

ATTACHMENT 1

2010 ACTUAL COST-TO-BUDGET COMPARISON

AND

2010 AUDITED FINANCIAL REPORT

FOR

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

North American Electric Reliability Corporation- Review of 2010 Year End Audited Statement of Activities and Capital Expenditures - Budget to Actual Variance Analysis

NERC's approved 2010 budget included \$1,617,808 in funding from the Transmission Owners and Operators Forum (TOOF), which was intended to cover a portion of NERC's General & Administrative expenses as well as specific expenses budgeted to support the TOOF's activities. The TOOF ceased operations at the end of 2009 and its leadership formed a successor organization, the North American Transmission Forum, Inc., which operates independently of NERC. As a result of this separation, \$300,000 in budgeted revenue from TOOF to offset the cost of administrative and support services was not received. This report includes consolidated financial reports that present actual results compared to the approved 2010 budget, including budgeted funding from and expenses for the TOOF, as well as actual results compared to an adjusted 2010 budget excluding the funding from and expenses for TOOF. The following budget variance explanations are based on the adjusted budget excluding the budgeted funding from and expenses for the TOOF.

The Total Change in Assets as reflected on the Statement of Activities and Capital Expenditures for the year ending December 31, 2010 was \$2.8M. NERC was \$2.3M (6.0%) under budget due to an \$869.4k (2.2%) increase in Funding, a \$1.2M (3.2%) decrease in Total Expenses, and a \$239.2k (50.9%) decrease in spending for Fixed Assets, compared to the adjusted budget.

NERC's 2010 Business Plan and Budget assumed no working capital reserve funding, with NERC relying on its \$4,000,000 Line of Credit to fund contingencies. The 2009 projected year end results which were incorporated in the 2010 budget, including the working capital reserve analysis, assumed a 2009 year end working capital reserve balance of \$0.00. In fact, NERC ended 2009 with a negative working capital reserve balance of (\$2.0M) as a result of the change to accrual accounting for performance based compensation. However, this negative working capital reserve balance was more than offset by the budget under run which resulted in a Total Change in Assets of \$2.8M as stated above, and resulted in a 2010 year end working capital reserve of \$789.9k.

NERC's 2010 Budget included a credit to expense of (\$750.0k) representing anticipated efficiency savings that was allocated to the statutory programs on the basis of full-time equivalent employees (FTE), because the efficiency savings were not specifically identified at the time the budget was submitted. During the first quarter of 2010, in furtherance to the commitment to reduce costs, improve efficiency and achieve these savings, NERC's senior management undertook a comprehensive review of NERC's organizational structure and resource allocation, as well as consulting, contract, travel and meeting expenses and other operating costs. As a result of this process, NERC made certain improvements to its organizational structure to better align the strengths of NERC's leadership team with the

organization's goals and objectives as presented to and approved by NERC's board. NERC also identified certain costs, primarily involving lower priority consulting and contract budget amounts that could be reduced in order to achieve the budgeted efficiency savings. These cost reductions are further explained below and in the Program Area variance detail.

FUNDING – Total funding was \$869.4k over the adjusted budget for the year. An increase in Testing Fees, Certificate Renewal Fees and Continuing Education provider fees that was implemented at the end of 2009 to more closely recover the costs of these programs, including the cost of overhead, resulted in \$1.1M in funding over budget because the increase in fees was not included in the 2010 budget. The increases in these fees, which are intended to offset the cost of these programs, were put in effect after NERC's 2010 budget was filed and approved and therefore were not reflected in the budget funding assumptions.

GADS Services, Software, Workshop Fees and Interest Income were also over budget for the year by \$206.7k. NERC received higher revenues from GADS Services, Software and Workshop Fees than budgeted, and earned unbudgeted interest income on deposits of penalty monies that were received in the latter part of 2009.

These over budget items were partially offset by a reduction in Miscellaneous Funding, which was under budget by \$400.9k. Miscellaneous Funding represented the anticipated payments to NERC for acting as the compliance enforcement authority (CEA) for certain registered functions in FRCC, SPP, Texas RE and WECC. In mid-2010, FERC approved SERC to become the CEA for FRCC and SPP, and Texas RE separated from ERCOT effective July 1, 2010, eliminating the requirement for NERC to act as the CEA in those Regions in the second half of 2010. Further, NERC's CEA activity in the WECC Region was limited in 2010. The budget assumptions did not reflect these developments.

EXPENSES

- **Personnel Expenses** (Actual \$245.5k under budget – 1.1%) – NERC ended 2010 with 124 full-time employees and one part-time employee on staff for a total headcount of 124.67. Total FTEs in 2010 was under budget by 6.0, 120.5 versus a budget of 126.5. The lower FTE result was due to a combination of employee turnover and difficulties in filling budgeted positions. FTE is defined as a full-time employee. Fractional FTEs are either part-time employees or full-time employees who did not work at NERC for the entire year.
 - **Salaries** (Actual \$710.5k over budget - 4.3%) Primarily due to the change to accrual accounting for performance-based compensation and higher than budgeted 2010 at risk performance based incentive compensation tied to corporate, departmental and individual performance results.
 - **Employee Benefits** (Actual \$453.5k under budget - 20.0%). Lower enrollment in NERC'S medical benefits plan than assumed and a lower average cost for enrolled employees than budgeted resulted in \$391.6k under budget spend. Life insurance benefits were \$102.5k under budget due to a change in carriers

- which reduced rates for all employees, including officers. These under budget variances were offset by over budget spend for employee education programs (\$17.9k), worker's compensation insurance (\$5.6k) and relocation (\$17.0k).
- **Savings and Retirement** (Actual \$482.3k under budget - 21.3%). Primarily due to (i) the timing of new hires resulting in later entry into the retirement plan by these employees than anticipated and (ii) forfeitures of unvested employer contributions that were not budgeted.
 - **Meeting, Travel and Conferencing Expenses** (Actual \$488.9k under budget - 13.9%)
 - **Meeting Expenses** (Actual \$463.5k under budget) – Small meetings with 25 or fewer attendees were held at regional entity and stakeholder offices instead of using rented space in hotels, resulting in cost savings. The cost of larger meetings such as the joint standing committee meetings was also lower than budgeted.
 - **Travel** (Actual \$183.8k under budget) – due to increased use of conference calls instead of in-person meetings and reduction of personnel attending in person meetings.
 - **Conference Calls** (Actual \$158.4k over budget) – Reflective of the increased use of conference calls in lieu of in person meetings, as well as the increase in programs offered to promote stakeholder education and awareness, which were offered via conference calls and Webinars.
 - **Operating Expenses** (Actual \$471.9k under budget – 3.8%)
 - **Consultants and Contracts** - (Actual \$1.9M under budget)
 - **Compliance** (\$664.1k under budget) - Development of the C-RATS database was budgeted as Consulting Expense, but \$343.3k of the actual cost incurred in 2010 was recorded as capitalized software. Total development costs for C-RATS were \$31.8k below budget due to reduced cost of the Consortium User Group module. Spending for consultants and contractors to assist in audits of Regional Entity compliance programs was under budget by \$141.8k. A budgeted item of \$200k for subject matter experts was identified and eliminated as efficiency savings during the review of overall NERC resources.
 - **Reliability Assessments and Performance Analysis** (\$457.8k under budget) – \$155.0k for tools needed for automated reliability reports and centralized data collection was budgeted as Contract Expense, but \$143.7k of the actual costs were recorded in Office Costs as software license fees. \$283.5k under budget in various projects planned in Event Analysis, such as the modeling initiative and System Protection and Control Subcommittee Support, which was fully managed by NERC staff. Actual spend includes \$71.9k for two projects budgeted to take place in 2011 (DADS and the Spare Equipment Database) that were accelerated to the fourth quarter of 2010.
 - **Training and Education** (\$245.8k under budget) - \$75.0k budgeted for PCGC advanced certification was not utilized based upon input from the Operating Committee. The balance of the under run was due to delays

in implementation of planned course development as requirements are better defined in an effort to enhance overall training effectiveness.

- **Situation Awareness and Infrastructure Security** (\$337.3k under budget) NASPI project \$142.2k under budget due to reductions in costs realized through contractor negotiations; TFE processing under budget \$114.9k because, as the TFE process was finalized after the budget was submitted, this work is primarily handled by the Regional Entities; remaining under budget spend in CIP department due to postponement of planned initiatives pending a comprehensive review of CIP initiatives by the new leadership team.
 - **Information Technology** – (\$134.2k under budget) Budgeted programming support was under budget by \$196.0k, offset by \$61.8k in additional spending for studies to evaluate various infrastructure alternatives associated with ongoing operations.
 - **Human Resources** (Actual \$307.7k under budget) Lower than budgeted spend for staff development and executive search fees, offset by costs associated with a market compensation study.
- **Office Costs** – (Over budget by \$224.9k – 14.8%) – Internet expense exceeded budget by \$389.4k due to increases in bandwidth and added carrier redundancy to support ongoing operations. Sales and Use Tax was over budget \$38.3k, primarily due to unbudgeted taxes associated with the services for development of the C-RATS Compliance database; merchant credit card fees over budget \$46.3k due to an increase in the number of payments received for testing fees, certificate renewals and workshop fees. These over budget expenditures were offset by the following under budget spend items; \$47.3k for telephone expense; \$26.1k for office supplies; \$107.1k for computer supplies and maintenance; and \$90.6k reduction in subscriptions and publications.

Professional Services - (Over budget by \$259k - 17.7%) – BOT fees exceeded budget by \$58.6k due to increased Trustee participation at Regional and industry meetings; BOT search fees of \$62.0k were not budgeted; fees for outside counsel exceeded budget by \$114.4k due to FERC filings related to the CMEP for FRCC, SPP, Texas RE and WECC, TFE processing and the Texas RE revised 2010 budget, review of various contracts for GADS, TADS, DADS and SAFNR, and lobbying activities; the remaining \$24.6k in over budget spend was for increased insurance costs and accounting fees.

FIXED ASSETS – (Actual \$239.3k under budget – 50.9%) IT deferred \$456.2k in budgeted spend in the Princeton office in anticipation of establishing new infrastructure in connection with the headquarters relocation. \$157.0k in savings was also realized through eliminating low priority software purchases. This under budget spend was offset by \$343.3k in spend for the C-RATS database which was budgeted as a Consulting Expense but actual expenditures were recorded as Capital Expenditures.

ALLOCATION OF INDIRECT EXPENSES

NERC allocates indirect or administrative expenses and capital expenditures to the statutory programs based upon the ratio of FTEs in those program areas to total statutory program FTEs. The variances associated with this allocation are the result of the differences in the actual versus budgeted ratio of FTEs and the actual versus budgeted spend in the administrative cost centers.

USE OF STATUTORY FUNDS FOR NON-STATUTORY ACTIVITIES

NERC does not have non-statutory activities and therefore did not use statutory funds for non-statutory activity.

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
Statement of Activities and Capital Expenditures
As of December 31, 2010
(Including Transmission Owners and Operators Forum)

	2010 Actual	2010 Budget	2010 Variance from Budget Over(Under)
Consolidated			
Funding			
Assessments	37,063,569	37,063,569	0
Membership Fees	-	1,617,808	(1,617,808)
Testing	2,182,291	1,118,750	1,063,541
Services & Software	347,216	250,000	97,216
Workshop Fees	191,200	92,500	98,700
Interest	20,793	10,000	10,793
Miscellaneous	3,901	404,781	(400,880)
Total Funding	39,808,971	40,557,408	(748,437)
Expenses			
Personnel Expenses			
Salaries	17,057,658	17,187,146	(129,488)
Payroll Taxes	1,015,648	1,082,240	(66,592)
Employee Benefits	1,814,451	2,345,685	(531,235)
Savings & Retirement	1,780,535	2,381,540	(601,005)
Total Personnel Expenses	21,668,291	22,996,611	(1,328,320)
Meeting Expenses			
Meetings	622,736	1,116,200	(493,464)
Travel	2,046,978	2,308,803	(261,825)
Conference Calls	348,422	190,000	158,422
Total Meeting Expenses	3,018,135	3,615,003	(596,867)
Operating Expenses			
Consultants & Contracts	6,797,262	8,919,357	(2,122,095)
Rent & Improvements	1,005,233	967,134	38,100
Office Costs	1,746,325	1,580,475	165,850
Professional Services	1,724,604	1,533,000	191,604
Miscellaneous	85,807	4,000	81,807
Depreciation	748,865	752,988	(4,123)
Efficiency Improvements	-	(750,000)	750,000
Total Operating Expenses	12,108,097	13,006,954	(898,857)
Indirect Expenses	0	(0)	0
Other Non-Operating Expenses	-	-	-
Total Expenses	36,794,523	39,618,567	(2,824,044)
Net Change in Assets	3,014,448	938,841	2,075,607
Fixed Assets			
Depreciation	(748,865)	(752,988)	4,123
Computer & Software CapEx	849,286	1,122,785	(273,499)
Furniture & Fixtures CapEx	17,751	100,000	(82,249)
Equipment CapEx	70,545	-	70,545
Leasehold Improvements	41,831	-	41,831
(Incr)Dec in Fixed Asstes	(230,548)	(469,797)	239,250
Allocation of Fixed Assets	(0)	-	(0)
Total (Incr)Dec in Fixed Assets	(230,548)	(469,797)	239,250
TOTAL CHANGE IN ASSETS	2,783,901	469,043	2,314,858
FTE's	120.50	131.50	(11.00)

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
Statement of Activities and Capital Expenditures
As of December 31, 2010
Transmission Owners and Operators Forum

MEMBER FORUMS	2010	2010	2010 Variance	Comments (Explain variances < +/- 10% and <\$10,000)
	Actual	Budget	from Budget Over(Under)	
Funding				
Assessments			-	
Membership Fees		1,617,808	(1,617,808)	-100.00%
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest			-	
Miscellaneous			-	
Total Funding	-	1,617,808	(1,617,808)	-100.00%
Expenses				
Personnel Expenses				
Salaries		839,989	(839,989)	-100.00%
Payroll Taxes		46,349	(46,349)	-100.00%
Employee Benefits		77,775	(77,775)	-100.00%
Savings & Retirement		118,695	(118,695)	-100.00%
Total Personnel Expenses	-	1,082,808	(1,082,808)	-100.00%
Meeting Expenses				
Meetings		30,000	(30,000)	-100.00%
Travel		78,000	(78,000)	-100.00%
Conference Calls		-	-	
Total Meeting Expenses	-	108,000	(108,000)	-100.00%
Operating Expenses				
Consultants & Contracts		300,000	(300,000)	-100.00%
Rent & Improvements		-	-	
Office Costs		59,000	(59,000)	-100.00%
Professional Services		68,000	(68,000)	-100.00%
Miscellaneous		-	-	
Depreciation		-	-	
Efficiency Improvements		-	-	
Total Operating Expenses	-	427,000	(427,000)	-100.00%
Indirect Expenses				
Other Non-Operating Expenses				
Total Expenses	-	1,617,808	(1,617,808)	-100.00%
Net Change in Assets	-	-	-	
Fixed Assets				
Depreciation	0	0	-	
Computer & Software CapEx		0	-	
Furniture & Fixtures CapEx		0	-	
Equipment CapEx		0	-	
Leasehold Improvements		0	-	
(Incr)Dec in Fixed Asstes	-	-	-	
Allocation of Fixed Assets			-	
Total (Inc)Dec in Fixed Assets	-	-	-	
TOTAL CHANGE IN ASSETS	-	-	-	
FTE's	-	5.00	(5.00)	

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
Statement of Activities and Capital Expenditures
As of December 31, 2010
(Excluding Transmission Owners and Operators Forum)

	2010	2010	2010 Variance from
	Actual	Budget	Budget
			Over(Under)
Consolidated			
Funding			
Assessments	37,063,569	37,063,569	0
Membership Fees	-	-	-
Testing	2,182,291	1,118,750	1,063,541
Services & Software	347,216	250,000	97,216
Workshop Fees	191,200	92,500	98,700
Interest	20,793	10,000	10,793
Miscellaneous	3,901	404,781	(400,880)
Total Funding	39,808,971	38,939,600	869,370
Expenses			
Personnel Expenses			
Salaries	17,057,658	16,347,157	710,501
Payroll Taxes	1,015,648	1,035,891	(20,244)
Employee Benefits	1,814,451	2,267,910	(453,460)
Savings & Retirement	1,780,535	2,262,845	(482,310)
Total Personnel Expenses	21,668,291	21,913,803	(245,513)
Meeting Expenses			
Meetings	622,736	1,086,200	(463,464)
Travel	2,046,978	2,230,803	(183,825)
Conference Calls	348,422	190,000	158,422
Total Meeting Expenses	3,018,135	3,507,003	(488,867)
Operating Expenses			
Consultants & Contracts	6,797,262	8,619,357	(1,822,095)
Rent & Improvements	1,005,233	967,134	38,100
Office Costs	1,746,325	1,521,475	224,850
Professional Services	1,724,604	1,465,000	259,604
Miscellaneous	85,807	4,000	81,807
Depreciation	748,865	752,988	(4,123)
Efficiency Improvements	-	(750,000)	750,000
Total Operating Expenses	12,108,097	12,579,954	(471,857)
Indirect Expenses	-	-	0
Other Non-Operating Expenses	-	-	-
Total Expenses	36,794,523	38,000,760	(1,206,237)
Net Change in Assets	3,014,448	938,841	2,075,607
Fixed Assets			
Depreciation	(748,865)	(752,988)	4,123
Computer & Software CapEx	849,286	1,122,785	(273,499)
Furniture & Fixtures CapEx	17,751	100,000	(82,249)
Equipment CapEx	70,545	-	70,545
Leasehold Improvements	41,831	-	41,831
(Incr)Dec in Fixed Asstes	(230,548)	(469,797)	239,250
Allocation of Fixed Assets	(0)	-	(0)
Total (Inc)Dec in Fixed Assets	(230,548)	(469,797)	239,250
TOTAL CHANGE IN ASSETS	2,783,901	469,043	2,314,858
FTE's	120.50	126.50	(6.00)

North American Electric Reliability Corporation
2010 Statement of Activities and Capital Expenditures
01/01/2010 - 12/31/2010
Per Audit

RELIABILITY STANDARDS	2010 Actual	2010 Budget	2010 Variance from Budget Over(Under)	Comments (Explain variances < +/- 10% and <\$10,000)
Funding				
Assessments	6,350,128	6,248,620	101,508	1.62%
Membership Fees	-	-	-	
Testing	-	-	-	
Services & Software	-	-	-	
Workshop Fees	-	-	-	
Interest	-	-	-	
Misc.	-	-	-	
Total Funding	6,350,128	6,248,620	101,508	1.62%
Expenses				
Personnel Expenses				
Salaries	2,234,879	2,268,010	(33,131)	-1.46%
Payroll Taxes	146,971	151,919	(4,948)	-3.26%
Employee Benefits	208,495	285,300	(76,804)	-26.92%
Savings & Retirement	272,480	323,547	(51,066)	-15.78%
Total Personnel Expenses	2,862,826	3,028,775	(165,949)	-5.48%
Meeting Expenses				
Meetings	66,357	190,000	(123,643)	-65.08%
Travel	342,307	350,000	(7,693)	-2.20%
Conference Calls	108,355	10,000	98,355	983.55%
Total Meeting Expenses	517,019	550,000	(32,981)	-6.00%
Operating Expenses				
Consultants & Contracts	766,506	717,000	49,506	6.90%
Rent & Improvements	-	-	-	
Office Costs	47,159	20,500	26,659	130.04%
Professional Services	-	-	-	
Miscellaneous	978	-	978	
Depreciation	-	-	-	
Efficiency Improvements	-	(127,225)	127,225	
Total Operating Expenses	814,643	610,275	204,368	33.49%
Indirect Expenses	2,205,590	1,983,954	221,637	11.17%
Other Non-Operating Expenses				
Total Expenses	6,400,078	6,173,004	227,074	3.68%
Net Change in Assets	(49,950)	75,616	(125,566)	-166.06%
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
(Incr)Dec in Fixed Asstes	-	-	-	
Allocation of Fixed Assets	(19,597)	(75,616)	56,020	
Total (Incr)Dec in Fixed Assets	(19,597)	(75,616)	56,020	-74.08%
TOTAL CHANGE IN ASSETS	(69,546)	0	(69,546)	
FTE's	17.00	17.50	(0.50)	

North American Electric Reliability Corporation
2010 Statement of Activities and Capital Expenditures
01/01/2010 - 12/31/2010
Per Audit

**COMPLIANCE OPERATIONS,
ENFORCEMENT and ORGANIZATION
REGISTRATION**

	2010 Actual	2010 Budget	2010 Variance from Budget Over(Under)		
Funding					
Assessments	12,514,444	14,312,732	(1,798,288)	-12.56%	During the first quarter of 2010, NERC's management undertook a comprehensive review of NERC's organizational structure and resource allocation. During this process, management reallocated resources to the Critical Infrastructure Protection ("CIP") department as explained under Personnel Expenses below. As a result of this reallocation, assessment funding allocated to Compliance was reduced.
Membership Fees			-		
Testing			-		
Services & Software			-		
Workshop Fees			-		
Interest			-		
					Miscellaneous Funding represents the anticipated reimbursement of costs for NERC to act as the compliance enforcement authority (CEA) for certain registered functions in FRCC, SPP, Texas RE and WECC. FERC approved SERC as the CEA for FRCC and SPP, and Texas RE separated from ERCOT in mid-2010, eliminating the requirement for NERC to act as the CEA in those Regions, and activity in the WECC Region was very limited in 2010.
Miscellaneous		404,781	(404,781)	-100.00%	
Total Funding	<u>12,514,444</u>	<u>14,717,513</u>	<u>(2,203,069)</u>	<u>-14.97%</u>	
Expenses					
Personnel Expenses					
Salaries	4,891,572	5,654,331	(762,758)	-13.49%	One component of NERC's review of the organizational structure and resource allocation was the establishment of the CIP department which is reported in the Situation Awareness and Infrastructure Security Program. To provide need resources, 7 FTEs budgeted in Compliance were transferred to CIP. The remaining 4.5 under budget FTEs is related to attrition and timing of new hires. The percentage variance in Employee Benefits is higher than Salaries due to lower actual costs for medical benefits than the amount budgeted. Retirement costs were also lower due to the timing of new hires delaying eligibility in the Plan.
Payroll Taxes	315,585	378,714	(63,129)	-16.67%	
Employee Benefits	549,932	727,131	(177,199)	-24.37%	
Savings & Retirement	616,041	795,620	(179,578)	-22.57%	
Total Personnel Expenses	<u>6,373,131</u>	<u>7,555,795</u>	<u>(1,182,664)</u>	<u>-15.65%</u>	
Meeting Expenses					
Meetings	33,693	32,500	1,193	3.67%	Due to 11.5 fewer FTEs than budgeted in this Program.
Travel	669,113	890,917	(221,804)	-24.90%	
Conference Calls	34,338	5,000	29,338	586.75%	Over budget spend due to the increased use of webinars to educate stakeholders and are being used instead of face-to-face meetings.
Total Meeting Expenses	<u>737,144</u>	<u>928,417</u>	<u>(191,273)</u>	<u>-20.60%</u>	
Operating Expenses					
Consultants & Contracts	435,930	1,100,000	(664,070)	-60.37%	\$343.3k for software development related to the Guidance/CRATS project budgeted as consulting was charged to Fixed Assets as a capital expense; \$141.8k reduction in spend related to the audit of the Regional Entity compliance programs; \$200k in subject matter experts for enforcement and investigations was identified as efficiency savings as explained in the summary Review of 2010 Year End Audited Statement of Activities under Operating Expenses and was not utilized.
Rent & Improvements			-		
Office Costs	82,176	42,500	39,676	93.35%	Cell phone/air card charges, which in prior years were budgeted totally in G&A, were higher than the amount allocated; Office supplies and express shipping charges primarily for telecommuters were not budgeted.
Professional Services	25,510	-	25,510		Legal fees related to FERC filings on the CMEP for FRCC, SPP, Texas RE and WECC and on TFE processing. The estimated fees associated with the use of outside counsel are budgeted in the Legal Department, but actual costs are recorded to the Program area supported by the service.
Miscellaneous	4,006	-	4,006		
Depreciation	175,916	26,494	149,422	563.98%	Development of the Guidance/CRATS database was budgeted as consulting, but actuals were charged to Fixed Assets as a capital expense resulting in increased depreciation expense above budget.
Efficiency Improvements		(293,503)	293,503	-100.00%	Efficiency Improvements were allocated to the Programs in the budget but not tracked in actual costs.
Total Operating Expenses	<u>723,537</u>	<u>875,491</u>	<u>(151,954)</u>	<u>-17.36%</u>	
Indirect Expenses	<u>4,443,615</u>	<u>5,186,621</u>	<u>(743,006)</u>	<u>-14.33%</u>	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions. Actual primarily lower due to fewer FTEs than budgeted.
Other Non-Operating Expenses			-		
Total Expenses	<u>12,277,427</u>	<u>14,546,324</u>	<u>(2,268,897)</u>	<u>-15.60%</u>	
Net Change in Assets	<u>237,017</u>	<u>171,188</u>	<u>65,829</u>	<u>38.45%</u>	
Fixed Assets					
Depreciation	(175,916)	(26,494)	(149,422)		Cost to develop new modules in the Guidance/CRATS database recorded as a fixed asset but were budgeted in Consultants and Contracts as noted above.
Computer & Software CapEx	343,347	0	343,347		
Furniture & Fixtures CapEx		0	-		
Equipment CapEx		0	-		
Leasehold Improvements		0	-		
(Incr)Dec in Fixed Assets	<u>(167,431)</u>	<u>26,494</u>	<u>(193,925)</u>		
Allocation of Fixed Assets	(39,481)	(197,683)	158,201	-80.03%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
Total (Inc)Dec in Fixed Assets	<u>(206,912)</u>	<u>(171,188)</u>	<u>(35,724)</u>	<u>20.87%</u>	
TOTAL CHANGE IN ASSETS	<u>30,105</u>	<u>(0)</u>	<u>30,105</u>		
FTE's	34.25	45.75	(11.50)		

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**RELIABILITY ASSESSMENTS and
PERFORMANCE ANALYSIS**

	2010 Actual	2010 Budget	2010 Variance from Budget Over(Under)		Comments (Explain variances < +/- 10% and <\$10,000)
Funding					
Assessments	4,687,978	6,381,859	(1,693,881)	-26.54%	During management's first quarter of resource requirements, 3 FTEs budgeted in the Reliability Assessments and Performance Analysis Program were reallocated to other Programs. As a result, Assessment Funding allocated to this Program was reduced.
Membership Fees			-		
Testing			-		
Services & Software	328,594	250,000	78,594	31.44%	Funding from the sale of GADS software and services higher than budget.
Workshop Fees			-		
Interest			-		
Miscellaneous			-		
Total Funding	5,016,572	6,631,859	(1,615,287)	-24.36%	
Expenses					
Personnel Expenses					
Salaries	1,737,221	2,146,240	(409,019)	-19.06%	Reduced Salaries and Payroll Tax Expenses are related to 3.0 fewer FTEs in the Program than budgeted.
Payroll Taxes	108,201	133,043	(24,842)	-18.67%	
Employee Benefits	175,305	264,460	(89,155)	-33.71%	In addition to 3.0 fewer FTEs than budgeted, the average cost of medical benefits used for the budget was higher than actual.
Savings & Retirement	212,137	307,407	(95,270)	-30.99%	In addition to 3.0 fewer FTEs than budgeted, the timing of new hires resulted in delayed entry into NERC's retirement program.
Total Personnel Expenses	2,232,864	2,851,150	(618,286)	-21.69%	
Meeting Expenses					
Meetings	10,445	200,000	(189,555)	-94.78%	Meetings were held at stakeholder offices instead of hotels and the increased used of conference calls in place of face-to-face meetings.
Travel	286,101	420,000	(133,899)	-31.88%	Fewer FTEs than budgeted.
Conference Calls	29,451	10,000	19,451	194.51%	Additional webinars and conference calls in place of face-to-face meetings.
Total Meeting Expenses	325,998	630,000	(304,002)	-48.25%	
Operating Expenses					
Consultants & Contracts	691,610	1,149,400	(457,790)	-39.83%	\$283.5k under budget in various projects planned, such as the modeling initiative and SPCS support; tools needed for automated reliability reports and centralized data collection were budgeted as Contract Expense, but \$143.7k of actual costs were recorded in Office Costs as software license fees. \$71.9k spent on two projects budgeted for 2011 (DADS and the Spare Equipment Database).
Rent & Improvements			-		
Office Costs	219,074	51,650	167,424	324.15%	Software license fees budgeted as Contract Expense as noted above.
Professional Services	12,650		12,650		Outside counsel fees to review various contracts for GADS, TADS and DADS. All outside counsel fees budgeted in the Legal and Regulatory Program.
Miscellaneous	4,289		4,289		
Depreciation	36,384	68,129	(31,744)	-46.59%	Analysis software was not purchased, reducing depreciation.
Efficiency Improvements		(129,952)	129,952		Efficiency Improvements were allocate to the Programs in the budget but not tracked in actual costs.
Total Operating Expenses	964,008	1,139,227	(175,218)	-15.38%	
Indirect Expenses	1,686,628	1,813,900	(127,273)	-7.02%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses			-		
Total Expenses	5,209,498	6,434,277	(1,224,779)	-19.04%	
Net Change in Assets	(192,926)	197,581	(390,508)	-197.64%	
Fixed Assets					
Depreciation	(36,384)	(68,129)	31,744		
Computer & Software CapEx	41,936	196,575	(154,639)		Analysis software not purchased.
Furniture & Fixtures CapEx		0	-		
Equipment CapEx		0	-		
Leasehold Improvements		0	-		
(Incr)Dec in Fixed Asstes	(5,552)	(128,447)	122,895		
Allocation of Fixed Assets	(14,986)	(69,135)	54,149		The allocation of assets is based upon FTEs and expenditures in the overhead functions.
Total (Incr)Dec in Fixed Assets	(20,537)	(197,581)	177,044	-89.61%	
TOTAL CHANGE IN ASSETS	(213,464)	-	(213,464)		
FTE's	13.00	16.00	(3.00)		

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TRAINING, EDUCATION and OPERATOR CERTIFICATION	2010 Actual	2010 Budget	2010 Variance from Budget Over(Under)	Comments (Explain variances < +/- 10% and <\$10,000)
Funding				
Assessments	1,128,746	1,502,381	(373,635)	-24.87% During management's first quarter of resource requirements, 2 FTEs budgeted in the Training and Education Program were reallocated to other Programs. As a result, Assessment Funding allocated to this Program was reduced.
Membership Fees	-	-	-	-
Testing	2,182,291	1,118,750	1,063,541	95.07% At the end of 2009, Testing Fees, Certificate Renewal Fees and Continuing Education provider fees were increased to more closely recover the costs of these programs, including overhead. In addition to the fee increase, there was a significant increase in the number of Testing Fees collected.
Services & Software	-	-	-	-
Workshop Fees	191,200	92,500	98,700	\$75k for NASPI workshops not budgeted. Other workshops had higher attendance than budgeted.
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total Funding	3,502,237	2,713,631	788,606	29.06%
Expenses				
Personnel Expenses				
Salaries	568,101	730,840	(162,739)	-22.27% Reduced Salaries and Payroll Tax Expenses are related to 2.0 fewer FTEs in the Program than budgeted.
Payroll Taxes	38,419	51,656	(13,237)	-25.63%
Employee Benefits	56,129	103,427	(47,297)	-45.73% In addition to 2.0 fewer FTEs than budgeted, the average cost of medical benefits used for the budget was higher than actual.
Savings & Retirement	71,541	102,347	(30,806)	-30.10% Related to 2.0 fewer FTEs than budgeted.
Total Personnel Expenses	734,190	988,270	(254,079)	-25.71%
Meeting Expenses				
Meetings	161,309	187,500	(26,191)	-13.97% Fewer face-to-face meetings held in 2010 than budgeted.
Travel	22,280	72,225	(49,945)	-69.15% Fewer FTEs than budget and fewer meetings held than budget.
Conference Calls	58,154	80,000	(21,846)	-27.31% NERC changed online meeting providers and reduced the monthly basic service cost budgeted and charged to the Training Program.
Total Meeting Expenses	241,743	339,725	(97,982)	-28.84%
Operating Expenses				
Consultants & Contracts	318,001	563,800	(245,799)	-43.60% \$75.0k budgeted for PCGC advanced certification was not utilized based upon input from the Operating Committee. The balance of the under run was due to delays in implementation of planned course development as requirements are better defined in an effort to enhance overall training effectiveness.
Rent & Improvements	-	-	-	-
Office Costs	58,050	59,300	(1,250)	-2.11%
Professional Services	-	-	-	-
Miscellaneous	184	-	184	-
Depreciation	-	-	-	-
Efficiency Improvements	-	(31,869)	31,869	Efficiency Improvements were allocate to the Programs in the budget but not tracked in actual costs.
Total Operating Expenses	376,235	591,231	(214,996)	-36.36%
Indirect Expenses	616,268	765,239	(148,971)	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	-	-	-	-
Total Expenses	1,968,436	2,684,465	(716,029)	-26.67%
Net Change in Assets	1,533,801	29,166	1,504,635	5158.81%
Fixed Assets				
Depreciation	0	0	-	-
Computer & Software CapEx	-	0	-	-
Furniture & Fixtures CapEx	-	0	-	-
Equipment CapEx	-	0	-	-
Leasehold Improvements	-	0	-	-
(Incr)Dec in Fixed Asstes	-	-	-	-
Allocation of Fixed Assets	(5,476)	(29,166)	23,691	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
Total (Incr)Dec in Fixed Assets	(5,476)	(29,166)	23,691	-
TOTAL CHANGE IN ASSETS	1,528,325	(0)	1,528,325	-
FTE's	4.75	6.75	(2.00)	-

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SITUATION AWARENESS and INFRASTRUCTURE SECURITY	2010 Actual	2010 Budget	2010 Variance from Budget	Comments (Explain variances < +/- 10% and <\$10,000)
Funding				
Assessments	11,913,231	8,148,935	3,764,296	46.19%
Membership Fees			-	During the first quarter of 2010, NERC's management undertook a comprehensive review of NERC's organizational structure and resource allocation. During this process, management reallocated FTE and Consulting/Contract resources to Situation Awareness and Infrastructure Security, ("SAIS") and to the Critical Infrastructure Protection ("CIP") department (included in SAIS). As a result of this reallocation, assessment funding allocated to SAIS was increased.
Testing			-	
Services & Software	18,622		18,622	FIST Royalties and TSIN fees not budgeted.
Workshop Fees	-		-	
Interest			-	
Miscellaneous			-	
Total Funding	11,931,853	8,148,935	3,782,919	46.42%
Expenses				
Personnel Expenses				
Salaries	2,613,051	1,453,624	1,159,427	79.76%
Payroll Taxes	146,980	87,221	59,760	68.52%
Employee Benefits	239,308	155,987	83,320	53.41%
Savings & Retirement	292,913	197,761	95,153	48.11%
Total Personnel Expenses	3,292,253	1,894,593	1,397,660	73.77%
				All Personnel Expenses over budget as a result of reallocation of 10.75 FTEs to this Program.
Meeting Expenses				
Meetings	177,634	300,000	(122,366)	-40.79%
Travel	364,416	220,161	144,255	65.52%
Conference Calls	44,428	-	44,428	Conference calls and webinars in place of face-to-face meetings.
Total Meeting Expenses	586,478	520,161	66,317	12.75%
Operating Expenses				
Consultants & Contracts	4,268,832	4,606,157	(337,325)	-7.32%
Rent & Improvements		-	-	NASPI project \$142.2k under budget; TFE processing under budget \$114.9k as this work primarily handled by the Regional Entities; remaining under budget spend in CIP department due to delays in the start of a number of planned initiatives
Office Costs	66,063	148,000	(81,937)	-55.36%
Professional Services	16,819	-	16,819	Primarily related to budget for purchase of published information and commissioned specialized papers which did not occur. Outside counsel review of contracts for reliability tools and SAFNR. All outside counsel fees budgeted in the Legal & Regulatory Program.
Miscellaneous	1,040	-	1,040	
Depreciation	47,917	45,884	2,033	
Efficiency Improvements		(167,451)	167,451	Efficiency Improvements were allocated to the Programs in the budget but not tracked in actual costs.
Total Operating Expenses	4,400,671	4,632,590	(231,919)	-5.01%
Indirect Expenses	2,659,682	1,105,346	1,554,337	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses			-	
Total Expenses	10,939,084	8,152,690	2,786,394	34.18%
Net Change in Assets	992,769	(3,755)	996,525	
Fixed Assets				
Depreciation	(47,917)	(45,884)	(2,033)	
Computer & Software CapEx	2,312	0	2,312	
Furniture & Fixtures CapEx		0	-	
Equipment CapEx		0	-	
Leasehold Improvements		0	-	
(Incr)Dec in Fixed Asstes	45,605	45,884	(279)	-0.61%
Allocation of Fixed Assets	(23,631)	(42,129)	18,498	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
Total (Inc)Dec in Fixed Assets	21,974	3,755	18,219	485.18%
TOTAL CHANGE IN ASSETS	1,014,743	(0)	1,014,743	
FTE's	20.50	9.75	10.75	

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GENERAL and ADMINISTRATIVE	2010 Actual	2010 Budget	2010 Variance from Budget Over(Under)	Comments (Explain variances < +/- 10% and <\$10,000)
Funding				
Assessments	469,043	469,043	0	0.00%
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest	20,793	10,000	10,793	107.93% Increased earnings due to investment of \$10.2M in Penalties received in the later part of 2009.
Miscellaneous	3,901		3,901	
Total Funding	493,737	479,043	14,694	3.07%
Expenses				
Personnel Expenses				
Salaries	1,546,086	870,200	675,886	77.67% As part of management's review of NERC'S organizational structure and to address feedback from the Three Year Performance Assessment, 2.0 FTEs were allocated from other Program Areas. Performance based incentive expense also exceeded budget as a result
Payroll Taxes	78,079	39,376	38,703	98.29% of the achievement of corporate, departmental and personal goals.
Employee Benefits	189,982	141,485	48,497	34.28% \$30.8k relocation expenses and \$10.5k for education and training budgeted in HR
Savings & Retirement	(78,319)	112,630	(190,949)	-169.54% 2010 expense was offset by \$258.8k in forfeitures of unvested employer retirement contributions
Total Personnel Expenses	1,735,828	1,163,691	572,137	49.17%
Meeting Expenses				
Meetings	158,977	172,200	(13,223)	-7.68%
Travel	243,862	168,500	75,362	44.73% Related to additional FTEs and increased travel by the CEO and Board of Trustees.
Conference Calls	64,066	85,000	(20,934)	-24.63% Budget and actual costs previously recorded in G&A were allocated to the Program areas. The budget in G&A was over stated.
Total Meeting Expenses	466,905	425,700	41,205	9.68%
Operating Expenses				
Consultants & Contracts	4,000	(300,000)	304,000	-101.33% Loss of revenue from TOOF for administrative and support services.
Rent & Improvements	1,005,233	967,134	38,100	3.94%
Office Costs	403,300	597,500	(194,200)	-32.50% Telephone and internet expense budgeted in G&A were recorded in Information Technology to be consistent with IT's oversight
Professional Services	980,294	815,000	165,294	20.28% unbudgeted search fee of \$62.0k; unbudgeted fees of \$5.5k related to Canadian Trustee tax status and research of 501c3 status.
Miscellaneous	69,954	4,000	65,954	1648.85% Provision for uncollected accounts receivable related to unpaid assessments and GADS Services.
Depreciation	118,589	95,286	23,303	24.46% Leasehold improvements and purchase of furniture occurred in 2009 after submission of the 2010 budget and were not included in the budget for depreciation.
Efficiency Improvements			-	
Total Operating Expenses	2,581,370	2,178,920	402,450	18.47%
Indirect Expenses	(4,784,103)	(3,758,310)	(1,025,792)	All expenses allocated to the Statutory Programs.
Other Non-Operating Expenses			-	
Total Expenses	-	10,000	(10,000)	-100.00%
Net Change in Assets	493,737	469,043	24,694	5.26%
Fixed Assets				
Depreciation	(118,589)	(95,286)	(23,303)	See comment above for Depreciation.
Computer & Software CapEx	6,199	0	6,199	
Furniture & Fixtures CapEx	17,751	100,000	(82,249)	Budget was for added cubicles for increasing staff. The expense was not incurred due to the relocation of NERC's headquarters.
Equipment CapEx	0	0	-	
Leasehold Improvements	41,831	0	41,831	Buildout of additional offices in DC not budgeted.
(Incr)Dec in Fixed Asstes	52,808	(4,714)	57,522	-12.20165
Allocation of Fixed Assets	(52,808)	4,714	(57,522)	Net asset change allocated to the Statutory Programs.
Total (Inc)Dec in Fixed Assets	-	-	-	
TOTAL CHANGE IN ASSETS	493,737	469,043	24,694	
FTE's	6.00	4.00	2.00	

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LEGAL and REGULATORY	2010 Actual	2010 Budget	2010 Variance from Budget Over(Under)	Comments (Explain variances < +/- 10% and <\$10,000)
Funding				
Assessments			-	
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest			-	
Miscellaneous			-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	1,365,478	1,237,000	128,478	10.39% Primarily due to the change to accrual accounting and higher than budgeted 2010 performance based incentive compensation tied to corporate, departmental and individual performance results.
Payroll Taxes	64,011	61,813	2,199	3.56%
Employee Benefits	115,492	134,415	(18,924)	-14.08% The average cost of medical benefits used for the budget was higher than actual experience.
Savings & Retirement	152,402	159,601	(7,199)	-4.51%
Total Personnel Expenses	1,697,382	1,592,829	104,553	6.56%
Meeting Expenses				
Meetings	4,864	-	4,864	There were meetings of the Legal Advisory committee, Trade Association meetings, and various other meetings that were not budgeted this year.
Travel	51,472	65,000	(13,528)	-20.81% Less travel to Canada than planned.
Conference Calls	2,964	-	2,964	
Total Meeting Expenses	59,300	65,000	(5,700)	-8.77%
Operating Expenses				
Consultants & Contracts	79,215	108,000	(28,785)	-26.65% Canadian affairs required less time than budgeted.
Rent & Improvements			-	
Office Costs	25,143	17,500	7,643	43.67% Cell phone/air card charges, which in prior years were budgeted totally in G&A, were higher than the amount allocated. Outside Counsel expense is budgeted in the Legal and Regulatory program area, but the actual invoice is charged to the applicable program where the service was performed.
Professional Services	445,635	550,000	(104,365)	-18.98%
Miscellaneous	686	-	686	
Depreciation			-	
Efficiency Improvements			-	
Total Operating Expenses	550,678	675,500	(124,822)	-18.48%
Indirect Expenses	(2,307,361)	(2,333,329)	25,968	All expenses allocated to the Statutory Programs.
Other Non-Operating Expenses			-	
Total Expenses	-	-	(0)	
Net Change in Assets			0	
Fixed Assets				
Depreciation	0	0	-	
Computer & Software CapEx			0	
Furniture & Fixtures CapEx			0	
Equipment CapEx			0	
Leasehold Improvements			0	
(Incr)Dec in Fixed Asstes	-	-	-	
Allocation of Fixed Assets	0		-	
Total (Inc)Dec in Fixed Assets	-	-	-	
TOTAL CHANGE IN ASSETS	-	-	0	
FTE's	7.00	7.00	-	

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INFORMATION TECHNOLOGY	2010	2010	2010 Variance		
	Actual	Budget	from Budget		
			Over(Under)		Comments (Explain variances < +/- 10% and <\$10,000)
Funding					
Assessments			-		
Membership Fees			-		
Testing			-		
Services & Software			-		
Workshop Fees			-		
Interest			-		
Miscellaneous			-		
Total Funding	-	-	-		
Expenses					
Personnel Expenses					
Salaries	849,827	789,767	60,060	7.60%	Lower salary expense due to fewer FTEs offset by performance based incentive expense higher than budgeted.
Payroll Taxes	48,669	55,091	(6,421)	-11.66%	Fewer FTEs than budgeted.
Employee Benefits	139,972	124,003	15,969	12.88%	Education and Training budgeted in Human Resources, but actuals charged to the appropriate program.
Savings & Retirement	107,264	112,477	(5,213)	-4.63%	
Total Personnel Expenses	1,145,733	1,081,337	64,396	5.96%	
Meeting Expenses					
Meetings			-		
Travel	23,002	20,000	3,002	15.01%	
Conference Calls	4,424	-	4,424		
Total Meeting Expenses	27,426	20,000	7,426	37.13%	
Operating Expenses					
Consultants & Contracts	190,824	325,000	(134,176)	-41.28%	Expenses related to programming support were less than anticipated.
Rent & Improvements			-		
Office Costs	823,484	577,525	245,959	42.59%	\$468.8k for internet expense that was budgeted in General and Administration but charged to IT due to IT's oversight responsibility. NERC's actual over budget spend for internet expense was \$389.4K due to an increase in bandwidth and added carrier redundancy that occurred after the budget was submitted. This variance is offset by a favorable variance in Computer Supplies and Maintenance as a result of purchases being delayed in anticipation of the relocation of the NERC headquarters.
Professional Services			-		
Miscellaneous	1,629	-	1,629		
Depreciation	367,885	515,445	(147,560)		The under budget variance in capital expenditures account for this favorable variance.
Efficiency Improvements			-		
Total Operating Expenses	1,383,822	1,417,970	(34,148)	-2.41%	
Indirect Expenses	(2,556,982)	(2,519,307)	(37,674)	1.50%	All expenses allocated to the Statutory Programs.
Other Non-Operating Expenses			-		
Total Expenses	-	-	0		
Net Change in Assets	-	-	(0)		
Fixed Assets					
Depreciation	(367,885)	(515,445)	147,560		The under budget variance in capital expenditures account for this favorable variance. Information Technology delayed significant purchases and extended the life of current equipment to utilize the budget towards the cost of a new data center. Contracts for the new data center were signed in 2011.
Computer & Software CapEx	453,180	906,210	(453,030)		
Furniture & Fixtures CapEx	0	0	-		
Equipment CapEx	70,545	0	70,545		Budgeted in Computer and Software CapEx.
Leasehold Improvements	0	0	-		
(Incr)Dec in Fixed Asstes	(155,840)	(390,765)	234,925		
Allocation of Fixed Assets	155,840	390,765	(234,925)		Net asset change allocated to the Statutory Programs.
Total (Incr)Dec in Fixed Assets	-	-	-		
TOTAL CHANGE IN ASSETS	-	-	(0)		
FTE's	7.00	7.75	(0.75)		

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HUMAN RESOURCES	2010	2010	2010 Variance	
	Actual	Budget	from Budget	Comments (Explain variances < +/- 10% and <\$10,000)
			Over(Under)	
Funding				
Assessments			-	
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest			-	
Miscellaneous			-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	422,671	384,337	38,334	9.97% Additional 0.75 FTE and performance based incentive expense higher than budgeted.
Payroll Taxes	24,913	22,206	2,707	12.19%
Employee Benefits	35,367	202,560	(167,193)	-82.54% Relocation and Education Reimbursement expenses were under budget because they are budgeted in HR but are charged to the Program where the employee works; medical benefits budgeted for all FTEs but not all in HR are enrolled.
Savings & Retirement	45,017	41,809	3,208	7.67%
Total Personnel Expenses	527,968	650,912	(122,944)	-18.89%
Meeting Expenses				
Meetings	9,315	-	9,315	Numerous employee informational meetings were held throughout the year and were not budgeted.
Travel	17,691	5,000	12,691	253.82% Increased travel incurred with hiring new employees.
Conference Calls	561	-	561	
Total Meeting Expenses	27,567	5,000	22,567	451.35%
Operating Expenses				
Consultants & Contracts	42,344	350,000	(307,656)	-87.90% Executive search fees and executive staff development and training not utilized as planned. Actual spend for market compensation study.
Rent & Improvements			-	
Office Costs	13,713	3,000	10,713	357.11% Cell phone/air card charges, which in prior years were budgeted totally in G&A, were higher than the amount allocated.
Professional Services	69,394	-	69,394	This unbudgeted expense is for legal and accounting services, Outside Counsel expenses are budgeted in Legal and Regulatory and Accounting services represent the cost of the HRIS system which was budgeted as a fixed asset but was expensed..
Miscellaneous	2,996	-	2,996	
Depreciation			-	
Efficiency Improvements			-	
Total Operating Expenses	128,448	353,000	(224,552)	-63.61%
Indirect Expenses	(683,983)	(1,008,912)	324,929	-32.21% All expenses allocated to the Statutory Programs.
Other Non-Operating Expenses			-	
Total Expenses	-	-	-	
Net Change in Assets	-	-	-	
Fixed Assets				
Depreciation	0	0	-	
Computer & Software CapEx	0	20,000	(20,000)	Human Resources Information System (HRIS) planned as software CapEx purchase implemented through payroll provider and charged to Professional Services.
Furniture & Fixtures CapEx		0	-	
Equipment CapEx		0	-	
Leasehold Improvements		0	-	
(Incr)Dec in Fixed Asstes	-	(20,000)	20,000	
Allocation of Fixed Assets	0	20,000	(20,000)	Net asset change allocated to the Statutory Programs.
Total (Inc)Dec in Fixed Assets	-	-	-	
TOTAL CHANGE IN ASSETS	-	-	-	
FTE's	4.25	3.50	0.75	

North American Electric Reliability Corporation
2010 Statement of Activities and Capital Expenditures
01/01/2010 - 12/31/2010
Per Audit

ACCOUNTING and FINANCE	2010 Actual	2010 Budget	2010 Variance from Budget Over(Under)	Comments (Explain variances < +/- 10% and <\$10,000)
Funding				
Assessments			-	
Membership Fees			-	
Testing			-	
Services & Software			-	
Workshop Fees			-	
Interest			-	
Miscellaneous			-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	828,771	812,808	15,963	1.96% Lower salary expense due to fewer FTEs offset by performance based incentive expense higher than budgeted.
Payroll Taxes	43,819	54,854	(11,036)	-20.12% Fewer FTEs than budgeted.
Employee Benefits	104,468	129,142	(24,674)	-19.11% The average cost of medical benefits budgeted per employee was higher than actual.
Savings & Retirement	89,058	109,647	(20,589)	-18.78% Fewer FTEs than budgeted and due to the timing of new hires eligibility in retirement programs was delayed.
Total Personnel Expenses	1,066,116	1,106,451	(40,335)	-3.65%
Meeting Expenses				
Meetings	142	4,000	(3,858)	-96.46%
Travel	26,734	19,000	7,734	40.70% Increased travel to BOT meetings and additional meetings held with the Regional Entity Budget Group and with FERC.
Conference Calls	1,680	-	1,680	
Total Meeting Expenses	28,555	23,000	5,555	24.15%
Operating Expenses				
Consultants & Contracts		-	-	
Rent & Improvements		-	-	
Office Costs	8,164	4,000	4,164	104.09%
Professional Services	174,302	100,000	74,302	74.30% Outside Counsel fees related to various budget related filings including the Texas RE revised 2010 budget, the WECC revised 2010 budget, and the 2009 true-up filing are charged to Finance but are budgeted in Legal and Regulatory
Miscellaneous	45	-	45	
Depreciation	2,174	1,750	424	
Efficiency Improvements		-	-	
Total Operating Expenses	184,685	105,750	78,935	74.64%
Indirect Expenses	(1,279,356)	(1,235,201)	(44,154)	3.57% All expenses allocated to the Statutory Programs.
Other Non-Operating Expenses			-	
Total Expenses	-	-	(0)	
Net Change in Assets	-	-	0	
Fixed Assets				
Depreciation	(2,174)	(1,750)	(424)	
Computer & Software CapEx	2,312	0	2,312	
Furniture & Fixtures CapEx		0	-	
Equipment CapEx		0	-	
Leasehold Improvements		0	-	
(Incr)Dec in Fixed Asstes	(138)	1,750	(1,888)	
Allocation of Fixed Assets	138	(1,750)	1,888	Net asset change allocated to the Statutory Programs.
Total (Inc)Dec in Fixed Assets	-	-	-	
TOTAL CHANGE IN ASSETS	-	-	0	
FTE's	6.75	8.50	(1.75)	

**North American
Electric Reliability
Corporation**

**Financial Statements and
Supplementary Schedules
December 31, 2010 and 2009**

North American Electric Reliability Corporation

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December 31, 2010 and 2009

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Independent Auditors' Report

To the Board of Trustees of
North American Electric Reliability Corporation

We have audited the accompanying statements of financial position of North American Electric Reliability Corporation (the "Corporation") as of December 31, 2010 and 2009, 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 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 North American Electric Reliability Corporation as of December 31, 2010 and 2009, 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 performed for the purpose of forming an opinion on the basic financial statements as a whole. The schedules of expenses on pages 14 and 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 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.

WeiserMazars LLP

Edison, N.J.
May 10, 2011

North American Electric Reliability Corporation

Statements of Financial Position

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ 27,401,407	\$ 24,427,536
Accounts receivable, net of allowance for doubtful accounts of \$179,566 and \$152,323	2,890,791	2,968,503
Prepaid expenses	536,521	212,620
Property and equipment, net (Note 2)	2,004,118	1,802,950
Security deposits	100,549	15,767
Cash surrender value of insurance policies	252,309	249,669
Total assets	\$ 33,185,695	\$ 29,677,045
Liabilities and net assets (deficiency)		
Accounts payable and accrued expenses	\$ 4,152,678	\$ 4,208,654
Deferred income	4,219,530	5,218,403
Deferred penalty income (Note 4)	10,175,000	10,000,000
Regional assessments collected in advance (Note 5)	9,748,633	8,480,053
Deferred compensation (Note 6)	620,961	620,461
Accrued retirement liabilities (Note 8)	1,474,913	1,369,942
Total liabilities	30,391,715	29,897,513
Commitments		
Unrestricted net assets (deficiency)	2,793,980	(220,468)
Total liabilities and net assets (deficiency)	\$ 33,185,695	\$ 29,677,045

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

North American Electric Reliability Corporation**Statements of Activities****Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Revenues		
NERC assessments	\$ 37,063,568	\$ 31,925,050
Testing/fees	2,182,290	1,249,170
Services and software	347,216	384,454
Workshops	191,200	111,800
Membership	-	945,941
Interest	20,793	13,221
Miscellaneous	3,901	275,890
Total revenues	<u>39,808,968</u>	<u>34,905,526</u>
Expenses		
Salaries	16,878,927	15,089,582
Employee costs	2,830,100	2,569,172
Retirement and savings plans	1,751,791	1,784,962
Travel and meetings	3,018,135	2,986,463
Services	9,047,124	9,632,717
Rent	959,819	873,646
Office costs	1,393,267	1,112,387
Computer	137,055	426,358
Depreciation and amortization	748,864	575,656
Bad debts	29,438	141,747
Federal proxy tax expense	-	27,253
Total expenses	<u>36,794,520</u>	<u>35,219,943</u>
Change in unrestricted net assets	3,014,448	(314,417)
Unrestricted net assets (deficiency), beginning of year	<u>(220,468)</u>	<u>93,949</u>
Unrestricted net assets (deficiency), end of year	<u>\$ 2,793,980</u>	<u>\$ (220,468)</u>

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

North American Electric Reliability Corporation

Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Change in unrestricted net assets	\$ 3,014,448	\$ (314,417)
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	748,864	575,656
Provision for bad debt expense	29,438	141,747
Cash value of insurance policies	(10,069)	(73,838)
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Accounts receivable	48,274	(1,428,296)
Prepaid expenses	(323,901)	(63,697)
Accounts payable and accrued expenses	(55,976)	1,475,676
Deferred income	(998,873)	(510,989)
Deferred penalty income	175,000	10,000,000
Regional assessments collected in advance	1,268,580	1,543,945
Deferred compensation	7,929	125,619
Accrued retirement liabilities	104,971	351,250
Net cash provided by operating activities	4,008,685	11,822,656
Cash flows from investing activities		
Purchase of property and equipment	(950,032)	(1,227,305)
Security deposits	(84,782)	-
Net cash used in investing activities	(1,034,814)	(1,227,305)
Net increase in cash and cash equivalents	2,973,871	10,595,351
Cash and cash equivalents, beginning of year	24,427,536	13,832,185
Cash and cash equivalents, end of year	\$ 27,401,407	\$ 24,427,536
Supplementary disclosures of cash flow information		
Cash paid during the year for:		
Interest	\$ -	\$ 2,810
Taxes	\$ -	\$ 5,813
Supplementary disclosures of non-cash information		
Transfer of cash surrender value of life insurance policies from the company to its employees	\$ 7,429	\$ 170,014

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

North American Electric Reliability Corporation

Notes to Financial Statements

Years Ended December 31, 2010 and 2009

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

Years Ended December 31, 2010 and 2009

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 Reliability 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 10.

Basis of Accounting and Presentation

The financial statements of the Corporation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets, 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 both December 31, 2010 and 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

Years Ended December 31, 2010 and 2009

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 collectability based on past experience and an analysis of current accounts receivable collectability. Changes in the estimated collectability 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.

North American Electric Reliability Corporation
Notes to Financial Statements
Years Ended December 31, 2010 and 2009

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 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. There was no proxy tax incurred in 2010.

The Corporation is no longer subject to federal and state tax examinations by the respective taxing authorities for the years prior to 2007.

Subsequent Events

The Corporation has evaluated subsequent events through May 10, 2011, the date the financial statements were available for issuance. All subsequent events requiring recognition as of December 31, 2010 have been incorporated into these financial statements.

2. Property and Equipment

Property and equipment consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Software development	\$ 1,656,536	\$ 1,136,022
Furniture and equipment	1,948,974	1,601,949
Leasehold improvements	<u>442,489</u>	<u>359,996</u>
	4,047,999	3,097,967
Accumulated depreciation and amortization	<u>(2,043,881)</u>	<u>(1,295,017)</u>
	<u>\$ 2,004,118</u>	<u>\$ 1,802,950</u>

Depreciation and amortization expense for the years ended December 31, 2010 and 2009 was \$748,864 and \$575,656, respectively.

North American Electric Reliability Corporation

Notes to Financial Statements

Years Ended December 31, 2010 and 2009

3. Line of Credit

The Corporation has a line of credit with a bank that expires in June 2011. 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, 2010). Total borrowings under the line of credit may not exceed 70% of the qualified accounts receivable. The line of credit is collateralized 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 both December 31, 2010 and 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. Pursuant to 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

The Corporation received \$175,000 and \$10,000,000 of penalty income in 2010 and 2009, respectively, resulting from a compliance audit violation of reliability standards by registered entities. The penalty is recorded upon receipt of the funds when the appeals process was exhausted and the outcome determined. The penalty has been deferred at both December 31, 2010 and 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. The cash has been restricted for use in 2011.

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 2010 and 2009, the regional assessments were:

	<u>2010</u>	<u>2009</u>
Total regional assessments billed to WECC, ERCOT, individual LSEs and designees	\$103,151,455	\$ 85,719,902
Total regional assessments remitted to regional entities	<u>(103,089,946)</u>	<u>(85,659,060)</u>
Billings over remittances	<u>\$ 61,509</u>	<u>\$ 60,842</u>

North American Electric Reliability Corporation
Notes to Financial Statements
Years Ended December 31, 2010 and 2009

The Corporation billed and remitted \$5,825,218 to WECC related to 2010 regional assessments prior to December 31, 2009 and \$998,202 related to 2011 regional assessments prior to December 31, 2010.

As of December 31, 2010 and 2009, regional assessments collected in advance and not remitted to the regional entities, excluding WECC, was \$9,748,633 and \$8,480,053, respectively.

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 life 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, 2010 and 2009, the present value of the unfunded liability, using a discount rate of 1.55% was \$113,293 and \$112,384, respectively, and is included in deferred compensation on the statement of financial position.

North American Electric Reliability Corporation
Notes to Financial Statements
Years Ended December 31, 2010 and 2009

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, 2010, the face value of the policies in which the Corporation is a primary or co-beneficiary is \$182,502. 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, 2010 and 2009, the cash surrender value of all remaining policies was \$252,309 and \$249,669, respectively, 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, 2010 and 2009, the accrued retiree medical benefits liability was \$255,359 and \$258,408, respectively, and is included in deferred compensation on the statement of financial position. The retiree medical expense related to this policy was approximately \$26,314 and \$31,400, respectively, for the years ended December 31, 2010 and 2009.

North American Electric Reliability Corporation
Notes to Financial Statements
Years Ended December 31, 2010 and 2009

7. Commitments

The Corporation leases office space in Princeton, New Jersey, Washington D.C. and Atlanta, Georgia under non-cancellable lease agreements with expiration dates in 2013, 2022 and 2023, 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, 2010, for the next five years individually and in the aggregate are as follows:

<u>Years Ending December 31,</u>	<u>Leased Space</u>	<u>Service Agreements</u>	<u>Total</u>
2011	\$ 939,000	\$ 1,715,000	\$ 2,654,000
2012	2,398,000	1,744,000	4,142,000
2013	2,871,000	446,000	3,317,000
2014	2,677,000		2,677,000
2015	2,746,000		2,746,000
Thereafter	<u>18,209,000</u>		<u>18,209,000</u>
	<u>\$ 29,840,000</u>	<u>\$ 3,905,000</u>	<u>\$ 33,745,000</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 \$165,559 and \$146,932 at December 31, 2010 and 2009, respectively, and is included in accounts payable and accrued expenses on the statement of financial position.

Office rent expense for the years ended December 31, 2010 and 2009, was \$959,819 and \$873,646, respectively.

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 years ended December 31, 2010 and 2009, were \$1,751,791 and \$1,784,962, respectively. The contributions accrued as of December 31, 2010 and 2009, amounted to \$1,415,641 and \$1,310,942, respectively, and are included in accrued retirement liabilities in the statement of financial position.

9. 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 Reliability Entity (“TRE”), the Corporation issues a quarterly invoice to Electric Reliability Council of Texas (“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. 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.

Supplementary Schedules

North American Electric Reliability Corporation
Schedules of Expenses
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Salaries	\$ 16,878,927	\$ 15,089,582
Employee costs		
Payroll taxes		
FICA	\$ 711,246	\$ 634,953
NJUC	62,863	58,127
FUI	7,920	7,173
Medicare	233,619	216,163
Employee benefits - medical	1,423,294	1,199,057
Employee benefits - life/disability	108,672	119,531
Employee benefits - officers' life	31,795	93,921
Insurance - workers' compensation	65,555	53,817
Relocation expenses	117,040	100,625
Educational	68,096	85,805
	<u>\$ 2,830,100</u>	<u>\$ 2,569,172</u>
Retirement and savings plans	\$ 1,751,791	\$ 1,784,962
Travel and meetings		
Meetings	\$ 469,140	\$ 579,987
Workshops	153,596	144,327
Travel	2,046,977	1,883,394
On-line meetings	348,422	378,755
	<u>\$ 3,018,135</u>	<u>\$ 2,986,463</u>

North American Electric Reliability Corporation
Schedules of Expenses
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Services		
Temporary office services and agency fees	\$ 178,731	\$ 252,469
Contract and consultants		
Subject matter experts, reliability software tools,		
North American Synchro-Phasor Initiative	4,581,740	5,251,504
Interchange Data Calculator	1,658,838	1,679,426
Inter-regional Secure Network	556,685	625,923
Independent trustee fees	818,550	834,475
Search fees	62,033	179,443
Office and equipment repair/services	379,406	83,679
Recordkeeping fees	28,744	12,938
Accounting and auditing fees	118,034	137,231
Legal fees	664,363	575,629
	<u>\$ 9,047,124</u>	<u>\$ 9,632,717</u>
Rent	<u>\$ 959,819</u>	<u>\$ 873,646</u>
Office costs		
Insurance - commercial	\$ 61,624	\$ 67,469
Publications and subscriptions	44,381	40,703
Dues	31,664	39,937
Postage	20,606	27,054
UPS, express mail, etc.	42,948	41,807
Telephone	272,561	247,138
Utilities	33,620	-
Copying	78,022	65,638
Stationery and office forms	10,985	13,025
Office supplies	118,909	136,043
Bank charges	14,746	9,182
Repairs and maintenance	8,362	-
Sales and use tax	48,280	56,531
Card fees	74,393	48,007
Internet expenses	472,370	277,576
Miscellaneous	59,796	42,277
	<u>\$ 1,393,267</u>	<u>\$ 1,112,387</u>
Computer - supplies/service contracts	<u>\$ 137,055</u>	<u>\$ 426,358</u>
Depreciation and amortization	<u>\$ 748,864</u>	<u>\$ 575,656</u>
Provision for bad debts	<u>\$ 29,438</u>	<u>\$ 141,747</u>
Federal income tax expense	<u>\$ -</u>	<u>\$ 27,253</u>

ATTACHMENT 2

2010 ACTUAL COST-TO-BUDGET COMPARISON

AND

2010 AUDITED FINANCIAL REPORT

FOR

MIDWEST RELIABILITY ORGANIZATION



Sue Clarke, VP of Finance and Administration

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E: sa.clarke@midwestreliability.org

May 20, 2011

Mr. Michael Walker
Ms. Susan Turpen
North American Electric Reliability Corporation (NERC)
116-390 Village Blvd.
Princeton, NJ 08540-5721

RE: 2010 Budget Variance Explanations Based on Audited Financials

Dear Mr. Walker and Ms. Turpen:

MRO staff reports the audited final numbers to be approximately 5% *under* budget (\$408k). The key contributors for this underage were under spending in external consultants, and a planned deferral in launching a software initiative.

Change in Assets

Change in Assets were (\$620,508) under budget for 2010. This compares to the approved (\$212,629) cash reserve as planned. The under budget amount was an additional (\$407,879) over what was originally forecasted by MRO staff. The following are the major areas of budget variances:

- \$377,737 – Personnel Expenses
Personnel expenses were over budget for 2010, but were offset by the underage in Consulting and Contracts expenses. Consulting and Contracts expenses were under budget by (\$405,879), and included the cost of TFE Management and Administration. MRO determined to source this function by adding additional CIP personnel to meet the growing needs in this area of the Compliance Department, in addition to the outside consulting contracted from July through December 2010.

MRO shifted the Vacation expenses from Employee Paid Benefits (“Fringes”) to Salaries to be consistent with NERC for comparability purposes; therefore, MRO was under budget in Employee Benefits expenses for 2010.

MRO allocated the specific salaries based on the FTE’s assigned to that program, which includes MRO average costs of benefits, savings and retirement. The summary page reflects the sum of salary, tax, benefits, savings and retirement costs for all employees. The reader should understand that MRO manages total organization-wide benefit costs rather than individual employee benefit costs.





- (\$158,506) – Meeting Expenses
Meeting expenses were under budget for 2010 due to lower than anticipated costs for meetings and workshops – MRO carried out the number of workshops as planned, but overall, meeting costs were lower because of some costs savings.
- (\$432,668) – Operating Expenses
Operating expenses were under budget for 2010. As noted above, Consulting and Contracts expenses were under budget, which offset the overage in Personnel expenses for 2010 with the addition of CIP personnel.

Statutory Programs

MRO has no non-statutory activities in 2010; and therefore, no statutory funding was used for non-statutory activities and no indirect costs were allocated from non-statutory to statutory.

Cash Reserves

No Cash Reserves were used in 2010.

If you have any questions regarding this report, please contact me at 651-855-1707.

Thank you,

Sue Clarke

Sue Clarke

Cc: Daniel Skaar, MRO



MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Statutory Only

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding	-	-	-
ERO Assessments	7,503,747	7,503,747	-
Penalty Sanctions	75,487	75,000	487
Total ERO Funding	7,579,234	7,578,747	487
Membership Fees & Non-Stat Assessments	-	-	-
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total Funding	7,579,234	7,578,747	487
Expenses			
Personnel Expenses			
Salaries	3,502,759	3,083,706	419,053
Payroll Taxes	229,837	231,899	(2,062)
Employee Benefits	422,623	561,066	(138,443)
Savings & Retirement	600,093	500,904	99,189
Total Personnel Expenses	4,755,312	4,377,575	377,737
Meeting Expenses			
Meetings	83,055	140,495	(57,440)
Travel	428,130	529,196	(101,066)
Total Meeting Expenses	511,185	669,691	(158,506)
Operating Expenses			
Consultants & Contracts	589,236	995,115	(405,879)
Office Rent	204,225	228,300	(24,075)
Office Costs	364,685	427,557	(62,872)
Professional Services	279,191	277,530	1,661
Miscellaneous	-	-	-
Depreciation	388,496	330,000	58,496
Total Operating Expenses	1,825,834	2,258,502	(432,668)
Total Direct Expenses	7,092,330	7,305,768	(213,438)
Total Indirect Expenses	-	-	98,528
Other Non-Operating Expenses	-	-	-
Total Expenses	7,092,330	7,305,768	(114,910)
Change in Assets	486,904	272,979	213,925
Fixed Assets			
Depreciation	(388,496)	(330,000)	(58,496)
Computer & Software CapEx	191,797	365,350	(173,553)
Furniture & Fixtures CapEx	13,004	25,000	(11,996)
Equipment CapEx	-	-	-
Leasehold Improvements	50,091	-	50,091
Change in Fixed Assets	133,604	(60,350)	193,954
Allocation of Fixed Assets	-	-	-
TOTAL CHANGE IN ASSETS	620,508	212,629	407,879
FTE	30.50	27.75	2.75
Nose Count	33.50		

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Reliability Standards

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				Comments - Explain variances that are +/- 10%
ERO Funding	-	-	-	
ERO Assessments	434,869	434,869	-	0%
Penalty Sanctions	4,509	4,480	29	1%
Total ERO Funding	439,378	439,349	29	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	439,378	439,349	29	
Expenses				
Personnel Expenses				The 2010 Budget was prepared on a program experience using department averages. The 2010 Actual was prepared based on cost per individual working within the program. Therefore, budget costs may be inadequate.
Salaries	126,910	157,600	(30,690)	-19% Less work performed by MRO staff in this area than anticipated.
Payroll Taxes	8,864	11,581	(2,717)	-23% The 2010 Budget for Payroll Tax costs were inadequate.
Employee Benefits	11,845	37,262	(25,417)	-68% The 2010 Budget was prepared including the vacation benefit in benefits while the actual vacation costs were included in salaries.
Savings & Retirement	25,894	20,200	5,694	28% The 2010 Budget for Saving and Retirement costs were inadequate.
Total Personnel Expenses	173,513	226,643	(53,130)	
Meeting Expenses				
Meetings	8,606	4,800	3,806	79% In 2010, the Standard Committee had prepared a new charter and the new direction resulted in more activity, the committee had more meetings than anticipated.
Travel	25,651	21,000	4,651	22% In 2010, the Standard Committee had prepared a new charter and the new direction resulted in more activity, the committee had more travel than anticipated.
Total Meeting Expenses	34,257	25,800	8,457	
Operating Expenses				
Consultants & Contracts	12,000	12,000	-	0%
Office Rent	-	-	-	
Office Costs	13,643	19,000	(5,357)	-28% Office Costs were reduced to offset the higher travel and meeting costs. (Training was 84% under budget.)
Professional Services	-	-	-	
Miscellaneous	-	-	-	
Depreciation	-	-	-	
Total Operating Expenses	25,643	31,000	(5,357)	
Total Direct Expenses	233,414	283,443	(50,030)	
Total Indirect Expenses	142,987	155,049	(12,061)	The allocation of indirect expenses was based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	-	-	-	
Total Expenses	376,401	438,492	(62,091)	
Change in Assets	205,965	155,906	50,059	
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	-	-	-	
Allocation of Fixed Assets	6,755	(857)	7,612	The allocation of assets was based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	212,720	155,049	57,671	
FTE	1.27	1.35	(0.08)	-6%
Nose Count	1.00			

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Compliance and Organization Registration and Certification

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	
Funding				Comments - Explain variances that are +/- 10%
ERO Funding	-	-	-	
ERO Assessments	4,645,677	4,645,677	-	0%
Penalty Sanctions	45,426	45,133	293	1%
Total ERO Funding	<u>4,691,103</u>	<u>4,690,810</u>	<u>293</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	<u>4,691,103</u>	<u>4,690,810</u>	<u>293</u>	
Expenses				
Personnel Expenses				
Salaries	1,754,924	1,567,964	186,960	12%
Payroll Taxes	118,916	123,368	(4,452)	-4%
Employee Benefits	181,848	294,567	(112,719)	-38%
Savings & Retirement	289,869	265,016	24,853	9%
Total Personnel Expenses	<u>2,345,557</u>	<u>2,250,915</u>	<u>94,642</u>	
Meeting Expenses				
Meetings	30,355	52,195	(21,840)	-42%
Travel	165,137	111,686	53,451	48%
Total Meeting Expenses	<u>195,492</u>	<u>163,881</u>	<u>31,611</u>	
Operating Expenses				
Consultants & Contracts	324,863	647,500	(322,637)	-50%
Office Rent	-	-	-	
Office Costs	56,296	57,909	(1,613)	-3%
Professional Services	8,480	-	8,480	
Miscellaneous	-	-	-	
Depreciation	-	-	-	
Total Operating Expenses	<u>389,639</u>	<u>705,409</u>	<u>(315,770)</u>	
Total Direct Expenses	<u>2,930,688</u>	<u>3,120,205</u>	<u>(189,517)</u>	
Total Indirect Expenses	<u>1,673,062</u>	<u>1,561,970</u>	<u>111,092</u>	The allocation of indirect expenses was based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenses	<u>4,603,750</u>	<u>4,682,175</u>	<u>(78,425)</u>	
Change in Assets	<u>1,760,415</u>	<u>1,570,605</u>	<u>189,810</u>	
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	
Allocation of Fixed Assets	<u>79,042</u>	<u>(8,635)</u>	<u>87,678</u>	The allocation of assets was based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>1,839,457</u>	<u>1,561,970</u>	<u>277,488</u>	
FTE	14.86	13.60	1.26	
Nose Count	16.00			

The 2010 Budget was prepared on a program experience using department averages. The 2010 Actual was prepared based on cost per individual working within the program. Therefore, budget costs may be inadequate.

Higher than budgeted FTE which is offset by lower consulting and contract fees.
The 2010 Budget for Payroll Tax costs were inadequate.
The 2010 Budget was prepared including the vacation benefit in benefits while the actual vacation costs were included in salaries.
The 2010 Budget for Saving and Retirement costs were inadequate.

MRO was able to negotiate reduced fees for room rental and more favorable catering costs working with one specific site. As the number of meetings increased at this site, it resulted in an overall reduction of meeting costs.
Travel expenses are higher than budgeted because it was assumed the CIP audits would require one week onsite, but instead have been requiring two weeks onsite. Travel expense also higher than budgeted due to more FTEs than budgeted.

Lower than budgeted consulting and contract fees are offset by higher than budgeted personnel costs.

The allocation of indirect expenses was based upon FTEs and expenditures in the overhead functions.

The allocation of assets was based upon FTEs and expenditures in the overhead functions.

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Reliability Assessment and Performance Analysis

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	
Funding				Comments - Explain variances that are +/- 10%
ERO Funding	-	-	-	
ERO Assessments	1,783,605	1,783,605	-	0%
Penalty Sanctions	21,377	21,239	138	1%
Total ERO Funding	<u>1,804,982</u>	<u>1,804,844</u>	<u>138</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	<u>1,804,982</u>	<u>1,804,844</u>	<u>138</u>	
Expenses				
Personnel Expenses				The 2010 Budget was prepared on a program experience using department averages. The 2010 Actual was prepared based on cost per individual working within the program. Therefore, budget costs may be inadequate.
Salaries	694,813	608,776	86,037	14% Actual FTEs are higher than budgeted.
Payroll Taxes	47,756	43,909	3,847	9% The 2010 Budget for Payroll Tax costs were inadequate.
Employee Benefits	93,262	91,077	2,185	2% The 2010 Budget was prepared including the vacation benefit in benefits while the actual vacation costs were included in salaries.
Savings & Retirement	129,342	89,373	39,969	45% The 2010 Budget for Saving and Retirement costs were inadequate.
Total Personnel Expenses	<u>965,172</u>	<u>833,135</u>	<u>132,038</u>	
Meeting Expenses				MRO was able to negotiate reduced fees for room rental and more favorable catering costs working with one specific site. As the number of meetings increased at this site, it resulted in an overall reduction of meeting costs.
Meetings	15,029	40,000	(24,971)	-62%
Travel	68,531	108,000	(39,469)	-37%
Total Meeting Expenses	<u>83,560</u>	<u>148,000</u>	<u>(64,440)</u>	MRO budgets member travel reimbursement based on the number of committees, working groups, and standards drafting teams as though MRO will be attending at 100%, which has not been the case. In future BP&B, MRO will project at a lower attendance %.
Operating Expenses				
Consultants & Contracts	89,957	48,100	41,857	87% The FAC Alert required additional consultants expense. Also, the model building costs were increased over the budget.
Office Rent	-	-	-	
Office Costs	26,415	36,500	(10,085)	-28% The 2010 anticipated staff training did not take place.
Professional Services	-	-	-	
Miscellaneous	-	-	-	
Depreciation	-	-	-	
Total Operating Expenses	<u>116,372</u>	<u>84,600</u>	<u>31,772</u>	
Total Direct Expenses	<u>1,165,104</u>	<u>1,065,735</u>	<u>99,370</u>	
Total Indirect Expenses	<u>786,992</u>	<u>735,045</u>	<u>51,947</u>	The allocation of indirect expenses was based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenses	<u>1,952,096</u>	<u>1,800,779</u>	<u>151,317</u>	
Change in Assets	<u>639,878</u>	<u>739,109</u>	<u>(99,232)</u>	
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	
Allocation of Fixed Assets	<u>37,181</u>	<u>(4,064)</u>	<u>41,244</u>	The allocation of assets was based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>677,058</u>	<u>735,046</u>	<u>(57,987)</u>	
FTE	6.99	6.40	0.59	
Nose Count	9.00			

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Training and Education

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding	-	-	-
ERO Assessments	-	-	-
Penalty Sanctions	-	-	-
Total ERO Funding	-	-	-
Membership Fees & Non-Stat Assessments	-	-	-
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total Funding	-	-	-
Expenses			
Personnel Expenses			
Salaries	17,887	-	17,887
Payroll Taxes	773	-	773
Employee Benefits	1,595	-	1,595
Savings & Retirement	2,959	-	2,959
Total Personnel Expenses	23,214	-	23,214
Meeting Expenses			
Meetings	-	-	-
Travel	738	-	738
Total Meeting Expenses	738	-	738
Operating Expenses			
Consultants & Contracts	-	-	-
Office Rent	-	-	-
Office Costs	-	-	-
Professional Services	-	-	-
Miscellaneous	-	-	-
Depreciation	-	-	-
Total Operating Expenses	-	-	-
Total Direct Expenses	23,952	-	23,952
Total Indirect Expenses	-	-	-
Other Non-Operating Expenses	-	-	-
Total Expenses	23,952	-	23,952
Change in Assets	(23,952)	-	(23,952)
Fixed Assets			
Depreciation	-	-	-
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
Change in Fixed Assets	-	-	-
Allocation of Fixed Assets	-	-	-
TOTAL CHANGE IN ASSETS	(23,952)	-	(23,952)
FTE	0.08	-	0.08

Comments - Explain variances that are +/- 10%

When the 2010 BP&B was prepared the only costs that were considered were whether or not MRO would be providing an in-house operator training program. MRO did not plan to do so, so the budget was left intentionally at zero. During the year of 2010, it was determined that MRO needed to capture the training to Registered Entities through presentation opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publication in the Training and Education Program. Note that in 2010 actuals, MRO staff did keep the workshop costs in the Compliance Program, however, the other training and education costs were recorded in 2010, and in the 2011 BP&B all costs are included in the 2011 BP&B Training and Education Program.

The 2010 Budget was prepared on a program experience using department averages. The 2010 Actual was prepared based on cost per individual working within the program. Therefore, budget costs may be inadequate.

Actual FTEs are higher than budgeted.

The 2010 Budget for Payroll Tax costs were inadequate.

The 2010 Budget was prepared including the vacation benefit in benefits while the actual vacation costs were included in salaries. The 2010 Budget for Saving and Retirement costs were inadequate.

Nose Count

No one staff is assigned directly to Training and Education, but rather a number of staff allocated part of their time in this program.

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Situation Awareness and Infrastructure Security

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				Comments - Explain variances that are +/- 10%
ERO Funding	-	-	-	
ERO Assessments	426,968	426,968	-	0%
Penalty Sanctions	4,175	4,148	27	1%
Total ERO Funding	431,143	431,116	27	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	431,143	431,116	27	
Expenses				
Personnel Expenses				The 2010 Budget was prepared on a program experience using department averages. The 2010 Actual was prepared based on cost per individual working within the program. Therefore, budget costs may be inadequate.
Salaries	53,913	123,143	(69,230)	-56% Less work performed by MRO staff in this area than anticipated.
Payroll Taxes	3,362	7,990	(4,628)	-58% The 2010 Budget for Payroll Tax costs were inadequate.
Employee Benefits	8,417	23,721	(15,304)	-65% The 2010 Budget was prepared including the vacation benefit in benefits while the actual vacation costs were included in salaries.
Savings & Retirement	10,434	18,274	(7,840)	-43% The 2010 Budget for Saving and Retirement costs were inadequate.
Total Personnel Expenses	76,126	173,128	(97,002)	
Meeting Expenses				
Meetings	-	8,500	(8,500)	-100% There was no CIP workshop as anticipated when the 2010 Budget was prepared.
Travel	4,657	13,900	(9,243)	-66% Less travel due to less activity by MRO staff than anticipated.
Total Meeting Expenses	4,657	22,400	(17,743)	
Operating Expenses				
Consultants & Contracts	-	-	-	
Office Rent	-	-	-	
Office Costs	1,815	25,230	(23,415)	-93% Functional training costs are included in office costs and less training took place than anticipated.
Professional Services	-	-	-	
Miscellaneous	-	-	-	
Depreciation	8,498	20,000	(11,502)	-58% The allocation in the budget was inaccurate. See IT depreciation line was underbudget.
Total Operating Expenses	10,313	45,230	(34,917)	
Total Direct Expenses	91,096	240,758	(149,662)	
Total Indirect Expenses	45,035	143,563	-	The allocation of indirect expenses was based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	-	-	-	
Total Expenses	136,131	384,321	(149,662)	
Change in Assets	340,047	190,358	149,689	
Fixed Assets				
Depreciation	(8,498)	(20,000)	11,502	-58% Note: the overall depreciation is under budget based on the 2010 Budget preparation trending in 2009.
Computer & Software CapEx	-	66,000	(66,000)	-100% MRO did not pursue additional Situation Awareness initiatives in 2010 even though it was considered a possibility in 2010 BP&B planning.
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	8,498	(46,000)	54,498	
Allocation of Fixed Assets	2,128	(794)	2,921	The allocation of assets was based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	350,673	143,564	207,108	
FTE	0.40	-	0.40	
Nose Count	1.00	-	-	

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Committees and Member Forums

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding			
ERO Assessments	-		-
Penalty Sanctions			-
Total ERO Funding	-	-	-
Membership Fees & Non-Stat Assessments			-
Testing Fees			-
Services & Software			-
Workshops			-
Interest			-
Miscellaneous			-
Total Funding	-	-	-
Expenses			
Personnel Expenses			
Salaries	134,683	127,859	6,823
Payroll Taxes	7,073	10,702	(3,629)
Employee Benefits	14,923	8,115	6,808
Savings & Retirement	25,437	21,404	4,033
Total Personnel Expenses	182,115	168,080	14,035
Meeting Expenses			
Meetings	183		183
Travel	115,885	180,100	(64,215)
Total Meeting Expenses	116,068	180,100	(64,032)
Operating Expenses			
Consultants & Contracts			-
Office Rent			-
Office Costs			-
Professional Services			-
Miscellaneous			-
Depreciation			-
Total Operating Expenses	-	-	-
Total Direct Expenses	298,183	348,180	(49,997)
Total Indirect Expenses	(298,184)	(348,180)	49,996
Other Non-Operating Expenses			-
Total Expenses	(1)	(1)	(1)
Change in Assets	1	1	1
Fixed Assets			
Depreciation	-	-	-
Computer & Software CapEx			-
Furniture & Fixtures CapEx			-
Equipment CapEx			-
Leasehold Improvements			-
Change in Fixed Assets	-	-	-
Allocation of Fixed Assets	-	-	-
TOTAL CHANGE IN ASSETS	1	1	1
FTE	0.86	0.65	0.21

Comments - Explain variances that are +/- 10%

The 2010 Budget was prepared on a program experience using department averages. The 2010 Actual was prepared based on cost per individual working within the program. Therefore budget costs may be inadequate.

5% Actual FTEs are higher than budgeted.
-34% The 2010 Budget for Payroll Tax costs were inadequate.
84% The 2010 Budget was prepared including the vacation benefit in benefits while the actual vacation costs were included in salaries.
19% The 2010 Budget for Saving and Retirement costs were inadequate.

MRO budgets member travel reimbursement based on the number of committees, working groups, and standards drafting teams as though MRO will be attending at 100%, which has not been the case. In future BP&B MRO will project at a lower attendance %.

The allocation of indirect expenses was based upon FTEs and expenditures in the overhead functions.

The allocation of assets was based upon FTEs and expenditures in the overhead functions.

Nose Count

No one staff is assigned directly to Member Forum, but rather a number of staff allocated part of their time in this program.

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
General and Administrative

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	
Funding				Comments - Explain variances that are +/- 10%
ERO Funding	-	-	-	
ERO Assessments	212,628	212,628	-	0%
Penalty Sanctions	-	-	-	
Total ERO Funding	<u>212,628</u>	<u>212,628</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	<u>212,628</u>	<u>212,628</u>	<u>-</u>	
Expenses				
Personnel Expenses				The 2010 Budget was prepared on a program experience using department averages. The 2010 Actual was prepared based on cost per individual working within the program. Therefore, budget costs may be inadequate.
Salaries	161,138	170,250	(9,112)	-5% Actual FTEs are lower than budgeted.
Payroll Taxes	5,797	5,608	189	3% The 2010 Budget for Payroll Tax costs were inadequate.
Employee Benefits	13,509	26,408	(12,898)	-49% The 2010 Budget was prepared including the vacation benefit in benefits while the actual vacation costs were included in salaries.
Savings & Retirement	27,744	23,961	3,783	16% The 2010 Budget for Saving and Retirement costs were inadequate.
Total Personnel Expenses	<u>208,188</u>	<u>226,227</u>	<u>(18,039)</u>	
Meeting Expenses				MRO was able to negotiate reduced fees for room rental and more favorable catering costs working with one specific site. As the number of meetings increased at this site, it resulted in an overall reduction of meeting costs.
Meetings	28,874	35,000	(6,126)	-18%
Travel	45,011	85,000	(39,989)	-47%
Total Meeting Expenses	<u>73,885</u>	<u>120,000</u>	<u>(46,115)</u>	MRO budgets member travel reimbursement based on the number of BOD and Strategic meetings as though MRO will be attending at 100%, which has not been the case. In future BP&B, MRO will project at a lower attendance %.
Operating Expenses				MRO staff reduced the amount of usage of the media consultant.
Consultants & Contracts	4,500	60,000	(55,500)	-93%
Office Rent	-	-	-	
Office Costs	62,570	58,000	4,570	8%
Professional Services	-	-	-	
Miscellaneous	-	-	-	
Depreciation	-	-	-	
Total Operating Expenses	<u>67,070</u>	<u>118,000</u>	<u>(50,930)</u>	
Total Direct Expenses	<u>349,143</u>	<u>464,227</u>	<u>(115,084)</u>	
Total Indirect Expenses	<u>(349,143)</u>	<u>(464,227)</u>	<u>115,084</u>	The allocation of indirect expenses was based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Change in Assets	<u>212,628</u>	<u>212,628</u>	<u>-</u>	
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	
Allocation of Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	The allocation of assets was based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>212,628</u>	<u>212,628</u>	<u>-</u>	
FTE	0.56	1.50	(0.94)	
Nose Count	2.00			

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Legal and Regulatory

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	
Funding				Comments - Explain variances that are +/- 10%
ERO Funding	-	-	-	
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	-	-	-	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	112,012	12,500	99,512	796%
Payroll Taxes	5,696	1,218	4,478	368%
Employee Benefits	5,740	818	4,922	601%
Savings & Retirement	11,863	1,690	10,172	602%
Total Personnel Expenses	135,311	16,227	119,085	
Meeting Expenses				
Meetings	-	-	-	
Travel	73	4,320	(4,247)	-98%
Total Meeting Expenses	73	4,320	(4,247)	
Operating Expenses				
Consultants & Contracts	-	111,000	(111,000)	-100%
Office Rent	-	-	-	
Office Costs	415	-	415	
Professional Services	201,951	225,000	(23,049)	-10%
Miscellaneous	-	-	-	
Depreciation	-	-	-	
Total Operating Expenses	202,366	336,000	(133,634)	
Total Direct Expenses	337,750	356,547	(18,796)	
Total Indirect Expenses	(337,750)	(356,546)	18,796	
Other Non-Operating Expenses	-	-	-	
Total Expenses	-	1	-	
Change in Assets	-	(1)	-	
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	-	-	-	
Allocation of Fixed Assets	-	-	-	
TOTAL CHANGE IN ASSETS	-	(1)	-	
FTE	0.48	0.10	0.38	
Nose Count	0.50			

The 2010 Budget was prepared on a program experience using department averages. The 2010 Actual was prepared based on cost per individual working within the program. Therefore, budget costs may be inadequate.

Actual FTEs are higher than budgeted.
The 2010 Budget for Payroll Tax costs were inadequate.
The 2010 Budget was prepared including the vacation benefit in benefits while the actual vacation costs were included in salaries.
The 2010 Budget for Saving and Retirement costs were inadequate.

Expected travel to the PUCs within the MRO footprint did not accelerate as quickly as thought when preparing the 2010 BP&B.

These dollars are budgeted to maintain outside consultants to provide advice to the President, Board of Directors, and staff on legal and regulatory matters affecting MRO. In the calendar year of 2010, no such situations arose.

The allocation of indirect expenses was based upon FTEs and expenditures in the overhead functions.

The allocation of assets was based upon FTEs and expenditures in the overhead functions.

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Information Technology

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	
Funding				Comments - Explain variances that are +/- 10%
ERO Funding	-	-	-	
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	-	-	-	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				The 2010 Budget was prepared on a program experience using department averages. The 2010 Actual was prepared based on cost per individual working within the program. Therefore, budget costs may be inadequate.
Salaries	248,316	141,114	107,201	76% More work performed by MRO staff in this area than anticipated.
Payroll Taxes	17,518	8,243	9,275	113% The 2010 Budget for Payroll Tax costs were inadequate.
Employee Benefits	62,470	27,504	34,966	127% The 2010 Budget was prepared including the vacation benefit in benefits while the actual vacation costs were included in salaries.
Savings & Retirement	40,175	20,169	20,006	99% The 2010 Budget for Saving and Retirement costs were inadequate.
Total Personnel Expenses	368,479	197,030	171,448	
Meeting Expenses				
Meetings	-	-	-	
Travel	1,905	-	1,905	
Total Meeting Expenses	1,905	-	1,905	
Operating Expenses				
Consultants & Contracts	80,606	91,615	(11,009)	-12% MRO did not pursue all of the projects that had been planned for in the 2010 BP&B.
Office Rent	-	-	-	
Office Costs	137,659	158,418	(20,759)	-13% Functional training costs are included in office costs and less training took place than anticipated .
Professional Services	-	-	-	
Miscellaneous	-	-	-	
Depreciation	379,998	310,000	69,998	23% The allocation in the budget was inaccurate. See Situation Awareness depreciation line was overbudgeted.
Total Operating Expenses	598,263	560,033	38,230	
Total Direct Expenses	968,647	757,063	211,583	
Total Indirect Expenses	(968,647)	(757,063)	(211,584)	The allocation of indirect expenses was based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	-	-	-	
Total Expenses	-	-	(1)	
Change in Assets	-	-	1	
Fixed Assets				
Depreciation	(379,998)	(310,000)	(69,998)	23%
Computer & Software CapEx	191,797	299,350	(107,553)	-36% Deferred launching a software initiative.
Furniture & Fixtures CapEx	13,004	25,000	(11,996)	-48% MRO staff eliminated any discretionary spending to offset the unplanned leasehold improvements below.
Equipment CapEx	-	-	-	
Leasehold Improvements	50,091	-	50,091	Reconstruction of the work area to support the additional staff that exceed the 2010 budget.
Change in Fixed Assets	125,106	(14,350)	139,456	
Allocation of Fixed Assets	(125,106)	14,350	(139,456)	The allocation of assets was based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	-	-	1	
FTE	2.91	1.90	1.01	
Nose Count	2.00			

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Human Resources

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>
Funding			
ERO Funding	-	-	-
ERO Assessments	-	-	-
Penalty Sanctions	-	-	-
Total ERO Funding	-	-	-
Membership Fees & Non-Stat Assessments	-	-	-
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total Funding	-	-	-
Expenses			
Personnel Expenses			
Salaries	-	-	-
Payroll Taxes	-	-	-
Employee Benefits	-	-	-
Savings & Retirement	-	-	-
Total Personnel Expenses	-	-	-
Meeting Expenses			
Meetings	-	-	-
Travel	-	-	-
Total Meeting Expenses	-	-	-
Operating Expenses			
Consultants & Contracts	-	-	-
Office Rent	-	-	-
Office Costs	-	-	-
Professional Services	-	-	-
Miscellaneous	-	-	-
Depreciation	-	-	-
Total Operating Expenses	-	-	-
Total Direct Expenses	-	-	-
Total Indirect Expenses	-	-	-
Other Non-Operating Expenses	-	-	-
Total Expenses	-	-	-
Change in Assets	-	-	-
Fixed Assets			
Depreciation	-	-	-
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
Change in Fixed Assets	-	-	-
Allocation of Fixed Assets	-	-	-
TOTAL CHANGE IN ASSETS	-	-	-
FTE	-	-	-
Nose Count			

Comments - Explain variances that are +/- 10%
MRO includes the Human Resource function with the Accounting and Finance function.

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Human Resources,
Accounting and Finance

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	
Funding				Comments - Explain variances that are +/- 10%
ERO Funding	-	-	-	
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	-	-	-	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Expenses				
Personnel Expenses				The 2010 Budget was prepared on a program experience using department averages. The 2010 Actual was prepared based on cost per individual working within the program. Therefore, budget costs may be inadequate.
Salaries	198,165	174,500	23,665	14% Actual FTEs are lower than budgeted.
Payroll Taxes	14,083	19,280	(5,198)	-27% The 2010 Budget for Payroll Tax costs were inadequate.
Employee Benefits	29,013	51,594	(22,580)	-44% The 2010 Budget was prepared including the vacation benefit in benefits while the actual vacation costs were included in salaries.
Savings & Retirement	36,375	40,817	(4,442)	-11% The 2010 Budget for Saving and Retirement costs were inadequate.
Total Personnel Expenses	<u>277,636</u>	<u>286,191</u>	<u>(8,554)</u>	
Meeting Expenses				
Meetings	8	-	8	
Travel	542	5,190	(4,648)	-90% MRO staff did not attend as many regional meetings as planned for in the 2010 BP&B.
Total Meeting Expenses	<u>550</u>	<u>5,190</u>	<u>(4,640)</u>	
Operating Expenses				
Consultants & Contracts	77,310	24,900	52,410	210% Hiring costs related to adding 4 senior staff employees.
Office Rent	204,225	228,300	(24,075)	-11% Utility and building repair expenses are included in the Office Rent and both were trended higher in the budget than actual.
Office Costs	65,872	72,500	(6,628)	-9%
Professional Services	68,760	52,530	16,230	31% MRO has expanded our financial audits to evaluate our IT and cyber security on an annual basis.
Miscellaneous	-	-	-	
Depreciation	-	-	-	
Total Operating Expenses	<u>416,168</u>	<u>378,230</u>	<u>37,938</u>	
Total Direct Expenses	<u>694,354</u>	<u>669,611</u>	<u>24,743</u>	
Total Indirect Expenses	<u>(694,353)</u>	<u>(669,611)</u>	<u>(24,742)</u>	The allocation of indirect expenses was based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenses	<u>1</u>	<u>-</u>	<u>1</u>	
Change in Assets	<u>(1)</u>	<u>-</u>	<u>(1)</u>	
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	
Allocation of Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	The allocation of assets was based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>(1)</u>	<u>-</u>	<u>(1)</u>	
FTE	2.09	2.25	(0.16)	
Nose Count	2.00			

MIDWEST RELIABILITY ORGANIZATION

Roseville, Minnesota

Financial Statements
Including Independent Auditors' Report

December 31, 2010 and 2009

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, 2010 and 2009, 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 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 Midwest Reliability Organization'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, 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, 2010 and 2009, 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.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
March 22, 2011

MIDWEST RELIABILITY ORGANIZATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

	ASSETS	
	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,178,789	\$ 1,488,149
Restricted cash	137,020	75,486
Prepaid expenses	308,494	65,662
Total Current Assets	<u>2,624,303</u>	<u>1,629,297</u>
PROPERTY, IMPROVEMENTS AND EQUIPMENT, NET	772,076	833,162
OTHER ASSETS		
Restricted cash - non-current	216,500	60,002
Capitalized software costs, net of accumulated amortization of \$187,642 and \$100,154, respectively	172,819	245,341
TOTAL ASSETS	<u>\$ 3,785,698</u>	<u>\$ 2,767,802</u>
	LIABILITIES AND MEMBERS' EQUITY	
CURRENT LIABILITIES		
Accounts payable - trade	\$ 634,850	\$ 632,768
Accrued liabilities	385,033	155,430
Retirement plan contribution	280,000	255,246
Deferred assessments	137,020	75,486
Deferred rent	47,733	47,733
Total Current Liabilities	<u>1,484,636</u>	<u>1,166,663</u>
OTHER LIABILITIES		
Postretirement medical benefit obligation	220,902	130,166
Deferred assessments - non-current	216,500	60,002
Deferred rent - non-current	55,631	89,843
Total Liabilities	<u>1,977,669</u>	<u>1,446,674</u>
MEMBERS' EQUITY	<u>1,808,029</u>	<u>1,321,128</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 3,785,698</u>	<u>\$ 2,767,802</u>

See accompanying notes to financial statements.

MIDWEST RELIABILITY ORGANIZATION

STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
REVENUE		
Assessments	\$ 7,503,747	\$ 6,376,475
Penalty sanctions	75,486	-
Services and software	-	36,667
Non-operating assessment - pension plan termination	-	1,120,000
Total Revenue	<u>7,579,233</u>	<u>7,533,142</u>
EXPENSES		
Personnel expenses		
Salaries	3,502,761	2,850,658
Payroll taxes	229,270	195,668
Employee benefits	422,620	272,338
Retirement benefits	586,680	524,991
Total personnel expenses	<u>4,741,331</u>	<u>3,843,655</u>
Meeting expenses		
Conference calls	27,183	17,749
Meetings	83,054	97,179
Travel	428,129	335,189
Total meeting expenses	<u>538,366</u>	<u>450,117</u>
Operating expenses		
Building rent and facilities	204,225	228,586
Consulting	589,236	480,048
Office costs	725,996	573,188
Professional services	279,762	159,664
Total operating expenses	<u>1,799,219</u>	<u>1,441,486</u>
Total Expenses	<u>7,078,916</u>	<u>5,735,258</u>
PENSION AND POSTRETIREMENT-RELATED CHANGES		
Pension plan termination	-	1,151,632
Postretirement medical benefit obligation changes other than net periodic cost	<u>13,416</u>	<u>(287,468)</u>
Total Pension and Postretirement-related changes	<u>13,416</u>	<u>864,164</u>
CHANGE IN MEMBERS' EQUITY	486,901	933,720
MEMBERS' EQUITY - Beginning of Year	<u>1,321,128</u>	<u>387,408</u>
MEMBERS' EQUITY - END OF YEAR	<u>\$ 1,808,029</u>	<u>\$ 1,321,128</u>

See accompanying notes to financial statements.

MIDWEST RELIABILITY ORGANIZATION

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in members' equity	\$ 486,901	\$ 933,720
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation and software amortization	388,496	270,805
Amortization of deferred rent	(34,212)	(30,747)
Postretirement benefit obligation	90,736	(239,637)
Change in assets and liabilities:		
Prepaid expenses	(242,832)	(3,776)
Accounts payable - trade	162,062	106,684
Payable to MAPPCOR	-	(140,670)
Accrued liabilities	229,603	(10,980)
Retirement plan contribution	24,754	255,246
Deferred assessments	218,032	60,030
Change from Operating Activities	1,323,540	1,200,675
 CASH FLOWS FROM INVESTING ACTIVITIES		
Change in restricted cash	(218,032)	(135,488)
Purchases of property, improvements and equipment and software	(414,868)	(306,165)
Change from Investing Activities	(632,900)	(441,653)
 Net Change in Cash and Cash Equivalents	 690,640	 759,022
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 1,488,149	 729,127
 CASH AND CASH EQUIVALENTS - END OF YEAR	 \$ 2,178,789	 \$ 1,488,149
 Supplemental cash flow disclosure:		
Equipment and software additions included in accounts payable	\$ 154,706	\$ 314,686

See accompanying notes to financial statements.

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS December 31, 2010 and 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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 six organizational groups: the Compliance Committee, the Dispute Resolution Committee, the Planning Committee, the Operating Committee, the Security 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, if any, result primarily from 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.

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 \$87,488 and \$17,041 for the years ended December 31, 2010 and 2009, respectively.

Deferred Revenue

Deferred revenue represents penalty assessments paid by load-serving entities, which will be used to offset budget allocations received from NERC.

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

In accordance with the accounting standard on Accounting for Uncertainty in Income Taxes, the Organization addresses the determination of whether tax benefits claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization 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 merit of the position. Examples of tax positions include the tax-exempt status of MRO and various positions related to the potential sources of unrelated business taxable income. There were no significant unrecognized tax benefits identified or recorded as liabilities as of December 31, 2010. Open tax years subject to examination by the U.S. and state taxing authorities are for the years 2007 to 2009, which statutes expire in 2011 to 2013, respectively.

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.

Reclassifications

For comparability purposes, amounts appearing in the 2009 financial statements have been reclassified to conform to the 2010 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 22, 2011, which is the date that the financial statements were approved and available to be issued.

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 2 - NERC TRANSACTIONS

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 \$7,503,746 and \$6,376,475 for the years ended December 31, 2010 and 2009, 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 6.

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 - LEASE COMMITMENTS

Operating Lease

On January 1, 2007, MRO assumed an operating lease for rental of the office space located in Roseville, Minnesota. The assumed lease agreement is between Minnesota Industrial Properties Limited Partnership and MAPP COR. Rent expense was \$155,941 in 2010 and \$150,656 in 2009.

Future expected minimum lease payments under the assigned lease as of December 31, 2010 are as follows:

Years Ending December 31	
2011	\$ 134,925
2012	138,994
2013	<u>70,457</u>
	<u>\$ 344,376</u>

NOTE 4 - PROPERTY, IMPROVEMENTS AND EQUIPMENT

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

	<u>2010</u>	<u>2009</u>
Equipment	\$ 955,323	\$ 776,240
Furniture	158,660	147,911
Leasehold improvements	<u>629,710</u>	<u>579,619</u>
	1,743,693	1,503,770
Less: Accumulated depreciation	<u>(971,617)</u>	<u>(670,608)</u>
Net Property, Improvements and Equipment	<u>\$ 772,076</u>	<u>\$ 833,162</u>

NOTE 5 - LINE OF CREDIT

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 it expired February 26, 2011. There were no outstanding balances at December 31, 2010 or 2009, respectively. In January, 2011, the MRO Board of Directors signed a Resolution approving and authorizing the execution of a corporate line of credit which has no changes from the previous revolving line of credit. The new line of credit will expire February 26, 2013.

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 6 - 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:

	2010	2009
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 468,424	\$ 581,407
Service cost	99,653	99,590
Interest cost	28,482	32,646
Plan changes	-	(428,080)
Actuarial loss	(6,893)	182,861
Benefits paid	-	-
Benefit obligation at end of year	589,666	468,424
Change in plan assets		
Fair value of plan assets at beginning of year	338,258	211,604
Actual return on plan assets	30,506	56,654
Employer contribution	-	70,000
Benefits paid	-	-
Fair value of plan assets at end of year	368,764	338,258
Unfunded status recognized as a noncurrent liability	\$ (220,902)	\$ (130,166)
Weighted average assumptions used to calculate the benefit obligation-discount rate	5.60%	6.10%

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 6 - RETIREMENT PLANS (Continued)

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

	2010	2009
Components of net periodic benefit cost		
Service cost	\$ 99,653	\$ 99,590
Interest cost	28,482	32,646
Expected return on plan assets	(26,941)	(16,640)
Amortization of prior service cost	(38,601)	-
Amortization of actuarial loss	14,727	4,641
Net periodic benefit cost	\$ 77,320	\$ 120,237
Weighted-average assumptions used to calculate the net periodic benefit cost		
Discount rate	6.10 %	5.65 %
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	11.0%	11.3%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0 %	5.0 %
Year that the rate reaches the ultimate trend rate	2025	2030

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	\$ 30,852	\$ (23,577)
Effect on postretirement benefit obligation	139,161	(106,730)

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 6 - RETIREMENT PLANS (Continued)

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

	2010	2009
Actuarial (gain) loss arising during the year	\$ (25,185)	\$ 140,612
Amortization of prior year service cost	38,601	-
Newly established prior service credit	-	(428,080)
	\$ 13,416	\$ (287,468)

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 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:

	2010	2009
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Identical Assets (Level 1)
Asset category		
Cash equivalents	\$ 10,104	\$ 10,025
Mutual funds-bonds	262,946	56,402
Mutual funds-equities	95,714	271,831
	\$ 368,764	\$ 338,258

Cash equivalents - Investments in cash equivalents consist of money market funds and are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Mutual Funds - Investments in mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

While the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 6 - RETIREMENT PLANS (Continued)

Estimated future benefit payments (which reflect expected future service, as appropriate) as of December 31, 2010 are as follows:

Years Ending December 31	
2011	\$ 2,997
2012	3,306
2013	3,632
2014	8,451
2015	8,713
2016-2020	171,382

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 2011.

Defined Benefit Pension Plan

The Organization participated in a multiple-employer defined benefit pension plan for its employees until 2009.

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 employer contribution 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 employer contribution, they must have worked 1,000 hours during the plan year. The Organization matched \$164,395 and \$149,508 of employee deferrals as of December 31, 2010 and 2009, respectively. In addition, the Organization elected to make an employer contribution in the amount of \$287,252 and \$255,246 for the years ended December 31, 2010 and 2009, respectively.

The Organization also established a 457 prototype plan in 2010. Eligible employees may contribute an elective deferral, with a discretionary matching contribution from the Organization. Employee contributions were \$33,114 for the year ended December 31, 2010. The Organization matched \$9,936 of employee deferrals for the year ended December 31, 2010.

ATTACHMENT 3

2010 ACTUAL COST-TO-BUDGET COMPARISON

AND

2010 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 23, 2011

North American Electric Reliability Corporation
3343 Peachtree Road, NE
Fourth Floor East Tower – Suite 400
Atlanta, Georgia 30326
Attention: Mr. Michael Walker - Chief Financial Officer
Ms. Susan Turpen - Controller

Subject: NPCC 2010 True Up Budget vs. Actual Variance Analysis
True Up Filing Based on Audited 12/31/10 Financial Statements

Dear Mike and Susan:

Enclosed is the Northeast Power Coordinating Council, Inc.'s (NPCC) submittal regarding the 2010 NPCC budget and year-end actual cost-to-budget variances. NPCC's independent audit performed by Pricewaterhouse Coopers LLP was concluded on April 26, 2011 and forwarded to NERC for its information and provision to FERC

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

No Regional Entity division assessments were used to fund CS division activities. Allocation between the RE division and CS division represents a 91/9 split for 2010 based upon total corporate FTEs of 27.41 in the RE division and 2.59 in the CS division. No indirect costs were allocated from the CS division to the RE division and no cross subsidies exist. In addition, NPCC does not budget for interest income and reports such income apportioned based upon its Regional Entity (RE) and Criteria Services (CS) division full time equivalent (FTE) ratio.

Actual total expenses for NPCC's RE division for 2010 were \$9,596,225 which is \$1,821,819 or 16% under the 2010 operating budget of \$11,418,044. Actual total expenses for NPCC's Criteria CS division for 2010 were \$579,247 which is \$526,102 or approximately 48% under the 2010 operating budget of \$1,105,349. In the aggregate, actual total expenses for the NPCC RE and CS divisions were \$10,175,472 which is \$2,347,921 or nearly 19% under the 2010 total corporate budget of \$12,523,393. NPCC did not use operating cash reserves to fund any activities or services in 2010.

Significant aggregate expense variations for the Regional Entity division are explained on the following page:

Personnel Expenses

(Actual - \$1,079,478 or 17% under budget)

Personnel expenses were less than budget in direct salaries and organization-wide benefits due to staffing challenges. NPCC was very successful in its recruiting efforts but less so with regard to retention of less seasoned staff resulting in staff vacancies throughout 2010. NPCC expects to continue to face staffing challenges for the foreseeable future and aging workforce issues but is confident that its dedicated staff will continue to provide all functions and services consistent with the Regional Delegation Agreement.

Meeting and Travel Expenses

(Actual - \$252,953k or 22% under budget)

The travel subaccount account was under budget due to significantly greater volume of meetings being held at the NPCC offices. NPCC has had significant participation with regard to its meetings which has led to overages in that subaccount. Savings from increased use of conference calls in lieu of in person meeting provided some offsetting savings.

Operating Expenses

(Actual - \$475,683 or 12% under budget)

Operating Expenses were less than budgeted due to several drivers including staff development of a methodology to process Technical Feasibility Exceptions which eliminated expenditures that could have been necessary in both the contracts and consultants subaccounts. Efficiencies in the compliance audit process, including two rounds of information requests prior to onsite audits significantly reduced contract auditor time and expense. Professional services including the partial year retention of a consultant Chairman of the Board and reduced outside counsel consultation also made significant contributions to under budget expenditures.

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

Significant variances by program area are provided on a line-item basis using the template provided by NERC which presents actual and budgeted costs on program-by-program format. If you have any questions related to this report, please don't hesitate to contact Ms. Heidi Lewis at hlewis@npcc.org or at (212) 840-1070 or me via cellular at (201) 213-0073 or via email at jbudd@npcc.org.

Sincerely,



Jennifer Budd Mattiello
Vice President & Chief Operating Officer

JBM: jm

cc: NPCC Staff

Northeast Power Coordinating Council, Inc.
2010 Statement of Activities Summary
Total NPCC (RE and CS Divisions)

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>
Funding:			
ERO Funding			
ERO Assessments	\$ 11,500,438	\$ 11,500,438	\$ -
Penalty Sanctions	\$ -	\$ -	\$ -
Total ERO Funding	\$ 11,500,438	\$ 11,500,438	\$ -
Membership Fees & Non-Stat Assessments	\$ 1,145,460	\$ 1,145,478	\$ (18)
Testing Fees	\$ -	\$ -	\$ -
Services & Software	\$ -	\$ -	\$ -
Workshops	\$ -	\$ -	\$ -
Interest	\$ 22,488	\$ -	\$ 22,488
Miscellaneous	\$ -	\$ -	\$ -
Total Funding	\$ 12,668,386	\$ 12,645,916	\$ 22,470
Direct Expenses:			
Personnel Expenses			
Salaries	\$ 4,226,664	\$ 4,698,506	\$ (471,842)
Payroll Taxes	\$ 273,463	\$ 269,380	\$ 4,083
Employee Benefits	\$ 862,560	\$ 1,180,892	\$ (318,332)
Savings & Retirement	\$ 351,125	\$ 988,947	\$ (637,822)
Total Personnel Expenses	\$ 5,713,812	\$ 7,137,725	\$ (1,423,913)
Meeting Expenses			
Meetings	\$ 253,600	\$ 247,817	\$ 5,783
Travel	\$ 621,421	\$ 919,491	\$ (298,070)
Conference Calls	\$ 62,751	\$ 75,441	\$ (12,690)
Total Meeting Expenses	\$ 937,772	\$ 1,242,749	\$ (304,977)
Operating Expenses			
Consultants & Contracts	\$ 1,607,111	\$ 1,911,665	\$ (304,554)
Office Rent	\$ 672,297	\$ 685,000	\$ (12,703)
Office Costs	\$ 277,086	\$ 314,755	\$ (37,669)
Computer and Equipment Leases	\$ 114,425	\$ 146,500	\$ (32,075)
Professional Services	\$ 612,760	\$ 869,999	\$ (257,239)
Miscellaneous	\$ 67,423	\$ 60,000	\$ 7,423
Depreciation	\$ 172,786	\$ 140,000	\$ 32,786
Total Operating Expenses	\$ 3,523,888	\$ 4,127,919	\$ (604,031)
Total Direct Expenses	\$ 10,175,472	\$ 12,523,393	\$ (2,347,921)
Total Indirect Expenses	\$ 1	\$ -	\$ 1
Other Non-Operating Expenses	\$ -	\$ 15,000	\$ (15,000)
Total Expenses	\$ 10,175,473	\$ 12,523,393	\$ (2,347,920)
Change in Assets	\$ 2,492,913	\$ 122,523	\$ 2,370,390
Fixed Assets:			
Depreciation	\$ (172,786)	\$ (140,000)	\$ (32,786)
Computer & Software CapEx	\$ 116,000	\$ -	\$ 116,000
Furniture & Fixtures CapEx	\$ 8,627	\$ 20,000	\$ (11,373)
Equipment CapEx	\$ 7,950	\$ 30,000	\$ (22,050)
Leasehold Improvements	\$ -	\$ 20,000	\$ (20,000)
Change in Fixed Assets	\$ 40,209	\$ 70,000	\$ (29,791)
Allocation of Fixed Assets	-	-	-
TOTAL CHANGE IN ASSETS	\$ 2,533,122	\$ 192,523	\$ 2,340,599
Full-Time Equivalents	30.00	30.00	0.00

Northeast Power Coordinating Council, Inc.
2010 Statment of Activities Summary
Regional Entity Division

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	<u>Variance</u>	<u>Over/(Under) Comments - Explain variances that are +/- 10%</u>
Funding:					
ERO Funding					
ERO Assessments	\$ 11,500,438	\$ 11,500,438	\$ -	0%	
Penalty Sanctions	\$ -	\$ -	\$ -		
Total ERO Funding	<u>\$ 11,500,438</u>	<u>\$ 11,500,438</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -		
Testing Fees	\$ -	\$ -	\$ -		
Services & Software	\$ -	\$ -	\$ -		
Workshops	\$ -	\$ -	\$ -		
Interest	\$ 20,547	\$ -	\$ 20,547		Interest income while not budgeted is apportioned by RE/CS FTE ratio
Miscellaneous	\$ -	\$ -	\$ -		
Total Funding	<u>\$ 11,520,985</u>	<u>\$ 11,500,438</u>	<u>\$ 20,547</u>		
Direct Expenses:					
Personnel Expenses					
Salaries	\$ 4,022,930	\$ 4,319,871	\$ (296,941)	-7%	Salaries were under budget due to staff vacancies throughout the year including unanticipated staff turnover.
Payroll Taxes	\$ 258,780	\$ 246,224	\$ 12,556	5%	
Employee Benefits	\$ 802,927	\$ 1,077,454	\$ (274,527)	-25%	Employee Benefits expenses were under budget due to several staff opting out of health insurance coverage and staff vacancies throughout the year.
Savings & Retirement	\$ 285,548	\$ 806,114	\$ (520,566)	-65%	Savings & Retirement were under budget due to unanticipated turnover and partial year hires. Employees hired after 2/6/07 must be on staff for the full calendar year to be eligible for annual discretionary 401k contribution.
Total Personnel Expenses	<u>\$ 5,370,185</u>	<u>\$ 6,449,663</u>	<u>\$ (1,079,478)</u>	-17%	
Meeting Expenses					
Meetings	\$ 249,761	\$ 224,217	\$ 25,544	11%	Meeting expenses were over budget due to increased meeting participation from within the membership and overall meeting volume.
Travel	\$ 594,948	\$ 849,490	\$ (254,542)	-30%	Travel expenses were under budget due to a greater volume of meetings being held at the NPCC offices, advance hotel bookings, adjustments to class of hotel being used, along with meetings held via teleconference/webinar.
Conference Calls	\$ 46,841	\$ 70,796	\$ (23,955)	-34%	Conference Calls were under budget due to NPCC negotiating less costly rates.
Total Meeting Expenses	<u>\$ 891,550</u>	<u>\$ 1,144,503</u>	<u>\$ (252,953)</u>	-22%	
Operating Expenses					
Consultants & Contracts	\$ 1,579,479	\$ 1,786,325	\$ (206,846)	-12%	Consultants & Contracts were under budget due to efficiencies created by additional staff information requests to registered entities prior to deploying contractors thereby reducing the time spent by exclusive contract auditors with regard to supporting documentation collection.
Office Rent	\$ 613,819	\$ 625,850	\$ (12,031)	-2%	
Office Costs	\$ 254,135	\$ 286,574	\$ (32,439)	-11%	Office Costs were under budget due to lower than anticipated real estate tax escalations and minimal maintenance activities.
Computer and Equipment Leases	\$ 104,298	\$ 133,802	\$ (29,504)	-22%	Computer and Equipment Leases were under budget due to fewer FTEs than budgeted and/or positions being filled later than planned.
Professional Services	\$ 562,169	\$ 794,889	\$ (232,720)	-29%	Professional Services were under budget due to lower than anticipated outside counsel consultations due to retention of inhouse counsel.
Miscellaneous	\$ 62,715	\$ 54,820	\$ 7,895	14%	Miscellaneous expenses were over budget due to increased training for newer staff.
Depreciation	\$ 157,875	\$ 127,913	\$ 29,962	23%	Depreciation expenses were over budget due to purchase of supplemental air conditioning for IT facility and capitalization of software.
Total Operating Expenses	<u>\$ 3,334,490</u>	<u>\$ 3,810,173</u>	<u>\$ (475,683)</u>	-12%	
Total Direct Expenses	<u>\$ 9,596,225</u>	<u>\$ 11,418,044</u>	<u>\$ (1,821,819)</u>	-16%	
Total Indirect Expenses	<u>\$ 1.00</u>	<u>\$ -</u>	<u>\$ 1.00</u>		
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ 13,705</u>	<u>\$ (13,705)</u>	-100%	Actual Cost were allocated across the program areas and indirect functions based on FTE ratio.
Total Expenses	<u>\$ 9,596,226</u>	<u>\$ 11,418,044</u>	<u>\$ (1,821,818)</u>		
Change in Assets	<u>\$ 1,924,759</u>	<u>\$ 82,394</u>	<u>\$ 1,842,365</u>		
Fixed Assets:					
Depreciation	\$ (157,875)	\$ (127,913)	\$ (29,962)	23%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Computer & Software CapEx	\$ 105,641	\$ -	\$ 105,641		Upgrades to the Compliance Data Administration Application and website enhancements were not budgeted. Website enhancements spread across all program areas based on FTE ratio.

Northeast Power Coordinating Council, Inc.
2010 Statment of Activities Summary
Regional Entity Division

Furniture & Fixtures CapEx	\$	7,861	\$	18,273	\$	(10,412)	-57%	Furniture & Fixtures CapEx were under budget due to downscale of office furniture requirements.
Equipment CapEx	\$	7,155	\$	27,410	\$	(20,255)	-74%	Equipment CapEx were under budget due to negotiated discounts.
Leasehold Improvements	\$	-	\$	18,273	\$	(18,273)	-100%	NPCC made no leasehold improvements.
Change in Fixed Assets	\$	<u>37,218</u>	\$	<u>63,957</u>	\$	<u>(26,739)</u>	-42%	
TOTAL CHANGE IN ASSETS	\$	<u>1,961,977</u>	\$	<u>146,351</u>	\$	<u>1,815,626</u>		
Full-Time Equivalents		27.41		27.41		0.00		

Northeast Power Coordinating Council, Inc.
2010 Statment of Activities Summary
Reliability Standards

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	<u>Variance Over/Under</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding:					
ERO Funding					
ERO Assessments	\$ 1,101,945	\$ 1,101,945	\$ -	0%	
Penalty Sanctions			\$ -		
Total ERO Funding	<u>\$ 1,101,945</u>	<u>\$ 1,101,945</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments			\$ -		
Testing Fees			\$ -		
Services & Software			\$ -		
Workshops			\$ -		
Interest	\$ 1,499		\$ 1,499		Interest income while not budgeted is apportioned by RE/CS FTE ratio
Miscellaneous			\$ -		
Total Funding	<u>\$ 1,103,444</u>	<u>\$ 1,101,945</u>	<u>\$ 1,499</u>		
Direct Expenses:					
Personnel Expenses					
Salaries	\$ 372,450	\$ 393,493	\$ (21,043)	-5%	Salaries were under budget due to at risk compensation component (incentive compensation) approved at less than 100% based on corporate goal attainment and individual performance components.
Payroll Taxes	\$ 24,600	\$ 21,049	\$ 3,551	17%	Payroll Taxes were over budget due to FTE allocation ratio. NPCC allocates total organizational tax costs rather than individual payroll taxes.
Employee Benefits	\$ 73,357	\$ 94,757	\$ (21,400)	-23%	Employee Benefits expenses were under budget due to several staff opting out of health insurance coverage and staff vacancies throughout the year.
Savings & Retirement	\$ 29,675	\$ 77,701	\$ (48,026)	-62%	Savings & Retirement were under budget due to unanticipated turnover and partial year hires. Employees hired after 2/6/07 must be on staff for the full calendar year to be eligible for annual discretionary 401k contribution.
Total Personnel Expenses	<u>\$ 500,082</u>	<u>\$ 587,000</u>	<u>\$ (86,918)</u>		
Meeting Expenses					
Meetings	\$ 22,363	\$ 31,917	\$ (9,554)	-30%	Meeting expenses were under budget due to successful efforts to hold a greater volume of meetings at the NPCC and member company offices.
Travel	\$ 71,756	\$ 126,532	\$ (54,776)	-43%	Travel expenses were under budget due to more meetings held at the NPCC offices, advance hotel bookings, adjustments to class of hotel being used, along with meetings held via teleconference/webinar.
Conference Calls	\$ 6,004	\$ 12,155	\$ (6,151)	-51%	Conference Calls were under budget due to NPCC negotiating less costly rates.
Total Meeting Expenses	<u>\$ 100,123</u>	<u>\$ 170,604</u>	<u>\$ (70,481)</u>		
Operating Expenses					
Consultants & Contracts	\$ 59,265	\$ 35,143	\$ 24,122	69%	Consultants & Contracts were over budget due to increased standards activity and the Rules of Procedure mandates with regard to criteria consistency.
Office Rent	\$ 45,531	\$ 45,667	\$ (136)	0%	
Office Costs	\$ 18,152	\$ 20,910	\$ (2,758)	-13%	Office Costs were under budget due to lower than anticipated real estate tax escalations and minimal maintenance activities.
Computer and Equipment Leases	\$ 7,820	\$ 9,767	\$ (1,947)	-20%	Computer and Equipment Leases were under budget based upon overall FTE allocations.
Professional Services	\$ 25,663	\$ 9,333	\$ 16,330	175%	Professional Services were over budget due to greater than anticipated activities with regard to legal services associated with provincial regulators filings (Ontario and Nova Scotia).
Miscellaneous	\$ 3,340	\$ 4,000	\$ (660)	-17%	Miscellaneous expenses in dollar terms were slightly under budget.
Depreciation	\$ 11,525	\$ 9,333	\$ 2,192	23%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Total Operating Expenses	<u>\$ 171,296</u>	<u>\$ 134,153</u>	<u>\$ 37,143</u>		
Total Direct Expenses	<u>\$ 771,501</u>	<u>\$ 892,757</u>	<u>\$ (121,256)</u>		
Total Indirect Expenses	<u>\$ 157,632</u>	<u>\$ 215,280</u>	<u>\$ (57,648)</u>	-27%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ (1,000)</u>	-100%	Actual Cost were allocated across the program areas and indirect functions based on FTE ratio
Total Expenses	<u>\$ 929,133</u>	<u>\$ 1,108,037</u>	<u>\$ (178,904)</u>		
Change in Assets	<u>\$ 174,311</u>	<u>\$ (6,092)</u>	<u>\$ 180,403</u>		
Fixed Assets:					
Depreciation	\$ (11,525)	\$ (9,333)	\$ (2,192)	23%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Computer & Software CapEx	\$ 8,000	\$ -	\$ 8,000		Enhancements to standards section of the NPCC website were not budgeted.
Furniture & Fixtures CapEx	\$ 574	\$ 1,333	\$ (759)	-57%	Under budget while significant in percentage terms is not considered material in dollar terms.
Equipment CapEx	\$ 542	\$ 2,000	\$ (1,458)	-73%	Equipment CapEx were under budget due to negotiated discounts.
Leasehold Improvements	\$ -	\$ 1,333	\$ (1,333)	-100%	NPCC made no leasehold improvements
Change in Fixed Assets	<u>\$ 2,409</u>	<u>\$ 4,667</u>	<u>\$ (2,258)</u>		
Allocation of Fixed Assets	\$ 734	\$ (4,667)	\$ 5,401	-116%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>\$ 176,720</u>	<u>\$ (1,425)</u>	<u>\$ 178,145</u>		
Full-Time Equivalents	2.00	2.00	0.00		

Northeast Power Coordinating Council, Inc.
2010 Statement of Activities Summary
Compliance and Organization Registration and Certification

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	<u>Variance Over/Under</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding:					
ERO Funding					
ERO Assessments	\$ 6,198,595	\$ 6,198,595	\$ -	0%	
Penalty Sanctions	\$ -	\$ -	\$ -		
Total ERO Funding	<u>\$ 6,198,595</u>	<u>\$ 6,198,595</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments			\$ -		
Testing Fees			\$ -		
Services & Software			\$ -		
Workshops			\$ -		
Interest	\$ 8,995		\$ 8,995		Interest income while not budgeted is apportioned by RECS FTE ratio
Miscellaneous			\$ -		
Total Funding	<u>\$ 6,207,590</u>	<u>\$ 6,198,595</u>	<u>\$ 8,995</u>		
Direct Expenses:					
Personnel Expenses					
Salaries	\$ 1,762,526	\$ 1,971,523	\$ (208,997)	-11%	Salaries were under budget due to fewer actual FTEs than budgeted. Additionally, at risk compensation component (incentive compensation) approved at less than 100% based on corporate goal attainment and individual performance components.
Payroll Taxes	\$ 110,758	\$ 113,655	\$ (2,897)	-3%	
Employee Benefits	\$ 317,500	\$ 523,636	\$ (206,136)	-39%	Employee Benefits expenses were under budget due to several staff opting out of health insurance coverage and staff vacancies throughout the year.
Savings & Retirement	\$ 86,417	\$ 260,791	\$ (174,374)	-67%	Savings and Retirement Costs were under budget due to fewer actual FTEs than budgeted including unanticipated staff turnover.
Total Personnel Expenses	<u>\$ 2,277,201</u>	<u>\$ 2,869,605</u>	<u>\$ (592,404)</u>		
Meeting Expenses					
Meetings	\$ 119,488	\$ 26,628	\$ 92,860	349%	Meeting expenses were significantly over budget due to substantial increased volume of meetings and expanded audit scope and depth. Participation for certain emergent NERC workshops was not budgeted for 2010.
Travel	\$ 300,147	\$ 228,521	\$ 71,626	31%	Travel expenses were over budget due to more time intensive meetings and expanded audit scope.
Conference Calls	\$ 15,355	\$ 11,645	\$ 3,710	32%	Conference Calls were over budget due to increased volume and use of conference calls throughout 2010 to assist registered entities in their compliance efforts. The scope and duration of pre audit and post audit conference calls has increased to provide registered entities better understanding of the complete audit process.
Total Meeting Expenses	<u>\$ 434,990</u>	<u>\$ 266,794</u>	<u>\$ 168,196</u>		
Operating Expenses					
Consultants & Contracts	\$ 974,463	\$ 1,207,000	\$ (232,537)	-19%	Consultants & Contracts were under budget due to efficiencies created by additional staff information requests to registered entities prior to deploying contractors thereby reducing the time spent by exclusive contract auditors with regard to supporting documentation collection.
Office Rent	\$ 261,303	\$ 274,000	\$ (12,697)	-5%	
Office Costs	\$ 107,487	\$ 125,461	\$ (17,974)	-14%	Office Costs were under budget due to lower than anticipated real estate tax escalations and minimal maintenance activities.
Computer and Equipment Leases	\$ 44,563	\$ 58,600	\$ (14,037)	-24%	Computer and Equipment Leases were under budget due to unanticipated staff turnover.
Professional Services	\$ 154,917	\$ 56,000	\$ 98,917	177%	Professional Services were over budget due to significant activities associated with the Bulk Electric System definition and associated filings.
Miscellaneous	\$ 26,355	\$ 24,000	\$ 2,355	10%	Miscellaneous expenses were over budget due to increased training.
Depreciation	\$ 69,114	\$ 56,000	\$ 13,114	23%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Total Operating Expenses	<u>\$ 1,638,202</u>	<u>\$ 1,801,061</u>	<u>\$ (162,859)</u>		
Total Direct Expenses	<u>\$ 4,350,393</u>	<u>\$ 4,943,460</u>	<u>\$ (593,067)</u>		
Total Indirect Expenses	\$ 945,790	\$ 1,291,680	\$ (345,890)	-27%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	\$ -	\$ 6,000	\$ (6,000)	-100%	Actual Cost were allocated across the program areas and indirect functions based on FTE ratio
Total Expenses	<u>\$ 5,296,183</u>	<u>\$ 6,235,140</u>	<u>\$ (938,957)</u>		
Change in Assets	<u>\$ 911,407</u>	<u>\$ (36,545)</u>	<u>\$ 947,952</u>		
Fixed Assets:					
Depreciation	\$ (69,114)	\$ (56,000)	\$ (13,114)	23%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Computer & Software CapEx	\$ 44,000	\$ -	\$ 44,000		Upgrades to the Compliance Data Administration Application and website enhancements were not budgeted.
Furniture & Fixtures CapEx	\$ 3,441	\$ 8,000	\$ (4,559)	-57%	Furniture & Fixtures CapEx were under budget due to downscale of office furniture's as well as negotiated discounts.
Equipment CapEx	\$ 2,980	\$ 12,000	\$ (9,020)	-75%	Equipment CapEx were under budget due to negotiated discounts.
Leasehold Improvements	\$ -	\$ 8,000	\$ (8,000)	-100%	NPCC made no leasehold improvements.
Change in Fixed Assets	<u>\$ 18,693</u>	<u>\$ 28,000</u>	<u>\$ (9,307)</u>		
Allocation of Fixed Assets	\$ 4,405	\$ (28,000)	\$ 32,405	-116%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>\$ 930,100</u>	<u>\$ (8,545)</u>	<u>\$ 938,645</u>		
Full-Time Equivalents	12.00	12.00	0.00		

Northeast Power Coordinating Council, Inc.
2010 Statment of Activities Summary
Reliability Assessment and Performance Analysis

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	<u>Variance</u> <u>Over/(Under)</u>	
Funding:					Comments - Explain variances that are +/- 10%
ERO Funding					
ERO Assessments	\$ 2,833,957	\$ 2,833,957	\$ -	0%	
Penalty Sanctions	\$ -	\$ -	\$ -		
Total ERO Funding	<u>\$ 2,833,957</u>	<u>\$ 2,833,957</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments			\$ -		
Testing Fees			\$ -		
Services & Software			\$ -		
Workshops			\$ -		
Interest	\$ 3,673		\$ 3,673		Interest income while not budgeted is apportioned by RE/CS FTE ratio
Miscellaneous			\$ -		
Total Funding	<u>\$ 2,837,630</u>	<u>\$ 2,833,957</u>	<u>\$ 3,673</u>		
Direct Expenses:					
Personnel Expenses					
Salaries	\$ 884,490	\$ 908,665	\$ (24,175)	-3%	
Payroll Taxes	\$ 57,154	\$ 50,634	\$ 6,520	13%	Payroll Taxes were over budget due to FTE allocation ratio. NPCC allocates total organizational tax costs rather than individual payroll taxes.
Employee Benefits	\$ 166,566	\$ 223,793	\$ (57,227)	-26%	Employee Benefits expenses were under budget due to several staff opting out of health insurance coverage and staff vacancies throughout the year.
Savings & Retirement	\$ 69,529	\$ 192,172	\$ (122,643)	-64%	Savings & Retirement were under budget due to unanticipated turnover and partial year hires. Employees hired after 2/6/07 must be on staff for the full calendar year to be eligible for annual discretionary 401k contribution.
Total Personnel Expenses	<u>\$ 1,177,739</u>	<u>\$ 1,375,264</u>	<u>\$ (197,525)</u>		
Meeting Expenses					
Meetings	\$ 52,517	\$ 51,789	\$ 728	1%	
Travel	\$ 105,788	\$ 212,738	\$ (106,950)	-50%	Travel expenses were under budget due to more meetings held at the NPCC offices.
Conference Calls	\$ 13,003	\$ 40,351	\$ (27,348)	-68%	Conference Calls were under budget due to lower than anticipated volume or necessitiv.
Total Meeting Expenses	<u>\$ 171,308</u>	<u>\$ 304,878</u>	<u>\$ (133,570)</u>		
Operating Expenses					
Consultants & Contracts	\$ 343,353	\$ 396,277	\$ (52,924)	-13%	Consultants & Contracts were under budget due to increases in staff performance of probabilistic assessments and in-house modeling and analysis of the power system.
Office Rent	\$ 108,715	\$ 111,883	\$ (3,168)	-3%	
Office Costs	\$ 47,656	\$ 51,230	\$ (3,574)	-7%	
Computer and Equipment Leases	\$ 18,640	\$ 23,928	\$ (5,288)	-22%	Computer and Equipment Leases were under budget due to unfilled positions, positions being filled later than planned, and unanticipated staff turnover.
Professional Services	\$ 62,690	\$ 22,867	\$ 39,823	174%	Professional Services were over budget due to significant assessment activities associated with the Bulk Electric System definition.
Miscellaneous	\$ 15,325	\$ 9,800	\$ 5,525	56%	Miscellaneous expenses were over budget due to greater employee participation in industry forums.
Depreciation	\$ 28,216	\$ 22,867	\$ 5,349	23%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Total Operating Expenses	<u>\$ 624,595</u>	<u>\$ 638,852</u>	<u>\$ (14,257)</u>		
Total Direct Expenses	<u>\$ 1,973,642</u>	<u>\$ 2,321,444</u>	<u>\$ (347,802)</u>		
Total Indirect Expenses	<u>\$ 386,198</u>	<u>\$ 527,436</u>	<u>\$ (141,238)</u>	-27%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ 2,450</u>	<u>\$ (2,450)</u>	-100%	Actual Cost were allocated across the program areas and indirect functions based on FTE ratio
Total Expenses	<u>\$ 2,359,840</u>	<u>\$ 2,848,880</u>	<u>\$ (489,040)</u>		
Change in Assets	<u>\$ 477,790</u>	<u>\$ (14,923)</u>	<u>\$ 492,713</u>		
Fixed Assets:					
Depreciation	\$ (28,216)	\$ (22,867)	\$ (5,349)	23%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Computer & Software CapEx	\$ 19,600	\$ -	\$ 19,600		Enhancements to reliability assessments section of the NPCC website were not budgeted.
Furniture & Fixtures CapEx	\$ 1,405	\$ 3,267	\$ (1,862)	-57%	Furniture & Fixtures CapEx were under budget due to downscale of office furniture's as well as negotiated discounts.
Equipment CapEx	\$ 1,328	\$ 4,900	\$ (3,572)	-73%	Equipment CapEx were under budget due to negotiated discounts.
Leasehold Improvements	\$ -	\$ 3,267	\$ (3,267)	-100%	NPCC made no leasehold improvements
Change in Fixed Assets	<u>\$ 5,883</u>	<u>\$ 11,433</u>	<u>\$ (5,550)</u>		
Allocation of Fixed Assets	\$ 1,799	\$ (11,433)	\$ 13,232	-116%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>\$ 483,673</u>	<u>\$ (3,490)</u>	<u>\$ 487,163</u>		
Full-Time Equivalents	4.90	4.90	0.00		

Northeast Power Coordinating Council, Inc.
2010 Statement of Activities Summary
Training and Education

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	<u>Variance Over/(Under)</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding:					
ERO Funding					
ERO Assessments	\$ 109,440	\$ 109,440	\$ -	0%	
Penalty Sanctions			\$ -		
Total ERO Funding	<u>\$ 109,440</u>	<u>\$ 109,440</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments			\$ -		
Testing Fees			\$ -		
Services & Software			\$ -		
Workshops			\$ -		
Interest	\$ 75		\$ 75		Interest income while not budgeted is apportioned by RE/CS FTE ratio
Miscellaneous			\$ -		
Total Funding	<u>\$ 109,515</u>	<u>\$ 109,440</u>	<u>\$ 75</u>		
Direct Expenses:					
Personnel Expenses					
Salaries	\$ 18,332	\$ 19,206	\$ (874)	-5%	
Payroll Taxes	\$ 1,213	\$ 1,044	\$ 169	16%	Payroll Taxes were over budget due to FTE allocation ratio. NPCC allocates total organizational tax costs rather than individual payroll taxes.
Employee Benefits	\$ 4,242	\$ 5,278	\$ (1,036)	-20%	Employee Benefits expenses were under budget due to several staff opting out of health insurance coverage and staff vacancies throughout the year.
Savings & Retirement	\$ 1,456	\$ 5,267	\$ (3,811)	-72%	Savings and Retirement Costs were under budget due to fewer actual FTEs than budgeted.
Total Personnel Expenses	<u>\$ 25,243</u>	<u>\$ 30,795</u>	<u>\$ (5,552)</u>		
Meeting Expenses					
Meetings	\$ 1,715	\$ 58,346	\$ (56,631)	-97%	Meeting expenses were under budget due to successful efforts to hold training meetings at member company meeting facilities.
Travel	\$ 3,673	\$ 3,874	\$ (201)	-5%	
Conference Calls	\$ 86	\$ 508	\$ (422)	-83%	Under budget while significant in percentage terms is not deemed material in dollar terms.
Total Meeting Expenses	<u>\$ 5,474</u>	<u>\$ 62,728</u>	<u>\$ (57,254)</u>		
Operating Expenses					
Consultants & Contracts	\$ 1,057	\$ 457	\$ 600	131%	Consultants & Contracts were over budget due to reimbursement for speakers in the training and education program area.
Office Rent	\$ 2,245	\$ 2,283	\$ (38)	-2%	
Office Costs	\$ 871	\$ 1,046	\$ (175)	-17%	Under budget while significant in percentage terms is not deemed material in dollar terms.
Computer and Equipment Leases	\$ 389	\$ 488	\$ (99)	-20%	Under budget while significant in percentage terms is not deemed material in dollar terms.
Professional Services	\$ (713)	\$ 467	\$ (1,180)	-253%	Nominal fees resulted in a credit balance to training.
Miscellaneous	\$ 440	\$ 200	\$ 240	120%	Over budget while significant in percentage terms is not deemed material in dollar terms.
Depreciation	\$ 570	\$ 467	\$ 103	22%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Total Operating Expenses	<u>\$ 4,859</u>	<u>\$ 5,408</u>	<u>\$ (549)</u>		
Total Direct Expenses	<u>\$ 35,576</u>	<u>\$ 98,981</u>	<u>\$ (63,405)</u>		
Total Indirect Expenses	<u>\$ 7,882</u>	<u>\$ 10,764</u>	<u>\$ (2,882)</u>	-27%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ (50)</u>	-100%	Actual Cost were allocated across the program areas and indirect functions based on FTE ratio
Total Expenses	<u>\$ 43,458</u>	<u>\$ 109,745</u>	<u>\$ (66,287)</u>		
Change in Assets	<u>\$ 66,057</u>	<u>\$ (305)</u>	<u>\$ 66,362</u>		
Fixed Assets:					
Depreciation	\$ (570)	\$ (467)	\$ (103)	22%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Computer & Software CapEx	\$ 400	\$ -	\$ 400		Enhancements to training and education section of the NPCC website were not budgeted.
Furniture & Fixtures CapEx	\$ 28	\$ 67	\$ (39)	-58%	Furniture & Fixtures CapEx were under budget due to downscale of office furniture's as well as negotiated discounts.
Equipment CapEx	\$ 27	\$ 100	\$ (73)	-73%	Equipment CapEx were under budget due to negotiated discounts.
Leasehold Improvements	\$ -	\$ 67	\$ (67)	-100%	NPCC made no leasehold improvements
Change in Fixed Assets	<u>\$ 115</u>	<u>\$ 233</u>	<u>\$ (118)</u>		
Allocation of Fixed Assets	\$ 37	\$ (233)	\$ 270	-116%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>\$ 66,172</u>	<u>\$ (72)</u>	<u>\$ 66,244</u>		
Full-Time Equivalents	0.10	0.10	0.00		

Northeast Power Coordinating Council, Inc.
2010 Statment of Activities Summary
Situation Awareness and Infrastructure Security

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	<u>Variance Over/(Under)</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding:					
ERO Funding					
ERO Assessments	\$ 1,110,147	\$ 1,110,147	\$ -	0%	
Penalty Sanctions	\$ -	\$ -	\$ -		
Total ERO Funding	\$ 1,110,147	\$ 1,110,147	\$ -		
Membership Fees & Non-Stat Assessments			\$ -		
Testing Fees			\$ -		
Services & Software			\$ -		
Workshops			\$ -		
Interest	\$ 1,499		\$ 1,499		Interest income while not budgeted is apportioned by RE/CS FTE
Miscellaneous			\$ -		
Total Funding	\$ 1,111,646	\$ 1,110,147	\$ 1,499		
Direct Expenses:					
Personnel Expenses					
Salaries	\$ 377,899	\$ 402,699	\$ (24,800)	-6%	Salaries were under budget due to at risk compensation component (incentive compensation) approved at less than 100% based on corporate goal attainment and individual performance components.
Payroll Taxes	\$ 24,987	\$ 21,038	\$ 3,949	19%	Payroll Taxes were over budget due to FTE allocation ratio. NPCC allocates total organizational tax costs rather than individual payroll taxes.
Employee Benefits	\$ 48,779	\$ 53,879	\$ (5,100)	-9%	Savings & Retirement were under budget due to cost associated with staffing challenges. Employees hired after 2/6/07 must be on staff for the full calendar year to be eligible for annual discretionary 401k contribution.
Savings & Retirement	\$ 29,852	\$ 108,315	\$ (78,463)	-72%	
Total Personnel Expenses	\$ 481,517	\$ 585,931	\$ (104,414)		
Meeting Expenses					
Meetings	\$ 13,514	\$ 25,917	\$ (12,403)	-48%	Meeting expenses were under budget due to successful efforts to hold meetings at the NPCC and member company offices.
Travel	\$ 60,095	\$ 66,902	\$ (6,807)	-10%	Travel expenses were under budget due to increase in onsite meetings, advance hotel bookings, adjustments to class of hotel being used, along with meetings held via teleconference.
Conference Calls	\$ 1,989	\$ 4,055	\$ (2,066)	-51%	Conference Calls were under budget due to NPCC negotiating less costly rates.
Total Meeting Expenses	\$ 75,598	\$ 96,874	\$ (21,276)		
Operating Expenses					
Consultants & Contracts	\$ 130,930	\$ 118,143	\$ 12,787	11%	Consultant & Contracts was over budget due to the developer and maintainer of the NPCC SAFNR displays, cost escalations were greater than budgeted.
Office Rent	\$ 51,574	\$ 45,667	\$ 5,907	13%	Office Rent was over budget due to FTE allocation ratio. NPCC allocates total organizational rental costs rather than individual square footage.
Office Costs	\$ 20,486	\$ 20,910	\$ (424)	-2%	
Computer and Equipment Leases	\$ 7,822	\$ 9,767	\$ (1,945)	-20%	While significant in percentage terms this variance in dollar terms is not considered material.
Professional Services	\$ 25,669	\$ 9,333	\$ 16,336	175%	NPCC negotiated reciprocal Non-Disclosure Agreements (NDAs) with MISO and PJM with regard to neighboring SAFNR displays. This effort was not budgeted.
Miscellaneous	\$ 4,859	\$ 4,000	\$ 859	21%	Miscellaneous expenses were over budget due to increased training. While significant in percentage terms this variance in dollar terms is not considered material.
Depreciation	\$ 11,525	\$ 9,333	\$ 2,192	23%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Total Operating Expenses	\$ 252,865	\$ 217,153	\$ 35,712		
Total Direct Expenses	\$ 809,980	\$ 900,958	\$ (90,978)		
Total Indirect Expenses	\$ 157,632	\$ 215,280	\$ (57,648)	-27%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	\$ -	\$ 1,000	\$ (1,000)	-100%	Actual Cost were allocated across the program areas and indirect functions based on FTE ratio
Total Expenses	\$ 967,612	\$ 1,116,238	\$ (148,626)		
Change in Assets	\$ 144,034	\$ (6,091)	\$ 150,125		
Fixed Assets:					
Depreciation	\$ (11,525)	\$ (9,333)	\$ (2,192)	23%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Computer & Software CapEx	\$ 8,000	\$ -	\$ 8,000		Enhancements to operational data section of the NPCC website were not budgeted.
Furniture & Fixtures CapEx	\$ 574	\$ 1,333	\$ (759)	-57%	Furniture & Fixtures CapEx were under budget due to downscale of office furniture.
Equipment CapEx	\$ 542	\$ 2,000	\$ (1,458)	-73%	Equipment CapEx were under budget due to negotiated discounts.
Leasehold Improvements	\$ -	\$ 1,333	\$ (1,333)	-100%	NPCC made no leasehold improvements
Change in Fixed Assets	\$ 2,409	\$ 4,667	\$ (2,258)		
Allocation of Fixed Assets	\$ 734	\$ (4,667)	\$ 5,401	-116%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	\$ 146,443	\$ (1,424)	\$ 147,867		
Full-Time Equivalents	2.00	2.00	0.00		

Northeast Power Coordinating Council, Inc.
2010 Statment of Activities Summary
Committees and Member Forums

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	<u>Variance</u> <u>Over/(Under)</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding:					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -	-	
Penalty Sanctions	-	-	-	-	
Total ERO Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments			\$ -	-	
Testing Fees			\$ -	-	
Services & Software			\$ -	-	
Workshops			\$ -	-	
Interest	\$ 375		\$ 375	375	Interest income while not budgeted is apportioned by RE/CS FTE ratio
Miscellaneous			\$ -	-	
Total Funding	<u>\$ 375</u>	<u>\$ -</u>	<u>\$ 375</u>	<u>375</u>	
Direct Expenses:					
Personnel Expenses					
Salaries	\$ 45,712	\$ 47,208	\$ (1,496)	-3%	
Payroll Taxes	\$ 3,021	\$ 3,004	\$ 17	1%	
Employee Benefits	\$ 15,956	\$ 17,020	\$ (1,064)	-6%	
Savings & Retirement	\$ 3,170	\$ 13,446	\$ (10,276)	-76%	Savings and Retirement Costs were under budget due to fewer actual FTEs than budgeted.
Total Personnel Expenses	<u>\$ 67,859</u>	<u>\$ 80,678</u>	<u>\$ (12,819)</u>		
Meeting Expenses					
Meetings	\$ 722	\$ 3,194	\$ (2,472)	-77%	Meeting expenses were under budget due to successful efforts to hold meetings at the NPCC and member company offices.
Travel	\$ 800	\$ 22,746	\$ (21,946)	-96%	Travel expenses were significantly under budget due to majority of meetings held at NPCC offices.
Conference Calls	\$ 48	\$ 215	\$ (167)	-78%	Under budget while significant in percentage terms is not deemed material in dollar terms.
Total Meeting Expenses	<u>\$ 1,570</u>	<u>\$ 26,155</u>	<u>\$ (24,585)</u>		
Operating Expenses					
Consultants & Contracts	\$ 5,313	\$ 2,286	\$ 3,027	132%	Consultants & Contracts were over budget due to greater activity with regard to public information consultations.
Office Rent	\$ 11,304	\$ 11,417	\$ (113)	-1%	
Office Costs	\$ 3,844	\$ 5,228	\$ (1,384)	-26%	Office Costs were under budget due to lower than anticipated real estate tax escalations.
Computer and Equipment Leases	\$ 1,955	\$ 2,442	\$ (487)	-20%	Under budget while significant in percentage terms is not deemed material in dollar terms.
Professional Services	\$ 6,894	\$ 2,333	\$ 4,561	195%	Professional Services were over budget due to greater than anticipated confidentiality agreement activities.
Miscellaneous	\$ 888	\$ 1,000	\$ (112)	-11%	Under budget while significant in percentage terms is not deemed material in dollar terms.
Depreciation	\$ 2,886	\$ 2,333	\$ 553	24%	Under budget while significant in percentage terms is not deemed material in dollar terms.
Total Operating Expenses	<u>\$ 33,084</u>	<u>\$ 27,039</u>	<u>\$ 6,045</u>		
Total Direct Expenses	<u>\$ 102,513</u>	<u>\$ 134,122</u>	<u>\$ (31,609)</u>		
Total Indirect Expenses	<u>\$ (102,513)</u>	<u>\$ (134,122)</u>	<u>\$ 31,609</u>	-24%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ (250)</u>	-100%	Actual Cost were allocated across the program areas and indirect functions based on FTE ratio
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Change in Assets	<u>\$ 375</u>	<u>\$ -</u>	<u>\$ 375</u>		
Fixed Assets:					
Depreciation	\$ (2,886)	\$ (2,333)	\$ (553)	24%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Computer & Software CapEx	\$ 2,000	\$ -	\$ 2,000		Enhancements to industry forums section of the NPCC website were not budgeted.
Furniture & Fixtures CapEx	\$ 143	\$ 333	\$ (190)	-57%	Furniture & Fixtures CapEx were under budget due to downscale of office furniture.
Equipment CapEx	\$ 135	\$ 500	\$ (365)	-73%	Equipment CapEx were under budget due to negotiated discounts.
Leasehold Improvements	\$ -	\$ 333	\$ (333)	-100%	NPCC made no leasehold improvements
Change in Fixed Assets	<u>\$ 608</u>	<u>\$ 1,167</u>	<u>\$ (559)</u>		
Allocation of Fixed Assets	\$ (608)	\$ (1,167)	\$ 559	-48%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>\$ 983</u>	<u>\$ 1,167</u>	<u>\$ (184)</u>		
Full-Time Equivalents	0.50	0.50	0.00		

Northeast Power Coordinating Council, Inc.
2010 Statement of Activities Summary
General and Administrative

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	<u>Variance Over/(Under)</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding:					
ERO Funding					
ERO Assessments	\$ 146,354	\$ 146,354	\$ -	0%	
Penalty Sanctions	\$ -	\$ -	\$ -		
Total ERO Funding	<u>\$ 146,354</u>	<u>\$ 146,354</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments			\$ -		
Testing Fees			\$ -		
Services & Software			\$ -		
Workshops			\$ -		
Interest	\$ 1,432		\$ 1,432		Interest income while not budgeted is apportioned by RE/CS FTE ratio
Miscellaneous			\$ -		
Total Funding	<u>\$ 147,786</u>	<u>\$ 146,354</u>	<u>\$ 1,432</u>		
Expenses:					
Personnel Expenses					
Salaries	\$ 44,154	\$ 49,992	\$ (5,838)	-12%	Salaries were under budget due to fewer actual FTEs than budgeted.
Payroll Taxes	\$ 2,908	\$ 1,619	\$ 1,289	80%	Payroll Taxes were over budget due to FTE allocation ratio. NPCC allocates total organizational tax costs rather than individual payroll taxes.
Employee Benefits	\$ 5,998	\$ 10,750	\$ (4,752)	-44%	Employee Benefits expenses were under budget due to several staff opting out of health insurance coverage and staff vacancies throughout the year.
Savings & Retirement	\$ 26,771	\$ 14,469	\$ 12,302	85%	Savings and Retirement expenses were over budget due to the above mention staff turnover.
Total Personnel Expenses	<u>\$ 79,831</u>	<u>\$ 76,830</u>	<u>\$ 3,001</u>		
Meeting Expenses					
Meetings	\$ 1,232	\$ 871	\$ 361	41%	Over budget while significant in percentage terms is not deemed material in dollar terms.
Travel	\$ 28,912	\$ 6,206	\$ 22,706	366%	Travel expenses were over budget due to North America wide search efforts and interviews of Board Chair candidates brought to NPCC's New York City office.
Conference Calls	\$ 186	\$ 147	\$ 39	27%	Conference Calls were over budget due to increase use of conference calls throughout 2010.
Total Meeting Expenses	<u>\$ 30,330</u>	<u>\$ 7,224</u>	<u>\$ 23,106</u>		
Operating Expenses					
Consultants & Contracts	\$ 22,092	\$ 8,732	\$ 13,360	153%	Consultants & Contracts were over budget due actuarial coordination work required by PWC for the independent audit of financial statements.
Office Rent	\$ 42,805	\$ 43,600	\$ (795)	-2%	
Office Costs	\$ 17,747	\$ 19,969	\$ (2,222)	-11%	Office Costs were under budget due to lower than anticipated real estate tax escalations.
Computer and Equipment Leases	\$ 7,470	\$ 9,277	\$ (1,807)	-19%	Computer and Equipment Leases were under budget due to extension of various leases to coterminate with others.
Professional Services	\$ 33,803	\$ 8,913	\$ 24,890	279%	Professional Services were over budget due to greater than anticipated activities in support of corporate governance changes.
Miscellaneous	\$ 3,110	\$ 3,820	\$ (710)	-19%	Under budget while significant in percentage terms is not deemed material in dollar terms.
Depreciation	\$ 11,006	\$ 8,913	\$ 2,093	23%	Depreciation expenses were over budget due to purchases of supplemental air conditioning for IT facility and capitalization of software.
Total Operating Expenses	<u>\$ 138,033</u>	<u>\$ 103,224</u>	<u>\$ 34,809</u>		
Total Direct Expenses	<u>\$ 248,194</u>	<u>\$ 188,233</u>	<u>\$ 59,961</u>		
Total Indirect Expenses	\$ (248,194)	\$ (188,232)	\$ (59,962)	32%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	\$ -	\$ 955	\$ (955)	-100%	Actual Cost were allocated across the program areas and indirect functions based on FTE ratio
Total Expenses	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (1)</u>		
Change in Assets	<u>\$ 147,786</u>	<u>\$ 146,353</u>	<u>\$ 1,433</u>		
Fixed Assets:					
Depreciation	\$ (11,006)	\$ (8,913)	\$ (2,093)	23%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Computer & Software CapEx	\$ 7,641	\$ -	\$ 7,641		Enhancements to Board of Directors and members only section of the NPCC website were not budgeted.
Furniture & Fixtures CapEx	\$ 548	\$ 1,273	\$ (725)	-57%	Furniture & Fixtures CapEx were under budget due to downscale of office furniture's as well as negotiated discounts.
Equipment CapEx	\$ 517	\$ 1,910	\$ (1,393)	-73%	Equipment CapEx were under budget due to negotiated discounts.
Leasehold Improvements	\$ -	\$ 1,273	\$ (1,273)	-100%	NPCC made no leasehold improvements
Change in Fixed Assets	<u>\$ 2,300</u>	<u>\$ 4,457</u>	<u>\$ (2,157)</u>		
TOTAL CHANGE IN ASSETS	<u>\$ 150,086</u>	<u>\$ 150,810</u>	<u>\$ (724)</u>		
Allocation of Fixed Assets	\$ (2,300)	\$ (4,457)	\$ 2,157	-48%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
Full-Time Equivalents	1.91	1.91	0.00		

Northeast Power Coordinating Council, Inc.
2010 Statment of Activities Summary
Legal and Regulatory

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	<u>Variance Over/(Under)</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding:					
ERO Funding					
ERO Assessments	\$ -		\$ -		
Penalty Sanctions			\$ -		
Total ERO Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments			\$ -		
Testing Fees			\$ -		
Services & Software			\$ -		
Workshops			\$ -		
Interest			\$ -		
Miscellaneous			\$ -		
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Direct Expenses:					
Personnel Expenses					
Salaries			\$ -		
Payroll Taxes			\$ -		
Employee Benefits			\$ -		
Savings & Retirement			\$ -		
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		Personnel Expenses for this function are budgeted and recorded under General and Administrative.
Meeting Expenses					
Meetings			\$ -		
Travel			\$ -		
Conference Calls			\$ -		
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Operating Expenses					
Consultants & Contracts			\$ -		
Office Rent			\$ -		
Office Costs			\$ -		
Computer and Equipment Leases			\$ -		
Professional Services	\$ 201,628	\$ 456,833	\$ (255,205)	-56%	Professional Services were under budget due to retention of on-staff counsel resulting in significantly lower Legal Fees.
Miscellaneous			\$ -		
Depreciation			\$ -		
Total Operating Expenses	<u>\$ 201,628</u>	<u>\$ 456,833</u>	<u>\$ (255,205)</u>		
Total Direct Expenses	<u>\$ 201,628</u>	<u>\$ 456,833</u>	<u>\$ (255,205)</u>		
Total Indirect Expenses	<u>\$ (201,628)</u>	<u>\$ (456,833)</u>	<u>\$ 255,205</u>	-56%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses					
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx			\$ -		
Furniture & Fixtures CapEx			\$ -		
Equipment CapEx			\$ -		
Leasehold Improvements			\$ -		
Change in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Allocation of Fixed Assets	\$ -	\$ -	\$ -		The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Full-Time Equivalents	0.00	0.00	0.00		

Northeast Power Coordinating Council, Inc.
2010 Statment of Activities Summary
Information Technology

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	<u>Variance</u> <u>Over/(Under)</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding:					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -		
Penalty Sanctions			\$ -		
Total ERO Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments			\$ -		
Testing Fees			\$ -		
Services & Software			\$ -		
Workshops			\$ -		
Interest	\$ 1,499		\$ 1,499		Interest income while not budgeted is apportioned by RE/CS FTE ratio
Miscellaneous			\$ -		
Total Funding	<u>\$ 1,499</u>	<u>\$ -</u>	<u>\$ 1,499</u>		
Direct Expenses:					
Personnel Expenses					
Salaries	\$ 300,816	\$ 307,758	\$ (6,942)	-2%	
Payroll Taxes	\$ 19,862	\$ 19,673	\$ 189	1%	
Employee Benefits	\$ 90,130	\$ 89,491	\$ 639	1%	
Savings & Retirement	\$ 23,040	\$ 85,894	\$ (62,854)	-73%	Savings & Retirement were under budget due to unanticipated turnover and partial year hires. Employees hired after 2/6/07 must be on staff for the full calendar year to be eligible for annual discretionary 401k contribution.
Total Personnel Expenses	<u>\$ 433,848</u>	<u>\$ 502,816</u>	<u>\$ (68,968)</u>		
Meeting Expenses					
Meetings	\$ 24,310	\$ 12,777	\$ 11,533	90%	Meeting expenses were over budget due to unbudgeted participation in the cyber security workshop.
Travel	\$ 14,746	\$ 90,985	\$ (76,239)	-84%	Travel expenses were under budget due to heavy reliance on meetings held via teleconference/webinar.
Conference Calls	\$ 9,783	\$ 860	\$ 8,923	1038%	Conference Calls were significantly over budget due to increase use of CIP conference calls throughout 2010.
Total Meeting Expenses	<u>\$ 48,839</u>	<u>\$ 104,622</u>	<u>\$ (55,783)</u>		
Operating Expenses					
Consultants & Contracts	\$ 21,508	\$ 9,143	\$ 12,365	135%	New website development initiated earlier than budgeted. Additional support of IT infrastructure required.
Office Rent	\$ 45,186	\$ 45,667	\$ (481)	-1%	
Office Costs	\$ 19,095	\$ 20,910	\$ (1,815)	-9%	
Computer and Equipment Leases	\$ 7,821	\$ 9,767	\$ (1,946)	-20%	Computer and Equipment Leases were under budget based upon overall FTE allocations.
Professional Services	\$ 27,157	\$ 9,333	\$ 17,824	191%	Website enhancements and development more extensive than envisioned.
Miscellaneous	\$ 3,575	\$ 4,000	\$ (425)	-11%	Miscellaneous expenses were under budget due to workload impacting training opportunities.
Depreciation	\$ 11,525	\$ 9,333	\$ 2,192	23%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Total Operating Expenses	<u>\$ 135,867</u>	<u>\$ 108,153</u>	<u>\$ 27,714</u>		
Total Direct Expenses	<u>\$ 618,554</u>	<u>\$ 716,591</u>	<u>\$ (98,037)</u>		
Total Indirect Expenses	<u>\$ (618,554)</u>	<u>\$ (716,591)</u>	<u>\$ 98,037</u>	-14%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ (1,000)</u>	-100%	Actual Cost were allocated across the program areas and indirect functions based on FTE ratio
Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Change in Assets	<u>\$ 1,499</u>	<u>\$ -</u>	<u>\$ 1,499</u>		
Fixed Assets:					
Depreciation	\$ (11,525)	\$ (9,333)	\$ (2,192)	23%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Computer & Software CapEx	\$ 8,000	\$ -	\$ 8,000		Enhancements to implement web portal were not budgeted.
Furniture & Fixtures CapEx	\$ 574	\$ 1,333	\$ (759)	-57%	Furniture & Fixtures CapEx were under budget due to downscale of office furniture's as well as negotiated discounts.
Equipment CapEx	\$ 542	\$ 2,000	\$ (1,458)	-73%	Equipment CapEx were under budget due to negotiated discounts.
Leasehold Improvements	\$ -	\$ 1,333	\$ (1,333)	-100%	NPCC made no leasehold improvements
Change in Fixed Assets	<u>\$ 2,409</u>	<u>\$ 4,667</u>	<u>\$ (2,258)</u>		
Allocation of Fixed Assets	\$ (2,409)	\$ (4,667)	\$ 2,258	-48%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>\$ 3,908</u>	<u>\$ 4,667</u>	<u>\$ (759)</u>		
Full-Time Equivalents	2.00	2.00	0.00		

Northeast Power Coordinating Council, Inc.
2010 Statment of Activities Summary
Human Resources

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	<u>Variance Over/(Under)</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding:					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -	-	
Penalty Sanctions	-	-	-	-	
Total ERO Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments			\$ -	-	
Testing Fees			\$ -	-	
Services & Software			\$ -	-	
Workshops			\$ -	-	
Interest	\$ 750		\$ 750	750%	Interest income while not budgeted is apportioned by RE/CS FTE ratio
Miscellaneous			\$ -	-	
Total Funding	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ 750</u>	<u>750%</u>	
Direct Expenses:					
Personnel Expenses					
Salaries	\$ 115,011	\$ 118,109	\$ (3,098)	-3%	
Payroll Taxes	\$ 7,600	\$ 7,866	\$ (266)	-3%	
Employee Benefits	\$ 36,200	\$ 38,344	\$ (2,144)	-6%	
Savings & Retirement	\$ 8,413	\$ 33,599	\$ (25,186)	-75%	Savings and Retirement Costs were under budget due to fewer actual FTEs than budgeted.
Total Personnel Expenses	<u>\$ 167,224</u>	<u>\$ 197,918</u>	<u>\$ (30,694)</u>	<u>-16%</u>	
Meeting Expenses					
Meetings	\$ 12,497	\$ 6,389	\$ 6,108	96%	Meeting expenses were over budget due to various search efforts conducted over the year included work associated with retention of successor Chairman of the Board.
Travel	\$ 7,228	\$ 45,493	\$ (38,265)	-84%	Travel expenses were under budget due to advance bookings, adjustments to class of hotel being used, along with meetings held via teleconference.
Conference Calls	\$ 293	\$ 430	\$ (137)	-32%	Under budget while significant in percentage terms is not considered material in dollar terms.
Total Meeting Expenses	<u>\$ 20,018</u>	<u>\$ 52,312</u>	<u>\$ (32,294)</u>	<u>-64%</u>	
Operating Expenses					
Consultants & Contracts	\$ 10,749	\$ 4,572	\$ 6,177	135%	Consultants & Contracts were over budget due to NPCC's human resource and background check requirements increasing to a higher level than anticipated.
Office Rent	\$ 22,578	\$ 22,833	\$ (255)	-1%	
Office Costs	\$ 9,813	\$ 10,455	\$ (642)	-6%	
Computer and Equipment Leases	\$ 3,909	\$ 4,883	\$ (974)	-20%	Computer and Equipment Leases were under budget due to extension of various leases to coterminate with others.
Professional Services	\$ 11,716	\$ 4,667	\$ 7,049	151%	Professional Services were over budget due to greater than anticipated activities in support of retention of successor Chairman of the Board.
Miscellaneous	\$ 2,668	\$ 2,000	\$ 668	33%	Over budget while significant in percentage terms is not considered material in dollar terms.
Depreciation	\$ 5,754	\$ 4,667	\$ 1,087	23%	Depreciation expenses were over budget due to purchases of supplemental air conditioning for IT facility and capitalization of software.
Total Operating Expenses	<u>\$ 67,187</u>	<u>\$ 54,077</u>	<u>\$ 13,110</u>	<u>24%</u>	
Total Direct Expenses	<u>\$ 254,429</u>	<u>\$ 304,807</u>	<u>\$ (50,378)</u>	<u>-17%</u>	
Total Indirect Expenses	<u>\$ (254,429)</u>	<u>\$ (304,805)</u>	<u>\$ 50,376</u>	<u>-17%</u>	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ (500)</u>	<u>-100%</u>	Actual Cost were allocated across the program areas and indirect functions based on FTE ratio
Total Expenses	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ (2)</u>	<u>(2)</u>	
Change in Assets	<u>\$ 750</u>	<u>\$ (2)</u>	<u>\$ 752</u>	<u>100%</u>	
Fixed Assets:					
Depreciation	\$ (5,754)	\$ (4,667)	\$ (1,087)	23%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Computer & Software CapEx	\$ 4,000	\$ -	\$ 4,000	-	Enhancements to organizational policy section of the NPCC website were not budgeted.
Furniture & Fixtures CapEx	\$ 287	\$ 667	\$ (380)	-57%	Furniture & Fixtures CapEx were under budget due to downscale of office furniture's as well as negotiated discounts.
Equipment CapEx	\$ 271	\$ 1,000	\$ (729)	-73%	Equipment CapEx were under budget due to negotiated discounts.
Leasehold Improvements	\$ -	\$ 667	\$ (667)	-100%	NPCC made no leasehold improvements
Change in Fixed Assets	<u>\$ 1,196</u>	<u>\$ 2,333</u>	<u>\$ (1,137)</u>	<u>(49%)</u>	
Allocation of Fixed Assets	\$ (1,196)	\$ (2,335)	\$ 1,139	-49%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>\$ 1,946</u>	<u>\$ 2,331</u>	<u>\$ (385)</u>	<u>(16%)</u>	
Full-Time Equivalents	1.00	1.00	0.00	0%	

Northeast Power Coordinating Council, Inc.
2010 Statment of Activities Summary
Accounting and Finance

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>	<u>Variance Over/(Under)</u>	<u>Comments - Explain variances that are +/- 10%</u>
Funding:					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -		
Penalty Sanctions	-	-	-		
Total ERO Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments		\$ -	\$ -		
Testing Fees		\$ -	\$ -		
Services & Software		\$ -	\$ -		
Workshops		\$ -	\$ -		
Interest	\$ 750	\$ -	\$ 750		Interest income while not budgeted is apportioned by RE/CS FTE ratio
Miscellaneous		\$ -	\$ -		
Total Funding	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ 750</u>		
Direct Expenses:					
Personnel Expenses					
Salaries	\$ 101,540	\$ 101,218	\$ 322	0%	
Payroll Taxes	\$ 6,677	\$ 6,642	\$ 35	1%	
Employee Benefits	\$ 44,199	\$ 20,506	\$ 23,693	116%	Employee Benefits expenses were over budget due to overlapping hire due to advance notice of voluntary seperation.
Savings & Retirement	\$ 7,225	\$ 14,460	\$ (7,235)	-50%	Savings & Retirement were under budget due to unanticipated turnover and partial year hire. Employees hired after 2/6/07 must be on staff for the full calendar year to be eligible for annual discretionary 401k contribution.
Total Personnel Expenses	<u>\$ 159,641</u>	<u>\$ 142,826</u>	<u>\$ 16,815</u>		
Meeting Expenses					
Meetings	\$ 1,403	\$ 6,389	\$ (4,986)	-78%	Meeting expenses were under budget due to lower than anticipated volume of meetings in this area.
Travel	\$ 1,803	\$ 45,493	\$ (43,690)	-96%	Travel expenses were under budget due to advance bookings, adjustments to class of hotel being used, along with meetings held via teleconference.
Conference Calls	\$ 94	\$ 430	\$ (336)	-78%	Under budget while significant in percentage terms is not considered material in dollar terms.
Total Meeting Expenses	<u>\$ 3,300</u>	<u>\$ 52,312</u>	<u>\$ (49,012)</u>		
Operating Expenses					
Consultants & Contracts	\$ 10,749	\$ 4,572	\$ 6,177	135%	Consultants & Contracts were over budget due to higher than expected audit fees.
Office Rent	\$ 22,578	\$ 22,833	\$ (255)	-1%	
Office Costs	\$ 8,984	\$ 10,455	\$ (1,471)	-14%	Office Costs were under budget due to lower than anticipated real estate tax escalations.
Computer and Equipment Leases	\$ 3,909	\$ 4,883	\$ (974)	-20%	Under budget while significant in percentage terms is not considered material in dollar terms.
Professional Services	\$ 12,745	\$ 214,810	\$ (202,065)	-94%	Professional Services were under budget due to deferral of transition from MIP fund accounting to Great Plains.
Miscellaneous	\$ 2,155	\$ 2,000	\$ 155	8%	
Depreciation	\$ 5,754	\$ 4,667	\$ 1,087	23%	Depreciation expenses were over budget due to purchases of supplemental air conditioning for IT facility and capitalization of software.
Total Operating Expenses	<u>\$ 66,874</u>	<u>\$ 264,220</u>	<u>\$ (197,346)</u>		
Total Direct Expenses	<u>\$ 229,815</u>	<u>\$ 459,858</u>	<u>\$ (230,043)</u>		
Total Indirect Expenses	<u>\$ (229,815)</u>	<u>\$ (459,857)</u>	<u>\$ 230,042</u>	-50%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ (500)</u>	-100%	Actual Cost were allocated across the program areas and indirect functions based on FTE ratio
Total Expenses	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (1)</u>		
Change in Assets	<u>\$ 750</u>	<u>\$ (1)</u>	<u>\$ 751</u>		
Fixed Assets:					
Depreciation	\$ (5,754)	\$ (4,667)	\$ (1,087)	23%	Depreciation expenses were over budget due to unbudgeted purchase of supplemental air conditioning for IT facility and capitalization of software.
Computer & Software CapEx	\$ 4,000	\$ -	\$ 4,000		Enhancements to user interface for finance and accounting section of the NPCC website were not budgeted.
Furniture & Fixtures CapEx	\$ 287	\$ 667	\$ (380)	-57%	Furniture & Fixtures CapEx were under budget due to downscale of office furniture's as well as negotiated discounts.
Equipment CapEx	\$ 271	\$ 1,000	\$ (729)	-73%	Equipment CapEx were under budget due to negotiated discounts.
Leasehold Improvements	\$ -	\$ 667	\$ (667)	-100%	NPCC made no leasehold improvements
Change in Fixed Assets	<u>\$ 1,196</u>	<u>\$ 2,333</u>	<u>\$ (1,137)</u>		
Allocation of Fixed Assets	\$ (1,196)	\$ (2,334)	\$ 1,138	-49%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>\$ 1,946</u>	<u>\$ 2,332</u>	<u>\$ (386)</u>		
Full-Time Equivalents	1.00	1.00	0.00		

Northeast Power Coordinating Council, Inc.
2010 Statment of Activities Summary
Criteria Services Division

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance
Funding:			
ERO Funding			
ERO Assessments			\$ -
Penalty Sanctions			\$ -
Total ERO Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Fees & Non-Stat Assessme	\$ 1,145,460	\$ 1,145,478	\$ (18)
Testing Fees			\$ -
Services & Software			\$ -
Workshops			\$ -
Interest	\$ 1,941	\$ -	\$ 1,941
Miscellaneous			\$ -
Total Funding	<u>\$ 1,147,401</u>	<u>\$ 1,145,478</u>	<u>\$ 1,923</u>
Direct Expenses:			
Personnel Expenses			
Salaries	\$ 203,734	\$ 378,635	\$ (174,901)
Payroll Taxes	\$ 14,683	\$ 23,156	\$ (8,473)
Employee Benefits	\$ 59,633	\$ 103,438	\$ (43,805)
Savings & Retirement	\$ 65,577	\$ 182,833	\$ (117,256)
Total Personnel Expenses	<u>\$ 343,627</u>	<u>\$ 688,062</u>	<u>\$ (344,435)</u>
Meeting Expenses			
Meetings	\$ 3,839	\$ 23,600	\$ (19,761)
Travel	\$ 26,473	\$ 70,001	\$ (43,528)
Conference Calls	\$ 15,910	\$ 4,645	\$ 11,265
Total Meeting Expenses	<u>\$ 46,222</u>	<u>\$ 98,246</u>	<u>\$ (52,024)</u>
Operating Expenses			
Consultants & Contracts	\$ 27,632	\$ 125,340	\$ (97,708)
Office Rent	\$ 58,478	\$ 59,150	\$ (672)
Office Costs	\$ 22,951	\$ 28,181	\$ (5,230)
Computer and Equipment Leases	\$ 10,127	\$ 12,698	\$ (2,571)
Professional Services	\$ 50,591	\$ 75,110	\$ (24,519)
Miscellaneous	\$ 4,708	\$ 5,180	\$ (472)
Depreciation	\$ 14,911	\$ 12,087	\$ 2,824
Total Operating Expenses	<u>\$ 189,398</u>	<u>\$ 317,746</u>	<u>\$ (128,348)</u>
Total Direct Expenses	<u>\$ 579,247</u>	<u>\$ 1,105,349</u>	<u>\$ (526,102)</u>
Total Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ 1,295</u>	<u>\$ (1,295)</u>
Total Expenses	<u>\$ 579,247</u>	<u>\$ 1,105,349</u>	<u>\$ (526,102)</u>
Change in Assets	<u>\$ 568,154</u>	<u>\$ 40,129</u>	<u>\$ 528,025</u>
Fixed Assets:			
Depreciation	\$ (14,911)	\$ (12,087)	\$ (2,824)
Computer & Software CapEx	\$ 10,359	\$ -	\$ 10,359
Furniture & Fixtures CapEx	\$ 766	\$ 1,727	\$ (961)
Equipment CapEx	\$ 795	\$ 2,590	\$ (1,795)
Leasehold Improvements	\$ -	\$ 1,727	\$ (1,727)
Change in Fixed Assets	<u>\$ 2,991</u>	<u>\$ 6,043</u>	<u>\$ (3,052)</u>
TOTAL CHANGE IN ASSETS	<u>\$ 571,145</u>	<u>\$ 46,172</u>	<u>\$ 524,973</u>
Full-Time Equivalents	2.59	2.59	0.00

**Northeast Power
Coordinating Council, Inc.**

Financial Statements

December 31, 2010 and 2009

Northeast Power Coordinating Council, Inc.
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December 31, 2010 and 2009

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Report of Independent Auditors

To the Board of Directors 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 present fairly, in all material respects, the financial position of Northeast Power Coordinating Council, Inc. (the "Company"), as of December 31, 2010 and 2009, 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

PricewaterhouseCoopers LLP
April 26, 2011

Northeast Power Coordinating Council, Inc.
Statements of Financial Position
December 31, 2010 and 2009

	2010	2009
Assets		
Cash	\$ 3,319,034	\$ 1,342,198
Restricted cash	1,318,083	543,932
Investments	2,210,830	2,210,529
Prepaid expenses	180,383	167,150
Other assets	27,305	40,009
Equipment and leasehold improvements, less accumulated depreciation and amortization of \$365,179 and \$194,444, respectively	<u>1,263,698</u>	<u>1,301,857</u>
Total assets	<u>\$ 8,319,333</u>	<u>\$ 5,605,675</u>
Liabilities and Net assets		
Accrued expenses and other liabilities	\$ 926,730	\$ 725,069
Accrued liability for pension	2,084,658	2,658,480
Deferred revenue	-	326,771
Deferred rent	<u>755,086</u>	<u>646,637</u>
Total liabilities	3,766,474	4,356,957
Net assets		
Unrestricted net assets	<u>4,552,859</u>	<u>1,248,718</u>
Total net assets	<u>4,552,859</u>	<u>1,248,718</u>
Total liabilities and net assets	<u>\$ 8,319,333</u>	<u>\$ 5,605,675</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, 2010 and 2009

	2010	2009
Revenue		
Membership dues	\$ 1,145,460	\$ 1,012,775
Regional entity ERO funding	11,500,439	10,008,885
Penalty sanctions	811,000	-
Interest income	22,488	13,190
Total revenue	13,479,387	11,034,850
Operating expenses		
Salaries and employee benefits	6,027,231	5,226,442
Administrative and consultant fees	1,672,873	1,308,416
Professional fees	528,970	616,486
Meetings and travel	874,796	797,730
Telephone and telecommunications	208,478	264,020
Office supplies and expense	171,382	342,851
Equipment leases	114,426	150,005
Rent expense	632,276	505,345
Insurance expense	26,402	14,911
Miscellaneous	67,423	35,876
Depreciation and amortization	172,784	129,855
Total operating expenses	10,497,041	9,391,937
Change in net assets before non-operating expenses	2,982,346	1,642,913
Non-operating income (expense)		
Pension change other than net periodic pension cost	321,795	254,975
Increase in net assets	3,304,141	1,897,888
Net assets (deficit)		
Beginning of year	1,248,718	(649,170)
End of year	\$ 4,552,859	\$ 1,248,718

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

Northeast Power Coordinating Council, Inc.
Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 3,304,141	\$ 1,897,888
Depreciation and amortization	172,784	129,855
Loss on abandonment of fixed assets	-	20,844
(Increase) decrease in prepaid expenses	(13,233)	23,337
Decrease in other assets	10,355	28,250
Increase in accrued expenses and other liabilities	201,661	18,513
Decrease in accrued liability for pension	(573,822)	(293,770)
(Decrease) increase in deferred revenue	(326,771)	74,795
Increase in deferred rent	108,449	106,322
Net cash provided by operating activities	<u>2,883,564</u>	<u>2,006,034</u>
Cash flows from investing activities		
Purchases of equipment and leasehold improvements	(132,577)	(761,436)
Restricted cash	<u>(774,151)</u>	<u>(42,871)</u>
Net cash (used for) investing activities	<u>(906,728)</u>	<u>(804,307)</u>
Net increase in cash	1,976,836	1,201,727
Cash and cash equivalents		
Beginning of year	1,342,198	140,471
End of year	<u>\$ 3,319,034</u>	<u>\$ 1,342,198</u>

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

Northeast Power Coordinating Council, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

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, 2010 and 2009, 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

Restricted cash represents amounts in deposit accounts funded with penalties levied and received for non-compliance within NPCC U.S., and amounts in deposit accounts 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.

Northeast Power Coordinating Council, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

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 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. Penalty sanctions are recorded as income when levied and the appeals process has been waived or is concluded.

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, 2010 is approximately \$480,000.

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/BAAs) 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

Northeast Power Coordinating Council, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

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 December 31, 2010 and 2009, the Company owned 2,210,830 and 2,210,529 units of \$1 par value per unit, respectively. In 2010 and 2009, the funds earned average yields of 0.01% and 0%, respectively. Investment income earned on the Fund is reinvested into units of the Fund on a monthly basis.

4. Equipment and Leasehold Improvements

Equipment and leasehold improvements at December 31, 2010 and 2009 consists of the following:

	Depreciable Life	2010	2009
Furniture	10 years	\$ 201,518	\$ 192,892
Computer equipment	3 years	336,668	328,718
Leasehold improvements	15 years (see note 2)	974,691	974,691
		<u>1,512,877</u>	<u>1,496,301</u>
Less: Accumulated depreciation and amortization		<u>(365,179)</u>	<u>(194,444)</u>
		1,147,698	1,301,857
Website development not yet in service		<u>116,000</u>	<u>-</u>
		<u>\$ 1,263,698</u>	<u>\$ 1,301,857</u>

In 2010 and 2009, depreciation and amortization expense totaled \$172,784 and \$129,855, 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 contributions of \$700,000 and \$464,210 for 2010 and 2009, respectively. 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 total contribution for 2010 was \$700,000.

The following tables provide information with respect to the defined benefit plan as of and for the years ended December 31, 2010 and 2009:

	2010	2009
Components of net periodic benefit cost		
Service cost	\$ 236,054	\$ 206,007
Interest cost	433,409	399,697
Expected return on plan assets	(371,694)	(272,054)
Amortization of prior service cost	20,532	-
Recognized actuarial loss	<u>150,205</u>	<u>191,766</u>
Net periodic benefit cost	<u>\$ 468,506</u>	<u>\$ 525,416</u>

Northeast Power Coordinating Council, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

	2010	2009
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 7,226,423	\$ 6,276,822
Service cost	236,054	206,007
Interest cost	433,409	399,697
Amendments	242,279	-
Actuarial loss	26,679	445,889
Benefits paid	<u>(101,992)</u>	<u>(101,992)</u>
Benefit obligation at end of year	<u>\$ 8,062,852</u>	<u>\$ 7,226,423</u>
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	\$ 4,567,943	\$ 3,324,572
Actual return on plan assets	812,242	781,153
Company contribution	700,000	564,210
Benefits paid	<u>(101,992)</u>	<u>(101,992)</u>
Fair value of plan assets at end of year	<u>\$ 5,978,193</u>	<u>\$ 4,567,943</u>
Funded status at end of year	<u>\$ (2,084,659)</u>	<u>\$ (2,658,480)</u>
Amounts recognized in unrestricted net assets consist of		
Loss	\$ (2,130,022)	\$ (2,694,096)
Prior service cost	<u>(221,747)</u>	<u>-</u>
	<u>\$ (2,351,769)</u>	<u>\$ (2,694,096)</u>
Changes in unrestricted assets recognized in non-operating expenses		
Net (gain)/loss	\$ (413,869)	\$ (63,210)
Prior service cost	242,279	-
Amortization of net gain/(loss)	<u>(150,205)</u>	<u>(191,766)</u>
	<u>\$ (321,795)</u>	<u>\$ (254,976)</u>
Amounts of unrestricted net assets expected to be recognized in net periodic benefit cost in 2011		
Amortization of loss	\$ 180,938	
Weighted-average assumptions as of December 31 used for obligation		
Discount Rate	5.75 %	6.00 %
Expected Return on Plan Assets	7.50 %	7.50 %
Rate of Compensation Increase	4.00 %	4.25 %
Weighted-average assumptions as of December 31 used for net periodic benefit cost		
Discount Rate	6.00 %	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, 2010 and 2009 was \$5,769,210 and \$5,030,641, respectively.

Northeast Power Coordinating Council, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

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.

The Company's defined benefit plan weighted average asset allocation at December 31, 2010 and 2009 by asset category is as follows:

	Allocation Percentage 2010	Allocation Percentage 2009
Equity Securities	68.3 %	57.8 %
Debt Securities	30.8 %	26.7 %
Cash	0.9 %	15.5 %
	<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, 2010, the plan assets consisted of \$43,654 of cash and cash equivalents, \$3,109,999 of domestic equities, \$882,132 of international equities, \$1,578,458 of corporate bonds, and \$267,085 of commodity funds and \$96,865 of public real estate investment trust investments.

At December 31, 2010, the Company's target allocation percentages for plan assets were approximately 63% equity securities, 33% debt securities and 4% other 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, 2011 is \$600,000.

Benefits expected to be paid in cash in subsequent years ending December 31 are as follows:

2011	\$ 121,202
2012	210,352
2013	203,102
2014	339,593
2015	338,122
2016-2020	1,788,279

Northeast Power Coordinating Council, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

6. Savings and Supplemental Plans

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 compensation. Additionally, for those employees joining the 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 2010 and 2009 was 6% of base compensation and totaled \$63,408 for 2010 and \$63,475 for 2009. Company contributions to the 401(k) plan were \$133,094 and \$111,856 for 2010 and 2009, respectively. During 2010, the Company adopted a supplemental plan for employees who were not eligible to receive the same percentage level of retirement benefits as other employees under the 401(k) plan due to IRS compensation limits. The Company contributed \$19,900 to this supplemental plan for 2010.

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 \$746,702 and \$655,350 for 2010 and 2009, respectively.

Future minimum rental payments required under the Company's long-term operating leases as of December 31, 2010 are as follows:

	Office Space	Other Leases	Total
Year ending December 31			
2011	\$ 612,357	\$ 125,875	\$ 738,232
2012	612,357	31,469	643,826
2013	612,357	-	612,357
2014	652,380	-	652,380
2015	672,392	-	672,392
Thereafter	5,843,267	-	5,843,267
	<u>\$ 9,005,110</u>	<u>\$ 157,344</u>	<u>\$ 9,162,454</u>

Northeast Power Coordinating Council, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

8. Functional Expenses

During 2010 and 2009 salaries and employee benefits consist of the following:

	2010	2009
President, COO and technical staff	\$ 4,069,565	\$ 3,409,291
Administrative support	157,100	154,900
Payroll taxes, insurance, pension and educational assistance	<u>1,800,566</u>	<u>1,662,251</u>
Total salaries and employee benefits	<u>\$ 6,027,231</u>	<u>\$ 5,226,442</u>

9. Other Expenses

The Company incurs various costs for administrative, consultant and professional services. Such costs amounted to \$2,201,843 and \$1,924,902 in 2010 and 2009, respectively, and consist of the following:

	2010	2009
Consultants	\$ 1,073,228	\$ 979,843
Accounting, legal and other services	1,120,240	936,221
Pension administration	<u>8,375</u>	<u>8,838</u>
Total administrative, consultant and professional fees	<u>\$ 2,201,843</u>	<u>\$ 1,924,902</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 based upon Business Plans and Budgets submitted to and approved by FERC in the U.S. and Canadian regulatory and/or governmental authorities.

Northeast Power Coordinating Council, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

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 2010 and 2009, total membership dues billed amounted to \$1,145,460 and \$1,012,775, respectively.

Description	2010 Percent	Total Share	2009 Percent	Total Share
Hydro-Quebec TransEnergie	28.54 %	\$ 326,919	28.40 %	\$ 287,643
Independent Electricity System Operator	22.47 %	257,443	22.63 %	229,184
ISO-New England, Inc.	19.92 %	228,133	19.99 %	202,412
New Brunswick System Operator	2.14 %	24,482	2.22 %	22,529
New York Independent System Operator	25.03 %	286,771	24.88 %	251,976
Nova Scotia Power Inc.	1.90 %	21,712	1.88 %	19,031
Total Member Fees	<u>100.00 %</u>	<u>\$ 1,145,460</u>	<u>100.00 %</u>	<u>\$ 1,012,775</u>

11. Subsequent Events

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the Statement of Financial Position through April 26, 2011, the date the financial statements were available to be issued.

ATTACHMENT 4

2010 ACTUAL COST-TO-BUDGET COMPARISON

AND

2010 AUDITED FINANCIAL REPORT

FOR

WESTERN ELECTRICITY COORDINATING COUNCIL



Tricia Kritzberg
Controller

801-883-6866
tkritzberg@wecc.biz

May 23, 2011

Mr. Michael Walker
Ms. Susan Turpen
North American Electric Reliability Corporation (NERC)
116-390 Village Blvd.
Princeton, NJ 08540-5721

RE: 2010 Budget Variance Explanations Based on Audited Financials

The Western Electricity Coordinating Council's (WECC) audited financial statements show that WECC's Statutory Total Change in Assets for the year ended December 31, 2010 is over budget by \$858,000. In its fourth quarter variance report, WECC reported being under budget by \$474,000. As part of the audit process, WECC accrued several large expenditures that primarily related to grant transactions. WECC is over budget only because its revenue from grants is not currently equal to its expenditures related to the grants. There is a delay in reimbursement of expenses by the Department of Energy due to the structure of the grants. This delay causes a temporary loss on grant activities, but will equalize over the three-year term of the grants.

Also, in 2010 WECC conducted a thorough review of its fixed assets and identified several that did not have a useful life that warranted depreciation. Therefore, WECC has written off several fixed assets resulting in expense transactions that are not cash related.

WECC has one non-statutory activity, the Western Renewable Energy Generation Information System (WREGIS). WECC uses a fund accounting system that allows costs to be segregated between statutory and non-statutory activities to ensure 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.

In 2010, WECC allocated indirect costs to its non-statutory activity based on full-time equivalents (FTE). Indirect costs include the Board of Directors and its Standing Committees, General and Administrative, Legal, Information Technology, Human Resources, and Finance programs. These costs are allocated to WREGIS based on the ratio of total WREGIS FTEs to total operating program FTEs.

Significant variances related to the statutory budget 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.

WECC did not use cash reserves during 2010.

FUNDING

- **Grant Funding** (\$13.7 million under budget)
 - Grant funding is received as reimbursement for costs incurred on grant activities. At the time the 2010 budget was developed, WECC was in negotiation with the Department of Energy for these grants. The actual start date for the grants was later than originally anticipated, resulting in fewer costs being incurred than initially anticipated.
- **Workshops** (\$400,000 under budget)
 - Workshop revenue was under budget due to lower than anticipated attendance at workshops and training sessions.
- **Interest** (\$277,000 over budget)
 - Interest was not budgeted in 2010 due to the instability and volatility of the financial markets at the time the budget was prepared. Actual interest earnings were \$227,000.
- **Miscellaneous** (\$49,000 under budget)
 - Projected revenue from the Lawrence Berkeley National Labs in relation to congestion studies was not realized.

EXPENSES

- **Salaries** (\$1.5 million under budget)
 - Salaries are under budget due to vacancies in budgeted positions. The vacancies are the result of timing of new hires and normal turnover.
- **Payroll Taxes** (\$476,000 under budget)
 - Payroll taxes fluctuate with salaries.
 - WECC's estimates of payroll taxes as part of its 2010 budget process resulted in higher budget amounts than actual results.
- **Employee Benefits** (\$584,000 under budget)
 - Benefits fluctuate with salaries.
 - WECC is under budget due to lower than anticipated enrollment in benefit programs among existing employees as well as unfilled vacancies.
- **Retirement Costs** (\$188,000 under budget)
 - Retirement Costs fluctuate with salaries.
 - WECC is under budget due to lower than anticipated participation in its 401(k) program as well as unfilled vacancies.
- **Meetings** (\$673,000 under budget)
 - Meeting costs associate with the Regional Transmission Expansion Planning (RTEP) grant were lower than anticipated due to the date of signing the grant being later than anticipated.
 - Lower than anticipated attendance at training and workshops resulted in lower meeting costs.
 - WECC realized costs savings on meetings as a result of increased utilization of its new Salt Lake City office and meeting facilities.

- **Travel** (\$380,000 under budget)
 - Travel is lower than budgeted due to vacancies in budgeted positions and normal turnover.
 - Travel between WECC's three locations and executive travel to regional and national meetings was lower than anticipated.
- **Consultants and Contracts** (\$10 million under budget)
 - Consultants and contracts related to the grants were not incurred due to the grants being signed later than originally anticipated. These costs will be incurred in 2011-2013.
- **Office Rent** (\$79,000 under budget)
 - Office rent is under budget due to WECC signing the leases for the expansion of the Reliability Control Offices at a date later than anticipated.
- **Office Costs** (\$886,000 over budget)
 - Costs associated with license agreements, maintenance contracts, and small equipment purchases were budgeted as fixed assets but are more appropriately charged to office costs.
 - A review of WECC's fixed assets revealed certain assets that did not fit WECC's definition of fixed assets, and therefore they were written off.
- **Professional Services** (\$321,000 over budget)
 - Professional services are over budget due to the purchase of an Errors and Omissions insurance policy that was not budgeted in 2010.
- **Miscellaneous** (\$451,000 over budget)
 - Miscellaneous costs are over budget due to the recognition of a contingent liability associated with WECC's registered function.
- **Depreciation** (\$2.8 million over budget)
 - Depreciation was not budgeted in 2010.
- **Indirect Expenses** (\$57,000 under budget)
 - Indirect expenses are under budget due to lower than anticipated FTEs in WREGIS and lower than anticipated overhead expenses.

FIXED ASSETS

- **Depreciation** (\$2.8 million over budget)
 - Depreciation was not budgeted in 2010.
- **Computer & Software CapEx** (\$1 million under budget)
 - A review of WECC's fixed assets revealed certain assets that did not fit WECC's definition of fixed assets, therefore they were written off.
 - Costs associated with license agreements, maintenance contracts, and small equipment purchases were budgeted as fixed assets but are more appropriately charged to office costs.
- **Furniture and Fixtures CapEx** (\$268,000 over budget)
 - Costs associated with furnishing the new Salt Lake City office and meeting facilities were not budgeted.

- **Equipment CapEx** (\$20,000 under budget)
 - Equipment purchases related to the grants were not incurred due to the grants being signed at a date later than anticipated.
- **Leasehold Improvements** (\$137,000 over budget)
 - Leasehold improvements related to the new Salt Lake City office and meeting facilities were not budgeted.
 - Leasehold improvements related to the grants were lower than anticipated due to the signing of the grant contracts being later than anticipated. These costs will be incurred in 2011.

Please feel free to contact me if you have any questions.

Thank you,



Tricia Kritzberg

Controller

WESTERN ELECTRICITY COORDINATING COUNCIL

2010 Statement of Activities Summary

Audited

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding			
ERO Assessments	\$ 39,132,442	\$ 39,132,458	\$ (16)
Penalty Sanctions			-
Total ERO Funding	\$ 39,132,442	\$ 39,132,458	\$ (16)
Membership Fees & Non-Stat	1,035,810	1,087,943	(52,133)
Grant Funding	6,267,559	19,926,124	(13,658,565)
Services & Software	4,605	-	4,605
Workshops	914,490	1,323,900	(409,410)
Interest	276,680	-	276,680
Miscellaneous	12,445	61,000	(48,715)
Total Funding	\$ 47,644,031	\$ 61,531,425	\$ (13,887,554)
Expenses			
Personnel Expenses			
Salaries	17,948,619	19,604,251	(1,655,632)
Payroll Taxes	1,218,223	1,707,938	(489,715)
Employee Benefits	2,242,395	2,850,342	(607,947)
Savings & Retirement	1,159,822	1,357,477	(197,655)
Total Personnel Expenses	\$ 22,569,059	\$ 25,520,009	\$ (2,950,950)
Meeting Expenses			
Meetings	857,253	1,547,013	(689,760)
Travel	1,460,555	1,864,222	(403,667)
Conference Calls	128,796	138,980	(10,184)
Total Meeting Expenses	\$ 2,446,604	\$ 3,550,215	\$ (1,103,611)
Operating Expenses			
Consultants & Contracts	7,963,731	18,068,677	(10,104,946)
Office Rent	1,501,992	1,581,000	(79,008)
Office Costs	4,505,334	3,528,312	977,022
Professional Services	1,391,901	1,102,297	289,604
Miscellaneous	452,081	-	452,081
Depreciation	2,768,144	-	2,768,144
Total Operating Expenses	\$ 18,583,183	\$ 24,280,286	\$ (5,697,103)
Total Direct Expenses	\$ 43,598,846	\$ 53,350,510	\$ (9,751,664)
Indirect Expenses	0	(2)	2
Other Non-Operating Expenses	\$ 2,938,196	\$ 2,966,207	\$ (28,011)
Change in Assets	\$ 1,106,989	\$ 5,214,711	\$ (4,107,882)
Fixed Assets			
Depreciation	(2,768,144)	-	(2,768,144)
Computer & Software CapEx	1,358,399	2,442,645	(1,084,246)
Furniture & Fixtures CapEx	267,534	-	267,534
Equipment CapEx	-	20,000	(20,000)
Leasehold Improvements	1,674,660	1,537,667	136,993
Change in Fixed Assets	\$ (532,449)	\$ (4,000,312)	\$ 3,467,863
Allocation of Fixed Assets	-	-	-
Change in Fixed Assets	\$ (532,449)	\$ (4,000,312)	\$ 3,467,863
TOTAL CHANGE IN ASSETS	\$ 574,540	\$ 1,214,399	\$ (640,019)
FTEs	181.3	186.9	(5.6)

WESTERN ELECTRICITY COORDINATING COUNCIL

2010 Statement of Activities Summary

Statutory Only

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>
Funding			
ERO Funding			
ERO Assessments	\$ 39,132,441	\$ 39,132,455	\$ (14)
Penalty Sanctions	-	-	-
Total ERO Funding	<u>\$ 39,132,441</u>	<u>\$ 39,132,455</u>	<u>\$ (14)</u>
Membership Fees & Non-Stat	-	-	-
Grant Funding	6,267,559	19,926,124	(13,658,565)
Services & Software	-	-	-
Workshops	914,490	1,315,100	(400,610)
Interest	276,680	-	276,680
Miscellaneous	12,285	61,000	(48,715)
Total Funding	<u>\$ 46,603,455</u>	<u>\$ 60,434,679</u>	<u>\$ (13,831,224)</u>
Expenses			
Personnel Expenses			
Salaries	17,710,304	19,254,204	(1,543,900)
Payroll Taxes	1,200,525	1,676,434	(475,909)
Employee Benefits	2,215,646	2,799,460	(583,814)
Savings & Retirement	1,145,086	1,332,974	(187,888)
Total Personnel Expenses	<u>\$ 22,271,561</u>	<u>\$ 25,063,073</u>	<u>\$ (2,791,512)</u>
Meeting Expenses			
Meetings	853,762	1,527,070	(673,308)
Travel	1,449,771	1,829,350	(379,579)
Conference Calls	128,796	138,480	(9,684)
Total Meeting Expenses	<u>\$ 2,432,329</u>	<u>\$ 3,494,900</u>	<u>\$ (1,062,571)</u>
Operating Expenses			
Consultants & Contracts	7,955,963	17,981,636	(10,025,673)
Office Rent	1,501,992	1,581,000	(79,008)
Office Costs	4,344,153	3,458,053	886,100
Professional Services	1,360,621	1,039,280	321,341
Miscellaneous	451,000	-	451,000
Depreciation	2,768,144	-	2,768,144
Total Operating Expenses	<u>\$ 18,381,873</u>	<u>\$ 24,059,969</u>	<u>\$ (5,678,096)</u>
Total Direct Expenses	<u>\$ 43,085,763</u>	<u>\$ 52,617,942</u>	<u>\$ (9,532,179)</u>
Indirect Expenses	(307,469)	(364,177)	56,708
Other Non-Operating Expenses	<u>\$ 2,938,196</u>	<u>\$ 2,966,207</u>	<u>\$ (28,011)</u>
Change in Assets	<u>\$ 886,966</u>	<u>\$ 5,214,708</u>	<u>\$ (4,327,742)</u>
Fixed Assets			
Depreciation	(2,768,144)	-	(2,768,144)
Computer & Software CapEx	1,358,399	2,442,645	(1,084,246)
Furniture & Fixtures CapEx	267,534	-	267,534
Equipment CapEx	-	20,000	(20,000)
Leasehold Improvements	1,674,660	1,537,667	136,993
Change in Fixed Assets	<u>\$ (532,449)</u>	<u>\$ (4,000,312)</u>	<u>\$ 3,467,863</u>
Allocation of Fixed Assets	-	-	-
Change in Fixed Assets	<u>\$ (532,449)</u>	<u>\$ (4,000,312)</u>	<u>\$ 3,467,863</u>
TOTAL CHANGE IN ASSETS	<u>\$ 354,517</u>	<u>\$ 1,214,396</u>	<u>\$ (859,879)</u>
FTEs	177.3	181.9	(4.6)

WESTERN ELECTRICITY COORDINATING COUNCIL
2010 Statement of Activities Summary
Reliability Standards

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	\$ 738,926	\$ 738,927	\$ (1)	0.00%	
Penalty Sanctions					
Total ERO Funding	\$ 738,926	\$ 738,927	\$ (1)		
Membership Fees & Non-Stat					
Grant Funding					
Services & Software					
Workshops					
Interest					
Miscellaneous					
Total Funding	\$ 738,926	\$ 738,927	\$ (1)		
Expenses					
Personnel Expenses					
Salaries	434,606	385,467	49,139	12.75%	Salary expenses were higher than budgeted due to adjustments to existing salaries to ensure retention.
Payroll Taxes	28,379	34,692	(6,313)	-18.20%	Payroll taxes were estimated at an amount higher than actual results
Employee Benefits	45,187	43,626	1,561	3.58%	
Savings & Retirement	36,630	26,983	9,647	35.75%	Retirement benefits were higher than budgeted due to higher salaries.
Total Personnel Expenses	\$ 544,802	\$ 490,768	\$ 54,034		
Meeting Expenses					
Meetings	5,039	4,000	1,039	25.98%	Meetings wer higher than budgeted due to increased attendance at meetings
Travel	44,507	12,000	32,507	270.89%	Travel was higher than budgeted due to more frequent attendance at standards meetings.
Conference Calls	14,302	5,760	8,542	148.30%	Conference calls were higher than budgeted due to higher attendance on conference call meetings.
Total Meeting Expenses	\$ 63,848	\$ 21,760	\$ 42,088		
Operating Expenses					
Consultants & Contracts	-				
Office Rent	-				
Office Costs	8,105	2,200	5,905	268.41%	Office costs were higher than budgeted due to increased use of internet technology while traveling.
Professional Services	410		410		
Miscellanoues	-				
Depreciation	-				
Total Operating Expenses	\$ 8,515	\$ 2,200	\$ 6,315		
Total Direct Expenses	\$ 617,165	\$ 514,728	\$ 102,437		
Indirect Expenses	230,602	218,505	12,097	5.54%	
Other Non-Operating Expenses			\$ -		
Change in Assets	\$ (108,840)	\$ 5,694	\$ (114,535)		
Fixed Assets					
Depreciation					
Computer & Software CapEx					
Furniture & Fixtures CapEx					
Equipment CapEx					
Leasehold Improvements					
Change in Fixed Assets	\$ -	\$ -	\$ -		
Allocation of Fixed Assets	(17,550)	(5,694)	(11,856)	208.22%	Allocation of assets is based on FTE and expenditures in overhead functions. See General and Administrative function.
Change in Fixed Assets	\$ (17,550)	\$ (5,694)	\$ (11,856)		
TOTAL CHANGE IN ASSETS	\$ (126,391)	\$ 0	\$ (126,391)		
FTEs	3.0	3.0	-		

WESTERN ELECTRICITY COORDINATING COUNCIL
2010 Statement of Activities Summary
Compliance and Organization Registration and Certification

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
ERO Funding					
ERO Assessments	\$ 12,985,970	\$ 12,985,975	\$ (5)	0.00%	
Penalty Sanctions			-		
Total ERO Funding	\$ 12,985,970	\$ 12,985,975	\$ (5)		
Membership Fees & Non-Stat			-		
Grant Funding			-		
Services & Software			-		
Workshops	245,100	400,000	(154,900)	-38.73%	Workshop revenue was lower than budgeted due to lower than anticipated attendance at CUG and CIPUG meetings.
Interest			-		
Miscellaneous			-		
Total Funding	\$ 13,231,070	\$ 13,385,975	\$ (154,905)		
Expenses					
Personnel Expenses					
Salaries	4,283,562	5,060,109	(776,547)	-15.35%	Salaries are under budget due to vacancy in budgeted positions and normal turnover.
Payroll Taxes	296,538	438,047	(141,509)	-32.30%	Payroll Taxes fluctuate with salaries
Employee Benefits	405,768	582,670	(176,902)	-30.36%	Employee Benefits fluctuate with salaries.
Savings & Retirement	254,854	348,605	(93,751)	-26.89%	Retirement fluctuates with salaries
Total Personnel Expenses	\$ 5,240,722	\$ 6,429,432	\$ (1,188,710)		
Meeting Expenses					
Meetings	173,128	425,000	(251,872)	-59.26%	Meeting expenses were lower than budgeted due to lower than anticipated attendance at CUG and CIPUG meetings
Travel	493,860	762,350	(268,490)	-35.22%	Travel was lower than budgeted due to vacancies in budgeted positions and normal turnover.
Conference Calls	28,505	45,500	(16,995)	-37.35%	Conference calls were lower than budgeted due to lower attendance at compliance meetings held by phone
Total Meeting Expenses	\$ 695,493	\$ 1,232,850	\$ (537,357)		
Operating Expenses					
Consultants & Contracts	1,334,300	1,467,500	(133,200)	-9.08%	Consultants are lower than budgeted due to the utilization of existing employees for tasks budgeted to be performed by consultants.
Office Rent	1,980	-	1,980		
Office Costs	344,187	178,550	165,637	92.77%	Office costs were higher than budgeted due to expensed equipment and furniture purchases that were unbudgeted
Professional Services	44,665	155,000	(110,335)	-71.18%	Professional services were lower than budgeted as a result of budgeted Hearings costs not being realized.
Miscellaneous	-	-	-		
Depreciation	145,683	-	145,683		Depreciation was not budgeted in 2010
Total Operating Expenses	\$ 1,870,815	\$ 1,801,050	\$ 69,765		
Total Direct Expenses	\$ 7,807,030	\$ 9,463,332	\$ (1,656,302)		
Indirect Expenses	3,612,762	3,641,750	(28,988)	-0.80%	
Other Non-Operating Expenses			\$ -		
Change in Assets	\$ 1,811,278	\$ 280,893	\$ 1,530,385		
Fixed Assets					
Depreciation	(145,683)	-	(145,683)		Depreciation was not budgeted in 2010
Computer & Software CapEx	95,121	186,000	(90,879)	-48.86%	A review of WECC's fixed assets revealed certain assets that did not fit WECC's definition of a fixed asset, therefore they were written off.
Furniture & Fixtures CapEx	(12,812)	-	(12,812)		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	\$ 63,374	\$ (186,000)	\$ 249,374		
Allocation of Fixed Assets	(274,954)	(94,893)	(180,061)	189.75%	Allocation of assets is based on FTE and expenditures in overhead functions.
Change in Fixed Assets	\$ (211,580)	\$ (280,893)	\$ 69,313		
TOTAL CHANGE IN ASSETS	\$ 1,599,698	\$ 0	\$ 1,599,698		
FTEs	47.0	50.0	(3.0)		

WESTERN ELECTRICITY COORDINATING COUNCIL
2010 Statement of Activities Summary
Reliability Assessment and Performance Analysis

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
ERO Funding					
ERO Assessments	\$ 4,772,132	\$ 4,772,132	\$ -	0.00%	
Penalty Sanctions	-	-	-		
Total ERO Funding	<u>\$ 4,772,132</u>	<u>\$ 4,772,132</u>	<u>\$ -</u>		
Membership Fees & Non-Stat					
Grant Funding	1,385,744	3,991,879	(2,606,135)	-65.29%	Grant funding is received as a reimbursement for costs incurred on grant activities. WECC did not incur as many costs as anticipated. These costs will be incurred in 2011 - 2013.
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	50,000	(50,000)	-100.00%	Projected revenue from Lawrence Berkeley National Labs in relation to congestion studies was not realized
Total Funding	<u>\$ 6,157,876</u>	<u>\$ 8,814,011</u>	<u>\$ (2,656,135)</u>		
Expenses					
Personnel Expenses					
Salaries	1,518,337	1,907,620	(389,283)	-20.41%	Salaries are under budget due to vacancy in budgeted positions and normal turnover.
Payroll Taxes	108,833	170,159	(61,326)	-36.04%	Payroll Taxes fluctuate with salaries
Employee Benefits	215,806	236,888	(21,082)	-8.90%	
Savings & Retirement	125,948	132,346	(6,398)	-4.83%	
Total Personnel Expenses	<u>\$ 1,968,924</u>	<u>\$ 2,447,013</u>	<u>\$ (478,089)</u>		
Meeting Expenses					
Meetings	96,801	416,850	(320,049)	-76.78%	Meeting costs associated with the grant were not incurred due to a slower than anticipated ramp-up of grant activities
Travel	132,823	149,500	(16,677)	-11.16%	Travel costs associated with the grant were not incurred due to a slower than anticipated ramp-up of grant activities
Conference Calls	33,855	28,320	5,535	19.54%	Participation and frequency of conference calls were higher than anticipated.
Total Meeting Expenses	<u>\$ 263,479</u>	<u>\$ 594,670</u>	<u>\$ (331,191)</u>		
Operating Expenses					
Consultants & Contracts	874,745	3,568,631	(2,693,886)	-75.49%	Consultants and Contracts associated with the grant were not incurred due to a slower than anticipated ramp-up of activities
Office Rent	-	-	-		
Office Costs	243,347	444,000	(200,653)	-45.19%	Costs associated with maintenance agreements on PMUs were not incurred due to the signing of the WISP grant.
Professional Services	16,367	-	16,367		Non-Affiliated Director fees were paid for participation on committees related to the grant.
Miscellaneous	-	-	-		A review of WECC's fixed assets revealed certain assets that did not fit WECC's definition of a fixed asset, therefore they were written off.
Depreciation	-	-	-		
Total Operating Expenses	<u>\$ 1,134,459</u>	<u>\$ 4,012,631</u>	<u>\$ (2,878,172)</u>		
Total Direct Expenses	<u>\$ 3,366,862</u>	<u>\$ 7,054,314</u>	<u>\$ (3,687,452)</u>		
Indirect Expenses	<u>1,460,478</u>	<u>1,684,309</u>	<u>(223,831)</u>		Allocation of indirect costs is based on FTE and expenditures in overhead functions.
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Change in Assets	<u>\$ 1,330,536</u>	<u>\$ 75,388</u>	<u>\$ 1,255,148</u>		
Fixed Assets					
Depreciation					
Computer & Software CapEx	(47,000)	11,500	(58,500)	-508.70%	A review of WECC's fixed assets revealed certain assets that did not fit WECC's definition of a fixed asset, therefore they were written off.
Furniture & Fixtures CapEx		20,000	(20,000)	-100.00%	Equipment purchases related to the grant were not incurred due to a slower than anticipated ramp-up of activities
Equipment CapEx					
Leasehold Improvements					
Change in Fixed Assets	<u>\$ 47,000</u>	<u>\$ (31,500)</u>	<u>\$ 78,500</u>		
Allocation of Fixed Assets	(111,151)	(43,888)	(67,263)		Allocation of assets is based on FTE and expenditures in overhead functions.
Change in Fixed Assets	<u>\$ (64,151)</u>	<u>\$ (75,388)</u>	<u>\$ 11,237</u>		
TOTAL CHANGE IN ASSETS	<u>\$ 1,266,384</u>	<u>\$ -</u>	<u>\$ 1,266,384</u>		
FTEs	<u>19.0</u>	<u>23.1</u>	<u>(4.1)</u>		

WESTERN ELECTRICITY COORDINATING COUNCIL
2010 Statement of Activities Summary
Training and Education

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	\$ 250,557	\$ 250,557	\$ -	0.00%	
Penalty Sanctions	-	-	-		
Total ERO Funding	\$ 250,557	\$ 250,557	\$ -		
Membership Fees & Non-Stat			-		
Grant Funding			-		
Services & Software			-		
Workshops	669,390	915,100	(245,710)	-26.85%	Lower than anticipated attendance at training and workshops has resulted in lower revenue.
Interest			-		
Miscellaneous			-		
Total Funding	\$ 919,947	\$ 1,165,657	\$ (245,710)		
Expenses					
Personnel Expenses					
Salaries	91,390	327,543	(236,153)	-72.10%	Salaries are under budget due to vacancies in budgeted positions.
Payroll Taxes	4,500	23,284	(18,784)	-80.67%	Payroll taxes fluctuate with salaries.
Employee Benefits	(15,943)	36,835	(52,778)	-143.28%	Benefits fluctuate with salaries. Also, in order to obtain an accurate view of revenue and costs associated with training, WECC's training department charges other departments for employee attendance. The costs associated with employee attendance is applied to the department budget as a employee benefit. The revenue is applied to the benefit account in the Training department in order to ensure the inter-departmental transfer is eliminated on WECC's consolidated financial reports.
Savings & Retirement	10,334	18,110	(7,776)	-42.94%	Retirement costs fluctuate with salaries.
Total Personnel Expenses	\$ 90,281	\$ 405,772	\$ (315,491)		
Meeting Expenses					
Meetings	211,660	278,000	(66,340)	-23.86%	Lower than anticipated attendance at training and workshops has resulted in lower meeting costs.
Travel	34,538	24,000	10,538	43.91%	Trainer and administrative support travel to off-site training sessions was higher than anticipated.
Conference Calls	6	2,000	(1,994)	-99.70%	Conference calls were not required for training sessions.
Total Meeting Expenses	\$ 246,204	\$ 304,000	\$ (57,796)		
Operating Expenses					
Consultants & Contracts	75,464	98,000	(22,536)	-23.00%	In-house trainers were used instead of consultants for more training sessions than anticipated.
Office Rent	-	-	-		
Office Costs	220,898	14,320	206,578	1442.58%	WECC installed numerous computers and purchased simulator licenses for its new training center in Salt Lake City.
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	1,053	-	1,053		
Total Operating Expenses	\$ 297,415	\$ 112,320	\$ 185,095		
Total Direct Expenses	\$ 633,900	\$ 822,092	\$ (188,192)		
Indirect Expenses	115,301	254,922	(139,621)		Allocation of indirect costs is based on FTE and expenditures in overhead functions.
Other Non-Operating Expenses			\$ -		
Change in Assets	\$ 170,746	\$ 88,643	\$ 82,103		
Fixed Assets					
Depreciation	(1,053)	-	(1,053)		
Computer & Software CapEx		82,000	(82,000)	-100.00%	Costs associated with the purchase of computers for training center were expensed as Office Costs.
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
Change in Fixed Assets	\$ 1,053	\$ (82,000)	\$ 83,053		
Allocation of Fixed Assets	(8,775)	(6,643)	(2,132)		
Change in Fixed Assets	\$ (7,722)	\$ (88,643)	\$ 80,921		
TOTAL CHANGE IN ASSETS	\$ 163,024	\$ -	\$ 163,024		
FTEs	1.5	3.5	(2.0)		

WESTERN ELECTRICITY COORDINATING COUNCIL
2010 Statement of Activities Summary
Situation Awareness and Infrastructure Security

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
ERO Funding					
ERO Assessments	\$ 19,170,461	\$ 19,170,469	\$ (8)	0.00%	
Penalty Sanctions			-		
Total ERO Funding	\$ 19,170,461	\$ 19,170,469	\$ (8)		
Membership Fees & Non-Stat			-		
Grant Funding	4,879,115	15,811,845	(10,932,730)	-69.14%	Grant funding is received as a reimbursement for costs incurred on grant activities. WECC did not incur as many costs as anticipated. These costs will be incurred in 2011 - 2012.
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
Total Funding	\$ 24,049,576	\$ 34,982,314	\$ (10,932,738)		
Expenses					
Personnel Expenses					
Salaries	7,481,695	7,390,968	90,727	1.23%	
Payroll Taxes	521,739	668,926	(147,187)	-22.00%	Payroll taxes were estimated at an amount higher than actual results
Employee Benefits	692,513	829,599	(137,086)	-16.52%	Benefits are under budget due to lower than anticipated enrollment by existing employees
Savings & Retirement	460,504	520,276	(59,772)	-11.49%	Retirement costs are under budget due to lower than anticipated employee participation in the 401(k)
Total Personnel Expenses	\$ 9,156,451	\$ 9,409,770	\$ (253,319)		
Meeting Expenses					
Meetings	681	-	681		
Travel	309,691	216,000	93,691	43.38%	Travel between the reliability coordination centers resulted in higher than anticipated travel costs.
Conference Calls	7,016	10,000	(2,984)	-29.84%	Conference calls are lower than budget due to lower frequency and participation than anticipated.
Total Meeting Expenses	\$ 317,388	\$ 226,000	\$ 91,388		
Operating Expenses					
Consultants & Contracts	5,480,061	12,623,025	(7,142,964)	-56.59%	Consultants and Contracts associated with the grant were not incurred due to a slower than anticipated ramp-up of activities. These costs will be incurred in 2011-2012.
Office Rent	506,252	596,000	(89,748)	-15.06%	Office rent was lower than budgeted due to signing the lease expansion for the RCs at a date later than anticipated.
Office Costs	2,390,858	1,763,338	627,520	35.59%	Costs associated with licenses and maintenance agreements were budgeted to fixed assets, but are more appropriately charged to office costs. Additionally, a review of WECC's fixed assets revealed certain assets that did not fit WECC's definition of fixed assets, therefore they were written off.
Professional Services	166,989	15,000	151,989	1013.26%	Legal fees associated with the negotiation of grant-related contracts were higher than anticipated.
Miscellaneous	450,000	-	450,000		Miscellaneous costs are over budget due to the recognition of a contingent liability associated with WECC's registered function.
Depreciation	1,854,611	-	1,854,611		Depreciation was not budgeted in 2010.
Total Operating Expenses	\$ 10,848,771	\$ 14,997,363	\$ (4,148,592)		
Total Direct Expenses	\$ 20,322,610	\$ 24,633,133	\$ (4,310,523)		
Indirect Expenses	4,319,919	3,833,280	486,639	12.70%	Allocation of indirect costs is based on FTE and expenditures in overhead functions.
Other Non-Operating Expenses	\$ 2,938,196	\$ 2,966,207	\$ (28,011)	-0.94%	
Change in Assets	\$ (3,531,148)	\$ 3,549,694	\$ (7,080,843)		
Fixed Assets					
Depreciation	(1,854,611)		(1,854,611)		Depreciation was not budgeted in 2010.
Computer & Software CapEx	1,206,634	1,893,145	(686,512)	-36.26%	A review of WECC's fixed assets revealed certain assets that did not fit WECC's definition of a fixed asset, therefore they were written off.
Furniture & Fixtures CapEx	(96,488)		(96,488)		
Equipment CapEx	-		-		
Leasehold Improvements	578,106	1,537,667	(959,561)	-62.40%	Costs associated with the build out of the RC were lower than anticipated due to the ramp-up of grant activities. These costs will be incurred in 2011 and will be reimbursed with grant funds.
Change in Fixed Assets	\$ 166,360	\$ (3,430,812)	\$ 3,597,172		
Allocation of Fixed Assets	(397,805)	(118,882)	(278,923)	234.62%	Allocation of assets is based on FTE and expenditures in overhead functions.
Change in Fixed Assets	\$ (231,446)	\$ (3,549,694)	\$ 3,318,248		
TOTAL CHANGE IN ASSETS	\$ (3,762,594)	\$ 0	\$ (3,762,594)		
FTEs	68.0	62.6	5.4		

WESTERN ELECTRICITY COORDINATING COUNCIL
2010 Statement of Activities Summary
Committee and Member Forums

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
ERO Funding					
ERO Assessments			\$ -		
Penalty Sanctions			-		
Total ERO Funding	\$ -	\$ -	\$ -		
Membership Fees & Non-Stat			-		
Grant Funding	2,700	122,400	(119,700)	-97.79%	Grant funding is received as a reimbursement for costs incurred on grant activities. WECC did not incur as many costs for the VGS grant as anticipated. These costs will be incurred in 2011 - 2012.
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
Total Funding	\$ 2,700	\$ 122,400	\$ (119,700)		
Expenses					
Personnel Expenses					
Salaries	832,430	738,970	93,460	12.65%	Salaries are higher than anticipated due to increased FTE resulting from hiring new positions as earlier than anticipated and salary adjustments in existing positions.
Payroll Taxes	50,603	66,507	(15,904)	-23.91%	Payroll taxes were estimated at an amount higher than actual results
Employee Benefits	83,071	84,655	(1,584)	-1.87%	
Savings & Retirement	51,220	51,728	(508)	-0.98%	
Total Personnel Expenses	\$ 1,017,324	\$ 941,861	\$ 75,463		
Meeting Expenses					
Meetings	351,191	380,220	(29,029)	-7.63%	
Travel	194,005	255,900	(61,895)	-24.19%	Travel costs were lower than anticipated due to increased utilization of conference calls and the Salt Lake meeting facilities.
Conference Calls	32,548	30,900	1,648	5.33%	
Total Meeting Expenses	\$ 577,744	\$ 667,020	\$ (89,276)		
Operating Expenses					
Consultants & Contracts	70,276	152,480	(82,204)	-53.91%	Costs associated with consulting on the VGS grant were not incurred due to a slower than anticipated ramp-up of grant activities
Office Rent	-	-	-		
Office Costs	115,805	108,500	7,305	6.73%	
Professional Services	506,107	395,000	111,107	28.13%	Legal costs associated with the Governance and Nominating Committee review of WECC's bylaws were higher than anticipated
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	\$ 692,188	\$ 655,980	\$ 36,208		
Total Direct Expenses	\$ 2,287,256	\$ 2,264,861	\$ 22,395		
Indirect Expenses	(2,284,556)	(2,142,461)	(142,095)		
Other Non-Operating Expenses			\$ -		
Change in Assets	\$ -	\$ 0	\$ (0)		
Fixed Assets					
Depreciation			-		
Computer & Software CapEx	(48,000)	50,000	(98,000)	-196.00%	A review of WECC's fixed assets revealed certain assets that did not fit WECC's definition of a fixed asset, therefore they were written off.
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
Change in Fixed Assets	\$ 48,000	\$ (50,000)	\$ 98,000		
Allocation of Fixed Assets	(48,000)	50,000	(98,000)		
Change in Fixed Assets	\$ -	\$ -	\$ -		
TOTAL CHANGE IN ASSETS	\$ -	\$ 0	\$ (0)		
FTEs	7.5	7.0	0.5		

WESTERN ELECTRICITY COORDINATING COUNCIL
2010 Statement of Activities Summary
General and Administrative

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
ERO Funding					
ERO Assessments	\$ 1,214,395	\$ 1,214,395	\$ -	0.00%	
Penalty Sanctions			-		
Total ERO Funding	\$ 1,214,395	\$ 1,214,395	\$ -		
Membership Fees & Non-Stat			-		
Grant Funding			-		
Services & Software			-		
Workshops			-		
Interest	276,680		276,680	11.68%	Interest income was not budgeted in 2010.
Miscellaneous	12,285	11,000	1,285		In accordance with Generally Accepted Accounting Principles, WECC adjusts its investment account balances to fair market value. These adjustments result in unrealized gains or losses that roll into Miscellaneous funding.
Total Funding	\$ 1,503,360	\$ 1,225,395	\$ 277,965		
Expenses					
Personnel Expenses					
Salaries	1,438,943	1,701,761	(262,818)	-15.44%	Salaries are under budget due to vacancies in budgeted positions.
Payroll Taxes	70,476	118,058	(47,582)	-40.30%	Payroll taxes were estimated at an amount higher than actual results
Employee Benefits	518,145	778,033	(259,888)	-33.40%	Employee benefits fluctuate with salaries
Savings & Retirement	106,179	113,003	(6,824)	-6.04%	Retirement costs fluctuate with salaries.
Total Personnel Expenses	\$ 2,133,743	\$ 2,710,856	\$ (577,113)		
Meeting Expenses					
Meetings	14,085	15,000	(915)	-6.10%	
Travel	152,904	313,100	(160,196)	-51.16%	Travel among WECC's three locations and executive travel to regional and national meeting was lower than anticipated.
Conference Calls	6,179	6,000	179	2.98%	
Total Meeting Expenses	\$ 173,168	\$ 334,100	\$ (160,932)		
Operating Expenses					
Consultants & Contracts	49,425	32,000	17,425	54.45%	Consulting is higher than budgeted due to WECC's annual Measures of Success Survey which was not budgeted in 2010
Office Rent	993,498	985,000	8,498	0.86%	
Office Costs	31,826	269,675	(237,849)	-88.20%	Office costs were lower than budgeted due to more efficient use of express shipping and other office services. Additionally, a review of WECC's fixed assets revealed certain assets that did not fit WECC's definition of fixed assets, therefore they were written off.
Professional Services	471,727	172,780	298,947	173.02%	Professional Services are higher than budgeted due to the purchase of an E&O insurance policy that was not budgeted.
Miscellaneous	-	-	-		
Depreciation	653,672	-	653,672		Depreciation was not budgeted in 2010
Total Operating Expenses	\$ 2,200,148	\$ 1,459,455	\$ 740,693		
Total Direct Expenses	\$ 4,507,059	\$ 4,504,411	\$ 2,648		
Indirect Expenses	(4,218,094)	(4,493,411)	275,317		Allocation of indirect costs is based on FTE in the functional activities.
Other Non-Operating Expenses			-		
Change in Assets	\$ 1,214,395	\$ 1,214,395	\$ (0)		
Fixed Assets					
Depreciation	(653,672)		(653,672)		Depreciation was not budgeted in 2010
Computer & Software CapEx	-		-		
Furniture & Fixtures CapEx	376,834		376,834		Costs associated with the move to the new Salt Lake office facility that were not budgeted.
Equipment CapEx	-		-		
Leasehold Improvements	1,078,554		1,078,554		Leasehold improvements for the Salt Lake office facility were not budgeted.
Change in Fixed Assets	\$ (801,716)	\$ -	\$ (801,716)		
Allocation of Fixed Assets	801,716		801,716		Allocation of fixed assets is based on FTE in the functional activities
Change in Fixed Assets	\$ -	\$ -	\$ -		
TOTAL CHANGE IN ASSETS	\$ 1,214,395	\$ 1,214,395	\$ (0)		
FTEs	13.3	15.0	(1.7)		

WESTERN ELECTRICITY COORDINATING COUNCIL
2010 Statement of Activities Summary
Legal and Regulatory

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments			\$ -		
Penalty Sanctions			-		
Total ERO Funding	\$ -	\$ -	\$ -		
Membership Fees & Non-Stat			-		
Grant Funding			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
Total Funding	\$ -	\$ -	\$ -		
Expenses					
Personnel Expenses					
Salaries	776,090	858,707	(82,617)	-9.62%	Salaries are lower than budgeted due to vacancies and positions being filled as levels lower than anticipated.
Payroll Taxes	56,070	77,284	(21,214)	-27.45%	Payroll taxes were estimated at an amount higher than actual results
Employee Benefits	63,365	100,640	(37,275)	-37.04%	Employee benefits fluctuate with salaries
Savings & Retirement	41,958	60,109	(18,151)	-30.20%	Retirement costs fluctuate with salaries
Total Personnel Expenses	\$ 937,483	\$ 1,096,740	\$ (159,257)		
Meeting Expenses					
Meetings	-	8,000	(8,000)	-100.00%	Meeting costs were not incurred.
Travel	61,422	86,000	(24,578)	-28.58%	Travel is lower than anticipated due to less travel between WECC locations.
Conference Calls	1,049	10,000	(8,951)	-89.51%	Conference call costs were less than anticipated.
Total Meeting Expenses	\$ 62,471	\$ 104,000	\$ (41,529)		
Operating Expenses					
Consultants & Contracts	168	-	168		
Office Rent	262	-	262		
Office Costs	43,030	89,920	(46,890)	-52.15%	License fees and membership dues were lower than anticipated.
Professional Services	133,341	275,000	(141,659)	-51.51%	Higher utilization of in-house legal counsel has resulted in professional costs being under budget.
Miscellaneous	1,000	-	1,000		
Depreciation	-	-	-		
Total Operating Expenses	\$ 177,801	\$ 364,920	\$ (187,119)	-51.28%	
Total Direct Expenses	\$ 1,177,755	\$ 1,565,660	\$ (387,905)	-24.78%	
Indirect Expenses	(1,177,755)	(1,565,660)	387,905	-24.78%	Indirect costs are allocated based on FTE in functional activities.
Other Non-Operating Expenses			\$ -		
Change in Assets	\$ -	\$ -	\$ -		
Fixed Assets					
Depreciation			-		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
Change in Fixed Assets	\$ -	\$ -	\$ -		
Allocation of Fixed Assets			-		
Change in Fixed Assets	\$ -	\$ -	\$ -		
TOTAL CHANGE IN ASSETS	\$ -	\$ -	\$ -		
FTEs	8.0	8.0	-		

WESTERN ELECTRICITY COORDINATING COUNCIL
2010 Statement of Activities Summary
Information Technology

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
ERO Funding					
ERO Assessments			\$ -		
Penalty Sanctions			-		
Total ERO Funding	\$ -	\$ -	\$ -		
Membership Fees & Non-Stat			-		
Grant Funding			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
Total Funding	\$ -	\$ -	\$ -		
Expenses					
Personnel Expenses					
Salaries	288,633	323,439	(34,806)	-10.76%	Salaries are under budget due to vacancies in budgeted positions.
Payroll Taxes	22,079	29,110	(7,031)	-24.15%	Payroll taxes were estimated at an amount higher than actual results
Employee Benefits	51,307	36,242	15,065	41.57%	Increased training needs has resulting in higher than anticipated costs.
Savings & Retirement	15,624	22,641	(7,017)	-30.99%	Retirement costs fluctuate with salaries.
Total Personnel Expenses	\$ 377,643	\$ 411,432	\$ (33,789)		
Meeting Expenses					
Meetings	465	-	465		
Travel	4,437	-	4,437		Meeting and travel costs were not budgeted.
Conference Calls	4,389	-	4,389		Conference call costs were not budgeted.
Total Meeting Expenses	\$ 9,291	\$ -	\$ 9,291		
Operating Expenses					
Consultants & Contracts	24,599	30,000	(5,401)	-18.00%	In-house computer expertise was utilized at a higher rate than anticipated.
Office Rent	-	-	-		
Office Costs	840,864	504,800	336,064	66.57%	Software licensing costs and small equipment purchases were higher than anticipated.
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	111,305	-	111,305		Depreciation was not budgeted in 2010.
Total Operating Expenses	\$ 976,768	\$ 534,800	\$ 441,968		
Total Direct Expenses	\$ 1,363,702	\$ 946,232	\$ 417,470		
Indirect Expenses	(1,363,702)	(946,232)	(417,470)	44.12%	Allocation of indirect costs is based on FTE in the functional activities.
Other Non-Operating Expenses			\$ -		
Change in Assets	\$ -	\$ -	\$ -		
Fixed Assets					
Depreciation	(111,305)		(111,305)		Depreciation was not budgeted in 2010.
Computer & Software CapEx	138,541	220,000	(81,460)	-37.03%	A review of WECC's fixed assets revealed certain assets that did not fit WECC's definition of a fixed asset, therefore they were written off.
Furniture & Fixtures CapEx	-		-		
Equipment CapEx	-		-		
Leasehold Improvements	18,000		18,000		
Change in Fixed Assets	\$ (45,236)	\$ (220,000)	\$ 174,765		
Allocation of Fixed Assets	45,236	220,000	(174,765)	-79.44%	Fixed assets are allocated based on FTE.
Change in Fixed Assets	\$ -	\$ -	\$ -		
TOTAL CHANGE IN ASSETS	\$ -	\$ -	\$ -		
FTEs	3.0	3.7	(0.7)		

WESTERN ELECTRICITY COORDINATING COUNCIL
2010 Statement of Activities Summary
Human Resources

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments			\$ -		
Penalty Sanctions			-		
Total ERO Funding	\$ -	\$ -	\$ -		
Membership Fees & Non-Stat			-		
Grant Funding			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
Total Funding	\$ -	\$ -	\$ -		
Expenses					
Personnel Expenses					
Salaries	278,088	295,883	(17,795)	-6.01%	
Payroll Taxes	20,033	26,629	(6,596)	-24.77%	Payroll taxes were estimated at an amount higher than actual results
Employee Benefits	120,586	36,866	83,720	227.09%	WECC implemented a tuition reimbursement program that was not budgeted. Also, other training sessions were provided and were not budgeted.
Savings & Retirement	24,149	20,712	3,437	16.59%	Retirement plan administration fees were higher than anticipated.
Total Personnel Expenses	\$ 442,856	\$ 380,090	\$ 62,766		
Meeting Expenses					
Meetings	712		712		
Travel	15,067	8,000	7,067	88.34%	Travel for new employee orientation was higher than anticipated.
Conference Calls	343		343		
Total Meeting Expenses	\$ 16,122	\$ 8,000	\$ 8,122		
Operating Expenses					
Consultants & Contracts	18,000	10,000	8,000	80.00%	WECC's compensation survey costs were higher than anticipated.
Office Rent	-	-	-		
Office Costs	54,322	75,730	(21,408)	-28.27%	Costs associated with dues and memberships were lower than anticipated.
Professional Services	11,568	-	11,568		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	\$ 83,890	\$ 85,730	\$ (1,840)		
Total Direct Expenses	\$ 542,868	\$ 473,820	\$ 69,048		
Indirect Expenses	(542,868)	(473,820)	(69,048)	14.57%	Indirect costs are allocated based on FTE.
Other Non-Operating Expenses			-		
Change in Assets	\$ -	\$ -	\$ -		
Fixed Assets					
Depreciation			-		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx			-		
Equipment CapEx			-		
Leasehold Improvements			-		
Change in Fixed Assets	\$ -	\$ -	\$ -		
Allocation of Fixed Assets			-		
Change in Fixed Assets	\$ -	\$ -	\$ -		
TOTAL CHANGE IN ASSETS	\$ -	\$ -	\$ -		
FTEs	3.0	3.0	-		

WESTERN ELECTRICITY COORDINATING COUNCIL
2010 Statement of Activities Summary
Accounting and Finance

(In Whole Dollars)

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2010 Variance</u>		<u>Comments - Explain variances that are +/- 10%</u>
Funding					
ERO Funding					
ERO Assessments			\$ -		
Penalty Sanctions			-		
Total ERO Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Membership Fees & Non-Stat			-		
Grant Funding			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Expenses					
Personnel Expenses					
Salaries	286,530	263,735	22,795	8.64%	
Payroll Taxes	21,275	23,736	(2,461)	-10.37%	Payroll taxes were estimated at an amount higher than actual results
Employee Benefits	35,841	33,406	2,435	7.29%	
Savings & Retirement	17,686	18,461	(775)	-4.20%	Retirement costs are under budget due to lower than anticipated employee participation in the 401(k)
Total Personnel Expenses	<u>\$ 361,332</u>	<u>\$ 339,339</u>	<u>\$ 21,993</u>		
Meeting Expenses					
Meetings	-	-	-		
Travel	6,517	2,500	4,017	160.68%	Increased travel among WECC locations resulted in higher travel costs.
Conference Calls	604	-	604		
Total Meeting Expenses	<u>\$ 7,121</u>	<u>\$ 2,500</u>	<u>\$ 4,621</u>		
Operating Expenses					
Consultants & Contracts	28,925	-	28,925		Consulting services related to Washington State income tax research were not budgeted.
Office Rent	-	-	-		
Office Costs	50,911	7,020	43,891	625.23%	Costs associated with payroll services, software licenses were higher than anticipated. Also, new equipment was purchased to track fixed assets.
Professional Services	9,447	26,500	(17,053)	-64.35%	Costs associated with WECC's 2010 annual audit were paid in 2011.
Miscellaneous	-	-	-		
Depreciation	1,820	-	1,820		
Total Operating Expenses	<u>\$ 91,103</u>	<u>\$ 33,520</u>	<u>\$ 57,583</u>		
Total Direct Expenses	<u>\$ 459,556</u>	<u>\$ 375,359</u>	<u>\$ 84,197</u>		
Indirect Expenses	<u>(459,556)</u>	<u>(375,359)</u>	<u>(84,197)</u>	22.43%	Indirect costs are allocated to functional activities based on FTE.
Other Non-Operating Expenses			\$ -		
Change in Assets	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ (0)</u>		
Fixed Assets					
Depreciation	(1,820)	-	(1,820)		
Computer & Software CapEx	13,104	-	13,104		Purchase of a fixed asset tracking system was not budgeted.
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	<u>\$ (11,284)</u>	<u>\$ -</u>	<u>\$ (11,284)</u>		
Allocation of Fixed Assets	11,284	-	11,284		
Change in Fixed Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
TOTAL CHANGE IN ASSETS	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ (0)</u>		
FTEs	4.0	3.0	1.0		

WESTERN ELECTRICITY COORDINATING COUNCIL
2010 Statement of Activities Summary
Non-Statutory

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding			
ERO Assessments			\$ -
Penalty Sanctions			-
Total ERO Funding	\$ -	\$ -	\$ -
Membership Fees & Non-Stat	1,035,810	1,087,943	(52,133)
Grant Funding	-	-	-
Services & Software	4,605	-	4,605
Workshops	-	8,800	(8,800)
Interest	-	-	-
Miscellaneous	160	-	160
Total Funding	\$ 1,040,575	\$ 1,096,743	\$ (56,328)
Expenses			
Personnel Expenses			
Salaries	238,315	350,047	(111,732)
Payroll Taxes	17,698	31,504	(13,806)
Employee Benefits	26,749	50,882	(24,133)
Savings & Retirement	14,736	24,503	(9,767)
Total Personnel Expenses	\$ 297,498	\$ 456,936	\$ (159,438)
Meeting Expenses			
Meetings	3,491	19,943	(16,452)
Travel	10,784	34,872	(24,088)
Conference Calls	-	500	(500)
Total Meeting Expenses	\$ 14,275	\$ 55,315	\$ (41,040)
Operating Expenses			
Consultants & Contracts	7,768	87,041	(79,273)
Office Rent	-	-	-
Office Costs	161,181	70,259	90,922
Professional Services	31,280	63,017	(31,737)
Miscellaneous	1,081	-	1,081
Depreciation	-	-	-
Total Operating Expenses	\$ 201,310	\$ 220,317	\$ (19,007)
Total Direct Expenses	\$ 513,083	\$ 732,568	\$ (219,485)
Indirect Expenses	307,469	364,175	(56,706)
Other Non-Operating Expenses			\$ -
Change in Assets	\$ 220,023	\$ -	\$ 219,863
Fixed Assets			
Depreciation			-
Computer & Software CapEx			-
Furniture & Fixtures CapEx			-
Equipment CapEx			-
Leasehold Improvements			-
Change in Fixed Assets	\$ -	\$ -	\$ -
Allocation of Fixed Assets			
Change in Fixed Assets	\$ -	\$ -	\$ -
TOTAL CHANGE IN ASSETS	\$ 220,023	\$ -	\$ 219,863
FTEs	4.0	5.0	(1.0)



**Western Electricity Coordinating Council
Financial Statements and Single Audit Reports
As of December 31, 2010 and 2009 and For the Years Then Ended
Together with Independent Auditors' Report**



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TANNER
BUSINESS ADVISORS AND CERTIFIED
PUBLIC ACCOUNTANTS

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, 2010 and 2009, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 27, 2011, on our consideration of WECC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements of WECC taken as a whole. The accompanying Schedule of Expenditures of Federal Awards of WECC for the year ended December 31, 2010 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Tanner LLC

April 27, 2011



WESTERN ELECTRICITY COORDINATING COUNCIL
Statements of Financial Position
(in thousands)

As of December 31

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 38,936	\$ 34,868
Restricted cash and cash equivalents	-	2,500
Investments	4,220	2,418
Accounts receivable, net of allowance for doubtful accounts of \$37 and \$38, respectively	3,585	668
Prepaid expenses and other assets	373	110
Property, equipment, and software, net	<u>6,520</u>	<u>6,839</u>
Total assets	<u>\$ 53,634</u>	<u>\$ 47,403</u>
<u>Liabilities and Net Assets</u>		
Line of credit	\$ -	\$ 2,926
Accounts payable	6,592	4,485
Accrued liabilities	2,575	1,535
Deferred revenue	23,967	24,420
Other liabilities	<u>2,709</u>	<u>231</u>
Total liabilities	<u>35,843</u>	<u>33,597</u>
Commitments and contingencies		
Unrestricted net assets	<u>17,791</u>	<u>13,806</u>
Total liabilities and net assets	<u>\$ 53,634</u>	<u>\$ 47,403</u>



WESTERN ELECTRICITY COORDINATING COUNCIL

Statements of Activities (in thousands)

For the Years Ended December 31

	<u>2010</u>	<u>2009</u>
Change in unrestricted net assets:		
Revenues and other income:		
Assessments	\$ 39,132	\$ 37,088
Meetings and workshops	919	832
Western Renewable Energy Generation Information System (WREGIS)	1,036	765
Federal grants	6,268	417
Interest	277	382
Other	12	7
	<u>47,644</u>	<u>39,491</u>
Total unrestricted revenues and other income		
Expenses:		
Labor	22,591	19,140
Office and equipment	5,823	3,589
Depreciation and amortization	2,771	2,835
Contract labor and consultants	7,967	2,672
Meetings	2,467	2,504
Professional services	1,398	1,613
Excise taxes	(133)	140
Interest	12	86
Other expenses	763	-
	<u>43,659</u>	<u>32,579</u>
Total expenses		
Increase in unrestricted net assets	3,985	6,912
Unrestricted net assets, beginning of year	<u>13,806</u>	<u>6,894</u>
Unrestricted net assets, end of year	<u>\$ 17,791</u>	<u>\$ 13,806</u>



WESTERN ELECTRICITY COORDINATING COUNCIL
Statements of Cash Flows
(in thousands)

For the Years Ended December 31

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in net assets	\$ 3,985	\$ 6,912
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,771	2,835
Loss on disposals of fixed assets	333	-
Decrease (increase) in assets:		
Accounts receivable	(2,917)	(186)
Prepaid expenses and other assets	(263)	413
Increase (decrease) in liabilities:		
Accounts payable	2,107	1,529
Accrued liabilities	1,040	193
Deferred revenue	(453)	10,504
Other liabilities	2,478	150
Net cash provided by operating activities	<u>9,081</u>	<u>22,350</u>
Cash flows from investing activities:		
Net change in investments	(1,802)	(1,106)
Purchase of property, equipment, and software	(2,785)	(2,061)
Change in restricted cash and cash equivalents	2,500	-
Net cash used in investing activities	<u>(2,087)</u>	<u>(3,167)</u>
Cash flows from financing activities:		
Net payments on line of credit	<u>(2,926)</u>	<u>(2,926)</u>
Net increase in cash and cash equivalents	4,068	16,257
Cash and cash equivalents at beginning of year	<u>34,868</u>	<u>18,611</u>
Cash and cash equivalents at end of year	<u>\$ 38,936</u>	<u>\$ 34,868</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 17	\$ 86



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 its revenue comes from assessments collected from member organizations. As such, 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, 2010 and 2009, 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. As of December 31, 2010, WECC had \$43.1 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.

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.



1. Summary of Significant Accounting Policies
Continued

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 the 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, for which it records the cash collected as deferred revenue and then recognizes the revenue during the related assessment period. Federal grant revenue is generated through performance of services in accordance with federal award agreements 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.

Subsequent Events

WECC has evaluated events occurring between the end of its most recent fiscal year and the date of the independent auditors' report, which is 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, 2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Cash	\$ 12,921	\$ -	\$ -	\$ 12,921
Money market funds	17,496	-	-	17,496
Corporate bonds	-	6,668	-	6,668
Government bonds	-	1,755	-	1,755
Certificates of deposit	-	96	-	96
	<u>\$ 30,417</u>	<u>\$ 8,519</u>	<u>\$ -</u>	<u>\$ 38,936</u>
Investments:				
Certificates of deposit	\$ -	\$ 1,203	\$ -	\$ 1,203
Government asset-backed securities	-	1,572	-	1,572
Corporate bonds	-	1,343	-	1,343
Foreign bonds	-	102	-	102
	<u>\$ -</u>	<u>\$ 4,220</u>	<u>\$ -</u>	<u>\$ 4,220</u>



WESTERN ELECTRICITY COORDINATING COUNCIL
Notes to Financial Statements
Continued

2. Fair Value Measurements
Continued

Description	Fair Value Measurements as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Cash	\$ 1,275	\$ -	\$ -	\$ 1,275
Money market funds	29,338	-	-	29,338
Corporate bonds	-	6,439	-	6,439
Certificates of deposit	-	276	-	276
Mutual funds	40	-	-	40
	<u>\$ 30,653</u>	<u>\$ 6,715</u>	<u>\$ -</u>	<u>\$ 37,368</u>
Investments:				
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>

3. Investments Investments are stated at fair value and consist of the following (in thousands):

	As of December 31, 2010		
	Cost	Market Value	Unrealized gain (loss)
Certificates of deposit	\$ 1,204	\$ 1,203	\$ (1)
Government asset-backed securities	1,568	1,572	4
Corporate bonds	1,342	1,343	1
Foreign bonds	101	102	1
	<u>\$ 4,215</u>	<u>\$ 4,220</u>	<u>\$ 5</u>
	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>



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>2010</u>	<u>2009</u>
Equipment	\$ 5,738	\$ 5,811
Software	4,234	4,566
Leasehold improvements	3,464	1,863
Furniture and fixtures	<u>682</u>	<u>370</u>
	14,118	12,610
Less accumulated depreciation and amortization	<u>(7,598)</u>	<u>(5,771)</u>
	<u>\$ 6,520</u>	<u>\$ 6,839</u>
Depreciation Expense	<u>\$ 2,771</u>	<u>2,835</u>

All equipment purchased with grant funds are secured by a lien on said equipment.

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, the outstanding balance on the line of credit was approximately \$2.9 million. The line of credit bore interest at an annual rate equal to the prime rate less 0.75%. The line of credit matured March 1, 2010 and the balance was paid off at that time (\$0 balance as of December 31, 2010). 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, 2010 and 2009 were \$0 and \$2.5 million, respectively.

6. Accounts Payable

Accounts payable consist of the following as of December 31 (in thousands):

	<u>2010</u>	<u>2009</u>
Assessment payables	\$ 4,367	\$ 3,466
Trade payables	<u>2,225</u>	<u>1,019</u>
	<u>\$ 6,592</u>	<u>\$ 4,485</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>2010</u>	<u>2009</u>
Non-statutory earnings	\$ 6,392	\$ 6,114
Statutory earnings	<u>11,399</u>	<u>7,692</u>
	<u>\$ 17,791</u>	<u>\$ 13,806</u>

**8. Commitments
and
Contingencies**

Operating Lease Commitments

WECC has entered into non-cancelable operating leases for office space and office equipment. 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>
2011	\$ 1,599
2012	1,653
2013	1,610
2014	1,443
2015	1,279
Thereafter	<u>5,755</u>
	<u>\$ 13,339</u>

Total rent expense under non-cancelable operating leases was approximately \$1.5 million and \$0.9 million for the years ended December 31, 2010 and 2009, respectively.

Litigation and Claims

The Company is subject to claims and legal proceedings that arise in the ordinary course of its business activities. WECC records a liability when management believes that it is both probable that a liability has been incurred and the loss can be reasonably estimated. WECC has accrued an expense of \$450 thousand for a contingency that meets that criteria, which is included in accrued expenses in the statement of financial position and other expenses in the statement of activity as of and for the year ended December 31, 2010.



8. Commitments and Contingencies
Continued

Washington State Excise Tax

In 2009, WECC was notified by the state of Washington that WECC was subject to excise taxes on revenue generated in Washington, for which WECC accrued an amount equal to \$140 thousand as of December 31, 2009. However, in 2010 WECC determined that it is not probable that it will owe the excise tax, and the \$140 thousand accrual was reversed.

Other Operating Commitments

WECC has entered into non-cancelable operating agreement for certain services and support relating to WECC's operations. Future minimum payments under non-cancelable operating agreements with terms of one year or more are as follows (in thousands):

<u>Years Ending December 31:</u>	<u>Amount</u>
2011	\$ 310
2012	310
2013	<u>258</u>
	<u>\$ 878</u>

9. Retirement Plans

Employee Benefit Plan

WECC has a 401(k) Retirement Savings Plan for 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 \$1.2 million and \$1.0 million for the years ended December 31, 2010 and 2009, respectively.



WESTERN ELECTRICITY COORDINATING COUNCIL
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

Federal Grantor / Program Title (Project Title)	Contract Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Energy:</u>			
ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis (Western Interconnection Synchrophaser Program)	DE-OE0000364	81.122	\$ 6,330,217
ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis (Resource Assessment and Interconnection-Level Transmission Analysis and Planning)	DE-OE0000423	81.122	<u>1,425,157</u>
Total 81.122			7,755,374
Renewable Energy Research and Development (Balancing Authority Cooperation Concepts to Reduce Variable Generation Integration Costs in the Western Interconnection)	DE-EE0001376	81.087	<u>2,700</u>
Total			<u>\$ 7,758,074</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Western Electricity Coordinating Council (WECC) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note 2 - Subrecipients

Of the federal expenditures presented in the schedule, WECC provided federal awards to a subrecipient as follows:

Federal CFDA Number	Program Title	Amount Provided to Subrecipient
81.122	ARRA- Electricity Delivery and Energy Reliability, Research, Development and Analysis	\$ 15,871



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Members of the Board of Directors
Western Electricity Coordinating Council**

We have audited the financial statements of Western Electricity Coordinating Council (WECC) as of and for the year ended December 31, 2010, and have issued our report thereon dated April 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WECC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WECC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WECC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 10-1 and 10-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WECC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within WECC, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Tanner LLC

April 27, 2011



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Members of the Board of Directors
Western Electricity Coordinating Council**

Compliance

We have audited the compliance of Western Electricity Coordinating Council (WECC) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010. WECC's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of WECC's management. Our responsibility is to express an opinion on WECC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. The compliance audit includes examining, on a test basis, evidence about WECC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of WECC's compliance with those requirements.

In our opinion, WECC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of WECC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing the compliance audit, we considered WECC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program

in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of WECC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs numbered 10-1 to be a significant deficiency in internal control over compliance. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

WECC's responses to the finding identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit WECC's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board of Directors, management, others within WECC, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Tanner LLC

April 27, 2011



WESTERN ELECTRICITY COORDINATING COUNCIL
Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2010

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified.

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none

Type of auditors' report issued on compliance for major programs: Unqualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Number Name of Federal Program or Cluster

81.122 ARRA – Electricity Delivery and Energy Reliability,
Research, Development and Analysis

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no



Section II – Financial Statement Findings

Finding No. 10-1 – Unrecorded Liabilities

Criteria:

All expenses incurred in the reporting period and contingent losses where the loss is both probably and estimable should be recognized in the financial statements for that reporting period.

Condition:

Certain expenses and a contingent loss were not originally recorded.

Effect:

Expenses and accrued liabilities were understated.

Recommendation:

We recommend that a review of all accrued liabilities, including contingent liabilities, be performed on a periodic basis to ensure the completeness of expenses and accrued liabilities.

Management's Response:

Western Electricity Coordinating Council (WECC) agrees that the contingent losses were not recognized on the financial statements in the proper reporting period. WECC will perform periodic reviews of potential contingent losses and other liabilities to ensure the accurate recording of expenses and accrued liabilities.

Finding No. 10-2 – Prepaid Expenses

Criteria:

Cash disbursements for assets which have economic value beyond the reporting period should be capitalized as prepaid assets and recognized over the useful life or contractual period.

Condition:

Certain disbursements were incorrectly recorded as expenses instead of prepaid expenses.

Effect:

This resulted in an overstatement of expenses and an understatement of assets.

Recommendation:

We recommend all purchases be evaluated for proper classification as an expense or asset.

Management's Response:

WECC agrees that certain disbursements were incorrectly recorded as expenses instead of prepaid expenses in 2010. WECC will more diligently evaluate its expenses to identify those transactions that should be recorded as prepaid expenses.



Section III - Federal Award Findings and Questioned Costs

Finding No. 10-1 – Procurement Policy Deviation (related to CFDA number 81.122)

Criteria:

WECC has established a procurement policy. The purpose of establishing a procurement policy is that procurement procedures are performed in a consistent manner that complies with applicable regulations and standards.

Condition:

During the audit we noted one instance in which an executed contract did not include a monetary cap on allowable hours or services that could be performed. This appeared to result primarily from the lack of appropriate review of contracts prior to their execution.

Effect:

When this situation exists, the contractor may incur expenditures and provide services in excess of budget and project restraints.

Recommendation:

We recommend that all new contracts be reviewed to ensure that they are in accordance with WECC's procurement policies prior to their execution.

Management's Response:

Western Electricity Coordinating Council agrees that the contract in question does not have a cap as to allowable hours or services that could be performed. In response to the observation, it should be noted that the contract was entered into in March 2010 and the referenced policies were adopted and distributed in June 2010. Further, as contracts are renewed, they are brought current with the existing policies that are currently in place.

ATTACHMENT 5

**METRICS CONCERNING ADMINISTRATIVE COSTS IN
2010 NERC AND REGIONAL ENTITY
BUDGETS AND ACTUAL COSTS**

Analysis of Administrative (Indirect) Costs
2010 Actual and Budget

2010 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	\$ 37,025,071	\$ 25,310,117	\$ 11,714,954	31.64%	\$ 2.16
FRCC	4,580,036	3,843,429	736,607	16.08%	5.22
MRO	6,958,727	4,435,756	2,522,971	36.26%	1.76
NPCC	9,633,443	7,970,601	1,662,842	17.26%	4.79
RFC	11,871,573	8,213,698	3,657,875	30.81%	2.25
SERC	9,939,373	6,378,607	3,560,766	35.82%	1.79
SPP	6,843,894	3,233,714	3,610,180	52.75%	0.90
Texas RE	9,151,291	4,139,205	5,012,086	54.77%	0.83
WECC	46,248,940	35,407,977	10,840,963	23.44%	3.27
TOTAL	\$ 142,252,348	\$ 98,933,104	\$ 43,319,244	30.45%	\$ 2.28

2010 BUDGET 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	\$ 40,088,365	\$ 27,191,767	\$ 12,896,597	32.17%	\$ 2.11
FRCC	\$ 5,421,187	\$ 4,641,724	\$ 779,463	14.38%	5.96
MRO	\$ 7,366,118	\$ 4,756,141	\$ 2,609,977	35.43%	1.82
NPCC	\$ 11,495,703	\$ 9,217,101	\$ 2,278,602	19.82%	4.05
RFC	\$ 14,184,713	\$ 10,046,753	\$ 4,137,960	29.17%	2.43
SERC	\$ 10,511,509	\$ 7,126,809	\$ 3,384,700	32.20%	2.11
SPP	\$ 8,138,783	\$ 4,305,423	\$ 3,833,360	47.10%	1.12
Texas RE	\$ 9,216,395	\$ 4,998,898	\$ 4,217,497	45.76%	1.19
WECC	\$ 59,220,284	\$ 49,184,118	\$ 10,036,166	16.95%	4.90
TOTAL	\$ 165,643,057	\$ 121,468,734	\$ 44,174,322	26.67%	\$ 2.75

2010 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	120.50	89.50	31.00	25.73%	2.89
FRCC	19.97	15.84	4.13	20.68%	3.84
MRO	30.42	23.52	6.90	22.68%	3.41
NPCC	27.41	21.00	6.41	23.39%	3.28
RFC	52.18	41.91	10.27	19.68%	4.08
SERC	47.50	34.90	12.60	26.53%	2.77
SPP	21.49	18.49	3.00	13.96%	6.16
Texas RE	39.50	28.47	11.03	27.92%	2.58
WECC	177.30	138.50	38.80	21.88%	3.57
TOTAL	536.27	412.13	124.14	23.15%	3.32

2010 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	131.50	95.75	35.75	27.19%	2.68
FRCC	22.59	18.62	3.97	17.57%	4.69
MRO	29.00	22.60	6.40	22.07%	3.53
NPCC	27.41	21.00	6.41	23.39%	3.28
RFC	58.00	47.50	10.50	18.10%	4.52
SERC	45.50	33.90	11.60	25.49%	2.92
SPP	24.25	20.25	4.00	16.49%	5.06
Texas RE	39.50	30.24	9.26	23.44%	3.27
WECC	181.90	142.20	39.70	21.83%	3.58
TOTAL	559.65	432.06	127.59	22.80%	3.39

2010 ACTUAL SPEND per FTE

	Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Spend per Total FTE
NERC	\$ 307,262	\$ 282,795	\$ 377,902	\$ 97,220
FRCC	229,346	242,641	178,355	36,886
MRO	228,755	188,595	365,648	82,938
NPCC	351,457	379,552	259,414	60,666
RFC	227,519	195,976	356,287	70,103
SERC	209,250	182,768	282,600	74,963
SPP	318,469	174,890	1,203,393	167,993
Texas RE	231,678	145,388	454,405	126,888
WECC	260,851	255,653	279,406	61,145
TOTAL	\$ 265,263	\$ 240,052	\$ 348,964	\$ 80,779

2010 BUDGETED SPEND per FTE

	Total Statutory	Total Statutory Direct	Total Statutory Indirect	Statutory Indirect Spend per Total FTE
NERC	\$ 304,854	\$ 283,987	\$ 360,744	\$ 98,073
FRCC	239,982	249,287	196,338	34,505
MRO	254,004	210,449	407,809	89,999
NPCC	419,398	438,910	355,476	83,130
RFC	244,564	211,511	394,091	71,344
SERC	231,022	210,230	291,784	74,389
SPP	335,620	212,613	958,340	158,077
Texas RE	233,326	165,307	455,453	106,772
WECC	325,565	345,880	252,800	55,174
TOTAL	\$ 295,976	\$ 281,139	\$ 346,221	\$ 78,932

The accompanying narrative in this filing is essential to understanding the financial information on this schedule