
Employee Benefits	88,001	116,140	(28,139)	-24.23%
Savings & Retirement	25,397	61,950	(36,553)	-59.00%
<b>Total Personnel Expenses</b>	<b>444,639</b>	<b>758,958</b>	<b>(314,319)</b>	<b>-41.41%</b>
<b>Meeting Expenses</b>				
Meetings	807	20,000	(19,193)	-95.97%
Travel	88,975	125,000	(36,025)	-28.82%
Conference Calls	-	-	-	
<b>Total Meeting Expenses</b>	<b>89,782</b>	<b>145,000</b>	<b>(55,218)</b>	<b>-38.08%</b>
<b>Operating Expenses</b>				
Consultants & Contracts	8,482	10,000	(1,518)	-15.18%
Rent & Improvements	-	-	-	
Office Costs	296	-	296	
Professional Services	-	-	-	
Miscellaneous	297	-	297	
Depreciation	-	-	-	
<b>Total Operating Expenses</b>	<b>9,075</b>	<b>10,000</b>	<b>(925)</b>	<b>-9.25%</b>
<b>Indirect Expenses</b>	<b>308,131</b>	<b>584,695</b>	<b>(276,564)</b>	<b>-47.30%</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Expenses (B)</b>	<b>851,627</b>	<b>1,498,653</b>	<b>(647,026)</b>	<b>-43.17%</b>
<b>Change in Assets (A - B)</b>	<b>635,792</b>	<b>(11,234)</b>	<b>647,026</b>	<b>-5759.53%</b>
<b>Fixed Assets</b>				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
<b>Incr(Dec) in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Allocation of Fixed Assets	(14,826)	(11,234)	(3,592)	31.98%
<b>Total Inc(Dec) in Fixed Assets (C)</b>	<b>(14,826)</b>	<b>(11,234)</b>	<b>(3,592)</b>	<b>31.98%</b>
<b>TOTAL BUDGET (B + C)</b>	<b>836,801</b>	<b>1,487,419</b>	<b>(650,618)</b>	<b>-43.74%</b>
<b>Change in Working Capital (A-B-C)</b>	<b>650,618</b>	<b>-</b>	<b>650,618</b>	
<b>FTE's</b>	<b>1.93</b>	<b>2.93</b>	<b>(1.00)</b>	<b>-34.13%</b>



## **RELIABILITY STANDARDS**

### **Personnel**

Staff reallocation due to reprioritization and lower than budgeted medical premiums resulted in lower than budgeted personnel expenses.

### **Meeting Expenses**

Continued efforts to limit the number of attendees sent to off-site meetings, and to hold more meetings onsite or via webinar where effective and have kept meeting and travel expenses under budget.

**Northeast Power Coordinating Council, Inc.**  
**2016 Statement of Activities Summary**

**COMPLIANCE OPERATIONS, ENFORCEMENT and  
ORGANIZATION REGISTRATION**

	2016 Actual	2016 Budget	2016 Variance from Budget Over(Under)	
<b>Funding</b>				
<b>ERO Funding</b>				
Assessments	8,611,718	8,611,718	-	0.00%
Penalty Sanctions	38,478	38,478	-	0.00%
<b>Total ERO Funding</b>	<b>8,650,196</b>	<b>8,650,196</b>	<b>-</b>	<b>0.00%</b>
Federal Grants	-	-	-	
Non-Statutory Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
<b>Total Funding (A)</b>	<b>8,650,196</b>	<b>8,650,196</b>	<b>-</b>	<b>0.00%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	2,848,162	2,494,251	353,911	14.19%
Payroll Taxes	176,723	166,018	10,705	6.45%
Employee Benefits	471,136	491,904	(20,768)	-4.22%
Savings & Retirement	302,339	268,494	33,845	12.61%
<b>Total Personnel Expenses</b>	<b>3,798,360</b>	<b>3,420,667</b>	<b>377,693</b>	<b>11.04%</b>
<b>Meeting Expenses</b>				
Meetings	6,428	32,000	(25,572)	-79.91%
Travel	287,497	355,000	(67,503)	-19.01%
Conference Calls	-	-	-	
<b>Total Meeting Expenses</b>	<b>293,925</b>	<b>387,000</b>	<b>(93,075)</b>	<b>-24.05%</b>
<b>Operating Expenses</b>				
Consultants & Contracts	1,291,195	1,560,000	(268,805)	-17.23%
Rent & Improvements	-	-	-	
Office Costs	12,712	-	12,712	
Professional Services	-	-	-	
Miscellaneous	1,831	-	1,831	
Depreciation	-	-	-	
<b>Total Operating Expenses</b>	<b>1,305,738</b>	<b>1,560,000</b>	<b>(254,262)</b>	<b>-16.30%</b>
<b>Indirect Expenses</b>	<b>2,712,340</b>	<b>3,192,876</b>	<b>(480,536)</b>	<b>-15.05%</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Expenses (B)</b>	<b>8,110,363</b>	<b>8,560,543</b>	<b>(450,180)</b>	<b>-5.26%</b>
<b>Change in Assets (A - B)</b>	<b>539,833</b>	<b>89,653</b>	<b>450,180</b>	<b>502.14%</b>
<b>Fixed Assets</b>				
Depreciation	-	-	-	
Computer & Software CapEx	61,197	151,000	(89,803)	-59.47%
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
<b>Incr(Dec) in Fixed Assets</b>	<b>61,197</b>	<b>151,000</b>	<b>(89,803)</b>	
Allocation of Fixed Assets	(80,962)	(61,347)	(19,615)	31.97%
<b>Total Inc(Dec) in Fixed Assets (C)</b>	<b>(19,766)</b>	<b>89,653</b>	<b>(109,419)</b>	<b>-122.05%</b>
<b>TOTAL BUDGET (B + C)</b>	<b>8,090,597</b>	<b>8,650,196</b>	<b>(559,599)</b>	<b>-6.47%</b>
<b>Change in Working Capital (A-B-C)</b>	<b>559,599</b>	<b>-</b>	<b>559,599</b>	
<b>FTE's</b>	<b>16.75</b>	<b>16.00</b>	<b>0.75</b>	<b>4.69%</b>

## **COMPLIANCE OPERATIONS, ENFORCEMENT and ORGANIZATION REGISTRATION**

### **Total Expenses**

Despite the under budget variance in total expenses NPCC's Compliance Operations, Enforcement and Organization Registration program area performed all of its 2016 delegated responsibilities as well as exceeding target attainment of its goals and objectives, including:

- Conducted 33 off-site Operations & Planning (O&P) audits, seven on-site O&P audits, three off-site O&P spot checks and six on-site CIP audits;
- Performed 184 Inherent Risk Assessments (IRA);
- Performed 14 Internal Control Evaluations (ICE);
- Processed 156 Technical Feasibility Exception (TFE) submittals from 20 registered entities: 74 new TFEs, 40 Material Change Reports(MCRs) and 119 Terminations for TFEs (additional 77 TFEs for 22 Registered Entities due to the implementation of CIP V5 Standards effective July 1, 2016);
- Closed 80 Violations;
- Accepted 4 Mitigation Plans;
- Accepted 66 Mitigation Activities;
- Processed nine new entity registrations, 23 deactivations, six entity name changes and seven certification reviews.

### **Personnel Expenses**

Reallocation of staff due to reprioritization resulted in higher than budgeted personnel expenses in this program area. Over budget personnel expenses were offset by under budget consultants and contracts expenses.

### **Consultants and Contracts**

This significant under budget variance is primarily due to the early and aggressive implementation of risk-based compliance monitoring utilizing Inherent Risk Assessments and Internal Control Evaluations in a newly formed Entity Risk Assessment (ERA) program. These cost savings were earlier than anticipated. NPCC is currently sharing many of its ERA processes and procedures with other Regional Entities to assist them in achieving similar efficiencies. Contract expenditures were also reduced through the increased utilization of staff for compliance monitoring offsetting previously budgeted independent contractor support.

### **Meeting Expenses**

Continued efforts to limit the number of attendees sent to off-site meetings, and to hold more meetings onsite or via webinar where effective and have kept meeting and travel expenses under budget.

### **Fixed Assets**

Computer & Software capital expenditures were under budget primarily due to timing of CMEP Data Administration Application (CDAA) software development project. The scope of work continues to be as budgeted.

**Northeast Power Coordinating Council, Inc.**  
**2016 Statement of Activities Summary**

RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS	2016 Actual	2016 Budget	2016 Variance from Budget Over(Under)	
<b>Funding</b>				
<b>ERO Funding</b>				
Assessments	3,157,554	3,157,554	-	0.00%
Penalty Sanctions	14,020	14,020	-	0.00%
<b>Total ERO Funding</b>	<b>3,171,574</b>	<b>3,171,574</b>	<b>-</b>	<b>0.00%</b>
Federal Grants	-	-	-	
Non-Statutory Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
<b>Total Funding (A)</b>	<b>3,171,574</b>	<b>3,171,574</b>	<b>-</b>	<b>0.00%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	1,018,116	1,031,149	(13,033)	-1.26%
Payroll Taxes	62,083	64,284	(2,201)	-3.42%
Employee Benefits	209,514	212,345	(2,831)	-1.33%
Savings & Retirement	125,787	116,395	9,392	8.07%
<b>Total Personnel Expenses</b>	<b>1,415,500</b>	<b>1,424,173</b>	<b>(8,673)</b>	<b>-0.61%</b>
<b>Meeting Expenses</b>				
Meetings	18,233	45,000	(26,767)	-59.48%
Travel	208,193	186,850	21,343	11.42%
Conference Calls	-	-	-	
<b>Total Meeting Expenses</b>	<b>226,426</b>	<b>231,850</b>	<b>(5,424)</b>	<b>-2.34%</b>
<b>Operating Expenses</b>				
Consultants & Contracts	312,591	374,500	(61,909)	-16.53%
Rent & Improvements	-	-	-	
Office Costs	1,947	-	1,947	
Professional Services	-	-	-	
Miscellaneous	1,444	-	1,444	
Depreciation	-	-	-	
<b>Total Operating Expenses</b>	<b>315,982</b>	<b>374,500</b>	<b>(58,518)</b>	<b>-15.63%</b>
<b>Indirect Expenses</b>	<b>930,327</b>	<b>1,163,404</b>	<b>(233,077)</b>	<b>-20.03%</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Expenses (B)</b>	<b>2,888,235</b>	<b>3,193,927</b>	<b>(305,692)</b>	<b>-9.57%</b>
<b>Change in Assets (A - B)</b>	<b>283,339</b>	<b>(22,353)</b>	<b>305,692</b>	<b>-1367.57%</b>
<b>Fixed Assets</b>				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
<b>Incr(Dec) in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Allocation of Fixed Assets	(29,501)	(22,353)	(7,148)	31.98%
<b>Total Inc(Dec) in Fixed Assets (C)</b>	<b>(29,501)</b>	<b>(22,353)</b>	<b>(7,148)</b>	<b>31.98%</b>
<b>TOTAL BUDGET (B + C)</b>	<b>2,858,734</b>	<b>3,171,574</b>	<b>(312,840)</b>	<b>-9.86%</b>
<b>Change in Working Capital (A-B-C)</b>	<b>312,840</b>	<b>-</b>	<b>312,840</b>	
<b>FTE's</b>	<b>5.83</b>	<b>5.83</b>	<b>-</b>	<b>0.00%</b>

## **RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS**

### **Personnel Expenses**

In the benefits area, medical insurance coverage was waived by several employees who have superior coverage from a former employer. Additionally, medical premiums were lower than budgeted.

### **Meetings and Travel Expenses**

Increased travel expenses were the result of staff attending off-site meetings on NPCC's behalf rather than contractors. These additional travel expenses were offset by underages in consultants and contracts expenses and on-site meeting expenses.

### **Consultants and Contracts**

Increased staff efforts lessened utilization of outside consultants and contractors.

**Northeast Power Coordinating Council, Inc.**  
**2016 Statement of Activities Summary**

TRAINING, EDUCATION and OPERATOR CERTIFICATION	2016 Actual	2016 Budget	2016 Variance from Budget Over(Under)	
<b>Funding</b>				
<b>ERO Funding</b>				
Assessments	155,715	155,715	-	0.00%
Penalty Sanctions	240	240	-	0.00%
<b>Total ERO Funding</b>	<b>155,955</b>	<b>155,955</b>	<b>-</b>	<b>0.00%</b>
Federal Grants	-	-	-	
Non-Statutory Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	64,540	64,000	540	0.84%
Interest	-	-	-	
Miscellaneous	-	-	-	
<b>Total Funding (A)</b>	<b>220,495</b>	<b>219,955</b>	<b>540</b>	<b>0.25%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	17,660	19,073	(1,413)	-7.41%
Payroll Taxes	1,044	1,311	(267)	-20.37%
Employee Benefits	4,325	5,452	(1,127)	-20.67%
Savings & Retirement	2,254	2,397	(143)	-5.97%
<b>Total Personnel Expenses</b>	<b>25,283</b>	<b>28,233</b>	<b>(2,950)</b>	<b>-10.45%</b>
<b>Meeting Expenses</b>				
Meetings	125,369	157,000	(31,631)	-20.15%
Travel	1,679	15,150	(13,471)	-88.92%
Conference Calls	-	-	-	
<b>Total Meeting Expenses</b>	<b>127,048</b>	<b>172,150</b>	<b>(45,102)</b>	<b>-26.20%</b>
<b>Operating Expenses</b>				
Consultants & Contracts	-	-	-	
Rent & Improvements	-	-	-	
Office Costs	226	-	226	
Professional Services	-	-	-	
Miscellaneous	1,920	-	1,920	
Depreciation	-	-	-	
<b>Total Operating Expenses</b>	<b>2,146</b>	<b>-</b>	<b>2,146</b>	
<b>Indirect Expenses</b>	<b>15,827</b>	<b>19,955</b>	<b>(4,128)</b>	<b>-20.69%</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Expenses (B)</b>	<b>170,304</b>	<b>220,338</b>	<b>(50,034)</b>	<b>-22.71%</b>
<b>Change in Assets (A - B)</b>	<b>50,191</b>	<b>(383)</b>	<b>50,574</b>	<b>-13204.70%</b>
<b>Fixed Assets</b>				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
<b>Incr(Dec) in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Allocation of Fixed Assets	(506)	(383)	(123)	32.12%
<b>Total Inc(Dec) in Fixed Assets (C)</b>	<b>(506)</b>	<b>(383)</b>	<b>(123)</b>	<b>32.12%</b>
<b>TOTAL BUDGET (B + C)</b>	<b>169,798</b>	<b>219,955</b>	<b>(50,157)</b>	<b>-22.80%</b>
<b>Change in Working Capital (A-B-C)</b>	<b>50,697</b>	<b>-</b>	<b>50,697</b>	
<b>FTE's</b>	<b>0.10</b>	<b>0.10</b>	<b>-</b>	<b>0.00%</b>

## **TRAINING, EDUCATION and OPERATOR CERTIFICATION**

### **Meeting expenses**

Continued efforts to limit the number of attendees sent to off-site meetings, and to control meeting costs have kept meeting and travel expenses under budget. Multiple proposals for larger meetings have resulted in more competitive rates and use of certain hotels repetitively has provided customer loyalty discounts.

**Northeast Power Coordinating Council, Inc.**  
**2016 Statement of Activities Summary**

SITUATION AWARENESS and INFRASTRUCTURE SECURITY	2016 Actual	2016 Budget	2016 Variance from Budget Over(Under)	
<b>Funding</b>				
<b>ERO Funding</b>				
Assessments	1,536,637	1,536,637	-	0.00%
Penalty Sanctions	7,215	7,215	-	0.00%
<b>Total ERO Funding</b>	<b>1,543,852</b>	<b>1,543,852</b>	<b>-</b>	<b>0.00%</b>
Federal Grants	-	-	-	
Non-Statutory Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
<b>Total Funding (A)</b>	<b>1,543,852</b>	<b>1,543,852</b>	<b>-</b>	<b>0.00%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	716,622	516,951	199,671	38.62%
Payroll Taxes	42,612	32,630	9,982	30.59%
Employee Benefits	119,118	116,230	2,888	2.48%
Savings & Retirement	80,596	53,880	26,716	49.58%
<b>Total Personnel Expenses</b>	<b>958,948</b>	<b>719,691</b>	<b>239,257</b>	<b>33.24%</b>
<b>Meeting Expenses</b>				
Meetings	7,101	15,000	(7,899)	-52.66%
Travel	70,718	65,000	5,718	8.80%
Conference Calls	-	-	-	
<b>Total Meeting Expenses</b>	<b>77,819</b>	<b>80,000</b>	<b>(2,181)</b>	<b>-2.73%</b>
<b>Operating Expenses</b>				
Consultants & Contracts	30,000	157,000	(127,000)	-80.89%
Rent & Improvements	-	-	-	
Office Costs	625	-	625	
Professional Services	-	-	-	
Miscellaneous	551	-	551	
Depreciation	-	-	-	
<b>Total Operating Expenses</b>	<b>31,176</b>	<b>157,000</b>	<b>(125,824)</b>	<b>-80.14%</b>
<b>Indirect Expenses</b>	<b>638,023</b>	<b>598,664</b>	<b>39,359</b>	<b>6.57%</b>
<b>Other Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Expenses (B)</b>	<b>1,705,966</b>	<b>1,555,355</b>	<b>150,611</b>	<b>9.68%</b>
<b>Change in Assets (A - B)</b>	<b>(162,114)</b>	<b>(11,503)</b>	<b>(150,611)</b>	<b>1309.32%</b>
<b>Fixed Assets</b>				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
<b>Incr(Dec) in Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Allocation of Fixed Assets	(15,180)	(11,503)	(3,677)	31.97%
<b>Total Inc(Dec) in Fixed Assets (C)</b>	<b>(15,180)</b>	<b>(11,503)</b>	<b>(3,677)</b>	<b>31.97%</b>
<b>TOTAL BUDGET (B + C)</b>	<b>1,690,786</b>	<b>1,543,852</b>	<b>146,934</b>	<b>9.52%</b>
<b>Change in Working Capital (A-B-C)</b>	<b>(146,934)</b>	<b>-</b>	<b>(146,934)</b>	
<b>FTE's</b>	<b>4.00</b>	<b>3.00</b>	<b>1.00</b>	<b>33.33%</b>



## **SITUATION AWARENESS and INFRASTRUCTURE SECURITY**

### **Personnel**

Reallocation of staff due to reprioritization resulted in higher than budgeted personnel expenses in this program area. Over budget personnel expenses were offset by under budget consultants and contracts expenses.

### **Consultants and Contracts**

This significant under budget variance is primarily due to increased staff efforts resulting from additional FTE allocation to this program area. The underage was partially offset by overage in personnel expenses.

**Northeast Power Coordinating Council, Inc.**  
**2016 Statement of Activities Summary**

ADMINISTRATIVE SERVICES	2016 Actual	2016 Budget	2016 Variance from Budget Over(Under)	
<b>Funding</b>				
<b>ERO Funding</b>				
Assessments	(592,801)	(592,801)	-	0.00%
Penalty Sanctions	-	-		
<b>Total ERO Funding</b>	<u>(592,801)</u>	<u>(592,801)</u>	-	0.00%
Federal Grants	-	-		
Non-Statutory Assessments	-	-		
Testing	-	-		
Services & Software	-	-		
Workshop Fees	-	-		
Interest	4,875	-	4,875	
Miscellaneous	-	-		
<b>Total Funding (A)</b>	<u>(587,926)</u>	<u>(592,801)</u>	4,875	-0.82%
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	1,454,992	1,951,407	(496,415)	-25.44%
Payroll Taxes	86,113	102,585	(16,472)	-16.06%
Employee Benefits	345,132	422,728	(77,596)	-18.36%
Savings & Retirement	244,322	330,001	(85,679)	-25.96%
<b>Total Personnel Expenses</b>	<u>2,130,559</u>	<u>2,806,721</u>	<u>(676,162)</u>	<u>-24.09%</u>
<b>Meeting Expenses</b>				
Meetings	87,419	125,000	(37,581)	-30.06%
Travel	116,626	160,100	(43,474)	-27.15%
Conference Calls	34,450	47,000	(12,550)	-26.70%
<b>Total Meeting Expenses</b>	<u>238,495</u>	<u>332,100</u>	<u>(93,605)</u>	<u>-28.19%</u>
<b>Operating Expenses</b>				
Consultants & Contracts	92,301	122,000	(29,699)	-24.34%
Rent & Improvements	767,678	802,500	(34,822)	-4.34%
Office Costs	487,506	639,500	(151,994)	-23.77%
Professional Services	942,132	1,011,000	(68,868)	-6.81%
Miscellaneous	37,780	41,000	(3,220)	-7.85%
Depreciation	249,466	231,821	17,645	7.61%
<b>Total Operating Expenses</b>	<u>2,576,863</u>	<u>2,847,821</u>	<u>(270,958)</u>	<u>-9.51%</u>
<b>Indirect Expenses</b>	<u>(4,945,916)</u>	<u>(5,986,644)</u>	<u>1,040,728</u>	<u>-17.38%</u>
<b>Other Non-Operating Expenses</b>	-	-	-	
<b>Total Expenses (B)</b>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Change in Assets (A - B)</b>	<u>(587,926)</u>	<u>(592,801)</u>	<u>4,875</u>	<u>-0.82%</u>
<b>Fixed Assets</b>				
Depreciation	(249,466)	(231,821)	(17,645)	7.61%
Computer & Software CapEx	12,976	125,000	(112,024)	-89.62%
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	95,514	-	95,514	
Leasehold Improvements	-	-	-	
<b>Incr(Dec) in Fixed Assets</b>	<u>(140,976)</u>	<u>(106,821)</u>	<u>(34,155)</u>	
Allocation of Fixed Assets	140,976	106,821	34,155	31.97%
<b>Total Inc(Dec) in Fixed Assets (C)</b>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>TOTAL BUDGET (B + C)</b>	-	-	-	
<b>Change in Working Capital (A-B-C)</b>	<u>(587,926)</u>	<u>(592,801)</u>	<u>4,875</u>	<u>-0.82%</u>
<b>FTE's</b>	<b>8.00</b>	<b>9.00</b>	<b>(1.00)</b>	<b>-11.11%</b>

## **ADMINISTRATIVE SERVICES**

### **Interest Income**

Interest income, while not budgeted, was allocated by FTE ratio between statutory and non-statutory.

### **Personnel**

Under budget primarily due to reallocation of staff. Medical premium savings related to lower premiums and employees continuing to waive coverage also contributed to the under budget variance.

### **Meeting Expenses**

Continued efforts to limit the number of attendees sent to off-site meetings, and to hold more meetings onsite or via webinar where effective and have kept meeting and travel expenses under budget.

### **Consultants and Contracts**

Remuneration study expenses were lower than budgeted due to a narrowed scope.

### **Office Costs**

Lower computer and software expenses resulted from purchasing rather than leasing computer equipment. The 2016 budget assumed a three-year lease, however, it was more economic to purchase the equipment. The purchase costs are reflected under capital expenditures as opposed to office costs where the lease payments were budgeted.

### **Professional Services**

Underage in legal fees is due to both General Counsel and NPCC's Compliance Attorney took on greater workloads rather than having outside counsel perform certain consultations.

### **Fixed Assets**

Computer & Software capital expenditures were under budget due to timing of CMEP Data Administration Application (CDAA) software development project. Additionally, NPCC's plans to leverage the NERC document management system were found to be inappropriate at the Regional Entity level. While budgeted for 2016, document management development and implementation are expected for the 2017 budget year. Overage in equipment capital expenditures is due to purchasing computer equipment rather than entering a three year leasing agreement as budgeted. The purchase decision was an economic one. This overage is partially offset by an underage in office costs. Full cost savings resulting from the elimination of financing costs will be realized over the three-year useful life of the laptop computer equipment.