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May 31, 2011

VIA ELECTRONIC FILING

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: North American Electric Reliability Corporation
Docket No. RR09-9-000
Report of Comparisons of Budgeted to Actual Costs for 2010
for NERC and the Regional Entities**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits the “North American Electric Reliability Corporation’s Report of Comparisons of Budgeted to Actual Costs for 2010 for NERC and the Regional Entities.”

This filing consists of: (1) this transmittal letter, (2) the narrative text of the filing, which follows this transmittal letter, and (3) Attachments 1 through 10. The Table of Contents to the narrative text list the 10 attachments.

Please contact the undersigned if you have any questions concerning this filing.

Respectfully submitted,

/s/ Owen E. MacBride
Owen E. MacBride

Attorney for North American Electric
Reliability Corporation

UNITED STATES OF AMERICA
Before the
FEDERAL ENERGY REGULATORY COMMISSION

NORTH AMERICAN ELECTRIC)
RELIABILITY CORPORATION) Docket No. RR09-9-000
)

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION'S
REPORT OF COMPARISONS OF BUDGETED TO ACTUAL COSTS FOR 2010
FOR NERC AND THE REGIONAL ENTITIES

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May 31, 2011

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Attachment 3: Midwest Reliability Organization – 2010 Actual Cost-to-Budget Comparison and Audited Financial Statements

Attachment 4: Northeast Power Coordinating Council, Inc. – 2010 Actual Cost-to-Budget Comparison and Audited Financial Statements

Attachment 5: ReliabilityFirst Corporation – 2010 Actual Cost-to-Budget Comparison and Audited Financial Statements

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Attachment 7: Southwest Power Pool Regional Entity – 2010 Actual Cost-to-Budget Comparison; Audited Financial Statements of Southwest Power Pool, Inc.

Attachment 8: Texas Reliability Entity, Inc. – 2010 Actual Cost-to-Budget Comparison and Audited Financial Statements (includes 2010 Actual Cost-to-Budget Comparisons for January 1 – June 30, 2010 for Texas Regional Entity)

Attachment 9: Western Electricity Coordinating Council – 2010 Actual Cost-to-Budget Comparison and Audited Financial Statements

Attachment 10: Metrics Concerning Administrative Costs in 2010 NERC and Regional Entity Budgets and Actual Costs

I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”) respectfully submits this filing to provide comparisons of actual to budgeted costs for the year 2010 for NERC and the eight Regional Entities.¹ The Commission originally directed NERC to file, each year, comparisons of actual to budgeted costs for the preceding year, in an order issued October 18, 2007, concerning the 2008 business plans and budgets of NERC and the Regional Entities.² As described in §III below, in several subsequent orders, the Commission has clarified and expanded upon the information to be included in the annual actual-to-budget cost comparisons.

The following information is provided in this filing:

A comparison of the actual funding received and costs incurred by NERC and each Regional Entity for statutory and (where applicable) non-statutory activities for the year ended December 31, 2010, to the budgets of NERC and each Regional Entity for that year, with explanations of significant actual cost-to-budget variances.

The audited financial statements of NERC and each Regional Entity for the year ended December 31, 2010.

Metrics concerning NERC and Regional Entity administrative costs in their 2010 budgets and actual results.³

This filing includes the following attachments:

¹ The eight Regional Entities are the Florida Reliability Coordinating Council (“FRCC”), Midwest Reliability Organization (“MRO”), Northeast Power Coordinating Council, Inc. (“NPCC”), ReliabilityFirst Corporation (“ReliabilityFirst”), SERC Reliability Corporation (“SERC”), Southwest Power Pool, Inc. Regional Entity (“SPP RE”), Texas Reliability Entity, Inc. (“Texas RE”), and Western Electricity Coordinating Council (“WECC”).

² *North American Electric Reliability Corporation, Order Conditionally Accepting 2008 Business Plan and Budget of the North American Electric Reliability Corporation and Ordering Compliance Filings*, 121 FERC ¶ 61,057 (2007) (“2008 ERO Budget Order”).

³ The metrics information is provided in response to P 39 of the Commission’s Order issued June 19, 2008. *North American Electric Reliability Corporation, Order Conditionally Accepting Compliance Filing*, 123 FERC ¶61,282 (2008) (“June 19, 2008 Budget Compliance Order”).

Attachment 1: 2010 Actual Cost-to-Budget Comparison and Audited Financial Statements for NERC.

Attachment 2: 2010 Actual Cost-to-Budget Comparison and Audited Financial Statements for FRCC.

Attachment 3: 2010 Actual Cost-to-Budget Comparison and Audited Financial Statements for MRO.

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Attachment 5: 2010 Actual Cost-to-Budget Comparison and Audited Financial Statements for Reliability *First*.

Attachment 6: 2010 Actual Cost-to-Budget Comparison and Audited Financial Statements for SERC.

Attachment 7: 2010 Actual Cost-to-Budget Comparison for SPP RE and 2010 Audited Financial Statements for Southwest Power Pool, Inc.

Attachment 8: 2010 Actual Cost-to-Budget Comparison and Audited Financial Statements for Texas RE.

Attachment 9: 2010 Actual Cost-to-Budget Comparison and Audited Financial Statements for WECC.

Attachment 10: Metrics Concerning Administrative Costs in 2010 NERC and Regional Entity Budgets and Actual Costs

II. NOTICES AND COMMUNICATIONS

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

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III. COMPARISONS OF ACTUAL COSTS TO BUDGETS FOR THE YEAR ENDED DECEMBER 31, 2010

As noted above, in the *2008 ERO Budget Order*, the Commission directed NERC to make annual filings comparing the NERC and Regional Entity budgets to actual costs incurred in the preceding year, “in sufficient detail and with sufficient explanations for the Commission to determine, by program area, the reasons for deviations from the budget and the impacts of those deviations.”⁴ In the *June 19, 2008 Budget Compliance Order*, which addressed NERC’s April 1, 2008 compliance filing to the *2008 ERO Budget Order*, the Commission provided additional direction concerning the presentation of the annual filings comparing NERC’s and the Regional Entities’ actual to budgeted expenditures:

37. To promote consistency and transparency, the Commission directs the use of certain practices and formats in future true-up filings. In particular, Regional Entities must provide a cover letter discussing major areas of actual cost-to-budget variances for all of the Regional Entity’s statutory programs in the aggregate. Regional Entities should also follow NERC’s template for the presentation of actual costs and budgeted costs on a program-by-program and line-item basis. Significant variances must be explained on a line-item basis with enough particularized information to clearly support each such variance. Regional Entities should refrain from using generic, program area summaries to support significant variances. The cause for each such variance should therefore be clear on its face. Further, each Regional Entity must provide an explanation of the allocation methods it used to allocate indirect costs to the direct statutory program or functional areas, as well as any allocation between any statutory and non-statutory activities.

38. Cash reserves are meant to handle expenses which exceed the amount budgeted, as well as unforeseen events that could occur at any time. However, in the future, the Commission expects NERC and the Regional Entities to justify the use of cash reserves as variances in the April true-up. Cash reserves should not become a means to fund expected projects outside of the budget approval process. The Commission expects that as NERC and the Regional Entities develop experience in planning and functioning under their budgets the amounts and number of variance will decrease. In addition, the Commission expects that with experience, the explanations for the variances will improve.

⁴ *2008 ERO Budget Order* at P 23.

In addition, although the following directive in the *2008 ERO Budget Order* was expressly applicable to NERC's compliance filing due April 1, 2008 comparing actual expenses to budgets for the year ended December 31, 2007 for NERC and the Regional Entities, NERC has treated the directive as intended to apply to the annual filings comparing actual expenses to budgets for future years as well:

66. . . . [T]he Commission reminds NERC and the Regional Entities that, to the extent funding identified as statutory is used to fund non-statutory activities, those funds must be reimbursed (e.g., to load serving entities or to statutory expenditures). NERC is directed to inform the Commission in the April 1, 2008 compliance filing the extent to which this has occurred and document that the funds have been or will be reimbursed.

Finally, in its order issued June 29, 2009, on NERC's April 1, 2009 filing of actual cost-to-budget comparisons for NERC and the Regional Entities for 2008, the Commission approved NERC's proposal that the due date for the annual filings be moved to May 30 of the following year so that the comparisons can be based on the audited financial reports of NERC and the Regional Entities for the preceding year. Consistent with this proposal, NERC also proposed to include the audited financial reports in the annual filing that would be due May 30.⁵

The comparisons of 2010 actual-to-budget funding and expenditures for NERC and the Regional Entities are provided in **Attachments 1 through 9**, as follows:

- **Attachment 1:** NERC
- **Attachment 2:** FRCC
- **Attachment 3:** MRO
- **Attachment 4:** NPCC
- **Attachment 5:** *ReliabilityFirst*
- **Attachment 6:** SERC

⁵ *North American Electric Reliability Corporation, Order Conditionally Accepting Compliance Filing*, 127 FERC ¶ 61,307 (2009) ("*June 29, 2009 Budget Compliance Order*"), at PP 23-24. Because May 30, 2011 is a federal holiday, this filing is being submitted on May 31, 2011.

- **Attachment 7:** SPP RE
- **Attachment 8:** Texas RE⁶
- **Attachment 9:** WECC⁷

Each Attachment also includes the respective entity's audited financial report for the year ended December 31, 2010, as prepared by its independent public accounting firm.

The comparisons provided in **Attachments 1** through **9** conform to the Commission's directives as quoted above:

- Each comparison contains a cover letter identifying overall actual-to-budget variances in Funding and total Expenses and in major Expense categories, and discussing reasons for major areas of actual cost-to-budget variances.
- Each comparison contains a summary table, prepared using a NERC-supplied template, showing the entity's 2010 budget, 2010 actual amounts, and the variance, for major line-item categories of Funding and Expenses.⁸

⁶ By letter Order issued May 6, 2010, in Docket No. RR10-6-000 (131 FERC ¶ 61,112), the Commission approved the termination of the Delegation Agreement between NERC and Texas Regional Entity, a division of the Electric Reliability Council of Texas, Inc. ("ERCOT"), the entry into a Delegation Agreement with Texas RE, a newly-formed corporation not affiliated with ERCOT, and an amended 2010 Business Plan and Budget for Texas RE reflecting costs associated with this transition. The transition from Texas Regional Entity to Texas RE as the Regional Entity for the ERCOT region was effective July 1, 2010. The comparisons presented in **Attachment 8** to this filing include (1) comparison of the actual consolidated 2010 results for Texas Regional Entity and Texas RE to the amended 2010 Business Plan and Budget of Texas RE; (2) comparison of the actual results to budget for Texas Regional Entity for the period January 1 through June 30, 2010; and (3) comparison of the actual results to budget for Texas RE for the period July 1 through December 31, 2010. Additionally, **Attachment 8** includes audited financial statements for both Texas RE and Texas Regional Entity.

⁷ The WECC comparisons are based on the amended WECC 2010 Business Plan and Budget that was filed with the Commission on April, 2010 (supplemented on May 10, 2010), in Docket No. RR10-9-000 and approved by the Commission in a letter Order issued July 23, 2010. The purpose of WECC's amended Business Plan and Budget was to incorporate additional funding to be received by WECC as a result of three grant awards by the U.S. Department of Energy ("DOE") and related expenditures for activities for which the DOE grants were awarded.

⁸ The NERC report, **Attachment 1**, contains separate tables comparing NERC's 2010 actual results to (i) NERC's approved 2010 budget and (ii) an adjusted 2010 budget reflecting the removal of budgeting funding and expenses for the Transmission Owners and Operators Forum, which separated from NERC at the end of 2009 and formed a separate organization (the North American Transmission Forum, Inc. ("Forum")) that operates independently from NERC.

- For those entities that engaged in both statutory and non-statutory activities in 2010, the comparisons include separate summary tables for statutory programs and non-statutory activities, prepared using the NERC-supplied template, showing the entity's 2010 budget, 2010 actual amounts, and the variance, for major line-item categories of Funding and Expenses.⁹
- The comparisons include individual tables, also prepared using a NERC-supplied template, showing 2010 budget, 2010 actual amounts, and the variance, for major line-item categories of Funding and Expenses, for each of the statutory programs¹⁰ (direct costs) and the overhead functions¹¹ (indirect costs). These tables also provide explanations for significant line-item actual-to-budget variances.¹²

The Attachments also address (generally in the cover letter) (i) whether any statutory funds were used in 2010 for non-statutory activities (in fact, neither NERC or any of the Regional Entities reports using statutory funds during 2010 for non-statutory activities); (ii) the impact of the entity's 2010 results on its working cash reserve for statutory programs¹³; (iii) whether, and if so

Because of this separation, in 2010 NERC received no funding from the Forum and incurred no expenses to support the Forum.

⁹ The summary table for non-statutory activities (for those entities that had non-statutory activities) is the last table in the Attachment. FRCC, NPCC, Texas RE and WECC had non-statutory activities in 2010 and each has provided summary tables for statutory and non-statutory activities. NERC, MRO, ReliabilityFirst, SERC and SPP RE did not have non-statutory activities in 2010 (although SPP RE's parent organization, Southwest Power Pool, Inc. had non-statutory activities).

¹⁰ Reliability Standards, Compliance Monitoring and Enforcement and Organization Registration and Certification, Reliability Assessment and Performance Analysis, Training, Education and Operator Certification, and Situation Awareness and Infrastructure Security.

¹¹ Committees and Member Forums, General and Administrative, Legal and Regulatory, Information Technology, Human Resources, and Accounting and Finance.

¹² Generally, explanations have been provided for line-item variances that are greater than +/- 10% of the budgeted amount and greater than \$10,000 over or under the budgeted amount. Explanations have also been provided for some line item variances that are less than 10% of the budgeted amount, where the dollar amount of the variance is substantial.

¹³ The summary comparison tables for total entity and (where applicable) statutory and non-statutory activities show "Total Change in Assets" for the 2010 Actual Funding and Expenditures. A positive "Total Change in Assets" means the entity's total Actual Funding exceeded its total Actual Expenditures for the year 2010; therefore, it was not necessary for the entity to use its cash reserves balance at December 31, 2009 to fund 2010 expenditures.

how, indirect costs incurred during 2010 were allocated to the direct statutory programs or functions; and (iv) whether, and if so how, costs were allocated between statutory programs and non-statutory activities in 2010.

Because the NERC and Regional Entity reports in each Attachment identify and discuss major areas of actual-to-budget variances, and the individual tables for each direct statutory program and each indirect cost function contain specific explanations of significant variances on a line-item basis, a detailed, entity-by-entity discussion of the actual-to-budget variances experienced in 2010 by NERC and individual Regional Entities is not provided here. However, the list below describes several recurring drivers of actual-to-budget variances experienced by NERC and the Regional Entities in 2010, as identified by NERC's review of the comparisons.

- A number of entities¹⁴ experienced under-budget variances in Salary Expense and related Personnel Expenses (Payroll Taxes, Employee Benefits and Savings & Retirement), in one or more program areas, due to being unable to fill budgeted positions or due to filling budgeted positions later in the year than was assumed in the budget. Additionally, having fewer personnel on staff than budgeted tended to reduce Meetings and/or Travel Expense below the budgeted amounts.
- In other cases, however, entities created and filled new positions that had not been budgeted in order to meet increasing or emerging workloads and responsibilities that had not been reflected in the budget. In these cases, the unbudgeted Salaries expense also resulted in unbudgeted Payroll Taxes, Employee Benefits and Savings & Retirement expenses.
- Several entities realized lower than budgeted costs for Employee Benefits due to receiving lower than projected medical program premium increases, successfully negotiating lower rates with providers, or switching providers to achieve lower costs.
- Some entities experienced lower than budgeted Employee Benefits and Savings & Retirement expenses due to decisions by employees not to participate in the entity's medical benefits program or due to lower than projected participation in the entity's 401(k) or other retirement plan. In some cases newly-hired employees elected to stay on the health and medical and/or retirements programs of their previous employers.¹⁵

¹⁴ The term "entities" is used here generically to include NERC as well as Regional Entities.

¹⁵ In order to obtain highly qualified and experienced staff, a number of entities have hired former, long-time utility employees, some of whom have left their former employers with retirement packages that include post-retirement medical coverage; some of these personnel have

- The actual costs incurred by NERC and many of the Regional Entities for Meetings and Travel were lower than budgeted due to continuing efforts to make greater use of teleconferencing, Webinars and other virtual meeting capabilities rather than in-person meetings. These efforts in turn tended to result in higher than budgeted costs for Conference Calls and Internet expenses (the latter expense is recorded in Office Costs).
- Further, both NERC and Regional Entities placed continued emphasis on holding meetings at the entity's facility or at participants' facilities, rather than being held at paid venues such as hotels or conference centers, thereby further reducing Meeting expenses.
- Several entities were able to spend less on Consultants and/or Contracts than budgeted due to hiring additional staff to perform work that was budgeted to be done by consultants or contractors, or as a result of determining that work budgeted to be performed by contractors and consultants could in fact be handled by existing staff.
- Several entities experienced unbudgeted, or higher than budgeted, Office Rent, Office Costs and/or Furniture & Fixtures capital expenditures, due to relocations or expansions of their offices that were not reflected in their budgets. However, in some instances, entities deferred budgeted capital expenditures at existing offices in anticipation of upcoming office relocations.
- Several Regional Entities expressly budgeted for Professional Services or other resources for one or more compliance-related hearings with registered entities; however, these Regional Entities did not have any hearings in 2010, thereby resulting in an under-budget variance.
- Due to greater than anticipated resource demands in some programs during the year (*e.g.*, Compliance), some entities, including NERC, shifted staff between programs. These shifts created under- or over-budget variances in Personnel Expenses in the affected programs, but did not create variances for Statutory expenses in the aggregate.
- Some entities, including NERC, either budgeted certain costs as operating expenses but then recorded the expenditures as Capital Expenditures (Fixed Asset Additions); or, conversely, budgeted costs as Capital Expenditures but recorded the actual costs as operating expenses. These decisions created variances between actual and budgeted costs in the applicable operating expense or Capital Expenditure line item, but did not necessarily reflect a variance in the overall cost of the underlying activity.
- Some entities experienced higher or lower Funding from Workshop attendance fees, due to higher or lower attendance at Workshops than projected in the budget, holding more or fewer Workshops than assumed in the budget, or a combination of both factors.

had the ability to remain on their former employers' health benefits plans. Also, some employees have elected to participate in their spouses' employers' medical coverage programs.

- Several entities realized greater Interest or other investment income than budgeted, due to having larger than expected fund balances to invest or on deposit. A principal cause of the larger than expected balances was the receipt of penalty payments, which are not budgeted.

In addition to the above-described causes of actual-to-budget variances that were experienced by more than one entity, NERC and the Regional Entities experienced other above- or below-budget variances in actual Funding, Expenses and Fixed Asset Additions in individual line items due to particular events and circumstances impacting the particular entity. These variances are identified in the individual actual cost-to-budget comparisons presented in **Attachments 1 through 9**.

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

In the *June 19, 2008 Budget Compliance Order*, the Commission directed NERC to develop additional metrics analyzing its administrative expenses and those of the Regional Entities, and to present these metrics in future annual actual cost-to-budget filings and Business Plan and Budget filings:

39. Our analysis of the Regional Entities' true-up statements indicates that many Regional Entities spent a significant percentage of their 2007 budgets on various administrative functions to support their statutory functions.¹³ The amounts spent on administrative functions vary widely among the Regional Entities. . . We recognize that 2007 is the first year that these Regional Entities have prepared a budget for statutory functions and that there are some startup costs that will be unique to 2007. The Commission anticipates, however, that such effects will diminish as NERC and the Regional Entities gain experience preparing their budgets. To promote better transparency, the Commission directs NERC to develop additional metrics to identify, in a uniform manner, information detailing its total expenses for administrative functions as well as the expenses for administrative functions for each Regional Entity. For example, one of the matrices should be the percentage spent by the Regional Entity on administrative functions as a portion of its total approved budgeted funding similar to the information provided in the table attached to this order. These new metrics should be designed to enhance the Commission's ability to compare information provided by the Regional Entities on administrative costs and to understand the reasons for any significant differences in amounts budgeted by different Regional Entities for the same function. The Commission therefore directs NERC to

develop these additional metrics for use in the true-up filings for NERC's 2008 and 2009 budgets and for use in NERC's subsequent business plans and budgets beginning with NERC's 2010 Business Plan and Budget.

¹³ The Commission considered the amount each Regional Entity spent on administrative functions as a percentage of its total budgeted funding. The administrative functions included in staff's analysis are: Committees and Member Forums, General and Administration, Legal and Regulatory, Information Technology, Human Resources, and Accounting and Finance. A table of administrative expenses spent by each Regional Entity as a percentage of its budgeted funding is included as Attachment A to this order.

The administrative functions cited in footnote 13 of the *June 19, 2008 Budget Compliance Order* (Committees and Member Forums, General and Administration, Legal and Regulatory, Information Technology, Human Resources and Accounting and Finance) are the functions that NERC and the Regional Entities refer to as "indirect costs" in their business plans and budgets and reports of actual expenses. It is appropriate to analyze these indirect costs in the aggregate (as the Commission did in P 39 and footnote 13 of the *June 19, 2008 Budget Compliance Order*), rather than by individual function, due to certain necessary inconsistencies among the Regional Entities in budgeting and recording these costs. For example, some of the Regional Entities budget and record all Salary expense for Legal and Regulatory, Human Resources and/or Accounting and Finance under General and Administrative, because they have only one or two employees in each of these functions and therefore reporting the budgeted and actual Salary expense for these individual functional categories could reveal salary information of individual employees.¹⁶

¹⁶ In addition, in some instances NERC or a Regional Entity has budgeted all of its projected costs for indirect functions such as General and Administrative, Legal and Regulatory or Information Technology in the indirect program, but has recorded some or all of the actual costs incurred for the function in the statutory program in which work was performed (*e.g.*, recording Personnel Expenses for Legal and Regulatory personnel involved in Compliance Monitoring and Enforcement Program activities as expenses of the Compliance Program, or recording the actual costs of information technology initiatives in the statutory program or programs that utilized the resulting product).

Attachment 10 provides the following three sets of metrics comparisons for NERC and the Regional Entities for their 2010 budgets and 2010 actual costs:

- Statutory indirect expenditures as a percent of total statutory expenditures,¹⁷ and statutory direct expenditures per dollar of statutory indirect expenditures (top row of tables on **Attachment 10**).¹⁸
- Statutory indirect full-time equivalent employees (“FTE”) as a percent of total statutory FTE, and ratio of statutory direct FTE to statutory indirect FTE (middle row of tables on **Attachment 10**).
- Total statutory expenditures per total FTE, statutory direct expenditures per direct FTE, statutory indirect expenditures per indirect FTE, and statutory indirect expenditures per total FTE (bottom row of tables on **Attachment 10**).

These are the same metrics that NERC provided in its April 1, 2009 filing comparing actual-to-budget costs for NERC and the Regional Entities for 2008 and in its June 1, 2010 filing comparing actual-to-budget costs for NERC and the Regional Entities for 2009.¹⁹ In the *June 29, 2009 Budget Compliance Order*, the Commission indicated that these metrics were acceptable, with the exception that no data had been provided for FRCC due to the manner in which FRCC records and allocates indirect costs.²⁰ The Commission “direct[ed] NERC and FRCC to develop procedures for capturing actual indirect costs and to provide details relating to these procedures in the true up filing to the 2010 NERC and Regional Entity business plan and

¹⁷ This is the metric shown in Attachment A to the *June 19, 2008 Budget Compliance Order*.

¹⁸ The term “expenditures” is used in this discussion to mean expenses plus capital expenditures (fixed asset additions net of depreciation).

¹⁹ *Additional Compliance Filing of the North American Electric Reliability Corporation in Response to October 18, 2007 Order – Comparisons of Budgeted to Actual Costs for 2008 for NERC and the Regional Entities*, filed April 1, 2009 in Docket No. RR07-16-005 (“2008 True-up Filing”); *North American Electric Reliability Corporation’s Report of Comparisons of Budgeted to Actual Costs for 2009 for NERC and the Regional Entities*, filed June 1, 2010 in Docket No. RR08-6-000 (“2009 True-Up Filing”).

²⁰ *June 29, 2009 Budget Compliance Order* at PP 13-14.

budget.”²¹ In connection with preparation of the NERC and Regional Entity 2010 Business Plans and Budgets, NERC and the Regional Entities agreed upon and implemented a number of changes in budgeting and cost accounting procedures.²² As part of these initiatives, FRCC (and several other Regional Entities) adopted revisions to their methods and procedures for recording and allocating indirect expenses.²³ As a result of these changes, NERC is now able to include FRCC data in the administrative cost metrics for 2010 provided in **Attachment 10**.

The following subsections provide discussion and analysis of the metrics provided in **Attachment 10**.

Statutory indirect expenditures as a percent of total statutory expenditures, and statutory direct expenditures per dollar of statutory indirect expenditures

Based on 2010 actual data, statutory indirect expenditures averaged 30.45% of total statutory expenditures for NERC and the Regional Entities, and the average statutory direct expenditure per dollar of statutory indirect expenditure was \$2.28.²⁴ The actual average statutory indirect expenditure percentage was higher, and the actual average statutory direct expenditure

²¹ *June 29, 2009 Budget Compliance Order* at P 14.

²² *See, e.g.*, the discussion of these initiatives at page 14 of NERC’s 2010 Business Plan and Budget, Attachment 2 to the 2010 ERO Business Plan and Budget filing submitted on August 24, 2009, in Docket Nos. RR09-9-000, RR08-6-004 and RR07-14-004.

²³ **Attachment 2**, the FRCC’s 2010 Actual Cost-to-Budget comparison, contains a detailed discussion of the procedures used by FRCC to identify and allocate indirect costs.

²⁴ These figures are essentially weighted averages, *i.e.*, they are calculated using the sums of the total statutory expenditures, total statutory direct expenditures, and total statutory indirect expenditures, for NERC and the eight Regional Entities. Since NERC’s and WECC’s expenditures are substantially larger than those of the other Regional Entities, the NERC and WECC results significantly influence the weighted averages. (The significance of the WECC data to the averages is even greater for 2010 than for prior years due to the amount of U.S. Department of Energy grant funds and related expenditures included in WECC’s 2010 budget and actual results.) The arithmetic averages for these two metrics are 33.20% for statutory indirect expenditures as a percent of total statutory expenditures, and \$2.55 for statutory direct expenditures per dollar of statutory indirect expenditures.

per dollar of indirect expenditure was lower, than the averages based on the NERC and Regional Entity budgets (26.67% and \$2.75, respectively). Therefore, in terms of reducing indirect expenditures as a percentage of total expenditures and spending a greater portion of the overall ERO resources on statutory direct program activities, actual 2010 results did not match the expectations reflected in the 2010 budgets. However, the 2010 actual results do represent modest improvement over 2009 actual results for these metrics. The 2010 actual average statutory indirect expenditure percentage of 30.45% was lower, and the 2010 actual average statutory direct expenditure per dollar of indirect expenditure of \$2.28 was higher, than the averages based on actual 2009 results (31.89% and \$2.14, respectively). Further, the 2009 actual average statutory indirect expenditure percentage was lower, and the 2009 actual average statutory direct expenditure per dollar of indirect expenditure was higher, than the averages based on actual 2008 results (35.05% and \$1.85, respectively).²⁵ Therefore, on the basis of actual results, NERC and the Regional Entities have, in the aggregate, a three-year trend of reducing indirect expenditures as a percentage of total expenditures and expending an increasingly higher percentage of total ERO resources on statutory direct program activities.²⁶

The percentages of actual statutory indirect expenditures to total statutory expenditures for SPP RE and Texas RE were noticeably higher than the overall weighted and arithmetic

²⁵ Actual 2008 and 2009 figures in this discussion are taken from the administrative cost metrics presented in Attachment 10 to each of the *2008 True-Up Filing* and *2009 True-Up Filing*. Note also that all averages for 2010 include data for FRCC, whereas the averages for 2009 and 2008 did not include data for FRCC.

²⁶ The distinction between statutory direct and indirect expenditures and personnel is not, of course, a bright line. Many expenditures classified as “indirect” contribute directly to the performance of statutory direct functions. For example, Legal and Regulatory and Information Technology personnel, who are classified in indirect functions, participate directly in the performance of statutory direct activities such as Reliability Standards development, Compliance Monitoring and Enforcement and Situation Awareness and Infrastructure Security.

averages, and their ratios of actual statutory direct expenditures to statutory indirect expenditures were noticeably lower than the overall weighted and arithmetic averages. During 2010, Texas RE experienced significantly higher total statutory indirect expenditures than in 2009; however, this increase was due primarily to costs associated with the transition from Texas Regional Entity, a division of ERCOT, to the independent Texas RE as the regional entity. In order to complete this transition, a larger percentage of corporate overhead costs were incurred, which are recorded as indirect costs. These costs should not recur in future years and therefore Texas RE's indirect cost percentage should be lower in the future. SPP RE has the second smallest total expenditures of the Regional Entities; since there is a "base" level of administrative costs necessary to run the organization regardless of size, and overall indirect costs would not be expected to increase proportionately to an increase in direct costs, it is not necessarily surprising that SPP RE had the second highest percentage of statutory indirect expenditures to total statutory expenditures and the second lowest ratio of statutory direct expenditures to statutory indirect expenditures. SPP RE's 2010 values for these two metrics were approximately the same as its 2009 actual values. (Both the 2010 and 2009 actual values, however, represent improvement from the 2008 actual values.) The 2010 actual hourly rate used to charge SPP RE for indirect services provided by SPP, Inc. was \$71.04 versus an actual rate of \$69.35 in 2009 (2.4% higher), so SPP RE's 2010 indirect cost metrics were not impacted by a material change in this hourly indirect cost rate over 2009.

NERC, MRO, NPCC and WECC experienced lower actual percentages of statutory indirect expenditures to total statutory expenditures in 2010 than in 2009, with MRO's percentage being significantly lower. (In 2009, MRO's indirect expenses included a significant one-time expense associated with the termination of its defined benefit pension plan.)

ReliabilityFirst, SERC, SPP RE and Texas RE experienced higher actual percentages of statutory indirect expenditures to total statutory expenditures in 2010 than in 2009 (although SPP RE's actual 2010 percentage was only slightly higher than its actual 2009 number). With respect to direct statutory expenditures per dollar of statutory indirect expenditures, NERC, MRO, NPCC and WECC also experienced higher actual values in 2010 than in 2009, with the values for MRO and NPCC each being significantly higher. ReliabilityFirst, SERC, SPP RE and Texas RE experienced lower actual values for this metric for 2010 as compared to 2009, although for SPP RE, as indicated above, the difference between the values for the two years was small.

Comparisons of the actual 2010 results for these metrics to the actual results for 2009 (and 2008) show that, overall, NERC and the Regional Entities continue to reduce their indirect costs as a percentage of their total costs, and in devoting greater portions of their total statutory expenditures to direct statutory activities; however, for 2010, improvement in these metrics over 2009 actual results was experienced by some, but not all, of the individual entities.

Statutory indirect FTE as a percent of total statutory FTE, and ratio of statutory direct FTE to statutory indirect FTE

On average for NERC and the Regional Entities, 2010 actual statutory indirect FTEs were 23.15% of total statutory FTEs, and on average NERC and the Regional Entities had 3.32 statutory direct FTE per statutory indirect FTE in 2010. These 2010 actual values depict lower percentages of statutory indirect FTEs and higher percentages of statutory direct FTEs as compared to the actual values for 2009 of (in the aggregate) 24.31% statutory indirect FTEs to statutory total FTEs and 3.11 direct statutory FTEs per indirect statutory FTE. In 2010, the actual percentage of statutory indirect FTEs to statutory total FTEs was less than 25% for each entity except NERC (for which the percentage was only 25.73%), SERC (26.53%) and Texas RE (27.92%); and NERC and each Regional Entity had at least 2.58 statutory direct FTE per

statutory indirect FTE. NERC, MRO, NPCC, *ReliabilityFirst* and SPP RE each had a lower actual percentage of statutory indirect FTEs to statutory total FTEs in 2010 than in 2009, and WECC's percentages of statutory indirect FTEs to statutory total FTEs for the two years were approximately equal. SERC and Texas RE experienced somewhat higher actual percentages of statutory indirect FTEs to statutory total FTEs in 2010 than in 2009. The increase in statutory indirect FTEs as a percentage of statutory total FTEs for Texas RE was primarily due to the need for additional FTEs to assist in completing the transition from Texas Regional Entity to Texas RE as the regional entity. Texas RE's value for this metric should be lower again in the future.

Similarly, NERC, MRO, NPCC, *ReliabilityFirst* and SPP RE each had a higher actual ratio of statutory direct FTEs per statutory indirect FTEs in 2010 than in 2009, and WECC's ratios of statutory direct FTEs per statutory indirect FTE for the two years were approximately equal. SERC and Texas RE each had lower actual ratios of statutory direct FTEs per statutory indirect FTE in 2010 than in 2009.

These results show (consistent with the observation in the preceding subsection) that, overall, NERC and the Regional Entities continue to devote increasingly higher proportions of their personnel resources to their direct statutory functions, and a lower proportion to indirect functions, although not all of the individual entities were able to experience improvement in this metric in 2010 over 2009.

Total actual statutory direct function FTE staffing for NERC and the eight Regional Entities for 2010 was 412.13 FTEs, which was slightly lower than the budgeted total of 432.06 FTEs. As reported in their individual actual-to-budget analyses in the Attachments, a number of the entities experienced difficulty in filling some budgeted positions in 2010, and/or filled positions at later points in the year than had been assumed in the budget development. However,

NERC and each Regional Entity (excluding FRCC, for which a direct-indirect breakdown was not available in 2009) had higher statutory direct function staffing (FTEs) in 2010 than in 2009. As compared to 2009 actual values, NERC and the seven Regional Entities (excluding FRCC) increased total statutory FTEs by approximately 80 FTEs (18%), increased total direct statutory FTEs by approximately 66 FTEs (20%), and increased total statutory indirect FTEs by approximately 14 (13%).

**Total statutory expenditures per total FTE,
statutory direct expenditures per direct FTE,
statutory indirect expenditures per indirect FTE,
and statutory indirect expenditures per total FTE**

The bottom row of tables on **Attachment 10** shows the 2010 actual and budgeted (i) total statutory expenditures per total FTE (total statutory expenditures divided by total number of statutory FTE), (ii) statutory direct expenditures per direct FTE, (iii) statutory indirect expenditures per indirect FTE, and (iv) statutory indirect expenditures per total FTE (statutory indirect expenditures divided by total number of FTE), for NERC and each Regional Entity. For NERC and the eight Regional Entities, in the aggregate:

- The actual average total statutory expenditures per statutory FTE were lower than budgeted, by approximately 10% (\$265,263 actual versus \$295,976 budgeted).
- The actual average statutory direct expenditures per statutory direct FTE were lower than budgeted, by 14.6% (\$240,052 actual versus \$281,139 budgeted).
- The actual average statutory indirect expenditures per statutory indirect FTE were slightly higher than budgeted, by less than 1% (\$348,964 actual versus \$346,221 budgeted).
- The actual average statutory indirect expenditures per total statutory FTE were slightly higher than budgeted, by 2.3% (\$80,779 versus \$78,932).

Further, for NERC and the Regional Entities in the aggregate, the actual 2010 value for each of these four metrics was either lower than, or approximately equal to, the actual value for 2009:

- The actual average total statutory expenditures per statutory FTE was \$265,263 in 2010 as compared to \$266,986 in 2009.
- The actual average statutory direct expenditures per statutory direct FTE was \$240,052 in 2010 as compared to \$240,240 in 2009.
- The actual average statutory indirect expenditures per statutory indirect FTE was \$348,964 in 2010 as compared to \$350,275 in 2009.
- The actual average statutory indirect expenditures per total statutory FTE was \$80,779 in 2010 as compared to \$85,141 in 2009.

Overall, these results show that NERC and the Regional Entities continue to reduce administrative costs as a percentage of total costs and to reduce administrative costs per FTE.

V. CONCLUSION

The North American Electric Reliability Corporation respectfully requests that the Commission accept this filing and Attachments as compliance with the Commission's requirements for annual presentation of comparisons of actual-to-budgeted funding and costs for NERC and the Regional Entities for the year ended December 31, 2010.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Chicago, Illinois this 31st day of May, 2011.

/s/ Owen E. MacBride
Owen E. MacBride

*Attorney for North American Electric
Reliability Corporation*

ATTACHMENT 1

2010 ACTUAL COST-TO-BUDGET COMPARISON

AND

2010 AUDITED FINANCIAL REPORT

FOR

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

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

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

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

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

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

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

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

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

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

EXPENSES

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

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

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

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

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

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

ALLOCATION OF INDIRECT EXPENSES

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

USE OF STATUTORY FUNDS FOR NON-STATUTORY ACTIVITIES

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

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

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

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

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

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

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

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

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**COMPLIANCE OPERATIONS,
ENFORCEMENT and ORGANIZATION
REGISTRATION**

	2010 Actual	2010 Budget	2010 Variance from Budget Over(Under)		Comments (Explain variances < +/- 10% and <\$10,000)
Funding					
Assessments	12,514,444	14,312,732	(1,798,288)	-12.56%	During the first quarter of 2010, NERC's management undertook a comprehensive review of NERC's organizational structure and resource allocation. During this process, management reallocated resources to the Critical Infrastructure Protection ("CIP") department as explained under Personnel Expenses below. As a result of this reallocation, assessment funding allocated to Compliance was reduced.
Membership Fees			-		
Testing			-		
Services & Software			-		
Workshop Fees			-		
Interest			-		
Miscellaneous Funding represents the anticipated reimbursement of costs for NERC to act as the compliance enforcement authority (CEA) for certain registered functions in FRCC, SPP, Texas RE and WECC. FERC approved SERC as the CEA for FRCC and SPP, and Texas RE separated from ERCOT in mid-2010, eliminating the requirement for NERC to act as the CEA in those Regions, and activity in the WECC Region was very limited in 2010.					
Miscellaneous		404,781	(404,781)	-100.00%	
Total Funding	12,514,444	14,717,513	(2,203,069)	-14.97%	
Expenses					
Personnel Expenses					
Salaries	4,891,572	5,654,331	(762,758)	-13.49%	One component of NERC's review of the organizational structure and resource allocation was the establishment of the CIP department which is reported in the Situation Awareness and Infrastructure Security Program. To provide need resources, 7 FTEs budgeted in Compliance were transferred to CIP. The remaining 4.5 under budget FTEs is related to attrition and timing of new hires. The percentage variance in Employee Benefits is higher than Salaries due to lower actual costs for medical benefits than the amount budgeted. Retirement costs were also lower due to the timing of new hires delaying eligibility in the Plan.
Payroll Taxes	315,585	378,714	(63,129)	-16.67%	
Employee Benefits	549,932	727,131	(177,199)	-24.37%	
Savings & Retirement	616,041	795,620	(179,578)	-22.57%	
Total Personnel Expenses	6,373,131	7,555,795	(1,182,664)	-15.65%	
Meeting Expenses					
Meetings	33,693	32,500	1,193	3.67%	Due to 11.5 fewer FTEs than budgeted in this Program.
Travel	669,113	890,917	(221,804)	-24.90%	
Conference Calls	34,338	5,000	29,338	586.75%	Over budget spend due to the increased use of webinars to educate stakeholders and are being used instead of face-to-face meetings.
Total Meeting Expenses	737,144	928,417	(191,273)	-20.60%	
Operating Expenses					
Consultants & Contracts	435,930	1,100,000	(664,070)	-60.37%	\$343.3k for software development related to the Guidance/CRATS project budgeted as consulting was charged to Fixed Assets as a capital expense; \$141.8k reduction in spend related to the audit of the Regional Entity compliance programs; \$200k in subject matter experts for enforcement and investigations was identified as efficiency savings as explained in the summary Review of 2010 Year End Audited Statement of Activities under Operating Expenses and was not utilized.
Rent & Improvements			-		
Office Costs	82,176	42,500	39,676	93.35%	Cell phone/air card charges, which in prior years were budgeted totally in G&A, were higher than the amount allocated; Office supplies and express shipping charges primarily for telecommuters were not budgeted.
Professional Services	25,510	-	25,510		Legal fees related to FERC filings on the CMEP for FRCC, SPP, Texas RE and WECC and on TFE processing. The estimated fees associated with the use of outside counsel are budgeted in the Legal Department, but actual costs are recorded to the Program area supported by the service.
Miscellaneous	4,006	-	4,006		
Depreciation	175,916	26,494	149,422	563.98%	Development of the Guidance/CRATS database was budgeted as consulting, but actuals were charged to Fixed Assets as a capital expense resulting in increased depreciation expense above budget.
Efficiency Improvements		(293,503)	293,503	-100.00%	Efficiency Improvements were allocated to the Programs in the budget but not tracked in actual costs.
Total Operating Expenses	723,537	875,491	(151,954)	-17.36%	
Indirect Expenses	4,443,615	5,186,621	(743,006)	-14.33%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions. Actual primarily lower due to fewer FTEs than budgeted.
Other Non-Operating Expenses			-		
Total Expenses	12,277,427	14,546,324	(2,268,897)	-15.60%	
Net Change in Assets	237,017	171,188	65,829	38.45%	
Fixed Assets					
Depreciation	(175,916)	(26,494)	(149,422)		Cost to develop new modules in the Guidance/CRATS database recorded as a fixed asset but were budgeted in Consultants and Contracts as noted above.
Computer & Software CapEx	343,347	0	343,347		
Furniture & Fixtures CapEx		0	-		
Equipment CapEx		0	-		
Leasehold Improvements		0	-		
(Incr)Dec in Fixed Assets	(167,431)	26,494	(193,925)		
Allocation of Fixed Assets	(39,481)	(197,683)	158,201	-80.03%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
Total (Inc)Dec in Fixed Assets	(206,912)	(171,188)	(35,724)	20.87%	
TOTAL CHANGE IN ASSETS	30,105	(0)	30,105		
FTE's	34.25	45.75	(11.50)		

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**RELIABILITY ASSESSMENTS and
PERFORMANCE ANALYSIS**

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

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

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

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

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

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

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

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

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

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

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

**North American
Electric Reliability
Corporation**

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

North American Electric Reliability Corporation

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December 31, 2010 and 2009

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Independent Auditors' Report

To the Board of Trustees of
North American Electric Reliability Corporation

We have audited the accompanying statements of financial position of North American Electric Reliability Corporation (the "Corporation") as of December 31, 2010 and 2009, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North American Electric Reliability Corporation as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements as a whole. The schedules of expenses on pages 14 and 15 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

WeiserMazars LLP

Edison, N.J.
May 10, 2011

North American Electric Reliability Corporation

Statements of Financial Position

December 31, 2010 and 2009

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

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

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

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

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

North American Electric Reliability Corporation

Statements of Cash Flows

Years Ended December 31, 2010 and 2009

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

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

North American Electric Reliability Corporation

Notes to Financial Statements

Years Ended December 31, 2010 and 2009

1. Businesses and Summary of Significant Accounting Policies

Description of Business

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

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

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

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

North American Electric Reliability Corporation

Notes to Financial Statements

Years Ended December 31, 2010 and 2009

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

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

The Corporation must annually approve the eight Regional Entities' budgets and submit them along with its budget and schedule of assessments to load serving entities to FERC for final approval of the budgets and the U.S. portion of the assessments. The Corporation has the sole responsibility to invoice, collect and disburse the monies approved in the Regional Entities' budgets. These pass-through amounts are not included as revenue and expense in the statement of activities, see related Note 10.

Basis of Accounting and Presentation

The financial statements of the Corporation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no temporary or permanently restricted net assets as of both December 31, 2010 and 2009.

Cash and Cash Equivalents

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

North American Electric Reliability Corporation

Notes to Financial Statements

Years Ended December 31, 2010 and 2009

Use of Estimates

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

Revenue Recognition

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

Deferred Income

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

Accounts Receivable

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

Depreciation and Amortization

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

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

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

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

Income Taxes

The Corporation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The Corporation is subject to income taxes on revenues related to unrelated business activities. The Company is subject to a proxy tax related to nondeductible lobbying and political expenses incurred. For the year ended December 31, 2009, the Corporation incurred proxy tax of \$27,253. There was no proxy tax incurred in 2010.

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

Subsequent Events

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

2. Property and Equipment

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

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

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

North American Electric Reliability Corporation

Notes to Financial Statements

Years Ended December 31, 2010 and 2009

3. Line of Credit

The Corporation has a line of credit with a bank that expires in June 2011. The line of credit provides for up to \$4,000,000 of availability to be used for working capital needs. The line of credit accrues interest at prime plus 0.5% (3.75% at December 31, 2010). Total borrowings under the line of credit may not exceed 70% of the qualified accounts receivable. The line of credit is collateralized by all existing and future assets and subject to a filing under the Uniform Commercial Code. As part of the line of credit agreement, the Corporation must maintain \$400,000 in a non-interest bearing account with the lender. There were no borrowings outstanding at both December 31, 2010 and 2009. At December 31, 2009, the available amount under the line of credit was reduced by an open letter of credit of \$65,820, which represents a security deposit for the Corporation's office in Washington, D.C. Pursuant to the line of credit agreement, the Corporation is required to comply with financial covenants primarily related to minimum net asset requirements and minimum interest coverage ratio.

4. Deferred Penalty Income

The Corporation received \$175,000 and \$10,000,000 of penalty income in 2010 and 2009, respectively, resulting from a compliance audit violation of reliability standards by registered entities. The penalty is recorded upon receipt of the funds when the appeals process was exhausted and the outcome determined. The penalty has been deferred at both December 31, 2010 and 2009 and will be recognized as income in 2011, in accordance with the timing of the receipt of the income and FERC's requirement for the use of penalty income to reduce assessments. The cash has been restricted for use in 2011.

5. Regional Assessments Collected in Advance

In addition to Corporation assessments billed to LSEs or designees, a regional assessment is also billed by the Corporation on behalf of the regional entities. The regional assessment is based on approved budgets of the eight regional entities and remitted to the regional entities by the Corporation. There is a credit risk if the Corporation does not collect the assessments from LSEs or designees before the regional assessments are due to the regional entities. However, the risk is minimal since the Corporation has the ability to reassess and rebill in a subsequent period for any uncollected assessments. During 2010 and 2009, the regional assessments were:

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

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

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

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

6. Deferred Compensation

Agreements and Life Insurance Policies

During 2005, the Council entered into a deferred compensation agreement (the "Deferred Compensation Agreement") with a retiring executive that provided benefits to the individual upon reaching normal retirement age and was payable over a period selected by the retiring employee. Under certain circumstances, benefits were payable to his surviving spouse. The Corporation assumed the liabilities upon merger with the Council effective January 1, 2007. The present value of the estimated liability under the agreement at December 31, 2007, was accrued using a discount rate of 4.91%. The Corporation provided for some of the benefit funding through a variable universal life policy. Effective October 15, 2008, the Deferred Compensation Agreement was superseded by a new agreement. The variable universal life policy used to fund the liability, including the cash surrender value of the policy of \$139,640, was assigned and transferred to the retired executive in January 2009. In accordance with the new agreement, the Corporation will continue to pay the policy premiums of \$26,000 per year through 2013. At December 31, 2010 and 2009, the present value of the unfunded liability, using a discount rate of 1.55% was \$113,293 and \$112,384, respectively, and is included in deferred compensation on the statement of financial position.

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

On October 15, 2008, the Corporation entered into various Executive Benefit Agreements (the "Agreements") with certain executives and the aforementioned retired executive. The Agreements supersede and replace all previous written or oral agreements between the Corporation and these executives. In accordance with the Agreements, while employed by the Corporation, the executives shall be provided with life insurance coverage, through individual and/or group policies, providing a death benefit equal to the lesser of three times base salary or \$500,000, or three times base salary depending upon the executives' employment date. The executives agreed to issue split dollar endorsement agreements with respect to such policies. The Corporation is the sole and exclusive owner of the executives' policies. All policy dividends shall be applied to purchase paid-up additional death benefits. Certain executives have multiple insurance policies and the Corporation agreed to pay the premiums on these policies through December 31, 2013, provided the policies stay in force. Premium costs of the policies will be expensed as incurred during the remaining employment terms of the executives. At December 31, 2010, the face value of the policies in which the Corporation is a primary or co-beneficiary is \$182,502. Pursuant to the Agreements described above and other arrangements, certain policies, including the policy of the aforementioned retired executive, were assigned and transferred, including the cash surrender values of \$170,014, to certain employees in January 2009. At December 31, 2010 and 2009, the cash surrender value of all remaining policies was \$252,309 and \$249,669, respectively, and is included as an asset and deferred compensation on the statement of financial position since the policies will be transferred to the employees upon their termination of employment per the Agreements.

Retiree Medical Benefits

Effective September 1, 2007, the board of trustees approved and adopted a policy to provide retiree medical coverage for certain current retirees and any and all dependents and transition retirees and any and all dependents, as defined by the board resolution, up to a maximum monthly benefit of \$550 paid directly to the applicable insurer. Assumptions used in recording the retiree medical benefits included the 2004 Social Security Administration Actuarial Period Life Table, annual inflation rate of 5% and discount rate of 8%. At December 31, 2010 and 2009, the accrued retiree medical benefits liability was \$255,359 and \$258,408, respectively, and is included in deferred compensation on the statement of financial position. The retiree medical expense related to this policy was approximately \$26,314 and \$31,400, respectively, for the years ended December 31, 2010 and 2009.

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

7. Commitments

The Corporation leases office space in Princeton, New Jersey, Washington D.C. and Atlanta, Georgia under non-cancellable lease agreements with expiration dates in 2013, 2022 and 2023, respectively. In addition, in 2009 the Corporation initiated multiple service agreements for various reliability tools and for a secure alert system used by industry for monitoring activity and communicating with users of the bulk power system. Approximate future minimum payments on office lease space and service agreements at December 31, 2010, for the next five years individually and in the aggregate are as follows:

<u>Years Ending December 31,</u>	<u>Leased Space</u>	<u>Service Agreements</u>	<u>Total</u>
2011	\$ 939,000	\$ 1,715,000	\$ 2,654,000
2012	2,398,000	1,744,000	4,142,000
2013	2,871,000	446,000	3,317,000
2014	2,677,000		2,677,000
2015	2,746,000		2,746,000
Thereafter	<u>18,209,000</u>		<u>18,209,000</u>
	<u>\$ 29,840,000</u>	<u>\$ 3,905,000</u>	<u>\$ 33,745,000</u>

The office leases are subject to escalation clauses covering increases in real estate taxes and operating costs over the base year. The difference between rent expense calculated ratably over the lease term and rent paid according to the lease, is recorded as a deferred rent obligation in the amount of \$165,559 and \$146,932 at December 31, 2010 and 2009, respectively, and is included in accounts payable and accrued expenses on the statement of financial position.

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

8. Defined Contribution Plan

The Corporation sponsors an employee savings 401(k) plan (the "Plan") whereby eligible participating employees may elect to contribute up to the Internal Revenue Service Code 402(g)(1) limit. The Corporation contributes a 75% match of the participant's elective contribution, provided that the elective contribution does not exceed 6% of eligible compensation. The Corporation also makes a profit sharing contribution of 10% of the compensation of all qualifying participants. The additional profit sharing contributions are subject to the limitation imposed by the Internal Revenue Service Code 401(a)(17). The Corporation's expenses related to the Plan for the years ended December 31, 2010 and 2009, were \$1,751,791 and \$1,784,962, respectively. The contributions accrued as of December 31, 2010 and 2009, amounted to \$1,415,641 and \$1,310,942, respectively, and are included in accrued retirement liabilities in the statement of financial position.

9. Concentration of Credit Risk

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

Supplementary Schedules

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

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

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

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

ATTACHMENT 2

2010 ACTUAL COST-TO-BUDGET COMPARISON

AND

2010 AUDITED FINANCIAL REPORT

FOR

FLORIDA RELIABILITY COORDINATING COUNCIL



True Up 2010 2010 Budget Variance Explanations Based on Audited Financials

Statutory Funding

Total Actual Under Budget (\$50k):

Work Shops –Training	Under Budget (\$47,000)
Services & Software – Models on Demand Annual License Fees Pass Through was less than budgeted amount	Under Budget (\$3,000)

Statutory Expenditures

Total Under Budget (\$860k)

Statutory Personnel Expenses

Total Actual Under Budget (\$471k):

<u>Reliability Standards Development</u> – More time spent than was budgeted	Over budget \$11,000
<u>Compliance Enforcement</u> – Delay by Manager of Compliance in filling new hire positions (one of which was from 2009) until 4 th Quarter and not replacing an open position for 7 months	Under budget (\$321,000)
<u>Reliability Assessment</u> – Less time spent than was budgeted	Under budget (\$137,000)
<u>Training & Education</u> – Less time was spent on this program than budgeted	Under budget (\$33,000)
<u>Situational Awareness</u> – Less time spent than was budgeted	Under budget (\$5,000)
<u>General Administrative</u> – More time spent than was budgeted	Over budget \$14,000

Statutory Meeting Expenses

Total Actual Under Budget (\$194k):

<u>Reliability Standards Development</u> – Fewer face to face meetings were held and more meetings held via conference calls	Under budget (\$29,000)
<u>Compliance Enforcement</u> – Fewer Auditors travelling than budgeted offset by more catered meals and more conference calls than anticipated	Under budget (\$49,000)

Reliability Assessment – Travel Expenses have not materialized due to a decision to attend more often via conference call rather than face to face meeting

Under budget (\$26,000)

Training & Education – Actual charges incurred were split between meeting and the actual category they belonged to – see Operating Expenses. Net Cost for training was less than anticipated

Under budget (\$62,000)

General Administrative – Less travel than anticipated

Under budget (\$28,000)

Statutory Operating Expenses, Indirect Expenses And Fixed Assets

Total Actual Under Budget (\$195k)

Reliability Standards – Strategic Planning Coordinator was not budgeted, increased square footage was occupied, legal fees associated with the FERC audit, new Delegation Agreement and NERC Rules of Procedure and the associated General Administrative costs attributed to the increase of FTE for this function – offset by the savings realized in central purchasing.

Over budget \$22,000

Compliance Enforcement – Strategic Planning Coordinator was not budgeted, new lease and increased square footage necessary to house a larger department, legal fees associated with the audit, new Delegation Agreement and NERC Rules of Procedure offset by less GA costs due to fewer employees than anticipated and the savings realized in central purchasing and decreased spending on Guidance software

Under budget (\$72,000)

Reliability Assessment – Legal fees associated with the FERC audit, new Delegation Agreement and NERC Rules of Procedure offset by less GA costs due to fewer employees than anticipated and the savings realized in central purchasing and more studies and scenario analysis being performed in house by staff rather than outsourcing

Under budget (\$164,000)

Training & Education - Strategic Planning Coordinator was not budgeted, increased square footage, legal fees associated with the FERC audit, new Delegation Agreement and NERC Rules of Procedure offset by less GA costs due to fewer employees than anticipated and the savings realized in central purchasing. Net Cost of Training under budget – see meetings

Over budget \$15,000

Situational Awareness – Strategic Planning Coordinator was not budgeted, legal fees associated with the FERC audit, new Delegation Agreement and NERC Rules of Procedure offset by less GA costs due to fewer employees than anticipated and the savings realized in central purchasing

Under budget (\$1,000)

General Administrative – Strategic Planning Coordinator was not budgeted, legal fees associated with the FERC audit, new Delegation Agreement and NERC Rules of Procedure offset by less GA costs due to fewer employees than anticipated and the savings realized in central purchasing offset by fixed assets less than anticipated

Over budget \$5,000

Statutory Net Funding Variance

Surplus of \$810k

Non Statutory (Member Services) Funding:

Total Actual Under Budget (\$14k):

Telecom Pass Throughs less than budget	Total Under Budget (\$19,000)
Interest Earned not Budgeted	Total Over Budget \$5,000

Non Statutory Expenditures

Total Under Budget (\$339k)

Non Statutory Personnel Expenses

Total Actual Over Budget \$113k

Planning – The staff spent more time in the Member Services Area than in the Statutory Programs and other Non Statutory Group activities – the opposite was budgeted

Over budget \$100,000

Operations – A decision was made to hire an addition to staff earlier than 2011 to fill the Operations Planning Engineer functions that are scheduled to be taken over from the RC Agent in January 2011

Over budget \$13,000

Non Statutory Meeting Expenses

Total Actual Under Budget (\$52k):

Planning – Costs of meetings was higher than budgeted offset by not as much travel being done as was budgeted

Under budget (\$9,000)

Operations – Not as much travel was done and conference calls were lower than anticipated – there were more face to face meetings

Under budget (\$42,000)

Non Statutory Operating Expenses and Fixed Assets

Total Actual Under Budget (\$400k):

Planning – Outside personnel necessary for certain studies and analysis, increased office rent necessary to house additions to staff off set by Reserve not being used, central purchasing and legal fees not as high as anticipated

Under budget (\$73,000)

Operations – RC Function Costs not as great as anticipated, Office Costs reduced as the result of central purchasing, legal fees less than anticipated and Reserve not used – off set by increased office rent necessary to house additions to staff

Under budget (\$327,000)

Non - Statutory Net Funding Variance

Surplus of \$325k

2010 Net Change in Funding Through 12/31/2010: Surplus \$784k
Statutory – Surplus of \$459k
Member Services Non Statutory – Surplus of \$325k

2010 Net Change in Assets Through 12/31/2010: Surplus \$582k
Statutory – Surplus of \$410k
Member Services Non Statutory – Surplus of \$172k

Net Assets As Of 12/31/2010: Surplus \$2,067k
Statutory – Surplus of \$1,626k
Member Services Non Statutory – Surplus of \$441k

Statement Concerning Work Completed in 2010.

Although there were significant surplus' the FRCC did complete all work as scheduled for 2010. Specifically, the Compliance Program verifies that:

1. All Compliance audits (18) planned for 2010 were completed as scheduled;
2. All CIP Spot Checks (11) planned for 2010 were completed as scheduled;
3. Part A CIP reviews were completed for all (309) TFEs submitted in 2010 per the ROP Appendix D;
4. All Part B reviews for TFEs submitted in 2010 were completed within the one year rule per the ROP Appendix D;
5. Two semi-annual CIP self-certifications were completed on schedule; and
6. All mitigation plans submitted by registered entities in 2010 have been reviewed.

Additionally, all Reliability Assessment studies, RAS Scenarios, Load Forecasts and the NERC Scenario Analysis studies were all completed as scheduled.

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

The FRCC uses standard cost accounting procedures to allocate general expenses (that cannot be directly assigned) to a specific function. The system used consists of directly expensing as much as possible directly to the function (whether that function is Statutory or Member Services) that incurred the expense. This is accomplished by routing to the responsible departmental head all invoices pertaining to their job responsibility. The departmental head assigns the functional category and returns the invoice to accounting who assigns the General Ledger Account Number (as specified in the FRCC Accounting Policy Manual – Coding of Invoices for Goods and Services). If the expense cannot be directly charged to a particular function (example rent, payroll taxes, benefits, general office supplies,

etc.), the expense is charged to holding accounts by chart of accounts line item to be allocated back to the program areas (to include General & Administrative) at the end of the month. This is done by using the monthly time accounting summarization of FTE by function. So there are two ways expenses are charged to a particular function, either by direct expense or by allocation from the results of the monthly time accounting summarization of FTE by function (including General & Administrative).

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

Employees are categorized into 2 groups: Technical Employees – those employees who work directly on functions and have little or no administrative duties (examples would be the Compliance staff and the Engineers) and Non-Technical Staff – those employees who perform support functions that are 80% or greater nonspecific definable by function (examples would be the Accounting staff, the President, the receptionist, etc.). The time from the time sheets are entered into a macro (by employee and function worked on) for the corresponding month being accounted for. The FTE's by program are then calculated and used to allocate the total of the General & Administrative Department back to the program areas on the line "Indirect Expenses".

There are no shared costs.

Cash Reserves Statement

No Cash Reserves were used by the FRCC in 2010.

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

No Statutory Funds were used to pay for Member Services Functions in 2010 and no Member Services Funds were used to pay for Statutory Functions.

Florida Reliability Coordinating Council, Inc.
 Total Summary
 Statement of Activities - Total Actual to Total Budget
 December 31, 2010

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding			
ERO Assessments	\$ 4,938,178	\$ 4,938,176	\$ 2
Penalty Sanctions			-
Total ERO Funding	\$ 4,938,178	\$ 4,938,176	\$ 2
Membership Fees & Non-Stat Assessments	3,939,467	3,939,466	1
Testing Fees	-	-	-
Services & Software	266,560	289,103	(22,543)
Workshops	61,815	108,901	(47,086)
Interest	5,339	-	5,339
Post Retirement Benefit	(13,909)	-	(13,909)
Total Funding	\$ 9,197,450	\$ 9,275,646	\$ (78,196)
Expenses			
Personnel Expenses			
Salaries	3,620,299	3,810,211	(189,912)
Payroll Taxes	227,501	249,658	(22,157)
Employee Benefits	373,602	462,903	(89,301)
Savings & Retirement	496,006	553,189	(57,183)
Total Personnel Expenses	\$ 4,717,408	\$ 5,075,961	\$ (358,553)
Meeting Expenses			
Meetings	90,965	129,796	(38,831)
Travel	194,610	376,473	(181,863)
Conference Calls	27,477	52,854	(25,377)
Total Meeting Expenses	\$ 313,052	\$ 559,123	\$ (246,071)
Operating Expenses			
Consultants & Contracts	1,929,770	1,931,675	(1,905)
Office Rent	505,183	431,429	73,754
Office Costs	477,040	595,271	(118,231)
Professional Services	313,765	280,000	33,765
Non Stat Reserve	-	277,627	(277,627)
Depreciation	255,288	192,226	63,062
Total Operating Expenses	\$ 3,481,046	\$ 3,708,228	\$ (227,182)
Total Direct Expenses	\$ 8,511,506	\$ 9,343,312	\$ (831,806)
Total Indirect Expenses			
Other Non-Operating Expenses			
Reserve Requirements	\$ -	\$ -	\$ -
Post Retirement Expenses	104,059	-	104,059
Total Other Non-Operating	\$ 104,059	\$ -	\$ 104,059
Total Expenses	\$ 8,615,565	\$ 9,343,312	\$ (727,747)
Change in Assets	\$ 581,885	\$ (67,666)	\$ 649,551
Fixed Assets			
Depreciation	(255,288)	(192,226)	(63,062)
Computer & Software CapEx	40,280	314,000	(273,720)
Furniture & Fixtures CapEx	96,930	30,575	66,355
Equipment CapEx	33,678	43,075	(9,397)
Leasehold Improvements	-	87,500	(87,500)
Change in Fixed Assets	\$ (84,400)	\$ 282,924	\$ (367,324)
TOTAL CHANGE IN ASSETS	\$ 784,253	\$ (350,590)	\$ 1,134,843
Full Time Equivalents	29.47	31.42	(1.95)

Florida Reliability Coordinating Council, Inc.
Statutory Summary
Statement of Activities - Total Actual to Total Budget
December 31, 2010

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding			
ERO Assessments	\$ 4,938,178	\$ 4,938,176	\$ 2
Penalty Sanctions	-	-	-
Total ERO Funding	\$ 4,938,178	\$ 4,938,176	\$ 2
Membership Fees & Non-Stat Assessments	-	-	-
Testing Fees	-	-	-
Services & Software	20,160	23,520	(3,360)
Workshops	61,815	108,901	(47,086)
Interest	-	-	-
Miscellaneous	-	-	-
Total Funding	\$ 5,020,153	\$ 5,070,597	\$ (50,444)
Expenses			
Personnel Expenses			
Salaries	\$ 2,456,046	\$ 2,741,366	\$ (285,320)
Payroll Taxes	154,287	179,624	(25,337)
Employee Benefits	250,611	353,779	(103,168)
Savings & Retirement	339,910	398,007	(58,097)
Total Personnel Expenses	\$ 3,200,854	\$ 3,672,776	\$ (471,922)
Meeting Expenses			
Meetings	\$ 74,833	\$ 121,605	\$ (46,772)
Travel	162,032	302,140	(140,108)
Conference Calls	12,423	19,747	(7,324)
Total Meeting Expenses	\$ 249,288	\$ 443,492	\$ (194,204)
Operating Expenses			
Consultants & Contracts	\$ 240,646	\$ 230,950	\$ 9,696
Office Rent	409,074	365,757	43,317
Office Costs	120,159	161,381	(41,222)
Professional Services	180,033	88,256	91,777
Depreciation	210,368	150,378	59,990
Total Operating Expenses	\$ 1,160,280	\$ 996,722	\$ 163,558
Total Direct Expenses	\$ 4,610,422	\$ 5,112,990	\$ (502,568)
Total Indirect Expenses	\$ -	\$ -	\$ -
Other Non-Operating Expenses			
Reserve Requirements	\$ -	\$ -	\$ -
Post Retirement Expenses	-	-	-
Total Other Non-Operating	\$ -	\$ -	\$ -
Total Expenses	\$ 4,610,422	\$ 5,112,990	\$ (502,568)
Change in Assets	\$ 409,731	\$ (42,393)	\$ 452,124
Fixed Assets			
Depreciation	\$ (210,368)	\$ (150,378)	\$ (59,990)
Computer & Software CapEx	40,280	314,000	(273,720)
Furniture & Fixtures CapEx	92,507	14,000	78,507
Equipment CapEx	27,965	43,075	(15,110)
Leasehold Improvements	-	87,500	(87,500)
Change in Fixed Assets	\$ (49,616)	\$ 308,197	\$ (357,813)
TOTAL CHANGE IN ASSETS	\$ 459,347	\$ (350,590)	\$ 809,937
Full Time Equivalents	19.97	22.59	(2.62)

Florida Reliability Coordinating Council, Inc.
Statutory By Program
Statement of Activities - Total Actual to Total Budget
December 31, 2010

(In Whole Dollars)

	Reliability Stds Dev	Compliance Monit & Enf	Reliability Assess	Training, & Cert.	Situational Awareness	General Admin	2010 Actual	2010 Budget	2010 Variance
Funding									
ERO Funding									
ERO Assessments	\$ 360,170	\$ 3,570,933	\$ 1,166,740	\$ 137,839	\$ 53,085	\$ (350,589)	\$ 4,938,178	\$ 4,938,176	\$ 2
Penalty Sanctions	-	-	-	-	-	-	-	-	-
Total ERO Funding	\$ 360,170	\$ 3,570,933	\$ 1,166,740	\$ 137,839	\$ 53,085	\$ (350,589)	\$ 4,938,178	\$ 4,938,176	\$ 2
Membership Fees & Non-Stat Assessments									
Testing Fees	-	-	-	-	-	-	-	-	-
Services & Software	-	-	20,160	-	-	-	20,160	23,520	(3,360)
Workshops	-	-	-	61,815	-	-	61,815	108,901	(47,086)
Interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total Funding	\$ 360,170	\$ 3,570,933	\$ 1,186,900	\$ 199,654	\$ 53,085	\$ (350,589)	\$ 5,020,153	\$ 5,070,597	\$ (50,444)
Expenses									
Personnel Expenses									
Salaries	\$ 178,029	\$ 1,338,595	\$ 367,231	\$ 44,080	\$ 20,361	\$ 507,750	\$ 2,456,046	\$ 2,741,366	\$ (285,320)
Payroll Taxes	11,184	83,708	23,168	2,826	1,340	32,061	154,287	179,624	(25,337)
Employee Benefits	20,578	139,590	35,367	4,016	2,267	48,793	250,611	353,779	(103,168)
Savings & Retirement	24,677	186,773	51,200	6,170	2,855	68,235	339,910	398,007	(58,097)
Total Personnel Expenses	\$ 234,468	\$ 1,748,666	\$ 476,966	\$ 57,092	\$ 26,823	\$ 656,839	\$ 3,200,854	\$ 3,672,776	\$ (471,922)
Meeting Expenses									
Meetings	\$ 1,018	\$ 12,609	\$ 6,666	\$ 53,819	\$ 64	\$ 657	\$ 74,833	\$ 121,605	\$ (46,772)
Travel	21,618	113,015	20,107	5,979	1,287	26	162,032	302,140	(140,108)
Conference Calls	589	6,828	3,225	371	58	1,352	12,423	19,747	(7,324)
Total Meeting Expenses	\$ 23,225	\$ 132,452	\$ 29,998	\$ 60,169	\$ 1,409	\$ 2,035	\$ 249,288	\$ 443,492	\$ (194,204)
Operating Expenses									
Consultants & Contracts	\$ 4,136	\$ 73,363	\$ 146,249	\$ 12,812	\$ 2,699	\$ 1,387	\$ 240,646	\$ 230,950	\$ 9,696
Office Rent	13,729	321,355	28,964	2,974	1,601	40,451	409,074	365,757	43,317
Office Costs	6,050	71,009	9,385	15,271	5,567	12,877	120,159	161,381	(41,222)
Professional Services	15,167	125,265	32,225	2,073	1,515	3,788	180,033	88,256	91,777
Depreciation	3,722	135,428	43,750	1,726	16,127	9,615	210,368	150,378	59,990
Total Operating Expenses	\$ 42,804	\$ 726,420	\$ 260,573	\$ 34,856	\$ 27,509	\$ 68,118	\$ 1,160,280	\$ 996,722	\$ 163,558
Total Direct Expenses	\$ 300,497	\$ 2,607,538	\$ 767,537	\$ 152,117	\$ 55,741	\$ 726,992	\$ 4,610,422	\$ 5,112,990	\$ (502,568)
Total Indirect Expenses	66,797	498,993	137,424	16,317	7,461	(726,992)	-	-	-
Other Non-Operating Expenses									
Reserve Requirements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Post Retirement Expenses	-	-	-	-	-	-	-	-	-
Total Other Non-Operating	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 367,294	\$ 3,106,531	\$ 904,961	\$ 168,434	\$ 63,202	\$ -	\$ 4,610,422	\$ 5,112,990	\$ (502,568)
Change in Assets	\$ (7,124)	\$ 464,402	\$ 281,939	\$ 31,220	\$ (10,117)	\$ (350,589)	\$ 409,731	\$ (42,393)	\$ 452,124
Fixed Assets									
Depreciation	\$ (3,722)	\$ (135,428)	\$ (43,750)	\$ (1,726)	\$ (16,127)	\$ (9,615)	\$ (210,368)	\$ (150,378)	\$ (59,990)
Computer & Software CapEx	-	40,280	-	-	-	-	40,280	314,000	(273,720)
Furniture & Fixtures CapEx	947	89,441	1,783	222	114	-	92,507	14,000	78,507
Equipment CapEx	-	27,965	-	-	-	-	27,965	43,075	(15,110)
Leasehold Improvements	-	-	-	-	-	-	-	87,500	(87,500)
Change in Fixed Assets	\$ (2,775)	\$ 22,258	\$ (41,967)	\$ (1,504)	\$ (16,013)	\$ (9,615)	\$ (49,616)	\$ 308,197	\$ (357,813)
TOTAL CHANGE IN ASSETS	\$ (4,349)	\$ 442,144	\$ 323,906	\$ 32,724	\$ 5,896	\$ (340,974)	\$ 459,347	\$ (350,590)	\$ 809,937
Full Time Equivalents	1.44	10.91	2.97	0.36	0.16	4.13	19.97	22.59	(2.62)

Florida Reliability Coordinating Council, Inc.
Reliability Standards Development
Statement of Activities - Total Actual to Total Budget
December 31, 2010

Comments - Explain variances that are +/- 10%

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		
Funding					
ERO Funding					
ERO Assessments	\$ 360,170	\$ 360,168	\$ 2	0.00%	
Penalty Sanctions			-		
Total ERO Funding	\$ 360,170	\$ 360,168	\$ 2	0.00%	
Membership Fees & Non-Stat Assessments			-		
Testing Fees			-		
Services & Software			-		
Workshops			-		
Interest			-		
Miscellaneous			-		
Total Funding	\$ 360,170	\$ 360,168	\$ 2	0.00%	
Expenses					
Personnel Expenses					
Salaries	178,029	170,504	7,525	4.41%	More time was spent on RSD than budgeted by .03 FTE
Payroll Taxes	11,184	11,172	12	0.11%	
Employee Benefits	20,578	17,408	3,170	18.21%	Associated fringe benefits due to the increased time spent on this program
Savings & Retirement	24,677	24,755	(78)	-0.32%	
Total Personnel Expenses	\$ 234,468	\$ 223,839	\$ 10,629	4.75%	
Meeting Expenses					
Meetings	1,018	1,224	(206)	-16.83%	Fewer face to face meetings
Travel	21,618	49,915	(28,297)	-56.69%	Less Travel than anticipated - more meetings held via conference calls
Conference Calls	589	634	(45)	-7.10%	
Total Meeting Expenses	\$ 23,225	\$ 51,773	\$ (28,548)	-55.14%	
Operating Expenses					
Consultants & Contracts	4,136	-	4,136		Strategic Planning Coordinator and costs not budgeted
Office Rent	13,729	10,476	3,253	31.05%	Increased square footage more than planned
Office Costs	6,050	9,565	(3,515)	-36.75%	Savings associated with central purchasing
Professional Services	15,167	5,490	9,677	176.27%	Legal fees associated with the FERC audit, new Delegation Agreement and NERC Rules of Procedures
Depreciation	3,722	3,824	(102)	-2.67%	
Total Operating Expenses	\$ 42,804	\$ 29,355	\$ 13,449	45.82%	
Total Direct Expenses	\$ 300,497	\$ 304,967	\$ (4,470)	-1.47%	
Total Indirect Expenses	66,797	59,025	7,772	13.17%	Associated GA attributed to the increase of .03 FTE
Other Non-Operating Expenses					
Reserve Requirements	\$ -	\$ -	\$ -		
Post Retirement Expenses					
Total Other Non-Operating	\$ -	\$ -	\$ -		
Total Expenses	\$ 367,294	\$ 363,992	\$ 3,302		
Change in Assets	\$ (7,124)	\$ (3,824)	\$ (3,300)	86.30%	
Fixed Assets					
Depreciation	(3,722)	(3,824)	102		
Computer & Software CapEx			-		
Furniture & Fixtures CapEx	947		947		
Equipment CapEx			-		
Leasehold Improvements			-		
Change in Fixed Assets	\$ (2,775)	\$ (3,824)	\$ 1,049	-27.43%	
TOTAL CHANGE IN ASSETS	\$ (4,349)	\$ -	\$ (4,349)		
Full Time Equivalents	1.44	1.41	0.03		

Florida Reliability Coordinating Council, Inc.
Compliance Monitoring & Enforcement
Statement of Activities - Total Actual to Total Budget
December 31, 2010

Comments - Explain variances that are +/- 10%

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				
ERO Funding				
ERO Assessments	\$ 3,570,933	\$ 3,570,933	\$ -	0.00%
Penalty Sanctions	-	-	-	
Total ERO Funding	\$ 3,570,933	\$ 3,570,933	\$ -	0.00%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	\$ 3,570,933	\$ 3,570,933	\$ -	0.00%
Expenses				
Personnel Expenses				
Salaries	1,338,595	1,520,025	(181,430)	-11.94%
Payroll Taxes	83,708	99,597	(15,889)	-15.95%
Employee Benefits	139,590	229,087	(89,497)	-39.07%
Savings & Retirement	186,773	220,686	(33,913)	-15.37%
Total Personnel Expenses	\$ 1,748,666	\$ 2,069,395	\$ (320,729)	-15.50%
Meeting Expenses				
Meetings	12,609	3,494	9,115	260.88%
Travel	113,015	174,295	(61,280)	-35.16%
Conference Calls	6,828	3,630	3,198	88.10%
Total Meeting Expenses	\$ 132,452	\$ 181,419	\$ (48,967)	-26.99%
Operating Expenses				
Consultants & Contracts	73,363	-	73,363	
Office Rent	321,355	290,715	30,640	10.54%
Office Costs	71,009	85,267	(14,258)	-16.72%
Professional Services	125,265	48,937	76,328	155.97%
Depreciation	135,428	90,258	45,170	50.05%
Total Operating Expenses	\$ 726,420	\$ 515,177	\$ 211,243	41.00%
Total Direct Expenses	\$ 2,607,538	\$ 2,765,991	\$ (158,453)	-5.73%
Total Indirect Expenses	498,993	526,200	(27,207)	-5.17%
Other Non-Operating Expenses				
Reserve Requirements	\$ -	\$ -	-	
Post Retirement Expenses	-	-	-	
Total Other Non-Operating	\$ -	\$ -	\$ -	
Total Expenses	\$ 3,106,531	\$ 3,292,191	\$ (185,660)	
Change in Assets	\$ 464,402	\$ 278,742	\$ (185,660)	66.61%
Fixed Assets				
Depreciation	(135,428)	(90,258)	(45,170)	
Computer & Software CapEx	40,280	257,000	(216,720)	
Furniture & Fixtures CapEx	89,441	14,000	75,441	
Equipment CapEx	27,965	10,500	17,465	
Leasehold Improvements	-	87,500	(87,500)	
Change in Fixed Assets	\$ 22,258	\$ 278,742	\$ (256,484)	-92.01%
TOTAL CHANGE IN ASSETS	\$ 442,144	\$ -	\$ 442,144	
Full Time Equivalents	10.91	12.57	(1.66)	

All Work Was Complete
Delay by the Manager of Compliance in filling positions until 3rd Quarter-1 Termination Vacancy
Payroll taxes associated with the (1.66) fewer FTEs
Fringe benefits associated with the (1.66) fewer FTEs
Retirement costs associated with the (1.66) fewer FTEs

More meals catered than budgeted
Fewer auditors (1.66 FTE) traveling than budgeted - All Work was Complete
More meeting being held by conference call than face to face

Strategic Planning Coordinator and costs not budgeted
Additional Space required to house new hires
Savings associated with central purchasing
Legal fees associated with the FERC audit, new Delegation Agreement and NERC Rules of Procedures
Increase due to new furniture and leaseholds for the new space

GA associated with fewer FTE's than anticipated

Guidance Software was not spent
Net Furniture, Equipment and Leaseholds all budgeted together - Actual was split between the three
Net Furniture, Equipment and Leaseholds all budgeted together - Actual was split between the three
Net Furniture, Equipment and Leaseholds all budgeted together - Actual was split between the three

Florida Reliability Coordinating Council, Inc.
 Reliability Assessment & Performance Analysis
 Statement of Activities - Total Actual to Total Budget
 December 31, 2010

Comments - Explain variances that are +/- 10%

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				
ERO Funding				
ERO Assessments	\$ 1,166,740	\$ 1,166,740	\$ -	0.00%
Penalty Sanctions				
Total ERO Funding	\$ 1,166,740	\$ 1,166,740	\$ -	0.00%
Membership Fees & Non-Stat Assessments				
Testing Fees				
Services & Software	20,160	23,520	(3,360)	-14.29%
Workshops				
Interest				
Miscellaneous				
Total Funding	\$ 1,186,900	\$ 1,190,260	\$ (3,360)	-0.28%
Expenses				
Personnel Expenses				
Salaries	367,231	467,979	(100,748)	-21.53%
Payroll Taxes	23,168	30,664	(7,496)	-24.45%
Employee Benefits	35,367	47,778	(12,411)	-25.98%
Savings & Retirement	51,200	67,944	(16,744)	-24.64%
Total Personnel Expenses	\$ 476,966	\$ 614,365	\$ (137,399)	-22.36%
Meeting Expenses				
Meals	6,666	5,699	967	16.97%
Travel	20,107	38,074	(17,967)	-47.19%
Conference Calls	3,225	12,096	(8,871)	-73.34%
Total Meeting Expenses	\$ 29,998	\$ 55,869	\$ (25,871)	-46.31%
Operating Expenses				
Consultants & Contracts	146,249	230,950	(84,701)	-36.68%
Office Rent	28,964	28,754	210	0.73%
Office Costs	9,385	26,252	(16,867)	-64.25%
Professional Services	32,225	15,066	17,159	113.89%
Depreciation	43,750	54,868	(11,118)	-20.26%
Total Operating Expenses	\$ 260,573	\$ 355,890	\$ (95,317)	-26.78%
Total Direct Expenses	\$ 767,537	\$ 1,026,124	\$ (258,587)	-25.20%
Total Indirect Expenses	137,424	162,004	(24,580)	-15.17%
Other Non-Operating Expenses				
Reserve Requirements	\$ -	\$ -	\$ -	
Post Retirement Expenses				
Total Other Non-Operating	\$ -	\$ -	\$ -	
Total Expenses	\$ 904,961	\$ 1,188,128	\$ (283,167)	
Change in Assets	\$ 281,939	\$ 2,132	\$ 279,807	13124.16%
Fixed Assets				
Depreciation	(43,750)	(54,868)	11,118	
Computer & Software CapEx		57,000	(57,000)	Decision was made not to buy certain software upgrades
Furniture & Fixtures CapEx	1,783		1,783	
Equipment CapEx				
Leasehold Improvements				
Change in Fixed Assets	\$ (41,967)	\$ 2,132	\$ (44,099)	-2068.43%
TOTAL CHANGE IN ASSETS	\$ 323,906	\$ -	\$ 323,906	
Full Time Equivalent	2.97	3.87	(0.90)	

Florida Reliability Coordinating Council, Inc.
Training, Education and Operator Certification
Statement of Activities - Total Actual to Total Budget
December 31, 2010

Comments - Explain variances that are +/- 10%

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				
ERO Funding				
ERO Assessments	\$ 137,839	\$ 137,839	\$ -	0.00%
Penalty Sanctions			-	
Total ERO Funding	\$ 137,839	\$ 137,839	\$ -	0.00%
Membership Fees & Non-Stat Assessments			-	
Testing Fees			-	
Services & Software			-	
Workshops	61,815	108,901	(47,086)	-43.24%
Interest			-	
Miscellaneous			-	
Total Funding	\$ 199,654	\$ 246,740	\$ (47,086)	-19.08%
Expenses				
Personnel Expenses				
Salaries	44,080	68,927	(24,847)	-36.05%
Payroll Taxes	2,826	4,516	(1,690)	-37.42%
Employee Benefits	4,016	7,037	(3,021)	-42.93%
Savings & Retirement	6,170	10,007	(3,837)	-38.34%
Total Personnel Expenses	\$ 57,092	\$ 90,487	\$ (33,395)	-36.91%
Meeting Expenses				
Meetings	53,819	108,901	(55,082)	-50.58%
Travel	5,979	9,978	(3,999)	-40.08%
Conference Calls	371	3,192	(2,821)	-88.38%
Total Meeting Expenses	\$ 60,169	\$ 122,071	\$ (61,902)	-50.71%
Operating Expenses				
Consultants & Contracts	12,812	-	12,812	
Office Rent	2,974	4,235	(1,261)	-29.78%
Office Costs	15,271	3,867	11,404	294.91%
Professional Services	2,073	2,219	(146)	-6.58%
Depreciation	1,726	548	1,178	214.96%
Total Operating Expenses	\$ 34,856	\$ 10,869	\$ 23,987	220.69%
Total Direct Expenses	\$ 152,117	\$ 223,427	\$ (71,310)	-31.92%
Total Indirect Expenses	16,317	23,861	(7,544)	-31.62%
Other Non-Operating Expenses				
Reserve Requirements	\$ -	\$ -	\$ -	
Post Retirement Expenses			-	
Total Other Non-Operating	\$ -	\$ -	\$ -	
Total Expenses	\$ 168,434	\$ 247,288	\$ (78,854)	
Change in Assets	\$ 31,220	\$ (548)	\$ 31,768	-5797.08%
Fixed Assets				
Depreciation	(1,726)	(548)	(1,178)	
Computer & Software CapEx			-	
Furniture & Fixtures CapEx	222		222	
Equipment CapEx			-	
Leasehold Improvements			-	
Change in Fixed Assets	\$ (1,504)	\$ (548)	\$ (956)	174.45%
TOTAL CHANGE IN ASSETS	\$ 32,724	\$ -	\$ 32,724	
Full Time Equivalents	0.36	0.57	(0.21)	

Lower costs to put the seminars on than anticipated thus lower fees charged and collected

Less time was spent on TE than budgeted by .21 FTE
Payroll taxes associated with the (.21) underbudget of FTE
Fringe benefits associated with the (.21) underbudget of FTE
Retirement costs associated with the (.21) underbudget of FTE

Budget was all placed into "Meetings" - Actual charged according to General Ledger definitions
Travel Costs associated with the (.21) underbudget of FTE
Fewer conference calls made than budgeted

Strategic Planning Coordinator and costs not budgeted
Square Footage associated with the (.21) underbudget of FTE
Budget was all placed into "Meetings" - Actual charged according to General Ledger definitions
More equipment assigned to function

GA Costs associated with the (.21) underbudget of FTE

Florida Reliability Coordinating Council, Inc.
 Situation Awareness and Infrastructure Security
 Statement of Activities - Total Actual to Total
 December 31, 2010

Comments - Explain variances that are +/- 10%

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				
ERO Funding				
ERO Assessments	\$ 53,085	\$ 53,085	\$ -	0.00%
Penalty Sanctions	-	-	-	
Total ERO Funding	\$ 53,085	\$ 53,085	\$ -	0.00%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	\$ 53,085	\$ 53,085	\$ -	0.00%
Expenses				
Personnel Expenses				
Salaries	20,361	24,185	(3,824)	-15.81%
Payroll Taxes	1,340	1,585	(245)	-15.46%
Employee Benefits	2,267	2,469	(202)	-8.18%
Savings & Retirement	2,855	3,511	(656)	-18.68%
Total Personnel Expenses	\$ 26,823	\$ 31,750	\$ (4,927)	-15.52%
Meeting Expenses				
Meetings	64	-	64	
Travel	1,287	1,740	(453)	-26.03%
Conference Calls	58	-	58	
Total Meeting Expenses	\$ 1,409	\$ 1,740	\$ (331)	-19.02%
Operating Expenses				
Consultants & Contracts	2,699	-	2,699	
Office Rent	1,601	1,486	115	7.74%
Office Costs	5,567	8,958	(3,391)	-37.85%
Professional Services	1,515	779	736	94.48%
Depreciation	16,127	880	15,247	1732.61%
Total Operating Expenses	\$ 27,509	\$ 12,103	\$ 15,406	127.29%
Total Direct Expenses	\$ 55,741	\$ 45,593	\$ 10,148	22.26%
Total Indirect Expenses	7,461	8,372	(911)	-10.88%
Other Non-Operating Expenses				
Reserve Requirements	\$ -	\$ -	\$ -	
Post Retirement Expenses	\$ -	\$ -	\$ -	
Total Other Non-Operating	\$ -	\$ -	\$ -	
Total Expenses	\$ 63,202	\$ 53,965	\$ 9,237	
Change in Assets	\$ (10,117)	\$ (880)	\$ (9,237)	1049.66%
Fixed Assets				1732.61%
Depreciation	(16,127)	(880)	(15,247)	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	114	-	114	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	\$ (16,013)	\$ (880)	\$ (15,133)	1719.66%
TOTAL CHANGE IN ASSETS	\$ 5,896	\$ -	\$ 5,896	
Full Time Equivalents	0.16	0.20	(0.04)	

Less time was spent on SA than budgeted by .04 FTE
 Payroll taxes associated with the (.04) underbudget of FTE
 Fringe benefits associated with the (.04) underbudget of FTE
 Retirement costs associated with the (.04) underbudget of FTE
 Travel costs associated with the (.04) underbudget of FTE
 Strategic Planning Coordinator and costs not budgeted
 Square footage associated with the (.04) underbudget of FTE
 Savings associated with central purchasing
 Legal fees associated with the FERC audit, new Delegation Agreement and NERC Rules of Procedures
 More equipment assigned to the SAFNR function
 GA costs associated with the (.04) underbudget of FTE

Florida Reliability Coordinating Council, Inc.
General Administrative
Statement of Activities - Total Actual to Total
December 31, 2010

Comments - Explain variances that are +/- 10%

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		
Funding					
ERO Funding					
ERO Assessments	\$ (350,589)	\$ (350,589)	\$ -	0.00%	
Penalty Sanctions					
Total ERO Funding	\$ (350,589)	\$ (350,589)	\$ -	0.00%	
Membership Fees & Non-Stat Assessments					
Testing Fees					
Services & Software					
Workshops					
Interest					
Miscellaneous					
Total Funding	\$ (350,589)	\$ (350,589)	\$ -	0.00%	
Expenses					
Personnel Expenses					
Salaries	507,750	489,746	18,004	3.68%	More time was spent on GA than budgeted by .17 FTE
Payroll Taxes	32,061	32,090	(29)	-0.09%	
Employee Benefits	48,793	50,000	(1,207)	-2.41%	
Savings & Retirement	68,235	71,104	(2,869)	-4.03%	
Total Personnel Expenses	\$ 656,839	\$ 642,940	\$ 13,899	2.16%	
Meeting Expenses					
Meetings	657	2,287	(1,630)	-71.27%	More meetings directly spent on functions
Travel	26	28,138	(28,112)	-99.91%	More travel charged directly to the specific program is was incurred for
Conference Calls	1,352	195	1,157	593.33%	More conference calls than budgeted
Total Meeting Expenses	\$ 2,035	\$ 30,620	\$ (28,585)	-93.35%	
Operating Expenses					
Consultants & Contracts	1,387	-	1,387		Strategic Planning Coordinator and costs not budgeted
Office Rent	40,451	30,091	10,360	34.43%	Increased square footage than planned
Office Costs	12,877	27,472	(14,595)	-53.13%	Savings associated with central purchasing
Professional Services	3,788	15,765	(11,977)	-75.97%	More Professional Fees directly spent on functions
Depreciation	9,615		9,615		No depreciation was budgeted
Total Operating Expenses	\$ 68,118	\$ 73,328	\$ (5,210)	-7.11%	
Total Direct Expenses	\$ 726,992	\$ 746,888	\$ (19,896)	-2.66%	
Total Indirect Expenses	(726,992)	(779,463)	52,471	-6.73%	Less Indirect GA expenses than budgeted
Other Non-Operating Expenses					
Reserve Requirements	\$ -	\$ -	\$ -		
Post Retirement Expenses					
Total Other Non-Operating	\$ -	\$ -	\$ -		
Total Expenses	\$ -	\$ (32,575)	\$ 32,575		
Change in Assets	\$ (350,589)	\$ (318,014)	\$ (32,575)	10.24%	
Fixed Assets					
Depreciation	(9,615)	-	(9,615)		
Computer & Software CapEx					
Furniture & Fixtures CapEx					
Equipment CapEx		32,575	(32,575)		
Leaschold Improvements					
Change in Fixed Assets	\$ (9,615)	\$ 32,575	\$ (42,190)	-129.52%	
TOTAL CHANGE IN ASSETS	\$ (340,974)	\$ (350,589)	\$ 9,615		
Full Time Equivalents	4.13	3.97	0.17		

Florida Reliability Coordinating Council, Inc.
 Non-Statutory Summary
 Statement of Activities - Total Actual to Total Budget
 December 31, 2010

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding			
ERO Assessments			\$ -
Penalty Sanctions			-
Total ERO Funding	\$ -	\$ -	\$ -
Membership Fees & Non-Stat Assessments	3,939,467	3,939,466	1
Testing Fees	-	-	-
Services & Software	246,400	265,583	(19,183)
Workshops	-	-	-
Interest	5,339	-	5,339
Miscellaneous	(13,909)	-	(13,909)
Total Funding	\$ 4,177,297	\$ 4,205,049	\$ (27,752)
Expenses			
Personnel Expenses			
Salaries	1,164,253	1,068,845	95,408
Payroll Taxes	73,214	70,034	3,180
Employee Benefits	122,991	109,124	13,867
Savings & Retirement	156,096	155,182	914
Total Personnel Expenses	\$ 1,516,554	\$ 1,403,185	\$ 113,369
Meeting Expenses			
Meetings	16,132	8,191	7,941
Travel	32,578	74,333	(41,755)
Conference Calls	15,054	33,107	(18,053)
Total Meeting Expenses	\$ 63,764	\$ 115,631	\$ (51,867)
Operating Expenses			
Consultants & Contracts	1,689,124	1,700,725	(11,601)
Office Rent	96,109	65,672	30,437
Office Costs	356,881	433,890	(77,009)
Professional Services	133,732	191,744	(58,012)
Non Stat Reserve	-	277,627	(277,627)
Depreciation	44,920	41,848	3,072
Total Operating Expenses	\$ 2,320,766	\$ 2,711,506	\$ (390,740)
Total Direct Expenses	\$ 3,901,084	\$ 4,230,322	\$ (329,238)
Total Indirect Expenses	\$ -	\$ -	\$ -
Other Non-Operating Expenses			
Reserve Requirements	-	-	-
Post Retirement Expenses	104,059	-	104,059
Total Other Non-Operating	\$ 104,059	\$ -	\$ 104,059
Total Expenses	\$ 4,005,143	\$ 4,230,322	\$ (225,179)
Change in Assets	\$ 172,154	\$ (25,273)	\$ 197,427
Fixed Assets			
Depreciation	(44,920)	(41,848)	(3,072)
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	4,423	16,575	(12,152)
Equipment CapEx	5,713	-	5,713
Leasehold Improvements	-	-	-
Change in Fixed Assets	\$ (34,784)	\$ (25,273)	\$ (9,511)
TOTAL CHANGE IN ASSETS	\$ 324,906	\$ -	\$ 324,906
Full Time Equivalent	9.50	8.83	0.67

Florida Reliability Coordinating Council, Inc.
 Non-Statutory By Committee
 Statement of Activities - Total Actual to Total Budget
 December 31, 2010

(In Whole Dollars)

	Operating	Planning	Administrative	2010 Actual	2010 Budget	2010 Variance
Funding						
ERO Funding						
ERO Assessments				\$ -	\$ -	\$ -
Penalty Sanctions				-	-	-
Total ERO Funding	\$ -	\$ -		\$ -	\$ -	\$ -
Membership Fees & Non-Stat Assessments	3,211,658	727,809		3,939,467	3,939,466	1
Testing Fees				-	-	-
Services & Software	246,400			246,400	265,583	(19,183)
Workshops				-	-	-
Interest	2,788	2,551		5,339		5,339
Post Retirement Loss			(13,909)	(13,909)		(13,909)
Total Funding	\$ 3,460,846	\$ 730,360	\$ (13,909)	\$ 4,177,297	\$ 4,205,049	\$ (27,752)
Expenses						
Personnel Expenses						
Salaries	680,144	484,109		\$ 1,164,253	\$ 1,068,845	\$ 95,408
Payroll Taxes	42,631	30,583		73,214	70,034	3,180
Employee Benefits	75,130	47,861		122,991	109,124	13,867
Savings & Retirement	91,479	64,617		156,096	155,182	914
Total Personnel Expenses	\$ 889,384	\$ 627,170	\$ -	\$ 1,516,554	\$ 1,403,185	\$ 113,369
Meeting Expenses						
Meetings	9,540	6,592		\$ 16,132	\$ 8,191	\$ 7,941
Travel	26,967	5,611		32,578	74,333	(41,755)
Conference Calls	10,326	4,728		15,054	33,107	(18,053)
Total Meeting Expenses	\$ 46,833	\$ 16,931	\$ -	\$ 63,764	\$ 115,631	\$ (51,867)
Operating Expenses						
Consultants & Contracts	1,661,386	27,738		\$ 1,689,124	\$ 1,700,725	(11,601)
Office Rent	56,883	39,226		96,109	65,672	30,437
Office Costs	338,130	18,751		356,881	433,890	(77,009)
Professional Services	123,349	10,383		133,732	191,744	(58,012)
Non Stat Reserve	-	-		-	277,627	(277,627)
Depreciation	33,198	11,722		44,920	41,848	3,072
Total Operating Expenses	\$ 2,212,946	\$ 107,820	\$ -	\$ 2,320,766	\$ 2,711,506	\$ (390,740)
Total Direct Expenses	\$ 3,149,163	\$ 751,921	\$ -	\$ 3,901,084	\$ 4,230,322	\$ (329,238)
Total Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses						
Reserve Requirements				\$ -	\$ -	\$ -
Post Retirement Expenses			104,059	104,059		104,059
Total Other Non-Operating	\$ -	\$ -	\$ 104,059	\$ 104,059	\$ -	\$ 104,059
Total Expenses	\$ 3,149,163	\$ 751,921	\$ 104,059	\$ 4,005,143	\$ 4,230,322	\$ (225,179)
Change in Assets	\$ 311,683	\$ (21,561)	\$ (117,968)	\$ 172,154	\$ (25,273)	\$ 197,427
Fixed Assets						
Depreciation	(33,198)	(11,722)		\$ (44,920)	(41,848)	(3,072)
Computer & Software CapEx				-	-	-
Furniture & Fixtures CapEx	2,453	1,970		4,423	16,575	(12,152)
Equipment CapEx	2,534	3,179		5,713	-	5,713
Leasehold Improvements				-	-	-
Change in Fixed Assets	\$ (28,211)	\$ (6,573)	\$ -	\$ (34,784)	\$ (25,273)	\$ (9,511)
TOTAL CHANGE IN ASSETS	\$ 339,894	\$ (14,988)	\$ -	\$ 324,906	\$ -	\$ 324,906
Full Time Equivalents	5.55	3.95		9.50	8.83	0.67

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES
December 31, 2010**



Certified Public Accountants
Business Consultants
Limited Liability Company

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

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INDEPENDENT AUDITORS' REPORT

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, 2010, 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, 2010, 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 15 to 19, inclusive, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Carr, Riggs & Ingram, LLC

February 11, 2011

FINANCIAL STATEMENTS

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

**STATEMENT OF FINANCIAL POSITION
December 31, 2010**

<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 4,329,540
Member receivables	2,214,745
Related party receivable	24,722
Prepaid expenses	<u>15,145</u>
Total current assets	6,584,152
Property and equipment - at cost	
Equipment and computers	428,624
Software	641,186
Furniture and fixtures	289,644
Leasehold improvements	<u>73,036</u>
Total	1,432,490
Less accumulated depreciation and amortization	<u>(1,048,950)</u>
Total property and equipment, net	383,540
Other assets	<u>76,210</u>
Total assets	<u>\$ 7,043,902</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:	
Accounts payable	\$ 19,304
Current portion of accrued postretirement benefit obligation	10,826
Deferred revenue	2,548,531
Compliance penalty assessment	449,000
Accrued expenses	<u>1,337,045</u>
Total current liabilities	4,364,706
Long-term liabilities:	
Accrued postretirement benefit obligation	612,355
Net assets:	
Unrestricted statutory - FERC designated	1,625,666
Unrestricted member services - board designated	<u>441,175</u>
Total net assets	<u>2,066,841</u>
Total liabilities and net assets	<u>\$ 7,043,902</u>

See Notes to Financial Statements.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

STATEMENT OF ACTIVITIES
For the year ended December 31, 2010

Revenues:	
Nonstatutory member assessments	\$ 3,939,466
Statutory member assessments	4,938,179
Services and software	266,560
Training and education fees	61,815
Postretirement benefit loss	(13,909)
Interest income	<u>5,339</u>
Total revenue	9,197,450
Expenses:	
Salaries	3,620,299
Payroll taxes	227,501
Employee benefits	373,602
Retirement and deferred compensation plans	496,006
Meetings	90,965
Travel	194,610
Conference Calls	27,477
Contracts & Consultants	1,929,770
Facilities rental	505,183
Office costs	477,040
Legal and accounting	313,765
Depreciation and amortization	<u>255,288</u>
Total expenses	<u>8,511,506</u>
Increase in net assets before change in accumulated post retirement obligation	685,944
Net periodic change in postretirement obligation	<u>(104,059)</u>
Increase in net assets	581,885
Net assets - beginning of year	<u>1,484,956</u>
Net assets - end of year	<u><u>\$ 2,066,841</u></u>

See Notes to Financial Statements.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

STATEMENT OF CASH FLOWS
For the year ended December 31, 2010

Cash flows from operating activities:	
Cash received from members	\$ 9,336,985
Cash paid to suppliers and employees	(7,945,841)
Interest received	<u>5,339</u>
Net cash provided by operating activities	1,396,483
Cash flows from investing activities	
Purchases of property and equipment	(180,222)
Disposal of property and equipment	<u>9,334</u>
Net cash used in investing activities	<u>(170,888)</u>
Net increase in cash	1,225,595
Cash and cash equivalents at beginning of year	<u>3,103,945</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,329,540</u></u>
Reconciliation of increase in net assets to net cash provided by operating activities	
Increase in net assets	\$ 581,885
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	255,288
Decrease in receivables, prepaid expenses and other assets	78,365
Increase in accounts payable and accrued expenses	37,607
Increase in postretirement benefit obligation	117,968
Increase in deferred income	<u>325,370</u>
Total adjustments	<u>814,598</u>
Net cash provided by operating activities	<u><u>\$ 1,396,483</u></u>

See Notes to Financial Statements.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

1. General and Summary of Significant Accounting Policies

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

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

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

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

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

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Company considers highly liquid money market funds to be cash equivalents. At year-end, cash equivalents totaled \$4,329,540.

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, 2010

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.

The Company follows ASC 740 with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The policy had no effect on the Company’s financial statements.

Due to its tax-exempt status, the Company is not subject to U.S. federal income tax or state income tax. The Company’s Form 990 has not been subject to examination by the Internal Revenue Service or the State of Florida for the last three years. The Company has not recognized liability for unrecognized tax benefits as it has no known tax positions that would subject the Company to any material income tax exposure. A reconciliation of the beginning and ending amount of unrecognized tax benefits and interest accrued related to unrecognized tax benefits are not included nor is there any interest accrued related to unrecognized tax benefits or interest expense and penalties in operating expenses as there are no unrecognized tax benefits.

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.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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

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, 2010, the Company contributed \$8,492 to benefit the participant in this Plan.

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

Date of Management's Review – Management has evaluated events and transactions for potential recognition or disclosure through February 11, 2011, which is the date the financial statements were available to be issued.

2. Deferred Revenues

The contracts with the members of FRCC have a provision in them that provides that they have 30 days from the date of invoice for a new budgetary year (January through December) to withdraw from membership. Therefore, the Company made a decision to invoice all members on December 1 for the first quarterly installment of the 2011 budget, thus at December 31, 2010 it would be known whether all members are continuing with their membership.

3. Commitments

In December 2003, the Company entered into an agreement with Sprint Communications Company L.P. ("Sprint") to provide certain telecommunication services that are passed through to certain members 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 each year thereafter. The agreement calls for the Company to make a minimum service commitment of \$96,000 for each contract year of the term.

In December 2006, the Company entered into an agreement with Open Access Technology International, Inc. to provide the Florida Transaction Management System ("FTMS") services for the Company's customers. The initial term of the agreement is 36 months at \$3,750 per month and has been renewed for an additional 12-month period each year thereafter. 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 December 2010, the Company entered into an extension of this contract for another 12 months until language could be worked out between all parties and the contract could be entered into directly by the six members who utilize this service. During 2008, the payment for these services and the related assessments to members were transferred to Florida Electric Power Coordinating Group, Inc. ("FCG") although the contract remains with FRCC (see Note 7) and will remain there until a participant agreement is completed by the six members.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

3. Commitments – (Continued)

In November 2007, the Company entered into an agreement to purchase Compliance Tracking System software from Guidance Solutions, Inc. In 2008, the Company entered into an agreement with several of the other regional entities to form a consortium and share the cost of future enhancements and program modules to add to the Compliance Tracking System originally purchased from Guidance Solutions, Inc. The cost of enhancements added or in progress for 2010 was \$40,280. The Company is obligated for enhancements in progress as of December 31, 2010 from this consortium group of approximately \$3,500 for enhancements to be completed in 2011.

4. Operating Leases

The Company leases its facilities and has operating leases that expire January 31, 2013 at its current location on Westshore Boulevard. In 2009, the Company forecasted that it would run out of space in its current location and started the search for either additional space or interim and expansion space. On January 27, 2010, the Company entered into a lease agreement for approximately 5,000 square feet of interim space which was completed on April 1, 2010 to house the compliance department. This space at Bayport Plaza should be sufficient for projected expansion until the current lease expires in 2013. The lease then provides for the rental of an additional 20,600 square feet to be available and renovated by February 2013 when the current lease expires, which should be enough space for the entire company to be back under one roof. The Bayport Plaza lease required a \$50,000 deposit for the interim space and calls for an additional deposit of \$100,000 no later than December 1, 2012. For all leases, rental payments escalate based on the schedules set forth in the respective lease agreement. Minimum future rental payments are:

Year ended December 31,	
2011	\$ 491,085
2012	508,961
2013	711,761
2014	748,451
2015	768,979
2016 and thereafter	<u>3,031,737</u>
	<u><u>\$ 6,260,974</u></u>

Rent expense charged to operations during the year ended December 31, 2010 was \$505,183, including the effects of lease payment escalations over the term of the leases.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

4. Operating Leases – (Continued)

For all leases, the future expense to be recognized including the effects of rent abatements and rent escalations are as follows:

Year ending December 31,		
2011	\$	466,678
2012		466,678
2013		759,656
2014		786,290
2015		786,290
2016 and Thereafter		3,627,098
	\$	6,892,690

5. Postretirement Benefits Other Than Pensions

The Company adopted ASC 715-30, *Defined Benefit Plans-Pension*, on December 31, 2007, which requires companies to report the funded status (defined as the difference between the fair value of plan assets and the plan's benefit obligation) of their postretirement plan. The current year effect of the adoption is a \$104,059 decrease to unrestricted net assets.

The following table sets forth the plan's funded status reconciled with the amount shown in the Company's statement of financial position at December 31, 2010:

Accumulated postretirement benefit obligation:		
Plan assets at fair value	\$	-
Funded status	\$	-
Accrued postretirement benefit obligation:		
Current portion	\$	10,826
Long-term portion		612,355
	\$	623,181

Since the plan is non contributory, the entire balance of the accumulated benefit obligation is recorded as a liability in the statement of financial position as of December 31, 2010.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

5. Postretirement Benefits Other Than Pensions – (Continued)

The following provides the components of net periodic postretirement benefit cost for the year ended December 31, 2010.

Service cost	\$ (20,742)
Interest cost	(27,392)
Amortization of unrecognized net obligation	(10,664)
Recognition of net actuarial gain	<u>30,522</u>
Net periodic postretirement benefit cost	(28,276)
Benefits paid during 2010	<u>14,367</u>
Net postretirement benefit loss	<u>\$ (13,909)</u>
Items not yet recognized as a component of net periodic postretirement benefit cost	
Unrecognized net gain	\$ 287,235
Unrecognized net transition obligations	<u>(71,975)</u>
Transitional effect of ASC 715-30	<u>\$ 215,260</u>
Postretirement effect of ASC 715-30 as of December 31, 2009	\$ 319,319
Net periodic change in postretirement obligation	<u>(104,059)</u>
Postretirement obligation recognized as a component of net periodic benefit cost as of December 31, 2010	<u>\$ 215,260</u>

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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

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

Year ended December 31,		
2011	\$	10,826
2012		16,961
2013		18,063
2014		19,047
2015		19,883
Thereafter		<u>137,655</u>
	\$	<u>222,435</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 and net actuarial gain of approximately (\$11,000) and \$31,000, respectively. For measurement purposes, a 9% annual rate increase in the per capita cost of covered health care benefits was assumed for 2010; the rate was assumed to decrease gradually to 5% for 2015 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, 2010 would be increased \$123,257 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended December 31, 2010 would be increased by \$5,787.

The weighted average discount rate used in estimating the accumulated postretirement benefit obligation was 5%. Mortality was based on the 1983 Group Annuity Mortality Table. The measurement date of the accumulated postretirement benefit obligation was December 31, 2010.

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.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

6. Retirement Plan

Effective January 1, 2001, the Company adopted a 401(k) Plan ("Plan") intended to benefit substantially all employees with 6 months of service and 21 years of age. On September 30, 2007, the plan was amended to enable employees with one hour of service to be eligible to enter the plan. Participants can contribute any amount of their compensation for the Plan year, not to exceed the limits determined by the Internal Revenue Code. The Company may make matching contributions with prescribed limits. The Company may also make additional nonelective discretionary contributions to the Plan. The Company made matching contributions to the Plan of \$185,449 and a discretionary contribution to the Plan of \$323,076 (net of forfeitures) for the year ending December 31, 2010.

7. Related Parties

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

The Company is providing Florida Electric Power Coordinating Group, Inc. ("FCG") with administrative and accounting services, including the use of office space. FCG reimbursed the Company approximately 5.7% of the Company's administrative expenses in 2010. 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 2010. At December 31, 2010, the Company had billed and collected a total of \$292,813 from FCG relating to the service agreement and has a receivable from FCG in the amount of \$24,722.

The Company is purchasing the services from Florida Power and Light ("FPL"), a member of the Company, to fulfill the responsibilities of reliability coordinator, operations planning coordinator, state capacity emergency coordinator as well as various other services. In 2009, the Company decided to increase the reliability coordinator coverage to full time, 24/7 coverage as of June 1, 2009. The Company paid FPL \$1,117,796 relating all of to these services and at December 31, 2010 had \$437,932 of accrued expenses recorded on the books.

8. Concentrations

Two members make up approximately 54.6% of the member services assessments and dues. The same two members comprise 67.5% of the statutory assessment that NERC bills directly in order to fund the Company for its statutory functions.

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

9. Contingencies

As part of the Company's Delegation Agreement with NERC, the Company has the authority to fine entities within its region for violation of reliability standards. During 2010, ten notices of penalty were filed with FERC with settlement agreements addressing alleged violations of reliability standards for the entities within the FRCC region. The penalties totaling \$402,000 as of December 31, 2010, were approved by FERC and paid by the entities. The Delegation Agreement Rules of Procedures from NERC stipulate that any penalty monies collected by June 30 of each year, which is between budget submissions, are to be held until they can be accounted for in a budget submission. At year-end December 31, 2010, a total of \$449,000 penalty assessment is being held for future use of which \$50,000 was accounted for in the 2011 budget submission and will be taken into operating income at the beginning of 2011 to offset funding from all entities in the region. The balance, plus any penalties billed and collected prior to June 30, 2011 will be held and accounted for in the 2012 budget submission.

10. Functional Expenses

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

Statutory expenses:	
Reliability Standards Development	\$ 367,294
Compliance Enforcement	3,106,531
Reliability Assessment & Performance Analysis	904,961
Training & Education	168,434
Situational Awareness & Infrastructure	<u>63,202</u>
Total statutory expenses	4,610,422
 Member Services expenses:	
Planning Committee	751,922
Operations Committee	3,149,162
General and Administrative	<u>104,059</u>
Total member services expenses	<u>4,005,143</u>
Total expenses	<u><u>\$ 8,615,565</u></u>

FLORIDA RELIABILITY COORDINATING COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

11. Net Assets

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

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

Statutory	\$ 1,625,666
Member services	<u>441,175</u>
Total unrestricted - board-designated net assets	<u><u>\$ 2,066,841</u></u>

SUPPLEMENTAL INFORMATION

Florida Reliability Coordinating Council, Inc.
 Total Summary
 Statement of Activities - Total Actual to Total Budget
 December 31, 2010

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding			
ERO Assessments	\$ 4,938,178	\$ 4,938,176	\$ 2
Penalty Sanctions			-
Total ERO Funding	\$ 4,938,178	\$ 4,938,176	\$ 2
Membership Fees & Non-Stat Assessments	3,939,467	3,939,466	1
Testing Fees	-	-	-
Services & Software	266,560	289,103	(22,543)
Workshops	61,815	108,901	(47,086)
Interest	5,339	-	5,339
Post Retirement Benefit	(13,909)	-	(13,909)
Total Funding	\$ 9,197,450	\$ 9,275,646	\$ (78,196)
Expenses			
Personnel Expenses			
Salaries	3,620,299	3,810,211	(189,912)
Payroll Taxes	227,501	249,658	(22,157)
Employee Benefits	373,602	462,903	(89,301)
Savings & Retirement	496,006	553,189	(57,183)
Total Personnel Expenses	\$ 4,717,408	\$ 5,075,961	\$ (358,553)
Meeting Expenses			
Meetings	90,965	129,796	(38,831)
Travel	194,610	376,473	(181,863)
Conference Calls	27,477	52,854	(25,377)
Total Meeting Expenses	\$ 313,052	\$ 559,123	\$ (246,071)
Operating Expenses			
Consultants & Contracts	1,929,770	1,931,675	(1,905)
Office Rent	505,183	431,429	73,754
Office Costs	477,040	595,271	(118,231)
Professional Services	313,765	280,000	33,765
Non Stat Reserve	-	277,626	(277,626)
Depreciation	255,288	192,226	63,062
Total Operating Expenses	\$ 3,481,046	\$ 3,708,227	\$ (227,181)
Total Direct Expenses	\$ 8,511,506	\$ 9,343,311	\$ (831,805)
Other Non-Operating Expenses			
Reserve Requirements	\$ -	\$ (350,589)	\$ -
Post Retirement Expenses	104,059	-	104,059
Total Other Non-Operating	\$ 104,059	\$ (350,589)	\$ 104,059
Change in Assets	\$ 581,885	\$ 282,924	\$ 649,550
Fixed Assets			
Depreciation	(255,288)	(192,226)	(63,062)
Computer & Software CapEx	40,280	314,000	(273,720)
Furniture & Fixtures CapEx	96,930	30,575	66,355
Equipment CapEx	33,678	43,075	(9,397)
Leasehold Improvements	-	87,500	(87,500)
Change in Fixed Assets	\$ (84,400)	\$ 282,924	\$ (367,324)
TOTAL CHANGE IN ASSETS	\$ 784,253	\$ (350,589)	\$ 1,134,842
Full Time Equivalents	29.47	31.42	(1.95)

See Independent Auditors' Report

Florida Reliability Coordinating Council, Inc.
Statutory Summary
Statement of Activities - Total Actual to Total Budget
December 31, 2010

(In Whole Dollars)

	2010 Actual		2010 Budget		2010 Variance
Funding					
ERO Funding					
ERO Assessments	\$ 4,938,178	\$	4,938,176	\$	2
Penalty Sanctions	-		-		-
Total ERO Funding	\$ 4,938,178	\$	4,938,176	\$	2
Membership Fees & Non-Stat Assessments	-		-		-
Testing Fees	-		-		-
Services & Software	20,160		23,520		(3,360)
Workshops	61,815		108,901		(47,086)
Interest	-		-		-
Miscellaneous	-		-		-
Total Funding	\$ 5,020,153	\$	5,070,597	\$	(50,444)
Expenses					
Personnel Expenses					
Salaries	\$ 2,456,046	\$	2,741,366	\$	(285,320)
Payroll Taxes	154,287		179,624		(25,337)
Employee Benefits	250,611		353,779		(103,168)
Savings & Retirement	339,910		398,007		(58,097)
Total Personnel Expenses	\$ 3,200,854	\$	3,672,776	\$	(471,922)
Meeting Expenses					
Meetings	\$ 74,833	\$	121,605	\$	(46,772)
Travel	162,032		302,140		(140,108)
Conference Calls	12,423		19,747		(7,324)
Total Meeting Expenses	\$ 249,288	\$	443,492	\$	(194,204)
Operating Expenses					
Consultants & Contracts	\$ 240,646	\$	230,950	\$	9,696
Office Rent	409,074		365,757		43,317
Office Costs	120,159		161,381		(41,222)
Professional Services	180,033		88,256		91,777
Indirect G & A Expenses	-		(1)		1
Depreciation	210,368		150,378		59,990
Total Operating Expenses	\$ 1,160,280	\$	996,721	\$	163,559
Total Direct Expenses	\$ 4,610,422	\$	5,112,989	\$	(502,567)
Other Non-Operating Expenses					
Reserve Requirements	\$ -	\$	(350,589)	\$	-
Post Retirement Expenses	-		-		-
Total Other Non-Operating	\$ -	\$	(350,589)	\$	-
Change in Assets	\$ 409,731	\$	308,197	\$	452,123
Fixed Assets					
Depreciation	\$ (210,368)	\$	(150,378)	\$	(59,990)
Computer & Software CapEx	40,280		314,000		(273,720)
Furniture & Fixtures CapEx	92,507		14,000		78,507
Equipment CapEx	27,965		43,075		(15,110)
Leasehold Improvements	-		87,500		(87,500)
Change in Fixed Assets	\$ (49,616)	\$	308,197	\$	(357,813)
TOTAL CHANGE IN ASSETS	\$ 459,347	\$	(350,589)	\$	809,936
Full Time Equivalents	19.97		22.59		(2.62)

See Independent Auditors' Report

Florida Reliability Coordinating Council, Inc.
Statutory By Program
Statement of Activities - Total Actual to Total Budget
December 31, 2010

(In Whole Dollars)

	Reliability Stds Dev	Compliance Monit & Enf	Reliability Assess	Training, Ed. & Cert.	Situational Awareness	General Admin	2010 Actual	2010 Budget	2010 Variance
Funding									
ERO Funding									
ERO Assessments	\$ 360,170	\$ 3,570,933	\$ 1,166,740	\$ 137,839	\$ 53,085	\$ (350,589)	\$ 4,938,178	\$ 4,938,176	\$ 2
Penalty Sanctions	-	-	-	-	-	-	-	-	-
Total ERO Funding	\$ 360,170	\$ 3,570,933	\$ 1,166,740	\$ 137,839	\$ 53,085	\$ (350,589)	\$ 4,938,178	\$ 4,938,176	\$ 2
Membership Fees & Non-Stat Assessments	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-
Services & Software	-	-	20,160	-	-	-	20,160	23,520	(3,360)
Workshops	-	-	-	61,815	-	-	61,815	108,901	(47,086)
Interest	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total Funding	\$ 360,170	\$ 3,570,933	\$ 1,186,900	\$ 199,654	\$ 53,085	\$ (350,589)	\$ 5,020,153	\$ 5,070,597	\$ (50,444)
Expenses									
Personnel Expenses									
Salaries	\$ 178,029	\$ 1,338,595	\$ 367,231	\$ 44,080	\$ 20,361	\$ 507,750	\$ 2,456,046	\$ 2,741,366	\$ (285,320)
Payroll Taxes	11,184	83,708	23,168	2,826	1,340	32,061	154,287	179,624	(25,337)
Employee Benefits	20,578	139,590	35,367	4,016	2,267	48,793	250,611	353,779	(103,168)
Savings & Retirement	24,677	186,773	51,200	6,170	2,855	68,235	339,910	398,007	(58,097)
Total Personnel Expenses	\$ 234,468	\$ 1,748,666	\$ 476,966	\$ 57,092	\$ 26,823	\$ 656,839	\$ 3,200,854	\$ 3,672,776	\$ (471,922)
Meeting Expenses									
Meetings	\$ 1,018	\$ 12,609	\$ 6,666	\$ 53,819	\$ 64	\$ 657	\$ 74,833	\$ 121,605	\$ (46,772)
Travel	21,618	113,015	20,107	5,979	1,287	26	162,032	302,140	(140,108)
Conference Calls	589	6,828	3,225	371	58	1,352	12,423	19,747	(7,324)
Total Meeting Expenses	\$ 23,225	\$ 132,452	\$ 29,998	\$ 60,169	\$ 1,409	\$ 2,035	\$ 249,288	\$ 443,492	\$ (194,204)
Operating Expenses									
Consultants & Contracts	\$ 4,136	\$ 73,363	\$ 146,249	\$ 12,812	\$ 2,699	\$ 1,387	\$ 240,646	\$ 230,950	\$ 9,696
Office Rent	13,729	321,355	28,964	2,974	1,601	40,451	409,074	365,757	43,317
Office Costs	6,050	71,009	9,385	15,271	5,567	12,877	120,159	161,381	(41,222)
Professional Services	15,167	125,265	32,225	2,073	1,515	3,788	180,033	88,256	91,777
Indirect G & A Expenses	66,797	498,993	137,424	16,317	7,461	(726,992)	-	(1)	1
Depreciation	3,722	135,428	43,750	1,726	16,127	9,615	210,368	150,378	59,990
Total Operating Expenses	\$ 109,601	\$ 1,225,413	\$ 397,997	\$ 51,173	\$ 34,970	\$ (658,874)	\$ 1,160,280	\$ 996,721	\$ 163,559
Total Direct Expenses	\$ 367,294	\$ 3,106,531	\$ 904,961	\$ 168,434	\$ 63,202	\$ -	\$ 4,610,422	\$ 5,112,989	\$ (502,567)
Other Non-Operating Expenses									
Reserve Requirements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (350,589)	\$ 350,589
Post Retirement Expenses	-	-	-	-	-	-	-	-	-
Total Other Non-Operating	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (350,589)	\$ 350,589
Change in Assets	\$ (7,124)	\$ 464,402	\$ 281,939	\$ 31,220	\$ (10,117)	\$ (350,589)	\$ 409,731	\$ 308,197	\$ 101,534
Fixed Assets									
Depreciation	\$ (3,722)	\$ (135,428)	\$ (43,750)	\$ (1,726)	\$ (16,127)	\$ (9,615)	\$ (210,368)	\$ (150,378)	\$ (59,990)
Computer & Software CapEx	-	40,280	-	-	-	-	40,280	314,000	(273,720)
Furniture & Fixtures CapEx	947	89,441	1,783	222	114	-	92,507	14,000	78,507
Equipment CapEx	-	27,965	-	-	-	-	27,965	43,075	(15,110)
Leasehold Improvements	-	-	-	-	-	-	-	87,500	(87,500)
Change in Fixed Assets	\$ (2,775)	\$ 22,258	\$ (41,967)	\$ (1,504)	\$ (16,013)	\$ (9,615)	\$ (49,616)	\$ 308,197	\$ (357,813)
TOTAL CHANGE IN ASSETS	\$ (4,349)	\$ 442,144	\$ 323,906	\$ 32,724	\$ 5,896	\$ (340,974)	\$ 459,347	\$ (350,589)	\$ 809,936
Full Time Equivalents	1.44	10.91	2.97	0.36	0.16	4.13	19.97	22.59	(2.62)

See Independent Auditors' Report

Florida Reliability Coordinating Council, Inc.
Non-Statutory Summary
Statement of Activities - Total Actual to Total Budget
December 31, 2010

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding			
ERO Assessments			\$ -
Penalty Sanctions			-
Total ERO Funding	\$ -	\$ -	\$ -
Membership Fees & Non-Stat Assessments	3,939,467	3,939,466	1
Testing Fees	-	-	-
Services & Software	246,400	265,583	(19,183)
Workshops	-	-	-
Interest	5,339	-	5,339
Miscellaneous	(13,909)	-	(13,909)
Total Funding	\$ 4,177,297	\$ 4,205,049	\$ (27,752)
Expenses			
Personnel Expenses			
Salaries	1,164,253	1,068,845	95,408
Payroll Taxes	73,214	70,034	3,180
Employee Benefits	122,991	109,124	13,867
Savings & Retirement	156,096	155,182	914
Total Personnel Expenses	\$ 1,516,554	\$ 1,403,185	\$ 113,369
Meeting Expenses			
Meetings	16,132	8,191	7,941
Travel	32,578	74,333	(41,755)
Conference Calls	15,054	33,107	(18,053)
Total Meeting Expenses	\$ 63,764	\$ 115,631	\$ (51,867)
Operating Expenses			
Consultants & Contracts	1,689,124	1,700,725	(11,601)
Office Rent	96,109	65,672	30,437
Office Costs	356,881	433,890	(77,009)
Professional Services	133,732	191,744	(58,012)
Non Stat Reserve	-	277,627	(277,627)
Depreciation	44,920	41,848	3,072
Total Operating Expenses	\$ 2,320,766	\$ 2,711,506	\$ (390,740)
Total Direct Expenses	\$ 3,901,084	\$ 4,230,322	\$ (329,238)
Other Non-Operating Expenses			
Reserve Requirements	-	-	-
Post Retirement Expenses	104,059	-	104,059
Total Other Non-Operating	\$ 104,059	\$ -	\$ 104,059
Change in Assets	\$ 172,154	\$ (25,273)	\$ 197,427
Fixed Assets			
Depreciation	(44,920)	(41,848)	(3,072)
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	4,423	16,575	(12,152)
Equipment CapEx	5,713	-	5,713
Leasehold Improvements	-	-	-
Change in Fixed Assets	\$ (34,784)	\$ (25,273)	\$ (9,511)
TO TAL CHANGE IN ASSETS	\$ 324,906	\$ -	\$ 324,906
Full Time Equivalents	9.50	8.83	0.67

See Independent Auditors' Report

Florida Reliability Coordinating Council, Inc.
Non-Statutory By Committee
Statement of Activities - Total Actual to Total Budget
December 31, 2010

(In Whole Dollars)

	Operating	Planning	Administrative	2010 Actual	2010 Budget	2010 Variance
Funding						
ERO Funding						
ERO Assessments				\$ -	\$ -	\$ -
Penalty Sanctions				-	-	-
Total ERO Funding	\$ -	\$ -		\$ -	\$ -	\$ -
Membership Fees & Non-Stat Assessments	3,211,658	727,809		3,939,467	3,939,466	1
Testing Fees				-		-
Services & Software	246,400			246,400	265,583	(19,183)
Workshops				-		-
Interest	2,788	2,551		5,339		5,339
Post Retirement Loss			(13,909)	(13,909)		(13,909)
Total Funding	\$ 3,460,846	\$ 730,360	\$ (13,909)	\$ 4,177,297	\$ 4,205,049	\$ (27,752)
Expenses						
Personnel Expenses						
Salaries	680,144	484,109	\$	1,164,253	\$ 1,068,845	95,408
Payroll Taxes	42,631	30,583		73,214	70,034	3,180
Employee Benefits	75,129	47,861		122,990	109,124	13,866
Savings & Retirement	91,480	64,617		156,097	155,182	915
Total Personnel Expenses	\$ 889,384	\$ 627,170	\$ -	\$ 1,516,554	\$ 1,403,185	\$ 113,369
Meeting Expenses						
Meetings	9,540	6,592	\$	16,132	\$ 8,191	7,941
Travel	26,967	5,611		32,578	74,333	(41,755)
Conference Calls	10,328	4,728		15,056	33,107	(18,051)
Total Meeting Expenses	\$ 46,835	\$ 16,931	\$ -	\$ 63,766	\$ 115,631	\$ (51,865)
Operating Expenses						
Consultants & Contracts	1,661,388	27,738	\$	1,689,126	\$ 1,700,725	(11,599)
Office Rent	56,882	39,226		96,108	65,672	30,436
Office Costs	338,129	18,751		356,880	433,890	(77,010)
Professional Services	123,346	10,383		133,729	191,744	(58,015)
Non Stat Reserve	-	-		-	277,627	(277,627)
Depreciation	33,198	11,722		44,920	41,848	3,072
Total Operating Expenses	\$ 2,212,943	\$ 107,820	\$ -	\$ 2,320,763	\$ 2,711,506	\$ (390,743)
Total Direct Expenses	\$ 3,149,162	\$ 751,921	\$ -	\$ 3,901,083	\$ 4,230,322	\$ (329,239)
Other Non-Operating Expenses						
Reserve Requirements				\$ -	\$ -	-
Post Retirement Expenses	-		104,059	104,059		104,059
Total Other Non-Operating	\$ -	\$ -	\$ 104,059	\$ 104,059	\$ -	\$ 104,059
Change in Assets	\$ 311,684	\$ (21,561)	\$ (117,968)	\$ 172,155	\$ (25,273)	\$ 197,428
Fixed Assets						
Depreciation	(33,198)	(11,722)	\$	(44,920)	(41,848)	(3,072)
Computer & Software CapEx				-	-	-
Furniture & Fixtures CapEx	2,453	1,970		4,423	16,575	(12,152)
Equipment CapEx	2,534	3,179		5,713	-	5,713
Leasehold Improvements				-	-	-
Change in Fixed Assets	\$ (28,211)	\$ (6,573)	\$ -	\$ (34,784)	\$ (25,273)	\$ (9,511)
TOTAL CHANGE IN ASSEIS	\$ 339,895	\$ (14,988)	\$ -	\$ 324,907	\$ -	\$ 324,907
Full Time Equivalents	5.55	3.95		9.50	8.83	0.67

See Independent Auditors' Report

ATTACHMENT 3

2010 ACTUAL COST-TO-BUDGET COMPARISON

AND

2010 AUDITED FINANCIAL REPORT

FOR

MIDWEST RELIABILITY ORGANIZATION



Sue Clarke, VP of Finance and Administration

P: (651) 855-1707

F: (651) 855-1712

E: sa.clarke@midwestreliability.org

May 20, 2011

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

RE: 2010 Budget Variance Explanations Based on Audited Financials

Dear Mr. Walker and Ms. Turpen:

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

Change in Assets

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

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

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

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





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

Statutory Programs

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

Cash Reserves

No Cash Reserves were used in 2010.

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

Thank you,

Sue Clarke

Sue Clarke

Cc: Daniel Skaar, MRO



MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Statutory Only

(In Whole Dollars)

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

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Reliability Standards

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

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

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

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

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

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

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

(In Whole Dollars)

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

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Training and Education

(In Whole Dollars)

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

Comments - Explain variances that are +/- 10%

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

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

Actual FTEs are higher than budgeted.

The 2010 Budget for Payroll Tax costs were inadequate.

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

Nose Count

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

Comments - Explain variances that are +/- 10%

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

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

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

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

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

Nose Count

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

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
General and Administrative

(In Whole Dollars)

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

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Legal and Regulatory

(In Whole Dollars)

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

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

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

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

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

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

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

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Information Technology

(In Whole Dollars)

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

MIDWEST RELIABILITY ORGANIZATION
2010 Statement of Activities Summary
Human Resources

(In Whole Dollars)

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

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

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

(In Whole Dollars)

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

MIDWEST RELIABILITY ORGANIZATION

Roseville, Minnesota

Financial Statements
Including Independent Auditors' Report

December 31, 2010 and 2009

MIDWEST RELIABILITY ORGANIZATION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Midwest Reliability Organization as of December 31, 2010 and 2009, and the related statements of operations and members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Midwest Reliability Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midwest Reliability Organization as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
March 22, 2011

MIDWEST RELIABILITY ORGANIZATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

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

See accompanying notes to financial statements.

MIDWEST RELIABILITY ORGANIZATION

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

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

See accompanying notes to financial statements.

MIDWEST RELIABILITY ORGANIZATION

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

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

See accompanying notes to financial statements.

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Services

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

Cash and Cash Equivalents

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

Receivables

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

Property, Improvements and Equipment

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

Capitalized Software Costs

The Organization capitalizes software development costs incurred and purchased software in upgrading computer software used internally to serve its members. The Organization begins capitalization of these costs after technological feasibility has been determined. The capitalized software, once placed in service, is amortized on the straight-line method over its estimated useful life of three years. Amortization expense totaled \$87,488 and \$17,041 for the years ended December 31, 2010 and 2009, respectively.

Deferred Revenue

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

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status

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

In accordance with the accounting standard on Accounting for Uncertainty in Income Taxes, the Organization addresses the determination of whether tax benefits claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merit of the position. Examples of tax positions include the tax-exempt status of MRO and various positions related to the potential sources of unrelated business taxable income. There were no significant unrecognized tax benefits identified or recorded as liabilities as of December 31, 2010. Open tax years subject to examination by the U.S. and state taxing authorities are for the years 2007 to 2009, which statutes expire in 2011 to 2013, respectively.

Revenue and Assessments

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

Use of Estimates

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

Reclassifications

For comparability purposes, amounts appearing in the 2009 financial statements have been reclassified to conform to the 2010 presentation. The reclassifications had no effect on reported amounts of total revenue, expenses, or change in members' equity.

Subsequent Events

The Organization has evaluated subsequent events through March 22, 2011, which is the date that the financial statements were approved and available to be issued.

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS December 31, 2010 and 2009

NOTE 2 - NERC TRANSACTIONS

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

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

To insure the delegated functions have reasonable funding, NERC is to fund the Organization with the monies necessary to carry out its activities as per the agreement. A formula is devised that equitably allocates charges among the end users within the boundaries served by the Organization, based on net energy for load or through such other formula as provided. The Organization provides NERC with an annual operating budget on or before April 30 of each year. Budgeted revenues from NERC were \$7,503,746 and \$6,376,475 for the years ended December 31, 2010 and 2009, respectively, which agree with the amounts received.

In addition to the budgeted operating revenues, the Organization received \$1,120,000 in 2009 in non-operating assessment revenue related to the termination of the defined-benefit pension plan, as described in Note 6.

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 - LEASE COMMITMENTS

Operating Lease

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

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

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

NOTE 4 - PROPERTY, IMPROVEMENTS AND EQUIPMENT

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

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

NOTE 5 - LINE OF CREDIT

The Organization obtained a revolving line of credit from National Cooperative Service Corporation (NCSC) in February 2008. The line of credit has a credit limit of \$2,000,000 and an interest rate equal to the NCSC Line of Credit Rate in effect from time to time, not to exceed the Prevailing Bank Prime Rate as published in the "Money Rates" column of the eastern edition of the *Wall Street Journal* on the publication day immediately preceding the day on which an adjustment in the interest rate becomes effective. The Organization is required to maintain a Debt Service Coverage Ratio of not less than 1.00. The line of credit is secured by substantially all assets of the Organization, and it expired February 26, 2011. There were no outstanding balances at December 31, 2010 or 2009, respectively. In January, 2011, the MRO Board of Directors signed a Resolution approving and authorizing the execution of a corporate line of credit which has no changes from the previous revolving line of credit. The new line of credit will expire February 26, 2013.

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 6 - RETIREMENT PLANS

Postretirement Health Plan

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

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

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 6 - RETIREMENT PLANS (Continued)

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

	2010	2009
Components of net periodic benefit cost		
Service cost	\$ 99,653	\$ 99,590
Interest cost	28,482	32,646
Expected return on plan assets	(26,941)	(16,640)
Amortization of prior service cost	(38,601)	-
Amortization of actuarial loss	14,727	4,641
Net periodic benefit cost	\$ 77,320	\$ 120,237
Weighted-average assumptions used to calculate the net periodic benefit cost		
Discount rate	6.10 %	5.65 %
Expected return on plan assets	8.00 %	8.00 %
Rate of compensation increases	N/A	N/A

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

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

Health care cost trend rate assumed for next year	11.0%	11.3%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0 %	5.0 %
Year that the rate reaches the ultimate trend rate	2025	2030

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

	One-Percentage Point	
	Increase	Decrease
Effect on total of service cost and interest cost	\$ 30,852	\$ (23,577)
Effect on postretirement benefit obligation	139,161	(106,730)

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 6 - RETIREMENT PLANS (Continued)

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

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

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

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

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

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

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

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

MIDWEST RELIABILITY ORGANIZATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 6 - RETIREMENT PLANS (Continued)

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

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

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

The Organization expects to contribute \$54,000 to the plan in 2011.

Defined Benefit Pension Plan

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

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

Defined Contribution Pension Plan

In 2009, the Organization established a thrift savings plan to replace the terminated multiple-employer plan for the benefit of its employees. The Organization's previous 401(k) plan was converted into the new plan as well as the establishment of a new, non-elective employer contribution plan. In order to participate in the plan, employees must have attained age 20 and have completed one month of service. Employees may contribute up to the IRS limitations for their elective deferral, with a 50% matching contribution from the Organization. For employees to receive the non-elective or employer contribution, they must have worked 1,000 hours during the plan year. The Organization matched \$164,395 and \$149,508 of employee deferrals as of December 31, 2010 and 2009, respectively. In addition, the Organization elected to make an employer contribution in the amount of \$287,252 and \$255,246 for the years ended December 31, 2010 and 2009, respectively.

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

ATTACHMENT 4

2010 ACTUAL COST-TO-BUDGET COMPARISON

AND

2010 AUDITED FINANCIAL REPORT

FOR

NORTHEAST POWER COORDINATING COUNCIL, INC.



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

May 23, 2011

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

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

Dear Mike and Susan:

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

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

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

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

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

Personnel Expenses

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

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

Meeting and Travel Expenses

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

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

Operating Expenses

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

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

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

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

Sincerely,



Jennifer Budd Mattiello
Vice President & Chief Operating Officer

JBM: jm

cc: NPCC Staff

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

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

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Report of Independent Auditors

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

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Northeast Power Coordinating Council, Inc. (the "Company"), as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
April 26, 2011

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

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

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

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

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

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

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

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

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

Northeast Power Coordinating Council, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

1. Background

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

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

2. Summary of Significant Accounting Policies

Basis of Accounting

For the years ended December 31, 2010 and 2009, the Company used the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Cash

The Company's cash balance consists of its operating checking account, as well as a savings account.

Restricted Cash

Restricted cash represents amounts in deposit accounts funded with penalties levied and received for non-compliance within NPCC U.S., and amounts in deposit accounts for collateralizing a letter of credit as security for NPCC's office lease. At times, cash balances may be in excess of depository insurance limits.

Equipment and Leasehold Improvements

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

Northeast Power Coordinating Council, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

Revenue Recognition

For the criteria services division, membership in the Company is on a calendar year basis. There are no fees assessed to full members other than those members that are Independent System Operators or Balancing Authority Areas. Assessments received are recorded as income in the year to which the membership applies irrespective of when billed or collected. For the regional entity division, membership in the Company is on a calendar year basis. There are no fees assessed to general members. Funding mechanisms provided through U.S. regulatory and Canadian governmental and/or regulatory agreements provide for quarterly remittances through the North American Electric Reliability Corporation. Assessments received are recorded as income in the year to which the Business Plan and Budget applies irrespective of when billed or collected. Penalty sanctions are recorded as income when levied and the appeals process has been waived or is concluded.

Rent Expense

The Company's office lease which commenced in 2009 contains predetermined increases and decreases in the rentals payable during the lease term. Rent expense is recognized on a straight-line basis over the lease term. The difference between the rent expense charged to operations during the year and the amount payable under the lease during that year is recorded as "Deferred rent" on the Statements of Financial Position. Deferred rent also includes the landlord's contribution toward the cost of leasehold improvements, which is being amortized over the lease term. The unamortized balance of the landlord's contribution at December 31, 2010 is approximately \$480,000.

Income Taxes

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

Use of Estimates

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

3. Investments

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

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

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

determined that the likelihood of sustaining losses from money market funds to be remote based on the marketability of the underlying investment of the funds.

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

4. Equipment and Leasehold Improvements

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

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

In 2010 and 2009, depreciation and amortization expense totaled \$172,784 and \$129,855, respectively.

5. Pension Plan

The Company has a trustee, noncontributory defined benefit pension plan (the "Plan") covering employees hired prior to February 6, 2007. The Company had budgeted for contributions of \$700,000 and \$464,210 for 2010 and 2009, respectively. Based upon a funding deficiency and recommendations of the Pension Committee, and as approved by the NPCC Board of Directors, a supplemental contribution of \$100,000 was made for plan year 2009, for a total contribution of \$564,210. The total contribution for 2010 was \$700,000.

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

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

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

	2010	2009
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 7,226,423	\$ 6,276,822
Service cost	236,054	206,007
Interest cost	433,409	399,697
Amendments	242,279	-
Actuarial loss	26,679	445,889
Benefits paid	<u>(101,992)</u>	<u>(101,992)</u>
Benefit obligation at end of year	<u>\$ 8,062,852</u>	<u>\$ 7,226,423</u>
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	\$ 4,567,943	\$ 3,324,572
Actual return on plan assets	812,242	781,153
Company contribution	700,000	564,210
Benefits paid	<u>(101,992)</u>	<u>(101,992)</u>
Fair value of plan assets at end of year	<u>\$ 5,978,193</u>	<u>\$ 4,567,943</u>
Funded status at end of year	<u>\$ (2,084,659)</u>	<u>\$ (2,658,480)</u>
Amounts recognized in unrestricted net assets consist of		
Loss	\$ (2,130,022)	\$ (2,694,096)
Prior service cost	<u>(221,747)</u>	<u>-</u>
	<u>\$ (2,351,769)</u>	<u>\$ (2,694,096)</u>
Changes in unrestricted assets recognized in non-operating expenses		
Net (gain)/loss	\$ (413,869)	\$ (63,210)
Prior service cost	242,279	-
Amortization of net gain/(loss)	<u>(150,205)</u>	<u>(191,766)</u>
	<u>\$ (321,795)</u>	<u>\$ (254,976)</u>
Amounts of unrestricted net assets expected to be recognized in net periodic benefit cost in 2011		
Amortization of loss	\$ 180,938	
Weighted-average assumptions as of December 31 used for obligation		
Discount Rate	5.75 %	6.00 %
Expected Return on Plan Assets	7.50 %	7.50 %
Rate of Compensation Increase	4.00 %	4.25 %
Weighted-average assumptions as of December 31 used for net periodic benefit cost		
Discount Rate	6.00 %	6.25 %
Expected Return on Plan Assets	7.50 %	7.50 %
Rate of Compensation Increase	4.25 %	4.25 %

The accumulated benefit obligation at December 31, 2010 and 2009 was \$5,769,210 and \$5,030,641, respectively.

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

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

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

	Allocation Percentage 2010	Allocation Percentage 2009
Equity Securities	68.3 %	57.8 %
Debt Securities	30.8 %	26.7 %
Cash	0.9 %	15.5 %
	<u>100.0 %</u>	<u>100.0 %</u>

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

Investments in actively traded equity and debt securities are valued using market prices in active markets. Their valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. There were no securities for which the fair value was based on other observable or unobservable inputs. At December 31, 2010, the plan assets consisted of \$43,654 of cash and cash equivalents, \$3,109,999 of domestic equities, \$882,132 of international equities, \$1,578,458 of corporate bonds, and \$267,085 of commodity funds and \$96,865 of public real estate investment trust investments.

At December 31, 2010, the Company's target allocation percentages for plan assets were approximately 63% equity securities, 33% debt securities and 4% other securities. The targets may be adjusted periodically to reflect current market conditions and trends as well as inflation levels, interest rates and trends thereof.

Expected employer contribution for the year ended December 31, 2011 is \$600,000.

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

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

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

6. Savings and Supplemental Plans

The Company maintains a 401(k) plan for which all employees are immediately eligible upon hire. Within this plan, an employee can contribute 2% or greater of his or her compensation up to the IRS limit set for this plan. The Company's policy is to contribute on the employee's behalf 100% of the employee's contribution of the first 3% of his or her compensation, and 50% of his or her contribution for the next 2% of compensation. Additionally, for those employees joining the Company after February 6, 2007, and upon completion of a full calendar year of service, such employees become eligible for a discretionary contribution to be considered annually by the Board of Directors. The discretionary contribution for 2010 and 2009 was 6% of base compensation and totaled \$63,408 for 2010 and \$63,475 for 2009. Company contributions to the 401(k) plan were \$133,094 and \$111,856 for 2010 and 2009, respectively. During 2010, the Company adopted a supplemental plan for employees who were not eligible to receive the same percentage level of retirement benefits as other employees under the 401(k) plan due to IRS compensation limits. The Company contributed \$19,900 to this supplemental plan for 2010.

7. Leases

The Company is obligated under long-term operating leases for the rental of office facilities and certain equipment. NPCC executed office and equipment leases with effective rental dates starting in 2009 coordinated with its relocation of offices within New York City. NPCC's office lease provides for additional rent based on increases in real estate taxes and operating expenses over base amounts. The office lease expires on April 30, 2024 and includes an option to renew for five years. The office lease provides for security in the form of a collateralized letter of credit in the amount of \$500,000 at lease inception and reduced amounts in future years. NPCC executed computer and equipment leases effective March, 2009 with expiration dates through March, 2012. In addition, the Company rents certain other equipment on a month-to-month basis. Rental expense for office facilities and equipment totaled \$746,702 and \$655,350 for 2010 and 2009, respectively.

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

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

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

8. Functional Expenses

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

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

9. Other Expenses

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

	2010	2009
Consultants	\$ 1,073,228	\$ 979,843
Accounting, legal and other services	1,120,240	936,221
Pension administration	<u>8,375</u>	<u>8,838</u>
Total administrative, consultant and professional fees	<u>\$ 2,201,843</u>	<u>\$ 1,924,902</u>

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

10. Related Party Transactions

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

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

NPCC's criteria services division was fully funded by regional independent system operator or balancing authority areas and operated on assessments to and funded from these six entities. Dues were based upon a "Net Energy for Load" funding formula. During 2010 and 2009, total membership dues billed amounted to \$1,145,460 and \$1,012,775, respectively.

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

11. Subsequent Events

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

ATTACHMENT 5

2010 ACTUAL COST-TO-BUDGET COMPARISON

AND

2010 AUDITED FINANCIAL REPORT

FOR

RELIABILITYFIRST CORPORATION



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

May 20, 2011

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

Subject: 2010 Statement of Activities Summary - Audited

Dear Mr. Walker:

As requested, ReliabilityFirst Corporation (ReliabilityFirst) is providing NERC the end of year, audited 2010 Statement of Activities Summary (attached). Significant variances are explained below, while more detailed variances are provided in the summary document presented by program area.

The explanation of variances are provided based on the following criteria:

- 1.) Variances equal to or greater than +/- 10% of Budget, and
- 2.) Variances greater than \$5,000.

Significant Variances

For the year ending December 31, 2010, ReliabilityFirst was \$2.3M (16%) under budget which includes Total Expenses and Fixed Assets. The top five contributors to this variance using the criteria above include:

- Professional Services (\$1M)
- Office Costs (\$260K)
- Travel (\$200K)
- Employee Benefits (\$296K)
- Consultants and Contracts (\$119K)

Funding

- **Investment Income:** \$41K (104%) over budget.
Investment income was over budget due to a larger than expected balance in our investment account as a result of penalties collected which were not anticipated.

Expenses

- **Personnel Expenses**
 - **Employee Benefits:** \$296K (30%) under budget
Employee Benefits were under budget as a result of variances in Medical Benefits, Relocation Expenses, and Life Insurance. **Medical Benefits** were under budget due to a lower than expected premium increase. **Relocation Expenses** were under budget due to hiring local talent and offering tele-working arrangements for out-of-state employees. **Life Insurance**, which is based on employee earnings, was under budget as a result of salaries being less than anticipated.

- **Meeting Expenses**

- **Meetings:** \$89K (39%) under budget
Meeting Expenses were under budget due to the reduction in the number of expected meetings, along with the use of ReliabilityFirst's virtual meeting capabilities instead of face-to-face meetings.
- **Travel:** \$200K (30%) under budget
Travel Expenses were under budget due to a greater emphasis on economical travel arrangements and the ability to use ReliabilityFirst's virtual meeting capabilities.

- **Operating Expenses**

- **Consultants & Contracts:** \$119K (21%) under budget
Consultants & Contracts were under budget due to postponing a major project until 2011.
- **Office Rent:** \$50K (14%) over budget
Office Rent was over budget as a result of higher than anticipated **Rent** and **Utility** expenses related to the renting of additional office space.
- **Office Costs:** \$260K (28%) under budget
Office Costs were under budget as a result of variances in Computer Software and Telephone. **Computer Software** was under budget due to the reduced dependence on outside vendor support, along with the delay in purchasing new software. **Telephone** was under budget due to a \$45K adjustment to settle a prior year liability which was negotiated to an \$11K expense.
- **Professional Services:** \$1M (68%) under budget
Professional Services were under budget due to reduced outside legal fees that were budgeted to support compliance violation hearings and settlements. There were no major challenges to the enforcement process during 2010 that required additional outside legal counsel.
- **Miscellaneous:** \$14K (66%) over budget
Miscellaneous expenses were over budget due to higher than expected costs associated with completing background checks and drug testing for all employees (both existing employees and new hires) and other employee-related activities.
- **Depreciation:** \$143K (53%) over budget
Depreciation was over budget due to the prior year fixed asset purchases being over budget. This resulted in an increase in depreciation expense for 2010.

Fixed Assets

- **Computer & Software:** \$51K (94%) over budget
Computer & Software were over budget due to the purchase of audio/visual equipment for the additional office space leased during the year, along with the purchase of additional licenses for the accounting software. Neither of these purchases were budgeted in 2010.
- **Furniture & Fixtures:** \$43K (247%) over budget
Furniture & Fixtures were over budget due to the purchase of furniture for the additional office space leased during the year.

- **Leasehold Improvements:** \$15K (17%) under budget
Leasehold Improvements were under budget due to the additional office space leased during the year.

Cash Reserves

ReliabilityFirst's Desired Working Capital Reserve of \$1,418,471 was never utilized.

Statutory Programs

ReliabilityFirst performed only statutory activities in 2010.

Cost Allocation

ReliabilityFirst records all direct costs to the appropriate program areas. Costs related to the indirect programs are allocated proportionately based on FTE count to the direct programs.

For more information, please contact me at 330.456.2488 or jack.istvan@rfirst.org.

Sincerely,

Jack A. Istvan

Jack A. Istvan
CFO/Treasurer

Statement of Activities Summary
01/01/2010 - 12/31/2010

	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding			
ERO Assessments	\$ 14,345,192	\$ 14,345,192	\$ -
Penalty Sanctions	180,000	180,000	-
Total ERO Funding	\$ 14,525,192	\$ 14,525,192	\$ -
Other Funding			
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -
Testing Fees	-	-	-
Services	-	-	-
Workshops	-	-	-
Investment Income	81,406	40,000	41,406
Miscellaneous	-	-	-
Total Other Funding	\$ 81,406	\$ 40,000	\$ 41,406
Total Funding	\$ 14,606,598	\$ 14,565,192	\$ 41,406
Expenses			
Direct Expenses			
Personnel Expenses			
Salaries	\$ 6,908,048	\$ 7,196,074	\$ (288,026)
Payroll Taxes	417,650	461,580	(43,930)
Employee Benefits	702,127	998,451	(296,324)
Savings & Retirement	939,176	1,062,919	(123,743)
Total Personnel Expenses	\$ 8,967,001	\$ 9,719,024	\$ (752,023)
Meeting Expenses			
Meetings	\$ 138,941	\$ 227,600	\$ (88,659)
Travel	474,603	674,500	(199,897)
Conference Calls	9,023	13,280	(4,257)
Total Meeting Expenses	\$ 622,567	\$ 915,380	\$ (292,813)
Operating Expenses			
Consultants & Contracts	\$ 452,453	\$ 571,000	\$ (118,547)
Office Rent	405,505	356,000	49,505
Office Costs	654,526	914,109	(259,583)
Professional Services	495,541	1,527,000	(1,031,459)
Miscellaneous	34,822	21,000	13,822
Depreciation	410,857	267,915	142,942
Total Operating Expenses	\$ 2,453,704	\$ 3,657,024	\$ (1,203,320)
Total Direct Expenses	\$ 12,043,272	\$ 14,291,428	\$ (2,248,156)
Indirect Expenses	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Total Expenses	\$ 12,043,272	\$ 14,291,428	\$ (2,248,156)
Change in Assets	\$ 2,563,326	\$ 273,764	\$ 2,289,562
Fixed Assets			
Depreciation	\$ (410,857)	\$ (267,915)	\$ (142,942)
Computer & Software CapEx	104,745	54,000	50,745
Furniture & Fixtures CapEx	59,723	17,200	42,523
Equipment CapEx	0	0	0
Leasehold Improvements	74,690	90,000	(15,310)
(Increase)Decrease In Fixed Assets	\$ 171,699	\$ 106,715	\$ 64,984
Allocation of Fixed Assets	\$ -	\$ -	\$ -
Change in Fixed Assets	\$ 171,699	\$ 106,715	\$ 64,984
Total Change In Assets	\$ 2,735,025	\$ 380,479	\$ 2,354,546
- All amounts are based on audited financials			
- All amounts are in whole dollars			
- All functions are Statutory			

Statement of Activities Summary
Standards
01/01/2010 - 12/31/2010

	2010 Actual	2010 Budget	2010 Variance	%	Explanation of variances that are +/- 10% and are greater than \$5,000
Funding					
ERO Funding					
ERO Assessments	\$ 511,249	\$ 511,249	\$ -	0%	
Penalty Sanctions	6,207	6,207	-	0%	
Total ERO Funding	\$ 517,456	\$ 517,456	\$ -	0%	
Other Funding					
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -		
Testing Fees	-	-	-		
Services	-	-	-		
Workshops	-	-	-		
Investment Income	-	-	-		
Miscellaneous	-	-	-		
Total Other Funding	\$ -	\$ -	\$ -		
Total Funding	\$ 517,456	\$ 517,456	\$ -		
Expenses					
Direct Expenses					
Personnel Expenses					
Salaries	\$ 176,438	\$ 250,817	\$ (74,379)	-30%	Salaries were under budget due to an extra .50 FTE budgeted to support the Standards Program that was reallocated to the Finance & Accounting Program.
Payroll Taxes	11,309	14,099	(2,790)	-20%	
Employee Benefits	18,604	29,479	(10,875)	-37%	Employee Benefits were under budget due to the increase in medical premiums being lower than expected along with the reallocation of .50 FTE to the Finance & Accounting Program.
Savings & Retirement	28,900	32,472	(3,572)	-11%	
Total Personnel Expenses	\$ 235,251	\$ 326,867	\$ (91,616)	-28%	
Meeting Expenses					
Meetings	\$ 1,944	\$ 28,800	\$ (26,856)	-93%	Meeting expenses were under budget due to the reduction in the number of expected meetings, along with the use of ReliabilityFirst's virtual meeting capabilities instead of budgeted face-to-face meetings.
Travel	9,585	22,500	(12,915)	-57%	Travel expenses were under budget due to a greater emphasis on economical travel arrangements and the ability to use ReliabilityFirst's virtual meeting capabilities.
Conference Calls	545	2,700	(2,155)	-80%	
Total Meeting Expenses	\$ 12,074	\$ 54,000	\$ (41,926)	-78%	
Operating Expenses					
Consultants & Contracts	\$ -	\$ 5,294	\$ (5,294)	-100%	Consultants & Contracts were under budget due to a reduced dependence on outside vendor support for software customization.
Office Rent	-	-	-		
Office Costs	2,737	-	2,737		
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	\$ 2,737	\$ 5,294	\$ (2,557)	-48%	
Total Direct Expenses	\$ 250,062	\$ 386,161	\$ (136,099)	-35%	
Indirect Expenses	\$ 84,580	\$ 135,660	\$ (51,080)	-38%	Indirect Expenses are expenses related to the indirect programs that have been allocated proportionately based on FTE count to the direct programs.
Other Non-Operating Expenses	\$ -	\$ -	\$ -		
Total Expenses	\$ 334,642	\$ 521,821	\$ (187,179)	-36%	
Change in Assets	\$ 182,814	\$ (4,365)	\$ 187,179	-4288%	
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
(Increase)Decrease In Fixed Assets	\$ -	\$ -	\$ -		
Allocation of Fixed Assets	\$ (749)	\$ 4,365	\$ (5,114)	-117%	Allocation of Fixed Assets are fixed asset costs related to the indirect programs that have been allocated proportionately based on FTE count to the direct programs.
Change in Fixed Assets	\$ (749)	\$ 4,365	\$ (5,114)	-117%	
Total Change In Assets	\$ 182,065	\$ -	\$ 182,065		

Statement of Activities Summary
Compliance
01/01/2010 - 12/31/2010

	2010 Actual	2010 Budget	2010 Variance	%	Explanation of variances that are +/- 10% and are greater than \$5,000
Funding					
ERO Funding					
ERO Assessments	\$ 10,190,215	\$ 10,190,215	\$ -	0%	
Penalty Sanctions	134,483	134,483	-	0%	
Total ERO Funding	\$ 10,324,698	\$ 10,324,698	\$ -	0%	
Other Funding					
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -		
Testing Fees	-	-	-		
Services	-	-	-		
Workshops	-	-	-		
Investment Income	-	-	-		
Miscellaneous	-	-	-		
Total Other Funding	\$ -	\$ -	\$ -		
Total Funding	\$ 10,324,698	\$ 10,324,698	\$ -		
Expenses					
Direct Expenses					
Personnel Expenses					
Salaries	\$ 4,028,872	\$ 4,317,573	\$ (288,701)	-7%	Salaries were under budget as a result of the delay in planned hiring along with the reallocation of .50 FTE to the Finance & Accounting Program.
Payroll Taxes	250,780	286,992	(36,212)	-13%	Payroll Taxes were under budget as a result of the delay in planned hiring along with the reallocation of .50 FTE to the Finance & Accounting Program.
Employee Benefits	427,817	675,511	(247,694)	-37%	Employee Benefits were under budget as a result of variances in Medical and Relocation Benefits. Medical Benefits were under budget due to a lower than expected medical premium increase. Relocation Benefits were under budget due to hiring local talent and offering tele-working arrangements for out of state employees.
Savings & Retirement	553,780	654,514	(100,734)	-15%	Savings & Retirement expenses were under budget as a result of the delay in planned hiring along with the reallocation of .50 FTE to the Finance & Accounting Program.
Total Personnel Expenses	\$ 5,261,249	\$ 5,934,590	\$ (673,341)	-11%	
Meeting Expenses					
Meetings	\$ 8,364	\$ 16,000	\$ (7,636)	-48%	Meeting expenses were under budget due to the reduction in the number of expected meetings, along with the use of Reliability First's virtual meeting capabilities instead of budgeted face-to-face meetings.
Travel	337,514	450,400	(112,886)	-25%	Travel expenses were under budget due to a greater emphasis on economical travel arrangements and the ability to use Reliability First's virtual meeting capabilities.
Conference Calls	4,950	3,600	1,350	38%	
Total Meeting Expenses	\$ 350,828	\$ 470,000	\$ (119,172)	-25%	
Operating Expenses					
Consultants & Contracts	\$ 335,931	\$ 354,706	\$ (18,775)	-5%	
Office Rent	-	-	-		
Office Costs	78,446	212,300	(133,854)	-63%	Office costs were under budget as a result of a variance in Computer Software due to a reduced dependence on outside vendor support for software customization.
Professional Services	8,621	520,000	(511,379)	-98%	Professional Services were under budget due to Legal Services that were budgeted to support potential compliance violation hearings and settlements. There were no major challenges to the enforcement process during 2010 that required additional outside legal counsel.
Miscellaneous	2,038	-	2,038		
Depreciation	221,097	-	221,097		Depreciation expense was over budget due to depreciation being budgeted in General & Administrative and Information Technology but recorded in the responsible program.
Total Operating Expenses	\$ 646,133	\$ 1,087,006	\$ (440,873)	-41%	
Total Direct Expenses	\$ 6,258,210	\$ 7,491,596	\$ (1,233,386)	-16%	
Indirect Expenses	\$ 2,625,499	\$ 2,939,309	\$ (313,810)	-11%	Indirect Expenses are expenses related to the indirect programs that have been allocated proportionately based on FTE count to the direct programs.
Other Non-Operating Expenses	\$ -	\$ -	\$ -		
Total Expenses	\$ 8,883,709	\$ 10,430,905	\$ (1,547,196)	-15%	
Change in Assets	\$ 1,440,989	\$ (106,207)	\$ 1,547,196	-1457%	
Fixed Assets					
Depreciation	\$ (221,097)	\$ -	\$ (221,097)		Depreciation expense was over budget due to depreciation being budgeted in General & Administrative and Information Technology but recorded in the responsible program.
Computer & Software CapEx	15,048	-	15,048		Computer Hardware & Software CapEx was over budget due to expenditures relating to the TFE & CITS projects.
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
(Increase)Decrease In Fixed Assets	\$ 206,049	\$ -	\$ 206,049		
Allocation of Fixed Assets	\$ (23,258)	\$ 106,207	\$ (129,465)	-122%	Allocation of Fixed Assets are fixed asset costs related to the indirect programs that have been allocated proportionately based on FTE count to the direct programs.
Change in Fixed Assets	\$ 182,791	\$ 106,207	\$ 76,584	72%	
Total Change In Assets	\$ 1,623,780	\$ -	\$ 1,623,780		

Statement of Activities Summary
 Reliability Assessment
 01/01/2010 - 12/31/2010

	2010 Actual	2010 Budget	2010 Variance	%	Explanation of variances that are +/- 10% and are greater than \$5,000
Funding					
ERO Funding					
ERO Assessments	\$ 2,465,518	\$ 2,465,518	\$ -	0%	
Penalty Sanctions	35,172	35,172	-	0%	
Total ERO Funding	\$ 2,500,690	\$ 2,500,690	\$ -	0%	
Other Funding					
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -	-	
Testing Fees	-	-	-	-	
Services	-	-	-	-	
Workshops	-	-	-	-	
Investment Income	-	-	-	-	
Miscellaneous	-	-	-	-	
Total Other Funding	\$ -	\$ -	\$ -	-	
Total Funding	\$ 2,500,690	\$ 2,500,690	\$ -	-	
Expenses					
Direct Expenses					
Personnel Expenses					
Salaries	\$ 1,181,148	\$ 1,064,882	\$ 116,266	11%	Salaries were over budget due to the reallocation of 1 FTE in the 2nd Qtr from Member Forums
Payroll Taxes	71,303	71,049	254	0%	
Employee Benefits	110,651	117,942	(7,291)	-6%	
Savings & Retirement	169,715	170,678	(963)	-1%	
Total Personnel Expenses	\$ 1,532,817	\$ 1,424,551	\$ 108,266	8%	
Meeting Expenses					
Meetings	\$ 24,554	\$ 52,000	\$ (27,446)	-53%	Meeting expenses were under budget due to the reduction in the number of expected meetings, along with the use of ReliabilityFirst's virtual meeting capabilities instead of budgeted face-to-face meetings.
Travel	57,797	90,000	(32,203)	-36%	Travel expenses were under budget due to a greater emphasis on economical travel arrangements and the ability to use ReliabilityFirst's virtual meeting capabilities.
Conference Calls	2,825	1,620	1,205	74%	
Total Meeting Expenses	\$ 85,176	\$ 143,620	\$ (58,444)	-41%	
Operating Expenses					
Consultants & Contracts	\$ 5,532	\$ 103,000	\$ (97,468)	-95%	Contract & Consultants were under budget as a result of a lower than anticipated amount of expenses related to the ERAG MMWG studies.
Office Rent	-	-	-	-	
Office Costs	51,251	47,510	3,741	8%	
Professional Services	-	-	-	-	
Miscellaneous	34	-	34		
Depreciation	-	6,500	(6,500)	-100%	Depreciation expense directly correlates to Fixed Assets; with no fixed asset purchases in 2010 in this program, there was no depreciation expense recorded.
Total Operating Expenses	\$ 56,817	\$ 157,010	\$ (100,193)	-64%	
Total Direct Expenses	\$ 1,674,810	\$ 1,725,181	\$ (50,371)	-3%	
Indirect Expenses	\$ 775,597	\$ 768,742	\$ 6,855	1%	
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	
Total Expenses	\$ 2,450,407	\$ 2,493,923	\$ (43,516)	-2%	
Change in Assets	\$ 50,283	\$ 6,767	\$ 43,516	643%	
Fixed Assets					
Depreciation	\$ -	\$ (6,500)	\$ 6,500	-100%	Depreciation expense directly correlates to Fixed Assets; with no fixed asset purchases in 2010 in this program, there was no depreciation expense recorded.
Computer & Software CapEx	-	38,000	(38,000)	-100%	Computer Hardware & Software CapEx were under budget as a result of purchasing the budgeted hardware and software late in 2009.
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	-	-	-	-	
Leasehold Improvements	-	-	-	-	
(Increase)Decrease In Fixed Assets	\$ -	\$ (31,500)	\$ 31,500	-100%	
Allocation of Fixed Assets	\$ (7,055)	\$ 24,733	\$ (31,788)	-129%	Allocation of Fixed Assets are fixed asset costs related to the indirect programs that have been allocated proportionately based on FTE count to the direct programs.
Change in Fixed Assets	\$ (7,055)	\$ (6,767)	\$ (288)	4%	
Total Change In Assets	\$ 43,228	\$ -	\$ 43,228	-	

Statement of Activities Summary
 Training & Education
 01/01/2010 - 12/31/2010

	2010 Actual	2010 Budget	2010 Variance	%	Explanation of variances that are +/- 10% and are greater than \$5,000
Funding					
ERO Funding					
ERO Assessments	\$ 70,464	\$ 70,464	\$ -	0%	
Penalty Sanctions	207	207	-	0%	
Total ERO Funding	\$ 70,671	\$ 70,671	\$ -	0%	
Other Funding					
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -		
Testing Fees	-	-	-		
Services	-	-	-		
Workshops	-	-	-		
Investment Income	-	-	-		
Miscellaneous	-	-	-		
Total Other Funding	\$ -	\$ -	\$ -		
Total Funding	\$ 70,671	\$ 70,671	\$ -		
Expenses					
Direct Expenses					
Personnel Expenses					
Salaries	\$ 17,608	\$ 8,846	\$ 8,762	99%	Salaries were over budget due to the reallocation of an additional .05 FTE from the Situation Awareness Program in the 2nd Qtr.
Payroll Taxes	683	733	(50)	-7%	
Employee Benefits	726	896	(170)	-19%	
Savings & Retirement	2,772	1,419	1,353	95%	
Total Personnel Expenses	\$ 21,789	\$ 11,894	\$ 9,895	83%	
Meeting Expenses					
Meetings	\$ 49,529	\$ 50,000	\$ (471)	-1%	
Travel	-	-	-		
Conference Calls	-	4,400	(4,400)	-100%	
Total Meeting Expenses	\$ 49,529	\$ 54,400	\$ (4,871)	-9%	
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -		
Office Rent	-	-	-		
Office Costs	-	-	-		
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	\$ -	\$ -	\$ -		
Total Direct Expenses	\$ 71,318	\$ 66,294	\$ 5,024	8%	
Indirect Expenses	\$ 8,458	\$ 4,522	\$ 3,936	87%	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		
Total Expenses	\$ 79,776	\$ 70,816	\$ 8,960	13%	
Change in Assets	\$ (9,105)	\$ (145)	\$ (8,960)	6179%	
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
(Increase)Decrease In Fixed Assets	\$ -	\$ -	\$ -		
Allocation of Fixed Assets	\$ (75)	\$ 145	\$ (220)	-152%	
Change in Fixed Assets	\$ (75)	\$ 145	\$ (220)	-152%	
Total Change In Assets	\$ (9,180)	\$ -	\$ (9,180)		

	2010 Actual	2010 Budget	2010 Variance	%	Explanation of variances that are +/- 10% and are greater than \$5,000
Funding					
ERO Funding					
ERO Assessments	\$ 425,244	\$ 425,244	\$ -	0%	
Penalty Sanctions	3,931	3,931	-	0%	
Total ERO Funding	\$ 429,175	\$ 429,175	\$ -	0%	
Other Funding					
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -		
Testing Fees	-	-	-		
Services	-	-	-		
Workshops	-	-	-		
Investment Income	-	-	-		
Miscellaneous	-	-	-		
Total Other Funding	\$ -	\$ -	\$ -		
Total Funding	\$ 429,175	\$ 429,175	\$ -		
Expenses					
Direct Expenses					
Personnel Expenses					
Salaries	\$ 104,149	\$ 168,079	\$ (63,930)	-38%	Salaries were under budget due to the reallocation of .05 FTE to Training & Education and .30 FTE to General & Administrative in the 2nd Qtr.
Payroll Taxes	7,575	8,727	(1,152)	-13%	
Employee Benefits	5,075	7,576	(2,501)	-33%	
Savings & Retirement	15,159	26,959	(11,800)	-44%	Savings & Retirement were under budget due to the reallocation of .05 FTE to Training & Education and .30 FTE to General & Administrative in the 2nd Qtr.
Total Personnel Expenses	\$ 131,958	\$ 211,341	\$ (79,383)	-38%	
Meeting Expenses					
Meetings	\$ 1,288	\$ 16,000	\$ (14,712)	-92%	Meeting expenses were under budget due to the reduction in the number of expected meetings, along with the use of ReliabilityFirst's virtual meeting capabilities instead of budgeted face-to-face meetings.
Travel	25,114	37,000	(11,886)	-32%	Travel expenses were under budget due to a greater emphasis on economical travel arrangements and the ability to use ReliabilityFirst's virtual meeting capabilities.
Conference Calls	143	180	(37)	-21%	
Total Meeting Expenses	\$ 26,545	\$ 53,180	\$ (26,635)	-50%	
Operating Expenses					
Consultants & Contracts	\$ -	\$ 80,000	\$ (80,000)	-100%	Consultant & Contracts were under budget due to the postponement of a major project until 2011.
Office Rent	-	-	-		
Office Costs	3,118	-	3,118		
Professional Services	-	-	-		
Miscellaneous	750	1,500	(750)	-50%	
Depreciation	213	-	213		
Total Operating Expenses	\$ 4,081	\$ 81,500	\$ (77,419)	-95%	
Total Direct Expenses	\$ 162,584	\$ 346,021	\$ (183,437)	-53%	
Indirect Expenses	\$ 50,748	\$ 85,918	\$ (35,170)	-41%	Indirect Expenses are expenses related to the indirect programs that have been allocated proportionately based on FTE count to the direct programs.
Other Non-Operating Expenses	\$ -	\$ -	\$ -		
Total Expenses	\$ 213,332	\$ 431,939	\$ (218,607)	-51%	
Change in Assets	\$ 215,843	\$ (2,764)	\$ 218,607	-7909%	
Fixed Assets					
Depreciation	\$ (213)	\$ -	\$ (213)		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	2,976	-	2,976		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
(Increase)Decrease In Fixed Assets	\$ (2,763)	\$ -	\$ (2,763)		
Allocation of Fixed Assets	\$ (450)	\$ 2,764	\$ (3,214)	-116%	
Change in Fixed Assets	\$ (3,213)	\$ 2,764	\$ (5,977)	-216%	
Total Change In Assets	\$ 212,630	\$ -	\$ 212,630		

	2010 Actual	2010 Budget	2010 Variance	%	Explanation of variances that are +/- 10% and are greater than \$5,000
Funding					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -		
Penalty Sanctions	-	-	-		
Total ERO Funding	\$ -	\$ -	\$ -		
Other Funding					
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -		
Testing Fees	-	-	-		
Services	-	-	-		
Workshops	-	-	-		
Investment Income	-	-	-		
Miscellaneous	-	-	-		
Total Other Funding	\$ -	\$ -	\$ -		
Total Funding	\$ -	\$ -	\$ -		
Expenses					
Direct Expenses					
Personnel Expenses					
Salaries	\$ 5,610	\$ 85,539	\$ (79,929)	-93%	Salaries were under budget due to the reallocation of 1 FTE to Reliability Assessment in the 2nd Qtr.
Payroll Taxes	2,395	6,450	(4,055)	-63%	
Employee Benefits	1,516	12,481	(10,965)	-88%	Employee Benefits were under budget due to the reallocation of 1 FTE to Reliability Assessment in the 2nd Qtr.
Savings & Retirement	4,221	13,705	(9,484)	-69%	Savings & Retirement were under budget due to the reallocation of 1 FTE to Reliability Assessment in the 2nd Qtr.
Total Personnel Expenses	\$ 13,742	\$ 118,175	\$ (104,433)	-88%	
Meeting Expenses					
Meetings	\$ -	\$ 3,000	\$ (3,000)	-100%	
Travel	4,292	10,000	(5,708)	-57%	Travel expenses were under budget due to the reallocation of 1 FTE to Reliability Assessment in the 2nd Qtr.
Conference Calls	191	540	(349)	-65%	
Total Meeting Expenses	\$ 4,483	\$ 13,540	\$ (9,057)	-67%	
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -		
Office Rent	-	-	-		
Office Costs	-	-	-		
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	\$ -	\$ -	\$ -		
Total Direct Expenses	\$ 18,225	\$ 131,715	\$ (113,490)	-86%	
Indirect Expenses	\$ (18,225)	\$ (131,715)	\$ 113,490	-86%	Indirect Expenses are expenses related to the indirect programs that have been allocated proportionately based on FTE count to the direct programs.
Other Non-Operating Expenses	\$ -	\$ -	\$ -		
Total Expenses	\$ -	\$ -	\$ -		
Change in Assets	\$ -	\$ -	\$ -		
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
(Increase)Decrease In Fixed Assets	\$ -	\$ -	\$ -		
Allocation of Fixed Assets	\$ -	\$ -	\$ -		
Change in Fixed Assets	\$ -	\$ -	\$ -		
Total Change In Assets	\$ -	\$ -	\$ -		

Statement of Activities Summary
 General & Administrative
 01/01/2010 - 12/31/2010

	2010 Actual	2010 Budget	2010 Variance	%	Explanation of variances that are +/- 10% and are greater than \$5,000
Funding					
ERO Funding					
ERO Assessments	\$ 682,502	\$ 682,502	\$ -	0%	
Penalty Sanctions	-	-	-	-	
Total ERO Funding	\$ 682,502	\$ 682,502	\$ -	0%	
Other Funding					
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -	-	
Testing Fees	-	-	-	-	
Services	-	-	-	-	
Workshops	-	-	-	-	
Investment Income	81,406	40,000	41,406	104%	Investment income was over budget due to a larger than expected balance in our investment account earning interest as a result of penalties collected that were not anticipated.
Miscellaneous	-	-	-	-	
Total Other Funding	\$ 81,406	\$ 40,000	\$ 41,406	104%	
Total Funding	\$ 763,908	\$ 722,502	\$ 41,406		
Expenses					
Direct Expenses					
Personnel Expenses					
Salaries	\$ 604,960	\$ 507,396	\$ 97,564	19%	Salaries were over budget due to the reallocation of .30 FTE in the 2nd Qtr from Situational Awareness.
Payroll Taxes	19,883	16,746	3,137	19%	
Employee Benefits	24,205	24,787	(582)	-2%	
Savings & Retirement	49,032	43,007	6,025	14%	Savings & Retirement were over budget due to the reallocation of .30 FTE in the 2nd Qtr from Situational Awareness.
Total Personnel Expenses	\$ 698,080	\$ 591,936	\$ 106,144	18%	
Meeting Expenses					
Meetings	\$ 52,645	\$ 61,000	\$ (8,355)	-14%	Meeting expenses were under budget due to the reduction in the number of expected meetings, along with the use of Reliability First's virtual meeting capabilities instead of budgeted face-to-face meetings.
Travel	26,464	30,000	(3,536)	-12%	
Conference Calls	369	240	129	54%	
Total Meeting Expenses	\$ 79,478	\$ 91,240	\$ (11,762)	-13%	
Operating Expenses					
Consultants & Contracts	\$ 46,813	\$ -	\$ 46,813		Consultants & Contracts were over budget due to an organizational assessment project and a compensation study that were not budgeted.
Office Rent	405,505	356,000	49,505	14%	Rent & Utilities were over budget as a result of higher than anticipated expenses related to the rent of the additional office space.
Office Costs	52,383	46,800	5,583	12%	Office costs were over budget due to the purchase of furniture for the additional office space leased during the year.
Professional Services	414,217	939,000	(524,783)	-56%	Professional Services were under budget as a result of variances in BOT Fees and Legal Fees. BOT Fees were under budget due to the reduction in committee conference calls and other anticipated activities, along with the unutilized BOT search fee. Legal Fees were under budget due to the less than anticipated need for outside legal counsel.
Miscellaneous	24,632	16,100	8,532	53%	Miscellaneous Expense was over budget due to higher than expected costs associated with completing background checks and drug testing for all employees (both existing employees and new hires) and other employee-related activities.
Depreciation	39,635	58,715	(19,080)	-32%	Depreciation expense was under budget due to depreciation being budgeted in General & Administrative and Information Technology but recorded in the responsible program.
Total Operating Expenses	\$ 983,185	\$ 1,416,615	\$ (433,430)	-31%	
Total Direct Expenses	\$ 1,760,743	\$ 2,099,791	\$ (339,048)	-16%	
Indirect Expenses	\$ (1,679,337)	\$ (1,757,767)	\$ 78,430	-4%	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		
Total Expenses	\$ 81,406	\$ 342,024	\$ (260,618)	-76%	
Change in Assets	\$ 682,502	\$ 380,478	\$ 302,024	79%	
Fixed Assets					
Depreciation	\$ (39,635)	\$ (58,715)	\$ 19,080	-32%	Depreciation expense was under budget due to depreciation being budgeted in General & Administrative and Information Technology but recorded in the responsible program.
Computer & Software CapEx	-	-	-	-	
Furniture & Fixtures CapEx	56,747	17,200	39,547	230%	Furniture & Fixtures were over budget due the purchase of furniture for the conference room and offices in the additional office space leased during the year.
Equipment CapEx	-	-	-	-	
Leasehold Improvements	41,543	90,000	(48,457)	-54%	Leasehold Improvements were under budget due to the remodeling of the additional office space being less than expected.
(Increase)Decrease In Fixed Assets	\$ (58,655)	\$ (48,485)	\$ (10,170)	21%	
Allocation of Fixed Assets	\$ 58,655	\$ 48,485	\$ 10,170	21%	Allocation of Fixed Assets are fixed asset costs related to the indirect programs that have been allocated proportionately based on FTE count to the direct programs.
Change in Fixed Assets	\$ -	\$ -	\$ -		
Total Change in Assets	\$ 682,502	\$ 380,478	\$ 302,024	79%	

Statement of Activities Summary
 Information Technology
 01/01/2010 - 12/31/2010

	2010 Actual	2010 Budget	2010 Variance	%	Explanation of variances that are +/- 10% and are greater than \$5,000
Funding					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -	-	
Penalty Sanctions	-	-	-	-	
Total ERO Funding	\$ -	\$ -	\$ -	-	
Other Funding					
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -	-	
Testing Fees	-	-	-	-	
Services	-	-	-	-	
Workshops	-	-	-	-	
Investment Income	-	-	-	-	
Miscellaneous	-	-	-	-	
Total Other Funding	\$ -	\$ -	\$ -	-	
Total Funding	\$ -	\$ -	\$ -	-	
Expenses					
Direct Expenses					
Personnel Expenses					
Salaries	\$ 510,319	\$ 547,308	\$ (36,989)	-7%	
Payroll Taxes	35,950	40,702	(4,752)	-12%	
Employee Benefits	74,911	111,617	(36,706)	-33%	Employee Benefits were under budget as a result of variances in Education Reimbursement Benefits and Relocation Benefits. Education Benefits were under budget due to staff not taking advantage of training opportunities. Medical Benefits were under budget due to the increase in medical premiums being lower than expected.
Savings & Retirement	72,798	80,785	(7,987)	-10%	Savings & Retirement were under budget due to employee turnover.
Total Personnel Expenses	\$ 693,978	\$ 780,412	\$ (86,434)	-11%	
Meeting Expenses					
Meetings	\$ 576	\$ 600	\$ (24)	-4%	
Travel	7,017	27,600	(20,583)	-75%	Travel expenses were under budget due to a greater emphasis on economical travel arrangements and the ability to use ReliabilityFirst's virtual meeting capabilities.
Conference Calls	-	-	-	-	
Total Meeting Expenses	\$ 7,593	\$ 28,200	\$ (20,607)	-73%	
Operating Expenses					
Consultants & Contracts	\$ 24,846	\$ 16,000	\$ 8,846	55%	Consultants & Contracts were over budget due to an assessment performed on the company's SharePoint Applications that was not included in the budget.
Office Rent	-	-	-	-	
Office Costs	462,087	604,949	(142,862)	-24%	Office costs were under budget due to the expenses in telephone & internet being budgeted in Information Technology but recorded in the responsible programs.
Professional Services	-	-	-	-	
Miscellaneous	1,044	-	1,044		
Depreciation	146,320	202,700	(56,380)	-28%	Depreciation expense was under budget due to depreciation being budgeted in General & Administrative and Information Technology, but recorded in the responsible program.
Total Operating Expenses	\$ 634,297	\$ 823,649	\$ (189,352)	-23%	
Total Direct Expenses	\$ 1,335,868	\$ 1,632,261	\$ (296,393)	-18%	
Indirect Expenses	\$ (1,335,868)	\$ (1,632,261)	\$ 296,393	-18%	Indirect Expenses are expenses related to the indirect programs that have been allocated proportionately based on FTE count to the direct programs.
Other Non-Operating Expenses	\$ -	\$ -	\$ -		
Total Expenses	\$ -	\$ -	\$ -		
Change in Assets	\$ -	\$ -	\$ -		
Fixed Assets					
Depreciation	\$ (146,320)	\$ (202,700)	\$ 56,380	-28%	Depreciation expense was under budget due to depreciation being budgeted in General & Administrative and Information Technology, but recorded in the responsible program.
Computer & Software CapEx	80,714	16,000	64,714	404%	Computer Hardware & Software was over budget due to the purchase of audio/visual equipment for the additional office space leased during the year. This purchase was not budgeted for in 2010.
Furniture & Fixtures CapEx	-	-	-	-	
Equipment CapEx	-	-	-	-	
Leasehold Improvements	33,147	-	33,147		Leasehold Improvements were over budget as a result of the infrastructure and security needed for the additional office space leased during the year.
(Increase)Decrease In Fixed Assets	\$ 32,459	\$ 186,700	\$ (154,241)	-83%	
Allocation of Fixed Assets	\$ (32,459)	\$ (186,700)	\$ 154,241	-83%	Allocation of Fixed Assets are fixed asset costs related to the indirect programs that have been allocated proportionately based on FTE count to the direct programs.
Change in Fixed Assets	\$ (0)	\$ -	\$ (0)		
Total Change In Assets	\$ (0)	\$ -	\$ (0)		

	2010 Actual	2010 Budget	2010 Variance	%	Explanation of variances that are +/- 10% and are greater than \$5,000
Funding					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -		
Penalty Sanctions	-	-	-		
Total ERO Funding	\$ -	\$ -	\$ -		
Other Funding					
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -		
Testing Fees	-	-	-		
Services	-	-	-		
Workshops	-	-	-		
Investment Income	-	-	-		
Miscellaneous	-	-	-		
Total Other Funding	\$ -	\$ -	\$ -		
Total Funding	\$ -	\$ -	\$ -		
Expenses					
Direct Expenses					
Personnel Expenses					
Salaries	\$ 140,890	\$ 138,612	\$ 2,278	2%	
Payroll Taxes	9,054	9,249	(195)	-2%	
Employee Benefits	18,858	10,054	8,804	88%	Medical Benefits were over budget due to an existing employee electing medical coverage that was not budgeted.
Savings & Retirement	22,685	22,221	464	2%	
Total Personnel Expenses	\$ 191,487	\$ 180,136	\$ 11,351	6%	
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -		
Travel	-	-	-		
Conference Calls	-	-	-		
Total Meeting Expenses	\$ -	\$ -	\$ -		
Operating Expenses					
Consultants & Contracts	\$ 4,000	\$ -	\$ 4,000		
Office Rent	-	-	-		
Office Costs	1,097	1,300	(203)	-16%	
Professional Services	30,915	25,000	5,915	24%	Professional Services were over budget due to increases in monthly payroll and retirement service fees.
Miscellaneous	6,254	3,400	2,854	84%	
Depreciation	-	-	-		
Total Operating Expenses	\$ 42,266	\$ 29,700	\$ 12,566	42%	
Total Direct Expenses	\$ 233,753	\$ 209,836	\$ 23,917	11%	
Indirect Expenses	\$ (233,753)	\$ (209,836)	\$ (23,917)	11%	Indirect Expenses are expenses related to the indirect programs that have been allocated proportionately based on FTE count to the direct programs.
Other Non-Operating Expenses	\$ -	\$ -	\$ -		
Total Expenses	\$ -	\$ -	\$ -		
Change in Assets	\$ -	\$ -	\$ -		
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
(Increase)Decrease In Fixed Assets	\$ -	\$ -	\$ -		
Allocation of Fixed Assets	\$ -	\$ -	\$ -		
Change in Fixed Assets	\$ -	\$ -	\$ -		
Total Change In Assets	\$ -	\$ -	\$ -		

	2010 Actual	2010 Budget	2010 Variance	%	Explanation of variances that are +/- 10% and are greater than \$5,000
Funding					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -		
Penalty Sanctions	-	-	-		
Total ERO Funding	\$ -	\$ -	\$ -		
Other Funding					
Membership Fees & Non-Stat Assessments	\$ -	\$ -	\$ -		
Testing Fees	-	-	-		
Services	-	-	-		
Workshops	-	-	-		
Investment Income	-	-	-		
Miscellaneous	-	-	-		
Total Other Funding	\$ -	\$ -	\$ -		
Total Funding	\$ -	\$ -	\$ -		
Expenses					
Direct Expenses					
Personnel Expenses					
Salaries	\$ 138,054	\$ 107,022	\$ 31,032	29%	Salaries were over budget due to the hiring of one FTE in June that was not budgeted for in this Program in 2010. This FTE resulted from the reallocation of .50 FTE from the Standards Program and .50 FTE from Compliance Program.
Payroll Taxes	8,718	6,833	1,885	28%	
Employee Benefits	19,764	8,108	11,656	144%	Employee Benefits were over budget due to the hiring of one FTE in June that was not budgeted for in this Program in 2010. This FTE resulted from the reallocation of .50 FTE from the Standards Program and .50 FTE from Compliance Program.
Savings & Retirement	20,114	17,159	2,955	17%	
Total Personnel Expenses	\$ 186,650	\$ 139,122	\$ 47,528	34%	
Meeting Expenses					
Meetings	\$ 41	\$ 200	\$ (159)	-80%	
Travel	6,820	7,000	(180)	-3%	
Conference Calls	-	-	-		
Total Meeting Expenses	\$ 6,861	\$ 7,200	\$ (339)	-5%	
Operating Expenses					
Consultants & Contracts	\$ 35,331	\$ 12,000	\$ 23,331	194%	Consultants & Contracts were over budget due to the use of a contractor to assist with the increasing workload.
Office Rent	-	-	-		
Office Costs	3,407	1,250	2,157	173%	
Professional Services	41,788	43,000	(1,212)	-3%	
Miscellaneous	70	-	70		
Depreciation	3,592	-	3,592		
Total Operating Expenses	\$ 84,188	\$ 56,250	\$ 27,938	50%	
Total Direct Expenses	\$ 277,699	\$ 202,572	\$ 75,127	37%	
Indirect Expenses	\$ (277,699)	\$ (202,572)	\$ (75,127)	37%	Indirect Expenses are expenses related to the indirect programs that have been allocated proportionately based on FTE count to the direct programs.
Other Non-Operating Expenses	\$ -	\$ -	\$ -		
Total Expenses	\$ -	\$ -	\$ -		
Change in Assets	\$ -	\$ -	\$ -		
Fixed Assets					
Depreciation	\$ (3,592)	\$ -	\$ (3,592)		
Computer & Software CapEx	8,983	-	8,983		Computer Hardware & Software was over budget due to the purchase of additional licenses for the accounting software package. This purchase was not budgeted for in 2010.
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
(Increase)Decrease In Fixed Assets	\$ (5,391)	\$ -	\$ (5,391)		
Allocation of Fixed Assets	\$ 5,391	\$ -	\$ 5,391		Allocation of Fixed Assets are fixed asset costs related to the indirect programs that have been allocated proportionately based on FTE count to the direct programs.
Change in Fixed Assets	\$ -	\$ -	\$ -		
Total Change In Assets	\$ -	\$ -	\$ -		

Reliability*First* Corporation

Financial Report
December 31, 2010

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Independent Auditor's Report

To the Board of Directors
ReliabilityFirst Corporation
Akron, Ohio

We have audited the accompanying statements of financial position of ReliabilityFirst Corporation as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Chicago, Illinois
February 24, 2011

ReliabilityFirst Corporation

Statements of Financial Position
December 31, 2010 and 2009

	2010	2009
Assets		
Current Assets		
Cash	\$ 3,533,177	\$ 1,060,904
Investments	4,536,935	3,455,529
Accounts receivable	74,247	21,576
Prepaid expenses	283,318	151,363
Total Current Assets	8,427,677	4,689,372
Fixed assets		
Furniture and equipment	124,711	64,988
Leasehold improvements	306,758	232,068
Computer software and hardware	1,928,799	1,824,053
	2,360,268	2,121,109
Less accumulated depreciation and amortization	883,289	487,992
	1,476,979	1,633,117
Total Assets	\$ 9,904,656	\$ 6,322,489
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 47,599	\$ 50,836
Accrued expenses (current portion)	2,393,306	1,991,209
Total Current Liabilities	2,440,905	2,042,045
Accrued Expenses (net of current portion)	190,046	219,070
Net Assets		
Unrestricted:		
Designated for reserve fund	1,000,000	1,000,000
Undesignated	5,083,805	2,520,474
Temporarily restricted	1,189,900	540,900
Total Net Assets	7,273,705	4,061,374
Total Liabilities and Net Assets	\$ 9,904,656	\$ 6,322,489

See Notes to Financial Statements.

ReliabilityFirst Corporation

Statements of Activities

Years Ended December 31, 2010 and 2009

	2010	2009
Unrestricted Net Assets		
Revenues:		
Quarterly assessments	\$ 14,345,192	\$ 8,833,834
Membership dues	-	1,000
Investment income	81,406	55,551
Penalty sanctions released from restrictions	180,000	-
	<u>14,606,598</u>	<u>8,890,385</u>
Expenses:		
Program:		
Standards	250,062	476,936
Compliance	6,037,110	5,059,780
Assessment	1,674,810	1,344,334
Training and education	71,318	87,042
Situational awareness	162,371	271,676
Forums	18,225	231,836
General and administrative	1,721,107	1,399,187
Information technology	1,189,362	1,201,869
Human resources	233,753	212,622
Finance	274,107	231,787
	<u>11,632,225</u>	<u>10,517,069</u>
General:		
Depreciation and amortization	410,856	290,573
Loss on disposal of assets	186	-
	<u>411,042</u>	<u>290,573</u>
	<u>12,043,267</u>	<u>10,807,642</u>
Increase (decrease) in unrestricted net assets	<u>2,563,331</u>	<u>(1,917,257)</u>
Temporarily Restricted Net Assets		
Penalty sanctions	829,000	360,900
Penalty sanctions released from restriction	(180,000)	-
Increase in temporarily restricted net assets	<u>649,000</u>	<u>360,900</u>
Increase (decrease) in total net assets	<u>3,212,331</u>	<u>(1,556,357)</u>
Net assets at beginning of year	<u>4,061,374</u>	<u>5,617,731</u>
Net assets at end of year	<u>\$ 7,273,705</u>	<u>\$ 4,061,374</u>

See Notes to Financial Statements.

ReliabilityFirst Corporation

Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Change in net assets	\$ 3,212,331	\$ (1,556,357)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	410,856	290,573
Loss on disposal of equipment	186	-
Net unrealized (gain) loss on investments	(12,727)	31,268
Changes in assets and liabilities:		
Accounts receivable	(52,671)	1,420
Prepaid expenses	(131,955)	(37,801)
Accounts payable	(3,237)	(472,770)
Accrued expenses	373,073	485,808
Net cash provided by (used in) operating activities	3,795,856	(1,257,859)
Cash Flows from Investing Activities		
Purchase of investments	(1,068,679)	(86,819)
Additions to fixed assets	(263,906)	(333,790)
Proceeds from sale of fixed assets	9,002	-
Net cash used in investing activities	(1,323,583)	(420,609)
Net increase (decrease) in cash	2,472,273	(1,678,468)
Cash at beginning of year	1,060,904	2,739,372
Cash at end of year	<u>\$ 3,533,177</u>	<u>\$ 1,060,904</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 Corporation (NERC) to become one of eight Regional Entities of NERC. The Corporation conducts its activities from leased offices in Akron, Ohio.

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

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

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

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

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

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

Investments: Investments are carried at fair value. The fair values of marketable debt and equity securities are based on quoted market prices. Realized investment gains and losses represent the difference between the proceeds on sales of investments and their carrying value. Investment income includes interest, dividends and both realized and unrealized gains and losses. All realized and unrealized gains and losses on investments are reported as increases or decreases, respectively, to unrestricted net assets.

The Corporation invests in fixed income mutual funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

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 the lease term.

ReliabilityFirst Corporation

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Income taxes: The Corporation is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any.

The Corporation follows FASB guidance on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Corporation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Corporation and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. At June 30, 2010, there were no unrecognized tax benefits identified or recorded as liabilities.

The Corporation files forms 990 in the U.S. federal jurisdiction and the State of Ohio. The Corporation is generally no longer subject to examination by the Internal Revenue Service for years before 2006.

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, 2010 and 2009.

Temporarily restricted net assets result from the receipt of penalty sanctions which are restricted until budgeted as described above in the Corporation's revenue recognition policy. Temporarily restricted net assets at December 31, 2010 and 2009, were \$1,189,900 and \$540,900, respectively.

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

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

Note 2. Investments

The Corporation maintains an investment portfolio which consists of fixed income securities. The fair values of the investments at December 31, 2010 and 2009, were \$4,536,935 and \$3,455,529, respectively. The composition of investment income is as follows at June 30:

	2010	2009
Interest/dividends	\$ 62,037	\$ 80,247
Realized gains (losses)	19,369	(24,696)
	<u>\$ 81,406</u>	<u>\$ 55,551</u>

ReliabilityFirst Corporation

Notes to Financial Statements

Note 3. Fair Value

The Corporation follows the FASB guidance regarding fair value measurements. The guidance applies to all financial instruments that are being measured and reported at fair value and establishes a three level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements. The three categories are defined as follows:

Level 1 — Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 — Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 — Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Corporation performs a detailed analysis of the assets and liabilities that are subject to SFAS 157. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs would be classified as Level 3. As of December 31, 2010 and 2009, the Corporation's investments are fixed income class A mutual funds, which are classified as Level 1.

Note 4. Line of Credit

The Corporation has a \$1,000,000 line of credit with outstanding borrowings due on July 13, 2011. The line is collateralized by substantially all assets of the Corporation and interest is charged at the prime rate (3.25 percent at December 31, 2010). The Corporation did not make any drawdowns on the line during the year and had no outstanding balance as of December 31, 2010 or 2009. The Corporation intends to renew the line when it becomes due on July 13, 2011.

Note 5. Operating Leases

The Corporation leases its office and additional storage space from unrelated third parties. The leases expire in December 2019 and June 2017, respectively. Rental expense for operating leases amounted to \$346,873 and \$261,186 for the years ended December 31, 2010 and 2009, respectively. The future minimum lease payments as of December 31, 2010, on a straight-line basis are as follows:

2011	\$	346,873
2012		346,873
2013		346,873
2014		346,873
2015		346,873
Thereafter		1,378,600
	\$	<u>3,112,965</u>

ReliabilityFirst Corporation

Notes to Financial Statements

Note 6. Employee Retirement Plan

The Corporation has a salary deferral 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 deferral savings and the 3 percent Safe Harbor provision of the Plan. Employees who have at least 1,000 hours during the year are eligible for a certain percentage discretionary provision of the Plan (7 percent in 2010 and 2009). Therefore, under this Plan, the Corporation provided for a potential maximum contribution of up to 16 percent of employees' eligible compensation in 2010 and 2009. The Corporation's contributions to the Plan for 2010 and 2009 were approximately \$939,000 and \$772,000, respectively.



Independent Auditor's Report on the Supplementary Information

To the Board of Directors of
ReliabilityFirst Corporation
Akron, Ohio

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

McGladrey & Pullen, LLP

Chicago, Illinois
February 24, 2011

ReliabilityFirst Corporation

Schedule of Program Expenses
Year Ended December 31, 2010

	Standards	Compliance	Assessment	Training and Education	Situational Awareness	Forums	General and Administrative	Information Technology	Human Resources	Finance	Total
Personnel Expenses											
Salaries	\$ 176,438	\$ 4,028,871	\$ 1,181,148	\$ 17,608	\$ 104,149	\$ 5,610	\$ 604,960	\$ 510,319	\$ 140,890	\$ 138,054	\$ 6,908,047
Payroll taxes	11,309	250,781	71,303	683	7,575	2,395	19,883	35,950	9,054	8,718	417,651
Employee benefits	18,604	427,816	110,651	726	5,075	1,516	24,205	74,911	18,858	19,764	702,126
Savings and retirement	28,900	553,780	169,715	2,772	15,159	4,221	49,032	72,798	22,685	20,114	939,176
Total personnel	235,251	5,261,248	1,532,817	21,789	131,958	13,742	698,080	693,978	191,487	186,650	8,967,000
Meeting Expenses											
Meetings	1,944	8,363	24,554	49,529	1,288	-	52,645	576	-	41	138,940
Travel	9,585	337,513	57,797	-	25,114	4,292	26,464	7,017	-	6,820	474,602
Conference calls	545	4,950	2,825	-	143	191	369	-	-	-	9,023
Total meeting expenses	12,074	350,826	85,176	49,529	26,545	4,483	79,478	7,593	-	6,861	622,565
Operating Expenses											
Rent and improvements	-	-	-	-	-	-	405,505	-	-	-	405,505
Contracts	-	335,931	5,532	-	-	-	46,813	24,846	4,000	35,331	452,453
Office costs	2,737	55,650	10,272	-	2,365	-	27,267	256,649	1,097	259	356,296
Professional services	-	8,621	-	-	-	-	414,218	-	30,915	41,788	495,542
Computer purchase and maintenance	-	22,796	40,979	-	-	-	-	205,438	-	3,148	272,361
Furniture and equipment	-	-	-	-	753	-	25,116	-	-	-	25,869
Miscellaneous	-	2,038	34	-	750	-	24,630	858	6,254	70	34,634
Total operating	2,737	425,036	56,817	-	3,868	-	943,549	487,791	42,266	80,596	2,042,660
Subtotal	\$ 250,062	\$ 6,037,110	\$ 1,674,810	\$ 71,318	\$ 162,371	\$ 18,225	\$ 1,721,107	\$ 1,189,362	\$ 233,753	\$ 274,107	\$ 11,632,225

Depreciation and amortization	410,856
Loss on disposal of assets	186
Total expenses	<u>\$ 12,043,267</u>

ReliabilityFirst Corporation

Schedule of Program Expenses
Year Ended December 31, 2009

	Standards	Compliance	Assessment	Training and Education	Situational Awareness	Forums	General and Administrative	Information Technology	Human Resources	Finance	Total
Personnel Expenses											
Salaries	\$ 311,291	\$ 2,711,829	\$ 870,559	\$ 8,506	\$ 161,624	\$ 139,404	\$ 513,592	\$ 400,368	\$ 133,379	\$ 109,394	\$ 5,359,946
Payroll taxes	19,397	157,109	50,436	493	9,364	8,076	29,755	23,195	7,727	6,338	311,890
Employee benefits	53,274	525,222	123,775	5,819	36,668	37,099	(248,598)	70,710	19,187	13,717	636,873
Savings and retirement	47,431	382,741	125,407	1,326	25,201	30,266	60,027	61,916	24,502	16,720	775,537
Total personnel	431,393	3,776,901	1,170,177	16,144	232,857	214,845	354,776	556,189	184,795	146,169	7,084,246
Meeting Expenses											
Meetings	9,689	6,016	21,539	69,953	4,925	2,326	53,854	578	-	-	168,880
Travel	34,835	276,541	58,641	945	32,581	14,029	27,906	18,812	-	4,307	468,597
Conference calls	1,019	2,123	1,483	-	126	636	215	-	-	-	5,602
Total meeting expenses	45,543	284,680	81,663	70,898	37,632	16,991	81,975	19,390	-	4,307	643,079
Operating Expenses											
Rent and improvements	-	-	-	-	-	-	306,866	-	-	-	306,866
Contracts	-	684,345	54,839	-	-	-	-	14,145	-	44,456	797,785
Office costs	-	77,540	37,593	-	-	-	53,053	612,145	1,090	875	782,296
Professional services	-	236,314	-	-	-	-	585,692	-	22,527	35,980	880,513
Computer purchase and maintenance	-	-	-	-	-	-	-	-	-	-	-
Furniture and equipment	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	62	-	1,187	-	16,825	-	4,210	-	22,284
Total operating	-	998,199	92,494	-	1,187	-	962,436	626,290	27,827	81,311	2,789,744
Subtotal	\$ 476,936	\$ 5,059,780	\$ 1,344,334	\$ 87,042	\$ 271,676	\$ 231,836	\$ 1,399,187	\$ 1,201,869	\$ 212,622	\$ 231,787	\$ 10,517,069

Depreciation and amortization
Total expenses
\$ 10,807,642

ATTACHMENT 6

2010 ACTUAL COST-TO-BUDGET COMPARISON

AND

2010 AUDITED FINANCIAL REPORT

FOR

SERC RELIABILITY CORPORATION



SERC Reliability Corporation
2815 Coliseum Centre Drive | Suite 500
Charlotte, NC 28217
704.357.7372 | Fax 704.357.7914 | www.serc1.org

May 6, 2011

Mike Walker
Chief Financial Officer
North American Electric Reliability Corporation

SERC 2010 Budget vs. Actual Variance Analysis

Enclosed is SERC's response to your request for information on variances between the 2010 SERC budget and year-end financials.

Overall, SERC under ran 2010 budgeted revenues by \$6,004 and under spent its 2010 operating budget of \$10,606,596 by \$611,278. The net impact was a \$594,416 positive variance on SERC's cash position for the year.

There are several mitigating circumstances, as explained below:

- Due to the strains on the economy, SERC has emphasized the use of conference calls and Webex capabilities to reduce the number of face to face meetings, which reduced travel and meeting costs. Additionally, SERC has emphasized the need to only send required staff to meetings and placed a high focus on efficient travel.
- Costs for various projects were significantly lower than budgeted due to timing, and only minimal portal development projects were required.
- The over run in office costs includes one-time costs for the purchase of office furniture and equipment to furnish the new office space of approximately \$147,500. Individually, all items were below SERC's capitalization policy and were therefore expensed.

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

SERC did not allocate indirect costs to statutory programs.

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

Yours truly,

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

Jennifer Kelly

cc: R. Scott Henry

SERC
2010 Statement of Activities Summary

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding			
ERO Assessments	9,831,277	9,831,277	-
Penalty Sanctions	578,000	578,000	-
Total ERO Funding	<u>10,409,277</u>	<u>10,409,277</u>	<u>-</u>
Membership Fees & Non-Stat Assessments	-	-	-
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	246,150	272,406	(26,256)
Interest	6,577	20,000	(13,423)
Miscellaneous	33,675	-	33,675
Total Funding	<u>10,695,679</u>	<u>10,701,683</u>	<u>(6,004)</u>
Expenses			
Personnel Expenses			
Salaries	5,943,053	5,919,604	23,449
Payroll Taxes	447,830	443,971	3,859
Employee Benefits	592,588	536,169	56,419
Savings & Retirement	463,534	555,467	(91,933)
Total Personnel Expenses	<u>7,447,005</u>	<u>7,455,211</u>	<u>(8,206)</u>
Meeting Expenses			
Meetings	357,668	468,813	(111,145)
Travel	475,204	722,061	(246,857)
Conference Calls	49,071	48,000	1,071
Total Meeting Expenses	<u>881,943</u>	<u>1,238,874</u>	<u>(356,931)</u>
Operating Expenses			
Consultants & Contracts	726,292	1,141,450	(415,158)
Office Rent	250,674	255,591	(4,917)
Office Costs	506,577	362,257	144,320
Professional Services	86,882	98,300	(11,418)
Miscellaneous	6,200	-	6,200
Depreciation	89,745	54,913	34,832
Total Operating Expenses	<u>1,666,370</u>	<u>1,912,511</u>	<u>(246,141)</u>
Total Direct Expenses	<u>9,995,318</u>	<u>10,606,596</u>	<u>(611,278)</u>
Total Indirect Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Other Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Change in Assets	<u>700,361</u>	<u>95,087</u>	<u>605,274</u>
Fixed Assets			
Depreciation	(89,745)	(54,913)	(34,832)
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	145,690	150,000	(4,310)
Leasehold Improvements	-	-	-
Change in Fixed Assets	<u>(55,945)</u>	<u>(95,087)</u>	<u>39,142</u>
Allocation of Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGE IN ASSETS	<u>644,416</u>	<u>-</u>	<u>644,416</u>
FTEs	47.5	45.5	2.0

SERC
2010 Statement of Activities Summary
Statutory Only

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding			
ERO Assessments	9,831,277	9,831,277	-
Penalty Sanctions	578,000	578,000	-
Total ERO Funding	<u>10,409,277</u>	<u>10,409,277</u>	<u>-</u>
Membership Fees & Non-Stat Assessments	-	-	-
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	246,150	272,406	(26,256)
Interest	6,577	20,000	(13,423)
Miscellaneous	33,675	-	33,675
Total Funding	<u>10,695,679</u>	<u>10,701,683</u>	<u>(6,004)</u>
Expenses			
Personnel Expenses			
Salaries	5,943,053	5,919,604	23,449
Payroll Taxes	447,830	443,971	3,859
Employee Benefits	592,588	536,169	56,419
Savings & Retirement	463,534	555,467	(91,933)
Total Personnel Expenses	<u>7,447,005</u>	<u>7,455,211</u>	<u>(8,206)</u>
Meeting Expenses			
Meetings	357,668	468,813	(111,145)
Travel	475,204	722,061	(246,857)
Conference Calls	49,071	48,000	1,071
Total Meeting Expenses	<u>881,943</u>	<u>1,238,874</u>	<u>(356,931)</u>
Operating Expenses			
Consultants & Contracts	726,292	1,141,450	(415,158)
Office Rent	250,674	255,591	(4,917)
Office Costs	506,577	362,257	144,320
Professional Services	86,882	98,300	(11,418)
Miscellaneous	6,200	-	6,200
Depreciation	89,745	54,913	34,832
Total Operating Expenses	<u>1,666,370</u>	<u>1,912,511</u>	<u>(246,141)</u>
Total Direct Expenses	<u>9,995,318</u>	<u>10,606,596</u>	<u>(611,278)</u>
Total Indirect Expenses	-	-	-
Other Non-Operating Expenses	-	-	-
Change in Assets	<u>700,361</u>	<u>95,087</u>	<u>605,274</u>
Fixed Assets			
Depreciation	(89,745)	(54,913)	(34,832)
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	145,690	150,000	(4,310)
Leasehold Improvements	-	-	-
Change in Fixed Assets	<u>(55,945)</u>	<u>(95,087)</u>	<u>39,142</u>
Allocation of Fixed Assets	-	-	-
TOTAL CHANGE IN ASSETS	<u>644,416</u>	<u>-</u>	<u>644,416</u>
FTEs	47.5	45.5	2.0

SERC
2010 Statement of Activities Summary
Reliability Standards

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	471,317	471,317	-	0.00%	
Penalty Sanctions	27,282	27,280	2	0.01%	
Total ERO Funding	<u>498,599</u>	<u>498,597</u>	<u>2</u>		
Membership Fees & Non-Stat Assessments					
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	20	-	20		
Total Funding	<u>498,619</u>	<u>498,597</u>	<u>22</u>		
Expenses					
Personnel Expenses					
Salaries	227,737	225,442	2,295	1.02%	
Payroll Taxes	16,153	16,908	(755)	-4.47%	
Employee Benefits	23,634	30,566	(6,932)	-22.68%	Less employees than anticipated elected to participate in benefits which decreased benefit costs.
Savings & Retirement	18,727	21,413	(2,686)	-12.54%	Due to the staffing transitions, SERC's retirement costs are under budget as new employees are not eligible to enroll into SERC's 401k plan until the quarter following their start date. Additionally, new employees are not eligible for the year-end discretionary contribution, as they must be employed for one year before becoming eligible.
Total Personnel Expenses	<u>286,251</u>	<u>294,329</u>	<u>(8,078)</u>		
Meeting Expenses					
Meetings	7,070	23,886	(16,816)	-70.40%	There has been a greater emphasis on the use of technology by hosting meetings using Webex, which have lowered the meeting costs.
Travel	12,704	15,747	(3,043)	-19.32%	The favorable variance is mainly due to an emphasis on the use of technology by hosting meetings using Webex. By doing this, travel costs have decreased. Additionally, SERC has increased efforts to use more cost efficient methods of travel.
Conference Calls	-	-	-		
Total Meeting Expenses	<u>19,774</u>	<u>39,633</u>	<u>(19,859)</u>		
Operating Expenses					
Consultants & Contracts	-	-	-		
Office Rent	-	-	-		
Office Costs	215	-	215		
Professional Services	-	-	-		
Miscellaneous	292	-	292		
Depreciation	-	-	-		
Total Operating Expenses	<u>507</u>	<u>-</u>	<u>507</u>		
Total Direct Expenses	<u>306,532</u>	<u>333,962</u>	<u>(27,430)</u>		
Total Indirect Expenses	<u>165,508</u>	<u>161,720</u>	<u>3,788</u>	2.34%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>		
Change in Assets	<u>26,579</u>	<u>2,915</u>	<u>23,664</u>		
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>		
Allocation of Fixed Assets	<u>(2,565)</u>	<u>(2,915)</u>	<u>350</u>	-12.01%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>24,014</u>	<u>-</u>	<u>24,014</u>		
FTEs	1.6	1.6	-		

SERC
2010 Statement of Activities Summary
Compliance and Organization Registration and Certification

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	6,319,976	6,319,976	-	0.00%	
Penalty Sanctions	375,122	375,103	19	0.01%	
Total ERO Funding	<u>6,695,098</u>	<u>6,695,079</u>	<u>19</u>		
Membership Fees & Non-Stat Assessments					
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	20,746	-	20,746		During 2010, SERC was approved to perform Cross Regional Monitoring and Enforcement of SPP and FRCC. The SPP audit was performed during 2010. Actual costs are reimbursable by SPP, totaling approximately \$17,600. This was an unbudgeted source of income.
Total Funding	<u>6,715,844</u>	<u>6,695,079</u>	<u>20,765</u>		
Expenses					
Personnel Expenses					
Salaries	2,933,565	2,908,227	25,338	0.87%	
Payroll Taxes	225,379	218,117	7,262	3.33%	
Employee Benefits	306,381	253,359	53,022	20.93%	More employees than anticipated elected to participate in benefits which increased benefit costs.
Savings & Retirement	221,761	276,897	(55,136)	-19.91%	Due to the staffing transitions, SERC's retirement costs are under budget as new employees are not eligible to enroll into SERC's 401k plan until the quarter following their start date. Additionally, new employees are not eligible for the year-end discretionary contribution, as they must be employed for one year before becoming eligible.
Total Personnel Expenses	<u>3,687,086</u>	<u>3,656,600</u>	<u>30,486</u>		
Meeting Expenses					
Meetings	43,679	92,895	(49,216)	-52.98%	There has been a greater emphasis on the use of technology by hosting meetings using Webex, which have lowered the meeting costs.
Travel	324,974	472,090	(147,116)	-31.16%	The favorable variance is mainly due to an emphasis on the use of technology by hosting meetings using Webex. By doing this, travel costs have decreased. Additionally, SERC has increased efforts to use more cost efficient methods of travel.
Conference Calls	-	-	-		
Total Meeting Expenses	<u>368,653</u>	<u>564,985</u>	<u>(196,332)</u>		
Operating Expenses					
Consultants & Contracts	65,764	184,400	(118,636)	-64.34%	SERC did not incur significant costs for contractor support in compliance, which caused SERC to be under budget by approximately \$31,000. SERC is under budget by approximately \$87,600 due to contractor delays on various compliance projects.
Office Rent	-	-	-		
Office Costs	7,727	7,860	(133)	-1.69%	
Professional Services	5,853	17,500	(11,647)	-66.55%	SERC hired a general counsel, reducing the need for outside counsel.
Miscellaneous	1,232	-	1,232		
Depreciation	-	-	-		
Total Operating Expenses	<u>80,576</u>	<u>209,760</u>	<u>(129,184)</u>		
Total Direct Expenses	<u>4,136,315</u>	<u>4,431,345</u>	<u>(295,030)</u>		
Total Indirect Expenses	<u>2,379,171</u>	<u>2,223,658</u>	<u>155,513</u>	6.99%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>		
Change in Assets	<u>200,358</u>	<u>40,076</u>	<u>160,282</u>		
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>		
Allocation of Fixed Assets	<u>(36,868)</u>	<u>(40,076)</u>	<u>3,208</u>	-8.00%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>163,490</u>	<u>-</u>	<u>163,490</u>		
FTEs	23.0	22.0	1.0		

SERC
2010 Statement of Activities Summary
Reliability Assessment and Performance Analysis

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	1,276,678	1,276,678	-	0.00%	
Penalty Sanctions	76,700	76,726	(26)	-0.03%	
Total ERO Funding	<u>1,353,378</u>	<u>1,353,404</u>	<u>(26)</u>		
Membership Fees & Non-Stat Assessments					
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops					
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	<u>1,353,378</u>	<u>1,353,404</u>	<u>(26)</u>		
Expenses					
Personnel Expenses					
Salaries	448,080	524,718	(76,638)	-14.61%	Due to the staffing transitions, the department was not fully staffed the entire year.
Payroll Taxes	39,066	39,354	(288)	-0.73%	
Employee Benefits	43,038	42,317	721	1.70%	
Savings & Retirement	39,047	45,390	(6,343)	-13.97%	Due to the staffing transitions, SERC's retirement costs are under budget as new employees are not eligible to enroll into SERC's 401k plan until the quarter following their start date. Additionally, new employees are not eligible for the year-end discretionary contribution, as they must be employed for one year before becoming eligible.
Total Personnel Expenses	<u>569,231</u>	<u>651,779</u>	<u>(82,548)</u>		
Meeting Expenses					
Meetings	24,582	41,565	(16,983)	-40.86%	There has been a greater emphasis on the use of technology by hosting meetings using Webex, which have lowered the meeting costs.
Travel	24,732	35,224	(10,492)	-29.79%	The favorable variance is mainly due to an emphasis on the use of technology by hosting meetings using Webex. By doing this, travel costs have decreased. Additionally, SERC has increased efforts to use more cost efficient methods of travel.
Conference Calls	-	-	-		
Total Meeting Expenses	<u>49,314</u>	<u>76,789</u>	<u>(27,475)</u>		
Operating Expenses					
Consultants & Contracts	103,318	160,000	(56,682)	-35.43%	Included in the budget was \$100,000 for a resource adequacy study. During 2010, \$50,000 was incurred for this project, which caused SERC to be under budget by \$50,000.
Office Rent	-	-	-		
Office Costs	2,403	1,800	603	33.50%	
Professional Services	-	-	-		
Miscellaneous	1,158	-	1,158		
Depreciation	-	-	-		
Total Operating Expenses	<u>106,879</u>	<u>161,800</u>	<u>(54,921)</u>		
Total Direct Expenses	<u>725,424</u>	<u>890,368</u>	<u>(164,944)</u>		
Total Indirect Expenses	<u>465,490</u>	<u>454,839</u>	<u>10,651</u>	2.34%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>		
Change in Assets	<u>162,464</u>	<u>8,197</u>	<u>154,267</u>		
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>		
Allocation of Fixed Assets	<u>(7,214)</u>	<u>(8,197)</u>	<u>983</u>	-11.99%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>155,250</u>	<u>-</u>	<u>155,250</u>		
FTEs	4.5	4.5	-		

SERC
2010 Statement of Activities Summary
Training and Education

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	482,202	482,202	-	0.00%	
Penalty Sanctions	27,282	27,280	2	0.01%	
Total ERO Funding	<u>509,484</u>	<u>509,482</u>	<u>2</u>		
Membership Fees & Non-Stat Assessments					
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	246,150	272,406	(26,256)	-9.64%	
Interest	-	-	-		
Miscellaneous	20	-	20		
Total Funding	<u>755,654</u>	<u>781,888</u>	<u>(26,234)</u>		
Expenses					
Personnel Expenses					
Salaries	216,612	213,800	2,812	1.32%	
Payroll Taxes	15,777	16,035	(258)	-1.61%	
Employee Benefits	20,374	17,919	2,455	13.70%	More employees than anticipated elected to participate in benefits which increased benefit costs.
Savings & Retirement	17,793	20,307	(2,514)	-12.38%	Due to the staffing transitions, SERC's retirement costs are under budget as new employees are not eligible to enroll into SERC's 401k plan until the quarter following their start date. Additionally, new employees are not eligible for the year-end discretionary contribution, as they must be employed for one year before becoming eligible.
Total Personnel Expenses	<u>270,556</u>	<u>268,061</u>	<u>2,495</u>		
Meeting Expenses					
Meetings	146,033	135,250	10,783	7.97%	
Travel	8,728	34,691	(25,963)	-74.84%	The favorable variance is mainly due to an emphasis on the use of technology by hosting meetings using Webex. By doing this, travel costs have decreased. Additionally, SERC has increased efforts to use more cost efficient methods of travel.
Conference Calls	-	-	-		
Total Meeting Expenses	<u>154,761</u>	<u>169,941</u>	<u>(15,180)</u>		
Operating Expenses					
Consultants & Contracts	61,516	179,250	(117,734)	-65.68%	Included in the budget was \$160,500 for a restoration training simulator. Approximately \$32,300 was incurred for this project, which caused SERC to be under budget by \$128,200.
Office Rent	-	-	-		
Office Costs	802	-	802		
Professional Services	-	-	-		
Miscellaneous	292	-	292		
Depreciation	-	-	-		
Total Operating Expenses	<u>62,610</u>	<u>179,250</u>	<u>(116,640)</u>		
Total Direct Expenses	<u>487,927</u>	<u>617,252</u>	<u>(129,325)</u>		
Total Indirect Expenses	<u>165,508</u>	<u>161,721</u>	<u>3,787</u>	2.34%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>		
Change in Assets	<u>102,219</u>	<u>2,915</u>	<u>99,304</u>		
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>		
Allocation of Fixed Assets	<u>(2,565)</u>	<u>(2,915)</u>	<u>350</u>	-12.01%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>99,654</u>	<u>-</u>	<u>99,654</u>		
FTEs	1.6	1.6	-		

SERC
2010 Statement of Activities Summary
Situation Awareness and Infrastructure Security

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	1,281,104	1,281,104	-	0.00%	
Penalty Sanctions	71,614	71,611	3	0.00%	
Total ERO Funding	1,352,718	1,352,715	3		
Membership Fees & Non-Stat Assessments					
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	40	-	40		
Total Funding	1,352,758	1,352,715	43		
Expenses					
Personnel Expenses					
Salaries	541,396	577,571	(36,175)	-6.26%	
Payroll Taxes	40,851	43,318	(2,467)	-5.70%	
Employee Benefits	47,582	58,483	(10,901)	-18.64%	Less employees than anticipated elected to participate in benefits which decreased benefit costs.
Savings & Retirement	39,199	54,150	(14,951)	-27.61%	Due to the staffing transitions, SERC's retirement costs are under budget as new employees are not eligible to enroll into SERC's 401k plan until the quarter following their start date. Additionally, new employees are not eligible for the year-end discretionary contribution, as they must be employed for one year before becoming eligible.
Total Personnel Expenses	669,028	733,522	(64,494)		
Meeting Expenses					
Meetings	7,345	26,820	(19,475)	-72.61%	There has been a greater emphasis on the use of technology by hosting meetings using Webex, which have lowered the meeting costs.
Travel	43,089	60,206	(17,117)	-28.43%	The favorable variance is mainly due to an emphasis on the use of technology by hosting meetings using Webex. By doing this, travel costs have decreased. Additionally, SERC has increased efforts to use more cost efficient methods of travel.
Conference Calls	-	-	-		
Total Meeting Expenses	50,434	87,026	(36,592)		
Operating Expenses					
Consultants & Contracts	2,256	50,000	(47,744)	-95.49%	Various delays in events analysis expertise and the situation awareness build out, caused SERC to be under budget
Office Rent	-	-	-		
Office Costs	381	-	381		
Professional Services	-	-	-		
Miscellaneous	310	-	310		
Depreciation	-	16,667	(16,667)	-100.00%	All depreciation is recorded in the General and Administrative program area.
Total Operating Expenses	2,947	66,667	(63,720)		
Total Direct Expenses	722,409	887,215	(164,806)		
Total Indirect Expenses	434,457	424,516	9,941	2.34%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	-	-	-		
Change in Assets	195,892	40,984	154,908		
Fixed Assets					
Depreciation	-	(16,667)	16,667	-100.00%	
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	50,000	(50,000)	-100.00%	
Leasehold Improvements	-	-	-		
Change in Fixed Assets	-	(33,333)	33,333		
Allocation of Fixed Assets	(6,733)	(7,651)	918	-12.00%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	189,159	-	189,159		
FTEs	4.2	4.2	-		

SERC
2010 Statement of Activities Summary
Committees and Member Forums

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	-	-	-		
Penalty Sanctions	-	-	-		
Total ERO Funding	<u>-</u>	<u>-</u>	<u>-</u>		
Membership Fees & Non-Stat Assessments					
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	20	-	20		
Total Funding	<u>20</u>	<u>-</u>	<u>20</u>		
Expenses					
Personnel Expenses					
Salaries	388,268	385,904	2,364	0.61%	
Payroll Taxes	27,863	28,943	(1,080)	-3.73%	
Employee Benefits	29,279	24,694	4,585	18.57%	More employees than anticipated elected to participate in benefits which increased benefit costs.
Savings & Retirement	32,061	36,771	(4,710)	-12.81%	Due to the staffing transitions, SERC's retirement costs are under budget as new employees are not eligible to enroll into SERC's 401k plan until the quarter following their start date. Additionally, new employees are not eligible for the year-end discretionary contribution, as they must be employed for one year before becoming eligible.
Total Personnel Expenses	<u>477,471</u>	<u>476,312</u>	<u>1,159</u>		
Meeting Expenses					
Meetings	95,033	136,372	(41,339)	-30.31%	There has been a greater emphasis on the use of technology by hosting meetings using Webex, which have lowered the meeting costs.
Travel	26,887	67,325	(40,438)	-60.06%	The favorable variance is mainly due to an emphasis on the use of technology by hosting meetings using Webex. By doing this, travel costs have decreased. Additionally, SERC has increased efforts to use more cost efficient methods of travel.
Conference Calls	-	-	-		
Total Meeting Expenses	<u>121,920</u>	<u>203,697</u>	<u>(81,777)</u>		
Operating Expenses					
Consultants & Contracts	3,425	49,400	(45,975)	-93.07%	The costs for portal development were lower than planned in 2010 by approximately \$45,000 due to only minimal work was required on the portal within the program area. The savings on these projects were reapplied to other contracts.
Office Rent	-	-	-		
Office Costs	1,279	1,020	259	25.39%	
Professional Services	-	-	-		
Miscellaneous	406	-	406		
Depreciation	-	-	-		
Total Operating Expenses	<u>5,110</u>	<u>50,420</u>	<u>(45,310)</u>		
Total Direct Expenses	<u>604,501</u>	<u>730,429</u>	<u>(125,928)</u>		
Total Indirect Expenses	<u>(604,501)</u>	<u>(730,429)</u>	<u>125,928</u>	-17.24%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>		
Change in Assets	<u>20</u>	<u>-</u>	<u>20</u>		
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>		
Allocation of Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>		The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>20</u>	<u>-</u>	<u>20</u>		
FTEs	2.6	2.6	-		

SERC
2010 Statement of Activities Summary
General and Administrative

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding	-	-	-		
ERO Assessments	-	-	-		
Penalty Sanctions	-	-	-		
Total ERO Funding	<u>-</u>	<u>-</u>	<u>-</u>		
Membership Fees & Non-Stat Assessments					
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops					
Interest	-	-	-		
Miscellaneous	11,388	-	11,388		During 2010, NERC utilized SERC's conference rooms for meetings, totaling \$10,200. This was an unbudgeted source of income.
Total Funding	<u>11,388</u>	<u>-</u>	<u>11,388</u>		
Expenses					
Personnel Expenses					
Salaries	1,187,395	1,083,942	103,453	9.54%	During 2010, SERC hired an additional lawyer above budget due to the increase in enforcement activities. Additionally, incentive pay was higher than budgeted due to achieving a higher percentage of targeted goals.
Payroll Taxes	82,741	81,296	1,445	1.78%	
Employee Benefits	122,300	108,831	13,469	12.38%	More employees than anticipated elected to participate in benefits which increased benefit costs.
Savings & Retirement	94,946	100,539	(5,593)	-5.56%	Due to the staffing transitions, SERC's retirement costs are under budget as new employees are not eligible to enroll into SERC's 401k plan until the quarter following their start date. Additionally, new employees are not eligible for the year-end discretionary contribution, as they must be employed for one year before becoming eligible.
Total Personnel Expenses	<u>1,487,382</u>	<u>1,374,608</u>	<u>112,774</u>		
Meeting Expenses					
Meetings	33,926	11,750	22,176	188.73%	All meetings expenses for administrative functions, including Legal, IT, HR and Finance, are recorded in General and Administrative, causing an over run.
Travel	34,090	28,416	5,674	19.97%	All travel expenses for administrative functions, including Legal, IT, HR and Finance, are recorded in General and Administrative, causing an over run.
Conference Calls	49,071	48,000	1,071		
Total Meeting Expenses	<u>117,087</u>	<u>88,166</u>	<u>28,921</u>		
Operating Expenses					
Consultants & Contracts	23,825	-	23,825		In support of a Human Resource and Compensation Committee initiative, SERC used a consultant for a compensation and benefit study for an unbudgeted cost of \$15,000.
Office Rent	250,674	255,591	(4,917)	-1.92%	
Office Costs	314,051	255,987	58,064	22.68%	The over run in office costs includes one time costs for the purchase of office furniture and equipment to furnish the new office space of approximately \$160,600, approximately \$55,000 over budget. Individually, all items were below SERC's capitalization policy and were therefore expensed.
Professional Services	28,076	20,000	8,076	40.38%	
Miscellaneous	2,510	-	2,510		
Depreciation	89,745	38,246	51,499	134.65%	Depreciation was recorded on all assets purchased for an overrun of approximately \$50,000.
Total Operating Expenses	<u>708,881</u>	<u>569,824</u>	<u>139,057</u>		
Total Direct Expenses	<u>2,313,350</u>	<u>2,032,598</u>	<u>280,752</u>		
Total Indirect Expenses	<u>(2,313,350)</u>	<u>(2,032,598)</u>	<u>(280,752)</u>	13.81%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>		
Change in Assets	<u>11,388</u>	<u>-</u>	<u>11,388</u>		
Fixed Assets					
Depreciation	(89,745)	(38,246)	(51,499)	134.65%	More items were capitalized and therefore depreciation expense increased, in addition to all depreciation expense is being recorded under G&A, causing an over run.
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	<u>89,745</u>	<u>38,246</u>	<u>51,499</u>		
Allocation of Fixed Assets	<u>(89,745)</u>	<u>(38,246)</u>	<u>(51,499)</u>	134.65%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>11,388</u>	<u>-</u>	<u>11,388</u>		
FTEs	10.0	9.0	1.0		

SERC
2010 Statement of Activities Summary
Legal and Regulatory

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	Comments - Explain variances that are +/- 10%
Funding				
ERO Funding				
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments			-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	-	-	-	All Personnel Expenses for this function are budgeted and recorded in General and Administrative.
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings	-	-	-	
Travel	-	-	-	
Conference Calls	-	-	-	
Total Meeting Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Operating Expenses				
Consultants & Contracts	-	-	-	
Office Rent	-	-	-	
Office Costs	-	-	-	
Professional Services	17,162	27,500	(10,338)	-37.59% SERC hired a general counsel, reducing the need for outside counsel.
Miscellaneous	-	-	-	
Depreciation	-	-	-	
Total Operating Expenses	<u>17,162</u>	<u>27,500</u>	<u>(10,338)</u>	
Total Direct Expenses	<u>17,162</u>	<u>27,500</u>	<u>(10,338)</u>	
Total Indirect Expenses	<u>(17,162)</u>	<u>(27,500)</u>	<u>10,338</u>	-37.59% The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	-	-	-	
Change in Assets	-	-	-	
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	
Allocation of Fixed Assets	-	-	-	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>-</u>	<u>-</u>	<u>-</u>	
FTEs	-	-	-	

SERC
2010 Statement of Activities Summary
Information Technology

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				
ERO Funding	-	-	-	
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments				
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	1,441	-	1,441	
Total Funding	<u>1,441</u>	<u>-</u>	<u>1,441</u>	
Expenses				
Personnel Expenses				
Salaries	-	-	-	All Personnel Expenses for this function are budgeted and recorded in General and Administrative.
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings	-	-	-	
Travel	-	6,882	(6,882)	-100.00% All travel expenses for administrative functions, including Legal, IT, HR and Finance, are recorded in General and Administrative, causing an under run
Conference Calls	-	-	-	
Total Meeting Expenses	<u>-</u>	<u>6,882</u>	<u>(6,882)</u>	
Operating Expenses				
Consultants & Contracts	466,188	518,400	(52,212)	-10.07% SERC used a consultant for support on the document management system that was purchased during 2009, for an unbudgeted cost of approximately \$39,000. Participation in the OATI schedule checkout tool was lower than planned in 2010. SERC budgeted for 24 balancing authorities for the entire year. During 2010, 20 balancing authorities had joined. The total cost reduction was \$30,000. Several software development projects were not started during 2010, which caused SERC to be under budget by approximately \$55,900. Various delays in Reliability Services projects, as well as a server was capitalized due to the cost and is therefore included below in the Capital Expenditures section, caused SERC to be under budget by approximately \$93,700.
Office Rent	-	-	-	
Office Costs	172,437	90,590	81,847	90.35% The over run in office costs includes the advanced purchase of computers to replace existing computers of approximately \$80,000. Individually, all items were below SERC's capitalization policy and were therefore expensed.
Professional Services	-	-	-	
Miscellaneous	-	-	-	
Depreciation	-	-	-	
Total Operating Expenses	<u>638,625</u>	<u>608,990</u>	<u>29,635</u>	
Total Direct Expenses	<u>638,625</u>	<u>615,872</u>	<u>22,753</u>	
Total Indirect Expenses	<u>(638,625)</u>	<u>(615,872)</u>	<u>(22,753)</u>	3.69% The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Change in Assets	<u>1,441</u>	<u>-</u>	<u>1,441</u>	
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	145,690	100,000	45,690	45.69% SERC purchased 2 SAN servers at the end of 2010 in advance of budgeted 2011 funds as to have the servers in place for 2011.
Leasehold Improvements	-	-	-	
Change in Fixed Assets	<u>(145,690)</u>	<u>(100,000)</u>	<u>(45,690)</u>	
Allocation of Fixed Assets	<u>145,690</u>	<u>100,000</u>	<u>45,690</u>	45.69% The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>1,441</u>	<u>-</u>	<u>1,441</u>	
FTEs	-	-	-	

SERC
2010 Statement of Activities Summary
Human Resources

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	Comments - Explain variances that are +/- 10%
Funding				
ERO Funding				
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	-	-	-	
Membership Fees & Non-Stat Assessments			-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops			-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	-	-	-	All Personnel Expenses for this function are budgeted and recorded in General and Administrative.
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
Total Personnel Expenses	-	-	-	
Meeting Expenses				
Meetings	-	-	-	
Travel	-	-	-	
Conference Calls	-	-	-	
Total Meeting Expenses	-	-	-	
Operating Expenses				
Consultants & Contracts	-	-	-	
Office Rent	-	-	-	
Office Costs	-	-	-	
Professional Services	-	-	-	
Miscellaneous	-	-	-	
Depreciation	-	-	-	
Total Operating Expenses	-	-	-	
Total Direct Expenses	-	-	-	
Total Indirect Expenses	-	-	-	
Other Non-Operating Expenses	-	-	-	
Change in Assets	-	-	-	
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	-	-	-	
Allocation of Fixed Assets	-	-	-	
TOTAL CHANGE IN ASSETS	-	-	-	
FTEs	-	-	-	

SERC
2010 Statement of Activities Summary
Accounting and Finance

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding	-	-	-		
ERO Assessments	-	-	-		
Penalty Sanctions	-	-	-		
Total ERO Funding	<u>-</u>	<u>-</u>	<u>-</u>		
Membership Fees & Non-Stat Assessments					
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops					
Interest	6,577	20,000	(13,423)	-67.12%	Earned a lower interest rate than anticipated.
Miscellaneous	-	-	-		
Total Funding	<u>6,577</u>	<u>20,000</u>	<u>(13,423)</u>		
Expenses					
Personnel Expenses					
Salaries	-	-	-		All Personnel Expenses for this function are budgeted and recorded in General and Administrative.
Payroll Taxes	-	-	-		
Employee Benefits	-	-	-		
Savings & Retirement	-	-	-		
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>		
Meeting Expenses					
Meetings	-	275	(275)	-100.00%	All meetings expenses for administrative functions, including Legal, IT, HR and Finance, are recorded in General and Administrative, causing an under run.
Travel	-	1,480	(1,480)	-100.00%	All travel expenses for administrative functions, including Legal, IT, HR and Finance, are recorded in General and Administrative, causing an under run.
Conference Calls	-	-	-		
Total Meeting Expenses	<u>-</u>	<u>1,755</u>	<u>(1,755)</u>		
Operating Expenses					
Consultants & Contracts	-	-	-		
Office Rent	-	-	-		
Office Costs	7,282	5,000	2,282	45.64%	Due to an increase in the amount of credit card payments for workshops and meetings, the merchant fees increased, causing the over run.
Professional Services	35,791	33,300	2,491	7.48%	
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	<u>43,073</u>	<u>38,300</u>	<u>4,773</u>		
Total Direct Expenses	<u>43,073</u>	<u>40,055</u>	<u>3,018</u>		
Total Indirect Expenses	<u>(36,496)</u>	<u>(20,055)</u>	<u>(16,441)</u>	81.98%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>		
Change in Assets	<u>-</u>	<u>-</u>	<u>-</u>		
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>		
Allocation of Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>		The allocation of assets is based upon FTEs and expenditures in the overhead functions.
TOTAL CHANGE IN ASSETS	<u>-</u>	<u>-</u>	<u>-</u>		
FTEs	-	-	-		

SERC
2010 Statement of Activities Summary
Non-Statutory Only

(In Whole Dollars)

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

SERC RELIABILITY CORPORATION

Financial Statements
and
Accompanying Information

December 31, 2010 and 2009

SERC RELIABILITY CORPORATION

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Report of Independent Auditors

The Board of Directors
SERC Reliability Corporation
Charlotte, North Carolina

We have audited the accompanying statements of financial position of SERC Reliability Corporation (the "Corporation") as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SERC Reliability Corporation as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules on pages 11 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 to the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cherry Bekaert & Holland, L.L.P.

Charlotte, North Carolina
February 22, 2011

SERC RELIABILITY CORPORATION

Statements of Financial Position

	December 31,	
	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 3,855,131	\$ 2,792,743
Accounts receivable	63,085	166,656
Prepaid expenses and other assets	95,926	114,758
Total current assets	4,014,142	3,074,157
Property and equipment, net	276,944	220,998
Total assets	\$ 4,291,086	\$ 3,295,155
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 157,965	\$ 127,869
Accrued salaries and related benefits	1,090,075	1,074,071
Deferred revenue	1,256,722	1,020,555
Total current liabilities	2,504,762	2,222,495
Net assets		
Unrestricted and undesignated	725,664	63,105
Unrestricted and designated operating reserve	1,060,660	1,009,555
Total liabilities and net assets	\$ 4,291,086	\$ 3,295,155

See notes to financial statements.

SERC RELIABILITY CORPORATION

Statements of Activities

	Year Ended December 31,	
	2010	2009
Funding		
Member assessments	\$ 9,831,277	\$ 9,652,546
Penalty sanctions	578,000	-
Workshops	246,150	249,440
Interest	6,577	7,279
Miscellaneous	33,675	760
Total funding	10,695,679	9,910,025
Expenses		
Personnel expenses:		
Salaries	5,943,053	5,608,724
Payroll taxes	434,534	352,246
Employee benefits	592,588	568,397
Savings and retirement	463,534	509,038
Total personnel expenses	7,433,709	7,038,405
Meeting expenses:		
Meetings	357,668	451,503
Travel	475,204	400,038
Conference calls	49,071	48,409
Total meeting expenses	881,943	899,950
Operating expenses:		
Contracts and consultants	726,292	752,983
Rent and improvements	250,674	183,961
Office costs	506,577	246,932
Professional services	86,882	96,875
Depreciation	89,745	23,703
Miscellaneous	6,193	2,421
Total operating expenses	1,666,363	1,306,875
Total expenses	9,982,015	9,245,230
Change in net assets	713,664	664,795
Net assets		
Beginning of year	1,072,660	407,865
End of year	\$ 1,786,324	\$ 1,072,660

See notes to financial statements.

SERC RELIABILITY CORPORATION

Statements of Cash Flows

	Year Ended December 31,	
	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 713,664	\$ 664,795
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	89,745	23,703
Changes in operating assets and liabilities:		
Accounts receivable	103,571	(165,777)
Prepaid expenses and other assets	18,832	(61,292)
Accounts payable	30,096	29,260
Accrued salaries and related benefits	16,004	193,122
Deferred revenue	236,167	1,014,165
Net cash provided by operating activities	1,208,079	1,697,976
Cash flows from investing activities		
Additions to property and equipment	(145,691)	(227,633)
Net increase in cash and cash equivalents	1,062,388	1,470,343
Cash and cash equivalents		
Beginning of year	2,792,743	1,322,400
End of year	\$ 3,855,131	\$ 2,792,743

See notes to financial statements.

SERC RELIABILITY CORPORATION

Notes to Financial Statements
Years Ended December 31, 2010 and 2009

Note 1 – Summary of significant accounting policies

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

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

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

Basis of presentation – In accordance with accounting principles generally accepted in the United States of America (“GAAP”), the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Corporation had only unrestricted net assets, including undesignated and designated- operating reserve during 2010 and 2009.

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

Accounts receivable – Accounts receivable are stated at cost and arise primarily from amounts billed to members. Management's determination of the need for an allowance for doubtful accounts is based on evaluation of the accounts receivable, past experience, current economic conditions and other risks inherent in the accounts receivable portfolio. Any amounts considered to be uncollectible are written off at the time of such determination. At December 31, 2010 and 2009, management has determined that an allowance for doubtful accounts is not necessary.

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

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

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

SERC RELIABILITY CORPORATION

Notes to Financial Statements
Years Ended December 31, 2010 and 2009

Note 1 – Summary of significant accounting policies (continued)

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

The Corporation accounts for tax uncertainties based on a more likely than not recognition threshold whereby tax benefits are only recognized when the Corporation believes that they have a greater than 50% likelihood of being sustained upon examination by taxing authorities. The Corporation has evaluated all its tax positions and determined that it had no material uncertain income tax positions as of December 31, 2010 or 2009.

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

Note 2 – Property and equipment

Property and equipment consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 53,099	\$ 53,099
Computer equipment	147,385	26,342
Software	<u>193,415</u>	<u>168,768</u>
	393,899	248,209
Less: Accumulated depreciation	<u>(116,955)</u>	<u>(27,211)</u>
Total property and equipment, net	<u>\$ 276,944</u>	<u>\$ 220,998</u>

Note 3 – Commitments

The Corporation leases its current office facility under a non-cancelable operating lease which expires in 2015 and which provides for monthly payments ranging from \$23,741 to \$26,898. The Corporation also leases office equipment under noncancelable operating leases that expire in 2012. Rental expense under all operating leases totaled \$250,674 and \$183,961 for the years ended December 31, 2010 and 2009, respectively.

Future minimum payments for all operating leases are as follows:

<u>Year ending December 31,</u>	
2011	\$ 295,654
2012	302,049
2013	306,150
2014	314,347
2015	<u>26,898</u>
Total	<u>\$ 1,245,098</u>

Note 4 – Line of credit

The Corporation has a \$500,000 bank line of credit at an interest rate of prime plus 1.2% (4.45% at December 31, 2010) which shall be payable in full on demand. The line is secured by the assets of the Corporation. The Corporation had no outstanding balance at December 31, 2010 and 2009.

SERC RELIABILITY CORPORATION

Notes to Financial Statements
Years Ended December 31, 2010 and 2009

Note 5 – Retirement plans

401(k) plan - The Corporation sponsors a 401(k) retirement plan covering all eligible employees, as defined. The Corporation makes an annual contribution to the plan equal to 3% of each eligible employee's compensation and matches 50% of employee contributions up to 6% of compensation. In addition, the plan provides that the Corporation may make additional discretionary contributions. During the year ended December 31, 2010 and 2009, contribution expense related to the plan totaled \$442,996 and \$494,770, respectively.

Deferred compensation plan - The Corporation established a deferred compensation plan in accordance with Internal Revenue Code Section 457 for certain employees, as defined. The plan provides that eligible employees may make elective salary reduction contributions in accordance with limitations established by the Internal Revenue Code. In addition, the Corporation may make discretionary contributions as provided in the plan. During the year ended December 31, 2010 and 2009, contribution expense related to the plan totaled \$13,750 and \$4,964, respectively. The asset and liability for deferred compensation of \$28,112 and \$14,362 at December 31, 2010 and 2009, respectively, is included in prepaid and other assets and accrued salaries and related benefits.

Note 6 – Functional expenses

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

Program expenses:		
Reliability standards	\$ 306,025	\$ 314,474
Compliance enforcement	4,129,783	4,422,782
Reliability readiness	-	231,788
Reliability assessment	724,246	877,692
Training and education	487,447	474,820
Situation awareness	721,111	466,332
	<u>6,368,612</u>	<u>6,787,888</u>
Committee and member forums	<u>603,634</u>	<u>623,248</u>
General and administrative expenses:		
General and administrative	2,310,909	1,266,155
Legal and regulatory	17,162	2,531
Information technology	638,625	471,544
Human resources	-	7,393
Accounting and finance	43,073	86,471
	<u>3,009,769</u>	<u>1,834,094</u>
Total	<u>\$ 9,982,015</u>	<u>\$ 9,245,230</u>

Note 7 – Concentrations of credit risk and uncertainties

The Corporation places its cash and cash equivalents on deposit with a North Carolina financial institution. The Federal Deposit Insurance Company ("FDIC") covers \$250,000 for substantially all depository accounts. The Corporation from time to time may have balances in excess of the FDIC insured limits.

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

SERC RELIABILITY CORPORATION

Notes to Financial Statements
Years Ended December 31, 2010 and 2009

Note 8 – Subsequent events

The Corporation has evaluated subsequent events through February 22, 2011, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

ACCOMPANYING INFORMATION

SERC RELIABILITY CORPORATION

Statutory Financial Statements
Year Ended December 31, 2010

	2010 YTD Actual	2010 YTD Budget	2010 YTD Variance
Funding			
Member assessments	\$ 9,831,277	\$ 9,831,277	\$ -
Penalty sanctions	578,000	578,000	-
Workshops	246,150	272,406	(26,256)
Interest	6,577	20,000	(13,423)
Miscellaneous	33,675	-	33,675
Total funding	10,695,679	10,701,683	(6,004)
Expenses			
Personnel expenses:			
Salaries	5,943,053	5,919,604	23,449
Payroll taxes	434,534	443,971	(9,437)
Employee benefits	592,588	536,169	56,419
Savings and retirement	463,534	555,467	(91,933)
Total personnel expenses	7,433,709	7,455,211	(21,502)
Meeting expenses:			
Meetings	357,668	468,813	(111,145)
Travel	475,204	722,061	(246,857)
Conference calls	49,071	48,000	1,071
Total meeting expenses	881,943	1,238,874	(356,931)
Operating expenses:			
Contracts and consultants	726,292	1,141,450	(415,158)
Rent and improvements	250,674	255,591	(4,917)
Office costs	506,577	362,257	144,320
Professional services	86,882	98,300	(11,418)
Depreciation	89,745	54,913	34,832
Miscellaneous	6,193	-	6,193
Total operating expenses	1,666,363	1,912,511	(246,148)
Total expenses	9,982,015	10,606,596	(624,581)
Change in net assets	\$ 713,664	\$ 95,087	\$ 618,577

SERC RELIABILITY CORPORATION

Statutory Financial Statements (continued)
Year Ended December 31, 2009

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

SERC RELIABILITY CORPORATION

Statutory Financial Statements by Function
Year Ended December 31, 2010

	300	400	800	900	1000	1100	2000	2200	2300	2500	2010 YTD	2010 YTD	2010 YTD
	RELIAB STD DEV	COMP ENFORCE/ ORG REG & CERT	RELIAB ASSES	TRAINING & EDUC	SIT AWARE	COMMITTEE & MBR FORUMS	GENERAL ADMIN	LEGAL & REGULATORY	IT	ACCOUNTING & FINANCE	Actual	Budget	Variance
Funding													
Member assessments	\$ 353,488	\$ 6,319,976	\$ 1,276,678	\$ 482,202	\$ 1,281,104	\$ 117,829	\$ -	\$ -	\$ -	\$ -	\$ 9,831,277	\$9,831,277	\$ -
Penalty sanctions	27,282	375,122	76,700	27,282	71,614	-	-	-	-	-	578,000	578,000	-
Workshops	-	-	-	246,150	-	-	-	-	-	-	246,150	272,406	(26,256)
Interest	-	-	-	-	-	-	-	-	-	6,577	6,577	20,000	(13,423)
Miscellaneous	20	20,746	-	20	40	20	11,388	-	1,441	-	33,675	-	33,675
Total funding	380,790	6,715,844	1,353,378	755,654	1,352,758	117,849	11,388	-	1,441	6,577	10,695,679	10,701,683	(6,004)
Expenses													
Personnel expenses:													
Salaries	227,737	2,933,565	448,080	216,612	541,396	388,268	1,187,395	-	-	-	5,943,053	5,919,604	23,449
Payroll taxes	15,646	218,847	37,888	15,297	39,553	26,996	80,307	-	-	-	434,534	443,971	(9,437)
Employee benefits	23,634	306,381	43,038	20,374	47,582	29,279	122,300	-	-	-	592,588	536,169	56,419
Savings and retirement	18,727	221,761	39,047	17,793	39,199	32,061	94,946	-	-	-	463,534	555,467	(91,933)
Total personnel expenses	285,744	3,680,554	568,053	270,076	667,730	476,604	1,484,948	-	-	-	7,433,709	7,455,211	(21,502)
Meeting expenses:													
Meetings	7,070	43,679	24,582	146,033	7,345	95,033	33,926	-	-	-	357,668	468,813	(111,145)
Travel	12,704	324,974	24,732	8,728	43,089	26,887	34,090	-	-	-	475,204	722,061	(246,857)
Conference calls	-	-	-	-	-	-	49,071	-	-	-	49,071	48,000	1,071
Total meeting expenses	19,774	368,653	49,314	154,761	50,434	121,920	117,087	-	-	-	881,943	1,238,874	(356,931)
Operating expenses:													
Contracts and consultants	-	65,764	103,318	61,516	2,256	3,425	23,825	-	466,188	-	726,292	1,141,450	(415,158)
Rent and improvements	-	-	-	-	-	-	250,674	-	-	-	250,674	255,591	(4,917)
Office costs	215	7,727	2,403	802	381	1,279	314,051	-	172,437	7,282	506,577	362,257	144,320
Professional services	-	5,853	-	-	-	-	28,076	17,162	-	35,791	86,882	98,300	(11,418)
Depreciation	-	-	-	-	-	-	89,745	-	-	-	89,745	54,913	34,832
Miscellaneous	292	1,232	1,158	292	310	406	2,503	-	-	-	6,193	-	6,193
Total operating expenses	507	80,576	106,879	62,610	2,947	5,110	708,874	17,162	638,625	43,073	1,666,363	1,912,511	(246,148)
Total expenses	306,025	4,129,783	724,246	487,447	721,111	603,634	2,310,909	17,162	638,625	43,073	9,982,015	10,606,596	(624,581)
Change in net assets	\$ 74,765	\$ 2,586,061	\$ 629,132	\$ 268,207	\$ 631,647	\$ (485,785)	\$ (2,299,521)	\$ (17,162)	\$ (637,184)	\$ (36,496)	\$ 713,664	\$ 95,087	\$ 618,577

SERC RELIABILITY CORPORATION

Statutory Financial Statements by Function
Year Ended December 31, 2009

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

ATTACHMENT 7

2010 ACTUAL COST-TO-BUDGET COMPARISON

FOR

SOUTHWEST POWER POOL REGIONAL ENTITY

AND

2010 AUDITED FINANCIAL REPORT

FOR

SOUTHWEST POWER POOL, INC.



Alice Wright
RE Manager of Finance and Process Improvement

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

April 28, 2011

Via Electronic Mail

Michael Walker, Chief Financial Officer
Susan Turpen, Controller
North American Electric Reliability Corporation
3343 Peachtree Road, NE
4th Floor East Tower – Suite 400
Atlanta, GA 30326

Subject: Southwest Power Pool Regional Entity 2010 Actual Cost-to-Budget Comparison

Dear Mr. Walker and Ms. Turpen,

Attached is the Southwest Power Pool, Inc.'s (SPP, Inc.) submission of the SPP Regional Entity's (SPP RE) 2010 Actual Cost-to-Budget Comparison (2010 True Up Filing).

For 2010, the SPP RE received approximately \$6.76 million in statutory funds and incurred approximately \$6.84 million in statutory expense (compared to \$8.14 million budget). The net impact on SPP RE's cash position for the year was a \$86 thousand negative variance (compared to \$1.38 million budget). The SPP RE performs only statutory activities, and therefore no statutory funding was used for non-statutory activities.

The \$2 thousand funding variance results from interest earned on the cash balance. The significant expense variances at the aggregate statutory level are explained below, while the explanations for the expense variances by statutory program area are provided in Attachment 1.

Aggregate Expense Variances

- **Personnel Expenses** (Actual - \$617K or 18% below budget) – Personnel expenses were less than budget primarily due to the additional budgeted position in the Reliability Standards program area, which was subsequently repurposed to the enforcement group in the Compliance program, remaining unfilled, the delay in hiring RE direct staff to fill additional budgeted positions in the Compliance program area, and the less than expected activities, thus billed hours by SPP Shared Staff in the Situation Awareness and Infrastructure Security (SAIS) program area.
- **Travel and Meeting Expenses** (Actual - \$25K or 8% under budget) – Meeting expenses were greater than budget primarily due to the costs incurred for the RE compliance workshops being greater than expected, while travel expenses were less than expected primarily due to the delay in filling the budgeted positions.

Other Operating Expenses (Actual - \$604K or 41% under budget) – Other Operating Expenses were less than budget primarily due to lower than expected consulting activity related to Technical Feasibility Exceptions (TFEs). The 2010 budget included \$700K in consultant and contractor costs associated with performing the TFE evaluations. The vast majority of the work was actually performed by the RE direct staff. Lower than expected hearing costs also contributed to the actual operating costs being less than budget.

- **SPP, Inc. Indirect Expense** (Actual - \$47K or 2% under budget) – SPP, Inc. Indirect Expenses were less than budget primarily due to actual FTEs being lower than budgeted FTEs. The decrease in costs resulting from the lower than expected FTEs was partially offset by an increase in the SPP Inc. Overhead Rate. SPP, Inc. Indirect Expenses are discussed in greater detail in the discussion that follows.

SPP, Inc. Shared Staff and Indirect Support Staff

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

Shared staff members charge time and expenses directly to the SPP RE accounts and their hours are included in the official total full time equivalent headcount of the SPP RE for the purposes of reporting to NERC and FERC. Shared staff members record specific hours worked in the performance or support of the SPP RE’s statutory functions in SPP, Inc.’s time tracking system. These hours are posted by the shared staff members and reviewed and approved by their specific manager or supervisor. The SPP RE Manager of Finance and Process Improvement as well as the SPP RE General Manager review the hours posted by the shared staff members. This procedure results in actual hours spent by shared staff on SPP RE statutory functions being charged directly to the particular SPP RE direct function at the shared staff member’s compensation rate. These direct charges are included in the SPP RE’s Business Plan and Budget. For 2010, shared staff charged 5,711 hours, or 3.04 FTEs based on SPP’s standard assumption that total number of hours in a year is 1,880, to the SPP RE.

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

RE. The SPP, Inc. Indirect Expenses assessed to the SPP RE are included in the SPP RE's Business Plan and Budget.

The development of the \$64/hour rate that was used in the development of the 2010 budget and the \$71/hour rate embedded in the actual 2010 costs are shown in Attachments 2 and 3, respectively. The SPP, Inc. support costs included in the calculations are reviewed in detail to help ensure that SPP RTO specific costs are excluded from the calculation.

If you have any questions related to the submitted materials please feel free to contact me at the contact information shown above.

Sincerely,



Alice Wright
RE Manager of Finance and Process Improvement

**SOUTHWEST POWER POOL
REGIONAL ENTITY
2010 Statement of Activities**



	(In Whole Dollars)		
	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding			
ERO Assessments	\$ 6,755,854	\$ 6,755,854	\$ -
Penalty Sanctions	-	-	-
Total ERO Funding	\$ 6,755,854	\$ 6,755,854	\$ -
Membership Fees & Non-Stat Assessments			
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	-	-	-
Interest	2,113	-	2,113
Miscellaneous	-	-	-
Total Funding	\$ 6,757,967	\$ 6,755,854	\$ 2,113
Expenses			
Personnel Expenses			
Salaries	\$ 2,393,761	\$ 2,861,623	\$ (467,862)
Payroll Taxes	144,484	194,700	(50,216)
Employee Benefits ¹	161,263	243,975	(82,712)
Savings & Retirement	96,360	112,725	(16,365)
Total Personnel Expenses	\$ 2,795,868	\$ 3,413,023	\$ (617,155)
Meeting Expenses			
Meetings	\$ 37,668	\$ 25,000	\$ 12,668
Travel	279,442	318,000	(38,558)
Total Meeting Expenses	\$ 317,110	\$ 343,000	\$ (25,890)
Operating Expenses			
Consultants & Contracts	\$ 702,471	\$ 1,175,000	\$ (472,529)
Office Rent	-	-	-
Administrative/Office Costs	3,107	-	3,107
Professional Services	155,037	290,000	(134,963)
Miscellaneous	-	-	-
Depreciation	-	-	-
Total Operating Expenses	\$ 860,614	\$ 1,465,000	\$ (604,386)
Total Direct Expenses	\$ 3,973,592	\$ 5,221,023	\$ (1,247,431)
SPP Inc. Indirect Expenses ²	\$ 2,870,302	\$ 2,917,760	\$ (47,458)
Total Expenses	\$ 6,843,894	\$ 8,138,783	\$ (1,294,889)
Change in Assets	\$ (85,927)	\$ (1,382,929)	\$ 1,297,002
Fixed Assets			
Depreciation	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-
Furniture & Fixtures CapEx	-	-	-
Equipment CapEx	-	-	-
Leasehold Improvements	-	-	-
Change in Fixed Assets	\$ -	\$ -	\$ -
TOTAL CHANGE IN ASSETS	\$ (85,927)	\$ (1,382,929)	\$ 1,297,002
FTEs ³	21.49	24.25	(2.76)

(1) Reimbursement for employee professional dues & licensing fees, e.g., PE and Attorney licensing fees, are included in Personnel Benefits as opposed to Office Costs.

(2) SPP RE Indirect Expenses, which represent direct expenses for SPP RE Administrative Services, are included in direct expenses.

(3) Actual FTE equal RE Direct Staff FTEs (number of days employed at RE during 2010 divided by 365) plus Shared Staff FTEs (2010 billed hours divided by 1880)

SOUTHWEST POWER POOL
REGIONAL ENTITY
2010 Statement of Activities
Reliability Standards



	(In Whole Dollars)			2010 % Variance	Comments - Explain variances that are +/- 10%
	2010 Actual	2010 Budget	2010 \$ Variance		
Funding					
ERO Funding					
ERO Assessments	\$ 462,874	\$ 462,874	\$ -		
Penalty Sanctions	-	-	-		
Total ERO Funding	\$ 462,874	\$ 462,874	\$ -		
Membership Fees & Non-Stat Assessments					
Testing Fees	\$ -	\$ -	\$ -		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	\$ 462,874	\$ 462,874	\$ -		
Expenses					
Personnel Expenses					
Salaries	\$ 23,525	\$ 135,300	\$ (111,775)	-83%	Personnel Expenses were lower as a result of the additional budgeted SPP RE direct staff position (1 FTE) being repurposed to the Compliance Enforcement Group; Shared Staff billable FTE hours were lower than expected due to activities in area being less than expected
Payroll Taxes	1,631	10,350	(8,719)	-84%	
Employee Benefits ¹	2,022	12,900	(10,878)	-84%	
Savings & Retirement	935	5,400	(4,465)	-83%	
Total Personnel Expenses	\$ 28,113	\$ 163,950	\$ (135,837)	-83%	
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -		Travel expenses were lower primarily due to the repurposing of the additional budgeted SPP RE direct staff position (1 FTE) being repurposed to the Compliance Enforcement Group
Travel	7,870	15,000	(7,130)	-48%	
Total Meeting Expenses	\$ 7,870	\$ 15,000	\$ (7,130)		
Operating Expenses					
Consultants & Contracts	\$ 34,870	\$ 24,000	\$ 10,870	45%	Consultants and Contractors Expenses were higher primarily due to higher than expected consulting costs related to the development of the SPP regional under frequency load shedding standard
Office Rent	-	-	-		
Administrative/Office Costs	18	-	18		Operating expenses were higher primarily due to higher than expected consulting costs related to the development of the SPP regional under frequency load shedding standard
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	\$ 34,888	\$ 24,000	\$ 10,888	45%	
Total Direct Expenses	\$ 70,871	\$ 202,950	\$ (132,079)	-65%	
SPP Inc. Indirect Expenses	\$ 26,696	\$ 180,480	\$ (153,784)	-85%	SPP Inc. Indirect Expenses were lower primarily due to actual FTEs being lower than budgeted FTEs. The decrease in costs resulting from the lower than expected FTEs was partially offset by the increase in the SPP Inc. Overhead Rate
SPP RE Indirect Expenses ²	\$ 24,991	\$ 79,444	\$ (54,453)	-69%	SPP RE Indirect Expenses were primarily lower as a result of lower than expected SPP RE General & Administrative and Legal Expenses.
Total Expenses	\$ 122,558	\$ 462,874	\$ (340,316)	-74%	
Change in Assets	\$ 340,316	\$ -	\$ 340,316		
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	\$ -	\$ -	\$ -		
TOTAL CHANGE IN ASSETS	\$ 340,316	\$ -	\$ 340,316		
FTEs ³	0.20	1.50	(1.30)		

(1) Reimbursement for employee professional dues & licensing fees, e.g., PE and Attorney licensing fees, are included in Personnel Benefits as opposed to Office Costs

(2) SPP RE Indirect Expenses represent direct expenses for SPP RE Administrative Services (General & Administrative and Legal). In the 2010 BPB, the SPP RE Indirect Expenses were assigned to the functional programs based on anticipated needs. Actual 2010 costs were allocated among the functional programs based on the program's relative share of direct expenses.

(3) Actual FTE equal RE Direct Staff FTEs (number of days employed at RE during 2010 divided by 365) plus Shared Staff FTEs (2010 billed hours divided by 1880)

SOUTHWEST POWER POOL
REGIONAL ENTITY
2010 Statement of Activities
Compliance and Organization registration and Certification



	(In Whole Dollars)			2010 % Variance	Comments - Explain variances that are +/- 10%
	2010 Actual	2010 Budget	2010 \$ Variance		
Funding					
ERO Funding					
ERO Assessments	\$ 6,195,777	\$ 6,195,777	\$ -	0%	
Penalty Sanctions	-	-	-		
Total ERO Funding	\$ 6,195,777	\$ 6,195,777	\$ -		
Membership Fees & Non-Stat Assessments					
Testing Fees	\$ -	\$ -	\$ -		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	\$ 6,195,777	\$ 6,195,777	\$ -		
Expenses					
Personnel Expenses					
Salaries	\$ 1,573,104	\$ 1,794,100	\$ (220,996)	-12%	Personnel Expenses were lower primarily due to the timing of hiring RE direct staff to fill additional budgeted positions. This lower expense was partially offset by the hiring of part-time law clerks to fill unbudgeted positions, the reassignment of the RE Counsel from General & Administrative area to the enforcement group, and the use of RE staff assigned to the RAPA program to assist with compliance activities. (The reliability standards budgeted position that was repurposed to the enforcement group remained unfilled for the entire 12-month period)
Payroll Taxes	95,946	117,600	(21,654)	-18%	
Employee Benefits ¹	112,874	146,200	(33,326)	-23%	
Savings & Retirement	48,808	70,000	(21,192)	-30%	
Total Personnel Expenses	\$ 1,830,733	\$ 2,127,900	\$ (297,167)		
Meeting Expenses					
Meetings	\$ 384	\$ -	\$ 384		
Travel	197,726	225,000	(27,274)	-12%	Travel Expenses were lower due to the timing of hiring additional RE direct staff to fill the open budgeted positions in the compliance group
Total Meeting Expenses	\$ 198,110	\$ 225,000	\$ (26,890)		
Operating Expenses					
Consultants & Contracts	\$ 622,077	\$ 1,095,000	\$ (472,924)	-43%	Consultants and Contractors Expenses were lower than expected due to lower than expected consulting activity related to Technical Feasibility Exceptions (TFEs)
Office Rent	-	-	-		
Administrative/Office Costs	1,463	-	1,463		
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	\$ 623,540	\$ 1,095,000	\$ (471,461)	-43%	
Total Direct Expenses	\$ 2,652,382	\$ 3,447,900	\$ (795,518)	-23%	
SPP Inc. Indirect Expenses	\$ 1,953,294	\$ 1,684,480	\$ 268,814	16%	SPP Inc. Indirect Expenses were higher as a result of the increase in the SPP Inc. Overhead Rate. The increase in costs resulting from the higher than expected rate was partially offset by actual FTEs being lower than budgeted
SPP RE Indirect Expenses ²	\$ 935,321	\$ 1,063,397	\$ (128,076)	-12%	Although SPP RE General & Administrative and Legal Expenses were lower than expected, the SPP RE Indirect Expenses allocated to this program area were higher due to a greater percentage being allocated to this program area based on the relative share of functional program direct expenses
Total Expenses	\$ 5,540,997	\$ 6,195,777	\$ (654,780)		
Change in Assets	\$ 654,780	\$ -	\$ 654,780		
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	\$ -	\$ -	\$ -		
TOTAL CHANGE IN ASSETS	\$ 654,780	\$ -	\$ 654,780		
FTEs ³	14.62	14.00	0.62		

(1) Reimbursement for employee professional dues & licensing fees, e.g., PE and Attorney licensing fees, are included in Personnel Benefits as opposed to Office Costs

(2) SPP RE Indirect Expenses represent direct expenses for SPP RE Administrative Services (General & Administrative and Legal). In the 2010 BPB, the SPP RE Indirect Expenses were assigned to the functional programs based on anticipated needs. Actual 2010 costs were allocated among the functional programs based on the program's relative share of direct expenses.

(3) Actual FTE equal RE Direct Staff FTEs (number of days employed at RE during 2010 divided by 365) plus Shared Staff FTEs (2010 billed hours divided by 1880)

SOUTHWEST POWER POOL
REGIONAL ENTITY
2010 Statement of Activities
Training and Education



	(In Whole Dollars)			2010 % Variance	Comments - Explain variances that are +/- 10%
	2010 Actual	2010 Budget	2010 \$ Variance		
Funding					
ERO Funding					
ERO Assessments	\$ 30,180	\$ 30,180	\$ -	0%	
Penalty Sanctions	-	-	-		
Total ERO Funding	\$ 30,180	\$ 30,180	\$ -		
Membership Fees & Non-Stat Assessments					
Testing Fees	\$ -	\$ -	\$ -		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	\$ 30,180	\$ 30,180	\$ -		
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -		
Payroll Taxes	-	-	-		
Employee Benefits ¹	-	-	-		
Savings & Retirement	-	-	-		
Total Personnel Expenses	\$ -	\$ -	\$ -		
Meeting Expenses					
Meetings	\$ 31,662	\$ 25,000	\$ 6,662	27%	Meeting Expenses were higher primarily due to higher than expected charges for the meeting rooms and meal expenses for the RE Compliance Workshops
Travel	-	-	-		
Total Meeting Expenses	\$ 31,662	\$ 25,000	\$ 6,662	27%	
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -		
Office Rent	-	-	-		
Administrative/Office Costs	-	-	-		
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	\$ -	\$ -	\$ -		
Total Direct Expenses	\$ 31,662	\$ 25,000	\$ 6,662	27%	
SPP Inc. Indirect Expenses	\$ -	\$ -	\$ -		
SPP RE Indirect Expenses ²	\$ 11,165	\$ 5,180	\$ 5,985	116%	Although SPP RE General & Administrative and Legal Expenses were lower than expected, the SPP RE Indirect Expenses allocated to this program area were higher due to a greater percentage being allocated to this program area based on the relative share of functional program direct expenses
Total Expenses	\$ 42,827	\$ 30,180	\$ 12,647	42%	
Change in Assets	\$ (12,647)	\$ -	\$ (12,647)		
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	\$ -	\$ -	\$ -		
TOTAL CHANGE IN ASSETS	\$ (12,647)	\$ -	\$ (12,647)		
FTEs ³	-	-	-		

(1) Reimbursement for employee professional dues & licensing fees, e.g., PE and Attorney licensing fees, are included in Personnel Benefits as opposed to Office Costs

(2) SPP RE Indirect Expenses represent direct expenses for SPP RE Administrative Services (General & Administrative and Legal). In the 2010 BPB, the SPP RE Indirect Expenses were assigned to the functional programs based on anticipated needs. Actual 2010 costs were allocated among the functional programs based on the program's relative share of direct expenses.

(3) Actual FTE equal RE Direct Staff FTEs (number of days employed at RE during 2010 divided by 365) plus Shared Staff FTEs (2010 billed hours divided by 1880)

SOUTHWEST POWER POOL
REGIONAL ENTITY
2010 Statement of Activities
Reliability Assessment and Performance Analysis



	(In Whole Dollars)				
	2010 Actual	2010 Budget	2010 \$ Variance	2010 % Variance	Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	\$ 1,212,602	\$ 1,212,602	\$ -	0%	
Penalty Sanctions	-	-	-		
Total ERO Funding	\$ 1,212,602	\$ 1,212,602	\$ -		
Membership Fees & Non-Stat Assessments					
Testing Fees	\$ -	\$ -	\$ -		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	\$ 1,212,602	\$ 1,212,602	\$ -		
Expenses					
Personnel Expenses					
Salaries	\$ 281,163	\$ 360,800	\$ (79,637)	-22%	
Payroll Taxes	19,930	27,600	(7,670)	-28%	
Employee Benefits ¹	23,743	34,400	(10,657)	-31%	
Savings & Retirement	24,482	14,400	10,082	70%	
Total Personnel Expenses	\$ 349,317	\$ 437,200	\$ (87,883)		Personnel Expenses were lower primarily due to the need to have direct RE Staff assigned to this area assist with compliance activities and situation awareness activities
Meeting Expenses					
Meetings	\$ 1,560	\$ -	\$ 1,560		
Travel	22,101	30,000	(7,899)	-26%	Travel Expenses were lower primarily due to the need to have direct RE Staff assigned to this area assist with compliance activities and situation awareness activities
Total Meeting Expenses	\$ 23,661	\$ 30,000	\$ (6,339)		
Operating Expenses					
Consultants & Contracts	\$ 25,376	\$ 56,000	\$ (30,624)	-55%	Consultants and Contracts Expenses were lower primarily due to the level of contractor charges related to the RAPA studies that were allocated to the SPP RE being less than expected
Office Rent	-	-	-		
Administrative/Office Costs	1,396	-	1,396		
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	\$ 26,772	\$ 56,000	\$ (29,228)	-52%	
Total Direct Expenses	\$ 399,750	\$ 523,200	\$ (123,450)	-24%	
SPP Inc. Indirect Expenses	\$ 429,806	\$ 481,280	\$ (51,474)	-11%	SPP Inc. Indirect Expenses were lower primarily due to actual FTEs being lower than budgeted FTEs. The decrease in costs resulting from the lower than expected FTEs was partially offset by the increase in the SPP Inc. Overhead Rate
SPP RE Indirect Expenses ²	\$ 140,965	\$ 208,122	\$ (67,157)	-32%	SPP RE Indirect Expenses were primarily lower as a result of lower than expected SPP RE General & Administrative and Legal Expenses.
Total Expenses	\$ 970,521	\$ 1,212,602	\$ (242,081)	-20%	
Change in Assets	\$ 242,081	\$ -	\$ 242,081		
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	\$ -	\$ -	\$ -		
TOTAL CHANGE IN ASSETS	\$ 242,081	\$ -	\$ 242,081		
FTEs ³	3.22	4.00	(0.78)		

(1) Reimbursement for employee professional dues & licensing fees, e.g., PE and Attorney licensing fees, are included in Personnel Benefits as opposed to Office Costs

(2) SPP RE Indirect Expenses represent direct expenses for SPP RE Administrative Services (General & Administrative and Legal). In the 2010 BPB, the SPP RE Indirect Expenses were assigned to the functional programs based on anticipated needs. Actual 2010 costs were allocated among the functional programs based on the program's relative share of direct expenses.

(3) Actual FTE equal RE Direct Staff FTEs (number of days employed at RE during 2010 divided by 365) plus Shared Staff FTEs (2010 billed hours divided by 1880)

SOUTHWEST POWER POOL
REGIONAL ENTITY
2010 Statement of Activities
Situation Awareness and Infrastructure Security



	(In Whole Dollars)				
	2010 Actual	2010 Budget	2010 \$ Variance	2010 % Variance	Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	\$ 237,349	\$ 237,349	\$ -	0%	
Penalty Sanctions	-	-	-		
Total ERO Funding	\$ 237,349	\$ 237,349	\$ -		
Membership Fees & Non-Stat Assessments					
Testing Fees	\$ -	\$ -	\$ -		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	\$ 237,349	\$ 237,349	\$ -		
Expenses					
Personnel Expenses					
Salaries	\$ 62,159	\$ 72,623	\$ (10,464)	-14%	
Payroll Taxes	3,881	5,550	(1,669)	-30%	
Employee Benefits ¹	2,549	7,275	(4,726)	-65%	
Savings & Retirement	2,486	2,925	(439)	-15%	
Total Personnel Expenses	\$ 71,075	\$ 88,373	\$ (17,298)	-20%	The SPP Reliability Coordinator's participation in the NERC CIP activities that were performed by Shared Staff were not billed to the SPP RE. Personnel Expenses for this program reflect the use of RE staff assigned to the RAPA program to assist with SAIS activities
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -		
Travel	489	18,000	(17,511)	-97%	Actual Travel Expenses reflect costs incurred by SPP Shared Staff to attend a NERC-related CIPC meeting. Budget Travel Expenses includes the expected reimbursement of expenses incurred by SPP registered entity representative attending quarterly NERC CIPC meetings. In accordance with NERC's chart of accounts, the actual reimbursement for these "industry support" costs are included in contracts & consultants expenses. Remaining difference is due to activities and charges being less than expected.
Total Meeting Expenses	\$ 489	\$ 18,000	\$ (17,511)	-97%	
Operating Expenses					
Consultants & Contracts	\$ 7,485	\$ -	\$ 7,485		Budget Travel Expenses includes the expected reimbursement of expenses incurred by SPP registered entity representative attending quarterly NERC CIPC meetings. In accordance with NERC's chart of accounts, the actual reimbursement for these "industry support" costs are included in contracts & consultants expenses.
Office Rent	-	-	-		
Administrative/Office Costs	-	-	-		
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	\$ 7,485	\$ -	\$ 7,485		
Total Direct Expenses	\$ 79,049	\$ 106,373	\$ (27,324)	-26%	
SPP Inc. Indirect Expenses	\$ 60,066	\$ 90,240	\$ (30,174)	-33%	SPP Inc. Indirect Expenses were lower primarily due to actual FTEs being lower than budgeted FTEs. The decrease in costs resulting from the lower than expected FTEs was partially offset by the increase in the SPP Inc. Overhead Rate
SPP RE Indirect Expenses ²	\$ 27,875	\$ 40,737	\$ (12,862)	-32%	SPP RE Indirect Expenses were primarily lower as a result of lower than expected SPP RE General & Administrative and Legal Expenses.
Total Expenses	\$ 166,991	\$ 237,349	\$ (70,358)	-30%	
Change in Assets	\$ 70,358	\$ -	\$ 70,358		
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	\$ -	\$ -	\$ -		
TOTAL CHANGE IN ASSETS	\$ 70,358	\$ -	\$ 70,358		
FTEs ³	0.45	0.75	(0.30)		

(1) Reimbursement for employee professional dues & licensing fees, e.g., PE and Attorney licensing fees, are included in Personnel Benefits as opposed to Office Costs

(2) SPP RE Indirect Expenses represent direct expenses for SPP RE Administrative Services (General & Administrative and Legal). In the 2010 BPB, the SPP RE Indirect Expenses were assigned to the functional programs based on anticipated needs. Actual 2010 costs were allocated among the functional programs based on the program's relative share of direct expenses.

(3) Actual FTE equal RE Direct Staff FTEs (number of days employed at RE during 2010 divided by 365) plus Shared Staff FTEs (2010 billed hours divided by 1880)

SOUTHWEST POWER POOL
REGIONAL ENTITY
2010 Statement of Activities
Technical Committees and Member Forums



	(In Whole Dollars)				
	2010 Actual	2010 Budget	2010 \$ Variance	2010 % Variance	Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -		
Penalty Sanctions	-	-	-		
Total ERO Funding	\$ -	\$ -	\$ -		
Membership Fees & Non-Stat Assessments					
Testing Fees	\$ -	\$ -	\$ -		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	\$ -	\$ -	\$ -		
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -		
Payroll Taxes	-	-	-		
Employee Benefits	-	-	-		
Savings & Retirement	-	-	-		
Total Personnel Expenses	\$ -	\$ -	\$ -		
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -		
Travel	-	-	-		
Total Meeting Expenses	\$ -	\$ -	\$ -		
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -		
Office Rent	-	-	-		
Administrative/Office Costs	-	-	-		
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	\$ -	\$ -	\$ -		
Total Direct Expenses	\$ -	\$ -	\$ -		
SPP Inc. Indirect Expenses	\$ -	\$ -	\$ -		
SPP RE Indirect Expenses	\$ -	\$ -	\$ -		
Total Expenses	\$ -	\$ -	\$ -		
Change in Assets	\$ -	\$ -	\$ -		
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	\$ -	\$ -	\$ -		
TOTAL CHANGE IN ASSETS	\$ -	\$ -	\$ -		
FTEs	-	-	-		

The expenses incurred by the SPP RE for technical committees and member forums are included in the direct expenses of the applicable program.

SOUTHWEST POWER POOL
REGIONAL ENTITY
2010 Statement of Activities
General and Administrative



	(In Whole Dollars)				
	2010 Actual	2010 Budget	2010 \$ Variance	2010 % Variance	Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -		
Penalty Sanctions	-	-	-		
Total ERO Funding	\$ -	\$ -	\$ -		
Membership Fees & Non-Stat Assessments					
Testing Fees	\$ -	\$ -	\$ -		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	2,113	-	2,113		
Miscellaneous	-	-	-		
Total Funding	\$ 2,113	\$ -	\$ 2,113		
Expenses					
Personnel Expenses					
Salaries	\$ 453,811	\$ 498,800	\$ (44,989)	-9%	
Payroll Taxes	23,096	33,600	(10,504)	-31%	
Employee Benefits ¹	20,075	43,200	(23,125)	-54%	
Savings & Retirement	19,648	20,000	(352)	-2%	
Total Personnel Expenses	\$ 516,630	\$ 595,600	\$ (78,970)	-13%	Personnel Expenses were lower primarily due to the reassignment of the RE Counsel from General & Administrative area to the enforcement group in the compliance functional program area
Meeting Expenses					
Meetings	\$ 4,062	\$ -	\$ 4,062		Actual Meeting Expenses reflect the costs of the three RE Trustee Meetings. No amount was included in the 2010 budget for these costs
Travel	51,257	30,000	21,257	71%	Travel Expenses were higher primarily due to higher than expected travel requirements of Staff assigned to this program area
Total Meeting Expenses	\$ 55,318	\$ 30,000	\$ 25,318	84%	
Operating Expenses					
Consultants & Contracts	\$ 3,255	\$ -	\$ 3,255		Actual Contracts and Consultants Expenses reflect the reimbursement of costs incurred by registered entity representatives attending the NERC Planning Committee meetings
Office Rent	-	-	-		
Administrative/Office Costs	230	-	230		
Professional Services	138,462	140,000	(1,538)	-1%	
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	\$ 141,947	\$ 140,000	\$ 1,947	1%	
Total Direct Expenses	\$ 713,895	\$ 765,600	\$ (51,705)	-7%	
SPP Inc. Indirect Expenses	\$ 400,440	\$ 481,280	\$ (80,840)	-17%	SPP Inc. Indirect Expenses were lower primarily due to actual FTEs being lower than budgeted FTEs. The decrease in costs resulting from the lower than expected FTEs was partially offset by the increase in the SPP Inc. Overhead Rate
SPP RE Indirect Expenses	\$ (1,114,335)	\$ (1,246,880)	\$ 132,545	-11%	
Total Expenses	\$ -	\$ -	\$ -		
Change in Assets	\$ 2,113	\$ -	\$ 2,113		
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	\$ -	\$ -	\$ -		
TOTAL CHANGE IN ASSETS	\$ 2,113	\$ -	\$ 2,113		
FTEs ²	3.00	4.00	(1.00)		

(1) Reimbursement for employee professional dues & licensing fees, e.g., PE and Attorney licensing fees, are included in Personnel Benefits as opposed to Office Costs

(2) Actual FTE equal RE Direct Staff FTEs (number of days employed at RE during 2010 divided by 365)

SOUTHWEST POWER POOL
REGIONAL ENTITY
2010 Statement of Activities
Legal



	(In Whole Dollars)				
	2010 Actual	2010 Budget	2010 \$ Variance	2010 % Variance	Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -		
Penalty Sanctions	-	-	-		
Total ERO Funding	\$ -	\$ -	\$ -		
Membership Fees & Non-Stat Assessments					
Testing Fees	\$ -	\$ -	\$ -		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	\$ -	\$ -	\$ -		
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -		
Payroll Taxes	-	-	-		
Employee Benefits	-	-	-		
Savings & Retirement	-	-	-		
Total Personnel Expenses	\$ -	\$ -	\$ -		
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -		
Travel	-	-	-		
Total Meeting Expenses	\$ -	\$ -	\$ -		
Operating Expenses					
Consultants & Contracts	\$ 9,408	\$ -	\$ 9,408		
Office Rent	-	-	-		
Administrative/Office Costs	-	-	-		
Professional Services	16,575	150,000	(133,425)	-89%	The 2010 Budget included an amount to support three hearings. One abbreviated hearing was held in 2010.
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	\$ 25,983	\$ 150,000	\$ (124,017)	-83%	
Total Direct Expenses	\$ 25,983	\$ 150,000	\$ (124,017)	-83%	
SPP Inc. Indirect Expenses	\$ -	\$ -	\$ -		
SPP RE Indirect Expenses ¹	\$ (25,983)	\$ (150,000)	\$ 124,017	-83%	
Total Expenses	\$ -	\$ -	\$ -		
Change in Assets	\$ -	\$ -	\$ -		
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	\$ -	\$ -	\$ -		
TOTAL CHANGE IN ASSETS	\$ -	\$ -	\$ -		
FTEs	-	-	-		

(1) SPP RE Indirect Expenses represent direct expenses for SPP RE Administrative Services (General & Administrative and Legal). In the 2010 BPB, the SPP RE Indirect Expenses were assigned to the functional programs based on anticipated needs. Actual 2010 costs were allocated among the functional programs based on the program's relative share of direct expenses.

SOUTHWEST POWER POOL
REGIONAL ENTITY
2010 Statement of Activities
Information Technology



	(In Whole Dollars)				
	2010 Actual	2010 Budget	2010 \$ Variance	2010 % Variance	Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -		
Penalty Sanctions	-	-	-		
Total ERO Funding	\$ -	\$ -	\$ -		
Membership Fees & Non-Stat Assessments					
Testing Fees	\$ -	\$ -	\$ -		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	\$ -	\$ -	\$ -		
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -		
Payroll Taxes	-	-	-		
Employee Benefits	-	-	-		
Savings & Retirement	-	-	-		
Total Personnel Expenses	\$ -	\$ -	\$ -		
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -		
Travel	-	-	-		
Total Meeting Expenses	\$ -	\$ -	\$ -		
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -		
Office Rent	-	-	-		
Administrative/Office Costs	-	-	-		
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	\$ -	\$ -	\$ -		
Total Direct Expenses	\$ -	\$ -	\$ -		
SPP Inc. Indirect Expenses	\$ -	\$ -	\$ -		
SPP RE Indirect Expenses	\$ -	\$ -	\$ -		
Change in Assets	\$ -	\$ -	\$ -		
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	-	-	-		
TOTAL CHANGE IN ASSETS	\$ -	\$ -	\$ -		
FTEs	-	-	-		

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

SOUTHWEST POWER POOL
REGIONAL ENTITY
2010 Statement of Activities
Human Resources



	(In Whole Dollars)				
	2010 Actual	2010 Budget	2010 \$ Variance	2010 % Variance	Comments - Explain variances that are +/- 10%
Funding					The costs for Human Resource services to support all RE programs are accounted for within the SPP, Inc. Indirect Expenses
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -		
Penalty Sanctions	-	-	-		
Total ERO Funding	\$ -	\$ -	\$ -		
Membership Fees & Non-Stat Assessments					
Testing Fees	\$ -	\$ -	\$ -		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	\$ -	\$ -	\$ -		
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -		
Payroll Taxes	-	-	-		
Employee Benefits	-	-	-		
Savings & Retirement	-	-	-		
Total Personnel Expenses	\$ -	\$ -	\$ -		
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -		
Travel	-	-	-		
Total Meeting Expenses	\$ -	\$ -	\$ -		
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -		
Office Rent	-	-	-		
Administrative/Office Costs	-	-	-		
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	\$ -	\$ -	\$ -		
Total Direct Expenses	\$ -	\$ -	\$ -		
SPP Inc. Indirect Expenses	\$ -	\$ -	\$ -		
SPP RE Indirect Expenses	\$ -	\$ -	\$ -		
Change in Assets	\$ -	\$ -	\$ -		
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	-	-	-		
TOTAL CHANGE IN ASSETS	\$ -	\$ -	\$ -		
FTEs	-	-	-		

SOUTHWEST POWER POOL
REGIONAL ENTITY
2010 Statement of Activities
Finance



	(In Whole Dollars)			2010 % Variance	Comments - Explain variances that are +/- 10%
	2010 Actual	2010 Budget	2010 \$ Variance		
Funding					The costs for accounting and financial services to support all RE programs are accounted for within the SPP, Inc. Indirect Expenses
ERO Funding					
ERO Assessments	\$ -	\$ -	\$ -		
Penalty Sanctions	-	-	-		
Total ERO Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Membership Fees & Non-Stat Assessments					
Testing Fees	\$ -	\$ -	\$ -		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -		
Payroll Taxes	-	-	-		
Employee Benefits	-	-	-		
Savings & Retirement	-	-	-		
Total Personnel Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -		
Travel	-	-	-		
Total Meeting Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -		
Office Rent	-	-	-		
Administrative/Office Costs	-	-	-		
Professional Services	-	-	-		
Miscellaneous	-	-	-		
Depreciation	-	-	-		
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Total Direct Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
SPP RE Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>		
TOTAL CHANGE IN ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
FTEs	-	-	-		

Attachment 2
CALCULATION OF THE SPP INDIRECT COST RATE
RATE IS BASED ON 2008 ACTUAL DATA

Support Groups	Overhead Costs to Allocate	
Administration	\$11,841,414	*
Officers	\$1,797,617	**
Accounting	\$924,812	
Human Resources	\$1,228,284	
Internal Audit	\$0	
Project Management	\$0	
Customer Service	\$350,123	
Legal	\$556,077	
Communications	\$283,310	
Information Technology	\$7,874,594	
	\$24,856,231	A
Non-Support Resource Groups		
Ending 2008 Headcount	205	
# of Work Hours in 2008	1,880	
	385,400	B
2008 Indirect Rate (A / B)	\$64.49	

* *Does not include FERC Pass-Thru Fees and depreciation of market and transmission assets*

** *Does not include costs for executives performing delegated functions*

Attachment 3
CALCULATION OF THE SPP INDIRECT COST RATE
RATE IS BASED ON 2010 ACTUAL DATA

Support Groups	Overhead Costs to Allocate	
Administration	\$14,049,031	*
Officers	\$3,681,391	**
Accounting	\$1,097,503	
Human Resources	\$1,925,400	
Internal Audit	\$0	
Project Management	\$0	
Process Management	\$0	
Customer Service	\$463,959	
Legal	\$959,540	
Communications	\$245,914	
Information Technology	\$11,766,946	
IT	\$34,189,684	A
Non-Support Resource Groups		
Ending 2010 Headcount	256	
# of Work Hours in 2010	1,880	
	481,280	B
2010 Indirect Rate (A / B)	\$71.04	

* *Does not include FERC Pass-Thru Fees and depreciation of market and transmission assets*

** *Does not include costs for executives performing delegated functions*

Southwest Power Pool, Inc.

Accountants' Report and Financial Statements

December 31, 2010 and 2009



Southwest Power Pool, Inc.

December 31, 2010 and 2009

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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. (the Company), as of December 31, 2010 and 2009, and the related statements of operations, members' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Power Pool, Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United State of America.

BKD, LLP

April 5, 2011

Southwest Power Pool, Inc.

Balance Sheets

(In Thousands)

December 31, 2010 and 2009

Assets

	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and cash equivalents	\$ 81,041	\$ 36,170
Restricted cash deposits	25,668	19,740
Accounts receivable	18,509	15,083
Prepaid expenses and other	<u>3,351</u>	<u>3,138</u>
Total current assets	<u>128,569</u>	<u>74,131</u>
Property and Equipment, At Cost		
Land	4,812	328
Building	5,965	5,965
Furniture and fixtures	4,395	4,336
Equipment and machinery	20,994	21,956
Leasehold improvements	1,283	1,119
Software	71,082	62,466
Software in development	10,689	10,751
Construction in progress	<u>6,114</u>	<u>208</u>
	125,334	107,129
Less accumulated depreciation and amortization	<u>79,334</u>	<u>68,652</u>
	<u>46,000</u>	<u>38,477</u>
Other Assets, Net	<u>3,192</u>	<u>1,547</u>
	<u>\$ 177,761</u>	<u>\$ 114,155</u>

Liabilities and Members' Deficit

	<u>2010</u>	<u>2009</u>
Current Liabilities		
Accounts payable	\$ 10,348	\$ 11,469
Customer deposits	25,668	19,740
Current maturities of long-term debt <i>(Note 4)</i>	13,206	9,206
Accrued expenses	26,448	20,939
Deferred revenue	<u>6,174</u>	<u>6,089</u>
Total current liabilities	81,844	67,443
Long-term Debt <i>(Note 4)</i>	112,163	60,369
Other Long-term Liabilities	4,136	5,649
Members' Deficit	<u>(20,382)</u>	<u>(19,306)</u>
	<u>\$ 177,761</u>	<u>\$ 114,155</u>

Southwest Power Pool, Inc.
Statements of Operations
(In Thousands)
Years Ended December 31, 2010 and 2009

	2010	2009
Operating Income		
Tariff fees and member assessments	\$ 86,563	\$ 72,385
Other member services	<u>29,526</u>	<u>29,234</u>
	<u>116,089</u>	<u>101,619</u>
Operating Expenses		
Salaries and benefits	56,896	50,140
Employee travel	1,424	1,404
Administrative	2,899	2,804
Regulatory assessment	14,101	13,104
Meetings	775	756
Communications system	3,079	3,255
Leases	1,707	1,533
Maintenance	6,354	5,292
Consulting services	14,366	18,645
Depreciation and amortization	<u>14,243</u>	<u>20,597</u>
	<u>115,844</u>	<u>117,530</u>
Operating Income (Loss)	<u>245</u>	<u>(15,911)</u>
Other Income (Expense)		
Interest income	56	305
Interest expense	(3,619)	(2,879)
Change in fair market value of interest rate swaps	53	1,698
Other income	<u>79</u>	<u>53</u>
	<u>(3,431)</u>	<u>(823)</u>
Loss Before Change in Funded Status of Employee Benefit Plans	(3,186)	(16,734)
Change in Funded Status of Employee Benefit Plans	<u>2,110</u>	<u>4,969</u>
Net Loss	<u>\$ (1,076)</u>	<u>\$ (11,765)</u>

Southwest Power Pool, Inc.
Statements of Members' Deficit
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Balance, Beginning of Year	\$ (19,306)	\$ (7,541)
Net loss	<u>(1,076)</u>	<u>(11,765)</u>
Balance, End of Year	<u>\$ (20,382)</u>	<u>\$ (19,306)</u>

Southwest Power Pool, Inc.
Statements of Cash Flows
(In Thousands)
Years Ended December 31, 2010 and 2009

	2010	2009
Operating Activities		
Net loss	\$ (1,076)	\$ (11,765)
Items not requiring cash		
Depreciation and amortization	14,243	20,597
Change in funded status of employee benefit plans	(2,110)	(4,969)
Loss on disposal of fixed assets		42
Change in fair market value of interest rate swaps	(53)	(1,698)
Changes in assets and liabilities		
Accounts receivable	(3,426)	(3,439)
Prepaid expenses and other	(213)	(1,362)
Other assets	(1,120)	(229)
Accounts payable	(1,121)	3,969
Accrued expenses	5,594	6,471
Other long-term liabilities	96	234
Net cash provided by operating activities	10,814	7,851
Investing Activities		
Acquisition of property and equipment	(21,737)	(17,817)
Net cash used in investing activities	(21,737)	(17,817)
Financing Activities		
Repayments of long-term debt	(9,206)	(8,206)
Issuance of long-term debt	65,000	30,000
Net cash provided by financing activities	55,794	21,794
Increase in Cash and Cash Equivalents	44,871	11,828
Cash and Cash Equivalents, Beginning of Year	36,170	24,342
Cash and Cash Equivalents, End of Year	\$ 81,041	\$ 36,170
Supplemental Cash Flow Information		
Interest paid (net of interest capitalized of \$224 and \$323 in 2010 and 2009, respectively.)	\$ 3,512	\$ 3,032

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

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 six million ultimate customers across all or parts of nine states. The Company's membership consists of investor-owned utilities, municipal systems, generation and transmission cooperatives, state authorities, independent power producers, contract participants, power marketers and independent transmission companies.

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

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

Use of Estimates

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

Cash and Cash Equivalents and Deposits (In Thousands)

The Company considers all highly liquid interest-earning investments with stated maturities and coupon rate reset dates of no more than three months to be cash equivalents. At December 31, 2010 and 2009, the Company's cash and cash equivalents, including restricted deposits, are invested primarily in money market funds, mutual funds and repurchase agreements. These investments are typically revalued to the market each day and, in the case of repurchase agreements, are collateralized by U.S. government and federal agency securities. The Company's cash and cash equivalents consist primarily of funds accumulated for general operating purposes. Restricted cash deposits consist primarily of customer security deposits, amounts deposited for engineering studies and funds held in escrow for disputed invoices.

The financial institution holding the Company's cash accounts is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

Effective July 21, 2010, the FDIC's insurance limits permanently increased to \$250. At December 31, 2010, the Company's interest-bearing cash accounts exceeded federally insured limits by approximately \$7,206. However, the Company requires the financial institutions holding its cash balances to be rated A or better by nationally recognized rating agencies.

Income Taxes

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

The Company files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Company is no longer subject to U.S. federal examinations by tax authorities for years before 2007.

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
Vehicles	5 years
Equipment and machinery	3 years
Software	3 years
Leasehold improvements	Shorter of useful life or lease term

The Company capitalizes interest cost incurred on funds used to construct property, plant and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was \$224 and \$323 in 2010 and 2009, respectively.

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

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

Long-lived Asset Impairment

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

No asset impairment was recognized during the years ended December 31, 2010 and 2009.

Revenue Recognition

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

Customer Deposits

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

Tariff Fees and Member Assessments

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

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

The Company collects a membership fee from each member annually. The amount of the membership fee is established by the board of directors of the Company. For 2010 and 2009, 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.

Southwest Power Pool, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

Deferred Revenue

Revenues for contract services received in advance are recognized over the periods to which the revenues relate.

Other Member Services

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

Withdrawing Members

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

Concentration of Credit Risk

The Company is exposed to credit risk primarily through accounts receivable and uninsured cash equivalent balances. During 2010 and 2009, the Company maintained cash balances that exceeded the insurance limits of the Federal Deposit Insurance Corporation. However, the Company requires the financial institutions holding its cash balances to be rated A or better by nationally recognized rating agencies.

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

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 financial statement presentation. These reclassifications had no effect on net loss.

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

Note 2: Line of Credit (In Thousands)

The Company has a \$20,000 revolving line of credit expiring in 2011. At December 31, 2010 and 2009, no amounts were borrowed against this line. The agreement has a variable interest rate equal to either the bank's prime rate or the London Interbank Offered Rate (LIBOR) plus a credit margin. The Company's line of credit requires compliance with certain financial and non-financial covenants as well as periodic reporting requirements. The Company was in compliance with the covenant and reporting requirements throughout and at December 31, 2010.

Note 3: Significant Estimates and Concentrations

Current Economic Conditions

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

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

Southwest Power Pool, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

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

Long-term Debt

	2010	2009
4.78% Term Notes due 2011 (A)	\$ 5,000	\$ 10,000
Variable Rate Term Note due 2027 (B)	4,369	4,575
Variable Rate Term Note due 2014 (C)	21,000	25,000
5.45% Term Note due 2016 (D)	30,000	30,000
4.82% Term Notes due 2042 Series A (E)	30,000	-
4.82% Term Notes due 2042 Series B (F)	35,000	-
	125,369	69,575
Less current maturities	13,206	9,206
	\$ 112,163	\$ 60,369

- (A) Due June 25, 2011; principal payable \$5,000 annually, beginning on June 25, 2007; interest payable semi-annually at 4.78%. The note agreement requires mandatory prepayments of outstanding principal upon withdrawal from the Company of various aggregates of membership. The Company was not subject to any mandatory prepayments during 2010 and 2009. The notes are unsecured.
- (B) Due February 1, 2027; principal and interest are payable quarterly based on a 25-year amortization commencing May 1, 2007. The interest rate adjusts monthly based on the London Interbank Offered Rate (LIBOR) plus 0.85%. The note is secured by a first mortgage on the Company's operation facility.
- (C) Due December 25, 2014; interest is payable monthly and principal is payable quarterly based on a seven-year amortization. Payments commenced on March 25, 2008. The interest rate adjusts monthly based on the London Interbank Offered Rate (LIBOR) plus 0.30%. The note is unsecured.
- (D) Due July 23, 2016; principal and interest are payable quarterly based on a seven-year amortization. Principal payments are to commence on September 30, 2011. The interest rate is fixed at 5.45%. The note is unsecured.
- (E) Due December 30, 2042; principal and interest are payable quarterly based on a 32-year amortization commencing January 30, 2013. The interest rate is fixed at 4.82%. The note is unsecured.
- (F) Due December 30, 2042; principal and interest are payable quarterly based on a 32-year amortization commencing January 30, 2013. The interest rate is fixed at 4.82%. The note is unsecured.

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

Aggregate annual maturities of long term debt at December 31, 2010, are:

2011	\$	13,206
2012		11,206
2013		12,700
2014		12,748
2015		12,805
Thereafter		<u>62,704</u>
	\$	<u>125,369</u>

Certain of the Company's term notes require 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 throughout and at December 31, 2010.

Variable-to-Fixed Interest Rate Swap

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Company entered into an interest rate swap agreement on September 15, 2006 with U.S. Bank National Association. The agreement provides for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 5.51% on notional amounts of \$4,335 and \$4,539 at December 31, 2010 and 2009, respectively. Under the agreement, the Company pays or receives the net interest amount quarterly, with the quarterly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation (Loan B).

The Company entered into another interest rate swap agreement on August 23, 2007, with U.S. Bank National Association. The agreement provides for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 5.31% on notional amounts of \$21,000 and \$25,000 at December 31, 2010 and 2009, respectively. Under the agreement, the Company pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation (Loan C).

Southwest Power Pool, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

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

	2010	2009
Fair value of interest rate swap agreements	\$ 2,714	\$ 2,768
Balance sheet location of fair value amounts	Other Long-term	Other Long-term
	Liabilities	Liabilities
Gain recognized in statement of operations	\$ 53	\$ 1,698
Location of gain recognized in statement of operations	Change in Fair	Change in Fair
	Market Value of	Market Value of
	Interest Rate	Interest Rate
	Swaps	Swaps

Note 5: Operating Leases (In Thousands)

The Company has noncancellable operating leases for office space and certain office equipment, which expire at various times through 2014. The Company incurred lease expense related to these operating leases of \$1,707 and \$1,533 in 2010 and 2009, respectively.

Future minimum lease payments at December 31, 2010, were:

2011	\$ 1,567
2012	763
2013	743
2014	246
	\$ 3,319

Note 6: Employee Benefit Plans (In Thousands)

Pension and Other Postretirement Benefit Plans

The Company has a noncontributory defined benefit pension plan covering all employees meeting eligibility requirements. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company expects to contribute approximately \$3,000 to the plan in 2011.

The Company has a noncontributory defined benefit postretirement health care plan covering eligible retirees, including those retiring between the ages of 55-65 and hired prior to January 1, 1996. Employees hired after June 1, 2006, are not eligible to participate in the defined postretirement health care plan. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company expects to contribute approximately \$511 to the plan in 2011.

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

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

	Pension Benefits		Postretirement Health Care Benefits	
	2010	2009	2010	2009
Benefit obligation	\$ 23,862	\$ 20,064	\$ 5,298	\$ 4,640
Fair value of plan assets	<u>23,536</u>	<u>17,822</u>	<u>6,440</u>	<u>5,228</u>
Funded status	<u>\$ (326)</u>	<u>\$ (2,242)</u>	<u>\$ 1,142</u>	<u>\$ 588</u>

Amounts recognized in the balance sheets:

	Pension Benefits		Postretirement Health Care Benefits	
	2010	2009	2010	2009
Noncurrent assets	\$ -	\$ -	\$ 1,142	\$ 588
Noncurrent liabilities	<u>(326)</u>	<u>(2,242)</u>	<u>-</u>	<u>-</u>
	<u>\$ (326)</u>	<u>\$ (2,242)</u>	<u>\$ 1,142</u>	<u>\$ 588</u>

Amounts recognized in members' equity not yet recognized as components of net periodic benefit cost as of December 31, 2010, consist of:

	Pension Benefits	Postretirement Health Care Benefits
Net (gain)/loss	\$ 2,805	\$ (1,157)
Prior service credit	(19)	-
Transition obligation	<u>165</u>	<u>44</u>
	<u>\$ 2,951</u>	<u>\$ (1,113)</u>

The accumulated benefit obligation for the defined benefit pension plan was \$18,104 and \$15,211 at December 31, 2010 and 2009, respectively.

Southwest Power Pool, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

Other significant balances and costs are:

	Pension Benefits		Postretirement Health Care Benefits	
	2010	2009	2010	2009
Employer contributions	\$ 3,122	\$ 3,000	\$ 511	\$ 633
Benefits paid	129	121	20	17
Benefit costs	2,763	2,799	511	633

The following amounts have been recognized in the statements of operations for the year ended December 31, 2010:

	Pension Benefits		Postretirement Health Care Benefits	
Amounts arising during the period				
Net gain	\$	2,458	\$	806
Amounts recognized as components of net periodic benefit cost of the period				
Net loss		138		(4)
Net prior service credit		(1)		-
Net transition obligation		16		4

The estimated net loss, prior service cost and transition obligation for the defined benefit pension plan that will be amortized from members' equity into net period benefit cost over the next fiscal year are \$25, \$1 and \$16, respectively. There is no prior service credit for the defined benefit postretirement health care plan that will be amortized from members' equity into net periodic benefit cost over the next fiscal year.

Southwest Power Pool, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

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

	Pension Benefits		Postretirement Health Care Benefits	
	2010	2009	2010	2009
Discount rate				
Benefit Obligation	6.5%	6.75%	6.5%	6.75%
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 2010 and 2009. The rate was assumed to decrease gradually to 5% by the year 2016 and remain at that level thereafter.

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

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

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

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

	<u>Pension Benefits</u>	<u>Postretirement Health Care Benefits</u>
2011	\$ 153	\$ 38
2012	245	69
2013	353	107
2014	448	133
2015	562	166
2016-2020	4,967	1,397

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 limits investments in foreign securities to 20% of the total fair value of plan assets. The Investment Policy Statement is reviewed annually. At December 31, 2010 and 2009, plan assets by category are as follows:

	<u>Pension Plan Assets</u>		<u>Postretirement Health Care Plan Assets</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Fixed income securities	15%	15%	28%	29%
Equity securities	75	73	71	61
Cash and equivalents	<u>10</u>	<u>12</u>	<u>1</u>	<u>10</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Southwest Power Pool, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

Pension and Other Postretirement Plan Assets

Following is a description of the valuation methodologies used for the pension and postretirement plan assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of the assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include cash, money market accounts, mutual funds and common stock. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include foreign company stock, corporate debt obligations, foreign corporate debt obligations, government securities and foreign government securities. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. At December 31, 2010, the Company does not hold any plan assets valued using Level 3 inputs.

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

The fair values of the Company's pension plan assets at December 31, 2010, by asset category are as follows:

Asset Category	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 3	\$ 3	\$ -	\$ -
Money market mutual funds	267	267	-	-
Mutual funds				
Foreign large blend	535	535	-	-
Mid cap value	704	704	-	-
Mid cap growth	1,638	1,638	-	-
Large growth	5,072	5,072	-	-
Common stock				
Industrial materials	2,324	2,324	-	-
Consumer goods	117	117	-	-
Financial services	604	604	-	-
Energy	1,361	1,361	-	-
Healthcare services	1,111	1,111	-	-
Hardware	48	48	-	-
Business services	99	99	-	-
Foreign company stock				
Industrial materials	1,501	-	1,501	-
Hardware	334	-	334	-
Business services	235	-	235	-
Energy	682	-	682	-
Financial services	770	-	770	-
Consumer goods	231	-	231	-
Telecommunications	90	-	90	-
Healthcare services	197	-	197	-
Corporate debt obligations	2,350	-	2,350	-
Foreign corporate debt obligations	580	-	580	-
Government securities	2,381	-	2,381	-
Foreign government securities	302	-	302	-
Total	\$ <u>23,536</u>	\$ <u>13,883</u>	\$ <u>9,653</u>	\$ <u>0</u>

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

The fair value of the Company's other postretirement benefit plan assets at December 31, 2010, by asset category are as follows:

Asset Category	Total	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 2	\$ 2	\$ -	\$ -
Money market mutual funds	78	78	-	-
Mutual funds				
Equities				
Foreign large blend	311	311	-	-
Foreign large growth	287	287	-	-
Mid cap value	266	266	-	-
Mid cap growth	278	278	-	-
Small cap value	142	142	-	-
Small blend	142	142	-	-
Real estate	422	422	-	-
Emerging markets	204	204	-	-
Commodities	382	382	-	-
Fixed income				
Bond funds	183	183	-	-
Inflation protected	1,634	1,634	-	-
Common stock				
Industrial materials	323	323	-	-
Consumer goods & services	390	390	-	-
Financial services	207	207	-	-
Energy	186	186	-	-
Healthcare services	251	251	-	-
Hardware	142	142	-	-
Business services	61	61	-	-
Software	166	166	-	-
Telecommunications	128	128	-	-
Media	31	31	-	-
Utilities	66	66	-	-
Foreign company stock				
Business services	63	-	63	-
Financial services	50	-	50	-
Energy	45	-	45	-
Total	\$ 6,440	\$ 6,282	\$ 158	\$ 0

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

Defined Contribution Plans

The Company has a 401(k) defined contribution plan covering substantially all employees. The Company contributes funds to the plan on behalf of plan participants equal to 75% of the participants' elective deferrals up to 6% of deferred compensation. Contributions to the plan were \$1,658 and \$1,494 for 2010 and 2009, respectively.

The Company has a 457(b) non-qualified tax-deferred compensation plan. This plan is an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly-compensated employees and, therefore, is intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of ERISA. Accumulated contributions and earnings of \$652 and \$433 are recorded in other long-term liabilities at December 31, 2010 and 2009, respectively. In 2009, the Company offered a 457(f) non-qualified tax-deferred compensation plan to a select group of executive management. The 457(f) plan is intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of ERISA and serves to further supplement benefits lost due to IRS limits on compensation and benefits. Accrued benefits of \$443 and \$206 are recorded in other long-term liabilities for the 457(f) plan participants at December 31, 2010 and 2009, respectively.

Note 7: Related Party Transactions (In Thousands)

General disbursements of the Company are apportioned to members based on the formula described in the bylaws of the Company (see *Note 1*). The Company's receivables from members totaled \$9,986 and \$11,743 as of December 31, 2010 and 2009, respectively. The Company recognized revenues of \$84,698 and \$72,621, including assessments and tariff administrative fees, from members for the years ended December 31, 2010 and 2009, respectively.

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 2010 and 2009, the Company incurred \$178 and \$135, respectively, in expenses attributable to RSC operations. Management of the Company expects such expenditures for 2011 to be approximately \$266.

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

Note 8: Open Access Transmission and EIS Market Operations (In Thousands)

The Company provides short- and long-term firm and non-firm point-to-point transmission services and network integration transmission service across 15 providers in nine states. The Company is responsible for the billing of the transmission customers for the respective services and the remittance of the subsequent collections to the transmission owner on a monthly basis. Billings for these transmission services are not included in the statements of operations. The Company receives a fee for facilitating the transmission process, which is recorded as tariff fees in the Company's statements of operations. For the years ended December 31, 2010 and 2009, the Company billed transmission customers \$698,748 and \$537,367, respectively. For the years ended December 31, 2010 and 2009, the Company remitted to transmission owners \$627,931 and \$485,846, respectively. At December 31, 2010 and 2009, the Company was due to collect from customers and remit to owners transmission service charges of \$53,810 and \$43,544, respectively.

The Company's EIS market is a wholesale market that operates under a tariff approved by FERC and is consistent with the mandate of the FERC Order No. 2000, which requires RTOs to provide real-time energy imbalance services and market monitoring functions. Weekly settlements of market participants' energy transactions are not reflected in the Company's statements of operations since they do not represent revenues or expenses of the Company as the Company merely acts as an intermediary in the settlement process. In this role, the Company receives and disburses funds to/from market participants on a weekly basis.

Note 9: Commitments and Contingencies (In Thousands)

Litigation and Regulatory Matters

The Company is engaged in various regulatory proceedings at both the federal and state levels. The Company is also subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such proceedings, claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company.

Construction Contract

The Company entered into a \$52,691 contract for the construction of a new facility. The remaining commitment on the contract at December 31, 2010 was approximately \$49,510.

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2010 and 2009

Note 10: Disclosures About Fair Value of Financial Instruments (In Thousands)

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy. At December 31, 2010 and 2009, the fair value measurement of the interest rate swaps as recognized in the accompanying balance sheets was a liability of \$2,714 and \$2,768, respectively.

Cash Equivalents

The fair value of money market mutual funds included in cash equivalents are estimated using quoted prices in active markets for identical assets or liabilities. At December 31, 2010 and 2009, the fair value measurement of the cash equivalents as recognized in the accompanying balance sheets was \$4,261 and \$7,450, respectively.

The Company has no assets or liabilities measured and recognized in the accompanying balance sheets on a nonrecurring basis.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.

Southwest Power Pool, Inc.
Notes to Financial Statements
December 31, 2010 and 2009

Restricted Cash Deposits

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Customer Deposits

The carrying amount is a reasonable estimate of fair value.

Long-term Debt

Fair value is estimated based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities.

The following table presents estimated fair values of the Company's financial instruments at December 31, 2010 and 2009.

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	\$ 81,041	\$ 81,041	\$ 36,170	\$ 36,170
Restricted cash deposits	25,668	25,668	19,740	19,740
Financial liabilities				
Customer deposits	25,668	25,668	19,740	19,740
Long-term debt	125,369	101,799	69,575	66,531
Swap agreements	2,714	2,714	2,768	2,768

Note 11: Subsequent Events (In Thousands)

On March 31, 2011, the Company issued \$70,000 in funding related to the 2010 Series C Senior Notes. These notes will mature on March 30, 2024 and bear a 3.55% fixed interest rate.

Subsequent events have been evaluated through April 5, 2011, which is the date the financial statements were available to be issued.

ATTACHMENT 8

2010 ACTUAL COST-TO-BUDGET COMPARISON

AND

2010 AUDITED FINANCIAL REPORT

FOR

TEXAS RELIABILITY ENTITY, INC.

MEMORANDUM

To: Michael Walker and Susan Turpen, NERC
From: Todd Brewer, Manager, Finance & Accounting, Texas RE
CC: Larry Grimm, President & CEO, Texas RE
Date: May 18, 2011
Re: 2010 True-Up Report – Explanations for Statutory Only

Dear Mike and Susan,

Texas Reliability Entity, Inc. (Texas RE), which took assignment of all Texas Regional Entity rights, obligations, assets, and liabilities, effective June 30, 2010, and became the Regional Entity for the ERCOT region on July 1, 2010, has completed the 2010 true-up analysis requirements to file the true-up variance reports for NERC's use. The budget comparisons are compared to the 2010 Revised Budget, formally approved by FERC on May 6, 2010. Texas RE has included variance explanations for those year-to-date variance items that were greater than 10% and \$10,000. Texas RE believes that variances which were less than the stated threshold would not be material to the users of the information. However, Texas RE can provide additional information if needed.

Texas RE did not use Statutory funds for Non-statutory purposes. Texas RE's policy is to allocate indirect expenses to programs based on the pro-rata share of FTEs to total program FTEs. In 2010, Texas RE did temporarily use approximately \$600K of its cash reserves for the separation from ERCOT; however, by year-end, this amount was replenished once the funding for the amended 2010 budget approved by NERC and FERC was received. Texas RE actually ended the year with slightly more cash reserves than what was budgeted, so the use of the cash reserves was a timing issue only. The financial variances for the year are as follows:

EXPENSES

- **Personnel Expenses** (Total Year – \$394K under budget)
 - Salary expenses were approximately \$219K under budget due to staff vacancies that existed throughout the year. The budget included 39.5 FTEs that were fully funded throughout the year.
 - Payroll Taxes were \$8K under budget and were related to the vacancy savings mentioned under salary expenses.
 - Benefits were \$86K under budget and were also related to the vacancy savings and a health benefits adjustment made while affiliated with ERCOT.
 - Savings and Retirement expenses were \$81K under budget due to the above mentioned vacancies and due to actual employee elections.
- **Meetings** (Total Year – \$95K under budget)
 - The Operations Training Seminar (OTS) costs and other workshop costs incurred under the meetings category were \$91K less than budget. There had been other spending for the OTS incurred under office costs, professional services and travel (those variances were reflected under those accounts).

- **Consultants & Contracts** (Total Year – \$282K over budget)
 - The IT service separation costs were budgeted under both consultants & contracts, as well some under professional services; however, the actual expenses were recorded where they should reside.
- **Rent** (Total Year – \$34K over budget)
 - The Statutory rent and facilities expenses were higher due to additional rent paid in December. Texas RE relocated its offices December 3rd and the first months rent was incurred in December as well as the final month's rent associated with the old lease. The rent expense also includes security services which are for full time security services. The budget was prepared for part-time services.
- **Office Costs** (Total Year – \$243K over budget)
 - Internet expenses were originally budgeted under consultants and contracts. However, under the new company chart of accounts after separation, the expenses were incurred under office costs. Additionally, there were non-capitalized software purchases and computer supplies purchases that were originally budgeted under the fixed assets area which are being expensed here.
- **Professional Services** (Total Year – \$842K under budget)
 - There is under-spending on outside legal expenses of \$275K. The remaining portion of the variance relates to an expected expense for outside IT support budgeted that was not incurred because we added the appropriate staff and elected to purchase capital versus lease IT systems, etc.
- **Depreciation** (Total Year – \$68K under budget)
 - Texas RE's capital spending had lagged budget for the majority of the year. However, there was a significant purchase of assets in December that will depreciate over time.

FIXED ASSETS

- Texas RE did incur expenses related to the separation from ERCOT. The effective date of separation was July 1, 2010. There were also significant unbudgeted purchases of fixed assets in December to support Texas RE in meeting its operating requirements. Approximately \$245K in additional storage was added to our IT infrastructure, \$379K in software costs, and \$143K in hardware costs which will be used to electronically access and store ERCOT system data. The overage of \$767K for fixed assets spending was offset by under-spending on operating expenses of \$843K.

As you are reviewing the enclosed report, please do not hesitate to contact me at 512.583.4959 or Larry Grimm at 512.583.4911 with questions or concerns.

Best Regards,



Todd Brewer,
Manager, Finance & Accounting
Texas Reliability Entity, Inc.
805 Las Cimas Pkwy, Suite 200
Austin, TX 78746
www.texasre.org

CONSOLIDATED TEXAS REGIONAL ENTITY / TEXAS RELIABILITY ENTITY, INC.
2010 Statement of Activities: Combined Statutory and Non-Statutory

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding			
ERO Assessments	9,144,339	9,144,339	-
Penalty Sanctions	-	-	-
Total ERO Funding	9,144,339	9,144,339	-
Membership Fees & Non-Stat Assessments	565,330	1,210,879	(645,549)
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	179,999	180,000	(1)
Interest	3,636	2,000	1,636
Miscellaneous	-	-	-
Total Funding	9,893,304	10,537,218	(643,914)
Expenses			
Personnel Expenses			
Salaries	3,924,430	4,498,396	(573,966)
Payroll Taxes	320,621	356,162	(35,541)
Employee Benefits	352,034	481,896	(129,862)
Savings & Retirement	511,944	645,949	(134,005)
Total Personnel Expenses	5,109,030	5,982,403	(873,373)
Meeting Expenses			
Meetings	136,988	233,600	(96,612)
Travel	197,032	195,016	2,016
Total Meeting Expenses	334,020	428,616	(94,596)
Operating Expenses			
Consultants & Contracts	919,095	646,950	272,145
Office Rent	431,522	429,265	2,257
Office Costs	292,662	49,422	243,240
Professional Services	379,278	1,299,931	(920,653)
Miscellaneous	54,200	48,225	5,975
Depreciation	264,349	329,657	(65,308)
Total Operating Expenses	2,341,106	2,803,450	(462,344)
Total Direct Expenses	7,784,155	9,214,469	(1,430,314)
Indirect Expenses	-	-	-
Other Non-Operating Expenses	-	-	-
Total Expenses	7,784,155	9,214,469	(1,430,314)
Change in Assets	2,109,149	1,322,749	786,400
Fixed Assets			
Depreciation	(264,349)	(329,657)	65,308
Computer & Software CapEx	1,372,952	1,148,500	224,452
Furniture & Fixtures CapEx	279,141	332,215	(53,074)
Equipment CapEx	406,745	-	406,745
Leasehold Improvements	53,142	-	53,142
Increase / Decrease in Fixed Assets	(1,847,632)	(1,151,058)	(696,574)
Allocation of Fixed Assets	-	-	-
Change in Fixed Assets	(1,847,632)	(1,151,058)	(696,574)
TOTAL CHANGE IN ASSETS	261,517	171,691	89,826
FTE	42.60	46.00	(3.40)

CONSOLIDATED TEXAS RE
2010 Statement of Activities Summary
Statutory Only

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance
Funding			
ERO Funding			
ERO Assessments	9,144,339	9,144,339	-
Penalty Sanctions	-	-	-
Total ERO Funding	9,144,339	9,144,339	-
Membership Fees & Non-Stat Assessments	38,250	27,000	11,250
Testing Fees	-	-	-
Services & Software	-	-	-
Workshops	179,999	180,000	(1)
Interest	3,636	2,000	1,636
Miscellaneous	-	-	-
Total Funding	9,366,224	9,353,339	12,885
Expenses			
Personnel Expenses			
Salaries	3,622,759	3,841,782	(219,023)
Payroll Taxes	295,242	302,981	(7,739)
Employee Benefits	322,468	408,773	(86,305)
Savings & Retirement	470,074	550,669	(80,595)
Total Personnel Expenses	4,710,542	5,104,205	(393,663)
Meeting Expenses			
Meetings	136,988	228,000	(91,012)
Travel	190,155	194,392	(4,237)
Total Meeting Expenses	327,143	422,392	(95,249)
Operating Expenses			
Consultants & Contracts	886,772	604,483	282,289
Office Rent	397,434	363,900	33,534
Office Costs	291,432	48,612	242,820
Professional Services	371,928	1,214,247	(842,319)
Miscellaneous	54,060	44,842	9,218
Depreciation	231,246	299,657	(68,411)
Total Operating Expenses	2,232,872	2,575,741	(342,869)
Total Direct Expenses	7,270,557	8,102,338	(831,781)
Indirect Expenses	-	-	-
Other Non-Operating Expenses	-	-	-
Total Expenses	7,270,557	8,102,338	(831,781)
Change in Assets	2,095,667	1,251,001	844,666
Fixed Assets			
Depreciation	(231,246)	(299,657)	68,411
Computer & Software CapEx	1,372,952	1,081,500	291,452
Furniture & Fixtures CapEx	279,141	332,215	(53,074)
Equipment CapEx	406,745	-	406,745
Leasehold Improvements	53,142	-	53,142
Increase / Decrease in Fixed Assets	(1,880,734)	(1,114,058)	(766,676)
Allocation of Fixed Assets	-	-	-
Change in Fixed Assets	(1,880,734)	(1,114,058)	(766,676)
TOTAL CHANGE IN ASSETS	214,932	136,943	77,989
FTE	39.50	39.50	-

CONSOLIDATED TEXAS RE
2010 Statement of Activities Summary
Reliability Standards

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				Comments - Explain variances that are +/- 10%
ERO Funding				
ERO Assessments	561,400	561,400	-	0%
Penalty Sanctions	-	-	-	
Total ERO Funding	561,400	561,400	-	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	561,400	561,400	-	
Expenses				
Personnel Expenses				
Salaries	176,306	184,729	(8,423)	-5%
Payroll Taxes	14,200	14,901	(701)	-5%
Employee Benefits	15,257	20,489	(5,232)	-26%
Savings & Retirement	23,141	26,697	(3,556)	-13%
Total Personnel Expenses	228,904	246,816	(17,912)	-7%
Meeting Expenses				
Meetings	71	400	(329)	-82%
Travel	4,481	6,824	(2,343)	-34%
Total Meeting Expenses	4,553	7,224	(2,671)	-37%
Operating Expenses				
Consultants & Contracts	5,000	-	5,000	
Office Rent	-	-	-	
Office Costs	513	480	33	7%
Professional Services	4,167	18,824	(14,657)	-78% External legal fees were budgeted in 2010; however, not incurred in 2010.
Miscellaneous	510	615	(105)	-17%
Depreciation	-	-	-	
Total Operating Expenses	10,190	19,919	(9,729)	-49%
Total Direct Expenses	243,646	273,959	(30,313)	-11%
Indirect Expenses	192,355	228,441	(36,086)	-16% The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	-	-	-	
Total Expenses	436,002	502,400	(66,398)	-13%
Change in Assets	125,398	59,000	66,398	113%
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Increase / Decrease in Fixed Assets	-	-	-	
Allocation of Fixed Assets	(96,363)	(59,000)	(37,363)	63% The allocation of assets is based upon FTEs and expenditures in the overhead functions.
Change in Fixed Assets	(96,363)	(59,000)	(37,363)	63%
TOTAL CHANGE IN ASSETS	29,035	-	29,035	
FTE	1.64	2.06	(0.42)	

CONSOLIDATED TEXAS RE
2010 Statement of Activities Summary
Compliance and Organization Registration and Certification

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	6,746,229	6,746,229	-	0%	
Penalty Sanctions	-	-	-		
Total ERO Funding	6,746,229	6,746,229	-		
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	6,746,229	6,746,229	-		
Expenses					
Personnel Expenses					
Salaries	2,072,588	2,037,418	35,170	2%	Higher amount of labor and related work in this activity than budgeted.
Payroll Taxes	161,555	161,372	183	0%	
Employee Benefits	174,701	221,580	(46,879)	-21%	There was a health benefits adjustment made which lowered the benefits expense.
Savings & Retirement	267,217	289,434	(22,217)	-8%	Savings and Retirement is a function of salary expense but also FTE participation. Texas RE budgets for full participation; however, some employees do not contribute fully to the 401(k) plan.
Total Personnel Expenses	2,676,061	2,709,804	(33,743)	-1%	
Meeting Expenses					
Meetings	-	4,000	(4,000)	-100%	
Travel	89,799	154,664	(64,865)	-42%	Travel for audits was lower than originally planned.
Total Meeting Expenses	89,799	158,664	(68,865)	-43%	
Operating Expenses					
Consultants & Contracts	13,200	-	13,200		Consultant hired to do a short-term registration engagement.
Office Rent	-	-	-		
Office Costs	14,343	12,062	2,281	19%	
Professional Services	62,800	428,660	(365,860)	-85%	External legal expenses were less than budgeted. Texas RE budgets for 1 contested case annually and there was no contested case in 2010.
Miscellaneous	6,857	15,561	(8,704)	-56%	
Depreciation	100,909	141,107	(40,198)	-28%	Fewer modifications were made to the compliance portal and so the capitalizable expenses (investment) incurred was less than budgeted. This is the driver for depreciation expense. Texas RE's separation from ERCOT dominated the year and did not allow time to complete extra portal projects.
Total Operating Expenses	198,110	597,390	(399,280)	-67%	
Total Direct Expenses	2,963,969	3,465,858	(501,889)	-14%	
Indirect Expenses	2,725,827	2,409,652	316,175	13%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	-	-	-		
Total Expenses	5,689,796	5,875,510	(185,714)	-3%	
Change in Assets	1,056,433	870,719	185,714	21%	
Fixed Assets					
Depreciation	(100,909)	(141,107)	40,198		Fewer modifications were made to the compliance portal and so the capitalizable expenses (investment) incurred was less than budgeted. This is the driver for depreciation expense. Texas RE's separation from ERCOT dominated the year and did not allow time to complete extra portal projects.
Computer & Software CapEx	308,812	374,237	(65,425)	-17%	Anticipated working on enhancing the compliance portal; that was not possible due to the transition to the new corporation. However, Texas RE was able to procure the new data retrieval hardware and software that will be implemented fully in 2011.
Furniture & Fixtures CapEx	-	15,215	(15,215)	-100%	Furniture was purchased under the G&A area.
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Increase / Decrease in Fixed Assets	(207,903)	(248,345)	40,442	-16%	
Allocation of Fixed Assets	(1,365,528)	(622,374)	(743,154)	119%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
Change in Fixed Assets	(1,573,431)	(870,719)	(702,712)	81%	
TOTAL CHANGE IN ASSETS	(516,998)	-	(516,998)		
FTE	23.24	21.74	1.50		

CONSOLIDATED TEXAS RE
2010 Statement of Activities Summary
Training and Education

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	Comments - Explain variances that are +/- 10%
Funding				
ERO Funding				
ERO Assessments	284,526	284,526	-	0%
Penalty Sanctions	-	-	-	
Total ERO Funding	284,526	284,526	-	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	179,999	180,000	(1)	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	464,525	464,526	(1)	
Expenses				
Personnel Expenses				
Salaries	72,054	81,122	(9,068)	-11%
Payroll Taxes	5,878	6,425	(547)	-9%
Employee Benefits	6,039	8,834	(2,795)	-32%
Savings & Retirement	9,305	11,511	(2,206)	-19%
Total Personnel Expenses	93,276	107,892	(14,616)	-14%
Meeting Expenses				
Meetings	119,078	220,000	(100,922)	-46%
Travel	4,388	-	4,388	No offsite workshop facility costs were required in 2010. Additionally, the OTS facility costs were less than budgeted for 2010.
Total Meeting Expenses	123,465	220,000	(96,535)	-44%
Operating Expenses				
Consultants & Contracts	5,634	-	5,634	100%
Office Rent	-	-	-	
Office Costs	6,912	-	6,912	100%
Professional Services	-	-	-	
Miscellaneous	-	842	(842)	-100%
Depreciation	-	-	-	
Total Operating Expenses	12,545	842	11,703	1390%
Total Direct Expenses	229,287	328,734	(99,447)	-30%
Indirect Expenses	95,005	107,918	(12,913)	-12% The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	-	-	-	
Total Expenses	324,292	436,652	(112,360)	-26%
Change in Assets	140,233	27,874	112,359	403%
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Increase / Decrease in Fixed Assets	-	-	-	
Allocation of Fixed Assets	(47,594)	(27,874)	(19,720)	71% The allocation of assets is based upon FTEs and expenditures in the overhead functions.
Change in Fixed Assets	(47,594)	(27,874)	(19,720)	71%
TOTAL CHANGE IN ASSETS	92,639	-	92,639	
FTE	0.81	0.97	(0.16)	

CONSOLIDATED TEXAS RE
2010 Statement of Activities Summary
Reliability Assessment and Performance Analysis

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	630,416	630,416	-	0%	
Penalty Sanctions	-	-	-		
Total ERO Funding	630,416	630,416	-		
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	630,416	630,416	-		
Expenses					
Personnel Expenses					
Salaries	197,427	217,004	(19,577)	-9%	Variance is attributed to employee vacancies and work being performed in other programs/activities.
Payroll Taxes	16,774	17,187	(413)	-2%	
Employee Benefits	17,447	23,632	(6,185)	-26%	
Savings & Retirement	26,635	30,793	(4,158)	-14%	
Total Personnel Expenses	258,283	288,616	(30,333)	-11%	
Meeting Expenses					
Meetings	35	-	35		
Travel	9,924	806	9,118	1131%	There was significantly more RAPA travel in 2010 than budgeted. These were primarily NERC sponsored meetings.
Total Meeting Expenses	9,958	806	9,152	1136%	
Operating Expenses					
Consultants & Contracts	500	-	500	100%	
Office Rent	-	-	-		
Office Costs	1,070	-	1,070	100%	
Professional Services	-	-	-		
Miscellaneous	-	673	(673)	-100%	
Depreciation	-	-	-		
Total Operating Expenses	1,570	673	897	133%	
Total Direct Expenses	269,812	290,095	(20,283)	-7%	
Indirect Expenses	190,010	270,464	(80,454)	-30%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	-	-	-		
Total Expenses	459,822	560,559	(100,737)	-18%	
Change in Assets	170,594	69,857	100,737	144%	
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Increase / Decrease in Fixed Assets	-	-	-		
Allocation of Fixed Assets	(95,187)	(69,857)	(25,330)	36%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
Change in Fixed Assets	(95,187)	(69,857)	(25,330)	36%	
TOTAL CHANGE IN ASSETS	75,407	-	75,407		
FTE	1.62	2.44	(0.82)		

CONSOLIDATED TEXAS RE
2010 Statement of Activities Summary
Situation Awareness and Infrastructure Security

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	813,822	813,822	-	0%	
Penalty Sanctions	-	-	-		
Total ERO Funding	813,822	813,822	-		
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	813,822	813,822	-		
Expenses					
Personnel Expenses					
Salaries	166,335	291,164	(124,829)	-43%	Variance is attributed to employee vacancies and work being performed in other programs/activities.
Payroll Taxes	13,477	23,060	(9,583)	-42%	
Employee Benefits	16,742	31,708	(14,966)	-47%	In addition to less labor hours under this program/activity, there was a health benefits adjustment made which lowered the benefits expense.
Savings & Retirement	22,051	41,316	(19,265)	-47%	Savings and Retirement is a function of salary expense as well as FTE participation.
Total Personnel Expenses	218,605	387,248	(168,643)	-44%	
Meeting Expenses					
Meetings	271	-	271		
Travel	4,948	4,260	688	16%	
Total Meeting Expenses	5,219	4,260	959	23%	
Operating Expenses					
Consultants & Contracts	-	-	-		
Office Rent	-	-	-		
Office Costs	554	-	554	100%	
Professional Services	45	-	45	100%	
Miscellaneous	165	400	(235)	-59%	
Depreciation	-	-	-		
Total Operating Expenses	764	400	364	91%	
Total Direct Expenses	224,588	391,908	(167,320)	-43%	
Indirect Expenses	136,057	335,309	(199,252)	-59%	The allocation of indirect expenses is based upon FTEs and expenditures in the overhead functions.
Other Non-Operating Expenses	-	-	-		
Total Expenses	360,645	727,217	(366,572)	-50%	
Change in Assets	453,177	86,605	366,572	423%	
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Increase / Decrease in Fixed Assets	-	-	-		
Allocation of Fixed Assets	(68,159)	(86,605)	18,446	-21%	The allocation of assets is based upon FTEs and expenditures in the overhead functions.
Change in Fixed Assets	(68,159)	(86,605)	18,446	-21%	
TOTAL CHANGE IN ASSETS	385,018	-	385,018		
FTE	1.16	3.03	(1.87)		

CONSOLIDATED TEXAS RE
2010 Statement of Activities Summary
General and Administrative

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	Comments - Explain variances that are +/- 10%
Funding				
ERO Funding				
ERO Assessments	107,946	107,946	-	0%
Penalty Sanctions	-	-	-	
Total ERO Funding	107,946	107,946	-	
Membership Fees & Non-Stat Assessments	38,250	27,000	11,250	42% Texas RE received 153 membership payments versus the budgeted 108 memberships. This was the first year of having membership fees as an organization.
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	3,636	2,000	1,636	82%
Miscellaneous	-	-	-	
Total Funding	149,832	136,946	12,886	
Expenses				
Personnel Expenses				
Salaries	938,048	1,030,345	(92,297)	-9% Variance is attributed to employee vacancies and work being performed in other programs/activities.
Payroll Taxes	83,357	80,036	3,321	4%
Employee Benefits	92,282	102,530	(10,248)	-10% In addition to the savings from employee vacancies, work was performed for other programs/activities which lowered the benefits expense.
Savings & Retirement	121,725	150,918	(29,193)	-19% Savings and Retirement is a function of salary expense as well as FTE participation.
Total Personnel Expenses	1,235,412	1,363,829	(128,417)	-9%
Meeting Expenses				
Meetings	16,439	3,600	12,839	357% Incurred a NERC related meeting expense in Dallas, as well as a multiday board training. Both of these items were not budgeted.
Travel	32,273	17,158	15,115	88% Board related travel of \$15K was budgeted under the consultants and contracts area in 2010.
Total Meeting Expenses	48,712	20,758	27,954	135%
Operating Expenses				
Consultants & Contracts	681,613	604,483	77,130	13% Incurred costs for the separation of Texas RE that were higher than budget.
Office Rent	368,335	363,900	4,435	1%
Office Costs	13,203	28,830	(15,627)	-54% Less expense related to office supplies, postage, FedEx, etc.
Professional Services	73,876	75,300	(1,424)	-2%
Miscellaneous	39,787	1,350	38,437	2847% Furniture and equipment disposal which was unplanned, but necessary when we relocated offices in December 2010.
Depreciation	20,855	146,550	(125,695)	-86% Depreciation expense was primarily accumulated under the G&A department for budget purposes; however charged to other areas as appropriate.
Total Operating Expenses	1,197,669	1,220,413	(22,744)	-2%
Total Direct Expenses	2,481,793	2,605,000	(123,207)	-5%
Indirect Expenses	(2,481,793)	(2,605,000)	123,207	-5% Expenses related to this program are less due to the variance in Texas RE utilization and startup.
Other Non-Operating Expenses	-	-	-	
Total Expenses	-	-	(0)	
Change in Assets	149,832	136,946	12,886	9%
Fixed Assets				
Depreciation	(20,855)	(146,550)	125,695	-86% Depreciation expense was primarily accumulated under the G&A department for budget purposes; however charged to other areas as appropriate.
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	279,141	317,000	(37,859)	-12% Negotiated more favorable pricing on furniture acquisition for new office space.
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Increase / Decrease in Fixed Assets	(258,286)	(170,450)	(87,836)	52%
Allocation of Fixed Assets	258,286	170,450	87,836	52%
Change in Fixed Assets	-	-	-	
TOTAL CHANGE IN ASSETS	149,832	136,946	12,886	9%
FTE	2.82	1.05	1.77	

CONSOLIDATED TEXAS RE
2010 Statement of Activities Summary
Legal and Regulatory

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				Comments - Explain variances that are +/- 10%
ERO Funding				
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	-	-	-	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	-	-	-	Personnel expenses are budgeted and recorded in General & Administrative.
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
Total Personnel Expenses	-	-	-	
Meeting Expenses				
Meetings	549	-	549	100%
Travel	6,692	4,478	2,214	49%
Total Meeting Expenses	7,241	4,478	2,763	62%
Operating Expenses				
Consultants & Contracts	2,774	-	2,774	100%
Office Rent	-	-	-	
Office Costs	10,205	5,400	4,805	89%
Professional Services	118,862	138,000	(19,138)	-14%
Miscellaneous	886	6,200	(5,314)	-86%
Depreciation	-	-	-	
Total Operating Expenses	132,727	149,600	(16,873)	-11%
Total Direct Expenses	139,968	154,078	(14,110)	-9%
Indirect Expenses	(139,968)	(154,078)	14,110	-9% Expenses related to this program are less due to the variance in Texas RE utilization and startup.
Other Non-Operating Expenses	-	-	-	
Total Expenses	-	-	-	
Change in Assets	-	-	-	
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Increase / Decrease in Fixed Assets	-	-	-	
Allocation of Fixed Assets	-	-	-	
Change in Fixed Assets	-	-	-	
TOTAL CHANGE IN ASSETS	-	-	-	
FTE	2.98	3.17	(0.19)	

CONSOLIDATED TEXAS RE
2010 Statement of Activities Summary
Information Technology

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	-	-	-		
Penalty Sanctions	-	-	-		
Total ERO Funding	-	-	-		
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	-	-	-		
Expenses					
Personnel Expenses					
Salaries	-	-	-		Personnel expenses are budgeted and recorded in General & Administrative.
Payroll Taxes	-	-	-		
Employee Benefits	-	-	-		
Savings & Retirement	-	-	-		
Total Personnel Expenses	-	-	-		
Meeting Expenses					
Meetings	129	-	129	100%	
Travel	35,054	4,057	30,997	764%	Consultant related travel to manage the IT infrastructure and staff.
Total Meeting Expenses	35,183	4,057	31,126	767%	
Operating Expenses					
Consultants & Contracts	177,355	-	177,355	100%	Primarily the consultant related fees to manage the IT infrastructure, as well as IT hosting fees. These costs were budgeted under Professional Services.
Office Rent	29,099	-	29,099	100%	Rental of space associated with Texas RE's datacenter. This expense was also budgeted under professional services.
Office Costs	240,040	960	239,080	24904%	Purchases of non-capitalizable items such as monitors, computer peripherals, docking stations, and some software were expensed in 2010.
Professional Services	16,065	214,733	(198,668)	-93%	Expenses were incurred under consultants and contracts.
Miscellaneous	5,755	6,500	(745)	-11%	
Depreciation	103,057	12,000	91,057	759%	This expense is primarily related to the separation from ERCOT and the establishment of a new IT infrastructure. The budgeted expense for separation was primarily budgeted under G&A, but recorded under IT.
Total Operating Expenses	571,371	234,193	337,178	144%	
Total Direct Expenses	606,555	238,250	368,305	155%	
Indirect Expenses	(606,555)	(238,250)	(368,305)	155%	Expenses related to this program are less due to the variance in Texas RE utilization and startup.
Other Non-Operating Expenses	-	-	-		
Total Expenses	-	-	-		
Change in Assets					
Fixed Assets					
Depreciation	(103,057)	(12,000)	(91,057)	759%	This expense is primarily related to the separation from ERCOT and the establishment of a new IT infrastructure. The budgeted expense for separation was primarily budgeted under G&A, but recorded under IT.
Computer & Software CapEx	1,025,590	666,263	359,327	54%	Costs associated with the separation from ERCOT for capitalized servers, software, laptops, etc.
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	406,745	-	406,745		Costs associated with the separation from ERCOT for other equipment such as projectors, telephone system, board room, etc.
Leasehold Improvements	53,142	-	53,142		Wiring necessary for telephone system and office telecommunications.
Increase / Decrease in Fixed Assets	(1,382,420)	(654,263)	(728,157)	111%	
Allocation of Fixed Assets	1,382,420	654,263	728,157	111%	
Change in Fixed Assets	-	-	-		
TOTAL CHANGE IN ASSETS	-	-	-		
FTE	2.50	2.49	0.01	0%	

CONSOLIDATED TEXAS RE
2010 Statement of Activities Summary
Human Resources

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				Comments - Explain variances that are +/- 10%
ERO Funding				
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	-	-	-	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	-	-	-	Personnel expenses are budgeted and recorded in General & Administrative.
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
Total Personnel Expenses	-	-	-	
Meeting Expenses				
Meetings	342	-	342	100%
Travel	1,165	-	1,165	100%
Total Meeting Expenses	1,507	-	1,507	
Operating Expenses				
Consultants & Contracts	545	-	545	100%
Office Rent	-	-	-	
Office Costs	765	-	765	100%
Professional Services	3,820	121,720	(117,900)	-97% Budget was established and assumed fees for start-up of the new corporation that were not necessary.
Miscellaneous	100	-	100	100%
Depreciation	-	-	-	
Total Operating Expenses	5,230	121,720	(116,490)	-96%
Total Direct Expenses	6,737	121,720	(114,983)	-94%
Indirect Expenses	(6,737)	(121,720)	114,983	-94% Expenses related to this program are less due to the variance in Texas RE utilization and startup.
Other Non-Operating Expenses	-	-	-	
Total Expenses	-	-	-	
Change in Assets	-	-	-	
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Increase / Decrease in Fixed Assets	-	-	-	
Allocation of Fixed Assets	-	-	-	
Change in Fixed Assets	-	-	-	
TOTAL CHANGE IN ASSETS	-	-	-	
FTE	0.93	0.85	0.08	

CONSOLIDATED TEXAS RE
2010 Statement of Activities Summary
Accounting and Finance

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				Comments - Explain variances that are +/- 10%
ERO Funding				
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	-	-	-	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	-	-	-	Personnel expenses are budgeted and recorded in General & Administrative.
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
Total Personnel Expenses	-	-	-	
Meeting Expenses				
Meetings	75	-	75	100%
Travel	1,432	2,145	(713)	-33%
Total Meeting Expenses	1,506	2,145	(639)	-30%
Operating Expenses				
Consultants & Contracts	151	-	151	100%
Office Rent	-	-	-	
Office Costs	3,827	880	2,947	335%
Professional Services	92,292	217,010	(124,718)	-57%
Miscellaneous	-	12,701	(12,701)	-100%
Depreciation	6,425	-	6,425	100%
Total Operating Expenses	102,696	230,591	(127,895)	-55%
Total Direct Expenses	104,202	232,736	(128,534)	-55%
Indirect Expenses	(104,202)	(232,736)	128,534	-55%
Other Non-Operating Expenses	-	-	-	Expenses related to this program are less due to the variance in Texas RE utilization and startup.
Total Expenses	-	-	-	
Change in Assets	-	-	-	
Fixed Assets				
Depreciation	(6,425)	-	(6,425)	
Computer & Software CapEx	38,550	41,000	(2,450)	-6%
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Increase / Decrease in Fixed Assets	(32,125)	(41,000)	8,875	-22%
Allocation of Fixed Assets	32,125	41,000	(8,875)	-22%
Change in Fixed Assets	-	-	-	
TOTAL CHANGE IN ASSETS	-	-	-	
FTE	1.80	1.70	0.10	

CONSOLIDATED TEXAS RE
2010 Statement of Activities Summary
Non-Statutory Only

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				
ERO Funding				
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	527,080	1,183,879	(656,799)	-55% Texas RE only received enough non-statutory revenue to offset expenses.
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	<u><u>527,080</u></u>	<u><u>1,183,879</u></u>	<u><u>(656,799)</u></u>	
Expenses				
Personnel Expenses				
Salaries	301,672	656,614	(354,942)	-54% Variance is attributed to employee vacancies and less non-statutory labor than budgeted.
Payroll Taxes	25,379	53,181	(27,802)	-52% Payroll taxes are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense.
Employee Benefits	29,566	73,123	(43,557)	-60% In addition to the savings from employee vacancies, there was a health benefits adjustment made which lowered the benefits expense.
Savings & Retirement	41,870	95,280	(53,410)	-56% Savings and Retirement is a function of salary expense as well as FTE participation.
Total Personnel Expenses	<u>398,487</u>	<u>878,198</u>	<u>(479,711)</u>	-55%
Meeting Expenses				
Meetings	-	5,600	(5,600)	-100%
Travel	6,877	624	6,253	1002%
Total Meeting Expenses	<u>6,877</u>	<u>6,224</u>	<u>653</u>	10%
Operating Expenses				
Consultants & Contracts	32,323	42,467	(10,144)	-24% Variance is primarily due to employee vacancies and less non-statutory labor than budgeted. The MOU allocations were driven off of FTEs.
Office Rent	34,088	65,365	(31,277)	-48% There was a higher percentage of statutory rent in 2010 due to fewer non-statutory labor hours worked compared to budget.
Office Costs	1,230	810	420	52%
Professional Services	7,350	85,684	(78,334)	-91% Legal expenses were less than planned for 2010.
Miscellaneous	140	3,383	(3,243)	-96%
Depreciation	33,103	30,000	3,103	10%
Total Operating Expenses	<u>108,234</u>	<u>227,709</u>	<u>(119,475)</u>	-52%
Total Direct Expenses	<u>513,598</u>	<u>1,112,131</u>	<u>(598,533)</u>	-54%
Indirect Expenses			-	
Other Non-Operating Expenses	-	-	-	
Total Expenses	<u>513,598</u>	<u>1,112,131</u>	<u>(598,533)</u>	-54%
Change in Assets	<u>13,482</u>	<u>71,748</u>	<u>(58,266)</u>	-81%
Fixed Assets				
Depreciation	(33,103)	(30,000)	(3,103)	10%
Computer & Software CapEx	-	67,000	(67,000)	-100% This was for portal enhancements that might be necessary to accommodate the Protocol related work. This project was not worked on because of the initial decision to eliminate protocol work as of the end of 2010.
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Increase / Decrease in Fixed Assets	<u>33,103</u>	<u>(37,000)</u>	<u>70,103</u>	-189%
Allocation of Fixed Assets			-	
Change in Fixed Assets	<u>33,103</u>	<u>(37,000)</u>	<u>70,103</u>	-189%
TOTAL CHANGE IN ASSETS	<u><u>46,585</u></u>	<u><u>34,748</u></u>	<u><u>11,837</u></u>	34%
FTE	3.10	6.50	(3.40)	

TEXAS REGIONAL ENTITY
YTD 6/30/2010 Statement of Activities: Combined Statutory and Non-Statutory
 Unaudited

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				
ERO Funding				
ERO Assessments	3,330,189	3,330,189	-	0%
Penalty Sanctions			-	
Total ERO Funding	3,330,189	3,330,189	-	0%
Membership Fees & Non-Stat Assessments	286,062	576,886	(290,824)	-50%
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	179,999	180,000	(1)	0%
Interest	237	1,000	(763)	-76%
Miscellaneous	-	-	-	
Total Funding	3,796,486	4,088,075	(291,588)	-7%
Expenses				
Personnel Expenses				
Salaries	1,822,142	1,979,698	(157,556)	-8%
Payroll Taxes	141,541	156,801	(15,260)	-10%
Employee Benefits	121,689	213,446	(91,757)	-43%
Savings & Retirement	233,878	283,089	(49,211)	-17%
Total Personnel Expenses	2,319,251	2,633,034	(313,783)	-12%
Meeting Expenses				
Meetings	118,942	206,800	(87,858)	-42%
Travel	66,089	97,508	(31,419)	-32%
Total Meeting Expenses	185,031	304,308	(119,277)	-39%
Operating Expenses				
Consultants & Contracts	708,281	398,198	310,084	78%
Office Rent	195,000	195,000	-	0%
Office Costs	20,273	22,011	(1,738)	-8%
Professional Services	188,179	346,250	(158,071)	-46%
Miscellaneous	8,821	19,051	(10,230)	-54%
Depreciation	64,965	91,554	(26,589)	-29%
Total Operating Expenses	1,185,519	1,072,063	113,456	11%
Total Direct Expenses	3,689,800	4,009,404	(319,604)	-8%
Other Non-Operating Expenses	-	-	-	
Change in Assets	106,686	78,671	28,016	36%

TEXAS REGIONAL ENTITY
YTD 6/30/2010 Statement of Activities Summary
Statutory Only

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				
ERO Funding				
ERO Assessments	3,330,189	3,330,189	-	0%
Penalty Sanctions	-	-	-	
Total ERO Funding	<u>3,330,189</u>	<u>3,330,189</u>	<u>-</u>	0%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	179,999	180,000	(1)	0%
Interest	237	1,000	(763)	-76%
Miscellaneous	-	-	-	
Total Funding	<u><u>3,510,424</u></u>	<u><u>3,511,189</u></u>	<u><u>(764)</u></u>	0%
Expenses				
Personnel Expenses				
Salaries	1,654,175	1,675,646	(21,471)	-1%
Payroll Taxes	127,103	132,772	(5,669)	-4%
Employee Benefits	105,495	180,407	(74,911)	-42%
Savings & Retirement	209,743	240,038	(30,295)	-13%
Total Personnel Expenses	<u>2,096,515</u>	<u>2,228,862</u>	<u>(132,346)</u>	-6%
Meeting Expenses				
Meetings	118,942	204,000	(85,058)	-42%
Travel	59,322	97,196	(37,874)	-39%
Total Meeting Expenses	<u>178,264</u>	<u>301,196</u>	<u>(122,932)</u>	-41%
Operating Expenses				
Consultants & Contracts	675,958	338,166	337,793	100%
Office Rent	175,890	163,800	12,090	7%
Office Costs	19,486	22,011	(2,525)	-11%
Professional Services	183,979	317,313	(133,334)	-42%
Miscellaneous	8,681	18,118	(9,437)	-52%
Depreciation	41,831	76,554	(34,722)	-45%
Total Operating Expenses	<u>1,105,825</u>	<u>935,961</u>	<u>169,864</u>	18%
Total Direct Expenses	<u>3,380,604</u>	<u>3,466,018</u>	<u>(85,414)</u>	-2%
Other Non-Operating Expenses	-	-	-	
Change in Assets	<u>129,820</u>	<u>45,171</u>	<u>84,650</u>	187%
Fixed Assets				
Depreciation	(41,831)	(76,554)	34,722	-45%
Computer & Software CapEx	436,384	153,250	283,134	185%
Furniture & Fixtures CapEx	-	7,608	(7,608)	-100%
Equipment CapEx	215,249	-	215,249	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	<u>(609,802)</u>	<u>(84,304)</u>	<u>(525,498)</u>	623%
TOTAL CHANGE IN ASSETS	<u><u>(479,982)</u></u>	<u><u>(39,134)</u></u>	<u><u>(440,848)</u></u>	1127%

TEXAS REGIONAL ENTITY
YTD 6/30/2010 Statement of Activities
Reliability Standards

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10% and \$10K
Funding					
ERO Funding					
ERO Assessments	205,875	205,875	-	0%	
Penalty Sanctions	-	-	-		
Total ERO Funding	<u>205,875</u>	<u>205,875</u>	<u>-</u>	<u>0%</u>	
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	<u><u>205,875</u></u>	<u><u>205,875</u></u>	<u><u>-</u></u>	<u><u>0%</u></u>	
Expenses					
Personnel Expenses					
Salaries	90,608	92,365	(1,757)	-2%	
Payroll Taxes	6,951	7,451	(500)	-7%	
Employee Benefits	5,980	10,245	(4,264)	-42%	
Savings & Retirement	11,646	13,349	(1,703)	-13%	
Total Personnel Expenses	<u>115,185</u>	<u>123,408</u>	<u>(8,223)</u>	<u>-7%</u>	
Meeting Expenses					
Meetings	55	200	(145)	-72%	
Travel	2,577	3,412	(835)	-24%	
Total Meeting Expenses	<u>2,633</u>	<u>3,612</u>	<u>(979)</u>	<u>-27%</u>	
Operating Expenses					
Consultants & Contracts	-	-	-		
Office Rent	-	-	-		
Office Costs	184	240	(56)	-23%	
Professional Services	4,167	9,412	(5,245)	-56%	
Miscellaneous	510	308	203	66%	
Depreciation	-	-	-		
Total Operating Expenses	<u>4,861</u>	<u>9,960</u>	<u>(5,099)</u>	<u>-51%</u>	
Total Direct Expenses	<u>122,678</u>	<u>136,980</u>	<u>(14,301)</u>	<u>-10%</u>	
Other Non-Operating Expenses	-	-	-		
Change in Assets	<u>83,197</u>	<u>68,896</u>	<u>14,301</u>	<u>21%</u>	
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>		
TOTAL CHANGE IN ASSETS	<u><u>83,197</u></u>	<u><u>68,896</u></u>	<u><u>14,301</u></u>	<u><u>21%</u></u>	

TEXAS REGIONAL ENTITY
YTD 6/30/2010 Statement of Activities
Compliance and Organization Registration and Certification

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	Comments - Explain variances that are +/- 10% and \$10K
Funding				
ERO Funding				
ERO Assessments	2,533,834	2,533,834	-	0%
Penalty Sanctions	-	-	-	
Total ERO Funding	2,533,834	2,533,834	-	0%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	2,533,834	2,533,834	-	0%
Expenses				
Personnel Expenses				
Salaries	893,947	1,018,709	(124,762)	-12% Variance is attributed to employee vacancies.
Payroll Taxes	66,211	80,686	(14,475)	-18% Payroll taxes are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense.
Employee Benefits	54,651	110,790	(56,139)	-51% In addition to the savings from employee vacancies, there was a health benefits adjustment made which lowered the benefits expense.
Savings & Retirement	110,058	144,717	(34,659)	-24% Savings and Retirement is a function of salary expense as well as FTE participation.
Total Personnel Expenses	1,124,867	1,354,902	(230,035)	-17%
Meeting Expenses				
Meetings	-	2,000	(2,000)	-100%
Travel	30,009	77,332	(47,323)	-61% There was substantially less audit related travel done in the 1st and 2nd quarters of 2010.
Total Meeting Expenses	30,009	79,332	(49,323)	-62%
Operating Expenses				
Consultants & Contracts	-	-	-	
Office Rent	-	-	-	
Office Costs	3,067	6,031	(2,964)	-49%
Professional Services	56,199	214,330	(158,131)	-74% Legal expenses were less than planned for 2010.
Miscellaneous	6,710	7,781	(1,071)	-14%
Depreciation	36,602	70,554	(33,951)	-48% The depreciation expense for 2010 was less due to a smaller compliance portal cost balance.
Total Operating Expenses	102,579	298,695	(196,116)	-66%
Total Direct Expenses	1,257,455	1,732,929	(475,474)	-27%
Other Non-Operating Expenses	-	-	-	
Change in Assets	1,276,379	800,905	475,474	59%
Fixed Assets				
Depreciation	(36,602)	(70,554)	33,951	-48% The depreciation expense for 2010 was less due to a smaller compliance portal cost balance.
Computer & Software CapEx	-	137,119	(137,119)	-100% The guidance portal enhancements for 2010 did not occur because Texas RE needed to separate its business from ERCOT and so no enhancements occurred.
Furniture & Fixtures CapEx	-	7,608	(7,608)	-100%
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	36,602	(74,173)	110,775	-149%
TOTAL CHANGE IN ASSETS	1,312,981	726,732	586,249	81%

TEXAS REGIONAL ENTITY
YTD 6/30/2010 Statement of Activities
Training and Education

(In Whole Dollars)

Funding	2010 Actual	2010 Budget	2010 Variance	%	Comments - Explain variances that are +/- 10% and \$10K
ERO Funding					
ERO Assessments	106,915	106,915	-	0%	
Penalty Sanctions	-	-	-		
Total ERO Funding	106,915	106,915	-	0%	
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	179,999	180,000	(1)	0%	
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	286,914	286,915	(1)	0%	
Expenses					
Personnel Expenses					
Salaries	43,062	40,561	2,501	6%	
Payroll Taxes	3,637	3,213	425	13%	
Employee Benefits	2,885	4,417	(1,532)	-35%	
Savings & Retirement	5,524	5,756	(231)	-4%	
Total Personnel Expenses	55,108	53,946	1,162	2%	
Meeting Expenses					
Meetings	117,780	200,000	(82,220)	-41%	No offsite workshop facility costs were required in 2010. Additionally, the OTS facility costs were less than budgeted for 2010.
Travel	4,302	-	4,302		
Total Meeting Expenses	122,081	200,000	(77,919)	-39%	
Operating Expenses					
Consultants & Contracts	5,634	-	5,634		
Office Rent	-	-	-		
Office Costs	6,852	-	6,852		
Professional Services	-	-	-		
Miscellaneous	-	421	(421)	-100%	
Depreciation	-	-	-		
Total Operating Expenses	12,485	421	12,064	2866%	
Total Direct Expenses	189,675	254,367	(64,692)	-25%	
Other Non-Operating Expenses	-	-	-		
Change in Assets	97,239	32,548	64,691	199%	
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	-	-	-		
TOTAL CHANGE IN ASSETS	97,239	32,548	64,691	199%	

TEXAS REGIONAL ENTITY
YTD 6/30/2010 Statement of Activities
Reliability Assessment and Performance Analysis

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10% and \$10K
Funding					
ERO Funding					
ERO Assessments	226,618	226,618	-	0%	
Penalty Sanctions	-	-	-		
Total ERO Funding	<u>226,618</u>	<u>226,618</u>	<u>-</u>	<u>0%</u>	
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	<u>226,618</u>	<u>226,618</u>	<u>-</u>	<u>0%</u>	
Expenses					
Personnel Expenses					
Salaries	75,185	108,502	(33,317)	-31%	Variance is attributed to employee vacancies.
Payroll Taxes	6,164	8,594	(2,430)	-28%	
Employee Benefits	5,037	11,816	(6,779)	-57%	
Savings & Retirement	10,052	15,397	(5,345)	-35%	
Total Personnel Expenses	<u>96,438</u>	<u>144,308</u>	<u>(47,870)</u>	<u>-33%</u>	
Meeting Expenses					
Meetings	35	-	35		
Travel	4,137	403	3,734	926%	
Total Meeting Expenses	<u>4,171</u>	<u>403</u>	<u>3,768</u>	<u>935%</u>	
Operating Expenses					
Consultants & Contracts	500	-	500		
Office Rent	-	-	-		
Office Costs	193	-	193		
Professional Services	-	-	-		
Miscellaneous	-	337	(337)	-100%	
Depreciation	-	-	-		
Total Operating Expenses	<u>693</u>	<u>337</u>	<u>357</u>	<u>106%</u>	
Total Direct Expenses	<u>101,303</u>	<u>145,048</u>	<u>(43,745)</u>	<u>-30%</u>	
Other Non-Operating Expenses	-	-	-		
Change in Assets	<u>125,315</u>	<u>81,570</u>	<u>43,745</u>	<u>54%</u>	
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>		
TOTAL CHANGE IN ASSETS	<u>125,315</u>	<u>81,570</u>	<u>43,745</u>	<u>54%</u>	

TEXAS REGIONAL ENTITY
YTD 6/30/2010 Statement of Activities
Situation Awareness and Infrastructure Security

(In Whole Dollars)

Funding	2010 Actual	2010 Budget	2010 Variance	%	Comments - Explain variances that are +/- 10% and \$10K
ERO Funding					
ERO Assessments	297,081	297,081	-	0%	
Penalty Sanctions	-	-	-		
Total ERO Funding	297,081	297,081	-	0%	
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	297,081	297,081	-	0%	
Expenses					
Personnel Expenses					
Salaries	98,054	145,582	(47,528)	-33%	Variance is attributed to employee vacancies.
Payroll Taxes	7,808	11,530	(3,722)	-32%	
Employee Benefits	6,570	15,854	(9,284)	-59%	
Savings & Retirement	13,078	20,658	(7,580)	-37%	
Total Personnel Expenses	125,510	193,624	(68,114)	-35%	
Meeting Expenses					
Meetings	271	-	271		
Travel	2,538	2,130	408	19%	
Total Meeting Expenses	2,809	2,130	679	32%	
Operating Expenses					
Consultants & Contracts	-	-	-		
Office Rent	-	-	-		
Office Costs	202	-	202		
Professional Services	-	-	-		
Miscellaneous	165	200	(35)	-18%	
Depreciation	-	-	-		
Total Operating Expenses	367	200	167	84%	
Total Direct Expenses	128,686	195,954	(67,268)	-34%	
Other Non-Operating Expenses	-	-	-		
Change in Assets	168,394	101,127	67,268	67%	
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leaschold Improvements	-	-	-		
Change in Fixed Assets	-	-	-		
TOTAL CHANGE IN ASSETS	168,394	101,127	67,268	67%	

TEXAS REGIONAL ENTITY
YTD 6/30/2010 Statement of Activities
General and Administrative

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				Comments - Explain variances that are +/- 10% and \$10K
ERO Funding				
ERO Assessments	(40,133)	(40,133)	-	0%
Penalty Sanctions	-	-	-	
Total ERO Funding	(40,133)	(40,133)	-	0%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	237	1,000	(763)	-76%
Miscellaneous	-	-	-	
Total Funding	(39,896)	(39,133)	(763)	2%
Expenses				
Personnel Expenses				
Salaries	453,318	269,928	183,391	68% Variance includes the hiring of 4 unbudgeted corporate support personnel for finance, hr, external relations and IT. Additional, there was a significant effort and time required to separate from ERCOT which resulted in more time recorded to the indirect program areas (G&A, IT, Finance, HR, Legal, etc.)
Payroll Taxes	36,331	21,299	15,032	71% Payroll taxes are a function of salary expenses. As the FTEs were higher than planned, so too is the expense.
Employee Benefits	30,372	27,285	3,087	11%
Savings & Retirement	59,385	40,162	19,223	48% Savings and Retirement is a function of salary expense as well as FTE participation.
Total Personnel Expenses	579,406	358,674	220,733	62%
Meeting Expenses				
Meetings	-	1,800	(1,800)	-100%
Travel	8,748	8,579	169	2%
Total Meeting Expenses	8,748	10,379	(1,631)	-16%
Operating Expenses				
Consultants & Contracts	669,033	338,166	330,868	98% Includes the board recruitment expense of \$200K, as well as IT consulting expense of \$130K to facilitate Texas RE's separation from ERCOT.
Office Rent	175,890	163,800	12,090	7% There was a higher percentage of statutory rent in 2010 due to fewer non-statutory labor hours worked compared to budget.
Office Costs	4,695	12,120	(7,425)	-61%
Professional Services	36,152	30,000	6,152	21%
Miscellaneous	310	675	(365)	-54%
Depreciation	-	-	-	
Total Operating Expenses	886,080	544,761	341,319	63%
Total Direct Expenses	1,474,234	913,813	560,421	61%
Other Non-Operating Expenses	-	-	-	
Change in Assets	(1,514,129)	(952,946)	(561,184)	59%
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	-	-	-	
TOTAL CHANGE IN ASSETS	(1,514,129)	(952,946)	(561,184)	59%

TEXAS REGIONAL ENTITY
YTD 6/30/2010 Statement of Activities
Legal and Regulatory

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				Comments - Explain variances that are +/- 10% and \$10K
ERO Funding				
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	
Expenses				
Personnel Expenses				
Salaries	-	-	-	
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings	549	-	549	
Travel	3,683	2,239	1,444	65%
Total Meeting Expenses	<u>4,232</u>	<u>2,239</u>	<u>1,993</u>	89%
Operating Expenses				
Consultants & Contracts	239	-	239	
Office Rent	-	-	-	
Office Costs	3,552	2,700	852	32%
Professional Services	41,775	24,000	17,775	74% Incurred a higher amount of external legal due to the renewal of the new delegation agreement and also related to corporate services for the new corporation.
Miscellaneous	886	3,100	(2,214)	-71%
Depreciation	-	-	-	
Total Operating Expenses	<u>46,452</u>	<u>29,800</u>	<u>16,652</u>	56%
Total Direct Expenses	<u>50,684</u>	<u>32,039</u>	<u>18,645</u>	58%
Other Non-Operating Expenses	-	-	-	
Change in Assets	<u>(50,684)</u>	<u>(32,039)</u>	<u>(18,645)</u>	58%
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	
TOTAL CHANGE IN ASSETS	<u><u>(50,684)</u></u>	<u><u>(32,039)</u></u>	<u><u>(18,645)</u></u>	58%

TEXAS REGIONAL ENTITY
YTD 6/30/2010 Statement of Activities
Information Technology

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				Comments - Explain variances that are +/- 10% and \$10K
ERO Funding				
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	-	-	-	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	-	-	-	
Expenses				
Personnel Expenses				
Salaries	-	-	-	
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
Total Personnel Expenses	-	-	-	
Meeting Expenses				
Meetings	129	-	129	
Travel	1,545	2,029	(484)	-24%
Total Meeting Expenses	1,674	2,029	(354)	-17%
Operating Expenses				
Consultants & Contracts	-	-	-	
Office Rent	-	-	-	
Office Costs	-	480	(480)	-100%
Professional Services	16,065	16,930	(865)	-5%
Miscellaneous	-	3,250	(3,250)	-100%
Depreciation	5,229	6,000	(771)	-13%
Total Operating Expenses	21,294	26,660	(5,366)	-20%
Total Direct Expenses	22,969	28,689	(5,720)	-20%
Other Non-Operating Expenses		-	-	
Change in Assets	(22,969)	(28,689)	5,720	-20%
Fixed Assets				
Depreciation	(5,229)	(6,000)	771	-13%
Computer & Software CapEx	436,384	16,132	420,253	2605% In order to separate Texas RE from ERCOT, it was necessary to procure the fixed assets and infrastructure to establish a separate IT platform.
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	215,249	-	215,249	100% In order to separate Texas RE from ERCOT, it was necessary to procure the fixed assets and infrastructure to establish a separate IT platform.
Leasehold Improvements	-	-	-	
Change in Fixed Assets	(646,404)	(10,132)	(636,273)	6280%
TOTAL CHANGE IN ASSETS	(669,373)	(38,820)	(630,553)	1624%

TEXAS REGIONAL ENTITY
YTD 6/30/2010 Statement of Activities
Human Resources

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				
ERO Funding				
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	
Expenses				
Personnel Expenses				
Salaries	-	-	-	
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings	49	-	49	100%
Travel	1,165	-	1,165	100%
Total Meeting Expenses	<u>1,214</u>	<u>-</u>	<u>1,214</u>	<u>100%</u>
Operating Expenses				
Consultants & Contracts	545	-	545	100%
Office Rent	-	-	-	
Office Costs	172	-	172	100%
Professional Services	3,820	-	3,820	100%
Miscellaneous	100	-	100	100%
Depreciation	-	-	-	
Total Operating Expenses	<u>4,637</u>	<u>-</u>	<u>4,637</u>	<u>100%</u>
Total Direct Expenses	<u>5,851</u>	<u>-</u>	<u>5,851</u>	<u>100%</u>
Other Non-Operating Expenses	-	-	-	
Change in Assets	<u>(5,851)</u>	<u>-</u>	<u>(5,851)</u>	<u>-100%</u>
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leaschold Improvements	-	-	-	
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	
TOTAL CHANGE IN ASSETS	<u><u>(5,851)</u></u>	<u><u>-</u></u>	<u><u>(5,851)</u></u>	<u><u>-100%</u></u>

Comments - Explain variances that are +/- 10% and \$10K

TEXAS REGIONAL ENTITY
YTD 6/30/2010 Statement of Activities
Accounting and Finance

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				
ERO Funding				
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	
Expenses				
Personnel Expenses				
Salaries	-	-	-	
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings	75	-	75	
Travel	619	1,073	(454)	-42%
Total Meeting Expenses	<u>693</u>	<u>1,073</u>	<u>(379)</u>	-35%
Operating Expenses				
Consultants & Contracts	7	-	7	
Office Rent	-	-	-	
Office Costs	569	440	129	29%
Professional Services	25,800	22,641	3,160	14%
Miscellaneous	-	2,048	(2,048)	-100%
Depreciation	-	-	-	
Total Operating Expenses	<u>26,377</u>	<u>25,128</u>	<u>1,249</u>	5%
Total Direct Expenses	<u>27,070</u>	<u>26,201</u>	<u>869</u>	3%
Other Non-Operating Expenses	-	-	-	
Change in Assets	<u>(27,070)</u>	<u>(26,201)</u>	<u>(869)</u>	3%
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leaschold Improvements	-	-	-	
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	
TOTAL CHANGE IN ASSETS	<u><u>(27,070)</u></u>	<u><u>(26,201)</u></u>	<u><u>(869)</u></u>	3%

Comments - Explain variances that are +/- 10% and \$10K

TEXAS REGIONAL ENTITY
YTD 6/30/2010 Statement of Activities
Non-Statutory Only

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	Comments - Explain variances that are +/- 10% and \$10K
Funding				
ERO Funding				
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	286,062	576,886	(290,824)	-50% Texas RE only received enough non-statutory revenue to offset expenses.
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	<u>286,062</u>	<u>576,886</u>	<u>(290,824)</u>	-50%
Expenses				
Personnel Expenses				
Salaries	167,968	304,052	(136,084)	-45% Variance is attributed to employee vacancies and less non-statutory labor than budgeted.
Payroll Taxes	14,438	24,030	(9,591)	-40% Payroll taxes are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense.
Employee Benefits	16,194	33,040	(16,845)	-51% In addition to the savings from employee vacancies, there was a health benefits adjustment made which lowered the benefits expense.
Savings & Retirement	24,135	43,051	(18,916)	-44% Savings and Retirement is a function of salary expense as well as FTE participation.
Total Personnel Expenses	<u>222,735</u>	<u>404,172</u>	<u>(181,437)</u>	-45%
Meeting Expenses				
Meetings	-	2,800	(2,800)	-100%
Travel	6,767	312	6,455	2069%
Total Meeting Expenses	<u>6,767</u>	<u>3,112</u>	<u>3,655</u>	117%
Operating Expenses				
Consultants & Contracts	32,323	60,032	(27,709)	-46% Variance is primarily due to employee vacancies and less non-statutory labor than budgeted. The MOU allocations were driven off of FTEs.
Office Rent	19,110	31,200	(12,090)	-39% There was a higher percentage of statutory rent in 2010 due to fewer non-statutory labor hours worked compared to budget.
Office Costs	787	-	787	
Professional Services	4,200	28,938	(24,738)	-85% Legal expenses were less than planned for 2010.
Miscellaneous	140	933	(793)	-85%
Depreciation	23,134	15,000	8,134	54%
Total Operating Expenses	<u>79,694</u>	<u>136,102</u>	<u>(56,408)</u>	-41%
Total Direct Expenses	<u>309,196</u>	<u>543,386</u>	<u>(234,190)</u>	-43%
Other Non-Operating Expenses	-	-	-	
Change in Assets	<u>(23,134)</u>	<u>33,500</u>	<u>(56,634)</u>	-169%
Fixed Assets				
Depreciation	(23,134)	(15,000)	(8,134)	54%
Computer & Software CapEx	-	33,500	(33,500)	-100%
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	<u>23,134</u>	<u>(18,500)</u>	<u>41,634</u>	-225%
TOTAL CHANGE IN ASSETS	<u>(0)</u>	<u>15,000</u>	<u>(15,000)</u>	-100%

TEXAS RELIABILITY ENTITY, INC.
2010 Statement of Activities: Combined Statutory and Non-Statutory
 Unaudited

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				
ERO Funding				
ERO Assessments	5,814,152	5,814,152	-	0%
Penalty Sanctions	-	-	-	
Total ERO Funding	5,814,152	5,814,152	-	0%
Membership Fees & Non-Stat Assessments	279,268	633,993	(354,725)	-56%
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	3,399	1,000	2,399	240%
Miscellaneous	-	-	-	
Total Funding	6,096,819	6,449,145	(352,326)	-5%
Expenses				
Personnel Expenses				
Salaries	2,102,288	2,518,698	(416,410)	-17%
Payroll Taxes	179,080	199,361	(20,281)	-10%
Employee Benefits	230,345	268,450	(38,105)	-14%
Savings & Retirement	278,066	362,861	(84,795)	-23%
Total Personnel Expenses	2,789,779	3,349,370	(559,591)	-17%
Meeting Expenses				
Meetings	18,046	26,800	(8,754)	-33%
Travel	130,943	97,508	33,435	34%
Total Meeting Expenses	148,989	124,308	24,681	20%
Operating Expenses				
Consultants & Contracts	210,814	248,753	(37,939)	-15%
Office Rent	236,522	234,265	2,257	1%
Office Costs	272,389	27,411	244,978	894%
Professional Services	191,099	953,681	(762,582)	-80%
Miscellaneous	45,379	29,175	16,205	56%
Depreciation	199,384	238,104	(38,720)	-16%
Total Operating Expenses	1,155,587	1,731,388	(575,801)	-33%
Total Direct Expenses	4,094,355	5,205,065	(1,110,710)	-21%
Other Non-Operating Expenses	-	-	-	
Change in Assets	2,002,464	1,244,080	758,384	61%

TEXAS RELIABILITY ENTITY, INC.
2010 Statement of Activities Summary
Statutory Only

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				
ERO Funding				
ERO Assessments	5,814,152	5,814,152	-	0%
Penalty Sanctions	-	-	-	
Total ERO Funding	5,814,152	5,814,152	-	0%
Membership Fees & Non-Stat Assessments	38,250	27,000	11,250	42%
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	3,399	1,000	2,399	240%
Miscellaneous	-	-	-	
Total Funding	5,855,801	5,842,152	13,649	0%
Expenses				
Personnel Expenses				
Salaries	1,968,584	2,166,136	(197,552)	-9%
Payroll Taxes	168,139	170,210	(2,071)	-1%
Employee Benefits	216,973	228,367	(11,394)	-5%
Savings & Retirement	260,331	310,632	(50,301)	-16%
Total Personnel Expenses	2,614,027	2,875,344	(261,317)	-9%
Meeting Expenses				
Meetings	18,046	24,000	(5,954)	-25%
Travel	130,833	97,196	33,637	35%
Total Meeting Expenses	148,879	121,196	27,683	23%
Operating Expenses				
Consultants & Contracts	210,814	266,318	(55,504)	-21%
Office Rent	221,544	200,100	21,444	11%
Office Costs	271,946	26,601	245,345	922%
Professional Services	187,949	896,935	(708,986)	-79%
Miscellaneous	45,379	26,724	18,655	70%
Depreciation	189,415	223,104	(33,689)	-15%
Total Operating Expenses	1,127,047	1,639,781	(512,734)	-31%
Total Direct Expenses	3,889,953	4,636,320	(746,367)	-16%
Other Non-Operating Expenses	-	-	-	
Change in Assets	1,965,848	1,205,832	760,016	63%
Fixed Assets				
Depreciation	(189,415)	(223,104)	33,689	-15%
Computer & Software CapEx	936,568	928,250	8,318	1%
Furniture & Fixtures CapEx	279,141	324,608	(45,466)	-14%
Equipment CapEx	191,496	-	191,496	100%
Leasehold Improvements	53,142	-	53,142	100%
Change in Fixed Assets	(1,270,933)	(1,029,754)	(241,179)	23%
TOTAL CHANGE IN ASSETS	694,915	176,078	518,837	295%

TEXAS RELIABILITY ENTITY, INC.
2010 Statement of Activities Summary
Reliability Standards

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	355,525	355,525	-	0%	
Penalty Sanctions	-	-	-	-	
Total ERO Funding	<u>355,525</u>	<u>355,525</u>	<u>-</u>	<u>0%</u>	
Membership Fees & Non-Stat Assessments	-	-	-	-	
Testing Fees	-	-	-	-	
Services & Software	-	-	-	-	
Workshops	-	-	-	-	
Interest	-	-	-	-	
Miscellaneous	-	-	-	-	
Total Funding	<u>355,525</u>	<u>355,525</u>	<u>-</u>	<u>0%</u>	
Expenses					
Personnel Expenses					
Salaries	85,698	92,365	(6,667)	-7%	
Payroll Taxes	7,249	7,451	(202)	-3%	
Employee Benefits	9,277	10,245	(968)	-9%	
Savings & Retirement	11,495	13,349	(1,854)	-14%	
Total Personnel Expenses	<u>113,719</u>	<u>123,408</u>	<u>(9,689)</u>	<u>-8%</u>	
Meeting Expenses					
Meetings	16	200	(184)	-92%	
Travel	1,904	3,412	(1,508)	-44%	
Total Meeting Expenses	<u>1,920</u>	<u>3,612</u>	<u>(1,692)</u>	<u>-47%</u>	
Operating Expenses					
Consultants & Contracts	5,000	-	5,000		
Office Rent	-	-	-		
Office Costs	329	240	89	37%	
Professional Services	-	9,412	(9,412)	-100%	
Miscellaneous	-	308	(308)	-100%	
Depreciation	-	-	-		
Total Operating Expenses	<u>5,329</u>	<u>9,960</u>	<u>(4,631)</u>	<u>-46%</u>	
Total Direct Expenses	<u>120,968</u>	<u>136,980</u>	<u>(16,012)</u>	<u>-12%</u>	
Other Non-Operating Expenses	-	-	-		
Change in Assets	<u>234,557</u>	<u>218,546</u>	<u>16,012</u>	<u>7%</u>	
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>		
TOTAL CHANGE IN ASSETS	<u>234,557</u>	<u>218,546</u>	<u>16,012</u>	<u>7%</u>	

TEXAS RELIABILITY ENTITY, INC.
2010 Statement of Activities Summary
Compliance and Organization Registration and Certification

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	4,211,744	4,211,744	-	0%	
Penalty Sanctions	-	-	-		
Total ERO Funding	4,211,744	4,211,744	-	0%	
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	4,211,744	4,211,744	-	0%	
Expenses					
Personnel Expenses					
Salaries	1,178,641	1,018,709	159,932	16%	Higher amount of labor and related work in this activity than budgeted.
Payroll Taxes	95,344	80,686	14,658	18%	Payroll taxes are a function of salary expenses. As the FTEs were higher than planned, so too is the expense.
Employee Benefits	120,050	110,790	9,260	8%	
Savings & Retirement	157,159	144,717	12,442	9%	
Total Personnel Expenses	1,551,194	1,354,902	196,292	14%	
Meeting Expenses					
Meetings	-	2,000	(2,000)	-100%	
Travel	59,790	77,332	(17,542)	-23%	Travel for audits was lower than originally planned.
Total Meeting Expenses	59,790	79,332	(19,542)	-25%	
Operating Expenses					
Consultants & Contracts	13,200	-	13,200	100%	Consultant hired to do a short-term registration engagement.
Office Rent	-	-	-		
Office Costs	11,276	6,031	5,245	87%	
Professional Services	6,601	214,330	(207,729)	-97%	External legal expenses were less than planned. Texas RE budgets for 1 contested case annually and there was no contested case in 2010.
Miscellaneous	147	7,781	(7,634)	-98%	
Depreciation	64,307	70,554	(6,247)	-9%	
Total Operating Expenses	95,531	298,695	(203,164)	-68%	
Total Direct Expenses	1,706,515	1,732,929	(26,414)	-2%	
Other Non-Operating Expenses	-	-	-		
Change in Assets	2,505,229	2,478,815	26,414	1%	
Fixed Assets					
Depreciation	(64,307)	(70,554)	6,247	-9%	
Computer & Software CapEx	308,812	237,119	71,693	30%	Anticipated working on enhancing the compliance portal; that was not possible due to the transition to the new corporation. However, Texas RE was able to procure the new data retrieval hardware and software that will be implemented fully in 2011.
Furniture & Fixtures CapEx	-	7,608	(7,608)	-100%	
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	(244,505)	(174,173)	(70,332)	40%	
TOTAL CHANGE IN ASSETS	2,260,724	2,304,642	(43,918)	-2%	

TEXAS RELIABILITY ENTITY, INC.
2010 Statement of Activities Summary
Training and Education

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	Comments - Explain variances that are +/- 10%
Funding				
ERO Funding				
ERO Assessments	178,265	178,265	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	178,265	178,265	-	0%
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	178,265	178,265	-	
Expenses				
Personnel Expenses				
Salaries	28,992	40,561	(11,569)	-29% Variance is attributed to employee vacancies. New Texas RE was established after 6/30/2010 and this is after OTS would have occurred.
Payroll Taxes	2,241	3,213	(972)	-30%
Employee Benefits	3,154	4,417	(1,263)	-29%
Savings & Retirement	3,781	5,756	(1,975)	-34%
Total Personnel Expenses	38,168	53,946	(15,778)	-29%
Meeting Expenses				
Meetings	1,298	20,000	(18,702)	-94% Workshops did not require Texas RE to pay for space as was budgeted.
Travel	86	-	86	100%
Total Meeting Expenses	1,384	20,000	(18,616)	-93%
Operating Expenses				
Consultants & Contracts	-	-	-	
Office Rent	-	-	-	
Office Costs	60	-	60	100%
Professional Services	-	-	-	
Miscellaneous	-	421	(421)	#####
Depreciation	-	-	-	
Total Operating Expenses	60	421	(361)	
Total Direct Expenses	39,612	74,367	(34,755)	
Other Non-Operating Expenses	-	-	-	
Change in Assets	138,653	103,898	34,755	
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	-	-	-	
TOTAL CHANGE IN ASSETS	138,653	103,898	34,755	

TEXAS RELIABILITY ENTITY, INC.
2010 Statement of Activities Summary
Reliability Assessment and Performance Analysis

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	403,799	403,799	-	0%	
Penalty Sanctions	-	-	-		
Total ERO Funding	403,799	403,799	-	0%	
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	403,799	403,799	-	0%	
Expenses					
Personnel Expenses					
Salaries	122,242	108,502	13,740	13%	Higher amount of labor and related work in this activity than budgeted.
Payroll Taxes	10,610	8,594	2,017	23%	
Employee Benefits	12,410	11,816	594	5%	
Savings & Retirement	16,583	15,397	1,187	8%	
Total Personnel Expenses	161,845	144,308	17,537	12%	
Meeting Expenses					
Meetings	-	-	-		
Travel	5,787	403	5,384	1336%	
Total Meeting Expenses	5,787	403	5,384	1336%	
Operating Expenses					
Consultants & Contracts	-	-	-		
Office Rent	-	-	-		
Office Costs	877	-	877	100%	
Professional Services	-	-	-		
Miscellaneous	-	337	(337)	-100%	
Depreciation	-	-	-		
Total Operating Expenses	877	337	541	161%	
Total Direct Expenses	168,509	145,048	23,462	16%	
Other Non-Operating Expenses	-	-	-		
Change in Assets	235,290	258,751	(23,462)	-9%	
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	-	-	-		
TOTAL CHANGE IN ASSETS	235,290	258,751	(23,462)	-9%	

TEXAS RELIABILITY ENTITY, INC.
2010 Statement of Activities Summary
Situation Awareness and Infrastructure Security

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	516,742	516,742	-	0%	
Penalty Sanctions	-	-	-		
Total ERO Funding	516,742	516,742	-	0%	
Membership Fees & Non-Stat Assessments	-	-	-		
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	516,742	516,742	-	0%	
Expenses					
Personnel Expenses					
Salaries	68,281	145,582	(77,301)	-53%	Variance is attributed to employee vacancies and work being performed in other programs/activities.
Payroll Taxes	5,669	11,530	(5,861)	-51%	
Employee Benefits	10,172	15,854	(5,682)	-36%	
Savings & Retirement	8,973	20,658	(11,685)	-57%	Savings and Retirement is a function of salary expense as well as FTE participation.
Total Personnel Expenses	93,095	193,624	(100,529)	-52%	
Meeting Expenses					
Meetings	-	-	-		
Travel	2,410	2,130	280	13%	
Total Meeting Expenses	2,410	2,130	280	13%	
Operating Expenses					
Consultants & Contracts	-	-	-		
Office Rent	-	-	-		
Office Costs	352	-	352	100%	
Professional Services	45	-	45	100%	
Miscellaneous	-	200	(200)	-100%	
Depreciation	-	-	-		
Total Operating Expenses	397	200	197	99%	
Total Direct Expenses	95,902	195,954	(100,052)	-51%	
Other Non-Operating Expenses					
	-	-	-		
Change in Assets	420,840	320,788	100,052	31%	
Fixed Assets					
Depreciation	-	-	-		
Computer & Software CapEx	-	-	-		
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	-	-	-		
TOTAL CHANGE IN ASSETS	420,840	320,788	100,052	31%	

TEXAS RELIABILITY ENTITY, INC.
2010 Statement of Activities Summary
General and Administrative

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	Comments - Explain variances that are +/- 10%
Funding				
ERO Funding				
ERO Assessments	148,079	148,079	-	0%
Penalty Sanctions	-	-	-	
Total ERO Funding	148,079	148,079	-	0%
Membership Fees & Non-Stat Assessments	38,250	27,000	11,250	42% Texas RE received 153 membership payments versus the budgeted 108 memberships. This was the first year of having membership fees as an organization.
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	3,399	1,000	2,399	240%
Miscellaneous	-	-	-	
Total Funding	189,728	176,079	13,649	8%
Expenses				
Personnel Expenses				
Salaries	484,730	760,418	(275,688)	-36% Variance is attributed to employee vacancies and work being performed in other program/activities.
Payroll Taxes	47,026	58,737	(11,711)	-20% Payroll taxes are a function of salary expenses. As the FTEs were higher than planned, so too is the expense.
Employee Benefits	61,910	75,245	(13,335)	-18% In addition to the savings from employee vacancies, work was performed for other programs/activities which lowered the benefits expense.
Savings & Retirement	62,340	110,756	(48,416)	-44% Savings and Retirement is a function of salary expense as well as FTE participation.
Total Personnel Expenses	656,006	1,005,156	(349,150)	-35%
Meeting Expenses				
Meetings	16,439	1,800	14,639	813% Incurred a NERC related meeting expense in Dallas, as well as a multiday board training. Both of these items were not budgeted.
Travel	23,525	8,579	14,946	174% Board related travel of \$15K was budgeted under the consultants and contracts area in 2010.
Total Meeting Expenses	39,964	10,379	29,585	285%
Operating Expenses				
Consultants & Contracts	12,580	266,318	(253,738)	-95% Incurred the board recruitment expense of \$210K under Texas Regional Entity as well as some other consulting type expenses. It was required to move the recruitment up before Texas RE separated from ERCOT.
Office Rent	192,445	200,100	(7,655)	-4%
Office Costs	8,508	16,710	(8,202)	-49%
Professional Services	37,724	45,300	(7,576)	-17%
Miscellaneous	39,477	675	38,802	5748% Furniture and equipment disposal which was unplanned, but necessary when we relocated offices in December 2010.
Depreciation	20,855	146,550	(125,695)	-86% Depreciation expense was primarily accumulated under the G&A department for budget purposes; however charged to other areas as appropriate.
Total Operating Expenses	311,589	675,653	(364,063)	-54%
Total Direct Expenses	1,007,559	1,691,187	(683,628)	-40%
Other Non-Operating Expenses	-	-	-	
Change in Assets	(817,832)	(1,515,109)	697,277	-46%
Fixed Assets				
Depreciation	(20,855)	(146,550)	125,695	-86% Depreciation expense was primarily accumulated under the G&A department for budget purposes; however charged to other areas as appropriate.
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	279,141	317,000	(37,859)	-12% Negotiated more favorable pricing on furniture acquisition for new office space.
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	100%
Change in Fixed Assets	(258,286)	(170,450)	(87,836)	52%
TOTAL CHANGE IN ASSETS	(1,076,118)	(1,685,559)	609,441	-36%

TEXAS RELIABILITY ENTITY, INC.
2010 Statement of Activities Summary
Legal and Regulatory

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	
Funding				Comments - Explain variances that are +/- 10%
ERO Funding				
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	-	-	-	Personnel expenses are budgeted and recorded in General & Administrative.
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings	-	-	-	
Travel	3,009	2,239	770	34%
Total Meeting Expenses	<u>3,009</u>	<u>2,239</u>	<u>770</u>	34%
Operating Expenses				
Consultants & Contracts	2,535	-	2,535	100%
Office Rent	-	-	-	
Office Costs	6,653	2,700	3,953	146%
Professional Services	77,087	114,000	(36,913)	-32%
Miscellaneous	-	3,100	(3,100)	-100%
Depreciation	-	-	-	
Total Operating Expenses	<u>86,275</u>	<u>119,800</u>	<u>(33,525)</u>	-28%
Total Direct Expenses	<u>89,284</u>	<u>122,039</u>	<u>(32,755)</u>	-27%
Other Non-Operating Expenses	-	-	-	
Change in Assets	<u>(89,284)</u>	<u>(122,039)</u>	<u>32,755</u>	-27%
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	
TOTAL CHANGE IN ASSETS	<u>(89,284)</u>	<u>(122,039)</u>	<u>32,755</u>	-27%

TEXAS RELIABILITY ENTITY, INC.
2010 Statement of Activities Summary
Information Technology

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	Comments - Explain variances that are +/- 10%
Funding				
ERO Funding				
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments		-	-	
Testing Fees		-	-	
Services & Software		-	-	
Workshops		-	-	
Interest		-	-	
Miscellaneous		-	-	
Total Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries		-	-	Personnel expenses are budgeted and recorded in General & Administrative.
Payroll Taxes		-	-	
Employee Benefits		-	-	
Savings & Retirement		-	-	
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings	-	-	-	
Travel	33,509	2,029	31,481	1552% Consultant related travel to manage the IT infrastructure and staff.
Total Meeting Expenses	<u>33,509</u>	<u>2,029</u>	<u>31,481</u>	1552%
Operating Expenses				
Consultants & Contracts	177,355	-	177,355	100% Primarily the consultant related fees to manage the IT infrastructure, as well as IT hosting fees. These costs were budgeted under Professional Services.
Office Rent	29,099	-	29,099	100% Rental of space associated with Texas RE's datacenter. This expense was also budgeted under professional services.
Office Costs	240,040	480	239,560	49908% Purchases of non-capitalizable items such as monitors, computer peripherals, docking stations, and some software were expensed in 2010.
Professional Services	-	197,803	(197,803)	-100% Expenses were incurred under consultants and contracts.
Miscellaneous	5,755	3,250	2,505	77%
Depreciation	97,828	6,000	91,828	1530% This expense is primarily related to the separation from ERCOT and the establishment of a new IT infrastructure. The budgeted expense for separation was primarily budgeted under G&A, but recorded under IT.
Total Operating Expenses	<u>550,077</u>	<u>207,533</u>	<u>342,544</u>	165%
Total Direct Expenses	<u>583,586</u>	<u>209,562</u>	<u>374,025</u>	178%
Other Non-Operating Expenses		-	-	
Change in Assets	<u>(583,586)</u>	<u>(209,562)</u>	<u>(374,025)</u>	178%
Fixed Assets				
Depreciation	(97,828)	(6,000)	(91,828)	1530% This expense is primarily related to the separation from ERCOT and the establishment of a new IT infrastructure. The budgeted expense for separation was primarily budgeted under G&A, but recorded under IT.
Computer & Software CapEx	589,206	650,132	(60,925)	-9% Costs associated with the separation from ERCOT for capitalized servers, software, laptops, etc.
Furniture & Fixtures CapEx		-	-	
Equipment CapEx	191,496	-	191,496	100% Costs associated with the separation from ERCOT for other equipment such as projectors, telephone system, board room, etc.
Leasehold Improvements	53,142	-	53,142	Wiring necessary for telephone system and office telecommunications.
Change in Fixed Assets	<u>(736,016)</u>	<u>(644,132)</u>	<u>(91,885)</u>	14%
TOTAL CHANGE IN ASSETS	<u>(1,319,602)</u>	<u>(853,693)</u>	<u>(465,909)</u>	55%

TEXAS RELIABILITY ENTITY, INC.
2010 Statement of Activities Summary
Human Resources

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	Comments - Explain variances that are +/- 10%
Funding				
ERO Funding				
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	-	-	-	Personnel expenses are budgeted and recorded in General & Administrative.
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings	293	-	293	
Travel	-	-	-	
Total Meeting Expenses	<u>293</u>	<u>-</u>	<u>293</u>	
Operating Expenses				
Consultants & Contracts	-	-	-	
Office Rent	-	-	-	
Office Costs	593	-	593	
Professional Services	-	121,720	(121,720)	-100% Budget was established and assumed fees for start-up of the new corporation that were not necessary.
Miscellaneous	-	-	-	
Depreciation	-	-	-	
Total Operating Expenses	<u>593</u>	<u>121,720</u>	<u>(121,127)</u>	-100%
Total Direct Expenses	<u>886</u>	<u>121,720</u>	<u>(120,834)</u>	-99%
Other Non-Operating Expenses	-	-	-	
Change in Assets	<u>(886)</u>	<u>(121,720)</u>	<u>120,834</u>	-99%
Fixed Assets				
Depreciation	-	-	-	
Computer & Software CapEx	-	-	-	
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	
TOTAL CHANGE IN ASSETS	<u>(886)</u>	<u>(121,720)</u>	<u>120,834</u>	-99%

TEXAS RELIABILITY ENTITY, INC.
2010 Statement of Activities Summary
Accounting and Finance

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance	Comments - Explain variances that are +/- 10%
Funding				
ERO Funding				
ERO Assessments	-	-	-	
Penalty Sanctions	-	-	-	
Total ERO Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Membership Fees & Non-Stat Assessments	-	-	-	
Testing Fees	-	-	-	
Services & Software	-	-	-	
Workshops	-	-	-	
Interest	-	-	-	
Miscellaneous	-	-	-	
Total Funding	<u>-</u>	<u>-</u>	<u>-</u>	
Expenses				
Personnel Expenses				
Salaries	-	-	-	Personnel expenses are budgeted and recorded in General & Administrative.
Payroll Taxes	-	-	-	
Employee Benefits	-	-	-	
Savings & Retirement	-	-	-	
Total Personnel Expenses	<u>-</u>	<u>-</u>	<u>-</u>	
Meeting Expenses				
Meetings	-	-	-	
Travel	813	1,073	(260)	-24%
Total Meeting Expenses	<u>813</u>	<u>1,073</u>	<u>(260)</u>	-24%
Operating Expenses				
Consultants & Contracts	144	-	144	
Office Rent	-	-	-	
Office Costs	3,258	440	2,818	640%
Professional Services	66,492	194,370	(127,878)	-66%
Miscellaneous	-	10,654	(10,654)	-100%
Depreciation	6,425	-	6,425	
Total Operating Expenses	<u>76,319</u>	<u>205,463</u>	<u>(129,144)</u>	-63%
Total Direct Expenses	<u>77,132</u>	<u>206,536</u>	<u>(129,404)</u>	-63%
Other Non-Operating Expenses	-	-	-	
Change in Assets	<u>(77,132)</u>	<u>(206,536)</u>	<u>129,404</u>	-63%
Fixed Assets				
Depreciation	(6,425)	-	(6,425)	
Computer & Software CapEx	38,550	41,000	(2,450)	-6%
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	-	-	-	
Leasehold Improvements	-	-	-	
Change in Fixed Assets	<u>(32,125)</u>	<u>(41,000)</u>	<u>8,875</u>	-22%
TOTAL CHANGE IN ASSETS	<u>(109,257)</u>	<u>(247,536)</u>	<u>138,279</u>	-56%

TEXAS RELIABILITY ENTITY, INC.
2010 Statement of Activities Summary
Non-Statutory Only

(In Whole Dollars)

	2010 Actual	2010 Budget	2010 Variance		Comments - Explain variances that are +/- 10%
Funding					
ERO Funding					
ERO Assessments	-	-	-		
Penalty Sanctions	-	-	-		
Total ERO Funding	-	-	-		
Membership Fees & Non-Stat Assessments	241,018	606,993	(365,975)	-60%	Texas RE only received enough non-statutory revenue to offset expenses.
Testing Fees	-	-	-		
Services & Software	-	-	-		
Workshops	-	-	-		
Interest	-	-	-		
Miscellaneous	-	-	-		
Total Funding	241,018	606,993	(365,975)	-60%	
Expenses					
Personnel Expenses					
Salaries	133,704	352,562	(218,858)	-62%	Variance is attributed to employee vacancies and less non-statutory labor than budgeted.
Payroll Taxes	10,941	29,152	(18,211)	-62%	Payroll taxes are a function of salary expenses. As the FTEs have been lower than planned, so too is the expense.
Employee Benefits	13,372	40,084	(26,712)	-67%	In addition to the savings from employee vacancies, there was a health benefits adjustment made which lowered the benefits expense.
Savings & Retirement	17,735	52,229	(34,494)	-66%	Savings and Retirement is a function of salary expense as well as FTE participation.
Total Personnel Expenses	175,752	474,026	(298,274)	-63%	
Meeting Expenses					
Meetings	-	2,800	(2,800)	-100%	
Travel	110	312	(202)	-65%	
Total Meeting Expenses	110	3,112	(3,002)	-96%	
Operating Expenses					
Consultants & Contracts	-	(17,565)	17,565	-100%	Variance is primarily due to employee vacancies and less non-statutory labor than budgeted. The MOU allocations were driven off of FTEs.
Office Rent	14,978	34,165	(19,187)	-56%	There was a higher percentage of statutory rent in 2010 due to fewer non-statutory labor hours worked compared to budget.
Office Costs	443	810	(367)	-45%	
Professional Services	3,150	56,747	(53,597)	-94%	Legal expenses were less than planned for 2010.
Miscellaneous	-	2,451	(2,451)	-100%	
Depreciation	9,969	15,000	(5,031)	-34%	
Total Operating Expenses	28,540	91,607	(63,067)	-69%	
Total Direct Expenses	204,402	568,745	(364,343)	-64%	
Other Non-Operating Expenses	-	-	-		
Change in Assets	36,616	38,248	(1,632)	-4%	
Fixed Assets					
Depreciation	(9,969)	(15,000)	5,031	-34%	
Computer & Software CapEx	-	33,500	(33,500)	-100%	This was for portal enhancements that might be necessary to accommodate the Protocol related work. This project was not worked on because of the initial decision to eliminate protocol work as of the end of 2010.
Furniture & Fixtures CapEx	-	-	-		
Equipment CapEx	-	-	-		
Leasehold Improvements	-	-	-		
Change in Fixed Assets	9,969	(18,500)	28,469	-154%	
TOTAL CHANGE IN ASSETS	46,585	19,748	26,837	136%	

**TEXAS RELIABILITY
ENTITY, INC.**

**Financial Statements for the Year
Ended December 31, 2010 and
Independent Auditors' Report**





MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

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Round Rock, TX 78664

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Texas Reliability Entity, Inc.:

We have audited the accompanying statement of financial position of Texas Reliability Entity, Inc. ("Texas RE") as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Texas RE's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 Texas RE as of December 31, 2010, 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.

Maxwell Locke + Ritter LLP

April 27, 2011

Affiliated Companies

ML&R PERSONNEL SOLUTIONS LLC

"The Resource for Direct Hire & Project Staffing"

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

TEXAS RELIABILITY ENTITY, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

(DOLLARS IN THOUSANDS)

ASSETS

Current assets:

Cash and cash equivalents	\$ 3,673
Accounts receivable	82
Other current assets	<u>215</u>

Total current assets 3,970

Property and equipment, net 2,298

TOTAL ASSETS \$ 6,268

LIABILITIES

Current liabilities:

Accounts payable	\$ 783
Accrued liabilities	578
Deferred revenue	<u>609</u>

Total current liabilities 1,970

TOTAL LIABILITIES 1,970

UNRESTRICTED NET ASSETS 4,298

TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS \$ 6,268

See notes to financial statements.

TEXAS RELIABILITY ENTITY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2010 (DOLLARS IN THOUSANDS)

OPERATING REVENUES:

Statutory revenue	\$ 5,852
Protocol revenue	241

TOTAL OPERATING REVENUES 6,093

OPERATING EXPENSES:

Salaries and related benefits	2,790
Facility and equipment costs	508
Outside services	403
Travel and meetings	149
Administrative other	45
Depreciation	199

TOTAL OPERATING EXPENSES 4,094

INCOME FROM OPERATIONS 1,999

INTEREST INCOME 3

TRANSFER FROM PREDECESSOR REGIONAL ENTITY 2,296

CHANGE IN UNRESTRICTED NET ASSETS 4,298

UNRESTRICTED NET ASSETS, beginning of year -

UNRESTRICTED NET ASSETS, end of year \$ 4,298

See notes to financial statements.

TEXAS RELIABILITY ENTITY, INC.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2010 (DOLLARS IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in unrestricted net assets	\$ 4,298
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:	
Noncash transfer of operating assets and liabilities from Predecessor Regional Entity	(288)
Depreciation	199
Net loss on disposal of property and equipment	30
Changes in operating assets and liabilities:	
Accounts receivable	(82)
Other current assets	(176)
Accounts payable	130
Deferred revenue	589
Accrued liabilities	(337)
Net cash provided by operating activities	<u>4,363</u>

CASH FLOWS FROM INVESTING ACTIVITIES -

Purchases of property and equipment	<u>(690)</u>
-------------------------------------	--------------

NET CHANGE IN CASH AND CASH EQUIVALENTS 3,673

CASH AND CASH EQUIVALENTS, beginning of year -

CASH AND CASH EQUIVALENTS, end of year \$ 3,673

SUPPLEMENTAL NONCASH DISCLOSURE:

Purchases of property and equipment through accounts payable	<u>\$ 654</u>
Purchases of property and equipment through accrued liabilities	<u>\$ 101</u>

See notes to financial statements.

TEXAS RELIABILITY ENTITY, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2010 (DOLLARS IN THOUSANDS)

1. ORGANIZATION AND OPERATIONS

Texas Reliability Entity, Inc. (Texas RE) is a Texas non-profit corporation that is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Texas RE was formed January 1, 2010 to be the Regional Entity for the Electric Reliability Council of Texas, Inc. (ERCOT) region and 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 (BPS). Texas RE, took assignment of all rights, contracts, obligations, assets and liabilities of Texas Regional Entity, effective midnight on June 30, 2010. Texas RE became the Regional Entity for the ERCOT region on July 1, 2010, pursuant to its Amended and Restated Delegation Agreement with North American Electric Reliability Corporation (NERC), which was approved by the Federal Energy Regulatory Commission (FERC) on May 6, 2010. The Delegation Agreement with NERC was further amended effective January 1, 2011, as approved by FERC on October 21, 2010. Texas Regional Entity (Predecessor Regional Entity) was the authorized Regional Entity for the ERCOT region from May 2007 through June 30, 2010.

The financial statements herein represent the full year of operations for Texas RE; however, the first year includes only six (6) months of statutory activities (as defined below) under the Delegation Agreement. The first six (6) months of statutory activities are included in Texas Regional Entity financial statements, which were prepared and reported separately. Balances transferred from Texas Regional Entity to Texas RE were approved by NERC and FERC and are included in the statement of activities in the amount of \$2,296 which included \$2,008 of cash transfers.

As Regional Entity, Texas RE proposes and facilitates development of new and modified NERC Reliability Standards and Regional Standards (Standards); monitors, assesses, investigates, and enforces compliance by registered entities with Standards in the ERCOT region, and oversees the mitigation of any violations. Texas RE is authorized to impose penalties and sanctions for violations, but NERC and FERC must approve determination of all violations and the imposition of all penalties and sanctions. These Regional Entity activities are referred to herein as “statutory activities”.

The ERCOT region is the geographic area located within the state of Texas that operates under the jurisdiction of the Public Utility Commission of Texas (PUCT) and is not synchronously interconnected with any electric utilities operating outside of Texas. The ERCOT region includes approximately 200,000 square miles and 85% of Texas load.

In addition to Texas RE's statutory activities as Regional Entity, Texas RE has a contract with the PUCT and ERCOT to be the Reliability Monitor for the ERCOT region. As Reliability Monitor, Texas RE monitors, investigates, and reports to the PUCT regarding compliance with state reliability rules (the reliability-based ERCOT Protocols and Operating Guides), and coordinates and assists PUCT staff with related reliability-related matters. The PUCT is responsible for the enforcement of violations of the state reliability rules. Texas RE's activities under this contract are permitted by NERC and FERC, by Exhibit E to the Delegation Agreement, and these activities are referred to herein as "non-statutory" activities.

Membership and Governance

Texas RE has the following six membership sectors under its Bylaws:

- **System Coordination and Planning:** An entity that is registered with NERC as a Reliability Coordinator (RC), Balancing Authority (BA), Planning Authority (PA), Resource Planner (RP), or Interchange Authority (IA).
- **Transmission and Distribution:** An entity that is registered with NERC as a Transmission Owner (TO), Transmission Planner (TP), Transmission Service Provider (TSP), Distribution Provider (DP), and/or Transmission Operator (TOP), and is not a Cooperative or Municipal Utility.
- **Cooperative Utility:** An entity that is (a) a corporation organized under Chapter 161 of the Texas Utilities Code or a predecessor statute to Chapter 161 and operating under that chapter; or (b) a corporation organized as an electric cooperative in a state other than Texas that has obtained a certificate of authority to conduct affairs in the State of Texas; or (c) a cooperative association organized under Tex. Rev. Civ. Stat. 1396-50.01 or a predecessor to that statute and operating under that statute that is registered with NERC for at least one reliability function.
- **Municipal Utility:** An entity that owns or controls transmission or distribution facilities, owns or controls dispatchable generating facilities, or provides retail electric service and is a municipally owned utility as defined in PURA §11.003 and is registered with NERC for at least one reliability function.
- **Generation:** An entity that is registered with NERC as a Generator Owner (GO) or Generator Operator (GOP).
- **Load-Serving and Marketing:** An entity that is registered with NERC as a Load Serving Entity (LSE), a Purchasing-Selling Entity (PSE), or any newly defined NERC reliability function for demand response.

Membership in Texas RE is voluntary and open to any entity that is an user, owner, or operator of the ERCOT region BPS and registered with NERC for at least one reliability function. Eligible registered entities must complete and submit a membership application, pay a nominal annual fee (which may be waived for good cause shown), and comply with the Texas RE Bylaws. Any person or entity that has a direct and material interest in the BPS has a right to participate in the Texas RE Standards development process, even if not a Texas RE member.

Texas RE is governed by a hybrid board of directors (Board), comprised of the following nine (9) directors:

- Texas RE President and Chief Executive Officer.
- Four (4) Independent Directors.
- Two (2) Member Directors (the Chair and Vice-Chair of the Member Representatives Committee).
- Chair of the PUCT, or another PUCT Commissioner designated by the Chairman, as an ex officio non-voting member.
- Texas Public Counsel, from the Texas Office of Public Utility Counsel, as an ex officio non-voting member.

The Board's primary role is to oversee management of Texas RE, including assuring that Texas RE meets its requirements under the Bylaws and Delegation Agreement, and to elect a chief executive officer to manage and be responsible for the day-to-day ongoing activities of Texas RE. The Board has one subcommittee, the Audit and Governance Committee, which is comprised of the Independent Directors.

Texas RE has two stakeholder committees, the Member Representatives Committee (MRC) and the Reliability Standards Committee (RSC). The MRC includes representatives from members in each of the six membership sectors and provides advice and recommendations to the Board on administrative, financial, reliability-related, or any other matters, except for standards development issues, through its elected Chair and Vice Chair, who serve as directors. The RSC includes representatives from the six industry sectors described above, whether or not members of Texas RE and including any entity with a direct and material interest in the ERCOT region BPS. The RSC facilitates the Regional Standards development process, coordinates the development of Regional Standards and variances with the development of national NERC Standards, and monitors, reviews, and comments on Standards under development and Standards interpretation requests.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) as defined by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Unrestricted Net Assets

Unrestricted net assets are those that are not subject to donor restrictions or stipulations and that may be expendable for any purpose in performing Texas RE's objectives. Accordingly, net assets of Texas RE and changes therein are classified and reported as unrestricted net assets.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities of the financial statements and reported amounts of revenues, expenses, and capital expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Texas RE considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of deposits in banks and are potentially subject to credit risk. Texas RE places its cash and cash equivalents with a limited number of high quality financial institutions and may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents.

Revenue Recognition

Texas RE funds its statutory operations primarily from assessments NERC collects from load serving entities and pays to Texas RE in four quarterly payments, pursuant to the Delegation Agreement; however, for 2010, only two quarterly payments were received because of the mid-year transfer. Texas RE received \$5,820 from NERC during the third and fourth quarter of 2010. NERC pays Texas RE at or near the beginning of each quarter. Additionally, Texas RE collected \$32 for membership dues. All statutory budgeted expenditures for Texas RE are approved by the Texas RE Board when it approves Texas RE's annual business plan and budget.

Texas RE funds its non-statutory operations from protocol revenues paid by ERCOT from its PUCT approved system administration fee, pursuant to the Reliability Monitor Agreement. Texas RE received protocol revenue of \$241 from the Reliability Monitor Agreement in 2010 to cover all operating expenses incurred by Texas RE. All non-statutory budgeted expenditures for Texas RE are approved by the Texas RE Board when it approves Texas RE's annual business plan and budget.

Texas RE defers amounts related to fines and penalties pursuant to the NERC operating procedure and the concurring FERC order that restricts availability for budget considerations until the subsequent year after the fines and penalties are received and recorded. Texas RE will recognize all fines and penalties received before June 30, 2010 in the 2011 budget year as a reduction to assessments. All fines received after June 30, 2010, will be recognized in the 2012 budget year as a reduction to assessments.

Related Party Transactions

Texas RE does compensate its independent board of directors. This is a common practice in the industry in which Texas RE operates. The authority to compensate its' independent directors is specified in the Bylaws, which were approved by the Texas RE membership. Texas RE independent director compensation is paid monthly and, in addition to their compensation, Texas RE independent board members are reimbursed for their actual expenses incurred related to their duties as a Texas RE board member. Total payments included in outside services expense during 2010 were \$102. Accrued liabilities related to independent board members at December 31, 2010 were \$6.

Property and Equipment

Property and equipment consists primarily of computer software and hardware, systems under development, equipment, furniture and fixtures, and leasehold improvements. Systems under development are information technology assets that have not been finalized for use by Texas RE and are not depreciated until placed into service. Property and equipment purchases that exceed \$1 are capitalized and recorded at cost. The cost of betterments to, or replacements of, property and equipment is capitalized. Depreciation is computed on the straight-line method over the estimated life of the asset. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any resulting gain or loss is reflected in the statement of activities for the period. Repairs and maintenance costs are expensed when incurred. The depreciable lives of property and equipment are as follows:

Computer software	5 years
Equipment	5 years
Computer hardware	3 years
Furniture and fixtures	7 years
Leasehold improvements	7.5 years

Impairment

Texas RE evaluates long-lived assets for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is identified by comparing expected future cash flows, undiscounted and before interest, to the carrying value of the asset. If impairment exists, it is measured as the difference between the net book value of the asset and its estimated fair value. No impairments requiring write-offs were identified in 2010.

Tax Status

Texas RE is a nonprofit charitable corporation as defined by Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. Accordingly, there is no provision for federal income taxes included in the financial statements.

Functional Allocation of Expenses

The costs of providing services of Texas RE have been summarized on a functional basis in the statement of activities. Certain expenses are allocated between program expenses and general and administrative expenses based on actual use or estimates made by management.

3. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Texas RE used the market approach to estimate the fair value of cash and cash equivalents. The carrying amounts reported in the accompanying statement of financial position for cash and cash equivalents approximate the fair values of the instruments and the fair values for cash and cash equivalents were determined using Level 1 inputs.

4. FUNCTIONAL ALLOCATION OF EXPENSES

While the statement of activities presents expenses by natural classification, Texas RE's expenses by functional classification for the year ended December 31, 2010 were as follows:

Program	\$	2,397
General and administrative		1,697
Total	\$	<u>4,094</u>

5. PROPERTY AND EQUIPMENT

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

Computer software	\$	836
Systems under development		695
Equipment		407
Computer hardware		324
Furniture and fixtures		279
Leasehold improvements		53
Total property and equipment		<u>2,594</u>
Less accumulated depreciation		(296)
Total property and equipment, net	\$	<u>2,298</u>

6. EMPLOYEE BENEFIT PLANS

Texas RE employees are sponsored under the Texas RE Defined Contribution 401(k) Plan (the 401(k) Plan) which is subject to the provisions of the Employee Retirement Income Security Act of 1974. The 401(k) Plan utilized a third-party administrator to assist in the administration. Employees must be 21 years of age to be eligible to participate. Texas RE matches 75% of the employee's contribution up to 6% of eligible compensation as defined in the 401(k) Plan document. Employees are fully vested for the Texas RE match of 75% after five years. In addition, Texas RE contributes 10% of a participant's eligible compensation as defined in the 401(k) Plan document. Employees are fully vested for the Texas RE contributions of 10% after three years. Service with the predecessor organization Texas Regional Entity or ERCOT counts towards this service period calculation. Contributions related to Texas RE employees are included in salaries and related benefits in the statement of activities. Employer contributions to the 401(k) plans were \$278 in 2010.

7. COMMITMENTS AND CONTINGENCIES

Texas RE leases office space, datacenter space, and office equipment under agreements recorded as operating leases. Operating lease expenses for the year ended December 31, 2010 were \$230. The future minimum rental payments due under operating lease agreements are as follows as of December 31, 2010:

2011	\$	496
2012		483
2013		443
2014		425
2015		425
Thereafter		1,488
	\$	<u>3,760</u>

Texas RE is party to regulatory and legal proceedings that management considers to be normal actions to which an enterprise of its size and nature might be subject. Such proceedings are not anticipated to have a material impact on Texas RE's financial condition, results of operations, or cash flow.

8. SUBSEQUENT EVENTS

Texas RE has evaluated subsequent events through April 27, 2011 (the date the financial statements were available to be issued) and no events have occurred from the statement of financial position date through that date that would impact the financial statements.



FINANCIAL STATEMENTS

Texas Regional Entity (An Independent Division of Electric
Reliability Council of Texas, Inc.)
June 30, 2010
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Texas Regional Entity (An Independent Division of Electric
Reliability Council of Texas, Inc.)

Financial Statements

June 30, 2010

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Report of Independent Auditors

We have audited the accompanying statement of financial position of Texas Regional Entity (“Texas RE”) as of June 30, 2010, and the related statements of activities, and cash flows for the six-month period ended June 30, 2010. These financial statements are the responsibility of Texas RE’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of Texas RE’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Texas RE’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas Regional Entity at June 30, 2010, and the results of its activities and its cash flows for the six-month period ended June 30, 2010 in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

April 27, 2011

Texas Regional Entity (An Independent Division of Electric
Reliability Council of Texas, Inc.)

Statement of Financial Position

June 30, 2010
(Dollars in Thousands)

Assets

Current assets:

Cash and cash equivalents	\$ 2,498
Accounts receivable	316
Prepaid expenses	22
Total current assets	<u>2,836</u>
Property and equipment, net	1,124
Total assets	<u><u>\$ 3,960</u></u>

Liabilities and unrestricted net assets

Current liabilities:

Accounts payable	\$ 614
Accrued liabilities	957
Deferred revenue	10
Current regulatory liabilities	244
Total current liabilities	<u>1,825</u>
Regulatory liabilities	1,011
Total liabilities	<u>2,836</u>
Unrestricted net assets	1,124
Total liabilities and unrestricted net assets	<u><u>\$ 3,960</u></u>

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

Texas Regional Entity (An Independent Division of Electric
Reliability Council of Texas, Inc.)

Statement of Activities

June 30, 2010
(Dollars in Thousands)

Operating revenues:	
Statutory revenue	\$ 3,991
System administration fees (non-statutory)	286
Total operating revenues	<u>4,277</u>
Operating expenses:	
Salaries and related benefits	2,618
Facility and equipment costs	277
Consulting and legal services	478
Depreciation	65
Administrative and other	252
Total operating expenses	<u>3,690</u>
Income from operations	587
Change in unrestricted net assets	587
Unrestricted net assets, beginning of year	537
Unrestricted net assets, end of year	<u><u>\$ 1,124</u></u>

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

Texas Regional Entity (An Independent Division of Electric
Reliability Council of Texas, Inc.)

Statement of Cash Flows

June 30, 2010
(Dollars in Thousands)

Cash flows from operating activities	
Change in unrestricted net assets	\$ 587
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:	
Depreciation	65
Changes in operating assets and liabilities:	
Accounts receivable	1,432
Other current assets	(13)
Accounts payable	124
Deferred revenue	(1,657)
Accrued liabilities	542
Regulatory liabilities	(481)
Net cash provided by operating activities	<u>599</u>
Cash flows from investing activities	
Capital expenditures for property and equipment and systems under development	<u>(652)</u>
Net cash used in investing activities	<u>(652)</u>
Net decrease in cash and cash equivalents	(53)
Cash and cash equivalents, beginning of year	<u>2,551</u>
Cash and cash equivalents, end of year	<u>\$ 2,498</u>

Texas Regional Entity (An Independent Division of Electric
Reliability Council of Texas, Inc.)

Notes to Financial Statements

June 30, 2010
(Dollars in Thousands)

1. Organization and Operations

Texas Regional Entity (Texas RE) is an independent division of Electric Reliability Council of Texas, Inc. (ERCOT), a Texas non-profit corporation. Since July 31, 2001, ERCOT has functioned as the independent system operator for its reliability region which comprises about 85% of the electrical load in Texas. Texas RE is not a separate legal entity from ERCOT and therefore does not have separate Corporate By-Laws.

North American Electric Reliability Corporation (NERC) has been designated as the Electric Reliability Organization (ERO) by the Federal Energy Regulatory Commission (FERC). In its capacity as ERO, NERC has been authorized to develop standards for the reliable operation and planning of the Bulk-Power System, to enforce compliance with those standards, and to conduct periodic assessments of the reliability and adequacy of the Bulk-Power System in North America. NERC must prepare an annual operating budget and submit the budget to FERC for regulatory approval. During 2007, Texas RE was approved by FERC to contract with and perform certain activities for NERC. Texas RE performs those activities pursuant to the Delegation Agreement it signed with NERC, effective May 2007, which was approved by FERC. In response to subsequent orders by FERC, Texas RE and NERC signed Amended and Restated Delegation Agreements in both March 2008 and January 2009 (collectively “Delegation Agreement”). Texas RE’s activities under the Delegation Agreement are referred to herein as statutory activities. Effective midnight on June 30, 2010, Texas Regional Entity transferred all of its rights, contracts, obligations, assets and liabilities, including its rights and obligations under the Delegation Agreement with NERC, to Texas Reliability Entity, Inc. Texas Reliability Entity, Inc. was the corporation formed to become the Regional Entity for the ERCOT region, under a new Delegation Agreement with NERC. Therefore the period covered by these financial statements is only from January 1, 2010 through June 30, 2010.

Statutory activities authorize Texas RE to develop, monitor, assess, and enforce compliance with NERC reliability standards and regional standards (Standards) within the geographic boundaries of the ERCOT region. If Texas RE identifies noncompliance with any standards, it may direct violators to comply with the Standards and mitigate the violation and impose penalties for violations, subject to NERC and FERC approval.

Texas Regional Entity (An Independent Division of Electric
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

1. Organization and Operations (continued)

In addition to Texas RE's statutory activities, Texas RE has been authorized by the Public Utility Commission of Texas (PUCT) and is permitted by NERC to monitor, investigate, and report to the PUCT regarding compliance with the ERCOT protocols and operating guides, working with PUCT staff regarding enforcement of potential violations. Texas RE's activities under PUCT authorization are referred to herein as non-statutory activities. The PUCT is responsible for enforcement of potential protocol and operating guide violations, but Texas RE coordinates with PUCT staff, as requested, regarding such enforcement, and the PUCT is responsible for penalties and sanctions that result from such violations.

Although Texas RE has been in existence since 2007, and had audited financial statements prepared for the years ended December 31, 2008 and 2009, these financial statements reflect single year activity through June 30, 2010 in accordance with NERC requirements.

Membership and Governance

Because Texas RE is an independent division of ERCOT, members of ERCOT are also members of Texas RE. These members can be from any ERCOT segment and, except for members in the Consumer Segment, must have an actual financial interest in the retail or wholesale electric market in the ERCOT Region and be able to do business in one of these markets. Texas RE is governed by a Board of Directors composed of the same 16 members who comprise the ERCOT board, including the Chair of the PUCT and ERCOT's Chief Executive Officer. The Texas RE directors maintain independence from their role as ERCOT directors by holding board and committee meetings separately from ERCOT meetings and by not having any role regarding Texas RE's statutory compliance and enforcement activities.

2. Summary of Significant Accounting Policies

Method of Accounting

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Texas Regional Entity (An Independent Division of Electric
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Texas RE and ERCOT have entered into a Memorandum of Understanding (MOU), effective January 1, 2008 and amended February 16, 2009, to set forth agreed upon terms and conditions relating to the provision of administrative support services conducted by ERCOT staff for Texas RE. The MOU establishes procedures for the allocation of costs for administrative services (such as human resources, information technology, finance, procurement, etc.), facility and equipment, and administrative and other expenses. The MOU is intended solely to address how support services and other activities provided by ERCOT staff on behalf of Texas RE should be charged to Texas RE.

Accounting for the Effects of Regulation

Texas RE performs its accounting with respect to the effects of certain types of regulation, which requires regulated entities, in appropriate circumstances, to establish regulatory assets and/or liabilities, and thereby defer the income statement impact of certain revenues and charges because it is probable they will be recognized, recovered, or repaid in future periods.

Unrestricted Net Assets

Unrestricted net assets are those that are not subject to restrictions or stipulations and that may be expendable for any purpose in performing Texas RE's objectives. Accordingly, net assets of Texas RE and changes therein are classified and reported as unrestricted net assets.

Use of Estimates

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

Texas Regional Entity (An Independent Division of Electric
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits in banks, money market investment accounts and overnight deposits in government-backed securities and other highly liquid investments with an original maturity date of 90 days or less. Deposits may exceed the Federal Deposit Insurance Corporation's insured limit of \$250 for each account.

Revenue Recognition

Texas RE funds its statutory operations primarily from assessments NERC collects from load serving entities and pays to Texas RE in four quarterly payments, pursuant to the Delegation Agreement. Texas RE received \$3,330 from NERC during 2010. NERC pays Texas RE at or near the beginning of each quarter. Regulatory orders issued by FERC, include a requirement that NERC and entities to whom NERC has delegated some of its responsibility as the ERO are not entitled to keep financial variances realized as a result of their activity. If revenues exceed expenses incurred in a given year (favorable financial variance), the excess revenue realized in the year must be returned to rate payers in future years. Similarly, if revenues recorded are less than expenses incurred in a given year (unfavorable financial variance), the revenue shortfall realized in the year must be recovered from rate payers in future years. These variances are settled by FERC through an annual true-up function whereby the variances are added to or deducted from planned FERC-approved funding levels in future budget years. Statutory revenues include \$481 of under collections in 2010, related to regulatory activities performed by Texas RE. Additionally, Texas RE collected \$180 for meeting fees and other.

Texas RE funds its non-statutory operations from revenues collected by ERCOT from a PUCT approved system administration fee. Texas RE collected revenue of \$286 to cover all operating expense and capital expenses incurred by Texas RE limited by its annual non-statutory budget. This funding arrangement for non-statutory activities is managed on a cost reimbursement approach based on actual expenses incurred whereby there is no surplus or shortfall except with regard to funding capital assets. As capital assets are funded by ERCOT but owned by Texas RE, the net book value of non-statutory fixed assets of \$77 is a component of the net asset balance of the organization. All non-statutory budgeted expenditures are approved by the Texas RE Board.

Texas Regional Entity (An Independent Division of Electric
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment consists primarily of computer software and is recorded at cost of development. In 2010, Texas RE completed development of its website and a web-based compliance portal. Depreciation is computed on the straight-line method using the half-year convention over the estimated life of the asset. The cost of betterments to, or replacement of, property and equipment is capitalized. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any resulting gain or loss is reflected in the statement of activities for the period. Repairs and maintenance costs are expensed when incurred. The depreciable life of software is 5 years from the date placed in service.

Related Party Transactions

Texas RE collects revenue to cover all operating expenses and capital expenses incurred for non-statutory activities (referenced in Note 2, Revenue Recognition). All funding for non-statutory activities is provided by ERCOT based on actual expenses incurred. Texas RE settles its related party transactions generally one month in arrears. Texas RE is reflecting \$325 as an intercompany receivable in the accounts receivable line. This represents the expenses incurred by Texas RE that are reimbursable by ERCOT (e.g. non-statutory revenue). Additionally, Texas RE is reflecting \$614 as an intercompany payable in the accounts payable line. This represents expenses incurred by ERCOT for the benefit of Texas RE that must be settled. The expenses in this category generally include payroll, MOU expenses, etc.

Impairment

Texas RE evaluates long-lived assets for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is identified by comparing expected future cash flows, undiscounted and before interest, to the carrying value of the asset. If impairment exists, it is measured as the difference between the net book value of the asset and its estimated fair value. No impairments requiring write-offs were identified in 2010.

Subsequent Events

Texas RE has evaluated material subsequent events through April 27, 2011, the date the Company's financial statements were available to be issued.

Texas Regional Entity (An Independent Division of Electric
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

3. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on inputs of observable and unobservable market data that a market participant would use in pricing the asset or liability. The use of observable inputs is maximized where available and the use of unobservable inputs is minimized for a fair value measurement. As a means to illustrate the inputs used, a three-tier fair value hierarchy that prioritizes inputs to valuation techniques was used for fair value measurement.

- Level 1 valuations use quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 valuations use inputs, other than those included in Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 valuations use unobservable inputs for the asset or liability. Unobservable inputs are used to the extent observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The input may reflect the assumptions of the reporting entity of what a market participant would use in pricing an asset or liability.

Texas Regional Entity (An Independent Division of Electric
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

3. Fair Value Measurement (continued)

In the case of multiple inputs being used in a fair value measurement, the lowest level input that is significant to the fair value measurement represents the level in the fair value hierarchy in which the fair value measurement is reported.

The following table sets forth by level within the fair value hierarchy Texas RE's financial assets that were accounted for at fair value on a recurring basis for the six months ended June 30, 2010.

<u>As of June 30, 2010</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Cash equivalents (a)	\$ 2,498	\$ 2,498	\$ —	\$ —
Total assets	<u>\$ 2,498</u>	<u>\$ 2,498</u>	<u>\$ —</u>	<u>\$ —</u>

(a) Amounts consist of deposits in banks and money market investments with an original maturity of 90 days or less. The company calculates fair value for these money market funds using the market approach.

4. Fixed Assets

Fixed assets consist of the following for the six months ended June 30, 2010:

Computer equipment and software	\$ 1,281
Less: accumulated depreciation	<u>(158)</u>
Property and equipment, net	<u>1,123</u>
Total fixed assets	<u>\$ 1,123</u>

5. Employee Benefit Plans

Texas RE employees are sponsored under the ERCOT Defined Contribution 401(k) Plan (the 401(k) Plan) which is subject to the provisions of the Employee Retirement Income Security Act of 1974. The 401(k) Plan utilized a third-party administrator to assist in the administration. Employees must be 21 years of age to be eligible to participate. ERCOT matches 75% of the employee's contribution up to 6% of eligible compensation as defined in the 401(k) Plan

Texas Regional Entity (An Independent Division of Electric
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

5. Employee Benefit Plans (continued)

document. Employees are fully vested for the ERCOT match of 75% after five years. In addition, ERCOT contributes 10% of a participant's eligible compensation as defined in the 401(k) Plan document. Employees are fully vested for the ERCOT contributions of 10% after three years. Contributions related to Texas RE employees are allocated to Texas RE and are included in salaries and related benefits in the statement of activities. Employer contributions to the 401(k) plans were \$234 in 2010.

6. Accounting for the Effects of Regulation

In 2010, Texas RE received \$3,330 from NERC and collected \$180 from meeting fees and fines. Texas RE incurred expenses of \$3,991 in performing functions delegated by NERC. This resulted in a decrease to the regulatory liability of \$481 in 2010. The NERC budgeting and true-up process provides that a portion of the deferred liability be applied toward the future budget year. Consistent with NERC's process, the amount of Texas RE's deferred liability to be applied toward 2010 funding will be \$244. As such, these amounts are classified as current with the remaining \$1,011 classified as non-current at June 30, 2010.

The following is a reconciliation of Texas RE's regulatory liability for the six months ended June 30:

	2010
Texas RE collections	\$ 3,510
Less: Texas RE costs	3,991
(Over) under collections	481
Regulatory liabilities, beginning of year	(1,736)
Regulatory liabilities, end of year	\$ 1,255
Current portion	\$ (244)
Long term portion	\$ (1,011)

Texas Regional Entity (An Independent Division of Electric
Reliability Council of Texas, Inc.)

Notes to Financial Statements (continued)

7. Contingencies

Texas RE is party to regulatory and legal proceedings that management considers to be normal actions to which an enterprise of its size and nature might be subject. Such proceedings are not anticipated to have a material impact on Texas RE's financial condition, results of operations, or cash flow.

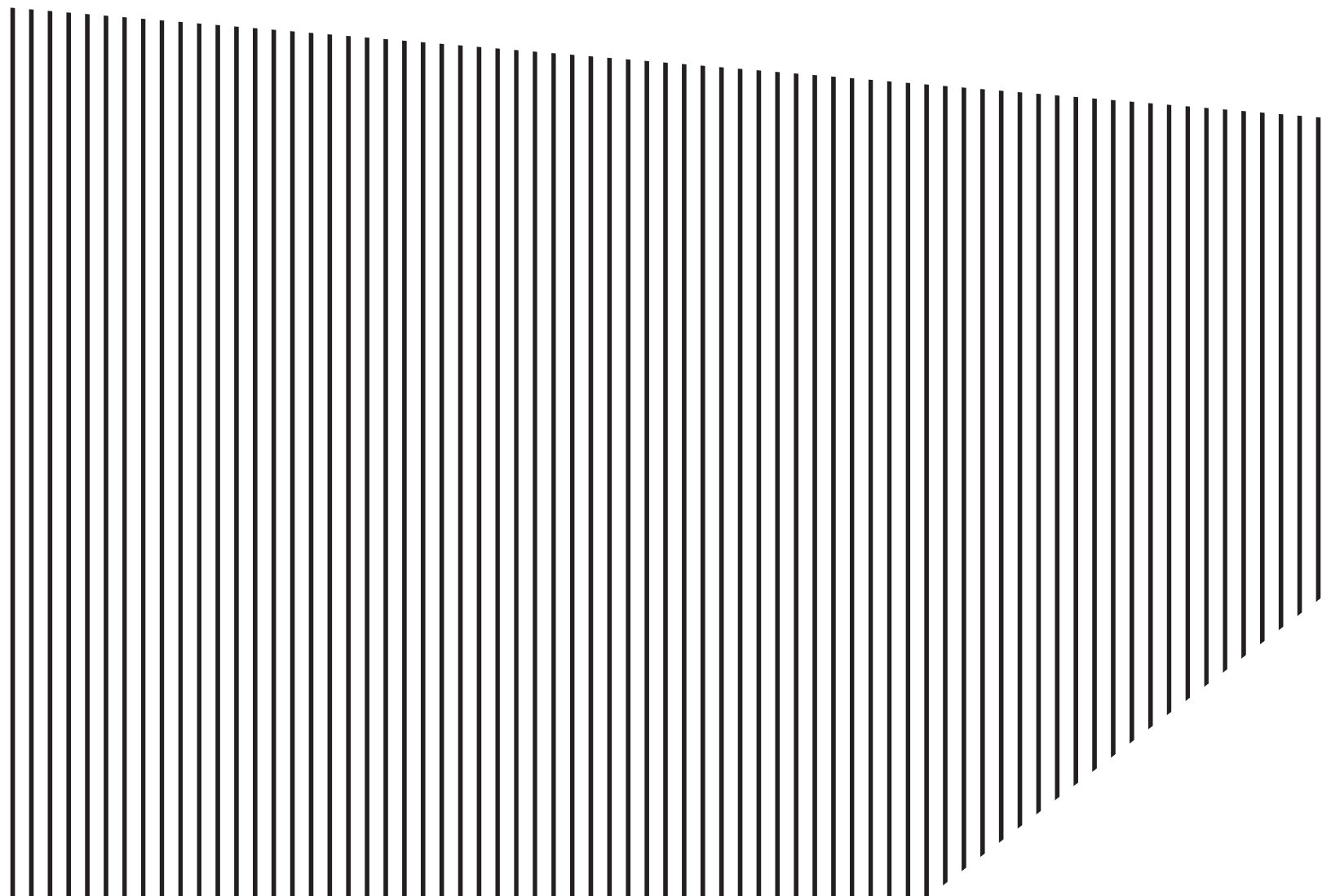
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ATTACHMENT 9

2010 ACTUAL COST-TO-BUDGET COMPARISON

AND

2010 AUDITED FINANCIAL REPORT

FOR

WESTERN ELECTRICITY COORDINATING COUNCIL



Tricia Kritzberg
Controller

801-883-6866
tkritzberg@wecc.biz

May 23, 2011

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

RE: 2010 Budget Variance Explanations Based on Audited Financials

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

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

WECC has one non-statutory activity, the Western Renewable Energy Generation Information System (WREGIS). WECC uses a fund accounting system that allows costs to be segregated between statutory and non-statutory activities to ensure that no statutory funding is used for non-statutory activities. These same principles of segregating costs are also used to ensure that costs are segregated to federal grant activities in accordance with federal cost accounting requirements.

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

Significant variances related to the statutory budget are explained by line item, based on program specific budgets and actual results. A summary of significant overall variances is described below. Year-end variances greater than \$10,000 and 10 percent are explained below, in addition to any other variances that are noteworthy.

WECC did not use cash reserves during 2010.

FUNDING

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

EXPENSES

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

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

FIXED ASSETS

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

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

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

Thank you,



Tricia Kritzberg

Controller

WESTERN ELECTRICITY COORDINATING COUNCIL

2010 Statement of Activities Summary

Audited

(In Whole Dollars)

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

WESTERN ELECTRICITY COORDINATING COUNCIL

2010 Statement of Activities Summary

Statutory Only

(In Whole Dollars)

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

WESTERN ELECTRICITY COORDINATING COUNCIL
2010 Statement of Activities Summary
Reliability Standards

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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

WESTERN ELECTRICITY COORDINATING COUNCIL
2010 Statement of Activities Summary
Information Technology

(In Whole Dollars)

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

WESTERN ELECTRICITY COORDINATING COUNCIL
2010 Statement of Activities Summary
Human Resources

(In Whole Dollars)

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

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

(In Whole Dollars)

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

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

(In Whole Dollars)

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



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



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TANNER
BUSINESS ADVISORS AND CERTIFIED
PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors Western Electricity Coordinating Council

We have audited the accompanying statements of financial position of Western Electricity Coordinating Council (WECC) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of WECC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WECC's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Electricity Coordinating Council as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Tanner LLC

April 27, 2011



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

As of December 31

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



WESTERN ELECTRICITY COORDINATING COUNCIL

Statements of Activities (in thousands)

For the Years Ended December 31

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



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

For the Years Ended December 31

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



1. **Summary of Significant Accounting Policies**

Nature of Activities

Western Electricity Coordinating Council (WECC) is a not-for-profit organization whose primary mission is to assure a reliable bulk electric power system in the Western Interconnection that supports efficient and competitive electric power markets. A substantial portion of its revenue comes from assessments collected from member organizations. As such, WECC is involved in significant related-party transactions as a result of its normal activities.

Financial Statement Presentation

WECC reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2010 and 2009, WECC had only unrestricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

WECC maintains its cash, cash equivalents, and certain investments in bank deposit accounts which, at times, exceed federally insured limits. As of December 31, 2010, WECC had \$43.1 million of cash, cash equivalents, and investments that exceeded federally insured limits. To date, WECC has not experienced a loss or lack of access to its cash, cash equivalents, and investments; however, no assurance can be provided that these instruments will not be impacted by adverse conditions in the financial markets.

Cash and Cash Equivalents

WECC considers all highly liquid investments purchased with remaining maturities of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.



1. Summary of Significant Accounting Policies
Continued

Accounts Receivable

Accounts receivable consists of assessments for operations (including membership assessments and services) and grant receivables that have not been collected. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Property, Equipment, and Software

Property, equipment, and software are capitalized at cost and are depreciated using the straight-line method over the shorter of the respective lease terms or the estimated useful lives of the assets as follows:

Equipment and software	3 years
Furniture and fixtures	5 years
Leasehold improvements	10 years

Minor replacements, maintenance, and repairs, which do not increase the useful lives of the property, equipment, and software, are expensed as incurred.

Impairment of Long-Lived Assets

WECC reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. If it is determined that the estimated undiscounted future cash flows are not sufficient to recover the carrying value of an asset, an impairment loss is recognized in the statement of activities for the difference between the carrying value and the fair value of the asset.

Revenue Recognition

Annual assessments are recognized as revenue in the period for which they have been assessed. WECC generally receives assessment payments in advance of the assessment period, for which it records the cash collected as deferred revenue and then recognizes the revenue during the related assessment period. Federal grant revenue is generated through performance of services in accordance with federal award agreements on a cost-reimbursement basis. Other types of revenues are recognized when the services or products have been provided.



1. Summary of Significant Accounting Policies
Continued

Income Taxes

WECC has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(6) of the Internal Revenue Code and, as such, is not subject to federal or state income taxes on exempt purpose income. WECC is subject to excise taxes on revenue generated in the state of Washington (see Note 8), and is subject to taxation on any unrelated business income.

Subsequent Events

WECC has evaluated events occurring between the end of its most recent fiscal year and the date of the independent auditors' report, which is the date the financial statements were available for issue.

2. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs according to valuation methodologies used to measure fair value:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2: Unobservable prices that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs that are used when little or not market data is available.

Assets and liabilities measured at fair value on a recurring basis are summarized as follows (in thousands):

Description	Fair Value Measurements as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Cash	\$ 12,921	\$ -	\$ -	\$ 12,921
Money market funds	17,496	-	-	17,496
Corporate bonds	-	6,668	-	6,668
Government bonds	-	1,755	-	1,755
Certificates of deposit	-	96	-	96
	<u>\$ 30,417</u>	<u>\$ 8,519</u>	<u>\$ -</u>	<u>\$ 38,936</u>
Investments:				
Certificates of deposit	\$ -	\$ 1,203	\$ -	\$ 1,203
Government asset-backed securities	-	1,572	-	1,572
Corporate bonds	-	1,343	-	1,343
Foreign bonds	-	102	-	102
	<u>\$ -</u>	<u>\$ 4,220</u>	<u>\$ -</u>	<u>\$ 4,220</u>



WESTERN ELECTRICITY COORDINATING COUNCIL
Notes to Financial Statements
Continued

2. Fair Value Measurements
Continued

Description	Fair Value Measurements as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Cash	\$ 1,275	\$ -	\$ -	\$ 1,275
Money market funds	29,338	-	-	29,338
Corporate bonds	-	6,439	-	6,439
Certificates of deposit	-	276	-	276
Mutual funds	40	-	-	40
	<u>\$ 30,653</u>	<u>\$ 6,715</u>	<u>\$ -</u>	<u>\$ 37,368</u>
Investments:				
Certificates of deposit	\$ -	\$ 1,438	\$ -	\$ 1,438
Government asset-backed securities	-	581	-	581
Corporate bonds	-	399	-	399
	<u>\$ -</u>	<u>\$ 2,418</u>	<u>\$ -</u>	<u>\$ 2,418</u>

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

	As of December 31, 2010		
	Cost	Market Value	Unrealized gain (loss)
Certificates of deposit	\$ 1,204	\$ 1,203	\$ (1)
Government asset-backed securities	1,568	1,572	4
Corporate bonds	1,342	1,343	1
Foreign bonds	101	102	1
	<u>\$ 4,215</u>	<u>\$ 4,220</u>	<u>\$ 5</u>
	As of December 31, 2009		
	Cost	Market Value	Unrealized gain (loss)
Certificates of deposit	\$ 1,436	\$ 1,438	\$ 2
Government asset-backed securities	586	581	(5)
Corporate bonds	393	399	6
	<u>\$ 2,415</u>	<u>\$ 2,418</u>	<u>\$ 3</u>



WESTERN ELECTRICITY COORDINATING COUNCIL
Notes to Financial Statements
Continued

4. Property, Equipment, and Software

Property, equipment, and software consist of the following as of December 31 (in thousands):

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

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

5. Line of Credit

During 2008, WECC entered into a revolving line of credit arrangement with a financial institution that had a borrowing limit of \$6.0 million. During 2009, the limit was reduced to \$3.0 million. As of December 31, 2009, the outstanding balance on the line of credit was approximately \$2.9 million. The line of credit bore interest at an annual rate equal to the prime rate less 0.75%. The line of credit matured March 1, 2010 and the balance was paid off at that time (\$0 balance as of December 31, 2010). In accordance with the line of credit arrangement, WECC was required to maintain a minimum balance of cash or investments at the institution, which served as collateral against advances taken under the line of credit. Restricted cash and investments pertaining to this agreement as of December 31, 2010 and 2009 were \$0 and \$2.5 million, respectively.

6. Accounts Payable

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

	<u>2010</u>	<u>2009</u>
Assessment payables	\$ 4,367	\$ 3,466
Trade payables	<u>2,225</u>	<u>1,019</u>
	<u>\$ 6,592</u>	<u>\$ 4,485</u>



**7. Unrestricted
Net Assets**

WECC reports information regarding statutory and non-statutory related earnings to the Federal Energy Regulatory Commission in accordance with its Delegation Agreement dated October 16, 2007. As of December 31, the breakdown of such earnings included in unrestricted net assets consist of the following (in thousands):

	<u>2010</u>	<u>2009</u>
Non-statutory earnings	\$ 6,392	\$ 6,114
Statutory earnings	11,399	7,692
	<u>\$ 17,791</u>	<u>\$ 13,806</u>

**8. Commitments
and
Contingencies**

Operating Lease Commitments

WECC has entered into non-cancelable operating leases for office space and office equipment. Future minimum lease payments under non-cancelable operating leases with terms of one year or more are as follows (in thousands):

<u>Years Ending December 31:</u>	<u>Amount</u>
2011	\$ 1,599
2012	1,653
2013	1,610
2014	1,443
2015	1,279
Thereafter	<u>5,755</u>
	<u>\$ 13,339</u>

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

Litigation and Claims

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



**8. Commitments
and
Contingencies**
Continued

Washington State Excise Tax

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

Other Operating Commitments

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

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

**9. Retirement
Plans**

Employee Benefit Plan

WECC has a 401(k) Retirement Savings Plan for eligible employees. The Plan requires WECC to make matching contributions equal to 50% of the first 6% of compensation eligible employees contribute to the plan. WECC may also make, at its discretion, supplemental contributions for eligible employees. Retirement plan expense reflected in the accompanying statements of activities was \$1.2 million and \$1.0 million for the years ended December 31, 2010 and 2009, respectively.



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

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

Note 1 - Basis of Presentation

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

Note 2 - Subrecipients

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

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



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

Members of the Board of Directors Western Electricity Coordinating Council

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Tanner LLC

April 27, 2011



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

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

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

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

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

Tanner LLC

April 27, 2011



Section II – Financial Statement Findings

Finding No. 10-1 – Unrecorded Liabilities

Criteria:

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

Condition:

Certain expenses and a contingent loss were not originally recorded.

Effect:

Expenses and accrued liabilities were understated.

Recommendation:

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

Management's Response:

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

Finding No. 10-2 – Prepaid Expenses

Criteria:

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

Condition:

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

Effect:

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

Recommendation:

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

Management's Response:

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



Section III - Federal Award Findings and Questioned Costs

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

Criteria:

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

Condition:

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

Effect:

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

Recommendation:

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

Management's Response:

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

ATTACHMENT 10

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

Analysis of Administrative (Indirect) Costs
2010 Actual and Budget

2010 ACTUAL SPEND

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

2010 BUDGET SPEND

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

2010 ACTUAL FTEs

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

2010 BUDGET FTEs

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

2010 ACTUAL SPEND per FTE

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

2010 BUDGETED SPEND per FTE

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

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