



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

May 1, 2019

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

Subject: NPCC 2018 True Up Actual vs. Budget Variance Analysis
True Up Filing Based on Audited 2018 Financial Statements

Dear Scott:

Enclosed is the Northeast Power Coordinating Council, Inc. (NPCC) submittal regarding the 2018 NPCC actual vs. budget variances. NPCC's independent audit performed by Pricewaterhouse Coopers LLP was concluded on March 21, 2019 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 93/7 split for 2018 based upon direct program area FTEs. 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 2018 were \$14,541,068 which is \$656,900 or 3.2% under the 2018 operating budget of \$15,106,968. Actual total expenses and fixed asset expenditures for NPCC's CS division for 2018 were \$998,308 which is \$68,675 or 6.4% under the 2018 operating budget of \$1,066,983. In the aggregate, actual total expenses and fixed asset expenditures for the NPCC RE and CS divisions were \$15,539,376 which is \$634,574 or 3.9% under the 2018 total corporate expense budget of \$16,173,950. 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 reported 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 2018 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 or via telephone at (212) 840-1070.

Sincerely,

Jessica Hala

Jessica Hala
Director, 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.
2018 Statement of Activities Summary
Total NPCC (RE and CS Divisions)

	2018 Actual	2018 Budget	2018 Variance from Budget Over(Under)
Funding			
ERO Funding			
Assessments	14,341,787	14,341,787	-
Penalty Sanctions	75,000	75,000	-
Total ERO Funding	14,416,787	14,416,787	-
Federal Grants	-	-	-
Non-Statutory Assessments	1,019,141	1,019,141	-
Testing	-	-	-
Services & Software	-	-	-
Workshop Fees	63,449	64,000	(551)
Interest	28,777	-	28,777
Miscellaneous	-	-	-
Total Funding (A)	15,528,154	15,499,928	28,226
Expenses			
Personnel Expenses			
Salaries	7,131,410	7,512,445	(381,035)
Payroll Taxes	451,539	434,854	16,685
Employee Benefits	1,559,779	1,551,368	8,411
Savings & Retirement	790,578	868,625	(78,046)
Total Personnel Expenses	9,933,306	10,367,292	(433,985)
Meeting Expenses			
Meetings	269,847	358,050	(88,203)
Travel	685,146	890,147	(205,001)
Conference Calls	33,517	37,000	(3,483)
Total Meeting Expenses	988,510	1,285,197	(296,687)
Operating Expenses			
Consultants & Contracts	2,160,622	1,918,000	242,622
Rent & Improvements	788,287	810,700	(22,413)
Office Costs	599,062	664,760	(65,698)
Professional Services	948,807	960,000	(11,193)
Miscellaneous	49,603	53,000	(3,397)
Depreciation	265,530	285,000	(19,470)
Total Operating Expenses	4,811,911	4,691,460	120,451
Indirect Expenses	-	-	-
Other Non-Operating Expenses	-	-	-
Total Expenses (B)	15,733,727	16,343,949	(610,221)
Change in Assets (A - B)	(205,573)	(844,021)	638,447
Fixed Assets			
Depreciation	(265,530)	(285,000)	19,470
Computer & Software CapEx	17,328	115,000	(97,672)
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	53,851	-	53,851
Leasehold Improvements	-	-	-
Incr(Dec) in Fixed Assets	(194,351)	(170,000)	(24,351)
Allocation of Fixed Assets	-	-	-
Total Inc(Dec) in Fixed Assets (C)	(194,351)	(169,999)	(24,352)
TOTAL BUDGET (B + C)	15,539,376	16,173,950	(634,574)
Change in Working Capital (A-B-C)	(11,222)	(674,022)	662,799
FTE's	38.67	39.00	(0.33)

Northeast Power Coordinating Council, Inc.
2018 Statement of Activities Summary

TOTAL STATUTORY	2018	2018	2018 Variance	
	Actual	Budget	from Budget	
			Over(Under)	
Funding				
ERO Funding				
Assessments	14,341,787	14,341,787	-	0.00%
Penalty Sanctions	75,001	75,000	-	0.00%
Total ERO Funding	14,416,788	14,416,787	-	0.00%
Federal Grants	-	-	-	
Non-Statutory Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	63,449	64,000	(551)	
Interest	27,198	-	27,198	
Miscellaneous	-	-	-	
Total Funding (A)	14,507,435	14,480,787	26,647	0.18%
Expenses				
Personnel Expenses				
Salaries	6,754,044	7,107,598	(353,554)	-4.97%
Payroll Taxes	427,367	411,441	15,926	3.87%
Employee Benefits	1,498,825	1,476,377	22,448	1.52%
Savings & Retirement	749,856	825,353	(75,496)	-9.15%
Total Personnel Expenses	9,430,092	9,820,770	(390,676)	-3.98%
Meeting Expenses				
Meetings	265,072	353,050	(87,978)	-24.92%
Travel	640,067	834,500	(194,433)	-23.30%
Conference Calls	33,517	37,000	(3,483)	-9.41%
Total Meeting Expenses	938,656	1,224,550	(285,894)	-23.35%
Operating Expenses				
Consultants & Contracts	2,112,929	1,877,640	235,289	12.53%
Rent & Improvements	788,287	810,700	(22,413)	-2.76%
Office Costs	598,184	664,760	(66,576)	-10.02%
Professional Services	948,807	960,000	(11,193)	-1.17%
Miscellaneous	49,268	50,000	(732)	-1.46%
Depreciation	254,279	269,000	(14,721)	-5.47%
Total Operating Expenses	4,751,754	4,632,100	119,654	2.58%
Indirect Expenses	(394,678)	(416,453)	21,774	-5.23%
Other Non-Operating Expenses	-	-	-	
Total Expenses (B)	14,725,824	15,260,967	(535,142)	-3.51%
Change in Assets (A - B)	(218,389)	(780,180)	561,789	-72.01%
Fixed Assets				
Depreciation	(254,279)	(269,000)	14,721	-5.47%
Computer & Software CapEx	16,842	115,000	(98,158)	-85.35%
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	52,681	-	52,681	
Leasehold Improvements	-	-	-	
Incr(Dec) in Fixed Assets	(184,756)	(154,000)	(30,756)	
Allocation of Fixed Assets	-	-	-	
Total Inc(Dec) in Fixed Assets (C)	(184,756)	(153,999)	(30,758)	19.97%
TOTAL BUDGET (B + C)	14,541,068	15,106,968	(565,900)	-3.75%
Change in Working Capital (A-B-C)	(33,633)	(626,180)	592,547	-94.63%
FTE's	36.53	36.86	(0.33)	-0.90%

Northeast Power Coordinating Council, Inc.
2018 Statement of Activities Summary

NON-STATUTORY	2018 Actual	2018 Budget	2018 Variance from Budget Over(Under)	
Funding				
ERO Funding				
Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	-	-	-	
Federal Grants	-	-	-	
Non-Statutory Assessments	1,019,141	1,019,141	-	0.00%
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	1,579	-	1,579	
Miscellaneous	-	-	-	
Total Funding (A)	1,020,720	1,019,141	1,579	0.15%
Expenses				
Personnel Expenses				
Salaries	377,366	404,848	(27,482)	-6.79%
Payroll Taxes	24,172	23,413	759	3.24%
Employee Benefits	60,954	74,991	(14,037)	-18.72%
Savings & Retirement	40,722	43,272	(2,550)	-5.89%
Total Personnel Expenses	503,214	546,523	(43,309)	-7.92%
Meeting Expenses				
Meetings	4,775	5,000	(225)	-4.50%
Travel	45,079	55,647	(10,568)	-18.99%
Conference Calls	-	-	-	
Total Meeting Expenses	49,854	60,647	(10,793)	-17.80%
Operating Expenses				
Consultants & Contracts	47,693	40,360	7,333	18.17%
Rent & Improvements	-	-	-	
Office Costs	878	-	878	
Professional Services	-	-	-	
Miscellaneous	335	3,000	(2,665)	-88.83%
Depreciation	11,251	16,000	(4,749)	-29.68%
Total Operating Expenses	60,157	59,360	797	1.34%
Indirect Expenses	394,678	416,453	(21,775)	-5.23%
Other Non-Operating Expenses	-	-	-	
Total Expenses (B)	1,007,903	1,082,983	(75,080)	-6.93%
Change in Assets (A - B)	12,817	(63,842)	76,659	-120.08%
Fixed Assets				
Depreciation	(11,251)	(16,000)	4,749	-29.68%
Computer & Software CapEx	486	-	486	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	1,170	-	1,170	
Leasehold Improvements	-	-	-	
Incr(Dec) in Fixed Assets	(9,595)	(16,000)	6,405	
Allocation of Fixed Assets	-	-	-	
Total Inc(Dec) in Fixed Assets (C)	(9,595)	(16,000)	6,405	-40.03%
TOTAL BUDGET (B + C)	998,308	1,066,983	(68,675)	-6.44%
Change in Working Capital (A-B-C)	22,412	(47,842)	70,254	-146.85%
FTE's	2.14	2.14	-	0.00%

TOTAL STATUTORY

Personnel Expenses

NPCC ended 2018 fully staffed. Two vacancies at the beginning of the year were filled during the first quarter. These partial year vacancies resulted in lower salary expense and associated incentive compensation expenses. Staff was reallocated during the year to continue to meet NPCC's Regional Delegation Agreement (RDA) responsibilities. Despite having open positions for a couple of months during the year, NPCC performed all of its 2018 delegated responsibilities as outlined in the RDA as well as exceeding target attainment of its corporate goals and objectives for the calendar year.

Meeting Expenses

Cost savings resulted from streamlining NPCC Spring and Fall Compliance and Standards Workshops from a three-day format to a two-day format. Efforts to hold more meetings onsite, at member facilities or to conduct webinars, where effective for NPCC registered entities, will continue. Additionally, NPCC continues to limit the number of attendees sent to off-site meetings when appropriate and encourages participation via webinar and teleconference when available.

Consultants and Contracts

Consultants and contracts expenses were over budget in the areas of Compliance Enforcement and Organization Registration (CORC) and Reliability Assessments and Performance Analysis (RAPA). Two partial year staff vacancies in CORC resulted in greater use of contract auditors. In the RAPA area, unbudgeted risk assessment initiatives including increased probabilistic assessments, a gas-supply disturbance study and a tie benefits study not originally included in the 2018 budget. These important risk-assessing initiatives and associated resource needs had not been identified prior to the June 2017 approval of the 2018 NPCC Business Plan and Budget.

Office Costs

Under budget variance was driven by lower negotiated IT related contracts and the timing of planned IT enhancements, which are ongoing, including improvements to NPCC's document management system.

Indirect Expenses

Total Administrative Services expenses were under budget for the year, resulting in lower than budgeted allocated indirect expenses to the direct program areas.

Fixed Assets

Under budget variance is based on no new functionality added for the CMEP Data Administration Application (CDAA) through the end of the year and the timing of scheduled software development projects, which included the continued roll out of NPCC's document management system.

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.
2018 Statement of Activities Summary

RELIABILITY STANDARDS	2018 Actual	2018 Budget	2018 Variance from Budget Over(Under)	
Funding				
ERO Funding				
Assessments	1,005,230	1,005,230	-	0.00%
Penalty Sanctions	5,016	5,016	-	0.00%
Total ERO Funding	1,010,246	1,010,246	-	0.00%
Federal Grants	-	-	-	
Non-Statutory Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding (A)	1,010,246	1,010,246	-	0.00%
Expenses				
Personnel Expenses				
Salaries	379,989	377,093	2,896	0.77%
Payroll Taxes	23,417	21,390	2,027	9.48%
Employee Benefits	98,682	98,851	(169)	-0.17%
Savings & Retirement	39,347	40,299	(952)	-2.36%
Total Personnel Expenses	541,435	537,633	3,802	0.71%
Meeting Expenses				
Meetings	3,418	7,000	(3,582)	-51.17%
Travel	73,800	93,000	(19,200)	-20.65%
Conference Calls	-	-	-	
Total Meeting Expenses	77,218	100,000	(22,782)	-22.78%
Operating Expenses				
Consultants & Contracts	-	10,000	(10,000)	-100.00%
Rent & Improvements	-	-	-	
Office Costs	2,140	-	2,140	
Professional Services	-	-	-	
Miscellaneous	227	-	227	
Depreciation	-	-	-	
Total Operating Expenses	2,367	10,000	(7,633)	-76.33%
Indirect Expenses	356,355	375,586	(19,231)	-5.12%
Other Non-Operating Expenses	-	-	-	
Total Expenses (B)	977,375	1,023,219	(45,844)	-4.48%
Change in Assets (A - B)	32,871	(12,973)	45,844	-353.38%
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Incr(Dec) in Fixed Assets	-	-	-	
Allocation of Fixed Assets	(12,355)	(12,973)	618	-4.76%
Total Inc(Dec) in Fixed Assets (C)	(12,355)	(12,973)	618	-4.76%
TOTAL BUDGET (B + C)	965,020	1,010,246	(45,226)	-4.48%
Change in Working Capital (A-B-C)	45,226	-	45,226	
FTE's	1.93	1.93	-	0.00%

RELIABILITY STANDARDS

Meeting Expenses

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

Consultants and Contracts

Increased staff efforts lessened utilization of outside consultants and contractors.

Northeast Power Coordinating Council, Inc.
2018 Statement of Activities Summary

**COMPLIANCE ENFORCEMENT and ORGANIZATION
REGISTRATION**

	2018 Actual	2018 Budget	2018 Variance from Budget Over(Under)	
Funding				
ERO Funding				
Assessments	7,692,569	7,692,569	-	0.00%
Penalty Sanctions	41,580	41,580	-	0.00%
Total ERO Funding	7,734,149	7,734,149	-	0.00%
Federal Grants	-	-	-	
Non-Statutory Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding (A)	7,734,149	7,734,149	-	0.00%
Expenses				
Personnel Expenses				
Salaries	2,553,354	2,716,635	(163,281)	-6.01%
Payroll Taxes	161,668	171,841	(10,173)	-5.92%
Employee Benefits	604,886	524,801	80,085	15.26%
Savings & Retirement	253,794	282,356	(28,562)	-10.12%
Total Personnel Expenses	3,573,702	3,695,633	(121,931)	-3.30%
Meeting Expenses				
Meetings	6,252	9,000	(2,748)	-30.53%
Travel	221,676	289,000	(67,324)	-23.30%
Conference Calls	-	-	-	
Total Meeting Expenses	227,928	298,000	(70,072)	-23.51%
Operating Expenses				
Consultants & Contracts	1,535,535	1,254,000	281,535	22.45%
Rent & Improvements	-	-	-	
Office Costs	18,149	-	18,149	
Professional Services	-	-	-	
Miscellaneous	(5,698)	-	(5,698)	
Depreciation	-	-	-	
Total Operating Expenses	1,547,986	1,254,000	293,986	23.44%
Indirect Expenses	3,044,746	3,113,668	(68,922)	-2.21%
Other Non-Operating Expenses	-	-	-	
Total Expenses (B)	8,394,362	8,361,301	33,061	0.40%
Change in Assets (A - B)	(660,213)	(627,152)	(33,061)	5.27%
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	40,000	(40,000)	-100.00%
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Incr(Dec) in Fixed Assets	-	40,000	(40,000)	
Allocation of Fixed Assets	(105,630)	(107,554)	1,924	-1.79%
Total Inc(Dec) in Fixed Assets (C)	(105,630)	(67,554)	(38,076)	56.36%
TOTAL BUDGET (B + C)	8,288,732	8,293,747	(5,015)	-0.06%
Change in Working Capital (A-B-C)	(554,583)	(559,598)	5,015	-0.90%
FTE's	16.67	17.00	(0.33)	-1.96%

COMPLIANCE ENFORCEMENT and ORGANIZATION REGISTRATION

Total Expenses

Despite the under budget variance in total expenses NPCC's Compliance Enforcement and Organization Registration program area performed all of its 2018 delegated responsibilities as well as exceeding target attainment of its goals and objectives, including:

- Conducted 35 off-site Operations & Planning (O&P) audits, eight on-site O&P audits, eight off-site O&P spot checks, 13 off-site CIP audits, and seven on-site CIP audits;
- Participated on 15 MRRE audits;
- Performed 50 Inherent Risk Assessments (IRA);
- Performed 10 Internal Control Evaluations (ICE, eight O&P, two CIP);
- Processed 17 new Technical Feasibility Exception (TFE) submittals from four registered entities, 12 Material Change Reports(MCRs) and three TFE Terminations;
- Closed 204 Violations;
- Accepted four Mitigation Plans;
- Accepted 212 Mitigation Activities;
- Processed 10 new entity registrations, 10 entity delistings, three function deactivations, one entity name changes, six added functions, one DP to DPUF changes and no certification reviews.

Personnel Expenses

Two vacancies at the beginning of the year were filled during the first quarter. These short partial year vacancies resulted in lower salary expense and associated incentive compensation expenses. Under budget salary expenses were offset by over budget consultants and contracts expenses. Employee benefits were over budget as a result of more employees enrolling in NPCC's medical plan rather than retaining insurance from a prior employer as many had in past years.

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. Travel expenses were also lower because of partial year vacancies in this program.

Consultants & Contracts

This over budget variance is primarily due to the utilization of independent contractor support for compliance monitoring activities budgeted to be completed by staff. This overage is offset by underage in Personnel and Travel expenses.

Office Costs

Costs related to CDAA and CITS tools were budgeted under software development capital expenditures but due to no further enhancements these costs were determined to be maintenance related and expensed rather than capitalized.

Indirect Expenses

Indirect expenses were under budget resulting from lower than budgeted total Administrative Services expense and a lower than budgeted allocation of those expenses due to slightly less FTEs in this program for the year.

Fixed Assets

Under budget variance is based on no new functionality added to CDAA through the end of the year.

Northeast Power Coordinating Council, Inc.
2018 Statement of Activities Summary

RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS	2018 Actual	2018 Budget	2018 Variance from Budget Over(Under)	
Funding				
ERO Funding				
Assessments	3,225,570	3,225,570	-	0.00%
Penalty Sanctions	15,151	15,151	-	0.00%
Total ERO Funding	<u>3,240,721</u>	<u>3,240,721</u>	-	0.00%
Federal Grants	-	-	-	
Non-Statutory Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding (A)	<u>3,240,721</u>	<u>3,240,721</u>	-	0.00%
Expenses				
Personnel Expenses				
Salaries	983,766	1,106,772	(123,006)	-11.11%
Payroll Taxes	63,496	65,805	(2,309)	-3.51%
Employee Benefits	254,466	220,007	34,459	15.66%
Savings & Retirement	104,741	117,144	(12,403)	-10.59%
Total Personnel Expenses	<u>1,406,469</u>	<u>1,509,728</u>	<u>(103,259)</u>	<u>-6.84%</u>
Meeting Expenses				
Meetings	14,323	22,000	(7,677)	-34.90%
Travel	167,098	212,000	(44,902)	-21.18%
Conference Calls	-	-	-	
Total Meeting Expenses	<u>181,421</u>	<u>234,000</u>	<u>(52,579)</u>	<u>-22.47%</u>
Operating Expenses				
Consultants & Contracts	454,531	401,640	52,891	13.17%
Rent & Improvements	-	-	-	
Office Costs	6,417	-	6,417	
Professional Services	-	-	-	
Miscellaneous	462	-	462	
Depreciation	-	-	-	
Total Operating Expenses	<u>461,410</u>	<u>401,640</u>	<u>59,770</u>	<u>14.88%</u>
Indirect Expenses	<u>983,265</u>	<u>1,134,543</u>	<u>(151,278)</u>	<u>-13.33%</u>
Other Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenses (B)	<u>3,032,565</u>	<u>3,279,911</u>	<u>(247,346)</u>	<u>-7.54%</u>
Change in Assets (A - B)	<u>208,156</u>	<u>(39,190)</u>	<u>247,346</u>	<u>-631.15%</u>
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Incr(Dec) in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	
Allocation of Fixed Assets	(34,122)	(39,190)	5,068	-12.93%
Total Inc(Dec) in Fixed Assets (C)	<u>(34,122)</u>	<u>(39,190)</u>	<u>5,068</u>	<u>-12.93%</u>
TOTAL BUDGET (B + C)	<u>2,998,443</u>	<u>3,240,721</u>	<u>(242,278)</u>	<u>-7.48%</u>
Change in Working Capital (A-B-C)	<u>242,278</u>	<u>-</u>	<u>242,278</u>	
FTE's	<u>5.83</u>	<u>5.83</u>	<u>-</u>	<u>0.00%</u>

RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS

Personnel Expenses

Salaries and Savings & Retirement expenses were lower than budgeted due to reallocation of staff during the year. In the benefits area, medical insurance coverage elections varied from assumptions which were budgeted in this program area, resulting in higher expense than budgeted.

Meeting Expenses

NPCC continues to limit the number of attendees sent to off-site meetings when appropriate and encourages participation via webinar and teleconference when available.

Consultants and Contracts

Unbudgeted risk assessment initiatives including increased probabilistic assessments, a gas supply disturbance study and a tie benefits study. These important risk-assessing initiatives and associated resource needs had not been identified prior to the June 2017 approval of the 2018 NPCC Business Plan and Budget.

Office Costs

Un-budgeted office costs are primarily software licenses that were budgeted under Contracts.

Northeast Power Coordinating Council, Inc.
2018 Statement of Activities Summary

TRAINING, EDUCATION and OPERATOR CERTIFICATION	2018 Actual	2018 Budget	2018 Variance from Budget Over(Under)	
Funding				
ERO Funding				
Assessments	184,791	184,791	-	0.00%
Penalty Sanctions	260	260	-	0.00%
Total ERO Funding	185,051	185,051	-	0.00%
Federal Grants	-	-	-	
Non-Statutory Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	63,449	64,000	(551)	-0.86%
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding (A)	248,500	249,051	(551)	-0.22%
Expenses				
Personnel Expenses				
Salaries	21,710	18,399	3,311	18.00%
Payroll Taxes	1,330	1,350	(20)	-1.48%
Employee Benefits	4,445	4,893	(448)	-9.16%
Savings & Retirement	2,240	2,320	(80)	-3.45%
Total Personnel Expenses	29,725	26,962	2,763	10.25%
Meeting Expenses				
Meetings	103,487	188,300	(84,813)	-45.04%
Travel	1,745	15,000	(13,255)	-88.37%
Conference Calls	-	-	-	
Total Meeting Expenses	105,232	203,300	(98,068)	-48.24%
Operating Expenses				
Consultants & Contracts	-	-	-	
Rent & Improvements	-	-	-	
Office Costs	36	-	36	
Professional Services	-	-	-	
Miscellaneous	3,372	-	3,372	
Depreciation	-	-	-	
Total Operating Expenses	3,408	-	3,408	
Indirect Expenses	18,304	19,460	(1,156)	-5.94%
Other Non-Operating Expenses	-	-	-	
Total Expenses (B)	156,669	249,722	(93,053)	-37.26%
Change in Assets (A - B)	91,831	(671)	92,502	-13785.69%
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Incr(Dec) in Fixed Assets	-	-	-	
Allocation of Fixed Assets	(640)	(671)	31	-4.59%
Total Inc(Dec) in Fixed Assets (C)	(640)	(671)	31	-4.59%
TOTAL BUDGET (B + C)	156,029	249,051	(93,022)	-37.35%
Change in Working Capital (A-B-C)	92,471	-	92,471	
FTE's	0.10	0.10	-	0.00%

TRAINING, EDUCATION and OPERATOR CERTIFICATION

Meeting expenses

Cost savings resulted from streamlining NPCC Spring and Fall Compliance and Standards Workshops from a three-day format to a two-day format. Efforts to hold more meetings onsite, at member facilities or to conduct webinars, where effective for NPCC registered entities, will continue.

Northeast Power Coordinating Council, Inc.
2018 Statement of Activities Summary

SITUATION AWARENESS and INFRASTRUCTURE SECURITY	2018 Actual	2018 Budget	2018 Variance from Budget Over(Under)	
Funding				
ERO Funding				
Assessments	2,300,208	2,300,208	-	0.00%
Penalty Sanctions	12,994	12,994	-	0.00%
Total ERO Funding	<u>2,313,202</u>	<u>2,313,202</u>	-	0.00%
Federal Grants	-	-	-	
Non-Statutory Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding (A)	<u>2,313,202</u>	<u>2,313,202</u>	-	0.00%
Expenses				
Personnel Expenses				
Salaries	786,544	825,560	(39,016)	-4.73%
Payroll Taxes	49,843	53,677	(3,834)	-7.14%
Employee Benefits	169,562	189,417	(19,855)	-10.48%
Savings & Retirement	73,708	87,637	(13,929)	-15.89%
Total Personnel Expenses	<u>1,079,657</u>	<u>1,156,291</u>	<u>(76,634)</u>	<u>-6.63%</u>
Meeting Expenses				
Meetings	7,814	10,000	(2,186)	-21.86%
Travel	100,527	87,500	13,027	14.89%
Conference Calls	-	-	-	
Total Meeting Expenses	<u>108,341</u>	<u>97,500</u>	<u>10,841</u>	<u>11.12%</u>
Operating Expenses				
Consultants & Contracts	39,072	120,000	(80,928)	-67.44%
Rent & Improvements	-	-	-	
Office Costs	14,910	-	14,910	
Professional Services	-	-	-	
Miscellaneous	242	-	242	
Depreciation	-	-	-	
Total Operating Expenses	<u>54,224</u>	<u>120,000</u>	<u>(65,776)</u>	<u>-54.81%</u>
Indirect Expenses	<u>922,633</u>	<u>973,021</u>	<u>(50,388)</u>	<u>-5.18%</u>
Other Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenses (B)	<u>2,164,855</u>	<u>2,346,812</u>	<u>(181,957)</u>	<u>-7.75%</u>
Change in Assets (A - B)	<u>148,347</u>	<u>(33,610)</u>	<u>181,957</u>	<u>-541.38%</u>
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Incr(Dec) in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	
Allocation of Fixed Assets	(32,009)	(33,610)	1,601	-4.76%
Total Inc(Dec) in Fixed Assets (C)	<u>(32,009)</u>	<u>(33,610)</u>	<u>1,601</u>	<u>-4.76%</u>
TOTAL BUDGET (B + C)	<u>2,132,846</u>	<u>2,313,202</u>	<u>(180,356)</u>	<u>-7.80%</u>
Change in Working Capital (A-B-C)	<u>180,356</u>	<u>-</u>	<u>180,356</u>	
FTE's	<u>4.00</u>	<u>4.00</u>	<u>-</u>	<u>0.00%</u>

SITUATION AWARENESS and INFRASTRUCTURE SECURITY

Personnel

Reallocation of staff due to reprioritization resulted in lower than budgeted personnel expenses in this program area.

Travel

Cross-training of staff in anticipation of an upcoming retirement resulted in higher than budgeted travel expenses for the year.

Consultants and Contracts

This significant under budget variance is primarily due to increased staff efforts in this program area, including the continuing impact of an increase in staff allocated to this program during 2017.

Office Costs

Un-budgeted office costs are primarily software licenses that were budgeted under Contracts.

Northeast Power Coordinating Council, Inc.
2018 Statement of Activities Summary

ADMINISTRATIVE SERVICES	2018 Actual	2018 Budget	2018 Variance from Budget Over(Under)	
Funding				
ERO Funding				
Assessments	(66,581)	(66,581)	-	0.00%
Penalty Sanctions	-	-		
Total ERO Funding	(66,581)	(66,581)	-	0.00%
Federal Grants	-	-	-	
Non-Statutory Assessments	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	27,198	-	27,198	
Miscellaneous	-	-	-	
Total Funding (A)	(39,383)	(66,581)	27,198	-40.85%
Expenses				
Personnel Expenses				
Salaries	2,028,681	2,063,139	(34,458)	-1.67%
Payroll Taxes	127,613	97,378	30,235	31.05%
Employee Benefits	366,784	438,408	(71,624)	-16.34%
Savings & Retirement	276,026	295,596	(19,570)	-6.62%
Total Personnel Expenses	2,799,104	2,894,521	(95,417)	-3.30%
Meeting Expenses				
Meetings	129,778	116,750	13,028	11.16%
Travel	75,221	138,000	(62,779)	-45.49%
Conference Calls	33,517	37,000	(3,483)	-9.41%
Total Meeting Expenses	238,516	291,750	(53,234)	-18.25%
Operating Expenses				
Consultants & Contracts	83,791	92,000	(8,209)	-8.92%
Rent & Improvements	788,287	810,700	(22,413)	-2.76%
Office Costs	556,532	664,760	(108,228)	-16.28%
Professional Services	948,807	960,000	(11,193)	-1.17%
Miscellaneous	50,663	50,000	663	1.33%
Depreciation	254,279	269,000	(14,721)	-5.47%
Total Operating Expenses	2,682,359	2,846,460	(164,101)	-5.77%
Indirect Expenses	(5,719,979)	(6,032,731)	312,752	-5.18%
Other Non-Operating Expenses	-	-	-	
Total Expenses (B)	-	-	-	
Change in Assets (A - B)	(39,383)	(66,581)	27,198	-40.85%
Fixed Assets				
Depreciation	(254,279)	(269,000)	14,721	-5.47%
Computer & Software CapEx	16,842	75,000	(58,158)	-77.54%
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	52,681	-	52,681	
Leasehold Improvements	-	-	-	
Incr(Dec) in Fixed Assets	(184,756)	(194,000)	9,244	
Allocation of Fixed Assets	184,756	194,000	(9,244)	-4.76%
Total Inc(Dec) in Fixed Assets (C)	-	-	-	
TOTAL BUDGET (B + C)	-	-	-	
Change in Working Capital (A-B-C)	(39,383)	(66,581)	27,198	-40.85%
FTE's	8.00	8.00	-	0.00%

ADMINISTRATIVE SERVICES

Interest Income

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

Personnel

Over budget taxes were primarily related to Unrelated Business Income Tax (UBIT). Beginning in 2018, as a result of 2017 tax reform, NPCC is responsible for 21% UBIT on the total amount of transit passes paid for by employees pre-tax. In the benefits area, medical insurance coverage elections varied from assumptions which were budgeted in this program area, resulting in lower than budgeted expense.

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, have kept travel expenses under budget and resulted in an overage in meetings expense.

Consultants and Contracts

Regional Entity Management Group related contract was terminated subsequent to the finalization of the 2018 budget resulting in an under budget variance.

Office Costs

Under budget variance was driven by lower negotiated IT related contracts and the timing of planned IT enhancements, which are ongoing, including improvements to NPCC's document management system.

Indirect Expenses

Total Administrative Services expenses were under budget for the year, resulting in lower than budgeted allocated indirect expenses to the direct program areas.

Fixed Assets

Under budget variance in computer and software cap ex is due to timing of scheduled software development projects, which include the continued roll out of NPCC's document management system. Unbudgeted equipment capital expenditure was related to earlier than planned installation of CRISP switches and other hardware.