



September 17, 2008

VIA OVERNIGHT MAIL

Veronique Dubois
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Tour de la Bourse
800, Place Victoria
Bureau 255
Montréal, Québec H4Z 1A2

Re: *North American Electric Reliability Corporation*

Dear Ms. Dubois:

The North American Electric Reliability Corporation ("NERC") hereby submits Notice of Filing of the North American Electric Reliability Corporation of its 2009 Business Plan and Budget and the 2009 Business Plans and Budgets of Regional Entities and Proposed Assessments to Fund Budgets. In addition to the paper copy of this filing, NERC is also submitting one CD containing a copy of the filing. NERC requests, to the extent necessary, a waiver of any applicable filing requirements with respect to the filing of this notice.

Please contact the undersigned if you have any questions.

Respectfully submitted,

/s/ Rick Sergel

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Enclosure

**BEFORE THE
RÉGIE DE L'ÉNERGIE
THE PROVINCE OF QUÉBEC**

**NORTH AMERICAN ELECTRIC)
RELIABILITY CORPORATION)**

**NOTICE OF FILING OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
OF ITS 2009 BUSINESS PLAN AND BUDGET AND
THE 2009 BUSINESS PLANS AND BUDGETS OF REGIONAL ENTITIES
AND PROPOSED ASSESSMENTS TO FUND BUDGETS**

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ATTACHMENTS

Attachment 1: Summary tables showing NERC’s proposed 2009 budget and funding requirement by program; the proposed 2009 budget for statutory activities of each Regional Entity; the 2009 funding requirement for Section 215(j) activities requested by WIRAB; and the aggregate 2009 U.S. ERO funding requirement of NERC, the Regional Entities and WIRAB for which approval is requested.

Attachment 2: NERC’s proposed Business Plan and Budget for 2009

Attachment 3: Florida Reliability Coordinating Council proposed Business Plan and Budget for 2009

Attachment 4: Midwest Reliability Organization proposed Business Plan and Budget for 2009

Attachment 5: Northeast Power Coordinating Council, Inc. proposed Business Plan and Budget for 2009

Attachment 6: Reliability*First* Corporation proposed Business Plan and Budget for 2009

Attachment 7: SERC Reliability Corporation proposed Business Plan and Budget for 2009

Attachment 8: Southwest Power Pool Regional Entity proposed Business Plan and Budget for 2009

Attachment 9: Texas Regional Entity proposed Business Plan and Budget for 2009

Attachment 10: Western Electricity Coordinating Council proposed Business Plan and Budget for 2009

Attachment 11: Western Interconnection Regional Advisory Body proposed Business Plan and Budget for 2009

Attachment 12: Discussion of Comments Received During Development of NERC's 2009 Business Plan and Budget.

Attachment 13: A status report on the achievement of NERC's 2008 goals and objectives, by program.

Attachment 14: Table of Metrics Comparing Regional Entity Operations.

Attachment 15: Analysis of Indirect Expenses as Percentage of Total Statutory Budgeted Expenses, Direct Program Costs per FTE, and Compliance Program Costs per Registered Entity in the NERC and Regional Entity 2009 Budgets.

Attachment 16: NERC's Expanded Policy on Allocation of Certain Compliance and Enforcement Costs; Proposed Adjustment to the IESO 2009 NERC Assessment; and Proposed Adjustment to the Québec 2009 NERC Assessment.

Attachment 17: Changes from the NERC and Regional Entity Budget versus Actual Reconciliations for 2007 filed April 1, 2008, based on the NERC and Regional Entity Audited Financial Statements for 2007

Attachment 18: NERC and Regional Entity Audited Financial Statements for 2007.

Attachment 19: Midwest Reliability Organization revised records retention policy.

Attachment 20: Northeast Power Coordinating Council, Inc. revised records retention policy.

I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”) submits:

- (1) NERC’s proposed Business Plan and Budget as the electric reliability organization (“ERO”), for the year ending December 31, 2009;
- (2) the proposed Business Plans and Budgets for the year ending December 31, 2009, for the eight Regional Entities:
 - Florida Reliability Coordinating Council (“FRCC”),
 - Midwest Reliability Organization (“MRO”),
 - Northeast Power Coordinating Council, Inc. (“NPCC”),
 - Reliability*First* Corporation (“Reliability*First*”),
 - SERC Reliability Corporation (“SERC”),
 - Southwest Power Pool (“SPP”),
 - Texas Regional Entity (“Texas RE”), an independent division of the Electric Reliability Council of Texas (“ERCOT”), and
 - Western Electricity Coordinating Council (“WECC”);
- (3) the proposed budget of the Western Interconnection Regional Advisory Body (“WIRAB”) for activities under Section 215(j) of the Federal Power Act (“FPA”) for the year ending December 31, 2009; and
- (4) NERC’s proposed allocation of the proposed statutory funding requirements of NERC, the Regional Entities and WIRAB by country and among the Regions, and the proposed assessments to the load-serving entities (“LSE”) within each Region to collect the allocated statutory funding requirements.

This filing includes the following twenty attachments:

Attachment 1 is a set of summary tables showing (i) NERC’s proposed 2009 budget by program and its proposed funding requirement, (ii) the proposed 2009 budget for statutory activities of each Regional Entity, (iii) the budget for Section 215(j) activities requested by WIRAB, and (iv) the aggregate ERO funding requirement of NERC, the Regional Entities and WIRAB, allocated to Canada.

Attachment 2 contains NERC’s detailed 2009 Business Plan and Budget and the allocation of assessments by Region and LSE to recover the resulting statutory funding requirements for 2009 (as well as the assessments to recover the statutory funding requirements of the Regional Entities and WIRAB).

Attachments 3 through 11 contain the detailed 2009 Business Plans and Budgets of, respectively, FRCC, MRO, NPCC, ReliabilityFirst, SERC, SPP, Texas RE, WECC and WIRAB.

Attachment 12 contains a discussion of how comments submitted by interested entities on posted drafts of NERC's 2009 Business Plan and Budget during the budgeting process were addressed in the final 2009 Business Plan and Budget.

Attachment 13 is a status report on progress in achieving NERC's 2008 goals and objectives, by program.

Attachment 14 contains a table of metrics comparing Regional Entity operations.

Attachment 15 contains metrics and analysis of indirect expenses as a percentage of total statutory budgeted expenses, direct program costs per full-time equivalent employee ("FTE"), and Compliance Monitoring and Enforcement and Organization Registration and Certification Program costs per registered entity, included in the NERC and Regional Entity 2009 Budgets.

Attachment 16 contains NERC's Expanded Policy on Allocation of Certain Compliance and Enforcement Costs, which is the basis for resolving issues relating to the allocation of NERC and NPCC statutory funding requirements among entities in the United States and the Provinces of Ontario and Québec; (ii) the resulting adjustment to the 2009 NERC assessment to the Ontario Independent Electric System Operator ("IESO"); and (iii) the resulting adjustment to the 2009 NERC assessment to Québec.

Attachment 17 provides information on changes from the NERC and Regional Entity budget versus actual reconciliations for 2007 filed with FERC on April 1, 2008, based on the NERC and Regional Entity audited financial statements for 2007, as directed in FERC's Order issued June 19, 2008 in Docket No. RR07-16-003.¹

Attachment 18 contains the audited financial statements of NERC and each Regional Entity for the 12 months ended December 31, 2007.

Attachment 19 contains MRO's revised records retention policy, as required by the June 19 2008 Budget Compliance Order.²

Attachment 20 contains NPCC's revised records retention policy, as required by the June 19 2008 Budget Compliance Order.³

¹ *North American Electric Reliability Corporation, Order Conditionally Accepting Compliance Filing*, 123 FERC ¶ 61,282 (2008) ("June 19 2008 Budget Compliance Order"), at P 40.

² *Id.* at P 15.

³ *Id.* at P 17.

NERC's 2009 fiscal year will begin January 1, 2009. The filing also contains the entire annual budget of each Regional Entity for statutory and non-statutory activities and include supporting materials, including the ERO's and each Regional Entity's complete business plan and organization chart, and explanation of the proposed collection of all dues, fees and charges and the proposed expenditure of funds collected. ⁴

NERC filed the 2009 Business Plans and Budgets with the Federal Energy Regulatory Commission ("FERC") on September 2, 2008 and is also filing these with the other applicable governmental authorities in Canada.

⁴ NERC will calculate and bill assessments to certain entities, referred to herein as "designees", based on Net Energy for Load ("NEL") values that include the NEL for other LSEs served by the designee, or for which the designee has otherwise agreed to accept responsibility for assessments. The calculation and billing of assessments to designees is not a departure from the principle that the ERO funding requirement should be recovered through assessments to LSEs based on NEL, but rather is a matter of administrative convenience and efficiency (*e.g.*, a generation and transmission ("G&T") cooperative and its member distribution cooperatives may find it more efficient for the assessment to be calculated and billed to the G&T cooperative rather than to the individual distribution cooperatives). The lists of LSEs and designees for which assessments will be calculated and billed have been provided to NERC by the Regional Entities. NERC has had no involvement in developing the lists of LSEs or in arrangements between LSEs and designees pursuant to which a designee agrees to accept responsibility for an assessment that would otherwise be calculated for and billed to the LSE and the LSE agrees to be financially responsible to reimburse the designee for the assessment. Additionally, the assessments for the NPCC region will be billed to ISO New England and the New York ISO (and to similar entities in Ontario, Québec, New Brunswick and Nova Scotia), each of which will be responsible for billing and collecting assessments from the LSEs within their respective footprints. Similarly, the assessments for the Texas RE region will be billed entirely to ERCOT, which will be responsible for collecting the aggregate regional assessment from entities within Texas RE.

II. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to:

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III. OVERVIEW OF PROPOSED BUDGETS AND FUNDING REQUIREMENTS

A. NERC's Proposed Business Plan, Budget and Funding Requirement

1. Organization of NERC's 2009 Business Plan and Budget

In this filing NERC files notice of its 2009 Business Plan and Budget. NERC's 2009 Business Plan and Budget is organized based on six specific program areas. Each of these program areas carries out or supports implementation of one or more of the statutory activities of the ERO : development of reliability standards for the bulk power system ; enforcement of compliance with reliability standards, including imposition of penalties and sanctions for violations ; and conducting periodic assessments of the reliability and adequacy of the bulk power system in North America . Specifically:

- (1) The Reliability Standards program implements the statutory activity of development of reliability standards.
- (2) The Compliance Monitoring and Enforcement and Organization Registration and Certification Program implements the statutory activity of enforcement of compliance with reliability standards, including imposition of penalties and sanctions for violations of standards.
- (3) The Reliability Readiness Evaluation and Improvements Program supports the statutory activity of enforcing and achieving compliance with reliability standards and the statutory activity of conducting assessments of the reliability of

the bulk power system. This program also provides information and feedback that supports the statutory activity of development of reliability standards.

- (4) The Training, Education and Operator Certification Program supports the statutory activity of enforcing and achieving compliance with reliability standards, and also provides information and feedback that supports the statutory activity of development of reliability standards.
- (5) The Reliability Assessment and Performance Analysis Program implements the statutory activity of conducting periodic assessments of the reliability and adequacy of the bulk power system in North America. This program also provides information and feedback that supports the statutory activities of development of reliability standards and achieving compliance with reliability standards.
- (6) The Situational Awareness and Infrastructure Security Program supports the statutory activity of enforcing and achieving compliance with reliability standards, and also provides information and feedback that supports the statutory activities of development of reliability standards and conducting assessments of the reliability and adequacy of the bulk power system.

NERC's proposed Business Plan and Budget for 2009 is contained in **Attachment 2**.

The Introduction section provides an overview of NERC's planned 2009 activities and budget. It also summarizes NERC's total resource requirements for 2009 including statutory full-time equivalent employees ("FTEs"), statutory expenses, and required ERO funding assessments, and shows the distribution of the total NEL to be used for allocating the ERO funding requirement among the U.S., Canada and Mexico.

Section A of **Attachment 2** is NERC's Business Plan for 2009. The Business Plan provides detailed descriptions, work plans, and goals and objectives for 2009 for each of NERC's statutory programs and administrative services departments. It also provides a table at the start of the section on each program and administrative department showing total FTEs, total direct expenses, total indirect expenses⁵ and total expenses for the program or department as

⁵ Indirect expenses are the amount of Administrative Services expenditures that have been allocated to each of the statutory programs on the basis of numbers of FTEs in each program.

presented in NERC's 2008 budget ("2008 Budget"), NERC's current projection of FTEs and expenses for 2008 ("2008 Projection"), and the proposed 2009 budget ("2009 Budget").⁶ The discussion for each program and Administrative Services department identifies the proposed increases or decreases (if any) in FTEs for 2009 and the reasons. Finally, a more detailed Statement of Activities, along with a summary of significant variances from the 2008 Projection to the 2009 Budget, is provided for each program and administrative department. The Statements of Activities show funding and expense information from the 2008 Budget, the 2008 Projection and the 2009 Budget, as well as variances from the 2008 Budget to the 2008 Projection and from the 2008 Projection to the 2009 Budget. Funding is shown from ERO Assessments and from other potential sources. Expenses are shown by the major categories (and sub-categories) of Personnel Expenses (Salaries, Payroll Taxes, Benefits and Retirement Costs), Meeting Expenses (Meeting, Travel and Conference Calls), Operating Expenses (Consultants, Contracts, Office Rent, Office Costs, Professional Services, Computer Purchases & Maintenance, Furniture & Equipment, Miscellaneous and Contingency⁷), and Other Non-Operating Expenses.

Section B of **Attachment 2** presents NERC's detailed proposed 2009 Budget. Section B contains a Statement of Activities for the overall 2009 Budget (Table 1) in the same format and level of detail as described above. It also contains NERC's organizational charts for 2008 and 2009 (Tables 3 and 4) and an analysis of FTEs and changes by program area in the 2008 Budget, 2008 Projection and 2009 Budget (Table 2). Section B contains an analysis of NERC's working

⁶ The 2008 Projection of expenses is based on actual 2007 operating experience, experience to date in 2008 in relation to the 2008 Budget, and conforming changes to the 2008 Budget. *See* page 5 of **Attachment 2**.

⁷ "Contingency" was used in developing budgets for prior years but has not been used in developing the 2009 Budget.

capital reserve position for 2008 and 2009 showing calculation of the adjustment to the proposed 2009 assessments necessary to achieve the desired working capital reserve at December 31, 2009 (Table 5). Table 6 of Section B shows the 2007 NEL by Regional Entity and by country and the total 2007 NEL by country, which data is used in allocating the NERC and Regional Entity funding requirements.⁸ Table 7 provides NERC's projections of funding requirements and expenses for 2010 and 2011. Finally, Tables B-1 through B-11 in Section B provide more detailed expense data for the major expense categories by program and administrative department, for the 2008 Budget, 2008 Projection and 2009 Budget.

Section C of **Attachment 2**, consisting of Appendices C-1, C-2, C-3 and C-4, contains the calculation of the NEL-based allocation factors for each LSE and designee, and the allocation of the NERC and Regional Entity statutory funding requirements (assessments), by allocation methodology, to each LSE and designee. The allocations presented in Section C are discussed in detail in §III.A. 3 and §III.D below.

The detailed information in Sections A and B of **Attachment 2** demonstrates that the programs included in NERC's 2009 Business Plan and Budget are necessary and appropriate to carry out NERC's responsibilities as the ERO and that the specific resource requirements budgeted meet the objectives for affordability, sustainability and efficiency and effectiveness of the ERO's expenditures. The discussion in Section A of **Attachment 2**, as well as in this filing, demonstrates how the activities and expenditures included in NERC's 2009 Business Plan and Budget lend themselves to the accomplishment of NERC's statutory objectives as the ERO.

⁸ NEL data for 2007 is the most current actual NEL data available as of August 2008. As was the case in allocating the NERC and Regional Entity statutory funding requirements by country and by Region and calculating the assessments to LSEs or their designees for 2007 and 2008, the allocation of funding requirements and calculation of assessments for the 2009 Budget is based on NEL data for the second preceding calendar year, 2007.

2. Development of NERC's 2009 Business Plan and Budget

NERC prepared its 2009 Business Plan and Budget (and oversaw the development of the Regional Entity Business Plans and Budgets) through a rigorous process that provided ample opportunity for review by the Finance and Audit Committee of the NERC Board of Trustees, and for stakeholder comment, during the process. NERC Finance and Accounting representatives initially met with counterparts from the Regional Entities in December 2007 to begin the 2009 budget process. At meetings of the NERC Member Representatives Committee and NERC Board on February 11-12, 2008, the NERC Finance and Audit Committee approved the proposed timeline for development of the NERC and Regional Entity 2009 Business Plans and Budgets. During February and March of 2008, NERC management and staff provided detailed input on program goals and objectives and personnel and spending requirements for 2009. Based on this input, the initial draft (Version 1.0) of the NERC 2009 Business Plan and Budget was issued on April 9, 2008 to the NERC Finance and Audit Committee. The Finance and Audit Committee discussed Version 1.0 at a meeting (by conference call) on April 11, 2008, which included opportunity for public comment.

A revised version (Version 1.1) of the NERC 2009 Business Plan and Budget was issued to the NERC Board and the NERC Member Representatives Committee, and posted on the NERC website for public comment, on April 24, 2008. The draft Business Plan and Budget was discussed at meetings of the NERC Finance and Audit Committee, Board of Trustees and Member Representatives Committee on May 6-7, 2008. Immediately following the May 6-7 meetings, a budget workshop for interested stakeholders was held (also accessible by telephone

conference bridge). In addition, numerous stakeholder comments were received in response to the public posting of Version 1.1.⁹

On May 30, 2008, a further revised draft (Version 2.0) of the Business Plan and Budget was issued to the Finance and Audit Committee, and was discussed by that Committee in a meeting (by conference call) on June 6, which also included time for public comment. Version 2.0 reflected reductions from Version 1.1 in the number of FTE additions proposed for 2009 as well as reductions in budgeted meeting expenses and operating expenses totaling \$2.16 million. Version 2.0 of the Business Plan and Budget was posted for stakeholder comment on the NERC website on June 13, 2008. During this second public comment period, additional stakeholder comments were received.¹⁰

Following the second public posting period, the Finance and Audit Committee held a further discussion of Version 2.0 of the Business Plan and Budget in a meeting (by conference call) on July 11, 2008. Additional changes to the Business Plan and Budget were approved by the Committee. Version 3.0 of the 2009 Business Plan and Budget was then issued on July 21, 2008, for consideration by the NERC Board and Member Representatives Committee at their meetings on July 29-30, 2008. On July 30, 2008, the NERC Board approved the 2009 Business

⁹ Comments were received from Alcoa, Inc; Jean-Paul Theoret, President of Régie de l'énergie and NERC Member Representatives Committee Provincial Regulator Representative; the Canadian Electricity Association ("CEA"); Dominion Resources Services; Edison Electric Institute ("EEI"); FRCC; Hydro-Québec TransÉnergie; the Ontario Independent Electric System Operator ("IESO"); the ISO-RTO Council; NPCC; ReliabilityFirst; SERC; Southern Company Services, Inc.; the NERC Standards Committee; and the State of Connecticut Consumer Counsel. **Attachment 12** discusses how concerns expressed in the comments were addressed in NERC's final 2009 Budget.

¹⁰ During the second public posting period, comments were received from Alcoa, Inc., CEA, EEI, the Electricity Consumers Resource Council, FRCC, IESO, the ISO-RTO Council, MRO, NB Power Transmission Corporation, NPCC, the NERC Operating Committee and the NERC Organization Registration and Certification Subcommittee. **Attachment 12** discusses how concerns expressed in the comments were addressed in NERC's final 2009 Budget.

Plan and Budget for submission to FERC and the relevant governmental authorities in Canada.¹¹

On August 12, 2008, the NERC Board approved the proposed 2009 assessments to LSEs and designees to recover the 2009 statutory funding requirements for NERC, the Regional Entities and WIRAB, for submission to FERC and the relevant governmental authorities in Canada. **Attachment 2** (labeled Version 3.1) is the final 2009 Business Plan and Budget.

In summary, the processes followed by NERC to develop its proposed 2009 Business Plan and Budget were thorough and comprehensive, involved significant input from NERC executive management and senior staff as well as iterative review and comment by the Finance and Audit Committee of the NERC Board and the Member Representatives Committee, and provided significant opportunity for stakeholder input and comment. The process was open and inclusive at all steps.

3. Summary of NERC's Proposed 2009 Budget and Funding Requirement

NERC's proposed 2009 Budget is \$34,447,620. This total encompasses U.S., Canadian and Mexican activities. The proposed 2009 Budget represents an increase of \$7,915,626 (29.8%) over the 2008 Budget and an increase of \$6,527,022 (23.4%) over the 2008 Projection.

A portion of NERC's 2009 Budget will be funded through fees charged to participants and users in certain NERC programs, including the Operator Certification Program, the Continuing Education Program, and the Transmission Owners and Operators Forum (*see* §IV.A.4 and IV.A.6 below); through fees charged for NERC software and services such as Generating Availability Data System ("GADS") data and pc-GAR (*see* §IV.A.5 below); and by interest earned on bank balances and short-term investments, resulting in a preliminary net

¹¹ At that meeting, the NERC Board also approved the 2009 Business Plans and Budgets of the Regional Entities, the 2009 budget submitted by WIRAB, and the proposed assessments to recover the related funding requirements.

funding requirement of \$30,795,696.¹² In addition, NERC is seeking to achieve a working capital reserve at December 31, 2009, of \$2,500,000, which requires an additional assessment component (taking into account NERC's projected working capital reserve balance as of December 31, 2008) of \$1,129,352.¹³ As a result, NERC's proposed net funding requirement for 2009 is \$31,925,048, of which \$3,188,927 is allocated to Canada. Based on the aggregate NEL of Canada for 2007 on which the allocation of assessments is based,¹⁴ the proposed Canadian net funding requirement for NERC is equivalent to \$0.000006 per kilowatt-hour.

NERC's 2009 Business Plan and Budget was developed and is organized based on the following major program elements:

<u>Program</u>	<u>2009 Budget</u>
Reliability Standards	\$ 5,665,032
Compliance Enforcement and Organization Registration and Certification	\$12,290,829
Reliability Readiness Evaluation and Improvement ¹⁵	\$ 485,429
Training, Education and Operator Certification	\$ 2,593,173
Reliability Assessment and Performance Analysis	\$ 6,519,959
Situational Awareness and Infrastructure Security	<u>\$ 6,893,198</u>
	<u>\$34,447,620</u>

The budgeted amounts for each program incorporate a total budget for Administrative Services of \$13,305,335 which has been allocated to the budgets for the programs listed above based on

¹² As discussed in greater detail later in this filing, this figure includes \$264,144 for recovery of 2007 and 2008 assessments that could not be collected.

¹³ In its 2007 and 2008 Budgets, NERC sought to achieve a cash reserve equal to 10% of the projected net ERO funding requirement (before additional provision for the cash reserve). The \$2,500,000 working capital reserve target is more representative of steady-state operations. See the discussion in §IV.B below.

¹⁴ See Table 6 on page 79 of Section B of **Attachment 2**.

¹⁵ NERC is proposing to phase out and eliminate this program in 2009. See §IV.A.3 below.

the numbers of FTEs budgeted for each program.¹⁶ The discussion in Section IV below as well as the detailed discussion of each program in **Attachment 2** demonstrates that each of these programs is necessary and appropriate to the execution of NERC’s responsibilities as the ERO. Sections A and B of **Attachment 2** describe the activities encompassed in each program, including the 2009 work plans, goals and objectives for each program, and provide the line item components of the budget for each program. The functions of and resource requirements (FTEs and external resources) and budgets for the NERC Administrative Services departments are also discussed in Sections A and B of **Attachment 2**.

NERC proposes an allocation of its net funding requirement of \$31,925,048 to the regional entities as follows¹⁷:

- FRCC \$1,695,602
- MRO \$2,173,150¹⁸
- NPCC \$4,177,977¹⁹

¹⁶ The 2009 Budget amount of \$13,305,335 for Administrative Services includes the 2009 budget of \$857,572 for Members’ Forums. Although the NERC Business Plan and Budget classifies Members’ Forums with Administrative Services, and the costs for Members’ Forums are allocated to the statutory programs, the Members’ Forum programs are designed so that the expenses for these programs will be funded entirely by reimbursements from the Forums for the services provided by NERC, with the reimbursements to be funded by dues and other charges to Members’ Forum participants. Therefore, the expenses for the Members’ Forums are not included in the statutory funding requirement and assessments for recovery of statutory costs.

¹⁷ As described in §III.D below, the aggregate NERC funding requirement has been allocated to the Regions on the basis of (i) 8-Region NEL, (ii) 8-Region NEL (excluding certain entities outside the U.S. from certain compliance and enforcement costs – *see* §VI below), (iii) 8-Region NEL (excluding all entities outside the U.S.) for the cost of the three-year self-assessment due to be submitted in July 2009; (iv) IDC Defined Shares (based on usage of the NERC interchange distribution calculator (“IDC”)), and (v) allocation of certain uncollectible prior-year assessments to the Region in which the non-payer was located. The detailed allocations of the NERC statutory funding requirement by allocation methodology are shown in Appendix C-3 in **Attachment 2**.

¹⁸ The total allocation to MRO consists of \$1,846,842 allocated to the U.S. and \$326,308 allocated to Canadian provinces.

- RFC \$6,909,527
- SERC \$7,439,650
- SPP \$1,592,876
- TRE \$2,140,806
- WECC \$5,795,459²⁰

Section C of **Attachment 2** contains tables showing (i) the development of the NEL-based allocation factors used to allocate the NERC and Regional Entity funding requirements by country and among the Regional Entities,²¹ and (ii) the allocation of the NERC and Regional Entity funding requirements by country and by Region.²² Section C also contains tables showing the allocation of the NERC and Regional Entity funding requirements to the individual LSEs or designees within the footprint of each Regional Entity. These allocations are discussed in greater detail in § III.D below.

Other than user-related dues and fees for certain specific programs and services, and interest on cash balances and short-term investments (all of which have been fully taken into account in the development of NERC’s proposed net funding requirement), NERC will have no sources of funding for its planned programs and operations other than the assessments to owners, operators and users of the bulk power system in the United States and equivalent collections from entities in Canada and Mexico. (However, as discussed in §VI below, NERC (and NPCC) expect shortly to sign an agreement with La Régie de l’énergie du Québec (“Régie”) under

¹⁹ The total allocation to NPCC consists of \$2,090,999 allocated to the U.S. and \$2,086,979 allocated to Canadian provinces.

²⁰ The total allocation to WECC consists of \$4,952,107 allocated to the U.S., \$775,640 allocated to Canadian provinces and \$67,713 allocated to Mexico.

²¹ See Appendix C-1 in **Attachment 2**.

²² See Appendix C-2 in **Attachment 2**.

which the Régie will pay NERC and NPCC for providing certain compliance monitoring and enforcement services to the Régie for the Province of Québec.)

B. Regional Entity Proposed 2009 Budgets

The Regional Entity budgets for statutory activities that are to be funded through NERC are the budgets for the functions and activities relating to development of reliability standards; compliance monitoring and enforcement and organization registration and certification; reliability readiness evaluation and improvement;²³ training, education and operator certification; reliability assessment and performance analysis (including necessary data gathering activities); and situational awareness and infrastructure security, that have been delegated by NERC to the Regional Entity pursuant to the delegation agreements; as well as each Regional Entity's budgeted costs for administrative services.²⁴ Funding the Regional Entities will enable them to carry out the activities necessary in 2009 to meet their responsibilities under the delegation agreements.

In terms of each Regional Entity's proposed budget, NERC staff provided guidance to the Regional Entities on the expected scope and content of their business plan and budget submissions, and worked collaboratively with the Regional Entities to develop a template for the Regional Entities' 2009 Business Plans and Budgets. The template represents a further evolution of the template that was used for the Regional Entities' 2008 Business Plans and Budgets, and facilitates increased ability to make comparisons among the Regional Entities' budgets. As

²³ As noted in §III.A.3, NERC is phasing out and eliminating this program in 2009. Some Regional Entities have budgeted no resources for this program in 2009, under the assumption that they will complete any necessary activities for this program in 2008, while other Regional Entities have budgeted resources for Reliability Readiness Evaluation and Improvement in 2009.

²⁴ WECC's proposed budget for statutory functions includes the cost of WECC's reliability coordinator function. .

noted earlier, an initial meeting among NERC and Regional Entity finance and accounting representatives to initiate the 2009 business plan and budget development process was held in December 2007. Additional meetings were held on March 13 and April 17, 2008. NERC provided a business plan and budget template and a budget procedures document to the Regional Entities in late January 2008. During February and March of 2008, NERC worked with the Regional Entities to further develop a standard organization and development of the Regional Entity business plans and budgets and to make the Regional Entity budgets more consistent and transparent. The Regional Entities submitted initial drafts of their 2009 Business Plans and Budgets, covering statutory functions only, to NERC in early May 2008, and submitted complete drafts of their 2009 Business Plans and Budgets (including non-statutory activities) to NERC in late May 2008.

The Business Plans and Budgets submitted by the Regional Entities were reviewed by NERC's Finance and Accounting staff during May and June 2008; where appropriate, additional information was requested and other suggestions for changes were made. NERC staff also reviewed the internal processes used by each Regional Entity to develop its budget, to verify that these processes were rigorous. The review included individual conferences with each Regional Entity. Two particular areas of focus in NERC's review were (1) verifying the Regional Entity's Business Plan and Budget provided for sufficient resources to adequately carry out the functions delegated to the Regional Entity under the delegation agreement, and (2) understanding the bases for any significant differences in amounts budgeted by different Regional Entities for the same function. Additionally, NERC worked with the Regional Entities to continue to develop and enhance the Regional Entity metrics (originally submitted in September 2007 as part of NERC's 2008 Business Plan and Budget filing) to enable comparisons of the operations and resources of

the Regional Entities in meeting their obligations under the delegation agreements. The current table of metrics is included in **Attachment 14**; additional discussion of the metrics is provided in §V.C below. Through the processes described above, NERC has been able to satisfy itself that each Regional Entity's 2009 Business Plan and Budget provides for necessary and adequate resources to carry out the Regional Entity's delegated functions.

The Regional Entities submitted their final 2009 Business Plans and Budgets, approved by their respective governing bodies, to NERC by early July 2008.²⁵ The Regional Entities Business Plans and Budgets were then submitted to the Finance and Audit Committee of the NERC Board of Trustees, which discussed the Regional Entity submissions in a meeting (by conference call) held on July 11, 2008. During that meeting, an opportunity for public comment was provided. Thereafter, the Regional Entity Business Plans and Budgets were submitted to the NERC Board of Trustees and the Member Representatives Committee, which discussed them at the meetings held on July 29-30, 2008. The Regional Entities' 2009 Business Plans and Budgets were approved by the NERC Board of Trustees at its July 30, 2008 meeting.

The table below shows the total budget amounts for statutory and (where applicable) non-statutory functions for each Regional Entity as presented in their respective Business Plans and Budgets (**Attachments 3-10**).²⁶ In addition, because several Regional Entities have other sources of income (*e.g.*, fees for workshops and interest on bank deposits) that will be used to offset the costs of performing delegated functions, the requested ERO funding for these Regional Entities is less than their budgets for statutory activities. The fourth column shows the statutory

²⁵ In reviewing the Regional Entity Business Plans and Budgets, and in accordance with the Commission's directive in the ERO Certification Order, NERC afforded the proposed Regional Entity Business Plans and Budgets no presumption of reasonableness due to having been approved by the Regional Entities' governing bodies.

²⁶ MRO, Reliability *First* and SERC do not plan to perform any non-statutory activities in 2009.

funding requested for each Regional Entity, taking into account other sources of income. For all Regional Entities except SPP, the budget for statutory functions and requested statutory funding amount includes amounts to achieve a target working capital reserve at December 31, 2009:

Regional Entity	Budget for Statutory Functions	Budget for Non-Statutory Functions	Requested Statutory Funding
FRCC	\$ 3,977,868	\$ 3,361,112	\$ 3,898,438
MRO	\$ 6,405,724	-----	\$ 6,376,474 ²⁷
NPCC	\$ 10,008,885	\$ 1,012,790	\$10,008,885 ²⁸
ReliabilityFirst	\$ 11,434,201	-----	\$ 8,833,834
SERC	\$ 10,095,546	-----	\$ 9,652,546
SPP	\$ 7,123,827	\$92,341,173 ²⁹	\$ 7,123,837
Texas RE	\$ 6,167,024	\$ 871,997	\$ 3,430,700
WECC	\$39,287,577	\$ 798,197	\$37,466,774 ³⁰

C. Western Interconnection Regional Advisory Board Funding Request

WIRAB submitted to NERC a proposed 2009 Business Plan and Budget for Section 215(j) activities, which is included in **Attachment 11**. NERC has reviewed WIRAB's submission and believes it is just and reasonable. WIRAB's proposed 2009 Budget for expenses is \$595,810, which is an increase of \$118,549 from the 2008 Budget. The 2009 Budget will be funded by estimated unspent funds at the end of 2008 of \$214,562 (after setting aside a working capital reserve of \$100,000), interest income of \$2,976, and a proposed assessment of \$378,272.

²⁷ The requested ERO funding for MRO consists of \$5,391,836 allocated to the U.S. and \$984,638 allocated to Canadian provinces.

²⁸ The requested ERO funding for NPCC consists of \$5,328,802 allocated to the U.S. and \$4,680,083 allocated to Canadian provinces.

²⁹ The figure of \$92,341,173 is the total 2008 budget of Southwest Power Pool, Inc. less the 2009 Budget of the SPP Regional Entity for statutory activities of \$7,123,827. The overall annual budget of Southwest Power Pool, Inc. is prepared on a schedule that will not result in approval of its 2009 budget until October 2008. See §V.B.6 below and pages 72-73 of **Attachment 8**.

³⁰ The figures for WECC for budget for statutory functions and requested statutory funding includes the budget and funding amounts for WIRAB. The requested ERO funding for WECC (including funding for WIRAB) consists of \$31,827,407 allocated to the U.S., \$5,186,580 allocated to Canadian provinces and \$452,786 allocated to Mexico.

WIRAB's overall statutory funding request of \$378,272 for 2009 consists of \$321,336 allocated to the U.S., \$52,365 allocated to Canadian provinces and \$4,571 allocated to Mexico. At its July 30, 2008 meeting, the NERC Board of Trustees approved WIRAB's 2009 Budget request.

D. Overall Funding Requirement and Allocations by Country, Region and LSE

The total ERO funding requirement for 2009 (net of other NERC and Regional Entity income sources) is \$118,716,526, consisting of \$31,925,048 for funding of NERC's programs, \$86,413,206 for funding of Regional Entity statutory activities, and \$378,272 to fund the WIRAB. NERC has allocated its net funding requirement of \$31,925,048 to the Regions primarily on the basis of NEL.³¹ An allocation based on the 8-Region NEL was used to allocate \$18,787,383 of the total NERC funding requirement to the Regions. In accordance with its Expanded Policy on Allocation of Certain Compliance and Enforcement Costs (included in **Attachment 16**), NERC has made adjustments to that allocation to recognize that one entity outside the U.S. (the IESO) expends resources to perform compliance and enforcement activities outside the U.S. that otherwise would be performed by NERC or a Regional Entity, and that the compliance and enforcement resources NERC needs for another jurisdiction outside the U.S. (Québec) are reduced due to the very small number of entities subject to compliance and enforcement activities in that jurisdiction.³²

³¹See Table 6 on page 79 in Section B of **Attachment 2** for the 2007 NEL data by Regional Entity and calculation of the country allocation factors for each Regional Entity. MRO, NPCC and WECC are the only Regional Entities whose footprints encompass Canadian provinces (and in the case of WECC, Mexico). As noted earlier, the year 2007 is the most recent calendar year for which NEL data is available.

³² See discussion and details in §VI below.

Additionally, the costs of operating and maintaining NERC’s IDC, which is used only in the Eastern Interconnection, were allocated to the six Regions in the Eastern Interconnection based on usage levels of the IDC (“IDC Defined Share”). The IDC Defined Share allocation approach is reasonable and equitable because it allocates the cost of this function based on its actual use by region, and does not assess the costs of the IDC to entities in Texas RE and WECC. Further, NERC has allocated the budgeted cost of conducting the three-year performance assessment of NERC and the Regional Entities, which is required to be submitted to FERC in July 2009, only to U.S. entities. Finally, the portion of the total funding requirement (\$264,144) representing 2007 and 2008 assessments that could not be collected was allocated as follows: (i) the portion of this amount that represented incorrectly calculated assessments for 2007 and 2008 was allocated based on 8-Region NEL³³; and (ii) the amounts that represented properly-calculated and billed assessments that could not be collected were allocated to the Region in which the non-payer was located.³⁴

After allocating the appropriate portions of the NERC, Regional Entity and WIRAB funding requirements (taking into account both the NEL-based allocations and the adjustments to the cost allocations to the IESO and Québec based on the Expanded Policy on Allocation of Certain Compliance and Enforcement Costs) , the total ERO funding requirement for 2009 allocable to Canadian end users is \$14,040,228, consisting of:

NERC Funding:	\$3,188,927
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³³ The amount of incorrectly calculated assessments was \$103,831.53 for 2007 and \$137,120 for 2008, for a total of \$240,951.53. The incorrect calculations included attributing the entire NEL of a LSE that operates in two Regions to both Regions (*i.e.*, the LSE’s NEL was counted twice); and inadvertently doubling a LSE’s NEL.

³⁴ The amount of assessments that have been determined to be uncollectible is \$23,192.78, all relating to 2007 assessments. These assessments could not be collected because the LSEs were no longer serving any load.

Regional Entity Funding: \$10,798,936
WIRAB Funding: \$ 52,365

The funding requirement of each Regional Entity for statutory activities is of course allocated 100% to that Regional Entity. The funding requirement for the WIRAB is allocated 100% to WECC. The following table shows the allocation to each Regional Entity of the total 2009 ERO funding requirement of \$14,040,228 for Canadian activities of NERC, the Regional Entities and WIRAB. The table also shows the funding requirements per kWh based on 2007 Canadian NEL of each Regional Entity.

2009 Funding					
Regional Entity	NERC Funding	Regional Entity Funding	WIRAB Funding	Total Allocation	Allocation per kWh (2007 NEL)
FRCC	\$ -0-	\$ -0-	--	\$ -0-	\$ -0-
MRO	\$ 326,308	\$ 984,638	--	\$ 1,310,946	\$0.0000312
NPCC	\$ 2,086,979	\$ 4,680,083	--	\$ 6,767,062	\$0.0000182
RFC	\$ -0-	\$ -0-	--	\$ -0-	\$ -0-
SERC	\$ -0-	\$ -0-	--	\$ -0-	\$ -0-
SPP	\$ -0-	\$ -0-	--	\$ -0-	\$ -0-
TRE	\$ -0-	\$ -0-	--	\$ -0-	\$ -0-
WECC	\$ 775,640	\$ 5,134,215	\$ 52,365	\$ 5,962,220	\$0.0000495
Total	\$ 3,188,927	\$10,798,936	\$ 52,365	\$ 14,040,228	\$0.0000263

For all Regions except NPCC and Texas RE, NERC obtained from the Regional Entity a listing of the LSEs or their designees in the Region and a breakdown of the Regional Entity's 2007 NEL by LSE or designee. For the NPCC region, NERC obtained from NPCC the 2007 NEL for each Balancing Authority Area (New York, New England, Ontario, Québec, Nova Scotia and New Brunswick). For the Texas RE, NERC obtained from Texas RE the 2007 NEL for ERCOT. NERC used this information to further allocate the total ERO funding requirement allocated to each Regional Entity among the LSEs, their designees or the other entities to be

billed the assessments within that Regional Entity's footprint.³⁵ The amount of the NERC and Regional Entity funding requirement allocated to each LSE or designee or other entity to be billed in each Regional Entity's footprint is shown in Appendix C-2 of **Attachment 2**. NERC intends to directly invoice assessments to LSEs or designees, or to the other entities to be billed, in all Regions except WECC.³⁶ WECC will invoice LSEs or Balancing Authorities or their designees within the WECC footprint, collect the assessments and remit the funds to NERC. These arrangements have been provided for in Exhibit E to the delegation agreement with each Regional Entity.

E. Treatment of Prior Years' Budget Surpluses or Deficits

In the calculation of the NERC and Regional Entity net statutory funding requirements (assessments), any accumulated 2007 and anticipated 2008 surpluses (deficits) have been used to reduce (increase) the assessments requested for 2009.

In its 2008 Business Plan and Budget filing, NERC stated that its 2009 Business Plan and Budget filing would include an accounting and true-up for under-collections or over-collections in 2007. The following table shows, for NERC and each Regional Entity, the surplus (deficit) of assessment revenues and other statutory revenues over (under) statutory expenses for 2007 and the projected year-end 2008 surplus (deficit) of assessment revenues and other statutory revenues over (under) statutory expenses for 2008.

³⁵ Certain LSEs in MRO and WECC serve end users only in Canada or Mexico and not in the U.S. These LSEs were not allocated any portion of the ERO funding requirement allocated to U.S. end users, but were allocated appropriate portions, based on NEL (except as noted above), of the ERO funding requirement allocated to Canadian provinces or Mexico, as applicable.

³⁶ As noted above, the assessments in the NPCC region will be billed to a single entity for each of the six Balancing Authority Areas within NPCC (*see* Table 6 on p. 63 of **Attachment 5**); and the assessments in the Texas RE region will be billed to ERCOT.

Entity	2007 ³⁷	2008 ³⁸
NERC	\$1,046,155	\$ 56,432
FRCC	\$ 246,617	\$ 167,921
MRO	\$ 628,335	\$ 0
NPCC	\$ 284,735	\$(200,000)
ReliabilityFirst	\$2,497,880	\$(232,156)
SERC	\$ 582,394	\$(205,905)
SPP	\$ (438,754)	\$(204,036)
Texas RE	\$3,290,858	\$(585,698)
WECC	\$ (875,648)	\$ 0

F. Projected Costs for 2010 and 2011

As it did in its 2008 Business Plan and Budget, NERC is providing a projection of its expected revenues and expenses for the two years following the budget year (*i.e.*, 2010 and 2011). This information is provided in Table 7 in Section B of **Attachment 2**. NERC is providing these projections for informational purposes only. The NERC Board of Trustees has not approved these projections, and NERC is not seeking approval of the projections. Based on the 2010 and 2011 Forecast Assumptions accompanying Table 7, NERC's 2010 expenses are projected to be approximately \$455,000 lower than its 2009 Budget, and its 2010 assessments to LSEs (or designees) for NERC funding are estimated to be approximately \$557,000 lower than the requested amount for 2009.³⁹ The 2011 expenses are projected to be approximately

³⁷ These Change in Net Asset amounts also appear in the column "2007 Actual – Per Audit [Statutory]" for NERC and the Regional Entities in **Attachment 17** to this filing.

³⁸ The amounts in this column are the "Change in Assets" for the 2008 Projection shown in Table 1 of Section B of the 2009 Business Plan and Budget of NERC and each Regional Entity.

³⁹ Two major drivers of the projected decrease in NERC expenses and assessments in 2010 versus 2009 are (i) the 2009 Budget includes significant one-time expenses for the three-year performance assessment of NERC and the Regional Entities (due to be submitted to FERC in July 2009, which will not be incurred in 2010 (or 2011); and (ii) the 2009 Budget includes a total of \$1,393,496 to recoup 2007-2008 assessments that could not be collected and to achieve a working capital reserve of \$2,500,000 at December 31, 2009. The 2010 (and 2011) projections do not include any provision for recoupment of prior years' uncollected assessments, and assume

\$2,324,000 higher than the estimated 2010 expenses (6.8% increase), and the 2011 assessments are projected to be approximately \$2,045,000 higher than the estimated 2010 assessments (6.5% increase).

IV. DISCUSSION OF NERC BUDGET

A. 2009 Business Plans and Budgets by Program

This section summarizes NERC's proposed 2009 Business Plan and Budget by statutory program and Administrative Services department.⁴⁰

1. Reliability Standards Program

In this program, NERC will accept and evaluate proposals for, and develop and approve, technically sound, fair and balanced bulk power system reliability standards to be submitted to FERC and to appropriate government authorities in Canada for approval. The activities of NERC's Reliability Standards Development Process, which is overseen by its Standards Committee with the objective of seeing that all stakeholder interests are fairly represented in the development of standards, will be driven by the need to make identified improvements to the highest priority Reliability Standards in accordance with NERC's three-year *Reliability Standards Development Plan 2008-2010* and its successor for 2009-2011. The program

that funding will equal expenses so that the working capital reserve will be maintained at \$2,500,000 without the need for an addition to the assessments to maintain the working capital reserve at the desired level. The elimination of these one-time items, totaling approximately \$2.4 million, offsets other cost increases projected for 2010 over 2009.

⁴⁰ **Attachment 13** is a status report on NERC's progress in achieving its goals and objectives for 2008. A similar status report on achievement of the 2007 goals and objectives was provided as Attachment 4 to the 2008 Budget Filing. As it stated in the 2008 Budget Filing, NERC intends that its Business Plan submissions in future years will include a discussion of whether and to what extent the objectives of each program in the previous year were or are being achieved, factors that may have contributed to the inability to achieve all objectives, and actions NERC plans to take in the upcoming year to meet unfulfilled objectives from the previous year and to provide greater assurance that objectives for the upcoming year will be met.

description and the goals and objectives of the Reliability Standards Program for 2009 are presented in detail at pages 8-13 in Section A of **Attachment 2**. As there discussed, the 2009 objectives of the Reliability Standards Development Program are grouped into six categories: standards development, regional reliability standards development, standards improvement, business practice interface standards, process improvements, and communications.

Although much of the work in the Reliability Standards Development Process is performed by committees and task groups comprised of volunteer technical experts from the electric industry, government and academia (including the Standards Committee), significant NERC professional staff resources are needed to facilitate and coordinate the work of industry volunteers and to administer the process. NERC has budgeted 14 FTEs for the Reliability Standards Program for 2009, which is a decrease of one FTE from the 2008 Budget and represents no change from the 2008 Projection. The 2009 budgeted expenses for this program (including indirect expenses) are \$5,665,032, which is an increase of \$674,509 over the 2008 Budget and an increase of \$706,277 over the 2008 Projection for this program.⁴¹ The principal direct cost components of the 2009 Budget are personnel expenses (\$2,476,574), meetings and travel expenses (\$478,120), and consultants and office costs (\$86,750). The allocation of Administrative Services expenses to this program is \$2,623,587.

2. Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Under the Compliance Monitoring and Enforcement and Organization Registration and Certification Program, NERC monitors, audits, investigates and enforces compliance with the (currently 104) approved Reliability Standards by owners, operators and users of the bulk power system, in order to maintain a high level of reliable operation of the bulk power system. This

⁴¹ See table on page 8 in Section A of **Attachment 2**.

program also includes registering owners, operators and users of the bulk power system as responsible for complying with Reliability Standards for each Region in which an entity owns, operates or uses bulk power system facilities, and maintaining a Compliance Registry (provided for in Section 500 of the NERC Rules of Procedure), to facilitate NERC's and the Regional Entities' compliance monitoring and enforcement activities. The NERC Compliance Registry now lists over 1,800 Registered Entities which have been registered to be responsible for approximately 4,500 functions affecting the reliability of some portion of the bulk power system.

The NERC Compliance Monitoring and Enforcement Program ("CMEP") has processed, or is currently processing, over 1,400 violations of Reliability Standards that occurred after June 18, 2007 (the effective date of FERC-approved mandatory and enforceable Reliability Standards in the U.S.) and over 5,000 violations that occurred prior to June 18, 2007. During 2009, the NERC CMEP is expecting to participate in approximately 140 on-site audits and 238 off-site audits of Registered Entities. The NERC CMEP will also participate as needed in Compliance Violation Investigations, both those led by Regional Entities and those led by NERC. Another activity of the CMEP, which can be expected to increase in 2009, is participation in appeals by Registered Entities to NERC from compliance violation and penalty determinations by Regional Entities and in any subsequent appeals to FERC from determinations of the NERC Board of Trustees Compliance Committee on the appeals. Finally, beginning in late 2008 and continuing into 2009, NERC will conduct audits of the Regional Entity compliance programs, as required by the NERC Rules of Procedure. The NERC CMEP expects to rely heavily on contractor resources for this latter activity.

The detailed 2009 program descriptions, activities, goals and objectives for Compliance Monitoring and Enforcement and Organization Registration and Certification are provided at

pages 16-20 in Section A of **Attachment 2**. These activities fall into the areas of organization registration and certification, compliance monitoring and reporting, mitigation and enforcement, and Regional Entity compliance program oversight, audits and interfaces, as well as coordination and development activities with the Reliability Standards Program and with the Training, Education and Operator Certification program (primarily as to compliance auditor training).

Reflecting the continuing increases in compliance, enforcement, registration and certification activities in 2009, NERC has budgeted for 31 FTEs for the Compliance Monitoring and Enforcement and Organization Registration and Certification Program in 2009, an increase of four FTEs over NERC's staffing for this program in 2008. For 2009, NERC is also budgeting for significant increases in travel expenses and expenses for consultants for this program. As noted above, consultants are expected to be used in the audits of Regional Entity compliance programs; additionally, an outside software developer will be used in the development and implementation of a new Compliance Reporting, Analysis and Tracking System.

The budgeted expenses for this program (including indirect expenses) for 2009 total \$12,290,829, which is an increase of \$4,376,655 over the 2008 Budget and an increase of \$3,715,084 over the 2008 Projection for this program.⁴² The principal drivers of this increase are increased personnel expenses reflecting four additional FTEs, increased travel expenses and increased (\$520,000) expense for consultants. The major direct cost budget components for the Compliance Monitoring and Enforcement and Organization Registration and Certification Program are personnel expenses (\$4,879,790); meetings and travel expenses (\$694,667); consultants, office costs and computer purchases and maintenance (\$907,000). The allocation of Administrative Services expenses to this program is \$5,809,372.

⁴² See Table on page 16 in Section A of **Attachment 2**.

3. Reliability Readiness Evaluation and Improvement Program⁴³

The NERC Reliability Readiness Evaluation and Improvement Program began in response to FERC's directives following the August 14, 2003 Northeast blackout. The goal of the program was to increase transparency on operating practices and to assess the industry's overall preparedness to minimize the likelihood of another major blackout. The Reliability Readiness Evaluation and Improvement Program has worked with industry experts to conduct on-site evaluations of balancing authorities, transmission operators, reliability coordinators and other entities that support the reliable operation of the bulk power system, to determine their readiness to maintain safe and reliable operations.

However, with the advent of mandatory and enforceable Reliability Standards and the implementation of the formal NERC CMEP, NERC and industry participants have observed the following with respect to the Reliability Readiness Evaluation and Improvement Program: (1) the value of the program is diminishing; (2) NERC's focus and resources should be squarely on Reliability Standards and Compliance; and (3) NERC's role in enforcement of mandatory Reliability Standards may create a conflicted environment for this program, suggesting that its functions could be better undertaken by others (such as the Transmission Owners and Operators Forum). As a result, NERC has concluded that the Reliability Readiness Evaluation and Improvement Program in its current form should be discontinued. This program will, however, complete the remaining readiness reviews of entities scheduled for 2008 and 2009 and will terminate at the end of the first quarter of 2009.⁴⁴

⁴³ This program began in 2004 as the Reliability Readiness Audit Program. In 2007, NERC changed the name of this program to the Reliability Readiness Evaluation and Improvement Program to more sharply distinguish the program from the CMEP.

⁴⁴ At present, 16 readiness evaluations are scheduled for the last four months of 2008 and 12 readiness evaluations are scheduled for the first quarter of 2009.

The Reliability Readiness Evaluation and Improvement Program currently has 8.5 FTEs; these positions will be eliminated in 2009 as the program concludes. NERC has budgeted \$485,429 to conclude the activities of this program in 2009, consisting of personnel expenses (\$462,474), travel costs (\$19,000) and office costs (\$3,955). No indirect expenses have been allocated to the Reliability Readiness Evaluation and Improvement Program for 2009.

4. Training, Education, and Operator Certification Program

The Training, Education, and Operator Certification Program encompasses (i) the System Operator Certification Program, (ii) NERC's Continuing Education Program ("CEP") for owners, operators and users of the bulk power system and their operating personnel, and (iii) NERC's Education Program for NERC and Regional Entity staff.

The System Operator Certification Program provides a certification credential for operating personnel of owners, operators and users of the bulk power system. Initial certification is obtained through examinations, and is maintained or renewed through use of approved continuing education. The System Operator Certification Program is administered by NERC professional and technical staff and is overseen by the Personnel Certification Governance Committee, which is a NERC standing committee reporting to the Board of Trustees. Fees are charged for the certification examinations and renewals of credentials, which are structured to fully recover the costs of operating the System Operator Certification Program.

The objective of the NERC CEP is to foster improvement of and promote quality in the training programs used and implemented by owners, operators and users of the bulk power system. Through the CEP, NERC approves or accredits training programs of owners, operators and users of the bulk power system and of other continuing education providers. Among other functions, the CEP conducts periodic audits of continuing education providers and training activities to ensure that approved and accredited providers and training activities satisfy NERC's

continuing education requirements. The costs of administering the CEP are fully recovered through fees paid by the continuing education providers.

In the Education Program, NERC develops and maintains learning materials and activities to establish training requirements for NERC and Regional Entity staff. NERC also provides educational activities and tools to industry stakeholders, participants and regulators. These activities are carried out by NERC professional and technical staff and contractors with the assistance of industry volunteers possessing appropriate technical knowledge and competencies.

Detailed program descriptions and planned 2009 activities, goals and objectives for the System Operator Certification Program, the CEP and the Education Program are provided at pages 28-35 of Section A of **Attachment 2**.

NERC has budgeted 5.5 FTEs for these programs in 2009, which is the current level of staffing in 2008. The budgeted expense for the Training, Education and Operator Certification Program in 2009 (including indirect expenses) totals \$2,593,173, which is an increase of \$444,105 over the 2008 Budget and an increase of \$368,614 over the 2008 Projection.⁴⁵ Primary drivers of these increases are (i) the transfer of the NERC WebEx contract and associated expenses from General and Administrative to this program, and (ii) the addition of a total of ten new learning activities which will be developed by consultants or procured from vendors at a total budgeted cost of \$162,500. The direct cost components of the 2009 Budget for this program are personnel expenses (\$906,873), meetings, travel and conference call expenses (\$181,225), and consultants, contracts and office costs (\$474,380). The allocation of Administrative Services expenses to this program is \$1,030,695. As noted above, NERC charges

⁴⁵See table on page 28 in Section A of **Attachment 2**.

fees for system operator certification examinations and continuing education providers. The 2009 Budget for this program reflects projected revenues from such fees of \$980,000.

5. Reliability Assessment and Performance Analysis Program

The Reliability Assessment and Performance Analysis Program is intended to enable NERC to meet its responsibility as the ERO to conduct periodic assessments of the reliability and adequacy of the bulk power system in North America. NERC prepares three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report. These reports analyze electricity demand and adequacy of supply throughout the North American bulk power system and examine the adequacy of the transmission system. NERC also prepares special reliability assessment reports as conditions warrant or as directed by the NERC Board. Beginning in 2008, and continuing into 2009, this program is responsible for implementing the Reliability Assessment Improvement Initiative, which is a plan approved by the NERC Planning Committee in March 2008 to improve the seasonal and long-term reliability assessments. Additional resources are required in the Reliability Assessment and Performance Analysis Program to support implementation and execution of the Reliability Assessment Improvement Initiative. Another significant activity planned for 2009 is performance of a special reliability assessment to evaluate a variety of CO₂ legislative scenarios and their impact on bulk power system reliability. Significant consultant resources are budgeted for this activity.

The Reliability Assessment and Performance Analysis Program also includes analyzing significant system events and other off-normal events occurring on the bulk power system; identifying the root causes of events that may be precursors of potentially more serious events impacting the reliable operation of the bulk power system; assessing past reliability performance for lessons learned; disseminating findings and lessons learned to the electric industry to improve

reliability performance; and developing reliability performance benchmarks and monitoring performance against those benchmarks. This program includes maintaining and enhancing NERC's *Blackout and Disturbance Response Procedure* (Appendix 8 to the NERC Rules of Procedure). These activities are intended to help prevent future abnormal system events and thereby to promote and improve reliable operation of the bulk power system.

The Reliability Assessment and Performance Analysis Program is responsible for maintaining the Generating Availability Data System ("GADS") and for development of the Transmission Availability Data System ("TADS"). GADS provides performance benchmarks for improving individual generating unit reliability and availability and statistics for tracking generating unit availability. NERC receives revenues from the sale of GADS software and services, which are reflected in the budget. Development of the TADS was approved by the NERC Board in October 2007 and initial development activities, including contracting for the development of custom software, began in 2008.

Detailed program descriptions and planned 2009 activities, goals and objectives for the Reliability Assessment and Performance Analysis Program are provided at pages 38-44 in Section A of **Attachment 2**.

NERC's budgeted expense for the Reliability Assessment and Performance Analysis Program for 2009 (including indirect expense) is \$6,519,959, which represents an increase of \$2,265,773 over the 2008 Budget and an increase of \$1,738,178 over the 2008 Projection.⁴⁶ The 2009 Budget reflects 13.5 FTEs for this program, which is an increase of 2.5 FTEs from the staffing in 2008. Primary drivers for the increased 2009 Budget, in addition to the increased personnel expenses resulting from addition of 2.5 FTEs, are increased costs for consultants and

⁴⁶ See table on page 38 in Section A of **Attachment 2**.

contracts totaling \$265,000, principally for the planned evaluation of the reliability impacts of CO₂ legislation and to support the Reliability Assessment Improvement Initiative and development of TADS. The direct costs in the 2009 Budget for this program include personnel expenses (\$2,594,580), meeting, travel and conference call expenses (\$457,875), and expenses for consultants, contracts, office costs and computer purchase and maintenance (totaling \$937,616). The allocation of Administrative Services expenses to this program is \$2,529,888. Revenues from the sale of GADS software and services are projected to be \$450,000.

6. Situational Awareness and Infrastructure Security

NERC's Situational Awareness and Infrastructure Security Program encompasses a broad array of coordinated, complementary activities to (i) address critical infrastructure protection issues across NERC's program areas, (ii) facilitate the timely exchange of information between government agencies and owners, operators and users of the bulk power system about threats and vulnerabilities to the electricity infrastructure, (iii) develop and maintain processes, procedures and tools that address the industry's situational awareness and infrastructure security needs, and (iv) monitor conditions on the bulk power system and rapidly communicate substantive changes in those conditions to relevant parties. Activities in the Situational Awareness and Infrastructure Security Program are grouped into three functional areas: critical infrastructure protection ("CIP"), Electricity Sector – Information Sharing and Analysis Center ("ES-ISAC") operations, and reliability tools and support services.

With respect to CIP, NERC is consolidating responsibility for cyber security matters across all NERC activities into a single responsibility. NERC will staff a senior executive to be the Chief Security Officer who will serve as a single point of contact for the industry, the Electricity Sector Steering Group ("ESSG") and government stakeholders seeking to communicate with NERC on cyber and other infrastructure security matters.

With respect to ES-ISAC, it was formed by NERC in 1999 and has subsequently expanded its scope to include information about all types of threats to the reliability of the bulk power system, including natural disasters, power system operational issues, and physical and cyber security. In May 2008, the NERC Board created the ESSG to enhance strategic and policy guidance to the ES-ISAC and to provide broad electricity sector participation and support on critical infrastructure security matters.

NERC provides tools and other support services for the use and benefit of bulk power system operators including reliability coordinators. These tools provide situation awareness and rapid communications capability, help implement transmission loading relief procedures, and meet requirements for same-time information to market participants and others. The tools and support services NERC provides to the industry under this program are important to promoting and maintaining reliable operation of the bulk power system. Further, to the best of NERC's knowledge, it is the only organization making tools and support services with these functionalities available to owners, operators and users of the bulk power system and other bulk power system participants. In 2009, the NERC Situational Awareness and Infrastructure Security Program will manage the North American SynchroPhasor Initiative ("NASPI") project, including funding the contracted professional program manager, ensuring the successful installation of phasor measurement units at all key locations in the North American interconnections to provide optimal coverage and wide-area visibility, identify locations to house super data concentrators to improve data collection performance, reliability and availability, acquire necessary hardware and software to deploy at least three new sites in 2009, and design

and begin to construct the telecommunications network required to exchange data between super data concentrators and to deliver information created from that data to control centers.⁴⁷

Detailed program descriptions and planned 2009 activities, goals and objectives for the Situational Awareness and Infrastructure Security Program are provided at pages 47-51 in Section A of **Attachment 2**.

NERC has budgeted \$6,893,198 (including indirect expenses) for the Situational Awareness and Infrastructure Security Program for 2009. This is an increase of \$3,024,760 over the 2008 Budget and an increase of \$2,429,247 over the 2008 Projection. The 2009 Budget reflects seven FTEs in this program, an increase of two FTEs over the budgeted staffing and of one FTE over the actual staffing in 2008.⁴⁸ The primary drivers of the increased costs for this program in 2009 are additional personnel expenses and additional costs totaling approximately \$1,577,000 for consultants, contracts, office costs and furniture purchases, including approximately \$1,453,000 associated with the NASPI project and \$125,000 for furniture purchases to outfit an emergency response room. The direct cost components of the 2008 budget are personnel expenses (\$1,403,770), meetings, travel and conference call expense (\$195,161), contracts and consultants (\$3,826,600), and office costs and furniture purchases (\$155,874). The allocation of Administrative Services expenses to this program in the 2009 Budget is \$1,311,793.

⁴⁷The NASPI is the successor to the Eastern Interconnection Phasor Project and to the phasor development work done in the Western Interconnection. NASPI will be the international project to advance the application of phasor measurement technology in all interconnections in North America. The objective of NASPI is to use phasor measurement technology to provide grid operators with expanded interconnection visibility and improved situational awareness and to supplement the tools available to operators to monitor and control the bulk power system.

⁴⁸ See table on page 47 in Section A of **Attachment 2**.

7. Administrative Services

The Administrative Services departments support the other NERC programs. Administrative Services comprises the following functions: (i) Members' Forums; (ii) General and Administrative; (iii) Legal and Regulatory; (iv) Information Technology ("IT"); (iv) Human Resources, and (v) Finance and Accounting. Detailed functional descriptions and planned 2009 activities, goals and objectives for each of the functions included in Administrative Services are provided at pages 54-73 in Section A of **Attachment 2**.

Members' Forums – NERC's Rules of Procedures provides for members' forums that serve the interests of stakeholders within individual industry sectors and as a result help to improve the reliability of the bulk power system. NERC presently has one such forum, the Transmission Owners and Operators Forum. The 2009 Budget reflects two FTEs in this function, the same level of staffing as in 2008. The 2009 Budget for Members' Forums is \$857,572, consisting of personnel expenses (\$648,912), meeting and travel expenses (\$48,660) and contracts expense (\$160,000). The expenses for the Members' Forums are completely reimbursed through dues and other charges to the participants, and therefore do not impact the assessments to LSEs.

This function previously also included the management of the NERC Technical Committees; however, in the 2009 Business Plan and Budget that responsibility has been shifted to the Reliability Assessment and Performance Analysis and the Situational Awareness and Infrastructure Security programs.

General and Administrative – The General and Administrative Department consists of the NERC President and CEO, the Executive Vice President, the Director of Inter-Governmental Affairs, a communications specialist and two administrative assistants. The budget for this department also includes meeting, travel and conference call expenses (including such expenses

for the Board of Trustees and Board committees); NERC's office rent as well as other office costs; Board of Trustees fees (recorded in the budget under professional services expense); interest earned on cash balances and short-term investments of NERC funds; recoupment of uncollected assessments from prior years; and additions to the working capital reserve.

The 2009 Budget for General and Administrative is \$5,468,985, which is an increase of \$2,262,166 over the 2008 Budget and an increase of \$872,754 over the 2008 Projection. The six FTEs in the 2009 Budget in this department is the same as the current staffing but an increase of three FTE over the 2008 Budget. During 2008, one FTE position was moved from another Administrative Services department and two FTE positions were moved from the Reliability Standards Program to the General and Administrative department. However, the most significant drivers of the increased General and Administrative department 2009 Budget are the \$1,393,496 of other non-operating expenses, which consists of (i) \$264,144 to recoup uncollected prior years' assessments, and (ii) \$1,129,352 to increase NERC's working capital reserve to a target balance of \$2,500,000 at December 31, 2009. These items are discussed in §IV.B below.

Legal and Regulatory – The Legal and Regulatory function provides legal counsel to the NERC CEO, Board of Trustees, staff and committees on legal and regulatory matters affecting NERC; is responsible for preparing or overseeing filings with governmental entities; maintains relationships with governmental entities in the U.S., Canada and Mexico; reviews contracts entered into by NERC; and retains and oversees outside counsel. The 2009 Budget for Legal and Regulatory is \$2,986,510, which is an increase of \$1,385,227 over the 2008 Budget and an increase of \$1,489,602 over the 2008 Projection. The Legal and Regulatory 2009 Budget reflects the addition of one additional attorney to the current staffing, resulting in four FTEs for

this department. (Five FTEs were budgeted for Legal and Regulatory in the 2008 Budget, but one position was not filled and another position has been transferred to General and Administrative.) However, the most significant driver of the increased 2009 Budget for Legal and Regulatory is \$1,050,000 budgeted for consultants for the three-year performance assessment of NERC and the Regional Entities that will be performed beginning in late 2008 and must be submitted to FERC by July 20, 2009.

IT – NERC’s IT team performs typical IT development and maintenance functions needed for organizational support, thereby providing the foundational computer networks, systems and tools that support NERC’s day-to-day business processes and ensuring these information assets meet NERC’s existing and future needs.⁴⁹ IT also supports the development, maintenance and operation of reliability tools used by system operators and others to monitor system conditions in near real time. During 2009, IT will continue development of the Situational Awareness Tool through additional pilot phases for new users, identify and deploy an emergency notification system, and assist in the design and build-out of a NERC emergency response room. NERC’s 2009 Budget reflects 8 FTEs in this function, which is the same as the budgeted 2008 staffing and the current staffing. The 2009 Budget for IT is \$2,467,531, which is an increase of \$163,796 over the 2008 Budget and an increase of \$172,456 over the 2008 Projection. The most significant cost increase items in the 2009 Budget for IT are \$42,575 for computer purchases and maintenance and \$85,000 for furniture and equipment, reflecting costs

⁴⁹ These functions include ensuring all information systems are functional and secure; ensuring all applications running on those systems meet business requirements for performance, availability and security; planning and implementing organization-wide information systems, services and network facilities including local-area networks, WANS and peripheral systems; and creating and managing an information security program aimed at reducing risk to acceptable levels.

to re-wire NERC's headquarters offices and to add air conditioning and fire suppression to the computer room.

Human Resources – Human Resources designs, plans and implements human resources policies and procedures for staffing, compensation, benefits, employee relations and training and development. NERC's 2009 Budget reflects 4.5 FTEs in this function, which is the current staffing but an increase of one FTE over the 2008 Budget. The 2009 Budget for Human Resources is \$668,293, which is an increase of \$194,335 over the 2008 Budget and an increase of \$98,916 over the 2008 Projection. The 2009 Budget includes \$100,000 for executive search firm fees which were not included in the 2008 Budget.

Finance and Accounting – Finance and Accounting directs the overall financial plans and accounting practices of NERC; oversees treasury, accounting, budgeting, tax and audit activities; and oversees financial and accounting system controls and standards. Finance and Accounting has principal responsibility for preparation of NERC's annual budget packages (including those of the Regional Entities) for filing with FERC and appropriate governmental authorities in Canada. NERC's 2009 Budget reflects 5 FTEs in this function, which is the same as the 2008 Budget and the current staffing. The 2009 Budget for Finance and Accounting is \$856,446, which is a decrease of \$29,128 from the 2008 Budget and a decrease of \$15,883 from the 2008 Projection. This decrease is due to shifting consultant costs to the Legal and Regulatory department in the 2009 Budget.

B. Recoupment of Prior Years' Uncollected Assessments; Working Capital Reserve

NERC's 2009 Budget includes (i) \$264,144 for recoupment of prior years' uncollected assessments, and (ii) \$1,129,352 to achieve a target working capital reserve of \$2,500,000 at December 31, 2009. These two items increase the proposed ERO assessment for 2009 by a total

of \$1,393,496. The two items are discussed together here because both relate, ultimately, to the objective of maintaining a reasonable and proper working capital reserve.⁵⁰

The \$264,144 of uncollected prior years' assessments consist of two categories: (i) assessments that were correctly calculated and billed in 2007 to LSEs or designees but which NERC has determined are uncollectible (\$23,192.78); and (ii) assessments to LSEs in 2007 and 2008 that were calculated incorrectly and could not be collected from the LSEs or designees because the errors were brought to the attention of NERC or the Regional Entity in a timely manner shortly after the initial assessment (\$103,831.53 for 2007 and \$137,120 for 2008, totaling \$240,951.53). With respect to the first category, these amounts were not collected because the LSEs were no longer serving any load. After reasonable effort and investigation, in conjunction with the applicable Regional Entity if appropriate, NERC has determined that these amounts are uncollectible. With respect to the second category, the erroneous calculation of assessments for 2007 occurred because the NEL of certain LSEs operating in two Regions was reported by both Regional Entities; and for 2008 occurred because a Regional Entity erroneously reported two times the actual load served by certain LSEs. The resulting erroneous calculation and overbilling of assessments to certain LSEs created a shortfall in collections, because the erroneous over-allocation of ERO funding requirements to one LSE or Region resulted in under-allocation of funding requirements to all other LSEs or Regions.

With respect to the working capital reserve, in its 2007 Budget and its 2008 Budget, NERC requested additional funding sufficient to enable NERC to build its cash reserves balance

⁵⁰ NERC's projected working capital reserve at December 31, 2008 is \$1,370,648. See Table 5 on page 78 of Section B of **Attachment 2**. Had NERC collected some or all of the uncollected prior years' assessments of \$264,144, the working capital reserve at December 31, 2008 would be commensurately larger and the amount of additional assessment required in 2009 to achieve a working capital reserve of \$2,500,000 would be commensurately smaller.

to 10% of the requested assessments for the year (before the adjustment to increase the cash reserves balance). NERC believes the concept of a net funding reserve is a more appropriate financial and accounting measure of a reserve to provide, in a cost-effective manner, flexibility in responding to varying cash flow requirements over the course of the year, to timing mismatches between receipt of assessment collections and expense payments obligations, and to any unexpected costs. In this 2009 Budget filing (and those of the Regional Entities), the term “working capital reserve” has been used rather than “net funding reserve,” but the working capital reserves are calculated in the same manner as the net funding reserves .

Whereas NERC previously targeted a cash reserves balance equal to 10% of the proposed assessments for the budget year (excluding the additional assessment to achieve the desired cash reserve), for the 2009 Budget, NERC has determined that achieving a working capital reserve of \$2,500,000 at December 31, 2009, represents a reasonable and appropriate objective and will provide a reasonable and appropriate level of working capital reserve in light of the overall size of NERC’s operations and budget and the availability of a \$4,000,000 bank revolving line of credit. The \$2,500,000 working capital reserve is a target reserve that is more representative of NERC’s long-term, steady-state expenses and its cash and working capital requirements as it moves into its third full year of operation as the ERO. The analysis that NERC conducted to determine the working capital reserve of \$2,500,000 (rather than a target reserve of 10% of budget assessments) is discussed in greater detail on page 59 of **Attachment 2**.

Table 5 on page 78 in **Attachment 2** shows the calculation of the \$1,129,352 additional assessment needed to achieve a \$2,500,000 working capital reserve at December 31, 2009. Based on the 2008 Projection, NERC estimates that it will have a working capital reserve of \$1,370,648 at December 31, 2008. Therefore, to achieve a working capital reserve of

\$2,500,000 at December 31, 2009, an additional assessment of \$1,129,352 (*i.e.*, in addition to the net ERO assessment of \$30,795,696 needed to cover budgeted 2009 operating expenses) is needed. The resulting total net ERO assessment requested by NERC for 2009 is \$31,925,048.

V. REGIONAL ENTITY BUDGETS

A. Consistency Among Regional Entity Budgets

In developing the 2009 Regional Entity Business Plans and Budgets, NERC and the Regional Entities worked to build on the substantial effort they devoted to achieving consistency of format and presentation of information in the 2008 Business Plans and Budgets. NERC and the Regional Entities believe additional consistency has been achieved in the 2009 Business Plans and Budgets that are being submitted with this filing (**Attachments 3 through 10**).⁵¹ Each Regional Entity Business Plan and Budget begins with an Introduction section that presents a table showing Total Regional Entity Resources for 2009, including statutory and non-statutory FTEs and expenses, the proposed ERO funding assessment to recover the Regional Entity's statutory costs and the assessments or charges to members and others to recover other costs; and the Regional Entity NEL, allocated if applicable between the U.S., Canadian provinces and Mexico. The Introduction section also provides general information on the Regional Entity, including its membership and governance, its 2009 primary objectives, and major cost impacts for 2009.

The Regional Entity Business Plans next contain separate sections on each statutory program and administrative department or function of the Regional Entity. These sections are presented in similar format to the NERC Business Plan (Section A of **Attachment 2**), including (i) a table for each statutory program showing total FTEs, total direct expenses, total indirect

⁵¹ The process and timeline by which NERC and the Regional Entities worked together to develop the 2009 Regional Entity Business Plans and Budgets was described in §III.B above.

expenses, and total expenses, and (ii) a Statement of Activities for the program showing funding and expenses by major categories, with the information presented in each of these tables for the 2008 Budget, the 2008 Projection and the 2009 Budget. The text of these sections for each statutory program includes discussion of the major areas of, and major factors affecting increases or decreases in, costs for 2009.

Section B of each Regional Entity Business Plan and Budget presents the Regional Entity's detailed 2009 Budget. Section B contains a Statement of Activity (Table 1), by major funding and expense categories, for all the Regional Entity's statutory programs and costs, with information presented for the 2008 Budget, the 2008 Projection and the 2009 Budget. Table 2 shows the Regional Entity's FTEs by statutory program and for Administrative Services, for the 2008 Budget, the 2008 Projection and the 2009 Budget. Tables 3 and 4 are the Regional Entity's organization charts for 2008 and 2009. Table 5 provides the calculation of the additional assessment (if any) needed in 2009 to achieve the Regional Entity's target working capital reserve (net funding reserve) at December 31, 2009, and the resulting total net assessment requested by the Regional Entity.⁵² Subsequent tables (B-1 through B-11) in Section B provide more detailed information on funding and expenses for the major expense categories, comparable to the detailed tables in Section B of the NERC 2009 Business Plan and Budget.

Section C of each Regional Entity Business Plan and Budget provides (where applicable) information on the Regional Entity's non-statutory activities for 2009, including program descriptions and objectives, budget information, FTEs and organization charts.⁵³

⁵² SPP has determined that it does not need to maintain a working capital reserve. See §V.B.6 below.

⁵³ MRO, ReliabilityFirst and SERC do not plan to have, and have not budgeted for, any non-statutory activities in 2009. As explained in its Business Plan and Budget, SPP is unable to provide a non-statutory budget for 2009 because its planning and budgeting cycle does not result

At the end of each Regional Entity Business Plan and Budget, there is a one-page spreadsheet showing the Regional Entity's 2009 budgeted line-item funding sources and expenses, in total, by statutory and (if applicable) non-statutory, and by statutory program and administrative department, as well as the direct expenses and indirect expenses (overheads) for each statutory program.

NERC notes the following three topics which affect the Regional Entity 2009 Business Plans and Budgets. First, every Regional Entity has budgeted increased resources – in some cases significantly increased resources – in 2009 for its CMEP and Organization Registration and Certification Program, including increased FTEs for this program. Some Regional Entities (as well as NERC) have observed that the demand for technically qualified, experienced electric industry personnel for CMEP positions is likely exerting upward pressures on the personnel expense that must be incurred to fill these positions.

Second, as discussed above in §IV.A.3, NERC is eliminating Reliability Readiness Evaluation and Improvement as a separate program as of the end of the first quarter of 2009. As discussed in the Business Plan and Budget of each Regional Entity, some Regional Entities have budgeted no resources for this program for 2009, in the expectation that they can complete any necessary activities by year-end 2008, while other Regional Entities have budgeted some resources for this program for 2009, in the expectation that some activities will carry over into 2009 before the program is terminated (*e.g.*, performance or support of presently-scheduled readiness evaluations). NERC also notes that elimination of this program does not necessarily result in a corresponding decrease in Administrative Services staffing or expenses for the Regional Entity, with the result that Administrative Services expenses are reallocated to the other

in finalization and Board approval of the overall SPP budget until October. SPP has included its overall 2008 budget for information.

statutory programs on a proportional FTE basis, resulting in higher indirect expenses for those programs.

Third, each Regional Entity (except SPP, as noted above) has determined a target amount of working capital reserve to be achieved at December 31, 2009, and calculated the additional assessment amount needed in 2009 to achieve that target. The Business Plan and Budget of each Regional Entity identifies and explains its working capital reserve target and presents the calculation of the additional 2009 assessment amount needed to achieve the target.

NERC also notes that on June 4, 2008, it filed with FERC the initial set of penalties assessed against Registered Entities for violations of Reliability Standards. These penalties were assessed by MRO (\$75,000) and ReliabilityFirst (\$180,000) to registered entities in their Regions. On July 3, 2008, FERC issued its order in Dockets AD08-10-000 and NP08-1-000 through NP08-37-000 affirming these penalty assessments based on expiration of the statutory 30-day FERC review period.⁵⁴ NERC's delegation agreements with the Regional Entities specify that all penalty monies received by a Regional Entity (other than penalty monies received from an operational function or division or affiliated entity of the Regional Entity) shall be applied as a general offset to the Regional Entity's budget requirements for U.S.-related activities for the subsequent fiscal year.⁵⁵ However, the penalties assessed by MRO and ReliabilityFirst, and confirmed by FERC on July 3, 2008, have not been incorporated as offsets to these Regional Entities' budget requirements for 2009 in their 2009 Budgets, due to the timing of FERC's Order confirming the penalties, the pendency of the rehearing period, and the fact that the penalties were still in process of being collected in July and August. NERC believes that

⁵⁴ *Guidance on Filing Reliability Notices of Penalties; North American Electric Reliability Corp.*, 124 FERC ¶ 61,015 (2008)

⁵⁵ This provision is found in §4 of Exhibit E to the delegation agreements.

penalties for violations of reliability standard should not be used as offsets to a Regional Entity's U.S. budget requirements until the penalty has actually been collected from the registered entity. NERC and the Regional Entities intend to adopt a formal policy establishing a cut-off date (likely to be on or about June 30) for receipt of penalty payments to be used as offsets to the Regional Entity budget requirements for the following budget year; penalties collected after the cut-off date would be used as offsets to the Regional Entity's U.S. budget requirements for the second succeeding budget year.

B. Discussion of Individual Regional Entity Business Plans and Budgets

This section discusses highlights of the individual Regional Entity Business Plans and Budgets.

1. FRCC

FRCC has budgeted total statutory expenses of \$3,977,868 for 2009, a decrease of approximately \$12,000 from its 2008 Budget. FRCC plans total staffing for statutory and administrative programs of 18.34 FTEs, an increase of 1.85 FTE over its 2008 Budget. Although FRCC's total 2009 statutory budget is essentially unchanged from 2008 (in part due to elimination of the Reliability Readiness Evaluation and Improvement program), FRCC is budgeting increased resources for its CMEP for 2009. FRCC's target working capital reserve at December 31, 2009, is \$392,089, based on 10% of budgeted 2009 statutory expenses; however, FRCC does not require an additional assessment to reach this target. FRCC's 2009 Budget for non-statutory activities (total direct expense plus total indirect expense) is \$3,361,112.

2. MRO

MRO has budgeted total statutory expenses of \$6,405,724 for 2009, an increase of \$1,074,236 over its 2008 Budget. MRO plans total staffing for statutory and administrative programs of 26.5 FTEs, an increase of 3.6 FTEs over its 2008 Budget. MRO is budgeting

increased resources for its CMEP and Organization Registration and Certification Program for 2009, with a plan to increase FTEs in this program by 2.5 over current staffing and a budgeted total expense increase of \$398,709 for this program over its 2008 Budget. MRO is also budgeting significantly increased resources for its Reliability Assessment and Performance Analysis Program for 2009, with a plan to increase FTEs in this program by 2.55 over the 2008 Budget and a budgeted total expense increase of \$733,348 for this program over its 2008 Budget. MRO has identified a target working capital reserve of approximately \$790,000, representing 45 days' expenses, but has elected not to increase its assessments in 2009 to reach this level of reserve, in anticipation of a leveling of expenses beginning in 2010. MRO plans no non-statutory activities in 2009 and therefore has no 2009 Budget for non-statutory activities.

3. NPCC

NPCC has budgeted total statutory expenses of \$10,008,885 for 2009, an increase of \$2,503,978 over its 2008 Budget. NPCC plans total staffing for statutory and administrative programs of 27.2 FTEs, an increase of 2 FTEs over its 2008 Budget. NPCC's 2009 Budget for CMEP and Organization Registration and Certification reflects an increase of \$1,466,665 in total (direct plus indirect) expenses over the 2008 Budget, including a staffing increase of 1.5 FTE over the 2008 Budget and an increase in contractor usage and costs to assist in compliance audits. NPCC is also budgeting an increase of \$830,701 in total expenses for the Reliability Assessment and Performance Analysis Program over the 2008 Budget, which incorporates increases of approximately \$338,000 in personnel expenses and \$171,000 in contracts expense for this program. Finally, NPCC is budgeting an increase of \$652,771 in total expenses for the Situational Awareness and Infrastructure Security Program over the 2008 Budget, which incorporates an increase of approximately \$274,000 in personnel expenses for this program. With respect to Administrative Services, NPCC is budgeting an increase of \$1,806,657 for 2009

over the 2008 Budget. A significant component of this increase, \$1,269,339, represents one-time costs NPCC will incur in 2009 in connection with relocation of its offices to a new location in New York City. NPCC's target working capital reserve at December 31, 2009 is \$2,001,451 (20% of its total statutory budget); only a minimal additional assessment (\$1,629) is required in 2009 to achieve this target. NPCC's total non-statutory (Criteria Services Division) budget for 2009 is \$1,012,790.

For purposes of determining the assessments to recover NPCC's statutory funding requirement, the statutory funding requirement is allocated among the Balancing Authority Areas within NPCC in the U.S., Ontario, Québec, New Brunswick and Nova Scotia. As discussed in §III.D and §VI, the 2009 allocation of a portion of NPCC's statutory costs is affected by the application of NERC's Expanded Policy on Allocation of Certain Compliance and Enforcement Costs and the resulting adjustments to the allocation of NPCC's statutory funding requirement to IESO and Québec. Table 6 on page 63 of NPCC's Business Plan and Budget (**Attachment 5**) shows the development of the 2009 assessments by Balancing Authority Area within NPCC to recover NPCC's statutory funding requirement, taking into account the adjustments to the assessment to IESO and Québec implementing the Expanded Policy.

4. ReliabilityFirst

ReliabilityFirst has budgeted total statutory expenses of \$11,434,201 for 2009, an increase of \$1,769,945 over its 2008 Budget. ReliabilityFirst plans total staffing for statutory and administrative programs of 44 FTEs, an increase of 10 FTEs over its 2008 Budget. ReliabilityFirst is budgeting significantly increased resources for its CMEP and Organization Registration and Certification Program for 2009, with a plan to increase FTEs in this program by 11 over the 2008 Budget and 5 FTEs over the current staffing, and a budgeted total expense increase of \$2,758,249 for this program over its 2008 Budget. ReliabilityFirst is also budgeting

an increase of \$290,320 for the Situational Awareness and Infrastructure Security Program in 2009 over the 2008 Budget, including an increase of 1.2 FTE. In the Administrative Services functions, *ReliabilityFirst* is budgeting an increase of \$460,514 for Information Technology over the 2008 Budget, although this in fact represents a decrease of \$709,606 from the 2008 Projection. The significant areas of increase for Information Technology in the 2009 Budget over the 2008 Budget are consultants (\$33,000), office costs (\$176,000) and computer purchases and maintenance (\$223,000). *ReliabilityFirst*'s target working capital reserve at December 31, 2009 is \$1,000,000 (representing approximately 10% of expenses), which is approximately \$2.5 million less than its projected working capital reserve at December 31, 2008. Therefore, *ReliabilityFirst*'s statutory assessment amount for 2009 (\$8,833,834) is less than its budget (\$11,434,201). *ReliabilityFirst* plans no non-statutory activities in 2009 and therefore has no 2009 Budget for non-statutory activities.

5. SERC

SERC has budgeted total statutory expenses of \$10,095,546 for 2009, an increase of \$2,104,525 over its 2008 Budget. SERC plans total staffing for statutory and administrative programs of 43 FTEs, an increase of 11 FTEs over its 2008 Budget and 5.9 FTEs over its 2008 Projection. SERC is budgeting increased resources for its CMEP and Organization Registration and Certification Program for 2009, with a plan to increase FTEs in this program by 7.3 over the 2008 Budget and 4.5 FTEs over the current staffing, and a budgeted total expense increase of \$1,591,100 for this program over its 2008 Budget. In addition to an increase in personnel expenses for this program of \$1,041,906 over the 2008 Budget, SERC is budgeting increases in meetings and travel expenses of approximately \$320,000 and in contract costs of \$183,000.⁵⁶

⁵⁶ SERC is budgeting higher meetings and travel expenses for many of its statutory programs and administrative services functions.

SERC is also budgeting an increase of \$524,914 in total expenses for the Reliability Assessment and Performance Analysis Program over the 2008 Budget, which incorporates increases of \$208,649 in personnel expenses (increase of 1.9 FTEs) and \$230,000 in consultant expenses for this program. Finally, SERC is budgeting an increase of \$260,700 in total expenses for the Situational Awareness and Infrastructure Security Program over the 2008 Budget, which incorporates an increase of approximately \$198,000 in personnel expenses (increase of 1.3 FTEs) for this program.

With respect to Administrative Services as a whole, SERC's total 2009 budgeted have increased approximately \$269,000 over the 2008 Budget. Of this amount, approximately \$210,000 resulted from the increase for the working capital reserve (see next paragraph), resulting in a decrease of \$59,000 for Administrative Services from the 2008 Budget. In comparing the 2008 Budget to the 2009 Budget, the personnel expenses for Finance and Accounting, Human Resources, Legal and Regulatory and IT were consolidated into General and Administrative in order to protect individual employees' salary information, which can be determined for administrative functions with very small staffing complements. Due to this consolidation, there was a large increase in General and Administrative personnel expenses and a corresponding decrease in the other Administrative Departments. SERC is not budgeting any increase in Administrative Services FTEs over the 2008 Budget.

SERC's target working capital reserve at December 31, 2009 is \$1,009,555 (10% of budgeted annual statutory expenses), which necessitates an additional assessment amount for 2009 of \$210,453. SERC plans no non-statutory activities in 2009 and therefore has no 2009 Budget for non-statutory activities.

6. SPP

SPP has budgeted total statutory expenses of \$6,481,036 for 2009, an increase of \$1,871,952 over its 2008 Budget. SPP plans total staffing for statutory and administrative programs of 17.2 FTEs, an increase of 4.8 FTEs over its 2008 Budget and 3.3 FTEs over its 2008 Projection. SPP is budgeting increased resources for its CMEP and Organization Registration and Certification Program for 2009, with a plan to increase FTEs in this program by 2.5 over the 2008 Budget and a budgeted total expense increase of \$891,114 for this program over its 2008 Budget. Budgeted personnel expense for this program is \$416,769 higher than the 2008 Budget. SPP is also budgeting an increase of \$338,406 in total expenses for the Reliability Assessment and Performance Analysis Program over the 2008 Budget, which incorporates increases of \$108,227 in personnel expenses (increase of 1 FTE) and \$56,000 in consultants expense. Finally, SPP is budgeting an increase of \$221,303 in total expenses for the Situational Awareness and Infrastructure Security Program over the 2008 Budget; SPP had no FTEs assigned to this program in the 2008 Budget.

With respect to Administrative Services, SPP is budgeting an increase in General and Administrative expenses of \$624,991, and a decrease in Members' Forums and Technical Committees expense of \$130,000, from its 2008 Budget. SPP's budget for statutory activities includes the allocation of overheads from Southwest Power Pool, Inc.; the allocation of overheads to the SPP Regional Entity is determined by applying a standard hourly cost rate to the number of SPP FTEs directly performing statutory activities.⁵⁷ This cost allocation procedure is

⁵⁷ See pages 6 and 74 of **Attachment 8**. For the SPP 2009 Budget, the standard rate used is \$101 per hour based on 1,880 annual hours of resource availability. This rate could be changed in future years.

provided for in §5 of Exhibit E to the delegation agreement between NERC and SPP that is presently before FERC for approval in Docket RR07-6-004:

[A]n allocation of SPP overhead costs to statutory activities is calculated and the allocated overhead costs are recorded on the NERC Statement of Activities. These overhead costs are shared throughout the SPP organization and include costs for payroll and accounts payable processing, human resources and benefits management, accounting, information technology, executive leadership, corporate affairs and communications, office costs and other support services and expenditures. This allocation is calculated using a standard hourly rate multiplied by the number of SPP staff hours spent directly performing SPP's statutory activities. The hourly rate for allocated overhead costs is developed using SPP's current year operating budget, by separating SPP's shared services support costs which support all of SPP's functions (*i.e.*, the costs for the activities identified in the second sentence of this paragraph) from SPP's operational resource pool. The total shared services support costs are then divided by estimated total annual available work hours for SPP's operational resource pool. The average annual employee utilization rate assumes each employee works an eight-hour work day with adjustments to reflect SPP's employment policies related to vacation allotment, SPP holidays and other non-productive leave.

As noted earlier, SPP has determined it does not need to establish a working capital reserve, because it has access to operating cash balances and bank lines of credit for short-term funding needs. However, as stated in Table 5 on page 61 of **Attachment 8**, SPP has included \$642,791 in its proposed 2009 statutory funding requirement to recover its 2007 and projected 2008 under-funding of statutory activities (\$438,754 and \$204,037, respectively). As also noted earlier, SPP is unable to provide a 2009 Budget for non-statutory activities because its overall annual budget for 2009 will not be approved, in accordance with SPP's normal planning and budgeting cycle, until October 2008. SPP has included its 2008 Budget for non-statutory activities in its Business Plan and Budget, for information.⁵⁸

⁵⁸ See pages 70-73 of **Attachment 8**.

7. Texas RE

Texas RE has budgeted total statutory expenses of \$6,167,024 for 2009, an increase of \$2,870,958 over its 2008 Budget. Texas RE plans total staffing for statutory and administrative programs of 26.95 FTEs, an increase of 7.62 FTEs over its 2008 Budget and 6.2 FTEs over its 2008 Projection. Texas RE is budgeting increased resources for its CMEP and Organization Registration and Certification Program for 2009, with a plan to increase FTEs in this program by 7.75 over the 2008 Budget and a budgeted total expense increase of \$2,724,455 for this program over its 2008 Budget. Budgeted personnel expense for this program is \$783,120 higher than the 2008 Budget. Texas RE is also budgeting an increase of \$345,951 in total expenses for the Situational Awareness and Infrastructure Security Program over the 2008 Budget, which incorporates an increase of approximately \$115,335 in personnel expenses (increase of 1.1 FTEs) for this program.

With respect to Administrative Services, Texas RE is budgeting an increase in General and Administrative expenses (excluding provision for working capital reserve) of \$862,216 over its 2008 Budget. The principal components of this increase are personnel expenses (\$337,887; Texas RE is increasing FTEs in Administrative Services by 2.3 FTEs over the 2008 Budget), contracts expense (\$191,654), office rent (\$437,550), and computer purchases and maintenance (\$77,400), partially offset by a decrease in budgeted professional services expense of \$130,000. Texas RE is expecting increased office rent in 2009. In addition, Texas RE has budgeted in Administrative Services for a number of systems-related projects that will benefit all of Texas RE's statutory programs and administrative departments.⁵⁹

⁵⁹ Texas RE receives facilities, treasury, finance, human resources, legal and IT support from ERCOT, pursuant to a memorandum of understanding between Texas RE and ERCOT that sets forth the details of the support and services provided by ERCOT and the associated expenses. A

Texas RE's target working capital reserve at December 31, 2009 is \$855,000, representing approximately 60 days of operating expenses, which is a commonly used measure in the financial community for appropriate cash reserves. However, Texas RE's projected statutory working capital reserve at December 31, 2008 (\$2,666,323) substantially exceeds this target, enabling a reduction in the 2009 assessment amount. Although Texas RE's budgeted statutory expenses for 2009 are \$6,167,024 (\$5,312,024 excluding the target working capital reserve amount), its requested statutory assessment amount for 2009 is only \$3,430,700. Texas RE's total non-statutory budget for 2009 is \$871,997.

8. WECC

WECC has budgeted total statutory expenses of \$38,691,767 for 2009, an increase of \$6,019,893 over its 2008 Budget. WECC plans total staffing for statutory and administrative programs of 140 FTEs, an increase of 28 FTEs over its 2008 Budget. WECC is budgeting significantly increased resources for its CMEP and Organization Registration and Certification Program for 2009, with a plan to increase FTEs in this program by 10 over the 2008 Budget and a budgeted total expense increase of \$4,405,842 for this program over its 2008 Budget. Budgeted personnel expense, meetings, travel and conference call expenses, consultant expense and office costs for this program are, respectively, \$871,998, \$666,640, \$929,500 and \$150,468 higher than the 2008 Budget. These increased budgeted expenses for the CMEP and Organization Registration and Certification Program are partially offset by lower budgeted expenses totaling \$1,021,419 for contracts, office rent, professional services and computer purchases and maintenance. WECC is also budgeting increases in total expenses for the Training, Education and Operation Certification Program, the Reliability Assessment and

copy of the memorandum is included at the end of Texas RE's Business Plan and Budget, **Attachment 9.**

Performance Analysis Program and the Situational Awareness and Infrastructure Security Program of \$427,806, \$569,426, and \$468,556, respectively, over the 2008 Budget. The increased total expense budgeted for the Situational Awareness and Infrastructure Security Program is attributable to an increase in budgeted indirect expenses of \$4,332,719, which in turn is due primarily to the 2009 debt service and repayment cost of \$3,256,063 relating to the \$6 million line of credit WECC obtained in 2008 to fund accelerated completion of the WECC Reliability Coordination Strategic Initiative including the completion and operation of the two new WECC-owned Reliability Coordination Centers in Vancouver, Washington and Fort Collins, Colorado.

WECC's total 2009 budgeted expense for Administrative Services is \$7,868,381 higher than the 2008 Budget, excluding a \$1,000,000 provision for working capital reserve.⁶⁰ In light of other factors driving increases in its 2009 assessments (including the incremental assessment amount of \$3,256,063 for debt service and repayment of the \$6 million line of credit), WECC determined to request an additional assessment amount of only \$1,000,000 towards establishing a reasonable statutory working capital reserve, even though a much higher amount could be justified based on a target working capital reserve equal to three months of cash expenses. As a result, WECC projects it will have a statutory working capital reserve of approximately \$124,000 at December 31, 2009. WECC's total non-statutory budget for 2009 is \$798,197.

C. Metrics Related to Regional Entity Budgets

NERC's 2008 Business Plan and Budget filing included an attachment (Attachment 7) setting forth a series of metrics developed by NERC and the Regional Entities to be used as a further aid to understanding where and why differences exist among the Regional Entities'

⁶⁰ See the table on page 41 of **Attachment 10**.

activities and budgets. The metrics provided, by Regional Entity, detailed information about how the Regional Entity is organized, how it does its business, and the relative sizes of the organizations and the amount of work they have to do. The metrics took the form of a series of responses to a number of specific questions, first with respect to the general structure and makeup of each Regional Entity, followed by responses for each program area in its Business Plan. NERC indicated that it would continue to present these metrics in future years' annual business plan and budget filings.

Attachment 14 (comparable to Attachment 7 in the 2008 Business Plan and Budget filing) provides the metrics for the Regional Entities based on their current operations and their 2009 Business Plans and Budgets. Information on shared employees is provided in items 3 and 4 under "Organization-Wide" (pages 2-3) in **Attachment 14**. Information on planned compliance audits, by type (*e.g.*, on-site and off-site), as well as other compliance activities such as self-certifications and spot checks, for each Regional Entity for 2009, is provided in item 4 under "Compliance Enforcement and Organization Registration" on pages 10-11 in **Attachment 14**. (A number of the Regional Entities also provided some or all of this information in the CMEP section of their Business Plans.) The total number of Registered Entities within each Region is provided in item 4 of "Organization-Wide" on pages 2-3, and in item 2 under "Compliance Enforcement and Organization Registration" on page 9, in **Attachment 14**.⁶¹ (Again, a number of the Regional Entities provided this information within their Business Plans.)

NERC has prepared, as **Attachment 15**, an additional set of metrics comparing and analyzing certain components of the NERC and Regional Entity 2009 Business Plans and

⁶¹ In addition, item 3 under "Compliance Enforcement and Organization Registration" on page 9 of **Attachment 14** provides information on the number of functions per registered entity for each Regional Entity.

Budgets. Specifically, **Attachment 15** shows, for NERC's and each Regional Entity's proposed 2009 Budget (i) total indirect expenses as a percentage of total statutory budgeted expenses (page 1 of **Attachment 15**⁶²); (ii) direct program costs per FTE (page 2 of **Attachment 15**); and (iii) Compliance Monitoring and Enforcement and Organization Registration and Certification Program costs per registered entity (page 3 of **Attachment 15**). Following the three pages of tables, **Attachment 15** contains text describing the manner in which these calculations were performed, and providing observations on the resulting metrics.⁶³ NERC and the Regional Entities intend to use analyses such as **Attachment 15** as tools as they continue to work to eliminate inconsistencies in the allocation and recording of costs, and to eliminate variances in costs and costs-per-measure, among NERC and the Regional Entities, for future years' budget submissions.

VI. EXPANDED POLICY ON ALLOCATION OF CERTAIN COMPLIANCE AND ENFORCEMENT COSTS AMONG THE UNITED STATES, CANADIAN PROVINCES AND MEXICO

In its 2008 Business Plan and Budget filing, in response to issues regarding cost allocation that were raised by certain Canadian entities during the preparation of the 2007 budget, NERC provided a policy statement on the allocation of certain compliance and enforcement costs that had been adopted by the Finance and Audit Committee of the NERC

⁶² Page 1 of **Attachment 15** also shows the budgeted indirect FTEs and the budgeted total FTEs, and the indirect FTEs as a percentage of total FTEs, in the 2009 Business Plans and Budgets of NERC and each Regional Entity; and lists whether and to what extent various categories of costs are included by NERC and each Regional Entity in their respective budgeted indirect expenses for 2009.

⁶³ The Finance and Audit Committee of the NERC Board held a special meeting on August 18, 2008 to discuss the Regional Entity metrics. **Attachment 15** is the result, in part, of directions given by the Finance and Audit Committee at that meeting.

Board of Trustees.⁶⁴ The policy statement applied to entities outside the United States that are carrying out an active compliance monitoring and enforcement program and thereby incur costs that would otherwise be incurred by NERC or a Regional Entity. The policy statement described five conditions that must be met:

1. The special allocation adjustment will be available only for jurisdictions outside the United States, consistent with applicable agreements or memoranda of understanding with provincial regulatory and/or governmental authorities.
2. The special allocation adjustment will be available only for activities associated with a Compliance Monitoring and Enforcement Program. Other program areas will be subject to NERC's normal allocation policies.
3. The special allocation adjustment will be available only where the provincial government, by statute or regulation, has designated an entity other than a Regional Entity to have primary responsibility for reliability services such as compliance monitoring and enforcement and where NERC and the designated entity have entered into an agreement or memorandum of understanding recognizing the respective responsibilities of the various organizations.
4. The designated entity must actually be conducting an effective compliance monitoring and enforcement program.
5. The special allocation adjustment will be applied to the costs of the Regional Entity, and where appropriate, costs of NERC.

As reported in the 2008 Business Plan and Budget filing, based on the cost allocation policy statement, (i) NERC and NPCC negotiated an arrangement with the IESO that recognized the IESO performs compliance monitoring and enforcement activities with respect to reliability standards pursuant to legislation and regulations adopted within Ontario designating the IESO as principally responsible for compliance monitoring, and (ii) NERC and the Ontario Energy Board executed a memorandum of understanding recognizing the IESO's role.⁶⁵ NERC stated that because the IESO is performing that activity, it is incurring costs that would otherwise be incurred by NERC and NPCC. The effect of the arrangement described in the 2008 Business

⁶⁴ See the 2008 Business Plan and Budget filing at 43-44 and Attachment 5.

⁶⁵ *Id.* at 44.

Plan and Budget filing excluded certain NERC and NPCC costs in calculating the NERC and NPCC assessment that the IESO would be asked to pay in 2008; the excluded amounts were allocated to all other entities under the general allocation methodology used in developing the assessments.⁶⁶ The details of the adjustments for NERC and NPCC, and the effects of the adjustment on the allocations to other entities, were shown elsewhere in the 2008 Business Plan and Budget filing.⁶⁷ Additionally, NERC reported that during preparation of the 2008 Business Plan and Budget, TransÉnergie had also raised certain cost allocations questions regarding both the NERC and NPCC assessments, but that TransÉnergie had informed NERC and NPCC that it would not contest the 2008 allocations for NERC or NPCC so long as NERC and NPCC continued to work on those issues for the 2009 budget, and that NERC and NPCC had committed to do so.⁶⁸

As a result of these further negotiations, NERC has developed and adopted an Expanded Policy on Allocation of Certain Compliance and Enforcement Costs (“Expanded Policy”) that it believes will be acceptable to TransÉnergie, the Régie and other governmental authorities in Québec (as well as to NPCC and the IESO). The Expanded Policy, which was adopted by the NERC Board of Trustees on July 30, 2008, is provided in **Attachment 16**. To address the situation with Québec, the policy was revised in two respects, and the significant changes are quoted below:

Being respectful of jurisdictional responsibilities, and consistent with executed agreements or memoranda of understanding between provincial and/or regulatory governmental authorities, NERC also considers incorporation of alternatives to

⁶⁶ *Id.*

⁶⁷ *Id.*; see also Attachment 5, and Appendices C-3 and C-4 of Attachment 2, to the 2008 Business Plan and Budget filing.

⁶⁸ *Id.* at 44-45.

the NEL based on allocation methodology for Province-specific costs associated with certain implementation aspects of the Compliance Monitoring and Enforcement Program within Canada, which can be apportioned based on the number and complexity of compliance audits conducted in a particular Province.

In addition, in the Province of Québec, where the Régie de l'énergie may enter into an agreement with a body to monitor compliance with reliability standards and provide enforcement recommendations, where all these criteria are satisfied, NERC, the appropriate regional entity, and the designated entity will develop a special allocation adjustment that takes account of all the facts and circumstances of the particular situation and is equitable to both the designated entity as well as all other entities. The special allocation adjustment is subject to approval of the NERC Board of Trustees.

The Expanded Policy has been used in this filing to allocate the NERC and NPCC 2009 assessments for certain costs of their CMEP among the IESO, Québec and the remaining Balancing Authority Areas within NPCC. As a result of implementation of the Expanded Policy, certain NERC and NPCC CMEP and Organization Registration and Certification program costs have been excluded in calculating the NERC and NPCC assessment that the IESO will be asked to pay in 2009; the excluded amounts are allocated to all other entities under the general allocation methodology used in developing the assessments. In addition, NERC and NPCC expect shortly to sign an agreement with the Québec Régie under which the Régie will pay NERC and NPCC for providing certain compliance monitoring and enforcement services to the Régie for the Province of Québec. The amount NPCC will charge the Régie for compliance monitoring and enforcement services in 2009 takes account of the relatively smaller number of audits that would be necessary in Québec, and was calculated as follows: 45% of NPCC's CMEP budget was allocated to Québec on the basis of a per audit cost, and 55% was allocated to Québec on the basis of NEL. NERC's allocation to Québec also took account of the relatively low number of audits and other CMEP activities that would be necessary in Québec, and was calculated by excluding the costs of nine of the 18 compliance auditors in the NERC CMEP and associated indirect expenses, and then allocating the remaining portion of NERC's CMEP budget

on the basis of NEL. As is the case with Ontario, the excluded amounts are allocated to all other entities under the general allocation methodology used in developing the assessments.⁶⁹

Attachment 16 contains, in addition to the Expanded Policy, (i) a one-page narrative explaining the proposed adjustment to the IESO 2009 NERC assessment, (ii) the calculation of the proposed adjustment to the IESO 2009 NERC assessment, (iii) a letter from the IESO accepting the 2009 adjustment, (iv) a one-page narrative explaining the proposed adjustment to the Québec 2009 NERC assessment, (ii) the calculation of the proposed adjustment to the Québec 2009 NERC assessment. The proposed adjustment to the Québec NERC 2009 assessment is subject to the final approval of the Régie and other governmental entities in Québec, which had not been obtained as of the date of this filing. NERC will make a supplemental filing in this docket to advise FERC when the necessary governmental approvals in Québec have been obtained.

The effect of these adjustments on the NERC assessment is shown in Appendix C-3 in Section C of **Attachment 2**. The effect of these adjustments on the NPCC assessment is shown in Appendix C-4 of **Attachment 2**.⁷⁰ Specifically, \$228,579 of NERC's compliance program costs and \$410,332 of NPCC's compliance program costs are excluded from IESO's assessment, and \$143,420 of NERC's compliance program costs and \$455,035 of NPCC's compliance program costs are excluded from the calculation of the assessment to the Balancing Authority Area for Québec. The adjustments to the NPCC allocations for IESO and Québec are based on

⁶⁹ Both the IESO and TransÉnergie will pay the 2009 assessment for all NERC and NPCC programs other than the CMEP and Organization Registration and Certification Program based upon the general NEL-based allocation formulas.

⁷⁰ The allocation of NPCC's statutory funding requirement to the Balancing Authority Areas within NPCC, including the effect of the adjustments to the costs allocated to the IESO and to Québec, is also shown in Table 6 on page 63 of the NPCC Business Plan and Budget (**Attachment 5**).

an alternate allocation that appropriately charges the Québec province based upon an approved audit-based allocation methodology. The excluded costs are allocated to the remaining entities using the general allocation methodologies for NERC and using the audit-based allocation methodology for NPCC.⁷¹

NERC and the Regional Entities have proposed amendments to the pertinent provisions of their delegation agreements to provide that where a Regional Entity seeks to adopt a cost allocation formula other than NEL, it shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the revised formula and file for approval by May 15, with the revised cost allocation formula to be effective for the following budget year.

The Expanded Policy, and its implementation to allocate assessments beginning with the 2009 budget, are acceptable to NERC and NPCC and to the most directly impacted entities responsible for assessments in Ontario and Québec. Approval of the Expanded Policy will finally resolve a long-standing concern of the IESO and TransÉnergie concerning the allocation to Canadian entities of assessments to recover U.S.-related compliance monitoring and enforcement costs and other U.S. statutory program costs.

VII. ADDITIONAL RECONCILIATIONS OF 2007 BUDGETED VERSUS ACTUAL EXPENSES BASED ON AUDITED FINANCIAL STATEMENTS REQUIRED BY FERC

In the 2008 Budget Order, FERC directed NERC to prepare and file, by April 1 of the following year, a reconciliation of each year's annual approved NERC and Regional Entity budgets against actual expenditures, beginning with a reconciliation for 2007.⁷² NERC provided

⁷¹ That is, the NERC costs are allocated among all remaining entities, and the NPCC costs are allocated among the remaining Balancing Area Authority Areas within NPCC based on an audit-based allocation methodology.

⁷² 2008 Budget Order at P 23 and ordering paragraph (G).

these reconciliations for 2007 in the April 1 2008 Budget Compliance Filing to FERC, but noted that because, pursuant to the approved delegation agreements, the Regional Entities are not required to provide their audited financial statements for a calendar year to NERC until 150 days following the end of that year, the reconciliations presented in the April 1 Budget Compliance Filing were based on unaudited financial statements for all but one of the Regional Entities.⁷³ In the June 19 2008 Budget Compliance Order, FERC directed that NERC's 2009 Business Plan and Budget Filing include an additional reconciliation(s), if necessary, showing any changes from the 2007 budget versus actual reconciliations provided in the April 1 2008 Budget Compliance Filing based on the audited financial statements for 2007.⁷⁴

The audited financial statements of NERC and the Regional Entities for 2007 did in fact result in some changes to the unaudited financial statements used to prepare the reconciliations provided in the April 1 2008 Budget Compliance Filing. Accordingly, NERC has prepared the additional reconciliations of budgeted to actual costs for NERC and the Regional Entities for 2007 as required by P 40 of the FERC June 19 2008 Budget Compliance Order. These additional reconciliations are provided in **Attachment 17**.⁷⁵ For NERC and each Regional Entity, **Attachment 17** shows the 2007 actual funding and expenses per the April 1 2008 Budget Compliance Filing; 2007 actual funding and expenses per the entity's 2007 Audit; the variance (if any) between the actual 2007 funding and expenses provided in the April 1 2008 Budget

⁷³*Additional Compliance Filings of the North American Electric Reliability Corporation in Response to October 18, 2007 Order* filed April 1, 2008 in Docket No. RR07-16-003 ("April 1 2008 Budget Compliance Filing"), at 17.

⁷⁵ The reconciliation presented for FRCC in the April 1 2008 Budget Compliance Filing was based on FRCC's audited financial statements for 2007; therefore, no additional reconciliation for FRCC has been provided in **Attachment 17**.

Compliance Filing and in the 2007 Audit; and an explanation of the cause of the variance (if any). For each entity, this information is provided for statutory funding and expenses and, if applicable, for non-statutory funding and expenses and in total.

Additionally, §1105.1 of the NERC Rules of Procedure specifies that the annual Business Plan and Budget filing must include the previous year's audited financial statements for NERC and the Regional Entities. Therefore, the audited 2007 financial statements for NERC and the Regional Entities, including the opinion of the entity's independent auditor (or, in the case of Texas RE, the auditor's statement of agreed procedures), are provided in **Attachment 18**.⁷⁶

VIII. ADOPTION OF REVISED NERC RECORDS RETENTION POLICY BY MRO AND NPCC

MRO and NPCC have now completed the revision and adoption of their records retention policies to conform to NERC's revised records retention policy . MRO's revised records retention policy is provided in **Attachment 19**. NPCC's revised records retention policy is provided in **Attachment 20**. Both the MRO records retention policy and the NPCC records retention policy conform to the NERC records retention policy (in fact, for some categories of documents, the MRO policy provides for a longer retention period than does the NERC policy.)

⁷⁶ In **Attachment 18**, NERC's 2007 audited financial statements are presented first, followed by the 2007 audited financial statements of the Regional Entities, in alphabetical order. The audited financial statements provided for SPP are the audited financial statements for Southwest Power Pool, Inc., since the SPP Regional Entity is not a separate corporate entity.

Respectfully submitted,

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Attachment 1

NERC's proposed budget and funding requirement by program

NERC Program	Budget for Statutory Functions 2008	Budget for Statutory Functions 2009
Reliability Standards	\$ 4,990,523	\$ 5,665,032
Compliance Enforcement and Organization Registration and Certification	\$ 7,914,174	\$ 12,290,829
Reliability Readiness Evaluation and Improvement	\$ 3,355,606	\$ 485,429
Training, Education and Operator Certification	\$ 2,149,068	\$ 2,593,173
Reliability Assessment and Performance Analysis	\$ 4,254,186	\$ 6,519,959
Situational Awareness and Infrastructure Security	\$ 3,868,438	\$ 6,893,198
Total Budget	\$ 26,531,995	\$ 34,447,620 ¹
Less: Non-Assessment Revenues	\$ 1,593,000	\$ 2,522,572
Plus: Provision for Reserves	\$ 755,036	[See footnote 1]
Total Funding Requirement	\$ 25,694,031	\$ 31,925,048
Allocation of Funding to Canadian Entities	\$ 2,852,512	\$ 3,188,927
Administrative Services (allocated to program areas)	\$9,359,657	\$13,305,335

¹ Includes provision for working capital reserve of \$1,129,352, which has been allocated to the statutory programs and included in the budgeted statutory program costs listed above.

Proposed budget for statutory activities of each regional entity

Regional Entity	Budget for Statutory Functions 2008	Allocation to Canada 2008	Budget for Statutory Functions 2009	Allocation to Canada 2009
FRCC	\$ 3,989,948	\$ - 0 -	\$ 3,977,868	\$ - 0 -
MRO	\$ 5,331,487	\$ 853,895	\$ 6,405,724	\$ 984,638
NPCC	\$ 7,648,718	\$ 4,020,380	\$10,008,885	\$ 4,680,083
RFC	\$ 9,664,256	\$ - 0 -	\$11,434,201	\$- 0 -
SERC	\$ 7,991,021	\$ - 0 -	\$10,095,546	\$ - 0 -
SPP	\$ 4,609,083	\$ - 0 -	\$ 7,123,827	\$ - 0 -
TRE	\$ 3,296,066	\$ - 0 -	\$ 6,167,024	\$ - 0 -
WECC²	\$ 32,671,874	\$ 4,584,299	\$38,691,767	\$5,134,215
Total	\$ 75,202,453	\$ 9,458,574	\$83,809,296	\$10,798,936

Funding requirement for Section 215(j) activities requested by WIRAB

2008 Funding				
Regional Advisory Body Funding	U.S. Funding	Canadian Funding	Mexico Funding	Total Allocation
WIRAB	\$ 404,035	\$ 66,966	\$ 6,260	\$ 477,261

2009 Funding				
Regional Advisory Body Funding	U.S. Funding	Canadian Funding	Mexico Funding	Total Allocation
WIRAB	\$ 321,336	\$ 52,365	\$ 4,571	\$ 378,272

² 2008 amounts for WECC in this **Attachment 1** are based on the amended and corrected WECC 2008 Budget approved by FERC on April 17, 2008 (123 FERC ¶ 61,031).

Aggregate Canadian ERO funding requirement of NERC, the regional entities and WIRAB for which approval is requested

2008 Funding					
Regional Entity	NERC Funding	Regional Entity Funding	WIRAB Funding	Total Allocation	Allocation per kWh (2006 NEL)
FRCC	\$ - 0 -	\$ - 0 -	--	\$ - 0 -	\$- 0 -
MRO	\$ 277,729	\$ 853,894	--	\$ 1,131,623	\$0.000026
NPCC	\$ 1,921,917	\$ 4,020,380	--	\$ 5,942,297	\$0.000016
RFC	\$ - 0 -	\$ - 0 -	--	\$ - 0 -	\$- 0 -
SERC	\$ - 0 -	\$ - 0 -	--	\$ - 0 -	\$- 0 -
SPP	\$ - 0 -	\$ - 0 -	--	\$ - 0 -	\$- 0 -
TRE	\$ - 0 -	\$ - 0 -	--	\$ - 0 -	\$- 0 -
WECC	\$ 652,866	\$4,584,299	\$ 66,966	\$5,304,131	\$0.000044
Total	\$2,852,512	\$9,458,574	\$ 66,966	\$12,378,052	\$0.000024

2009 Funding					
Regional Entity	NERC Funding	Regional Entity Funding	WIRAB Funding	Total Allocation	Allocation per kWh (2007 NEL)
FRCC	\$ - 0 -	\$ - 0 -	--	\$ - 0 -	\$- 0 -
MRO	\$ 326,308	\$ 984,638	--	\$ 1,310,946	\$0.0000312
NPCC	\$ 2,086,979	\$ 4,680,083	--	\$ 6,767,062	\$0.0000182
RFC	\$ - 0 -	\$ - 0 -	--	\$ - 0 -	\$- 0 -
SERC	\$ - 0 -	\$ - 0 -	--	\$ - 0 -	\$- 0 -
SPP	\$ - 0 -	\$ - 0 -	--	\$ - 0 -	\$- 0 -
TRE	\$ - 0 -	\$ - 0 -	--	\$ - 0 -	\$- 0 -
WECC	\$ 775,640	\$ 5,134,215	\$ 52,365	\$ 5,962,220	\$0.0000495
Total	\$3,188,927	\$ 10,798,936	\$ 52,365	\$14,040,228	\$0.0000263

ATTACHMENT 2

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

2009 Business Plan and Budget

FINAL

(Version 3.1)

to ensure
the reliability of the
bulk power system

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Introduction

Total NERC Resources (in whole dollars)				
	2009 Budget	U.S.	Canada	Mexico
Statutory FTEs	100.5			
Statutory Expenses	\$34,447,620			
ERO Funding Assessments	\$31,925,048	\$ 28,668,409	\$ 3,188,927	\$ 67,713
NEL	4,575,312,681	4,031,511,081	533,292,179	10,509,421
NEL %	100.0%	88.114%	11.656%	0.230%

The North American Electric Reliability Corporation (NERC) is a not-for-profit membership corporation organized under the New Jersey Nonprofit Corporation Act with a mission to ensure the reliability of the bulk power system in North America. Membership in NERC is open to any person or entity that has an interest in the reliable operation of the North American bulk power system.

NERC has been certified as the Electric Reliability Organization (ERO) within the United States. The ERO is defined in Section 215(a)(2) of the Federal Power Act (FPA) as the self-regulatory organization certified by the Federal Energy Regulatory Commission (FERC) under Section 215(c) of the Federal Power Act to establish and enforce reliability standards for the bulk power system, subject to review by FERC. NERC presently has memorandums of understanding in place with Ontario, Nova Scotia, Québec, and the Canadian National Energy Board. NERC also has an agreement with Manitoba Hydro, making reliability standards mandatory as to that entity. In addition, NERC has been designated as the “electric reliability organization” under Alberta’s Transportation Regulation. NERC standards are mandatory and enforceable in Ontario and New Brunswick as a matter of provincial law. NERC is working with the other governmental authorities in Canada to achieve equivalent recognition.

In the 2008 business plan, NERC extended the operation of the ERO into its first full year. The primary focus was to achieve excellence in operations at a record-setting pace while assuring the building blocks are in place to improve the reliability of the bulk power system in North America in both the short and long term. A new strategic plan was developed for the years 2008–2013¹ as the fundamental platform upon which annual business plans would be built. This business plan is the first one developed using the guidance and directions set forth in this new strategic plan.

NERC’s principal activities in 2009 will continue to be the development, improvement, and adoption of reliability standards to ensure the reliable operation of the bulk power system of North America and the monitoring, evaluating, and enforcement (where authorized) of compliance with those reliability standards by owners, operators, and users of the bulk power system. In addition, NERC’s activities will include conducting assessments of the reliability and adequacy of the North American bulk power system. NERC will perform additional functions in support and furtherance of these responsibilities, such as training and certification of bulk power system operators, and maintaining situation awareness of events that threaten the reliability of the bulk power system. All of these activities serve the broad public purpose of helping to improve reliability.

¹ ftp://ftp.nerc.com/pub/sys/all_updl/docs/pubs/Strategic-PlanWebsite.pdf

Strategic Plan 2008–2013

During 2007, the NERC Board of Trustees developed a strategic plan to provide direction for the corporation's activities in 2008 and beyond. This plan has two key components: (1) it reaffirmed the corporate mission, vision, and value statements that have been embodied in prior strategic plans², and (2) it stated strategic directional statements for the company. The five strategic direction statements cover the following topics:

- Business Model
- International Relationships
- Operations
- Assessments
- Tools and Technology

Each of the elements in this business plan supports at least one of these strategic topics.

Delegated Authority and the Regional Entities

As part of its responsibilities, NERC delegates its authority to Regional Entities to perform certain functions through delegation agreements. This is consistent with the business model described in the strategic plan and the Energy Policy Act of 2005. On March 21, 2008, FERC approved revised delegation agreements between NERC and eight regional entities (Florida Reliability Coordinating Council, Midwest Reliability Organization, Northeast Power Coordinating Council, Inc., ReliabilityFirst Corporation, SERC Reliability Corporation, Southwest Power Pool, Inc., Texas Regional Entity, and the Western Electricity Coordinating Council). These delegation agreements describe the enforcement authority delegated to the Regional Entities in the United States. NERC expects Regional Entities with cross-border responsibilities to perform equivalent functions in those jurisdictions. The funding for Regional Entities is approved separately with each Regional Entity submitting its own business plan and budget for consideration by NERC and the regulatory authorities. The Regional Entity business plans and budgets may be found on the following Web site: http://www.nerc.com/~filez/regional_entity_business_plan_2009.html, and have been filed with FERC for approval.

A senior NERC staff member has been assigned the responsibility to work with Regional Entity and NERC staff to ensure the successful implementation and execution of all aspects of the Regional Delegation Agreements in support of NERC's overall mission. These responsibilities include:

- Ensure that Regional considerations and implementation perspectives are included in all decision making, especially during the transition to a fully-functioning ERO; build consensus among Regional and NERC staff.
- Leverage Regional Entity staff for recommendations on key matters related to NERC programs.

² *NERC Strategic Plan — 2003–2006*, approved by the Board of Trustees on June 10, 2003 and the updated version *NERC Strategic Plan — 2005–2008*, approved by the Board of Trustees on October 15, 2004.
2009 NERC Business Plan and Budget — Version 3.1
Approved by Board of Trustees: July 30, 2008

Introduction

- Foster an open, transparent, and inclusive environment and constructive communications between and among Regional Entity and NERC staffs with the understanding that Regional Entities and NERC are mutually invested in our own successes.
- Act as a liaison between the Regional Entity and NERC staffs to help improve the working relationship, processes and procedures, and resolve differences through a mutually understood conflict resolution process.
- Serve as a clearinghouse for specific NERC-Regional Entity coordination issues that need corrective actions and organize processes for doing so; ensure that processes for making policy calls by NERC are well defined and incorporate Regional input and feedback; facilitate policy decisions on a consistent basis; and maintain flexibility to make mid-course corrections as necessary.
- Ensure that weekly coordination calls and meetings are used to proactively discuss issues and policy decisions which need attention before problems arise; facilitate priority issues and risks from the Regions.
- Work with the senior NERC team and the Regional Entity Management Group to promote consistency and uniformity across the Regional Entities and NERC.
- Be an advocate for positive change and creating value.

2008 Budget Versus 2008 Projection

NERC has established a projection of 2008 funding and expenses to reflect actual 2007 operating experience, modifications to the 2008 budget, and conforming changes. Total funding in 2008 is expected to exceed the budget by \$1,445,037. This increase is primarily due to \$755,037 included in ERO assessments to increase the working capital reserve to 10 percent of assessments, which was approved but not presented as a budgeted line item, and \$610,000 of membership dues which are expected to be collected from the members of the Transmission Owners and Operators Forum (Forum) which was not budgeted because the agreement with the Forum was formalized after the 2008 budget was submitted.

Total personnel expenses are projected to be \$158,290 under budget as a result of one less full time employee (FTE) being hired and a delay in filling open FTE positions, offset by an increase in retirement costs to reflect a modification in the 401(k) plan which accelerates entry dates for certain employees. Meeting expenses are projected to be \$350,343 over budget as a result of increased travel expenses. Operating expenses are expected to exceed the budget by \$441,513 primarily due to higher frame relay contract costs and increased computer purchases and maintenance resulting from an expense category reclassification.

Other non-operating expenses of \$755,037 reflect the assessment required to increase the working capital reserve.

The projected change in assets in 2008 is \$56,432.

2009 Budget Version 3.1 Versus Version 2.0

Version 1.1 of the *NERC 2009 Business Plan and Budget* was posted for comment on April 22, 2008 and a Budget Workshop was held May 7, 2008. The due date for comments on the first draft was May 16, 2008. Version 2.0 was posted on June 13, 2008 and comments were due on July 3, 2008. Numerous comments were received regarding the increases in FTEs and total expenses when comparing the 2008 budget and 2008 projection to the 2009 budget.

Introduction

Version 3.1 of the *NERC 2009 Business Plan and Budget* reflects the phasing out of the Reliability Readiness and Evaluation Program resulting in a reduction of 8.5 FTE positions. The decision to phase out this program is explained more fully later. In the Reliability Assessment and Performance Analysis Program one FTE was added to support Event Analysis and a .5 FTE administrative assistant was removed from the budget. The net FTE reduction in Version 3.1 versus Version 2.0 is eight. The resultant reduction in personnel expenses totals \$778,524.

Meeting expenses were reduced by \$73,164 in Version 3.1. At \$2,644,629 this continues to represent a relatively sizeable portion of the total budget. In order to achieve this level of spending for meetings and travel, which represents a 20 percent increase over the 2008 budget and a 3 percent increase over the 2008 projection, NERC intends to require that preferred hotels with pre-negotiated rates be utilized for all meetings, more meetings be held in Princeton, and a greater percentage of meetings be conducted via conference calls, WebEx, or similar medium.

Operating expenses were increased by \$146,035 from Version 2.0 to Version 3.1 due to an increase in the expected cost of the NASPI project in 2009 by \$153,000 offset by reduction in office costs of \$6,965.

The reduction in assessments from Version 2.0 to Version 3.1 totals \$858,345.

2009 Budget Version 3.1

The NERC expense budget for 2009 totals \$33,054,124, an increase of \$6,522,130 (24.5 percent) over the 2008 budget and an increase of \$5,888,563 (21.7 percent) over the current 2008 projection. Excluding \$1,050,000 budgeted for the NERC and Regional Entity self-assessment, the 2009 expense budget is 20.6 percent greater than the 2008 budget and 17.8 percent greater than the 2008 projection. The 2009 budget reflects total FTEs of 100.5. This is flat to the 2008 projection and one FTE less than the 2008 budget. The Compliance Monitoring and Enforcement Program will add four FTEs, Reliability Assessment and Performance Analysis will add 2.5, and Situational Awareness and Legal and Regulatory will each add one. 8.5 FTEs will be removed due to the phasing out of the Reliability Readiness and Evaluation Program. Total FTEs in 2009 of 100.5 in Version 3.1 of the budget is eight FTEs below Version 2.0 of the budget. If opportunities arise to hire capable individuals with experience and background that will further NERC's mission, NERC will maintain the flexibility to do so whether or not the specific position has been budgeted.

Personnel expenses are expected to increase by \$2,158,920 or 12.9 percent over the 2008 projection to \$18,915,565 reflecting salary increases, incremental retirement costs resulting from a plan change, and the addition and reduction of FTEs.

Total meeting expenses are budgeted at \$2,644,629, which is \$88,086 (3.4 percent) greater than the 2008 projection, and \$438,429 (19.9 percent) greater than the 2008 budget. The 2008 projection and 2009 budget reflect 2007 actual operating experience combined with ongoing efforts to reduce the number of face-to-face meetings, utilize preferred hotels with pre-negotiated rates, and hold more meetings in Princeton to contain employee travel costs.

Total operating expenses are budgeted for 2009 at \$11,493,930, which is \$3,641,557 (46 percent) greater than the 2008 projection and \$4,083,070 (55 percent) greater than the 2008 budget. Included in the operating expense budget for 2009 is \$1,453,000 for the North American SynchroPhasor Initiative (NASPI) project, \$1,050,000 to complete a self-assessment of NERC

Introduction

and the eight Regional Entities, \$500,000 to implement a new Compliance Reporting Analysis and Tracking System (C-RATS), \$250,000 to conduct Regional Entity Compliance Audits, and \$125,000 to house an Electricity Sector Information Sharing and Analysis Center (ES-ISAC) operating during grid emergencies within NERC's existing office space.

Other non-operating expenses are budgeted at \$1,393,496 for 2009. Included in this line item is \$264,144 representing uncollectable allocations from previous years. The balance of \$1,129,352 represents the amount necessary to achieve a working capital reserve equal to \$2,500,000 by year end 2009. While developing the 2009 budget, NERC staff completed an analysis of working capital reserve amounts requested and approved in previous budgets. In the past the budgeted reserve balances were established at an amount equal to 10 percent of total assessments. The analysis compared previously budgeted reserves to actual and forecasted cash on hand during the course of the operating year. In addition, actual and forecasted cash on hand was compared to expected reserve levels, assuming a continuation of the previously employed methodology. It was concluded that a reserve equal to 10 percent of the budgeted 2009 assessments was not required. In addition, based upon historic month-end cash balances, which are typically expected to reach a low point in December, staff concluded that a working capital reserve equal to \$2,500,000 was sufficient. This reserve amount, along with a bank revolving line of credit of \$4,000,000 is expected to provide adequate working capital to support expected operating activities. This reserve amount was recommended to and accepted by NERC's Finance and Audit Committee.

Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, adjustment, and budget for each program area are included in Section A. The 2009 budget schedules are shown in Section B.

Section A — 2009 Business Plan

Reliability Standards Program

Reliability Standards Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	15.0	14.0	14.0
Total Direct Expenses	\$3,118,592	\$2,893,141	\$3,041,445
Total Indirect Expenses ³	\$1,871,931	\$2,065,614	\$2,623,587
Total Expenses	\$4,990,523	\$4,958,755	\$5,665,032

Background

NERC will accept and evaluate proposals for, and will develop and approve, technically sound, fair, and balanced reliability standards designed to ensure the reliability of the bulk power system in North America. NERC will submit such standards to FERC for adoption as mandatory for bulk power system owners, operators, and users in the United States, and to the applicable governmental authorities in Canada for similar status. NERC has established, and will utilize, a reliability standards development process that has been accredited by the American National Standards Institute (ANSI) as meeting ANSI's essential requirements for standards development: fair, balanced, open, inclusive, and conducted with due process. Volunteer technical experts and stakeholders from the electric utility industry will develop the standards under the facilitation of NERC's professional staff, including NERC's standards development coordinators and process manager.

The activities necessary to implement the reliability standards development process will be conducted, to the extent possible, by conference calls, use of e-mail, Web site postings, and other means of electronic communications. In the event face-to-face meetings of participants are needed, those meetings will take place at NERC's headquarters in Princeton, New Jersey, or at other locations in various cities within the United States and Canada, as selected from time to time for the convenience of the meeting attendees.

Based on the allocation of professional and technical staff time to NERC programs and other resources that it expects to devote to the Reliability Standards Program, NERC estimates it will spend 16.5 percent of its resources on this activity.

Standards Process

NERC's Reliability Standards Development Process is overseen by a Standards Committee whose purpose is to ensure that all stakeholder interests are fairly represented in the development of reliability standards, and that standards development teams have the technical resources and capabilities required to develop technically sound standards that will gain industry support. The open, inclusive, balanced, and transparent process ensures the resulting standards are just,

³ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

Section A — 2009 Business Plan

reasonable, and nondiscriminatory. Participation by industry experts and compliance personnel ensures that the standards are technically sound, unambiguous, and measurable. The Standards Committee is a broad-based, representative committee consisting of two representatives from each segment of the Registered Ballot Body (RBB). Participation in the RBB, which consists of multiple, defined segments, is open to any person or entity with an interest in the reliability of the North American bulk power system.

Reliability standards approved by the NERC Board of Trustees will be filed with FERC for its approval in accordance with Section 215(d) of the FPA and 18 C.F.R. § 39.5, and with the applicable governmental authorities in Canada. Processing the standards project-related postings in accordance with the Reliability Standards Development Procedure remains a critical path to timely completion of new or revised standards. The three-year standards work plan contemplates over 35 standards development projects from 2008 through 2010, a four-fold increase from 2006. In addition, NERC coordinates its reliability standards development activities with business practice standards developed by the North American Energy Standards Board (NAESB).

FERC must find that a proposed reliability standard is just and reasonable, not unduly discriminatory or preferential, and in the public interest. Once FERC approves a standard and the effective date is reached, compliance with the standard is legally binding on all applicable owners, operators, and users of the bulk power system in the United States. NERC is working to gain recognition as the Electric Reliability Organization in the various jurisdictions in Canada and presently has memoranda of understanding in place with Ontario, Nova Scotia, Québec, and the Canadian National Energy Board. NERC has also been recognized as the ERO by the Alberta Ministry of Energy. NERC standards are mandatory and enforceable in Ontario and New Brunswick as a matter of provincial law.

Status of Mandatory Standards and the 2009 Work Plan

Reliability standards are mandatory and enforceable in the Canadian provinces of Ontario and New Brunswick upon approval of the NERC Board of Trustees and after a brief public notice period and are mandatory and enforceable in the United States upon approval by FERC. Legislation is in place to permit reliability standards to become mandatory and enforceable in the provinces of Alberta, British Columbia, Nova Scotia, and Québec. NERC also has an agreement with Manitoba Hydro, making reliability standards mandatory as to that entity. Reliability standards in the remaining jurisdictions are effective (but not mandatory and enforceable) through the membership of the reliability entities in the Regional Entity organizations. The NERC website provides the most recent listing of continent-wide and regional reliability standards approved by the NERC Board of Trustees as well as an indication of whether each standard has been approved by relevant regulatory jurisdictions. Where regulatory approval also directs modifications, those modifications are included in on-going standards development work along with projects from the reliability standards development plan.

The continued focus of the standards development work plan in 2009 is to complete the work necessary to ensure all of NERC's existing standards meet statutory and regulatory requirements as ERO standards. The focus is to make identified improvements to the highest priority standards in accordance with the *Reliability Standards Development Plan 2008–2010*, and its 2009–2011 successor, and obtain regulatory approval of those standards. One of the highest priorities NERC has in this area is addressing changes to its CIP standards as directed by FERC in Order 706. The CIP standards drafting team has been seated and work has already begun. NERC will review its standards work plan with FERC and the appropriate governmental authorities in Canada at least annually, or as requested, to coordinate work priorities and

Section A — 2009 Business Plan

expectations. NERC filed its most recent work plan update with FERC and the applicable governmental authorities in Canada in October 2007.

Standards Program Goals

The goals of the standards program for 2009 are to:

- Meet all United States and Canadian governmental authority directives with regard to standards development and procedures, including FERC Order Nos. 693, 705, and 706.
- Meet the milestones in the three-year standards work plan.
- Ensure the consistency and quality of regional reliability standards.
- Streamline and improve the standards process and associated tools.
- Work closely with NAESB in coordinating business practices and reliability standards.
- Communicate with stakeholders and regulators regarding standards development.
- Establish a long-term vision for standards improvement and initiate implementation of the strategy.
- Ensure the topics addressed by the reliability standards keep pace with changing industry needs.
- Strengthen the relationship with the industry's technical committees to ensure adequate input to standards development.

Standards Program Objectives

The standards program objectives for 2009 are grouped into six categories: standards development, regional reliability standards development, standards improvement, business practice interface standards, process improvement, and communications.

Standards Development

- Develop and revise standards as directed by applicable regulatory authorities with sufficient interaction with the regulatory authorities during the development and revision process to achieve unconditional approval when filed.
- Meet the deliverables outlined in the current version of the *Reliability Standards Development Plan 2008–2010*. Complete the following projects in 2009:
 - Project 2007-03 — Real-Time Operations
 - Project 2007-04 — Certifying System Operators
 - Project 2007-05 — Balancing Authority Controls
 - Project 2007-11 — Disturbance Monitoring
 - Project 2007-12 — Frequency Response
 - Project 2007-17 — Protection System Maintenance and Testing
 - Project 2008-03 — Emergency Operations
- In accord with the *Reliability Standards Development Plan 2008–2010*, initiate the development process for the following new or modified standards:
 - Use of phasor measurement devices;

Section A — 2009 Business Plan

- Review of the INT family of standards;
 - Improvements to FAC-001 and FAC-002 pertaining to connecting new facilities to the grid;
 - Update to the disturbance and sabotage reporting requirements;
 - Improve the presentation and content of standards pertaining to protection systems;
 - Modeling load and demand data modifications;
 - Protection system standard improvements; and
 - Resource adequacy assessments.
- Propose new standards resulting from lessons learned by other NERC programs in the course of their activities (e.g., reliability assessment and performance analysis, compliance monitoring and enforcement, training, and situation awareness and infrastructure security).

Regional Reliability Standards Development

- Process regional standards submitted for approval and make recommendations to the NERC Board of Trustees.
- Provide guidance to regional entities in the development of regional standards during the developmental stages of the process.

Standards Improvement

- As appropriate, incorporate changes to the *Reliability Standards Development Plan 2008–2010* based on the needs and priorities identified by the industry and regulators in a technical review and assessment of reliability standards.
- Use the *Reliability Standards Development Procedure* to incorporate changes to planning and operating criteria and the definition of adequate level of reliability into reliability standards.
- Implement recommendations of the Standards Committee on the future organization of NERC's Reliability Standards.

Business Practice Interface

- Continue to coordinate NERC–NAESB standards efforts with respect to transmission loading relief, available transfer capability, balancing authority controls, interchange, and related tools.
- Continue to review and identify improvements to the joint NERC–NAESB development processes and procedures.
- Explore the roles of NERC and NAESB organizationally to identify possible overlaps and create synergies resulting in increased efficiency.
- Schedule joint meetings between the Standards Committee and the NAESB Wholesale Electric Quadrant Executive Committee to consider issues of common interest.

Standards Process Improvement

Section A — 2009 Business Plan

- Revise standards development processes and procedures, as necessary, in response to findings of July 2009 performance assessment.
- Revise standards development rules and procedures in response to governmental agency directives.
- Evaluate alternatives and improvements that ensure consensus is being achieved in an efficient manner.
- Establish criteria for determining what is a “high quality” standard.
- For high priority standards, shorten average development time to 12 months through stakeholder ballot (exclusive of field testing) while ensuring that the standard produced meets the criteria for “high quality” defined above.
- Evaluate the need to develop a triage function to assign resources to key issues.
- Increase interaction between the Standards Committee and the standards drafting teams to improve progress on work plan deliverables and better manage issues of concern.
- Develop an improved model for responding to requests for formal interpretation.
- Evaluate the cost of formal submission of approved standards to ANSI for adoption as a national ANSI standard.
- Submit all approved standards for regulatory approval within one month of Board of Trustees action.
- Develop and implement a reliability standard version control and notification process.
- Evaluate the need for process changes, and, if necessary, implement appropriate changes to ensure drafting teams maintain focus on developing excellent technical standards.
- Assign, as required, regulatory or legal expertise to drafting teams to assist in developing standards with requirements and measures that are legally defensible.
- Improve the process of obtaining Standards Committee input when responding to regulatory directives or questions regarding reliability standards.
- Assign, as required, a professional technical writer to craft reliability standard language reflecting input from the drafting team experts.
- Establish targets for staffing and tools to support the standards process:
 - Identify areas for greatest opportunity for process improvement.
 - Rethink the process for achieving consensus on standards.
 - “Flatten” the standards process by conducting at least 50 percent of all drafting team and committee meetings by conference calls and Web casts, and through greater utilization of e-mail.
 - Survey stakeholders and drafting team members for input regarding the standard development process to identify opportunities for improvement.
 - Survey drafting team members after each project concludes for input regarding the standard development process to identify opportunities for improvement.
 - Evaluate and identify ways to improve ballot performance (quorums and balance).
 - Track adherence to the standards procedure.
 - Improve the training of drafting teams and revise drafting team guidelines as needed.

Communications

Section A — 2009 Business Plan

- Educate and inform industry stakeholders through standards workshops.
 - Consider innovative methods to increase industry participation, such as presentation of workshops through use of videotaping, Webinars, or WebEx's.
- Increase the outreach to industry stakeholders to specifically include trade organizations, through formalized standards conferences to obtain input to the reliability standards work plan and standards processes.
- Update and inform governmental authorities on the standards development work plan and processes through individual discussions and joint meetings and conferences.
- Develop standards program communications that support NERC's overall communications platform.
- Establish NERC's standards Web site as the "one-stop" for all supporting materials pertaining to the standards.

Section A — 2009 Business Plan

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Standards					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 3,118,592	\$ 3,118,592	\$ -	\$ 3,041,445	\$ (77,147)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 3,118,592	\$ 3,118,592	\$ -	\$ 3,041,445	\$ (77,147)
Expenses					
Personnel Expenses					
Salaries	\$ 2,129,315	\$ 1,741,045	\$ (388,270)	\$ 1,883,419	\$ 142,374
Payroll Taxes	121,612	99,437	(22,175)	118,776	19,339
Benefits	257,778	210,773	(47,005)	203,272	(7,501)
Retirement Costs	144,687	232,637	87,950	271,107	38,470
Total Personnel Expenses	\$ 2,653,392	\$ 2,283,891	\$ (369,501)	\$ 2,476,574	\$ 192,683
Meeting Expenses					
Meetings	\$ 160,000	\$ 232,050	\$ 72,050	\$ 168,120	\$ (63,930)
Travel	205,200	245,700	40,500	300,000	54,300
Conference Calls	-	-	-	10,000	10,000
Total Meeting Expenses	\$ 365,200	\$ 477,750	\$ 112,550	\$ 478,120	\$ 370
Operating Expenses					
Consultants	\$ 100,000	\$ 100,000	\$ -	\$ 50,000	\$ (50,000)
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	31,500	31,500	36,750	5,250
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 100,000	\$ 131,500	\$ 31,500	\$ 86,750	\$ (44,750)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 3,118,592	\$ 2,893,141	\$ (225,451)	\$ 3,041,445	\$ 148,303
Change in Assets	\$ -	\$ 225,451	\$ 225,451	\$ -	\$ (225,451)

Summary of Significant Variances — 2008 Projection to 2009 Budget

Personnel Expenses

- The increase in personnel expense represents salary increases for current staff, and one position added mid-year in 2008, having a full year of expense reflected in 2009. The reduction in the cost of benefits is the result of lower medical benefits insurance rates.

Meeting Expenses

- As a result of greater utilization of conference calls rather than in-person meetings, limiting meeting locations to places where lower, pre-negotiated rates are available, and reduced travel costs for staff by holding a greater percentage of meetings in Princeton, total meeting costs are expected to remain flat.

Operating Expenses

- Consultant expense: To assist with development of NERC's standards Web site as the "one stop" for all supporting materials pertaining to standards.
- Office Costs: Cell phone and wireless broadband internet connection cards are now charged directly to appropriate program areas instead of to General and Administrative.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	26.0	27.0	31.0
Total Direct Expenses	\$4,669,493	\$4,592,062	\$6,481,457
Total Indirect Expenses	\$3,244,681	\$3,983,683	\$5,809,372
Total Expenses	\$7,914,174	\$8,575,745	\$12,290,829

Background

As the ERO, NERC monitors and enforces compliance with approved reliability standards by owners, operators, and users of the bulk power systems throughout North America.

Monitoring, auditing, investigating, and enforcing compliance with reliability standards by owners, operators, and users of the bulk power system, as well as the development and adoption of the reliability standards themselves, are at the core of NERC's mission. Through a rigorous program of monitoring, audits, investigations, mitigation activities, and if necessary, the imposition of penalties and sanctions for noncompliance with reliability standards, NERC will strive to maintain a high level of reliable operation of the bulk power system. Reliable operation of the bulk power system is in the public interest, because it will benefit all owners, operators, and users of the bulk power system and, ultimately, all users and consumers of electric power in North America.

NERC's Compliance Monitoring and Enforcement Program (CMEP) activities will be conducted at its headquarters in Princeton, New Jersey, at Regional Entity offices, at the locations of owners, operators, and users of the bulk power system, and at such other field locations throughout North America as are necessary for the performance of these activities, including the organization of enforcement and appeal hearings at locations by the Regional Entities.

Monitoring for compliance with, and investigating alleged violations of, reliability standards will be conducted by NERC and Regional Entities' professional staff, with assistance from time to time by volunteers from the electric industry, government, and academia. Volunteers will be utilized primarily to provide industry expertise to compliance audit teams, technical advice, and recommendations to compliance staff. The program will be carried out in the United States as described in the NERC Rules of Procedure, NERC CMEP, and Regional Entity Delegation Agreements as approved by FERC. Separate agreements exist with some Canadian Provinces and may involve differing practices and rules.

The NERC CMEP is comprised of four key areas: organization registration and certification, compliance monitoring and reporting, enforcement and mitigation, and regional program oversight.

Based on the portion of its professional/technical staff time, and other resources that it expects to devote to the reliability standards compliance enforcement process, NERC estimates that it will spend 35.8 percent of its resources on this activity.

2009 Highlights

Organization Registration and Certification

Registration and, in some cases, certification of the organizations responsible for complying with the standards, will be an ongoing activity. The NERC Compliance Registry contains information on over 1,800 distinct organizations responsible for reliability of some portion of the bulk power system. Maintaining a complete and accurate database will also be an ongoing activity. NERC, in 2009, expects to begin to utilize this database as a means of communicating compliance requirements to the owners, operators, and users of the bulk power system. Information necessary to support such communications is collected at the time of registration and is continually maintained. Further, registration of entities utilizing the Joint Registration Organization provisions of the NERC Rules of Procedure will increase. Joint registration requires the registration of owners, operators, and users selecting this method of registration to be registered based on each of the over 1,200 applicable requirements in the standards, as opposed to registration by function type assigned to each of the 104 approved reliability standards. This type of registration requires a much more robust database to keep track of specific requirements each entity is subject to, as opposed to which standards they are subject to. These factors will require the addition of one FTE in this area to support the expansion of the database to allow input directly by the Regional Entities through enhanced Web interfaces.

Compliance Monitoring and Reporting

2009 will be the second full year for the enforceable CMEP in the United States. NERC continues to enhance the infrastructure to implement the CMEP including processes, procedures, software, and tools. NERC will implement a new Compliance Reporting, Analysis, and Tracking System (C-RATS) in 2009 using an outside software developer. This tool is expected to provide a much-improved reporting interface for the Regional Entities and enable more efficient reporting to appropriate governmental authorities. It will consolidate the registration, compliance violation, mitigation, and enforcement databases to allow efficient flow and analysis of information. This tool will directly interface with the regional databases and allow direct access to certain information by regulatory authorities replacing submissions by e-mail and otherwise thereby creating a need for direct user support with the Regional Entities and regulators. This area is currently understaffed to effectively manage and analyze the data while providing the support necessary to coordinate with vendors, Regional Entities, regulators, and other departments within NERC seeking compliance information, results, and trends. This effort will require one additional FTE to fully support the development, operation, and maintenance of the new system while also providing the support necessary for data tracking, reporting, and analysis.

Enforcement and Mitigation

Mitigation of violations of NERC Reliability Standards remains central to the NERC CMEP. As the NERC program continues to unfold, the review and approval of mitigation plans, settlements, and remedial actions, as well as analysis of the effectiveness of mitigation and enforcement strategies, are extremely important. A recent FERC order requires the prompt and thorough review of mitigation plans within 30 days of receipt by NERC. Further, NERC has begun to issue enforcement actions. The need to promptly review and approve mitigation plans and the associated analysis and tracking of enforcement results to ensure consistent application of enforcement actions and settlements requires NERC to add one FTE in this area.

Regional Program Oversight and Program Audit and Interfaces

NERC continues to carry out its responsibility for oversight of the Regional Entity compliance programs to ensure consistency and achieve maximum efficiency by providing direct assistance and oversight to the Regional Entities. A high level of coordination is required between and among NERC and the Regional Entities in order to achieve uniform implementation of compliance audits and the effective transfer of information and violation data. NERC provides field personnel to assist the Regional Entities in conducting compliance audits (or other activities) and to ensure consistent application of the program. The NERC staff is utilized to supplement Regional Entity staff when a Region needs additional resources to effectively implement its program. NERC regional program coordinators serve in this role. In the regard, experience to date in 2008 has shown NERC provided substantial assistance and support to certain Regional Entities. NERC staff assisted Regional Entity Staff in processing mitigation plans, as a full participant in offsite and onsite audits, in an audit oversight role, and as a participant in compliance violation investigations. In part the 2009 compliance budget was developed taking into account this Regional Entity assistance and support experience.

Consistency is also achieved through training. NERC's Training, Education, and Operator Certification Program will continue to train compliance auditors, ensuring there are competent and trained personnel at NERC and in the Regional Entities. Resource requirements for this training are included in the Training, Education, and Operator Certification Program section. Other training will continue as necessary.

NERC will conduct a number of audits of the Regional Entity compliance programs, as required by its Rules of Procedure, within the three-year period following the inception of the enforceable programs. The scope of these audits will be established by NERC, but the audits themselves will most likely be carried out by professional contract auditors. The implementation of these audits in the last half of 2008 and continuing going forward will represent a significant increase in NERC's oversight and effectiveness monitoring effort. No additional positions were included in this area in 2008. Therefore, NERC will add one FTE to support the process of audits of the Regional Entities and tracking of implementation of modifications to the Regional Entity compliance programs as a result of audit findings in 2009. This effort will result in a significant increase in consulting costs on a going-forward basis because these costs have not been included in previous years' budgets. For the three Regional Entity Compliance Audits expected in 2009, NERC has budgeted \$250,000.

Other Activities

NERC compliance program staff also supports the development of compliance administration elements contained in NERC Reliability Standards. The *Reliability Standards Development Plan 2008–2010* details plans to review and revise all of NERC's Reliability Standards. This undertaking requires a significant amount of work and coordination with the standards program and Regional Entities to review and update the compliance administration elements of all standards. NERC and Regional Entity staff will develop effective compliance violation severity levels, data retention requirements, and monitoring methods that work in concert with the requirements and measures within the standards.

NERC compliance program staff also provides information and results to the Reliability Assessment and Performance Analysis Program of NERC, and participates on each event analysis to make sure any potential violations of NERC standards are promptly identified and corrected.

Compliance Monitoring and Enforcement Program Objectives

- Direct and oversee the Regional Entities' implementation of their delegated compliance enforcement program responsibilities.
 - Maintain working relationships between NERC and the Regional Entities in order to achieve maximum effectiveness and consistency of monitoring, reporting, enforcement actions, and appeals by direct observation of program implementation.
 - Ensure timely mitigation of all violations of standards and requirements.
 - Provide oversight of Regional Entity compliance programs and conduct formal audits of at least three Regional Entity compliance programs.
 - Participate in settlement processes with the Regional Entities for violations of standards as required, and review all settlements for consistent application of settlement principles.
 - Review all enforcement actions for consistent application in all violations of standards.
 - Assess the effectiveness of enforcement actions in mitigating violations of standards.
- Maintain the training program for compliance auditors.
 - Work with the Training, Education, and Operator Certification to review and maintain auditor training requirements.
 - Ensure the training program requirements are delivered to all NERC and Regional Entity compliance auditors.
 - Maintain a training module for industry technical experts and audit volunteers.
 - Provide training on registration, reporting, and enforcement tools to the Regional Entity staff.
- Enhance processes, databases, and reporting tools to allow for seamless, uniform reporting of alleged and confirmed violations of standards, proposed penalty and sanction actions, and disposition of all violations.
- Maintain reporting relationships with appropriate governmental authorities in the United States, Canada, and Mexico and establish processes and procedures to report violations, levy penalties and sanctions, and remedy the violations.
 - Confidentially report all alleged violations of standards to the appropriate governmental authorities in the United States, Canada, and Mexico through established processes.
 - Make notice of penalty filings for all penalties and sanctions applied to compliance violations.
 - Provide other informational updates and filings as required by the NERC Rules of Procedure and governmental authorities.
- Maintain and enhance the reporting of violations of standards to the NERC Board of Trustees Compliance Committee.
 - Report quarterly all confirmed violations of approved NERC or Regional standards for which investigatory, decisional, and appeal processes have been completed, including the identity of the organizations involved in those violations.

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- Track the mitigation of identified violations of standards.
- Develop, on a coordinated basis with the Reliability Standards Program, the compliance elements for approximately 100 new or revised standards.
- Manage all enforcement action appeals (resources based on approximately 25–30 appeals).
- Maintain a compliance reporting process.

Organization Registration and Certification Objectives

- Maintain an accurate registration list of all owners, operators, and users of the bulk power system for compliance monitoring and communication purposes.
 - Oversee the Regional Entities' implementation of the registration process.
 - Update and confirm the registration list as needed (at least annually).
 - Provide necessary registration information to FERC and other appropriate governmental authorities.
 - Review the completeness of the organization registration list and determine if additional efforts are necessary to identify other entities or collect more information from bulk power system owners, operators, and users.
 - Maintain a process for appealing a decision to include an entity on the registration list.
- Implement organization certification within the Regional Entities.
 - Maintain processes and procedures, used by NERC and the Regional Entities, for carrying out the delegated certification activities that are required by the certification standards.
 - Provide auditors for certification audits scheduled by the Regional Entities.

As NERC pursues its mission of ensuring the reliability of the bulk power system in North America, success can be measured in part through the activities of the compliance program. To date over 1,800 entities have been registered for approximately 4,500 functions affecting the bulk power system. NERC has processed, or is currently processing, over 1,400 violations of standards that occurred after June 18, 2007 and over 5,000 violations that occurred prior to June 18, 2007. Violations are analyzed, entered into a database, reported internally and externally once confirmed, and tracked in coordination with the Regional Entities.

In addition, NERC is expecting to participate in approximately 140 on-site audits and 238 off-site audits in 2009. Compliance Violation Investigations (CVIs) are a high-priority activity for the compliance program. There are currently eight Regional Entity-led CVIs underway and four NERC-led CVIs underway. While difficult to predict, it is expected that there will be CVIs in the future requiring NERC resources.

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Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Compliance and Organization Registration and Certification					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 4,669,493	\$ 4,669,493	\$ -	\$ 6,481,457	\$ 1,811,964
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 4,669,493	\$ 4,669,493	\$ -	\$ 6,481,457	\$ 1,811,964
Expenses					
Personnel Expenses					
Salaries	\$ 3,090,959	\$ 2,801,042	\$ (289,917)	\$ 3,695,616	\$ 894,574
Payroll Taxes	202,423	181,939	(20,484)	246,678	64,739
Benefits	403,403	365,566	(37,837)	421,969	56,403
Retirement Costs	233,809	341,890	108,081	515,528	173,638
Total Personnel Expenses	\$ 3,930,593	\$ 3,690,437	\$ (240,157)	\$ 4,879,790	\$ 1,189,354
Meeting Expenses					
Meetings	\$ 30,000	\$ 44,625	\$ 14,625	\$ 32,500	\$ (12,125)
Travel	378,900	500,000	121,100	657,167	157,167
Conference Calls	-	-	-	5,000	5,000
Total Meeting Expenses	\$ 408,900	\$ 544,625	\$ 135,725	\$ 694,667	\$ 150,042
Operating Expenses					
Consultants	\$ 330,000	\$ 330,000	\$ -	\$ 850,000	\$ 520,000
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	27,000	27,000	32,000	5,000
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	25,000	25,000
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 330,000	\$ 357,000	\$ 27,000	\$ 907,000	\$ 550,000
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 4,669,493	\$ 4,592,062	\$ (77,432)	\$ 6,481,457	\$ 1,889,395
Change in Assets	\$ (0)	\$ 77,431	\$ 77,432	\$ -	\$ (77,431)

Summary of Significant Variances — 2008 Projection to 2009 Budget

Personnel Expenses

- The increase in personnel expense is driven by the requested increase of four (4) FTEs and by salary increases for current staff.

Meeting Expenses

- Travel expense is expected to increase as all open positions are filled and the expectations established by various stakeholders are met.

Operating Expenses

- Consultants
 - Estimated cost of C-RATS — \$500,000
 - Regional Entity Compliance Audits — \$250,000
- Office costs: Cell phones and wireless broadband internet connection cards charged to appropriate departments instead of General and Administrative function.

Reliability Readiness Evaluation and Improvement Program

Reliability Readiness Evaluation and Improvement Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	12.0	8.5	0
Total Direct Expenses	\$1,858,061	\$1,661,684	\$485,429
Total Indirect Expenses	\$1,497,545	\$1,254,123	\$0
Total Expenses	\$3,355,606	\$2,915,807	\$485,429

Background

NERC began the Reliability Readiness Evaluation and Improvement Program in response to the August 14, 2003 blackout. The goal was to increase transparency on operating practices and to assess the industry's overall preparedness to minimize the likelihood of another major blackout.

When FERC approved NERC as the electric reliability organization and began adopting NERC standards as mandatory in the United States, NERC created an associated compliance audit program (Compliance Monitoring and Enforcement Program — CMEP). The readiness program, which had been asking compliance-type questions, shifted its full effort to encouraging entities to improve reliability performance and achieve excellence in their assigned functions and responsibilities.

The readiness program has been working with industry experts to conduct on-site evaluations of all balancing authorities, transmission operators, reliability coordinators, and other entities that support the reliable operation of the bulk power system in North America to determine their readiness to maintain safe and reliable operations.

While feedback from entities that have participated in readiness evaluations has generally been favorable, industry comments on the first draft of the *NERC 2009 Business Plan and Budget* suggest that: (1) the value of the readiness program is diminishing; (2) the focus and resources of NERC should be squarely on standards and compliance, particularly during this critical time; and (3) the mandatory enforcement role at NERC creates a conflicted environment for the readiness program, suggesting the role can be better undertaken by others (such as the Transmission Owners and Operators Forum). This leads to the overall conclusion that the assessment-oriented evaluation process in its current form be discontinued.

Based on the direction provided by the NERC Board's Finance and Audit Committee, the readiness evaluation program will complete the remaining scheduled readiness reviews and close at the end of the first quarter of 2009.

Work Plan for the Remainder of 2008 and Beginning of 2009

At the initiation of activities as the ERO NERC provisionally certified all Reliability Coordinators (RC), Balancing Authorities (BA), and/or Transmission Operators (TOP) that were already performing the functions for which they were registered. This provisional certification would become a NERC certification upon completion of a NERC readiness evaluation and a regional entity or NERC compliance audit (details are available at ftp://www.nerc.com/pub/sys/all_updl/compliance/org/Provisional_Certification_20080620.doc).

Our initial review of the NERC compliance registry dated July 8, 2008, showed 26 entities registered as RC, BA and/or TOP that have never participated in a readiness evaluation. These entities are operating under the provisional certification described above. For the remainder of 2008 and continuing into the beginning of 2009, the readiness program will conduct the 26 evaluations required to complete the review of entities with provisional certifications. With the current staffing level, it is estimated these evaluations will be completed by the end of the first quarter of 2009. The final number of provisional certification evaluations may vary slightly after working with regional entities and the 26 registered entities.

In addition, evaluations for 2 transmission owners had been tentatively scheduled in October and December, 2008. The need for these evaluations will be reviewed with the entities involved and cancelled if they are deemed unnecessary or the need accommodated through another means.

The present schedule calls for the 26 provisional certification evaluations (and potentially 2 previously scheduled evaluations) to be completed as follows:

2008	September	3
	October	5
	November	5
	December	3
2009	January	4
	February	5
	March	3

Note – the specific schedule of evaluations will depend on availability of entity and Regional resources necessary to complete the evaluations.

The projected expenditures for 2009 shown in the table above and included in NERC’s 2009 budget are based on a proportional expense for historic readiness evaluations of approximately \$36,500 per evaluation. For the anticipated remaining evaluations in 2009, the expected cost is \$485,429.

Program Summary

Industry value realized through implementation of readiness evaluation program initiatives include examples of excellence that provide a valuable resource reference for the industry. The program identified these examples as being exceptionally effective in ensuring and protecting the reliability of the interconnected bulk power system. In addition, the following results can be reported:

- Nearly all entities evaluated between March 2007 and April 2008 (98 percent of respondents to post-evaluation questionnaires) reported that on-site evaluations were beneficial to their organization.

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- Entities have either implemented or started work on 89 percent (75 percent implemented and 14 percent in progress) of the nearly 3,200 recommendations offered by readiness evaluation teams for evaluations conducted through September 2007. The recommendations are not mandatory.
- Industry volunteers who participate on evaluation teams regularly report they acquired valuable experience and knowledge during on-site visits.

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Reliability Readiness Evaluation and Improvement Program

Funding sources and related expenses for the reliability readiness evaluations and improvement section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Readiness Evaluation and Improvement					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 1,858,061	\$ 1,858,061	\$ -	\$ 485,429	\$ (1,372,632)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,858,061	\$ 1,858,061	\$ -	\$ 485,429	\$ (1,372,632)
Expenses					
Personnel Expenses					
Salaries	\$ 1,340,884	\$ 998,753	\$ (342,131)	\$ 348,677	\$ (650,076)
Payroll Taxes	88,799	66,142	(22,657)	30,697	(35,444)
Benefits	173,945	129,562	(44,383)	33,003	(96,559)
Retirement Costs	96,933	130,923	33,990	50,097	(80,827)
Total Personnel Expenses	\$ 1,700,561	\$ 1,325,380	\$ (375,181)	\$ 462,474	\$ (862,906)
Meeting Expenses					
Meetings	\$ -	\$ 19,203	\$ 19,203	\$ -	\$ (19,203)
Travel	157,500	157,500	-	19,000	(138,500)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 157,500	\$ 176,703	\$ 19,203	\$ 19,000	\$ (157,703)
Operating Expenses					
Consultants	\$ -	\$ 125,000	\$ 125,000	\$ -	\$ (125,000)
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	9,600	9,600	3,955	(5,645)
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	25,000	25,000	-	(25,000)
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ 159,600	\$ 159,600	\$ 3,955	\$ (155,645)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,858,061	\$ 1,661,684	\$ (196,377)	\$ 485,429	\$ (1,176,254)
Change in Assets	\$ -	\$ 196,377	\$ 196,377	\$ -	\$ (196,377)

Personnel Expenses

- The 8.5 FTE positions will be eliminated in 2009. The 2008 budgeted staffing level was 12 FTEs. The 2008 projection assumes the removal of two unfilled evaluator positions, the transfer of one administrative assistant to the Situational Awareness Program, and the sharing of the remaining administrative assistant with the Training, Education, and Personnel Certification Program

Meeting Expenses

- Estimated 13 evaluations to be completed in 2009 versus 50 in 2007 and 2008

Operating Expenses

- Office costs: Cell phone and wireless broadband internet connections cards charged to appropriate departments instead of General and Administrative function

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	6.0	5.5	5.5
Total Direct Expenses	\$1,400,295	\$1,413,068	\$1,562,478
Total Indirect Expenses	\$748,773	\$811,491	\$1,030,695
Total Expenses	\$2,149,068	\$2,224,559	\$2,593,173

Background

System Operator Certification Program

The System Operator Certification Program provides a certification credential for the operating personnel of the owners, operators, and users of the bulk power system. The program initially certifies the competency of operating personnel through examinations. The credential is maintained through the use of approved continuing education. Operation of the program is overseen by the Personnel Certification Governance Committee (PCGC), which is a standing committee of NERC reporting to the Board of Trustees. The PCGC provides oversight to the policies and processes used to implement and maintain the integrity and independence of the System Operator Certification Program. The PCGC reports to the Board of Trustees, but has autonomy in developing and implementing system operator certification eligibility requirements (the development, administration, and scoring of the system operator assessment instruments, and operational processes for the System Operator Certification Program).

Fees charged for the examinations and renewals of credentials are structured to fully recover the costs of operating the System Operator Certification Program. NERC's professional/technical staff administers the System Operator Certification Program on behalf of the PCGC on a fee-for-service basis designed to compensate NERC for its direct costs incurred in administering the program. In addition, NERC uses the services of a professional examination proctoring service to administer certification examinations at various locations around the United States and Canada.

The System Operator Certification Program is an important component of NERC's mission. Providing a system of certification of the knowledge of operating personnel of owners, operators, and users of the bulk power system in North America helps achieve a base level of competence among these operating personnel in the performance of their reliability-related functions. This further ensures the reliable operation of the bulk power system in North America. Ensuring the reliable operation of the bulk power system benefits all owners, operators, and users of the bulk power system and, ultimately, all users and consumers of electric power in North America. Reliable operation provides a broad-based benefit to the public and is in the public interest.

Continuing Education Program

NERC maintains a Continuing Education Program to foster the improvement of, and promote quality in, the training programs used and implemented by owners, operators, and users of the

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bulk power system. The program approves those activities and entities meeting NERC's continuing education requirements.

Specifically, the NERC Continuing Education Program: (1) promotes excellence in training programs, and advances improved performance for bulk power system operating personnel; (2) develops and maintains a process to approve continuing education providers and activities by requiring the providers to meet continuing education requirements approved by NERC; (3) periodically audits continuing education providers and training activities to ensure the approved providers and training activities satisfy NERC's continuing education requirements; and (4) develops and maintains an appeals process for disputed application reviews, interpretations of guidelines and standards, probation or suspension of approved provider status, or continuing education hour disputes.

The costs of administering the Continuing Education Program are fully covered through fees paid by the continuing education providers. Records for this program are integrated with the portal and database used by the System Operator Certification Program. Costs for this tool are equally divided between the two programs.

Education Program

NERC develops and maintains an education program, learning materials, and activities to establish training requirements for NERC and Regional Entity staff. The primary audience of the training component is NERC and Regional Entity staff, whereas the education component focuses on providing educational activities and tools to industry stakeholders, participants, and regulators.

The training and education program activities are carried out by NERC's professional/technical staff and contractors with the assistance of volunteers from the electric industry, government, and academia possessing the appropriate technical knowledge and competencies. The training and education program activities are carried out at its headquarters in Princeton, New Jersey, through conferences calls, exchanges of information through e-mail, Web site postings, other means of electronic communications, and in meetings and conferences at locations around the United States and Canada as selected from time to time for the convenience of meeting attendees.

Developing and maintaining education activities for bulk power system operating personnel and the other targeted audiences is an important component of NERC's mission. Providing an education program for the personnel of owners, operators, and users of the bulk power system in North America, relating to their compliance with reliability standards and other reliability-related job functions, will help to achieve a high level of knowledge and competence among such personnel in the performance of their reliability-related functions. It also helps to promote a culture of compliance within the industry, and thereby will help to further ensure the reliable operation of the bulk power system in North America.

Based on the allocation of professional and technical staff time to NERC programs and other resources that it expects to devote to the Training and Education Program, NERC estimates it will spend 7.6 percent of its resources on these three activities.

2009 Highlights

System Operator Certification

In 2009, the System Operator Certification Program will finalize the three-year transition from reliance on recertification by testing to using continuing education hours to maintain a credential.

To accommodate the recordkeeping requirements for using continuing education, the program implemented a new but very basic portal and database in 2007 with additional upgrades in 2008. The database allows system operators to register for exams and track the status of maintaining their credential with approved continuing education hours. The fully allocated costs of this project were recovered through fees collected by the System Operator Certification Program and the Continuing Education Program. As part of the three-year implementation to achieve full database functionality, improvements to be made to the database in 2009 will expand accounting and reporting features for the administrators and improve the accuracy of displaying and accounting for the courses listed on the operator's transcripts. The cost of these improvements, estimated to be \$30,000, will be recovered through the fees received by the System Operator Certification Program and the Continuing Education Program.

It is necessary to perform a job analysis at least once every five years to ensure the examination is based on current job tasks. The last analysis was performed in 2006. A survey tool was developed in 2008 and will be administered in 2009 to identify the reliability-based tasks performed by system operators on the bulk power system. The surveys will be analyzed by a professional psychometric service to establish the new content outline for each credential. New examinations will be developed in 2010, for release in 2011, based on the new content outline.

Keeping with the 18 month cycle for changing examinations, NERC released new exams in 2008 and will begin developing exams for release at the end of 2009 using the current job analysis. This process requires the Examination Working Group to meet six times in person to develop test items and create the exams. Other meeting methods, like conference calls or WebEx, may compromise the security of the exams, and are not acceptable. The cost of holding these meetings has been and still is fully covered by certification program user fees.

In 2008, the PCGC began researching the feasibility of establishing a voluntary advanced certification credential based on interest shown by system operators and other stakeholders. The goal is to further advance reliability by formally recognizing those system operators with high-level skills and knowledge coupled with experience. If the decision is made to develop this advanced certification, work will begin in 2009 to establish the criteria and foundation for an advanced certification based on the results of the PCGC business case and plan in 2008. An outside consultant will be used to ensure the new certification credential is established properly, meeting accreditation criteria at a cost of \$15,000. The cost of this consultant is fully recovered from certification program user fees.

The members of the PCGC are recognized as experts in the field of certification of personnel and, as such, will investigate the interest, feasibility, and scope of establishing a voluntary certification program for relay technicians. The operation of protection systems has implications in the reliable operation of the bulk power system and has been a factor in numerous large-scale outages in the past. No additional costs are anticipated for this work in 2009 since most of the work will be performed by the PCGC members and other volunteers.

Continuing Education Program

This program will continue to grow in 2009 as all system operators must use continuing education hours to maintain their certification credential instead of retesting. The program will continue to approve learning activities and perform audits to verify the quality of these activities.

The database used by the System Operator Certification Program is used by continuing education providers to submit learning activities for approval and enter attendance and performance by participants. NERC staff uses the data base to review and approve submitted activities, audit randomly selected activities, track system operator transcripts, and verify and track fees paid to the program. Routine upgrades estimated to be \$30,000 will be made to the database to improve the ability of providers to upload and view their accounts, allow for easier document handling for audits, and to better track and report the fees paid to the program. This share of the cost of maintaining the database is shared with the certification program and is fully recovered through user fees.

Each learning activity that is submitted to NERC must be assessed to determine if it meets program criteria before being approved. In 2007 the volume of applications submitted by providers increased beyond the ability of one person on NERC staff and program volunteers to handle. The additional applications were processed by other NERC staff, but in 2008 a realignment of staff duties forced the program to engage an independent contractor to assist in processing approximately 30 percent of the applications. In 2009 the number of applications is expected to continue to grow, and use of this contractor will cost \$30,000. This entire cost is recovered through program user fees.

Criteria for education providers to qualify for “NERC-approved provider” status will also be raised to reflect an assurance of quality that did not exist with the old designation. Most of this activity will be performed by industry volunteers from the Personnel Subcommittee through the public comment process.

Education Program

To recognize the training providers with high quality programs, NERC will continue the effort begun in 2008 of investigating how to implement a voluntary process to accredit industry training programs that meet the high quality criteria. This effort is separate from the continuing education effort as it targets the quality of the entity’s system operator training program, not just the activities that are offered. If this program is implemented, it will be developed in 2010 for implementation in 2011. The Personnel Subcommittee will perform work on this initiative with NERC staff.

The NERC education program will spend the majority of its time and resources in 2009 on improving the skills of NERC and regional entity personnel engaged in carrying out compliance and standards functions. In compliance, training was developed and delivered for audit team leaders and volunteers in 2008 as year two of a four-year plan to develop a full curriculum to create a pool of skilled auditors at NERC and the Regional Entities. Much of the audit team leader training is classroom-based since the targeted skills tend to be “soft skills” and are best learned through hands-on exercises. Industry volunteer education is more knowledge-based and delivered electronically. The compliance program has requested four additional learning activities be developed in 2009. The activities will come from the following list and will be based on priorities identified through compliance auditor performance needs and program needs. The list includes:

- Critical Infrastructure Protection (CIP) training for:
 - NERC and Regional Entity compliance auditors and team leaders to understand the content behind the CIP standards and apply the standards.
 - CIP experts to learn how to apply their specialized knowledge to the NERC CIP standards in the NERC compliance audit process. CIP experts will assist NERC and Regional Entity auditors to make a determination of compliance. Together these two activities are essential to ensuring consistent and knowledgeable application and enforcement of the CIP standards.
- Conflict resolution and conflict management skills to help compliance audit team leaders resolve problems and tensions encountered during compliance audits.
- Compliance Violation Investigation (CVI) process and skills training to train auditors how to effectively conduct the new NERC CVI process.
- In-depth refresher courses for compliance auditors to provide:
 - Improved interviewing skills.
 - Increased skills at documenting findings of compliance and noncompliance on reports.
 - Knowledge regarding new and revised standards and how to audit compliance to these standards.
- New compliance program employee orientation course addressing the specific need of the compliance department, its goals, and working relationship with governmental regulators.

A total of 12 classes will be delivered for compliance in a classroom setting, requiring travel. Three courses are the Fundamentals of Auditing for NERC Compliance Auditors (once a quarter), the CIP Basics for NERC Compliance Auditors (four sessions), and the Fundamentals of NERC Audits for CIP Experts (four sessions). The first is a regular course for new auditors; the two CIP courses are to prepare NERC and Regional Entity auditors to audit the CIP standards.

Standards drafting team leaders and participants received their first formal training in 2008. A formal job task analysis of the function was to be performed in late 2008. The standards program has requested one learning activity be developed for NERC standards staff and standards drafting team leaders based on that analysis. It is anticipated that activity will focus on meeting facilitation and management within the Reliability Standards Development Procedure.

Staff will be engaged in delivering the twelve classroom sessions listed above, developing four of the proposed activities for the two programs, and managing contractors to complete the remaining three activities. Developing (or acquiring) and delivering three activities, requiring the partial or whole use of outside contractors, will cost \$122,500 for contracting and procurement.

In 2008, NERC began offering monthly Webinars on current topics and issues of interest to the industry. The goal is to educate stakeholders on NERC program areas and various issues affecting reliability. The Webinars, presented as a part of the NERC communications activities,

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have been very successful with positive feedback. NERC will continue to offer these Webinars in 2009 with expanded capabilities of reaching a larger audience.

The education program and the human resources department will expand the NERC staff training initiative begun in 2008. The human resources department relies upon the expertise of the education program to acquire or develop learning activities necessary to comply with governmental labor laws and improve the skills of staff. The human resources department has requested the education program develop and deliver activities for business ethics, NERC orientation for new employees, and the following leadership development topics: motivating and influencing people, mentoring employees and developing staff, strategic thinking, and conflict resolution. Three of these activities will be developed internally or obtained through outside sources based on personnel and legal priorities identified going into 2009. The delivery of these activities will be via classroom and e-learning. The share of activities not developed by NERC staff will require \$40,000 for contractor fees and course procurement.

Finally, NERC began delivering on-demand internet-based learning activities in 2007 and greatly expanded this in 2008 using an interim system with limitations. This interim system delivers and tracks on-demand activities of which the NERC network is not capable. An analysis was performed in 2008 identifying how NERC can manage learning activities and knowledge with the necessary bandwidth and features for NERC and others to host many future activities for the industry. NERC will continue contracting for the interim system at a cost of \$10,000 per year until the new system is developed and capable of delivering activities.

Training, Education, and Operator Certification Program Objectives

Operator Certification

- Administer the current System Operator Certification Program.
- Administer the job analysis tool to define the tasks performed by system operators for future examinations.
- Complete the three-year transition to the exclusive use of continuing education hours for maintaining system operator certification.
- Continue to identify and implement additional interface improvements to the portal and database that personnel use to register for the system operator certification examinations and track continuing education activities.
- Continue the development of an advanced certification for system operators.
- Investigate the feasibility, interest, and scope of developing a certification credential for protective relay technicians.

Continuing Education

- Implement the newly raised requirements to become an approved training provider.
- Raise the quality and levels of training for system operators throughout North America to ensure that delivered training meets the needs of the System Personnel Certification Program.
- Continue to define and implement improvements to the portal and database used by providers to track delivered continuing education activities.

Training and Education

The objectives are arranged by the department or program they are intended to support.

Compliance

- Continue delivering, on a quarterly basis, the fundamental compliance auditor training for new NERC staff and Regional Entity staff who act as team leaders.
- Develop and deliver four new learning activities to further improve compliance auditor skills.
 - Partner with auditing organizations such as IIA to offer appropriate auditing courses for NERC compliance audit team members.
 - Develop and deliver NERC auditor training for IT specialists on the Critical Infrastructure Protection standards.
- Continue to deliver the CIP fundamentals course to NERC and regional entity compliance auditors.

Standards

- Continue delivering existing courses for the drafting team leaders and participants.
- Develop and deliver one new course to improve the skills of drafting team leaders and participants.

Human Resources

- Assist in the development and delivery of three new training activities for NERC staff with the human resources department.

Communications

- Develop and deliver monthly learning activities on topics and issues of reliability via WebEx.

System Operator Certification

The system operator certification program coordinates, manages, and administers the personnel certification program for system operators required to meet NERC standards. This program improves reliability by facilitating the certification of qualified operators who serve in a position that directly impacts reliability and by assuring that the certifications call for increasing skill levels as needed to meet the increasingly demanding nature of the system operator role.

Continuing Education

The continuing education program assures certified system operators continue to learn and acquire new skills as part of their certification maintenance process. It does this by promoting the development of training programs and activities within industry entities that improve the knowledge and skills of system operators and other employees. These increased skills and knowledge result in improved reliable operation of the bulk power system.

Education

The education program provides for the training needs of the compliance and standards for NERC and the Regional Entities, and facilitates internal NERC staff training. Continuous training and learning are keys to developing and maintaining the skill levels, expertise, and consistency needed to conduct NERC activities.

The education program also supports industry learning activities such as Webinars and workshops. Here the industry directly participates in the learning activity and benefits directly from the program.

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Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Training and Education					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 437,295	\$ 437,295	\$ -	\$ 582,478	\$ 145,183
Membership Dues	-	-	-	-	-
Testing Fees	963,000	963,000	-	980,000	17,000
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,400,295	\$ 1,400,295	\$ -	\$ 1,562,478	\$ 162,183
Expenses					
Personnel Expenses					
Salaries	\$ 714,461	\$ 695,499	\$ (18,962)	\$ 705,708	\$ 10,209
Payroll Taxes	43,554	42,440	(1,115)	48,931	6,492
Benefits	78,916	76,555	(2,361)	52,872	(23,683)
Retirement Costs	89,564	94,175	4,612	99,362	5,187
Total Personnel Expenses	\$ 926,495	\$ 908,668	\$ (17,826)	\$ 906,873	\$ (1,795)
Meeting Expenses					
Meetings	\$ 54,000	\$ 54,000	\$ -	\$ 55,000	\$ 1,000
Travel	55,800	66,400	10,600	51,225	(15,175)
Conference Calls	-	7,500	7,500	75,000	67,500
Total Meeting Expenses	\$ 109,800	\$ 127,900	\$ 18,100	\$ 181,225	\$ 53,325
Operating Expenses					
Consultants	\$ 100,000	\$ 100,000	\$ -	\$ 55,000	\$ (45,000)
Contracts	264,000	264,000	-	406,400	142,400
Office Rent	-	-	-	-	-
Office Costs	-	12,500	12,500	12,980	480
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 364,000	\$ 376,500	\$ 12,500	\$ 474,380	\$ 97,880
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,400,295	\$ 1,413,068	\$ 12,774	\$ 1,562,478	\$ 149,410
Change in Assets	\$ 0	\$ (12,773)	\$ (12,774)	\$ -	\$ 12,773

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

- Partial funding is provided through assessments to LSEs or designees (mandatory in the United States). Testing fees and certificate renewal fees collected for system operator certification fully support the System Operator Certification Program and fees collected from training providers fully support the Continuing Education Program. The additional assessments of \$145,183 are needed to fund the increased costs associated with the development of ten learning activities and to fund the NERC WebEx contract which had been part of the general and administrative function in prior years.

Personnel Expenses

- The 2008 budgeted staffing level was 6.0 FTEs. The 2008 projection assumes sharing the administrative assistant with Reliability Assessment and Performance Analysis for a reduction of .5 FTEs. No additional FTEs are budgeted for 2009. The reduction in the cost of benefits is the result of lower medical benefits insurance rates.

Meeting Expenses

- The NERC WebEx contract and associated expenses are being transferred to the Training, Education, and System Operator Certification program from General and Administrative.

Operating Expenses

- Three learning activities to be developed by consultants or procured for NERC staff are proposed at a cost of \$40,000.
- Seven learning activities to be developed by NERC staff and consultants for the compliance and standards programs are included at a cost of \$122,500.

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	11.0	11.0	13.5
Total Direct Expenses	\$2,881,436	\$3,158,799	\$3,990,071
Total Indirect Expenses	\$1,372,750	\$1,622,982	\$2,529,888
Total Expenses	\$4,254,186	\$4,781,781	\$6,519,959

Background

The ERO is required to “conduct periodic assessments of the reliability and adequacy of the bulk-power system in North America.” In accordance with this responsibility and NERC’s responsibility to support the reliability of the North American bulk power system, NERC intends to prepare three reliability assessments each year: a long-term reliability assessment report; a summer assessment report; and a winter assessment report. These reports will analyze electricity demand and the adequacy of supply throughout the North American bulk power system, as well as examine the adequacy of the transmission system. NERC will also prepare special reliability assessment reports as conditions warrant or as directed by the Board of Trustees. Copies of all reliability assessment reports will be submitted to FERC, the U.S. Department of Energy (DOE), the applicable governmental authorities in Canada, regional advisory boards, and be made publicly available. Further, NERC will analyze significant system events that occur on the bulk power systems, identify the causes of such events, assess past reliability performance, disseminate its findings to the electric industry, and develop reliability performance benchmarks.

Reliability and adequacy assessments and analyses of significant system events occurring on the bulk power system will be conducted by teams comprising members of NERC’s and Regional Entity professional/technical staff along with volunteers from the electric industry, government, and academia possessing appropriate technical competencies. Except to the extent that site visits are necessary in conducting analyses and investigations, the work of these teams will be carried out through conference calls, exchanges of information through e-mail, Web site postings, other means of electronic communications, and, to the extent necessary, in meetings at NERC’s headquarters in Princeton, New Jersey or at meeting locations around the United States and Canada selected for proximity to and ease of access by the team members.

The purposes of NERC’s reliability assessment and performance analysis activities are to: (1) conduct, and report the results of, independent assessments of the overall reliability and adequacy of the interconnected North American bulk power system, both as existing and as planned; (2) analyze off-normal events on the bulk power system; (3) identify the root causes of events that may be precursors of potentially more serious events impacting the reliable operation of the bulk power system; (4) assess past reliability performance for lessons learned; (5) disseminate findings and lessons learned to the electric industry to improve reliability performance on the bulk power system; and (6) develop, and monitor performance against, reliability performance benchmarks. These activities are important components of NERC’s mission. By performing reliability and adequacy assessments of the bulk power system as well

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as analyzing and determining the root causes of significant system events occurring on the bulk power system, NERC seeks to disseminate to owners, operators, and users of the bulk power system, as well as to applicable governmental authorities, information that can help prevent future significant system events and improve reliable operation of the bulk power system in North America. Improvements in the reliable operation of the bulk power system will benefit all owners, operators, and users of the bulk power system and all users of electricity in North America. This will provide a broad-based benefit to the public and will be in the public interest.

Based on the portion of its professional/technical staff time, and other resources that it expects to devote to the performance of reliability and adequacy assessments, the analysis of significant system events on the bulk power system, and to the development of reliability metrics and benchmarks, NERC estimates that it will spend 19.0 percent of its resources on this activity.

Reliability Assessment Program Objectives

- In conjunction with Canadian authorities and Regional Entities, to avoid duplication of efforts, conduct and report the results of independent assessments of the overall reliability and adequacy of the interconnected North American bulk power system for the summer of 2009, the winter of 2009/2010, and the period of 2009–2018.
- Assess and report on the key issues, risks, and uncertainties that affect or have the potential to affect the reliability of the existing and future bulk power system (supply shortages, generating unit shutdowns, fuel supply and transportation disruptions, droughts, floods, strikes, extreme weather, etc.).
- Address potentially negative impacts on bulk power system reliability or adequacy due to the operation and planning of gas supply, transportation, and storage, on the operation and planning of electric systems. Review the impact of potential fuel supply or transportation infrastructure interruptions in reliability assessments. Maintain a continuing working dialog on bulk power system reliability and adequacy issues with natural gas supply and transportation industry representatives.
- Investigate, assess, and report on the potential impacts of demand response initiatives, and introduction of renewable energy sources on the adequacy and operating reliability of the bulk power systems.
- Establish and maintain relationships with industry, regulatory, and governmental organizations involved with or having an interest in bulk power system reliability (e.g., DOE, FERC, Energy Information Administration (EIA), RTOs/ISOs, Electric Power Research Institute (EPRI), National Energy Board (NEB), Canadian provincial governmental agencies, etc.).
- Review international practices on emerging issues and incorporate them into the reliability assessment reports.
- Review regional reliability assessment processes, criteria, and methods for consistency, and understand their interdependency and impact on neighboring regions.
- Develop white papers on key emerging issues with associated metrics and industry action plans.
- Develop and submit standards authorization requests (SARs), as required, for any deficiencies or needs revealed by reliability assessments, and solicit industry subject matter experts to serve on standards drafting teams.

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At its March 12–13, 2008 meeting, the Planning Committee approved a plan to improve the seasonal and long-term reliability assessments. This plan, the Reliability Assessment Improvement Initiative, focused on creating a platform from which the industry can address reliability considerations, increases the level of granularity, transparency, and comprehensiveness of assessments. Additional human resources at NERC are required to support the plan's implementation and execution. The plan's enhancements include:

- Risk assessment for Emerging Issues and determination of Scenarios
- Risk Assessment and probability analysis for the Long-Term Reliability Assessment
- Additional and improved metrics for long-term assessment
- Development and maintenance of a NERC-wide reliability assessment handbook
- Addition of on-peak and off-peak transmission and capacity reliability assessment
- Generation/fuel interdependency

To achieve the objectives of the assessment improvement plan, NERC requires the addition of one FTE to the reliability assessment program.

Federal, state, and provincial CO₂ legislation is pending throughout North America. A special reliability assessment is vital to quickly evaluate a variety of CO₂ legislative scenarios and their impact on bulk power system reliability. For NERC to perform this vital independent assessment in a timely manner, assistance from consultants at an estimated cost of \$250,000 is required.

Among the specific value-added uses of NERC's reliability assessment reports are:

- Provides an independent assessment of future bulk power system reliability used to support the need for generation, transmission, and demand-side management additions in state and provincial certificate of need proceedings.
- Provides a platform to address planning and operational reliability challenges and plans to meet them.
- Long-Term Reliability Assessment (once a year)
 - Identifies potential reliability impacts of proposed legislation or regulations so as to inform policy makers, legislators, and regulators at the state, provincial and federal levels.
 - Identifies long-term reliability issues that threaten future reliability of the bulk power system and makes recommendations for their mitigation.
 - Identifies areas for possible R&D projects that could help address long-term reliability issues.
 - Provides a reference case projection of future supply and demand that can be used as a baseline for scenario analyses performed by others.
- Seasonal Reliability Assessment (twice a year: summer and winter)
 - Assesses regional bulk power system planning and operational reliability.
 - Evaluates preparedness to meet the challenges for the upcoming season.
 - Provides a projection of available supply and demand resources.

Event Analysis and Information Exchange Program Objectives

One of the NERC recommendations following the August 2003 blackout was to establish a reliability performance monitoring function to evaluate and report bulk power system reliability performance. The Event Analysis and Information Exchange Program has made significant progress in implementing this blackout recommendation, but additional resources are needed for its full implementation.

Nineteen analyses of significant system events have been completed since the end of 2005 and 42 more events are under review, completion of nine has been delayed, and three more are awaiting the availability of staff resources. Other related activities supported by the events analysis staff include: (1) establishing an information release policy and a secure industry Web site for the Alerts needed due to critical infrastructure concerns; (2) developing “Triage Team” plans and an industry support committee structure for event analysis; (3) revising the events tracking database; (4) providing technical support to the North American Synchro-Phasor Initiative; and (5) fostering improved system powerflow and dynamics modeling through technical symposiums.

- Conduct NERC-level analyses, prioritized based on available resources, of significant system events to determine root causes and lessons learned.
- Participate in regional analyses as determined by NERC.
- Record all significant system events in the NERC Events Database, created in 2006 (in conjunction with the Situational Awareness and Infrastructure Security Program).
- Maintain and enhance NERC's *Blackout and Disturbance Response Procedures* (in conjunction with the Situation Awareness and Infrastructure Security Program).
- Direct teams in the analysis of significant system events.
- Analyze the frequency performance of the interconnections using data from appropriate measurement systems.
- Establish a clear set of criteria for sorting reported system events into categories, deciding what level of analysis is needed, and who will undertake such analyses (triage function).
- Communicate to the industry root causes of events that may be precursors of potentially more serious events and other “lessons learned” from all analyses. For these purposes, develop Advisories, Recommendations, and Essential Actions. In the cases of Recommendations and Essential Actions, collect, summarize, and develop reports to FERC and governmental authorities in Canada on industry responses.
- Analyze and identify improvements to the interaction of the transmission system with nuclear power plants, especially related to minimum voltages required by the plants for the safe shutdown of reactors.
- Develop and submit SARs, as required, for any deficiencies or needs revealed by event analyses.
- Advise the Compliance Monitoring and Enforcement Program of any potential reliability standards violations identified through significant system event analyses.
- Assess and report quarterly to NERC technical committees and the Board of Trustees on past reliability performance of the bulk power system.

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- Assess and report annually to NERC technical committees and the Board of Trustees on reliability performance for the previous five years, including recommendations to improve reliability.
- Improve understanding of dynamic system behavior by: promoting understanding of inter-area oscillations and their importance to system integrity, and promoting application of Phasor Measurement Unit-based technology to improve system operator visualization and operational preparedness.
- Improve performance of system protection by promoting generator/transmission protection and controls coordination and improvement.
- Improve system modeling by sponsoring model validation/dynamics symposiums; assist interconnection-wide reliability assessment groups in improving the quality of base cases they develop; promote development of standard file formats for exchanging real-time powerflow data (power system “snapshots”); and standardize the mapping of power system elements (generators, transmission lines, etc.) in databases and power system models.
- Communicate regularly with the Transmission Owners and Operators Forum on findings from event analyses.

These objectives will require the addition of one engineer and one manager of alerts to the Event Analysis and Information Exchange Program. In addition, \$122,175 is required for system analysis software for the new engineer.

Reliability Metrics and Benchmarking Program Objectives

- Maintain a performance metrics “dashboard” on the NERC Web site.
- Identify and track key reliability indicators (such as system control performance, transmission loading relief (TLR), disturbances, etc.) as a means of benchmarking reliability performance and measuring reliability improvements (initiated in 2006).
- Identify and continuously monitor performance indices to detect emerging trends.
- Review reliability metrics with industry, regulatory, and governmental organizations involved with or having an interest in bulk power system reliability.
- Develop leading indicators to recognize and eliminate unreliable actions and at-risk conditions.
- Establish and maintain a continuing working dialog on reliability benchmarking with industry representatives.

Transmission Availability Data System (TADS) Objectives

The NERC Planning Committee (PC) formed a task force in October 2006 to develop a proposal for quantifying and measuring transmission system performance and reliability. This proposal was: to identify the type of transmission availability data that transmission owners should report to NERC; a single process for collecting such data that avoids duplication of effort; the transmission availability statistics that could be calculated from the reported availability data; and guidelines for release of such data and statistics. The PC approved the final report of the task force at its June 2007 meeting, and the NERC Board of Trustees approved the Phase I data collection in October 2007. NERC contracted in 2008 for the development of custom software for TADS and is conducting training for data reporters under the guidance of a contracted project manager.

Based on these efforts and progress to date, NERC is working with the Energy Information Administration to eliminate its requirement for transmission owners to report transmission availability data as part of Form EIA-411, Schedule 7.

Specific objectives for the TADS Program in 2009 include:

- Maintain and expand the Transmission Availability Data System (TADS) and report on trends in transmission equipment performance.
- Subject to board approval in 2008, expand the system to include historic Planned Outages and related metrics required by the TADS Task Force.
- Eliminate the need for duplicate Transmission Owner reporting via EIA-411.
- Export data from TADS to fulfill the EIA-411 Schedule 7 requirements.
- Evaluate the feasibility of expanding TADS to cross reference TADS and GADS automatic outage events. (Events which automatically cause outage events on both transmission circuits and generators should be integrated and such trends tracked via TADS.)

To meet the above objectives of the Transmission Availability Data System (TADS) will require contract software development at a cost of \$150,000.

Since becoming the Electric Reliability Organization, NERC has taken on the role of being an independent source of reliability performance information, thereby fulfilling one of the recommendations in the April 2004 U.S.–Canada Power System Outage Task Force Report on the August 14, 2003 blackout. We believe that the greatest use of TADS data will be for outage cause analysis and outage event analysis. Event analysis will aid in the determination of credible contingencies and will result in better understanding. This understanding should be used to improve planning and operations. Ultimately, these improvements should result in improved transmission system performance. In addition, trending performance within each Region against its own history will show how that region's performance is changing over time. It will take a number of years of data collection (five years was suggested by several commenters) before the data can be useful for trend analysis. A through-time comparison is appropriate for evaluating a region's performance. However, because regional metrics will be published, regional comparisons by others are inevitable. Given the vast physical differences among regions and Transmission Owners (weather, load density, geography, growth rate, system age, customer mix, impact of significant events, average circuit mileage, etc.), we believe comparisons for the purposes of identifying relative performance between regions are not appropriate.

Generating Availability Data System (GADS) Objectives

NERC maintains a Generating Availability Data System (GADS) on the performance of electric generating equipment; provides assistance to those researching information on power plant availability; supports equipment reliability and availability analyses and other decision-making processes; facilitates the use of GADS data in conducting assessments of generation resource adequacy; and reports on trends in generating equipment performance.

GADS is used extensively throughout the industry to support resource adequacy studies and improve the availability performance of generating equipment. The 2009 budget for this program includes funding for the following:

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- Continued upgrades and improvements to pc-GAR plus maintenance and upgrades to other GADS-related programs, such as edit and entry programs.
- Complete work on translation tables to convert INPO data to the GADS format for collecting all nuclear data to reduce the reporting burden on data reporters (i.e., report once to both databases). Develop web interface data collection, editing and return reports program. (This software would allow reporters to batch GADS event and performance data to the software which will edit, mark errors, and return reports to the user without human interface. It will store all event and performance records as “good data” or “data with errors.” It will be a quick turn around and remove the need for some technical analyst support.)
- Place pc-GAR on the web. Set up account numbers where entities can use the software on a subscription basis as needed and access the same executable problems as NERC now sends them on CDs. This will lead to increased use of pc-GAR and more income from use of the software.

In 2009 NERC will pursue additional special contracts with analysts for the application of GADS data. (One such agreement is in place, which yields income to NERC when the contractor makes use of GADS data in fulfilling contract services with clients.) In addition, as of July 2008 NERC has implemented an across the board increase in the pricing of all GADS products and services. This includes GADS consulting and training, sales of pc-GAR, sales of manufacturers support services to equipment manufacturers and workshops. In 2009 it is expected that proceeds from the sale of GADS products and services will cover all direct and indirect expenses associated with this activity.

To meet the above objectives, the Generating Availability Data System (GADS) requires contract software development at a cost of \$135,000.

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Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Assessment and Performance Analysis					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 2,731,436	\$ 2,731,436	\$ -	\$ 3,540,071	\$ 808,635
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	150,000	225,000	75,000	450,000	225,000
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 2,881,436	\$ 2,956,436	\$ 75,000	\$ 3,990,071	\$ 1,033,635
Expenses					
Personnel Expenses					
Salaries	\$ 1,597,025	\$ 1,583,006	\$ (14,020)	\$ 1,967,410	\$ 384,405
Payroll Taxes	87,313	86,547	(766)	116,795	30,249
Benefits	212,587	210,721	(1,866)	235,033	24,313
Retirement Costs	203,611	214,230	10,619	275,341	61,111
Total Personnel Expenses	\$ 2,100,536	\$ 2,094,503	\$ (6,033)	\$ 2,594,580	\$ 500,077
Meeting Expenses					
Meetings	\$ 92,500	\$ 165,274	\$ 72,774	\$ 184,000	\$ 18,726
Travel	203,400	237,500	34,100	263,875	26,375
Conference Calls	-	5,000	5,000	10,000	5,000
Total Meeting Expenses	\$ 295,900	\$ 407,774	\$ 111,874	\$ 457,875	\$ 50,101
Operating Expenses					
Consultants	\$ 75,000	\$ 201,270	\$ 126,270	\$ 376,270	\$ 175,000
Contracts	410,000	295,000	(115,000)	385,000	90,000
Office Rent	-	-	-	-	-
Office Costs	-	43,177	43,177	54,171	10,994
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	117,075	117,075	122,175	5,100
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 485,000	\$ 656,522	\$ 171,522	\$ 937,616	\$ 281,094
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,881,436	\$ 3,158,799	\$ 277,363	\$ 3,990,071	\$ 831,272
Change in Assets	\$ -	\$ (202,363)	\$ (202,363)	\$ -	\$ 202,363

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

- Partial funding for this program in 2009 is provided through assessments to LSEs or designees (mandatory in the United States). Additional funding is obtained through the sale of the Generating Availability Data System (GADS) products and services.

Personnel Expenses

- One additional FTE budgeted for assessments and two additional FTEs in event analysis. In addition, a .5 FTE reduction will result from sharing an administrative assistance with the training program area.

Meeting Expenses

- Meeting and travel cost increases reflect the impact of added staff and anticipated inflation.

Operating Expenses

- Consultants: A \$250,000 increase is for the planned evaluation of CO2 legislation and its impact on the reliability of the bulk power system.
- Contracts: Additional \$140,000 to support the Reliability Assessment Improvement Initiative.

Situational Awareness and Infrastructure Security Program

Situational Awareness and Infrastructure Security Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	5.0	6.0	7.0
Total Direct Expenses	\$3,244,461	\$3,578,688	\$5,581,405
Total Indirect Expenses	\$623,977	\$885,263	\$1,311,793
Total Expenses	\$3,868,438	\$4,463,951	\$6,893,198

Background

NERC's Situational Awareness and Infrastructure Security (SAIS) program is a cross-functional program that encompasses a broad array of coordinated, complementary activities intended to:

- address critical infrastructure protection issues across NERC's program areas consistent with each program's scope, unique authority, policies, procedures, and protocols;
- facilitate the timely exchange of information between government agencies and owners, operators, and users of the bulk power system about threats and vulnerabilities to the electricity infrastructure;
- develop and maintain processes, procedures, and tools that address industry's situation awareness and infrastructure security needs; and
- monitor conditions on the bulk power system and rapidly communicate substantive changes in those conditions to relevant parties.

Achieving these goals helps NERC fulfill its overall mission for the benefit of owners, operators and users of the bulk power system and, ultimately, provides a broad-based benefit to the public. SAIS activities are carried out primarily by NERC's professional and technical staff at its headquarters in Princeton, New Jersey or at other locations in various cities within the United States and Canada, as selected from time to time for the convenience of the meeting attendees.

Based on the portion of its professional/technical staff time and other resources that it expects to devote to the situation awareness program, NERC estimates that it will spend 19.7 percent of its resources on this activity.

Activities in the SAIS program are grouped into three functional areas: critical infrastructure protection, ES-ISAC operations, and reliability tools and support services.

Critical Infrastructure Protection

Critical infrastructure protection for the electricity sector consists of a collection of strategic and tactical initiatives aimed at improving the overall resiliency of the bulk power system in North America to threats and vulnerabilities. These threats include physical and cyber security, particularly involving SCADA and process control systems; cross-sector dependencies and their implications to planning and operations; and emergency response and business continuity

planning, including training and exercises. NERC coordinates, collaborates, and facilitates many of these initiatives on behalf of the electricity sector.

As the international electric reliability organization (ERO), NERC must be at the forefront with respect to critical infrastructure protection issues and ensure that its efforts are complementary to the efforts of governmental agencies and the industry. NERC and the industry share a mutual goal to ensure that threats to the reliability of the bulk power system, especially cyber security threats, are clearly understood and that there are no gaps or confusion with respect to responsibilities for mitigating those threats.

Recognizing the critical differences associated with cyber security threats to bulk power system reliability, as compared to other reliability issues NERC and the industry face, NERC will consolidate responsibility for coordination of cyber security matters across all NERC activities into a single responsibility area. NERC will staff a senior executive to be the Chief Security Officer (CSO) who will serve as a single point of contact for the industry, the Electricity Sector Steering Group (ESSG), and government stakeholders seeking to communicate with NERC on cyber and other infrastructure security matters.

Electricity Sector Information Sharing and Analysis Center (ES-ISAC) Operations

NERC formed the ES-ISAC in 1999 to gather and disseminate information pertinent to the growing terrorist threat against critical infrastructure. Since then, the ES-ISAC has expanded its scope to include information about all types of threats to reliability of the bulk power system in particular and electricity infrastructure in general, including natural disasters, power system operational issues, and physical and cyber security. In May 2008, the NERC board created the Electricity Sector Steering Group (ESSG) to enhance strategic and policy guidance to the ES-ISAC and to provide broad electricity sector participation and support on critical infrastructure security matters.

The ES-ISAC performs the following functions:

- Receives reports of physical- and cyber-security related incidents from electricity sector participants and assists government agencies in analyzing them to uncover trends.
- Disseminates threat and vulnerability alerts to electric sector participants.
- Maintains situation awareness and communicates significant bulk power system events to United States and Canadian government agencies, electric sector participants, and other critical infrastructures as necessary.
- Liaises with the ISACs of other critical infrastructure sectors.
- Analyzes sector interdependencies.
- Participates in infrastructure exercises.

Reliability Tools and Support Services

To help achieve its reliability mission, NERC provides tools and other support services for the use and benefit of bulk power system operators including reliability coordinators. These tools provide situation awareness and rapid communications capability, help implement transmission loading relief procedures, and meet requirements for same-time information to market participants and others. NERC also assesses new and emerging technologies and, as appropriate, encourages and facilitates their development into tools and services that enhance the reliability of the bulk power system.

Creation and management of tools are consistent with guidelines established by NERC's Board of Trustees. A description of each tool NERC currently supports is provided in the [NERC Reliability Tools and Support Services Catalog](#).

Situational Awareness and Infrastructure Security Program Objectives for 2009

Critical Infrastructure Protection

NERC will formally establish a Critical Infrastructure Protection program in 2008 as one of NERC's statutory functions. The program will be led by the NERC Chief Security Officer reporting to the NERC CEO with guidance from the ESSG. The CSO will have responsibility for:

- Assuring the Rules of Procedure for all NERC programs are implemented in a timely and effective manner with respect to critical infrastructure protection;
- Evaluating and recommending any changes to the Rules of Procedure necessary to achieve the objectives of the Critical Infrastructure Protection program;
- Assuring coordination between NERC and the respective government agencies with respect to all critical infrastructure protection matters, especially where confidentiality is an issue;
- With assistance from the regional entities, initiate an assessment with metrics and recommendations of the preparedness of the users, owners, and operators on the NERC compliance registry to address cyber security threats; and
- Represent NERC in the Partnership for Critical Infrastructure Security.

NERC's Critical Infrastructure Protection program will focus attention in 2009 on the following specific initiatives:

- Develop an alternative standard setting process for cyber security standards that provides for an accelerated review of the existing critical infrastructure protection standards to incorporate the comments from FERC and to consider the extent to which elements of the National Institute of Standards and Technology (NIST) standards should be included in the NERC cyber security standards.
- Continue with the assessment of the industry's preparedness to address cyber security threats and make recommendations for preventing cyber intrusions. As part of this assessment, evaluate the industry's capability for isolating and limiting attacks so they remain within its abilities to withstand any subsequent equipment losses and restore the system quickly.
- In consultation with Critical Infrastructure Protection Committee (CIPC) leadership, re-examine the charter and scope of the Critical Infrastructure Protection Committee to maximize its contribution to NERC and the industry with respect to cyber security protection.
- With the guidance of the ESSG, establish a protocol with DHS, DOE, FERC, and their Canadian counterparts to ensure comprehensive cyber security threat analysis and risk assessment is available to NERC from a consolidated government voice, with industry users, owners, operators able to participate directly.

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- Work with the ESSG, FERC, and applicable Canadian authorities to identify the most effective and secure method of assessing cyber security preparedness and performance.
- Establish communication protocols for responding to public and media questions on matters associated with Critical Infrastructure Protection, especially with regard to cyber security.
- Work with NERC's CIPC to create plans for electric sector preparedness and emergency response exercises to be executed in 2010 and 2011.
- Work with the ISAC Council and CIPC to define a strategy for addressing cross-sector interdependency issues.
 - Participate in exercises designed to identify cross-sector dependencies.
 - Work with the ISAC Council and CIPC to prepare guidance on how to account for these dependencies in planning and operations.
- Actively manage the Infrastructure Security Guideline Program.
 - Review and improve existing security guidelines.
 - Develop new security guidelines to meet the needs of the electricity sector.
 - Consider whether any guidelines should be developed into NERC standards.
- Support other NERC business units' activities related to CIP standards.
- Identify priority activities for NERC in DOE's Roadmap to Secure Control Systems in the Energy Sector and, with DOE, create action plans for CIPC or other relevant NERC groups' consideration.
 - Monitor the progress of the DOE-sponsored Detection and Analysis of Threats in the Energy Sector (DATES) project and identify opportunities for active participation.
- Identify priority activities for NERC in the Department of Homeland Security's (DHS) National Infrastructure Protection Plan and, with DHS, create action plans for CIPC or other relevant NERC groups' consideration.
 - Participate in the DHS-sponsored activities to create and implement performance metrics related to its National Infrastructure Protection Plan.
- Strengthen relationships with governmental entities and continue ongoing efforts to build long-lasting partnership and collaboration.

ES-ISAC

- Enhance the capability to monitor conditions on the bulk power system and rapidly communicate conditions to appropriate stakeholders.
 - Continue the deployment of the Situational Awareness Tool to all reliability coordinators with completion targeted for 2010.
 - Deploy an emergency notification system.
 - Upgrade threat and incident reporting mechanisms.
- Build effective coordination and communications channels with NERC's Events Analysis and Communications program areas.
- Document an emergency communications plan and revise the ES-ISAC Concept of Operations as appropriate.

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- Establish a location within NERC's present office space to house ES-ISAC operations during grid emergencies. Target operation date June 2009.
 - Upgrade telecommunications to ensure rapid information sharing between critical stakeholders and to enable on-demand meetings between ES-ISAC and other NERC staff, FERC, DOE, Canadian provincial authorities and other relevant parties during emergency operations as well as during periods of increased risk to the bulk power system.
 - Provide centralized displays of information from existing situational awareness tools (Resource Adequacy, RCIS, F-net, NERC SAT, etc.).

Reliability Tools and Support Services

- Manage the North American SynchroPhasor Initiative (NASPI) project.
 - Continue to fund the contracted professional project manager.
 - Prepare annual business plans for NASPI with critical milestones and funding requirements.
 - Develop regulatory support and approval for NASPI at provincial, state, and federal levels.
 - Resolve industry concerns about data availability, disclosure, and confidentiality.
 - Develop and implement recommendations for NERC's on-going role in NASPI over the mid- and long-term.
 - Ensure the successful installation of phasor measurement units at all key locations in the North American interconnections to provide optimal coverage and wide-area visibility.
 - Contract with TVA to expand use of its existing super data concentrator to collect data from new phasor measurement units.
 - Identify up to seven locations in North America to house additional super data concentrators to improve data collection performance, reliability, and availability. Acquire necessary hardware and software to deploy at least three new sites in 2009, with the remainder to come on-line in 2010.
 - Design and begin to construct the telecommunications network required to exchange data between super data concentrators and to deliver information created from that data to control centers.
- With appropriate technical committees, evaluate the need for and document requirements of new tools or improved functionality for existing tools (e.g., Interchange Distribution Calculator), and initiate upgrades using approved management processes.
- Meet performance and availability expectations for reliability tools and improve the support function to meet user expectations.

In order to meet the objectives of the Situational Awareness and Infrastructure Security program for 2009, NERC will need to add one FTE.

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Situational Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Situational Awareness and Infrastructure Security					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 3,139,461	\$ 3,139,461	\$ -	\$ 5,546,405	\$ 2,406,944
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	105,000	110,000	5,000	35,000	(75,000)
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 3,244,461	\$ 3,249,461	\$ 5,000	\$ 5,581,405	\$ 2,331,944
Expenses					
Personnel Expenses					
Salaries	\$ 693,952	\$ 756,251	\$ 62,299	\$ 1,128,361	\$ 372,110
Payroll Taxes	40,030	43,624	3,594	60,213	16,590
Benefits	45,865	49,983	4,117	71,821	21,838
Retirement Costs	79,654	108,631	28,977	143,375	34,743
Total Personnel Expenses	\$ 859,501	\$ 958,488	\$ 98,987	\$ 1,403,770	\$ 445,282
Meeting Expenses					
Meetings	\$ 102,000	\$ 80,000	\$ (22,000)	\$ 65,000	\$ (15,000)
Travel	80,100	135,000	54,900	125,161	(9,839)
Conference Calls	-	-	-	5,000	5,000
Total Meeting Expenses	\$ 182,100	\$ 215,000	\$ 32,900	\$ 195,161	\$ (19,839)
Operating Expenses					
Consultants	\$ 250,000	\$ 250,000	\$ -	\$ 1,453,000	\$ 1,203,000
Contracts	1,952,860	2,149,860	197,000	2,373,600	223,740
Office Rent	-	-	-	-	-
Office Costs	-	5,340	5,340	30,874	25,534
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	125,000	125,000
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 2,202,860	\$ 2,405,200	\$ 202,340	\$ 3,982,474	\$ 1,577,274
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 3,244,461	\$ 3,578,688	\$ 334,227	\$ 5,581,405	\$ 2,002,716
Change in Assets	\$ -	\$ (329,227)	\$ (329,227)	\$ -	\$ 329,227

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

- Primary funding for this program is provided by assessments to LSEs or designees (mandatory in the United States). Additional funding is obtained through fees charged for Electricity Supply and Demand software and royalties on the Flowgate Impact Study Tool software. Transmission System Information Network user fees are now collected by the North American Energy Standards Board.

Personnel Expenses

- The increase reflects one FTE (CSO) to be added in 2009, and salary increases for current staff.

Meeting Expenses

- A reduction in expenses is achieved as a result of greater utilization of conference calls rather than in-person meetings, limiting meeting locations to places where lower, pre-negotiated rates are available, and reduced travel costs for NERC staff by holding a greater percentage of meetings in Princeton.

Operating Expenses

- Consultants: \$1,453,000 for NASPI Manager and project costs associated with TVA transition to new role as paid provider of Phasor Management Unit data concentrator services.
- Contracts: Increases mainly for nerc.net telecommunications and the Interchange Distribution Calculator contract.
- Office Costs: \$25,000 in added communications costs associated with emergency response room.
- Furniture and Equipment: \$125,000 estimated to outfit an emergency response room.

Administrative Services

Technical Committees and Members' Forums

Technical Committees and Members' Forums (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.0	2.0	2.0
Total Direct Expenses	\$888,287	\$793,236	\$857,572

Technical Committees

NERC's technical committees (Operating Committee (OC), Planning Committee (PC), Critical Infrastructure Protection Committee (CIPC), and their subgroups) integrate the "deliverables" of NERC's programs. These committees provide expertise and technical advice and support for all NERC programs.

They also serve as forums for technical discussion and integration of the output of each NERC program; and to provide expert technical opinions on all reliability matters to the NERC programs and the Board of Trustees. While the cost of joint meetings of the OC, PC, and CIPC were included in the 2008 budget for this program area, actual 2008 expenses and the 2009 budget for these joint meetings are recorded in other areas. The OC and PC meeting costs are in Reliability Assessments and Performance Analysis and CIPC meeting costs are recorded in Situational Awareness and Infrastructure Security.

Forums

NERC's Rules of Procedure also provide for forums that serve the interest of NERC members within individual industry sectors, and as a result, also help improve the reliability of the bulk power system.

NERC presently has one forum — the Transmission Owners and Operators Forum — whose purpose is to improve the reliability and security of the bulk power system by facilitating the pursuit of operational excellence through a forum where transmission owners and operators can identify and exchange information on best practices for reliable operations, evaluate their own performances against those best practices, disseminate lessons learned from disturbances and near misses, and facilitate the utilization of such information in a timely manner, among other things.

NERC forums are financially self-sufficient and therefore do not rely on funds from NERC's assessments. However, the Forum's charter specifies that the NERC board approve the Forum's budget. Membership dues received from Forum members are functionally separated from ERO assessments received from load-serving entities or their designees. To the extent Forum membership dues exceed Forum expenses in any year, such excess will be held for Forum use and not used to support NERC activities.

The Transmission Owners and Operators Forum currently contracts with NERC to provide administrative services and employee benefits, for which the Forum reimburses NERC.

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Technical Committees and Member Forums

Funding sources and related expenses for the Member Forums section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Technical Committees and Member Forums					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 713,288	\$ 713,288	\$ -	\$ -	\$ (713,288)
Membership Dues	175,000	785,000	610,000	857,572	72,572
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 888,288	\$ 1,498,288	\$ 610,000	\$ 857,572	\$ (640,715)
Expenses					
Personnel Expenses					
Salaries	\$ 435,171	\$ 408,437	\$ (26,734)	\$ 502,740	\$ 94,303
Payroll Taxes	19,582	32,249	12,667	21,438	(10,812)
Benefits	46,731	46,731	-	51,837	5,107
Retirement Costs	39,403	48,432	9,029	72,897	24,465
Total Personnel Expenses	\$ 540,887	\$ 535,849	\$ (5,038)	\$ 648,912	\$ 113,063
Meeting Expenses					
Meetings	\$ 140,000	\$ 30,000	\$ (110,000)	\$ 30,000	\$ -
Travel	32,400	17,768	(14,632)	18,660	891
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 172,400	\$ 47,768	\$ (124,632)	\$ 48,660	\$ 891
Operating Expenses					
Consultants	\$ 175,000	\$ -	\$ (175,000)	\$ -	\$ -
Contracts	-	204,219	204,219	160,000	(44,219)
Office Rent	-	-	-	-	-
Office Costs	-	5,400	5,400	-	(5,400)
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 175,000	\$ 209,619	\$ 34,619	\$ 160,000	\$ (49,619)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 888,287	\$ 793,236	\$ (95,052)	\$ 857,572	\$ 64,336
Change in Assets	\$ 0	\$ 705,052	\$ 705,052	\$ -	\$ (705,052)

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

- Source of funding is dues charged to the Transmission Owners and Operators Forum members who fully support their activities.

Personnel Expenses

- The increase reflects salary increases and one FTE added during the first quarter of 2008, having a full year of expense reflected in 2009.

Meeting Expenses

- Anticipated expenses for the Transmission Owners and Operators Forum. Expenses for joint meetings of the OC, PC, and CIPC, which were budgeted here in 2008, are being recorded and budgeted in other areas.

Operating Expenses

- Contract expense is to reimburse NERC for certain services provided to the Forum, such as management of medical and retirement benefit plans, HR services, payroll services, accounts receivable, and financial reporting. The offsetting credit for this expense charged to the Forum is shown under General and Administrative contract expense.

General and Administrative

General and Administrative (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	3.0	6.0	6.0
Total Direct Expenses	\$3,206,819	\$4,596,231	\$5,468,985

Background

The General and Administrative department consists of the president and CEO, the executive vice president, the director of inter-governmental affairs, a communications specialist, and two administrative assistants. Their responsibilities include oversight and management of all NERC activities, interaction with the Board of Trustees and Regional Entity Management Group, and managing relationships with governmental agencies, regulators, and other industry organizations.

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General and Administrative

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
General and Administrative					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 3,006,819	\$ 3,761,856	\$ 755,037	\$ 5,268,985	\$ 1,507,129
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	200,000	200,000	-	200,000	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 3,206,819	\$ 3,961,856	\$ 755,037	\$ 5,468,985	\$ 1,507,129
Expenses					
Personnel Expenses					
Salaries	\$ 705,081	\$ 1,357,783	\$ 652,702	\$ 1,391,965	\$ 34,182
Payroll Taxes	24,348	48,548	24,200	52,549	4,001
Benefits	50,380	100,453	50,073	159,472	59,019
Retirement Costs	90,110	177,712	87,602	201,835	24,123
Total Personnel Expenses	\$ 869,919	\$ 1,684,496	\$ 814,577	\$ 1,805,820	\$ 121,324
Meeting Expenses					
Meetings	\$ 139,000	\$ 164,000	\$ 25,000	\$ 172,200	\$ 8,200
Travel	155,900	163,695	7,795	198,850	35,155
Conference Calls	113,000	121,671	8,671	83,872	(37,799)
Total Meeting Expenses	\$ 407,900	\$ 449,366	\$ 41,466	\$ 454,922	\$ 5,556
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	(204,219)	(204,219)	(160,000)	44,219
Office Rent	680,000	680,000	0	711,523	31,523
Office Costs	470,000	452,551	(17,449)	494,223	41,672
Professional Services	720,000	720,000	-	710,000	(10,000)
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	55,000	55,000	-	55,000	-
Miscellaneous	4,000	4,000	-	4,000	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 1,929,000	\$ 1,707,333	\$ (221,667)	\$ 1,814,747	\$ 107,414
Other Non-Operating Expenses	\$ -	\$ 755,037	\$ 755,037	\$ 1,393,496	\$ 638,459
Total Expenses	\$ 3,206,819	\$ 4,596,231	\$ 1,389,412	\$ 5,468,985	\$ 872,753
Change in Assets	\$ -	\$ (634,375)	\$ (634,375)	\$ -	\$ 634,375

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

- Primarily funded through assessments to LSEs or designees (mandatory in the United States). Additional funding from interest or cash balances.

Personnel Expenses

- The 2008 projection includes three FTEs that were budgeted in other areas; two were in Reliability Standards and one was in Legal and Regulatory. No additional FTEs are being added in 2009. The increases reflect rate adjustments for current staff.

Meeting Expenses

- As a result of greater utilization of conference calls rather than in-person meetings, limiting meeting locations to places where lower, pre-negotiated rates are available, and reduced travel costs for NERC staff by holding a greater percentage of meetings in Princeton, costs are not expected to increase.

Operating Expenses

- The credit in contracts represents the reimbursement for certain services provided to the Transmission Owners and Operators Forum.
- This department also budgets for Board of Trustees fees, office costs, office rent, and furniture and equipment.

Other Non-Operating Expenses

- The amount included in “ERO Assessments” and “Other Non-Operating Expenses” to achieve a working capital reserve of \$2,500,000 is \$1,129,352 (see Table 5 on page 79). In the past, the amount required to increase the reserve was not included in the assessments budget but was included in the actual assessments to LSEs creating an ongoing need for an explanation of the variance. Also included is \$264,144 to recoup assessments from prior years (2007 and 2008) which are uncollectable, as follows:
 - \$17,769 is for 2007 uncollected assessments from entities that were no longer serving load;
 - \$246,375 is for 2007 and 2008 assessments uncollected because the NEL for some LSEs was reported by more than one balancing authority and was therefore overstated.

While developing the 2009 budget, NERC staff completed an analysis of working capital reserve amounts requested and approved in previous budgets. In the past the budgeted reserve balances were established at an amount equal to 10 percent of total assessments. The analysis compared previously budgeted reserves to actual and forecasted cash on hand during the course of the operating year. In addition, actual and forecasted cash on hand was compared to expected reserve levels, assuming a continuation of the previously employed methodology. It was concluded that a reserve equal to 10 percent of the budgeted 2009 assessments was not required. In addition, based upon historic month-end cash balances, which are typically expected to reach a low point in December, staff concluded that a working capital reserve equal to \$2,500,000 was sufficient. This reserve amount, along with a bank revolving line of credit of \$4,000,000 is expected to provide adequate working capital to support expected operating activities. This reserve amount was recommended to and accepted by NERC’s Finance and Audit Committee.

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	5.0	3.0	4.0
Total Direct Expenses	\$1,601,283	\$1,496,908	\$2,986,510

Background

The legal department will provide legal advice to the CEO, Board of Trustees, staff, and stakeholders on all legal and regulatory matters affecting NERC; review items filed with governmental units for legal sufficiency; maintain relationships with the United States, Canadian, and Mexican jurisdictions; review all contracts; and retain and oversee work of outside counsel.

2009 Goals and Objectives

- Obtain recognition of NERC as the electric reliability organization in all nine Canadian jurisdictions.
- Achieve mandatory reliability standards in all nine Canadian jurisdictions, with enforcement comparable to that in the United States.
- Complete and file with the Federal Energy Regulatory Commission the three-year performance assessment of NERC and the Regional Entities required by section 39.3(c) of the Commission’s regulations and the July 20, 2006 Order Certifying NERC as the “electric reliability organization” under Section 215 of the Federal Power Act.
- Obtain regulatory approvals for new and revised reliability standards on a timely basis.
- Process all appeals of compliance actions in an effective and efficient manner.

In order to achieve the goals and objectives as stated above, the Legal and Regulatory department will need to hire one additional attorney.

Section 39.3(c) of the Commission’s regulations require NERC to file a performance assessment three years following its certification as the “electric reliability organization” under section 215 of the Federal Power Act and every five years thereafter. NERC’s first performance assessment is due July 20, 2009. As a part of its performance assessment, NERC must include a performance assessment for each of the eight organizations designated as regional entities in the delegation agreements that NERC entered into and FERC approved. Section 39.3(c)(1) of FERC’s regulations is specific about what must be included in the performance assessment:

- “(1) The Electric Reliability Organization’s assessment of its performance shall include:
- “(i) An explanation of how the Electric Reliability Organization satisfies the requirements of § 39.3(b) [NOTE: Section 39.3(b) sets out the criteria NERC had to meet to become certified as the electric reliability organization];
 - “(ii) Recommendations by Regional Entities, users, owners, and operators of the Bulk-Power System, and other interested parties for improvement of the Electric Reliability Organization’s operations, activities, oversight and

procedures, and the Electric Reliability Organization's response to such recommendations; and

“(iii) The Electric Reliability Organization's evaluation of the effectiveness of each Regional Entity, recommendations by the Electric Reliability Organization, users, owners, and operators of the Bulk-Power System, and other interested parties for improvement of the Regional Entity's performance of delegated functions, and the Regional Entity's response to such evaluation and recommendations.”

To satisfy the requirement for the July 2009 performance assessment, NERC must assess its own performance using the criteria identified by the Commission, and in addition, must evaluate the effectiveness of the eight regional entities. To the extent it is possible to carry out the performance assessments without jeopardizing ongoing programs, NERC will do so. However, NERC believes it will be necessary to retain consulting services to assist in carrying out the performance assessments and preparing the filing. NERC estimates the cost of the consulting service for the assessment of NERC itself will be \$250,000 and the cost for the assessment of each region will be \$100,000. Because the requirement for the performance assessment was established in orders of the Federal Energy Regulatory Commission, NERC will allocate the costs of the performance assessment only to U.S. entities.

Section A — 2009 Business Plan

Legal and Regulatory

Funding sources and related expenses for the legal and regulatory section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Legal and Regulatory					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 1,601,283	\$ 1,601,283	\$ -	\$ 2,986,510	\$ 1,385,227
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,601,283	\$ 1,601,283	\$ -	\$ 2,986,510	\$ 1,385,227
Expenses					
Personnel Expenses					
Salaries	\$ 848,599	\$ 651,012	\$ (197,587)	\$ 961,205	\$ 310,193
Payroll Taxes	39,344	30,183	(9,161)	38,817	8,634
Benefits	84,142	64,550	(19,592)	83,870	19,319
Retirement Costs	74,898	94,397	19,499	133,937	39,541
Total Personnel Expenses	\$ 1,046,983	\$ 840,142	\$ (206,841)	\$ 1,217,830	\$ 377,687
Meeting Expenses					
Meetings	\$ 3,000	\$ 3,000	\$ -	\$ 3,000	\$ -
Travel	51,300	37,715	(13,585)	49,000	11,285
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 54,300	\$ 40,715	\$ (13,585)	\$ 52,000	\$ 11,285
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ 1,050,000	\$ 1,050,000
Contracts	-	108,000	108,000	108,000	-
Office Rent	-	-	-	-	-
Office Costs	-	8,050	8,050	8,680	630
Professional Services	500,000	500,000	-	550,000	50,000
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 500,000	\$ 616,050	\$ 116,050	\$ 1,716,680	\$ 1,100,630
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,601,283	\$ 1,496,908	\$ (104,375)	\$ 2,986,510	\$ 1,489,602
Change in Assets	\$ -	\$ 104,375	\$ 104,375	\$ -	\$ (104,375)

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the United States).

Personnel Expenses

- The reduction in expense from 2008 budget to projection is due to one FTE being transferred to General and Administrative and another budgeted position being filled by a contractor instead of an employee. The increase in 2009 costs is for one additional FTE and salary increases for the current staff.

Meeting Expenses

- The increase is related to one additional FTE.

Operating Expenses

- Consultants: \$1,050,000 anticipated as the cost of a self assessment required by FERC. This cost to be assessed to LSEs or designees in the United States only.

Information Technology

Information Technology (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	8.0	8.0	8.0
Total Direct Expenses	\$2,303,735	\$2,295,075	\$2,467,531

Background

NERC relies on Information Technology (IT) to achieve its reliability mission. IT provides the foundational computer networks, systems, and tools that drive NERC's day-to-day business processes and ensures that these information assets meet NERC's existing and future needs. IT also supports the development, implementation, and operation of reliability tools used by system operators and others to monitor system conditions in near-real time.

Responsibilities encompass a variety of complex technical, administrative, and supervisory work in the development, installation, and maintenance of information technology systems. IT goals include, but are not limited to:

- Establishing and directing the strategic long-term goals, policies, and procedures of NERC's information technology department, which complement NERC's strategic goals and reliability mission.
- Assessing NERC's evolving business environment and recommending technology solutions to drive productivity, efficiency, and effectiveness.
- Planning and implementing organization-wide information systems, services, and network facilities, including local area networks, wide-area networks, and peripheral systems to meet the needs of a large, diverse user base, both internal and external to NERC.
- Ensuring all information systems are functional and secure, and all applications running on those systems meet business requirements for performance, availability, and security.
- Creating and managing an information security program aimed at reducing risk to acceptable levels.

Information Technology Objectives

- Achieve compliance with NERC's Cyber Security Standards CIP-002–CIP-009 by June 30, 2009.
- Continue the development, integration, and expansion of databases and applications into a unified NERC-wide Information Management System. This system will ultimately feed active content to NERC's Web site.
- Initiate the second phase of NERC's Web site redesign project.
 - Create and automate processes to deliver active content to the Web site.
 - Implement the business rules governing the creation of content as well as the review and approval criteria for publication.

Section A — 2009 Business Plan

- Introduce collaboration tools to allow for the ready flow of information between applications and users.
- Work with situational awareness to deliver tools to enhance situation awareness.
 - Continue development of the Situational Awareness Tool through additional pilot phases for new users.
 - Identify and deploy an emergency notification system.
 - Assist in the design and build-out of an Emergency Response room.
- Enhance IT infrastructure to better support a growing staff in multiple locations.
 - Redesign telecommunications networks for increased throughput and redundancy.
 - Create and implement plans to redeploy business-critical systems in redundant, high availability configurations.

Section A — 2009 Business Plan

Information Technology

Funding sources and related expenses for the information technology section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Information Technology					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 2,303,735	\$ 2,303,735	\$ -	\$ 2,467,531	\$ 163,796
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 2,303,735	\$ 2,303,735	\$ -	\$ 2,467,531	\$ 163,796
Expenses					
Personnel Expenses					
Salaries	\$ 843,695	\$ 885,800	\$ 42,105	\$ 911,812	\$ 26,011
Payroll Taxes	57,439	60,306	2,867	66,280	5,974
Benefits	131,470	138,031	6,561	118,967	(19,064)
Retirement Costs	115,531	113,238	(2,293)	132,213	18,975
Total Personnel Expenses	\$ 1,148,135	\$ 1,197,375	\$ 49,240	\$ 1,229,272	\$ 31,897
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 5,500	\$ 5,500
Travel	30,600	38,000	7,400	31,000	(7,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 30,600	\$ 38,000	\$ 7,400	\$ 36,500	\$ (1,500)
Operating Expenses					
Consultants	\$ 250,000	\$ 250,000	\$ -	\$ 270,000	\$ 20,000
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	275,000	209,700	(65,300)	204,184	(5,516)
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	600,000	600,000	-	642,575	42,575
Furniture & Equipment	-	-	-	85,000	85,000
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 1,125,000	\$ 1,059,700	\$ (65,300)	\$ 1,201,759	\$ 142,059
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 2,303,735	\$ 2,295,075	\$ (8,660)	\$ 2,467,531	\$ 172,456
Change in Assets	\$ -	\$ 8,660	\$ 8,660	\$ -	\$ (8,660)

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the United States).

Personnel Expenses

- No additional FTEs are requested for 2009. Salary and retirement cost increases for existing staff are offset by a reduction in benefits which is the result of lower rates for medical benefits insurance.

Operating Expenses

- Furniture and Equipment: Leasehold improvements needed for re-wiring the New Jersey facility and to add air conditioning and fire suppression to the computer room.
- Office costs: For the 2008 projection, internet costs for the Princeton, New Jersey and Washington, D.C. offices have been reclassified to General and Administrative creating a projected “underspend” versus budget of (\$65,300).

Human Resources

Human Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	3.5	4.5	4.5
Total Direct Expenses	\$473,958	\$569,377	\$668,293

Background

NERC has assembled an exceptional team of highly qualified employees to carry out the activities of the ERO. NERC’s 2008–2009 personnel resources total 100.5 employees.

The human resources department, in adherence with applicable federal and state laws, designs, plans, and implements human resources policies and procedures, including staffing, compensation, benefits, employee relations, and training and development.

Included in the human resources budget is \$100,000 to accommodate the possibility of executive-level search firm fees.

2009 Goals and Objectives

- Recruit qualified employees to fulfill the activities of the ERO.
- Provide training programs.
- Review employee benefits.

Section A — 2009 Business Plan

Human Resources

Funding sources and related expenses for the human resources section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Human Resources					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 473,958	\$ 473,958	\$ -	\$ 668,293	\$ 194,335
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 473,958	\$ 473,958	\$ -	\$ 668,293	\$ 194,335
Expenses					
Personnel Expenses					
Salaries	\$ 289,910	\$ 332,314	\$ 42,404	\$ 378,722	\$ 46,408
Payroll Taxes	18,125	20,776	2,651	25,351	4,575
Benefits	124,437	142,638	18,201	111,549	(31,089)
Retirement Costs	32,486	41,516	9,030	38,820	(2,695)
Total Personnel Expenses	\$ 464,958	\$ 537,244	\$ 72,286	\$ 554,443	\$ 17,199
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	9,000	10,784	1,784	7,500	(3,284)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 9,000	\$ 10,784	\$ 1,784	\$ 7,500	\$ (3,284)
Operating Expenses					
Consultants	\$ -	\$ 15,000	\$ 15,000	\$ 100,000	\$ 85,000
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	6,350	6,350	6,350	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ 21,350	\$ 21,350	\$ 106,350	\$ 85,000
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 473,958	\$ 569,377	\$ 95,419	\$ 668,293	\$ 98,915
Change in Assets	\$ -	\$ (95,419)	\$ (95,419)	\$ -	\$ 95,419

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the United States).

Personnel Expenses

- No additional FTEs are requested. However, one FTE which was added in mid-2008 has full-year expense impact in 2009.
- Salaries expense includes \$30,000 for employment agency fees and \$16,000 for temporary office services. These amounts are unchanged from the 2008 budget and projection.
- Benefits expense is lower due to a reduction in medical benefits insurance rates.

Operating Expenses

- Consultants: Anticipated cost of executive search firm.

Finance and Accounting

Finance and Accounting (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	5.0	5.0	5.0
Total Direct Expenses	\$885,574	\$872,329	\$856,446

Background

The Finance and Accounting department will direct the financial plans and accounting practices of the organization; oversee treasury, accounting, budget, tax and audit activities; and monitor financial and accounting controls and standards.

The Finance and Accounting Department is responsible for the preparation and review of *NERC's 2009 Business Plan and Budget*, the 2009 Business Plans and Budgets of the Regional Entities, and the 2009 funding request of the Western Interconnection Regional Advisory Body ("2009 ERO Budget Filing") to be filed with FERC and the applicable governmental authorities in Canada. The 2009 budget filing will include supporting schedules detailing all proposed assessments, dues, fees, and other charges as well as proposed expenditures for statutory and nonstatutory activities.

Finance and Accounting Objectives

- Participate in completing the three-year performance assessment of NERC and evaluate of the effectiveness of each Regional Entity.
- Evaluate and recommend the implementation of budgeting software across NERC and the Regional Entities to achieve greater consistency in the annual budgeting process.
- Participate in reviewing and updating employee benefit plans.
- Complete the NERC and Regional Entity true-up filing.
- Implement an initiative tracking mechanism.
- Develop procedures and accounting processes for the application of penalties for violations of reliability standards to future assessments.
- Institute an internal audit function.
- Establish program specific expense tracking systems.
- Provide advice from the financial perspective on contracts into which the organization may enter.

Section A — 2009 Business Plan

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Finance and Accounting					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 885,573	\$ 885,573	\$ -	\$ 856,446	\$ (29,127)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 885,573	\$ 885,573	\$ -	\$ 856,446	\$ (29,127)
Expenses					
Personnel Expenses					
Salaries	\$ 498,523	\$ 527,415	\$ 28,892	\$ 550,482	\$ 23,067
Payroll Taxes	30,988	32,784	1,796	36,060	3,276
Benefits	82,954	87,762	4,809	68,865	(18,897)
Retirement Costs	60,509	52,211	(8,298)	79,820	27,609
Total Personnel Expenses	\$ 672,974	\$ 700,171	\$ 27,197	\$ 735,226	\$ 35,055
Meeting Expenses					
Meetings	\$ -	\$ 3,850	\$ 3,850	\$ 4,000	\$ 150
Travel	12,600	16,308	3,708	15,000	(1,308)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 12,600	\$ 20,158	\$ 7,558	\$ 19,000	\$ (1,158)
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	2,000	2,000	2,220	220
Professional Services	200,000	150,000	(50,000)	100,000	(50,000)
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 200,000	\$ 152,000	\$ (48,000)	\$ 102,220	\$ (49,780)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 885,574	\$ 872,329	\$ (13,245)	\$ 856,446	\$ (15,883)
Change in Assets	\$ (1)	\$ 13,244	\$ 13,245	\$ -	\$ (13,244)

Summary of Significant Variances — 2008 Projection to 2009 Budget

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the United States).

Personnel Expenses

- No additional FTEs are requested. Increases for current staff are offset by a reduction in benefits resulting from lower medical benefits insurance rates.

Operating Expenses

- Professional Services: 2008 projection includes \$100,000 to begin NERC self-assessment as required by FERC. This cost is budgeted in Legal in 2009.

Section B — 2009 Schedules

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
STATUTORY					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 24,938,994	\$ 25,694,031	\$ 755,037	\$ 31,925,048	\$ 6,231,018
Membership Dues	175,000	785,000	610,000	857,572	72,572
Testing Fees	963,000	963,000	-	980,000	17,000
Services & Software	255,000	335,000	80,000	485,000	150,000
Workshops	-	-	-	-	-
Interest	200,000	200,000	-	200,000	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 26,531,994	\$ 27,977,031	\$ 1,445,037	\$ 34,447,620	\$ 6,470,590
Expenses					
Personnel Expenses					
Salaries	\$ 13,187,574	\$ 12,738,355	\$ (449,219)	\$ 14,426,115	\$ 1,687,760
Payroll Taxes	773,557	744,973	(28,584)	862,587	117,614
Benefits	1,692,608	1,623,325	(69,282)	1,612,531	(10,794)
Retirement Costs	1,261,195	1,649,991	388,796	2,014,332	364,341
Total Personnel Expenses	\$ 16,914,934	\$ 16,756,644	\$ (158,290)	\$ 18,915,565	\$ 2,158,920
Meeting Expenses					
Meetings	\$ 720,500	\$ 796,003	\$ 75,503	\$ 719,320	\$ (76,682)
Travel	1,372,700	1,626,370	253,670	1,736,437	110,067
Conference Calls	113,000	134,171	21,171	188,872	54,701
Total Meeting Expenses	\$ 2,206,200	\$ 2,556,543	\$ 350,343	\$ 2,644,629	\$ 88,086
Operating Expenses					
Consultants	\$ 1,280,000	\$ 1,371,270	\$ 91,270	\$ 4,204,270	\$ 2,833,000
Contracts	2,626,860	2,816,860	190,000	3,273,000	456,140
Office Rent	680,000	680,000	0	711,523	31,523
Office Costs	745,000	813,168	68,168	886,387	73,219
Professional Services	1,420,000	1,370,000	(50,000)	1,360,000	(10,000)
Computer Purchase & Maintenance	600,000	742,075	142,075	789,750	47,675
Furniture & Equipment	55,000	55,000	-	265,000	210,000
Miscellaneous	4,000	4,000	-	4,000	-
Total Operating Expenses	\$ 7,410,860	\$ 7,852,373	\$ 441,513	\$ 11,493,930	\$ 3,641,557
Other Non-Operating Expenses	\$ -	\$ 755,037	\$ 755,037	\$ 1,393,496	\$ 638,459
Total Expenses	\$ 26,531,994	\$ 27,920,598	\$ 1,388,604	\$ 34,447,620	\$ 6,527,022
Change in Assets	\$ 0	\$ 56,432	\$ 56,433	\$ -	\$ (56,432)

Personnel Analysis

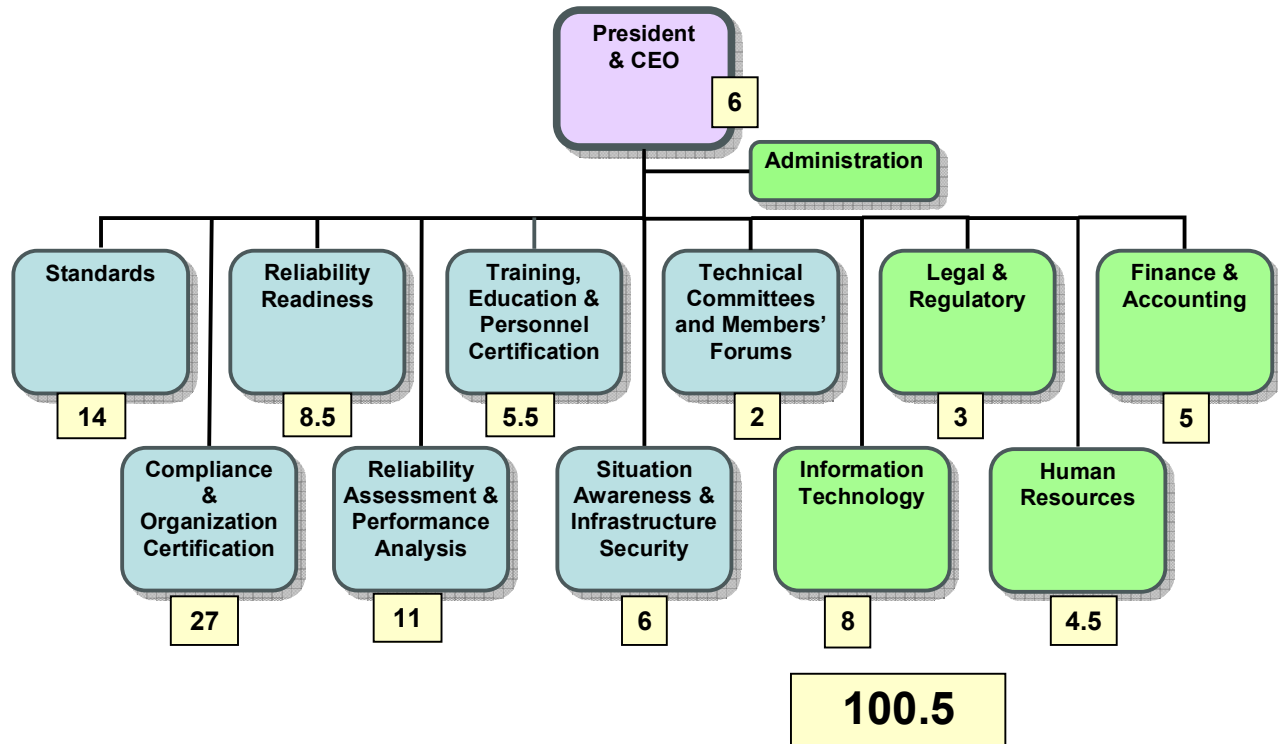
Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
STATUTORY				
Operational Programs				
Reliability Standards	15.0	14.0	14.0	0.0
Compliance and Organization Registration and Certification	26.0	27.0	31.0	4.0
Reliability Readiness Evaluation and Improvement	12.0	8.5	0.0	-8.5
Training and Education	6.0	5.5	5.5	0.0
Reliability Assessment and Performance Analysis	11.0	11.0	13.5	2.5
Situational Awareness and Infrastructure Security	5.0	6.0	7.0	1.0
Total FTEs Operational Programs	75.0	72.0	71.0	-1.0
Administrative Programs				
Member Forums	2.0	2.0	2.0	0.0
General & Administrative	3.0	6.0	6.0	0.0
Information Technology	8.0	8.0	8.0	0.0
Legal and Regulatory	5.0	3.0	4.0	1.0
Human Resources	3.5	4.5	4.5	0.0
Accounting	5.0	5.0	5.0	0.0
Total FTEs Administrative Programs	26.5	28.5	29.5	1.0
Total FTEs	101.5	100.5	100.5	0.0

Reconciliation 2008 Budget to Projection	
Reliability Standards	-1
Transfer staff to GA	-2
Add unbudgeted position(s)	1
Compliance and Organization Registration and Certification	1
Add unbudgeted position(s)	1
Reliability Readiness Evaluation and Improvement	-3.5
Delete budgeted position(s)	-2
Transfer staff to SAIS	-1
Share 50% Admin. Asst with Training	-0.5
Training and Education	-0.5
Transfer staff to GA	-1
Share 50% Admin. Asst with Readiness	0.5
Reliability Assessment and Performance Analysis	N/C
Situational Awareness and Infrastructure Security	1
Transfer staff from Readiness	1
Member Forums	N/C
General & Administrative	3
Transfer staff from Standards	2
Transfer staff from Legal	1
Information Technology	N/C
Legal and Regulatory	-2
Transfer staff to GA	-1
Hire consultant in place of FTE	-1
Human Resources	1
Transfer staff from Training	1
Accounting	N/C

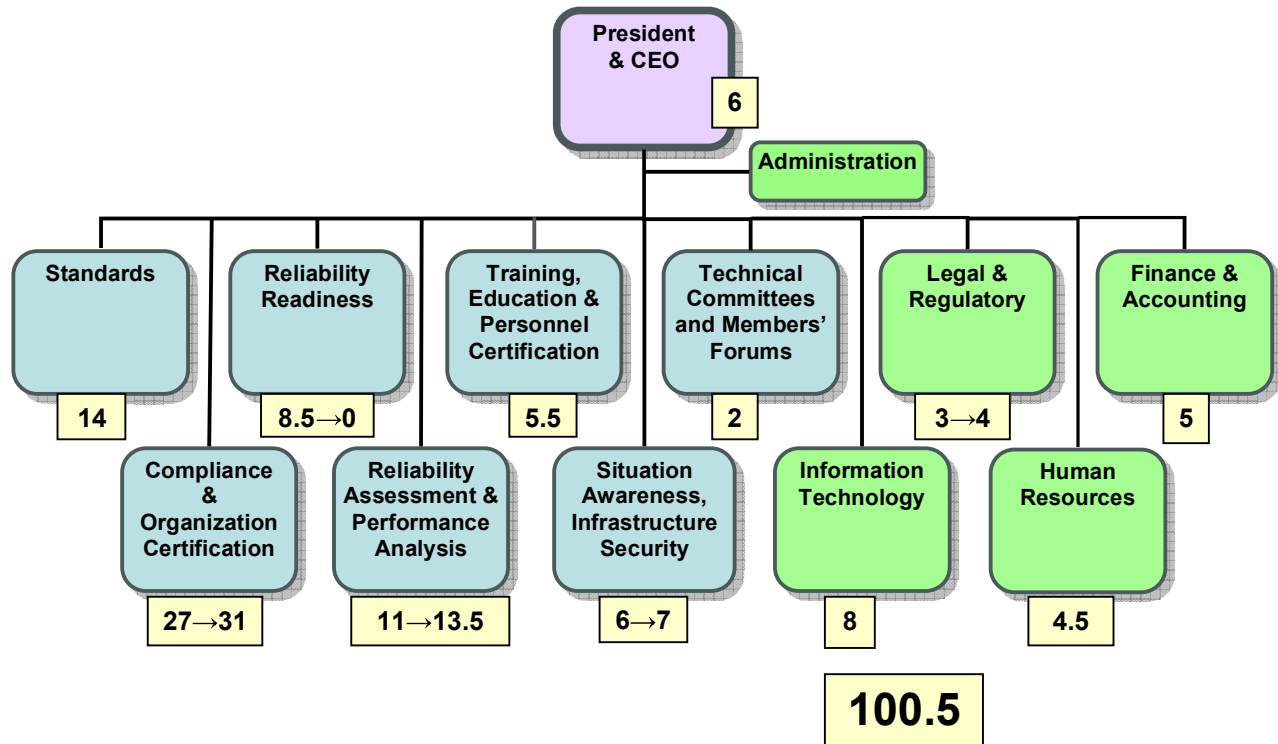
2008 Organizational Chart

Table 3



2009 Organizational Chart

Table 4



Reserve Analysis 2008–2009

Table 5

Working Capital Reserve Analysis 2008-2009	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2007	559,179
Plus: 2008 ERO Funding (from LSEs or designees)	25,694,031
Plus: 2008 Other funding sources (Cash basis)	2,283,000
Less: '2008 Projected expenses & capital expenditures (Cash basis)	(27,165,561)
Projected Working Capital Reserve (Deficit), December 31, 2008	<u>1,370,648</u>
Desired Working Capital Reserve, December 31, 2009	¹ 2,500,000
Less: Projected Working Capital Reserve, December 31, 2008	(1,370,648)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	<u>1,129,352</u>
2009 Assessment for Expenses and Capital Expenditures, excluding Working Capital Reserve (Cash basis) ²	33,318,269
Less: Other Funding Sources (Cash Basis)	(2,522,572)
Adjustment to achieve desired Working Capital Reserve	1,129,352
2009 Assessment	<u>31,925,048</u>

¹ On July 11, 2008, the NERC Finance and Audit Committee approved a desired working capital reserve of \$2,500,000.

² Includes \$264,144 to recover uncollected assessments in 2007 and 2008

Regional Entity Assessment Analysis

NEL by Country

Table 6 shows the 2007 NEL proportional share by Regional Entity and country. Detailed calculations by LSE (or designee) are detailed in **Appendix C**.

Table 6

Data Year	Regional Entity	Total NEL	U.S. NEL	Canada NEL	Mexico NEL	% of ERO Total	US Total	Canada Total	Mexico Total
Summary by Regional Entity									
2007	FRCC	237,845,800	237,845,800	-	-	5.198%	5.198%	0.000%	0.000%
2007	MRO	272,403,444	230,339,637	42,063,807	-	5.954%	5.034%	0.919%	0.000%
2007	NPCC	672,611,000	301,766,000	370,845,000	-	14.701%	6.596%	8.105%	0.000%
2007	RFC	951,148,266	951,148,266	-	-	20.789%	20.789%	0.000%	0.000%
2007	SERC	1,048,169,675	1,048,169,675	-	-	22.909%	22.909%	0.000%	0.000%
2007	SPP	204,154,984	204,154,984	-	-	4.462%	4.462%	0.000%	0.000%
2007	TRE	319,355,145	319,355,145	-	-	6.980%	6.980%	0.000%	0.000%
2007	WECC	869,624,367	738,731,574	120,383,372	10,509,421	19.007%	16.146%	2.631%	0.230%
TOTAL		4,575,312,681	4,031,511,081	533,292,179	10,509,421	100%	88.114%	11.656%	0.230%

2010–2011 Projected Revenues and Expenses

Included below is a projection of expected revenues and expenses for 2010 and 2011. NERC is providing this analysis for informational purposes only and is not seeking approval of these projections by the NERC Board of Trustees or any governmental authorities.

Table 7

Statement of Activities 2010 and 2011 Projections							
	2009 Budget	2010 Projection	\$ Change 09 v 10	% Change 09 v 10	2011 Projection	\$ Change 10 v 11	% Change 10 v 11
Funding							
ERO Funding	\$ 31,925,048	\$ 31,367,982	\$ (557,067)	-1.7%	33,412,881	2,044,899	6.5%
Membership Dues	857,572	889,452	31,880	3.7%	958,583	69,131	7.8%
Testing Fees	980,000	1,050,000	70,000	7.1%	1,260,000	210,000	20.0%
Services & Software	485,000	485,000	-	0.0%	485,000	-	0.0%
Workshops	-	-	-	-	-	-	-
Interest	200,000	200,000	-	0.0%	200,000	-	0.0%
Miscellaneous	-	-	-	-	-	-	-
Total Funding	\$ 34,447,620	\$ 33,992,433	\$ (455,187)	-1.3%	36,316,464	2,324,031	6.8%
Expenses							
Personnel Expenses							
Salaries	\$ 14,426,115	\$ 15,580,686	\$ 1,154,571	8.0%	16,905,721	1,325,035	8.5%
Payroll Taxes	862,587	926,438	63,851	7.4%	1,045,836	119,398	12.9%
Benefits	1,612,531	1,629,246	16,714	1.0%	1,822,632	193,386	11.9%
Retirement Costs	2,014,332	2,214,829	200,497	10.0%	2,413,630	198,800	9.0%
Total Personnel Expenses	\$ 18,915,565	\$ 20,351,199	\$ 1,435,634	7.6%	22,187,818	1,836,619	9.0%
Meeting Expenses							
Meetings	\$ 719,320	\$ 755,286	\$ 35,966	5.0%	793,051	37,764	5.0%
Travel	1,736,437	1,803,309	66,872	3.9%	1,893,474	90,165	5.0%
Conference Calls	188,872	198,315	9,444	5.0%	208,231	9,916	5.0%
Total Meeting Expenses	\$ 2,644,629	\$ 2,756,911	\$ 112,281	4.2%	2,894,756	137,846	5.0%
Operating Expenses							
Consultants	\$ 4,204,270	\$ 3,234,334	(969,937)	-23.1%	3,201,400	(32,933)	-1.0%
Contracts	3,273,000	3,436,650	163,650	5.0%	3,608,483	171,833	5.0%
Office Rent	711,523	747,099	35,576	5.0%	784,454	37,355	5.0%
Office Costs	886,387	926,554	40,167	4.5%	972,882	46,328	5.0%
Professional Services	1,360,000	1,428,000	68,000	5.0%	1,499,400	71,400	5.0%
Computer Purchase & Maint.	789,750	829,238	39,488	5.0%	870,699	41,462	5.0%
Furniture & Equipment	265,000	278,250	13,250	5.0%	292,163	13,913	5.0%
Miscellaneous	4,000	4,200	200	5.0%	4,410	210	5.0%
Total Operating Expenses	\$ 11,493,930	\$ 10,884,324	\$ (609,606)	-5.3%	11,233,890	349,566	3.2%
Other Non-Operating Expenses	\$ 1,393,496	\$ -	\$ (1,393,496)	-100.0%	-	-	0.0%
Total Expenses	\$ 34,447,620	\$ 33,992,433	\$ (455,187)	-1.3%	36,316,464	2,324,031	6.8%
Change in Assets	\$ -	\$ -	\$ -		-	-	

2010 and 2011 Forecast Assumptions

- Increase staffing by eight FTEs in 2010 and eight FTEs in 2011. Assume two FTEs per quarter.
- Increase personnel expenses 3 percent per annum.
- Increase meeting expenses and operating expenses 5 percent per annum, except for NASPI-related expenses which are \$1,303,000 in 2010 and \$1,421,000 in 2011.
- Remove \$1,050,000 budgeted in 2009 for the NERC/Regional Entity self-assessment.
- Increase fees for executive recruiting services by \$150,000 in 2010.
- Eliminate any increase in working capital reserve.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1 of the 2009 NERC Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Supplemental Funding

Table B-1

Outside Funding Breakdown By Program (excluding ERO Assessments)	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Assessment and Performance Analysis					
pc-GAR Software	\$ 60,000	\$ 75,000	\$ 150,000	\$ 75,000	100.00%
GADS Services	90,000	150,000	300,000	150,000	100.00%
Total	\$ 150,000	\$ 225,000	\$ 450,000	\$ 225,000	100.00%
Training and Education					
SO Test Fees	\$ 490,000	\$ 350,000	\$ 315,000	\$ (35,000)	-10.00%
Certificate Renewals		\$ 140,000	\$ 175,000	\$ 35,000	25.00%
PJM Test Fees	-	-	-	-	
CEH Fees	473,000	473,000	490,000	17,000	3.59%
Total	\$ 963,000	\$ 963,000	\$ 980,000	\$ 17,000	1.77%
Situational Awareness and Infrastructure Security					
ESD Software	\$ 15,000	\$ 20,000	\$ 20,000	\$ -	0.00%
FIST Royalties	15,000	15,000	15,000	-	0.00%
TSIN Fees	75,000	75,000	-	(75,000)	-100.00%
Total	\$ 105,000	\$ 110,000	\$ 35,000	\$ (75,000)	-68.18%
Technical Committees and Member Forums					
Transmission Owners and Operators Forum Dues	\$ 175,000	\$ 785,000	\$ 954,942	\$ 169,942	21.65%
Total	\$ 175,000	\$ 785,000	\$ 954,942	\$ 169,942	21.65%
General and Administrative					
Interest Income	\$ 200,000	\$ 200,000	\$ 200,000	\$ -	0.00%
Total	\$ 200,000	\$ 200,000	\$ 200,000	\$ -	0.00%
Total Outside Funding	\$ 1,593,000	\$ 2,283,000	\$ 2,619,942	\$ 336,942	14.76%

Personnel Expenses

Table B-2

Personnel Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Salaries					
Salary	\$ 13,141,575	\$ 12,692,355	\$ 14,380,115	\$ 1,687,760	13.30%
Employment Agency Fees	16,000	16,000	16,000	-	0.00%
Temporary Office Services	30,000	30,000	30,000	-	0.00%
Total Salaries	\$ 13,187,575	\$ 12,738,355	\$ 14,426,115	\$ 1,687,760	13.25%
Payroll Taxes					
FICA	\$ 535,073	\$ 510,232	\$ 603,373	\$ 93,141	18.3%
Medicare	187,357	184,039	208,512	24,473	13.3%
SUI	45,416	45,046	45,046	-	0.0%
FUI	5,712	5,656	5,656	-	0.0%
Total Payroll Taxes	\$ 773,558	\$ 744,973	\$ 862,587	\$ 117,614	15.8%
Benefits					
Workers Compensation	\$ 47,880	\$ 27,500	\$ 32,200	\$ 4,700	17.1%
Medical Insurance	1,347,724	1,363,325	1,346,581	(16,744)	-1.2%
Life-LTD Insurance	189,503	125,000	143,750	18,750	15.0%
Education	100,000	100,000	30,000	(70,000)	-70.0%
Relocation	7,500	7,500	60,000	52,500	700.0%
Total Benefits	\$ 1,692,607	\$ 1,623,325	\$ 1,612,531	\$ (10,794)	-0.7%
Retirement					
Discretionary 401k Cont.	\$ 733,188	\$ 1,004,187	\$ 1,225,925	\$ 221,738	22.1%
Savings Plan	528,007	645,804	788,407	142,603	22.1%
Total Retirement	\$ 1,261,195	\$ 1,649,991	\$ 2,014,332	\$ 364,341	22.1%
Total Personnel Costs	\$ 16,914,935	\$ 16,756,644	\$ 18,915,565	\$ 2,158,921	12.9%

Meeting Expenses

Table B-3

Meeting Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 160,000	\$ 232,050	\$ 168,120	\$ (63,930)	-27.55%
Compliance and Organization Registration and Certification	30,000	44,625	32,500	(12,125)	-27.17%
Reliability Readiness Evaluation and Improvement	0	19,203	-	(19,203)	-100.00%
Reliability Assessment and Performance Analysis	92,500	165,274	184,000	18,726	11.33%
Training and Education	54,000	54,000	55,000	1,000	1.85%
Situational Awareness and Infrastructure Security	102,000	80,000	65,000	(15,000)	-18.75%
Committee and Member Forums	140,000	30,000	30,000	-	0.00%
General and Administrative	139,000	164,000	172,200	8,200	5.00%
Legal and Regulatory	3,000	3,000	3,000	-	0.00%
Information Technology	-	-	5,500	5,500	
Human Resources	-	-	-	-	
Accounting and Finance	-	3,850	4,000	150	3.90%
Total Meeting Expenses	\$ 720,500	\$ 796,003	\$ 719,320	\$ (76,682)	-9.63%

Travel Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 205,200	\$ 245,700	\$ 300,000	\$ 54,300	22.10%
Compliance and Organization Registration and Certification	378,900	500,000	657,167	157,167	31.43%
Reliability Readiness Evaluation and Improvement	157,500	157,500	19,000	(138,500)	-87.94%
Reliability Assessment and Performance Analysis	203,400	237,500	263,875	26,375	11.11%
Training and Education	55,800	66,400	51,225	(15,175)	-22.85%
Situational Awareness and Infrastructure Security	80,100	135,000	125,161	(9,839)	-7.29%
Committee and Member Forums	32,400	17,768	18,660	891	5.02%
General and Administrative	155,900	163,695	198,850	35,155	21.48%
Legal and Regulatory	51,300	37,715	49,000	11,285	29.92%
Information Technology	30,600	38,000	31,000	(7,000)	-18.42%
Human Resources	9,000	10,784	7,500	(3,284)	-30.45%
Accounting and Finance	12,600	16,308	15,000	(1,308)	-8.02%
Total Travel Expenses	\$ 1,372,700	\$ 1,626,370	\$ 1,736,437	\$ 110,067	6.77%

Conference Call Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards		\$ -	\$ 10,000	\$ 10,000	
Compliance and Organization Registration and Certification		-	5,000	5,000	
Reliability Readiness Evaluation and Improvement		-	-	-	
Reliability Assessment and Performance Analysis		5,000	10,000	5,000	100.00%
Training and Education		7,500	75,000	67,500	900.00%
Situational Awareness and Infrastructure Security		-	5,000	5,000	
Committee and Member Forums		-	-	-	
General and Administrative	113,000	121,671	83,872	(37,799)	-31.07%
Legal and Regulatory		-	-	-	
Information Technology		-	-	-	
Human Resources		-	-	-	
Accounting and Finance		-	-	-	
Total Conference Calls	\$ 113,000	\$ 134,171	\$ 188,872	\$ 54,701	40.77%

Total Meeting Expenses	\$ 2,206,200	\$ 2,556,542	\$ 2,644,629	\$ 88,086	3.45%
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Operating Expenses

Table B-4

Consultants	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Consultants					
Reliability Standards	\$ 100,000	\$ 100,000	\$ 50,000	\$ (50,000)	-50.00%
Compliance and Organization Registration and Certification	330,000	330,000	850,000	520,000	157.58%
Reliability Readiness Evaluation and Improvement	-	125,000	-	(125,000)	-100.00%
Reliability Assessment and Performance Analysis	75,000	201,270	376,270	175,000	86.95%
Training and Education	100,000	100,000	55,000	(45,000)	-45.00%
Situational Awareness and Infrastructure Security	250,000	250,000	1,453,000	1,203,000	481.20%
Committee and Member Forums	175,000	-	-	-	
General and Administrative	-	-	-	-	
Legal and Regulatory	-	-	1,050,000	1,050,000	1050.00%
Information Technology	250,000	250,000	270,000	20,000	8.00%
Human Resources	-	15,000	100,000	85,000	566.67%
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 1,280,000	\$ 1,371,270	\$ 4,204,270	\$ 2,833,000	206.60%

Table B-5

Contracts	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Contracts					
GADS Programming Support	\$ 135,000	\$ 135,000	\$ 135,000	\$ -	
Analysis Software	115,000	-	-	-	
Assessment Studies	10,000	10,000	100,000	90,000	
TADS Development	150,000	150,000	150,000	-	
Subtotal - Reliability Assessment Contracts	\$ 410,000	\$ 295,000	\$ 385,000	\$ 90,000	30.51%
RCIS Support	20,000	20,000	20,000	-	
Resource Adequacy Tool (Srv Agreement)	106,000	106,000	75,000	(31,000)	
Inadvertent Interchange	58,000	58,000	30,000	(28,000)	
AIE Monitoring	50,000	50,000	15,000	(35,000)	
CPS1-Balancing Authority ACE Limit Monitoring	20,000	20,000	35,000	15,000	
Frequency Monitoring	55,000	55,000	40,000	(15,000)	
Intelligent Alarms/DARA (Srv Agreement)			40,000	40,000	
Resources Subcommittee Maintenance			120,000	120,000	
Subtotal - Situational Awareness Contracts	\$ 309,000	\$ 309,000	\$ 375,000	\$ 66,000	21.36%
Frame Relay	\$ 115,000	\$ 312,000	\$ 312,000	\$ -	0.00%
Contract - IDC					
SDX Support	\$ 80,000	\$ 80,000	\$ 72,000	\$ (8,000)	
SDX Maintenance			20,000	20,000	
IDC Maintenance	50,000	50,000	50,000	-	
DF Support Services Contract	19,200	19,200	19,200	-	
IDC Client Contracts	200,000	200,000	300,000	100,000	
IDC Client Billing	(200,000)	(200,000)	(300,000)	(100,000)	
IDC Base Contract	1,329,660	1,329,660	1,415,400	85,740	
NERC Factor Viewer (NFV)			11,000	11,000	
Book of Flowgate Database			29,000	29,000	
Book of Flowgate Database Maintenance			20,000	20,000	
E-Tag Maintenance	50,000	50,000	50,000	-	
Contracts - IDC Total	\$ 1,528,860	\$ 1,528,860	\$ 1,686,600	\$ 157,740	10.32%
Education and Training					
System Operator Testing Expenses	\$ 60,000	\$ 60,000	\$ 59,400	\$ (600)	
System Operator Job Analysis			15,000	15,000	
System Operator Examination Development	104,000	104,000	92,000	(12,000)	
Database Development	100,000	100,000	60,000	(40,000)	
Course Development-Compliance, Standards			125,000	125,000	
NERC Staff Training			40,000	40,000	
Design a Course	-	-	15,000	15,000	
Education and Training Total	\$ 264,000	\$ 264,000	\$ 406,400	\$ 142,400	53.94%
Canadian Affairs Representative		\$ 108,000	\$ 108,000	\$ -	0.00%
Contracts Total	\$ 2,626,860	\$ 2,816,860	\$ 3,273,000	\$ 456,140	16.19%

Section B — 2009 Schedules

Table B-6

Office Rent	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Office Rent	\$ 680,000	\$ 680,000	\$ 711,523	\$ 31,523	4.64%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Security	-	-	-	-	
Total Office Rent	\$ 680,000	\$ 680,000	\$ 711,523	\$ 31,523	4.64%

Table B-7

Office Costs	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Telephone	\$ 80,000	\$ 170,211	\$ 202,746	\$ 32,535	
Internet	245,000	72,880	76,416	3,536	
Office Supplies	80,000	122,000	133,500	11,500	
Computer Supplies and Maintenance	110,000	219,927	221,245	1,318	
Publications & Subscriptions	30,000	25,502	26,042	540	
Dues	35,000	34,648	35,188	540	
Postage	12,000	17,500	20,000	2,500	
Express Shipping	24,000	35,000	35,000	-	
Copying	36,000	39,000	43,000	4,000	
Reports - Graphics	3,000	3,000	12,500	9,500	
Stationary Forms	10,000	10,000	10,000	-	
Equipment Repair/Service Contracts	27,000	25,000	15,000	(10,000)	
Bank Charges	8,000	8,000	8,000	-	
Sales & Use Taxes	3,000	3,000	7,500	4,500	
Merchant Card Fees	42,000	27,500	30,250	2,750	
Presentation & Publicity	-	-	10,000	10,000	
Total Office Costs	\$ 745,000	\$ 813,168	\$ 886,387	\$ 73,219	9.00%

Table B-8

Professional Services	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Independent Trustee Fees	\$ 660,000	\$ 660,000	\$ 660,000	\$ -	0.00%
Outside Legal	500,000	500,000	550,000	50,000	10.00%
Accounting & Auditing Fees	200,000	150,000	100,000	(50,000)	-33.33%
Other Legal Fees	-	-	-	-	
Insurance Commercial	60,000	60,000	50,000	(10,000)	-16.67%
Total Services	\$ 1,420,000	\$ 1,370,000	\$ 1,360,000	\$ (10,000)	-0.73%

Table B-9

Computer	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Purchase and Lease	\$ 600,000	\$ 600,000	\$ 542,095	\$ (57,905)	-9.65%
Software		\$ 142,075	\$ 247,655	\$ 105,580	
Total Computer	\$ 600,000	\$ 742,075	\$ 789,750	\$ 47,675	6.42%

Table B-10

Furniture & Equipment	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Furniture	\$ -	\$ -	\$ 25,000	\$ 25,000	
Equipment	55,000	55,000	155,000	100,000	
Leasehold Improvements	-	-	85,000	85,000	
Miscellaneous	4,000	4,000	4,000		
Total Furniture & Fixtures	\$ 59,000	\$ 59,000	\$ 269,000	\$ 210,000	355.93%

Table B-11

Other Non-Operating Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Interest Expense				\$ -	
Office Relocation				\$ -	
2007 & 2008 Uncollected Assessments			264,144	\$ 264,144	
Cash Reserve Requirement			1,129,352	\$ 1,129,352	
Total Non-Operating Expenses	\$ -	\$ -	\$ 1,393,496	\$ 1,393,496	

2007 and 2008 Uncollected Assessments

	2007	2008	Total
Correctly calculated and billed			
NERC Funding	\$ 7,805.58		\$ 7,805.58
RE Funding	15,387.20		15,387.20
Subtotal - Correctly calculated and billed	\$ 23,192.78	\$ -	\$ 23,192.78
Incorrectly calculated			
NERC Funding	\$ 23,772.71	\$ 137,120.00	\$ 160,892.71
RE Funding	80,058.82		80,058.82
Subtotal - Incorrectly calculated	\$ 103,831.53	\$ 137,120.00	\$ 240,951.53
Total Uncollected Assessments	\$ 127,024.31	\$ 137,120.00	\$ 264,144.31

Allocations to Load Serving Entities (or Designee) for the 2009 Regional Entity Assessments - Detailed Allocation Methodology

Data Year	Regional Entity	Entity	Country	Total Regional Entity Funding (Including WIRAB Funding)			Regional Entity NEL Funding			NPCC Audit Based 45% CORC Program			WIRAB Funding				
				Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total		
2007	WECC	City of Aztec, NM	U.S.	1,915	1,915	-	-	1,896	-	-	-	19	19	1,414	-	-	
2007	WECC	Public Utility District No. 1 of Chelan County	U.S.	140,056	140,056	-	-	138,642	-	-	-	1,414	1,414	635	-	-	
2007	WECC	Public Utility District No. 1 of Douglas County	U.S.	62,935	62,935	-	-	62,300	-	-	-	635	635	1,473	-	-	
2007	WECC	Public Utility District No. 2 of Grant County	U.S.	145,876	145,876	-	-	144,403	-	-	-	1,473	1,473	11,061	-	-	
2007	WECC	Puget Sound Energy	U.S.	1,095,598	1,095,598	-	-	1,084,536	-	-	-	11,061	11,061	13,012	-	-	
2007	WECC	Salt River Project	U.S.	1,288,840	1,288,840	-	-	1,275,828	-	-	-	-	-	4,459	-	-	
2007	WECC	Central Arizona Water Conservation District - SRP	U.S.	-	-	-	-	-	-	-	-	-	-	4,459	-	-	
2007	WECC	Seattle City Light	U.S.	441,621	441,621	-	-	437,162	-	-	-	4,459	4,459	4,112	-	-	
2007	WECC	Sierra Pacific Resource	U.S.	407,244	407,244	-	-	403,132	-	-	-	4,112	4,112	472	-	-	
2007	WECC	Barrick Goldstrike Mines Inc. - SPP	U.S.	46,719	46,719	-	-	46,247	-	-	-	472	472	55	-	-	
2007	WECC	City of Fallon - SPP	U.S.	5,450	5,450	-	-	5,395	-	-	-	55	55	37	-	-	
2007	WECC	Haney Electric Cooperative, Inc. - SPP	U.S.	3,616	3,616	-	-	3,579	-	-	-	37	37	218	-	-	
2007	WECC	Mt. Wheeler Power Company - SPP	U.S.	21,598	21,598	-	-	21,340	-	-	-	218	218	66	-	-	
2007	WECC	Truckee Donner Public Utility District - SPP	U.S.	6,535	6,535	-	-	6,469	-	-	-	66	66	262	-	-	
2007	WECC	Wells Rural Electric Cooperative - SPP	U.S.	25,906	25,906	-	-	25,645	-	-	-	262	262	5,065	-	-	
2007	WECC	SMUD Utility - SMUD	U.S.	501,664	501,664	-	-	496,599	-	-	-	5,065	5,065	600	-	-	
2007	WECC	Western (WAPA-Sierra Nevada Region) - SMUD	U.S.	59,459	59,459	-	-	58,888	-	-	-	600	600	955	-	-	
2007	WECC	City of Roseville - SMUD	U.S.	54,972	54,972	-	-	54,417	-	-	-	555	555	1,167	-	-	
2007	WECC	Modesto Irrigation District - SMUD	U.S.	115,543	115,543	-	-	114,376	-	-	-	1,167	1,167	449	-	-	
2007	WECC	City of Redding - SMUD	U.S.	44,519	44,519	-	-	44,070	-	-	-	449	449	2,179	-	-	
2007	WECC	Tacoma Power	U.S.	215,786	215,786	-	-	213,607	-	-	-	2,179	2,179	5,346	-	-	
2007	WECC	Tucson Electric Power Company	U.S.	529,479	529,479	-	-	524,133	-	-	-	5,346	5,346	901	-	-	
2007	WECC	Turlock Irrigation District	U.S.	89,205	89,205	-	-	88,304	-	-	-	901	901	275	-	-	
2007	WECC	Merced Irrigation District - TIDC	U.S.	18,914	18,914	-	-	18,723	-	-	-	191	191	1,541	-	-	
2007	WECC	Western Area Power Administration - Billings, MT	U.S.	27,195	27,195	-	-	26,921	-	-	-	275	275	1,210	-	-	
2007	WECC	Western Area Power Administration - Loveland, CO (WACM)	U.S.	152,592	152,592	-	-	151,052	-	-	-	1,541	1,541	955	-	-	
2007	WECC	Basin Electric Power Cooperative	U.S.	119,892	119,892	-	-	118,882	-	-	-	955	955	277	-	-	
2007	WECC	Black Hills Power & Light Company	U.S.	94,577	94,577	-	-	93,622	-	-	-	277	277	347	-	-	
2007	WECC	Colorado Springs Utilities	U.S.	187,184	187,184	-	-	185,294	-	-	-	1,880	1,880	92	-	-	
2007	WECC	Municipal Energy Agency of Nebraska	U.S.	27,435	27,435	-	-	27,158	-	-	-	15	15	2,659	-	-	
2007	WECC	PacificCorp	U.S.	34,335	34,335	-	-	33,988	-	-	-	87	87	5,275	-	-	
2007	WECC	Public Service Company of Colorado	U.S.	9,137	9,137	-	-	9,044	-	-	-	92	92	321,336	-	-	
2007	WECC	Rocky Mountain Generation Cooperative, Inc.	U.S.	1,481	1,481	-	-	1,466	-	-	-	15	15	321,336	-	-	
2007	WECC	Tri-State Generation & Transmission Association, Inc.	U.S.	263,412	263,412	-	-	260,753	-	-	-	2,659	2,659	52,365	-	-	
2007	WECC	Wyoming Municipal Power Agency	U.S.	8,608	8,608	-	-	8,521	-	-	-	87	87	52,365	-	-	
2007	WECC	Western Area Power Administration - Phoenix, AZ	U.S.	522,499	522,499	-	-	517,224	-	-	-	5,275	5,275	-	-	-	
TOTAL				37,466,774	31,827,407	5,186,580	452,786	37,088,502	31,506,071	5,134,216	448,215	378,272	321,336	52,365	4,571		
TOTAL				86,791,478	75,487,391	10,851,301	452,786	84,599,902	73,514,189	10,637,498	448,215	1,813,304	1,651,866	161,438	378,272	321,336	4,571

Summary by Regional Entity	Total	US Total	Canada Total	Mexico Total
2007	FRCC	3,898,438	-	-
2007	MRO	6,376,474	984,638	-
2007	NPCC	10,008,885	5,328,803	4,680,083
2007	RFC	8,833,834	8,833,834	-
2007	SERC	9,652,546	9,652,546	-
2007	SPP	7,123,827	7,123,827	-
2007	TRE	3,430,700	3,430,700	-
2007	WECC	37,466,774	31,827,407	452,786
Total	86,791,478	75,487,391	10,851,301	452,786

2007 NEL Calculations and Allocations to Load Serving Entities (or Designee) for the 2009 NERC and RE Assessments

Table with columns: Data Year, Regional Entity, Entity, Country, Total NEL (MWh), U.S. NEL, Canada NEL, Mexico NEL, % of RE total, US Total, Canada Total, Mexico Total, % of ERO Total, US Total, Canada Total, Mexico Total.

Allocations to Load Serving Entities (or Designee) for the 2009 NERC and Regional Entity Assessments

Data Year	Regional Entity	Entity	Country	Canada Compliance (ex. Quebec) NPCC Total	Total ERO Funding (NERC, RE & WIRAB Costs)			Total NERC Funding			Total Regional Entity Funding (Including WIRAB Funding)				
					US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total	Total	US Total	Canada Total	Mexico Total
2007	WECC	Modesto Irrigation District - SMUD	U.S.	0.000%	133,520	-	-	17,978	-	-	115,543	-	-		
2007	WECC	City of Redding - SMUD	U.S.	0.000%	51,446	-	-	6,927	-	-	44,519	-	-		
2007	WECC	Tacoma Power	U.S.	0.000%	249,360	-	-	33,575	-	-	215,786	-	-		
2007	WECC	Tucson Electric Power Company	U.S.	0.000%	611,862	-	-	82,383	-	-	529,479	-	-		
2007	WECC	Turlock Irrigation District - TIDC	U.S.	0.000%	103,084	-	-	13,880	-	-	89,205	-	-		
2007	WECC	Merced Irrigation District - TIDC	U.S.	0.000%	21,857	-	-	2,943	-	-	18,914	-	-		
2007	WECC	Western Area Power Administration - Billings, MT	U.S.	0.000%	31,427	-	-	4,231	-	-	27,195	-	-		
2007	WECC	Western Area Power Administration - Loveland, CO (WACM)	U.S.	0.000%	176,334	-	-	23,742	-	-	152,592	-	-		
2007	WECC	Basin Electric Power Cooperative	U.S.	0.000%	138,546	-	-	18,654	-	-	119,892	-	-		
2007	WECC	Black Hills Power & Light Company	U.S.	0.000%	109,292	-	-	14,715	-	-	94,577	-	-		
2007	WECC	Colorado Springs Utilities	U.S.	0.000%	216,308	-	-	29,124	-	-	187,184	-	-		
2007	WECC	Municipal Energy Agency of Nebraska	U.S.	0.000%	31,704	-	-	4,269	-	-	27,435	-	-		
2007	WECC	PacificCorp	U.S.	0.000%	39,677	-	-	5,342	-	-	34,335	-	-		
2007	WECC	Public Service Company of Colorado	U.S.	0.000%	10,558	-	-	1,422	-	-	9,137	-	-		
2007	WECC	Rocky Mountain Generation Cooperative, Inc.	U.S.	0.000%	1,711	-	-	230	-	-	1,481	-	-		
2007	WECC	Tri-State Generation & Transmission Association, Inc.	U.S.	0.000%	304,397	-	-	40,985	-	-	263,412	-	-		
2007	WECC	Wyoming Municipal Power Agency	U.S.	0.000%	9,948	-	-	1,339	-	-	8,608	-	-		
2007	WECC	Western Area Power Administration - Phoenix, AZ	U.S.	0.000%	603,796	-	-	81,297	-	-	522,499	-	-		
TOTAL					43,262,233	36,779,514	5,962,220	5,795,459	4,952,107	775,640	67,713	37,466,774	31,827,407	5,186,560	452,786
Summary by Regional Entity					118,716,526	104,155,799	14,040,228	31,925,048	28,968,409	3,188,927	67,713	86,791,478	75,487,391	10,851,301	452,786
2007	FRCC			0.000%	5,594,040	5,594,040	-	1,695,602	1,695,602	-	-	3,898,438	3,898,438	-	-
2007	MRO			0.000%	8,549,624	7,238,678	1,310,946	2,173,150	1,846,842	326,308	-	6,376,474	5,391,836	984,638	-
2007	NPCC			0.000%	14,186,863	7,419,801	6,767,062	4,177,977	2,090,999	2,086,979	-	10,008,885	5,328,803	4,680,083	-
2007	RFC			0.000%	15,743,361	15,743,361	-	6,909,527	6,909,527	-	-	8,833,834	8,833,834	-	-
2007	SERC			0.000%	17,092,196	17,092,196	-	7,439,650	7,439,650	-	-	9,652,546	9,652,546	-	-
2007	SPP			0.000%	8,716,703	8,716,703	-	1,592,876	1,592,876	-	-	7,123,827	7,123,827	-	-
2007	TRE			0.000%	5,571,506	5,571,506	-	2,140,806	2,140,806	-	-	3,430,700	3,430,700	-	-
2007	WECC			0.000%	43,262,233	36,779,514	5,962,220	5,795,459	4,952,107	775,640	67,713	37,466,774	31,827,407	5,186,560	452,786
Total					118,716,526	104,155,799	14,040,228	31,925,048	28,968,409	3,188,927	67,713	86,791,478	75,487,391	10,851,301	452,786

Allocations to the Load Serving Entities (or Designee) for the 2009 NERC Assessments-Detailed Allocation Methodology

Data Year	Regional Entity	Entity	Country	Total NERC Funding			NERC NEF Funding			NERC Self-Assessment - US Only			NERC Compliance Funding (ex. IESD)			NERC Compliance Funding (ex. Quebec)			NERC DC Funding						
				US Total	Canada Total	Mexico Total	US Total	Canada Total	Mexico Total	US Total	Canada Total	Mexico Total	US Total	Canada Total	Mexico Total	US Total	Canada Total	Mexico Total	US Total	Canada Total	Mexico Total				
2007	WECC	Merced Irrigation District - TIDC	U.S.	2,943	-	-	1,803	-	-	114	114	-	682	-	-	344	-	-	-	-	-	-			
2007	WECC	Western Area Power Administration - Billings, MT	U.S.	4,231	-	-	2,592	-	-	164	164	-	980	-	-	485	-	-	-	-	-	-			
2007	WECC	Western Area Power Administration - Loveland, CO (WACV)	U.S.	23,742	-	-	14,543	-	-	922	922	-	5,501	-	-	2,775	-	-	-	-	-	-			
2007	WECC	Basin Electric Power Cooperative	U.S.	18,854	-	-	11,427	-	-	725	725	-	4,322	-	-	2,180	-	-	-	-	-	-			
2007	WECC	Black Hills Power & Light Company	U.S.	14,715	-	-	9,014	-	-	572	572	-	3,410	-	-	1,720	-	-	-	-	-	-			
2007	WECC	Colorado Springs Utilities	U.S.	29,124	-	-	17,840	-	-	1,132	1,132	-	6,749	-	-	3,404	-	-	-	-	-	-			
2007	WECC	Municipal Energy Agency of Nebraska	U.S.	4,269	-	-	2,615	-	-	166	166	-	989	-	-	489	-	-	-	-	-	-			
2007	WECC	PeclitCorp	U.S.	5,342	-	-	3,272	-	-	208	208	-	1,238	-	-	624	-	-	-	-	-	-			
2007	WECC	Public Service Company of Colorado	U.S.	1,422	-	-	871	-	-	55	55	-	329	-	-	166	-	-	-	-	-	-			
2007	WECC	Rocky Mountain Generation Cooperative	U.S.	230	-	-	141	-	-	9	9	-	53	-	-	27	-	-	-	-	-	-			
2007	WECC	The State Generation & Transmission Association, Inc.	U.S.	40,865	-	-	25,105	-	-	1,592	1,592	-	9,497	-	-	4,790	-	-	-	-	-	-			
2007	WECC	Wyoming Municipal Power Agency	U.S.	1,339	-	-	820	-	-	52	52	-	310	-	-	157	-	-	-	-	-	-			
2007	WECC	Western Area Power Administration - Phoenix, AZ	U.S.	81,297	-	-	48,799	-	-	3,159	3,159	-	18,838	-	-	9,502	-	-	-	-	-	-			
TOTAL				5,795,459	4,952,107	775,640	67,713	3,570,866	3,033,417	484,324	43,154	192,401	192,401	1,350,787	1,417,472	186,991	16,324	681,375	578,816	94,324	8,234	1,686,600	1,580,196	126,404	
Summary by Regional Entity				31,825,048	28,668,409	3,188,927	67,713	18,787,333	16,554,397	2,189,932	43,154	1,050,000	1,050,000	95,446	82,870	12,576	-	6,870,413	6,262,146	591,943	16,324	3,435,206	3,168,799	268,173	8,234
2007	FRCC			1,695,602	1,995,602	-	-	976,655	976,655	-	-	61,947	61,947	369,446	369,446	-	-	186,359	186,359	-	-	101,186	101,186	-	
2007	MRO			2,173,150	1,946,842	326,308	-	1,118,517	945,832	172,725	-	59,992	59,992	423,124	357,787	65,338	-	213,436	180,477	32,958	-	276,602	233,690	42,912	
2007	NFCC			4,177,877	2,090,999	2,086,979	-	2,781,910	1,239,127	1,522,783	-	78,594	78,594	808,347	468,733	339,614	-	371,333	236,442	140,891	-	151,794	68,102	83,692	
2007	RFC			6,909,527	6,899,527	-	-	3,995,854	3,995,854	-	-	247,725	247,725	1,477,419	1,477,419	-	-	745,251	745,251	-	-	519,473	519,473	-	
2007	SERC			7,439,650	7,439,650	-	-	4,304,048	4,304,048	-	-	272,994	272,994	1,628,122	1,628,122	-	-	821,270	821,270	-	-	413,217	413,217	-	
2007	SFP			1,592,876	1,392,876	-	-	888,312	888,312	-	-	53,172	53,172	317,114	317,114	-	-	159,961	159,961	-	-	224,318	224,318	-	
2007	WEPCC			1,718,549	1,718,549	-	-	1,026,562	1,026,562	-	-	82,401	82,401	1,360,387	1,417,472	186,991	16,324	681,375	578,816	94,324	8,234	1,686,600	1,580,196	126,404	
2007	WECC			5,795,459	4,952,107	775,640	67,713	3,570,866	3,033,417	484,324	43,154	192,401	192,401	1,350,787	1,417,472	186,991	16,324	681,375	578,816	94,324	8,234	1,686,600	1,580,196	126,404	
TOTAL				31,825,048	28,668,409	3,188,927	67,713	18,787,333	16,554,397	2,189,932	43,154	1,050,000	1,050,000	95,446	82,870	12,576	-	6,870,413	6,262,146	591,943	16,324	3,435,206	3,168,799	268,173	8,234

ATTACHMENT 3



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Final - Approved

2009 Business Plan and Budget

June 27, 2008

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Introduction

Total Regional Entity Resources (in whole dollars)				
	2009 Budget	U.S.	Canada	Mexico
Statutory FTEs	18.34			
Non-statutory FTEs	9.15			
Total FTEs	27.49			
Statutory Expenses*	\$3,977,868	\$3,977,868		
Non-statutory Expenses*	3,361,112	3,361,112		
Total Expenses*	\$7,338,980	\$7,338,980		
ERO Funding Assessments*	\$3,898,438	\$3,898,438		
Member Funding Assessments*	3,209,412	3,209,412		
Total Funding Assessments*	\$7,107,850	\$7,107,850		
NEL (MwH)	237,845,800	237,845,800		
NEL %	100.00%	100.00%		

*Includes a Cash Reserve requirement.

The Florida Reliability Coordinating Council (FRCC) is a not-for-profit corporation that was formed in 1996 and is one of the eight regions of the North American Electric Reliability Corporation (NERC). Membership in the FRCC's Regional Entity Division is open to any entity, without cost, that has a material interest in the reliability of the bulk power system in the FRCC Region. Currently there are 78 registered entities within the FRCC Region. The FRCC is governed by a balanced stakeholder Board of Directors, and accomplishes its activities through standing committees which have balanced stakeholder governance.

The FRCC standing committees actively participate in the development and approval of their committee's budget. The budgets reflect activities of each committee's responsibilities, such as resource adequacy, stability studies, transmission studies, reliability assessments, operations tools, system operator training, telecommunications infrastructure and tools. The total FRCC budget will be presented to the FRCC Board of Directors in the second quarter of each year for informational purposes. The purpose of this is to give all FRCC members advanced indication of the funding level which will be required for the coming fiscal year (January 1 – December 31). This allows for a timely inclusion of each member's funding responsibility to be included in their individual budgeting process. The final budget will be presented for approval to the FRCC Board of Directors before July of each year and will then be submitted to NERC upon approval by the FRCC Board of Directors.

The FRCC will provide the statutory functions and services for the FRCC Region through a Regional Entity Division, as well as non-statutory services for the FRCC Region through a Member Services Division. This divisional structure will provide an efficient means of clearly separating statutory and non-statutory activities as well as related funding for each. The revised FRCC By-Laws, creating this divisional structure, were approved by the Federal Energy Regulatory Commission ("FERC") on March 21, 2008.

Introduction

Through its Regional Entity Division, the FRCC will work to enhance the reliability of the bulk power system in the FRCC Region through the development of regional reliability standards, assessment of reliability, and compliance assessment and enforcement of reliability standards pursuant to the execution and implementation of a Regional Delegation Agreement with the Electric Reliability Organization (“ERO”) under the authority of the FERC.

Through its Member Services Division, FRCC will also promote the reliable and efficient operation of the bulk power system in the FRCC Region through establishment of regionally-specific criteria, coordination of system planning, design and operations, and monitoring and enforcement of compliance with such non-mandatory criteria.

Delegated Authority and the Regional Entities

As part of its responsibilities, NERC, as the ERO, delegates its authority to Regional Entities (FRCC) to perform certain functions through delegation agreements. On March 21, 2008, FERC approved revised delegation agreements between NERC and the eight regional entities. These delegations agreements describe the enforcement authority delegated to the Regional Entities. The funding for Regional Entities is approved separately with each Regional Entity submitting its own business plan and budget for consideration by NERC and FERC.

Membership and Governance

FRCC's Members in the Member Services Division include investor-owned utilities, cooperative utilities, municipal utilities, power marketers, independent power producers and a general membership category. There are projected to be 26 FRCC Members. The FRCC By-Laws approved by FERC establish a new General Sector which increases the total number of sectors from five (5) to six (6). This new sector will allow membership of parties with a material interest in the reliability of the bulk power system within the FRCC region which did not otherwise qualify for membership in one of the other sectors. It is FRCC's goal to populate this sector by the fourth quarter of 2008.

The activities of FRCC are governed by its Board of Directors. The Board is comprised of senior level executives from members of FRCC.

Statutory Functional Scope

FRCC carries out its delegated functions as outlined in the Delegation Agreement and detailed in Exhibits C, D and E of the Delegation Agreement. These delegation functions include:

- Reliability Standards Development (Section 300)
- Compliance Monitoring and Enforcement (Section 400)
- Organization Registration and Certification (Section 500)
- Reliability Readiness Evaluation and Improvement (Section 700) – This program has been eliminated effective 1/1/2009.
- Reliability Assessment and Performance Analysis (Section 800) (including necessary data gathering activities)
- Training, Education and Operator Certification (Section 900)
- Situational Awareness and Infrastructure Security (Section 1000)

2009 Primary Objectives (Regional Entity Division)

- Implementation of the new Regional Reliability Standards Development Process as outlined in Exhibit C of the delegation agreement.
- Development of the Compliance Monitoring and Enforcement Program (“CMEP”) hearing process.
- Development of all forms, and infrastructure necessary to carry out timely hearings within the FRCC region.
- Improve communications to registered entities on compliance by (a) Developing and conducting two FRCC Compliance Workshops to educate registered entities; (b) Educating the FRCC Board Compliance Committee on the hearing process; (c) developing a Frequently Asked Question (FAQ) section to the website; (d) developing a letter explaining the process to be sent with the Notice of Violation.
- Work closely with the other Regional Entities and NERC to ensure that the delegated functions are implemented consistently and rationally.
- Gain FERC approval of at least four (4) Regional Reliability Standards.

Major 2009 Cost Impacts

- Further development of the CMEP software
- Addition of two (2) positions to support Compliance Monitoring and Enforcement

Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B.

Section A — 2009 Business Plan

Reliability Standards Development Program

Reliability Standards Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.55	1.26	1.76
Total Direct Expenses	\$311,623	\$260,600	\$330,111
Total Indirect Expenses ¹	168,992	168,992	63,859
Total Expenses	\$480,615	\$429,592	\$393,970

Background

The revised FRCC Regional Reliability Standard Development Process was approved by FERC on March 21, 2008. Historically, the FRCC Operating Committee and the FRCC Planning Committee, both of which are balanced stakeholder committees, had the primary responsibility for the development, modification or withdrawal of FRCC Regional Reliability Standards through standards drafting teams. However, the revised process establishes a Registered Ballot Body (RBB) to participate in and vote on FRCC Regional Reliability Standards. FRCC membership is not a requirement to participate in the development of and voting on FRCC Regional Reliability Standards. Any entity or person that has a material interest in the reliability of the FRCC Bulk Power System shall be allowed to register as potential ballot participants in the RBB.

The FRCC Board of Directors considers for adoption as FRCC Regional Reliability Standards, those Standards that have been developed and approved by this process. Upon adoption by the Board of Directors, such Standards are submitted to NERC for approval. When approved by NERC, they will be submitted to FERC for approval.

The proposed FRCC Regional Reliability Standard Development Process includes a registered ballot body which allows both members and non-members to vote on FRCC standards.

Standards Process

The FRCC Regional Reliability Standard Development Process is an open and fair process that ensures all interested and affected parties have an opportunity to participate in the development of FRCC Regional Reliability Standards. FRCC Regional Reliability Standards go beyond, add detail to, or implement NERC Reliability Standards, or cover matters not addressed in NERC Reliability Standards. FRCC Regional Reliability Standards are not inconsistent with or less stringent than NERC Reliability Standards.

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

FRCC Regional Reliability Standards are based on NERC's Reliability Principles and Market Interface Principles. Each FRCC Regional Reliability Standard shall enable or support one or more of NERC's Reliability Principles and must accommodate competitive electricity markets by being consistent with NERC's Market Interface Principles.

The FRCC Regional Reliability Standard Development Process defines the fair and open process for development, revision, withdrawal and approval of FRCC Regional Reliability Standards for the FRCC Region and has the following characteristics:

- **Due Process** – Any interested party, or any entity that is directly and materially affected by the reliability of the FRCC Bulk Power System has a right to participate in this process.
- **Openness** – Participation is open to any interested party or any entity that is directly and materially affected by the reliability of the FRCC Bulk Power System. Participation shall not be conditional upon membership in the FRCC. All FRCC Regional Reliability Standards development meetings will be open and noticed on the FRCC website.
- **Balance** – The FRCC Regional Reliability Standard Development Process shall balance the interests of its membership. In this regard, no two interest categories of members can, on their own, approve a matter brought to a vote, and no single interest category of members can, on its own, defeat a matter brought to a vote.

Reliability Standards Development Program Objectives

The Standards Program objectives for 2009 are outlined below:

- Continue to follow and participate in NERC's revision and development of "Fill-in-the blank" standards and develop any needed Regional Reliability Standards as appropriate.
- Continue the development of Regional Reliability Standards that are required by NERC standards or are needed for reliability within the FRCC region.
- Participate in the development and approval of NERC Reliability Standards.
- Educate and inform industry stakeholders through standards workshops.

Section 215 Regional Entity Reliability Standards Development

The FRCC currently has under development the following Reliability Standards:

- Regional Generator Performance During Frequency and Voltage Excursions
- Automatic Underfrequency Load Shedding Program
- Analysis of Misoperations of Transmission and Generation Protection System
- Disturbance Monitoring and Reporting Requirements

Funding Requirements — Explanation of Increase (Decrease)

Personnel Expenses – It is the intent of the FRCC to fill the Reliability Standards Development Manager position in 2008 and it is felt that it is possible to hire the candidate for less than was first anticipated. Therefore, salaries and associated costs for 2009 have been adjusted accordingly.

Meeting and Travel Costs – A more realistic approach was used to estimate the cost of travel, meetings and conference calls now that it is known what meetings will be necessary to accomplish this function.

Operating Costs – It is felt that the hiring of a full time employee will replace the need for consultants and contractors for the Reliability Standards Development Program.

Reliability Standards Development Program

Funding sources and related expenses for the reliability standards section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Standards Development					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projected Over(Under)
Funding					
ERO Assessments	\$ 480,612	\$ 480,612	\$ -	\$ 393,970	\$ (86,642)
Membership Dues			-		-
Testing Fees			-		-
Services & Software			-		-
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ 480,612	\$ 480,612	\$ -	\$ 393,970	\$ (86,642)
Expenses					
Personnel Expenses					
Salaries	\$ 286,908	\$ 247,778	\$ (39,130)	\$ 235,573	\$ (12,205)
Payroll Taxes	20,083	17,934	(2,149)	15,305	(2,629)
Benefits	50,840	44,009	(6,831)	23,207	(20,802)
Retirement Costs	38,166	35,253	(2,913)	33,133	(2,120)
Total Personnel Expenses	\$ 395,997	\$ 344,974	\$ (51,023)	\$ 307,218	\$ (37,756)
Meeting Expenses					
Meetings	\$ 1,797	\$ 1,797	\$ -	\$ 1,195	\$ (602)
Travel	8,627	8,627	-	21,922	13,295
Conference Calls	1,797	1,797	-	837	(960)
Total Meeting Expenses	\$ 12,221	\$ 12,221	\$ -	\$ 23,954	\$ 11,733
Operating Expenses					
Consultants & Contracts	\$ 10,036	\$ 10,036	\$ -		\$ (10,036)
Office Rent	26,411	26,411	-	27,655	1,244
Office Costs	14,911	14,911	-	20,277	5,366
Professional Services	2,301	2,301	-	12,123	9,822
Computer Purchase & Maintenance	10,001	10,001	-	848	(9,153)
Furniture & Equipment	8,375	8,375	-	4,308	(4,067)
Miscellaneous	359	359	-	249	(110)
Contingency	-	-	-		-
Total Operating Expenses	\$ 72,394	\$ 72,394	\$ -	\$ 65,460	\$ (6,934)
Other Non-Operating Expenses			\$ -	\$ (2,662)	\$ (2,662)
Total Expenses	\$ 480,612	\$ 429,589	\$ (51,023)	\$ 393,970	\$ (35,619)
Change in Assets	\$ -	\$ 51,023	\$ 51,023	\$ -	\$ (51,023)

Compliance Monitoring and Enforcement Program

Compliance Monitoring and Enforcement Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	7.20	6.90	9.10
Total Direct Expenses	\$1,218,578	\$1,126,125	\$1,991,643
Total Indirect Expenses ²	784,996	784,996	332,840
Total Expenses	\$2,003,574	\$1,911,121	\$2,324,483

Background

Monitoring, evaluating, investigating, and enforcing compliance with reliability standards by owners, operators, and users of the bulk power system, as well as the development and adoption of the reliability standards themselves, are at the core of FRCC's mission. As the Regional Entity, FRCC monitors and enforces compliance with approved reliability standards by owners, operators and users of the bulk power system in the FRCC Region.

Through a rigorous program of monitoring, evaluating, investigations, mitigation activities, and if necessary, the imposition of penalties and sanctions for noncompliance with reliability standards, FRCC will strive to maintain a high level of reliable operation of the bulk power system in the FRCC Region. Reliable operation of the bulk power system is in the public interest, because it will benefit all owners, operators, and users of the bulk power system, and, ultimately, all users and consumers of electric power in the FRCC Region.

The FRCC Compliance Monitoring and Enforcement Program (CMEP) is the program used by the FRCC to monitor, assess, and enforce compliance with Reliability Standards within the FRCC Region. This is accomplished through compliance monitoring and rigorous proactive compliance audits.

The 2008 staffing of the compliance function consists of: the Manager of Compliance, two Compliance Program Administrators, and three Compliance Engineers/Auditors. Due to the significant increase in workload resulting from the additional monitoring and enforcement activities necessary to meet the obligations under the delegation agreement, FRCC requested additional positions to perform the compliance program functions in 2008. The 2009 budget includes the addition of two (2) auditor positions.

In 2009, FRCC expects to complete nine (9) on-site compliance audits, nine (9) table top compliance audits, 79 self-certifications, 44 spot checks, and 948 periodic data submittals compared to five (5) on-site compliance audits, 10 table top compliance audits, 77 self-certifications, 72 spot checks, and 204 periodic data submittals done in 2008

² Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

2009 Highlights Compliance Monitoring and Enforcement Processes

The FRCC will monitor, assess and enforce compliance with Reliability Standards using eight (8) monitoring processes (a. Compliance Audits, b. Self-Certifications, c. Spot Checking, d. Compliance Violation Investigations, e. Self-Reporting, f. Periodic Data Submittals, g. Exception Reporting, and h. Complaints) to collect information in order to make assessments of compliance to Reliability Standards.

Enforcement and Mitigation

Enforcement actions taken by FRCC through the CMEP may include the imposition of remedial actions, sanctions, and penalties, when applicable, which shall be based on the schedule of penalties and sanctions approved for implementation by FERC. Mitigation of violations of the approved Reliability Standards remains central to the FRCC's CMEP. Registered Entities found in violation of a Reliability Standard will be required to mitigate the violation regardless of any enforcement actions taken.

Compliance Monitoring and Enforcement Program Objectives

The Compliance Monitoring and Enforcement Program objectives for 2009 are outlined below:

- Continue to assess and update entity registration and certification. The FRCC will maintain an accurate registration of all owners, operators, and users of the bulk power system in the FRCC Region for compliance monitoring purposes.
- An annual FRCC Compliance Monitoring and Enforcement Program Implementation Plan will be submitted by November 1 of each year to NERC for approval. In accordance with NERC Rule of Procedure Section 401.6, the annual plan identifies (1) all Reliability Standards identified by NERC to be actively monitored during each year, (2) other Reliability Standards proposed for active monitoring by the FRCC, (3) the methods to be used by the FRCC for reporting, monitoring, evaluation, and assessment of performance criteria with each Reliability Standard, and (4) the FRCC's Annual Audit Plan.
- Implement the FRCC CMEP as approved by the FRCC Board of Directors and by FERC as part of the FRCC Delegation Agreement.
- Work with NERC Compliance staff and other Regional Entity Compliance staff to ensure consistency with other regional compliance programs.
- The FRCC will report and process all alleged violations as described in the NERC Compliance Monitoring and Enforcement Program.
- Conduct periodic audits, spot checks, self-certifications, and Compliance Violation Investigations as required by the NERC Compliance Monitoring and Enforcement Program.
- Develop and enhance processes, databases, and reporting tools to allow for seamless, uniform reporting of alleged and confirmed violations of standards, proposed penalty and sanctions actions, and disposition of all violations.
- Track the mitigation of identified violations of standards. Perform due diligence to ensure that mitigation plans that are reported as complete are completed to FRCC's expectations. Appropriately address mitigation plans that are not completed by the due date.

Funding Requirements — Explanation of Increase (Decrease)

Personnel Expenses –It is felt that it will be necessary to hire two (2) additional Compliance Auditors in order to accomplish the 80% increase in the number of on-site audits scheduled for 2009 and projected for future years. Therefore, salaries and associated costs have been adjusted for 2009 to reflect these employees.

Meeting and Travel Costs – This increase is the result of the two (2) additions to staff required to accomplish the work schedule.

Operating Costs – This increase is the result of additional space that is necessary to accommodate the additions to staff in a segregated controlled and secure area. It is also anticipated that the cost of additions and modifications to the Compliance Tracking and Monitoring software will be completed and in use.

Compliance Monitoring and Enforcement Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Compliance Monitoring and Enforcement					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projected Over(Under)
Funding					
ERO Assessments	\$ 2,003,574	\$ 2,003,574	\$ -	\$ 2,324,483	\$ 320,909
Membership Dues			-		-
Testing Fees			-		-
Services & Software			-		-
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ 2,003,574	\$ 2,003,574	\$ -	\$ 2,324,483	\$ 320,909
Expenses					
Personnel Expenses					
Salaries	\$ 1,049,077	\$ 905,146	\$ (143,931)	\$ 1,219,691	\$ 314,545
Payroll Taxes	73,435	65,758	(7,677)	79,240	13,482
Benefits	185,896	184,634	(1,262)	120,156	(64,478)
Retirement Costs	139,552	124,625	(14,927)	171,549	46,924
Total Personnel Expenses	\$ 1,447,960	\$ 1,280,163	\$ (167,797)	\$ 1,590,636	\$ 310,473
Meeting Expenses					
Meetings	\$ 28,349	\$ 28,349	\$ -	\$ 28,231	\$ (118)
Travel	90,075	90,075	-	135,847	45,772
Conference Calls	8,349	8,349	-	7,349	(1,000)
Total Meeting Expenses	\$ 126,773	\$ 126,773	\$ -	\$ 171,427	\$ 44,654
Operating Expenses					
Consultants & Contracts	\$ 46,021	\$ 46,021	\$ -	\$ 80,000	\$ 33,379
Office Rent	122,681	122,681	-	143,184	20,503
Office Costs	74,066	74,066	-	104,995	30,929
Professional Services	98,437	98,437	-	62,771	(35,666)
Computer Purchase & Maintenance	46,459	46,459	-	4,393	(42,066)
Furniture & Equipment	38,907	114,251	75,344	179,555	65,304
Miscellaneous	1,670	1,670	-	1,288	(382)
Contingency			-		-
Total Operating Expenses	\$ 428,841	\$ 504,185	\$ 75,344	\$ 576,186	\$ 72,001
Other Non-Operating Expenses			\$ -	\$ (13,766)	\$ (13,766)
Total Expenses	\$ 2,003,574	\$ 1,911,121	\$ (92,453)	\$ 2,324,483	\$ 413,362
Change in Assets	\$ -	\$ 92,453	\$ 92,453	\$ -	\$ (92,453)

Organization Registration and Certification Program

Organization Registration and Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs		.11	.16
Total Direct Expenses		\$22,292	\$28,007
Total Indirect Expenses ³			15,514
Total Expenses		\$22,292	\$43,521

Background

Registration and Certification

The FRCC will register the organizations responsible for complying with Reliability Standards in accordance with Section 500 of the NERC Rules of Procedure. Registration for complying with the standards will be an ongoing activity. Additionally, maintaining a complete and accurate database will be an ongoing activity. The FRCC will develop, maintain, and provide to NERC a FRCC Compliance Registry with updates as changes occur in the registry.

Registration and Certification Program Objectives

The Registration and Certification Program objectives for 2009 are outlined below:

- Maintain an up-to-date Compliance Registry
- Review the Compliance Registry periodically to ensure accuracy
- Support NERC Certification Program activities

Funding Requirements — Explanation of Increase (Decrease)

Personnel Expenses –It is felt that the FRCC will put more emphasis on this function in 2009 since it will be fully staffed in other program areas and can devote the time to this program.

³ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

Registration and Certification Program

Funding sources and related expenses for the registration and certification program section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Organization Registration and Certification					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projected Over(Under)
Funding					
ERO Assessments			\$ -	\$ 43,521	\$ 43,521
Membership Dues			-		-
Testing Fees			-		-
Services & Software			-		-
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ -	\$ -	\$ -	\$ 43,521	\$ 43,521
Expenses					
Personnel Expenses					
Salaries		\$ 13,116	\$ 13,116	\$ 27,520	\$ 14,404
Payroll Taxes		1,240	1,240	1,788	548
Benefits		1,888	1,888	2,711	823
Retirement Costs		2,964	2,964	3,871	907
Total Personnel Expenses	\$ -	\$ 19,208	\$ 19,208	\$ 35,890	\$ 16,682
Meeting Expenses					
Meetings		\$ 32	\$ 32	\$ 22	\$ (10)
Travel		472	472	197	(275)
Conference Calls		28	28	8	(20)
Total Meeting Expenses	\$ -	\$ 532	\$ 532	\$ 227	\$ (305)
Operating Expenses					
Consultants & Contracts		\$ 96	\$ 96		\$ (96)
Office Rent		1,608	1,608	3,231	1,623
Office Costs		476	476	2,368	1,892
Professional Services		276	276	1,416	1,140
Computer Purchase & Maintenance		68	68	99	31
Furniture & Equipment		28	28	503	475
Miscellaneous			-	29	29
Contingency			-		-
Total Operating Expenses	\$ -	\$ 2,552	\$ 2,552	\$ 7,646	\$ 5,094
Other Non-Operating Expenses			\$ -	\$ (242)	\$ (242)
Total Expenses	\$ -	\$ 22,292	\$ 22,292	\$ 43,521	\$ 21,229
Change in Assets	\$ -	\$ (22,292)	\$ (22,292)	\$ -	\$ 22,292

Reliability Readiness Evaluation and Improvement Program

Reliability Readiness Evaluation and Improvement Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	.14	.12	0
Total Direct Expenses	\$74,951	\$74,951	0
Total Indirect Expenses ⁴	15,264	15,264	0
Total Expenses	\$90,215	\$90,215	0

Background

NERC has eliminated the Reliability Readiness Evaluation and Improvement Program. 2009 will be a transition year, during which open Reliability Readiness recommendations in the Region will be monitored to their completion and a reduced set of Evaluations will take place. Consequently, FRCC has eliminated the Reliability Readiness Evaluation and Improvement Program funding requirements, FTE count, and activities from the 2009 Business Plan and Budget. FRCC resources required to support any remaining required activities of this NERC program are assumed to be minimal and will be absorbed by existing FRCC staff.

Funding Requirements — Explanation of Increase (Decrease)

The Readiness Evaluation Program has been eliminated for 2009. FRCC resources required to support any remaining required activities of this NERC program are assumed to be minimal and will be absorbed by existing FRCC staff.

⁴ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

Reliability Readiness Evaluation and Improvement

This program has been eliminated.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Readiness Evaluation and Improvement					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projected Over(Under)
Funding					
ERO Assessments	\$ 90,215	\$ 90,215	\$ -		\$ (90,215)
Membership Dues			-		-
Testing Fees			-		-
Services & Software			-		-
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ 90,215	\$ 90,215	\$ -	\$ -	\$ (90,215)
Expenses					
Personnel Expenses					
Salaries	\$ 23,600	\$ 23,600	\$ -		\$ (23,600)
Payroll Taxes	1,655	1,655	-		(1,655)
Benefits	4,181	4,181	-		(4,181)
Retirement Costs	3,139	3,139	-		(3,139)
Total Personnel Expenses	\$ 32,575	\$ 32,575	\$ -	\$ -	\$ (32,575)
Meeting Expenses					
Meetings	\$ 162	\$ 162	\$ -		\$ (162)
Travel	50,779	50,779	-		(50,779)
Conference Calls	162	162	-		(162)
Total Meeting Expenses	\$ 51,103	\$ 51,103	\$ -	\$ -	\$ (51,103)
Operating Expenses					
Consultants & Contracts	\$ 907	\$ 907	\$ -		\$ (907)
Office Rent	2,385	2,385	-		(2,385)
Office Costs	1,346	1,346	-		(1,346)
Professional Services	208	208	-		(208)
Computer Purchase & Maintenance	903	903	-		(903)
Furniture & Equipment	756	756	-		(756)
Miscellaneous	32	32	-		(32)
Contingency			-		-
Total Operating Expenses	\$ 6,537	\$ 6,537	\$ -	\$ -	\$ (6,537)
Other Non-Operating Expenses			\$ -		\$ -
Total Expenses	\$ 90,215	\$ 90,215	\$ -	\$ -	\$ (90,215)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Training, Education and Operator Certification Program

Training, Education and Operator Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	.30	.07	.03
Total Direct Expenses	\$47,677	\$107,677	\$92,264
Total Indirect Expenses ⁵	32,708	32,708	5,209
Total Expenses	\$80,386	\$140,386	\$97,473

Background

FRCC is a NERC-approved Continuing Education (CE) Provider. The FRCC System Operator Subcommittee develops and delivers training in which FRCC grants NERC CE hours to those individuals who successfully complete a course. FRCC will utilize the NERC database to accommodate the recordkeeping requirements for the continuing education program. Maintaining the reliability of the bulk power system requires informed and trained personnel. The FRCC supports training activities through its staff and its System Operator Subcommittee which reports to the FRCC Operating Committee.

System Operator Certification Program

The FRCC System Operator Subcommittee (SOS) identifies and manages annual training activities for the FRCC System Operators, and provides assistance to FRCC members for compliance with NERC training standards and any issues they may have related to system operators obtaining/retaining required NERC Certification.

The training and education program activities are carried out by FRCC's professional/technical staff and SOS members possessing the appropriate technical knowledge and competencies. In addition, vendors that specialize in System Operator training are also used. Providing the FRCC training and education programs will help to achieve a high level of knowledge and competence among the operating personnel in the performance of their reliability-related functions.

2009 Highlights

System Operator Certification

In 2009, the NERC System Operator Certification Program will finalize the three-year transition from reliance on testing for credential maintenance to using continuing education hours.

To accommodate the recordkeeping requirements for using continuing educations, the program implemented a new portal and database in 2007, with additional upgrades in 2008. The database allows system operators to register for exams and track the status of maintaining their credential with approved continuing education hours. Continued improvements to the database are expected

⁵ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

in 2009. The costs of these improvements by FRCC will be recovered through the fees received by the System Operator Certification Program and the Continuing Education Program.

Continuing Education Program

NERC's Continuing Education Program will continue to grow in 2009 as all system operators must use continuing education hours to maintain their credential instead of retesting. The program will continue to audit approved activities to verify the quality of these activities. FRCC will support this effort.

Training, Education and Operator Certification Program Objectives

The training, education and operator certification program objectives for 2009 are outlined below:

- Provide assistance to our members in any issues they may have related to System Operator Certification.
- Conduct the annual training seminars over a four (4) week period, with two (2) days each for the training. The training seminars involve from two to four FRCC staff members, as well as industry volunteers who participate as presenters. This activity is funded primarily through registration fees.

Funding Requirements — Explanation of Increase (Decrease)

This program is funded primarily by the attendees

Personnel Expenses – It is felt that the 2009 budget better reflects the actual cost of this function as it has evolved in definition over the last two years. The decrease in personnel costs is a reflection of a more accurate estimate of time to be spent to accomplish this training function and its goals for 2009.

Training, Education and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Training, Education and Operator Certification					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projected Over(Under)
Funding					
ERO Assessments	\$ 80,385	\$ 80,385	\$ -	\$ 18,043	\$ (62,342)
Membership Dues			-		-
Testing Fees			-		-
Services & Software					
Workshops		60,000	60,000	79,430	19,430
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ 80,385	\$ 140,385	\$ 60,000	\$ 97,473	\$ (42,912)
Expenses					
Personnel Expenses					
Salaries	\$ 38,587	\$ 38,587	\$ -	\$ 6,604	\$ (31,983)
Payroll Taxes	2,699	2,699	-	429	(2,270)
Benefits	6,838	6,838	-	651	(6,187)
Retirement Costs	5,133	5,133	-	929	(4,204)
Total Personnel Expenses	\$ 53,257	\$ 53,257	\$ -	\$ 8,613	\$ (44,644)
Meeting Expenses					
Meetings	\$ 11,098	\$ 71,098	\$ 60,000	\$ 84,112	\$ 13,014
Travel	1,670	1,670	-	2,957	1,287
Conference Calls	348	348	-	2	(346)
Total Meeting Expenses	\$ 13,116	\$ 73,116	\$ 60,000	\$ 87,071	\$ 13,955
Operating Expenses					
Consultants & Contracts	\$ 1,943	\$ 1,943	\$ -		\$ (1,943)
Office Rent	5,112	5,112	-	775	(4,337)
Office Costs	2,885	2,885	-	567	(2,318)
Professional Services	445	445	-	340	(105)
Computer Purchase & Maintenance	1,936	1,936	-	24	(1,912)
Furniture & Equipment	1,621	1,621	-	121	(1,500)
Miscellaneous	70	70	-	7	(63)
Contingency			-		-
Total Operating Expenses	\$ 14,012	\$ 14,012	\$ -	\$ 1,834	\$ (12,178)
Other Non-Operating Expenses			-	(45)	(45)
Total Expenses	\$ 80,385	\$ 140,385	\$ 60,000	\$ 97,473	\$ (42,912)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	3.90	4.27	3.67
Total Direct Expenses	\$ 781,107	\$ 734,370	\$918,744
Total Indirect Expenses ⁶	425,206	425,206	162,501
Total Expenses	\$1,206,314	\$1,159,576	\$1,081,245

Background

The FRCC will assess the reliability of the Bulk Power System in the FRCC region and will continue to ensure that the system is robust, reliable and stable. The FRCC will lead Event Analysis Teams to analyze disturbances that occur within the FRCC region and participate on Event Analysis Teams when disturbances occur within the FRCC region and impact an adjacent region (SERC).

The FRCC performs transmission reliability studies in order to provide an assessment to NERC for their periodic NERC Reliability Assessments. These studies include regional and inter-regional studies. The FRCC prepares three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report. These reports analyze electricity demand, the adequacy of supply and its deliverability, adequacy of fuel deliverability and the adequacy of the transmission system within the FRCC. The FRCC will prepare special reliability assessment reports as conditions warrant.

The FRCC will analyze unusual events that occur on the bulk power systems, identify the root causes of such events and lessons learned, assess past reliability performance and disseminate the findings of such analyses.

The FRCC is an active participant in the Eastern Interconnection Reliability Assessment Group (ERAG) which is responsible for the Eastern Interconnection transmission models and inter-regional studies. The FRCC is active on the NERC Reliability Assessment Subcommittee which is responsible for performing an independent review of reliability assessments.

Reliability Assessment and Performance Analysis Program Objectives

The Reliability Assessment and Performance Analysis Objectives for 2009 are outlined below:

- Conduct comprehensive transmission planning studies of the FRCC transmission system to ensure that the planned system meets the existing and future needs of all users of the transmission system (e.g., utility generation, network generation, network loads, merchant generation, IPPs and LSEs).

⁶ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

- Conduct inter-regional studies with SERC (Southern sub-region) to ensure that there are not any ‘seams’ issues that could adversely impact system reliability.
- Conduct and report the results of assessments of the overall reliability and adequacy of the FRCC bulk power system for 2009 summer, 2009/10 winter, and 2009–2018.
- Assess and report on the key issues, risks, and uncertainties that affect or have the potential to affect the reliability of existing and future electric supply and transmission — supply shortages, generating unit shutdowns, fuel supply and transportation disruptions, droughts, floods, strikes, extreme weather, etc.
- Investigate and analyze off-normal events on the FRCC bulk power system.
- Identify the root causes of events that may be precursors of potentially more serious events.
- Assess past reliability performance for lessons learned.
- Establish and maintain relationships with NERC, regulatory, and governmental organizations involved with bulk power system reliability (e.g., FPSC, DOE, FERC, EIA, etc.).
- Develop new and enhance existing regional reliability assessment processes, regional criteria, and methodologies to ensure bulk power system reliability.
- Develop methods of sharing best practice for transmission planning to ensure reliability.
- Maintain a databank of power flow models, including dynamic models, to use in planning and evaluating future systems and current operating conditions.
- Coordinate with ERAG Multi-Area Modeling Working Group (MMWG) to develop Eastern Interconnection steady-state and dynamics models.
- Conduct the Loss of Load Probability and the Scenario Analysis studies.

Funding Requirements — Explanation of Increase (Decrease)

Personnel Expenses – It is felt that less time will be required to accomplish the objectives for this program than has been spent in the past. It is expected that the efficiencies gained from experience and the automation of reports will help keep the personnel costs down.

Operating Costs – This reflect the increased cost for the Loss of Load Probability and Scenario Analysis studies that have to be performed in 2009.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Assessment and Performance Analysis					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projected Over(Under)
Funding					
ERO Assessments	\$ 1,206,313	\$ 1,206,313	\$ -	\$ 1,081,245	\$ (125,068)
Membership Dues			-		-
Testing Fees			-		-
Services & Software			-		-
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ 1,206,313	\$ 1,206,313	\$ -	\$ 1,081,245	\$ (125,068)
Expenses					
Personnel Expenses					
Salaries	\$ 618,742	\$ 573,142	\$ (45,600)	\$ 509,673	\$ (63,469)
Payroll Taxes	43,310	41,931	(1,379)	33,112	(8,819)
Benefits	109,641	103,092	(6,549)	50,210	(52,882)
Retirement Costs	82,307	77,388	(4,919)	71,685	(5,703)
Total Personnel Expenses	\$ 854,000	\$ 795,553	\$ (58,447)	\$ 664,680	\$ (130,873)
Meeting Expenses					
Meetings	\$ 13,802	\$ 13,802	\$ -	\$ 4,812	\$ (8,990)
Travel	21,708	21,708	-	45,804	24,096
Conference Calls	4,522	4,522	-	2,397	(2,125)
Total Meeting Expenses	\$ 40,032	\$ 40,032	\$ -	\$ 53,013	\$ 12,981
Operating Expenses					
Consultants & Contracts	\$ 147,755	\$ 147,755	\$ -	\$ 207,472	\$ 59,717
Office Rent	66,452	66,452	-	59,833	(6,619)
Office Costs	45,140	45,140	-	43,874	(1,266)
Professional Services	5,789	5,789	-	26,230	20,441
Computer Purchase & Maintenance	25,166	25,166	-	1,836	(23,330)
Furniture & Equipment	21,075	32,785	11,710	29,321	(3,464)
Miscellaneous	904	904	-	538	(366)
Contingency			-		-
Total Operating Expenses	\$ 312,281	\$ 323,991	\$ 11,710	\$ 369,104	\$ 45,113
Other Non-Operating Expenses			\$ -	\$ (5,552)	\$ (5,552)
Total Expenses	\$ 1,206,313	\$ 1,159,576	\$ (46,737)	\$ 1,081,245	\$ (78,331)
Change in Assets	\$ -	\$ 46,737	\$ 46,737	\$ -	\$ (46,737)

Situational Awareness and Infrastructure Security Program

Situational Awareness and Infrastructure Security Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	.10	.11	.12
Total Direct Expenses	\$117,942	\$117,942	\$28,606
Total Indirect Expenses ⁷	10,903	10,903	8,570
Total Expenses	\$128,845	\$128,845	\$37,176

Background

The FRCC Operating Committee (OC), which develops and monitors a budget made up of both statutory and non-statutory functions, relies on a hierarchy of subordinate committees, working groups and agents to achieve its regional reliability goals. The various reliability roles and functions are coordinated and monitored in accordance with the FRCC Security Process document and through established FRCC organizational processes and procedures. Two of the primary reliability goals of the FRCC OC are continuous improvement of the situational awareness of the operators interconnected within the FRCC and ensuring that adequate physical, operational and cyber security objectives are in place for the Regions shared communications networks.

The statutory functions are: FRCC satellite phone, screen snapshot from the Reliability Coordinator system, and the FRCC hotline drop.

Funding Requirements — Explanation of Increase (Decrease)

Personnel Expenses – It is felt that the 2009 budget better reflects the actual cost of this function as it has evolved in definition over the last two years. The decrease in personnel costs is a reflection of a more accurate estimate of time to be spent to accomplish this function and its goals for 2009.

⁷ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

Situational Awareness and Infrastructure Security Program

Funding sources and related expenses for the situational awareness and infrastructure security section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Situational Awareness and Infrastructure Security					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projected Over(Under)
Funding					
ERO Assessments	\$ 128,845	\$ 128,845	\$ -	\$ 37,176	\$ (91,669)
Membership Dues			-		-
Testing Fees			-		-
Services & Software			-		-
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ 128,845	\$ 128,845	\$ -	\$ 37,176	\$ (91,669)
Expenses					
Personnel Expenses					
Salaries	\$ 83,944	\$ 83,944	\$ -	\$ 18,714	\$ (65,230)
Payroll Taxes	5,875	5,875	-	1,216	(4,659)
Benefits	14,875	14,875	-	1,843	(13,032)
Retirement Costs	11,167	11,167	-	2,832	(8,535)
Total Personnel Expenses	\$ 115,861	\$ 115,861	\$ -	\$ 24,405	\$ (91,456)
Meeting Expenses					
Meetings	\$ 116	\$ 116	\$ -	\$ 15	\$ (101)
Travel	557	557	-	133	(424)
Conference Calls	116	116	-	5	(111)
Total Meeting Expenses	\$ 789	\$ 789	\$ -	\$ 153	\$ (636)
Operating Expenses					
Consultants & Contracts	\$ 8,172	\$ 8,172	\$ -		\$ (8,172)
Office Rent	1,704	1,704	-	2,197	493
Office Costs	962	962	-	9,211	8,249
Professional Services	149	149	-	963	814
Computer Purchase & Maintenance	645	645	-	67	(578)
Furniture & Equipment	540	540	-	342	(198)
Miscellaneous	23	23	-	20	(3)
Contingency			-		-
Total Operating Expenses	\$ 12,195	\$ 12,195	\$ -	\$ 12,800	\$ 605
Other Non-Operating Expenses			\$ -	\$ (182)	\$ (182)
Total Expenses	\$ 128,845	\$ 128,845	\$ -	\$ 37,176	\$ (91,669)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

General and Administrative

Background

Charges included in General and Administrative are general legal expenses, executive time and expenses, human resources, information technology and accounting and finance. Every effort is made to charge items and time directly to activities and to designate as statutory or non-statutory. These undesignated items are shared costs between the Regional Entity Division and the Member Services Division and are allocated based on actual labor hours charged. The costs of General and Administrative have been included within the functional budgets as indirect costs for both 2008 and 2009 in order to present a full picture of the actual costs of each functional program.

Legal and Regulatory

Background

The FRCC has retained outside counsel in Washington DC to assist the FRCC in carrying out its delegated responsibilities. These attorneys will serve as chief legal advisor to the President and CEO, Board of Directors, staff and stakeholders on all legal and regulatory matters affecting the FRCC. Outside counsel may review items filed with governmental agencies for legal sufficiency and impact to FRCC.

2009 Goals and Objectives

- Assist the FRCC in carrying out its delegated responsibilities for mandatory compliance and enforcement of reliability standards.
- Assist the FRCC in carrying out its delegated responsibilities for development of reliability standards.
- Serve as legal counsel to the FRCC on FERC-related matters.

Information Technology

Background

The FRCC maintains a number of tools and other support services for the benefit of its members, Reliability Coordinator agent(s), and other system operators. These services include the FRCC Hotline, Florida Transaction Management System (FTMS), Reliability Data Link (RDL), FRCCNet, FRCC satellite phone, and multiple databases. The FRCC Website provides information to the public as well as its members. The IT department has one addition to staff for the 2009 budget in order to accomplish its goals for 2009 and support the functional programs.

2009 Goals and Objectives

- Provide I.T. and telecommunications resources for additional FRCC personnel.
- Expand current co-located remote backup capability to include all FRCC hosted I.T. Services, including all websites and SQL databases.
- Develop tools to automate and improve FRCC data collection and analysis processes.
- Re-evaluate tools and services for enabling the FRCC mobile workforce.

Human Resources

Background

FRCC has assembled an exceptional team of highly qualified employees to carry out the activities of the FRCC. The human resources department, in adherence with applicable federal and state laws, designs, plans, and implements human resources policies and procedures, including staffing, compensation, benefits, employee relations, and training and development.

2009 Goals and Objectives

- Recruit successful employees
- Improve human resource policies and procedures
- Conduct member satisfaction surveys
- Provide management and training programs
- Review employee compensation and benefits
- Consolidation of staff onto one floor

Finance and Accounting

Background

FRCC will submit its annual budget for statutory and non-statutory activities to the FRCC Board of Directors for approval and then file the approved annual budget for statutory and non-statutory activities to NERC. This includes supporting materials such as a complete business plan and organizational chart, and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures.

The Finance and Accounting department will: direct the overall financial plans and accounting practices of the organization; oversee treasury, accounting, budget, tax, and audit activities; and oversee financial and accounting system controls and standards.

Finance and Accounting Objectives

- Prepare the 2009 statutory and non-statutory budgets.
- Report budget variances to the FRCC Board and to NERC on a quarterly basis.
- Evaluate and advise on the impact of long-range planning.
- Provide on-going training to employees to ensure employees charge their time correctly.

Non Operating Expense – Cash Reserve Requirement

According to the delegation agreement, the FRCC is required to set a cash reserve. The FRCC Board of Directors accepts the recommendation of the FRCC staff that a reserve equal to 10% of Statutory Assessment is sufficient to be held for a cash reserve.

Section B — 2009 Budget

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
STATUTORY TOTAL					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projected Over(Under)
Funding					
ERS ERO Funding	\$ 3,989,944	\$ 3,989,944	-	\$ 3,898,438	\$ (91,506)
ERS Membership Dues/Non-Stat Assessments			-		-
ERS Testing Fees			-		-
ERS Services & Software			-		-
ERS Workshops	-	60,000	60,000	79,430	19,430
ERS Interest			-		-
ERS Miscellaneous			-		-
Total Funding	\$ 3,989,944	\$ 4,049,944	\$ 60,000	\$ 3,977,868	\$ (72,076)
Expenses					
Personnel Expenses					
ERS Salaries	2,100,858	1,885,313	(215,545)	2,017,775	132,462
ERS Payroll Taxes	147,057	137,092	(9,965)	131,090	(6,002)
ERS Benefits	372,271	359,517	(12,754)	198,778	(160,739)
ERS Retirement Costs	279,464	259,669	(19,795)	283,799	24,130
Total Personnel Expenses	\$ 2,899,650	\$ 2,641,591	\$ (258,059)	\$ 2,631,442	\$ (10,149)
Meeting Expenses					
ERS Meetings	55,324	115,356	60,032	118,387	3,031
ERS Travel	173,416	173,888	472	206,860	32,972
ERS Conference Calls	15,294	15,322	28	10,598	(4,724)
Total Meeting Expenses	\$ 244,034	\$ 304,566	\$ 60,532	\$ 335,845	\$ 31,279
Operating Expenses					
ERS Consultants	215,434	215,530	96	287,472	71,942
ERS Office Rent	224,745	226,353	1,608	236,875	10,522
ERS Office Costs	142,368	142,844	476	183,423	40,579
ERS Professional Services	107,329	107,605	276	103,843	(3,762)
ERS Computer Purchase & Maint.	85,110	85,178	68	7,267	(77,911)
ERS Furniture & Equipment	71,274	158,356	87,082	214,150	55,794
ERS Miscellaneous			-		-
ERS Contingency			-		-
Total Operating Expenses	\$ 846,260	\$ 935,866	\$ 89,606	\$ 1,033,030	\$ 97,164
Other Non-Operating Expenses-Cash Reserve	-	-	(22,449)	(22,449)	(22,449)
Total Expenses	\$ 3,989,944	\$ 3,882,023	\$ (107,921)	\$ 3,977,868	\$ 95,845
Change in Assets	\$ -	\$ 167,921	\$ 167,921	\$ -	\$ (167,921)

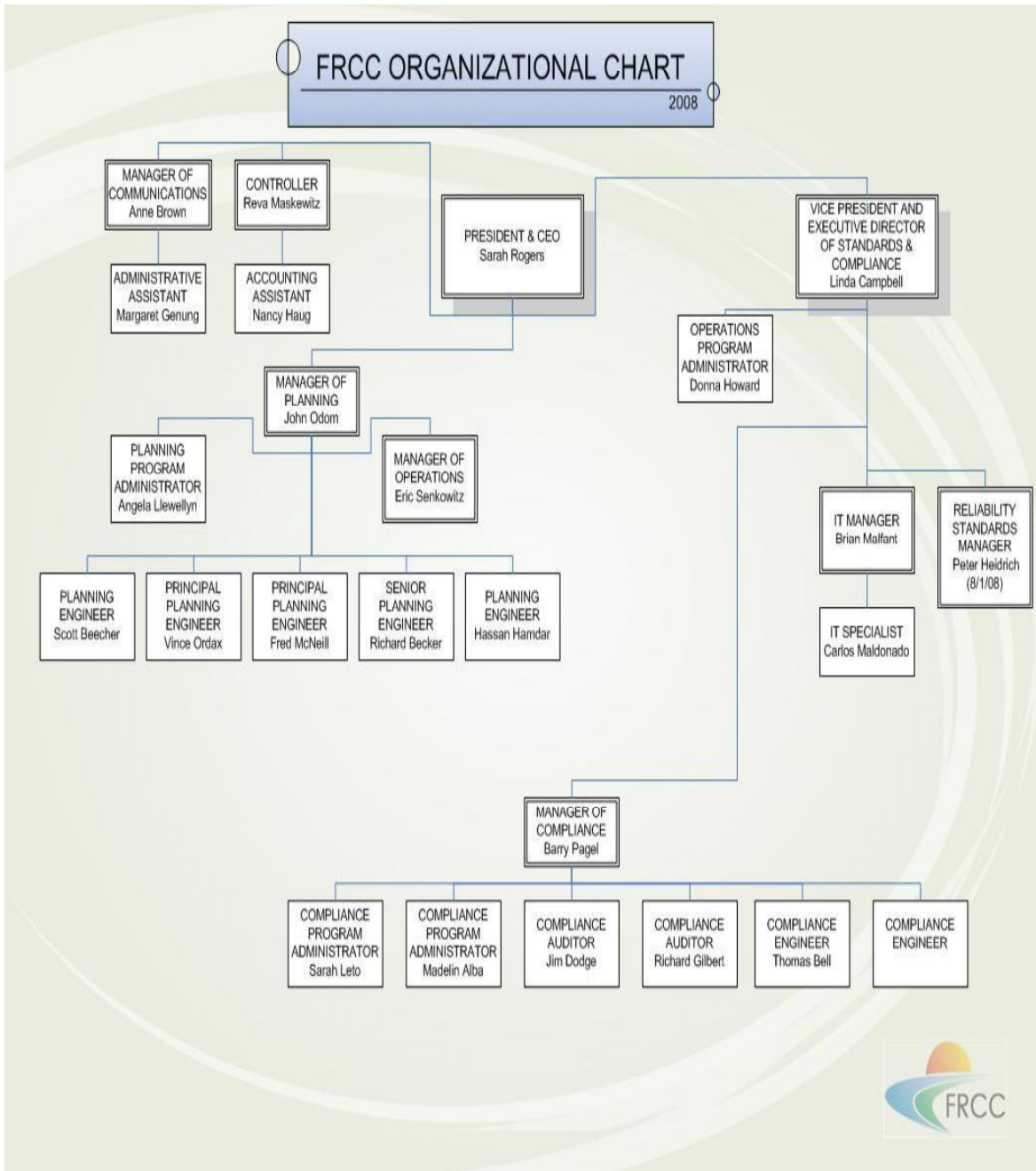
Personnel Analysis

Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from 2008 Projected
STATUTORY				
Operational Programs				
Reliability Standards Development	1.55	1.26	1.76	0.5
Compliance Monitoring and Enforcement	7.20	6.90	9.10	2.2
Organization Registration & Certification		0.11	0.16	0.1
Reliability Readiness Evaluation and Improvement	0.14	0.12	0.00	-0.1
Training, Education and Operator Certification	0.30	0.07	0.03	0.0
Reliability Assessment and Performance Analysis	3.90	4.27	3.67	-0.6
Situational Awareness and Infrastructure Security	0.10	0.11	0.12	0.0
Total FTEs Operational Programs	13.19	12.84	14.84	2.00
Administrative Programs				
General & Administrative	3.30	3.30	3.5	0.2
Total FTEs Administrative Programs	3.30	3.30	3.50	0.20
Total FTEs	16.49	16.14	18.34	2.20

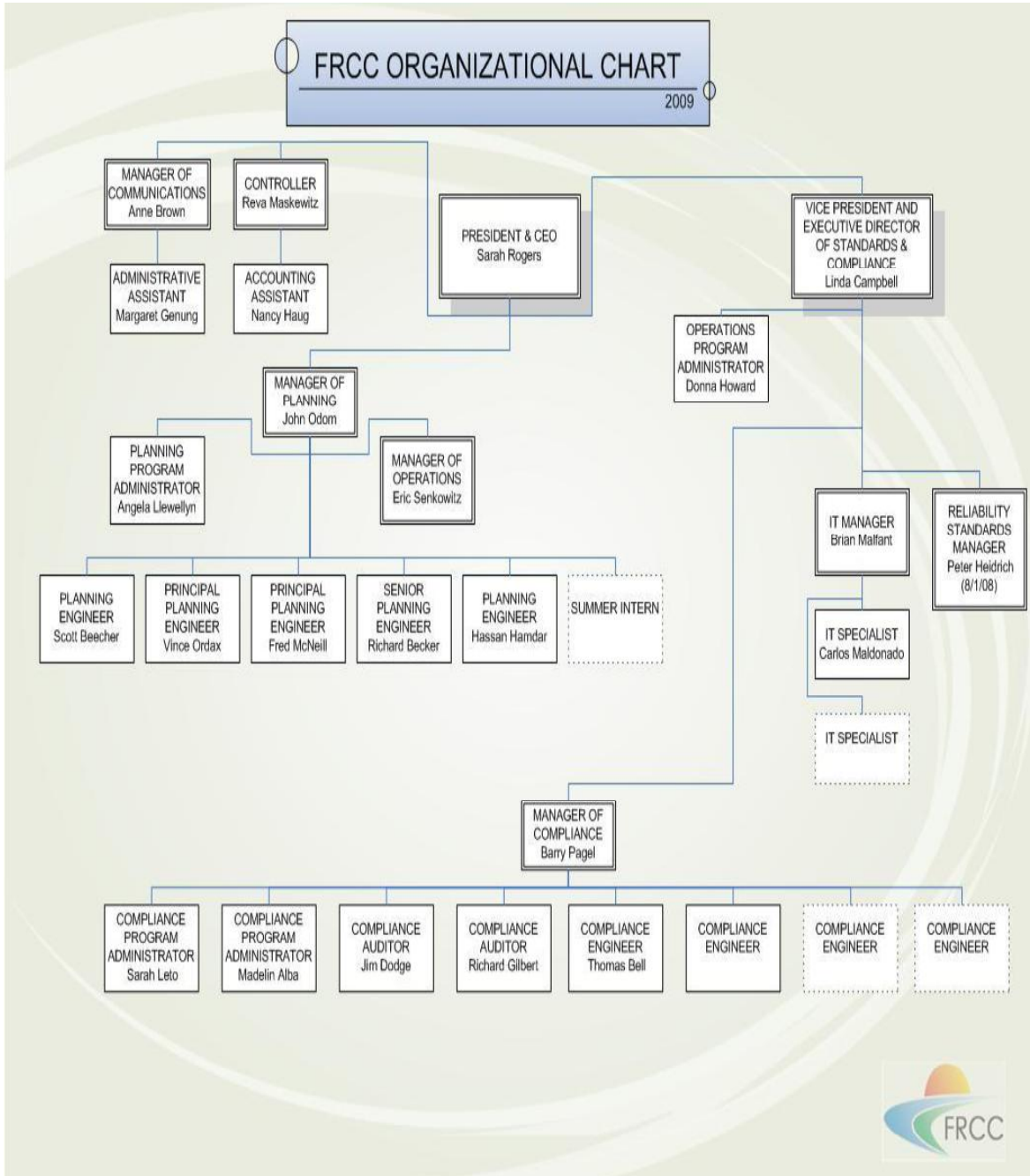
2008 Organizational Chart

Table 3



2009 Organizational Chart

Table 4



Reserve Balance

Table 5

Reserve Analysis 2008-2009	
STATUTORY	
Net Funding	
Net Funding Reserve (Deficit), December 31, 2007	246,617
2008 ERO Funding (from LSEs or designees)	3,989,944
2008 Other funding sources (Cash basis)	60,000
Change in assets ¹	
Total Funding Available 2008	<u>4,296,561</u>
Funding Needed 2008	
2008 Projected Expenses & Capital Expenditures (Cash basis)	3,882,023
Change in liabilities ²	
Total Funding Needed 2008	<u>3,882,023</u>
Projected Ending Funding Balance, December 31, 2008	<u><u>414,538</u></u>
Desired Funding Balance, December 31, 2009 (10% of Statutory Assessment) ³	392,089
Less: Projected Funding Balance December 31, 2008	414,538
Increase(decrease) in assessments needed to raise funding balance	<u>(22,449)</u>
2009 Assessment	4,000,317
Adjustment to increase funding balance	(22,449)
Less: Other Workshop Income	(79,430)
2009 Assessment and reserve adjustment	<u>3,898,438</u>

¹ Assumes all other assets remain at same levels as 12/31/08

² Assumes all other liabilities remain at same levels as 12/31/08

³ As documented in the June 27, 2008 minutes, the FRCC Board of Directors has approved the establishment of a funding reserve equal to 10% of its budgeted annual statutory expenses, with the understanding that should it become necessary to spend any of the reserve funds, the President shall provide a report detailing such expenditures at the next regular meeting of the Board of Directors.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page 30, of the 2009 FRCC Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Supplemental Funding

Table B-1

Outside Funding Breakdown By Program (excluding ERO Assessments)	Budget 2008	Projection 2008	Budget 2009	Variance To 2008 Projected	Variance % To 2008 Projected
Training and Education					
SO Training Seminar		\$ 60,000	\$ 79,430	\$ 19,430	32.38%
				-	
Total Outside Funding	\$ -	\$ 60,000	\$ 79,430	\$ 19,430	32.38%

Personnel Expenses

Table B-2

Personnel Expenses	Budget 2008	Projection 2008	Budget 2009	Variance To 2008 Projected	Variance % To 2008 Projected
Salaries					
Salary			\$ 2,017,775		
Employment Agency Fees				-	
Temporary Office Services				-	
Total Salaries	\$ 2,100,858	\$ 1,885,313	\$ 2,017,775	\$ 132,462	7.03%
Payroll Taxes					
FICA			\$ 98,204		
Medicare			29,247		
SUTA/FUTA			3,639		
Total Payroll Taxes	\$ 147,057	\$ 137,092	\$ 131,090	\$ (6,002)	-4.38%
Benefits					
Workers Compensation			\$ 1,816		
Medical Insurance			148,814		
Education			24,517		
Relocation			12,470		
Other Benefits			11,161		
Total Benefits	\$ 372,271	\$ 359,517	\$ 198,778	\$ (160,739)	-44.71%
Retirement					
Profit Sharing Plan			\$ 187,858		
Admin Plan Fees			6,983		
401(k) Match			88,958		
Total Retirement	\$ 279,464	\$ 259,669	\$ 283,799	\$ 24,130	9.29%
Total Personnel Costs	\$ 2,899,650	\$ 2,641,591	\$ 2,631,442	\$ (10,149)	-0.38%

Meeting Expenses

Table B-3

Meeting Expenses					
Meeting Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance To 2008 Projected	Variance % To 2008 Projected
Reliability Standards Development	\$ 1,797	\$ 1,797	\$ 1,195	\$ (602)	-33.50%
Compliance Monitoring and Enforcement	28,349	28,349	28,231	(118)	-0.42%
Organization Registration & Certification		32	22	(10)	-31.25%
Reliability Readiness Evaluation & Improvement	162	162	-	(162)	-100.00%
Reliability Assessment & Performance Analysis	13,802	13,802	4,812	(8,990)	-65.14%
Training, Education and Operator Certification	11,098	71,098	84,112	13,014	18.30%
Situational Awareness & Infrastructure Security	116	116	15	(101)	-87.07%
				-	
Total Meeting Expenses	\$ 55,324	\$ 115,356	\$ 118,387	\$ 3,031	2.63%

Travel Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance To 2008 Projected	Variance % To 2008 Projected
Reliability Standards Development	\$ 8,627	\$ 8,627	\$ 21,922	\$ 13,295	154.11%
Compliance Monitoring and Enforcement	90,075	90,075	135,847	45,772	50.82%
Organization Registration & Certification		472	197	(275)	-58.26%
Reliability Readiness Evaluation & Improvement	50,779	50,779	-	(50,779)	-100.00%
Reliability Assessment & Performance Analysis	21,708	21,708	45,804	24,096	111.00%
Training, Education and Operator Certification	1,670	1,670	2,957	1,287	77.07%
Situational Awareness & Infrastructure Security	557	557	133	(424)	-76.12%
				-	
Total Travel Expenses	\$ 173,416	\$ 173,888	\$ 206,860	\$ 32,972	18.96%

Conference Call Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance To 2008 Projected	Variance % To 2008 Projected
Reliability Standards Development	\$ 1,797	\$ 1,797	\$ 837	\$ (960)	-53.42%
Compliance Monitoring and Enforcement	8,349	8,349	7,349	(1,000)	-11.98%
Organization Registration & Certification		28	8	(20)	-71.43%
Reliability Readiness Evaluation & Improvement	162	162	-	(162)	-100.00%
Reliability Assessment & Performance Analysis	4,522	4,522	2,397	(2,125)	-46.99%
Training, Education and Operator Certification	348	348	2	(346)	-99.43%
Situational Awareness & Infrastructure Security	116	116	5	(111)	-95.69%
				-	
Total Conference Calls	\$ 15,294	\$ 15,322	\$ 10,598	\$ (4,724)	-30.83%
Total Meeting Expenses	\$ 244,034	\$ 304,566	\$ 335,845	\$ 31,279	10.27%

Operating Expenses

Table B-5

Consulting & Contracts	Budget 2008	Projection 2008	Budget 2009	Variance To 2008 Projected	Variance % To 2008 Projected
Consulting & Contracts					
Reliability Standards Development	\$ 10,036	\$ 10,036	\$ -	\$ (10,036)	-100.00%
Compliance Monitoring and Enforcement	46,621	46,621	80,000	33,379	71.60%
Organization Registration & Certification		96	-	(96)	-100.00%
Reliability Readiness Evaluation & Improvement	907	907	-	(907)	-100.00%
Reliability Assessment & Performance Analysis	147,755	147,755	207,472	59,717	40.42%
Training, Education and Operator Certification	1,943	1,943	-	(1,943)	-100.00%
Situational Awareness & Infrastructure Security	8,172	8,172	-	(8,172)	-100.00%
Consulting & Contracts Total	\$ 215,434	\$ 215,530	\$ 287,472	\$ 71,942	33.38%

Table B-6

Office Rent	Budget 2008	Projection 2008	Budget 2009	Variance To 2008 Projected	Variance % To 2008 Projected
Office Rent	\$ 224,745	\$ 226,353	\$ 236,875	\$ 10,522	4.65%
Utilities	-	-	-	-	-
Maintenance	-	-	-	-	-
Security	-	-	-	-	-
Total Office Rent	\$ 224,745	\$ 226,353	\$ 236,875	\$ 10,522	4.65%

Table B-7

Office Costs	Budget 2008	Projection 2008	Budget 2009	Variance To 2008 Projected	Variance % To 2008 Projected
Telephone	\$ 26,572	\$ 26,572	\$ 125,976	\$ 99,404	374.09%
Internet	3,959	3,959	6,646	2,687	67.87%
Office Supplies	43,247	43,723	16,565	(27,158)	-62.11%
Publications & Subscriptions & Dues	23,751	23,751	6,471	(17,280)	-72.75%
Postage	3,959	3,959	1,870	(2,089)	-52.77%
Copying	7,917	7,917	2,395	(5,522)	-69.75%
Printing			748	748	
Stationary Forms	15,834	15,834	5,550	(10,284)	-64.95%
Commercial Insurance	14,071	14,071	15,071	1,000	7.11%
Miscellaneous	3,058	3,058	2,131	(927)	-30.31%
Total Office Costs	\$ 142,368	\$ 142,844	\$ 183,423	\$ 40,579	28.41%

Table B-8

Professional Services	Budget 2008	Projection 2008	Budget 2009	Variance To 2008 Projected	Variance % To 2008 Projected
Outside Legal	95,093	95,369	90,497	\$ (4,872)	-5.11%
Accounting & Auditing Fees	12,236	12,236	13,346	1,110	9.07%
Total Services	\$ 107,329	\$ 107,605	\$ 103,843	\$ (3,762)	-3.50%

Table B-9

Computer	Budget 2008	Projection 2008	Budget 2009	Variance To 2008 Projected	Variance % To 2008 Projected
Equip Maintenance & Supplies	\$ 3,959	\$ 3,959	\$ 1,867	\$ (2,092)	-52.84%
Computer Maintenance & Supplies	81,151	81,219	5,400	(75,819)	-93.35%
Total Computer	\$ 85,110	\$ 85,178	\$ 7,267	\$ (77,911)	-91.47%

Table B-10

Furniture & Equipment	Budget 2008	Projection 2008	Budget 2009	Variance To 2008 Projected	Variance % To 2008 Projected
Furniture	\$ 26,612	\$ 26,612	\$ 12,100	\$ (14,512)	-54.53%
Equipment	44,662	44,662	14,375	(30,287)	-67.81%
Leasehold Improvements			31,925	31,925	
Software		87,082	155,750	68,668	78.85%
Total Furniture & Fixtures	\$ 71,274	\$ 158,356	\$ 214,150	\$ 55,794	35.23%

Table B-11

Other Non-Operating Expenses	Budget 2008	Projection 2008	Budget 2009	Variance To 2008 Projected	Variance % To 2008 Projected
Interest Expense				\$ -	
Office Relocation				-	
Cash Reserve Requirement			(22,449)	(22,449)	
Total Furniture & Fixtures	\$ -	\$ -	\$ (22,449)	\$ (22,449)	

Section C — 2009 RE Non-Statutory Business Plan and Budget
Member Services Division

Non Statutory Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	7.90	7.90	5.07
Total Direct Expenses	\$1,792,961	\$1,792,961	\$2,290,040
Total Indirect Expenses ⁸	814,817	814,817	1,071,072
Total Expenses	\$2,607,778	\$2,607,778	\$3,361,112

⁸Includes a Cash Reserve Requirement

Background

The Member Services division of the FRCC provides, coordinates or administers a variety of services relating to the reliable planning and operation of the bulk power system in the FRCC Region. These services are carried out by the FRCC Planning Committee (PC) and the FRCC Operating Committee (OC), and its various subcommittees, task forces and working groups.

Members' Services Objectives

- Ensure the reliability of the Bulk Power System in the FRCC region.
- Coordination, planning, operation and maintenance of reliable bulk electricity supply in the FRCC region.

Membership and Governance

FRCC's Members in the Member Services Division include investor-owned utilities, cooperative utilities, municipal utilities, power marketers and independent power producers. There are projected to be 26 FRCC Members in 2009.

The activities of FRCC are directed by its Board of Directors. The Board is comprised of senior level executives from the FRCC membership.

Non-Statutory Functional Scope**Planning Committee (PC)**

The PC promotes the reliability of the bulk power system in the FRCC Region, and assesses and encourages generation and transmission adequacy. The PC, through the FRCC Regional Transmission Planning Process, provides a vehicle for ensuring that transmission planning within the FRCC will provide for the development of a robust transmission network within the FRCC Region. The Regional Transmission Planning Process is a coordinated transmission planning process that evaluates all transmission facilities with voltages 69kV and above. The major goal of this process is to ensure that the planning transmission facilities will meet the needs of all market participants in a coordinated, open and transparent transmission planning environment.

⁸ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

The FRCC will continue to develop on an annual basis a Regional Transmission Plan using this planning process. The Regional Plan is based on the Ten Year Site Plans that are required to be submitted to the Florida Public Service Commission (“FPSC”) on April 1st of each year. The FRCC participates in an annual Ten Year Site Plan Workshop held by the FPSC.

Operating Committee (OC)

The OC is responsible for the coordination, planning, operation and maintenance of reliable bulk power supply in the FRCC. Its primary reliability goals are the continuous improvement of the situational awareness of the operators interconnected within the FRCC, and ensuring that adequate physical, operational and cyber security objectives are in place for the Region’s shared communications network. The OC ensures reliable operations are maintained through the development and implementation of the FRCC Security Process. As a result of the Operating Reliability Subcommittee’s (ORS) Recommendations to the 2007 FRCC Agent Operational Audit Report, the FRCC is currently revising the FRCC Security Process to ensure it continues to adequately address the NERC Reliability Standards requirements for Reliability Coordinators (RC). Additionally, it is the goal of the FRCC to develop an internal RC continuous improvement program for the Region.

Operating Reliability Subcommittee (ORS)

The ORS provides overall administration for the development and implementation of operating procedures and other reliability matters. The ORS reviews and assesses regional import and export limits, scheduled transmission outages, real-time system reliability, events analysis, information and data exchange and other reliability issues. The ORS provides formal oversight and implementation of the Security Process which establishes the reliability responsibilities of the various entities within the Region and specifically monitors the agents responsible for performing the Reliability Coordinator (RC) and Operations Planning Coordinator (OPC) functions.

Data Exchange Working Group (DEWG)

The DEWG, subordinate to the ORS, supports the real-time data needs of the FRCC Reliability Coordinator and other entities identified by the FRCC ORS, and for developing methodologies to facilitate the exchange of real-time, modeling, and other operational data to help assure reliable electric power system operations. Accurate modeling of the FRCC bulk power system is essential to maintaining situational awareness and ensuring reliability. Within the FRCC, all entities provide system data via the FRCC Reliability Data Link (RDL). The FRCC RDL receives all substation topology information, line flows, voltage levels, unit parameters, etc. from the operating entities on a real-time basis. Data is available to all.

FRCC Telecommunications Subcommittee (TS)

The TS provides formal oversight over the TS budget which is included in the OC budget. The primary purpose of the TS is to ensure that adequate and redundant communications facilities are made available to the operating entities within the FRCC. The TS administers the FRCC hotline program, Satellite phone program, Reliability Data Link program and also ensures that reliable and redundant communications are maintained with NERCNet, from a Regional communications perspective. All TS programs had been deemed “non-statutory” and are in support of the Reliability Coordinator function, with the exception of the FRCC

satellite phone which is clearly a tool used by the Regional Entity to perform situational awareness and thus is budgeted as statutory.

Non Statutory Situation Awareness and Infrastructure Security Program Objectives

The Situation Awareness and Infrastructure Security Program Objectives for 2009 are outlined below:

- Continuous improvement of the situation awareness of the operators interconnected with the FRCC by monitoring the activities of the Electricity Sector Information Sharing and Analysis Center (ES-ISAC) Operations.
- Ensure that adequate physical, operational and cyber security objectives are in place for the FRCC's shared communications networks.
- Continue to accurately model the FRCC Bulk Power System to maintain situational awareness and ensuring reliability.
- Continue to participate in and monitor the activities of the NERC Critical Infrastructure Protection Committee.
- Develop an internal FRCC Reliability Coordinator internal RC continuous improvement program for the FRCC Region.

Major 2009 Cost Impacts

Operating Committee

The 2009 Operating Committee (OC) budget is developed based on the activities of the Operating Reliability Subcommittee (ORS), the System Operator Subcommittee (SOS), the Telecommunications Subcommittee (TS), the Fuel Reliability Working Group (FRWG) and the Critical Infrastructure Protection Subcommittee (CIPS). These budgets are primarily related to the FRCC Reliability Coordinator (RC) functions and include consulting costs, contract costs, computer software purchases and expenses to support some of the associated activities. These budgets do not include FRCC staff salaries or associated personnel costs.

The 2009 Direct Operating Cost budget is \$1,310,826 which is 7.78 % (-\$109,145) less than last year's budget of \$1,419,961. The decrease in the 2009 budget is primarily due to a decrease in software costs associated with the RC function and a decrease in telecommunications costs associated with the FRCC Net.

Operating Reliability Subcommittee (ORS)

The ORS budget makes up approximately 80 % of the total FRCC OC 2009 budget. The 2009 budget has a net decrease of approximately \$65,000 as compared to the 2008 budget. This is due to a software purchase of \$100,000, incurred last year associated with a move of the FTMS application to an external hosting site, which is not required for 2009. There was an approximate increase of \$20,000 associated with the additional RC time required to support the generation of a "Daily Report" to be submitted to NERC and FERC and an approximate increase of \$15,000 associated with the increase in consultant rates charged for the various personnel performing the RC functions.

Fuel Reliability Working Group (FRWG)

The FRWG budget makes up approximately 5.5 % of the total FRCC OC 2009 budget. In 2008, the FRWG was formed as a permanent working group reporting to ORS and now

serves as budgetary oversight for the FRCC Gas Study Project. The Gas Study Project budget was increased by approximately \$25,000 as compared to the 2008 budgeted amount. This increase is due to anticipated consulting fees needed to support fuel reliability analyses of the FRCC Region. The budget includes a statutory portion to support the NERC Reliability Assessment process as well as a non-statutory portion to support overall FRCC fuel reliability studies and assessment.

System Operator Subcommittee (SOS)

The SOS budget makes up approximately 0.9 % of the total FRCC OC 2009 budget. The SOS budget for 2009 is unchanged and is used to support the annual FRCC system operator seminars. The majority of the seminar expenses are self-funded except for the FRCC Staff expenses and administrative expenses related to the seminars. The budget is considered statutory in support of training and education.

Telecommunications Subcommittee (TS)

The TS budget makes up approximately 12.7 % of the total FRCC OC 2009 budget. The 2009 Direct Operating Cost budget has a net decrease of approximately \$72,000 as compared to the 2008 budget. In 2008, \$76,000 was budgeted for a one-time upgrade from the Frame Relay to a Multi Protocol Label Switching (MPLS) network. Without this expense, the 2009 budget is approximately \$4,000 more than the 2008 budget. This increase is primarily due to the addition of a Hotline connection.

Critical Infrastructure Protection Subcommittee (CIPS)

The CIPS budget makes up approximately 0.8 % of the total FRCC OC 2009 budget. The CIPS was newly formed in 2008. The \$10,000 budget for 2009 is the anticipated costs associated with supporting CIPS workshops.

Planning Committee (PC)

The 2009 Planning Committee (PC) budget is developed based on the activities of the Available Transfer Capability Working Group (ATCWG), the Resource Working Group (RWG), the Stability Working Group (SWG) and the Transmission Working Group (TWG). These budgets are primarily for the labor involved in coordination activities performed by member representatives, software and meeting costs. These budgets do not include FRCC staff salaries or other costs associated with FRCC staff.

The total 2009 PC Direct Operating Cost budget is \$203,891, which is 2.33% higher than last year's budget of \$199, 242. Even though the overall budget is the same as last year, the expenses associated with each Working Group are different. Below is a breakdown of the major changes in the expenses for each Working Group.

Available Transfer Capability Working Group (ATCWG)

In 2008, more than \$24,000 was budgeted for outside labor associated with loadflow creation and maintenance. In 2009, it is expected that those tasks will all be completed internally by FRCC staff and those expenses have not been included in the PC budget. In addition, with the new ATC software being purchased by FRCC members in 2008, it is expected that the software enhancements required in 2009 will be reduced from \$20,000 down to \$10,000. The overall ATCWG budget is \$12,644, which is approximately 27% of the 2008 budget.

Resource Working Group

The workload for the Resource Working Group (RWG) is expected to continue to increase in 2009 due to increased requirements from the NERC Reliability Assessment Subcommittee (RAS). To complete this additional work, the 2009 budget for RWG is \$37,040, which is an increase from the 2008 budget of \$17,420.

Stability Working Group

The focus on Bulk Power System stability is expected to increase to meet higher expectations created by revised NERC standards. To meet these higher expectations, the SWG will be required to complete more stability studies. In addition, the stability module of the MOD software is needed in 2009 to improve the efficiency and accuracy of the stability data. The SWG budget for 2009 is \$38,711, which is an increase from the 2008 budget of \$20,724.

Transmission Working Group

The Transmission Working Group budget for 2009 is \$115,496, which is essentially the same as the 2008 budget of \$114,038. Even though the overall budget did not change, the TWG expenses for labor is lower because FRCC staff continues to complete more of the coordinated activities for the TWG. The software expenses are higher to reflect higher maintenance costs for the software and the purchase of a new module for the MOD software to maintain the short circuit database.

Funding Requirements — Explanation of Increase (Decrease)

Personnel Expenses – It is felt that the amount of time spent to achieve the goals of these member services committees is expected to increase 30% in 2009 or approximately \$375,000 in order to accomplish the goals that have been set.

Non Operating Expense – Cash Reserve Requirement – It is felt that a reserve equal to one (1) months working capital is sufficient to be held for a cash reserve.

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

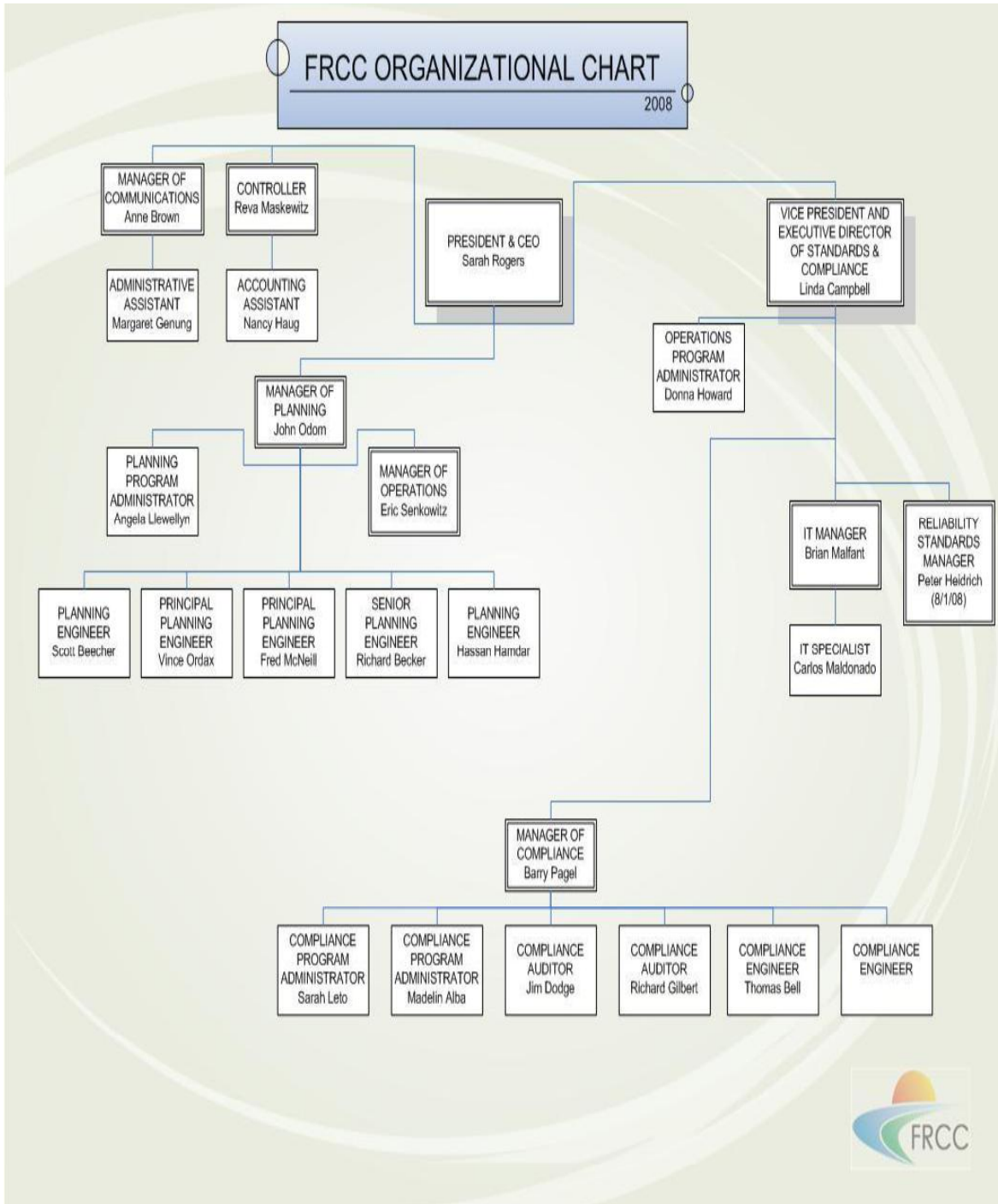
Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
NON-STATUTORY					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projected Over(Under)
Funding					
ERS ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
ERS Membership Dues/Non-Stat Assessments	2,607,773	2,607,773	-	3,209,412	601,639
ERS Testing Fees	-	-	-	-	-
ERS Services & Software	-	-	-	151,700	151,700
ERS Workshops	-	-	-	-	-
ERS Interest	-	-	-	-	-
ERS Miscellaneous	-	-	-	-	-
Total Funding	\$ 2,607,773	\$ 2,607,773	\$ -	\$ 3,361,112	\$ 753,339
Expenses					
Personnel Expenses					
ERS Salaries	667,743	667,743	-	1,006,135	338,392
ERS Payroll Taxes	46,742	46,742	-	65,366	18,624
ERS Benefits	119,269	119,269	-	99,118	(20,151)
ERS Retirement Costs	87,804	87,804	-	141,513	53,709
Total Personnel Expenses	\$ 921,558	\$ 921,558	\$ -	\$ 1,312,132	\$ 390,574
Meeting Expenses					
ERS Meetings	12,285	12,285	-	27,090	14,805
ERS Travel	28,500	28,500	-	41,895	13,395
ERS Conference Calls	5,938	5,938	-	16,398	10,460
Total Meeting Expenses	\$ 46,723	\$ 46,723	\$ -	\$ 85,383	\$ 38,660
Operating Expenses					
ERS Consultants	1,046,219	1,046,219	-	1,019,203	(27,016)
ERS Office Rent	142,605	142,605	-	118,115	(24,490)
ERS Office Costs	170,657	170,657	-	382,862	204,205
ERS Professional Services	21,351	21,351	-	51,781	30,430
ERS Computer Purchase & Maintenance	-	-	-	3,624	3,624
ERS Furniture & Equipment	248,719	248,719	-	28,349	(220,370)
ERS Miscellaneous	1,941	1,941	-	1,063	(878)
ERS Contingency	-	-	-	-	-
Total Operating Expenses	\$ 1,639,492	\$ 1,639,492	\$ -	\$ 1,604,997	\$ (34,495)
Other Non-Operating Expenses	-	-	-	358,600	358,600
Total Expenses	\$ 2,607,773	\$ 2,607,773	\$ -	\$ 3,361,112	\$ 753,339
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Personnel Analysis

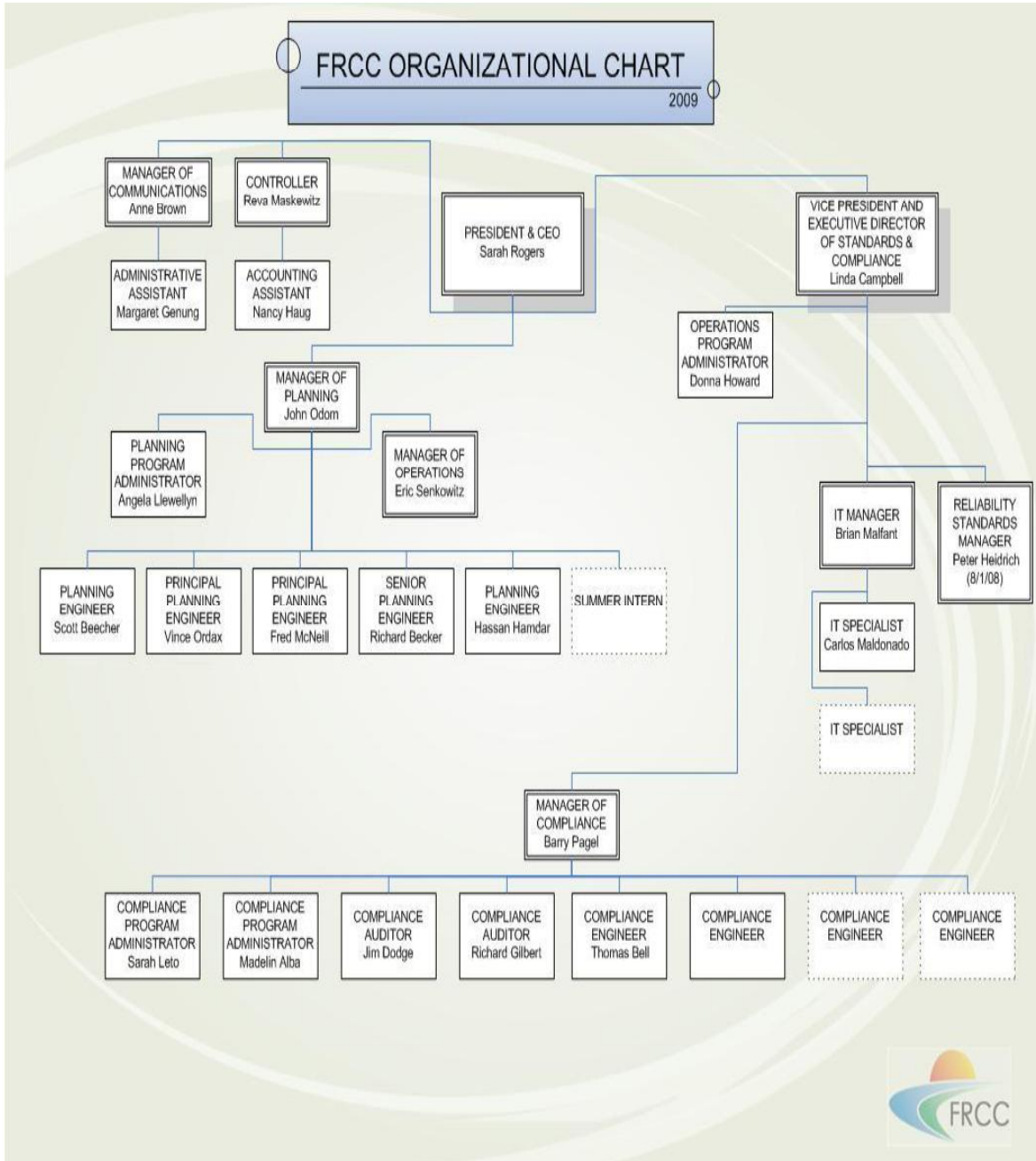
Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
Non-Statutory				
Operational Programs				
Operating Committee			2.32	2.3
Planning Committee			2.75	2.8
				0.0
Total FTEs Operational Programs	0.0	0.0	5.07	5.1
Administrative Programs				
General & Administrative			4.08	4.1
				0.0
				0.0
Total FTEs Administrative Programs	0.0	0.0	4.08	4.1
Total FTEs	7.9	7.9	9.15	9.2

2008 Organizational Chart



2009 Organizational Chart



Reserve Analysis — 2008–2009

Table 5

Reserve Analysis 2008-2009	
NON-STATUTORY	
Net Funding	
Net Funding Reserve (Deficit), December 31, 2007	(121,032)
Membership Dues/Non-Stat Assessments	2,607,773
2008 Other funding sources (Cash basis)	0
Change in assets ¹	
Total Funding Available 2008	2,486,741
Funding Needed 2008	
2008 Projected Non Statutory Expenses & Capital Expenditures (Cash basis)	2,607,773
Change in liabilities ²	
Total Funding Needed 2008	2,607,773
Projected Ending Funding Balance, December 31, 2008	(121,032)
Desired Funding Balance, December 31, 2009 (1 month of Working Capital) ³	237,568
Plus: Projected Funding Balance Deficit December 31, 2008	121,032
Increase(decrease) in assessments needed to raise funding balance	358,600
2009 Assessment	3,002,512
Adjustment to increase cash balance	358,600
Other Funding - Pass Through Service Contracts	(151,700)
2009 Assessment and reserve adjustment	3,209,412

¹ Assumes all other assets remain at same levels as 12/31/08

² Assumes all other liabilities remain at same levels as 12/31/08

³ As documented in the June 27, 2008 minutes, the FRCC Board of Directors has approved the establishment of a cash reserve equal to 1 month of working capital.

FRCC RE 2009 STATEMENT OF ACTIVITIES

Statement of Activities 2008 Budget		Functions in Delegation Agreement						Non-Stat Functions						
	Total	Statutory Total	Non-Statutory Total	Reliability Standards Development (Section 300)	Compliance Monitoring & Enforcement (Section 400)	Organization Registration and Certification (Section 500)	Reliability Evaluation and Improvement (Section 700)	Reliability Assessment & Performance Analysis (Section 800)	Training, Education and Operator Certification (Section 900)	Situational Awareness and Infrastructure Security (Section 1000)	General and Admin	Non-Statutory Total	Operating Committee	Planning Committee
Funding														
ERO Assessments	3,898,438	3,898,438		393,970	2,324,483	43,521	-	1,081,245	18,043	37,176	-	3,209,412	2,137,830	1,071,582
Membership Dues/Non-Statutory Funding	3,209,412	-	3,209,412	-	-	-	-	-	-	-	-	151,700	151,700	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	151,700	-	151,700	-	-	-	-	-	79,430	-	-	-	-	-
Workshops	79,430	79,430	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	7,338,980	3,977,868	3,361,112	393,970	2,324,483	43,521	-	1,081,245	97,473	37,176	-	3,381,112	2,289,530	1,071,582
Expenses														
Personnel Expenses														
Salaries	3,023,910	2,017,775	1,006,135	235,573	1,219,891	27,520	-	508,673	6,604	18,714	-	1,006,135	485,455	520,680
Payroll Taxes	196,456	131,090	65,386	15,305	79,240	1,788	-	33,112	429	1,216	-	65,386	31,539	33,827
Benefits	287,896	188,778	99,118	23,207	120,156	2,711	-	50,210	651	1,843	-	99,118	47,824	51,294
Retirement Costs	425,312	283,799	141,513	33,133	171,949	3,871	-	71,685	929	2,632	-	141,513	68,279	73,234
Total Personnel Expenses	3,943,574	2,631,442	1,312,132	307,218	1,590,638	35,890	-	664,680	8,613	24,405	-	1,312,132	633,097	679,035
Meeting Expenses														
Meetings	145,477	118,387	27,080	1,185	28,231	22	-	4,812	84,112	15	-	27,080	15,722	11,368
Travel	248,755	206,860	41,895	21,822	135,847	197	-	45,804	2,957	133	-	41,895	24,206	17,687
Conference Calls	20,995	10,398	10,398	837	7,349	6	-	2,397	2	5	-	10,398	5,041	11,357
Total Meeting Expenses	421,228	335,645	65,385	23,964	171,427	227	-	53,013	87,071	153	-	65,385	44,971	40,412
Operating Expenses														
Consultants & Contracts	1,306,675	287,472	1,019,203	-	80,000	-	-	207,472	-	-	-	1,019,203	1,006,559	12,644
Office Rent	354,990	236,875	118,115	27,655	143,184	3,231	-	59,893	775	2,197	-	118,115	56,990	61,125
Office Costs	564,154	181,292	382,862	20,277	104,995	2,368	-	43,874	567	9,211	-	382,862	338,040	44,822
Professional Services	155,624	103,843	51,781	12,123	62,771	1,416	-	26,230	340	963	-	51,781	24,984	26,797
Computer Purchase & Maint.	10,891	7,267	3,624	848	4,393	99	-	1,836	24	67	-	3,624	1,749	1,875
Furniture and Equipment	242,489	214,150	28,349	4,308	179,555	503	-	29,321	121	342	-	28,349	13,852	14,497
Miscellaneous	3,194	2,131	1,063	249	1,288	29	-	538	7	20	-	1,063	513	550
Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	2,638,027	1,033,030	1,604,997	65,460	576,186	7,646	-	368,104	1,834	12,800	-	1,604,997	1,442,687	182,310
Other Non-Operating Expenses														
	336,151	(22,449)	358,600	(2,662)	(13,766)	(242)	-	(5,552)	(45)	(182)	-	358,600	186,775	189,825
Total Expenses	7,338,980	3,977,868	3,361,112	393,970	2,324,483	43,521	-	1,081,245	97,473	37,176	-	3,381,112	2,289,530	1,071,582
Change in Assets														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FTE's	27.37	18.34	9.03	1.76	9.1	0.16	0	3.67	0.03	0.12	0.03	9.03	4.25	4.78

ATTACHMENT 4



MIDWEST
RELIABILITY
ORGANIZATION



Midwest Reliability Organization

2009 Business Plan and Budget

Final and Approved

July 9, 2008 (Revised)



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I. Background

The Midwest Reliability Organization (“MRO”) 2009 Business Plan and Budget has been developed by MRO staff. The plan and budget are subject to Board of Directors (“Board”) approval and stakeholder review.

The MRO has an approved Regional Delegation Agreement with North American Electric Reliability Corporation (“NERC”) as a Cross-Border Regional Entity (“CBRE” or “RE”). NERC operates as the international Electric Reliability Organization (“ERO”). The MRO operates under the delegated authority of the Federal Energy Regulatory Commission (“FERC” or “Commission”) in the United States and through similar arrangements in Manitoba and Saskatchewan. The MRO Region includes over 20,000,000 people and covers approximately one million square miles. The total net energy to load is nearly three hundred million megawatt hours (MWh).

The MRO is a non-profit corporation registered in Delaware and has a 501 (c) 6 designation by the Internal Revenue Service. The MRO is licensed and registered to conduct business and operate in all the states and two Canadian provinces within its region. The MRO region is comprised of municipal utilities, cooperatives, investor-owned utilities, a federal power marketing agency, Canadian Crown Corporations, large and small end-use load organizations, and independent power producers. The MRO region spans eight states and two Canadian provinces covering roughly one million square miles. The MRO is independent of bulk power owners, users and operators of the bulk power system and is not an operator, owner, or user of the bulk power system and has no shared employees with a third or related party.

2009 Midwest Reliability Organization Business Plan and Budget

Below is a summary of the MRO's funding requirements:

Midwest Reliability Organization				
(in whole dollars)				
	2009 Budget	U.S.	Canada	Mexico
Statutory Full Time Equivalents (FTEs)	26.50			
Non-Statutory FTEs	0.00			
Total FTEs	26.50			
Statutory Expenses	\$6,405,724			
Non-Statutory Expenses	\$0	\$0	\$0	\$0
ERO Funding Assessments	\$6,376,474	\$5,391,836	\$984,638	\$0
Member Funding Assessments	\$0	\$0	\$0	\$0
Total Funding	\$6,376,474	\$5,391,836	\$984,638	\$0
NEL	272,403,444	230,339,637	42,063,807	0
NEL %	100.000%	84.558%	15.442%	0.00%

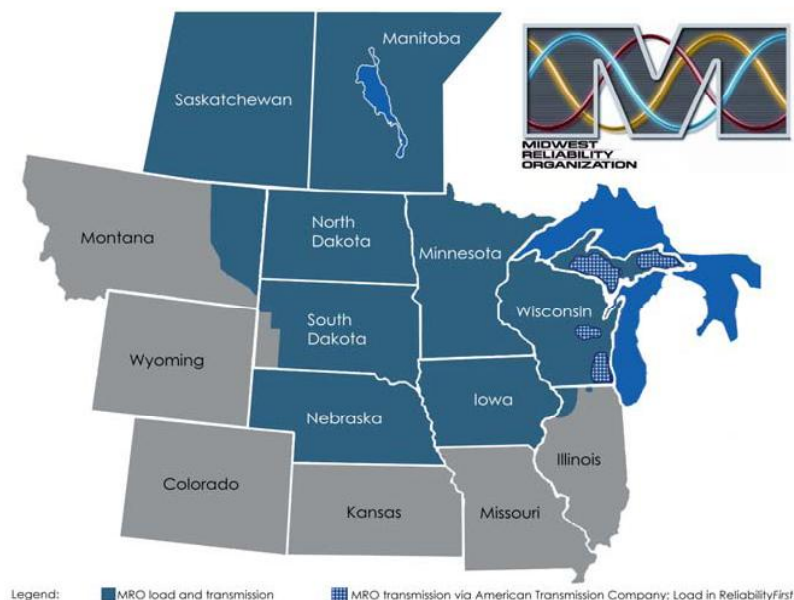


Figure 1 - Midwest Reliability Organization Region Map

Committees of the MRO provide recommendations, advice, and counsel to the Board and are balanced in the representation. The Board has the decision-making authority. The sectors for the Board are:

- Canadian Utility (2)
- Cooperative (2)
- Federal Power Marketing Agency (1)
- Generator and/or Power Marketer (2)
- Investor Owned Utility – Large (3)
- Investor Owned Utility – Small (2)
- Large End-Use Electricity Customer (1)
- Municipal Utility (2)
- Small End-Use Electricity Customer (1)
- Transmission System Operator (3)

Regulators are registered members in the MRO and share the same rights as members but have no vote. All meetings are open but the MRO Board of Directors reserve the right to call a meeting into Executive Session.

1. Statutory Functional Scope

The primary purposes of the MRO are:

1. Develop, propose, and/or adopt regional and NERC Reliability Standards.
2. Determine compliance with those standards, including enforcement mechanisms in a non-discriminatory manner consistent with the rules.
3. Perform seasonal, long-term, and other assessments of reliability.
4. Other services consistent with its reliability charter and delegation agreement such as studies.

The MRO provides a transparent, effective, and efficient reliability organization across a broad geographic region with open meetings and an inclusive standard setting process:

1. The MRO is an effective reliability organization for a region which has a long tradition of managing within and across complex, multiple seams including an interconnection seam, structured markets (MISO and PJM) to bi-lateral market seams, and an international border.
2. The MRO creates a common forum for the region regardless of transmission allegiance. Nearly half of the regional load is not in a Regional Transmission Organization ("RTO") and approximately two-thirds of the transmission is not in a RTO.
3. The MRO region has a tradition of working successfully on reliability matters despite the complexities in seams, diverse constituencies, and jurisdictions. Approximately half of the load in the MRO is public power, including Canada. The MRO is a vital link to maintain and expand existing "reliability" relationships among regulators, bulk power users, owners, and operators.
4. Because of the seam, unique power system technical configurations, such as very long distances between load and generator, stability-limited transmission, the large percentage of hydro generation, and the diversity of its constituency, the region must have the ability and means to represent its own regional reliability interests for the benefit of the users, owner, and operators of the bulk power system and the public it serves as a CBRE under the final reliability rule and consistent with the Bilateral Principles.

The 2009 Business Plan and Budget fulfills MRO's commitments related to the delegated functions from NERC, consistent with FERC and Canadian authorities:

- Implementation of compliance and enforcement programs to those subject to Reliability Standards.
- Non-discriminatory, consistent enforcement process to those subject to Reliability Standards.
- Adoption of Reliability Standards to ensure enforceability. Canadian enforceability has been sought through agreements with Saskatchewan and Manitoba.
- Ability to propose standards to benefit the reliability of the MRO region; using an open, technically valid process.
- Provide education and resources for system operators, users, and owners of the bulk electric system.
- Assess and report on regional bulk power system reliability and adequacy.
- Investigate and report on regional bulk power system events and evaluate those events for enforcement action or improvements.

2. Planning Cycle

Week of April 28	MRO Finance and Audit Committee Review
May 1	Initial list of Load Serving Entities (“LSE”).
May 9	Submittal of preliminary business plan and budget to NERC.
May-June	(1) NERC review of preliminary budget. (2) MRO Board and Staff review and rationalize budget – make changes to budget.
May 30	Submittal of complete business plan and budget to NERC.
June 9	Budget ready for Board approval (Board meeting June 19).
July 1	Final list of Load Serving Entities obligated to fund NERC and Regional Entities with estimated share of costs assigned to each entity.
July 9 or prior	Board approval and Final 2009 budget submittal due to NERC.

3. 2009 Primary Objectives

MRO's primary objective is to carry out its responsibilities related to the Regional Delegation Agreement and the NERC rules in a consistent, predictable, transparent, professional, and non discriminatory manner within budget.

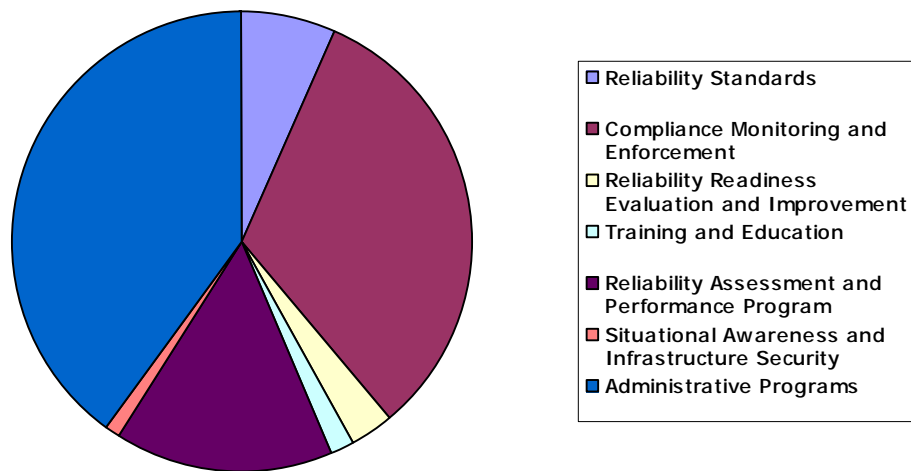
4. Major 2009 Cost Impacts

The total budget cost to implement the 2009 Business Plan is \$6,405,724. This is a significant increase over 2008 budget and includes 26.50 Full Time Equivalents (FTEs), up from approximately 23.00 FTEs. The increase from 2007 to 2008 budgets was 6.2%, for comparative purposes. MRO expects that budget increases will be stable after the initial years of "start up" of handling the requirements under mandatory Reliability Standards.

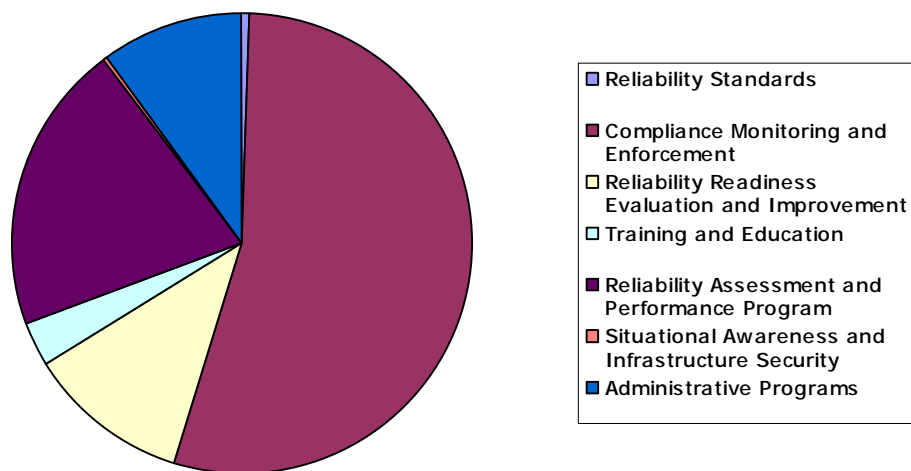
2009 Midwest Reliability Organization Business Plan and Budget

Operational Programs	Budget 2009	Change from 2008 Projection
Reliability Standards	\$ 422,708	\$ 4,348
Compliance Monitoring and Enforcement	2,071,510	550,789
Reliability Readiness Evaluation and Improvement	194,907	115,166
Training and Education	108,249	32,529
Reliability Assessment and Performance Program	982,029	207,225
Situational Awareness and Infrastructure Security	57,549	4,007
Administrative Programs	2,568,773	100,172
Total Programs	\$ 6,405,724	\$ 1,014,236

2009 Budget \$6,405,724



2009 Budget Increase Over 2008 Budget \$1,014,236



2009 Midwest Reliability Organization Business Plan and Budget

Approximately 66% of MRO's costs are in staff resources. Of the total budget, the Compliance program area, represents 32% of the total costs, while Standards and Assessment areas make up an additional 22% of the total budget. Total operational program areas account for approximately 60% of the MRO total budget. However, the Administrative program areas such as "General and Administrative" and "Legal and Regulatory" are closely aligned with the operational programs and therefore, the reader must keep this in mind when reviewing the business plan and budget.

Total Funding by Program Area	Budget 2008	Projection 2008	Change from Budget to Projection	Budget 2009	Change from Projection
STATUTORY					
Operational Programs					
Reliability Standards	\$ 336,965	\$ 418,360	\$ 81,395	\$ 422,708	\$ 4,348
Compliance Monitoring and Enforcement	1,453,770	1,520,721	66,951	2,071,510	550,789
Reliability Readiness Evaluation and Improvement	208,491	79,742	(128,750)	194,907	115,166
Training and Education	80,962	75,720	(5,242)	108,249	32,529
Reliability Assessment and Performance Program	541,741	774,804	233,063	982,029	207,225
Situational Awareness and Infrastructure Security	60,840	53,542	(7,299)	57,549	4,007
Total Funding Operational Programs	\$ 2,682,769	\$ 2,922,888	\$ 240,119	\$ 3,836,951	\$ 914,064
Administrative Programs					
Technical Committees and Members' Forums	\$ 328,835	\$ 340,751	\$ 11,916	\$ 184,900	\$ (155,852)
General & Administrative	612,894	557,944	(54,950)	421,753	(136,191)
Information Technology	517,274	596,546	79,272	725,649	129,103
Legal and Regulatory	512,576	338,279	(174,297)	638,654	300,375
Human Resources	-	-	-	-	-
Finance and Accounting ¹	677,140	635,080	(42,060)	597,817	(37,263)
Total Funding Administrative Programs	\$ 2,648,719	\$ 2,468,600	\$ (180,119)	\$ 2,568,773	\$ 100,172
Total Funding	\$ 5,331,488	\$ 5,391,488	\$ 60,000	\$ 6,405,724	\$ 1,014,236

¹ Human Resources included in "Finance and Accounting".

Total Expense Category by Program Area	Salary Plus Benefits	Meeting Expenses: Meetings	Meeting Expenses: Travel	Meeting Expenses: WebEx/Conference Calls	Total Operating Expenses	Total Expenses
Total Meeting Expenses						
Operational Programs						
Reliability Standards	\$ 316,308	\$ 7,500	\$ 10,000	\$ 15,000	\$ 73,900	\$ 422,708
Compliance Monitoring and Enforcement	1,720,303	18,000	100,000	10,000	223,207	2,071,510
Reliability Readiness Evaluation and Improvement	97,483	1,440	45,000	1,440	49,544	194,907
Training and Education	72,399	29,850	2,400	1,200	2,400	108,249
Reliability Assessment and Performance Program	686,514	40,000	50,000	18,000	187,515	982,029
Situational Awareness and Infrastructure Security	54,549	600	2,400	-	-	57,549
Total Expense Category Operational Programs	\$ 2,947,555	\$ 97,390	\$ 209,800	\$ 45,640	\$ 536,566	\$ 3,836,951
Administrative Programs						
Technical Committees and Members' Forums	124,900	-	60,000	-	-	184,900
General & Administrative	301,769	22,000	22,000	-	75,984	421,753
Information Technology	211,969	-	6,000	-	507,680	725,649
Legal and Regulatory	442,334	-	4,320	4,800	187,200	638,654
Human Resources	-	-	-	-	-	-
Finance and Accounting/Human Resources	224,086	-	3,000	-	370,730	597,817
Total Expense Category Administrative Programs	1,305,058	22,000	95,320	4,800	1,141,594	2,568,773
Total Expense Category	\$ 4,252,613	\$ 119,390	\$ 305,120	\$ 50,440	\$ 1,678,160	\$ 6,405,724

2009 Midwest Reliability Organization Business Plan and Budget

The 2009 budget includes 26.50 full-time equivalents (FTE) in the following areas:

Total FTE's by Program Area	Budget 2008	Projection 2008	Change from Budget to Projection	Budget 2009	Change from Projection
STATUTORY					
Operational Programs					
Reliability Standards	2.15	2.75	0.60	2.50	-0.25
Compliance Monitoring and Enforcement	9.65	7.50	-2.15	10.00	2.50
Reliability Readiness Evaluation and Improvement	1.10	0.25	-0.85	0.50	0.25
Training and Education	0.45	0.50	0.05	0.50	0.00
Reliability Assessment and Performance Program	2.20	4.00	1.80	4.75	0.75
Situational Awareness and Infrastructure Security	0.35	0.25	-0.10	0.25	0.00
Total FTEs Operational Programs	15.90	15.25	-0.65	18.50	3.25
Administrative Programs					
Technical Committees and Members' Forums	0.45	0.75	0.30	0.75	0.00
General & Administrative	1.65	1.75	0.10	1.50	-0.25
Information Technology	1.50	2.50	1.00	2.00	-0.50
Legal and Regulatory	1.40	0.50	-0.90	1.50	1.00
Human Resources	0.00	0.00	0.00	0.00	0.00
Finance and Accounting ¹	2.00	2.00	0.00	2.25	0.25
Total FTEs Administrative Programs	7.00	7.50	0.50	8.00	0.50
Total FTEs	22.90	22.75	-0.15	26.50	3.75

¹ Human Resources included in "Finance and Accounting".

For 2009, the MRO has no non-statutory functions and has no plans to perform any at this time.

A note to the reader, MRO's role under mandatory standards is new and budgeting techniques are being refined each year across NERC. Additionally, MRO leverages its staff across multiple functional areas to assure efficiency and reduce potential conflicts; however, MRO has no shared employees with a third or related party.

2009 Business Plan and Budget Summary by program area:

Operational Programs

- *Reliability Standards* will substantially maintain its current workload plan, but will focus on increasing stakeholder participation on NERC drafting teams.
- *Compliance Monitoring and Enforcement and Organizational Registration and Certification* will experience an increase in work due to the expanded scope of compliance monitoring, the implementation of the NERC CIP-002 through CIP-009 Reliability Standards, the continuing refinements in Regulation, and conducting follow-up and investigations on compliance matters.

- *Reliability Readiness Evaluation and Improvement* will increase the number of Readiness Evaluations from four to seven. However, MRO will rely on its volunteer stakeholders to assist on successfully completing these evaluations. The number should remain stable into the future unless there is a change made to the NERC program.

Note: In its 2009 business plan, developed after approval of this plan by MRO, NERC has eliminated the Reliability Readiness Evaluation and Improvement Program. In the NERC approved plan, 2009 will be a transition year, during which open Readiness recommendations in the Region will be monitored to their completion and a reduced set of Evaluations will take place. Due to the uncertainty associated with the final disposition of the NERC program and the expectations delegated to MRO at the time this plan was developed and finalized, the potential for an under run of 2009 expenditures compared to budget exists, but is difficult to quantify at this time.

- *Training and Education* reflects the staffing needed to develop training materials and implement enhancements in the training software for system operators.
- *Reliability Assessment and Performance Analysis* will have increased attention to protection and control standards, special protection scheme reviews, resource adequacy, integration of accelerated renewable generation, NERC and regulatory data requests, system modeling, and reviews of regional reliability criteria and procedures. For 2009, Event Analysis was budgeted in the Assessment area; this is a change to the budget from Compliance area.
- *Situational Awareness and Infrastructure Security* will require staff time to work with NERC and other Regional Entities (“REs”) staff to implement the new situational awareness tools proposed by NERC.

Administrative Programs

- *Technical Committees and Members Forums* reflects the resources needed to maintain representation on the NERC committees and working groups, such as the Operating and Planning Committees. MRO reimburses stakeholders for reasonable travel-related costs who represent MRO at these meetings. .
- *General and Administrative* reflects the Office of the President and other administrative costs related to the Board and governance matters. No significant changes for 2009.

- *Legal and Regulatory* activities focus on regulatory filings, due process protections for those subject to Reliability Standards
- *Information Technology* was increased to reflect the elimination of non-statutory services to a third party; these resources will be used to focus on MRO-only activities.
- *Finance and Accounting/Human Resources* had no significant change as compared to 2008.

II. Section A — 2009 Business Plan

Part 1-Operational Programs

1. Reliability Standards Program

Reliability Standards Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.15	2.75	2.50
Total Direct Funding	\$336,965	\$418,360	\$422,708
Total Indirect Funding ¹	\$358,160	\$445,157	\$347,131
Total Funding	\$695,125	\$863,517	\$769,839

a. Background

The MRO utilizes a balanced stakeholder Standards Committee ("SC") to administer the regional standards program and is charged with the following responsibilities:

- Assuring MRO regional Reliability Standards are consistent with NERC Reliability Standards.
- Processing all requests for new or modifications to MRO Reliability Standards using the MRO standards process.
- Maintaining MRO Reliability Standards process documentation.
- Presenting new or modifications to MRO Reliability Standards for adoption by the Board upon recommendation from the SC.
- Promoting coordination of the MRO efforts with other Regional Entities and NERC, including periodic review of Reliability Standards and their applicability to those subject to the Reliability Standards.
- Providing recommendations to the NERC standing committees or other working groups as required.
- Assigning the development of a standard to a drafting team.

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

Additionally, the MRO uses a web-based standard voting system called Reliability Standards Voting Process (“RSVP”) which maintains the records of the comments, votes, etc. of each proposed standard. This system permits easy administration and convenience for those who participate in the standards process (through the MRO Registered Ballot Body, there is no cost for participation).

b. Program Description and Functions Performed

MRO staff and stakeholders provide technical advice and comment to NERC in developing Reliability Standards applicable across North America and the Eastern Interconnection. In addition, MRO develops regional Reliability Standards that are applicable across the MRO region. The MRO standards process is consensus-based, technically vetted, and open to the public and bordering entities that may be impacted by a proposed regional Reliability Standard by the MRO. Once a MRO-proposed regional Reliability Standard is approved by NERC and the applicable regulatory authorities, the MRO regional Reliability Standard is enforced according to rules in the United States, Manitoba, and Saskatchewan.

MRO proposed four regional Reliability Standards through its approved standards process in 2008. MRO expects these standards to be applicable to Registrants in 2009 after regulatory approval(s).

MRO participates in NERC and MRO standards drafting teams, holds meetings and conferences to discuss standards, and is actively working with NERC on the standards development plan which includes revising NERC standards to be enforceable under Section 215 of the Federal Power Act and provincial authorities.

The following is a list of NERC Drafting Teams Projects and associated Standards that the MRO will track and participate in for 2009.

2008-01 Voltage and Reactive Control

VAR-001-1 Voltage and Reactive Control

VAR-002-1 Generator Operation for Maintaining Network Voltage Schedules

2008-02 Undervoltage Load Shedding (“UVLS”)

- PRC-010-0 Assessment of the Design and Effectiveness of UVLS Program
- PRC-022-1 Under-Voltage Load Shedding Program Performance

2008-03 Emergency Operations

- EOP-001-0 Emergency Operations Planning
- EOP-002-2 Capacity and Energy Emergencies
- EOP-003-1 Load Shedding Plans
- IRO-001-1 Reliability Coordination – Responsibilities and Authorities

2009-01 Disturbance and Sabotage Reporting

- CIP-001-0 Sabotage Reporting
- EOP-004-1 Disturbance Reporting

2009-02 Connecting New Facilities to the Grid

- FAC-001-0 Facility Connection Requirements
- FAC-002-0 Coordination of Plans for New Facilities

2009-03 Interchange Information

- INT-001-2 Interchange Transaction Tagging
- INT-003-2 Interchange Transaction Implementation
- INT-004-1 Interchange Transaction Modifications
- INT-005-2 Interchange Authority Distributes Arranged Interchange
- INT-006-2 Response to Interchange Authority
- INT-007-1 Interchange Confirmation
- INT-008-2 Interchange Authority Distributes Status
- INT-009-1 Implementation of Interchange
- INT-010-1 Interchange Coordination Exemptions

2009-04 Modeling Data

- MOD-010-0 Steady-State Data for Transmission System Modeling and Simulation
- MOD-011-0 Regional Steady-State Data Requirements and Reporting Procedures

MOD-012-0	Dynamics Data for Transmission System Modeling and Simulation
MOD-013-1	Maintenance and Distribution of Dynamics Data Requirements and Reporting Procedures
MOD-014-0	Development of Interconnection-Specific Steady State System Models
MOD-015-0	Development of Interconnection-Specific Dynamics System Models
PRC-013-0	Special Protection System Database
PRC-015-0	Special Protection System Data and Documentation
PRC-020-1	Under-Voltage Load Shedding Program Database
PRC-021-1	Under-Voltage Load Shedding Program Data

2009-05 Demand Data

MOD-016-1	Actual and Forecast Demands, Net Energy for Load, Controllable DSM
MOD-017-0	Aggregated Actual and Forecast Demands and Net Energy for Load
MOD-018-0	Reports of Actual and Forecast Demand Data
MOD-019-0	Forecasts of Interruptible Demands and DCLM Data
MOD-020-0	Providing Interruptible Demands and DCLM Data
MOD-021-0	Accounting Methodology for Effects of Controllable DSM in Forecasts

2009-06 Protection Systems

PRC-003-1	Regional Requirements for Transmission and Generation Protection System Misoperations
PRC-004-1	Analysis and Mitigation of Transmission and Generation Protection System Misoperations
PRC-012-0	Special Protection System Review Procedure
PRC-014-0	Special Protection System Assessment
PRC-016-0	Special Protection System Misoperations

2009-07 Cyber Security

CIP-002-1	Critical Cyber Asset Identification
CIP-003-1	Security Management Controls
CIP-004-1	Personnel & Training
CIP-005-1	Electronic Security Perimeter(s)
CIP-006-1	Physical Security of Critical Cyber Assets
CIP-007-1	Systems Security Management
CIP-008-1	Incident Reporting and Response Planning
CIP-009-1	Recovery Plans for Critical Cyber Assets

2009-08 Phasor Measurement Units

New standard

2009-09 Resource Adequacy Assessments

New standard

c. 2009 Goals and Objectives

The MRO standards goals for 2009 include the following:

- Completion of the so called “fill-in-the-blanks” project as outlined in the NERC three year plan.
- Develop and propose MRO Reliability Standards as appropriate.
- Submit MRO Reliability Standards to NERC to be recognized as enforceable under the final reliability rule (in the U.S. via FERC) and in Canadian jurisdictions.
- Establish necessary supporting documentation for MRO Reliability Standards or so called “fill in the blank” standards (“the audit trail”).
- File, as required, MRO Reliability Standards with appropriate regulatory authorities.
- Communicate new Reliability Standards to Registrants (those on the MRO Registry, also known as Registered Entities).
- Provide comments and support to other NERC and MRO SC activities.
- Identify and complete regional reliability standards development.
- Work with NERC to improve interpretation of existing Reliability Standards.
- Work with NERC to improve the process speed of Reliability Standards development.

-
- Work with Event Analysis groups to identify “gaps” or improvements in existing Reliability Standards.
 - Assure clear communication to Registrants on new standards that become enforceable.
- d. **2009 Work Plan**
- Revise the MRO Manual
 - Revise the MRO Standards Process Manual.
 - Process data submittals on a timely basis.
 - Comment on all NERC SAR and draft standards.
 - Communicate with stakeholders and vote on all NERC standards.
 - Participate in Situational Awareness and Event Analysis projects as required.
 - Continue to implement enhancements to programs and tools.
 - Support and brief SC and Board on standards-related activities.
 - Participate on various NERC groups and committees.
 - Provide standards workshops to Registrants.
 - Receive drafting team training, MRO staff training, and NERC CEH training.
 - Draft Reliability Standards Worksheets (“RSAWs”) for the four proposed MRO Reliability Standards
 - Assure staff is properly trained

e. **Funding Requirements — Explanation of Increase (Decrease)**

For 2009, MRO will increase its participation in the NERC drafting teams; however, there is no significant change in funding requirements from the 2008 budget.

f. **Staffing Needs**

This program area requires 2.25 FTEs.

f.i **Hiring Plans**

No additional staffing is required in this program area.

f.ii **Shared Employees**

None.

f.iii **Contractors**

For 2009, a vendor contractor will be utilized for maintenance of the RSVP system.

g. Statement of Activities

Funding sources and related expenses for the reliability standards section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Standards 0300					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 336,965	\$ 418,360	\$ 81,395	\$ 422,708	\$ 4,348
Membership Dues			-		-
Testing Fees			-		-
Services & Software			-		-
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ 336,965	\$ 418,360	\$ 81,395	\$ 422,708	\$ 4,348
Expenses					
Personnel Expenses					
Salaries	\$ 185,850	\$ 247,065	\$ 61,215	\$ 222,752	\$ (24,313)
Payroll Taxes	34,271	42,001	7,730	37,868	(4,133)
Benefits	15,882	19,765	3,884	17,820	(1,945)
Retirement Costs	33,435	42,001	8,566	37,868	(4,133)
Total Personnel Expenses	\$ 269,437	\$ 350,832	\$ 81,395	\$ 316,308	\$ (34,524)
Meeting Expenses					
Meetings	\$ 5,000	\$ 5,000	\$ -	\$ 7,500	\$ 2,500
Travel	10,000	10,000	-	10,000	-
WebEx / Conference Calls	12,528	12,528	-	15,000	2,472
Total Meeting Expenses	\$ 27,528	\$ 27,528	\$ -	\$ 32,500	\$ 4,972
Operating Expenses					
Consultants	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -
Contracts	-	-	-	30,000	30,000
Office Rent	-	-	-	-	-
Office Costs	10,000	10,000	-	13,900	3,900
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 40,000	\$ 40,000	\$ -	\$ 73,900	\$ 33,900
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 336,965	\$ 418,360	\$ 81,395	\$ 422,708	\$ 4,348
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

g-i. Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- ERO Assessments

Personnel Expenses

Meeting Expenses includes meeting and other travel related costs to support this program area. Below is an estimate of the meetings budgeted in 2009:

Meeting	# of Attendees	# of Meetings
Standards Committee	15	4
NERC Standards Review Subcommittee	15	2
Drafting Teams (4 teams)	15	12
Workshop	30	1

Operating Expenses includes consultants required to perform any additional development to the voting software ("RSVP") and other office costs.

2. Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	9.65	7.50	10.00
Total Direct Funding	\$1,453,770	\$1,520,721	\$2,071,510
Total Indirect Funding	\$1,607,556	\$1,214,066	\$1,388,525
Total Funding	\$3,061,326	\$2,734,787	\$3,460,035

a. Background

The MRO staff will monitor, assess, and enforce compliance of Reliability Standards for each Registrant (also known as Registered Entity) that has compliance responsibilities as defined in the MRO Registry in a non-discriminatory manner with the appropriate due process. In the United States, MRO enforces Reliability Standards according to Commission-approved rules (Compliance Monitoring and Enforcement Program or "CMEP"). In Saskatchewan and Manitoba, MRO carries out its responsibilities according to agreements with the respective applicable provincial authorities.

MRO staff performs all necessary compliance and enforcement activities under the Regional Delegation Agreement. The MRO Compliance Committee ("CC") assures MRO staff carries out its responsibilities according to the rules and acts in an advisory role to staff on process and procedural matters. Additionally, the CC provides reports to the Board on trends and other facts in both a public and non-public meetings. The Board approves enforcement actions, including settlements and acts as the hearing body according to the rules.

Registration criteria and requirements are approved by NERC and FERC in the United States and MRO staff carries out those responsibilities through its Regional Delegation Agreement. Registration can found on the MRO Registry which is incorporated into the overall NERC Registry. MRO staff registers all known entities

subject to the Reliability Standards and revises the Registry as required under the rules.

Certification of those applicable functions is performed by MRO staff in conjunction with NERC under its rules.

b. Program Description and Functions Performed

In 2009, the MRO compliance monitoring and enforcement program includes performing CMEP activities with 113 Registrants, including eight joint registrations in the MRO region. There are a total of 587 functions performed by the 113 Registrants.

The 2009 compliance program strategy includes placing all Registrants “on notice” for all applicable regulatory approved Reliability Standards, and sets the expectation that Registrants should be compliant with applicable Standards at all times. There are 26 Balancing Authority (BA), Transmission Operator (TOP), and Reliability Coordinator (RC) entities, and 89 entities that perform “other functions”. All 113 Registrants will participate in the compliance program that includes various types of data submittal, monthly reporting, exception reporting, self-reporting, self-certification, spot check, random spot check, and surveys. All Registrants participate in compliance audits on a determined three and six-year cycle. The 26 BA, TOP, and RC entities receive an audit at least once every three-years, and the 89 “other function” entities receive an audit at least once every six-years. For 2009 there are a total of 20 compliance audits scheduled including seven BA, TOP, and RC audits, and 13 “other function” audits. Furthermore, the implementation of the compliance program for the Critical Infrastructure Protection Reliability Standards will cause an increase in workload.

In addition to the normal compliance discovery activities under the NERC CMEP, MRO staff may be involved in Event Analysis, Compliance Violation Investigations, and Hearings. These activities are also included in the business plan for 2009.

c. 2009 Goals and Objectives

- Implement program consistent with the RDA and NERC rules.
- Educate Registrants by providing training, lessons learned, addressing questions, and offering other help as needed to maintain compliance.
- Deliver consistent, quality program results across all discovery methods (e.g. zero false findings from audits).
- Assure professionally trained staff is available to perform the required activities under the CMEP.
- Improve productivity by increasing number of audits and random tests for compliance.
- Maintain accurate and up to date MRO registry.
- Assess all alleged violations of Reliability Standards in a fair, uniform, and systematic manner in the determination of enforcement mechanism.
- Assess all mitigation plans in a fair, uniform, and systematic manner to ensure the violation and root causes are mitigated.
- Provide for fair due process to all Registrants so that MRO experiences no remands from a Regulatory authority.

d. 2009 Work Plan

- Revise the CMEP Manual upon regulatory approval of the NERC CMEP.
- Develop, implement, and administer the 2009 regional annual CMEP program that includes 113 Registrants.
- Timely review, process, and validate Mitigation Plans as required.
- Continue entity registration process and administration of the MRO Registry.
- Perform entity certification processes.
- Perform compliance assessment for 113 Registrants.
- Perform 21 compliance audits.
- Participate in coordinated audits where the operation of an entity crosses regional boundaries.
- Process data submittals on a timely basis.
- Perform monthly reporting, exception reporting, self-reporting, self-certification, spot check, random spot check, and surveys.
- Implement and process compliance enforcement actions.
- Participate in Situational Awareness projects as required.
- Participate in Regional Delegation Agreement audit.

- Perform Compliance Violation Investigations as needed.
- Continue to implement enhancements to programs and tools.
- Support CC and Board activities.
- Participate on various NERC groups and committees as assigned.
- Provide CMEP and CIP workshops and training to Registrants.
- Receive special auditor training, MRO staff training, and NERC CEH training.

e. Funding Requirements — Explanation of Increase (Decrease)

For 2009, MRO will experience an increase in work due to the expanded scope of compliance monitoring, the implementation of the NERC CIP-002 through CIP-009 Reliability Standards, refinements to the Registration process, and increases in follow-up/investigation of alleged violations.

f. Staffing Needs

The program area will include 10.00 FTEs.

f-i. Hiring Plans

MRO will increase the staffing by approximately 2.0 FTEs.

f-ii. Shared Employees

None.

f-iii. Contractors

MRO has budgeted outsourced resources for CIP audit support and investigation support as needed.

g. Statement of Activities

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Compliance and Organization Registration and Certification 0400					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 1,453,770	\$ 1,460,721	\$ 6,951	\$ 2,071,510	\$ 610,789
Membership Dues			-		-
Testing Fees			-		-
Services & Software		60,000	60,000		(60,000)
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ 1,453,770	\$ 1,520,721	\$ 66,951	\$ 2,071,510	\$ 550,789
Expenses					
Personnel Expenses					
Salaries	\$ 931,758	\$ 859,583	\$ (72,176)	\$ 1,211,481	\$ 351,899
Payroll Taxes	172,626	146,129	(26,497)	205,952	59,823
Benefits	79,997	68,767	(11,231)	96,918	28,152
Retirement Costs	168,416	146,129	(22,287)	205,952	59,823
Total Personnel Expenses	\$ 1,352,797	\$ 1,220,607	\$ (132,190)	\$ 1,720,303	\$ 499,696
Meeting Expenses					
Meetings	\$ 12,000	\$ 12,000	\$ -	\$ 18,000	\$ 6,000
Travel	47,795	47,795	-	100,000	52,205
WebEx / Conference Calls	4,278	4,278	-	10,000	5,722
Total Meeting Expenses	\$ 64,073	\$ 64,073	\$ -	\$ 128,000	\$ 63,927
Operating Expenses					
Consultants	\$ 15,000	\$ 214,141	\$ 199,141	\$ 110,600	\$ (103,541)
Contracts	-	-	-	35,000	35,000
Office Rent	-	-	-	-	-
Office Costs	21,900	21,900	-	17,607	(4,293)
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	60,000	60,000
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 36,900	\$ 236,041	\$ 199,141	\$ 223,207	\$ (12,834)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,453,770	\$ 1,520,721	\$ 66,951	\$ 2,071,510	\$ 550,789
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

g-i. Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- ERO Assessments.

Personnel Expenses increases are for .35 additional FTEs over the 2008 Budget and incremental increases in salary for existing staff.

Meeting Expenses includes meeting and travel related costs to support this program area. MRO expects to hold four workshops in 2009.

Operating Expenses includes CIP audit support consultants; contract to support compliance information system, and other office costs.

3. Reliability Readiness Evaluation and Improvement Program

Reliability Readiness Evaluation and Improvement Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.10	.25	.50
Total Direct Funding	\$208,491	\$79,742	\$194,907
Total Indirect Funding	\$183,245	\$40,469	\$69,426
Total Funding	\$391,736	\$120,211	\$264,333

a. Background

Note: In its 2009 business plan, developed after approval of this plan by MRO, NERC has eliminated the Reliability Readiness Evaluation and Improvement Program. In the NERC approved plan, 2009 will be a transition year, during which open Readiness recommendations in the Region will be monitored to their completion and a reduced set of Evaluations will take place. Due to the uncertainty associated with the final disposition of the NERC program and the expectations delegated to MRO at the time this plan was developed and finalized, the potential for an under run of 2009 expenditures compared to budget exists, but is difficult to quantify at this time.

The NERC Reliability Readiness Evaluation and Improvement Program will continue to conduct evaluations of BAs, TOs, RCs, and other key entities that support the reliable operation of the BPS. The purpose of this program is to assess the preparedness of the aforementioned Registrants to meet their assigned reliability responsibilities.

Readiness Evaluations are designed to ensure operators of the BPS have adequate tools, processes, procedures, and infrastructure in place to operate reliably. The MRO has provided technical resources to support reliability readiness since the inception of the Readiness program. It is anticipated that seven readiness evaluations will be conducted in the MRO region in 2009 and MRO will rely on stakeholders to help with completing the evaluations, in addition to staff and external contractors.

b. Program Description and Functions Performed

The Reliability Readiness Evaluation and Improvement Program provides for readiness evaluations of the Registrants across North America on a three-year cycle and tracks Registrant's progress in implementing the evaluation team's recommendations, if applicable.

Readiness teams typically include three representatives from within the MRO and three from other Regional Entities of NERC. Each evaluation is an in-depth evaluation of a Registrant's policies, practices, tools, personnel and processes that pertain to its functions. The evaluation considers the quality of virtually all aspects of an entity's operation. A Readiness Evaluation reviews current operations to determine the likelihood of future performance.

The purpose of evaluations is threefold:

1. to ensure the reliability of the BPS by ascertaining the ability of entities to perform the functions for which they are responsible,
2. to identify and make public all best practices that may be beneficial to others, and
3. to provide recommendations for improvements that will enhance the overall reliability of the entities operations and of the BPS.

c. 2009 Goals and Objectives

In 2009 the MRO readiness evaluation process will include seven evaluations within the MRO footprint: 4 TOs and 3 combination BAs/TOs. Anticipated MRO representation on each of the teams includes one MRO staff person or MRO consultant and one stakeholder volunteer. The program tracks all recommendations resulting from the evaluations.

d. 2009 Workplan

- Complete 7 Readiness Evaluations on 4 TOs and 3 BA/TOs

e. Funding Requirements — Explanation of Increase (Decrease)

The number of Readiness Evaluations has varied from year to year as the NERC evaluation process made the transition to its present state. Steps have been taken

to normalize the workload from year to year, and beginning in 2009, seven evaluations are expected. MRO will strive to involve more stakeholders in the evaluations for 2009 and this is reflected in the reduction of the FTE as compared with 2008 budget.

f. Staffing Needs

No additional staffing required.

f-i. Hiring Plans

No additional FTE's required.

f-ii. Shared Employees

None.

f-iii. Contractors

Contractors will be used to support the Readiness Evaluation program.

g. Statement of Activities

Funding sources and related expenses for the reliability readiness audits and improvement section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Readiness Evaluation and Improvement 0700					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 208,491	\$ 79,743	\$ (128,749)	\$ 194,907	\$ 115,165
Membership Dues			-		-
Testing Fees			-		-
Services & Software			-		-
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ 208,491	\$ 79,743	\$ (128,749)	\$ 194,907	\$ 115,165
Expenses					
Personnel Expenses					
Salaries	\$ 122,052	\$ 34,325	\$ (87,727)	\$ 68,650	\$ 34,325
Payroll Taxes	22,730	5,835	(16,895)	11,671	5,835
Benefits	10,533	2,746	(7,787)	5,492	2,746
Retirement Costs	22,176	5,835	(16,340)	11,671	5,835
Total Personnel Expenses	\$ 177,491	\$ 48,742	\$ (128,750)	\$ 97,483	\$ 48,742
Meeting Expenses					
Meetings	\$ 1,200	\$ 1,200	-	\$ 1,440	\$ 240
Travel	21,000	21,000	-	45,000	24,000
WebEx / Conference Calls	1,200	1,200	-	1,440	240
Total Meeting Expenses	\$ 23,400	\$ 23,400	\$ -	\$ 47,880	\$ 24,480
Operating Expenses					
Consultants	\$ 4,000	\$ 4,000	-	\$ 48,000	\$ 44,000
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	3,600	3,600	-	1,544	(2,056)
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 7,600	\$ 7,600	\$ -	\$ 49,544	\$ 41,944
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 208,491	\$ 79,743	\$ (128,749)	\$ 194,907	\$ 115,165
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

g-i. Summary of 2008 projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- ERO Assessments

Personnel Expenses includes incremental salary increases for existing staff.

Meeting Expenses includes meeting related costs to support the program area.

Operating Expenses include consultant costs to support this program area and office related costs.

4. Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	.45	.50	.50
Total Direct Funding	\$80,962	\$75,720	\$108,249
Total Indirect Funding	\$74,964	\$80,938	\$69,426
Total Funding	\$155,926	\$156,658	\$177,675

a. Background

The MRO has identified areas for training in order to ensure staff has the knowledge and capabilities to carry out its functions. For members and those subject to the standards, MRO will rely on NERC and others to develop the training materials. MRO will lead training efforts in its region related to those entities subject to the standards and will closely coordinate with other regional entities to share resources on training.

b. Program Description and Functions Performed

One area that MRO has started is the hosting of system operating training software. System Operating Training Software ("SOTS") main function is to provide training materials that can be accessed through the internet. This will increase the efficiencies in the following:

- Consistency of training materials.
- Tracking of training courses taken.
- Allows a larger training library to be compiled using fewer resources.
- Access to training records.

The release of 2008 NERC CEH Training requirements for recertification of current Power System Operators contain the following training requirements:

- 32 Hours of Emergency Operations Training annually.
- 30 Hours of NERC Standards Training every three years.
- 30 Hours of training including the use of a simulator every three years.

Much of this training can be standardized to minimize replication among Registrants. This also provides an added reliability benefit, as all operators within a region will have not only a minimum standard of training, but will also have a consistent method of training. The following are some of the modules that will be available:

- NERC Standards and Policies
- OSHA
- FERC Orders and Policies
- Electrical Theory
- Others: Code of Conduct

MRO has contracted to host a Learning Management System (“LMS”) using a web-based environment. The system will contain a library of available training modules, and provide a media for the user to access the training of their choice, ranging from Technical, Management and Professional Development to non-credit adult continuing education. This LMS will also be linked to a centralized database to track user selection of modules and NERC CEH criteria. These modules will allow the user access to quality, consistent training from anywhere at anytime, as long as the user has internet access. This system will be self-supporting as the user fees will net with the expenses needed to maintain it.

c. 2009 Goals and Objectives

The MRO Work Plan for 2009 details the training and operator certification plan approved by the Board in 2008. Based on the proposed plan, the following activities are expected to be completed in 2009:

- Develop training for staff, including enforcement and auditor training.

d. 2009 Work Plan

- Revise the training modules as required.
- Continue to implement enhancements to programs and tools.
- Conduct SOTS workshops.

e. Funding Requirements — Explanation of Increase (Decrease)

The decrease reflects the staffing needed to develop training materials and implement enhancements in the training software.

f. Staffing Needs

MRO is adequately staffed for this program area..

f-i. Hiring Plan

No additional FTEs are required in this program area's

f-ii. Shared Employees

None.

f-iii. Contractors

A contractor will be used for maintenance and enhancements to the training system. Fees will be collected from the participants in the system which will off-set the costs of maintenance and enhancements.

g. Statement of Activities

Funding sources and related expenses for the training, education, and operator certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Training and Education 0900					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 80,962	\$ 75,720	\$ (5,242)	\$ 78,999	\$ 3,279
Membership Dues			-		-
Testing Fees			-		-
Services & Software			-		-
Workshops			-	29,250	29,250
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ 80,962	\$ 75,720	\$ (5,242)	\$ 108,249	\$ 32,529
Expenses					
Personnel Expenses					
Salaries	\$ 51,122	\$ 48,676	\$ (2,446)	\$ 50,985	\$ 2,309
Payroll Taxes	9,528	8,275	(1,253)	8,667	393
Benefits	4,416	3,894	(522)	4,079	185
Retirement Costs	9,296	8,275	(1,021)	8,667	393
Total Personnel Expenses	\$ 74,362	\$ 69,120	\$ (5,242)	\$ 72,399	\$ 3,279
Meeting Expenses					
Meetings	\$ 600	\$ 600	\$ -	\$ 29,850	\$ 29,250
Travel	2,400	2,400	-	2,400	-
WebEx / Conference Calls	1,200	1,200	-	1,200	-
Total Meeting Expenses	\$ 4,200	\$ 4,200	\$ -	\$ 33,450	\$ 29,250
Operating Expenses					
Consultants	\$ 2,400	\$ 2,400	\$ -	\$ 2,400	\$ -
Contracts			-		-
Office Rent			-		-
Office Costs			-		-
Professional Services			-		-
Computer Purchase & Maintenance			-		-
Furniture & Equipment			-		-
Miscellaneous			-		-
Contingency			-		-
Total Operating Expenses	\$ 2,400	\$ 2,400	\$ -	\$ 2,400	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 80,962	\$ 75,720	\$ (5,242)	\$ 108,249	\$ 32,529
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

g-i. Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Fee-based Workshops which are new in 2009 Business Plan and Budget.
- ERO Assessments

Personnel Expenses includes incremental salary increases for existing staff.

Meeting Expenses includes fee-based workshops (new self-funding program) and conference room(s), food, internet, phone, travel, and WebEx/conference calls.

Operating Expenses includes some consulting costs for training system enhancements.

5. Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.20	4.00	4.75
Total Direct Funding	\$541,741	\$774,804	\$982,029
Total Indirect Funding	\$366,489	\$647,502	\$659,549
Total Funding	\$908,230	\$1,422,306	\$1,641,578

a. Background

The MRO analyzes, assesses, and reports on reliability and adequacy in the past, present, and future. This includes the long-term and seasonal assessments developed by the Reliability Assessment Committee (“RAC”) and its subcommittees as required by the RDA. In 2008, NERC added a fourth assessment, called the Scenario Assessment, to its requirements. This fourth assessment will be performed every one to two years in conjunction with the Long-Term Assessment. The RAC has balanced stakeholder representation and like the other MRO committees, reports to the Board.

b. Program Description and Functions Performed

The RAC reviews and consolidates the reports of the overall reliability of the MRO region, both existing and planned. The RAC verifies that assessments performed within the MRO region conform to MRO and NERC Reliability Standards.

In 2009, increased attention will be given to protection and control standards, special protection scheme reviews, resource adequacy, integration of accelerated renewable generation, NERC and regulatory data requests, system modeling, and reviews of regional reliability criteria and procedures.

In addition to assessments, NERC and the Regional Entities analyze significant system events that occur on the BPS, identify the causes of such events, disseminate findings to the electric industry, and develop reliability performance benchmarks.

Analyses of significant system events will be conducted by teams comprised of professional and technical staffs of NERC and REs, along with volunteers from the electric industry, government, and academia who possess appropriate technical competencies. This work is carried out through conference calls, exchanges of information through e-mail, Web site postings, other means of electronic communications, and meetings.

c. 2009 Goals and Objectives

- Assess the bulk electric system using the MRO and NERC Reliability Standards and provide assessments to the Board and NERC.
- Annually assess the overall reliability of the MRO region and interregional BPS plans over a five-year and ten-year horizon and report such results to the Board and NERC.
- Seasonally (summer and winter) assess the overall reliability of the MRO region and interregional BPS from an operational planning perspective and report results to the Board and NERC.
- Annually (or as often as required by NERC) assess the MRO region for an emerging issue/scenario as determined by NERC and report results to the Board and NERC.
- Perform special reliability assessments on a Regional, Interregional, and Interconnection basis as conditions warrant, or as directed by the Board or NERC, and report results to the Board and NERC.
- Coordinate with NERC on system event type analyses on a Regional, Interregional, and Interconnection basis as conditions warrant, and report results to the Board and NERC.
- Participate in and support all MRO Subcommittees, Working Groups and Task Forces that report to the RAC.
- Participate in and support the ERAG Management Committee, Steering Committees and Working Groups that report to the ERAG.
- Participate in and represent the MRO region in all NERC groups, as required, that report to the NERC Planning Committee ("PC") and Operating Committee ("OC").
- Support Event Analysis and other disturbance analysis as required.

d. 2009 Workplan

- Complete 2009 Summer Assessment
- Complete 2009 Winter Assessments
- Complete long term and scenario assessments
- Conduct studies as required
- Support ERAG and NERC committees and other working groups
- Support Event Analyses as needed
- Participate in improving the long term assessment under NERC's leadership
- Annually prepare a MRO set of powerflow and dynamics models as determined by the Model Building Subcommittee ("MBS"). Provide these models to the Eastern Interconnection Reliability Assessment Group ("ERAG") Multi-Regional Modeling Working Group ("MMWG") for use in interconnection-wide model building.
- Perform all RE responsibilities associated with the Protection and Control Standards, including mis-operations, review of special protection schemes, Under Frequency Load Shedding ("UFLS") criteria, disturbance monitoring criteria, etc.
- Perform all RE responsibilities associated with the existing and future TPL and MOD Standards, as they apply to Reliability Assessments.

e. Funding Requirements — Explanation of Increase (Decrease)

MRO expects an increase in funding in this area. MRO also would like to emphasize that stakeholder involvement is crucial to the success of this program area. In an April 9, 2008 letter from the NERC PC Chairperson to the NERC Member Representatives Committee Chairperson, it was stated that:

"At the Member Representatives Committee's (MRC) February 11, 2008 meeting, I was gratified to hear support for the Planning Committee's (PC) ongoing effort to improve NERC's Seasonal and Long-Term Reliability Assessments. At that time I raised a key concern — the need for all industry stakeholders to allocate the human resources required to gather the data and information that will allow us to improve NERC's reliability assessments.

During its March 2008 meeting, the PC took a vital next step toward improving the NERC reliability assessments when it approved a 2008-2010 enhancement plan, which incorporates: 1) scenario analyses; 2) additional metrics to assess bulk power system

reliability; 3) integration of new bulk power system resources (i.e. variable generation and demand response); and 4) collection of more granular data. These improvements provide a foundation from which all industry stakeholders can equitably discuss and document reliability issues, and together address industry needs to help ensure the future reliability of the bulk power system.

We expect the execution of the enhancement plan will require increased human resources. The NERC assessments will, as always, only be as good as the data and information we receive. We are concerned that understaffed assessment programs may not result in the high quality final product we all envision and expect. It is therefore essential that all levels of our organizations support this cause by making adequate human resources available.

Therefore, I request that the MRC reach out to the industry community, particularly by writing the NERC Regional Entities, EEI, APPA, NRECA, EPSA, CEA, and other electric industry trade associations, in support of the reliability assessment enhancement plan and ask them to encourage their members to provide the necessary human resources. Achieving our goal to improve NERC's reliability assessments requires collaborative support from the MRC and its industry constituents."

As stated above, the Chairperson of the PC has indicated that Regional Entities, their Registrants and members, and the industry as a whole should plan on increasing the resources to adequately support the ever-demanding workload in the Reliability Assessments area. In addition to the increased focus on Reliability Assessments, there has been an increase in NERC and Regulatory data requests and additional staffing is needed to expedite and manage these data requests in a timely manner. NERC also has been increasing the number of stakeholder groups that report to the NERC PC and OC and these groups need to be staffed by MRO stakeholders and/or staff. MRO reimburses those individuals who represent MRO in the PC and OC stakeholders (these costs are reflected in the "NERC Forums" area).

f. Staffing Needs

The 2009 Budget requires 4.75 FTEs.

f-i. Hiring Plan

MRO will increase the FTEs in this program area by 2.55 over the 2008 Budget FTEs. Please note that Event Analysis was included in the Compliance program area. In the 2009 budget, Event Analysis is included in this program area.

f-ii Shared Employees

None

f-iii. Contractors

MRO has budgeted to use contractors to supplement staff in this program area.

g. Statement of Activities

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2009 business plan are shown in the table below.

Statement of Activities						
2008 Budget & Projection, and 2009 Budget						
Reliability Assessment and Performance Analysis 0800						
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)	
Funding						
ERO Assessments	\$ 541,741	\$ 774,804	\$ 233,063	\$ 982,029	\$ 207,225	
Membership Dues	-	-	-	-	-	
Testing Fees	-	-	-	-	-	
Services & Software	-	-	-	-	-	
Workshops	-	-	-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Total Funding	\$ 541,741	\$ 774,804	\$ 233,063	\$ 982,029	\$ 207,225	
Expenses						
Personnel Expenses						
Salaries	\$ 188,664	\$ 356,725	\$ 168,061	\$ 483,461	\$ 126,736	
Payroll Taxes	34,777	60,643	25,866	82,188	21,545	
Benefits	16,116	28,538	12,422	38,677	10,139	
Retirement Costs	33,929	60,643	26,714	82,188	21,545	
Total Personnel Expenses	\$ 273,486	\$ 506,549	\$ 233,063	\$ 686,514	\$ 179,965	
Meeting Expenses						
Meetings	\$ 15,000	\$ 15,000	\$ -	\$ 40,000	\$ 25,000	
Travel	8,000	8,000	-	50,000	42,000	
WebEx / Conference Calls	14,278	14,278	-	18,000	3,722	
Total Meeting Expenses	\$ 37,278	\$ 37,278	\$ -	\$ 108,000	\$ 70,722	
Operating Expenses						
Consultants	\$ 215,000	\$ 215,000	\$ -	\$ 155,860	\$ (59,140)	
Contracts	-	-	-	18,000	18,000	
Office Rent	-	-	-	-	-	
Office Costs	15,977	15,977	-	13,655	(2,322)	
Professional Services	-	-	-	-	-	
Computer Purchase & Maintenance	-	-	-	-	-	
Furniture & Equipment	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	
Contingency	-	-	-	-	-	
Total Operating Expenses	\$ 230,977	\$ 230,977	\$ -	\$ 187,515	\$ (43,462)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses	\$ 541,741	\$ 774,804	\$ 233,063	\$ 982,029	\$ 207,225	
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -	

g-i. Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- ERO Assessments

Personnel Expenses increases are for additional FTEs over the 2008 Budget and incremental increases in salary for existing staff.

Meeting Expenses include the costs for meetings, travel, and other related costs and support the following groups:

- Reliability Assessment Committee
- Transmission Assessment Subcommittee
- Resource Assessment Subcommittee
- Model Building Subcommittee
- Protective Relay Subcommittee
- SPS Review Team
- Scenario Assessment Task Force
- Wind Generation Modeling Task Force
- Generator Testing Review Task Force

Operating Expenses includes consultants, contracts (model building contract with Midwest ISO), and office costs.

6. Situational Awareness and Infrastructure Security Program

Situational Awareness and Infrastructure Security Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	.35	.25	.25
Total Direct Funding	\$60,840	\$53,542	\$57,549
Total Indirect Funding	\$58,305	\$40,469	\$34,713
Total Funding	\$119,145	\$94,011	\$92,262

a. Background

The term "Situational Awareness" became relevant after the August 14, 2003 blackout. The subsequent investigation and the release of the joint U.S. - Canadian Task Force report identified the lack of Situational Awareness as a cause of the blackout. The report directed the industry to improve Situational Awareness at all levels in the monitoring and control of the BPS. FERC asked NERC and the Regional Entities to report Situational Awareness information on a routine basis.

A single definition of Situational Awareness ("SA") does not exist. Rather, its meaning depends on the role and responsibility of an organization with respect to BPS operations. For NERC, in its role as the international ERO, Situational Awareness means the following:

To be aware of the overall situation and condition of the interconnections in North America in order to anticipate problems before they happen and to communicate to government agencies (FERC, DOE, DHS, NRC, PSC, Provincials, Canadian) and to the industry.²

This definition implies the type of information and the degree of detail suitable to meet NERC's SA needs. Because the role of government agencies with respect to SA

² NERC/Regional Entity Situation Awareness Communication Team Work Plan

is evolving, the entire scope of what SA information is needed has not been determined.

Conditions on the BPS are constantly changing. The information requirements to maintain SA under “normal” conditions will most likely not be enough to understand deteriorating conditions. Furthermore, SA information exchange in a post-contingency environment may be the most challenging of all as the focus is on restoration and recovery rather than reporting.

SA information must remain in the hands of people with a “need to know” and used for SA purposes only. The information will be treated as non-public and confidential to the extent that the Registrant (system operators or RC) does not make the information publicly available.

Standardized tools for SA data collection, reporting, and visualization do not exist and MRO is relying on NERC to develop a suite of SA tools to be used by the Regional Entity.

b. Program Description and Functions Performed

NERC interprets its role in this area to:

1. Maintain a high level awareness of conditions on the BPS and rapidly communicate substantive changes in those conditions to relevant parties.
2. Understand emerging threats and vulnerabilities to the reliability of the BPS and direct activities to mitigate them.
3. Develop and maintain tools that meet the needs of our overall reliability mission as the international ERO.

c. 2009 Situational Awareness Goals and Objectives

Work with NERC to clarify the roles and responsibilities on a going-forward basis.

1. Compile a list of SA information currently collected by NERC, REs, and others such as ISOs/RTOs. Define what is currently shared with FERC and in what form.
2. Share the catalog of information to FERC and describe the benefits and drawbacks of the SA information. With FERC, identify the information necessary to meet its SA needs.

-
3. Develop protocols and procedures to accomplish the SA information exchange with FERC, with a careful eye to protecting confidential information.
 4. Evaluate existing SA tools and recommend rapid deployment alternatives. Consider the proposed NERC SA tool for this purpose.
 5. Implement a feedback mechanism to ensure the goals of the SA information exchange continue to be met.
- d. **2009 Work Plan**
- Work with NERC staff to successfully implement the SA Tool. Resources to support this initiative will include staff time and computer support.
 - Produce the "Morning Report." The appropriate level of resources will depend on whether the RC prepare the report and pass it along to the REs for review and delivery to FERC, or the RE prepares the report on behalf of its RCs. Should the RE develop the report, additional resources may be allocated to automate the collection and aggregation of data received from the Reliability Coordinators.
 - Continue to participate in the NERC/RE Situation Awareness Communication team to ensure plans and protocols for communicating SA information between and among NERC, FERC, Regions, and other relevant stakeholders are consistent and coordinated. Resource requirements will be limited to staff time.
 - For the MRO, the support for NERC's Critical Infrastructure Protection Committee ("CIPC") and its 2009 work plan has been moved to the Compliance budget.
 - Identify and deploy applications necessary to rapidly exchange SA-related information and foster collaboration with information sharing partners. Examples include working with NERC to develop and implement an industry notification system, creating and maintaining e-mail lists organized by subject matter expertise, and working with CIPC to define and implement a new web-based threat and incident reporting system. Resources to support this area of work will likely be staff time and travel and computer support.

e. Funding Requirements — Explanation of Increase (Decrease)

For 2009, MRO expects a relatively flat funding requirement. MRO will await NERC's determination on what functions a Regional Entity should have for this program area before any additional investments are made by MRO.

f. Staffing Needs

MRO is adequately staffed for this program area.

f-i. Hiring Plans

No additional staffing is required in this program area.

f-ii. Shared Employees

None.

f-iii. Contractors

None.

g. Statement of Activities

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2009 business plan are shown in the table below.

Statement of Activities						
2008 Budget & Projection, and 2009 Budget						
Situational Awareness and Infrastructure Security 1000						
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)	
Funding						
ERO Assessments	\$ 60,840	\$ 53,542	\$ (7,299)	\$ 57,549	\$ 4,008	
Membership Dues			-		-	
Testing Fees			-		-	
Services & Software			-		-	
Workshops			-		-	
Interest			-		-	
Miscellaneous			-		-	
Total Funding	\$ 60,840	\$ 53,542	\$ (7,299)	\$ 57,549	\$ 4,008	
Expenses						
Personnel Expenses						
Salaries	\$ 38,539	\$ 34,325	\$ (4,214)	\$ 38,415	\$ 4,090	
Payroll Taxes	7,175	5,835	(1,340)	6,531	695	
Benefits	3,325	2,746	(579)	3,073	327	
Retirement Costs	7,000	5,835	(1,165)	6,531	695	
Total Personnel Expenses	\$ 56,040	\$ 48,742	\$ (7,299)	\$ 54,549	\$ 5,807	
Meeting Expenses						
Meetings	\$ 1,200	\$ 1,200	\$ -	\$ 600	\$ (600)	
Travel	2,400	2,400	-	2,400	-	
WebEx / Conference Calls	1,200	1,200	-	-	(1,200)	
Total Meeting Expenses	\$ 4,800	\$ 4,800	\$ -	\$ 3,000	\$ (1,800)	
Operating Expenses						
Consultants			\$ -		\$ -	
Contracts			-		-	
Office Rent			-		-	
Office Costs			-		-	
Professional Services			-		-	
Computer Purchase & Maintenance			-		-	
Furniture & Equipment			-		-	
Miscellaneous			-		-	
Contingency			-		-	
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Other Non-Operating Expenses						
			\$ -		\$ -	
Total Expenses	\$ 60,840	\$ 53,542	\$ (7,299)	\$ 57,549	\$ 4,007	
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -	

g-i. Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- ERO Assessments

Personnel Expenses includes incremental salary increases for existing staff.

Meeting Expenses includes meeting and travel related costs to support this program area.

Operating Expenses

Part 2 - Administrative Programs

7. Technical Committees and Members' Forums

Technical Committees and Members' Forums Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	.45	.75	.75
Total Funding	\$328,835	\$340,751	\$184,900

a. Background

The success of the NERC programs will depend on the active and direct participation of industry stakeholders, including its members and Registrants. The stakeholders are the source of expertise in the industry, and provide the "hand" that raises the bar for enhancing reliability through technical excellence.

NERC has established and facilitates the PC and OC that serves the interests of stakeholders within a specific NERC sector, and general, technical committees that integrate the "deliverables" of NERC programs. The 2009 budget supports MRO's participation on NERC standing committees and subcommittees.

b. Program Description and Functions Performed

The MRO has adopted a policy to reimburse travel costs for participants in NERC and MRO Committee and related work groups who represent the MRO. The costs for these reimbursements were budgeted for \$60,000.

c. 2009 Goals and Objectives

The goal and objective is to assure that the members of MRO and Registrants representing the MRO at NERC meetings, communicate the NERC policy and practices and provide comments on how any such changes or additions would impact the MRO region. Although MRO operates within the Eastern Interconnection, it has some unique technical (e.g. distance from generation to load) and political (e.g. Canadian registrants and high percentage of public power) aspects which need some level of deference and understanding from time to time.

d. 2009 Work Plan

- MRO staff will participate in the NERC related committees and working groups.
- MRO staff will work with stakeholders to assure MRO has adequate stakeholder representation on NERC committees and working groups.

e. Funding Requirements — Explanation of Increase (Decrease)

MRO expects this program to be relatively flat in terms of activities as compared with 2008; however because MRO expects a decrease in travel cost reimbursements for MRO stakeholder participation at meetings, the funding requirements have decreased.

f. Staffing Needs

MRO has budgeted .75 FTEs in this program area.

f-i. Hiring Plans

MRO does not expect material additional staffing increases in this area.

f-ii. Shared Employees

None.

f-iii. Contractors

None.

g. Statement of Activities

Funding sources and related expenses for this program of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Technical Committees and Member Forums 1100					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 328,835	\$ 340,751	\$ 11,916	\$ 184,900	\$ (155,851)
Membership Dues			-		-
Testing Fees			-		-
Services & Software			-		-
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ 328,835	\$ 340,751	\$ 11,916	\$ 184,900	\$ (155,851)
Expenses					
Personnel Expenses					
Salaries	\$ 81,920	\$ 92,642	\$ 10,722	\$ 87,958	\$ (4,684)
Payroll Taxes	15,463	15,749	286	\$ 14,953	(796)
Benefits	7,166	7,411	245	\$ 7,037	(375)
Retirement Costs	15,086	15,749	663	\$ 14,953	(796)
Total Personnel Expenses	\$ 119,635	\$ 131,551	\$ 11,916	\$ 124,900	\$ (6,652)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	209,200	209,200	-	60,000	(149,200)
WebEx / Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 209,200	\$ 209,200	\$ -	\$ 60,000	\$ (149,200)
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts			-		-
Office Rent			-		-
Office Costs			-		-
Professional Services			-		-
Computer Purchase & Maintenance			-		-
Furniture & Equipment			-		-
Miscellaneous			-		-
Contingency			-		-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 328,835	\$ 340,751	\$ 11,916	\$ 184,900	\$ (155,852)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

g-i. Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- ERO Assessments

Personnel Expenses

Meeting Expenses includes meeting reimbursements for stakeholders who represent MRO at the NERC committees and working groups.

Operating Expenses

8. General and Administrative

General and Administrative Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.65	1.75	1.50
Total Funding	\$612,894	\$557,944	\$421,753

a. Background

The administrative functions of the MRO will be provided by a full-time President and administrative personnel.

b. Program Description and Functions Performed

The Office of the President and the related administrative support carry out the administrative and organizational duties of MRO. In addition, MRO includes its communications costs in this budget and, in 2009 MRO, NERC and other regions will continue with communication efforts and work to establish joint communication plans. Additionally MRO will continue to reach out to U.S. and Canadian trade associations and maintain its existing good relations with these groups. MRO is already a member of the Canadian – U.S. business council and regularly participates in meetings with the Canadian consulate in Minneapolis.

c. 2009 Goals and Objectives

The following activities will be performed in 2009:

- Maintain and evaluate work plans that meet the business plan objectives with clear, deliverables and milestones and implement these plans according to schedule; revise as required.
- Maintain adequate insurance.
- Maintain dispute resolution procedures.
- Lead committee, Registered Entity, Board, and statutory activities resulting in policy for the MRO region.
- Provide easy, low cost, responsive means of participation in the MRO by maintaining an easy to use web site, up-to-date email addresses, web casts and conference calls.

-
- Monitor activities of, and maintain contacts with, appropriate governmental offices and committees that deal with electricity reliability and security; closely coordinate MRO activities with NERC.
 - Conduct drills, as needed, of MRO's crisis communications plan and improve, as needed.
 - Assure that the organization maintains a balance of resources of priorities
 - Provide transparency to the stakeholders and Registrants on activities conducted by MRO and NERC.
 - Assure the work environment is "world class" and professional to promote retention of employees and attract top talent to the organization.

d. 2009 Workplan

Refer to above "Goals and Objectives"

e. Funding Requirements — Explanation of Increase (Decrease)

Contingency dollars were eliminated from the budget and, as a result, there is a decrease in the program area.

f. Staffing Needs

MRO is adequately staffed in this area.

f-i. Hiring Plans

No additional staffing required in this program area.

f-ii. Shared Employees

None.

f-iii. Contractors

MRO has budgeted an external consultant for communication matters.

g. Statement of Activities

Funding sources and related expenses for this program section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
General and Administrative 2000					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 612,894	\$ 557,944	\$ (54,950)	\$ 421,753	\$ (136,191)
Membership Dues			-		-
Testing Fees			-		-
Services & Software			-		-
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ 612,894	\$ 557,944	\$ (54,950)	\$ 421,753	\$ (136,191)
Expenses					
Personnel Expenses					
Salaries	\$ 248,753	\$ 216,781	\$ (31,972)	\$ 212,514	\$ (4,268)
Payroll Taxes	46,751	36,853	(9,898)	36,127	(725)
Benefits	21,665	17,342	(4,322)	17,001	(341)
Retirement Costs	45,610	36,853	(8,758)	36,127	(725)
Total Personnel Expenses	\$ 362,779	\$ 307,829	\$ (54,950)	\$ 301,769	\$ (6,060)
Meeting Expenses					
Meetings	\$ 20,000	\$ 20,000	\$ -	\$ 22,000	\$ 2,000
Travel	20,400	20,400	-	22,000	1,600
WebEx / Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 40,400	\$ 40,400	\$ -	\$ 44,000	\$ 3,600
Operating Expenses					
Consultants	\$ 8,000	\$ 8,000	\$ -	\$ 15,000	\$ 7,000
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	43,768	43,768	-	60,984	17,216
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	157,947	157,947	-		(157,947)
Total Operating Expenses	\$ 209,715	\$ 209,715	\$ -	\$ 75,984	\$ (133,731)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 612,894	\$ 557,944	\$ (54,950)	\$ 421,753	\$ (136,191)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

g-i. Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- ERO Assessments

Personnel Expenses includes .25 FTE reduction and incremental salary increases for existing staff.

Meeting Expenses includes meetings and other related costs to support the Board and the President.

Operating Expenses includes consultants and office costs.

9. Legal and Regulatory

Legal and Regulatory Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.40	.50	1.50
Total Funding	\$512,576	\$338,279	\$638,654

a. Background

In 2007, MRO became responsible for conducting hearings, delivering regulatory proceedings and other regulatory affairs. As a result, MRO needs resources in this area to assure that proceedings, notices, and related due processes are carried out in accordance with MRO and NERC rules.

b. Program Description and Functions Performed

See Background above.

c. 2009 Goals and Objectives

- Assure hearings and other due process procedures are properly documented.
- Meet with commissioners and senior staff of federal and state regulators (U.S. and Canada) to keep them apprised of key MRO programs and activities.
- Solicit greater attendance of federal, provincial, and state government agencies to attend and participate in MRO meetings.
- Participate in public policy forums to provide MRO expertise and policy perspectives on reliability-related matters.
- Maintain by-laws and other procedures filed with regulators to ensure that they are current and up to date.

d. 2009 Workplan

See Goals and Objectives above.

e. Funding Requirements — Explanation of Increase (Decrease)

Increase as a result of higher costs for hearings and other administrative proceeding anticipated in 2009 as the complexity and reach of compliance increases.

f. Staffing Needs

MRO is adequately staffed in this program area as compared with 2008 budget.

f-i. Hiring Plans

Minimal additional staffing required in this program area.

f-ii. Shared Employees

None.

f-iii. Contractors

MRO outsources its hearing officers to conduct hearings and retains outside counsel which are included in Consultant Costs and Professional Services.

g. Statement of Activities

Funding sources and related expenses for this program section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Legal and Regulatory 2200					
	2008	2008	2008 Projection	2009	2009 Budget
	Budget	Projection	Variance to	Budget	Variance to
Funding			2008 Budget		2008 Projection
			Over(Under)		Over(Under)
ERO Assessments	\$ 512,576	\$ 338,279	\$ (174,297)	\$ 638,654	\$ 300,375
Membership Dues			-		-
Testing Fees			-		-
Services & Software			-		-
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ 512,576	\$ 338,279	\$ (174,297)	\$ 638,654	\$ 300,375
Expenses					
Personnel Expenses					
Salaries	\$ 222,875	\$ 106,253	\$ (116,623)	\$ 311,503	\$ 205,250
Payroll Taxes	41,943	18,063	(23,880)	52,955	34,893
Benefits	19,437	8,500	(10,937)	24,920	16,420
Retirement Costs	40,920	18,063	(22,857)	52,955	34,893
Total Personnel Expenses	\$ 325,176	\$ 150,879	\$ (174,297)	\$ 442,334	\$ 291,455
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	3,600	3,600	-	4,320	720
WebEx / Conference Calls	4,000	4,000	-	4,800	800
Total Meeting Expenses	\$ 7,600	\$ 7,600	\$ -	\$ 9,120	\$ 1,520
Operating Expenses					
Consultants	\$ 75,000	\$ 75,000	\$ -	\$ 80,000	\$ 5,000
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	4,800	4,800	-	4,800	-
Professional Services	100,000	100,000	-	102,400	2,400
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 179,800	\$ 179,800	\$ -	\$ 187,200	\$ 7,400
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 512,576	\$ 338,279	\$ (174,297)	\$ 638,654	\$ 300,375
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

g-i. Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- ERO Assessments.

Personnel Expenses increases are for additional FTEs over the 2008 Budget and incremental increases in salary for existing staff.

Meeting Expenses includes meeting and related costs to support this program area.

Operating Expenses includes the costs of hearing officers and other consultation costs.

10. Information Technology

Information Technology Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.50	2.50	2.00
Total Funding	\$517,274	\$596,546	\$725,649

a. Background

This department provides support and guidance to the technologies deployed at the MRO. Technologies would include computers, office equipment such as copiers and faxes, servers to support our connected and shared resources, printers, handheld devices, telephony, remote access and conference solutions as well as networking and security.

b. Program Description

IT aims to provide leadership in using technology effectively and securely. In doing so, our users are more productive. This results in a keen focus on maintenance, investigation, and deployment.

Maintenance is the corner stone to an effective IT department. These activities proactively seek out issues that may cause loss of productivity, security breach or system outages. By knowing the state of each system and scheduling time to assess the health within the mean time to failure ensures system availability with less unplanned outages.

Investigation leads us to better use of technology as well as avoidance of immaturely released technology going into the production environment. A healthy IT department spends time in assessing patches, service packs, and upgrades in a semi-controlled environment, a few select users, or within the department to assess whether the technology would provide an added benefit for the organization.

Deployment of technology is considered a key element to the department. A deployment of technology should focus on minimizing the impact on the user and show added benefits to the organization. A correctly deployed technology will

identify who uses the technology, supports it, the availability, a plan for recovery and backup, and a vendor who can provide technical support. The effective IT department must balance all three areas to be successful.

c. 2009 Goals and Objectives

- 99.81% uptime on all systems.
- Provide 24 × 7 support for critical office systems and 8 × 5 for all other systems.

d. 2009 Workplan

See "Goals and Objectives".

e. Funding Requirements — Explanation of Increase (Decrease)

The increase expenditures are due to maintenance of CIP Standards on MRO related systems and reflects that MRO will no longer provide non statutory services to a third party; instead, MRO will focus all of its IT resources on MRO-only activities

f. Staffing Needs

MRO anticipates 2.00 FTE's for the Information Technology area.

f-i. Hiring Plans

No additional staffing is budgeted in this program area.

f-ii. Shared Employees

None.

f-iii. Contractors

MRO uses consultants to augment its staff and maintain software/hardware.

g. Statement of Activities

Funding sources and related expenses for the information technology section of the 2009 business plan are shown in the table below.

		Statement of Activities				
		2008 Budget & Projection, and 2009 Budget				
		Information Technology 2300				
		2008	2008	2008 Projection	2009	2009 Budget
		Budget	Projection	2008 Budget	Budget	Variance to
				Over(Under)	2008 Projection	
				Over(Under)		
Funding						
	ERO Assessments	\$ 517,274	\$ 596,546	\$ 79,272	\$ 725,649	\$ 129,103
	Membership Dues			-		-
	Testing Fees			-		-
	Services & Software			-		-
	Workshops			-		-
	Interest			-		-
	Miscellaneous			-		-
	Total Funding	\$ 517,274	\$ 596,546	\$ 79,272	\$ 725,649	\$ 129,103
Expenses						
	Personnel Expenses					
	Salaries	\$ 124,617	\$ 182,982	\$ 58,365	\$ 149,274	\$ (33,708)
	Payroll Taxes	22,937	31,107	8,169	25,377	(5,730)
	Benefits	10,630	14,639	4,009	11,942	(2,697)
	Retirement Costs	22,378	31,107	8,729	25,377	(5,730)
	Total Personnel Expenses	\$ 180,562	\$ 259,834	\$ 79,272	\$ 211,969	\$ (47,865)
	Meeting Expenses					
	Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
	Travel	4,200	4,200	-	6,000	1,800
	WebEx / Conference Calls	-	-	-	-	-
	Total Meeting Expenses	\$ 4,200	\$ 4,200	\$ -	\$ 6,000	\$ 1,800
	Operating Expenses					
	Consultants	\$ 63,600	\$ 63,600	\$ -	\$ 75,000	\$ 11,400
	Contracts	-	-	-	26,500	26,500
	Office Rent	-	-	-	-	-
	Office Costs	31,026	31,026	-	91,180	60,154
	Professional Services	-	-	-	-	-
	Computer Purchase & Maintenance	237,886	237,886	-	257,400	19,514
	Furniture & Equipment	-	-	-	57,600	57,600
	Miscellaneous	-	-	-	-	-
	Contingency	-	-	-	-	-
	Total Operating Expenses	\$ 332,512	\$ 332,512	\$ -	\$ 507,680	\$ 175,168
	Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
	Total Expenses	\$ 517,274	\$ 596,546	\$ 79,272	\$ 725,649	\$ 129,103
	Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

g-i. Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- ERO Assessments

Personnel Expenses includes a reduction in FTEs and incremental salary increases for existing staff.

Meeting Expenses includes meeting and related travel costs to support this program area.

Operating Expenses includes contract software maintenance and consultant costs to support IT and computer-related purchases. The 2008 Budget included the contract software maintenance costs in computer purchase and maintenance.

11. Human Resources

Human Resources costs are included in the Finance and Accounting department below.

12. Finance and Accounting

Finance and Accounting/Human Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.00	2.00	2.25
Total Funding	\$677,140	\$635,080	\$597,817

a. Background

The finance function will maintain the integrity of the financials and assure proper accounting. In addition, this function will be the primary interface on budget and financial inquiries, payments, etc. Indirect funding is derived from the non-statutory functions.

The Human Resources function maintains employee information and administers benefits. It also acts as liaison between the employees and the various benefits providers and administrators in addition to coordinating annual enrollment and periodic changes to benefits.

b. Program Description and Functions Performed

See Background above.

c. 2009 Goals and Objectives

- Timely, accurate, a complete financial reporting.
- Unqualified audit opinion on 2009 financials.
- Responsive customer and employee needs.
- Ensure MRO is consistent with other regions in terms of reporting practices and procedures.
- Support NERC's efforts to present seamless financial information to FERC.

d. 2009 Workplan

Refer to the “Goals and Objectives” above.

e. Funding Requirements — Explanation of Increase (Decrease)

MRO anticipates a reduction in consultant and professional fees and therefore, the 2009 budget will be less than 2008.

f. Staffing Needs

This program area requires 2.25 FTE’s.

f-i. Hiring Plans

No additional staffing needed in this program area.

f-ii Shared Employees

None.

f-iii Contractors

None.

g. Statement of Activities

Funding sources and related expenses for this program section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Finance and Accounting 2500					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 677,140	\$ 677,140	\$ -	\$ 597,817	\$ (79,324)
Membership Dues			-		-
Testing Fees			-		-
Services & Software			-		-
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ 677,140	\$ 677,140	\$ -	\$ 597,817	\$ (79,324)
Expenses					
Personnel Expenses					
Salaries	\$ 162,850	\$ 136,500	\$ (26,350)	\$ 157,808	\$ 21,307
Payroll Taxes	29,946	23,205	(6,741)	26,827	3,622
Benefits	13,878	10,920	(2,958)	12,625	1,705
Retirement Costs	29,216	23,205	(6,011)	26,827	3,622
Total Personnel Expenses	\$ 235,890	\$ 193,830	\$ (42,060)	\$ 224,087	\$ 30,256
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	6,000	6,000	-	3,000	(3,000)
WebEx / Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 6,000	\$ 6,000	\$ -	\$ 3,000	\$ (3,000)
Operating Expenses					
Consultants	\$ 88,000	\$ 88,000	\$ -	\$ 38,000	\$ (50,000)
Contracts	-	-	-	-	-
Office Rent	180,000	180,000	-	170,000	(10,000)
Office Costs	84,700	84,700	-	110,200	25,500
Professional Services	-	-	-	52,530	52,530
Computer Purchase & Maintenance	82,550	82,550	-	-	(82,550)
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 435,250	\$ 435,250	\$ -	\$ 370,730	\$ (64,520)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 677,140	\$ 635,080	\$ (42,060)	\$ 597,817	\$ (37,264)
Change in Assets	\$ -	\$ 42,060	\$ 42,060	\$ -	\$ (42,060)

g-i. Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- ERO Assessments

Personnel Expenses increases are additional FTEs over the 2008 Budget and incremental increases in salary for existing staff.

Meeting Expenses includes meeting and travel related costs to support this program area.

Operating Expenses includes office rent and professional services costs (e.g. Audit). The 2008 Budget Consulting Fees included accounting and actuarial fees. In the 2009 Budget, these fees were moved into Professional Services.

III. Section B — 2009 MRO Budget

1. 2008 Budget and Projection and 2009 Budget Comparisons

Table 1

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
STATUTORY					
	2008	2008	2008 Projection	2009	2009 Budget
	Budget	Projection	Variance to	Budget	Variance to
			2008 Budget		2008 Projection
			Over(Under)		Over(Under)
Funding					
ERO Funding	\$ 5,331,488	\$ 5,331,488	\$ -	\$ 6,376,474	1,044,986
Membership Dues/Non-Stat Assessments	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	60,000	60,000	-	(60,000)
Workshops	-	-	-	29,250	29,250
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 5,331,488	\$ 5,391,488	\$ 60,000	\$ 6,405,724	\$ 1,014,236
Expenses					
Personnel Expenses					
Salaries	\$ 2,359,000	\$ 2,315,855	\$ (43,145)	\$ 2,994,799	\$ 678,944
Payroll Taxes	438,149	393,695	(44,453)	509,116	115,420
Benefits	203,044	185,268	(17,776)	239,584	54,315
Retirement Costs	427,462	393,695	(33,767)	509,116	115,420
Total Personnel Expenses	\$ 3,427,655	\$ 3,288,514	\$ (139,141)	\$ 4,252,614	\$ 964,100
Meeting Expenses					
Meetings	\$ 55,000	\$ 55,000	\$ -	\$ 119,390	\$ 64,390
Travel	334,995	334,995	-	305,120	(29,875)
Conference Calls	38,684	38,684	-	50,440	11,756
Total Meeting Expenses	\$ 428,679	\$ 428,679	\$ -	\$ 474,950	\$ 46,271
Operating Expenses					
Consultants	\$ 501,000	\$ 700,141	\$ 199,141	\$ 554,860	\$ (145,281)
Contracts	-	-	-	109,500	109,500
Office Rent	180,000	180,000	-	170,000	(10,000)
Office Costs	215,771	215,771	-	313,870	98,099
Professional Services	100,000	100,000	-	154,930	54,930
Computer Purchase & Maint.	320,436	320,436	-	317,400	(3,036)
Furniture & Equipment	-	-	-	57,600	57,600
Miscellaneous	-	-	-	-	-
Contingency	157,947	157,947	-	-	(157,947)
Total Operating Expenses	\$ 1,475,154	\$ 1,674,295	\$ 199,141	\$ 1,678,160	\$ 3,865
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 5,331,488	\$ 5,391,488	\$ 60,000	\$ 6,405,724	\$ 1,014,236
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

2. Personnel Analysis

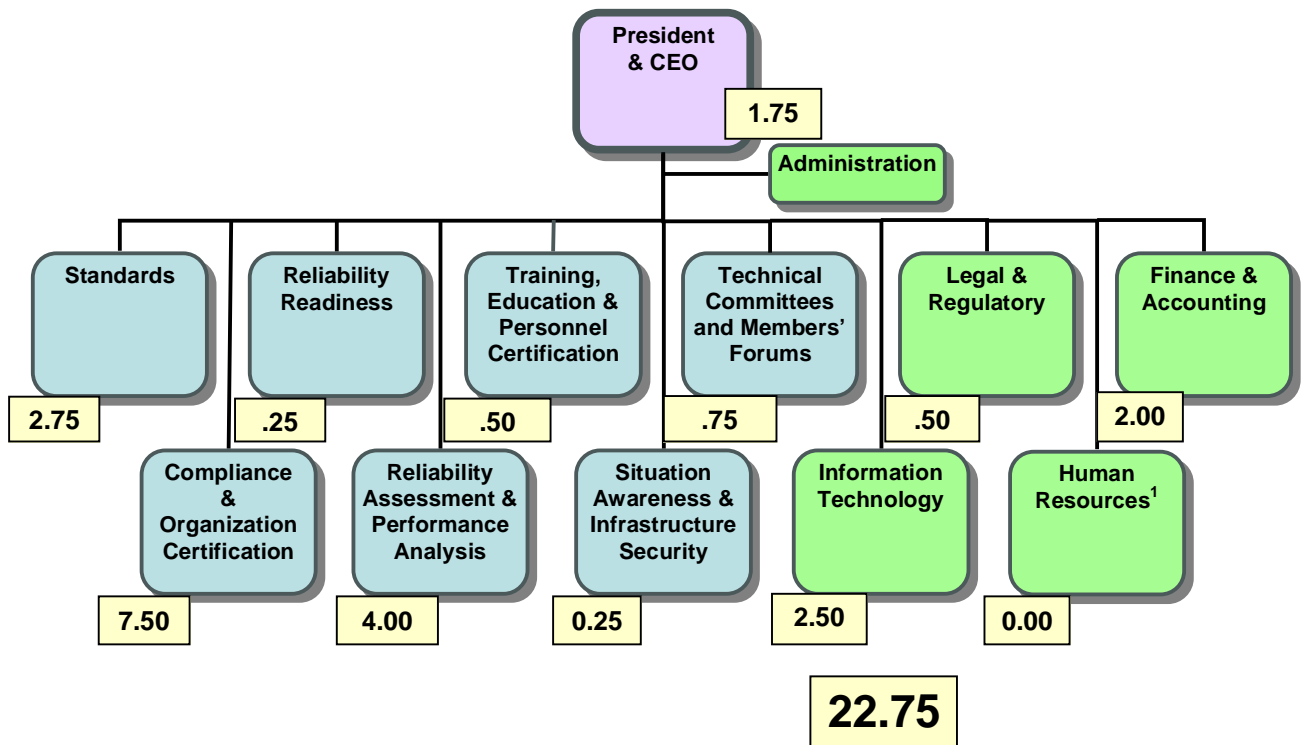
Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Change from Budget to Projection	Budget 2009	Change from Projection
STATUTORY					
Operational Programs					
Reliability Standards	2.15	2.75	0.60	2.50	-0.25
Compliance Monitoring and Enforcement	9.65	7.50	-2.15	10.00	2.50
Reliability Readiness Evaluation and Improvement	1.10	0.25	-0.85	0.50	0.25
Training and Education	0.45	0.50	0.05	0.50	0.00
Reliability Assessment and Performance Program	2.20	4.00	1.80	4.75	0.75
Situational Awareness and Infrastructure Security	0.35	0.25	-0.10	0.25	0.00
Total FTEs Operational Programs	15.90	15.25	-0.65	18.50	3.25
Administrative Programs					
Technical Committees and Members' Forums	0.45	0.75	0.30	0.75	0.00
General & Administrative	1.65	1.75	0.10	1.50	-0.25
Information Technology	1.50	2.50	1.00	2.00	-0.50
Legal and Regulatory	1.40	0.50	-0.90	1.50	1.00
Human Resources	0.00	0.00	0.00	0.00	0.00
Finance and Accounting ¹	2.00	2.00	0.00	2.25	0.25
Total FTEs Administrative Programs	7.00	7.50	0.50	8.00	0.50
Total FTEs	22.90	22.75	-0.15	26.50	3.75

¹Human Resources included in "Finance and Accounting".

3. Projection 2008 - Organizational Chart

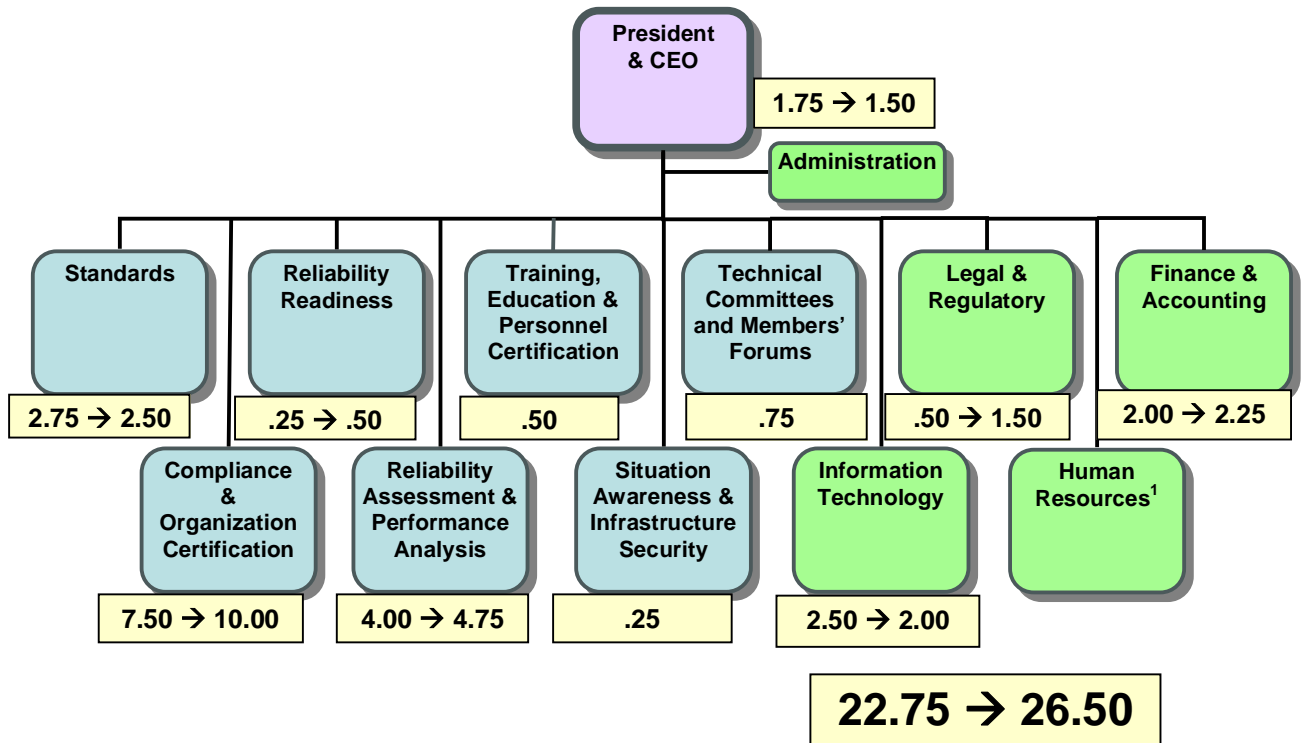
Table 3



¹Human Resources included in Finance.

4. 2009 Organizational Chart
(Budget to Budget)

Table 4



¹Human Resources included in Finance.

5. Reserve Balance

Table 5

Reserve Analysis 2008-2009	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2007 ¹	109,443
Plus: 2008 ERO Funding (from LSEs or designees)	5,331,488
Plus: 2008 Other funding sources (Cash basis)	60,000
	<u>5,500,931</u>
2008 Projected expenses (Cash basis)	5,391,488
Less: 2008 Projected other funding sources	
Total Cash Needed 2008	<u>5,391,488</u>
Projected Working Capital Reserve (Deficit), December 31, 2008	<u>109,443</u>
Desired Cash Balance, December 31, 2009 (Current level at 6 Operating Days.) ²	109,443
Less: Projected Cash Balance December 31, 2008	109,443
Increase(decrease) in assessments to achieve desired Working Capital Reserve	<u>(0)</u>
2009 Assessment for Expenses and Capital Expenditures, excluding Working Capital Reserve (Cash Basis)	6,405,724
2009 Assessment (Non-Operating Expenses)	0
Less: 2009 Other funding sources	(29,250)
Adjustment to achieve desired Working Capital Reserve	(0)
2009 Assessment	<u>6,376,474</u>

¹ Update reserves available to reflect NERC's opinion to change from cash on hand to a working capital. NERC has taken the position that a measure of the company's liquidity (current assets less current liabilities) is a more accurate measure of what dollars are available to the regions in the event that the unexpected happens.

² As documented in the June 19, 2008 minutes, the MRO FAC recommended and the BOD approved the reserve balance of 45 days. Based on the 2009 Budget, a 45 day reserve would be an amount of \$789,750. The current budget has a reserve of \$109,443 which is the 2007 budget underage and was the beginning cash balance January 1, 2008. Considering MRO has a line of credit of \$2.0m and is paid in advance from NERC, 45 days appears to be prudent.

Currently MRO is below the recommended and approved reserve \$680,307 in the 2009 Budget. The FAC recommended and the BOD approved not increasing the current budget to meet this higher reserve requirement. Staff anticipates a leveling out in 2010 for increases, unless there are unforeseen regulatory requirements or other unexpected development.

6. Breakdown by Statement of Activity Sections

The following detailed schedules support of Table 1 above and any significant variances have been disclosed by program area in the preceding pages.

a. Supplemental Funding³

Table B-1

Outside Funding Breakdown By Program (excluding ERO Assessments)	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards and Compliance					
Compliance System Software	\$ -	\$ 60,000	\$ -	\$ -	-100.00%
Total	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-100.00%</u>
Training and Education					
Training workshops	\$ -	-	\$ 29,250	\$ -	
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,250</u>	<u>\$ -</u>	
Situational Awareness and Infrastructure Security					
	\$ -	-	\$ -	\$ -	
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Technical Committees and Member Forums					
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
General and Administrative					
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Total Outside Funding	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 29,250</u>	<u>\$ -</u>	<u>-51.25%</u>

³ The nature of supplemental funding is considered "statutory".

b. Personnel Expenses

Table B-2

Personnel Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Salaries					
Salary	\$ -	\$ -	\$ -	\$ -	
	-	-	-	-	
	-	-	-	-	
Total Salaries	\$ 2,359,000	\$ 2,315,855	\$ 2,994,799	\$ 678,944	29.32%
Payroll Taxes					
FICA	\$ -	\$ -	\$ -	\$ -	
Medicare	-	-	-	-	
SUI	-	-	-	-	
FUI	-	-	-	-	
Total Payroll Taxes	\$ 438,149	\$ 393,695	\$ 509,116	\$ 115,420	29.3%
Benefits					
Workers Compensation	\$ -	\$ -	\$ -	\$ -	
Medical Insurance	-	-	-	-	
Life-LTD Insurance	-	-	-	-	
Education	-	-	-	-	
Relocation	-	-	-	-	
Total Benefits	\$ 203,044	\$ 185,268	\$ 239,584	\$ 54,315	29.3%
Retirement					
401K	\$ -	\$ -	\$ -	\$ -	
Pension	-	-	-	-	
Post Retirement Medical	-	-	-	-	
Total Retirement	\$ 427,462	\$ 393,695	\$ 509,116	\$ 115,420	29.3%
Total Personnel Costs	\$ 3,427,655	\$ 3,288,514	\$ 4,252,614	\$ 964,100	29.3%

c. Meeting Expenses

Table B-3

Meeting Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Year Over Year Budget Variance	Variance %
Reliability Standards	\$ 5,000	\$ 5,000	\$ 7,500	\$ 2,500	50.00%
Compliance and Organization Registration and Certification	12,000	12,000	18,000	6,000	50.00%
Reliability Readiness Evaluations and Improvement	1,200	1,200	1,440	240	20.00%
Reliability Assessment and Performance Analysis	15,000	15,000	40,000	25,000	166.67%
Training and Education ¹	600	600	29,850	29,250	4875.00%
Situational Awareness and Infrastructure Security	1,200	1,200	600	(600)	-50.00%
Committee and Member Forums	-	-	-	-	-
General and Administrative	20,000	20,000	22,000	2,000	10.00%
Legal and Regulatory	-	-	-	-	-
Information Technology	-	-	-	-	-
Human Resources	-	-	-	-	-
Finance and Accounting	-	-	-	-	-
Total Meeting Expenses	\$ 55,000	\$ 55,000	\$ 119,390	\$ 64,390	117.07%

Travel Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	0.00%
Compliance and Organization Registration and Certification	47,795	47,795	100,000	52,205	109.23%
Reliability Readiness Evaluations and Improvement	21,000	21,000	45,000	24,000	114.29%
Reliability Assessment and Performance Analysis	8,000	8,000	50,000	42,000	525.00%
Training and Education	2,400	2,400	2,400	-	0.00%
Situational Awareness and Infrastructure Security	2,400	2,400	2,400	-	0.00%
Committee and Member Forums ²	209,200	209,200	60,000	(149,200)	-71.32%
General and Administrative	20,400	20,400	22,000	1,600	7.84%
Legal and Regulatory	3,600	3,600	4,320	720	20.00%
Information Technology	4,200	4,200	6,000	1,800	42.86%
Human Resources	-	-	-	-	-
Finance and Accounting	6,000	6,000	3,000	(3,000)	-50.00%
Total Travel Expenses	\$ 334,995	\$ 334,995	\$ 305,120	\$ (29,875)	-8.92%

WebEx Conference Call Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 12,528	\$ 12,528	\$ 15,000	\$ 2,472	19.73%
Compliance and Organization Registration and Certification	4,278	4,278	10,000	5,722	133.75%
Reliability Readiness Evaluations and Improvement	1,200	1,200	1,440	240	20.00%
Reliability Assessment and Performance Analysis	14,278	14,278	18,000	3,722	26.07%
Training and Education	1,200	1,200	1,200	-	0.00%
Situational Awareness and Infrastructure Security	1,200	1,200	-	(1,200)	-100.00%
Committee and Member Forums	-	-	-	-	-
General and Administrative	-	-	-	-	-
Legal and Regulatory	4,000	4,000	4,800	800	20.00%
Information Technology	-	-	-	-	-
Human Resources	-	-	-	-	-
Finance and Accounting	-	-	-	-	-
Total WebEx Conference Calls	\$ 38,684	\$ 38,684	\$ 50,440	\$ 11,756	30.39%

Total Meeting Expenses	\$ 428,679	\$ 428,679	\$ 474,950	\$ 46,271	10.79%
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¹Costs offset by fees collected - see Table B-1²Reimbursement to MRO participants in NERC Committees and workshops.

d. Operating Expenses

Table B-4

Consultants	Budget 2008	Projection 2008	Budget 2009	Year Over Year Budget Variance	Variance %
Consultants					
Reliability Standards	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	0.00%
Compliance and Organization Registration and Certification	15,000	214,141	110,600	(103,541)	-48.35%
Reliability Readiness Evaluations and Improvement	4,000	4,000	48,000	44,000	1100.00%
Reliability Assessment and Performance Analysis	215,000	215,000	155,860	(59,140)	-27.51%
Training and Education	2,400	2,400	2,400	-	0.00%
Situational Awareness and Infrastructure Security	-	-	-	-	-
General and Administrative	8,000	8,000	15,000	7,000	-
Legal and Regulatory (Hearing Officers)	75,000	75,000	80,000	5,000	-
Information Technology	63,600	63,600	75,000	11,400	17.92%
Member Forum Consultants	-	-	-	-	-
Accounting and Finance	88,000	88,000	38,000	(50,000)	-56.82%
Consultants Total	\$ 501,000	\$ 700,141	\$ 554,860	\$ (145,281)	-20.75%

Table B-5

Contracts	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Contracts - Software					
Great Plains			\$ 8,000	\$ 8,000	
Cisco			7,500	7,500	
Barracuda			1,100	1,100	
Crow Canyon			200	200	
Facilities / Security			6,000	6,000	
Lyris			2,500	2,500	
Other			1,200	1,200	
Contracts - Software Total (2008 Budget included in Software \$s)	\$ -	\$ -	\$ 26,500	\$ 26,500	
Contract					
Reliability Standards (RSVP)	\$ -	\$ -	\$ 30,000	\$ 30,000	
Compliance and Organization Registration and Certification (Compliance System)	-	-	35,000	35,000	
Reliability Assessment and Performance Analysis (Modell Building)	-	-	18,000	18,000	
Contracts - Total	\$ -	\$ -	\$ 83,000	\$ 83,000	
Education and Training				\$ -	
Education and Training Total	\$ -	\$ -	\$ -	\$ -	
Contracts Total	\$ -	\$ -	\$ 109,500	\$ 109,500	

Table B-6

Office Rent	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Office Rent	\$ 180,000	\$ 180,000	\$ 170,000	\$ (10,000)	-5.56%
Utilities					
Maintenance					
Security					
Total Office Rent	\$ 180,000	\$ 180,000	\$ 170,000	\$ (10,000)	-5.56%

Table B-7

Office Costs	Budget 2008	Projection 2008	Budget 2009	Year Over Year Budget Variance	Variance %
Employee Related Expense (Drug Testing, Finder Fees Etc)	\$ 1,500	\$ 1,500	\$ 6,000	\$ 4,500	300.00%
Employee / Member Events	15,000	15,000	15,000	-	0.00%
Supplies-Promotional	0	0	4,800	4,800	
Data Circuit (qmoe)	\$ 25,440	\$ 25,440	20,400	(5,040)	-19.81%
Data Circuit (dsl)			1,560	1,560	
Inbound long distance			10,800	10,800	
Voice Circuits			32,400	32,400	
Business Cable			1,200	1,200	
Building Maint/Facility Repairs	0	0	10,000	10,000	
Utilities	1,500	1,500	12,000	10,500	700.00%
Office Cleaning	21,000	21,000	27,000	6,000	28.57%
Waste Management	3,600	3,600	3,600	-	0.00%
Bank Expense	10,000	10,000	6,000	(4,000)	-40.00%
Interest	0	0	-	-	
Insurance Expense	42,000	42,000	45,000	3,000	7.14%
Internet	19,242	19,242	25,922	6,680	34.71%
Office Supplies	24,835	24,835	28,033	3,198	12.88%
Publications & Subscriptions	5,736	5,736	5,430	(306)	-5.33%
Departmental Functional Training	35,950	35,950	46,490	10,540	29.32%
Dues	5,768	5,768	6,835	1,067	18.50%
Postage	4,200	4,200	3,000	(1,200)	-28.57%
Other			2,400	2,400	
Total Office Costs	\$ 215,771	\$ 215,771	\$ 313,870	\$ 98,099	45.46%

Table B-8

Professional Services	Budget 2008	Projection 2008	Budget 2009	Year Over Year Budget Variance	Variance %
Outside Legal	\$ 100,000	\$ 100,000	\$ 102,400	\$ 2,400	2.40%
Accounting & Auditing Fees ¹			30,000	\$ 30,000	
Actuarial Fees ¹			22,530	\$ 22,530	
Total Services	\$ 100,000	\$ 100,000	\$ 154,930	\$ 54,930	54.93%

¹2008 Budget dollars were in "consultants".

Table B-9

Computer	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Purchase and Lease	87,450	87,450	166,000	78,550	89.82%
Software	87,450	87,450	53,000	(34,450)	-39.39%
Copier Rental	14,946	14,946		(14,946)	-100.00%
Office Equipment & Maintenance ¹	3,180	3,180		(3,180)	-100.00%
Telephone (Vericenter/SunGuard Server)	44,860	44,860	32,400	(12,460)	-27.78%
Computer Supplies and Maintenance			6,000	6,000	
CIP Infrastructure (MRO Systems)	-	-	60,000	60,000	
Waste Mangement ²	-	-		-	
Depreciation Expense	82,550	82,550		(82,550)	-100.00%
Total Computer	\$ 320,436	\$ 320,436	\$ 317,400	\$ (3,036)	-0.95%

¹Moved to "Furniture and Fixtures" in 2009 Budget.

²Moved to "Office Costs" in 2009 Budget.

Table B-10

Furniture & Equipment	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Furniture	\$ -	\$ -	\$ 15,000	\$ 15,000	
Equipment	-	-	17,600	17,600	
Leasehold Improvements	-	-	10,000	10,000	
Copier Rental ¹			15,000	15,000	
Total Furniture & Fixtures	\$ -	\$ -	\$ 57,600	\$ 57,600	

¹Moved from 2008 Budget "Office Costs" to "Furniture & Equipment" in 2009 Budget.

Table B-11

Other Non-Operating Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Office Relocation	-	-	-	-	
Cash Reserve Requirement					
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

IV. Section C — 2009 MRO Non-Statutory Business Plan and Budget

(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	.60	.25	0.00
Total Direct Funding	N/A	N/A	N/A
Total Indirect Funding	N/A	N/A	N/A
Total Funding	\$491,308	\$342,308	\$0

1. Background

In 2008, MRO provides IT related services to a third party. At the end of 2008, the contract shall be terminated. In addition, to be compliant with the "April 1, 2008 True-up Compliance Filing" the contract for compliance software that MRO shares with others was declared statutory by NERC and MRO staff. The result has no impact on the 2008 budget.

For 2009, MRO will have no non-statutory activities.

a. Membership and Governance

Not applicable.

b. Non-Statutory Functional Scope

For 2009 none.

c. Planning Cycle

Not applicable.

d. 2009 Primary Objectives

Not applicable.

Section C — 2009 MRO Non-Statutory Business Plan and Budget

e. Major 2009 Cost Impacts

Not applicable.

2. 2009 MRO Budget Non-Statutory

a. 2008 Budget and Projection and 2009 Budget Comparisons Non-Statutory

Table 1

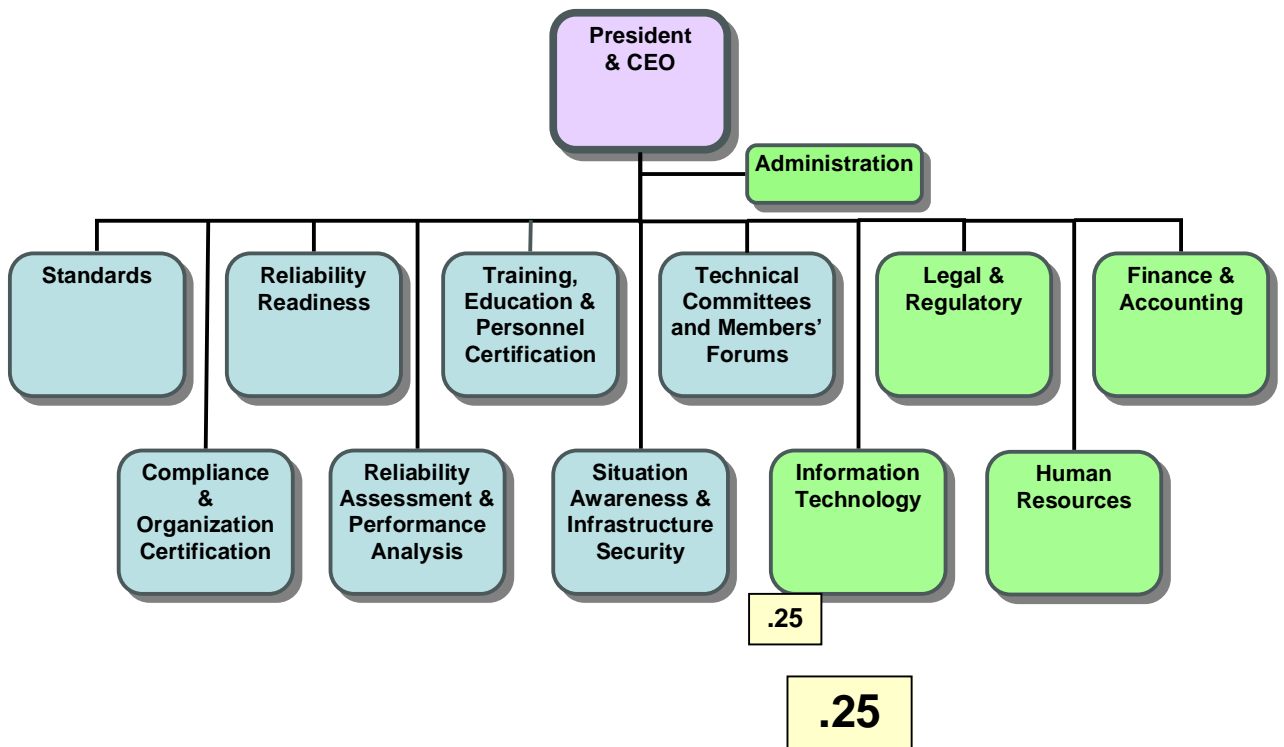
Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
NON-STATUTORY					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues/Non-Stat Assessments			-		-
Testing Fees			-		-
Services & Software	491,308	342,308	(149,000)		(342,308)
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ 491,308	\$ 342,308	\$ (149,000)	\$ -	\$ (342,308)
Expenses					
Personnel Expenses					
Salaries	\$ 62,636	\$ 51,325	\$ (11,311)		\$ (51,325)
Payroll Taxes			-		-
Benefits	28,389	23,265	(5,124)		(23,265)
Retirement Costs			-		-
Total Personnel Expenses	\$ 91,025	\$ 74,590	\$ (16,435)	\$ -	\$ (74,590)
Meeting Expenses					
Meetings			\$ -		\$ -
Travel			-		-
Conference Calls			-		-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ 400,283	\$ 267,718	\$ (132,565)		\$ (267,718)
Contracts			-		-
Office Rent			-		-
Office Costs			-		-
Professional Services			-		-
Computer Purchase & Maintenance			-		-
Furniture & Equipment			-		-
Miscellaneous			-		-
Contingency			-		-
Total Operating Expenses	\$ 400,283	\$ 267,718	\$ (132,565)	\$ -	\$ (267,718)
Other Non-Operating Expenses			\$ -		\$ -
Total Expenses	\$ 491,308	\$ 342,308	\$ (149,000)	\$ -	\$ (342,308)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

b. Personnel Analysis

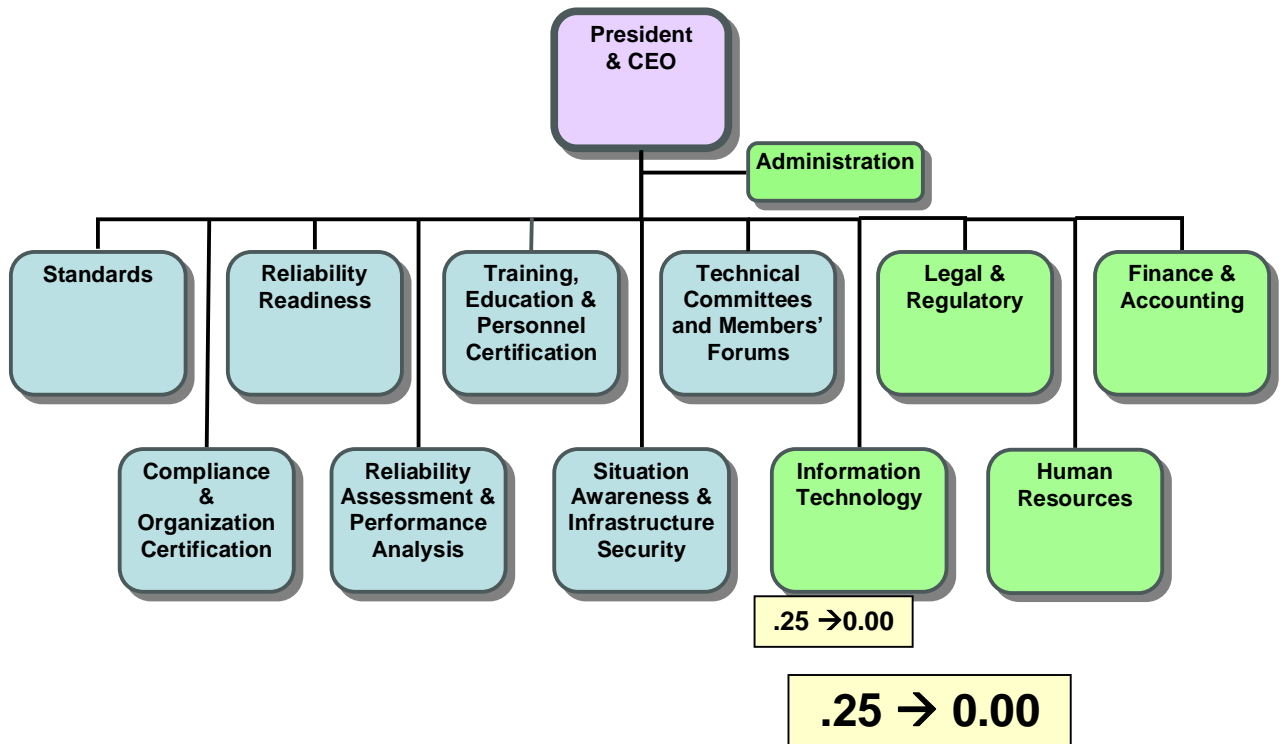
Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
Non-Statutory				
Operational Programs				
Reliability Standards	0.10	0.00	0.00	0.00
				0.0
				0.0
				0.0
				0.0
				0.0
Total FTEs Operational Programs	0.1	0.0	0.0	0.0
Administrative Programs				
Information Technology	0.50	0.25	0.00	-0.25
				0.0
				0.0
				0.0
				0.0
				0.0
Total FTEs Administrative Programs	0.5	0.25	0.00	-0.25
Total FTEs	0.6	0.25	0.00	-0.25

c. Projection 2008 Organizational Chart (Non-Statutory)



d. 2009 Organizational Chart (Non-Statutory)



MIDWEST RELIABILITY ORGANIZATION 2009 STATEMENT OF ACTIVITIES

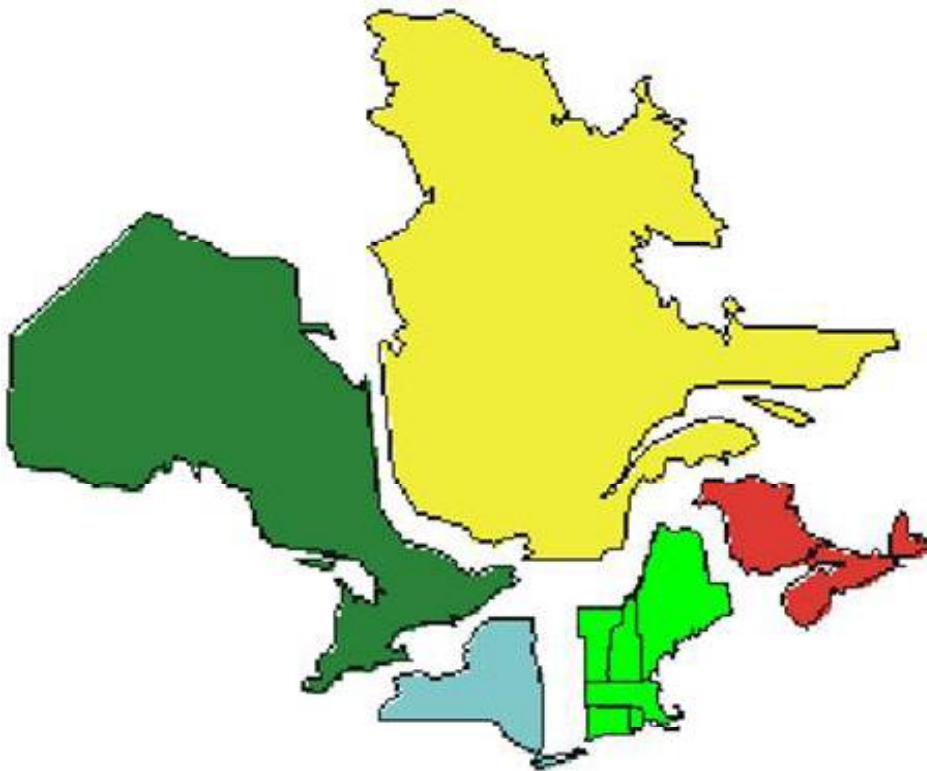
Statement of Activities 2009 Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement										Non-Statutory Functions Non-Statutory Total							
				Reliability Standards (Section 300)	Compliance and Registration and Organization (Section 400 & 500)	Reliability Assessment and Performance Improvement (Section 700)	Reliability Assessment and Performance Analysis (Section 800)	Education (Section 900)	Situational Awareness and Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology		Human Resources	Accounting and Finance					
Funding																					
MEMBERSHIP DUES-Non-Statutory Funding	6,376,474	6,376,474	-	422,708	2,071,510	194,307	982,029	78,993	57,649	184,300	401,753	638,654	725,649	297,817							
Testing & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	29,350	29,350	-	-	-	-	-	29,350	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	6,405,724	6,405,724	-	422,708	2,071,510	194,307	982,029	108,349	57,649	184,300	401,753	638,654	725,649	597,817							
Expenses																					
Personnel Expenses	2,954,779	2,954,779	-	227,622	1,211,481	69,650	483,481	50,885	39,415	57,893	212,514	311,892	149,774	157,899							
Salaries	2,551,178	2,551,178	-	196,462	816,481	48,480	321,480	32,000	25,000	36,000	125,000	180,000	85,000	90,000							
Benefits	239,584	239,584	-	17,600	36,518	5,482	38,677	4,879	3,073	7,037	17,001	24,000	11,942	12,625							
Retirement Costs	599,116	599,116	-	37,899	205,952	11,671	87,088	8,687	6,531	14,893	36,137	52,995	25,377	26,137							
Total Personnel Expenses	4,252,814	4,252,814	-	310,869	1,723,953	97,693	608,249	72,823	54,924	124,800	301,732	442,924	211,890	243,891							
Marketing Expenses	119,390	119,390	-	7,500	18,000	1,440	40,000	29,850	600	20,000	22,000	4,200	6,000	3,000							
Travel	305,120	305,120	-	10,000	10,000	45,000	50,000	2,400	2,400	60,000	22,000	4,200	6,000	3,000							
Work/Conference Calls	49,740	49,740	-	15,000	10,000	1,440	18,000	1,200	1,200	30,000	44,000	4,800	8,000	3,000							
Total Marketing Expenses	474,950	474,950	-	32,500	38,000	47,880	108,000	33,650	3,600	90,000	68,000	9,000	14,000	6,000							
Operating Expenses	654,690	654,690	-	30,000	110,000	46,000	155,890	2,400	-	-	15,000	80,000	35,000	30,000							
Contracts	109,500	109,500	-	30,000	35,000	18,000	-	-	-	-	-	26,000	-	-							
Office Rent	170,000	170,000	-	19,300	17,500	1,944	13,256	-	-	-	60,884	4,000	91,000	170,000							
Professional Services	154,930	154,930	-	-	-	-	-	-	-	-	-	102,400	-	52,530							
Computer Purchase & Maint.	317,400	317,400	-	-	60,000	-	-	-	-	-	-	-	-	255,400							
Supplies and Equipment	57,800	57,800	-	-	-	-	-	-	-	-	-	-	-	57,800							
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Total Operating Expenses	1,678,180	1,678,180	-	73,300	223,500	49,544	187,215	2,400	-	75,884	197,200	307,880	37,800	379,730							
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Total Expenses	6,405,724	6,405,724	-	422,708	2,071,510	194,307	982,029	108,349	57,649	184,300	401,753	638,654	725,649	597,817							
Change in Assets																					
Allocation of Overhead	3,926,951	3,926,951	-	422,708	2,071,510	194,307	982,029	108,349	57,649	184,300	401,753	638,654	725,649	597,817							
Indirect Costs 400 callan	2,569,773	2,569,773	-	347,131	1,369,235	59,005	659,249	69,626	34,714	69,626	164,739	242,533	287,963	224,858							
Total Expenses	6,405,724	6,405,724	-	769,839	3,460,035	284,333	1,641,578	177,875	92,363	284,333	475,475	881,287	1,013,613	822,675							
FTE's	26.50	26.50	-	2.50	10.00	0.50	4.75	0.50	0.25	0.75	1.50	1.50	2.00	2.25							

ATTACHMENT 5



NORTHEAST POWER COORDINATING COUNCIL, INC.
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2009 Business Plan and Budget



Northeast Power Coordinating Council, Inc. (NPCC)
(The cross-border regional entity and criteria services corporation for
Northeastern North America)

**Approved by
NPCC BOD June 24, 2008
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Introduction

Total NPCC Resources				
(in whole dollars)				
	2009 Budget	U.S.	Canada	Mexico
Regional Entity Division FTEs	27.2			
Criteria Services Division FTEs	2.8			
Total FTEs	30			
Regional Entity Division Expenses	\$10,008,885	\$5,328,802	\$4,680,083	
Criteria Services Division Expenses	\$1,012,790	\$454,388	\$558,402	
Total Expenses	\$11,021,675	\$5,783,190	\$5,238,485	
ERO Funding Assessments	\$10,008,885	\$5,328,802	\$4,680,083	
ISO/BAA Assessments	\$1,012,790	\$454,388	\$558,402	
Total Funding Assessments	\$11,021,675	\$5,783,190	\$5,238,485	
NEL	672,611,000	301,766,000	370,845,000	
NEL %	100%	44.86%	55.14%	

Northeast Power Coordinating Council, Inc. (NPCC) is a New York State not-for-profit membership corporation. The purpose of NPCC is to promote and enhance the reliable and efficient operation of the international, interconnected bulk power system in Northeastern North America through (i) 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, (collectively, “regional entity activities”), and (ii) the establishment of regionally-specific criteria, and monitoring and enforcement of compliance with such criteria (collectively, “criteria services activities”). NPCC provides the functions and services for Northeastern North America of a cross-border regional entity through a regional entity division, as well as regionally-specific criteria services for Northeastern North America through a criteria services division. NPCC’s website is www.npcc.org.

NPCC is focusing on its core business of reliability as reflected in this 2009 Business Plan and Budget. NPCC will stay true to its over 40 year mission in an international, coordinated approach. First and foremost, reliability must be maintained in Northeastern North America.

Geographically, NPCC U.S. includes the six New England states and the state of New York. NPCC Canada includes the provinces of New Brunswick, Nova Scotia, Ontario and Québec. In total, NPCC covers nearly 1.2 million square miles, and is populated by more than 55 million people. From a net energy for load perspective, NPCC is approximately 44.9% U.S. and 55.1% Canadian. With regard to Canada, approximately 70% of Canadian load is within the NPCC Region. NPCC operates as a regional entity under an *Amended and Restated Delegation Agreement* with the North American Electric Reliability Corporation (NERC), the international Electric Reliability Organization (ERO). The delegation agreement describes the enforcement authority delegated to NPCC’s regional entity division. The funding for NPCC’s regional entity division is approved by the NPCC Board of Directors for consideration by NERC and the U.S. federal and Canadian provincial regulatory authorities. Details of the business plans and budget for each program area are included in Section A for the regional entity division. The 2009

regional entity division schedules are shown in Section B. Section C details the criteria services division business plan and budget.

Membership and Governance

NPCC currently has 68 members. There are two categories of membership, Full and General. The two categories distinguish between the U.S. FERC and Canadian provincial regulatory and/or governmental authority agreements' regional entity services, and what FERC references as U.S. non-statutory and Canadian provincial authorities in the Region reference as Criteria Services.

General Membership is voluntary and is open to any person or entity, including any entity participating in the Registered Ballot Body of the ERO that has an interest in the reliable operation of the Northeastern North American bulk power system. General Members are subject to compliance with reliability standards and receive additional services from the regional entity division of NPCC.

Full Membership is available to members, which are already general members, and participate in electricity markets in the Northeast. Independent system operators ("ISOs"), regional transmission organizations ("RTOs"), Transcos and other organizations or entities that perform the Balancing Authority function operating in Northeastern North America are expected to be Full Members of NPCC. The New York State Reliability Council and any other sub-regional reliability councils which may be formed are also expected to be Full Members. Full Members are subject to compliance with regionally-specific criteria, in addition to reliability standards, and receive additional services from the criteria services division of NPCC which is not funded by the ERO.

NPCC is governed by a hybrid Board of Directors consisting of stakeholders balanced by sector and an independent Chairman. A maximum of 3 directors per voting sector comprise the Board to provide for fair stakeholder representation. The voting sectors include:

- Sector 1) Transmission Owners
- Sector 2) Reliability Coordinators
- Sector 3) Transmission Dependent Utilities, Distribution Companies, Load Serving Entities
- Sector 4) Generator Owners
- Sector 5) Marketers, Brokers and Aggregators
- Sector 6) Customers
- Sector 7) State and Provincial Regulatory and/or Governmental Authorities
- Sector 8) Sub-Regional Reliability Councils, other Regional Entities and Interested Parties

Seven committees of the Board or program committees reporting to the Board recommend policy on various reliability issues, or handle governance, finance and human resource matters. These Committees include a Regional Standards Committee (RSC), a Compliance Committee (CC), a Reliability Coordinating Committee (RCC), a Public Information Committee, an Audit and Finance Committee, a Pension Committee and a Compensation Committee. The RSC, CC and RCC provide technical policy recommendations to the Board. All general members are eligible for representation on the technical committees.

Industry technical experts from within the membership provide input to the Board through various working groups and task forces as well as the committees. The *Amended and Restated*

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Bylaws establish NPCC's independence from users, owners and operators of the bulk power system through the governance structure, while providing fair stakeholder representation in the selection of officers. The members, from each of the eight voting sectors, vote to elect directors, in their respective sector.

Compliance and enforcement activities are carried out by the NPCC Compliance Staff and are independent of all users, owners and operators of the bulk power system and from the Hearings officer. Compliance activities are governed in the United States by the *Amended and Restated Regional Delegation Agreement* between NERC and NPCC, delegating portions of NERC's authority as the Electric Reliability Organization under Section 215 of the Federal Power Act to NPCC. A Memoranda of Understanding between the Independent Electricity System Operator in Ontario, NERC and NPCC establishes roles and responsibilities with regard to that Province. Regulatory and/or governmental authority agreements are under development within the provinces of New Brunswick, Nova Scotia and Québec.

Regional Entity Functional Scope

NPCC has been approved by FERC to develop, monitor and enforce continent-wide and regional reliability standards for the reliability of the bulk electric power system in the U.S. portion of the international region and is recognized as a cross-border regional entity effective April 5, 2008, with authority, pursuant to the execution and implementation of an *Amended and Restated Regional Delegation Agreement* with the ERO.

A Canadian Provincial Memorandum of Understanding provides the backstop for NERC and NPCC activities for the Province of Ontario. Canadian Provincial Memoranda of Understanding or regulatory agreements, currently under development by provincial governmental and/or regulatory authorities for New Brunswick, Nova Scotia and Québec, will provide individual backstop regarding those provinces of NPCC Canada.

Planning Cycle

The 2009 Business Plan and Budget is for the calendar year 2009. NPCC engages in an annual business planning cycle and has a complementary Long Term Strategic Plan designed to regionally implement NERC's 2008 - 2013 Strategic Plan.

2009 Primary Objectives

NPCC's primary objectives for 2009 are:

- Ensuring the reliability of the bulk electric power system in Northeastern North America
- Establishing Regional Reliability Standards for applicable regulatory approvals
- Implementing the Compliance Monitoring and Enforcement Program (CMEP)
- Implementing hearing procedures to provide timely resolution of disputes
- Improving and enhancing transmission and resource adequacy assessments
- Remaining the credible source of Northeastern North America international reliability information
- Advancing the quality and scope of training activities to ensure that operators and Registered Entities have the information and tools they need
- Improving administrative activities including accounting and budgeting, document control and staffing/human resources

- Implementing a seamless and cost effective relocation of NPCC's corporate offices

Major 2009 Cost Impacts

For comparison purposes between 2008 and 2009, NPCC's regional entity division core business plan drives a budget increase in total resources representing 14.3 percent as compared to the 2008 regional entity division budget and an increase of 35.3 percent as compared to the 2008 criteria services division budget.

The one time costs associated with a required May, 2009 relocation, coincident with license agreement expiration, execution of a new lease and a standard office space build out for NPCC offices within New York City are estimated to total approximately \$1.4 million. Total office relocation costs include leasehold improvements, equipment purchases, furniture purchases, partial year office rent differential, and other associated office relocation cost components. Total office relocation costs are allocated to the regional entity and criteria services divisions on a proportional FTE basis of 91% (27.2/30) and 9% (2.8/30) respectively. Removal of relocation project associated costs from the total regional entity division and total criteria services division budgets is shown in the ratio of 91 percent to nine percent respectively, (\$1,269,339 and \$125,539 for a total of \$1,394,878) to demonstrate the core increases presented above.

NPCC negotiated an extremely favorable and then under market license agreement some 16 years ago and has been in its current offices for nearly 15 years. While NPCC rents adjusted moderately at years 5 and 10 consistent with its agreement terms, rents in the building over the past decade and a half have nearly tripled. Due diligence review, including assessments of several non-New York City locations: Albany, Boston, waterfront Jersey City, New Jersey, Montreal and Toronto, as well as a non-binding employee survey with regard to the likelihood of retention outside a 50 mile radius of the current location, was performed in the Spring of 2007 and revisited again in the Spring of 2008.

The NPCC Board determined, based upon many factors including the then projected rental terms for alternate cities, costs associated with employee relocations, terminations, recruiting, and severance, that less costly New York City locations should be identified with a recommended site negotiated for, thereby maintaining focus on cost efficiencies and staff retention. With the commercial real estate market softening, \$500,000 in office space build out costs have not been included in the relocation project cost estimate, as that portion of relocation expenses is projected to be avoided through provision of a building allowance work letter from prospective landlords with which NPCC will negotiate lease terms. While several potential buildings have been identified, NPCC has not initiated negotiations in an effort to get more favorable, lower cost terms and maximize landlord allowances. That said, NPCC must execute a new lease no later than November to meet the required permitting and build out lead times and be able to evacuate the current premises as stipulated by May, 2009.

With the inclusion of all expenses, the 2009 NPCC regional entity division funding requirements are presented with an NPCC requirement of \$10,008,885. This is an increase of 30.8 percent over the 2008 NPCC funding requirement of \$7,648,718. Total NPCC criteria services division non-statutory funding requirements are presented at \$1,012,790, which is a 54.5 percent increase over the 2008 requirement of \$655,670. The regional entity funding requirement includes a \$1,629 addition to reserves while the criteria services funding requirement includes and a reserve reduction of \$7,918. The additional budget for reserves is consistent with an existing policy targeting a 20% threshold. While there has been an elimination of funding for a contingency

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account in the NPCC 2009 budget per NERC's guidance, no increase to that reserve threshold has been made. An annually established contingency was historically available to fund unforeseen but necessary expenses. The NPCC and NERC Regional Delegation Agreement details that NPCC's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles. Utilization of operating reserves would provide for regional entity accounting consistency, rather than use of a contingency account within the budget, and could be used to manage risk and fund approved expenses.

With the uncertainty related to actual compliance hearing costs, projected but as yet to be contracted future rent and office relocation costs, the potential necessity to compensate new hires at market rates, the size of the total budget and removal of a contingency account, a discussion to move from a 20% reserve level to a 25% reserve level was had by the NPCC Board and determined to be unnecessary. The office relocation project could require that some \$700,000 in cash reserves be set aside in a Certificate of Deposit type investment to secure a fully collateralized Letter of Credit, in lieu of a security deposit, to be able to execute a lease with a potential landlord for office space. Analysis of the 2009 projected cash flow reflects the cash reserves required to maintain the 20% reserve level, inclusive of the collateralized Letter of Credit, and is based on projected 2009 operating expenses. Year to year reserve requirement adjustments can be greatly effected as a result of not budgeting for hearings in the compliance program area and not budgeting for participation in potential first quarter 2009 reliability readiness evaluations that could be performed as part of NERC's close down of the program. Should operating reserves be called upon to fund approved but unbudgeted activities, reserves would be reestablished through additional funding to meet the targeted 20% of budget annually.

The overall budget, regional entity division and criteria services division, includes an increase in personnel from 28 Full Time Equivalents (FTEs) to 30 FTEs. One position has been added in each of the Compliance and Accounting and Finance areas under the regional entity division. Additionally, a 2008 FTE for the Reliability Readiness Evaluation and Improvement program area will be reallocated for 2009 to the Situation Awareness program area. Increases in total Personnel Expenses for 2009 in both the Regional Entity and Criteria Services divisions are a result of a combination of changes in accounting methodology, salary increases, the full year impacts of approved, but under-budgeted new FTEs, certain salary adjustments to be more reflective of market rates, changes in the application of contingency funds to specific subaccounts, and the costs associated with the adaption of SFAS 158.

NERC Budget Increases Not Included in the NPCC 2009 Business Plan

This section differentiates the drivers behind NPCC's regional entity division's 14.3% increase from NERC's 25.7% increase. The following activities driving parts of the \$7 million increase in funding included in the NERC 2009 Business Plan and Budget are not included in the NPCC Budget:

- *NPCC's standard development process capitalizes on industry-based technical expertise within the existing task force and working group structure, rather than establishing separate, individual drafting teams*
- *NPCC compliance staff is growing by 1 FTE compared with NERC's 5 FTEs, from the 2008 level, even though the RE has the primary responsibility for compliance and enforcement*
- *NPCC utilizes pre-audit questionnaires to increase the effectiveness and efficiency of on-site audits*

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- *NPCC makes extensive use of industry-based technical expertise in its thorough analysis of system events and is not proposing additional staff to support those efforts*
- *NPCC had eliminated the reliability readiness evaluation and improvement program from its 2009 business plan and has not included any regional entity component to parallel NERC's remaining efforts. NERC will complete remaining scheduled readiness reviews and close at the end of the first quarter of 2009. The NERC 2009 Work Plan for completion of the program includes 12 evaluations.*
- *NPCC will continue to provide valuable operator seminars, but will not be engaging outside consultants to develop specific training modules*
- *NPCC's Business Plan does not include a regional component associated with the outsourcing of an industry-wide self assessment included by NERC at a projected cost of \$1 million*

Change in Accounting Methodology

As directed by NERC, NPCC has changed its accounting methodology for personnel benefits, meetings, and travel expenses for 2009, and has moved from allocating these costs by FTE to applying these costs *directly* to the program areas. The magnitude of these variances is dependent on the amount of 2008 allocated costs. In addition, the 2009 Budget includes adjustments to operating cash reserves as "Other Non-Operating Expenses."

The 2009 Business Plan and Budget also reflects overheads and administrative operating expenses captured in the General and Administrative area with these costs allocated as *indirect* costs to the program areas.

Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B.

Section A — 2009 Business Plan

Reliability Standards Program

Reliability Standards Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	3.5	3	3
Total Direct Funding	\$785,399	\$721,049	\$717,220
Total Indirect Funding [1]	\$685,877	\$587,894	\$856,343
Total Funding	\$1,471,276	\$1,308,943	\$1,573,563

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis. Total 2009 indirect funding includes \$211,557 apportioned to the reliability standards program area associated with the one-time 2009 office relocation project.

Background

The majority of the proposed reliability standards activities for the NPCC region for 2009 will be directly related to development of ERO Reliability Standards, which will be submitted to FERC and applicable Canadian Provincial regulatory and/or governmental authorities for approval, as well as the implementation of the NPCC Regional Reliability Standard Development Procedure.

NPCC has a number of task forces and working groups engaged in the coordination of reliability related activities. These groups provide a coordinated review of all ERO Reliability Standards and serve to develop the NPCC Regional Reliability Standards. This well functioning approach enhances the quality of reliability standards as well as educates and informs users, owners and operators of the international, interconnected bulk power system in Northeastern North America of the reliability standard's requirements and tracks the progress and implementation plans of these standards.

Included in this 2009 Business Plan and Budget are regularly scheduled meetings of the Regional Standards Committee (RSC) on an every other month basis and the associated travel and meeting expenses are incorporated herein. Meetings will take place at NPCC's headquarters in New York City, or at other member facilities when possible, in various cities within the Northeastern United States and Canada, as selected from time to time for the convenience of the meeting attendees. To the extent possible, the activities of the reliability standards program will also be conducted by conference calls, use of e-mail, website postings, and other means of electronic communications. NPCC will also be participating in the adjoining region's standards processes in person and by electronic communication to the extent resources permit.

In addition, FERC staff has referred to some of the NERC standards that assign to regional reliability organizations the responsibility of establishing reliability requirements for regional members as "fill in the blank" standards, because Section 215 of the U.S. Federal Power Act does not allow enforcement of an ERO reliability standard upon a Bulk Power System owner, operator or user, including the setting of financial penalties and sanctions, to the extent a portion of the requirements exists outside the standard. NPCC is working closely with NERC in the Regional Reliability Standards Working Group (RRSWG) to address all of the "fill in the blank"

standards. The results of the RRSWG effort appear in the NERC 3 year work plan to revise standards. NPCC regional standards development will be fully coordinated with the development of the standards appearing in the NERC work plan.

In 2009 NPCC will be completing a multiyear project for the development of Reliability Requirements Directories. The main purpose driving the development of these directories is to fulfill and continually satisfy NPCC's obligation, as delineated in the NERC Rules of Procedure, to demonstrate NPCC regional criteria is consistent with and more stringent than the NERC Reliability Standards. The directories are arranged by NPCC criteria topic and take the associated mandatory NERC standards along with any NPCC regional standard and provide a consistent comprehensive set of reliability requirements for the Northeast.

The Reliability Requirements Directory document structure accomplishes a number of objectives, including:

- Consolidating all the NPCC "B" and "C" documents related to the parent "A" criteria Document's topic; for example, having a Special Protection Systems Reliability Requirements Directory greatly simplifies searching for pertinent information regarding their application into one document, effectively reducing the number of NPCC documents.
- Demonstrating consistency with NERC Reliability Standards
- Combining the NERC and any applicable Regional Reliability Standard Requirements into the document.
- Identifying any more stringent NPCC Regional Criteria while removing any duplicative language that may exist between the NPCC criteria and NERC standards
- Incorporating the latest Functional Model language
- Easing future compliance determinations
- Clarifying and simplifying cross-reference "mapping" between NPCC Documentation and NERC Standards Requirements
- Providing opportunities for NPCC to assess need to develop regional standards beyond those specified as part of the NPCC or NERC work plans

NPCC is working with NERC in efforts to gain and maintain recognition as the Electric Reliability Organization in the various jurisdictions in Canada and presently has a memorandum of understanding (MOU) in place with Ontario and is developing further MOUs or Agreements with New Brunswick, Nova Scotia, and Québec. NERC Standards and NPCC Criteria and Regional standards are mandatory and enforceable in Ontario and New Brunswick as a matter of provincial law. NPCC reliability standards program area staff will continue to work with all provincial regulatory authorities and/or governmental agencies within its footprint to ensure adherence to the individual provincial legislation requirements.

Based on the portion of professional/technical staff time and other resources devoted to reliability standards development, NPCC estimates that it will expend 16 percent of its resources on this activity.

Program Description and Functions Performed

Funding Drivers and Reliability Benefits

- Review, comment on, and develop ballot recommendations for all NERC Reliability Standards under development or revision
 - The Northeast benefits from NPCC's coordination of a broad stakeholder review process and development of consensus recommendations to assure proposed standards will support regional international reliability
- Monitor the drafting of key NERC Reliability Standards-UFLS, TPL, Balancing Control etc.
 - The Northeast monitoring of the development of standards ensures reliability requirements that are clear, monitorable and enforceable and support international reliability in the Northeast
- Develop and maintain the set of NPCC Directories
 - The combination of North American and Regional Reliability Standards with the more-stringent NPCC regional criteria provides for consistency and operational clarity
- Monitor the Regional Standards development process for MRO, RFC and SERC to achieve consistency within the Eastern Interconnection
 - Northeast reliability is enhanced by strengthening neighboring regions' reliability standards
- Review all reliability related requirements of all ERO and Regional standards, criteria and ensure consistency, remove redundancies and adopt Functional Model language
 - The unambiguous assignment of reliability requirements to specific functional entities benefits international reliability.
- Review all FERC orders and Provincial Legislation as it relates to the standards, their revision and adoption
 - Northeast reliability benefits from careful analyses of governmental orders or actions adopting standards to assure consistency in interpretation

2009 Goals and Objectives

The reliability standards program goals and objectives for 2009 are grouped into six categories: participation in North American ERO standards development; regional reliability standards development; directory development, standards improvement; business practice interface; process improvement and communication, and ensuring that the more stringent regional criteria is consistent with the reliability standards and does not conflict with those standards.

The goals and objectives of the standards program for 2009 are to:

1) Participate in the ERO Standards Development

- Coordinate the development of ERO reliability standards within NERC's three-year standards work plan
- Conduct thorough reviews of all NERC standards being developed or revised and coordinate comments for Northeastern North America

- Solicit technically qualified candidates from Northeastern North America to participate on each of the NERC drafting teams
- Review and develop comments on FERC preliminary staff assessments as appropriate
- Participate in ballots for ERO standards and provide recommendations to the NPCC Members of the NERC Registered Ballot Body
- Review and develop comments on FERC Notice of Proposed Rulemaking (NOPR) for any and all standards related issues as appropriate
- Evaluate proposed standards utilizing regional technical committees
- Educate and notify stakeholders and regulators about issues related to standards development
- Provide a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC) and NPCC Task Force on Infrastructure Security and Technology (TFIST)

2) Regional Standards Development

- Complete the development of three 2008 standards utilizing the NPCC Regional Reliability Standard Development Procedure
- Draft proposed standards utilizing regional technical committees and working groups in an open and inclusive forum
- Actively monitor the standards development activities of the other regions in the Eastern Interconnection especially the Midwest Reliability Organization “MRO”, Reliability First Corporation “RFC” and Southeast Electric Reliability Council “SERC.” to assure consistency within the Eastern Interconnection.
- Accomplish all directives of ERO and governmental and/or regulatory authorities with regard to regional standards development and procedures
- Adhere to and surpass the ERO work plan milestones as they pertain to targets for the regional standards

3) Standards Improvement

- Achieve NPCC reliability goals and objectives by initiating and efficiently completing standards activities
- Leverage internet and web based tools functionality to ensure inter-regional consistency and quality of regional reliability standards
- Establish long-term strategy for standards improvement and initiate implementation
- Identify additional future regional standard opportunities by completing a set of Regional Reliability Directories incorporating the ERO Reliability Standards, Regional Standards and regionally-specific more stringent Criteria
- Ensure the topics addressed by the reliability standards parallel changing industry needs

4) Business Practices Interface

- Coordinate the review of standards with NPCC members of the North American Electric Standards Review Board
- Identify potential market issues for Regional Standards through NPCC Reliability Coordinating Committee (RCC) reviews

5) Process Improvement

- Identify efficiencies for a coordinated NERC standards development process and NPCC Regional Standards Development Procedure and recommend revisions as applicable
- Participate in the revision and redrafting of the NERC procedure
- Establish targets for NERC and NPCC standards procedure improvement and initiate implementation of the strategy
- Streamline and improve the regional standards process and enhance program tools

6) Communications

- Automate notifications process to assure awareness of dates and proceedings of all standard development activities
- Strengthen the relationship with the industry's technical committees to ensure adequate input to standards development
- Sponsor NPCC Workshops and participate in NERC/ERO to promote awareness and educate the industry
- Promote the reliability objectives of the NERC standards as appropriate to the NPCC members of the NERC Registered Ballot Body

Section 215 Regional Entity Reliability Standards Development

Technically excellent standards that enhance reliability require the full participation of industry experts from all regional entities as well as experts from different stakeholder segments to provide diverse yet helpful perspectives when developing reliability standards. The NPCC RSC promotes the drafting team process and solicits drafting team members from appropriate NPCC technical bodies.

NPCC RSC will also provide notifications to Northeastern North America NERC Registered Ballot Body members of applicable deadlines for ballot pool registration and for casting ballots thereby promoting achievement of quorum requirements. This support will enhance efficiency of the NERC procedure.

NPCC will also participate in the development and revision of standards as directed by FERC and other governmental and/or regulatory authorities. FERC has identified 56 NERC Reliability Standards needing "further work". These standards, along with additional standards delineated in the NERC three-year work plan as needing revision, will be ready to be reviewed and revised throughout 2009 and are included as follows.

NPCC will provide support and coordination of NERC standards development activities for the following:

- Standards Initiated for Revision in 2007 still to be worked on through 2009 (32 total standards)
- Standards Initiated for Revision in 2008 still to be worked on through 2009 (7 total standards)
- Standards to be Initiated for Revision (or New) in 2009 (40 total standards)

The above standards, taken from the NERC three-year work plan account for at least 79 total standards that will be reviewed, commented on as necessary, and coordinated, tracked and

communicated with the NPCC membership. NPCC will also participate in the development of new standards resulting from lessons learned through NPCC and NERC programs (e.g., reliability performance assessment, compliance enforcement, readiness evaluations, training, and situation awareness and infrastructure protection).

Regional Standards Development

The NPCC Regional Standards Development Procedure will develop/complete a minimum of three regional reliability standards as noted below and in accordance with the timelines in the NERC three-year standards work plan. These regional standards will include, but not be restricted to the following:

- Underfrequency Load Shedding (UFLS)
- Special Protection Systems (SPS)
- Balancing Resource and Demand, reserve sharing and requirements

All regional entities will develop these three standards (UFLS, Balancing, and SPS) to support the corresponding NERC ERO standards outlined in the work plan. These three standards, along with the associated ERO standards address the “fill in the blank” standards which FERC currently is “holding” for future action. NPCC is also participating in the NERC Regional Reliability Standards Working Group to strive to achieve uniformity and coordination between the regional entities’ standards.

NPCC is also participating actively in the development of adjoining Region’s standards by participating on the drafting teams and also in the review and commenting processes available. In addition NPCC is registered to cast ballot where and as allowed by the individual adjoining Region’s reliability standards development procedure.

Standards Improvement

Improvement in the quality of a standard can be quantified in a number of ways. The standards should identify an achievable, technically excellent reliability goal or objective. This goal should be measurable and have specific and concise requirements associated with it. How the reliability goal or objective is achieved will not be the focus of the process. Full participation from industry experts to provide proper technical guidance as well as multiple segments to provide diverse viewpoints is critical to the quality of the resultant standard. These attributes, along with open postings and notifications to allow the industry opportunities to participate are the key components to a successful process and achieving quality standards.

NPCC is committed to providing support to the ERO in its standard development activities. Process improvements resulting from conducting a thorough review of standards and the procedure itself will result in technically superior and excellent standards.

NPCC developed a mapping document which shows the relationship of each of the NERC RS requirements approved by the NERC BOT with NPCC document language. On an ongoing basis NPCC will achieve consistency as outlined in the NERC Rules of Procedure by maintaining reliability directories that incorporate NPCC’s more stringent regionally specific criteria and regional standards into a single document with the applicable NERC Reliability Standards.

Business Practice Interface

NPCC is an open organization that includes within its membership market participants as well as individuals involved with the North American Electricity Standards Board. During open process review of regional standards and the posting for comment on the NERC website, effective interface with those entities familiar with the business practices is achieved.

Standards Process Improvement

NPCC RSC and staff regularly participate in the NERC Standards Committee activities and contribute to develop revisions of the standards procedure manual. The RSC also seeks efficiencies in the regional standards procedure and utilizes and refines web based tools for easier user interface and to provide effective and timely notifications of standards activities.

Communications

- Educate and inform industry stakeholders through web based tools and participation in NERC Reliability Standards Workshops
- Update and inform governmental regulators and/or authorities on the standards development work plan and processes through individual project discussions and annual meetings/conferences
- Develop standards program communications that support NERC's overall communications platform
- Develop and maintain NPCC Reliability Directories that will enable users, owners and operators of the international bulk power system in the Region the ability to apply reliability requirements in NERC and NPCC as well as the more stringent NPCC regionally-specific criteria

Funding Requirements — Explanation of Increase (Decrease)

2009 reliability standards program funding is driven by the need for additional activities of NPCC standards drafting teams. NPCC anticipates greatly expanded activity (yet no projected increase in FTEs) in the area of Eastern Interconnection interregional participation and support of adjoining regional drafting activities specifically (RFC and MRO and SERC). These activities will result in greater consistency between the regional entities and also promote coordination and reduce comments on standard drafts thus expediting the standards approval. The effort will also broaden the knowledge and experience base and potentially lead to better reliability coordination.

Staffing Needs

Hiring Plans

Based on the existing complement of full time staff and subject matter consultants, NPCC projects a requirement of 3 FTEs for 2008 and estimates that, with the proposed work as outlined in this business plan along with the proposed interregional participation, NPCC will maintain the standards program area staff at projected 2008 levels.

Shared Employees

Not applicable

Consultants

NPCC will continue to rely on consultants for subject matter expertise on an as-needed basis throughout 2009. Due to the amount of regional documents being converted into Directories and the maintenance of the Directories once completed, NPCC estimates consultant services equivalent to one FTE will be required within the program area.

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Standards					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	Approved 2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 785,399	\$ 721,049	\$ (64,350)	\$ 717,220	\$ (3,829)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 785,399	\$ 721,049	\$ (64,350)	\$ 717,220	\$ (3,829)
Expenses					
Personnel Expenses					
Salaries	\$ 301,206	\$ 258,177	\$ (43,029)	\$ 332,684	\$ 74,508
Payroll Taxes	20,942	17,951	(2,992)	18,495	545
Benefits	84,552	72,473	(12,079)	58,550	(13,923)
Retirement Costs	43,750	37,500	(6,250)	46,435	8,935
Total Personnel Expenses	\$ 450,451	\$ 386,100	\$ (64,350)	\$ 456,164	\$ 70,064
Meeting Expenses					
Meetings	\$ 20,250	\$ 20,250	\$ -	\$ 28,000	\$ 7,750
Travel	81,250	81,250	-	111,264	30,014
Conference Calls	5,625	5,625	-	7,792	2,167
Total Meeting Expenses	\$ 107,125	\$ 107,125	\$ -	\$ 147,056	\$ 39,931
Operating Expenses					
Consultants	\$ 227,824	\$ 227,824	\$ -	\$ 114,000	\$ (113,824)
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 227,824	\$ 227,824	\$ -	\$ 114,000	\$ (113,824)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 785,399	\$ 721,049	\$ (64,350)	\$ 717,220	\$ (3,829)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	7.5	8.0	9.0
Total Direct Funding	\$1,727,832	\$1,992,182 ²	\$2,095,204
Total Indirect Funding [1]	\$1,469,736	\$1,567,718 ²	\$2,569,030
Total Funding	\$3,197,568	\$3,559,900 ²	\$4,664,233

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis. Total 2009 indirect funding includes \$634,670 apportioned to the compliance monitoring and enforcement and organization registration and certification program area associated with the one-time 2009 office relocation project.

² The 2008 projection of some \$200,000 in total of the one-time (2008 only) available surplus from the 2007 RE division budget year that can be applied to fund the compliance program area is driven by approved but under-budgeted personnel costs associated with FTE hires in this area and consultant enhancement needed for the compliance data administration application. Should there be 2008 hearings and costs associated with hearings, additional usage of the 2007 surplus would be recommended during 2008.

Background

The NPCC Compliance Program utilizes the NERC Compliance Monitoring and Enforcement Program (CMEP) to monitor, assess and enforce compliance, in the United States, to NERC Reliability Standards and Regional Reliability Standards of those entities contained in the NPCC Compliance Registry. NPCC implements the CMEP to meet its FERC and Canadian provincial governmental and/or regulatory requirements of NERC Program #400 – Compliance Enforcement. In 2009, the CMEP will include, for the first time, the monitoring, assessment and enforcement of NERC Reliability Standards related to cyber security.

In the Canadian portion of the region, NPCC monitors, assesses and enforces compliance to NERC Reliability Standards, Regional Reliability Standards and NPCC Criteria in accordance with approved Memoranda of Understanding and Implementation Agreement(s) that are in place or currently under development for each individual Canadian province within the Region. An agreement has been executed with Ontario and implementation agreements are being reviewed in the Québec, New Brunswick and Nova Scotia provinces. Each agreement will describe the particular process that will be utilized, by NPCC, to conduct the monitoring and assessment of compliance requirements in the associated province. Penalties and sanctions related to NERC Reliability Standards and Regional Standards will be administered by the defined provincial governmental and/or regulatory authorities as described in each discreet agreement. NPCC will issue non-monetary sanctions to responsible Canadian entities for violations of NPCC Criteria.

NPCC's CMEP uses the following eight methods to monitor compliance by the Registered Entities with the reliability standards. The requirements of the NPCC CMEP program are specified in the NPCC Regional Delegation Agreement with NERC. Subject to variations

between NPCC's CMEP and those of other regional entities, NPCC seeks to implement the program in a manner similar to the programs of other regional entities:

- **Compliance Audits** – NPCC conducts either on-site or off-site audits of all Registered Entities.
- **Self-Certification** – NPCC reviews Registered Entity certifications of compliance or non-compliance with standards on an annual basis.
- **Spot Checking** – NPCC verifies compliance with specific standards, primarily in connection with reviews of self-certification.
- **Compliance Violation Investigations** – Violation investigations are usually the result of a system event or disturbance, but may result from other sources.
- **Self-Reporting** – NPCC undertakes a monitoring process that is specifically designed to work in conjunction with a Registered Entity's continuous monitoring efforts by its internal compliance programs.
- **Periodic Data Submittals** – NPCC reviews monthly and quarterly reports that are submitted regarding compliance with certain standards.
- **Exception Reporting** – NPCC requires reports on a small set of standards when violations occur.
- **Complaints** – The NPCC compliance staff is alerted to a potential violation that is then investigated.

Each alleged violation will be reviewed and processed by NPCC and if confirmed will have an appropriate sanction recommended to NERC and FERC or the appropriate Canadian governmental and/or regulatory authority.

The compliance function is also involved in the following processes in support of its activities:

- **Registration** – Facilitating the registration process by ensuring that there are no gaps in the registration of entities in Northeastern North America and resolving registration disputes
- **Penalty calculations** – Determining, as appropriate, proposed penalties for alleged violations
- **Settlement negotiations** – Conducting settlement negotiations with Registered Entities when requested
- **Hearings and Appeals** – Participating in all hearings and appeals
- **Certification of Balancing Authorities, Reliability Coordinators and Transmission Operators** – Conducting the certification process as required

The NPCC Compliance Committee (CC), a Committee of the NPCC Board of Directors (BOD), provides policy input to the CMEP, and an oversight role to insure that the NPCC Compliance Staff properly implements the CMEP. This balanced stakeholder committee consists of representatives of the eight voting sectors as described in the NPCC *Bylaws* and is chaired by the Assistant Vice President - Compliance. The CC is also responsible for impaneling a Hearing Body to resolve contested compliance and/or sanction or penalty determinations. Hearings will be conducted by an independent Hearing Officer. The CC will also have working groups reporting to it as deemed necessary.

NPCC utilizes a web-based CMEP Data Administration Application (CDAA) to receive, review and analyze all data associated with the CMEP. NPCC will continue to enhance the CDAA to address the recommendations of its membership. This application is also being used by NERC and five other Regional Entities, specifically WECC, FRCC, RFC, TRE and SERC, as well as NERC. The CDAA Users Group will be the forum for member input and recommendations for the evolving application.

In 2009 NPCC, under NERC Program #500 - Organization Registration and Certification, will continue to maintain and revise the Compliance Registry to assure that the Registry contains the most current and accurate information. It will also assure that the necessary certification processes are implemented keeping Organization Certification current.

In 2009 there is an increase in the manpower requirements in the Compliance Monitoring and Enforcement and Organization Registration and Certification Programs of an additional 1.0 FTE. This increase is based on implementation of the CMEP including an expanded Compliance Audit and Spot Check Program, continued monitoring, maintenance and revision of the NPCC Compliance Registry and further enhancements and development of the CMEP Data Administration Application (CDAA).

Based on the portion of professional/technical staff time and other resources devoted to compliance monitoring and enforcement and organizational registration and certification, NPCC estimates that it will expend 47 percent of its resources on this activity.

Program Description and Functions Performed

The CMEP consists of a number of activities including administration (including CDAA development); entity registration; review and verification of self – certifications; implementation of the Compliance Audit/Spot Check Program; issuance of violation – related notices; tracking, review and approval of mitigation plans; issuance of Remedial Action Directives; conduct of hearings , as necessary and engagement in settlement proceedings, as necessary. The costs associated with the administration; entity registration and implementation of the Compliance Audit/Spot Check Program activities are allocated, in Canada, consistent with applicable Memoranda of Understanding and NERC’s *Policy on Allocation of Certain Compliance and Enforcement Costs*.

Funding Drivers and Reliability Benefits

- Expanded Scope of Compliance Committee
 - The Northeast benefits from the implementation of a rigorous enforcement program focused on enhancing reliability. It is expected that the expanded oversight role of the Compliance Committee will translate to further increasing the overall effectiveness of the CMEP.
- Expanded Number and Scope of Compliance Audits
 - Northeast international reliability benefits from the increased thoroughness of NPCC’s Compliance Audits as a result of the expansion of both the number of registered entity functions and scope of each of the audits to include additional monitored standards
- Expanded Compliance Registry, increased interaction with Registered Entities

- The inclusion in the registry of all users, owners and operators that have a material impact on the reliability of the international bulk power system, as verified through the survey activity undertaken by NPCC in 2008, is critical to assuring reliability in the Northeast
- Expanded participation in NERC Compliance Related Activities
 - Reliability in the Northeast benefits from NPCC's sharing it's lessons learned from CMEP implementation with NERC and other regional entities during regular Regional Entity Compliance Manager meetings and workshops
- Expanded Scope of Compliance Related Activities in Canada (Monitoring and Assessment of Compliance to Reliability Standards, Compliance Program Evaluation)
 - The Northeast benefits from a strong reliability framework that supports international reliability interdependency
- Expanded Activities in Inter- Regional Compliance Related Matters
 - Northeast reliability benefits from the consistent application of compliance activities across regions
- Increased Compliance Data Reporting and Data Retention Requirements
 - The registered entities in the Northeast benefit from NPCC's automated compliance data submittal portals
- CDAA and compliance web site enhancement
 - The Northeast benefits from enhanced transparency and predictability regarding compliance

2009 Goals and Objectives

- Conduct 2009 CMEP incorporating all NERC Reliability Standards contained in the NERC monitored list for 2009 and any approved and applicable Regional Reliability Standards
 - Implement settlement process when applicable and send proper notifications to NERC and FERC
 - Conduct necessary Hearings related to resolution of outstanding disputes regarding violations and/or sanctions. Send results of hearings to NERC and FERC
- Implement compliance responsibilities identified in the approved Canadian Memoranda of Understanding and/or Implementation Agreements
- Provide NPCC Regional input, through participation in appropriate NERC compliance committees, on policy and implementation issues related to compliance, including the development of compliance elements for all new or revised NERC Reliability Standards
- Provide required information to NERC on a timely basis including reporting of alleged violations and confirmed violations
- Track the progress of, report status of, and approve mitigation plans
- Conduct 2009 Compliance Audit Schedule of an estimated total of 125 Compliance Audits. The 2009 Audits will be categorized by the scope of the audit based on the number of requirements for each registered entity contained on the monitored list of reliability Standards for 2007, 2008 and 2009. Four categories have been established based on the number of requirements to be audited. In 2009 there are projected to be

16 “large” on-site audits, 80 “large” off-site audits, 16 “medium” audits and 13 “small” audits. The estimates for the number of Compliance Audits are also based on the projected total number of registered entities for each type and the established three-year cycle for RC, BA, TOP Compliance Audits and the established six-year cycle for all other registered entity types.

- Conduct spot check program during the year. A spot check can be viewed as a limited unscheduled off-site compliance audit that will be utilized to verify self certification submittals that have been done earlier in the year. In 2009 the number of spot checks to be done is estimated to be 200
- Assure that NPCC Staff is trained to conduct Compliance Audits
- Maintain Regional Compliance Auditor Training Program, including the implementation of the “train- the- trainer” function envisioned by the Region. This function is contingent upon the development, by NERC, of the proper training module.
- Work with the Training, Education and Operator Certification and Reliability Readiness Evaluation and Improvement Programs to review and maintain compliance auditor training requirements
- Provide input to the development of compliance elements within proposed NPCC Regional Reliability Standards
- Enhance the CDAA to expand its capabilities from both the registered entity perspective and the NPCC Compliance Staff perspective. Use established CDAA Users Group to seek input from the user community as to ways to enhance the application. Provide applicable training to staff personnel to allow for the development of enhanced compliance program reporting
- Conduct 2009 Compliance Workshops

Funding Requirements – Explanation of Increase (Decrease)

2009 compliance enforcement program funding is driven by additional staffing and the associated costs of conducting audits and investigations. There are no hearings budgeted for 2009. Funding for any compliance hearings required would be drawn from operating reserves. The scope of both the on-site and table-top audits has expanded from 2007 to 2008 and will expand again in 2009. The expansion in scope is mainly due to an increase in the number of standards that are included in the actively monitored program for each year. In 2007, about 50 of the FERC-approved standards were included. This number will increase to 83 standards in 2008. Auditing of the CIP standards will be added to the CMEP in 2009.

Staffing Needs

Hiring Plans

One additional FTE will be hired for 2009 to conduct the responsibilities of implementing the CMEP, raising the FTE count from the projection of 8 to 9. Training will be required in order to facilitate consistency and quality of the compliance process.

Shared Employees

Not Applicable.

Contractors

Contract auditors will be utilized for the execution of off-site and on-site Compliance Audits. The use of independent contractors under the direct supervision of the NPCC Compliance

Section A — 2009 NPCC Business Plan

Staff continues to be the most cost-effective way to provide the additional specialized resources needed for investigations, hearings and appeals. For regional consistency and implementing the guidance provided by NERC, NPCC in the 2009 budget uses the consultant classification for specific or one-time efforts and the contract classification for ongoing functions and services. NPCC's switching costs from one account to the other in its 2009 budget could give the impression of a reduction in consultants and an increase in contracts. The net impact of viewing contracts and consultants together results in an overall decrease for 2009 as compared to 2008.

Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Compliance and Organization Registration and Certification					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	Approved 2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 1,727,832	\$ 1,992,182	\$ 264,350	\$ 2,095,204	\$ 103,022
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,727,832	\$ 1,992,182	\$ 264,350	\$ 2,095,204	\$ 103,022
Expenses					
Personnel Expenses					
Salaries	\$ 679,505	\$ 755,460	\$ 75,955	\$ 1,056,603	\$ 301,143
Payroll Taxes	47,076	51,605	4,529	62,341	10,736
Benefits	181,183	198,037	16,854	239,144	41,107
Retirement Costs	93,750	96,412	2,662	104,489	8,077
Total Personnel Expenses	\$ 1,001,513	\$ 1,101,513	\$ 100,000	\$ 1,462,577	\$ 361,063
Meeting Expenses					
Meetings	\$ 43,393	\$ 43,393	\$ -	\$ 45,703	\$ 2,310
Travel	174,107	174,107	-	170,320	(3,787)
Conference Calls	12,054	12,054	-	12,000	(54)
Total Meeting Expenses	\$ 229,554	\$ 229,554	\$ -	\$ 228,023	\$ (1,531)
Operating Expenses					
Consultants	\$ 406,765	\$ 571,115	\$ 164,350	\$ 134,400	\$ (436,715)
Contracts	90,000	90,000	-	270,204	180,204
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 496,765	\$ 661,115	\$ 164,350	\$ 404,604	\$ (256,511)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,727,832	\$ 1,992,182	\$ 264,350	\$ 2,095,204	\$ 103,022
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Reliability Readiness Evaluation and Improvement Program

Reliability Readiness Evaluation and Improvement Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1	1	0
Total Direct Funding	\$232,567	\$232,567	\$0
Total Indirect Funding [1]	\$195,965	\$195,965	\$0
Total Funding	\$428,532	\$428,532	\$0

For 2009, NERC's Business Plan and Budget states that the Reliability Readiness Evaluation and Improvement Program will complete remaining scheduled readiness reviews and close at the end of the first quarter of 2009. NPCC's regional entity division includes no budgeting in its 2009 Business Plan and Budget for readiness evaluations within the region. An existing FTE will be redeployed to the situation awareness program area, thus reducing by 1 FTE previously proposed additions to the regional entity division. The NERC 2009 Work Plan for completion of the program includes 12 evaluations. Should any of these 2009 evaluations pertain to registered entities within NPCC, regional resources necessary to complete the evaluations could come from budgetary reprioritization or reserves.

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	0.5	0.5	0.1
Total Direct Funding	\$120,770	\$120,770	\$70,292
Total Indirect Funding [1]	\$97,982	\$97,982	\$28,545
Total Funding	\$218,752	\$218,752	\$98,837

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis. Total 2009 indirect funding includes \$7,052 apportioned to the training, education, and operator certification program area associated with the one-time 2009 office relocation project.

Background

System Operator Certification Program Background and Description

The System Operator Certification Program incorporates a requirement to use continuing education hours (CE hours) to maintain a credential that is valid for three years. Successfully passing an examination earns a credential and a certificate that is valid for three years. Accumulation of the proper number and type of CE hours from NERC-approved learning activities within that three-year period maintains the validity of that credential for the next three years. A new certificate is issued indicating the new expiration date.

The program provides that:

1. System operators seeking to obtain a credential must pass an examination to earn the credential
2. A certificate, valid for three years, will be issued to successful candidates
3. A certified system operator must accumulate a minimum number of CE hours in specific training topics before their certificate expires to maintain their credential. The minimum number of CE hours is based on each credential:
 - a. 200 CE hours for Reliability Operator
 - b. 160 CE hours for Balancing, Interchange, and Transmission Operator
 - c. 140 CE hours for Balancing and Interchange Operator
 - d. 140 CE hours for Transmission Operator

NERC specifies the detailed requirements of training content that is accepted for CE hours.

Examples of these requirements are:

- Training focuses on content and/or implementation of NERC standards
- Training includes simulations (i.e., table-top exercises, training simulators, emergency drills, practice emergency procedures, restoration, black start, etc.)

Based on the portion of professional/technical staff time and other resources devoted to training, education, and operator certification, NPCC estimates that it will expend 1 percent of its resources on this activity.

Funding Drivers and Reliability Benefits

- Decrease of 0.4 FTEs in 2009
- Provide and fund two high-quality continuing education seminars for system operators, schedulers and dispatchers
 - System operators and schedulers participating in the Seminars get exposure to NPCC issues and current industry operations topics, review recent NPCC or major external disturbances, discuss projected conditions for the coming summer or winter peak season and participate in “hands on” exercises pertaining to system operation practices. Seminar attendees also receive CE hours and each Area utilizes the seminar content by including it in their internal training programs to provide CE hours to all system operators. Furthermore, the seminars help to improve system operation coordination through better camaraderie among operators
- Review and revise the curriculum of the training seminars to better emphasize NERC standards, regional standards and business practices, NPCC wide-area operations and regionally-specific criteria and procedures
 - Enhance the system operator’s awareness and knowledge of the standards, criteria and procedures they apply in real time operation
- Provide more sharing of new training approaches, exchange of information on internal methods of system operator selection, training material and training sessions
 - Enhanced efficiency and cost savings in the training programs in the NPCC Areas

2009 Continuing Education Program Goals and Objectives

- Integrate the NERC Continuing Education program into the respective training programs of the NPCC Balancing Authority Areas (BAAs)
- Where achievable, consolidate training among the NPCC BAAs in the development of course work accredited for Continuing Education Hours
- Enhance the semiannual NPCC System Operators Training Seminar to permit accredited Continuing Education Hours for its participants
- Identify NPCC System Operators Training Seminar content that could be incorporated into the training programs of the NPCC BAAs and, whenever practical, use the content in those programs
- Identify and establish any necessary training requirements which may result from the entity certification process

Training Program Background and Description

NPCC provides continuing education and training for system operators, schedulers and dispatchers. In 2009, NPCC will increase the emphasis on training relating to the NERC Standards, the Regional Standards and Business Practices.

2009 Training Goals and Objectives

- NPCC will continue to provide high-quality continuing education seminars for system operators, schedulers and dispatchers
- NPCC will continue to review and revise the curriculum of the seminars as needed, and will increase the emphasis on training relating to the NERC Standards, the Regional Standards and Business Practices

Program Description and Functions Performed

NPCC establishes and coordinates programs for system operator training relating to inter-Area matters, criteria, terminology, policies and operating instructions. It develops training seminars, held twice yearly, at which potential operational problems for the coming season are discussed, internal training methods and techniques are exchanged, the implementation of NPCC policies are discussed, significant disturbances are reviewed for lessons to be learned and “table-top” drills and event simulations are conducted to replicate selected operational problems. NPCC also evaluates and proposes new techniques and training aids as they become available.

Funding Requirements — Explanation of Increase (Decrease)

The NPCC Training Program will require no registration fees for training sessions beginning in 2009. The Dispatcher Training Working Group will support both operator training and NPCC member training. It will be funded through NPCC.

Staffing Needs

Hiring Plans

There will be a decrease in staff from 0.5 FTEs to 0.1 FTEs.

Shared Employees

There are no shared employees.

Contractors

There are no contractors associated with this program area.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Training and Education					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	Approved 2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 120,770	\$ 120,770	\$ -	\$ 70,292	\$ (50,478)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 120,770	\$ 120,770	\$ -	\$ 70,292	\$ (50,478)
Expenses					
Personnel Expenses					
Salaries	\$ 71,641	\$ 71,641	\$ -	\$ 16,435	\$ (55,205)
Payroll Taxes	4,379	4,379	-	922	(3,457)
Benefits	12,079	12,079	-	5,281	(6,798)
Retirement Costs	6,250	6,250	-	21,684	15,434
Total Personnel Expenses	\$ 94,348	\$ 94,348	\$ -	\$ 44,322	\$ (50,027)
Meeting Expenses					
Meetings	\$ 2,893	\$ 2,893	\$ -	\$ 20,875	\$ 17,982
Travel	11,607	11,607	-	4,595	(7,012)
Conference Calls	804	804	-	500	(304)
Total Meeting Expenses	\$ 15,304	\$ 15,304	\$ -	\$ 25,970	\$ 10,666
Operating Expenses					
Consultants	\$ 11,118	\$ 11,118	\$ -	\$ -	\$ (11,118)
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 11,118	\$ 11,118	\$ -	\$ -	\$ (11,118)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 120,770	\$ 120,770	\$ -	\$ 70,292	\$ (50,478)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	3.5	3.5	3.9
Total Direct Funding	\$1,043,610	\$1,043,610	\$1,446,942
Total Indirect Funding [1]	\$685,877	\$685,877	\$1,113,246
Total Funding	\$1,729,487	\$1,729,487	\$2,560,188

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis. Total 2009 indirect funding includes \$275,024 apportioned to the reliability assessment and performance analysis program area associated with the one-time 2009 office relocation project.

Background

NPCC coordinates operation and planning among the NPCC Areas and NERC to enhance the reliability of the interconnected bulk power system, including the development of operating procedures affecting the reliability and operability of interconnected power systems. NPCC has established the Reliability Coordinating Committee (RCC) as the top technical committee to integrate the “deliverables” of several NPCC’s programs.

Seasonal assessments of the overall NPCC resource adequacy assessments are performed and possible actions to mitigate any potential problems are identified. NPCC reviews operations and disturbances both internal and external to the Region in order to identify any lessons to be learned and recommends any necessary follow-up actions.

If appropriate, enhancements to Regional Standards or NPCC’s more stringent, regionally specific reliability requirements are also recommended. NPCC promotes and conducts both inter-Area and interregional studies to enhance reliability and operational effectiveness, and provides a forum for the discussion and coordination of operating issues within the NPCC Areas and with other Regions.

Based on the portion of its professional/technical staff time, and other resources that it expects to devote to the performance of reliability and adequacy assessments, the analysis of significant system events on the bulk power system, and to the development of reliability metrics and benchmarks, NPCC estimates that it will expend 25 percent of its resources on this activity.

Resource Adequacy Assessments Objectives

NPCC, through its Reliability Coordinating Committee (RCC), Task Forces and Working Groups performs assessments of the future resource adequacy of the Region. Consistent with the applicable NERC Reliability Standards, these efforts are summarized below:

- Review the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserves in accordance with the related NPCC reliability directories associated with the *Guidelines for Area Review of Resource Adequacy* and the *Basic Criteria for the Design and Operation of Interconnected Power Systems*
- Assess the impact of planned the transmission and resource additions or modifications on NPCC system reliability in accordance with the related NPCC reliability directories

associated with the *Guidelines for NPCC Transmission Reviews* and the *Basic Criteria for the Design and Operation of Interconnected Power Systems*

Operations Reliability Objectives

NPCC's operations reliability objectives, defined within the scope of the NPCC Task Force on Coordination of Operation (TFCO) include, but are not confined to:

- Promoting, and providing a forum for, the active coordination of reliability and operation among the NPCC Areas and NERC Regions to enhance the reliability of the interconnected Bulk Power System
- Conducting seasonal reviews of the overall reliability of the generation and transmission systems in NPCC. Reviewing the operational readiness of NPCC and recommending possible actions to mitigate any potential problems identified for the coming operating period
- Ensuring the effectiveness of NPCC operations through:
 - the review of operations and disturbances and by providing any necessary follow-up, including the recommendation of remedial or mitigating actions; and
 - the development of criteria and procedures
- Promoting and sponsoring inter-Area and interregional studies to enhance reliability and operational effectiveness
- Providing NPCC recommendations for the NERC Operating Committee, its Subcommittees and Working Groups

Planning Reliability Objectives

NPCC's planning reliability objectives, defined within the scope of the NPCC Task Force on Coordination of Planning (TFCP) include, but are not confined to:

- Promoting reliability through the coordination of NPCC Area planning processes and activities
- Initiating reviews of any NPCC documents in response to lessons learned from major system events
- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserves
- Coordinating the reliability review of the future NPCC Area plans, including an analysis of resource and transmission system additions, and the potential inter-Area effects of special protection systems
- Coordinating the reliability review of proposed new or modified special protection systems in NPCC
- Encouraging Area planning organizations to initiate inter-Area and interregional studies where improved reliability may be achievable through joint planning.
- Interfacing with and providing information to the NERC Planning Committee, its Subcommittees, and Working Groups
- Coordinating NPCC responses to related FERC and regulatory/governmental agencies
- Promoting use of emerging technologies that are not inconsistent with current best practices
- Reviewing and modifying documents to reflect prudent application of new technologies

System Protection Reliability Objectives

NPCC's system protection reliability objectives, defined within the scope of the NPCC Task Force on System Protection (TFSP) include, but are not confined to:

- Conducting appropriate reviews, modifying existing NPCC documents and submit reports, as required
- Reviewing and analyzing the performance of protection systems following selected major power system disturbances and events, inside as well as outside the NPCC region.
- Providing technical advice on protection to NPCC and other groups
- Reviewing and assessing regulatory and industry based documents as they relate to system protection. Providing technical representation to working groups for review of such documents. Reviewing and assessing significant protection issues of common interest or informational value
- Maintaining an effective liaison with North America groups working in the protection areas
- Exchanging information with other power pools, Regional Reliability Councils, Regional Transmission Organizations and other industry groups on matters concerned with system protection

System Studies Reliability Objectives

NPCC's system studies reliability objectives, defined within the scope of the NPCC Task Force on System Studies (TFSS) include, but are not confined to:

- Providing for active overall coordination of system studies of the reliability of the interconnected bulk power system and for the review of related NPCC documents
- Reviewing the list of bulk power system (BPS) elements, in accordance with the "Classification of Bulk Power System Elements" (currently NPCC Document A-10), based on material presented by the Areas. Participate in reviews and updates of each Area's BPS List
- Reviewing and classifying new and modified Special Protection Systems (SPS) in NPCC.
- Annually reviewing and updating the NPCC SPS List
- Conducting such load flow, transient stability, and other studies as required analyzing the overall reliability of the planned bulk power transmission systems of NPCC and the interconnections between NPCC and other regional reliability organizations. As a part of this effort, analyze potential inter-Area effects of Special Protection Systems.
- Conducting analytical studies as appropriate to support the coordination of system planning, system operation and system protection in NPCC
- Maintaining, through the SS-37 Working Group, a library of load flow base cases and associated dynamics data, for use in and support of Area Reviews, overall transmission assessments, operational studies, inter-Regional studies, etc., coordinating this effort with the NERC inter-regional base case development process
- In conjunction with other NPCC Task Forces, reviewing major system disturbances to ascertain the adequacy of the interconnected systems. Also, reviewing any associated recommendations for system modifications and considering the need for changes to NPCC's more stringent regionally specific reliability requirements
- Identifying and recommending improved system study techniques, including, but is not limited to, the following:
 - improved techniques and models for power system simulation

- improved techniques for power system reliability assessment
- Conducting a periodic review of the adequacy of the NPCC underfrequency load shedding program
- Annually reviewing and updating a list of NPCC underfrequency load shedding
- Maintaining a listing and monitor status of major transmission and generation projects within NPCC
- Monitoring the work of industry research and development organizations such as the IEEE, Canadian Electricity Association, Electric Power Research Institute, CIGRE and other technical organizations

Funding Drivers and Reliability Benefits

- Addition of 0.4 FTEs in 2009
 - The Northeast benefits from NPCC's additional support of the following identified reliability related activities anticipated for 2009:
- Increased support for NERC data requests in 2009 (TADS Phase I & II and GADS)
 - The Northeast benefits from NPCC's role as the Regional Entity TADs coordinator from associated administrative responsibilities including requesting and follow-up to NERC's TOs data request; review of the TOs responses for regional consistency, and coordination of responses for circuits owned by different TOs. It is anticipated that similar responsibilities/activities will be expected of the Regional Entities for GADS in 2009. The NERC GADS data is used as the basis for many of the NPCC and NPCC Area probabilistic resource adequacy assessments
- Participation in the expanded scope of the NERC Data Collection Working Group activities in 2009
 - The Northeast benefits by NPCC's:
 - providing improvements to the current NERC Reliability Assessment Subcommittee Data Collection efforts that make sense given the markets operating in the northeast
 - working with NERC and EIA on forthcoming changes related to the Presidential Permitting process for Canadian/Mexico to US interconnections
 - supporting FERC Demand-Side Management data collection efforts building upon the mechanisms already in-place in the northeast, rather than creating conflicting requirements 'from scratch'
 - leading the effort in demonstrating risk assessment approaches to capacity margin analysis that support, not conflict with NPCC regional resource adequacy assessments
- Increased involvement required by the NERC Reliability Assessment Subcommittee 2009 Long Term Reliability Assessment (new requirement for Scenario Analysis in 2009). This will include some participation in a coordinated effort among most of the Regions in the Eastern Interconnection
 - Through both provincial initiatives within Canada together with legislation in New York and several of the New England states, NPCC as a Region will fall within the parameters defined for the 2008 RAS Long-Term Reliability Assessment "Scenario #1: Accelerated Renewable Integration." As defined by the constraints of this assessment, the ability of NPCC to accommodate 15% of its annual energy projections for the ten-year study period from new sources of

renewable energy will be examined. As further stipulated, a maximum of 5% of the energy needs will be achieved through various energy efficiency initiatives. The Northeast benefits from NPCC's coordination of the New York ISO and the ISO New England Inc. participation in the Joint Coordinated System Plan, (proposed along with the Midwest ISO, PJM, SPP, MAPP and TVA) with the inclusion of the three NPCC Canadian entities into the Joint ISO Planning Committee (JIPC) analysis of renewables. As part of its current collaborative efforts, the JIPC group is assessing globally the challenges of integrating renewable resources in the Eastern Interconnection. The results of these studies will be used to:

- identify the percentage energy contributions of renewable energy;
 - estimate the reduction in system demand realized from the implementation of DSM programs and energy efficiency initiatives; and
 - examine the capability of the projected transmission system to support the expected concentration of new renewable resources
- Improving system modeling tools and data: validating the reactive power, load power factor, and voltage profile data in the NPCC library power flow cases, pursuant to NERC BOT Blackout Recommendation #14 (Model Data Verification): NPCC developed a three - step plan: 1) compile existing NPCC and Area procedures regarding validation of models used in power flow and stability analyses; 2) review and assess the adequacy of the existing procedures; 3) if necessary, recommend new procedures considered necessary to provide for adequate model validation
 - The Northeast benefits from NPCC's participation in these activities that directly support the follow-up analysis to ensure that future assessments of the Underfrequency Load Shedding (UFLS) Program include: a) sensitivity studies to examine the impact of unexpected load or generation loss near the electrical center of unstable swings during island formation; b) simulation of island formation across Area and regional boundaries and modeling more severe conditions including modeling of initiating disturbances and non-coincident tripping of circuits across the island boundary; c) the impact of low voltages on UFLS relay performance including under-voltage supervision and accuracy of frequency measurements; and d) identification of large load areas within NPCC that are frequently deficient in generation by more than 25% and that are susceptible to islanding and assessment of the performance of such islands
 - Expanded efforts of the Eastern Interconnection Reliability Assessment Group (ERAG) The Northeast benefits from NPCC's participation in the ERAG interregional steady state system assessment studies for seasonal and future considerations by:
 - satisfying requirements in the NERC TPL standard
 - improving steady state and dynamic simulation models for regional, interregional and system disturbance analysis studies
 - analyzing system disturbances and operating tool failures for lessons learned

2009 Operations Reliability Goals and Objectives

NPCC's operations reliability goals and objectives, as identified by the 2008-2009 Work Plan of the NPCC Task Force on Coordination of Operation (TFCO) include, but are not confined to:

- Conducting seasonal reviews of the overall reliability of the generation and transmission systems in NPCC, and coordinate these efforts with parallel assessments conducted by the NPCC Task Force on Coordination of Planning (TFCP) and by NERC. Reviewing the operational readiness of NPCC and recommend possible actions to mitigate any potential problems identified for each operating period
- Facilitating the effectiveness of NPCC operations through the review of operations and system disturbances and by providing any necessary follow-up, including the recommendation of remedial or mitigating actions
- Facilitating the reliable operational integration of new bulk power system facilities.
- Promoting and sponsor inter-Reliability Coordinator area and interregional studies to enhance reliability and operational effectiveness
- Providing coordination of operating issues with other NPCC Task Forces and other Regions
- Assessing the potential impact of wind energy penetration on control performance
- Identifying metering requirements for loads that provide ancillary services
- Conducting and coordinating Regional pre-operational readiness evaluations in preparation for NERC certification of functional entities

2009 Planning Reliability Goals and Objectives

NPCC's 2009 planning reliability goals and objectives, as identified by the 2008 - 2009 Work Plan of the NPCC Task Force on Coordination of Planning include, but are not confined to:

2003 Blackout Recommendations

- Completing any outstanding 2003 Blackout Recommendation follow-up analyses, including any further Blackout Recommendation activities as they are developed by the NERC Blackout Recommendation Task Force (BRTF) or NPCC
- Evaluating Under-Voltage Load Shedding (UVLS) applicability and capability within NPCC. Coordinate to ensure that further UVLS analysis beyond the initial feasibility/screening study is completed according to schedules

System Protection

- Evaluating system protection and control to address the limiting propagation of a cascading failure
- Defining and determining the requirements for synchronized reserve
- Coordinating, monitoring, reviewing, and making recommendations on proposed or modified NPCC Special Protection Systems
- Monitoring the actions of the NERC Transmission Issues Subcommittee (TIS) in the area of system protection and control

Facilitating Wide-Area Planning

- Supporting the Joint ISO/RTO Planning Committee activities, including implementation of the Northeast Planning Protocol, and performing interconnection reliability analyses, as required
- Following the U.S. Department of Energy (DOE) Eastern Interconnect Phasor Project
- Participating in the DOE Congestion Study and designation of National Interest Electric Transmission Corridors

Resource Adequacy

- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserves
- Performing pre-seasonal Multi-Area Probabilistic Reliability Assessments of the NPCC area
- Identifying potential reliability impacts associated with existing and proposed NPCC Area and neighboring Regions market mechanisms, and providing Regional liaison with NERC/NAESB goals, objectives and activities
- Ensuring coordination and submittal of data and assumptions for conducting NPCC and NERC reliability assessments through participation on the NERC Data Collection Working Group
- Participating in surveys and monitoring the activities of the NERC Resource Issues Subcommittee (RIS)
- Performing the scenario analyses required as part of the NERC Reliability Assessment Subcommittee (RAS) 2009 Long Term Resource Assessment (LTRA)

2009 System Protection Reliability Goals and Objectives

NPCC's system protection reliability objectives, as defined by the 2008 – 2009 Work Plan of the NPCC Task Force on System Protection (TFSP) include, but are not confined to:

System Protection Assessments

- Reviewing and analyzing the performance of protection systems following selected major power system disturbances and events, inside as well as outside NPCC
- Reviewing and assessing regulatory and industry based documents as they relate to system protection. Providing technical representation to working groups for review of such documents
- Identifying the need for special studies and new documents, recommend action to the RCC, and performing special assignments and studies as directed or authorized
- Assessing proposed protection systems and special protection systems in NPCC

Information Exchange

- Maintaining an effective liaison with the NERC System Protection & Control Task Force
- Exchanging information with Independent System Operators, power pools, Regional Entities, Regional Reliability Organizations, Regional Transmission Organizations and other industry groups on matters concerned with system protection
- Providing technical advice on protection issues to NPCC and coordinating with other Task Forces on the application of Intelligent Electronic Devices (IEDs) that include functions related to energy management systems in addition to their protective functions, in order to safeguard the integrity of the protective functions
- Reviewing and assessing significant protection issues of common interest or informational value

Maintenance Evaluation

- Collecting data relative to Bulk Power System maintenance practices to evaluate protection system maintenance costs and the impact on Bulk Power System performance. This data will be used to optimize protection system maintenance requirements

2009 System Studies Reliability Goals and Objectives

NPCC's system studies reliability goals and objectives, as identified in the 2008 – 2009 Work Plan of the NPCC Task Force on System Studies (TFSS) include, but are not confined to:

Reliability Assessments

- Conducting Area Transmission Reviews, based on material presented by the Areas, to assess the impact of planned transmission and resource additions or modifications on system reliability. Through the Area transmission reviews, re-evaluate the performance and classification of existing SPS and Dynamic Control Systems
- Reviewing and classifying new and modified Special Protection Systems (SPS), in NPCC. Annually reviewing and updating the NPCC SPS list
- Reviewing and approving changes to Area's lists of Bulk Power System (BPS) elements, in accordance with the "Classification of Bulk Power System Elements" (currently NPCC Document A-10). Annually reviewing and updating of the NPCC BPS list
- Performing the NPCC Overall Transmission Study to evaluate the steady state and dynamic performance of the NPCC Region, including the calculation of Inter-Area transfer capabilities and extreme contingency performance
- Conducting annual reviews and updates of the NPCC library of power flow base cases and associated dynamics data, for use in and support of planning studies, operating studies, and reliability assessments, and coordinating this effort with the NERC interregional base case development process through the MMWG
- Conducting such load flow, transient stability, and other studies as required analyzing the overall reliability of the planned bulk power transmission systems of NPCC and the interconnections between NPCC and other regional entities. As a part of this effort, analyzing potential inter-Area effects of Special Protection Systems
- Maintaining a listing and monitoring the status of existing and proposed major transmission and generation projects within NPCC; annually updating the NPCC Electric System Map, including interconnections with adjacent regions for the existing facilities

Blackout 2003 Follow-up Analysis

- Investigating specific protection system changes on NPCC interfaces whose performance proved to be critical during the Blackout sequence of events
- Completing Task 5 of the TFSS August 14, 2003 Northeast Blackout Study Plan, evaluating various possible mitigation measures to improve the ability of the NPCC member systems to withstand a major system disturbance originating from a wide range of initiating conditions
- Making improvements in modeling tools and data: validate the reactive power, load power factor, and voltage profile data in the NPCC library power flow cases. Surveying methods available now to create accurate power flow models based on actual operating data, reviewing initiatives underway by NERC, determining how much effort would be required to develop a common approach within NPCC and identifying its associated costs
- Reviewing past industry efforts to study dynamic load behavior, and contact technical experts within the industry to benefit from their research. Focusing on load behavior

during large frequency and voltage excursions and the ability to model when load is tripped. Recommending whether to develop improved models for use in analysis of major disturbances or to develop appropriate models at the time of analyzing a disturbance

Funding Requirements — Explanation of Increase (Decrease)

For the Reliability Assessment and Performance Analysis Program, the increase from 3.5 FTEs in 2008 to 3.9 FTEs in 2009 is driven primarily by:

- Increased support for NERC data requests in 2009 (TADS Phase I & II, GADS, possible DADS (Demand-Side Availability Data))
- Participation in the expand scope of the NERC Data Collection Working Group activities in 2009
- Increased involvement required by the NERC Reliability Assessment Subcommittee 2009 Long Term Reliability Assessment (new requirement for Scenario Analysis in 2009)
- Improving system modeling tools and data: validating the reactive power, load power factor, and voltage profile data in the NPCC library power flow cases

Staffing Needs

Hiring Plans

Increase from 3.5 FTEs in 2008 to 3.9 FTEs in 2009

Shared Employees

None

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Assessment and Performance Analysis					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	Approved 2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 1,043,610	\$ 1,043,610	\$ -	\$ 1,446,942	\$ 403,332
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,043,610	\$ 1,043,610	\$ -	\$ 1,446,942	\$ 403,332
Expenses					
Personnel Expenses					
Salaries	\$ 432,523	\$ 432,523	\$ -	\$ 642,840	\$ 210,317
Payroll Taxes	27,836	27,836	-	35,980	8,144
Benefits	84,552	84,552	-	147,908	63,356
Retirement Costs	43,750	43,750	-	100,110	56,360
Total Personnel Expenses	\$ 588,661	\$ 588,661	\$ -	\$ 926,838	\$ 338,177
Meeting Expenses					
Meetings	\$ 20,250	\$ 20,250	\$ -	\$ 42,406	\$ 22,156
Travel	81,250	81,250	-	162,271	81,021
Conference Calls	5,625	5,625	-	28,489	22,864
Total Meeting Expenses	\$ 107,125	\$ 107,125	\$ -	\$ 233,166	\$ 126,041
Operating Expenses					
Consultants	\$ 247,824	\$ 247,824	\$ -	\$ 15,600	\$ (232,224)
Contracts	100,000	100,000	-	271,338	171,338
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 347,824	\$ 347,824	\$ -	\$ 286,938	\$ (60,886)
Other Non-Operating Expenses					
	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,043,610	\$ 1,043,610	\$ -	\$ 1,446,942	\$ 403,332
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1	1	2
Total Direct Funding	\$263,328	\$263,327	\$541,168
Total Indirect Funding [1]	\$195,965	\$195,965	\$570,895
Total Funding	\$459,292	\$459,292	\$1,112,063

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis. Total 2009 indirect funding includes \$141,038 apportioned to the situation awareness and infrastructure security program area associated with the one-time 2009 office relocation project.

Background

The Situation Awareness and Infrastructure Security Program is the combination of near real time awareness of conditions on the bulk power system with the programs necessary to increase the physical and cyber security of the electricity infrastructure. This includes the operation and maintenance of tools and other support services for the benefit of reliability coordinators and other system operators. Maintaining the real-time awareness of conditions on the interconnected bulk power systems of the NPCC Areas (including awareness of abnormal events, communicating information concerning system conditions and abnormal events to, and facilitating real-time communications among, system operators responsible for the reliable operation of the bulk power systems) is critical to maintaining reliable operation within NPCC.

On an ongoing basis, NPCC monitors the operational status of the bulk power system and coordinates normal and pre-emergency communication, awareness and assistance in addition to the same during an emergency among the Areas. The industry is notified of significant bulk power system events that have occurred in one Area, and which have the potential to impact reliability in other NPCC Areas or Regions external to NPCC. These events include contingencies on the bulk power system, potential shortfalls of operating reserve, operating problems, potential security threats and potential threats or disruptions to the cyber systems of the Areas.

To assist in the evaluation of emerging tools to better identify evolving system conditions, NPCC actively coordinates the utilization of existing operational aids, and the implementation of new operational aids, including the Area Control Error (ACE) and Frequency Monitoring System; the NERC Hotline; Real-time Flows; the System Data Exchange (SDX); the Reliability Coordinator Information System (RCIS); the Transmission Services Information Network (TSIN); the Interchange Distribution Calculator (IDC); the interregional Security Network (ISN); and the Central Repository for Security Events (CRC).

Based on the portion of its professional/technical staff time, and other resources that it expects to devote to the Situation Awareness and Infrastructure Security Program activities and functions, NPCC estimates that it will expend 11 percent of its resources on this activity.

Program Description and Functions Performed

System Operations Security Objectives

NPCC's system operations security objectives are defined within the scope of the NPCC Task Force on Coordination of Operation, (TFCO) and include, but are not confined to:

- Coordinating interregional pre-emergency actions in the event of a threat to the security of the Northeastern North American bulk power supply system
- Assisting in the development of real time operating tools assuring cyber security concerns are addressed

Critical Infrastructure Objectives

NPCC's critical infrastructure objectives are defined within the scope of the NPCC Task Force on Infrastructure Security & Technology, (TFIST) and include, but are not confined to:

- Providing a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC)
- Representing and advocating NPCC's position in the activities of NERC groups involved in the development and/or implementation of physical and cyber security

Funding Drivers and Reliability Benefits

- Reallocation of existing FTE represents the addition of 1 FTE in 2009
 - The Northeast benefits from NPCC's enhanced ability to identify the wide area view among the NPCC Members
- Increased requirements for collection and dissemination of data to support increased situation awareness
 - NPCC opposes the NERC proposal for a 24/7 Situation Awareness room which will duplicate functions of the Reliability Coordinators in the Region. In its place, the Regions are proposing a posting of daily operational parameters to satisfy all regulatory reporting needs
- Implementation of FERC Order 706 (Cyber Security Standard)
 - The Northeast benefits from NPCC's preparation of comments and input to each posted SAR / Standard addressing cyber security, ensuring that the unique concerns of the Canadian and US Members of NPCC are reflected
 - Support the five Working Groups associated with the Task Force on Infrastructure Security and Technology (TFIST): The Northeast and the Members of NPCC benefit from the exchange of current information, the identification of problem areas and the knowledge shared by these Working Groups
- Provide NPCC Reliability Coordinator information on daily projected system conditions and provide support in the development of tools to display real time information on power system conditions
 - Satisfies FERC's request for short term and near real time system conditions information to indicate status of the power system and provide an indication of operating problems

2009 Operational Situation Awareness Goals and Objectives

NPCC's 2009 operational situation awareness goals and objectives, as identified by the 2008 – 2009 Work Plan of the NPCC Task Force on Coordination of Planning, (TFCO) include, but are not confined to:

- Direct Voice Communications Among All NPCC Reliability Coordinators
- Weekly Area Coordination Conference Calls
Each week conference calls of the operations management personnel are initiated by NPCC to discuss operations expected, and identify possible concerns, during the forthcoming ten-day period (weekend and week following)
- Daily Area Control Room Coordination Conference Calls
Each morning, the NPCC Reliability Coordinator control rooms also take part in a regularly scheduled conference call. The goal of this call is to alert all neighboring Reliability Coordinators of any potential emerging problems which could lead to reliability concerns in the course of the day's operations. Subjects for discussion are limited to credible events which could impact the ability of a Reliability Coordinator to serve its load and meet its operating reserve obligations, or which would impose a burden to the neighboring NPCC Areas or the Eastern Interconnection
- Emergency Preparedness Conference Call
The NPCC Emergency Preparedness Conference Call augments the regularly scheduled weekly and daily Area_coordination conference call process to enable the Operations Managers in NPCC, and, as required, their counterparts in neighboring Regions, to rapidly communicate the status of current operating conditions and facilitate the procurement of assistance during, or in anticipation of, emergency conditions.
- Area Control Room Coordination Conference Calls
The senior shift supervisor of each of the NPCC Reliability Coordinator control rooms also takes part in a regularly scheduled conference call. The goal of this call is to alert all neighboring Reliability Coordinators of any potential emerging problems. Subjects for discussion are limited to credible events which could impact the ability of a Reliability Coordinator to serve its load and meet its operating reserve obligations, or which would impose a burden to the Interconnection.

2009 Critical Infrastructure Goals and Objectives

NPCC's 2009 critical infrastructure goals and objectives, as identified by the 2008 – 2009 Work Plan of the NPCC Task Force on Infrastructure Security & Technology, (TFIST) include, but are not confined to:

- Participating in the NERC Regional CIPC Liaison Task Force, to provide NPCC input into the process whereby future Department of Homeland Security (DHS) notifications are disseminated to the industry
- Annually reviewing infrastructure security & technologies and providing recommendations, when appropriate, to the RCC to enhance physical and cyber security in compliance with NERC guidelines/standards
- Reviewing of NPCC's information protection in order to be consistent with the requirements of the NERC Cyber Security Standards
- Addressing timely issues and updating member system personnel associated with the provision of on-line computer systems for operation of the power system, through the activities of the IST-1 (Infrastructure Security & Technology Workshop) Working Group

- Providing a forum to identify, discuss and advance the technology of telecommunications infrastructure for the reliable operation of the NPCC Inc. Bulk Power System while also supporting TFIST in their work on issues related to telecommunications, through the activities of the IST-2 (Telecommunications) Working Group
- Providing a forum to identify, discuss and advance the EMS-SCADA technology of EMS-SCADA for the reliable operation of the NPCC Bulk Power System while also supporting TFIST in their work on issues related to EMS-SCADA, through the activities of the IST-3 (EMS-SCADA) Working Group
- Providing a forum to identify, discuss and advance the cyber security for the reliable operation of the NPCC Bulk Power System while also supporting TFIST in their work on issues related to cyber security, through the activities of the IST-4 (Cyber Security) Working Group
- Providing a forum to identify, discuss and advance the use physical security for the reliable operation of the NPCC Bulk Power System while also supporting TFIST in their work on issues related to physical security, through the activities of the IST-5 (Physical Security) Working Group

Funding Requirements — Explanation of Increase (Decrease)

For the Infrastructure Security portion of this Program, the main drivers for the increase anticipated for 2009 are the additional effort required for implementation of FERC Order 706 (Cyber Security Standard) and the support of all five of the TFIST Working Groups.

Although NPCC has no ‘Critical Assets’ per se, TFIST has recommended that NPCC protect information identified as ‘sensitive’ by its members according to the Cyber Security Standards information protection requirements.

Staffing Needs

For the Situation Awareness and Infrastructure Security Program, the increase from 1 FTE in 2008 to 2 FTE in 2009 is driven primarily by:

- All five TFIST Working Groups will be active and meeting regularly in 2009 (only IST-1 & IST-2 are active in 2008)
- Additional effort required for implementation of FERC Order 706 (Cyber Security Standard), including participation the NERC Cyber Security SAR in response to the FERC Order

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Situation Awareness and Infrastructure Security					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	Approved 2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 263,327	\$ 263,327	\$ -	\$ 541,168	\$ 277,841
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 263,327	\$ 263,327	\$ -	\$ 541,168	\$ 277,841
Expenses					
Personnel Expenses					
Salaries	\$ 142,582	\$ 142,582	\$ -	\$ 349,708	\$ 207,127
Payroll Taxes	8,746	8,746	-	18,742	9,996
Benefits	24,158	24,158	-	37,532	13,375
Retirement Costs	12,500	12,500	-	55,732	43,232
Total Personnel Expenses	\$ 187,985	\$ 187,985	\$ -	\$ 461,715	\$ 273,730
Meeting Expenses					
Meetings	\$ 5,786	\$ 5,786	\$ -	\$ 13,751	\$ 7,965
Travel	23,214	23,214	-	31,811	8,597
Conference Calls	1,607	1,607	-	2,840	1,233
Total Meeting Expenses	\$ 30,607	\$ 30,607	\$ -	\$ 48,402	\$ 17,795
Operating Expenses					
Consultants	\$ 22,235	\$ 22,235	\$ -	\$ -	\$ (22,235)
Contracts	22,500	22,500	-	31,051	8,551
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 44,735	\$ 44,735	\$ -	\$ 31,051	\$ (13,684)
Other Non-Operating Expenses					
	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 263,327	\$ 263,327	\$ -	\$ 541,168	\$ 277,841
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Administrative Services

Administrative Services Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	8.2	8.2	9.2
Total Indirect Funding [1]	\$3,331,402	\$3,331,402	\$5,138,059

¹ Represents the sum of the indirect costs associated with all of the previously identified program areas. Total 2009 administrative services funding includes \$1,269,339 associated with the one-time 2009 office relocation project.

Introduction

Administrative services support the previously identified six program areas of: reliability standards; compliance monitoring and enforcement and organization registration and certification; reliability readiness evaluation and improvement; training, education, and operator certification; reliability assessment and performance analysis; and situation awareness and infrastructure security. Administrative services consist of: technical committees and members' forums; general and administrative; legal and regulatory; information technology; and human resources.

Technical Committees and Members' Forums

Background

The success of the NPCC programs depends on the active and direct volunteerism and participation of its members. The stakeholders are the source of expertise in the industry. To promote the reliable and efficient operation of the interconnected bulk power systems in Northeastern North America, NPCC invites high level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior executives within NPCC and NERC to identify and discuss emerging issues related to the reliability of the NPCC Region.

2009 Members' Forums Goals and Objectives

The 2009 NPCC General Meeting provides an opportunity for NPCC Members to meet high level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior NERC and NPCC executives to discuss topics related to the reliable planning and operation of the power system, including consideration of emerging reliability, critical infrastructure and environmental issues.

2009 Public Information Committee Goals and Objectives

The objective of the NPCC Public Information Committee is to highlight and summarize NPCC activities and accomplishments in the past year, disseminate and coordinate the appropriate release of information to the media, respond to related requests for information, and coordinate with related NPCC Area, NERC media and public information activities. Activities anticipated for 2009 include, but are not limited to:

- Conducting the 2009 Media Event – release of the 2009 Summer NPCC Reliability Assessment(s)

- Developing the NPCC 2009 Summer and Winter Reliability Outlooks
- Compiling the 2009 NPCC Statistical Brochure
- Preparing the 2009 NPCC Year-In-Review
- Updating the 2009 NPCC Primer
- Participation in NERC 2009 communication initiatives:
 - Monthly Regional communications teleconferences
 - Development of Compliance background information (FAQ) and sample press releases
 - Preparation of NERC Standards background information and outreach to Registered Entities
 - Coordination of Emergency or “Blackout” communications plans
 - Joint face-to-face meetings with other related NERC groups (i.e., situation awareness group, Reliability Assessment Subcommittee, etc.)

Funding Requirements — Explanation of Increase (Decrease)

For the Public Information portion of this Program, participation in the additional NERC communications initiatives planned for 2009 drives the increase over the 2008 Budget.

Staffing Needs

Personnel Requirements

There will be an increase in staff from 0.3 to 0.5 FTEs and a realignment of staff and corresponding salary levels resulting in a decrease in total personnel expenses.

Shared Employees

Not Applicable.

Contractors

Any consultant or contractor expenses are included in general and administrative.

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Members' Forums section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Technical Committees and Member Forums					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	Approved 2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 71,417	\$ 71,417	\$ -	\$ 57,037	\$ (14,379)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 71,417	\$ 71,417	\$ -	\$ 57,037	\$ (14,379)
Expenses					
Personnel Expenses					
Salaries	\$ 57,563	\$ 57,563	\$ -	\$ 31,701	\$ (25,863)
Payroll Taxes	2,856	2,856	-	2,490	(367)
Benefits	7,247	7,247	-	13,180	5,932
Retirement Costs	3,750	3,750	-	9,667	5,917
Total Personnel Expenses	\$ 71,417	\$ 71,417	\$ -	\$ 57,037	\$ (14,379)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses					
	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 71,417	\$ 71,417	\$ -	\$ 57,037	\$ (14,379)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

General and Administrative

Background

The NPCC general and administrative function provides executive management of the corporation, management of the NPCC office, and other administrative support programs.

Funding Requirements – Explanation of Increase (Decrease)

As previously noted, \$1,269,339 of the increase is the regional entity division portion of the one time cost of approximately \$1.4 million associated with a required May, 2009 relocation, coincident with license agreement expiration, execution of a new lease and a standard office space build out for NPCC offices within New York City. This one time cost is apportioned to the general and administrative function.

Staffing Needs

Hiring Plans

There will be no change in staffing for the general and administrative function.

Shared Employees

Not Applicable.

Contractors

All consultant and contractor expenses associated with administrative services are included here.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
General and Administrative					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	Approved 2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 2,793,199	\$ 2,793,199	\$ -	\$ 3,592,945	\$ 799,746
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 2,793,199	\$ 2,793,199	\$ -	\$ 3,592,945	\$ 799,746
Expenses					
Personnel Expenses					
Salaries	\$ 594,072	\$ 594,072	\$ -	\$ 701,179	\$ 107,107
Payroll Taxes	21,694	21,694	-	22,891	1,197
Benefits	89,383	89,383	-	137,164	47,780
Retirement Costs	46,250	46,250	-	117,982	71,732
Total Personnel Expenses	\$ 751,400	\$ 751,400	\$ -	\$ 979,216	\$ 227,816
Meeting Expenses					
Meetings	\$ 47,443	\$ 47,443	\$ -	\$ 37,951	\$ (9,492)
Travel	190,357	190,357	-	270,249	79,892
Conference Calls	13,179	13,179	-	2,256	(10,923)
Total Meeting Expenses	\$ 250,979	\$ 250,979	\$ -	\$ 310,456	\$ 59,477
Operating Expenses					
Consultants	\$ 90,000	\$ 90,000	\$ -	\$ 20,400	\$ (69,600)
Contracts	55,800	55,800	-	125,407	69,607
Office Rent	297,000	297,000	-	554,683	257,683
Office Costs	336,870	336,870	-	267,060	(69,810)
Professional Services	686,700	686,700	-	89,362	(597,338)
Computer Purchase & Maint.	9,000	9,000	-	278,915	269,915
Furniture & Equipment	4,500	4,500	-	788,515	784,015
Miscellaneous	-	-	-	27,300	27,300
Depreciation	21,150	21,150	-	-	(21,150)
Contingency	289,800	289,800	-	-	(289,800)
Total Operating Expenses	\$ 1,790,820	\$ 1,790,820	\$ -	\$ 2,151,643	\$ 360,823
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 151,630	\$ 151,630
Total Expenses	\$ 2,793,199	\$ 2,793,199	\$ -	\$ 3,592,945	\$ 799,746
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Legal and Regulatory

Background

NPCC's professional legal services provide counsel to the President and CEO, Board of Directors, Vice President and COO, Treasurer and staff on legal and regulatory matters including corporate law, code of conduct, confidentiality, governance, employment law and other areas affecting NPCC. Outside counsel reviews items filed with governmental agencies for legal sufficiency; maintains relationships with U.S. and Canadian jurisdictions, and provides contract review.

2009 Goals and Objective

- Assure continuing recognition of NPCC as a cross-border regional entity
- Obtain regulatory approvals for new and revised regional reliability standards on a timely basis
- Process all appeals of compliance actions in an effective and efficient manner
- Liaison with the appropriate U.S. and Canadian regulatory and/or governmental authorities regarding responses/filings to related governmental and/or regulatory directives/orders
- Liaison with federal, State and Provincial governmental and/or regulatory authorities

Staffing Needs

Hiring Plans

Not Applicable.

Shared Employees

Not Applicable.

Contractors

Expenses associated with NPCC's professional legal services are included.

Legal and Regulatory

Funding sources and related expenses for the legal and regulatory section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Legal and Regulatory					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	Approved 2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ 546,000	\$ 546,000
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ 546,000	\$ 546,000
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	546,000	546,000
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 546,000	\$ 546,000
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ 546,000	\$ 546,000
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Information Technology

Background

NPCC's Information Technology services ensure information assets and the environment in which they operate are secure. NPCC maintains a backup site for continuity of essential operations in the event that its primary location is unavailable.

2009 Goals and Objectives

Responsibilities encompass a variety of complex technical, administrative, and supervisory work in the development, installation, and maintenance of information technology systems. IT goals include, but are not limited to:

- Create an information security program aimed at reducing breach of security risks
- Determine long-term software and systems needs and hardware acquisitions
- Develop and implement information security standards and procedures
- Ensure all information systems are functional and secure, and that all applications running on those systems meet business requirements for performance, availability, and security
- Plan and implement organization-wide information systems, services, and network facilities, including local area networks, wide-area networks, and peripheral systems

Staffing Needs

Personnel Requirements

There will be an increase in staff from 1.8 to 2.0 FTEs to support 2009 Goals and Objectives.

Shared Employees

Not Applicable.

Contractors

Any consultant or contractor expenses are included in general and administrative.

Information Technology

Funding sources and related expenses for the information technology section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Information Technology					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	Approved 2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 264,368	\$ 264,368	\$ -	\$ 388,351	\$ 123,983
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 264,368	\$ 264,368	\$ -	\$ 388,351	\$ 123,983
Expenses					
Personnel Expenses					
Salaries	\$ 184,410	\$ 184,410	\$ -	\$ 252,432	\$ 68,021
Payroll Taxes	13,974	13,974	-	17,332	3,358
Benefits	43,484	43,484	-	76,526	33,042
Retirement Costs	22,500	22,500	-	42,062	19,562
Total Personnel Expenses	\$ 264,368	\$ 264,368	\$ -	\$ 388,351	\$ 123,983
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 264,368	\$ 264,368	\$ -	\$ 388,351	\$ 123,983
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Human Resources

Background

NPCC has assembled an exceptional team of highly qualified employees to carry out the activities of NPCC. The human resources function, in adherence with applicable federal and state laws, designs, plans, and implements human resources policies and procedures, including staffing, compensation, benefits, employee relations, and training and development.

2009 Goals and Objectives

- Recruit exceptional employees
- Conduct surveys on competitive salaries
- Provide for employee training programs
- Update employee policies
- Develop employee manual
- Review employee benefits

Staffing Needs

Personnel Requirements

There will be an increase in staff from 0.3 to 1.0 FTEs to support 2009 Goals and Objectives.

Shared Employees

Not Applicable.

Contractors

Any consultant or contractor expenses are included in general and administrative.

Human Resources

Funding sources and related expenses for the human resources section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Human Resources					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	Approved 2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 34,428	\$ 34,428	\$ -	\$ 142,175	\$ 107,747
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 34,428	\$ 34,428	\$ -	\$ 142,175	\$ 107,747
Expenses					
Personnel Expenses					
Salaries	\$ 21,510	\$ 21,510	\$ -	\$ 89,833	\$ 68,322
Payroll Taxes	1,920	1,920	-	7,001	5,081
Benefits	7,247	7,247	-	30,011	22,763
Retirement Costs	3,750	3,750	-	15,331	11,581
Total Personnel Expenses	\$ 34,428	\$ 34,428	\$ -	\$ 142,175	\$ 107,747
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 34,428	\$ 34,428	\$ -	\$ 142,175	\$ 107,747
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Finance and Accounting

Background

The finance and accounting function directs the overall financial plans and accounting practices of the organization; oversees treasury, accounting, budget, tax, and audit activities; and oversees financial and accounting system controls and standards.

2009 Goals and Objectives

The objectives are to provide or obtain the financial and accounting services for NPCC and coordinate with NERC requirements through:

- Utilize the NERC System of Accounts for consistency
- Utilize an accrual method of accounting for consistency with NERC in methodology
- Cash Management
- Budget Development using the NERC budget template formats
- Forecasts and Projections
- Alignment of NPCC Committees, Task Forces and Working Groups with the program areas
- Payroll and expense administration
- Preparation of Quarterly Financial Statements
- IRS Reporting
- Annual Independent Audit initiated by the Regional Entity
- NERC Audit

Staffing Needs

Personnel Requirements

There will be an increase of 1 FTE on staff and an associated reduction in contracts and consultants to support 2009 Goals and Objectives.

Shared Employees

Not Applicable.

Contractors

Expenses associated with NPCC's professional accounting services are included.

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Finance and Accounting					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	Approved 2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 167,990	\$ 167,990	\$ -	\$ 411,551	\$ 243,561
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 167,990	\$ 167,990	\$ -	\$ 411,551	\$ 243,561
Expenses					
Personnel Expenses					
Salaries	\$ 83,159	\$ 83,159	\$ -	\$ 197,957	\$ 114,798
Payroll Taxes	7,850	7,850	-	14,334	6,483
Benefits	50,731	50,731	-	48,941	(1,790)
Retirement Costs	26,250	26,250	-	13,819	(12,431)
Total Personnel Expenses	\$ 167,990	\$ 167,990	\$ -	\$ 275,051	\$ 107,061
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	136,500	136,500
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 136,500	\$ 136,500
Other Non-Operating Expenses					
	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 167,990	\$ 167,990	\$ -	\$ 411,551	\$ 243,561
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Section B — 2009 Budget

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Regional Entity Division					
	2008 Budget	2008 Projection	2008 Projection ¹ Variance to 2008 Budget Over(Under)	Approved 2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 7,504,907	\$ 7,648,718	\$ 143,811	\$ 10,008,885	\$ 2,360,167
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 7,504,907	\$ 7,648,718	\$ 143,811	\$ 10,008,885	\$ 2,360,167
Expenses					
Personnel Expenses					
Salaries	\$ 2,702,620	\$ 2,854,530	\$ 151,910	\$ 3,671,371	\$ 816,841
Payroll Taxes	165,893	174,951	9,058	200,528	25,577
Benefits	608,774	642,482	33,708	794,236	151,754
Retirement Costs	315,000	320,324	5,324	527,311	206,987
Total Personnel Expenses	\$ 3,792,287	\$ 3,992,287	\$ 200,000	\$ 5,193,446	\$ 1,201,159
Meeting Expenses					
Meetings	\$ 145,800	\$ 145,800	\$ -	\$ 188,686	\$ 42,886
Travel	585,000	585,000	-	750,510	165,510
Conference Calls	40,500	40,500	-	53,877	13,377
Total Meeting Expenses	\$ 771,300	\$ 771,300	\$ -	\$ 993,073	\$ 221,773
Operating Expenses					
Consultants	\$ 1,028,000	\$ 1,028,000	\$ -	\$ 284,400	\$ (743,600)
Contracts	268,300	268,300	-	698,000	429,700
Office Rent	297,000	297,000	-	554,683	257,683
Office Costs	336,870	336,870	-	267,060	(69,810)
Professional Services	686,700	686,700	-	771,862	85,162
Computer Purchase & Maint.	9,000	9,000	-	278,915	269,915
Furniture & Equipment	4,500	4,500	-	788,515	784,015
Miscellaneous	-	-	-	27,300	27,300
Depreciation	21,150	21,150	-	-	(21,150)
Contingency	289,800	289,800	-	-	(289,800)
Total Operating Expenses	\$ 2,941,320	\$ 2,941,320	\$ -	\$ 3,670,736	\$ 729,416
Other Non-Operating Expenses	\$ -	\$ 143,811	\$ 143,811	\$ 151,630	\$ 7,819
Total Expenses ²	\$ 7,504,907	\$ 7,848,718	\$ 343,811	\$ 10,008,885	\$ 2,160,167
Change in Assets	\$ -	\$ (200,000)	\$ (200,000)	\$ -	\$ 200,000

¹ 2008 Projections reflect expectations based on the 1st quarter statement of activities. It is anticipated that projections could change throughout 2008 and would be reflected in each subsequent quarter's statement of activities.

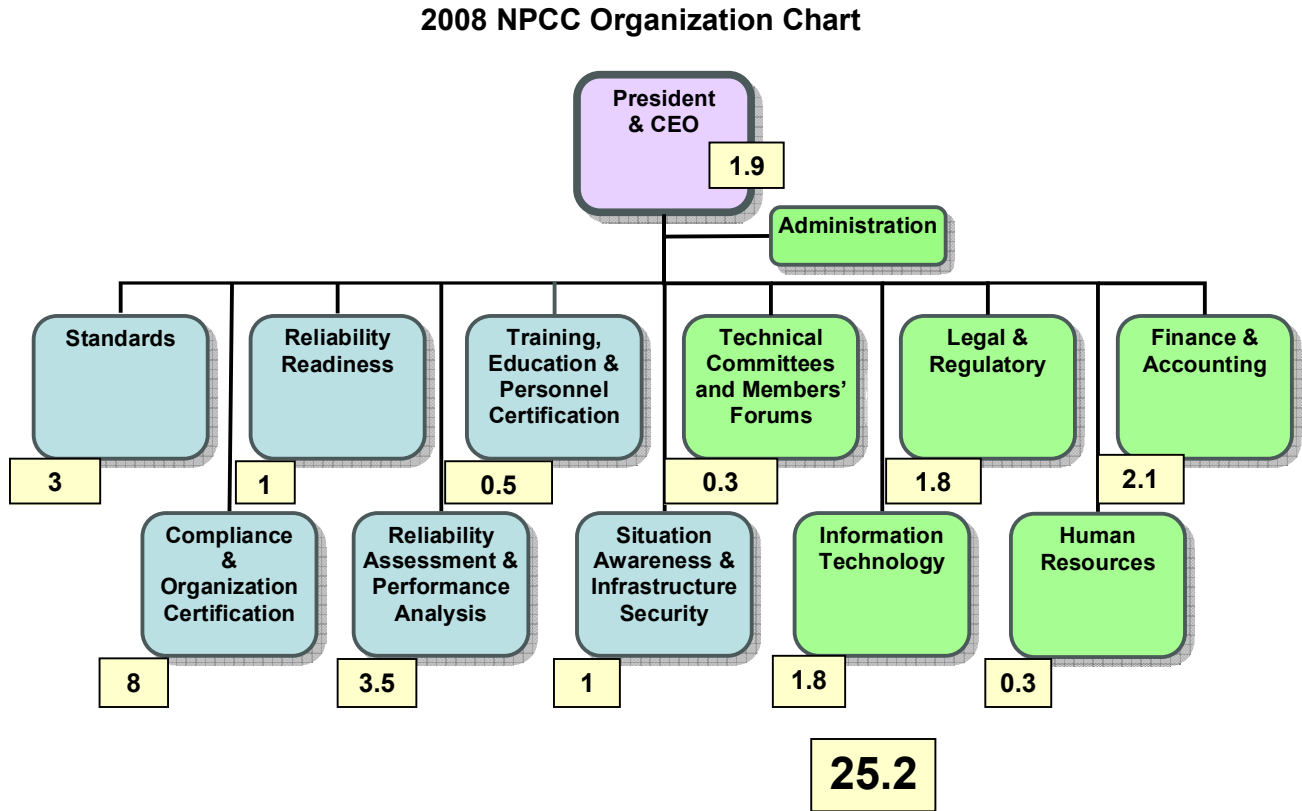
² 2008 Total Expenses of \$7,504,907 does not include 2008 reserve assessment amount of \$143,811. 2009 Total Expenses of \$10,008,885 does include 2009 reserve assessment amount of \$1,629. To be consistent in comparing 2008 with 2009, it should be noted that 2008 Budget including 2008 reserve assessment amount is \$7,648,718.

Personnel Analysis

Table 2

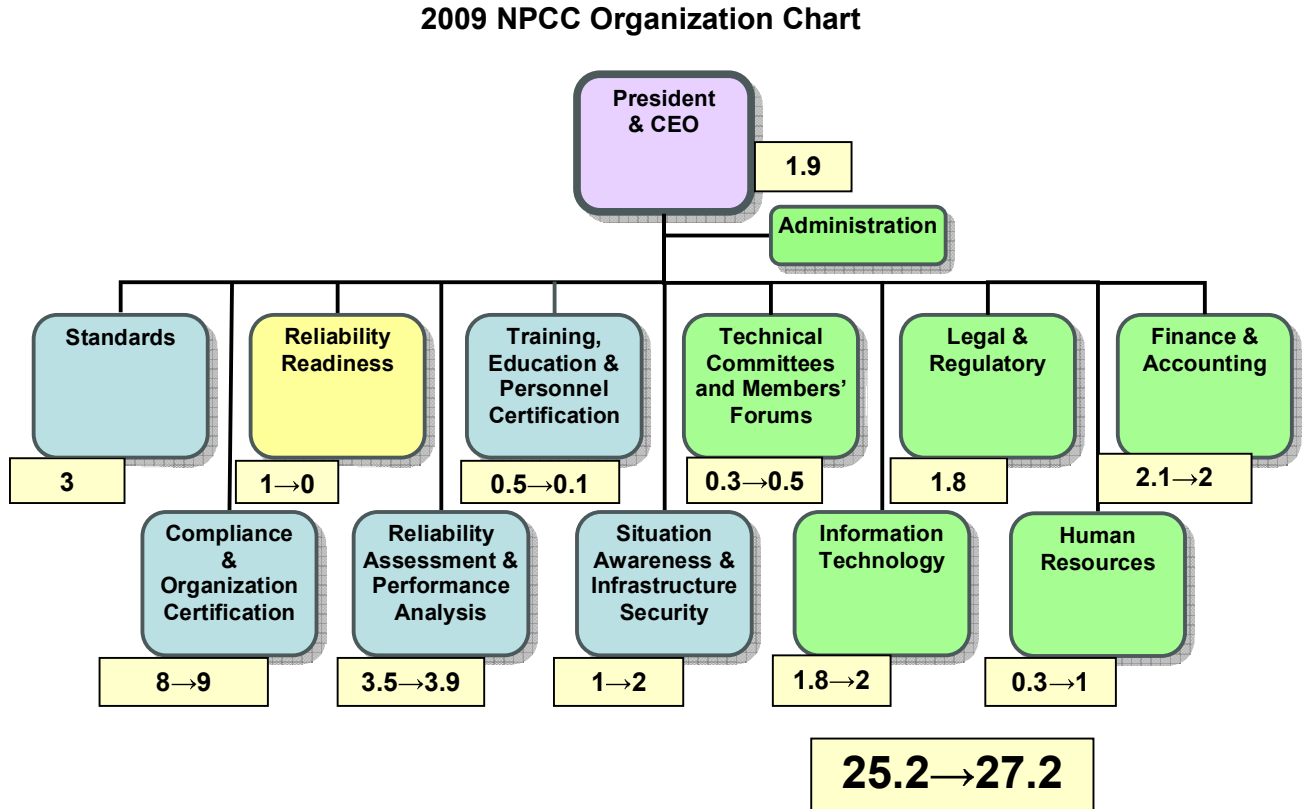
Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change
Operational Programs				
Reliability Standards	3.5	3.0	3.0	0.0
Compliance and Organization Registration and Certification	7.5	8.0	9.0	1.0
Reliability Readiness Evaluation and Improvement	1.0	1.0	0.0	-1.0
Training and Education	0.5	0.5	0.1	-0.4
Reliability Assessment and Performance Analysis	3.5	3.5	3.9	0.4
Situation Awareness and Infrastructure Security	1.0	1.0	2.0	1.0
Total FTEs Operational Programs	17.0	17.0	18.0	1.0
Administrative Programs				
Member Forums	0.3	0.3	0.5	0.2
General & Administrative	1.9	1.9	1.9	0.0
Information Technology	1.8	1.8	2.0	0.2
Legal and Regulatory	1.8	1.8	1.8	0.0
Human Resources	0.3	0.3	1.0	0.7
Accounting	2.1	2.1	2.0	-0.1
Total FTEs Administrative Programs	8.2	8.2	9.2	1.0
Total FTEs	25.2	25.2	27.2	2.0

2008 NPCC Organization Chart



Note: NPCC, in its identification of Full Time Equivalents (FTEs), includes both employees, as well as, certain contractors and outside professionals who are retained as a matter of effectiveness and efficiency to perform regular corporate functions.

2009 NPCC Organization Chart



Note: NPCC, in its identification of Full Time Equivalent (FTEs), includes both employees, as well as, certain contractors and outside professionals who are retained as a matter of effectiveness and efficiency to perform regular corporate functions.

Working Capital Reserve Analysis 2008 – 2009

Table 5

Working Capital Reserve Analysis 2008-2009	
Regional Entity Division	
Beginning Working Capital Reserve (Deficit), December 31, 2007	2,056,011
Plus: 2008 ERO Funding (from LSEs or designees)	7,648,718
Plus: 2008 Other funding sources (Cash basis)	
Less: 2008 Projected Expenses & Capital Expenditures (Cash basis)	(7,504,907)
Less: Expenditure from 2007 Surplus for Compliance Program Related Activities	(200,000)
Projected Working Capital Reserve (Deficit), December 31, 2008	1,999,822
Desired Working Capital Reserve, December 31, 2009	2,001,451
(20% of Total Regional Entity Budget of \$10,007,256)	
Less: Projected Funding Balance December 31, 2008	1,999,822
Increase(decrease) in assessments to achieve desired Working Capital Reserve	1,629
2009 Assessment for Expenses and Capital Expenditures, excluding Working Capital Reserve (Cash basis)	9,857,255
2009 Assessment (Non-Operating Expense)	150,001
Less: 2009 Other funding sources	
Adjustment to achieve desired Working Capital Reserve	1,629
2009 Assessment	10,008,885


Note: The independent audit report dated April 29, 2008 for NPCC's financial statements dated December 31, 2007 and 2006 included certain adjustments to its financial position as compared to the April 1, 2008 Compliance Filing. NPCC's regional entity (RE) and criteria services (CS) divisions' 2007 budgets, less adjusted total expenses, left a total surplus of some \$328,629 as compared to the \$419,771. Total cash, cash equivalents and investments for the year end 2007 were allocated for 2008 in a 90/10 ratio for the RE and CS divisions respectively to establish beginning cash at January 1, 2008.

¹ NPCC Board of Directors at its 4/29/08 meeting determined that a 20% reserve level remains appropriate

Regional Entity Assessment Analysis

In the area of assessments for 2009 there are two distinct funding mechanisms. For the Regional Entity division, the North American Electric Reliability Corporation (NERC) will assess load serving entities (LSEs) or their designees (within NPCC the designees are the Balancing Authority Areas (BAAs) for New York, New England, New Brunswick, Nova Scotia, Ontario and Québec) based upon 2007 proportional Net Energy for Load and other specific program area funding arrangements and make quarterly remittances to the Regional Entity on or about the 15th day of January, April, July and October, 2009. For funding associated with the Criteria Services division, the Independent System Operators (ISO)/BAAs will be assessed by NPCC for their proportional share of the divisional budget based upon 2007 NEL within the Region. Non ISO/BAA Full Members will be assessed no membership fee for 2009.

Assessments by Balancing Authority Area – Table 6

 NPCC 2009 Regional Entity (RE) and Criteria Services (CS) Divisional Funding Information Compliance Allocation: CORC Direct and Indirect w/o Apportioned Relocation Project						
A-1	B-1	C-1	D-1	E-1		
Balancing Authorities (LSE Designees)	2007 Net Energy for Load (MWh)	2007 NEL % of NPCC Total	2009 ¹ NPCC RE Minus [CORC Program w/o Apportioned Relocation]	2009 NPCC CS Division		
New England	134,425,000	19.98555%	1,195,000	202,412		
New York	167,341,000	24.87931%	1,487,614	251,976		
Ontario	152,205,000	22.62898%	1,353,059	229,184		
Québec	191,029,000	28.40111%	1,698,194	287,643		
New Brunswick	14,972,000	2.22595%	133,097	22,544		
Nova Scotia	12,639,000	1.87910%	112,357	19,031		
<i>Total</i>	672,611,000	100.00000%	\$5,979,321	\$1,012,790		
2009 CORC w/o Apportioned Relocation						
A-2	B-2	C-2	D-2	E-2	F-2	G-2
Balancing Authorities (LSE Designees)	2009 ² NEL Based 55% CORC Program w/o Apportioned Relocation	2009 ³ Audit Based Methodology	2009 ⁴ Audit Based 45% CORC Program w/o Apportioned Relocation	2009 Total CORC Program w/o Apportioned Relocation	2009 RE Division Total Funding (D-1 plus E-2)	2009 NPCC Total Funding (E-1 plus F-2)
New England	442,932	64.92846%	1,177,350	1,620,282	2,815,282	3,017,694
New York	551,390	26.16852%	474,516	1,025,906	2,513,520	2,765,496
Ontario	501,517	0.00000%	0	501,517	1,854,576	2,083,760
Québec	629,442	3.30684%	59,963	689,405	2,387,599	2,675,242
New Brunswick	49,333	3.05246%	55,350	104,683	237,780	260,324
Nova Scotia	41,646	2.54372%	46,125	87,771	200,128	219,159
<i>Total</i>	\$2,216,260	100.00%	\$1,813,304	\$4,029,564	\$10,008,885	\$11,021,675

¹ Consistent with NERC's Policy on Allocation of Certain Compliance and Enforcement Costs, the NPCC Board approved Allocation Methodologies for Certain NPCC Compliance Program Area Costs Assessed to Non-U.S. Entities. Funding requirements associated with the Compliance Enforcement and Organization Registration and Certification (CORC) Program, without the apportioned one-time 2009 office relocation project costs, total \$4,029,564.

² NEL based funding represents 55% of CORC Program w/o apportioned relocation funding requirements, while 45% of CORC Program w/o apportioned relocation funding requirements, totaling some \$1,813,304 are allocated using an audit based methodology for 2009.

³ Audit based allocation uses Compliance Registry Data registrants as of June 1, 2008.

⁴ Allocation adjustment of \$410,332 identified as NPCC CORC costs duplicative of Ontario Compliance and Enforcement Programs.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1 of the 2009 NPCC Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Supplemental Funding**Table B-1**

Outside Funding Breakdown By Program (excluding ERO Assessments)	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
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No supplemental funding is identified.

Personnel Expenses**Table B-2**

Personnel Expenses	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Salaries					
Salary	\$ 2,646,820	\$ 2,798,730	\$ 3,653,171	\$ 854,441	30.5%
Employment Agency Fees	45,000	45,000	13,650	(31,350)	-69.7%
Temporary Office Services	10,800	10,800	4,550	(6,250)	-57.9%
Total Salaries	2,702,620	2,854,530	3,671,371	816,841	28.6%
Payroll Taxes					
FICA	109,013	115,634	142,655	27,021	23.4%
Medicare	41,580	43,782	52,503	8,721	19.9%
SUI	12,600	12,779	4,088	(8,691)	-68.0%
FUI	2,700	2,756	1,282	(1,418)	-52.5%
Total Payroll Taxes	165,893	174,951	200,528	25,577	14.6%
Benefits					
Workers Compensation	10,800	10,800	12,121	1,321	12.2%
Medical Insurance	360,000	382,748	509,752	127,004	33.2%
Life-LTD Insurance	36,900	37,621	16,452	(21,169)	-56.3%
Education	14,400	14,400	14,560	160	1.1%
Relocation	-	-	-	-	-
Vacation Expense	186,674	196,913	241,351	44,438	22.6%
Total Benefits	608,774	642,482	794,236	151,754	23.6%
Retirement					
Profit Sharing Plan / SERP	217,800	217,800	390,888	173,088	79.5%
Savings Plan	97,200	102,524	136,423	33,899	33.1%
Total Retirement	315,000	320,324	527,311	206,987	64.6%
Total Personnel Costs	\$ 3,792,287	\$ 3,992,287	\$ 5,193,446	\$ 1,201,159	30.1%

Section B — 2009 Regional Entity Budget

Meeting Expenses

Table B-3

Meeting Expenses by Business Plan Category	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Reliability Standards	\$ 20,250	\$ 20,250	\$ 28,000	\$ 7,750	38.3%
Compliance and Organization Registration and Certification	43,393	43,393	45,703	2,310	5.3%
Reliability Readiness Evaluation and Improvement	5,786	5,786	-	(5,786)	-100.0%
Reliability Assessment and Performance Analysis	20,250	20,250	42,406	22,156	109.4%
Training and Education	2,893	2,893	20,875	17,982	621.6%
Situation Awareness and Infrastructure Security	5,786	5,786	13,751	7,965	137.7%
Committee and Member Forums	-	-	-	-	-
General and Administrative	47,443	47,443	37,951	(9,492)	-20.0%
Legal and Regulatory	-	-	-	-	-
Information Technology	-	-	-	-	-
Human Resources	-	-	-	-	-
Accounting and Finance	-	-	-	-	-
Total Meeting Expenses	\$ 145,800	\$ 145,800	\$ 188,686	\$ 42,886	29.4%

Travel Expenses by Business Plan Category	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Reliability Standards	\$ 81,250	\$ 81,250	\$ 111,264	\$ 30,014	36.9%
Compliance and Organization Registration and Certification	174,107	174,107	170,320	(3,787)	-2.2%
Reliability Readiness Evaluation and Improvement	23,214	23,214	-	(23,214)	-100.0%
Reliability Assessment and Performance Analysis	81,250	81,250	162,271	81,021	99.7%
Training and Education	11,607	11,607	4,595	(7,012)	-60.4%
Situation Awareness and Infrastructure Security	23,214	23,214	31,811	8,597	37.0%
Committee and Member Forums	-	-	-	-	-
General and Administrative	190,357	190,357	270,249	79,892	42.0%
Legal and Regulatory	-	-	-	-	-
Information Technology	-	-	-	-	-
Human Resources	-	-	-	-	-
Accounting and Finance	-	-	-	-	-
Total Travel Expenses	\$ 585,000	\$ 585,000	\$ 750,510	\$ 165,510	28.3%

Conference Call Expenses by Business Plan Category	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Reliability Standards	\$ 5,625	\$ 5,625	\$ 7,792	\$ 2,167	38.5%
Compliance and Organization Registration and Certification	12,054	12,054	12,000	(54)	-0.4%
Reliability Readiness Evaluation and Improvement	1,607	1,607	-	(1,607)	-100.0%
Reliability Assessment and Performance Analysis	5,625	5,625	28,489	22,864	406.5%
Training and Education	804	804	500	(304)	-37.8%
Situation Awareness and Infrastructure Security	1,607	1,607	2,840	1,233	76.7%
Committee and Member Forums	-	-	-	-	-
General and Administrative	13,179	13,179	2,256	(10,923)	-82.9%
Legal and Regulatory	-	-	-	-	-
Information Technology	-	-	-	-	-
Human Resources	-	-	-	-	-
Accounting and Finance	-	-	-	-	-
Total Conference Calls	\$ 40,500	\$ 40,500	\$ 53,877	\$ 13,377	33.0%

Total Meeting Expenses	\$ 771,300	\$ 771,300	\$ 993,073	\$ 221,773	28.8%
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Operating Expenses

Table B-4

Consultants	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Consultants					
Reliability Standards	\$ 227,824	\$ 227,824	\$ 114,000	\$ (113,824)	-50.0%
Compliance and Organization Registration and Certification	406,765	571,115	134,400	(436,715)	-76.5%
Reliability Readiness Evaluation and Improvement	22,235	22,235	-	(22,235)	-100.0%
Reliability Assessment and Performance Analysis	247,824	247,824	15,600	(232,224)	-93.7%
Training and Education	11,118	11,118	-	(11,118)	-100.0%
Situational Awareness and Infrastructure Security	22,235	22,235	-	(22,235)	-100.0%
Committee and Member Forums	-	-	-	-	-
General and Administrative	90,000	90,000	20,400	(69,600)	-77.3%
Legal and Regulatory	-	-	-	-	-
Information Technology	-	-	-	-	-
Accounting and Finance	-	-	-	-	-
Human Resources	-	-	-	-	-
Consultants Total	\$ 1,028,000	\$ 1,192,350	\$ 284,400	\$ (907,950)	-76.1%

Section B — 2009 Regional Entity Budget

Table B-5

Contracts	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Compliance and Organization Registration and Certification	90,000	90,000	270,204	180,204	200.2%
Reliability Readiness Evaluation and Improvement	-	-	-	-	-
Reliability Assessment and Performance Analysis	100,000	100,000	271,338	171,338	171.3%
Training and Education	-	-	-	-	-
Situation Awareness and Infrastructure Security	22,500	22,500	31,051	8,551	38.0%
Committee and Member Forums	-	-	-	-	-
General and Administrative	55,800	55,800	125,407	69,607	124.7%
General and Administrative	-	-	-	-	-
Legal and Regulatory	-	-	-	-	-
Information Technology	-	-	-	-	-
Accounting and Finance	-	-	-	-	-
Human Resources	-	-	-	-	-
Contracts Total	\$ 268,300	\$ 268,300	\$ 698,000	\$ 429,700	160.2%
Total Consultants and Contracts	\$ 1,296,300	\$ 1,460,650	\$ 982,400	\$ (478,250)	-32.7%

Table B-6

Office Rent	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Office Rent	\$ 297,000	\$ 297,000	\$ 490,073	\$ 193,073	65%
Utilities	-	-	27,300	27,300	-
Maintenance	-	-	32,760	32,760	-
Security	-	-	4,550	4,550	-
Total Office Rent	\$ 297,000	\$ 297,000	\$ 554,683	\$ 257,683	86.8%

Table B-7

Office Costs	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Office Costs	\$ 336,870	\$ 336,870	\$ 267,060	\$ (69,810)	-20.7%
Total Office Costs	\$ 336,870	\$ 336,870	\$ 267,060	\$ (69,810)	-20.7%

Table B-8

Professional Services	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
BOT Fee	\$ 72,000	\$ 72,000	\$ 75,712	\$ 3,712	5.2%
Outside Legal	18,000	18,000	-	(18,000)	-100.0%
Accounting & Auditing Fees	91,800	91,800	136,500	44,700	48.7%
Legal Fees - Other	495,000	495,000	546,000	51,000	10.3%
Insurance - Commercial	9,900	9,900	13,650	3,750	37.9%
Total Services	\$ 686,700	\$ 686,700	\$ 771,862	\$ 85,162	12.4%

Table B-9

Computer	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Purchase and Lease	\$ 9,000	\$ 9,000	\$ 133,315	\$ 124,315	1381.3%
Software	-	-	-	-	-
Total Computer	\$ 9,000	\$ 9,000	\$ 133,315	\$ 124,315	1381.3%

Section B — 2009 Regional Entity Budget

Table B-10

Furniture & Equipment	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Furniture	\$ 4,500	\$ 4,500	\$ 227,728	\$ 223,228	4960.6%
Equipment	-	-	145,600	145,600	-
Depreciation	21,150	21,150	-	(21,150)	-100.0%
Miscellaneous	289,800	289,800	27,300	(262,500)	-90.6%
Leasehold Improvements	-	-	560,788	560,788	-
Total Furniture & Fixtures	\$ 315,450	\$ 315,450	\$ 961,415	\$ 645,965	204.8%

Table B-11

Other Non-Operating Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Office Relocation ¹	-	-	150,001	150,001	-
Cash Reserve Requirement	-	-	1,629	1,629	-
Total Non-Operating Expenses	\$ -	\$ -	\$ 151,630	\$ 151,630	-

¹ In addition to the \$150,001 cost component, total office relocation also includes \$189,773 of office rent, \$223,178 of furniture purchase, \$145,600 of equipment purchase, and \$560,787 of leasehold improvements, totaling \$1,269,339 for the regional entity division portion (91%) of the one-time move cost of \$1,394,878.

Section C — 2009 Criteria Services Division - Non-Statutory Business Plan and Budget

Full Member Criteria Services

Criteria Services Division			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.8	2.8	2.8
Total Direct Funding	\$440,172	\$440,172	\$571,428
Total Indirect Funding [1]	\$231,884	\$231,884	\$441,362
Total Funding	\$672,056	\$672,056	\$1,012,790

¹ Total 2009 indirect funding includes \$125,539 apportioned to the criteria services division associated with the one-time 2009 office relocation project.

NPCC Regionally-Specific Criteria Services Background

NPCC regional criteria services division activities are in the development, maintenance and promulgation of regionally-specific more stringent criteria as well as criteria establishing resource adequacy requirements within the Region. These criteria contain requirements which are more stringent and more specific than the existing NERC Reliability Standards requirements.

Membership and Governance

Full members are subject to compliance, with regionally-specific criteria, in addition to continent-wide reliability standards, and receive criteria-related services from the criteria services division.

Full Members, other than Full Members that perform the Balancing Authority function, are not assessed an annual membership fee. Those that perform Balancing Authority functions are assessed and remit, a proportional net energy for load share, of expenses for Criteria services. NPCC would also, directly assign criteria service division costs to a Balancing Authority Area or entity, where significant costs are incurred for that Balancing Authority Area. The funding for NPCC's criteria services division is approved by the NPCC Board of Directors.

Criteria Services Division Functional Scope

Through its criteria services division, NPCC promotes the reliable and efficient operation of the international, interconnected bulk power systems in Northeastern North America through the establishment of regionally-specific criteria, and monitoring and enforcement of compliance with such criteria.

NPCC provides full members, with regional reliability assurance services, and acts as the vehicle through which States and Provinces can fulfill their political mandates, with respect to resource adequacy, as well as overseeing the Northeastern North American electric infrastructure.

2009 Primary Objectives

NPCC Reliability Directory Maintenance and Development

In 2008 the NPCC Regional Reliability Directories were developed to address consistency issues with the NERC Reliability Standards and also to remove any redundancies with the NERC Reliability Standards and to clearly delineate the more stringent requirements NPCC criteria requirements. In 2009 the directories will be under review and revision.

Work will proceed with maintenance and revision to address any future redundancies or the continued need for additional more stringent or specific NPCC regional criteria requirements as new NERC reliability standards are developed.

The following Directories will either be under revision or reviewed for further development based on a schedule set forth in the NPCC Reliability Assessment Program:

Operations and Planning Directories

Directory #1, *Basic Criteria for Design and Operation of Interconnected Power Systems*

This directory will coordinate and ensure consistency with all the existing NERC TPL, BAL, IRO, INT, MOD, TOP, PRC and VAR standards. The NPCC Task Force on Coordination of Planning will lead a multi-disciplinary working group to review and revise this directory.

Directory #2, *Emergency Operations*

This directory will coordinate and ensure consistency with all the existing NERC EOP and TOP standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 5, *Operating Reserve Requirements*

This directory will coordinate and ensure consistency with all the existing applicable NERC BAL, INT, and IRO standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 8, *Blackstart and System Restoration*

This directory will coordinate and ensure consistency with all the existing NERC EOP and TOP standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directories # 9 and #10, *Verification of Generator Gross and Net Real Power Capability and Verification of Generator Gross and Net Reactive Power Capability*

These directories will coordinate and ensure consistency with all the existing applicable NERC MOD standards. The NPCC Task Force on Coordination of Operations will lead this review and revision.

System Protection Directories

Directory # 7, *Special Protection Systems*

This directory will coordinate and ensure consistency with all the existing applicable NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision.

Directory # 3, *Maintenance Requirements for BPS Protection*

This Directory will coordinate and ensure consistency with all the applicable NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision.

Directory # 4, *BPS Protection*

This Directory will coordinate and ensure consistency with all the applicable NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision.

NPCC Criteria Compliance Background

The NPCC criteria services division Compliance effort, the NPCC Reliability Compliance and Enforcement Program (RCEP), monitors, assesses and enforces compliance of NPCC Full Member entities responsible for meeting NPCC's regionally specific, more-stringent Criteria. Non-monetary sanctions are used to enforce violations of NPCC Criteria.

In Canada, NPCC monitors, assesses and enforces compliance to regionally-specific NPCC Criteria in accordance with approved Memoranda of Understanding and Implementation Agreements that are in place with each Canadian province within the Region. NPCC issues non-monetary sanctions to responsible Canadian entities for violations of NPCC Criteria.

The RCEP identifies those NPCC Criteria that are subject to monitoring, assessment and enforcement. These Criteria also are subject to NPCC Criteria Compliance Audits.

The NPCC Compliance Committee (CC) has final approval of compliance assessments related to the RCEP. This balanced stakeholder committee consists of representatives of the eight voting sectors as described in the NPCC *Bylaws* and is chaired by the Assistant Vice President - Compliance. The CC will also be used to resolve contested compliance and/or sanction or penalty determinations related to NPCC Criteria.

Based on the portion of its professional/technical staff time, and other resources that it expects to devote to the reliability standards compliance enforcement process, NPCC estimates that it will expend 53 percent of its criteria services division resources on this activity.

2009 Goals and Objectives

- Conduct 2009 NPCC Reliability Compliance and Enforcement Program (RCEP)
 - Assess compliance, by responsible entities, with NPCC Criteria including requirements in the RCEP
 - Document results and provide appropriate reports to CC
 - For instances of identified non-compliance, provide a report fully explaining the reason for the non-compliance and recommend to the CC the appropriate sanction and review any mitigation plan or action proposed to achieve compliance
 - Develop and implement the necessary processes and procedures to efficiently execute the NPCC RCEP
 - Provide information and feedback on compliance program to NPCC Members, RCC, Task Forces and participants in the program
 - RCEP related issues will be included in the NPCC Compliance Workshops.
 - Manage the Review Process for the NPCC RCEP

Section C — 2009 Criteria Services Budget

- Provide oversight review of NPCC Area compliance programs
- Review and propose changes to existing documents as required for the NPCC Compliance Program, and propose new documents as required

Staffing Needs

1.0 FTE is allocated to the development and maintenance of NPCC's regionally-specific more-stringent criteria. 1.0 FTE is allocated to conduct the responsibilities related to the implementation of the RCEP. NPCC plans to conduct five Criteria Compliance Audits in 2009.

Hiring Plans

No additional personnel required.

Shared Employees

Not Applicable.

Contractors

No use of contractors anticipated.

Major 2009 Cost Impacts

Personnel Costs associated with the Pension Protection Act and the adoption of SFAS 158 in accounting for pensions.

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

Statement of Activities					
Criteria Services Division					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	Approved 2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Statutory Assessments	672,056	672,056	-	1,012,790	340,734
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 672,056	\$ 672,056	\$ -	\$ 1,012,790	\$ 340,734
Expenses					
Personnel Expenses					
Salaries	\$ 219,717	\$ 219,717	\$ -	\$ 343,565	\$ 123,848
Payroll Taxes	13,017	13,017	-	20,090	7,073
Benefits	67,642	67,642	-	67,849	207
Retirement Costs	35,000	35,000	-	86,374	51,374
Total Personnel Expenses	\$ 335,376	\$ 335,376	\$ -	\$ 517,878	\$ 182,502
Meeting Expenses					
Meetings	\$ 16,200	\$ 16,200	\$ -	\$ 24,301	\$ 8,101
Travel	65,000	65,000	-	84,266	19,266
Conference Calls	4,500	4,500	-	5,549	1,049
Total Meeting Expenses	\$ 85,700	\$ 85,700	\$ -	\$ 114,116	\$ 28,416
Operating Expenses					
Consultants	\$ 52,000	\$ 52,000	\$ -	\$ 36,000	\$ (16,000)
Contracts	16,200	16,200	-	72,000	55,800
Office Rent	33,000	33,000	-	54,859	21,859
Office Costs	37,430	37,430	-	26,413	(11,017)
Professional Services	76,300	76,300	-	76,338	38
Computer Purchase & Maint.	1,000	1,000	-	27,585	26,585
Furniture & Equipment	500	500	-	77,985	77,485
Miscellaneous	-	-	-	-	-
Depreciation	2,350	2,350	-	-	(2,350)
Contingency	32,200	32,200	-	2,700	(29,500)
Total Operating Expenses	\$ 250,980	\$ 250,980	\$ -	\$ 373,879	\$ 122,899
Other Non-Operating Expenses ¹	\$ -	\$ -	\$ -	\$ 6,917	\$ 6,917
Total Expenses ²	\$ 672,056	\$ 672,056	\$ -	\$ 1,012,790	\$ 340,734
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

¹ Other Non-Operating Expenses includes an office relocation cost component of \$14,835. Also included in this line item is the prior year surplus in cash reserves of \$7,918 for a net of \$6,917. In addition to the \$14,835 cost component, the criteria services division's total office relocation cost of \$125,539 (9% of the total one-time move cost of \$1,394,878) also includes \$18,769 of office rent, \$22,073 of furniture purchase, \$14,400 of equipment purchase, and \$55,462 of leasehold improvements.

² 2008 Total Expenses of \$672,056 does not include 2008 reserve assessment amount of -\$16,386. 2009 Total Expenses of \$1,012,790 does include 2009 reserve assessment amount of -\$7,918. To be consistent in comparing 2008 with 2009, it should be noted that 2008 Budget including 2008 reserve assessment amount is \$655,670.

Personnel Analysis

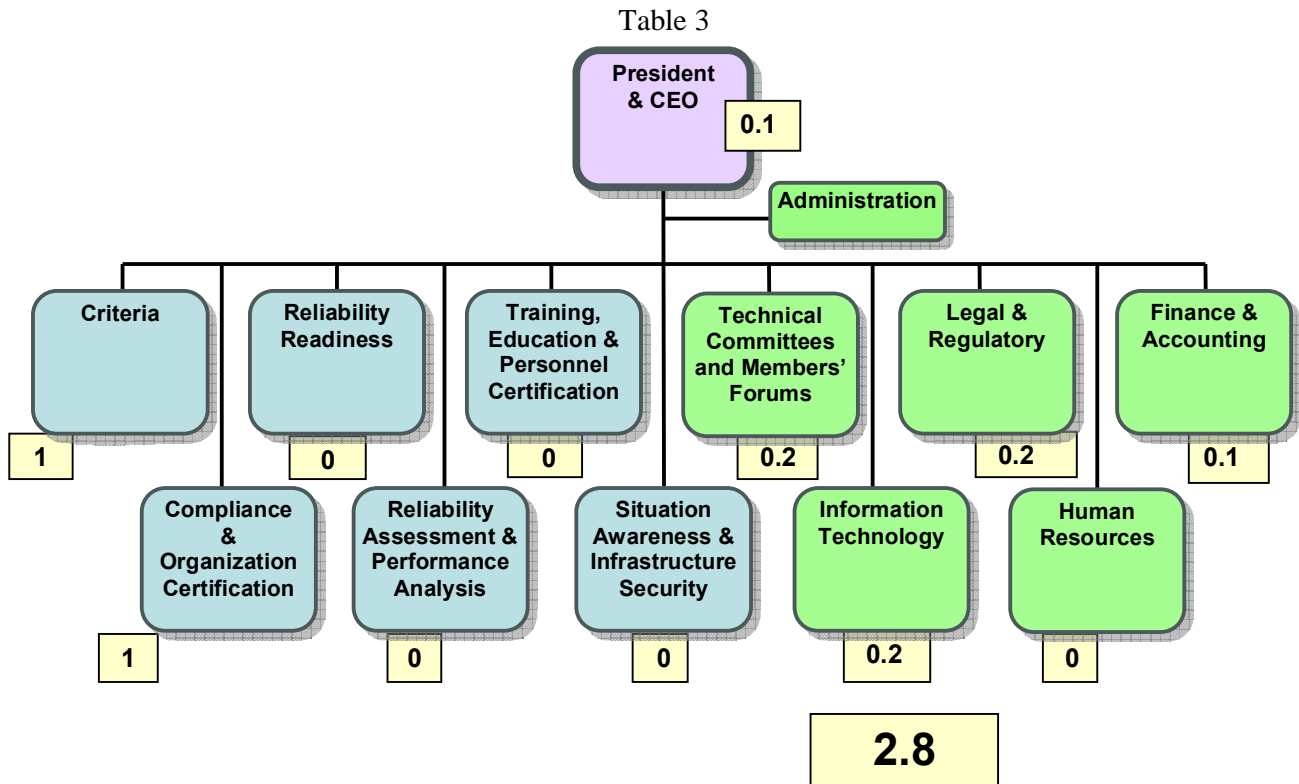
Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change
Operational Programs				
Reliability Standards	1.0	1.0	1.0	0.0
Compliance and Organization Registration and Certification	1.0	1.0	1.0	0.0
Reliability Readiness Evaluation and Improvement	0.0	0.0	0.0	0.0
Training and Education	0.0	0.0	0.0	0.0
Reliability Assessment and Performance Analysis	0.0	0.0	0.0	0.0
Situation Awareness and Infrastructure Security	0.0	0.0	0.0	0.0
Total FTEs Operational Programs	2.0	2.0	2.0	0.0
Administrative Programs				
Member Forums	0.2	0.2	0.0	-0.2
General & Administrative	0.1	0.1	0.1	0.0
Information Technology	0.2	0.2	0.0	-0.2
Legal and Regulatory	0.2	0.2	0.2	0.0
Human Resources	0.0	0.0	0.0	0.0
Accounting	0.1	0.1	0.5	0.4
Total FTEs Administrative Programs	0.8	0.8	0.8	0.0
Total FTEs	2.8	2.8	2.8	0.0

2008 Organization Chart

Shown below in Table 3 is the organizational chart for 2009 with the 2008 staffing levels allocated to the criteria services division functions to support the Full Member Criteria Services division activities for 2009. NPCC criteria services division support remains at 2.8 FTEs from 2008 to 2009.

Full Member Criteria Services Division



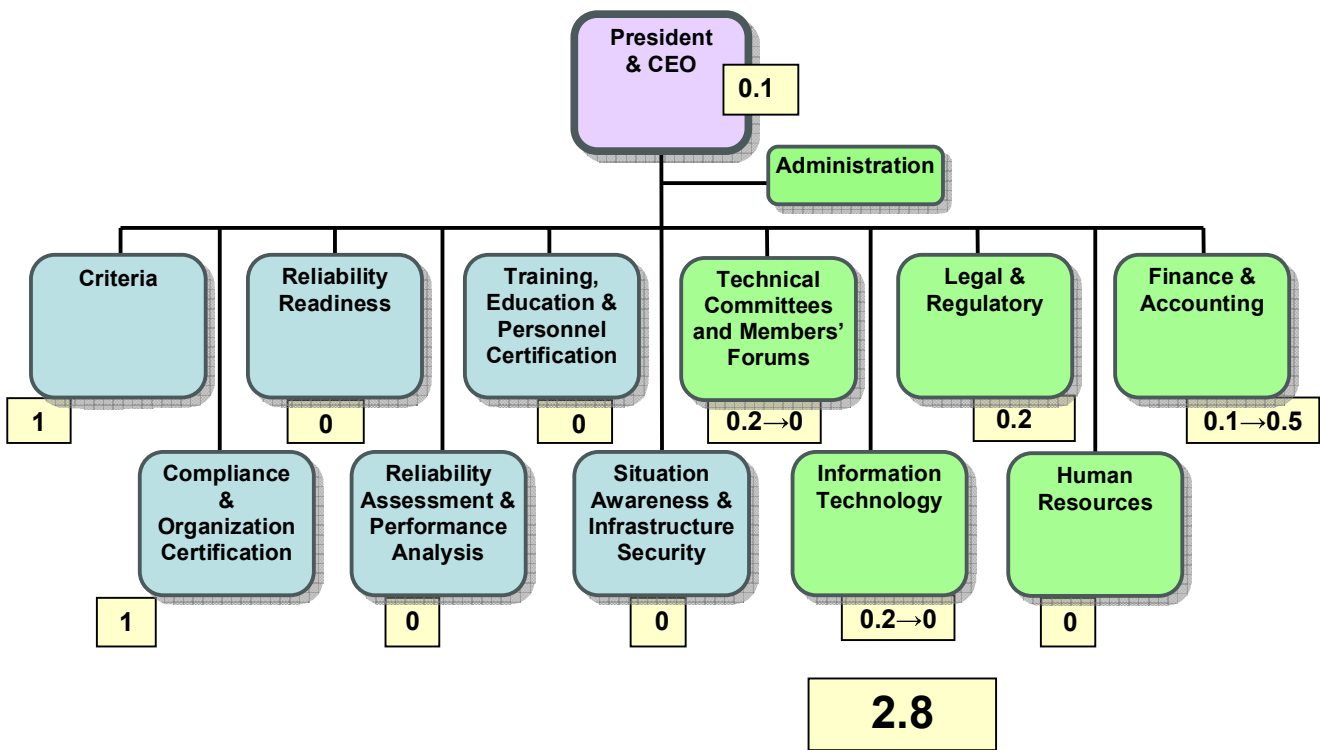
Note: NPCC, in its identification of Full Time Equivalents (FTEs), includes both employees, as well as, certain contractors and outside professionals who are retained as a matter of effectiveness and efficiency to perform regular corporate functions.

2009 Organization Chart

Shown below in Table 4 is the organizational chart for 2009 with the 2008 staffing levels allocated to criteria services division functions to support the Full Member Criteria Services division activities for 2009. NPCC criteria services division support remains at 2.8 FTEs from 2008 to 2009.

Full Member Criteria Services Division

Table 4



Note: NPCC, in its identification of Full Time Equivalents (FTEs), includes both employees, as well as, certain contractors and outside professionals who are retained as a matter of effectiveness and efficiency to perform regular corporate functions.

Working Capital Reserve Analysis 2008 – 2009

Table 5

Working Capital Reserve Analysis 2008-2009	
Criteria Services Division	
Beginning Working Capital Reserve (Deficit), December 31, 2007	228,446
Plus: 2008 BA Funding	655,670
Plus: 2008 Other funding sources (Cash basis)	
Less: 2008 Projected Expenses & Capital Expenditures (Cash basis)	(672,056)
Projected Working Capital Reserve (Deficit), December 31, 2008	212,060
Desired Working Capital Reserve, December 31, 2009 (20% of Total Criteria Services Division Budget of \$1,020,709)	204,142
Less: Projected Funding Balance December 31, 2008	212,060
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(7,918)
2009 Assessment for Expenses and Capital Expenditures, excluding Working Capital Reserve (Cash basis)	1,020,708
Less: Other Funding Sources (Cash Basis)	(7,918)
Adjustment to achieve desired Working Capital Reserve	(7,918)
2009 Assessment	1,012,790

Note: The independent audit report dated April 29, 2008 for NPCC's financial statements dated December 31, 2007 and 2006 included certain adjustments to its financial position as compared to the April 1, 2008 Compliance Filing. NPCC's regional entity (RE) and criteria services (CS) divisions' 2007 budgets, less adjusted total expenses, left a total surplus of some \$328,629 as compared to the \$419,771. Total cash, cash equivalents and investments for the year end 2007 were allocated for 2008 in a 90/10 ratio for the RE and CS divisions respectively to establish beginning cash at January 1, 2008.

¹ NPCC Board of Directors at its 4/29/08 meeting determined that a 20% reserve level remains appropriate

Other Non-Operating Expenses

Table 6¹

Other Non-Operating Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Office Relocation ²	-	-	14,835	14,835	-
Cash Reserve Requirement	-	-	(7,918)	(7,918)	-
Total Non-Operating Expenses	\$ -	\$ -	\$ 6,917	\$ 6,917	-

¹ This table is being provided for the Criteria Services division so that the impact of the adjustment to the working capital reserve is apparent.

² In addition to the \$14,835 cost component, the criteria services division's total office relocation cost of \$125,539 (9% of the total one-time move cost of \$1,394,878) also includes \$18,769 of office rent, \$22,073 of furniture purchase, \$14,400 of equipment purchase, and \$55,462 of leasehold improvements.

NPCC Regional Entity and Criteria Services Divisions 2009 Statement of Activities

Funding	Regional Entity Division										Total			
	Regional Entity Division Total	Criteria Service Division Total	Reliability Standards (Section 300)	Compliance and Registration (Section 400 & 600)	Reliability Evaluation and Improvement (Section 700)	Reliability Analysis and Performance (Section 800)	Training and Education (Section 900)	Situational Awareness Infrastructure (Section 1000)	Committees and Member Forums	General and Administrative		Legal and Regulatory	Information Technology	Human Resources
ERO Assessments (Regional Entity Division)	10,008,885	-	7,117,220	2,095,204	-	1,446,942	70,292	541,168	57,037	3,592,945	546,000	388,351	142,175	411,551
Criteria Services Division Funding	1,012,790	1,012,790	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	11,021,675	10,008,885	7,117,220	2,095,204	-	1,446,942	70,292	541,168	57,037	3,592,945	546,000	388,351	142,175	411,551
Expenses														
Personnel Expenses														
Salaries	4,014,937	3,671,371	3,325,684	1,056,603	-	642,840	16,435	349,708	31,701	701,179	-	252,432	89,833	197,957
Payroll Taxes	220,617	200,528	18,495	62,341	-	35,980	922	16,742	2,490	22,891	-	17,332	7,001	14,334
Benefits	862,085	794,236	58,550	239,144	-	147,909	5,281	37,532	13,180	137,164	-	76,526	30,011	48,941
Retirement Costs	613,685	527,311	46,435	104,489	-	100,110	21,684	55,732	9,667	117,982	-	42,062	15,331	13,819
Total Personnel Expenses	5,711,324	5,193,446	4,561,164	1,462,577	-	926,838	44,322	461,715	57,037	975,216	-	388,351	142,175	275,051
Meeting Expenses														
Meetings	212,987	186,686	28,000	45,703	-	42,406	20,875	13,751	-	37,951	-	-	-	-
Travel	834,776	750,510	111,264	170,320	-	162,271	4,595	31,811	-	270,249	-	-	-	-
Conference Calls	594,226	53,877	7,792	12,000	-	28,489	500	2,840	-	2,256	-	-	-	-
Total Meeting Expenses	1,107,189	993,073	147,056	228,023	-	233,166	25,970	48,402	-	310,456	-	-	-	-
Operating Expenses														
Contracts	320,400	284,400	114,000	134,400	-	15,600	-	-	-	20,400	-	-	-	-
Consultants	770,000	698,000	-	270,204	-	271,338	-	31,051	-	125,407	-	-	-	-
Office Rent	609,542	554,683	-	-	-	-	-	-	-	854,683	-	-	-	-
Office Costs	293,473	267,060	-	-	-	-	-	-	-	267,060	-	-	-	-
Professional Services	848,200	771,862	-	-	-	-	-	-	-	89,362	-	-	-	136,500
Computer Purchase & Maint.	306,500	278,915	-	-	-	-	-	-	-	278,915	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Equipment	866,500	788,515	-	-	-	-	-	-	-	788,515	-	-	-	-
Miscellaneous	30,000	27,300	-	-	-	-	-	-	-	27,300	-	-	-	-
Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	4,014,615	3,643,436	114,000	404,604	-	286,938	-	31,051	-	2,151,643	546,000	-	-	136,500
Total Non-Operating Costs	158,547	151,630	717,220	2,095,204	-	1,446,942	70,292	541,168	-	151,630	-	-	-	-
Total Direct Costs	5,883,615	4,870,826	1,834,420	4,163,808	-	3,334,880	140,582	1,112,063	57,037	3,992,945	546,000	388,351	142,175	411,551
Total Indirect Costs	5,138,059	5,138,059	856,343	2,569,030	-	1,113,246	28,545	570,895	57,037	3,592,945	546,000	388,351	142,175	411,551
Total Costs	11,021,675	10,008,885	1,834,420	4,163,808	-	3,334,880	140,582	1,112,063	57,037	3,992,945	546,000	388,351	142,175	411,551
FTE			27.2	3	9	0	3.9	0.1	2	0.5	1.9	1.8	2	1

NPCC Regional Entity and Criteria Services Divisions 2009 Statement of Activities

NPCC Statement of Activities 2009 Budget	Regional Entity Division		Criteria Services Division			
	Total	Regional Entity Division Total	Criteria Service Division Total	Criteria Services Development	Criteria Compliance	General and Administrative
Funding						
ERO Assessments (Regional Entity Division)	10,008,885	10,008,885	-	-	-	-
Criteria Services Division Funding	1,012,790	-	1,012,790	254,435	316,993	441,362
Testing Fees	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Funding	11,021,675	10,008,885	1,012,790	254,435	316,993	441,362
Expenses						
Personnel Expenses						
Salaries	4,014,937	3,671,371	343,565	126,550	143,882	73,134
Payroll Taxes	220,617	200,528	20,090	7,411	8,913	3,765
Benefits	862,085	794,236	67,849	33,103	13,574	21,172
Retirement Costs	613,685	527,311	86,374	4,940	23,749	57,685
Total Personnel Expenses	5,711,324	5,193,446	517,878	172,004	180,118	155,756
Meeting Expenses						
Meetings	212,987	186,686	24,301	8,679	8,679	6,943
Travel	834,776	750,510	84,266	30,095	30,095	24,076
Conference Calls	594,226	53,877	5,649	1,982	1,982	1,585
Total Meeting Expenses	1,107,189	993,073	114,116	40,756	40,756	32,604
Operating Expenses						
Contracts	320,400	284,400	36,000	-	-	36,000
Office Rent	770,000	698,000	72,000	-	44,444	27,556
Office Costs	609,542	554,683	54,859	2,130	2,130	50,699
Professional Services	293,473	267,060	26,413	8,004	8,004	8,804
Computer Purchase & Maint.	848,200	771,862	76,338	25,446	25,446	25,446
Depreciation	306,500	276,915	27,585	4,395	4,395	18,795
Furniture & Equipment	866,500	786,515	77,985	-	-	-
Miscellaneous	30,000	27,300	2,700	900	900	900
Contingency	-	-	-	-	-	-
Total Operating Expenses	4,014,615	3,643,436	373,879	41,675	86,119	246,085
Total Non-Operating Costs	158,547	151,630	6,917	-	-	6,917
Total Direct Costs	5,983,615	4,870,826	1,012,790	254,435	316,993	441,362
Total Indirect Costs	5,138,059	5,138,059	441,362	220,681	220,681	441,362
Total Costs	11,021,675	10,008,885	1,012,790	475,116	537,674	441,362
FTE						
			2.8	1	1	0.8

¹ General and Administrative in the Criteria Services Division also includes any Committee and Member Forums, Legal and Regulatory, Information Technology, Human Resources, and Accounting and Finance expenses.

ATTACHMENT 6



Business Plan and Budget

2009

Approved by: Board of Directors

August 13, 2008

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Introduction

Total RE Resources				
(in whole dollars)				
	2009 Budget	U.S.	Canada	Mexico
Statutory FTEs	44			
Non-statutory FTEs	0			
Total FTEs	44			
Statutory Expenses	\$11,434,201	\$11,434,201		
Non-statutory Expenses	\$0	\$0		
Total Expenses	\$11,434,201	\$11,434,201		
ERO Funding Assessments	\$8,833,834	\$8,833,834		
Member Funding Assessments	\$0	\$0		
Non-statutory Funding	\$0	\$0		
Total Funding Assessments	\$8,833,834	\$8,833,834		
NEL	951,148,266	951,148,266		
NEL %	100%	100%		

Background

ReliabilityFirst Corporation (“ReliabilityFirst”) is a not-for-profit company incorporated in the state of Delaware and has been authorized by the Federal Energy Regulatory Commission (FERC) to operate as a Regional Entity. As a Regional Entity, ReliabilityFirst performs key reliability functions delegated to it by the Electric Reliability Organization (ERO or NERC). These functions include: reliability standards development, organization registration and certification, compliance assessment and enforcement, assessment of the expected short and long-term reliability of the Bulk Power System, readiness evaluations, situational awareness and industry training. ReliabilityFirst is responsible for all parts of the Bulk Power System in thirteen states and the District of Columbia.

ReliabilityFirst performed only those functions delegated to it by the ERO in 2008 and the organization does not intend to perform any functions outside its ERO delegated activities in 2009. Although the corporate Bylaws provide the flexibility to perform such functions, doing so would require Board authorization and any such activities would be funded separately from those delegated by the ERO and directly by those who benefit from such activities. As can be seen in this business plan, no activities outside the delegated functions are budgeted for and none are planned in 2009.

There is no annual fee for ongoing membership in ReliabilityFirst. As new members join, they are required to pay a nominal one-time fee to cover the costs of processing their membership application. This one-time fee currently ranges from \$250 for associate and adjunct members to \$1,000 for regular members and can be waived by the President for good cause.

In order to properly carry out its ERO delegated functions, the proposed ReliabilityFirst 2009 Business Plan and Budget, has been submitted to NERC for approval. This Business Plan and Budget reflect ReliabilityFirst’s best estimate of the costs it will incur in carrying out its 2009 ReliabilityFirst Business Plan and Budget

Approved by Board of Directors: August 13, 2008

Introduction

delegated functions in support of the ERO in 2009 as we know them in the first quarter of 2008. The overall budget reflects an 18% increase over that of 2008. The increase is primarily driven by increased staffing in the Compliance department, in response to the expected increased activities and demands in performing this critical delegated function. An area of significant new focus will be assessment of Critical Infrastructure Protection performance as compliance monitoring and audit activities expand in this area during 2009. Expenses for all other areas are projected to remain relatively flat compared to 2008 levels.

Membership and Governance

Members

ReliabilityFirst has an open membership policy that permits full and fair participation of all industry stakeholders through their designated representatives.

There are six (6) **Industry Sectors**: Suppliers, Transmission Companies, Regional Transmission Organizations (RTOs), Small Load Serving Entities (LSEs), Medium LSEs and Large LSEs.

There are three (3) **Classes of Members**: Regular Members, Associate Members and Adjunct Members.

A **Regular Member** is any entity that has joined an Industry Sector that either (i) has no Affiliates or Related Parties that are Members or (ii) is the entity designated to be the Regular Member by any related group of Associate Members.

An **Associate Member** is any entity that has joined an Industry Sector and is an Affiliate or Related Party of a Regular Member.

An **Adjunct Member** is any entity that does not qualify to join an Industry Sector but has been approved for membership. Adjunct Members may include Regulatory Participants.

There are currently 69 members of ReliabilityFirst Corporation; 43 are regular voting, 22 are associates and 4 are adjunct. ReliabilityFirst's foundation has been and continues to be the broad, active participation of technical and policy experts representing electricity industry stakeholders within the Region who are committed to the reliability of the Bulk Power System. ReliabilityFirst believes that extensive use of industry expert resources, combined with a competent and independent ReliabilityFirst staff, provides a strong approach to reliability that is consistent with the industry self-regulatory model envisioned by Congress in the Energy Policy Act of 2005

Board

ReliabilityFirst Corporation is governed by a hybrid independent and balanced stakeholder Board.

- (a) The Board consists of fourteen (14) directors.
- (b) Eight directors are elected by the Industry Sectors as follows:
 - (i) Suppliers elect two (2) directors;
 - (ii) Transmission Companies elect two (2) directors;
 - (iii) RTOs elect one (1) director;
 - (iv) Small LSEs elect one (1) director;
 - (v) Medium LSEs elect one (1) director; and
 - (vi) Large LSEs elect one (1) director.
- (c) Three (3) directors are at-large. At-large directors are elected by all of the Industry Sectors voting together as a single class.
- (d) Three (3) directors are independent from ReliabilityFirst Corporation, any Member, Affiliate or Related Party of any Member. Independent directors are

elected by all of the Industry Sectors voting together as a single class.

Statutory Functional Scope

ReliabilityFirst performs statutory functions in support of the Electric Reliability Organization, in accordance with the executed delegation agreement between ReliabilityFirst and the ERO.

These functions are:

- Active participation in the development of North American reliability standards for the Bulk Power System, and as needed development of reliability standards applicable within the ReliabilityFirst Region.
- Monitoring and enforcement of approved reliability standards, including the registration of responsible entities, and as needed, certification of such entities.
- Assessment of the present and future reliability, adequacy, and security of the Bulk Power System.
- Assisting NERC in the readiness evaluation of responsible entities within ReliabilityFirst, as well as other regions.
- Promoting effective training and education of personnel, and assisting in the certification of operating personnel.
- Promoting situational awareness and the protection of critical infrastructure.

ReliabilityFirst does not perform any non-statutory functions at this time, although ReliabilityFirst may in the future consider providing non-statutory functions from time to time as appropriate and as permitted by its Bylaws and applicable statutes and regulations.

Major 2009 Cost Impacts

Overall, the ReliabilityFirst 2009 operating budget (\$11.4M) increased 18% over the 2008 operating budget (\$9.7M). ReliabilityFirst believes that in 2009 it will continue to realize material efficiencies that allow the region to remain an efficient provider of statutory functions. The following is a list of targeted budget increases to allow ReliabilityFirst to accomplish the specific objectives outlined in the business plan. The most significant increases in the budget are a result of increased staffing in the compliance and enforcement area.

The 2008 budgeted staffing level was 34 FTEs. At the time of this writing, ReliabilityFirst is staffed with 31 FTEs with offers pending to 3 potential employees. The ending projected staffing level for 2008 will exceed the budgeted amount by 5 FTEs for a total of 39 FTEs. The additional personnel will be needed in support of the Compliance Monitoring and Enforcement Program (5 FTEs).

The 2009 budgeted staffing level is 44 FTEs, which increases the staff by 10 FTEs over 2008 budget or 5 FTEs over year-end 2008 projected levels. Assuming the projected staffing levels are attained for 2008 (39 FTEs), the compliance and enforcement area will be adding 5 FTEs in 2009 and the situational awareness program area will be adding 1 FTE.

Operating expenses are projected to increase by 14% or \$351K over the 2008 budget. Major contributors are Office Costs, Professional Services and Computer Purchases. The Office Cost increases are due to adding a larger Internet connection to support our telecommuters, virtual conferencing and compliance website traffic. The increase in Professional Services represents the rise anticipated in legal support associated with compliance and enforcement activities. The

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maintenance, modifications and support of new compliance monitoring software represents the increase in Computer Purchases.

Meeting Expenses which include meetings, travel and conference calls reflect a projected reduction of 35% or \$488K compared to the 2008 budget. Meetings and travel are expected to increase in volume, but by instituting better estimating practices that consider actual costs experienced in 2007, the total expected costs are projected to be lower in 2009 than compared to 2008 budget. The budget for conference calls is lower from the usage of Voice Over Internet Protocol (VOIP). Consultant expenses reflect a reduction of 57% or \$300K due to reduced need for contractors in the compliance and enforcement area as full time staff is added in this area.

Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B.

Section A — 2009 Business Plan

Reliability Standards Program

Reliability Standards Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.00	2.00	2.00
Total Direct Expenses	\$625,473	\$425,796	\$529,461
Total Indirect Expenses ¹	\$336,918	\$347,266	\$265,619
Total Expenses	\$962,391	\$773,062	\$795,080

Background

Many of the proposed ReliabilityFirst standards development activities and priorities for 2008/2009 are directly related to the NERC three-year Work Plan for NERC Reliability Standards development and the continuing effort of ReliabilityFirst to consolidate legacy documents associated with the merged regional councils of - ECAR, MAAC, and MAIN.

On day one of 2006, ReliabilityFirst began operation with six approved “standards”, as they were referred to at the time, developed by the Corporation’s standard development teams in accordance with the ReliabilityFirst Board-approved Standards Development Procedure. In addition, as stated in Section 16.1 of the Bylaws, ReliabilityFirst decided to continue with the “legacy” regional documents as “organization standards” which had been deemed compliant with the associated NERC Standards that were in effect at that time.

During 2006/2007, ReliabilityFirst continued working on existing Board-approved documents, (known then as standards), additional Standard Authorization Requests, and enhancing the Standards Development Procedure. During this period, six standard drafting teams were in place working on additional standards or revisions. Maintaining constant monitoring of the effectiveness of the standards development program, the Board-approved Under Frequency Load Shedding (UFLS) standard was rescinded because of a technical omission, while a one-of-a-kind Resource Adequacy standard was approved by the Board. A permanent, balanced Stakeholder Standards Committee, replacing the Interim Standards Committee, was responsible for developing a revised Standards Development Procedure in mid 2006 that included an enhanced interpretation process. The Standards Development Procedure was also revised in late 2007 in response to FERC directives. Many legacy documents were formally retired and only those needed to enhance reliability within the ReliabilityFirst footprint were retained.

Program Description and Functions Performed

The Standards Program staff will continue to provide direction and prioritization of ReliabilityFirst initiated Reliability Standards and the associated standard related procedures throughout 2009. This will include participation in NERC and other regional standard drafting

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

efforts and related working groups, task forces, etc., such as the NERC Regional Reliability Standards Working Group (RRSWG) and the Functional Model Working Group (FMWG).

- 1) ReliabilityFirst Standards Program staff will continue to volunteer to serve as members of NERC Standard Authorization Request (SAR) Drafting Teams. A staff member is the requestor of four NERC SARs that are currently under development by the NERC Standard Drafting Teams.
- 2) ReliabilityFirst Standards Program staff will continue to volunteer to serve as members of NERC Standard Drafting Teams (SDT). Currently a staff member is either chair or vice-chair of two NERC SDTs and we are participating on five other SAR/SDT Teams.
- 3) ReliabilityFirst Standards Program staff will continue to volunteer to participate on special NERC teams to develop plans and programs related to regional tasks. This will include special teams such as the RRSWG which deals with the NERC “fill-in the blanks” work plan and established task forces such as the FMWG as well as presenting at NERC Workshops such as the Standard Development and LSE Workshops.

The ReliabilityFirst Standards Program relies on technical support from both the ReliabilityFirst staff and stakeholder volunteers for drafting teams. The teams are facilitated by the Standards staff. Even though more than six standards can be in development at one time, realistically only the six highest priority standards will be in the active drafting step at one time so as to not exhaust stakeholder and staff resources. Even with this managed workload, additional standards staff assistance may be needed from time to time to provide the proper support for the fluctuating standards work. This will allow staff to effectively facilitate ReliabilityFirst Standard Drafting Teams (SDTs) and participate on NERC teams. This will also allow staff to develop their own skills and provide technical resources for ReliabilityFirst and NERC compliance audits.

The ReliabilityFirst Standards staff will continue to keep the Standards Committee, Board of Directors and all stakeholders informed of the progress in the development of ReliabilityFirst and NERC standards via public announcements, the corporate newsletter, and website postings.

2009 Areas of Focus

- Submit to NERC and subsequently file with FERC any regional standards that are needed to support revised NERC Reliability Standards
- Submit to NERC and subsequently file with FERC any regional standards that are not addressed by NERC Reliability Standards, yet are required to maintain regional reliability of the Bulk Power System.
- Submit to NERC and subsequently file with FERC any regional standards that will be needed to provide an “interim” solution to reliability needs in the region until replaced by NERC Reliability Standards

The objectives of the standards program for 2009 are to:

- Prioritize the regional standards drafting effort to align with the timing of NERC Reliability Standards revisions
- Modify the regional Standards Development Procedure to align with changing NERC and FERC requirements

- Initiate and coordinate revisions to regional Standards in any stage of development to align with NERC and FERC requirements
- Systematically extract requirements from the remaining “legacy” documents for developing regional standards and complete the retirement of the “legacy” documents or use portions of them in future regional criteria and/or procedures

Section 215 Regional Entity Reliability Standards Development

The Standards Development Procedure and NERC Standards Development Work Plan are, and will be, the basis for regional standards work throughout 2009. Of the four NERC Reliability Standards that are expected to require regional standards for support, ReliabilityFirst submitted the Operating Reserves standard to NERC in late 2007. ReliabilityFirst expects the Disturbance Monitoring and UFLS regional standards to be in place by the end of 2008 with the SPS Review regional standard to be completed in 2009. Although these regional standards will be in place prior to the rewrite of the corresponding NERC standards, they will provide interim direction for ReliabilityFirst stakeholders. Since standards staff are active members of the associated NERC drafting teams, it is expected that the regional standards in place will influence and streamline the direction of the NERC effort. Any modifications needed in the regional standards will be initiated prior to final development of the NERC standards, expected during 2008 – 2009, employing the first-hand knowledge of the ReliabilityFirst members on the NERC drafting teams.

In 2009 there will also be regional drafting efforts related to the NERC “fill in the blank” standards that NERC may not complete for the next couple of years, such as the MOD generator verification standards. Regional standards will be developed and implemented during the interim period pending the completion of these NERC standards. For example, two interim regional standards related to generator data verification and reporting that began in 2007 will be completed in 2008/2009 in advance of any associated standard drafting by NERC. ReliabilityFirst has an effort underway to retire the existing Automatic Reserve Sharing Standard and an effort to revise the Planned Resource Adequacy Assessment Standard which should be completed in late 2008.

The following are standards underway in 2008 with continued or additional effort expected in 2009:

- 1) ***Under Frequency Load Shed Program*** – Drafting of this standard parallels the ReliabilityFirst regional assessment of under frequency load shedding programs, to be completed in 2008. Approval of the standard is expected at the end of 2008. Since the drafting for the related NERC standard (Project 2007-01) has been initiated, it is expected any revisions to the regional standard required by NERC’s activities will be initiated as early as the beginning of 2009.
- 2) ***Automatic Reserve Sharing*** - This is a ReliabilityFirst-approved day one standard. An initiative to retire this standard began in late 2007, in response to questions regarding whether this standard is needed for Bulk Power System reliability. It is expected that this standard will be retired in late 2008. In the event that unforeseen comments or complications are encountered, additional follow-up work may be needed in 2009.

- 3) ***Disturbance Monitoring Equipment*** – This regional standard is expected to be approved in 2008; however, the related NERC standards effort (Project 2007-11) is in the drafting phase and is not expected to be completed until mid 2009. It is expected revisions to the regional standard which may be required by NERC’s effort will be initiated as early as the beginning of 2009.
- 4) ***Special Protection Systems Review*** – Development of this regional standard will begin in mid-2008 and the standard is anticipated to be approved mid-2009. This standard is related to NERC standards work (Project 2008-04). It is expected that adjustments to the regional standard will be initiated as early as the end of 2009 to align with the NERC effort. Development of this regional work may be used to help develop and formulate the NERC standard.
- 5) ***Generator Data Verification and Reporting*** – Drafting of this subject matter began in 2007 and will require two regional standards. This effort is related to NERC Reliability Standards MOD-024 and MOD-025 (Projects 2006-05 and 2007-09). Approval for the regional standards will be staggered from the end of 2008 through mid 2009. Revisions related to NERC work will be staggered accordingly.
- 6) ***Planned Resource Adequacy Assessment*** - This resource adequacy standard is unique to ReliabilityFirst and the Midwest Reliability Organization (MRO) and not related to any existing NERC standards. This effort is related to revising the currently approved standard to: 1.) Limit enforcement to reserve requirement analysis and assignment, 2.) Add significant improvements from ReliabilityFirst experience and Midwest Reliability Organization (MRO) development, and 3.) Conform to the current ReliabilityFirst Standards Development Procedure and NERC standards requirements. Drafting of this standard revision began in 2008 and is not expected to be approved until the end of 2008 or beginning of 2009.
- 7) ***Capacity Benefit Margin*** – Although a regional standard drafting team is in place, its work is on hold until work on the related NERC Transfer Capability Standards (Project 2006-05) moves forward. Regional efforts may or may not be needed in 2008, continuing into 2009.
- 8) ***Sub-Regional Adequacy*** – This *transmission* related adequacy standard is unique to ReliabilityFirst and not related to any existing NERC standards. This standard is based upon pre-existing requirements in one of the legacy regions. The SAR has been written and work will begin in 2009.

Funding Requirements — Explanation of Increase (Decrease)

Since the ReliabilityFirst standards development program has been and continues to be fully engaged with a somewhat intentionally controlled workload, it is expected that the funding in 2009 will remain on the same track as 2007 and 2008.

Staffing Needs

Hiring Plans

- No additional FTEs are needed in 2009

Shared Employees

- Reliability*First* does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Use of contractors is not anticipated in this area in 2009

Section A — 2009 ReliabilityFirst Business Plan

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Standards					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 625,473	\$ 625,473	\$ -	\$ 529,461	\$ (96,012)
Membership Dues	-		-		-
Testing Fees	-		-		-
Services & Software	-		-		-
Workshops	-		-		-
Interest	-	-	-		-
Miscellaneous	-		-		-
Total Funding	\$ 625,473	\$ 625,473	\$ -	\$ 529,461	\$ (96,012)
Expenses					
Personnel Expenses					
Salaries	\$ 278,026	\$ 276,639	\$ (1,387)	\$ 343,925	\$ 67,286
Payroll Taxes	17,361	16,769	(592)	17,526	757
Benefits	32,018	26,208	(5,810)	30,186	3,978
Retirement Costs	42,636	46,099	3,463	51,264	5,165
Total Personnel Expenses	\$ 370,041	\$ 365,715	\$ (4,326)	\$ 442,901	\$ 77,186
Meeting Expenses					
Meetings	\$ 115,200	\$ 28,361	\$ (86,839)	\$ 53,000	\$ 24,639
Travel	124,860	30,405	(94,455)	32,000	1,595
Conference Calls	15,372	1,315	(14,057)	1,560	245
Total Meeting Expenses	\$ 255,432	\$ 60,081	\$ (195,351)	\$ 86,560	\$ 26,479
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses					
	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 625,473	\$ 425,796	\$ (199,677)	\$ 529,461	\$ 103,665
Change in Assets	\$ -	\$ 199,677	\$ 199,677	\$ -	\$ (199,677)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 2 FTEs for the 2008 projection and 2 FTEs for the 2009 budget. Staff resources are used to direct the Reliability*First* drafting teams and support the NERC drafting and development teams as defined in the business plan.

Meeting Expenses

- Meeting, staff travel, and conference call expenses in support of the Reliability*First* and NERC drafting teams.

Operating Expenses

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources			
<small>(in whole dollars)</small>			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	12.00	18.00	23.00
Total Direct Expenses	\$3,374,181	\$3,378,890	\$5,099,328
Total Indirect Expenses	\$2,021,511	\$3,125,392	\$3,054,613
Total Expenses	\$5,395,692	\$6,504,282	\$8,153,941

Background

2009 represents a major transition for the ReliabilityFirst Compliance Monitoring and Enforcement Program (CMEP). It will be the first full year that ReliabilityFirst will implement the compliance program requirements as a Regional Entity under the ERO with mandatory enforcement authority in place, including the expectations set forth in the Regional Delegation Agreement between NERC and ReliabilityFirst. Under the ERO (NERC), ReliabilityFirst will have the authority to enforce compliance with approved Reliability Standards on all owners, operators, and users of the Bulk Power System within the Region. Personnel will be prepared and tools will be put in place to fully implement the compliance program functions under NERC. The ReliabilityFirst compliance staff will support and/or participate in NERC designated compliance and organization certification committees and working groups as requested.

In its third year of operation, ReliabilityFirst will be expanding its efforts to effectively carry out its ERO-delegated compliance monitoring and enforcement, organization registration and certification activities. Compliance related information/data collection, analysis, audits, investigations, assessments, enforcement case management, and reporting to NERC will be used to satisfy all monitoring and enforcement requirements of FERC and other regulatory authorities. Established processes will be used for the collection of compliance-related information. Training will be required for all compliance auditors through the ERO Training and Education function, which is intended to assure consistent assessments with competent and unbiased compliance auditors to support regional and NERC audit activities. Supplemental auditor training and certification may be conducted by ReliabilityFirst. Violation case management will be performed respecting the due process rights of all Registered Entities and will be applied in a fair and consistent manner.

Program Description and Functions Performed

ReliabilityFirst will monitor and identify alleged violations of Reliability Standards through a variety of processes including:

- Self-certification and self-reporting by owners, operators, and users of the Bulk Power System, including reports of both specific incidents and events.

- Investigations of complaints received from other owners, operators, and users of the Bulk Power System and other persons and entities interested in the reliable operation of the Bulk Power System, including government entities.
- Compliance violation investigations associated with significant system disturbances or events whenever a ReliabilityFirst or NERC initiated investigation team is activated.
- Compliance audits of the Reliability Standard requirements applicable to the functions of the registered owners, operators, and users of the Bulk Power System. Spot checking individual standard requirements will also be performed as validation to self-certifications and follow up activities.
- Data submittals for standard requirements to support studies, modeling, and seasonal assessments.
- Exception reporting to assess compliance to Reliability Standards.
- Begin the initial steps of monitoring the Critical Infrastructure Protection standards and prepare for the auditing of these standards beginning July of 2009 and beyond.

To facilitate ReliabilityFirst compliance monitoring and enforcement activities, all owners, operators, and users of the Bulk Power System will be required to register with ReliabilityFirst for the functions that are applicable to their organizations. ReliabilityFirst will update organization registration information on a regular basis and submit it to NERC, who will maintain the official compliance registry. Registration of organizations responsible to comply with the standards will be reviewed on a regular basis. Certification of organizations performing primary reliability responsibilities is expected to begin for key registered functions.

2009 Areas of Focus

- a. Implementation of ReliabilityFirst delegated Compliance Monitoring and Enforcement Program (CMEP) responsibilities, which will include but are not limited to the following:
 - 1) Establish and prepare staff to achieve maximum effectiveness, inter- and intra-regional consistency and requisite due diligence in monitoring and assessments, data and status reporting, enforcement actions, settlement activities, and hearing proceedings with regard to compliance to Reliability Standards.
 - 2) Assure timely mitigation of all violations of Reliability Standards. Mitigation plans will be assessed for effectiveness and reasonableness of implementation (including the time to complete) and will be tracked to closure. Tracking will include requiring the Registered Entity to provide regular status updates regarding the implementation of the accepted plan including when significant milestones are achieved, if the Registered Entity begins to fall behind the accepted mitigation plan timeline or any significant change in status. In all cases, status updates will be required at least every ninety (90) days until the mitigation plan is completed. The Registered Entity is required to certify successful completion at the conclusion of the mitigation plan. Also, ReliabilityFirst may ask for additional evidence to support the determination of a successful completion of the accepted mitigation plan and ReliabilityFirst may elect to perform an on-site review as verification.

- 3) Conduct thorough and formal compliance audits on a three-year cycle of the RC/BA/TOP/TO functional entities and local control centers (LCCs) within the region. Spot-checks, as a form of audit, will also be performed to confirm self-certifications, self reports, and the status of mitigation plans. Audit teams will consist of staff, contractors, and NERC personnel, with FERC oversight. Industry volunteers will not serve on audit teams. These audits will review 12 to 15 entities per year with 60 to 70 total functions evaluated.
 - RC – Reliability Coordinator
 - BA – Balancing Authority
 - TOP – Transmission Operator
 - TO – Transmission Owner
 - 4) Conduct thorough and formal compliance audits of small entities on a six-year cycle, which will include the following registered functions: GO/GOP/LSE/PSE/DP/RP/PA/TP/TSP. These audits will include both site visits and off-site reviews. Approximately 60 entities will be reviewed annually with 100 to 120 total standard requirements evaluated.
 - GO – Generator Owner
 - GOP Generator Operator
 - LSE – Load Serving Entity
 - PSE – Purchasing-Selling Entity
 - DP – Distribution Provider
 - RP – Resource Planner
 - PA – Planning Authority
 - TP – Transmission Planner
 - TSP – Transmission Service Provider
 - 5) Conduct initial violation fact and circumstance reviews and communication activities, settlements, hearings, and participate as necessary in any appeals to NERC or regulatory agencies for alleged violations that are contested.
 - 6) Review all enforcement actions for consistent application of penalties for violations of Reliability Standards.
 - 7) Manage all compliance activities in an unbiased, fair, and consistent manner, affording all Registered Entities appropriate due process.
- b. Provide training for compliance auditors:
- 1) Assure all auditors receive and meet all auditor training requirements.
 - 2) Assure that the program is delivered to all Reliability*First* staff and contractors participating in compliance audits.
- c. Develop and enhance processes, databases, and reporting tools for accurate tracking and reporting of alleged and confirmed violations of reliability standards, penalty and sanction actions, settlements, hearings, disposition of all violations, and mitigation plans.

- d. Maintain reporting relationship with NERC and establish processes and procedures to report violations, levy penalties and sanctions, and track mitigation plans and settlement actions for violations.
 - 1) Report all alleged violations of Reliability Standards to NERC.
 - 2) Prepare and distribute notices of proposed penalty findings associated with compliance violations.
- e. Enhance reporting of violations of Reliability Standards to the ReliabilityFirst Board Compliance Committee and NERC.
 - 1) Report all violations of Reliability Standards for which investigation, decision, and hearing processes have been completed, including the identity of the organizations involved in those violations.
 - 2) Identify trends pertaining to problem areas, entities that may require additional follow-up review, and communicate any lessons learned with other Registered Entities while protecting confidentiality as required by NERC Rules of Procedure.
- f. Monitor and assess that ReliabilityFirst has adequately addressed and can satisfy the requirements for compliance with those NERC standards for which ReliabilityFirst is currently accountable.
- g. Support the development of the compliance elements for all new or revised Reliability Standards within the ReliabilityFirst and NERC Standards Program. Support NERC standards drafting teams as resources are available.
- h. Provide the necessary information regarding all financial penalties to support the collection and disbursement of the penalty funds.
- i. Develop a plan for an independent audit or self assessment of the ReliabilityFirst CMEP in 2009 to evaluate the success and effectiveness of the program in achieving its mission.

Funding Requirements — Explanation of Increase (Decrease)

The compliance department's current workload is exceeding the available resources and this workload is not anticipated to subside in future years, but rather grow. Increased staffing will cause the funding requirements to grow.

Staffing Needs

Hiring Plans

- Through the second half of 2008, 5 additional compliance staff personnel are expected to be hired. These positions were identified as a contingency action in the 2008 budget. An additional 5 positions are designated to be hired throughout 2009. The availability of properly experienced applicants may impact our ability to hire additional staff, both in the latter part of 2008 and in 2009. Many avenues are being considered in finding appropriate candidates, including non traditional skill sets outside of the direct utility industry. Some

of the areas of focus will be for experience in legal case management, critical infrastructure knowledge, data management, and engineering or operational backgrounds with planning knowledge.

- The current workload in the compliance department is exceeding the available resources and the company has been forced to use contractors for overflow work. The number of Registered Entities that must be audited, mitigation plan review and follow-up, violation investigation, settlement proceedings, and administration of the compliance process all have seen heavy increases in activity and this workload is not anticipated to subside in future years, but rather to grow. For these reasons, the additional resources identified above are necessary in order for proper completion of this very important delegated function.

Shared Employees

- ReliabilityFirst does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Contractors may be utilized to supplement staff in the areas of audits, investigations, and other resource intense activities, whenever workload exceeds the capabilities of the permanent staff.

Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Compliance Enforcement and Organization Registration and Certification					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 3,374,181	\$ 3,374,181	\$ -	\$ 5,099,328	\$ 1,725,147
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 3,374,181	\$ 3,374,181	\$ -	\$ 5,099,328	\$ 1,725,147
Expenses					
Personnel Expenses					
Salaries	\$ 1,506,988	\$ 1,875,502	\$ 368,514	\$ 2,993,674	\$ 1,118,172
Payroll Taxes	101,825	124,674	22,849	176,380	51,706
Benefits	216,555	244,540	27,985	382,744	138,204
Retirement Costs	231,642	325,680	94,038	496,310	170,630
Total Personnel Expenses	\$ 2,057,010	\$ 2,570,396	\$ 513,386	\$ 4,049,108	\$ 1,478,712
Meeting Expenses					
Meetings	\$ 41,600	\$ 5,000	\$ (36,600)	\$ 10,000	\$ 5,000
Travel	452,502	233,858	(218,644)	399,500	165,642
Conference Calls	9,540	516	(9,024)	720	204
Total Meeting Expenses	\$ 503,642	\$ 239,374	\$ (264,268)	\$ 410,220	\$ 170,846
Operating Expenses					
Consultants	\$ 313,529	\$ 69,120	\$ (244,409)	\$ 120,000	\$ 50,880
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	500,000	500,000	-	520,000	20,000
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 813,529	\$ 569,120	\$ (244,409)	\$ 640,000	\$ 70,880
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 3,374,181	\$ 3,378,890	\$ 4,709	\$ 5,099,328	\$ 1,720,438
Change in Assets	\$ -	\$ (4,709)	\$ (4,709)	\$ -	\$ 4,709

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document.

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 18 FTEs for the 2008 projection and 23 FTEs for the 2009 budget. The FTE difference from 2008 projection to 2009 budget includes 5 FTE's that have been deemed necessary to effectively implement the compliance program to over 350 Registered Entities. Staff resources are used to support the objectives of the Compliance Enforcement Program as defined in the business plan. To avoid past budgeting inaccuracies, all additional employees are not budgeted to start on the same date (i.e. January 1, 2009). Rather, the addition of staff has been staged over 2009 and the personnel expenses reflect this phased approach.
- Professional development costs for training for specific job skills and any other professional certification requirements.

Meeting Expenses

- Meeting, staff travel and conference call expenses in support of the Compliance Monitoring and Enforcement Program, and, Organization Registration and Certification Program have all been considered in developing the budget requirements.

Operating Expenses

- ReliabilityFirst utilizes staff and independent contractors to perform all compliance activities. Increased costs in this area are directly related to the increased number of audits and all other activities required to be performed across 350 plus Registered Entities.
- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Reliability Readiness Evaluation and Improvement Program

Reliability Readiness Evaluation and Improvement Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.00	1.00	0
Total Direct Expenses	\$205,824	\$173,389	\$0
Total Indirect Expenses	\$168,459	\$173,633	\$0
Total Expenses	\$374,283	\$347,022	\$0

Background

NERC has eliminated the Reliability Readiness Evaluation and Improvement Program. 2009 will be a transition year, during which open Readiness recommendations in the Region will be monitored to their completion and a reduced set of Evaluations will take place. Consequently, ReliabilityFirst has eliminated the Reliability Readiness Evaluation and Improvement Program funding requirements, FTE count, and activities from the 2009 Business Plan and Budget. ReliabilityFirst resources required to support any remaining required activities of this NERC program are assumed to be minimal and will be absorbed by existing ReliabilityFirst staff.

Funding Requirements — Explanation of Increase (Decrease)

The Readiness Evaluation Program has been eliminated for 2009. ReliabilityFirst resources required to support any remaining required activities of this NERC program are assumed to be minimal and will be absorbed by existing ReliabilityFirst staff.

Staffing Needs

Hiring Plans

- None.

Shared Employees

- ReliabilityFirst does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- ReliabilityFirst does not expect to use contractors to support the Readiness Evaluation Function. However, if there is a need to support NERC in the staffing of these evaluations with a representative from ReliabilityFirst, contractor support will be considered.

Reliability Readiness Evaluations and Improvement Program

Funding sources and related expenses for the reliability readiness audits and improvement section of the 2009 business plan are shown in the table below.

Section A — 2009 ReliabilityFirst Business Plan

Statement of Activities						
2008 Budget & Projection, and 2009 Budget						
Reliability Readiness Evaluation and Improvement						
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)	
Funding						
ERO Assessments	\$ 205,824	\$ 205,824	\$ -	\$ -	\$ (205,824)	
Membership Dues	-		-	-	-	
Testing Fees	-		-	-	-	
Services & Software	-		-	-	-	
Workshops	-		-	-	-	
Interest	-	-	-	-	-	
Miscellaneous	-		-	-	-	
Total Funding	\$ 205,824	\$ 205,824	\$ -	\$ -	\$ (205,824)	
Expenses						
Personnel Expenses						
Salaries	\$ 125,582	\$ 111,550	\$ (14,032)	\$ -	\$ (111,550)	
Payroll Taxes	8,485	7,910	(575)	-	(7,910)	
Benefits	14,746	14,025	(721)	-	(14,025)	
Retirement Costs	19,303	18,306	(997)	-	(18,306)	
Total Personnel Expenses	\$ 168,116	\$ 151,791	\$ (16,325)	\$ -	\$ (151,791)	
Meeting Expenses						
Meetings		\$ -	\$ -	\$ -	\$ -	
Travel	37,708	21,598	(16,110)	-	(21,598)	
Conference Calls		-	-	-	-	
Total Meeting Expenses	\$ 37,708	\$ 21,598	\$ (16,110)	\$ -	\$ (21,598)	
Operating Expenses						
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -	
Contracts	-		-	-	-	
Office Rent	-		-	-	-	
Office Costs	-		-	-	-	
Professional Services	-		-	-	-	
Computer Purchase & Maintenance	-		-	-	-	
Furniture & Equipment	-		-	-	-	
Miscellaneous	-		-	-	-	
Contingency	-		-	-	-	
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expenses	\$ 205,824	\$ 173,389	\$ (32,435)	\$ -	\$ (173,389)	
Change in Assets	\$ -	\$ 32,435	\$ 32,435	\$ -	\$ (32,435)	

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document.

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- The Readiness Evaluation Program has been eliminated for 2009. ReliabilityFirst resources required to support any remaining required activities of this NERC program are assumed to be minimal and will be absorbed by existing ReliabilityFirst staff.

Meeting Expenses

- See Personnel Expenses above.

Operating Expenses

- . The program has been eliminated with no FTEs consequently; no operating costs will be allocated.

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	.25	.05	.05
Total Direct Expenses	\$89,626	\$64,947	\$102,582
Total Indirect Expenses	\$42,115	\$8,682	\$6,640
Total Expenses	\$131,741	\$73,629	\$109,222

Background

The ReliabilityFirst Training and Education Program for 2009 will address the areas of ReliabilityFirst Board of Director's training and industry workshops for membership covering topics such as the ReliabilityFirst Standards Development and Compliance Monitoring and Enforcement Program. Individual training needs or personal development of ReliabilityFirst staff are identified by the separate functional areas and coordinated under the ReliabilityFirst Training and Education Program, but the expenses for that training are included in each department's budget.

Program Description and Functions Performed

The Training, Education, and Operator Certification Program area focuses on providing relevant training to entities operating in the ReliabilityFirst region. This training is structured to provide timely information in a concise format to enable participation at all levels within an organization.

2009 Areas of Focus

Board of Directors Training

Per the Bylaws of ReliabilityFirst, The Board of Directors will receive training annually to keep current with activities within the ReliabilityFirst footprint and to stay abreast of changes affecting the industry. This training will be conducted at times convenient to the members of the Board and will be prepared and presented primarily by ReliabilityFirst staff, normally in conjunction with a regularly scheduled Board of Directors meeting.

Industry Workshops

In 2009, ReliabilityFirst will continue to offer workshops focused on keeping members abreast of the activities of ReliabilityFirst and other activities that may affect ReliabilityFirst members. The workshops will be geared toward enhancing understanding of the evolution of the industry as a result of the Energy Policy Act of 2005 and of ReliabilityFirst programs such as Standards Development and the Compliance Monitoring and Enforcement Program. Some of these workshops may require a registration fee from attendees to minimize the budgetary impact to ReliabilityFirst. Workshops to be conducted in 2009 include:

- Compliance Monitoring and Enforcement Program workshops to promote an understanding of the program as it continues to evolve under the ERO.

- Open forums to provide insight into new standards developed and approved by the industry, both NERC and ReliabilityFirst, changes in the Compliance Monitoring and Enforcement Program, or other topics requested by members/Registered Entities.
- Updates to the base case development process used for developing computer models used to perform reliability assessments.

Funding Requirements — Explanation of Increase (Decrease)

- In preparing the 2008 Business Plan and Budget for the Training, Education and Operator Certification program, it was assumed that coordination of individual staff training, as well as relevant training for entities within ReliabilityFirst, would be coordinated in the Training, Education and Operator Certification program. In preparing the 2009 Business Plan and Budget, the decision was made to delegate overall responsibility for individual staff-member training to the respective manager/director. This change, in conjunction with the discussion of Shared Employees (below), results in a reduction of personnel expenses funding requirements for the Training, Education and Operator Certification program area.

Staffing Needs

Hiring Plans

- For the reasons discussed above, no additional employees are proposed to support the Training, Education and Operator Certification program in 2009.

Shared Employees

- Staffing for this program area is achieved through the sharing of one staff member with the Situation Awareness program area. For 2008, the allocation of time for this employee was estimated to be 25% to Training and 75% to Situation Awareness. Due to changes in the management of personnel training, moving responsibility for this to the respective program area, this allocation has changed. For the remainder of 2008 and for 2009, the allocation of this shared employee is now 5% to Training and 95% to Situation Awareness.
- ReliabilityFirst does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Use of contractors is not anticipated in this area in 2009.

Section B — 2009 Reliability *First* Budget

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Training, Education and Operator Certification					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 89,626	\$ 89,626	\$ -	\$ 102,582	\$ 12,956
Membership Dues	-		-	-	-
Testing Fees	-		-	-	-
Services & Software	-		-	-	-
Workshops	-		-	-	-
Interest	-	-	-	-	-
Miscellaneous	-		-	-	-
Total Funding	\$ 89,626	\$ 89,626	\$ -	\$ 102,582	\$ 12,956
Expenses					
Personnel Expenses					
Salaries	\$ 41,326	\$ 26,770	\$ (14,556)	\$ 8,695	\$ (18,075)
Payroll Taxes	2,265	439	(1,826)	770	331
Benefits	3,725	255	(3,470)	348	93
Retirement Costs	6,315	2,483	(3,832)	2,769	286
Total Personnel Expenses	\$ 53,631	\$ 29,947	\$ (23,684)	\$ 12,582	\$ (17,365)
Meeting Expenses					
Meetings	\$ 31,900	\$ 31,000	\$ (900)	\$ 88,000	\$ 57,000
Travel	4,095	4,000	(95)	2,000	(2,000)
Conference Calls	-		-	-	-
Total Meeting Expenses	\$ 35,995	\$ 35,000	\$ (995)	\$ 90,000	\$ 55,000
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 89,626	\$ 64,947	\$ (24,679)	\$ 102,582	\$ 37,635
Change in Assets	\$ -	\$ 24,679	\$ 24,679	\$ -	\$ (24,679)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 2009 are budgeted for .05 FTE. Staff resources are used to support the objectives of the Training, Education, and Operator Certification Program as defined in the business plan. As explained in the discussion of Shared Employees for Training, Education, and Operator Certification, the adjustment to the allocation of FTEs results in a reduction of Personnel Expenses for this program area.

Meeting Expenses

- Staff travel and conference call expenses in support of the regional training activities. Due to the changes made in staff allocation for this program area, travel-related meeting expenses are projected to be lower in 2009 than 2008. However, ReliabilityFirst foresees a need for additional regional training events in 2009, particularly in the area of Compliance Enforcement. The additional training events, coupled with increasing costs to host meetings, results in an overall increase in 2009 Training and Education meeting expenses.

Operating Expenses

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	6.00	5.50	5.50
Total Direct Expenses	\$1,419,811	\$1,022,140	\$985,605
Total Indirect Expenses	\$1,010,755	\$954,981	\$730,451
Total Expenses	\$2,430,566	\$1,977,121	\$1,716,056

Background

In support of the ERO and Rules of Procedure, Section 800, ReliabilityFirst staff will independently analyze, assess, and report on the reliability and adequacy of the Bulk Power System within its footprint in the past, present, and future. This includes performance of seasonal, near-term and long-term resource and transmission assessments, special investigations as warranted, analysis of system disturbances, and collection and dissemination of reliability data.

Program Description and Functions Performed

Assessments of Reliability Performance

- a. Perform short-term resource adequacy assessments per NERC Rules of Procedure Section 800 and NERC Standards MOD-016, TPL-005, and TPL-006.
- b. Perform long-term resource adequacy assessments per NERC Rules of Procedure Section 800 and NERC Standards MOD-016, TPL-005, and TPL-006.
- c. Perform seasonal (summer and winter) transmission assessments for the region per NERC Rules of Procedure Section 800 and NERC Standards TPL-005, and TPL-006.
- d. Perform near-term (1 through 5 years into the future) transmission assessments for the region per NERC Rules of Procedure Section 800 and NERC Standards TPL-005, and TPL-006.
- e. Perform long-term (5 through 10 years into the future) transmission assessments for the region per NERC Rules of Procedure Section 800 and NERC Standards TPL-005, and TPL-006.
- f. Produce ReliabilityFirst assessments for the NERC Reliability Assessment Subcommittee's seasonal and long-term reports per NERC Rules of Procedure Section 800 and NERC Standard TPL-006.
- g. Conduct dynamic assessments as needed for the region per NERC Standards PRC-006, PRC-012, TPL-005, and TPL-006.

- h. Work with neighboring Regional Entities to perform seasonal, near-term, and long-term transmission assessments in all three forums of the inter-regional forums for the Eastern Interconnection Reliability Assessment Group (ERAG) per NERC Standards TPL-005, and TPL-006.

Model Development to Conduct Assessments

- a. Develop power flow base case models for the region per NERC Standards MOD-011 and MOD-014 - Eastern Interconnection Reliability Assessment Group (ERAG) – Multiregional Modeling Working Group (MMWG) effort.
- b. Develop power flow base case models for the region per NERC Standards MOD-011 and MOD-014 (regional and interregional efforts).
- c. Develop dynamic base case models for the region per NERC Standards MOD-013 and MOD-015 (ERAG MMWG effort).
- d. Develop dynamic base case models for the region per NERC Standards MOD-013 and MOD-015 (regional and interregional efforts).

Reporting Requirements

- a. Submit regional load, capacity, and transmission data and power flow base cases annually for the DOE EIA-411 report.
- b. Submit regional power flow data annually for the FERC 715 report.
- c. Report to the Public Utilities Commission of Ohio.

Other Requirements and Activities

- a. Continue to actively participate in the Eastern Interconnection Reliability Assessment Group.
- b. Support the NERC Transmission Availability Data System (TADS) objectives. A regional staff person has been designated as a coordinator to collect, review, and disseminate data.
- c. Conduct initial and periodic Special Protection System (SPS) reviews as required in NERC Standards PRC-012, PRC-013, and PRC-014.
- d. Conduct initial and periodic Under Frequency Load Shed (UFLS) reviews as required in NERC Standard PRC-006.
- e. Conduct any initial and periodic Under Voltage Load Shed (UVLS) reviews.
- f. Conduct any additional initial and periodic zone 3 protective relay exception reviews.

- g. Conduct system disturbance and post-mortem analyses.
- h. Coordinate disturbance reporting as required in NERC Standard EOP-004.
- i. Coordinate disturbance monitoring equipment placement as required in NERC Standard PRC-002.
- j. Provide support to analyze protective relay miss operation information as required in NERC Standard PRC-003.
- k. Conduct methodology reviews (ATC/TTC/CBM/TRM) as required in NERC Standards MOD-001 through MOD-009.
- l. Develop and maintain a regional Bulk Power System facilities map.
 - a. Develop and maintain a linear contingency database for transmission assessment studies.

Events Analysis and Information Exchange Objectives

The ReliabilityFirst Major Disturbance Analysis Task Force (MDATF) and ReliabilityFirst staff have the responsibility to analyze any disturbances as directed by the Reliability Committee and in cooperation with NERC. This activity will be coordinated and facilitated by staff, with proper ties to the compliance department in instances for which potential violations of reliability standards were contributory to the disturbance.

Benchmarking Objectives

The ReliabilityFirst Power Flow Model Contact Group (PFMCG) and Dynamic Model Contact Group (DMCG) have the responsibility to address any benchmarking objectives as directed by the Reliability Committee.

2009 Areas of Focus

The areas of focus for this function are to annually complete the summer, winter, and long-term assessment reports on time and provide an independent assessment of the state of the Bulk Power System. The summer assessments should be completed by mid-May, the winter assessments should be completed by mid-November, and the long-term assessments should be completed in October. The series of power flow and dynamic models are built annually and updated prior to performing the seasonal and long-term studies needed for the assessments. Data for NERC and government reporting will be submitted to each organization by the respective due dates. This area of focus also includes active participation in ERAG forums to perform seasonal transmission assessments and build power flow and dynamic models.

Another major area of focus is to analyze any disturbances that may occur. ReliabilityFirst will fully cooperate with NERC to analyze any disturbances that may occur.

Funding Requirements — Explanation of Increase (Decrease)

Since the Reliability Assessment and Performance Analysis Program has been and continues to be fully engaged with a somewhat intentionally controlled workload, it is expected that the funding in 2009 will remain on the same track as 2007 and 2008.

Staffing Needs

Salary, payroll taxes, benefits, and savings and retirement expenses for 5.5 FTEs are anticipated for the 2008 projection and 2009 budget. Staff resources are used to support the objectives of the Reliability Assessment and Performance Analysis Program as defined in the business plan. The decrease of 0.5 FTE is attributable to the relocation of this FTE to the Member Forum function. History of time spent has dictated that this 0.5 FTE has been needed to facilitate the Member Forums.

Hiring Plans

- No additional FTEs are needed in 2009.

Shared Employees

- ReliabilityFirst does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.
- There are five of the five and a half FTEs designated for this function that are expected to participate in the NERC Readiness Evaluation function.

Contractors

- Outside contractors may be utilized on an as-needed basis. The ERAG forum will continue to use contractors to develop its series of power flow and dynamic models and each region involved will share in the cost of these services.

Section B — 2009 Reliability *First* Budget

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Assessment and Performance Analysis					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 1,419,811	\$ 1,419,811	\$ -	\$ 985,605	\$ (434,206)
Membership Dues	-		-	-	-
Testing Fees	-		-	-	-
Services & Software	-		-	-	-
Workshops	-		-	-	-
Interest	-	-	-	-	-
Miscellaneous	-		-	-	-
Total Funding	\$ 1,419,811	\$ 1,419,811	\$ -	\$ 985,605	\$ (434,206)
Expenses					
Personnel Expenses					
Salaries	\$ 738,772	\$ 588,971	\$ (149,801)	\$ 637,059	\$ 48,088
Payroll Taxes	50,699	37,749	(12,950)	39,535	1,786
Benefits	98,559	58,896	(39,663)	73,404	14,508
Retirement Costs	113,777	97,713	(16,064)	105,407	7,694
Total Personnel Expenses	\$ 1,001,807	\$ 783,329	\$ (218,478)	\$ 855,405	\$ 72,076
Meeting Expenses					
Meetings	\$ 62,612	\$ 35,000	\$ (27,612)	\$ 24,000	\$ (11,000)
Travel	165,653	48,150	(117,503)	40,000	(8,150)
Conference Calls	14,739	661	(14,078)	1,200	539
Total Meeting Expenses	\$ 243,004	\$ 83,811	\$ (159,193)	\$ 65,200	\$ (18,611)
Operating Expenses					
Consultants	\$ 175,000	\$ 155,000	\$ (20,000)	\$ 65,000	\$ (90,000)
Contracts	-		-	-	-
Office Rent	-		-	-	-
Office Costs	-		-	-	-
Professional Services	-		-	-	-
Computer Purchase & Maintenance	-		-	-	-
Furniture & Equipment	-		-	-	-
Miscellaneous	-		-	-	-
Contingency	-		-	-	-
Total Operating Expenses	\$ 175,000	\$ 155,000	\$ (20,000)	\$ 65,000	\$ (90,000)
Other Non-Operating Expenses	\$ -		\$ -		\$ -
Total Expenses	\$ 1,419,811	\$ 1,022,140	\$ (397,671)	\$ 985,605	\$ (36,535)
Change in Assets	\$ -	\$ 397,671	\$ 397,671	\$ -	\$ (397,671)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 5.5 FTEs for the 2008 projection and 2009 budget. Staff resources are used to support the objectives of the Reliability Assessment and Performance Analysis Program as defined in the business plan.

Meeting Expenses

- Meeting, staff travel, and conference call expenses in support the committees, subcommittees, working group, and task forces, currently in place to assess and report on the adequacy of the Bulk Power System. These groups consist of the:
 - **Transmission Performance Subcommittee (TPS)** – provides a transmission owner/planner forum to address any transmission planning and/or performance issues. This would include transmission assessments, outages, maps, notification, etc.
 - **Power Flow Model Contact Group (PFMCG)** – provides power flow model data for ERAG MMWG and other regional base case model building efforts.
 - **Dynamic Model Contact Group (DMCG)** – provides dynamic model data for ERAG MMWG and other regional dynamic base case model building efforts.
 - **Resource Assessment Subcommittee (RAS)** – provides a generation resource forum to conduct and assess the resource adequacy of the region. This includes the use and collection of demand, demand side management, and transaction data.

Operating Expenses

- Expenses associated with the Eastern Interconnection Reliability Assessment Group (ERAG) Multiregional Modeling Working Group (MMWG) and Management Committee are the responsibilities of the Regional Entities within the Eastern Interconnection. The Regional Entities will pay their pro rata share of ERAG and MMWG expenses.

ERAG expenses (ReliabilityFirst pro rata share)::

MMWG/ERAG Work (\$65,000)

Consultants to support in event analysis (\$10,000).

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Situational Awareness and Infrastructure Security Program

Situational Awareness and Infrastructure Security Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	.75	.95	1.95
Total Direct Expenses	\$243,238	\$240,510	\$400,924
Total Indirect Expenses	\$126,344	\$164,951	\$258,978
Total Expenses	\$369,582	\$405,461	\$659,902

Background

With the finalization of the Department of Homeland Security (DHS) National Infrastructure Protection Plan and the Sector Specific Plan for the Energy Sector in early 2007, Situation Awareness and Infrastructure Security (SAIS) continues to receive more focus. The ReliabilityFirst SAIS activity continues to evolve to provide the tools and information required by the ReliabilityFirst staff and stakeholders to promote infrastructure protection.

Program Description and Functions Performed

The Situation Awareness and Infrastructure Security program area focuses on supporting the ReliabilityFirst staff and Registered Entities in understanding potential threats to the electricity sector, implementation of reliability standards developed to reinforce infrastructure security, and maintaining an awareness of conditions on the Bulk Power System.

2009 Areas of Focus

- a. Support the activities of the ReliabilityFirst Critical Infrastructure Protection Subcommittee (CIPS). This subcommittee of the ReliabilityFirst Reliability Committee is populated by volunteers from stakeholders. These volunteers represent expertise in the disciplines of cyber security, physical security, and operations. The CIPS maintains liaison with the NERC Critical Infrastructure Protection Committee. The CIPS provides a forum for exchange of information and current events concerning Infrastructure Protection.
- b. Support/oversee compliance of ReliabilityFirst staff resources to the NERC Cyber Security Standards (CIP-002 – CIP-009).
- c. Provide information to the members of ReliabilityFirst on issues related to critical infrastructure protection, including alerts and advisories issued by the U.S. Department of Homeland Security and the Electric Sector Information Sharing and Analysis Center operator by NERC.
- d. Provide the tools and data necessary for ReliabilityFirst staff to monitor the health of the Bulk Power System as directed by the ReliabilityFirst Board of Directors.

- e. Maintain and test business continuity/disaster recovery and pandemic plans for the ReliabilityFirst office and staff.
- f. Assist stakeholders with implementing measures to comply with Reliability Standards dealing with critical infrastructure protection.
- g. Support the ReliabilityFirst Compliance Monitoring and Enforcement Program by participating in audits that include assessment of compliance to the NERC Cyber Security Standards (CIP-002 – CIP-009.)
- h. Provide support to ReliabilityFirst media spokespersons.

Support the ReliabilityFirst Critical Infrastructure Protection Subcommittee

In late 2006, ReliabilityFirst stakeholders formed the regional Critical Infrastructure Protection Subcommittee (CIPS). This subcommittee reports to the ReliabilityFirst Reliability Committee. The purpose of the CIPS is to share information concerning critical infrastructure protection (CIP) and to promote CIP within the ReliabilityFirst region. During 2009, SAIS will support the CIPS through scheduling and facilitation of subcommittee meetings and dissemination of messages, alerts, and warnings from NERC and DHS.

Support/oversee ReliabilityFirst staff resources compliance to the NERC Cyber Security Standards (CIP-002 – CIP-009)

ReliabilityFirst is committed to complying with the NERC Cyber Security Standards. The Situation Awareness and Infrastructure Security program area will continue to provide training, guidance, and oversight to the ReliabilityFirst Information Technology area in achieving compliance to these standards.

Provide information on CIP-related Issues

This involves dissemination of information from agencies such as the Electricity Sector Information Sharing and Analysis Center (ES-ISAC), the U.S. Department of Homeland Security, and others containing information on events or suspected events representing potential threats to the electricity sector.

To accomplish this objective, ReliabilityFirst staff must be identified to the U.S. Department of Homeland Security and the ES-ISAC as individuals authorized to receive these communications. The communications can then be forwarded to selected representatives of ReliabilityFirst member companies.

ReliabilityFirst staff will continue working with other members of the NERC Critical Infrastructure Protection Committee to develop a robust messaging system for dissemination of CIP-related messages to the appropriate target audience. This will involve working with the Registered Entities within the ReliabilityFirst region to identify the appropriate individual(s) at each entity to receive these messages.

Monitor the health of the Bulk Power System (BPS)

The use of situational awareness tools is at the discretion of the ReliabilityFirst Board of Directors. If the Board directs the ReliabilityFirst staff to employ these tools, this task involves gaining access to several NERC Operating Reliability Data support services that provide real-time or near-real-time status of the Bulk Power System. These services include the Reliability Coordinator Information System (RCIS), System Data eXchange (SDX), and Area Control Error (ACE) and Abnormal Frequency System Monitoring. These tools allow the ReliabilityFirst staff to monitor the health of the BPS and to review data at the time of a system event.

Implementation of these tools requires authorization from NERC to gain access to the services. The RCIS and SDX services are available via Internet connected computers. ACE/Abnormal Frequency data requires a dedicated system to receive information from the NERC service. In addition to use for monitoring the health of the BPS, these tools also provide information useful to the ReliabilityFirst compliance enforcement staff in ensuring compliance to reliability standards.

Maintain and Test Business Continuity/Disaster Recovery and Pandemic Plans for the ReliabilityFirst Office

A business continuity plan deals with the ability to continue business functions in a degraded situation such as the loss of corporate assets including office space or computer assets. Disaster recovery deals with a more complete loss of access to corporate assets due to a large-scale event such as a tornado or blackout. A pandemic plan focuses on business continuity in the face of a declared pandemic. Due to the potential nature of a pandemic, special steps must be taken to permit continued operation with reduced staff availability.

To ensure staff understanding and the adequacy of these plans, it is necessary to periodically test them. During 2009, tabletop exercises will be used to test the effectiveness and adequacy of these plans. Lessons learned during these tabletop exercises will then be used to improve the plans and address deficiencies.

Assist members to comply with NERC and ReliabilityFirst Standards Dealing with Critical Infrastructure Protection

In 2008, ReliabilityFirst members will continue progress toward compliance with the NERC Cyber Security Standards (CIP-002 – CIP-009). ReliabilityFirst SAIS staff will be available to answer questions concerning these standards and will sponsor regional workshops as needed to foster the exchange of ideas and solutions developed by the member companies.

Provide support to ReliabilityFirst media spokespersons

To assist ReliabilityFirst in keeping abreast of activities affecting the industry, a Communications Coordinator will be added to the SAIS staff. This position will monitor activities such as FERC rulings to inform staff of issues of interest. This position will also assist in keeping the ReliabilityFirst web content current and relevant. The goal is to more timely alert staff to developments of interest.

Funding Requirements — Explanation of Increase (Decrease)

The funding the situational awareness program is projected to increase due to an increase in staffing.

Staffing Needs

Hiring Plans

- One new employee will be hired in the first quarter of 2009 to fill the newly created position of Communications Coordinator. This person will, among other things, assist in the review of corporate documents and the preparation of responses to media inquiries, provide administrative support to the ReliabilityFirst Corporate Secretary, and monitor the media and other sources for articles or regulatory actions relevant to the industry.

Shared Employees

- Staffing for this program area is achieved through the sharing of one staff member with the Training, Education, and Operator Certification program area. For 2008, the allocation of time for this employee was estimated to be 25% to Training and 75% to Situation Awareness. Due to changes in the management of personnel training, moving responsibility for this to the respective program area, this allocation has changed. For the remainder of 2008 and for 2009, the allocation of this shared employee is now 5% to Training and 95% to Situation Awareness.
- ReliabilityFirst does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Use of contractors is not anticipated in this area in 2009

Situational Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Situational Awareness and Infrastructure Security					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 243,238	\$ 243,238	\$ -	\$ 400,924	\$ 157,686
Membership Dues	-		-	-	-
Testing Fees	-		-	-	-
Services & Software	-		-	-	-
Workshops	-		-	-	-
Interest	-	-	-	-	-
Miscellaneous	-		-	-	-
Total Funding	\$ 243,238	\$ 243,238	\$ -	\$ 400,924	\$ 157,686
Expenses					
Personnel Expenses					
Salaries	\$ 123,977	\$ 154,534	\$ 30,557	\$ 267,806	\$ 113,272
Payroll Taxes	6,796	8,342	1,546	15,749	7,407
Benefits	20,425	10,637	(9,788)	22,083	11,446
Retirement Costs	18,946	25,935	6,989	44,226	18,291
Total Personnel Expenses	\$ 170,144	\$ 199,448	\$ 29,304	\$ 349,864	\$ 150,416
Meeting Expenses					
Meetings	\$ 48,600	\$ 13,264	\$ (35,336)	\$ 16,000	\$ 2,736
Travel	24,015	27,761	3,746	35,000	7,239
Conference Calls	479	36	(443)	60	24
Total Meeting Expenses	\$ 73,094	\$ 41,062	\$ (32,032)	\$ 51,060	\$ 9,998
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 243,238	\$ 240,510	\$ (2,728)	\$ 400,924	\$ 160,414
Change in Assets	\$ -	\$ 2,728	\$ 2,728	\$ -	\$ (2,728)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 2009 are budgeted based on 1.95 FTEs for this program area. Staff resources are used to support the objectives of the Situation Awareness and Infrastructure Security Program as defined in the business plan per the allocation of shared employees and the projected addition of one employee to this program area.

Meeting Expenses

- Meeting, staff travel and conference call expenses in support of Regional committee/subcommittee and NERC committees and working groups in place to support the Situational Awareness and Infrastructure Security Program. This includes expenses for four quarterly meetings of the NERC Critical Infrastructure Protection Committee (CIPC) and the ReliabilityFirst Critical Infrastructure Protection Subcommittee respectively, as well as CIPC working group meetings and the ReliabilityFirst and NERC Board meetings.

Operating Expenses

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Administrative Services

Technical Committees and Members' Forums

Technical Committees and Members' Forum (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.50	3.00	3.00
Total Direct Expenses	\$518,670	\$494,094	\$568,526

Background

The 2008 ReliabilityFirst Business Plan and Budget presented the Technical Committees and Members' Forums as a separate cost center. To provide continued consistency with NERC's 2009 Business Plan and Budget format, ReliabilityFirst's 2009 Business Plan and Budget will integrate Technical Committees and Members' Forums into Administrative Services. The stakeholders are the source of expertise in the industry and provide the technical knowledge and opinions on reliability matters of the Bulk Power System.

The ReliabilityFirst Reliability Committee (RC) was established to provide the general advice and guidance for all the regional technical activities and to provide various technical forums for members. This Committee has a substructure of subcommittees, contact groups, and task forces to carry out its responsibilities.

Program Description and Functions Performed

The organizational groups listed below provide necessary technical advice and assistance to the Reliability Committee and ReliabilityFirst staff. The groups also act as a point of contact for stakeholders for the collection and dissemination of specific technical information and data.

- a. **Critical Infrastructure Protection Subcommittee (CIPS)** – provides a forum to address cyber security, physical security, and operations security. More information is contained in the Situational Awareness and Infrastructure Security section of this document.
- b. **Generator Subcommittee (GS)** – provides a generator owner/operator forum to addresses generator issues.
- c. **Operations Subcommittee (OS)** – provides a Bulk Power System operations-related forum to address operator and/or system operations related issues.
- d. **Protection Subcommittee (PS)** – provides a system protection forum to address protective relay and control issues including both generator and transmission protection.
- e. **Transmission Performance Subcommittee (TPS)** – provides a transmission owner/planner forum to address any transmission planning and/or performance issues. This would include transmission assessments, outages, maps, notification, etc.

f. **Vegetation Management Subcommittee (VMS)** – provides a vegetation management forum to address related issues.

g. **Power Flow Model Contact Group (PFMCG)** – provides power flow model data for ERAG MMWG and other regional base case model building efforts.

h. **Dynamic Model Contact Group (DMCG)** – provides dynamic model data for ERAG MMWG and other regional dynamic base case model building efforts.

i. **Major Disturbance Analysis Task Force (MDATF)** – assists ReliabilityFirst staff to analyze major system disturbances in a timely manner.

2009 Areas of Focus

The areas to focus on in 2009 are to facilitate the Member Forums activities in a timely manner, as stated in detail in the above section. The success of ReliabilityFirst depends upon the active and direct participation of industry stakeholders, including members.

Funding Requirements — Explanation of Increase (Decrease)

During 2008, an increase in payroll and benefits is attributable to one vacant FTE position being filled in the middle of 2007. That FTE position had been previously budgeted, but had been vacant. The increase of 0.5 FTE is also attributable to the relocation of this FTE from the Reliability Assessment and Performance Analysis function. History of time spent has dictated that this 0.5 FTE has been needed to facilitate the Member Forums.

Staffing Needs

Hiring Plans

- No additional FTEs are needed in 2009.

Shared Employees

- ReliabilityFirst does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.
- There are two of the three FTEs designated for this function that are expected to participate in the NERC Readiness Evaluation function.

Contractors

- Outside contractors may be used on an as-needed basis. Contractors may be needed if an ad hoc study would be required during the year for additional technical assistance, or if the ReliabilityFirst staff or Member Forums do not have the needed technical expertise or knowledge to perform an analysis or complete an unforeseen, yet necessary, project.

Section B — 2009 Reliability *First* Budget

Technical Committees and Member Forums

Funding sources and related expenses for the Members' Forums section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Technical Committees and Member Forums					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 518,670	\$ 518,670	\$ -	\$ 568,526	\$ 49,856
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 518,670	\$ 518,670	\$ -	\$ 568,526	\$ 49,856
Expenses					
Personnel Expenses					
Salaries	\$ 307,821	\$ 326,573	\$ 18,752	\$ 357,276	\$ 30,703
Payroll Taxes	21,125	22,570	1,445	23,589	1,019
Benefits	41,066	26,474	(14,592)	26,595	121
Retirement Costs	47,407	53,953	6,546	58,866	4,913
Total Personnel Expenses	\$ 417,419	\$ 429,570	\$ 12,151	\$ 466,326	\$ 36,756
Meeting Expenses					
Meetings	\$ 26,088	\$ 17,876	\$ (8,212)	\$ 32,000	\$ 14,124
Travel	69,022	45,987	(23,035)	59,000	13,013
Conference Calls	6,141	661	(5,480)	1,200	539
Total Meeting Expenses	\$ 101,251	\$ 64,524	\$ (36,727)	\$ 92,200	\$ 27,676
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 518,670	\$ 494,094	\$ (24,576)	\$ 568,526	\$ 74,432
Change in Assets	\$ -	\$ 24,576	\$ 24,576	\$ -	\$ (24,576)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 3.0 FTEs for the 2008 projection and 3.0 for the 2009 budget. Staff resources are used to support the objectives of the Technical Committees and Member Forums as defined in the business plan.

Meeting Expenses

- Meetings, staff travel and conference call expenses in support of the Technical Committees and Member Forums.

Operating Expenses

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

General and Administrative

General and Administrative (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.00	2.00	2.00
Total Direct Expenses	\$1,718,427	\$1,763,293	\$1,882,105

Functional Description

The general and administrative department consists of the President and his Executive Assistant. Responsibilities include oversight and management of all ReliabilityFirst Corporation's activities, interaction with the Board of Directors and other Regional Entity Management Groups, managing the relationships with governmental agencies, regulators, Members, stakeholders, and other industry organizations.

Funding Requirements — Explanation of Increase (Decrease)

Funding requirements are flat compared to 2007-2008 levels, after considering anticipated merit salary increases.

Staffing Needs**Hiring Plans**

- No additional FTEs are needed in 2009

Shared Employees

- ReliabilityFirst does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Use of contractors is not anticipated in this area in 2009.

Section B — 2009 Reliability *First* Budget

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
General and Administrative					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 1,638,427	\$ 1,638,427	\$ -	\$ (718,262)	\$ (2,356,689)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	80,000	264,165	184,165	\$ 80,000	(184,165)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,718,427	\$ 1,902,592	\$ 184,165	\$ (638,262)	\$ (2,540,854)
Expenses					
Personnel Expenses					
Salaries	\$ 357,355	\$ 343,256	\$ (14,099)	\$ 410,984	\$ 67,728
Payroll Taxes	18,453	13,955	(4,498)	14,626	671
Benefits	89,303	29,068	(60,235)	36,413	7,345
Retirement Costs	53,936	55,577	1,641	85,092	29,515
Total Personnel Expenses	\$ 519,047	\$ 441,856	\$ (77,191)	\$ 547,115	\$ 105,259
Meeting Expenses					
Meetings	\$ 41,685	\$ 62,222	\$ 20,537	\$ 65,600	\$ 3,378
Travel	73,755	31,969	(41,786)	40,000	8,031
Conference Calls	5,720	144	(5,576)	240	96
Total Meeting Expenses	\$ 121,160	\$ 94,336	\$ (26,824)	\$ 105,840	\$ 11,504
Operating Expenses					
Consultants	\$ 39,000	\$ 18,701	\$ (20,299)	\$ -	\$ (18,701)
Contracts	-	-	-	-	-
Office Rent	270,000	294,000	24,000	311,000	17,000
Office Costs	134,870	72,981	(61,889)	54,650	(18,331)
Professional Services	569,350	797,907	228,557	823,000	25,093
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	50,000	25,000	(25,000)	20,500	(4,500)
Miscellaneous	15,000	18,512	3,512	20,000	1,488
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 1,078,220	\$ 1,227,102	\$ 148,882	\$ 1,229,150	\$ 2,048
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,718,427	\$ 1,763,293	\$ 44,866	\$ 1,882,105	\$ 118,812
Change in Assets	\$ -	\$ 139,299	\$ 139,299	\$ (2,520,367)	\$ (2,659,666)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function. Additional funding is from interest on cash balances.

Personnel Expenses

- Salary, payroll taxes, benefits and savings and retirement expenses for 2 FTEs.

Meeting Expenses

- Meeting, travel and conference call expenses in support of the corporation, including meetings of the Board and Annual Meetings of Members.

Operating Expenses

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	0	0	0
Total Direct Expenses	0	0	0

Functional Description

ReliabilityFirst Corporation currently uses outside counsel to assist with our legal and regulatory matters, because this is the most cost effective and effective option at this time. Future activities may dictate a shift in this philosophy as the needs and costs in this area are re-evaluated. All charges for corporate and regulatory matters are collected within Professional Services contained in the appropriate function.

Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Legal and Regulatory					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments			\$ -		\$ -
Membership Dues			-		-
Testing Fees			-		-
Services & Software			-		-
Workshops			-		-
Interest			-		-
Miscellaneous			-		-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries			\$ -		\$ -
Payroll Taxes			-		-
Benefits			-		-
Retirement Costs			-		-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings			\$ -		\$ -
Travel			-		-
Conference Calls			-		-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants			\$ -		\$ -
Contracts			-		-
Office Rent			-		-
Office Costs			-		-
Professional Services			-		-
Computer Purchase & Maintenance			-		-
Furniture & Equipment			-		-
Miscellaneous			-		-
Contingency			-		-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses			\$ -		\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

-

Personnel Expenses

Meeting Expenses

-

Operating Expenses

-

Information Technology

Information Technology (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	4.00	4.20	4.20
Total Direct Expenses	\$1,007,092	\$2,177,212	\$1,467,606

Background

ReliabilityFirst Corporation relies on Information Technology (IT) to support the entire staff to achieve our reliability mission. The IT organization currently maintains, but is not limited to:

- Data Center
- Website Hosting
- Telecommuter Support
- Voice Over Internet Protocol
- Virtual Meeting and Conferencing
- Email
- Desktop Support
- Information Security

Program Description and Functions Performed

IT provides the foundational computer networks, systems, and tools that drive day-to-day business processes and ensures that these information assets meet ReliabilityFirst Corporation's existing and future needs. Responsibilities encompass a variety of complex technical, administrative, and supervisory work in the development, installation, and maintenance of information technology systems.

2009 Areas of Focus

- Establishing and directing the strategic long-term goals, policies, and procedures of ReliabilityFirst's Information Technology department, which complement ReliabilityFirst's strategic goals and reliability mission.
- Assessing ReliabilityFirst's evolving business environment and recommending technology solutions to drive productivity, efficiency, and effectiveness.
- Planning and implementing organization-wide information systems, services, and network facilities, including local area networks, wide-area networks, and peripheral systems to meet the needs of a diverse user base, both internal and external to ReliabilityFirst.
- Ensuring all information systems are functional and secure, and that all applications running on these systems meet business requirements for performance, availability, and security.
- Creating and managing an information security program aimed at reducing risk to acceptable levels.
- Achieve compliance with the NERC Cyber Security Standards CIP-002–CIP-009 by June 30, 2009 which will ensure that the integrity, security and confidentiality of our data are maintained.
- Assist the compliance department when performing CIP Standards audits.
- Continue the development, integration, and expansion of databases and applications into a unified company-wide Information Management System. This system will ultimately feed active content to the ReliabilityFirst web site.

- Introduce collaboration tools to allow for the ready flow of information between applications and between users.
- Enhance IT infrastructure to better support a growing staff in multiple locations.
- Enhance telecommunications networks for increased throughput and redundancy.

Funding Requirements — Explanation of Increase (Decrease)

Funding requirements are projected to increase due to the purchase and maintenance of compliance software.

Staffing Needs

Hiring Plans

- ReliabilityFirst had 4 FTE's budgeted for 2008 for the IT department. However, due to reorganization, the IT staff has actually dropped to 3.2 FTE's. The department is expected to hire another IT person in 2008 to fill the void left by the reorganization. This would increase the staff to 4.2 FTE's.

Shared Employees

- ReliabilityFirst does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Contractors will be utilized on an as-needed basis. ReliabilityFirst will use contractors to supplement staff only when absolutely necessary. ReliabilityFirst's policy is to perform IT activities in-house to the greatest extent possible.

Section B — 2009 Reliability *First* Budget

Information Technology

Funding sources and related expenses for the information technology section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Information Technology					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 1,007,092	\$ 1,007,092	\$ -	\$ 1,467,606	\$ 460,514
Membership Dues	-		-	-	-
Testing Fees	-		-	-	-
Services & Software	-		-	-	-
Workshops	-		-	-	-
Interest	-		-	-	-
Miscellaneous	-		-	-	-
Total Funding	\$ 1,007,092	\$ 1,007,092	\$ -	\$ 1,467,606	\$ 460,514
Expenses					
Personnel Expenses					
Salaries	\$ 381,506	\$ 294,933	\$ (86,573)	\$ 402,465	\$ 107,532
Payroll Taxes	32,190	23,661	(8,529)	30,153	6,492
Benefits	71,244	75,434	4,190	90,142	14,708
Retirement Costs	59,092	55,914	(3,178)	68,661	12,747
Total Personnel Expenses	\$ 544,032	\$ 449,942	\$ (94,090)	\$ 591,421	\$ 141,479
Meeting Expenses					
Meetings	\$ -	\$ 300	\$ 300	\$ 300	\$ (0)
Travel	31,355	15,752	(15,603)	12,000	(3,752)
Conference Calls	240	-	(240)	20	20
Total Meeting Expenses	\$ 31,595	\$ 16,052	\$ (15,543)	\$ 12,320	\$ (3,732)
Operating Expenses					
Consultants	\$ -	\$ 50,000	\$ 50,000	\$ 33,000	\$ (17,000)
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	112,100	206,185	94,085	288,090	81,905
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	319,365	1,455,032	1,135,667	542,775	(912,257)
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 431,465	\$ 1,711,217	\$ 1,279,752	\$ 863,865	\$ (847,352)
Other Non-Operating Expenses	\$ -		\$ -		\$ -
Total Expenses	\$ 1,007,092	\$ 2,177,212	\$ 1,170,120	\$ 1,467,606	\$ (709,606)
Change in Assets	\$ -	\$ (1,170,120)	\$ (1,170,120)	\$ -	\$ 1,170,120

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits and savings and retirement expenses for 4.2 FTEs.
- Currently personnel are at 3.2 FTEs, it is anticipated to hire an additional staff member within 2008 to support the new compliance software. It is projected to maintain a staff of 4.2 FTEs for 2009.

Meeting Expenses

- Meetings, staff travel and conference call expenses in support of Information Technology.

Operating Expenses

- Operating expenses are projected to increase due to the purchase and maintenance of compliance software. This software will help the compliance staff perform efficient tracking of self certifications, compliance issue and document storage and will also streamline compliance reporting and tracking for our Registered Entities.
- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Human Resources

Human Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.50	1.40	1.40
Total Direct Expenses	\$170,760	\$175,857	\$206,396

Background

ReliabilityFirst realizes that talented, experienced employees are its greatest resource, and that finding, nurturing, and developing that talent is one of our most important tasks. That is why ReliabilityFirst maintains one full time and one part-time employee devoted to facilitating our human resource needs.

Functional Description

By the end of 2009, ReliabilityFirst will have assembled a staff of 46 qualified management, professional, and technical employees with the expertise necessary to serve our stakeholders and to support the ERO by properly carrying out our delegated functions.

The Human Resources department will design, plan, and implement human resources policies and procedures, including staffing, compensation, benefits, and employee relations, in adherence with all applicable federal and state laws. Human resource policies are made available to all employees through the corporate intranet.

2009 Areas of Focus

- Recruit highly skilled and excellent employees.
- Provide training programs and career development.
- Review and manage employee benefits.
- Develop complete employee handbook.
- Review succession plans and employee retention plans.

Funding Requirements — Explanation of Increase (Decrease)

Funding requirements are flat compared to 2007-2008 levels, after considering anticipated merit salary increases.

Staffing Needs**Hiring Plans**

- No additional FTEs are needed in 2009

Shared Employees

- ReliabilityFirst does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Use of contractors is not anticipated in this area in 2009.

Section B — 2009 Reliability *First* Budget

Human Resources

Funding sources and related expenses for the human resources section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Human Resources					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 170,760	\$ 170,760	\$ -	\$ 206,396	\$ 35,636
Membership Dues			-	-	-
Testing Fees			-	-	-
Services & Software			-	-	-
Workshops			-	-	-
Interest			-	-	-
Miscellaneous			-	-	-
Total Funding	\$ 170,760	\$ 170,760	\$ -	\$ 206,396	\$ 35,636
Expenses					
Personnel Expenses					
Salaries	\$ 117,460	\$ 123,453	\$ 5,993	\$ 132,444	\$ 8,991
Payroll Taxes	11,700	8,316	(3,384)	8,711	395
Benefits	21,142	7,521	(13,621)	9,935	2,414
Retirement Costs	18,318	20,567	2,249	27,006	6,439
Total Personnel Expenses	\$ 168,620	\$ 159,857	\$ (8,763)	\$ 178,096	\$ 18,239
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	2,140	-	(2,140)	-	-
Conference Calls			-	-	-
Total Meeting Expenses	\$ 2,140	\$ -	\$ (2,140)	\$ -	\$ -
Operating Expenses					
Consultants		\$ -	\$ -	\$ -	\$ -
Contracts		-	-	-	-
Office Rent		-	-	-	-
Office Costs		-	-	-	-
Professional Services		16,000	16,000	28,300	12,300
Computer Purchase & Maintenance		-	-	-	-
Furniture & Equipment		-	-	-	-
Miscellaneous		-	-	-	-
Contingency		-	-	-	-
Total Operating Expenses	\$ -	\$ 16,000	\$ 16,000	\$ 28,300	\$ 12,300
Other Non-Operating Expenses			\$ -		\$ -
Total Expenses	\$ 170,760	\$ 175,857	\$ 5,097	\$ 206,396	\$ 30,539
Change in Assets	\$ -	\$ (5,097)	\$ (5,097)	\$ -	\$ 5,097

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Salary, payroll taxes, benefits and savings and retirement expenses for 1.4 FTEs.

Meeting Expenses

- Meetings, staff travel and conference call expenses in support of Human Resource.

Operating Expenses

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

Finance and Accounting

Finance and Accounting (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.00	0.9	0.9
Total Direct Expenses	\$291,154	\$164,449	\$191,668

Functional Description

The Finance and Accounting department will work with the ERO and all ReliabilityFirst cost centers to produce an annual ReliabilityFirst budget and business plan that adequately support its delegated functions.

In support of the ERO's funding/collection mechanism, ReliabilityFirst will annually collect and supply the ERO with a list of Load Serving Entities (LSE) within the ReliabilityFirst Corporation footprint and their associated Net Energy to Load (NEL) data as mandated by the Federal Energy Regulatory Commission.

2009 Areas of Focus

- ReliabilityFirst will work with all Regional Entities through the Regional Entity Budget Group (REBG) to provide consistency in budget submittals to the ERO and to FERC and to coordinate LSE/NEL collection efforts to alleviate any potential double counting of LSE/NEL information.
- This department will provide all ReliabilityFirst cost centers, the Board of Directors, and the ERO with financial clarity and understanding of ReliabilityFirst's financial position.
- The Finance and Accounting department will direct the overall financial plans and accounting practices of the organization; oversee treasury, accounting, budget, tax, audit activities, and financial and accounting system controls and standards.
- Participate with NERC on the Regional Entity true-up filing.
- Institute a cost collecting mechanism which will help control costs and build a more effective budget.
- Establish program specific expense tracking systems.
- Provide advice from the financial perspective on contracts into which the organization may enter.

Funding Requirements — Explanation of Increase (Decrease)

Funding requirements are expected to decrease compared to 2007-2008 levels.

Staffing Needs**Hiring Plans**

- No additional FTE's are needed in 2009.

Shared Employees

- Reliability*First* does not intend to perform any functions outside its ERO delegated activities in 2009; therefore there are no shared employees between statutory and non-statutory functions in 2009.

Contractors

- Use of contractors is not anticipated in this area in 2009.

Section B — 2009 Reliability *First* Budget

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Finance and Accounting					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 291,154	\$ 291,154	\$ -	\$ 191,668	\$ (99,486)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 291,154	\$ 291,154	\$ -	\$ 191,668	\$ (99,486)
Expenses					
Personnel Expenses					
Salaries	\$ 173,726	\$ 95,629	\$ (78,097)	\$ 101,603	\$ 5,974
Payroll Taxes	15,848	6,242	(9,606)	6,538	296
Benefits	33,661	5,961	(27,700)	8,818	2,857
Retirement Costs	27,224	16,053	(11,171)	17,009	956
Total Personnel Expenses	\$ 250,459	\$ 123,885	\$ (126,574)	\$ 133,968	\$ 10,083
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 700	\$ 700
Travel	5,695	5,564	(131)	9,000	3,436
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 5,695	\$ 5,564	\$ (131)	\$ 9,700	\$ 4,136
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	35,000	35,000	-	48,000	13,000
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 35,000	\$ 35,000	\$ -	\$ 48,000	\$ 13,000
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 291,154	\$ 164,449	\$ (126,705)	\$ 191,668	\$ 27,219
Change in Assets	\$ -	\$ 126,705	\$ 126,705	\$ -	\$ (126,705)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding Sources

- Funding for this activity in 2009 is provided through assessments to LSEs or designees (mandatory in the United States), as it is a statutory, delegated function.

Personnel Expenses

- Staffing levels are reduced from 2 FTEs to 0.9 FTE due to sharing 1 FTE with IT and reducing the full-time staff accountant to part-time. Salary, payroll taxes, benefits and savings and retirement expenses for 0.9 FTE.

Meeting Expenses

- Meetings and staff travel expenses in support of Finance and Accounting.

Operating Expenses

- Operating costs are (comprised of office rent, office costs, furniture & equipment, and miscellaneous) contained solely in the General and Administrative cost center.

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
STATUTORY					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 9,584,256	\$ 9,584,256	\$ -	\$ 8,833,834	\$ (750,422)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	80,000	264,165	184,165	80,000	(184,165)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 9,664,256	\$ 9,848,421	\$ 184,165	\$ 8,913,834	\$ (934,587)
Expenses					
Personnel Expenses					
Salaries	\$ 4,152,536	\$ 4,217,810	\$ 65,271	\$ 5,655,931	\$ 1,438,121
Payroll Taxes	286,747	270,627	(16,120)	333,577	62,950
Benefits	642,444	499,019	(143,425)	680,668	181,649
Retirement Costs	638,597	718,280	79,684	956,610	238,330
Total Personnel Expenses	\$ 5,720,324	\$ 5,705,736	\$ (14,588)	\$ 7,626,786	\$ 1,921,050
Meeting Expenses					
Meetings	\$ 367,685	\$ 193,023	\$ (174,662)	\$ 289,600	\$ 96,577
Travel	990,800	465,045	(525,755)	628,500	163,455
Conference Calls	52,232	3,333	(48,898)	5,000	1,667
Total Meeting Expenses	\$ 1,410,717	\$ 661,402	\$ (749,315)	\$ 923,100	\$ 261,698
Operating Expenses					
Consultants	\$ 527,530	\$ 292,821	\$ (234,708)	\$ 228,000	\$ (64,821)
Contracts	-	-	-	-	-
Office Rent	270,000	294,000	24,000	311,000	17,000
Office Costs	246,970	279,166	32,196	342,740	63,574
Professional Services	1,104,350	1,348,907	244,557	1,419,300	70,393
Computer Purchase & Maintenance	319,365	1,455,032	1,135,667	542,775	(912,257)
Furniture & Equipment	50,000	25,000	(25,000)	20,500	(4,500)
Miscellaneous	15,000	18,512	3,512	20,000	1,488
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 2,533,215	\$ 3,713,439	\$ 1,180,225	\$ 2,884,315	\$ (829,124)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 9,664,256	\$ 10,080,577	\$ 416,321	\$ 11,434,201	\$ 1,353,624
Change in Assets	\$ -	\$ (232,156)	\$ (232,156)	\$ (2,520,367)	\$ (2,288,211)

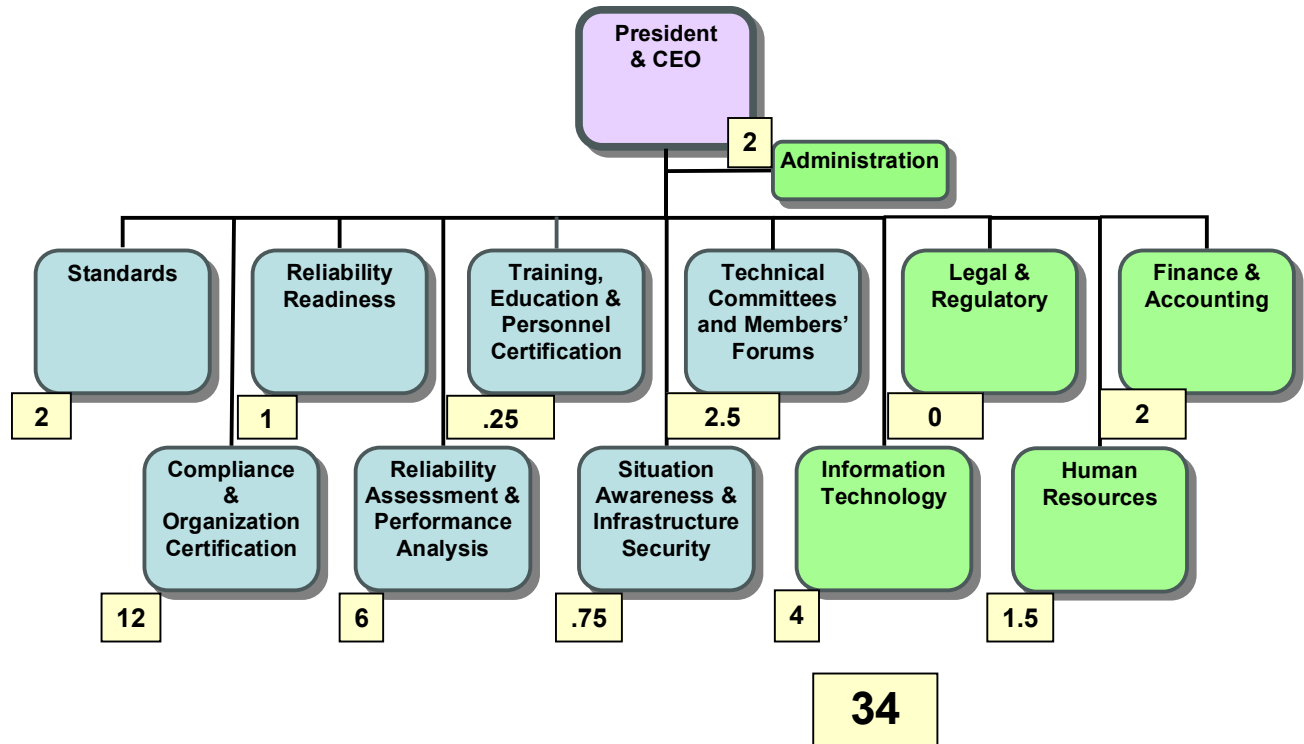
Personnel Analysis

Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
STATUTORY				
Operational Programs				
Reliability Standards	2.00	2.00	2.00	0.0
Compliance and Organization Registration and Certification	12.00	18.00	23.00	5.0
Reliability Readiness Audit and Improvement	1.00	1.00	0.00	-1.0
Training and Education	0.25	0.05	0.05	0.0
Reliability Assessment and Performance Analysis	6.00	5.50	5.50	0.0
Situational Awareness and Infrastructure Security	0.75	0.95	1.95	1.0
Total FTEs Operational Programs	22.0	27.5	32.5	5.0
Administrative Programs				
Member Forums	2.50	3.00	3.00	0.0
General & Administrative	2.00	2.00	2.00	0.0
Information Technology	4.00	4.20	4.20	0.0
Legal and Regulatory	0.00	0.00	0.00	0.0
Human Resources	1.50	1.40	1.40	0.0
Finance & Accounting	2.00	0.90	0.90	0.0
Total FTEs Administrative Programs	12.0	11.5	11.5	0.0
Total FTEs	34.0	39.0	44.0	5.0

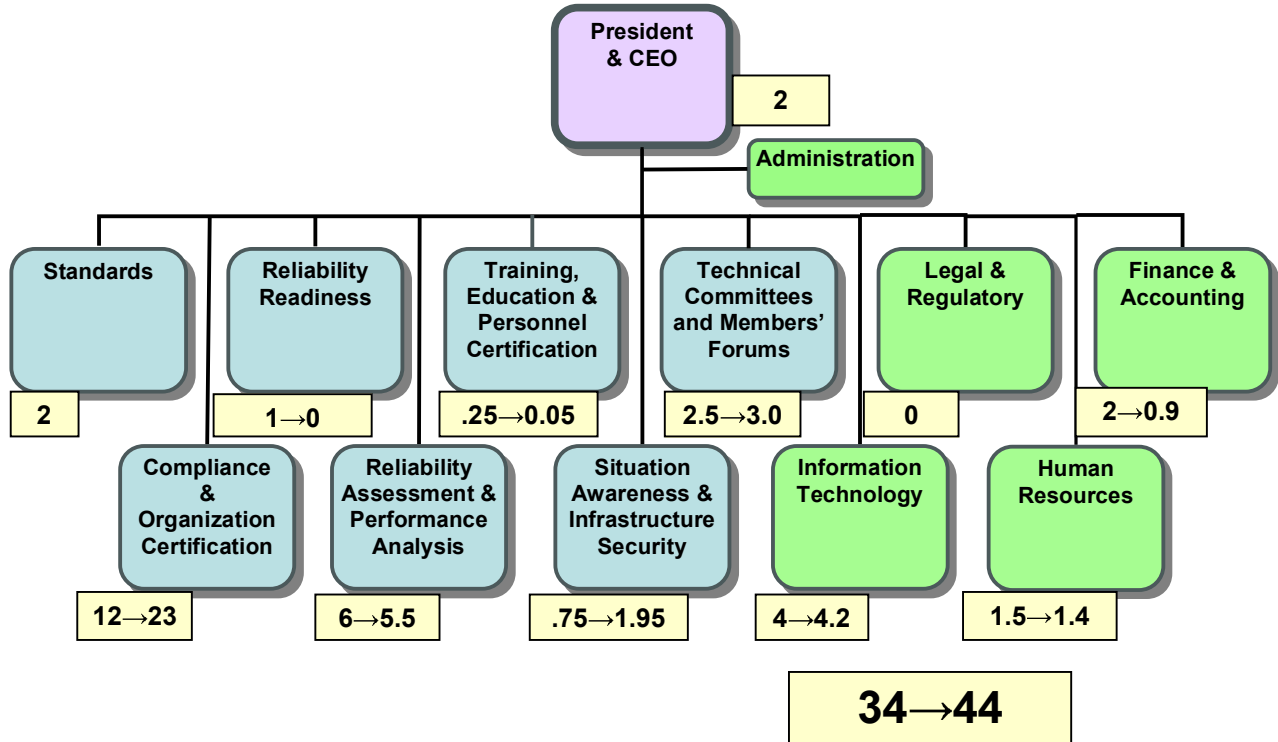
2008 Organizational Chart

Table 3



2009 Organizational Chart

Table 4



Reserve Balance

Table 5

Working Capital Reserve Analysis 2008-2009	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2007	3,752,521
Plus: 2008 ERO Funding (from LSEs or designees)	9,584,256
Plus: 2008 Other funding sources (Cash basis)	264,165
Less: 2008 Projected expenses & capital expenditures (Cash basis)	(10,080,575)
Projected Working Capital Reserve (Deficit), December 31, 2008	3,520,367
Desired Working Capital Reserve, December 31, 2009	1,000,000
Less: Projected Working Capital Reserve (Deficit), December 31, 2008	3,520,367
Increase(decrease) in assessments to achieve desired Working Capital Reserve	(2,520,367)
2009 Assessment for Expenses and Capital Expenditures, excluding Working Capital Reserve (Cash basis)	11,434,201
Less: Other Funding Sources (Cash Basis)	(80,000)
Adjustment to achieve desired Working Capital Reserve	(2,520,367)
2009 Assessment	8,833,834

¹ Board of Directors approved that ReliabilityFirst Corporation maintains a \$1,000,000 balance in the reserve fund which represents approximately 10% of operating costs.

ReliabilityFirst Assessment Analysis

Assessments by Country

No table needed since ReliabilityFirst Corporation's footprint is all within the United States.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page 63, of the 2009 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Supplemental Funding

Table B-1

Outside Funding Breakdown By Program (excluding ERO Assessments)	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
General and Administrative					
Interest Income	\$ 80,000	\$ 264,165	\$ 80,000	\$ (184,165)	-69.72%
Total	\$ 80,000	\$ 264,165	\$ 80,000	\$ (184,165)	-69.72%
Total Outside Funding	\$ 80,000	\$ 264,165	\$ 80,000	\$ (184,165)	-69.72%

Personnel Expenses**Table B-2**

Personnel Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Salaries					
Salary	\$ 4,152,536	\$ 4,217,810	\$ 5,625,931	\$ 1,408,121	33.39%
Employment Agency Fees	-	-	30,000	30,000	
Temporary Office Services	-	-	-	-	
Total Salaries	\$ 4,152,536	\$ 4,217,810	\$ 5,655,931	\$ 1,438,121	34.10%
Payroll Taxes					
FICA	\$ 207,638	\$ 196,101	\$ 241,426	\$ 45,325	23.1%
Medicare	60,154	56,438	71,606	15,168	26.9%
SUI	16,779	15,904	17,970	2,066	13.0%
FUI	2,176	2,184	2,575	391	17.9%
Total Payroll Taxes	\$ 286,747	\$ 270,627	\$ 333,577	\$ 62,950	23.3%
Benefits					
Workers Compensation	\$ 6,000	\$ 14,591	\$ 17,377	\$ 2,786	19.1%
Medical Insurance	379,991	359,632	479,280	119,648	33.3%
Life-LTD Insurance	52,153	47,494	38,261	(9,233)	-19.4%
Education	134,300	77,302	95,750	18,448	23.9%
Relocation	-	-	50,000	50,000	
Vacation	70,000	-	-	-	
Total Benefits	\$ 642,444	\$ 499,019	\$ 680,668	\$ 181,649	36.4%
Retirement					
Profit Sharing Plan / SERP	\$ 373,368	\$ 473,920	\$ 609,279	\$ 135,359	28.6%
Savings Plan	265,229	244,360	342,331	97,971	40.1%
Pension & Savings Admin	-	-	5,000	5,000	
Total Retirement	\$ 638,597	\$ 718,280	\$ 956,610	\$ 238,330	33.2%
Total Personnel Costs	\$ 5,720,324	\$ 5,705,736	\$ 7,626,786	\$ 1,921,050	33.7%

Meeting Expenses

Table B-3

Meeting Expenses

Meeting Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 115,200	\$ 28,361	\$ 53,000	\$ 24,639	86.87%
Compliance, Organization Registration and Certification	41,600	5,000	10,000	5,000	100.01%
Reliability Readiness Audit and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	62,612	35,000	24,000	(11,000)	-31.43%
Training and Education	31,900	31,000	88,000	57,000	183.87%
Situational Awareness and Infrastructure Security	48,600	13,264	16,000	2,736	20.62%
Committee and Member Forums	26,088	17,876	32,000	14,124	79.02%
General and Administrative	41,685	62,222	65,600	3,378	5.43%
Legal and Regulatory	-	-	-	-	
Information Technology	-	300	300	(0)	-0.03%
Human Resources	-	-	-	-	
Accounting and Finance	-	-	700	700	
Total Meeting Expenses	\$ 367,685	\$ 193,023	\$ 289,600	\$ 96,577	50.03%

Travel Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 124,860	\$ 30,405	\$ 32,000	\$ 1,595	5.25%
Compliance, Organization Registration and Certification	452,502	233,858	399,500	165,642	70.83%
Reliability Readiness Audit and Improvement	37,708	21,598	-	(21,598)	-100.00%
Reliability Assessment and Performance Analysis	165,653	48,150	40,000	(8,150)	-16.93%
Training and Education	4,095	4,000	2,000	(2,000)	-50.00%
Situational Awareness and Infrastructure Security	24,015	27,761	35,000	7,239	26.07%
Committee and Member Forums	69,022	45,987	59,000	13,013	28.30%
General and Administrative	73,755	31,969	40,000	8,031	25.12%
Legal and Regulatory	-	-	-	-	
Information Technology	31,355	15,752	12,000	(3,752)	-23.82%
Human Resources	2,140	-	-	-	
Accounting and Finance	5,695	5,564	9,000	3,436	61.77%
Total Travel Expenses	\$ 990,800	\$ 465,045	\$ 628,500	\$ 163,455	35.15%

Conference Call Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 15,372	\$ 1,315	\$ 1,560	\$ 245	18.61%
Compliance, Organization Registration and Certification	9,540	516	720	204	39.54%
Reliability Readiness Audit and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	14,739	661	1,200	539	81.52%
Training and Education	-	-	-	-	
Situational Awareness and Infrastructure Security	480	36	60	24	67.97%
Committee and Member Forums	6,141	661	1,200	539	81.52%
General and Administrative	5,720	144	240	96	66.22%
Legal and Regulatory	-	-	-	-	
Information Technology	240	-	20	20	
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Total Conference Calls	\$ 52,232	\$ 3,333	\$ 5,000	\$ 1,667	49.99%

Total Meeting Expenses	\$ 1,410,717	\$ 661,402	\$ 923,100	\$ 261,698	39.57%
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Section B — 2009 ReliabilityFirst Budget

Operating Expenses

Table B-4

Consultants	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance, Organization Registration and Certification	313,530	69,120	120,000	50,880	73.61%
Reliability Readiness Audit and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	175,000	155,000	65,000	(90,000)	-58.06%
Training and Education	-	-	-	-	
Situational Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	10,000	10,000	
General and Administrative	39,000	18,701	-	(18,701)	-100.00%
Legal and Regulatory	-	-	-	-	
Information Technology	-	50,000	33,000	(17,000)	-34.00%
Human Resources	-	-	-	-	
Accounting and Finance	-	-	-	-	
Consultants Total	\$ 527,530	\$ 292,821	\$ 228,000	\$ (64,821)	-22.14%

Table B-5

Contracts	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Contracts - Software					
	\$ -	\$ -	\$ -	\$ -	
Contracts - Software Total	\$ -	\$ -	\$ -	\$ -	
Contract - IDC					
	\$ -	\$ -	\$ -	\$ -	
Contracts - IDC Total	\$ -	\$ -	\$ -	\$ -	
Education and Training					
	\$ -	\$ -	\$ -	\$ -	
Education and Training Total	\$ -	\$ -	\$ -	\$ -	
Contracts Total	\$ -	\$ -	\$ -	\$ -	

Section B — 2009 ReliabilityFirst Budget

Table B-6

Office Rent	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Office Rent	\$ 270,000	\$ 294,000	\$ 256,000	\$ (38,000)	-12.93%
Utilities	\$ -	\$ -	\$ 55,000	\$ 55,000	
Maintenance	\$ -	\$ -	\$ -	\$ -	
Security	\$ -	\$ -	\$ -	\$ -	
Total Office Rent	\$ 270,000	\$ 294,000	\$ 311,000	\$ 17,000	5.78%

Table B-7

Office Costs	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Telephone	\$ 70,400	\$ 67,900	\$ 87,690	\$ 19,790	29.15%
Internet	41,700	138,285	200,400	62,115	44.92%
Office Supplies	22,000	24,872	27,000	2,128	8.56%
Computer Supplies and Maintenance	16,500	8,780	-	(8,780)	-100.00%
Publications & Subscriptions	8,000	2,780	7,500	4,720	169.78%
Presentation & Publicity	-	-	-	-	
Dues	27,270	1,000	5,500	4,500	450.00%
Postage	3,000	3,000	2,700	(300)	-10.00%
Express Shipping	9,000	4,000	6,000	2,000	50.00%
Copying	6,000	-	-	-	
Reports - Graphics	12,800	-	650	650	
Stationary Forms	2,000	4,248	800	(3,448)	-81.17%
Equipment Repair/Service Contracts	27,300	24,000	4,400	(19,600)	-81.67%
Bank Charges	1,000	300	-	(300)	-100.00%
Sales & Use Taxes	-	-	-	-	
Merchant Card Fees	-	-	100	100	
Total Office Costs	\$ 246,970	\$ 279,165	\$ 342,740	\$ 63,575	22.77%

Table B-8

Professional Services	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Independent Trustee Fees	\$ 247,500	\$ 240,000	\$ 263,000	\$ 23,000	9.58%
Outside Legal	-	-	-	-	
Accounting & Auditing Fees	35,000	51,000	76,300	25,300	49.61%
Other Legal Fees	740,000	1,000,000	1,020,000	20,000	2.00%
Insurance Commercial	81,850	57,907	60,000	2,093	3.61%
Total Services	\$ 1,104,350	\$ 1,348,907	\$ 1,419,300	\$ 70,393	5.22%

Section B — 2009 ReliabilityFirst Budget

Table B-9

Computer	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Purchase and Lease Software	\$ 319,365	\$ 1,455,032	\$ 542,775	\$ (912,257)	-62.70%
Total Computer	\$ 319,365	\$ 1,455,032	\$ 542,775	\$ (912,257)	-62.70%

Table B-10

Furniture & Equipment	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Furniture	\$ 50,000	\$ 25,000	\$ 20,000	\$ (5,000)	-20.00%
Equipment	-	-	500	500	
Leasehold Improvements	-	-	-	-	
Total Furniture & Fixtures	\$ 50,000	\$ 25,000	\$ 20,500	\$ (4,500)	-18.00%

Table B-11

Other Non-Operating Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Office Relocation	-	-	-	-	
Cash Reserve Requirement	-	-	-	-	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	

Section C — 2009 RE Non-Statutory Business Plan and Budget

ReliabilityFirst performed only those functions delegated to it by the ERO in 2008 and the organization does not intend to perform any functions outside its ERO delegated activities in 2009, therefore Section C is not applicable.

ReliabilityFirst 2009 STATEMENT OF ACTIVITIES

Statement of Activities 2009 Budget	Total	Functions in Delegation Agreement					Non-Statutory Total						
		Reliability Standards (Section 603)	Compliance and Certification (Section 603 & 604)	Reliability Improvement and Readiness (Section 603)	Reliability Analysis and Performance Assessment (Section 603)	Training and Education (Section 603)		Structural Awareness and Infrastructure (Section 603)	Committee and Mutual Support	General and Administrative	Legal and Regulatory	Information Technology	Human Resources
Funding	8,833,834	529,461	5,099,328	-	985,005	102,582	400,924	568,526	(718,262)	-	1,467,606	206,396	191,688
ERO Assessments	-	-	-	-	-	-	-	-	-	-	-	-	-
Membership Dues/Non-Statutory Ft.	8,833,834	8,833,834	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	80,000	80,000	-	-	-	-	-	80,000	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	8,913,834	529,461	5,099,328	-	985,005	102,582	400,924	568,526	(638,262)	-	1,467,606	206,396	191,688
Expenses													
Personnel Expenses													
Salaries	5,655,931	5,655,931	-	-	-	-	-	-	-	-	-	-	-
Payroll Taxes	333,577	333,577	-	-	-	-	-	-	-	-	-	-	-
Benefits	680,668	680,668	-	-	-	-	-	-	-	-	-	-	-
Retirement Costs	956,610	956,610	-	-	-	-	-	-	-	-	-	-	-
Total Personnel Expenses	7,626,786	7,626,786	-	-	-	-	-	-	-	-	-	-	-
Meeting Expenses													
Meetings	289,600	289,600	-	-	-	-	-	-	-	-	-	-	-
Travel	628,500	628,500	-	-	-	-	-	-	-	-	-	-	-
Conference Calls	5,000	5,000	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	923,100	923,100	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses													
Consultants	228,000	228,000	-	-	-	-	-	-	-	-	-	-	-
Contracts	311,000	311,000	-	-	-	-	-	-	-	-	-	-	-
Office Rent	342,700	342,700	-	-	-	-	-	-	-	-	-	-	-
Office Supplies	342,700	342,700	-	-	-	-	-	-	-	-	-	-	-
Professional Services	1,419,300	1,419,300	-	-	-	-	-	-	-	-	-	-	-
Computer Purchase & Maint.	542,775	542,775	-	-	-	-	-	-	-	-	-	-	-
Furniture and Equipment	20,500	20,500	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	20,000	20,000	-	-	-	-	-	-	-	-	-	-	-
Contingency	20,000	20,000	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	2,884,315	2,884,315	-	-	-	-	-	-	-	-	-	-	-
Other Non-Operating Expenses													
Total Expenses	11,434,201	11,434,201	-	-	-	-	-	-	-	-	-	-	-
Change in Assets	(2,620,367)	(2,620,367)	-	-	-	-	-	-	-	-	-	-	-
Allocation of Overhead													
Direct Costs	7,117,900	7,117,900	-	-	-	-	-	-	-	-	-	-	-
Indirect Costs Allocation	4,316,301	4,316,301	-	-	-	-	-	-	-	-	-	-	-
Total	11,434,201	11,434,201	-	-	-	-	-	-	-	-	-	-	-
FTEs	44.00	44.00	2.00	23.00	5.50	0.05	1.95	3.00	2.00	0.00	4.20	1.40	0.90

ATTACHMENT 7



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SERC Reliability Corporation

2009 Business Plan and Budget

Final

July 9, 2008

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Introduction

Introduction

Total RE Resources (in whole dollars)				
	2009 Budget	U.S.	Canada	Mexico
Statutory FTEs	43			
Non-statutory FTEs	0			
Total FTEs	43			
Statutory Expenses	\$10,095,546	\$10,095,546	0	0
Non-statutory Expenses	0	0	0	0
Total Expenses	\$10,095,546	\$10,095,546	0	0
ERO Funding Assessment	\$9,652,546	\$9,652,546	0	0
Member Funding Assessments	\$0	\$0	0	0
Total Funding Assessments	\$9,652,546	\$9,652,546	0	0
NEL	1,048,169,675 MWhr	1,048,169,675 MWhr	0	0
NEL %	100%	100%	0	0

Background

The SERC Reliability Corporation (SERC) is a nonprofit corporation responsible for promoting and improving the reliability of the bulk power systems in all or portions of 16 central and southeastern states. The SERC Region covers an area of approximately 560,000 square miles and electric systems in the Region serve approximately 23% of the net energy for load (NEL) in North America and 30% of the NEL in the Eastern Interconnection.

SERC executed an agreement with the North American Electric Reliability Corporation (NERC) on May 2, 2007, for the purpose of delegating to SERC certain responsibilities and authorities of a regional entity as defined by Section 215 of the Federal Power Act; Chapter I, Title 18, Code of Federal Regulations, Part 39; other Federal Energy Regulatory Commission (FERC) regulations and directives, and NERC rules of procedure.

SERC, initially called the Southeastern Electric Reliability Council, was formed in 1970 as a voluntary association of members comprising electric industry reliability stakeholders in the southeast. Throughout its history, SERC has been successful in promoting reliability of the bulk power system using an industry self-regulatory model, relying on reciprocity, peer influence, and the mutual reliability focus of owners, operators, and users of the bulk power system to ensure that the system remained reliable and secure.

SERC was incorporated as a 501(c)(6) nonprofit corporation in the state of Alabama on April 29, 2005 to position SERC to become a regional entity with an appropriate stakeholder governance structure. In April 2006 SERC changed its name to SERC Reliability Corporation.

SERC has a 2009 targeted staffing level of 43 power industry professionals and support personnel.

Membership and Governance

SERC monitors approximately 225 entities in the region for compliance with mandatory reliability standards. Membership in SERC, which is voluntary and free, affords participants the

Introduction

opportunity to participate in the technical activities and governance of the organization. The number of entities that are members of SERC is approximately 60.

SERC is governed by a Board of Directors, comprised of a representative from each member of the corporation. The Board of Directors delegates responsibility for operational oversight of the corporation to an Executive Committee of 12 directors. The board has also formed a Board Compliance Committee to oversee the compliance of registered entities in the Region to FERC-approved reliability standards. In October 2007, the board formed a Compensation and Human Resources Committee to advise the President, board officers, and the board on matters of employee compensation and human resources.

The board appoints one director to serve as a non-employee Treasurer of the corporation. The Treasurer is vested by the Board with the responsibility, working with the President, to provide oversight of the finances of the corporation. The Treasurer reports to the board at its semiannual meetings in April and October.

Statutory Functional Scope

SERC provides statutory functions in support of the electric reliability organization, in accordance with the executed delegation agreement between SERC and NERC. These functions are:

- Active participation in the development of North American reliability standards for the bulk-power system, and as needed development of reliability standards applicable within the SERC Region.
- Monitoring and enforcement of approved reliability standards, including the registration of responsible entities, and as needed certification of such entities.
- Assessment of the present and future reliability, adequacy, and security of the bulk-power system.
- Assisting NERC in the readiness evaluation of certain responsible entities within the SERC Region, as well as other regions.
- Promoting effective training and education of reliability personnel, and assisting in the certification of operating personnel.
- Promoting situation awareness and the protection of critical infrastructure.

SERC does not provide any non-statutory functions at this time, although SERC may in the future consider providing non-statutory functions from time to time as appropriate and as permitted by its Board and applicable statutes and regulations.

In recognition of the importance of the compliance role of regional entities, SERC has dedicated approximately half of its staff resources to compliance monitoring and enforcement. The compliance staff is further divided into two groups, one conducting compliance audits and the second performing compliance investigations and enforcement. SERC has developed and deployed a robust set of online tools for the gathering, analysis, and tracking of compliance information.

SERC has organized the remaining technical staff into a reliability services group and a reliability assessment group to address the other statutory functions listed above. These experts in operations, engineering, and analysis assist registered entities in assessing and improving reliability. It is in support of these areas that SERC engages the majority of industry experts on its technical committees.

2009 Goals

In addition to continuing the efforts to establish SERC as an effective regional entity, the SERC 2009 business plan and budget are driven by the following goals for 2009:

1. **Enforcement Accountability** – SERC will perform its delegated compliance enforcement responsibilities so as to achieve a reputation as a regional entity that is firm, fair, objective, independent, and consistent in carrying out its delegated enforcement authorities. SERC will protect confidential compliance information while striving to achieve a high level of transparency with respect to compliance process and expectations.
2. **Auditably Compliant** – SERC will establish the necessary processes, controls, and documentation management to be continuously prepared for external audit of its regional entity operations.
3. **Reliability Focus** – SERC will ensure a reliability focus in its work and will facilitate bulk power system reliability improvement. SERC will introduce reliability benchmarking and trend analysis within the region for the purpose of evaluating regional reliability performance.
4. **Customer Focus** – SERC will develop and strengthen relations with its members, registered entities, and other reliability stakeholders, including NERC and applicable regulatory authorities, and achieve a reputation as a regional entity dedicated to the public's interest in the reliability of the Nation's bulk power system.
5. **Learning Organization** – SERC will be a learning organization, focused on self-assessment, feedback from stakeholders, and continuous improvement. SERC will be more proactive in anticipating and preparing for externalities affecting the region and reliability stakeholders, including evolving reliability standards, rules, and directives.
6. **Information Management** – SERC will improve the transparency and user friendliness of both the public and nonpublic web sites. SERC will streamline and, to the extent practical, automate data gathering to reduce the overall burden on registered entities and members. SERC will facilitate more effective and seamless information exchange across regional entities and NERC.
7. **Competency** – SERC will initiate a sustainable model to attract, develop, and retain highly competent and motivated staff. SERC will explore and selectively develop mechanisms for resource sharing with NERC and other regions in specialized areas with scarce resources.
8. **Productive and Efficient Provider** – SERC will leverage its size and other efficiencies to remain the most productive and cost-effective regional entity, while maintaining performance excellence.

Major Cost Impacts in 2009

SERC proposes to increase its operating budget from \$7,991,021 in 2008 to \$10,095,546 in 2009, an increase of \$2,104,525 or 26.3%. Assessments are proposed to increase from \$7,775,521 to \$9,652,546, a 24.1% increase. SERC believes that in 2009 it will continue to realize material efficiencies that allow the region to remain an efficient provider of statutory functions. SERC's culture centers on consistent delivery of excellent results at a cost that is considerate of the longstanding tradition in the Southeast of affordable and reliable electricity.

The following is a list of targeted budget increases to allow SERC to accomplish the specific objectives outlined in the business plan (dollars are stated as an increase in the 2009 budget compared to the 2008 budget). The most significant impacts on budget are in the area of payroll due to increased staffing, which is described as three components:

- **Staff added in 2008** – Administrative staff has been added during 2008 to address heavier than expected administrative workload and recordkeeping. A total of 4.5 FTEs have been added in 2008 compared to the budget. The Compliance Program has added two administrative assistants, one each for the audit branch and enforcement branch. Additionally, a halftime associate compliance engineer has changed to fulltime status. The Reliability Assessment Program has added one executive assistant and one technical analyst to address increased reporting and data management requirements resulting from NERC reliability assessment initiatives. These additions have been made in 2008 to meet critical needs to enable the organization to function effectively. These changes also were more cost effective than using engineers and auditors to perform administrative tasks. The costs of these additional employees will be offset in 2008 by attrition and vacancies in other positions, such as compliance auditors and manager of engineering and planning. For 2009, the proposed budget impact of the additional 4.5 FTEs is \$387,058 including salary and benefits.
- **Staff additions proposed in 2009** – The targeted staffing level for 2009 is 43 FTEs, an increase of an additional 6.5 FTEs compared to 2008 actual and 11 compared to 2008 budget. Of these, 4.5 are in compliance: one critical infrastructure protection (CIP) auditor, one CIP enforcement engineer, one associate auditor, one associate compliance engineer, and a coordinator of spot audits working halftime. The other two new positions are in the Reliability Services Program: a new manager of CIP to assist SERC registered entities in meeting the increasing demands for security of the bulk power system and a reliability engineer to assist in the area of situation awareness, disturbance analysis, and reliability improvement. For 2009, the budget impact of the additional 6.5 FTEs is \$946,899 fully loaded.
- **Cost increase for maintaining staff budgeted in 2008** – The remaining increase in personnel costs of \$192,214, or 3.6% compared to 2008 reflects increases in salary for existing staff combined with savings that have been realized in the cost of employee benefits and salary reductions in several positions due to turnover.

Other notable changes in the proposed budget from year to year include the following:

- **Reserve** – \$210,453 to maintain a cash reserve of 10% of the annual statutory operating costs.
- **Meetings and travel** – An increase of \$478,292 or 60.7% in the cost of meetings and travel to reflect a substantial increase in the number of meetings and travel costs. This level of increase is consistent with actual experience in the fourth quarter of 2007 and first quarter of 2008 (in other words the 2008 budget for meetings and travel was understated due to lack of an experience base upon which to forecast estimates for 2008).

Introduction

The remaining year-to-year decrease of \$110,391 or 1.4% reflects an effort to keep all other operating expenses flat from 2008 to 2009, which was expected because of one-time expenses budgeted in 2008 for furnishing and building infrastructure in the new office.

Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B.

Section A — 2009 Business Plan

Reliability Standards Program

Reliability Standards Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.33	1.4	1.4
Total Direct Expenses	317,071	313,910	292,873
Total Indirect Expenses ¹	155,316	133,390	119,645
Total Expenses	472,387	447,300	412,518

Background

SERC as a whole is a strong proponent of a stakeholder-driven, ANSI-accredited standards development process at NERC and of a consistent set of North American-wide reliability standards for the bulk power system. The members of SERC have a long tradition of active participation in the development of NERC reliability standards and their predecessor operating policies and planning standards. Typically there are 75 or more SERC member volunteer experts represented on over 25 NERC SAR and standard drafting teams. SERC members are also active on the NERC Standards Committee and related groups such as the NERC Functional Model Working Group and the NERC Compliance and Certification Committee.

Program Description and Functions Performed

The reliability standards program ensures SERC members are informed of NERC standards activities and have opportunities to participate actively. This is achieved through sharing of notices and information and working closely with members to ensure NERC drafting teams and committees are well represented by experts from the region. To promote consistency and uniformity of reliability standards at NERC and among the regions, the Manager of Reliability Standards attends NERC Standards Committee meetings as an observer and serves as the SERC representative on the NERC Regional Reliability Standards Working Group.

As a proponent of uniform North American reliability standards, SERC focuses on the development of standards at NERC and does not currently envision active development of regional standards, except as required by NERC's Reliability Standards Three-Year Work Plan or to meet specific regional reliability needs. Regional standards are developed through SERC's Regional Reliability Standards Development Procedure, which has been approved by FERC. SERC has formed a Standards Committee within the region to facilitate regional standards development. A key focus in 2009 is completing the initial regional reliability standards assigned by NERC to the regions.

In addition to standards, SERC has historically maintained a set of "SERC Supplements" to promote good utility practice and consistency in achieving compliance with reliability standards. SERC is in the process of reviewing and updating these documents to distinguish them as regional criteria, guidelines, procedures, reference documents, and white papers, and to ensure all of the documents are current with approved reliability standards.

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

2009 Goals and Objectives

1. Execute the 2009 standards work plan and develop regional reliability standards as required to supplement NERC standards.
2. Promote strong, consistent North American reliability standards through active engagement of SERC stakeholders in standards development and SERC participation and leadership in the NERC standards process and interregional coordination.
3. Improve clarity of the approved standards by providing transparent, experience-based lessons learned from compliance monitoring and enforcement, and by requesting formal interpretations through the NERC process as needed.
4. Develop and update SERC guidelines, procedures, reference documents, and white papers as part of the ongoing conversion of SERC supplements.
5. Maintain document control and objective evidence to demonstrate SERC's compliance with NERC reliability standards and the NERC-SERC delegation agreement.

Regional Entity Reliability Standards Development

SERC has current plans to complete four regional reliability standards, as directed by the NERC's Reliability Standards Three-Year Work Plan. This plan spans multiple budget years and will develop regional standards in the following areas:

- Underfrequency Load Shedding (PRC-006) – Development began in 2008. Will seek stakeholder ballot and SERC board approval by December 2008.
- Disturbance Control Performance (BAL-002) – Will begin development in January 2009 and seek stakeholder ballot and SERC board approval by September 2009.
- Disturbance Monitoring Equipment (PRC-002) – Will begin development in February 2009 and seek stakeholder ballot and SERC board approval by October 2009.
- Special Protection Systems (PRC-012, 013, 014, 015 & 016) – In accordance with NERC three-year plan work will begin approximately first quarter 2010.

Additionally, any requestor may propose a regional standard for development in accordance with SERC's Regional Reliability Standard Development Procedure.

Funding Requirements — Explanation of Increase (Decrease)

Reliability Standards Program funding requirements are steady from 2008 to 2009, with a modest decrease of 7.6% due to increased use of conference calls and meetings in the SERC office in lieu of meetings in external facilities and elimination of outside professional services.

Staffing Needs

Hiring Plans - This function is currently served by 1 FTE Manager of Standards Development and no new hires or increases in staffing are anticipated. The slight fractional increase from 1.33 to 1.4 FTE reflects the fact that the Director of Reliability Services and the department executive assistant support five functions in 2009 compared to six in 2008 (Reliability Assessment program was separated).

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Section A — 2009 Business Plan

Contractors - Contract and vendor support services are anticipated to be utilized to support developing and maintaining computer-based productivity, information delivery and document tracking tools as described in the section on Information Technology.

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Standards					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 317,071	\$ 317,071	\$ -	\$ 292,873	\$ (24,198)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 317,071	\$ 317,071	\$ -	\$ 292,873	\$ (24,198)
Expenses					
Personnel Expenses					
Salaries	\$ 184,021	\$ 195,649	\$ 11,628	\$ 204,634	\$ 8,985
Payroll Taxes	11,260	15,652	4,392	15,348	(304)
Benefits	25,644	15,541	(10,103)	18,746	3,205
Retirement Costs	19,140	24,951	5,811	19,427	(5,524)
Total Personnel Expenses	\$ 240,065	\$ 251,793	\$ 11,728	\$ 258,155	\$ 6,362
Meeting Expenses					
Meetings	\$ 14,340	\$ 6,374	\$ (7,966)	\$ 8,650	\$ 2,276
Travel	10,770	23,852	13,082	8,130	(15,722)
Conference Calls	-	1,868	1,868	977	(891)
Total Meeting Expenses	\$ 25,110	\$ 32,094	\$ 6,984	\$ 17,757	\$ (14,337)
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	7,414	7,114	(300)	5,967	(1,147)
Office Costs	11,544	12,026	482	7,738	(4,288)
Professional Services	20,000	9,708	(10,292)	977	(8,731)
Computer Purchase & Maintenance	1,553	-	(1,553)	-	-
Furniture & Equipment	11,385	-	(11,385)	2,279	2,279
Miscellaneous	-	1,175	1,175	-	(1,175)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 51,896	\$ 30,023	\$ (21,873)	\$ 16,961	\$ (13,062)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 317,071	\$ 313,910	\$ (3,161)	\$ 292,873	\$ (21,037)
Change in Assets	\$ -	\$ 3,161	\$ 3,161	\$ -	\$ (3,161)

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	14.2	17	21.5
Total Direct Expenses	3,393,665	3,493,990	4,805,617
Total Indirect Expenses	1,658,260	1,619,735	1,837,408
Total Expenses	5,051,925	5,113,725	6,643,025

Background

As a regional entity, SERC implements the NERC Compliance Monitoring and Enforcement Program (Appendix 4C to the NERC Rules of Procedure) to monitor, assess, and enforce compliance with reliability standards by the owners, operators, and users in SERC. SERC's Compliance Monitoring and Enforcement Program is responsible for conducting all compliance assessments and recommending confirmation or dismissal of violations and recommending penalties and sanctions.

The NERC Compliance Monitoring and Enforcement Program defines eight methods for identifying alleged violations: self reporting, self certification, compliance audits, spot checks, compliance violation investigations, exception reporting, complaints or periodic data submittal. Each alleged violation will be evaluated by SERC and, if confirmed, will have an appropriate sanction and penalty recommended to NERC and FERC.

To augment the NERC Compliance Monitoring and Enforcement Program, SERC has developed a set of internal procedures to ensure consistency among the staff in the execution of delegated functions. SERC has also significantly expanded and developed the competencies of its compliance staff, while continuing to extensively engage the technical expertise and active participation of industry subject matter experts on advisory committees and audit teams.

SERC has been a leader in the development of an information management system to facilitate the gathering, analysis, and retention of compliance data and to provide a user-friendly interface for input of data by registered entities. In 2008 a majority of regions and NERC have become interested in or adopted SERC's compliance information system platform, otherwise known as the SERC Portal, to meet their needs. SERC is facilitating the startup of a consortium to share resources and expertise in the continuing development of electronic tools to improve compliance information tools.

SERC's compliance staff continues to develop improved processes and practices to enhance its ability to efficiently and effectively implement and administer the Compliance Monitoring and Enforcement Program and promote a culture of reliability excellence across the region.

Program Description and Functions Performed

The SERC Board of Directors has delegated responsibility for the SERC Compliance Monitoring and Enforcement Program to the Board Compliance Committee. The Board Compliance Committee confirms all alleged violations and proposed sanctions or settlements recommended by the SERC compliance staff for submittal to NERC and FERC for final approval. The Board Compliance Committee also acts as the hearing body responsible for resolving any disputes

related to either a finding of violation or a sanction administered for a confirmed violation. Compliance Advisory Groups, consisting of stakeholder technical experts across all sectors, for each of the major disciplinary areas (operations, planning/engineering, and cyber security) are available to assist the compliance staff and the Board Compliance Committee as needed, but do not have an approval role in compliance actions.

The SERC Portal, one of the more significant improvements enhancing SERC's ability to effectively and efficiently administer its Compliance Monitoring and Enforcement Program, is a secure central database that provides registered entities within the SERC Region a systematic way to file compliance certifications and other data with SERC, and for SERC to track compliance related activities and information. With the increase in the number of entities registering as users, owners and operators of the bulk-power system in the SERC Region, the SERC Portal has been indispensable in expanding the Compliance Monitoring Enforcement Program to those entities. Based on each entity's registration information, the SERC Portal applications ensure registered entities are properly assigned within the Compliance Enforcement Program. The database also provides a basis for auditing SERC's Compliance Monitoring and Enforcement Program.

The SERC Compliance Monitoring and Enforcement Program is implemented by the SERC compliance staff. The compliance staff, as well as all other SERC staff, are not affiliated with any SERC members or any entities registered within the region. The SERC compliance staff makes the initial determination of alleged violations and proposes appropriate penalties and sanctions in accordance with the NERC Compliance Monitoring and Enforcement Program and the Penalties and Sanctions Guidelines. To accomplish this objective, SERC's compliance staff is further divided into an enforcement branch and an audit branch.

Compliance Audits

SERC audit staff is charged with conducting compliance audits and spot checks of all registered entities and identifying potential alleged violations. In essence these are two of the primary "discovery" processes.

The group maintains a long-range compliance audit plan that ensures compliance audits are conducted for each applicable registered entity within the SERC Region in accordance with a predefined frequency. Qualified senior SERC staff leads each on-site compliance audit team, composed of a combination of SERC auditors and volunteer industry subject matter experts. The teams prepare audit reports with their findings and recommendations, including the identification of any possible alleged violations. Specific lessons learned from each audit are factored into the audit program to promote continuous improvement. Additionally, audit staff has a lead role in the spot-checking program. They also provide technical expertise in support of the compliance enforcement staff.

Compliance Enforcement

SERC's compliance enforcement group evaluates all possible alleged violations of reliability standards, whether identified in an audit, a self-report, complaint, or other source, and determines whether the facts and circumstances warrant further action as an alleged violation.

If so, the staff creates a unique tracking number and associated docket to record the activities and documents and completes a thorough assessment of the alleged violation. The staff informs the affected entity of the assessment of an alleged violation. Once the assessment is completed, the staff will formally notify the entity of its findings regarding the violation and any applicable proposed penalties or sanctions. The enforcement staff may also engage in settlement negotiations with the entity.

Once a final determination of a confirmed violation is made by the enforcement staff, it is submitted to the Board Compliance Committee for approval, along with any proposed penalty or sanctions. If the entity challenges the findings and requests a hearing, the enforcement staff would prosecute its case before the Board Compliance Committee, who would then become the hearing body. Hearings are conducted at SERC under the supervision of a qualified, independent hearing officer hired by SERC.

The enforcement staff is also responsible for evaluating and accepting mitigation plans and may seek the advice of technical committees in doing so. Ultimately, all mitigation plans must be accepted by the Board Compliance Committee. The enforcement staff also monitors progress of the entity in achieving the mitigation plan including review of supporting material submitted by the entity to substantiate closure.

Once all proceedings have been completed, the compliance enforcement staff would file the case with NERC for review and approval, subject to final approval by FERC.

Finally, compliance enforcement staff is responsible for maintaining the current list of registered entities within SERC and for administering other monitoring processes including self-reporting, complaints, and self-certifications

2009 Goals and Objectives

1. Effectively carry out on-site compliance audits to ensure accurate and adequately substantiated determinations of compliance or possible violations of reliability standards. Manage audits such that the required periodicity (3 or 6 years) is maintained for each SERC registered entity based on functions performed. Enhance audit focus and methods to improve bulk power system reliability and minimize risk.
2. Implement sufficient spot-checks and table top audits to validate self-certifications, address regional reliability themes and for-cause performance, while optimizing the allocation of audit resources.
3. Attract, develop, and retain compliance staff necessary to achieve effective compliance monitoring and enforcement for recently approved critical infrastructure protection (CIP) standards.
4. Achieve a reputation as a regional entity that is firm, fair, objective, independent, and consistent in carrying out delegated enforcement authorities. Protect confidential compliance information while striving to achieve a high level of transparency with respect to compliance process and expectations.
5. Promote registered entity understanding of compliance monitoring and enforcement processes and reliability standards through active engagement in forums including: compliance advisory groups, compliance seminars, and service as volunteer auditors. Actively communicate lessons learned.
6. Foster continuous improvement through implementation of metrics, targeted self-assessments, and other feedback mechanisms. Proactively refine compliance processes and procedures to improve effectiveness and efficiency. Interact with NERC and other regions to share best practices and promote consistency.
7. Be prepared for uncertainties in future directions of the compliance program and minimize any nonproductive impacts of such uncertainties on registered entities.

Funding Requirements — Explanation of Increase (Decrease)

The cost of the Compliance Program in 2009 is proposed to increase to \$4,805,617 from \$3,393,664 in the 2008 budget, an increase of 41.6%. Most of this increase is in increased staffing and a substantial increase in travel and meeting expenses based on actual experience gained in executing the compliance program since June 2007.

Staffing Needs

Hiring Plans – The Compliance Program was budgeted in 2008 for 17.2 FTEs. 2008 actual staffing is 20, with the addition of two administrative assistants to more cost effectively handle the extensive document management workload and the shift of a half time associate engineer from IT into compliance and a change in status to full time.

The proposal is to further increase staffing in compliance in 2009 by an additional 4.5 FTEs: one critical infrastructure protection (CIP) auditor, one CIP enforcement engineer, one associate auditor, one associate compliance engineer, and a coordinator of spot audits working halftime. The associate auditor and associate compliance engineer positions are being created as part of a long-term plan to hire more junior staff to cost effectively increase bench strength in the near term and develop potential future leaders.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – SERC plans to have available use of consulting resources to assist in the provision of specialized expertise as needed for compliance investigations. Although the amount needed is very uncertain, the amount budgeted for 2009 has been reduced to \$80,000 from \$150,000 planned in 2008. The \$183,300 increase showing in 2009 under contracts is the cost of SERC Portal development and maintenance. This is not an actual increase in costs, but is simply a transfer out of IT to more accurately assign the costs to the compliance function. \$215,000 has been earmarked for contracting with hearing officers and legal support for compliance. Once again, this amount is highly uncertain and could be less than planned or could be several times larger. The business plan assumes that any additional legal or hearing officer costs above the planned amount will be taken from the 10% operating reserve. SERC currently has two hearing officers and a regulatory attorney on retainer for services related to compliance.

Section A — 2009 Business Plan

Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Compliance and Organization Registration and Certification					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 3,393,665	\$ 3,393,665	\$ -	\$ 4,805,617	\$ 1,411,952
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 3,393,665	\$ 3,393,665	\$ -	\$ 4,805,617	\$ 1,411,952
Expenses					
Personnel Expenses					
Salaries	\$ 1,866,097	\$ 2,123,090	\$ 256,993	\$ 2,773,005	\$ 649,915
Payroll Taxes	111,474	169,847	58,373	207,975	38,128
Benefits	355,829	180,387	(175,442)	301,762	121,375
Retirement Costs	169,006	280,534	111,528	261,570	(18,964)
Total Personnel Expenses	\$ 2,502,406	\$ 2,753,858	\$ 251,452	\$ 3,544,312	\$ 790,454
Meeting Expenses					
Meetings	\$ 30,276	\$ 50,744	\$ 20,468	\$ 153,250	\$ 102,506
Travel	166,098	256,792	90,694	348,070	91,278
Conference Calls	-	12,280	12,280	15,000	2,720
Total Meeting Expenses	\$ 196,374	\$ 319,816	\$ 123,442	\$ 516,320	\$ 196,504
Operating Expenses					
Consultants	\$ 150,000	\$ 71,840	\$ (78,160)	\$ 80,000	\$ 8,160
Contracts	-	-	-	183,300	183,300
Office Rent	78,960	82,574	3,614	91,639	9,065
Office Costs	128,141	139,583	11,442	140,046	463
Professional Services	200,000	112,683	(87,317)	215,000	102,317
Computer Purchase & Maintenance	16,534	-	(16,534)	-	-
Furniture & Equipment	121,250	-	(121,250)	35,000	35,000
Miscellaneous	-	13,636	13,636	-	(13,636)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 694,885	\$ 420,316	\$ (274,569)	\$ 744,985	\$ 324,669
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 3,393,665	\$ 3,493,990	\$ 100,325	\$ 4,805,617	\$ 1,311,627
Change in Assets	\$ -	\$ (100,325)	\$ (100,325)	\$ -	\$ 100,325

Reliability Improvement Program (formerly included Reliability Readiness)

Reliability Improvement Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	.93	1.4	1.4
Total Direct Expenses	440,620	286,338	276,805
Total Indirect Expenses	108,604	133,390	119,645
Total Expenses	549,224	419,728	396,450

Background

Formerly this function was the Reliability Readiness and Evaluation Program. NERC has eliminated the Reliability Readiness Evaluation and Improvement Program. 2009 will be a transition year, during which open Readiness recommendations in the Region will be monitored to their completion and a reduced set of Evaluations will take place. Consequently, SERC has eliminated the Reliability Readiness Evaluation Program funding requirements, FTE count, and activities from the 2009 Business Plan and Budget. SERC is choosing in 2009 not to include readiness reviews or an assistance program in the business plan and no resources are provided for those activities. SERC resources required to support any remaining required activities of this NERC program are assumed to be minimal and will be absorbed by existing SERC staff.

However, SERC plans to continue several important activities to promote continuous improvement of reliability in the region, as described below.

Program Description and Functions Performed

In 2009, SERC's Reliability Improvement Program continues existing activities related to facilitating implementation of reliability improvement recommendations and tracking of recommendations. Recommendations may be derived from event analyses and apply to individual entities, a cross section of entities, or all entities registered within the region. Actions may also be identified in the form of NERC alerts. Some of these may be in the form of voluntary suggestions for reliability improvement and others may be required actions that must be reported back to NERC or FERC. SERC's goal is to enhance reliability by facilitating implementation of recommendations and required actions and by tracking and reporting completion.

SERC conducts several functions that are very closely related to reliability improvement but are presented separately in the SERC business plan to be consistent with NERC's division of functions. In addition to the reliability improvement function described above, SERC performs a situation awareness function by reporting normal daily conditions on the bulk power system and reporting elevated risk conditions when they occur. SERC also coordinates information in response to an event on the bulk power system. SERC conducts event analyses as needed, in coordination with applicable registered entities, NERC, and FERC.

SERC performs these three functions – reliability improvement and recommendations tracking; situation awareness; and events analysis – using two full time staff. One of those staff is identified as a Reliability Engineer here under the Reliability Improvement Program and the other is identified as Manager of Situation Awareness and Event Analysis under the Situation Awareness and CIP Program. In effect, however, these individuals work together and share responsibilities.

2009 Goals and Objectives

1. Working with the SERC committees, effectively coordinate, track and bring to closure the mitigation of recommendations directed to SERC entities in alerts or through event analysis lessons learned.

Funding Requirements — Explanation of Increase (Decrease)

The budget for this program, excluding the \$206,000 showing in 2008 for the OATI Scheduling Tool, is proposed to increase from \$234,620 in 2008 to \$276,805 in 2009, an increase of 18%. The \$206,000 for the scheduling tool has been moved to IT for budgeting purposes. The increase is driven by an increase in staffing by approximately half of an FTE, which is partially offset by reduced travel expenses.

Staffing Needs

Hiring Plans - This function was budgeted in 2008 to be approximately half an FTE, sharing a staff member with the Situation Awareness function. However, Situation Awareness, including event analysis, has grown significantly beyond what was anticipated in developing the 2008 budget. Therefore, SERC proposes to hire a new Reliability Engineer in the Reliability Improvement Program to both address recommendations tracking and to support the Manager of Situation Awareness in the situation awareness and event analysis functions. Overall, this program area will increase in staffing by approximately half an FTE. This position is also a developmental position, similar to the ones described in the compliance program.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – None. Some maintenance costs showing under IT are used to support the recommendations tracking portion of the SERC Portal.

Section A — 2009 Business Plan

Reliability Improvement Program

Funding sources and related expenses for the reliability readiness audits and improvement section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Readiness Evaluation and Improvement					
	2008	2008	2008 Projection	2009	2009 Budget
	Budget	Projection	Variance to	Budget	Variance to
			2008 Budget		2008 Projection
			Over(Under)		Over(Under)
Funding					
ERO Assessments	\$ 440,620	\$ 440,620	\$ -	\$ 276,805	\$ (163,815)
Membership Dues	-		-	-	-
Testing Fees	-		-	-	-
Services & Software	-		-	-	-
Workshops	-		-	-	-
Interest	-		-	-	-
Miscellaneous	-		-	-	-
Total Funding	\$ 440,620	\$ 440,620	\$ -	\$ 276,805	\$ (163,815)
Expenses					
Personnel Expenses					
Salaries	\$ 118,197	\$ 197,823	\$ 79,626	\$ 178,063	\$ (19,760)
Payroll Taxes	9,167	15,826	6,659	13,355	(2,471)
Benefits	24,796	9,991	(14,805)	16,561	6,570
Retirement Costs	8,753	17,584	8,831	17,159	(425)
Total Personnel Expenses	\$ 160,913	\$ 241,224	\$ 80,311	\$ 225,138	\$ (16,086)
Meeting Expenses					
Meetings	\$ 2,640	\$ 7,362	\$ 4,722	\$ 1,800	\$ (5,562)
Travel	43,740	17,252	(26,488)	31,928	14,676
Conference Calls	-	1,200	1,200	977	(223)
Total Meeting Expenses	\$ 46,380	\$ 25,814	\$ (20,566)	\$ 34,705	\$ 8,891
Operating Expenses					
Consultants	\$ 206,000	\$ -	\$ (206,000)	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	5,190	4,573	(617)	5,967	1,394
Office Costs	8,081	7,731	(350)	7,739	8
Professional Services	5,000	6,241	1,241	977	(5,264)
Computer Purchase & Maintenance	1,087	-	(1,087)	-	-
Furniture & Equipment	7,969	-	(7,969)	2,279	2,279
Miscellaneous	-	755	755	-	(755)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 233,327	\$ 19,300	\$ (214,027)	\$ 16,962	\$ (2,338)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 440,620	\$ 286,338	\$ (154,282)	\$ 276,805	\$ (9,533)
Change in Assets	\$ -	\$ 154,282	\$ 154,282	\$ -	\$ (154,282)

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.33	1.4	1.4
Total Direct Expenses	505,151	403,768	481,276
Total Indirect Expenses	155,316	133,390	119,645
Total Expenses	660,467	537,158	600,921

Background

The major North American blackouts of 1996 and 2003 identified shortfalls in operator situational awareness and response to emergency conditions as major contributing factors. As a result, a recent focus of NERC and the industry has turned to developing competency through a systematic approach to training and formal certification for all real-time system operators in North America.

The mandatory, enforceable set of planning and operating reliability standards under development by NERC underscores the need for effective training of other technical personnel, such as system planners, compliance engineers and auditors, and reliability readiness evaluators.

Historically, SERC has taken a proactive role in the advancement of technical personnel training and development. Through its annual program of seminars and workshops, SERC has promoted improved performance in planning, operation and critical infrastructure protection of the bulk power system. SERC has a reputation for facilitating and providing forums for member interaction and exchange of continuing education activities, such as “lessons learned”, emergency drills, and inter-area event simulations.

Program Description and Functions Performed

SERC’s training services staff works closely with the appropriate SERC and NERC committees to develop and manage effective technical personnel training programs for SERC members and SERC staff in the areas of system operation and operator certification, planning, audits, and compliance. The program methods include needs analyses, identification of performance gaps, design of behavioral learning objectives, development of training materials, program implementation, and evaluation. Additionally, the training function works to ensure that all SERC member company instructors are qualified and prepared to deliver the training programs, in accordance with systematic instructional design procedures. The specific continuing education requirements of the members form the basis of current topics, agendas, and venues for SERC-sponsored training seminars and workshops.

To meet its goals, the SERC training program relies heavily on the technical expertise and training experience of SERC committee members. It is expected that the System Operator Subcommittee of the Operating Committee will continue to make a significant contribution to both the development and delivery of SERC training activities, as they have done in the past. The SERC training program will facilitate and coordinate such training efforts.

2009 Goals and Objectives

1. Develop innovative and timely training opportunities to meet industry personnel training and education needs in the areas of system operation, operator certification, instructor qualification, system planning, audits and compliance.
2. Assist registered entities in ensuring that real-time operating personnel have the competencies required to operate the bulk power system with the highest degree of reliability.
3. Ensure SERC staff, members, and registered entities understand reliability issues, standards in effect, the SERC compliance monitoring and enforcement program, and required compliance documentation.
4. Develop and deliver training to SERC staff and industry volunteers in the basic tenets of compliance auditing, effective use of auditor tools, and effective interviewing and information-gathering skills required for the successful performance of a compliance audit.
5. Promote the development of qualified instructors in the SERC region who are capable of designing and developing effective learning activities based on the systematic approach to training.
6. Assist SERC staff as needed in staying current with the SERC mission, functions and services.

Funding Requirements — Explanation of Increase (Decrease)

The Training and Education Program is planned to be nearly 84% self-funded in 2009. Overall costs will decrease 5% from \$505,151 budgeted in 2008 to \$481,276 in 2009 due to aggressive negotiations with hotel facilities and other efficiencies. The program was planned to be 34% self-funded in 2008.

Staffing Needs

Hiring Plans – This function is currently served by 1 FTE Manager of Training Services. No increase in staffing is anticipated.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – In 2008 SERC initiated a wide-area restoration scenario table-top exercise. Funding is requested in the 2009 budget of \$15,000 to leverage off of this technical committee work and individual company efforts in order to engage an expert in wide-area system restoration training and exercises to enhance the region's preparedness to respond in the event of a wide-spread event. Specifically this consultant will work with SERC to develop and conduct a "next-level" exercise and to document results and recommendations. Funds for the development and maintenance of computer-delivered training modules and a tracking tool for continuing education hours (CEH) tracking tools are described in the section on Information Technology.

Section A — 2009 Business Plan

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Training and Education					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 331,651	\$ 331,651	\$ -	\$ 78,276	\$ (253,375)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	173,500	244,715	71,215	403,000	158,285
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 505,151	\$ 576,366	\$ 71,215	\$ 481,276	\$ (95,090)
Expenses					
Personnel Expenses					
Salaries	\$ 172,431	\$ 184,674	\$ 12,243	\$ 193,855	\$ 9,181
Payroll Taxes	11,094	14,774	3,680	14,539	(235)
Benefits	39,497	15,541	(23,956)	17,765	2,224
Retirement Costs	15,195	24,454	9,259	18,403	(6,051)
Total Personnel Expenses	\$ 238,217	\$ 239,443	\$ 1,226	\$ 244,562	\$ 5,119
Meeting Expenses					
Meetings	\$ 142,340	\$ 120,514	\$ (21,826)	\$ 178,820	\$ 58,306
Travel	60,073	11,920	(48,153)	24,955	13,035
Conference Calls	-	1,868	1,868	977	(891)
Total Meeting Expenses	\$ 202,413	\$ 134,302	\$ (68,111)	\$ 204,752	\$ 70,450
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000
Contracts	-	-	-	-	-
Office Rent	7,414	7,114	(300)	5,967	(1,147)
Office Costs	39,169	12,026	(27,143)	7,739	(4,287)
Professional Services	5,000	9,708	4,708	977	(8,731)
Computer Purchase & Maintenance	1,553	-	(1,553)	-	-
Furniture & Equipment	11,385	-	(11,385)	2,279	2,279
Miscellaneous	-	1,175	1,175	-	(1,175)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 64,521	\$ 30,023	\$ (34,498)	\$ 31,962	\$ 1,939
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 505,151	\$ 403,768	\$ (101,383)	\$ 481,276	\$ 77,508
Change in Assets	\$ -	\$ 172,598	\$ 172,598	\$ -	\$ (172,598)

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.63	4.5	4.5
Total Direct Expenses	528,643	896,413	976,109
Total Indirect Expenses	307,128	428,753	384,575
Total Expenses	835,770	1,325,166	1,360,684

Background

Section 39.11 of the Commission's regulations requires the ERO to assess the reliability and adequacy of the bulk-power system, and to report its findings. Section 800 of NERC's Rules of Procedure describes the manner in which the assessments will be conducted and the reports prepared, and specifies the requirements for regional entities to provide data and information for purposes of the assessments. As a regional entity, SERC collects and compiles data from users, owners and operators of the bulk-power system in the region, and submits that data to NERC. In addition, SERC conducts its own assessments of reliability and adequacy of the region's bulk-power system and reports its findings to NERC.

NERC also prepares special reliability assessment reports on regional, interregional, or interconnection bases as conditions warrant or as requested by the NERC board. Such special assessments typically require input and participation by regional entities. Finally, NERC's Rules of Procedure require NERC to analyze unusual events that occur on the bulk-power system, identify the causes of those events, assess past reliability performance, disseminate its findings to the industry, and develop reliability performance benchmarks. To the extent such unusual events involve the SERC region, SERC will be involved in such analyses.

Beginning in early 2008, SERC has separated the Reliability Assessment Program from Reliability Services in recognition of the importance of this statutory function that is defined in Section 215 of the Federal Power Act. This program is coordinated by SERC staff and makes extensive use of stakeholder volunteer experts in SERC's Reliability Review Subcommittee (RRS), Dynamics Review Subcommittee (DRS), and Data Collection Task Force (DCTF). The supporting inter-regional studies for the reliability assessments are performed by SERC's regional studies groups (Long-Term Power Flow Study Group, Near-Term Power Flow Study Group, Dynamics Study Group, and Short Circuit Database Working Group). Inter-regional and interconnection-wide coordination is accomplished through the Eastern-Interconnection Reliability Assessment Group (ERAG), formed to further augment the reliability of the bulk-power system in the joint areas through periodic reviews of generation and transmission expansion programs and forecasted system conditions. An ERAG Management Committee (MC) oversees the development of an annual series of power-flow and dynamics base-cases by a Multi-regional Modeling Working Group (MMWG). The ERAG MC and MMWG are each comprised of two representatives from each region. These ERAG-MMWG models form the basis from which most wide-area interconnected system studies are performed. Funding for ERAG-MMWG activities is allocated across the six regional entities in the Eastern Interconnection based on Net Energy for Load (NEL).

Program Description and Functions Performed

One of the primary charges of the SERC RRS is to annually perform reliability assessments: seasonal assessments of the SERC Region in support of the NERC Reliability Assessment Subcommittee's Summer and Winter Reliability Assessments and a ten-year reliability assessment of the SERC region, from which a condensed version is also created in support of the NERC Long-term Reliability Assessment. The RRS has prepared an annual 10-year reliability assessment report since 1979. The report includes (both on a regional and sub-regional basis) a resource adequacy assessment, a transmission assessment, and a discussion of significant reliability issues impacting the SERC region. The DRS provides input to the RRS for this report on pertinent stability-related reliability issues and develops stability-related reliability assessments for the sub-regions and region. While the report has evolved over the years, it has generally had a format similar to the NERC Reliability Assessment Subcommittee Long-term Reliability Assessment report, but focused on the SERC region. This report is presented annually to both the SERC Engineering Committee and the SERC Executive Committee. This has led to a variety of SERC Board initiatives over the years addressing reliability in the SERC region.

The SERC DCTF's primary function is to provide reporting parties' required data per the NERC reliability assessment requests. Data collection activities are carried out on the SERC Portal. The SERC Portal is used to specify data requirements and due dates for each data collection effort. The SERC staff maintains and manages areas of the SERC Portal containing reliability data requirements. Additional communication from the SERC staff to the DCTF is accomplished via announcements on the Portal, email, phone conferences, and SERC Data Collection Task Force meetings. The SERC staff aggregates the data, performs data checks and analyses, and compiles the data for the Region's reliability assessments data submittals.

2009 Goals and Objectives

1. Develop and deploy improvements to the SERC Portal for reliability assessment data gathering and analysis, as well as other data requests by the NERC and FERC.
2. Actively engage in NERC's development of reliability assessment and performance analysis programs and requirements to ensure they are practical and effective in promoting the reliability of the bulk power system.
3. Assist SERC members in executing the regional reliability assessment, including the addition of scenario analysis introduced by NERC.
4. Develop regional and/or sub-regional metrics as needed to effectively evaluate and communicate the future adequacy of the bulk power system in the region.

Funding Requirements — Explanation of Increase (Decrease)

The Reliability Assessment Program is planned to increase from \$528,643 in the 2008 budget to \$976,109, an increase of 84.6% that reflects the increased visibility and importance of the reliability assessment function. The increase is in the area of increased staff and use of outside consultants to assist in reliability assessment methods and models.

Staffing Needs

Hiring Plans – This function is currently staffed at 4.5 FTE, which is an increase of 2.2 compared to the 2008 budget. These additions were made out of necessity in response to the significant changes and demands of the NERC program. The Director of Reliability Assessment is more senior than the manager level anticipated in the 2008 budget and a data analyst was added as well as a department assistant. The additional 0.2 increment results from shifting a part time staff person to focus entirely on reliability assessment rather than splitting time with compliance.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – With respect to the above 2009 Goal 1, Portal development in the area of resource assessment will need to continue to track the demands placed on the Portal by the NERC Reliably Assessment Subcommittee and Planning Committees. Changes to the Long-term and Short-term reliability assessment process have strained the ability of SERC's members, staff and IT resources. The needs driven by increased requirements from the NERC program are reflected in the IT program costs and are accomplished largely through software contractors.

A contract to prepare a series of SERC-specific dynamics cases is conducted bi-annually. The last dynamics reduction resulted in the 2007 series cases. Funding for vendor support in developing reduced dynamics models of the SERC region in the amount of \$50,000 is projected in 2009. Additionally, the Multi-regional Modeling Working Group (MMWG) is no longer funded by NERC. The Eastern Interconnection Reliability Assessment Group (ERAG) was formed among the 6 regions in the Eastern Interconnection to continue this effort. A contract for compiling the 6 regional representative series of models into the annual MMWG series of models for both power-flow and dynamics cases is required. SERC's portion of ERAG-MMWG model development is projected at \$90,000 based on NEL. Finally, an effort for margin analysis to support regional reliability in the area of assessments is included in the 2009 budget request in the amount of \$90,000.

Section A — 2009 Business Plan

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Assessment and Performance Analysis					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 528,643	\$ 528,643	\$ -	\$ 976,109	\$ 447,466
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 528,643	\$ 528,643	\$ -	\$ 976,109	\$ 447,466
Expenses					
Personnel Expenses					
Salaries	\$ 289,034	\$ 451,833	\$ 162,799	\$ 475,213	\$ 23,380
Payroll Taxes	19,960	36,147	16,187	35,641	(506)
Benefits	56,731	49,953	(6,778)	41,879	(8,074)
Retirement Costs	21,501	71,397	49,896	43,144	(28,253)
Total Personnel Expenses	\$ 387,226	\$ 609,330	\$ 222,104	\$ 595,877	\$ (13,453)
Meeting Expenses					
Meetings	\$ 34,615	\$ 37,798	\$ 3,183	\$ 53,238	\$ 15,440
Travel	28,808	46,776	17,968	39,333	(7,443)
Conference Calls	-	6,008	6,008	3,140	(2,868)
Total Meeting Expenses	\$ 63,423	\$ 90,582	\$ 27,159	\$ 95,711	\$ 5,129
Operating Expenses					
Consultants	\$ -	\$ 100,000	\$ 100,000	\$ 230,000	\$ 130,000
Contracts	-	-	-	-	-
Office Rent	14,643	22,867	8,224	19,180	(3,687)
Office Costs	22,799	38,654	15,855	24,875	(13,779)
Professional Services	15,000	31,204	16,204	3,140	(28,064)
Computer Purchase & Maintenance	3,066	-	(3,066)	-	-
Furniture & Equipment	22,486	-	(22,486)	7,326	7,326
Miscellaneous	-	3,776	3,776	-	(3,776)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 77,994	\$ 196,501	\$ 118,507	\$ 284,521	\$ 88,020
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 528,643	\$ 896,413	\$ 367,770	\$ 976,109	\$ 79,696
Change in Assets	\$ -	\$ (367,770)	\$ (367,770)	\$ -	\$ 367,770

Situational Awareness and Infrastructure Security Program

Situational Awareness and Infrastructure Security Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.13	1.4	2.4
Total Direct Expenses	289,288	270,599	476,841
Total Indirect Expenses	131,960	133,390	205,107
Total Expenses	421,248	403,989	681,948

Background

For the purpose of consistency with the NERC budget and business planning process and to facilitate comparison with other regional entities, SERC has lumped situation awareness and critical infrastructure protection in this section of the business plan. However, in practice SERC implements these functions separately. The situation awareness role is more closely tied to bulk power system operations and SERC uses staff and groups expert in operations for this function, including the SERC Reliability Coordinator Subcommittee. Critical infrastructure protection is aligned in practice with technical support of and through SERC's Critical Infrastructure Protection Committee, one of SERC's three standing committees.

Program Description and Functions Performed – Situational Awareness

SERC does not have a real-time monitoring capability and does not anticipate such a capability as necessary to effectively perform its regional entity functions. However, SERC will maintain effective situational awareness and help ensure that reliability coordinators, balancing authorities, transmission operators and appropriate regulatory personnel are aware of situations as needed to maintain timely awareness of conditions that present an elevated risk to the reliability of the bulk power system. SERC will accomplish effective awareness by working closely with reliability coordinators in the region and through use of the SERC Hotline during significant events or adverse conditions. SERC also achieves situation awareness in the region through effective use of publicly available information as well as NERC situational awareness tools including the System Data Exchange (SDX), the Reliability Coordinator Information System (RCIS), and the Central Repository for Security Events (CRC).

This program also includes resources to lead or participate in event analyses as may be required during 2009. Event analysis presents a highly uncertain work demand on staff, as the number of events involving SERC, if any, can vary, yet each analysis is an extensive commitment of resources. Although the business plan assumes one SERC-led event analysis and one in which SERC staff participates (led by an entity, another region, or NERC), any additional workload would be addressed through SERC's cash reserve.

In SERC, the Situational Awareness Program is closely tied with the Reliability Improvement Program, as previously described. The Manager of Situation Awareness and Event Analysis is budgeted within the Situational Awareness Program and the Reliability Engineer is budgeted under the Reliability Improvement Program. However, in actuality the two work together.

2009 Goals and Objectives

1. Demonstrate the capability to respond to system events with accepted and effective procedures and communications; event triage; and event analysis – including proactively analyzing reliability issues that may not have resulted in an event but may be considered precursors of reliability risk.

2. Achieve competency in situation awareness reporting for both routine and heightened risk situations — including the communication of lessons learned and trend data.
3. Refine the situation awareness capability at SERC by engaging operating entities (RC's, BA's and TOP's) in streamlining the efficiency of situation awareness information management and minimizing the burden on entities and operators.

Program Description and Functions Performed – Infrastructure Security Program

SERC's Critical Infrastructure Protection Program mirrors that of NERC, with a focus on regional issues. The program is supported by the SERC Critical Infrastructure Protection Committee, whose responsibility is to advance the security of the critical electricity infrastructure within SERC. The SERC Cyber Security Compliance Review Subcommittee actively supports registered entities within the region meeting the newly approved CIP reliability standards, including SERC office cyber systems. The program will continue outreach to the industry by providing 'how to' workshops and forums within the region. SERC staff and stakeholder representatives also actively participate in the NERC CIP program and CIPC.

The CIP resources here are distinct from those in the Compliance Program. The role here is focused on improvement and assistance, while the Compliance Program CIP resources are focused on compliance monitoring and enforcement.

2009 Goals and Objectives

1. Assist registered entities in achieving compliance with infrastructure protection standards and directives that may be issued from time to time.
2. Ensure SERC compliance with any SERC-managed critical assets.

Funding Requirements — Explanation of Increase (Decrease)

The overall budget in this area will increase from \$289,288 to \$476,841, an increase of 64.8%. This increase, primarily due to an increase from 1.13 to 2.4 FTEs, is necessary for SERC to respond effectively to the increased emphasis by FERC and NERC on situational awareness and the recent approval of new CIP reliability standards. The increase in staffing is the result of going from 0.6 FTE in situational awareness to 1.0 FTE and from 0.4 FTE in CIP to 1.0 FTE. The additional small fractional increase is related to the level of commitment of the Director of Reliability Services. Meeting and travel expenses also increase in association with the increased staffing in these areas.

Staffing Needs

Hiring Plans - SERC will add 1 FTE Manager of Critical Infrastructure Protection to support CIP function within the Reliability Services Program, increasing the staffing of this function from 0.4 to 1.0 FTE. As was previously described, the addition of a new Reliability Engineer position will allow the Manager of Situation Awareness to become a full time role, rather than a part time activity as was budgeted in 2008.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – Contractor and consultant support to automate situational awareness data retrieval has been assigned to IT and no additional external support is anticipated in this area.

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Situational Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Situational Awareness and Infrastructure Security					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 289,288	\$ 289,288	\$ -	\$ 476,841	\$ 187,553
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 289,288	\$ 289,288	\$ -	\$ 476,841	\$ 187,553
Expenses					
Personnel Expenses					
Salaries	\$ 146,351	\$ 168,696	\$ 22,345	\$ 310,591	\$ 141,895
Payroll Taxes	11,346	13,496	2,150	23,294	9,798
Benefits	35,660	14,431	(21,229)	41,812	27,381
Retirement Costs	12,871	22,575	9,704	28,747	6,172
Total Personnel Expenses	\$ 206,228	\$ 219,198	\$ 12,970	\$ 404,444	\$ 185,246
Meeting Expenses					
Meetings	\$ 11,550	\$ 3,002	\$ (8,548)	\$ 20,625	\$ 17,623
Travel	7,200	18,784	11,584	21,020	2,236
Conference Calls	-	1,736	1,736	1,674	(62)
Total Meeting Expenses	\$ 18,750	\$ 23,522	\$ 4,772	\$ 43,319	\$ 19,797
Operating Expenses					
Consultants	\$ 32,200	\$ -	\$ (32,200)	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	6,302	6,606	304	10,229	3,623
Office Costs	9,811	11,167	1,356	13,268	2,101
Professional Services	5,000	9,015	4,015	1,674	(7,341)
Computer Purchase & Maintenance	1,320	-	(1,320)	-	-
Furniture & Equipment	9,677	-	(9,677)	3,907	3,907
Miscellaneous	-	1,091	1,091	-	(1,091)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 64,310	\$ 27,879	\$ (36,431)	\$ 29,078	\$ 1,199
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 289,288	\$ 270,599	\$ (18,689)	\$ 476,841	\$ 206,242
Change in Assets	\$ -	\$ 18,689	\$ 18,689	\$ -	\$ (18,689)

Administrative Services

Administrative Services Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	10.4	10.0	10.4
Total Indirect Expenses	2,516,584	2,582,048	2,786,025

Technical Committees and Member Forums
Background

A hallmark of SERC's mission since its formation in 1970 has been its member-driven focus, relying on the technical expertise of volunteers from its member organizations to lead its technical committees. Participants in SERC committees and subgroups total more than 400 individuals, many of whom also provide volunteer technical support at the NERC level. As the regional entity, SERC will continue to promote a high level of participation and effort by the best technical experts the region's industry has to offer.

The SERC Operating Committee (OC) provides a forum for the discussion and resolution of operating reliability issues within the SERC Region and provides a mechanism for the coordination of activities in the area of operations. The purpose of the OC is to promote the reliability and security of the bulk-power system, through the development of SERC regional reliability standards and other engineering/planning documents (e.g., guidelines, procedures, white papers). The committee coordinates activities in the area of operations and, as may be required pursuant to the Electric Reliability Organization Rules of Procedure, verifies that operating entities (Balancing Authorities, Transmission Operators, and Reliability Coordinators) within the Region meet all of the requirements for certification as set forth in the ERO certification procedures. The Operating Committee has created several subcommittees to provide technical assistance and advice on a continuing basis in specific area of operations.

The purpose of the Engineering Committee and its associated subgroups is to promote the reliability and adequacy of the bulk-power system, as related to the planning and engineering of electric systems, through the development of SERC regional reliability standards and other engineering/planning documents (e.g., guidelines, procedures, reference documents, white papers). The committee provides a mechanism for the coordination of activities in the areas of planning and engineering.

Program Description and Functions Performed

The success of the SERC programs depends on the active and direct participation of its members. The stakeholders are the source of expertise in the industry, and provide the force that raises the bar for enhancing reliability through technical excellence. The SERC Operating Committee and Engineering Committee each hold three (3) scheduled meetings each year and, as necessary, executive committee and conference call meetings. These meetings provide an opportunity for SERC members to address topics related to the reliable planning and operation of the power system, including related critical infrastructure and environmental issues. The purpose of these meetings is to:

- Participate in the establishment of reliability policies and standards;
- Participate in the measurement of performance relative to these policies and standards;

- Develop and exchange information with respect to operating matters relating to the reliability and adequacy of bulk power supplies;
- Review as necessary reliability and adequacy activities within the region in order to meet expected standards and measurements;
- Support the application of the NERC readiness evaluation program for improving the overall reliability and efficiency of operations within the SERC Region; and
- Perform technical functions through assignment of specific tasks to subcommittees and working groups as follows:
 - OC NAESB Working Group (NWG) is responsible for developing and maintaining a forum for discussing, reviewing and commenting on any regional reliability issues that may arise from NAESB standards development.
 - OC Operations Planning Subcommittee (OPS) ensures that operations planning information is shared and coordinated (typically a time frame from the current hour through 13 months into the future). This subcommittee addresses issues from the SERC Operating and Engineering Committees. In addition, the OPS facilitates the sharing of data and information with other entities outside of the SERC Region who have the responsibility for improving security and reliability in the Eastern Interconnection.
 - OC SERC Available Transfer Capability Working Group (ATCWG) is responsible for developing and maintaining SERC procedures for determining transfer capabilities and reliability margins that are in compliance with the NERC Reliability Standards MOD-001 through 009.
 - OC Real Time Modeling Working Group (RMWG) provides overall direction for the exchange of real-time system modeling information to ensure that real-time models used by SERC reliability coordinators have consistent, accurate, and timely system representations to support wide-area real-time system analyses.
 - OC Reliability Coordinator Subcommittee (RCS) is responsible for reviewing operational events associated with the performance and/or actions of the SERC reliability coordinators; reviewing proposed NERC/SERC policy/standards concerning the duties of the reliability coordinator; facilitating coordination of practices among the SERC reliability coordinators; and addressing reliability coordinator related issues assigned to it by the SERC Operating Committee or as deemed relevant by the RCS.
 - OC Telecommunications Subcommittee (TSC) has a primary function to keep the SERC OC informed on communication matters and developments which are of interest and concern to electric power system operations.
 - OC Vegetation Management Subcommittee (VMS) - advises the SERC OC concerning vegetation management issues. The VMS reviews and develops comments on NERC reliability standards that impact right of way maintenance and vegetation management, and recommends development of SERC regional standards and/or SERC standing committee documents (guidelines, procedures, etc.) as appropriate.
 - EC Generation Subcommittee (GS) advises the SERC EC concerning generation issues. The GS reviews and develops comments on NERC reliability standards that impact generating stations, and recommends development of SERC regional standards and/or SERC standing committee documents (guidelines, procedures, etc.) as appropriate.

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- EC Protection and Control Subcommittee (PCS) advises the SERC EC concerning protection and control issues. The PCS reviews and develops comments on NERC reliability standards that impact protection and control, and recommends development of SERC regional standards and/or SERC standing committee documents (guidelines, procedures, etc.) as appropriate.

2009 Goals and Objectives

1. Develop co-ownership of the role of SERC's reliability services functions by conducting issue-focused and timely meetings of the SERC standing committees and their associated subgroups and by encouraging broad participation by all sectors of SERC membership where possible.
2. Conduct an analysis of committee involvement in delegated functions and realign subgroup charters to ensure meaningful engagement in the development of reliability issues.
3. Communicate with the industry through the SERC website, SERC portal, SERC committee rosters and associated distribution lists as well as face-to-face and conference-call meetings as an effective means to achieve industry education and collaboration on common reliability issues.
4. Participate in NERC, outside regional, and industry activities as needed to stay abreast of current issues and to support SERC Standing Committees and their associated subgroups.
5. Provide effective knowledge transfer and information sharing in support of a reliable bulk power system.
6. Maintain a strong workforce of volunteer experts working on SERC functions.

Funding Requirements — Explanation of Increase (Decrease)

Funding in the area of technical committees and member forums is planned to increase from \$649,057 to \$773,251, an increase of 19.1% that is attributable mainly to higher than anticipated costs of meetings and travel.

SERC reports this activity as an indirect cost in accordance with NERC requirements. However, within the region the activities and results attributed to committee activities are direct contributors to reliability. SERC has a tradition of an exceptionally strong base of volunteerism by the members. These experts deliver results that are at the front line of improving reliability. Because the committee activities are more robust than is typical of other regional entities, the cost appears as a larger than expected indirect cost.

Staffing Needs

Hiring Plans - This function is currently served by 1 FTE Manager of Operations and 1 FTE Manager of Planning and Engineering. No increase in staffing is anticipated.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – No contractor resources are anticipated for this area.

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Technical Committees and Member Forums

Funding sources and related expenses for the Members' Forums section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Technical Committees and Member Forums					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 649,057	\$ 649,057	\$ -	\$ 773,251	\$ 124,194
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	210	210	-	(210)
Total Funding	\$ 649,057	\$ 649,267	\$ 210	\$ 773,251	\$ 123,984
Expenses					
Personnel Expenses					
Salaries	\$ 312,832	\$ 410,766	\$ 97,934	\$ 366,536	\$ (44,230)
Payroll Taxes	19,385	32,861	13,476	27,490	(5,371)
Benefits	44,811	26,642	(18,169)	33,684	7,042
Retirement Costs	27,978	44,358	16,380	34,928	(9,430)
Total Personnel Expenses	\$ 405,006	\$ 514,627	\$ 109,621	\$ 462,638	\$ (51,989)
Meeting Expenses					
Meetings	\$ 134,355	\$ 150,552	\$ 16,197	\$ 202,475	\$ 51,923
Travel	48,879	72,688	23,809	77,387	4,699
Conference Calls	-	3,204	3,204	1,674	(1,530)
Total Meeting Expenses	\$ 183,234	\$ 226,444	\$ 43,210	\$ 281,536	\$ 55,092
Operating Expenses					
Consultants	\$ -	\$ 25,076	\$ 25,076	\$ -	\$ (25,076)
Contracts	-	-	-	-	-
Office Rent	12,975	12,196	(779)	10,229	(1,967)
Office Costs	20,201	20,615	414	13,267	(7,348)
Professional Services	5,000	16,642	11,642	1,674	(14,968)
Computer Purchase & Maintenance	2,717	-	(2,717)	-	-
Furniture & Equipment	19,924	-	(19,924)	3,907	3,907
Miscellaneous	-	2,014	2,014	-	(2,014)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 60,817	\$ 76,543	\$ 15,726	\$ 29,077	\$ (47,466)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 649,057	\$ 817,614	\$ 168,557	\$ 773,251	\$ (44,363)
Change in Assets	\$ -	\$ (168,347)	\$ (168,347)	\$ -	\$ 168,347

General and Administrative

Functional Description

The SERC general and administrative function provides executive management of the corporation, management of the SERC office, and other administrative support programs.

Funding Requirements — Explanation of Increase (Decrease)

\$210,453 has been allocated under General and Administrative to recognize the need to increase the SERC cash reserve by that amount in 2009 to stay consistent with SERC's policy of maintaining a cash reserve of 10% of annual operating costs.

Excluding the amount to increase the reserve, the costs of General and Administrative functions are proposed to increase from \$708,759 to \$1,217,205, an increase of 71.7% compared to 2008 budget. Of this increase, \$499,491 or 98.2% is simply related to the transfer of all salary and benefits from the other administrative departments (IT, HR and Finance) to be included in General & Administrative costs due to the small size of these departments. There is a corresponding decrease in the other departments under Personnel Expenses.

Office supplies are administrative costs to support office operations. With the majority of staff working from the central office, it is necessary to increase office supply costs by 10%.

\$20,000 is included under the furniture budget to allow for the purchase of filing cabinets and bookcases, which were not included in the initial outfitting of the new office.

Staffing Needs

Hiring Plans – This function is currently served by 8 FTEs. All personnel costs for the other administrative functions, including information technology, finance, and human resources, have been transferred to General & Administrative. No increase in staffing is anticipated in any of these areas.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – None required for 2009.

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General and Administrative

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
General and Administrative					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 666,759	\$ 666,759	\$ -	\$ 1,427,658	\$ 760,899
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	42,000	20,716	(21,284)	-	(20,716)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 708,759	\$ 687,475	\$ (21,284)	\$ 1,427,658	\$ 740,183
Expenses					
Personnel Expenses					
Salaries	\$ 456,421	\$ 806,984	\$ 350,563	\$ 890,649	\$ 83,665
Payroll Taxes	20,962	64,559	43,597	66,799	2,240
Benefits	70,367	84,365	13,998	79,132	(5,233)
Retirement Costs	39,389	121,888	82,499	81,619	(40,269)
Total Personnel Expenses	\$ 587,139	\$ 1,077,796	\$ 490,657	\$ 1,118,199	\$ 40,403
Meeting Expenses					
Meetings	\$ 8,350	\$ 2,028	\$ (6,322)	\$ 15,500	\$ 13,472
Travel	40,506	74,508	34,002	43,870	(30,638)
Conference Calls	-	6,350	6,350	2,093	(4,257)
Total Meeting Expenses	\$ 48,856	\$ 82,886	\$ 34,030	\$ 61,463	\$ (21,423)
Operating Expenses					
Consultants	\$ -	\$ 672	\$ 672	\$ -	\$ (672)
Contracts	-	-	-	-	-
Office Rent	16,682	15,244	(1,438)	12,787	(2,457)
Office Costs	26,974	25,769	(1,205)	17,779	(7,990)
Professional Services	-	20,803	20,803	2,093	(18,710)
Computer Purchase & Maintenance	3,232	-	(3,232)	-	-
Furniture & Equipment	25,876	-	(25,876)	4,884	4,884
Miscellaneous	-	2,517	2,517	-	(2,517)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 72,764	\$ 65,005	\$ (7,759)	\$ 37,543	\$ (27,462)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 210,453	\$ 210,453
Total Expenses	\$ 708,759	\$ 1,225,687	\$ 516,928	\$ 1,427,658	\$ 201,971
Change in Assets	\$ -	\$ (538,212)	\$ (538,212)	\$ -	\$ 538,212

Legal and Regulatory

Functional Description

SERC legal consultants provide legal advice to the CEO, Board of Directors, and staff on legal and regulatory matters affecting SERC; review items filed with governmental agencies for legal sufficiency; and review all contracts.

- Assure continuing recognition of SERC as a regional entity.
- Obtain regulatory approvals for new and revised regional reliability standards on a timely basis.
- Provide hearing officer services for all contested compliance actions, and other services as needed, such as transcription.
- Provide legal counsel as needed for SERC during compliance proceedings.
- Process all appeals of compliance actions in an effective and efficient manner.
- Liaison with the appropriate authorities regarding responses/filings to related governmental/regulatory directives/orders.
- Review all contracts and changes to personnel policies.

Funding Requirements — Explanation of Increase (Decrease)

SERC depends on outside resources for legal support. Legal support for corporate activities, including all statutory functions except compliance, is anticipated to increase from \$27,200 in 2008 to \$82,400 in 2009. The cost of legal support for the Compliance Program, including hearing officers and legal counsel during compliance proceedings have been allocated to the Compliance Program.

SERC currently has retained counsel in Birmingham, Alabama for corporate and personnel affairs and separate counsel based in Washington, D.C. for regulatory affairs and matters involving compliance.

Staffing Needs

Hiring Plans – This function is currently served by 0 FTEs. No increase in staffing is anticipated.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors - None required for 2009.

Section A — 2009 Business Plan

Legal and Regulatory

Funding sources and related expenses for the legal and regulatory section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Legal and Regulatory					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 27,200	\$ 27,200	\$ -	\$ 82,400	\$ 55,200
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 27,200	\$ 27,200	\$ -	\$ 82,400	\$ 55,200
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	2,200	-	(2,200)	2,400	2,400
Professional Services	25,000	41,168	16,168	80,000	38,832
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 27,200	\$ 41,168	\$ 13,968	\$ 82,400	\$ 41,232
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 27,200	\$ 41,168	\$ 13,968	\$ 82,400	\$ 41,232
Change in Assets	\$ -	\$ (13,968)	\$ (13,968)	\$ -	\$ 13,968

Information Technology

Functional Description

The Information Technology area of SERC offers project and vendor management for all current technology related contracts. The technology group at SERC supports other staff and SERC members with the portal system and core technology infrastructure.

Current SERC projects include:

- Guidance (hosting and development for Portal and SERC web site)
- Indosoft (OC hot line equipment vendor)
- Deltacom Circuits (Conference Bridge, OC hotline service)
- OATI Checkout Tool (OC project for region wide scheduling checkout tool)
- Conference Bridge (SERC-owned conference call bridge)
- Webex (web meeting and collaboration solution)

2009 Goals and Objectives

1. Continue to develop and maintain the Portal through collaboration with other regions and NERC.
2. Update the SERC public and nonpublic web site for improved navigation and accessibility.
3. Maintain the SERC Hotline.
4. Maintain and support the OATI Scheduling Checkout Tool.
5. Establish a SERC-owned conference bridge to handle conference calls.
6. Establish a web meeting solution.

Funding Requirements — Explanation of Increase (Decrease)

In 2009, SERC is expanding its work on the Portal substantially to include reliability assessment, recommendations tracking and other data support functions. However, contractor cost increases are increasing only \$53,000.

Overall, the projected costs in this area are decreasing from \$692,966 to \$447,027, a decrease of 35.5%. Most of this decrease can be attributed to transferring the personnel costs to General & Administrative.

Staffing Needs

Hiring Plans – Personnel costs for this function have been transferred to General & Administrative and no increase in staffing is anticipated.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – SERC will use contractors for computer and communications support; IT Web and Portal Support; Checkout Tool; and Hotline maintenance.

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Information Technology

Funding sources and related expenses for the information technology section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Information Technology					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 692,966	\$ 692,966	\$ -	\$ 447,027	\$ (245,939)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 692,966	\$ 692,966	\$ -	\$ 447,027	\$ (245,939)
Expenses					
Personnel Expenses					
Salaries	\$ 196,509	\$ -	\$ (196,509)	\$ -	\$ -
Payroll Taxes	15,367	-	(15,367)	-	-
Benefits	45,875	-	(45,875)	-	-
Retirement Costs	17,830	-	(17,830)	-	-
Total Personnel Expenses	\$ 275,581	\$ -	\$ (275,581)	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	3,608	3,608	5,000	1,392
Conference Calls	-	2,136	2,136	1,395	(741)
Total Meeting Expenses	\$ -	\$ 5,744	\$ 5,744	\$ 6,395	\$ 651
Operating Expenses					
Consultants	\$ -	\$ 57,729	\$ 57,729	\$ -	\$ (57,729)
Contracts	363,400	289,212	(74,188)	416,400	127,188
Office Rent	11,677	8,130	(3,547)	8,525	395
Office Costs	21,931	13,743	(8,188)	11,056	(2,687)
Professional Services	-	11,095	11,095	1,395	(9,700)
Computer Purchase & Maintenance	2,445	-	(2,445)	-	-
Furniture & Equipment	17,932	-	(17,932)	3,256	3,256
Miscellaneous	-	1,343	1,343	-	(1,343)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 417,385	\$ 381,252	\$ (36,133)	\$ 440,632	\$ 59,380
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 692,966	\$ 386,996	\$ (305,970)	\$ 447,027	\$ 60,031
Change in Assets	\$ -	\$ 305,970	\$ 305,970	\$ -	\$ (305,970)

Human Resources

Functional Description

- Recruit stellar employees.
- Maintain appropriate salaries and benefits based on industry data.
- Provide for employee training programs.
- Update the employee handbook.

Funding Requirements — Explanation of Increase (Decrease)

Cost of the human resources support is planned to decrease approximately 91.2% in 2009. This decrease can be attributed to transferring the personnel costs to General & Administrative.

Staffing Needs

Hiring Plans – Personnel costs for this function have been transferred to General & Administrative and no increase in staffing is anticipated.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – None required for 2009.

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Human Resources

Funding sources and related expenses for the human resources section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Human Resources					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 43,814	\$ 43,814	\$ -	\$ 3,843	\$ (39,971)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 43,814	\$ 43,814	\$ -	\$ 3,843	\$ (39,971)
Expenses					
Personnel Expenses					
Salaries	\$ 27,043	\$ -	\$ (27,043)	\$ -	\$ -
Payroll Taxes	2,117	-	(2,117)	-	-
Benefits	5,603	-	(5,603)	-	-
Retirement Costs	1,874	-	(1,874)	-	-
Total Personnel Expenses	\$ 36,637	\$ -	\$ (36,637)	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	400	400	209	(191)
Total Meeting Expenses	\$ -	\$ 400	\$ 400	\$ 209	\$ (191)
Operating Expenses					
Consultants	\$ -	\$ 27,596	\$ 27,596	\$ -	\$ (27,596)
Contracts	-	-	-	-	-
Office Rent	1,668	1,525	(143)	1,279	(246)
Office Costs	2,598	2,577	(21)	1,658	(919)
Professional Services	-	2,080	2,080	209	(1,871)
Computer Purchase & Maintenance	349	-	(349)	-	-
Furniture & Equipment	2,562	-	(2,562)	488	488
Miscellaneous	-	252	252	-	(252)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 7,177	\$ 34,030	\$ 26,853	\$ 3,634	\$ (30,396)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 43,814	\$ 34,430	\$ (9,384)	\$ 3,843	\$ (30,587)
Change in Assets	\$ -	\$ 9,384	\$ 9,384	\$ -	\$ (9,384)

Finance and Accounting

Functional Description

The objectives are to provide the financial and accounting services for SERC, and coordinate with NERC requirements through:

- Provide payroll and expense administration.
- Prepare quarterly financial statements.
- File federal and state tax and other forms required of non-profit corporations.
Review and improve fiscal controls and complete a year-end external audit.

Funding Requirements — Explanation of Increase (Decrease)

The costs for Finance and Accounting are planned to decrease from \$394,788 in 2008 to \$51,846 in 2009. This decrease is mainly attributed to transferring the personnel costs to General & Administrative. Also, there were one-time costs associated with the start up of the Charlotte office that were budgeted in 2008 that do not appear in 2009.

Staffing Needs

Hiring Plans - Personnel costs for this function have been transferred to General & Administrative and no increase in staffing is anticipated.

Shared Employees – SERC currently performs only statutory functions and therefore does not share any employees with any other organizations, affiliated or not. SERC operates as a separate corporation and is not affiliated with any other entities except that SERC members serve as directors on the stakeholder board and member staff volunteers serve on various committees.

Contractors – None required for 2009.

Section A — 2009 Business Plan

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Finance and Accounting					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 394,788	\$ 394,788	\$ -	\$ 11,846	\$ (382,942)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	40,000	40,000
Miscellaneous	-	-	-	-	-
Total Funding	\$ 394,788	\$ 394,788	\$ -	\$ 51,846	\$ (342,942)
Expenses					
Personnel Expenses					
Salaries	\$ 193,594	\$ -	\$ (193,594)	\$ -	\$ -
Payroll Taxes	15,284	-	(15,284)	-	-
Benefits	56,272	-	(56,272)	-	-
Retirement Costs	22,586	-	(22,586)	-	-
Total Personnel Expenses	\$ 287,736	\$ -	\$ (287,736)	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ 500	\$ 500	\$ 275	\$ (225)
Travel	2,970	3,092	122	1,475	(1,617)
Conference Calls	-	3,604	3,604	1,884	(1,720)
Total Meeting Expenses	\$ 2,970	\$ 7,196	\$ 4,226	\$ 3,634	\$ (3,562)
Operating Expenses					
Consultants	\$ -	\$ 11,057	\$ 11,057	\$ -	\$ (11,057)
Contracts	-	-	-	-	-
Office Rent	15,014	13,720	(1,294)	11,508	(2,212)
Office Costs	37,870	23,192	(14,678)	18,425	(4,767)
Professional Services	25,000	18,723	(6,277)	13,884	(4,839)
Computer Purchase & Maintenance	3,144	-	(3,144)	-	-
Furniture & Equipment	23,054	-	(23,054)	4,395	4,395
Miscellaneous	-	2,266	2,266	-	(2,266)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 104,082	\$ 68,958	\$ (35,124)	\$ 48,212	\$ (20,746)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 394,788	\$ 76,154	\$ (318,634)	\$ 51,846	\$ (24,308)
Change in Assets	\$ -	\$ 318,634	\$ 318,634	\$ -	\$ (318,634)

Section B — Statutory

Section B — 2009 Budget

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
STATUTORY					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 7,775,521	\$ 7,775,521	\$ -	\$ 9,652,546	\$ 1,877,025
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	173,500	244,715	71,215	403,000	158,285
Interest	42,000	20,716	(21,284)	40,000	19,284
Miscellaneous	-	210	210	-	(210)
Total Funding	\$ 7,991,021	\$ 8,041,162	\$ 50,141	\$ 10,095,546	\$ 2,054,384
Expenses					
Personnel Expenses					
Salaries	\$ 3,962,530	\$ 4,539,515	\$ 576,985	\$ 5,392,546	\$ 853,031
Payroll Taxes	247,416	363,162	115,746	404,441	41,279
Benefits	761,085	396,851	(364,234)	551,341	154,490
Retirement Costs	356,123	607,741	251,618	504,997	(102,744)
Total Personnel Expenses	\$ 5,327,154	\$ 5,907,269	\$ 580,115	\$ 6,853,325	\$ 946,056
Meeting Expenses					
Meetings	\$ 378,465	\$ 378,874	\$ 409	\$ 634,633	\$ 255,759
Travel	409,044	529,272	120,228	601,168	71,896
Conference Calls	-	40,654	40,654	30,000	(10,654)
Total Meeting Expenses	\$ 787,509	\$ 948,800	\$ 161,291	\$ 1,265,801	\$ 317,001
Operating Expenses					
Consultants	\$ 388,200	\$ 293,970	\$ (94,230)	\$ 325,000	\$ 31,030
Contracts	363,400	289,212	(74,188)	599,700	310,488
Office Rent	177,939	181,663	3,724	183,277	1,614
Office Costs	331,319	307,083	(24,236)	265,990	(41,093)
Professional Services	305,000	289,070	(15,930)	322,000	32,930
Computer Purchase & Maintenance	37,000	-	(37,000)	-	-
Furniture & Equipment	273,500	-	(273,500)	70,000	70,000
Miscellaneous	-	30,000	30,000	-	(30,000)
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 1,876,358	\$ 1,390,998	\$ (485,360)	\$ 1,765,967	\$ 374,969
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 210,453	\$ 210,453
Total Expenses	\$ 7,991,021	\$ 8,247,067	\$ 256,046	\$ 10,095,546	\$ 1,848,479
Change in Assets	\$ -	\$ (205,905)	\$ (205,905)	\$ -	\$ 205,905

Section B — Statutory

Personnel Analysis

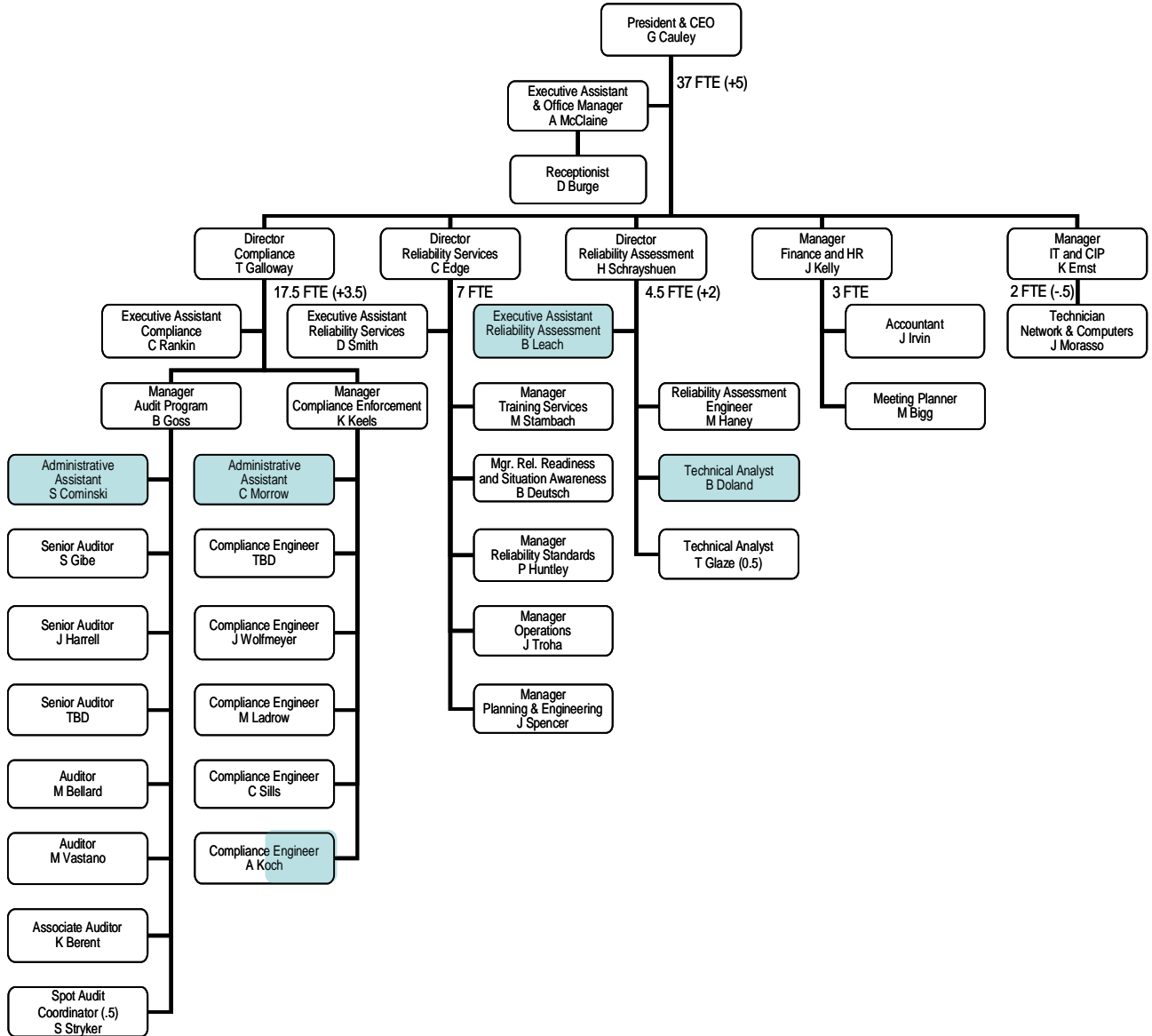
Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
STATUTORY				
Operational Programs				
Reliability Standards	1.3	1.4	1.4	0.0
Compliance and Organization Registration and Certification	14.2	17.0	21.5	4.5
Reliability Readiness Audit and Improvement	0.9	1.4	1.4	0.0
Training and Education	1.3	1.4	1.4	0.0
Reliability Assessment and Performance Analysis	2.6	4.5	4.5	0.0
Situational Awareness and Infrastructure Security	1.1	1.4	2.4	1.0
Total FTEs Operational Programs	21.6	27.1	32.6	5.5
Administrative Programs				
Member Forums	2.3	2.4	2.4	0.0
General & Administrative	8.1	7.6	8.0	0.4
Information Technology	0.0	0.0	0.0	0.0
Legal and Regulatory	0.0	0.0	0.0	0.0
Human Resources	0.0	0.0	0.0	0.0
Accounting	0.0	0.0	0.0	0.0
Total FTEs Administrative Programs	10.4	10.0	10.4	0.4
Total FTEs	32.0	37.1	43.0	5.9

2008 Organizational Chart

Incremental values show actual 2008 staffing compared to 2008 budget.

Table 3

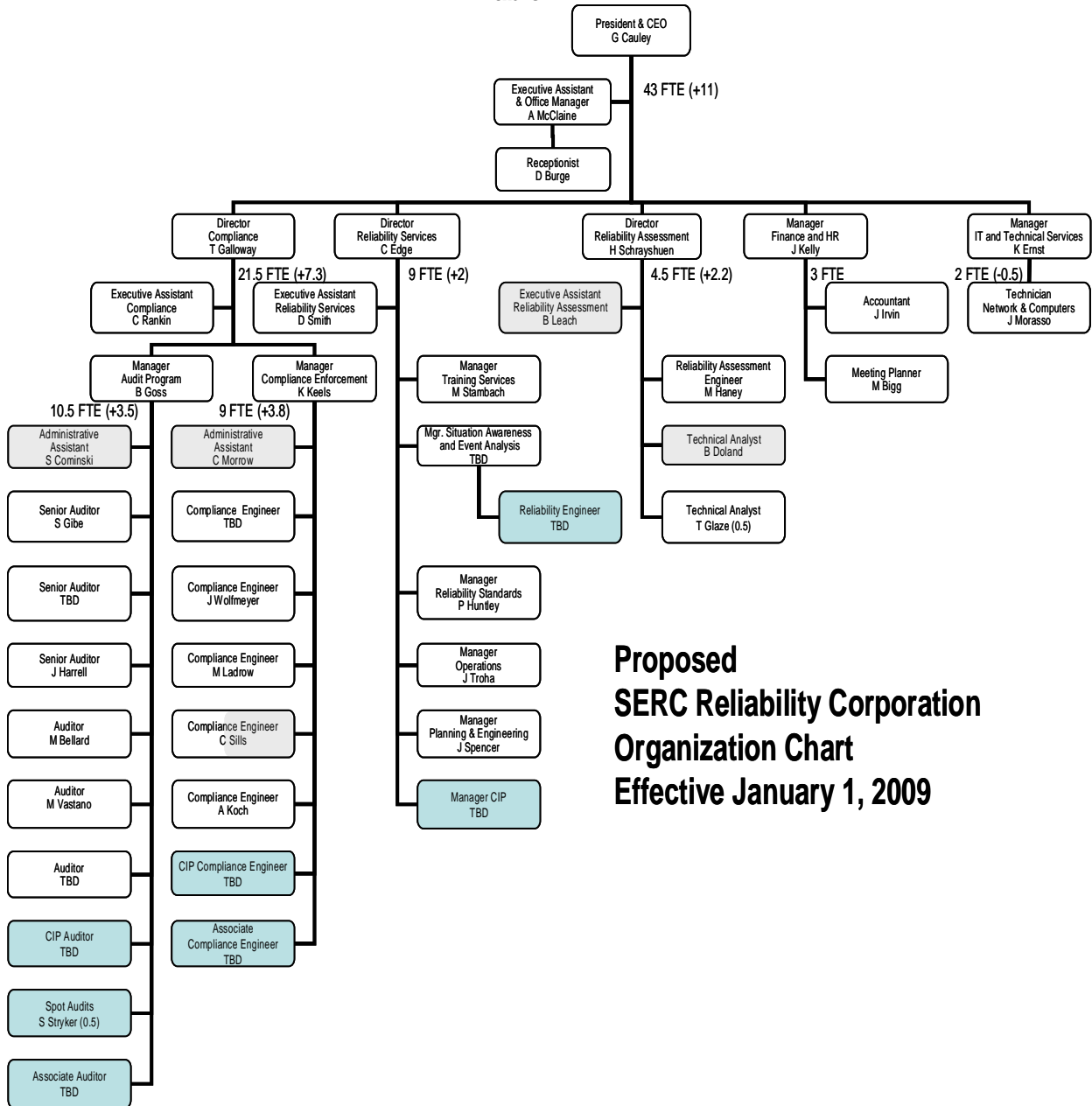


Section B — Statutory

2009 Organizational Chart

Incremental values show increase in staffing from 2008 budget to 2009 budget.

Table 4



**Proposed
SERC Reliability Corporation
Organization Chart
Effective January 1, 2009**

Section B — Statutory

Reserve Balance

Table 5

Working Capital Reserve Analysis 2008-2009	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2007	1,005,217
2008 ERO Funding (from LSEs or designees)	7,775,521
2008 Other funding sources (Cash basis)	265,431
Less: 2008 Projected expenses & capital expenditures (Cash basis)	(8,247,067)
Projected Working Capital Reserve (Deficit), December 31, 2008	<u><u>799,102</u></u>
Desired Working Capital Reserve, December 31, 2009 ¹	1,009,555
Less: Projected Working Capital Reserve (Deficit), December 31, 2008	799,102
Increase(decrease) in assessments to achieve desired Working Capital Reserve	<u><u>210,453</u></u>
2009 Assessment for Expenses and Capital Expenditures, excluding Working Capital Reserve (Cash basis)	9,885,093
Less: Other Funding Sources (Cash Basis)	(443,000)
Adjustment to achieve desired Working Capital Reserve	<u>210,453</u>
2009 Assessment	<u><u>9,652,546</u></u>

¹ As documented in the April 23, 2008 minutes, the SERC Board of Directors has approved the establishment of a cash reserve equal to 10% of its budgeted annual statutory operating costs, with the understanding that should it become necessary to spend any of the reserve funds, the President shall provide a report detailing such expenditures at the next regular meeting of the Board of Directors.

Section B — Statutory

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page 55, of the 2009 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Supplemental Funding

Table B-1

Outside Funding Breakdown By Program (excluding ERO Assessments)	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Training and Education					
Workshops	\$ 173,500	\$ 244,715	\$ 403,000	\$ 158,285	64.68%
Total	\$ 173,500	\$ 244,715	\$ 403,000	\$ 158,285	64.68%
General and Administrative					
Interest Income	\$ 42,000	\$ 20,716	\$ 40,000	\$ 19,284	93.09%
Total	\$ 42,000	\$ 20,716	\$ 40,000	\$ 19,284	93.09%
Total Outside Funding	\$ 215,500	\$ 265,431	\$ 443,000	\$ 177,569	66.90%

Section B — Statutory

Personnel Expenses

Table B-2

Personnel Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Salaries					
Salary	\$ 3,923,297	\$ 4,539,515	\$ 5,392,546	\$ 853,031	18.79%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	39,233	-	-	-	
Total Salaries	\$ 3,962,530	\$ 4,539,515	\$ 5,392,546	\$ 853,031	18.79%
Payroll Taxes					
FICA	\$ 183,168	\$ 272,371	\$ 377,478	\$ 105,107	38.6%
Medicare	56,888	68,093	-	(68,093)	-100.0%
SUI	7,360	18,158	21,570	3,412	18.8%
FUI	-	4,540	5,393	853	18.8%
Total Payroll Taxes	\$ 247,416	\$ 363,162	\$ 404,441	\$ 41,279	11.4%
Benefits					
Workers Compensation	\$ 33,683	\$ -	\$ 9,000	\$ 9,000	
Medical Insurance	528,000	267,812	309,522	41,710	15.6%
Life-LTD Insurance	25,787	58,539	142,856	84,317	144.0%
Education	19,615	12,000	26,963	14,963	124.7%
Relocation	154,000	58,500	63,000	4,500	7.7%
Total Benefits	\$ 761,085	\$ 396,851	\$ 551,341	\$ 154,490	38.9%
Retirement					
Profit Sharing Plan / SERP	\$ -	\$ 308,705	\$ 240,475	\$ (68,230)	-22.1%
Savings Plan	356,123	299,036	264,522	(34,514)	-11.5%
Total Retirement	\$ 356,123	\$ 607,741	\$ 504,997	\$ (102,744)	-16.9%
Total Personnel Costs	\$ 5,327,154	\$ 5,907,269	\$ 6,853,325	\$ 946,056	16.0%

Section B — Statutory

Meeting Expenses

Table B-3

Meeting Expenses

Meeting Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 14,340	\$ 6,374	\$ 8,650	\$ 2,276	35.71%
Compliance and Organization Registration and Certification	30,275	50,744	153,250	102,506	202.01%
Reliability Readiness Audit and Improvement	2,640	7,362	1,800	(5,562)	-75.55%
Reliability Assessment and Performance Analysis	34,615	37,798	53,238	15,440	40.85%
Training and Education	142,340	120,514	178,820	58,306	48.38%
Situational Awareness and Infrastructure Security	11,550	3,002	20,625	17,623	587.04%
Committee and Member Forums	134,355	150,552	202,475	51,923	34.49%
General and Administrative	8,350	2,028	15,500	13,472	664.30%
Legal and Regulatory	-	-	-	-	-
Information Technology	-	-	-	-	-
Human Resources	-	-	-	-	-
Accounting and Finance	-	500	275	(225)	-45.00%
Total Meeting Expenses	\$ 378,465	\$ 378,874	\$ 634,633	\$ 255,759	67.51%

Travel Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 10,770	\$ 23,852	\$ 8,130	\$ (15,722)	-65.91%
Compliance and Organization Registration and Certification	166,098	256,792	348,070	91,278	35.55%
Reliability Readiness Audit and Improvement	43,740	17,252	31,928	14,676	85.07%
Reliability Assessment and Performance Analysis	28,808	46,776	39,333	(7,443)	-15.91%
Training and Education	60,073	11,920	24,955	13,035	109.35%
Situational Awareness and Infrastructure Security	7,200	18,784	21,020	2,236	11.90%
Committee and Member Forums	48,879	72,688	77,387	4,699	6.46%
General and Administrative	40,506	74,508	43,870	(30,638)	-41.12%
Legal and Regulatory	-	-	-	-	-
Information Technology	-	3,608	5,000	1,392	38.58%
Human Resources	-	-	-	-	-
Accounting and Finance	2,970	3,092	1,475	(1,617)	-52.30%
Total Travel Expenses	\$ 409,044	\$ 529,272	\$ 601,168	\$ 71,896	13.58%

Conference Call Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ -	\$ 1,868	\$ 977	\$ (891)	-47.70%
Compliance and Organization Registration and Certification	-	12,280	15,000	2,720	22.15%
Reliability Readiness Audit and Improvement	-	1,200	977	(223)	-18.58%
Reliability Assessment and Performance Analysis	-	6,008	3,140	(2,868)	-47.74%
Training and Education	-	1,868	977	(891)	-47.70%
Situational Awareness and Infrastructure Security	-	1,736	1,674	(62)	-3.57%
Committee and Member Forums	-	3,204	1,674	(1,530)	-47.75%
General and Administrative	-	6,350	2,093	(4,257)	-67.04%
Legal and Regulatory	-	-	-	-	-
Information Technology	-	2,136	1,395	(741)	-34.69%
Human Resources	-	400	209	(191)	-47.75%
Accounting and Finance	-	3,604	1,884	(1,720)	-47.72%
Total Conference Calls	\$ -	\$ 40,654	\$ 30,000	\$ (10,654)	-26.21%

Total Meeting Expenses	\$ 787,509	\$ 948,800	\$ 1,265,801	\$ 317,001	33.41%
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Section B — Statutory

Operating Expenses

Table B-4

Consultants	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	150,000	71,840	80,000	8,160	11.36%
Reliability Readiness Audit and Improvement	-	-	-	-	
Reliability Assessment and Performance Analysis	206,000	100,000	230,000	130,000	130.00%
Training and Education	-	-	15,000	15,000	
Situational Awareness and Infrastructure Security	32,200	-	-	-	
Member Forum Consultants	-	25,076	-	(25,076)	-100.00%
General and Administrative	-	672	-	(672)	
Legal and Regulatory	-	-	-	-	
Information Technology	-	57,729	-	(57,729)	-100.00%
Human Resources	-	27,596	-	(27,596)	
Accounting and Finance	-	11,057	-	(11,057)	
Consultants Total	\$ 388,200	\$ 293,970	\$ 325,000	\$ 31,030	10.56%

Table B-5

Contracts	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Contracts - Software					
Computer & Communications Support	\$ 363,400	\$ 268,076	\$ 120,000	\$ (148,076)	-55.24%
IT Web and Portal Support	-	-	323,700	323,700	
Checkout Tool	-	-	144,000	144,000	
Hotline Maintenance	-	21,136	12,000	(9,136)	-43.22%
Contracts - Software Total	\$ 363,400	\$ 289,212	\$ 599,700	\$ 310,488	107.36%
Contracts Total	\$ 363,400	\$ 289,212	\$ 599,700	\$ 310,488	107.36%

Section B — Statutory

Table B-6

Office Rent	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Office Rent	\$ 177,939	\$ 181,663	\$ 183,277	\$ 1,614	0.89%
Utilities	-	-	-	-	
Maintenance	-	-	-	-	
Security	-	-	-	-	
Total Office Rent	\$ 177,939	\$ 181,663	\$ 183,277	\$ 1,614	0.89%

Table B-7

Office Costs	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Telephone	\$ 106,350	\$ 118,252	\$ 94,200	\$ (24,052)	-20.34%
Internet	106,350	46,336	11,100	(35,236)	-76.04%
Office Supplies	12,100	117,837	35,000	(82,837)	-70.30%
Computer Supplies and Maintenance	31,100	-	88,690	88,690	
Publications & Subscriptions	1,200	-	-	-	
Dues	3,000	1,422	-	(1,422)	-100.00%
Postage	5,400	1,976	6,000	4,024	203.64%
Express Shipping	7,200	4,680	8,000	3,320	70.94%
Copying	12,000	2,764	6,500	3,736	135.17%
Reports - Graphics	5,494	-	6,000	6,000	
Stationary Forms	-	-	-	-	
Equipment Repair/Service Contracts	17,000	4,176	7,000	2,824	67.62%
Bank Charges	4,000	5,544	-	(5,544)	-100.00%
Sales & Use Taxes	15,000	-	-	-	
Merchant Card Fees	5,125	4,096	3,500	(596)	-14.55%
Presentation & Publicity	-	-	-	-	
Total Office Costs	\$ 331,319	\$ 307,083	\$ 265,990	\$ (41,093)	-13.38%

Table B-8

Professional Services	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Independent Trustee Fees	\$ -		\$ -	\$ -	
Outside Legal	200,000	200,000	250,000	\$ 50,000	25.00%
Accounting & Auditing Fees	5,000	9,300	12,000	\$ 2,700	29.03%
Other Legal Fees	80,000	56,770	30,000	\$ (26,770)	-47.16%
Insurance Commercial	20,000	23,000	30,000	\$ 7,000	30.43%
Total Services	\$ 305,000	\$ 289,070	\$ 322,000	\$ 32,930	11.39%

Section B — Statutory

Table B-9

Computer	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Purchase and Lease	\$ 37,000	\$ -	\$ -	\$ -	
Software	\$ -	\$ -	\$ -	\$ -	
Total Computer	\$ 37,000	\$ -	\$ -	\$ -	

Table B-10

Furniture & Equipment	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Furniture	\$ 144,000	\$ -	\$ -	\$ -	
Equipment	129,500	-	70,000	70,000	
Leasehold Improvements	-	-	-	-	
Total Furniture & Fixtures	\$ 273,500	\$ -	\$ 70,000	\$ 70,000	

Table B-11

Other Non-Operating Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Office Relocation	-	-	-	-	
Cash Reserve Requirement	-	-	210,453	210,453	
Total Non-Operating Expenses	\$ -	\$ -	\$ 210,453	\$ 210,453	

Non-Statutory Functions

SERC Reliability Corporation
Statement of Activities
2009 Budget

		Total	Statutory Total	Non-Statutory Total
Funding		9,652,546	9,652,546	-
ERO Assessments		-	-	-
Membership Dues/Non-Statutory Funding		-	-	-
Marketing		-	-	-
Printing & Software		-	-	-
Services		-	-	-
Workshops		403,000	403,000	-
Interest		40,000	40,000	-
Miscellaneous		-	-	-
Total Funding		10,095,546	10,095,546	-
Expenses				
Personnel Expenses				
Salaries		5,392,546	5,392,546	-
Payroll Taxes		479,279	479,279	-
Benefits		551,340	551,340	-
Retirement Costs		504,995	504,995	-
Total Personnel Expenses		6,928,160	6,928,160	-
Meeting Expenses				
Meetings		634,633	634,633	-
Travel		601,168	601,168	-
Conference Calls		30,000	30,000	-
Total Meeting Expenses		1,265,801	1,265,801	-
Operating Expenses				
Contracts		325,000	325,000	-
Consultants		599,700	599,700	-
Office Rent		183,277	183,277	-
Office Costs		265,992	265,992	-
Professional Services		322,000	322,000	-
Computer Purchase & Maint.		-	-	-
Furniture and Equipment		70,000	70,000	-
Miscellaneous		-	-	-
Contingency		-	-	-
Total Operating Expenses		1,765,969	1,765,969	-
Other Non-Operating Expenses				
Other Non-Operating Expenses		210,463	210,463	-
Total Expenses		10,095,546	10,095,546	-
Change in Assets		-	-	-
Allocation of Overhead				
Direct Costs		7,309,521	7,309,521	-
Indirect Costs Allocation		2,786,025	2,786,025	-
Total Direct and Indirect		10,095,546	10,095,546	-
FTE's		43.00	43.00	-

Functions in Delegation Agreement

	Statutory Total	Reliability Standards (Section 300)	Compliance and Registration and Organization (Section 400 & Section 700)	Reliability Assessment and Reliability Improvement (Section 700)	Reliability Assessment and Analysis (Section 800)	Training and Education (Section 900)	Situational Awareness and Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total
Reliability Standards (Section 300)	292,873	292,873	4,805,617	276,895	976,109	78,276	476,841	773,251	1,427,658	82,400	447,027	3,843	11,846	-
Compliance and Registration and Organization (Section 400 & Section 700)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reliability Assessment and Reliability Improvement (Section 700)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reliability Assessment and Analysis (Section 800)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Training and Education (Section 900)	-	-	-	-	-	403,000	-	-	-	-	-	-	-	-
Situational Awareness and Security (Section 1000)	-	-	-	-	-	-	476,841	-	-	-	-	-	-	-
Committee and Member Forums	-	-	-	-	-	-	-	773,251	-	-	-	-	-	-
General and Administrative	-	-	-	-	-	-	-	-	1,427,658	-	-	-	-	-
Legal and Regulatory	-	-	-	-	-	-	-	-	-	82,400	-	-	-	-
Information Technology	-	-	-	-	-	-	-	-	-	-	447,027	-	-	-
Human Resources	-	-	-	-	-	-	-	-	-	-	-	3,843	-	-
Accounting and Finance	-	-	-	-	-	-	-	-	-	-	-	-	11,846	-
Total	6,952,546	292,873	4,805,617	276,895	976,109	78,276	476,841	773,251	1,427,658	82,400	447,027	3,843	11,846	-
Salaries	5,392,546	204,534	2,773,065	170,663	475,713	193,955	310,591	366,536	800,849	-	-	-	-	-
Payroll Taxes	479,279	41,826	1,173,076	129,197	43,992	27,899	17,764	41,812	79,133	-	-	-	-	-
Benefits	551,340	18,248	301,762	16,861	41,779	17,764	41,812	33,884	79,133	-	-	-	-	-
Retirement Costs	504,995	19,437	261,570	17,159	43,443	18,403	28,747	34,927	81,619	-	-	-	-	-
Total Personnel Expenses	6,853,323	258,155	3,544,312	225,188	595,376	244,861	404,444	462,638	1,118,199	-	-	-	-	-
Meetings	634,633	8,650	153,250	1,800	53,238	178,620	20,625	202,415	15,500	-	-	-	-	275
Travel	601,168	8,130	348,070	31,229	39,433	24,955	21,020	77,397	43,870	-	5,000	-	-	1,475
Conference Calls	30,000	977	15,000	977	3,440	977	1,674	1,674	2,093	-	1,595	-	-	1,894
Total Meeting Expenses	1,265,801	17,757	516,320	24,105	95,111	204,152	43,319	281,536	61,463	-	6,395	-	-	3,654
Contracts	325,000	-	80,000	-	230,000	15,000	-	-	-	-	-	-	-	-
Consultants	599,700	-	183,300	-	5,967	19,180	10,229	10,229	12,787	-	416,400	-	-	-
Office Rent	183,277	5,967	91,639	5,967	19,180	5,967	10,229	10,229	12,787	-	8,525	-	-	11,698
Office Costs	265,992	7,739	140,046	7,739	24,876	7,740	13,268	13,267	17,779	2,400	11,056	-	-	18,425
Professional Services	322,000	977	215,000	977	3,440	977	1,674	1,674	2,093	80,000	1,395	-	-	13,884
Computer Purchase & Maint.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and Equipment	70,000	2,279	35,000	2,279	7,226	2,279	3,907	3,907	4,884	-	3,296	-	-	4,395
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	1,765,969	18,861	744,985	18,862	284,822	31,683	29,076	29,077	37,543	82,400	440,632	3,843	48,212	-
Other Non-Operating Expenses	210,463	-	-	-	-	-	-	-	210,463	-	-	-	-	-
Total Expenses	10,095,546	292,873	4,805,617	276,895	976,109	481,276	476,841	773,251	1,427,658	82,400	447,027	3,843	51,846	-
Change in Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Overhead														
Direct Costs	7,309,521	292,873	4,805,617	276,895	976,109	481,276	476,841	773,251	1,427,658	82,400	447,027	3,843	51,846	-
Indirect Costs Allocation	2,786,025	119,645	1,837,409	119,645	384,215	119,645	205,107	205,107	205,107	-	-	-	-	-
Total Direct and Indirect	10,095,546	412,518	6,643,026	396,540	1,360,324	600,921	681,948	978,358	1,632,765	82,400	447,027	3,843	51,846	-
FTE's	43.00	1.40	21.50	1.40	4.50	1.40	2.40	3.00	3.00	-	2.00	0.30	2.70	-

ATTACHMENT 8

2009 Business Plan and Budget

June 24, 2008

Southwest Power Pool Regional Entity

Approved by: SPP Regional Entity Trustees

Date: June 24, 2008

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Introduction

Total RE Resources (in whole dollars)				
	2009 Budget	U.S.	Canada	Mexico
Statutory FTEs	17.2 ¹			
Non-statutory FTEs	0			
Total FTEs	17.2			
Statutory Funding	\$7,123,827	\$7,123,827		
Non-statutory Funding	0	0		
Total Funding	\$7,123,827	\$7,123,827		
NEL	204,154,984	204,154,984		
NEL %	100%	100%		

Background

Southwest Power Pool, Inc. (SPP) operates as the NERC Regional Entity (RE) over an eight state area within the Eastern Interconnection. This business plan outlines the tasks that the SPP RE portion of the Southwest Power Pool, Inc. performs to fulfill its duties per the FERC approved Regional Entity Delegation Agreement². SPP also provides non-RE related functions for entities operating within the SPP footprint; those activities and related funding amounts are not included as part of this Business Plan.

Membership and Governance

Members' Forums

SPP provides forums for registered entities within its footprint to discuss and share reliability concerns. This includes SPP committees, subcommittees, working groups, and task forces that are grouped by technical areas.

The SPP RE also conducts a minimum of two public workshops per year where registered entities are able to interact with SPP RE staff and NERC staff and discuss reliability issues.

Members' Forums Objectives

- Provide input on ERO and RE issues, including but not limited to the NERC Members Representative Committee and other NERC standing committees
- Provide technical forums to act as standards-drafting teams in development of SPP Regional Reliability Standards.

Governance

¹ There are additional 2.0 FTEs that are provided through contractor services for the Compliance Monitoring and Enforcement Program

² FERC Order R07-6-000 - April 19, 2007

The SPP RE is governed by three independent Regional Entity Trustees. The RE Trustees have autonomy over decisions in fund allocation and approval of the SPP RE Budget, as well as decisions on regional standards, reliability assessments, compliance enforcement actions, and penalties.

Statutory Functional Scope

As the RE for the Southwest Power Pool region, the SPP RE will administer the following programs:

- Regional Reliability Standards Program
- Compliance Monitoring and Enforcement Program
- Organization Registration and Certification
- Training and Education Programs
- Reliability Assessment and Performance Analysis Program
- Situation Awareness and Infrastructure Security Program

The SPP RE co-sponsors the NERC Readiness Evaluation and Improvement Program with NERC staff.

Planning Cycle

The SPP RE will begin its annual budget process in March of each calendar year to allow for sufficient time to develop and present the budget to the SPP Regional Entity Trustees prior to the July 9 NERC submission deadline.

The SPP RE will prepare the business plan and budget for carrying out the delegated functions with supporting materials and sufficient detail to justify the requested funding collection and budget expenditures.

2009 Primary Objectives —

- Meet the compliance audit and readiness review schedule for 2009
- Develop any SPP Regional Reliability Standards to meet NERC continent-wide requirements
- Provide training for registered entities in the SPP RE footprint to meet reliability objectives and maintain operator certification requirements
- Enhance reliability assessments and performance analysis
- Support NERC efforts in Situational Awareness and Infrastructure Security
- Provide legal and regulatory support for the RE
- Provide general and administrative support for the RE

Major 2009 Cost Impacts

Increased activity and responsibilities in the Compliance and Enforcement area over 2008, the first full year of operation as an RE, has resulted in cost increases attributed to additional FTEs to

Introduction

support this area. Additional RE staff will ensure SPP, Inc. meets its requirements under the Regional Delegation Agreement and provides the prerequisite level of independence and separation from its non-statutory duties. Regional standards activities began late in 2008 and 2009 will be the first full year for activities in this program area. Reliability Assessments funding has increased mainly to an additional dedicated full-time RE staff person to participate in this program and in the shared allocation of model development costs amongst all Eastern Interconnection Regional Entities. Situation Awareness and Infrastructure Security costs have increased due to more definitive tasks to coordinate with NERC activities in this area. The General and Administrative costs have increased to reflect the mid-year 2007 addition of a RE Legal Counsel, and a full-time RE staff person to provide exclusive administrative support for RE staff and their activities.

Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B.

Section A — 2009 Business Plan
Reliability Standards Program

Reliability Standards Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	0.5 FTE	0.5 FTE	1 FTE
Total Direct Funding	<u>Salary \$50,694</u> Total \$50,694	<u>Salary \$50,694</u> Total \$50,694	<u>Salary \$103,400</u> Total \$103,400
Total Indirect Funding ³	\$103,419	\$103,419	\$189,880
Total Funding	\$154,113	\$154,113	\$293,280

Background

SPP RE will coordinate with NERC to develop and approve technically sound, fair, and balanced reliability standards to ensure the reliability of the bulk power systems in North America. SPP RE will also develop any regional reliability standards per the guideline as defined in the delegation agreement. NERC will submit such standards to FERC and to the appropriate Canadian governmental authorities for adoption as mandatory for bulk power system owners, operators, and users in the United States, and to applicable authorities in Canada for similar status.

The foregoing activities of persons engaged in the reliability standards development process (i.e. Standard Drafting Team) will be conducted, to the extent possible, by conference calls and e-mail, website postings and other means of electronic communications. If face-to-face meetings of participants are needed, those meetings will be announced on the SPP website calendar.

In addition, SPP shared staff will coordinate any reliability standards work through their working groups such as the Transmission Working Group for TPL standards, System Protection and Control Working Group for PRC standards, etc.

Based on the portion of professional/technical staff time and other resources devoted to reliability standards development, SPP estimates 1 FTE on this activity.

Program Description and Functions Performed

³ Total Indirect Funding represents an allocation of SPP overhead costs to statutory activities. The allocation is calculated using a standard rate multiplied by the number of SPP full time equivalents (FTE) directly performing statutory activities. Overhead costs include services provided by SPP Inc. to support statutory and non-statutory activities such as payroll and accounts payable processing, human resources and benefits management, accounting, information technology, executive leadership, corporate affairs and communications, office costs and other support services and expenditures. Further explanation of this allocation can be found in SPP's Amended and Restated Delegation Agreement, Exhibit E - Funding, Sec.5, Docket No.RR07-6-002, Compliance Filing of the North American Electric Reliability Corporation in response to March 21, 2008 Order filed July 21, 2008.

SPP RE continues to utilize shared staff to facilitate the development of standards to implement the SPP RE Standards Procedure.

2009 Goals and Objectives

Goals

- Meet directives of ERO governmental authorities regarding standards development and procedures
- Meet stated targets in the regional “fill-in-the-blank” standards work plan
- Maintain consistency and quality of regional reliability standards
- Communicate with stakeholders and regulators regarding standards development
- Complete and assist NERC with “fill-in-the-blank” standards

Objectives

- Develop regional reliability standards to fulfill the NERC reliability standards that require a region to develop region specific requirements.
- Develop regional reliability standards as needed for SPP to meet NERC standards requirements. Primary emphasis for 2009 in the area of regional “fill-in-the-blank” standards.
- Also development of any regional differences to NERC standards as required

Section 215 Regional Entity Reliability Standards Development

SPP RE will follow the standards process as defined in their delegation agreement for any new regional standards or any update in the existing regional standard. SPP’s reliability standards development process will have an advisory vote by the Markets and Operations Policy Committee (MOPC), which will be responsible for ensuring that all stakeholder interests are fairly represented in the development of standards. The MOPC has broad representation. Standards will be voted on through a ballot body. The ballot body consists of multiple, defined segments, and no entity may have more than one vote. SPP Regional Entity Trustees will have ultimate authority to recommend NERC to approve this standard, remand to Standard Drafting Team through MOPC or determine there is no need for standard and terminate the activity.

The SPP Regional Standards Development Procedure provides the basis for SPP to propose and develop regional reliability standards. That Procedure is consistent with a NERC standard format for all RE standards procedures and has been approved by FERC in the SPP RE Order.

The SPP Standards Process will provide an open, balanced, and inclusive stakeholder process in which any interested party may provide input and vote on any proposed regional reliability standard.

Funding Requirements — Explanation of Increase (Decrease)

The funding requirement is expected to increase from 0.5 to 1.0 FTE for 2009 Budget. Increased activities for the development of regional standards are scheduled and anticipated for 2009.

Staffing Needs

Hiring Plans

SPP plans to use existing shared staff to support this function in 2009.

Shared Employees

The additional 0.5 FTE will be provided by SPP shared staff who will participate in reliability standards development.

Contractors

No contractors are currently involved in the reliability standard development effort.

Section A — 2009 Business Plan

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Standards					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 154,113	\$ 154,113	\$ -	\$ 293,280	\$ 139,167
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 154,113	\$ 154,113	\$ -	\$ 293,280	\$ 139,167
Expenses					
Personnel Expenses					
Salaries	\$ 41,069	\$ 41,069	\$ -	\$ 85,339	\$ 44,271
Payroll Taxes	3,446	3,446	-	6,528	3,082
Benefits	6,179	6,179	-	8,118	1,939
Retirement Costs	-	-	-	3,414	3,414
Continuing Education	-	-	-	-	-
Total Personnel Expenses	\$ 50,694	\$ 50,694	\$ -	\$ 103,400	\$ 52,706
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Board of Trustees	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ 103,419	\$ 103,419	\$ -	\$ 189,880	\$ 86,461
Total Expenses	\$ 154,113	\$ 154,113	\$ -	\$ 293,280	\$ 139,167
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- An increase of 0.5 FTE over the 2008 amount for increased activity in the continuing development of one regional reliability standard.

Meeting Expenses

- No meeting expenses are projected for 2008 or budgeted to support this function in 2009.

Operating Expenses

- No operating expenses are projected for 2008 or budgeted to support this function in 2009.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	3.5 FTE ⁴	4.5 FTE ⁴	6 FTE ⁴
Total Direct Funding	Travel \$69,000 Continuing Education \$15,000 Consulting \$296,000 <u>Salary \$427,884</u> Total \$807,884	Travel \$69,000 Continuing Education \$15,000 Consulting \$296,000 <u>Salary \$489,010</u> Total \$869,010	Travel \$94,000 Continuing Education \$25,000 Consulting \$330,000 <u>Salary \$834,653</u> Total \$1,283,653
Total Indirect Funding	\$723,935	\$827,354	\$1,139,280
Total Funding	\$1,531,819	\$1,696,364	\$2,422,933

Background

As a Regional Entity, the SPP RE has the delegated authority and responsibility to enforce compliance with approved reliability standards by users, owners, and operators of bulk power systems throughout the SPP footprint. To facilitate the SPP RE's compliance enforcement activities, all users, owners, and operators of the bulk power system that operate in the SPP RE footprint are identified and registered in the NERC Compliance Registry.

Program Description and Functions Performed

According to the SPP RE Compliance Monitoring and Enforcement Program, there are eight compliance monitoring processes: self report, self certification, audit report, investigation, exception report, spot check, complaint, or data submittal.

SPP RE Compliance staff will conduct compliance monitoring and investigate alleged violations of reliability standards, with the assistance of certified independent auditors. SPP shared staff will be used to collect reporting data and along with occasional volunteers from the electric industry may be utilized primarily to provide industry expertise to compliance staff, provide

⁴ There are an additional 2.0 FTEs provided through contractor services for the Compliance Monitoring and Enforcement Program that are not included in this count

technical advice, and make recommendations to compliance staff. Consulting represents the equivalent of approximately 2 FTEs.

SPP RE compliance enforcement activities will be conducted at its headquarters in Little Rock, Arkansas, and at the locations of owners, operators, and users of the bulk power system registered in the SPP RE portion of the NERC Compliance Registry.

The SPP RE will strive to maintain a high level of reliable bulk power system operation through a program of monitoring, audits, event analysis and investigations; mitigation activities; and the imposition of penalties and sanctions for noncompliance with reliability standards.

2009 Goals and Objectives

- Seven to nine on-site compliance audits of registered RC, BA, and TOP entities
- Fifteen to twenty on-site (or other approved methods) of compliance audits of other registered entities
- Continuous compliance monitoring of SPP's modeling processes and regional planning processes
- Perform reporting and analysis of Control Performance Standard [CPS] performance and independent analysis and reporting of Disturbance Control Standard [DCS] performance
- Quarterly compliance surveys of specific reliability standards
- Annual self-certification program
- Monitoring of periodic data submittals
- Compliance Investigations, as necessary
- Calculations and imposition of financial penalties or non-monetary sanctions for non-compliance findings
- Participate in Regional Hearing Process, as necessary
- Two compliance workshops for registered entities⁵

Funding Requirements — Explanation of Increase (Decrease)

Funding requirements are expected to increase for the 2009 Budget. The major contributor to this increase is the expansion to the SPP RE compliance staff required to perform the duties outlined in the CMEP. Compliance workshop meeting expense is accounted for in the Technical Committees and Member Forums budget.

⁵ Compliance workshop expenses are budgeted in the Administrative section under Technical Committees and Member Forums

Staffing Needs

Hiring Plans

The majority of the 2009 compliance staff will be employed during 2008 with one proposed addition for 2009 (two were proposed before a mid year 2008 out of budget addition – see Personnel Expenses). This position is presently planned to be an engineer or specialist at the senior or lead level, as defined by the SPP RE job descriptions.

Shared Employees

A number of factors define how many shared employees are used in any of the delegated responsibilities. In the compliance and enforcement area, shared staff are used in the regional hearing process as possible technical experts or as witnesses. There are not any FTEs directly budgeted for in this purpose in 2009 as this is an unpredictable variable.

The SPP Operations staff will assist the RE with conducting reporting and analysis of Control Performance Standard [CPS] performance and independent analysis and reporting of Disturbance Control Standard [DCS] performance. The amount of time charged to this activity is variable depending on the number of disturbances reported in the SPP RE footprint. Historically the number of man-hours reported for these tasks is nominal and is absorbed into the allocated FTE numbers.

Contractors

The SPP RE uses contractors to supplement the permanent staff in the areas of on-site compliance audits, off-site compliance audits, event analysis, and as technical experts. The contractors are retained and used on an ad-hoc basis. Presently the SPP RE has relationships with two consulting/contactor firms with access to approximately 10 consultants. Consulting represents the equivalent of approximately 2 FTEs. These are not included in the FTE count for this program as they are not permanent employees.

Organization Registration and Certification

The number of entities in the SPP RE registration program has remained stable at approximately 124 registered entities since the end of 2007. It is our expectation that this registration will remain stable in 2009 absent any new initiatives in functional registration or organizational certification.

SPP RE Compliance staff will make additions, removals, and changes to the existing registry. Challenges to entries in the registry by either registrants or SPP RE Compliance staff will be conducted through the approved Regional Entity hearing process.

SPP RE will follow the certification procedures approved by NERC. It is anticipated that Reliability Coordinators, Transmission Operators, and Balancing Authorities will require organizational certification. A timetable to complete this item has yet to be established but is expected to begin in 2008 and be completed in 2009.

Section A — 2009 Business Plan

The SPP RE anticipates that the equivalent of .5 FTE is required to maintain and expand the Compliance Registry Database on an on-going basis. The SPP RE anticipates that there will be an increase in activity in 2009 due to an increased emphasis on Joint Registrations and possibly a change to the basis of registration from functions to registration by requirements.

Section A — 2009 Business Plan

Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Compliance and Organization Registration and Certification					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 1,691,819	\$ 1,691,819	\$ -	\$ 2,422,933	\$ 731,114
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,691,819	\$ 1,691,819	\$ -	\$ 2,422,933	\$ 731,114
Expenses					
Personnel Expenses					
Salaries	\$ 346,640	\$ 396,160	\$ 49,520	\$ 698,218	\$ 302,059
Payroll Taxes	29,088	33,243	4,155	53,414	20,171
Benefits	52,157	59,608	7,451	80,092	20,484
Retirement Costs	-	-	-	2,929	2,929
Continuing Education	15,000	15,000	-	25,000	10,000
Total Personnel Expenses	\$ 442,884	\$ 504,010	\$ 61,126	\$ 859,653	\$ 355,642
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	69,000	69,000	-	94,000	25,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 69,000	\$ 69,000	\$ -	\$ 94,000	\$ 25,000
Operating Expenses					
Consultants	\$ 296,000	\$ 296,000	\$ -	\$ 330,000	\$ 34,000
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Board of Trustees	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 296,000	\$ 296,000	\$ -	\$ 330,000	\$ 34,000
Other Non-Operating Expenses	\$ 723,935	\$ 827,354	\$ 103,419	\$ 1,139,280	\$ 311,926
Total Expenses	\$ 1,531,819	\$ 1,696,365	\$ 164,546	\$ 2,422,933	\$ 726,568
Change in Assets	\$ 160,000	\$ (4,546)	\$ (164,546)	\$ -	\$ 4,546

Summary of 2008 projection and 2009 budgeted funding and expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- One additional SPP RE staff is proposed for 2009 (one added mid year 2008 as an out of budget expense). This position is presently planned to be an engineer or specialist at the senior or lead level, as defined by the SPP RE job descriptions.

Meeting Expenses

- The SPP RE compliance enforcement activities will be conducted at its headquarters in Little Rock, Arkansas, and at the locations of owners, operators, and users of the bulk power system registered in the SPP RE portion of the NERC Compliance Registry. Compliance Workshops are held at various locations within the SPP RE footprint.

Operating Expenses

- The SPP RE has one distinctive operating expense. The SPP RE leases the rights to the Compliance Data Management System [CDMS] from the Midwest Reliability Organization [MRO]. The SPP RE pays a monthly fee for this lease and also shares in any unusual expenses associated with upgrades to the CDMS due to changes in requirements of the NERC CMEP or with changes to the interface with the NERC Compliance Database.

Reliability Readiness Evaluation and Improvement Program

Reliability Readiness Evaluation and Improvement Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	0.5 FTE	0.5 FTE	0.5 FTE
Total Direct Funding	Salary \$61,126 <u>Travel \$15,000</u> Total \$76,126	Salary \$61,126 <u>Travel \$15,000</u> Total \$76,126	Salary \$51,700 <u>Travel \$18,000</u> Total \$69,700
Total Indirect Funding	\$103,419	\$103,419	\$94,940
Total Funding	\$179,545	\$179,545	\$164,640

Background/ Program Description and Functions Performed

In its 2009 business plan, developed after approval of this plan by SPP, NERC has eliminated the Reliability Readiness Evaluation and Improvement Program. In the NERC approved plan, 2009 will be a transition year, during which open Readiness recommendations in the Region will be monitored to their completion and a reduced set of Evaluations will take place. Due to the uncertainty associated with the final disposition of the NERC program and the expectations delegated to SPP at the time this plan was developed and finalized, the potential for an under run of 2009 expenditures compared to budget exists, but is difficult to quantify at this time.

SPP RE and shared staff support the NERC Reliability Readiness Evaluation and Improvement Program by acting as the Senior Regional Representative on all Readiness Evaluations performed in the SPP RE footprint. SPP RE staff also schedules all of the required evaluations and solicits internal volunteers. The SPP RE staff monitors the progress of recommendations that evolve from the final Readiness Evaluation reports and updates this progress to NERC at least quarterly.

2009 Goals and Objectives

In 2009, SPP RE and shared staff expect to schedule and participate in seven to nine NERC Readiness Evaluations. SPP RE staff also participate in one or two non-SPP Readiness Evaluations annually as team volunteers.

Funding Requirements — Explanation of Increase (Decrease)

The required funding for this activity consists of the salaries of the staff volunteers plus related travel expenses. The decrease in staff expenses results from staff expected to complete these functions in 2009 having less seniority than previously identified for the 2008 budget.

Staffing Needs

Hiring Plans

SPP plans to use existing shared staff to support this function in 2009.

Shared Employees

It is anticipated that NERC desires all Senior Regional Representatives on NERC Readiness Evaluations be shared staff rather than SPP RE compliance staff. Therefore, there is a shift in 2009 from 100% dedicated SPP RE staff to 100% shared staff for the on-site portion of the Readiness Evaluation program. The dedicated SPP RE staff will continue to provide administrative services such as scheduling, volunteer procurement, and tracking of reported recommendations. However, there is no change in the total FTE count for this delegated responsibility.

Contractors

In the rare instances where a dedicated SPP RE staff, a shared staff, or an internal volunteer must drop out of the evaluation team and a substitute cannot be found, the SPP RE will engage the services of a qualified contractor to act on behalf of the SPP RE. No allowances have been made in the funding request for this service.

Section A — 2009 Business Plan

Reliability Readiness Evaluations and Improvement Program

Funding sources and related expenses for the reliability readiness audits and improvement section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Readiness Evaluation and Improvement					
Funding	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
ERO Assessments	\$ 179,545	\$ 179,545	\$ -	\$ 164,640	\$ (14,905)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 179,545	\$ 179,545	\$ -	\$ 164,640	\$ (14,905)
Expenses					
Personnel Expenses					
Salaries	\$ 49,520	\$ 49,520	\$ -	\$ 42,670	\$ (6,850)
Payroll Taxes	4,155	4,155	-	3,264	(891)
Benefits	7,451	7,451	-	4,059	(3,392)
Retirement Costs	-	-	-	1,707	1,707
Continuing Education	-	-	-	-	-
Total Personnel Expenses	\$ 61,126	\$ 61,126	\$ -	\$ 51,700	\$ (9,426)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	15,000	15,000	-	18,000	3,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 15,000	\$ 15,000	\$ -	\$ 18,000	\$ 3,000
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Board of Trustees	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ 103,419	\$ 103,419	\$ -	\$ 94,940	\$ (8,479)
Total Expenses	\$ 179,545	\$ 179,545	\$ -	\$ 164,640	\$ (14,905)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 projection and 2009 budgeted funding and expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- There is no expected increase in FTEs over the 2008 amount.

Meeting Expenses

- Travel expenses are estimated to increase from \$15,000 for 2008 to \$18,000 for 2009.

Operating Expenses

- No operating expenses are projected for 2008 or budgeted to support this function in 2009.

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	4.0 FTE	4.0 FTE	3.0 FTE
Total Direct Funding	Travel \$21,000 Meeting \$54,670 Contracts: Online Testing Services \$13,400 CEH Application Fees \$6,100 <u>Salaries \$391,410</u> Total \$486,580	Travel \$21,000 Meeting \$54,670 Contracts: Online Testing Services \$13,400 CEH Application Fees \$6,100 <u>Salaries \$391,410</u> Total \$486,580	Travel \$21,000 Meeting \$153,800 ⁶ Contracts: Online Testing Services \$3,960 CEH Application Fees \$5,700 <u>Salaries \$361,712</u> Total \$546,172
Total Indirect Funding	\$827,354	\$827,354	\$569,640
Total Funding	\$1,313,934	\$1,313,934	\$1,115,812

Background

The SPP Training department provides opportunities to develop individuals, teams, and the organization in a manner that promotes a clear line of sight from individual goals to the corporate strategy, being mindful that compliance with NERC, FERC, and NAESB standards is essential, and competent performance among all registered entities is a necessity.

Personnel participating in the SPP training program include registered entity system operations, operations support (EMS engineering, Operations engineering, and Information Technology), supervisors and managers, and others directly responsible for complying with reliability standards who, through their actions or inactions, may impact the real-time or day-ahead reliability of the bulk power system.

The SPP Training Department:

- Designs, develops, implements, assesses, and maintains a training and education program to provide continuing education (i.e., emergency operations, simulations, and standards) for system operations personnel
- Designs training programs that are aimed at minimizing proficiency gaps in knowledge and performance
- Conducts operations procedure analyses and job task analyses for system operations personnel to ensure that the training program content is properly aligned to the job tasks performed by those personnel

⁶ Meeting expense includes \$86,300 for WebEx cost and 67,500 general meeting costs. See narrative for “Meeting, Net Conference, and Travel Expenses” within this program for further explanation of these costs.

- Develops and maintains training program curricular requirements based on job task analyses and needs analyses
- Periodically conducts performance needs analyses to identify areas for further training development and improvement
- Administers individual assessments of knowledge, skills, and abilities
- Administers course, trainer, and program evaluations

Program Description and Functions Performed

Training Program Overview

On a yearly basis, the SPP training program offers to registered entities within the SPP RE footprint the following training opportunities:

1. Two System Operations Conferences (20 hours each)
2. Two Regional Restoration Drills (24 hours each)
3. Eight Subregional Restoration Drills (16 hours each)
4. 24 Regional Emergency Operations Net Conferences (2 hours each)
5. Three Train-the-Trainer sessions (12 hours each)

2009 Goals and Objectives

Overall Goals

Competent operating ability is the goal of Training, and competent operating performance is the goal of Operations. Training uses these performance specifications as measures of successful achievement of performance capability.

Overall Training Objectives

The Training department will:

- Assess current and future training needs
- Maintain accurate job task documents
- Assess and improve the training offered as a part of the SPP RE function
- Develop and submit Individual Learning Applications for all training events
- Maintain training database to track and report all continuing education activities sponsored by SPP RE
- Develop online and computer-based learning activities and materials for the training and education function
- Develop and maintain seamless online registration, assessment, and reporting functions
- Develop authentic assessments to accurately measure knowledge and performance gains achieved from training events
- Develop and deliver training for system operations personnel including:
 - Regional and Subregional System Restoration Drills
 - Regional Emergency Operations and Systems Operations (net conference and in-person)
 - Professional Development (Train-the-Trainer session)
 - Systems Operations Conferences

Section A — 2009 Business Plan

The SPP Training department anticipates that the majority of the RE training and education will take place onsite at the SPP offices in Little Rock and via net conferencing. It is also estimated that approximately thirty percent of its resources will be dedicated to RE training activities in 2009.

Funding Requirements — Explanation of Increase (Decrease)

Overall, Training will see a decrease of 1 FTE from 2008 in the 2009 Budget. One additional FTE was budgeted in 2008 for time needed to assist newly hired training staff to become familiar with the training courses. Salary expenses will decrease accordingly with the decrease of 1 FTE.

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 3.0 FTEs for the 2008 projection and 3.0 FTEs for the 2009 budget. The 3.0 FTEs for 2009 include: 1.0 FTE responsible for regional and subregional system restoration drills, 1.0 FTE responsible for regional emergency operations and systems operations training, and 1.0 FTE responsible for support in instructional design and computer-based training.

Meeting, Net Conference, and Travel Expenses

- Meeting, staff travel, net conference, and teleconference expenses in support of the training program are estimated for 2009 at \$174,800. This total includes an increase of \$86,300 due to a portion of net conferencing services cost now directly accounted to the RE and expensed to the Training department. These costs were not directly assigned to this program in the 2008 budget and were accounted for under the 2008 indirect cost adder. This change provides more transparency and separation of statutory costs from non-statutory funding.

Online Testing Fees

- In order to provide online testing associated with net conference and online training, SPP will utilize the services of TestCraft. Due to carryover of e-assessments, the estimated cost of this service is expected to decrease substantially. The cost of the online testing service for 2009 is approximately \$3,960.

CEH Application Fees

- For every hour of continuing education provided as a part of the RE function, SPP is assessed a \$30.00 fee. With approximately 190 hours to be offered in 2009, the CEH application fee for 2009 is expected to be \$5,700.

Staffing Needs

Hiring Plans

The SPP Training department plans to use existing shared staff to support this function in 2009.

Shared Employees

The SPP Training department will continue to utilize shared staff.

Contractors

Currently there are no contractors involved with the RE training function, and SPP Training does not plan to engage contract staff in 2009 to support this function.

Section A — 2009 Business Plan

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Training and Education					
	2008	2008	2008 Projection	2009	2009 Budget
	Budget	Projection	Variance to	Budget	Variance to
			2008 Budget		2008 Projection
			Over(Under)		Over(Under)
Funding					
ERO Assessments	\$ 1,313,934	\$ 1,313,934	\$ -	\$ 1,115,812	\$ (198,122)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,313,934	\$ 1,313,934	\$ -	\$ 1,115,812	\$ (198,122)
Expenses					
Personnel Expenses					
Salaries	\$ 317,091	\$ 317,091	\$ -	\$ 299,694	\$ (17,398)
Payroll Taxes	26,608	26,608	-	22,927	(3,682)
Benefits	47,711	47,711	-	27,104	(20,606)
Retirement Costs	-	-	-	11,988	11,988
Continuing Education	-	-	-	-	-
Total Personnel Expenses	\$ 391,410	\$ 391,410	\$ -	\$ 361,712	\$ (29,698)
Meeting Expenses					
Meetings	\$ 54,670	\$ 54,670	\$ -	\$ 153,800	\$ 99,130
Travel	21,000	21,000	-	21,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 75,670	\$ 75,670	\$ -	\$ 174,800	\$ 99,130
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	19,500	19,500	-	9,660	(9,840)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Board of Trustees	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 19,500	\$ 19,500	\$ -	\$ 9,660	\$ (9,840)
Other Non-Operating Expenses	\$ 827,354	\$ 827,354	\$ -	\$ 569,640	\$ (257,714)
Total Expenses	\$ 1,313,934	\$ 1,313,934	\$ -	\$ 1,115,812	\$ (198,122)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- There is a decrease of 1.0 FTE from the 2008 budget primarily due to the elimination of time needed to train one new shared staff person hired in 2008 to perform RE related training.

Meeting Expenses

- Meeting, staff travel, net conference, and teleconference expenses in support of the training program are estimated for 2009 at \$174,800. The increase in this line item is due to an additional \$86,300 for net conferencing services.

Operating Expenses

- Operating expenses needed to support the Training program are expected to decrease in 2009 by 50%. This expense is accounted for under contracts and includes \$3,960 for Online Testing Fees and \$5,700 for CEH Application Fees.

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.4 FTE	2.4 FTE	3.4 FTE
Total Direct Funding	Salary \$243,331 Total \$243,331	Salary \$243,331 Total \$243,331	Salary \$351,558 Travel \$25,000 <u>Consulting \$56,000⁷</u> Total \$432,558
Total Indirect Funding	\$496,413	\$496,413	\$645,592
Total Funding	\$739,744	\$739,744	\$1,078,150

Background

In the United States, SPP as a NERC RE is required to “conduct periodic assessments of the reliability and adequacy of the bulk-power system in North America.” (FPA, § 215(g); 16 C.F.R. § 39.11.) In accordance with this responsibility and SPP’s responsibility to support the reliability of the North American bulk power system, SPP intends to support NERC’s three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report. These reports will analyze electricity demand and the Reliability and Adequacy Assessment Objectives adequacy of supply throughout the North American bulk power system, as well as examine the adequacy of the transmission system. SPP will also conduct inter-regional studies and other planning studies to comply with NERC’s various TPL standards.

The SPP RE is responsible for conducting Event Analyses on major reliability events within the SPP RE footprint. This analysis may be conducted by the entity involved in the event, an assigned SPP Working Group/Committee, a technical team comprised of industry experts or may be conducted by the RE, NERC or FERC staff. The SPP RE is responsible for producing a final technical report on each incident. Any issues that surface which may lead to standards compliance questions will be handled through the Compliance Monitoring & Enforcement Program portion of this Business Plan.

Program Description and Functions Performed

Reliability and adequacy assessments of the bulk power system will be conducted by teams comprised NERC’s and RE professional and technical staff, along with volunteers from the electric industry, government, and academia who possess appropriate technical competencies. Except when site visits are necessary to conduct analyses, these teams’ work will be conducted through conference calls, e-mail, website postings, other means of electronic communications, and meetings. Meetings may be held at NERC’s headquarters or at meeting locations around the United States and Canada selected for

⁷ Consulting cost includes \$36,000 for consultants and \$20,000 for model development consulting services.
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proximity to and ease of access by team members.

SPP shared staff will conduct inter-regional studies or other planning studies in coordination with its members. The work of these teams will be conducted through conference calls, e-mail, website postings, other means of electronic communications, and meetings at SPP's headquarters or at locations around the United States selected for proximity to and ease of access by team members. SPP RE staff will act as the RE liaison with the SPP shared staff in supporting the analysis and publication of the annual NERC assessments.

2009 Goals and Objectives

Reliability and Adequacy Assessment Objectives

- Maintain and host a library of solved power flow models, a system dynamics database, and dynamics simulation cases for use by regional reliability organizations and their registered entities to assist with planning and evaluating future systems and current operating conditions
- Provide regional input to NERC's three reliability assessments each year: a long-term reliability assessment report, a summer assessment report, and a winter assessment report
- Participate in NERC meetings to discuss reliability assessment and analyses of the impact of these assessments
- Conduct inter-regional and other planning studies to comply with NERC's TPL standards, including participation in the Eastern Interconnection Reliability Assessment Group
- Investigate, assess, and report on the potential impacts of new and evolving electricity market practices, new or proposed regulatory procedures, and new or proposed legislation (e.g., environmental requirements) on the adequacy and operating reliability of the bulk power system
- Maintain a working dialog on bulk power system reliability and adequacy issues with SPP members

Events Analysis and Information Exchange Objectives

- Provide NERC with information on disturbances and other bulk power system off-normal events for their Events Database that was created in 2006 (in conjunction with Situational Awareness and Infrastructure Security Program). Participate in NERC-level analyses as needed, of large-scale outages, disturbances, and near misses to determine root causes and lessons learned.
- Provide regional evaluations, and analyses, as determined by the SPP RE staff, NERC, or other responsible parties.
- Maintain and enhance NERC's Blackout and Disturbance Response Procedures (in conjunction with Situation Awareness and Infrastructure Security Program)

- Analyze frequency performance of the interconnections using data from appropriate measurement systems
- Coordinate with NERC to establish a clear set of criteria for sorting reported disturbances and other bulk power system off-normal events into categories; decide what level of evaluation, or analysis is needed; and determine who will undertake such evaluations, or analyses (triage function)
- Communicate to the industry root causes of events that may be precursors of potentially more serious events and other “lessons learned” from evaluations, and analyses
- Analyze and identify improvements to the interaction of the transmission system with nuclear power plants, especially related to minimum voltages required by the plants

Funding Requirements — Explanation of Increase (Decrease)

The funding requirement is expected to increase from 2.4 to 3.4 FTE for the 2009 Budget due to the addition of 1 FTE. Salary, travel and consulting expenses will increase for the 2009 Budget due to the increase of 1 FTE.

Staffing Needs

Hiring Plans

SPP plans to hire 1 SPP RE staff to report directly to the Executive Director of Compliance and Enforcement. This RE staff will act as the Regional Entity lead in all Event Analyses performed in the SPP RE footprint. In addition, this RE staff will act as the RE liaison with SPP shared staff in support of the analysis and publication of annual NERC assessments. This person accounts for the increase in 1.0 FTE over 2008 in this program.

Shared Employees

SPP shared staff will continue to provide 2.4 FTE support for this function.

Contractors

Currently there is one contractor involved to support SPP RE staff in this effort and expected to continue the same for 2009.

Section A — 2009 Business Plan

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Assessment and Performance Analysis					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 739,744	\$ 739,744	\$ -	\$ 1,078,150	\$ 338,406
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 739,744	\$ 739,744	\$ -	\$ 1,078,150	\$ 338,406
Expenses					
Personnel Expenses					
Salaries	\$ 197,129	\$ 197,129	\$ -	\$ 290,153	\$ 93,025
Payroll Taxes	16,542	16,542	-	22,197	5,655
Benefits	29,661	29,661	-	27,602	(2,058)
Retirement Costs	-	-	-	11,606	11,606
Continuing Education	-	-	-	-	-
Total Personnel Expenses	\$ 243,331	\$ 243,331	\$ -	\$ 351,558	\$ 108,227
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	25,000	25,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ 56,000	\$ 56,000
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Board of Trustees	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 56,000	\$ 56,000
Other Non-Operating Expenses	\$ 496,413	\$ 496,413	\$ -	\$ 645,592	\$ 149,179
Total Expenses	\$ 739,744	\$ 739,744	\$ -	\$ 1,078,150	\$ 338,406
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- SPP shared staff will continue to support 2.4 FTE for this function.
- 1 dedicated SPP RE staff FTE will act as the Regional Entity lead in all Event Analyses performed in the SPP RE footprint. This personnel will also act as the RE liaison with the SPP shared staff in support of the analysis and publication of the annual NERC assessments.

Meeting Expenses

- Due to the increase of 1 FTE, \$25,000 for travel expenses are budgeted to support this function in 2009. There were no expenses projected for 2008.

Operating Expenses

- Operating expenses budgeted to support this function in 2009 include \$36,000 and \$20,000 for consulting costs. There were no operating expenses projected for 2008.

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	**	**	0.75
Total Direct Funding	CIPC rep travel expense reimbursement \$18,000 CIPWG Secretary travel expense \$4,000 Total \$22,000	CIPC rep travel expense reimbursement \$18,000 Total \$18,000	CIPC rep travel expense reimbursement \$18,000 <u>Salary \$82,893</u> Total \$100,893
Total Indirect Funding			\$142,410
Total Funding	\$22,000	\$18,000	\$243,303

Background

SPP RE actively participates in NERC critical infrastructure protection activities and serves as an information conduit between NERC and SPP RE registered entities. NERC coordinates electric industry activities to promote critical infrastructure protection of the bulk power system in North America. NERC has a leadership role in the critical infrastructure protection of the electricity sector to reduce vulnerability and improve mitigation and protection of the electricity sector's critical infrastructure. NERC acts as the electricity sector's Sector Coordinator and operates its Information Sharing and Analysis Center to gather and communicate information about security-related threats within the sector, United States and Canadian governmental authorities, and other critical infrastructure sectors. NERC also performs security planning activities focused on the critical infrastructure protection of the electricity sector, including sharing sensitive or classified information with federal, state, and provincial governmental authorities.

SPP RE also participates in the development of the "Morning Report" for NERC and FERC which provides daily bulk power system status. SPP RE will also work in cooperation with NERC and other Regional Entities to implement a Situation Awareness Tool being developed by NERC and to define the scope of responsibility for the RE in Situation Awareness.

Program Description and Functions Performed

SPP RE is represented on the NERC Critical Infrastructure Protection Committee by three SPP RE registered entity company representatives who represent the physical, cyber, and operations disciplines. SPP RE reimburses the registered entity representatives for travel expenses incurred while performing CIPC responsibilities.

2009 Goals and Objectives

- Provide assistance to NERC as Liaison with the U.S. Department of Homeland Security and state emergency management offices
- Work with NERC to implement Situation Awareness Tools (new activities for 2009)
- Assist in development of Morning Reports
- Participate in NERC/RE Situation Awareness Communications Team
- Exchange SAIS information and foster collaboration with information sharing partners
- Work with NERC to further clarify SAIS roles and responsibilities

Funding Requirements — Explanation of Increase (Decrease)

In 2008, this program consisted primarily of the CIPWG secretary duties and 0 FTEs were directly budgeted for (and no indirect costs). For 2009, to provide further separation of statutory functions from non-statutory functions, the CIPWG activities have been removed. These activities will continue as a non-statutory activity that is funded by the SPP non-statutory budget. In 2008, no FTEs were allocated to perform the CIPWG functions. There were some travel expenses for shared staff to attend CIPWG meetings. These CIPWG expenses have been excluded from the 2009 RE Budget. However, the funding requirements for this program are expected to increase to 0.75 FTE for the 2009 Budget. This is due to the addition of .5 FTE to support the development activities for SAIS and 0.25 FTE to support in the development and dissemination of the daily Morning Reports. Salary expense will increase accordingly for the 2009 budget with the addition of the 0.75 FTE.

Meeting and Travel Expenses

Meeting expenses for SPP registered entity representatives attending quarterly CIPC meetings will total approximately \$18,000.

Staffing Needs

The SPP shared staff will assist the RE with conducting Situational Awareness and Infrastructure Security activities as needed. This assistance is 0.5 FTE of the total 0.75 FTE for this program.

The SPP shared staff will assist the RE with conducting Situational Awareness and Infrastructure Security activities as needed. Specifically, SPP shared staff will work to develop the Morning Report and to implement the Situation Awareness Tool. This assistance is 0.25 FTE of the total 0.75 FTE for this program.

Hiring Plans

No additional staff is planned for 2009. SPP plans to use existing shared staff to support this function.

Shared Employees

The additional 0.75 FTE in 2009 will be provided by SPP shared staff whom will assist with non-compliance security-related activities.

Contractors

Section A — 2009 Business Plan

No contractors are planned for this activity.

Section A — 2009 Business Plan

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Situational Awareness and Infrastructure Security					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 22,000	\$ 22,000	\$ -	\$ 243,303	\$ 221,303
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 22,000	\$ 22,000	\$ -	\$ 243,303	\$ 221,303
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ 69,508	\$ 69,508
Payroll Taxes	-	-	-	5,317	5,317
Benefits	-	-	-	5,287	5,287
Retirement Costs	-	-	-	2,780	2,780
Continuing Education	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ 82,893	\$ 82,893
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	22,000	18,000	(4,000)	18,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 22,000	\$ 18,000	\$ (4,000)	\$ 18,000	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Board of Trustees	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 142,410	\$ 142,410
Total Expenses	\$ 22,000	\$ 18,000	\$ (4,000)	\$ 243,303	\$ 225,303
Change in Assets	\$ -	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- An increase of 0.75 FTE over the 2008 amount for increased activity in the continuing development of the Situational Awareness program.

Meeting Expenses

- Meeting expenses for SPP registered entity representatives attending quarterly CIPC meetings will total approximately \$18,000.

Operating Expenses

- No operating expenses were budgeted to support this function in 2008 or 2009.

Administrative Services

Administrative Services			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1.5 FTE	2.0 FTE	2.5 FTE
Total Direct Funding	\$564,509	\$595,073	\$688,219
Total Indirect Funding	\$103,419	\$116,346	\$1,117,491 ¹
Total Funding	\$667,928	\$711,419	\$1,805,710

¹ Includes \$474,700 in overhead allocation and \$642,791 in additional assessments due to underfunding of SPP RE's 2007 activities and expected underfunding of 2008 activities

Technical Committees and Members' Forums

Background

SPP Regional Entity provides forums for registered entities within its footprint to discuss and share reliability concerns. This includes SPP committees, subcommittees, working groups, and task forces that are grouped by technical areas.

The SPP Regional Entity also conducts a minimum of two public workshops per year where registered entities are able to interact with SPP RE staff and NERC staff and discuss reliability issues.

Program Description and Functions Performed

2009 Goals and Objectives

Provide input on ERO and RE issues, including but not limited to the NERC Members Representative Committee and other NERC standing committees.

Provide technical committee forums to act as standards-drafting teams in development of SPP regional reliability standards.

Funding Requirements — Explanation of Increase (Decrease)

There will be a decrease in Operating expense in 2009 due to the SPP RE Trustees expense now being accounted for in the General and Administrative budget. Meeting expense will increase by \$25,000 for 2009 due to compliance workshop cost. This cost was accounted for in the Compliance Monitoring and Enforcement and Organization Registration and Certification Program budget in 2008.

Staffing Needs

Hiring Plans

No additional staff is planned for 2009. SPP plans to use existing shared staff to support this function.

Shared Employees

The SPP RE plans to use existing dedicated staff to support the annual RE public workshops.

SPP RE will use existing shared staff to support SPP forums, as listed above, in 2009.

Contractors

No contractors are expected for 2009 to support this function.

Section A — 2009 Business Plan

Technical Committees and Member Forums

Funding sources and related expenses for the Members' Forums section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Technical Committees and Member Forums					
Funding	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
ERO Assessments	\$ 145,000	\$ 145,000	\$ -	\$ 25,000	\$ (120,000)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 145,000	\$ 145,000	\$ -	\$ 25,000	\$ (120,000)
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Continuing Education	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ 10,000	\$ 10,000	\$ -	\$ 25,000	\$ 15,000
Travel	10,000	10,000	-	-	(10,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 20,000	\$ 20,000	\$ -	\$ 25,000	\$ 5,000
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Board of Trustees	135,000	135,000	-	-	(135,000)
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 135,000	\$ 135,000	\$ -	\$ -	\$ (135,000)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 155,000	\$ 155,000	\$ -	\$ 25,000	\$ (130,000)
Change in Assets	\$ (10,000)	\$ (10,000)	\$ -	\$ -	\$ 10,000

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- No additional staff are expected for 2009 to support this function.

Meeting Expenses

- Meeting expense will increase by \$25,000 for 2009 due to compliance workshop cost. This cost was accounted for in the Compliance Monitoring and Enforcement and Organization Registration and Certification Program budget in 2008. The change was made to provide more consistency in tracking costs to the NERC system of accounts.

Operating Expenses

- The SPP RE Trustees expense is accounted for in the General and Administrative budget for 2009. This cost was included in the Technical Committees and Member Forums budget in 2008. The change was made to provide more consistency in tracking costs to the NERC system of accounts.

General and Administrative

Functional Description

The General and Administrative function consists of support from the SPP Vice President of Process Integrity & CAO, the Executive Director of Interregional Affairs, the SPP RE Counsel and three independent Regional Entity Trustees.

The VP of Process Integrity & CAO and the Executive Director of Interregional Affairs provide executive level support through participation in meetings and conference calls with other Regional Entities and Senior NERC staff except for the Compliance Monitoring and Enforcement, Organization Registration and Certification Program and the Reliability Readiness Evaluation and Improvement Program to ensure independence and separation from SPP non-statutory activities.

The RE Trustees are independent of the SPP Board of Directors, any SPP member, SPP registered entity, industry stakeholder, or organizational group. The RE Trustees have autonomy over decisions in fund allocation and approval of the SPP RE budget, as well as decisions on regional standards, compliance enforcement actions, and penalties.

2009 Goals and Objectives

The functions and duties of the Regional Entity Trustees will include, but are not limited to the following:

- Monitor all Registered Entities in the SPP footprint for compliance with ERO/FERC requirements, including auditing and issuance of official findings,
- Administer SPP's Compliance Enforcement Program,
- Coordinate and manage third party audits to confirm that SPP is conforming to ERO policies and standards,
- Impose penalties as prescribed and approved by ERO/FERC,
- Regional Entity staff administration,
- Regional Entity budget decisions,
- Track and review Regional Standards from MOPC for submission to the ERO and FERC for approval and implementation,
- Complete a self-assessment annually to determine how effectively the Regional Entity Trustees are meeting their responsibilities, and
- Provide an annual report to the Board of Directors regarding the effectiveness of the Regional Entity function and processes.

The SPP RE Counsel provides exclusive legal support to the SPP RE.

The VP of Process Integrity & CAO and the Executive Director of Interregional Affairs will serve as general and administrative resources for the SPP RE to fulfill the

responsibilities of the RE Delegation Agreement and to provide these resources in a manner that is independent and separate from other non-RE SPP responsibilities.⁸

Funding Requirements — Explanation of Increase (Decrease)

The funding requirements are expected to increase with the addition of 1 FTE to provide administrative support in 2008. This is due to a significant increase in administrative work. 1 FTE is added to this section for the SPP RE Counsel. This position was added mid-year 2007 to provide exclusive legal counsel for the RE and mitigate any conflict of interest concerns by using SPP shared staff. Support provided by the VP of Process Integrity and the Executive Director of Interregional Affairs represents .5 FTE. The SPP RE Trustees costs were budgeted under Technical Committees and Member Forums in 2008. This cost will now be accounted for in the General and Administrative budget under Professional Services. Travel expense is expected to increase due to the increase FTEs needed to support this function.

Staffing Needs

Hiring Plans

SPP RE plans to hire 1 additional dedicated SPP RE staff in 2008 to provide administrative support for many SPP RE confidential matters including; preparation of audit files and documentation, preparation of compliance violation and preliminary event analysis documentation, assistance with expense reporting and invoice management, assistance with data requests, minor database administration, budget monitoring, on-site support for compliance workshops, and RE Trustees meeting preparations. (This position will be filled mid year 2008 as an out of budget expense)

Shared Employees

SPP shared staff are budgeted for through the SPP Indirect Costs. These shared staff provide general and administrative services in support of the SPP RE programs. If a shared staff incurs significant time and expense to support an RE activity, those may be tracked directly to the RE. SPP shared staff beyond those directly budgeted for in this section may provide administrative support and are budgeted for through the SPP indirect costs.

Contractors

No contractors are planned for 2009 to support this activity.

⁸ See 2009 SPP RE Organization Chart, the Compliance Monitoring and Enforcement and Organization Registration and Certification and the Reliability Readiness Evaluation and Improvement Programs are overseen by the Executive Director of Compliance to ensure separation from SPP non-statutory activities.

2009 Regional Entity Business Plan and Budget
Approved by Board of Trustees: June 24, 2008

Section A — 2009 Business Plan

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
General and Administrative					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 362,928	\$ 362,928	\$ -	\$ 1,630,710 ¹	\$ 1,267,782
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 362,928	\$ 362,928	\$ -	\$ 1,630,710	\$ 1,267,782
Expenses					
Personnel Expenses					
Salaries	\$ 198,083	\$ 222,843	\$ 24,760	\$ 289,435	\$ 66,591
Payroll Taxes	16,622	18,699	2,078	22,142	3,442
Benefits	29,804	33,530	3,726	25,065	(8,465)
Retirement Costs	-	-	-	11,577	11,577
Continuing Education	-	-	-	-	-
Total Personnel Expenses	\$ 244,509	\$ 275,073	\$ 30,564	\$ 348,219	\$ 73,146
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	15,000	15,000	-	30,000	15,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 15,000	\$ 15,000	\$ -	\$ 30,000	\$ 15,000
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	135,000	135,000
Computer Purchase & Maintenance	-	-	-	-	-
Board of Trustees	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 135,000	\$ 135,000
Other Non-Operating Expenses	\$ 103,419	\$ 116,346	\$ 12,927	\$ 474,700	\$ 358,354
Total Expenses	\$ 362,928	\$ 406,419	\$ 43,491	\$ 987,919	\$ 581,500
Change in Assets	\$ -	\$ (43,491)	\$ (43,491)	\$ 642,791	\$ 686,282

¹ Includes \$642,791 in additional assessments due to underfunding of SPP RE's 2007 activities and expected underfunding of 2008 activities

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- Due to the increased level of administrative work 1 FTE will be added in 2008 to provide administrative support. In addition, 1 FTE was added in 2008 to provide exclusive legal counsel for the RE and to mitigate any conflict of interest concerns by using SPP shared staff. Support provided by the VP of Process Integrity and the Executive Director of Interregional Affairs represents .5 FTE.

Meeting Expenses

- Travel expenses have increased due to the increase in FTE needed to support this function.

Operating Expenses

- The SPP RE Trustees professional services expense of \$135,000 is accounted for in the General and Administrative budget for 2009. This expense was accounted for in the Technical Committees and Member Forums budget in 2008. The change was made to provide more consistency in tracking costs to the NERC system of accounts.

Legal and Regulatory

Functional Description

The SPP RE has a General Counsel that provides exclusive legal support to the SPP RE.⁹ If SPP RE is required to convene hearings under the Compliance Monitoring and Enforcement Program (Exhibit C of the RE Delegation Agreement), independent hearing officers may be utilized.

2009 Goals and Objectives

- Provide Legal and Regulatory services to support regular RE activities
- Provide hearing officer if SPP RE is required to convene hearings

Funding Requirements — Explanation of Increase (Decrease)

Hearing costs were budgeted for under Compliance Monitoring and Enforcement in 2008. This same amount is carried forward in 2009 under this section and not in the Compliance Monitoring and Enforcement section. The amount is estimated to support 3 hearings in 2009.

Staffing Needs

Hiring Plans

No additional staff is planned for this area in 2009.

Shared Employees

The SPP RE may require shared staff resources in 2009 to support this function. Any time and expense by shared staff to support RE legal and regulatory activities will be tracked.

Contractors

If required, independent hearing officers will be contracted to lead hearings.

⁹ SPP RE General Counsel is accounted for in the general and administrative budget for confidentiality
2009 Regional Entity Business Plan and Budget
Approved by Board of Trustees: June 24, 2008

Section A — 2009 Business Plan

Legal and Regulatory

Funding sources and related expenses for the legal and regulatory section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Legal and Regulatory					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ 150,000	\$ 150,000
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ 150,000	\$ 150,000
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Continuing Education	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	150,000	150,000	-	150,000	-
Computer Purchase & Maintenance	-	-	-	-	-
Board of Trustees	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 150,000	\$ 150,000	\$ -	\$ 150,000	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 150,000	\$ 150,000	\$ -	\$ 150,000	\$ -
Change in Assets	\$ (150,000)	\$ (150,000)	\$ -	\$ -	\$ 150,000

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- Funding for this program is provided through assessments to LSEs or designees (mandatory in the U.S.).

Personnel Expenses

- SPP RE Counsel is accounted for in the General and Administrative budget for purposes of confidentiality.

Meeting Expenses

- There was no meeting expenses projected for 2008 or budgeted to support this function in 2009.

Operating Expenses

- Hearing costs were budgeted for under Compliance Monitoring and Enforcement in 2008. This same amount is carried forward in 2009 under this section and not in the Compliance Monitoring and Enforcement section. The amount is estimated to support 3 hearings in 2009. The change was made to provide more consistency in tracking costs to the NERC system of accounts.

Information Technology

Functional Description

The SPP Information Technology department provides resources for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement.

2009 Goals and Objectives

To provide adequate information technology support for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement and to provide these resources in a manner that is independent and separate from other non-RE SPP responsibilities.

Funding Requirements — Explanation of Increase (Decrease)

The costs for IT services to support all RE program areas are accounted for within the Indirect Costs. No specific direct costs for IT services are identified for 2009.

Staffing Needs

Hiring Plans

Shared Employees

SPP shared staff used to support this function are providing support services only and are budgeted for through SPP indirect costs.

Contractors

No contractors are planned for this activity.

Section A — 2009 Business Plan

Information Technology

Funding sources and related expenses for the information technology section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Information Technology					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Continuing Education	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Board of Trustees	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- NA

Personnel Expenses

- NA

Meeting Expenses

- NA

Operating Expenses

- NA

Human Resources

Functional Description

SPP will provide Human Resources support for the SPP Regional Entity, including the hiring of any needed staff and the administration of payroll and benefits.

2009 Goals and Objectives

To provide adequate human resources services for the SPP RE to fulfill the responsibilities of the RE Delegation Agreement and to provide these resources in a manner that is independent and separate from other non-RE SPP responsibilities.

Funding Requirements — Explanation of Increase (Decrease)

The costs for HR services to support all RE program areas are accounted for within the Indirect Costs. No specific direct costs for HR services are identified for 2009.

Staffing Needs

Hiring Plans

Shared Employees

SPP shared staff are budgeted for through the SPP Indirect Costs. These shared staff provide services in support of the SPP RE programs. If a shared staff incurs significant time and expense to support an RE activity, those may be tracked directly to the RE.

Contractors

No contractors are planned for this activity.

Section A — 2009 Business Plan

Human Resources

Funding sources and related expenses for the human resources section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Human Resources					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Continuing Education	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Board of Trustees	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- NA

Personnel Expenses

- NA

Meeting Expenses

- NA

Operating Expenses

- NA

Finance and Accounting

Functional Description

The Finance and Accounting department will direct the overall financial plans and accounting practices for SPP's RE functions.

2009 Goals and Objectives

- Assist in budget development using the NERC Budget template format.
- Work with other Regional Entities through the REBG to provide consistency in budget submittals.

Funding Requirements — Explanation of Increase (Decrease)

The costs for Finance and Accounting services to support all RE program areas are accounted for within the Indirect Costs. No specific direct costs for Finance and Accounting services are identified for 2009.

Staffing Needs

Hiring Plans

Shared Employees

SPP shared staff are budgeted for through the SPP Indirect Costs. These shared staff provide services in support of the SPP RE programs. If a shared staff incurs significant time and expense to support an RE activity, those may be tracked directly to the RE.

Contractors

No contractors are planned for this activity.

Section A — 2009 Business Plan

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Finance and Accounting					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Continuing Education	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Board of Trustees	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- NA

Personnel Expenses

- NA

Meeting Expenses

- NA

Operating Expenses

- NA

Section B — 2009 Budget

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
STATUTORY					
	2008	2008	2008 Projection	2009	2009 Budget
	Budget	Projection	Variance to	Over(Under)	Variance to
			2008 Budget	Over(Under)	2008 Projection
			Over(Under)	Over(Under)	Over(Under)
Funding					
ERO Funding	\$ 4,609,084	\$ 4,609,084	\$ -	\$ 7,123,827	\$ 6,600,000
Membership Dues/Non-Stat Assessments	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 4,609,084	\$ 4,609,084	\$ -	\$ 7,123,827	\$ 6,600,000
Expenses					
Personnel Expenses					
Salaries	\$ 1,149,531	\$ 1,223,811	\$ 74,280	\$ 1,775,018	\$ 551,207
Payroll Taxes	96,461	102,694	6,233	135,789	33,095
Benefits	187,963	199,139	11,176	177,328	(21,811)
Retirement Costs	-	-	-	71,000	71,000
Total Personnel Expenses	\$ 1,433,955	\$ 1,525,644	\$ 91,689	\$ 2,159,134	\$ 633,490
Meeting Expenses					
Meetings	\$ 64,670	\$ 64,670	\$ -	\$ 178,800	\$ 114,130
Travel	152,000	148,000	(4,000)	206,000	58,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 216,670	\$ 212,670	\$ (4,000)	\$ 384,800	\$ 172,130
Operating Expenses					
Consultants	\$ 296,000	\$ 296,000	\$ -	\$ 386,000	\$ 90,000
Contracts	19,500	19,500	-	9,660	(9,840)
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	285,000	285,000	-	285,000	-
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	360,000
Total Operating Expenses	\$ 600,500	\$ 600,500	\$ -	\$ 680,660	\$ 440,160
Other Non-Operating Expenses ¹	\$ 2,357,959	\$ 2,474,306	\$ 116,347	\$ 3,256,442	\$ 782,136
Total Expenses	\$ 4,609,084	\$ 4,813,120	\$ 204,036	\$ 6,481,036	\$ 1,667,917
Change in Assets	\$ -	\$ (204,036)	\$ (204,036)	\$ 642,791	\$ 846,827

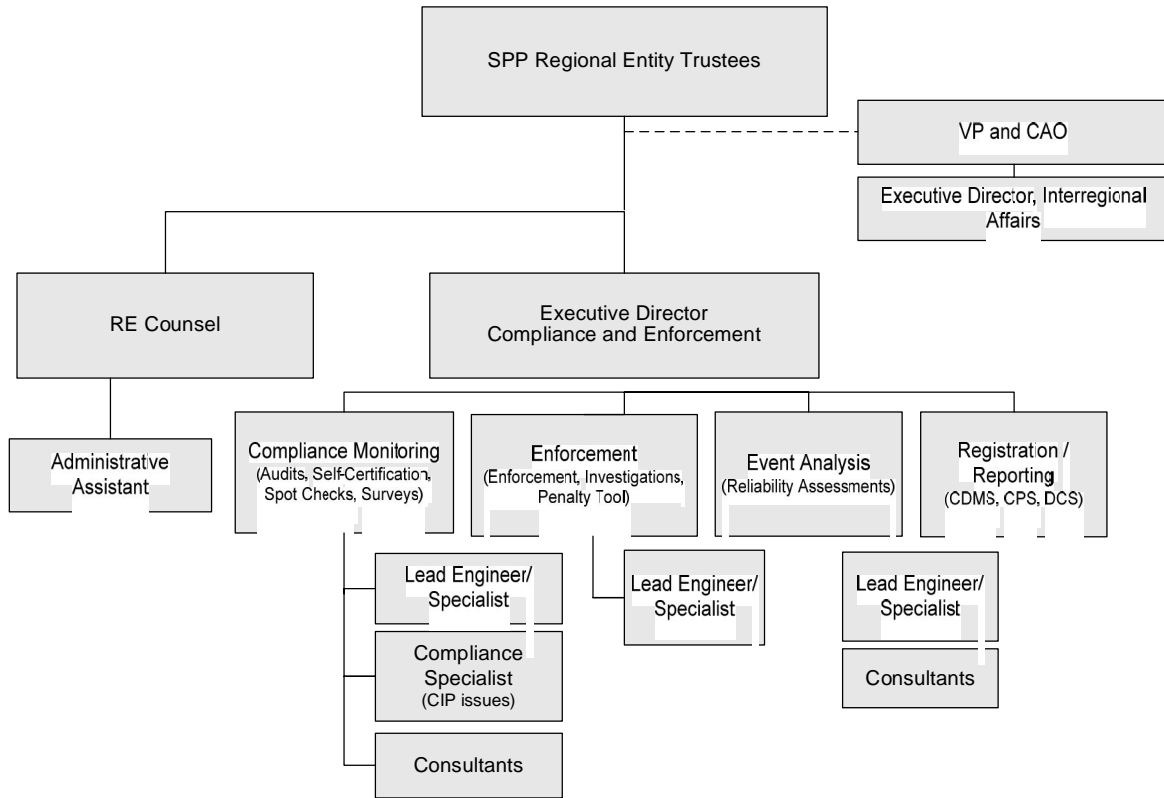
¹ Other Non-Operating Expenses consist exclusively of SPP's Indirect Rate calculation

Personnel Analysis

Table 2

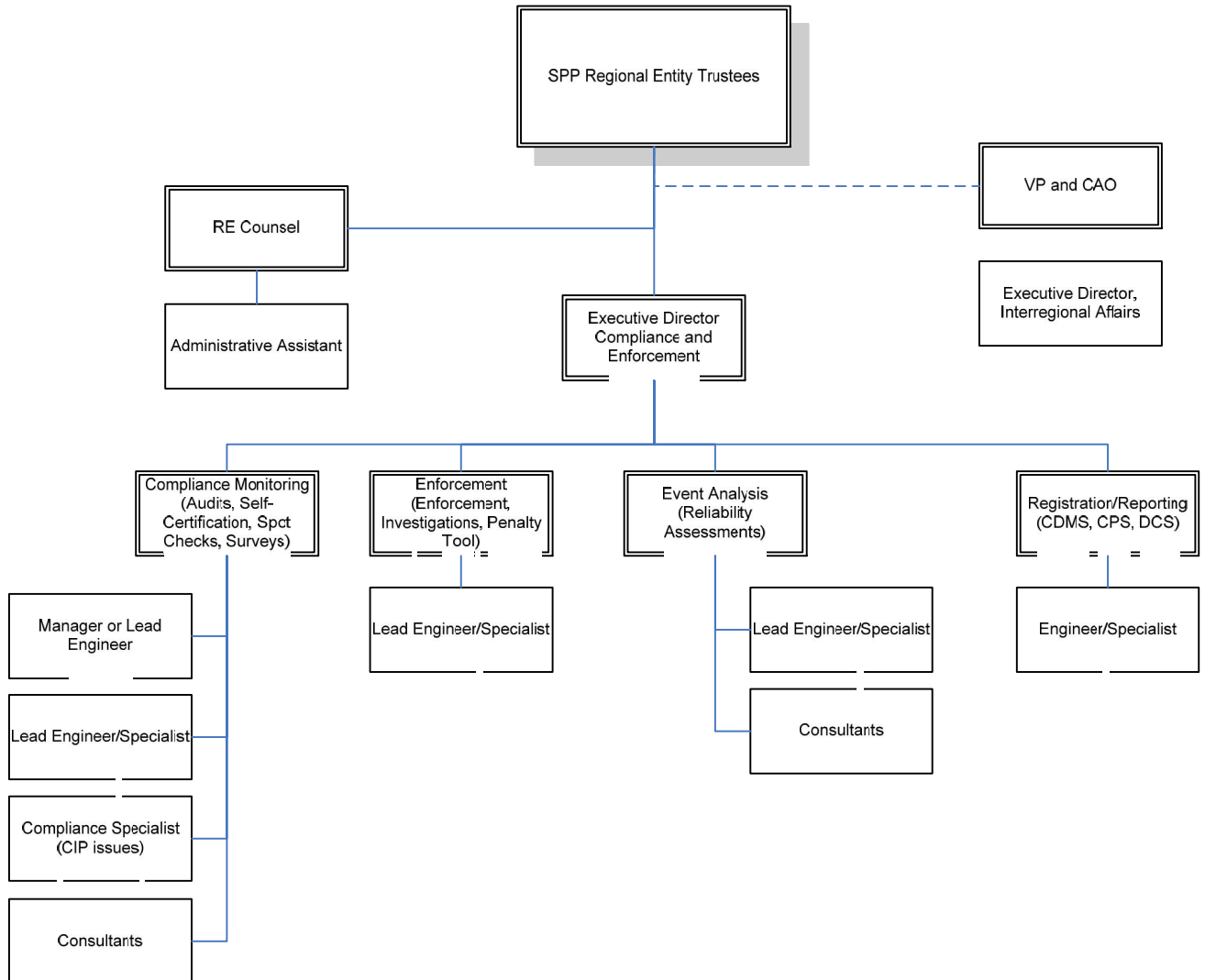
Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
STATUTORY				
Operational Programs				
Reliability Standards	0.5	0.5	1.0	0.5
Compliance and Organization Registration and Certification	3.5	4.5	6.0	1.5
Reliability Readiness Audit and Improvement	0.5	0.5	0.5	0.0
Training and Education	4.0	4.0	3.0	-1.0
Reliability Assessment and Performance Analysis	2.4	2.4	3.4	1.0
Situational Awareness and Infrastructure Security	0.0	0.0	0.8	0.8
Total FTEs Operational Programs	10.9	11.9	14.7	2.8
Administrative Programs				
Member Forums	0.0	0.0	0.0	0.0
General & Administrative	1.5	2.0	2.5	0.5
Information Technology	0.0	0.0	0.0	0.0
Legal and Regulatory	0.0	0.0	0.0	0.0
Human Resources	0.0	0.0	0.0	0.0
Accounting	0.0	0.0	0.0	0.0
Total FTEs Administrative Programs	1.5	2.0	2.5	0.5
Total FTEs	12.4	13.9	17.2	3.3

2008 Organizational Chart



Last Updated: 5/8/2008

2009 Organizational Chart



Reserve Balance

Table 5

Working Capital Reserve Analysis 2008-2009	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2007	(438,754)
Plus: 2008 ERO Funding (from LSEs or designees)	4,609,083
Plus: 2008 Other funding sources (Cash basis)	
Less: '2008 Projected expenses & capital expenditures (Cash basis)	(4,813,120)
Projected Working Capital Reserve (Deficit), December 31, 2008	(642,791)
Desired Working Capital Reserve, December 31, 2009	¹ 0
Less: Projected Working Capital Reserve (Deficit), December 31, 2008	(642,791)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	642,791
2009 Assessment for Expenses and Capital Expenditures	6,481,036
Less: Other Funding Sources (Cash Basis)	
Adjustment to achieve desired Working Capital Reserve	642,791
2009 Assessment	7,123,827

¹ SPP RE does not require a working capital reserve in that on a cash basis SPP is able to fund shortfalls in its statutory (Regional Entity) funding through its operating cash balances, and also has access to liquidity through a bank credit facility. The increase in assessments represents SPP RE's underfunding of its 2007 activities of \$438,754 and its expected underfunding of 2008 activities of \$204,037.

Regional Entity Assessment Analysis

Assessments by Country

Table 6

NA

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page 54, of the 2009 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Supplemental Funding

NA

Table B-1

Outside Funding Breakdown By Program (excluding ERO Assessments)	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Assessment and Performance Analysis					
pc-GAR Software				\$ -	-
GADS Services				-	-
Total	\$ -	\$ -	\$ -	\$ -	-
Training and Education					
SO Test Fees				\$ -	-
PJM Test Fees				-	-
CEH Fees				-	-
Total	\$ -	\$ -	\$ -	\$ -	-
Situational Awareness and Infrastructure Security					
ESD Software				\$ -	-
FIST Royalties				-	-
TSIN Fees				-	-
Total	\$ -	\$ -	\$ -	\$ -	-
Technical Committees and Member Forums					
Transmission Owners and Operators Forum Dues				\$ -	-
Total	\$ -	\$ -	\$ -	\$ -	-
General and Administrative					
Interest Income				\$ -	-
Total	\$ -	\$ -	\$ -	\$ -	-
Total Outside Funding	\$ -	\$ -	\$ -	\$ -	-

Section B — 2009 Regional Entity Budget

Personnel Expenses

Table B-2

Personnel Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Salaries					
Salary	\$ 1,149,531	\$ 1,223,811	\$ 1,775,018	\$ 551,207	45.04%
Employment Agency Fees				-	
Temporary Office Services				-	
Total Salaries	\$ 1,149,531	\$ 1,223,811	\$ 1,775,018	\$ 551,207	45.04%
Payroll Taxes					
FICA	\$ 78,178	\$ 82,852	\$ 110,051	\$ 27,199	32.8%
Medicare	18,283	19,842	25,738	5,896	29.7%
SUI				-	
FUI				-	
Total Payroll Taxes	\$ 96,461	\$ 102,694	\$ 135,789	\$ 33,095	32.2%
Benefits					
Workers Compensation				\$ -	
Medical Insurance	160,747	167,453	141,570	(25,883)	-15.5%
Life-LTD Insurance	12,216	14,451	10,758	(3,693)	-25.6%
Education	15,000	17,235	25,000	7,765	45.1%
Relocation				-	
Total Benefits	\$ 187,963	\$ 199,139	\$ 177,328	\$ (21,811)	-11.0%
Retirement					
Profit Sharing Plan / SERP				\$ -	
Savings Plan			71,000	71,000	
Total Retirement	\$ -	\$ -	\$ 71,000	\$ 71,000	
Total Personnel Costs	\$ 1,433,955	\$ 1,525,644	\$ 2,159,134	\$ 633,490	41.5%

Section B — 2009 Regional Entity Budget

Meeting Expenses

Table B-3

Meeting Expenses

Meeting Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards				\$ -	
Compliance and Organization Registration and Certification				-	
Reliability Readiness Audit and Improvement				-	
Reliability Assessment and Performance Analysis				-	
Training and Education	54,670	54,670	153,800	99,130	181.32%
Situational Awareness and Infrastructure Security				-	
Committee and Member Forums	10,000	10,000	25,000	15,000	150.00%
General and Administrative				-	
Legal and Regulatory				-	
Information Technology				-	
Human Resources				-	
Accounting and Finance				-	
Total Meeting Expenses	\$ 64,670	\$ 64,670	\$ 178,800	\$ 114,130	176.48%

Travel Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards				\$ -	
Compliance and Organization Registration and Certification	69,000	69,000	94,000	25,000	36.23%
Reliability Readiness Audit and Improvement	15,000	15,000	18,000	3,000	20.00%
Reliability Assessment and Performance Analysis			25,000	25,000	
Training and Education	21,000	21,000	21,000	-	0.00%
Situational Awareness and Infrastructure Security	22,000	18,000	18,000	-	0.00%
Committee and Member Forums	10,000	10,000		(10,000)	-100.00%
General and Administrative	15,000	15,000	30,000	15,000	100.00%
Legal and Regulatory				-	
Information Technology				-	
Human Resources				-	
Accounting and Finance				-	
Total Travel Expenses	\$ 152,000	\$ 148,000	\$ 206,000	\$ 58,000	39.19%

Conference Call Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
General and Administrative				\$ -	
Legal and Regulatory				-	
Information Technology				-	
Human Resources				-	
Accounting and Finance				-	
Total Conference Calls	\$ -	\$ -	\$ -	\$ -	
Total Meeting Expenses	\$ 216,670	\$ 212,670	\$ 384,800	\$ 172,130	80.94%

Section B — 2009 Regional Entity Budget

Operating Expenses

Table B-4

Consultants	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Consultants					
Reliability Standards				\$ -	
Compliance and Organization Registration and Certification	296,000	296,000	330,000	34,000	11.49%
Reliability Assessment and Performance Analysis			56,000	56,000	
Training and Education				-	
Situational Awareness and Infrastructure Security				-	
Information Technology				-	
Member Forum Consultants				-	
Consultants Total	\$ 296,000	\$ 296,000	\$ 386,000	\$ 90,000	30.41%

Table B-5

Contracts	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Contracts - Software					
GADS Programming Support				\$ -	
Analysis Software				-	
MMWG Powerflow Contractor				-	
MMWG Dynamics Contractor				-	
Resource Adequacy Studies				-	
Dynamics Database Enhancements				-	
General Maintenance				-	
PKI Cyber Security				-	
NERCnet Maintenance				-	
NERCnet (NERC Office)				-	
NERCnet (IDC Support)				-	
Data Services Maintenance				-	
NERC ICCP Maintenance Contract				-	
NERC ICCP Backup Node				-	
RCIS Support				-	
Real-Time TagNet Displays				-	
Area Control Error (ACE) Project				-	
Inadvertent Interchange				-	
AIE Monitoring				-	
CPS1-Balancing Authority ACE Limit Monitoring				-	
Frequency Monitoring				-	
Assessment Studies				-	
TADS Development				-	
Contracts - Software Total	\$ -	\$ -	\$ -	\$ -	
Contract - IDC					
SDX Support				\$ -	
IDC Maintenance				-	
DF Support Services Contract				-	
IDC Client Contracts				-	
IDC Client Billing				-	
IDC Base Contract				-	
E-Tag Maintenance				-	
Contracts - IDC Total	\$ -	\$ -	\$ -	\$ -	
Education and Training					
System Operator Testing Expenses	\$ 6,100	\$ 6,100	\$ 3,960	\$ (2,140)	-35.08%
System Operator Examination Development				-	
Database Development				-	
Registration Costs	13,400	13,400	5,700	(7,700)	-57.46%
Education and Training Total	\$ 19,500	\$ 19,500	\$ 9,660	\$ -	-50.46%
Contracts Total	\$ 19,500	\$ 19,500	\$ 9,660	\$ -	-50.46%

Section B — 2009 Regional Entity Budget

Table B-6¹⁰

Office Rent	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Office Rent				\$ -	
Utilities				\$ -	
Maintenance				\$ -	
Security				\$ -	
Total Office Rent	\$ -	\$ -	\$ -	\$ -	

Table B-7¹¹

Office Costs	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Telephone				\$ -	
Internet				\$ -	
Office Supplies				\$ -	
Computer Supplies and Maintenance				\$ -	
Publications & Subscriptions				\$ -	
Dues				\$ -	
Postage				\$ -	
Express Shipping				\$ -	
Copying				\$ -	
Reports - Graphics				\$ -	
Stationary Forms				\$ -	
Equipment Repair/Service Contracts				\$ -	
Bank Charges				\$ -	
Sales & Use Taxes				\$ -	
Merchant Card Fees				\$ -	
Presentation & Publicity				\$ -	
Total Office Costs	\$ -	\$ -	\$ -	\$ -	

Table B-8

¹⁰ This is an overhead cost and is accounted for in the SPP Indirect Adder rate. Overhead costs include services provided by SPP Inc. to support statutory and non-statutory activities such as payroll and accounts payable processing, human resources and benefits management, accounting, information technology, executive leadership, corporate affairs and communications, office costs and other support services and expenditures. Further explanation of this allocation can be found in SPP RE's Delegation Agreement.

¹¹ This is an overhead cost and is accounted for in the SPP Indirect Adder rate. Overhead costs include services provided by SPP Inc. to support statutory and non-statutory activities such as payroll and accounts payable processing, human resources and benefits management, accounting, information technology, executive leadership, corporate affairs and communications, office costs and other support services and expenditures. Further explanation of this allocation can be found in SPP RE's Delegation Agreement.

Section B — 2009 Regional Entity Budget

Professional Services	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Independent Trustee Fees	\$ 135,000	\$ 135,000	\$ 135,000	\$ -	0.00%
Outside Legal	150,000	150,000	150,000	\$ -	0.00%
Accounting & Auditing Fees				\$ -	
Other Legal Fees				\$ -	
Insurance Commercial				\$ -	
Total Services	\$ 285,000	\$ 285,000	\$ 285,000	\$ -	0.00%

Section B — 2009 Regional Entity Budget

Table B-9¹²

Computer	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Purchase and Lease Software				\$ -	
Total Computer	\$ -	\$ -	\$ -	\$ -	

Table B-10¹³

Furniture & Equipment	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Furniture				\$ -	
Equipment				\$ -	
Leasehold Improvements				\$ -	
Total Furniture & Fixtures	\$ -	\$ -	\$ -	\$ -	

Table B-11

Other Non-Operating Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Shared Services Allocation	\$ 2,357,959	\$ 2,474,306	\$ 3,256,442	\$ 782,136	31.61%
Office Relocation				\$ -	
Cash Reserve Requirement ¹				\$ -	
Total Non-Operating Expenses	\$ 2,357,959	\$ 2,474,306	\$ 3,256,442	\$ 782,136	31.61%

¹ As per Table 5, SPP will collect \$642,791 in additional assessments due to underfunding of 2007 activities and estimated underfunding of 2008 activities. Instead of reflecting this amount as a Non-Operating Expense in Tables 1 and B-11, SPP will reflect the additional assessments in Table 5 only.

¹² This is an overhead cost and is accounted for in the SPP Indirect Adder rate. Overhead costs include services provided by SPP Inc. to support statutory and non-statutory activities such as payroll and accounts payable processing, human resources and benefits management, accounting, information technology, executive leadership, corporate affairs and communications, office costs and other support services and expenditures. Further explanation of this allocation can be found in SPP RE's Delegation Agreement.

¹³ This is an overhead cost and is accounted for in the SPP Indirect Adder rate. Overhead costs include services provided by SPP Inc. to support statutory and non-statutory activities such as payroll and accounts payable processing, human resources and benefits management, accounting, information technology, executive leadership, corporate affairs and communications, office costs and other support services and expenditures. Further explanation of this allocation can be found in SPP RE's Delegation Agreement.

Section C — 2009 RE Non-Statutory Business Plan and Budget

Full Member Criteria Services

SPP 2008 Budget (Includes both Statutory and Non-Statutory functions)	
(in thousands)	
2008 Budget	
Total FTEs	345 FTE
Total Direct Funding	\$92,961
Total Indirect Funding	\$0
Total Funding	\$92,961

Background

Southwest Power Pool, Inc. (SPP) is a Regional Transmission Organization, mandated by the Federal Energy Regulatory Commission to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. These activities are budgeted for separately from the SPP RE and constitute the non-statutory activities further described in this Section.

Membership and Governance (for non-statutory activities)

SPP is a relationship-based organization with member-driven processes offering independence through diversity in Organizational Group membership and recognition that reliability and economic/equity issues are inseparable. SPP strives to continuously improve and implement new concepts in a deliberate evolutionary manner.

SPP membership is voluntary and open to any electric utility, federal power marketing agency, transmission service provider, any entity engaged in the business of producing, selling and/or purchasing electric energy for resale, and any entity willing to meet the membership requirements, including execution of the Membership Agreement. Membership is also open to entities eligible to take service under the SPP Open Access Transmission Tariff (OATT). SPP offers its Members greater efficiency and service reliability through better coordination.

SPP members serve over 4.5 million customers across eight states: Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, and Texas.

SPP is governed in accordance with its Bylaws by an independent Board of Directors consisting of seven directors independent of any SPP Member. The Board of Directors works to ensure equity to all Members and acts in the best interest of SPP through its management, control and direction of the general business of SPP.

Non-Statutory Functional Scope

Section C — 2009 Regional Entity Budget

SPP is mandated by the Federal Energy Regulatory Commission (Commission) to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity.

SPP provides the following primary services to our members and customers:

Tariff Administration: Independent administration of the Open Access Transmission Tariff that provides one-stop shopping for regional transmission service with consistent rates and terms.

Reliability Coordination: SPP monitors power flow throughout our footprint. We anticipate problems and take preemptive action to mitigate operating limit violations. SPP coordinates regional response in emergency situations or blackouts.

Regional Scheduling: SPP ensures that the amount of power sent is coordinated and matched with power received. SPP's regional scheduling service reduces the number of entities with which SPP members and customers have to coordinate.

Market Operations: SPP administers an Energy Imbalance Marketplace, monitors resource/load balance and ensures that less expensive power is used to serve load before expensive power, all while ensuring system reliability is met.

Expansion Planning: SPP's planning process seeks to identify system limitations and develop transmission upgrades for increased capacity.

Contract Services: SPP provides reliability, tariff administration, and scheduling for non-members on a contract basis.

Finally, as a Public Utility under the Federal Power Act, SPP is required to submit its budget to the Commission. The Commission already has approved SPP's activities and has ordered that SPP's budgets be filed with the Commission.¹⁴

¹⁴ See Sw. Power Pool, Inc., 109 FERC ¶ 61,010, at P 98 (2004) (requiring SPP to file its operating budget on an annual basis). See also Sw. Power Pool, Inc., 109 FERC ¶ 61,009, at PP 3-5 (2004), order on reh'g, 110 FERC ¶ 61,137 (2005) (describing history of SPP RTO application, including approval and revision of SPP Bylaws); see also, generally, Sw. Power Pool, Inc., 108 FERC ¶ 61,003 (2004), order on reh'g, 110 FERC ¶ 61,138 (2005); Sw. Power Pool, Inc., 106 FERC ¶ 61,110 (2004).

Schedule for Preparation and Approval of SPP Inc.'s Overall Annual Budget

SPP's overall annual budget is prepared on a budget cycle to be approved by its independent Board of Directors annually at its October meeting. Because of this timing difference with the NERC budget process; SPP is unable to provide an accurate 2009 SPP budget for non-statutory activities at this time. The process begins during the second quarter when the SPP staff develops preliminary non-statutory budgets. During the third quarter the Finance Committee of SPP initially reviews and evaluates the budget prepared by SPP staff. Once the budget is approved by the Finance Committee, it is presented to the Board of Directors for their review and approval at its quarterly meeting held in October. The SPP overall annual budget is then submitted to FERC for approval.

Below is an excerpt of SPP's 2008 budget submission filing to FERC. This excerpt includes both statutory and non-statutory financials:



**SOUTHWEST POWER POOL
2008 BUDGET**

	2008 BUDGET
Ordinary Income/Expense	
Income	
Tariff Administration Service	\$59,644
Fees & Assessments	13,609
Contract Services Revenue	17,153
Miscellaneous Income	2,555
Total Income	92,961
Expense	
Salary & Benefits	44,049
Employee Travel	1,268
Administrative	1,789
Assessments & Fees	9,000
Meetings	518
Communications	2,813
Leases	1,006
Maintenance	4,255
Services	15,524
Regional State Committee	703
Depreciation & Amortization	18,540
Total Expense	99,465
Net Ordinary Income	(6,504)
Interest Income	(1,000)
Interest Expense	2,919
Total Other Expense	1,919
Net Income (Loss)	(8,423)
Debt Repayment	12,206
MW/h Forecast	312,496
Net Revenue Requirement	61,462
Calculated Admin Fee / MWh	\$0.197
Recommended Admin Fee / MWh	\$0.190
Capital Expense	23,859
Headcount (EOY)	345

SPP 2009 STATEMENT OF ACTIVITIES

Statement of Activities 2009 Budget	Total		Functions in Delegation Agreement										Non-Statutory Total			
	Statutory Total	Non-Statutory Total	Reliability Standards (Section 350)	Compliance and Registration (Section 400 & 500)	Reliability Readiness Audit and Improvement (Section 750)	Reliability Assessment and Performance Analysis (Section 850)	Training and Education (Section 900)	Situational Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology		Human Resources	Accounting and Finance	
Funding																
ERO Assessments	7,123,927	-	7,123,927	293,280	2,422,933	164,640	1,078,150	1,115,812	243,303	25,000	1,630,710	150,000	-	-	-	-
Membership Dues/Non-Statutory Fu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	7,123,927	-	7,123,927	293,280	2,422,933	164,640	1,078,150	1,115,812	243,303	25,000	1,630,710	150,000	-	-	-	-
Expenses																
Personnel Expenses																
Salaries	1,775,017	-	1,775,017	85,339	698,218	42,670	290,153	299,694	69,508	-	289,435	-	-	-	-	-
Payroll Taxes	135,789	-	135,789	5,528	53,414	3,264	22,197	22,927	5,317	-	23,142	-	-	-	-	-
Benefits	177,328	-	177,328	8,118	80,892	4,069	27,602	27,104	5,287	-	25,065	-	-	-	-	-
Retirement Costs	71,001	-	71,001	3,414	27,929	1,707	11,606	11,968	2,780	-	11,577	-	-	-	-	-
Total Personnel Expenses	2,159,134	-	2,159,134	103,400	859,553	51,700	351,558	351,712	82,893	-	346,219	-	-	-	-	-
Meeting Expenses																
Meetings	178,800	-	178,800	-	-	-	-	153,800	-	25,000	-	-	-	-	-	-
Travel	206,000	-	206,000	-	94,000	19,000	25,000	21,000	18,000	-	30,000	-	-	-	-	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	384,800	-	384,800	-	94,000	19,000	25,000	174,800	18,000	25,000	30,000	-	-	-	-	-
Operating Expenses																
Consultants	386,000	-	386,000	-	330,000	-	56,000	9,660	-	-	-	-	-	-	-	-
Contracts	9,660	-	9,660	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Services	285,000	-	285,000	-	-	-	-	-	-	-	135,000	150,000	-	-	-	-
Computer Purchase & Maint.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	680,660	-	680,660	-	330,000	-	56,000	9,660	-	-	135,000	150,000	-	-	-	-
Other Non-Operating Expenses¹																
Other Non-Operating Expenses ¹	3,256,442	-	3,256,442	189,880	1,139,280	94,940	645,592	569,640	142,410	-	474,700	-	-	-	-	-
Total Expenses	6,481,036	-	6,481,036	293,280	2,422,933	164,640	1,078,150	1,115,812	243,303	25,000	987,919	150,000	-	-	-	-
Change in Assets	642,791	-	642,791	-	-	-	-	-	-	-	642,791	-	-	-	-	-
Allocation of Overhead																
Direct Costs	5,318,118	-	5,318,118	293,280	2,422,933	164,640	1,078,150	1,115,812	243,303	-	1,630,710	150,000	-	-	-	-
Indirect Costs Allocation ²	1,162,919	-	1,162,919	79,380	476,281	39,690	269,892	238,140	59,535	-	357,189	-	-	-	-	-
Total Indirect Costs Allocation²	6,481,036	-	6,481,036	372,660	2,899,213	204,330	1,348,043	1,353,952	302,838	-	1,987,900	150,000	-	-	-	-
FTE's	17.2	-	17.2	1.0	6.0	0.5	3.4	3.0	0.75	2.5	-	-	-	-	-	-

¹ Total Indirect Funding represents an allocation of SPP overhead costs to statutory activities. The allocation is calculated using a standard rate multiplied by the number of SPP full time equivalents (FTE) directly performing statutory activities. Overhead costs include services provided by SPP, Inc. to support statutory and non-statutory activities such as payroll and accounts payable processing, human resources and benefits management, accounting, information technology, executive leadership, corporate affairs and communications, office costs and other support services and expenditures. For the 2009 budget, the standard rate used is \$101 per hour based upon 1,880 annual hours of resource availability. This rate could change in future years. Further explanation of this allocation can be found in SPP's Amended and Restated Delegation Agreement, Exhibit E - Funding, Sec.5, Docket No. RR07-6-004, Compliance Filing of the North American Electric Reliability Corporation in response to March 21, 2008 Order filed July 21, 2008.

² In its Business Plan and Budget, SPP has not included the allocation of indirect costs associated with committees and member forums, general and administrative, and legal and regulatory in the Total Funding requirements for the Statutory Process. The Allocation of Overhead presented here is to show consistency with other Regions and with the Analysis of Administrative (Indirect) Costs presented in Attachment 15. Refer to Footnote 1 above for further explanation of SPP's Total Indirect Funding allocation.

ATTACHMENT 9



**2009 Business Plan and Budget
Version 3.1**

Texas Regional Entity

**Approved by:
Texas Regional Entity Board of Directors**

**Submitted:
August 8, 2008**

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Introduction

Total RE Resources (in whole dollars)				
	2009 Budget	U.S.	Canada	Mexico
Statutory FTEs	26.95			
Non-statutory FTEs	5.05			
Total FTEs	32.0			
Statutory Expenses	\$6,167,024	\$6,167,024		
Non-statutory Expenses	\$871,997	\$871,997		
Total Expenses	<u>\$7,039,021</u>	<u>\$7,039,021</u>		
ERO Funding/Assessments	\$3,430,700	\$3,430,700		
Other Funding Sources	\$70,000	\$70,000		
Non-statutory Funding	\$871,997	\$871,997		
Total Funding	<u>\$4,372,697</u>	<u>\$4,372,697</u>		
NEL	319,355,145 mwh	319,355,145 mwh		
NEL %	100.0%	100.0%		

Texas Regional Entity (Texas RE) is an independent division of Electric Reliability Council of Texas, Inc. (ERCOT ISO), a Texas non-profit corporation. The vision of Texas RE is to preserve and enhance reliability across the ERCOT Region by encouraging a culture of compliance among all users, owners, and operators of the bulk-power system.

In May 2007, Texas RE executed a Delegation Agreement with North American Electric Reliability Corporation (NERC), the Electric Reliability Organization (ERO) certified by the Federal Energy Regulatory Commission (the Commission), pursuant to Section 215(c) of the Federal Power Act (FPA). In response to subsequent orders by the Commission, Texas RE and NERC signed an Amended and Restated Delegation Agreement on March 28, 2008.

The Commission authorized NERC to develop standards for the reliable operation and planning of the Bulk-Power System, to enforce compliance with those standards, and to conduct periodic assessments of the reliability and adequacy of the Bulk-Power System in North America. The Commission further authorized NERC to delegate these responsibilities to regional entities through Delegation Agreements approved by the Commission, and the Commission provides oversight of the ERO and regional entity performance in the United States, pursuant to the FPA.

In the May 2007 Delegation Agreement and the March 28, 2008 Amended and Restated Delegation Agreement (collectively "the Delegation Agreement"), NERC delegates to Texas RE certain responsibilities and authorities of a regional entity as defined in the FPA, regulations adopted by the Commission (including but not limited to Order N. 672 in Docket No. RM05-30-000), and other directives of the Commission, including the authority to propose, develop, monitor, assess, and enforce reliability standards and ERCOT Region-Specific regional reliability standards ("Regional Standards") and variances within the ERCOT Region, in accordance with the NERC Rules of Procedure (ROP). Texas RE's activities under the Delegation Agreement are referred to herein as statutory activities.

All proposed reliability standards and Regional Standards and variances must be submitted by the ERO to the Commission and must be approved by the Commission as just, reasonable, not unduly discriminatory or preferential, and in the public interest to be effective and enforceable. The ERO and regional entities monitor compliance with the reliability standards, and they may direct violators to comply with the standards and impose penalties for violations in accordance with the NERC ROP, subject to review by and appeal to the Commission. While the ERO is responsible for compliance and enforcement under Commission oversight, the Commission is

Introduction

authorized by the FPA to also investigate compliance and impose penalties independently of the ERO.

In addition to Texas RE's statutory activities, Texas RE investigates, audits, and reports on compliance with the ERCOT Region reliability-based Protocols and Operating Guides (Protocols) for the Public Utility Commission of Texas (PUCT). Texas RE's Protocol-related activities are referred to herein as Non-statutory activities. Texas RE coordinates with PUCT staff regarding enforcement of potential Protocol violations, but the PUCT prosecutes any Protocol violations that result in enforcement actions. Due process is provided to any entity that is reported to have violated a Protocol, pursuant to state law, and the PUCT makes all final decisions regarding Protocol violations.

Vision

The vision of Texas Regional Entity, an independent division of Electric Reliability Council of Texas, Inc., is to preserve and enhance reliability across the ERCOT Region by encouraging a culture of compliance among all users, owners, and operators of the bulk-power system.

Mission

In order to fulfill its obligations, Texas Regional Entity will act in accordance with its Delegation Agreement, NERC Rules of Procedure and the PUCT approved ERCOT Compliance Process to:

- Monitor, report, and enforce compliance with NERC Reliability Standards by all users, owners, and operators of the bulk-power system in the ERCOT Region.
- Develop regional variances or standards which go beyond, add details to or implement NERC Reliability Standards.
- Monitor and report compliance with ERCOT Protocols by all Market Participants in the ERCOT Region.

Membership and Governance

Because Texas RE is an independent division of ERCOT ISO, members of ERCOT ISO are also members of Texas RE. These members can be from any ERCOT ISO Segment (as listed below), and, except for the Consumer Segment, must have an actual financial interest in the retail or wholesale electric market in the ERCOT Region and be able to do business in one of these markets. ERCOT ISO charges a nominal fee for membership, but the membership fee can be waived upon good cause shown. Any person or entity that has a direct and material interest in the bulk power system has a right to participate in the Texas RE Standards Development Process, even if not a Texas RE member.

In order to maintain clear independence from and not be unduly influenced by the owners, operators, and users of the bulk power system being monitored, Texas RE is a functionally separate and independent division of ERCOT ISO. Texas RE is led by a chief executive officer with the title CEO and Chief Compliance Officer (CCO) who manages the general affairs of Texas RE as its chief executive officer, who reports to the Board of Directors or a subcommittee thereof for administrative purposes. The Texas RE employees maintain office space that is separated from ERCOT ISO office space by a secured access point. Texas RE and its employees function independently of the ERCOT ISO and its officers, and Texas RE creates, monitors, and operates under an independent budget and maintains separate books and records from ERCOT ISO. Texas RE uses certain administrative services provided by ERCOT

Introduction

ISO employees, but Texas RE pays a cost reimbursement based rate for goods or services provided by ERCOT ISO, pursuant to the Service Level Agreement.

Texas RE's board is comprised of the sixteen (16) directors of the ERCOT ISO board, including the Chair of the PUCT, as an ex officio non-voting member, the ERCOT ISO CEO as an ex-officio voting member, five (5) Unaffiliated Directors (not affiliated with any ERCOT ISO market participant), and directors from the following market Segments:

- A. Three (3) Consumers:
 - 1. Public Counsel (representing residential consumers and small commercial consumers, as an ex officio voting member)
 - 2. Large Commercial (peak demand >1000 kilowatts)
 - 3. Industrial Consumer
- B. 1 Independent Retail Electric Provider (and one segment alternate)
- C. 1 Generator (and one segment alternate)
- D. 1 Independent Power Marketer (and one segment alternate)
- E. 1 Investor Owned Utility and (and one segment alternate)
- F. 1 Municipal (and one segment alternate)
- G. 1 Cooperative (and one segment alternate)

The Texas RE directors maintain independence from their role as ERCOT ISO directors by holding board and committee meetings separately from ERCOT ISO meetings and by not having any role regarding Texas RE's Statutory compliance and enforcement activities (as described below).

Statutory Functional Scope

In accordance with the Delegation Agreement and in compliance with the NERC ROP, Texas RE performs the following Statutory Functions:

- A. Propose Reliability Standards, Regional Variances or modifications thereof to NERC and develop needed Regional Standards through Texas RE's standards development procedure.
- B. Monitor and enforce approved Reliability Standards (including Regional Standards and Regional Variances) within the ERCOT Region through Texas RE's Compliance Monitoring and Enforcement Program (CMEP).
- C. Perform delegation-related services on behalf of NERC, in furtherance of NERC's responsibilities as the ERO under the FPA, including:
 - 1. Organization registration and certification.
 - 2. Assessment and performance analysis of the present and future reliability, adequacy, and security of the bulk-power system.
 - 3. Promote effective training and education of reliability personnel and assist in the certification of operating personnel.
 - 4. Promote situational awareness and the security and protection of critical infrastructure.

Non-Statutory Functional Scope

In addition to its Statutory functions, Texas RE monitors and investigates compliance with the ERCOT Region Protocols needed to safely and reliably operate the electric transmission system and support wholesale and retail markets. The ERCOT Region Protocols contain the market rules for planning and operating reliable interconnected bulk electric system in the ERCOT

Region. To ensure that the reliability of the interconnected bulk electric system is maintained, all ERCOT Region market participants involved in planning, operating, or using this system must understand and comply with these requirements. The PUCT oversees the enforcement process. Further explanation of the Non-Statutory budget is included in the Non-Statutory section of the Budget & Business Plan.

Planning Cycle

Texas RE's financial process for the 2009 budget planning cycle employed a zero-based budgeting methodology. Each request for resources was evaluated and justified to ensure that resource requests were efficient and matched the departmental plan for the coming year. Each department manager was responsible for budgeting department resources for the 2009 planning cycle. The budget requests were evaluated for reasonableness and cost efficiency to ensure that the planning process would be successful. The budget assumptions associated with this planning cycle are as follows:

- 2009 will be the 2nd full year of operations for Texas RE.
- The budget process ensured that all of the functions were appropriately budgeted to:
 - Discharge all of the NERC Delegation Agreement requirements.
 - Continue monitoring & reporting on protocol compliance and non-compliance.
 - Ensure Texas RE continues to improve its processes by utilizing technology to enhance its operations.
 - Guarantee Texas RE has appropriate cash on hand by establishing a 60-day cash on hand reserve. The reserve represents approximately 60 days of operating expenses. This benchmark was chosen due to its common usage in financial markets as an indication of appropriate cash reserves to be held by organizations that receive bond-financing, though Texas RE does not have bond-financing.
- The reserve is to be treated as a non-operating expense item for purposes of budgeting, but will ensure that Texas RE has sufficient cash on hand.
- Labor expense and allocations for Statutory (Federal) functions and Non-Statutory (Protocol) functions were projected based on current time-tracking and expected trends.
- Increased Statutory Compliance labor resulted due to:
 - Additional and longer audits required, due to increased number of FERC-approved Reliability Standards and increased number of Registered Entities.
 - Increased emphasis on situational awareness and cyber-security.
 - Increase in Legal and Regulatory (investigations, contested matters, required communications with NERC, FERC, and PUCT, and regulatory matters).
- Invest in technology improvements and process automation.
- Non-statutory requirements will not increase.
 - Efficiencies experienced on QSE audits, due to statutory audits and statutory event analysis.
 - Projected allocation to the Non-Statutory function is reduced to less than 15% of the total budget.
- Increase in labor costs of 43% for 2009 (Headcount increasing 30%):
- Tight labor market for experienced Electrical Engineers with Electric Power Systems experience is driving salary up.
- Surplus funds from prior years (2007 & 2008) are expected to offset 2009 funding requirements (balance remaining is forecast to be \$1.8M).
- Texas RE Staff will relocate outside of its present location due to space requirements.
- FTE's are calculated based on hours of work spent performing activities as compared to 2,080 labor hours available in a full-time employee work-year.
- Services are received by Texas RE from ERCOT ISO for additional support services not included in Texas RE's direct expenses. These services are identified and priced in the

Introduction

Memorandum of Understanding (including exhibits) between Texas RE and ERCOT ISO.

Texas RE staff reviews the organization's financials, monthly against plan, and documents the variances and emerging trends. Texas RE routinely forecasts expenses for the balance of the fiscal year. This ensures that the regional entity is maintaining fiscal discipline and that the Texas RE will be good stewards of the resources appropriated for the purposes of fulfilling the delegation agreement requirements.

2009 Primary Objectives

Texas RE's Primary Goals for 2009 are to:

- A. Effectively communicate with the industry, regulators, and other stakeholders
 - Build cooperative relationships with all registered entities, industry segments, ERCOT Region market participant committees and working groups, and regulators through regular, consistent messaging regarding all of Texas RE's program areas. Continuing strong communications and cooperative relationships will be especially crucial in the year 2009, because the ERCOT Region plans to implement its nodal market system in December 2008.
 - Continue to improve the established communications and relationships with NERC and the other Regional Entities during this second full year for the ERO and Regional Entities to operate under the approved delegation agreements.
 - Deliver a consistent message through a variety of electronic media (including the quarterly newsletter) as a timely and efficient means of providing important information to the industry and the public.
 - Continue to enhance the Texas RE online presence to build identity, awareness, and provide useful information about Texas RE and its mission, through the improved and separate Texas RE public Web site (planned for launch by the end of 2008) which will:
 - Increase awareness of Texas RE's mission and NERC and ERCOT Region-specific requirements for compliance
 - Provide comprehensive information and resources on standards, compliance, and registration requirements, including enforcement of compliance, changes to standards and requirements, and answers to frequently asked questions;
 - Act as a gateway to the externally hosted applications and related external Web sites
 - Attract qualified and diverse staff
 - Promote new information and educational opportunities
 - Serve as the foundation for additional information systems
- B. Prepare and obtain approval of an appropriate Texas RE Business Plan & Budget and Conduct Texas RE Operations within the approved Budget
- C. Effectively manage the NERC Compliance Monitoring and Enforcement Program (CMEP)
- D. Monitor, investigate and report reliability-related non-compliance with ERCOT Region Protocols

Introduction

- E. Effectively manage the Texas RE Standards Development Process
- F. Establish Key Performance Indicators and Benchmarks for Texas RE operations.

Major 2009 Cost Impacts

Statutory expenses are increasing by over 57% or \$2.2M from the 2008 forecast. This increase is primarily being driven by the following items:

1. Adding 5 additional staff will increase salary and benefits by almost \$600K.
2. Increases for existing staff (merit, promotion and market) totals approximately (salary & benefits) \$240K.
3. Texas RE has experienced some vacancies in staffing during 2008; the resulting difference is estimated to be \$60K.
4. Shifting salary from non-statutory to statutory due to better time estimation is increasing statutory salary and benefits \$106K.
5. Due to the need to relocate Texas RE offices, rent will be increasing by more than \$400K.
6. Texas RE is also establishing a cash reserve for 2009, which is approximately \$855K. This represents the 60 days cash on hand target which assures Texas RE will be appropriately funded.

Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B.

Section A — 2009 Business Plan
Reliability Standards Program

Reliability Standards Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.00	1.70	1.70
Total Direct Expenses	\$ 215,454	\$ 171,739	\$ 176,491
Total Indirect Expenses ¹	\$ 185,044	\$ 221,277	\$ 308,524
Total Expenses	\$ 400,498	\$ 393,016	\$ 485,014

¹ Indirect expense is allocated to the programs based on the FTEs within the program compared to total FTEs for all programs. The resulting percentage is then applied to the Administrative Services budgets to ensure that each program receives its pro-rata share of the Administrative Services expense.

Background

Texas RE may develop, through its own standards development process, separate Regional Standards that are specific to the ERCOT Region and go beyond, add detail to, or implement NERC Reliability Standards. Texas RE may also utilize the same process to obtain a Regional Variance to a NERC Standard; or develop Regional Standards that cover matters not addressed in NERC Reliability Standards. Regional criteria may be developed separately from NERC Reliability Standards, or may be proposed as 'Regional Standards. Regional criteria that exist separately from NERC Reliability Standards shall not be inconsistent with or less stringent than NERC Reliability Standards.

Regional Standards shall provide for as much uniformity as possible for Reliability Standards across the interconnected bulk power system of the North American continent. Such 'Regional Standards' shall be more stringent than a continent-wide Reliability Standard, or shall be a regional difference that addresses matters that the continent-wide Reliability Standard does not or is necessitated by a physical difference in the bulk power system.

Program Description and Functions Performed

Texas RE's Reliability Standards Development Process will be overseen by a Reliability Standards Committee (RSC) whose purpose is to see that all stakeholder interests are fairly represented in the development of Regional Standards. The RSC will be a broad-based, representative committee consisting of representatives from each of the seven ERCOT Region market participant segments. Participation is open to any person or entity with an interest in the reliability of the ERCOT Region Bulk Power System.

Among other responsibilities, the RSC will review each proposal for development of a new Regional Standard, a variance to a NERC standard, or a modification to or deletion of an existing Regional Standard, to determine if the proposal should be pursued. RSC also oversees the modification to the standards development process. If so determined, the RSC will forward to the ERCOT Reliability and Operations Subcommittee (ROS) to appoint a reliability standard drafting team that has the necessary technical expertise, competencies, and diversity of views needed to develop the proposed standard. Development of each Regional Standard will include at least one time period for receipt of public comment before the proposed standard is submitted for an approval vote. A separate ballot pool will be established for each standard to allow Registered Ballot Body (RBB) with interest on a particular standard to participate on the voting activity. Upon evaluating the voting results, RSC will determine whether to forward the Regional Standard and the associated package to the Texas RE Board for approval. Finally, if approved by the Board, the Regional Standard will be forwarded to NERC for evaluation and approval and subsequent filing with FERC for its approval. Once FERC approves a

Section A — 2009 Business Plan

standard and the effective date reached, compliance with the standard is legally binding on all applicable owners, operators, and users within the Texas RE footprint.

Texas RE's Reliability Standards Development Process is designed to build and verify consensus for each Regional Standard. The open, inclusive, balanced and transparent process ensures that the resulting standards are just, reasonable, and nondiscriminatory. Participation by industry experts and compliance personnel ensures that the standards are technically sound, unambiguous, and measurable.

Texas RE's Reliability Standards Group will be responsible for coordinating and facilitating all aspects of the 'Regional Standards' development process. Staff will be actively involved in the NERC Reliability Standards Program, participate on the Reliability Standards Drafting Teams and participate on NERC Readiness Evaluations. The Reliability Standards Group will review each Reliability Standard and notify impacted entities of any new requirements as well as communicate all reliability standards-related information to stakeholders. Staff will also identify any possible training needed by responsible entity personnel to promote understanding and compliance with the new or revised reliability standards.

2009 Goals and Objectives

The goals of the Reliability Standards Program for 2009 are to:

1. Meet all FERC and NERC directives with regard to Regional Standards development and procedures.
2. Develop Regional Standards program communications that educate and inform stakeholders and support the Texas RE Standards Development program objectives.
3. Work closely with the ERO and NERC Registered Entities within the Texas RE enforcement footprint to develop separate Regional Standards that go beyond, add detail to, or implement NERC Reliability Standards; obtain a Regional Variance; or otherwise address issues that are not addressed in NERC Reliability Standards.
4. Ensure consistency and quality of Regional Standards without causing undue restrictions or adverse impacts on competitive electricity markets.
5. Ensure Texas RE Reliability Standards development process is aligned to meet agreed-upon expectations.
6. Streamline and improve the Texas RE's Reliability Standards development process and associated tools.
7. Participate and be actively involved in various NERC Reliability Standards Program and related functions.

Staffing Needs

Hiring Plans

Based on the existing and proposed work as outlined in this business plan Texas RE will maintain the standards program area staff at 2008 levels, however 1 FTE did not start until the 1Q of 2008, therefore there is a slight increase reflected in 2009.

Shared Employees

Not applicable

Contractors

Not applicable

Section A — 2009 Business Plan

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Standards					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
Assessments	\$ 215,454	\$ 215,454	\$ -	\$ 176,491	\$ (38,963)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 215,454	\$ 215,454	\$ -	\$ 176,491	\$ (38,963)
Expenses					
Personnel Expenses					
Salaries	\$ 144,806	\$ 125,691	\$ (19,115)	\$ 127,238	\$ 1,547
Payroll Taxes	12,019	10,827	(1,192)	10,179	(648)
Benefits	17,377	13,930	(3,447)	14,320	390
Retirement Costs	16,942	16,981	39	18,450	1,469
Total Personnel Expenses	\$ 191,144	\$ 167,429	\$ (23,715)	\$ 170,187	\$ 2,758
Meeting Expenses					
Meetings	\$ 810	\$ 810	\$ -	\$ -	\$ (810)
Travel	8,500	3,500	(5,000)	4,344	844
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 9,310	\$ 4,310	\$ (5,000)	\$ 4,344	\$ 34
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	1,960	1,960
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	15,000	-	(15,000)	-	-
Total Operating Expenses	\$ 15,000	\$ -	\$ (15,000)	\$ 1,960	\$ 1,960
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 215,454	\$ 171,739	\$ (43,715)	\$ 176,491	\$ 4,752
Change in Assets	\$ -	\$ 43,715	\$ 43,715	\$ -	\$ (43,715)

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding is received only through assessment income and is designated to fully fund total expenses.

Personnel Expenses

- Expenses are higher related to maintaining full staff in 2009.

Meeting Expenses

- Travel expenses are virtually unchanged from the 2008 forecast to the 2009 budget.

Operating Expenses

- Operating expenses include fees related to dues and professional fees.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	6.40	12.40	14.15
Total Direct Expenses	\$ 892,898	\$1,186,451	\$1,628,935
Total Indirect Expenses ¹	\$ 589,827	\$1,614,023	\$2,578,245
Total Expenses	\$1,482,725	\$2,800,474	\$4,207,180

Overview

The purpose of Texas RE's Compliance Monitoring and Enforcement Program (CMEP) is to maintain the reliability of the ERCOT Region Bulk Power System. NERC oversees each Regional Entity's Compliance Program. Texas RE is responsible for monitoring, assessing, and enforcing compliance with NERC Reliability Standards, Regional Standards, and requirements by the owners, operators, and users of the bulk power system in the ERCOT Region. The CMEP activities make up the majority of the work currently done by Texas RE and the other Regional Entities. The CMEP focuses on four primary areas: identification and registration of organizations responsible for complying with Reliability Standards (Organization Registration and Certification), monitoring of the registered entities for compliance with Reliability Standards (Compliance Monitoring), determination and reporting to NERC of violations of Reliability Standards by registered entities (Enforcement Actions), and ensure correction of noncompliance and violations when identified (Mitigation of Violations). Texas RE maintains processes and procedures for data gathering, reporting, investigating, auditing, assessing, penalizing and sanctioning violators, and mitigating non-compliance.

The CMEP is a relatively new program. As such, Texas RE has focused its efforts on building new policies and procedures to support the evolving requirements that are being developed at the national level. As the organization begins to mature in 2009, Texas RE will review its organizational structure, processes and procedures with the intent to improve the quality of its work and begin the task of analyzing how we can mitigate the cost of compliance. The reliability of the Bulk Power System will always remain the unquestionable number one priority of the organization.

Organization Registration and Certification Program Description and Functions

Texas RE is responsible for identifying and registering each entity that is responsible for performing each NERC function in the ERCOT Region, in accordance with Section 500 of the NERC ROP. These Registered Entities are responsible for complying with all applicable reliability standards. Texas RE must maintain an accurate registration list of all owners, operators, and users of the bulk power system for compliance monitoring purposes.

The amount of work related to entity registration is higher than expected in 2008 and is predicted to remain at a high level through 2009 due to on-going changes to responsibilities and definitions of the Register Entity functions, additional NERC and FERC procedural requirements, and the unique requirements and procedures required by the ERCOT Region Protocols.

Specifically, NERC is expected to approve the new definition of the Load Serving Entity (LSE) function before the end of 2008, which will drive the need to implement LSE registrations (which could number between 35 and several hundred, depending upon the final definition) during 2009. Additionally, the joint

registration (JRO) process (joint registrations with split tasks and responsibilities on a sub-requirement level between Registered Entities) requires significant review and approval by Texas RE and is expected to significantly impact work load. If the anticipated joint registrations for the transmission operator (TOP) function are completed during 2008 as expected, Texas RE estimates that nine certification audits will be added in the ERCOT Region in 2009 to support the 28 new TOP entities. Only 9 of the TOP certification audits are included in the 2009 business plan and budget.

Additionally, some registrations have been contested, particularly due to some of the unique procedures in the ERCOT Region Protocol. Texas RE has a regional registration appeals process and its staff must support Texas RE's position on appeals made by entities through the NERC and FERC appeal process. It is predicted that significant effort will continue to be expended in this area in 2009. Registration and, in some cases, certification of the organizations responsible for complying with the standards will be an ongoing activity.

The list of registered entities in the ERCOT Region continues to evolve and currently includes:

- 93 Generator Owners
- 58 Generator Operators
- 24 Transmission Planners
- 28 Transmission Owners
- 39 Distribution Providers
- 34 Purchasing Selling Entities
- 1 Transmission Operator, Reliability Coordinator, Balancing Authority, Planning Authority, Resource Planner, Transmission Service Provider, and Interchange Authority (ERCOT ISO)

2009 Goals Organization Registration and Certification:

1. Maintain an accurate registration list of all owners, operators, and users of the bulk power system by establishing a schedule to verify entity registration and contact information.
2. Provide updated registered entity information to NERC and appropriate government authorities.
3. Participate in development of registration procedures, policies and databases with NERC and FERC, and implement and communicate changes as necessary.
4. Appropriately address all registration appeals to completion.
5. Implement organization certification in accordance with NERC processes, some of which are still under development – conduct required audits.
6. Maintain processes and procedures for carrying out the delegated certification activities that are required by the certification standards.
7. Complete a review of policies and procedures with the goal of improving clarity of communications with registered entities and to determine how it may be possible to mitigate the cost of compliance without impacting reliability.
8. Implement recommendations from the upcoming NERC audit of Texas RE.

Compliance Monitoring and Enforcement Program Description and Functions

Through a rigorous program of monitoring, audits, assessments, investigations, mitigation activities, and the imposition of penalties and sanctions for non-compliance with reliability standards, Texas RE will strive to maintain a high level of reliable operation of the ERCOT Region Bulk Power System by its owners, operators, and users. Ensuring the reliable operation of the Bulk Power System will benefit all owners, operators, and users of the Bulk Power System in the ERCOT Region.

The CMEP currently has 86 NERC Reliability Standards that were approved by FERC in 2007, and eight (8) Cyber Security Reliability Standards that were approved by FERC in 2008. The 86 standards approved in 2007 have more than 3,000 requirements and sub-requirements. There are more NERC

Section A — 2009 Business Plan

Reliability Standards in the development and approval process, and Texas RE anticipates that at least some Regional Standards will be approved starting in 2008.

A key, and the most well known component of the CMEP is the compliance audit, but Texas RE uses eight (8) different monitoring processes to collect information to confirm compliance with NERC Reliability Standards:

1. Compliance Audits,
2. Self-Certifications,
3. Spot Checking,
4. Compliance Violation Investigations,
5. Self-Reporting,
6. Periodic Data Submittals,
7. Exception Reporting, and
8. Complaints

Texas RE maintains a program of proactive enforcement audits and reviews. Each owner, operator, or user of the Bulk Power System is responsible for complying with NERC Reliability Standards, Regional Standards, and Texas RE audits these Reliability Standards on a recurring basis using an approved audit plan coordinated with NERC and augmented for regional needs. A Compliance Audit is performed to determine compliance with applicable Reliability Standards on a three and/or six-year cycle, depending on the entity's registration, and an audit report is issued for each audit.

In any years that a registered entity does not receive a Compliance Audit, Texas RE will require a compliance Self-Certification from the entity, using electronic forms developed and distributed by Texas RE. The entity must certify that it is in compliance with each designated measure or disclose any non-compliance and submit the self-certification to the Texas RE by the date specified in the request by the Texas RE. Texas RE may require Registered Entities to self-certify their compliance with reliability standards at other times as well. Texas RE performs Spot Checks of registered entities to (1) confirm compliance certified on Self-Certifications, (2) follow up on Self Reports and Periodic Data Submittals, (3) confirm completion of mitigation plans, and (4) follow up on complaints or other indications of non-compliance. Texas RE may perform Spot Checks by telephone, site visit, or a data or document request. Deficiencies found in Self-Certifications and Spot Checks are treated as if they were audit findings of violations.

A Compliance Violation Investigation is a more involved, possibly time consuming, and formal process than a compliance analysis, and the investigation team includes NERC staff and FERC staff. At this time, Texas RE is estimating to complete 54 compliance analyses in 2009, which is the same estimate used for 2008.

To date, there have been no major events analyzed using the CVI process in the ERCOT Region. It is anticipated that there will be at least one CVI in 2008 based on activity to date, but it is impossible to accurately predict CVI level activity in 2009. The inability to predict workload and thus to be prepared for this type of work is very difficult.

The budget for Compliance Audits is based on the current number of registered entities in the ERCOT Region. There is little probability that this number will decrease, and some evidence that it could increase significantly beyond current levels. An example would be the proposal to add 28 TOP registered entities through joint registration with the ERCOT ISO. Such a change would require a revision to our audit schedule and would most likely result in a need to request additional resources at a later date,

2009 Compliance Monitoring and Enforcement Program Goals and Objectives

1. Complete Compliance Audits per the 2009 schedule including additional audits required by joint registrations.
2. Conduct required Compliance Violation Investigations (budgeted for 1).
3. Conduct compliance analysis of all significant events and other system disturbances.
4. Analyze and investigate all Complaints.
5. Complete Self-Certifications for all registered entities.
6. Perform Spot Checks.
7. Continue to work with other regional entities to improve auditing consistency and reduce the cost of audits for Registered Entities with operations in multiple regions.
8. Complete a review of policies and procedures with the goal of improving the clarity of communications with Register Entities, to determine how to mitigate the cost of compliance without impacting reliability, and meeting compliance with NERC ROP modifications and NERC guidance.
9. Implement recommendations from the upcoming NERC audit of Texas RE.

Staffing Needs

Hiring Plans

Based on the existing and proposed work as outlined in this business plan Texas RE will need to increase staffing for the compliance enforcement and organization registration and certification program area to a total of 14.15 FTEs for 2009.

Shared Employees

Not applicable

Contractors

Not applicable

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Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Compliance and Organization Registration and Certification					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
Assessments	\$ 892,898	\$ 892,898	\$ -	\$ 1,628,935	\$ 736,037
Membership Dues	-		-		-
Testing Fees	-		-		-
Services & Software	-		-		-
Workshops	-		-		-
Interest	-		-		-
Miscellaneous	-		-		-
Total Funding	\$ 892,898	\$ 892,898	\$ -	\$ 1,628,935	\$ 736,037
Expenses					
Personnel Expenses					
Salaries	\$ 584,760	\$ 838,426	\$ 253,666	\$ 1,164,106	\$ 325,680
Payroll Taxes	48,535	74,651	26,116	93,128	18,477
Benefits	70,171	107,828	37,657	134,510	26,682
Retirement Costs	68,417	104,736	36,319	163,258	58,522
Total Personnel Expenses	\$ 771,883	\$ 1,125,641	\$ 353,758	\$ 1,555,003	\$ 429,362
Meeting Expenses					
Meetings	\$ 810	\$ 810	\$ -	\$ -	\$ (810)
Travel	46,205	60,000	13,795	73,199	13,199
Conference Calls	-		-	-	-
Total Meeting Expenses	\$ 47,015	\$ 60,810	\$ 13,795	\$ 73,199	\$ 12,389
Operating Expenses					
Consultants	\$ -		\$ -	\$ -	\$ -
Contracts	-		-	-	-
Office Rent	-		-	-	-
Office Costs	-		-	600	600
Professional Services	-		-	-	-
Computer Purchase & Maintenance	-		-	132	132
Furniture & Equipment	-		-	-	-
Miscellaneous	-		-	-	-
Contingency	74,000		(74,000)	-	-
Total Operating Expenses	\$ 74,000	\$ -	\$ (74,000)	\$ 732	\$ 732
Other Non-Operating Expenses	\$ -		\$ -	\$ -	\$ -
Total Expenses	\$ 892,898	\$ 1,186,451	\$ 293,553	\$ 1,628,935	\$ 442,484
Change in Assets	\$ -	\$ (293,553)	\$ (293,553)	\$ -	\$ 293,553

Summary of 2008 projection and 2009 budgeted funding and expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- Funding is received only through assessment income and is designated to fully fund total expenses.

Personnel Expenses

- Expenses are higher related to maintaining the 2008 budgeted personnel and due to adding an additional 1.8 FTEs in 2009. This represents approximately \$165K in annual expenses.
- In 2008, there were several vacancies throughout the operating year that are expected to be filled before the 2009 operating year, thus increasing total personnel expenses. This represents approximately \$130K in annual expenses.
- Finally, due to more time being spent on statutory activities, there was a shift in expenses from non-statutory to statutory personnel expenses. This represents approximately \$30K in annual expenses.

Meeting Expenses

- Travel expenses are approximately 22% higher in 2009 due to travel rate increases and additional audits scheduled for 2009.

Operating Expenses

- Operating expenses include fees related to dues and professional fees. This expense category is negligible.

Reliability Readiness Evaluation and Improvement Program

Reliability Readiness Evaluation and Improvement Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	0.40	0.30	0.00
Total Direct Expenses	\$ 58,345	\$ 43,225	\$ 0
Total Indirect Expenses ¹	\$ 34,696	\$ 39,049	\$ 0
Total Expenses	\$ 93,041	\$ 82,274	\$ 0

Background

Reliability Readiness Evaluation is being eliminated in 2009, based on a restructuring plan proposal made by NERC. The function continues to exist, however is located within the Compliance, Registration and Certification function and will serve to ensure that Texas RE will be able to conduct certification audits.

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Reliability Readiness Evaluation and Improvement Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Readiness Evaluation and Improvement					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
Assessments	\$ 58,345	\$ 58,345	\$ -	\$ -	\$ (58,345)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 58,345	\$ 58,345	\$ -	\$ -	\$ (58,345)
Expenses					
Personnel Expenses					
Salaries	\$ 32,368	\$ 32,368	\$ -	\$ -	\$ (32,368)
Payroll Taxes	2,686	2,686	-	-	(2,686)
Benefits	3,884	3,884	-	-	(3,884)
Retirement Costs	3,787	3,787	-	-	(3,787)
Total Personnel Expenses	\$ 42,725	\$ 42,725	\$ -	\$ -	\$ (42,725)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	10,620	500	(10,120)	-	(500)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 10,620	\$ 500	\$ (10,120)	\$ -	\$ (500)
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	5,000	-	(5,000)	-	-
Total Operating Expenses	\$ 5,000	\$ -	\$ (5,000)	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 58,345	\$ 43,225	\$ (15,120)	\$ -	\$ (43,225)
Change in Assets	\$ -	\$ 15,120	\$ 15,120	\$ -	\$ (15,120)

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	0.38	0.40	0.60
Total Direct Expenses	\$ 143,503	\$ 51,763	\$ 176,415
Total Indirect Expenses ¹	\$ 34,696	\$ 52,065	\$ 106,397
Total Expenses	\$ 178,199	\$ 103,828	\$ 282,812

Background

The Training, Education and Operator Certification Program is being expanded to include 3 major functions: Operator Training and Certification, Compliance Awareness, and Auditor Training.

Texas RE Staff chairs and actively participates on the Operations Training Seminar Oversight Working Group which is responsible for developing, planning, arranging, and monitoring the annual ERCOT ISO Operations Training Seminar. The working group is responsible for measuring how the Seminar is meeting objectives which provide training on power system fundamentals, current events, and other timely issues determined by the working group. Emphasis is placed on topics that focus on enhancing the performance of bulk power system operating personnel. The target audience for the seminar is ERCOT ISO System Operators, Qualified Scheduling Entity (QSE) Operators, and Transmission/Distribution System Provider (TDSP) Operators and those who provide management, supervision, and support for the operators. The seminar is also open to Power Generation Company (PGC) Operators, Wholesale Power Marketers, Retail Electric Providers, and others associated with the bulk power system.

Texas RE held two Compliance Workshops in 2008. These workshops focused on helping registered entities to better understand the Reliability Compliance Process and to communicate changes in requirements and the processes. This forum is focused on communications and is training in the traditional sense.

Auditor training has relied on NERC sources historically.

Program Description and Functions Performed

Operator Training & Certification

Developing training and education programs for bulk power system operating personnel and other targeted audiences is an important component of the Texas RE. Providing a training and education program for the operating personnel of owners, operators, and users of the bulk power system relating to their compliance with Regional Standards and other reliability-related job functions helps to achieve a higher level of knowledge and competence. It also helps to promote a culture of compliance within the industry, and thereby helps to further ensure the reliable operation of the ERCOT Region Bulk Power System. Beginning in 2007, NERC's Continuing Education Hours (CEH) programs have been offered for attending the ERCOT Training Seminar. System Operators attending the seminar received up to 19 CEHs. Many of these hours can also be used to satisfy NERC and ERCOT ISO requirements for system emergency training.

The Twenty-Fifth Annual ERCOT ISO Operations Training Seminar, was held in March and April of 2008, and offered up to 27 CEHs and up to 25.5 Emergency Operation (EOP) training hours. A similar program is planned for 2009.

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Texas RE Staff will also continue to coordinate and facilitate the ERCOT ISO Operator Certification Test given to System Operators and operations support personnel. Texas RE Staff will continue to maintain and update the ERCOT ISO Fundamentals Training Manual which was designed and written to serve as a study tool for System Operator Certification Tests and to serve as a readily available reference document. The Manual contains descriptions of fundamental topics in electrical power and ERCOT ISO power system operations.

Compliance Workshops

Texas RE will schedule two Compliance workshops in 2009. The workshops will be designed to address the highest priority issues at the time for the Registered Entities.

Auditor Training

Texas RE will develop a new training program that will expand the goal of improving auditing skills to include methods to improve consistency between audit teams within Texas RE and also between Texas RE and other regions.

2009 Goals and Objectives

1. Coordinate and facilitate the annual Operator Training Seminar in 2009.
2. Create internal training programs for Texas RE staff.
3. Coordinate and facilitate 2 compliance workshops to be attended by registered entities and other stakeholders.
4. Assist with developing and providing training to registered entities as needed (i.e. cyber-security).

Staffing Needs

Hiring Plans

Based on the existing and proposed work as outlined in this business plan, Texas RE will require an additional .2 FTEs of staff for 2009.

Shared Employees

Not applicable

Contractors

Not applicable

Section A — 2009 Business Plan

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Training and Education					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
Assessments	\$ 73,503	\$ 73,503	\$ -	\$ 106,415	\$ 32,912
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	70,000	-	(70,000)	70,000	70,000
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 143,503	\$ 73,503	\$ (70,000)	\$ 176,415	\$ 102,912
Expenses					
Personnel Expenses					
Salaries	\$ 38,154	\$ 38,154	\$ -	\$ 52,608	\$ 14,454
Payroll Taxes	3,167	3,167	-	4,209	1,042
Benefits	4,578	4,578	-	5,524	946
Retirement Costs	4,464	4,464	-	7,628	3,164
Total Personnel Expenses	\$ 50,363	\$ 50,363	\$ -	\$ 69,969	\$ 19,606
Meeting Expenses					
Meetings	\$ 70,000	\$ -	\$ (70,000)	\$ 105,000	\$ 105,000
Travel	10,140	1,400	(8,740)	1,446	46
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 80,140	\$ 1,400	\$ (78,740)	\$ 106,446	\$ 105,046
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	13,000	-	(13,000)	-	-
Total Operating Expenses	\$ 13,000	\$ -	\$ (13,000)	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 143,503	\$ 51,763	\$ (91,740)	\$ 176,415	\$ 124,652
Change in Assets	\$ -	\$ 21,740	\$ 21,740	\$ -	\$ (21,740)

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- Funding is received through assessment income and training reimbursements. The program funding streams are designed to fully fund total expenses.
- Expect to receive \$70K in training reimbursement fees to offset the cost of the operator training seminar.

Personnel Expenses

- Expenses are higher related to the addition of .20 FTEs for 2009, which is higher than the 2008 forecast of personnel for the full year.

Meeting Expenses

- Travel expenses are virtually unchanged.
- Meeting expenses are expected to be \$105K. \$70K related to the operator training seminar and \$35K for 2 other workshops to be held throughout the year to facilitate expanded training.

Operating Expenses

- None expected.

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	5.25	1.35	2.20
Total Direct Expenses	\$ 574,242	\$ 221,020	\$ 365,180
Total Indirect Expenses ¹	\$ 485,740	\$ 182,228	\$ 399,266
Total Expenses	\$1,059,982	\$ 403,248	\$ 764,446

Background

The Reliability Assessment and Performance Analysis Program has two major functions. The first is to conduct compliance analyses of systems events to determine whether any non-compliance with the standards are the root cause of the event and how these events relate to the reliability of the Bulk Power System. The second is to create regular reports that are required by NERC, Texas RE's Board and the Public Utility Commission of Texas (PUCT) that provide insight into how the Bulk Power System is performing. In addition to the regular reports, this program also supports special reports and data requests.

Program Description and Functions Performed

Event Analysis

Texas RE directly monitors data from the ERCOT ISO IT systems to determine if Bulk Power System events occurred having potential reliability issues. In addition, the ERCOT ISO, through a working agreement with Texas RE, reports any incidents that they believe impact system reliability issues or that are potential reliability standards or Protocol violations. Texas RE reviews events from both of these sources to determine the root cause of the event and determine whether additional review is needed to address either reliability concerns or possible violations. This analysis is needed to determine if the system(s) and equipment involved are operating correctly and are being properly applied, maintained, and/or tested. During its analysis process, Texas RE makes a number of requests for data and documentation from registered entities and may need to have on-site visits with the registered entities.

Currently, Texas RE has 1.4 dedicated staff for the reliability assessment function. To enable us to improve our ability to respond more quickly to events we are increasing staff to 2.2 FTEs.

Reporting

ERCOT ISO prepares three reliability assessments each year for the region: a long-term reliability assessment report; a summer assessment report; and a winter assessment report. These reports analyze electricity demand and the adequacy of supply in the ERCOT Region as well as examine the adequacy of the transmission system. Texas RE reviews these assessments to understand any changes in the reliability of the transmission system and if any new threats to reliability are uncovered. Reliability assessment reports will also be prepared in response to unusual events or to support requests from NERC, FERC or the PUCT. Results of independent assessments of the overall reliability and adequacy of the ERCOT Bulk Power System will be reviewed and reported for 2009 summer, 2009/2010 winter, and 2009-2018.

This group also supports the preparation of reports for the Texas RE Board and the PUCT.

2009 Goals and Objectives

1. Selectively monitor system operations and extract data at various intervals to meet reporting requirements and assess performance and compliance with NERC and Regional Standards.
2. Periodic data submittal review and analysis.
3. Ensure that there is sufficient resources to conduct event analyses and provide analytical reports related to reliability.

Staffing Needs

Hiring Plans

Based on the existing and proposed work as outlined in this business plan, Texas RE will require an additional .8 FTEs for 2009.

Shared Employees

Not applicable

Contractors

Not applicable

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Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Assessment and Performance Analysis					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
Assessments	\$ 574,242	\$ 574,242	\$ -	\$ 365,180	\$ (209,062)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 574,242	\$ 574,242	\$ -	\$ 365,180	\$ (209,062)
Expenses					
Personnel Expenses					
Salaries	\$ 385,676	\$ 180,090	\$ (205,586)	\$ 270,100	\$ 90,010
Payroll Taxes	32,011	10,857	(21,154)	21,608	10,751
Benefits	46,281	12,887	(33,394)	31,191	18,304
Retirement Costs	45,124	14,576	(30,548)	39,165	24,589
Total Personnel Expenses	\$ 509,092	\$ 218,410	\$ (290,682)	\$ 362,063	\$ 143,653
Meeting Expenses					
Meetings	\$ 810	\$ 810	\$ -	\$ -	\$ (810)
Travel	4,340	1,800	(2,540)	3,117	1,317
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 5,150	\$ 2,610	\$ (2,540)	\$ 3,117	\$ 507
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	60,000	-	(60,000)	-	-
Total Operating Expenses	\$ 60,000	\$ -	\$ (60,000)	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 574,242	\$ 221,020	\$ (353,222)	\$ 365,180	\$ 144,160
Change in Assets	\$ -	\$ 353,222	\$ 353,222	\$ -	\$ (353,222)

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- Funding is received only through assessment income and is designated to fully fund total expenses.

Personnel Expenses

- Expenses are expected to be lower and reflect the expected labor required in 2009 based on an assessment of time tracking. For 2008, it was assumed that there would be substantially more hours required to complete the requisite work-load. The difference in FTEs forecast for 2008 from the 2008 budget were reallocated to primarily the Compliance, Registration and Certification program areas as necessary.

Meeting Expenses

- Travel expenses are expected to be \$3K to facilitate the travel needs of this function as it relates to NERC meetings and travel associated with this function.

Operating Expenses

- None expected.

Situation Awareness and Infrastructure Security Program

Situational Awareness and Infrastructure Security Program Resources (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	0.40	0.60	1.50
Total Direct Expenses	\$ 46,925	\$ 43,325	\$ 159,129
Total Indirect Expenses ¹	\$ 34,696	\$ 78,098	\$ 268,443
Total Expenses	\$ 81,621	\$ 121,423	\$ 427,572

Background

This program supports two distinct functions. Situational Analysis is focused on near real-time analysis of the Bulk Power System for ERCOT ISO. Infrastructure Security focuses on protecting tangible assets from a variety of threats. The majority of activity for this program in 2009 relates to Infrastructure Security, however, some resources are also planned for Situational Analysis.

Infrastructure Security Program

Responsible Entities must become compliant with Critical Infrastructure Protection (CIP) Standards based on the NERC implementation schedules. ERCOT ISO is the only designated Balancing Authority (BA), Transmission Operator (TOP), and Reliability Coordinator (RC) in the ERCOT Region and was required to self-certify compliance to NERC's Urgent Action Cyber Security Standard 1200. As such, ERCOT ISO must be either compliant or substantially compliant with all CIP Standards requirements by the end of the second quarter 2008; either auditably compliant or compliant with all of the CIP Standards requirements by the end of the second quarter 2009; and auditably compliant with all CIP Standards requirements by the end of the second quarter 2010.

Entities registered in the ERCOT Region as Transmission Owners, Generator Owners, Generator Operators, or Load-Serving Entities have begun work on being compliant with all CIP Standards requirements during the second quarter 2007. These registered entities must also be substantially compliant or compliant with all CIP Standards requirements within twelve months after registration is completed; compliant or auditably compliant with all CIP Standards Requirements within twenty-four months after registration is completed; and auditably compliant with all CIP Standards Requirements within thirty-six months after registration is completed. All new registered entities must also become compliant with all CIP Standards requirements in accordance with the compliance schedule.

The Texas RE will continue to play an active role during the implementation of the CIP Standards requirements. To provide time for Responsible Entities to examine their policies and procedures, to assemble the necessary documentation, and to meet the requirements of the CIP Standards, compliance assessment began in 2007. Status reports are also being requested from Responsible Entities to verify that entities are on schedule and meeting the implementation plan. NERC expects its regional entities to provide assistance and education on the CIP Standards to ease the transition. Texas RE is budgeting to provide training to registered entities and other stakeholders under the training function budget. Some of the content in this training will be related to cyber-security and will be internally developed.

Program Description and Functions Performed

This program will support activities associated with cyber security, including monitoring and enforcement of compliance with the CIP (CIP-001 thru 009) Standards. The intent of the NERC CIP Standards is to ensure that all entities responsible for the reliability of the Bulk Power System identify and protect critical cyber assets that control or could impact the reliability of the Bulk Power System. The CIP Standards

Section A — 2009 Business Plan

requirements are being communicated to all responsible entities to ensure compliance in accordance with the Cyber Security Standards Implementation Plan. This requires a significant amount of communication with the ERCOT ISO Security Department and entities responsible for complying with the CIP Standards. Compliance Audits, self-certifications, and spot checks will be required to verify compliance.

Situational Awareness

Currently, Texas RE relies significantly on the ERCOT ISO to provide details on situational issues. Texas RE Staff have direct access to historical data via the data warehouse. Starting in mid 2008 Texas RE will work with the ERCOT ISO to install a real-time monitoring workstation and any needed training to allow Texas RE to monitor the real-time events on the system.

2009 Goals and Objectives

1. Implement first CIP audit with ERCOT ISO
2. Maintain a real-time link to the ERCOT ISO system including a Situational Awareness workstation.
3. Ensure system information is communicated to NERC and FERC in a timely manner.
4. Develop and deliver CIP education plan and workshop for registered entities.
5. Enhance Texas RE website with CIP information and links

Staffing Needs

Hiring Plans

Based on the existing and proposed work as outlined in this business plan, Texas RE will require an additional .9 FTEs of staff for 2009. However, this position will already have been added in 2008, but will be added mid-year.

Shared Employees

Not applicable

Contractors

Not applicable

Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Situational Awareness and Infrastructure Security					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
Assessments	\$ 46,925	\$ 46,925	\$ -	\$ 159,129	\$ 112,204
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 46,925	\$ 46,925	\$ -	\$ 159,129	\$ 112,204
Expenses					
Personnel Expenses					
Salaries	\$ 32,368	\$ 32,368	\$ -	\$ 118,842	\$ 86,474
Payroll Taxes	2,687	2,687	-	9,507	6,820
Benefits	3,883	3,883	-	12,479	8,596
Retirement Costs	3,787	3,787	-	17,232	13,445
Total Personnel Expenses	\$ 42,725	\$ 42,725	\$ -	\$ 158,060	\$ 115,335
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	200	600	400	1,069	469
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 200	\$ 600	\$ 400	\$ 1,069	\$ 469
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	4,000	-	(4,000)	-	-
Total Operating Expenses	\$ 4,000	\$ -	\$ (4,000)	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 46,925	\$ 43,325	\$ (3,600)	\$ 159,129	\$ 115,804
Change in Assets	\$ -	\$ 3,600	\$ 3,600	\$ -	\$ (3,600)

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- Funding is received only through assessment income and is designated to fully fund total expenses.

Personnel Expenses

- Expenses are expected to be higher due to the need to dedicate a full-time Staff position to the CIP function as well as have additional fractional labor support from other areas to collaborate on CIP related standards and projects and situational awareness.

Meeting Expenses

- Travel expenses are expected to be \$1K to facilitate the travel needs of this function as it relates to NERC meetings.

Operating Expenses

- None expected.

Administrative Services

Administrative Services (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	4.5	4.0	6.8
Total Indirect Expenses	\$1,364,699	\$2,186,741	\$3,660,875

General and Administrative

Functional Description

The CEO & CCO carries on the general affairs of the Texas RE. The CEO & CCO is independent of any registered entity and reports exclusively to the Texas RE Board of Directors. The CEO & CCO is responsible for:

- Overseeing and managing the activities of Texas RE.
- Making final decisions with respect to enforcement related to compliance actions for violations of reliability standards.
- Making employment-related decisions for all employees of Texas RE.
- Making an annual report and periodic reports to Texas RE's Board concerning the activities and expenditures of Texas RE.
- Ensuring that Texas RE files all required reports with NERC.
- Monitoring the expenditures of the monies received by Texas RE to ensure that such are deployed in accordance with the approved Texas RE Budget (in cooperation with the Finance Staff).
- Retaining or terminating outside counsel or other advisors as deemed appropriate.
- Performing such other duties as may be determined from time to time by Texas RE's Board, for the benefit of the Texas RE.

An Executive Assistant will be responsible for providing executive-level administrative support to the Texas RE CEO & CCO. The Executive Assistant will also perform general office manager activities and provide support to other Texas RE Staff as needed.

2009 Goals and Objectives

1. Communicate and maintain effective relationships with the industry, regulators, and other stakeholders.
2. Conduct base operations with the approved budget.
3. Effectively manage the NERC Compliance Monitoring and Enforcement Program.
4. Monitor and investigate Non-Compliance with ERCOT Region Protocols and Operating Guides.
5. Manage Texas RE's Standards development process.
6. Establish Key Performance Indicators and Benchmarks for Texas RE operation.

Staffing Needs

Hiring Plans

Based on the existing and proposed work as outlined in this business plan, Texas RE will require an additional 2.0 FTEs of staff for 2009. These positions are in support of the IT and Legal

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functions. However, these positions have been budgeted within the G&A function budget to maintain confidentiality.

Shared Employees

Texas RE does receive Facilities, Treasury, Finance, Human Resources, Legal, and Information Technology support from ERCOT ISO. There is a Memorandum of Understanding outlining the details of the services and the associated expenses, a summary of which is attached.

Contractors

Not applicable

Section A — 2009 Business Plan

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
General and Administrative					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
Assessments	\$ 1,206,639	\$ 1,206,639	\$ -	\$ 257,531	\$ (949,108)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	92,500	92,500	-	(92,500)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,206,639	\$ 1,299,139	\$ 92,500	\$ 257,531	\$ (1,041,608)
Expenses					
Personnel Expenses					
Salaries	\$ 500,157	\$ 500,157	\$ -	\$ 764,074	\$ 263,917
Payroll Taxes	41,513	41,513	-	61,126	19,613
Benefits	60,021	60,021	-	61,605	1,584
Retirement Costs	58,518	58,518	-	110,791	52,273
Total Personnel Expenses	\$ 660,209	\$ 660,209	\$ -	\$ 997,596	\$ 337,387
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	6,480	12,120	5,640	12,820	700
Conference Calls	1,000	-	(1,000)	-	-
Total Meeting Expenses	\$ 7,480	\$ 12,120	\$ 4,640	\$ 12,820	\$ 700
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ 6,000	\$ 6,000
Contracts	89,000	203,585	114,585	280,654	77,069
Office Rent	80,000	165,000	85,000	517,550	352,550
Office Costs	15,950	10,788	(5,162)	13,320	2,532
Professional Services	160,000	311,700	151,700	30,000	(281,700)
Computer Purchase & Maintenance	123,000	149,500	26,500	200,400	50,900
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	10,515	10,515
Contingency	71,000	-	(71,000)	-	-
Total Operating Expenses	\$ 538,950	\$ 840,573	\$ 301,623	\$ 1,058,439	\$ 217,866
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 855,000	\$ 855,000
Total Expenses	\$ 1,206,639	\$ 1,512,902	\$ 306,263	\$ 2,923,855	\$ 1,410,953
Change in Assets	\$ -	\$ (213,763)	\$ (213,763)	\$ (2,666,324)	\$ (2,452,561)

Salaries for all Administrative Functions have been consolidated under the G&A function to ensure personnel confidentiality.

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- Funding is received only through assessment income and is designated to fully fund total expenses.

Personnel Expenses

- Salaries and benefits for all of the support departments are budgeted within the G&A department to ensure personnel confidentiality.
- There are some headcount additions within the Legal and IT department for 2009 which are reflected in the G&A department. Personnel expenses are expected to be higher due to the need to add 1 content coordinator position for IT and 1 legal counsel position for Legal & Regulatory affairs.
- Finally, the 2009 budget assumes full staff for the full year.

Meeting Expenses

- Travel expenses are virtually unchanged from 2008's forecast to the 2009 budget.

Operating Expenses

- Operating expenses are increasing by more than \$217K. This increase is primarily attributed to the increase in service costs for support services and Texas RE's anticipated rent increase, offset by reductions in expected legal expenses incurred under the G&A department.

Legal and Regulatory

Functional Description

Texas RE Legal and Regulatory provides legal advice and counsel to Texas RE management, board, and staff on all legal and regulatory matters affecting Texas RE, including corporate governance, transactions, personnel, governmental relations, communications, and regulatory matters. Legal staff also retains and oversees the work of outside counsel as needed. Legal and regulatory staff anticipates that the primary regulatory emphasis during 2009 will include NERC registration appeals, investigation oversight, settlement coordination, and enforcement proceedings under the CMEP, but staff will continue to review and provide feedback to NERC regarding new and modified standards, procedures, and templates used in the CMEP process. Texas RE attorneys, or outside counsel overseen by Texas RE attorneys, will represent the Texas RE in its quasi-prosecutorial role in CMEP enforcement hearings, and in NERC, FERC, and PUCT rulemakings and other proceedings. Specific objectives include:

2009 Goals and Objectives

1. Coordinate Texas RE board information, meetings, and materials and maintain corporate bylaws and board procedures as required by the Delegation Agreement, NERC Rules, and FERC Orders.
2. Represent Texas RE in all NERC, FERC, regulatory matters, and legal proceedings.
3. Oversee prosecution of CMEP hearings of contested enforcement matters.
4. Oversee investigations to ensure accurate and complete documentation is maintained and appropriate and consistent procedures are followed.
5. Communicate and maintain effective relationships with NERC, FERC, the PUCT, and other governmental authorities.
6. Manage and oversee all Texas RE registration and enforcement action appeals.
7. Review Texas RE enforcement actions, penalties, and sanctions for consistency.
8. Participate in settlement processes and review all settlements for consistent application of the CMEP.
9. Review and provide input to NERC regarding new and modified standards, procedures, forms, and templates.

Section A — 2009 Business Plan

Legal and Regulatory

Funding sources and related expenses for the legal & regulatory section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Legal and Regulatory					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
Assessments	\$ 92,050	\$ 92,050	\$ -	\$ 314,394	\$ 222,344
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 92,050	\$ 92,050	\$ -	\$ 314,394	\$ 222,344
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ 810	\$ 810	\$ -	\$ -	\$ (810)
Travel	2,740	4,300	1,560	8,994	4,694
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 3,550	\$ 5,110	\$ 1,560	\$ 8,994	\$ 3,884
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	500	-	(500)	2,400	2,400
Professional Services	60,000	300,000	240,000	300,000	-
Computer Purchase & Maintenance	-	-	-	3,000	3,000
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	28,000	-	(28,000)	-	-
Total Operating Expenses	\$ 88,500	\$ 300,000	\$ 211,500	\$ 305,400	\$ 5,400
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 92,050	\$ 305,110	\$ 213,060	\$ 314,394	\$ 9,284
Change in Assets	\$ -	\$ (213,060)	\$ (213,060)	\$ -	\$ 213,060

Salaries for all Administrative Functions have been consolidated under the G&A function to ensure personnel confidentiality.

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- Funding is received only through assessment income and is designated to fully fund total expenses.

Personnel Expenses

- Salaries and benefits for Legal and Regulatory are budget within the G&A Department to ensure personnel confidentiality.

Meeting Expenses

- Travel expenses are expected to approximately double in legal due to the addition of a legal counsel for 2009.

Operating Expenses

- Legal expenses were budgeted in 2008 under both the G&A department and the legal department. The forecast for 2008 is higher related to legal based on increased outside legal counsel expenses as well as an increase in activity related to Compliance, Registration and Certification. The 2009 budget is approximately \$5K higher due to additional legal bar related expenses, fees and dues expenses.

Information Technology

Functional Description

IT Staff will provide a broad range of information technology support to Texas RE.

IT Staff will work with Texas RE management to develop a technological strategy to reach Texas RE's long-term goals and meet immediate system and hardware needs. IT Staff will perform a variety of technical and administrative tasks in the planning, development, deployment, support, and security of enterprise systems and computer applications and systems, including providing training and technical support to the users and assisting with compliance to Critical Infrastructure Protection Standards.

To ensure that tools provided to Texas RE by ERCOT ISO and vendors are well maintained, service levels remain high, and costs are controlled, IT Staff will provide vendor management and coordinate with ERCOT ISO IT Staff on day-to-day support, administration, and future requirements.

IT Staff also has the general responsibility to keep Texas RE systems up-to-date with evolving industry standards. IT Staff will work with partners, regional entities, and NERC to that end.

IT Staff will manage the design, implementation, support, and maintenance of the tools and delivery mechanisms to support the communication of information to the market, specifically the Texas RE Web site, Texas RE e-mail boxes and lists, e-newsletters, and Web-based training.

IT Staff will also manage the design, implementation, support, and maintenance of Texas RE data and records management tools to support the ability of Texas RE Staff and registered entities to comply with NERC standards and implement ERCOT Regional Standards; specifically, such tools include the compliance data portal and tracking tool, the Reliability Standards tracking tool, and the electronic document management system. IT Staff will also assist with the transition of Texas RE Staff's ability to receive or view necessary data in ERCOT ISO nodal systems. IT Staff will also participate in the design and development of database models, Web-enabled applications, data extraction and delivery methods, and data presentation.

2009 Goals and Objectives

IT objectives for 2009 include the following:

1. Determine long-term system needs and develop strategy.
2. Assist in determining and meeting immediate system and hardware needs.
3. Manage vendors to ensure quality of services and applications, responsiveness to Texas RE needs, and cost controls.
4. Liaise with ERCOT ISO IT Staff regarding IT systems and tools.
5. Work effectively with technological partners, other regional entities, and NERC to ensure that Texas RE is in keeping with industry standards.
6. Assist in ensuring all information systems are functional and secure, and that all applications running on those systems meet business requirements for performance, availability, and security.

Section A — 2009 Business Plan

Information Technology

Funding sources and related expenses for the information technology section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Information Technology					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
Assessments	\$ 11,650	\$ 11,650	\$ -	\$ 383,500	\$ 371,850
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 11,650	\$ 11,650	\$ -	\$ 383,500	\$ 371,850
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	150	-	(150)	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 150	\$ -	\$ (150)	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	500	-	(500)	-	-
Professional Services	-	40,000	40,000	60,000	20,000
Computer Purchase & Maintenance	-	289,501	289,501	323,500	33,999
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	11,000	-	(11,000)	-	-
Total Operating Expenses	\$ 11,500	\$ 329,501	\$ 318,001	\$ 383,500	\$ 53,999
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 11,650	\$ 329,501	\$ 317,851	\$ 383,500	\$ 53,999
Change in Assets	\$ -	\$ (317,851)	\$ (317,851)	\$ -	\$ 317,851

Salaries for all Administrative Functions have been consolidated under the G&A function to ensure personnel confidentiality.

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- Funding is received only through assessment income and is designated to fully fund total expenses.

Personnel Expenses

- Salaries and benefits for Legal and Regulatory are budget within the G&A Department to ensure personnel confidentiality.

Meeting Expenses

- None expected.

Operating Expenses

- Approximately \$54K higher due to the full year hosting and maintenance of the Texas RE web site.

Human Resources

Functional Description

The Human Resources function is captured in the General & Administrative expenses and is included as a component of the expenses charged to Texas RE by ERCOT ISO for support services outlined in the Memorandum of Understanding.

Finance and Accounting

Functional Description

The Finance Staff will provide a broad range of support to Texas RE personnel and department managers. Finance Staff is required to formulate and monitor the Texas RE budget for controlling funds to implement the Texas RE's objectives and will also review and evaluate the performance of key processes for maintaining tight financial controls in a cost-effective and efficient manner. Finance Staff will guide the annual budget process for the Texas RE and measure performance of all key aspects of the Texas RE to ensure performance matches or exceeds expectations, including the analysis of trends affecting budget needs and developing periodic financial reports. Finance Staff will liaise with ERCOT Finance Staff to ensure all finance and budget-related requirements are communicated, met, and adhered to.

Texas RE's monthly general ledger close activities will be managed by Texas RE financial personnel. Finance Staff are required to ensure Texas RE appropriately accounts for all Statutory and Non-Statutory expenses and revenue appropriately. This will involve generating monthly financial reports that will be communicated to the CEO and CCO, the budget managers and the Board of Directors.

Finance Staff are required to generate quarterly and annual financial reports to be filed with NERC as well as other ad hoc reporting that may be required.

2009 Goals and Objectives

1. Ensure that the accounting and finance functions are appropriately managed at Texas RE.
2. Keep the Chief Executive Officer/Chief Compliance Officer informed of budget, expenditure and total operational financial performance.
3. Ensure that Texas RE receives an unqualified opinion on the audit of the financial statements.
4. Continue to support NERC finance staff in coordination of quarterly and annual reporting requirements.
5. Review workflow and adjust as required to better enable Texas RE staff operational success.

Section A — 2009 Business Plan

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Finance and Accounting					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
Assessments	\$ 54,360	\$ 54,360	\$ -	\$ 39,126	\$ (15,234)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 54,360	\$ 54,360	\$ -	\$ 39,126	\$ (15,234)
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	3,860	2,500	(1,360)	2,481	(19)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 3,860	\$ 2,500	\$ (1,360)	\$ 2,481	\$ (19)
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	500	-	(500)	-	-
Professional Services	36,000	36,728	728	36,000	(728)
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	645	645
Contingency	14,000	-	(14,000)	-	-
Total Operating Expenses	\$ 50,500	\$ 36,728	\$ (13,772)	\$ 36,645	\$ (83)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 54,360	\$ 39,228	\$ (15,132)	\$ 39,126	\$ (102)
Change in Assets	\$ -	\$ 15,132	\$ 15,132	\$ -	\$ (15,132)

Salaries for all Administrative Functions have been consolidated under the G&A function to ensure personnel confidentiality.

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- Funding is received only through assessment income and is designated to fully fund total expenses.

Personnel Expenses

- Salaries and benefits for Legal and Regulatory are budget within the G&A Department to ensure personnel confidentiality.

Meeting Expenses

- Travel is the only expense category and is virtually unchanged from the 2008 forecast to the 2009 budget.

Operating Expenses

- Expenses are virtually unchanged between the 2008 forecast and the 2009 budget.

Section B — 2009 Budget

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
STATUTORY					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
Assessments	\$ 3,226,066	\$ 3,226,066	\$ -	\$ 3,430,700	\$ 204,634
Workshops	70,000	-	(70,000)	70,000	70,000
Interest	-	92,500	92,500	-	(92,500)
Miscellaneous	-	-	-	-	-
Total Funding	\$ 3,296,066	\$ 3,318,566	\$ 22,500	\$ 3,500,700	\$ 182,134
Expenses					
Personnel Expenses					
Salaries	\$ 1,718,289	\$ 1,747,254	\$ 28,965	\$ 2,496,968	\$ 749,714
Payroll Taxes	142,617	146,388	3,771	192,152	45,763
Benefits	206,195	207,011	816	268,261	61,250
Retirement Costs	201,040	206,849	5,809	355,497	148,648
Total Personnel Expenses	\$ 2,268,141	\$ 2,307,502	\$ 39,361	\$ 3,312,877	\$ 1,005,375
Meeting Expenses					
Meetings	\$ 73,240	\$ 3,240	\$ (70,000)	\$ 105,000	\$ 101,760
Travel	93,235	86,720	(6,515)	107,470	20,750
Conference Calls	1,000	-	(1,000)	-	-
Total Meeting Expenses	\$ 167,475	\$ 89,960	\$ (77,515)	\$ 212,470	\$ 122,510
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ 6,000	\$ 6,000
Contracts	89,000	203,585	114,585	280,654	77,069
Office Rent	80,000	165,000	85,000	517,550	352,550
Office Costs	17,450	10,788	(6,662)	18,280	7,492
Professional Services	256,000	688,428	432,428	426,000	(262,428)
Computer Purchase & Maint.	123,000	439,001	316,001	527,032	88,031
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	11,160	11,160
Contingency	295,000	-	(295,000)	-	-
Total Operating Expenses	\$ 860,450	\$ 1,506,802	\$ 646,352	\$ 1,786,676	\$ 279,874
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 855,000	\$ 855,000
Total Expenses	\$ 3,296,066	\$ 3,904,264	\$ 608,198	\$ 6,167,024	\$ 2,262,760
Change in Assets	\$ -	\$ (585,698)	\$ (585,698)	\$ (2,666,324)	\$ (2,080,626)

Personnel Analysis

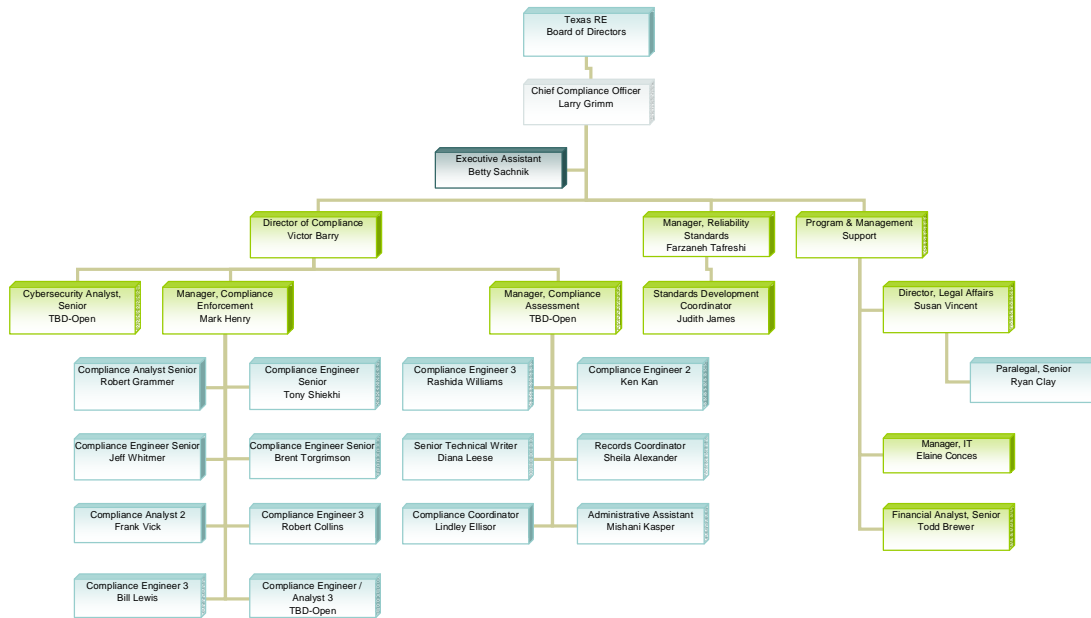
Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection	Draft 1 2009 Budget
STATUTORY					
Operational Programs					
Reliability Standards	2.00	1.70	1.70	0.00	1.7
Compliance and Organization Registration and Certification	6.40	12.40	14.15	1.75	13.7
Reliability Readiness Audit and Improvement	0.40	0.30	0.00	-0.30	0.5
Training and Education	0.38	0.40	0.60	0.20	0.6
Reliability Assessment and Performance Analysis	5.25	1.35	2.20	0.80	2.2
Situational Awareness and Infrastructure Security	0.40	0.60	1.50	0.90	1.5
Total FTEs Operational Programs	14.83	16.75	20.15	3.35	20.2
Administrative Programs					
General & Administrative	1.50	1.35	1.70	0.35	6.8
Information Technology	0.75	0.70	1.70	1.00	0.0
Legal and Regulatory	1.50	1.25	2.55	1.30	0.0
Accounting	0.75	0.70	0.85	0.15	0.0
Total FTEs Administrative Programs	4.50	4.00	6.80	2.80	6.8
Total FTEs	19.33	20.75	26.95	6.15	26.9

2008 Organizational Chart

Table 3

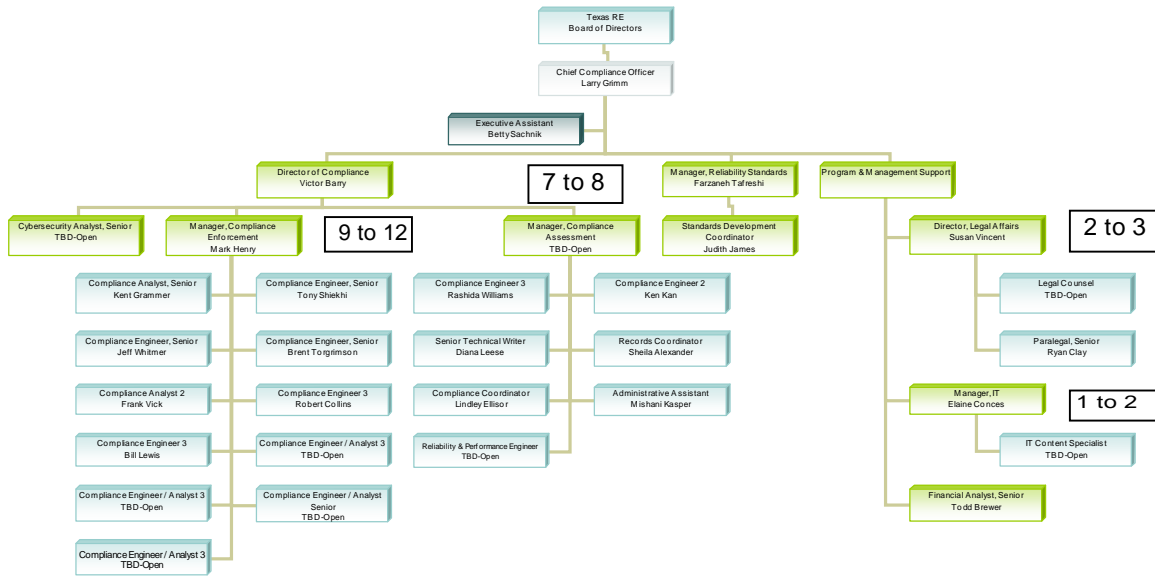
Salaries and benefits for Legal and Regulatory are budget within the G&A Department to ensure personnel confidentiality.



2009 Organizational Chart

Table 4

Salaries and benefits for Legal and Regulatory are budget within the G&A Department to ensure personnel confidentiality.



Reserve Balance

Table 5

Working Capital Reserve Analysis 2008-2009	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2007	3,252,021
Plus: 2008 ERO Funding (from LSEs or designees)	3,226,066
Plus: 2008 Other Funding Sources (Cash basis)	92,500
Less: 2008 Projected Expenses & Capital Expenditures (Cash basis)	<u>(3,904,264)</u>
Projected Working Capital Reserve (Deficit), December 31, 2008	<u>2,666,323</u>
Desired Working Capital Reserve, December 31, 2009 ¹	855,000
Less: Projected Working Capital Balance December 31, 2008	<u>2,666,323</u>
Increase/(Decrease) in Assessments to Achieve Desired Working Capital Reserve	<u>(1,811,323)</u>
2009 Assessment for Expenses and Capital Expenditures, Excluding Working Capital Reserve (Cash basis)	5,312,024
Less: Other Sources of Income	(70,000)
Adjustment to Achieve Desired Working Capital Balance	<u>(1,811,323)</u>
2009 Assessment	<u>3,430,700</u>

¹ On June 17, 2008 Texas RE's Board of Directors approved the budget reflecting a desired 60-day cash on hand balance to be reserved for Texas RE.

Regional Entity Assessment Analysis

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1, page 45, of the 2009 Texas RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Supplemental Funding

Table B-1

Outside Funding Breakdown By Program	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Training and Education					
Systems Operators Training Seminar	\$ 70,000	\$ -	\$ 70,000	\$ 70,000	
Total	<u>\$ 70,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 70,000</u>	
General and Administrative					
Interest Income	\$ -	\$ 92,500	\$ -	\$ (92,500)	-100.00%
Total	<u>\$ -</u>	<u>\$ 92,500</u>	<u>\$ -</u>	<u>\$ (92,500)</u>	<u>-100.00%</u>
Total Outside Funding	<u>\$ 70,000</u>	<u>\$ 92,500</u>	<u>\$ 70,000</u>	<u>\$ (22,500)</u>	<u>-24.32%</u>

Personnel Expenses

Table B-2

Personnel Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Salaries					
Salary	\$ 1,718,289	\$ 1,747,254	\$ 2,496,968	\$ 749,714	42.91%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	<u>\$ 1,718,289</u>	<u>\$ 1,747,254</u>	<u>\$ 2,496,968</u>	<u>\$ 749,714</u>	<u>42.91%</u>
Payroll Taxes					
FICA	\$ 103,892	\$ 105,677	\$ 149,398	\$ 43,721	41.4%
Medicare	23,261	24,986	34,347	9,361	37.5%
SUI	13,746	13,978	6,005	(7,973)	-57.0%
FUI	1,718	1,747	2,402	655	37.5%
Total Payroll Taxes	<u>\$ 142,617</u>	<u>\$ 146,388</u>	<u>\$ 192,152</u>	<u>\$ 45,763</u>	<u>31.3%</u>
Benefits					
Workers Compensation	\$ 27,493	\$ 27,956	\$ 38,430	\$ 10,474	37.5%
Medical Insurance	171,742	172,095	217,290	45,196	26.3%
Life-LTD Insurance	1,200	1,200	1,440	240	20.0%
Reimbursable Resource	5,760	5,760	11,100	5,340	92.7%
Total Benefits	<u>\$ 206,195</u>	<u>\$ 207,011</u>	<u>\$ 268,261</u>	<u>\$ 61,250</u>	<u>29.6%</u>
Retirement					
Profit Sharing Plan / SERP	\$ 154,646	\$ 157,253	\$ 249,697	\$ 92,444	58.8%
Savings Plan	46,394	49,596	105,800	56,204	113.3%
Total Retirement	<u>\$ 201,040</u>	<u>\$ 206,849</u>	<u>\$ 355,497</u>	<u>\$ 148,648</u>	<u>71.9%</u>
Total Personnel Costs	<u>\$ 2,268,141</u>	<u>\$ 2,307,502</u>	<u>\$ 3,312,877</u>	<u>\$ 1,005,375</u>	<u>43.6%</u>

Section B — 2009 Regional Entity Budget

Meeting Expenses

Table B-3

Meeting Expenses

Meeting Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 810	\$ 810	\$ -	\$ (810)	-100.00%
Compliance and Organization Registration and Certification	810	810	-	(810)	-100.00%
Reliability Assessment and Performance Analysis	810	810	-	(810)	-100.00%
Training and Education	\$ 70,000	\$ -	\$ 105,000	\$ 105,000	
Legal and Regulatory	810	810	-	(810)	-100.00%
Total Meeting Expenses	\$ 73,240	\$ 3,240	\$ 105,000	\$ 101,760	3140.74%

Travel Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 8,500	\$ 3,500	\$ 4,344	\$ 844	24.11%
Compliance and Organization Registration and Certification	46,205	60,000	66,187	6,187	10.31%
Reliability Readiness Audit and Improvement	10,620	500	7,012	6,512	1302.40%
Reliability Assessment and Performance Analysis	4,340	1,800	3,117	1,317	73.17%
Training and Education	10,140	1,400	1,446	46	3.29%
Situational Awareness and Infrastructure Security	200	600	1,069	469	78.17%
General and Administrative	6,480	12,120	12,820	700	5.78%
Legal and Regulatory	2,740	4,300	8,994	4,694	109.16%
Information Technology	150	-	-	-	
Accounting and Finance	3,860	2,500	2,481	(19)	-0.76%
Total Travel Expenses	\$ 93,235	\$ 86,720	\$ 107,470	\$ 20,750	23.93%

Conference Call Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
General and Administrative	\$ 1,000	\$ -	\$ -	\$ -	
Total Conference Calls	\$ 1,000	\$ -	\$ -	\$ -	
Total Meeting Expenses	\$ 167,475	\$ 89,960	\$ 212,470	\$ 122,510	136.18%

Section B — 2009 Regional Entity Budget

Operating Expenses

Table B-4

Consultants	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Consultants					
Recruitment	\$ -	\$ -	\$ 6,000	\$ 6,000	
Consultants Total	\$ -	\$ -	\$ 6,000	\$ 6,000	

Table B-5

Contracts	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Contracts - Software					
Support Department Allocation	\$ 89,000	\$ 203,585	\$ 280,654	\$ 77,069	37.86%
Contracts - Software Total	\$ 89,000	\$ 203,585	\$ 280,654	\$ 77,069	37.86%

Table B-6

Office Rent	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Office Rent & Facilities Support	\$ 80,000	\$ 165,000	\$ 517,550	\$ 352,550	213.67%
Total Office Rent	\$ 80,000	\$ 165,000	\$ 517,550	\$ 352,550	213.67%

Table B-7

Office Costs	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Office Supplies	\$ 12,950	\$ 7,528	\$ 8,400	\$ 872	11.58%
Dues	500	360	5,080	\$ 4,720	1311.11%
Postage	1,000	200	1,200	\$ 1,000	500.00%
Express Shipping	1,000	900	1,200	\$ 300	33.33%
Reports - Graphics	1,000	600	1,200	\$ 600	100.00%
Stationary Forms	1,000	1,200	1,200	\$ -	0.00%
Total Office Costs	\$ 17,450	\$ 10,788	\$ 18,280	\$ 7,492	69.45%

Table B-8

Professional Services	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Outside Legal	\$ 220,000	\$ 300,000	\$ 300,000	\$ -	0.00%
Accounting & Auditing Fees	36,000	36,728	36,000	\$ (728)	-1.98%
Other Consulting Fees	-	131,700	30,000	\$ (101,700)	-77.22%
Website Hosting and Maintenance	-	40,000	60,000	\$ 20,000	50.00%
Total Services	\$ 256,000	\$ 508,428	\$ 426,000	\$ (82,428)	-16.21%

Section B — 2009 Regional Entity Budget

Table B-9

Computer	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Software	\$ -		\$ 3,932	\$ 3,932	
IT Administration	\$ 123,000	\$ 150,195	\$ 200,400	\$ 50,205	33.43%
Computer Projects	\$ -	\$ 288,806	\$ 322,700		
Total Computer	\$ 123,000	\$ 439,001	\$ 527,032	\$ 54,137	20.05%

Table B-10

Miscellaneous	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Employee Seminars & Training	\$ -	\$ -	\$ 11,160	\$ 11,160	
Total Computer	\$ -	\$ -	\$ 11,160	\$ 11,160	

Table B-11

Other Non-Operating Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Cash/Contingency Reserve	\$ -	\$ -	\$ 855,000	\$ 855,000	
Total Non-Operating Expenses	\$ -	\$ -	\$ 855,000	\$ 855,000	

Section C — 2009 RE Non-Statutory Business Plan and Budget

Non Statutory (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	5.67	4.50	5.05
Total Direct Expenses	848,782	775,885	871,997
Total Indirect Expenses			
Total Expenses	848,782	775,885	871,997

Non-Statutory Functional Scope

In addition to its statutory functions, Texas RE monitors, audits, assesses, investigates, and reports on compliance with the reliability-related ERCOT Protocols, for the Public Utility Commission of Texas (PUCT), which is needed to safely and reliably operate the electric transmission system. The ERCOT Protocols contain the market rules for planning and operating reliable interconnected Bulk Electric System in the ERCOT Region. To ensure that the reliability of the interconnected Bulk Electric System is maintained, all ERCOT Region market participants involved in planning, operating, owning, or using this system must understand and comply with these requirements. The PUCT makes all final decisions regarding violations of Protocols and prosecutes any Protocol violations that result in enforcement actions. As part of its Non-statutory activities, Texas RE also monitors the Protocol revision process, and provides comments regarding reliability-related Protocol revisions.

In accordance with P.U.C. SUBST. R. 25.503, and the PUCT-approved “ERCOT Compliance Process“, Texas RE monitors material occurrences of non-compliance with ERCOT Protocols, which includes occurrences that have the potential to impede ERCOT ISO operations, or represent a risk to system reliability. In accordance with the approved ERCOT ISO Compliance Process, Texas RE:

- A. Maintains a record of all material occurrences of non-compliance with ERCOT Protocols and tracks recurrence of such material occurrences of non-compliance.
- B. Obtains needed information from market participants in order to review and assess system disturbances and potential material occurrences of non-compliance with the ERCOT Protocols.
- C. Promptly provides information to and responds to questions from market participants to allow the market participant to understand and respond to alleged material occurrences of non-compliance with ERCOT Protocols.
- D. Maintains a record of the resolution of such material occurrences of non-compliance and of corrective actions taken by the market participant in each instance.
- E. Informs the PUCT staff immediately of any material occurrence of non-compliance.
- F. Informs the PUCT staff of the resolution of any material occurrence of non-compliance.

Texas RE staff use daily electronic time tracking to document the time spent performing Non-statutory activities. In addition, Texas RE G&A expenses are proportionately allocated to the Non-statutory budget, based upon the time spent performing Non-statutory activities.

Texas RE estimates approximately (14%) percent of Texas RE staff time will be dedicated to monitoring, auditing, assessing, investigating, and reporting on compliance with the ERCOT Protocols and commenting on ERCOT Protocol revision requests. Funding for these Non-statutory activities is provided through the ERCOT System Administration Fee, which is based upon the fee factor approved by the ERCOT Board and the PUCT to support ERCOT activities and Texas RE Non-Statutory activities which are subject to PUCT oversight.

Major 2009 Cost Impacts

Funding Sources

- Funding is received only through ERCOT ISO to pay for these expenses.

Personnel Expenses

- Personnel expenses are less than the 2008 forecast. Texas RE is recognizing approximately \$14K less in personnel expenses due to a lower percentage of work performed for non-statutory purposes.

Meeting Expenses

- No significant change expected for 2009.

Operating Expenses

- Expenses are expected to be higher in 2009 due to the space requirements of Texas RE. The rent expense for 2009 is anticipated to be significantly higher due to the need to procure space outside of Texas REs current location.

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
NON-STATUTORY					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
Revenue	\$ 848,782	\$ 775,885	\$ (72,897)	\$ 871,997	\$ 96,112
Total Funding	\$ 848,782	\$ 775,885	\$ (72,897)	\$ 871,997	\$ 96,112
Expenses					
Personnel Expenses					
Salaries	\$ 524,494	\$ 457,692	\$ (66,802)	\$ 448,080	\$ (9,612)
Payroll Taxes	43,533	36,615	(6,918)	35,846	(769)
Benefits	62,939	48,057	(14,882)	45,942	(2,115)
Retirement Costs	61,366	66,365	4,999	64,972	(1,394)
Total Personnel Expenses	\$ 692,332	\$ 608,730	\$ (83,602)	\$ 594,840	\$ (13,890)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	3,900	4,172	272	2,181	(1,991)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 3,900	\$ 4,172	\$ 272	\$ 2,181	\$ (1,991)
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	68,000	65,044	(2,956)	118,200	53,156
Office Costs	2,550	804	(1,746)	480	(324)
Professional Services	82,000	70,630	(11,370)	89,900	19,270
Computer Purchase & Maint.	-	26,505	26,505	36,396	9,891
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	30,000	30,000
Total Operating Expenses	\$ 152,550	\$ 162,983	\$ 10,433	\$ 274,976	\$ 111,993
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 848,782	\$ 775,885	\$ (72,897)	\$ 871,997	\$ 96,112
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Personnel Analysis

Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
NON-STATUTORY				
Operational Programs				
Protocol	3.17	3.10	3.85	0.75
Total FTEs Operational Programs	3.17	3.10	3.85	0.75
Administrative Programs				
General & Administrative	2.50	1.40	1.20	-0.20
Total FTEs Administrative Programs	2.50	1.40	1.20	-0.20
Total FTEs	5.67	4.50	5.05	0.55



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**MEMORANDUM OF UNDERSTANDING BETWEEN
ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
AND TEXAS REGIONAL ENTITY**

Effective: January 1, 2008

I. Introduction

Electric Reliability Council of Texas, Inc. (ERCOT) and Texas Regional Entity (Texas RE), an independent division of ERCOT, hereby enter into this Memorandum of Understanding (MOU) to set forth the agreed terms and conditions relating to the provision of administrative support services conducted by ERCOT staff for Texas RE.

To provide beneficial context and help comprehension, the elements of the MOU are grouped into three categories:

1. Texas RE Organization and Operations
2. Significant Accounting Policies
3. Detailed Transaction Accounting

II. Texas RE Organization and Operations

A. Texas RE performs two functions:

1. Statutory functions. Oversees development of and enforces compliance with North American Electric Reliability Corporation (NERC) Reliability Standards in the ERCOT Region (under federal law – EPCRA – also referred to as “Delegated Activities”), and
2. Non-statutory functions. Monitors, assesses, investigates, and reports on compliance with the ERCOT Protocols and Operating Guides (under Texas state law – Public Utility Regulatory Act (PURA) - also referred to as “PURA Compliance”).

B. Texas RE is an independent division of ERCOT, and Texas RE staff operates independently of ERCOT staff. Significant steps have been taken to clarify and demonstrate Texas RE’s independence from ERCOT, including the following:

1. The corporate Bylaws specify the independence and governance structure of the Texas RE division.
2. Texas RE has executed an Amended and Restated Delegation Agreement with NERC, which is the Electric Reliability Organization (ERO) certified by the Federal Energy Regulatory Commission (FERC).
3. The Delegation Agreement requires Texas RE to perform Statutory functions and authorizes Texas RE to perform Non-statutory functions.



4. The Delegation Agreement requires Texas RE to prepare an annual Business Plan and Budget which is separate from the annual budget prepared by ERCOT.
 5. Texas RE staff members must sign a Texas RE Ethics Agreement, agreeing to comply with ERCOT's code of conduct and conflict of interest, and confidentiality standards, and with the NERC Rules of Procedure.
 6. Texas RE staff members are technically ERCOT employees but report to the Texas RE chief executive officer and Chief Compliance Officer (CCO), who reports administratively to the Texas RE Board of Directors. Texas RE staff members do not report to or through the ERCOT CEO or any other ERCOT officers.
 7. Texas RE staff occupies a separate secured area from ERCOT staff, which is currently located in ERCOT's Austin Met Center facility.
 8. Texas RE staff possesses discretely formatted physical security access badges and have electronic access to a separate secure computer network drive.
 9. Administrative activity of Texas RE is overseen by the Texas RE Board of Directors, which conducts all meetings separately from the ERCOT Board and committee meetings.
 10. Texas RE and ERCOT will attempt to resolve any concerns or disputes through cooperation and then via escalation within their respective organizations. Any remaining disputes or disagreements will be presented to the Boards of Directors or the appropriate Board committee for resolution.
 11. Texas RE has hired an independent attorney (Director, Legal Affairs who reports to the CCO) and has retained independent outside legal counsel not associated with ERCOT.
 12. A separate filing system has been established for Texas RE invoices and accounting records.
- C. For administrative ease and in the interest of responsible cost control, ERCOT and Texas RE have agreed that Texas RE personnel will adhere to ERCOT policies, standards, and procedures (unless Texas RE has a specific applicable separate policy, standard or procedure). Both organizations have consistent codes of conduct, confidentiality, and conflicts standards.

III. Significant Accounting Policies

- A. Texas RE financial statements are prepared based on GAAP.
- B. The characteristics of Texas RE's transactions and relationship with NERC do necessitate regulatory accounting (FAS 71).
- C. The characteristics of Texas RE's transactions do not necessitate utilization of Other Comprehensive Basis of Accounting (OCBOA).



- D. Activity of Texas RE is recorded using ERCOT's standardized chart of accounts. However, the standard chart of accounts is cross referenced to the NERC System of Accounts (NSOA) (Exhibit 5: NERC System of Accounts). In addition, all Texas RE transactions are coded to one of two functional categories: Rules of Procedure (Statutory activity) or Other (Non-statutory activity).
- E. All Texas RE activity is recorded to one of a series of organizational departments deemed necessary by Texas RE. Texas RE currently has the following departments: Compliance Enforcement, Compliance Assessment, Standards Development, Finance, Information Technology, and Legal and Regulatory Affairs.
- F. Regarding delegated signature authority, Texas RE personnel generally will have signature authority consistent with provisions of ERCOT's Delegated Signature Authority Corporate Standard. More specifically, the Texas RE CCO has the same signature authority as ERCOT's CEO; Texas RE's Director, Legal Affairs will approve the CCO's time and requests for reimbursement of business expenses; and other Texas RE personnel will have signature authority based upon their employment grade.

IV. Detailed Transaction Accounting

- A. Accounting for balance sheet transactions.
 - 1. Cash.
 - a. Texas RE cash payments and cash receipts will be managed by ERCOT treasury personnel as a part of ERCOT's comprehensive cash management program.
 - b. Texas RE cash payments and cash receipts will be accounted for and tracked discretely from other ERCOT transactions.
 - 2. Accounts Receivable.
 - a. At the beginning of each calendar quarter, it is expected Texas RE will have a receivable from ERO equal to 25% of Texas RE's annual budget as approved by ERO and by FERC as a component of ERO's annual budget.
 - b. Texas RE may also have intermittent receivables relating to penalties and special assessments against registered entities.
 - 3. Fixed Assets.
 - a. Texas RE is not expected to have assets; however, on occasion it may be necessary for Texas RE to acquire or construct assets.
 - b. Computers and related hardware are assumed provided by ERCOT's Information Technology division and covered by allocation of information technology costs to Texas RE (discussed later in this MOU).



- c. Furniture, fixtures, tools, and equipment are assumed provided by ERCOT's facilities staff and the cost of usage by Texas RE personnel covered by a "Facilities Services Cost Allocation" or "Information Technology Service Cost Allocation" (discussed later in this MOU).

4. Accounts Payable and Accrued Liabilities.

- a. Texas RE vendor invoices and payments are processed by ERCOT's Accounting division.
- b. Texas RE vendor invoices are accounted for discretely as Texas RE transactions.
- c. Texas RE's account payable liability will be determined based on the discrete account coding distribution used to identify Texas RE transactions.

5. Debt.

- a. Texas RE is not expected to have debt borrowing.
- b. It is unlikely (due to the cash reserves maintained by Texas RE), but on occasion, Texas RE may require short-term borrowing for working capital and liquidity purposes. In such instances, it is assumed Texas RE will acquire needed funding from ERCOT. The transactions will be discretely accounted for and will clearly document a "due to ERCOT" liability on Texas RE financial schedules.

B. Accounting for Income Statement Transactions.

1. Revenue.

- a. Texas RE is expected to have three possible revenue sources:
 - i. Quarterly funding from the ERO, pursuant to the Delegation Agreement
 - ii. Penalty assessments
 - iii. Special assessments
- b. Texas RE is not a party to transactions relating to ERCOT's billing, collection, and processing of the ERO fee (assessed as \$0.0169 per MWh in 2007 in the ERCOT Region).

2. Salaries and Related Benefits.

- a. Texas RE personnel are employees of ERCOT and receive the same benefits as those made available to all ERCOT employees.
- b. Texas RE personnel are assigned to one of the departments established for the Texas RE division.



- c. Texas RE personnel will track time as Statutory or Non-statutory, as appropriate, to enable correct budgetary allocation under the Delegation Agreement.
 - d. Salary and employee benefit expenses will be recorded based on detailed time tracking information submitted by Texas RE employees and approved by Texas RE management.
3. Facility and Equipment Cost.
- a. Most costs in this category will be allocated to Texas RE following the Facilities Service Cost Allocation (discussed later in this MOU).
 - b. If conference space required for planned Texas RE meetings is not available on ERCOT premises, the meetings will be arranged to be conducted at an offsite conference room facility acceptable to Texas RE personnel. The full cost of such meetings scheduled at third party operated conference facilities will be charged to Texas RE.
 - c. Conference space at ERCOT premises will be scheduled on a first come-first served basis. Texas RE will not be given preferential status when scheduling conference rooms and neither will Texas RE be at a disadvantage, relative to other employees of ERCOT, when attempting to schedule conference rooms in ERCOT facilities.
 - d. Other facility and equipment costs not covered by the Facilities Service Cost Allocation will be evaluated and accounted for on a transaction-by-transaction basis.
4. Consulting and Contractor Fees.
- a. Texas RE will recognize contractor and consultant expenses based on purchase order and contract agreements Texas RE personnel authorize and execute.
5. Outside Legal Fees.
- a. Texas RE will recognize outside legal expenses based on contract agreements and invoices Texas RE personnel execute and authorize.
6. External Audit.
- a. Texas RE will be assessed the full incremental cost charged to ERCOT by ERCOT's independent audit firm for conducting audit testing and providing an audit opinion on Texas RE transactions, financial reports filed with NERC or FERC, or Texas RE financial statements.
7. Administrative and Other.



- a. Texas RE will recognize administrative and other costs as authorized and approved by authorized Texas RE personnel.
8. Interest.
- a. Texas RE will be credited with interest income based on Texas RE's average monthly cash balance and ERCOT's actual average monthly interest rate for the total of all ERCOT cash deposits.
9. Insurance.
- a. Texas RE will be assessed an allocated share of ERCOT insurance expense as a component of the Treasury and Credit (discussed later in this MOU).
10. Employee Expense Reimbursement.
- a. Texas RE will recognize employee business reimbursement expenses as they are incurred by Texas RE employees and approved for payment by Texas RE managers.
 - b. Expense reimbursement requests submitted by the Texas RE CCO will be approved by Texas RE's Director of Legal Affairs.
 - c. Texas RE personnel will follow the ERCOT Business Expense Reimbursement Corporate Standard.
11. Board of Director Fees.
- a. Unless the Board determines otherwise:
 - i. Texas RE will be assessed one-fourth of the annual retainer paid to ERCOT's unaffiliated Directors.
 - ii. Texas RE will be assessed one-fourth of reimbursable business expenses submitted by Board members.
 - iii. Texas RE will be assessed the applicable Texas RE Board and/or Committee Meeting fee (or Special Texas RE Board or Committee Meeting fee) for any such meeting; provided, however, that if the Board or Committee also meets on the same day for an ERCOT Board or Committee meeting, Texas RE will be assessed only one-fourth of such fee.
12. Support Department Allocations.
- a. Treasury and Credit
 - i. ERCOT's Treasury and Credit personnel provide a variety of services benefiting Texas RE including providing liquidity, cash management,



check signing, financial wire processing, and risk management services.

- ii. The cost allocation for the services will be \$72,000 per year (\$6,000 per month).
- iii. See Exhibit 1 for additional background information regarding the Treasury and Credit allocation.

b. Human Resources

- i. ERCOT's Human Resource personnel provide a variety of services benefiting Texas RE including recruitment and hiring, performance management, employee benefit administration, and employee training.
- ii. The cost allocation for base Human Resources services will be \$113 per employee per month.
 - (1) Assuming Texas RE maintains 25 employees each month in 2008, the annual base allocation to Texas RE would total approximately \$33,900.
 - (2) Assuming Texas RE maintains 30 employees each month in 2009, the annual base allocation to Texas RE would total approximately \$40,680.
- iii. Texas RE will also be allocated a recruiting charge for each new Texas RE staff member recruited by Human Resources staff or contractors. The charge allocated will be \$7,500 for each full-time position and \$3,750 for each intern position recruited by Human Resources. Texas RE management may elect to use an independent firm to recruit certain Texas RE positions. Texas RE will not be allocated a recruiting charge for positions for which ERCOT Human Resources staff is not involved in the recruiting process.
- iv. See Exhibit 2 for additional background information regarding the Human Resources allocation.

c. Procurement, Contract Negotiation, Administration and Strategic Sourcing

- i. ERCOT's procurement personnel provide a variety of services benefiting Texas RE including strategic sourcing of goods and services, vendor management, and contract negotiation and administration services.
- ii. The cost allocation for the services will be \$44 per month per contract administered, \$512 per month per purchase order issued following a request for proposal, and \$20 per month per purchase order not following a request for proposal.



- iii. See Exhibit 3 for additional background information regarding the procurement, contract administration, and strategic sourcing allocation.
- d. Accounting, Budget, Financial Analysis, and Payroll (ERCOT Department 114).
 - i. ERCOT's accounting, budget, and payroll personnel provide a variety of services benefiting Texas RE including financial statement preparation, regular and ad-hoc financial analyses, periodic and ad-hoc regulatory (federal and state) filing preparation, budget coordination and preparation, participation in ERO sponsored financial and budget meetings, payroll administration and processing, time tracking monitoring and reporting, vendor payments, billing and accounts receivable transaction processing, reimbursement of Texas RE business expenses incurred by Texas RE staff.
 - ii. The cost allocation for the services will be \$48,000 per year (\$4,000 per month).
 - iii. During 2008, ERCOT's Controller, Accounting Manager, Accounting Supervisor, and Budget Manager are expected to commit significant time and effort to the development, creation, and maintenance of unique accounting codes to support Texas RE. Time spent by these individuals on such organizational initiatives will be discretely tracked and charged to Texas RE at the standard labor rate (\$65 per hour). The time submitted must be approved by Texas RE management.
 - iv. See Exhibit 4 for additional background information regarding the accounting, budget, financial analysis, and payroll allocation.
- e. Facilities Services Cost Allocation.
 - i. ERCOT's facilities, physical security, and telecommunications network personnel provide a variety of services benefiting Texas RE including leased office space, rented storage space, utilities (electricity, water and wastewater service, fuel oil for backup generators, natural gas, and trash services), telecommunications services (local and long distance telephone service, conference bridge and conference call services, and Internet connectivity), maintenance services (building maintenance, grounds maintenance, custodial services, and building security services), office space remodeling, and office equipment.
 - ii. The facilities service cost allocation will be assessed as \$27.37 per year per square foot (\$2.28 per month per square foot) of space allocated to Texas RE.
 - (1) Based on current space utilization, it is expected the Facilities Service Cost Allocation to Texas RE will total approximately \$118,000 per year.



- iii. See Exhibit 5 for additional background information regarding the facilities allocation.
- f. Information Technology Services Cost Allocation
 - i. Employees of Texas RE will make use of software applications and hardware assets that are made available to all ERCOT staff but centrally administered by ERCOT's Information Technology (IT) staff. One significant cost incurred to provide hardware and software assets for the benefit and efficiency of ERCOT staff, including employees of Texas RE, relates to the proper maintenance and licensing of the hardware and software.
 - ii. The IT allocation will be approximately \$8,200 per Texas RE employee per year. Assuming Texas RE has 25 employees in 2008, the annual allocation to Texas RE would total approximately \$205,000, and assuming Texas RE has 30 employees in 2009, the annual allocation to Texas RE would total approximately \$246,000.
 - iii. See Exhibit 6 for additional background information regarding the Information Technology allocation.
- g. ERCOT personnel assigned to ERCOT departments other than those detailed above may also provide support to Texas RE. However, rather than systematically allocate a portion of the cost of such personnel to Texas RE, the appropriate support costs will be determined and charged to Texas RE on a case-by-case basis.
- h. Any additional administrative services requested of, agreed to, and approved by ERCOT and Texas RE will be billed to Texas RE at the standard rate of \$65 per hour, which includes reimbursement for salary and benefits of the ERCOT staff person providing the services.
- i. Other services requested by Texas RE will be priced as agreed by the ERCOT CFO and the Texas RE CCO.
- j. Allocation amounts detailed above are valid in 2008 and for as long as Texas RE primarily conducts its business activity in ERCOT's Met Center facility and has no material changes to its staffing level, space needs, or service needs and ERCOT has no significant change in the costs incurred to provide services to Texas RE.
- k. Allocation amounts established are subject to change if Texas RE vacates the Met Center facility, has a material change to its staffing level, space needs, or requires a material change in the level of service provided by ERCOT's support department personnel and ERCOT has no significant change in the costs incurred to provide services to Texas RE.
- l. Allocation amounts established may be adjusted or cancelled given 60-day's notice and the agreement of the ERCOT CFO and the Texas RE CCO.



V. General Provisions

- A. ERCOT and Texas RE will commit to accomplish all provisions in this MOU to the best of their ability, in a commercially reasonable manner.
- B. This MOU is intended only to address how support services and other activities provided by ERCOT staff to Texas RE should be captured and presented in accounting records. This MOU is not intended to direct or bind any person outside ERCOT or Texas RE.
- C. This MOU neither expands nor is it in derogation of those powers and authorities vested in ERCOT or Texas RE by applicable law.

VI. Principle Contacts

ERCOT and Texas RE designate the contacts identified below. ERCOT or Texas RE may change their contact upon notice to the other party.

VII. Effective Date and Duration:

This MOU is effective January 1, 2008. It shall continue to be in effect until terminated by ERCOT or Texas RE.

Bob Kahn
President & CEO
Electric Reliability Council of Texas, Inc.
BKahn@ercot.com

Date: 6/13/08



Larry Grimm
Chief Executive Officer & CCO
Texas Regional Entity, an independent division of
Electric Reliability Council of Texas, Inc.
Larry.Grimm@texasre.org

Approved as to
Form SV

Date: 06/10/2008

Exhibit 1
Texas RE - ERCOT Memorandum of Understanding
Treasury and Credit Services Cost Allocation

Base Allocation

ERCOT's treasury and credit personnel provide a variety of services benefiting the Texas RE including: credit management: finance and debt management; enterprise risk management, including insurance programs; and cash investments and banking services. Total allocations relating to treasury and credit personnel for 2008 are \$72,000.

Insurance

Insurance Type	Allocation Basis	2008 Allocation	Comment
D&O Premiums	25%	\$ 56,756	Tie allocation to allocated share of independent director fees.
Property	Square Feet	\$ 1,668	Linked to square feet of space used by Texas RE staff.
Workers Compensation	Staff Count	\$ 3,593	Cost assumed a function of headcount.
Other	Square Feet	\$ 1,002	Linked to square feet of space used by Texas RE staff.
Total		\$ 63,017	

Enterprise Risk Management

Insurance Premiums Allocated to Texas RE	\$ 63,017
Total ERCOT Insurance Premiums	\$ 1,691,547
Proportion of Premiums Allocated	3.73%
Annual ERM Cost	\$ 100,000
ERM Cost Allocated to Texas RE	\$ 3,725

Treasury and Cash Management

Treasury and Cash Management Costs	\$ 390,637
Total ERCOT Costs	\$ 225,415,000
Treasury and Cash Management Costs relative to Total ERCOT Costs	0.17% Applied to each dollar spent by the Texas RE. For example if the Texas RE spends \$3 million, the allocation for treasury and cash management services will total \$5,100 (\$3 million * 0.17%).

Credit Management

No allocation of cost to Texas RE.

Exhibit 2
Texas RE - ERCOT Memorandum of Understanding
Human Resource Services Cost Allocation

Base Allocation

ERCOT's human resource personnel provide a variety of services benefiting the Texas RE including recruitment and hiring, performance management, employee benefit administration, and employee training. The cost allocation for the services will be \$113 per employee per month (calculation summarized below).

Assuming the Texas RE will have 30 employees throughout 2008, the base human resources allocation for the year is expected to total approximately \$40,680.

A summary of the tasks and services provided by human resource staff is listed below.

Total Human Resources expenses recorded in 2007	\$ 1,129,000
Less:	
Recruiting expenses (Account 65240) recorded in 2007	\$ 24,000
Estimated 2007 internal recruiting labor and benefits cost	\$ 140,000
External 2007 recruiting cost (Vendor 2271)	\$ 55,363
External 2007 recruiting cost (Vendor 2339)	\$ 81,669
Adjusted Human Resources expenses recorded in 2007	\$ 827,968
ERCOT employee count at January 1, 2007	591
ERCOT employee count at January 1, 2008	625
Average employee count in 2007	608
Adjusted Human Resources expenses recorded in 2007	\$ 827,968
Average employee count in 2007	608
Average annual human resource expense per ERCOT employee	\$ 1,362
Average monthly expense per employee	\$ 113

Human Resources Task Descriptions

- Provide HR and organizational development support
- Define, create and manage HR strategy
- Develop succession and career plans
- Implement organizational changes
- Manage and coordinate board activities regarding human resources, compensation, benefits, and training
- Plan, organize, and facilitate ERCOT's annual member meeting
- Design, manage, and maintain compensation and benefits offered to ERCOT employees
- Prepare and distribute periodic internal reports on HR issues
- Prepare and distribute periodic external reports regarding HR issues (e.g. Annual EEO1, reports to external auditors, and schedules to benefits vendors)
- Develop, manage, and ensure compliance with human resource related policies, standards, and procedures
- Oversee and administer workforce benefits
- Oversee and administer workforce compensation
- Provide support to ERCOT's Strategic Review Team, Policy Review Team and other similar initiatives impacting ERCOT's workforce
- Create and review contracts and agreements relating to human resource issues
- Administer ERCOT's family medical leave program
- Coordinate and review annual filing with the Internal Revenue Service and Department of Labor
- Monitor and ensure benefit plan compliance
- Prepare and support internal audit requests related to benefits
- Coordinate and complete a quarterly review of 401(k) plan investment and recommend changes, if any
- Manage ERCOT's annual merit review process
- Complete an annual review of employee classification
- Manage and update (as necessary) job descriptions and position grading to ensure continued pertinence and consistency with the current job market
- Manage ERCOT's employee recognition and reward program
- Manage annual audit of ERCOT's benefit plans including preparation of work papers to support compensation audit requests
- Manage workforce relations and the employee life cycle
- Coordinate retention, moral, other social programs enjoyed by ERCOT staff

Exhibit 3 a
Texas RE - ERCOT Memorandum of Understanding
Procurement, Contract Administration and Strategic Sourcing Services Cost Allocation

Base Allocation

ERCOT's procurement and contract administration personnel provide a variety of services benefiting the Texas RE including: administering competitive processes such as request for proposal and request for information functions; managing vendor selection and evaluation processes; overseeing contract administration and compliance functions; and administering purchase order services. A summary of the tasks and services is listed below.

Procurement, Contract Administration and Strategic Sourcing Task Descriptions
Prepare period status reports on procurement and contract administration activity
Establish, monitor and modify, as necessary, internal controls relating to procurement and contract administration
Provide assistance to the vendor payment process to ensure professional vendor relationships
Issue purchase orders and related documentation
Prepare requests for proposals, requests for information, requests for quote and similar procurement documentation
Evaluate vendor proposals to provide goods and/or services to ERCOT
Negotiate pricing terms with vendors
Develop sourcing options for goods and services
Administer the process to qualify vendors to conduct business
Manage vendor relationships with ERCOT including activity such as ensuring vendors possess necessary insurance coverages and remain on acceptable financial condition
Analyze vendor activity and performance to ensure contractual compliance among other reasons
Monitor contracts and alert business users of upcoming events such as expiration dates, renewal dates, or compliance issues

Exhibit 3 b
Texas RE - ERCOT Memorandum of Understanding
Procurement, Contract Administration and Strategic Sourcing Services Cost Allocation

\$ 969,559 Total 2007 expense for department 112 - Procurement and Contract Administration

65% Percentage of Total 2007 expense for department 112 associated with Procurement

35% Percentage of Total 2007 expense for department 112 associated with Contract Administration

Procurement Cost per Unit

\$ 630,213 Amount of Total 2007 expenses for department 112 associated with Procurement

40% Percentage of cost associated with Procurement relating to RFP/PO transactions

60% Percentage of cost associated with Procurement relating to PO transactions (no RFP)

\$ 252,085 Amount of 2007 costs associated with RFP/PO transactions

41 Number of RFP/PO transactions in 2007

\$	6,148	Assumed annual cost per RFP/PO transaction
\$	512	Assumed monthly cost per RFP/PO transaction

\$ 378,128 Amount of 2007 costs associated with PO transactions (no RFP)

1,587 Number of PO transactions (no RFP) in 2007

\$	238	Assumed annual cost per PO transaction (no RFP)
\$	20	Assumed annual cost per PO transaction (no RFP)

Contract Administration Cost per Unit

\$ 339,346 Amount of Total 2007 expenses for department 112 associated with Contract Administration

650 Number of contracts being in 2007

\$	522	Assumed annual cost per contract administered in 2007
\$	44	Assumed annual cost per contract administered in 2008

Exhibit 4
Texas RE - ERCOT Memorandum of Understanding
Accounting, Budget, and Payroll Services Cost Allocation

Base Allocation

ERCOT's accounting, budget, and payroll personnel provide a variety of services benefiting the Texas RE including financial statement preparation, regular and ad-hoc financial analyses, periodic and ad-hoc regulatory (federal and state) filing preparation, budget coordination and preparation, participation in ERO sponsored financial and budget meetings, payroll administration and processing, time tracking monitoring and reporting, vendor payments, billing and accounts receivable transaction processing, reimbursement of Texas business expenses incurred by Texas RE staff.

During 2008, ERCOT's controller, accounting manager, accounting supervisor, and budget manager are expected to commit significant time and effort to the development, creation, and maintenance of unique accounting codes to support the Texas RE. Time spent by these individuals on such organizational initiatives will be discretely tracked and charged to the Texas RE at actual labor rates.

Accounting, budget, and financial analysis

2008 cost per month	\$	2,000
Months in the year		12
2008 allocated cost	\$	24,000

Payroll

2008 cost per month	\$	2,000
Months in the year		12
2008 allocated cost	\$	24,000

Exhibit 5 a
Texas RE - ERCOT Memorandum of Understanding
Facilities Services Cost Allocation

Cost per square foot			
Square feet of ERCOT facilities	221,000		
ERCOT facilities cost	\$ 6,047,686		
2007 ERCOT facility cost per square foot	\$ 27.37	per square foot per year	
	\$ 2.28	per square foot per month	
Space directly occupied by Texas RE staff	2,526	2,526	
Texas RE proportional share of common space in dedicated to the Texas RE and IMM			
Square feet occupied by Texas RE staff	2,526	73%	
Square feet occupied by Independent Market Monitor staff	936	27%	
Square feet occupied by Texas RE and IMM staff	3,462	100%	
Square feet of common space dedicated to the Texas RE and IMM staff	684		
Texas RE's relative share of space occupied by Texas RE and IMM staff	73%		
Texas RE's proportional share of common space dedicated to the Texas RE	499		499
Space directly occupied by Texas RE staff	3,025		3,025
Space directly occupied by IMM staff	1,120		
Subtotal - Texas RE & IMM space in dedicated, secured area	4,145		
Divided by Adjusted square footage in the Met Center	45,000		
Texas RE's proportional share of Adjusted square footage in the Met Center	7%		
Common area square footage in the Met Center (excluding common space dedicated to the Texas RE and IMM)	19,153		
Texas RE proportional share of common space not dedicated to the Texas RE and IMM	1,288		1,288
Grand Total of Texas RE Space and Common Space	4,313		4,313
Total square footage allocated for the Texas RE	4,313	square feet	
Estimated facilities charge			
	\$ 118,015	per year	
	\$ 9,835	per month	

Exhibit 5 b
Texas RE - ERCOT Memorandum of Understanding
Facilities Services Cost Allocation

Expense Description	Account	Dept	2007 Actual
<u>Utilities</u>			
Electricity	73120	325	1,422,453
Fuel Oil	73128	325	11,739
Water/Gas/Sewer/Trash	73160	325	75,272
Subtotal - Utilities			<u>1,509,464</u>
<u>Rent</u>			
Office Rental	67000	325	690,252
Storage Rental	67060	325	44,162
Subtotal - Rent			<u>734,414</u>
<u>Telecom</u>			
Telephone - Local	73080	330	182,230
Telephone - Long Distance	73085	330	103,072
Internet Service	73200	330	81,596
Subtotal - Telecom			<u>366,897</u>
<u>Building Maintenance</u>			
Building Maintenance	73180	325	185,116
Building Maintenance	73181	325	385,147
Grounds Maintenance	73182	325	64,666
Custodial Service	73183	325	228,803
Misc Services	73184	325	102,500
Bldg Security Services	73185	371	995,203
Subtotal - Maintenance			<u>1,961,436</u>
<u>ERCOT Labor and Benefits</u>			
Facilities Staff	Various	325	1,145,903
Physical Security Staff	Various	371	329,572
Subtotal - Labor and Benefits			<u>1,475,475</u>
Total			<u><u>6,047,686</u></u>

Exhibit 6
Texas RE - ERCOT Memorandum of Understanding
Information Technology Services Cost Allocation

Texas Regional Entity - IT Services Cost Breakdown

Internal User Services	Per Annum	Per Month
<i>License & Maintenance related charges</i>		
Microsoft	675	56
Oracle	186	16
Quest	164	14
Cisco	103	9
Altiris	43	4
Symantec	26	2
IBM	144	12
Lawson	204	17
Other	173	14
Total Technology Services	1,719	143
<i>Labor related charges</i>		
IT Operations & Overhead		
CIO Administration	1,141	95
IT Account Management	444	37
Enterprise Architecture	17	1
EIS	116	10
Corporate Applications	1,029	86
Web & Data Services	22	2
Database Administration	56	5
Release Management	63	5
Commercial Operations	103	9
SE&A	724	60
Storage Resources	78	6
WAN	979	82
Networking	385	32
Console Operations	583	49
IT Project Management	330	27
Total IT Operations & Overhead	6,070	505
Total Internal User Services	7,789	649
(per Employee/Annum)		
Total for 30 Employees	233,665	19,457
Computer Hardware Lease	11,880	990
Total TRE IT Costs	245,545	20,447

Internal User Services:

▪ Desktop Services	Other:	
▪ Corporate Applications	Audit-Paisley Consulting	1,212
▪ Intranet	Hummingbird	708
▪ Voice, Internet, WebEx	Aperture	19,364
▪ Project Management	Informatica	35,625
	Sun IDM	50,800
	OSI - PI app	34,775
		<u>142,484</u>

Desktop Services:

The management of the desktop environment including labor, licenses, and support and maintenance fees paid to vendors in support of desktop services. Includes file storage and print services, data backup and restoration, helpdesk services, and other services in the support of maintaining file/print services and the desktop environment.

Corporate Applications:

These services fulfill the operational and maintenance requirements of ERCOT Corporate Applications Hardware and Software resources, thereby enabling and enhancing productivity of corporate operations. Applications include: AIM Service Desk, Aperture Vista, Altiris, Aperture View, Internal Audit Applications, Fund Transfer Wiring Tools, Hummingbird, Lawson (ERP function) MS Project Server, SharePoint Portal, and others.

Intranet:

These services fulfill the operational and maintenance requirements corporate Intranet, including content and infrastructure management

Voice, Internet, WebEx:

These services fulfill the operational and maintenance requirements of communications infrastructure that include Voice telephony, Internet Connectivity and web conferencing (WebEx)

Project Management:

These services fulfill the project, program and portfolio management requirements for Operations & Maintenance projects, related to both Zonal Market as well as Internal User services, thereby enabling / enhancing efficiency of project lifecycle

ATTACHMENT 10



2009 Business Plan and Budget

Western Electricity Coordinating Council

Date: July 9, 2008

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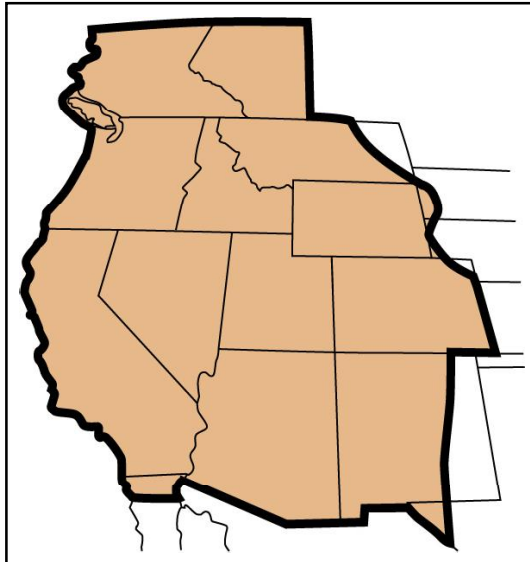
Introduction

Total WECC Resources (in whole dollars)				
	2009 Budget	U.S.	Canada	Mexico
Statutory FTEs ¹	140			
Non-statutory FTEs	4			
Total FTEs	144			
Statutory Expenses	38,691,767			
Non-statutory Expenses	798,197			
Total Expenses	39,489,964			
ERO Funding Assessments	37,088,502	31,506,071	5,134,216	448,215
Non-statutory Funding	798,197	798,197		
Total Funding	37,886,699	32,286,335	5,155,302	445,062
NEL	869,624,367	738,731,574	120,383,372	10,509,421
NEL %	100%	84.9%	13.9%	1.2%

Background

The Western Electricity Coordinating Council (WECC) is a Utah Nonprofit Corporation whose mission is to assure a reliable bulk electric power system in the Western Interconnection that supports efficient and competitive electric power markets. WECC's website is www.wecc.biz.

WECC's geographic area is the Western Interconnection – an area in which the use and generation of electricity is synchronized. This area includes all or part of 14 U.S. states, two Canadian provinces and a portion of Baja California Norte, Mexico.



Membership and Governance

WECC has 206 members divided into the following seven membership classes:²

1. Large Transmission Owners
2. Small Transmission Owners
3. Transmission Dependent Energy Service Providers
4. End Users

¹ Full-time equivalents (FTEs)

² For purposes of voting for Board representation, all Canadian members of WECC form "Class 6." For all other purposes, Canadian members participate in member classes 1 – 5 and 7 according to their characteristics. See Section 6.2.1 of the WECC Bylaws.

5. Representatives of State and Provincial Governments
6. Canadian Members
7. Members at large

Membership in WECC is open to any person or entity that has an interest in the reliable operation of the Western Interconnection bulk power system. Membership in WECC is not a requirement for participation in the WECC standards development process.³

WECC is governed by an independent and balanced stakeholder board⁴ consisting of 32 directors. Members in classes one through five are eligible to elect four directors in their class. In addition, the Canadian delegation elects four directors and the Mexican delegation elects one.⁵ Seven directors with no member affiliation (Non-affiliated Directors) are elected by the WECC membership. Members of Class 7 do not elect representatives to the Board of Directors (Board), but do vote on Non-affiliated Directors.

Eight Board committees recommend policy on various reliability issues, or handle governance, finance and human resource matters. These committees are described in the Technical Committees and Members' Forums section on page 41.

Input comes to the Board from the member organizations, from other interested parties, and through recommendations from the WECC Standing Committees.

Under the direction of the Board, the three Standing Committees of members — the Planning Coordination Committee (PCC), the Operating Committee (OC), and the Market Interface Committee (MIC) — provide technical work and policy recommendations to the WECC Board. All member organizations are eligible for representation on the three Standing Committees.

Compliance and enforcement activities are carried out by the WECC Compliance staff and are independent of all users, owners and operators of the bulk power system and from the Hearings staff. Compliance activities are governed in the United States by the agreement between the North American Electric Reliability Corporation (NERC) and WECC, delegating portions of NERC's authority as the Electric Reliability Organization under Section 215 of the Federal Power Act to WECC (the "WECC / NERC Delegation Agreement").⁶

Statutory Functional Scope

WECC has been approved by FERC as a Regional Entity, with authority, pursuant to the WECC / NERC Delegation Agreement, to create, monitor and enforce standards for the reliability of the bulk electric power system in the Western Interconnection.

WECC's role as reliability coordinator was recognized by FERC through its acceptance of NERC's Compliance Registry.⁷

³ Non-WECC members may participate in standards drafting teams, and Interested Stakeholders may vote on Regional Reliability Standards. Interested Stakeholder voting is covered in Section 8.6 of the WECC Bylaws.

⁴ As provided in Section 215 of the Federal Power Act (e)(4)(A)(iii).

⁵ The Mexican delegation currently consists of one member.

⁶ *NERC et al.*, 119 FERC ¶ 61,060 (2007), order on compliance, 119 FERC ¶ 61,232 (2007)(accepting delegation agreements between NERC and the Regional Entities); *NERC et al.*, 122 FERC ¶ 61,245 (2008) (accepting revised delegation agreements between NERC and the Regional Entities).

⁷ *NERC* 119 FERC ¶ 61,059 (2007) Order on Rehearing.

Planning Cycle

This 2009 Business Plan and Budget is for calendar year 2009.

2009 Primary Objectives

WECC's primary objectives for 2009 are:

- Ensuring the reliability of the bulk electric power system in the Western Interconnection.
- Bringing on-line and fully staffing the new Reliability Coordination Centers and continuing the development of tools for the Reliability Coordination Centers.
- Implementing the Compliance Monitoring and Enforcement Program (CMEP).
- Implementing hearing procedures to provide timely and thorough review of disputes.
- Improving and enhancing transmission planning and loads and resources assessments.
- Becoming the credible source of interconnection-wide information.
- Assuring system reliability for renewable resource integration in the Western Interconnection.
- Advancing the quality and scope of training activities to ensure operators and Registered Entities have the information and tools they need.
- Improving administrative activities including budgeting, document control and human resources.

Major 2009 Cost Effects

The 2009 WECC statutory budget is presented with a WECC assessment requirement of \$37,088,502. This is an increase of 39.4 percent over the 2008 WECC assessment of \$26,596,512. Total WECC statutory expenses are presented at \$38,691,768, which is an 18.4 percent increase over the amended 2008 Budget.⁸

The budget includes a \$1,000,000 addition to reserves. The additional budget for reserves is based on an analysis of the 2009 projected cash flow and reflects the cash reserves required to maintain two months of operating expenses.⁹ The budget does not include fees collected on behalf of NERC or the Western Interconnection Regional Advisory Body (WIRAB). It is estimated that the NERC assessment will be \$5,795,459 and WIRAB funding will be \$378,272 for 2009. This results in an estimated total assessment to members of \$43,262,233.

The overall budget, statutory and non-statutory, includes an increase in personnel from 115¹⁰ to 144. Five positions have been added in the Reliability Coordination Centers budget. A net of ten additional positions is proposed for Compliance Enforcement. Positions have been added to support the implementation of WECC's Strategic Plan including: a Renewable Resources position, Manager of Training, Office Manager, Accountant, and a position to support the Transmission Expansion Planning Policy Committee (TEPPC). An in-house legal staff of four is included to reduce external legal expenses.

⁸ The original 2008 budget was amended in December 2007, and was filed for approval with FERC on February 15, 2008, to accommodate an acceleration of the Reliability Coordination Initiative. A corrected 2008 budget was filed for approval with FERC on March 17, 2008 and this budget is the baseline for the numbers contained in this document. FERC approved the amended and corrected budget on April 17, 2008 (123 FERC ¶ 61,031).

⁹ Although Tanner LC, WECC's external auditors, recommended three months of operating expenses for reserves, the WECC Finance and Audit Committee recommended two months due to assessment concerns.

¹⁰ 115 employees in 2008 reflects the conversion of 21 contract Reliability Coordination employees to WECC full-time employees (FTEs).

Change in Accounting Methodology

WECC has changed its accounting methodology for personnel benefits, overheads and administrative operating expenses from the approach used in the 2008 budget.

This 2009 Business Plan and Budget reflects this change in methodology with these costs now allocated as *indirect* costs to the program areas. The result of this change is an apparent reduction in personnel benefits, overheads and administrative operating expenses in 2009 (in all program areas except General and Administrative). These variances are consistent throughout the budget except where noted.

In addition, WECC has changed its methodology for meetings and travel expenses, and has moved from allocating these costs to budgeting these costs *directly* to the program areas. This change in methodology results in variances between 2008 and 2009 costs. The magnitude of these variances is dependent on the amount of 2008 allocated costs.

Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B.

Section A – 2009 Business Plan

Reliability Standards Program

Reliability Standards Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	4	4	4
Total Direct Expenses	\$687,812	\$687,812	\$511,694
Total Indirect Expenses ¹¹	\$222,418	\$222,418	\$522,766
Total Expenses	\$910,230	\$910,230	\$1,034,460

Background

WECC's standards development efforts are divided into two categories – participation in the NERC standards development process and the development of Western Interconnection Regional Reliability Standards (RRS). In 2009, WECC will continue to coordinate the Western Interconnection's participation in the development of NERC Reliability Standards. In instances where the NERC standards development process does not fully meet the needs of the Western Interconnection, WECC will develop RRS for use only in the Western Interconnection. In addition, WECC will provide support, as requested, to Alberta and British Columbia in the development of standards applicable in those provinces. Until those standards are completed, the WECC Reliability Management System (RMS) and its 14 reliability standards will continue in the Canadian and the Comisión Federal de Electricidad portions of the Western Interconnection.

WECC's standards development process is overseen by the Managing Director of Planning and Standards. A significant proportion of the work required to develop standards is performed by voluntary member participation through the WECC Standing Committee structure and member volunteers on NERC standards drafting teams. The volunteers are provided by WECC members, who pay a portion of their salaries and expenses while engaged in this activity. WECC is concerned that, in 2009, there may be a potential reduction in the level of participation in this activity, given the internal resources devoted to their own compliance programs.

In 2007, the Western Interconnection Compliance Forum (WICF) was established by and on behalf of entities subject to WECC and NERC Requirements. The purpose of WICF is to provide a venue to registered entities within the Western Interconnection for sharing knowledge and lessons learned regarding compliance matters, and to collectively develop best practices. In 2009, WICF will continue to be fully funded by WECC but will be staffed separately from Compliance.

¹¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis.

Program Description and Functions Performed

WECC's standards process was revised in 2006 and accepted by FERC as part of the original WECC / NERC Delegation Agreement. As part of that original Delegation Agreement, WECC responded to FERC's direction to modify its standards development process and allow non-members to participate. The amended WECC / NERC Delegation Agreement was filed with FERC on October 30, 2007 and approved on March 21, 2008, subject to a requirement of further modification.

The WECC standards development process begins with a standards request form that is reviewed for scope and applicability by WECC's Standards Request Routing Committee. The process is open to all interested parties and provides for their input throughout the drafting, comment and approval process. Standards are recommended by vote of the appropriate WECC Standing Committee(s) and Interested Stakeholders. Standards are balloted three times per year as needed at WECC Standing Committee meetings and, in extraordinary circumstances, can be voted by email. Once approved by the WECC Board, the standards are sent to the NERC Board of Trustees for approval. NERC then files these approved reliability standards with FERC for approval.

The WECC standards development process is also used for development of WECC Business Practices and Regional Criteria. Regional Criteria are requirements developed using the WECC standards development process and approved by the WECC Board. They do not require NERC or FERC approval.

2009 Goals and Objectives

North American Standards

NERC has published, and filed with FERC, a revised Reliability Standards Work Plan that includes a schedule for the development and revision of reliability standards for use within the United States. WECC's active participation in the NERC standards development process helps to ensure that the needs and concerns of the Western Interconnection are addressed in the standards. WECC communicates information on standards activities to its members and encourages their participation in the NERC standards development process. In 2009, WECC staff and members will work with NERC on all projects identified in the NERC Reliability Standards Work Plan.

Section 215 Regional Entity Reliability Standards Development

Regional Standards Development

WECC focuses on ensuring that NERC standards meet the needs of the Western Interconnection, but WECC also has the authority to develop necessary RRS. The current RRS are more stringent than — or address areas specific to the Western Interconnection that are not covered by — the NERC Reliability Standards. In 2006, a WECC task force identified existing requirements in use by WECC as being both “unique and essential” for the reliable operation of the Western Interconnection. These requirements were subsequently translated into Tier 1 RRS. In 2007, FERC approved eight WECC Tier 1 standards and directed WECC to develop replacement standards that addressed specific concerns identified by NERC and FERC. During the latter part of 2007 and early 2008, WECC developed these replacement standards. During 2009 WECC will develop RRS as necessary.

Regional Criteria

WECC Regional Criteria are applicable to all WECC members. For example; WECC's Business Practices, which are developed by the Market Interface Committee and by the Interchange Scheduling and Accounting Subcommittee (ISAS), are Regional Criteria.

The ISAS (a subcommittee of the OC) develops business practices for WECC that are tied to the coordination of the scheduling of electricity. In 2007, ISAS developed business practices covering tagging and reserve issues. In 2008, the ISAS developed business practices that support the WECC Interchange Tool and Reliability Coordination. During 2009, WECC will develop Business Practices as necessary.

The MIC is WECC's interface with the North American Energy Standards Board (NAESB) and participates in the NAESB standards development process. In 2009, the MIC will help coordinate WECC member involvement in the activities of NAESB. The MIC has not identified any Western Interconnection-specific business practices for development in 2009.

Other examples of Regional Criteria are WECC's Reliability Information Sharing Policy (which prescribes the requirements for sharing data), WECC's Transmission Planning Criteria, and WECC's Operating Reliability Criteria. During 2007 and 2008, the WECC Reliability Subcommittee revised the format of certain WECC Transmission Planning Criteria to more closely resemble the NERC Standards format. In 2009, the WECC Operating Practices Subcommittee (OPS) will consider revisions to the WECC Operating Reliability Criteria and WECC will develop additional Regional Criteria as needed to supplement approved reliability standards.

Funding Requirements — Explanation of Increase (Decrease)

The cost of WECC's Reliability Standards activities in 2009 is \$1,034,460. Program expenses in 2009 are driven by the potential need for additional activities of WECC standards drafting teams and the funding associated with WICF.

Staffing Needs

Hiring Plans

Not applicable.

Shared Employees

Not applicable

Contractors

WECC will continue to rely on consultants for subject matter expertise on an as-needed basis throughout 2009. Legal expenses are also budgeted to accommodate the potential need for outside legal counsel during 2009.

Reliability Standards Program

Funding sources and related expenses for the Reliability Standards section of the 2009 business plan are shown in the table below.

Statement of Activities (SOA) – Reliability Standards

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Standards					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 687,812	\$ 687,812	\$ -	\$ 511,694	\$ (176,118)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 687,812	\$ 687,812	\$ -	\$ 511,694	\$ (176,118)
Expenses					
Personnel Expenses					
Salaries	\$ 397,160	\$ 397,160	\$ 0	\$ 393,342	\$ (3,818)
Payroll Taxes	26,796	26,796	-	-	(26,796)
Benefits	68,667	68,667	-	-	(68,667)
Retirement Costs	20,837	20,837	-	-	(20,837)
Total Personnel Expenses	\$ 513,460	\$ 513,460	\$ 0	\$ 393,342	\$ (120,118)
Meeting Expenses					
Meetings	\$ 32,826	\$ 32,826	\$ -	\$ 22,200	\$ (10,626)
Travel	34,211	34,211	-	11,520	(22,691)
Conference Calls	868	868	-	5,832	4,964
Total Meeting Expenses	\$ 67,905	\$ 67,905	\$ -	\$ 39,552	\$ (28,353)
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ 28,800	\$ 28,800
Contracts	-	-	-	-	-
Office Rent	18,508	18,508	-	-	(18,508)
Office Costs	11,937	11,937	-	-	(11,937)
Professional Services	73,107	73,107	-	50,000	(23,107)
Computer Purchase & Maintenance	2,895	2,895	-	-	(2,895)
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 106,447	\$ 106,447	\$ -	\$ 78,800	\$ (27,647)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 687,812	\$ 687,812	\$ 0	\$ 511,694	\$ (176,118)
Change in Assets	\$ 0	\$ -	\$ (0)	\$ (0)	\$ (0)

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined on page 8 of this business plan.

Funding Sources

Statutory funding.

Personnel Expenses

Not applicable.

Meeting Expenses

Meeting expenses in 2009 are driven by the need for more meetings of WECC standards drafting teams and WICF. The standards drafting teams plan to meet by phone two times per month and eight times face-to-face during 2009. The WICF membership will meet twice face-to-face during 2009. The WICF steering committee, which is a sub-set of WICF, will meet quarterly by phone. Associated with these meetings are increased costs of travel, accommodation and conference call facilities. The 2009 expenses appear lower than 2008 because the 2008 costs include allocated costs.

Operating Expenses

WECC will continue to rely on consultants for subject matter expertise on an as-needed basis throughout 2009. The 2009 budget does not include allocated costs for office expenses, professional services or computer expenses. These costs were allocated in 2008; they are included as indirect costs for 2009.

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	20	20	30
Total Direct Expenses	\$4,568,116	\$4,568,116	\$6,165,303
Total Indirect Expenses	\$1,112,091	\$1,112,091	\$3,920,746
Total Expenses	\$5,680,207	\$5,680,207	\$10,086,049

Background

Compliance enforcement is essential to WECC's mission as a Regional Entity and its fulfillment of the requirements of the WECC / NERC Delegation Agreement. The Hearings budget is included in the compliance budget and is reflected in the table above. For structural and governance purposes, hearings are discussed separately in this document.

The WECC compliance function has three major components and is overseen by the Vice President and Director of Compliance — who reports to the WECC Chief Executive Officer — and by three managers, one for each of the three areas described below:

- Compliance Auditing: oversees all audits, mitigation plans, investigations and the registration process.
- Compliance Enforcement: oversees registration disputes, settlement negotiations, regional hearings and any appeals.
- Compliance Program Administration: oversees violation reporting, audit logistics and data reporting.

2008 will be the first full-year of compliance monitoring and enforcement at WECC and the program continues to evolve. With many processes still under development, it remains a challenge to estimate the level of resources needed to implement the full compliance requirements of the CMEP. Registration disputes and investigations have absorbed an extraordinary amount of resources because of the number of disputes and investigations, and the associated complexities of each case. Hearings and appeals associated with compliance violations have not yet begun so it is difficult to forecast the resources that will be required from the Compliance staff. Critical to the success of the program will be the recruitment of highly-skilled industry experts and the hiring of consultants. Because the Regional Entities, NERC, FERC and the Registered Entities are competing for the same experts, recruitment remains a challenge.

Compliance in Alberta, British Columbia and Mexico

Alberta and British Columbia are in the process of adopting and implementing legislation and regulatory frameworks for mandatory reliability standards, monitoring and enforcement.

Agreements between WECC and the Provinces are necessary to ensure interconnection reliability while recognizing provincial sovereignty. WECC is currently in negotiations with the Alberta Electric System Operator on an agreement addressing membership and coordinated operations and anticipates starting negotiations with British Columbia later in 2008. WECC expects to have executed agreements for both provinces by 2009.

Similarly, WECC expects to continue addressing reliability issues with the Comisión Federal de Electricidad in 2009.

Reliability Management System (RMS)

In 1996, the Western Systems Coordinating Council (WSCC)¹² created the RMS, a contract-based compliance enforcement mechanism. RMS grew to encompass 14 standards. In the United States five of the RMS standards are now part of the NERC Reliability Standards and eight others have been adopted as WECC RRS.¹³ As a result, RMS is currently being used to monitor only the interchange schedule tagging requirements in the United States. In Canada and Mexico, RMS is still used to monitor all 14 RMS standards. This may change in 2009 as Alberta and British Columbia move toward mandatory standards.

Program Description and Functions Performed

The requirements of the WECC CMEP program are specified in the WECC / NERC Delegation Agreement. Subject to variations between WECC's CMEP and those of other regions, WECC seeks to implement the program in a manner similar to the programs of other regions. WECC uses the following eight methods to monitor compliance by the Registered Entities with the reliability standards:

- **Compliance Audits** – WECC conducts either on-site or off-site audits of all Registered Entities.
- **Self-Certification** – WECC reviews Registered Entity certifications of compliance or non-compliance with standards on an annual basis.
- **Spot Checking** – WECC verifies compliance with specific standards, primarily in connection with reviews of self-certification.
- **Compliance Violation Investigations** – Violation investigations are usually the result of a system event or disturbance, but may result from other sources.
- **Self-Reporting** – WECC undertakes a monitoring process that is specifically designed to work in conjunction with a Registered Entity's continuous monitoring efforts by its internal compliance programs.
- **Periodic Data Submittals** – WECC reviews monthly and quarterly reports that are submitted regarding compliance with certain standards.
- **Exception Reporting** – WECC requires reports on a small set of standards when violations occur.
- **Complaints** – The WECC compliance staff is alerted to a potential violation that is then investigated.

¹²WSCC was one of the companies and regional transmission associations that merged to form WECC.

¹³The original eight WECC Regional Reliability Standards have been revised and now are incorporated in seven WECC RRS.

The compliance function is also involved in the following processes in support of its activities:

- **Registration** – Facilitating the registration process by ensuring that there are no gaps in the registration of entities in the Western Interconnection and resolving registration disputes.
- **Penalty calculations** – Determining, as appropriate, proposed penalties for alleged violations.
- **Settlement negotiations** – Conducting settlement negotiations with Registered Entities when requested.
- **Hearings and Appeals** – Participating in all hearings and appeals.
- **Certification of Balancing Authorities, Reliability Coordinators and Transmission Operators** – Conducting the certification process as required.

2009 Goals and Objectives

- Continue to ensure all compliance activities are conducted in a fair, impartial and professional manner.
- Identify and implement methods to streamline and improve the audit process.
- Apply risk-based analysis to select the appropriate standards for review during the audit process.
- Seek and respond to Registered Entity feedback on audits and other compliance activities.
- Continue to expand educational opportunities to enhance Registered Entities' understanding of the CMEP and reliability standards.
- Establish a cyber security compliance user group.
- Continue to recruit experienced and skilled staff and consultants.

Funding Requirements — Explanation of Increase (Decrease)

The cost of WECC's Compliance Enforcement Department activities in 2009 is \$10,086,049. Program expenses for 2009 are driven by additional staffing and the associated costs of conducting audits, investigations, hearings and appeals. The scope of both the on-site and table-top audits has expanded from 2007 to 2008 and will expand again in 2009. The expansion in scope is mainly due to an increase in the number of standards that are included in the actively monitored program for each year. In 2007, about 50 of the FERC-approved standards were included. This number will increase to 83 standards in 2009.

In addition, the number of current investigations is many times higher than previously anticipated. For example, NERC now requires an investigation/review of the Transmission Vegetation Management Program of any Registered Entity that has experienced vegetation-caused outages. In addition, WECC is required to undertake an on-site evaluation to determine the appropriateness of a credit for any Registered Entity operating an exceptional Internal Compliance Program (ICP).

Staffing Needs

Hiring Plans

WECC has added eleven FTEs to the Compliance budget for 2009 and eliminated the hearing officer position, resulting in a net increase of ten FTEs. Contract dollars have been included for the hearing office position. Training will be required in order to facilitate consistency and quality of the compliance process.

Shared Employees

Not applicable.

Consultants

The 2009 budget for consultants and contracts increases to \$1,154,500. The use of consultants continues to be the most cost-effective way to provide the additional specialized resources needed for investigations, hearings and appeals.

Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the Compliance Enforcement and Organization Registration and Certification section of the 2009 business plan are shown in the table below.

SOA – Compliance and Organization Registration and Certification

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Compliance and Organization Registration and Certification					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 4,568,116	\$ 4,568,116	\$ -	\$ 6,165,303	\$ 1,597,187
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 4,568,116	\$ 4,568,116	\$ -	\$ 6,165,303	\$ 1,597,187
Expenses					
Personnel Expenses					
Salaries	\$ 1,927,416	\$ 1,927,416	\$ -	\$ 3,267,237	\$ 1,339,821
Payroll Taxes	133,980	133,980	-	-	(133,980)
Benefits	318,554	318,554	-	75,004	(243,550)
Retirement Costs	90,293	90,293	-	-	(90,293)
Total Personnel Expenses	\$ 2,470,243	\$ 2,470,243	\$ -	\$ 3,342,241	\$ 871,998
Meeting Expenses					
Meetings	\$ 121,447	\$ 121,447	\$ -	\$ 380,000	\$ 258,553
Travel	252,244	252,244	-	689,090	436,846
Conference Calls	103,763	103,763	-	75,004	(28,759)
Total Meeting Expenses	\$ 477,454	\$ 477,454	\$ -	\$ 1,144,094	\$ 666,640
Operating Expenses					
Consultants	\$ 200,000	\$ 200,000	\$ -	\$ 1,129,500	\$ 929,500
Contracts	746,000	746,000	-	25,000	(721,000)
Office Rent	226,825	226,825	-	138,264	(88,561)
Office Costs	76,736	76,736	-	227,204	150,468
Professional Services	340,314	340,314	-	159,000	(181,314)
Computer Purchase & Maintenance	30,544	30,544	-	-	(30,544)
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 1,620,419	\$ 1,620,419	\$ -	\$ 1,678,968	\$ 58,549
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 4,568,116	\$ 4,568,116	\$ -	\$ 6,165,303	\$ 1,597,187
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 projection and 2009 budgeted funding and expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined on page 8 of this business plan.

Funding Sources

Statutory funding.

Personnel Expenses

Personnel expenses will increase in 2009 due to the following eleven additional positions, offset by the elimination of the hearings technical advisor position:

Manager of Enforcement

With the addition of a second manager, the responsibilities of the current Manager of Audits and Enforcement will be split. This will allow a separation of the functions and more focused management.

Five Compliance Engineers – Relay Maintenance, Vegetation Management, Investigations, Penalties/Settlements, Hearings/Appeals

Additional Compliance Engineers are needed due to the increased work load. WECC is hiring Compliance Engineers who have specific technical experience in fields such as vegetation management, relay testing, scheduling and planning.

Compliance Program Coordinator

Currently, one Compliance Program Coordinator monitors the audit logistics and scheduling of WECC's on-site audits (approximately 20 per year). Table-top audits will be implemented this year and will involve at least 75 more annual audits that require logistical processing and audit scheduling.

Data Analyst

Implementation of the monitoring processes under the CMEP has increased the data processing and reporting requirements

Database Administrator

The 2008 implementation of the new web portal has created the need for a Database Administrator on staff rather than relying on a vendor for technical support. This will also result in faster posting of new information and more efficient response times regarding change control.

Data Analyst/Website/Web Portal Support

As WECC implements the monitoring processes of the CMEP, it becomes apparent that the data processing and reporting requirements will continue to increase.

Administrative Assistant, Compliance

The Compliance workload has increased and has created the need for another Administrative Assistant.

Personnel Reduction

Technical Advisor, Hearings

Rather than fill the Technical Advisor position with a WECC employee in 2009, dollars have been added to the consultant budget for a backup hearing officer, due to the uncertainty of the contested hearings workload.

Training costs for the Compliance Department that are clearly attributable to the Compliance program are budgeted directly to that program.

Meeting Expenses

Meeting costs will increase to reflect the increased costs of Compliance User Group meetings and workshops. Travel expenditure is budgeted to increase because most audits and investigations will require travel. Travel will also be required to participate in appeals of decisions resulting from the hearing process.

Operating Expenses

Costs for computer services for the web portal project are included in the consulting budget and will increase from \$199,400 to \$250,000. The web portal is critical for the secure submittal of compliance data by the Registered Entities. The increased budget will allow for additions and updates. The consulting budget will increase as the use of consultants continues to be the most cost-effective way to provide the additional specialized resources needed for investigations, hearings and appeals. The office rent for the Compliance Department is easily identifiable due to the size of the department and is budgeted directly to the Compliance program.

HEARINGS

Background

WECC fundamentally disagrees that the Hearings budget should be embedded in the CMEP Budget, though WECC understands that “Hearings” are part of the global Compliance budget, WECC believes that the expenditure on Hearings should be separately stated. It is, in WECC’s opinion, important that all constituents understand that the Hearings process has a separate governance structure and for organizational purposes is not part of Compliance. The WECC 2009 budget for Hearings is reflected in the following table, these expenditures are embedded in the Compliance Program, above.

	2009 Budget
Total FTEs	3
Total Direct Expenses	\$941,474
Total Indirect Expenses	\$392,075
Total Expenses	\$1,333,549

Program Description and Functions Performed

Hearing Officers will conduct the evidentiary hearings in the majority of disputes and issue initial decisions. The initial decisions, along with exceptions by the parties, will be submitted to a Compliance Hearing Body (CHB) panel for consideration and final decision on behalf of the

WECC region. In cases of particular complexity or significant regional interest, a CHB panel may conduct or participate in the evidentiary hearing. The Legal Department Staff will support the Hearing Officers and CHB. Hearing Officers and Legal Department Staff supporting the Hearing Officers and CHB will be screened from other Legal Department matters during the pendency of a hearing.

2009 Goals and Objectives

- Streamline hearing procedures to provide timely and thorough review of disputes.
- Retain Hearing Officers for disputes related to compliance violations

Staffing Needs

Hiring Plans

Not applicable

Shared Employees

Not applicable.

Contractors

Contractors will be used as Hearing Officers. The increase in contractor usage will be offset by the reduction in the fixed cost of a permanent WECC Hearing Officer. Using contractors will provide greater flexibility to address the sporadic nature of compliance disputes.

Summary of 2008 projection and 2009 budgeted funding and expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

Statutory funding.

Personnel Expenses

Personnel expenses will increase in 2009 due to the addition of 11 Compliance employees, offset by the reduction of one for a net gain of 10 positions.

Meeting Expenses

Hearing Officers will meet with parties and conduct hearings as required by WECC's CMEP.

Operating Expenses

Contractors and consultants will be retained to address compliance hearing requirements.

Reliability Readiness Evaluation and Improvement Program

Reliability Readiness Evaluation and Improvement Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2	2	2
Total Direct Expenses	\$342,541	\$342,541	\$216,400
Total Indirect Expenses	\$111,209	\$111,209	\$261,383
Total Expenses	\$453,750	\$453,750	\$477,783

Background

“Readiness Evaluation” is a NERC program designed to assess an entity’s ability to operate reliably in the future as well as to determine their readiness to maintain safe and reliable operations. Readiness Evaluations are undertaken by a team of industry experts and generate examples of excellence that are circulated throughout the industry to improve operations. Balancing Authorities, Transmission Operators and Reliability Coordinators are scheduled for Readiness Evaluations every three years.

Note: In NERC’s 2009 business plan, developed after approval of this plan by WECC, NERC has eliminated the Reliability Readiness Evaluation and Improvement Program. In the NERC approved plan, 2009 will be a transition year, during which open Readiness recommendations in the Region will be monitored to their completion and a reduced set of Evaluations will take place. Due to the uncertainty associated with the final disposition of the NERC program and the expectations delegated to WECC at the time this plan was developed and finalized, the potential for an under run of 2009 expenditures compared to budget exists, but is difficult to quantify at this time.

Program Description and Functions Performed

Readiness Evaluations are conducted at entities’ facilities, and involve reviews of documentation and interviews with employees. On completion of an evaluation, the team meets with the entity’s staff and management personnel, provides details of good operating practices and makes recommendations for improvement. Recommendations are tracked for resolution by the Operating Practices Subcommittee (OPS), a subgroup of the Operating Committee (OC).

Readiness Evaluation teams consist of six members: a WECC staff member, a NERC co-lead and four industry volunteers drawn from both inside and outside of the Western Interconnection. FERC staff persons may also participate. The readiness evaluation program in WECC is under the direction of an Assistant Director of Operations.

2009 Goals and Objectives

- WECC's Readiness Evaluation staff will work to ensure that the evaluation team understands operating practices and WECC members are well-prepared for the evaluations.
- WECC will conduct 20 Readiness Evaluations in 2009, an increase of three over 2008.

Funding Requirements — Explanation of Increase (Decrease)

Although the number of evaluations will increase from 17 to 20 in 2009, the projected funding amount has decreased based on experience with 2008 individual evaluations.

Staffing Needs

Hiring Plans

There will be no increase in staff for Readiness Evaluations in 2009. The Assistant Director of Operations and two staff members from the Operations group will participate in the 20 Readiness Evaluations planned in 2009.

Shared Employees

Not applicable.

Contractors

In 2009, \$25,000 has been allocated for consultants. Consultants will be used when Readiness Evaluations conflict with the work schedules of WECC Operations staff.

Reliability Readiness Evaluations and Improvement Program

Funding sources and related expenses for the Reliability Readiness Evaluation and Improvement section of the 2009 business plan are shown in the table below.

SOA – Reliability Readiness Evaluations and Improvement Program

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Readiness Evaluation and Improvement					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 342,541	\$ 342,541	\$ -	\$ 216,400	\$ (126,141)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 342,541	\$ 342,541	\$ -	\$ 216,400	\$ (126,141)
Expenses					
Personnel Expenses					
Salaries	\$ 155,922	\$ 155,922	\$ -	\$ 162,000	\$ 6,078
Payroll Taxes	14,745	14,745	-	-	(14,745)
Benefits	45,781	45,781	-	-	(45,781)
Retirement Costs	13,891	13,891	-	-	(13,891)
Total Personnel Expenses	\$ 230,339	\$ 230,339	\$ -	\$ 162,000	\$ (68,339)
Meeting Expenses					
Meetings	\$ 18,684	\$ 18,684	\$ -	\$ -	\$ (18,684)
Travel	22,807	22,807	-	29,400	6,593
Conference Calls	579	579	-	-	(579)
Total Meeting Expenses	\$ 42,070	\$ 42,070	\$ -	\$ 29,400	\$ (12,670)
Operating Expenses					
Consultants	\$ 32,500	\$ 32,500	\$ -	\$ 25,000	\$ (7,500)
Contracts	-	-	-	-	-
Office Rent	12,338	12,338	-	-	(12,338)
Office Costs	7,960	7,960	-	-	(7,960)
Professional Services	15,404	15,404	-	-	(15,404)
Computer Purchase & Maintenance	1,930	1,930	-	-	(1,930)
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 70,132	\$ 70,132	\$ -	\$ 25,000	\$ (45,132)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 342,541	\$ 342,541	\$ -	\$ 216,400	\$ (126,141)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 projection and 2009 budgeted funding and expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined on page 8 of this business plan.

Funding Sources

Statutory funding.

Personnel Expenses

There will be no increase in staffing for the Readiness Evaluation Program.

Meeting Expenses

Total travel and meeting expenses for the Readiness Evaluation Program have been reduced in 2009 as the result of more accurately budgeting expenses based on actual dollars spent on individual evaluations from the previous year.

Operating Expenses

Consulting expenses for 2009 will be used to cover the evaluations scheduled in 2009. The increase is also attributable to the potential need to provide alternate coverage for WECC personnel when they are unavailable for Readiness Evaluations due to conflicts in work schedules.

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	3	3	3.5
Total Direct Expenses	\$726,090	\$726,090	\$863,290
Total Indirect Expenses	\$166,814	\$166,814	\$457,420
Total Expenses	\$892,904	\$892,904	\$1,320,710

Background

WECC provides continuing education and training for system operators, schedulers and dispatchers. In 2009, WECC will increase the emphasis on training relating to the NERC Standards, the Regional Standards and Business Practices.

Program Description and Functions Performed

WECC conducts training classes 24 to 26 weeks per year in Salt Lake City. The curriculum is developed with the assistance of the Operations Training Subcommittee (OTS) of the OC. The OTS and WECC staffs also provide an annual training workshop for all WECC-Certified Training Instructors. In addition to the Operator Training Program, WECC staff and the OTS offer an Executive Overview Workshop that provides a broad overview of system operations for non-operational personnel two times each year.

2009 Goals and Objectives

- WECC will continue to provide high-quality continuing education for system operators, schedulers and dispatchers.
- WECC will continue to review and revise the curriculum as needed, and will increase the emphasis on training relating to the NERC Standards, the Regional Standards and Business Practices.

Funding Requirements — Explanation of Increase (Decrease)

The WECC Training Program cost is completely offset by the revenue generated from registration fees for training sessions. The Operations Training Subcommittee will be required to increase training fees and add additional classes to provide adequate funding to cover the training program as a consequence of hiring a Manager of Training. This new position will support both operator training and WECC member training. It will be 50% funded through the self-funded Training Program and 50% through the Operating Committee budget.

Staffing Needs

Hiring Plans

The Training Department currently includes one full-time trainer, one support person and one contract training instructor. The contract training instructor's contract will terminate in October of 2008 and WECC will replace the position with a full-time instructor. In

2009, one new FTE will be hired to fill the Manager of Training position. This position will be responsible for coordinating the development, implementation and documentation of all WECC system operators training and will coordinate the reliability coordinator training to meet NERC Standards criteria and documentation. The Manager of Training will also be responsible for compliance and standards training as requested by members.

Shared Employees

Not applicable.

Contractors

The only plans for using contract employees in 2009 will be to support the System Overview Workshop sponsored twice per year.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the Training, Education, and Operator Certification section of the 2009 business plan are shown in the table below.

SOA – Training and Education

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Training and Education					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	726,090	726,090	-	863,290.0	137,200
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 726,090	\$ 726,090	\$ -	\$ 863,290	\$ 137,200
Expenses					
Personnel Expenses					
Salaries	\$ 228,423	\$ 228,423	\$ 0	\$ 318,409	\$ 89,986
Payroll Taxes	21,853	21,853	-	-	(21,853)
Benefits	53,942	53,942	-	163,981	110,039
Retirement Costs	20,837	20,837	-	-	(20,837)
Total Personnel Expenses	\$ 325,055	\$ 325,055	\$ 0	\$ 482,390	\$ 157,335
Meeting Expenses					
Meetings	\$ 263,546	\$ 263,546	\$ -	\$ 236,000	\$ (27,546)
Travel	51,611	51,611	-	45,900	(5,711)
Conference Calls	868	868	-	3,000	2,132
Total Meeting Expenses	\$ 316,025	\$ 316,025	\$ -	\$ 284,900	\$ (31,125)
Operating Expenses					
Consultants	\$ 8,400	\$ 8,400	\$ -	\$ 51,000	\$ 42,600
Contracts	18,400	18,400	(0)	38,000	19,600
Office Rent	18,508	18,508	-	-	(18,508)
Office Costs	16,595	16,595	-	7,000	(9,595)
Professional Services	23,107	23,107	-	-	(23,107)
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 85,010	\$ 85,010	\$ (0)	\$ 96,000	\$ 10,990
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 726,090	\$ 726,090	\$ 0	\$ 863,290	\$ 137,200
Change in Assets	\$ 0	\$ -	\$ (0)	\$ 0	\$ 0

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined on page 8 of this business plan.

Funding Sources

All of the Operator Training and Training Workshops are self-funded through training fees.

Personnel Expenses

In 2009, the Training function will add one full-time position: Manager of Training. This position will be responsible for coordinating the development, implementation and documentation of all WECC system operator training and for coordinating the reliability coordinator training to meet NERC Standards criteria and documentation. The Manager of Training will also be responsible for compliance and standards training as requested by members. Half of this position is funded by Committees and half is included in the Training budget.

Meeting Expenses

Based on the number of training sessions forecast in 2009, meetings costs increased slightly from 2008. This is primarily due to the increased cost of hosting the sessions. Meeting allocations have been eliminated in 2009, creating an apparent reduction in meeting costs.

Operating Expenses

Consulting fees for the Training Workshops increased in 2009 primarily due to increased hourly rates for workshop presenters' fees.

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	13	13	14
Total Direct Expenses	\$3,279,459	\$3,279,459	\$2,742,063
Total Indirect Expenses	\$722,859	\$722,859	\$1,829,681
Total Expenses	\$4,002,318	\$4,002,318	\$4,571,744

Background

WECC conducts a variety of studies and assessments required for the reliable planning and operation of the bulk electric system in the Western Interconnection.

WECC provides energy and capacity information to NERC for seasonal and long-term reliability assessments each year. This information allows NERC to complete the assessments required under Section 215 of the Federal Power Act. This work is overseen by the Managing Director of Planning and Standards.

Program Description and Functions Performed

Transmission Expansion Planning

WECC assists in meeting the region's needs for regional transmission planning and analyses. WECC accomplishes this by providing impartial and reliable data, public process leadership and analytic tools and services.

The Transmission Expansion Planning Policy Committee (TEPPC) — a WECC Board Committee — facilitates these activities, operates under a Charter approved by the WECC Board and has 17 members representing all classes of stakeholders with representation from all geographic sub-regions of WECC. This Committee was established in 2007. The TEPPC charter directs three primary functions:

- Overseeing transmission database management.
- Providing policy and management of the planning process.
- Guiding the analysis and modeling for Western Interconnection transmission expansion planning.

TEPPC and its subgroups work closely and coordinate with Western state, provincial and federal government entities.

During 2008, WECC staff — with the assistance of the Technical Advisory Subcommittee (TAS) of TEPPC — will complete an update of the Transmission Expansion Planning Database.

The updated database will include information regarding load, transmission, fuel price, existing generation and planned generation. WECC staff will use this database to simulate Western regional production costs under various loads, gas prices, hydro and other scenarios. These activities are intended to result in a comprehensive, current and well-validated database that can be readily used to identify where transmission expansion may be needed. The database can be used to evaluate the ability of transmission, generation and demand-side resources to satisfy needs across the Western Interconnection.

TEPPC will also perform studies on congestion in the Western Interconnection for the Department of Energy (DOE). This congestion work will allow the DOE to meet its requirements under the Energy Policy Act of 2005.

WECC anticipates that these activities will continue in 2009.

Loads and Resources

In 2009, WECC will continue to improve its loads and resources data gathering and analysis. The WECC staff, assisting the Loads and Resources Subcommittee (LRS), will provide analysis of resource adequacy in the Western Interconnection. Improvements have been made each year to both the energy and capacity assessments. Recent improvements include scenario inputs (for example, extreme weather) as well as improved modeling and data quality. This work is performed by WECC staff under the direction of the PCC and LRS.

Power Supply Assessment (PSA)

The WECC PSA is an annual study of the resource capacity margins on a WECC-wide basis. The study identifies sub-regions within WECC that have the potential for electricity supply shortages, based on reported demand, resource data and transmission constraints.

The WECC PSA presents the results of a set of resource capacity margin scenarios for the Western Interconnection for a ten-year forecast period, based on a deterministic load-resource model that examines the effect of various design criteria relative to the load forecast requirements. The assessment is based on the physical ability of the Western Interconnection to supply all loads, regardless of contractual obligations.

Studies

WECC staff, based on guidance from the Technical Studies Subcommittee (TSS), develops a report concerning operating and transfer conditions. WECC staff prepares study results for TSS and PCC approval. These studies are also used in determining stability limits required by NERC Reliability Standards.

The WECC technical staff annually prepares a ten-year data bank of power flow base cases and associated stability data reflecting case scenarios, system configurations and operating conditions specified by the TSS.

2009 Goals and Objectives

PCC Subcommittee Goals

LRS Goals

- Improve the seasonal assessments through better data definitions and reporting clarity.
- Improve the NERC Long term Reliability Assessment (NERC LTRA) through well-defined scenarios and factual assessments.
- Expand participation in NERC meetings in developing definitions and in the drafting of NERC reports.
- Participate in the development of scenarios for the 2009 NERC LTRA.
- Participate in the NERC standards development process on issues that pertain to assessments and data collection or other loads and resources assignments.

TSS and System Review Work Group (SRWG) Goals

- Participate in NERC standards drafting teams when appropriate.
- Allocate responsibility for the WECC procedures/policies/processes and input into standards where needed.
- Provide additional General Electric (GE) and Power Technology Inc. (PTI) training for WECC Base Case Engineers.
- Participate in the GE and PTI users groups.

Reliability Subcommittee Goals

- Continue to develop the Voltage Ride Through criterion.
- Continue to develop the Transmission Availability Database to include planned outages.
- Participate in the NERC standards drafting teams when appropriate.

Modeling and Validation Work Group (MVWG) Goals

- Define and implement the single-phase induction motor model, which involves the NERC Transmission Issues Subcommittee (TIS) and its report on AC load tripping.
- Actively participate in the development of NERC Standards MOD-024, 25, 26, 27 and PRC-019.

Disturbance Monitoring Work Group (DMWG) Goals

- Identify desirable sites for the additional Performance Monitors funded for 2009 and persuade the transmission operators to install the devices.
- Conduct a workshop regarding modeling tools.
- Provide for analysis of system events.
- Improve disturbance data exchange/availability.

TEPPC Goals

- Finalize the 2008 Annual Report.
- Perform all 2009 requested studies from the subregional planning groups.
- Improve the transmission database through additional data requests, reviews and screening.
- Implement the lessons learned from the 2008 process.
- Finalize the 2009 DOE congestion studies, including definitions, timeline and metrics.
- Improve functionality of work groups through more stakeholder participation.
- Provide additional ProMod training for WECC staff.

Funding Requirements — Explanation of Increase (Decrease)

The total cost of WECC's Reliability Assessment and Performance Analysis Program in 2009 is \$4,571,744. The actual increase in costs for this function is attributable to costs associated with hiring a Reliability Engineer and increased TEPPC meeting costs associated with the DOE congestion studies. Consulting costs will also increase due to training and education, testing and side-by-side conversion activities associated with the transition of the loads and resources analysis data from the current modeling software — the Supply Adequacy Model (SAM) — to the ProMod model.

Staffing Needs

Hiring Plans

WECC will recruit a Reliability Engineer in 2009 to assist with the increased number of studies required. These include the 2009 DOE congestion studies and as many as 20 additional economic and congestion studies requested by the Subregional Planning Groups and Transmissions Providers (TPs) as part of the TEPPC study cycle. This position is needed to perform these additional studies. WECC will also recruit a Renewable Engineer reporting to the Managing Director of Planning and Standards. This position will provide support on reliability and policy issues across four disciplines: Transmission Planning, Standard Setting, Operations and Market Interface. Personnel expenses associated with this position are reflected in the General and Administrative budget.

Shared Employees

Not applicable.

Contractors

Consulting costs will increase due to activities associated with the transition of the loads and resources data from the SAM to the ProMod model.

SOA – Reliability Assessment and Performance Analysis

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Assessment and Performance Analysis					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 3,279,459	\$ 3,279,459	\$ -	\$ 2,656,981	\$ (622,478)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	85,082	85,082
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 3,279,459	\$ 3,279,459	\$ -	\$ 2,742,063	\$ (537,396)
Expenses					
Personnel Expenses					
Salaries	\$ 1,011,574	\$ 1,011,574	\$ (0)	\$ 1,094,310	\$ 82,736
Payroll Taxes	87,087	87,087	-	-	(87,087)
Benefits	297,552	297,552	-	81,045	(216,507)
Retirement Costs	90,293	90,293	-	-	(90,293)
Total Personnel Expenses	\$ 1,486,506	\$ 1,486,506	\$ (0)	\$ 1,175,355	\$ (311,151)
Meeting Expenses					
Meetings	\$ 121,447	\$ 121,447	\$ -	\$ 135,450	\$ 14,003
Travel	148,246	148,246	-	119,330	(28,916)
Conference Calls	3,763	3,763	-	32,000	28,237
Total Meeting Expenses	\$ 273,456	\$ 273,456	\$ -	\$ 286,780	\$ 13,324
Operating Expenses					
Consultants	\$ 254,568	\$ 254,568	\$ 0	\$ 683,000	\$ 428,432
Contracts	588,000	588,000	0	294,568	(293,432)
Office Rent	80,200	80,200	-	-	(80,200)
Office Costs	474,053	474,053	-	252,360	(221,693)
Professional Services	100,132	100,132	-	-	(100,132)
Computer Purchase & Maintenance	22,544	22,544	-	50,000	27,456
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 1,519,497	\$ 1,519,497	\$ 0	\$ 1,279,928	\$ (239,569)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 3,279,459	\$ 3,279,459	\$ 0	\$ 2,742,063	\$ (537,396)
Change in Assets	\$ 0	\$ -	\$ (0)	\$ 0	\$ 0

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined on page 8 of this business plan.

Funding Sources

Statutory funding. Funding of \$85,082 is received from a user-funded data collection service hosted by WECC.

Personnel Expenses

The increase in 2009 personnel expenses is attributable to the recruitment of a Reliability Engineer who will provide support to TEPPC on the DOE congestion studies. Personnel expenses associated with the Renewable Engineer position are reflected in the General and Administrative budget. This position will provide support on reliability and policy issues across four disciplines: Transmission Planning, Standard Setting, Operations and Market Interface.

Training costs for the Reliability Assessment and Performance Analysis program are clearly attributable to this program and are budgeted directly to it.

Meeting Expenses

The increase in 2009 meeting expenses is attributable to an anticipated increase in the number of TEPPC meetings with associated travel and accommodation costs.

Operating Expenses

The increase in 2009 operating expenses is attributable to consulting costs employed to support the transition from the SAM model to the ProMod model.

Situational Awareness and Infrastructure Security Program

Situational Awareness and Infrastructure Security Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	49	49	54
Total Direct Expenses	\$18,007,842	\$18,007,842	\$14,143,679
Total Indirect Expenses	\$2,724,623	\$2,724,623	\$7,057,342
Total Expenses	\$20,732,465	\$20,732,465	\$21,201,021

Background

In 2006, the WECC Board initiated the Reliability Coordination Strategic Initiative in order to create two WECC-wide Reliability Coordination Centers that are separate and independent from any host and to create complete redundancy of operations. This will allow each center to back-up the other while complying with all WECC and NERC standards and will provide a common Energy Management System (EMS) and set of tools for the reliability coordinators. The two Reliability Coordination Centers will be located at Fort Collins, Colorado and Vancouver, Washington and, along with the EMS Data Centers, will be hosted by WECC. In late 2007, WECC decided to advance the project completion date from 2009 to 2008 and to fund the project acceleration through a \$6 million line of credit.

Program Description and Functions Performed

WECC Reliability Coordinators are responsible for monitoring and responding to real-time conditions on the bulk power system in the Western Interconnection. They also provide leadership, coordination, technical assistance to the Balancing Authorities and other entities within WECC and issue directives in order to protect system reliability.

The EMS and IT teams located at both Reliability Coordination Centers will provide on-site support for the real-time operating system, advanced applications, model updating and reliability coordinator tools. They also are responsible for conducting studies, developing mitigation plans and assisting the real-time reliability coordinators during system events.

2009 Goals and Objectives

The primary goal of the WECC situational awareness and infrastructure security program is to provide proactive response to conditions on the bulk electric system that ensure the safe and reliable operation of the Western Interconnection. To achieve this goal, WECC will purchase simulators for both Reliability Coordination Centers to provide employees with practical experience on the WECC interconnected bulk electric system.

Funding Requirements — Explanation of Increase (Decrease)

The 2009 budget (total of direct and indirect costs) for Situational Awareness and Reliability Coordination activities in 2009 is \$21,201,021, an increase of \$468,556 compared to 2008. A major element of 2009 budget relates to payment on the \$6 million dollar line of credit obtained in 2008 to accelerate the completion of the Reliability Coordination Strategic Initiative. The

budget also includes recruitment and relocation costs associated with the hiring of reliability coordination employees during this effort.

Staffing Needs

Hiring Plans

There will be an increase of five FTEs in 2009, as described below, for a total of 54 reliability coordination employees; a compliance manager, two administrative assistants and two EMS support engineers that were deferred from 2008 until 2009 to coincide with the maintenance requirements of the West-wide System Model.

Reliability Coordination Compliance Manager

The reliability coordination function is responsible for 358 requirements of the mandatory standards, including the CIP (Critical Infrastructure Protection) standards. These standards have numerous reporting, testing, training and documentation management requirements for us to establish compliance. This position will also be responsible for WECC Region Reliability Organization compliance, which is currently outsourced.

Two Administrative Assistants

Two Administrative Assistants are required to provide general administrative support to the Reliability Coordination Center staffs. One will be located in Vancouver, Washington and one will be located in Fort Collins, Colorado.

Two Reliability Coordination Positions

Two EMS positions were approved by the WECC Board of Directors as part of the acceleration of the implementation Reliability Coordination Initiative, as one half FTEs in the 2008 Amended Budget. These positions are reflected as additions to the 2009 personnel budget.

Shared Employees

Not applicable.

Contractors

Additional staffing requirements will be met with contractors on an as needed basis. These roles are typically very narrow in scope and require specific expertise.

Situational Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2009 business plan are shown in the table below.

SOA – Situational Awareness and Infrastructure Security

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Situational Awareness and Infrastructure Security					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 12,155,428	\$ 12,155,428	\$ -	\$ 14,143,679	\$ 1,988,251
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	5,852,414	5,852,414	-	-	(5,852,414)
Total Funding	\$ 18,007,842	\$ 18,007,842	\$ -	\$ 14,143,679	\$ (3,864,163)
Expenses					
Personnel Expenses					
Salaries	\$ 5,168,145	\$ 5,168,145	\$ 0	\$ 6,390,937	\$ 1,222,792
Payroll Taxes	484,057	484,057	0	-	(484,057)
Benefits	1,453,221	1,453,221	0	327,671	(1,125,550)
Retirement Costs	41,697	41,697	(0)	-	(41,697)
Total Personnel Expenses	\$ 7,147,119	\$ 7,147,120	\$ 1	\$ 6,718,608	\$ (428,512)
Meeting Expenses					
Meetings	\$ 28,026	\$ 28,026	\$ -	\$ -	\$ (28,026)
Travel	193,791	193,791	-	96,000	(97,791)
Conference Calls	868	868	-	4,800	3,932
Total Meeting Expenses	\$ 222,685	\$ 222,685	\$ -	\$ 100,800	\$ (121,885)
Operating Expenses					
Consultants	\$ 4,141,865	\$ 4,141,865	\$ (0)	\$ 42,000	\$ (4,099,865)
Contracts	1,621,392	1,621,392	-	486,000	(1,135,392)
Office Rent	274,108	274,108	-	479,568	205,460
Office Costs	375,645	375,645	-	2,448,640	2,072,995
Professional Services	566,707	566,707	-	540,000	(26,707)
Computer Purchase & Maintenance	3,658,320	3,658,320	-	72,000	(3,586,320)
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 10,638,037	\$ 10,638,037	\$ (0)	\$ 4,068,208	\$ (6,569,829)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 3,256,063	\$ 3,256,063
Total Expenses	\$ 18,007,842	\$ 18,007,842	\$ 0	\$ 14,143,679	\$ (3,864,163)
Change in Assets	\$ 0	\$ -	\$ (0)	\$ -	\$ -

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined on page 8 of this business plan.

Funding Sources

Statutory funding.

Personnel Expenses

The primary driver for the decrease in the 2009 budget is the conversion of contractor employees into WECC employees. Budgeted payroll benefits for contractors were included in the labor account for 2008. WECC employee payroll benefits, with the exception retention and training costs, are included in the payroll benefits accounts in the General and Administrative budget. These are spread to the Program areas as indirect costs. However, \$270,000 of retention costs and \$58,000 of training costs, which are clearly attributable to the Situational Awareness and Infrastructure Security program, have been budgeted directly.

Meeting Expenses

The travel and meeting budget in 2008 included expenses to complete the establishment of the two new Reliability Coordination Centers. The centers will be operational in 2009, reducing the need for travel and meetings.

Operating Expenses

Operating expenses will decrease due to completion of the Reliability Coordination Centers in 2008. Upfront one-time costs to bring the centers on-line were incurred in 2008. Office costs are budgeted directly to this program due to the separate nature of the Vancouver, Washington and Fort Collins, Colorado Reliability Coordination Centers.

Other Non-Operating Expenses

Other non-operating expenses will increase due to a scheduled line of credit principal and interest payment in early 2009.

Administrative Services

Administrative Services Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	21.0	21.0	32.5
Total Indirect Funding	\$ 6,180,957	\$ 6,180,957	\$14,049,338

Technical Committees and Members' Forums

Background

As noted in the introduction; WECC is governed by a 32-member Board, 25 of which represent member classes. The remaining seven directors are not affiliated with any WECC member or potential member. These Non-affiliated Directors are compensated for their time on the Board and on Board Committees.

Program Description and Functions Performed

Eight Board committees recommend policy on various reliability issues, or handle governance, finance and human resource matters. They are:

- *Operating Transfer Capability Policy Committee* – provides coordinated standards development and determination of seasonal operating transfer capabilities within the Western Interconnection.
- *Transmission Expansion Planning Policy Committee* – oversees database management, provides policy and management of the planning process, and guides the analyses and modeling for the Western Interconnection's transmission expansion planning.
- *Governance and Nominating Committee* – nominates Board candidates and recommends Bylaws and other governance changes.
- *Human Resources and Compensation Committee* – oversees human resources and WECC employee compensation.
- *Reliability Policy Issues Committee* – reviews policy-level reliability issues and develops appropriate recommendations for Board consideration.
- *Reliability Management System Reliability Compliance Committee* – ensures compliance with standards under the WECC Reliability Management System. The committee's responsibilities for the United States have largely been superseded by the WECC CMEP.
- *Finance and Audit Committee* – develops and recommends budgets, and assists the Board in maintaining the integrity of WECC's financial reporting.
- *Reliability Coordination Committee* – provides advice concerning reliability coordination operations, personnel and budget to the WECC Board and the WECC CEO.

Standing Committees

The Joint Guidance Committee – The JGC ensures that the Standing Committees (described below) and associated subcommittees coordinate and communicate regarding electric system reliability and market issues.

Standing Committees:

- *Operating Committee* – The OC advises and makes recommendations to the Board on all WECC-related matters that apply to maintaining reliability through the operation and security of the Western Interconnection interconnected bulk electric power systems. The OC has nine subcommittees.
- *Planning Coordination Committee* – The PCC recommends criteria for determining the adequacy of power supply and for elements of system design that affect the reliability of the interconnected bulk electric power systems. The PCC collects data and studies the operation of the interconnected systems necessary to determine the reliability of the Western regional bulk electric power system. The PCC evaluates proposed facility additions or modifications based on established reliability criteria. The PCC has four subcommittees.
- *Market Interface Committee* – The MIC considers matters pertaining to the impact of reliability standards, practices and procedures on the commercial electricity market in the Western Interconnection and facilitates analysis of the impact of electricity market practices on electric system reliability. The MIC has two subcommittees.

2009 Goals and Objectives

- WECC's primary goal is to assist the committees in meeting their charters and achieving their goals by providing studies, expert advice and perspective on matters pertaining to the Western Interconnection bulk electric power system. This will be achieved by providing subject matter experts in areas such as planning, system operations, reliability coordination and market interface.
- WECC will continue to provide logistics support for meetings and required postings.

Funding Requirements — Explanation of Increase (Decrease)

The cost of WECC's Board and the Standing Committees in 2009 is \$2,615,670. The increase in cost is due to the addition of an operations staff position and to increased travel and accommodation expenses. Half of the cost of the Training Manager is included in the Technical Committees and Members' Forums budget

Staffing Needs

Hiring Plans

The Operating staff position will address WECC's increasing responsibility and its support role for the OC, and the development and implementation of the permanent Frequency Response Reserves Standard. The Training Manager's involvement in the development of an improved, training program will benefit all WECC members.

Shared Employees

Not applicable.

Contractors

The Operating Committee has budgeted \$150,000 for upgrades to the Western Interchange Tool software, and to the Unscheduled Flow Mitigation Tool (webSAS). The maintenance for Western Interchange Tool is budgeted at \$564,000.

Technical Committees and Members' Forums

Funding sources and related expenses for the Members' Forums section of the 2009 business plan are shown in the table below.

SOA – Technical Committees and Member Forums

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Technical Committees and Member Forums					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 1,674,211	\$ 1,674,211	\$ -	\$ 2,615,670	\$ 941,459
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,674,211	\$ 1,674,211	\$ -	\$ 2,615,670	\$ 941,459
Expenses					
Personnel Expenses					
Salaries	\$ 448,773	\$ 448,773	\$ 0	\$ 607,094	\$ 158,321
Payroll Taxes	29,496	29,496	-	-	(29,496)
Benefits	91,556	91,556	-	19,400	(72,156)
Retirement Costs	27,778	27,778	-	-	(27,778)
Total Personnel Expenses	\$ 597,603	\$ 597,603	\$ 0	\$ 626,494	\$ 28,891
Meeting Expenses					
Meetings	\$ 37,368	\$ 37,368	\$ -	\$ 406,000	\$ 368,632
Travel	45,614	45,614	-	\$ 241,756	196,142
Conference Calls	1,158	1,158	-	\$ 24,440	23,282
Total Meeting Expenses	\$ 84,140	\$ 84,140	\$ -	\$ 672,196	\$ 588,056
Operating Expenses					
Consultants	\$ 213,000	\$ 213,000	\$ (0)	\$ 60,000	\$ (153,000)
Contracts	34,000	34,000	-	714,000	680,000
Office Rent	24,677	24,677	-	-	(24,677)
Office Costs	653,120	653,120	(0)	117,880	(535,240)
Professional Services	30,811	30,811	-	425,100	394,289
Computer Purchase & Maintenance	36,860	36,860	-	-	(36,860)
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 992,468	\$ 992,468	\$ (0)	\$ 1,316,980	\$ 324,512
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,674,211	\$ 1,674,211	\$ 0	\$ 2,615,670	\$ 941,459
Change in Assets	\$ 0	\$ -	\$ (0)	\$ -	\$ -

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined on page 8 of this business plan.

Funding Sources

Statutory funding.

Personnel Expenses

Personnel expenses in 2009 will increase to accommodate the salary costs and benefits associated with the recruitment of an operations staff member. In addition, one half of the Manager of Training's time will be charged to Technical Committees and Members' Forums. Eventually, the cost of the Training Manager will be self-funded by training tuition. For the first year, WECC anticipates that work to develop the expanded training program will be required. This will not generate the revenue required to fully fund the position, but will benefit all members. Training costs attributable for the Operating Committee and the Market Interface Committee are budgeted directly to Technical Committees and Members' Forums.

Meeting Expenses

Meetings and travel expenses have been budgeted at 2007 actual levels. These expenses have been increased for the requirements of new employees and the expected increase in meeting and travel costs. The 2008 amounts appear low because they have been allocated to the programs. Meeting costs are budgeted to the programs in 2009 as direct expenses.

Operating Expenses

Consultant costs have decreased because the Planning and Western Interchange Tool development was budgeted in 2008, but not in 2009. The OC reduced its Consultant budget from \$213,000 in 2008 to \$60,000 in 2009.

Expenses of \$564,000 for the Western Interchange Tool were budgeted within the Office Cost category in 2008 and are budgeted in contracts for 2009.

Professional Services (Non-affiliated Director fees and expenses) were allocated to the program areas in 2008. In 2009, the total of these expenses appear in the Committees and Forums budget.

General and Administrative

Functional Description

The purpose of the General and Administrative staff program area is to provide executive leadership to WECC, and communications and administrative support to WECC staff, committees and members.

2009 Goals and Objectives

The primary goal for the administrative function for 2009 is to increase the level of professionalism of WECC administrative staff, and improve the quality of support provided.

Funding Requirements — Explanation of Increase (Decrease)

Funding requirements for General and Administrative have increased due to the addition of three positions. The significant increase in payroll overheads and benefits in 2009 is due to a reallocation of these expenses from the individual program budgets to the General and Administrative budget. All administrative costs are allocated to the individual program budgets as indirect costs based on FTEs.

Staffing Needs

Hiring Plans

Three positions will be added to the 2009 Budget:

Renewable Resources Position

A senior engineer or analyst is required to provide support on reliability and policy issues with respect to renewable resources in the Western Interconnection in four areas: Transmission Planning, Standard Setting, Operations and Market Interface. This position will provide improved and expanded support to members in accordance with the Strategic Plan. This position will report to the Managing Director of Planning and Standards.

Office Manager

The Strategic Plan identified an opportunity for improvement in the administrative area. As the complexity of the organization increases, it is necessary to enhance the level and quality of the administrative support provided to WECC members and staff. This position is required to provide leadership and direction to the administrative support staff. In addition, this position will assume responsibility for arranging Board of Director and Committee Meetings, document control, and skills development of the administrative staff.

Administrative Assistant, Operating Committee/Standards

A dedicated Administrative Assistant is needed to assist the Operations Group with data entry for the Readiness Evaluation and Disturbance Logs. This assistant will prepare the Daily Status Report, the weekly callout submittals and the annual update to the Remedial Action Scheme. This position will also provide support to OC to ensure Due Process and Meeting Approval items are posted and distributed in a timely and accurate manner as well as to the Standards Group with Standards Posting and distribution. These functions are currently performed by engineers.

Shared Employees

Not applicable.

Contractors

In 2009, \$22,000 specifically related to addressing NERC requests, has been budgeted for minor consulting and administrative projects.

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

SOA – General and Administrative

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
General and Administrative					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 2,757,030	\$ 2,757,030	\$ -	\$ 8,501,713	\$ 5,744,683
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	609,400	609,400	-	645,593	36,193
Miscellaneous	8,400	8,400	-	9,300	900
Total Funding	\$ 3,374,830	\$ 3,374,830	\$ -	\$ 9,156,606	\$ 5,781,776
Expenses					
Personnel Expenses					
Salaries	\$ 1,022,801	\$ 1,022,801	\$ (0)	\$ 2,179,735	\$ 1,156,934
Payroll Taxes	(58,731)	(58,732)	(1)	1,270,888	1,329,620
Benefits	251,777	251,777	-	2,518,602	2,266,825
Retirement Costs	76,388	76,388	-	1,146,404	1,070,016
Total Personnel Expenses	\$ 1,292,235	\$ 1,292,234	\$ (1)	\$ 7,115,628	\$ 5,823,394
Meeting Expenses					
Meetings	\$ 68,543	\$ 68,543	\$ -	\$ 5,000	\$ (63,543)
Travel	125,439	125,439	-	293,100	167,661
Conference Calls	3,184	3,184	-	6,000	2,816
Total Meeting Expenses	\$ 197,166	\$ 197,166	\$ -	\$ 304,100	\$ 106,934
Operating Expenses					
Consultants	\$ 525,000	\$ 525,000	\$ -	\$ 22,000	\$ (503,000)
Contracts	15,000	15,000	0	-	(15,000)
Office Rent	67,861	67,861	-	360,000	292,139
Office Costs	61,285	61,285	-	274,378	213,093
Professional Services	84,728	84,728	-	80,500	(4,228)
Computer Purchase & Maintenance	10,614	10,614	-	-	(10,614)
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 764,488	\$ 764,488	\$ 0	\$ 736,878	\$ (27,610)
Other Non-Operating Expenses	\$ 1,120,942	\$ 1,120,942	\$ -	\$ 1,000,000	\$ (120,942)
Total Expenses	\$ 3,374,831	\$ 3,374,830	\$ (1)	\$ 9,156,606	\$ 5,781,776
Change in Assets	\$ (1)	\$ -	\$ 1	\$ (0)	\$ (0)

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined on page 8 of this business plan.

Funding Sources

Statutory funding.

Personnel Expenses

The 2008 personnel expenses appear low due to their allocation to the programs as direct costs. In 2009, all administrative costs are reflected in General and Administrative and are allocated to programs as indirect costs.

Meeting Expenses

Meetings expenses have been budgeted in the program areas. In 2008, meeting costs were budgeted in General and Administrative, and allocated as direct costs to the program areas. Travel costs have increased due to the increased number of employees. 2008 travel costs appear lower as a result of discontinuing the allocation of travel costs to the program areas in 2009.

Operating Expenses

In 2008, Information Technology consultants and computer equipment were budgeted in General and Administrative. In 2009, these costs have been budgeted in the IT area.

Office rent and office costs were allocated to the programs as direct costs in 2008. Identifiable office rent costs (for Compliance and the Reliability Coordination Centers) are budgeted in the associated programs' area. In the 2009 budget, the administrative department costs are collected in the General and Administrative area in total and allocated to the programs as indirect costs.

Legal and Regulatory

Functional Description

WECC is establishing a Legal Department to provide coordinated legal services to WECC and to reduce increasing costs associated with outside legal representation. The Legal Department will advise on regulatory and legal issues affecting each WECC department and Committee. The Legal Department will also provide legal interpretations of relevant statutes, regulations, court opinions and regulatory decisions. Routine legal matters will be addressed in-house to reduce overall legal costs and to provide coordinated review of issues that are common across departments. Major efforts may be outsourced to select law firms, but responsibility for all legal matters remains with the General Counsel and Legal Department.

2009 Goals and Objectives

- Provide efficient, cost effective legal support to the Board of Directors, Committees and staff through a combination of in-house and outside resources.
- Update and advise the CEO on pending legal issues.
- Draft separation of function guidelines for WECC and provide advice on their requirements.
- Advise WECC departments on specific legal matters and general matters relating to WECC business.
- Represent WECC in legal and regulatory proceedings.
- Work with internal departments to establish a document management system to track agreements.
- Manage the legal budget by developing a process to review and approve all legal invoices and a tracking system to determine actual legal costs associated with individual projects.
- Expand on bringing legal support in-house through hiring of additional personnel in the legal department.

Funding Requirements — Explanation of Increase (Decrease)

The increase in funding reflects hiring associated with the creation of an in-house legal department which will enhance in-house expertise. This will reduce costs across WECC for professional services at a time when the legal needs are increasing due WECC's new roles.

Staffing Needs

Hiring Plans

WECC's legal department was established in early 2008 with the recruitment of a general counsel. The 2009 budget contains funding for two attorneys and a paralegal.

Shared Employees

Not applicable.

Contractors

Not applicable

Legal and Regulatory

Funding sources and related expenses for the legal and regulatory section of the 2009 business plan are shown in the table below.

SOA – Legal and Regulatory

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Legal and Regulatory					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 381,000	\$ 381,000	\$ -	\$ 852,208	\$ 471,208
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 381,000	\$ 381,000	\$ -	\$ 852,208	\$ 471,208
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ 583,200	\$ 583,200
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ 583,200	\$ 583,200
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 3,000	\$ 3,000
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ 3,000	\$ 3,000
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	381,000	381,000	(0)	266,008	(114,992)
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 381,000	\$ 381,000	\$ (0)	\$ 266,008	\$ (114,992)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 381,000	\$ 381,000	\$ (0)	\$ 852,208	\$ 471,208
Change in Assets	\$ (0)	\$ -	\$ 0	\$ 0	\$ 0

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined on page 8 of this business plan.

Funding Sources

Statutory funding.

Personnel Expenses

Personnel expenses will increase due to the increase in staffing levels and recruiting costs.

Meeting Expenses

Not applicable.

Operating Expenses

Outside counsel will be retained to address specific issues identified by the General Counsel and where ethical requirements prohibit the participation of Legal Department attorneys.

Information Technology

Functional Description

WECC's Information Technology (IT) consists of systems support including: data, email, telephone systems, and web site maintenance. In addition, IT includes small development projects and contracts with various service providers. It also includes a small staff to administer the IT infrastructure at WECC.

An IT Network Engineer provides desk-side services and network administration to an increasing population of WECC employees based in additional locations. System upgrades have been necessary in 2008 to accommodate this growth. The associated increase in number of computers, telephones, and new data requirements has required the use of contract services from time to time. As a consequence of this growth WECC will increase IT support staff.

2009 Goals and Objectives

The primary goal for 2009 is to manage the growth of the organization and meet customers' expectations for reliable IT infrastructure. Additional goals include:

- Establish a system development life cycle process.
- Establish a requirements-based solution system that improves delivery of small development projects.
- Support the IT requirements created by staff growth in the Salt Lake City and Vancouver offices, and in the new Reliability Coordination Centers.

Funding Requirements — Explanation of Increase (Decrease)

The increase in the 2009 budget is attributable to the IT requirements associated with the two new remote sites at Vancouver, Washington and Fort Collins, Colorado. These requirements include the purchase of new computers, servers, software and licensing. A webmaster position was added to the 2008 budget. Consulting expenses will increase in order to provide support for the SharePoint Server and the network systems within WECC.

Staffing Needs

Hiring Plans

Not applicable.

Shared Employees

Not applicable.

Contractors

Consulting expenses will increase as a consequence of supporting the SharePoint Server and the network systems within the organization. WECC will continue to rely on consultants on an as needed basis throughout 2009. These costs were budgeted in the General and Administration area in 2008 and are budgeted in IT for 2009.

Information Technology

Funding sources and related expenses for the information technology section of the 2009 business plan are shown in the table below.

SOA – Information Technology

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Information Technology					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 406,067	\$ 406,067	\$ -	\$ 1,005,207	\$ 599,140
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 406,067	\$ 406,067	\$ -	\$ 1,005,207	\$ 599,140
Expenses					
Personnel Expenses					
Salaries	\$ 174,888	\$ 174,888	\$ -	\$ 208,467	\$ 33,579
Payroll Taxes	22,123	22,123	-	-	(22,123)
Benefits	68,667	68,667	-	-	(68,667)
Retirement Costs	20,837	20,837	-	-	(20,837)
Total Personnel Expenses	\$ 286,515	\$ 286,515	\$ -	\$ 208,467	\$ (78,048)
Meeting Expenses					
Meetings	\$ 28,026	\$ 28,026	\$ -	\$ -	\$ (28,026)
Travel	34,211	34,211	-	-	(34,211)
Conference Calls	868	868	-	-	(868)
Total Meeting Expenses	\$ 63,105	\$ 63,105	\$ -	\$ -	\$ (63,105)
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
Contracts	-	-	-	300,000	300,000
Office Rent	18,508	18,508	-	-	(18,508)
Office Costs	11,937	11,937	-	77,660	65,723
Professional Services	23,107	23,107	-	-	(23,107)
Computer Purchase & Maintenance	2,895	2,895	-	394,080	391,185
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 56,447	\$ 56,447	\$ -	\$ 796,740	\$ 740,293
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 406,067	\$ 406,067	\$ -	\$ 1,005,207	\$ 599,140
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined on page 8 of this business plan.

Funding Sources

Statutory funding.

Personnel Expenses

Personnel expenses will increase due to the increase in the number of computers, telephones, and new data requirements.

Meeting Expenses

Not applicable.

Operating Expenses

The increase in operating expenses is attributable to the growth of the organization and the associated need for new computers, servers, software and licensing. Consulting expenses will increase as a consequence of supporting the SharePoint Server and the network systems within the organization. These expenses were budgeted in the General and Administrative budget in 2008. For 2009, they appear in the IT budget.

Human Resources

Functional Description

Since 2006, WECC has grown from 46 employees to a projected 144 total employees by the end of 2009. WECC's Human Resources (HR) functions are presently carried out by the Director of Human Resources and an HR Assistant. This HR team is responsible for all human resources functions, including management advice and counsel, recruitment, staffing, compensation, benefits, safety and health, payroll, employee relations, and employee training and development.

As the headcount growth levels off, the focus will turn from recruitment toward employee development and retention, as well as establishing and documenting the HR processes and systems needed to effectively support the larger organization size while minimizing cost.

2009 Goals and Objectives

The department's objective is to provide effective HR support to WECC management and employees by developing and implementing policies, programs and services that contribute to the attainment of the organization and individual employee goals.

Funding Requirements — Explanation of Increase (Decrease)

The 2009 HR budget of \$264,600 reflects an increase from 2008 due to the recruitment of an HR generalist and the movement of the HR administrative assistant from the General and Administrative budget to the HR program area. All other expenses are budgeted as part of the WECC General and Administrative category.

Staffing Needs

Hiring Plans

An HR generalist is budgeted to be hired in 2009. This position will provide day-to-day support for the Reliability Coordination Centers in Vancouver, Washington and Fort Collins, Colorado.

Shared Employees

Not applicable.

Contractors

No contractors are anticipated in 2009.

Human Resources

Funding sources and related expenses for the human resources section of the 2009 business plan are shown in the table below.

SOA – Human Resources

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Human Resources					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 201,571	\$ 201,571	\$ -	\$ 264,600	\$ 63,029
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 201,571	\$ 201,571	\$ -	\$ 264,600	\$ 63,029
Expenses					
Personnel Expenses					
Salaries	\$ 124,510	\$ 124,510	\$ -	\$ 264,600	\$ 140,090
Payroll Taxes	7,374	7,374	-	-	(7,374)
Benefits	22,890	22,890	-	-	(22,890)
Retirement Costs	6,946	6,946	-	-	(6,946)
Total Personnel Expenses	\$ 161,720	\$ 161,720	\$ -	\$ 264,600	\$ 102,880
Meeting Expenses					
Meetings	\$ 9,342	\$ 9,342	\$ -	\$ -	\$ (9,342)
Travel	11,404	11,404	-	-	(11,404)
Conference Calls	289	289	-	-	(289)
Total Meeting Expenses	\$ 21,035	\$ 21,035	\$ -	\$ -	\$ (21,035)
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	6,169	6,169	-	-	(6,169)
Office Costs	3,980	3,980	-	-	(3,980)
Professional Services	7,702	7,702	-	-	(7,702)
Computer Purchase & Maintenance	965	965	-	-	(965)
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 18,816	\$ 18,816	\$ -	\$ -	\$ (18,816)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 201,571	\$ 201,571	\$ -	\$ 264,600	\$ 63,029
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined on page 8 of this business plan.

Funding Sources

Statutory funding.

Personnel Expenses

Three employees with a budgeted salary of \$264,600.

Meeting Expenses

No specific HR meeting costs are budgeted, other than travel for training or other business travel.

Operating Expenses

Included in the WECC General and Administrative budget.

Finance and Accounting

Functional Description

The Finance and Accounting function provides accounting, accounts payable and budgeting support to WECC.

2009 Goals and Objectives

Goals for 2009 include:

- Drafting and implementing financial policies.
- Providing backup for all financial duties.
- Increasing the level of understanding by WECC Directors and staff of the WECC budgeting process and the actual costs of their departments.

Funding Requirements — Explanation of Increase (Decrease)

An additional position has been added to provide backup for the existing accountant and to allow an increased focus on budgeting and expense forecasting.

Staffing Needs

Hiring Plans

Increased emphasis from NERC and FERC on quarterly financial reporting and emphasis from WECC management on monthly variance analysis and expense forecasting will require additional accounting resources. Consequently, one accountant position has been added to the 2009 budget. The addition of 82 employees since December of 2007 and two Reliability Coordination Centers will increase the Accounts Payable and employee expense payment workload. It is also important that backup for the lone existing accountant be developed to ensure continuity. This additional position is required to accomplish all of these tasks.

Shared Employees

Not applicable.

Contractors

Not applicable.

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2009 business plan are shown in the table below.

SOA – Finance and Accounting

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Finance and Accounting					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 143,277	\$ 143,277	\$ -	\$ 155,047	\$ 11,770
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 143,277	\$ 143,277	\$ -	\$ 155,047	\$ 11,770
Expenses					
Personnel Expenses					
Salaries	\$ 66,216	\$ 66,216	\$ -	\$ 155,047	\$ 88,831
Payroll Taxes	7,374	7,374	-	-	(7,374)
Benefits	22,890	22,890	-	-	(22,890)
Retirement Costs	6,946	6,946	-	-	(6,946)
Total Personnel Expenses	\$ 103,426	\$ 103,426	\$ -	\$ 155,047	\$ 51,621
Meeting Expenses					
Meetings	\$ 9,342	\$ 9,342	\$ -	\$ -	\$ (9,342)
Travel	11,404.0	11,404	-	-	(11,404)
Conference Calls	289.0	289	-	-	(289)
Total Meeting Expenses	\$ 21,035	\$ 21,035	\$ -	\$ -	\$ (21,035)
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	6,169	6,169	-	-	(6,169)
Office Costs	3,980	3,980	-	-	(3,980)
Professional Services	7,702	7,702	-	-	(7,702)
Computer Purchase & Maintenance	965	965	-	-	(965)
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 18,816	\$ 18,816	\$ -	\$ -	\$ (18,816)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 143,277	\$ 143,277	\$ -	\$ 155,047	\$ 11,770
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined on page 8 of this business plan.

Funding Sources

Statutory funding.

Personnel Expenses

The number of employees will increase to two.

Meeting Expenses

None.

Operating Expenses

These expenses are provided in the General and Administrative budget.

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Section B – 2009 Budget

2008 Budget and Projection and 2009 Budget Comparisons

Table 1: 2008 Budget & Projection/2009 Budget Comparisons (Statutory)

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
STATUTORY					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	26,596,512	\$ 26,596,512	\$ -	\$ 37,088,502	\$ 10,491,990
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	85,082	85,082
Workshops	726,090	726,090	-	863,290	137,200
Interest	609,400	609,400	-	645,593	36,193
Miscellaneous	5,860,814	5,860,814	-	9,300	(5,851,514)
Total Funding	\$ 33,792,816	\$ 33,792,816	\$ -	\$ 38,691,767	\$ 4,898,951
Expenses					
Personnel Expenses					
Salaries	\$ 10,725,827	\$ 10,725,828	\$ 1	\$ 15,624,378	\$ 4,898,550
Payroll Taxes	776,154	776,153	(1)	1,270,888	494,735
Benefits	2,695,497	2,695,497	0	3,185,702	490,205
Retirement Costs	416,743	416,743	(0)	1,146,404	729,661
Total Personnel Expenses	\$ 14,614,221	\$ 14,614,221	\$ 0	\$ 21,227,371	\$ 6,613,150
Meeting Expenses					
Meetings	\$ 738,597	\$ 738,597	\$ -	\$ 1,187,650	\$ 449,053
Travel	930,982	930,982	-	1,526,096	595,114
Conference Calls	116,497	116,497	-	151,076	34,579
Total Meeting Expenses	\$ 1,786,076	\$ 1,786,076	\$ -	\$ 2,864,822	\$ 1,078,746
Operating Expenses					
Consultants	\$ 5,375,333	\$ 5,375,333	\$ (0)	\$ 2,066,300	\$ (3,309,033)
Contracts	3,022,792	3,022,792	(0)	1,857,568	(1,165,224)
Office Rent	753,871	753,871	-	977,832	223,961
Office Costs	1,697,228	1,697,228	(0)	3,405,122	1,707,894
Professional Services	1,653,821	1,653,821	(0)	1,520,608	(133,213)
Computer Purchase & Maintenance	3,768,532	3,768,532	-	516,080	(3,252,452)
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 16,271,578	\$ 16,271,577	\$ (1)	\$ 10,343,510	\$ (5,928,067)
Other Non-Operating Expenses	\$ -	\$ 1,120,942	\$ 1,120,942	\$ 4,256,063	\$ 3,135,121
Total Expenses	\$ 32,671,874	\$ 33,792,816	\$ 1,120,942	\$ 38,691,767	\$ 4,898,951
Change in Assets	\$ 1,120,942	\$ -	\$ (1,120,942)	\$ 0	\$ 0

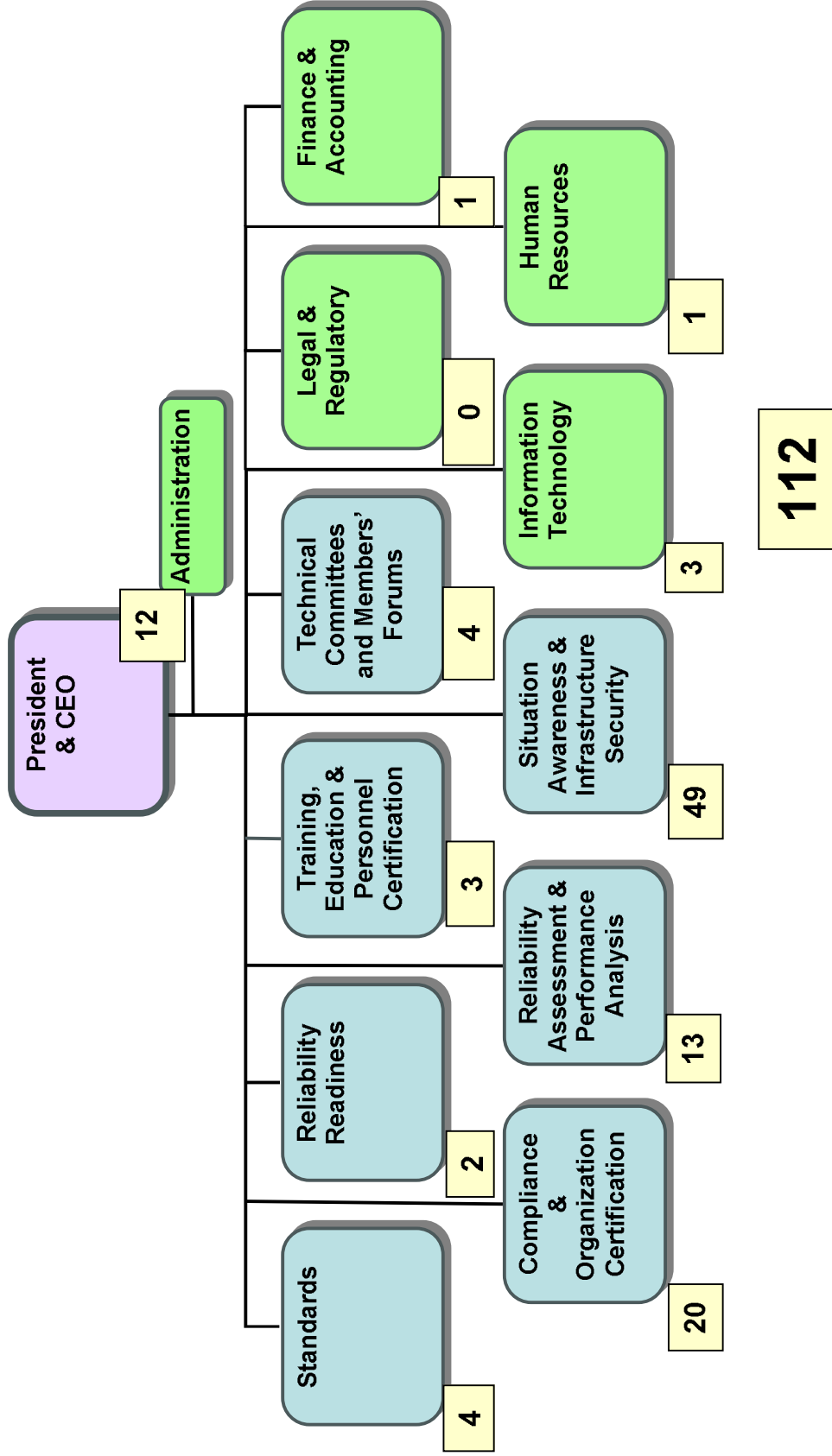
Personnel Analysis

Personnel Analysis: Statutory

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
STATUTORY				
Operational Programs				
Reliability Standards	4.0	4.0	4.0	0.0
Compliance and Organization Registration and Certification	20.0	20.0	30.0	10.0
Reliability Readiness Audit and Improvement	2.0	2.0	2.0	0.0
Training and Education	3.0	3.0	3.5	0.5
Reliability Assessment and Performance Analysis	13.0	13.0	14.0	1.0
Situational Awareness and Infrastructure Security	49.0	49.0	54.0	5.0
Total FTEs Operational Programs	91.0	91.0	107.5	16.5
Administrative Programs				
Member Forums	4.0	4.0	5.5	1.5
General & Administrative	12.0	12.0	15.0	3.0
Information Technology	3.0	3.0	3.0	0.0
Legal and Regulatory	0.0	0.0	4.0	4.0
Human Resources	1.0	1.0	3.0	2.0
Accounting	1.0	1.0	2.0	1.0
Total FTEs Administrative Programs	21.0	21.0	32.5	11.5
Total FTEs	112.0	112.0	140.0	28.0

2008 WECC FTE Chart

2008 WECC FTE Chart

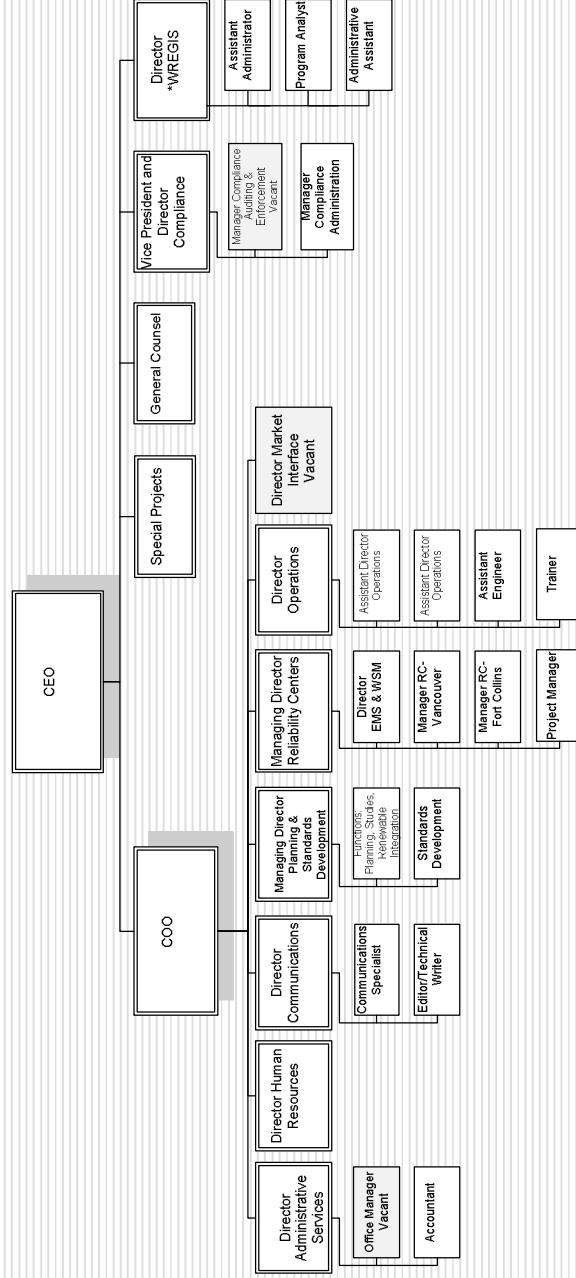


2008 WECC Organizational Chart

2008 WECC Organizational Chart (Statutory and Non-Statutory)



Management



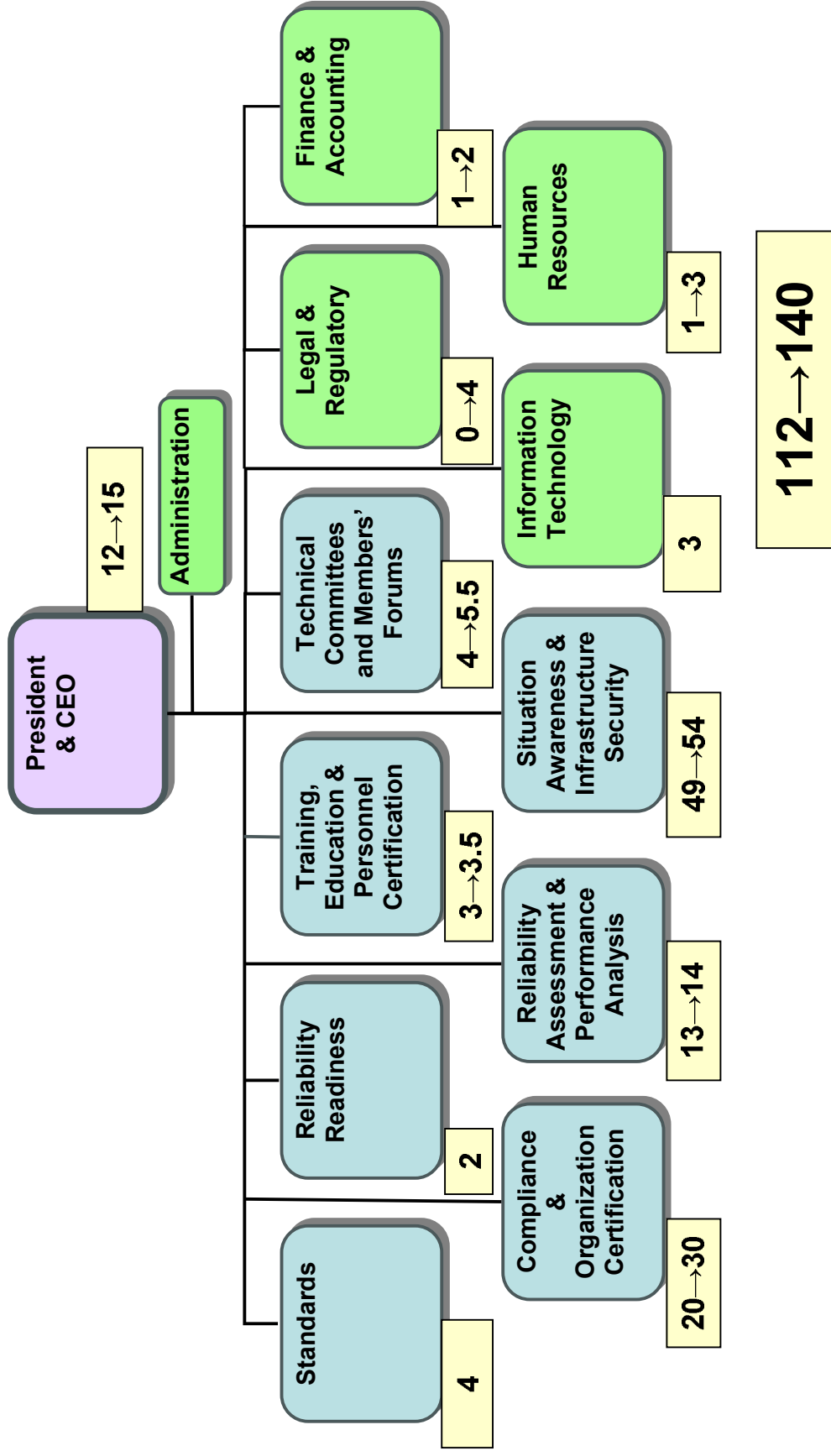
*WREGIS is non statutory

2008 Budget View

1

2009 WECC FTE Chart

2009 WECC FTE Chart

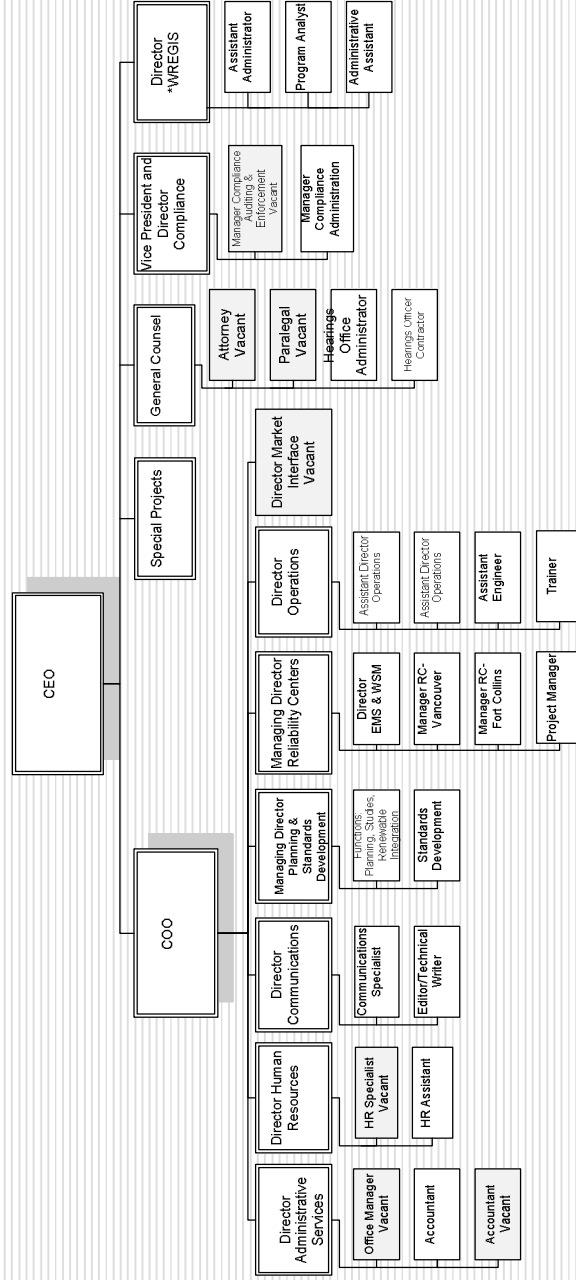


2009 WECC Organizational Chart

2009 WECC Organizational Chart (Statutory and Non-Statutory)



Management



*WREGIS is non statutory

2009 Budget View 1

Reserve Balance

Table 5: Reserve Analysis 2008-2009: Statutory

Working Capital Reserve Analysis 2008-2009	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2007	1 (875,648)
Plus: 2008 ERO Funding (from LSEs or designees)	26,596,512
Plus: 2008 Other funding sources (Cash basis)	7,196,304
Less: 2008 projected expenses & capital expenditures (Cash basis)	(33,792,816)
Projected Working Capital Reserve (Deficit), December 31, 2008	<u>(875,648)</u>
Desired Working Capital Reserve (Deficit), December 31, 2009	124,352
Less: Projected Working Capital Reserve (Deficit), December 31, 2008	(875,648)
Increase(decrease) in assessments to achieve desired Working Capital Reserve	2 <u>1,000,000</u>
2009 Assessment for Expenses and Capital Expenditures, excluding Working Capital Reserve (Cash basis)	34,435,704
2009 Assessment (Non-Operating Expenses)	3,256,063
Less: Other funding sources (Cash basis)	(1,603,265)
Adjustment to achieve desired Working Capital Reserve	1,000,000
2009 Assessment	<u>37,088,502</u>

¹ The 2007 Net Loss was funded by WECC's Non-Statutory Reserves.

² The WECC Board of Directors approved the Finance and Audit Committee's recommended increase of \$1,000,000 to achieve the desired working capital reserve.

**Regional Entity Assessment Analysis
Assessments by Country**

Table 6: Assessments by Country

Data Year	Balancing Authority	Total NEL	U.S. NEL	Canada NEL	Mexico NEL	% of RE Total	% of US Total	% of Canada Total	% of Mexico Total
2007	Alberta Electric System Operator	57,849,552		57,849,552		6.66	0.000	0.067	0.000
2007	Arizona Public Service Company - APS	33,513,680	33,513,680			3.86	0.039	0.000	0.000
2007	Avista Corp.	12,341,529	12,341,529			1.42	0.014	0.000	0.000
2007	Bonneville Power Administration	51,610,906	51,610,906			5.94	0.059	0.000	0.000
2007	British Columbia Transmission Corporation	62,533,820		62,533,820		7.20	0.000	0.072	0.000
2007	California Independent System Operator	240,314,962	240,314,962			27.67	0.277	0.000	0.000
2007	Comision Federal de Electricidad	10,509,421			10,509,421	1.25	0.000	0.000	0.012
2007	DEAA	0				0.00	0.000	0.000	0.000
2007	El Paso Electric Company	7,690,464	7,690,464			0.89	0.009	0.000	0.000
2007	Gila River Power, LP	0				0.00	0.000	0.000	0.000
2007	Harquahala	0				0.00	0.000	0.000	0.000
2007	Idaho Power Company	17,182,755	17,182,755			1.98	0.020	0.000	0.000
2007	Imperial Irrigation District	3,716,444	3,716,444			0.43	0.004	0.000	0.000
2007	Los Angeles Department of Water and Power - LDWP	29,981,096	29,981,096			3.45	0.035	0.000	0.000
2007	Nevada Power	25,176,508	25,176,508			2.90	0.029	0.000	0.000
2007	NorthWestern Energy	10,388,047	10,388,047			1.20	0.012	0.000	0.000
2007	PacifiCorp (PACE)	45,805,560	45,805,560			5.27	0.053	0.000	0.000
2007	PacifiCorp (PACW)	26,436,107	26,436,107			3.04	0.031	0.000	0.000
2007	Portland General Electric Company - PGE	20,941,556	20,941,556			2.41	0.024	0.000	0.000
2007	Public Service Company of Colorado (Xcel)	41,700,582	41,700,582			4.80	0.048	0.000	0.000
2007	Public Service Company of New Mexico	14,710,158	14,710,158			1.69	0.017	0.000	0.000
2007	Public Utility District No. 1 of Chelan County	3,250,788	3,250,788			0.37	0.004	0.000	0.000
2007	Public Utility District No. 1 of Douglas County	1,460,755	1,460,755			0.17	0.002	0.000	0.000
2007	Public Utility District No. 2 of Grant County	3,385,852	3,385,852			0.39	0.004	0.000	0.000
2007	Puget Sound Energy	25,429,427	25,429,427			2.93	0.029	0.000	0.000
2007	SMUD Utility - SMUD	18,015,012	18,015,012			2.07	0.021	0.000	0.000
2007	Salt River Project	29,385,216	29,385,216			3.38	0.034	0.000	0.000
2007	Seattle City Light	10,242,947	10,242,947			1.18	0.012	0.000	0.000
2007	Sierra Pacific Resource Transmission	12,000,483	12,000,483			1.38	0.014	0.000	0.000
2007	Tacoma Power	5,008,502	5,008,502			0.58	0.006	0.000	0.000
2007	Tucson Electric Power Company	11,558,732	11,558,732			1.33	0.013	0.000	0.000
2007	Turlock Irrigation District	2,509,502	2,509,502			0.29	0.003	0.000	0.000
2007	Western Area Power Administration - Billings, MT	20,858,222	20,858,222			2.40	0.024	0.000	0.000
2007	Western Area Power Administration - Loveland, CO	12,127,495	12,127,495			1.40	0.014	0.000	0.000
2007	Western Area Power Administration - Phoenix, AZ	631,220	631,220			0.07	0.001	0.000	0.000
		888,267,300	737,374,507	120,383,372	10,509,421	100.00	0.847	0.139	0.012

Section B — 2009 Regional Entity Budget

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the 2008 Budget and Projection and 2009 Budget Comparisons on page 62 of the 2009 WECC Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Supplemental Funding

Table B1: Outside Funding Breakdown by Program

Outside Funding Breakdown By Program (excluding ERO Assessments)	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Assessment and Performance Analysis					
	\$ -	\$ -	\$ -	\$ -	-
Total	\$ -	\$ -	\$ -	\$ -	-
Training and Education					
Workshops - Training	\$ 175,554	\$ 175,554	\$ 70,000	\$ -	-60.13%
Workshops -Nnon-Training	20,501	20,501	-	-	-100.00%
Operator training	530,035	530,035	793,290	233,000	49.67%
Total	\$ 726,090	\$ 726,090	\$ 863,290	\$ 233,000	18.90%
Situational Awareness and Infrastructure Security					
	\$ -	\$ -	\$ -	\$ 2,500	-
Total	\$ -	\$ -	\$ -	\$ 2,500	-
Reliability Assessment & Performance Analysis					
Contract Services- Desert Southwest	\$ -	\$ -	\$ 85,082	\$ -	-
Total	\$ -	\$ -	\$ 85,082	\$ -	-
General and Administrative					
Interest Income	\$ 609,400	\$ 609,400	\$ 645,593	\$ 20,000	5.94%
Misc.	8,400	8,400	9,300	-	-
Total	\$ 617,800	\$ 617,800	\$ 654,893	\$ 20,000	6.00%
Total Outside Funding	\$ 1,343,890	\$ 1,343,890	\$ 1,603,265	\$ 255,500	19.30%

Personnel Expenses

Table B2: Personnel Expenses

Personnel Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Salaries					
Salary	\$ 10,674,910	\$ 10,674,910	\$ 15,456,162	\$ 4,781,252	44.79%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	50,917	50,917	168,216	117,299	230.37%
Total Salaries	\$ 10,725,827	\$ 10,725,827	\$ 15,624,378	\$ 4,898,551	45.67%
Payroll Taxes					
FICA	\$ 730,386	\$ 730,386	\$ 1,270,888	\$ 540,502	74.0%
Medicare	31,646	31,646	-	(31,646)	-100.0%
SUI	10,648	10,648	-	(10,648)	-100.0%
FUI	3,474	3,474	-	(3,474)	-100.0%
Total Payroll Taxes	\$ 776,154	\$ 776,154	\$ 1,270,888	\$ 494,734	63.7%
Benefits					
Workers Compensation	\$ 88,093	\$ 88,093	\$ 205,843	\$ 117,750	133.7%
Medical Insurance	1,427,694	1,427,694	2,069,831	642,137	45.0%
Life-LTD Insurance	37,479	37,479	123,231	85,752	228.8%
Education	432,440	432,440	313,797	(118,643)	-27.4%
Relocation	709,791	709,791	473,000	(236,791)	-33.4%
Total Benefits	\$ 2,695,497	\$ 2,695,497	\$ 3,185,702	\$ 490,205	18.2%
Retirement					
Profit Sharing Plan / SERP	\$ 416,743	\$ 416,743	\$ 1,146,404	\$ 729,661	175.1%
Savings Plan	-	-	-	-	
Total Retirement	\$ 416,743	\$ 416,743	\$ 1,146,404	\$ 729,661	175.1%
Total Personnel Costs	\$ 14,614,221	\$ 14,614,221	\$ 21,227,371	\$ 6,613,150	45.3%

Section B — 2009 Regional Entity Budget

Meeting Expenses

Table B3: Meeting Expenses

Meeting Expenses

Meeting Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 32,826	\$ 32,826	\$ 22,200	\$ (10,626)	-32.37%
Compliance and Organization Registration and Certification	121,447	121,447	380,000	258,553	212.89%
Reliability Readiness Audit and Improvement	18,684	18,684	0	(18,684)	-100.00%
Reliability Assessment and Performance Analysis	121,447	121,447	135,450	14,003	11.53%
Training and Education	263,546	263,546	236,000	(27,546)	-10.45%
Situational Awareness and Infrastructure Security	28,026	28,026	-	(28,026)	-100.00%
Committee and Member Forums	37,368	37,368	406,000	368,632	986.49%
General and Administrative	68,543	68,543	5,000	(63,543)	-92.71%
Legal and Regulatory	-	-	3,000	3,000	
Information Technology	28,026	28,026	-	(28,026)	-100.00%
Human Resources	9,342	9,342	-	(9,342)	-100.00%
Accounting and Finance	9,342	9,342	-	(9,342)	-100.00%
Total Meeting Expenses	\$ 738,597	\$ 738,597	\$ 1,187,650	\$ 449,053	60.80%

Travel Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 34,211	\$ 34,211	\$ 11,520	\$ (22,691)	-66.33%
Compliance and Organization Registration and Certification	252,244	252,244	689,090	436,846	173.18%
Reliability Readiness Audit and Improvement	22,807	22,807	29,400	6,593	28.91%
Reliability Assessment and Performance Analysis	148,246	148,246	119,330	(28,916)	-19.51%
Training and Education	51,611	51,611	45,900	(5,711)	-11.07%
Situational Awareness and Infrastructure Security	193,791	193,791	96,000	(97,791)	-50.46%
Committee and Member Forums	45,614	45,614	241,756	196,142	430.00%
General and Administrative	125,439	125,439	293,100	167,661	133.66%
Legal and Regulatory	-	-	-	-	
Information Technology	34,211	34,211	-	(34,211)	-100.00%
Human Resources	11,404	11,404	-	(11,404)	-100.00%
Accounting and Finance	11,404	11,404	-	(11,404)	-100.00%
Total Travel Expenses	\$ 930,982	\$ 930,982	\$ 1,526,096	\$ 595,114	63.92%

Conference Call Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ 868	\$ 868	\$ 5,832	\$ 4,964	571.89%
Compliance and Organization Registration and Certification	103,763	103,763	75,004	(28,759)	-27.72%
Reliability Readiness Audit and Improvement	579	579	-	(579)	-100.00%
Reliability Assessment and Performance Analysis	3,763	3,763	32,000	28,237	750.39%
Training and Education	868	868	3,000	2,132	245.62%
Situational Awareness and Infrastructure Security	868	868	4,800	3,932	453.00%
Committee and Member Forums	1,158	1,158	24,440	23,282	2010.54%
General and Administrative	3,184	3,184	6,000	2,816	88.44%
Legal and Regulatory	-	-	-	-	
Information Technology	868	868	-	(868)	-100.00%
Human Resources	289	289	-	(289)	-100.00%
Accounting and Finance	289	289	-	(289)	-100.00%
Total Conference Calls	\$ 116,497	\$ 116,497	\$ 151,076	\$ 34,579	29.68%

Section B — 2009 Regional Entity Budget

Operating Expenses

Table B4: Operating Expenses

Consultants	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ 28,800	\$ 28,800	
Compliance and Organization Registration and Certification	200,000	200,000	1,129,500	929,500	464.75%
Reliability Readiness Audit and Improvement	32,500	32,500	25,000		
Reliability Assessment and Performance Analysis	254,568	254,568	683,000	428,432	168.30%
Training and Education	8,400	8,400	51,000	42,600	507.14%
Situational Awareness and Infrastructure Security	4,141,865	4,141,865	42,000	(4,099,865)	-98.99%
Member Forum Consultants	213,000	213,000	60,000	(153,000)	-71.83%
General & Administration	525,000	525,000	22,000	(503,000)	-95.81%
Legal & Regulatory	-	-	-		
Information & Technology	-	-	25,000		
Human Resources	-	-	-		
Accounting & Finance	-	-	-		
Consultants Total	\$ 5,375,333	\$ 5,375,333	\$ 2,066,300	\$ (3,326,533)	-61.56%

Section B — 2009 Regional Entity Budget
Table B6: Office Rent

Office Rent	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Office Rent	\$ 753,871	\$ 753,871	\$ 977,832	\$ 223,961	29.71%
Utilities	\$ -	\$ -	\$ -	\$ -	
Maintenance	\$ -	\$ -	\$ -	\$ -	
Security	\$ -	\$ -	\$ -	\$ -	
Leasehold Improvements	\$ -	\$ -	\$ -	\$ -	
Total Office Rent	\$ 753,871	\$ 753,871	\$ 977,832	\$ 223,961	29.71%

Table B7: Office Costs

Office Costs	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Telephone	\$ 82,251	\$ 82,251	\$ 145,710	\$ 63,459	77.15%
Internet	74,719	74,719	1,609,960	\$ 1,535,241	2054.69%
Office Supplies	197,265	197,265	202,704	\$ 5,439	2.76%
Computer Supplies and Maintenance	1,258,227	1,258,227	1,021,460	\$ (236,767)	-18.82%
Publications & Subscriptions	11,001	11,001	20,100	\$ 9,099	82.71%
Dues	-	-	-	\$ -	
Postage	12,041	12,041	6,504	\$ (5,537)	-45.98%
Express Shipping	10,988	10,988	28,096	\$ 17,108	155.70%
Copying	36,434	36,434	57,100	\$ 20,666	56.72%
Reports - Graphics	5,301	5,301	8,000	\$ 2,699	50.91%
Stationary Forms	-	-	-	\$ -	
Equipment Repair/Service Contracts	7,199	7,199	250,400	\$ 243,201	3378.26%
Bank Charges	-	-	-	\$ -	
Sales & Use Taxes	1,802	1,802	55,088	\$ 53,286	2957.05%
Merchant Card Fees	-	-	-	\$ -	
Presentation & Publicity	-	-	-	\$ -	
Total Office Costs	\$ 1,697,228	\$ 1,697,228	\$ 3,405,122	\$ 1,707,894	100.63%

Table B8: Professional Services

Professional Services	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Independent Trustee Fees	\$ 368,039	\$ 368,039	\$ 539,100	\$ 171,061	46.48%
Outside Legal	674,782	674,782	361,008	\$ (313,774)	-46.50%
Accounting & Auditing Fees	20,998	20,998	30,500	\$ 9,502	45.25%
Other Legal Fees	-	-	-	\$ -	
Insurance Commercial	590,002	590,002	590,000	\$ (2)	0.00%
Total Services	\$ 1,653,821	\$ 1,653,821	\$ 1,520,608	\$ (133,213)	-8.05%

Section B — 2009 Regional Entity Budget

Table B9: Computer Expenses

Computer	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Computer Purchase and Lease	\$ 3,768,532	\$ 3,768,532	\$ 516,080	\$ (3,252,452)	-86.31%
Total Computer	\$ 3,768,532	\$ 3,768,532	\$ 516,080	\$ (3,252,452)	-86.31%

Table B10: Furniture & Equipment

Furniture & Equipment	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Furniture	\$ -	\$ -	\$ -	\$ -	
Equipment	-	-	-	\$ -	
Total Furniture & Fixtures	\$ -	\$ -	\$ -	\$ -	

Table B11: Other Non-Operating Expenses

Other Non-Operating Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Interest Expense	\$ -	\$ -	\$ 329,856	\$ 329,856	
Loan Payment	-	-	2,926,207	\$ 2,926,207	
Addition to Reserve	1,120,942	1,120,942	1,000,000	\$ (120,942)	
Total Other Non-Operating Expenses	\$ 1,120,942	\$ 1,120,942	\$ 4,256,063	\$ 3,135,121	279.69%

Section C – 2009 WECC Non-Statutory Business Plan and Budget

Western Renewable Energy Generation Information System (WREGIS)

Western Renewable Energy Generation Information System (WREGIS)			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	3	3	4
Total Direct Funding	\$480,710	\$480,710	\$798,197
Total Indirect Funding	-	-	-
Total Funding	\$480,710	\$480,710	\$798,197

The Western Renewable Energy Generation Information System (WREGIS) is an independent, renewable energy database for the region covered by the Western Interconnection. WREGIS creates renewable energy certificates (WREGIS certificates) for verifiable renewable generation from units that register in the database.

WREGIS was developed as a collaborative process between the Western Governors' Association, the Western Regional Air Partnership, and the California Energy Commission. This development was further guided by stakeholder input from more than 400 participants over a period of more than three years. WREGIS is governed by a seven-member committee, consisting of representatives from various stakeholder groups. WECC is the administrative home of WREGIS.

WREGIS costs fall outside Section 215 of the Federal Power Act. Participants fund WREGIS through registration and transaction fees. "Backstop" funding is provided by the California Energy Commission (CEC) pursuant to a contract between the CEC and WECC.

Membership and Governance

WREGIS operates through the WREGIS Committee and its subcommittees (Policy, Change Control and Operations) and a Stakeholder Advisory Committee.

Non-Statutory Functional Scope

WREGIS consists of two parts: the information system software and the administrative operations housed at WECC. The WREGIS staff oversees the software contractor and performs all of the administrative tasks required to operate the program including; registering account holders and generation units, training WREGIS users and managing the budgeting, billing and financial reporting.

Planning Cycle

WREGIS operates on a fiscal year beginning October 1 of each year. WREGIS' budget is converted to a calendar year for the purposes of WECC's 2009 Business Plan and Budget.

2009 Primary Objectives

The goals for WREGIS for 2009 are to:

- Implement the WREGIS program as required by the contract between the CEC and WECC.
- Continue to register program participants, whether mandatory or voluntary.
- Work with other regional groups (Western Climate Initiative, Western Resource Advocates, etc.) as they focus on greenhouse gas or other relevant topics
- Keep abreast of possible opportunities to increase WREGIS' functionality.

Major 2009 Cost Impacts

Funding Requirements — Explanation of Increase (Decrease)

The significant budget increase from 2008 to 2009 reflects the need for refinements to the program as it transitions from its developmental stage and initial implementation. Although the program was originally budgeted for one staff member, the expansion of activities has required an increase to four positions, one of which was converted from temporary to full-time status in 2008.

The 2009 budget includes costs for teleconferencing, which will no longer be covered by the CEC. With the need to communicate with a large number of stakeholders, the WREGIS staff is exploring ways to reduce teleconferencing costs. The full budgeted amount may not be needed during 2009.

Staffing Needs

Hiring Plans

Four employees are sufficient to manage the current WREGIS program.

Shared Employees

Not applicable.

Contractors

WREGIS uses contractors to supply legal, website, accounting software and auditing assistance. The 2009 budget includes approximately \$100,000 for these services.

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section relate to the following activities, designed to meet the objectives as defined on page 8 of this business plan.

Funding Sources

- WREGIS Account Holders pay an initial registration fee and annual renewal fees. Amounts vary by size and category of the Account Holder.
- Volumetric-based fees are paid when RECs are traded, retired or transferred.
- The CEC funds WREGIS to the extent that other funding sources are insufficient. This support ends in 2011, by which time it is expected that WREGIS will be fully self-sufficient.

Personnel Expenses

Four FTEs are budgeted at a total cost — including salaries, benefits, and WECC Executive and Administrative support — of \$450,958.

Meeting Expenses

WREGIS has few “in person” meetings and conducts most of its meetings by teleconference. Currently, the CEC is using its WebEx account for teleconference meetings but it is anticipated that by 2009, the CEC will require WREGIS to bear this cost. The 2009 budget includes \$28,200 for meeting expenses. This is calculated to be the cost of the WebEx service at rates of use that are currently in effect. WREGIS operates through the WREGIS Committee and its subcommittees (Policy, Change Control and Operations) and a Stakeholder Advisory Committee. WREGIS staff is researching other options and service providers to identify possibilities for reducing the amount required for these meetings.

Operating Expenses

Due to the contract with the CEC, the WREGIS cost-tracking categories are different from the WECC categories. The 2009 budget includes \$139,318 for Professional Services, Computer Systems, Program Development, Office, and Errors and Omission and General Liability Insurance.

2008 Budget and Projection and 2009 Budget Comparisons

Table NS1: SOA – Non-Statutory

Statement of Activities					
NON-STATUTORY					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues/Non-Stat Assessments	480,710	480,710	-	798,197	317,487
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 480,710	\$ 480,710	\$ -	\$ 798,197	\$ 317,487
Expenses					
Personnel Expenses					
Salaries	\$ 219,936	\$ 219,936	\$ -	\$ 281,076	\$ 61,140
Payroll Taxes	20,192	20,192	-	-	(20,192)
Benefits	129,318	129,318	-	169,882	40,564
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ 369,446	\$ 369,446	\$ -	\$ 450,958	\$ 81,512
Meeting Expenses					
Meetings	\$ 1,200	\$ 1,200	\$ -	\$ 1,200	\$ -
Travel	20,004	20,004	-	27,000	6,996
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 21,204	\$ 21,204	\$ -	\$ 28,200	\$ 6,996
Operating Expenses					
Consultants	\$ 39,864	\$ 39,864	\$ -	\$ 72,871	\$ 33,007
Contracts	-	-	-	106,850	106,850
Office Rent	-	-	-	-	-
Office Costs	17,956	17,956	-	16,200	(1,756)
Professional Services	29,764	29,764	-	95,914	66,150
Computer Purchase & Maintenance	2,476	2,476	-	27,204	24,728
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 90,060	\$ 90,060	\$ -	\$ 319,039	\$ 228,979
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 480,710	\$ 480,710	\$ -	\$ 798,197	\$ 317,487
Change in Assets	\$ -	\$ -	\$ -	\$ (0)	\$ (0)

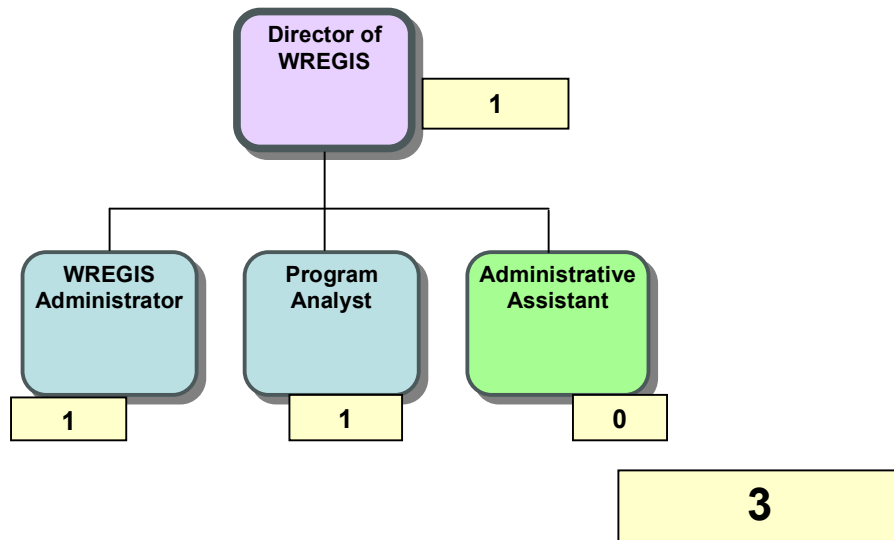
Personnel Analysis

Table NS2: Non-Statutory FTEs

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
Non-Statutory				
Operational Programs				
	0.0	0.0	0.0	0.0
				0.0
				0.0
				0.0
				0.0
				0.0
Total FTEs Operational Programs	0.0	0.0	0.0	0.0
Administrative Programs				
WREGIS	3.0	3.0	4.0	1.0
				0.0
				0.0
				0.0
				0.0
				0.0
Total FTEs Administrative Programs	3.0	3.0	4.0	1.0
Total FTEs	3.0	3.0	4.0	1.0

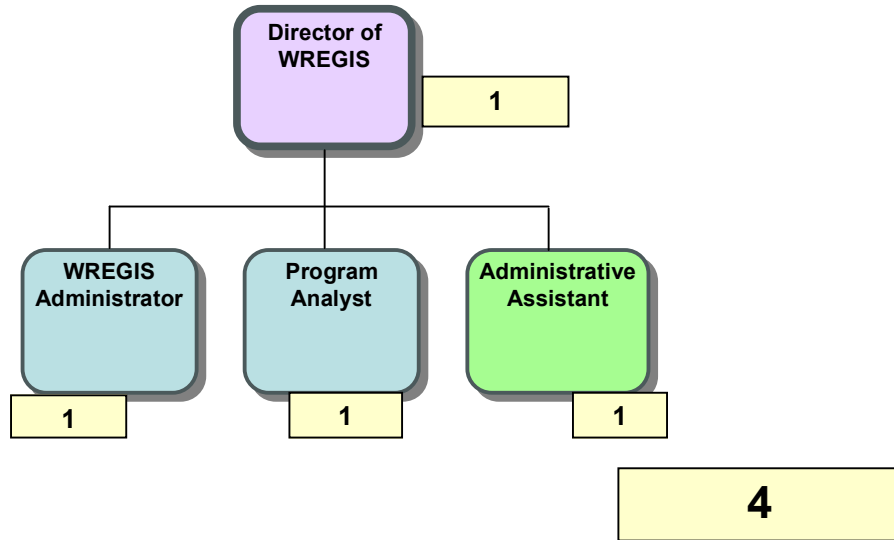
2008 WREGIS FTE Chart

2008 WREGIS FTE Chart (Non-Statutory)



2009 WREGIS FTE Chart

2009 WREGIS FTE Chart (Non-Statutory)



Reserve Analysis – 2008–2009

Table NS3: Reserve Analysis 2008-2009 (Non-Statutory)

Reserve Analysis 2008-2009	
Non-Statutory	
Beginning Working Capital Reserve (Deficit), December 31, 2007	5,043,445
Plus: 2008 ERO Funding (from LSEs or designees)	
Plus: 2008 Other funding sources (Cash basis)	480,710
Less: 2008 Projected expenses & capital expenditures (Cash basis)	(480,710)
Projected Working Capital Reserve (Deficit), December 31, 2008	5,043,445
Desired Working Capital Reserve (Deficit), December 31, 2009	5,043,445
Less: Projected Working Capital Reserve (Deficit), December 31, 2008	5,043,445
Increase(decrease) in assessments to achieve desired Working Capital Reserve	0
2009 Assessment for Expenses and Capital Expenditures, excluding Working Capital Reserve (Cash basis)	0
Less: Other funding sources (Cash basis)	0
Adjustment to achieve desired Working Capital Reserve	0
2009 Assessment and reserve adjustment	0

Western Electricity Coordinating Council Statement of Activities 2009 Budget		Statutory Total	Non-Statutory Total	820	810	700	740	831	780	500	400	610	350	410	450
Funding															
ERO Funding		37,088,502	-	511,694	6,165,303	216,400	2,656,981	0	14,143,679	2,615,670	8,501,713	852,208	1,005,207	264,600	155,047
Membership Dues		798,197	798,197	0	0	0	0	0	0	0	0	0	0	0	0
Testing Fees		-	-	0	0	0	0	0	0	0	0	0	0	0	0
Services & Software		85,082	-	0	0	0	85,082	0	0	0	0	0	0	0	0
Workshops		863,290	-	0	0	0	0	863,290	0	0	0	0	0	0	0
Interest		645,593	-	0	0	0	0	0	0	0	645,593	0	0	0	0
Miscellaneous		9,300	-	9,300	0	0	0	0	0	0	9,300	0	0	0	0
Total Funding		39,489,984	798,197	511,694	6,165,303	216,400	2,742,063	863,290	14,143,679	2,615,670	9,156,606	852,208	1,005,207	264,600	155,047
	Average Salary	110,455	70,269	98,336	108,808	81,000	78,165	90,874	118,351	110,381	145,316	145,800	69,489	88,200	77,524
	FTE's	144	4	4.0	30.0	2.0	14.0	3.5	54.0	5.5	15.0	4.0	3.0	3.0	2.0
Expenses															
Personnel Expenses															
Salaries		15,905,454	281,076	393,342	3,287,237	162,000	1,094,310	318,409	6,390,937	607,094	2,179,735	563,200	208,467	264,600	155,047
Payroll Taxes		1,270,888	-	0	0	0	0	0	0	0	1,270,888	0	0	0	0
Benefits		3,355,584	169,892	0	75,004	0	81,045	163,881	327,671	19,400	2,518,602	0	0	0	0
Retirement Costs		1,146,404	-	0	0	0	0	0	0	0	1,146,404	0	0	0	0
Total Personnel Expenses		21,678,330	450,968	393,342	3,342,241	162,000	1,175,355	482,390	6,718,608	626,494	7,115,628	563,200	208,467	264,600	155,047
Meeting Expenses															
Meetings		1,188,850	1,200	22,200	380,000	0	135,450	236,000	0	406,000	5,000	3,000	0	0	0
Travel		1,553,096	27,000	11,520	689,090	29,400	119,330	45,900	96,000	241,756	293,100	0	0	0	0
Conference Calls		151,076	-	5,832	75,004	0	32,000	3,000	4,800	24,440	6,000	0	0	0	0
Total Meeting Expenses		2,893,022	28,200	39,552	1,144,094	29,400	286,780	284,900	100,800	672,196	304,100	3,000	0	0	0
Operating Expenses															
Consultants		2,139,171	72,871	28,800	1,129,500	25,000	883,000	51,000	42,000	60,000	22,000	0	25,000	0	0
Contracts		1,964,418	106,850	0	25,000	0	294,568	38,000	486,000	714,000	0	0	300,000	0	0
Office Rent		977,832	-	0	138,264	0	0	0	479,568	0	360,000	0	0	0	0
Office Costs		3,421,322	16,200	0	227,204	0	252,360	7,000	2,448,640	117,880	274,378	0	77,660	0	0
Professional Services		1,616,522	95,914	50,000	159,000	0	0	0	540,000	425,100	80,500	266,008	0	0	0
Computer Purchase & Maint.		543,264	27,204	0	0	0	50,000	0	72,000	0	0	0	384,080	0	0
Services		-	-	0	0	0	0	0	0	0	0	0	0	0	0
Furniture & Equipment		-	-	0	0	0	0	0	0	0	0	0	0	0	0
Total Operating Expenses		10,662,549	319,039	78,800	1,678,968	25,000	1,279,928	96,000	4,069,208	1,316,980	736,878	266,008	796,740	-	-
Non-Operating Costs		4,256,063	-	0	0	0	0	0	3,256,063	0	1,000,000	0	0	0	0
Total Expenses		39,489,984	798,197	511,694	6,165,303	216,400	2,742,063	863,290	14,143,679	2,615,670	9,156,606	852,208	1,005,207	264,600	155,047
Change in Assets		0	(0)	(0)	0	0	0	0	0	0	(0)	0	0	0	0
Allocation of Overhead															
Direct Costs		25,440,626	798,197	511,694	6,165,303	216,400	2,742,063	863,290	14,143,679	2,615,670	9,156,606	852,208	1,005,207	264,600	155,047
Indirect Cost allocation		14,049,338	-	522,766	3,920,746	261,383	1,829,681	457,420	7,057,342	-	-	-	-	-	-
Total Costs		39,489,964	798,197	1,034,460	10,086,049	477,783	4,571,744	1,320,710	21,201,021	2,615,670	9,156,606	852,208	1,005,207	264,600	155,047
FTE's		144.0	4.0	4.0	30.0	2.0	14.0	3.5	54.0	5.5	15.0	4.0	3.0	3.0	2.0

Western Electricity Coordinating Council Statement of Activities 2009 Budget		Total	Statutory Total	Non- Statutory Total	401	730	620	WREGIS
Funding								850
ERO Funding	37,088,502	37,088,502	-	-	0	0	0	0
Membership Dues	798,197	-	798,197	-	798,197	0	0	798,197
Testing Fees	-	-	-	-	0	0	0	0
Services & Software	85,082	85,082	-	-	0	0	0	0
Workshops	863,290	863,290	-	-	0	0	0	0
Interest	645,593	645,593	-	-	0	0	0	0
Miscellaneous	9,300	9,300	-	-	0	0	0	0
Total Funding	39,489,964	39,691,767	798,197	-	798,197	0	0	798,197
	Average Salary	110,455	111,603	70,269	70,269	0.0	0.0	70,269
	FTEs	144	140	4	4.0	0.0	0.0	4.0
Expenses								
Personnel Expenses								
Salaries	15,905,454	15,624,378	281,076	-	281,076	0	0	281,076
Payroll Taxes	1,270,888	1,270,888	-	-	0	0	0	0
Benefits	3,355,584	3,185,702	169,882	-	169,882	0	0	169,882
Retirement Costs	1,146,404	1,146,404	-	-	0	0	0	0
Total Personnel Expenses	21,678,330	21,227,371	450,958	-	450,958	0	0	450,958
Meeting Expenses								
Meetings	1,188,850	1,187,650	1,200	-	1,200	0	0	1,200
Travel	1,553,096	1,526,096	27,000	-	27,000	0	0	27,000
Conference Calls	151,076	151,076	-	-	0	0	0	0
Total Meeting Expenses	2,893,022	2,864,822	28,200	-	28,200	0	0	28,200
Operating Expenses								
Consultants	2,139,171	2,066,300	72,871	-	72,871	0	0	72,871
Contracts	1,964,418	1,857,568	106,850	-	106,850	0	0	106,850
Office Rent	977,832	977,832	-	-	0	0	0	0
Office Costs	3,421,322	3,405,122	16,200	-	16,200	0	0	16,200
Professional Services	1,616,522	1,520,608	95,914	-	95,914	0	0	95,914
Computer Purchase & Maint.	543,264	516,080	27,204	-	27,204	0	0	27,204
Services	-	-	-	-	0	0	0	0
Furniture & Equipment	-	-	-	-	0	0	0	0
Total Operating Expenses	10,662,549	10,343,510	319,039	-	319,039	0	0	319,039
Non-Operating Costs	4,256,063	4,256,063	-	-	0	0	0	0
Total Expenses	39,489,964	39,691,767	798,197	-	798,197	0	0	798,197
Change in Assets								
					(0)	-	-	(0)
Allocation of Overhead								
Direct Costs	25,440,626	24,642,428	798,197	-	798,197	0	0	798,197
Indirect Cost allocation	14,049,338	14,049,338	-	-	0	0	0	0
Total Costs	39,489,964	38,691,767	798,197	-	798,197	0	0	798,197
FTE's	144.0	140.0	4.0	-	4.0	0.0	0.0	4.0

ATTACHMENT 11

2009 Business Plan and Budget Western Interconnection Regional Advisory Body

July 2008

Contents

- Introduction
- Background
- Membership and Organizational Overview
- Statutory Functional Scope
- Planning Cycle
- 2009 Primary Objectives
- Major 2009 Cost Effects
- 2009 Detailed Budget

Introduction

Total WIRAB Resources				
	2009 Budget	U.S.	Canada	Mexico
Statutory FTEs	2.25			
Non-statutory FTEs	0			
Total FTEs	2.25			
Statutory funding	\$378,272	\$321,336	\$52,365	\$4,571
Non-statutory funding	0	0	0	0
NEL	869,624,367	738,731,574	120,383,372	10,509,421
NEL %	100%	84.9%	13.9%	1.2%

Background

In April 2006, ten Western Governors petitioned to create the Western Interconnection Regional Advisory Body under Section 215(j) of the Federal Power Act. The Governors indicated their interest in inviting all U.S. states, Canadian provinces and Mexico, which have territory in the Western Interconnection, to join WIRAB.

Pursuant to the order of the Federal Energy Regulatory Commission (FERC) in Docket No. RR06-2-000 issued July 20, 2006 (the “Order”)¹, the FERC:

- Granted the Western Governors’ petition to establish the Western Interconnection Regional Advisory Body (WIRAB) under Section 215(j) of the Federal Power Act;
- Granted the request that WIRAB receive funding for reasonable costs of its Section 215(j) activities; and
- Directed WIRAB to develop a budget and related information and submit it to the ERO for review by the ERO and submission through the ERO budget approval process.

The Order states that funding for Regional Advisory Bodies should be part of the overall funding process for the Electric Reliability Organization (ERO). The Commission instructed WIRAB to develop a budget in a form similar to that specified for regional entities as set forth in Order 672.² The July 20 Order specified that the WIRAB should annually develop and submit to the ERO its budget for 215(j) activities and an organization chart that the ERO will then review and submit to the Commission. The WIRAB submission also needs to identify the portion of its costs for 215(j) activities that will be funded from Canada and Mexico, and the basis for this allocation.

Membership and Organizational Overview

As of July 15, 2008, all the states with territory in the Western Interconnection (AZ, CA, CO, ID, MT, NE, NV, NM, OR, SD, TX, UT, WA, WY), the provinces of Alberta and British Columbia, and Mexico are members of WIRAB. Below is the list of members appointed by the Governor or Premier:

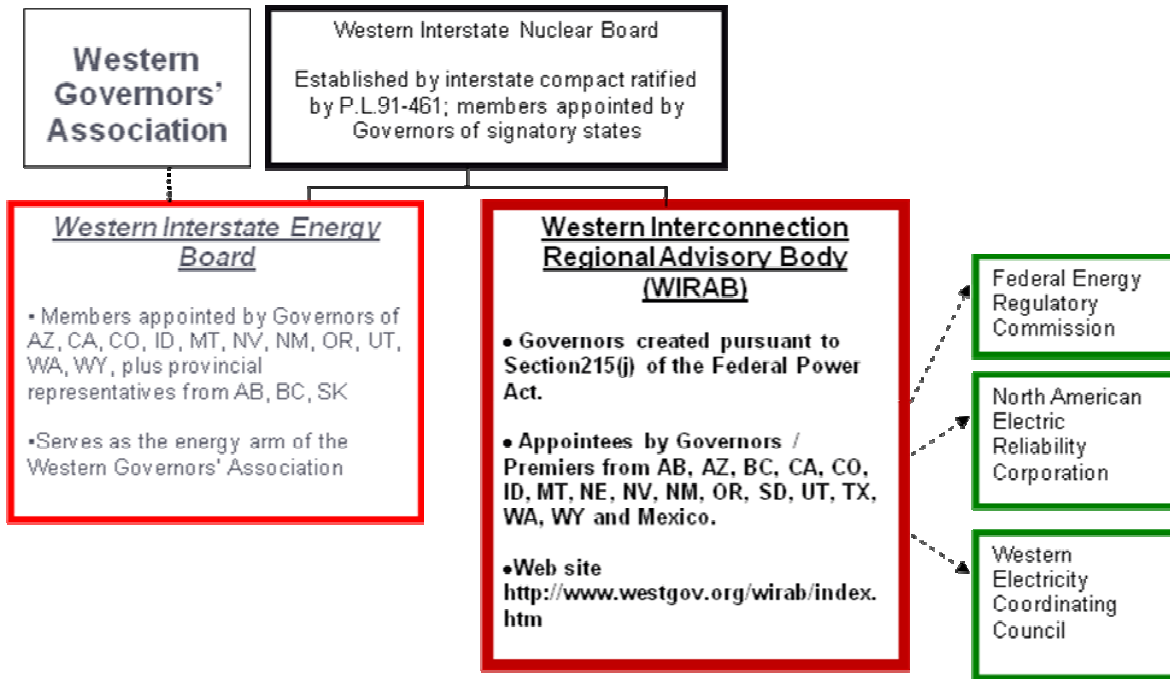
Alberta	Ian McKay, Department of Energy
Arizona	Lori Faeth, Governors’ Office
British Columbia	Les McClaren, Ministry of Energy, Mines and Petroleum Resources
California	Bill Chamberlain, California Energy Commission
Colorado	Morey Wolfson, Governor’s Energy Office
Idaho	Marsha Smith, Public Utilities Commission
Mexico	Marcos Valenzuela, CFE
Montana	Art Compton, Department of Environmental Quality
Nebraska	Tim Texel, Nebraska Power Review Board
Nevada	Rebecca Wagner, Public Utilities Commission

¹ Order on Petition to Establish a Regional Advisory Body for the Western Interconnection, 116 FERC ¶61,061, Docket No. RR06-2-000, July 20, 2006.

² Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Reliability Standards, Order 672, Docket RM05-30-000, Feb. 3, 2006, P. 228. “Each Regional Entity must submit its complete business plan, entire budget and organizational chart to the ERO for it to submit to the Commission. The complete business plan and the entire budget will provide the Commission with necessary information about any non-statutory activities, the source of their funding, and whether the pursuit of such activities presents a conflict of interest for the Regional Entity. For a Cross-Border Regional Entity, this information will also inform the Commission as to what portion of the budget is expended upon activities within the United States.”

New Mexico	Joanna Prukop, Energy, Minerals and Natural Resources Department
Oregon	John Savage, Public Utility Commission
South Dakota	Dustin Johnson, Public Utilities Commission
Texas	Barry Smitherman, Public Utility Commission
Utah	Dianne Nielson, Governor's Office
Washington	Tony Usibelli, Department of Community, Trade and Economic Development
Wyoming	Steve Ellenbecker, Governor's Office

The Governors created WIRAB as a standing advisory committee to the Western Interstate Nuclear Board, which was formed pursuant to the Western Interstate Nuclear Compact, P.L. 91-461. Members of the WIRAB are appointees of the Governors and Premiers or their alternates. WIRAB has the same status under the compact as the Western Interstate Energy Board (WIEB), which is the energy affiliate of Western Governors' Association. WIRAB operates under the bylaws of WINB as revised on April 4, 2006. See organizational chart below.



Statutory Functional Scope

FERC has approved the petition of Western Governors to create WIRAB as regional advisory body under Section 215(j) of the Federal Power Act.

Planning Cycle

This business plan and budget is for calendar year 2009. The Western Interconnection Regional Advisory Body approved the 2009 business plan and budget at their May 30, 2008 meeting.

2009 Primary Objectives

Following are WIRAB's primary objectives for 2009.

- Provide advice to WECC, NERC and FERC on improvements to assessments by NERC and WECC, including WECC's Power Supply Assessment, WECC's transmission expansion analyses, and NERC's Long-Term Reliability Adequacy Assessment. Special attention will be paid to the assessment of the impacts of the deployment of significant renewable generation and potential carbon emission limits.
- Review trends and/or areas of concern in violations and compliance actions with an emphasis on systemic problems and problems that pose a significant reliability threat. Provide advice to WECC, NERC and/or FERC.
- As part of WIRAB's long-standing interest in ensuring that reliability standards are cost-effective and address significant threats, evaluate the application of NERC's definition of an "adequate level of reliability" in the standards development process and provide advice to NERC, WECC and FERC, as needed.
- Monitor and provide advice on issues that may arise with the operation of the WECC's two new Reliability Centers which are due to come on-line on January 1, 2009.
- Improve communication between WIRAB and FERC, NERC and WECC.
- Evaluate best practices in other regions and provide advice to WECC.
- Consult with regulated entities on development and operation of the reliability program and offer recommendations for any needed changes.
- Assessment of the effectiveness of WIRAB.

Major 2009 Cost Effects

The total 2009 WIRAB budget for expenses is \$595,810. The 2009 budget is an increase of \$119,208 from the approved 2008 budget. The 2009 budget is funded by estimated unspent funds at the end of 2008 of \$214,562, interest of \$2,976, and 2009 assessment of \$378,272. This is a 20.5 percent decrease from the 2008 assessment of \$476,602. The U.S. portion of the 2009 assessment is 84.9% or \$321,153.

The 2009 budget includes a cash reserve of \$100,000, which is not part of previous WIRAB budgets. The 2009 budget includes an increase of .25 FTEs over expected staffing levels at the end of 2008.

2009 Detailed Budget

The WIRAB budget is not divided into functional areas. All WIRAB activities are focused on developing advice to WECC, NERC and FERC across all function areas of WECC and NERC. The following tables show:

- WIRAB Statement of Activities 2008 Budget & Projection, and 2009 Budget
- WIRAB Total FTEs
- WIRAB Reserve Analysis 2008-2009
- WIRAB Outside Funding Breakdown by Program
- WIRAB Personnel Expenses
- WIRAB Meeting Expenses
- Travel Expenses
- Conference Call Expenses
- WIRAB Consultants

WIRAB Statement of Activities 2008 Budget & Projection, and 2009 Budget

STATUTORY

	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
WIRAB Funding					
ERO Funding	\$477,261	\$ 476,602	\$ (659)	\$ 378,272	\$ (98,330)
Membership Dues/Non-Stat Assessments	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	\$ 2,976	\$ 2,976
Miscellaneous	-	-	-	-	-
Total Funding	\$477,261	\$ 476,602	\$ (659)	\$ 381,248	\$ (95,354)
Expenses					
Personnel Expenses					
Salaries	\$151,664	\$ 151,664	\$ -	\$ 235,500	\$ 83,836
Payroll Taxes (see indirect expense)	-	-	-	-	-
Benefits (see indirect expense)	-	-	-	-	-
Retirement Costs (see indirect expense)	-	-	-	-	-
Total Personnel Expenses	\$151,664	\$ 151,664	\$ -	\$ 235,500	\$ 83,836
Meeting Expenses					
Meetings	\$6,000	\$ 7,000	\$ 1,000	\$ 6,000	\$ (1,000)
Travel	\$86,400	\$30,000	\$ (56,400)	\$5,000	5,000
Conference Calls	\$3,500	3,500	-	\$ 3,500	-
Total Meeting Expenses	\$95,900	\$ 40,500	\$ (55,400)	\$ 44,500	\$ 4,000
Operating Expenses					
Consultants	\$75,000	\$ 75,000	-	\$ 75,000	\$ -
Contracts	-	-	-	-	-
Office Rent (see indirect expense)	-	-	-	-	-
Office Costs (see indirect expense)	-	-	-	-	-
Professional Services (see indirect exp.)	-	-	-	-	-
Computer Purchase & Maint.(indirect exp.)	-	-	-	-	-
Furniture & Equipment (indirect exp.)	-	-	-	-	-
Miscellaneous	-	\$ 210	\$ 210	\$ 600	\$ 390
Indirect Expense (Federal gov't approved)	\$154,697	\$ 181,997	27,300	\$ 240,210	\$ 58,213
Total Operating Expenses	\$229,697	\$ 257,207	\$ 27,510	\$ 315,810	\$ 58,603
Total Expenses	\$477,261	\$ 449,371	\$ (27,890)	\$ 595,810	\$ 146,439
Change in Assets	-	\$ 27,231	\$ 27,231	\$(214,562)	\$ (241,793)

WIRAB Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change from Projection
STATUTORY				
Operational Programs				
Reliability Standards	0.0	0.0	0.0	0.0
Compliance and Organization Registration and Certification	0.0	0.0	0.0	0.0
Reliability Readiness Audit and Improvement	0.0	0.0	0.0	0.0
Training and Education	0.0	0.0	0.0	0.0
Reliability Assessment and Performance Analysis	0.0	0.0	0.0	0.0
Situational Awareness and Infrastructure Security	0.0	0.0	0.0	0.0
WIRAB	2.0	1.75	2.25	0.5
Total FTEs Operational Programs	2.0	1.75	2.25	0.5
Administrative Programs				
Member Forums	0.0	0.0	0.00	0.0
General & Administrative	0.0	0.0	0.00	0.0
Information Technology	0.0	0.0	0.00	0.0
Legal and Regulatory	0.0	0.0	0.00	0.0
Human Resources	0.0	0.0	0.00	0.0
Accounting	0.0	0.0	0.00	0.0
Total FTEs Administrative Programs	0.0	0.0	0.00	0.0
Total FTEs	2.0	1.75	2.25	0.5

WIRAB Reserve Analysis 2008-2009**STATUTORY****Cash Available 2008**

Beginning Cash @ January 1, 2008	\$284,945
2008 ERO Funding (from LSEs or designees)	\$476,602
2008 Other funding sources (Cash basis)	\$2,386

Total Cash Available 2008 \$763,933

Cash Needed 2008

2008 Projected expenses (Cash basis)	\$449,371
Less: 2008 Projected other funding sources	0

Total Cash Needed 2008 \$449,371

Projected Ending Cash Balance, December 31, 2008 \$314,562

Desired Cash Balance, December 31, 2009 \$100,000

Less: Projected Cash Balance December 31, 2008 \$314,562

Increase(decrease) in assessments needed to raise cash balance \$(214,562)

2009 Assessment (Personnel, Meeting & Operating Expenses)	\$595,810
2009 Assessment (Non-Operating Expenses)	0
2009 Other funding sources	\$(2,976)
Adjustment to increase cash balance	\$(214,562)
2009 Assessment and reserve adjustment	<u><u>\$378,272</u></u>

WIRAB Outside Funding Breakdown By Program (excluding ERO Assessments)	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Assessment and Performance Analysis					
pc-GAR Software	\$ -	\$ -	\$ -	\$ -	
GADS Services	-	-	-	-	
Total	\$ -	\$ -	\$ -	\$ -	
Training and Education					
SO Test Fees	\$ -	\$ -	\$ -	\$ -	
PJM Test Fees	-	-	-	-	
CEH Fees	-	-	-	-	
Total	\$ -	\$ -	\$ -	\$ -	
Situational Awareness and Infrastructure Security					
ESD Software	\$ -	\$ -	\$ -	\$ -	
FIST Royalties	-	-	-	-	
TSIN Fees	-	-	-	-	
Total	\$ -	\$ -	\$ -	\$ -	
Technical Committees and Member Forums					
Transmission Owners and Operators Forum Dues		\$ -	\$ -	\$ -	
Total	\$ -	\$ -	\$ -	\$ -	
General and Administrative					
Interest Income	\$ -	\$ 2,386	\$ 2,976	\$ -	24.71%
Total	\$ -	\$ 2,386	\$ 2,976	\$ -	24.71%
Total Outside Funding	\$ -	\$ 2,386	\$ 2,976	\$ -	24.71%

WIRAB Personnel Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
WIRAB Salaries					
Salary	\$151,664	\$151,664	\$235,500	\$83,836	55.28%
Employment Agency Fees	-	-	-	-	
Temporary Office Services	-	-	-	-	
Total Salaries	\$151,664	\$151,664	\$235,500	\$83,836	55.28%
Payroll Taxes (included in indirect expenses)					
FICA	\$ -	\$ -	\$ -	\$ -	
Medicare	-	-	-	-	
SUI	-	-	-	-	
FUI	-	-	-	-	
Total Payroll Taxes	\$ -	\$ -	\$ -	\$ -	
Benefits (included in indirect expenses)					
Workers Compensation	\$ -	\$ -	\$ -	\$ -	
Medical Insurance	-	-	-	-	
Life-LTD Insurance	-	-	-	-	
Education	-	-	-	-	
Relocation	-	-	-	-	
Total Benefits	\$ -	\$ -	\$ -	\$ -	
Retirement (included in indirect expenses)					
401(k) plan	\$ -	\$ -	\$ -	\$ -	
Savings Plan	-	-	-	-	
Total Retirement	\$ -	\$ -	\$ -	\$ -	
Total Personnel Costs	\$151,664	\$151,664	\$235,500	\$83,836	55.3%

WIRAB Meeting Expenses

Meeting Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Compliance and Organization Registration and Certification	-	-	-	-	-
Reliability Readiness Audit and Improvement	-	-	-	-	-
Reliability Assessment and Performance Analysis	-	-	-	-	-
Training and Education	-	-	-	-	-
Situational Awareness and Infrastructure Security	-	-	-	-	-
Committee and Member Forums	-	-	-	-	-
General and Administrative	-	-	-	-	-
Legal and Regulatory	-	-	-	-	-
Information Technology					-
Human Resources					-
Accounting and Finance					-
WIRAB	6,000	7,000	6,000	(1,000)	
Total Meeting Expenses	\$6,000	\$7,000	\$6,000	\$(1,000)	-14.29%

Travel Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Compliance and Organization Registration and Certification	-	-	-	\$ -	-
Reliability Readiness Audit and Improvement	-	-	-	\$ -	-
Reliability Assessment and Performance Analysis	-	-	-	\$ -	-
Training and Education	-	-	-	\$ -	-
Situational Awareness and Infrastructure Security	-	-	-	\$ -	-
Committee and Member Forums	-	-	-	\$ -	-
General and Administrative	-	-	-	\$ -	-
Legal and Regulatory	-	-	-	\$ -	-
Information Technology	-	-	-	\$ -	-
Human Resources	-	-	-	\$ -	-
Accounting and Finance	-	-	-	\$ -	-
WIRAB	\$86,400	\$30,000	\$35,000	\$ 5,000	16.67%
Total Travel Expenses	\$86,400	\$30,000	\$35,000	\$5,000	16.67%

Conference Call Expenses by Business Plan Category	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
	\$		\$		
General and Administrative	-	\$ -	-	\$ -	
Legal and Regulatory				-	
Information Technology					
Human Resources					
Accounting and Finance					
WIRAB	3,500	3,500	3,500		
Total Conference Calls	\$3,500	\$3,500	\$3,500	\$ -	0.00%
Total Meeting Expenses	\$95,900	\$40,500	\$44,500	\$4,000	9.88%

WIRAB Consultants	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance and Organization Registration and Certification	-	-	-	-	
Reliability Assessment and Performance Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situational Awareness and Infrastructure Security	-	-	-	-	
Information Technology	-	-	-	-	
Member Forum Consultants		-	-	-	
WIRAB	\$75,000	\$75,000	\$75,000	-	0.00%
Consultants Total	\$75,000	\$75,000	\$75,000	\$ -	0.00%

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**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2009 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 12

**DISCUSSION OF COMMENTS RECEIVED DURING
DEVELOPMENT OF NERC'S
2009 BUSINESS PLAN AND BUDGET**

**DISCUSSION OF COMMENTS
RECEIVED DURING DEVELOPMENT OF
NERC'S 2009 BUSINESS PLAN AND BUDGET**

Overview

Throughout the development of NERC's 2009 Business Plan and Budget, interested entities were offered numerous opportunities to provide comments.

The NERC Finance and Audit Committee discussed Version 1.0 of the 2009 Business Plan and Budget at a meeting by conference call on April 11, 2008, which included an opportunity for public comment. A revised version of the 2009 Business Plan and Budget (Version 1.1) was then issued to the NERC Board of Trustees and the NERC Member Representatives Committee and posted on the NERC website for public comment on April 24, 2008. This draft was discussed at open meetings of the NERC Finance and Audit Committee, Member Representatives Committee and Board of Trustees on May 6-7, 2008. Immediately following the May 6-7 meetings, a budget workshop was held for interested entities. This workshop was accessible by telephone conference bridge. Over 30 participants participated in the four-hour workshop session with NERC staff. In addition, 15 sets of written comments were received in response to the public posting of Version 1.1.¹

On May 30, 2008, a further revised draft of the 2009 Business Plan and Budget (Version 2.0) was issued to the Finance and Audit Committee and was discussed by that Committee in an open meeting by conference call held on June 6, 2008. Version 2.0 was posted for comment on the NERC website on June 13, 2008. Twelve sets of written comments on Version 2.0 were received during this second public comment period.²

Following the second posting period, the Finance and Audit Committee held a further discussion of Version 2.0 in an open conference call meeting on July 11, 2008. Additional changes to the Business Plan and Budget were approved by the Committee. Version 3.0 of the 2009 Business Plan and Budget was issued on July 21, 2008 for consideration by the NERC Member

¹ Written comments on Version 1.1 of the 2009 Business Plan and Budget were received from Alcoa, Inc; Jean-Paul Theoret, President of Régie de l'énergie and NERC Member Representatives Committee Provincial Regulator Representative; the Canadian Electricity Association ("CEA"); Dominion Resources Services; Edison Electric Institute ("EEI"); FRCC; Hydro-Québec TransÉnergie; the Ontario Independent Electric System Operator ("IESO"); the ISO-RTO Council; NPCC; ReliabilityFirst; SERC; Southern Company Services, Inc.; the NERC Standards Committee; and the State of Connecticut Consumer Counsel. All of these comments are posted on the NERC web site at http://www.nerc.com/filez/business_plan.html

² Written comments on Version 2.0 were received from Alcoa, Inc., CEA, EEI, the Electricity Consumers Resource Council, FRCC, IESO, the ISO-RTO Council, MRO, NB Power Transmission Corporation, NPCC, the NERC Operating Committee and the NERC Organization Registration and Certification Subcommittee. All of these comments are posted on the NERC web site at http://www.nerc.com/filez/business_plan.html

Representatives Committee and Board of Trustees at their meetings on July 29-30, 2008. On July 30, 2008, the NERC Board of Trustees approved the 2009 Business Plan and Budget for submission to the Commission. The final 2009 NERC Business Plan and Budget is labeled Version 3.1 and is **Attachment 2** to this filing.

Summary of Concerns Expressed in Comments on Drafts of the 2009 Business Plan and Budget and How These Concerns Were Addressed in the Final Business Plan and Budget

The comments that were received on Versions 1.1 and 2.0 of the 2009 Business Plan and Budget can be grouped into eleven subject matter areas. NERC's summary of the eleven areas of concern (or support) expressed in the comments are listed below, followed by a discussion of how each concern was addressed in the final 2009 Business Plan and Budget.

1. 2009 Budget increases over 2008 are too high.

This concern was expressed in comments received on Version 1.1 of the 2009 Business Plan and Budget, which reflected a 46% increase over 2008. Thereafter, Version 2.0 of the 2009 Budget reflected reductions from Version 1.1 in the number of FTEs (eleven), personnel expenses (\$832,119), meeting expenses (\$1,002,702) and operating expenses (\$1,157,750). Total proposed assessments for statutory funding were reduced by \$4,034,272 in Version 2.0 from Version 1.1. The final approved 2009 Budget reflects further reductions from Version 2.0 in FTEs (eight), personnel expenses (\$778,524), meeting expenses (\$73,164) and operating expenses (\$146,035). The proposed statutory assessments were further reduced by \$858,345. The final proposed 2009 Budget is \$34,447,620, which represents an increase of \$7,915,626 (29.8%) over the 2008 Budget and an increase of \$6,527,022 (23.4%) over the 2008 Projection.

2. Expenditures to create 24x7 Situational Awareness Room are not justified because this facility would duplicate the role of Reliability Coordinators, create a monitoring function at NERC that is not focused on the core responsibilities of standards development and compliance monitoring and enforcement, and could impose additional burdens on Reliability Coordinators during times of emergencies.

In the final 2009 Budget, the proposed 24x7 Situational Awareness Room has been replaced with a plan for a less costly Emergency Response Room that would be used in the case of significant system events and other emergency situations affecting the bulk power system. The proposed costs for the 24x7 Situational Awareness Room were approximately \$475,000; whereas the projected costs for the Emergency Response Room total \$125,000.

3. The Reliability Readiness Evaluation and Improvement Program should be studied to determine its ongoing value and relevance to the core mission of NERC.

The NERC Board of Trustees tasked the NERC Finance and Audit Committee to evaluate the Reliability Readiness Evaluation and Improvement Program (Readiness Program). In addition, the NERC Operating Committee formed a task force to consider this issue. NERC staff

developed a recommendation on the future of the Readiness Program as well, and proposed, among other things, implementation of a Reliability Assistance Program. The Finance and Audit Committee met by conference call on May 30, 2008 and July 11, 2008 to discuss the Readiness Program and to consider input and comments from interested entities. Opinions expressed by industry participants reflected the views that the Readiness Program was one of NERC's strongest responses to the August 2003 Northeast blackout and had served an important purpose in the past; however, in light of the subsequent enactment of Section 215 of the Federal Power Act and the certification of NERC as the Electric Reliability Organization with authority to develop, adopt, and monitor and enforce compliance with mandatory reliability standards, the Readiness Program no longer serves a purpose. In addition, concerns have been expressed that NERC's and the Regional Entities' performance of the Readiness Program functions may conflict with performance of the compliance monitoring and enforcement functions. Accordingly, the decision was made to terminate the Readiness Program on or about the end of the first quarter of 2009, upon the completion of previously scheduled readiness evaluations. NERC's 2009 Budget includes some expenses to complete these remaining activities of the Readiness Program before it is terminated.

- 4. The North American SynchroPhasor Initiative (NASPI) Project will make a valuable contribution to reliability and, subject to development of a comprehensive business plan, should be supported.**

The final 2009 Business Plan and Budget NERC includes \$1,453,000 for the first year funding of the NASPI Project, as part of the budget for the Situational Awareness and Infrastructure Security Program. At this time, NERC has engaged a consultant for this project and the consultant has completed a business plan.

- 5. Compliance audit teams are too large and too many items are covered in compliance audits. An assessment should be completed to determine the level of overlap with the Regional Entity compliance audit function. In the long run, is it necessary for NERC compliance staff to attend every audit conducted by a Regional Entity? NERC should examine more efficient ways to conduct oversight of Regional Entities short of duplicating their efforts.**

In light of the singular importance of the compliance monitoring and enforcement program (CMEP) to the ERO's statutory mission, NERC, as well as all of the Regional Entities, are budgeting increased resources for the CMEP in 2009. NERC also notes that the 2009 NERC and Regional Entity Budgets were developed without the benefit of full year 2008 actual results of compliance audits and the actual, overall costs of the CMEP. However, in response to the concerns expressed in comments with respect to the compliance audit function as summarized above, NERC has initiated a process to study and identify possible process improvements and efficiencies in the CMEP. NERC's Finance and Audit Committee has established a process that will lead to the development of improved metrics with respect to all programs at NERC and the Regional Entities prior to the start of the 2010 budget cycle. The first meeting in this process will occur at the end of October, 2008. The metrics are expected to provide analytical data that will serve as a foundation for the development of the 2010 budget. Included in this process will be the gathering and analysis of statistical data associated with the NERC and Regional Entity

CMEPs. It is expected that this analysis will facilitate the examination of potential efficiency improvements in NERC's oversight methodologies, to the extent they exist, and lead to their implementation in the 2010 Business Plan and Budget.

- 6. Allocations of NERC compliance and enforcement costs to Canadian entities should reflect situations in which such activities are provided or supplemented by provincial regulatory or other governmental authorities in Canada. Canadian entities expressed concern with respect to allocations of costs associated with the implementation of FERC directives.**

NERC recognizes that the concerns summarized above are ongoing concerns for Canadian entities, and has worked with Canadian entities (including governmental bodies) to address these concerns. NERC's efforts in this regard are discussed in detail in §VI of the narrative portion of this filing and in **Attachment 16**, which includes the Expanded Policy on Allocation of Certain Compliance and Enforcement Costs adopted by the NERC Board of Trustees for the 2009 Budget, as well as the calculation of proposed adjustments to the allocation of NERC's 2009 CMEP costs to entities in Ontario and Québec. The adjustments reflect the facts that (i) certain compliance and enforcement activities are performed in Ontario (by the IESO), and (ii) in Québec, fewer compliance audits will be performed due to the small number of entities to be audited; as a result some portion of the costs of NERC's CMEP should not be allocated to entities in these two Provinces.

- 7. NERC should include 2010 and 2011 forecasts of expenses and assessments in the 2009 Business Plan and Budget.**

NERC included a forecast in its 2008 Business Plan and Budget of expenses and assessments in 2009 and 2010 and has included a forecast of 2010 and 2011 NERC expenses and assessments in its 2009 Business Plan and Budget. *See* §III.F of the narrative portion of this filing and Table 7 in Section B of **Attachment 2**.

- 8. The need for and value of the Generator Availability Data System (GADS), the Transmission Availability Data System (TADS) and expenditures on these programs were questioned by certain commenters.**

In the early stages of the 2009 Business Plan and Budget development process, NERC initiated an analysis of the historic revenues and expenses associated with the GADS program. The results indicated that GADS products and services were of significant value to certain segments of the industry and to certain industry participants. NERC concluded that the expenses of the GADS program should not be assessed (in whole or in part) to all load-serving entities (LSEs) in North America, but instead should be borne by the entities requiring or requesting the data. NERC therefore decided to increase the prices associated with GADS products and services to achieve breakeven. Price increases were effective July 1, 2008. The 2009 Budget reflects this breakeven pricing methodology; as a result, the expenses associated with GADS are, in effect, no longer included in the statutory assessments to LSEs.

With respect to TADS, which was approved by the NERC Board in October 2007 and is still in a developmental stage, data does not yet exist to conduct an analysis similar to the analysis conducted for GADS. Therefore, in the 2009 Budget, the costs associated with TADS continue to be included in the calculation of assessments to LSEs. NERC will periodically re-evaluate TADS and its uses by industry participants with a view to potentially structuring and pricing TADS products and services to achieve breakeven at some point in the future.

9. NERC should evaluate the level of working capital reserve included in the 2009 Business Plan and Budget, in light of the 2009 expense budget and historic operating results.

As part of development of the 2009 Budget, NERC conducted an analysis of the reserve amounts requested and approved by the Commission in the 2007 and 2008 Budgets. For 2007 and 2008 the budgeted reserve balances were established at an amount equal to 10 percent of total assessments for the budget year. The analysis conducted for 2009 Budget preparation compared previously budgeted reserves to actual and forecasted cash on hand during the course of the operating year. In addition, actual and forecasted cash on hand was compared to expected reserve levels, assuming a continuation of the previously-employed methodology. It was concluded that a reserve equal to 10 percent of the budgeted 2009 assessments would be excessive and was not required. Based upon (i) historic month-end cash balances, which are typically expected to reach a low point in December, and (ii), NERC's access to a \$4,000,000 bank revolving line of credit, it was concluded that a working capital reserve of \$2,500,000 was sufficient. This working capital reserve amount, along with the bank revolving line of credit, is expected to provide adequate working capital to support the planned operating activities. This working capital reserve amount was recommended to, and accepted by, NERC's Finance and Audit Committee.

10. NERC should consider adding resources to the Event Analysis function.

The final 2009 Business Plan and Budget adds one engineer and one manager of alerts to the Events Analysis function, which is part of the Reliability Assessment and Performance Analysis Program.

11. NERC should increase fees for the Training, Education and Operator Certification Program to cover 100% of the costs of these programs.

The Training, Education and Operator Certification Program has three distinct components: (i) certification of new transmission system operators, (ii) continuing education programs for system operators (to enable them to maintain their certifications), and (iii) "internal" training programs for NERC and Regional Entity compliance auditors and other personnel. NERC analyzed the fees charged for activities in the operator certification and continuing education components and determined that while fees charged cover the direct costs of these programs, they do not cover the total costs (*i.e.*, direct costs plus indirect or allocated costs). The 2009 Budget does not incorporate increases in any of these fees for these programs. However, NERC will further evaluate changes to the fee schedules for the operator certification and continuing education programs to determine the feasibility of increasing fees to cover all of the costs of these

Attachment 12

programs. With respect to the third component, internal training programs for NERC and Regional Entity personnel, this activity supports NERC's overall statutory mission and therefore it is appropriate that the costs of this activity are recovered through statutory assessments to LSEs.

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**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

2009 BUSINESS PLAN AND BUDGET FILING

ATTACHMENT 13

**A STATUS REPORT ON THE ACHIEVEMENT OF NERC'S 2008
GOALS AND OBJECTIVES, BY PROGRAM**

Standards

Standards Program Goals

- Meet all directives of ERO governmental authorities with regard to standards development and procedures, specifically FERC Order 693.
- Meet the milestones in the three-year standards work plan that includes targets for the “fill-in-the-blank” regional standards.
- Ensure consistency and quality of regional reliability standards.

Status

- NERC has established a plan to address regulatory directives pertaining to reliability standards development or process. Technical directives with regard to specific standards have been incorporated into the scope of the projects in the three-year Reliability Standards Development Plan. These are being addressed by the drafting teams assigned to develop the standards in accord with the project scope.
- Generally, standards development efforts are lagging behind the milestone schedules in the three-year work plan by six months on average for several reasons. The teams are taking more time than anticipated to reach consensus, the complexity of issues to be addressed resulted in the need for additional comment periods, the scope of the projects were underestimated in some cases, and some teams started later than expected due to other higher priority work than took precedence. Several unanticipated projects were started based on SC approval, and the work to support these unanticipated projects forced re-allocation of resources as well.
- Fill-in-the-blank standards are wholly included in the scope of the projects in the work plan and separate distinction of these activities is not meaningful.
- NERC and the Regional Entities have participated on the Regional Reliability Standards Working Group designed to work collaboratively to identify and address issues of consistency and quality. This group has endorsed an evaluation procedure that NERC staff uses to evaluate the quality of the regional standards when submitted per the ERO Rules of Procedure. NERC staff has utilized this procedure and offered constructive feedback to WECC, MRO, and RFC on regional standards presented to NERC for

evaluation.

- Streamline and improve the standards process and associated tools.
- Work closely with NAESB in coordinating business practices and reliability standards.
- Communicate with stakeholders and regulators regarding standards development.
- The Standards Committee has appointed a Process Subcommittee to review and identify necessary improvements to the standards development process. The current expectation is to post a revised Reliability Standard Development Procedure V7 for industry comment in September 2008 that presents these improvements.
- In addition, NERC has implemented a new comment handling and nomination off-the-shelf software package that has reduced staff process time by 2/3.
- In 2007, NERC appointed a Manager of Business Practice Coordination to serve as the interface with NAESB on reliability standard and business practice coordination. This has manifested itself in extremely close coordination on Order 890 implementation, TLR development, and standards regarding inadvertent interchange and time error correction. Future improvements to the coordination process between NERC and NAESB are also in development.
- NERC communicates each standards process activity through announcements to anyone who signed up to be on the distribution list.
- NERC staff has weekly calls with FERC staff on standards development, meets as needed on specific development projects, and conducts pre-filing briefings prior to submission of proposed standards for regulatory approval.
- The Standards Committee has appointed a Planning and Communications Subcommittee to develop and implement a plan to improve the quality of standards-related communications. An initial plan has been drafted and some pieces are in the early stages of implementation.
- NERC staff, members of the Standards Committee, and representatives from

- the Regional Entities met individually with 7 Canadian provincial regulatory agencies in the spring 2008 and collectively with FERC and these agencies to discuss reliability standards development issues and concerns.
- NERC conducted a very successful Standards Workshop in the spring 2008 and has a similar session planned for October.
 - The Standards Staff supports the NERC monthly newsletter by including summaries of Standards Committee activities, listing open drafting team positions, and by providing other articles aimed at improving stakeholder understanding of the standards process.
 - The Standards Committee has empowered a Future of Standards Task Force to address this goal. This group has been meeting periodically in 2008 to develop a recommendation for the long-term vision of standards.
 - NERC has engaged with industry stakeholders in a variety of forums as well as the regulatory agencies in 2007 and 2008 as part of the update process for the Reliability Standards Development Plan (3-year work plan) to identify additions or changes to the plan to reflect the needs of the industry. In addition, NERC standards staff has compiled a list of issues that have been identified for the current set of reliability standards that also has been incorporated into the scope of the work plan projects. Finally, NERC has incorporated the body of regulatory directives pertaining to reliability standards into the work plan project scope as well.
 - NERC staff has engaged the standing committees directly with requests to provide feedback and input to the current set of reliability standards and to offer ideas for new standards that are needed. These requests have been more general in the context of the annual three-year work plan update and in support of individual standards
- Establish long-term vision for standards improvement and initiate implementation of the strategy.
 - Ensure the topics addressed by the reliability standards keep pace with changing industry needs.
 - Strengthen the relationship with the industry's technical committees to ensure adequate input to standards development.

projects that require a more thorough technical foundation upon which the drafting teams can more effectively develop the standards.

Standards Development

- Develop and revise standards as directed by FERC and other governmental authorities.
- Complete process for developing new standards on operator/situation awareness tools.
- Complete process for developing new standards on undervoltage load shedding.
- Complete process for developing new standards on reactive power reserves.

Status

- NERC has incorporated the regulatory directives for reliability standards into the scope of the individual projects of the three-year Reliability Standards Development Plan. Over twenty of these projects are currently active while the remainder is in future year activity.
- NERC has proposed and received FERC approval for revised INT standards per order and has several pending standards awaiting Commission action as outlined in the “Legal and Regulatory Objectives” section of this document.
- Modifications that address the recommendations of the Real-Time Tools Best Practices Task Force have been identified for inclusion in the 2009-2011 version of the three-year work plan that will be developed later in 2008. Further discussion will determine whether these recommendations should be included in the certification process and not standards.
- This project is slated to begin in 2008 and requires further technical foundation before the drafting team can begin its work. The coordinator for this project attended a conference on Voltage and VAR control to gain a broader perspective of the issues surrounding the need for improvement in the associated standards. NERC staff has been working with the technical committees to develop the white paper needed to guide this effort. This paper is expected to be available by the end of the year.
- This project is slated to begin in 2008 and requires further technical foundation before the drafting team can begin its work. The coordinator for this

- Review of disturbance and sabotage reporting requirements.
- Propose new standards resulting from lessons learned by other NERC programs (e.g., reliability performance assessment, compliance enforcement, readiness evaluations, training, and situation awareness and infrastructure protection).
- Deferred to 2009 program year.
- NERC standards staff has worked with other NERC program areas to obtain their feedback and input on standards development. A collective NERC technical staff meeting was held to discuss the three-year work plan and an input form was provided for provide the mechanism for the program areas to routinely provide their feedback.

Regional Standards Development

- Complete development of remaining regional “fill-in-the-blank” standards.
- Process regional standards submitted for approval and make recommendations to the NERC Board of Trustees.

Standards Improvement

- As appropriate, incorporate changes to the *Reliability Standards Development Plan 2007–2009* based on the needs and priorities identified by the industry in a technical review/assessment of reliability standards, while addressing FERC Order 693 directives.

Status

- Fill-in-the-blank standards are wholly included in the scope of the projects in the work plan and separate distinction of these activities is not meaningful.
- There are several regional standard development activities that are underway to support NERC continent-wide standards such as Underfrequency Load Shedding. These are being coordinated through the efforts of the NERC standard drafting teams.
- NERC has evaluated eight WECC (ATEC and the seven Tier 1 standards), four MRO, and one RFC regional standard in 2008. To date, one has been requested to be moved to the NERC Board for approval and received NERC BOT approval and has been subsequently filed with FERC.

Status

- NERC has engaged with industry stakeholders in a variety of forums as well as the regulatory agencies in 2007 and 2008 as part of the update process for the Reliability Standards Development Plan (3-year work plan) to identify additions or changes to the plan to reflect the needs of the industry. In addition, NERC standards staff has compiled a list of issues that have been identified for the current set of reliability standards that also has been incorporated into the scope of the work plan projects. NERC has also engaged its technical staff to provide feedback to the work plan to identify any modification needed therein. Finally,

NERC has incorporated the body of regulatory directives pertaining to reliability standards into the work plan project scope as well.

- For 2008, NERC staff will conduct a Web-ex in the early Fall to review the results of the stakeholder feedback and input to the next version of the three-year work plan.
- Evaluate and determine a method to incorporate, as approved by the industry through the standards development process, proposed changes to planning and operating criteria and to the definition of adequate level of reliability.
- The definition of adequate level of reliability has been proposed for incorporation into the Reliability Standard Development Procedure V7 as a key set of reliability standard characteristics.
- NERC is expecting the Operating Committee to present its recommendation on needed changes to the reliability standards that are needed to support the concepts identified in the operating and planning limits document.

Business Practice Interface

- Develop one joint NERC–NAESB standard.
- Ensure NERC standards development and NAESB business practice development processes are aligned to meet agreed-upon expectations.

Status

- NERC and NAESB have jointly developed six NERC ATC-related reliability standards with companion business practice standards that are driven by FERC Order 890.
- NERC and NAESB have an agreement in place regarding coordination of reliability and business practice standard development. Through the assignment of the Manager of Business Practice Coordination as the main point of interface, the NERC-NAESB relationship is very strong and coordinated. Apart from transactional activities, senior NERC and NAESB staff meet as needed to review strategic objectives and future year business plans to ensure further alignment. Future improvements to the coordination process between NERC and NAESB are also in development.

Standards Process Improvement

- Revise standards development rules and procedures in response to governmental agency directives.

Status

- No specific regulatory directives have been delivered in 2008 to modify existing rules or procedures with the

- Evaluate alternatives and improvements that ensure consensus is being achieved in an efficient manner.
 - For high priority standards, shorten average development time of a standard to 12 months through stakeholder ballot (exclusive of field testing).
-
- Perform a time-management study of use of staff and industry resources to determine areas for improvement.
 - Establish targets for staffing and tools to support the standards process:
 - Develop a relational database for standards management, including an online tool for managing stakeholder comments.
 - Identify areas for greatest opportunity for process improvement
-
- exception of the processing of Violation Severity Levels. NERC is awaiting a response to its request for clarification from FERC before proceeding on this aspect.
 - No specific progress on this goal.
 - NERC has taken an aggressive stance with respect to standards with an associated regulatory deadline and have delivered violation risk factors and violation severity levels within the prescribed timeline. However, it has been increasingly difficult to reduce the development time as industry representatives on the drafting teams are very carefully deliberating on the specific wording in the standards with a keen eye to reducing ambiguities in the mandatory compliance environment we are now in.
 - NERC has been facilitating the development of reliability standards without undue delay but has experienced an average development timeline six months longer than originally expected.
 - No specific progress on this goal.
 - NERC added a program administrator to the Standards Staff in August with database development skills to develop a functional off-line database until the NERC Web is enhanced to provide user-guided functionality. The online tool for managing stakeholder comments has been implemented.
 - The Process Subcommittee of the Standards Committee will be presenting its proposals for process improvement in September with an industry comment period to follow soon thereafter.
 - The Standards staff worked with the Standards Committee to formalize the processes associated with approving

- Rethink the process for achieving consensus on standards.
 - “Flatten” the standards process by increasing the number of conference calls, Web casts, and e-mail actions to greater than 50 percent of all committee and drafting team meetings.
 - Survey stakeholders and drafting team chairs for input into the process with a goal of identifying opportunities for improvement.
 - Evaluate and improve ballot performance (quorums and balance).
-
- Formalize a feedback loop for continuous improvement.
-
- Track adherence to the standards procedure.
-
- field tests, approving the posting of standards-related reference documents and in approving errata.
 - No specific progress on this goal.
 - Both the NERC Standards Committee and individual drafting teams generally conduct over 50% of its business apart from in-person meetings.
 - No specific progress on this goal.
 - NERC’s Standards Process Manager is charged with reviewing ballot performance to identify issues that need to be addressed in achieving quorum. The new registered ballot body and balloting application provides enhanced ability to track ballot performance and to more quickly identify issues of concern. NERC is obligated to provide reports on ballot performance to FERC on a quarterly basis and has done so since 2Q 2007. All ballots this year have achieved a quorum.
 - NERC has developed an input form that is continually available for industry stakeholders and NERC program staff to identify issues relating to standards and to offer feedback. This form was developed and made available initially in June 2008. It will be the main procedural vehicle to provide documented feedback on individual reliability standards and the work plan itself.
 - NERC’s Standards Process Manager is tasked with ensuring the drafting teams adhere to the integrity of the standards development process and advises the Standards Committee on these matters. On two occasions in 2008, the Standards Committee, by request of NERC staff, has authorized a deviation from the process to enable NERC and the industry the opportunity to meet regulatory-imposed deadlines, and other occasions denied requests for

- Improve the training of drafting teams and drafting team guidelines

project-specific modifications.

- NERC continues to make improvements to the drafting team guidelines and provides an introductory training session to each drafting team at its kickoff meeting. These are intended to ensure the team members understand their expectations and the roles of each participant in the development process.
- The standards staff worked with the Director of Compliance and the CMEP to develop a set of guidelines for developing measures and compliance elements in standards.
- The standards staff worked with the Training department to assist in developing a training program for reviewing the compliance elements in standards.

Communications

- Educate and inform industry stakeholders through highly effective standards workshops.
- Update and inform governmental regulators on the standards development work plan and processes through individual project discussions and annual meetings/conferences.
- Develop standards program communications that support NERC's overall communications platform.

Status

- Well-attended Spring Workshop held in San Diego. Fall Standards and Compliance Workshop planned for October in Atlanta.
- NERC staff has weekly calls with FERC staff on standards development, meets as needed on specific development projects, and conducts pre-filing briefings prior to submission of proposed standards for regulatory approval.
- NERC staff, members of the Standards Committee, and representatives from the Regional Entities met individually with 7 Canadian provincial regulatory agencies in the spring 2008 and collectively with FERC and these agencies at the Trilateral Meetings to discuss reliability standards development issues and concerns.
- NERC Standards program announcements and powerpoint presentations have been developed to comport with the NERC presentation/delivery templates expected as part of the NERC communications platform.
- The standards staff provides at least

one article for each monthly NERC newsletter, with a goal of expanding stakeholder knowledge and understanding of the standards program's processes and activities.

Compliance Monitoring and Enforcement

Compliance Monitoring and Enforcement Program Objectives

Status

- | | |
|---|---|
| <ul style="list-style-type: none"> • Direct and oversee the regional entities implementation of their delegated compliance enforcement program responsibilities. <ul style="list-style-type: none"> ▪ Maintain working relationships between NERC and the regional entities in order to achieve maximum effectiveness and consistency of monitoring, reporting, enforcement actions, and appeals by direct observation of program implementation. ▪ Assure timely mitigation of all violations of standards and requirements. ▪ Provide oversight of regional entity compliance programs and conduct formal audits of at least three regional entity programs.
 ▪ Participate in settlement processes with the regional entities for violations of standards as required, and review all settlements for consistent application of settlement principles. ▪ Review all enforcement actions for consistent application in all violations of standards. ▪ Assess the effectiveness of enforcement actions in mitigating violations of standards. | <p>This is an ongoing activity and has recently changed focus – it will be the primary responsibility of the BOTCC through the new outcome/output driven process unless delegated to NERC compliance staff. This is now focused on the outcome/output driven process and not on a “working relationship” based on cooperation and coordination.</p> <p>Outcome/output driven process.</p> <p>Regional program oversight staff will refocus on compliance violation investigations and oversight of audits.</p> <p>Consultants are to be selected in the next two weeks to conduct audits, however based on their schedule, only 1 or 2 regions will be audited in 2008 depending on the consultant selected.</p> <p>Ongoing regarding participation.</p> <p>Ongoing based on outcome/output driven process.</p> <p>Ongoing based on outcome/output driven process.</p> <p>CCC process developed.</p> <p>We continue to maintain and enhance the auditor training in collaboration with the training department.</p> |
| <ul style="list-style-type: none"> • Maintain the training program for compliance auditors. | <p>We continue to maintain and enhance the auditor training in collaboration with the training department.</p> |

- Work with the Training, Education, and Operator Certification and Reliability Readiness Evaluation and Improvement Programs to review and maintain auditor training requirements.
 - Assure the training program requirements are delivered to all NERC and regional entity compliance auditors.
 - Deliver a training module for industry technical experts and audit volunteers.
 - Enhance processes, databases, and reporting tools to allow for seamless, uniform reporting of alleged and confirmed violations of standards, proposed penalty and sanction actions, and disposition of all violations.
 - Maintain reporting relationships with appropriate governmental authorities in the United States, Canada, and Mexico and establish processes and procedures to report violations, levy penalties and sanctions, and remedy the violations.
 - Confidentially report all alleged violations of standards to FERC and the appropriate governmental authorities in the United States, Canada, and Mexico through established processes.
 - Make notice of penalty filings for all penalties and sanctions applied to compliance violations.
 - Provide other informational updates and filings as required by the NERC Rules of Procedure and governmental authorities.
 - Maintain and enhance the reporting of violations of standards to the NERC Board of Trustees Compliance Committee.
 - Report quarterly all confirmed violations of NERC or approved regional standards for which investigatory, decisional, and appeal processes have been completed, including the identity of
- New training modules developed and delivered.
- Per the NERC Rules of Procedure, all lead auditors must complete the NERC auditor training. Susan Morris maintains a log of all NERC and regional staff who have completed the training and lead auditors will be rejected if they have not completed the approved training. CD self training module available for authorized audit personnel.
- Contract signed with Guidance and tools expected to be delivered in October.
- Regular meetings with FERC occur and meetings with Canadian provinces are underway based on Ric Cameron’s advice.
- Ongoing. Will be modified based on outcome/output driven process.
- First filing made on June 4th.
- All data submittals and filings have been made as required.
- Developed state diagrams to demonstrate where all violations and mitigation plans are in the process.
- Quarterly reports provided to FERC.

the organizations involved in those violations.

- Track the mitigation of identified violations of standards.
- Develop, on a coordinated basis with the Reliability Standards Program, the compliance elements for approximately 100 new or revised standards.
- Manage all enforcement action appeals (resources based on approximately 25–30).
- Maintain a compliance reporting process.

All mitigation plans are tracked and the status is displayed on the state diagrams.

Process is in place with Manager Program Interfaces.

No appeals to date.

Monthly reports to the BOT CC with states in place.

Organization Registration and Certification Objectives

Status

- Maintain an accurate registration list of all owners, operators, and users of the bulk power system for compliance monitoring purposes.
 - Oversee the regional entities' implementation of the registration process.
 - Update and confirm the registration list as needed (at least annually)
 - Provide necessary registration information to FERC and other appropriate governmental authorities.
 - Review the completeness of the organization registration list and determine if additional efforts are necessary to identify other entities or collect more information from bulk power system owners, operators, and users.
- Develop and maintain a process for appealing a decision to include an entity on the registration list.
- Implement organization certification within the regional entities.
 - Maintain processes and procedures, used by NERC and the regional entities, for carrying out the delegated certification activities that are required by the certification standards.

On-going and in place.

Oversight will be addressed with the regional audits.

List updated monthly.

Monthly updates provided to FERC.

Process developed to confirm that each BA has one and only one RC etc. To be implemented by directing regions to complete in the last quarter of this year.

Initial Interchange Authority (IA) and Joint Registration Organization (JRO) registration effort completed. IA and JRO registration efforts will be ongoing once initial efforts are completed.

Appeals process in place and working.

In place and to be updated with modification to Rules of Procedure.

In place and to be updated with modifications to Rules of Procedure.

- | | |
|---|--|
| <ul style="list-style-type: none"> ▪ Provide auditors for certification audits scheduled by the regional entities (resources based on approximately 20 in 2007). | <p>All certification audits have been staffed and completed as required.</p> |
|---|--|

Reliability Readiness Evaluation and Improvement Program

Reliability Readiness Evaluation and Improvement Objectives

Status

- | | |
|--|--|
| <ul style="list-style-type: none"> • Evaluate one-third of the reliability coordinators, balancing authorities, and transmission operators in 2007, independent of regional compliance audits. In 2008, 60 evaluations are expected to be performed. | <p>Completed all pre-scheduled evaluations as of July 31. The Readiness Evaluation program is to be closed in 2009 after scheduled evaluations are completed. The focus for the remainder of the year will be to perform evaluations for provisional certification purposes, as outlined in the version 3 of the 2009 business plan.</p> |
| <ul style="list-style-type: none"> • Continue to expand the program to include evaluations of the large transmission owners (local control centers) that have been delegated functions or provide significant support to registered reliability entities. In 2008, approximately 12 evaluations of transmission owners will be conducted. | <p>See status above.</p> |
| <ul style="list-style-type: none"> • Work with industry and member forum groups to continue to migrate the Reliability Readiness Evaluation and Improvement Program into an INPO-type program that contains objective metrics. | <p>See status above.</p> |
| <ul style="list-style-type: none"> • Work with the Operating Committee and the Transmission Owners and Operators Forum to develop and implement a comprehensive assistance program. | <p>See status above.</p> |
| <ul style="list-style-type: none"> • Implement a training program for reliability readiness evaluators. <ul style="list-style-type: none"> ▪ Work with the Training, Education, and Operator Certification and Compliance Monitoring and Enforcement Programs to develop and implement evaluator training requirements. ▪ Assure the program is delivered to all NERC reliability readiness evaluators. ▪ Deliver a training module for industry technical experts and evaluation volunteers. | <p>See status above.</p> |

- Communicate to the industry examples of excellence identified through the Reliability Readiness Evaluation and Improvement Program and other means. See status above.
 - Develop enhanced tools and processes to track the implementation status of reliability readiness evaluation recommendations. See status above.
 - Coordinate with the Compliance Monitoring and Enforcement Program on the development of an enhanced reporting tool for violations of standards and readiness audit recommendations.
 - In conjunction with the regional entities, develop a process for verifying the implementations of the readiness evaluation recommendations.
 - Maintain and enhance reporting of readiness evaluation recommendations to the NERC Board of Trustees. See status above.
 - Report quarterly the status and mitigation of each recommendation identified in the reliability readiness evaluation process.
 - Perform a critical analysis of evaluation recommendations and findings to determine meaningful trends, and communicate this information to the industry and the NERC board, as a mechanism for improvement.
 - Assure reporting of all probable violations of standards and requirements to the regional compliance officers within two weeks of the conclusion of the readiness evaluations, unless the probable violation falls under the 48-hour reporting requirements. See status above.
 - Provide routine feedback to the standards program on deficient areas in existing reliability standards determined during the execution of the readiness evaluation process. See status above.
 - Coordinate with the industry's technical groups on the development of industry best practices and work with See status above.

the training and education program to develop meaningful educational materials.

- Perform a self-assessment of the Reliability Readiness Evaluation and Improvement Program to evaluate the success and effectiveness of the program in achieving its mission.

See status above.

Training, Education, and Operator Certification Program

Operator Certification

- Administer the current System Operator Certification Program.
- Continue the three-year transition to the exclusive use of continuing education hours for maintaining system operator certification in lieu of reexamination.
- Identify and implement additional interface improvements to the portal and database that personnel use to register for the system operator certification examinations and track continuing education activities.

Status

Ongoing with success. New examinations were developed and released on schedule in July.

Transition is proceeding smoothly and will be complete on October 1, 2009. Based on current trends, over 1200 operators are projected to use continuing education to maintain their credential in 2008 out of a total population of over 5500.

This is an ongoing activity. Currently on Change Order 6, the improvements have simplified the operator's experience and added reporting and accounting functionality for NERC administrators. Feedback from users has been overwhelmingly positive.

Continuing Education

- Assess and improve the training provider requirements.
- Raise the quality and levels of training for system operators throughout North America to ensure that delivered training meets the needs of the System Personnel Certification Program.
- Define and implement the processes to review and audit training activities being delivered by providers in order to ensure quality training for system personnel.
- Establish relationships with training vendors and consultants to improve the training products used by industry trainers to augment utility training

Status

NERC Staff and the Personnel Subcommittee are completing the first draft of revised and upgraded provider requirements to be posted for industry comment in September.

Continuing education providers are delivering between 1000 to 1200 unique course offerings each quarter. NERC staff and the Personnel Subcommittee are completing the first draft of revised continuing education requirements to be posted for industry comment in September. In April the program began auditing activities submitted for approval. The program will meet its goal of auditing 150 courses by the end of the year. The Personnel Subcommittee is completing the first draft of revised program processes based on the lessons-learned from those audits to be posted for industry comment in September.

NERC established this goal to transition the development of training activities away from NERC to vendors. Vendors are listening to the industry and offering an improved diversity

programs.

- Analyze and improve training activity application and assessment processes.
- Define and implement improvements to the portal and database used by providers to track delivered continuing education activities.

Training and Education

- Develop and implement the learning management system to electronically host learning activities and materials for the training and education function.
- Prioritize and develop learning materials and activities for the reliability standards that will be reviewed in 2008 based on the *Reliability Standards Development Plan 2007–2009* (currently 17 standards for 2008 and 5 from 2007).
- Develop and deliver training for compliance auditors.
 - Deliver fundamental training for new NERC staff, regional entity staff, and contractors who act as team leaders on a quarterly basis.
 - Develop and deliver learning activities to further improve compliance auditor skills (4 sessions).
 - Deliver fundamental training for industry technical experts and volunteers who participate on compliance audits (internet-based).
 - Implement a process and database to verify and track compliance

and quantity of activities to meet many industry needs. Many of these activities have been approved by the CE program.

NERC Staff and the Personnel Subcommittee are completing the first draft of revised and upgraded provider requirements to be posted for industry comment in September.

This is an ongoing activity. Currently on Change Order 6, the improvements have simplified the providers' experience and added reporting and accounting functionality for NERC administrators.

Status

We are currently using a basic learning management system (LMS) to deliver training activities via internet. We are awaiting the final report at the end of August from a consultant hired to identify various options for electronically delivering future training and education in 2010 and beyond.

This objective for the standards department was refocused to developing and delivering training to drafting team members on how to develop quality compliance elements for the standards. This activity was completed jointly with the compliance department on July 30. It is available as an e-learning module.

This is an ongoing activity and the content is updated frequently as the program grows and improves.

A new e-learning module for team leaders, Gathering Quality Evidence, was developed and released in April on the LMS and is available on-demand. Three new activities are under development, one is on the CMEP Process Deadlines, the second is CIP Standards for Auditors, and the third is Compliance Violation Investigation training for investigators. All three will be completed by the end of 2008.

This is continuously available and delivered on-demand to registered volunteers. Over 200 volunteers have taken the course since its release in October 2007.

The development of this process with the compliance department was completed in

- auditor training.
- Develop and deliver learning activities and materials on lessons learned from the analysis of system events and system performance.
- Develop and deliver training for reliability readiness evaluators.
 - Develop and deliver fundamental and skills-based training for NERC, regional entity staff, and contractors who act as team leaders.
 - Deliver training for industry technical experts and volunteers who participate on reliability readiness evaluations (internet-based).
- Perform a follow-up job task analysis for the compliance auditor function to capture the maturation of the process.

January 2008.

This objective will not be addressed to focus resources on the higher priority of compliance auditor training for 2008.

This project was cancelled due to the phase-out of the readiness program in 2009.

An e-learning course was released in late 2007. Readiness team leaders have all taken the course as have the volunteers.

Since being released in late 2007, over 200 industry volunteers have taken this e-learning course. It will remain available on-demand until the readiness program is closed.

This is slated to begin late in 2008 for completion in 2009.

Reliability Assessment and Performance Analysis Program

Reliability and Adequacy Assessment Objectives

- Conduct and report the results of independent assessments of the overall reliability and adequacy of the interconnected North American bulk power systems for 2008 summer, 2008/2009 winter, and 2008–2017.
- Assess and report on the key issues, risks, and uncertainties that affect or have the potential to affect the reliability of existing and future electric supply and transmission (supply shortages, generating unit shutdowns, fuel supply and transportation disruptions, droughts, floods, strikes, extreme weather, etc).
- Address potentially negative impacts on bulk power system reliability or adequacy due to concerns arising from the operation and planning of gas supply, transportation, and storage, and the operation and planning of electric systems.

Status

Issued 2008 Summer Assessment in May.

Development of 2008 Long Term Reliability Assessment (LTRA) on schedule.

Issues, risks and uncertainties are addressed in the respective reliability assessment reports.

Special information gathering from industry on potential reliability impacts of CO₂ legislation.

Summarized potential negative impacts using historic system data in an operating reliability chapter as a part of 2008 LTRA.

- Investigate, assess, and report on the potential impacts of new and evolving electricity market practices, new or proposed regulatory procedures, demand response initiatives, introduction of renewable energy sources, and new or proposed legislation (e.g., environmental requirements) on the adequacy and operating reliability of the bulk power systems. Covered as part of LTRA.
- Establish and maintain relationships with industry, regulatory, and governmental organizations involved with or having an interest in bulk power system reliability (e.g., DOE, FERC, EIA, RTOs/ISOs, Canadian provincial governmental agencies, etc.). FERC has staff rep on Reliability Assessment Sub-Committee (RAS).
- Review international best practices on emerging issues and incorporate into annual reliability and adequacy assessment reports. Meet with FERC, DOE, industry associations, etc. to provide pre-release briefings of all reliability assessments.
- Review regional reliability assessment processes, regional criteria, and methodologies for consistency and their interdependency and impact on neighboring regions. Maintain active communications with European Transmission System Operator organization and Union for the Coordination of Transmission of Electricity (UCTE). Done as part of seasonal and long-term reliability assessment processes.
- Sponsor forums for sharing best practices for reliability and planning assessments; review and recommend enhancements to current interregional and interconnection-wide reliability assessments. Discussions held as part of Planning Committee and/or Joint PC/OC meetings.
- Complete studies of reliability issues initiated under the NERC Reliability Issues Study Program (initiated in 2007.) Scenarios identified for regional development and reporting in 2009 LTRA.
- Develop white papers on key emerging issues with associated metrics and industry action plans. Will be developing paper/report on findings of our information gathering on potential reliability impacts of CO₂ legislation. Part of assessments.
- Review the impact of potential fuel supply or transportation infrastructure interruptions in reliability assessments.
- Maintain a continuing working dialog on bulk power system reliability and adequacy issues with natural gas supply and transportation industry representatives. Address specific issues as they arise, mainly through affected power supply organizations. Also maintain gas industry contacts with the Natural Gas Supply Association and through Energy Ventures Analysis, Inc.
- Develop and submit standards authorization requests (SARs), as None identified.

required, for any deficiencies or needs revealed by reliability assessments, and solicit industry subject matter experts to serve on standards drafting teams.

- Maintain a library of solved power flow models, a system dynamics database, and dynamics simulation cases for the Eastern Interconnection for use by the regional reliability organizations and their members in planning and evaluating future systems and current operating conditions.

This is now the responsibility of the Eastern Interconnection Reliability Assessment Group (ERAG) organization.

Events Analysis (EA) and Information Exchange Objectives

Status

- Record all significant system events in the NERC Events Database, created in 2006 (in conjunction with the Situation Awareness and Infrastructure Security Program).
- Conduct NERC-level analyses, as needed, of significant system events to determine root causes and lessons learned.
- Participate in regional analyses as determined by NERC.
- Maintain and enhance *NERC's Blackout and Disturbance Response Procedures* (in conjunction with the Situation Awareness and Infrastructure Security Program).
- Direct teams in the analysis of significant system events.
- Analyze the frequency performance of the interconnections using data from appropriate measurement systems.
- Establish a clear set of criteria for sorting reported system events into categories, deciding what level of analysis is needed, and who will undertake such analyses (triage function).
- Communicate to the industry root causes of events that may be precursors of potentially more serious events and other “lessons learned” from all analyses.
- Analyze and identify improvements to

All 2008 events that are or have been reviewed or analyzed by EA have been entered into the NERC Event Analysis Tool (database). Working with NERC IT to improve tool and create additional functionality.
Conducting NERC EA of the August 4, 2007 Eastern interconnection frequency excursion.

Completed 1 regional detailed analysis, and currently participating in 3 others.
Ongoing. Adding templates for regions and will be working with the proposed Event Analysis Coordinating Group to create consistent analysis across the regions.

Ongoing

Partially on hold due to manpower constraints. Intend to work with Resources Subcommittee on automated data collection following recommendations of August 4 and Sept. 18 analysis

Ongoing. Refining event categories internally and working with the proposed Event Analysis Coordinating Group to create consistent analysis across the regions.

Have issued 6 Advisories and 1 Recommendation. Developed a list of 23 potential Alerts to be issued.

Keying off the Florida event that caused 2

<p>the interaction of the transmission system with nuclear power plants, especially related to minimum voltages required by the plants for the safe shutdown of reactors.</p>	<p>Turkey Point nuclear units to trip, have opened discussions with NRC staff on nuclear unit responses to system conditions.</p>
<ul style="list-style-type: none"> • Develop and submit SARs, as required, for any deficiencies or needs revealed by event analyses. 	<p>Have not issued yet.</p>
<ul style="list-style-type: none"> • Advise the Reliability Readiness Evaluation and Improvement Program of specific issues identified through analyses that should be included in future readiness evaluations. 	<p>Accomplished through alerts on personnel and training. This process will be reviewed in light of changes in (elimination of) the Readiness Evaluation program.</p>
<ul style="list-style-type: none"> • Advise the Compliance Monitoring and Enforcement Program of any potential reliability standards violations identified through significant system event analyses. 	<p>Ongoing.</p>
<ul style="list-style-type: none"> • Assess and report quarterly to NERC technical committees, and the board, on past reliability performance of the bulk power system. 	<p>EA trends and lessons learned are reported quarterly to the technical committees.</p>
<ul style="list-style-type: none"> • Assess and report annually to NERC technical committees and the board on past reliability performance for the previous five years, including recommendations to improve reliability. 	<p>EA trends and lessons learned are reported quarterly to the technical committees.</p>
<ul style="list-style-type: none"> • Improve understanding of dynamic system behavior by: promoting understanding of inter-area oscillations and their importance to system integrity; and promoting application of Phasor Measurement Unit-based technology to operations situational awareness. 	<p>Supporting North American SynchroPhasor Initiative (NASPI) and participating in the WECC Oscillation Damping Controls work being led by BPA.</p>
<ul style="list-style-type: none"> • Improve performance of system protection by promoting generator/transmission protection and controls coordination. 	<p>Also participating in the WECC Voltage Stability Controls work being led by BPA.</p>
<ul style="list-style-type: none"> • Improve system modeling by sponsoring model validation/dynamics symposiums; assist interconnection-wide reliability assessment groups in improving the quality of their base cases being developed; promote development of standard file formats for exchanging real-time powerflow data (power system “snapshots”); and standardize the mapping of power 	<p>Ongoing work in generation protection and controls, protection system maintenance, and protection system reliability. We are about to elevate this initiative.</p> <p>Ongoing work with modeling groups of each interconnection. Eric Allen is participating in the NPCC SS-38 on dynamics, the WECC Model Validation Working Group (MVWG), and the Eastern Interconnection Reliability Assessment Group (ERAG) Multiregional Modeling Working Group (MMWG). Need to get involved in ERCOT modeling.</p> <p>This initiative needs to be expanded to conduct</p>

system elements (generators, transmission lines, etc.) in databases and power system models.

sample testing of dynamics data and cases by NERC.

Benchmarking Objectives

- Maintain a performance metrics “dashboard” on the NERC Web site, and develop appropriate reliability performance benchmarks (initiated in 2006).
- Identify and track key reliability indicators (such as system control performance, TLRs, disturbances, etc.) as a means of benchmarking reliability performance and measuring reliability improvements (initiated in 2006).
- Incorporate the results of the latest reliability threats survey into the Reliability Dashboard.
- Report on changes in reliability performance compared to established benchmarks for each reliability performance indicator (initiated in 2006).
- Identify and continuously monitor performance indices to detect emerging trends and signs of a decline in reliability performance (initiated in 2006).
- Develop and submit SARs, as required, for any deficiencies or needs revealed by the benchmarking program.
- Maintain a Generating Availability Data System (GADS) on the performance of electric generating equipment; provide assistance to those researching information on power plant availability; support equipment reliability and availability analyses and other decision-making processes; facilitate the use of GADS data in conducting assessments of generation resource adequacy; and report on trends in generating equipment performance.
- Communicate performance results, trends, recommendations, and initiatives to those responsible to take actions; follow with confirmation of actions to correct any deficiencies identified.

Status

The revised benchmarking dashboard launched in July.

Two reliability indices and ten leading indicators were identified. Worked with Reliability Metrics Working Group and developed three LTRA metrics, which will be submitted for PC to approve in September. The results have been incorporated in LTRA and dashboard.

The historic reliability performance trends have been reported on the dashboard and will be updated quarterly. Participated an industry workshop on benchmark establishment using statistical methodology in July.

The trends of vegetation management, TLR level 5 and higher, IROL violations and frequency response are available on the dashboard.

Working with Regional Entities on system protection misoperation data to identify any standard needs in this area.

The reliability performance analysis results have been reported in an operating reliability chapter of 2008 LTRA.

- Establish and maintain a Transmission Availability Data System (TADS) and report on trends in transmission equipment performance.

Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program Objectives

- Using risk management principles, take actions to enhance the security and resilience of the bulk power system and address the threats and hazards.
- Establishing a robust situation awareness capability to monitor the bulk power system and the industry's response to cyber and physical incidents affecting the reliable operation of the system.

Status

The new Chief Security Officer (CSO) has been tasked with conducting an assessment of the industry's preparedness to address cyber threats by the end of this year. Recommendations for action will follow that assessment.

Additionally, we are working within the Critical Infrastructure Protection Committee (CIPC) construct to deliver guidelines for the industry. CIPC approved a Threat and Incident Reporting guideline in June and will be reviewing another guideline on the topic of risk assessment in September.

Work on the Situation Awareness Tool (SAT) is ongoing. The pilot project with PJM was a success and we have approached TVA to sign on as the next participant. The response was positive.

We will approach NY ISO in a similar manner before the end of the year.

NERC and the regions will also be assisting FERC develop its own version of a situation awareness monitoring system. This project is just getting started and a project plan is not yet available.

Electricity Sector Information Sharing and Analysis Center (ESISAC) Objectives

- Operate the ESISAC to gather information and communicate security-related threats and operating incidents within the sector, to the United States and the appropriate governmental authorities in Canada, and to other critical infrastructure sectors.
- Improve the capability of the ESISAC to analyze security threats and incident

Status

Ongoing. More process has been introduced to the ES ISAC operation to encourage consistency and ensure information is shared with the appropriate audiences in a timely. The Concept of Operations document has been updated.

No progress. Rather, we took time (at the request of EEI) to re-evaluate the role of the

information and provide situational assessments for the electricity sector and governmental authorities and departments.

- Strengthen relationships with FERC, the U.S. Department of Homeland Security (DHS), DOE, Public Safety Canada (PSC), and other authorities of national, state, and provincial

- governments on infrastructure security matters.

ES ISAC and options for its future. With that decided and a new CSO on board, new goals and objectives will be created and an implementation plan developed.

Ric Cameron has had meetings with governmental entities in Canada to establish and strengthen relationships with PSC and other government agencies. Contact information has been shared.

The ES ISAC has established routine information sharing calls with FERC and helped develop the “NERC-FERC Morning Report,” which provides a daily snapshot of expected operation from the RC perspective. The report was successfully piloted during the over several months this spring and put into production on July 2.

Last year, DHS assigned a new “sector specialist” to work closely with us. (The sector specialist is our interface with DHS). Since then, this relationship has matured and is providing value to the ES ISAC and to the sector.

- Fill the role of the Electricity Sector Coordinating Council and coordinate with the Government Coordinating Council.

- Coordinate with other infrastructure sectors through active participation with their respective Sector Coordinating Councils, the other ISACs, and the National Infrastructure Advisory Committee.

- Encourage and participate in coordinated critical infrastructure security exercises, including interdependencies with other critical infrastructure sectors.

- Improve mechanisms for the sharing of sensitive or classified information with federal, state, and provincial governmental authorities on critical infrastructure protection matters. Likewise, work more closely with other sector ISACs to accomplish increased information sharing.

Ongoing. ESCC has met six times this year, once with the Government Coordinating Council (GCC). Another ESCC/GCC meeting is slated for the fall.

Ongoing. Scott Mix is serving a term as secretary for the ISAC Council. The chair of CIPC represents the electricity sector on the Partnership for Critical Infrastructure Security (PCIS).

ES ISAC staff has participated in three exercises so far this year — two national level exercises sponsored by DHS and one private sector table top exercise. We also help develop scenarios/injects used during these exercises.

Overall, little lasting progress has been made but we are still pursuing the objective. For example, DHS will conduct a classified briefing for the electricity sector in December coincident with a CIPC meeting in Washington DC. DHS has committed to doing more such briefings. Also, DHS has launched a new initiative to improve information sharing

between the public and private sectors, so we will continue to push for solutions.

Similarly, the ISAC Council, in which we actively participate, will be working with the National Cyber Security Division (NCSA) of DHS to address information sharing issues across critical infrastructure sectors.

- Work with DOE and DHS to implement the National Infrastructure Protection Plan, as applicable to the electricity sector, and coordinate this work with PSC.

Ongoing

Security Planning Objectives

- Execute a risk management approach to critical infrastructure protection, considering probability and severity, and utilize mitigation, recovery, and network resilience as practical alternatives to prevention. Keep abreast of the changing threat environment through collaboration with governmental authorities.
 - Develop criteria to identify critical physical and cyber assets, assess security threats, identify risk assessment methodologies, and assess the effectiveness of physical and cyber protection measures.
- Enhance the bulk power system critical spare transformer program, and encourage increased participation by asset owners. Continue to assess the need to expand this program to include other critical bulk power system equipment.
- Lead the implementation of the cyber security standards.

Status

NERC, primarily through the Critical Infrastructure Protection Committee (CIPC), is working to help the industry understand risk assessment principles and how to create and implement control objectives to manage risk, weighing all alternative mitigation options. The ES-ISAC stays up to date with the current threat environment through regular and timely communications with DHS and the other sector ISACs. This objective is being fulfilled primarily through the development of guidelines that support and inform the requirements of NERC's CIP standards. Accomplishments in specific areas pertaining to this goal are shown below.

CIPC's Risk Assessment Working Group (RAWG) is working to develop a new guideline that addresses this objective. The working group will submit a draft for CIPC review in September in advance of a 45-day public posting period.

We are in the midst of conducting an industry survey to determine the perceived value of this program and to identify areas of improvement. Results will be presented to CIPC and to the BOT Technology Committee (BOTTC).

Scott Mix is working as NERC's "project manager," to ensure the newly seated standard drafting team addresses FERC's concerns in a timely, prioritized manner. Scott participated as a subject matter expert in the SAR drafting phase, which recently concluded. He will

continue in this role during the standards drafting.

Scott also helped create and deliver an auditor training program for the CIP standards. Ongoing.

Four guidelines, created in 2002, are being reviewed and updated this year: Risk Assessment, Handling Sensitive Information, Emergency Plans, and Employment Background Screening. Once these are updated, the age distribution of CIPC's existing suite of security guidelines will be as shown:

2002-6
2003-1
2004-1
2005-2
2006-0
2007-4
2008-5

Because of the effort required to develop new guidelines throughout the remainder of this year, CIPC is not planning to review and update any more existing guidelines during 2008. CIPC will pick up its review process in 2009, starting with the earliest vintage guidelines.

- Actively manage the Infrastructure Security Guideline Program.
 - Review and improve existing security guidelines.

- Develop new security guidelines to meet the needs of the electricity sector.
- Consider whether any guidelines should be developed into standards.

A new Threat and Incident Reporting guideline was approved in June. RAWG will deliver a draft Risk Assessment Guideline to CIPC in September. The Control System Security Working Group (CSSWG) is currently drafting a guideline for control system security. Ongoing. CIPC's Risk Assessment Working Group is actively discussing transitioning its draft guideline into a standards initiative.

It is expected that the new CIP standards drafting team will identify the need for additional guidelines as its work proceeds. Scott Mix will liaise between the drafting team and CIPC.

Operating Reliability Support Services Objectives

- Maintain the reliability and effectiveness of all mission-critical

Status

Ongoing in partnership with NERC IT.

- operating reliability support systems and services.
 - Review and approve changes in the IDC as required to address changing market structures and seams between markets.
 - Continue to support maintenance of a transmission provider curtailment report on the CRC site in response to FERC Order 605.
 - Review the E-Tag functional requirements and specifications to ensure alignment with the IDC and other applications.
 - Investigate and analyze the use of high-speed real-time system measurements, including phasors, in predicting the behavior and performance of the interconnections.
 - Facilitate real-time voice and data exchange services among reliability coordinators (e.g., Hotline, Interregional Security Network, NERCnet, System Data Exchange, etc.).
 - Conduct a business analysis of the operating reliability support systems listed below to achieve lower costs and higher effectiveness. Increased use of outsourcing and off-the-shelf packages will be considered for the development and maintenance of operating reliability support services.
 - Review and revise the functional requirements and specification for the TSIN Registry in coordination with NAESB; recommend funding process and allocations.
 - Transition Frequency and ACE Monitoring System to include the
- Ongoing. The IDC Working Group regularly discusses performance level, user satisfaction and required modifications. Approximately 20 change orders have been approved in 2008 to update and make minor improvements to the system. The industry is beginning to discuss the future of TLR and will need to soon decide if the concept needs to be updated or replaced.
- Ongoing.
- Implemented 2 IDC change orders in 2008 to maintain IDC and E-Tag synchronization.
- Supported the Resources Subcommittee's development of a new tool — Frequency Monitoring and Analysis (FMA) Using Phasor Measurements — by Electric Power Group. A service contract has been signed and will commence on September 1.
- Ongoing. The Reliability Coordinators and the Telecommunications Working group routinely discuss communications, training and system performance. Current assessment is the systems are performing satisfactorily. The Reliability Coordinators continue to address the DHS Critical infrastructure Warning Information Network (CWIN) system's deficiencies and have indicated the system is not valuable. These concerns have been communicated to DHS.
- The systems have been analyzed and reviewed with the NERC BOTTC. The BOTTC has developed criteria for determining which tools should be administered by the ERO and which can or should be administered by others. Work remains to develop a transition strategy from present arrangement to alternative.
- Transition to North American Energy Standards Board (NAESB) underway; to be completed by the end of the year.
- Underway. Contracts for NERCnet telecommunications have been signed and are

Electric Reliability Council of Texas.

- Integrate hourly area interchange error functionality into the Frequency and ACE monitoring tool.
- Implement the Transmission Monitoring System as defined by the feasibility study included in the DOE and FERC report to Congress, as required by section 1839 of the EAct of 2005.

awaiting installation. Next, ERCOT must establish an Inter Control Center Protocol (ICCP) node and create data sharing models. Expected completion by the end of the year. Done.

This objective has morphed into the NASPI project, which has gained BOTTC support and is actively underway.

Technical Committees and Members' Forums

Members' Forum Objectives

- Reevaluate the structure, role, and deliverables of the technical integration committee(s) to ensure the industry is able to effectively and efficiently provide its expertise in support of NERC's mission as the ERO.
- Utilize the NERC technical integration committee(s) and its subject matter expert subgroups: for technical advice and support for all NERC programs with specific advice and support to the Reliability Assessment and Performance Analysis Program (Planning Committee) and the Reliability Readiness Evaluation and Improvement Program (Operating Committee); to serve as forums for technical discussion and integration of the outputs of each NERC program; and to provide expert technical opinions on all reliability matters to the NERC programs and the board.

Status

Planning Committee, Operating Committee, Standards Committee, and Critical Infrastructure Protection Committee officers coordinate activities on a monthly basis.

Support, input, and advice is on-going. Significant activities include Planning Committee support for the long term reliability assessment, CIPC work with ES-ISAC operations and Operating Committee input on the future of the Readiness Program. Various subcommittees, task forces and working groups of the committees also provide technical expertise and input on Event Analysis, Situation Awareness and Training, Education and Personnel Certification.

Information Technology

Information Technology Objectives

- Implement work plans to achieve substantial compliance with NERC's Cyber Security Standards CIP-002 — CIP-009 by December 31, 2008.
- Redesign NERC's Web site, incorporating the information

Status

Ongoing. Self-certification for 2008 compliance elements complete.

Implemented in July. Planning has already begun on Phase 2.

availability, access, and navigation requirements identified in the communications plan.

- Deliver tools to enhance situation awareness.

The SAT is live for PJM. We are working closely with SAIS staff to implement refinements as directed.

We also worked with Situation Awareness and Infrastructure Security (SAIS) staff to outfit a “monitoring center.” To date, we’ve updated visual displays in the small conference room for use during crises. We will work closely with the CSO to develop a comprehensive plan and appropriate budget for execution in 2010 and beyond.

- Deliver tools to support the information exchange and confidentiality requirements of the readiness evaluation program.

This objective has grown in scope to include the needs of compliance audit teams, standards drafting teams, and committees, subcommittees and working groups.

We have signed a contract with Guidance to deliver a web-based portal solution to facilitate information exchange and document management. Part of the project will be delivered this year in concert with the new Compliance Reporting and Tracking System (C-RATS). The remainder will be delivered in 2009.

- Manage the transition of CDMS to NERC.

CDMS has been cancelled. Work on a replacement began in earnest in June 2008 when we selected a vendor — Guidance. NERC is working closely with a consortium of regions to ensure compatibility of C-RATS with tools they are developing for similar purposes.

- Enhance IT infrastructure to better support a growing staff in multiple locations.

Since January, we have accomplished the following major initiatives:

- added six terabytes of data storage onto the file server for a total of 9 terabytes
- transitioned 17 servers to high availability blade servers
- upgraded email firewalls to improve performance
- added new VPN appliances for reliability and redundancy
- introduced two-factor authentication using RSA fobs to improve security
- implemented a new core switch in a hot spare configuration
- transitioned cell phones from the Palm

- operating system (found on the Treos) to Windows mobile (used on the Samsung phones) for reliability and performance; implemented new device to improve real-time synchronization with Exchange email
- upgraded network monitoring tools for improved awareness, analytics, and response.

Legal and Regulatory

Legal and Regulatory Objectives

- Obtain recognition of NERC as the electric reliability organization in all nine Canadian jurisdictions.

Status

- Alberta: NERC recognized as ERO under the Alberta Transmission Regulation by Alberta Ministry of Energy, effective December 26, 2007 (received February 13, 2008).
- British Columbia: Efforts under 2008 amendments to the British Columbia Utilities Commission Act, NERC and WECC are recognized as standards-setting bodies for reliability standards; efforts ongoing to implement further.
- Manitoba: NERC, MRO and Manitoba Hydro signed an interim agreement making reliability standards mandatory as to Manitoba Hydro in May 2008, while Manitoba considers legislative changes that would expand the program.
- New Brunswick: NERC, the New Brunswick System Operator and the New Brunswick Department of Energy have negotiated an MOU that would recognize NERC's role as ERO. NERC, NPCC, and the New Brunswick System Operator have negotiated a second MOU that implements the first. MOUs expected to be signed 3Q 2008.
- Nova Scotia: NERC and Nova Scotia Utilities and Review Board signed MOU in December 2006 that recognizes NERC's role as ERO and describes mechanisms for standards becoming mandatory and enforced within the province.
- Ontario: NERC and the Ontario Energy Board signed an MOU in October 2006; the Ontario Minister of Energy recognized NERC as the ERO in November 2006. NERC, NPCC and Ontario IESO signed a second MOU in November 2006 to

implement the first. 2008 legislative amendments to Ontario's Electricity Act will require revisions to both MOUs.

- Québec: NERC and the Régie signed an MOU in December 2006; NERC, NPCC, and the Régie have negotiated an agreement, to be executed 3Q 2008, under which NERC and NPCC are recognized as standards setting bodies under Québec law and NERC and NPCC will provide compliance monitoring and enforcement services to the Régie for entities within Québec.
- Saskatchewan: Saskatchewan has no regulatory authority for reliability – instead, such authority is vested in Sask Power. NERC, MRO, and Sask Power are developing an agreement that would standards and compliance procedures within the province; efforts are ongoing.
- National Energy Board: NERC and NEB signed an MOU in September 2006 recognizing NERC's role as ERO; in April 2008, NEB announced its intention to make reliability standards mandatory as a condition to the license for International Power Lines.
- Obtain regulatory approvals for new and revised reliability standards on a timely basis.
- Order No. 713 approved the five (5) Interchange Standards and directed NERC to clarify one (1) aspect of the Transmission Loading Relief Standard. This Order also approved interpretations to four (4) reliability standards. (Issued July 21, 2008; Docket No. RM08-7-000)
- Order on VSLs approved the VSL assignments for eighty-three (83) approved reliability standards and directed NERC to file modifications to five (5) standards. (Issued June 19, 2008; Docket No. RR08-4-000)
- Letter Order Approving ten (10) VRFs for certain FAC requirements (May 29, 2008; Docket No. RM07-3-000)
 - Order approving NERC's December 17, 2007 filing of revisions to 31 of the 74 VRF assignments for approved reliability standards. (Issued February 6, 2008; Docket Nos. RR07-9-004 and RR07-10-004)
- Order No. 706 approved eight (8) CIP reliability standards. (Issued January 8,

2008; Docket No. RM06-22-000)

- Pending before FERC:
 - Nuclear Plant Interface NOPR (Issued March 20, 2008; Docket No. RM08-3-000)
 - VRFs for nine (9) CIP standards (Filed July 30, 2008; Docket No. RM06-22-003)
 - Petition for approval of FAC-010-2, FAC-011-2 and FAC-014-2 reliability standards (Filed June 30, 2008; Docket No. RM07-3-000)
 - Petition for approval PRC-023-1 Transmission Relay Loadability reliability standard (Filed July 30, 2008; Docket No. RM06-22-004)
 - Petition for approval WECC Regional reliability standard and three (3) definitions (Filed July 29, 2008; Docket No. RM08-12-000)
 - Petition for approval of formal interpretations to BAL-003-0 and VAR-001-1 reliability standards (Filed July 28, 2008; Docket Nos. RM06-16-000 and RM08-15-000)
 - Errata petition for approval of IRO-005-2 and TOP-004-2 reliability standards (Filed July 28, 2008; Docket Nos. RM07-3-004 and RM06-16-000)
 - VSLs for twenty (20) Requirements or Sub-Requirements in 83 reliability standards (Filed July 21, 2008; Docket No. RR08-4-000)
 - Revised VRFs per Order No. 706 (Filed June 27, 2008; Docket No. RM06-22-000)
- Process all appeals of compliance actions in an effective and efficient manner.
- Thirty-seven (37) Notices of Penalty were filed and approved by FERC (Issued July 3, 2008; Docket Nos. AD08-10-000; NP08-1-000, *et al.*)
- FERC Order issued upholding the TO/TOP registry determinations of New Harquahala Generating Company, LLC (Issued May 16, 2008; Docket No. RC08-4-000)
- FERC Order issued upholding the DP, TO, and TOP registry determinations of the Department of Energy Portsmouth/Paducah Project; and remanding the LSE determination for further consideration. (Issued July 21, 2008; Docket No. RC08-5-000)
- Of the four (4) pending FERC appeals in

2008, Orders on the merits on two (2) were issued in 2008.

- There are four (4) registration appeals in various stages expected to be before the BOTCC in 2008.
- A new version of the NERC *Statement of Compliance Registry Criteria* has been filed at FERC to address the LSE gap. (Filed July 31, 2008; Docket Nos. RC07-4-003, *et al.*)

Human Resources

Human Resources Objectives

- Recruit stellar employees.
- Provide training programs.
- Review employee benefits.

Status

Ongoing.
In progress.
Done.

Finance and Accounting

Finance and Accounting Objectives

- Evaluate the institution of budgeting software across NERC and the regional entities to achieve greater consistency in the annual budget development.
- Institute an internal audit function.
- Develop procedures for the application of penalties to future assessment requests.
- Provide advice from the financial perspective on contracts into which the organization may enter.

Status

Preliminary analysis completed. Will reach conclusion prior to year's end.

Expect this function to be in place by year's end.

Preliminary procedures developed. Expect policy to be in place in 3rd quarter.

This is an ongoing undertaking.

ATTACHMENT 14

2009 Metrics Development by Program

Organization-Wide	
1. Organization Structure	
FRCC	FRCC is a non-profit corporation and provides statutory functions and services for the FRCC Region through its Regional Entity Division, as well as non-statutory services for the FRCC Region through its Member Services Division. This divisional structure was approved by the Federal Energy Regulatory Commission on March 21, 2008.
MRO	MRO is a stand-alone non-profit corporation incorporated in Delaware.
NPCC	The NPCC is a New York State not-for-profit corporation which provides international cross-border regional entity functions and services for its general membership within Northeastern North America through a Regional Entity division (U.S. statutory activities delegated through a Regional Delegation Agreement with NERC and individual Canadian provincial regulatory and/or governmental Memoranda of Understanding or agreements which provide for separate LSE designee funding), as well as Full Member services (regionally-specific criteria development and criteria compliance and enforcement - non-statutory separately funded by Independent System Operators and/or Balancing Authorities within the Region) for the NPCC Region through a Criteria Services division. This divisional structure has been in place since the August 1, 2007 merger of the NPCC Cross-Border Regional Entity, Inc. with and into the Northeast Power Coordinating Council, Inc. and was approved by the Federal Energy Regulatory Commission (FERC) on March 21, 2008.
RFC	ReliabilityFirst Corporation (RFC) is a stand-alone, not for profit corporation. We engage in only those activities delegated to us by the ERO.
SERC	SERC Reliability Corporation (SERC) is a separate non-profit corporation, incorporated in Alabama, that performs only statutory functions delegated by the ERO.
SPP	SPP RE is an independent division of Southwest Power Pool, Inc. (SPP), a non-profit regional transmission organization incorporated in Arkansas. It is governed by a separate and independent Board of Trustees with sole authority over the Regional Entity functions and no role in the SPP RTO or other non-statutory activities.
TRE	TRE is an independent division of ERCOT (a non-profit corporation), and is functionally separated from the ERCOT ISO.
WECC	WECC is a stand-alone, Utah non-profit corporation.
2. Staff: Distinct, shared, loaned	
FRCC	The FRCC accomplishes this divisional separation with a combination of shared staff, loaned staff and distinct staff
MRO	MRO does not have shared or loaned employees.
NPCC	27.2 full time equivalents (FTEs) are allocated to the RE division and those FTEs are comprised predominantly of members of staff and inclusive of a relatively small number of subject matter expert independent contractors NPCC has a distinct staff that is assigned to program areas. The corporation also retains independent contractors for specific program areas based on subject matter expertise. The NPCC is further strengthened by extensive volunteerism from industry technical experts, from within its international membership, who work tirelessly in support of all of the program areas through various NPCC and NERC committees, subcommittees, task forces and working groups.

2009 Metrics Development by Program

RFC	RFC has a distinct staff dedicated to the activities delegated by the ERO. No shared or loaned employees or services.
SERC	SERC has its own staff that is not shared or loaned from stakeholders. However, SERC operates an extensive network of stakeholder committees which provide technical expertise in power systems planning and operations and critical infrastructure protection. SERC has 2 contractors working in cyber security and information technology. SERC has retained outside counsel and has agreements with three independent hearing officers that are used as needed.
SPP	SPP RE has budgeted 17.2 FTE to perform statutory functions. This represents a mix of SPP Inc. "non-distinct" shared staff that has responsibilities in both SPP Inc. and the RE, and dedicated independent RE staff in the Compliance and Enforcement and Reliability Assessment programs. The "non-distinct" shared staff tracks time and expenses to the RE when performing statutory functions.
TRE	Texas RE has distinct staffing; however Texas RE does have support services budgeted and provided by the ERCOT ISO. The services provided relate to the following areas: <ul style="list-style-type: none"> • Insurance coverage • Risk management • Treasury management • Human resource services • Procurement and contract administration • Accounting, budget and payroll services • Facilities costs • Information technology allocation • Board of Trustees expense
WECC	WECC has 144 FTEs budgeted for 2009, 140 for statutory and 4 for non-statutory activities. WECC does not have shared staff or loaned employees. However, for non-compliance activities WECC relies on the support of industry volunteers.
3. Describe Shared Services Arrangements	
FRCC	Each employee of the FRCC reports the number of hours spent daily on each function and division. Their costs and those of the staff will be split accordingly. Any costs that can be directly linked solely as either divisional and/or functional will be charged directly to those divisions.
MRO	MRO does not have any shared services arrangements.
NPCC	NPCC does not have shared services arrangements for 2009. Monthly timesheets track the time spent working in individual program areas. Most FTEs are fully allocated to a specific program area and those that work in more than one program area account for their time accordingly.
RFC	No such arrangements currently exist.
SERC	SERC has no shared service arrangements or financial relationships with any stakeholders, except the funding mechanism controlled by the delegation agreement and the ERO budget process. SERC has a shared support agreement with four other regional entities for the maintenance and development of the web based portal for compliance program management.
SPP	SPP Inc. defines shared services as those associated with overhead functions such as payroll, accounts payable, information technology, human resources, facilities, and various other functions. SPP Inc. staff who provide these shared services are not considered "non-distinct" shared staff and their time and expenses are captured in the SPP RE indirect rate.
TRE	\$566k is budgeted for support services from ERCOT
WECC	WECC does not currently have any shared services arrangements.
4. Number of Registered Entities	
FRCC	The FRCC has 78 Registered Entities.

2009 Metrics Development by Program

MRO	113
NPCC	Within its General Membership of 14 and Full Membership of 54 for a members total of 68, NPCC has 264 Registered Entities within the Region providing some 545 functions with associated total requirements of 29,310 at the time of this submittal.
RFC	364 at the time of this submittal
SERC	222
SPP	124
TRE	200 registered entities performing 292 functions at the time of submittal
WECC	As of July 10, 2008, WECC had 472 Registered Entities providing 1,271 functions, with associated total requirements of 76,511.

2009 Metrics Development by Program

Standards

1. Headcount (FTE's)	
FRCC	1.76
MRO	2.5
NPCC	3.0 FTEs, consisting of both NPCC Staff and Independent Contractors
RFC	Two (2) although some compliance and engineering staff also support from time to time.
SERC	1.4
SPP	1.0
TRE	1.7 FTEs budgeted for 2009
WECC	4.0 FTEs
2. Develop regional standards? (Y/N)	
FRCC	Yes
MRO	<p>Yes, utilizing our FERC accepted MRO Standards Process Manual. Regional Reliability Standards, when approved by the Federal Energy Regulatory Commission (FERC) and applicable authorities in Canada, shall be made part of the body of NERC Reliability Standards and shall be enforced upon all applicable bulk-power system owners, operators, and users within the MRO region, regardless of membership in the region. The process is managed by the MRO Standards Committee to ensure that:</p> <ul style="list-style-type: none"> • Midwest Reliability Organizational Standards are consistent with current NERC Standards. • All requests for new or modifications to, MRO Standards are processed using the MRO's Standards process. • New, or modifications to, MRO Standards are presented for adoption to the MRO Board upon recommendation of the MRO Balloting Pool. • Assign the development of the standard to a Standard Drafting Team. <p>Develop criteria and certification processes for Balancing, Interchange, and Reliability Authorities, and for Transmission Operators and others as needed.</p>
NPCC	Yes, through a Regional Standards Committee (RSC). The RSC, utilizing the FERC filed and approved NPCC Regional Reliability Standards Development Procedure, manages the standards development process and ensures that regional standards will be developed, fully coordinated and consistent with the ERO standards and conform to all schedules appearing in the NERC standards development three-year work plan.
RFC	Yes, but only in support of NERC standards or to fill gaps until NERC standards are in place.
SERC	Yes
SPP	SPP RE develops any regional reliability standards per the guideline as defined in the delegation agreement.
TRE	Yes, to support reliable operation of the bulk power system in the ERCOT Region
WECC	Yes, WECC follows the FERC-filed and approved Process for Developing and Approving WECC Standards.

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3. How many?	
FRCC	<p>4 as follows: Regional Generator Performance During Frequency and Voltage Excursions; Automatic Under Frequency Load Shedding Program; Analysis of Misoperations of Transmission and Generation Protection System; and Disturbance Monitoring and Reporting Requirements.</p>
MRO	<p>For 2009 a minimum of 3 regional reliability standards will be developed;</p> <ul style="list-style-type: none"> • Under Frequency Load Shedding • Special Protection Systems • Disturbance Control Performance <p>This is contingent on the NERC Drafting Teams completing their process of developing the necessary regional characteristics to allow the MRO to develop regional standards that are consistent with the NERC Work Plan.</p>
NPCC	<p>A minimum of 3 regional reliability standards will be developed/completed. These NPCC regional standards will include, but not be restricted to:</p> <ul style="list-style-type: none"> Under Frequency Load Shedding (UFLS) Special Protection Systems Balancing Resource and Demand, Reserve Sharing and Requirements <p><i>(The schedule for completing these three standards is predicated on the ability of NERC's Drafting Teams and process to provide NPCC with the fundamental core attributes for each of these to allow NPCC to begin developing the corresponding regional standards, consistent with the NERC 2008-2010 Workplan for deliverables in these areas.)</i></p>
RFC	<p>Currently RFC has 5 Standards Under Development in the drafting phase in support of NERC standards or to fill gaps until NERC standards are in place:</p> <ul style="list-style-type: none"> • Automatic Under frequency Load Shedding (Gone through 3 comment posting. Additional postings needed in 2008 & 2009 since NERC recently issued 1st posting for regional characteristic that need to be confirmed.) • Verification and Data Reporting of Generator Gross and Net Real Power Capability (Needed to replace 3 legacy documents. Will be updated as appropriate when NERC continent wide standard is completed – 1st NERC posting is expected September, 2008.) • Verification and Data Reporting of Gen Gross and Net Reactive Power Capability (Needed to replace 3 legacy documents. Will be updated as appropriate when NERC continent wide standard is completed – 1st NERC posting is expected November, 2008.) • Disturbance Monitoring and Reporting Requirements (Needed to replace 3 legacy documents. Extent of additional work dependent on RFC Board action fall 2008 meeting. If put in place, it will be updated as appropriate when NERC continent wide standard is completed – 1st NERC posting is expected August 2008.) • Special Protection System Requirements (Consider need to replace RFC procedures and limitations on installation. NERC has not begun related SPS Project and may include some level of SPS limitation in current NERC TPL Project.) <p>Currently RFC has 1 Standard Under Development which is unique to the RFC region and not in support of a NERC standard:</p> <ul style="list-style-type: none"> • Planning Resource Adequacy Analysis, Assessment and Documentation (This is a revision of currently RFC approved document.) <p>Currently RFC has 1 Standard Under Development in support of a NERC standard that was referred back to RFC after being submitted to NERC for approval:</p> <ul style="list-style-type: none"> • Operating Reserves (Depending on RFC Board action in fall of 2008, this standard may continue to move forward to NERC after additional modification.) <p>Currently RFC has 2 Standards Under Development on hold in support of NERC standards or to fill gaps until NERC standards are in place:</p> <ul style="list-style-type: none"> • Sub-regional Adequacy (Work may begin in 2009 when additional SDT resources are available.) • Capacity Benefit Margin (This effort may be terminated depending on outcome of current NERC Project work.)

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SERC	<p>3 as follows: SERC's main focus is supporting the development of North American bulk power system reliability standards. Currently SERC has one regional standard under development. Efforts on development of two additional regional standards are scheduled to start in the fourth quarter of 2008. Plans are to develop a total of four SERC regional standards as identified in the NERC Three-Year Reliability Standards Work Plan.</p>
SPP	<p>SPP RE will develop regional reliability standards as needed to meet NERC standards requirements. Primary emphasis for 2009 in the area of regional "fill-in-the-blank" standards currently budgeted for one.</p>
TRE	<p>Currently, 2 technical standards have been approved for development. There is also 1 administrative modification to the Standards Development Process, and 1 remanded SAR in process.</p>
WECC	<p>WECC Standards staff is currently working on 12 standards with additional effort directed toward the NERC "Fill-in-the-Blank Standards." Details on the status of these activities are provided as follows:</p> <ol style="list-style-type: none"> The WECC Automatic Time Error Control (ATEC) Standard was approved by the NERC Board of Trustees on March 26, 2008. WECC Standards staff is working with NERC to finalize NERC's submittal for filing with FERC by January 1, 2009. The WECC Standards staff continues to work with NERC on the seven Tier 1 Standards replacements that were approved by the WECC Board of Directors on April 16, 2008. WECC submitted the seven replacement standards to the NERC staff on June 10 and 11, 2008. WECC Standards staff will work with NERC staff to provide any additional information necessary for the submittal of these standards by the NERC staff to the NERC Board of Trustees; and their subsequent submittal to FERC for regulatory approval. WECC is in the initial development stage of a new WECC Frequency Responsive Reserve Regional Reliability Standard. WECC has identified a potential need for a new WECC Regional Reliability Voltage Ride-Through Standard. This effort may move forward as a Regional Criteria rather than as a Regional Reliability Standard. WECC is in the initial development stages of modifying the WECC Unscheduled Flow Mitigation Plan. WECC is in the initial development stages of a new WECC Operations Network Regional Reliability Standard. <p>In addition, WECC's Standards staff will participate in the development of all Regional Reliability Standards necessary for supporting NERC's "Fill-in-the-Blank Standards."</p>
<p>4. How many NERC standards processes (drafting teams, coordinate, review standards, comments, remind to vote) do regional employees participate in?</p>	
FRCC	<p>The FRCC participates in all standards processes. Linda Campbell is the representative on the NERC Standards Committee. John Odom is Chair of the Standard Drafting Team and Eric Senkowicz has participated on numerous standard drafting teams.</p>
MRO	<p>MRO staff and Registered Entity volunteers are heavily involved in the support of NERC standards process. MRO staff participates in all aspects of the NERC standards development (NERC Standards Committee and key standard and SAR drafting teams), regional standards development (MRO Standards Committee and all standards and SAR drafting teams), NERC Regional Reliability Standards Working Group and neighboring regional processes (RFC, SERC, TRE, NPCC, WECC and SPP), NERC BOT and process improvement (NERC Standards Workshops, communication outreach, education). MRO provides the coordination for the review, commenting of all NERC standards and SAR and provides recommendations on voting of standards. MRO also solicits volunteers for all drafting teams to ensure representation for our region.</p>
NPCC	<p>The NPCC FTEs participate in all standards processes including ERO standards development (NERC Standards Committee, NERC Functional Model Working Group, and key ERO standard and SAR drafting teams), regional standards development (NPCC Regional Standards Committee, NERC Regional Reliability Standards Working Group), general standards improvement activities (monitoring of adjoining regional drafting activities, specifically RFC, MRO and SERC drafting teams and in their processes), business practices interface (North American Electricity Standards Board, NERC Member Representatives Committee and Board of Trustees) process improvement (NERC Reliability Standards Workshops, NERC Standards Process Subcommittee), and communications. Coordination, review, commenting, consensus building, education and reminders and recommendations with regard to standards, SARs and voting are all services provided by NPCC as well as ensuring that representatives from the Northeast are on all ERO drafting teams.</p>

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RFC	<p>RFC staff is heavily involved in support of NERC standards drafting teams and processes:</p> <p>a. SAR DT involvement:</p> <ul style="list-style-type: none"> 1 – Member of Project 2008-05, Credible Multiple Element Contingencies <p>b. SDT involvement:</p> <ul style="list-style-type: none"> 1 – Member and SAR requestor for Project 2007-11, Disturbance Monitoring <ul style="list-style-type: none"> PRC-002 — Define and Document Disturbance Monitoring Equipment Requirements PRC-018 — Disturbance Monitoring Equipment Installation and Data 2 – Member of Project 2006-09, Facility Ratings <ul style="list-style-type: none"> • FAC-008-2 - Facility Ratings 3 – Member of Project 2008-04, Modifications to FAC-010, FAC-011, and FAC-014 for Order 705 <ul style="list-style-type: none"> • FAC-010-2 — System Operating Limits Methodology for the Planning Horizon • FAC-011-2 — System Operating Limits Methodology for the Operations Horizon • FAC-014-2 — Establish and Communicate System Operating Limits 4 – Chairman and SAR requestor for Project 2007-09, Generator Verification <ul style="list-style-type: none"> PRC-019 — Coordination of Generator Voltage Regulator Controls with Unit Capabilities and Protection PRC-024 — Generator Performance during Frequency and Voltage Excursions MOD-026 — Verification of Models and Data for Generator Excitation System Functions MOD-027 — Verification of Generator Unit Frequency Response MOD-024 — Verification of Generator Gross and Net Real Power Capability MOD-025 — Verification of Generator Gross and Net Reactive Power Capability 5 – Vice-chairman and Supplemental SAR requestor for Project 2006-02, Assess Transmission Future Needs and Develop Transmission Plans <ul style="list-style-type: none"> • TPL-001 — System Performance under Normal Conditions • TPL-002 — System Performance Following Loss of a Single BES Element • TPL-003 — System Performance Following Loss of Two or More BES Elements • TPL-004 — System Performance Following Extreme BES Events • TPL-005 — Regional and Interregional Self-Assessment Reliability Reports • TPL-006 — Data from the Regional Reliability Organization Needed to Assess Reliability 6 - Member and SAR requestor for Project 2007-01, Under frequency Load Shedding <ul style="list-style-type: none"> • PRC-006 — Development and Documentation of Regional Reliability Organizations' Under frequency Load Shedding Programs • PRC-007 — Assuring Consistency with Regional UFLS Programs • PRC-009 — UFLS Performance Following an Under frequency Event <p>c. NERC Working Group & Subcommittee involvement:</p> <ul style="list-style-type: none"> 1 – Member of Functional Model WG 2 – Member of Regional Reliability Standards WG 3 – Member of Standards Committee Process Subcommittee <p>d. Interpretation Drafting Team involvement:</p> <ul style="list-style-type: none"> 1 – Chairman of two past IDT with approved interpretations concerning VAR-001 and VAR-002 2 – Chairman of Project Number: 2008-11, Interpretation of VAR-002a by ICF Consulting <p>e. FERC involvement:</p> <ul style="list-style-type: none"> 1 – As a member of NERC SDT, RFC has been on a number of NERC/FERC calls helping explain the development of NERC standards.
SERC	<p>SERC staff facilitates and promotes participation of SERC regional technical groups to develop and file comments on nearly all NERC draft SARs and standards. SERC staff and volunteers are actively engaged on all NERC drafting teams as well as comment and vote on nearly all NERC SARs and standards through the Registered Ballot Body.</p>
SPP	<p>There are no SPP Regional Entity dedicated staff (those reporting to the Executive Director of Compliance and Enforcement) who participate on any NERC standards drafting teams, assemble NERC comments, or any other part of the NERC standards development process. A limited number of SPP Inc. shared staff are involved in assembling stakeholder comments and reminders to stakeholders to comment and vote but are performing those functions under SPP Inc. and not for the SPP Regional Entity. Currently, there is one SPP Inc. shared staff who is participating on the NERC Regional Standards Working Group. Since the purpose of this group is to coordinate the development of regional standards, this shared staff person tracks time and expenses for this activity to the SPP Regional Entity.</p>

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TRE	All but one (drafting team) of the NERC standards processes
WECC	<p>The WECC Standards staff, two engineers and shared administrative support, participates in all aspects of the NERC Standards Development Process. Some specific examples include:</p> <ul style="list-style-type: none"> a. One WECC Standards staff member is a member of the NERC Standards Committee. b. One WECC Standards staff member is a member of the NERC Regional Reliability Standards Work Group. c. Two WECC Standards staff members participate in the comment process for all NERC Standards activities and distribute additional reminders to industry participants in the WECC regions. d. One WECC staff member (not from the standards function) is on the NERC Generator Verification Standard drafting team. e. Two WECC Standards staff members participate in the activities of each of the five drafting teams for the Tier 1 Regional Reliability Replacement Standards. f. One WECC Standards staff member participates as an observer on the Assess Transmission Future Needs and Develop Transmission Plans drafting team. g. One WECC Standards staff member is a member of the NERC Credible Multiple Element Contingencies Standard drafting team. h. One WECC staff member (not from the Standards function) is a member of the NERC Transmission Issues Subcommittee, which recently has provided input to the NERC Assess Transmission Future Needs Standards drafting team.

5. Staff vs. paid consultants?	
FRCC	All Staff
MRO	MRO staff. MRO industry volunteer are active on the Standards Committee and the Standard Drafting teams.
NPCC	2 FTEs Staff and 1 FTE Independent Contractors. NPCC industry volunteers are active on the Standards Committee and the standard drafting teams.
RFC	RFC does not use contractors or consultants for standards work. Industry volunteers are used on the Standards Committee and the standard drafting teams.
SERC	The standards staff is entirely SERC payroll employees.
SPP	SPP RE staff
TRE	TRE has not specifically budgeted for paid consultants.
WECC	Although WECC will use FTEs in the Standards function, it has budgeted a small amount (\$28,800) for consultants. In addition, WECC industry volunteers are active in many areas of the Standards development process.

2009 Metrics Development by Program

Compliance Enforcement & Organization Registration

1. Headcount (FTE's)	
FRCC	9.1
MRO	10.00
NPCC	9.0 FTEs, consisting of both NPCC Staff and Independent Contractors
RFC	Currently 13. Budgeted for 23 in 2009.
SERC	21.5
SPP	6.0
TRE	14.15 FTEs budgeted for 2009
WECC	30 FTEs.
2. How many registered entities?	
FRCC	78
MRO	113
NPCC	264
RFC	364
SERC	222
SPP	124
TRE	200 Registered Entities as of 6/30/2008
WECC	As of July 10, 2008, WECC had 472 Registered Entities providing 1,271 functions, with associated total requirements of 76,511.
3. Number of functions per each registered entity?	
FRCC	It varies, but on average 3.2 per registered entity.
MRO	On average there are 5.2 functions per registered entity (total of 587 functions). However, the larger entities on a 3 year cycle average 8-10 functions and the smaller 6 year cycle entities average 2 to 3.
NPCC	Of the 545 functions, the number of functions per registered entity ranges from 1 to 11 functions.
RFC	There are 364 entities registered with a total of 676 functions that averages to 1.90 functions per entity. However, the larger 3 year audit cycle entities average 4.17 functions, while the smaller, 6 year cycle ones average 1.45.
SERC	It varies, but on average 2.8 per registered entity.
SPP	On average there are 3.12 functions per registered entity (total of 387 functions).

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TRE	292 functions being performed by 200 entities- average approximately 1.46 functions per entity
WECC	1,271 functions performed by 472 entities for an average of 2.69 functions per registered entity
4. Number of Audits? Cost per audit? (Different registrants require different audit schedules and timeframes necessary for audits.)	
FRCC	<p>9 On-Site Compliance Audits; 9 Table Top Compliance Audits; 79 Self-Certifications; 44 Spot checks and 948 Periodic Data Submittals are anticipated in 2009.</p> <p>The cost per audit depends on the complexity of the type of audit and the location of the entity. The total cost of the Compliance Audit Program is approximately \$2,338,249 which would be approximately \$9,467 per function or an average of \$30,293 per registered entity.</p>
MRO	7 on-site (BA, TOP, RC) and 14 (other type) audits for a total of 21 audits to be performed in 2009. Cost per audit is approximately \$2,150 per person per audit (assuming 3 staff on an audit); different registrants require different audit schedules and timeframes necessary for audit; MRO has included two hearings, two investigations, and two system event investigations in its budget for 2009.
NPCC	<p>The 2009 Compliance Audit Schedule for NPCC includes 125 compliance audits. Four categories have been established using the scope and complexity of the audit, based on the number of requirements for each registered entity contained on the monitored list of reliability standards to be audited. Large On-Site audits are characterized by +150 requirements; Large Off-Site are characterized by +75 requirements; Medium Off-Site are characterized by 26-75 requirements; Small Off-Site are characterized by 1-25 requirements.</p> <p>NPCC has scheduled 16 "large" On-Site Compliance Audits; 80 "large" off-site audits, 16 "medium" audits and 13 "small" audits. Two hundred (200) limited, unscheduled, "spot checks" will be utilized to verify self certification, self reporting and periodic data submittals in 2009. These estimates have taken into consideration the projected total number of registered entities for each type and the established three-year cycle for RC, BA, TOP Compliance Audits and the established six-year cycle for all other registered entity types.</p> <p>The cost per audit depends on the complexity of the type of audit and the number of requirements being audited. With the expanding scope, data acquisition and retention requirements, as well as the increase in the number of requirements, the cost of audits has increased. NPCC developed estimates of \$40,000 per large on-site audit, \$12,000 per large off-site audit, \$5,000 per medium off-site audit and \$2,000 per small off-site audit to project possible costs.</p>
RFC	<p>ReliabilityFirst plans to perform 67 – 80 audits during 2009: 12 to 15 larger entities, per 3 year cycle. 55 to 65 smaller entity audits per 6 year cycle. Of the 65, most will be off-site (ReliabilityFirst offices).</p> <p>Cost/Audit - 3 year audit estimates are \$18,000 for travel (these audits are 4-5 days) and 1 contractor support. Does not include staff labor costs. For 6 year audits, we figure to do 20 on-site at cost of \$6,000 per audit (these are anticipated as 1-2day audits). The remaining audits would have no cost above labor, as these will be at the ReliabilityFirst offices.</p>
SERC	<p>SERC plans 88 total audits in 2009, as broken down below by size:</p> <ul style="list-style-type: none"> • 8 large audits (5 days onsite for 4.5 staff plus additional volunteers) • 7 medium audits (3 days onsite for 3 staff plus additional volunteers) • 28 small audits (2 days onsite for 2 staff plus additional volunteers) • 20 cyber security audits (2 days onsite for 2 staff plus additional volunteers) • 20 off-site audits • 5 cross regional audits <p>These audits are per entity, with the assumption that all registered functions will be addressed during the audit. The total cost of the audit program is approximately \$2,630,486, which averages \$29,892 per audit.</p>
SPP	Seven to nine on-site compliance audits of registered RC, BA, and TOP entities and fifteen to twenty on-site (or other approved methods) of compliance audits of other registered entities

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TRE	Tentatively 46 audits (24 onsite audits and 22 tabletop audits) and 10 spot checks are planned for FY2009. Audit expense consists of the following: Drive: 20 audits x 4.5 people x \$360 per person for a total of \$32,400 Fly: 4 audits x 4 people x \$650 per person for a total of \$10,400 Spot Checks: 10 audits x 3 people x \$360 per person for a total of \$10,800 Total Cost - \$53,600. Total expense per person includes meals, travel, lodging & other expenses.
WECC	22 on-site audits are planned for 2009, 19 of which are already scheduled. WECC's Compliance Department will conduct on-site audits of Balancing Authorities, Transmission Operators and Reliability Coordinators ¹ on a three-year cycle. WECC's Compliance Department will audit all other Registered Entities on a six-year cycle. <u>2009 On-site Audits (22):</u> WECC estimates the total cost for on-site audits to be \$782,500. The cost per on-site audit will be \$35,600. <u>2009 Off-site Audits (80):</u> WECC estimates the total cost for off-site audits to be \$300,000. The cost per off-site audit will be \$3,750.
5. Staff vs. paid consultants?	
FRCC	Staff
MRO	MRO audits are performed with the Regional Entity staff only
NPCC	7 FTEs Staff and 2 FTEs Independent Contractors
RFC	RFC supplements the compliance auditors with contractors periodically.
SERC	All staff are on the SERC payroll.
SPP	SPP RE staff and consultants as needed
TRE	TRE does not have amounts specifically budgeted for paid consultants.
WECC	30 FTEs (staff) and five independent consultants.
6. Volunteer support?	
FRCC	In 2009, FRCC will cease the use of volunteers.
MRO	No. Only MRO staff.
NPCC	No. NPCC does not use volunteers for its audits under the Compliance Monitoring and Enforcement Program. Audits are conducted by 1 member of staff and a minimum of 2 independent contractors per audit depending on the number of requirements being audited. NPCC industry volunteers are active on the NPCC Compliance Committee.
RFC	ReliabilityFirst Corporation does not permit stakeholders to participate in compliance audits. Only the independent staff of RFC or independent contractors can participate.
SERC	SERC uses volunteer subject matter experts to supplement audit teams. SMEs do not have a decision-making role during an audit – they advise the audit team leader, who is a staff member.
SPP	No
TRE	No Volunteer support is planned in 2009 - Texas RE Staff only
WECC	WECC's Compliance Department does not utilize volunteer support.

2009 Metrics Development by Program

Readiness Evaluations

1. Headcount (FTE's)	
FRCC	This program has been eliminated effective 1/1/2009
MRO	.5 FTE
NPCC	The RREI program, having concluded its post Blackout 2003 mission, has been eliminated effective 1/1/2009 for NPCC from its 2009 Business Plan and Budget.
RFC	See response below in question #2.
SERC	This program has been eliminated effective 1/1/2009.
SPP	0.5
TRE	0 FTEs budgeted in 2009
WECC	2.0 FTEs.
2. Number of evaluations in each region (NERC)? – NERC to provide	
FRCC	
MRO	This program has been eliminated effective 1/1/2009. However, NERC has identified 26 entities that need the registration evaluated. Of the 26 outstanding entities, 5 are in MRO's footprint. The funding that was anticipated for readiness evaluations will be maintained in MRO's Business Plan and Budget for the said registration evaluations.
NPCC	See response to question #1 above.
RFC	NERC has eliminated the Reliability Readiness Evaluation and Improvement Program. 2009 will be a transition year, during which open Readiness recommendations in the Region will be monitored to their completion and a reduced set of Evaluations will take place. Consequently, ReliabilityFirst has eliminated the Reliability Readiness Evaluation and Improvement Program funding requirements, FTE count, and activities from the 2009 Business Plan and Budget. ReliabilityFirst resources required to support any remaining required activities of this NERC program are assumed to be minimal and will be absorbed by existing ReliabilityFirst staff.
SERC	This program has been eliminated effective 1/1/2009.
SPP	In its 2009 business plan, developed after approval of the plan by SPP, NERC has eliminated the Reliability Readiness Evaluation and Improvement Program. In the NERC approved plan, 2009 will be a transition year, during which open Readiness recommendations in the Region will be monitored to their completion and a reduced set of Evaluations will take place. Due to the uncertainty associated with the final disposition of the NERC program and the expectations delegated to SPP at the time this plan was developed and finalized, the potential for an under run of 2009 expenditures compared to budget exists, but is difficult to quantify at this time.
TRE	This program has been eliminated effective 1/1/2009.
WECC	Under the existing Readiness Evaluation Program, WECC has 20 evaluations tentatively scheduled for 2009. Note: In NERC's 2009 business plan, developed after approval of this plan by WECC, NERC has eliminated the Reliability Readiness Evaluation and Improvement Program. In the NERC approved plan, 2009 will be a transition year, during which open Readiness recommendations in the Region will be monitored to their completion and a reduced set of Evaluations will take place. Due to the uncertainty associated with the final disposition of the NERC program and the expectations delegated to WECC at the time this plan was developed and finalized, the potential for an under run of 2009 expenditures compared to budget exists, but is difficult to quantify at this time.

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Reliability Assessments and Performance Analysis	
1. Headcount (FTE's)	
FRCC	3.67
MRO	4.75
NPCC	3.9 FTEs, consisting of NPCC Staff
RFC	5.5
SERC	4.5
SPP	3.4
TRE	2.2 FTEs budgeted for 2009
WECC	14 FTEs.
2. Member vs. staff support of the assessment development? (Winter, summer, long-term)	
FRCC	The FRCC staff prepares three reliability assessments each year: a long-term assessment report, a summer assessment report and a winter assessment report using Member data. These assessment reports analyze electricity demand, the adequacy of supply and the adequacy of the transmission system with the FRCC. Members are also involved in the development of the FRCC databank and in reviewing the results.
MRO	The MRO Reliability Assessment Committee and its subcommittees prepare three reliability assessments each year; a long-term assessment report, a summer assessment report and a winter assessment report using Member data. In 2008, NERC added a fourth assessment, called the Scenario Assessment. The Scenario Assessment focuses on an emerging issue that has been identified in the previous year's Long-Term Reliability Assessment.
NPCC	NPCC staff, along with volunteer technical experts within the Northeast and from adjacent Regions, conduct seasonal reliability assessments of the overall NPCC resource adequacy each year. NPCC additionally reviews operations and disturbances both internal and external to the region. NPCC conducts inter Area and interregional studies to enhance reliability and operational effectiveness and mitigate potential problems identified. NPCC periodically develops a long-term resource adequacy assessment report that analyzes electricity demand, and the adequacy of supply and the adequacy of the transmission system with the NPCC. Consulting services are contracted for with regard to bulk power system modeling and analysis.
RFC	ReliabilityFirst Corporation staff develops the power flow cases using the member data, and conducts the transmission assessment in-house. Stakeholders are involved in developing the transmission study assumptions and reviewing the results. We have the power flow assessment tools in-house. Resource assessments are conducted by ReliabilityFirst Corporation staff using member data. Stakeholders are involved in reviewing the results.
SERC	SERC member volunteers develop the models and perform the studies. SERC staff facilitates the study groups and reviews the results and prepares assessments in concert with the responsible committee. Assessments are reviewed and approved by the SERC Board Executive Committee.
SPP	The SPP Inc. shared staff prepare three reliability assessments each year; a long-term assessment report, a summer assessment report and a winter assessment report using Member data. In 2008, NERC added a fourth assessment, called the Scenario Assessment. The Scenario Assessment focuses on an emerging issue that has been identified in the previous year's Long-Term Reliability Assessment. SPP Inc. shared staff track time and expenses to the SPP Regional Entity when performing these activities.

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TRE	Applicable market participants provide data and input; assessments are coordinated and performed by the ERCOT ISO; TRE does review their assessments after they are completed.
WECC	WECC staff develops these assessments using data from its members, and performs reliability assessments. WECC's Loads and Resources Subcommittee (LRS), which is made up of WECC members, reviews the information and accepts the assessments prior to providing them to NERC.
3. Any other assessments being done within the region? (Statutory only – Y/N)	
FRCC	Yes, the FRCC will also prepare special reliability assessment reports as conditions warrant. Further, FRCC will analyze unusual events that occur on the bulk power systems, identify the causes of such events, assess past reliability performance and disseminate the findings.
MRO	Interregional analyses are performed by the Eastern Interconnection Reliability Assessment Group (ERAG), which was formed to prepare Eastern Interconnection models and to perform interregional transfer studies. ERAG has assumed responsibility for the Multi-regional Modeling Working Group (MMWG). Eastern Interconnection model development is the responsibility of the MMWG. MRO staff and member volunteers participate in the ERAG and MMWG groups.
NPCC	Yes, periodic assessments as required by the Eastern Interconnection Reliability Assessment Group (ERAG). ERAG oversees Eastern Interconnection study activities and interregional matters of interest. NPCC staff develops power flow cases using member data and conducts the transmission assessments in-house. The NPCC also prepares special reliability assessment reports as conditions warrant. Further, NPCC analyzes unusual events that occur on the bulk power systems, identifies the cause(s) of such events, assesses past reliability performance and disseminates the findings.
RFC	Periodic assessments as required by former NERC standards applicable to regions (stability, under-frequency, under-voltage, etc.).
SERC	SERC performs its own annual reliability assessment in addition to its input to the NERC reliability assessment. SERC facilitates a dozen or more additional reliability studies to coordinate among member systems, the five sub-regions and neighboring systems. SERC provides to NERC the consolidated data and policy, assessment work product for NERC reliability assessment products.
SPP	SPP Inc. is a member of the Eastern Interconnection Reliability Assessment Group (ERAG), which was formed to prepare Eastern Interconnection models and to perform interregional transfer studies. ERAG has assumed responsibility for the Multi-regional Modeling Working Group (MMWG). Eastern Interconnection model development is the responsibility of the MMWG. MRO staff and member volunteers participate in the ERAG and MMWG groups.
TRE	Periodic assessments as required by NERC standards applicable to regions (stability, under-frequency, under-voltage, etc)

2009 Metrics Development by Program

WECC	<p>No. There are no other assessments being done within the WECC region for submission to NERC. However, the 2009 Budget and Business Plan describes a number of other studies, analyses and assessments, for reliable planning and operation of the bulk electric system in the Western Interconnection.</p> <p>The WECC staff and a consultant, based upon direction from the Transmission Expansion Planning Policy Committee (TEPPC), perform a robust set of resource portfolio cases. Its 2008 study plan cases include 15 percent renewable penetration, as well as carbon constrained, and high energy-efficiency targets. It also includes associated transmission expansion scenarios for long-term planning purposes. These studies are related in large part to FERC Order 890 requirements. WECC staff and TEPPC also direct the historical analysis of transmission congestion in conjunction with the Department of Energy. The historic analyses are performed by an outside consultant.</p> <p>The WECC staff, based on guidance from the LRS, performs the annual Power Supply Assessment (PSA). The PSA is a 10-year study of the resource capacity margins on a WECC-wide basis, and is based on reported demand, resource data and transmission constraints.</p> <p>WECC staff, with guidance from the WECC Technical Studies Subcommittee (TSS), performs studies on operating and transfer conditions and stability limits. WECC staff annually prepares a 10-year data bank of powerflow base cases. Staff also prepares associated stability data reflecting 11 case scenarios, system configurations and operating conditions specified by TSS.</p>
<p>4. Does the region perform the analysis of critical assumptions of member assessments or does the region rely on the members for this analysis?</p>	
FRCC	<p>Yes, the data bank used to perform these assessments is maintained by FRCC and is developed through coordination with the Members within FRCC. Additionally, FRCC performs analysis of several critical parameters while relying on member systems for others in which case FRCC would review the analysis. FRCC consolidates the plans and runs an analysis to ensure there are no violations within the region.</p>
MRO	<p>Yes, MRO relies on the planning coordinators, industry technical expert volunteers and consultants to perform this analysis.</p>
NPCC	<p>Critical assumptions used in the pre-seasonal (summer/winter) resource adequacy and transmission reliability assessments are jointly developed by NPCC staff and the industry technical expert volunteers, reviewed by the stakeholders (Reliability Coordinating Committee) and presented to the NPCC Board of Directors.</p> <p>NPCC staff (with the help of a consultant (GE Energy) and industry technical expert volunteers (the CP-8 Working Group) independently reviews, on a consistent basis, NPCC Area (Members') assumptions used in their interconnection assistance reliability benefits, for the near term (5 year horizon).</p> <p>On a periodic basis, NPCC staff (with the help of a consultant (GE Energy) and industry technical expert volunteers (the CP-8 Working Group) independently evaluates the long-range (5-year horizon) resource adequacy of NPCC Area (Members') and neighboring regions.</p> <p>On a periodic basis, NPCC staff, with the help of industry technical expert volunteers, (the Task Force on System Studies) performs an overall transmission system assessment to evaluate the thermal and dynamic performance of the NPCC Region, including the calculation of Inter-Area transfer capabilities and extreme contingency performance. NPCC has the PSS/e power flow/dynamics assessment tools in house.</p>
RFC	<p>Critical assumptions used in both resource and transmission assessments are jointly developed by ReliabilityFirst Corporation staff and stakeholders.</p>
SERC	<p>Yes, staff reviews the critical assumptions, validity and accuracy of the data and the reasonableness of the results and conclusions.</p>
SPP	<p>SPP Regional Entity relies on the SPP Inc. shared staff who perform the role of planning authority in SPP. Activities performed by shared staff related to the SPP Regional Entity Reliability Assessment are tracked to the SPP Regional Entity. A dedicated SPP Regional Entity staff person, reporting to the Executive Director of Compliance and Enforcement, monitors the development of assessments to ensure an independent regional entity perspective.</p>

2009 Metrics Development by Program

TRE	TRE primarily relies on market participants and the ERCOT ISO to perform analysis of critical assumptions of member assessment; however TRE does verify the analyses (i.e. "trust, but verify")
WECC	Yes - WECC staff performs the analysis of critical assumptions of member assessments. The WECC LRS, which is made up of WECC members, reviews and gives final approval of the analysis and assessments.
5. Who supports the NERC RAS effort and ERAG (in the Eastern Interconnection)?	
FRCC	The FRCC Transmission Planning Staff
MRO	MRO staff and MRO industry technical expert volunteers.
NPCC	NPCC staff and NPCC volunteer industry technical experts.
RFC	Staff and stakeholders
SERC	The SERC Director of Reliability Assessment, the SERC Reliability Review Subcommittee Chairman, and other member subject matter experts as needed.
SPP	SPP Inc. staff track their time and expenses for participation on ERAG to the SPP Regional Entity.
TRE	The ERCOT ISO performs this function. We are not in the Eastern interconnection.
WECC	WECC has two staff and one member volunteer who support the NERC RAS. WECC's LRS is also involved with NERC RAS efforts.
6. Who supports the NERC Planning Committee and Operating Committee?	
FRCC	The FRCC appoints Stakeholder Members to the NERC Operating Committee and the NERC Planning Committee. In addition, FRCC staff attends meetings and provides backup and support for our Stakeholder Representatives.
MRO	MRO staff and MRO industry technical expert volunteers.
NPCC	NPCC staff and NPCC volunteer industry technical experts
RFC	Staff
SERC	Stakeholders are members, while SERC Reliability Services staff participates and attends meetings of both committees.
SPP	SPP Regional Entity relies on stakeholder volunteers to represent the region on NERC Operating and Planning committees.
TRE	TRE's CEO/CCO ensures that these positions are filled. The positions are filled by ERCOT ISO or market participant staff.
WECC	The WECC region has two industry volunteer members: one serves on the NERC Planning Committee and the other on the NERC Operating Committee. One WECC staff member is assigned to each of these NERC committees, but resource constraints often result in one WECC staff member covering both committee meetings.

2009 Metrics Development by Program

Training and Education	
1. Internal (Compliance/Readiness) job responsibility training.	
FRCC	The FRCC Compliance Staff participates in all NERC Training.
MRO	MRO Staff participates in external and internal conferences, seminars, workshops and training programs in many job responsibility areas including compliance audits and enforcement. In 2008, MRO began hosting system Operating Training Software ("SOTS") which the main function is to provide training materials that can be accessed through the internet. This should increase the efficiencies in operator certification.
NPCC	NPCC staff participates in external and internal conferences, seminars and training programs in job responsibility areas.
RFC	ReliabilityFirst Corporation budgets for individual training. For 2009, we have approximately \$65K budgeted for individual enhancement training.
SERC	SERC has a full time trainer whose responsibilities include both member company and SERC staff training, including training of compliance staff and other SERC staff and the conduct of system operator seminars, compliance workshops, etc.
SPP	On a yearly basis, the SPP training program offers to registered entities within the SPP RE footprint the following training opportunities: <ul style="list-style-type: none"> • Three System Operations Conferences (20 hours each) • Two Regional Restoration Drills (24 hours each) • Eight Subregional Restoration Drills (16 hours each) • 24 Regional Emergency Operations Net Conferences (2 hours each) • Three Train-the-Trainer sessions (12 hours each)
TRE	For 2009, TRE has \$11,160 budgeted specifically for training.
WECC	WECC has budgeted a total of \$313,797 in 2009 for staff training. Of that total, \$75,004 is for Compliance and Readiness training and \$97,671 is for Situational Awareness training.
2. External workshops for members or Board training	
FRCC	FRCC is a NERC-approved Continuing Education Provider and conducts annual seminars both here and at external locations. The FRCC System Operator Subcommittee (SOS) identifies and manages annual training activities for the FRCC System Operators, and provides assistance to FRCC members for compliance with NERC training standards and any issues that may have related to system operators obtaining/retaining required NERC Certification.
MRO	Using NERC developed training materials, MRO coordinates with RFC, SPP, and TRE to share training resources and implement training for Regional Entities.
NPCC	NPCC is a NERC-approved Continuing Education Provider and conducts semi-annual seminars both on-site and at external locations. The NPCC System Operator Training working group identifies and manages training activities for the NPCC System Operators, and provides assistance to NPCC members for compliance with NERC training standards and any issues that are related to system operators obtaining/retaining required NERC Certification. Implementation of NPCC policies is discussed, significant disturbances are reviewed for lessons to be learned and "table-top" drills are conducted to simulate selected operational problems. NPCC also evaluates and proposes the utilization of new techniques and training aids as they become available. The working group also continually looks for ways to share and improve the efficiency of existing training programs. Board education is provided by outside counsel.
RFC	ReliabilityFirst Corporation Bylaws require at least one day of training for the Board of Directors annually. We also conduct compliance workshops annually (due to size of footprint and number of entities, we repeat the workshop in two other locations) and other training as necessary.

2009 Metrics Development by Program

SERC	SERC conducts approximately 10 large training conferences per year, including five system operator training sessions, three compliance workshops and two "train the trainer" sessions.
SPP	SPP RE's training classes are available for both registered and non-registered participants.
TRE	There are two compliance workshops budgeted for 2009, expected cost \$35,000. Additionally, \$70,000 is budgeted for Operations Training, however this is offset by fees paid by attendees to attend.
WECC	WECC provides continuing education training for operators, schedulers and dispatchers. Classes are conducted 24-26 weeks per year in Salt Lake City. Once a year, a Leadership Training session is held for Board members, Committee, Subcommittee, Work Group and Task Force chairs.

2009 Metrics Development by Program

Situational Awareness and Infrastructure Security

1. Support of NERC's CIPC

FRCC	The FRCC has a staff member serving on that committee.
MRO	MRO has an employee assigned to CIP. This person participates in NERC CIPC area including outreach, training, information dissemination, and the NERC CIP Committee. The MRO also has its own CIP working group.
NPCC	NPCC Staff and NPCC volunteer industry experts
RFC	RFC has its own CIP Subcommittee, facilitated by staff. In addition, a great deal of time is dedicated to aiding NERC in the CIPC area - standards writing, training, outreach, information, dissemination, and the NERC CIP Committee.
SERC	SERC operates its own Critical Infrastructure Protection Committee. SERC volunteers actively participate as members of the NERC CIPC and SERC has a staff person who participates in the NERC CIPC meetings.
SPP	SPP RE actively participates in NERC critical infrastructure protection activities and serves as an information conduit between NERC and SPP RE registered entities. SPP RE will: <ul style="list-style-type: none"> • Provide assistance to NERC as Liaison with the U.S. Department of Homeland Security and state emergency management offices • Work with NERC to implement Situation Awareness Tools (new activities for 2009) • Assist in development of Morning Reports • Participate in NERC/RE Situation Awareness Communications Team • Exchange SAIS information and foster collaboration with information sharing partners • Work with NERC to further clarify SAIS roles and responsibilities
TRE	1 CIP FTE budgeted that will be active in this area related to CIP standards and activities.
WECC	WECC has three primary representatives and four alternate representatives on the NERC Critical Infrastructure Protection Committee (CIPC). WECC has a Critical Infrastructure and Information Management Subcommittee, which also provides support to the NERC CIPC.
2. Hotline (Y/N)	
FRCC	Yes, the FRCC has a satellite phone to provide situational awareness information to staff in the event of an emergency situation. It also operates a hot line phone system to support the Reliability Coordinator function.
MRO	No

2009 Metrics Development by Program

NPCC	<p>No. The NPCC office is not connected to the NERC hotline. However, NPCC maintains a supplementary dedicated regional phone to coordinate situational awareness information between NPCC Reliability Coordinator control rooms on a daily basis and in the event of an emergency situation.</p> <p>Situational awareness among the Reliability Coordinators of NPCC is achieved and maintained through a layered series of conference calls.</p> <p><u>Weekly Conference Call</u> A weekly conference call is initiated by the NPCC Staff to discuss, with management personnel from the NPCC Reliability Coordinators, the operational conditions expected during the forthcoming ten-day period (weekend and following week). Items of particular concern that may be discussed during the weekly conference call can include, but are not limited to, anticipated weather, maximum peak load expected during the ten-day period, the largest first and second contingencies expected for the period, operating reserve obligations for the period, capacity deficiencies, potential fuel shortages or potential supply disruptions which could lead to energy shortfalls, generator or transmission outages that could impact a neighboring system, a change in the status of a special protection system which could impact a neighboring system and the potential for light load concerns.</p> <p><u>Daily Area Control Room Conference Call</u> The senior shift supervisors of the Reliability Coordinator control rooms within NPCC take part in a daily conference call to serve as a complement to the Weekly Conference Call. The participants of the call are staff from the control rooms of the New Brunswick System Operator, ISO New England, Inc., the New York ISO, Hydro-Québec TransÉnergie, the Independent Electricity System Operator and NPCC Staff. The conference call is implemented through a bridge, ringing all pre-selected control room telephones simultaneously. The goal of the call is to alert neighboring Reliability Coordinators within NPCC of emerging operational problems. Subjects for discussion are limited to credible events which could impact the ability of a Reliability Coordinator to serve its load and meet its operating reserve obligations or would impose a burden to the interconnection.</p> <p><u>Pre-Emergency/Emergency Preparedness Conference Call</u> The NPCC pre-emergency/emergency preparedness conference call establishes communications among the Operations Managers of the NPCC Reliability Coordinators, and their counterparts in PJM and the MISO, in the event of a possible capacity shortfall or a physical threat to the security of the interconnected bulk power supply system of the NPCC systems. The conference call is initiated by NPCC Staff, or through the control rooms, and provides a process which permits a timely assessment of the overall system conditions by each Reliability Coordinator and which facilitates the procurement of assistance during emergency conditions. During the course of an emergency, the Operations Managers will conduct the emergency preparedness conference call as frequently as deemed necessary to assess and monitor system conditions.</p>
RFC	No. ReliabilityFirst's footprint is covered entirely by MISO and PJM which hold their own calls making ReliabilityFirst unnecessary.
SERC	Yes, SERC maintains, operates and tests a secure, dedicated hotline among all the reliability coordinators, transmission operators and balancing authorities in the region.
SPP	Yes
TRE	TRE does not have a hotline. However, the ISO is required to report issues to TRE.
WECC	Yes, a hotline number exists for use between the three existing Reliability Coordination centers. The number is not published because it is used exclusively by the Reliability Coordinators.

2009 Metrics Development by Program

General

1. Meetings:	
a. Host/off-site/Member sites	
FRCC	The FRCC hosts and facilitates numerous meetings for its Board Committees, subcommittees, working groups and task forces at our corporate offices. Our meeting facilities include state-of-the-art telephone conferencing capability to meet the needs for conference calls and Webex. FRCC regularly makes its facilities available to other industry groups.
MRO	Yes to all, plus numerous conference calls and webex.
NPCC	The NPCC hosts and facilitates numerous meetings for its Board, committees, working groups and task forces at its corporate offices as well as its members' meeting facilities. NPCC also conducts meetings at various hotel sites throughout the Region. For a few larger meetings (40 or greater) NPCC hosts at outside counsel's Board Room or at a member site. Meetings held at member sites are cost effective (lower meeting room rate, if any and generally catering costs) or hotels (higher meeting room rate and catering costs) in a rotational fashion within the region at NPCC's cost.
RFC	RFC does not plan to host meetings at member sites to maintain our independence from stakeholders. Some meetings are hosted at the RFC offices. The majority will be spread around the footprint, at neutral sites at our cost. Due to increasing cost of travel RFC hosts many conference calls with web capabilities that use our equipment.
SERC	SERC hosts and facilitates numerous meetings for its Board standing committees, subcommittees, working groups and task forces at our corporate offices. Our meeting facilities include telephone conferencing capability to meet the needs for conference calls and Webex. Additionally, SERC hosts meetings at various hotel sites throughout the Region, especially for the larger meetings.
SPP	Yes, in addition to teleconferencing and WebEx meetings
TRE	There are two compliance workshops and one, 6-week Operator Training Seminar for 2009.
WECC	WECC utilizes its members' facilities, hotels and WECC facilities for WECC-specific and NERC Committee meetings. WECC has a large conference room in its Salt Lake City office that is used for approximately 20 meetings each year.
1. Meetings:	
b. # of meetings	
FRCC	The compliance committee meets monthly. The other committee meeting and Board of Directors meetings are both Statutory and Non-Statutory. The FRCC also hosts meeting that are Non-Statutory in nature.
MRO	MRO holds quarterly Board of Directors meetings and one annual membership. MRO has four standing committees which meet at least quarterly. MRO has eight subcommittees which meet 3 to 6 times a year.
NPCC	The NPCC Board meets 6-8 times per year (1-2 via teleconference), the Audit and Finance Committee meets 1-3 times per year, the Pension Committee meets quarterly (3 via teleconference), and the Compensation Committee meets two times per year (via teleconference). In addition, NPCC holds an Annual Member Meeting and a General Meeting. The Compliance Committee meets 6 times per year, the Standards Committee meets 6 times per year, the Reliability Coordinating Committee meets 4 times per year, the Public Information Committee meets 2 times per year, and the Governmental/Regulatory Affairs Advisory Group meets two times per year. There are 20-30 or so drafting team meetings per year, 2 compliance workshops, 4-5 Task Force on Infrastructure & Security meetings, 4 Task Force on Coordination of Planning meetings, 8 Task Force on Coordination of Operation meetings, 6 Task Force on System Protection meetings, plus other task force and working group meetings totaling another 80+ meetings per year.
RFC	4 Board meetings per year, Annual Member meeting, 4 Reliability Committee meetings per year, 20-30 or so drafting team meetings per year, 3 compliance workshops per year, 4 CIP committee meetings per year, 3 Regional forums, 1 base case development seminar plus other working groups and subcommittees totaling another 10-15 meetings per year.

2009 Metrics Development by Program

SERC	SERC facilitates approximately 150 meetings per year.
SPP	SPP RE holds quarterly Regional Entity Trustee meetings and a minimum of two public workshops where registered entities can interact with SPP RE and NERC staff
TRE	Texas RE holds a minimum of 4 Board and Advisory Committee meetings (coordinated with Board meetings), plus additional meetings as needed. Texas RE also holds monthly Reliability Standards Committee meetings and has two compliance workshops budgeted for 2009, with expected costs of \$35,000. Additionally, we have \$70,000 budgeted for Operations Training, however this is offset by fees paid by attendees to attend.
WECC	WECC holds four Board Meetings a year and one Annual Membership Meeting. There are six Board-level Committees that meet approximately three times per year, and are generally coordinated with Board meetings to save on expenses. Three Joint Standing Committee meetings are held each year (Planning, Operating and Market Interface). Four Joint Guidance Committee meetings are held each year. Each of WECC Subcommittees (approximately 15) meet between three and four times a year. Work Groups and Task Forces (approximately 40-45) meet approximately three times a year. WECC also holds approximately 30 drafting team meetings a year.
1. Meetings: c. Average size	
FRCC	20
MRO	MRO holds quarterly Board of Directors meetings (30-35 people) and one annual membership (60 people). MRO has four standing committees which meet at least quarterly (10-30 people). MRO has six subcommittees which meet 3 to 6 times a year (20 people).
NPCC	Ranges from 15 (standards drafting) to 20 (task forces and working groups) to 50 (Reliability Coordinating Committee) to over 100 participants for the NPCC General Meeting.
RFC	Ranges from 10 (Standards Drafting) to 100 (seminars)
SERC	Average size is approximately 22 people, although the larger workshops run from 100 to 180 people.
SPP	SPP Regional Entity Trustees meetings are typically attended by the three Regional Entity Trustees, and three to four SPP RE dedicated and shared staff. Since these meetings are open, any interested party may also attend. In the past few meetings, this has been an additional two to four persons. The SPP compliance workshops have seen on average over 100 attendees in the past year. SPP also held a CIP workshop in 2007 where 65 persons attended.
TRE	Texas RE Board meetings normally have 30 attendees. Advisory Committee meetings have approximately 10 attendees, and RSC meetings normally have approximately 25 attendees. Texas RE expects 100 attendees at each of the compliance workshops and approximately 700 attendees at the Operations Training Seminar.
WECC	The size of meetings varies depending on membership interest and public participation. Drafting team meetings and most task force meetings have approximately 10 attendees. Work group and some smaller subcommittees have between 15 and 35 attendees. Other subcommittees have between 40 and 70 attendees. Joint Standing Committee meetings average 170 attendees. Board of Directors meetings average 60-70 attendees.

2009 Metrics Development by Program

Administrative

1. Rent (\$ per sq. ft.)	
FRCC	\$25.51/square foot
MRO	\$15.43 on average, includes improvements, maintenance and taxes.
NPCC	In 2008 NPCC pays approximately \$39 with real estate tax escalations. NPCC's License Agreement terminates 5/09. Rent in current building is \$90/square foot necessitating an office relocation. The NPCC BOD approved a \$55/square foot rent initiating in 6/09.
RFC	\$16.83 per square foot
SERC	\$17.51/square foot in 2009
SPP	N/A
TRE	Rent is budgeted at \$25.00 per square foot. TRE does intend to move from its current location to an offsite location before the end of 2008.
WECC	WECC pays an average of \$17.91 per square foot, not including building maintenance costs.
2. Total Square Feet	
FRCC	13,209 sq ft
MRO	13,100
NPCC	NPCC pays for approximately 9,000 square feet until relocation. The NPCC BOD approved a space plan of approximately 12,500 square feet.
RFC	approximately 14,000
SERC	10,477 sq ft
SPP	N/A
TRE	Approximately 5,200 square feet within its current location. TRE will need approximately 10,000 square feet when it relocates.
WECC	35,715 square feet of leased space is planned for 2009. Of this total, 15,900 square feet relates to the Reliability Coordination Centers.
3. Do you have a telecommuter policy?	
FRCC	The FRCC does not allow its employees to Tele-commute. It does however, allow its employees to take their lap tops home and to be able to dial into the servers maintained at FRCC in order to work (on occasion) from home.
MRO	Yes. If arranged in advance, MRO allows for up to two days per week on a continuous basis or until business requirements or employee personal requirements cause the termination of the arrangement.
NPCC	Yes. NPCC allows employees to work at home or at another location during some portion of the work week. NPCC's telecommuting policy and procedures establish the requirements for personnel who have appropriate job tasks and responsibilities that enable telecommuting to be beneficial for the organization. Telecommuting is also considered to be an integral part of NPCC's business continuity planning in the event of a terrorist or other catastrophic event.

2009 Metrics Development by Program

RFC	Yes
SERC	Yes, SERC allows employees whose job responsibilities allow telecommuting may do so up to one day per week.
SPP	No
TRE	No official policy. Nevertheless; employees are able to log into the ERCOT system from remote locations to check email, etc.
WECC	WECC does not have a formal telecommuting policy. However, WECC has adopted an informal practice of allowing telecommuting (one to two days a week) for positions where it does not affect the employee's ability to perform the functions of their job. Employees are given permission to telecommute on a case-by-case basis.

2009 Metrics Development by Program

Professional Services

1. Independent trustee fees? (Y/N- If yes, annual per trustee.)	
FRCC	The FRCC does not pay its directors and does not have any independent directors.
MRO	No
NPCC	<p>No independent trustees or fees other than Chairman.</p> <p>NPCC retains an independent consultant Chairman of the Board at an annual retainer of \$45,000 with a per meeting per diem of \$1,250 and a \$500 fee per teleconference meeting.</p> <p>The NPCC hybrid board is comprised of stakeholder directors from all industry sectors and NPCC does not pay its directors. NPCC's voting protocols ensure that no two sectors may control a vote, nor may a single sector veto a measure.</p>
RFC	ReliabilityFirst Corporation is governed by a hybrid independent and balanced stakeholder board. The board consists of fourteen (14) directors that include three (3) independent directors. We pay our independent directors an annual retainer fee \$30,000
SERC	No, all directors are stakeholders compensated by the member companies, including travel expense.
SPP	Yes
TRE	\$150,000 budgeted for 5 independent trustees.
WECC	WECC has seven Non-affiliated Directors. They receive a \$30,000 annual retainer fee plus \$1,500 for in-person meetings, \$750 for telephone meetings, and \$500 if an in-person meeting is in conjunction with another meeting for which they are being paid.
2. Staff legal vs. outside counsel	
FRCC	All legal counsel is outside counsel.
MRO	Outside Counsel
NPCC	All legal counsel is outside counsel, which for the RE amounts to 1.8 FTEs with regard to headcount.
RFC	Outside counsel, no in-house counsel
SERC	SERC utilizes outside counsel and does not have a legal staff.
SPP	Both
TRE	Some outside counsel (\$300k budgeted) in addition to 2.55 FTEs budgeted in legal for 2009
WECC	In February 2008, WECC recruited a General Counsel. In 2009, WECC will expand its in-house legal department and add two additional attorneys. Legal services are also provided by outside counsel.
3. Are there any one-time costs in this year's budget, i.e. reorganization, severance, moving	
FRCC	Yes, the FRCC has budget for 2 "seasoned" professionals to be hired, which in the estimation of the FRCC's management will require moving costs to be expended and costs associated with the build out of additional offices.

2009 Metrics Development by Program

MRO	No
NPCC	Yes, the NPCC has budgeted for approximately \$1.4 million associated with a required one-time office relocation project and execution of a 15 year lease due to current lease expiration. This figure includes build out leasehold improvements, equipment and furniture purchases, partial year office rent differential, and other associated office relocation cost components. Total office relocation costs are allocated to the regional entity and criteria services divisions on a proportional FTE basis of 91% (27.2 FTEs of total 30 FTEs) and 9% (2.8 FTEs of total 30 FTEs) respectively or approximately \$1,269,339 and \$125,530 RE and CS apportionment.
RFC	None
SERC	No
SPP	No
TRE	No
WECC	Yes, half of the Reliability Coordination Initiative loan repayment plus interest is included in the 2009 budget. This amounts to \$3,256,063. The balance plus interest will be included in the 2010 budget.
4. D&O Insurance? Coverage levels.	
FRCC	Currently the FRCC maintains coverage of \$5,000,000
MRO	\$5,000,000
NPCC	\$5,000,000
RFC	\$20 million coverage
SERC	Currently SERC maintains coverage of \$5,000,000.
SPP	Coverage of \$5,000,000
TRE	Yes, we have \$80 million in coverage through the MOU signed with ERCOT.
WECC	WECC maintains \$5,000,000 of Directors and Officers coverage.

2009 Metrics Development by Program

Computer Purchase and Maintenance

1. Capitalization Policy	
FRCC	\$500. or greater are capitalized
MRO	Capital asset threshold is over \$500. Computer Equipment is depreciated over three years, all other depreciated over five years. Unless leasehold improvement and it is the shorter of the estimated useful life or the remaining lease term.
NPCC	Furniture and Equipment over \$3,000 will be capitalized and depreciated for 5 yrs. Laptop purchases depreciated over 3 years.
RFC	Furniture and Equipment over \$3,000 will be capitalized and depreciated over the life of the asset
SERC	\$5,000 or greater are capitalized
SPP	N/A: Computers and systems for SPP RE staff use is included in the indirect rate calculation
TRE	Texas RE capitalizes item purchased that exceeds \$1,000 and has a useful life of greater than 1 year.
WECC	Equipment over \$5,000 will be capitalized and depreciated over three years.
2. Replacement cycle (computers, etc.)	
FRCC	Equipment and software is depreciated over 2 to 5 years; Furniture & Fixtures over 7 years; and Leasehold Improvements over the balance of the life of the lease at the time of purchase.
MRO	MRO has a three year replacement cycle.
NPCC	36 month lease replacements for computer equipment, peripherals and software. Leasehold Improvements over the balance of the life of the lease at the time of purchase.
RFC	Laptops and servers are on a 3 to 4 year replacement cycle depending on the critical function they provide.
SERC	Equipment and software is depreciated over 3 years; Furniture & Fixtures over 5 years; and Leasehold Improvements over the balance of the life of the lease at the time of purchase.
SPP	N/A
TRE	Texas RE leases computers through ERCOT. A memorandum of understanding has been signed to ensure that the lease of equipment (computers included) is appropriate. The replacement cycle is on an "as-needed" basis.
WECC	WECC has a three-year replacement cycle.

ATTACHMENT 15

Analysis of Administrative (Indirect) Costs
2009 Business Plan and Budget

	TOTAL	MERC	FRCC	MRO	NPCC	RFC	SERC	SPP	Texas RE	WEFC
Total Indirect Expenses	47,576,126	13,305,335	588,483	2,588,773	5,138,059	4,316,301	2,786,032	1,162,919	3,680,875	14,048,338
Adjustments:										
Less: Other Non-Operating Expenses	(3,588,130)	(1,393,486)	22,449		(151,630)		(210,453)		(855,000)	(1,000,000)
Less: Self-Assessment	(1,050,000)	(1,050,000)			(1,113,338)					
Less: One-time office relocation					3,873,091	4,316,301	2,573,579	1,162,919	2,805,875	13,048,338
Adjusted Total Indirect Expenses	41,824,658	10,851,840	610,942	2,588,773	3,873,091	4,316,301	2,573,579	1,162,919	2,805,875	13,048,338
Total Statutory Budgeted Expenses	127,708,676	34,447,620	3,917,888	6,405,724	10,008,885	11,434,201	10,085,651	6,481,036	6,167,024	38,891,767
Adjustments:										
Less: Other Non-Operating Expenses	(8,844,183)	(1,393,486)	22,449		(151,630)		(210,453)		(855,000)	(4,258,063)
Less: Self-Assessment	(1,050,000)	(1,050,000)			(1,113,338)					
Less: One-time office relocation					8,743,917	11,434,201	9,885,088	6,481,036	5,312,024	34,435,704
Adjusted Total Statutory Budgeted Expenses	118,702,145	32,004,124	4,000,317	6,405,724	8,743,917	11,434,201	9,885,088	6,481,036	5,312,024	34,435,704
Adjusted Total Indirect Expenses as % of Adjusted Total Statutory Budgeted Expenses	35.23%	33.94%	15.27%	40.10%	44.29%	37.75%	28.06%	17.94%	52.82%	37.89%
Indirect FTEs	113.90	29.50	3.50	8.00	9.20	11.50	10.40	2.50	6.80	32.50
Total FTEs	443.69	100.50	18.34	26.50	27.20	44.00	43.00	17.20	28.95	140.00
% Indirect FTEs to Total Statutory Budgeted FTEs	25.67%	29.35%	19.08%	30.19%	33.82%	26.14%	24.19%	14.53%	25.23%	23.21%
Expenses Included in Indirect Costs:										
Salaries										
Payroll Taxes		for indirect FTEs only	for indirect FTEs only	for indirect FTEs only	for indirect FTEs only	for indirect FTEs only	for indirect FTEs only	for indirect FTEs only	For indirect FTEs only	for indirect FTEs only
Benefits		for indirect FTEs only	for indirect FTEs only	for indirect FTEs only	for indirect FTEs only, higher percentage participation	for indirect FTEs only	for indirect FTEs only	for indirect FTEs only	For indirect FTEs only	for indirect FTEs only
Retirement Costs		for indirect FTEs only	for indirect FTEs only	for indirect FTEs only	for indirect FTEs only, higher percentage participation	for indirect FTEs only	for indirect FTEs only	for indirect FTEs only	For indirect FTEs only	for all FTEs
Meetings		BOT, Member Forums, Budget Group	for indirect FTEs only	Only BOT Meetings	BOD, Member Forums, Annual, Budget Group	BOD, Staff, Member Forums, small miscellaneous mtgs (Finance and IT)	Board and Executive Committee, Member Forums, Budget Group	for indirect FTEs only	For indirect FTEs only	BOD; Committees; Legal; General
Travel		for indirect FTEs and BOT	for indirect FTEs only	for indirect FTEs and BOT	for indirect FTEs and BOT	for indirect FTEs only	for indirect FTEs	for indirect FTEs only	For indirect FTEs only	for all indirect FTEs + BOD/Committees
Conference Calls		for indirect activities only	for indirect FTEs only	for indirect activities only	for indirect activities only	for indirect activities only	for indirect FTEs	none	none	for Committees and General
Consultants		for indirect activities only	for indirect FTEs only	for indirect activities and outside hearing officers	for indirect activities only	for indirect activities only	none	none	For all direct/indirect activities	for Committees and General
Contracts		for indirect activities only	for indirect FTEs only	for all activities, software contracts excluding functional software contracts	for indirect activities only	none	for indirect activities only	none	MOU Support Services - Finance, HR, Treasury, Insurance, etc. for all direct/indirect activities	for indirect activities only
Office Rent		for all activities	for indirect FTEs only	for all activities	for all activities	Rent & Utilities for all activities	for indirect activities only	none	For all direct/indirect activities	for all activities except RC/Compliance
Office Costs		for all activities, except cell phones	for indirect FTEs only	for all activities, except cell phones and functional training	for all activities	for all activities	for indirect activities only	none	For all direct/indirect activities	for all activities except RC/Compliance/Reliability Assessment
Professional Services		BOT fees, all legal and audit fees, commercial insurance	for indirect FTEs only	all legal and audit fees	BOD Chair, all legal, general training and audit fees	BOD fees, all legal except compliance, training fees, commercial insurance	All general legal fees, audit fees and insurance for indirect activities only	BOT fees and legal cost of compliance hearings	Audit Fees, Outside Legal Professional Services for all direct/indirect activities	BOD fees; General legal and audit fees
Computer Purchases and Maintenance		for all activities	for indirect FTEs only	for all activities	for all activities	for all activities	none	none	Website, Portal, Document Management, MOU-IT Support for all direct/indirect activities	for all areas except RC/Reliability Assessment
Furniture and Equipment		All activities except Situational Awareness monitoring room	for indirect FTEs only	for all activities	for all activities	for all activities	for indirect activities only	none	none	none
Miscellaneous		for all activities	for indirect FTEs only	none	for all activities	for all activities	none	none	Training Seminars- Employees for all direct/indirect activities	none
Other Non-Operating		none	none	none	none	none	none	Indirect funding allocation for 2.3 indirect FTEs only	none	none

Direct Program Costs - 2009 Budget - Excluding Other Non-Operating Expenses ¹																							
FTE	Reliability Standards (Sector 300)	Cost per FTE	FTE	Compliance and Registration and Certification (Section 400 & 600)	Cost per FTE	FTE	Reliability Evaluation and Improvement (Section 700)	Cost per FTE	FTE	Reliability Assessment and Performance Analysis (Section 800)	Cost per FTE	FTE	Training and Education (Section 900)	Cost per FTE	FTE	Stational Analysis and Infrastructure Security (Section 1000)	Cost per FTE	Administrative (Indirect) Costs	FTE	Total	Cost per FTE		
14.00	3,041,445	217,246	31.00	6,481,457	209,079	-	4,854,429	-	13.50	3,990,071	295,561	5.50	1,562,478	284,087	7.00	5,581,405	797,344	29.50	11,911,840	403,791	100.50	\$ 33,054,125	328,897
1.76	330,111	187,563	9.26	2,019,650	218,105	-	-	-	3.67	918,744	250,339	0.03	92,264	3,075,467	0.12	28,606	238,383	3.50	610,942	174,555	18.34	\$ 4,000,317	216,120
2.50	422,708	169,083	10.00	2,071,510	207,151	0.50	194,907	389,814	4.75	982,029	205,743	0.50	109,249	216,498	0.25	57,549	230,196	8.00	2,568,773	321,097	26.50	\$ 6,405,725	241,725
3.00	717,220	239,073	9.00	2,095,204	232,800	-	-	-	3.90	1,446,942	371,011	0.10	70,292	702,920	2.00	541,168	270,584	9.20	4,986,429	542,003	27.20	\$ 9,857,255	362,399
2.00	529,461	264,731	23.00	5,099,328	221,710	-	-	-	5.50	985,605	179,201	0.05	102,582	2,051,640	1.95	400,924	205,602	11.50	4,316,301	375,331	44.00	\$ 11,434,201	259,888
1.40	292,973	209,195	21.50	4,805,617	223,517	1.40	275,805	197,718	4.50	976,109	215,913	1.40	481,276	343,769	2.40	476,841	198,684	10.40	2,786,025	287,887	43.00	\$ 10,095,546	234,790
1.00	293,280	293,280	6.00	2,422,933	403,822	0.50	164,640	329,280	3.40	1,078,150	317,103	3.00	1,115,812	371,937	0.75	243,303	324,404	2.50	1,162,919	465,167	17.15	\$ 6,481,036	377,903
1.70	176,491	103,818	14.15	1,628,935	115,119	-	-	-	2.20	365,180	166,991	0.60	176,415	294,025	1.50	159,129	106,086	6.80	2,068,855	304,243	26.95	\$ 4,375,005	169,759
4.00	511,694	127,924	30.00	6,165,303	205,510	2.00	215,400	109,200	14.00	2,742,063	195,862	3.50	853,290	246,654	54.00	10,687,616	201,623	32.50	13,049,338	401,518	140.00	\$ 34,435,704	245,909
31.36	6,315,282	201,380	153.91	32,789,937	213,046	4.40	\$ 1,338,181	304,132	55.42	\$ 13,484,894	245,322	14.88	\$ 4,572,658	311,489	69.97	\$ 18,376,540	262,635	113.90	\$ 43,461,422	381,575	443.64	\$ 120,338,914	271,254

% of total	7.1%	6.2%	34.7%	27.2%	1.0%	1.1%	12.6%	11.2%	3.8%	16.8%	15.3%	26.7%	36.1%
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¹ Except SPP, where the allocation of SPP overhead costs to statutory functions are recorded as Other Non-Operating Expenses.

2009 Compliance Budget Comparison

	Registered Entities	Direct & Indirect Costs Compliance and Organization Registration and Certification (Section 400 & 500)	Cost per Entity
NERC	1,837 \$	12,290,829 \$	6,691
FRCC	78 \$	2,368,004 \$	30,359
MRO	113 \$	3,460,035 \$	30,620
NPCC	264 \$	4,664,233 \$	17,668
RFC	364 \$	8,153,941 \$	22,401
SERC	222 \$	6,643,026 \$	29,924
SPP	124 \$	2,899,213 \$	23,381
TRE	200 \$	4,207,180 \$	21,036
WECC	472 \$	10,086,049 \$	21,369
Total	1,837 \$	54,772,510 \$	29,816

**ANALYSIS OF ADMINISTRATIVE (INDIRECT) COSTS
AND OTHER COMPARISONS OF NERC AND
REGIONAL ENTITY 2009 BUDGETS**

1. Analysis of Administrative (Indirect) Costs (Page 1 of Attachment 15)

a. Assumptions

i. Total Indirect Expenses is equal to the costs budgeted for Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Accounting and Finance for NERC and all Regional Entities, except FRCC. FRCC allocates all indirect costs to the program areas but identifies the total indirect expenses in its Business Plan and Budget.

ii. Total Indirect Costs and Total Statutory Budgeted Expenses have been adjusted to exclude the expense (additional funding requirement) associated with an increase or decrease of the Working Capital Reserve and for other significant, one-time costs as noted below, because these items are not representative of the ongoing, steady-state cost of the business activities. Significant, one-time costs excluded are (i) for NERC, the cost of the three-year performance assessment required to be submitted in 2009 and (ii) for NPCC, the cost of the relocation of its offices.

b. Observations

i. Based upon the comments provided to identify the expenses included in Indirect Costs, it is apparent that there are still some inconsistencies among NERC and the Regional Entities with regard to how these costs are being recorded. For example: NERC and all Regional Entities except WECC record as Indirect Costs the Salaries, Payroll Taxes, Benefits and Retirement Costs for FTEs that support the overhead functions listed in 1.a.i. above. WECC, in contrast, records Payroll Taxes for all statutory function FTEs as an Indirect Cost, which increases WECC's Indirect Expense as a percentage of Total Statutory Budgeted Expenses. NERC and the Regional Entities will continue to work to eliminate these and other inconsistencies in how Indirect Costs are recorded for future budget submissions.

ii. The primary factor causing the variance in the Adjusted Total Indirect Expenses as a percentage of Adjusted Total Statutory Budgeted Expenses is the allocation methodologies used to allocate indirect costs.

1. FRCC allocates all costs associated with the 3.5 FTEs in the overhead functions listed in 1.a.i. above directly to the program areas as a direct cost, when the FTE documents time spent on program-specific projects. The only costs reflected as indirect expenses are those that cannot be specifically identified as in support for a particular program. This allocation methodology results in a very low percentage of indirect costs to total costs for FRCC.

2. SPP allocates indirect funding costs directly to the program areas, which is similar to FRCC's methodology, also resulting in a very low percentage of indirect costs to total costs for FRCC.

3. Texas RE includes in Indirect Costs the allocation of overheads for support services provided by ERCOT per the Memorandum of Understanding with ERCOT (included in the Texas RE Business Plan and Budget, **Attachment 9**) for all statutory functions. This allocation methodology results in Texas RE having the highest percentage of indirect costs to total costs.

4. NERC, MRO, NPCC, *ReliabilityFirst*, SERC and WECC accumulate all expenses associated with FTEs in the administrative (overhead functions) and allocated the total administrative costs to the statutory programs based upon the FTEs in the statutory functions. As a result, the percentages of indirect costs to total costs for these entities are similar.

This analysis shows that while some of the differences among NERC and the Regional Entities in Total Indirect Expenses as a percentage of Total Statutory Budgeted Expenses can be explained by removing significant one-time cost items and by certain inconsistencies in how various entities record (or do not record) costs to the Indirect Expenses categories, NERC and the Regional Entities need to continue to work towards achieving greater consistency in the allocation and recording of Indirect Costs in future budget submissions.

2. Analysis of Direct Program Costs (Page 2 of Attachment 15)

a. Assumptions

i. Direct Program Costs is defined as all costs other than Other Non-Operating Expenses, except for SPP. SPP's allocation of overhead costs for the services provided by Southwest Power Pool, Inc. are recorded in Other Non-Operating Expenses and are included in the calculation of Direct Program Costs.

ii. Administration Costs include the costs recorded in Technical Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Accounting and Finance for NERC and all Regional Entities, except FRCC. Administrative Costs for FRCC equal the total indirect expenses identified in each program area in FRCC's Business Plan and Budget.

iii. The cost (additional funding requirement) to increase or decrease the Working Capital Reserve is excluded.

iv. Significant one-time costs (identified above) are excluded.

b. Observations: The cost per FTE for programs within each Regional Entity is fairly consistent with the following two exceptions:

i. FRCC's cost per FTE for Training and Education is comparatively high. This is due in part to the fact that FRCC records the costs of fees collected to offset workshop expenses separately as revenue. Offsetting these workshop fees against the related expenses reduces FRCC's Training and Education costs per FTE to \$427,800. Additionally, FRCC members, who participate in the System Operator Sub Committee, expend time on a volunteer basis to plan the training programs, thereby reducing the total FRCC staff time allocated to the program.

ii. ReliabilityFirst's budgeted cost per FTE for Training and Education is also relatively high. ReliabilityFirst's program costs represent training expenses incurred for member forums, compliance seminars and required board member training. Minimal FTE support (.05 FTE) is allocated directly to the program because the time spent to create the training material is charged directly to the respective program area and not to Training and Education.

3. 2009 CMEP and Organization Registration and Certification Budget Comparison (Page 3 of Attachment 15)

Page 3 of Attachment 15 shows the cost per registered entity for the 2009 budgets for the Compliance Monitoring and Enforcement and Organization Registration and Certification Program of NERC and each Regional Entity. The program costs shown are the direct costs of the program plus the indirect costs allocated to the program by NERC or the Regional Entity. While the budgeted cost per registered entity varies from Region to Region, NERC believes that the variances are not unreasonable. NERC believes the greater focus of attention for future years should be on managing the overall costs of this statutory program per registered entity (for 2009, the budgeted amounts average \$29,816 for NERC and all Regional Entities).

ATTACHMENT 16

The logo for NERC (North American Electric Reliability Corporation) features the letters "NERC" in a bold, black, sans-serif font. Below the letters is a horizontal blue bar with a white gradient.

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Expanded Policy on Allocation of Certain Compliance and Enforcement Costs

Expanded Policy on Allocation of Certain Compliance and Enforcement Costs

A reliable North American bulk power system benefits all those who live, work, and do business in North America. Reliability of the bulk power system also has the characteristics of a public good. Because of the interconnected nature of the international bulk power system, reliability problems in one location can lead to serious consequences across the grid. For that reason, each entity with reliability responsibilities has a strong interest that each other entity with reliability responsibilities operate in a reliable fashion. NERC's programs to improve the reliability of the bulk power system benefit all. For that reason, NERC's general policy (for example, see Section 1102 of the Rules of Procedure) is that all load should bear a fair share of the costs of the applicable programs, on the basis of net energy for load as a default, equitably allocated between countries. Being respectful of jurisdictional responsibilities, and consistent with executed agreements or memoranda of understanding between provincial and/or regulatory governmental authorities, NERC also considers incorporation of alternatives to the NEL based on allocation methodology for Province-specific costs associated with certain implementation aspects of the Compliance Monitoring and Enforcement Program within Canada, which can be apportioned based on the number and complexity of compliance audits conducted by NERC or a Regional Entity in a particular Province.

For example, the annual budget for NERC and the Regional Entities includes the costs of the Compliance Monitoring and Enforcement Program that the regions conduct under NERC oversight. In its implementation of the "Electricity Act" 1998 (Ontario), the government for the Province identified that the Ontario Independent Electric System Operator ("IESO"), should have primary responsibility for compliance monitoring and enforcement within Ontario. NERC and NPCC entered into a memorandum of understanding with the IESO in 2006 that recognizes the relative responsibilities of the three organizations. Because the IESO has primary responsibility for compliance, it is incurring costs that would otherwise have been incurred by NPCC.

In situations such as this, NERC believes it appropriate to give recognition to the compliance monitoring and enforcement activities conducted by an entity such as the IESO when NERC allocates its costs among those responsible for supporting NERC's annual budget. This special allocation will be available only in the following circumstances:

1. The special allocation adjustment will be available only for jurisdictions outside the United States, consistent with applicable agreements or memoranda of understanding with provincial regulatory and/or governmental authorities.
2. The special allocation adjustment will be available only for activities associated with a Compliance Monitoring and Enforcement Program. Other program areas will be subject to NERC's normal allocation policies.¹
3. The special allocation adjustment will be available only where the provincial government, by statute or regulation, has designated an entity other than a regional entity to have primary responsibility for reliability services such as compliance monitoring and enforcement and where NERC and the designated entity have entered into an agreement or memorandum of understanding recognizing the respective responsibilities of the various organizations.
4. The designated entity must actually be conducting an effective compliance monitoring and enforcement program.
5. The special allocation adjustment will be applied to the costs of the regional entity, and where appropriate, costs of NERC.

In addition, in the Province of Quebec, where the Régie de l'énergie may enter into an agreement with a body to monitor compliance with reliability standards and provide enforcement recommendations, NERC, the appropriate Regional Entity, and the designated entity will develop a Special Allocation Adjustment that takes account of all the facts and circumstances of the particular situation and is equitable to both the designated entity as well as all other entities.

The Special Allocation Adjustments are subject to approval of the NERC Board of Trustees.

Approved by the NERC Finance and Audit Committee: July 29, 2008

¹ Certain commenters requested that NERC also adopt a policy here that particular items be assigned only to those who benefit from that particular item. Section 1102.4 of NERC's Rules of Procedure already includes that policy.



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Adjustment to the IESO NERC 2009 Assessment

Background

The allocation policy adopted May 1, 2007 by the NERC Finance and Audit Committee, as amended and approved on July, 29, 2008 explicitly states that “*NERC believes it appropriate to give recognition to the compliance monitoring and enforcement activities conducted by an entity such as the IESO when NERC allocates its costs among those responsible for supporting NERC’s annual budget.*” The policy identifies five conditions that need to be met to consider an adjustment to the standard method of allocation (proportional net energy for load).

NERC believes that IESO has met all of the conditions identified in the policy in order to consider an adjustment to the NERC assessment.

Specific Compliance Monitoring and Enforcement Program Costs Not Applicable to the IESO

NERC has stated in the allocation policy that because IESO has primary responsibility for compliance, IESO is incurring the costs that would otherwise have been incurred by NERC. With that in mind, NERC reviewed the costs to be incurred in its Compliance Monitoring and Enforcement Program to identify and exclude the costs NERC believes do not apply to the arrangement that exists between IESO and NERC. In performing this review, NERC identified 18 staff positions (twelve compliance program coordinators, a manager of regional compliance program oversight, one compliance program interface specialist, one audit oversight specialist and four enforcement and mitigation staff) representing functions and activities that would be duplicative and should therefore be excluded from the overall IESO assessment.

NERC believes that the balance of the costs to be incurred in its Compliance Monitoring and Enforcement Program are expenses that fall in the category of the “public good” and that all load serving entities, including IESO’s, should bear a fair share of the costs of the applicable program on the basis of net energy for load.

This methodology for the 2009 Assessments is similar to the methodology utilized in the approved 2008 NERC Business Plan and Budget.

The adjustment to the IESO 2009 Assessment which is detailed on the following page, takes into account all of the direct costs associated with the activities identified above as well as a proportional share of all of NERC’s overhead costs based on net energy for load.

To effectuate the adjustment, NERC would exclude the IESO from the allocation of the costs detailed on the following page.

ADJUSTMENT TO THE IESO 2009 NERC ASSESSMENT

NERC CMEP Direct Costs	\$	6,481,457	
Adjustment Based on 18 of 31 FTE's	\$	3,763,427	
IESO NEL Share		3.327%	
IESO Direct Cost Credit	\$		125,209
NERC Indirect Costs	\$	13,305,337	
Less: Cost of Self-Assessment	\$	<u>1,050,000</u>	
	\$	12,255,337	
Adjustment Based on 18 of 71 FTE's	\$	3,106,987	
IESO NEL Share		3.327%	
IESO Indirect Cost Credit	\$		103,369
Total IESO Credit	\$		228,579

Assumptions:

1. NERC Costs are pursuant to the NERC 2009 Business Plan and Budget
2. IESO NEL Share is pursuant to the NERC 2009 Business Plan and Budget



Independent Electricity
System Operator
655 Bay Street
Suite 410, PO Box 1
Toronto, Ontario M5G 2K4
t 416 506 2800
www.ieso.ca

August 14, 2008

Mr. Bruce Walencyk
Chief Financial Officer
North American Electric Reliability Corporation
116 – 390 Village Blvd.
Princeton, NJ 08540

Dear Bruce:

Re: Acceptance of NERC's Expanded Policy on Allocation of Certain Compliance and Enforcement Costs – Approved by NERC FAC July 29, 2008; and Adjustment to the IESO NERC 2009 Assessment

The IESO has reviewed the above referenced documents and the associated IESO credit calculation; attached for your reference. Through this letter we accept the policy and the resultant credit which will be applied to the IESO's 2009 allocation.

Yours truly,

Nicholas Ingman
Manager
Regulatory Affairs

Attach.



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Adjustment to La Régie de l'énergie du Québec (Regie) NERC 2009 Assessment

Background

The allocation policy adopted May 1, 2007 by the NERC Finance and Audit Committee, as expanded and approved on July 29, 2008 states that *“Being respectful of jurisdictional responsibilities, and consistent with executed agreements or memoranda of understanding between provincial and/or regulatory governmental authorities, NERC also considers incorporation of alternatives to the NEL based on allocation methodology for Province-specific costs associated with certain implementation aspects of the Compliance Monitoring and Enforcement Program within Canada, which can be apportioned based on the number and complexity of compliance audits conducted by NERC or a Regional Entity in a particular Province”*. The policy further states *“...in the Province of Quebec, where La Régie de l'énergie du Québec may enter into an agreement with a body to monitor compliance with reliability standards and provide enforcement recommendations, NERC, the appropriate Regional Entity, and the designated entity will develop a Special Allocation Adjustment that takes account of all the facts and circumstances of the particular situation and is equitable to both the designated entity as well as all other entities.”*

Specific Compliance Monitoring and Enforcement Program Costs Not Applicable to the Regie

In accordance with this allocation policy, NERC recognizes the unique circumstances regarding compliance audits in Quebec. With that in mind, NERC reviewed the costs to be incurred in its Compliance Monitoring and Enforcement Program to identify and exclude the costs NERC believes do not apply to the arrangement that exists between Regie and NERC. In performing this review, NERC identified 9 compliance program coordinator positions representing functions and activities that would not be required in Quebec and should therefore be excluded from the overall Regie assessment.

NERC believes that the balance of the costs to be incurred in its Compliance Monitoring and Enforcement Program are expenses that fall in the category of the “public good” and that all load serving entities, including those in Quebec, should bear a fair share of the costs of the applicable program on the basis of net energy for load.

This methodology for the 2009 Assessments in Quebec is similar to the methodology utilized for assessments to the IESO in the approved 2008 NERC Business Plan and Budget and the 2009 NERC Business Plan and Budget.

The adjustment to the Regie 2009 Assessment which is detailed on the following page, takes into account all of the direct costs associated with the activities identified above as well as a proportional share of all of NERC’s overhead costs based on net energy for load.

To effectuate the adjustment, NERC would exclude the Regie from the allocation of the costs detailed on the following page.

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Princeton, NJ 08540
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ADJUSTMENT TO THE QUEBEC 2009 NERC ASSESSMENT

NERC CMEP Direct Costs	\$ 6,481,457		
Adjustment Based on 9 of 31 FTE's	\$ 1,881,713		
Quebec NEL Share	4.175%		
Quebec Direct Cost Credit		\$	78,562
NERC Indirect Costs	\$ 13,305,337		
Less: Cost of Self-Assessment	<u>\$ 1,050,000</u>		
	\$ 12,255,337		
Adjustment Based on 9 of 71 FTE's	\$ 1,553,493		
Quebec NEL Share	4.175%		
Quebec Indirect Cost Credit		\$	64,858
Total Quebec Credit		\$	143,420

Assumptions:

1. NERC Costs are pursuant to NERC 2009 Business Plan and Budget
2. NEL share is pursuant to NERC 2009 Business Plan and Budget

ATTACHMENT 17

(Available Upon Request)

ATTACHMENT 18

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Financial Statements

Year Ended December 31, 2007

**NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION**

Financial Statements

Year Ended December 31, 2007
(With Comparative Totals for 2006)

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

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Year Ended December 31, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
North American Electric Reliability Corporation

We have audited the accompanying statement of financial position of North American Electric Reliability Corporation (the "Corporation") as of December 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's 2006 combined financial statements, which includes the accounts of North American Electric Reliability Corporation and North American Electric Reliability Council, and in our report dated May 1, 2007, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North American Electric Reliability Corporation as of December 31, 2007, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules on pages 12 through 14 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Mercader, P.C.
Certified Public Accountants

June 12, 2008

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31, 2007
(With Comparative Totals for 2006)

	December 31.	
	2007	2006
ASSETS		
Cash and equivalents	\$ 8,532,029	\$ 4,830,467
Accounts receivable, net of allowance for uncollectible accounts of \$137,600 (2007) and \$10,600 (2006)	1,477,182	352,308
Prepaid expenses and other current assets	322,950	138,332
Security deposits	63,978	15,767
Cash value of insurance policies	321,777	224,454
Property and equipment	1,007,502	717,148
Total Assets	<u>\$11,725,418</u>	<u>\$ 6,278,476</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 965,261	\$ 494,779
Deferred income	2,918,200	1,496,260
Regional assessments collected in advance	5,153,105	3,147,246
Accrued vacation	-	163,331
Deferred compensation	458,521	387,790
Accrued retirement liabilities	663,650	548,229
Total Liabilities	10,158,737	6,237,635
Net Assets - unrestricted	1,566,681	40,841
Total Liabilities and Net Assets	<u>\$11,725,418</u>	<u>\$ 6,278,476</u>

See notes to financial statements.

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

(With Comparative Totals for the Year Ended December 31, 2006)

	Year Ended December 31,	
	2007	2006
Revenues		
NERC assessments	\$22,487,331	\$16,326,413
Testing/fees	664,564	611,989
Services and software	298,488	217,960
Workshops	107,825	416,637
Membership	70,000	145,000
Interest	198,140	104,545
Miscellaneous	1,679	1,061
Total revenues	23,828,027	17,823,605
Expenses		
Salaries	9,562,548	7,633,077
Employee costs	1,679,315	1,495,206
Retirement and savings plans	990,861	840,565
Travel and meetings	2,833,386	2,208,194
Services	5,098,694	4,437,016
Rent	707,935	416,413
Office costs	635,483	486,970
Computer	250,900	116,410
Programs	-	5,495
Depreciation and amortization	416,065	312,919
Bad debts	127,000	-
Total expenses	22,302,187	17,952,265
Increase (decrease) in unrestricted net assets	1,525,840	(128,660)
Net assets, beginning of year	40,841	169,501
Net assets, end of year	\$ 1,566,681	\$ 40,841

See notes to financial statements.

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,525,840	\$ (128,660)
Adjustments		
Depreciation and amortization	416,065	312,919
Bad debt expense	127,000	-
Accrued retirement liabilities	115,421	44,764
Increase (decrease) in cash from		
Accounts receivable	(1,251,874)	(255,901)
Other receivables	-	51,892
Prepaid expenses and other assets	(184,618)	(99,664)
Security deposits	(48,211)	-
Cash value of life insurance policies	(97,323)	(69,779)
Accounts payable and accrued expenses	470,482	(97,939)
Deferred income	3,427,799	3,750,805
Accrued vacation	(163,331)	(102,011)
Deferred compensation	70,731	44,288
Net cash provided by operating activities	<u>4,407,981</u>	<u>3,450,714</u>
 Cash Flows used in Investing Activities		
Purchases of property and equipment	<u>(706,419)</u>	<u>(452,753)</u>
Net increase in cash and equivalents	3,701,562	2,997,961
Cash and equivalents, beginning of year	<u>4,830,467</u>	<u>1,832,506</u>
Cash and equivalents, end of year	<u>\$ 8,532,029</u>	<u>\$ 4,830,467</u>

See notes to financial statements.

NORTH AMERICAN RELIABILITY CORPORATION

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

North American Electric Reliability Corporation (the "Corporation"), (formerly North American Electric Reliability Council (the "Council")) was formed in 1968 in the aftermath of the November 1965 blackout that affected the northeastern United States and Ontario, Canada. The Corporation's mission is to improve 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; evaluates owners, operators, and users for preparedness; and educates, trains and certifies industry personnel. The Corporation is a self-regulatory organization that relies on the diverse and collective expertise of industry participants. As the Electric Reliability Organization, the Corporation is subject to oversight and audit by the U.S. Federal Energy Regulatory Commission ("FERC") and governmental authorities in Canada. The activities of the Corporation are directed by its board of trustees.

The membership of the Corporation is unique. It is a not-for-profit corporation whose members include eight regional entities, load serving entities, users, owners and operators of the bulk power system and any other interested parties located within the eight regions. The regional entities and the load serving entities account for virtually all the electricity supplied in the United States of America, Canada, and a portion of Baja California Norte, Mexico.

On October 31, 2006, the Council entered into an agreement and plan of merger with the Corporation, a New Jersey nonprofit 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 Corporation's purpose remains the same as the Council's, with additional authority given by the Federal Energy Regulatory Commission to act as the Electric Reliability Organization for the United States of America and for Canada and Mexico as recognized by applicable government and regulatory authorities in such countries. Under FERC, the Corporation has the authority to levy fines and penalties against any of the individual load serving entities ("LSE") within the eight regions for non-compliance with the reliability standards that govern the bulk power system industry.

Annually, the board of trustees approves an operating budget for the Corporation that includes a mechanism to adjust the overall assessments to LSE's to maintain an operating reserve of ten percent of the net assessments. 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 LSE's make up approximately ninety percent of the overall funding of 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.

NORTH AMERICAN RELIABILITY CORPORATION

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Organization (continued)

Under FERC, the Corporation must annually approve the eight regional entities budgets and submit them to FERC for final approval. 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 H.

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. FERC stated that voluntary compliance with the Corporation's additional standards should continue as good utility practice. Effective June 18, 2007, compliance with approved Reliability Standards became mandatory and enforceable in the United States.

Principles of Combination

For the year ended December 31, 2006, the combined financial statements include the accounts of the Corporation and the Council (collectively, the "Organization") and all significant intercompany balances and transactions have been eliminated. Financial statements for the year ended December 31, 2007 include only the accounts of the Corporation.

Basis of Accounting

The financial statements of the Corporation for the year ended December 31, 2007 and combined financial statements of the Organization for the year ended December 31, 2006 have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Corporation has no temporarily or permanently restricted net assets.

Cash and equivalents

For the purpose of the statement of cash flows, cash equivalents include certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

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 reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NORTH AMERICAN RELIABILITY CORPORATION

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Corporation recognizes assessment revenue billed to the LSE's 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. Penalty and fine income (since it is subject to an appeals process) is recognized in the year when the appeals are exhausted and the outcome is determined.

Accounts Receivable

The change in net assets is charged with an allowance for estimated uncollectible accounts based on past experience and an analysis of current accounts receivable collectibility. Accounts deemed uncollectible are charged to the allowance in the years they are deemed uncollectible.

Property and Equipment

Property and equipment are recorded at cost, net of accumulated depreciation and amortization. Depreciation and amortization is provided over the estimated useful lives of the assets using the straight-line method over periods of three to seven years. Leasehold improvements are amortized over the lesser of the estimated useful life or the remaining lease terms. Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred. It is the Corporation's policy to write off fully depreciated property and equipment in the year that it becomes fully depreciated.

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.

Comparative Financial Information

The financial statements include certain prior year comparative information for the Corporation. Such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2006, from which the information was derived.

B. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>December 31.</u>	
	<u>2007</u>	<u>2006</u>
Leasehold improvements	\$ 199,947	\$ 66,750
Furniture and equipment	1,074,059	885,362
Software development	<u>768,144</u>	<u>584,205</u>
Subtotal	2,042,150	1,536,317
Accumulated depreciation and amortization	<u>1,034,648</u>	<u>819,169</u>
Total	<u>\$ 1,007,502</u>	<u>\$ 717,148</u>

Depreciation and amortization expense was \$416,065 and \$312,919 for the years ended December 31, 2007 and 2006, respectively.

NORTH AMERICAN RELIABILITY CORPORATION

NOTES TO FINANCIAL STATEMENTS

C. LINES OF CREDIT

On February 23, 2007, the Corporation entered into a \$4,000,000 committed line of credit and a \$1,000,000 discretionary line of credit (collectively, the "Lines") with a New Jersey bank (the "Lender"). The Lines accrue interest at prime plus 0.5% (prime at December 31, 2007 was 7.25%). Subsequent to December 31, 2007, the lines, which were originally set to expire on May 23, 2008 were extended to July 22, 2008. Total borrowings under the committed line may not exceed 70% of the qualified accounts receivable. The lines are secured by all existing and future assets. As part of the committed line of credit agreement, the Corporation must maintain \$500,000 in a non-interest bearing account with the Lender. There were no borrowings outstanding at December 31, 2007 and 2006. However, at December 31, 2007, the available amount under the lines were reduced by an open letter of credit of \$48,211 which represents a security deposit for the Corporation's office in Washington D.C.

D. OPERATING LEASE COMMITMENT

The Corporation leases its primary corporate office space at Forrestal Village, Princeton, New Jersey. The current lease began September 1, 1993, and expires May 31, 2013. The Corporation also leases office space located in Washington, D.C. The lease commenced on April 1, 2007, and expires on March 31, 2013. The following is a schedule of future minimum rental payments required under the leases:

Year Ending December 31,	
2008	\$ 670,400
2009	701,523
2010	732,708
2011	735,288
2012	737,932
Thereafter	<u>289,567</u>
Total minimum future rental payments	<u>\$ 3,867,418</u>

In addition to the above rental payments, the leases are subject to escalation clauses covering increases in real estate taxes and operating costs over the base year.

Office rent expense for the years ended December 31, 2007 and 2006, was \$707,935 and \$416,413, respectively.

E. 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 up to 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 contributions to the Plan for the years ended December 31, 2007 and 2006, were \$990,861 and \$827,486, respectively. The contributions accrued as of December 31, 2007 and 2006, amounted to \$663,650 and \$548,229, respectively.

NORTH AMERICAN RELIABILITY CORPORATION

NOTES TO FINANCIAL STATEMENTS

F. DEFERRED COMPENSATION AGREEMENTS AND LIFE INSURANCE

During 2005, the Council entered into a deferred compensation agreement with a retiring executive that provides benefits to the individual upon reaching normal retirement age and is payable over a period selected by the retiring employee. Under certain circumstances, benefits are payable to his surviving spouse. The present value of the estimated liability under the agreement at December 31, 2007 and 2006, has been accrued using a discount rate of 4.91 and 5.00 percent, respectively. The Corporation has provided for some of the benefit funding through a variable universal life policy. The net unfunded deferred compensation liability relating to this agreement totaled \$136,744 and \$163,336, for the years ended December 31, 2007 and 2006, respectively. The Corporation assumed the liabilities upon merger with the Council effective January 1, 2007.

The Corporation is the owner and the primary beneficiary or co-beneficiary of life insurance policies on key employees. The face value of the policies in which the Corporation is a primary or co-beneficiary is \$1,868,500 and \$1,579,502 at December 31, 2007 and 2006, respectively. At December 31, 2007 and 2006, the cash surrender value of all policies were \$321,777 and \$224,454, respectively of which, based on co-beneficiary designations, the Corporation's expected share of the cash surrender value is \$126,042 and \$88,548, respectively.

In the event that employees are terminated from the Corporation, they are entitled to the cash value and funded amount in the policy at time of termination.

G. CONCENTRATION OF RISK AND UNCERTAINTIES

The Corporation maintains cash balances that may exceed federally insured limits. The Corporation historically has not experienced any credit-related losses. The Corporation receives a significant portion of its income from assessments, based upon "net energy for load", to LSE's within the eight regions which are located throughout the United States of America, Canada, and a portion of Baja California Norte, Mexico. LSE's 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 LSE's or, in some circumstances, designees. With respect to LSE's located within Texas Regional Entity ("TRE"), an independent division of Electric Reliability Council of Texas, Inc. ("ERCOT"), the Corporation issues a quarterly invoice to ERCOT which then issues invoices to the LSE's in its region, collects the assessments and remits the funds to the Corporation. The Corporation then remits the regional assessments to TRE/ERCOT. A similar arrangement exists with respect to LSE's located within the Western Electricity Coordinating Council ("WECC"). For LSE's located within the PJM Interconnection ("PJM"), the Corporation issues invoices to PJM which issues invoices to the LSE's, 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 LSE's 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 LSE's or designees. Based on past history, the Corporation believes that its trade accounts receivable credit risk exposure is limited.

NORTH AMERICAN RELIABILITY CORPORATION

NOTES TO FINANCIAL STATEMENTS

H. REGIONAL ASSESSMENTS

In addition to Corporation assessments billed to LSE's 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 LSE's 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 2007, the regional assessments were:

Total regional assessments billed to WECC, ERCOT, individual LSE's and designees	\$ 46,270,289
Total regional assessments remitted to regional entities	<u>(46,270,289)</u>
Billings over remittances	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

SCHEDULES OF EXPENSES

	<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Salaries	<u>\$ 9,562,548</u>	<u>\$ 7,633,077</u>
Employee costs		
Payroll taxes		
FICA	\$ 403,629	\$ 320,378
NJUC	35,786	32,183
FUI	5,386	4,393
Medicare	139,149	110,586
Employee benefits - medical	835,292	637,910
Employee benefits - life/disability	91,461	69,371
Employee benefits - officers life	54,329	116,899
Insurance - workers' compensation	21,919	23,426
Relocation expenses	66,462	148,678
Educational	<u>25,902</u>	<u>31,382</u>
	<u>\$ 1,679,315</u>	<u>\$ 1,495,206</u>
Retirement and savings plans		
Pension and savings plan administrative expenses	\$ -	\$ 13,079
401(k) savings plan	<u>990,861</u>	<u>827,486</u>
	<u>\$ 990,861</u>	<u>\$ 840,565</u>
Travel and meetings		
Meetings	\$ 948,728	\$ 780,030
Workshops	168,184	285,100
Travel	1,595,039	1,026,123
On-line meetings	<u>121,435</u>	<u>116,941</u>
	<u>\$ 2,833,386</u>	<u>\$ 2,208,194</u>

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

SCHEDULES OF EXPENSES (CONTINUED)

	<u>Year Ended December 31.</u>	
	<u>2007</u>	<u>2006</u>
Services		
Temporary office services and agency fees	\$ 148,908	\$ 75,623
Contract and consultants		
Consultants, compliance, certification, software, TMS, standards, and contract- readiness audits	2,119,998	1,840,677
IDC	1,347,985	1,212,260
ISN	333,651	200,458
Independent trustee fees	565,500	562,000
Search fees	66,300	7,906
Contract services and fees	-	281,095
Office and equipment repair/service	18,733	23,758
Electronic mail	-	6,063
PC-GAR	-	93,815
Accounting and auditing fees	52,803	54,553
Legal fees	444,816	78,808
	<u>\$ 5,098,694</u>	<u>\$ 4,437,016</u>
Rent	<u>\$ 707,935</u>	<u>\$ 416,413</u>
Office costs		
Insurance - commercial	\$ 45,598	\$ 38,767
Publications and subscriptions	25,619	19,725
Dues	35,116	24,670
Postage	16,239	8,410
UPS, express mail, etc.	34,370	20,496
Freight and pickup	-	1,563
Telephone	169,713	129,337
Copying	39,758	26,785
Stationery and office forms	10,314	7,258
Office supplies	115,605	68,564
Graphics	-	1,948
Bank charges	25,817	6,632
Printing and reports	-	5,234
Sales and use tax	7,359	3,307
Card fees	24,384	38,335
Internet expense	66,362	75,956
Miscellaneous	19,229	9,983
	<u>\$ 635,483</u>	<u>\$ 486,970</u>

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

SCHEDULES OF EXPENSES (CONTINUED)

	<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Computer		
Computer - supplies/service contracts	<u>\$ 250,900</u>	<u>\$ 116,410</u>
Programs		
Presentation and publicity	<u>\$ -</u>	<u>\$ 5,495</u>
Depreciation and amortization	<u>\$ 416,065</u>	<u>\$ 312,919</u>
Bad debt expense	<u>\$ 127,000</u>	<u>\$ -</u>

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

Financial Statements

Year Ended December 31, 2007

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES
December 31, 2007**

Harper Van Scoik
& company, LLP
CPAs AND BUSINESS ADVISORS

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

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INDEPENDENT AUDITORS' REPORT

Harper, Van Scoik & company, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

PRIVATE COMPANIES
PRACTICE SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Florida Reliability Coordinating Council, Inc. (a nonprofit organization) as of December 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Reliability Coordinating Council, Inc. as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statutory and nonstatutory schedules on pages 12 to 16, inclusive, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Harper, Van Scoik & Company, LLP

March 3, 2008

FINANCIAL STATEMENTS

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2007

ASSETS

Current assets:	
Cash and cash equivalents	\$ 924,056
Member receivables	64,437
Other receivables	8,157
Prepaid expenses	<u>21,686</u>
Total current assets	1,018,336
Property and equipment - at cost	
Equipment and computers	301,954
Software	248,491
Furniture and fixtures	177,946
Leasehold improvements	<u>55,808</u>
Total	784,199
Less accumulated depreciation and amortization	<u>(390,532)</u>
Total property and equipment - at cost	393,667
Other assets:	
Deposits	<u>26,600</u>
Total assets	<u><u>\$ 1,438,603</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 252,144
Payroll related liabilities	198,200
Current portion of accrued postretirement benefit obligation	9,931
Related party payable	90,536
Accrued expenses	<u>195,246</u>
Total current liabilities	746,057
Long-term liabilities:	
Accrued postretirement benefit obligation	231,520
Net assets:	
Unrestricted - board-designated	<u>461,026</u>
Total liabilities and net assets	<u><u>\$ 1,438,603</u></u>

See Notes to Financial Statements.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

STATEMENT OF ACTIVITIES
For the year ended December 31, 2007

Revenues:	
Nonstatutory member assessments	\$ 2,566,459
Statutory member assessments	2,450,839
Special assessments	322,897
Training and education fees	60,210
Postretirement benefit gain	13,062
Interest income	10,925
	<hr/>
Total revenue	5,424,392
Expenses:	
Consultants	1,051,642
Salaries	1,995,711
Facilities rental	249,928
Employee benefits	248,677
Retirement and deferred compensation plans	214,800
Telecommunications	22,402
Employee training and employment costs	90,190
Legal and accounting	151,687
Payroll taxes	123,198
Travel	101,564
Meetings	100,333
Depreciation and amortization	77,845
Office costs	579,701
Other	3,406
Repairs and maintenance	35,219
	<hr/>
Total expenses	5,046,303
Increase in net assets before effect on postretirement obligation of adoption of SFAS 158	378,089
Effect of adoption of SFAS 158	<hr/> 557,656
Increase in net assets	935,745
Net deficit - beginning of year	<hr/> (474,719)
Net assets - end of year	<hr/> <hr/> \$ 461,026

See Notes to Financial Statements.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

STATEMENT OF CASH FLOWS
For the year ended December 31, 2007

Cash flows from operating activities:	
Cash received from members	\$ 5,393,222
Cash paid to suppliers and employees	(4,778,604)
Interest received	<u>10,925</u>
Net cash provided by operating activities	625,543
Cash flows from investing activities	
Purchases of property and equipment	<u>(317,286)</u>
Net cash used in investing activities	<u>(317,286)</u>
Net increase in cash	308,257
Cash and cash equivalents at beginning of year	<u>615,799</u>
Cash and cash equivalents at end of year	<u><u>\$ 924,056</u></u>
Reconciliation of increase in net assets to net cash provided by operating activities	
Increase in net assets	\$ 935,745
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	77,365
Decrease in receivables, prepaid expenses and other assets	104,137
Decrease in accounts payable and accrued expenses	<u>(491,704)</u>
Total adjustments	<u>(310,202)</u>
Net cash provided by operating activities	<u><u>\$ 625,543</u></u>

See Notes to Financial Statements.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

1. General and Summary of Significant Accounting Policies

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

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

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

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

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

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Company considers highly liquid money market funds to be cash equivalents. At year end, cash equivalents totaled approximately \$479,220.

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

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

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

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

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

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

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

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

Deferred Compensation – The Company implemented an executive deferred compensation plan subject to Section 457(f) of the Internal Revenue Code in 2004. For the year ended December 31, 2007, the Company contributed \$20,029 to benefit the participants in this Plan.

Postretirement Benefits Other Than Pensions – The Company sponsors a postretirement health care plan covering employees hired before October 1, 2003 if the retiree completes 10 years of service prior to retirement, is over the age of 60 at retirement and participates in the Company's IRS qualified retirement or profit-sharing plan at the time of retirement. The plan is noncontributory for retirees (see Note 4).

2. **Commitments**

The Company is providing Florida Electric Power Coordinating Group, Inc. ("FCG"), a related company, with administrative and accounting services, including the use of office space. FCG reimbursed the Company approximately 7.89% of the Company's administrative expenses in 2007 (see Note 6). The service agreement with FCG is a one-year agreement that will automatically renew unless canceled in advance by either party. The original agreement was renewed for an additional year in February 2008.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

2. Commitments (Continued)

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

In January 2003, the President and Chief Executive Officer ("CEO") of the Company retired and accepted a consulting position with the Company. In accordance with the Management and Consulting Agreement, the former employee shall serve as Acting President and CEO and oversee the day-to-day operations of the Company. The original agreement was extended through February 2007, at which time it was terminated due to a new President and CEO being hired. Total consulting expense related to this agreement for the year ended December 31, 2007 was approximately \$136,223.

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

In June 2007, the Company entered into an agreement with Open Access Technology International, Inc. to provide certain webOASIS (Open Access Same-time Information System) and webTrans services for six of the Company's customers. The initial term of the agreement is 36 months at \$3,000 per member.

In November 2007, the Company entered into an agreement to purchase Compliance Tracking System software from Guidance Solutions, Inc. for \$95,000 plus \$18,000 for training. A down payment of \$30,000 was made in 2007 and remainder of \$65,000 plus the \$18,000 for training is due in 2008 upon completion of certain benchmarks.

With the planned expansion of the Compliance function and staff, 3,124 square feet of additional space was negotiated with the current landlord to begin February 1, 2008. Contracts for Leasehold Improvements and Office Furniture needed to have the space habitable were negotiated and committed to. The total of these purchase commitments is approximately \$59,000 of which a down-payment of approximately \$33,000 was made in 2007.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

3. Operating Leases

The Company leases its facilities and has operating leases that expire January 31, 2013. On November 19, 2007 the Company entered into a lease agreement for additional space to be completed and occupied on February 1, 2008 to house the Compliance department (see footnote 2) and is reflected in the below obligation. Minimum future rental payments are:

Year ended December 31,	
2008	\$ 317,206
2009	335,874
2010	348,052
2011	360,662
2012	374,946
Thereafter	<u>31,345</u>
	<u><u>\$ 1,768,085</u></u>

Rent expense charged to operations during the year ended December 31, 2007 was \$258,635.

The Company rented computer facilities on a month-to-month basis from January through April in order to run a particular application (FTMS). Rental expense charged to operations for this operating lease was \$8,560 for the year ended December 31, 2007. That application was brought in-house and a new system was written by OATI to replace this system.

4. Postretirement Benefits Other Than Pensions

The Company adopted SFAS 158, "*Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*," on December 31, 2007, which requires companies to report the funded status (defined as the difference between the fair value of plan assets and the plan's benefit obligation) of their defined benefit and other postretirement plans. The net effect of the adoption is a \$557,656 increase to unrestricted net assets.

The following table sets forth the plan's funded status reconciled with the amount shown in the Company's statement of financial position at December 31, 2007:

Accumulated postretirement benefit obligation	\$ 241,451
Plan assets at fair value	<u>-</u>
Funded status	<u><u>\$ (241,451)</u></u>
Accrued postretirement benefit obligation:	
Current portion	\$ 9,931
Long-term portion	<u>231,520</u>
	<u><u>\$ 241,451</u></u>

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

4. Postretirement Benefits Other Than Pensions (Continued)

The following provides the components of net periodic postretirement benefit gain for the year ended December 31, 2007.

Service cost	\$	(13,522)
Interest cost		(15,597)
Benefits paid		5,694
Amortization of unrecognized net obligation at transition		(10,664)
Recognition of net actuarial gain		<u>47,151</u>
 Net periodic postretirement benefit gain	 \$	 <u><u>13,062</u></u>
 Items not yet recognized as a component of net periodic postretirement benefit cost		
Unrecognized net gain	\$	661,623
Unrecognized net transition obligations		<u>(103,967)</u>
	\$	<u><u>557,656</u></u>

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

Year ended December 31,		
2008	\$	9,931
2009		10,549
2010		11,132
2011		11,674
2012		12,164
Thereafter		<u>87,567</u>
	\$	<u><u>143,017</u></u>

Amounts included in unrestricted net assets and expected to be recognized as components of net periodic benefit gain (cost) next year include amortization of unrecognized net obligation at transition and net actuarial gain of approximately (\$11,000) and \$47,000, respectively. For measurement purposes, an 8% annual rate increase in the per capita cost of covered health care benefits was assumed for 2007; the rate was assumed to decrease gradually to 5% for 2014 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, if assumed health care cost trend rates were increased by one percentage point in each year, the accumulated postretirement benefit obligation at December 31, 2007 would be increased \$36,626 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended December 31, 2007 would be increased by \$4,060.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

The weighted average discount rate used in estimating the accumulated postretirement benefit obligation was 7%. Salary increases were estimated at 5% per year and mortality was based on the 1983 Group Annuity Mortality Table. The measurement date of the accumulated postretirement benefit obligation was December 31, 2007.

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

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

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

5. **Retirement Plan**

Effective January 1, 2001, the Company adopted a 401(k) Plan ("Plan") intended to benefit substantially all employees with six months of service and 21 years of age. On September 30, 2007 the plan was amended to enable employees with one hour of service to be eligible to enter the plan. Participants can contribute any amount of their compensation for the Plan year, not to exceed the limits determined by the Internal Revenue Code. The Company may make matching contributions with prescribed limits. The Company may also make additional discretionary contributions to the Plan. The Company made matching contributions to the Plan of \$75,487 and a discretionary contribution to the Plan of \$144,881 for the year ending December 31, 2007.

6. **Related Party**

Various members of the Company are founding members of FCG and the organizations, excluding the board of directors, are under common management. FCG is a nonprofit organization operating under Section 501(c)(6) of the Internal Revenue Code and is exempt from federal and state income taxes. At December 31, 2007, the Company's payable to FCG was \$90,536 and for the year ending December 31, 2007, the Company had billed a total of \$222,272 and collected \$311,238 from FCG relating to the service agreement (see Note 2).

7. **Concentrations**

Three members make up approximately 60% of the nonstatutory assessments and dues. The same three members comprise 60% of the statutory assessment that NERC bills directly in order to fund the Company for its statutory functions.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

8. Functional Expenses

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

Statutory expenses:	
Training and education	\$ 156,312
Situational awareness	17,376
General and administrative	43,988
Compliance enforcement	717,441
Organization registration	61,146
Reliability readiness	36,965
Reliability assessment	848,892
Reliability standards	272,175
Total statutory expenses	2,154,295
 Nonstatutory expenses:	
Planning committee	26,525
Operations committee	1,020,057
Florida OASIS Association	324,404
General and administrative	1,521,022
Total nonstatutory expenses	2,892,008
Total expenses	\$ 5,046,303

9. Net Assets

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

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

Statutory	\$ 367,679
Nonstatutory	93,347
Total unrestricted - board-designated net assets	\$ 461,026

SUPPLEMENTAL INFORMATION

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

**TOTAL STATUTORY AND NONSTATUTORY
December 31, 2007**

	2007 YTD Actual	2007 YTD Budget	2007 YTD Variance
Funding			
Assessments	\$ 5,017,298	\$ 4,936,920	\$ 80,378
Testing	-	-	-
Services & Software	322,897	-	322,897
Workshops	60,210	-	60,210
Interest	10,925	-	10,925
Misc.	-	-	-
Total Funding	5,411,330	4,936,920	474,410
Expenses			
Personnel Expenses			
Salaries	1,995,711	1,797,775	197,936
Payroll Taxes	123,198	117,257	5,941
Employee Benefits	338,867	337,820	1,047
Savings & Retirement	214,800	229,350	(14,550)
Total Personnel Expenses	2,672,575	2,482,202	190,373
Meeting Expenses			
Meetings	102,759	60,033	42,726
Travel	101,564	95,084	6,480
Conference Calls	19,976	16,277	3,699
Total Meeting Expenses	224,299	171,394	52,905
Operating Expenses			
Rent & Improvements	249,928	247,692	2,236
Contracts & Consultants	1,061,350	1,404,498	(343,148)
Office Costs	545,735	165,408	380,327
Professional Services	179,351	56,554	122,797
Computer Purchase & Maint.	35,219	113,300	(78,081)
Furniture & Equipment	317,286	126,624	190,662
Total Operating Expenses	2,388,869	2,114,076	274,793
Total Expenses	5,285,743	4,767,672	518,071
Contingency	-	169,249	(169,249)
Net Change in Assets	\$ 125,587	\$ (1)	\$ 125,588

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

**STATUTORY FINANCIAL – NERC
December 31, 2007**

	2007 YTD Actual	2007 YTD Budget	2007 YTD Variance
Funding			
Assessments	\$ 2,450,294	\$ 2,450,294	\$ (0)
Testing	-	-	-
Services & Software	-	-	-
Workshops	60,210	-	60,210
Interest	10,925	-	10,925
Misc.	545	-	545
Total Funding	<u>2,521,974</u>	<u>2,450,294</u>	<u>71,680</u>
Expenses			
Personnel Expenses			
Salaries	1,148,932	1,038,639	110,293
Payroll Taxes	71,359	63,954	7,405
Employee Benefits	176,236	144,246	31,990
Savings & Retirement	123,616	129,304	(5,688)
Total Personnel Expenses	<u>1,520,143</u>	<u>1,376,143</u>	<u>144,000</u>
Meeting Expenses			
Meetings	84,346	35,493	48,853
Travel	72,818	46,571	26,247
Conference Calls	10,733	13,397	(2,664)
Total Meeting Expenses	<u>167,897</u>	<u>95,461</u>	<u>72,436</u>
Operating Expenses			
Rent & Improvements	119,295	131,666	(12,371)
Contracts & Consultants	107,574	461,867	(354,293)
Office Costs	44,043	113,109	(69,066)
Professional Services	136,437	41,706	94,731
Computer Purchase & Maint.	18,646	1,094	17,552
Furniture & Equipment	161,322	60,000	101,322
Total Operating Expenses	<u>587,316</u>	<u>809,442</u>	<u>(222,126)</u>
Total Expenses	<u>2,275,356</u>	<u>2,281,046</u>	<u>(5,690)</u>
Contingency	<u>-</u>	<u>169,249</u>	<u>(169,249)</u>
Net Change in Assets	<u>\$ 246,617</u>	<u>\$ (1)</u>	<u>\$ 246,618</u>

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

STATUTORY FINANCIAL BY FUNCTION – NERC
December 31, 2007

	RSD 0300	CME 0400	ORC 0500	PC 0600	RE 0700	RA 0800	TE 0900	SA 1000	GA 2000			
	RELIAB STD DEV	COMP ENFORC	ORG & CERT	PERS CERT	RELIAB READI	RELIAB ASSESS	TRAINING & EDUC	SIT AWARE	GENERAL ADMIN	2007 YTD Actual	2007 YTD Budget	2007 YTD Variance
Funding												
Assessments	\$ 168,568	\$ 1,033,321	\$ -	\$ -	\$ 35,153	\$ 682,587	\$ 41,496	\$ 489,168	\$ -	\$ 2,450,293	\$ 2,450,294	\$ (1)
Testing	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	60,210	-	-	60,210	-	60,210
Interest	-	-	-	-	-	-	-	-	10,925	10,925	-	10,925
Misc.	-	-	-	-	-	-	-	-	546	546	-	546
Total Funding	168,568	1,033,321	-	-	35,153	682,587	101,706	489,168	11,470	2,521,974	2,450,294	71,680
Expenses												
Personnel Expenses												
Salaries	157,468	396,081	38,416	-	19,310	477,169	54,828	5,661	-	1,148,932	1,038,639	110,293
Payroll Taxes	9,869	24,390	2,458	-	3,409	27,402	3,471	360	-	71,359	63,954	7,405
Employee Benefits	21,556	65,671	5,185	-	2,723	72,349	7,734	842	175	176,236	144,246	31,990
Savings & Retirement	16,372	43,925	3,629	-	1,876	51,776	5,487	551	-	123,616	129,304	(5,688)
Total Personnel Expenses	205,265	530,066	49,689	-	27,318	628,696	71,519	7,415	175	1,520,143	1,376,143	144,000
Meeting Expenses												
Meetings	1,153	13,452	253	-	118	5,099	62,207	871	1,193	84,346	35,493	48,853
Travel	21,065	20,711	562	-	4,018	19,103	4,685	2,289	385	72,818	46,571	26,247
Conference Calls	1,217	3,599	151	-	72	4,352	947	352	43	10,733	13,397	(2,664)
Total Meeting Expenses	23,435	37,762	966	-	4,209	28,554	67,839	3,511	1,621	167,897	95,461	72,436
Operating Expenses												
Rent & Improvements	16,269	41,279	3,939	-	2,002	49,581	5,637	587	-	119,295	131,666	(12,371)
Contracts & Consultants	7,580	17,138	2,043	-	933	77,070	2,810	-	-	107,574	461,867	(354,293)
Office Costs	4,596	13,714	1,078	-	572	16,703	3,499	3,825	55	44,042	113,109	(69,067)
Professional Services	7,739	56,483	1,755	-	961	24,493	2,589	278	42,137	136,437	41,706	94,731
Computer Purchase & Maint.	2,521	6,630	613	-	278	7,637	881	86	-	18,646	1,094	17,552
Furniture & Equipment	6,904	80,382	1,873	-	774	58,105	2,604	6,056	4,624	161,322	60,000	101,322
Total Operating Expenses	45,608	215,627	11,301	-	5,520	233,590	18,021	10,832	46,816	587,315	809,442	(222,127)
Total Expenses	274,309	783,455	61,956	-	37,046	890,840	157,378	21,758	48,612	2,275,355	2,281,046	(5,691)
Contingency	-	-	-	-	-	-	-	-	-	-	169,249	(169,249)
Net Change in Assets	\$ (105,741)	\$ 249,866	\$ (61,956)	\$ -	\$ (1,893)	\$ (208,253)	\$ (55,672)	\$ 467,410	\$ (37,141)	\$ 246,618	\$ (1)	\$ 246,619

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

**NONSTATUTORY MEMBER SERVICES
December 31, 2007**

	2007 YTD Actual	2007 YTD Budget	2007 YTD Variance
Funding			
Assessments	\$ 2,566,459	\$ 2,486,626	\$ 79,833
Testing			-
Services & Software	322,897		322,897
Workshops			-
Interest			-
Misc.			-
Total Funding	<u>2,889,356</u>	<u>2,486,626</u>	<u>402,730</u>
Expenses			
Personnel Expenses			
Salaries	846,779	759,136	87,643
Payroll Taxes	51,838	53,303	(1,465)
Employee Benefits	162,631	193,574	(30,943)
Savings & Retirement	91,184	100,046	(8,862)
Total Personnel Expenses	<u>1,152,432</u>	<u>1,106,059</u>	<u>46,373</u>
Meeting Expenses			
Meetings	18,413	24,540	(6,127)
Travel	28,746	48,513	(19,767)
Conference Calls	9,243	2,880	6,363
Total Meeting Expenses	<u>56,403</u>	<u>75,933</u>	<u>(19,530)</u>
Operating Expenses			
Rent & Improvements	130,633	116,026	14,607
Contracts & Consultants	953,776	942,631	11,145
Office Costs	501,692	41,520	460,172
Professional Services	42,915	25,627	17,288
Computer Purchase & Maint.	16,574	112,206	(95,632)
Furniture & Equipment	155,964	66,624	89,340
Total Operating Expenses	<u>1,801,554</u>	<u>1,304,634</u>	<u>496,920</u>
Total Expenses	<u>3,010,389</u>	<u>2,486,626</u>	<u>523,763</u>
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Assets	<u>\$ (121,032)</u>	<u>\$ -</u>	<u>\$ (121,032)</u>

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.
NONSTATUTORY FINANCIAL BY SERVICE
December 31, 2007

	ATCWG 0090 ATC Working Group	RWG 0088 Resource Working Group	=PC Total Planning Committee	ORS 0083 Operating Reliab Subcom	TS 0086 Telecomm Subcom	=OC Total Operating Committee	FOA 0045 FL Oasis Assoc	GA 2000 GENERAL ADMIN	2007 YTD Actual	2007 YTD Budget	2007 YTD Variance
Funding											
Assessments/Testing	\$ 23,871	\$	23,871	\$ 745,188		\$ 745,188		\$ 1,797,400	\$ 2,566,459	\$ 2,486,626	\$ 79,833
Services & Software											
Workshops											
Interest											
Misc.											
Total Funding	23,871	-	23,871	745,188	-	745,188		1,797,400	2,889,356	2,486,626	402,730
Expenses											
Personnel Expenses											
Salaries											
Payroll Taxes											
Employee Benefits											
Savings & Retirement											
Total Personnel Expenses								846,779	846,779	759,136	87,643
Meeting Expenses											
Meetings	1,625	242	1,867	1,149	46	1,195		15,169	18,413	24,540	(6,127)
Travel	299	50	349	1,129		1,129		27,268	28,831	48,513	(19,682)
Conference Calls	111	73	184	1,356	11	1,368		7,606	9,158	2,880	6,278
Total Meeting Expenses	2,035	365	2,400	3,635	58	3,692		50,043	56,403	75,933	(19,530)
Operating Expenses											
Rent & Improvements											
Contracts & Consultants	10,583	13,444	24,027	685,001		685,001		130,633	130,633	116,026	14,607
Office Costs		98	98	88,375	231,767	320,141		56,176	953,776	942,631	11,145
Professional Services								66,396	522,201	41,520	480,681
Computer Purchase & Maint.				100		100		34,825	34,825	25,627	9,198
Furniture & Equipment				119,341		119,341		4,054	4,154	112,206	(108,052)
Total Operating Expenses	10,583	13,542	24,125	892,817	231,767	1,124,583		36,623	155,964	66,624	89,340
Total Expenses	12,618	13,907	26,525	896,451	231,825	1,128,276		324,138	1,801,553	1,304,634	496,919
Contingency											
Net Change in Assets	\$ 11,253	\$ (13,907)	\$ (2,654)	\$ (151,263)	\$ (231,825)	\$ (383,088)		\$ 266,218	\$ (121,032)	\$ -	\$ (121,032)

MIDWEST RELIABILITY ORGANIZATION

Financial Statements

Year Ended December 31, 2007

Midwest Reliability Organization

Financial Statements as of and for the
Year Ended December 31, 2007, Supplemental
Schedule for the Year Ended December 31, 2007,
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MIDWEST RELIABILITY ORGANIZATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
Midwest Reliability Organization
Roseville, MN

We have audited the accompanying balance sheet of Midwest Reliability Organization (the "Organization") as of December 31, 2007, and the related statements of activities and members' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the financial statements, as of December 31, 2007, the Organization changed its method of accounting for postretirement plans to conform to Financial Accounting Standards Board (FASB) Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)*.

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

Deloitte & Touche LLP

May 19, 2008

MIDWEST RELIABILITY ORGANIZATION

BALANCE SHEET AS OF DECEMBER 31, 2007

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 590,521
Trade receivables	125,206
Prepaid expenses	<u>128,602</u>
Total current assets	<u>844,329</u>

PROPERTY AND EQUIPMENT:

Office equipment	100,784
Office furniture	143,278
Building improvements	512,245
Computer equipment	<u>191,128</u>
Total property and equipment	947,435
Less accumulated depreciation and amortization	<u>191,344</u>
Property and equipment — net	<u>756,091</u>

CAPITALIZED SOFTWARE COSTS — Net of accumulated amortization of \$38,859

64,402

TOTAL

\$1,664,822

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES:

Accounts payable — trade	\$ 323,986
Payable to MAPPCOR (Note 2)	213,518
Accrued liabilities	149,649
Deferred rent	<u>47,733</u>
Total current liabilities	734,886

OTHER LIABILITIES:

Postretirement benefit obligation	209,875
Deferred rent — long-term	<u>147,649</u>
Total liabilities	1,092,410

COMMITMENTS AND CONTINGENCIES (Note 3)

MEMBERS' EQUITY

572,412

TOTAL

\$1,664,822

See notes to financial statements.

MIDWEST RELIABILITY ORGANIZATION

STATEMENT OF ACTIVITIES AND MEMBERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2007

REVENUE:	
Regional reliability revenue	\$5,021,588
Miscellaneous revenue	<u>781,997</u>
Total revenue	<u>5,803,585</u>
EXPENSES:	
Salaries and employee benefits	2,528,577
Rent	147,646
Utilities	78,071
Depreciation and amortization	230,203
Supplies and equipment	283,812
Outside services	1,578,400
Travel and education	431,371
Miscellaneous	<u>18,904</u>
Total expenses	<u>5,296,984</u>
EXCESS OF REVENUES OVER EXPENSES	506,601
ADJUSTMENT TO ADOPT FASB STATEMENT NO. 158 (Note 4)	<u>(17,544)</u>
CHANGE IN MEMBERS' EQUITY	489,057
MEMBERS' EQUITY:	
Beginning of year	<u>83,355</u>
End of year	<u>\$ 572,412</u>

See notes to financial statements.

MIDWEST RELIABILITY ORGANIZATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net change in members' equity	\$ 489,057
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Depreciation and amortization	230,203
Adjustment to adopt FASB Statement No. 158	17,544
Amortization of deferred rent	(17,899)
Changes in operating assets and liabilities:	
Receivables	(60,135)
Prepaid expenses	(117,901)
Accounts payable	286,987
Payable to MAPPCOR	168,460
Accrued liabilities	<u>282,892</u>
Net cash provided by operating activities	1,279,208
CASH FLOWS FROM INVESTING ACTIVITIES — Purchases of property, plant, and equipment	(300,801)
CASH FLOWS FROM FINANCING ACTIVITIES — Repayments of long-term debt	<u>(500,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	478,407
CASH AND CASH EQUIVALENTS:	
Beginning of year	<u>112,114</u>
End of year	<u>\$ 590,521</u>
SUPPLEMENTAL CASH FLOW INFORMATION — Interest paid	<u>\$ 5,518</u>

See notes to financial statements.

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business — Midwest Reliability Organization (MRO 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. MRO 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, MRO operates in the provinces of Saskatchewan and Manitoba through other agreements. The primary focus of MRO is ensuring compliance with regional and international reliability standards and criteria utilizing open, fair processes in the public interest. In addition to the Board of Directors, MRO has formed four organizational groups: the Reliability Assessment Committee, the Compliance Committee, the Dispute Resolution Committee, and the Standards Committee.

Basis of Presentation — The financial statements have been prepared on the accrual basis of accounting.

Tax Status — MRO has obtained not-for-profit status under Internal Revenue Code Section 501(c)(6) and is therefore exempt from taxes; thus, the financial statements do not include a provision for income taxes.

Cash and Cash Equivalents — MRO considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. All cash and cash equivalents are held by one financial institution.

Receivables — Receivables primarily consist of assessments related to members and nonmembers.

Property and Equipment — Property and equipment are recorded at cost. Significant additions or improvements extending an asset’s useful life 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 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 \$38,859 for the year ended December 31, 2007.

Regional Reliability Revenue and Assessments — MRO receives its revenues 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 FERC rules. Revenues in Saskatchewan and Manitoba share the same revenue and allocation methodology. Any other revenues are collected on a fee-for-service basis at no cost.

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 the 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.

FASB Statement No. 158 Adoption — In September 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. This statement requires recognition on the balance sheet of the overfunded or underfunded status of pension and postretirement benefit plans and recognition, as a component of the performance indicator, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost. FASB Statement No. 158 also requires additional disclosures in the notes to the financial statements. The Organization adopted FASB Statement No. 158 in 2007 and has made appropriate disclosures in Note 4.

New Accounting Pronouncements — In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements*. FASB Statement No. 157 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements. FASB Statement No. 157 is effective for financial assets and liabilities for fiscal years beginning after November 15, 2007. The Organization will be required to adopt FASB Statement No. 157 for financial assets and liabilities on January 1, 2008. With respect to nonfinancial assets and liabilities, the statement is effective for the Organization on January 1, 2009. The Organization is currently evaluating the impact, if any, the adoption of FASB Statement No. 157 will have on its financial position or results of operations.

In February 2007, the FASB issued FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No. 115*, which permits, but does not require, entities to account for financial instruments at fair value. The standard does not extend to nonfinancial instruments. FASB Statement No. 159 is effective for fiscal years beginning after November 15, 2007. The Organization will be required to adopt FASB Statement No. 159 on January 1, 2008. The Organization is currently evaluating the impact, if any, the adoption of FASB Statement No. 159 will have on its financial position or results of operations.

2. RELATED PARTY TRANSACTIONS

Services Agreement — The Organization has contracted with MAPPCOR to provide organization-related services for a period of one year, renewable on a calendar year-to-calendar year basis until terminated, according to the Service Agreement. The Organization bills MAPPCOR, on a quarterly basis, for office and personnel services, including management, administrative, billing and accounting, and information technology services to support the functions of MAPPCOR, based on an annual budget of expected costs of providing these services. A reconciliation of actual costs to budgeted costs is performed on an annual basis and adjusted for over- or undercharges. The reconciliation is prepared based on the methodology for recovering costs contained in the Service Agreement. At December 31, 2007, the Organization had a payable of \$154,000 due to MAPPCOR for the reconciliation of 2007 charges. The Organization recognized \$392,780 of revenue in 2007 related to this Service Agreement. As of January 1, 2008, the Service Agreement was reduced to reflect only information technology services.

In addition to services provided by the Organization to MAPPCOR under the Service Agreement, MAPPCOR provided additional consulting services to the Organization throughout 2007 in the amount of \$59,518. These services were included as consulting expenses, had not been paid as of December 31, 2007, and are included in the payable to MAPPCOR of \$213,518.

Further, on January 1, 2007, MAPPCOR converted its employee pension plan to a multiple employer plan so that employees from both entities could participate. The existing assets of the postretirement health care plan were split between MRO and MAPPCOR based upon an agreed-to formula with the Organization obtaining \$195,384 of the total assets and \$329,532 of the total obligation as of January 1, 2007.

3. COMMITMENTS AND CONTINGENCIES

Operating Lease — On January 1, 2007, there was an assignment and assumption of MAPPCOR's operating lease by MRO, which MAPPCOR entered into March 14, 2006, for rental of the office space located at 2774 Cleveland Avenue North, Roseville, MN 55113. The assumed lease agreement is between Minnesota Industrial Properties Limited Partnership and MAPPCOR. Rent expense, including operating expenses and real estate taxes, was \$147,646 in 2007.

Future expected minimum lease payments under the assigned lease as of December 31, 2007, are as follows:

Years Ending December 31	
2008	\$ 123,506
2009	127,181
2010	130,659
2011	134,925
2012	138,994
Thereafter	<u>70,547</u>
Total	<u>\$ 725,812</u>

4. RETIREMENT PLANS

The Organization has a defined benefit postretirement health plan available to eligible current and future retirees. In September 2006, the FASB issued FASB Statement No. 158. This statement requires the Organization to recognize a postretirement plan's funded status in the balance sheet effective December 31, 2007, and recognize changes in the plan's funded status in members' equity in the year in which the changes occur. The incremental effects of applying FASB Statement No. 158 to the Organization's balance sheet at December 31, 2007, are as follows:

	Prior to Adopting FASB Statement No. 158	Effect of Adopting FASB 158 Statement No. 158	As Reported at December 31, 2007
Accrued benefit cost	\$192,331	\$ (192,331)	\$ -
Postretirement benefit obligation		209,875	209,875
Members' equity	589,956	(17,544)	572,412

Information regarding the plan as of December 31, 2007, and for the year then ended is as follows:

Change in benefit obligation:	
Benefit obligation at beginning of year	\$ 329,532
Service cost	24,721
Interest cost	19,743
Actuarial loss	62,255
Benefits paid	<u> </u>
Benefit obligation at end of year	436,251
Change in plan assets:	
Fair value of plan assets at beginning of year	195,384
Actual return on plan assets	11,117
Employer contribution	19,875
Benefits paid	<u> </u>
Fair value of plan assets at end of year	<u>226,376</u>
Funded status recognized as noncurrent liability	<u><u>\$ (209,875)</u></u>
Weighted-average assumptions used to calculate the benefit obligation — discount rate	6.50 %

Amounts recognized in members' equity, but not yet recognized as a component of net periodic benefit as of December 31, 2007, are as follows:

Net actuarial loss	\$ 17,110
Prior service cost	<u>434</u>
	<u>\$ 17,544</u>

Change in member's equity as of December 31, 2007, is as follows:

Amount at beginning of year	\$ -
Change due to the adoption of FASB Statement No. 158	<u>17,544</u>
Amount disclosed at end of year	<u>\$ 17,544</u>

The estimated net loss and prior service cost for the postretirement medical plan that will be amortized from members' equity into net periodic benefit cost over the next fiscal year are \$0 and \$434, respectively.

Components of net periodic benefit cost:	
Service cost	\$ 24,721
Interest cost	19,743
Expected return on plan assets	(15,592)
Amortization of prior service cost	2,286
Amortization of actuarial gain	<u>(1,008)</u>
Net periodic benefit cost	<u>\$ 30,150</u>

Weighted-average assumptions used to calculate the net periodic benefit cost:	
Discount rate	6.00 %
Expected return on plan assets	8.00
Rate of compensation increases	N/A

The expected rate of return on pension plan assets is 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, 2007, consists of the following:

Health care cost trend rate assumed for next year	8.1 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.1
Year that the rate reaches the ultimate trend rate	2028

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:

	<u>One-Percentage-Point</u>	
	Increase	Decrease
Effect on total of service cost and interest cost	\$ 13,432	\$ (9,850)
Effect on postretirement benefit obligation	115,450	(85,971)

Plan Assets — The Organization's weighted-average asset allocations by asset category at December 31, 2007, are as follows:

Equity securities	78 %
Debt securities	16
Other	<u>6</u>
Total	<u>100 %</u>

The Organization employs a total return investment approach whereby a mix of equity and debt investments is used to maximize the long-term appreciation of plan assets for a prudent level of risk. The

Organization's plan assets are invested in various funds, which consist of both stocks and bonds. The target asset allocation is approximately 65% to stocks and 35% to bonds. The broadly diversified equity component includes investment in companies of various sizes, with an emphasis on large cap stocks, and represents several investment styles. The equity portion also includes an allocation to international stocks. Investments in bonds are diversified into three portfolios that invest mainly in U.S. treasuries, high-quality corporate issues, and mortgage securities.

Estimated future benefit payments (which reflect expected future service, as appropriate) as of December 31, 2007, are as follows:

**Years Ending
December 31**

2008	\$ 6,316
2009	7,036
2010	7,839
2011	8,698
2012	9,611
2013-2017	76,356

The Organization participates in a multi-employer defined benefit pension plan for its employees. The amount contributed to the plan for the year ended December 31, 2007 was \$156,602.

* * * * *

SUPPLEMENTAL SCHEDULE

MIDWEST RELIABILITY ORGANIZATION

SCHEDULE OF FUNDING AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2007

FUNDING:	
Assessments	\$5,021,588
Services and software	772,934
Workshops	<u>9,063</u>
TOTAL FUNDING	<u>\$5,803,585</u>
EXPENSES:	
Personnel expenses:	
Salaries	\$1,671,915
Employee benefits	284,265
Payroll taxes	133,668
Retirement benefits	<u>246,398</u>
Total personnel expenses	<u>2,336,246</u>
Meeting expenses:	
Conference calls	58,005
Meetings	141,942
Travel	<u>379,291</u>
Total meeting expenses	<u>579,238</u>
Operating expenses:	
Building rent and improvements	147,646
Consulting	1,080,924
Office costs	305,174
Professional services	277,778
Computer purchases and maintenance	<u>448,244</u>
Total operating expenses	<u>2,259,766</u>
TOTAL EXPENSES	<u>\$5,175,250</u>
NET CHANGE IN ASSETS	<u>\$ 628,335</u>
HEADCOUNT	<u>21</u>

NORTHEAST POWER COORDINATING COUNCIL, INC.

Financial Statements

Year Ended December 31, 2007

**Northeast Power
Coordinating Council, Inc.**
Financial Statements
December 31, 2007 and 2006

Northeast Power Coordinating Council, Inc.
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December 31, 2007 and 2006

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Report of Independent Auditors

To the Members of
Northeast Power Coordinating Council, Inc.:

In our opinion, the accompanying statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of Northeast Power Coordinating Council, Inc. (the "Company") at December 31, 2007 and 2006, 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.

As described in Note 2, the Company changed its basis of accounting from the modified basis of cash receipts and disbursements to the accrual basis in conformity with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

April 29, 2008

Northeast Power Coordinating Council, Inc.
Statements of Financial Position
December 31, 2007 and 2006

	2007	2006
Assets		
Cash and cash equivalents	\$ 44,543	\$ 76,907
Investments at cost, which approximates market value (Note 3)	2,239,914	1,431,060
Prepaid expenses	52,783	177,950
Special deposits	38,420	38,420
Furniture and equipment, less accumulated depreciation of \$197,851 in 2007 and \$163,347 in 2006 (Note 4)	<u>113,325</u>	<u>75,039</u>
Total assets	<u>\$ 2,488,985</u>	<u>\$ 1,799,376</u>
Liabilities and Net assets		
Accrued expenses and other liabilities	\$ 510,018	\$ 388,354
Accrued liability for pension and other retirement benefits	<u>1,825,163</u>	<u>106,915</u>
Total liabilities	2,335,181	495,269
Net assets		
Unrestricted net assets	<u>153,804</u>	<u>1,304,107</u>
Total net assets	<u>153,804</u>	<u>1,304,107</u>
Total liabilities and net assets	<u>\$ 2,488,985</u>	<u>\$ 1,799,376</u>

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

Northeast Power Coordinating Council, Inc.
Statements of Activities
Years Ended December 31, 2007 and 2006

	2007	2006
Revenue		
Membership dues	\$ 2,153,034	\$ 7,167,673
Regional entity ERO funding	5,214,361	-
Interest income	143,853	98,544
Total revenue	<u>7,511,248</u>	<u>7,266,217</u>
Expenses		
Salaries and employee benefits	3,825,364	2,986,452
Administrative and consultant fees	1,047,067	539,334
Professional fees	506,650	354,291
Meetings and travel	673,203	564,291
Telephone and telecommunications	120,095	96,454
Office supplies and expense	205,917	157,960
Rent expense	220,765	211,757
Insurance expense	34,770	29,914
Membership dues (NERC)	-	2,309,429
Industry support	297,462	294,531
Miscellaneous	72,968	51,052
Depreciation	34,505	18,474
Total expenses	<u>7,038,766</u>	<u>7,613,939</u>
(Decrease)/increase in net assets before adoption of FASB Statement No. 158	472,482	(347,722)
Effect of adoption of FASB Statement No. 158	<u>(1,622,785)</u>	-
Decrease in net assets	<u>(1,150,303)</u>	<u>(347,722)</u>
Net assets		
Beginning of year	<u>1,304,107</u>	<u>1,651,829</u>
End of year	<u>\$ 153,804</u>	<u>\$ 1,304,107</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, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Change in net assets	\$ (1,150,303)	\$ (347,722)
Depreciation	34,505	18,474
Decrease (increase) in prepaid expenses	125,167	(31,607)
Increase in accrued expenses and other liabilities	121,664	108,805
Increase in accrued liability for pension and other retirement benefits	<u>1,718,248</u>	<u>106,915</u>
Net cash provided by/(used for) operating activities	<u>849,281</u>	<u>(145,135)</u>
Cash flows from investing activities		
Purchases of furniture and equipment	(72,791)	(40,044)
Sales of investments	6,310,000	8,662,442
Purchases of investments	<u>(7,118,854)</u>	<u>(8,471,695)</u>
Net cash (used for)/provided by investing activities	<u>(881,645)</u>	<u>150,703</u>
Net (decrease)/increase in cash	(32,364)	5,568
Cash and cash equivalents		
Beginning of year	<u>76,907</u>	<u>71,339</u>
End of year	<u>\$ 44,543</u>	<u>\$ 76,907</u>

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

Northeast Power Coordinating Council, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

1. Background

The Membership interests in the voluntary association NPCC were transferred to a regional reliability assurance not-for-profit corporation, Northeast Power Coordinating Council, Inc. ("NPCC, Inc." or the "Company"), at the end of 2006. A separate and independent, affiliated, not-for-profit corporation, NPCC: Cross-Border Regional Entity, Inc. ("NPCC CBRE") was created to perform functions delegated or contracted to it from the North American Electric Reliability Corporation ("NERC").

In 2007, Federal Energy Regulatory Commission ("FERC") rulings allowed for divisional separation within regional entities. The respective Boards of Directors and members of NPCC CBRE and NPCC, Inc. unanimously approved and adopted the Agreement and Plan of Merger of NPCC CBRE with and into NPCC, Inc. with NPCC, Inc. surviving the merger and continuing in existence and with all necessary filings and approvals, by August 1, 2007 the merger was affected. NPCC, Inc. has accounted for this merger by the pooling of interests method in accordance with AAG-NPO and Accounting Principles Board ("APB") Opinion No.16. Before the merger was consummated, NPCC CBRE had revenue of \$3,041,711 and a net increase in net assets of \$920,465 for the seven months ended July 31, 2007. The intercompany receivable due to NPCC CBRE and payable from NPCC, Inc. of \$920,465 was eliminated as a result of the merger.

The Company provides the functions and services for Northeastern North America of a cross-border regional entity through a regional entity division, as well as criteria services for Northeastern North America through a criteria services division. The regional entity division works to enhance the reliability of the international, interconnected bulk power system in Northeastern North America through the development of regional reliability standards, coordination of system planning, design and operations, assessment of reliability, and compliance assessment and enforcement of reliability standards pursuant to the execution and implementation of a Regional Delegation Agreement with the ERO under the authority of the FERC in the U.S., and executed Memorandum of Understanding with Ontario and other necessary Memoranda of Understanding or Agreements with applicable Canadian Provincial regulatory and/or governmental authorities, as yet to be executed. Through its criteria services division, the Company promotes the reliable and efficient operation of the international, interconnected bulk power systems in Northeastern North America through the establishment of regionally-specific criteria, and monitoring and enforcement of compliance with such criteria. In the development of reliability criteria, the Company, to the extent possible, facilitates attainment of fair, effective and efficient competitive electric markets.

2. Summary of Significant Accounting Policies

Basis of Accounting

During the year ended December 31, 2007, the Company changed its basis of accounting from the modified cash basis to the accrual basis in conformity with accounting principles generally accepted in the United States of America. Accordingly, the financial statements of the Company for the year ended December 31, 2006 have also been presented on the accrual basis.

Cash and Cash Equivalents

The Company considers all short-term, highly liquid investments, which have maturities of three months or less when purchased, to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Northeast Power Coordinating Council, Inc.
Notes to Financial Statements
December 31, 2007 and 2006

Furniture and Equipment

Office furniture and equipment are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the applicable assets.

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 places its cash equivalents with high credit quality institutions. Both statutory and non-statutory revenues are invested in a JPMorgan 100% U.S. Treasury Money Market Securities Funds ("JPMorgan Funds"). An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. The 100% U.S. Treasuries Fund aims to provide the highest possible level of current income while still maintaining liquidity and providing maximum safety of principal. The National Association of Insurance Commissioner ("NAIC"), Moody's, Fitch IBCA and S&P historical ratings signify that the Fund's safety is excellent, with superior capacity to maintain a net asset value of \$1.00 per share. The ratings do not eliminate the risks associated with investing in the Fund. The NAIC "approved" status indicates that the Fund meets certain pricing and quality guidelines. Management has determined that the likelihood of sustaining losses from money market funds to be remote based on the marketability of the underlying investment of the funds.

At December 31, 2007 and 2006, the Company owned 2,239,914 and 1,431,060 units, respectively, of \$1 par value each, of such funds which were carried at cost. In 2007 and 2006, the funds earned average yields of 4.11% and 4.24%, respectively. Investment income earned on the JPMorgan Funds is reinvested into units of the funds on a monthly basis.

4. Furniture and Equipment

Furniture and equipment at December 31, 2007 and 2006 consists of the following:

	Depreciable Life	2007	2006
Furniture	10 years	\$ 87,001	\$ 87,001
Computer equipment	3 years	<u>224,175</u>	<u>151,385</u>
		311,176	238,386
Less: Accumulated depreciation		<u>(197,851)</u>	<u>(163,347)</u>
		<u>\$ 113,325</u>	<u>\$ 75,039</u>

In 2007 and 2006, depreciation expense amounted to \$34,505, and \$18,474, respectively.

Northeast Power Coordinating Council, Inc.
Notes to Financial Statements
December 31, 2007 and 2006

5. Pension Plan

The Company has a trustee, noncontributory defined benefit pension plan (the "Plan") covering substantially all employees. The Company's pension funding policy for the Plan is to contribute the amount needed to fund benefits attributable to the year plus a portion of the unfunded past service benefits (the unfunded accrued liability). The past service portion had been determined by amortizing the unfunded accrued liability so that it was paid by the year 2004.

The Company adopted SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," on December 31, 2007, which requires companies to report the funded status (defined as the difference between the fair value of plan assets and the plan's benefit obligation) of their defined benefit and other postretirement plans. The net effect of the adoption is a \$1,622,785 decrease to unrestricted net assets.

Amounts recognized in net unrestricted assets consist of

Transition Obligation	\$ -
Net loss/(gain)	1,742,542
Prior service cost (credit)	-
Total amount recognized	<u>\$ 1,742,542</u>

The following tables provide information with respect to the defined benefit plan as of and for the years ended December 31, 2007 and 2006:

	2007	2006
Components of net periodic benefit cost		
Service cost	\$ 231,239	\$ 169,744
Interest cost	338,890	272,173
Expected return on plan assets	(272,623)	(229,895)
Amortization of prior service cost	-	-
Recognized actuarial loss (gain)	<u>131,200</u>	<u>94,893</u>
Net periodic benefit cost	<u>\$ 428,706</u>	<u>\$ 306,915</u>

Northeast Power Coordinating Council, Inc.
Notes to Financial Statements
December 31, 2007 and 2006

	2007	2006
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 4,745,688	\$ 4,405,763
Service cost	231,239	169,744
Interest cost	338,890	272,173
Plan participants' contributions	-	-
Amendments	-	-
Actuarial loss (gain)	727,549	-
Benefits paid	<u>(101,992)</u>	<u>(101,992)</u>
Benefit obligation at end of year	<u>\$ 5,941,374</u>	<u>\$ 4,745,688</u>
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	\$ 3,559,474	\$ 3,016,256
Actual return on plan assets	205,729	445,210
Company contribution	453,000	200,000
Plan participant contribution	-	-
Benefits paid	<u>(101,992)</u>	<u>(101,992)</u>
Fair value of plan assets at end of year	<u>\$ 4,116,211</u>	<u>\$ 3,559,474</u>
Funded status at end of year	\$ (1,825,163)	\$ (1,186,214)
Unrecognized actuarial loss	-	1,079,299
Unrecognized prior service cost	-	-
Prepaid/(accrued) benefit cost	<u>\$ (1,825,163)</u>	<u>\$ (106,915)</u>

	2007	2006
Weighted-average assumptions as of December 31 used for obligation		
Discount Rate	6.25%	6.25%
Expected Return on Plan Assets	7.50%	7.50%
Weighted-average assumptions as of December 31 used for net periodic benefit cost		
Discount Rate	6.25%	6.25%
Expected Return on Plan Assets	7.50%	7.50%

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.

Amounts in net unrestricted assets expected to be recognized in net periodic benefit cost in fiscal 2008

Amortization of transition asset	\$ -
Amortization of unrecognized net loss (gain)	128,108
Amortization of prior service cost	-
	<u>\$ 128,108</u>

Northeast Power Coordinating Council, Inc.
Notes to Financial Statements
December 31, 2007 and 2006

The Company's defined benefit plan weighted average asset allocation at December 31, 2007 and 2006 by asset category is as follows:

	Allocation Percentage 2007	Allocation Percentage 2006
Equity Securities	64.5%	69.3%
Debt Securities	35.5%	30.7%
	<u>100.0%</u>	<u>100.0%</u>

The Company's defined benefit plan invests primarily in equity and debt securities that are within prudent levels of risk and provide for necessary liquidity requirements. The long-term objective is to limit the variability of its pension funding requirements while maintaining funding at levels that will ensure the payment of obligations as they come due. The Company's plan assets are measured against benchmarks established by the Pension Committee, who has the authority to recommend changes as deemed appropriate.

At December 31, 2007, the Company's target allocation percentages for plan assets were approximately 65% equity securities and 35% debt securities. The targets may be adjusted periodically to reflect current market conditions and trends as well as inflation levels, interest rates and trends thereof.

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

Future expected cash flows

2008	\$ 114,052
2009	109,406
2010	104,836
2011	184,057
2012	178,354
2013-2017	1,357,956

6. Savings Plan

The Company maintains a 401(k) plan which all employees are immediately eligible for upon hire. Effective January 1, 2004, the plan was amended to a Matching Contribution Safe Harbor plan. Within this plan, employees can contribute 2% 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 first 3%, and 50% of the next 2%, of the employee's contribution. Additionally, for those employees joining the corporation after February 6, 2007, upon completion of one year of service, such employees can be eligible for a discretionary contribution to be considered annually by the Board of Directors. That contribution, approved in 2007 was in the amount of 6% of base compensation. No new employees completed one year of service in 2007. Contributions by the corporation to the 401(k) plan amounted to approximately \$72,949 and \$68,043 in 2007 and 2006, respectively.

Northeast Power Coordinating Council, Inc.
Notes to Financial Statements
December 31, 2007 and 2006

7. Leases

The Company is obligated under long-term operating leases for the rental of office facilities and certain equipment. The office lease, which expires on May 31, 2009, has adjustments and escalation clauses for taxes and other operating expenses, which may increase the rent in the future. The equipment leases have various expiration dates through 2007. In addition, the Company rents certain other equipment on a month-to-month basis. Rental expense for facilities and all equipment amounted to \$340,535 and \$300,909 in 2007 and 2006, respectively.

Future minimum rental payments required under the Company's long-term operating leases as of December 31, 2007 are as follows:

	Office Space	Other Leases	Total
Year ending December 31			
2008	\$ 175,760	\$ 85,063	\$ 260,823
2009	-	43,685	43,685
Thereafter	-	-	-
	<u>\$ 175,760</u>	<u>\$ 128,748</u>	<u>\$ 304,508</u>

8. Functional Expenses

The accompanying Statements of Activities present the Company's operating expenses by natural classifications. The Company's functional activities consist of the various services it provides to its members (Note 1) as well as certain administrative charges. Charges relating to functional activities are included in the Statements of Activities under the following classifications: Salaries and employee benefits, meeting and travel, insurance expense, membership dues (Note 10) and industry support (Note 10). Such functional expenses represent approximately 68% and 81% for 2007 and 2006, respectively.

During 2007 and 2006 salaries and employee benefits consist of the following:

	2007	2006
President, CEO and technical staff	\$ 2,438,930	\$ 2,045,611
Office secretaries	129,803	124,800
Payroll taxes, insurance, pension and educational assistance	<u>1,256,631</u>	<u>816,041</u>
Total salaries and employee benefits	<u>\$ 3,825,364</u>	<u>\$ 2,986,452</u>

Northeast Power Coordinating Council, Inc.
Notes to Financial Statements
December 31, 2007 and 2006

9. Other Expenses

The Company incurs various costs for administrative, consultant and professional services. Such costs amounted to \$1,553,717 and \$893,625 in 2007 and 2006, respectively, and consist of the following:

	2007	2006
Consultants	\$ 315,984	\$ 381,721
Accounting, legal and other services	1,235,403	511,205
Pension administration	<u>2,330</u>	<u>699</u>
Total administrative, consultant and professional fees	<u>\$ 1,553,717</u>	<u>\$ 893,625</u>

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

10. Related Party Transactions

NERC, through agreements with the Federal Energy Regulatory Commission in the U.S. and Canadian Provincial and/or governmental agreements within Canada, delegates enforcement authority to eight regional entities. NPCC, Inc. is the cross-border regional entity for Northeastern North America. NERC Corporation was certified as the "electric reliability organization" by the Federal Energy Regulatory Commission on July 20, 2006. 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. Effective January 1, 2007, the North American Electric Reliability Council and the North American Electric Reliability Corporation merged, with NERC Corporation being the surviving entity. NERC is subject to audit by the U.S. FERC and governmental and/or regulatory authorities in Canada. NERC funded the regional entities in 2007 based upon 2007 Business Plans and Budgets submitted to and approved by FERC in the U.S. and Canadian regulatory and/or governmental authorities.

The Company's criteria services division was fully funded by regional ISO/BAA's and full members and operated primarily on assessments to and received from these members. If the member was a system operator or balancing authority area, dues were based upon a "Net Energy for Load" funding formula. All other full members paid an annual fixed fee of \$500 per member. During 2007 and 2006, total membership dues received amounted to \$2,153,034 and \$7,167,673, respectively.

Northeast Power Coordinating Council, Inc.
Notes to Financial Statements
December 31, 2007 and 2006

Description	2007 Percent	Total Share	2006 Percent	Total Share
Hydro-Quebec TransEnergie	27.72 %	\$ 596,946	27.51 %	\$ 1,971,307
Independent Electricity System Operator	23.11 %	497,508	23.04 %	1,651,739
ISO-New England, Inc.	20.08 %	432,231	19.90 %	1,426,580
New Brunswick System Operator	2.21 %	47,672	0.00 %	-
New Brunswick Power Transmission	0.00 %	-	2.36 %	168,965
New York Independent System Operator	24.62 %	530,048	24.06 %	1,724,639
Nova Scotia Power Inc.	1.82 %	39,129	1.86 %	133,443
Non ISO/BAA Members	0.44 %	9,500	1.27 %	91,000
Total Member Fees	100.00 %	\$ 2,153,034	100.00 %	\$ 7,167,673

The Company has various working group activities including system simulation and seasonal reliability assessments in which its members participate. The Company reimburses members for participation in these working groups. These expenses amounted to \$297,462 and \$294,531 during 2007 and 2006, respectively, and are classified as industry support in the Statements of Activities. The following table details industry support incurred during 2007 and 2006:

	2007	2006
Consolidated Edison Co. of New York, Inc.	\$ -	\$ 2,500
GE Energy	30,000	15,805
Hydro One, Inc.	5,675	16,700
Hydro-Quebec Distribution	26,296	16,054
Independent Electricity System Operator	61,200	47,325
ISO-New England, Inc.	52,886	59,700
Manitoba Hydro	-	100
National Grid USA	3,550	1,750
New Brunswick Power Transmission Corp.	18,400	12,700
New Brunswick System Operator	16,900	10,250
Nova Scotia Power, Inc.	7,887	17,047
New York Independent System Operator	26,868	22,400
New York Power Authority	19,300	20,000
NYS Reliability Council	-	2,850
Ontario Power Generation, Inc.	7,950	8,000
Solar Terrestrial Dispatch	-	22,500
TransEnergie Hydro Quebec	20,550	18,850
Total industry support	\$ 297,462	\$ 294,531

As of December 31, 2007 and 2006 the Company had net accruals to related parties of \$55,469 and \$22,050, respectively, which are included in "Accrued expenses and other liabilities" on the Statements of Financial Position.

RELIABILITY*FIRST* CORPORATION

Financial Statements

Year Ended December 31, 2007

McGladrey & Pullen
Certified Public Accountants

Reliability*First* Corporation

Financial Report
December 31, 2007

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
ReliabilityFirst Corporation
Akron, Ohio

We have audited the accompanying statements of financial position of ReliabilityFirst Corporation as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ReliabilityFirst Corporation as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Chicago, Illinois
April 22, 2008

ReliabilityFirst Corporation

Statements of Financial Position
December 31, 2007 and 2006

Assets	2007	2006
Current Assets		
Cash	\$ 4,685,261	\$ 3,658,719
Accounts receivable	-	2,208
Prepaid expenses	74,349	68,381
Total Current Assets	4,759,610	3,729,308
Fixed assets		
Furniture and equipment	74,290	29,841
Leasehold improvements	173,112	-
Computer software and hardware	380,100	82,463
	627,502	112,304
Less accumulated depreciation and amortization	60,643	5,671
	566,859	106,633
Total Assets	\$ 5,326,469	\$ 3,835,941
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 91,824	\$ 63,777
Accrued expenses	915,265	685,793
Accrued rebates payable	-	1,725,097
Total Current Liabilities	1,007,089	2,474,667
Net Assets		
Designated for reserve fund	1,000,000	1,000,000
Unrestricted and undesignated	3,319,380	361,274
Total Net Assets	4,319,380	1,361,274
Total Liabilities and Net Assets	\$ 5,326,469	\$ 3,835,941

See Notes to Financial Statements.

ReliabilityFirst Corporation

**Statements of Activities
Years Ended December 31, 2007 and 2006**

	2007	2006
Revenues		
Quarterly assessments	\$ 9,372,472	\$ 10,108,257
Annual per capita fees	-	325,000
Membership application fees	-	11,000
Investment income	153,323	87,100
Contributions	-	89,881
Value added service (automatic revenue sharing)	-	20,784
Miscellaneous	2,250	-
Total revenues	9,528,045	10,642,022
Expenses		
Salaries	3,262,865	2,401,447
Payroll taxes and employee benefits	976,949	1,127,767
Staff travel and training	325,951	292,023
Recruitment and contract services	478,327	521,603
Office rent	250,982	251,604
Office expenses	450,507	202,868
Insurance	63,178	53,937
Computer hardware and software	237,099	167,248
Meetings and teleconferences	285,639	182,145
NERC dues	-	3,885,156
Independent board payments	182,063	212,879
Depreciation and amortization	55,173	7,431
Value added service (automatic reserve sharing)	-	20,784
Total expenses	6,568,733	9,326,892
Excess of revenues over expenses	2,959,312	1,315,130
Other Income and Expenses		
Loss on disposal of equipment	1,206	8,803
Increase in net assets	2,958,106	1,306,327
Net assets at beginning of year	1,361,274	54,947
Net assets at end of year	\$ 4,319,380	\$ 1,361,274

See Notes to Financial Statements.

ReliabilityFirst Corporation

Statements of Cash Flows
Years Ended December 31, 2007 and 2006

	2007	2006
Cash Flows From Operating Activities		
Change in net assets	\$ 2,958,106	\$ 1,306,327
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	55,173	7,431
Loss on disposal of equipment	1,206	8,803
Asset contribution	-	(57,166)
Changes in assets and liabilities:		
Decrease in accounts receivable	2,208	673,233
(Increase) decrease in prepaid expenses	(5,968)	446,134
Increase in accounts payable	28,047	63,777
Increase in accrued expenses	229,472	685,793
(Decrease) increase in accrued rebates payable	(1,725,097)	1,725,097
(Decrease) in unearned revenues	-	(2,647,711)
Net cash provided by operating activities	<u>1,543,147</u>	<u>2,211,718</u>
Cash Flows From Investing Activities		
Additions to fixed assets	<u>(516,605)</u>	<u>(65,701)</u>
Net increase in cash	1,026,542	2,146,017
Cash, at beginning of year	<u>3,658,719</u>	<u>1,512,702</u>
Cash, at end of year	<u>\$ 4,685,261</u>	<u>\$ 3,658,719</u>

See Notes to Financial Statements.

ReliabilityFirst Corporation

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies

Organization: ReliabilityFirst Corporation (the Corporation) is a not-for-profit corporation whose mission is to preserve and enhance electric service reliability and security for the interconnected electric systems within its territory. The Corporation was approved by the North American Electric Reliability Council (NERC) to become one of eight Regional Reliability Councils in North America and began operations on January 1, 2006.

ReliabilityFirst Corporation was incorporated on June 16, 2005 and did not begin operations until January 1, 2006. Between these dates, the Corporation began receiving various dues, assessments and per capita fees, and incurred various start-up expenses. The net effect of these transactions resulted in beginning net assets at January 1, 2006 of \$54,947.

The Corporation also received a contribution of furniture and equipment with a fair market value of \$57,166 soon after January 1, 2006.

In 2007, the Corporation received its quarterly assessments from NERC instead of directly from its members. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Corporation's operations. Due to this change, the Corporation no longer receives annual per capita fees or value added service revenues.

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

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

Revenue recognition: The Corporation currently derives its revenues primarily from quarterly assessments. Revenues from such assessments are recognized at the time services are performed and the cost of these services is recognized when incurred.

Cash: The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Management believes it is not exposed to any significant credit risk on cash.

Accounts receivable: Accounts receivable are carried at actual billed amounts. All accounts receivable accounts relate to quarterly assessments, annual per capita fees, and one-time membership application fees.

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

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

Net assets: Of the unrestricted net asset balance, \$1,000,000 has been designated by the Board of Directors for its reserve fund at December 31, 2007 and 2006.

ReliabilityFirst Corporation

Notes to Financial Statements

Note 2. Line of Credit

During 2006, the Corporation obtained a \$1,000,000 line of credit. Borrowings outstanding under the line are due on March 16, 2008 and are collateralized by substantially all assets of the Corporation. Interest is charged at the prime rate (7.25% at December 31, 2007). The Corporation did not make any drawdowns on the line during the year and had no outstanding balance as of December 31, 2007 or 2006.

Note 3. Operating Leases

The Corporation had entered into a lease agreement during the year for its Akron, Ohio office. The lease expires in April 2017. Rental expense for operating leases amounted to \$250,982 and \$251,604 for the years ended December 31, 2007 and 2006. The future minimum lease payments as of December 31, 2007 are as follows:

Year ending December 31:	
2008	\$ 265,622
2009	265,622
2010	265,622
2011	265,622
2012	265,622
Thereafter	1,151,026
	<u>\$ 2,479,136</u>

Note 4. Employee Retirement Plan

During the year, the Corporation established a salary deferred plan under Section 401(k) of the Internal Revenue Code. All employees are eligible for 100 percent match of their first 6 percent of voluntary salary deferred savings and the 3 percent Safe Harbor provision of the Plan. Employees who have at least 1,000 hours during the year are eligible for the 6 percent discretionary provision of the Plan. Therefore, under this Plan, the Corporation provides for a potential maximum contribution of up to 15 percent of employees' eligible compensation. The Corporation's contributions to the Plan during the years ended December 31, 2007 and 2006 were approximately \$456,000 and \$354,000.

SERC RELIABILITY CORPORATION

Financial Statements

Year Ended December 31, 2007

SERC RELIABILITY CORPORATION

Statement of Cash Receipts and Disbursements

Year ended December 31, 2007

SERC RELIABILITY CORPORATION

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
SERC Reliability Corporation
Charlotte, North Carolina

We have audited the accompanying statement of cash receipts and disbursements of SERC Reliability Corporation (the "Corporation") for the year ended December 31, 2007. The financial statement is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

As described in Note 1, this financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of SERC Reliability Corporation for the year ended December 31, 2007, on the basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the statement of cash receipts and disbursements taken as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the statement of cash receipts and disbursements. Such information has been subjected to the auditing procedures applied in the audit of the statement of cash receipts and disbursements and, in our opinion, is fairly stated in all material respects in relation to the statement of cash receipts and disbursements taken as a whole, prepared on the basis of accounting described in Note 1.

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

Charlotte, North Carolina
March 29, 2007

SERC Reliability Corporation

Statement of Cash Receipts and Disbursements Year ended December 31, 2007

Cash and cash equivalents - December 31, 2006		\$ 422,823
Cash receipts		
Member assessment	\$ 5,518,555	
Workshops	182,450	
Interest income	37,315	
Other cash receipts	<u>4,407</u>	
Total cash receipts		5,742,727
Cash disbursements		
Personnel costs	3,040,799	
Meeting expenses	711,484	
Operating expenses		
Rent and improvements	60,780	
Contracts	301,358	
Consultants	577,805	
Office costs	158,017	
Professional services	114,998	
Computer purchase and maintenance	87,649	
Furniture and equipment	102,994	
Miscellaneous expenses	<u>4,449</u>	
Total cash disbursements		5,160,333
Cash receipts in excess of cash disbursements		<u>582,394</u>
Cash and cash equivalents - December 31, 2007		<u>\$ 1,005,217</u>
Summary of cash in bank, net of reconciling items		
Checking account		\$ 150,503
Treasury account		<u>854,714</u>
		<u>\$ 1,005,217</u>

See notes to financial statement.

SERC RELIABILITY CORPORATION

Notes to the Statement of Cash Receipts and Disbursements
Year ended December 31, 2007

Note 1 – Summary of significant accounting policies

Nature of organization

SERC Reliability Corporation (the "Corporation") is a non-profit corporation, incorporated under the laws of the State of Alabama on April 29, 2005. During 2006, Southeastern Electric Reliability Council, Inc. changed its name to SERC Reliability Corporation. Prior to incorporation in 2005, Southeastern Electric Reliability Council (SERC) existed as an unincorporated entity. SERC was established with the signing of the SERC Agreement on January 14, 1970 by 22 electric systems. SERC incorporated as a non-profit corporation in order to provide liability protection for its members and prepare the organization to qualify as a Regional Reliability Organization under the Energy Policy Act of 2005. The Corporation's mission is to promote the reliability of the electricity supply for the southeastern United States. The activities of the Corporation are directed by its Board of Directors. The Corporation members are electricity suppliers, brokers and consumers from various ownership segments of the electricity supply industry, investor-owned rural electric cooperatives, municipal utilities, independent power producers, power marketers and customers. These entities account for virtually all the electricity supplied in the southeastern United States.

Basis of accounting

The Corporation prepares its financial statements on the basis of cash receipts and disbursements, which is an "other comprehensive basis of accounting". Financial statements prepared on this basis of accounting are not intended to present results of operations in accordance with accounting principles generally accepted in the United States of America. Consequently, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligations are incurred.

Cash and cash equivalents

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

Income Taxes

The Corporation is exempt from income taxes on income related to its exempt function under Internal Revenue Code Section 501(c)(6) and the applicable state statutes.

Note 2 – Commitments

The Corporation rents its current office facility under a non-cancelable operating lease which expires in 2015 and which provides for current monthly payments of \$14,842. The Corporation also leases office equipment under noncancelable operating leases that expire in 2012. Rental expense under all operating leases totaled \$60,780 for the year ended December 31, 2007.

SERC RELIABILITY CORPORATION

Notes to the Statement of Cash Receipts and Disbursements
Year ended December 31, 2007

Note 2 – Commitments (continued)

Future minimum payments for all operating leases are as follows:

<u>Year ending December 31,</u>		
2008	\$	168,417
2009		188,602
2010		194,106
2011		199,775
2012		204,325
Thereafter		<u>437,403</u>
		<u><u>\$ 1,392,628</u></u>

Note 3 – 401(k) plan

The Corporation sponsors a 401(k) retirement plan covering all eligible employees, as defined. The Corporation makes an annual contribution to the plan equal to 3% of each eligible employee's compensation. The plan also provides that the Corporation may make additional discretionary contributions. During the year-ended December 31, 2007, contribution expense related to this plan totaled \$64,827.

Note 4 – Functional expenses

The following is an allocation of expenses by functional category.

Program expenses:		
Reliability standards	\$	248,908
Compliance enforcement		1,692,287
Reliability readiness		75,878
Reliability assessment		290,102
Training and education		259,737
Situation awareness		<u>125,260</u>
		<u>2,692,172</u>
Committee and member forums		401,503
General and administrative expenses:		
General and administrative		1,047,002
Information technology		729,524
Finance and human resources		<u>290,132</u>
		<u>2,067,022</u>
	<u>\$</u>	<u>5,160,333</u>

SERC RELIABILITY CORPORATION

Notes to the Statement of Cash Receipts and Disbursements
Year ended December 31, 2007

Note 5 – Concentration of risk and uncertainties

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents. The Corporation places its cash with one financial institution. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. From time to time, the Corporation's balances may exceed the insured amounts.

The Corporation receives a significant portion of its cash receipts directly from the North American Electric Reliability Corporation (NERC) based on the budget submitted by the Corporation and approved by NERC. Based on past history with NERC, the Corporation believes that its revenue risk exposure is limited.

SERC Reliability Corporation

Statutory Financial Statements
Year ended December 31, 2007

	2007 YTD Actual	2007 YTD Budget	2007 YTD Variance
Funding			
Member assessment	\$ 5,518,555	\$ 5,518,555	\$ -
Workshops	182,450	173,500	8,950
Interest	37,315	10,000	27,315
Miscellaneous	4,407	-	4,407
Total funding	<u>5,742,727</u>	<u>5,702,055</u>	<u>40,672</u>
Expenses			
Personnel expenses			
Salaries	2,556,025	2,938,370	(382,345)
Payroll taxes	170,164	199,990	(29,826)
Employee benefits	249,783	407,130	(157,347)
Savings and retirement	64,827	84,595	(19,768)
Total	<u>3,040,799</u>	<u>3,630,085</u>	<u>(589,286)</u>
Meeting expenses			
Meetings	339,335	375,000	(35,665)
Travel	310,859	318,700	(7,841)
Conference calls	61,290	44,450	16,840
Total	<u>711,484</u>	<u>738,150</u>	<u>(26,666)</u>
Operating expenses			
Rent and improvements	60,780	43,200	17,580
Contracts	301,358	703,320	(401,962)
Consultants	577,805	-	577,805
Office costs	158,017	130,100	27,917
Professional services	114,998	71,500	43,498
Computer purchase and maintenance	87,649	85,700	1,949
Furniture and equipment	102,994	-	102,994
Miscellaneous	4,449	300,000	(295,551)
Total	<u>1,408,050</u>	<u>1,333,820</u>	<u>74,230</u>
Total expenses	<u>5,160,333</u>	<u>5,702,055</u>	<u>(541,722)</u>
Net change in assets - cash basis	<u>\$ 582,394</u>	<u>\$ -</u>	<u>\$ 582,394</u>

SERC Reliability Corporation

Statutory Financial Statements by Function
Year ended December 31, 2007

	300	400	700	800	900	1000	1100	2000	2300	2400 & 2500	2007 YTD	2007 YTD	2007 YTD
	RELIAB	COMP ENFORCE/	RELIAB	RELIAB	TRAINING	SIT	COMMITTEE &	GENERAL	IT	HR &	Actual	Budget	Variance
	STD DEV	ORG REG & CERT	READI	ASSES	& EDUC	AWARE	MBR FORUMS	ADMIN		FINANCE			
Funding	\$ 638,500	\$ 1,549,705	\$ 251,915	\$ 464,090	\$ 315,070	\$ 97,070	\$ 321,620	\$ 1,165,315	\$ 700,270	\$ 15,000	\$ 5,518,555	\$ 5,518,555	\$ -
Member assessment	-	27,265	-	-	88,405	-	66,780	37,315	-	-	182,450	173,500	8,950
Workshops	-	-	-	-	-	-	-	-	-	-	37,315	10,000	27,315
Interest	-	150	-	100	-	-	-	2,292	1,865	-	4,407	-	4,407
Miscellaneous	-	1,577,120	251,915	464,190	403,475	97,070	388,400	1,204,922	702,135	15,000	5,742,727	5,702,055	40,672
Total Funding	638,500	1,577,120	251,915	464,190	403,475	97,070	388,400	1,204,922	702,135	15,000	5,742,727	5,702,055	40,672
Expenses													
Personnel expenses													
Salaries	149,971	991,552	53,627	181,274	116,985	53,627	197,967	482,819	101,709	216,514	2,556,025	2,938,370	(382,345)
Payroll taxes	10,224	67,998	3,656	12,358	7,975	3,656	13,486	29,506	6,934	14,761	170,164	199,990	(29,826)
Employee benefits	6,093	85,144	9,933	15,792	26,961	9,933	14,675	52,210	5,073	23,969	249,783	407,130	(157,347)
Savings and retirement	4,096	23,318	1,302	4,957	2,927	1,302	5,241	13,768	2,650	5,266	64,827	84,595	(19,768)
Total	170,384	1,167,992	68,518	214,381	154,848	68,518	231,379	588,303	116,968	280,510	3,046,799	3,630,085	(589,286)
Meeting expenses													
Meetings	24,398	60,667	-	23,798	82,601	501	118,262	25,634	3,474	-	338,335	375,000	(36,665)
Travel	19,184	141,233	7,288	11,624	19,378	11,349	46,969	45,620	7,325	909	310,859	318,700	(7,841)
Conference calls	576	12,484	-	186	-	-	325	42,407	5,312	-	61,290	44,450	16,840
Total	44,158	214,384	7,288	35,606	101,979	11,850	165,556	113,661	16,111	909	711,484	738,150	(26,666)
Operating expenses													
Rent and improvements	-	-	-	-	-	-	-	60,780	-	-	60,780	43,200	17,580
Contracts	-	-	-	-	-	44,523	-	20,592	219,558	16,665	301,358	703,320	(401,962)
Consultants	34,167	302,982	-	40,000	-	3,658	3,658	4,395	187,244	5,359	577,805	577,805	-
Office Costs	107	2,468	-	113	2,863	389	910	93,105	57,861	221	156,017	130,100	27,917
Professional services	92	92	92	-	-	-	-	108,274	-	6,448	114,988	71,500	43,488
Computer purchase and maintenance	-	2,495	-	-	-	-	-	-	87,649	-	87,649	85,700	1,949
Furniture and equipment	-	2,495	-	-	-	-	-	55,864	44,635	-	102,984	300,000	(285,551)
Miscellaneous	-	2,274	-	-	47	-	-	2,028	100	-	4,449	-	4,449
Total	34,366	310,311	92	40,113	2,910	44,892	4,568	345,038	597,047	28,713	1,408,050	1,333,820	74,230
Total expenses	248,908	1,662,287	75,878	290,102	259,737	125,260	401,503	1,047,002	729,824	280,132	5,160,333	5,702,055	(541,722)
Net change in assets - cash basis	\$ 389,592	\$ (115,167)	\$ 176,037	\$ 174,088	\$ 143,738	\$ (28,190)	\$ (13,103)	\$ 157,920	\$ (27,389)	\$ (275,132)	\$ 562,394	\$ -	\$ 562,394

SOUTHWEST POWER POOL, INC.

Financial Statements

Year Ended December 31, 2007

Southwest Power Pool, Inc.

Accountants' Report and Financial Statements

December 31, 2007 and 2006



Southwest Power Pool, Inc.

December 31, 2007 and 2006

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Independent Accountants' Report

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

We have audited the accompanying balance sheets of Southwest Power Pool, Inc. as of December 31, 2007 and 2006, and the related statements of operations, members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Power Pool, Inc. as of December 31, 2007 and 2006, 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.

As discussed in *Note 5*, Southwest Power Pool, Inc. adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans- An Amendment to FASB Statements No. 87, 88, 106 and 132(R)*, effective December 31, 2007.

BKD, LLP

April 4, 2008

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INDEPENDENT FIRMS

Southwest Power Pool, Inc.

Balance Sheets (In Thousands)

December 31, 2007 and 2006

Assets

	<u>2007</u>	<u>2006</u>
Current Assets		
Cash and cash equivalents	\$ 33,779	\$ 12,512
Restricted cash deposits	14,644	15,703
Accounts receivable	7,686	5,703
Prepaid expenses and other	<u>2,196</u>	<u>2,700</u>
Total current assets	<u>58,305</u>	<u>36,618</u>
Property and Equipment, At Cost		
Land	328	328
Building	5,966	—
Furniture and fixtures	4,422	3,162
Equipment and machinery	11,973	7,378
Leasehold improvements	658	500
Software	52,866	18,634
Software in development	1,771	32,092
Construction in progress	<u>2,487</u>	<u>6,139</u>
	80,471	68,233
Less accumulated depreciation and amortization	<u>37,484</u>	<u>22,219</u>
	<u>42,987</u>	<u>46,014</u>
Other Assets, Net	<u>1,087</u>	<u>1,550</u>
	<u>\$ 102,379</u>	<u>\$ 84,182</u>

See Notes to Financial Statements

Liabilities and Members' Equity

	<u>2007</u>	<u>2006</u>
Current Liabilities		
Accounts payable	\$ 6,717	\$ 4,141
Customer deposits	14,644	15,703
Current maturities of long-term debt <i>(Note 3)</i>	12,206	10,000
Accrued expenses	13,199	13,980
Deferred revenue	<u>2,226</u>	<u>2,226</u>
Total current liabilities	48,992	46,050
Long-term Debt <i>(Note 3)</i>	37,780	25,000
Other Long-term Liabilities	5,322	257
Members' Equity	<u>10,285</u>	<u>12,875</u>
	<u>\$ 102,379</u>	<u>\$ 84,182</u>

Southwest Power Pool, Inc.
Statements of Operations
(In Thousands)
Years Ended December 31, 2007 and 2006

	2007	2006
Operating Income		
Tariff fees and member assessments	\$ 68,818	\$ 57,328
Other member services	19,066	6,140
	87,884	63,468
Operating Expenses		
Salaries and benefits	34,519	25,551
Employee travel	1,094	898
Administrative	1,775	1,719
Regulatory assessment	7,710	10,384
Meetings	566	404
Communications system	2,160	2,335
Leases	883	830
Maintenance	3,833	3,868
Consulting services	15,176	13,734
Depreciation and amortization	15,389	3,726
Impairment loss <i>(Note 9)</i>	—	1,473
	83,105	64,922
Operating Income (Loss)	4,779	(1,454)
Other Income (Expense)		
Recovery of bad debt	—	2
Interest income	1,360	1,172
Interest expense	(3,725)	(616)
Other income (expense)	(8)	3
	(2,373)	561
Income (Loss) Before Effect of Adoption of FAS 158	2,406	(893)
Effect of Adoption of FAS 158	(4,996)	—
Net Loss	\$ (2,590)	\$ (893)

Southwest Power Pool, Inc.
Statements of Members' Equity
(In Thousands)
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Balance, Beginning of Year	\$ 12,875	\$ 13,768
Net loss	<u>(2,590)</u>	<u>(893)</u>
Balance, End of Year	<u>\$ 10,285</u>	<u>\$ 12,875</u>

Southwest Power Pool, Inc.
Statements of Cash Flows
(In Thousands)
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Activities		
Net loss	\$ (2,590)	\$ (893)
Items not requiring cash		
Depreciation and amortization	15,389	3,726
Impairment loss	—	1,473
Loss on disposal of property and equipment	—	4
Effect of FAS 158 adoption	4,996	—
Changes in assets and liabilities		
Accounts receivable	(1,983)	1
Prepaid expenses and other	504	166
Other assets	(1,194)	(894)
Accounts payable	2,576	3,858
Accrued expenses	(771)	5,079
Other long-term liabilities	<u>1,686</u>	<u>—</u>
Net cash provided by operating activities	<u>18,613</u>	<u>12,520</u>
Investing Activities		
Acquisition of property and equipment	<u>(12,332)</u>	<u>(20,519)</u>
Net cash used in investing activities	<u>(12,332)</u>	<u>(20,519)</u>
Financing Activities		
Repayments of long-term debt	(10,154)	(5,000)
Issuance of long-term debt	<u>25,140</u>	<u>—</u>
Net cash provided by (used in) financing activities	<u>14,986</u>	<u>(5,000)</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>21,267</u>	<u>(12,999)</u>
Cash and Cash Equivalents, Beginning of Year	<u>12,512</u>	<u>25,511</u>
Cash and Cash Equivalents, End of Year	<u>\$ 33,779</u>	<u>\$ 12,512</u>
Supplemental Cash Flow Information		
Interest paid (net of interest capitalized of \$99 and \$1,575 in 2007 and 2006, respectively)	\$ 2,169	\$ 557

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

Major services provided by the Company to its members and customers include tariff administration, electric reliability coordination, regional transmission scheduling, energy imbalance service (EIS), market operations (effective February 1, 2007) and regional transmission expansion planning.

Use of Estimates

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

Cash and Cash Equivalents and Deposits

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

Income Taxes

The Company is exempt from income taxes under Section 501c(6) of the Internal Revenue Code and a similar provision of state law.

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

Accounts Receivable

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

Property and Equipment (In Thousands)

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

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

The Company capitalizes interest cost incurred on funds used to construct property, plant, and equipment in accordance with Statement of Financial Accounting Standards No. 34, *Capitalization of Interest Costs*. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was \$99 and \$1,575 in 2007 and 2006, respectively.

The Company capitalizes development costs, including interest, for internal use software costs in accordance with Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. These costs are included in software and software in development. Management of the Company is of the opinion that all costs capitalized in association with the software in development, except for those 2006 costs impaired as discussed in *Note 9*, are fully recoverable over the anticipated life of the asset.

Revenue Recognition

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

Customer Deposits

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

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

Tariff Fees and Member Assessments

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

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

The Company collects a membership fee from each member annually. The amount of the membership fee is established by the Board of Directors of the Company. For 2006, non-load serving members paid an annual fee of \$6,000 and load serving members were subject to a fee based on their annual "Net Energy for Load" for the preceding year. For 2007, all members paid a \$6,000 membership fee.

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

Other Member Services

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

Withdrawing Members

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

Concentration of Credit Risk

The Company is exposed to credit risk primarily through accounts receivable and uninsured cash equivalent balances. From time to time in 2007 and 2006, the Company maintained cash balances that exceeded the insurance limits of the Federal Deposit Insurance Corporation. However, the financial institutions in which the Company carries cash balances are rated AA or better by the nationally recognized rating agencies.

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

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

Note 2: Line of Credit (In Thousands)

The Company has an \$8,000 revolving line of credit expiring in 2008. At December 31, 2007 and 2006, no amounts were borrowed against this line. The agreement requires maintenance of a fixed charge coverage ratio as well as numerous reporting requirements. The Company was in compliance with the covenant and reporting requirements during 2007 and 2006. The agreement has a variable interest rate equal to either the bank's prime rate or the London Interbank Offered Rate (LIBOR) plus a credit margin.

Note 3: Long-term Debt and Interest Rate Swaps (In Thousands)

Long-term Debt

	2007	2006
7.50% Term Notes due 2008 (A)	\$ 5,000	\$ 10,000
4.78% Term Notes due 2011 (B)	20,000	25,000
Variable Rate Term Note due 2027 (C)	4,986	—
Variable Rate Term Note due 2014 (D)	<u>20,000</u>	<u>—</u>
	49,986	35,000
Less current maturities	<u>12,206</u>	<u>10,000</u>
	<u>\$ 37,780</u>	<u>\$ 25,000</u>

- (A) Due March 15, 2008; principal payable \$5,000 annually, interest payable semi-annually at 7.5%. The note agreement requires compliance with certain financial and non-financial covenants as well as periodic reporting requirements. The Company was in compliance with the covenant and reporting requirements during 2007 and 2006. The note agreement also requires mandatory prepayments of outstanding principal upon withdrawal from the Company of various aggregates of membership. The Company was not subject to any mandatory prepayments during 2007 and 2006. Note proceeds were used to fund development of market settlement software. The notes are unsecured.

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

- (B) Due May 11, 2011; principal payable \$5,000 annually, beginning on June 25, 2007, interest payable semi-annually at 4.78%. The note agreement requires compliance with certain financial and non-financial covenants as well as periodic reporting requirements. The Company was in compliance with the covenants and reporting requirements during 2007 and 2006. The note agreement also requires mandatory prepayments of outstanding principal upon withdrawal from the Company of various aggregates of membership. The Company was not subject to any mandatory prepayments during 2007 and 2006. Proceeds were used to fund general corporate activities. The notes are unsecured.
- (C) Due February 1, 2027; principal and interest are payable quarterly based on a 25-year amortization to commence on May 1, 2007. The interest rate adjusts monthly based on the London Interbank Offered Rate (LIBOR) plus 0.85%. The note agreement requires compliance with certain financial and non-financial covenants as well as periodic reporting requirements. The Company was in compliance with the covenants and reporting requirements during 2007. The note is secured by a first mortgage on the Company's operation facility.
- (D) Due December 25, 2014; interest is payable monthly and principal is payable quarterly based on a seven year amortization. Payments are to commence on March 25, 2008. The interest rate adjusts monthly based on the London Interbank Offered Rate (LIBOR) plus 0.30%. The note agreement requires compliance with certain financial and non-financial covenants as well as periodic reporting requirements. The Company was in compliance with the covenants and reporting requirements during 2007. Proceeds were used to fund development of an energy trading market and other capital expenditures. The note is unsecured.

Aggregate annual maturities of long term debt at December 31, 2007 are:

2008	\$	12,206
2009		8,206
2010		9,206
2011		10,206
2012		5,206
Thereafter		4,956
		<u>\$ 49,986</u>

Interest Rate Swaps

On September 15, 2006, the Company entered into an interest rate swap agreement with a financial institution. The swap agreement has an effective date of March 1, 2007, with a notional principal amount of \$5,100. The Company pays the swap counterparty a fixed interest rate of 5.51% and in return, the counterparty pays the Company a variable rate of interest based on LIBOR. The notional amount amortizes evenly over 20 years and interest is settled quarterly. The swap was established to hedge the floating rate on Loan (C).

Southwest Power Pool, Inc.
Notes to Financial Statements
December 31, 2007 and 2006

On August 23, 2007, the Company entered into an interest rate swap agreement with a financial institution. The swap agreement has an effective date of March 25, 2008, with a notional principal amount of \$29,500. The Company pays the swap counterparty a fixed interest rate of 5.31% and in return, the counterparty pays the Company a variable rate of interest based on LIBOR. The notional amount amortizes evenly over seven years and interest is settled monthly. The swap was established to hedge the floating rate on Loan (D).

The Company is exposed to risk should the counterparty fail to perform under the swap contract as a result of either default or early termination of the agreement. However, the Company does not anticipate a failure by the counterparty. The agreement is recorded at its market value with subsequent changes in market value included in income. The market value of the swaps at December 31, 2007 and 2006, was a net payable of approximately \$1,733 and \$168, respectively, and is recorded on the balance sheet in other long-term liabilities. Interest expense in the statement of operations for the years ended December 31, 2007 and 2006, includes expense of \$1,570 and \$168, respectively, related to the swap agreements.

Note 4: Operating Leases (In Thousands)

The Company has noncancellable operating leases for office space and certain office equipment which expire at various times through 2012. The Company incurred lease expense related to these operating leases of \$883 and \$830 in 2007 and 2006, respectively.

Future minimum lease payments at December 31, 2007, were:

2008	\$	962
2009		956
2010		950
2011		699
2012		<u>7</u>
	\$	<u><u>3,574</u></u>

Note 5: Employee Benefit Plans (In Thousands)

Pension and Other Post-retirement Benefit Plans

The Company has a noncontributory defined benefit pension plan covering all employees meeting eligibility requirements. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company expects to contribute approximately \$3,000 to the plan in 2008.

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

The Company has a noncontributory defined benefit postretirement health care plan covering eligible retirees including those retiring between the ages of 55-65 and hired prior to January 1, 1996. Employees hired after June 1, 2006, are not eligible to participate in the defined post retirement health care plan. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company expects to contribute approximately \$629 to the plan in 2008.

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

	Pension Benefits		Post-Retirement Health Care Benefits	
	2007	2006	2007	2006
Benefit obligation	\$ 16,424	\$ 11,414	\$ 4,046	\$ 3,893
Fair value of plan assets	13,045	8,925	4,363	3,524
Funded status	\$ (3,379)	\$ (2,489)	\$ 317	\$ (369)

Amounts recognized in the balance sheets:

	Pension Benefits		Post-Retirement Health Care Benefits	
	2007	2006	2007	2006
Noncurrent assets	\$ —	\$ 1,329	\$ 317	\$ 30
Noncurrent liabilities	(3,379)	—	—	—
	\$ (3,379)	\$ 1,329	\$ 317	\$ 30

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

Amounts recognized in members equity not yet recognized as components of net periodic benefit cost as of December 31, 2007, consist of:

	Pension Benefits	Post-Retirement Health Care Benefits
Net loss (gain)	\$ 5,096	\$ (344)
Prior service cost	(17)	—
Transition obligation	214	47
	\$ 5,293	\$ (297)

The accumulated benefit obligation for the defined benefit pension plan was \$12,098 and \$8,788 at December 31, 2007 and 2006, respectively.

Other significant balances and costs are:

	Pension Benefits		Post-Retirement Health Care Benefits	
	2007	2006	2007	2006
Employer contributions	\$ 2,500	\$ 2,234	\$ 629	\$ 549
Benefits paid	\$ 121	\$ 110	\$ —	\$ —
Benefit costs	\$ 1,914	\$ 1,414	\$ 629	\$ 629

The following amounts have been recognized in the statements of operations for the year ended December 31, 2007:

	Pension Benefits	Post-Retirement Health Care Benefits
Amounts arising during the period:		
Net gain	\$ 1,051	\$ 682
Net prior service cost	2,390	911
Amounts recognized as components of net periodic benefit cost of the period:		
Net loss	198	—
Net prior service cost	1	—
Net transition obligation	16	4

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

The estimated net loss, prior service cost and transition obligation for the defined benefit pension plan that will be amortized from members' equity into net period benefit cost over the next fiscal year are \$216, \$1 and \$16, respectively. There is no prior service credit for the defined benefit post-retirement healthcare plan that will be amortized from members' equity into net periodic benefit cost over the next fiscal year.

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

	Pension Benefits		Post-Retirement Health Care Benefits	
	2007	2006	2007	2006
Discount rate	6.5%	7.0%	6.5%	6.5%
Expected return on plan assets	7.0%	7.0%	7.0%	7.0%
Rate of compensation increase	4.5%	4.5%		

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

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2007 and 2006. The rate was assumed to decrease gradually to 5% by the year 2010 and remain at that level thereafter.

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

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

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

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

	Pension Benefits	Post- Retirement Health Care Benefits
2008	\$ 125	\$ 23
2009	128	29
2010	128	30
2011	144	36
2012	251	63
2013 – 2017	3,495	1,140

The Company's investment strategy is based on an expectation that equity securities will outperform fixed income securities over the long-term. Accordingly, the composition of the Company's plan assets is broadly characterized as a 70/30% allocation between equity and fixed income securities. The strategy utilizes indexed and actively managed mutual fund instruments as well as direct investment in individual equity and fixed income securities. Investments in the plans must adhere to the Investment Policy Statement developed by the Company. The Investment Policy Statement is reviewed annually. At December 31, 2007 and 2006, plan assets by category are as follows:

	Pension Plan Assets		Post Retirement Health Care Plan Assets	
	2007	2006	2007	2006
Fixed income securities	13%	19%	25%	25%
Equity securities	70	64	65	72
Cash and equivalents	17	17	10	3
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

The Company adopted the provisions of Statement of Financial Accounting Standards No. 158 (FAS 158), *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – An Amendment to FASB Statements No. 87, 88, 106 and 132(R)*, effective December 31, 2007.

The following amounts reflect the incremental effect of the initial application of FAS 158:

	Before Application of FAS 158	Adjustments	After Application of FAS 158
Other assets, net	\$ 2,713	\$ (1,626)	\$ 1,087
Total assets	\$ 104,005	\$ (1,626)	\$ 102,379
Accrued expenses	\$ 13,208	\$ (9)	\$ 13,199
Other long-term liabilities	\$ 1,943	\$ 3,379	\$ 5,322
Total liabilities	\$ 88,724	\$ 3,370	\$ 92,094
Members equity	\$ 15,281	\$ (4,996)	\$ 10,285

Defined Contribution Plans

The Company has a 401(k) defined contribution plan covering substantially all employees. The Company contributes funds to the Plan on behalf of plan participants equal to 75% of the participants' elective deferrals up to 6% of deferred compensation. Contributions to the plan were \$866 and \$670 for 2007 and 2006, respectively.

In 2006, the Company established a 457(b) non-qualified tax-deferred compensation plan. This plan is an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly-compensated employees, and therefore, is intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of ERISA. Employee contributions of \$210 and \$89 are recorded in other long-term liabilities at December 31, 2007 and 2006, respectively.

Note 6: Related Party Transactions (In Thousands)

General disbursements of the Company are apportioned to members based on the formula described in the bylaws of the Company (see *Note 1*). The Company's receivables from members totaled \$6,150 and \$4,801 as of December 31, 2007 and 2006, respectively. The Company recognized revenues of \$67,035 and \$58,773, including assessments and tariff administrative fees, from members for the years ended December 31, 2007 and 2006, respectively.

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

The Southwest Power Pool Regional State committee (RSC) was incorporated on April 7, 2004, in the State of Arkansas. The RSC is comprised of commissioners from public service commissions, or equivalent, having regulatory authority over Company members. FERC, in its February 20, 2004, order regarding the Company's RTO application stated, "the RSC should have primary responsibility for determining regional proposals and the transition process for funding of regional transmission enhancements, rate structure for a regional access charge and allocation of transmission rights." The RSC prepares budgets annually for the expected costs of its operations. This budget is submitted to the Company's Board of Directors for approval. The Company includes, in its annual budget, funds sufficient to cover 100% of the operating costs of the RSC. During 2007 and 2006, the Company incurred \$101 and \$72, respectively, in expenses attributable to RSC operations. Management of the company expects such expenditures for 2008 to be approximately \$703.

Note 7: Open Access Transmission and EIS Market Operations (In Thousands)

The Company provides short- and long-term firm and non-firm point-to-point transmission services and network integration transmission service across 13 providers in eight southwestern states. The Company is responsible for the billing of the transmission customers for the respective services and the remittance of the subsequent collections to the transmission owner on a monthly basis. Billings for these transmission services are not included in the statements of operations. The Company receives a fee for facilitating the transmission process, which is recorded as tariff fees in the Company's statements of operations. For the years ended December 31, 2007 and 2006, the Company billed transmission customers \$391,842 and \$279,688, respectively. For the years ended December 31, 2007 and 2006, the Company remitted to transmission owners \$352,649 and \$241,095, respectively. At December 31, 2007 and 2006, the Company was due to collect from customers and remit to owners transmission service charges of \$32,043 and \$26,083, respectively.

The Company's EIS market is a wholesale market that operates under a tariff approved by the FERC and is consistent with the mandate of the FERC Order No. 2000, which requires RTOs to provide real-time energy imbalance services and market monitoring functions. Weekly settlements of market participants' energy transactions are not reflected in the Company's statements of operations since they do not represent revenues or expenses of the Company, as the Company merely acts as an intermediary in the settlement process. In this role, the Company receives and disburses funds to/from market participants on a weekly basis.

Note 8: Commitments and Contingencies (In Thousands)

Commitments

The Company entered into an agreement for application management and support services related to its Commercial Operations Systems, a component of the imbalance energy market system. Remaining commitments under this agreement are approximately \$3,439 in 2008.

Southwest Power Pool, Inc.
Notes to Financial Statements
December 31, 2007 and 2006

Litigation and Regulatory Matters

The Company is engaged in various legal and regulatory proceedings at both the federal and state levels. The resolution of these matters is not expected to have a material adverse impact on the Company's financial position, cash flows or results of operations.

Note 9: Asset Impairment (In Thousands)

As discussed in *Note 1*, the Company capitalizes interest cost related to software in development. During 2006 management of the Company assessed the recoverability of the capitalized cost of such software and determined that future revenues will not recover the portion of the software cost attributable to capitalized interest. Accordingly, impairment losses of \$1,473, representing interest capitalized, were charged to income in 2006.

Note 10: Subsequent Events (In Thousands)

On January 31, 2008, the Company entered into a \$20,000 unsecured revolving line of credit that expires in 2013. This replaces the \$8,000 revolving line of credit mentioned in *Note 2*.

Note 11: Disclosures About Fair Value of Financial Instruments

The following methods were used to estimate fair value of financial statements.

The fair values of certain of these instruments were calculated by discounting expected cash flows, which involves uncertainties and significant judgments by management. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

Restricted Cash Deposits

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Customer Deposits

The carrying amount is a reasonable estimate of fair value.

Long-term Debt

Fair value is estimated based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities.

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2007 and 2006

Interest Rate Swap Agreement

The fair value is estimated by a third party.

The following table presents estimated fair values of the Company's financial instruments at December 31, 2007 and 2006.

	<u>2007</u>		<u>2006</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets				
Cash and cash equivalents	\$ 33,779	\$ 33,779	\$ 12,512	\$ 12,512
Restricted cash deposits	14,644	14,644	15,703	15,703
Financial liabilities				
Customer deposits	14,644	14,644	15,703	15,703
Long-term debt	49,986	47,458	35,000	32,176
Interest rate swap agreement	1,733	1,733	168	168

TEXAS REGIONAL ENTITY

Agreed Upon Procedures

Year Ended December 31, 2007

**Texas Regional Entity,
An Independent Division of
Electric Reliability Council
of Texas, Inc.**

**Agreed Upon Procedures Related to the 2007
Treasurer's Report
December 31, 2007**

Report of Independent Accountants

To the Board of Directors of
Texas Regional Entity, an independent division of ERCOT, Inc.:

We have performed the procedures enumerated below, which were agreed to by Texas Regional Entity ("TRE"), an independent division of Electric Reliability Council of Texas, Inc. ("ERCOT") relating to the 2007 Treasurer's Report of TRE submitted to North American Electric Reliability Corporation ("NERC") and the Federal Energy Regulatory Commission ("FERC") as filed in the April 1, 2008 compliance filing by NERC. TRE management is responsible for the 2007 Treasurer's Report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The 2007 Treasurer's Report is included in Attachment 1 to this report.

Except as specifically described below, no exceptions were found as a result of applying the following procedures:

- 1) Agreed the 2007 year-to-date budget, relating to the statement of changes in net assets on the Treasurer's Report, to the FERC order [Docket No. RR07-16-000] approving the 2007 ERO budget.
- 2) 2007 YTD Actual Revenues: Revenue is recorded based on the established budgeted amount submitted by NERC and subsequently approved by FERC order [Docket No. RR07-16-000]. The revenue is received in four quarterly payments, a quarter in advance at the beginning of a given quarter.
 - a) Agreed revenue to budget submitted by NERC and subsequently approved by FERC order [Docket No. RR07-16-000].
 - b) Agreed all revenue received from NERC during 2007 to TRE bank statements. Agree this total amount of revenue to approved revenue in 2a.
 - c) Agreed revenues in FERC order [Docket No. RR07-16-000] in 2a to amount reported in the 2007 Treasurer's Report.
- 3) 2007 YTD Actual Salaries: Total Statutory Hours are tracked using the Lawson time-tracking system. Employees are required to track time by statutory and non-statutory categories. Once total statutory time is accumulated, the hours are applied to individual employee wage rates and the resulting totals are applied to the statutory department code 701.

- a) Obtained the Lawson time-tracking system report ("Timecard Detail Report" or "ERTMD"), which is a user-defined query from the Professional Services Automation ("PSA") module of Lawson, for department code 701 for the 2007 period.
 - b) Agreed the total amounts in department code 701 [from the ERTMD report described in 3a above] for salaries and wages, overtime, vacation and sick pay to corresponding amounts in the schedule of salary expense (prepared from the Lawson GL 290 Report), which is a supporting schedule to the 2007 Treasurer's Report.
 - c) Agreed the total amount reported in the schedule of salary expense (prepared from the Lawson GL 290 Report) to the amount reported in the 2007 Treasurer's Report.
- 4) 2007 YTD Actual Employee Benefits: Benefits include direct expenses and allocations. TRE employees record time to two department codes: 701 (statutory department) and 702 (non-statutory department). Health premiums, dental premiums, short-term disability, long-term care and life premiums for TRE employees are allocated between statutory and non-statutory based on time charged to the various department codes.
- a) Obtained the Lawson ERTMD for department code 701 and department code 702 for the 2007.
 - b) Recalculated expenses for total health premiums using the following formula: [Total health premiums per the TRE general ledger for all TRE employees X salaries charged to department code 701 / total salaries charged to department codes 701 and 702]. Repeated recalculation for dental premiums, short-term disability, long-term care and life premiums.
 - c) Recalculated total of all allocated expenses in 4b above and agreed to schedule of TRE employee benefits (prepared from the Lawson GL 290 Report), which is a supporting schedule to the 2007 Treasurer's Report.
 - i) Total amount recalculated above did not agree to the schedule of TRE employee benefits. The schedule of TRE employee benefits reports a balance of \$112,200. We recalculated expenses in 4b above of \$79,928, resulting in a difference of \$32,272. We have been advised by management that the difference results from a benefits reserve adjusting entry that was made by ERCOT after the compliance filing with NERC and FERC and that such difference will be included in a future true-up of cumulative surplus of revenues over expenses.
 - d) Agreed the total amount reported in the schedule of TRE employee benefits (prepared from the Lawson GL 290 Report) to the amount reported in the 2007 Treasurer's Report.
- 5) 2007 YTD Actual Savings and Retirement: TRE employees record time to two department codes: 701 (statutory department) and 702 (non-statutory department). 401K match and pension contributions for TRE employees are allocated between statutory and non-statutory based on time charged to the various department codes.
- a) Obtained the Lawson ERTMD report for department code 701 and department code 702 for the 2007 period.

- b) Recalculated expenses for 401K match using the following formula: [401K match per the TRE general ledger for all TRE employees X salaries charged to department code 701 / total salaries charged to department codes 701 and 702]. Repeated recalculation for pension contributions. Agreed recalculated expenses to amount reported in the 2007 Treasurer's Report.
- i) Total amount recalculated in 5b above did not agree to the total savings and retirements presented in the 2007 Treasurer's report. The 2007 Treasurer's Report presents a balance of \$108,139. We recalculated expenses in 5b above of \$105,906 resulting in a difference of \$2,233.
- 6) 2007 YTD Actual Rent and Improvements: Recalculated using following allocation method.
- a) Recalculated monthly rent expense by multiplying the cost per Rentable Square Foot (Rate) by the total square foot occupied by TRE (RSF). Total square foot occupied by TRE and the cost per rentable square foot, as provided by ERCOT, were as follows:

**Texas Regional Entity
Rental Square Feet Occupied
By Month**

Month	RSF	Rate	Amount Charged
January	2,625	\$ 36.55	\$ 7,995
February	2,625	36.55	7,995
March	2,625	36.55	7,995
April	2,625	36.55	7,995
May	2,625	36.55	7,995
June	2,625	36.55	7,995
July	2,625	37.00	8,094
August	2,625	37.00	8,094
September	2,625	37.00	8,094
October	2,625	37.00	8,094
November	2,625	37.00	8,094
December	2,625	37.00	8,094
Total			<u>\$ 96,534</u>

- b) Recalculated statutory rent expense above using the following formula: [Rent expense for all TRE employees (from 6a) X salaries charged to department code 701 / total salaries charged to department codes 701 and 702]. Agreed to amount reported in the 2007 Treasurer's Report.
- i) Total amount recalculated in 6b above did not agree to the total rent and improvements reported in the 2007 Treasurer's report. The 2007 Treasurer's Report presents a balance of \$73,917. We recalculated expenses in 6b above of \$69,587, resulting in a difference of \$4,330.

- 7) 2007 YTD Actual Professional Services: Professional services include training expenses and legal fees:
- a) Training expenses and legal fees are coded directly into department code 701 and included in the TRE general ledger. Obtained the TRE schedule of professional services (prepared from the Lawson GL 290 Report), which is a supporting schedule to the 2007 Treasurer's Report. From the schedule selected five of the eighteen line items and obtained the related invoices. Agreed the allocation between statutory and non-statutory activity reflected on the invoice to amounts posted to the ledger.
 - b) Agreed total from TRE schedule of professional services (prepared from the Lawson GL 290 Report) to amount reported in the 2007 Treasurer's Report.
- 8) 2007 YTD Actual Computer Purchase and Maintenance: Expenses include IT costs, project expenses, and hardware, software and software service professional fees.
- a) Recalculated monthly IT costs by multiplying the cost per full time employee (FTE) by the total amount of FTEs on staff at TRE. Monthly costs per FTE for development and production support, internal user support and computer hardware support, as well as total FTEs working at Texas RE each month, all provided by ERCOT, were as follows:

By Month

Month	FTEs	Development & Production Support	Internal User Support	Computer Hardware	Total IT Support Charge
		\$3,900 per mo.	\$544 per FTE	\$33 per FTE	
January	-	\$ -	\$ -	\$ -	\$ -
February	-	-	-	-	-
March	-	-	-	-	-
April	-	-	-	-	-
May	-	-	-	-	-
June	14	3,900	7,616	462	11,978
July	14	3,900	7,616	462	11,978
August	13	3,900	7,072	429	11,401
September	14	3,900	7,616	462	11,978
October	14	3,900	7,616	462	11,978
November	14	3,900	7,616	462	11,978
December	16	3,900	8,704	528	13,132
Total		\$ 27,300	\$ 53,856	\$ 3,267	\$ 84,423

Agreed IT costs as calculated above to corresponding amounts in the schedule of computer purchase and maintenance expense (prepared from the Lawson GL 290 Report), which is a supporting schedule to the 2007 Treasurer's Report.

- i) IT costs as calculated above did not agree to the schedule of computer purchase and maintenance expense. The schedule of computer purchase and maintenance expense reports a balance of \$68,045. We recalculated expenses in the table above of \$84,423, resulting in a difference of \$16,378. We have been advised by management that the difference is the non-statutory expenses that were allocated to the non-statutory expense pool based on hours obtained from the Lawson ERTMD report for department code 701 and department code 702 for the 2007 period.
 - b) Project expenses are tracked and recorded by project number from Work-in-Process Capital Projects, and results are included in the 2007 Treasurer's Report. Specifically, the projects were an Outage Coordination Statistical Reports, project number 50093 and the Voltage Reactive Compliance Management Database, project number 50055. Agreed costs associated with these two projects to corresponding amounts in the schedule of computer purchase and maintenance expense (prepared from the Lawson GL 290 Report), which is a supporting schedule to the 2007 Treasurer's Report.
 - c) Software service professional fees are entered directly into the appropriate department code. Obtained detail of such expenses and obtained support for all expenses and agreed to corresponding amounts in the schedule of computer purchase and maintenance expense (prepared from the Lawson GL 290 Report), which is a supporting schedule to the 2007 Treasurer's Report.
 - d) Agreed the total amount reported in the schedule of computer purchase and maintenance expense (prepared from the Lawson GL 290 Report) to the amount reported in the 2007 Treasurer's Report.
- 7) Mathematically recalculated 2007 YTD Variance by subtracting balances from YTD Budget amounts from YTD Actual amounts in the Treasury Report.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the 2007 Treasurer's Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of TRE, ERCOT (which entity provides accounting and financial services to TRE) and NERC, and is not intended to be and should not be used by anyone other than these specified parties.



PricewaterhouseCoopers LLP
May 15, 2008

Attachment 1

2007 Treasurer's Report

(In Whole Dollars)

	2007 YTD Actual	2007 YTD Budget	2007 YTD Variance	2007 Projection	2007 Budget	2007 Projected Variance
Funding						
Assessments	4,870,755	4,870,755	-	4,870,755	4,870,755	-
Testing	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Misc.	-	-	-	-	-	-
Total Funding	4,870,755	4,870,755	-	4,870,755	4,870,755	-
Expenses						
Personnel Expenses						
Salaries	833,265	1,481,500	(648,235)	833,265	1,481,500	(648,235)
Payroll Taxes	61,586	127,557	(65,971)	61,586	127,557	(65,971)
Employee Benefits	112,200	330,198	(217,998)	112,200	330,198	(217,998)
Savings & Retirement	108,139	225,631	(117,492)	108,139	225,631	(117,492)
Total Personnel Expenses	1,115,190	2,164,886	(1,049,696)	1,115,190	2,164,886	(1,049,696)
Meeting Expenses						
Meetings	(1,714)	2,400	(4,114)	(1,714)	2,400	(4,114)
Travel	36,992	66,269	(29,277)	36,992	66,269	(29,277)
Conference Calls	-	9,400	(9,400)	-	9,400	(9,400)
Total Meeting Expenses	35,278	78,069	(42,791)	35,278	78,069	(42,791)
Operating Expenses						
Rent & Improvements	73,917	77,500	(3,583)	73,917	77,500	(3,583)
Contracts	-	-	-	-	-	-
Consultants	-	110,000	(110,000)	-	110,000	(110,000)
Office Costs	1,864	65,900	(64,036)	1,864	65,900	(64,036)
Professional Services	260,733	220,000	40,733	260,733	220,000	40,733
Computer Purchase & Maint.	92,378	1,578,900	(1,486,522)	92,378	1,578,900	(1,486,522)
Furniture & Equipment	39,373	575,500	(536,127)	39,373	575,500	(536,127)
Total Operating Expenses	468,265	2,627,800	(2,159,535)	468,265	2,627,800	(2,159,535)
Total Expenses	1,618,734	4,870,755	(3,252,021)	1,618,734	4,870,755	(3,252,021)
Change in Net Assets	3,252,021	-	3,252,021	3,252,021	-	3,252,021

WESTERN ELECTRICITY COORDINATING COUNCIL

Financial Statements

Year Ended December 31, 2007



Western Electricity Coordinating Council

Financial Statements

As of December 31, 2007 and 2006 and For the Years Then Ended

Together with Independent Auditors' Report



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AND CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Western Electricity Coordinating Council

We have audited the accompanying statements of financial position of Western Electricity Coordinating Council (the Council) as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council'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, 2007 and 2006, 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.



March 18, 2008

WESTERN ELECTRICITY COORDINATING COUNCIL
Statements of Financial Position

As of December 31,

	2007	2006
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 2,851,512	\$ 5,149,318
Investments	4,942,362	1,096,000
Accounts receivable, net of allowance for doubtful accounts of \$38,157 and \$84,341, respectively	119,085	150,431
Prepaid assets	555,333	533,932
Total current assets	8,468,292	6,929,681
Equipment and software, net	1,829,895	769,006
Total assets	\$ 10,298,187	\$ 7,698,687
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 754,883	\$ 931,804
Accrued payroll and payroll related liabilities	517,366	323,676
Deferred revenue	3,028,246	1,439,490
Total current liabilities	4,300,495	2,694,970
Commitments and contingencies		
Net assets:		
Unrestricted:		
Designated	424,595	1,408,928
Undesignated	5,573,097	3,594,789
Total net assets	5,997,692	5,003,717
Total liabilities and net assets	\$ 10,298,187	\$ 7,698,687

WESTERN ELECTRICITY COORDINATING COUNCIL
Statements of Activities

Years Ended December 31,

	2007	2006
Unrestricted net assets:		
Revenue and other income:		
Membership assessments	\$ 21,605,101	\$ 16,393,876
Western Renewable Energy Generation Information System (WREGIS)	659,193	52,422
Interest	574,713	438,375
Meetings and workshops	496,710	509,440
Other	91,035	143,772
	23,426,752	17,537,885
Expenses and losses:		
Labor	11,331,123	7,744,564
NERC dues	3,840,878	2,713,645
Professional services	2,629,841	1,219,618
Computer systems	1,264,191	796,583
Travel	779,626	536,173
Meeting expenses	753,031	589,495
Insurance	655,065	747,622
Office	615,397	407,611
Depreciation and amortization	563,625	177,468
	22,432,777	14,932,779
Increase in unrestricted net assets	993,975	2,605,106
Net assets, beginning of year	5,003,717	2,398,611
Net assets, end of year	\$ 5,997,692	\$ 5,003,717

WESTERN ELECTRICITY COORDINATING COUNCIL
Statements of Cash Flows

Years Ended December 31,

	2007	2006
Cash flows from operating activities:		
Increase in net assets	\$ 993,975	\$ 2,605,106
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	563,625	177,468
Other non-cash (income) expense	(6,027)	11,131
Decrease (increase) in:		
Account receivable	35,873	256,308
Prepaid assets	(21,401)	(16,542)
Increase (decrease) in:		
Accounts payable	(176,921)	(666,908)
Accrued liabilities	193,690	66,858
Deferred revenue	1,588,756	1,439,490
	3,171,570	3,872,911
Net cash provided by operating activities		
Cash flows from investing activities:		
Net change in investments	(3,846,362)	604,000
Purchase of equipment and software	(1,624,514)	(922,655)
Proceeds from sale of equipment	1,500	1,475
	(5,469,376)	(317,180)
Net cash used in investing activities		
Cash flows from financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(2,297,806)	3,555,731
Cash and cash equivalents at beginning of year	5,149,318	1,593,587
Cash and cash equivalents at end of year	\$ 2,851,512	\$ 5,149,318
Supplemental disclosure of cash flow information:		
Interest paid	\$ -	\$ -

WESTERN ELECTRICITY COORDINATING COUNCIL
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities

Western Electricity Coordinating Council (the Council) is a not-for-profit organization whose primary business is to conduct work for its members who represent electricity providers operating in the western United States, Canada and Mexico. A substantial portion of revenue comes from member assessments, and therefore, the Council is involved in significant related-party transactions as a result of its normal activities.

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 at 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.

Financial Statement Presentation

The Council 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. The Council had only unrestricted net assets as of December 31, 2007 and 2006.

Concentration of Credit Risk

The Council maintains its cash balances in deposit accounts which exceed federally insured limits. The Council has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of December 31, 2007, cash balances exceed the federally insured limits by approximately \$2,516,000.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all cash deposits and short-term debt securities with an initial maturity 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.

WESTERN ELECTRICITY COORDINATING COUNCIL
Notes to Financial Statements
Continued

**1. Summary of
Significant
Accounting
Policies**
Continued

Accounts Receivable

Accounts receivables 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. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Equipment and Software

Equipment and software is capitalized at cost and is depreciated using the straight-line method over estimated lives of 3 to 5 years. Minor replacements, maintenance and repairs, which do not increase the useful lives of the equipment and software are expensed as incurred.

Revenue Recognition

Annual membership assessments are recognized as revenue in the period for which they have been assessed. Other types of revenues are recognized when the services or products have been provided.

Federal Income Tax

The Council 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 (IRC) and is exempt from federal income taxes on related purpose income pursuant to Sec. 501(a) of the IRC.

Reclassifications

Certain amounts in the 2006 financial statements have been reclassified to conform to the 2007 presentation.

WESTERN ELECTRICITY COORDINATING COUNCIL
Notes to Financial Statements
Continued

- 2. Investments** Investments consisted of debt securities and are stated at fair value and consist of the following at December 31:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
2007	\$ 4,933,129	\$ 4,942,362	\$ 9,233
2006	\$ 1,096,000	\$ 1,096,000	\$ -

The Council recognized interest income from cash and investments of \$574,713 and \$438,375 in 2007 and 2006, respectively.

- 3. Accounts Receivable** Accounts receivable at December 31, 2007 and 2006 consist of assessments for operations (including membership dues, assessments, and services) and unscheduled flow receivables that had not been collected as of year-end.

- 4. Equipment and Software** Equipment and software consists of the following as of December 31:

	<u>2007</u>	<u>2006</u>
Computer equipment	\$ 1,746,235	\$ 1,055,114
Software	1,248,751	326,296
	<u>2,994,986</u>	<u>1,381,410</u>
Less accumulated depreciation and amortization	<u>(1,165,091)</u>	<u>(612,404)</u>
	<u>\$ 1,829,895</u>	<u>\$ 769,006</u>

- 5. Accounts Payable** Accounts payable consist of the following at December 31:

	<u>2007</u>	<u>2006</u>
Trade and other payables	\$ 747,418	\$ 845,327
Unscheduled flow mitigation plan payables	7,465	86,477
	<u>754,883</u>	<u>931,804</u>
Total accounts payable	<u>\$ 754,883</u>	<u>\$ 931,804</u>

WESTERN ELECTRICITY COORDINATING COUNCIL
Notes to Financial Statements
Continued

- 6. Designation of Unrestricted Net Assets** Management and the Board of Directors has designated a portion of the Council's unrestricted net assets to provide for the following as of December 31:

	2007	2006
Software and computer equipment	\$ 349,595	\$ 505,874
Consulting projects	75,000	503,054
Salaries	-	400,000
	\$ 424,595	\$ 1,408,928

- 7. Retirement Plans** ***401(k) Retirement Savings Plan***
The Council has a 401(k) Retirement Savings Plan for its eligible employees. The Plan requires the Council to make matching contributions equal to 50% of the first 6% of compensation eligible employees contribute to the plan. The Council may also make, at its discretion, supplemental contributions for eligible employees. Retirement plan expense reflected in the accompanying statements of activities was approximately \$382,000 and \$278,000 for the years ended December 31, 2007 and 2006, respectively.

- 8. Commitments and Contingencies** ***Operating Leases***
The Council has entered into non-cancelable operating leases for office space and office equipment. As of December 31, 2007, future minimum lease payments under non-cancelable operating leases with terms of one year or more are as follows:

<u>Years Ending December 31:</u>	
2008	\$ 305,302
2009	316,872
2010	188,496
2011	9,720
	\$ 820,390

Total rent expense under non-cancelable operating leases was approximately \$294,000 and \$204,000 for the years ended December 31, 2007 and 2006, respectively.

WESTERN ELECTRICITY COORDINATING COUNCIL
Notes to Financial Statements
Continued

**8. Commitments
and
Contingencies**
Continued

Litigation and Claims

The Council, in the normal course of performing its activities, is at times subject to lawsuits or claims. The Council's management is currently not aware of any litigation or claims which it believes could have a material impact on the Council's financial position.

**9. Subsequent
Events**

During January 2008, the Council executed a line of credit agreement with Zion's Bank, wherein they created a borrowing capacity of \$6,000,000 with a maturity of March 1, 2010.

During March 2008, the Council entered into an operating lease agreement for use of a building for its Vancouver, Washington Reliability Center from 2008 through 2009. The lease increased the Council's commitments for the lease term by approximately \$42,000.

ATTACHMENT 19

**Midwest Reliability Organization
Policy and Procedure 8 Document Retention and Destruction**

Objective

The objective of this Policy and Procedure is to set forth the Midwest Reliability Organization ("MRO") Policy and Procedure regarding the retention and destruction of corporate documents.

Policy

MRO shall retain records for the period of their immediate or current use, unless longer retention is necessary for historical reference or to comply with contractual or legal requirements. Records and documents outlined in this policy include paper, electronic files (including e-mail), and voicemail records regardless of where the document is stored, including network servers, desktop or laptop computers, and handheld computers and other wireless devices with text messaging capabilities.

Responsibilities

1. In accordance with 18 U.S.C. Section 1519 and the Sarbanes Oxley Act, MRO shall not knowingly destroy a document with the intent to obstruct or influence an "investigation or proper administration of any matter within the jurisdiction of any department agency of the United States . . . or in relation to or contemplation of such matter or case." If an official investigation is underway or even suspended, document purging must stop in order to avoid criminal obstruction.
2. In order to eliminate accidental or innocent destruction, MRO has the following document retention policy:

Document Type	Retention Period
Accounts Receivable/Payable Ledgers/Schedules	7 years
Annual audited financial statements, audit reports, general ledgers, internal audit reports, trial balance journals	Permanently
Articles of Incorporation, Charter, Bylaws, minutes, and other incorporation records	Permanently
Bank Reconciliation	7 years
Bank statements, deposit records, electronic fund transfer documents, and cancelled checks	7 years
Chart of Accounts	Permanently
Contracts, mortgages, notes and leases (still in effect)	Permanently
Contracts, mortgages, notes and leases (expired)	7 years
Correspondence (general)	7 years

Document Type	Retention Period
Correspondence (legal and important matters) Correspondence (with customers and vendors)	Permanently 1 year
Depreciation schedules	Permanently
Employment applications	2 years from making the record or taking the personnel action
Garnishments	7 years
Insurance policies, records, current accident reports, claims (still in effect)	Permanently
Insurance policies, records, accident reports, claims (expired)	Permanently
Inventory records	7 years
Invoices (to customers, from vendors)	7 years
Loan documents and notes	Permanently
Personnel files (employee demographic information and compensation records)	7 years
Personnel files (I-9's)	7 years after date of hire or 7 years after termination
Personnel files (payroll records and summaries including records related to employee's leave)	7 years
Retirement and pension records including Summary Plan Descriptions (ERISA)	Permanently
Tax returns and worksheets	Permanently
Timesheets	7 years
Trademark registrations and copyrights	7 years
Workers Compensation documentation	10 years after first closure

ATTACHMENT 20



NORTHEAST POWER COORDINATING COUNCIL, INC. DOCUMENT RETENTION AND DESTRUCTION POLICY

PURPOSE

This Policy sets forth the Northeast Power Coordinating Council, Inc.'s ("NPCC") policies and procedures regarding the retention and destruction of corporate documents.

In accordance with the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"), which makes it a crime to alter, conceal, cover up, falsify or destroy any document (or persuade someone else to do so) with the intent of impeding or obstructing any official proceeding (e.g., a federal investigation or bankruptcy proceeding), this Policy provides for the systematic review, retention and destruction of documents received or created by NPCC during its ongoing performance of activities that promote the reliable and efficient operation of the international, interconnected bulk power system in Northeastern North America. This Policy covers all records and documents, regardless of physical form, and contains guidelines for how long certain documents should be retained and how records should be destroyed. This Policy is designed to: (1) ensure compliance with all applicable federal and state laws and regulations; (2) eliminate accidental or innocent destruction of records; and (3) permit NPCC to identify valuable documents on short notice when needed.

RESPONSIBILITIES

NPCC shall retain records for the period of their immediate or current use, unless a longer retention period is necessary for historical reference or to comply with contractual or legal requirements.

In accordance with 18 U.S.C. § 1519 and the Sarbanes-Oxley Act, NPCC shall not knowingly alter, conceal, or destroy a document with the intent to impede, obstruct or influence an "investigation or proper administration of any matter within the jurisdiction of any department or agency of the United States . . . or in relation to or contemplation of any such matter or case." In order to eliminate accidental or innocent destruction of corporate documents, NPCC has adopted the document retention procedures discussed below.

MANAGEMENT

To ensure compliance with this Policy, NPCC's Vice President and Chief Operating Officer is responsible for the following oversight functions:

- Implementing the Policy;
- Ensuring that employees and administrative staff (collectively, "NPCC Employees") understand and comply with the Policy;
- Providing oversight on the retention and destruction of documents;

- Ensuring the proper storage of documents;
- Suspending the destruction of documents upon foreseeable investigations or litigation;
- Following up periodically with legal counsel to ensure that proper retention periods are in place; and
- Reviewing the Policy and keeping corporate officers, directors and NPCC Employees apprised of changes to the Policy.

All questions relating to document retention and/or destruction should be addressed to NPCC's Vice President and Chief Operating Officer.

DOCUMENT RETENTION SCHEDULE

NPCC adheres to the document retention schedule attached to this policy (see Attachment). The document retention schedule reflects those important business records that are essential to the ongoing, legal and effective functioning of NPCC. These records are distinguished from those documents whose continued preservation serves no useful purpose to NPCC (e.g., personal e-mails and correspondence, preliminary drafts of letters or memoranda, and newsletters and brochures). This latter category of documents should be promptly and systematically deleted and destroyed, with the exception of documents that are relevant to or discoverable in pending or potential litigation and other legal and official proceedings.

DOCUMENT STORAGE AND RETENTION

The records and documents covered by this Policy include paper documents, electronic files (including e-mail), and voicemail records regardless of where the document is stored, including network servers, desktop or laptop computers, handheld computers and other wireless devices with text messaging capabilities. NPCC's records will be stored in a safe, secure and accessible manner. Paper documents and financial files that are essential for the efficient operation of NPCC during an emergency will be stored electronically and "backed up" at least every week.

Electronic files and documents will be retained as if they were paper documents. Therefore, any electronic files that fall into one of the document categories on the attached schedule will be maintained for the appropriate period of time. If a user has sufficient reason to keep an e-mail message, the message should be printed in hard copy and retained in the appropriate file or moved to an "archive" computer file folder. NPCC Employees will be routinely notified to keep all original documents on NPCC network servers and delete copies of old or dated files from their home or work computers.

DOCUMENT DESTRUCTION

NPCC's Vice President and Chief Operating Officer is responsible for the ongoing process of identifying the records that have been retained for the applicable retention period, and overseeing their destruction. The Vice President and Chief Operating Officer shall record the destruction of documents and make appropriate annotations in a destroyed documents "log book."

Paper records should be destroyed by shredding or some other means that will render them unreadable. NPCC's Secretary or Assistant Secretary should be consulted in connection with the destruction of records such as photographs, compact disks or tape recordings. Electronic files and e-mail records that are deleted will be permanently removed by NPCC's information technology department from the NPCC computer system. When duplicate copies of a document or file are involved, both copies must be destroyed or deleted where proper.

Document purging must be suspended immediately upon any indication that any government investigation or lawsuit is pending, threatened or even reasonably foreseeable, in order to avoid criminal obstruction. When it becomes apparent that an electronic file needs to be preserved for an investigation and/or lawsuit, NPCC Employees must take the appropriate measures to avoid altering the metadata documenting the origin of electronic data.

Suspension of the destruction of any documents that are potentially related to an investigation, lawsuit or other proceeding should continue until NPCC management has confirmed with legal counsel which documents may be destroyed. Destruction may be reinstated upon the conclusion of the investigation, lawsuit or proceeding.

COMPLIANCE

NPCC shall maintain appropriate documentation supporting the development and implementation of this Policy. Further, NPCC Employees shall be trained with respect to compliance with these document management policies and guidelines, and notified of any revisions to the Policy. NPCC shall conduct periodic audits in order to monitor compliance with this Policy. As part of its annual audit of NPCC's financial statements, NPCC's independent auditors will also review and assess compliance with the corporation's policies and procedures, including this Policy.

Failure on the part of NPCC Employees to follow this Policy can result in possible civil and criminal sanctions against NPCC and possible disciplinary action against responsible individuals. NPCC's Vice President and Chief Operating Officer will periodically review these procedures with legal counsel to ensure that they are in compliance with new or revised laws and regulations.

UPDATE AND MODIFICATION OF POLICY

The Board of Directors of NPCC shall be kept abreast of significant changes in legal or regulatory requirements concerning document management, and shall adjust this Policy accordingly.

APPROVAL AND ADOPTION

Approved and adopted by the Board of Directors of NPCC on April 29, 2008.



**Northeast Power Coordinating Council, Inc. (NPCC)
Record Retention Policy**

Approved by NPCC Board of Directors
April 29, 2008

Types of Records	1 Year	2 Years	3 Years	7 Years	Perm
Accounts payable ledgers & schedules				Y	
Accounts receivable ledgers & schedules				Y	
Company policy & practice manuals					Y
Audit reports					Y
Bank statements				Y	
Bank reconciliations				Y	
Canceled checks				Y	
Chart of accounts					Y
Contrats & leases:					
Expired				Y	
Current					Y
Correspondence:					
Contributions				Y	
General				Y	
Legal & important matters only					Y
Routine vendor	Y				
Depreciation schedules					Y
Election records					Y
Employee personnel records (after termination)				Y	
Employee W-2 and payroll tax returns				Y	
Employment applications		Y			
Financial records/schedules used in preparation of tax returns (from date return filed)					Y
Financial statements (year-end; other months optional)					Y
General ledgers: year-end trial balances				Y	
Insurance policies (including expired policies)					Y
Inventories				Y	
Invoices:					
From vendors				Y	
To customers				Y	
Minutes of director & committee meetings (incl bylaws & charter)					Y
Ownership of property, real estate, patents, trademarks, copyrighted documents (from date ownership ends)				Y	
Litigation-related documents				Y	
Payroll records & summaries				Y	
Pension documents & records					Y
Petty cash vouchers				Y	
Purchase orders				Y	
Receipt records (sales, etc.)				Y	
Sales records and journals				Y	
Subsidiary ledgers				Y	
Tax returns					Y
Time sheets				Y	
Vouchers for payments to employees for reimbursements, allowances, etc.				Y	