

**ATTACHMENT 1**

**2009 ACTUAL COST-TO-BUDGET COMPARISON**

**AND**

**2009 AUDITED FINANCIAL REPORT**

**FOR**

**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**

## NERC BUDGET TO ACTUAL VARIANCE ANALYSIS AT DECEMBER 31, 2009

In connection with the filing of the updated 2009 budget in December, 2008, rather than seek an increase to assessments, NERC projected to use \$1,558,606 in working capital funds to pay for the increased personnel and consulting expenses contained in the revised budget. Actual results for the year ended December 31, 2009 reflect an actual use of working capital funds of \$966,066 for a positive variance from budget of \$592,540.

**TOTAL FUNDING** (Actual - \$457.9k over budget) – \$269.2k positive variance due to an increase in testing fees which resulted from the implementation during the fourth quarter of revised testing fees, certificate renewals and continuing education fees to more closely recover the costs of operations of these programs, including recovery of overhead expenses. \$275.9k of unbudgeted miscellaneous funding represents reimbursements of the cost for NERC to act as the compliance enforcement authority (CEA) for certain registered functions within the FRCC, SPP, Texas RE and WECC Regions. This reimbursement was not budgeted.

**EXPENSES – (Actual - \$268.5k over budget)** Following is a description of the more significant variances to budgeted expenses:

- **Personnel Expenses** (Actual - \$109.5k over budget)
  - Salaries - There were 109.4 FTEs on staff at the end of the fourth quarter versus a budget of 106.5. Salaries were over budget by \$384.9k as a result the 2.9 FTEs added over budget and hiring at rates higher than budgeted.
  - Savings and Retirement expenses were under budget by \$267.8k at December 31<sup>st</sup> as a result of a lower bonus pool for staff employed as of January 1, 2009, and unanticipated attrition, which resulted in forfeiture of employer contributions that were not vested.
  
- **Meeting, Travel and Conference Call Expenses** (Actual - \$229.3k over budget)
  - **Conference Calls** – Conference calls and webinars were used in 2009 to hold down the cost of Meetings and Travel, which likely would have overrun budget more significantly had the increased focus on the use of conference calls and webinars not been implemented. In late 2009, NERC replaced the services providers at significantly lower costs and anticipate savings in this area in the future.

- **Operating Expenses** (Actual - \$1.5M over budget)
  - **Rent** – \$162.1k over budget as of December 31<sup>st</sup> due to a change in accounting methodology to record future rent escalations on a straight-line basis as per FASB 13, an increase in utilities costs and a true-up of operating expenses for the Princeton office.
  - **Contracts** – (Actual \$38.9k over budget)
    - Reliability Assessments and Performance Analysis - Contractual spend for assistance with various assessment studies was under budget by \$38.8k.
    - Training and Education Program - Under budgeted spend for various projects by \$135.4k as a result of cost containment measures.
    - Situation Awareness and Infrastructure Security Program – Over spend of \$234.6k for reliability tools, including Frame Relay, and unbudgeted spend for development of a secure alert system.
  - **Consultants** - (Actual - \$709.3k under budget)
    - Reliability Standards was over budget \$185.3k due to unbudgeted spend to produce three reports as detailed on the following Statement of Activities for Reliability Standards.
    - The Compliance Program was \$93.7k over budget, which would have been more significant but for the reclassification of \$452.1k in costs associated with the development of the C-RATS compliance database as a capital expenditure. Spending for the implementation of the triennial Regional Entity audit requirement was over budget by \$496.2k in 2009. The over spend on this project was related to higher than anticipated costs per Region and the cost of developing the agreed upon procedures to be used in the audits, which was not considered when the budget was developed.
    - Situation Awareness and Infrastructure Security - Spend on the NASPI project was \$550.6k under budget in 2009 as a result of a delays in implementation of the scope of portions of this project.
    - Legal and Regulatory \$865.4k under budget due to lower consulting and outside costs associated with completing the 3-year ERO assessment.
  - **Office Costs** – (Actual - \$611.5k over budget)
    - Computer supplies and maintenance was over budget by \$248.9k. However, this is offset by an under spend for capitalized computer hardware, software and equipment as detailed below under Fixed Assets, which should be added to computer supplies and maintenance in order to provide an accurate comparison of total budgeted versus actual computer supplies and maintenance costs, since the final cost of an item determines whether it is capitalized or expensed.

- Internet expense was \$198.3k over budget due to three initiatives which were not budgeted; the expansion of bandwidth and added carrier redundancy at NERC's Princeton office; expanded bandwidth and dedicated circuits between the Princeton and DC offices; and increased bandwidth between Princeton and the Carteret, NJ back-up location.
- Sales and Use Taxes were \$49.0k over budget as a result of an audit by the State of NJ in the second half of 2008 which revealed that sales tax was not being charged by numerous vendors.
- Merchant Card Fees were \$17.8k over budget due to an increase in the number of transactions processed for workshops, system operator testing fees and certificate renewals.
- **Professional Services** – (Actual - \$434.2k over budget)
  - Trustee fees are over budget \$174.5k due to added meetings and conference calls associated with the 3-Year ERO Assessment and executive and trustee searches.
  - Trustee search fees of \$179.4k were not budgeted.
  - The remaining variance was due to an increase in the cost of the external audit fee, and increase in business insurance and unanticipated legal fees due to regulatory and other workload requirements.
- **Depreciation Expense** (Actual - \$575.7k over budget) – Depreciation expense was not a budgeted item in 2009, as the Statement of Activities was a 'cash basis' report.
- **Other Non-Operating Expense** - This line item in the 2009 Budget represented the increase in assessments to fund the working capital reserve and to recover uncollected assessments from prior years. Actual costs recorded are \$141.7k for unbudgeted Bad Debt Expense and \$27.3k for unbudgeted proxy taxes paid for lobbying activities.
- **Fixed Assets** (Actual - \$403.1k under budget)
  - Capital expenditures for computer and software needs were under budget by \$133.2k. Actual spend includes \$427.1k of capitalized costs associated with the development of the Compliance database, C-RATS, which was budgeted as Consulting expense. This unbudgeted spend was offset by under budget spend of \$476.1k in Information Technology relating to purchases recorded as Office Costs since the final cost of the item did not meet the threshold for capitalization. Spend for capitalized software for Reliability Assessments and Performance Analysis was also \$93.0k under budget.
  - Situation Awareness and Infrastructure Security spent \$84.2k against a budget of \$125.0k, for an under spend of \$40.8k to build-out space in the Princeton, NJ office for ES-ISAC operations. The budget for this project

- was all in Furniture and Fixtures. Actual costs are charged to Furniture and Fixtures, Equipment and Leasehold Improvements.
- General and Administrative - The unplanned but necessary expansion of the DC office added \$115.5k to Furniture and Fixtures and \$100.1k to Leasehold Improvements.
  - Also contributing to the under spend was the reversal of depreciation expense. Depreciation expense is reversed because it is a non-cash item and funding is not requested to support depreciation expense.

## **SUMMARY BY PROGRAM**

**Reliability Standards** (\$72.5k over budget) – The over budget spend in Standards was due to \$200k unbudgeted spend for three reports. This was offset by under budget spend on other Standards consulting projects and lower than budgeted personnel expenses.

**Compliance Monitoring and Organization Registration** (\$1.27M over budget) – Personnel costs were \$585.7k over budget due to staff additions at higher management level and higher rates of pay than planned. Operating expenses were \$257.3k over budget as a result of reclassification of legal expenses from Legal and Regulatory, depreciation expense that was not budgeted and office costs. Fixed assets were \$419.7k over budget due to capitalization of the C-RATS database software which was budgeted as consulting expense.

**Compliance Enforcement Activities** - While not a separate statutory program, the details of the costs associated with NERC's provision of compliance enforcement over the registered functions in FRCC, SPP, Texas RE and WECC and the funding collected from those Regions is presented to demonstrate no cross-subsidation of costs.

**Reliability Readiness** (\$404.9k under budget) – The actual time needed to complete the work of the Readiness Program was significantly less than estimated.

**Reliability Assessments and Performance Analysis** (\$7.9k under budget) – Total funding was under budget by \$91k due to reduced revenue from GADS services. This was offset by reductions of \$72.7k in personnel expenses and \$15.9k in meeting expenses. Consulting expenses were over budget by \$128.3k primarily due to additional spending for consulting on system protection issues and TADS development. This was offset by under budget spend of \$93.0k for analysis software which was not needed.

**Training and Education** (\$525k under budget) – Total funding increased \$269.9k due to an increase in fees charged for system operator tests, certificate renewals and continuing education to more closely recover the costs associated with these programs. Personnel costs were \$101.3k under budget as a result of lower approved salaries and bonuses. Meeting costs were \$47.3k under budget and operating expenses were \$106.4k under budget as a result of cost saving measures.

**Situation Awareness and Infrastructure Security** (\$189.6k over budget) – Total funding increased \$70k due to an increase in the fee charged for ESD software and unbudgeted workshop fees. Personnel expense was \$122.0k over budget due to the addition of 1.0 unbudgeted FTEs. Meeting expenses were \$204.4k over budget due to unbudgeted HILF workshops, increased travel for the CIO and unbudgeted FTE, and an increased use of conference calls.

**Administrative Services** (\$1.2M under budget) – Primarily due to \$865k in savings achieved in production of the 3-year ERO Assessment under Legal and Regulatory; a reduction in IT personnel costs; and an increase in funding from the Transmission Owners and Operators Forum to reimburse NERC for administrative expenses.

**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**  
**Statement of Activities**  
**From 1/1/2009 through 12/31/2009**

<b>Consolidated</b>	<b>2009 Actual</b>	<b>2009 Budget</b>	<b>2009 Actual Variance from Budget</b>
<b>Funding</b>			
Assessments	31,925,049	31,925,049	0
Membership Fees	945,941	857,572	88,369
Testing	1,249,170	980,000	269,170
Services & Software	384,455	485,000	(100,545)
Workshop Fees	111,800	-	111,800
Interest	13,221	200,000	(186,779)
Miscellaneous	275,890	-	275,890
<b>Total Funding</b>	<b>34,905,525</b>	<b>34,447,621</b>	<b>457,905</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	15,342,051	14,957,116	384,935
Payroll Taxes	916,416	903,209	13,207
Employee Benefits	1,652,756	1,673,686	(20,929)
Savings & Retirement	1,797,900	2,065,661	(267,762)
<b>Total Personnel Expenses</b>	<b>19,709,122</b>	<b>19,599,671</b>	<b>109,451</b>
<b>Meeting Expenses</b>			
Meetings	724,313	719,320	4,993
Travel	1,883,394	1,848,938	34,456
Conference Calls	378,755	188,872	189,883
<b>Total Meeting Expenses</b>	<b>2,986,463</b>	<b>2,757,130</b>	<b>229,333</b>
<b>Operating Expenses</b>			
Rent & Improvements	873,646	711,523	162,123
Contracts	3,311,873	3,273,000	38,873
Consultants	4,244,980	4,954,270	(709,290)
Office Costs	1,509,868	898,386	611,481
Professional Services	1,794,246	1,360,000	434,246
Miscellaneous	45,090	4,000	41,090
Depreciation	575,655	-	575,655
<b>Total Operating Expenses</b>	<b>12,355,357</b>	<b>11,201,179</b>	<b>1,154,178</b>
<b>Other Non-Operating Expenses</b>	<b>169,000</b>	<b>1,393,496</b>	<b>(1,224,496)</b>
<b>Total Expenses</b>	<b>35,219,943</b>	<b>34,951,476</b>	<b>268,467</b>
<b>Net Change in Assets</b>	<b>(314,418)</b>	<b>(503,856)</b>	<b>189,438</b>
<b>Fixed Assets</b>			
Depreciation	(575,655)	-	(575,655)
Computer & Software CapEx	656,582	789,750	(133,168)
Furniture & Fixtures CapEx	146,196	265,000	(118,804)
Equipment CapEx	264,478	-	264,478
Leasehold Improvements	160,049	-	160,049
<b>(Incr)Dec in Fixed Asstes</b>	<b>(651,649)</b>	<b>(1,054,750)</b>	<b>403,101</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>(966,066)</b>	<b>(1,558,606)</b>	<b>592,540</b>
<b>FTE's</b>	<b>109.4</b>	<b>106.5</b>	<b>2.9</b>

**North American Electric Reliability Corp**  
**2009 Statement of Activities**  
**01/01/2009 - 12/31/2009**  
**Reliability Standards**

(In Whole Dollars)

**STANDARDS (300-303)**

	<b>2009 Actual</b>	<b>2009 Budget</b>	<b>2009 Variance</b>	<b>Comments (Explain variances &lt; +/- 10%)</b>
<b>Funding</b>				
Assessments	3,041,445	3,041,445	0	0.00%
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees	33,250		33,250	Workshop fees were not budgeted.
Interest			-	
Misc.			-	
<b>Total Funding</b>	<b>3,074,695</b>	<b>3,041,445</b>	<b>33,250</b>	<b>1.09%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	1,901,372	1,927,670	(26,298)	-1.36%
Payroll Taxes	120,596	122,162	(1,566)	-1.28%
Employee Benefits	197,457	208,368	(10,911)	-5.24%
Savings & Retirement	242,631	275,384	(32,753)	-11.89% A reduction in 2008 earned bonuses paid in 2009 resulted in reduced accruals for NERC's retirement contribution.
<b>Total Personnel Expenses</b>	<b>2,462,056</b>	<b>2,533,585</b>	<b>(71,529)</b>	<b>-2.82%</b>
<b>Meeting Expenses</b>				
Meetings	117,951	168,120	(50,169)	-29.84% Meetings are being held at member facilities in place of hotels. Increased use of conference calls holds overall costs down.
Travel	291,828	300,000	(8,172)	-2.72%
Conference Calls	68,634	10,000	58,634	586.34% Use of conference calls in place of face-to-face meetings
<b>Total Meeting Expenses</b>	<b>478,414</b>	<b>478,120</b>	<b>294</b>	
<b>Operating Expenses</b>				
Rent & Improvements			-	
Contracts			-	
			-	\$200k for unbudgeted expense to produce three reports; the first was an evaluation of the five highest priority changes or additions to NERC Reliability Standards; the second was an evaluation of NERC Reliability Standards and individual Requirements that merit retirement; and the third was an evaluation to determine if the current process NERC uses for development and application of Violation Risk Factors and
Consultants	735,306	550,000	185,306	33.69% Violation Severity Levels provides value commensurate with the required effort.
			-	Budget estimates for office costs were not based upon actual data, since most office costs were charged to G&A in prior years. As we
Office Costs	28,587	37,750	(9,163)	-24.27% continue to match actual costs to the Programs, future budget estimates should become more accurate.
Professional Services			-	
Miscellaneous	887		887	
Depreciation			-	
<b>Total Operating Expenses</b>	<b>764,780</b>	<b>587,750</b>	<b>177,030</b>	
<b>Other Non-Operating Expenses</b>			-	
<b>Total Expenses</b>	<b>3,705,250</b>	<b>3,599,455</b>	<b>105,795</b>	<b>2.94%</b>
<b>Net Change in Assets</b>	<b>(630,555)</b>	<b>(558,010)</b>	<b>(72,545)</b>	<b>13.00%</b>
<b>Fixed Assets</b>				
Depreciation			-	
Computer & Software CapEx			-	
Furniture & Fixtures CapEx			-	
Equipment CapEx			-	
Leasehold Improvements			-	
(Incr)Dec in Fixed Assets	0	0	0	
<b>TOTAL CHANGE IN ASSETS</b>	<b>(630,555)</b>	<b>(558,010)</b>	<b>(72,545)</b>	<b>13.00%</b>
<b>FTE's</b>	<b>13.90</b>	<b>14.50</b>	<b>(0.60)</b>	



**North American Electric Reliability Corp**  
**2009 Statement of Activities**  
**01/01/2009 - 12/31/2009**  
**Compliance Enforcement and Organization Registration**

(In Whole Dollars)

COMPLIANCE (400-500)	2009 Actual	2009 Budget	2009 Variance	Comments (Explain variances < +/- 10%)
<b>Funding</b>				
Assessments	6,481,457	6,481,457	0	0.00%
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest			-	
Miscellaneous			-	
<b>Total Funding</b>	<b>6,481,457</b>	<b>6,481,457</b>	<b>0</b>	<b>0.00%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	4,612,494	4,093,865	518,629	12.67% FTEs include management staff which were not planned in the 2009 Budget and have a higher rate of pay than open budgeted positions; salaries reduced by \$100.9k representing total personnel costs for staff time spent on CEA Activities
Payroll Taxes	308,576	277,144	31,432	11.34%
Employee Benefits	488,586	467,835	20,750	4.44%
Savings & Retirement	568,945	554,025	14,920	2.69%
<b>Total Personnel Expenses</b>	<b>5,978,600</b>	<b>5,392,869</b>	<b>585,731</b>	<b>10.86%</b>
<b>Meeting Expenses</b>				
Meetings	30,607	32,500	(1,893)	-5.83%
Travel	722,705	762,167	(39,462)	-5.18%
Conference Calls	53,122	5,000	48,122	962.45% Actual conference call costs were charged to G&A in prior years. Not having actual data by Program, budget estimates were under stated. Also, webinars and conference calls used in 2009 to hold down meeting and travel costs
<b>Total Meeting Expenses</b>	<b>806,434</b>	<b>799,667</b>	<b>6,767</b>	<b>0.85%</b>
<b>Operating Expenses</b>				
Rent & Improvements			-	
Contracts			-	
Consultants	1,193,734	1,100,000	93,734	8.52% Implementation of the triennial Regional Entity audit requirement occurred in 2009 and the consulting expense to meet this requirement exceeded budget by \$570k. This variance was offset by \$452.1k in spend for the Compliance database, C-RATS, which was reclassified to fixed assets (see below) but was budgeted as Consulting expense. The spend for subject matter experts needed in support of compliance violation investigations was also under budget.
Office Costs	78,009	41,000	37,009	90.27% Budget estimates for office costs were not based upon actual data, since most office costs were charged to G&A in prior years. As we continue to match actual costs to the Programs, future budget estimates should become more accurate.
Professional Services	87,111		87,111	Legal fees incurred with outside counsel regarding TFE's. All outside legal fees were budgeted in Legal and Regulatory, but actual costs recorded in the Program area incurring the expense.
Miscellaneous	4,418		4,418	
Depreciation	35,052		35,052	Depreciation was not budgeted in 2009
<b>Total Operating Expenses</b>	<b>1,398,324</b>	<b>1,141,000</b>	<b>257,324</b>	<b>22.55%</b>
<b>Other Non-Operating Expenses</b>				
			-	
<b>Total Expenses</b>	<b>8,183,358</b>	<b>7,333,536</b>	<b>849,821</b>	<b>11.59%</b>
<b>Net Change in Assets</b>	<b>(1,701,901)</b>	<b>(852,080)</b>	<b>(849,821)</b>	<b>99.73%</b>
<b>Fixed Assets</b>				
Depreciation	(35,052)		(35,052)	
Computer & Software CapEx	452,119	25,000	427,119	Capitalized software development cost for the compliance database, C-RATS, budgeted as consulting expense.
Furniture & Fixtures CapEx	8,948		8,948	Additional cubicles in Princeton office
Equipment CapEx			0	
Leasehold Improvements	18,691		18,691	Buildout of space in Princeton to add cubicles in Compliance
<b>(Incr)Dec in Fixed Assets</b>	<b>(444,706)</b>	<b>(25,000)</b>	<b>(419,706)</b>	<b>1678.83%</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>(2,146,607)</b>	<b>(877,080)</b>	<b>(1,269,528)</b>	<b>144.74%</b>
<b>FTE's</b>	<b>35.600</b>	<b>35.500</b>	<b>0.100</b>	

**North American Electric Reliability Corp**  
**2009 Statement of Activities**  
**01/01/2009 - 12/31/2009**  
**Compliance Enforcement Authority Activities**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance	Comments (Explain variances < +/- 10%)
<b>Funding</b>				
Assessments			-	
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest			-	
Miscellaneous	256,822		256,822	Reimbursements from the Regional Entities for total cost of Compliance Enforcement Activities performed by NERC within those Regions. This activity was not separately depicted at the time of budget submission.
<b>Total Funding</b>	<b>256,822</b>	<b>-</b>	<b>256,822</b>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	121,829		121,829	Total personnel cost including salaries, taxes, benefits and savings and retirement for 0.76 FTEs associated with CEA in FRCC, SPP, Texas RE and WECC.
Payroll Taxes			-	
Employee Benefits			-	
Savings & Retirement			-	
<b>Total Personnel Expenses</b>	<b>121,829</b>	<b>-</b>	<b>121,829</b>	
<b>Meeting Expenses</b>				
Meetings			-	Travel cost associated with CEA in FRCC, SPP, Texas RE and WECC.
Travel	59,332		59,332	
Conference Calls			-	
<b>Total Meeting Expenses</b>	<b>59,332</b>	<b>-</b>	<b>59,332</b>	
<b>Operating Expenses</b>				
Rent & Improvements			-	Allocation of overhead.
Contracts			-	
Consultants			-	
Office Costs	673		673	
Professional Services			-	
Miscellaneous	74,989		74,989	
Depreciation			-	
<b>Total Operating Expenses</b>	<b>75,662</b>	<b>-</b>	<b>75,662</b>	
<b>Other Non-Operating Expenses</b>				
			-	
<b>Total Expenses</b>	<b>256,823</b>	<b>-</b>	<b>256,823</b>	
<b>Net Change in Assets</b>	<b>(0)</b>	<b>-</b>	<b>(0)</b>	
<b>Fixed Assets</b>				
Depreciation	0		-	
Computer & Software CapEx			0	
Furniture & Fixtures CapEx			0	
Equipment CapEx			0	
Leasehold Improvements			0	
<b>(Incr)Dec in Fixed Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>(0)</b>	<b>-</b>	<b>(0)</b>	
<b>FTE's</b>	<b>0.760</b>		<b>0.760</b>	

**North American Electric Reliability Corp**  
**2008 Statement of Activities**  
**01/01/09 - 12/31/09**  
**Reliability Readiness**

(In Whole Dollars)

<b>RELIABILITY READINESS (700)</b>	<b>2009 Actual</b>	<b>2009 Budget</b>	<b>2009 Variance</b>	<b>Comments</b>
<b>Funding</b>				
Assessments	485,429	485,429	-	0.00%
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest			-	
Misc.			-	
<b>Total Funding</b>	<b>485,429</b>	<b>485,429</b>	<b>-</b>	<b>0.00%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	68,542	348,677	(280,135)	-80.34% Actual time required to finish the work of the Readiness Program was significantly less
Payroll Taxes		30,697	(30,697)	-100.00% than anticipated. Employees who worked in the Readiness Program in prior years
Employee Benefits		33,003	(33,003)	-100.00% transferred to new positions at NERC in 2009. Salary expense charged is based upon hours
Savings & Retirement		50,097	(50,097)	-100.00% worked. Taxes, benefits and retirement costs were not allocated.
<b>Total Personnel Expenses</b>	<b>68,542</b>	<b>462,474</b>	<b>(393,932)</b>	
<b>Meeting Expenses</b>				
Meetings			-	
Travel		19,000	(19,000)	-100.00%
Conference Calls			-	
<b>Total Meeting Expenses</b>	<b>-</b>	<b>19,000</b>	<b>(19,000)</b>	
<b>Operating Expenses</b>				
Rent & Improvements			-	
Contracts			-	
Consultants	12,000		12,000	The use of consultants in the Readiness Program were not budgeted historically, since their work was on an 'as needed' basis only. The unfavorable variance is offset by lower Personnel Expense.
Office Costs		3,955	(3,955)	-100.00%
Professional Services			-	
Miscellaneous			-	
Depreciation			-	
<b>Total Operating Expenses</b>	<b>12,000</b>	<b>3,955</b>	<b>8,045</b>	
<b>Other Non-Operating Expenses</b>			-	
<b>Total Expenses</b>	<b>80,542</b>	<b>485,429</b>	<b>(404,887)</b>	<b>-83.41%</b>
<b>Net Change in Assets</b>	<b>404,887</b>	<b>(0)</b>	<b>404,887</b>	
<b>Fixed Assets</b>				
Depreciation			-	
Computer & Software CapEx			-	
Furniture & Fixtures CapEx			-	
Equipment CapEx			-	
Leasehold Improvements			-	
<b>(Incr)Dec in Fixed Assets</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>404,887</b>	<b>(0)</b>	<b>404,887</b>	
<b>FTE's</b>	<b>0.5</b>	<b>-</b>	<b>0.5</b>	

**North American Electric Reliability Corp**  
**2008 Statement of Activities**  
**01/01/09 - 12/31/09**  
**Reliability Assessment and Performance Analysis**

(In Whole Dollars)

800-805

	2009 Actual	2009 Budget	2009 Variance	Comments (Explain variances < +/- 10%)
<b>Funding</b>				
Assessments	3,540,071	3,540,071	(0)	0.00%
Membership Fees	-	-	-	
Testing	-	-	-	
Services & Software	321,805	450,000	(128,195)	-28.49% Anticipated increase in revenue for GADS services due to price increases and new customers did not materialize.
Workshop Fees	37,200	-	37,200	GADS workshop fees not budgeted.
Interest	-	-	-	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<u>3,899,076</u>	<u>3,990,071</u>	<u>(90,995)</u>	-2.28%
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	2,060,976	2,055,910	5,066	0.25%
Payroll Taxes	120,462	123,566	(3,104)	-2.51%
Employee Benefits	185,690	245,225	(59,535)	-24.28% The budget assumed benefits expense for the full year, but due to the timing of new hires and some new hires declining coverage, actual expense was lower.
Savings & Retirement	268,797	283,896	(15,099)	-5.32%
<b>Total Personnel Expenses</b>	<u>2,635,925</u>	<u>2,708,597</u>	<u>(72,673)</u>	-2.68%
<b>Meeting Expenses</b>				
Meetings	143,931	184,000	(40,069)	-21.78% Meetings were held in member facilities when possible rather than hotels where significantly higher costs for meeting space and catering are incurred.
Travel	284,724	271,375	13,349	4.92%
Conference Calls	20,832	10,000	10,832	108.32% Actual conference call costs were charged to G&A in prior years. Not having actual data by Program, budget estimates were under stated. Also, webinars and conference calls used in 2009 to hold down meeting and travel costs
<b>Total Meeting Expenses</b>	<u>449,486</u>	<u>465,375</u>	<u>(15,889)</u>	-3.41%
<b>Operating Expenses</b>				
Rent & Improvements	-	-	-	
Contracts	346,182	385,000	(38,818)	-10.08% Assessment studies completed by staff with less reliance on outside contractors.
Consultants	504,616	376,270	128,346	34.11% The Events Analysis Department experienced an unexpected increased expense for consulting on system protection issues. Over budget spend on TADS development was offset by under budget spend for the CO2 Impact Study.
Office Costs	64,196	56,171	8,025	14.29% Budget estimates for office costs were not based upon actual data, since most office costs were charged to G&A in prior years. As we continue to match actual costs to the Programs, future budget estimates should become more accurate.
Professional Services	-	-	-	
Miscellaneous	880	-	880	
Depreciation	37,686	-	37,686	Depreciation was not budgeted in 2009
<b>Total Operating Expenses</b>	<u>953,561</u>	<u>817,441</u>	<u>136,120</u>	16.65%
<b>Other Non-Operating Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Total Expenses</b>	<u>4,038,972</u>	<u>3,991,413</u>	<u>47,558</u>	1.19%
<b>Net Change in Assets</b>	<u>(139,895)</u>	<u>(1,342)</u>	<u>(138,553)</u>	
<b>Fixed Assets</b>				
Depreciation	(37,686)	0	(37,686)	
Computer & Software CapEx	29,172	122,175	(93,003)	Purchases of analysis software for newly hired staff in Events Analysis was delayed.
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
<b>(Incr)Dec in Fixed Asstes</b>	<u>8,513</u>	<u>(122,175)</u>	<u>130,688</u>	
<b>TOTAL CHANGE IN ASSETS</b>	<u>(131,382)</u>	<u>(123,517)</u>	<u>(7,865)</u>	6.37%
<b>FTE's</b>	14.80	14.50	0.30	

**North American Electric Reliability Corp**  
**2009 Statement of Activities**  
**01/01/09 - 09/30/09**  
**Training and Education**

(In Whole Dollars)

**600 & 900**

	<b>2009</b>	<b>2009</b>	<b>Variance</b>	<b>Comments (Explain variances &lt; +/- 10%)</b>
<b>Funding</b>	<b>Actual</b>	<b>Budget</b>		
Assessments	582,478	582,478	-	0.00%
Membership Fees			-	
Testing	1,249,170	980,000	269,170	27.47%
Services & Software			-	Significant increase in system operator tests taken in anticipation of increased fees in 2010.
Workshop Fees			-	
Interest			-	
Miscellaneous	705		705	
<b>Total Funding</b>	<b>1,832,353</b>	<b>1,562,478</b>	<b>269,875</b>	<b>17.27%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	621,102	705,708	(84,606)	-11.99%
Payroll Taxes	41,866	48,932	(7,066)	-14.44%
Employee Benefits	58,670	52,872	5,798	10.97%
Savings & Retirement	83,891	99,362	(15,471)	-15.57%
<b>Total Personnel Expenses</b>	<b>805,529</b>	<b>906,874</b>	<b>(101,345)</b>	<b>-11.18%</b>
<b>Meeting Expenses</b>				
Meetings	14,087	55,000	(40,913)	-74.39%
Travel	35,737	51,225	(15,488)	-30.24%
Conference Calls	84,082	75,000	9,082	12.11%
<b>Total Meeting Expenses</b>	<b>133,906</b>	<b>181,225</b>	<b>(47,319)</b>	<b>-26.11%</b>
<b>Operating Expenses</b>				
<b>Rent &amp; Improvements</b>				
Contracts	270,976	406,400	(135,424)	-33.32%
Consultants	34,773	55,000	(20,228)	-36.78%
Office Costs	62,076	12,980	49,096	378.24%
Professional Services			-	
Miscellaneous	136	-	136	
Depreciation			-	
<b>Total Operating Expenses</b>	<b>367,960</b>	<b>474,380</b>	<b>(106,420)</b>	<b>-22.43%</b>
<b>Other Non-Operating Expenses</b>				
			-	
<b>Total Expenses</b>	<b>1,307,395</b>	<b>1,562,479</b>	<b>(255,084)</b>	<b>-16.33%</b>
<b>Net Change in Assets</b>	<b>524,957</b>	<b>(1)</b>	<b>524,958</b>	
<b>Fixed Assets</b>				
Depreciation			-	
Computer & Software CapEx			-	
Furniture & Fixtures CapEx			-	
Equipment CapEx			-	
Leasehold Improvements			-	
<b>(Incr)Dec in Fixed Asstes</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>524,957</b>	<b>(1)</b>	<b>524,958</b>	
<b>FTE's</b>	<b>6.0</b>	<b>5.5</b>	<b>0.5</b>	

**North American Electric Reliability Corp**  
**2009 Statement of Activities**  
**01/01/09 - 12/31/09**  
**Situation Awareness and Infrastructure Security**

(In Whole Dollars)

**1000-1003**

	2009 Actual	2009 Budget	2009 Variance	Comments (Explain variances < +/- 10%)
<b>Funding</b>				
Assessments	5,546,405	5,546,405	-	0.00%
Membership Fees			-	
Testing			-	
Services & Software	62,649	35,000	27,649	79.00%
Workshop Fees	41,350		41,350	Price increase for ESD software and \$15.1k in TSIN fees not budgeted, based upon the expectation that NERC would no longer be managing TSIN after Dec08. NASPI workshop fees not budgeted
Interest			-	
Miscellaneous			-	
<b>Total Funding</b>	<b>5,650,404</b>	<b>5,581,405</b>	<b>68,999</b>	<b>1.24%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	1,178,256	1,128,361	49,896	4.42%
Payroll Taxes	70,617	60,213	10,404	17.28%
Employee Benefits	116,420	71,822	44,598	62.09%
Savings & Retirement	160,524	143,375	17,150	11.96%
<b>Total Personnel Expenses</b>	<b>1,525,817</b>	<b>1,403,770</b>	<b>122,047</b>	<b>8.69%</b>
<b>Meeting Expenses</b>				
Meetings	184,499	65,000	119,499	183.84%
Travel	187,652	125,161	62,491	49.93%
Conference Calls	27,456	5,000	22,456	449.12%
<b>Total Meeting Expenses</b>	<b>399,607</b>	<b>195,161</b>	<b>204,446</b>	<b>104.76%</b>
<b>Operating Expenses</b>				
Rent & Improvements			-	
Contracts	2,608,239	2,373,600	234,639	9.89%
Consultants	1,167,023	1,453,000	(285,977)	-19.68%
Office Costs	52,844	30,873	21,971	71.16%
Professional Services	1,658		1,658	
Miscellaneous	634		634	
Depreciation	8,930		8,930	Depreciation was not budgeted in 2009.
<b>Total Operating Expenses</b>	<b>3,839,329</b>	<b>3,857,473</b>	<b>(18,144)</b>	<b>-0.47%</b>
<b>Other Non-Operating Expenses</b>				
			-	
<b>Total Expenses</b>	<b>5,764,753</b>	<b>5,456,405</b>	<b>308,348</b>	<b>5.65%</b>
<b>Net Change in Assets</b>	<b>(114,348)</b>	<b>125,000</b>	<b>(239,349)</b>	<b>-191.48%</b>
<b>Fixed Assets</b>				
Depreciation	(8,930)		(8,930)	
Computer & Software CapEx			-	
Furniture & Fixtures CapEx	21,762	125,000	(103,238)	
Equipment CapEx	21,257		21,257	
Leasehold Improvements	41,176		41,176	
<b>(Incr)Dec in Fixed Asstes</b>	<b>(75,264)</b>	<b>(125,000)</b>	<b>49,736</b>	<b>-39.79%</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>(189,613)</b>	<b>0</b>	<b>(189,613)</b>	
<b>FTE's</b>	<b>8.0</b>	<b>7.0</b>	<b>1.0</b>	

**North American Electric Reliability Corp**  
**2008 Statement of Activities**  
**01/01/09 - 12/31/09**  
**Committees and Member Forums**

(In Whole Dollars)

TRANSMISSION FORUM (1101)	2009 Actual	2009 Budget	2009 Variance	Comments - Explain variances that are +/- 10%
<b>Funding</b>				
Assessments			-	
Membership Fees	945,941	857,572	88,369	10.30%
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest			-	
Miscellaneous			-	
<b>Total Funding</b>	<b>945,941</b>	<b>857,572</b>	<b>88,369</b>	10.30%
<b>Expenses</b>				
Personnel Expenses				
Salaries	723,547	502,740	220,807	43.92% 2.0 additional FTEs added over budget
Payroll Taxes	36,467	21,438	15,029	70.10%
Employee Benefits	74,046	51,837	22,209	42.84%
Savings & Retirement	55,881	72,897	(17,016)	-23.34% Forfeited retirement benefits
<b>Total Personnel Expenses</b>	<b>889,941</b>	<b>648,912</b>	<b>241,029</b>	
Meeting Expenses				
Meetings	10,849	30,000	(19,151)	-63.84%
Travel	33,332	18,660	14,672	78.63%
Conference Calls			-	
<b>Total Meeting Expenses</b>	<b>44,180</b>	<b>48,660</b>	<b>(4,480)</b>	-9.21%
Operating Expenses				
Rent & Improvements			-	
Contracts			-	
Consultants			-	
Office Costs	26,233	-	26,233	
Professional Services	3,366		3,366	
Miscellaneous	240,000	160,000	80,000	50.00% Reimbursement to NERC for administrative services based upon FTEs
Depreciation			-	
<b>Total Operating Expenses</b>	<b>269,599</b>	<b>160,000</b>	<b>109,599</b>	68.50%
Other Non-Operating Expenses				
			-	
<b>Total Expenses</b>	<b>1,203,721</b>	<b>857,572</b>	<b>346,149</b>	40.36%
<b>Net Change in Assets</b>	<b>(257,779)</b>	<b>-</b>	<b>(257,779)</b>	
<b>Fixed Assets</b>				
Depreciation			-	
Computer & Software CapEx			-	
Furniture & Fixtures CapEx			-	
Equipment CapEx			-	
Leasehold Improvements			-	
<b>(Incr)Dec in Fixed Asstes</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>(257,779)</b>	<b>-</b>	<b>(257,779)</b>	
<b>FTE's</b>	<b>4.0</b>	<b>2.0</b>	<b>2.0</b>	

**North American Electric Reliability Corp**  
**2008 Statement of Activities**  
**01/01/09 - 12/31/09**  
**General and Administrative**

(In Whole Dollars)

G&A (2000, 2100, 2101)	2009 Actual	2009 Budget	2009 Variance	Comments (Explain variances < +/- 10%)
<b>Funding</b>				
Assessments	5,268,985	5,268,985	-	0.00%
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest	13,221	200,000	(186,779)	-93.39% Interest rates at 0.2%
Miscellaneous	18,363		18,363	Sale of stock received for insurance demutualization
<b>Total Funding</b>	<u>5,300,568</u>	<u>5,468,985</u>	<u>(168,417)</u>	-3.08%
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	1,307,641	1,391,965	(84,323)	-6.06% Attrition and (1.0) FTE transferred to another department
Payroll Taxes	53,813	52,549	1,264	2.40%
Employee Benefits	217,707	159,472	58,235	36.52% To true-up accrual for retiree medical liability
Savings & Retirement	107,285	201,835	(94,550)	-46.85% Fewer FTEs and lower than budgeted bonuses
<b>Total Personnel Expenses</b>	<u>1,686,446</u>	<u>1,805,820</u>	<u>(119,374)</u>	
<b>Meeting Expenses</b>				
Meetings	207,795	172,200	35,595	20.67% Additional face-to-face meetings of the Board of Trustees were required in 2009 to discuss the ERO 3-Yr Assessment, CEO search and Trustee search.
Travel	189,605	198,850	(9,245)	-4.65%
Conference Calls	80,938	83,872	(2,934)	-3.50%
<b>Total Meeting Expenses</b>	<u>478,338</u>	<u>454,922</u>	<u>23,416</u>	
<b>Operating Expenses</b>				
Rent & Improvements	873,646	711,523	162,123	22.79% Increases in electric and other operating costs and straight-line recording of future rent escalations per FASB 13
Contracts	-		-	
Consultants	8,103		8,103	
Office Costs	707,587	494,223	213,364	43.17% \$187k over budget spend in internet costs as a result of increasing bandwidth and redundancy; \$49k increase in Use Tax as a result of State audit which highlighted items not previously considered as taxable.
Professional Services	1,136,618	710,000	426,618	60.09% BOT fees higher than budget due to increased meetings and conference calls pertaining to the ERO 3-YR Assessment and executive search; BOT search fees for (2) Trustees not budgeted; increased workers comp insurance costs
Miscellaneous	(288,089)	(156,000)	(132,089)	Increased allocation of costs to Transmission Forum for additional FTEs hired and to the CEA function which was not budgeted
Depreciation	85,976		85,976	
<b>Total Operating Expenses</b>	<u>2,523,841</u>	<u>1,759,746</u>	<u>764,095</u>	
<b>Other Non-Operating Expenses</b>	<u>169,000</u>	<u>1,393,496</u>	<u>(1,224,496)</u>	\$141.2k-Provision for Bad Debt; \$27.3k Proxy Tax for lobbying activities
<b>Total Expenses</b>	<u>4,857,625</u>	<u>5,413,984</u>	<u>(556,360)</u>	-10.28%
<b>Net Change in Assets</b>	<u>442,944</u>	<u>55,001</u>	<u>387,943</u>	705.34%
<b>Fixed Assets</b>				
Depreciation	(85,976)		(85,976)	
Computer & Software CapEx	8,787		8,787	
Furniture & Fixtures CapEx	115,486	55,000	60,486	109.98% Furniture for the expansion of the DC Office space not budgeted
Equipment CapEx	5,720		5,720	
Leasehold Improvements	100,182		100,182	Expansion of the DC office space not budgeted
<b>(Incr)Dec in Fixed Assets</b>	<u>(144,199)</u>	<u>(55,000)</u>	<u>(89,199)</u>	
<b>TOTAL CHANGE IN ASSETS</b>	<u>298,744</u>	<u>1</u>	<u>298,744</u>	
<b>FTE's</b>	3.50	6.0	(2.5)	



**North American Electric Reliability Corp**  
**2009 Statement of Activities**  
**01/01/09 - 12/31/09**  
**Legal and Regulatory**

(In Whole Dollars)

<b>LEGAL - 2200</b>	<b>2009 Actual</b>	<b>2009 Budget</b>	<b>2009 Variance</b>	<b>Comments (Explain variances &lt; +/- 10%)</b>
<b>Funding</b>				
Assessments	2,986,510	2,986,510	0	0.00%
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest			-	
Miscellaneous			-	
<b>Total Funding</b>	<b>2,986,510</b>	<b>2,986,510</b>	<b>0</b>	<b>0</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	905,405	961,205	(55,801)	-5.81%
Payroll Taxes	41,672	38,817	2,855	7.36%
Employee Benefits	85,602	83,870	1,732	2.07%
Savings & Retirement	108,975	133,937	(24,962)	-18.64%
<b>Total Personnel Expenses</b>	<b>1,141,655</b>	<b>1,217,830</b>	<b>(76,175)</b>	<b>-6.25%</b>
<b>Meeting Expenses</b>				
Meetings	3,705	3,000	705	
Travel	38,493	49,000	(10,507)	
Conference Calls	10,185		10,185	Conference calls charged to G&A in prior years, so no budget was established. The use of conference calls and webinars held down Meeting and Travel Expenses
<b>Total Meeting Expenses</b>	<b>52,384</b>	<b>52,000</b>	<b>384</b>	<b>0.74%</b>
<b>Operating Expenses</b>				
<b>Rent &amp; Improvements</b>				
Contracts	86,476	108,000	(21,524)	-19.93%
Consultants	184,646	1,050,000	(865,354)	-82.41%
Office Costs	13,527	8,680	4,847	55.84%
Professional Services	334,624	550,000	(215,376)	-39.16%
Miscellaneous	22		22	Legal fees are being charged to the department supported.
Depreciation			-	
<b>Total Operating Expenses</b>	<b>619,295</b>	<b>1,716,680</b>	<b>(1,097,385)</b>	<b>-63.92%</b>
<b>Other Non-Operating Expenses</b>			-	
<b>Total Expenses</b>	<b>1,813,333</b>	<b>2,986,510</b>	<b>(1,173,177)</b>	<b>-39.28%</b>
<b>Net Change in Assets</b>	<b>1,173,177</b>	<b>0</b>	<b>1,173,177</b>	
<b>Fixed Assets</b>				
Depreciation			-	
Computer & Software CapEx			-	
Furniture & Fixtures CapEx			-	
Equipment CapEx			-	
Leasehold Improvements			-	
<b>(Incr)Dec in Fixed Asstes</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>1,173,177</b>	<b>0</b>	<b>1,173,177</b>	
<b>FTE's</b>	<b>4.5</b>	<b>4.0</b>	<b>0.5</b>	

**North American Electric Reliability Corp**  
**2009 Statement of Activities**  
**01/01/09 - 12/31/09**  
**Information Technology**

(In Whole Dollars)

IT - 2300	2009 Actual	2009 Budget	2009 Variance	Comments (Explain variances < +/- 10%)
<b>Funding</b>				
Assessments	2,467,531	2,467,530	1	0.00%
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest			-	
Miscellaneous			-	
<b>Total Funding</b>	<b>2,467,531</b>	<b>2,467,530</b>	<b>1</b>	<b>0.00%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	768,245	911,812	(143,566)	-15.75%
Payroll Taxes	49,961	66,280	(16,319)	-24.62%
Employee Benefits	119,882	118,967	915	0.77%
Savings & Retirement	107,212	132,213	(25,001)	-18.91%
<b>Total Personnel Expenses</b>	<b>1,045,300</b>	<b>1,229,271</b>	<b>(183,971)</b>	<b>-14.97%</b>
<b>Meeting Expenses</b>				
Meetings	3,479	5,500	(2,021)	-36.75%
Travel	19,792	31,000	(11,208)	-36.15%
Conference Calls	25,092		25,092	
<b>Total Meeting Expenses</b>	<b>48,363</b>	<b>36,500</b>	<b>11,863</b>	<b>32.50%</b>
<b>Operating Expenses</b>				
Rent & Improvements			-	
Contracts			-	
Consultants	200,950	270,000	(69,050)	-25.57%
Office Costs	465,333	204,184	261,149	127.90%
Professional Services			-	
Miscellaneous	5,682	-	5,682	
Depreciation	406,270	-	406,270	
<b>Total Operating Expenses</b>	<b>1,078,235</b>	<b>474,184</b>	<b>604,051</b>	<b>127.39%</b>
<b>Other Non-Operating Expenses</b>				
			-	
<b>Total Expenses</b>	<b>2,171,898</b>	<b>1,739,955</b>	<b>431,943</b>	<b>24.82%</b>
<b>Net Change in Assets</b>	<b>295,633</b>	<b>727,575</b>	<b>(431,942)</b>	<b>-59.37%</b>
<b>Fixed Assets</b>				
Depreciation	(406,270)		(406,270)	
Computer & Software CapEx	166,503	642,575	(476,072)	-74.09%
Furniture & Fixtures CapEx		85,000	(85,000)	-100.00%
Equipment CapEx	237,501		237,501	
Leasehold Improvements			0	
(Incr)Dec in Fixed Asstes	2,267	(727,575)	729,842	-100.31%
<b>TOTAL CHANGE IN ASSETS</b>	<b>297,900</b>	<b>0</b>	<b>297,899</b>	
FTE's	7.0	8.0	(1.0)	

**North American Electric Reliability Corp**  
**2009 Statement of Activities**  
**01/01/09 - 12/31/09**  
**Human Resources**

(In Whole Dollars)

<b>HR - 2400</b>	<b>2009 Actual</b>	<b>2009 Budget</b>	<b>2009 Variance</b>	<b>Comments (Explain variances &lt; +/- 10%)</b>
<b>Funding</b>				
Assessments	668,293	668,293	-	0.00%
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest			-	
Miscellaneous			-	
<b>Total Funding</b>	<b>668,293</b>	<b>668,293</b>	<b>-</b>	<b>0.00%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	300,863	378,722	(77,859)	-20.56% 1.0 FTE transferred to Finance and bonus ppayout less than budgeted
Payroll Taxes	19,727	25,351	(5,624)	-22.18%
Employee Benefits	22,909	111,549	(88,640)	-79.46% Relocation and education benefits budgeted in HR but actuals charged to employee's department
Savings & Retirement	36,569	38,820	(2,251)	-5.80%
<b>Total Personnel Expenses</b>	<b>380,067</b>	<b>554,442</b>	<b>(174,374)</b>	<b>-31.45%</b>
<b>Meeting Expenses</b>				
Meetings	1,215	-	1,215	
Travel	6,562	7,500	(938)	-12.50%
Conference Calls	1,088	-	1,088	
<b>Total Meeting Expenses</b>	<b>8,865</b>	<b>7,500</b>	<b>1,365</b>	<b>18.20%</b>
<b>Operating Expenses</b>				
Rent & Improvements			-	
Contracts			-	
Consultants	187,491	100,000	87,491	87.49% Executive search fees
Office Costs	2,815	6,350	(3,535)	-55.67%
Professional Services	47,074	-	47,074	Outside legal assistance budgeted in Legal and Regulatory
Miscellaneous	4,830	-	4,830	
Depreciation			-	
<b>Total Operating Expenses</b>	<b>242,209</b>	<b>106,350</b>	<b>135,859</b>	<b>127.75%</b>
<b>Other Non-Operating Expenses</b>			-	
<b>Total Expenses</b>	<b>631,141</b>	<b>668,292</b>	<b>(37,150)</b>	<b>-5.56%</b>
<b>Net Change in Assets</b>	<b>37,152</b>	<b>1</b>	<b>37,150</b>	
<b>Fixed Assets</b>				
Depreciation			-	
Computer & Software CapEx			-	
Furniture & Fixtures CapEx			-	
Equipment CapEx			-	
Leasehold Improvements			-	
(Incr)Dec in Fixed Asstes	0	0	0	
<b>TOTAL CHANGE IN ASSETS</b>	<b>37,152</b>	<b>1</b>	<b>37,150</b>	
<b>FTE's</b>	<b>3.5</b>	<b>4.5</b>	<b>(1.0)</b>	

**North American Electric Reliability Corp**  
**2009 Statement of Activities**  
**01/01/09 - 12/31/09**  
**Accounting and Finance**

(In Whole Dollars)

	<b>2009</b>				
<b>FINANCE - 2500</b>	<b>Actual</b>	<b>2009 Budget</b>	<b>2009 Variance</b>		<b>Comments (Explain variances &lt; +/- 10%)</b>
<b>Funding</b>					
Assessments	856,446	856,446	-	0.00%	
Membership Fees			-		
Testing			-		
Services & Software			-		
Workshop Fees			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<b>856,446</b>	<b>856,446</b>	<b>-</b>	<b>0.00%</b>	
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	771,778	550,482	221,296	40.20%	
Payroll Taxes	52,660	36,060	16,600	46.04%	2.0 FTEs transferred in from other areas; 1.0 position changed to part time; 2 CFO's on staff for one quarter
Employee Benefits	85,788	68,865	16,923	24.57%	
Savings & Retirement	57,190	79,820	(22,630)	-28.35%	Discretionary 401k less than budget due to attrition
<b>Total Personnel Expenses</b>	<b>967,415</b>	<b>735,227</b>	<b>232,189</b>	<b>31.58%</b>	
<b>Meeting Expenses</b>					
Meetings	6,197	4,000	2,197	54.92%	
Travel	13,631	15,000	(1,369)	-9.13%	
Conference Calls	7,327		7,327		Conference calls budgeted in G&A but allocated to the department using the service.
<b>Total Meeting Expenses</b>	<b>27,155</b>	<b>19,000</b>	<b>8,155</b>	<b>42.92%</b>	
<b>Operating Expenses</b>					
Rent & Improvements			-		
Contracts			-		
Consultants	16,340		16,340		Meeting Planning software development which was not budgeted
Office Costs	7,987	2,220	5,767	259.76%	Budget estimate for telephone expense was not based upon actual data, since the expense was charged to G&A in prior years. As we continue to match actual costs to the Programs, future budget estimates should become more accurate.
Professional Services	183,796	100,000	83,796	83.80%	Outside legal fees associated with all FERC filings related to budgets and financial reporting were budgeted in Legal & Regulatory; audit fees for 2008 and accrual of 2009 fees
Miscellaneous	701		701		
Depreciation	1,741		1,741		
<b>Total Operating Expenses</b>	<b>210,564</b>	<b>102,220</b>	<b>108,344</b>	<b>105.99%</b>	
<b>Other Non-Operating Expenses</b>					
			-		
<b>Total Expenses</b>	<b>1,205,134</b>	<b>856,447</b>	<b>348,687</b>	<b>40.71%</b>	
<b>Net Change in Assets</b>	<b>(348,688)</b>	<b>(1)</b>	<b>(348,687)</b>		
<b>Fixed Assets</b>					
Depreciation	(1,741)		(1,741)		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>(Incr)Dec in Fixed Asstes</b>	<b>1,741</b>	<b>0</b>	<b>1,741</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>(346,946)</b>	<b>(1)</b>	<b>(346,946)</b>		
<b>FTE's</b>	<b>7.38</b>	<b>5.00</b>	<b>2.38</b>		

**North American  
Electric Reliability  
Corporation**  
**Financial Statements**  
**December 31, 2009**

# North American Electric Reliability Corporation

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December 31, 2009

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## Independent Auditors' Report

To the Board of Trustees of  
North American Electric Reliability Corporation

We have audited the accompanying statement of financial position of North American Electric Reliability Corporation (the "Corporation") as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North American Electric Reliability Corporation as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of expenses on pages 13 and 14 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Weiser LLP*

Edison, N.J.  
May 26, 2010

**North American Electric Reliability Corporation**  
**Statement of Financial Position**  
**December 31, 2009**

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**Assets**

Cash and cash equivalents	\$ 24,427,536
Accounts receivable, net of allowance for doubtful accounts of \$152,323	2,968,503
Prepaid expenses	212,620
Property and equipment, net (Note 2)	1,802,950
Security deposits	15,767
Cash surrender value of insurance policies	<u>249,669</u>
<b>Total assets</b>	<b>\$ <u>29,677,045</u></b>

**Liabilities and Net Assets Deficiency**

Accounts payable and accrued expenses	\$ 4,208,654
Deferred income	5,218,403
Deferred penalty income (Note 4)	10,000,000
Regional assessments collected in advance (Note 5)	8,480,053
Deferred compensation (Note 5)	620,461
Accrued retirement liabilities (Note 8)	<u>1,369,942</u>
Total liabilities	29,897,513

Commitments

Unrestricted net assets deficiency	<u>(220,468)</u>
<b>Total liabilities and net assets deficiency</b>	<b>\$ <u>29,677,045</u></b>

The accompanying notes are an integral part of these financial statements.



# North American Electric Reliability Corporation

## Statement of Activities

Year Ended December 31, 2009

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### Revenues

NERC assessments	\$ 31,925,050
Testing/fees	1,249,170
Services and software	384,454
Workshops	111,800
Membership	945,941
Interest	13,221
Miscellaneous	275,890
Total revenues	<u>34,905,526</u>

### Expenses

Salaries	15,089,582
Employee costs	2,569,172
Retirement and savings plans	1,784,962
Travel and meetings	2,986,463
Services	9,761,250
Rent	873,646
Office costs	1,112,387
Computer	297,825
Depreciation and amortization	575,656
Bad debts	141,747
Federal proxy tax expense	27,253
Total expenses	<u>35,219,943</u>

Change in unrestricted net assets	<u>(314,417)</u>
Unrestricted net assets, beginning of year, as previously reported	2,096,856
Prior period adjustments (Note 9)	<u>(2,002,907)</u>
Unrestricted net assets, beginning of year, as restated	<u>93,949</u>
<b>Unrestricted net assets deficiency, end of year</b>	<b>\$ (220,468)</b>

The accompanying notes are an integral part of these financial statements.

# North American Electric Reliability Corporation

## Statement of Cash Flows

Year Ended December 31, 2009

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<b>Cash flows from operating activities</b>	
Change in unrestricted net assets	\$ (314,417)
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:	
Depreciation and amortization	575,656
Provision for bad debt expense	141,747
Cash value of insurance policies	(73,838)
Increase (decrease) in cash attributable to changes in operating assets and liabilities:	
Accounts receivable	(1,428,296)
Prepaid expenses	(63,697)
Accounts payable and accrued expenses	1,475,676
Deferred income	(510,989)
Deferred penalty income	10,000,000
Regional assessments collected in advance	1,543,945
Deferred compensation	125,619
Accrued retirement liabilities	351,250
<b>Net cash provided by operating activities</b>	<u>11,822,656</u>
<b>Cash flows from investing activities</b>	
Purchase of property and equipment	<u>(1,227,305)</u>
<b>Net increase in cash and cash equivalents</b>	10,595,351
<b>Cash and cash equivalents, beginning of year</b>	<u>13,832,185</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 24,427,536</u>
<b>Supplemental disclosures of cash flow information</b>	
Cash paid during the year for:	
Interest	<u>\$ 2,810</u>
Taxes	<u>\$ 5,813</u>
<b>Supplemental disclosures of non-cash information</b>	
Transfer of cash surrender value of life insurance policies from the company to its employees	<u>\$ 170,014</u>

The accompanying notes are an integral part of these financial statements.

**North American Electric Reliability Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2009**

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**1. Businesses and Summary of Significant Accounting Policies**

**Description of Business**

The North American Electric Reliability Corporation (the "Corporation") is a self-regulatory organization that relies on the diverse and collective expertise of electricity industry participants, subject to government oversight and audit. The Corporation is certified by the U.S. Federal Energy Regulatory Commission ("FERC") as the Electric Reliability Organization ("ERO") within the United States. In the United States, the Corporation has the authority to levy fines and penalties against any of the individual users, owners and operators of the bulk power system for non-compliance with the reliability standards that govern the bulk power system. The Corporation has also been recognized as the ERO by governmental authorities in Canada.

The Corporation's mission is to enhance the reliability and security of the bulk power system in North America. To achieve that, the Corporation develops and enforces reliability standards; monitors the bulk power system; assesses future adequacy and educates, trains and certifies industry personnel. Entities subject to the Corporation's reliability standards account for virtually all the electricity supplied in the United States of America, Canada and a portion of Baja California, Norte, Mexico. On March 15, 2007, FERC approved 83 Reliability Standards issued by the Corporation, the first set of legally enforceable standards for the U.S. bulk power system. Effective June 18, 2007, compliance with approved Reliability Standards became mandatory and enforceable in the United States. Reliability standards became mandatory and enforceable in Ontario, Canada in 2002 and in New Brunswick, Canada in 2004.

The Corporation is the successor to North American Electric Reliability Council (the "Council") which was formed in 1968 in the aftermath of the November 1965 blackout that affected the northeastern United States and Ontario, Canada. On October 31, 2006, the Council entered into an agreement and plan of merger with the Corporation, a New Jersey non-profit corporation. At the effective date of the merger, January 1, 2007, the separate corporate existence of the Council ceased, and Corporation became the surviving entity. All of the property, assets, rights, privileges, powers, franchises and immunities of the Council became the property of the Corporation. All debts, liabilities and obligations of the Council were also assumed by the Corporation. The Corporation is organized and operates as a business league under Section 501(c)(6). The activities of the Corporation are directed by an independent board of trustees.

The membership of the Corporation is unique. It is a not-for-profit corporation whose members include users, owners and operators of the bulk power system, eight regional entities, large and small end-use customers, state and provincial governmental authorities and any other interested parties.

**North American Electric Reliability Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2009**

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Annually, the board of trustees approves an operating budget for the Corporation that includes a mechanism to adjust the overall assessments to a Load-Serving Entity (“LSE”) to maintain a working capital reserve. The Corporation assesses each LSE its proportional share of the operating budget based on “net energy for load”. On an annual basis, the assessments to LSEs make up approximately 90% of the total funding for the Corporation. The Corporation also generates funding from the collection of fees charged for various services the Corporation provides to the bulk power system industry. These services include the maintenance of a certification program for system operators, the development of reports and software programs, and the hosting of workshops to educate the industry on standards development.

The Corporation has entered into separate Delegation Agreements, which have been approved by FERC, with eight Regional Entities: Florida Reliability Coordinating Council (“FRCC”), Midwest Reliability Organization (“MRO”), Northeast Power Coordinating Council (“NPCC”), Reliability First Corporation (“RFC”), SERC Reliability Corporation (“SERC”), Southwest Power Pool Regional Entity (“SPP”), Texas Regional Entity (“TRE”) and Western Electricity Coordinating Council (“WECC”). Through these Delegation Agreements, the Corporation has delegated certain of its ERO responsibilities and functions to the Regional Entities.

The Corporation must annually approve the eight Regional Entities’ budgets and submit them along with its budget and schedule of assessments to load serving entities to FERC for final approval of the budgets and the U.S. portion of the assessments. The Corporation has the sole responsibility to invoice, collect and disburse the monies approved in the Regional Entities’ budgets. These pass-through amounts are not included as revenue and expense in the statement of activities, see related Note 8.

**Basis of Accounting and Presentation**

The financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no temporary or permanently restricted net assets as of December 31, 2009.

**Cash and Cash Equivalents**

The Corporation considers all highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents. The Corporation maintains its cash balances with one bank. The accounts at the bank are insured by the Federal Deposit Insurance Corporation. Balances in these accounts may exceed Federally-insured limits from time to time.

**North American Electric Reliability Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2009**

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**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**

The Corporation recognizes assessment revenue billed to the LSEs on a pro-rata basis over the calendar year. Fees generated for testing, certifications, services and software, workshops and other services are recognized when the test is taken, service rendered and/or workshops are completed.

**Deferred Income**

Deferred revenue represents assessments billed to certain regional entities and received in advance of the period in which it is earned. Deferred revenue is recognized as revenue in the period in which it is earned.

**Accounts Receivable**

Accounts receivable are recorded at original invoice amount, less an estimated allowance for uncollectible accounts. Credit is generally extended on a short-term basis; thus accounts receivable do not bear interest. Accounts receivable are periodically evaluated for collectibility based on past experience and an analysis of current accounts receivable collectibility. Changes in the estimated collectibility of accounts receivable are recorded in the results of operations for the period in which the estimate is revised. Accounts deemed uncollectible are charged to the allowance in the years they are deemed uncollectible.

**Depreciation and Amortization**

Depreciation and amortization is provided by the straight-line method over the estimated useful lives of the related assets as follows:

Software development	3 years
Furniture and equipment	3-7 years
Leasehold improvements	Term of lease or estimated useful life of the asset, whichever is shorter

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized.

**Income Taxes**

The Corporation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The Corporation is subject to income taxes on revenues related to

**North American Electric Reliability Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2009**

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unrelated business activities. The Company is subject to a proxy tax related to nondeductible lobbying and political expenses incurred. For the year ended December 31, 2009, the Corporation incurred proxy tax of \$27,253.

**2. Property and Equipment**

Property and equipment consist of the following at December 31:

Software development	\$ 1,136,022
Furniture and equipment	1,601,949
Leasehold improvements	<u>359,996</u>
	3,097,967
Accumulated depreciation and amortization	<u>(1,295,017)</u>
	<u>\$ 1,802,950</u>

Depreciation and amortization expense was \$575,656 for the year ended December 31, 2009.

**3. Line of Credit**

The Corporation has a line of credit with a bank that expires in June 2010. The line of credit provides for up to \$4,000,000 of availability to be used for working capital needs. The line of credit accrues interest at prime plus 0.5% (3.75% at December 31, 2009). Total borrowings under the line of credit may not exceed 70% of the qualified accounts receivable. The line of credit is secured by all existing and future assets and subject to a filing under the Uniform Commercial Code. As part of the line of credit agreement, the Corporation must maintain \$400,000 in a non-interest bearing account with the lender. There were no borrowings outstanding at December 31, 2009. At December 31, 2009, the available amount under the line of credit was reduced by an open letter of credit of \$65,820, which represents a security deposit for the Corporation's office in Washington, D.C. Under the line of credit agreement, the Corporation is required to comply with financial covenants primarily related to minimum net asset requirements and minimum interest coverage ratio.

**4. Deferred Penalty Income**

During 2009, the Corporation received \$10,000,000 of penalty income resulting from a compliance audit violation of reliability standards by a load serving entity. The penalty was recorded upon receipt of the funds when the appeals process was exhausted and the outcome determined. The penalty has been deferred at December 31, 2009 and will be recognized as income in 2011, in accordance with the timing of the receipt of the income and FERC's requirement for the use of penalty income to reduce assessments.

**North American Electric Reliability Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2009**

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**5. Regional Assessments Collected in Advance**

In addition to Corporation assessments billed to LSEs or designees, a regional assessment is also billed by the Corporation on behalf of the regional entities. The regional assessment is based on approved budgets of the eight regional entities and remitted to the regional entities by the Corporation. There is a credit risk if the Corporation does not collect the assessments from LSEs or designees before the regional assessments are due to the regional entities. However, the risk is minimal since the Corporation has the ability to reassess and rebill in a subsequent period for any uncollected assessments. During 2009, the regional assessments were:

Total regional assessments billed to WECC, ERCOT, individual LSEs and designees	\$ 85,719,902
Total regional assessments remitted to regional entities	<u>(85,659,000)</u>
Billings over remittances	<u>\$ 60,902</u>

The Corporation also billed and remitted \$5,825,218 to WECC related to 2010 regional assessments prior to December 31, 2009.

At December 31, 2009, regional assessments collected in advance and not remitted to the regional entities, excluding WECC, was \$8,480,053.

**6. Deferred Compensation**

**Agreements and Life Insurance Policies**

During 2005, the Council entered into a deferred compensation agreement (the "Deferred Compensation Agreement") with a retiring executive that provided benefits to the individual upon reaching normal retirement age and was payable over a period selected by the retiring employee. Under certain circumstances, benefits were payable to his surviving spouse. The Corporation assumed the liabilities upon merger with the Council effective January 1, 2007. The present value of the estimated liability under the agreement at December 31, 2007, was accrued using a discount rate of 4.91%. The Corporation provided for some of the benefit funding through a variable universal policy. Effective October 15, 2008, the Deferred Compensation Agreement was superseded by a new agreement. The variable universal life policy used to fund the liability, including the cash surrender value of the policy of \$139,640, was assigned and transferred to the retired executive in January 2009. In accordance with the new agreement, the Corporation will continue to pay the policy premiums of \$26,000 per year through 2013. At December 31, 2009, the present value of the unfunded liability, using a discount rate of 1.55% was \$112,384, and is included in deferred compensation on the statement of financial position.

**North American Electric Reliability Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2009**

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On October 15, 2008, the Corporation entered into various Executive Benefit Agreements (the "Agreements") with certain executives and the aforementioned retired executive. The Agreements supersede and replace all previous written or oral agreements between the Corporation and these executives. In accordance with the Agreements, while employed by the Corporation, the executives shall be provided with life insurance coverage, through individual and/or group policies, providing a death benefit equal to the lesser of three times base salary or \$500,000, or three times base salary depending upon the executives' employment date. The executives agreed to issue split dollar endorsement agreements with respect to such policies. The Corporation is the sole and exclusive owner of the executives' policies. All policy dividends shall be applied to purchase paid-up additional death benefits. Certain executives have multiple insurance policies and the Corporation agreed to pay the premiums on these policies through December 31, 2013, provided the policies stay in force. Premium costs of the policies will be expensed as incurred during the remaining employment terms of the executives. At December 31, 2009, the face value of the policies in which the Corporation is a primary or co-beneficiary is \$1,162,500. Pursuant to the Agreements described above and other arrangements, certain policies, including the policy of the aforementioned retired executive, were assigned and transferred, including the cash surrender values of \$170,014, to certain employees in January 2009. At December 31, 2009, the cash surrender value of all remaining policies was \$249,669 and is included as an asset and deferred compensation on the statement of financial position since the policies will be transferred to the employees upon their termination of employment per the Agreements.

**Retiree Medical Benefits**

Effective September 1, 2007, the board of trustees approved and adopted a policy to provide retiree medical coverage for certain current retirees and any and all dependents and transition retirees and any and all dependents, as defined by the board resolution, up to a maximum monthly benefit of \$550 paid directly to the applicable insurer. Assumptions used in recording the retiree medical benefits included the 2004 Social Security Administration Actuarial Period Life Table, annual inflation rate of 5% and discount rate of 8%. At December 31, 2009, the accrued retiree medical benefits liability was \$258,408, and is included in deferred compensation on the statement of financial position. The retiree medical expense related to this policy was approximately \$31,400 for the year ended December 31, 2009.

**7. Commitments**

The Corporation leases office space in Princeton, New Jersey and Washington D.C under non-cancellable lease agreements with expiration dates in 2013 and 2017, respectively. In addition in 2009, the Corporation initiated multiple service agreements for various reliability tools and for a secure alert system used by industry for monitoring activity and communicating with users of the bulk power system. Approximate future minimum payments on office lease space and service agreements at December 31, 2009, for the next five years individually, and in the aggregate are as follows:



**North American Electric Reliability Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2009**

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<u>Years Ending December 31,</u>	<u>Leased Space</u>	<u>Service Agreements</u>	<u>Total</u>
2010	\$ 898,000	\$ 1,582,000	\$ 2,480,000
2011	939,000	1,715,000	2,654,000
2012	947,000	1,744,000	2,691,000
2013	587,000	446,000	1,033,000
2014	333,000	-	333,000
Thereafter	750,000	-	750,000
Total minimum future payments	<u>\$ 4,454,000</u>	<u>\$ 5,487,000</u>	<u>\$ 9,941,000</u>

The office leases are subject to escalation clauses covering increases in real estate taxes and operating costs over the base year. The difference between rent expense calculated ratably over the lease term and rent paid according to the lease, is recorded as a deferred rent obligation in the amount of \$146,932 at December 31, 2009, and is included in accounts payable and accrued expenses on the statement of financial position.

Office rent expense for the year ended December 31, 2009, was \$873,646.

**8. Defined Contribution Plan**

The Corporation sponsors an employee savings 401(k) plan (the "Plan") whereby eligible participating employees may elect to contribute up to the Internal Revenue Service Code 402(g)(1) limit. The Corporation contributes a 75% match of the participant's elective contribution, provided that the elective contribution does not exceed 6% of eligible compensation. The Corporation also makes a profit sharing contribution of 10% of the compensation of all qualifying participants. The additional profit sharing contributions are subject to the limitation imposed by the Internal Revenue Service Code 401(a)(17). The Corporation's expenses related to the Plan for the year ended December 31, 2009, was \$1,784,962. The contributions accrued as of December 31, 2009, amounted to \$1,310,942 and is included in accrued retirement liabilities in the statement of financial position.

**9. Prior Period Adjustments**

The Corporation restated unrestricted net assets at January 1, 2009, to record the cumulative effect of prior period adjustments in the amount of \$2,002,907 as follows: Bonus expense was understated in the amount of \$1,742,701 as it was recorded at the time of payment rather than when incurred; Deferred compensation expense was understated in the amount of \$175,830 resulting from an incorrect adjustment to the deferred compensation liability. Rent expense was understated in the amount of \$84,376, resulting from not recording deferred rent payable in the prior year.

**North American Electric Reliability Corporation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2009**

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**10. Concentration of Credit Risk**

The Corporation receives a significant portion of its income from assessments, based upon “net energy for load”, to LSEs within the eight regions which are located throughout the United States of America, Canada and a portion of Baja California Norte, Mexico. LSEs are assessed a proportional share of the Corporation’s operating budget as well as a proportional share of the operating budget of the regional entity in whose territory the LSE is located. The Corporation issues quarterly invoices directly to LSEs or, in some circumstances, designees. With respect to LSE’s located within Texas Regional Entity (“TRE”), an independent division of Electric Reliability Council of Texas (“ERCOT”), the Corporation issues a quarterly invoice to ERCOT which then issues invoices to the LSEs in its region, collects the assessments and remits the funds to the Corporation. The Corporation then remits the regional assessments to TRE/ERCOT. A similar arrangement exists with respect to LSEs located within the Western Electricity Coordinating Council (“WECC”). For LSEs located within the PJM Interconnection (“PJM”), the Corporation issues invoices to PJM which issues invoices to the LSEs, collects the assessments and remits the funds to the Corporation. The Corporation then forwards the regional assessment to Reliability First Corporation (“RFC”), the regional entity. The Corporation is extending credit to the LSEs and designees and is exposed to credit risk to the extent regional assessments are paid by the Corporation to the regional entities prior to collecting assessments from the LSEs or designees. Based on past history, the Corporation believes that its trade accounts receivable credit risk exposure is limited.

**11. Subsequent Events**

The Corporation has evaluated subsequent events through May 26, 2010, the date the financial statements were available for issuance.

**SUPPLEMENTARY INFORMATION**

**North American Electric Reliability Corporation**  
**Schedules of Expenses**  
**Years Ended December 31, 2009**

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<b>Salaries</b>	<b>\$ 15,089,582</b>
<b>Employee costs</b>	
Payroll taxes	
FICA	\$ 634,953
NJUC	58,127
FUI	7,173
Medicare	216,163
Employee benefits - medical	1,199,057
Employee benefits - life/disability	119,531
Employee benefits - officers' life	93,921
Insurance - workers' compensation	53,817
Relocation expenses	100,625
Educational	85,805
	<u>\$ 2,569,172</u>
<b>Retirement and savings plans</b>	<b>\$ 1,784,962</b>
<b>Travel and meetings</b>	
Meetings	\$ 579,987
Workshops	144,327
Travel	1,883,394
On-line meetings	378,755
	<u>\$ 2,986,463</u>

**North American Electric Reliability Corporation**  
**Schedules of Expenses**  
**Years Ended December 31, 2009**

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**Services**

Temporary office services and agency fees	\$ 252,469
Contract and consultants	
Consultants, compliance, certification, software, TMS standards and contract - readiness audits	5,380,037
IDC	1,679,426
ISN	625,923
Independent trustee fees	834,475
Search fees	179,443
Office and equipment repair/services	83,679
Recordkeeping fees	12,938
Accounting and auditing fees	137,231
Legal fees	575,629
	<u>\$ 9,761,250</u>

**Rent**

\$ 873,646

**Office costs**

Insurance - commercial	\$ 67,469
Publications and subscriptions	40,703
Dues	39,937
Postage	27,054
UPS, express mail, etc.	41,807
Telephone	247,138
Copying	65,638
Stationery and office forms	13,025
Office supplies	136,043
Bank charges	9,182
Sales and use tax	56,531
Card fees	48,007
Internet expenses	277,576
Miscellaneous	42,277
	<u>\$ 1,112,387</u>

**Computer - supplies/service contracts**

\$ 297,825

**Depreciation and amortization**

\$ 575,656

**Provision for bad debts**

\$ 141,747

**Federal income tax expense**

\$ 27,253

**ATTACHMENT 2**

**2009 ACTUAL COST-TO-BUDGET COMPARISON**

**AND**

**2009 AUDITED FINANCIAL REPORT**

**FOR**

**FLORIDA RELIABILITY COORDINATING COUNCIL**



FLORIDA RELIABILITY COORDINATING COUNCIL, INC.  
1408 N. WESTSHORE BLVD., SUITE 1002  
TAMPA, FLORIDA 33607-4512  
PHONE 813.289.5644 • FAX 813.289.5646  
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## True Up 2009 2009 Budget Variance Explanations Based on Audited Financials

### Statutory Funding

Total Actual Over Budget \$8k:

Work Shops –Training	Under Budget (\$2,000)
Services & Software – Models on Demand Annual License Fees Pass Through was not budgeted	Over Budget \$10,000

### Statutory Expenditures

Total Over Budget \$154k

#### Statutory Personnel Expenses

Total Actual Over Budget \$230k:

Reliability Standards Development – Less time was spent by the Manager due to the FERC Audit and his involvement in it and moving expenses for the Manager were budgeted in the prior year and expended in 2009

Over budget \$8,000

Compliance Enforcement – Starting salaries for two additions to staff were 26.4% greater than anticipated, moving costs and temporary housing for new employees was greater and associated benefit costs due to the increased salaries

Over budget \$205,000

Reliability Assessment – Less time spent than was budgeted

Under budget (\$14,000)

Training & Education – More time was spent on this program than budgeted

Over budget \$13,000

Situational Awareness – Time was spent putting together the Situational Awareness FERC, NERC and Regional Entity Project (SAFNR) but was not budgeted

Over budget \$18,000

#### Statutory Meeting Expenses

Total Actual Under Budget (\$102k):

Reliability Standards Development – The number of meetings attended increased and were located in higher priced areas than budgeted

Over budget \$4,000

Compliance Enforcement – Compliance workshops cost less than budgeted and the cost of travel to audits and housing for audits was less than anticipated

Under budget (\$49,000)

Reliability Assessment – Travel Expenses have not materialized due to a decision to attend via conference call rather than face to face meeting Under budget (\$25,000)  
Training & Education – Actual charges incurred were split between meeting and the actual category they belonged to – see Operating Expenses Under budget (\$34,000)  
Situational Awareness – Travel associated with the SAFNR project was not budgeted Over budget \$2,000

**Statutory Operating Expenses And Fixed Assets**

Total Actual Over Budget \$26k

Reliability Standards – Less time spent in program thus there were lower office costs than budgeted Under budget (\$20,000)  
Compliance Enforcement – Hearings were budgeted for and none were necessary and office costs were less than anticipated Under budget (\$80,000)  
 NERC Audit of the RC Function not budgeted Over Budget \$50,000  
 Guidance Software costs were less than budgeted Under budget (\$36,000)  
Reliability Assessment – Less time spent in program thus there were lower office costs than budgeted and Assessments/Studies were budgeted to be done by outside consultants but were done by In House Engineers Under budget (\$137,000)  
Training & Education – The SOS Training expenses were all budgeted for as “Meetings” but actual was charged by category Over budget \$16,000  
Situational Awareness – Fixed Assets and Software was purchased to put together the Situational Awareness FERC, NERC and Regional Entity Project (SAFNR) but was not budgeted Over budget \$45,000

**General Overall for all Functions:**

Cost of Legal Representation for the FERC Audit was not budgeted Over budget \$167,000  
 Cost of new Document Management Software was not budgeted Over budget \$8,000  
 Reserve Not Used Creates an Over Budget of \$13,000

**Statutory Net Funding**

**Shortage of (\$146k)**



## **Non Statutory (Member Services) Funding:**

Total Actual Over Budget \$894k:

Special Assessment for Increased RC Function	Total Over Budget \$899,000
Interest Earned not Budgeted	Total Over Budget \$7,000
Post Retirement Loss	Total Under Budget (\$12,000)

## **Non Statutory Expenditures**

Total Over Budget \$529k

### **Non Statutory Personnel Expenses**

Total Actual Over Budget \$76k

Planning – Staff has been spending more time in the Statutory Programs than budgeted in the Planning Member Services area and not hiring a summer intern that was budgeted

Under budget (\$23,000)

Operations – The net effect of staff spending more time in the Statutory Programs than budgeted in the Operations Member Services area and hiring a full time Reliability Coordinator in late May

Over budget \$99,000

### **Non Statutory Meeting Expenses**

Total Actual Under Budget (\$9k):

Planning – Meeting expenses were budgeted by Committee and by staff

Under budget (\$11,000)

Operations – Net effect of meeting expenses were budgeted by Committee and by staff and travel associated with the New RC position

Over budget \$3,000

### **Non Statutory Operating Expenses and Fixed Assets**

Total Actual Over Budget \$462k:

Planning – Office costs and consultants not as great as budgeted. Budgeting for studies (Winter, Summer, 10-Year, Fault Analysis) as if outside consultants would perform, are being performed by staff

Under budget (\$68,000)

Operations – Increased RC Function coverage and Consultant to evaluate and write procedural documentation were not budgeted but are part of the special assessment that was implemented; telecommunications that are not pass through are greater than anticipated; legal fees associated with the FEAT defence and settlement were not budgeted

Over budget \$459,000

FERC Penalty Assessment

Over Budget \$350,000

### **General Overall for both Functions:**

Cost of new Document Management Software was not budgeted

Over budget \$39,000

Reserve Not Used

Under budget (\$359,000)

Post Retirement Adjustment

Over budget \$41,000

**Non - Statutory Net Funding**

**Surplus of \$365k**

**2009 Net Change in Funding Through 12/31/2009:** Surplus \$219k

Statutory –Shortage of (\$146k)

Member Services Non Statutory – Surplus \$365k

**2009 Net Change in Assets Through 12/31/2009:** Surplus \$285k

Statutory –Shortage of (\$97k)

Member Services Non Statutory – Surplus \$382k

**Net Assets As Of 12/31/2009:** Surplus \$1,485k

Statutory –Surplus of \$1,216k

Member Services Non Statutory – Surplus \$269k

**Method used to allocate indirect costs to the direct statutory program or functional areas:**

The FRCC uses standard cost accounting procedures to allocate general expenses (that cannot be directly assigned) to a specific function. The system used consists of directly expensing as much as possible directly to the function (whether that function is Statutory or Member Services) that incurred the expense. This is accomplished by routing to the responsible departmental head all invoices pertaining to their job responsibility. The departmental head assigns the functional category and returns the invoice to accounting who assigns the General Ledger Account Number (as specified in the FRCC Accounting Policy Manual – Coding of Invoices for Goods and Services). If the expense cannot be directly charged to a particular function (example rent, payroll taxes, benefits, general office supplies, etc.), the expense is charged to holding accounts by chart of accounts line item to be allocated by line item at the end of the month using the monthly time accounting summarization of FTE by function. So there are two ways expenses are charged to a particular function, either by direct expense or by allocation from the results of the monthly time accounting summarization of FTE by function.

The monthly time accounting summarization of FTE by function is calculated using the time sheets that each employee is required to turn in to HR bi-weekly. Each employee allocates eight (8) hours per day to the functions they worked on that day. Their time sheet is reviewed by their departmental head and initialed bi-weekly.

Employees are categorized into 2 groups: Technical Employees – those employees who work directly on functions and have little or no administrative duties (examples would be the Compliance staff and the Engineers) and Non-Technical Staff – those employees who perform support functions that are 80% or greater nonspecific definable by function (examples would be the Accounting staff, the President, the receptionist, etc.). The time from the time sheets are entered into a macro (by employee and function worked on) for the corresponding month being accounted for. The portions of the non-technical support staff that are designated as General are then allocated based upon what the technical personnel (and the direct functional portion of their time) spent their time on. The theory is that the general administrative support staff hours are being spent on the same functions that the technical staff spends their time on because they supported that staff. The FTE's by function are then calculated and used to allocate the items in the holding accounts that could not be directly expensed to a specific function.

There are no shared costs.

### **Cash Reserves Statement**

No Cash Reserves were used by the FRCC in 2009.

### **Statement concerning the use of Statutory Funds for Member Services Expenses:**

No Statutory Funds were used to pay for Member Services Functions in 2009.

### **General & Administrative Costs as a Percentage of Total Budgeted Funding**

The FRCC uses standard cost accounting procedures to allocate general expenses (that cannot be directly assigned) to a specific function. Thus all functions reported herein contain direct and indirect costs including administrative expenses. Thus there are no General & Administrative Costs reported.

Florida Reliability Coordinating Council, Inc.  
 Total Summary  
 Statement of Activities - Total Actual to Total Budget  
 December 31, 2009

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 3,898,438	\$ 3,898,438	\$ -
Penalty Sanctions			-
<b>Total ERO Funding</b>	<b>\$ 3,898,438</b>	<b>\$ 3,898,438</b>	<b>\$ -</b>
Membership Fees & Non-Stat Assessments	4,108,029	3,209,412	898,617
Testing Fees	-	-	-
Services & Software	162,179	151,700	10,479
Workshops	77,293	79,430	(2,137)
Interest	7,067	-	7,067
Miscellaneous	(11,793)	-	(11,793)
<b>Total Funding</b>	<b>\$ 8,241,213</b>	<b>\$ 7,338,980</b>	<b>\$ 902,233</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	3,238,659	3,023,910	214,749
Payroll Taxes	195,947	196,456	(509)
Employee Benefits	354,399	297,896	56,503
Savings & Retirement	460,104	425,312	34,792
<b>Total Personnel Expenses</b>	<b>\$ 4,249,109</b>	<b>\$ 3,943,574</b>	<b>\$ 305,535</b>
<b>Meeting Expenses</b>			
Meetings	77,630	145,477	(67,847)
Travel	196,135	248,755	(52,620)
Conference Calls	37,090	26,996	10,094
<b>Total Meeting Expenses</b>	<b>\$ 310,855</b>	<b>\$ 421,228</b>	<b>\$ (110,373)</b>
<b>Operating Expenses</b>			
Consultants & Contracts	1,545,599	1,306,675	238,924
Office Rent	350,780	354,990	(4,210)
Office Costs	444,494	564,154	(119,660)
Professional Services	420,247	155,624	264,623
Computer Supplies & Maint	18,240	10,891	7,349
Miscellaneous	350,000	3,194	346,806
Depreciation	224,590	-	224,590
<b>Total Operating Expenses</b>	<b>\$ 3,353,950</b>	<b>\$ 2,395,528</b>	<b>\$ 958,422</b>
<b>Total Direct Expenses</b>	<b>\$ 7,913,914</b>	<b>\$ 6,760,330</b>	<b>\$ 1,153,584</b>
<b>Other Non-Operating Expenses</b>			
Reserve Requirements	\$ -	\$ 336,151	\$ (336,151)
Post Retirement Expenses	41,040	-	41,040
<b>Total Other Non-Operating</b>	<b>\$ 41,040</b>	<b>\$ 336,151</b>	<b>\$ (295,111)</b>
<b>Change in Assets</b>	<b>\$ 286,259</b>	<b>\$ 242,499</b>	<b>\$ 43,760</b>
<b>Fixed Assets</b>			
Depreciation	(224,590)	-	(224,590)
Computer & Software CapEx	132,428	-	132,428
Furniture & Fixtures CapEx	10,941	-	10,941
Equipment CapEx	148,052	242,499	(94,447)
Leasehold Improvements	-	-	-
<b>Change in Fixed Assets</b>	<b>\$ (66,831)</b>	<b>\$ (242,499)</b>	<b>\$ 175,668</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 219,428</b>	<b>\$ -</b>	<b>\$ 219,428</b>
<b>Full Time Equivalents</b>	27.02	27.49	(0.47)

Florida Reliability Coordinating Council, Inc.  
Statutory Summary  
Statement of Activities - Total Actual to Total Budget  
December 31, 2009

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 3,898,438	\$ 3,898,438	\$ -
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<b>\$ 3,898,438</b>	<b>\$ 3,898,438</b>	<b>\$ -</b>
Membership Fees & Non-Stat Assessments	-	-	-
Testing Fees	-	-	-
Services & Software	10,080	-	10,080
Workshops	77,293	79,430	(2,137)
Interest	-	-	-
Miscellaneous	200	-	200
<b>Total Funding</b>	<b>\$ 3,986,011</b>	<b>\$ 3,977,868</b>	<b>\$ 8,143</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 2,177,677	\$ 2,017,775	\$ 159,902
Payroll Taxes	131,743	131,090	653
Employee Benefits	240,456	198,778	41,678
Savings & Retirement	311,275	283,799	27,476
<b>Total Personnel Expenses</b>	<b>\$ 2,861,151</b>	<b>\$ 2,631,442</b>	<b>\$ 229,709</b>
<b>Meeting Expenses</b>			
Meetings	\$ 67,575	\$ 118,387	\$ (50,812)
Travel	154,144	206,860	(52,716)
Conference Calls	12,623	10,598	2,025
<b>Total Meeting Expenses</b>	<b>\$ 234,342</b>	<b>\$ 335,845</b>	<b>\$ (101,503)</b>
<b>Operating Expenses</b>			
Consultants & Contracts	\$ 192,809	\$ 287,472	\$ (94,663)
Office Rent	256,171	236,875	19,296
Office Costs	79,746	181,292	(101,546)
Professional Services	270,609	103,843	166,766
Computer Supplies & Maint	12,173	7,267	4,906
Miscellaneous	-	2,131	(2,131)
Depreciation	175,581	-	175,581
<b>Total Operating Expenses</b>	<b>\$ 987,089</b>	<b>\$ 818,880</b>	<b>\$ 168,209</b>
<b>Total Direct Expenses</b>	<b>\$ 4,082,582</b>	<b>\$ 3,786,167</b>	<b>\$ 296,415</b>
<b>Other Non-Operating Expenses</b>			
Reserve Requirements	\$ -	\$ (22,449)	\$ 22,449
Post Retirement Expenses	-	-	-
<b>Total Other Non-Operating</b>	<b>\$ -</b>	<b>\$ (22,449)</b>	<b>\$ 22,449</b>
<b>Change in Assets</b>	<b>\$ (96,571)</b>	<b>\$ 214,150</b>	<b>\$ (310,721)</b>
<b>Fixed Assets</b>			
Depreciation	\$ (175,581)	\$ -	\$ (175,581)
Computer & Software CapEx	122,808	-	122,808
Furniture & Fixtures CapEx	5,109	-	5,109
Equipment CapEx	96,515	214,150	(117,635)
Leasehold Improvements	-	-	-
<b>Change in Fixed Assets</b>	<b>\$ (48,851)</b>	<b>\$ (214,150)</b>	<b>\$ 165,299</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (145,422)</b>	<b>\$ -</b>	<b>\$ (145,422)</b>
<b>Full Time Equivalents</b>	<b>18.21</b>	<b>18.34</b>	<b>(0.13)</b>

**REGIONAL ENTITY**  
**2009 Statement of Activities Summary**  
**Reliability Standards**

Florida Reliability Coordinating Council, Inc.  
 Reliability Standards Development  
 Statement of Activities - Total Actual to Total Budget  
 December 31, 2009

**Comments - Explain variances that are +/- 10%**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 393,970	\$ 393,970	\$ -	0.00%	
Penalty Sanctions					
<b>Total ERO Funding</b>	<u>\$ 393,970</u>	<u>\$ 393,970</u>	<u>\$ -</u>	<u>0.00%</u>	
Membership Fees & Non-Stat Assessments					
Testing Fees					
Services & Software					
Workshops					
Interest					
Miscellaneous					
<b>Total Funding</b>	<u>\$ 393,970</u>	<u>\$ 393,970</u>	<u>\$ -</u>	<u>0.00%</u>	
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	231,211	235,573	(4,362)	-1.85%	Less Time spent on this program than budgeted
Payroll Taxes	13,885	15,305	(1,420)	-9.28%	Lower than budgeted payroll taxes due to less time spent
Employee Benefits	37,582	23,207	14,375	61.94%	Decreased time spent on program and Moving Expenses Budgeted 2008 but expended in 2009
Savings & Retirement	32,589	33,133	(544)	-1.64%	Associated fringe benefits due to the decreased time spent on this program
<b>Total Personnel Expenses</b>	<u>\$ 315,267</u>	<u>\$ 307,218</u>	<u>\$ 8,049</u>	<u>2.62%</u>	
<b>Meeting Expenses</b>					
Meetings	2,029	1,195	834	69.79%	RSD Educational Meetings not budgeted
Travel	24,318	21,922	2,396	10.93%	Number of meeting attended increased and locations of same were in high priced areas
Conference Calls	1,280	837	443	52.93%	More meetings held by conference call than budgeted
<b>Total Meeting Expenses</b>	<u>\$ 27,627</u>	<u>\$ 23,954</u>	<u>\$ 3,673</u>	<u>15.33%</u>	
<b>Operating Expenses</b>					
Consultants & Contracts	614	-	614		
Office Rent	20,229	27,655	(7,426)	-26.85%	Less Time spent on this program than budgeted
Office Costs	6,976	20,277	(13,301)	-65.60%	Less Time spent on this program than budgeted
Professional Services	27,529	12,123	15,406	127.08%	Legal Representation for the FERC Audit was not budgeted
Computer Supplies & Maint	972	848	124	14.62%	
Miscellaneous	-	249	(249)	-100.00%	Excess reserve from prior years was budgeted to be returned
Depreciation	6,090	-	6,090		Depreciation & Amortizatoin was not budgeted
<b>Total Operating Expenses</b>	<u>\$ 62,410</u>	<u>\$ 61,152</u>	<u>\$ 1,258</u>		
<b>Total Direct Expenses</b>	<u>\$ 405,304</u>	<u>\$ 392,324</u>	<u>\$ 12,980</u>		
<b>Other Non-Operating Expenses</b>					
Reserve Requirements	-	(2,662)	2,662		
Post Retirement Expenses					
<b>Total Other Non-Operating</b>	<u>\$ -</u>	<u>\$ (2,662)</u>	<u>\$ 2,662</u>		
<b>Change in Assets</b>	<u>\$ (11,334)</u>	<u>\$ 4,308</u>	<u>\$ (15,642)</u>	<u>-363.09%</u>	
<b>Fixed Assets</b>					
Depreciation	(6,090)	-	(6,090)		Depreciation & Amortizatoin was not budgeted
Computer & Software CapEx					
Furniture & Fixtures CapEx	404	-	404		
Equipment CapEx	3,865	4,308	(443)		
Leasehold Improvements					
<b>Change in Fixed Assets</b>	<u>\$ 1,821</u>	<u>\$ (4,308)</u>	<u>\$ 6,129</u>	<u>-142.27%</u>	
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ (9,513)</u>	<u>\$ -</u>	<u>\$ (9,513)</u>		
<b>Full Time Equivalents</b>	2.14	2.16	(0.04)		

REGIONAL ENTITY  
2009 Statement of Activities Summary  
Compliance and Organization Registration and Certification

Florida Reliability Coordinating Council, Inc.  
Compliance Monitoring & Enforcement  
Statement of Activities - Total Actual to Total Budget  
December 31, 2009

Comments - Explain variances that are +/- 10%

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance	
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	\$ 2,368,004	\$ 2,368,004	\$ -	0.00%
Penalty Sanctions			-	
<b>Total ERO Funding</b>	<b>\$ 2,368,004</b>	<b>\$ 2,368,004</b>	<b>\$ -</b>	<b>0.00%</b>
Membership Fees & Non-Stat Assessments			-	
Testing Fees			-	
Services & Software			-	
Workshops			-	
Interest			-	
Miscellaneous			-	
<b>Total Funding</b>	<b>\$ 2,368,004</b>	<b>\$ 2,368,004</b>	<b>\$ -</b>	<b>0.00%</b>
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	1,398,723	1,247,211	151,512	12.15%
Payroll Taxes	84,498	81,028	3,470	4.28%
Employee Benefits	148,637	122,867	25,770	20.97%
Savings & Retirement	199,862	175,420	24,442	13.93%
<b>Total Personnel Expenses</b>	<b>\$ 1,831,720</b>	<b>\$ 1,626,526</b>	<b>\$ 205,194</b>	<b>12.62%</b>
<b>Meeting Expenses</b>				
Meetings	12,432	28,253	(15,821)	-56.00%
Travel	103,995	136,044	(32,049)	-23.56%
Conference Calls	5,953	7,357	(1,404)	-19.08%
<b>Total Meeting Expenses</b>	<b>\$ 122,380</b>	<b>\$ 171,654</b>	<b>\$ (49,274)</b>	<b>-28.71%</b>
<b>Operating Expenses</b>				
Consultants & Contracts	68,550	80,000	(11,450)	-14.31%
Office Rent	187,394	146,415	40,979	27.99%
Office Costs	49,832	107,363	(57,531)	-53.59%
Professional Services	175,297	64,187	111,110	173.10%
Computer Supplies & Maint	8,551	4,492	4,059	90.36%
Miscellaneous	-	1,317	(1,317)	-100.00%
Depreciation	107,533		107,533	
<b>Total Operating Expenses</b>	<b>\$ 597,157</b>	<b>\$ 403,774</b>	<b>\$ 193,383</b>	
<b>Total Direct Expenses</b>	<b>\$ 2,551,257</b>	<b>\$ 2,201,954</b>	<b>\$ 349,303</b>	
<b>Other Non-Operating Expenses</b>				
Reserve Requirements	\$ -	\$ (14,008)	\$ 14,008	
Post Retirement Expenses			-	
<b>Total Other Non-Operating</b>	<b>\$ -</b>	<b>\$ (14,008)</b>	<b>\$ 14,008</b>	
<b>Change in Assets</b>	<b>\$ (183,253)</b>	<b>\$ 180,058</b>	<b>\$ (363,311)</b>	<b>-201.77%</b>
<b>Fixed Assets</b>				
Depreciation	(107,533)	-	(107,533)	Depreciation & Amortization was not budgeted
Computer & Software CapEx	82,808	-	82,808	Guidance Software was under budgeted
Furniture & Fixtures CapEx	3,698	-	3,698	
Equipment CapEx	55,147	180,058	(124,911)	Document Management System was not budgeted
Leasehold Improvements			-	
<b>Change in Fixed Assets</b>	<b>\$ (34,120)</b>	<b>\$ (180,058)</b>	<b>\$ 145,938</b>	<b>-81.05%</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (217,373)</b>	<b>\$ -</b>	<b>\$ (217,373)</b>	
<b>Full Time Equivalents</b>	<b>11.55</b>	<b>11.44</b>	<b>0.11</b>	

REGIONAL ENTITY  
2009 Statement of Activities Summary  
Reliability Assessment and Performance Analysis

Florida Reliability Coordinating Council, Inc.  
Reliability Assessment & Performance Analysis  
Statement of Activities - Total Actual to Total Budget  
December 31, 2009

Comments - Explain variances that are +/- 10%

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance	
<b>Funding</b>				
ERO Funding				
ERO Assessments	\$ 1,081,245	\$ 1,081,245	\$ -	0.00%
Penalty Sanctions				
<b>Total ERO Funding</b>	<b>\$ 1,081,245</b>	<b>\$ 1,081,245</b>	<b>\$ -</b>	<b>0.00%</b>
Membership Fees & Non-Stat Assessments				
Testing Fees				
Services & Software	10,080		10,080	MOD Software M.A. not budgeted as a pass through
Workshops				
Interest				
Miscellaneous	200		200	
<b>Total Funding</b>	<b>\$ 1,091,525</b>	<b>\$ 1,081,245</b>	<b>\$ 10,280</b>	<b>0.95%</b>
<b>Expenses</b>				
Personnel Expenses				
Salaries	499,080	509,673	(10,593)	-2.08% Less Time spent on this program than budgeted
Payroll Taxes	30,328	33,112	(2,784)	-8.41% Associated fringe benefits due to the decreased time spent on this program
Employee Benefits	49,701	50,210	(509)	-1.01% Associated fringe benefits due to the decreased time spent on this program
Savings & Retirement	71,701	71,685	16	0.02%
<b>Total Personnel Expenses</b>	<b>\$ 650,810</b>	<b>\$ 664,680</b>	<b>\$ (13,870)</b>	<b>-2.09%</b>
Meeting Expenses				
Meetings	4,816	4,812	4	0.08%
Travel	18,338	45,804	(27,466)	-59.96% Travel for meetings was overbudgeted and decisions made to attend via Conference Call
Conference Calls	5,304	2,397	2,907	121.28% Decisions was made to attend meetings via conference call and not travel
<b>Total Meeting Expenses</b>	<b>\$ 28,458</b>	<b>\$ 53,013</b>	<b>\$ (24,555)</b>	<b>-46.32%</b>
Operating Expenses				
Consultants & Contracts	117,353	207,472	(90,119)	-43.44% Assessments/Studies budgeted for outside consultants - decision made to be done in house
Office Rent	44,189	59,833	(15,644)	-26.15% Less Time spent on this program than budgeted
Office Costs	12,534	43,874	(31,340)	-71.43% Less Time spent on this program than budgeted
Professional Services	61,161	26,230	34,931	133.17% Legal Representation for the FERC Audit was not budgeted
Computer Supplies & Maint	2,368	1,836	532	28.98%
Miscellaneous				
Depreciation	55,332	538	(538)	-100.00% Excess reserve from prior years was budgeted to be returned Depreciation & Amortizatoin was not budgetd
<b>Total Operating Expenses</b>	<b>\$ 292,937</b>	<b>\$ 339,783</b>	<b>\$ (46,846)</b>	
<b>Total Direct Expenses</b>	<b>\$ 972,205</b>	<b>\$ 1,057,476</b>	<b>\$ (85,271)</b>	
Other Non-Operating Expenses				
Reserve Requirements	\$ -	\$ (5,552)	\$ 5,552	
Post Retirement Expenses				
<b>Total Other Non-Operating</b>	<b>\$ -</b>	<b>\$ (5,552)</b>	<b>\$ 5,552</b>	
<b>Change in Assets</b>	<b>\$ 119,320</b>	<b>\$ 29,321</b>	<b>\$ 89,999</b>	<b>306.94%</b>
Fixed Assets				
Depreciation	(55,332)	-	(55,332)	Depreciation & Amortizatoin was not budgetd
Computer & Software CapEx				
Furniture & Fixtures CapEx	886		886	
Equipment CapEx	19,239	29,321	(10,082)	Doc Management System not budgeted. Models on Demand Software Budgetd but not purchased
Leaschold Improvements				
<b>Change in Fixed Assets</b>	<b>\$ 35,207</b>	<b>\$ (29,321)</b>	<b>\$ 64,528</b>	<b>-220.07%</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 154,527</b>	<b>\$ -</b>	<b>\$ 154,527</b>	
Full Time Equivalents	4.08	4.53	(0.45)	



REGIONAL ENTITY  
2009 Statement of Activities Summary  
Training and Education

Florida Reliability Coordinating Council, Inc.  
Training, Education and Operator Certification  
Statement of Activities - Total Actual to Total Budget  
December 31, 2009

Comments - Explain variances that are +/- 10%

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		
<b>Funding</b>					
ERO Funding					
ERO Assessments	\$ 18,043	\$ 18,043	\$ -	0.00%	
Penalty Sanctions			-		
<b>Total ERO Funding</b>	<b>\$ 18,043</b>	<b>\$ 18,043</b>	<b>\$ -</b>	<b>0.00%</b>	
Membership Fees & Non-Stat Assessments			-		
Testing Fees			-		
Services & Software			-		
Workshops	77,293	79,430	(2,137)	-2.69%	
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<b>\$ 95,336</b>	<b>\$ 97,473</b>	<b>\$ (2,137)</b>	<b>-2.19%</b>	
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	16,176	6,604	9,572	144.94%	More time spent in this program than was budgeted
Payroll Taxes	1,024	429	595	138.69%	Associated fringe benefits due to the increased time spent on this program
Employee Benefits	1,869	651	1,218	187.10%	Associated fringe benefits due to the increased time spent on this program
Savings & Retirement	2,410	929	1,481	159.42%	Associated fringe benefits due to the increased time spent on this program
<b>Total Personnel Expenses</b>	<b>\$ 21,479</b>	<b>\$ 8,613</b>	<b>\$ 12,866</b>	<b>149.38%</b>	
<b>Meeting Expenses</b>					
Meetings	48,242	84,112	(35,870)	-42.65%	Actual charges incurred in Operator Training were less than budgeted
Travel	5,175	2,957	2,218	75.01%	More time spent in this program than was budgeted
Conference Calls	29	2	27	1350.00%	
<b>Total Meeting Expenses</b>	<b>\$ 53,446</b>	<b>\$ 87,071</b>	<b>\$ (33,625)</b>	<b>-38.62%</b>	
<b>Operating Expenses</b>					
Consultants & Contracts	6,120	-	6,120		Budget was included in meeting costs
Office Rent	1,767	775	992	128.00%	More time spent in this program than was budgeted
Office Costs	9,672	567	9,105	1605.82%	Budget was included in meeting costs
Professional Services	2,425	340	2,085	613.24%	Legal Representation for the FERC Audit was not budgeted
Computer Supplies & Maint	137	24	113	470.83%	
Miscellaneous	-	7	(7)	-100.00%	Excess reserve from prior years was budgeted to be returned
Depreciation	636	-	636		Depreciation & Amortization was not budgeted
<b>Total Operating Expenses</b>	<b>\$ 20,757</b>	<b>\$ 1,713</b>	<b>\$ 19,044</b>		
<b>Total Direct Expenses</b>	<b>\$ 95,682</b>	<b>\$ 97,397</b>	<b>\$ (1,715)</b>		
<b>Other Non-Operating Expenses</b>					
Reserve Requirements	\$ -	\$ (45)	\$ 45		
Post Retirement Expenses			-		
<b>Total Other Non-Operating</b>	<b>\$ -</b>	<b>\$ (45)</b>	<b>\$ 45</b>		
<b>Change in Assets</b>	<b>\$ (346)</b>	<b>\$ 121</b>	<b>\$ (467)</b>	<b>-385.95%</b>	
<b>Fixed Assets</b>					
Depreciation	(636)	-	(636)		Depreciation & Amortization was not budgeted
Computer & Software CapEx			-		
Furniture & Fixtures CapEx	49		49		
Equipment CapEx	4,213	121	4,092		Document Management System was not budgeted
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<b>\$ (3,626)</b>	<b>\$ (121)</b>	<b>\$ (3,505)</b>	<b>2896.69%</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (3,972)</b>	<b>\$ -</b>	<b>\$ (3,972)</b>		
<b>Full Time Equivalents</b>	<b>0.16</b>	<b>0.04</b>	<b>0.12</b>		

REGIONAL ENTITY  
2009 Statement of Activities Summary  
Situation Awareness and Infrastructure Security

Florida Reliability Coordinating Council, Inc.  
Situation Awareness and Infrastructure Security  
Statement of Activities - Total Actual to Total  
December 31, 2009

Comments - Explain variances that are +/- 10%

(In Whole Dollars)

	2009 Actual	2009 Budget	2009		
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 37,176	\$ 37,176	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 37,176</b>	<b>\$ 37,176</b>	<b>\$ -</b>	<b>0.00%</b>	
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<b>\$ 37,176</b>	<b>\$ 37,176</b>	<b>\$ -</b>	<b>0.00%</b>	
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	32,487	18,714	13,773	73.60%	More time was spent than budgeted due to the SAFNR project
Payroll Taxes	2,008	1,216	792	65.13%	Associated fringe benefits due to the increased time spent on this program
Employee Benefits	2,667	1,843	824	44.71%	Associated fringe benefits due to the increased time spent on this program
Savings & Retirement	4,713	2,632	2,081	79.07%	Associated fringe benefits due to the increased time spent on this program
<b>Total Personnel Expenses</b>	<b>\$ 41,875</b>	<b>\$ 24,405</b>	<b>\$ 17,470</b>	<b>71.58%</b>	
<b>Meeting Expenses</b>					
Meetings	56	15	41		
Travel	2,318	133	2,185	1642.86%	More time was spent than budgeted due to the SAFNR project
Conference Calls	57	5	52		
<b>Total Meeting Expenses</b>	<b>\$ 2,431</b>	<b>\$ 153</b>	<b>\$ 2,278</b>	<b>1488.89%</b>	
<b>Operating Expenses</b>					
Consultants & Contracts	172	-	172		
Office Rent	2,592	2,197	395	17.98%	More time was spent than budgeted due to the SAFNR project
Office Costs	732	9,211	(8,479)	-92.05%	Satellite Telecommunications budgeted as Stat but determined to be a part of the RC Communications -Non-Stat
Professional Services	4,197	963	3,234	335.83%	Legal Representation for the PERC Audit was not budgeted
Computer Supplies & Maint	145	67	78	116.42%	
Miscellaneous	-	20	(20)	-100.00%	Excess reserve from prior years was budgeted to be returned
Depreciation	5,990	-	5,990		Depreciation & Amortizatoin was not budgeted
<b>Total Operating Expenses</b>	<b>\$ 13,828</b>	<b>\$ 12,458</b>	<b>\$ 1,370</b>		
<b>Total Direct Expenses</b>	<b>\$ 58,134</b>	<b>\$ 37,016</b>	<b>\$ 21,318</b>		
<b>Other Non-Operating Expenses</b>					
Reserve Requirements	\$ -	\$ (182)	\$ 182		
Post Retirement Expenses	-	-	-		
<b>Total Other Non-Operating</b>	<b>\$ -</b>	<b>\$ (182)</b>	<b>\$ 182</b>		
<b>Change in Assets</b>	<b>\$ (20,958)</b>	<b>\$ 342</b>	<b>\$ (21,300)</b>	<b>-6228.07%</b>	
<b>Fixed Assets</b>					
Depreciation	(5,990)	-	(5,990)		Depreciation & Amortizatoin was not budgeted
Computer & Software CapEx	40,000	-	40,000		SAFNR Project was not budgeted
Furniture & Fixtures CapEx	72	-	72		
Equipment CapEx	14,051	342	13,709		SAFNR Project and a Document Management System was not budgeted
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<b>\$ (48,133)</b>	<b>\$ (342)</b>	<b>\$ (47,791)</b>	<b>13973.98%</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (69,091)</b>	<b>\$ -</b>	<b>\$ (69,091)</b>		
<b>Full Time Equivalents</b>	<b>0.28</b>	<b>0.15</b>	<b>0.13</b>		

Florida Reliability Coordinating Council, Inc.  
 Non-Statutory Summary  
 Statement of Activities - Total Actual to Total Budget  
 December 31, 2009

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments			\$ -
Penalty Sanctions			-
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Fees & Non-Stat Assessments	4,108,029	3,209,412	898,617
Testing Fees	-		-
Services & Software	152,099	151,700	399
Workshops	-		-
Interest	7,067		7,067
Miscellaneous	(11,993)		(11,993)
<b>Total Funding</b>	<b>\$ 4,255,202</b>	<b>\$ 3,361,112</b>	<b>\$ 894,090</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	1,060,982	1,006,135	54,847
Payroll Taxes	64,204	65,366	(1,162)
Employee Benefits	113,943	99,118	14,825
Savings & Retirement	148,829	141,513	7,316
<b>Total Personnel Expenses</b>	<b>\$ 1,387,958</b>	<b>\$ 1,312,132</b>	<b>\$ 75,826</b>
<b>Meeting Expenses</b>			
Meetings	10,055	27,090	(17,035)
Travel	41,991	41,895	96
Conference Calls	24,467	16,398	8,069
<b>Total Meeting Expenses</b>	<b>\$ 76,513</b>	<b>\$ 85,383</b>	<b>\$ (8,870)</b>
<b>Operating Expenses</b>			
Consultants & Contracts	1,352,790	1,019,203	333,587
Office Rent	94,609	118,115	(23,506)
Office Costs	364,748	382,862	(18,114)
Professional Services	149,638	51,781	97,857
Computer Supplies & Maint	6,067	3,624	2,443
Miscellaneous	350,000	1,063	348,937
Depreciation	49,009		49,009
<b>Total Operating Expenses</b>	<b>\$ 2,366,861</b>	<b>\$ 1,576,648</b>	<b>\$ 790,213</b>
<b>Total Direct Expenses</b>	<b>\$ 3,831,332</b>	<b>\$ 2,974,163</b>	<b>\$ 857,169</b>
<b>Other Non-Operating Expenses</b>			
Reserve Requirements	-	358,600	(358,600)
Post Retirement Expenses	41,040	-	41,040
<b>Total Other Non-Operating</b>	<b>\$ 41,040</b>	<b>\$ 358,600</b>	<b>\$ (317,560)</b>
<b>Change in Assets</b>	<b>\$ 382,830</b>	<b>\$ 28,349</b>	<b>\$ 354,481</b>
<b>Fixed Assets</b>			
Depreciation	(49,009)	-	(49,009)
Computer & Software CapEx	9,620		9,620
Furniture & Fixtures CapEx	5,832		5,832
Equipment CapEx	51,537	28,349	23,188
Leasehold Improvements	-		-
<b>Change in Fixed Assets</b>	<b>\$ (17,980)</b>	<b>\$ (28,349)</b>	<b>\$ 10,369</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 364,850</b>	<b>\$ -</b>	<b>\$ 364,850</b>
<b>Full Time Equivalents</b>	<b>8.81</b>	<b>9.15</b>	<b>(0.34)</b>

**FLORIDA RELIABILITY COORDINATING  
COUNCIL, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULES  
December 31, 2009**



Certified Public Accountants  
Business Consultants  
Limited Liability Company

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

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## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors Florida Reliability Coordinating Council, Inc.

We have audited the accompanying statement of financial position of Florida Reliability Coordinating Council, Inc. (a nonprofit organization) as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Reliability Coordinating Council, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statutory and nonstatutory schedules on Pages 13 to 17, inclusive, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Carr, Riggs + Ingram, LLC*

March 16, 2010

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2009

ASSETS

**Current assets:**

Cash and cash equivalents	\$ 3,103,945
Member receivables	2,345,711
Related party receivable	26,305
Prepaid expenses	15,941
	15,941

**Total current assets** 5,491,902

**Property and equipment - at cost**

Equipment and computers	381,860
Software	600,906
Furniture and fixtures	212,684
Leasehold improvements	66,151
	66,151

Total 1,261,601

Less accumulated depreciation and amortization (793,661)

**Total property and equipment - at cost** 467,940

**Other assets**

21,230

**Total assets** \$ 5,981,072

LIABILITIES AND NET ASSETS

**Current liabilities:**

Accounts payable	\$ 149,160
Current portion of accrued postretirement benefit obligation	14,367
Deferred revenue	2,223,161
Compliance penalty assessment	47,000
Accrued expenses	1,571,582
	1,571,582

**Total current liabilities** 4,005,270

**Long-term liabilities:**

Accrued postretirement benefit obligation 490,846

**Net assets:**

Unrestricted statutory - FERC designated	1,215,936
Unrestricted member services - board designated	269,020
	269,020

**Total net assets** 1,484,956

**Total liabilities and net assets** \$ 5,981,072

See Notes to Financial Statements.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

STATEMENT OF ACTIVITIES  
For the year ended December 31, 2009

<b>Revenues:</b>	
Nonstatutory member assessments	\$ 4,108,029
Statutory member assessments	3,898,438
Services and software	162,379
Training and education fees	77,293
Postretirement benefit loss	(11,993)
Interest income	7,067
	<hr/>
<b>Total revenue</b>	<b>8,241,213</b>
<b>Expenses:</b>	
Salaries	3,238,659
Payroll taxes	195,947
Employee benefits	284,224
Retirement and deferred compensation plans	460,104
Employee training and employment costs	70,175
Meetings	114,719
Travel	196,135
Consultants	1,545,599
Telecommunications	375,517
Facilities rental	350,780
Office costs	68,977
Legal and accounting	420,247
Repairs and maintenance	18,241
Depreciation and amortization	224,590
Other	350,000
	<hr/>
<b>Total expenses</b>	<b>7,913,914</b>
<b>Increase in net assets before change in accumulated post retirement obligation</b>	<b>327,299</b>
<b>Net periodic change in postretirement obligation</b>	<b>(41,040)</b>
	<hr/>
<b>Increase in net assets</b>	<b>286,259</b>
<b>Net assets - beginning of year</b>	<b>1,198,697</b>
	<hr/>
<b>Net assets - end of year</b>	<b>\$ 1,484,956</b>
	<hr/>

See Notes to Financial Statements.



FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

STATEMENT OF CASH FLOWS  
For the year ended December 31, 2009

<b>Cash flows from operating activities:</b>	
Cash received from members	\$ 7,744,246
Cash paid to suppliers and employees	(6,181,513)
Interest received	<u>7,067</u>
<b>Net cash provided by operating activities</b>	<b>1,569,800</b>
<b>Cash flows from investing activities</b>	
Purchases of property and equipment	<u>(290,644)</u>
<b>Net cash used in investing activities</b>	<b>(290,644)</b>
<b>Net increase in cash</b>	<b>1,279,156</b>
<b>Cash and cash equivalents at beginning of year</b>	<b><u>1,824,789</u></b>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 3,103,945</u></b>
<b>Reconciliation of increase in net assets to net cash provided by operating activities</b>	
Increase in net assets	\$ 286,259
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	224,590
Increase/(Decrease) in receivables, prepaid expenses and other assets	(424,352)
Increase in accounts payable and accrued expenses	987,821
Increase in postretirement benefit obligation	53,033
Increase in deferred income	<u>442,449</u>
Total adjustments	<u>1,283,541</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ 1,569,800</u></b>

See Notes to Financial Statements.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

1. General and Summary of Significant Accounting Policies

General – Florida Reliability Coordinating Council, Inc. (the “Company”) is a group of electric utilities and energy marketers primarily doing business in the State of Florida. The purpose of the Company is to ensure and enhance the reliability and adequacy of the bulk power supply in Florida (which is defined as the general area encompassed by Peninsula Florida) now and into the future. The Company serves as a Regional Entity with delegated authority from the North American Electric Reliability Corporation (“NERC”) for the purpose of proposing and enforcing reliability standards within the FRCC region.

On May 2, 2007, the Company entered into a Delegation Agreement with North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission pursuant to Section 215(c) of the Federal Power Act. The Company is required by federal law to assess the reliability of the Bulk Power System. The Federal Energy Regulatory Commission (“FERC”) empowered the Company through a Delegation Agreement with NERC to monitor, enforce and implement electric reliability standards under Section 215 of the Federal Power Act. The Company is responsible for establishing the process for development, revision, withdrawals and approval of the Company's Regional Reliability Standards for the region. The Company monitors and enforces compliance with NERC and FERC reliability standards through on-site audits, self-certifications, periodic spot checks, self-reports, event investigation, periodic data submittal, exception reporting and through complaints. The initial term of the agreement is for three years and is renewable for five more years upon a successful compliance audit conducted by NERC.

The Company's source of revenue is split into two parts. The statutory functions, defined as those functions being performed for Reliability Standards and Compliance, are funded by NERC. The member services functions are paid by its members who are assessed for costs and expenses of establishing, developing, operating and maintaining the Company.

A summary of the Company's significant accounting policies consistently applied in preparation of the accompanying financial statements follows:

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Company considers highly liquid money market funds to be cash equivalents. At year end, cash equivalents totaled approximately \$3,103,945.

Concentration of Credit Risk – The Company places its cash and cash equivalents with high credit quality institutions. At times, these balances may be in excess of the FDIC insurance limit. Money market funds are not federally insured or readily marketable, and their estimated value is subject to uncertainty. Therefore, there may be a difference between their current estimated value and their net realizable value. Management has determined that the likelihood of sustaining losses from money market funds to be remote based on the marketability of the underlying investments of the funds.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

1. **General and Summary of Significant Accounting Policies (Continued)**

Use of Estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could vary from the estimates that are used.

Income Taxes – The Company has been approved for tax-exempt status under Section 501(c)(6) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no provision for income taxes is included in the financial statements.

Member, Related Party, and Other Receivables – The Company considers all receivables to be fully collectible, usually within 30 to 60 days; accordingly, no allowance for doubtful accounts is required and no late fees are assessed. If amounts become uncollectible, they will be charged to operations when that determination is made and will be paid by the remaining members.

Property and Equipment – Property and equipment with a cost over \$500 are capitalized and are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on a straight-line basis. The estimated lives used in determining depreciation are:

Equipment	5 years
Software	3 years
Furniture and fixtures	7 years
Leasehold improvements	5 years

Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter.

Deferred Compensation – The Company implemented an executive deferred compensation plan subject to Section 457(f) of the Internal Revenue Code in 2004. For the year ended December 31, 2009, the Company contributed \$8,492 to benefit the participant in this Plan.

Postretirement Benefits Other Than Pensions – The Company sponsors a postretirement health care plan covering employees hired before October 1, 2003 if the retiree completes 10 years of service prior to retirement, is over the age of 60 at retirement and participates in the Company's IRS qualified retirement or profit-sharing plan at the time of retirement. The plan is noncontributory for retirees (see Note 5).

Date of Management's Review – Management has evaluated events and transactions for potential recognition or disclosure through March 16, 2010, which is the date the financial statements were available to be issued.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

1. **General and Summary of Significant Accounting Policies (Continued)**

Recent Accounting Pronouncements - Under Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification 740, an entity's income tax returns are subject to examination by the applicable taxing authorities. The time period during which a return may be selected by a taxing authority for examination generally ends at the later of three years after the initial due date of the return or three years after the return is filed. At December 31, 2009 the Company's tax years that remain subject to examination are 2008, 2007, and 2006.

2. **Deferred Revenues**

The contracts with the members of FRCC have a provision in them that provides that they have 30 days from the date of invoice for a new budgetary year (January through December) to withdraw from membership. Therefore, the Company made a decision to invoice all members on December 1 for the first quarterly installment of the 2010 budget, thus at December 31, 2009 it would be known whether all members are continuing with their membership.

3. **Commitments**

In December 2003, the Company entered into an agreement with Sprint Communications Company L.P. ("Sprint") to provide certain telecommunication services beginning in 2004 for the Company's network. The initial term of the agreement is 36 months and has been renewed for an additional 12-month period. The agreement calls for the Company to make a minimum service commitment of \$96,000 for each contract year of the term.

In December 2006, the Company entered into an agreement with Open Access Technology International, Inc. to provide the Florida Transaction Management System ("FTMS") services for the Company's customers. The initial term of the agreement is 36 months at \$3,750 per month and with an automatic renewal period of one year, if mutually agreed upon. The Company also has the option to purchase the system for \$100,000; however, at this time, the Company has no intention of doing so.

In June 2007, the Company entered into an agreement with Open Access Technology International, Inc. to provide certain webOASIS (Open Access Same-time Information System) and webTrans services for six of the Company's customers. The initial term of the agreement is 36 months at \$3,000 per member. During 2008, the payment for these services, and the related assessments to members, was transferred to Florida Electric Power Coordinating Group, Inc. ("FCG") although the contract remains with FRCC (see Note 7).

In November 2007, the Company entered into an agreement to purchase Compliance Tracking System software from Guidance Solutions, Inc. In 2008, the Company entered into an agreement with several of the other Regional Entities to form a consortium and share the cost of future enhancements and program modules to add to the Compliance Tracking System originally purchased from Guidance Solutions, Inc. The cost of enhancements added or in progress for 2009 was \$82,808. The Company is obligated for enhancements in progress as of December 31, 2009 from this consortium group of approximately \$65,600 for enhancements to be completed in 2010.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

4. Operating Leases

The Company leases its facilities and has operating leases that expire January 31, 2013 at its current location on Westshore Boulevard. In 2009, the Company forecasted that it would run out of space in its current location and started the search for either additional space or interim and expansion space. On January 27, 2010, the Company entered into a lease agreement for approximately 5,000 square feet of interim space to be completed and occupied on April 1, 2010 to house the compliance department. This space at Bayport Plaza should be sufficient for projected expansion until the current lease expires in 2013. The lease then provides for the rental of an additional 20,600 square feet to be available and renovated by February 2013 when the current lease expires which should be enough space for the entire company to be back under one roof. Minimum future rental payments are:

Year ended December 31,	
2010	\$ 379,998
2011	491,085
2012	508,961
2013	465,074
2014	733,539
2015 and thereafter	<u>6,332,453</u>
	<u>\$ 8,911,110</u>

Rent expense charged to operations during the year ended December 31, 2009 was \$350,780.

5. Postretirement Benefits Other Than Pensions

The Company adopted SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," on December 31, 2007, which requires companies to report the funded status (defined as the difference between the fair value of plan assets and the plan's benefit obligation) of their postretirement plan. The current year effect of the adoption is a \$41,040 decrease to unrestricted net assets.

The following table sets forth the plan's funded status reconciled with the amount shown in the Company's statement of financial position at December 31, 2009:

Accumulated postretirement benefit obligation:	
Plan assets at fair value	<u>\$ 505,213</u>
Funded status	<u>\$ 505,213</u>
Accrued postretirement benefit obligation:	
Current portion	\$ 14,367
Long-term portion	<u>490,846</u>
	<u>\$ 505,213</u>

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

5. **Postretirement Benefits Other Than Pensions (Continued)**

The following provides the components of net periodic postretirement benefit cost for the year ended December 31, 2009.

Service cost	\$ (18,896)
Interest cost	(28,940)
Amortization of unrecognized net obligation	(10,664)
Recognition of net actuarial gain	<u>32,623</u>
Net periodic postretirement benefit cost	<u>(25,877)</u>
Benefits paid during 2009	<u>13,884</u>
Net postretirement benefit loss	<u><u>\$ (11,993)</u></u>
Items not yet recognized as a component of net periodic postretirement benefit cost	
Unrecognized net gain	\$ 401,958
Unrecognized net transition obligations	<u>(82,639)</u>
Transitional effect of FAS 158	<u><u>\$ 319,319</u></u>
Postretirement effect of FAS 158 as of December 31, 2008	\$ 360,359
Net periodic change in postretirement obligation	<u>(41,040)</u>
Postretirement obligation recognized as a component of net periodic benefit cost as of December 31, 2009	<u><u>\$ 319,319</u></u>

Benefits expected to be paid in each of the next five years are as follows:

Year ended December 31,	
2010	\$ 14,367
2011	15,580
2012	16,553
2013	22,322
2014	23,090
Thereafter	<u>127,961</u>
	<u><u>\$ 219,873</u></u>

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

5. **Postretirement Benefits Other Than Pensions (Continued)**

Amounts included in unrestricted net assets and expected to be recognized as components of net periodic benefit gain (cost) next year include amortization of unrecognized net obligation and net actuarial gain of approximately (\$11,000) and \$33,000, respectively. For measurement purposes, an 11% annual rate increase in the per capita cost of covered health care benefits was assumed for 2009; the rate was assumed to decrease gradually to 5% for 2014 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, if assumed health care cost trend rates were increased by one percentage point in each year, the accumulated postretirement benefit obligation at December 31, 2009 would be increased \$85,829 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended December 31, 2009 would be increased by \$4,955.

The weighted average discount rate used in estimating the accumulated postretirement benefit obligation was 5.5%. Mortality was based on the 1983 Group Annuity Mortality Table. The measurement date of the accumulated postretirement benefit obligation was December 31, 2009.

**Glossary:** Accumulated postretirement benefit obligation – The actuarial present value of benefits attributed to employee service rendered to a particular date.

Net periodic postretirement benefit gain – The amount recognized in the financial statements as the gain of the postretirement benefit plan for a period.

In December of 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Act) was signed into law. The Act includes a special subsidy for employers that sponsor retiree health benefit plans with prescription drug benefits that are as favorable as the Medicare Part D benefit. The Company has not determined whether its plan is actuarially equivalent to the Medicare Part D benefit due to the cost of obtaining such an actuarial computation.

6. **Retirement Plan**

Effective January 1, 2001, the Company adopted a 401(k) Plan ("Plan") intended to benefit substantially all employees with six months of service and 21 years of age. On September 30, 2007, the plan was amended to enable employees with one hour of service to be eligible to enter the plan. Participants can contribute any amount of their compensation for the Plan year, not to exceed the limits determined by the Internal Revenue Code. The Company may make matching contributions with prescribed limits. The Company may also make additional nonelective discretionary contributions to the Plan. The Company made matching contributions to the Plan of \$161,478 and a discretionary contribution to the Plan of \$311,374 for the year ending December 31, 2009.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

7. **Related Parties**

Various members of the Company are founding members of FCG and the organizations, excluding the board of directors, are under common management. FCG is a nonprofit organization operating under Section 501(c)(6) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Company is providing Florida Electric Power Coordinating Group, Inc. ("FCG") with administrative and accounting services, including the use of office space. FCG reimbursed the Company approximately 5.59% of the Company's administrative expenses in 2009. The service agreement with FCG is a one-year agreement that will automatically renew unless canceled in advance by either party. The original agreement was renewed for an additional year in February 2009. At December 31, 2009, the Company had billed and collected a total of \$286,261 from FCG relating to the service agreement and has a receivable from FCG in the amount of \$26,305.

The Company is purchasing the services from Florida Power and Light ("FPL"), a member of the Company, to fulfill the responsibilities of reliability coordinator, operations planning coordinator, state capacity emergency coordinator as well as various other services. In 2009, the Company decided to increase the reliability coordinator coverage to full time, 24/7 coverage as of June 1. The Company paid FPL \$1,165,793 relating all of to these services and at December 31, 2009 had \$399,025 of accrued expenses recorded on the books.

8. **Concentrations**

Two members make up approximately 54.3% of the member services assessments and dues. The same two members comprise 67.5% of the statutory assessment that NERC bills directly in order to fund the Company for its statutory functions.

9. **Contingencies**

As part of the Company's Delegation Agreement with NERC, the Company has the authority to fine entities within its region for violation of Reliability Standards. On October 14, 2009 a Notice of Penalty was filed with FERC with a settlement between the City of Homestead and FRCC addressing alleged violations of Reliability Standards. The penalty was approved by FERC and paid by Homestead. The Delegation Agreement Rules of Procedures from NERC stipulate that any penalty monies collected between Budget submissions are to be held until they can be accounted for in a Budget Submission. Therefore, the \$47,000 Penalty Assessment is being held for future use and will be accounted for in the 2011 Budget Submission and used at the beginning of 2011 to offset funding from all entities in the region.

On March 5, 2010 The Federal Energy Regulatory Commission (FERC) approved a settlement under which the Company agreed to pay a \$350,000 civil penalty and undertake specific reliability improvements stemming from the February 26, 2008 event that lost power for customers in the Florida Region. The company accrued this amount as of December 31, 2009. FRCC neither admits nor denies its actions constituted any violations of NERC Reliability Standards or that it committed any violations of the Reliability Standards. The Company will additionally make a number of reliability enhancements under the terms of the agreement.



FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

10. **Functional Expenses**

The detail of functional expenses for the year ended is as follows:

<b>Statutory expenses:</b>	
Reliability Standards Development	\$ 405,304
Compliance Enforcement	2,551,259
Reliability Assessment & Performance Analysis	972,205
Training & Education	95,682
Situational Awareness & Infrastructure	<u>58,134</u>
Total statutory expenses	4,082,584
<b>Member Services expenses:</b>	
Planning committee	3,051,920
Operations committee	779,410
General and administrative	<u>41,040</u>
Total member services expenses	<u>3,872,370</u>
<b>Total expenses</b>	<u><u>\$ 7,954,954</u></u>

11. **Net Assets**

Unrestricted net assets that are designated are FERC-approved for statutory expense or board-approved for member services expense segregations of unrestricted net assets for specific projects. Since designations are voluntary and may be reversed or redirected by the governing board at any time, designated portions of net assets are not considered restricted.

The detail of unrestricted FERC or board-designated net assets is as follows at year end:

<b>Statutory</b>	\$ 1,215,936
<b>Member services</b>	<u>269,020</u>
<b>Total unrestricted - board-designated net assets</b>	<u><u>\$ 1,484,956</u></u>

Florida Reliability Coordinating Council, Inc.  
 Total Summary  
 Statement of Activities - Total Actual to Total Budget  
 December 31, 2009

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 3,898,438	\$ 3,898,438	\$ -
Penalty Sanctions			-
<b>Total ERO Funding</b>	<b>\$ 3,898,438</b>	<b>\$ 3,898,438</b>	<b>\$ -</b>
Membership Fees & Non-Stat Assessments	4,108,029	3,209,412	898,617
Testing Fees	-	-	-
Services & Software	162,179	151,700	10,479
Workshops	77,293	79,430	(2,137)
Interest	7,067	-	7,067
Miscellaneous	(11,793)	-	(11,793)
<b>Total Funding</b>	<b>\$ 8,241,213</b>	<b>\$ 7,338,980</b>	<b>\$ 902,233</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	3,238,659	3,023,910	214,749
Payroll Taxes	195,947	196,456	(509)
Employee Benefits	354,399	297,896	56,503
Savings & Retirement	460,104	425,312	34,792
<b>Total Personnel Expenses</b>	<b>\$ 4,249,109</b>	<b>\$ 3,943,574</b>	<b>\$ 305,535</b>
<b>Meeting Expenses</b>			
Meetings	77,630	145,477	(67,847)
Travel	196,135	248,755	(52,620)
Conference Calls	37,090	26,996	10,094
<b>Total Meeting Expenses</b>	<b>\$ 310,855</b>	<b>\$ 421,228</b>	<b>\$ (110,373)</b>
<b>Operating Expenses</b>			
Consultants & Contracts	1,545,599	1,306,675	238,924
Office Rent	350,780	354,990	(4,210)
Office Costs	444,494	564,154	(119,660)
Professional Services	420,247	155,624	264,623
Miscellaneous	368,240	350,236	18,004
Depreciation	224,590	-	224,590
<b>Total Operating Expenses</b>	<b>\$ 3,353,950</b>	<b>\$ 2,731,679</b>	<b>\$ 622,271</b>
<b>Total Direct Expenses</b>	<b>\$ 7,913,914</b>	<b>\$ 7,096,481</b>	<b>\$ 817,433</b>
<b>Other Non-Oper Post Retirement Expenses</b>	<b>\$ 41,040</b>	<b>\$ -</b>	<b>\$ 41,040</b>
<b>Change in Assets</b>	<b>\$ 286,259</b>	<b>\$ 242,499</b>	<b>\$ 43,760</b>
<b>Fixed Assets</b>			
Depreciation	(224,590)	-	(224,590)
Computer & Software CapEx	132,428	-	132,428
Furniture & Fixtures CapEx	10,941	-	10,941
Equipment CapEx	148,052	242,499	(94,447)
Leasehold Improvements	-	-	-
<b>Change in Fixed Assets</b>	<b>\$ (66,831)</b>	<b>\$ (242,499)</b>	<b>\$ 175,668</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 219,428</b>	<b>\$ -</b>	<b>\$ 219,428</b>
<b>Full Time Equivalents</b>	27.02	27.49	(0.47)

See Independent Auditors' Report

Florida Reliability Coordinating Council, Inc.  
Statutory Summary  
Statement of Activities - Total Actual to Total Budget  
December 31, 2009

(In Whole Dollars)

	2009 Actual		2009 Budget		2009 Variance
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 3,898,438	\$	3,898,438	\$	-
Penalty Sanctions	-		-		-
<b>Total ERO Funding</b>	<b>\$ 3,898,438</b>	<b>\$</b>	<b>3,898,438</b>	<b>\$</b>	<b>-</b>
Membership Fees & Non-Stat Assessments	-		-		-
Testing Fees	-		-		-
Services & Software	10,080		-		10,080
Workshops	77,293		79,430		(2,137)
Interest	-		-		-
Miscellaneous	200		-		200
<b>Total Funding</b>	<b>\$ 3,986,011</b>	<b>\$</b>	<b>3,977,868</b>	<b>\$</b>	<b>8,143</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,177,677	\$	2,017,775	\$	159,902
Payroll Taxes	131,743		131,090		653
Employee Benefits	240,456		198,778		41,678
Savings & Retirement	311,275		283,799		27,476
<b>Total Personnel Expenses</b>	<b>\$ 2,861,151</b>	<b>\$</b>	<b>2,631,442</b>	<b>\$</b>	<b>229,709</b>
<b>Meeting Expenses</b>					
Meetings	\$ 67,575	\$	118,387	\$	(50,812)
Travel	154,144		206,860		(52,716)
Conference Calls	12,623		10,598		2,025
<b>Total Meeting Expenses</b>	<b>\$ 234,342</b>	<b>\$</b>	<b>335,845</b>	<b>\$</b>	<b>(101,503)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 192,809	\$	287,472	\$	(94,663)
Office Rent	256,171		236,875		19,296
Office Costs	79,746		181,292		(101,546)
Professional Services	270,609		103,843		166,766
Miscellaneous	12,173		(13,051)		25,224
Depreciation	175,581		-		175,581
<b>Total Operating Expenses</b>	<b>\$ 987,089</b>	<b>\$</b>	<b>796,431</b>	<b>\$</b>	<b>190,658</b>
<b>Total Direct Expenses</b>	<b>\$ 4,082,582</b>	<b>\$</b>	<b>3,763,718</b>	<b>\$</b>	<b>318,864</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>
<b>Change in Assets</b>	<b>\$ (96,571)</b>	<b>\$</b>	<b>214,150</b>	<b>\$</b>	<b>(310,721)</b>
<b>Fixed Assets</b>					
Depreciation	\$ (175,581)	\$	-	\$	(175,581)
Computer & Software CapEx	122,808		-		122,808
Furniture & Fixtures CapEx	5,109		-		5,109
Equipment CapEx	96,515		214,150		(117,635)
Leasehold Improvements	-		-		-
<b>Change in Fixed Assets</b>	<b>\$ (48,851)</b>	<b>\$</b>	<b>(214,150)</b>	<b>\$</b>	<b>165,299</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (145,422)</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>(145,422)</b>
<b>Full Time Equivalents</b>	18.21		18.34		(0.13)

See Independent Auditors' Report

Florida Reliability Coordinating Council, Inc.  
Statutory By Program  
Statement of Activities - Total Actual to Total Budget  
December 31, 2009

(In Whole Dollars)

	Reliability Stds Dev	Compliance Monit & Enf	Reliability Assess	Training, Ed. & Cert.	Situational Awareness	General Admin	2009 Actual	2009 Budget	2009 Variance
<b>Funding</b>									
<b>ERO Funding</b>									
ERO Assessments	\$ 393,970	\$ 2,368,004	\$ 1,081,245	\$ 18,043	\$ 37,176	\$ -	\$ 3,898,438	\$ 3,898,438	\$ -
Penalty Sanctions	-	-	-	-	-	-	-	-	-
<b>Total ERO Funding</b>	<b>\$ 393,970</b>	<b>\$ 2,368,004</b>	<b>\$ 1,081,245</b>	<b>\$ 18,043</b>	<b>\$ 37,176</b>	<b>\$ -</b>	<b>\$ 3,898,438</b>	<b>\$ 3,898,438</b>	<b>\$ -</b>
Membership Fees & Non-Stat Assessments	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-
Services & Software	-	-	10,080	-	-	-	10,080	-	10,080
Workshops	-	-	-	77,293	-	-	77,293	79,430	(2,137)
Interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	200	-	-	-	200	-	200
<b>Total Funding</b>	<b>\$ 393,970</b>	<b>\$ 2,368,004</b>	<b>\$ 1,091,525</b>	<b>\$ 95,336</b>	<b>\$ 37,176</b>	<b>\$ -</b>	<b>\$ 3,986,011</b>	<b>\$ 3,977,868</b>	<b>\$ 8,143</b>
<b>Expenses</b>									
<b>Personnel Expenses</b>									
Salaries	\$ 231,211	\$ 1,398,723	\$ 499,080	\$ 16,176	\$ 32,487	\$ -	\$ 2,177,677	\$ 2,017,775	159,902
Payroll Taxes	13,885	84,498	30,328	1,024	2,008	-	131,743	131,090	653
Employee Benefits	37,582	148,637	49,701	1,869	2,667	-	240,456	198,778	41,678
Savings & Retirement	32,589	199,862	71,701	2,410	4,713	-	311,275	283,799	27,476
<b>Total Personnel Expenses</b>	<b>\$ 315,267</b>	<b>\$ 1,831,720</b>	<b>\$ 650,810</b>	<b>\$ 21,479</b>	<b>\$ 41,875</b>	<b>\$ -</b>	<b>\$ 2,861,151</b>	<b>\$ 2,631,442</b>	<b>\$ 229,709</b>
Meeting Expenses									
Meetings	\$ 2,029	\$ 12,432	\$ 4,816	\$ 48,242	\$ 56	\$ -	\$ 67,575	\$ 118,387	\$(50,812)
Travel	24,318	103,995	18,338	5,175	2,318	-	154,144	206,860	\$(52,716)
Conference Calls	1,280	5,953	5,304	29	57	-	12,623	10,598	2,025
<b>Total Meeting Expenses</b>	<b>\$ 27,627</b>	<b>\$ 122,380</b>	<b>\$ 28,458</b>	<b>\$ 53,446</b>	<b>\$ 2,431</b>	<b>\$ -</b>	<b>\$ 234,342</b>	<b>\$ 335,845</b>	<b>\$ (101,503)</b>
Operating Expenses									
Consultants & Contracts	\$ 614	\$ 68,550	\$ 117,353	\$ 6,120	\$ 172	\$ -	\$ 192,809	\$ 287,472	\$(94,663)
Office Rent	20,229	187,394	44,189	1,767	2,592	-	256,171	236,875	19,296
Office Costs	6,976	49,832	12,534	9,672	732	-	79,746	181,292	\$(101,546)
Professional Services	27,529	175,297	61,161	2,425	4,197	-	270,609	103,843	166,766
Miscellaneous	972	8,551	2,368	137	145	-	12,173	(13,051)	25,224
Depreciation	6,090	107,533	55,332	636	5,990	-	175,581	-	175,581
<b>Total Operating Expenses</b>	<b>\$ 62,410</b>	<b>\$ 597,157</b>	<b>\$ 292,937</b>	<b>\$ 20,757</b>	<b>\$ 13,828</b>	<b>\$ -</b>	<b>\$ 987,089</b>	<b>\$ 796,431</b>	<b>\$ 190,658</b>
<b>Total Direct Expenses</b>	<b>\$ 405,304</b>	<b>\$ 2,551,257</b>	<b>\$ 972,205</b>	<b>\$ 95,682</b>	<b>\$ 58,134</b>	<b>\$ -</b>	<b>\$ 4,082,582</b>	<b>\$ 3,763,718</b>	<b>\$ 318,864</b>
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-
<b>Change in Assets</b>	<b>\$ (11,334)</b>	<b>\$ (183,253)</b>	<b>\$ 119,320</b>	<b>\$ (346)</b>	<b>\$ (20,958)</b>	<b>\$ -</b>	<b>\$ (96,571)</b>	<b>\$ 214,150</b>	<b>\$ (310,721)</b>
<b>Fixed Assets</b>									
Depreciation	\$ (6,090)	\$ (107,533)	\$ (55,332)	\$ (636)	\$ (5,990)	\$ -	\$ (175,581)	\$ -	\$(175,581)
Computer & Software CapEx	-	82,808	-	-	40,000	-	122,808	-	122,808
Furniture & Fixtures CapEx	404	3,698	886	49	72	-	5,109	-	5,109
Equipment CapEx	3,865	55,147	19,239	4,213	14,051	-	96,515	214,150	\$(117,635)
Leasehold Improvements	-	-	-	-	-	-	-	-	-
<b>Change in Fixed Assets</b>	<b>\$ 1,821</b>	<b>\$ (34,120)</b>	<b>\$ 35,207</b>	<b>\$ (3,626)</b>	<b>\$ (48,133)</b>	<b>\$ -</b>	<b>\$ (48,851)</b>	<b>\$ (214,150)</b>	<b>\$ 165,299</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (9,513)</b>	<b>\$ (217,373)</b>	<b>\$ 154,527</b>	<b>\$ (3,972)</b>	<b>\$ (69,091)</b>	<b>\$ -</b>	<b>\$ (145,422)</b>	<b>\$ -</b>	<b>\$ (145,422)</b>
<b>Full Time Equivalents</b>	<b>2.14</b>	<b>11.55</b>	<b>4.08</b>	<b>0.16</b>	<b>0.28</b>	<b>-</b>	<b>18.21</b>	<b>18.34</b>	<b>(0.13)</b>

See Independent Auditors' Report

Florida Reliability Coordinating Council, Inc.  
 Non-Statutory Summary  
 Statement of Activities - Total Actual to Total Budget  
 December 31, 2009

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments			\$ -
Penalty Sanctions			-
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Fees & Non-Stat Assessments	4,108,029	3,209,412	898,617
Testing Fees	-		-
Services & Software	152,099	151,700	399
Workshops	-		-
Interest	7,067		7,067
Miscellaneous	(11,993)		(11,993)
<b>Total Funding</b>	<b>\$ 4,255,202</b>	<b>\$ 3,361,112</b>	<b>\$ 894,090</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	1,060,982	1,006,135	54,847
Payroll Taxes	64,204	65,366	(1,162)
Employee Benefits	113,943	99,118	14,825
Savings & Retirement	148,829	141,513	7,316
<b>Total Personnel Expenses</b>	<b>\$ 1,387,958</b>	<b>\$ 1,312,132</b>	<b>\$ 75,826</b>
<b>Meeting Expenses</b>			
Meetings	10,055	27,090	(17,035)
Travel	41,991	41,895	96
Conference Calls	24,467	16,398	8,069
<b>Total Meeting Expenses</b>	<b>\$ 76,513</b>	<b>\$ 85,383</b>	<b>\$ (8,870)</b>
<b>Operating Expenses</b>			
Consultants & Contracts	1,352,790	1,019,203	333,587
Office Rent	94,609	118,115	(23,506)
Office Costs	364,748	382,862	(18,114)
Professional Services	149,638	51,781	97,857
Miscellaneous	356,067	363,287	(7,220)
Depreciation	49,009		49,009
<b>Total Operating Expenses</b>	<b>\$ 2,366,861</b>	<b>\$ 1,935,248</b>	<b>\$ 431,613</b>
<b>Total Direct Expenses</b>	<b>\$ 3,831,332</b>	<b>\$ 3,332,763</b>	<b>\$ 498,569</b>
<b>Other Non-Oper Post Retirement Expenses</b>	<b>\$ 41,040</b>		<b>\$ 41,040</b>
<b>Change in Assets</b>	<b>\$ 382,830</b>	<b>\$ 28,349</b>	<b>\$ 354,481</b>
<b>Fixed Assets</b>			
Depreciation	(49,009)	-	(49,009)
Computer & Software CapEx	9,620		9,620
Furniture & Fixtures CapEx	5,832		5,832
Equipment CapEx	51,537	28,349	23,188
Leasehold Improvements	-		-
<b>Change in Fixed Assets</b>	<b>\$ (17,980)</b>	<b>\$ (28,349)</b>	<b>\$ 10,369</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 364,850</b>	<b>\$ -</b>	<b>\$ 364,850</b>
<b>Full Time Equivalents</b>	<b>8.81</b>	<b>9.15</b>	<b>(0.34)</b>

See Independent Auditors' Report

Florida Reliability Coordinating Council, Inc.  
 Non-Statutory By Committee  
 Statement of Activities - Total Actual to Total Budget  
 December 31, 2009

(In Whole Dollars)

	Operating	Planning	Administrative	2009 Actual	2009 Budget	2009 Variance
<b>Funding</b>						
<b>ERO Funding</b>						
ERO Assessments				\$ -	\$ -	\$ -
Penalty Sanctions				-	-	-
<b>Total ERO Funding</b>	\$ -	\$ -		\$ -	\$ -	\$ -
Membership Fees & Non-Stat Assessments	3,120,844	987,185		4,108,029	3,209,412	898,617
Testing Fees				-	-	-
Services & Software	152,099			152,099	151,700	399
Workshops				-	-	-
Interest	3,715	3,352		7,067	-	7,067
Post Retirement Loss			(11,993)	(11,993)	-	(11,993)
<b>Total Funding</b>	\$ 3,276,658	\$ 990,537	\$ (11,993)	\$ 4,255,202	\$ 3,361,112	\$ 894,090
<b>Expenses</b>						
<b>Personnel Expenses</b>						
Salaries	560,953	500,029		1,060,982	1,006,135	54,847
Payroll Taxes	33,629	30,575		64,204	65,366	(1,162)
Employee Benefits	59,318	54,625		113,943	99,118	14,825
Savings & Retirement	78,305	70,524		148,829	141,513	7,316
<b>Total Personnel Expenses</b>	\$ 732,205	\$ 655,753	\$ -	\$ 1,387,958	\$ 1,312,132	\$ 75,826
<b>Meeting Expenses</b>						
Meetings	4,770	5,285		10,055	27,090	(17,035)
Travel	26,568	15,423		41,991	41,895	96
Conference Calls	16,196	8,271		24,467	16,398	8,069
<b>Total Meeting Expenses</b>	\$ 47,534	\$ 28,979	\$ -	\$ 76,513	\$ 85,383	\$ (8,870)
<b>Operating Expenses</b>						
Consultants & Contracts	1,350,968	1,822		1,352,790	1,019,203	333,587
Office Rent	49,390	45,219		94,609	118,115	(23,506)
Office Costs	348,754	15,994		364,748	382,862	(18,114)
Professional Services	135,355	14,283		149,638	51,781	97,857
Miscellaneous	353,425	2,642		356,067	363,287	(7,220)
Depreciation	34,291	14,718		49,009	-	49,009
<b>Total Operating Expenses</b>	\$ 2,272,183	\$ 94,678	\$ -	\$ 2,366,861	\$ 1,935,248	\$ 431,613
<b>Total Direct Expenses</b>	\$ 3,051,922	\$ 779,410	\$ -	\$ 3,831,332	\$ 3,332,763	\$ 498,569
<b>Other Non-Oper Post Retirement Expenses</b>			\$ 41,040	\$ 41,040		\$ 41,040
<b>Change in Assets</b>	\$ 224,736	\$ 211,127	\$ (53,033)	\$ 382,830	\$ 28,349	\$ 354,481
<b>Fixed Assets</b>						
Depreciation	(34,291)	(14,718)		(49,009)	-	(49,009)
Computer & Software CapEx	9,620			9,620	-	9,620
Furniture & Fixtures CapEx	4,751	1,081		5,832	-	5,832
Equipment CapEx	31,145	20,392		51,537	28,349	23,188
Leasehold Improvements				-	-	-
<b>Change in Fixed Assets</b>	\$ (11,225)	\$ (6,755)	\$ -	\$ (17,980)	\$ (28,349)	\$ 10,369
<b>TOTAL CHANGE IN ASSETS</b>	\$ 213,511	\$ 204,372	\$ (53,033)	\$ 364,850	\$ -	\$ 364,850
<b>Full Time Equivalents</b>	4.76	4.05		8.81	9.15	(0.34)

See Independent Auditors' Report

**ATTACHMENT 3**

**2009 ACTUAL COST-TO-BUDGET COMPARISON**

**AND**

**2009 AUDITED FINANCIAL REPORT**

**FOR**

**MIDWEST RELIABILITY ORGANIZATION**



May 3, 2010

To: Michael Walker, NERC

Cc: MRO Finance and Audit Committee  
Susan Turpen, NERC  
Dan Skaar, MRO

From: Sue Clarke, MRO

Subject: 2009 True-Up: Business Plan and Budget vs. Actuals Reconciliation  
Statutory Filing-Audited

Midwest Reliability Organization actual costs are under budget (under 8%).

Overall, MRO over ran 2009 budgeted revenues by \$7,417 and under spent its 2009 operating budget of \$7,496,475 by \$576,259. The net impact was a \$583,676 positive variance on MRO's cash position for the year.

#### Funding

Revenues are \$7,417 over budget on an end of year basis. Revenues for compliance information system were not budgeted in the 2009 Funding. Please note that the 2009 Budget Funding includes the Supplemental Funding Request that was filed with a number of regulators and approved by all, and lastly, approved by FERC in October, 2009. The Supplemental Funding Request for the termination of the multiple-employer defined benefit pension plan by the plan sponsor whereby MRO was required to make final distributions to the plan participants according to the rules. MRO replaced this plan with a defined contribution plan effective January 1, 2009.

#### Expenses

Expenses are (\$551,304) under budget on a year to date basis. The following are the major areas of budget variances:

- (\$408,961) – Salary and Fringes under budget. Budgeted amounts for the entire year show 26.5 FTE's. As of the end of December, we have 25.83 FTE's. The budgeted underage is largely the result of the timing of additional FTE's.
- (\$24,833) – Meeting expenses are under budget due to significant 2009 cost reductions in the conference bridge and meeting expenses. Travel costs incurred by staff are under budget by (\$53,916). Travel costs incurred by member reimbursement are over budget by \$87,226.
- \$138,326 – Operating expenses year to date are over budget as a result of the change in the accounting methodology which recognizes depreciation expense which was not included in the original 2009 budget. The net impact is zero since funding is not being requested for depreciation expense (over budget by







\$270,805) it has been deducted from the funding requirement for capital expenditures ("Fixed Assets").

- \$31,632 –Other Non-Operating Expenses, as explained above, is the Supplemental Funding Request for the termination of the multiple-employer defined benefit pension plan by the plan sponsor whereby MRO was required to make final distributions to the plan participants according to the rules. MRO replaced this plan with a defined contribution plan effective January 1, 2009. The \$31,632 is over budget due to the timing of the estimated payout calculated earlier in the year, as opposed to the actual payout in December 2009.
- (\$287,468) –Other Non-Operating Expenses, are the result of the postretirement medical benefit obligation changes other than net periodic cost. In previous years the actuarial based the future benefit costs on an estimated premium, in 2009 MRO staff purchased our first premium as a retiree benefit and it came in lower than the previous estimate, which in turn lowered our calculation of future obligations.

#### Capital Budget

- (\$24,957) – Capital expenditures ("Fixed Assets") expenses year to date are under budget. The (\$24,957) is inclusive of the depreciation expense of (\$270,805), which is an adjustment that recognizes GAAP as explained above.

MRO has no non-statutory activity, and therefore no statutory funding was used for non-statutory activities.

MRO did not allocate indirect costs to statutory programs.



**MRO**  
**2009 Statement of Activities**  
**Total Consolidated**  
**Audited**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 7,496,475	\$ 7,496,475	\$ -
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<b>\$ 7,496,475</b>	<b>\$ 7,496,475</b>	<b>\$ -</b>
Membership Fees & Non-Stat	\$ -	\$ -	\$ -
Testing Fees	-	-	-
Services & Software	36,667	-	36,667
Workshops	-	29,250	(29,250)
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<b>\$ 7,533,142</b>	<b>\$ 7,525,725</b>	<b>\$ 7,417</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 2,850,658	\$ 2,994,799	\$ (144,141)
Payroll Taxes	195,669	509,116	(313,447)
Employee Benefits	272,338	239,584	32,754
Savings & Retirement	524,991	509,116	15,875
<b>Total Personnel Expenses</b>	<b>\$ 3,843,655</b>	<b>\$ 4,252,615</b>	<b>\$ (408,960)</b>
<b>Meeting Expenses</b>			
Meetings	\$ 97,179	\$ 119,390	\$ (22,211)
Travel-Staff	187,964	305,120	(117,156)
Travel-Member Reimbursement	147,226	-	147,226
Conference Calls	17,749	50,440	(32,691)
<b>Total Meeting Expenses</b>	<b>\$ 450,117</b>	<b>\$ 474,950</b>	<b>\$ (24,833)</b>
<b>Operating Expenses</b>			
Consultants	\$ 294,703	\$ 554,860	\$ (260,157)
Contracts	189,961	109,500	80,461
Office Rent	150,656	170,000	(19,344)
Office Costs	375,698	313,870	61,828
Professional Services	159,664	154,930	4,734
Miscellaneous	-	-	-
Depreciation	270,805	-	270,805
<b>Total Operating Expenses</b>	<b>\$ 1,441,487</b>	<b>\$ 1,303,160</b>	<b>\$ 138,327</b>
<b>Total Direct Expenses</b>	<b>\$ 5,735,259</b>	<b>\$ 6,030,725</b>	<b>\$ (295,466)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 864,164</b>	<b>\$ 1,120,000</b>	<b>\$ (255,836)</b>
<b>Change in Assets</b>	<b>\$ 933,719</b>	<b>\$ 375,000</b>	<b>\$ 558,719</b>

**MRO**  
**2009 Statement of Activities**  
**Total Statutory**  
**Audited**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 7,496,475	\$ 7,496,475	\$ -
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<u>\$ 7,496,475</u>	<u>\$ 7,496,475</u>	<u>\$ -</u>
Membership Fees & Non-Stat	-	-	-
Testing Fees	-	-	-
Services & Software	36,667	-	36,667
Workshops	-	29,250	(29,250)
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ 7,533,142</u>	<u>\$ 7,525,725</u>	<u>\$ 7,417</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	2,850,658	2,994,799	(144,141)
Payroll Taxes	195,669	509,116	(313,447)
Employee Benefits	272,338	239,584	32,754
Savings & Retirement	524,991	509,116	15,875
<b>Total Personnel Expenses</b>	<u>\$ 3,843,655</u>	<u>\$ 4,252,615</u>	<u>\$ (408,960)</u>
<b>Meeting Expenses</b>			
Meetings	97,179	119,390	(22,211)
Travel-Staff	187,964	305,120	(117,156)
Travel-Member Reimbursement	147,226	-	147,226
Conference Calls	17,749	50,440	(32,691)
<b>Total Meeting Expenses</b>	<u>\$ 450,117</u>	<u>\$ 474,950</u>	<u>\$ (24,833)</u>
<b>Operating Expenses</b>			
Consultants	294,703	554,860	(260,157)
Contracts	189,961	109,500	80,461
Office Rent	150,656	170,000	(19,344)
Office Costs	375,698	313,870	61,828
Professional Services	159,664	154,930	4,734
Miscellaneous	-	-	-
Depreciation	270,805	-	270,805
<b>Total Operating Expenses</b>	<u>\$ 1,441,487</u>	<u>\$ 1,303,160</u>	<u>\$ 138,327</u>
<b>Total Direct Expenses</b>	<u>\$ 5,735,259</u>	<u>\$ 6,030,725</u>	<u>\$ (295,466)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ 864,164</u>	<u>\$ 1,120,000</u>	<u>\$ (255,836)</u>
<b>Change in Assets</b>	<u>\$ 933,719</u>	<u>\$ 375,000</u>	<u>\$ 558,719</u>
<b>Fixed Assets</b>			
Depreciation	(270,805)	-	(270,805)
Computer & Software CapEx	556,760	317,400	239,360
Furniture & Fixtures CapEx	2,881	-	2,881
Equipment CapEx	43,208	57,600	(14,392)
Leasehold Improvements	17,999	-	17,999
<b>Change in Fixed Assets</b>	<u>\$ (350,043)</u>	<u>\$ (375,000)</u>	<u>\$ 24,957</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 583,676</u>	<u>\$ -</u>	<u>\$ 583,676</u>
FTE	25.83	26.50	(0.67)
Nosecount	28.00	29.00	(1.00)

MRO  
2009 Statement of Activities  
Reliability Standards  
Audited

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 422,708	\$ 422,708	\$ -	0.00%	
Penalty Sanctions			-		
<b>Total ERO Funding</b>	<u>\$ 422,708</u>	<u>\$ 422,708</u>	<u>\$ -</u>		
Membership Fees & Non-Stat			-		
Testing Fees			-		
Services & Software	6,667	-	6,667		Service arrangements on application software; application move to a vendor in 2009.
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<u>\$ 429,375</u>	<u>\$ 422,708</u>	<u>\$ 6,667</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	207,108	222,752	(15,644)	-7.02%	
Payroll Taxes	12,219	37,868	(25,649)	-67.73%	Budgeted 2009 payroll tax calculation was too high.
Employee Benefits	17,347	17,820	(473)	-2.65%	
Savings & Retirement	24,155	37,868	(13,713)	-36.21%	Actual FTE less than Budgeted Amount which resulted in lower than budgeted savigns and retirement costs.
<b>Total Personnel Expenses</b>	<u>\$ 260,829</u>	<u>\$ 316,308</u>	<u>\$ (55,479)</u>		Actual FTE less than Budgeted Amount
<b>Meeting Expenses</b>					
Meetings	1,337	7,500	(6,163)	-82.18%	Actual FTE less than Budgeted Amount
Travel-Staff	2,317	10,000	(7,683)	-76.83%	Actual FTE less than Budgeted Amount
Travel-Member Reimbursement	18,071	-	18,071		Member Reimbursement was not budgeted for separately in 2009 so it is an offset to the Travel-Staff udage.
Conference Calls	10,908	15,000	(4,092)	-27.28%	Conference call costs were significantly over estimated in 2009. MRO staff aggressively sought better pricing and were able to go from \$.21 to \$.12 per minute. (Original savings began in 2008 after the 2009 budget was prepared.)
<b>Total Meeting Expenses</b>	<u>\$ 32,632</u>	<u>\$ 32,500</u>	<u>\$ 132</u>		
<b>Operating Expenses</b>					
Consultants	13,103	30,000	(16,897)	-56.32%	Application move to a vendor in 2009 later in the year than was budgeted for and modification that were expected in 2009 did not take place.
Contracts	1,700	30,000	(28,300)	-94.33%	Application move to a vendor in 2009 later in the year than was budgeted for.
Office Rent			-		
Office Costs	4,094	13,900	(9,806)	-70.55%	Actual FTE less than Budgeted Amount
Professional Services			-		
Miscellanoues			-		
Depreciation			-		
<b>Total Operating Expenses</b>	<u>\$ 18,897</u>	<u>\$ 73,900</u>	<u>\$ (55,003)</u>		
<b>Total Direct Expenses</b>	<u>\$ 312,358</u>	<u>\$ 422,708</u>	<u>\$ (110,350)</u>		
Other Non-Operating Expenses			-		
<b>Change in Assets</b>	<u>\$ 117,017</u>	<u>\$ -</u>	<u>\$ 117,017</u>		
<b>Fixed Assets</b>					
Depreciation			-		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 117,017</u>	<u>\$ -</u>	<u>\$ 117,017</u>		
FTE	1.59	2.50	(0.91)		

MRO  
2009 Statement of Activities  
Compliance and Organization Registration and Certification  
Audited

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 2,071,510	\$ 2,071,510	\$ -	0.00%	
Penalty Sanctions			-		
<b>Total ERO Funding</b>	<u>\$ 2,071,510</u>	<u>\$ 2,071,510</u>	<u>\$ -</u>		
Membership Fees & Non-Stat			-		
Testing Fees			-		
Services & Software	30,000		30,000		
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<u>\$ 2,101,510</u>	<u>\$ 2,071,510</u>	<u>\$ 30,000</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	1,103,131	1,211,481	(108,350)	-8.94%	FTEs slightly lower than budgeted.
Payroll Taxes	80,007	205,952	(125,945)	-61.15%	Budgeted 2009 payroll tax calculation was too high.
Employee Benefits	95,559	96,918	(1,359)	-1.40%	
Savings & Retirement	216,719	205,952	10,767	5.23%	
<b>Total Personnel Expenses</b>	<u>\$ 1,495,416</u>	<u>\$ 1,720,303</u>	<u>\$ (224,887)</u>		
<b>Meeting Expenses</b>					
Meetings	28,035	18,000	10,035	55.75%	MRO hosted two workshops, only one workshop was budgeted for. Note: next year the workshops will be in Training (0900)
Travel-Staff	73,889	100,000	(26,111)	-26.11%	FTEs slightly lower than budgeted results in less travel.
Travel-Member Reimbursement	5,895		5,895		Member Reimbursement was not budgeted for separately in 2009 so it is an offset to the Travel-Staff udage.
Conference Calls	1,080	10,000	(8,920)	-89.20%	Conference call costs were significantly over estimated in 2009. MRO staff aggressively sought better pricing and were able to go from \$ .21 to \$ .12 per minute. (Original savings began in 2008 after the 2009 budget was prepared.)
<b>Total Meeting Expenses</b>	<u>\$ 108,899</u>	<u>\$ 128,000</u>	<u>\$ (19,101)</u>		
<b>Operating Expenses</b>					
Consultants	55,328	110,600	(55,272)	-49.97%	Application move to a vendor in 2009 later in the year than was budgeted for and modification that were expected in 2009 did not take place.
Contracts	35,616	35,000	616	1.76%	
Office Rent			-		
Office Costs	14,699	17,607	(2,908)	-16.51%	FTEs slightly lower than budgeted results in less office costs.
Professional Services			-		
Miscellanoues			-		
Depreciation			-		Actual capital expenditure through Situation Awareness.
<b>Total Operating Expenses</b>	<u>\$ 105,643</u>	<u>\$ 163,207</u>	<u>\$ (57,564)</u>		
<b>Total Direct Expenses</b>	<u>\$ 1,709,958</u>	<u>\$ 2,011,510</u>	<u>\$ (301,552)</u>		
<b>Other Non-Operating Expenses</b>			\$ -		
<b>Change in Assets</b>	<u>\$ 391,552</u>	<u>\$ 60,000</u>	<u>\$ 331,552</u>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		Actual capital expenditure through Situation Awareness.
Computer & Software CapEx		60,000	(60,000)	-100.00%	Actual capital expenditure through Situation Awareness.
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ (60,000)</u>	<u>\$ 60,000</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 391,552</u>	<u>\$ -</u>	<u>\$ 391,552</u>		
FTE	9.62	10.00	(0.38)		

**MRO**  
**2009 Statement of Activities**  
**Reliability Readiness Audit and Improvement**  
*Audited*

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 194,907	\$ 194,907	\$ -	0.00%	NERC had eliminated the Reliability Readiness after the MRO's 2009 was approved .
Penalty Sanctions			-		
<b>Total ERO Funding</b>	<u>\$ 194,907</u>	<u>\$ 194,907</u>	<u>\$ -</u>		
Membership Fees & Non-Stat			-		
Testing Fees			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<u>\$ 194,907</u>	<u>\$ 194,907</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries		68,650	(68,650)	-100.00%	
Payroll Taxes		11,671	(11,671)	-100.00%	
Employee Benefits		5,492	(5,492)	-100.00%	
Savings & Retirement		11,670	(11,670)	-100.00%	
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ 97,483</u>	<u>\$ (97,483)</u>		
<b>Meeting Expenses</b>					
Meetings		1,440	(1,440)	-100.00%	
Travel-Staff		45,000	(45,000)	-100.00%	
Travel-Member Reimbursement			-		
Conference Calls		1,440	(1,440)	-100.00%	
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ 47,880</u>	<u>\$ (47,880)</u>		
<b>Operating Expenses</b>					
Consultants		48,000	(48,000)	-100.00%	
Contracts			-		
Office Rent			-		
Office Costs	-	1,544	(1,544)	-100.00%	
Professional Services			-		
Miscellaneous			-		
Depreciation			-		
<b>Total Operating Expenses</b>	<u>\$ -</u>	<u>\$ 49,544</u>	<u>\$ (49,544)</u>		
<b>Total Direct Expenses</b>	<u>\$ -</u>	<u>\$ 194,907</u>	<u>\$ (194,907)</u>		
<b>Other Non-Operating Expenses</b>			\$ -		
<b>Change in Assets</b>	<u>\$ 194,907</u>	<u>\$ -</u>	<u>\$ 194,907</u>		
<b>Fixed Assets</b>					
Depreciation		-	-		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 194,907</u>	<u>\$ -</u>	<u>\$ 194,907</u>		
FTE		-	0.50	(0.50)	

**MRO**  
**2009 Statement of Activities**  
**Reliability Assessment and Performance Analysis**  
**Audited**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 982,029	\$ 982,029	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<u>\$ 982,029</u>	<u>\$ 982,029</u>	<u>\$ -</u>		
Membership Fees & Non-Stat	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<u>\$ 982,029</u>	<u>\$ 982,029</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	678,900	483,461	195,439	40.42%	Actual FTEs are higher than budgeted FTEs. Offset is in lower Consultants and Contracts.
Payroll Taxes	45,412	82,188	(36,776)	-44.75%	Budgeted 2009 payroll tax calculation was too high.
Employee Benefits	60,447	38,677	21,770	56.29%	Actual FTEs are higher than budgeted FTEs. Offset is in lower Consultants and Contracts.
Savings & Retirement	133,392	82,188	51,204	62.30%	Actual FTEs are higher than budgeted FTEs. Offset is in lower Consultants and Contracts.
<b>Total Personnel Expenses</b>	<u>\$ 918,150</u>	<u>\$ 686,514</u>	<u>\$ 231,636</u>		
<b>Meeting Expenses</b>					
Meetings	32,611	40,000	(7,389)	-18.47%	Actual negotiated rates for meeting room and equipment have successfully reduced costs. Catering has also been reduced through negotiations.
Travel-Staff	21,604	50,000	(28,396)	-56.79%	Member Reimbursement was not budgeted for separately in 2009 so it is an offset to the Travel-Staff udage.
Travel-Member Reimbursement	64,190	-	64,190		Member Reimbursement was not budgeted for separately in 2009 so it is an offset to the Travel-Staff udage.
Conference Calls	5,496	18,000	(12,504)	-69.47%	Conference call costs were significantly over estimated in 2009. MRO staff aggressively sought better pricing and were able to go from \$ .21 to \$.12 per minute. (Original savings began in 2008 after the 2009 budget was prepared.)
<b>Total Meeting Expenses</b>	<u>\$ 123,901</u>	<u>\$ 108,000</u>	<u>\$ 15,901</u>		
<b>Operating Expenses</b>					
Consultants	56,132	155,860	(99,728)	-63.99%	Actual FTEs are higher than budgeted FTEs. Offset is in lower Consultants and Contracts.
Contracts	-	18,000	(18,000)	-100.00%	Actual FTEs are higher than budgeted FTEs. Offset is in lower Consultants and Contracts.
Office Rent	-	-	-		
Office Costs	8,180	13,655	(5,475)	-40.09%	Actual functional training was less than budgeted training in terms of timing. YTD 2010 1st qtr shows training costs.
Professional Services	-	-	-		
Miscellanoues	-	-	-		
Depreciation	-	-	-		
<b>Total Operating Expenses</b>	<u>\$ 64,312</u>	<u>\$ 187,515</u>	<u>\$ (123,203)</u>		
<b>Total Direct Expenses</b>	<u>\$ 1,106,363</u>	<u>\$ 982,029</u>	<u>\$ 124,334</u>		
<b>Other Non-Operating Expenses</b>			\$ -		
<b>Change in Assets</b>	<u>\$ (124,334)</u>	<u>\$ -</u>	<u>\$ (124,334)</u>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ (124,334)</u>	<u>\$ -</u>	<u>\$ (124,334)</u>		
FTE	6.20	4.75	1.45		

MRO  
2009 Statement of Activities  
Training and Education  
Audited

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance	Comments - Explain variances that are +/- 10%
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	\$ 78,999	\$ 78,999	\$ -	0.00%
Penalty Sanctions			-	
<b>Total ERO Funding</b>	<u>\$ 78,999</u>	<u>\$ 78,999</u>	<u>\$ -</u>	
Membership Fees & Non-Stat			-	
Testing Fees			-	
Services & Software			-	
Workshops		29,250	(29,250)	In the 2009 MRO approved business plan and budget had budgeted for the hosting of system operating training software. After the approval of the plan it was determined by MRO staff that we would not be providing this training.
Interest			-	
Miscellaneous			-	
<b>Total Funding</b>	<u>\$ 78,999</u>	<u>\$ 108,249</u>	<u>\$ (29,250)</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	-	50,985	(50,985)	-100.00%
Payroll Taxes	-	8,667	(8,667)	-100.00%
Employee Benefits	-	4,079	(4,079)	-100.00%
Savings & Retirement	-	8,668	(8,668)	-100.00%
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ 72,399</u>	<u>\$ (72,399)</u>	
<b>Meeting Expenses</b>				
Meetings		29,850	(29,850)	-100.00%
Travel-Staff		2,400	(2,400)	-100.00%
Travel-Member Reimbursement			-	
Conference Calls		1,200	(1,200)	-100.00%
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ 33,450</u>	<u>\$ (33,450)</u>	
<b>Operating Expenses</b>				
Consultants	2,100	2,400	(300)	-12.50%
Contracts			-	
Office Rent			-	
Office Costs			-	
Professional Services			-	
Miscellaneous			-	
Depreciation			-	
<b>Total Operating Expenses</b>	<u>\$ 2,100</u>	<u>\$ 2,400</u>	<u>\$ (300)</u>	
<b>Total Direct Expenses</b>	<u>\$ 2,100</u>	<u>\$ 108,249</u>	<u>\$ (106,149)</u>	
<b>Other Non-Operating Expenses</b>			\$ -	
<b>Change in Assets</b>	<u>\$ 76,899</u>	<u>\$ -</u>	<u>\$ 76,899</u>	
<b>Fixed Assets</b>				
Depreciation	-	-	-	
Computer & Software CapEx			-	
Furniture & Fixtures CapEx			-	
Equipment CapEx			-	
Leasehold Improvements			-	
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 76,899</u>	<u>\$ -</u>	<u>\$ 76,899</u>	
FTE	-	0.50	(0.50)	



**MRO**  
**2009 Statement of Activities**  
**Situation Awareness and Infrastructure Security**  
**Audited**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 57,549	\$ 57,549	\$ -	0.00%	In the 2009 MRO approved business plan and budget the entire scope of that Situation Awareness information that would be needed had not been determined. After the approval of the plan it was determined by NERC what facilities and activities would be required by the regions which exceeded what had originally been budgeted for. The expansion included a goal to provide effective communication, coordination and industry facilitation of all areas of security to ensure the region is prepared for cyber-related incidents.
Penalty Sanctions			-		
<b>Total ERO Funding</b>	<u>\$ 57,549</u>	<u>\$ 57,549</u>	<u>\$ -</u>		
Membership Fees & Non-Stat			-		
Testing Fees			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<u>\$ 57,549</u>	<u>\$ 57,549</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	68,958	38,415	30,543	79.51%	In the 2009 MRO approved business plan and budget the entire scope of that Situation Awareness information that would be needed had not been determined. After the approval of the plan it was determined by NERC what facilities and activities would be required by the regions which exceeded what had originally been budgeted for. Required higher FTEs
Payroll Taxes	4,649	6,531	(1,882)	-29.82%	Budgeted 2009 payroll tax calculation was too high.
Employee Benefits	2,772	3,073	(301)	-9.80%	
Savings & Retirement	12,147	6,530	5,617	86.01%	In the 2009 MRO approved business plan and budget the entire scope of that Situation Awareness information that would be needed had not been determined. After the approval of the plan it was determined by NERC what facilities and activities would be required by the regions which exceeded what had originally been budgeted for. Required higher FTEs
<b>Total Personnel Expenses</b>	<u>\$ 88,525</u>	<u>\$ 54,549</u>	<u>\$ 33,976</u>		
<b>Meeting Expenses</b>					
Meetings	7,404	600	6,804	1133.99%	MRO stakeholders held a cyber security workshop that had not been budgeted for.
Travel-Staff	4,444	2,400	2,044	85.17%	The formal infrastructure security programs were expanded after the 2009 MRO approved BP&B so the program did not have specific budget dollars in 2009.
Travel-Member Reimbursement			-		
Conference Calls			-		
<b>Total Meeting Expenses</b>	<u>\$ 11,848</u>	<u>\$ 3,000</u>	<u>\$ 8,848</u>		
<b>Operating Expenses</b>					
Consultants	5,218		5,218		The formal infrastructure security programs were expanded after the 2009 MRO approved BP&B so the program did not have specific budget dollars in 2009.
Contracts	570		570		The formal infrastructure security programs were expanded after the 2009 MRO approved BP&B so the program did not have specific budget dollars in 2009.
Office Rent			-		
Office Costs	7,476		7,476		The formal infrastructure security programs were expanded after the 2009 MRO approved BP&B so the program did not have specific budget dollars in 2009.
Professional Services			-		
Miscellaneous			-		
Depreciation	3,465		3,465		Budgeted capital expenditure through Compliance. After the MRO budget was approved it was determined that the charges should go through Situation Awareness and Infrastructure Security Program.
<b>Total Operating Expenses</b>	<u>\$ 16,729</u>	<u>\$ -</u>	<u>\$ 16,729</u>		
<b>Total Direct Expenses</b>	<u>\$ 117,102</u>	<u>\$ 57,549</u>	<u>\$ 59,553</u>		
<b>Other Non-Operating Expenses</b>			-		
<b>Change in Assets</b>	<u>\$ (59,553)</u>	<u>\$ -</u>	<u>\$ (59,553)</u>		
<b>Fixed Assets</b>					
Depreciation	(3,465)	-	(3,465)		Budgeted capital expenditure through Compliance. After the MRO budget was approved it was determined that the charges should go through Situation Awareness and Infrastructure Security Program.
Computer & Software CapEx	18,826		18,826		Budgeted capital expenditure through Compliance. After the MRO budget was approved it was determined that the charges should go through Situation Awareness and Infrastructure Security Program.
Furniture & Fixtures CapEx	-		-		
Equipment CapEx	15,612		15,612		Budgeted capital expenditure through Compliance. After the MRO budget was approved it was determined that the charges should go through Situation Awareness and Infrastructure Security Program.
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<u>\$ (30,973)</u>	<u>\$ -</u>	<u>\$ (30,973)</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ (90,526)</u>	<u>\$ -</u>	<u>\$ (90,526)</u>		
FTE	0.55	0.25	0.30		

**MRO**  
**2009 Statement of Activities**  
**Committees and Member Forums**  
**Audited**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 184,900	\$ 184,900	\$ -	0.00%	
Penalty Sanctions			-		
<b>Total ERO Funding</b>	<b>\$ 184,900</b>	<b>\$ 184,900</b>	<b>\$ -</b>		
Membership Fees & Non-Stat			-		
Testing Fees			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<b>\$ 184,900</b>	<b>\$ 184,900</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	90,171	87,958	2,213	2.52%	
Payroll Taxes	5,728	14,953	(9,225)	-61.69%	Budgeted 2009 payroll tax calculation was too high.
Employee Benefits	8,153	7,037	1,116	15.86%	Budgeted benefits and savings and retirement costs vary by employee. The 2009 Budget was prepared using an overall average based on actual experience. Some programs with very light FTE's actual can significantly vary from the budget based on average.
Savings & Retirement	22,239	14,952	7,287	48.74%	Budgeted benefits and savings and retirement costs vary by employee. The 2009 Budget was prepared using an overall average based on actual experience. Some programs with very light FTE's actual can significantly vary from the budget based on average.
<b>Total Personnel Expenses</b>	<b>\$ 126,291</b>	<b>\$ 124,900</b>	<b>\$ 1,391</b>		
<b>Meeting Expenses</b>					
Meetings	1,183		1,183		
Travel-Staff	60,905	60,000	905	1.51%	
Travel-Member Reimbursement	31,621		31,621		Member Reimbursement was not budgeted for separately in 2009 so it is an offset to the Travel-Staff which was under budgeted. Previously it was budgeted higher and will be in the approved MRO 2010 BP&B.
Conference Calls			-		
<b>Total Meeting Expenses</b>	<b>\$ 93,709</b>	<b>\$ 60,000</b>	<b>\$ 33,709</b>		
<b>Operating Expenses</b>					
Consultants			-		
Contracts			-		
Office Rent			-		
Office Costs			-		
Professional Services			-		
Miscellaneous			-		
Depreciation			-		
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Total Direct Expenses</b>	<b>\$ 220,000</b>	<b>\$ 184,900</b>	<b>\$ 35,100</b>		
<b>Other Non-Operating Expenses</b>			\$ -		
<b>Change in Assets</b>	<b>\$ (35,100)</b>	<b>\$ -</b>	<b>\$ (35,100)</b>		
<b>Fixed Assets</b>					
Depreciation			-		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (35,100)</b>	<b>\$ -</b>	<b>\$ (35,100)</b>		
FTE	0.70	0.75	(0.05)		

**MRO**  
**2009 Statement of Activities**  
**General and Administrative**  
**Audited**

(In Whole Dollars)

Funding	2009 Actual	2009 Budget	2009 Variance	Comments - Explain variances that are +/- 10%	
<b>ERO Funding</b>					
ERO Assessments	\$ 421,753	\$ 421,753	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 421,753</b>	<b>\$ 421,753</b>	<b>\$ -</b>		
Membership Fees & Non-Stat			-		
Testing Fees			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<b>\$ 421,753</b>	<b>\$ 421,753</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	345,668	212,514	133,154	62.66%	Actual FTE is higher than the budgeted FTE
Payroll Taxes	17,417	36,127	(18,710)	-51.79%	Budgeted 2009 payroll tax calculation was too high.
Employee Benefits	26,969	17,001	9,968	58.63%	Actual FTE is higher than the budgeted FTE
Savings & Retirement	57,081	36,127	20,954	58.00%	Actual FTE is higher than the budgeted FTE
<b>Total Personnel Expenses</b>	<b>\$ 447,135</b>	<b>\$ 301,769</b>	<b>\$ 145,366</b>		
<b>Meeting Expenses</b>					
Meetings	26,609	22,000	4,609	20.95%	The BOD Qtrly meetings was budgeted too low. 2010 and 2011 reflect the higher actual costs.
Travel-Staff	22,242	22,000	242	1.10%	
Travel-Member Reimbursement	27,449		27,449		The BOD Qtrly travel member reimbursement was budgeted too low. 2010 and 2011 reflect the higher actual
Conference Calls	220		220		
<b>Total Meeting Expenses</b>	<b>\$ 76,520</b>	<b>\$ 44,000</b>	<b>\$ 32,520</b>		
<b>Operating Expenses</b>					
Consultants	47,767	15,000	32,767	218.44%	Remuneration review was not budgeted for costs for Hay Group \$27k Media response training \$5k actual not in budget.
Contracts			-		
Office Rent			-		
Office Costs	67,832	60,984	6,848	11.23%	Actual FTE is higher than the budgeted FTE
Professional Services			-		
Miscellaneous			-		
Depreciation			-		
<b>Total Operating Expenses</b>	<b>\$ 115,599</b>	<b>\$ 75,984</b>	<b>\$ 39,615</b>		
<b>Total Direct Expenses</b>	<b>\$ 639,254</b>	<b>\$ 421,753</b>	<b>\$ 217,501</b>		
<b>Other Non-Operating Expenses</b>			-		
<b>Change in Assets</b>	<b>\$ (217,501)</b>	<b>\$ -</b>	<b>\$ (217,501)</b>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (217,501)</b>	<b>\$ -</b>	<b>\$ (217,501)</b>		
<b>FTE</b>	<b>2.40</b>	<b>1.50</b>	<b>0.90</b>		

**MRO**  
**2009 Statement of Activities**  
**Legal and Regulatory**  
**Audited**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 638,654	\$ 638,654	\$ -	0.00%	
Penalty Sanctions			-		
<b>Total ERO Funding</b>	<b>\$ 638,654</b>	<b>\$ 638,654</b>	<b>\$ -</b>		
Membership Fees & Non-Stat			-		
Testing Fees			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<b>\$ 638,654</b>	<b>\$ 638,654</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	6,546	311,503	(304,957)	-97.90%	Actual FTE is lower than the budgeted FTE. MRO has reduced its staffing level in the Legal and Regulatory area from 1.50 to .05 FTE's MRO has re-assigned legal staff to enforcement proceedings in the Compliance Program budget. MRO will use outside counsel where necessary.
Payroll Taxes	445	52,955	(52,510)	-99.16%	Actual FTE is lower than the budgeted FTE
Employee Benefits	117	24,920	(24,803)	-99.53%	Actual FTE is lower than the budgeted FTE
Savings & Retirement	923	52,956	(52,033)	-98.26%	Actual FTE is lower than the budgeted FTE
<b>Total Personnel Expenses</b>	<b>\$ 8,030</b>	<b>\$ 442,334</b>	<b>\$ (434,304)</b>		
<b>Meeting Expenses</b>					
Meetings			-		
Travel-Staff		4,320	(4,320)	-100.00%	Actual FTE is lower than the budgeted FTE
Travel-Member Reimbursement			-		
Conference Calls		4,800	(4,800)	-100.00%	Actual FTE is lower than the budgeted FTE
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ 9,120</b>	<b>\$ (9,120)</b>		
<b>Operating Expenses</b>					
Consultants		80,000	(80,000)	-100.00%	Underage should be applied to the Professional Services line were all of the costs where charged.
Contracts			-		
Office Rent			-		
Office Costs		4,800	(4,800)	-100.00%	
Professional Services	120,611	102,400	18,211	17.78%	Actual FTE is lower than the budgeted FTE. MRO has reduced its staffing level in the Legal and Regulatory area from 1.50 to .05 FTE's MRO has re-assigned legal staff to enforcement proceedings in the Compliance Program budget. MRO will use outside counsel where necessary. In 2009 MRO has some costs related to the Regional Delegation Agreement filing in 2010. Part of the costs higher than budget are offset in consultants underage.
Miscellaneous			-		
Depreciation			-		
<b>Total Operating Expenses</b>	<b>\$ 120,611</b>	<b>\$ 187,200</b>	<b>\$ (66,589)</b>		
<b>Total Direct Expenses</b>	<b>\$ 128,641</b>	<b>\$ 638,654</b>	<b>\$ (510,013)</b>		
<b>Other Non-Operating Expenses</b>			\$ -		
<b>Change in Assets</b>	<b>\$ 510,013</b>	<b>\$ -</b>	<b>\$ 510,013</b>		
<b>Fixed Assets</b>					
Depreciation			-		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 510,013</b>	<b>\$ -</b>	<b>\$ 510,013</b>		
FTE	0.05	1.50	(1.45)		

**MRO**  
**2009 Statement of Activities**  
**Information Technology**  
**Audited**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 725,649	\$ 725,649	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<u>\$ 725,649</u>	<u>\$ 725,649</u>	<u>\$ -</u>		
Membership Fees & Non-Stat	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<u>\$ 725,649</u>	<u>\$ 725,649</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	215,041	149,274	65,767	44.06%	Actual FTE is higher than the budgeted FTE
Payroll Taxes	15,127	25,377	(10,250)	-40.39%	Budgeted 2009 payroll tax calculation was too high.
Employee Benefits	37,068	11,942	25,126	210.40%	Actual FTE is higher than the budgeted FTE
Savings & Retirement	29,782	25,376	4,406	17.36%	Actual FTE is higher than the budgeted FTE
<b>Total Personnel Expenses</b>	<u>\$ 297,018</u>	<u>\$ 211,969</u>	<u>\$ 85,049</u>		
<b>Meeting Expenses</b>					
Meetings	-	-	-		
Travel-Staff	156	6,000	(5,844)	-97.41%	The travel that was budgeted in the IT program was actually charged through the Cyber Security Program (1100)
Travel-Member Reimbursement	-	-	-		
Conference Calls	-	-	-		
<b>Total Meeting Expenses</b>	<u>\$ 156</u>	<u>\$ 6,000</u>	<u>\$ (5,844)</u>		
<b>Operating Expenses</b>					
Consultants	47,838	75,000	(27,163)	-36.22%	MRO decided to eliminate the outside 3rd party IT support and rely on MRO FTE's in this area.
Contracts	55,737	26,500	29,237	110.33%	MRO budgeted too low in the contracted licenses in 2009 and 2010. The 2011 more accurately reflects the actual higher contracted license costs.
Office Rent	-	-	-		
Office Costs	139,044	91,180	47,864	52.49%	\$s for the offsite Equipment Repairs/Service Contract did not include any offsite contracts for the IT servers which since the MRO approved 2009 BP&B has been determined as necessary.
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	267,340	-	267,340		Line is offset below.
<b>Total Operating Expenses</b>	<u>\$ 509,958</u>	<u>\$ 192,680</u>	<u>\$ 317,278</u>		
<b>Total Direct Expenses</b>	<u>\$ 807,132</u>	<u>\$ 410,649</u>	<u>\$ 396,483</u>		
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Change in Assets</b>	<u>\$ (81,483)</u>	<u>\$ 315,000</u>	<u>\$ (396,483)</u>		
<b>Fixed Assets</b>					
Depreciation	(267,340)	-	(267,340)		Line is offset above.
Computer & Software CapEx	537,934	257,400	280,534	108.99%	A number of IT and Cyber Security issues were highlighted by MRO's independent financial auditor. Our escalation of capital expenditures was in response to the Virchow Krouse Management Letter received in 2009.
Furniture & Fixtures CapEx	2,881	-	2,881		Cost study clearly indicated that MRO would be more cost effective by purchasing a copier, as opposed to continuing to lease a copier which was not included in the budget.
Equipment CapEx	27,596	57,600	(30,004)	-52.09%	Minimum of build out for the increase in MRO employees.
Leasehold Improvements	17,999	-	17,999		
<b>Change in Fixed Assets</b>	<u>\$ (319,070)</u>	<u>\$ (315,000)</u>	<u>\$ (4,070)</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ (400,553)</u>	<u>\$ -</u>	<u>\$ (400,553)</u>		
<b>FTE</b>	2.55	2.00	0.55		

MRO  
2009 Statement of Activities  
Human Resources  
Audited

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance	Comments - Explain variances that are +/- 10%
<b>Funding</b>				
<b>ERO Funding</b>				MRO includes the Human Resource function with the Accounting and Finance function.
ERO Assessments			\$ -	
Penalty Sanctions			-	
<b>Total ERO Funding</b>	\$ -	\$ -	\$ -	
Membership Fees & Non-Stat			-	
Testing Fees			-	
Services & Software			-	
Workshops			-	
Interest			-	
Miscellaneous			-	
<b>Total Funding</b>	\$ -	\$ -	\$ -	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries			-	
Payroll Taxes			-	
Employee Benefits			-	
Savings & Retirement			-	
<b>Total Personnel Expenses</b>	\$ -	\$ -	\$ -	
<b>Meeting Expenses</b>				
Meetings			-	
Travel-Staff			-	
Travel-Member Reimbursement			-	
Conference Calls			-	
<b>Total Meeting Expenses</b>	\$ -	\$ -	\$ -	
<b>Operating Expenses</b>				
Consultants			-	
Contracts			-	
Office Rent			-	
Office Costs			-	
Professional Services			-	
Miscellaneous			-	
Depreciation			-	
<b>Total Operating Expenses</b>	\$ -	\$ -	\$ -	
<b>Total Direct Expenses</b>	\$ -	\$ -	\$ -	
<b>Other Non-Operating Expenses</b>			\$ -	
<b>Change in Assets</b>	\$ -	\$ -	\$ -	
<b>Fixed Assets</b>				
Depreciation			-	
Computer & Software CapEx			-	
Furniture & Fixtures CapEx			-	
Equipment CapEx			-	
Leasehold Improvements			-	
<b>Change in Fixed Assets</b>	\$ -	\$ -	\$ -	
<b>TOTAL CHANGE IN ASSETS</b>	\$ -	\$ -	\$ -	
FTE			-	

**MRO**  
**2009 Statement of Activities**  
**Accounting and Finance**  
**Audited**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 1,717,817	\$ 1,717,817	\$ -	0.00%	Includes the Pension Conversion Supplemental Filing of \$1,120,000
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 1,717,817</b>	<b>\$ 1,717,817</b>	<b>\$ -</b>		
Membership Fees & Non-Stat	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<b>\$ 1,717,817</b>	<b>\$ 1,717,817</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	135,136	157,806	(22,670)	-14.37%	Actual FTE was lower than the budgeted FTE.
Payroll Taxes	14,666	26,827	(12,161)	-45.33%	Budgeted 2009 payroll tax calculation was too high.
Employee Benefits	23,906	12,625	11,281	89.36%	Budgeted benefits and savings and retirement costs vary by employee. The 2009 Budget was prepared using an overall average based on actual experience. Some programs with very light FTE's actual can significantly vary from the budget based on average.
Savings & Retirement	28,553	26,829	1,724	6.43%	Budgeted benefits and savings and retirement costs vary by employee. The 2009 Budget was prepared using an overall average based on actual experience. Some programs with very light FTE's actual can significantly vary from the budget based on average.
<b>Total Personnel Expenses</b>	<b>\$ 202,261</b>	<b>\$ 224,087</b>	<b>\$ (21,826)</b>		
<b>Meeting Expenses</b>					
Meetings	-	-	-		
Travel-Staff	2,408	3,000	(592)	-19.74%	Staff was unable to attend some meetings that were planned.
Travel-Member Reimbursement	-	-	-		
Conference Calls	45	-	45		
<b>Total Meeting Expenses</b>	<b>\$ 2,453</b>	<b>\$ 3,000</b>	<b>\$ (547)</b>		
<b>Operating Expenses</b>					
Consultants	67,218	38,000	29,218	76.89%	There are one time higher actual costs in consulting which were costs incurred in the termination of the pension MRO's 2009 approved BP&B had a number of HR and employee benefit contracts in professional services. Actual Costs were charged to contracts. The underage in professional services should be used to offset the shortage in contracts.
Contracts	96,338	-	96,338		
Office Rent	150,656	170,000	(19,344)	-11.38%	MRO's 2009 approved BP&B included Utilities, Maintenance and Security, in the office rent however, the actual costs were charged to office costs. The overage on this line should be used to offset the underage in office costs.
Office Costs	134,373	110,200	24,173	21.94%	MRO's 2009 approved BP&B included Utilities, Maintenance and Security, in the office rent however, the actual costs were charged to office costs. The overage on this line should be used to offset the underage in office costs.
Professional Services	39,053	52,530	(13,477)	-25.66%	MRO's 2009 approved BP&B had a number of HR and employee benefit contracts in professional services. Actual Costs were charged to contracts. The underage in professional services should be used to offset the shortage in contracts.
Miscellaneous	-	-	-		
Depreciation	-	-	-		
<b>Total Operating Expenses</b>	<b>\$ 487,638</b>	<b>\$ 370,730</b>	<b>\$ 116,908</b>		
<b>Total Direct Expenses</b>	<b>\$ 692,352</b>	<b>\$ 597,817</b>	<b>\$ 94,535</b>		
<b>Other Non-Operating Expenses</b>	<b>\$ 864,164</b>	<b>\$ 1,120,000</b>	<b>\$ (255,836)</b>		Pension Conversion \$1,151,632 and the Medical Retiree Premium Adjustment (\$287,468)
<b>Change in Assets</b>	<b>\$ 161,301</b>	<b>\$ -</b>	<b>\$ 161,301</b>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 161,301</b>	<b>\$ -</b>	<b>\$ 161,301</b>		
FTE	2.17	2.25	(0.08)		

**MIDWEST RELIABILITY ORGANIZATION**  
Roseville, Minnesota

Financial Statements  
Including Independent Auditors' Report

December 31, 2009 and 2008



# MIDWEST RELIABILITY ORGANIZATION

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Members  
Midwest Reliability Organization  
Roseville, Minnesota

We have audited the accompanying statements of financial position of Midwest Reliability Organization as of December 31, 2009 and 2008, and the related statements of operations and members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midwest Reliability Organization as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of the Organization's management. Information in the schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

*Baker Tilly Virchow Krause, LLP*

Minneapolis, Minnesota  
March 19, 2010

**MIDWEST RELIABILITY ORGANIZATION**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2009 and 2008

---

	<b>ASSETS</b>	
	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,623,637	\$ 729,127
Prepaid expenses	<u>65,662</u>	<u>61,886</u>
Total Current Assets	1,689,299	791,013
<b>PROPERTY, IMPROVEMENTS AND EQUIPMENT, NET</b>	833,162	706,962
<b>OTHER ASSETS</b>		
Capitalized software costs, net of accumulated amortization of \$100,154 and \$83,113, respectively	<u>245,341</u>	<u>21,495</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,767,802</u>	<u>\$ 1,519,470</u>
	<b>LIABILITIES AND MEMBERS' EQUITY</b>	
<b>CURRENT LIABILITIES</b>		
Accounts payable - trade	\$ 632,768	\$ 211,398
Payable to MAPPCOR	-	140,670
Accrued liabilities	155,430	166,410
Retirement plan contribution	255,246	-
Deferred penalty assessment	135,488	75,458
Deferred rent	<u>47,733</u>	<u>47,733</u>
Total Current Liabilities	1,226,665	641,669
<b>OTHER LIABILITIES</b>		
Postretirement medical benefit obligation	130,166	369,803
Deferred rent - long-term	<u>89,843</u>	<u>120,590</u>
Total Liabilities	<u>1,446,674</u>	<u>1,132,062</u>
<b>MEMBERS' EQUITY</b>	<u>1,321,128</u>	<u>387,408</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 2,767,802</u>	<u>\$ 1,519,470</u>

See accompanying notes to financial statements.

**MIDWEST RELIABILITY ORGANIZATION**

STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY  
Years Ended December 31, 2009 and 2008

	2009	2008
<b>REVENUE</b>		
Assessments	\$ 6,376,475	\$ 5,331,487
Services and software	36,667	183,610
Non-operating assessment - pension plan termination	1,120,000	-
Total Revenue	7,533,142	5,515,097
<b>EXPENSES</b>		
Personnel expenses		
Salaries	2,850,658	2,353,759
Payroll taxes	195,668	169,798
Employee benefits	272,338	259,982
Retirement benefits	524,991	530,523
Total personnel expenses	3,843,655	3,314,062
Meeting expenses		
Conference calls	17,749	58,336
Meetings	97,179	104,606
Travel	335,189	424,060
Total meeting expenses	450,117	587,002
Operating expenses		
Building rent	150,656	152,501
Consulting	480,048	786,592
Office costs	651,118	610,731
Professional services	159,664	249,213
Total operating expenses	1,441,486	1,799,037
Total Expenses	5,735,258	5,700,101
<b>PENSION AND POSTRETIREMENT-RELATED CHANGES</b>		
Pension plan termination	1,151,632	-
Postretirement medical benefit obligation changes other than net periodic cost	(287,468)	-
Total Pension and Postretirement-related changes	864,164	-
<b>CHANGE IN MEMBERS' EQUITY</b>	933,720	(185,004)
MEMBERS' EQUITY - Beginning of Year	387,408	572,412
<b>MEMBERS' EQUITY - END OF YEAR</b>	\$ 1,321,128	\$ 387,408

See accompanying notes to financial statements.

**MIDWEST RELIABILITY ORGANIZATION**

STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2009 and 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in members' equity	\$ 933,720	\$ (185,004)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation and amortization	270,805	269,754
Amortization of deferred rent	(30,747)	(27,059)
Postretirement benefit obligation	(239,637)	159,928
Loss on disposal of assets	-	13,198
Change in assets and liabilities:		
Trade receivables and other	-	125,206
Prepaid expenses	(3,776)	66,716
Accounts payable - trade	106,684	(112,588)
Payable to MAPPCOR	(140,670)	(72,848)
Accrued liabilities	(10,980)	16,761
Contributions to retirement plan	255,246	-
Deferred penalty assessment	60,030	75,458
Net Cash Flows from Operating Activities	1,200,675	329,522
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, improvements and equipment and software	(306,165)	(190,916)
 <b>Net Change in Cash and Cash Equivalents</b>	894,510	138,606
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	729,127	590,521
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,623,637	\$ 729,127
 Supplemental cash flow disclosure:		
Equipment and software additions included in accounts payable	\$ 314,686	\$ -

See accompanying notes to financial statements.

# MIDWEST RELIABILITY ORGANIZATION

## NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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#### *Services*

Midwest Reliability Organization (or the "Organization") is a nonprofit organization dedicated to ensuring the reliability of the bulk power system in the north-central part of North America. The Organization is a Regional Entity under the Energy Policy Act of 2005 (United States) and operates under delegated authority from the Federal Energy Regulatory Commission (FERC) via a delegation agreement with the North American Reliability Corporation. Additionally, the Organization operates in the provinces of Saskatchewan and Manitoba through other agreements. The primary focus of the Organization is ensuring compliance with reliability standards utilizing open, fair processes in the public interest and providing assessments on bulk power system reliability. In addition to the Board of Directors, Midwest Reliability Organization has formed four organizational groups: The Reliability Assessment Committee, the Compliance Committee, the Dispute Resolution Committee, and the Standards Committee.

#### *Cash and Cash Equivalents*

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are held by one financial institution, Wells Fargo, in three accounts. Escrowed amounts resulting from penalties assessed and collected in the United States are segregated into a separate account. The Organization is subject to the FDIC insurance limits related to its cash balances.

#### *Receivables*

Receivables primarily consist of assessments related to load serving entities (members and nonmembers). No allowance for doubtful accounts is recorded based on historical experience and management's evaluation of receivables. Bad debts are expensed when deemed uncollectible. Receivables are generally unsecured.

#### *Property, Improvements and Equipment*

Property, improvements and equipment are stated at cost less accumulated depreciation and amortization. Significant additions or improvements exceeding \$2,000 are capitalized, while expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, ranging from three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life or the remaining lease term. The cost and related accumulated depreciation of assets sold or disposed of are removed from the accounts, and the resulting gain or loss is included in operations.

#### *Tax Status*

The Internal Revenue Service has determined that the Organization is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. They are also exempt from state income taxes. However, any unrelated business income may be subject to taxation.

#### *Capitalized Software Costs*

The Organization capitalizes software development costs incurred and purchased software in upgrading computer software used internally to serve its members. The Organization begins capitalization of these costs after technological feasibility has been determined. The capitalized software, once placed in service, is amortized on the straight-line method over its estimated useful life of three years. Amortization expense totaled \$17,041 and \$44,254 for the years ended December 31, 2009 and 2008, respectively.

# MIDWEST RELIABILITY ORGANIZATION

## NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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#### *Revenue and Assessments*

The Organization receives its revenues from NERC through a net energy-to-load allocation for all load-serving entities within its geographical area. The revenue allocation is prescribed under the Energy Policy Act of 2005 and similar arrangements in Saskatchewan and Manitoba. Any other revenues are collected on a fee-for-service basis at no cost, if applicable.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *New Accounting Pronouncements*

In December 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets*. This FSP amends previous accounting pronouncements to provide additional disclosures about plan assets of a defined benefit pension or other post retirement plan. The Organization adopted FSP FAS 132(R)-1 as of January 1, 2009.

#### *Reclassifications*

For comparability purposes, amounts appearing in the 2008 financial statements have been reclassified to conform to the 2009 presentation. The reclassifications had no effect on reported amounts of total revenue, expenses, or change in members' equity.

#### *Subsequent Events*

The Organization has evaluated subsequent events through March 19, 2010 which is the date that the financial statements were approved and available to be issued.

## MIDWEST RELIABILITY ORGANIZATION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

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#### NOTE 2 - MAPPCOR TRANSACTIONS

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The Organization contracted with MAPPCOR to provide organization-related services for a period of one year, pursuant to a Service Agreement, which terminated in 2008. The Organization billed MAPPCOR for information technology services to support the functions of MAPPCOR. Billings were based on an annual budget of the expected costs of providing these services. A reconciliation of actual costs to budgeted costs was performed on an annual basis and billings were adjusted for overcharges or undercharges. The reconciliation was prepared based on the methodology for recovering costs contained in the Service Agreement. The Organization had a payable of \$140,670 due to MAPPCOR at December 31, 2008. The Organization recognized \$122,610 of revenue in 2008 related to the Service Agreement.

On January 1, 2007, MAPPCOR converted its employee pension plan to a multiple employer plan so that employees from both MRO and MAPPCOR could participate. In 2009, the plan was terminated, as discussed in Note 7.

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#### NOTE 3 - NERC TRANSACTIONS

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On October 30, 2007 the Organization entered into a delegation agreement with the North American Electric Reliability Corporation ("NERC") with an executed version dated April 5, 2008 to enforce the Reliability Standards as set by NERC within a designated region. The delegation agreement, which was set to expire in May 2010, has been approved for extension by FERC through May 2, 2011. The Organization and NERC are working on a five-year delegation agreement which is expected to be executed before the extended delegation agreement expires. Although the proposed five-year delegation agreement is not expected to be materially different than the current delegation agreement, under the rules, the agreement is subject to regulatory approval.

In connection with the current delegation agreement, the Organization has the ability to propose Reliability Standards and Regional Variances. The Organization has the authority to enforce the Reliability Standards as set by NERC within the geographic boundaries. As often as NERC deems necessary, but no less than every three years, NERC will review the Organization's compliance enforcement program for compliance.

To insure the delegated functions have reasonable funding, NERC is to fund the Organization with the monies necessary to carry out its activities as per the agreement. A formula is devised that equitably allocates charges among the end users within the boundaries served by the Organization, based on net energy for load or through such other formula as provided. The Organization provides NERC with an annual operating budget on or before April 30 of each year. Budgeted revenues from NERC were \$6,376,475 and \$5,331,487 for the years ended December 31, 2009 and 2008, respectively, which agree with the amounts received.

In addition to the budgeted operating revenues, the Organization received \$1,120,000 in 2009 in non-operating assessment revenue related to the termination of the defined-benefit pension plan, as described in Note 7.



MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

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**NOTE 4 - LEASE COMMITMENTS**

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*Operating Lease*

On January 1, 2007, there was an assignment and assumption of MAPPCOR's operating lease by MRO, which MAPPCOR had entered into March 14, 2006, for rental of the office space located in Roseville, Minnesota. The assumed lease agreement is between Minnesota Industrial Properties Limited Partnership and MAPPCOR. Rent expense was \$150,656 in 2009 and \$152,501 in 2008.

Future expected minimum lease payments under the assigned lease as of December 31, 2009 are as follows:

Years Ending December 31	
2010	\$ 130,659
2011	134,925
2012	138,994
2013	<u>70,547</u>
	<u>\$ 475,125</u>

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**NOTE 5 - PROPERTY, IMPROVEMENTS AND EQUIPMENT**

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The following is a schedule of property, improvements and equipment as of December 31:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 776,240	\$ 417,156
Furniture	147,911	145,030
Leasehold improvements	<u>579,619</u>	<u>561,620</u>
	1,503,767	1,123,806
Less: Accumulated depreciation	<u>(670,608)</u>	<u>(416,844)</u>
Net Property, Improvements and Equipment	<u>\$ 833,162</u>	<u>\$ 706,962</u>

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**NOTE 6 - LINE OF CREDIT**

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The Organization obtained a revolving line of credit from National Cooperative Service Corporation (NCSC) in February 2008. The line of credit has a credit limit of \$2,000,000 and an interest rate equal to the NCSC Line of Credit Rate in effect from time to time, not to exceed the Prevailing Bank Prime Rate as published in the "Money Rates" column of the eastern edition of the *Wall Street Journal* on the publication day immediately preceding the day on which an adjustment in the interest rate becomes effective. The Organization is required to maintain a Debt Service Coverage Ratio of not less than 1.00. The line of credit is secured by substantially all assets of the Organization, and is set to expire in February 2011. There were no outstanding balances at December 31, 2009 or 2008, respectively.

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

**NOTE 7 - RETIREMENT PLANS**

*Postretirement Health Plan*

The Organization has a defined benefit postretirement health plan available to eligible current and future retirees. Information regarding the plan as of December 31 was as follows:

	<u>2009</u>	<u>2008</u>
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 581,407	\$ 436,251
Service cost	99,590	70,236
Interest cost	32,646	28,151
Plan changes	(428,080)	-
Actuarial loss	182,861	46,769
Benefits paid	-	-
Benefit obligation at end of year	<u>468,424</u>	<u>581,407</u>
Change in plan assets		
Fair value of plan assets at beginning of year	211,604	226,376
Actual return on plan assets	56,654	(73,443)
Employer contribution	70,000	58,671
Benefits paid	-	-
Fair value of plan assets at end of year	<u>338,258</u>	<u>211,604</u>
Funded status recognized as a noncurrent liability	<u>\$ (130,166)</u>	<u>\$ (369,803)</u>
Weighted average assumptions used to calculate the benefit obligation-discount rate	6.10%	5.65%

**MIDWEST RELIABILITY ORGANIZATION**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2009 and 2008

**NOTE 7 - RETIREMENT PLANS (Continued)**

Net periodic postretirement benefit expense for the years ending December 31 is comprised of the following:

	2009	2008
Components of net periodic benefit cost		
Service cost	\$ 99,590	\$ 70,236
Interest cost	32,646	28,151
Expected return on plan assets	(16,640)	(17,857)
Amortization of prior service cost	-	434
Amortization of actuarial loss	4,641	-
Net periodic benefit cost	\$ 120,237	\$ 80,964

Weighted-average assumptions used to calculate the net periodic benefit cost

Discount rate	5.65 %	6.50%
Expected return on plan assets	8.00 %	8.00%
Rate of compensation increases	N/A	N/A

The expected rates of return on pension plan assets are based on the weighting of the Organization's asset allocations, the 30-year rolling historical average returns, and recent historical average returns.

Assumed health care cost trend rates at December 31 consist of the following:

Health care cost trend rate assumed for next year	11.3%	9.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0 %	4.2%
Year that the rate reaches the ultimate trend rate	2030	2029

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage point change in assumed health care trend rates would have the following effects:

	One-Percentage Point	
	Increase	Decrease
Effect on total of service cost and interest cost	\$ 37,338	\$ (27,779)
Effect on postretirement benefit obligation	102,585	(79,632)

**MIDWEST RELIABILITY ORGANIZATION**

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

**NOTE 7 - RETIREMENT PLANS (Continued)**

Pension related changes other than net periodic cost included in retirement benefit expense:

	2009	2008
Actuarial (gain) loss arising during the year	\$ 138,206	\$ 138,069
Amortization of prior year service cost	-	(434)
Newly established prior service credit	(428,080)	-
	\$ (289,874)	\$ 137,635

The Organization employs a total return investment approach for plan assets with a mix of equity and debt investments used to maximize the long-term appreciation of plan assets for a prudent level of risk. The Organization's plan assets are invested in various funds, which consist of both stocks and bonds. The target asset allocation is approximately 65% to stocks and 35% to bonds. The broadly diversified equity component includes investment in companies of various sizes, with an emphasis on large cap stocks, and represents several investment styles. The equity portion also includes an allocation to international stocks. Investments in bonds are diversified into three portfolios that invest mainly in U.S. treasuries, high quality corporate issues and mortgage securities.

The fair values of the Organization's postretirement plan assets at December 31, by asset category, are as follows:

	2009	2008
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Identical Assets (Level 1)
Asset category		
Cash equivalents	\$ 10,025	\$ 63,025
Mutual funds-bonds	56,402	27,314
Mutual funds-equities	271,831	121,265
	\$ 338,258	\$ 211,604

Estimated future benefit payments (which reflect expected future service, as appropriate) as of December 31, 2009 are as follows:

Years Ending December 31	
2010	\$ 2,997
2011	3,318
2012	3,641
2013	3,960
2014	9,353
2014-2017	146,967

It is reasonably possible that changes in these estimates could occur in the near term and that actual results could differ from these estimates and could have a material effect on the financial statements.

The Organization expects to contribute \$54,000 to the plan in 2010.

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008

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**NOTE 7 - RETIREMENT PLANS (Continued)**

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*Defined Benefit Pension Plan*

The Organization participated in a multiple-employer defined benefit pension plan for its employees (see Note 2). The amount contributed to the plan for the year ended December 31, 2008 was approximately \$202,000.

MAPPCOR, the plan administrator, terminated the plan with an effective termination date of December 31, 2008. The Organization, therefore, terminated its participation in the plan and funded all outstanding obligations according to IRS and PBGC rules. The amount paid to fund the benefit obligation was \$1,151,632 as of December 31, 2009.

*Defined Contribution Pension Plan*

In 2009, the Organization established a thrift savings plan to replace the terminated multiple-employer plan for the benefit of its employees. The Organization's previous 401(k) plan was converted into the new plan as well as the establishment of a new, non-elective profit-sharing plan. In order to participate in the plan, employees must have attained age 20 and have completed one month of service. Employees may contribute up to the IRS limitations for their elective deferral, with a 50% matching contribution from the Organization. For employees to receive the non-elective or profit-sharing contribution, they must have worked 1,000 hours during the plan year. The Organization matched \$149,508 and \$109,781 of employee deferrals as of December 31, 2009 and 2008, respectively. In addition, the Organization elected to make a profit-sharing contribution in the amount of \$255,246 as of December 31, 2009.

**SUPPLEMENTAL SCHEDULE**

**MIDWEST RELIABILITY ORGANIZATION**

**NERC QUALIFYING DISBURSEMENTS AND FUNDING**  
Years Ended December 31, 2009 and 2008

	2009	(Accrual) 2008	(Modified cash- basis) 2008
<b>FUNDING</b>			
Assessments	\$ 6,376,475	\$ 5,331,487	\$ 5,331,487
Services and software	36,667	61,000	61,000
Workshops	-	-	-
Non-operating assessment - pension termination	1,120,000	-	-
Total funding	<u>7,533,142</u>	<u>5,392,487</u>	<u>5,392,487</u>
<b>ALLOWED DISBURSEMENTS</b>			
Personnel disbursements			
Salaries	2,850,658	2,323,481	2,323,481
Payroll taxes	195,668	164,549	164,549
Employee benefits	272,338	256,912	256,912
Retirement benefits	524,991	365,346	365,346
Total personnel disbursements	<u>3,843,655</u>	<u>3,110,288</u>	<u>3,110,288</u>
Meeting disbursements			
Conference calls	17,749	58,336	58,336
Meetings	97,179	104,606	104,606
Travel	335,189	424,020	424,020
Total meeting disbursements	<u>450,117</u>	<u>586,962</u>	<u>586,962</u>
Operating disbursements			
Building rent	150,656	152,501	187,927
Consulting	388,941	680,612	680,612
Contracts	91,107	27,256	27,256
Office costs	380,313	340,978	305,552
Professional services	159,664	249,213	249,213
Depreciation	270,805	269,754	-
Computer purchases and maintenance	-	-	177,718
Total operating disbursements	<u>1,441,486</u>	<u>1,720,314</u>	<u>1,628,278</u>
Non-operating disbursements - pension plan termination	1,151,632	-	-
Non-operating disbursements - postretirement medical benefit obligation changes other than net periodic cost	<u>(287,468)</u>	<u>-</u>	<u>-</u>
Total expense	<u>6,599,422</u>	<u>5,417,564</u>	<u>5,325,528</u>
Change in assets	<u>\$ 933,720</u>	<u>\$ (25,077)</u>	<u>\$ 66,959</u>
Fixed Assets			
Depreciation	\$ 270,805	\$ 269,754	\$ -
Computer Equipment	(315,873)	(122,417)	-
Capitalized Software	(240,887)	(1,347)	-
Furniture and Equipment	(46,089)	(4,579)	-
Leasehold Improvements	(17,999)	(49,375)	-
Change in Fixed Assets	<u>\$ (350,043)</u>	<u>\$ 92,036</u>	<u>\$ -</u>
Total Allowed Disbursements	<u>\$ 583,677</u>	<u>\$ 66,959</u>	<u>\$ 66,959</u>
Headcount	<u>28</u>	<u>24</u>	<u>24</u>

*Note to Supplemental Schedule*

During 2009, the Organization revised its presentation of the supplemental NERC qualifying disbursements and funding schedule from a modified cash-basis to an accrual basis presentation in accordance with NERC revised requirements. For comparability purposes, 2008 numbers are shown as originally reported and according to the new standards.

**ATTACHMENT 4**

**2009 ACTUAL COST-TO-BUDGET COMPARISON**

**AND**

**2009 AUDITED FINANCIAL REPORT**

**FOR**

**NORTHEAST POWER COORDINATING COUNCIL, INC.**





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

May 20, 2010

North American Electric Reliability Corporation  
Princeton Forrestal Village, 116-390 Village Boulevard  
Princeton, New Jersey 08540-5721  
Attention: Mr. Michael Walker - Chief Administrative and Financial Officer

Subject: NPCC 2009 True Up Budget vs. Actual Variance Analysis  
Based on Audited 12/31/09 Financial Statements

Dear Mike:

Enclosed is NPCC's updated submittal of information on the 2009 NPCC budget and year-end actual cost-to-budget variances. The attached information is intended to respond to the Federal Energy Regulatory Commission order in directing NERC and the Regional Entities to file a true-up report no later than June 1, 2010.

Resource reprioritizations were made throughout 2009 and significant variances by program area are explained on a line-item basis presenting actual and budgeted costs on a program-by-program basis. Actual total expenses for NPCC's Regional Entity (RE) division for 2009 were \$8,999,703 which is \$1,009,181 or 10% under the 2009 funding requirement of \$10,008,885. Actual total expenses for NPCC's Criteria Services (CS) division for 2009 were \$768,836 which is \$243,955 or approximately 24% under the 2009 funding requirement of \$1,012,790. In the aggregate, actual total expenses for the NPCC RE and CS divisions were \$9,768,539 which is \$1,253,136 or 11% under the 2009 total funding requirement of \$11,021,675.

While most operating expenses and office relocation expenses were budgeted in the General & Administrative function, actual expenses during 2009 were directly allocated to all program areas and indirect functions based on FTE ratio.

As noted previously, NPCC under spent its budget by \$1,009,181 in the RE Division and by \$243,955 in the CS Division. The resulting impact was a \$1,021,052 and \$245,258 positive variance on NPCC's cash position for the year for RE and CS Divisions, respectively. The net impact for both the RE and CS Divisions was a \$1,266,311 positive variance on NPCC's cash position for the year.

No statutory assessments were used to fund non-statutory activities.

Significant aggregate above and under budget expenditures for the Regional Entity division are explained in the coming pages:

## **Personnel Expenses**

Personnel expenses were below budget by a net amount of \$682,924 or 13%. Salaries were under budget by \$422,184 or 11% as a result of staffing challenges and accrual of less than budgeted incentive at-risk compensation. Employee Benefits were below budget by \$143,559 or 18% due to several employees retaining superior health coverage from previous employers. Savings and Retirement was under budget by \$123,294 or 23% because participation in the 401(k) was lower than budgeted and there was less eligibility for discretionary contribution than budgeted.

## **Meeting and Travel Expenses**

In total, these accounts were under budget by \$138,923 or 14%. Due to successful efforts to keep meeting costs down by holding more meetings via teleconference as well as meeting space rental rate renegotiations, Meeting expenses were under budget by \$38,523 or 20%. Travel expenses were under budget by \$129,301 or 17% as a result of advance bookings, adjustments to class of hotel used, on-site meetings, and meetings by teleconference. Consequently, Conference Call expenses were over budget \$28,901 or 54%.

## **Operating Expenses**

- **Contracts & Consultants**

This account was over budget by \$238,664 or 24% due to the expanded quantity and scope of audits during 2009.

- **Office Rent**

This account was under budget by \$61,357 or 11% due to landlord concessions, free rent, and straight line accounting treatment.

- **Office Costs**

Relocation and expansion during 2009 necessitated increased Office Costs. As a result, this account was over budget by \$46,216 or 17%.

- **Professional Services**

This account was under budget by \$73,532 or 10% due to judicious use of outside counsel, the absence of any compliance hearings in 2009, and lower-than-budgeted financial audit cost.

- **Miscellaneous**

NPCC expended more on training staff than budgeted and, as a result, Miscellaneous expenses were above budget by \$5,281 or 19%.

- **Other Non-Operating Expenses**

This account was under budget by \$97,119 or 64% as Office Relocation expenses were less than anticipated due to favorable timing and improved negotiated terms associated with the economic downturn.

### **Fixed Assets**

- **Furniture & Fixtures CapEx**

This account was under budget by \$54,051 or 24% due to change in furniture quality & specifications related to NPCC's relocation.

- **Equipment CapEx**

This account was over budget by \$25,717 or 18%. In order to provide long term savings and to be consistent with the practices of other regional entities, NPCC purchased laptops for its employees upon lease expiration of older equipment.

- **Leasehold Improvements**

Leasehold Improvements were under budget by \$220,196 or 39% as a result of the effects of straight line accounting and negotiated landlord concessions.

NPCC has a Criteria Services division whose efforts with regard to regionally-specific reliability criteria assessment, monitoring and compliance enforcement would be considered non-statutory activities. In the 2009 budget, allocation between the RE division and CS division was a 91/9 split based upon total corporate full time equivalents (FTEs). At that time, NPCC included contractors in its FTE count resulting in the 91/9 ratio. To be consistent with NERC and the other Regional Entities, NPCC removed contractors from its FTE count during 2009. The removal of contractors from the FTE count resulted in a shift from a ratio of 91/9 to 90/10 between the RE and CS division. Therefore, while the 2009 budget shows a 91/9 split, the actual split was 90/10 and costs were allocated accordingly during 2009.

Detailed descriptions of budget to actual variances are provided in the attached file. If you have any questions, please feel free to call or email at [jbudd@npcc.org](mailto:jbudd@npcc.org).

Sincerely,

*Jennifer Budd Mattiello*

Jennifer Budd Mattiello  
Vice President & Chief Operating Officer

JBM:jm

cc: NPCC Staff

**NPCC**  
**2009 Income Statement Summary**  
**(Regional Entity and Criteria Services Division)**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	10,008,885	10,008,885	-
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<u>10,008,885</u>	<u>10,008,885</u>	<u>-</u>
Membership Fees & Non-Stat Assessments	1,012,775	1,012,790	(15)
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	13,190	-	13,190
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>11,034,850</u>	<u>11,021,675</u>	<u>13,175</u>
<b>Direct Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	3,564,188	4,014,937	(450,749)
Payroll Taxes	226,250	220,617	5,633
Employee Benefits	715,662	862,085	(146,423)
Savings & Retirement	474,087	613,685	(139,599)
<b>Total Personnel Expenses</b>	<u>4,980,187</u>	<u>5,711,324</u>	<u>(731,138)</u>
<b>Meeting Expenses</b>			
Meetings	150,961	212,987	(62,026)
Travel	646,769	834,776	(188,007)
Conference Calls	101,270	59,426	41,844
<b>Total Meeting Expenses</b>	<u>899,000</u>	<u>1,107,189</u>	<u>(208,189)</u>
<b>Operating Expenses</b>			
Consultants & Contracts	1,244,833	1,090,400	154,433
Office Rent	550,978	609,542	(58,564)
Office Costs	341,655	293,473	48,182
Professional Services	742,935	848,200	(105,265)
Computer Equipment & Leases	150,005	146,500	3,505
Miscellaneous	35,876	30,000	5,876
Depreciation	129,859	-	129,859
<b>Total Operating Expenses</b>	<u>3,196,142</u>	<u>3,018,115</u>	<u>178,027</u>
<b>Total Direct Expenses</b>	<u>9,075,328</u>	<u>9,836,628</u>	<u>(761,300)</u>
<b>Other Non-Operating Expenses</b>	<u>61,634</u>	<u>158,547</u>	<u>(96,913)</u>
<b>Change in Assets</b>	<u>1,897,888</u>	<u>1,026,500</u>	<u>871,388</u>
<b>Fixed Assets</b>			
Depreciation	(129,859)	-	(129,859)
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	192,892	250,250	(57,358)
Equipment CapEx	190,271	160,000	30,271
Leasehold Improvements	378,273	616,250	(237,977)
<b>Change in Fixed Assets</b>	<u>(631,577)</u>	<u>(1,026,500)</u>	<u>394,923</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>1,266,311</u>	<u>-</u>	<u>1,266,311</u>
<b>Full-Time Equivalents</b>	26.00	30.0	-4.0

The 2009 NPCC Business Plan and Budget included 4.0 contractors in its FTE count. To promote consistency with NERC and the other Regional Entities, NPCC removed independent contractors from its FTE count during 2009.

**NPCC**  
**2009 Income Statement Summary**  
**Regional Entity Division Only**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	10,008,885	10,008,885	-	
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<u>10,008,885</u>	<u>10,008,885</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	11,871	-	11,871	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<u>10,020,756</u>	<u>10,008,885</u>	<u>11,871</u>	
<b>Direct Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	3,249,187	3,671,371	(422,184)	
Payroll Taxes	206,641	200,528	6,113	
Employee Benefits	650,678	794,236	(143,559)	
Savings & Retirement	404,017	527,311	(123,294)	
<b>Total Personnel Expenses</b>	<u>4,510,523</u>	<u>5,193,446</u>	<u>(682,924)</u>	
<b>Meeting Expenses</b>				
Meetings	150,163	188,686	(38,523)	
Travel	621,209	750,510	(129,301)	
Conference Calls	82,778	53,877	28,901	
<b>Total Meeting Expenses</b>	<u>854,150</u>	<u>993,073</u>	<u>(138,923)</u>	
<b>Operating Expenses</b>				
Consultants & Contracts	1,221,064	982,400	238,664	
Office Rent	493,326	554,683	(61,357)	Under budget due to landlord concessions, free rent, and straight line accounting Relocation and expansion necessitated increased costs.
Office Costs	313,276	267,060	46,216	
Professional Services	698,330	771,862	(73,532)	Under budget due to judicious use of outside counsel, absence of compliance hearings in 2009, and lower than budgeted accounting costs.
Computer Equipment & Leases	136,357	133,315	3,042	
Miscellaneous	32,581	27,300	5,281	With additions, NPCC expended more on training staff than budgeted
Depreciation	116,873	-	116,873	
<b>Total Operating Expenses</b>	<u>3,011,808</u>	<u>2,736,621</u>	<u>275,187</u>	
<b>Total Direct Expenses</b>	<u>8,376,480</u>	<u>8,923,140</u>	<u>(546,660)</u>	
<b>Other Non-Operating Expenses</b>	<u>54,511</u>	<u>151,630</u>	<u>(97,119)</u>	Office relocation was under budget due to favorable timing and improved negotiated terms associated with the economic downturn.
<b>Change in Assets</b>	<u>1,589,765</u>	<u>934,115</u>	<u>655,650</u>	
<b>Fixed Assets</b>				
Depreciation	(116,873)	-	(116,873)	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	173,677	227,728	(54,051)	Under budget due to change in furniture quality and specifications In order to provide long term savings and to be consistent with the practices of other Regional Entities, NPCC purchased laptops for its employees upon lease expiration.
Equipment CapEx	171,317	145,600	25,717	
Leasehold Improvements	340,591	560,788	(220,196)	Under budget due to the effects of straight line accounting and negotiated landlord concessions.
<b>Change in Fixed Assets</b>	<u>(568,712)</u>	<u>(934,115)</u>	<u>365,403</u>	
<b>TOTAL CHANGE IN ASSETS</b>	<u>1,021,052</u>	<u>-</u>	<u>1,021,052</u>	
<b>Full-Time Equivalents</b>	23.41	27.2	-3.79	The 2009 NPCC Business Plan and Budget included 3.8 contractors in the Regional Entity Division FTE count and 0.2 contractors in the Criteria Services Division FTE count. To promote consistency with NERC and the other Regional Entities, NPCC removed independent contractors from its FTE count during 2009. The removal of contractors from the FTE count resulted in a shift from a ratio of 91/9 to 90/10 between the RE and CS division. Therefore, the allocation of NPCC's President & CEO shifted from a ratio of 91/9 to 90/10, which accounts for the additional 0.01 increase in budgeted FTEs to actual FTEs.

**NPCC**  
**2009 Income Statement Summary**  
**Reliability Standards**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	717,220	717,220	-	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<u>717,220</u>	<u>717,220</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	1,015	-	1,015	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<u>718,235</u>	<u>717,220</u>	<u>1,015</u>	0%
<b>Direct Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	358,036	332,684	25,351	8%
Payroll Taxes	21,987	18,495	3,491	19% Because the Executive Team supports each program area and function, all Executive Team Personnel Expenses were directly allocated by FTE ratio. This resulted in an overbudget in payroll taxes.
Employee Benefits	66,809	58,550	8,259	14% Medical Benefits over budget due to greater participation in coverage
Savings & Retirement	37,455	46,435	(8,980)	-19% Participation in 401(k) lower than budgeted, less eligibility for discretionary contribution than budgeted
<b>Total Personnel Expenses</b>	<u>484,286</u>	<u>456,164</u>	<u>28,122</u>	
<b>Meeting Expenses</b>				
Meetings	9,438	28,000	(18,562)	-66% More meetings held by conference call and at member facilities to reduce overall costs.
Travel	101,169	111,264	(10,095)	-9%
Conference Calls	9,710	7,792	1,918	25% Strategic increase in conference call usage to lower travel and meeting costs
<b>Total Meeting Expenses</b>	<u>120,317</u>	<u>147,056</u>	<u>(26,739)</u>	
<b>Operating Expenses</b>				
Consultants & Contracts	52,440	114,000	(61,560)	-54% Less contractor usage required due to delay in standards development schedule.
Office Rent	43,495	-	43,495	
Office Costs	25,851	-	25,851	
Professional Services	22,437	-	22,437	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
Computer Equipment & Leases	11,779	-	11,779	
Miscellaneous	1,192	-	1,192	
Depreciation	9,989	-	9,989	
<b>Total Operating Expenses</b>	<u>167,183</u>	<u>114,000</u>	<u>53,183</u>	
<b>Total Direct Expenses</b>	<u>771,786</u>	<u>717,220</u>	<u>54,566</u>	
<b>Other Non-Operating Expenses</b>	<u>4,761</u>	<u>-</u>	<u>4,761</u>	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
<b>Change in Assets</b>	<u>(58,313)</u>	<u>-</u>	<u>(58,313)</u>	
<b>Fixed Assets</b>				
Depreciation	(9,989)	-	(9,989)	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	14,838	-	14,838	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
Equipment CapEx	14,636	-	14,636	
Leasehold Improvements	29,098	-	29,098	
<b>Change in Fixed Assets</b>	<u>(48,583)</u>	<u>-</u>	<u>(48,583)</u>	
<b>TOTAL CHANGE IN ASSETS</b>	<u>(106,895)</u>	<u>-</u>	<u>(106,895)</u>	
<b>Full-Time Equivalents</b>	2.0	3.0	-1.0	The 2009 NPCC Business Plan and Budget included 1.0 contractors in its Reliability Standards FTE count. To promote consistency with NERC and the other Regional Entities, NPCC removed independent contractors from its FTE count during 2009. This accounts for the variance of -1.0.

**NPCC**  
**2008 Income Statement Summary**  
**Compliance and Organization Registration and Certification**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	2,095,204	2,095,204	-	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<u>2,095,204</u>	<u>2,095,204</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	4,566	-	4,566	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<u>2,099,769</u>	<u>2,095,204</u>	<u>4,566</u>	0%
<b>Direct Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	1,315,976	1,056,603	259,373	25% 1.0 FTE was reprioritized from the Finance & Accounting budget and added to the Compliance budget.
Payroll Taxes	82,068	62,341	19,727	32% Compliance budget.
Employee Benefits	205,196	239,144	(33,948)	-14% Several more employees waived coverage compared to budget
Savings & Retirement	87,859	104,489	(16,630)	-16% Participation in 401(k) lower than budgeted, less eligibility for discretionary contribution than budgeted
<b>Total Personnel Expenses</b>	<u>1,691,099</u>	<u>1,462,577</u>	<u>228,522</u>	
<b>Meeting Expenses</b>				
Meetings	94,650	45,703	48,947	107% Both the quantity and scope of audits expanded
Travel	213,837	170,320	43,517	26% Both the quantity and scope of audits expanded
Conference Calls	12,063	12,000	63	1%
<b>Total Meeting Expenses</b>	<u>320,550</u>	<u>228,023</u>	<u>92,527</u>	
<b>Operating Expenses</b>				
Consultants & Contracts	868,853	404,604	464,249	115% Both the quantity and scope of audits expanded
Office Rent	198,920	-	198,920	
Office Costs	102,953	-	102,953	
Professional Services	138,605	-	138,605	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
Computer Equipment & Leases	52,334	-	52,334	
Miscellaneous	14,403	-	14,403	
Depreciation	44,951	-	44,951	
<b>Total Operating Expenses</b>	<u>1,421,019</u>	<u>404,604</u>	<u>1,016,415</u>	
<b>Total Direct Expenses</b>	<u>3,432,668</u>	<u>2,095,204</u>	<u>1,337,464</u>	
<b>Other Non-Operating Expenses</b>	<u>21,447</u>	<u>-</u>	<u>21,447</u>	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
<b>Change in Assets</b>	<u>(1,354,345)</u>	<u>-</u>	<u>(1,354,345)</u>	
<b>Fixed Assets</b>				
Depreciation	(44,951)	-	(44,951)	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	66,770	-	66,770	
Equipment CapEx	65,863	-	65,863	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
Leasehold Improvements	130,941	-	130,941	
<b>Change in Fixed Assets</b>	<u>(218,623)</u>	<u>-</u>	<u>(218,623)</u>	
<b>TOTAL CHANGE IN ASSETS</b>	<u>(1,572,968)</u>	<u>-</u>	<u>(1,572,968)</u>	
<b>Full-Time Equivalents</b>	<u>9.0</u>	<u>9.0</u>	<u>0.0</u>	The 2009 NPCC Business Plan and Budget included 1.0 contractors in its Compliance FTE count. To promote consistency with NERC and the other Regional Entities, NPCC removed independent contractors from its FTE count during 2009. Additionally, 1.0 FTE was reprioritized from the Finance & Accounting budget and added to the Compliance budget. This accounts for the net variance of 0.

**NPCC**  
**2009 Income Statement Summary**  
**Reliability Assessment and Performance Analysis**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	1,446,942	1,446,942	-	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<u>1,446,942</u>	<u>1,446,942</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	1,979	-	1,979	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<u>1,448,921</u>	<u>1,446,942</u>	<u>1,979</u>	
<b>Direct Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	657,351	642,840	14,511	2%
Payroll Taxes	42,636	35,980	6,656	18% Because the Executive Team supports each program area and function, all Executive Team Personnel Expenses were directly allocated by FTE ratio. This resulted in an overbudget in payroll taxes.
Employee Benefits	137,532	147,908	(10,376)	-7%
Savings & Retirement	91,203	100,110	(8,907)	-9%
<b>Total Personnel Expenses</b>	<u>928,722</u>	<u>926,838</u>	<u>1,884</u>	
<b>Meeting Expenses</b>				
Meetings	20,614	42,406	(21,792)	-51% More meetings held by conference call and at member facilities to reduce overall costs.
Travel	83,856	162,271	(78,415)	-48% More meetings held by conference call to reduce overall costs.
Conference Calls	41,267	28,489	12,778	45% Strategic increase in conference call usage to lower travel and meeting costs
<b>Total Meeting Expenses</b>	<u>145,737</u>	<u>233,166</u>	<u>(87,429)</u>	
<b>Operating Expenses</b>				
Consultants & Contracts	135,218	286,938	(151,720)	-53% Deferral of studies and simulations
Office Rent	86,191	-	86,191	
Office Costs	73,725	-	73,725	
Professional Services	42,387	-	42,387	
Computer Equipment & Leases	22,586	-	22,586	
Miscellaneous	10,582	-	10,582	
Depreciation	19,479	-	19,479	
<b>Total Operating Expenses</b>	<u>390,168</u>	<u>286,938</u>	<u>103,230</u>	
<b>Total Direct Expenses</b>	<u>1,464,627</u>	<u>1,446,942</u>	<u>17,685</u>	
<b>Other Non-Operating Expenses</b>	<u>8,601</u>	<u>-</u>	<u>8,601</u>	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
<b>Change in Assets</b>	<u>(24,307)</u>	<u>-</u>	<u>(24,307)</u>	
<b>Fixed Assets</b>				
Depreciation	(19,479)	-	(19,479)	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	28,934	-	28,934	
Equipment CapEx	28,541	-	28,541	
Leasehold Improvements	56,741	-	56,741	
<b>Change in Fixed Assets</b>	<u>(94,737)</u>	<u>-</u>	<u>(94,737)</u>	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
<b>TOTAL CHANGE IN ASSETS</b>	<u>(119,044)</u>	<u>-</u>	<u>(119,044)</u>	
<b>Full-Time Equivalents</b>	<u>3.9</u>	<u>3.9</u>	<u>0.0</u>	



**NPCC**  
**2009 Income Statement Summary**  
**Training and Education**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	70,292	70,292	-	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<u>70,292</u>	<u>70,292</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	51	-	51	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<u>70,343</u>	<u>70,292</u>	<u>51</u>	
<b>Direct Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	7,708	16,435	(8,727)	-53% Reallocation of Resources to three year assessment
Payroll Taxes	1,092	922	171	18% Because the Executive Team supports each program area and function, all Executive Team Personnel Expenses were directly allocated by FTE ratio. This resulted in an overbudget in payroll taxes.
Employee Benefits	3,899	5,281	(1,382)	-26% Medical Benefits over budget due to greater participation in coverage
Savings & Retirement	2,834	21,684	(18,850)	-87% Participation in 401(k) lower than budgeted, less eligibility for discretionary contribution than budgeted
<b>Total Personnel Expenses</b>	<u>15,534</u>	<u>44,322</u>	<u>(28,788)</u>	
<b>Meeting Expenses</b>				
Meetings	76	20,875	(20,799)	-100% Expenses captured in RAPA for Dispatcher Training
Travel	965	4,595	(3,630)	-79% Expenses captured in RAPA for Dispatcher Training
Conference Calls	103	500	(397)	-79% Dispatcher Training workshops were held in person instead of via teleconference
<b>Total Meeting Expenses</b>	<u>1,144</u>	<u>25,970</u>	<u>(24,826)</u>	
<b>Operating Expenses</b>				
Consultants & Contracts	263	-	263	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
Office Rent	2,193	-	2,193	
Office Costs	1,120	-	1,120	
Professional Services	1,081	-	1,081	
Computer Equipment & Leases	574	-	574	
Miscellaneous	70	-	70	
Depreciation	499	-	499	
<b>Total Operating Expenses</b>	<u>5,800</u>	<u>-</u>	<u>5,800</u>	
<b>Total Direct Expenses</b>	<u>22,478</u>	<u>70,292</u>	<u>(47,814)</u>	
<b>Other Non-Operating Expenses</b>	<u>220</u>	<u>-</u>	<u>220</u>	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
<b>Change in Assets</b>	<u>47,645</u>	<u>-</u>	<u>47,645</u>	
<b>Fixed Assets</b>				
Depreciation	(499)	-	(499)	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	742	-	742	
Equipment CapEx	732	-	732	
Leasehold Improvements	1,455	-	1,455	
<b>Change in Fixed Assets</b>	<u>(2,429)</u>	<u>-</u>	<u>(2,429)</u>	
<b>TOTAL CHANGE IN ASSETS</b>	<u>45,215</u>	<u>-</u>	<u>45,215</u>	
<b>Full-Time Equivalents</b>	0.1	0.1	0.0	

**NPCC**  
**2009 Income Statement Summary**  
**Situation Awareness and Infrastructure Security**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	541,168	541,168	-	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<u>541,168</u>	<u>541,168</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	1,015	-	1,015	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<u>542,183</u>	<u>541,168</u>	<u>1,015</u>	
<b>Direct Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	343,816	349,708	(5,893)	-2%
Payroll Taxes	22,480	18,742	3,738	20% Because the Executive Team supports each program area and function, all Executive Team Personnel Expenses were directly allocated by FTE ratio. This resulted in an overbudget in payroll taxes.
Employee Benefits	42,668	37,532	5,135	14% Medical Benefits over budget due to greater participation in coverage
Savings & Retirement	57,152	55,732	1,420	3%
<b>Total Personnel Expenses</b>	<u>466,115</u>	<u>461,715</u>	<u>4,400</u>	
<b>Meeting Expenses</b>				
Meetings	17,109	13,751	3,358	24%
Travel	68,082	31,811	36,271	114% Near-real time operational data display (SAFNR) approved but not budgeted
Conference Calls	9,142	2,840	6,302	222%
<b>Total Meeting Expenses</b>	<u>94,333</u>	<u>48,402</u>	<u>45,931</u>	
<b>Operating Expenses</b>				
Consultants & Contracts	107,746	31,051	76,695	247% Near-real time operational data display (SAFNR) approved but not budgeted
Office Rent	20,178	-	20,178	
Office Costs	24,189	-	24,189	
Professional Services	21,735	-	21,735	
Computer Equipment & Leases	11,580	-	11,580	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
Miscellaneous	1,505	-	1,505	
Depreciation	9,989	-	9,989	
<b>Total Operating Expenses</b>	<u>196,922</u>	<u>31,051</u>	<u>165,871</u>	
<b>Total Direct Expenses</b>	<u>757,370</u>	<u>541,168</u>	<u>216,202</u>	
<b>Other Non-Operating Expenses</b>	<u>4,411</u>	<u>-</u>	<u>4,411</u>	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
<b>Change in Assets</b>	<u>(219,599)</u>	<u>-</u>	<u>(219,599)</u>	
<b>Fixed Assets</b>				
Depreciation	(9,989)	-	(9,989)	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	14,838	-	14,838	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
Equipment CapEx	14,636	-	14,636	
Leasehold Improvements	29,098	-	29,098	
<b>Change in Fixed Assets</b>	<u>(48,583)</u>	<u>-</u>	<u>(48,583)</u>	
<b>TOTAL CHANGE IN ASSETS</b>	<u>(268,182)</u>	<u>-</u>	<u>(268,182)</u>	
<b>Full-Time Equivalents</b>	2.0	2.0	0.0	

**NPCC**  
**2009 Income Statement Summary**  
**Committees and Member Forums**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	57,037	57,037	-	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<u>57,037</u>	<u>57,037</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	254	-	254	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<u>57,291</u>	<u>57,037</u>	<u>254</u>	
<b>Direct Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	44,523	31,701	12,822	40%
Payroll Taxes	2,766	2,490	276	11%
Employee Benefits	12,720	13,180	(460)	-3%
Savings & Retirement	12,076	9,667	2,409	25%
<b>Total Personnel Expenses</b>	<u>72,085</u>	<u>57,037</u>	<u>15,047</u>	Because the Executive Team supports each program area and function, all Executive Team Personnel Expenses were directly allocated by FTE ratio. This resulted in an overbudget in salaries, payroll taxes, and savings & retirement.
<b>Meeting Expenses</b>				
Meetings	164	-	164	
Travel	815	-	815	In each of these instances, expenses went directly to the indirect function
Conference Calls	88	-	88	
<b>Total Meeting Expenses</b>	<u>1,067</u>	<u>-</u>	<u>1,067</u>	
<b>Operating Expenses</b>				
Consultants & Contracts	1,440	-	1,440	
Office Rent	11,039	-	11,039	
Office Costs	5,541	-	5,541	
Professional Services	5,383	-	5,383	
Computer Equipment & Leases	2,892	-	2,892	
Miscellaneous	273	-	273	
Depreciation	2,497	-	2,497	
<b>Total Operating Expenses</b>	<u>29,065</u>	<u>-</u>	<u>29,065</u>	In each of these instances, expenses went directly to the indirect function
<b>Total Direct Expenses</b>	<u>102,217</u>	<u>57,037</u>	<u>45,180</u>	
<b>Other Non-Operating Expenses</b>	<u>1,103</u>	<u>-</u>	<u>1,103</u>	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
<b>Change in Assets</b>	<u>(46,029)</u>	<u>-</u>	<u>(46,029)</u>	
<b>Fixed Assets</b>				
Depreciation	(2,497)	-	(2,497)	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	3,709	-	3,709	
Equipment CapEx	3,659	-	3,659	
Leasehold Improvements	7,274	-	7,274	
<b>Change in Fixed Assets</b>	<u>(12,146)</u>	<u>-</u>	<u>(12,146)</u>	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
<b>TOTAL CHANGE IN ASSETS</b>	<u>(58,175)</u>	<u>-</u>	<u>(58,175)</u>	
<b>Full-Time Equivalents</b>	0.5	0.5	0.0	

**NPCC**  
**2009 Income Statement Summary**  
**General and Administrative**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	3,592,945	3,592,945	-	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<u>3,592,945</u>	<u>3,592,945</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	964	-	964	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<u>3,593,909</u>	<u>3,592,945</u>	<u>964</u>	
<b>Direct Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	45,730	701,179	(655,449)	-93%
Payroll Taxes	2,952	22,891	(19,939)	-87%
Employee Benefits	56,381	137,164	(80,783)	-59%
Savings & Retirement	31,530	117,982	(86,452)	-73%
<b>Total Personnel Expenses</b>	<u>136,594</u>	<u>979,216</u>	<u>(842,623)</u>	
<b>Meeting Expenses</b>				
Meetings	4,417	37,951	(33,534)	-88%
Travel	46,464	270,249	(223,785)	-83%
Conference Calls	988	2,256	(1,268)	-56%
<b>Total Meeting Expenses</b>	<u>51,869</u>	<u>310,456</u>	<u>(258,587)</u>	
<b>Operating Expenses</b>				
Consultants & Contracts	32,085	145,807	(113,722)	-78%
Office Rent	42,888	554,683	(511,795)	-92%
Office Costs	27,665	267,060	(239,395)	-90%
Professional Services	69,852	89,362	(19,510)	-22%
Computer Equipment & Leases	11,442	133,315	(121,873)	-91%
Miscellaneous	(825)	27,300	(28,125)	-103%
Depreciation	9,490	-	9,490	
<b>Total Operating Expenses</b>	<u>192,598</u>	<u>1,217,528</u>	<u>(1,024,929)</u>	
<b>Total Direct Expenses</b>	<u>381,061</u>	<u>2,507,200</u>	<u>(2,126,139)</u>	
<b>Other Non-Operating Expenses</b>	<u>4,858</u>	<u>151,630</u>	<u>(146,772)</u>	-97% Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
<b>Change in Assets</b>	<u>3,207,990</u>	<u>934,115</u>	<u>2,273,875</u>	
<b>Fixed Assets</b>				
Depreciation	(9,490)	-	(9,490)	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	14,170	227,728	(213,557)	-94%
Equipment CapEx	13,978	145,600	(131,622)	-90%
Leasehold Improvements	27,789	560,788	(532,999)	-95%
<b>Change in Fixed Assets</b>	<u>(46,447)</u>	<u>(934,115)</u>	<u>887,668</u>	
<b>TOTAL CHANGE IN ASSETS</b>	<u>3,161,543</u>	<u>-</u>	<u>3,161,543</u>	
<b>Full-Time Equivalents</b>	1.91	1.9	0.01	The 2009 NPCC Business Plan and Budget included 3.8 contractors in the Regional Entity Division FTE count and 0.2 contractors in the Criteria Services Division FTE count. To promote consistency with NERC and the other Regional Entities, NPCC removed independent contractors from its FTE count during 2009. The removal of contractors from the FTE count resulted in a shift from a ratio of 91/9 to 90/10 between the RE and CS division. Therefore, the allocation of NPCC's President & CEO shifted from a ratio of 91/9 to 90/10, which accounts for the additional -0.01 decrease in budgeted FTEs to actual FTEs.

**NPCC**  
**2009 Income Statement Summary**  
**Legal and Regulatory**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	546,000	546,000	-	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<u>546,000</u>	<u>546,000</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<u>546,000</u>	<u>546,000</u>	<u>-</u>	
<b>Direct Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	-	-	-	
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
<b>Total Personnel Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Meeting Expenses</b>				
Meetings	-	-	-	
Travel	-	-	-	
Conference Calls	-	-	-	
<b>Total Meeting Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Operating Expenses</b>				
Consultants & Contracts	-	-	-	
Office Rent	-	-	-	
Office Costs	-	-	-	
Professional Services	283,228	546,000	(262,772)	-48% Judicious use of Legal Counsel and no Compliance hearings in 2009
Computer Equipment & Leases	-	-	-	
Miscellaneous	-	-	-	
Depreciation	-	-	-	
<b>Total Operating Expenses</b>	<u>283,228</u>	<u>546,000</u>	<u>(262,772)</u>	
<b>Total Direct Expenses</b>	<u>283,228</u>	<u>546,000</u>	<u>(262,772)</u>	
<b>Other Non-Operating Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Change in Assets</b>	<u>262,772</u>	<u>-</u>	<u>262,772</u>	
<b>Fixed Assets</b>				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
<b>Change in Fixed Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>TOTAL CHANGE IN ASSETS</b>	<u>262,772</u>	<u>-</u>	<u>262,772</u>	
<b>Full-Time Equivalents</b>	0.0	1.8	-1.8	The 2009 NPCC Business Plan and Budget included 1.8 contractors in its Legal and Regulatory FTE count. To promote consistency with NERC and the other Regional Entities, NPCC removed independent contractors from its FTE count during 2009. This accounts for the variance of -1.8.

**NPCC**  
**2009 Income Statement Summary**  
**Information Technology**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	388,351	388,351	-	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<u>388,351</u>	<u>388,351</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	1,015	-	1,015	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<u>389,366</u>	<u>388,351</u>	<u>1,015</u>	
<b>Direct Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	276,257	252,432	23,825	9%
Payroll Taxes	17,818	17,332	486	3%
Employee Benefits	75,560	76,526	(966)	-1%
Savings & Retirement	53,540	42,062	11,478	27%
<b>Total Personnel Expenses</b>	<u>423,174</u>	<u>388,351</u>	<u>34,823</u>	Because the Executive Team supports each program area and function, all Executive Team Personnel Expenses were directly allocated by FTE ratio. This resulted in an overbudget in savings & retirement.
<b>Meeting Expenses</b>				
Meetings	988	-	988	
Travel	15,763	-	15,763	In each of these instances, expenses went directly to the indirect function
Conference Calls	8,866	-	8,866	
<b>Total Meeting Expenses</b>	<u>25,617</u>	<u>-</u>	<u>25,617</u>	
<b>Operating Expenses</b>				
Consultants & Contracts	17,707	-	17,707	
Office Rent	44,192	-	44,192	
Office Costs	29,346	-	29,346	
Professional Services	21,666	-	21,666	In each of these instances, expenses went directly to the indirect function
Computer Equipment & Leases	11,580	-	11,580	
Miscellaneous	1,121	-	1,121	
Depreciation	9,989	-	9,989	
<b>Total Operating Expenses</b>	<u>135,601</u>	<u>-</u>	<u>135,601</u>	
<b>Total Direct Expenses</b>	<u>584,392</u>	<u>388,351</u>	<u>196,042</u>	
<b>Other Non-Operating Expenses</b>	<u>4,624</u>	<u>-</u>	<u>4,624</u>	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
<b>Change in Assets</b>	<u>(199,651)</u>	<u>-</u>	<u>(199,651)</u>	
<b>Fixed Assets</b>				
Depreciation	(9,989)	-	(9,989)	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	14,838	-	14,838	
Equipment CapEx	14,636	-	14,636	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
Leasehold Improvements	29,098	-	29,098	
<b>Change in Fixed Assets</b>	<u>(48,583)</u>	<u>-</u>	<u>(48,583)</u>	
<b>TOTAL CHANGE IN ASSETS</b>	<u>(248,234)</u>	<u>-</u>	<u>(248,234)</u>	
<b>Full-Time Equivalents</b>	2.0	2.0	0.0	

**NPCC  
2009 Income Statement Summary  
Human Resources**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	142,175	142,175	-	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<u>142,175</u>	<u>142,175</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	507	-	507	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<u>142,682</u>	<u>142,175</u>	<u>507</u>	
<b>Direct Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	115,511	89,833	25,679	29%
Payroll Taxes	6,913	7,001	(88)	-1%
Employee Benefits	30,525	30,011	514	2%
Savings & Retirement	25,223	15,331	9,892	65%
<b>Total Personnel Expenses</b>	<u>178,172</u>	<u>142,175</u>	<u>35,997</u>	Because the Executive Team supports each program area and function, all Executive Team Personnel Expenses were directly allocated by FTE ratio. This resulted in an overbudget in salaries and savings & retirement.
<b>Meeting Expenses</b>				
Meetings	2,378	-	2,378	Expenses went directly to the indirect function
Travel	87,895	-	87,895	September General Meeting and other meetings all applied to the HR function
Conference Calls	176	-	176	Expenses went directly to the indirect function
<b>Total Meeting Expenses</b>	<u>90,449</u>	<u>-</u>	<u>90,449</u>	
<b>Operating Expenses</b>				
Consultants & Contracts	2,656	-	2,656	In each of these instances, expenses went directly to the indirect function
Office Rent	22,115	-	22,115	
Office Costs	11,432	-	11,432	
Professional Services	10,808	-	10,808	
Computer Equipment & Leases	5,795	-	5,795	
Miscellaneous	1,013	-	1,013	
Depreciation	4,995	-	4,995	
<b>Total Operating Expenses</b>	<u>58,814</u>	<u>-</u>	<u>58,814</u>	
<b>Total Direct Expenses</b>	<u>327,435</u>	<u>142,175</u>	<u>185,260</u>	
<b>Other Non-Operating Expenses</b>	<u>2,281</u>	<u>-</u>	<u>2,281</u>	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
<b>Change in Assets</b>	<u>(187,033)</u>	<u>-</u>	<u>(187,033)</u>	
<b>Fixed Assets</b>				
Depreciation	(4,995)	-	(4,995)	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	7,419	-	7,419	
Equipment CapEx	7,318	-	7,318	
Leasehold Improvements	14,549	-	14,549	
<b>Change in Fixed Assets</b>	<u>(24,291)</u>	<u>-</u>	<u>(24,291)</u>	
<b>TOTAL CHANGE IN ASSETS</b>	<u>(211,325)</u>	<u>-</u>	<u>(211,325)</u>	
<b>Full-Time Equivalents</b>	1.0	1.0	0.0	

**NPCC**  
**2009 Income Statement Summary**  
**Accounting and Finance**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	411,551	411,551	-	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<u>411,551</u>	<u>411,551</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	507	-	507	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<u>412,059</u>	<u>411,551</u>	<u>507</u>	
<b>Direct Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	84,280	197,957	(113,677)	-57%
Payroll Taxes	5,929	14,334	(8,405)	-59%
Employee Benefits	19,388	48,941	(29,553)	-60%
Savings & Retirement	5,145	13,819	(8,674)	-63%
<b>Total Personnel Expenses</b>	<u>114,742</u>	<u>275,051</u>	<u>(160,309)</u>	
<b>Meeting Expenses</b>				
Meetings	329	-	329	
Travel	2,363	-	2,363	In each of these instances, expenses went directly to the indirect function
Conference Calls	375	-	375	
<b>Total Meeting Expenses</b>	<u>3,067</u>	<u>-</u>	<u>3,067</u>	
<b>Operating Expenses</b>				
Consultants & Contracts	2,656	-	2,656	
Office Rent	22,115	-	22,115	
Office Costs	11,454	-	11,454	
Professional Services	81,147	136,500	(55,353)	-41%
Computer Equipment & Leases	5,795	-	5,795	
Miscellaneous	3,247	-	3,247	
Depreciation	4,995	-	4,995	
<b>Total Operating Expenses</b>	<u>131,409</u>	<u>136,500</u>	<u>(5,091)</u>	In each of these instances, except for some accounting fees, expenses went directly to the indirect function. Accounting fees are under budget because cost of the NPCC audit was lower than anticipated.
<b>Total Direct Expenses</b>	<u>249,218</u>	<u>411,551</u>	<u>(162,333)</u>	
<b>Other Non-Operating Expenses</b>	<u>2,205</u>	<u>-</u>	<u>2,205</u>	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
<b>Change in Assets</b>	<u>160,636</u>	<u>-</u>	<u>160,636</u>	
<b>Fixed Assets</b>				
Depreciation	(4,995)	-	(4,995)	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	7,419	-	7,419	
Equipment CapEx	7,318	-	7,318	
Leasehold Improvements	14,549	-	14,549	
<b>Change in Fixed Assets</b>	<u>(24,291)</u>	<u>-</u>	<u>(24,291)</u>	Costs were budgeted in General & Administrative but actual costs were allocated across the program areas and indirect functions based on FTE ratio.
<b>TOTAL CHANGE IN ASSETS</b>	<u>136,344</u>	<u>-</u>	<u>136,344</u>	
<b>Full-Time Equivalents</b>	1.0	2.0	-1.0	1.0 FTE was reprioritized from the Finance & Accounting budget and added to the Compliance budget.



**NPCC**  
**2009 Income Statement Summary**  
**Criteria Services Division Only**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	-	-	-
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<u>-</u>	<u>-</u>	<u>-</u>
Membership Fees & Non-Stat Assessments	1,012,775	1,012,790	(15)
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	1,319	-	1,319
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>1,014,094</u>	<u>1,012,790</u>	<u>1,304</u>
<b>Direct Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	315,001	343,565	(28,564)
Payroll Taxes	19,609	20,090	(481)
Employee Benefits	64,984	67,849	(2,865)
Savings & Retirement	70,070	86,374	(16,304)
<b>Total Personnel Expenses</b>	<u>469,664</u>	<u>517,878</u>	<u>(48,214)</u>
<b>Meeting Expenses</b>			
Meetings	798	24,301	(23,503)
Travel	25,560	84,266	(58,706)
Conference Calls	18,492	5,549	12,943
<b>Total Meeting Expenses</b>	<u>44,850</u>	<u>114,116</u>	<u>(69,266)</u>
<b>Operating Expenses</b>			
Consultants & Contracts	23,769	108,000	(84,231)
Office Rent	57,652	54,859	2,793
Office Costs	28,379	26,413	1,966
Professional Services	44,605	76,338	(31,733)
Computer Equipment & Leases	13,648	13,185	463
Miscellaneous	3,295	2,700	595
Depreciation	12,986	-	12,986
<b>Total Operating Expenses</b>	<u>184,334</u>	<u>281,494</u>	<u>(97,160)</u>
<b>Total Direct Expenses</b>	<u>698,848</u>	<u>913,488</u>	<u>(214,640)</u>
<b>Other Non-Operating Expenses</b>	<u>7,123</u>	<u>6,917</u>	<u>206</u>
<b>Change in Assets</b>	<u>308,123</u>	<u>92,385</u>	<u>215,738</u>
<b>Fixed Assets</b>			
Depreciation	(12,986)	-	(12,986)
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	19,215	22,523	(3,307)
Equipment CapEx	18,954	14,400	4,554
Leasehold Improvements	37,682	55,463	(17,781)
<b>Change in Fixed Assets</b>	<u>(62,865)</u>	<u>(92,385)</u>	<u>29,520</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>245,258</u>	<u>0</u>	<u>245,258</u>
<b>Full-Time Equivalents</b>	2.59	2.8	-0.21

The 2009 NPCC Business Plan and Budget included 3.8 contractors in the Regional Entity Division FTE count and 0.2 contractors in the Criteria Services Division FTE count. To promote consistency with NERC and the other Regional Entities, NPCC removed independent contractors from its FTE count during 2009. The removal of contractors from the FTE count resulted in a shift from a ratio of 91/9 to 90/10 between the RE and CS division. Therefore, the allocation of NPCC's President & CEO shifted from a ratio of 91/9 to 90/10, which accounts for the additional -0.01 decrease in budgeted FTEs to actual FTEs.

**Northeast Power  
Coordinating Council, Inc.**  
Financial Statements  
December 31, 2009 and 2008

**Northeast Power Coordinating Council, Inc.**  
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**December 31, 2009 and 2008**

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**Report of Independent Auditors**

To the Board of Directors, the Finance and Audit Committee and the Members of  
Northeast Power Coordinating Council, Inc.

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows for the years then ended present fairly, in all material respects, the financial position of Northeast Power Coordinating Council, Inc. (the "Company"), as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

April 19, 2010

**Northeast Power Coordinating Council, Inc.**  
**Statements of Financial Position**  
**December 31, 2009 and 2008**

	2009	2008
<b>Assets</b>		
Cash	\$ 1,342,198	\$ 140,471
Restricted cash	543,932	501,061
Investments	2,210,529	2,210,529
Prepaid expenses	167,150	190,487
Deposits	-	38,420
Other assets	40,009	31,203
Equipment and leasehold improvements, less accumulated depreciation and amortization of \$194,444 and \$243,692, respectively	<u>1,301,857</u>	<u>149,441</u>
Total assets	<u>\$ 5,605,675</u>	<u>\$ 3,261,612</u>
<b>Liabilities and Net assets</b>		
Accrued expenses and other liabilities	\$ 725,069	\$ 706,556
Accrued liability for pension	2,658,480	2,952,250
Deferred revenue	326,771	251,976
Deferred rent	<u>646,637</u>	<u>-</u>
Total liabilities	4,356,957	3,910,782
<b>Net assets (deficit)</b>		
Unrestricted net assets (deficit)	<u>1,248,718</u>	<u>(649,170)</u>
Total net assets (deficit)	<u>1,248,718</u>	<u>(649,170)</u>
Total liabilities and net assets	<u>\$ 5,605,675</u>	<u>\$ 3,261,612</u>

The accompanying notes are an integral part of these financial statements.

**Northeast Power Coordinating Council, Inc.**  
**Statements of Activities**  
**Years Ended December 31, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>Revenue</b>		
Membership dues	\$ 1,012,775	\$ 655,654
Regional entity ERO funding	10,008,885	7,648,718
Interest income	<u>13,190</u>	<u>41,676</u>
Total revenue	<u>11,034,850</u>	<u>8,346,048</u>
<b>Operating expenses</b>		
Salaries and employee benefits	5,226,442	4,472,621
Administrative and consultant fees	1,308,416	1,116,809
Professional fees	616,486	553,108
Meetings and travel	797,730	775,246
Telephone and telecommunications	264,020	157,896
Office supplies and expense	342,851	160,287
Equipment leases	150,005	-
Rent expense	505,345	216,383
Insurance expense	14,911	11,043
Industry support	-	332,933
Miscellaneous	35,876	100,325
Depreciation and amortization	<u>129,855</u>	<u>45,841</u>
Total operating expenses	<u>9,391,937</u>	<u>7,942,492</u>
<b>Non-operating expenses</b>		
Pension change other than net periodic pension cost	<u>254,975</u>	<u>(1,206,530)</u>
Increase (decrease) in net assets	1,897,888	(802,974)
<b>Net assets (deficit)</b>		
Beginning of year	<u>(649,170)</u>	<u>153,804</u>
End of year	<u>\$ 1,248,718</u>	<u>\$ (649,170)</u>

The accompanying notes are an integral part of these financial statements.

**Northeast Power Coordinating Council, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2009 and 2008**

	2009	2008
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,897,888	\$ (802,974)
Depreciation and amortization	129,855	45,841
Loss on abandonment of fixed assets	20,844	-
Decrease (increase) in prepaid expenses	23,337	(137,704)
Decrease (increase) in other assets	28,250	(31,203)
Increase in accrued expenses and other liabilities	18,513	196,538
Increase (decrease) in accrued liability for pension	(293,770)	1,127,087
Increase in deferred revenue	74,795	251,976
Increase in deferred rent	106,322	-
Net cash provided by operating activities	<u>2,006,034</u>	<u>649,561</u>
<b>Cash flows from investing activities</b>		
Purchases of equipment and leasehold improvements	(761,436)	(81,957)
Sales of investments	-	5,720,000
Purchases of investments	-	(5,690,615)
Restricted cash	(42,871)	(501,061)
Net cash (used for) investing activities	<u>(804,307)</u>	<u>(553,633)</u>
Net increase in cash	1,201,727	95,928
<b>Cash and cash equivalents</b>		
Beginning of year	<u>140,471</u>	<u>44,543</u>
End of year	<u>\$ 1,342,198</u>	<u>\$ 140,471</u>

The accompanying notes are an integral part of these financial statements.

# **Northeast Power Coordinating Council, Inc.**

## **Notes to Financial Statements**

### **December 31, 2009 and 2008**

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#### **1. Background**

Northeast Power Coordinating Council, Inc. ("NPCC" or the "Company") is a New York State not-for-profit corporation whose purpose is to promote and enhance the reliable and efficient operation of the international, interconnected bulk power system in Northeastern North America through its regional entity and criteria services divisions. The Company's regional entity division is responsible for the development of regional reliability standards and compliance assessment and enforcement of continent-wide and regional reliability standards, coordination of system planning, design and operations, and assessment of reliability. These responsibilities are pursuant to an agreement with the North American Electric Reliability Corporation ("NERC"), an Electric Reliability Organization ("ERO"), under authority of the U.S. Federal Energy Regulatory Commission ("FERC"), and by Memoranda of Understanding with applicable Canadian Provincial regulatory and/or governmental authorities. The Company's criteria services division establishes regionally-specific criteria, and monitors and enforces compliance with such criteria. In the development of regionally-specific reliability criteria, the Company, to the extent possible, facilitates attainment of fair, effective and efficient competitive electric markets.

The Company is primarily funded through the NERC based on the regional entity division annual business plan and budget submitted to and approved by the FERC and Canadian provincial regulatory and/or governmental authorities. The Company's criteria services division is funded by regional independent system operators or balancing authority areas and operates on assessments to and funded from these entities based upon a "Net Energy for Load" formula.

#### **2. Summary of Significant Accounting Policies**

##### **Basis of Accounting**

For the years ended December 31, 2009 and 2008, the Company used the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

##### **Cash**

The Company's cash balance consists of its operating checking account, as well as a savings account. Restricted cash represents amounts in deposit accounts for penalties levied for non-compliance within NPCC U.S., and for collateralizing a letter of credit as security for NPCC's office lease. At times, cash balances may be in excess of depository insurance limits.

##### **Equipment and Leasehold Improvements**

Equipment and leasehold improvements are stated at cost. Depreciation of furniture and computer equipment is computed on the straight-line basis over the estimated useful lives of the applicable assets. Amortization of leasehold improvements is computed on the straight-line basis over the estimated useful lives of the applicable assets, or over the term of the related lease, whichever is less.

##### **Revenue Recognition**

For the criteria services division, membership in the Company is on a calendar year basis. There are no fees assessed to full members other than those members that are Independent System Operators or Balancing Authority Areas. Assessments received are recorded as income in the year to which the membership applies irrespective of when billed or collected. For the regional entity division, membership in the Company is on a calendar year basis. There are no fees assessed to general members. Funding mechanisms provided through U.S. regulatory and Canadian governmental and/or regulatory agreements provide for quarterly remittances through



# Northeast Power Coordinating Council, Inc.

## Notes to Financial Statements

### December 31, 2009 and 2008

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the North American Electric Reliability Corporation. Assessments received are recorded as income in the year to which the Business Plan and Budget applies irrespective of when billed or collected.

#### **Rent Expense**

The Company's office lease which commenced in 2009 contains predetermined increases and decreases in the rentals payable during the lease term. Rent expense is recognized on a straight-line basis over the lease term. The difference between the rent expense charged to operations during the year and the amount payable under the lease during that year is recorded as "Deferred rent" on the Statements of Financial Position. Deferred rent also includes the landlord's contribution toward the cost of leasehold improvements, which is being amortized over the lease term. The unamortized balance of the landlord's contribution at December 31, 2009 is approximately \$516,000.

#### **Income Taxes**

The Company has been classified as exempt from federal income taxes under Section 501(c) (6) of the Internal Revenue Code.

#### **Use of Estimates**

The Company uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could vary from the estimates that are used.

### **3. Investments**

The Company's primary banking relationship is with JP Morgan Chase. Prior to 2009, both regional entity (ERO funded) and criteria services (Regional Independent System Operators/Balancing Authority Areas – ISO/BAAAs) revenues were invested in a JPMorgan 100% U.S. Treasury Security Money Market Fund (the "Fund"). The Fund aims to provide the highest possible level of current income while still maintaining liquidity and providing maximum safety of principal. The Fund is a money market fund managed to meet the requirements of Rule 2a-7 under the Investment Company Act of 1940. The Fund is not insured or guaranteed by the FDIC or any other government agency. In late 2008, the Fund was closed to additional investments. Subsequent excess cash is being deposited into a savings account with JP Morgan Chase.

The Fund invests solely in debt securities of the U.S. Treasury, including Treasury bills, bonds and notes. These investments carry different interest rates, maturities and issue dates. The National Association of Insurance Commissioner ("NAIC"), Moody's, Fitch IBCA and S&P ratings signify that the Fund has historically had a superior capacity to maintain a net asset value of \$1.00 per share. The ratings do not eliminate the risks associated with investing in the Fund. The NAIC "approved" status indicates that the Fund meets certain pricing and quality guidelines. Management has determined that the likelihood of sustaining losses from money market funds to be remote based on the marketability of the underlying investment of the funds.

At both December 31, 2009 and 2008, the Company owned 2,210,529 units of \$1 par value per unit. In 2009 and 2008, the funds earned average yields of 0% and 1.19%, respectively. Investment income earned on the Fund is reinvested into units of the Fund on a monthly basis.

**Northeast Power Coordinating Council, Inc.**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

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**4. Equipment and Leasehold Improvements**

Equipment and leasehold improvements at December 31, 2009 and 2008 consists of the following:

	<b>Depreciable Life</b>	<b>2009</b>	<b>2008</b>
Furniture	10 years	\$ 192,892	\$ 87,001
Computer equipment	3 years	328,718	224,175
Leasehold improvements	see note 2	974,691	-
		<u>1,496,301</u>	<u>311,176</u>
Less: Accumulated depreciation and amortization		<u>(194,444)</u>	<u>(243,692)</u>
		1,301,857	67,484
Construction in progress and equipment deposits		-	81,957
		<u>\$ 1,301,857</u>	<u>\$ 149,441</u>

In 2009 and 2008, depreciation and amortization expense totaled \$129,855 and \$45,841, respectively.

**5. Pension Plan**

The Company has a trustee, noncontributory defined benefit pension plan (the "Plan") covering employees hired prior to February 6, 2007. The Company had budgeted for a contribution of \$464,210 for 2009. Based upon a funding deficiency and recommendations of the Pension Committee, and as approved by the NPCC Board of Directors, a supplemental contribution of \$100,000 was made for plan year 2009, for a total contribution of \$ 564,210. The Company had budgeted for a contribution of \$230,000 for 2008. Based upon negative fund performance and recommendations of the Pension Committee, and as approved by the NPCC Board of Directors, a supplemental contribution of \$170,000 was made for plan year 2008, for a total contribution of \$400,000.

The following tables provide information with respect to the defined benefit plan as of and for the years ended December 31, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
<b>Components of net periodic benefit cost</b>		
Service cost	\$ 206,007	\$ 191,214
Interest cost	399,697	360,977
Expected return on plan assets	(272,054)	(317,144)
Amortization of prior service cost	-	-
Recognized actuarial loss (gain)	191,766	85,510
Net periodic benefit cost	<u>\$ 525,416</u>	<u>\$ 320,557</u>

**Northeast Power Coordinating Council, Inc.**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

	2009	2008
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$ 6,276,822	\$ 5,941,374
Service cost	206,007	191,214
Interest cost	399,697	360,977
Actuarial loss (gain)	445,889	(114,751)
Benefits paid	<u>(101,992)</u>	<u>(101,992)</u>
Benefit obligation at end of year	<u>\$ 7,226,423</u>	<u>\$ 6,276,822</u>
<b>Change in fair value of plan assets</b>		
Fair value of plan assets at beginning of year	\$ 3,324,572	\$ 4,116,211
Actual return on plan assets	781,153	(1,089,647)
Company contribution	564,210	400,000
Benefits paid	<u>(101,992)</u>	<u>(101,992)</u>
Fair value of plan assets at end of year	<u>\$ 4,567,943</u>	<u>\$ 3,324,572</u>
Funded status at end of year	\$ (2,658,480)	\$ (2,952,250)
<b>Amounts recognized in unrestricted net assets consist of</b>		
Gain/(loss)	\$ (2,694,096)	\$ (2,949,072)
<b>Changes in unrestricted assets</b>		
Net (gain)/loss	\$ (63,210)	\$ 1,292,040
Amortization of net gain/(loss)	<u>(191,766)</u>	<u>(85,510)</u>
	<u>\$ (254,976)</u>	<u>\$ 1,206,530</u>
<b>Amounts of unrestricted net assets expected to be recognized in net periodic benefit cost in 2010</b>		
Amortization of (gain)/loss	223,174	
<b>Weighted-average assumptions as of December 31 used for obligation</b>		
Discount Rate	6.00 %	6.25 %
Expected Return on Plan Assets	7.50 %	7.50 %
Rate of Compensation Increase	4.25 %	4.25 %
<b>Weighted-average assumptions as of December 31 used for net periodic benefit cost</b>		
Discount Rate	6.25 %	6.25 %
Expected Return on Plan Assets	7.50 %	7.50 %
Rate of Compensation Increase	4.25 %	4.25 %

The accumulated benefit obligation at December 31, 2009 and 2008 was \$5,030,641 and \$4,308,473, respectively.

The Company determines its expected return on plan assets assumption by evaluating both historical returns of major asset classes and current market factors. Current market factors include inflation and interest rates, as well as asset diversification.

**Northeast Power Coordinating Council, Inc.**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

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The Company's defined benefit plan weighted average asset allocation at December 31, 2009 and 2008 by asset category is as follows:

	<b>Allocation Percentage 2009</b>	<b>Allocation Percentage 2008</b>
Equity Securities	57.8 %	60.0 %
Debt Securities	26.7 %	37.0 %
Cash	15.5 %	3.0 %
	<u>100.0 %</u>	<u>100.0 %</u>

The Company's defined benefit plan invests primarily in equity and debt securities that are based upon levels of risk and provide for necessary liquidity requirements. The long-term objective is to limit the variability of its pension funding. The Company's plan assets are measured against benchmarks established by the Pension Committee, which has the authority to recommend changes as deemed appropriate.

Investments in actively traded equity and debt securities are valued using market prices in active markets. Their valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. There were no securities for which the fair value was based on other observable or unobservable inputs. At December 31, 2009, the plan assets consisted of \$709,955 of cash and cash equivalents, \$2,131,359 of domestic equities, \$506,480 of international equities, \$1,040,482 of corporate bonds, \$115,788 of commodity funds and \$63,879 of public real estate investment trust investments.

At December 31, 2009, the Company's target allocation percentages for plan assets were approximately 63% equity securities and 37% debt securities. The targets may be adjusted periodically to reflect current market conditions and trends as well as inflation levels, interest rates and trends thereof.

Expected employer contribution for the year ended December 31, 2010 is \$700,000.

Benefits expected to be paid in cash in the next five fiscal years ending December 31 are as follows:

2010	\$ 118,260
2011	111,879
2012	194,111
2013	187,069
2014	318,800
2015-2019	1,511,215

**6. Savings Plan**

The Company maintains a 401(k) plan for which all employees are immediately eligible upon hire. Within this plan, an employee can contribute 2% or greater of his or her compensation up to the IRS limit set for this plan. The Company's policy is to contribute on the employee's behalf 100% of the employee's contribution of the first 3% of his or her compensation, and 50% of his or her contribution for the next 2% of their compensation. Additionally, for those employees joining the

**Northeast Power Coordinating Council, Inc.**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

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Company after February 6, 2007, and upon completion of a full calendar year of service, such employees become eligible for a discretionary contribution to be considered annually by the Board of Directors. The discretionary contribution for 2009 and 2008 was 6% of base compensation and totaled \$63,475 for 2009 and \$30,465 for 2008. Company contributions to the 401(k) plan were \$175,409 and \$127,104 for 2009 and 2008, respectively.

**7. Leases**

The Company is obligated under long-term operating leases for the rental of office facilities and certain equipment. NPCC executed office and equipment leases with effective rental dates starting in 2009 coordinated with its relocation of offices within New York City. NPCC's office lease provides for additional rent based on increases in real estate taxes and operating expenses over base amounts. The office lease expires on April 30, 2024 and includes an option to renew for five years. The office lease provides for security in the form of a collateralized letter of credit in the amount of \$500,000 at lease inception and reduced amounts in future years. NPCC executed computer and equipment leases effective March, 2009 with expiration dates through March, 2012. In addition, the Company rents certain other equipment on a month-to-month basis. Rental expense for office facilities and equipment totaled \$655,350 and \$299,784 for 2009 and 2008, respectively.

Future minimum rental payments required under the Company's long-term operating leases as of December 31, 2009 are as follows:

	<b>Office Space</b>	<b>Other Leases</b>	<b>Total</b>
<b>Year ending December 31</b>			
2010	\$ 510,298	\$ 127,775	\$ 638,073
2011	612,357	125,875	738,232
2012	612,357	31,469	643,826
2013	612,357	-	612,357
2014	652,380	-	652,380
Thereafter	6,515,659	-	6,515,659
	<u>\$ 9,515,408</u>	<u>\$ 285,119</u>	<u>9,800,527</u>

**8. Functional Expenses**

During 2009 and 2008 salaries and employee benefits consist of the following:

	<b>2009</b>	<b>2008</b>
President, COO and technical staff	\$ 3,409,291	\$ 3,040,766
Office secretaries	154,900	139,837
Payroll taxes, insurance, pension and educational assistance	<u>1,662,251</u>	<u>1,292,018</u>
Total salaries and employee benefits	<u>\$ 5,226,442</u>	<u>\$ 4,472,621</u>

**Northeast Power Coordinating Council, Inc.**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

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**9. Other Expenses**

The Company incurs various costs for administrative, consultant and professional services. Such costs amounted to \$1,924,902 and \$1,669,917 in 2009 and 2008, respectively, and consist of the following:

	<b>2009</b>	<b>2008</b>
Consultants	\$ 979,843	\$ 783,350
Accounting, legal and other services	936,221	880,280
Pension administration	<u>8,838</u>	<u>6,287</u>
Total administrative, consultant and professional fees	<u>\$ 1,924,902</u>	<u>\$ 1,669,917</u>

These costs are reflected in "Administrative and consultant fees" and "Professional fees" in the Statements of Activities.

**10. Related Party Transactions**

The NERC, through agreements with the FERC in the U.S. and Canadian Provincial regulatory and/or governmental agreements within Canada, delegates enforcement authority to eight Regional Entities. NPCC is the cross-border regional entity for Northeastern North America. NERC was certified as the "electric reliability organization" by the FERC on July 20, 2006. As of June 18, 2007, the U.S. FERC granted NERC the legal authority to enforce reliability standards with all U.S. users, owners, and operators of the bulk power system, and made compliance with those standards mandatory and enforceable. NERC relies on the diverse and collective expertise of industry participants to improve the reliability of the bulk power system. These entities account for virtually all the electricity supplied in the United States, Canada, and a portion of Baja California Norte, Mexico. NERC is subject to audit by the U.S. FERC and governmental and/or regulatory authorities in Canada. NERC funded the Regional Entities in 2009 based upon 2009 Business Plans and Budgets submitted to and approved by FERC in the U.S. and Canadian regulatory and/or governmental authorities.

NPCC's criteria services division was fully funded by regional independent system operator or balancing authority areas and operated on assessments to and funded from these six entities. Dues were based upon a "Net Energy for Load" funding formula. During 2009 and 2008, total membership dues billed amounted to \$1,012,775 and \$655,654, respectively.

<b>Description</b>	<b>2009 Percent</b>	<b>Total Share</b>	<b>2008 Percent</b>	<b>Total Share</b>
Hydro-Quebec TransEnergie	28.40%	\$ 287,643	28.29%	\$ 185,475
Independent Electricity System Operator	22.63%	229,184	22.99%	150,767
ISO-New England, Inc.	19.99%	202,412	20.11%	131,825
New Brunswick System Operator	2.22%	22,529	2.24%	14,712
New York Independent System Operator	24.88%	251,976	24.70%	161,929
Nova Scotia Power Inc.	<u>1.88%</u>	<u>19,031</u>	<u>1.67%</u>	<u>10,946</u>
Total Member Fees	<u>100.00%</u>	<u>\$ 1,012,775</u>	<u>100.00%</u>	<u>\$ 655,654</u>

**Northeast Power Coordinating Council, Inc.**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

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The Company has various working group activities including system simulation and seasonal reliability assessments in which its members participate. The Company eliminated the practice of reimbursing members for participation in these working groups effective January 1, 2009. Therefore, these expenses amounted to \$0 and \$332,933 during 2009 and 2008, respectively, and are classified as industry support in the Statements of Activities.

As of December 31, 2009 and 2008 the Company had net accruals to related parties of \$ 0 and \$19,650, respectively, which are included in "Accrued expenses and other liabilities" on the Statements of Financial Position.

**11. Subsequent Events**

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the Statement of Financial Position through April 19, 2010, the date the financial statements were available to be issued.

**ATTACHMENT 5**

**2009 ACTUAL COST-TO-BUDGET COMPARISON**

**AND**

**2009 AUDITED FINANCIAL REPORT**

**FOR**

**RELIABILITYFIRST CORPORATION**





320 SPRINGSIDE DRIVE, SUITE 300, AKRON, OH 44333  
TELEPHONE: (330) 456-2488 FACSIMILE: (330) 456-3648

April 30, 2010

Michael Walker  
North American Electric Reliability Corporation  
116-390 Village Blvd.  
Princeton, NJ 08540-5721

***Subject: 2009 Statement of Activities by Program - True Up***

Dear Mr. Walker:

As requested, please find the following information:

1. ReliabilityFirst Corporation 2009 Statement of Activities by Program – True Up (attached)
2. Significant variances explained at the statutory level (see below.)

**Significant Variances:**

ReliabilityFirst ended the year \$372K (3.45%) under budget which includes Total Direct Expenses and Fixed Assets. Although the overall variance is within 5%, the company experienced large fluctuations within Savings & Retirement Costs, Meeting and Travel Expenses, Contracts & Consultants, Professional Services, Computer Hardware & Software and Furniture and Fixtures.

- **Funding:** ReliabilityFirst ended the year \$23K (0.26%) under budget.
  - **Investment Income** was 24K (30.56%) under budget due to reduced market rates; as a result the actual interest earned was lower than expected.
- **Personnel Expenses:** ReliabilityFirst ended the year \$543K (7.11%) under budget.
  - **Salaries** were \$296K (5.23%) under budget due to the delayed timing in hiring employees.
  - **Savings & Retirement Costs** were \$181K (18.93%) under budget due to the delayed timing in hiring employees along with a number of employees not taking full advantage of the company's 401(k) contribution match.
- **Meeting Expenses:** ReliabilityFirst ended the year \$280K (30.33%) under budget.

- **Meeting Expenses** were \$121K (41.69%) under budget due to the use of ReliabilityFirst's virtual meeting capabilities, which replaced many of the costly budgeted face to face meetings.
- **Travel Expenses** were \$160K (25.44%) under budget as a result of a delay in planned hiring. Additionally, ReliabilityFirst emphasized the need to only send required staff to meetings and placed a high focus on efficient travel.
- **Operating Expenses:** ReliabilityFirst ended the year \$345K (12.61%) over budget.
  - **Contract & Consultants** were \$570K (249.91%) over budget due to a shortage in staff needed for preparing, supporting and documenting our compliance audits. Due to the lag in hiring employees for compliance activities, along with the unanticipated resources needed for Compliance Violation Investigations (CVI), our expense exceeded our budget. CVI's are difficult to forecast as they are greatly influenced by bulk electric system events.
  - **Professional Services** were \$539K (37.96%) under budget due to Legal Services that were budgeted to support compliance violation hearings. There were no major challenges to the enforcement process in 2009. Also, the General and Administrative Department was under budget due to the less than anticipated need for outside legal counsel.
- **Fixed Assets:** ReliabilityFirst ended the year 185K (124%) over budget.
  - **Computer Hardware & Software Capital Expenditures** are \$172K over budget as a result of the extension of the 2008 Document/Docket Management & System Interface (DMSI) project into 2009. The application is used to increase the efficiency and effectiveness of the registered entity-region compliance interface, document tracking, electronic storage and court docket tracking for compliance purposes, and to improve the efficiency of all other delegated functions. The DMSI Project started in 2008 and was completed in 2009. It was implemented in three phases. The first phase is the base system to support the oversight of compliance activities of the registered entities. The second phase is the definition and pilot of Document /Docket Management System to support compliance informational needs. The third phase was implemented June, 2009 (defined as essential in the second phase.) Two thirds of the project was completed in 2008 and the remaining was behind schedule and not completed until 2009. Although the project was delivered on budget, the delay caused charges to be incurred in 2009 as opposed to 2008 when they were expected.

**Cash Reserves Statement:**

ReliabilityFirst intentionally reduced beginning cash reserves by \$2,520,367. This was performed by reducing assessments for 2009. However, the minimum Cash Reserve baseline of \$1,000,000 was never used by ReliabilityFirst Corporation in 2009.

**Non-Statutory Activities:**

ReliabilityFirst Corporation did not perform any non-statutory activities in 2009.

**Allocation Methodology:**

ReliabilityFirst Corporation did not allocate indirect costs to statutory programs.

Detail descriptions of budget to actual variances are provided in the attached documents. For more information contact me at [jack.istvan@rfirst.org](mailto:jack.istvan@rfirst.org) or 330.456.2488.

Sincerely,

*Jack A Istvan*

Jack A. Istvan  
CFO/Treasurer

Attachment

**ReliabilityFirst Corporation**  
**2009 Statement of Activities Summary**  
**Audited**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 8,833,834	\$ 8,833,834	\$ -
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<b>\$ 8,833,834</b>	<b>\$ 8,833,834</b>	<b>\$ -</b>
Membership Fees & Non-Stat	1,000	-	1,000
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	55,551	80,000	(24,449)
Miscellaneous	-	-	-
<b>Total Funding</b>	<b>\$ 8,890,385</b>	<b>\$ 8,913,834</b>	<b>\$ (23,449)</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	5,359,945	5,655,931	(295,986)
Payroll Taxes	311,890	333,577	(21,687)
Employee Benefits	636,873	680,668	(43,795)
Savings & Retirement	775,537	956,610	(181,073)
<b>Total Personnel Expenses</b>	<b>\$ 7,084,245</b>	<b>\$ 7,626,786</b>	<b>\$ (542,541)</b>
<b>Meeting Expenses</b>			
Meetings	168,880	289,600	(120,720)
Travel	468,597	628,500	(159,903)
Conference Calls	5,602	5,000	602
<b>Total Meeting Expenses</b>	<b>\$ 643,079</b>	<b>\$ 923,100</b>	<b>\$ (280,021)</b>
<b>Operating Expenses</b>			
Consultants & Contracts	797,785	228,000	569,785
Office Rent	306,866	311,000	(4,134)
Office Costs	782,296	757,015	25,281
Professional Services	880,513	1,419,300	(538,787)
Miscellaneous	22,286	20,000	2,286
Depreciation	290,573	-	290,573
<b>Total Operating Expenses</b>	<b>\$ 3,080,319</b>	<b>\$ 2,735,315</b>	<b>\$ 345,004</b>
<b>Total Direct Expenses</b>	<b>\$ 10,807,643</b>	<b>\$ 11,285,201</b>	<b>\$ (477,558)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ (1,917,258)</b>	<b>\$ (2,371,367)</b>	<b>\$ 454,109</b>
<b>Fixed Assets</b>			
Depreciation	(290,573)	-	(290,573)
Computer & Software CapEx	310,691	139,000	171,691
Furniture & Fixtures CapEx	4,024	10,000	(5,976)
Equipment CapEx	-	-	-
Leasehold Improvements	19,074	-	19,074
<b>Change in Fixed Assets</b>	<b>\$ (43,216)</b>	<b>\$ (149,000)</b>	<b>\$ 105,784</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (1,960,474)</b>	<b>\$ (2,520,367)</b>	<b>\$ 559,893</b>
<b>TOTAL FTEs</b>	41.16	44.00	(2.84)

**ReliabilityFirst Corporation**  
**2009 Statement of Activities Summary**  
**Statutory Only**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 8,833,834	\$ 8,833,834	\$ -
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<b>\$ 8,833,834</b>	<b>\$ 8,833,834</b>	<b>\$ -</b>
Membership Fees & Non-Stat	1,000	-	1,000
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	55,551	80,000	(24,449)
Miscellaneous	-	-	-
<b>Total Funding</b>	<b>\$ 8,890,385</b>	<b>\$ 8,913,834</b>	<b>\$ (23,449)</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	5,359,945	5,655,931	(295,986)
Payroll Taxes	311,890	333,577	(21,687)
Employee Benefits	636,873	680,668	(43,795)
Savings & Retirement	775,537	956,610	(181,073)
<b>Total Personnel Expenses</b>	<b>\$ 7,084,245</b>	<b>\$ 7,626,786</b>	<b>\$ (542,541)</b>
<b>Meeting Expenses</b>			
Meetings	168,880	289,600	(120,720)
Travel	468,597	628,500	(159,903)
Conference Calls	5,602	5,000	602
<b>Total Meeting Expenses</b>	<b>\$ 643,079</b>	<b>\$ 923,100</b>	<b>\$ (280,021)</b>
<b>Operating Expenses</b>			
Consultants & Contracts	797,785	228,000	569,785
Office Rent	306,866	311,000	(4,134)
Office Costs	782,296	757,015	25,281
Professional Services	880,513	1,419,300	(538,787)
Miscellaneous	22,286	20,000	2,286
Depreciation	290,573	-	290,573
<b>Total Operating Expenses</b>	<b>\$ 3,080,319</b>	<b>\$ 2,735,315</b>	<b>\$ 345,004</b>
<b>Total Direct Expenses</b>	<b>\$ 10,807,643</b>	<b>\$ 11,285,201</b>	<b>\$ (477,558)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ (1,917,258)</b>	<b>\$ (2,371,367)</b>	<b>\$ 454,109</b>
<b>Fixed Assets</b>			
Depreciation	(290,573)	-	(290,573)
Computer & Software CapEx	310,691	139,000	171,691
Furniture & Fixtures CapEx	4,024	10,000	(5,976)
Equipment CapEx	-	-	-
Leasehold Improvements	19,074	-	19,074
<b>Change in Fixed Assets</b>	<b>\$ (43,216)</b>	<b>\$ (149,000)</b>	<b>\$ 105,784</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (1,960,474)</b>	<b>\$ (2,520,367)</b>	<b>\$ 559,893</b>
<b>TOTAL FTE</b>	41.16	44.00	(2.84)

**ReliabilityFirst Corporation**  
**2009 Statement of Activities Summary**  
**Reliability Standards**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	\$ 529,461	\$ 529,461	\$ -	0.00%
Penalty Sanctions			-	
<b>Total ERO Funding</b>	<b>\$ 529,461</b>	<b>\$ 529,461</b>	<b>\$ -</b>	
Membership Fees & Non-Stat			-	
Testing Fees			-	
Services & Software			-	
Workshops			-	
Interest			-	
Miscellaneous			-	
<b>Total Funding</b>	<b>\$ 529,461</b>	<b>\$ 529,461</b>	<b>\$ -</b>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	311,291	343,925	(32,634)	-9.49%
Payroll Taxes	19,397	17,526	1,871	10.68%
Employee Benefits	53,274	30,186	23,088	76.49%
Savings & Retirement	47,431	51,264	(3,833)	-7.48%
<b>Total Personnel Expenses</b>	<b>\$ 431,393</b>	<b>\$ 442,901</b>	<b>\$ (11,508)</b>	
<b>Meeting Expenses</b>				
Meetings	9,689	53,000	(43,311)	-81.72%
Travel	34,835	32,000	2,835	8.86%
Conference Calls	1,019	1,560	(541)	-34.68%
<b>Total Meeting Expenses</b>	<b>\$ 45,543</b>	<b>\$ 86,560</b>	<b>\$ (41,017)</b>	
<b>Operating Expenses</b>				
Consultants & Contracts		-	-	
Office Rent		-	-	
Office Costs		-	-	
Professional Services		-	-	
Miscellaneous		-	-	
Depreciation		-	-	
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Direct Expenses</b>	<b>\$ 476,936</b>	<b>\$ 529,461</b>	<b>\$ (52,525)</b>	
<b>Other Non-Operating Expenses</b>			<b>\$ -</b>	
<b>Change in Assets</b>	<b>\$ 52,525</b>	<b>\$ -</b>	<b>\$ 52,525</b>	
<b>Fixed Assets</b>				
Depreciation	-	-	-	
Computer & Software CapEx			-	
Furniture & Fixtures CapEx			-	
Equipment CapEx			-	
Leasehold Improvements			-	
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 52,525</b>	<b>\$ -</b>	<b>\$ 52,525</b>	
<b>TOTAL FTEs</b>	<b>2</b>	<b>2</b>	<b>-</b>	

**ReliabilityFirst Corporation**  
**2009 Statement of Activities Summary**  
**Compliance and Organization Registration and Certification**

(In Whole Dollars)

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 5,099,328	\$ 5,099,328	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 5,099,328</b>	<b>\$ 5,099,328</b>	<b>\$ -</b>		
Membership Fees & Non-Stat	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<b>\$ 5,099,328</b>	<b>\$ 5,099,328</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	2,711,829	2,993,674	(281,845)	-9.41%	
Payroll Taxes	157,109	176,380	(19,271)	-10.93%	Payroll taxes were under budget as a result of the delay in planned hiring.
Employee Benefits	525,222	382,744	142,478	37.23%	Employee Benefits were over budget due to the allocation of multiple years of accumulated banked vacation, previously recorded in G & A, to the Compliance Department; offset by a decrease in Medical Benefits resulting from the delay in planned hiring, and a decrease for unutilized Relocation Benefits.
Savings & Retirement	382,741	496,310	(113,569)	-22.88%	Savings & Retirement were under budget due to delayed timing in hiring employees along with a number of employees not taking full advantage of the company's of 401(k) contribution match.
<b>Total Personnel Expenses</b>	<b>\$ 3,776,901</b>	<b>\$ 4,049,108</b>	<b>\$ (272,207)</b>		
<b>Meeting Expenses</b>					
Meetings	6,016	10,000	(3,984)	-39.84%	Meeting Expenses were under budget due to the use of ReliabilityFirst's virtual meeting capabilities, in place of costly budgeted face to face meetings.
Travel	276,541	399,500	(122,959)	-30.78%	Travel Expenses were under budget as a result of a delay in planned hiring. Also, ReliabilityFirst placed an increased emphasis on the need to send limited staff to meetings and encouraged staff to make more economical travel decisions.
Conference Calls	2,123	720	1,403	194.86%	Conference calls were over budget as a result of the limited historical activity with the conference call provider when estimates for the budget were calculated, along with the increase in number of actual conference calls to support additional responsibilities and reduce the need for face to face meetings.
<b>Total Meeting Expenses</b>	<b>\$ 284,680</b>	<b>\$ 410,220</b>	<b>\$ (125,540)</b>		
<b>Operating Expenses</b>					
Consultants & Contracts	684,345	120,000	564,345	470.29%	Contractors & Consultants were over budget due to a shortage in staff needed for preparing, supporting and documenting our compliance audits, along with the unforeseen occurrence of Compliance Violation Investigations (CVI).
Office Rent	-	-	-		
Office Costs	77,540	-	77,540		Office Costs were over budget due to costs associated with subscriptions & publications, dues and computer software that were budgeted in G&A and IT and recorded in the responsible department.
Professional Services	236,314	520,000	(283,686)	-54.56%	Professional Services were under budget due to Legal Services that were budgeted to support compliance violation hearings. There were no major challenges to the enforcement process in 2009.
Miscellaneous	-	-	-		
Depreciation	-	-	-		
<b>Total Operating Expenses</b>	<b>\$ 998,199</b>	<b>\$ 640,000</b>	<b>\$ 358,199</b>		
<b>Total Direct Expenses</b>	<b>\$ 5,059,780</b>	<b>\$ 5,099,328</b>	<b>\$ (39,548)</b>		
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Change in Assets</b>	<b>\$ 39,548</b>	<b>\$ -</b>	<b>\$ 39,548</b>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx	1,060,872	80,000	980,872	1226.09%	Computer & Software Capital Expenditures were over budget as a result of the extension of the 2008 Document/Docket Management & System Interface (DMSI) project into 2009.
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<b>\$ (1,060,872)</b>	<b>\$ (80,000)</b>	<b>\$ (980,872)</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (1,021,324)</b>	<b>\$ (80,000)</b>	<b>\$ (941,324)</b>		
<b>TOTAL FTEs</b>	<b>21.33</b>	<b>23.00</b>	<b>(1.67)</b>		

**ReliabilityFirst Corporation**  
**2009 Statement of Activities Summary**  
**Reliability Readiness Audit and Improvement**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments			\$ -	
Penalty Sanctions			-	
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	NERC eliminated the Reliability Readiness Evaluation and Improvement Program. As a result, ReliabilityFirst also eliminated the program from the 2009 Business Plan and Budget.
Membership Fees & Non-Stat			-	
Testing Fees			-	
Services & Software			-	
Workshops			-	
Interest			-	
Miscellaneous			-	
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries			-	
Payroll Taxes			-	
Employee Benefits			-	
Savings & Retirement			-	
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Meeting Expenses</b>				
Meetings			-	
Travel			-	
Conference Calls			-	
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Operating Expenses</b>				
Consultants & Contracts			-	
Office Rent			-	
Office Costs			-	
Professional Services			-	
Miscellaneous			-	
Depreciation			-	
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Direct Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Other Non-Operating Expenses</b>			\$ -	
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Fixed Assets</b>				
Depreciation	-	-	-	
Computer & Software CapEx			-	
Furniture & Fixtures CapEx			-	
Equipment CapEx			-	
Leasehold Improvements			-	
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>TOTAL FTEs</b>	-	-	-	



**ReliabilityFirst Corporation**  
**2009 Statement of Activities Summary**  
**Reliability Assessment and Performance Analysis**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 985,605	\$ 985,605	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 985,605</b>	<b>\$ 985,605</b>	<b>\$ -</b>		
Membership Fees & Non-Stat	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<b>\$ 985,605</b>	<b>\$ 985,605</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	870,559	637,059	233,500	36.65%	Salaries were over budget due to the reallocation of 3 employees in the 2nd Qtr from Member Forums.
Payroll Taxes	50,436	39,535	10,901	27.57%	Payroll taxes were over budget as a result of the reallocation of 3 employees in the 2nd Qtr from Member Forums.
Employee Benefits	123,775	73,404	50,371	68.62%	Employee Benefits were over budget due to the allocation of multiple years of accumulated banked vacation, previously recorded in G & A, to the Assessment Department.
Savings & Retirement	125,407	105,407	20,000	18.97%	Savings and Retirement costs were over budget due to the reallocation of 3 employees in the 2nd Qtr from Member Forums.
<b>Total Personnel Expenses</b>	<b>\$ 1,170,177</b>	<b>\$ 855,405</b>	<b>\$ 314,772</b>		
<b>Meeting Expenses</b>					
Meetings	21,539	24,000	(2,461)	-10.25%	Meeting Expenses were under budget due to the use of ReliabilityFirst's virtual meeting capabilities, in place of costly budgeted face to face meetings.
Travel	58,641	40,000	18,641	46.60%	Travel was over budget as a result of the reallocation of 3 employees in the 2nd Qtr from Member Forums.
Conference Calls	1,483	1,200	283	23.58%	Conference calls were over budget as a result of the limited historical activity with the conference call provider when estimates for the budget were calculated. Also, the number of conference calls increased in an effort to reduce the need for face to face meetings.
<b>Total Meeting Expenses</b>	<b>\$ 81,663</b>	<b>\$ 65,200</b>	<b>\$ 16,463</b>		
<b>Operating Expenses</b>					
Consultants & Contracts	54,839	65,000	(10,161)	-15.63%	Contract & Consultants were under budget as a result of a lower than anticipated amount of expenses related to the ERAG MMWG studies.
Office Rent	-	-	-		
Office Costs	37,593	-	37,593		Office costs were over budget due to costs associated with dues, computer software and computer service & maintenance accounts that were budgeted in G&A and IT and recorded in the responsible department.
Professional Services	-	-	-		
Miscellaneous	64	-	64		Miscellaneous expense was over budget due to the expense being budgeted in G&A and recorded in the responsible departments.
Depreciation	-	-	-		
<b>Total Operating Expenses</b>	<b>\$ 92,496</b>	<b>\$ 65,000</b>	<b>\$ 27,496</b>		
<b>Total Direct Expenses</b>	<b>\$ 1,344,336</b>	<b>\$ 985,605</b>	<b>\$ 358,731</b>		
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Change in Assets</b>	<b>\$ (358,731)</b>	<b>\$ -</b>	<b>\$ (358,731)</b>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (358,731)</b>	<b>\$ -</b>	<b>\$ (358,731)</b>		
<b>TOTAL FTEs</b>	<b>7.75</b>	<b>5.50</b>	<b>2.25</b>		

**ReliabilityFirst Corporation**  
**2009 Statement of Activities Summary**  
**Training and Education**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>		<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 102,582	\$ 102,582	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<u>\$ 102,582</u>	<u>\$ 102,582</u>	<u>\$ -</u>		
Membership Fees & Non-Stat	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<u>\$ 102,582</u>	<u>\$ 102,582</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	8,506	8,695	(189)	-2.17%	
Payroll Taxes	493	770	(277)	-35.97%	Payroll Taxes were under budget as a result of the incorrect tax rates used during the budget process.
Employee Benefits	5,819	348	5,471	1572.13%	Employee Benefits were over budget due to necessary media training, along with the allocation of multiple years of accumulated banked vacation, previously recorded in G & A, to the Training & Education Department.
Savings & Retirement	1,326	2,769	(1,443)	-52.11%	Savings & Retirement costs were under budget do to an inaccurate budget calculation.
<b>Total Personnel Expenses</b>	<u>\$ 16,144</u>	<u>\$ 12,582</u>	<u>\$ 3,562</u>		
<b>Meeting Expenses</b>					
Meetings	69,953	88,000	(18,047)	-20.51%	Meetings were underbudget due to the Regional Forums that were budgeted but did not occur.
Travel	945	2,000	(1,055)	-52.75%	Travel expenses were under budget due to the decision to reduce the participation at regional training events.
Conference Calls	-	-	-		
<b>Total Meeting Expenses</b>	<u>\$ 70,898</u>	<u>\$ 90,000</u>	<u>\$ (19,102)</u>		
<b>Operating Expenses</b>					
Consultants & Contracts	-	-	-		
Office Rent	-	-	-		
Office Costs	-	-	-		
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
<b>Total Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Total Direct Expenses</b>	<u>\$ 87,042</u>	<u>\$ 102,582</u>	<u>\$ (15,540)</u>		
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Change in Assets</b>	<u>\$ 15,540</u>	<u>\$ -</u>	<u>\$ 15,540</u>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 15,540</u>	<u>\$ -</u>	<u>\$ 15,540</u>		
<b>TOTAL FTEs</b>	0.05	0.05	-		

**ReliabilityFirst Corporation**  
**2009 Statement of Activities Summary**  
**Situation Awareness and Infrastructure Security**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>		<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 400,924	\$ 400,924	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 400,924</b>	<b>\$ 400,924</b>	<b>\$ -</b>		
Membership Fees & Non-Stat			-		
Testing Fees			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<b>\$ 400,924</b>	<b>\$ 400,924</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	161,624	267,806	(106,182)	-39.65%	Salaries were under budget due to the Communications Specialist position that was budgeted for and later eliminated.
Payroll Taxes	9,364	15,749	(6,385)	-40.54%	Payroll Taxes were under budget due to the Communications Specialist position that was budgeted for and later eliminated.
Employee Benefits	36,668	22,083	14,585	66.05%	Employee Benefits were over budget due to the allocation of multiple years of accumulated banked vacation, previously recorded in G & A, to the Situational Awareness Department, offset by a decrease in medical benefits caused by the unfilled Communications Specialist position.
Savings & Retirement	25,201	44,226	(19,025)	-43.02%	Savings & Retirement was under budget due to the costs associated with the Communication Specialist position that was budgeted for and later eliminated.
<b>Total Personnel Expenses</b>	<b>\$ 232,857</b>	<b>\$ 349,864</b>	<b>\$ (117,007)</b>		
<b>Meeting Expenses</b>					
Meetings	4,925	16,000	(11,075)	-69.22%	Meeting Expenses were under budget due to the use of ReliabilityFirst's virtual meeting capabilities, in place of costly budgeted face to face meetings.
Travel	32,581	35,000	(2,419)	-6.91%	
Conference Calls	126	60	66	110.00%	Conference calls were over budget as a result of the limited historical activity with the conference call provider when estimates for the budget were calculated. Also, the number of conference calls increased in an effort to reduce the need for face to face meetings.
<b>Total Meeting Expenses</b>	<b>\$ 37,632</b>	<b>\$ 51,060</b>	<b>\$ (13,428)</b>		
<b>Operating Expenses</b>					
Consultants & Contracts			-		
Office Rent			-		
Office Costs			-		
Professional Services			-		
Miscellaneous	1,187		1,187		Miscellaneous expense was over budget due the expense being budgeted in G&A and recorded in the responsible departments.
Depreciation			-		
<b>Total Operating Expenses</b>	<b>\$ 1,187</b>	<b>\$ -</b>	<b>\$ 1,187</b>		
<b>Total Direct Expenses</b>	<b>\$ 271,676</b>	<b>\$ 400,924</b>	<b>\$ (129,248)</b>		
<b>Other Non-Operating Expenses</b>			<b>\$ -</b>		
<b>Change in Assets</b>	<b>\$ 129,248</b>	<b>\$ -</b>	<b>\$ 129,248</b>		
<b>Fixed Assets</b>					
Depreciation			-		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 129,248</b>	<b>\$ -</b>	<b>\$ 129,248</b>		
<b>TOTAL FTEs</b>	0.95	1.95	(1.00)		

**ReliabilityFirst Corporation**  
**2009 Statement of Activities Summary**  
**Committees and Member Forums**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 568,526	\$ 568,526	\$ -	0.00%	
Penalty Sanctions					
<b>Total ERO Funding</b>	<b>\$ 568,526</b>	<b>\$ 568,526</b>	<b>\$ -</b>		
Membership Fees & Non-Stat Assessments					
Testing Fees					
Services & Software					
Workshops					
Interest					
Miscellaneous					
<b>Total Funding</b>	<b>\$ 568,526</b>	<b>\$ 568,526</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	139,404	357,276	(217,872)	-60.98%	Salaries were under budget due to the reallocation of 3 employees in the 2nd Qtr to Assessments.
Payroll Taxes	8,076	23,589	(15,513)	-65.76%	Payroll Taxes were under budget due to the reallocation of 3 employees in the 2nd Qtr to Assessments.
Employee Benefits	37,099	26,595	10,504	39.50%	Employee Benefits were over budget due to the allocation of multiple years of accumulated banked vacation, previously recorded in G & A, to the Member Forums Department.
Savings & Retirement	30,266	58,866	(28,600)	-48.58%	Savings & Retirement costs were under budget due to the reallocation of 3 employees in the 2nd Qtr to Assessments.
<b>Total Personnel Expenses</b>	<b>\$ 214,845</b>	<b>\$ 466,326</b>	<b>\$ (251,481)</b>		
<b>Meeting Expenses</b>					
Meetings	2,326	32,000	(29,674)	-92.73%	Meeting Expenses were under budget due to several meetings budgeted in Member Forums but charged to the Assessment Department.
Travel	14,029	59,000	(44,971)	-76.22%	Travel was under budget as a result of the reallocation of the 3 employees in the 2nd Qtr to Assessments.
Conference Calls	636	1,200	(564)	-47.00%	Conference calls were under budget as a result of the limited historical activity with the conference call provider when estimates for the budget were calculated.
<b>Total Meeting Expenses</b>	<b>\$ 16,991</b>	<b>\$ 92,200</b>	<b>\$ (75,209)</b>		
<b>Operating Expenses</b>					
Consultants & Contracts		10,000	(10,000)	-100.00%	Contractor & Consultants were under budget as a result not needing additional outside support for Committees and Member Forums.
Office Rent					
Office Costs					
Professional Services					
Miscellaneous					
Depreciation					
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ 10,000</b>	<b>\$ (10,000)</b>		
<b>Total Direct Expenses</b>	<b>\$ 231,836</b>	<b>\$ 568,526</b>	<b>\$ (336,690)</b>		
<b>Other Non-Operating Expenses</b>					
<b>Change in Assets</b>	<b>\$ 336,690</b>	<b>\$ -</b>	<b>\$ 336,690</b>		
<b>Fixed Assets</b>					
Depreciation					
Computer & Software CapEx					
Furniture & Fixtures CapEx					
Equipment CapEx					
Leasehold Improvements					
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 336,690</b>	<b>\$ -</b>	<b>\$ 336,690</b>		
<b>TOTAL FTEs</b>	0.75	3.00	(2.25)		

**ReliabilityFirst Corporation**  
**2009 Statement of Activities Summary**  
**General and Administrative**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ (718,262)	\$ (718,262)	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ (718,262)</b>	<b>\$ (718,262)</b>	<b>\$ -</b>		
Membership Fees & Non-Stat Testing Fees	1,000		1,000		
Services & Software			-		
Workshops			-		
Interest	55,551	80,000	(24,449)	-30.56%	Interest was under budget due to reduced market rates; as a result the actual interest earned was lower than expected.
Miscellaneous			-		
<b>Total Funding</b>	<b>\$ (661,711)</b>	<b>\$ (638,262)</b>	<b>\$ (23,449)</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	513,591	410,984	102,607	24.97%	Salaries were over budget due to the additional cost of retaining experienced and qualified staff.
Payroll Taxes	29,755	14,626	15,129	103.44%	Payroll Taxes were over budget as a result of the incorrect tax rates used during the budget process.
Employee Benefits	(248,598)	36,413	(285,011)	-782.72%	Employee benefits were under budget due to the allocation of multiple years of accumulated banked vacation, previously recorded in G & A, to the appropriate departments.
Savings & Retirement	60,027	85,092	(25,065)	-29.46%	Savings & Retirement costs were under budget as a result of an inaccurate budget calculation.
<b>Total Personnel Expenses</b>	<b>\$ 354,775</b>	<b>\$ 547,115</b>	<b>\$ (192,340)</b>		
<b>Meeting Expenses</b>					
Meetings	53,854	65,600	(11,746)	-17.91%	Meeting Expenses were under budget due to reduced expenses related to ReliabilityFirst Board of Directors meetings.
Travel	27,906	40,000	(12,094)	-30.24%	Travel Expenses were under budget due to the attendance of meetings via conference call when possible, in an effort to reduce costs.
Conference Calls	215	240	(25)	-10.42%	Conference calls were under budget as a result of the limited historical activity with the conference call provider when estimates for the budget were calculated.
<b>Total Meeting Expenses</b>	<b>\$ 81,975</b>	<b>\$ 105,840</b>	<b>\$ (23,865)</b>		
<b>Operating Expenses</b>					
Consultants & Contracts			-		
Office Rent	306,866	311,000	(4,134)	-1.33%	
Office Costs	53,053	65,150	(12,097)	-18.57%	Office costs were under budget as a result of closer monitoring of office supply purchases along with the allocation of Publications & Subscriptions, Dues and Computer Software to the responsible departments.
Professional Services	585,692	823,000	(237,308)	-28.83%	Professional Services were under budget due to the less than anticipated need for outside legal counsel.
Miscellaneous	16,825	20,000	(3,175)	-15.88%	Miscellaneous expense was under budget due the expense being budgeted in G&A, but recorded in the responsible department.
Depreciation	290,573		290,573		Depreciation Expense was not budgeted for in 2009.
<b>Total Operating Expenses</b>	<b>\$ 1,253,009</b>	<b>\$ 1,219,150</b>	<b>\$ 33,859</b>		
<b>Total Direct Expenses</b>	<b>\$ 1,689,759</b>	<b>\$ 1,872,105</b>	<b>\$ (182,346)</b>		
<b>Other Non-Operating Expenses</b>			-		
<b>Change in Assets</b>	<b>\$ (2,351,470)</b>	<b>\$ (2,510,367)</b>	<b>\$ 158,897</b>		
<b>Fixed Assets</b>					
Depreciation	(290,573)	-	(290,573)		Depreciation Expense was not budgeted for in 2009.
Computer & Software CapEx			-		
Furniture & Fixtures CapEx	4,024	10,000	(5,976)	-59.76%	Furniture & Fixtures Capital Expenditures were under budget as a result of purchase of furniture below the threshold for capitalization.
Equipment CapEx			-		
Leasehold Improvements	19,074		19,074		Leasehold Improvements was over budget due to the enhancements of the office security system.
<b>Change in Fixed Assets</b>	<b>\$ 267,475</b>	<b>\$ (10,000)</b>	<b>\$ 277,475</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (2,083,995)</b>	<b>\$ (2,520,367)</b>	<b>\$ 436,372</b>		
<b>TOTAL FTEs</b>	<b>2</b>	<b>2</b>	<b>-</b>		

**ReliabilityFirst Corporation**  
**2009 Statement of Activities Summary**  
**Legal and Regulatory**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments			\$ -	
Penalty Sanctions			-	
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Membership Fees & Non-Stat			-	
Testing Fees			-	
Services & Software			-	
Workshops			-	
Interest			-	
Miscellaneous			-	
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries			-	
Payroll Taxes			-	
Employee Benefits			-	
Savings & Retirement			-	
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Meeting Expenses</b>				
Meetings			-	
Travel			-	
Conference Calls			-	
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Operating Expenses</b>				
Consultants & Contracts			-	
Office Rent			-	
Office Costs			-	
Professional Services			-	
Miscellaneous			-	
Depreciation			-	
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Direct Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Other Non-Operating Expenses</b>			\$ -	
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Fixed Assets</b>				
Depreciation			-	
Computer & Software CapEx			-	
Furniture & Fixtures CapEx			-	
Equipment CapEx			-	
Leasehold Improvements			-	
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>TOTAL FTEs</b>			-	

ReliabilityFirst Corporation used outside counsel to assist with our legal and regulatory matters, because this was the most cost effective and efficient option at the time. Future activities may dictate a shift in this philosophy as the needs and costs in this area are reevaluated. All charges for corporate and regulatory matters were collected within Professional Services in the General & Administrative function.

**ReliabilityFirst Corporation**  
**2009 Statement of Activities Summary**  
**Information Technology**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	\$ 1,467,606	\$ 1,467,606	\$ -	0.00%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<u>\$ 1,467,606</u>	<u>\$ 1,467,606</u>	<u>\$ -</u>	
Membership Fees & Non-Stat	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<u>\$ 1,467,606</u>	<u>\$ 1,467,606</u>	<u>\$ -</u>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	400,368	402,465	(2,097)	-0.52%
Payroll Taxes	23,195	30,153	(6,958)	-23.08%
Employee Benefits	70,710	90,142	(19,432)	-21.56%
Savings & Retirement	61,916	68,661	(6,745)	-9.82%
<b>Total Personnel Expenses</b>	<u>\$ 556,189</u>	<u>\$ 591,421</u>	<u>\$ (35,232)</u>	
<b>Meeting Expenses</b>				
Meetings	578	300	278	92.67%
Travel	18,812	12,000	6,812	56.77%
Conference Calls	-	20	(20)	-100.00%
<b>Total Meeting Expenses</b>	<u>\$ 19,390</u>	<u>\$ 12,320</u>	<u>\$ 7,070</u>	
<b>Operating Expenses</b>				
Consultants & Contracts	14,145	33,000	(18,855)	-57.14%
Office Rent	-	-	-	
Office Costs	612,145	691,865	(79,720)	-11.52%
Professional Services	-	-	-	
Miscellaneous	-	-	-	
Depreciation	-	-	-	
<b>Total Operating Expenses</b>	<u>\$ 626,290</u>	<u>\$ 724,865</u>	<u>\$ (98,575)</u>	
<b>Total Direct Expenses</b>	<u>\$ 1,201,869</u>	<u>\$ 1,328,606</u>	<u>\$ (126,737)</u>	
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
<b>Change in Assets</b>	<u>\$ 265,737</u>	<u>\$ 139,000</u>	<u>\$ 126,737</u>	
<b>Fixed Assets</b>				
Depreciation	-	-	-	
Computer & Software CapEx	(750,181)	59,000	(809,181)	-1371.49%
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
<b>Change in Fixed Assets</b>	<u>\$ 750,181</u>	<u>\$ (59,000)</u>	<u>\$ 809,181</u>	
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 1,015,918</u>	<u>\$ 80,000</u>	<u>\$ 935,918</u>	
<b>TOTAL FTEs</b>	4.03	4.20	(0.17)	

**ReliabilityFirst Corporation**  
**2009 Statement of Activities Summary**  
**Human Resources**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 206,396	\$ 206,396	\$ -	0.00%	
Penalty Sanctions			-		
<b>Total ERO Funding</b>	<b>\$ 206,396</b>	<b>\$ 206,396</b>	<b>\$ -</b>		
Membership Fees & Non-Stat			-		
Testing Fees			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<b>\$ 206,396</b>	<b>\$ 206,396</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	133,379	132,444	935	0.71%	
Payroll Taxes	7,727	8,711	(984)	-11.30%	Payroll Taxes were under budget as a result of the incorrect tax rates used during the budget process.
Employee Benefits	19,187	9,935	9,252	93.13%	Employee Benefits were over budget due to the allocation of multiple years of accumulated banked vacation, previously recorded in G & A, now charged to the Human Resource Department.
Savings & Retirement	24,502	27,006	(2,504)	-9.27%	
<b>Total Personnel Expenses</b>	<b>\$ 184,795</b>	<b>\$ 178,096</b>	<b>\$ 6,699</b>		
<b>Meeting Expenses</b>					
Meetings			-		
Travel			-		
Conference Calls			-		
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Operating Expenses</b>					
Consultants & Contracts			-		
Office Rent			-		
Office Costs	1,090	-	1,090		
Professional Services	22,527	28,300	(5,773)	-20.40%	Professional services was under budget due to the outside payroll services costing less than expected.
Miscellaneous	4,210	-	4,210		Miscellaneous expense was over budget due the expense being budgeted in G&A and recorded in the responsible departments.
Depreciation			-		
<b>Total Operating Expenses</b>	<b>\$ 27,827</b>	<b>\$ 28,300</b>	<b>\$ (473)</b>		
<b>Total Direct Expenses</b>	<b>\$ 212,622</b>	<b>\$ 206,396</b>	<b>\$ 6,226</b>		
<b>Other Non-Operating Expenses</b>			\$ -		
<b>Change in Assets</b>	<b>\$ (6,226)</b>	<b>\$ -</b>	<b>\$ (6,226)</b>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (6,226)</b>	<b>\$ -</b>	<b>\$ (6,226)</b>		
<b>TOTAL FTEs</b>	<b>1.40</b>	<b>1.40</b>	<b>-</b>		



**ReliabilityFirst Corporation**  
**2009 Statement of Activities Summary**  
**Accounting and Finance**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
<b>ERO Funding</b>				
ERO Assessments	\$ 191,668	\$ 191,668	\$ -	0.00%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<b>\$ 191,668</b>	<b>\$ 191,668</b>	<b>\$ -</b>	
Membership Fees & Non-Stat		-	-	
Testing Fees		-	-	
Services & Software		-	-	
Workshops		-	-	
Interest		-	-	
Miscellaneous		-	-	
<b>Total Funding</b>	<b>\$ 191,668</b>	<b>\$ 191,668</b>	<b>\$ -</b>	
<b>Expenses</b>				
<b>Personnel Expenses</b>				
Salaries	109,394	101,603	7,791	7.67%
Payroll Taxes	6,338	6,538	(200)	-3.06%
Employee Benefits	13,717	8,818	4,899	55.56%
				Employee Benefits were over budget due to the allocation of multiple years of accumulated banked vacation, previously recorded in G & A, now charged to the Accounting and Finance Department.
Savings & Retirement	16,720	17,009	(289)	-1.70%
<b>Total Personnel Expenses</b>	<b>\$ 146,169</b>	<b>\$ 133,968</b>	<b>\$ 12,201</b>	
<b>Meeting Expenses</b>				
Meetings		700	(700)	-100.00%
				Planned on hosting a Regional Budget Committee meeting that was hosted by another region.
Travel	4,307	9,000	(4,693)	-52.14%
				Travel Expenses were under budget due to the attendance of meetings via conference call when possible, in an effort to reduce costs.
Conference Calls			-	
<b>Total Meeting Expenses</b>	<b>\$ 4,307</b>	<b>\$ 9,700</b>	<b>\$ (5,393)</b>	
<b>Operating Expenses</b>				
Consultants & Contracts	44,456	-	44,456	
Office Rent			-	
Office Costs	875	-	875	
Professional Services	35,980	48,000	(12,020)	-25.04%
				Professional services were under budget due to the year end audit costing less than expected. This was due to negotiating a cheaper rate.
Miscellaneous			-	
Depreciation			-	
<b>Total Operating Expenses</b>	<b>\$ 81,311</b>	<b>\$ 48,000</b>	<b>\$ 33,311</b>	
<b>Total Direct Expenses</b>	<b>\$ 231,787</b>	<b>\$ 191,668</b>	<b>\$ 40,119</b>	
<b>Other Non-Operating Expenses</b>			<b>\$ -</b>	
<b>Change in Assets</b>	<b>\$ (40,119)</b>	<b>\$ -</b>	<b>\$ (40,119)</b>	
<b>Fixed Assets</b>				
Depreciation		-	-	
Computer & Software CapEx		-	-	
Furniture & Fixtures CapEx		-	-	
Equipment CapEx		-	-	
Leasehold Improvements		-	-	
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (40,119)</b>	<b>\$ -</b>	<b>\$ (40,119)</b>	
<b>TOTAL FTEs</b>	<b>0.90</b>	<b>0.90</b>	<b>-</b>	

# Reliability*First* Corporation

Financial Report

December 31, 2009

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors of  
ReliabilityFirst Corporation  
Akron, Ohio

We have audited the accompanying statements of financial position of ReliabilityFirst Corporation as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ReliabilityFirst Corporation as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Chicago, Illinois  
March 22, 2010

ReliabilityFirst Corporation

Statements of Financial Position  
December 31, 2009 and 2008

Assets	2009	2008
Current Assets		
Cash	\$ 1,060,904	\$ 2,739,372
Investments	3,455,529	3,399,978
Accounts receivable	21,576	22,996
Prepaid expenses	151,363	113,562
	4,689,372	6,275,908
<b>Total Current Assets</b>	<b>4,689,372</b>	<b>6,275,908</b>
Fixed assets		
Software development in progress	-	624,053
Furniture and equipment	64,988	60,963
Leasehold improvements	232,068	212,994
Computer software and hardware	1,824,053	889,309
	2,121,109	1,787,319
Less accumulated depreciation and amortization	487,992	197,419
	1,633,117	1,589,900
	1,633,117	1,589,900
<b>Total Assets</b>	<b>\$ 6,322,489</b>	<b>\$ 7,865,808</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 50,836	\$ 523,606
Accrued expenses	1,991,209	1,655,746
	2,042,045	2,179,352
<b>Total Current Liabilities</b>	<b>2,042,045</b>	<b>2,179,352</b>
Accrued Expenses	219,070	68,725
	219,070	68,725
Net Assets		
Unrestricted:		
Designated for reserve fund	1,000,000	1,000,000
Undesignated	2,520,474	4,437,731
Temporarily restricted	540,900	180,000
	4,061,374	5,617,731
<b>Total Net Assets</b>	<b>4,061,374</b>	<b>5,617,731</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,322,489</b>	<b>\$ 7,865,808</b>

See Notes to Financial Statements.

ReliabilityFirst Corporation

Statements of Activities

Years Ended December 31, 2009 and 2008

	2009	2008
<b>Unrestricted Net Assets</b>		
Revenues		
Quarterly assessments	\$ 8,833,834	\$ 9,584,256
Membership dues	1,000	4,000
Investment income	55,551	246,307
<b>Total revenues</b>	<b>8,890,385</b>	<b>9,834,563</b>
Expenses		
Program:		
Standards	476,936	472,866
Compliance	5,059,780	3,217,243
Readiness	-	53,833
Assessment	1,344,334	1,010,412
Training and education	87,042	115,626
Situational awareness	271,676	240,089
Forums	231,836	481,368
General and administrative	1,399,186	1,790,187
Information technology	1,201,869	788,152
Human resources	212,622	179,716
Finance	231,787	176,273
<b>Total program expenses</b>	<b>10,517,069</b>	<b>8,525,765</b>
General:		
Depreciation and amortization	290,573	143,517
Loss on disposal of assets	-	46,930
<b>Total general expenses</b>	<b>290,573</b>	<b>190,447</b>
<b>Total expenses</b>	<b>10,807,642</b>	<b>8,716,212</b>
(Decrease) increase in unrestricted net assets	(1,917,257)	1,118,351
<b>Temporarily Restricted Net Assets</b>		
Penalty sanctions	360,900	180,000
<b>Increase in temporarily restricted net assets</b>	<b>360,900</b>	<b>180,000</b>
(Decrease) increase in total net assets	(1,556,357)	1,298,351
Net assets at beginning of year	5,617,731	4,319,380
Net assets at end of year	<b>\$ 4,061,374</b>	<b>\$ 5,617,731</b>

See Notes to Financial Statements.

ReliabilityFirst Corporation

Statements of Cash Flows  
Years Ended December 31, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities		
Change in net assets	\$ (1,556,357)	\$ 1,298,351
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	290,573	143,517
Loss on disposal of equipment	-	46,930
Net unrealized gain on investments	(55,551)	(172,194)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	1,420	(22,996)
Increase in prepaid expenses	(37,801)	(39,213)
(Decrease) increase in accounts payable	(472,770)	431,782
Increase in accrued expenses	485,808	809,206
Decrease in accrued rebates payable	-	-
<b>Net cash (used in) provided by operating activities</b>	<b>(1,344,678)</b>	<b>2,495,383</b>
Cash Flows From Investing Activities		
Purchase of investments	-	(2,179,309)
Additions to fixed assets	(333,790)	(1,213,488)
<b>Net cash used in investing activities</b>	<b>(333,790)</b>	<b>(3,392,797)</b>
<b>Net decrease in cash</b>	<b>(1,678,468)</b>	<b>(897,414)</b>
Cash at beginning of year	2,739,372	3,636,786
Cash at end of year	<b>\$ 1,060,904</b>	<b>\$ 2,739,372</b>

See Notes to Financial Statements.

## ReliabilityFirst Corporation

### Notes to Financial Statements

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#### Note 1. Organization and Significant Accounting Policies

**Organization:** ReliabilityFirst Corporation (the Corporation) is a not-for-profit corporation whose mission is to preserve and enhance electric service reliability and security for the interconnected electric systems within its territory. The Corporation was approved by the North American Electric Reliability Corporation (NERC) to become one of eight Regional Entities of NERC.

The Corporation receives its quarterly assessments from NERC. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Corporation's operations.

The following is a summary of the Corporation's significant accounting policies which conform to principles generally accepted in the United States of America:

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue recognition:** The Corporation currently derives its revenues primarily from quarterly assessments. Revenues from such assessments are recognized as unrestricted revenues at the time services are performed and the cost of these services is recognized when incurred. Penalty sanctions are recognized after the entire appeals process has been exhausted and a Federal Electric Regulatory Commission (FERC) order has been issued and are non-appealable. Penalty sanctions received on or prior to June 30 of each year shall be applied as a general offset to budget requirements for the subsequent fiscal year. Penalty sanctions received after June 30 of each year shall be applied as a general offset to budget requirements for the next subsequent fiscal year.

**Cash:** The Corporation maintains its cash in non interest-bearing bank deposit accounts. Management believes it is not exposed to any significant credit risk on cash.

**Accounts receivable:** Accounts receivable are carried at actual billed amounts.

**Fixed assets:** Fixed assets are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives (generally 3 to 7 years) of the depreciable assets. Amortization for the leasehold improvements is computed on the lesser of the useful life or lease term.

**Income taxes:** The Corporation is qualified as a tax-exempt organization under the provisions of Section 501(c)(6) of the Internal Revenue Code and, therefore, exempt from taxation under present income tax laws.

On January 1, 2009, the Corporation adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Corporation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. FIN 48 also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At January 1, 2009 and December 31, 2009, there were no unrecognized tax benefits identified or recorded as liabilities.



**Note 1. Organization and Significant Accounting Policies (Continued)**

**Net assets:** Of the unrestricted net asset balance, \$1,000,000 has been designated by the Board of Directors for its reserve fund at December 31, 2009 and 2008.

Temporarily restricted net assets result from the receipt of penalty sanctions which are restricted until budgeted as described above in the Corporation's revenue recognition policy. Temporarily restricted net assets at December 31, 2009 and 2008, were \$540,900 and \$180,000, respectively.

**Fair value measurement:** The estimated fair values of the Corporation's short-term financial instruments, including receivables and payables arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

**Subsequent events:** The Corporation has evaluated subsequent events for potential recognition and/or disclosure through March 22, 2010, the date the financial statements were available to be issued.

**Accounting policies:** The Corporation follows accounting standards established by the FASB to ensure consistent reporting of financial condition, results of operation, and cash flows. References to Generally Accepted Accounting Principles (GAAP) in these footnotes are to the *FASB Accounting Standards Codification™*, sometimes referred to as the Codification or ASC. The Codification is effective for periods ending on or after September 15, 2009.

**Note 2. Fair Value of Financial Instruments**

The cost and fair value of the Corporation's investments are \$3,450,287 and \$3,455,529 for the year ended December 31, 2009, respectively, and \$3,280,692 and \$3,399,978 for the year ended December 31, 2008, respectively. The fair value of the trading securities is based on quoted market rates.

The Corporation adopted FASB Statement No. 157, *Fair Value Measurements* (SFAS 157), at the beginning of fiscal year 2008. SFAS 157 applies to all assets and liabilities that are being measured and reported on a fair value basis. SFAS 157 requires disclosure that establishes a framework for measuring fair value in GAAP, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Corporation performs a detailed analysis of the assets and liabilities that are subject to SFAS 157. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. As of December 31, 2009 and 2008, the Corporation's investments are classified as Level 1.

Unrealized gains on investments for the years ended December 31, 2009 and 2008, were \$55,551 and \$172,194, respectively, and are included within investment income on the statements of activities.

## ReliabilityFirst Corporation

### Notes to Financial Statements

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#### Note 3. Line of Credit

The Corporation has a \$1,000,000 line of credit with borrowings due on June 9, 2010. The line is collateralized by substantially all assets of the Corporation and interest is charged at the prime rate (3.25 percent at December 31, 2009). The Corporation did not make any drawdowns on the line during the year and had no outstanding balance as of December 31, 2009 or 2008. The Corporation intends to renew the line when it comes due on June 9, 2010.

#### Note 4. Operating Leases

The Corporation leases its office in Akron, Ohio from an unrelated third party. During 2009, the Corporation signed a lease amendment effective January 1, 2010, that changes the monthly lease payments and extends the lease through December 2019. Additionally, the Corporation entered into a new lease for storage space during 2009 that expires in June 2017. Rental expense for operating leases amounted to \$261,186 and \$255,263 for the years ended December 31, 2009 and 2008, respectively. The future minimum lease payments as of December 31, 2009, on a straight-line basis are as follows:

Year ending December 31:	
2010	\$ 346,873
2011	346,873
2012	346,873
2013	346,873
2014	346,873
Thereafter	1,725,473
	<u>\$ 3,459,838</u>

#### Note 5. Employee Retirement Plan

The Corporation has a salary deferred plan under Section 401(k) of the Internal Revenue Code. All employees are eligible for 100 percent match of their first 6 percent of voluntary salary deferred savings and the 3 percent Safe Harbor provision of the Plan. Employees who have at least 1,000 hours during the year are eligible for a certain percentage discretionary provision of the Plan (7 percent in 2009 and 2008). Therefore, under this Plan, the Corporation provided for a potential maximum contribution of up to 16 percent of employees' eligible compensation in 2009 and 2008. The Corporation incurred contributions to the Plan during the years ended December 31, 2009 and 2008, of approximately \$772,000 and \$608,000, respectively.

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report on the Supplementary Information

To the Board of Directors of  
ReliabilityFirst Corporation  
Akron, Ohio

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McGladrey & Pullen, LLP*

Chicago, Illinois  
March 22, 2010





**ATTACHMENT 6**

**2009 ACTUAL COST-TO-BUDGET COMPARISON**

**AND**

**2009 AUDITED FINANCIAL REPORT**

**FOR**

**SERC RELIABILITY CORPORATION**



SERC Reliability Corporation  
2815 Coliseum Centre Drive | Suite 500  
Charlotte, NC 28217  
704.357.7372 | Fax 704.357.7914 | [www.serc1.org](http://www.serc1.org)

May 3, 2010

Mike Walker  
Chief Financial Officer  
North American Electric Reliability Corporation

### **SERC 2009 Budget vs. Actual Variance Analysis**

Enclosed is SERC's response to your request for information on variances between the 2009 SERC budget and year-end financials. This information is intended to respond to the Federal Energy Regulatory Commission order in Docket No. RR07-16-005 "Order Conditionally Accepting Compliance Filing" directing NERC and the regional entities to file a true-up report no later than May 30, 2010.

Overall, SERC under ran 2009 budgeted revenues by \$185,521 and under spent its 2009 operating budget of \$10,095,546 by \$569,863. The net impact was a \$413,459 positive variance on SERC's cash position for the year.

During 2008, SERC switched from cash accounting to an accrual basis of accounting, causing SERC to be under its reserve amount by \$391,237 as of December 31, 2008. This amount was absorbed in full in the 2009 operating budget.

There are several mitigating circumstances causing this under run, as explained below:

- To meet operational needs that evolved after the budget was established, SERC added the following staff beyond forecast during 2009 to meet its regional entity responsibilities: a technical analyst was added and a part-time Compliance Auditor was replaced by a full-time Compliance Auditor. These changes in staff were necessitated to address increased tracking of alerts, recommendations, and training records, and other reliability services data management needs and the increased emphasis on CIP during the year. The cost of these changes resulted in an increase in personnel expenses totaling approximately \$142,500.
- The actual payroll taxes paid averaged 6%, however SERC budgeted payroll taxes of 7.5%, causing an under run.
- Due to the strains on the economy, SERC has emphasized the use of conference calls and Webex capabilities to reduce the number of face to face meetings, which reduced travel and meeting costs. Additionally, SERC has emphasized the need to only send required staff to meetings and placed a high focus on efficient travel.
- Costs for various projects were significantly lower than budgeted due to the actual expense being split by six regions rather the budgeted four regions and only minimal portal development projects were required.



- Budgeted legal expenses relating to the filing of regional standards and contested penalty assessments were not required as budgeted, resulting in total expenditures under budget by approximately \$252,000.
- During 2009, SERC incurred capital expenditures related to the purchase of the following: a document management system, which required installation; an indexing server, a SQL server and a virtual server in order to operate the document management system; a sync engine server to establish a link between SERC and NERC for registration; equipment in order to be in accordance with SERC's document retention policy regarding email files; SERC expanded the office space which resulted in an unbudgeted build-out expense; and various portal and compliance development costs. The cost of these additions, plus depreciation expense resulted in an over budget amount of approximately \$181,300.

SERC has no non-statutory activity, and therefore no statutory funding was used for non-statutory activities.

SERC did not allocate indirect costs to statutory programs.

Detailed descriptions of budget to actual variances are provided in the attached file. If you have any questions, please feel free to call or email me.

Yours truly,

A handwritten signature in black ink, appearing to read 'J-Kelly', with a long horizontal stroke extending to the right.

Jennifer Kelly

cc: T. J. Galloway



**SERC**  
**2009 Statement of Activities**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>
<b>Funding</b>			
ERO Assessments	\$ 9,652,546	\$ 9,652,546	\$ -
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<u>\$ 9,652,546</u>	<u>\$ 9,652,546</u>	<u>\$ -</u>
Workshops	249,440	403,000	(153,560)
Interest	7,279	40,000	(32,721)
Misc.	760	-	760
<b>Total Funding</b>	<u>\$ 9,910,025</u>	<u>\$ 10,095,546</u>	<u>\$ (185,521)</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 5,608,724	\$ 5,392,546	\$ 216,178
Payroll Taxes	352,246	404,441	(52,195)
Employee Benefits	568,397	551,341	17,056
Savings & Retirement	509,038	504,997	4,041
<b>Total Personnel Expenses</b>	<u>\$ 7,038,405</u>	<u>\$ 6,853,325</u>	<u>\$ 185,080</u>
<b>Meeting Expenses</b>			
Meetings	\$ 451,503	\$ 634,633	\$ (183,130)
Travel	400,038	601,168	(201,130)
Conference Calls	48,409	30,000	18,409
<b>Total Meeting Expenses</b>	<u>\$ 899,950</u>	<u>\$ 1,265,801</u>	<u>\$ (365,851)</u>
<b>Operating Expenses</b>			
Consultants & contracts	\$ 752,983	\$ 924,700	\$ (171,717)
Office Rent	175,503	174,752	751
Office Costs	239,079	263,459	(24,380)
Professional Services	112,422	331,661	(219,239)
Miscellaneous	3,185	1,395	1,790
Depreciation	23,703	-	23,703
<b>Total Operating Expenses</b>	<u>\$ 1,306,875</u>	<u>\$ 1,695,967</u>	<u>\$ (389,092)</u>
<b>Total Direct Expenses</b>	<u>\$ 9,245,230</u>	<u>\$ 9,815,093</u>	<u>\$ (569,863)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ 210,453</u>	<u>\$ (210,453)</u>
<b>Change in Net Assets</b>	<u>\$ 664,795</u>	<u>\$ 70,000</u>	<u>\$ 594,795</u>
<b>Fixed Assets</b>			
Depreciation	\$ (23,703)	\$ -	\$ (23,703)
Computer & Software CapEx	195,110	-	195,110
Furniture & Fixtures CapEx	-	66,744	(66,744)
Equipment CapEx	-	3,256	(3,256)
Leasehold Improvements	32,523	-	32,523
<b>Change in Fixed Assets</b>	<u>\$ (251,336)</u>	<u>\$ (70,000)</u>	<u>\$ (181,336)</u>
<b>Total Change in Net Assets</b>	<u>\$ 413,459</u>	<u>\$ -</u>	<u>\$ 413,459</u>
FTEs	44.50	43.00	1.50

**SERC**  
**2009 Statement fo Activities**  
**Statutory Only**

(In Whole Dollars)

	<b>2009 YTD Actual</b>	<b>2009 YTD Budget</b>	<b>2009 YTD Variance</b>
<b>Funding</b>			
ERO Assessments	\$ 9,652,546	\$ 9,652,546	\$ -
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<b>\$ 9,652,546</b>	<b>\$ 9,652,546</b>	<b>\$ -</b>
Workshops	249,440	403,000	(153,560)
Interest	7,279	40,000	(32,721)
Misc.	760	-	760
<b>Total Funding</b>	<b>\$ 9,910,025</b>	<b>\$ 10,095,546</b>	<b>\$ (185,521)</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	\$ 5,608,724	\$ 5,392,546	\$ 216,178
Payroll Taxes	352,246	404,441	(52,195)
Employee Benefits	568,397	551,341	17,056
Savings & Retirement	509,038	504,997	4,041
<b>Total Personnel Expenses</b>	<b>\$ 7,038,405</b>	<b>\$ 6,853,325</b>	<b>\$ 185,080</b>
<b>Meeting Expenses</b>			
Meetings	\$ 451,503	\$ 634,633	\$ (183,130)
Travel	400,038	601,168	(201,130)
Conference Calls	48,409	30,000	18,409
<b>Total Meeting Expenses</b>	<b>\$ 899,950</b>	<b>\$ 1,265,801</b>	<b>\$ (365,851)</b>
<b>Operating Expenses</b>			
Consultants & contracts	\$ 752,983	\$ 924,700	\$ (171,717)
Office Rent	175,503	174,752	751
Office Costs	239,079	263,459	(24,380)
Professional Services	112,422	331,661	(219,239)
Miscellaneous	3,185	1,395	1,790
Depreciation	23,703	-	23,703
<b>Total Operating Expenses</b>	<b>\$ 1,306,875</b>	<b>\$ 1,695,967</b>	<b>\$ (389,092)</b>
<b>Total Direct Expenses</b>	<b>\$ 9,245,230</b>	<b>\$ 9,815,093</b>	<b>\$ (569,863)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ 210,453</b>	<b>\$ (210,453)</b>
<b>Change in Net Assets</b>	<b>\$ 664,795</b>	<b>\$ 70,000</b>	<b>\$ 594,795</b>
<b>Fixed Assets</b>			
Depreciation	\$ (23,703)	\$ -	\$ (23,703)
Computer & Software CapEx	195,110	-	195,110
Furniture & Fixtures CapEx	-	66,744	(66,744)
Equipment CapEx	-	3,256	(3,256)
Leasehold Improvements	32,523	-	32,523
<b>Change in Fixed Assets</b>	<b>\$ (251,336)</b>	<b>\$ (70,000)</b>	<b>\$ (181,336)</b>
<b>Total Change in Net Assets</b>	<b>\$ 413,459</b>	<b>\$ -</b>	<b>\$ 413,459</b>
FTEs	44.50	43.00	1.50

**SERC**  
**2009 Statement of Activities**  
**Reliability Standards**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>		<u>Comments</u>
<b>Funding</b>					
ERO Assessments	\$ 292,873	\$ 292,873	\$ -	0.0%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<u>\$ 292,873</u>	<u>\$ 292,873</u>	<u>\$ -</u>		
Workshops	-	-	-		
Interest	-	-	-		
Misc.	-	-	-		
<b>Total Funding</b>	<u>\$ 292,873</u>	<u>\$ 292,873</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 214,093	\$ 204,634	\$ 9,459	4.6%	SERC hired a technical analyst position to address increased tracking of alerts, recommendations, and training records, and other reliability services data management needs. This position is allocated to all Reliability Service programs and was not budgeted, but deemed necessary.
Payroll Taxes	13,763	15,348	(1,585)	-10.3%	Actual payroll taxes paid averaged 6%, where SERC budgeted 7.5%, causing actual costs to be lower than budget.
Employee Benefits	26,078	18,746	7,332	39.1%	More employees than anticipated elected to participate in benefits which increased projected benefit costs.
Savings & Retirement	18,475	19,427	(952)	-4.9%	
<b>Total Personnel</b>	<u>\$ 272,409</u>	<u>\$ 258,155</u>	<u>\$ 14,254</u>		
<b>Meeting Expenses</b>					
Meetings	\$ 11,668	\$ 8,650	\$ 3,018	34.9%	SERC budgeted for 16 meetings, 8 of which were to be held in the SERC office. SERC actually held 4 meetings off site at a higher average cost.
Travel	12,102	8,130	3,972	48.9%	Due to the increase in off-site meetings, travel costs increased.
Conference Calls	1,558	977	581	59.5%	
<b>Total Meeting Expenses</b>	<u>\$ 25,328</u>	<u>\$ 17,757</u>	<u>\$ 7,571</u>		
<b>Operating Expenses</b>					
Consultants & contracts	\$ 4,570	\$ -	\$ 4,570	100.0%	SERC incurred additional support costs related to the training of the new document management system that was purchased, as noted under Computer and Software CapEx in the General and Administrative program, for an unbudgeted cost of \$1,300. Additionally, SERC is over budget a total of \$1,400 for costs associated with consultant support for a standards project. During the renovation of the new space, an additional card access system costing approximately \$1,000 was installed, which was not budgeted. Finally, a balloting software was purchased for a cost of \$800.
Office Rent	5,921	5,967	(46)	-0.8%	
Office Costs	5,684	7,738	(2,054)	-26.5%	SERC did not purchase as much equipment as budgeted. However, all equipment purchased was recorded under IT, causing an under run of \$2,000 within Reliability Standards.
Professional Services	535	977	(442)	-45.2%	
Miscellaneous	27	-	27		
Depreciation	-	-	-		
<b>Total Operating</b>	<u>\$ 16,737</u>	<u>\$ 14,682</u>	<u>\$ 2,055</u>		
<b>Total Direct Expenses</b>	<u>\$ 314,474</u>	<u>\$ 290,594</u>	<u>\$ 23,880</u>		
<b>Other Non-Operating</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Change in Net Assets</b>	<u>\$ (21,601)</u>	<u>\$ 2,279</u>	<u>\$ (23,880)</u>		
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	2,279	(2,279)		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ (2,279)</u>	<u>\$ 2,279</u>	-100.0%	
<b>Total Change in Net Assets</b>	<u>\$ (21,601)</u>	<u>\$ -</u>	<u>\$ (21,601)</u>		
FTEs	1.60	1.40	0.20		

**SERC**  
**2009 Statement of Activities**  
**Compliance and Organization Registration and Certification**

(In Whole Dollars)

	2009 YTD Actual	2009 YTD Budget	2009 YTD Variance		Comments
<b>Funding</b>					
ERO Assessments	\$ 4,805,617	\$ 4,805,617	\$ -	0.0%	
Penalty Sanctions	-	-	-	0.0%	
<b>Total ERO Funding</b>	<b>\$ 4,805,617</b>	<b>\$ 4,805,617</b>	<b>\$ -</b>		
Workshops	-	-	-	0.0%	
Interest	-	-	-	0.0%	
Misc.	-	-	-	0.0%	
<b>Total Funding</b>	<b>\$ 4,805,617</b>	<b>\$ 4,805,617</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,962,388	\$ 2,773,005	\$ 189,383	6.8%	A budgeted part-time auditor position was replaced by a full-time auditor position. Additionally, incentive pay was higher than budgeted due to achieving a higher percentage of targeted goals.
Payroll Taxes	182,084	207,975	(25,891)	-12.4%	Actual payroll taxes paid averaged 6%, where SERC budgeted 7.5%, causing actual costs to be lower than budget.
Employee Benefits	321,365	301,762	19,603	6.5%	More employees than anticipated elected to participate in benefits which increased projected benefit costs.
Savings & Retirement	258,983	261,570	(2,587)	-1.0%	SERC's retirement plan requires one year of service before an employee becomes eligible for the year-end board discretionary contribution. Employees hired during 2009 were ineligible for this contribution, causing SERC to be under budget.
<b>Total Personnel</b>	<b>\$ 3,724,820</b>	<b>\$ 3,544,312</b>	<b>\$ 180,508</b>		
<b>Meeting Expenses</b>					
Meetings	\$ 78,158	\$ 153,250	\$ (75,092)	-49.0%	There has been a greater emphasis on the use of technology by hosting meetings using Webex, which have lowered the meeting costs.
Travel	228,547	348,070	(119,523)	-34.3%	SERC has emphasized the use of technology by hosting meetings using Webex. By doing this, travel costs have decreased. Additionally, SERC has emphasized the need to only send required staff to meetings and placed a high focus on efficient travel, thereby reducing costs. Additionally, the budgeted travel basis costs were higher than actual travel expenses incurred.
Conference Calls	24,483	15,000	9,483	63.2%	There has been a greater emphasis on the use of technology by hosting meetings using Webex, which have increased the conference call costs.
<b>Total Meeting Expenses</b>	<b>\$ 331,188</b>	<b>\$ 516,320</b>	<b>\$ (185,132)</b>		
<b>Operating Expenses</b>					
Consultants & contracts	\$ 107,108	\$ 263,300	\$ (156,192)	-59.3%	The costs for various projects under the Consortium User Group were budgeted based on splitting the costs between four regions. The actual costs have been split by six regions, causing total consortium costs to be under budget by approximately \$128,000. The costs for portal development were lower than planned in 2009 by approximately \$8,000 due to only minimal work was required on the portal within the Compliance program area. Due to the total amount of the Compliance Issues Tracking database, the amount was capitalized in the General and Administrative program, rather than expensed for an under run of \$26,000. SERC did not incur significant costs for contractor support in compliance, causing SERC to be under budget by approximately \$15,500. SERC incurred additional support costs related to the training of the new document management system that was purchased, as noted under Computer and Software CapEx in the General and Administrative program, for an unbudgeted cost of \$21,000.
Office Rent	93,038	91,639	1,399	1.5%	
Office Costs	116,948	140,046	(23,098)	-16.5%	SERC is over budget by the following: approximately \$6,000 for phone and internet expenses and \$800 in equipment rental due to changes in the FTE allocations and \$1,800 for professional engineering dues.
Professional Services	49,680	215,000	(165,320)	-76.9%	Additionally, SERC is under budget by the following: approximately \$2,000 in office supplies due the negotiation of costs with our supply vendor; \$15,100 in computer supplies and maintenance due to less equipment purchased; \$7,800 in postage and shipping costs due to less mailing needs; and \$6,500 in copying due to a larger volume copied in house rather than outsourcing.
Miscellaneous	-	-	-	0.0%	Budgeted for legal services related to contested penalty assessments, which did not occur during the year.
Depreciation	-	-	-	0.0%	
<b>Total Operating</b>	<b>\$ 366,774</b>	<b>\$ 709,985</b>	<b>\$ (343,211)</b>		
<b>Total Direct Expenses</b>	<b>\$ 4,422,782</b>	<b>\$ 4,770,617</b>	<b>\$ (347,835)</b>		
<b>Other Non-Operating</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	0.0%	
<b>Change in Net Assets</b>	<b>\$ 382,835</b>	<b>\$ 35,000</b>	<b>\$ 347,835</b>		
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -		SERC purchased a document management system and recorded the entire asset in the General and Administrative program causing an under run of \$35,000
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	35,000	(35,000)		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	\$ -	\$ (35,000)	\$ 35,000	-100.0%	
<b>Total Change in Net Assets</b>	<b>\$ 382,835</b>	<b>\$ -</b>	<b>\$ 382,835</b>		
FTEs	22.00	21.50	0.50		

**SERC**  
**2009 Statement of Activities**  
**Reliability Readiness Audit and Improvement**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>		<u>Comments</u>
<b>Funding</b>					
ERO Assessments	\$ 276,805	\$ 276,805	\$ -	0.0%	
Penalty Sanctions	-	-	-	0.0%	
<b>Total ERO Funding</b>	<u>\$ 276,805</u>	<u>\$ 276,805</u>	<u>\$ -</u>		
Workshops	-	-	-	0.0%	
Interest	-	-	-	0.0%	
Misc.	-	-	-	0.0%	
<b>Total Funding</b>	<u>\$ 276,805</u>	<u>\$ 276,805</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 146,123	\$ 178,063	\$ (31,940)	-17.9%	SERC hired a technical analyst position to address increased tracking of alerts, recommendations, and training records, and other reliability services data management needs. This position is allocated to all Reliability Service programs and was not budgeted, but deemed necessary. Due to the elimination of the Readiness program and reevaluation within Reliability Services, SERC determined the personnel need was greater within the Situational Awareness program.
Payroll Taxes	7,876	13,355	(5,479)	-41.0%	Actual payroll taxes paid averaged 6%, where SERC budgeted 7.5%, causing actual costs to be lower than budget.
Employee Benefits	10,348	16,561	(6,213)	-37.5%	Less employees than anticipated elected to participate in benefits which decreased projected benefit costs.
Savings & Retirement	16,372	17,159	(787)	-4.6%	
<b>Total Personnel</b>	<u>\$ 180,719</u>	<u>\$ 225,138</u>	<u>\$ (44,419)</u>		
<b>Meeting Expenses</b>					
Meetings	\$ 293	\$ 1,800	\$ (1,507)	-83.7%	
Travel	2,150	31,928	(29,778)	-93.3%	No readiness evaluations occurred during 2009, causing the significant under budget.
Conference Calls	2,114	977	1,137	116.4%	
<b>Total Meeting Expenses</b>	<u>\$ 4,557</u>	<u>\$ 34,705</u>	<u>\$ (30,148)</u>		
<b>Operating Expenses</b>					
Consultants & contracts	\$ 30,638	\$ -	\$ 30,638	100.0%	SERC is over budget by approximately \$28,800 for the restoration exercise support project. SERC used a consultant for training on the new document management system that was purchased, as noted in General & Administrative under Computer and Software CapEx, for an unbudgeted cost of \$1,800. Additionally, SERC budgeted to add a Readiness Engineer. With the elimination of the Readiness program and reevaluation within Reliability Services, SERC determined the personnel need was greater within the Situational Awareness program.
Office Rent	8,035	5,967	2,068	34.7%	Due to a reallocation of the personnel within Reliability Services, rent expense was higher than initially budgeted. See Situation Awareness for corresponding decrease.
Office Costs	7,095	7,739	(644)	-8.3%	
Professional Services	726	977	(251)	-25.7%	
Miscellaneous	18	-	18	0.0%	
Depreciation	-	-	-	0.0%	
<b>Total Operating</b>	<u>\$ 46,512</u>	<u>\$ 14,683</u>	<u>\$ 31,829</u>		
<b>Total Direct Expenses</b>	<u>\$ 231,788</u>	<u>\$ 274,526</u>	<u>\$ (42,738)</u>		
<b>Other Non-Operating</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	0.0%	
<b>Change in Net Assets</b>	<u>\$ 45,017</u>	<u>\$ 2,279</u>	<u>\$ 42,738</u>		
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software	-	-	-		
Furniture & Fixtures CapEx	-	2,279	(2,279)		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ (2,279)</u>	<u>\$ 2,279</u>	-100.0%	
<b>Total Change in Net Assets</b>	<u>\$ 45,017</u>	<u>\$ -</u>	<u>\$ 45,017</u>		
FTEs	1.10	1.40	(0.30)		

**SERC**  
**2009 Statement of Activities**  
**Reliability Assessment and Performance Analysis**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>		<u>Comments</u>
<b>Funding</b>					
ERO Assessments	\$ 976,109	\$ 976,109	\$ -	0.0%	
Penalty Sanctions	-	-	-	0.0%	
<b>Total ERO Funding</b>	<u>\$ 976,109</u>	<u>\$ 976,109</u>	<u>\$ -</u>		
Workshops	-	-	-	0.0%	
Interest	-	-	-	0.0%	
Misc.	-	-	-	0.0%	
<b>Total Funding</b>	<u>\$ 976,109</u>	<u>\$ 976,109</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 498,796	\$ 475,213	\$ 23,583	5.0%	Incentive pay was higher than budgeted due to achieving a higher percentage of targeted goals.
Payroll Taxes	31,509	35,641	(4,132)	-11.6%	Actual payroll taxes paid averaged 6%, where SERC budgeted 7.5%, causing actual costs to be lower than budget.
Employee Benefits	46,797	41,879	4,918	11.7%	More employees than anticipated elected to participate in benefits which increased projected benefit costs.
Savings & Retirement	49,407	43,144	6,263	14.5%	Actual retirement plan contributions by SERC averaged 11%, where SERC budgeted 10.5%, causing actual costs to be higher than budget.
<b>Total Personnel</b>	<u>\$ 626,509</u>	<u>\$ 595,877</u>	<u>\$ 30,632</u>		
<b>Meeting Expenses</b>					
Meetings	\$ 44,556	\$ 53,238	\$ (8,682)	-16.3%	There has been a greater emphasis on the use of technology by hosting meetings using Webex, which have lowered the meeting costs. See corresponding increase in conference calls below.
Travel	27,245	39,333	(12,088)	-30.7%	SERC has emphasized the use of technology by hosting meetings using Webex. By doing this, travel costs have decreased. Additionally, SERC has emphasized the need to only send required staff to meetings and placed a high focus on efficient travel, thereby reducing costs. Additionally, the budgeted travel basis costs were higher than actual travel expenses incurred.
Conference Calls	5,008	3,140	1,868	59.5%	
<b>Total Meeting Expenses</b>	<u>\$ 76,809</u>	<u>\$ 95,711</u>	<u>\$ (18,902)</u>		
<b>Operating Expenses</b>					
Consultants & contracts	\$ 128,030	\$ 230,000	\$ (101,970)	-44.3%	During 2009, SERC did not incur significant contract costs related to the Eastern Interconnection Reliability Assessment Group's (ERAG) Multiregional Modeling Working Group (MMWG) power flow base case series and margin analysis projects, causing SERC to be under budget by approximately \$106,800. Additionally, SERC used a consultant for training on the new document management system that was purchased, as noted in General & Administrative under Computer and Software CapEx, for an unbudgeted cost of \$4,300.
Office Rent	19,030	19,180	(150)	-0.8%	
Office Costs	25,194	24,875	319	1.3%	
Professional Services	1,719	3,140	(1,421)	-45.3%	
Miscellaneous	401	-	401	0.0%	
Depreciation	-	-	-	0.0%	
<b>Total Operating</b>	<u>\$ 174,374</u>	<u>\$ 277,195</u>	<u>\$ (102,821)</u>		
<b>Total Direct Expenses</b>	<u>\$ 877,692</u>	<u>\$ 968,783</u>	<u>\$ (91,091)</u>		
<b>Other Non-Operating</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	0.0%	
<b>Change in Net Assets</b>	<u>\$ 98,417</u>	<u>\$ 7,326</u>	<u>\$ 91,091</u>		
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	7,326	(7,326)		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	<u>\$ -</u>	<u>\$ (7,326)</u>	<u>\$ 7,326</u>	-100.0%	
<b>Total Change in Net Assets</b>	<u>\$ 98,417</u>	<u>\$ -</u>	<u>\$ 98,417</u>		
FTEs	4.50	4.50	-		

**SERC**  
**2009 Statement of Activities**  
**Training and Education**

(In Whole Dollars)

	2009 YTD Actual	2009 YTD Budget	2009 YTD Variance		Comments
<b>Funding</b>					
ERO Assessments	\$ 78,276	\$ 78,276	\$ -	0.0%	
Penalty Sanctions	-	-	-	0.0%	
<b>Total ERO Funding</b>	<b>\$ 78,276</b>	<b>\$ 78,276</b>	<b>\$ -</b>		
Workshops	249,440	403,000	(153,560)	-38.1%	Attendance was higher, however registration fees were lower than budgeted for the System Operator Training Conferences, causing an under run of approximately \$11,000. Attendance and registration fees were less than budgeted for the Joint Meetings, Compliance Seminars and the Train-the-trainer workshops, creating an under budget amount of approximately \$60,000, \$57,000 and \$10,000, respectively. Finally, the two audit workshops were not held, causing an under budget of \$15,000.
Interest	-	-	-	0.0%	
Misc.	-	-	-	0.0%	
<b>Total Funding</b>	<b>\$ 327,716</b>	<b>\$ 481,276</b>	<b>\$ (153,560)</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 204,165	\$ 193,855	\$ 10,310	5.3%	SERC hired a technical analyst position to address increased tracking of alerts, recommendations, and training records, and other reliability services data management needs. This position is allocated to all Reliability Service programs and was not budgeted, but deemed necessary.
Payroll Taxes	13,527	14,539	(1,012)	-7.0%	Actual payroll taxes paid averaged 6%, where SERC budgeted 7.5%, causing actual costs to be lower than budget.
Employee Benefits	18,201	17,765	436	2.5%	
Savings & Retirement	17,728	18,403	(675)	-3.7%	
<b>Total Personnel</b>	<b>\$ 253,621</b>	<b>\$ 244,562</b>	<b>\$ 9,059</b>		
<b>Meeting Expenses</b>					
Meetings	\$ 175,547	\$ 178,820	\$ (3,273)	-1.8%	
Travel	11,593	24,955	(13,362)	-53.5%	SERC has emphasized the use of technology by hosting meetings using Webex. By doing this, travel costs have decreased. Additionally, SERC has emphasized the need to only send required staff to meetings and placed a high focus on efficient travel, thereby reducing costs. Additionally, the budgeted travel basis costs were higher than actual travel expenses incurred.
Conference Calls	1,558	977	581	59.5%	
<b>Total Meeting Expenses</b>	<b>\$ 188,698</b>	<b>\$ 204,752</b>	<b>\$ (16,054)</b>		
<b>Operating Expenses</b>					
Consultants & contracts	\$ 19,324	\$ 15,000	\$ 4,324	28.8%	SERC incurred additional support costs related to the training of the new document management system that was purchased, as noted under Computer and Software CapEx in the General and Administrative program, for an unbudgeted cost of \$1,300. Additionally, SERC is over budget a total of \$2,000 for a system restoration training drill. Finally, during the renovation of the new space, an additional card access system costing approximately \$1,000 was installed, which was not budgeted.
Office Rent	5,921	5,967	(46)	-0.8%	
Office Costs	6,697	7,739	(1,042)	-13.5%	
Professional Services	535	977	(442)	-45.2%	
Miscellaneous	24	-	24	100.0%	
Depreciation	-	-	-	0.0%	
<b>Total Operating</b>	<b>\$ 32,501</b>	<b>\$ 29,683</b>	<b>\$ 2,818</b>		
<b>Total Direct Expenses</b>	<b>\$ 474,820</b>	<b>\$ 478,997</b>	<b>\$ (4,177)</b>		
<b>Other Non-Operating</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	0.0%	
<b>Change in Net Assets</b>	<b>\$ (147,104)</b>	<b>\$ 2,279</b>	<b>\$ (149,383)</b>		
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software	-	-	-		
Furniture & Fixtures CapEx	-	2,279	(2,279)		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	\$ -	\$ (2,279)	\$ 2,279	-100.0%	
<b>Total Change in Net Assets</b>	<b>\$ (147,104)</b>	<b>\$ -</b>	<b>\$ (147,104)</b>		
FTEs	1.60	1.40	0.20		

**SERC**  
**2009 Statement of Activities**  
**Situational Awareness and Infrastructure Security**

(In Whole Dollars)

	2009 YTD Actual	2009 YTD Budget	2009 YTD Variance		Comments
<b>Funding</b>					
ERO Assessments	\$ 476,841	\$ 476,841	\$ -	0.0%	
Penalty Sanctions	-	-	-	0.0%	
<b>Total ERO Funding</b>	<b>\$ 476,841</b>	<b>\$ 476,841</b>	<b>\$ -</b>		
Workshops	-	-	-	0.0%	
Interest	-	-	-	0.0%	
Misc.	-	-	-	0.0%	
<b>Total Funding</b>	<b>\$ 476,841</b>	<b>\$ 476,841</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 319,973	\$ 310,591	\$ 9,382	3.0%	SERC hired a technical analyst position to address increased tracking of alerts, recommendations, and training records, and other reliability services data management needs. This position is allocated to all Reliability Service programs and was not budgeted, but deemed necessary. Due to the elimination of the Readiness program and reevaluation within Reliability Services, SERC determined the personnel need was greater within the Situational Awareness program and added an events analysis and investigation position.
Payroll Taxes	18,078	23,294	(5,216)	-22.4%	Actual payroll taxes paid averaged 6%, where SERC budgeted 7.5%, causing actual costs to be lower than budget.
Employee Benefits	35,132	41,812	(6,680)	-16.0%	Fewer employees than anticipated elected to participate in benefits which lowered projected benefit costs.
Savings & Retirement	24,603	28,747	(4,144)	-14.4%	SERC's retirement plan requires one year of service before an employee becomes eligible for the year-end board discretionary contribution. Employees hired during 2009 were ineligible for this contribution, causing SERC to be under budget.
<b>Total Personnel</b>	<b>\$ 397,786</b>	<b>\$ 404,444</b>	<b>\$ (6,658)</b>		
<b>Meeting Expenses</b>					
Meetings	\$ 2,090	\$ 20,625	\$ (18,535)	-89.9%	Budgeted for 10 meetings, actually held 2 meeting at a much lower cost. Additionally, there has been a greater emphasis on the use of technology by hosting meetings using Webex, which have lowered the meeting costs.
Travel	24,643	21,020	3,623	17.2%	There were several unplanned but necessary meetings and seminars that required SERC's attendance, causing an over run in travel costs.
Conference Calls	2,114	1,674	440	26.3%	
<b>Total Meeting Expenses</b>	<b>\$ 28,847</b>	<b>\$ 43,319</b>	<b>\$ (14,472)</b>		
<b>Operating Expenses</b>					
Consultants & contracts	\$ 9,882	\$ -	\$ 9,882	100.0%	SERC is over budget by \$6,000 for the programming of the morning report. SERC incurred additional support costs related to the training of the new document management system that was purchased, as noted under Computer and Software CapEx in the General and Administrative program, for an unbudgeted cost of \$1,800. Finally, for the build out of the new situation room, SERC incurred architectural costs totaling \$1,000 and an additional card access system costing approximately \$1,000 was installed, which was not budgeted.
Office Rent	8,035	10,229	(2,194)	-21.4%	Due to a reallocation of the personnel within Reliability Services, rent expense was higher than initially budgeted. See Readiness for corresponding increase.
Office Costs	21,038	13,268	7,770	58.6%	Equipment was purchased for the situation room and new employees causing an over run of \$8,500. Due to lower than budgeted costs for remote employee's telephone and internet costs, SERC is under budget by approximately \$600.
Professional Services	726	1,674	(948)	-56.6%	
Miscellaneous	18	-	18	100.0%	
Depreciation	-	-	-	0.0%	
<b>Total Operating</b>	<b>\$ 39,699</b>	<b>\$ 25,171</b>	<b>\$ 14,528</b>		
<b>Total Direct Expenses</b>	<b>\$ 466,332</b>	<b>\$ 472,934</b>	<b>\$ (6,602)</b>		
<b>Other Non-Operating</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	0.0%	
<b>Change in Net Assets</b>	<b>\$ 10,509</b>	<b>\$ 3,907</b>	<b>\$ 6,602</b>		
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	3,907	(3,907)		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	\$ -	\$ (3,907)	\$ 3,907	-100.0%	
<b>Total Change in Net Assets</b>	<b>\$ 10,509</b>	<b>\$ -</b>	<b>\$ 10,509</b>		
FTEs	3.10	2.40	0.70		



**SERC**  
**2009 Statement of Activities**  
**Committees and Member Forums**

(In Whole Dollars)

	2009 YTD Actual	2009 YTD Budget	2009 YTD Variance		Comments
<b>Funding</b>					
ERO Assessments	\$ 773,251	\$ 773,251	\$ -	0.0%	
Penalty Sanctions	-	-	-	0.0%	
<b>Total ERO Funding</b>	<b>\$ 773,251</b>	<b>\$ 773,251</b>	<b>\$ -</b>		
Workshops	-	-	-	0.0%	
Interest	-	-	-	0.0%	
Misc.	-	-	-	0.0%	
<b>Total Funding</b>	<b>\$ 773,251</b>	<b>\$ 773,251</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 372,587	\$ 366,536	\$ 6,051	1.7%	SERC hired a technical analyst position to address increased tracking of alerts, recommendations, and training records, and other reliability services data management needs. This position is allocated to all Reliability Service programs and was not budgeted, but deemed necessary.
Payroll Taxes	26,147	27,490	(1,343)	-4.9%	Actual payroll taxes paid averaged 6%, where SERC budgeted 7.5%, causing actual costs to be lower than budget.
Employee Benefits	25,694	33,684	(7,990)	-23.7%	Less employees than anticipated elected to participate in benefits which decreased projected benefit costs.
Savings & Retirement	32,136	34,928	(2,792)	-8.0%	SERC's retirement plan requires one year of service before an employee becomes eligible for the year-end board discretionary contribution. Employees hired during 2009 were ineligible for this contribution, causing SERC to be under budget.
<b>Total Personnel</b>	<b>\$ 456,564</b>	<b>\$ 462,638</b>	<b>\$ (6,074)</b>		
<b>Meeting Expenses</b>					
Meetings	\$ 92,138	\$ 202,475	\$ (110,337)	-54.5%	There has been a greater emphasis on the use of technology by hosting meetings using Webex, which have lowered the meeting costs.
Travel	47,010	77,387	(30,377)	-39.3%	SERC has emphasized the use of technology by hosting meetings using Webex. By doing this, travel costs have decreased. Additionally, SERC has emphasized the need to only send required staff to meetings and placed a high focus on efficient travel, thereby reducing costs. Additionally, the budgeted travel basis costs were higher than actual travel expenses incurred.
Conference Calls	2,671	1,674	997	59.6%	
<b>Total Meeting Expenses</b>	<b>\$ 141,819</b>	<b>\$ 281,536</b>	<b>\$ (139,717)</b>		
<b>Operating Expenses</b>					
Consultants & contracts	\$ 3,297	\$ -	\$ 3,297	100.0%	SERC incurred additional support costs related to the training of the new document management system that was purchased, as noted under Computer and Software CapEx in the General and Administrative program, for an unbudgeted cost of \$2,300. Additionally, during the renovation of the new space, an additional card access system costing approximately \$1,000 was installed, which was not budgeted.
Office Rent	10,150	10,229	(79)	-0.8%	
Office Costs	10,372	13,267	(2,895)	-21.8%	SERC did not purchase as much equipment as budgeted. However, all equipment purchased was recorded under IT, causing an under run of \$3,700 within Committees and Member Forum. Due to higher than budgeted costs for remote employee's telephone and internet costs, SERC is over budget by approximately \$800.
Professional Services	917	1,674	(757)	-45.2%	
Miscellaneous	129	-	129	100.0%	
Depreciation	-	-	-	0.0%	
<b>Total Operating</b>	<b>\$ 24,865</b>	<b>\$ 25,170</b>	<b>\$ (305)</b>		
<b>Total Direct Expenses</b>	<b>\$ 623,248</b>	<b>\$ 769,344</b>	<b>\$ (146,096)</b>		
<b>Other Non-Operating</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	0.0%	
<b>Change in Net Assets</b>	<b>\$ 150,003</b>	<b>\$ 3,907</b>	<b>\$ 146,096</b>		
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	3,907	(3,907)		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	\$ -	\$ (3,907)	\$ 3,907	-100.0%	
<b>Total Change in Net Assets</b>	<b>\$ 150,003</b>	<b>\$ -</b>	<b>\$ 150,003</b>		
FTEs	2.60	2.40	0.20		

**SERC**  
**2009 Statement of Activities**  
**General and Administrative**

(In Whole Dollars)

	2009 YTD Actual	2009 YTD Budget	2009 YTD Variance		Comments
<b>Funding</b>					
ERO Assessments	\$ 1,427,658	\$ 1,427,658	\$ -	0.0%	
Penalty Sanctions	-	-	-	0.0%	
<b>Total ERO Funding</b>	<b>\$ 1,427,658</b>	<b>\$ 1,427,658</b>	<b>\$ -</b>		
Workshops	-	-	-	0.0%	
Interest	-	-	-	0.0%	
Misc.	160	-	160	100.0%	
<b>Total Funding</b>	<b>\$ 1,427,818</b>	<b>\$ 1,427,658</b>	<b>\$ 160</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 890,599	\$ 890,649	\$ (50)	0.0%	
Payroll Taxes	59,262	66,799	(7,537)	-11.3%	Actual payroll taxes paid averaged 6%, where SERC budgeted 7.5%, causing actual costs to be lower than budget.
Employee Benefits	84,782	79,132	5,650	7.1%	More employees than anticipated elected to participate in benefits which increased projected benefit costs.
Savings & Retirement	91,334	81,619	9,715	11.9%	Actual retirement plan contributions by SERC averaged 11%, where SERC budgeted 10.5%, causing actual costs to be higher than budget.
<b>Total Personnel</b>	<b>\$ 1,125,977</b>	<b>\$ 1,118,199</b>	<b>\$ 7,778</b>		
<b>Meeting Expenses</b>					
Meetings	\$ 45,561	\$ 15,500	\$ 30,061	193.9%	Included are Board of Directors and Executive Committee Meetings, along with unexpected FERC and NERC meetings.
Travel	32,366	43,870	(11,504)	-26.2%	SERC has emphasized the use of technology by hosting meetings using Webex. By doing this, travel costs have decreased. Additionally, SERC has emphasized the need to only send required staff to meetings and placed a high focus on efficient travel, thereby reducing costs. Additionally, the budgeted travel basis costs were higher than actual travel expenses incurred.
Conference Calls	3,339	2,093	1,246	59.5%	
<b>Total Meeting Expenses</b>	<b>\$ 81,266</b>	<b>\$ 61,463</b>	<b>\$ 19,803</b>		
<b>Operating Expenses</b>					
Consultants & contracts	\$ 4,908	\$ -	\$ 4,908	100.0%	SERC incurred additional support costs related to the training of the new document management system that was purchased, as noted below under Computer and Software CapEx, for an unbudgeted cost of \$2,900. Additionally, SERC used a consultant to reorganize and reformat SERC procedures starting in 2009 for a cost of \$2,000. This was not budgeted, but deemed necessary
Office Rent	12,687	12,787	(100)	-0.8%	
Office Costs	14,664	17,779	(3,115)	-17.5%	SERC did not purchase as much equipment as budgeted. However, all equipment purchased was recorded under IT, causing an under run of \$5,400 within General and Administrative. Upon request by the Board, SERC switched its cash account type from a general checking account with no fees to a sweep account, which incurred unbudgeted fees of \$2,700, in order to ensure the funds are fully secured.
Professional Services	1,146	2,093	(947)	-45.2%	
Miscellaneous	1,804	-	1,804	100.0%	
Depreciation	23,703	-	23,703	100.0%	Depreciation was recorded on all assets purchased for an overrun of \$23,700
<b>Total Operating</b>	<b>\$ 58,912</b>	<b>\$ 32,659</b>	<b>\$ 26,253</b>		
<b>Total Direct Expenses</b>	<b>\$ 1,266,155</b>	<b>\$ 1,212,321</b>	<b>\$ 53,834</b>		
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ 210,453</b>	<b>\$ (210,453)</b>	-100.0%	Board approved increase in cash reserve to maintain a working capital reserve equal to 10% of operating costs.
<b>Change in Net Assets</b>	<b>\$ 161,663</b>	<b>\$ 4,884</b>	<b>\$ 156,779</b>		
<b>Fixed Assets</b>					
Depreciation	\$ (23,703)	\$ -	\$ (23,703)		
Computer & Software CapEx	195,110	-	195,110		SERC purchased a document management system and recorded the entire asset in the General and Administrative program causing an overrun of \$72,000. Additionally, installation on the document management system was required causing an overrun of approximately \$37,300. SERC purchased an indexing server, a SQL server and a virtual server in order to operate the document management system, as well as a sync engine server to establish a link between SERC and NERC for registration causing an overrun of approximately \$34,100. In order to be in accordance with SERC's document retention policy regarding email files, SERC purchased equipment totaling approximately \$6,300. During 2009, SERC expanded the office space which resulted in an unbudgeted build-out expense of \$32,500. Additionally, approximately \$21,700 was capitalized for portal development projects and approximately \$25,600 for the Compliance Issues Tracking database. See above for depreciation explanation.
Furniture & Fixtures CapEx	-	4,884	(4,884)		
Equipment CapEx	-	-	-		
Leasehold Improvements	32,523	-	32,523		
Change in Fixed Assets	\$ (251,336)	\$ (4,884)	\$ (246,452)	5046.1%	
<b>Total Change in Net Assets</b>	<b>\$ (89,673)</b>	<b>\$ -</b>	<b>\$ (89,673)</b>		
FTEs	8.00	8.00	-		

**SERC**  
**2009 Statement of Activities**  
**Legal and Regulatory**

(In Whole Dollars)

	2009 YTD Actual	2009 YTD Budget	2009 YTD Variance	%	Comments
<b>Funding</b>					
ERO Assessments	\$ 82,400	\$ 82,400	\$ -	0.0%	
Penalty Sanctions	-	-	-	0.0%	
<b>Total ERO Funding</b>	<b>\$ 82,400</b>	<b>\$ 82,400</b>	<b>\$ -</b>		
Workshops	-	-	-	0.0%	
Interest	-	-	-	0.0%	
Misc.	-	-	-	0.0%	
<b>Total Funding</b>	<b>\$ 82,400</b>	<b>\$ 82,400</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	0.0%	
Payroll Taxes	-	-	-	0.0%	
Employee Benefits	-	-	-	0.0%	
Savings & Retirement	-	-	-	0.0%	
<b>Total Personnel</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	0.0%	
Travel	-	-	-	0.0%	
Conference Calls	-	-	-	0.0%	
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Operating Expenses</b>					
Consultants & contracts	\$ -	\$ -	\$ -	0.0%	
Office Rent	-	-	-	0.0%	
Office Costs	-	2,400	(2,400)	-100.0%	
Professional Services	2,531	80,000	(77,469)	-96.8%	Budgeted for legal services related to the Standards development procedure or any regional standards that required legal review as they were submitted for FERC approval, which did not occur during 2009.
Miscellaneous	-	-	-	0.0%	
Depreciation	-	-	-	0.0%	
<b>Total Operating</b>	<b>\$ 2,531</b>	<b>\$ 82,400</b>	<b>\$ (79,869)</b>		
<b>Total Direct Expenses</b>	<b>\$ 2,531</b>	<b>\$ 82,400</b>	<b>\$ (79,869)</b>		
<b>Other Non-Operating</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	0.0%	
<b>Change in Net Assets</b>	<b>\$ 79,869</b>	<b>\$ -</b>	<b>\$ 79,869</b>		
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	\$ -	\$ -	\$ -	0.0%	
<b>Total Change in Net Assets</b>	<b>\$ 79,869</b>	<b>\$ -</b>	<b>\$ 79,869</b>		
FTEs	-	-	-		

**SERC**  
**2009 Statement of Activities**  
**Information Technology**

(In Whole Dollars)

	2009 YTD Actual	2009 YTD Budget	2009 YTD Variance		Comments
<b>Funding</b>					
ERO Assessments	\$ 447,027	\$ 447,027	\$ -	0.0%	
Penalty Sanctions	-	-	-	0.0%	
<b>Total ERO Funding</b>	<b>\$ 447,027</b>	<b>\$ 447,027</b>	<b>\$ -</b>		
Workshops	-	-	-	0.0%	
Interest	-	-	-	0.0%	
Misc.	600	-	600	100.0%	
<b>Total Funding</b>	<b>\$ 447,627</b>	<b>\$ 447,027</b>	<b>\$ 600</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	0.0%	
Payroll Taxes	-	-	-	0.0%	
Employee Benefits	-	-	-	0.0%	
Savings & Retirement	-	-	-	0.0%	
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Meeting Expenses</b>					
Meetings	\$ 95	\$ -	\$ 95	100.0%	
Travel	5,372	5,000	372	7.4%	
Conference Calls	2,226	1,395	831	59.6%	
<b>Total Meeting Expenses</b>	<b>\$ 7,693</b>	<b>\$ 6,395</b>	<b>\$ 1,298</b>		
<b>Operating Expenses</b>					
Consultants & contracts	\$ 438,318	\$ 416,400	\$ 21,918	5.3%	Participation in the OATI schedule checkout tool was lower than planned in 2009 by \$29,500. SERC budgeted for 24 balancing authorities for the entire year, however averaged 19. The costs for portal development were lower than planned in 2009 by approximately \$32,800 due to only minimal work was required on the portal within the IT program area. The savings on these projects were reapplied to other contracts. Additional IT consulting time incurred for services relating to the consortium and the NERC audit caused an overrun by approximately \$9,000. The SERC hotline for industry support is over budget by approximately \$4,600.  The actual costs are higher than budgeted by \$61,300 for the hosting and maintenance costs for SERC's servers. SERC used a consultant to redesign the website for a cost of \$5,000. SERC incurred additional support costs related to the training of the new document management system that was purchased, as noted under Computer and Software CapEx in the General and Administrative program, for an unbudgeted cost of \$1,900. The desktop support software to assist remote users in fixing computer issues for a cost of \$2,100.
Office Rent	8,458	8,525	(67)	-0.8%	
Office Costs	16,311	11,056	5,255	47.5%	Due to an increase in cell phone usage and cell phones, data cards and accessories purchased, telephone and internet costs increased by approximately \$1,600. As noted in the other program areas, all equipment purchased was recorded under IT, causing an over run of \$2,900.
Professional Services	764	1,395	(631)	-45.2%	
Miscellaneous	-	-	-	0.0%	
Depreciation	-	-	-	0.0%	
<b>Total Operating Expenses</b>	<b>\$ 463,851</b>	<b>\$ 437,376</b>	<b>\$ 26,475</b>		
<b>Total Direct Expenses</b>	<b>\$ 471,544</b>	<b>\$ 443,771</b>	<b>\$ 27,773</b>		
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	0.0%	
<b>Change in Net Assets</b>	<b>\$ (23,917)</b>	<b>\$ 3,256</b>	<b>\$ (27,173)</b>		
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	3,256	(3,256)		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ (3,256)</b>	<b>\$ 3,256</b>	-100.0%	
<b>Total Change in Net Assets</b>	<b>\$ (23,917)</b>	<b>\$ -</b>	<b>\$ (23,917)</b>		
FTEs	-	-	-		

**Human Resources**  
**2009 Statement of Activities**  
**Human Resources**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>		<u>Comments</u>
<b>Funding</b>					
ERO Assessments	\$ 3,843	\$ 3,843	\$ -	0.0%	
Penalty Sanctions	-	-	-	0.0%	
<b>Total ERO Funding</b>	<u>\$ 3,843</u>	<u>\$ 3,843</u>	<u>\$ -</u>		
Workshops	-	-	-	0.0%	
Interest	-	-	-	0.0%	
Misc.	-	-	-	0.0%	
<b>Total Funding</b>	<u>\$ 3,843</u>	<u>\$ 3,843</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	0.0%	
Payroll Taxes	-	-	-	0.0%	
Employee Benefits	-	-	-	0.0%	
Savings & Retirement	-	-	-	0.0%	
<b>Total Personnel</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Meeting Expenses</b>					
Meetings	\$ 165	\$ -	\$ 165	100.0%	
Travel	6	-	6	100.0%	
Conference Calls	334	209	125	59.8%	
<b>Total Meeting Expenses</b>	<u>\$ 505</u>	<u>\$ 209</u>	<u>\$ 296</u>		
<b>Operating Expenses</b>					
Consultants & contracts	\$ 4,291	\$ -	\$ 4,291	100.0%	SERC used a consultant to perform a climate survey for a cost of \$4,000. This was not budgeted for, but recommended by the Board. SERC incurred additional support costs related to the training of the new document management system that was purchased, as noted under Computer and Software CapEx in the General and Administrative program, for an unbudgeted cost of \$291.
Office Rent	1,269	1,279	(10)	-0.8%	
Office Costs	1,214	1,658	(444)	-26.8%	
Professional Services	114	209	(95)	-45.5%	
Miscellaneous	-	-	-	0.0%	
Depreciation	-	-	-	0.0%	
<b>Total Operating</b>	<u>\$ 6,888</u>	<u>\$ 3,146</u>	<u>\$ 3,742</u>		
<b>Total Direct Expenses</b>	<u>\$ 7,393</u>	<u>\$ 3,355</u>	<u>\$ 4,038</u>		
<b>Other Non-Operating</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	0.0%	
<b>Change in Net Assets</b>	<u>\$ (3,550)</u>	<u>\$ 488</u>	<u>\$ (4,038)</u>		
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	488	(488)		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	<u>\$ -</u>	<u>\$ (488)</u>	<u>\$ 488</u>	-100.0%	
<b>Total Change in Net Assets</b>	<u>\$ (3,550)</u>	<u>\$ -</u>	<u>\$ (3,550)</u>		
FTEs	-	-	-		

**SERC**  
**2009 Statement of Activities**  
**Accounting and Finance**

(In Whole Dollars)

	<u>2009 YTD Actual</u>	<u>2009 YTD Budget</u>	<u>2009 YTD Variance</u>		<u>Comments</u>
<b>Funding</b>					
ERO Assessments	\$ 11,846	\$ 11,846	\$ -	0.0%	
Penalty Sanctions	-	-	-	0.0%	
<b>Total ERO Funding</b>	<u>\$ 11,846</u>	<u>\$ 11,846</u>	<u>\$ -</u>		
Workshops	-	-	-	0.0%	
Interest	7,279	40,000	(32,721)	-81.8%	Earned a lower interest rate than anticipated.
Misc.	-	-	-	0.0%	
<b>Total Funding</b>	<u>\$ 19,125</u>	<u>\$ 51,846</u>	<u>\$ (32,721)</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	0.0%	
Payroll Taxes	-	-	-	0.0%	
Employee Benefits	-	-	-	0.0%	
Savings & Retirement	-	-	-	0.0%	
<b>Total Personnel</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Meeting Expenses</b>					
Meetings	\$ 1,232	\$ 275	\$ 957	348.0%	
Travel	9,004	1,475	7,529	510.4%	Several workshops and meetings required the assistance of the Meeting Planner, which increased travel costs.
Conference Calls	3,004	1,884	1,120	59.4%	
<b>Total Meeting Expenses</b>	<u>\$ 13,240</u>	<u>\$ 3,634</u>	<u>\$ 9,606</u>		
<b>Operating Expenses</b>					
Consultants & contracts	\$ 2,617	\$ -	\$ 2,617	100.0%	SERC incurred additional support costs related to the training of the new document management system that was purchased, as noted below under Computer and Software CapEx, for an unbudgeted cost of \$2,600.
Office Rent	11,417	11,508	(91)	-0.8%	
Office Costs	21,715	18,425	3,290	17.9%	SERC did not purchase as much equipment as budgeted. However, all equipment purchased was recorded under IT, causing an under run of \$2,300 within Finance and Accounting. With this savings, SERC purchased a financial reporting system that links to the accounting software for an unbudgeted cost of \$3,400. This will enable program managers to view financial statements and detail at any time. Due to an increase in the amount of credit card payments for workshops and meetings, the merchant fees increased approximately \$1,600.
Professional Services	37,482	13,884	23,598	170.0%	Upon request by the board, SERC's outside auditors performed an unbudgeted agreed upon procedure to review the yearend metrics for \$7,300. Additionally, SERC switched payroll and expense reporting services effective January 2009, increasing the monthly fee, causing an overrun of approximately \$15,800.
Miscellaneous	-	-	-	0.0%	
Depreciation	-	-	-	0.0%	
<b>Total Operating</b>	<u>\$ 73,231</u>	<u>\$ 43,817</u>	<u>\$ 29,414</u>		
<b>Total Direct Expenses</b>	<u>\$ 86,471</u>	<u>\$ 47,451</u>	<u>\$ 39,020</u>		
<b>Other Non-Operating</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	0.0%	
<b>Change in Net Assets</b>	<u>\$ (67,346)</u>	<u>\$ 4,395</u>	<u>\$ (71,741)</u>		
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	4,395	(4,395)		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ (4,395)</u>	<u>\$ 4,395</u>	-100.0%	
<b>Total Change in Net Assets</b>	<u>\$ (67,346)</u>	<u>\$ -</u>	<u>\$ (67,346)</u>		
FTEs	-	-	-		

# **SERC RELIABILITY CORPORATION**

Financial Statements  
and  
Accompanying Information

December 31, 2009 and 2008

# SERC RELIABILITY CORPORATION

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## Report of Independent Auditors

The Board of Directors  
SERC Reliability Corporation  
Charlotte, North Carolina

We have audited the accompanying statements of financial position of SERC Reliability Corporation (the "Corporation") as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SERC Reliability Corporation as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules on pages 11 through 15 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied to the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Cherry Bekaert & Holland, L.L.P.*

Charlotte, North Carolina  
March 15, 2010

# SERC RELIABILITY CORPORATION

## Statements of Financial Position

	December 31,	
	2009	2008
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,792,743	\$ 1,322,400
Accounts receivable	166,656	879
Prepaid expenses	114,758	53,466
<b>Total current assets</b>	3,074,157	1,376,745
<b>Property and equipment, net</b>	220,998	17,068
<b>Total assets</b>	\$ 3,295,155	\$ 1,393,813
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 127,869	\$ 98,609
Accrued salaries and related benefits	1,074,071	880,949
Deferred revenue	1,020,555	6,390
<b>Total current liabilities</b>	2,222,495	985,948
<b>Net assets - unrestricted</b>	1,072,660	407,865
<b>Total liabilities and net assets</b>	\$ 3,295,155	\$ 1,393,813

See notes to financial statements.

# SERC RELIABILITY CORPORATION

## Statements of Activities

	Year Ended December 31,	
	2009	2008
<b>Funding</b>		
Member assessments	\$ 9,652,546	\$ 7,775,521
Workshops	249,440	235,790
Interest	7,279	20,332
Miscellaneous	760	2,130
<b>Total funding</b>	9,910,025	8,033,773
<b>Expenses</b>		
Personnel expenses:		
Salaries	5,608,724	4,561,763
Payroll taxes	352,246	277,351
Employee benefits	568,397	436,821
Savings and retirement	509,038	464,093
Total personnel expenses	7,038,405	5,740,028
Meeting expenses:		
Meetings	451,503	440,793
Travel	400,038	411,653
Conference calls	48,409	52,262
Total meeting expenses	899,950	904,708
Operating expenses:		
Rent and improvements	183,961	162,262
Contracts and consultants	752,983	602,832
Office costs	246,932	262,533
Professional services	96,875	183,396
Computers, furniture and equipment	23,703	3,505
Miscellaneous	2,421	3,072
Total operating expenses	1,306,875	1,217,600
<b>Total expenses</b>	9,245,230	7,862,336
<b>Change in net assets</b>	664,795	171,437
<b>Net assets</b>		
Beginning of year	407,865	236,428
End of year	\$ 1,072,660	\$ 407,865

See notes to financial statements.

## SERC RELIABILITY CORPORATION

### Statements of Cash Flows

	Year Ended December 31,	
	2009	2008
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 664,795	\$ 171,437
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,703	3,505
Changes in operating assets and liabilities:		
Accounts receivable	(165,777)	(879)
Prepaid expenses	(61,292)	(32,271)
Accounts payable	29,260	(209,619)
Accrued salaries and related benefits	193,122	410,943
Deferred revenue	1,014,165	(5,360)
<b>Net cash provided by operating activities</b>	<b>1,697,976</b>	<b>337,756</b>
<b>Cash flows from investing activities</b>		
Additions to property and equipment	(227,633)	(20,573)
<b>Net increase in cash and cash equivalents</b>	1,470,343	317,183
<b>Cash and cash equivalents</b>		
Beginning of year	1,322,400	1,005,217
End of year	<b>\$ 2,792,743</b>	<b>\$ 1,322,400</b>

See notes to financial statements.

# SERC RELIABILITY CORPORATION

Notes to Financial Statements  
Years Ended December 31, 2009 and 2008

## Note 1 – Summary of significant accounting policies

*Nature of organization* – SERC Reliability Corporation (the “Corporation”) is a non-profit corporation, incorporated under the laws of the State of Alabama on April 29, 2005. During 2006, Southeastern Electric Reliability Council, Inc. (the “Council”) changed its name to SERC Reliability Corporation. The Council was established with the signing of the SERC Agreement on January 14, 1970 by 22 electric systems. Prior to incorporation in 2005, the Council existed as an unincorporated entity. The Council incorporated as a non-profit corporation in order to provide liability protection for its members and to prepare the organization to qualify as a Regional Reliability Organization under the Energy Policy Act of 2005.

The Corporation's mission is to promote the reliability of the electricity supply for the southeastern United States. The activities of the Corporation are directed by its Board of Directors. The Corporation's members are electricity suppliers, brokers and consumers from various ownership segments of the electricity supply industry, investor-owned rural electric cooperatives, municipal utilities, independent power producers, power marketers and customers. These entities account for virtually all the electricity supplied in the southeastern United States.

*Basis of accounting* – The financial statements of the Corporation have been prepared on the accrual basis of accounting.

*Basis of presentation* – In accordance with accounting principles generally accepted in the United States of America (“GAAP”), the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Corporation had only unrestricted net assets during 2009 and 2008.

*Cash and cash equivalents* – The Corporation considers all cash investments with an original maturity of three months or less to be cash equivalents.

*Accounts receivable* – Accounts receivable are stated at cost and arise primarily from amounts billed to members. Management's determination of the need for an allowance for doubtful accounts is based on evaluation of the accounts receivable, past experience, current economic conditions and other risks inherent in the accounts receivable portfolio. Any amounts considered to be uncollectible are written off at the time of such determination. At December 31, 2009 and 2008, management has determined that an allowance for doubtful accounts is not necessary.

*Property and equipment* – Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated economic useful lives of the assets ranging from 5-7 years for leasehold improvements and 3 years for computer equipment and software. The costs of major improvements are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. The cost and accumulated depreciation of property and equipment are eliminated from the accounts upon disposal, and any resulting gain or loss is included in the change in net assets of the Corporation. Long-lived assets held and used by the Corporation are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable.

*Deferred revenue* – Deferred revenue represents amounts billed or collected from members in advance of the periods in which such amounts are earned.

*Revenue recognition* – All income is recognized in the period when earned. The Corporation receives a significant portion of its funding directly from the North American Electric Reliability Corporation (“NERC”) based on the budget submitted by the Corporation and approved by NERC and the Federal Energy Regulatory Commission (“FERC”). The revenue is received in four equal quarterly installments received at the beginning of each quarter.

# SERC RELIABILITY CORPORATION

Notes to Financial Statements  
Years Ended December 31, 2009 and 2008

## Note 1 – Summary of significant accounting policies (continued)

*Income taxes* – The Corporation is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code and the applicable state statutes and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

During the year ended December 31, 2009, the Corporation adopted the Financial Accounting Standards Board guidance on Accounting for Uncertainty in Income Taxes. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Corporation's policy is to record a liability for any tax position taken that is beneficial to the Corporation, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2009 and, accordingly, no liability has been accrued.

*Reclassifications* – Certain amounts included in the 2008 financial statements have been reclassified to conform with the 2009 financial statement presentation.

*Use of estimates* – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Recent accounting pronouncements* – On July 1, 2009, the Financial Accounting Standards Board (the "FASB") issued the FASB Accounting Standards Codification (the "Codification"). The Codification became the single source of authoritative non-governmental GAAP. The Codification eliminates the previous GAAP hierarchy and establishes one level of authoritative GAAP. All other literature is considered non-authoritative. The Codification was effective for annual periods ending after September 15, 2009. The Corporation adopted the Codification for the year ended December 31, 2009. There was no impact to the financial statements as this change is disclosure-only in nature.

## Note 2 – Property and equipment

Property and equipment consists of the following at December 31:

	<u>2009</u>	<u>2008</u>
Leasehold improvements	\$ 53,099	\$ 20,573
Computer equipment	26,342	-
Software	<u>168,768</u>	<u>-</u>
	248,209	20,573
Less: Accumulated depreciation	<u>(27,211)</u>	<u>(3,505)</u>
Total property and equipment, net	<u>\$ 220,998</u>	<u>\$ 17,068</u>

# SERC RELIABILITY CORPORATION

Notes to Financial Statements  
Years Ended December 31, 2009 and 2008

## Note 3 – Commitments

The Corporation leases its current office facility under a non-cancelable operating lease which expires in 2015 and which provides for current monthly payments of \$15,322. Effective January 2010, the Corporation amended this lease for additional office space. The additional monthly payments will range from \$7,993 to \$8,825, with such payments beginning in May 2010 and ending January 2015. The Corporation also leases office equipment under noncancelable operating leases that expire in 2012. Rental expense under all operating leases totaled \$183,961 and \$162,260 for the year ended December 31, 2009 and 2008, respectively.

Future minimum payments for all operating leases, including the amended lease discussed above, are as follows:

<u>Year ending December 31,</u>	
2010	\$ 256,171
2011	295,654
2012	302,049
2013	306,150
2014	314,347
Thereafter	<u>26,898</u>
Total	<u>\$ 1,501,269</u>

## Note 4 – Line of credit

The Corporation has a \$250,000 bank line of credit at an interest rate of prime plus 1.2% (4.45% at December 31, 2009) which shall be payable in full on demand. The line is secured by the assets of the Corporation. The Corporation had no outstanding balance at December 31, 2009 and 2008.

## Note 5 – Retirement plans

*401(k) plan* - The Corporation sponsors a 401(k) retirement plan covering all eligible employees, as defined. The Corporation makes an annual contribution to the plan equal to 3% of each eligible employee's compensation and matches 50% of employee contributions up to 6% of compensation. In addition, the plan provides that the Corporation may make additional discretionary contributions. During the year ended December 31, 2009 and 2008, contribution expense related to the plan totaled \$494,770 and \$449,737, respectively.

*Deferred compensation plan* - The Corporation established a deferred compensation plan in accordance with Internal Revenue Code Section 457 for certain employees, as defined. The plan provides that eligible employees may make elective salary reduction contributions in accordance with limitations established by the Internal Revenue Code. In addition, the Corporation may make discretionary contributions as provided in the plan. During the year ended December 31, 2009 and 2008, contribution expense related to the plan totaled \$4,964 and \$9,398, respectively.

# SERC RELIABILITY CORPORATION

Notes to Financial Statements  
Years Ended December 31, 2009 and 2008

## Note 6 – Functional expenses

The following is an allocation of expenses by functional category for the year ended December 31:

	<u>2009</u>	<u>2008</u>
Program expenses:		
Reliability standards	\$ 314,474	\$ 268,666
Compliance enforcement	4,422,782	3,452,429
Reliability readiness	231,788	244,602
Reliability assessment	877,692	839,364
Training and education	474,820	403,524
Situation awareness	<u>466,332</u>	<u>304,119</u>
	<u>6,787,888</u>	<u>5,485,704</u>
Committee and member forums	<u>623,248</u>	<u>601,390</u>
General and administrative expenses:		
General and administrative	1,266,155	737,307
Legal and regulatory	2,531	27,585
Information technology	471,544	584,016
Human resources	7,393	68,560
Accounting and finance	<u>86,471</u>	<u>357,774</u>
	<u>1,834,094</u>	<u>1,775,242</u>
Total	<u>\$ 9,245,230</u>	<u>\$ 7,862,336</u>

## Note 7 – Concentrations of credit risk and uncertainties

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents. The Corporation places its cash and cash equivalents on deposit with financial institutions in the United States. In 2008, the Federal Deposit Insurance Corporation (FDIC) temporarily increased coverage to \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. The increased coverage is scheduled to expire on December 31, 2013, at which time it is anticipated amounts insured by the FDIC will return to \$100,000. The Corporation from time to time may have amounts on deposit in excess of the insured limits.

The Corporation receives a significant portion of its revenue directly from NERC based on the budget submitted by the Corporation and approved by NERC and FERC. Based on past history with NERC, the Corporation believes that its revenue risk exposure is limited.

## Note 8 – Subsequent events

The Corporation has evaluated subsequent events through March 15, 2010, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.



## **ACCOMPANYING INFORMATION**

## SERC RELIABILITY CORPORATION

Statutory Financial Statements  
Year Ended December 31, 2009

	2009 YTD Actual	2009 YTD Budget	2009 YTD Variance
<b>Funding</b>			
Member assessments	\$ 9,652,546	\$ 9,652,546	\$ -
Workshops	249,440	403,000	(153,560)
Interest	7,279	40,000	(32,721)
Miscellaneous	760	-	760
<b>Total funding</b>	9,910,025	10,095,546	(185,521)
<b>Expenses</b>			
Personnel expenses:			
Salaries	5,608,724	5,392,546	216,178
Payroll taxes	352,246	404,440	(52,194)
Employee benefits	568,397	551,340	17,057
Savings and retirement	509,038	504,997	4,041
Total personnel expenses	7,038,405	6,853,323	185,082
Meeting expenses:			
Meetings	451,503	634,633	(183,130)
Travel	400,038	601,168	(201,130)
Conference calls	48,409	30,000	18,409
Total meeting expenses	899,950	1,265,801	(365,851)
Operating expenses:			
Rent and improvements	183,961	183,277	684
Contracts and consultants	752,983	924,700	(171,717)
Office costs	246,932	265,992	(19,060)
Professional services	96,875	322,000	(225,125)
Computers, furniture and equipment	23,703	-	23,703
Miscellaneous	2,421	-	2,421
Total operating expenses	1,306,875	1,695,969	(389,094)
<b>Total expenses</b>	9,245,230	9,815,093	(569,863)
<b>Change in net assets</b>	\$ 664,795	\$ 280,453	\$ 384,342

## SERC RELIABILITY CORPORATION

Statutory Financial Statements (continued)  
Year Ended December 31, 2008

	<b>2008 YTD Actual</b>	<b>2008 YTD Budget</b>	<b>2008 YTD Variance</b>
<b>Funding</b>			
Member assessments	\$ 7,775,521	\$ 7,775,521	\$ -
Workshops	235,790	173,500	62,290
Interest	20,332	42,000	(21,668)
Miscellaneous	2,130	-	2,130
<b>Total funding</b>	<u>8,033,773</u>	<u>7,991,021</u>	<u>42,752</u>
<b>Expenses</b>			
Personnel expenses:			
Salaries	4,561,763	3,962,528	599,235
Payroll taxes	277,351	247,416	29,935
Employee benefits	436,821	761,085	(324,264)
Savings and retirement	464,093	356,123	107,970
Total personnel expenses	<u>5,740,028</u>	<u>5,327,152</u>	<u>412,876</u>
Meeting expenses:			
Meetings	440,793	378,465	62,328
Travel	411,653	409,044	2,609
Conference calls	52,262	-	52,262
Total meeting expenses	<u>904,708</u>	<u>787,509</u>	<u>117,199</u>
Operating expenses:			
Rent and improvements	162,262	177,938	(15,676)
Contracts and consultants	602,832	751,600	(148,768)
Office costs	262,533	331,320	(68,787)
Professional services	183,396	305,000	(121,604)
Computers, furniture and equipment	3,505	310,502	(306,997)
Miscellaneous	3,072	-	3,072
Total operating expenses	<u>1,217,600</u>	<u>1,876,360</u>	<u>(658,760)</u>
<b>Total expenses</b>	<u>7,862,336</u>	<u>7,991,021</u>	<u>(128,685)</u>
<b>Change in net assets</b>	<u>\$ 171,437</u>	<u>\$ -</u>	<u>\$ 171,437</u>

## SERC RELIABILITY CORPORATION

Statutory Financial Statements by Function  
Year Ended December 31, 2009

	300	400	700	800	900	1000	1100	2000	2200	2300	2400	2500	2009 YTD	2009 YTD	2009 YTD	
	RELIAB	COMP ENFORCE/ ORG REG & CERT	RELIAB	RELIAB	TRAINING	SIT	COMMITTEE & MBR FORUMS	GENERAL	LEGAL & REGULATORY	IT	HUMAN RESOURCE	ACCOUNTING & FINANCE	Actual	Budget	Variance	
	STD DEV		READI	ASSES	& EDUC	AWARE		ADMIN								
<b>Funding</b>																
Member assessments	\$ 292,873	\$ 4,805,617	\$ 276,805	\$ 976,109	\$ 78,276	\$ 476,841	\$ 773,251	\$ 1,427,658	\$ 82,400	\$ 447,027	\$ 3,843	\$ 11,846	\$ 9,652,546	\$ 9,652,546	\$ -	
Workshops	-	-	-	-	249,440	-	-	-	-	-	-	-	249,440	403,000	(153,560)	
Interest	-	-	-	-	-	-	-	-	-	-	-	7,279	7,279	40,000	(32,721)	
Miscellaneous	-	-	-	-	-	-	-	160	-	600	-	-	760	-	760	
<b>Total funding</b>	<b>292,873</b>	<b>4,805,617</b>	<b>276,805</b>	<b>976,109</b>	<b>327,716</b>	<b>476,841</b>	<b>773,251</b>	<b>1,427,818</b>	<b>82,400</b>	<b>447,627</b>	<b>3,843</b>	<b>19,125</b>	<b>9,910,025</b>	<b>10,095,546</b>	<b>(185,521)</b>	
<b>Expenses</b>																
Personnel expenses:																
Salaries	214,093	2,962,388	146,123	498,796	204,165	319,973	372,587	890,599	-	-	-	-	5,608,724	5,392,546	216,178	
Payroll taxes	13,763	182,084	7,876	31,509	13,527	18,078	26,147	59,262	-	-	-	-	352,246	404,440	(52,194)	
Employee benefits	26,078	321,365	10,348	46,797	18,201	35,132	25,694	84,782	-	-	-	-	568,397	551,340	17,057	
Savings and retirement	18,475	258,983	16,372	49,407	17,728	24,603	32,136	91,334	-	-	-	-	509,038	504,997	4,041	
Total personnel expenses	272,409	3,724,820	180,719	626,509	253,621	397,786	456,564	1,125,977	-	-	-	-	7,038,405	6,853,323	185,082	
Meeting expenses:																
Meetings	11,668	78,158	293	44,556	175,547	2,090	92,138	45,561	-	95	165	1,232	451,503	634,633	(183,130)	
Travel	12,102	228,547	2,150	27,245	11,593	24,643	47,010	32,366	-	5,372	6	9,004	400,038	601,168	(201,130)	
Conference calls	1,558	24,483	2,114	5,008	1,558	2,114	2,671	3,339	-	2,226	334	3,004	48,409	30,000	18,409	
Total meeting expenses	25,328	331,188	4,557	76,809	188,698	28,847	141,819	81,266	-	7,693	505	13,240	899,950	1,265,801	(365,851)	
Operating expenses:																
Rent and improvements	5,921	93,038	8,035	19,030	5,921	8,035	10,150	12,687	-	8,458	1,269	11,417	183,961	183,277	684	
Contracts and consultants	4,570	107,108	30,638	128,030	19,324	9,882	3,297	4,908	-	438,318	4,291	2,617	752,983	924,700	(171,717)	
Office costs	5,684	116,948	7,095	25,194	6,697	21,038	10,372	14,664	-	16,311	1,214	21,715	246,932	265,992	(19,060)	
Professional services	535	49,680	726	1,719	535	726	917	1,146	2,531	764	114	37,482	96,875	322,000	(225,125)	
Computers, furniture and equipment	-	-	-	-	-	-	-	23,703	-	-	-	-	23,703	-	23,703	
Miscellaneous	27	-	18	401	24	18	129	1,804	-	-	-	-	2,421	-	2,421	
Total operating expenses	16,737	366,774	46,512	174,374	32,501	39,699	24,865	58,912	2,531	463,851	6,888	73,231	1,306,875	1,695,969	(389,094)	
<b>Total expenses</b>	<b>314,474</b>	<b>4,422,782</b>	<b>231,788</b>	<b>877,692</b>	<b>474,820</b>	<b>466,332</b>	<b>623,248</b>	<b>1,266,155</b>	<b>2,531</b>	<b>471,544</b>	<b>7,393</b>	<b>86,471</b>	<b>9,245,230</b>	<b>9,815,093</b>	<b>(569,863)</b>	
<b>Change in net assets</b>	<b>\$ (21,601)</b>	<b>\$ 382,835</b>	<b>\$ 45,017</b>	<b>\$ 98,417</b>	<b>\$ (147,104)</b>	<b>\$ 10,509</b>	<b>\$ 150,003</b>	<b>\$ 161,663</b>	<b>\$ 79,869</b>	<b>\$ (23,917)</b>	<b>\$ (3,550)</b>	<b>\$ (67,346)</b>	<b>\$ 664,795</b>	<b>\$ 280,453</b>	<b>\$384,342</b>	

## SERC RELIABILITY CORPORATION

Statutory Financial Statements by Function (continued)  
Year Ended December 31, 2008

	300	400	700	800	900	1000	1100	2000	2200	2300	2400	2500	2008 YTD	2008 YTD	2008 YTD	
	RELIAB	COMP ENFORCE/ ORG REG & CERT	RELIAB	RELIAB	TRAINING	SIT	COMMITTEE & MBR FORUMS	GENERAL	LEGAL & REGULATORY	IT	HUMAN RESOURCE	ACCOUNTING & FINANCE	Actual	Budget	Variance	
	STD DEV		READI	ASSES	& EDUC	AWARE		ADMIN								
<b>Funding</b>																
Member assessments	\$ 317,071	\$ 3,393,665	\$440,620	\$ 528,642	\$ 331,650	\$ 289,288	\$ 649,057	\$ 666,760	\$ 27,200	\$692,966	\$ 43,814	\$ 394,788	\$ 7,775,521	\$ 7,775,521	\$ -	
Workshops	-	-	-	-	235,790	-	-	-	-	-	-	-	235,790	173,500	62,290	
Interest	-	-	-	-	-	-	-	20,332	-	-	-	-	20,332	42,000	(21,668)	
Miscellaneous	-	-	-	105	-	-	105	1	-	1,520	-	399	2,130	-	2,130	
<b>Total funding</b>	<b>317,071</b>	<b>3,393,665</b>	<b>440,620</b>	<b>528,747</b>	<b>567,440</b>	<b>289,288</b>	<b>649,162</b>	<b>687,093</b>	<b>27,200</b>	<b>694,486</b>	<b>43,814</b>	<b>395,187</b>	<b>8,033,773</b>	<b>7,991,021</b>	<b>42,752</b>	
<b>Expenses</b>																
Personnel expenses:																
Salaries	192,016	2,173,041	113,690	507,957	185,313	169,252	344,196	457,948	-	165,341	29,861	223,148	4,561,763	3,962,528	599,235	
Payroll taxes	11,458	133,503	6,400	31,476	11,523	9,285	21,659	27,110	-	9,772	1,762	13,403	277,351	247,416	29,935	
Employee benefits	7,447	213,101	9,842	51,236	12,583	24,626	3,685	94,948	-	6,593	927	11,833	436,821	761,085	(324,264)	
Savings and retirement	17,960	210,571	11,546	59,411	17,960	16,678	30,462	40,592	-	20,526	3,849	34,538	464,093	356,123	107,970	
Total personnel expenses	<b>228,881</b>	<b>2,730,216</b>	<b>141,478</b>	<b>650,080</b>	<b>227,379</b>	<b>219,841</b>	<b>400,002</b>	<b>620,598</b>	<b>-</b>	<b>202,232</b>	<b>36,399</b>	<b>282,922</b>	<b>5,740,028</b>	<b>5,327,152</b>	<b>412,876</b>	
Meeting expenses:																
Meetings	6,247	69,436	3,338	39,298	145,533	5,260	133,837	36,024	-	398	268	1,154	440,793	378,465	62,328	
Travel	15,374	234,993	2,442	33,057	12,161	25,321	33,838	43,877	-	4,145	12	6,433	411,653	409,044	2,609	
Conference calls	2,029	23,996	1,305	6,523	2,029	1,884	3,479	4,349	-	2,319	435	3,914	52,262	-	52,262	
Total meeting expenses	<b>23,650</b>	<b>328,425</b>	<b>7,085</b>	<b>78,878</b>	<b>159,723</b>	<b>32,465</b>	<b>171,154</b>	<b>84,250</b>	<b>-</b>	<b>6,862</b>	<b>715</b>	<b>11,501</b>	<b>904,708</b>	<b>787,509</b>	<b>117,199</b>	
Operating expenses:																
Rent and improvements	6,499	75,432	4,178	20,889	6,499	6,035	11,141	10,236	-	7,427	1,393	12,533	162,262	177,938	(15,676)	
Contracts and consultants	1,395	60,928	86,722	53,847	20	15,957	34	235	-	341,432	27,600	14,662	602,832	751,600	(148,768)	
Office costs	7,344	104,208	4,597	26,970	9,067	29,043	17,476	17,664	-	25,083	2,277	18,804	262,533	331,320	(68,787)	
Professional services	687	124,178	442	8,211	687	638	1,177	1,772	27,585	785	147	17,087	183,396	305,000	(121,604)	
Computers, furniture and equipment	137	1,594	88	441	137	128	235	294	-	157	29	265	3,505	310,502	(306,997)	
Miscellaneous	73	448	12	48	12	12	171	2,258	-	38	-	-	3,072	-	3,072	
Total operating expenses	<b>16,135</b>	<b>366,788</b>	<b>96,039</b>	<b>110,406</b>	<b>16,422</b>	<b>51,813</b>	<b>30,234</b>	<b>32,459</b>	<b>27,585</b>	<b>374,922</b>	<b>31,446</b>	<b>63,351</b>	<b>1,217,600</b>	<b>1,876,360</b>	<b>(658,760)</b>	
<b>Total expenses</b>	<b>268,666</b>	<b>3,425,429</b>	<b>244,602</b>	<b>839,364</b>	<b>403,524</b>	<b>304,119</b>	<b>601,390</b>	<b>737,307</b>	<b>27,585</b>	<b>584,016</b>	<b>68,560</b>	<b>357,774</b>	<b>7,862,336</b>	<b>7,991,021</b>	<b>(128,685)</b>	
<b>Change in net assets</b>	<b>\$ 48,405</b>	<b>\$ (31,764)</b>	<b>\$196,018</b>	<b>\$ (310,617)</b>	<b>\$ 163,916</b>	<b>\$ (14,831)</b>	<b>\$ 47,772</b>	<b>\$ (50,214)</b>	<b>\$ (385)</b>	<b>\$110,470</b>	<b>\$ (24,746)</b>	<b>\$ 37,413</b>	<b>\$ 171,437</b>	<b>\$ -</b>	<b>\$171,437</b>	

## SERC RELIABILITY CORPORATION

### Statement of Net Asset Reserve

	Year Ended December 31,	
	2009	2008
Beginning reserve (net assets)	\$ 407,865	\$ 236,428
Change in net assets	664,795	171,437
Year-end reserve (net assets)	1,072,660	407,865
Year-end target reserve *	1,009,555	799,102
Reserve overage/(shortage)	\$ 63,105	\$ (391,237)

\* As documented in the April 23, 2008 minutes, the SERC Board of Directors approved giving management the authority to establish a reserve in an amount up to 10% of its budgeted annual statutory operating costs, with the understanding that should it become necessary to spend any of the reserve funds, the President shall provide a report detailing such expenditures at the next regular meeting of the Board of Directors. The reserve was established for contingencies.

**ATTACHMENT 7**

**2009 ACTUAL COST-TO-BUDGET COMPARISON**

**FOR**

**SOUTHWEST POWER POOL REGIONAL ENTITY**

**AND**

**2009 AUDITED FINANCIAL REPORT**

**FOR**

**SOUTHWEST POWER POOL, INC.**



Alice Wright  
RE Manager of Finance and Process Improvement

Southwest Power Pool Regional Entity  
415 N. McKinley, Ste 140  
Little Rock, AR 72205-3020  
P 501.688.1773  
F 501.821.8726

May 24, 2010

*Via Electronic Mail*

Michael Walker, Chief Financial Officer  
Susan Turpen, Controller  
North American Electric Reliability Corporation  
116-390 Village Blvd.  
Princeton, NJ 08540-5721

Subject: Southwest Power Pool Regional Entity 2009 Actual Cost-to-Budget Comparison

Dear Mr. Walker and Ms. Turpen,

Attached is the Southwest Power Pool, Inc.'s (SPP, Inc.) submission of the SPP Regional Entity's (SPP RE) 2009 Actual Cost-to-Budget Comparison (2009 True Up Filing). This information is intended to respond to the Federal Energy Regulatory Commission June 29, 2009 order issued in Docket No. RR07-16-005 "Order Conditionally Accepting Compliance Filing" directing NERC and the regional entities to file 2009 True-up Filings no later than May 30, 2010.

For 2009, the SPP RE received approximately \$7.13 million in statutory funds (compared to \$7.12 million budget) and incurred approximately \$5.19 million in statutory expense (compared to \$6.48 million budget). The net impact on SPP RE's cash position for the year was a \$1.94 million positive variance (compared to \$643 thousand budget). The SPP RE performs only statutory activities, and therefore no statutory funding was used for non-statutory activities.

The \$10 thousand funding variance is the result of interest revenue and miscellaneous funds received from the State of Arkansas's "Create Rebate Program" for the incremental RE direct staff positions created during 2009. The significant expense variances at the aggregate statutory level are explained below, while the explanations for the expense variances by statutory program area are provided in Attachment 1.

#### **Aggregate Expense Variances**

- **Personnel Expenses** (Actual - \$75K or 3% over budget) – Personnel expenses exceeded budget primarily due to additional staff hired in 2009 to support compliance and enforcement activities, as well as general and administrative activities.
- **Travel and Meeting Expenses** (Actual - \$70K or 18% under budget) –Travel and meeting expenses were less than budget primarily due to less than expected activities in the Training and Education Program area.



- **Other Operating Expenses** (Actual - \$39K or 6% over budget) – Other Operating Expenses exceeded budget primarily due to additional consulting & contracting resources utilized for compliance audits. These expenses were offset by a reduction in Professional Services as no hearings took place in 2009.
- **SPP, Inc. Indirect Expense** (Actual - \$1.3M or 41% under budget) – SPP, Inc. Indirect Expenses were less than budget primarily due to a \$41/hour decrease in the 2009 actual SPP, Inc. Indirect Overhead Expense Rate of \$69/hour as compared to the budgeted rate of \$101/hour. SPP, Inc. Indirect Expenses are discussed in greater detail in the discussion that follows.

### **SPP, Inc. Shared Staff and Indirect Support Staff**

The SPP governing documents, approved by NERC and FERC, allow for the use of SPP, Inc. staff not directly assigned to the SPP RE in the performance or support of some of the responsibilities that are performed by the SPP RE. There are two groups of SPP, Inc. staff that support the SPP RE. First, there is a group that performs some of the primary duties delegated to the SPP RE referred to as “shared staff.” Shared staff consists of a portion of the SPP RTO engineering staff that performs the technical studies that form the basis for the SPP Regional Assessments published by NERC. Second, there is another group that supplies administrative services to the SPP RE such as accounting, computer support, human resources support, building services support, etc. referred to as “indirect support staff.” In general, indirect support staff does not directly charge time and expenses to the SPP RE but are billed through an administrative charge referred to as “SPP, Inc. Indirect Overhead Expense Rate.” Neither group participates in compliance or enforcement decisions of the SPP RE.

Shared staff members charge time and expenses directly to the SPP RE accounts and their hours are included in the official total full time equivalent headcount of the SPP RE for the purposes of reporting to NERC and FERC. Shared staff members record specific hours worked in the performance or support of the SPP RE’s statutory functions in SPP, Inc.’s time tracking system. These hours are posted by the shared staff members and reviewed and approved by their specific manager or supervisor. Prior to March 2009, SPP executive staff historically reviewed the approved hours submitted by shared staff for consistency and accuracy. Beginning in March 2009, the SPP RE General Manager has reviewed the hours posted by the shared staff members. This procedure results in actual hours spent by shared staff on SPP RE statutory functions being charged directly to the particular SPP RE direct function at the shared staff member’s actual compensation rate. These direct charges are included in the SPP RE’s Business Plan and Budget. For 2009, shared staff charged 8,339 hours, or 4.4 FTEs based on SPP’s standard assumption that total number of hours in a year is 1,880, to the SPP RE.

With respect to the costs of indirect support staff (SPP, Inc. Indirect Expenses), these costs are assessed to the SPP RE based on a fixed rate per hour per FTE. The fixed rate is calculated by dividing the total costs for SPP, Inc. support services by the total hours worked by non-overhead personnel. The fixed rate is then multiplied by the hours charged by the shared staff and SPP RE direct staff to determine the total amount of SPP, Inc. Indirect Expenses that are assessed to the SPP RE. The SPP, Inc. Indirect Expenses assessed to the SPP RE are included in the SPP RE’s Business Plan and Budget.

The development of the \$101/hour rate that was used in the development of the 2009 budget and the \$69/hour rate embedded in the actual 2009 costs are showed in Attachments 2 and 3, respectively. The variances in the level of SPP, Inc. support costs included in the calculations are the result of the SPP RE General Manager's detail review of the costs to ensure that SPP RTO specific costs were excluded from the calculation.

If you have any questions related to the submitted materials please feel free to call me at the number below or email me at [awright@spp.org](mailto:awright@spp.org).

Sincerely,

A handwritten signature in blue ink that reads "Alice Wright".

Alice Wright  
RE Manager of Finance and Process Improvement

**SOUTHWEST POWER POOL  
REGIONAL ENTITY  
2009 Statement of Activities Summary  
Statutory Only**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>
Funding			
ERO Funding			
ERO Assessments	\$ 7,123,827	\$ 7,123,827	\$ -
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<b>\$ 7,123,827</b>	<b>\$ 7,123,827</b>	<b>\$ -</b>
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	1,673	-	1,673
Miscellaneous	8,485	-	8,485
<b>Total Funding</b>	<b>\$ 7,133,985</b>	<b>\$ 7,123,827</b>	<b>\$ 10,158</b>
Expenses			
Personnel Expenses			
Salaries	\$ 1,881,835	\$ 1,775,018	\$ 106,817
Payroll Taxes	103,871	135,789	(31,918)
Employee Benefits	170,965	177,327	(6,362)
Savings & Retirement	77,537	71,000	6,536
<b>Total Personnel Expenses</b>	<b>2,234,208</b>	<b>2,159,134</b>	<b>75,073</b>
Meeting Expenses			
Meetings	\$ 96,791	\$ 178,800	\$ (82,009)
Travel	218,172	206,000	12,172
<b>Total Meeting Expenses</b>	<b>\$ 314,964</b>	<b>\$ 384,800</b>	<b>\$ (69,836)</b>
Operating Expenses			
Consultants & Contracts	\$ 477,213	\$ 395,660	\$ 81,553
Office Rent	-	-	-
Office Costs	13,938	-	13,938
Professional Services- Other	91,107	150,000	(58,893)
Professional Services- RE Trustee Fees	137,388	135,000	2,388
Depreciation	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 719,646</b>	<b>\$ 680,660</b>	<b>\$ 38,986</b>
<b>Total Direct Expenses</b>	<b>\$ 3,268,818</b>	<b>\$ 3,224,594</b>	<b>\$ 44,223</b>
<b>SPP Inc. Indirect Expenses</b>	<b>\$ 1,921,443</b>	<b>\$ 3,256,442</b>	<b>\$ (1,334,999)</b>
<b>Total Expenses</b>	<b>\$ 5,190,261</b>	<b>\$ 6,481,036</b>	<b>\$ (1,290,776)</b>
<b>Change in Assets</b>	<b>\$ 1,943,724</b>	<b>\$ 642,791</b>	<b>\$ 1,300,934</b>
Fixed Assets			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 1,943,724</b>	<b>\$ 642,791</b>	<b>\$ 1,300,934</b>
<b>FTEs</b>	<b>14.8</b>	<b>17.2</b>	<b>(2.4)</b>

**SOUTHWEST POWER POOL  
REGIONAL ENTITY  
2009 Statement of Activities Summary  
Reliability Standards**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
ERO Funding				
ERO Assessments	\$ 293,280	\$ 293,280	\$ -	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<b>\$ 293,280</b>	<b>\$ 293,280</b>	<b>\$ -</b>	<b>0%</b>
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<b>\$ 293,280</b>	<b>\$ 293,280</b>	<b>\$ -</b>	<b>0%</b>
Expenses				
Personnel Expenses				
Salaries	\$ 32,402	\$ 85,340	\$ (52,938)	-62%
Payroll Taxes	2,144	6,528	(4,384)	-67%
Employee Benefits	3,322	8,118	(4,796)	-59%
Savings & Retirement	1,188	3,414	(2,226)	-65%
<b>Total Personnel Expenses</b>	<b>39,056</b>	<b>103,400</b>	<b>(64,344)</b>	<b>-62%</b>
Meeting Expenses				
Meetings	\$ 12,293	-	\$ 12,293	
Travel	12,598	-	12,598	
<b>Total Meeting Expenses</b>	<b>\$ 24,891</b>	<b>\$ -</b>	<b>\$ 24,891</b>	<b>Meeting Expenses were higher due to higher than expected meeting and travel requirements.</b>
Operating Expenses				
Consultants & Contracts	-	-	-	
Office Rent	-	-	-	
Office Costs	-	-	-	
Professional Services	-	-	-	
RE Trustee Fees	-	-	-	
Depreciation	-	-	-	
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Direct Expenses</b>	<b>\$ 63,947</b>	<b>\$ 103,400</b>	<b>\$ (39,453)</b>	<b>-38%</b>
SPP Inc. Indirect Expenses	\$ 34,949	\$ 189,880	\$ (154,932)	-82%
<b>Total Expenses</b>	<b>\$ 98,896</b>	<b>\$ 293,280</b>	<b>\$ (194,384)</b>	<b>-66%</b>
<b>Change in Assets</b>	<b>\$ 194,384</b>	<b>\$ -</b>	<b>\$ 194,384</b>	
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 194,384</b>	<b>\$ -</b>	<b>\$ 194,384</b>	
<b>FTEs</b>	<b>0.3</b>	<b>1.0</b>	<b>(0.7)</b>	

Personnel Expenses were lower primarily due to the activities in this area being less than expected, which resulted in lower than expected shared staff billable FTE hours.

Meeting Expenses were higher due to higher than expected meeting and travel requirements.

SPP Inc. Indirect Expenses were lower primarily due to the significantly lower than expected SPP, Inc. Indirect Expense Overhead Rate.

**SOUTHWEST POWER POOL  
REGIONAL ENTITY  
2009 Statement of Activities  
Compliance and Organization Registration and Certification**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
ERO Funding					
ERO Assessments	\$ 2,422,933	\$ 2,422,933	\$ -	0%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 2,422,933</b>	<b>\$ 2,422,933</b>	<b>\$ -</b>	<b>0%</b>	
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<b>\$ 2,422,933</b>	<b>\$ 2,422,933</b>	<b>\$ -</b>	<b>0%</b>	
Expenses					
Personnel Expenses					
Salaries	\$ 1,006,999	\$ 698,218	\$ 308,781	44%	Salary Expense was higher primarily due to additional compliance staff hired in 2009 to support compliance and enforcement activities.
Payroll Taxes	52,898	53,414	(516)	-1%	Payroll Tax Expenses were lower is the result of the estimated "blended" payroll tax rate being higher than the rate produced by using the actual payroll tax amounts.
Employee Benefits	71,313	80,092	(8,779)	-11%	Employee Benefits were lower as a the result of the estimated "blended" benefits rates for health and dental employer payments being higher than the rate produced by using the actual benefits amounts.
Savings and Retirement & Con't Education	44,364	27,929	16,435	59%	Savings and Retirement Expenses were higher primarily due to the additional compliance staff.
<b>Total Personnel Expenses</b>	<b>1,175,574</b>	<b>859,653</b>	<b>315,921</b>	<b>37%</b>	
Meeting Expenses					
Meetings	\$ 5,667	-	\$ 5,667		
Travel	143,694	94,000	49,694	53%	Travel Expenses were higher primarily due to the additional compliance staff and their travel requirements
<b>Total Meeting Expenses</b>	<b>\$ 149,360</b>	<b>\$ 94,000</b>	<b>\$ 55,360</b>	<b>59%</b>	
Operating Expenses					
Consultants & Contracts	\$ 403,272	\$ 330,000	\$ 73,272	22%	Consultant & Contracts Expenses were higher due to additional consulting resources utilized for compliance audits.
Office Rent	-	-	-		
Office Costs	5,861	-	5,861		
Professional Services	88,703	-	88,703		Professional Services were higher than budget primarily due to certain costs, e.g., services provided by OATI, the owner and administrator of the SPP RE CDMS, were classified as consultant and contractor expenses in the budget
RE Trustee Fees	-	-	-		
Depreciation	-	-	-		
<b>Total Operating Expenses</b>	<b>\$ 497,836</b>	<b>\$ 330,000</b>	<b>\$ 167,836</b>	<b>51%</b>	
<b>Total Direct Expenses</b>	<b>\$ 1,822,770</b>	<b>\$ 1,283,653</b>	<b>\$ 539,117</b>	<b>42%</b>	
SPP Inc. Indirect Expenses	\$ 956,141	\$ 1,139,280	\$ (183,139)	-16%	SPP Inc. Indirect Expenses were lower primarily due to the significantly lower than expected SPP, Inc. Indirect Expense Overhead Rate. The decrease in costs resulting from the lower than expect rate was partially offset by the increase in charges as a result of the additional staff.
<b>Total Expenses</b>	<b>\$ 2,778,911</b>	<b>\$ 2,422,933</b>	<b>\$ 355,978</b>	<b>15%</b>	
<b>Change in Assets</b>	<b>\$ (355,978)</b>	<b>\$ -</b>	<b>\$ (355,978)</b>		
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (355,978)</b>	<b>\$ -</b>	<b>\$ (355,978)</b>		
<b>FTEs</b>	<b>7.3</b>	<b>6.0</b>	<b>1.3</b>		

Note: An additional 2.0 FTEs provided through contractor services

**SOUTHWEST POWER POOL  
REGIONAL ENTITY  
2009 Statement of Activities Summary  
Reliability Readiness Audit and Improvement**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
ERO Funding				
ERO Assessments	\$ 164,640	\$ 164,640	\$ -	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<b>\$ 164,640</b>	<b>\$ 164,640</b>	<b>\$ -</b>	<b>0%</b>
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<b>\$ 164,640</b>	<b>\$ 164,640</b>	<b>\$ -</b>	<b>0%</b>
Expenses				
Personnel Expenses				
Salaries	\$ -	\$ 42,670	\$ (42,670)	-100% The Readiness Program was discontinued after 2009 BP&B was approved
Payroll Taxes	-	3,264	(3,264)	-100%
Employee Benefits	-	4,059	(4,059)	-100%
Savings & Retirement	-	1,707	(1,707)	-100%
<b>Total Personnel Expenses</b>	<b>-</b>	<b>51,700</b>	<b>(51,700)</b>	<b>-100%</b>
Meeting Expenses				
Meetings	\$ -	\$ -	\$ -	
Travel	-	18,000	(18,000)	-100%
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ 18,000</b>	<b>\$ (18,000)</b>	<b>-100%</b>
Operating Expenses				
Consultants & Contracts	\$ -	\$ -	\$ -	
Office Rent	-	-	-	
Office Costs	-	-	-	
Professional Services	-	-	-	
RE Trustee Fees	-	-	-	
Depreciation	-	-	-	
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Direct Expenses</b>	<b>\$ -</b>	<b>\$ 69,700</b>	<b>\$ (69,700)</b>	<b>-100%</b>
<b>SPP Inc. Indirect Expenses</b>	<b>\$ -</b>	<b>\$ 94,940</b>	<b>\$ (94,940)</b>	<b>-100%</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ 164,640</b>	<b>\$ (164,640)</b>	<b>-100%</b>
<b>Change in Assets</b>	<b>\$ 164,640</b>	<b>\$ -</b>	<b>\$ 164,640</b>	
Fixed Assets				
Depreciation	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 164,640</b>	<b>\$ -</b>	<b>\$ 164,640</b>	
FTEs	0.0	0.5	(0.5)	

**SOUTHWEST POWER POOL  
REGIONAL ENTITY  
2009 Statement of Activities Summary  
Reliability Assessment and Performance Analysis**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
ERO Funding					
ERO Assessments	\$ 1,078,150	\$ 1,078,150	\$ -	0%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 1,078,150</b>	<b>\$ 1,078,150</b>	<b>\$ -</b>	<b>0%</b>	
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<b>\$ 1,078,150</b>	<b>\$ 1,078,150</b>	<b>\$ -</b>	<b>0%</b>	
Expenses					
Personnel Expenses					
Salaries	\$ 247,445	\$ 290,153	\$ (42,708)	-15%	Salaries were lower primarily due to the need to have direct RE staff assigned to this area assist with compliance activities.
Payroll Taxes	17,525	22,197	(4,672)	-21%	Payroll Taxes were lower primarily due to lower salaries
Employee Benefits	19,760	27,602	(7,842)	-28%	Employee Benefits were lower primarily due to lower salaries
Savings & Retirement	10,774	11,606	(832)	-7%	Savings and retirements were lower primarily due to lower salaries
<b>Total Personnel Expenses</b>	<b>295,505</b>	<b>351,558</b>	<b>(56,053)</b>	<b>-16%</b>	Personnel Expenses were lower primarily due to the need to have direct RE staff assigned to this area assist with compliance activities.
Meeting Expenses					
Meetings	\$ 1,162	-	\$ 1,162		
Travel	14,606	25,000	(10,394)	-42%	Travel and Meeting Expenses were lower primarily due to the reassignment of direct RE staff from this area to the compliance area.
<b>Total Meeting Expenses</b>	<b>\$ 15,768</b>	<b>\$ 25,000</b>	<b>\$ (9,232)</b>	<b>-37%</b>	
Operating Expenses					
Consultants & Contracts	\$ 71,326	\$ 56,000	\$ 15,326	27%	Consultants & Contractors costs were higher than expected as a result of a study being performed that was not included in the budget.
Office Rent	-	-	-		
Office Costs	-	-	-		
Professional Services	-	-	-		
RE Trustee Fees	-	-	-		
Depreciation	-	-	-		
<b>Total Operating Expenses</b>	<b>\$ 71,326</b>	<b>\$ 56,000</b>	<b>\$ 15,326</b>	<b>27%</b>	
<b>Total Direct Expenses</b>	<b>\$ 382,599</b>	<b>\$ 432,558</b>	<b>\$ (49,959)</b>	<b>-12%</b>	
<b>SPP Inc. Indirect Expenses</b>	<b>\$ 325,508</b>	<b>\$ 645,592</b>	<b>\$ (320,085)</b>	<b>-50%</b>	SPP Inc. Indirect Expenses were lower primarily due to the significantly lower than expected SPP, Inc. Indirect Expense Overhead Rate.
<b>Total Expenses</b>	<b>\$ 708,106</b>	<b>\$ 1,078,150</b>	<b>\$ (370,044)</b>	<b>-34%</b>	
<b>Change in Assets</b>	<b>\$ 370,044</b>	<b>\$ -</b>	<b>\$ 370,044</b>		
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 370,044</b>	<b>\$ -</b>	<b>\$ 370,044</b>		
<b>FTEs</b>	<b>2.7</b>	<b>3.4</b>	<b>(0.7)</b>		

**SOUTHWEST POWER POOL  
REGIONAL ENTITY  
2009 Statement of Activities Summary  
Training and Education**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
ERO Funding				
ERO Assessments	\$ 1,115,812	\$ 1,115,812	\$ -	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<b>\$ 1,115,812</b>	<b>\$ 1,115,812</b>	<b>\$ -</b>	<b>0%</b>
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<b>\$ 1,115,812</b>	<b>\$ 1,115,812</b>	<b>\$ -</b>	<b>0%</b>
Expenses				
Personnel Expenses				
Salaries	\$ 168,191	\$ 299,693	\$ (131,502)	-44%
Payroll Taxes	12,210	22,927	(10,717)	-47%
Employee Benefits	16,024	27,104	(11,080)	-41%
Savings & Retirement	6,416	11,988	(5,572)	-46%
<b>Total Personnel Expenses</b>	<b>202,840</b>	<b>361,712</b>	<b>(158,872)</b>	<b>-44%</b>
Meeting Expenses				
Meetings	\$ 59,173	\$ 153,800	\$ (94,627)	-62%
Travel	3,133	21,000	(17,867)	-85%
<b>Total Meeting Expenses</b>	<b>\$ 62,306</b>	<b>\$ 174,800</b>	<b>\$ (112,494)</b>	<b>-64%</b>
Operating Expenses				
Consultants & Contracts	\$ 1,742	\$ 9,660	\$ (7,918)	-82%
Office Rent	-	-	-	
Office Costs	268	-	268	
Professional Services	-	-	-	
RE Trustee Fees	-	-	-	
Depreciation	-	-	-	
<b>Total Operating Expenses</b>	<b>\$ 2,010</b>	<b>\$ 9,660</b>	<b>\$ (7,650)</b>	<b>-79%</b>
<b>Total Direct Expenses</b>	<b>\$ 267,155</b>	<b>\$ 546,172</b>	<b>\$ (279,017)</b>	<b>-51%</b>
<b>SPP Inc. Indirect Expenses</b>	<b>\$ 206,172</b>	<b>\$ 569,640</b>	<b>\$ (363,468)</b>	<b>-64%</b>
<b>Total Expenses</b>	<b>\$ 473,327</b>	<b>\$ 1,115,812</b>	<b>\$ (642,485)</b>	<b>-58%</b>
<b>Change in Assets</b>	<b>\$ 642,485</b>	<b>\$ -</b>	<b>\$ 642,485</b>	
Fixed Assets				
Depreciation	\$ -	\$ -	\$ -	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 642,485</b>	<b>\$ -</b>	<b>\$ 642,485</b>	
<b>FTEs</b>	<b>1.7</b>	<b>3.0</b>	<b>(1.3)</b>	

Personnel Expenses were lower primarily due to the activities in this area being less than expected, which resulted in lower than expected shared staff billable FTE hours

Travel and Meeting Expenses were lower primarily due to fewer than expected activities in this area. In addition, the SPP RE Fall Compliance Workshop was cancel.

SPP Inc. Indirect Expenses were lower primarily due to the significantly lower than expected SPP, Inc. Indirect Expense Overhead Rate.



**SOUTHWEST POWER POOL  
REGIONAL ENTITY  
2009 Statement of Activities Summary  
Situation Awareness and Infrastructure Security**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
ERO Funding				
ERO Assessments	\$ 243,303	\$ 243,303	\$ -	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<b>\$ 243,303</b>	<b>\$ 243,303</b>	<b>\$ -</b>	<b>0%</b>
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<b>\$ 243,303</b>	<b>\$ 243,303</b>	<b>\$ -</b>	<b>0%</b>
Expenses				
Personnel Expenses				
Salaries	-	69,509	(69,509)	-100%
Payroll Taxes	-	5,317	(5,317)	-100%
Employee Benefits	-	5,287	(5,287)	-100%
Savings & Retirement	-	2,780	(2,780)	-100%
<b>Total Personnel Expenses</b>	<b>-</b>	<b>82,893</b>	<b>(82,893)</b>	<b>-100%</b>
Meeting Expenses				
Meetings	-	-	-	
Travel	3,746	18,000	(14,254)	-79%
<b>Total Meeting Expenses</b>	<b>\$ 3,746</b>	<b>\$ 18,000</b>	<b>\$ (14,254)</b>	<b>-79%</b>
Operating Expenses				
Consultants & Contracts	-	-	-	
Office Rent	-	-	-	
Office Costs	-	-	-	
Professional Services	600	-	600	
RE Trustee Fees	-	-	-	
Depreciation	-	-	-	
<b>Total Operating Expenses</b>	<b>\$ 600</b>	<b>\$ -</b>	<b>\$ 600</b>	
<b>Total Direct Expenses</b>	<b>\$ 4,346</b>	<b>\$ 100,893</b>	<b>\$ (96,547)</b>	<b>-96%</b>
<b>SPP Inc. Indirect Expenses</b>	<b>\$ -</b>	<b>\$ 142,410</b>	<b>\$ (142,410)</b>	<b>-100%</b>
<b>Total Expenses</b>	<b>\$ 4,346</b>	<b>\$ 243,303</b>	<b>\$ (238,957)</b>	<b>-98%</b>
<b>Change in Assets</b>	<b>\$ 238,957</b>	<b>\$ -</b>	<b>\$ 238,957</b>	
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 238,957</b>	<b>\$ -</b>	<b>\$ 238,957</b>	
<b>FTEs</b>	<b>-</b>	<b>0.8</b>	<b>(0.8)</b>	

The SPP Reliability Coordinator's participation in the NERC critical infrastructure protection activities that were performed by shared staff were not allocated to the SPP RE. Additionally, personnel Expenses were lower primarily due to the activities in this area being less than expected, which resulted in no shared staff FTE hours being billed to the SPP RE.

The SPP RE reimburse SPP registered entity representatives attending quarterly CIPC meetings. Travel and Meeting Expenses were lower primarily due to fewer than expected activities in this area and lower than expected reimbursement costs.

SPP Inc. Indirect Expenses were zero because there were no FTE hours assigned to this program area.

**SOUTHWEST POWER POOL  
REGIONAL ENTITY  
2009 Statement of Activities Summary  
Committees and Member Forums**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding				
ERO Funding				
ERO Assessments	\$ 25,000	\$ 25,000	\$ -	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ -</b>	<b>0%</b>
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ -</b>	<b>0%</b>
Expenses				
Personnel Expenses				
Salaries			\$ -	
Payroll Taxes			-	
Employee Benefits			-	
Savings & Retirement			-	
<b>Total Personnel Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Meeting Expenses				
Meetings		\$ 25,000	\$ (25,000)	-100%
Travel			-	
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ 25,000</b>	<b>\$ (25,000)</b>	<b>-100%</b>
Operating Expenses				
Consultants & Contracts	\$ -		\$ -	
Office Rent	-		-	
Office Costs	-		-	
Professional Services	-		-	
RE Trustee Fees	-		-	
Depreciation	-		-	
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Direct Expenses</b>	<b>\$ -</b>	<b>\$ 25,000</b>	<b>\$ (25,000)</b>	<b>-100%</b>
<b>SPP Inc. Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ 25,000</b>	<b>\$ (25,000)</b>	<b>-100%</b>
<b>Change in Assets</b>	<b>\$ 25,000</b>	<b>\$ -</b>	<b>\$ 25,000</b>	
Fixed Assets				
Depreciation	\$ -	\$ -	\$ -	
Computer & Software CapEx	-		-	
Furniture & Fixtures CapEx	-		-	
Equipment CapEx	-		-	
Leasehold Improvements	-		-	
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 25,000</b>	<b>\$ -</b>	<b>\$ 25,000</b>	
FTEs	-	-	-	

**SOUTHWEST POWER POOL  
REGIONAL ENTITY  
2009 Statement of Activities Summary  
General and Administrative**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
ERO Funding					
ERO Assessments <sup>1</sup>	\$ 1,630,710	\$ 1,630,710	\$ -	0%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 1,630,710</b>	<b>\$ 1,630,710</b>	<b>\$ -</b>	<b>0%</b>	
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	1,673	-	1,673		
Miscellaneous	8,485	-	8,485		
<b>Total Funding</b>	<b>\$ 1,640,868</b>	<b>\$ 1,630,710</b>	<b>\$ 10,158</b>	<b>1%</b>	
Expenses					
Personnel Expenses					
Salaries	\$ 426,797	\$ 289,435	\$ 137,362	47%	Salary Expense was higher primarily due to additional compliance staff hired in 2009, including the RE General Manager
Payroll Taxes	19,094	22,142	(3,048)	-14%	Payroll Tax Expenses were lower is the result of the estimated "blended" payroll tax rate being higher than the rate produced by using the actual payroll tax amounts.
Employee Benefits	60,547	25,065	35,482	142%	Employee Benefits were higher primarily as a the result of the cost associated with the additional staff hired in 2009, including relocation costs.
Savings & Retirement	14,795	11,577	3,218	28%	Savings and Retirement Expenses were higher primarily as a the result of the additional staff hired in 2009.
<b>Total Personnel Expenses</b>	<b>\$ 521,234</b>	<b>\$ 348,219</b>	<b>\$ 173,015</b>	<b>50%</b>	Personnel Expenses were higher primarily due to additional staff hired in 2009, including the RE General Manager and administrative assistant.
Meeting Expenses					
Meetings	\$ 18,497	-	\$ 18,497		
Travel	40,396	30,000	10,396	35%	
<b>Total Meeting Expenses</b>	<b>\$ 58,893</b>	<b>\$ 30,000</b>	<b>\$ 28,893</b>	<b>96%</b>	Travel and Meeting Expenses were higher primarily due to the additional staff and their travel requirements
Operating Expenses					
Consultants & Contracts	\$ 872	-	\$ 872		
Office Rent	-	-	-		
Office Costs	7,810	-	7,810		
Professional Services	1,804	-	1,804		
RE Trustee Fees	137,388	135,000	2,388	2%	
Depreciation	-	-	-		
<b>Total Operating Expenses</b>	<b>\$ 147,875</b>	<b>\$ 135,000</b>	<b>\$ 12,875</b>	<b>10%</b>	
<b>Total Direct Expenses</b>	<b>\$ 728,001</b>	<b>\$ 513,219</b>	<b>\$ 214,782</b>	<b>42%</b>	
SPP Inc. Indirect Expenses	\$ 398,674	\$ 474,700	(76,026)	-16%	SPP Inc. Indirect Expenses were lower primarily due to the significantly lower than expected SPP, Inc. Indirect Expense Overhead Rate. The decrease in costs resulting from the lower than expect rate was partially offset by the increase in charges as a result of the additional staff.
<b>Total Expenses</b>	<b>\$ 1,126,675</b>	<b>\$ 987,919</b>	<b>\$ 138,756</b>	<b>14%</b>	
<b>Change in Assets</b>	<b>\$ 514,193</b>	<b>\$ 642,791</b>	<b>\$ (128,598)</b>	<b>-20%</b>	
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 514,193</b>	<b>\$ 642,791</b>	<b>\$ (128,598)</b>	<b>-20%</b>	
<b>FTEs <sup>2</sup></b>	<b>2.9</b>	<b>2.5</b>	<b>0.4</b>		

<sup>1</sup> 2009 Budget includes \$642,791 in additional assessments due to underfunding of SPP RE's 2007 activities and expected underfunding of 2008 activities

<sup>2</sup> SPP RE General Counsel was accounted for in the 2009 General and Administrative Program Budget for purposes of confidentiality.

**SOUTHWEST POWER POOL  
REGIONAL ENTITY  
2009 Statement of Activities Summary  
Legal and Regulatory**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>	<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>				
ERO Funding				
ERO Assessments	\$ 150,000	\$ 150,000	\$ -	0%
Penalty Sanctions	-	-	-	
<b>Total ERO Funding</b>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>	0%
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
<b>Total Funding</b>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>	0%
<b>Expenses</b>				
Personnel Expenses				
Salaries			\$ -	
Payroll Taxes			-	
Employee Benefits			-	
Savings & Retirement			-	
<b>Total Personnel Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings			\$ -	
Travel			-	
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Operating Expenses				
Consultants & Contracts			\$ -	
Office Rent			-	
Office Costs			-	
Professional Services		150,000	(150,000)	-100%
RE Trustee Fees			-	
Depreciation			-	
<b>Total Operating Expenses</b>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ (150,000)</u>	-100%
<b>Total Direct Expenses</b>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ (150,000)</u>	-100%
<b>SPP Inc. Indirect Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ (150,000)</u>	-100%
<b>Change in Assets</b>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	
<b>Fixed Assets</b>				
Depreciation	\$ -	\$ -	\$ -	
Computer & Software CapEx			-	
Furniture & Fixtures CapEx			-	
Equipment CapEx			-	
Leasehold Improvements			-	
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	

The 2009 Budget included an amount to support three hearings. No hearing occurred during 2009.

FTEs<sup>1</sup>

- - -

<sup>1</sup> SPP RE General Counsel was accounted for in the 2009 General and Administrative Program Budget for purposes of confidentiality.

**SOUTHWEST POWER POOL  
REGIONAL ENTITY  
2009 Statement of Activities Summary  
Information Technology**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>
Funding			
ERO Funding			
ERO Assessments	\$ -	\$ -	\$ -
Penalty Sanctions			-
<b>Total ERO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -
Testing Fees			-
Services & Software			-
Workshops			-
Interest			-
Miscellaneous			-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses			
Personnel Expenses			
Salaries			\$ -
Payroll Taxes			-
Employee Benefits			-
Savings & Retirement			-
<b>Total Personnel Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>
Meeting Expenses			
Meetings			\$ -
Travel			-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses			
Consultants & Contracts			\$ -
Office Rent			-
Office Costs			-
Professional Services			-
RE Trustee Fees			-
Depreciation			-
<b>Total Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Direct Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>SPP Inc. Indirect Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx			-
Furniture & Fixtures CapEx			-
Equipment CapEx			-
Leasehold Improvements			-
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-

Comments - Explain variances that are +/- 10%

The costs for IT services to support all RE programs are accounted for within the SPP, Inc. Indirect Expenses.

**SOUTHWEST POWER POOL  
REGIONAL ENTITY  
2009 Statement of Activities Summary  
Human Resources**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>
Funding			
ERO Funding			
ERO Assessments	\$ -	\$ -	\$ -
Penalty Sanctions			
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Expenses			
Personnel Expenses			
Salaries			\$ -
Payroll Taxes			-
Employee Benefits			-
Savings & Retirement			-
<b>Total Personnel Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>
Meeting Expenses			
Meetings			\$ -
Travel			-
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Operating Expenses			
Consultants & Contracts			\$ -
Office Rent			-
Office Costs			-
Professional Services			-
RE Trustee Fees			-
Depreciation			-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>SPP Inc. Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Fixed Assets			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx			-
Furniture & Fixtures CapEx			-
Equipment CapEx			-
Leasehold Improvements			-
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	-	-	-

Comments - Explain variances that are +/- 10%  
The costs for human resource services to support all RE programs are accounted for within the SPP, Inc. Indirect Expenses.

**SOUTHWEST POWER POOL  
REGIONAL ENTITY  
2009 Statement of Activities Summary  
Accounting and Finance**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>
Funding			
ERO Funding			
ERO Assessments	\$ -	\$ -	\$ -
Penalty Sanctions			
<b>Total ERO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses			
Personnel Expenses			
Salaries			\$ -
Payroll Taxes			-
Employee Benefits			-
Savings & Retirement			-
<b>Total Personnel Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>
Meeting Expenses			
Meetings			\$ -
Travel			-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Expenses			
Consultants & Contracts			\$ -
Office Rent			-
Office Costs			-
Professional Services			-
RE Trustee Fees			-
Depreciation			-
<b>Total Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Direct Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>SPP Inc. Indirect Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx			-
Furniture & Fixtures CapEx			-
Equipment CapEx			-
Leasehold Improvements			-
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-

Comments - Explain variances that are +/- 10%

The costs for accounting and finance services to support all RE programs are accounted for within the SPP, Inc. Indirect Expenses.

**CALCULATION OF THE SPP INDIRECT COST RATE**  
**RATE CALCULATIONS BASED ON 2008 BUDGET**

RESOURCE GROUPS	TOTAL EXPENSES	A HC	C = B x (% of A)		=C / (A x 1,880)
			INDIRECT COSTS TO ALLOCATE	TOTAL HOURS *	
Contract Services	8,673,243	44	8,371,767	82,720	101.21
Credit	1,245,688	3	570,802	5,640	101.21
Engineering	4,517,921	30	5,708,023	56,400	101.21
Market Development & Analysis	2,058,596	13	2,473,477	24,440	101.21
Operations	10,228,346	79	15,031,127	148,520	101.21
RE Compliance	1,247,227	5	951,337	9,400	101.21
Regulatory	2,986,328	5	951,337	9,400	101.21
RSC	703,017	-	-	-	
Settlements	5,264,198	14	2,663,744	26,320	101.21
Training	1,631,578	11	2,092,942	20,680	101.21
	<u>38,556,144</u>	<u>204</u>	<u>38,814,556</u>		

\* Based on 1,880 hours per year

SUPPORT GROUPS	TOTAL EXPENSES	HC	B	
			INDIRECT COSTS TO ALLOCATE	ADJUST
Accounting	1,595,703	8	1,595,703	
Administration	35,622,222	-	12,347,422	(23,274,800) a
Center of Excellence	487,091	1	487,091	
Communications	290,071	3	290,071	
Customer Service	347,863	4	347,863	
Human Resources	1,388,017	12	1,388,017	
Information Technology	17,469,963	81	17,469,963	
Legal	540,543	5	540,543	
Officers	2,584,600	7	1,846,143	(738,457) b
Process Integrity	1,065,573	7	1,065,573	
Project Management	1,436,168	13	1,436,168	
	<u>62,827,814</u>	<u>133</u>	<u>38,814,556</u>	<u>(24,013,257)</u>

a Less: FERC Fees of \$9.0MM; Market Depreciation of \$14.3MM

b Less: Michael Dessell and Charles Yeung

Indirect costs for allocation based on the 2008 budget is \$38.8MM as compared to the 2007 budget of \$36.4MM; representing an increase of 7%. These costs are allocated to SPP's Resource Groups based on headcount. Resource headcount in the 2008 budget is 204 as compared to the 2007 budget headcount of 176; representing an increase of 16%. The Indirect Cost rate has declined from \$110 in 2007 to \$101 in 2008 due to the growth of SPP's Resource Groups outpacing the growth in support costs.



RESOURCE GROUPS	TOTAL EXPENSES	HC	%	INDIRECT COSTS TO ALLOCATE	TOTAL HOURS	INDIRECT COST HOURLY RATE
Credit	\$441,321	3	1%	\$391,159.07	5,640	\$69.35
Settlements	\$4,737,693	14	6%	\$1,825,408.98	26,320	\$69.35
Inter-Regional Affairs	\$497,166	1	0%	\$130,386.36	1,880	\$69.35
Training	\$1,643,345	13	5%	\$1,695,022.63	24,440	\$69.35
Regional Entity Administration	\$552,498	7	3%	\$912,704.49	13,160	\$69.35
Regional Entity Compliance	\$1,849,993	7	3%	\$912,704.49	13,160	\$69.35
Regulatory	\$5,694,732	7	3%	\$912,704.49	13,160	\$69.35
Transmission Development	\$935,137	9	4%	\$1,173,477.20	16,920	\$69.35
Engineering	\$5,892,255	35	14%	\$4,563,522.46	65,800	\$69.35
Market Development & Analysis	\$1,794,400	14	6%	\$1,825,408.98	26,320	\$69.35
Operations	\$10,035,686	91	37%	\$11,865,158.40	171,080	\$69.35
Contract Services	\$9,739,888	45	18%	\$5,867,386.02	84,600	\$69.35
Regional State Committee	\$134,537	0	0%	\$0.00	0	
<b>Total</b>	<b>\$43,948,650</b>	<b>246</b>	<b>100%</b>	<b>\$32,075,044</b>		

SUPPORT GROUPS	TOTAL EXPENSES		ADJUSTMENTS	INDIRECT COSTS TO ALLOCATE
Administration	\$43,244,137	0	(\$28,490,548) a	\$14,753,589
Officers	\$3,445,439	8	(\$430,680) f	\$3,014,759
Accounting	\$1,020,531	10		\$1,020,531
Human Resources	\$1,585,937	18		\$1,585,937
SPP Compliance	\$751,008	8	(\$751,008) b	\$0
Internal Audit	\$1,207,610	5	(\$1,207,610) c	\$0
Project Management	\$1,269,206	9	(\$1,269,206) d	\$0
Communications	\$283,782	2		\$283,782
Customer Service	\$400,513	5		\$400,513
Legal	\$618,991	8		\$618,991
Information Technology	\$20,962,090	104	(\$10,565,150) e	\$10,396,940
<b>Total</b>	<b>\$74,789,245</b>	<b>177</b>	<b>(\$42,714,201)</b>	<b>\$32,075,044</b>

a Less: Administrative Overhead	
RT & MO Depreciation	\$14,189,000
FERC Assessments	\$13,104,283
Interest Exp & Derivative Adjust	\$1,364,875
FAS 158 Adjustment (Not Posted)	N/A
RE Trustee Expense	\$137,388
Interest Income	(\$304,998)
	<u>\$28,490,548</u>

b Less: SPP Compliance does not support the RE

c Less: Internal Audit does not support the RE

d Less: Project Management does not support the RE

e Less: Transmission & Market Support

f Less: Desselle Costs (Yeung included in Inter-Regional Affairs)

# **Southwest Power Pool, Inc.**

Accountants' Report and Financial Statements

December 31, 2009 and 2008

**Southwest Power Pool, Inc.**  
**December 31, 2009 and 2008**

**Contents**

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## Independent Accountants' Report

Board of Directors  
Southwest Power Pool, Inc.  
Little Rock, Arkansas

We have audited the accompanying balance sheets of Southwest Power Pool, Inc. as of December 31, 2009 and 2008, and the related statements of operations, members' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Power Pool, Inc. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

April 1, 2010

# Southwest Power Pool, Inc.

## Balance Sheets

(In Thousands)

December 31, 2009 and 2008

### Assets

	<u>2009</u>	<u>2008</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 36,170	\$ 24,342
Restricted cash deposits	19,740	17,777
Accounts receivable	15,083	11,644
Prepaid expenses and other	<u>3,619</u>	<u>2,257</u>
Total current assets	<u>74,612</u>	<u>56,020</u>
<b>Property and Equipment, At Cost</b>		
Land	328	328
Building	5,965	5,965
Furniture and fixtures	4,336	3,539
Equipment and machinery	21,956	18,100
Leasehold improvements	1,119	908
Software	62,466	53,058
Software in development	10,751	10,053
Construction in progress	<u>208</u>	<u>-</u>
	107,129	91,951
Less accumulated depreciation and amortization	<u>68,652</u>	<u>50,679</u>
	<u>38,477</u>	<u>41,272</u>
<b>Other Assets, Net</b>	<u>1,066</u>	<u>277</u>
	<u>\$ 114,155</u>	<u>\$ 97,569</u>

## Liabilities and Members' Deficit

	<u>2009</u>	<u>2008</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 11,469	\$ 7,501
Customer deposits	19,740	17,777
Current maturities of long-term debt <i>(Note 4)</i>	9,206	8,206
Accrued expenses	20,939	16,428
Deferred revenue	<u>6,089</u>	<u>4,130</u>
Total current liabilities	67,443	54,042
<b>Long-term Debt</b> <i>(Note 4)</i>	60,369	39,574
<b>Other Long-term Liabilities</b>	5,649	11,494
<b>Members' Deficit</b>	<u>(19,306)</u>	<u>(7,541)</u>
	<u>\$ 114,155</u>	<u>\$ 97,569</u>

**Southwest Power Pool, Inc.**  
**Statements of Operations**  
**(In Thousands)**  
**Years Ended December 31, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>Operating Income</b>		
Tariff fees and member assessments	\$ 72,385	\$ 68,397
Other member services	<u>29,234</u>	<u>23,648</u>
	<u>101,619</u>	<u>92,045</u>
<b>Operating Expenses</b>		
Salaries and benefits	50,140	41,880
Employee travel	1,404	1,367
Administrative	2,804	2,313
Regulatory assessment	13,104	9,525
Meetings	756	703
Communications system	3,255	2,653
Leases	1,533	1,014
Maintenance	5,292	4,221
Consulting services	18,645	17,495
Depreciation and amortization	<u>20,597</u>	<u>18,067</u>
	<u>117,530</u>	<u>99,238</u>
<b>Operating Loss</b>	<u>(15,911)</u>	<u>(7,193)</u>
<b>Other Income (Expense)</b>		
Interest income	305	648
Interest expense	(2,879)	(2,756)
Change in fair market value of interest rate swaps	1,698	(2,733)
Other income (expense)	<u>53</u>	<u>(478)</u>
	<u>(823)</u>	<u>(5,319)</u>
<b>Loss Before Change in Funded Status of Employee Benefit Plans</b>	(16,734)	(12,512)
<b>Change in Funded Status of Employee Benefit Plans</b>	<u>4,969</u>	<u>(3,912)</u>
<b>Net Loss</b>	<u>\$ (11,765)</u>	<u>\$ (16,424)</u>

**Southwest Power Pool, Inc.**  
**Statements of Members' Deficit**  
**Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Balance, Beginning of Year</b>	\$ (7,541)	\$ 8,883
Net loss	<u>(11,765)</u>	<u>(16,424)</u>
<b>Balance, End of Year</b>	<u>\$ (19,306)</u>	<u>\$ (7,541)</u>



**Southwest Power Pool, Inc.**  
**Statements of Cash Flows**  
**(In Thousands)**  
**Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Operating Activities</b>		
Net loss	\$ (11,765)	\$ (16,424)
Items not requiring cash		
Depreciation and amortization	20,597	18,067
Change in funded status of employee benefit plans	(4,969)	3,912
Loss on disposal of fixed assets	42	-
Change in fair market value of interest rate swaps	( 1,698)	2,733
Changes in assets and liabilities		
Accounts receivable	(3,439)	(3,958)
Prepaid expenses and other	(1,362)	(61)
Other assets	(229)	464
Accounts payable	3,969	784
Accrued expenses	6,471	3,731
Other long-term liabilities	<u>234</u>	<u>(156)</u>
Net cash provided by operating activities	<u>7,851</u>	<u>9,092</u>
<b>Investing Activities</b>		
Acquisition of property and equipment	<u>(17,817)</u>	<u>(16,323)</u>
Net cash used in investing activities	<u>(17,817)</u>	<u>(16,323)</u>
<b>Financing Activities</b>		
Repayments of long-term debt	(8,206)	(12,206)
Issuance of long-term debt	<u>30,000</u>	<u>10,000</u>
Net cash provided by (used in) financing activities	<u>21,794</u>	<u>(2,206)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<u>11,828</u>	<u>(9,437)</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>24,342</u>	<u>33,779</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 36,170</u>	<u>\$ 24,342</u>
<b>Supplemental Cash Flow Information</b>		
Interest paid (net of interest capitalized of \$323 in 2009)	\$ 3,032	\$ 2,878

# Southwest Power Pool, Inc.

## Notes to Financial Statements

December 31, 2009 and 2008

### **Note 1: Nature of Operations and Summary of Significant Accounting Policies (In Thousands)**

#### ***Nature of Operations***

Southwest Power Pool, Inc. (the Company) is a not-for-profit entity formed in 1941 and incorporated in 1994. The Company is a Federal Energy Regulatory Commission (FERC)-approved regional transmission organization (RTO) serving more than five million ultimate customers across all or parts of nine states. The Company's membership consists of investor-owned utilities, municipal systems, generation and transmission cooperatives, state authorities, independent power producers, contract participants, power marketers and independent transmission companies.

Major services provided by the Company to its members and customers include tariff administration, electric reliability coordination, regional transmission scheduling, energy imbalance service (EIS) market operations, and regional transmission expansion planning.

The Company also serves as the Regional Entity (RE) for its region. The primary responsibility of the RE is the enforcement of North American Electric Reliability Corporation (NERC)-approved reliability standards for users, owners and operators of the bulk power system within the region.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents and Deposits (In Thousands)***

The Company considers all highly liquid interest-earning investments with stated maturities and coupon rate reset dates of no more than three months to be cash equivalents. The Company's cash and cash equivalents, including restricted deposits, are invested primarily in money market funds, mutual funds and repurchase agreements. These investments are typically revalued to the market each day and, in the case of repurchase agreements, are collateralized by U.S. government and federal agency securities. The Company's cash and cash equivalents consist primarily of funds accumulated for general operating purposes. Restricted cash deposits consist primarily of customer security deposits, amounts deposited for engineering studies and funds held in escrow for disputed invoices.

The financial institution holding the Company's cash accounts, which are subject to FDIC insurance, is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through June 30, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

**Southwest Power Pool, Inc.**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

Effective October 3, 2008, the FDIC's insurance limits increased to \$250. The increase in federally insured limits is currently set to expire December 31, 2013. At December 31, 2009 and 2008, the Company's interest-bearing cash accounts exceeded federally insured limits by approximately \$48,973 and \$28,686, respectively. However, the Company requires the financial institutions holding its cash balances to be rated A or better by nationally recognized rating agencies.

***Income Taxes***

The Company is exempt from income taxes under Section 501c(6) of the Internal Revenue Code and a similar provision of state law. However, the Company is subject to federal income tax on any unrelated business taxable income.

The Company files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Company is no longer subject to U.S. federal examinations by tax authorities for years before 2006.

***Accounts Receivable***

Accounts receivable are stated at the amount billed to members, customers and others plus any accrued and unpaid interest. The Company provides an allowance for doubtful accounts, when necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts that are unpaid after the due date bear interest at a rate set by FERC. Interest continues to accrue until the account is paid or deemed uncollectible.

***Property and Equipment (In Thousands)***

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset. The estimated useful lives are as follows:

Building	20 years
Furniture and fixtures	5 years
Equipment and machinery	3 years
Software	3 years
Leasehold improvements	Shorter of useful life or lease term

The Company capitalizes interest cost incurred on funds used to construct property, plant and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was \$323 in 2009.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

December 31, 2009 and 2008

The Company capitalizes development costs, including interest, for internal use software costs. These costs are included in software and software in development. Management of the Company is of the opinion that all costs capitalized in association with the software in development are fully recoverable over the anticipated life of the asset.

### ***Long-lived Asset Impairment***

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2009 and 2008.

### ***Revenue Recognition***

Revenues, consisting of member assessments, tariff administrative fees, contract services, and miscellaneous revenues, are recognized when earned and expenses are recognized when incurred.

### ***Customer Deposits***

Customers may be required to make deposits with the Company prior to the performance of transmission services and engineering studies. These amounts are typically held for the duration of the service and applied to the customer's final invoice. An offsetting liability equal to the deposit balance is recorded in current liabilities. Funds held in escrow related to disputed invoices are also recorded as a customer deposit under current liabilities.

### ***Tariff Fees and Member Assessments***

An administrative charge is applied to all transmission service under the Company's tariff to cover the expenses related to the administration of the tariff. The charge is calculated in accordance with the terms of the Company's Open Access Transmission Tariff. The administrative rate used for the calculation is established by the Board of Directors.

Members are assessed monthly based on their prior year average 12-month peak demand multiplied by the total hours in a month and by the monthly assessment rate as established by the Board. A member's monthly assessment is offset dollar for dollar for qualifying tariff administrative fees collected from a member in any given assessment period.

The Company collects a membership fee from each member annually. The amount of the membership fee is established by the Board of Directors of the Company. For 2009 and 2008, all members paid a \$6,000 membership fee.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

December 31, 2009 and 2008

The Company also bills transmission customers and transmission owners a charge under schedule 12 on all energy delivered under point-to-point transmission service and network integration transmission service. This provides a mechanism for recovering from transmission customers and transmission owners the annual charges the Company pays to FERC. The rate is developed by FERC in the prior calendar year and applied to energy transmitted in the second prior calendar year.

### ***Other Member Services***

The Company provides reliability, tariff administration and scheduling for non-members on a contract basis.

### ***Withdrawing Members***

Members wishing to withdraw their membership from the Company must provide 12 months written notice and are responsible for their portion of the Company's existing obligations as defined in the bylaws, which include unpaid membership fees, any assessments imposed prior to the effective withdrawal date, any costs or expenses imposed upon the Company as a direct consequence of the member's withdrawal, and the member's share of long-term obligations and related interest.

### ***Concentration of Credit Risk***

The Company is exposed to credit risk primarily through accounts receivable and uninsured cash equivalent balances. During 2009 and 2008, the Company maintained cash balances that exceeded the insurance limits of the Federal Deposit Insurance Corporation. However, the Company requires the financial institutions holding its cash balances to be rated A or better by nationally recognized rating agencies.

Because the Company considers all accounts receivable to be highly probably of collection, a reserve for doubtful accounts is not maintained. The Company requires its customers to meet certain minimum standards of financial condition and creditworthiness to receive unsecured credit from the Company. If these standards cannot be met by a counterparty, the Company requires the posting of defined financial security instruments to cover potential liabilities.

### **Note 2: Line of Credit (In Thousands)**

The Company has a \$20,000 revolving line of credit expiring in 2011. At December 31, 2009 and 2008, no amounts were borrowed against this line. The agreement has a variable interest rate equal to either the bank's prime rate or the London Interbank Offered Rate (LIBOR) plus a credit margin. The Company's line of credit requires compliance with certain financial and non-financial covenants as well as periodic reporting requirements. As of September 30, 2009, the Company was not in compliance with a certain financial covenant. However, the Company's lender waived in writing this event of non-compliance at September 30, 2009. Compliance with this quarterly covenant was restored as of December 31, 2009.

**Southwest Power Pool, Inc.**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

**Note 3: Significant Estimates and Concentrations**

***Current Economic Conditions***

The current protracted economic decline continues to present organizations with difficult circumstances and challenges, which in some cases have resulted in large declines in fair value of assets, decrease in revenues, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Company.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments that could negatively impact the Company's ability to meet debt covenants or maintain sufficient liquidity.

**Note 4: Long-term Debt and Interest Rate Swaps (In Thousands)**

***Long-term Debt***

	<u>2009</u>	<u>2008</u>
4.78% Term Notes due 2011 (A)	\$ 10,000	\$ 15,000
Variable Rate Term Note due 2027 (B)	4,575	4,780
Variable Rate Term Note due 2014 (C)	25,000	28,000
5.45% Term Note due 2016 (D)	30,000	-
	<u>69,575</u>	<u>47,780</u>
Less current maturities	<u>9,206</u>	<u>8,206</u>
	<u>\$ 60,369</u>	<u>\$ 39,574</u>

- (A) Due June 25, 2011; principal payable \$5,000 annually, beginning on June 25, 2007; interest payable semi-annually at 4.78%. The note agreement requires mandatory prepayments of outstanding principal upon withdrawal from the Company of various aggregates of membership. The Company was not subject to any mandatory prepayments during 2009 and 2008. Proceeds were used to fund general corporate activities. The notes are unsecured.
- (B) Due February 1, 2027; principal and interest are payable quarterly based on a 25-year amortization commencing May 1, 2007. The interest rate adjusts monthly based on the London Interbank Offered Rate (LIBOR) plus 0.85%. The note is secured by a first mortgage on the Company's operation facility.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

December 31, 2009 and 2008

- (C) Due December 25, 2014; interest is payable monthly and principal is payable quarterly based on a seven-year amortization. Payments commenced on March 25, 2008. The interest rate adjusts monthly based on the London Interbank Offered Rate (LIBOR) plus 0.30%. Proceeds were used to fund development of an energy trading market and other capital expenditures. The note is unsecured.
- (D) Due July 23, 2016; principal and interest are payable quarterly based on a seven-year amortization. Principal payments are to commence on March 31, 2011. The interest rate is fixed at 5.45%. Proceeds were used to fund development of an energy trading market and other capital expenditures. The note is unsecured.

The Company's note agreements require compliance with certain financial and non-financial covenants as well as periodic reporting requirements. As of September 30, 2009, the Company was not in compliance with a certain financial covenant. However, the Company's affected lenders waived in writing this event of non-compliance at September 30, 2009. Compliance with this quarterly covenant was restored as of December 31, 2009.

Aggregate annual maturities of long term debt at December 31, 2009, are:

2010	\$	9,206
2011		13,206
2012		11,206
2013		11,706
2014		11,706
Thereafter		<u>12,545</u>
	\$	<u>69,575</u>

### **Variable-to-Fixed Interest Rate Swap**

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Company entered into an interest rate swap agreement on September 15, 2006 with U.S. Bank National Association. The agreement provides for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 5.51% on notional amounts of \$4,539 and \$4,743 at December 31, 2009 and 2008, respectively. Under the agreement, the Company pays or receives the net interest amount quarterly, with the quarterly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation (Loan B).

The Company entered into another interest rate swap agreement on August 23, 2007, with U.S. Bank National Association. The agreement provides for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 5.31% on notional amounts of \$25,000 and \$28,000 at December 31, 2009 and 2008, respectively. Under the agreement, the Company pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation (Loan C).

# Southwest Power Pool, Inc.

## Notes to Financial Statements

December 31, 2009 and 2008

The table below presents certain information regarding the Company's interest rate swap agreements.

	2009	2008
Fair value of interest rate swap agreements	\$ 2,768	\$ 4,466
Balance sheet location of fair value amounts	Other Long-term Liabilities	Other Long-term Liabilities
Gain or (loss) recognized in statement of operations	\$ 1,698	\$ (2,733)
Location of gain (loss) recognized in statement of operations	Change in Fair Market Value of Interest Rate Swaps	Change in Fair Market Value of Interest Rate Swaps

### Note 5: Operating Leases (In Thousands)

The Company has noncancellable operating leases for office space and certain office equipment, which expire at various times through 2011. The Company incurred lease expense related to these operating leases of \$1,533 and \$1,014 in 2009 and 2008, respectively.

Future minimum lease payments at December 31, 2009, were:

2010	\$ 1,662
2011	1,376
2012	197
	\$ 3,235

### Note 6: Employee Benefit Plans (In Thousands)

#### *Pension and Other Postretirement Benefit Plans*

The Company has a noncontributory defined benefit pension plan covering all employees meeting eligibility requirements. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company expects to contribute approximately \$3,121 to the plan in 2010.

The Company has a noncontributory defined benefit postretirement health care plan covering eligible retirees, including those retiring between the ages of 55-65 and hired prior to January 1, 1996. Employees hired after June 1, 2006, are not eligible to participate in the defined postretirement health care plan. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company expects to contribute approximately \$511 to the plan in 2010.



# Southwest Power Pool, Inc.

## Notes to Financial Statements

December 31, 2009 and 2008

The Company uses a December 31 measurement date for the plans. Information about the plans' funded status is as follows:

	Pension Benefits		Postretirement Health Care Benefits	
	2009	2008	2009	2008
Benefit obligation	\$ 20,064	\$ 17,112	\$ 4,640	\$ 4,359
Fair value of plan assets	<u>17,822</u>	<u>11,023</u>	<u>5,228</u>	<u>3,625</u>
Funded status	<u>\$ (2,242)</u>	<u>\$ (6,089)</u>	<u>\$ 588</u>	<u>\$ (734)</u>

Amounts recognized in the balance sheets:

	Pension Benefits		Postretirement Health Care Benefits	
	2009	2008	2009	2008
Noncurrent assets	\$ 0	\$ 0	\$ 588	\$ 0
Noncurrent liabilities	<u>(2,242)</u>	<u>(6,089)</u>	<u>0</u>	<u>(734)</u>
	<u>\$ (2,242)</u>	<u>\$ (6,089)</u>	<u>\$ 588</u>	<u>\$ (734)</u>

Amounts recognized in members' equity not yet recognized as components of net periodic benefit cost as of December 31, 2009, consist of:

	Pension Benefits	Postretirement Health Care Benefits
Net (gain)/loss	\$ 4,344	\$ (607)
Prior service credit	(18)	-
Transition obligation	<u>181</u>	<u>49</u>
	<u>\$ 4,507</u>	<u>\$ (558)</u>

The accumulated benefit obligation for the defined benefit pension plan was \$15,211 and 12,786 at December 31, 2009 and 2008, respectively.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

December 31, 2009 and 2008

Other significant balances and costs are:

	Pension Benefits		Postretirement Health Care Benefits	
	2009	2008	2009	2008
Employer contributions	\$ 3,000	\$ 2,500	\$ 633	\$ 586
Benefits paid	121	121	17	7
Benefit costs	2,799	2,349	633	586

The following amounts have been recognized in the statements of operations for the year ended December 31, 2009:

	Pension Benefits		Postretirement Health Care Benefits	
Amounts arising during the period				
Net gain	\$	2,331	\$	1,066
Amounts recognized as components of net periodic benefit cost of the period				
Net loss		368		14
Net prior service credit		1		-
Net transition obligation		16		4

The estimated net loss, prior service cost and transition obligation for the defined benefit pension plan that will be amortized from members' equity into net period benefit cost over the next fiscal year are \$138, \$1 and \$16, respectively. There is no prior service credit for the defined benefit postretirement health care plan that will be amortized from members' equity into net periodic benefit cost over the next fiscal year.

**Southwest Power Pool, Inc.**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

Weighted-average assumptions used to determine benefit obligations and costs:

	<b>Pension Benefits</b>		<b>Postretirement Health Care Benefits</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Discount rate				
Benefit Obligation	6.75%	6.5%	6.75%	6.5%
Expected return on plan assets	7.0%	7.0%	7.0%	7.0%
Rate of compensation increase	4.5%	4.5%	-	-

The Company has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2009 and 2008. The rate was assumed to decrease gradually to 5% by the year 2015 and remain at that level thereafter.

On December 8, 2003, the *Medicare Prescription Drug, Improvement and Modernization Act of 2003* (the Act) was signed into law. The Act introduces a prescription drug benefit under Medicare Part D, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide benefits at least actuarially equivalent to Medicare Part D. The Company has not determined whether its plan provides benefits that are actuarially equivalent to Medicare Part D.

Financial Accounting Standards Board Staff Position 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2005*, subsequently incorporated into FASB Accounting Standards Codification (ASC) 715-60, requires federal subsidies, if any, attributable to past service to be accounted for as an actuarial gain and federal subsidies, if any, attributable to current service to be accounted for as a reduction of net periodic benefit cost. The measures of projected benefit obligation and periodic benefit costs do not reflect any amounts associated with the subsidy because the Company has been unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D. The effect of adopting the provisions of ASC 715-60, if and when the Company makes such a determination, is not expected to be material.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

December 31, 2009 and 2008

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31:

	<u>Pension Benefits</u>	<u>Postretirement Health Care Benefits</u>
2010	\$ 127	\$ 23
2011	146	37
2012	241	70
2013	358	108
2014	487	145
2015-2019	4,600	1,363

The Company's investment strategy is based on an expectation that equity securities will outperform fixed income securities over the long-term. Accordingly, the composition of the Company's plan assets is broadly characterized as a 70/30 allocation between equity and fixed income securities. The strategy utilizes indexed and actively managed mutual fund instruments as well as direct investment in individual equity and fixed income securities. Investments in the plans must adhere to the Investment Policy Statement developed by the Company. The Policy Statement limits investments in foreign securities to 20% of the total fair value of plan assets. The Investment Policy Statement is reviewed annually. At December 31, 2009 and 2008, plan assets by category are as follows:

	<u>Pension Plan Assets</u>		<u>Postretirement Health Care Plan Assets</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Fixed income securities	15%	20%	29%	24%
Equity securities	73	68	61	60
Cash and equivalents	<u>12</u>	<u>12</u>	<u>10</u>	<u>16</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

### ***Pension and Other Postretirement Plan Assets***

Following is a description of the valuation methodologies used for the pension and postretirement plan assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of the assets pursuant to the valuation hierarchy.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

**December 31, 2009 and 2008**

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include cash, money market accounts, mutual funds and common stock. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include foreign company stock, corporate debt obligations and government securities. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. At December 31, 2009, the Company does not hold any plan assets valued using Level 3 inputs.

The fair values of the Company's pension plan assets at December 31, 2009, by asset category are as follows:

Asset Category	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 3	\$ 3	\$ -	\$ -
Money market mutual funds	1,053	1,053	-	-
Mutual funds	5,887	5,887	-	-
Common stock	4,419	4,419	-	-
Foreign company stock	2,679	-	2,679	-
Corporate debt obligations	1,560	-	1,560	-
Foreign corporate debt obligations	217	-	217	-
Government securities	1,727	-	1,727	-
Foreign government securities	<u>277</u>	<u>-</u>	<u>277</u>	<u>-</u>
Total	<u>\$ 17,822</u>	<u>\$ 11,362</u>	<u>\$ 6,460</u>	<u>\$ 0</u>

# Southwest Power Pool, Inc.

## Notes to Financial Statements

December 31, 2009 and 2008

The fair value of the Company's other postretirement benefit plan assets at December 31, 2009, by asset category are as follows:

Asset Category	Total	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 5	\$ 5	\$ -	\$ -
Money market mutual funds	535	535	-	-
Mutual funds	2,929	2,929	-	-
Common stock	1,631	1,631	-	-
Foreign company stock	<u>129</u>	<u>-</u>	<u>129</u>	<u>-</u>
Total	\$ <u>5,228</u>	\$ <u>5,099</u>	\$ <u>129</u>	\$ <u>0</u>

### Defined Contribution Plans

The Company has a 401(k) defined contribution plan covering substantially all employees. The Company contributes funds to the plan on behalf of plan participants equal to 75% of the participants' elective deferrals up to 6% of deferred compensation. Contributions to the plan were \$1,494 and 1,241 for 2009 and 2008, respectively.

The Company has a 457(b) non-qualified tax-deferred compensation plan. This plan is an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly-compensated employees and, therefore, is intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of ERISA. Accumulated contributions and earnings of \$433 and \$205 are recorded in other long-term liabilities at December 31, 2009 and 2008, respectively. In 2009, the Company offered a 457(f) non-qualified tax-deferred compensation plan to a select group of executive management. The 457(f) plan is intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of ERISA and serves to further supplement benefits lost due to IRS limits on compensation and benefits. At December 31, 2009, accrued benefits of \$206 have been recorded in other long-term liabilities for the 457(f) plan participants.

### Note 7: Related Party Transactions (In Thousands)

General disbursements of the Company are apportioned to members based on the formula described in the bylaws of the Company (see *Note 1*). The Company's receivables from members totaled \$11,743 and \$8,823 as of December 31, 2009 and 2008, respectively. The Company recognized revenues of \$72,621 and \$67,392, including assessments and tariff administrative fees, from members for the years ended December 31, 2009 and 2008, respectively.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

December 31, 2009 and 2008

The Southwest Power Pool Regional State committee (RSC) was incorporated on April 7, 2004, in the State of Arkansas. The RSC is comprised of commissioners from public service commissions or equivalent, having regulatory authority over Company members. FERC, in its February 20, 2004, order regarding the Company's RTO application, stated, "the RSC should have primary responsibility for determining regional proposals and the transition process for funding of regional transmission enhancements, rate structure for a regional access charge and allocation of transmission rights." The RSC prepares budgets annually for the expected costs of its operations. This budget is submitted to the Company's Board of Directors for approval. The Company includes, in its annual budget, funds sufficient to cover 100% of the operating costs of the RSC. During 2009 and 2008, the Company incurred \$135 and \$812, respectively, in expenses attributable to RSC operations. Management of the Company expects such expenditures for 2010 to be approximately \$490.

### **Note 8: Open Access Transmission and EIS Market Operations (In Thousands)**

The Company provides short- and long-term firm and non-firm, point-to-point transmission services and network integration transmission service across 13 providers in nine states. The Company is responsible for the billing of the transmission customers for the respective services and the remittance of the subsequent collections to the transmission owner on a monthly basis. Billings for these transmission services are not included in the statements of operations. The Company receives a fee for facilitating the transmission process, which is recorded as tariff fees in the Company's statements of operations. For the years ended December 31, 2009 and 2008, the Company billed transmission customers \$537,367 and \$426,613, respectively. For the years ended December 31, 2009 and 2008, the Company remitted to transmission owners \$485,846 and \$389,383, respectively. At December 31, 2009 and 2008, the Company was due to collect from customers and remit to owners transmission service charges of \$43,544 and \$36,261, respectively.

The Company's EIS market is a wholesale market that operates under a tariff approved by FERC and is consistent with the mandate of the FERC Order No. 2000, which requires RTOs to provide real-time energy imbalance services and market monitoring functions. Weekly settlements of market participants' energy transactions are not reflected in the Company's statements of operations since they do not represent revenues or expenses of the Company as the Company merely acts as an intermediary in the settlement process. In this role, the Company receives and disburses funds to/from market participants on a weekly basis.

### **Note 9: Commitments and Contingencies (In Thousands)**

#### ***Litigation and Regulatory Matters***

The Company is engaged in various legal and regulatory proceedings at both the federal and state levels. The resolution of these matters is not expected to have a material adverse impact on the Company's financial position, cash flows or results of operations.

**Southwest Power Pool, Inc.**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

**Note 10: Subsequent Events (In Thousands)**

The Company received orders from FERC and the Arkansas Public Service Commission (ARPS) on January 15, 2010 and February 1, 2010, respectively, authorizing the issuance of up to \$150 million in senior debt within the next two years. The proceeds from the debt will be used for general corporate purposes as well as funding construction of the Company's new headquarters and future markets project. The Company expects to begin issuing debt during 2010 and expects to issue the full \$150 million by the end of 2011.

Subsequent events have been evaluated through April 1, 2010, which is the date the financial statements were available to be issued.

**Note 11: Disclosures About Fair Value of Financial Instruments**

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

***Interest Rate Swap Agreements***

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy. At December 31, 2009 and 2008, the fair value measurement of the interest rate swaps as recognized in the accompanying balance sheets was a liability of \$2,768 and \$4,466, respectively.



# Southwest Power Pool, Inc.

## Notes to Financial Statements

December 31, 2009 and 2008

### **Cash Equivalents**

The fair value of money market mutual funds included in cash equivalents are estimated using quoted prices in active markets for identical assets or liabilities. At December 31, 2009 and 2008, the fair value measurement of the cash equivalents as recognized in the accompanying balance sheets was \$7,450 and \$11,306, respectively.

The Company has no assets or liabilities measured and recognized in the accompanying balance sheets on a nonrecurring basis.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.

### **Restricted Cash Deposits**

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

### **Customer Deposits**

The carrying amount is a reasonable estimate of fair value.

### **Long-term Debt**

Fair value is estimated based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities.

The following table presents estimated fair values of the Company's financial instruments at December 31, 2009 and 2008.

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	\$ 36,170	\$ 36,170	\$ 24,342	\$ 24,342
Restricted cash deposits	19,740	19,740	17,777	17,777
Financial liabilities				
Customer deposits	19,740	19,740	17,777	17,777
Long-term debt	69,575	66,531	47,780	47,529
Swap agreements	2,768	2,768	4,466	4,466

**ATTACHMENT 8**

**2009 ACTUAL COST-TO-BUDGET COMPARISON**

**AND**

**2009 AUDITED FINANCIAL REPORT**

**FOR**

**TEXAS REGIONAL ENTITY,**

**A DIVISION OF**

**ELECTRIC RELIABILITY COUNCIL OF TEXAS**

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## MEMORANDUM

To: Michael Walker and Susan Turpen, NERC  
From: Todd Brewer, Manager, Finance & Accounting, Texas RE  
CC: Larry Grimm, CEO & CCO, Texas RE  
Date: May 21, 2010  
Re: 2009 True-Up Filing

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Dear Mike and Susan,

Texas Regional Entity (Texas RE) has completed the analysis requirements to file the true-up of fiscal year 2009 statutory revenues and expenses with NERC and ultimately which will be filed with FERC. Texas RE did not use Statutory funds for Non-statutory purposes. Additionally, it is Texas RE's policy to allocate indirect expenses to programs based on the pro-rata share of FTEs to total program FTEs. The variances for the year are as follows:

### INCOME

- The assessments receipts were as budgeted. However, revenues and expenses from the Operations Training Seminar (OTS) exceeded budget by \$112K for the year. The reason for the variance was due to a venue change that was not anticipated in the 2009 budget. The increased revenue was sufficient to offset the higher costs that were associated with the seminar. Additionally, Texas RE did earn a small amount of unplanned interest income which totaled \$3K for the year.

### EXPENSES

- **Personnel Expenses** (Actual – \$205K under budget)
  - Salary expenses were approximately \$89K under budget due to FTE vacancies throughout the year. The budget included 32 FTEs that were fully funded.
  - Payroll taxes are a function of the salary expense and were \$27K below budget. The FTEs were lower than planned, so too was the expense.
  - Employee benefits were planned at full staff and assumed the highest possible benefit plan selection by employees. Vacancies in staffing caused the expense in this category to be lower than planned by \$44K.
  - Savings and Retirement expense was under budget by \$45K due to the above mentioned vacancies.
- **Meetings** (Actual – \$44K over budget)
  - The Operations Training Seminar (OTS) was conducted at a different venue; this resulted in the costs associated with the OTS to exceed the original plan. However, Texas RE was able to adjust the registration fees charged to attendees to mitigate this variance before the seminar began.
- **Contracts & Consultants** (Actual – \$30K under budget)
  - The IT services expenses and support services expenses (HR, Treasury, Finance, and Board of Directors & Procurement) related to the memorandum of understanding between ERCOT ISO and Texas RE was less than budget primarily due to employee vacancies.

- **Rent & Improvements** (Actual – \$211K under budget)
  - The rent expense for 2009 was under budget due to a delay in Texas RE’s move. Texas RE planned for a January move-in date; however that was delayed to February 28th in order to complete leasehold improvements required for Texas RE to occupy the space. In addition to the delay, Texas RE was able to procure office space at a lower rentable square footage rate than was originally budgeted.
- **Office Costs** (Actual – \$24K over budget)
  - Overspending in this category was primarily related to the increased expense for materials at the OTS, wireless card expense, shredding services, and expenses related to the FERC audit of Texas RE.
- **Professional Services** (Actual – \$59K over budget)
  - Texas RE received notification that it would be required to reimburse NERC for \$119K in audit related expense associated with the audit of ERCOT ISO. This expense was not budgeted for 2009; however, this overage was offset by under spending in other areas.
- **Depreciation** (Actual – \$30K under budget)
  - Texas RE’s capital projects were under development for most of 2009. Texas RE does not depreciate a project until it is substantially complete. As a result of this, the depreciation expense recorded was less than originally budgeted.
- **Non-Operating Expenses** (Actual – \$855K under budget)
  - Texas RE had budgeted to establish a cash reserve of \$855K using non-operating expenses. The cash reserve was established and exists on Texas RE’s balance sheet. Due to the change in reporting to GAAP from a cash basis as existed previously, this category of expense for Texas RE became unnecessary.

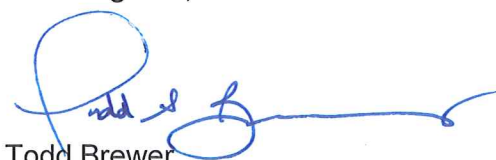
**FIXED ASSETS**

- Texas RE did incur expenses related to its portal, website and document management systems; net spending was \$271K. This was higher than budget by \$21K.

Texas RE budgeted to reduce its working capital/cash reserves by \$2,666K. The result of which would have been that Texas RE would have had \$855K in working capital/cash reserves by the end of the year, 2009. Texas RE actually reduced its working capital/cash reserve by \$1,369K (which was the amount of expense above the assessments received for the year). Based on the results of operations for 2009, Texas RE’s working capital/cash reserve was \$1,658K which is reflected on Texas RE’s balance sheet.

As you are reviewing the enclosed report, please do not hesitate to contact me at 512.225.7031 or Larry Grimm at 512.225.7025 with questions or concerns.

Best Regards,



Todd Brewer,  
Manager, Finance & Accounting  
Texas Regional Entity

**TEXAS REGIONAL ENTITY**  
**2009 Statement of Activities Summary**  
Based on Audited Financials

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 3,430,701	\$ 3,430,701	\$ -
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<b>\$ 3,430,701</b>	<b>\$ 3,430,701</b>	<b>\$ -</b>
Membership Fees & Non-Stat Assessments	653,601	871,997	(218,396)
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	179,313	70,000	109,313
Interest	2,940	-	2,940
Miscellaneous	-	-	-
<b>Total Funding</b>	<b>\$ 4,266,555</b>	<b>\$ 4,372,698</b>	<b>\$ (106,143)</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	2,781,099	2,945,048	(163,949)
Payroll Taxes	200,807	235,604	(34,796)
Employee Benefits	258,713	305,571	(46,858)
Savings & Retirement	367,322	421,495	(54,173)
<b>Total Personnel Expenses</b>	<b>\$ 3,607,942</b>	<b>\$ 3,907,718</b>	<b>\$ (299,776)</b>
<b>Meeting Expenses</b>			
Meetings	140,198	105,000	35,198
Travel	121,271	109,651	11,620
<b>Total Meeting Expenses</b>	<b>\$ 261,469</b>	<b>\$ 214,651</b>	<b>\$ 46,818</b>
<b>Operating Expenses</b>			
Consultants & Contracts	531,338	523,450	7,888
Office Rent	356,003	635,750	(279,747)
Office Costs	47,012	18,760	28,252
Professional Services	503,957	515,900	(11,943)
Miscellaneous	9,630	11,160	(1,530)
Depreciation	78,641	76,540	2,101
<b>Total Operating Expenses</b>	<b>\$ 1,526,581</b>	<b>\$ 1,781,560</b>	<b>\$ (254,980)</b>
<b>Total Direct Expenses</b>	<b>\$ 5,395,991</b>	<b>\$ 5,903,929</b>	<b>\$ (507,937)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ 885,000</b>	<b>\$ (885,000)</b>
<b>Change in Assets</b>	<b>\$ (1,129,436)</b>	<b>\$ (2,416,231)</b>	<b>\$ 1,286,794</b>
<b>Fixed Assets</b>			
Depreciation	(78,641)	(76,540)	(2,101)
Computer & Software CapEx	317,724	326,633	(8,909)
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>Change in Fixed Assets</b>	<b>\$ (239,083)</b>	<b>\$ (250,093)</b>	<b>\$ 11,010</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (1,368,519)</b>	<b>\$ (2,666,324)</b>	<b>\$ 1,297,804</b>
Full-Time Equivalent Employees (FTEs)	30.00	32.00	(2.00)

**TEXAS REGIONAL ENTITY**  
**2009 Statement of Activities Summary**  
Statutory Only

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 3,430,701	\$ 3,430,701	\$ -
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<u>\$ 3,430,701</u>	<u>\$ 3,430,701</u>	<u>\$ -</u>
Membership Fees & Non-Stat Assessments	-	-	-
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	179,313	70,000	109,313
Interest	2,940	-	2,940
Miscellaneous	-	-	-
<b>Total Funding</b>	<u>\$ 3,612,954</u>	<u>\$ 3,500,701</u>	<u>\$ 112,253</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	2,408,011	2,496,968	(88,957)
Payroll Taxes	173,138	199,757	(26,620)
Employee Benefits	215,295	259,628	(44,333)
Savings & Retirement	311,727	356,523	(44,796)
<b>Total Personnel Expenses</b>	<u>\$ 3,108,171</u>	<u>\$ 3,312,878</u>	<u>\$ (204,706)</u>
<b>Meeting Expenses</b>			
Meetings	140,170	105,000	35,170
Travel	116,394	107,470	8,924
<b>Total Meeting Expenses</b>	<u>\$ 256,563</u>	<u>\$ 212,470</u>	<u>\$ 44,093</u>
<b>Operating Expenses</b>			
Consultants & Contracts	457,110	487,054	(29,944)
Office Rent	306,269	517,550	(211,281)
Office Costs	42,354	18,280	24,074
Professional Services	485,321	426,000	59,321
Miscellaneous	7,961	11,160	(3,199)
Depreciation	46,459	76,540	(30,081)
<b>Total Operating Expenses</b>	<u>\$ 1,345,474</u>	<u>\$ 1,536,584</u>	<u>\$ (191,110)</u>
<b>Total Direct Expenses</b>	<u>\$ 4,710,208</u>	<u>\$ 5,061,932</u>	<u>\$ (351,723)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ 855,000</u>	<u>\$ (855,000)</u>
<b>Change in Assets</b>	<u>\$ (1,097,254)</u>	<u>\$ (2,416,231)</u>	<u>\$ 1,318,976</u>
<b>Fixed Assets</b>			
Depreciation	(46,459)	(76,540)	30,081
Computer & Software CapEx	317,724	326,633	(8,909)
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
<b>Change in Fixed Assets</b>	<u>\$ (271,265)</u>	<u>\$ (250,093)</u>	<u>\$ (21,172)</u>
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ (1,368,519)</u>	<u>\$ (2,666,324)</u>	<u>\$ 1,297,804</u>
Full-Time Equivalent Employees (FTEs)	26.26	26.95	(0.69)

**TEXAS REGIONAL ENTITY**  
**2009 Statement of Activities Summary**  
Standards

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>		<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 176,491	\$ 176,491	\$ -	0.00%	
Penalty Sanctions			-		
<b>Total ERO Funding</b>	<u>\$ 176,491</u>	<u>\$ 176,491</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments			-		
Testing Fees			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<u>\$ 176,491</u>	<u>\$ 176,491</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	148,798	127,238	21,560	16.94%	Higher amount of labor and related work in this activity than budgeted.
Payroll Taxes	11,489	10,179	1,310	12.87%	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been higher than planned, so too is the expense
Employee Benefits	9,807	14,320	(4,513)	-31.51%	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	20,393	18,450	1,943	10.53%	Savings and Retirement is a function of salary expense as well as FTE participation.
<b>Total Personnel Expenses</b>	<u>\$ 190,487</u>	<u>\$ 170,187</u>	<u>\$ 20,300</u>		
<b>Meeting Expenses</b>					
Meetings	217	-	217	100.00%	Hosted workgroup meetings at Texas RE's offices.
Travel	5,970	4,344	1,626	37.44%	Incurred higher travel for attendance at NERC meetings.
<b>Total Meeting Expenses</b>	<u>\$ 6,188</u>	<u>\$ 4,344</u>	<u>\$ 1,844</u>		
<b>Operating Expenses</b>					
Consultants & Contracts		-	-		
Office Rent			-		
Office Costs	987	1,960	(973)	-49.66%	Expected the employee training and membership costs to be higher in the budget.
Professional Services			-		
Miscellaneous			-		
Depreciation			-		
<b>Total Operating Expenses</b>	<u>\$ 987</u>	<u>\$ 1,960</u>	<u>\$ (973)</u>		
<b>Total Direct Expenses</b>	<u>\$ 197,661</u>	<u>\$ 176,491</u>	<u>\$ 21,171</u>		
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Change in Assets</b>	<u>\$ (21,170)</u>	<u>\$ 0</u>	<u>\$ (21,171)</u>		
<b>Fixed Assets</b>					
Depreciation			-		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ (21,170)</u>	<u>\$ 0</u>	<u>\$ (21,171)</u>		
Full-Time Equivalent Employees (FTEs)	1.75	1.70	0.05		

**TEXAS REGIONAL ENTITY**  
**2009 Statement of Activities Summary**  
Compliance and Organization Registration and Certification

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 1,628,935	\$ 1,628,935	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<u>\$ 1,628,935</u>	<u>\$ 1,628,935</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<u>\$ 1,628,935</u>	<u>\$ 1,628,935</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	1,329,177	1,164,106	165,071	14.18%	Higher amount of labor and related work in this activity than budgeted.
Payroll Taxes	96,086	93,128	2,958	3.18%	
Employee Benefits	116,130	134,510	(18,380)	-13.66%	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	170,523	163,258	7,265	4.45%	Savings and Retirement is a function of salary expense as well as FTE participation.
<b>Total Personnel Expenses</b>	<u>\$ 1,711,916</u>	<u>\$ 1,555,003</u>	<u>\$ 156,913</u>		
<b>Meeting Expenses</b>					
Meetings	604	-	604	100.00%	Hosted workgroup meetings at Texas RE's offices.
Travel	82,608	73,199	9,409	12.85%	Higher amount of travel to attend NERC meetings and workgroup meetings.
<b>Total Meeting Expenses</b>	<u>\$ 83,212</u>	<u>\$ 73,199</u>	<u>\$ 10,013</u>		
<b>Operating Expenses</b>					
Consultants & Contracts	-	-	-		
Office Rent	-	-	-		
Office Costs	5,928	600	5,328	888.00%	Added unbudgeted wireless cards in 2009.
Professional Services	161,353	-	161,353	100.00%	\$119K attributed to NERC audit expense reimbursement for their audit of ERCOT ISO. The remainder relates to contractor expense to support compliance group.
Miscellaneous	-	-	-		
Depreciation	-	-	-		
<b>Total Operating Expenses</b>	<u>\$ 167,281</u>	<u>\$ 600</u>	<u>\$ 166,681</u>		
<b>Total Direct Expenses</b>	<u>\$ 1,962,409</u>	<u>\$ 1,628,802</u>	<u>\$ 333,607</u>		
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Change in Assets</b>	<u>\$ (333,474)</u>	<u>\$ 133</u>	<u>\$ (333,607)</u>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx	-	133	(133)	-100.00%	Software purchase did not occur and was not necessary.
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ (133)</u>	<u>\$ 133</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ (333,474)</u>	<u>\$ (0)</u>	<u>\$ (333,474)</u>		
Full-Time Equivalent Employees (FTEs)	15.27	14.15	1.12		



**TEXAS REGIONAL ENTITY**  
**2009 Statement of Activities Summary**  
Reliability Assessment and Performance Analysis

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 365,180	\$ 365,180	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<u>\$ 365,180</u>	<u>\$ 365,180</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<u>\$ 365,180</u>	<u>\$ 365,180</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	42,182	270,100	(227,918)	-84.38%	Vacancies and workflow contributed to this lower than budgeted variance.
Payroll Taxes	3,023	21,608	(18,585)	-86.01%	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense
Employee Benefits	3,517	31,191	(27,674)	-88.73%	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	5,028	39,165	(34,137)	-87.16%	Savings and Retirement is a function of salary expense as well as FTE participation.
<b>Total Personnel Expenses</b>	<u>\$ 53,749</u>	<u>\$ 362,063</u>	<u>\$ (308,314)</u>		
<b>Meeting Expenses</b>					
Meetings	-	-	-		
Travel	2,156	3,117	(961)	-30.84%	Due to reduced FTEs, fewer trips were made in conjunction with performance analysis & reliability assessment.
<b>Total Meeting Expenses</b>	<u>\$ 2,156</u>	<u>\$ 3,117</u>	<u>\$ (961)</u>		
<b>Operating Expenses</b>					
Consultants & Contracts	-	-	-		
Office Rent	-	-	-		
Office Costs	86	-	86	100.00%	Fractional cell phone expense in support of the FTEs in this activity.
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
<b>Total Operating Expenses</b>	<u>\$ 86</u>	<u>\$ -</u>	<u>\$ 86</u>		
<b>Total Direct Expenses</b>	<u>\$ 55,990</u>	<u>\$ 365,180</u>	<u>\$ (309,190)</u>		
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Change in Assets</b>	<u>\$ 309,190</u>	<u>\$ -</u>	<u>\$ 309,190</u>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 309,190</u>	<u>\$ -</u>	<u>\$ 309,190</u>		
Full-Time Equivalent Employees (FTEs)	0.38	2.20	(1.82)		

**TEXAS REGIONAL ENTITY**  
**2009 Statement of Activities Summary**  
 Training and Education

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 106,415	\$ 106,415	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<u>\$ 106,415</u>	<u>\$ 106,415</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments			-		
Testing Fees			-		
Services & Software			-		
Workshops	179,313	70,000	109,313	156.16%	Charges collected were higher due to increased participation, as well as the higher expense of hosting at an alternate venue, offsite from the Texas RE offices.
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<u>\$ 285,728</u>	<u>\$ 176,415</u>	<u>\$ 109,313</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	98,308	52,608	45,700	86.87%	Higher amount of labor and related work in this activity than budgeted.
Payroll Taxes	7,814	4,209	3,605	85.66%	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been higher than planned, so too is the expense
Employee Benefits	11,128	5,524	5,604	101.44%	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	13,228	7,628	5,600	73.41%	Savings and Retirement is a function of salary expense as well as FTE participation.
<b>Total Personnel Expenses</b>	<u>\$ 130,478</u>	<u>\$ 69,969</u>	<u>\$ 60,509</u>		
<b>Meeting Expenses</b>					
Meetings	135,725	105,000	30,725	29.26%	Operations Training Seminar (OTS) costs were higher than planned. This is however, offset by workshop revenue collected.
Travel	1,668	1,446	222	15.34%	Mileage reimbursement for the OTS was higher than budgeted.
<b>Total Meeting Expenses</b>	<u>\$ 137,393</u>	<u>\$ 106,446</u>	<u>\$ 30,947</u>		
<b>Operating Expenses</b>					
Consultants & Contracts		-	-		
Office Rent		-	-		
Office Costs	10,256	-	10,256		Printing costs for the OTS was higher than planned. This was offset by attendance fee collections.
Professional Services		-	-		
Miscellaneous	5,924	-	5,924		I-Clicker purchase to facilitate interactive communication between OTS attendees and presenters.
Depreciation		-	-		
<b>Total Operating Expenses</b>	<u>\$ 16,180</u>	<u>\$ -</u>	<u>\$ 16,180</u>		
<b>Total Direct Expenses</b>	<u>\$ 284,051</u>	<u>\$ 176,415</u>	<u>\$ 107,636</u>		
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Change in Assets</b>	<u>\$ 1,677</u>	<u>\$ -</u>	<u>\$ 1,677</u>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 1,677</u>	<u>\$ -</u>	<u>\$ 1,677</u>		
Full-Time Equivalent Employees (FTEs)	1.44	0.60	0.84		

**TEXAS REGIONAL ENTITY**  
**2009 Statement of Activities Summary**  
 Situation Awareness and Infrastructure Security

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 159,129	\$ 159,129	\$ -	0.00%	
Penalty Sanctions			-		
<b>Total ERO Funding</b>	<b>\$ 159,129</b>	<b>\$ 159,129</b>	<b>\$ -</b>		
Membership Fees & Non-Stat Assessments			-		
Testing Fees			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<b>\$ 159,129</b>	<b>\$ 159,129</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	109,838	118,842	(9,004)	-7.58%	
Payroll Taxes	7,675	9,507	(1,832)	-19.27%	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense
Employee Benefits	8,540	12,479	(3,939)	-31.56%	Benefits are a function of the number of FTEs and the benefit plans selected by employees (budget assumed highest benefit level for the full FTE count).
Savings & Retirement	15,249	17,232	(1,983)	-11.51%	Savings and Retirement is a function of salary expense as well as FTE participation.
<b>Total Personnel Expenses</b>	<b>\$ 141,302</b>	<b>\$ 158,060</b>	<b>\$ (16,758)</b>		
<b>Meeting Expenses</b>					
Meetings			-		
Travel	5,044	1,069	3,975	371.84%	Higher rate of CIP travel for attendance at workgroup meetings.
<b>Total Meeting Expenses</b>	<b>\$ 5,044</b>	<b>\$ 1,069</b>	<b>\$ 3,975</b>		
<b>Operating Expenses</b>					
Consultants & Contracts			-		
Office Rent			-		
Office Costs	181		181	100.00%	Fractional cell phone expense in support of the FTEs in this activity.
Professional Services	4,734		4,734	100.00%	Outside service fee to obtain CIP personnel.
Miscellaneous			-		
Depreciation			-		
<b>Total Operating Expenses</b>	<b>\$ 4,915</b>	<b>\$ -</b>	<b>\$ 4,915</b>		
<b>Total Direct Expenses</b>	<b>\$ 151,261</b>	<b>\$ 159,129</b>	<b>\$ (7,868)</b>		
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Change in Assets</b>	<b>\$ 7,868</b>	<b>\$ -</b>	<b>\$ 7,868</b>		
<b>Fixed Assets</b>					
Depreciation			-		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 7,868</b>	<b>\$ -</b>	<b>\$ 7,868</b>		
Full-Time Equivalent Employees (FTEs)	1.06	1.50	(0.44)		

**TEXAS REGIONAL ENTITY**  
**2009 Statement of Activities Summary**  
 General and Administrative

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 257,531	\$ 257,531	\$ -	0.00%	
Penalty Sanctions					
<b>Total ERO Funding</b>	<u>\$ 257,531</u>	<u>\$ 257,531</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments					
Testing Fees					
Services & Software					
Workshops					
Interest	2,940		2,940	100.00%	Interest income for 2009.
Miscellaneous				100.00%	Other revenue collected, recognized under GAAP, but deferred/deposited in the regulatory liability for future use.
<b>Total Funding</b>	<u>\$ 260,471</u>	<u>\$ 257,531</u>	<u>\$ 2,940</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	679,709	764,074	(84,365)	-11.04%	Variance is attributed to employee vacancies.
Payroll Taxes	47,052	61,126	(14,074)	-23.02%	Payroll taxes (FICA, Medicare, SUTA, FUTA) are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense
Employee Benefits	66,173	61,605	4,568	7.42%	
Savings & Retirement	87,306	110,791	(23,485)	-21.20%	Savings and Retirement is a function of salary expense as well as FTE participation.
<b>Total Personnel Expenses</b>	<u>\$ 880,240</u>	<u>\$ 997,596</u>	<u>\$ (117,356)</u>		
<b>Meeting Expenses</b>					
Meetings	1,086	-	1,086	100.00%	Hosted RM meeting at Texas RE's offices.
Travel	13,207	12,820	387	3.02%	
<b>Total Meeting Expenses</b>	<u>\$ 14,293</u>	<u>\$ 12,820</u>	<u>\$ 1,473</u>		
<b>Operating Expenses</b>					
Consultants & Contracts	457,110	487,054	(29,944)	-6.15%	
Office Rent	306,269	517,550	(211,281)	-40.82%	Rent was substantially lower than budget due to Texas RE's procurement of less expensive office space.
Office Costs	15,779	13,320	2,459	18.46%	Slightly higher expense for wireless card service and shredding services than originally budgeted.
Professional Services	9,000	30,000	(21,000)	-70.00%	Texas spent less on its salary survey that originally anticipated.
Miscellaneous	445	10,515	(10,070)	-95.77%	Employee training costs incurred were less than planned. Additionally, the expense was incurred by each activity versus being charged to the G&A activity only.
Depreciation					
<b>Total Operating Expenses</b>	<u>\$ 788,603</u>	<u>\$ 1,058,439</u>	<u>\$ (269,836)</u>		
<b>Total Direct Expenses</b>	<u>\$ 1,683,136</u>	<u>\$ 2,068,855</u>	<u>\$ (385,719)</u>		
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ 855,000</u>	<u>\$ (855,000)</u>		
<b>Change in Assets</b>	<u>\$ (1,422,665)</u>	<u>\$ (2,666,324)</u>	<u>\$ 1,243,659</u>		
<b>Fixed Assets</b>					
Depreciation					
Computer & Software CapEx					
Furniture & Fixtures CapEx					
Equipment CapEx					
Leasehold Improvements					
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ (1,422,665)</u>	<u>\$ (2,666,324)</u>	<u>\$ 1,243,659</u>		
Full-Time Equivalent Employees (FTEs)	1.68	1.70	(0.02)		

**TEXAS REGIONAL ENTITY**  
**2009 Statement of Activities Summary**  
 Legal and Regulatory

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 314,394	\$ 314,394	\$ -	0.00%	
Penalty Sanctions			-		
<b>Total ERO Funding</b>	<u>\$ 314,394</u>	<u>\$ 314,394</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments			-		
Testing Fees			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<u>\$ 314,394</u>	<u>\$ 314,394</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries			-		
Payroll Taxes			-		
Employee Benefits			-		
Savings & Retirement			-		
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Meeting Expenses</b>					
Meetings	2,208	-	2,208		Hosted meetings at Texas RE's offices.
Travel	3,654	8,994	(5,340)	-59.37%	Travel was less than budget based on need. The majority of meetings attended by Texas RE legal were done via teleconference.
<b>Total Meeting Expenses</b>	<u>\$ 5,862</u>	<u>\$ 8,994</u>	<u>\$ (3,132)</u>		
<b>Operating Expenses</b>					
Consultants & Contracts			-		
Office Rent			-		
Office Costs	8,287	2,400	5,887	245.29%	Production costs for FERC audit.
Professional Services	130,945	300,000	(169,055)	-56.35%	Budget was established for total legal services under legal & regulatory, but actuals are charged to responsible programs/activities.
Miscellaneous	320	-	320	100.00%	Conference for continuing education was unbudgeted.
Depreciation			-		
<b>Total Operating Expenses</b>	<u>\$ 139,552</u>	<u>\$ 302,400</u>	<u>\$ (162,848)</u>		
<b>Total Direct Expenses</b>	<u>\$ 145,414</u>	<u>\$ 311,394</u>	<u>\$ (165,980)</u>		
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Change in Assets</b>	<u>\$ 168,980</u>	<u>\$ 3,000</u>	<u>\$ 165,980</u>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx		3,000	(3,000)	-100.00%	Computer purchase was not necessary.
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ (3,000)</u>	<u>\$ 3,000</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 168,980</u>	<u>\$ -</u>	<u>\$ 168,980</u>		
 Full-Time Equivalent Employees (FTEs)	 2.13	 2.55	 (0.42)		

**TEXAS REGIONAL ENTITY**  
**2009 Statement of Activities Summary**  
Information Technology

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 383,500	\$ 383,500	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<u>\$ 383,500</u>	<u>\$ 383,500</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments			-		
Testing Fees			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<u>\$ 383,500</u>	<u>\$ 383,500</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries			-		
Payroll Taxes			-		
Employee Benefits			-		
Savings & Retirement			-		
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Meeting Expenses</b>					
Meetings	329	-	329		Hosted a workgroup meeting at Texas RE's offices.
Travel	1,010	-	1,010		Travel for attendance of MOSS user conference.
<b>Total Meeting Expenses</b>	<u>\$ 1,339</u>	<u>\$ -</u>	<u>\$ 1,339</u>		
<b>Operating Expenses</b>					
Consultants & Contracts			-		
Office Rent			-		
Office Costs	679	-	679	100.00%	Cell phone reimbursement for IT department manager.
Professional Services	151,996	60,000	91,996	153.33%	Hosting expenses for Texas RE's website and compliance portal was significantly higher than budgeted.
Miscellaneous	1,272	-	1,272	100.00%	Training costs incurred to support IT department.
Depreciation	46,459	76,540	(30,081)	-39.30%	Depreciation expense was lower due to the later timing of portal and website project completion.
<b>Total Operating Expenses</b>	<u>\$ 200,406</u>	<u>\$ 136,540</u>	<u>\$ 63,866</u>		
<b>Total Direct Expenses</b>	<u>\$ 201,745</u>	<u>\$ 136,540</u>	<u>\$ 65,205</u>		
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Change in Assets</b>	<u>\$ 181,755</u>	<u>\$ 246,960</u>	<u>\$ (65,205)</u>		
<b>Fixed Assets</b>					
Depreciation	(46,459)	(76,540)	30,081	-39.30%	Depreciation expense was lower due to the later timing of portal and website project completion.
Computer & Software CapEx	317,724	323,500	(5,776)	-1.79%	
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<u>\$ (271,265)</u>	<u>\$ (246,960)</u>	<u>\$ (24,305)</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ (89,510)</u>	<u>\$ -</u>	<u>\$ (89,510)</u>		
 Full-Time Equivalent Employees (FTEs)	 1.68	 1.70	 (0.02)		

**TEXAS REGIONAL ENTITY**  
**2009 Statement of Activities Summary**  
Finance and Accounting

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 39,126	\$ 39,126	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<u>\$ 39,126</u>	<u>\$ 39,126</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments		-	-		
Testing Fees		-	-		
Services & Software		-	-		
Workshops		-	-		
Interest		-	-		
Miscellaneous		-	-		
<b>Total Funding</b>	<u>\$ 39,126</u>	<u>\$ 39,126</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries		-	-		
Payroll Taxes		-	-		
Employee Benefits		-	-		
Savings & Retirement		-	-		
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Meeting Expenses</b>					
Meetings		-	-		
Travel	1,077	2,481	(1,404)	-56.59%	Only attended 2 REBG meetings in 2009, versus planned 4 meetings.
<b>Total Meeting Expenses</b>	<u>\$ 1,077</u>	<u>\$ 2,481</u>	<u>\$ (1,404)</u>		
<b>Operating Expenses</b>					
Consultants & Contracts		-	-		
Office Rent		-	-		
Office Costs	171	-	171		Cell phone service for Finance personnel.
Professional Services	27,293	36,000	(8,707)	-24.19%	Audit expenses for 2009 were negotiated lower by switching vendors. In 2009, Ernst & Young provided Texas RE's audit services.
Miscellaneous		645	(645)	-100.00%	Training expenses were not incurred in 2009 for this activity.
Depreciation		-	-		
<b>Total Operating Expenses</b>	<u>\$ 27,464</u>	<u>\$ 36,645</u>	<u>\$ (9,181)</u>		
<b>Total Direct Expenses</b>	<u>\$ 28,541</u>	<u>\$ 39,126</u>	<u>\$ (10,585)</u>		
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>Change in Assets</b>	<u>\$ 10,585</u>	<u>\$ -</u>	<u>\$ 10,585</u>		
<b>Fixed Assets</b>					
Depreciation		-	-		
Computer & Software CapEx		-	-		
Furniture & Fixtures CapEx		-	-		
Equipment CapEx		-	-		
Leasehold Improvements		-	-		
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ 10,585</u>	<u>\$ -</u>	<u>\$ 10,585</u>		
Full-Time Equivalent Employees (FTEs)	0.87	0.85	0.02		

TEXAS REGIONAL ENTITY  
**2009 Statement of Activities Summary**  
 Non-Statutory Only

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments			\$ -
Penalty Sanctions			-
<b>Total ERO Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Fees & Non-Stat Assessments	653,601	871,997	(218,396)
Testing Fees			-
Services & Software			-
Workshops			-
Interest			-
Miscellaneous			-
<b>Total Funding</b>	<u>\$ 653,601</u>	<u>\$ 871,997</u>	<u>\$ (218,396)</u>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	373,088	448,080	(74,992)
Payroll Taxes	27,669	35,846	(8,177)
Employee Benefits	43,418	45,942	(2,524)
Savings & Retirement	55,595	64,972	(9,376)
<b>Total Personnel Expenses</b>	<u>\$ 499,771</u>	<u>\$ 594,840</u>	<u>\$ (95,069)</u>
<b>Meeting Expenses</b>			
Meetings	28	-	28
Travel	4,877	2,181	2,696
<b>Total Meeting Expenses</b>	<u>\$ 4,905</u>	<u>\$ 2,181</u>	<u>\$ 2,725</u>
<b>Operating Expenses</b>			
Consultants & Contracts	74,228	36,396	37,832
Office Rent	49,734	118,200	(68,466)
Office Costs	4,658	480	4,178
Professional Services	18,636	89,900	(71,264)
Miscellaneous	1,669	-	1,669
Depreciation	32,182	-	32,182
<b>Total Operating Expenses</b>	<u>\$ 181,107</u>	<u>\$ 244,976</u>	<u>\$ (63,869)</u>
<b>Total Direct Expenses</b>	<u>\$ 685,783</u>	<u>\$ 841,997</u>	<u>\$ (156,214)</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ (30,000)</u>
<b>Change in Assets</b>	<u>\$ (32,182)</u>	<u>\$ -</u>	<u>\$ (32,182)</u>
<b>Fixed Assets</b>			
Depreciation	(32,182)	-	(32,182)
Computer & Software CapEx			-
Furniture & Fixtures CapEx			-
Equipment CapEx			-
Leasehold Improvements			-
<b>Change in Fixed Assets</b>	<u>\$ 32,182</u>	<u>\$ -</u>	<u>\$ 32,182</u>
Full-Time Equivalent Employees (FTEs)	3.74	5.05	(1.31)

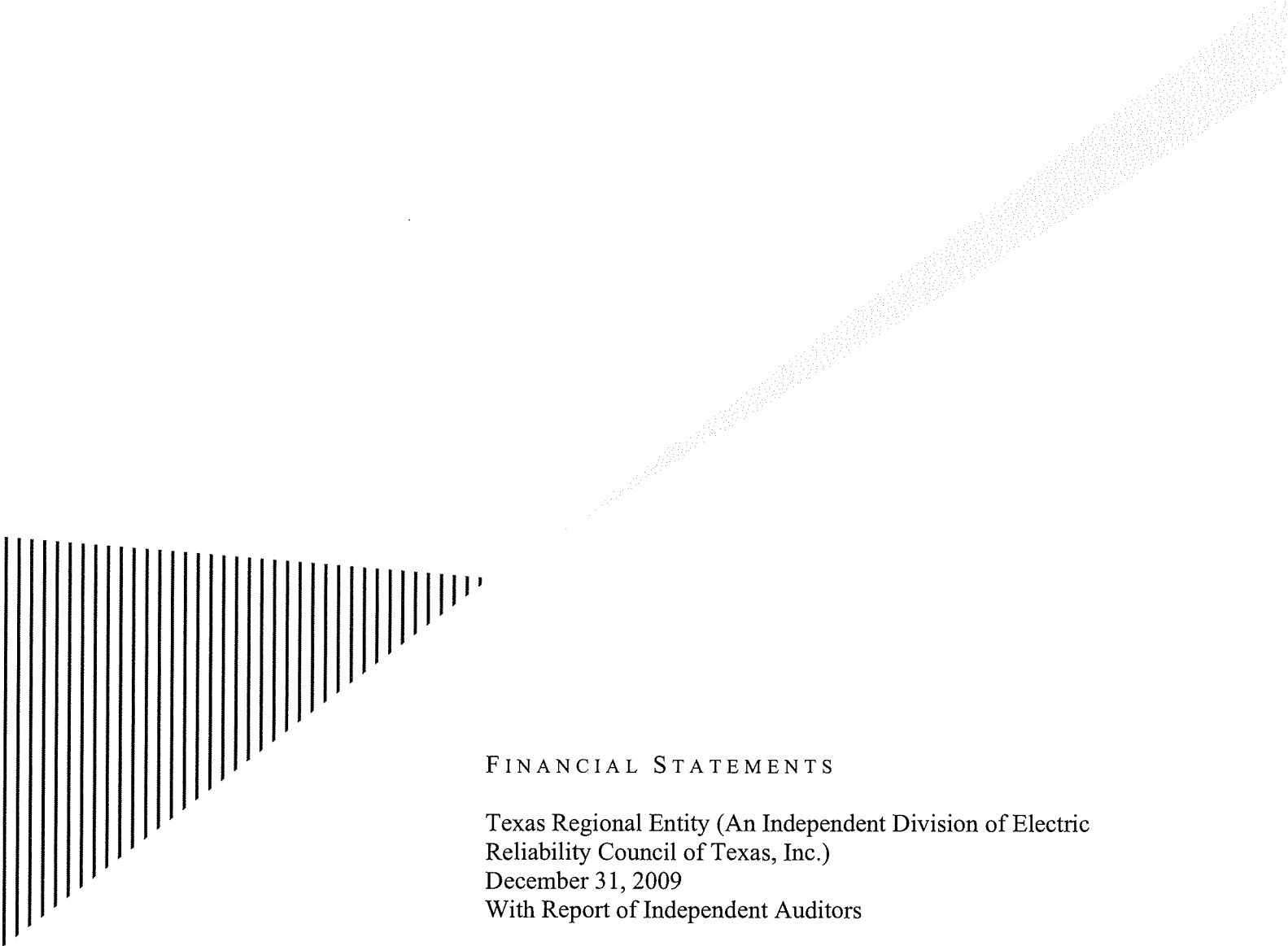


**Texas Regional Entity**  
 GAAP versus NERC Reporting  
 Reconciliation of Audited Financial Statements to NERC Reporting: Statement of Activities  
 For the Year-Ended 12/31/2009

	<u>2009 Actual</u>
<b>Funding</b>	
<b>ERO Funding</b>	
ERO Assessments	\$ 3,430,701
Penalty Sanctions	
<b>Total ERO Funding</b>	<u>\$ 3,430,701</u>
Membership Fees & Non-Stat Assessments	653,601
Testing Fees	-
Services & Software	-
Workshops	179,313
Interest	2,940
Miscellaneous	-
<b>Total Funding</b>	<u>\$ 4,266,555</u>
<b>Expenses</b>	
<b>Personnel Expenses</b>	
Salaries	2,781,099
Payroll Taxes	200,807
Employee Benefits	258,713
Savings & Retirement	367,322
<b>Total Personnel Expenses</b>	<u>\$ 3,607,942</u>
<b>Meeting Expenses</b>	
Meetings	140,198
Travel	121,271
<b>Total Meeting Expenses</b>	<u>\$ 261,469</u>
<b>Operating Expenses</b>	
Consultants & Contracts	531,338
Office Rent	356,003
Office Costs	47,012
Professional Services	503,957
Miscellaneous	9,630
Depreciation	78,641
<b>Total Operating Expenses</b>	<u>\$ 1,526,581</u>
<b>Total Direct Expenses</b>	<u>\$ 5,395,991</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ (1,129,436)</u>
<b>Fixed Assets</b>	
Depreciation	(78,641)
Computer & Software CapEx	317,724
Furniture & Fixtures CapEx	-
Equipment CapEx	-
Leasehold Improvements	-
<b>Change in Fixed Assets</b>	<u>\$ (239,083)</u>
<b>TOTAL CHANGE IN ASSETS PER NERC REPORT</b>	<u>\$ (1,368,519)</u>
<b>Adjustments</b>	
Revenue received for fines and penalties recorded for GAAP Purposes	10,000 *
<b>Final Net Change in Assets Recorded per Financial Statements</b>	<u>\$ (1,358,519)</u>

\*The fines and penalties amount remains with Texas RE's Regulatory Liability for future release. Texas RE established a regulatory liability per the Financial Accounting Standards Board's Pre-Codification Statement of Financial Accounting Standards (SFAS) number 71, Accounting for the Effects of Regulation. The established regulatory liability is an amount to eventually be paid back to decrease assessments and allow the appropriate treatment of unearned income for Texas RE. Due to the nature of Texas RE's consolidation within ERCOT's financial statements, Texas RE established this fund to ensure that any amounts that would have been recorded to retained earnings were protected and recorded to the regulatory liability instead. This ensures that those funds remain for Texas RE's future use.

In the 2011 budget, Texas RE will reflect a reduction to assessments, by showing the Penalty & Fines revenue received to date. This amount, per GAAP in the 2011 financial statement audit will be reflected as a release from the regulatory liability. The net effect will be a reduction to assessments for 2011. The check figure for the regulatory liability to ensure that only the appropriate amount of funds have been released is the amount reflected under retained earnings for the year is the capital expenditures, less depreciation.



FINANCIAL STATEMENTS

Texas Regional Entity (An Independent Division of Electric  
Reliability Council of Texas, Inc.)

December 31, 2009

With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Texas Regional Entity (An Independent Division of Electric  
Reliability Council of Texas, Inc.)

Financial Statements

December 31, 2009

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## Report of Independent Auditors

We have audited the accompanying statement of financial position of Texas Regional Entity (“Texas RE”) as of December 31, 2009, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of Texas RE’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of Texas RE’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Texas RE’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas Regional Entity at December 31, 2009, and the results of its activities and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

April 27, 2010

Texas Regional Entity (An Independent Division of Electric  
Reliability Council of Texas, Inc.)

Statement of Financial Position

	<b>2009</b>
	<i>(In Thousands)</i>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 2,551
Accounts receivable	1,757
Total current assets	4,308
Property and equipment, net	536
Total assets	\$ 4,844
 <b>Liabilities and unrestricted net assets (deficit)</b>	
Current liabilities:	
Accounts payable	\$ 490
Accrued liabilities	414
Deferred revenue	1,667
Current regulatory liabilities	78
Total current liabilities	2,649
Regulatory liabilities	1,658
Total liabilities	4,307
Unrestricted net assets	537
Total liabilities and unrestricted net assets	\$ 4,844

*The accompanying notes are an integral part of these financial statements.*

Texas Regional Entity (An Independent Division of Electric  
Reliability Council of Texas, Inc.)

Statement of Activities

	<b>2009</b>
	<i>(In Thousands)</i>
Operating revenues:	
System administration fees (non-statutory)	\$ 654
Statutory revenue	4,979
Total operating revenues	5,633
Operating expenses:	
Salaries and related benefits	4,130
Facility and equipment costs	491
Consulting and legal services	376
Depreciation	79
Administrative and other	319
Total operating expenses	5,395
Income from operations	238
Other income (expense):	
Interest income	3
Interest expense	(1)
Change in unrestricted net assets	240
Unrestricted net assets, beginning of year	297
Unrestricted net assets, end of year	\$ 537

*The accompanying notes are an integral part of these financial statements.*

Texas Regional Entity (An Independent Division of Electric  
Reliability Council of Texas, Inc.)

Statement of Cash Flows

	<b>2009</b>
	<i>(In Thousands)</i>
<b>Cash flows from operating activities</b>	
Change in unrestricted net assets	\$ 240
Adjustments to reconcile change in unrestricted net deficit to net cash used in operating activities:	
Depreciation	79
Changes in operating assets and liabilities:	
Accounts receivable	(1,477)
Other current assets	418
Accounts payable	(401)
Deferred revenue	1,667
Accrued liabilities	231
Regulatory liabilities	(1,359)
Net cash used in operating activities	(602)
<b>Cash flows from investing activities</b>	
Capital expenditures for property and equipment and systems under development	(388)
Net cash used in investing activities	(388)
Net decrease in cash and cash equivalents	(990)
Cash and cash equivalents, beginning of year	3,541
Cash and cash equivalents, end of year	\$ 2,551
<b>Supplemental disclosure of non-cash investing and financing activities</b>	
Change in accrued capital expenditures	\$ (70)

Texas Regional Entity (An Independent Division of Electric  
Reliability Council of Texas, Inc.)

Notes to Financial Statements

December 31, 2009  
*(Dollars in Thousands)*

**1. Organization and Operations**

Texas Regional Entity (Texas RE) is an independent division of Electric Reliability Council of Texas, Inc. (ERCOT), a Texas non-profit corporation. Since July 31, 2001, ERCOT has functioned as the independent system operator for its reliability region which comprises about 85% of the electrical load in Texas. Texas RE is not a separate legal entity from ERCOT and therefore does not have separate Corporate By-Laws.

The North American Electric Reliability Corporation (NERC) has been designated as the Electric Reliability Organization (ERO). In its capacity as ERO, NERC has been authorized to develop standards for the reliable operation and planning of the Bulk-Power System, to enforce compliance with those standards, and to conduct periodic assessments of the reliability and adequacy of the Bulk-Power System in North America. NERC must prepare an annual operating budget and submit the budget to the Federal Energy Regulatory Commission (FERC) for regulatory approval. During 2007, Texas RE was approved by FERC to contract with and perform certain activities for NERC. Texas RE performs those activities pursuant to the Delegation Agreement it signed with NERC, which was approved by FERC. In response to subsequent orders by FERC, Texas RE and NERC signed an Amended and Restated Delegation Agreement in both March 2008 and January 2009 (Delegation Agreement). Texas RE's activities under the Delegation Agreement are referred to herein as statutory activities.

Statutory activities authorize Texas RE to develop, monitor, assess, and enforce compliance with NERC reliability standards within the geographic boundaries of the ERCOT region. Texas RE monitors compliance with the reliability standards, and it may direct violators to comply with the standards and impose penalties for violations, subject to NERC and FERC approval.

In addition to Texas RE's statutory activities, Texas RE has been authorized by the Public Utility Commission of Texas (PUCT) and is permitted by NERC to monitor and investigate compliance with the ERCOT protocols and operating guides, working with PUCT staff regarding enforcement of potential violations. Texas RE's activities under PUCT authorization are referred to herein as non-statutory activities. The PUCT is responsible for enforcement of potential protocol and operating guide violations, but Texas RE coordinates with PUCT staff, as requested, regarding such enforcement, and the PUCT is responsible for penalties and sanctions that result from such violations.



Texas Regional Entity (An Independent Division of Electric  
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

*(Dollars in Thousands)*

**1. Organization and Operations (continued)**

Although Texas RE has been in existence since 2007, and had audited financial statements prepared for the year-ended December 31, 2008, these financial statements reflect a single year of activity in accordance with NERC requirements.

**Membership and Governance**

Because Texas RE is an independent division of ERCOT, members of ERCOT are also members of Texas RE. These members can be from any ERCOT segment and, except for members in the Consumer Segment, must have an actual financial interest in the retail or wholesale electric market in the ERCOT Region and be able to do business in one of these markets. Texas RE is governed by a Board of Directors composed of the same 16 members who comprise the ERCOT board, including the Chair of the PUCT and ERCOT's Chief Executive Officer. The Texas RE directors maintain independence from their role as ERCOT directors by holding board and committee meetings separately from ERCOT meetings and by not having any role regarding Texas RE's statutory compliance and enforcement activities.

**2. Summary of Significant Accounting Policies**

**Method of Accounting**

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Texas RE and ERCOT have entered into a Memorandum of Understanding (MOU), effective January 1, 2008 and amended February 16, 2009, to set forth agreed upon terms and conditions relating to the provision of administrative support services conducted by ERCOT staff for Texas RE. The MOU establishes procedures for the allocation of costs for administrative services (such as human resources, information technology, finance, procurement, etc.), facility and equipment, and administrative and other expenses. The MOU is intended solely to address how support services and other activities provided by ERCOT staff on behalf of Texas RE should be charged to Texas RE.

Texas Regional Entity (An Independent Division of Electric  
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

*(Dollars in Thousands)*

**2. Summary of Significant Accounting Policies (continued)**

**Accounting for the Effects of Regulation**

Texas RE performs its accounting with respect to the effects of certain types of regulation, which requires regulated entities, in appropriate circumstances, to establish regulatory assets and/or liabilities, and thereby defer the income statement impact of certain revenues and charges because it is probable they will be recognized, recovered, or repaid in future periods.

**Unrestricted Net Assets**

Unrestricted net assets are those that are not subject to restrictions or stipulations and that may be expendable for any purpose in performing Texas RE's objectives. Accordingly, net assets of Texas RE and changes therein are classified and reported as unrestricted net assets.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities of the financial statements and reported amounts of revenues, expenses, and capital expenditures during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of deposits in banks, money market investment accounts and overnight deposits in government-backed securities and other highly liquid investments with an original maturity date of 90 days or less. Deposits may exceed the Federal Deposit Insurance Corporation's insured limit of \$250 for each account.

Texas Regional Entity (An Independent Division of Electric  
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

*(Dollars in Thousands)*

**2. Summary of Significant Accounting Policies (continued)**

**Revenue Recognition**

Texas RE funds its statutory operations primarily from assessments collected from NERC. Texas RE collected \$3,431 from NERC during 2009. NERC disperses funds collected for Texas RE at or near the beginning of each quarter. Regulatory orders issued by FERC, include a requirement that NERC and entities to whom NERC has delegated some of its responsibility as the ERO are not entitled to keep financial variances realized as a result of their activity. If revenues exceed expenses incurred in a given year (favorable financial variance), the excess revenue realized in the year must be returned to rate payers in future years. Similarly, if revenues recorded are less than expenses incurred in a given year (unfavorable financial variance), the revenue shortfall realized in the year must be recovered from rate payers in future years. These variances are settled by FERC through an annual true-up function whereby the variances are added to or deducted from planned FERC funding levels in future budget years. Statutory revenues include \$1,359 of under collections in 2009, related to regulatory activities performed by Texas RE. Additionally, Texas RE collected \$189 for meeting fees and other.

Texas RE funds its non-statutory operations from revenues collected by ERCOT from a PUCT approved system administration fee. Texas RE collected revenue of \$654 to cover all operating expense and capital expenses incurred by Texas RE limited by its annual non-statutory budget. This funding arrangement for non-statutory activities is managed on a cost reimbursement approach based on actual expenses incurred whereby there is no surplus or shortfall except with regard to funding capital assets. As capital assets are funded by ERCOT but owned by Texas RE, the net book value of non-statutory fixed assets of \$100 is a component of the net asset balance of the organization. All non-statutory budgeted expenditures are approved by the Texas RE Board.

**Property and Equipment**

Property and equipment consists primarily of computer software and is recorded at cost of development. In 2009, Texas RE completed development of its website and a web-based compliance portal. Depreciation is computed on the straight-line method using the half-year convention over the estimated life of the asset. The cost of betterments to, or replacement of, property and equipment is capitalized. When assets are retired or otherwise disposed of, the cost

Texas Regional Entity (An Independent Division of Electric  
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

*(Dollars in Thousands)*

**2. Summary of Significant Accounting Policies (continued)**

and related depreciation are removed from the accounts and any resulting gain or loss is reflected in the statement of activities for the period. Repairs and maintenance costs are expensed when incurred. The depreciable life of software is 5 years from the date placed in service.

**Related Party Transactions**

Texas RE collects revenue to cover all operating expenses and capital expenses incurred for non-statutory activities (referenced in Note 2, Revenue Recognition). All funding for non-statutory activities is provided by ERCOT based on actual expenses incurred. Texas RE settles its related party transactions generally one month in arrears. Texas RE is reflecting \$78 as an intercompany receivable in the accounts receivable line. This represents the expenses incurred by Texas RE that are reimbursable by ERCOT (e.g. non-statutory revenue). Additionally, Texas RE is reflecting \$487 as an intercompany payable in the accounts payable line. This represents expenses incurred by ERCOT for the benefit of Texas RE that must be settled. The expenses in this category generally include payroll, MOU expenses, etc.

**Impairment**

Texas RE evaluates long-lived assets for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is identified by comparing expected future cash flows, undiscounted and before interest, to the carrying value of the asset. If impairment exists, it is measured as the difference between the net book value of the asset and its estimated fair value. No impairments requiring write-offs were identified in 2009.

**Recent Accounting Pronouncements**

Effective for financial statements issued after June 15, 2009, Texas RE adopted Statement of Financial Accounting Standard (SFAS) No. 165, Subsequent Events, which is codified in the Subsequent Events Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). SFAS No. 165 does not significantly change the prior accounting practice for subsequent events, except for the requirement to disclose the date through which an entity has evaluated subsequent events and the basis for that date. Texas RE has evaluated material subsequent events through April 27, 2010, the date the Company's financial statements were available to be issued.

Texas Regional Entity (An Independent Division of Electric  
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

*(Dollars in Thousands)*

**2. Summary of Significant Accounting Policies (continued)**

Effective for financial statements issued after July 1, 2009, Texas RE adopted Accounting Standards Update (ASU) No. 2009-1, Topic 105: Generally Accepted Accounting Principles – amendments based on Statement of Financial Accounting Standards No. 168 – The FASB Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles.” ASU No. 2009-1 re-defines authoritative generally accepted accounting principles (GAAP) for nongovernmental entities to comprise only the FASB ASC and, for Securities Exchange Commission (SEC) registrants, guidance issued by the SEC. Adoption of ASC No. 2009-01 only changed the referencing convention of GAAP in the Texas RE Financial Statements.

**3. Fair Value Measurement**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on inputs of observable and unobservable market data that a market participant would use in pricing the asset or liability. The use of observable inputs is maximized where available and the use of unobservable inputs is minimized for a fair value measurement. As a means to illustrate the inputs used, a three-tier fair value hierarchy that prioritizes inputs to valuation techniques was used for fair value measurement.

- Level 1 valuations use quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 valuations use inputs, other than those included in Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 valuations use unobservable inputs for the asset or liability. Unobservable inputs are used to the extent observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The input may reflect the assumptions of the reporting entity of what a market participant would use in pricing an asset or liability.

Texas Regional Entity (An Independent Division of Electric  
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

*(Dollars in Thousands)*

**3. Fair Value Measurement (continued)**

In the case of multiple inputs being used in a fair value measurement, the lowest level input that is significant to the fair value measurement represents the level in the fair value hierarchy in which the fair value measurement is reported.

The following table sets forth by level within the fair value hierarchy Texas RE's financial assets that were accounted for at fair value on a recurring basis for the year ended December 31, 2009.

<u>As of December 31, 2009</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
Cash equivalents (a)	\$ 2,551	\$ 2,551	\$ —	\$ —
Total assets	<u>\$ 2,551</u>	<u>\$ 2,551</u>	<u>\$ —</u>	<u>\$ —</u>

(a) Amounts consist of deposits in banks and money market investments with an original maturity of 90 days or less. The company calculates fair value these money market funds using the market approach.

As of December 31, 2008, Texas RE had money market investments of \$418 in The Reserves Primary Fund. As The Reserve imposed redemption restrictions on all cash held in the Primary Fund, Texas RE classified these investments as Level 3 in the fair value hierarchy. In 2009, Texas RE received distribution of all money market investments (net of losses) classified as Level 3 at December 31, 2008. Changes in the fair value measurement of these investments recognized for the year ended December 31, 2009 are as follows:

Balance as of January 1, 2009	\$ 418
Collections and settlements	(418)
Ending balance as of December 31, 2009	<u>\$ —</u>

**4. Fixed Assets**

Fixed assets consist of the following for the year ended December 31, 2009:

Computer equipment and software	\$ 630
Less: accumulated depreciation	(93)
Property and equipment, net	<u>536</u>
Total fixed assets	<u>\$ 536</u>

Texas Regional Entity (An Independent Division of Electric  
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

*(Dollars in Thousands)*

**5. Employee Benefit Plans**

Texas RE employees are sponsored under the ERCOT Defined Contribution 401(k) Plan (the 401(k) Plan) which is subject to the provisions of the Employee Retirement Income Security Act of 1974. The 401(k) Plan utilized a third-party administrator to assist in the administration. Employees must be 21 years of age to be eligible to participate. ERCOT matches 75% of the employee's contribution up to 6% of eligible compensation as defined in the 401(k) Plan document. Employees are fully vested for the ERCOT match of 75% after five years. In addition, ERCOT contributes 10% of a participant's eligible compensation as defined in the 401(k) Plan document. Employees are fully vested for the ERCOT contributions of 10% after three years. Contributions related to Texas RE employees are allocated to Texas RE and are included in salaries and related benefits in the statement of activities. Employer contributions to the 401(k) plans were \$367 in 2009.

**6. Accounting for the Effects of Regulation**

In 2009, Texas RE collected \$3,431 from NERC, collected \$189 from meeting fees and fines, and earned \$3 in interest income. Texas RE incurred expenses of \$4,982 in performing functions delegated by NERC. This resulted in a decrease to the regulatory liability of \$1,359 in 2009. As such, Texas RE has deferred recognition of \$1,736 in revenues with the regulatory liability in the same amount at December 31, 2009. The NERC budgeting and true-up process provides that a portion of the deferred liability be applied toward the future budget year. Consistent with NERC's process, the amount of Texas RE's deferred liability to be applied toward 2010 funding will be \$78. As such, these amounts are classified as current with the remaining \$1,658 classified as non-current at December 31, 2009.

Texas Regional Entity (An Independent Division of Electric  
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

*(Dollars in Thousands)*

**6. Accounting for the Effects of Regulation (continued)**

The following is a reconciliation of Texas RE's regulatory liability for the year ended December 31:

	<b>2009</b>
Texas RE collections	\$ 3,620
Texas RE interest income	3
Less: Texas RE costs	4,982
(Over) under collections	1,359
Regulatory liabilities, beginning of year	(3,095)
Regulatory liabilities, end of year	\$ (1,736)
Current portion	\$ (78)
Long term portion	\$ (1,658)

**7. Contingencies**

Texas RE is party to regulatory and legal proceedings that management considers to be normal actions to which an enterprise of its size and nature might be subject. Such proceedings are not anticipated to have a material impact on Texas RE's financial condition, results of operations, or cash flow.

**8. Subsequent Disclosures**

On January 1, 2010, a new nonprofit Texas corporation called Texas Reliability Entity, Inc. (New Texas RE) was formed to assume the business, rights and obligations of Texas Regional Entity, an independent division of ERCOT (Original Texas RE). On February 19, 2010, NERC filed a petition with FERC requesting: (1) approval of an Amended and Restated Delegation Agreement between NERC and the New Texas RE to develop, and to monitor and enforce compliance with, reliability standards in the ERCOT Region; (2) termination of the existing Amended and Restated Delegation Agreement between NERC and Original Texas RE, to be effective on the date New Texas RE takes over such functions; and (3) approval of an Amended 2010 Business Plan and Budget for New Texas RE, and increased assessments to load-serving entities and their designees within the ERCOT Region. NERC and Texas RE have requested FERC approval of the petition by May 20, 2010. If the petition is approved, Texas RE plans to transfer its assets and liabilities to New Texas RE during the summer of 2010.



**ATTACHMENT 9**

**2009 ACTUAL COST-TO-BUDGET COMPARISON**

**AND**

**2009 AUDITED FINANCIAL REPORT**

**FOR**

**WESTERN ELECTRICITY COORDINATING COUNCIL**



Tricia H. Kritzberg, CPA  
Controller

801.883.6866  
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May 4, 2010

Mr. Michael Walker  
Chief Financial and Administrative Officer  
North American Electric Reliability Corporation  
116-390 Village Boulevard  
Princeton, New Jersey 08540-5721

RE: WECC 2009 True-Up Filing

Dear Mike,

Attached is WECC's submittal of its true-up analysis of variances between the 2009 Board approved budget and audited financials as of 12/31/09. This information is intended to respond to the Federal Energy Regulatory Commission June 29, 2009 order issued in Docket No. RR07-16-005 "Order Conditionally Accepting Compliance Filing" directing NERC and the regional entities to file 2009 True-Up Filings no later than May 30, 2010.

Actual total expenses (net of depreciation expense of \$2,834,722) were \$34,724,467. This amount is \$3,549,097 (9 percent) under the 2009 total budgeted expenses of \$38,273,564. This under-spending resulted in a positive impact on cash and WECC's cash reserve balance as of December 31, 2009.

WECC has one non-statutory activity, the Western Renewable Energy Generation Information System (WREGIS). WECC utilizes a fund accounting system that allows costs to be segregated between statutory and non-statutory activities ensuring that no statutory funding is used for non-statutory activities. These same principles of segregating costs are also used to ensure that costs are segregated to federal grant activities in accordance with federal cost accounting requirements.

For 2009 actuals, WECC did not allocate any indirect costs to Statutory program areas. Indirect costs were allocated to Non-statutory (WREGIS) activities in several ways, and the allocation was dependent on the type of cost being allocated:

- WECC Executive and Administrative support salaries were allocated to WREGIS based on estimated percentages of time that executives, directors and administrative support spent on WREGIS matters multiplied by the individuals' annual salaries.
- Benefits (payroll taxes and insurance) were allocated to WREGIS based on a percentage of WREGIS salaries.
- Administrative costs (rent, facilities, utilities, office supplies, infrastructure costs, etc.) are allocated to WREGIS based on a percentage of WREGIS salaries to total WECC salaries.
- Business insurance is allocated to WREGIS based on headcount (ERISA, Chubb D&O/Employment Liability), or based on the actual increase<sup>4</sup> in premium and corresponding percentage of total insurance at the inception of the WREGIS program.

Significant variances are explained by line item based on program specific budgets and actual results. A summary of significant overall variances is described below. Year end variances greater than \$10,000

and 10 percent are explained below, in addition to any other variances that are noteworthy.

## FUNDING

- **Grant Funding (\$417K over budget):**
  - Grant funding was accrued in 2009 for expenses incurred in 2009 and will be recovered when the grants are signed. The Department of Energy allows WECC to seek reimbursement of pre-award costs incurred from the date of notification of award through the signing of the award.
- **Interest Income (\$263K under budget):**
  - Lower than expected interest rates.

## EXPENSES

- **Salaries (\$851K under budget)**
  - Lag in hiring and delays in backfilling several positions. Also, several budgeted positions were not hired in 2009.
- **Payroll Taxes (\$264K under budget)**
  - Hiring lags and delays in backfilling several positions. Payroll taxes fluctuate with salaries.
- **Benefits (\$1,220 under budget)**
  - Training is underutilized and is under budget.
  - HRA reimbursements are under budget.
  - Insurance costs are lower than expected due to hiring lags, delays in backfilling positions and the level of coverage selected (family, single, etc.) compared to what was budgeted.
  - Recruiting costs of \$350K were budgeted in Benefits, but actuals are considered part of Salaries.
- **Retirement Costs (\$188K under budget)**
  - The level of employee participation in the retirement plan was over-estimated.
  - Retirement costs fluctuate with salaries.
- **Meetings (\$244 under budget)**
  - Some in-person meetings were canceled during the year and web-conferences were employed. Also, attendance at some meetings was lower than anticipated.
- **Consultants and Contracts (\$1,431K under budget)**
  - Reliability Assessment and Performance Analysis consulting costs were \$657K under budget due to WECC's use of employees instead of consultants.
  - Projects included in the 2009 budget were not performed
  - License fees of \$580K were budgeted in Contracts but were appropriately recorded in Office Costs.
  - Other savings realized by using employees rather than consultants.
- **Office Costs (\$1,231K under budget)**
  - Internet/computer/data communications costs are less than anticipated due to improved procurement procedures in Situation Awareness.
  - Expenditures for capital equipment were budgeted in Office Costs but were appropriately recorded in Fixed Assets.
- **Depreciation (\$2,835 over budget)**
  - Depreciation was not budgeted in 2009.
- **Other Non-Operating Expenses (\$1,243K under budget)**
  - Interest expense is under budget due to a lower than anticipated floating rate on the line of credit.
  - A one million dollar addition to working capital reserves was budgeted as an Other Non-operating Expense. However, the addition to reserves flows to the bottom line for 2009

actuals reporting. An addition to reserves should not be an expense.

#### **FIXED ASSETS**

- **Computer & Software CapEx (\$1,645 over budget)**
  - Most of WECC's Computer and Software capital expenditures were budgeted in Contracts for 2009; WECC prepared its 2009 budget on a cash basis. NERC and the Regions are moving towards GAAP budgeting and reporting and actuals are being appropriately recorded in Fixed Assets.
  - WECC's Salt Lake City office is relocating in 2010 and some Computer equipment was purchased for that space in 2009.
- **Furniture & Fixtures CapEx (\$93K over budget)**
  - WECC Corporate and Compliance staff relocated to a new office space in Vancouver in 2009 and some new furniture was purchased which was not in the budget.
  - WECC's Salt Lake City office is relocating in 2010 and some Furniture and Fixtures were purchased for the space in 2009.
- **Leasehold Improvements (\$314K over budget)**
  - WECC's Corporate and Compliance staff relocated to a new office space in Vancouver in 2009 and some space modifications were required which were not in the budget.
  - The Loveland Reliability Coordination Center expanded its office space in 2009 and incurred unbudgeted Leasehold Improvements.
  - WECC's Salt Lake City office is relocating in 2010. Renovations at the new space began in 2009 and some leasehold improvement costs were incurred in 2009.

**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**2009 Statement of Activities Summary**  
Audited

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 37,088,502	\$ 37,088,502	\$ -
Penalty Sanctions			-
<b>Total ERO Funding</b>	<b>\$ 37,088,502</b>	<b>\$ 37,088,502</b>	<b>\$ -</b>
Membership Fees & Non-Stat	757,663	798,197	(40,534)
Testing Fees	417,168	-	417,168
Services & Software	-	85,082	(85,082)
Workshops	834,450	863,290	(28,840)
Interest	382,194	645,593	(263,399)
Miscellaneous	11,544	9,300	(2,916)
<b>Total Funding</b>	<b>\$ 39,491,521</b>	<b>\$ 39,489,964</b>	<b>\$ (3,603)</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	15,054,429	15,905,454	(851,025)
Payroll Taxes	1,007,221	1,270,888	(263,667)
Employee Benefits	2,135,192	3,355,585	(1,220,393)
Savings & Retirement	958,271	1,146,404	(188,133)
<b>Total Personnel Expenses</b>	<b>\$ 19,155,113</b>	<b>\$ 21,678,330</b>	<b>\$ (2,523,217)</b>
<b>Meeting Expenses</b>			
Meetings	1,095,599	1,339,926	(244,327)
Travel	1,408,723	1,553,096	(144,373)
<b>Total Meeting Expenses</b>	<b>\$ 2,504,322</b>	<b>\$ 2,893,022</b>	<b>\$ (388,700)</b>
<b>Operating Expenses</b>			
Consultants & Contracts	2,672,099	4,103,589	(1,431,490)
Office Rent	1,017,560	977,832	39,728
Office Costs	2,706,802	3,937,402	(1,230,600)
Professional Services	1,613,264	1,616,522	(3,258)
Miscellaneous	(9,340)	27,204	(36,544)
Depreciation	2,834,722	-	2,834,722
<b>Total Operating Expenses</b>	<b>\$ 10,835,106</b>	<b>\$ 10,662,549</b>	<b>\$ 172,557</b>
<b>Total Direct Expenses</b>	<b>\$ 32,494,541</b>	<b>\$ 35,233,901</b>	<b>\$ (2,739,360)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 3,012,571</b>	<b>\$ 4,256,063</b>	<b>\$ (1,243,492)</b>
<b>Change in Assets</b>	<b>\$ 3,984,409</b>	<b>\$ (0)</b>	<b>\$ 3,979,249</b>
<b>Fixed Assets</b>			
Depreciation	(2,834,722)	-	(2,834,722)
Computer & Software CapEx	1,644,674	-	1,644,674
Furniture & Fixtures CapEx	93,205	-	93,205
Equipment CapEx	-	-	-
Leasehold Improvements	314,197	-	314,197
<b>Change in Fixed Assets</b>	<b>\$ 782,646</b>	<b>\$ -</b>	<b>\$ 782,646</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 4,767,055</b>	<b>\$ (0)</b>	<b>\$ 4,761,895</b>
<b>FTE</b>	<b>155.0</b>	<b>144.0</b>	<b>11.0</b>

**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**2009 Statement of Activities Summary**  
**Statutory Only**

(In Whole Dollars)

	<u>2009 Actual</u>	<u>2009 Budget</u>	<u>2009 Variance</u>
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments	\$ 37,088,502	\$ 37,088,502	\$ -
Penalty Sanctions	-	-	-
<b>Total ERO Funding</b>	<b>\$ 37,088,502</b>	<b>\$ 37,088,502</b>	<b>\$ -</b>
Membership Fees & Non-Stat	-	-	-
Testing Fees	417,168	-	417,168
Services & Software	-	85,082	(85,082)
Workshops	832,425	863,290	(30,865)
Interest	382,194	645,593	(263,399)
Miscellaneous	6,384	9,300	(2,916)
<b>Total Funding</b>	<b>\$ 38,726,673</b>	<b>\$ 38,691,767</b>	<b>\$ 34,906</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	14,833,476	15,624,378	(790,902)
Payroll Taxes	990,322	1,270,888	(280,566)
Employee Benefits	2,094,350	3,185,703	(1,091,353)
Savings & Retirement	944,353	1,146,404	(202,051)
<b>Total Personnel Expenses</b>	<b>\$ 18,862,501</b>	<b>\$ 21,227,372</b>	<b>\$ (2,364,871)</b>
<b>Meeting Expenses</b>			
Meetings	1,094,628	1,338,726	(244,098)
Travel	1,399,184	1,526,096	(126,912)
<b>Total Meeting Expenses</b>	<b>\$ 2,493,812</b>	<b>\$ 2,864,822</b>	<b>\$ (371,010)</b>
<b>Operating Expenses</b>			
Consultants & Contracts	2,668,308	3,923,868	(1,255,560)
Office Rent	1,017,560	977,832	39,728
Office Costs	2,665,471	3,921,202	(1,255,731)
Professional Services	1,565,013	1,520,608	44,405
Miscellaneous	(137,867)	-	(137,867)
Depreciation	2,834,722	-	2,834,722
<b>Total Operating Expenses</b>	<b>\$ 10,613,206</b>	<b>\$ 10,343,510</b>	<b>\$ 269,696</b>
<b>Total Direct Expenses</b>	<b>\$ 31,969,519</b>	<b>\$ 34,435,704</b>	<b>\$ (2,466,185)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ 3,012,571</b>	<b>\$ 4,256,063</b>	<b>\$ (1,243,492)</b>
<b>Change in Assets</b>	<b>\$ 3,744,583</b>	<b>\$ (0)</b>	<b>\$ 3,744,583</b>
<b>Fixed Assets</b>			
Depreciation	(2,834,722)	-	(2,834,722)
Computer & Software CapEx	1,644,674	-	1,644,674
Furniture & Fixtures CapEx	93,205	-	93,205
Equipment CapEx	-	-	-
Leasehold Improvements	314,197	-	314,197
<b>Change in Fixed Assets</b>	<b>\$ 782,646</b>	<b>\$ -</b>	<b>\$ 782,646</b>
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 4,527,229</b>	<b>\$ (0)</b>	<b>\$ 4,527,229</b>
<b>FTE</b>	<b>151.0</b>	<b>140.0</b>	<b>11.0</b>

**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**2009 Statement of Activities Summary**  
**Reliability Standards**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 511,694	\$ 511,694	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 511,694</b>	<b>\$ 511,694</b>	<b>\$ -</b>		
Membership Fees & Non-Stat	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<b>\$ 511,694</b>	<b>\$ 511,694</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	342,354	393,342	(50,988)	-12.96%	.5 FTE budgeted in 2009 but position not filled
Payroll Taxes	23,569	-	23,569	78.26%	Payroll taxes, medical insurance, retirement, etc. was budgeted in administration for 2009 and actuals were the proper department
Employee Benefits	38,760	-	38,760		
Savings & Retirement	31,333	-	31,333		
<b>Total Personnel Expenses</b>	<b>\$ 436,016</b>	<b>\$ 393,342</b>	<b>\$ 42,674</b>	10.85%	
<b>Meeting Expenses</b>					
Meetings	11,069	28,032	(16,963)	-60.51%	Meeting expenses less than expected due to higher utilization of conference calls in lieu of in-person meetings
Travel	20,535	11,520	9,015	78.26%	
<b>Total Meeting Expenses</b>	<b>\$ 31,604</b>	<b>\$ 39,552</b>	<b>\$ (7,948)</b>	-20.10%	
<b>Operating Expenses</b>					
Consultants & Contracts	-	28,800	(28,800)	-100.00%	Employees used to perform planned tasks instead of consultants.
Office Rent	-	-	-		
Office Costs	4,190	-	4,190		Cell phones and internet expenses not budgeted. These expenses are billed to the department of the employee who incurs them
Professional Services	1,620	50,000	(48,380)	-96.76%	Less outside counsel work required than expected
Miscellaneous	-	-	-		
Depreciation	-	-	-		
<b>Total Operating Expenses</b>	<b>\$ 5,810</b>	<b>\$ 78,800</b>	<b>\$ (72,990)</b>	-92.63%	
<b>Total Direct Expenses</b>	<b>\$ 473,430</b>	<b>\$ 511,694</b>	<b>\$ (38,264)</b>	-7.48%	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Change in Assets</b>	<b>\$ 38,264</b>	<b>\$ -</b>	<b>\$ 38,264</b>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 38,264</b>	<b>\$ -</b>	<b>\$ 38,264</b>		
<b>FTE</b>	<b>3.0</b>	<b>4.0</b>	<b>(1.0)</b>		

**WESTRN ELECTRICITY COORDINATING COUNCIL**  
**2009 Statement of Activities Summary**  
**Compliance and Organization Registration and Certification**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 6,165,303	\$ 6,165,303	\$ -	0.00%	
Penalty Sanctions					
<b>Total ERO Funding</b>	<b>\$ 6,165,303</b>	<b>\$ 6,165,303</b>	<b>\$ -</b>		
Membership Fees & Non-Stat			-		
Testing Fees			-		
Services & Software			-		
Workshops	181,020		181,020		Not budgeted in 2009
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<b>\$ 6,346,323</b>	<b>\$ 6,165,303</b>	<b>\$ 181,020</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	3,193,682	3,267,237	(73,555)	-2.25%	
Payroll Taxes	229,388		229,388		Payroll taxes, medical insurance, retirement, etc. was budgeted in administration for 2009 and actuals were the proper department. Costs associated with relocation and training were budgeted and recorded in the proper department
Employee Benefits	415,928	75,004	340,924	454.54%	
Savings & Retirement	190,935		190,935		
<b>Total Personnel Expenses</b>	<b>\$ 4,029,933</b>	<b>\$ 3,342,241</b>	<b>\$ 687,692</b>		
<b>Meeting Expenses</b>					
Meetings	234,873	455,004	(220,131)	-48.38%	WECC and member facilities used when possible; fewer external meetings than budgeted; fewer participants; no hearings
Travel	397,468	689,090	(291,622)	-42.32%	2009 consulting travel was budgeted in travel but included on the consultant line item ; fewer consultants than expected
<b>Total Meeting Expenses</b>	<b>\$ 632,341</b>	<b>\$ 1,144,094</b>	<b>\$ (511,753)</b>		
<b>Operating Expenses</b>					
Consultants & Contracts	1,131,251	1,154,500	(23,249)	-2.01%	
Office Rent	176,021	138,264	37,757	27.31%	Rent increase, higher maintenance than expected and higher janitorial
Office Costs	174,184	227,204	(53,020)	-23.34%	Budget includes capital expenditures recorded in fixed assets
Professional Services	45,912	159,000	(113,088)	-71.12%	Legal costs were lower than expected
Miscellaneous			-		
Depreciation	139,960		139,960		Depreciation not budgeted in 2009
<b>Total Operating Expenses</b>	<b>\$ 1,667,328</b>	<b>\$ 1,678,968</b>	<b>\$ (11,640)</b>		
<b>Total Direct Expenses</b>	<b>\$ 6,329,602</b>	<b>\$ 6,165,303</b>	<b>\$ 164,299</b>		
<b>Other Non-Operating Expenses</b>			\$ -		
<b>Change in Assets</b>	<b>\$ 16,721</b>	<b>\$ -</b>	<b>\$ 16,721</b>		
<b>Fixed Assets</b>					
Depreciation	(139,960)		(139,960)		
Computer & Software CapEx	148,482		148,482		Capital expenditures included in office cost budget
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<b>\$ (8,522)</b>	<b>\$ -</b>	<b>\$ (8,522)</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 8,199</b>	<b>\$ -</b>	<b>\$ 8,199</b>		
<b>FTE</b>	<b>42.0</b>	<b>30.0</b>	<b>12.0</b>		



**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**2009 Statement of Activities Summary**  
**Reliability Readiness Audit and Improvement**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 216,400	\$ 216,400	\$ -	0.00%	Program terminated in 2009; actual costs are included in Technical Committee and Member Forums
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 216,400</b>	<b>\$ 216,400</b>	<b>\$ -</b>		
Membership Fees & Non-Stat	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<b>\$ 216,400</b>	<b>\$ 216,400</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	-	162,000	(162,000)	-100.00%	Program terminated at the beginning of 2009. Costs associated with the close-out of this program were recorded in Technical Committees and Member Forums.
Payroll Taxes	-	-	-		
Employee Benefits	-	-	-		
Savings & Retirement	-	-	-		
<b>Total Personnel Expenses</b>	<b>\$ -</b>	<b>\$ 162,000</b>	<b>\$ (162,000)</b>		
<b>Meeting Expenses</b>					
Meetings	-	-	-		
Travel	-	29,400	(29,400)	-100.00%	
<b>Total Meeting Expenses</b>	<b>\$ -</b>	<b>\$ 29,400</b>	<b>\$ (29,400)</b>		
<b>Operating Expenses</b>					
Consultants & Contracts	-	25,000	(25,000)	-100.00%	
Office Rent	-	-	-		
Office Costs	-	-	-		
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ 25,000</b>	<b>\$ (25,000)</b>		
<b>Total Direct Expenses</b>	<b>\$ -</b>	<b>\$ 216,400</b>	<b>\$ (216,400)</b>		
<b>Other Non-Operating Expenses</b>					
	-	-	-		
<b>Change in Assets</b>	<b>\$ 216,400</b>	<b>\$ -</b>	<b>\$ 216,400</b>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 216,400</b>	<b>\$ -</b>	<b>\$ 216,400</b>		
<b>FTE</b>	<b>-</b>	<b>2.0</b>	<b>(2.0)</b>		

**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**2009 Statement of Activities Summary**  
**Reliability Assessment and Performance Analysis**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 2,656,981	\$ 2,656,981	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 2,656,981</b>	<b>\$ 2,656,981</b>	<b>\$ -</b>		
Membership Fees & Non-Stat	-	-	-		
Grant Funding	46,422	-	46,422		Grant funding receivable associated with costs incurred in 2009 that are reimbursable per the grant's stipulations
Services & Software	-	85,082	(85,082)	-100.00%	DSW contract terminated and was not renewed
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<b>\$ 2,703,403</b>	<b>\$ 2,742,063</b>	<b>\$ (38,660)</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	1,190,755	1,094,310	96,445	8.81%	
Payroll Taxes	83,754	-	83,754		Payroll taxes, medical insurance, retirement, etc. was budgeted in administration for 2009 and actuals were the proper department;
Employee Benefits	161,727	81,045	80,682	99.55%	Costs associated with relocation and training were budgeted and recorded in the proper department
Savings & Retirement	96,356	-	96,356		
<b>Total Personnel Expenses</b>	<b>\$ 1,532,592</b>	<b>\$ 1,175,355</b>	<b>\$ 357,237</b>		
<b>Meeting Expenses</b>					
Meetings	110,672	167,450	(56,778)	-33.91%	Less meetings and conference calls held than anticipated
Travel	132,737	119,330	13,407	11.24%	Increase travel between WECC offices; higher travel costs to technical meetings
<b>Total Meeting Expenses</b>	<b>\$ 243,409</b>	<b>\$ 286,780</b>	<b>\$ (43,371)</b>		
<b>Operating Expenses</b>					
Consultants & Contracts	320,593	977,568	(656,975)	-67.21%	WECC staff was used on projects to minimize external consulting costs
Office Rent	-	-	-		
Office Costs	51,678	302,360	(250,682)	-82.91%	Capital expenditures budgeted in office costs in 2009 but recorded in fixed assets; some capital projects were
Professional Services	5,146	-	5,146		
Miscellaneous	2,421	-	2,421		
Depreciation	7,833	-	7,833		Depreciation not budgeted in 2009
<b>Total Operating Expenses</b>	<b>\$ 387,671</b>	<b>\$ 1,279,928</b>	<b>\$ (892,257)</b>		
<b>Total Direct Expenses</b>	<b>\$ 2,163,672</b>	<b>\$ 2,742,063</b>	<b>\$ (578,391)</b>		
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Change in Assets</b>	<b>\$ 539,731</b>	<b>\$ -</b>	<b>\$ 539,731</b>		
<b>Fixed Assets</b>					
Depreciation	(7,833)	-	(7,833)		
Computer & Software CapEx	47,000	-	47,000		Capital expenditures budgeted in office costs in 2009 budget recorded in fixed assets
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<b>\$ (39,167)</b>	<b>\$ -</b>	<b>\$ (39,167)</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 500,564</b>	<b>\$ -</b>	<b>\$ 500,564</b>		
<b>FTE</b>	<b>13.0</b>	<b>14.0</b>	<b>(1.0)</b>		

**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**2009 Statement of Activities Summary**  
**Training and Education**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments			\$ -		
Penalty Sanctions			-		
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
Membership Fees & Non-Stat			-		
Testing Fees			-		
Services & Software			-		
Workshops	651,405	863,290	(211,885)		Lower attendance than anticipated; some classes cancelled
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<b>\$ 651,405</b>	<b>\$ 863,290</b>	<b>\$ (211,885)</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	141,629	318,409	(176,780)	-55.52%	1.0 FTE budgeted but not filled in 2009
Payroll Taxes	10,850		10,850		Payroll taxes, medical insurance, retirement, etc. was budgeted in administration for 2009 and actuals were the proper department. Costs associated with relocation and training were budgeted and recorded in the proper department
Employee Benefits	(1,513)	163,981	(165,494)	-100.92%	
Savings & Retirement	11,714		11,714		
<b>Total Personnel Expenses</b>	<b>\$ 162,680</b>	<b>\$ 482,390</b>	<b>\$ (319,710)</b>		
<b>Meeting Expenses</b>					
Meetings	177,499	239,000	(61,501)	-25.73%	Some classes cancelled; lower than anticipated attendance
Travel	27,081	45,900	(18,819)	-41.00%	Classes cancelled requiring less travel
<b>Total Meeting Expenses</b>	<b>\$ 204,580</b>	<b>\$ 284,900</b>	<b>\$ (80,320)</b>		
<b>Operating Expenses</b>					
Consultants & Contracts	90,428	89,000	1,428	1.60%	
Office Rent	203		203		
Office Costs	80,964	7,000	73,964	1056.63%	Software license renewal not budgeted; higher than anticipated shipping and merchant card services fees
Professional Services			-		
Miscellaneous			-		
Depreciation			-		
<b>Total Operating Expenses</b>	<b>\$ 171,595</b>	<b>\$ 96,000</b>	<b>\$ 75,595</b>		
<b>Total Direct Expenses</b>	<b>\$ 538,855</b>	<b>\$ 863,290</b>	<b>\$ (324,435)</b>		
<b>Other Non-Operating Expenses</b>			<b>\$ -</b>		
<b>Change in Assets</b>	<b>\$ 112,550</b>	<b>\$ -</b>	<b>\$ 112,550</b>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 112,550</b>	<b>\$ -</b>	<b>\$ 112,550</b>		
<b>FTE</b>	<b>2.0</b>	<b>3.5</b>	<b>(1.5)</b>		

**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**2009 Statement of Activities Summary**  
**Situation Awareness and Infrastructure Security**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 14,143,679	\$ 14,143,679	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 14,143,679</b>	<b>\$ 14,143,679</b>	<b>\$ -</b>		
Membership Fees & Non-Stat			-		
Grant Funding	370,746		370,746		Grant funding receivable associated with expenses incurred in 2009 that are reimbursable per the stipulations of the grant
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<b>\$ 14,514,425</b>	<b>\$ 14,143,679</b>	<b>\$ 370,746</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	6,662,936	6,390,937	271,999	4.26%	
Payroll Taxes	447,409		447,409		Payroll taxes, medical insurance, retirement, etc. was budgeted in administration for 2009 and actuals were the proper department. Costs associated with relocation and training were budgeted and recorded in the proper department
Employee Benefits	687,116	327,671	359,445	109.70%	
Savings & Retirement	395,656		395,656		
<b>Total Personnel Expenses</b>	<b>\$ 8,193,117</b>	<b>\$ 6,718,608</b>	<b>\$ 1,474,509</b>		
<b>Meeting Expenses</b>					
Meetings	16,801	4,800	12,001	250.02%	Higher than expected conference call costs
Travel	333,429	96,000	237,429	247.32%	Unanticipated travel for cross training between RC offices; training travel
<b>Total Meeting Expenses</b>	<b>\$ 350,230</b>	<b>\$ 100,800</b>	<b>\$ 249,430</b>		
<b>Operating Expenses</b>					
Consultants & Contracts	886,700	528,000	358,700	67.94%	Consultants associated with planning on the grant funded Synchrophasor project
Office Rent	440,098	479,568	(39,470)	-8.23%	
Office Costs	848,592	2,520,640	(1,672,048)	-66.33%	Savings realized on computer communications contracts and software licensing
Professional Services	577,665	540,000	37,665	6.98%	
Miscellaneous			-		
Depreciation	1,769,851		1,769,851		Depreciation not budgeted in 2009
<b>Total Operating Expenses</b>	<b>\$ 4,522,906</b>	<b>\$ 4,068,208</b>	<b>\$ 454,698</b>		
<b>Total Direct Expenses</b>	<b>\$ 13,066,253</b>	<b>\$ 10,887,616</b>	<b>\$ 2,178,637</b>		
<b>Other Non-Operating Expenses</b>	<b>\$ 3,012,571</b>	<b>\$ 3,256,063</b>	<b>\$ (243,492)</b>		interest rate savings
<b>Change in Assets</b>	<b>\$ (1,564,399)</b>	<b>\$ -</b>	<b>\$ (1,564,399)</b>		
<b>Fixed Assets</b>					
Depreciation	(1,769,851)		(1,769,851)		
Computer & Software CapEx	950,165		950,165		Unanticipated build out in Loveland RC office
Furniture & Fixtures CapEx	61,488		61,488		Unanticipated build out in Loveland RC office
Equipment CapEx			-		
Leasehold Improvements	191,857		191,857		Unanticipated build out in Loveland RC office
<b>Change in Fixed Assets</b>	<b>\$ 566,341</b>	<b>\$ -</b>	<b>\$ 566,341</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (998,058)</b>	<b>\$ -</b>	<b>\$ (998,058)</b>		
<b>FTE</b>	<b>58.0</b>	<b>54.0</b>	<b>4.0</b>		

**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**2009 Statement of Activities Summary**  
**Committees and Member Forums**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 2,615,670	\$ 2,615,670	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 2,615,670</b>	<b>\$ 2,615,670</b>	<b>\$ -</b>		
Membership Fees & Non-Stat			-		
Testing Fees			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<b>\$ 2,615,670</b>	<b>\$ 2,615,670</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	461,343	607,094	(145,751)	-24.01%	1.5 FTE budgeted in 2009 but not filled
Payroll Taxes	35,279		35,279		Payroll taxes, medical insurance, retirement, etc. was budgeted in administration for 2009 and actuals were the proper department. Costs associated with relocation and training were budgeted and recorded in the proper department
Employee Benefits	35,716	19,400	16,316	84.10%	
Savings & Retirement	38,970		38,970		
<b>Total Personnel Expenses</b>	<b>\$ 571,308</b>	<b>\$ 626,494</b>	<b>\$ (55,186)</b>		
<b>Meeting Expenses</b>					
Meetings	519,569	430,440	89,129	20.71%	Meeting attendance lower than expected; cost savings realized due to more conference calls instead of in person meetings
Travel	192,594	241,756	(49,162)	-20.34%	NAD travel less than budgeted
<b>Total Meeting Expenses</b>	<b>\$ 712,163</b>	<b>\$ 672,196</b>	<b>\$ 39,967</b>		
<b>Operating Expenses</b>					
Consultants & Contracts	10,209	774,000	(763,791)	-98.68%	Costs budgeted in contracts were properly recorded in Office Costs
Office Rent			-		
Office Costs	676,184	117,880	558,304	473.62%	Costs budgeted in contracts were properly recorded in Office Costs
Professional Services	410,485	425,100	(14,615)	-3.44%	
Miscellaneous			-		
Depreciation	16,000		16,000		Depreciation not budgeted in 2009
<b>Total Operating Expenses</b>	<b>\$ 1,112,878</b>	<b>\$ 1,316,980</b>	<b>\$ (204,102)</b>		
<b>Total Direct Expenses</b>	<b>\$ 2,396,349</b>	<b>\$ 2,615,670</b>	<b>\$ (219,321)</b>		
<b>Other Non-Operating Expenses</b>			\$ -		
<b>Change in Assets</b>	<b>\$ 219,321</b>	<b>\$ -</b>	<b>\$ 219,321</b>		
<b>Fixed Assets</b>					
Depreciation	(16,000)		(16,000)		
Computer & Software CapEx	22,500		22,500		Not budgeted in 2009
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<b>\$ (6,500)</b>	<b>\$ -</b>	<b>\$ (6,500)</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 212,821</b>	<b>\$ -</b>	<b>\$ 212,821</b>		
<b>FTE</b>	<b>4.0</b>	<b>5.5</b>	<b>(1.5)</b>		

**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**2009 Statement of Activities Summary**  
**General and Administrative**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 8,501,713	\$ 8,501,713	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 8,501,713</b>	<b>\$ 8,501,713</b>	<b>\$ -</b>		
Membership Fees & Non-Stat	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	382,194	645,593	(263,399)	-40.80%	Lower rate of return on investments than expected
Miscellaneous	6,384	9,300	(2,916)	-31.35%	
<b>Total Funding</b>	<b>\$ 8,890,291</b>	<b>\$ 9,156,606</b>	<b>\$ (266,315)</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	1,319,885	2,179,735	(859,850)	-39.45%	Recruiting costs and bonuses wer less than expected
Payroll Taxes	79,701	1,270,888	(1,191,187)	-93.73%	Payroll taxes, medical insurance, retirement, etc. was budgeted in administration for 2009 and actuals were the proper department
Employee Benefits	529,229	2,518,602	(1,989,373)	-78.99%	
Savings & Retirement	97,752	1,146,404	(1,048,652)	-91.47%	
<b>Total Personnel Expenses</b>	<b>\$ 2,026,567</b>	<b>\$ 7,115,628</b>	<b>\$ (5,089,061)</b>		
<b>Meeting Expenses</b>					
Meetings	8,833	11,000	(2,167)	-19.70%	
Travel	124,611	293,100	(168,489)	-57.49%	Less travel between locations than expected by executive leadership.
<b>Total Meeting Expenses</b>	<b>\$ 133,444</b>	<b>\$ 304,100</b>	<b>\$ (170,656)</b>		
<b>Operating Expenses</b>					
Consultants & Contracts	205,362	22,000	183,362	833.46%	Consulting costs for WECC strategic plan and AUP development were not budgeted in 2009
Office Rent	401,238	360,000	41,238	11.46%	Rent, janitorial and maintenance higher than expected
Office Costs	620,236	274,378	345,858	126.05%	Accrual for Washington State tax liability; internet and communication costs budgeted in IT but recorded in Admin, Sal Lake new office building equipment purchases
Professional Services	44,495	80,500	(36,005)	-44.73%	Audit fee budget included in Admin but appropriately recorded in Finance budget
Miscellaneous	(140,288)	-	(140,288)		Allocation of indirect costs to non-statutory functions
Depreciation	810,670	-	810,670		Depreciation not budgeted in 2009
<b>Total Operating Expenses</b>	<b>\$ 1,941,713</b>	<b>\$ 736,878</b>	<b>\$ 1,204,835</b>		
<b>Total Direct Expenses</b>	<b>\$ 4,101,724</b>	<b>\$ 8,156,606</b>	<b>\$ (4,054,882)</b>		
<b>Other Non-Operating Expenses</b>	<b>\$ 1,000,000</b>	<b>\$ (1,000,000)</b>			
<b>Change in Assets</b>	<b>\$ 4,788,567</b>	<b>\$ (0)</b>	<b>\$ 4,788,567</b>		
<b>Fixed Assets</b>					
Depreciation	(810,670)	-	(810,670)		
Computer & Software CapEx	10,235	-	10,235		Equipment costs for new Salt Lake City office building
Furniture & Fixtures CapEx	31,717	-	31,717		Furniture and fixtures for new Salt Lake City office building
Equipment CapEx	-	-	-		
Leasehold Improvements	122,340	-	122,340		Leasehold improvements on new Salt Lake City office building
<b>Change in Fixed Assets</b>	<b>\$ 646,378</b>	<b>\$ -</b>	<b>\$ 646,378</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 5,434,945</b>	<b>\$ (0)</b>	<b>\$ 5,434,945</b>		
<b>FTE</b>	<b>16.0</b>	<b>15.0</b>	<b>1.0</b>		

**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**2009 Statement of Activities Summary**  
**Legal and Regulatory**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 852,208	\$ 852,208	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 852,208</b>	<b>\$ 852,208</b>	<b>\$ -</b>		
Membership Fees & Non-Stat	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<b>\$ 852,208</b>	<b>\$ 852,208</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	656,697	583,200	73,497	12.60%	Hired 1.0 FTE that was not included in 2009 budget
Payroll Taxes	45,580	-	45,580		Payroll taxes, medical insurance, retirement, etc. was budgeted in administration for 2009 and actuals were the proper department
Employee Benefits	83,658	-	83,658		
Savings & Retirement	35,970	-	35,970		
<b>Total Personnel Expenses</b>	<b>\$ 821,905</b>	<b>\$ 583,200</b>	<b>\$ 238,705</b>		
<b>Meeting Expenses</b>					
Meetings	6,724	3,000	3,724	124.13%	
Travel	157,887	-	157,887		Budgeted in Admin for 2009 but recorded in the proper department
<b>Total Meeting Expenses</b>	<b>\$ 164,611</b>	<b>\$ 3,000</b>	<b>\$ 161,611</b>		
<b>Operating Expenses</b>					
Consultants & Contracts	9,285	-	9,285		No budget in 2009
Office Rent	-	-	-		
Office Costs	64,538	-	64,538		No budget in 2009; Cell phones, office supplies and other office expenses appropriately recorded in the proper department
Professional Services	433,071	266,008	167,063	62.80%	FERC audit legal fees
Miscellaneous	-	-	-		
Depreciation	-	-	-		
<b>Total Operating Expenses</b>	<b>\$ 506,894</b>	<b>\$ 266,008</b>	<b>\$ 240,886</b>		
<b>Total Direct Expenses</b>	<b>\$ 1,493,410</b>	<b>\$ 852,208</b>	<b>\$ 641,202</b>		
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Change in Assets</b>	<b>\$ (641,202)</b>	<b>\$ -</b>	<b>\$ (641,202)</b>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (641,202)</b>	<b>\$ -</b>	<b>\$ (641,202)</b>		
<b>FTE</b>	<b>4.0</b>	<b>4.0</b>	<b>-</b>		

**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**2009 Statement of Activities Summary**  
**Information Technology**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 1,005,207	\$ 1,005,207	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 1,005,207</b>	<b>\$ 1,005,207</b>	<b>\$ -</b>		
Membership Fees & Non-Stat	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<b>\$ 1,005,207</b>	<b>\$ 1,005,207</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	277,988	208,467	69,521	33.35%	Hired at rate higher than budget
Payroll Taxes	20,534	-	20,534		Payroll taxes, medical insurance, retirement, etc. was budgeted in administration for 2009 and actuals were the proper department
Employee Benefits	56,805	-	56,805		
Savings & Retirement	14,403	-	14,403		
<b>Total Personnel Expenses</b>	<b>\$ 369,730</b>	<b>\$ 208,467</b>	<b>\$ 161,263</b>		
<b>Meeting Expenses</b>					
Meetings	8,518	-	8,518		
Travel	-	-	-		
<b>Total Meeting Expenses</b>	<b>\$ 8,518</b>	<b>\$ -</b>	<b>\$ 8,518</b>		
<b>Operating Expenses</b>					
Consultants & Contracts	10,053	325,000	(314,947)	-96.91%	Used employees instead of consultants and contractors
Office Rent	-	-	-		
Office Costs	100,439	471,740	(371,301)	-78.71%	Computer and software capital costs budgeted in Office Costs in 2009 but recorded as Fixed Assets
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	90,408	-	90,408		Depreciation not budgeted in 2009
<b>Total Operating Expenses</b>	<b>\$ 200,900</b>	<b>\$ 796,740</b>	<b>\$ (595,840)</b>		
<b>Total Direct Expenses</b>	<b>\$ 579,148</b>	<b>\$ 1,005,207</b>	<b>\$ (426,059)</b>		
<b>Other Non-Operating Expenses</b>			\$ -		
<b>Change in Assets</b>	<b>\$ 426,059</b>	<b>\$ -</b>	<b>\$ 426,059</b>		
<b>Fixed Assets</b>					
Depreciation	(90,408)	-	(90,408)		
Computer & Software CapEx	466,292	-	466,292		Computer and software capital costs budgeted as Office Costs in 2009 but recorded as fixed
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<b>\$ (375,884)</b>	<b>\$ -</b>	<b>\$ (375,884)</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ 50,175</b>	<b>\$ -</b>	<b>\$ 50,175</b>		
<b>FTE</b>	<b>3.0</b>	<b>3.0</b>	<b>-</b>		



**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**2009 Statement of Activities Summary**  
**Human Resources**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		<u>Comments - Explain variances that are +/- 10%</u>
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 264,600	\$ 264,600	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<u>\$ 264,600</u>	<u>\$ 264,600</u>	<u>\$ -</u>		
Membership Fees & Non-Stat	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
<b>Total Funding</b>	<u>\$ 264,600</u>	<u>\$ 264,600</u>	<u>\$ -</u>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	349,873	264,600	85,273	32.23%	Hired at higher rate than expected
Payroll Taxes	(2,788)	-	(2,788)		Payroll taxes, medical insurance, retirement, etc. was budgeted in administration for 2009 and actuals were the proper department
Employee Benefits	69,909	-	69,909		
Savings & Retirement	18,820	-	18,820		
<b>Total Personnel Expenses</b>	<u>\$ 435,814</u>	<u>\$ 264,600</u>	<u>\$ 171,214</u>		
<b>Meeting Expenses</b>					
Meetings	41	-	41		
Travel	9,864	-	9,864		Travel budgeted in Admin but appropriately recorded in department
<b>Total Meeting Expenses</b>	<u>\$ 9,905</u>	<u>\$ -</u>	<u>\$ 9,905</u>		
<b>Operating Expenses</b>					
Consultants & Contracts	1,029	-	1,029		
Office Rent	-	-	-		
Office Costs	31,412	-	31,412		Cell phones, office supplies and other office costs not budgeted in 2009
Professional Services	8,029	-	8,029		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
<b>Total Operating Expenses</b>	<u>\$ 40,469</u>	<u>\$ -</u>	<u>\$ 40,469</u>		
<b>Total Direct Expenses</b>	<u>\$ 486,188</u>	<u>\$ 264,600</u>	<u>\$ 221,588</u>		
<b>Other Non-Operating Expenses</b>			-		
<b>Change in Assets</b>	<u>\$ (221,588)</u>	<u>\$ -</u>	<u>\$ (221,588)</u>		
<b>Fixed Assets</b>					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
<b>Change in Fixed Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
<b>TOTAL CHANGE IN ASSETS</b>	<u>\$ (221,588)</u>	<u>\$ -</u>	<u>\$ (221,588)</u>		
<b>FTE</b>	3.0	3.0	-		

**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**2009 Statement of Activities Summary**  
**Accounting and Finance**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance		Comments - Explain variances that are +/- 10%
<b>Funding</b>					
<b>ERO Funding</b>					
ERO Assessments	\$ 155,047	\$ 155,047	\$ -	0.00%	
Penalty Sanctions	-	-	-		
<b>Total ERO Funding</b>	<b>\$ 155,047</b>	<b>\$ 155,047</b>	<b>\$ -</b>		
Membership Fees & Non-Stat			-		
Testing Fees			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
<b>Total Funding</b>	<b>\$ 155,047</b>	<b>\$ 155,047</b>	<b>\$ -</b>		
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	236,334	155,047	81,287	52.43%	Accounting department restructure not anticipated at the time the budget was prepared
Payroll Taxes	17,046		17,046		Payroll taxes, medical insurance, retirement, etc. was budgeted in administration for 2009 and actuals were the proper department
Employee Benefits	17,015		17,015		
Savings & Retirement	12,444		12,444		
<b>Total Personnel Expenses</b>	<b>\$ 282,839</b>	<b>\$ 155,047</b>	<b>\$ 127,792</b>		
<b>Meeting Expenses</b>					
Meetings	29		29		
Travel	2,978		2,978		
<b>Total Meeting Expenses</b>	<b>\$ 3,007</b>	<b>\$ -</b>	<b>\$ 3,007</b>		
<b>Operating Expenses</b>					
Consultants & Contracts	3,398		3,398		
Office Rent	-		-		
Office Costs	13,054		13,054		Cell phones, office supplies and other office costs not budgeted in 2009
Professional Services	38,590		38,590		Audit fees budgeted in Admin but appropriately recorded in department
Miscellaneous			-		
Depreciation			-		
<b>Total Operating Expenses</b>	<b>\$ 55,042</b>	<b>\$ -</b>	<b>\$ 55,042</b>		
<b>Total Direct Expenses</b>	<b>\$ 340,888</b>	<b>\$ 155,047</b>	<b>\$ 185,841</b>		
<b>Other Non-Operating Expenses</b>			\$ -		
<b>Change in Assets</b>	<b>\$ (185,841)</b>	<b>\$ -</b>	<b>\$ (185,841)</b>		
<b>Fixed Assets</b>					
Depreciation			-		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL CHANGE IN ASSETS</b>	<b>\$ (185,841)</b>	<b>\$ -</b>	<b>\$ (185,841)</b>		
<b>FTE</b>	<b>3.0</b>	<b>2.0</b>	<b>1.0</b>		

**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**2009 Statement of Activities Summary**  
**Non-Statutory Only**

(In Whole Dollars)

	2009 Actual	2009 Budget	2009 Variance
<b>Funding</b>			
<b>ERO Funding</b>			
ERO Assessments			\$ -
Penalty Sanctions			-
<b>Total ERO Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Fees & Non-Stat	757,663	798,197	(40,534)
Testing Fees			-
Services & Software			-
Workshops	2,025		2,025
Interest			-
Miscellaneous	5,160		
<b>Total Funding</b>	<b>\$ 764,848</b>	<b>\$ 798,197</b>	<b>\$ (38,509)</b>
<b>Expenses</b>			
<b>Personnel Expenses</b>			
Salaries	220,953	281,076	(60,123)
Payroll Taxes	16,899		16,899
Employee Benefits	40,842	169,882	(129,040)
Savings & Retirement	13,918		13,918
<b>Total Personnel Expenses</b>	<b>\$ 292,612</b>	<b>\$ 450,958</b>	<b>\$ (158,346)</b>
<b>Meeting Expenses</b>			
Meetings	971	1,200	(229)
Travel	9,539	27,000	(17,461)
<b>Total Meeting Expenses</b>	<b>\$ 10,510</b>	<b>\$ 28,200</b>	<b>\$ (17,690)</b>
<b>Operating Expenses</b>			
Consultants & Contracts	3,791	179,721	(175,930)
Office Rent			-
Office Costs	41,331	16,200	25,131
Professional Services	48,251	95,914	(47,663)
Miscellaneous	128,527	27,204	101,323
Depreciation			-
<b>Total Operating Expenses</b>	<b>\$ 221,900</b>	<b>\$ 319,039</b>	<b>\$ (97,139)</b>
<b>Total Direct Expenses</b>	<b>\$ 525,022</b>	<b>\$ 798,197</b>	<b>\$ (273,175)</b>
<b>Other Non-Operating Expenses</b>			<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ 239,826</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>			
Depreciation	-	-	-
Computer & Software CapEx			-
Furniture & Fixtures CapEx			-
Equipment CapEx			-
Leasehold Improvements			-
<b>Change in Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTE</b>	<b>4.0</b>	<b>4.0</b>	<b>-</b>



*Western Electricity Coordinating Council*

**Financial Statements**

**As of December 31, 2009 and 2008 and For the Years Then Ended**

**Together with Independent Auditors' Report**



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## **INDEPENDENT AUDITORS' REPORT**

### **Members of the Board of Directors Western Electricity Coordinating Council**

We have audited the accompanying statements of financial position of Western Electricity Coordinating Council (WECC) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of WECC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WECC's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Electricity Coordinating Council as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Tanner LC*

April 1, 2010



WESTERN ELECTRICITY COORDINATING COUNCIL  
Statements of Financial Position  
(in thousands)

As of December 31

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	<u>2009</u>	<u>2008</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 34,868	\$ 18,611
Restricted cash and cash equivalents	2,500	2,500
Investments	2,418	1,312
Accounts receivable, net of allowance for doubtful accounts of \$38 for both years	668	482
Prepaid expenses and other assets	110	523
Property, equipment, and software, net	<u>6,839</u>	<u>7,613</u>
Total assets	<u>\$ 47,403</u>	<u>\$ 31,041</u>
<b><u>Liabilities and Net Assets</u></b>		
Line of credit	\$ 2,926	\$ 5,852
Accounts payable	4,485	2,956
Accrued payroll and payroll related liabilities	1,535	1,342
Deferred revenue	24,420	13,916
Other liabilities	<u>231</u>	<u>81</u>
Total liabilities	<u>33,597</u>	<u>24,147</u>
Commitments and contingencies		
Unrestricted net assets	<u>13,806</u>	<u>6,894</u>
Total liabilities and net assets	<u>\$ 47,403</u>	<u>\$ 31,041</u>



# WESTERN ELECTRICITY COORDINATING COUNCIL

## Statements of Activities (in thousands)

For the Years Ended December 31

	<u>2009</u>	<u>2008</u>
<b>Change in unrestricted net assets:</b>		
Revenues and other income:		
Assessments	\$ 37,088	\$ 26,597
Meetings and workshops	832	736
Western Renewable Energy Generation Information System (WREGIS)	765	712
Federal grants	417	-
Interest	382	567
Other	7	218
	<u>39,491</u>	<u>28,830</u>
Total unrestricted revenues and other income		
Expenses:		
Labor	19,140	13,634
Office and equipment	3,589	3,145
Depreciation and amortization	2,835	1,772
Contract labor and consultants	2,672	5,480
Meetings	2,504	2,165
Professional services	1,613	1,732
Excise taxes	140	-
Interest	86	6
	<u>32,579</u>	<u>27,934</u>
Total expenses		
Increase in unrestricted net assets	6,912	896
Unrestricted net assets, beginning of year	<u>6,894</u>	<u>5,998</u>
Unrestricted net assets, end of year	<u>\$ 13,806</u>	<u>\$ 6,894</u>



**WESTERN ELECTRICITY COORDINATING COUNCIL**  
Statements of Cash Flows  
(in thousands)

For the Years Ended December 31

	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 6,912	\$ 896
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,835	1,772
Decrease (increase) in assets:		
Accounts receivable	(186)	(363)
Prepaid expenses and other assets	413	32
Increase in liabilities:		
Accounts payable	1,529	2,201
Accrued payroll and payroll liabilities	193	825
Deferred revenue	10,504	10,887
Other liabilities	150	81
Net cash provided by operating activities	<u>22,350</u>	<u>16,331</u>
<b>Cash flows from investing activities:</b>		
Net change in investments	(1,106)	3,631
Purchase of property, equipment, and software	<u>(2,061)</u>	<u>(7,555)</u>
Net cash used in investing activities	<u>(3,167)</u>	<u>(3,924)</u>
<b>Cash flows from financing activities:</b>		
Net borrowings (payments) on line of credit	(2,926)	5,852
Change in restricted cash and cash equivalents	<u>-</u>	<u>(2,500)</u>
Net cash provided by (used in) financing activities	<u>(2,926)</u>	<u>3,352</u>
Net increase in cash and cash equivalents	16,257	15,759
Cash and cash equivalents at beginning of year	<u>18,611</u>	<u>2,852</u>
Cash and cash equivalents at end of year	<u>\$ 34,868</u>	<u>\$ 18,611</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 86	\$ 6





# WESTERN ELECTRICITY COORDINATING COUNCIL

## Notes to Financial Statements

December 31, 2009 and 2008

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### 1. Summary of Significant Accounting Policies

#### ***Nature of Activities***

Western Electricity Coordinating Council (WECC) is a not-for-profit organization whose primary mission is to assure a reliable bulk electric power system in the Western Interconnection that supports efficient and competitive electric power markets. A substantial portion of revenue comes from assessments that are received from member organizations, and therefore, WECC is involved in significant related-party transactions as a result of its normal activities.

#### ***Financial Statement Presentation***

WECC reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2009 and 2008, WECC had only unrestricted net assets.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### ***Concentration of Credit Risk***

WECC maintains its cash, cash equivalents, and certain investments in bank deposit accounts which, at times, exceed federally insured limits. The Emergency Economic Stabilization Act of 2008 temporarily increased deposit insurance with the Federal Deposit Insurance Corporation (FDIC) from \$100 thousand to \$250 thousand per depositor through December 31, 2013. The FDIC also extended its temporary Transaction Account Guarantee Program through June 30, 2010 which provides depositors with unlimited coverage for non-interest bearing transactions at participating FDIC insured institutions. As of December 31, 2009, WECC had \$36.6 million of cash, cash equivalents, and investments that exceeded federally insured limits. To date, WECC has not experienced a loss or lack of access to its cash, cash equivalents, and investments; however, no assurance can be provided that these instruments will not be impacted by adverse conditions in the financial markets.

#### ***Cash and Cash Equivalents***

WECC considers all highly liquid investments purchased with remaining maturities of three months or less to be cash equivalents.



1. Summary of Significant Accounting Policies  
Continued

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

**Accounts Receivable**

Accounts receivable consists of assessments for operations (including membership assessments and services) and grant receivables that have not been collected. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

**Property, Equipment, and Software**

Property, equipment, and software are capitalized at cost and are depreciated using the straight-line method over the shorter of the respective lease terms or their estimated useful lives of the assets as follows:

Equipment and software	3 years
Furniture and fixtures	5 years
Leasehold improvements	10 years

Minor replacements, maintenance, and repairs, which do not increase the useful lives of the property, equipment, and software, are expensed as incurred.

**Impairment of Long-Lived Assets**

WECC reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. If it is determined that the estimated undiscounted future cash flows are not sufficient to recover the carrying value of an asset, an impairment loss is recognized in the statement of activities for the difference between the carrying value and the fair value of the asset.

**Revenue Recognition**

Annual assessments are recognized as revenue in the period for which they have been assessed. WECC generally receives assessment payments in advance of the assessment period, and it recognizes the cash collected as deferred revenue and recognizes the revenue during the related assessment period. Federal grant revenue is generated through performance of services for a government entity on a cost-reimbursement basis. Other types of revenues are recognized when the services or products have been provided.



**1. Summary of Significant Accounting Policies**  
*Continued*

***Income Taxes***

WECC has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(6) of the Internal Revenue Code and, as such, is not subject to federal or state income taxes on exempt purpose income. WECC is subject to excise taxes on revenue generated in the state of Washington (see Note 8), and is subject to taxation on any unrelated business income.

***Reclassifications***

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

***Subsequent Events***

WECC has evaluated events occurring between the end of its most recent fiscal year and April 1, 2010, the date the financial statements were available for issue.

**2. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs according to valuation methodologies used to measure fair value:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2: Unobservable prices that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs that are used when little or not market data is available.

Assets and liabilities measured at fair value on a recurring basis are summarized as follows (in thousands):

Description	Fair Value Measurements as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
<b>Cash equivalents:</b>				
Money market funds	\$ 29,338	\$ –	\$ –	\$ 29,338
Corporate bonds	–	6,439	–	6,439
Certificates of deposit	–	276	–	276
Mutual funds	40	–	–	40
	<u>\$ 29,378</u>	<u>\$ 6,715</u>	<u>\$ –</u>	<u>\$ 36,093</u>
<b>Investments:</b>				
Certificates of deposit	\$ –	\$ 1,438	\$ –	\$ 1,438
Government asset-backed securities	–	581	–	581
Corporate bonds	–	399	–	399
	<u>\$ –</u>	<u>\$ 2,418</u>	<u>\$ –</u>	<u>\$ 2,418</u>



**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**Notes to Financial Statements**  
*Continued*

**2. Fair Value Measurements**  
*Continued*

Description	Fair Value Measurements as of December 31, 2008			
	Level 1	Level 2	Level 3	Total
<b>Cash equivalents:</b>				
Money market funds	\$ 20,355	\$ –	\$ –	\$ 20,355
Certificates of deposit	–	322	–	322
	<u>\$ 20,355</u>	<u>\$ 322</u>	<u>\$ –</u>	<u>\$ 20,677</u>
<b>Investments:</b>				
Certificates of deposit	\$ –	\$ 612	\$ –	\$ 612
Government asset-backed securities	–	700	–	700
	<u>\$ –</u>	<u>\$ 1,312</u>	<u>\$ –</u>	<u>\$ 1,312</u>

**3. Investments** Investments are stated at fair value and consist of the following (in thousands):

	As of December 31, 2009		
	Cost	Market Value	Unrealized gain (loss)
Certificates of deposit	\$ 1,436	\$ 1,438	\$ 2
Government asset-backed securities	586	581	(5)
Corporate bonds	393	399	6
	<u>\$ 2,415</u>	<u>\$ 2,418</u>	<u>\$ 3</u>

	As of December 31, 2008		
	Cost	Market Value	Unrealized gain
Certificates of deposit	\$ 610	\$ 612	\$ 2
Government asset-backed securities	689	700	11
	<u>\$ 1,299</u>	<u>\$ 1,312</u>	<u>\$ 13</u>



**WESTERN ELECTRICITY COORDINATING COUNCIL**  
**Notes to Financial Statements**  
*Continued*

- 4. Property, Equipment, and Software**      Property, equipment, and software consist of the following as of December 31 (in thousands):

	<u>2009</u>	<u>2008</u>
Equipment	\$ 5,811	\$ 5,109
Software	4,566	3,615
Leasehold improvements	1,863	1,549
Furniture and fixtures	370	276
	<u>12,610</u>	<u>10,549</u>
Less accumulated depreciation and amortization	<u>(5,771)</u>	<u>(2,936)</u>
	<u>\$ 6,839</u>	<u>\$ 7,613</u>

- 5. Line of Credit**      During 2008, WECC entered into a revolving line of credit arrangement with a financial institution that had a borrowing limit of \$6.0 million. During 2009, the limit was reduced to \$3.0 million. As of December 31, 2009 and 2008, the outstanding balance on the line of credit was approximately \$2.9 million and \$5.9 million, respectively. The line of credit bears interest at an annual rate equal to the prime rate (3.25% at December 31, 2009) less 0.75%. The line of credit matured March 1, 2010 and the balance was paid off at that time. In accordance with the line of credit arrangement, WECC was required to maintain a minimum balance of cash or investments at the institution, which served as collateral against advances taken under the line of credit. Restricted cash and investments pertaining to this agreement as of December 31, 2009 and 2008 were \$2.5 million for both years.

- 6. Accounts Payable**      Accounts payable consist of the following as of December 31 (in thousands):

	<u>2009</u>	<u>2008</u>
Assessment payables	\$ 3,466	\$ -
Trade payables	1,019	1,449
Unscheduled flow mitigation	-	1,507
	<u>\$ 4,485</u>	<u>\$ 2,956</u>



7. **Unrestricted  
Net Assets**

WECC reports information regarding statutory and non-statutory related earnings to the Federal Energy Regulatory Commission in accordance with its Delegation Agreement dated October 16, 2007. As of December 31, the breakdown of such earnings included in unrestricted net assets consist of the following (in thousands):

	<u>2009</u>	<u>2008</u>
Non-statutory earnings	\$ 6,114	\$ 5,874
Statutory earnings	7,692	1,020
	<u>\$ 13,806</u>	<u>\$ 6,894</u>

8. **Commitments  
and  
Contingencies**

***Operating Lease Commitments***

WECC has entered into non-cancelable operating leases for office space and office equipment. As of December 31, 2009, future minimum lease payments under non-cancelable operating leases, with terms of one year or more, are as follows (in thousands):

<u>Years Ending December 31:</u>	<u>Amount</u>
2010	\$ 748
2011	714
2012	367
2013	347
2014	333
Thereafter	410
	<u>\$ 2,919</u>

Total rent expense under non-cancelable operating leases was approximately \$.9 million and \$.6 million for the years ended December 31, 2009 and 2008, respectively.

***Litigation and Claims***

WECC, in the normal course of performing its activities, is at times subject to lawsuits or claims. WECC's management is currently not aware of any litigation or claims which it believes could have a material impact on WECC's financial position.

***Washington State Excise Tax***

WECC has been notified by the state of Washington (the State) that WECC is subject to excise taxes based on revenue generated in Washington. WECC believes that certain revenue generated may be exempt; however, based on the notice provided by the State, WECC has accrued an amount equal to \$140 thousand for the year ended December 31, 2009.



**9. Retirement Plans**

***Employee Benefit Plan***

WECC has a 401(k) Retirement Savings Plan for its eligible employees. The Plan requires WECC to make matching contributions equal to 50% of the first 6% of compensation eligible employees contribute to the plan. WECC may also make, at its discretion, supplemental contributions for eligible employees. Retirement plan expense reflected in the accompanying statements of activities was \$1.0 million and \$.6 million for the years ended December 31, 2009 and 2008, respectively.

**10. Subsequent Event**

In January 2010, WECC entered into a new lease agreement for office space. The term of the lease is for 10 years, beginning no later than April 2010. The agreement has an early termination option that allows WECC to reduce the term of the lease to 5 years by paying an early termination fee. Additional rent commitments as a result of this agreement were \$10.1 million over the next 10 years.

**ATTACHMENT 10**

**METRICS CONCERNING ADMINISTRATIVE COSTS IN  
2009 NERC AND REGIONAL ENTITY  
BUDGETS AND ACTUAL COSTS**



Analysis of Administrative (Indirect) Costs  
2009 Actual and Budget

2009 ACTUAL SPEND					
	Total Statutory Expenses & Capital Expenditures	Total Statutory Direct Expenses & Capital Expenditures	Total Statutory Indirect Expenses & Capital Expenditures	% Statutory Indirect to Total Statutory	Statutory Direct Spend per Spend on Indirect
NERC	\$ 35,871,593	\$ 23,848,550	\$ 12,023,043	33.52%	\$ 1.98
MRO	\$ 6,949,467	\$ 3,278,854	\$ 3,670,613	52.82%	\$ 0.89
NPCC	\$ 8,999,704	\$ 6,901,324	\$ 2,098,380	23.32%	\$ 3.29
RFC	\$ 10,850,859	\$ 8,300,642	\$ 2,550,217	23.50%	\$ 3.25
SERC	\$ 9,496,566	\$ 6,787,888	\$ 2,708,678	28.52%	\$ 2.51
SPP	\$ 5,190,262	\$ 2,540,817	\$ 2,649,445	51.05%	\$ 0.96
Texas RE	\$ 4,981,473	\$ 2,651,372	\$ 2,330,101	46.78%	\$ 1.14
WECC	\$ 34,199,444	\$ 25,065,731	\$ 9,133,713	26.71%	\$ 2.74
<b>TOTAL</b>	<b>\$ 116,539,368</b>	<b>\$ 79,375,178</b>	<b>\$ 37,164,190</b>	<b>31.89%</b>	<b>\$ 2.14</b>
FRCC	\$ 4,131,433	\$ 4,131,433	-		

2009 BUDGET SPEND					
	Total Statutory Expenses & Capital Expenditures	Total Statutory Direct Expenses & Capital Expenditures	Statutory Indirect Expenses & Capital Expenditures	% Statutory Indirect to Total Statutory	Statutory Direct Spend per Spend on Indirect
NERC	\$ 36,006,227	\$ 22,700,892	\$ 13,305,335	36.95%	\$ 1.71
MRO	\$ 7,525,725	\$ 3,836,952	\$ 3,688,773	49.02%	\$ 1.04
NPCC	\$ 10,008,885	\$ 4,870,826	\$ 5,138,059	51.33%	\$ 0.95
RFC	\$ 11,434,201	\$ 7,197,900	\$ 4,236,301	37.05%	\$ 1.70
SERC	\$ 10,088,872	\$ 7,307,242	\$ 2,781,630	27.57%	\$ 2.63
SPP	\$ 6,481,037	\$ 2,536,376	\$ 3,944,661	60.86%	\$ 0.64
Texas RE	\$ 6,167,025	\$ 2,506,150	\$ 3,660,875	59.36%	\$ 0.68
WECC	\$ 38,653,503	\$ 24,604,165	\$ 14,049,338	36.35%	\$ 1.75
<b>TOTAL</b>	<b>\$ 126,365,475</b>	<b>\$ 75,560,503</b>	<b>\$ 50,804,972</b>	<b>40.20%</b>	<b>\$ 1.49</b>
FRCC	\$ 4,566,361	\$ 3,977,868	\$ 588,493	12.89%	\$ 6.76

2009 ACTUAL FTEs					
	Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs
NERC	109.44	79.56	29.88	27.30%	2.66
MRO	25.83	17.96	7.87	30.47%	2.28
NPCC	23.41	17.00	6.41	27.38%	2.65
RFC	41.16	32.08	9.08	22.06%	3.53
SERC	44.50	33.90	10.60	23.82%	3.20
SPP	14.90	12.00	2.90	19.46%	4.14
Texas RE	26.26	19.90	6.36	24.22%	3.13
WECC	151.00	118.00	33.00	21.85%	3.58
<b>TOTAL</b>	<b>436.50</b>	<b>330.40</b>	<b>106.10</b>	<b>24.31%</b>	<b>3.11</b>
FRCC	18.21	18.21			

2009 BUDGET FTEs					
	Total Statutory FTEs	Total Statutory Direct FTEs	Total Statutory Indirect FTEs	Indirect FTE as % of Total FTE	# Direct to Indirect Statutory FTEs
NERC	106.50	77.00	29.50	27.70%	2.61
MRO	26.50	18.50	8.00	30.19%	2.31
NPCC	27.20	18.00	9.20	33.82%	1.96
RFC	44.00	32.50	11.50	26.14%	2.83
SERC	43.00	32.60	10.40	24.19%	3.13
SPP	17.20	14.70	2.50	14.53%	5.88
Texas RE	26.95	20.15	6.80	25.23%	2.96
WECC	140.00	107.50	32.50	23.21%	3.31
<b>TOTAL</b>	<b>431.35</b>	<b>320.95</b>	<b>110.40</b>	<b>25.59%</b>	<b>2.91</b>
FRCC	18.34	14.84	3.50	19.08%	4.24

2009 ACTUAL SPEND per FTE				
	Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Spend per Total FTE
NERC	\$ 327,774	\$ 299,756	\$ 402,378	\$ 109,860
MRO	269,046	182,564	466,406	142,107
NPCC	384,438	405,960	327,360	89,636
RFC	263,626	258,748	280,861	61,959
SERC	213,406	200,233	255,536	60,869
SPP	348,340	211,735	913,602	177,815
Texas RE	189,698	133,235	366,368	88,732
WECC	226,486	212,421	276,779	60,488
<b>TOTAL</b>	<b>\$ 266,986</b>	<b>\$ 240,240</b>	<b>\$ 350,275</b>	<b>\$ 85,141</b>
FRCC	\$ 226,877	\$ 226,877		

2009 BUDGETED SPEND per FTE				
	Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Spend per Total FTE
NERC	\$ 338,087	\$ 294,817	\$ 451,028	\$ 124,933
MRO	283,990	207,403	461,097	139,199
NPCC	367,974	270,601	558,485	188,899
RFC	259,868	221,474	368,374	96,280
SERC	234,625	224,149	267,464	64,689
SPP	376,804	172,543	1,577,864	229,341
Texas RE	228,832	124,375	538,364	135,840
WECC	276,096	228,876	432,287	100,352
<b>TOTAL</b>	<b>\$ 292,953</b>	<b>\$ 235,428</b>	<b>\$ 460,190</b>	<b>\$ 117,781</b>
FRCC	\$ 248,984	\$ 268,050	\$ 168,141	\$ 32,088

The accompanying narrative in this filing is essential to understanding the financial information on this schedule