



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

July 19, 2018

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

Subject: NPCC Regional Entity Division Variance Comparison and  
Second Quarter 2018 Statement of Activities

Dear Scott:

The variance comparison for the period ended June 30<sup>th</sup>, 2018 is included along with Northeast Power Coordinating Council, Inc.'s unaudited Second Quarter 2018 Statement of Activities.

Please do not hesitate to contact me via email at [jhala@npcc.org](mailto: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  
Senior Manager, 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, 2018**

### **TOTAL EXPENSES**

For the quarter ending June 30, 2018, the NPCC Regional Entity Division is \$427k or -5.80% under budget year to date. Based on planned activities, NPCC's current full year projection is an under budget variance of \$102k or -0.68%. NPCC will reprioritize resources as necessary to fulfill all of its responsibilities under its Regional Delegation Agreement.

### **INCOME**

- **Penalty Sanctions** (Actual income of \$75k remitted to NPCC as of June 30, 2017 has been applied to reduce 2018 assessments to NPCC U.S. load serving entity designees.) No penalty sanctions were remitted from July 1, 2017 through June 30, 2018.
- **Interest Income** (Actual income of \$6k year-to-date, not included in budget)  
NPCC accounts for but has not budgeted for interest income for operating fund investments as returns on U.S. treasury securities fund are negligible and corporate money market fund returns are minimal.
  - NPCC allocated \$6k 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 2018 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 \$262k under budget year-to-date, and \$212k under budget FYP)
  - NPCC is currently fully staffed. Three vacancies resulted from the departure of seasoned professionals. Those vacancies were filled through a combination of in-house promotions, resource re-allocations and the retention of less seasoned successors with the net result of lower than budgeted salaries and related benefits.
- **Meetings and Conference Calls** (Variance of \$148k under budget year-to-date, and as budgeted FYP)
  - The current underage is primarily due to timing of planned meetings, with the heaviest meeting schedule occurring in the fourth quarter. Efforts to limit the number of attendees sent to off-site meetings, and to hold more meetings onsite, at member facilities or via webinar where effective, will continue.

- **Consultants and Contracts** (Variance of \$8k over budget year-to-date, and \$150k over budget FYP)
  - Over budget projection of \$150k is related to unbudgeted risk assessment initiatives including increased probabilistic assessments, a gas disturbance study and a tie benefits study. These resource needs were not identified prior to the June 2017 approval of the 2018 NPCC Business Plan and Budget.
  
- **Fixed Assets** (Variance of \$37k under budget year to date and \$40k under budget FYP)
  - Year to date under budget variance is related to the timing of scheduled software development projects, which include the continued roll out of a document management system. Under budget full year projection is based on no new functionality planned for the CDAA and CITS tools through the end of the year.

*(Unaudited)*  
*Submitted July 19<sup>th</sup>, 2018*



**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, 2018**

|  | 2018 YTD         |                  |                             |                 | 2018              |                    |                                      |                |
|--|------------------|------------------|-----------------------------|-----------------|-------------------|--------------------|--------------------------------------|----------------|
|  | 2018 YTD Actual  | 2018 YTD Budget  | Actual Variance from Budget | %               | 2018 Projection   | 2018 Annual Budget | 2018 Projection Variance from Budget | %              |
| <b>Funding</b>   |                  |                  |                             |                 |                   |                    |                                      |                |
| Assessments  | 7,170,894        | 7,170,894        | -                           |                 | 14,341,787        | 14,341,787         | -                                    |                |
| Penalties  | 75,000           | 75,000           | -                           |                 | 75,000            | 75,000             | -                                    |                |
| Testing  | -                | -                | -                           |                 | -                 | -                  | -                                    |                |
| Services & Software  | -                | -                | -                           |                 | -                 | -                  | -                                    |                |
| Workshop Fees  | 33,810           | 32,000           | 1,810                       |                 | 64,000            | 64,000             | -                                    |                |
| Interest   | 6,218            | -                | 6,218                       |                 | 6,218             | -                  | 6,218                                |                |
| Miscellaneous  | -                | -                | -                           |                 | -                 | -                  | -                                    |                |
| <b>Total Funding</b>   | <b>7,285,921</b> | <b>7,277,894</b> | <b>8,028</b>                | <b>0.11%</b>    | <b>14,487,004</b> | <b>14,480,787</b>  | <b>6,218</b>                         | <b>0.04%</b>   |
| <b>Expenses</b>  |                  |                  |                             |                 |                   |                    |                                      |                |
| Personnel Expenses   |                  |                  |                             |                 |                   |                    |                                      |                |
| Salaries   | 3,348,841        | 3,553,799        | (204,959)                   |                 | 6,937,599         | 7,107,599          | (170,000)                            |                |
| Payroll Taxes  | 289,331          | 296,237          | (6,906)                     |                 | 406,440           | 411,440            | (5,000)                              |                |
| Employee Benefits  | 732,566          | 738,189          | (5,623)                     |                 | 1,472,378         | 1,476,378          | (4,000)                              |                |
| Savings & Retirement   | 368,149          | 412,677          | (44,528)                    |                 | 792,353           | 825,353            | (33,000)                             |                |
| <b>Total Personnel Expenses</b>                                    | <b>4,738,886</b> | <b>5,000,902</b> | <b>(262,016)</b>            | <b>-5.24%</b>   | <b>9,608,770</b>  | <b>9,820,770</b>   | <b>(212,000)</b>                     | <b>-2.16%</b>  |
| Meeting Expenses   |                  |                  |                             |                 |                   |                    |                                      |                |
| Meetings   | 80,339           | 156,220          | (75,881)                    |                 | 353,050           | 353,050            | -                                    |                |
| Travel   | 266,751          | 333,800          | (67,049)                    |                 | 834,500           | 834,500            | -                                    |                |
| Conference Calls   | 13,873           | 18,500           | (4,627)                     |                 | 37,000            | 37,000             | -                                    |                |
| <b>Total Meeting Expenses</b>                                      | <b>360,963</b>   | <b>508,520</b>   | <b>(147,557)</b>            | <b>-29.02%</b>  | <b>1,224,550</b>  | <b>1,224,550</b>   | <b>-</b>                             | <b>0.00%</b>   |
| Operating Expenses   |                  |                  |                             |                 |                   |                    |                                      |                |
| Consultants & Contracts  | 828,972          | 821,420          | 7,552                       |                 | 2,027,640         | 1,877,640          | 150,000                              |                |
| Rent & Improvements  | 388,747          | 405,350          | (16,603)                    |                 | 810,700           | 810,700            | -                                    |                |
| Office Costs   | 331,366          | 332,380          | (1,014)                     |                 | 664,760           | 664,760            | -                                    |                |
| Professional Services  | 451,611          | 420,000          | 31,611                      |                 | 960,000           | 960,000            | -                                    |                |
| Miscellaneous  | 15,609           | 25,000           | (9,391)                     |                 | 50,000            | 50,000             | -                                    |                |
| Depreciation   | 126,550          | 134,500          | (7,950)                     |                 | 269,000           | 269,000            | -                                    |                |
| <b>Total Operating Expenses</b>                                    | <b>2,142,856</b> | <b>2,138,650</b> | <b>4,206</b>                | <b>0.20%</b>    | <b>4,782,100</b>  | <b>4,632,100</b>   | <b>150,000</b>                       | <b>3.24%</b>   |
| Indirect Expense Allocation  | (192,556)        | (208,227)        | 15,671                      | -7.53%          | (416,453)         | (416,453)          | -                                    | 0.00%          |
| Other Non-Operating Expenses                                       | -                | -                | -                           | n/a             | -                 | -                  | -                                    | n/a            |
| <b>Total Expenses</b>  | <b>7,050,149</b> | <b>7,439,846</b> | <b>(389,696)</b>            | <b>-5.24%</b>   | <b>15,198,967</b> | <b>15,260,967</b>  | <b>(62,000)</b>                      | <b>-0.41%</b>  |
| <b>Net Change in Assets</b>  | <b>235,772</b>   | <b>(161,952)</b> | <b>397,724</b>              | <b>-245.58%</b> | <b>(711,963)</b>  | <b>(780,181)</b>   | <b>68,218</b>                        | <b>-8.74%</b>  |
| <b>Fixed Assets</b>  |                  |                  |                             |                 |                   |                    |                                      |                |
| Depreciation   | (126,550)        | (134,500)        | 7,950                       |                 | (269,000)         | (269,000)          | -                                    |                |
| Computer & Software CapEx  | 12,363           | 57,500           | (45,137)                    |                 | 75,000            | 115,000            | (40,000)                             |                |
| Furniture & Fixtures CapEx   | -                | -                | -                           |                 | -                 | -                  | -                                    |                |
| Equipment CapEx  | -                | -                | -                           |                 | -                 | -                  | -                                    |                |
| Leasehold Improvements   | -                | -                | -                           |                 | -                 | -                  | -                                    |                |
| <b>Incr(Dec) in Fixed Assets</b>                                   | <b>(114,187)</b> | <b>(77,000)</b>  | <b>(37,187)</b>             | <b>48.30%</b>   | <b>(194,000)</b>  | <b>(154,000)</b>   | <b>(40,000)</b>                      | <b>25.97%</b>  |
| <b>Total Budget (Expenses plus Incr(Dec) in Fixed Assets)</b>      | <b>6,935,962</b> | <b>7,362,846</b> | <b>(426,884)</b>            | <b>-5.80%</b>   | <b>15,004,967</b> | <b>15,106,967</b>  | <b>(102,000)</b>                     | <b>-0.68%</b>  |
| <b>Change in Working Capital (Total Funding less Total Budget)</b> | <b>349,959</b>   | <b>(84,952)</b>  | <b>434,911</b>              | <b>-511.95%</b> | <b>(517,963)</b>  | <b>(626,181)</b>   | <b>108,218</b>                       | <b>-17.28%</b> |
| Equivalent Full Time Employees                                     | 36.53            | 36.86            | (0.33)                      |                 | 36.53             | 36.86              | (0.33)                               |                |
| Headcount  | 39.00            | 39.00            | -                           |                 | 39.00             | 39.00              | -                                    |                |
| Beginning Total Reserves - 1/1/18                                  | 5,017,751        | 4,499,893        | 517,858                     |                 | 5,017,751         | 4,499,893          | 517,858                              |                |
| Change to Reserves - YTD 2018                                      | 349,959          | (84,952)         | 434,911                     |                 | (517,963)         | (626,181)          | 108,218                              |                |
| <b>Projected Total Reserves at 12/31/18</b>                        | <b>5,367,710</b> | <b>4,414,941</b> | <b>952,769</b>              |                 | <b>4,499,788</b>  | <b>3,873,712</b>   | <b>626,076</b>                       |                |